

FOREIGN POWER SECURITIES
CORPORATION, LIMITED

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Annual Report
For the Year ending October 31st, 1950

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OFFICERS

President

A. J. NESBITT, Montreal

Vice-President

JAS. B. WOODYATT, Montreal

Directors

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

Secretary

V. J. NIXON

Assistant-Secretary

J. W. CUNNINGHAM

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 ENDING OCTOBER 31, 1950

(To be read in conjunction with the auditors' report to the shareholders dated December 28, 1950)

Net dividends and interest on investments in France (F. Fcs. 8,946,644)	\$	26,912.05
Dividends and interest on investments in Canada		22,126.33
		\$ 49,038.38
Expenses in France (F. Fcs. 658,728)	\$	2,073.60
Net loss on exchange		2,940.90
Directors' fees		1,000.00
Executive salaries		600.00
Other expenses	13,180.54	19,795.04
		\$ 29,243.34
LESS:		
Interest accrued on bonds	\$	50,535.00
Interest accrued on unpaid bond interest at June 1, 1949	57,609.90	108,144.90
		\$ 78,901.56
Deficit, balance at October 31, 1949		359,024.94
Deficit, October 31, 1950		\$437,926.50

FOREIGN POWER SECURITIES CORPORATION, LIMITED

(Incorporated under the Dominion of Canada Companies Act)

BALANCE SHEET—OCTOBER 31, 1950

(To be read in conjunction with the auditors' report to the shareholders dated December 28, 1950)

ASSETS

	Located in France	Located in Canada	Total
DEPOSITED WITH MONTREAL TRUST COMPANY AS TRUSTEE:			
Investments in companies whose shares have been nationalized by the government.....	\$5,910,191.81	\$ —	\$5,910,191.81
Investments in other securities.....	1,410,829.78	928,982.78*	2,339,812.56
Cash.....	—	760.81	760.81
Accrued income on investments.....	—	2,505.75	2,505.75
	\$7,321,021.59	\$ 932,249.34	\$8,253,270.93
CASH ON HAND AND IN BANKS:			
(F. Fcs. 1,127,604 converted at 3/10 cents to the franc of which F. Fcs. 447,568 are blocked).....	3,382.81	36,741.76	40,124.57
INVESTMENT IN DOMINION OF CANADA BONDS, at cost.....	—	13,113.75	13,113.75
(Quoted market value \$13,178.75)			
ACCRUED INTEREST ON INVESTMENTS.....	—	32.50	32.50
ACCOUNT RECEIVABLE.....			
(Proceeds of this account can only be placed in a blocked account— F.Fcs. 1,782,331 converted at 3/10 cents to the franc)	5,346.99	—	5,346.99
PREPAID ACCOUNTS.....	—	948.03	948.03
	\$7,329,751.39	\$ 983,085.38	\$8,312,836.77
DEFICIT:			
Balance as per statement attached.....			437,926.50
			\$8,750,763.27

*Quoted market value of investment in Canada is \$504,327.87.

CAPITAL AND LIABILITIES

TO THE PUBLIC:

First Collateral Trust 6% Bonds Series A due on or before June 1, 1954— Outstanding.....		\$ 842,250.00
Bond interest accrued.....	\$ 981,221.25	
Interest accrued to October 31, 1950, on arrears of interest at June 1, 1949..	309,274.20	1,290,495.45

Note: Pursuant to the terms of the supplemental trust deed dated May 3, 1949, unpaid interest at June 1, 1949, \$960,165.00, becomes due and payable on or before June 1, 1954, and bears interest at 6% from the original due dates to the date of payment.

Payment of the bonds and interest to be made at the holders' option in Canada, New York or London.

Accounts payable and accrued liabilities—

6% Bonds called for redemption.....	\$ 23,000.00	
Interest paid December 1, 1950.....	82,119.37	
Other accrued liabilities.....	12,898.45	118,017.82

TO THE SHAREHOLDERS:

6% Cumulative Redeemable Participating Preferred Stock—

Note: Dividends in arrears amount to \$111.00 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

\$8,750,763.27

Signed on behalf of the Board:

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

FOREIGN POWER SECURITIES CORPORATION, LIMITED

355 St. James Street West
MONTREAL

February 6th, 1951.

To the Shareholders:

Your Directors submit herewith the Annual Report for the year ended October 31st, 1950.

Your Corporation's operations for the year under review show earnings of \$29,243.34 before:

Interest accrued on Bonds.....	\$ 50,535.00	
Interest accrued on unpaid Bond Interest at June 1st, 1949	57,609.90	\$108,144.90

thus creating an Operating Deficit for the year of..... \$ 78,901.56

The Canadian investments of your Corporation deposited with the Montreal Trust Company had a quoted market value at October 31st, 1950 of \$504,327.87.

From revenue funds temporarily invested by the Montreal Trust Company, your Corporation, on December 1st, 1950, made payment of Coupon X 1 attached to its outstanding 6% 20-Year First Collateral Trust Convertible Bonds, at the rate of \$48.90 per \$1,000 original principal amount of said Bonds. Such payment represented interest in full for the period from December 1st, 1939 to June 1st, 1940, with interest on the said interest at the rate of 6% per annum to December 1st, 1950.

As at October 31st, 1950 there was \$46,000 of Bonds which had not been presented to the Montreal Trust Company, Trustee, to receive payment of the 50% principal amount authorized payable on or after June 30th, 1949.

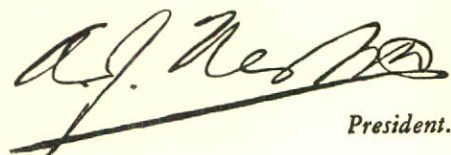
Prior to the close of the fiscal year, a representative of your Corporation proceeded to Paris and was successful in negotiating a basis of agreement for indemnity of the Corporation's nationalized holdings. This agreement is similar to that concluded between the French Republic and the Swiss Government and has been ratified by the Canadian and French Governments.

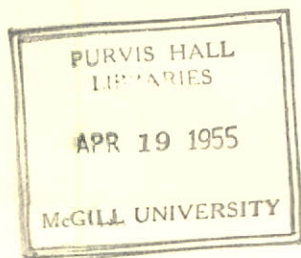
With the purpose of offsetting the effect of the devaluation of the franc subsequent to nationalization, the amount of the compensation, which is payable in francs, will be calculated by applying, in each case, the ratio which the free rate for U.S. dollars in Paris at the time of payment bears to 119.10, which was the French franc equivalent of the U.S. dollar at April 8th, 1946, the date of nationalization.

Under the provisional agreement, your Corporation will receive securities issued by the "Caisse Nationale de l'Energie" repayable in seven annuities, the last payable on June 1st, 1956, and bearing interest as from June 1st, 1950 at 3% per annum. In addition to the interest of 3%, your Corporation will participate in a variable amount of not less than 1% of the receipts of these nationalized undertakings.

The Auditors' Report herewith gives details of the approximate indemnity to be received for the French holdings of your Corporation. Under the terms of the agreement the principal amount of indemnity to be received must be retained in French Government securities or reinvested in France. The proceeds of other securities not nationalized are also restricted from repatriation. While formalities will necessitate a period of adjustment, as soon as it is possible to do so the Bondholders and Shareholders will be advised of any further developments.

Respectfully submitted on behalf of the Board.


President.



Montreal 1, December 28, 1950.

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, 1950, 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 of electricity and gas. Companies in continental France so engaged were for the most part, nationalized in 1946, but they will be permitted to retain assets that do not relate to the production, transport or distribution of electricity and gas.

The law under which nationalization was effected provided for special treatment for foreign shareholders, and under the terms of a provisional agreement between the governments of France and Canada, which has yet to be ratified by these governments, provision has been made for the calculation of the compensation to be paid to Canadian holders of shares in nationalized companies. With the purpose of offsetting the effect of the devaluation of the franc subsequent to nationalization, the amount of the compensation, which is payable in francs, will be adjusted by applying, in each case, the ratio which the free rate for U.S. dollars in Paris at the time of payment bears to 119.10 which was the French franc equivalent of the U.S. dollar at April 8, 1946, the date of nationalization.

Under the provisional agreement, Canadian shareholders will receive securities issued by the "Caisse Nationale de l'Énergie" repayable in seven annuities, the last payable on June 1, 1956, and bearing interest as from June 1, 1950 at 3% per annum.

In addition to the interest of 3%, Canadian shareholders will participate in a variable amount of not less than 1% of the receipts of these nationalized undertakings.

The capital amounts so received would require to be reinvested in France. The interest thereon may be transferred to Canada at the fixed rate of F. Fcs. 119.10 to the United States dollar.

To date the compensation in respect of seven companies in which your Corporation holds shares having a book value of \$5,715,394.31 has been provisionally determined. At the rate of exchange referred to above, F. Fcs. 119.10 to \$1 U.S., the compensation payable in securities would be equivalent to Canadian \$2,189,966 at October 31, 1950, which valuation is contingent on ratification of the Franco-Canadian agreement by the governments concerned and is also subject to adjustment in respect of such assets as may be retained by the nationalized companies. No effect has been given, in the accounts of the Corporation at October 31, 1950, to the provisional amount of the compensation payable in securities. The compensation in respect of the remaining nationalized companies has not yet been fixed.

Investments located in France in shares of companies which have not been nationalized and having a book value of \$1,410,829.78 had a quoted market value at October 31, 1950, of approximately F. Fcs. 414,117,000.

The Canadian investments deposited with the Montreal Trust Company are carried on the balance sheet at \$928,982.78, representing cost less a reserve of \$49,056.61; the quoted market value at October 31, 1950, was \$504,327.87.

We have received a statement from the Montreal Trust Company confirming the investments of the Corporation which were hypothecated to them as trustee for the bondholders at October 31, 1950, and have received confirmation of the Corporation's other investments at that date by means of certificates stating that the securities were in their custody, with the exception of Dominion of Canada bonds having a book value of \$13,113.75, which we examined.

We report that, in our opinion, the attached balance sheet as at October 31, 1950, read in conjunction with the foregoing, 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.

