

FOREIGN POWER SECURITIES
CORPORATION, LIMITED

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Annual Report
For the Year ended October 31st, 1951

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OFFICERS

President

A. J. NESBITT, Montreal

Vice-President

JAS. B. WOODYATT, Montreal

Directors

F. BONNIER DE LA CHAPELLE..... Paris, France
T. IRVING..... Montreal
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 FOR THE YEAR ENDING OCTOBER 31 1951

(To be read in conjunction with the auditors' report to the shareholders dated January 17 1952)

Net dividends and interest on investments in France (Fcs. 41,947,480).....	\$	127,741.73
Dividends and interest on investments in Canada.....		26,060.19
		\$ 153,801.92
Expenses in France (Fcs. 3,108,631).....	\$	9,346.79
Directors' fees.....		1,440.00
Executive salaries.....		600.00
Legal fees.....		610.00
Other expenses.....		8,495.21
		20,492.00
		\$133,309.92
LESS:		
Interest on bonds.....	\$	49,423.75
Interest on unpaid bond interest at June 1 1949.....		48,908.48
Premium on U.S. funds.....		54,425.00
		152,757.23
Excess of expenses over revenue for the year ending October 31 1951		\$19,447.31

FOREIGN POWER SECURITIES CORPORATION, LIMITED

(Incorporated under the Dominion of Canada Companies Act)

BALANCE SHEET—OCTOBER 31 1951

(To be read in conjunction with the auditors' report to the shareholders dated January 17 1952)

ASSETS

	Located in France	Located in Canada	Total
INVESTMENTS:			
Deposited with trustee for bondholders	\$1,409,593.63	\$604,930.54	\$2,014,524.17
(approximate market value of securities—in France Fcs. 635,000,000, in Canada \$290,000)			
Other	10,606.22	82,272.50	92,878.72
(approximate market values of securities—in France Fcs. 5,000,000, in Canada \$61,000)			
	\$1,420,199.85	\$ 687,203.04	\$2,107,402.89
DEFERRED ACCOUNT RECEIVABLE:			
Balance of indemnity receivable in respect of companies whose shares have been nationalized by the Government, estimated to be Fcs. 659,915,186 payable in five annual instalments to June 1 1956 expressed at 3/10 cents to the franc.			
	1,979,745.62	—	1,979,745.62
CASH ON HAND AND IN BANKS:			
(Fcs. 3,347,726 converted at 3/10 cents to the franc) . . .			
	10,043.20	75,561.66	85,604.86
PREPAID ACCOUNTS	—	968.87	968.87
	\$3,409,988.67	\$ 763,733.57	\$4,173,722.24

LIABILITIES

TO THE PUBLIC:

First Collateral Trust 6% Bonds Series A — outstanding			\$ 840,500.00
Bond interest accrued		\$ 374,022.50	
Interest accrued to October 31 1951, on arrears of interest at June 1 1949 . .		51,690.75	425,713.25
Note: Bonds and interest are due on or before June 1 1954, payable at the holders' option in Canadian or U.S. dollars or in sterling.			
Accounts payable and accrued liabilities—			
6% Bonds called for redemption			
		\$ 13,500.00	
Other accrued liabilities			
		19,895.24	33,395.24

TO THE SHAREHOLDERS:

6% Cumulative Redeemable Participating Preferred Stock—			
Note: Dividends in arrears amount to \$117.00 per share			
Authorized and issued—50,000 shares of \$100.00 each			
		5,000,000.00	
Common Stock —			
Authorized—250,000 shares of which 125,000 shares are issued and outstanding at a stated value of			
		1,500,000.00	
		\$6,500,000.00	
Deduct: Deficit—			
As at October 31 1950			
	\$ 437,926.50		
Excess of expenses over revenue for the year ending October 31 1951, per statement attached			
	19,447.31		
Loss representing the excess of book values of shares of nationalized companies in France over the es- timated indemnity receivable in respect thereof			
	3,168,512.44	3,625,886.25	2,874,113.75
			\$4,173,722.24

Signed on behalf of the Board:

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

FOREIGN POWER SECURITIES CORPORATION, LIMITED

355 St. James Street West
MONTREAL

February 5th, 1952.

To the Shareholders:

Your Directors submit herewith the Annual Report for the fiscal year ended October 31st, 1951.

The Balance Sheet, taken in conjunction with the Auditors' Statement, would indicate the status of the Corporation's position as at October 31st, 1951 to be as follows:

Assets	Book Value	*Market Value
Investments.....	\$2,107,403	\$2,271,000
Deferred Accounts Receivable.....	1,979,745	1,979,745
Cash.....	85,605	85,605
	<hr/>	<hr/>
	\$4,172,753	\$4,336,350
Less Liabilities.....		1,299,608
		<hr/>
Balance remaining as Preferred Shareholders' equity.....		\$3,036,742

* Based on converting assets located in France at 3/10ths of a cent to the Franc.

The Agreement between the Canadian and French Governments in respect of indemnity for nationalization of French Public Utility securities held by your Corporation was ratified on January 26th, 1951. The terms and conditions of this Agreement are basically the same as those extended to, and accepted by, the United Kingdom, Belgian and Swiss Governments.

The Agreement provides for the payment of compensation in seven annual instalments, the final payment to be made on June 1st, 1956, with interest at 3% per annum, plus a variable rate of interest representing a share of the receipts of nationalized undertakings, plus a reimbursement premium, and an appropriate part of the proceeds of non-nationalized assets. The amount of compensation to be received in respect of the last three items has not been definitely determined.

The instalment payments payable in Francs and for reinvestment in France 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 as at the date of nationalization.

The total book value of the securities nationalized amounted to \$5,910,192, and the amount to be realized in accordance with provisions of the Indemnity Agreement has been estimated to be approximately \$2,741,680. This would result in a loss from nationalization of \$3,168,512.

During the year the first two indemnity instalments were paid, and, although the Franco-Canadian Agreement provides that capital amounts received must be reinvested in France, your Corporation was able to have these funds repatriated, and these, together with other revenues, were used in the following manner:

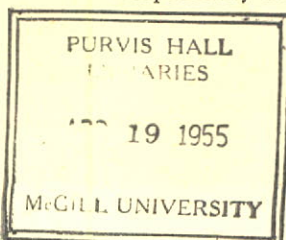
June 1st, 1951—Coupon X2, attached to the First Collateral Trust 6% Bonds, was paid in the amount of \$96.90 per \$1,000 original principal amount of said Bonds, being interest originally payable on December 1st, 1940 and June 1st, 1941;

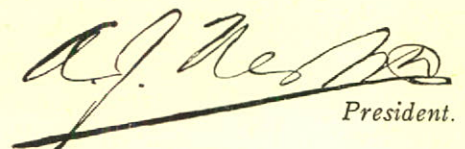
Oct. 1st, 1951—Coupon X3 was paid in the amount of \$475.20 per \$1,000 original amount, being interest originally payable on December 1st, 1941 to December 1st, 1946 inclusive.

These payments included interest on interest at the rate of 6% to date of coupon payment.

As at October 31st, 1951 there remained due to the Company's bondholders \$840,500 in principal and \$425,713 on account of interest. It is proposed to liquidate this indebtedness as rapidly as funds become available for use in Canada.

Respectfully submitted on behalf of the Board,




President.

Montreal, January 17, 1952.

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, 1951, together with the statement of revenue and expenses and deficit for the year ended on that date 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 are 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, which provided for special treatment for foreign shareholders, was ratified by the Governments of France and Canada in January 1951. Under the terms of this law provision is 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.

During the year under review the indemnification payable to the Corporation in respect of the ten companies which had been nationalized, and in which your Corporation held shares which were carried on the books at \$5,910,191.81, was determined and was paid in the form of script issued by Caisse Autonome d'Amortissement; this script represents a series of annuities receivable from June 1, 1950 to June, 1956 inclusive and bears interest at 3% per annum plus a variable rate of interest representing a share of the receipts of nationalized undertakings.

Effect has been given in the attached accounts to the amount of the above-mentioned indemnification, to which has been added an estimate of the reimbursement premium which was provided for by the basic law on nationalization together with an estimate of the proceeds which will be receivable on the liquidation of the non-nationalized portion of the assets of nationalized companies. No opinion can be expressed as to the accuracy of these estimated figures, the unpaid balance of which totals \$332,694.32; this amount will be adjusted at such time as final settlement is made.

The total estimated compensation, after giving effect to adjustments arising from the transfer of the proceeds of the first and second annuities to Canada and to the sale of certain securities received as part of the compensation in respect of non-nationalized assets, was equivalent to Canadian \$2,741,679.37 calculated on the basis described above. The resulting loss arising from nationalization amounted to \$3,168,512.44 as at October 31, 1951 and has been charged to deficit account.

Although the Franco-Canadian Convention provides that the capital amounts received must be re-invested in France, interest payments only being transferable, proceeds of the first and second annuities were transferred to Canada with the concurrence of French exchange authorities. There is, however, no assurance that future annuities will be similarly transferable.

Investments located in France in shares of companies which have not been nationalized had a book value of \$1,420,199.85 at October 31, 1951.

The Canadian investments deposited with the Montreal Trust Company as collateral for the bonds are included in the balance sheet at a book value of \$604,930.54, representing cost less a reserve of \$74,527.45.

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, 1951, and have received confirmation of the Corporation's other investments at that date by means of certificates from the depositaries, stating that the securities were in their custody.

We report that, in our opinion, the attached balance sheet, 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 October 31, 1951, 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.

