

**INTERNATIONAL
POWER COMPANY
LIMITED**

SEVENTEENTH ANNUAL REPORT



**YEAR ENDED
31st DECEMBER, 1942**

PURVIS HALL
LIBRARIES

JAN 26 1946

MCGILL UNIVERSITY

INTERNATIONAL
POWER COMPANY
LIMITED



HEAD OFFICE
MONTREAL, CANADA



SUBSIDIARY COMPANIES

Bolivian Power Company, Limited

*Monterey Railway, Light and Power
Company*

*Newfoundland Light & Power Company
Limited*

**Oriente Electric Company*

**Oruro Electric Light & Power Company*

Porto Rico Power Company, Limited

**San Salvador Electric Light Company*

*The Demerara Electric Company
Limited*

**Electric Power Company of Venezuela*

* Translated Titles.

INTERNATIONAL
POWER COMPANY
LIMITED



BOARD OF DIRECTORS

I. W. KILLAM, *President*

RUSSELL D. BELL

A. F. CULVER

G. MacGREGOR MITCHELL

JOHN H. PRICE

HON. W. D. ROSS

H. J. SYMINGTON, K.C.

L. M. WOOD

FRED. C. CLARKE, *Secretary-Treasurer*



INTERNATIONAL POWER COMPANY, LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31ST DECEMBER, 1942

TO THE SHAREHOLDERS:

Your Directors submit herewith their seventeenth Annual Report and Financial Statements, together with Consolidated Statements of the Company and its subsidiaries for the year ended 31st December, 1942.

Pursuant to an order of the United States Federal District Court of Puerto Rico, the Federal Works Agency on 20th July, 1942, took possession of the properties of the operating subsidiary of the Porto Rico Power Company, Limited, one of your subsidiaries. This order was made and proceedings brought under an Act of Congress known as the Lanham Act. On the advice of counsel an Appeal was taken to the United States Circuit Court of Appeals for the First Circuit sitting in Boston. The appeal was successful and the judgment of the District Court was vacated. New proceedings were then commenced under the Second War Powers Act, 1942. Counsel advised that this Act also did not authorize the condemnation of an operating utility, and the new proceedings are now being contested on this and other grounds. Accordingly the operating subsidiary of the Porto Rico Power Company has been without revenue since 20th July, 1942, and the property is in the possession of the Federal Authorities who have been receiving the earnings of the business pending the result of the legal proceedings.

As a result of the uncertainty created by this action of the U.S. Government Authorities the accounts of the Porto Rico Power Company have not been included in the Consolidated Statements as in previous years but your Company's investment in this Company has been included under the item of "Investment in Subsidiary Companies, not consolidated".

The Consolidated Balance Sheet has been compiled from figures shown on the books of your Company and its subsidiaries, the accounts in foreign currencies being shown throughout at par of exchange, with the exception of those of one subsidiary which have been set up at Government official rates.

The combined net earnings of subsidiary companies which have been consolidated amounted to \$2,637,461.23, an increase of \$222,189.01 over those of the same companies for the previous year. The earnings and expenses in foreign currencies have been converted at either the current rate of exchange or at par of exchange, and net exchange profit realized on transfer of funds has been deducted from expenses.

Expenditure on Capital Account during the year amounted to \$1,490,103.37, chiefly in connection with the construction of additional hydro-electric plants in Newfoundland and Bolivia, and property retired or sold amounted to \$118,821.04. There was written off Franchises and Organization Expenses the sum of \$785,455.96.

Quarterly dividends of \$1.75 per share on the 7% First Preferred Stock of the Company were paid during the year, in addition to which special dividends totalling \$5.00 per share were paid on account of arrears, leaving dividend arrears amounting to \$25.00 per share.

Your Directors gratefully acknowledge the loyal and efficient services rendered by the executive staffs and employees of the Company and its subsidiaries during the year.

Submitted on behalf of the Board,

I. W. KILLAM,
President.

MONTREAL, 9th June, 1943.

International Power Company, Limited

CREAK, CUSHING & HODGSON
CHARTERED ACCOUNTANTS

LEMUEL CUSHING, C.A.
GEORGE S. BURDEN, C.A.
GEORGE HUNTER, C.A.
ALFRED SMIBERT, C.A.
W. ALEX. FALCONER, C.A.
PHILIP GODFREY, C.A.

480 ST. FRANCOIS XAVIER STREET
MONTREAL

9th June, 1943.

To the Shareholders,

INTERNATIONAL POWER COMPANY, LIMITED
MONTREAL.

We have audited the books of International Power Company, Limited, for the year ended 31st December, 1942, and have obtained all the information and explanations which we have required. In accordance with Section 114, The Companies Act 1934, we report that the aggregate net profits for the year of the Subsidiary Companies, as shown in their audited statements, have been brought into the accounts only to the extent of the dividends paid by the Subsidiary Companies.

We have examined the Balance Sheets certified by the auditors of the Subsidiary Companies and report that the auditors of two of the companies include in their reports a qualification regarding the provisions for depreciation. We report in accordance with Section 114 of The Companies Act 1934, in connection with the Consolidated Balance Sheet, that the profits for the year, as shown by the audited accounts of one of the Subsidiary Companies not consolidated, have not been brought into the accounts of International Power Company, Limited; in the case of the only other Subsidiary Company not consolidated, namely, Porto Rico Power Company, Limited, the profits for the year have been brought into the accounts of International Power Company, Limited to the extent of the dividends paid by that Subsidiary Company. The accounts of Porto Rico Power Company, Limited, have not been included in the Consolidated Accounts as the properties and business of its wholly owned Subsidiary Company are under expropriation proceedings which matter is dealt with in the Report of the Directors.

Subject to the foregoing, we report that, in our opinion, the accompanying Balance Sheet of International Power Company, Limited, as at 31st December, 1942, and the accompanying Consolidated Balance Sheet as at the same date are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs in accordance with the best of our information and the explanations given to us and as shown by the books of the Company and the audited statements of the Subsidiary Companies. All our requirements as auditors have been complied with.

CREAK, CUSHING & HODGSON,
Chartered Accountants.

International Power Company, Limited

INTERNATIONAL POWER COMPANY, LIMITED

Balance Sheet as at 31st December, 1942

ASSETS

SHARES OF SUBSIDIARY COMPANIES, AT COST	\$ 9,013,052.06	
BONDS, DEBENTURES AND OTHER INDEBTEDNESS OF SUBSIDIARY COMPANIES, AT COST, LESS RESERVE	9,419,434.97	
		\$18,432,487.03
SHARES OF OTHER PUBLIC UTILITY COMPANY, AT COST	25,567.70	
CASH.....	1,138,666.90	
DOMINION OF CANADA BONDS, AT COST.....	250,000.00	
DISCOUNT ON DEBENTURES, LESS AMOUNTS WRITTEN OFF.....	212,850.95	
		\$20,059,572.58

LIABILITIES

BANK LOAN (SECURED).....	\$ 49,253.73	
ACCOUNTS PAYABLE.....	22,455.39	
DIVIDEND PAYABLE 2ND JANUARY, 1943.....	140,000.00	
INTEREST ACCRUED ON DEBENTURES.....	82,714.17	
		\$ 294,423.29
SECURED DEBENTURES, 6% SERIES DUE 1955.....	\$ 3,000,000.00	
Less: Cancelled.....	\$ 1,342,500.00	
Held by Company.....	419,500.00	
		1,762,000.00
		\$ 1,238,000.00
6½% DEBENTURES, DUE 1957.....	\$ 3,000,000.00	
Less: Cancelled.....	759,500.00	
		2,240,500.00
6% DEBENTURES, DUE 1957.....	\$ 2,000,000.00	
Less: Cancelled.....	291,500.00	
		1,708,500.00
		5,187,000.00
CAPITAL STOCK:		
7% Cumulative Redeemable First Preferred:		
Authorized: 150,000 Shares of \$100 each. <u>\$15,000,000.00</u>		
Issued and Fully Paid: 80,000 Shares of \$100 each, on which Dividends in arrears \$25.00 on each Share.....	\$ 8,000,000.00	
6% Cumulative Convertible Second Preferred:		
Authorized: 20,000 Shares of \$100 each. <u>\$ 2,000,000.00</u>		
Issued and Fully Paid: 20,000 Shares of \$100 each, on which Dividends unpaid from 1st March, 1927.....	2,000,000.00	
Common Stock of No Par Value:		
Authorized: 220,000 Shares.		
Issued and Fully Paid: 115,610 Shares.....	1,622,750.00	
		11,622,750.00
EARNED SURPLUS AT 31ST DECEMBER, 1942.....		2,955,399.29
		\$20,059,572.58

CONTINGENT LIABILITY:

Guarantees (secured in part) of Loans payable by Subsidiary Companies, \$144,745.90.

Approved on behalf of the Board:

I. W. KILLAM, *Director.*

FRED. C. CLARKE, *Director.*

Audited in accordance with our report of this date.

MONTREAL, 9th June, 1943.

CREAK, CUSHING & HODGSON,
Chartered Accountants.

INTERNATIONAL POWER COMPANY, LIMITED

Statement of Income and Expenditure

For the Year Ended 31st December, 1942

DIVIDENDS AND INTEREST FROM SUBSIDIARY COMPANIES AND MISCELLANEOUS	
INCOME FOR YEAR.....	\$ 1,358,835.49
<i>Deduct:</i>	
Interest on Short-Term Loans.....	\$ 5,570.74
Directors' Fees.....	4,000.00
Directors' Fees paid by Subsidiary Companies to Directors of International Power Company, Limited, <u>\$5,000.</u>	
Legal Fees.....	10,000.00
Miscellaneous Expenses.....	17,262.82
Amortization of Debenture Discount and Premium on Debentures purchased	17,771.13
	54,604.69
	\$ 1,304,230.80
<i>Deduct:</i>	
Interest on Debentures and Exchange thereon.....	351,367.52
NET PROFIT FOR YEAR, TRANSFERRED TO STATEMENT OF EARNED SURPLUS...	\$ 952,863.28

Statement of Earned Surplus

BALANCE AT 31ST DECEMBER, 1941.....	\$ 1,510,255.51
<i>Add:</i>	
Special dividend from prior years' Surplus and Reserve of Subsidiary Company	1,452,280.50
Net Profit for year, transferred from Statement of Income and Expenditure.....	952,863.28
	\$ 3,915,399.29
<i>Deduct:</i>	
Dividends on First Preferred Stock, including \$5.00 per share on arrears....	960,000.00
BALANCE AT 31ST DECEMBER, 1942.....	\$ 2,955,399.29

INTERNATIONAL POWER AND SUBSIDIARY

Consolidated Balance Sheet as

ASSETS

CAPITAL ASSETS:

Lands, Buildings and Plants; Franchises, Contracts, Goodwill, etc. \$26,222,655.37

Properties are valued at cost to Subsidiary Companies, measured in part by the par value of securities issued by them in exchange for properties acquired, plus subsequent additions at cost (including expenditures in foreign currencies converted at par of exchange except in the case of one Subsidiary which has made conversion at the Government official rate) less retirements and less adjustments arising as a result of consolidation. Inasmuch as a complete segregation between tangible properties and intangibles has not been maintained on all the Subsidiary Companies' books, it is not possible to set forth a full segregation thereof in the Consolidated Balance Sheet but, so far as is definitely ascertainable on the books of the Subsidiary Companies or from any contracts for the sale or purchase of any property, the items of Franchises, Water Power Rights, Contracts, Goodwill, etc., so definitely segregated, appear as \$3,094,763.19, which is included in the above amount.

Investment in Subsidiary Companies, at cost—

Not Consolidated:

Shares \$ 2,252,799.63
 Debentures and Other Indebtedness 3,412,901.87

5,665,701.50

Miscellaneous Investments 60,567.70

\$31,948,924.57

CURRENT ASSETS:

Cash \$ 1,269,336.56
 Dominion of Canada and Government of Newfoundland
 Bonds, at Cost 275,000.00
 Accounts Receivable, less Reserve 431,411.97
 Materials and Supplies as certified by responsible officials
 and valued at cost 796,747.91

2,772,496.44

DEFERRED CHARGES:

Prepaid and Other Deferred Charges \$ 25,747.61
 Unamortized Discount and Expenses on Bonds and Debentures 371,301.64

397,049.25

\$35,118,470.26

Approved on behalf of the Board:

I. W. KILLAM, *Director.*
 FRED. C. CLARKE, *Director.*

Audited in accordance with our report of this date.

MONTREAL, 9th June, 1943.

CREAK, CUSHING & HODGSON,
Chartered Accountants.

COMPANY, LIMITED
COMPANIES

at 31st December, 1942

LIABILITIES

FUNDED DEBT:

Secured Debentures, 6% Series due 1955.....	\$ 3,000,000.00	
Less: Cancelled.....	\$ 1,342,500.00	
Held by Company.....	419,500.00	
	<u>1,762,000.00</u>	\$ 1,238,000.00
6½% Debentures, due 1957.....	\$ 3,000,000.00	
Less: Cancelled.....	759,500.00	
	<u>2,240,500.00</u>	2,240,500.00
6% Debentures, due 1957.....	\$ 2,000,000.00	
Less: Cancelled.....	291,500.00	
	<u>1,708,500.00</u>	1,708,500.00
Bonds and Debentures of Subsidiary Companies Outstanding:		
Secured.....		4,135,659.20
		<u>\$ 9,322,659.20</u>

CURRENT LIABILITIES:

Bank Loans (secured in part).....	\$ 489,907.47	
Accounts Payable.....	544,410.74	
Consumers' Deposits, including interest thereon.....	302,514.41	
Interest Accrued.....	110,430.73	
Dividend Payable 2nd January, 1943.....	140,000.00	
	<u>1,587,263.35</u>	1,587,263.35
MINORITY INTEREST in Capital Stock and Surplus of Subsidiary Companies.....		1,029,066.36

RESERVES:

Depreciation and Renewals.....	\$ 5,591,362.59	
Provision for Claims and Contingencies.....	76,244.21	
General.....	468,314.36	
Miscellaneous.....	916,631.78	
	<u>7,052,552.94</u>	7,052,552.94

CAPITAL STOCK AND EARNED SURPLUS:

7% Cumulative Redeemable First Preferred:		
Authorized: 150,000 Shares of \$100 each.....	\$15,000,000.00	
Issued and Fully Paid: 80,000 Shares of \$100 each on which Dividends in arrears \$25.00 on each share.....	\$ 8,000,000.00	
6% Cumulative Convertible Second Preferred:		
Authorized, Issued and Fully Paid: 20,000 Shares of \$100 each on which Dividends unpaid from 1st March, 1927.....	2,000,000.00	
Common Stock of No Par Value:		
Authorized: 220,000 Shares.		
Issued and Fully Paid: 115,610 Shares.....	1,622,750.00	
Consolidated Earned Surplus at 31st December, 1942.....	4,504,178.41	
	<u>16,126,928.41</u>	16,126,928.41
		<u>\$35,118,470.26</u>

INTERNATIONAL POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Income and Expenditure

For the Year Ended 31st December, 1942

GROSS EARNINGS OF SUBSIDIARY COMPANIES..... \$ 4,364,760.51

Deduct:

Operating Expenses and Taxes, less Exchange Profit..... \$ 1,726,249.28
Directors' Fees, Subsidiary Companies..... 1,050.00

Note: The total amount paid during the year by Subsidiary Companies consolidated herein and by Subsidiary Companies, not consolidated, for Legal Fees was \$53,961.22 and for Executive Salaries \$96,164.61.

1,727,299.28

NET EARNINGS OF SUBSIDIARY COMPANIES..... \$ 2,637,461.23

Deduct:

Interest on Funded Debt, etc., of Subsidiary Companies in hands of Public and Exchange thereon..... \$ 241,782.97
Dividends on Common Stocks of Subsidiary Companies in hands of Public..... 20,070.00
Reserve for Depreciation and Renewals..... 729,615.39
Reserve for Contingencies..... 10,000.00
General Reserve..... 16,229.61
Minority Interest in Surplus for year..... 45,899.31
Amortization of Bond Discount and Expenses..... 66,661.67

1,130,258.95

NET INCOME AVAILABLE TO INTERNATIONAL POWER COMPANY LIMITED.... \$ 1,507,202.28

Add:—

MISCELLANEOUS INCOME, INTERNATIONAL POWER COMPANY, LIMITED:

Dividends and Interest from Investments in Subsidiary Companies, not consolidated, etc..... \$ 385,450.48

Less:

Interest on Short-Term Loans..... \$ 5,570.74
Miscellaneous Expenses (including Directors' Fees, \$4,000.00, and Legal Fees, \$10,000.00)..... 31,262.82
Amortization of Debenture Discount and Premium on Debentures purchased.... 17,771.13

54,604.69

330,845.79

\$ 1,838,048.07

Deduct:

Interest on Debentures and Exchange thereon..... 351,367.52

NET PROFIT FOR THE YEAR, transferred to Consolidated Statement of Earned Surplus.....

\$ 1,486,680.55

INTERNATIONAL POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Earned Surplus

BALANCE AT 31ST DECEMBER, 1941.....	\$ 3,859,445.07
<i>Deduct:</i>	
Amount written off Intangibles by Subsidiary Company, less amount charged to Minority Interest, etc.....	582,047.66
	\$ 3,277,397.41
<i>Add:</i>	
Special Dividend from prior years' Surplus and Reserve of Subsidiary Company, not consolidated.....	\$ 1,452,280.50
<i>Less:</i> Amount of Surplus included in above dividend, previously consolidated.....	752,180.05
	700,100.45
Profit for year, after payment of Dividends on Common Stocks of Subsidiary Companies in hands of Public and after provision for Minority Interest in Surplus for year.....	1,486,680.55
	\$ 5,464,178.41
<i>Deduct:</i>	
Dividends on First Preferred Stock, including \$5.00 per share on arrears.....	960,000.00
BALANCE AT 31ST DECEMBER, 1942.....	\$ 4,504,178.41

• • •

