

FOREIGN POWER SECURITIES
CORPORATION, LIMITED

Annual Report

For the Year ending October 31st, 1946

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

STATEMENT OF REVENUE AND EXPENSES AND SURPLUS

FOR THE YEAR ENDED OCTOBER 31, 1946

Dividends and interest on investments				
in France	Frs.	4,867,875.89	\$ 40,703.92	
Less: Expenses in France		378,892.28	3,426.59	
	Frs.	4,488,983.61	\$ 37,277.33	
Dividends and interest on Investments in Canada			\$ 32,451.24	
Less: Expenses—				
Director's Fees	\$	680.00		
Legal Fees		30.00		
Executive Salaries		600.00		
Other Expenses		4,423.02	5,733.02	26,718.22
			\$ 63,995.55	
Deduct:				
Exchange adjustment arising from reduction of bank balances and accounts receivable in France at October 31, 1946 to the devalued exchange rate of .831 cents per franc established in August, 1946				9,302.44
				\$ 54,693.11
Profit on Sale of Investments			\$ 33,346.31	
Less: Transferred to Investment Reserve			33,346.31	—
				\$ 54,693.11
Less: Interest accrued on Bonds				101,070.00
				\$ 46,376.89
				119,403.53
				\$ 73,026.64

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, 1946 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, 1946, 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 3, 1947

FOREIGN POWER SECURITIES CORPORATION, LIMITED

355 St. James Street West

MONTREAL

February 6th, 1947.

To the Shareholders:—

Your Directors submit herewith the Annual Report for the year ended October 31st, 1946.

There was no change during the year in the securities of French public utility corporations held by your Company.

The action of the Canadian Government in establishing a parity between the Canadian dollar and the U.S. dollar resulted in the devaluation of the French franc from .915¢ to .831¢ in terms of the Canadian dollar. This devaluation is reflected in our statement by a loss in exchange of \$9,302.44.

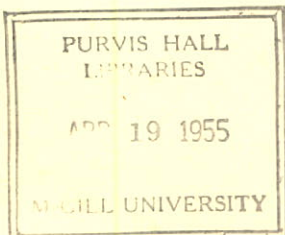
The balance of francs held for our account by the Royal Bank of Canada (France) at October 31st, 1946, and also a franc balance of an account receivable at the same date, is carried in our books at the new rate of .831¢ per franc.

Your Company's operations for the year under review show earnings of \$54,693.11 after expenses and the loss in exchange referred to above. Unpaid bond interest for the year amounted to \$101,070.00, thus creating an operating deficit of \$46,376.89 for the year.

The Nationalization Act covering public utility corporations in France became law on April 8th, 1946. Valuation for security holdings of these companies which now form part of Electricité de France (the name of the nationalized organization) was proposed on the basis of average value during the "standard period" September 1st, 1944 to February 28th, 1945, or on June 4th, 1945, whichever is higher, for quoted stocks and, for non-quoted stocks, a value to be fixed by a commission, based on the liquidation value of the undertaking. Payment for security holdings was to take the form of 3% 50-year Bonds of Electricité de France, the revenue from which would be taxable. Such a basis, taking into account the depreciated value of the franc and the depressed market values during the period set out, would penalize your Company unjustly. Representations are being made through the proper channels in an endeavour to secure a more equitable settlement based on intrinsic values and payment convertible into Canadian dollars at the average rate of exchange prevailing during the above mentioned "standard period". A decision in this matter may not be reached for some time, but every effort is being put forth in presenting the justice of our petition.

Until the outcome of these negotiations and the situation is further clarified, the 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.

Respectfully submitted on behalf of the Board.



A. J. Nesbitt
President.