

**INTERNATIONAL
POWER COMPANY
LIMITED**

***NINETEENTH
ANNUAL REPORT***

**YEAR ENDED
31st DECEMBER, 1944**

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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*

**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, C.M.G., K.C.

FRED. C. CLARKE, *Secretary-Treasurer*



INTERNATIONAL POWER COMPANY, LIMITED

Report of the Directors

FOR THE YEAR ENDED 31ST DECEMBER, 1944

TO THE SHAREHOLDERS:

Your Directors submit herewith their nineteenth Annual Report and Financial Statements, together with Consolidated Statements for the year ended 31st December, 1944.

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 \$2,915,414.58, a decrease of \$64,030.46 as compared with 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 \$1,094,539.72. Property retired from service and other adjustments amounted to \$340,426.78.

The funded debt of your Company and its subsidiaries in the hands of the public was reduced during the year by \$143,216.80 and reduction in bank loans amounted to \$1,715,893.11.

The question of the rights of distribution by the Liquidator of Porto Rico Power Company, Limited of the moneys in its hands is still before the courts. Pending final determination of this matter, the amount received by your Company in excess of its investment therein, arising from the partial distribution already made by the Liquidator, is shown on the Balance Sheet as a Deferred Credit.

Quarterly dividends of \$1.75 per share on the 7% Preferred Stock of your Company were paid during the year, in addition to which two special dividends of \$5.00 per share each were paid on account of arrears, leaving dividend arrears now amounting to \$10.00 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, 22nd May, 1945.

INTERNATIONAL POWER COMPANY, LIMITED

Statement of Income and Expenditure For the Year Ended 31st December, 1944

| | |
|--|----------------|
| DIVIDENDS AND INTEREST FROM SUBSIDIARY COMPANIES AND MISCELLANEOUS INCOME FOR YEAR..... | \$1,089,872.13 |
| <i>Deduct:</i> | |
| Interest on Short-Term Loans..... | \$ 7,758.12 |
| Directors' Fees..... | 3,500.00 |
| Directors' Fees paid by Subsidiary Company to Directors of International Power Company, Limited, <u>\$2,500.00</u> | |
| Executive Counsel..... | 20,000.00 |
| Miscellaneous Expenses..... | 30,341.85 |
| Amortization of Debenture Discount and Premium on Debentures Purchased..... | 14,733.25 |
| | 76,333.22 |
| | \$1,013,538.91 |
| <i>Deduct:</i> | |
| Interest on Debentures and Exchange thereon..... | 266,124.48 |
| NET PROFIT FOR YEAR, TRANSFERRED TO STATEMENT OF EARNED SURPLUS... | \$ 747,414.43 |

Statement of Earned Surplus

| | |
|--|----------------|
| BALANCE AT 31ST DECEMBER, 1943..... | \$2,897,233.16 |
| <i>Add:</i> | |
| Net Profit for year, transferred from Statement of Income and Expenditure..... | 747,414.43 |
| | \$3,644,647.59 |
| <i>Deduct:</i> | |
| Dividends on First Preferred Stock, including \$10.00 per share on arrears.. | 1,360,000.00 |
| BALANCE AT 31ST DECEMBER, 1944..... | \$2,284,647.59 |

INTERNATIONAL POWER

Balance Sheet as at

ASSETS

| | | |
|---|---------------------|------------------------|
| SHARES OF SUBSIDIARY COMPANIES, AT COST | \$6,911,380.45 | |
| BONDS, DEBENTURES AND OTHER INDEBTEDNESS OF SUB- SIDIARY COMPANIES, AT COST, LESS RESERVE..... | <u>7,352,119.17</u> | \$14,263,499.62 |
| SHARES OF OTHER PUBLIC UTILITY COMPANY, AT COST..... | | 25,599.00 |
| CASH..... | | 635,059.89 |
| DOMINION OF CANADA BONDS: (Approximate market value \$5,259,000) | | 5,253,325.00 |
| ACCRUED INTEREST ON DOMINION OF CANADA BONDS..... | | 33,000.00 |
| TRUST FUNDS (Per Contra)..... | | 220,889.78 |
| DEFERRED CHARGES: | | |
| Discount on Debentures, less amounts written off..... | \$ 140,594.85 | |
| Miscellaneous..... | <u>3,099.84</u> | |
| | | 143,694.69 |
| | | <u>\$20,575,067.98</u> |

Approved on behalf of the Board:

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

COMPANY, LIMITED

1st December, 1944

LIABILITIES

| | | | |
|--|-------------------|---------------------|-------------------------------|
| ACCOUNTS PAYABLE..... | | \$ | 45,799.18 |
| DIVIDEND PAYABLE 2ND JANUARY, 1945..... | | | 140,000.00 |
| INTEREST ACCRUED ON DEBENTURES..... | | | 80,296.67 |
| | | \$ | <u>266,095.85</u> |
| TRUST ACCOUNT (Per Contra)..... | | | 220,889.78 |
| 6½% DEBENTURES, DUE 1957..... | \$3,000,000.00 | | |
| Less: Cancelled..... | <u>830,000.00</u> | \$2,170,000.00 | |
| 6% DEBENTURES, DUE 1957..... | \$2,000,000.00 | | |
| Less: Cancelled..... | <u>336,000.00</u> | <u>1,664,000.00</u> | |
| | | | 3,834,000.00 |
| DEFERRED CREDIT: | | | |
| Porto Rico Power Company Limited, Investment Realization Account..... | | | 2,346,684.76 |
| 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 \$10.00 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..... | | <u>1,622,750.00</u> | |
| | | | 11,622,750.00 |
| EARNED SURPLUS AT 31ST DECEMBER, 1944..... | | | 2,284,647.59 |
| | | | <u><u>\$20,575,067.98</u></u> |

Audited in accordance with our report of this date.

CREAK, CUSHING & HODGSON,
Chartered Accountants.

MONTREAL, 15th May, 1945.

INTERNATIONAL POWER
AND SUBSIDIARY

Consolidated Balance Sheet as

ASSETS

CAPITAL ASSETS:

Lands, Buildings and Plants; Franchises, Contracts, Goodwill, etc. \$27,184,985.51

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 Company, at cost—

Not Consolidated:

| | | |
|---|---------------|-----------------|
| Shares | \$ 150,643.80 | |
| Debentures and Other Indebtedness | 2,442,126.65 | |
| | | \$ 2,592,770.45 |

| | | |
|-------------------------------------|--|-----------------|
| Miscellaneous Investments | | 60,599.00 |
| | | \$29,838,354.96 |

| | | |
|------------------------------------|--|------------|
| TRUST FUNDS (Per Contra) | | 220,889.78 |
|------------------------------------|--|------------|

CURRENT ASSETS:

| | | |
|--|----------------|--------------|
| Cash | \$1,355,814.71 | |
| Dominion of Canada Bonds: | | |
| (Approximate market value \$5,259,000) | 5,253,325.00 | |
| Accrued Interest on Dominion of Canada Bonds | 33,000.00 | |
| Accounts Receivable, less Reserve | 560,770.48 | |
| Materials and Supplies, as certified by responsible officials and valued at cost | 749,872.36 | |
| | | 7,952,782.55 |

DEFERRED CHARGES:

| | | |
|---|--------------|------------|
| Prepaid and Other Deferred Charges | \$ 58,505.89 | |
| Unamortized Discount and Expenses on Bonds and Debentures | 197,213.35 | |
| | | 255,719.24 |

\$38,267,746.53

Approved on behalf of the Board:

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

Audited in accordance with our report of this date.

MONTREAL, 15th May, 1945.

CREAK, CUSHING & HODGSON,
Chartered Accountants.

COMPANY, LIMITED
COMPANIES

31st December, 1944

LIABILITIES

FUNDED DEBT:

| | | |
|--|----------------|-----------------|
| 6½% Debentures, due 1957..... | \$3,000,000.00 | |
| Less: Cancelled..... | 830,000.00 | |
| | | \$ 2,170,000.00 |
| 6% Debentures, due 1957..... | \$2,000,000.00 | |
| Less: Cancelled..... | 336,000.00 | |
| | | 1,664,000.00 |
| Bonds and Debentures of Subsidiary Companies Outstanding in Hands of Public (Secured)..... | | 3,967,473.60 |
| | | \$ 7,801,473.60 |
| TRUST ACCOUNT (Per Contra)..... | | 220,889.78 |

CURRENT LIABILITIES:

| | | |
|--|---------------|--------------|
| Bank Loan..... | \$ 307,978.86 | |
| Accounts Payable..... | 644,565.62 | |
| Consumers' Deposits, including interest thereon..... | 351,537.49 | |
| Interest Accrued..... | 106,027.67 | |
| Dividend Payable 2nd January, 1945..... | 140,000.00 | |
| | | 1,550,109.64 |

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

1,208,015.14

RESERVES:

| | | |
|---|----------------|--------------|
| Depreciation and Renewals..... | \$6,566,761.44 | |
| Provision for Claims and Contingencies..... | 243,474.00 | |
| General..... | 499,574.55 | |
| Miscellaneous..... | 938,635.02 | |
| | | 8,248,445.01 |

DEFERRED CREDIT:

| | | |
|---|--|--------------|
| Porto Rico Power Company Limited, Investment Realization Account..... | | 2,346,684.76 |
|---|--|--------------|

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 \$10.00 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, 1944..... | 5,269,378.60 | |
| | | 16,892,128.60 |
| | | \$38,267,746.53 |

INTERNATIONAL POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Income and Expenditure

For the Year Ended 31st December, 1944

| | | |
|---|----------------|----------------|
| GROSS EARNINGS OF SUBSIDIARY COMPANIES..... | | \$5,549,274.78 |
| <i>Deduct:</i> | | |
| Operating Expenses and Taxes, less Exchange Profit..... | \$2,632,810.20 | |
| Directors' Fees, Subsidiary Companies..... | 1,050.00 | |
| <i>Note: The total amount paid during the year by Subsidiary Companies consolidated herein and by Subsidiary Company not consolidated, for Legal Fees was \$36,380.09 and Executive Salaries \$51,390.00.</i> | | |
| | 2,633,860.20 | |
| NET EARNINGS OF SUBSIDIARY COMPANIES..... | | \$2,915,414.58 |
| <i>Deduct:</i> | | |
| Interest on Funded Debt, etc., of Subsidiary Companies in hands of Public and Exchange thereon..... | \$ 253,394.29 | |
| Dividends on Common Stocks of Subsidiary Companies in hands of Public..... | 20,070.00 | |
| Reserve for Depreciation and Renewals..... | 750,638.45 | |
| Reserve for Contingencies..... | 114,230.77 | |
| General Reserve..... | 15,704.23 | |
| Minority Interest in Surplus for year..... | 92,645.35 | |
| Amortization of Bond Discount and Expenses..... | 51,756.10 | |
| | 1,298,439.19 | |
| NET INCOME AVAILABLE TO INTERNATIONAL POWER COMPANY, LIMITED..... | | \$1,616,975.39 |
| <i>Add:</i> | | |
| MISCELLANEOUS INCOME, INTERNATIONAL POWER COMPANY, LIMITED: | | |
| Interest from Dominion of Canada Bonds..... | \$ 141,795.20 | |
| Interest from investment in Subsidiary Company, not consolidated, etc..... | 92,312.57 | |
| | \$ 234,107.77 | |
| <i>Less:</i> | | |
| Interest on Short-Term Loans..... | \$ 7,758.12 | |
| Miscellaneous Expenses (including Directors' Fees, \$3,500.00 and Executive Counsel, \$20,000.00)..... | 53,841.85 | |
| Amortization of Debenture Discount and Premium on Debentures Purchased.... | 14,733.25 | |
| | 76,333.22 | |
| | | 157,774.55 |
| <i>Deduct:</i> | | \$1,774,749.94 |
| Interest on Debentures and Exchange thereon..... | | 266,124.48 |
| NET PROFIT FOR YEAR, transferred to Consolidated Statement of Earned Surplus..... | | \$1,508,625.46 |

INTERNATIONAL POWER COMPANY, LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Earned Surplus

| | |
|--|------------------------------|
| BALANCE AT 31ST DECEMBER, 1943..... | \$5,205,790.47 |
| <i>Deduct:</i> | |
| Amount written off Property by Subsidiary Company, etc..... | 85,037.33 |
| | <u>\$5,120,753.14</u> |
| <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..... | 1,508,625.46 |
| | <u>\$6,629,378.60</u> |
| <i>Deduct:</i> | |
| Dividends on First Preferred Stock, including \$10.00 per share on arrears .. | 1,360,000.00 |
| | <u>\$5,269,378.60</u> |
| BALANCE AT 31ST DECEMBER, 1944..... | <u><u>\$5,269,378.60</u></u> |

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

15th May, 1945.

To the Shareholders,

INTERNATIONAL POWER COMPANY, LIMITED,
MONTREAL.

We have audited the books of International Power Company, Limited for the year ended 31st December, 1944, 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 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 of the Subsidiary Company, not consolidated, have not been brought into the accounts of International Power Company, Limited.

Subject to the foregoing, we report that, in our opinion, the accompanying Balance Sheet of International Power Company, Limited as at 31st December, 1944, 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.

