

FOREIGN POWER SECURITIES  
CORPORATION, LIMITED

*Annual Report*  
For the Year ending October 31st, 1948

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.

*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, 1948

(To be read in conjunction with the auditors' report to the shareholders dated December 22, 1948)

Dividends and interest on investments in Canada .....		\$ 37,017.29
<b>Less: Expenses —</b>		
Directors' fees .....	\$ 630.00	
Legal fees .....	151.38	
Executive salaries .....	600.00	
Other expenses .....	5,748.64	7,130.02
		\$ 29,887.27
<b>Less:</b>		
Expenses in France (Frs. 690,289.38) .....	\$ 3,286.52	
Exchange adjustment arising from devaluation of the franc on January 26, 1948 to a rate of .46 cents to the franc .....	12,113.24	15,399.76
		\$ 14,487.51
Profit on sale of investments .....	\$ 5,462.73	
<b>Less: Applied in reduction of book value of Canadian investments</b>	5,462.73	—
		\$ 14,487.51
<b>Less: Interest accrued on bonds</b> .....		101,070.00
		\$ 86,582.49
<b>Add: Additional assessment for French capital tax (Frs. 2,531,068)</b>		11,642.91
		\$ 98,225.40
Deficit, balance at October 31, 1947 .....		8,537.58
		\$ 106,762.98
<b>Deficit at October 31, 1948</b> .....		\$ 106,762.98

# FOREIGN POWER SECURITIES CORPORATION, LIMITED

(Incorporated under the Dominion of Canada Companies Act)

BALANCE SHEET — OCTOBER 31, 1948

(To be read in conjunction with the auditors' report to the shareholders dated December 22, 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	*\$1,630,227.04	\$8,950,314.70
Cash .....	561.81	821.30	1,383.11
(122,221 francs converted at .46 cents to the franc)			
Accrued interest on investments .....	—	6,976.75	6,976.75
	\$7,320,649.47	\$1,638,025.09	\$8,958,674.56
<b>Cash on Hand and in Banks</b> .....	1,358.28	1,119.33	2,477.61
(295,193 francs converted at .46 cents to the franc)			
<b>Investment in Dominion of Canada Bonds, at cost</b> .....	—	20,175.00	20,175.00
(Quoted market value \$20,025.00)			
<b>Accrued Interest on Investments</b> .....	—	50.00	50.00
<b>Accounts Receivable</b> .....	12,078.48	—	12,078.48
(Proceeds of this account can only be placed in a blocked account — 2,625,756.10 francs converted at .46 cents to the franc)			
<b>Prepaid Accounts</b> .....	—	1,010.80	1,010.80
	\$7,334,086.23	\$1,660,380.22	\$8,994,466.45
<b>Deficit:</b>			
Balance as per statement attached .....			106,762.98
			\$9,101,229.43

\*Quoted market value of investments in Canada \$1,143,579.89.

## 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 (includes interest to June 1, 1948 in arrears \$859,095.00) .....	901,207.50
Accounts payable and accrued liabilities .....	15,521.93
(Includes 2,969,420.17 francs converted at .46 cents to the franc — \$13,659.13)	

### To the Shareholders:

6% Cumulative Redeemable Participating Preferred Stock —	
Note: Dividends in arrears amount to \$99.00 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
	\$9,101,229.43

Approved on behalf of the Board:      Submitted with our report to the shareholders  
dated December 22, 1948.

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

PRICE, WATERHOUSE & CO.  
Auditors.

# FOREIGN POWER SECURITIES CORPORATION, LIMITED

355 St. James Street West

MONTREAL

February 8th, 1949.

To the Shareholders:—

Your Directors submit herewith the Annual Report for the year ended October 31st, 1948.

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 \$2,844.60 after expenses, including an additional capital levy of Frs. 2,531,068 on all assets in France, imposed during the year by the French Government and termed "Solidarity Tax". Unpaid bond interest for the year amounted to \$101,070.00, thus creating an operating deficit of \$98,225.40 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, 1948 of \$1,143,579.

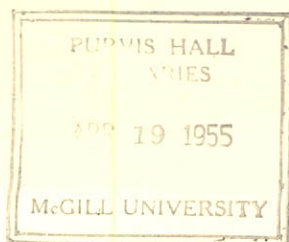
Most of the companies in France in which your Company is interested have declared interim dividends, amounting to Frs. 12,077,618 for the year ended October 31st, 1948. These dividends are derived from payments by the French Government on account of the interest on the Nationalization Bonds, none of 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, the cumulative total of which at October 31st, 1948 amounted to Frs. 21,621,008.

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. Notwithstanding the representations made on behalf of your Company, as well as those of others in a similar position, a decision has not yet been secured from the French Government. The constant political changes in France add to the difficulties in arriving at a solution of the problem.

The Corporation's 6% First Collateral Trust Bonds, of which there were \$1,684,500 outstanding at October 31st, 1948, and upon which the accrued interest at that date amounted to \$901,207.50, fall due on June 1st, 1949.

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.



President.

Montreal 1, December 22, 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, 1948, 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. Electricity and gas companies in Continental France were nationalized in 1946 but they may retain such assets as do not relate to the production, transport or distribution of electricity and gas. Under the basic law of April 8, 1946, as amended under date of August 12, 1948, compensation for the net assets taken over by "Electricité de France" and "Gaz de France" will be effected through the issue by "Caisse Nationale d'Equipement de l'Electricité et du Gaz" of 3% Participating Bonds redeemable on or before December 31, 1996. In addition to the interest of 3%, "Electricité de France" and "Gaz de France" will provide each year a variable amount of not less than 1% of their receipts to pay a premium on the Bonds called for redemption and additional interest (at a rate not specified) on the unredeemed Bonds. 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 Corporation, 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. 232,827,000. 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 Corporation.

The Canadian investments deposited with the Montreal Trust Company are carried on the balance sheet at cost less a reserve of \$56,842.31 and had a quoted market value at October 31, 1948 of \$1,143,579.89.

During the year ending October 31, 1948 a further assessment for capital taxes payable to the Government of France, amounting to Frs. 2,531,068 was received; these taxes have been charged to the deficit account at the official rate of exchange, .46¢ to the franc.

There is a contingent liability of Frs. 1,117,500 in respect of uncalled capital on one investment in France.

Pending the issue of the 3% bonds referred to above, "Caisse Nationale d'Equipement de l'Electricité et du Gaz" is making distributions to the shareholders of the companies subjected to nationalization on account of the interest on these bonds. In order not to prejudice its position in respect of the claim made by foreign shareholders, your corporation, on the advice of counsel, has not cashed these distributions, which amounted to Frs. 21,621,008 of which Frs. 12,077,618 applied to the year ending October 31, 1948. We understand that steps have been taken to obtain assurance from the French authorities that if the above distributions are encashed, this action would not be construed as an abandonment of the Corporation's claim to be paid for its securities in cash.

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, 1948.

The Corporation's 6% First Collateral Trust Bonds, of which there were \$1,684,500.00 outstanding at October 31, 1948 and upon which the accrued interest at that date amounted to \$901,207.50 fall due on June 1, 1949; we are informed that no arrangements have as yet been made with regard to refunding or extension of the maturity date.

Subject to the foregoing we report that, in our opinion, the above balance sheet as at October 31, 1948 is properly drawn up so as to exhibit a true and correct view of the state of 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.

