

FOREIGN POWER SECURITIES
CORPORATION, LIMITED



Annual Report

For the Year ended October 31st, 1953



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, Q.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

Auditors.....PRICE WATERHOUSE & Co.

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 FOR THE YEAR ENDING OCTOBER 31 1953

(To be read in conjunction with the auditors' report to the shareholders dated December 21 1953)

REVENUE:

Net dividends and interest on investments in France (Fcs. 39,916,219)	\$ 108,967.23	
Dividends and interest on investments in Canada	27,510.73	
	\$136,477.96	

EXPENSES:

Expenses in France	\$ 8,805.45	
Directors' fees	1,220.00	
Legal expenses	240.00	
Other expenses	12,741.08	23,006.53
	\$113,471.43	

Less:

Interest on bonds	\$ 21,544.51	
Bond redemption expense	3,109.31	24,653.82
	\$ 88,817.61	

Add:

Reserve for unclaimed dividends no longer required		1,220.00
		\$ 90,037.61

Provision for Canadian taxes on income		27,000.00
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Excess of revenue over expenses for the year ending October 31 1953		\$ 63,037.61
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AUDITORS' REPORT

To the Shareholders,

December 21 1953

Foreign Power Securities Corporation, Limited:

We have examined the balance sheet of Foreign Power Securities Corporation, Limited as at October 31 1953 and the statement of revenue and expenses for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Particulars of the Deferred Account Receivable are given in Note 2 to the balance sheet but no opinion can be expressed as to the accuracy of the estimated figures included in this amount.

Subject to the foregoing, in our opinion the accompanying balance sheet, together with the note referred to above, and the statement of revenue and expenses are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Corporation as at October 31 1953 and the result of its operations for the year ended on 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.
Chartered Accountants.

FOREIGN POWER SECURITIES CORPORATION, LIMITED

(Incorporated under the Dominion of Canada Companies Act)

BALANCE SHEET—OCTOBER 31 1953

(To be read in conjunction with the auditors' report to the shareholders dated December 21 1953)

ASSETS

	Located in France	Located in Canada	Total
INVESTMENTS (less reserves \$130,367.18):			
Deposited with trustee (Note 1)	\$ 876,466.53	\$ —	\$ 876,466.53
(approximate market value of securities— Fcs. 412,800,000)			
Other (Note 1)	5,953.26	937,960.54	943,913.80
(approximate market value of securities—in France Fcs. 2,400,000, in Canada \$697,000)			
ACCRUED INTEREST ON INVESTMENTS	—	1,611.14	1,611.14
	\$ 882,419.79	\$ 939,571.68	\$1,821,991.47
DEFERRED ACCOUNT RECEIVABLE:			
(Note 2):			
Indemnity in respect of companies whose shares have been nationalized by the French Government estimated to be Fcs. 424,433,940 expressed at .27 cents to the franc	1,145,970.00	—	1,145,970.00
SHORT TERM LOAN RECEIVABLE	94,086.00	—	94,086.00
(Fcs. 35,000,000 expressed at the guaranteed minimum re- payment rate of .268817 cents to the franc)			
CASH ON HAND AND IN BANKS	1,188.27	16,331.85	17,520.12
(Fcs. 440,100 expressed at .27 cents to the franc)			
PREPAID ACCOUNTS	—	713.29	713.29
	\$2,123,664.06	\$ 956,616.82	\$3,080,280.88

LIABILITIES

TO THE PUBLIC:			
First Collateral Trust 6% Bonds Series A — Outstanding October 31 1952 ..		\$ 788,000.00	
Less — Purchased and cancelled during year	\$ 8,250.00		
Called for redemption during year	779,750.00	788,000.00	
Accounts payable and accrued liabilities			
6% Bonds called for redemption and unrepresented		\$ 32,250.00	
Bond interest unclaimed		23,065.85	
Estimated income taxes		27,000.00	
Other accrued liabilities		10,475.00	\$ 92,790.85
TO THE SHAREHOLDERS:			
6% Cumulative Redeemable Participating Preferred Stock—			
Note: Dividends in arrear amount to \$129.00 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 1952		\$3,679,350.79	
Less—			
Increase in amount estimated as being the indemnity receivable in respect of shares of nationalized companies in France....	\$216,595.93		
Less: Exchange and other adjustments during the year ending October 31 1953	112,792.72		
	\$103,803.21		
Excess of revenue over expenses for the year ending October 31 1953	63,037.61	166,840.82	3,512,509.97
Signed on behalf of the Board:			\$2,987,490.03
A. J. Nesbitt	} Directors.		\$3,080,280.88
Jas. B. Woodyatt			

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Letter in file

FOREIGN POWER SECURITIES CORPORATION, LIMITED

355 St. James Street West
MONTREAL

December 30th, 1953.

To the Shareholders:—

Your Directors submit herewith the Annual Report for the fiscal year ended October 31st, 1953.

The Balance Sheet, taken in conjunction with the Auditors' Statement, would indicate the status of the Corporation's position as at October 31st, 1953 to be as follows:

Assets:	Book Value	*Market Value
Investments	\$1,821,991	\$1,819,651
Deferred Accounts Receivable	1,240,056	1,240,056
Cash	17,520	17,520
	<hr/>	<hr/>
	\$3,079,567	\$3,077,227
Less Liabilities		92,791
		<hr/>
Balance remaining as Preferred Shareholders' equity		<u>\$2,984,436</u>

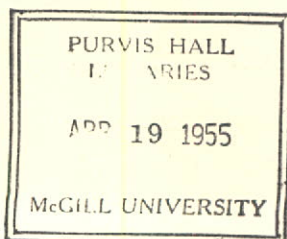
*Provided the assets located in France can be converted into Canadian funds at .27 of a cent to the Franc.

Under the terms of the Agreement ratified January 26th, 1951, between the Canadian and French Governments, providing for compensation for the nationalized French public utility securities of your Corporation, the fourth of the seven annual indemnity instalments was due and paid in French Francs, in Paris, in June 1953. This payment, together with all other available funds in France, was repatriated to Canada by special permission, and your Corporation was then enabled to call for redemption, on April 15th, 1953, all of its outstanding 6% First Mortgage Bonds. The Preferred Shareholders, therefore, now have first claim on all assets.

In view of the large capital deficit which has accumulated over past years, your Directors consider it essential in the best interest of all of the shareholders to reorganize the capital structure of the Corporation. With this objective in mind, a proposed plan of Compromise or Arrangement, together with an explanatory letter and Notices and Proxy Forms for Special General Meetings of Shareholders to be held on January 22nd, 1954, were mailed to all Preferred and all Common Shareholders on November 19th, 1953. If you have not already returned your proxy, you are requested to please do so immediately in order that there may be as full a representation as possible at these Meetings.

The Annual General Meeting of Shareholders will be held on January 22nd, 1954, as per the enclosed Notice of Meeting.

Respectfully submitted on behalf of the Board,



A.J. Nesbitt

President.

FOREIGN POWER SECURITIES CORPORATION, LIMITED

NOTES TO THE BALANCE SHEET

NOTE 1:

Only the income from investments located in France is presently permitted to be transferred to Canada.

NOTE 2:

The indemnity, which is payable in francs, consists of (a) a fixed amount issued in the form of scrip by the Caisse Autonome d'Amortissement, (b) the reimbursement premium which was provided for by the basic law on nationalization and (c) the proceeds receivable on the liquidation of the non-nationalized portion of the assets of nationalized companies.

The fixed indemnity consists of a series of annuities receivable annually from 1950 to 1956 inclusive and bears interest at 3% per annum plus a variable rate of interest representing a share of the receipts of nationalized undertakings. With the purpose of offsetting the effect of the devaluation of the franc subsequent to nationalization the amount of each annuity is being adjusted by applying the ratio which the rate of exchange 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.

Four payments on account of the fixed indemnity, totalling Fcs. 437,112,306, had been received up to October 31 1953; the unpaid instalments, stated on the basis of the current rate of exchange for U.S. dollars in Paris, amount to Fcs. 324,433,940.

Payments received on account of parts (b) and (c) of the indemnity totalled Fcs. 120,440,118 up to October 31 1953 and an additional amount estimated at Fcs. 100,000,000 is included in the accounts as receivable at that date. This estimate was increased during the year by Fcs. 80,220,717 and a corresponding amount, converted to \$216,595.93 has been applied in reduction of the deficit.

The Franco-Canadian convention provides that the capital amounts of the indemnity received must be re-invested in France, interest payments only being transferable. The proceeds so far received have, however, been transferred to Canada with the concurrence of the French exchange authorities. There is no assurance that the capital portion of future annuities will become transferable.

