

**INTERNATIONAL
POWER COMPANY
LIMITED**

***TWENTY-FIRST
ANNUAL REPORT***

**YEAR ENDED
31st DECEMBER, 1946**

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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 and 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

FREDERICK KRUG

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, 1946

TO THE SHAREHOLDERS:

Your Directors submit herewith their twenty-first Annual Report and Financial Statements, together with Consolidated Statements for the year ended 31st December, 1946.

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 \$2,941,640.69, a decrease of \$142,814.92 as compared with those of the previous year. The earnings and expenses in foreign currencies have been converted at either the current rates of exchange or at par of exchange and net exchange profit realized on remittances of earnings has been deducted from expenses.

Expenditure on Capital Account of the consolidated subsidiaries amounted to \$1,119,012.53. Property retired from service and other adjustments amounted to \$273,362.68. The budgets of all subsidiary companies for the current year provide for property additions, including deferred capital expenditures due to shortage and delayed delivery of materials during the past three years, of about \$3,000,000.00.

Satisfactory progress is being made in the settlement of law suits in Puerto Rico in connection with wage and other claims referred to in the previous report and it is hoped that these matters will be finally liquidated within the next twelve months.

Effect is shown in the statements accompanying this report to the redemption of \$4,000,000 7% Preferred Stock and the conversion of \$4,000,000 7% Preferred Stock into 6% Cumulative Redeemable First Preferred Stock referred to in the previous report.

In June last the outstanding 6½% and 6% Debentures of the Company due 1957, which were payable at the option of the holder in U.S. funds, were called for redemption and the amount required for this purpose was financed by the issue of \$1,750,000 of 6% Secured Serial Debentures payable in U.S. funds, and \$1,750,000 of 6% Unsecured Serial Debentures payable in Canadian funds only. Both issues mature in aggregate principal amounts of \$350,000, each payable quarterly commencing the 27th day of June, 1949.

Income for the year has been charged with \$146,211.59 net, representing the premium, U.S. exchange and other expenses incurred in connection with the redemption of 6½% and 6% Debentures and 7% Preferred Stock, less premium realized on the sale of 6% Secured and 6% Unsecured Serial Debentures, and has also been charged with the amount of \$129,039.10 being the un-amortized discount and expenses on the Debentures redeemed.

Submitted on behalf of the Board,

I. W. KILLAM,
President.

MONTREAL, 29th May, 1947.

INTERNATIONAL POWER COMPANY LIMITED

Statement of Income and Expenditure

For the Year Ended 31st December, 1946

DIVIDENDS AND INTEREST (LESS WITHHOLDING TAX) FROM SUBSIDIARY COMPANIES AND MISCELLANEOUS INCOME FOR YEAR.....		\$1,407,783.22
<i>Deduct:</i>		
Interest on Bank Loan.....	\$ 678.10	
Directors' Fees.....	4,000.00	
Executive Counsel.....	20,000.00	
Miscellaneous Expenses.....	10,088.38	
	34,766.48	
		\$1,373,016.74
<i>Deduct:</i>		
Interest on Debentures and Exchange thereon.....		244,485.95
		\$1,128,530.79
<i>Deduct:</i>		
Debenture Discount and Expenses—balance at 31st December, 1945.....	\$ 129,039.10	
Refinancing Debentures and Preferred Stock—Premium and Expenses, net (including legal fees, \$9,462.96).....	146,211.59	
	\$ 275,250.69	
<i>Less:</i>		
Profit on Sale of Dominion of Canada Bonds.....	156,800.00	
	118,450.69	
NET PROFIT FOR YEAR (AFTER WRITING OFF DEBENTURE DISCOUNT AND EXPENSES—BALANCE AT 31ST DECEMBER, 1945) TRANSFERRED TO STATEMENT OF EARNED SURPLUS.....		\$1,010,080.10

Statement of Earned Surplus

BALANCE AT 31ST DECEMBER, 1945.....		\$1,718,734.20
<i>Add:</i>		
Net Profit for year (after writing off Debenture Discount and Expenses—balance at 31st December, 1945) transferred from Statement of Income and Expenditure.....		1,010,080.10
		\$2,728,814.30
<i>Deduct:</i>		
Dividends on First Preferred Stock.....		286,800.00
BALANCE AT 31ST DECEMBER, 1946.....		\$2,442,014.30

INTERNATIONAL POWER

Balance Sheet as at

ASSETS

SHARES OF SUBSIDIARY COMPANIES, AT COST.....	\$6,960,268.07	
BONDS, DEBENTURES AND OTHER INDEBTEDNESS OF SUB- SIDIARY COMPANIES, AT COST, LESS RESERVE.....	5,785,979.44	\$12,746,247.51
SHARES OF OTHER PUBLIC UTILITY COMPANY, AT COST.....		25,599.00
DOMINION OF CANADA BONDS: (Approximate market value \$2,437,500.00).....		2,357,406.25
CASH.....		981,400.54
ACCRUED INTEREST ON DOMINION OF CANADA BONDS.....		8,812.50
TRUST FUNDS (Per Contra).....		143,702.13
		<u>\$16,263,167.93</u>

Approved on behalf of the Board:

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

R COMPANY LIMITED

31st December, 1946

LIABILITIES

ACCOUNTS PAYABLE	\$ 38,251.65
DIVIDEND PAYABLE 2ND JANUARY, 1947	120,000.00
INTEREST ACCRUED ON DEBENTURES	2,301.36
	<u>\$ 160,553.01</u>
TRUST ACCOUNT (Per Contra)	143,702.13
6% SECURED SERIAL DEBENTURES, DUE IN EQUAL QUARTERLY INSTALMENTS 27TH JUNE, 1949-1950	1,750,000.00
6% UNSECURED SERIAL DEBENTURES, DUE IN EQUAL QUARTERLY INSTALMENTS 27TH JUNE, 1949-1950	1,750,000.00
DEFERRED CREDIT:	
Porto Rico Power Company Limited, Investment Realization Account	2,394,148.49
CAPITAL STOCK:	
First Preferred, issuable in one or more Series:	
Authorized:	
140,000 Shares of \$50 each.....	<u>\$7,000,000.00</u>
Issued and fully paid: First Series—	
6% Cumulative Redeemable First Preferred:	
80,000 Shares of \$50 each.....	\$4,000,000.00
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>
	7,622,750.00
EARNED SURPLUS AT 31ST DECEMBER, 1946.....	<u>2,442,014.30</u>
	<u>\$16,263,167.93</u>

Audited in accordance with our report of this date.

CREAK, CUSHING & HODGSON,
Chartered Accountants

MONTREAL, 29th May, 1947.

INTERNATIONAL POWER AND SUBSIDIARIES

Consolidated Balance Sheet

ASSETS

CAPITAL ASSETS:

Lands, Buildings and Plants; Franchises, Contracts, Goodwill, etc. \$28,364,568.28

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 \$ 383,115.11
Debtures and Other Indebtedness 1,028,375.80

\$ 1,411,490.91

Miscellaneous Investments 62,522.08

\$29,838,581.27

TRUST FUNDS (Per Contra) 143,702.13

DOMINION OF CANADA BONDS 2,357,406.25

(Approximate market value, \$2,437,500.00)

CURRENT ASSETS:

Cash \$1,883,173.72

Accrued Interest on Dominion of Canada Bonds 8,812.50

Accounts Receivable, less Reserve 674,724.50

Materials and Supplies, as certified by responsible officials
and valued at cost 797,704.95

3,364,415.67

DEFERRED CHARGES:

Prepaid and Other Deferred Charges \$ 72,958.07

Unamortized Discount and Expenses on Bonds and Debtures 51,572.96

124,531.03

\$35,828,636.35

Approved on behalf of the Board:

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

Audited in accordance with our report of this date.

MONTREAL, 29th May, 1947.

CREAK, CUSHING & HODGSON,
Chartered Accountants.

POWER COMPANY LIMITED
 POWER COMPANIES

as at 31st December, 1946

LIABILITIES

FUNDED DEBT:

6% Secured Serial Debentures due in equal quarterly instalments 27th June, 1949-50.....	\$1,750,000.00	
6% Unsecured Serial Debentures due in equal quarterly instalments 27th June, 1949-50.....	1,750,000.00	\$ 3,500,000.00
Bonds of Subsidiary Companies Outstanding in Hands of Public (Secured).....		3,424,000.00
		<u>\$ 6,924,000.00</u>
TRUST ACCOUNT (Per Contra).....		143,702.13

CURRENT LIABILITIES:

Bank Loan.....	\$ 55,000.00	
Accounts Payable.....	821,676.00	
Consumers' Deposits, including interest thereon.....	266,042.91	
Interest Accrued.....	4,737.52	
Dividend Payable 2nd January, 1947.....	120,000.00	
		<u>1,267,456.43</u>

MINORITY INTEREST in Capital Stock and Surplus of Subsidiary Companies.....		1,164,357.83
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RESERVES:

Depreciation and Renewals.....	\$7,808,178.50	
Reserve for Contingencies.....	467,035.30	
General.....	431,722.06	
Miscellaneous.....	947,648.35	
		<u>9,654,584.21</u>

DEFERRED CREDIT:

Porto Rico Power Company Limited, Investment Realization Account....		2,394,148.49
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CAPITAL STOCK AND EARNED SURPLUS:

First Preferred, issuable in one or more Series:		
Authorized:		
140,000 Shares of \$50 each.....	<u>\$7,000,000.00</u>	
Issued and Fully Paid: First Series—		
6% Cumulative Redeemable First Preferred:		
80,000 Shares of \$50 each.....	\$4,000,000.00	
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, 1946.....	6,657,637.26	
		<u>14,280,387.26</u>
		<u>\$35,828,636.35</u>

INTERNATIONAL POWER COMPANY LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Income and Expenditure

For the Year Ended 31st December, 1946

GROSS EARNINGS OF SUBSIDIARY COMPANIES		\$5,929,724.81
<i>Deduct:</i>		
Operating Expenses and Taxes, less Exchange Profit	\$2,987,034.12	
Directors' Fees, Subsidiary Companies	1,050.00	
<i>Note:</i> The total amount paid during the year by Subsidiary Companies consolidated herein and by Subsidiary Companies not consolidated, for Legal Fees was \$39,712.92 and Executive Salaries \$72,183.77.		
	2,988,084.12	
NET EARNINGS OF SUBSIDIARY COMPANIES		\$2,941,640.69
<i>Deduct:</i>		
Interest on Funded Debt, etc., of Subsidiary Companies in hands of Public and Exchange thereon	\$ 135,941.64	
Dividends on Common Stocks of Subsidiary Companies in hands of Public	19,895.00	
Reserve for Depreciation and Renewals	794,970.38	
Reserve for Contingencies	119,230.77	
General Reserve	15,218.08	
Minority Interest in Surplus for Year	100,454.20	
Amortization of Bond Discount and Expense	27,693.65	
	1,213,403.72	
NET INCOME AVAILABLE TO INTERNATIONAL POWER COMPANY LIMITED		\$1,728,236.97
<i>Deduct:</i>		
Miscellaneous Expense, International Power Company Limited:		
Interest on Bank Loan	\$ 678.10	
Miscellaneous Expenses and Taxes (including Directors' Fees, \$4,000.00, and Executive Counsel, \$20,000.00)	136,742.63	
	\$ 137,420.73	
<i>Less:</i>		
Interest from Dominion of Canada Bonds..	\$ 75,416.48	
Interest from Investment in Subsidiary Company, not consolidated, etc.	16,030.50	
	91,446.98	
		45,973.75
		\$1,682,263.22
<i>Deduct:</i>		
Interest on Debentures and Exchange thereon		244,485.95
		\$1,437,777.27
<i>Deduct:</i>		
Debenture Discount and Expenses, balance at 31st December, 1945	\$ 129,039.10	
Refinancing Debentures and Preferred Stock—Premium and Expenses, net (including Legal Fees, \$9,462.96)	146,211.59	
	\$ 275,250.69	
<i>Less:</i>		
Profit on Sale of Dominion of Canada Bonds	156,800.00	
	118,450.69	
NET PROFIT FOR YEAR (after writing off Debenture Discount and Expenses of International Power Company Limited—balance at 31st December, 1945) transferred to Consolidated Statement of Earned Surplus		\$1,319,326.58

INTERNATIONAL POWER COMPANY LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Earned Surplus

BALANCE AT 31ST DECEMBER, 1945.....	\$5,651,633.31
<i>Deduct:</i>	
Adjustments applicable to prior years.....	26,522.63
	<u>\$5,625,110.68</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 and after writing off the balance of Debenture Discount and Expenses of International Power Company Limited at 31st December, 1945.....	1,319,326.58
	<u>\$6,944,437.26</u>
<i>Deduct:</i>	
Dividends on First Preferred Stock.....	286,800.00
	<u><u>\$6,657,637.26</u></u>
BALANCE AT 31ST DECEMBER, 1946.....	

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

29th May, 1947.

To the Shareholders,

INTERNATIONAL POWER COMPANY LIMITED,
MONTREAL.

We have audited the books of International Power Company Limited for the year ended 31st December, 1946, and have obtained all the information and explanations which we have required. We report that the aggregate net profits for the year of the Subsidiary Companies, as shown by 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 Sheet certified by the auditors of the Subsidiary Companies and report that the auditors of two of the Subsidiary Companies include in their reports a qualification regarding the provisions for depreciation. We report, in connection with the Consolidated Balance Sheet, that the operating profits for the year of the two Subsidiary Companies, 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, 1946, 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.

