

**INTERNATIONAL
POWER COMPANY
LIMITED**

EIGHTEENTH ANNUAL REPORT



**YEAR ENDED
31st DECEMBER, 1943**

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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.

FRED. C. CLARKE, *Secretary-Treasurer*



INTERNATIONAL POWER COMPANY, LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31ST DECEMBER, 1943

TO THE SHAREHOLDERS:

Your Directors submit herewith their eighteenth Annual Report and Financial Statements, together with Consolidated Statements of the Company and its subsidiaries for the year ended 31st December, 1943.

For the reasons mentioned in the last Annual Report, the accounts of Porto Rico Power Company, Limited, have not been included in the consolidated statements but your Company's investment therein has been included under the item of "Investment in Subsidiary Companies, not Consolidated". On January 14th, 1944, the sale was made on satisfactory terms of all the shares and securities of the Porto Rico Company's operating subsidiary to the Puerto Rican Government Water Resources Authority. Your subsidiary, the Porto Rico Power Company, Limited, is in process of liquidation and the amount to be realized by your Company will not be finally ascertained until completion of the liquidation which has been in part delayed by a claim of certain preferred shareholders to participate in the surplus assets of that Company. By judgment of the Superior Court rendered on March 22nd, 1944, the rights of the holders of the Preferred Shares were held to be limited to the par value thereof and accrued dividend. This judgment has been appealed, and it is expected the appeal will be heard this Fall.

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 \$2,979,445.44, an increase of \$341,983.81 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 \$892,088.84, principally in connection with the completion of the hydro-electric development in Newfoundland, referred to in previous Report, and additional work on hydro-electric plants in Bolivia which was begun in the previous year. Property retired from service and other adjustments amounted to \$683,871.64.

The Funded Debt of your Company and its subsidiaries in the hands of the public was reduced during the year by \$1,377,968.80 which included redemption of the outstanding issue of 6% Secured Debentures of your Company amounting to \$1,238,000.

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 a special dividend of \$5.00 per share was paid on account of arrears in 1943 and a further special dividend of \$5.00 was paid on April 1st of this year, leaving dividend arrears now amounting to \$15.00 per share.

Your Directors wish to record their appreciation of the loyal and efficient services rendered by the executive staffs and all employees of the Company and its subsidiaries during the year.

Submitted on behalf of the Board,

I. W. KILLAM,
President.

MONTREAL, 23rd May, 1944.

International Power Company, Limited

CREAK, CUSHING & HODGSON
CHARTERED ACCOUNTANTS
460 ST. FRANCOIS-XAVIER STREET
MONTREAL

22nd May, 1944.

To the Shareholders,

INTERNATIONAL POWER COMPANY LIMITED,
MONTREAL.

We have audited the books of International Power Company Limited for the year ended 31st December, 1943, 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 accounts, 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 (with the exception of the Balance Sheet of one Subsidiary Company not consolidated whose audited accounts were not available as disclosed by the note on the accompanying Balance Sheets) 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 accounts subject to audit, of one of the Subsidiary Companies not consolidated, have not been brought into the accounts of International Power Company Limited. The accounts of the only other Subsidiary Company not consolidated, namely Porto Rico Power Company Limited, have not been included in the Consolidated Accounts as the properties and business of its wholly owned Subsidiary Company were 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, 1943, 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, 1943

ASSETS

SHARES OF SUBSIDIARY COMPANIES, AT COST.....	\$ 9,039,813.81	
BONDS, DEBENTURES AND OTHER INDEBTEDNESS OF SUBSIDIARY COMPANIES, AT COST, LESS RESERVE.....	10,611,146.59	
		\$19,650,960.40
SHARES OF OTHER PUBLIC UTILITY COMPANY, AT COST.....		25,599.00
CASH.....		308,541.12
DISCOUNT ON DEBENTURES, LESS AMOUNTS WRITTEN OFF.....		152,150.60
		\$20,137,251.12

LIABILITIES

BANK LOAN (SECURED).....	\$ 1,474,253.73	
ACCOUNTS PAYABLE.....	42,773.40	
DIVIDEND PAYABLE 3RD JANUARY, 1944.....	140,000.00	
INTEREST ACCRUED ON DEBENTURES.....	81,240.83	
		\$ 1,738,267.96

6½% DEBENTURES, DUE 1957.....	\$ 3,000,000.00	
<i>Less: Cancelled</i>	803,500.00	
		2,196,500.00
6% DEBENTURES, DUE 1957.....	\$ 2,000,000.00	
<i>Less: Cancelled</i>	317,500.00	
		1,682,500.00
		3,879,000.00

CAPITAL STOCK:

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 \$20.00 on each Share.....\$ 8,000,000.00

6% Cumulative Convertible Second Preferred:
 Authorized: 20,000 Shares of \$100 each.. \$ 2,000,000.00
 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, 1943.....		2,897,233.16
		\$20,137,251.12

CONTINGENT LIABILITY: Guarantees (secured) of Loans payable by Subsidiary Companies, \$98,507.46.

NOTE: The audited accounts of one Subsidiary Company have not been received at date of the Report of the Auditors of International Power Company, Limited.

Approved on behalf of the Board:

I. W. KILLAM, *Director.*

FRED. C. CLARKE, *Director.*

Audited in accordance with our report of this date.

CREAK, CUSHING & HODGSON,

MONTREAL, 22nd May, 1944.

Chartered Accountants.

INTERNATIONAL POWER COMPANY, LIMITED

Statement of Income and Expenditure

For the Year Ended 31st December, 1943

DIVIDENDS AND INTEREST FROM SUBSIDIARY COMPANIES AND MISCELLANEOUS	
INCOME FOR YEAR.....	\$ 1,401,573.19
<i>Deduct:</i>	
Interest on Short-Term Loans.....	\$ 40,722.15
Directors' Fees.....	3,750.00
Directors' Fees paid by Subsidiary Companies to Directors of International Power Company, Limited, <u>\$5,000.</u>	
Legal Fees.....	10,000.00
Miscellaneous Expenses.....	32,475.25
Amortization of Debenture Discount and Premium and Expenses on Debentures redeemed.....	105,058.82
	<u>192,006.22</u>
	\$ 1,209,566.97
<i>Deduct:</i>	
Interest on Debentures and Exchange thereon.....	307,733.10
NET PROFIT FOR YEAR, TRANSFERRED TO STATEMENT OF EARNED SURPLUS...	<u>\$ 901,833.87</u>

Statement of Earned Surplus

BALANCE AT 31ST DECEMBER, 1942.....	\$ 2,955,399.29
<i>Add:</i>	
Net Profit for year, transferred from Statement of Income and Expenditure.....	901,833.87
	<u>\$ 3,857,233.16</u>
<i>Deduct:</i>	
Dividends on First Preferred Stock, including \$5.00 per share on arrears...	960,000.00
BALANCE AT 31ST DECEMBER, 1943.....	<u>\$ 2,897,233.16</u>

INTERNATIONAL POWER
AND SUBSIDIARY

Consolidated Balance Sheet as at

ASSETS

CAPITAL ASSETS:

Lands, Buildings and Plants; Franchises, Contracts, Goodwill, etc. \$26,430,872.57

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 \$3,095,724.72, which is included in the above amount.

Investment in Subsidiary Companies, at cost—

Not Consolidated:

Shares	\$ 2,279,396.07	
Debentures and Other Indebtedness	5,151,183.02	
		\$ 7,430,579.09

Miscellaneous Investments		60,599.00
		\$33,922,050.66

\$33,922,050.66

CURRENT ASSETS:

Cash	\$ 837,180.25	
Accounts Receivable, less Reserve	564,492.43	
Materials and Supplies as certified by responsible officials and valued at cost	845,070.21	
		2,246,742.89

DEFERRED CHARGES:

Prepaid and Other Deferred Charges	\$ 64,976.84	
Unamortized Discount and Expenses on Bonds and Debentures	259,685.20	
		324,662.04

\$36,493,455.59

NOTE: The audited accounts of one Subsidiary Company, not consolidated, have not been received at date of the Report of the Auditors of International Power Company, Limited.

Approved on behalf of the Board:
I. W. KILLAM, *Director.*
FRED. C. CLARKE, *Director.*

Audited in accordance with our report of this date.

MONTREAL, 22nd May, 1944.

CREAK, CUSHING & HODGSON,
Chartered Accountants.

COMPANY, LIMITED
COMPANIES

at 31st December, 1943

LIABILITIES

FUNDED DEBT:

6½% Debentures, due 1957.....	\$ 3,000,000.00	
Less: Cancelled.....	803,500.00	
		\$ 2,196,500.00
6% Debentures, due 1957.....	\$ 2,000,000.00	
Less: Cancelled.....	317,500.00	
		1,682,500.00
Bonds and Debentures of Subsidiary Companies Outstanding:		
Secured.....		4,065,690.40
		<u>\$ 7,944,690.40</u>

CURRENT LIABILITIES:

Bank Loans (secured in part).....	\$ 2,023,871.97	
Accounts Payable.....	561,912.39	
Consumers' Deposits, including interest thereon.....	329,983.60	
Interest Accrued.....	108,188.44	
Dividend Payable 3rd January, 1944.....	140,000.00	
		<u>3,163,956.40</u>

MINORITY INTEREST in Capital Stock and Surplus of
Subsidiary Companies.....

1,129,305.15

RESERVES:

Depreciation and Renewals.....	\$ 5,927,269.42	
Provision for Claims and Contingencies.....	129,555.29	
General.....	483,870.32	
Miscellaneous.....	886,268.14	
		<u>7,426,963.17</u>

CAPITAL STOCK AND EARNED SURPLUS:

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 \$20.00 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
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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, 1943..... 5,205,790.47

16,828,540.47

\$36,493,455.59

INTERNATIONAL POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Income and Expenditure

For the Year Ended 31st December, 1943

GROSS EARNINGS OF SUBSIDIARY COMPANIES.....		\$ 5,214,063.46
<i>Deduct:</i>		
Operating Expenses and Taxes, less Exchange Profit.....	\$ 2,233,568.42	
Directors' Fees, Subsidiary Companies.....	1,050.00	
<i>Note: The total amount paid during the year by Subsidiary Companies consolidated herein and by Subsidiary Companies not consolidated, for Legal Fees was \$29,899.18 and Executive Salaries \$56,702.41.</i>		
	2,234,618.42	
NET EARNINGS OF SUBSIDIARY COMPANIES.....		\$ 2,979,445.04
<i>Deduct:</i>		
Interest on Funded Debt, etc., of Subsidiary Companies in hands of Public and Exchange thereon.....	\$ 271,356.98	
Dividends on Common Stocks of Subsidiary Companies in hands of Public.....	20,070.00	
Reserve for Depreciation and Renewals.....	762,535.00	
Reserve for Contingencies.....	54,230.77	
General Reserve.....	15,555.96	
Minority Interest in Surplus for year.....	108,074.20	
Amortization of Bond Discount and Expenses.....	50,966.09	
	1,282,789.00	
NET INCOME AVAILABLE TO INTERNATIONAL POWER COMPANY LIMITED....		\$ 1,696,656.04
<i>Add:—</i>		
MISCELLANEOUS INCOME, INTERNATIONAL POWER COMPANY, LIMITED:		
Dividends and Interest from Investments in Subsidiary Companies not consolidated, etc., including \$373,375.74 paid out of prior years' surplus of one Subsidiary Company not consolidated.....	\$ 464,695.34	
<i>Less:</i>		
Interest on Short-Term Loans.....	\$ 40,722.15	
Miscellaneous Expenses (including Directors' Fees, \$3,750.00, and Legal Fees, \$10,000.00).....	46,225.25	
Amortization of Debenture Discount and Premium and Expenses on Debentures Redeemed.....	105,058.82	
	192,006.22	
		272,689.12
		\$ 1,969,345.16
<i>Deduct:</i>		
Interest on Debentures and Exchange thereon.....		307,733.10
NET PROFIT FOR YEAR, transferred to Consolidated Statement of Earned Surplus.....		\$ 1,661,612.06

INTERNATIONAL POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Earned Surplus

BALANCE AT 31ST DECEMBER, 1942	\$ 4,504,178.41
<i>Add:</i>	
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	1,661,612.06
	<hr/>
	\$ 6,165,790.47
<i>Deduct:</i>	
Dividends on First Preferred Stock, including \$5.00 per share on arrears ...	960,000.00
	<hr/>
BALANCE AT 31ST DECEMBER, 1943	<u><u>\$ 5,205,790.47</u></u>

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