

FOREIGN POWER SECURITIES
CORPORATION, LIMITED

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Annual Report

For the Year ending October 31st, 1947

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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

Assistant-Secretary

V. J. NIXON

Treasurer

T. IRVING

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.

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Head Office

355 ST. JAMES STREET WEST
MONTREAL
CANADA

FOREIGN POWER SECURITIES CORPORATION, LIMITED

STATEMENT OF REVENUE AND EXPENSES AND DEFICIT

FOR THE YEAR ENDED OCTOBER 31, 1947

(To be read in conjunction with the auditors' report to the shareholders dated January 10, 1948)

Dividends and interest on investments			
in France	Frs.	623,441.64	\$ 5,180.78
Less: Expenses in France		463,370.40	3,851.07
(converted at .831 cents to the franc)			
	Frs.	160,071.24	\$ 1,329.71
Dividends and interest on investments in Canada			\$ 33,774.28
Less: Expenses—			
Directors' fees	\$	610.00	
Legal fees		50.00	
Executive salaries		600.00	
Other expenses		4,700.02	5,960.02
			27,814.26
			\$ 29,143.97
Profit on sale of investments			\$ 3,357.14
Less: Applied in reduction of book value of Canadian investments		3,357.14	—
			\$ 29,143.97
Less: Interest accrued on bonds			101,070.00
			\$ 71,926.03
Add:			
French capital tax (Frs. 957,555)		7,957.28	
Legal expenses in connection with "Nationalization" of companies in France in which the Company has investments		2,622.98	10,580.26
			\$ 82,506.29
Surplus, balance at October 31, 1946		73,026.64	
Add: Prior year's exchange adjustment		942.07	73,968.71
			\$ 8,537.58
			\$ 8,537.58

FOREIGN POWER SECURITIES CORPORATION, LIMITED

(Incorporated under the Dominion of Canada Companies Act)

BALANCE SHEET — OCTOBER 31, 1947

(To be read in conjunction with the auditors' report to the shareholders dated January 10, 1948)

ASSETS

Deposited with Montreal Trust Company, as Trustee:	Assets located in France	Assets located in Canada	Total
Investments in securities	\$7,320,087.66	*\$1,593,440.05	\$8,913,527.71
Cash	1,023.78	858.00	1,881.78
(123,271.61 francs converted at .831 cents to the franc)			
Accrued interest on investments	—	8,256.75	8,256.75
	\$7,321,111.44	\$1,602,554.80	\$8,923,666.24
Cash on Hand and in Banks	4,511.52	1,266.64	5,778.16
(542,856.60 francs converted at .831 cents to the franc)			
Investment in Dominion of Canada Bonds, at cost (Quoted market value \$29,470.00)	—	28,000.00	28,000.00
Accrued Interest on Investments	—	420.00	420.00
Account Receivable	28,432.17	—	28,432.17
(Proceeds of this account can only be placed in a blocked account — 3,421,440.10 francs converted at .831 cents to the franc)			
Prepaid Accounts	—	900.32	900.32
	\$7,354,055.13	\$1,633,141.76	\$8,987,196.89
Deficit:			
Balance as per statement attached			8,537.58
			\$8,995,734.47

*(Quoted Market Value of Investments in Canada, \$1,112,700.)

CAPITAL AND LIABILITIES

To the Public:

First Collateral Trust 6% Bonds Series A 1949 — Authorized — \$50,000,000.00 of which \$5,000,000.00 were issued Outstanding	\$1,684,500.00
Bond interest accrued (including interest to June 1, 1947 in arrears \$758,025.00)	800,137.50
Accounts payable and accrued liabilities	11,096.97
(Includes 791,511 francs converted at .831 cents to the franc — \$6,577.46)	

To the Shareholders:

6% Cumulative Participating Preferred Stock — Note: Dividends in arrears amount to \$93.00 per share. Authorized and Issued — 50,000 shares of \$100.00 each	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
	\$8,995,734.47

Approved on behalf of the Board:

A. J. Nesbitt
Jas. B. Woodyatt } Directors.

Submitted with our report to the shareholders
dated January 10, 1948

PRICE, WATERHOUSE & CO.

Auditors.

FOREIGN POWER SECURITIES CORPORATION, LIMITED

355 St. James Street West

MONTREAL

February 5th, 1948.

To the Shareholders:—

Your Directors submit herewith the Annual Report for the year ended October 31st, 1947.

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

Your Company's operations for the year under review show earnings of \$19,505.78 after expenses, including a capital levy of Frs. 957,555 on all assets in France, imposed during the year by the French Government and termed "Solidarity Tax", and legal expenses of \$2,622.98 in connection with the Nationalization Act. Unpaid bond interest for the year amounted to \$101,070.00, thus creating an operating deficit of \$81,564.22 for the year.

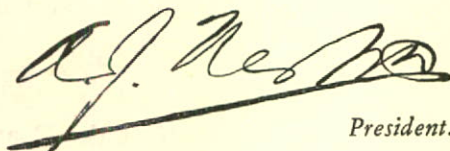
The Canadian investments of your Company, consisting of Dominion Government Bonds and other securities, deposited with the Montreal Trust Company, had a quoted market value at October 31st, 1947 of \$1,112,700.

Most of the companies in France in which your Company is interested have declared interim dividends, amounting to Frs. 9,634,695 for the year ended October 31st, 1947. These dividends are derived from payments by the French Government on account of the interest on the Nationalization Bonds, none of which have yet been issued. In common with other foreign shareholders, it was felt that to accept these dividends might be construed as an abandonment of your Company's claim to be paid for its securities in cash instead of in bonds, as set forth in the letter to shareholders dated February 6th, 1947, which formed part of the Annual Report for the year ended October 31st, 1946. Your Company's bankers in Paris were therefore instructed to refuse such dividends.

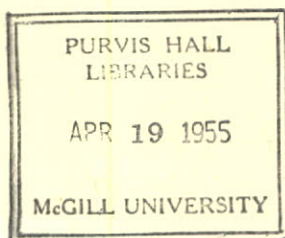
Your Company throughout the year has tried to secure an equitable basis of settlement and payment for its holdings of French public utility companies taken over under the Nationalization Act which became law on April 8th, 1946 and effective June 1st, 1946. The representations made, as well as those of others in a similar position, have not yet been successful in securing a decision from the French Government. The constant political changes in France add to the difficulties in arriving at a solution of the problem.

Bond Interest Coupon No. 22, due June 1st, 1940, and all coupons which have become due subsequently must of necessity remain unpaid until the outcome of the settlement with the French Government.

Respectfully submitted on behalf of the Board.



A. J. Nesbitt
President.



Montreal, January 10, 1948

Auditors' Report to the Shareholders of
Foreign Power Securities Corporation Limited.

We have examined the balance sheet of Foreign Power Securities Corporation Limited as at October 31, 1947, together with the statement of revenue and expenses and deficit for the year ended on that date and have compared them with the books of the Corporation and have received all the information and explanations that we required.

The investments held in France consisted of shares of companies primarily engaged in the production and distribution of electricity and gas and under the existing law in France all electricity and gas undertakings were nationalized as of June 1, 1946. Compensation for the assets taken over was to be made in Fifty year 3% bonds of "Caisse Nationale d'Equipeement et de l'Electricité et du Gaz", which bonds were to carry a right to participate in the revenue arising from a minimum royalty of 1% of the receipts of the nationalized undertakings. We understand that these bonds have not yet been issued. The law under which the nationalization was effected provides for special treatment of foreign shareholders and we understand that a claim has been made by such shareholders, including your company, for payment in cash at a fixed rate of exchange, together with the right to export the funds and that negotiations are still being carried on in relation thereto.

Investments in the French companies, which are shown on the balance sheet at cost, less a reserve of \$170,000.00, included shares having a book value of \$6,955,021.51, which shares were currently quoted on the Bourse; these quotations, applied to the number of shares held, would result in a total quoted price of Frs. 200,437,000. In view, however, of the negotiations referred to above, it is felt that these quoted prices are not of necessity a true indication of the ultimate realizable value of such shares presently held by your company.

The Canadian investments deposited with the Montreal Trust Company are carried on the balance sheet at cost, less a reserve of \$51,379.58 and had a quoted market value at October 31, 1947 of \$1,112,700.00.

During the year ending October 31, 1947 the Corporation received assessments for capital taxes payable to the Government of France totalling Frs. 957,555; these taxes have been charged to the deficit account at the official rate of exchange, .831¢ to the franc.

There is a contingent liability of Frs. 1,117,500.00 in respect to uncalled capital on one investment in France.

During the year under review, dividends on the corporation's investments in French electricity and gas companies were declared payable in the amount of Frs. 10,258,136.64. Acting on the advice of counsel and pending final decision as to the treatment of foreign shareholders in companies whose electricity and gas undertakings have been nationalized, the corporation did not cash such dividends to the extent of Frs. 9,634,695. for the reason that these dividends are said to be wholly or in part derived from payments made by the Government on account of the interest on the nationalized bonds to be received for the undertakings; the balance, Frs. 623,441.64, is included in the corporation's revenue for the year.

We have verified the Corporation's investments either by physical inspection of the relative securities or by means of certificates from depositaries confirming to us that the securities were in their custody at October 31, 1947 and we report that, in our opinion, subject to the foregoing, the above balance sheet as at October 31, 1947 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.

PRICE, WATERHOUSE & CO.
Auditors.

