

FOREIGN POWER SECURITIES
CORPORATION, LIMITED

Annual Report
For the Year ending October 31st, 1945

OFFICERS

President

A. J. NESBITT, Montreal

Vice-President

JAS. B. WOODYATT, Montreal

Directors

ROBERT DESPRES Paris, France
L. C. HASKELL..... Montreal
A. J. NESBITT..... Montreal
E. R. PARKINS, K.C..... Montreal
P. A. THOMSON..... Montreal
GUY M. TODD..... Montreal
JAS. B. WOODYATT..... Montreal

Secretary

L. C. HASKELL

Treasurer

T. IRVING

Assistant-Secretary

V. J. NIXON

Assistant-Treasurer

E. L. JOWETT

Bankers.....ROYAL BANK OF CANADA
Fiscal Agents....NESBITT, THOMSON & Co., LTD.
Auditors.....PRICE, WATERHOUSE & COMPANY
Trustee & Transfer Agents..MONTREAL TRUST CO.

Head Office

355 ST. JAMES STREET WEST
MONTREAL
CANADA

FOREIGN POWER SECURITIES CORPORATION, LIMITED

(Incorporated under the Dominion of Canada Companies' Act)

BALANCE SHEET OCTOBER 31, 1945

ASSETS

Deposited with Montreal Trust Company, as Trustee:	1945	1944
Investments, at book value:		
Investments in French Companies held in Paris.....	\$7,320,092.20	\$7,144,179.49
<small>Note:— Based on quoted market prices in Paris October 31, 1945 (and including \$365,000.00 cost value of unquoted securities) the value of these investments, expressed in Canadian currency at the devalued rate of .915 cents to the Franc, was \$1,992,296.00. There is a contingent liability of Fr. Francs 1,117,500 in respect of un-called capital on one of these investments.</small>		
Investments in Canadian and American Companies and Canadian Government Bonds held in Montreal	\$1,492,526.46	1,469,556.40
<small>(Quoted value October 31, 1945 \$802,848.00)</small>		
Cash	8,897.52	951.58
Accrued Interest on Investments	4,043.12	5,947.50
	\$8,825,559.30	\$8,620,634.97
Cash on Hand and in Banks:		
Including Frs. 1,273,093. (\$11,648.80) in a Blocked Account in France	15,696.96	3,670.12
Investments:		
Dominion of Canada Bonds, at cost (Market value \$30,675.)	30,000.00	40,000.00
Accrued Interest on Investments	478.05	628.05
Account Receivable in France	34,946.43	
<small>The proceeds of this account, Frs. 3,819,282, can only be placed in a Blocked bank account.</small>		
Prepaid Accounts	260.79	96.46
	\$8,906,941.53	\$8,665,029.60

CAPITAL AND LIABILITIES

To the Public:	1945	1944
First Collateral Trust 6% Bonds—Series "A"—1949 (see Note 1) Authorized—\$50,000,000.00 of which \$5,000,000.00 were issued Outstanding	\$1,684,500.00	\$1,691,500.00
Bond interest accrued (including interest to June 1, 1945, in arrears \$555,885.00)	597,997.50	498,992.50
Accounts payable and accrued liabilities	5,040.50	1,470.00
To the Shareholders:		
6% Cumulative Participating Preferred Stock (see Note 2) Authorized and issued—50,000 shares of \$100.00 each... <small>Note:—Dividends in arrears amount to \$81.00 per share</small>	5,000,000.00	5,000,000.00
Common stock (no par value)— Authorized—250,000 shares of which 125,000 shares are issued and outstanding at a stated value of	1,500,000.00	1,500,000.00
Earned surplus— Balance as per statement attached	119,403.53	*26,932.90
<small>Note 1: Payable in Canada, London or New York at holders' option.</small>		
<small>Note 2: Redeemable at the option of the Company on any dividend date, after thirty days' notice, in whole or in part at \$105.00 per share plus accrued dividends.</small>		
<small>* Deficit</small>		
	\$8,906,941.53	\$8,665,029.60

Approved on behalf of the Board:

A. J. Nesbitt
Jas. B. Woodyatt

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Directors.

FOREIGN POWER SECURITIES CORPORATION, LIMITED

STATEMENT OF REVENUE AND EXPENSES AND SURPLUS OCTOBER 31, 1945

Deficit, balance October 31, 1944.....			\$ 26,932.90
Adjustments in respect of years 1941 to 1944—			
Income received in France.....	Fcs. 17,044,120	\$382,640.41	
Less: Expenses in France paid and accrued.....	Fcs. 2,635,684	59,171.09	
(Expressed at 2.245 cents per franc).....	14,408,436		323,469.32
			\$296,536.42
Revenue and Expenses for the year ended October 31, 1945—			
Dividends and interest on investments in France	Fcs. 1,503,674	\$ 33,757.48	
Less: Interest and Expenses in France.....	Fcs. 1,254,584	28,165.38	
(Expressed at 2.245 cents per franc).....	249,090	\$ 5,592.10	
Dividends and interest on Investments in Canada....		\$22,335.38	
Deduct: Expenses—			
Directors' Fees	\$ 680.00		
Legal Fees	60.00		
Executive Salaries	600.00		
Other Expenses	3,815.45	5,155.45	17,179.93
Discount on Corporation's Bonds purchased for redemption during year			2,287.50
			\$ 25,059.53
Less: Interest accrued on Bonds.....			101,070.00
Net Loss for the year			76,010.47
			\$220,525.95
Add:			
Interest cancelled on Bonds redeemed during year.....			2,065.00
Profit on Sale of Investments.....	\$ 7,557.50		
Less: Transferred to Investment Reserve.....		7,557.50	—
			\$222,590.95
Deduct:			
Exchange adjustment arising from reduction of bank balance and account receivable in France at October 31, 1945 to the devalued exchange rate of .915 cents per franc established in December, 1945			103,187.42
			\$119,403.53
Surplus, balance October 31, 1945			<u>\$119,403.53</u>

Auditors' Report to the Shareholders:

We have made an examination of the books and accounts of Foreign Power Securities Corporation, Limited for the year ending October 31, 1945 and have received all the information and explanations which we have required. The Corporation's investments have been verified either by certificates from the depositaries or by physical inspection and we report that, in our opinion, the above Balance Sheet at October 31, 1945, read in conjunction with the notes appearing thereon, is properly drawn up so as to exhibit a true and correct view of the state of the affairs of Foreign Power Securities Corporation, Limited at that date, according to the best of our information and the explanations given to us and as shown by the books of the Corporation.

(Signed) PRICE, WATERHOUSE & CO.,

Auditors.

Montreal, January 25, 1946.

FOREIGN POWER SECURITIES CORPORATION, LIMITED

355 St. James Street West

MONTREAL

February 6th, 1946.

To the Shareholders:—

Your Directors submit herewith the Annual Report for the year ended October 31st, 1945.

Since the end of hostilities we have been advised by the Company's bankers in Paris, The Royal Bank of Canada (France), that the securities held by your Company in France are intact. We have also received statements showing that all dividends declared and paid during the war years by companies in which Foreign Power Securities Corporation, Limited, have holdings have been deposited to your Company's credit, including dividends paid direct to the occupying authorities, which have since been recovered. These dividends were valued at 2.245 cents per franc, being the rate set between the United Kingdom Government and the Government of France in their mutual credit arrangement covering the sterling area and which was in effect on October 31st, 1945.

All dividends credited to your Company's account in France to March 31st, 1944, were used on the order of the occupying authorities, and, as far as they were available, to take up rights and purchase securities issued by the companies in which your Company was already interested. Additional funds required were advanced on interest bearing loans. Immediately this situation was known, arrangements were made to liquidate these advances by the sale of certain of these securities so purchased, and at October 31st, 1945, all indebtedness of this nature was paid off. Our representative in Paris has been asked to enquire into the possibility of recovering certain of these interest payments which apparently were made to the German authorities.

Until such time, however, as the Company can liquidate some of these securities which were ordered purchased from the proceeds of dividends received, and can also obtain permission to transfer the proceeds to Canada, the question of payment of Bond Interest Coupon No. 22, due June 1st, 1940, and of coupons which have become due subsequently, will necessarily have to remain in abeyance. A further consideration is the fact that since the close of our fiscal year the franc has been devalued to the equivalent of .915 cents in Canadian funds, so that future dividends will be taken into our books at the above reduced rate.

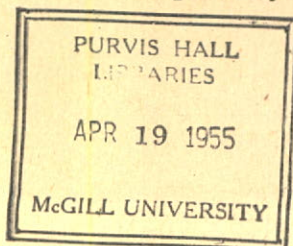
This devaluation is reflected to some extent in the year's operations, as the balance of francs held for our account by The Royal Bank of Canada (France) on October 31st, 1945, and also the franc balance of an account receivable at the same date has been reduced to the new rate, showing a loss in exchange for the year's operations of \$103,187.42.

The future of the companies in which your Company is interested is somewhat obscure, due to the policy of the French Government in regard to the nationalization of public utilities. Security prices of public utility issues on the Paris Bourse have had a continuous decline for the past few months.

The properties of the companies in which your Company is interested, we understand, have come through the war years in good condition, with the exception of those located in the Lorient and St. Nazaire district. Low water and lack of coal in 1945 have greatly curtailed the output of both hydro and steam plants, necessitating a rigid priority system for industrial and domestic consumers. Public lighting has had to be decreased to 50% of pre-war status. It is estimated that provision must be made to at least double the present power generation capacity in France within the next ten years to meet requirements.

During the year your Company purchased \$7,000 par value of its Bonds, which were cancelled, thus reducing the issue outstanding to \$1,684,500.

Respectfully submitted on behalf of the Board.



A. J. Nesbitt
President.