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**INTERNATIONAL
POWER COMPANY
LIMITED**

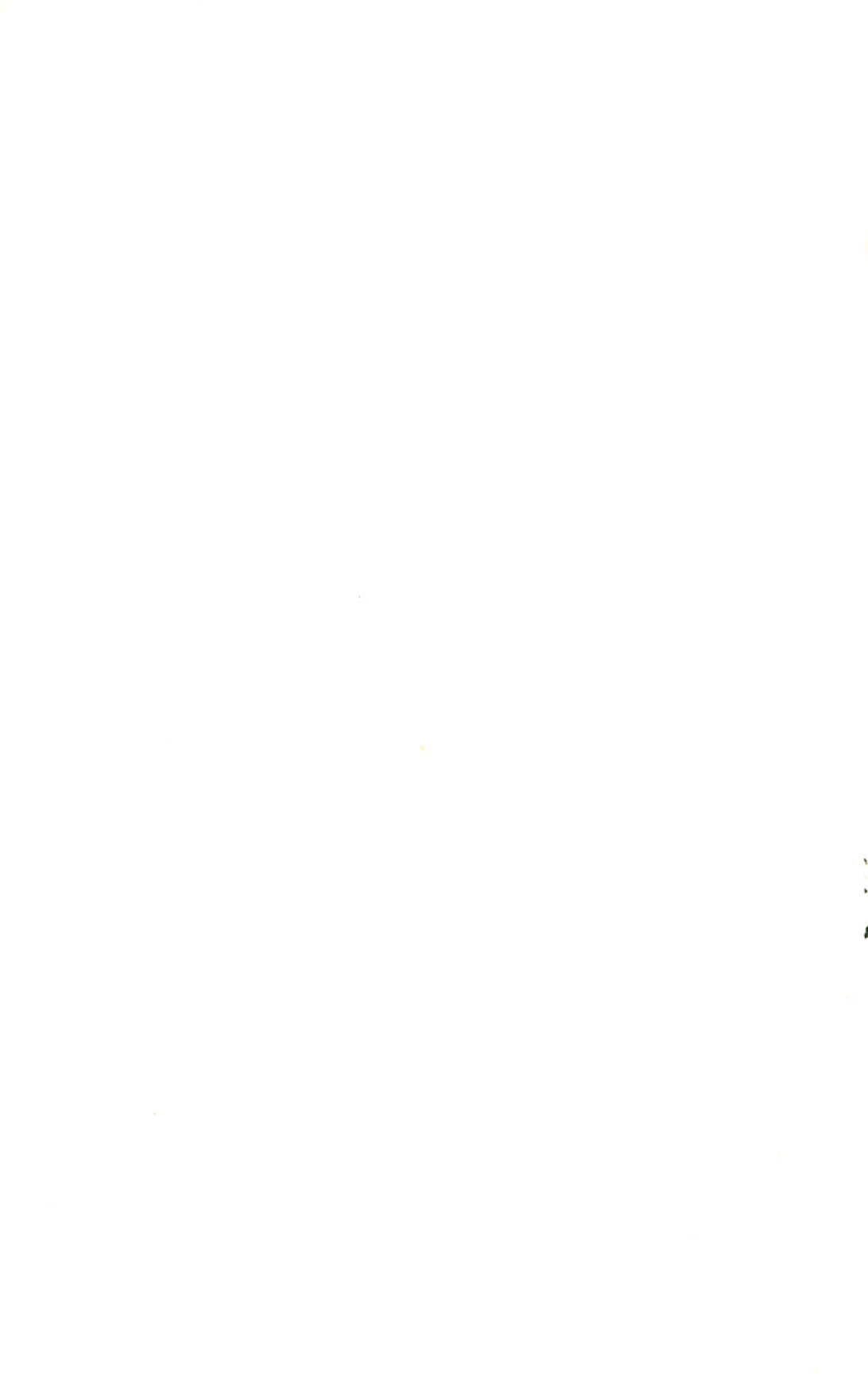
***TWENTY-THIRD
ANNUAL REPORT***

**YEAR ENDED
31st DECEMBER, 1948**

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INTERNATIONAL
POWER COMPANY
LIMITED



HEAD OFFICE
MONTREAL, CANADA



SUBSIDIARY COMPANIES

Bolivian Power Company, Limited

*Monterey Railway, Light and Power
Company*

**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

FREDERICK KRUG

G. MacGREGOR MITCHELL

JOHN H. PRICE

L. G. PROCTOR

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, 1948

TO THE SHAREHOLDERS:

Your Directors submit herewith their twenty-third Annual Report and Financial Statements, together with Consolidated Statements for the year ended 31st December, 1948.

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 converted at Government official rates.

The earnings and expenses in foreign currencies have been similarly dealt with and the net exchange profit realized on remittances of earnings has been deducted from expenses. The combined net earnings of subsidiary companies included in the consolidated statement of earnings amounted on the same basis to \$2,822,645.42 before depreciation, a comparative increase of \$290,054.28 over the previous year.

Shares of the Newfoundland subsidiary were sold in March 1949 and its accounts for the year 1948 as well as those of the Monterey Railway, Light and Power Company are not included in the accompanying consolidated statements. These shares are included in the Consolidated Balance Sheet under the heading of "Investment in Subsidiary Companies—Not Consolidated".

The sum of \$363,133.08 was received during the year on account of the cumulative interest on Income Debenture Stock of the Monterey Railway, Light & Power Company. It is not likely that further income will be received from this company for some time due to the recent serious decline in the Mexican exchange.

Construction expenditures on the properties of the consolidated subsidiary companies amounted on the same conversion basis to \$2,816,695.99 and those of the Monterey company amounted to \$611,965.22 converted at exchange rates current at the time of the expenditures.

The power generated and sold by your subsidiaries has shown steady increase and your Directors anticipate that there will be further increases so that it has been necessary to plan for substantial additions to the generation and distribution facilities of the operating subsidiaries. Owing to the prevailing high costs, it is expected that these capital additions will absorb the greater part of the subsidiaries' earnings over the next two years at least.

6% Serial Debentures in the aggregate principal amount of \$700,000, were redeemed during the year. The \$1,400,000 principal amount of these Debentures which remained outstanding at 31st December 1948, have since been paid off.

No further distribution of Porto Rico Power Company Ltd., liquidation funds has been made by the Liquidator since that referred to in the previous year's report. Your Directors expect that a further small distribution will be made by the Liquidator during the current year.

No dividends have been paid since the inception of the Company on the 6% Cumulative Convertible Second Preferred Shares and the arrears outstanding as at July 1st, 1949 will amount to \$134.00 per share. Your Directors anticipate the early initiation of dividend payments on these shares and are suggesting an amendment of the rights of the Second Preferred Shareholders to permit dividends being declared on the Common shares to the extent of not exceeding 60 cents per share in any quarterly period simultaneously with dividends on the Second Preferred Shares pending the liquidation of all arrears of dividend on the Second Preferred Shares. To this end a by-law providing for amendment of the conditions governing the Second Preferred Shares is being submitted to a special meeting of shareholders for their consideration.

At the same special general meeting a by-law will be submitted to confirm the reduction of the authorized capital resulting from the conversion and redemption of First Preferred Shares which took place in January 1948.

Submitted on behalf of the Board,

I. W. KILLAM,
President.

MONTREAL, 30th May, 1949.

INTERNATIONAL POWER COMPANY LIMITED

Statement of Income and Expenditure

For the Year Ended 31st December, 1948

DIVIDENDS AND INTEREST (LESS WITHHOLDING TAX) FROM SUBSIDIARY COMPANIES AND MISCELLANEOUS INCOME FOR YEAR.....		\$1,194,473.46
<i>Deduct:</i>		
Directors' Fees.....	\$ 3,500.00	
Executive Counsel.....	20,000.00	
Executive Salaries.....	3,600.00	
Miscellaneous Expenses.....	26,968.72	
	54,068.72	
		\$1,140,404.74
<i>Deduct:</i>		
Interest on Debentures.....		112,632.35
		\$1,027,772.39
<i>Deduct:</i>		
Premium and Expenses on Redemption of 6% Secured and Unsecured Serial Debentures.....	\$ 38,765.63	
Premium, Expenses, etc., on Redemption and Conversion of 6% First Preferred Stock, and Expenses re Issue of 5% First Preferred Stock.....	70,697.27	
	\$109,462.90	
<i>Less:</i>		
Profit on Sale of Miscellaneous Investment.....	3,804.67	
		105,658.23
NET PROFIT FOR YEAR TRANSFERRED TO STATEMENT OF EARNED SURPLUS...		\$ 922,114.16

Statement of Earned Surplus

BALANCE AT 31ST DECEMBER, 1947.....		\$2,839,952.34
<i>Add:</i>		
Net Profit for year transferred from Statement of Income and Expenditure.....		922,114.16
		\$3,762,066.50
<i>Deduct:</i>		
Dividends on 5% First Preferred Stock.....		100,000.00
BALANCE AT 31ST DECEMBER, 1948.....		\$3,662,066.50

INTERNATIONAL POWER

Balance Sheet as at

ASSETS

SHARES OF SUBSIDIARY COMPANIES, AT COST.....	\$6,975,293.86	
BONDS, DEBENTURES AND OTHER INDEBTEDNESS OF SUBSIDIARY COMPANIES, AT COST, LESS RESERVE.....	6,046,945.65	\$13,022,239.51
CASH.....		747,945.54
TRUST FUNDS (Per Contra).....		47,762.40
		\$13,817,947.45

Approved on behalf of the Board:

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

R COMPANY LIMITED

1st December, 1948

LIABILITIES

ACCOUNTS PAYABLE.....	\$ 28,939.51
DIVIDEND PAYABLE 3RD JANUARY, 1949.....	50,000.00
INTEREST ACCRUED ON DEBENTURES.....	920.55
	<u>\$ 79,860.06</u>
TRUST ACCOUNT (Per Contra).....	47,762.40
6% UNSECURED SERIAL DEBENTURES, DUE IN INSTALMENTS 27TH JUNE, 1949-1950.....	1,400,000.00
DEFERRED CREDIT:	
Porto Rico Power Company Limited, Investment Realization Account....	3,005,508.49
CAPITAL STOCK:	
First Preferred, issuable in one or more Series:	
Authorized: 120,000 Shares of \$25 each. <u>\$3,000,000.00</u>	
Issued and Fully Paid: First Series—	
5% Cumulative Redeemable First Preferred:	
80,000 Shares of \$25 each.....	\$2,000,000.00
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>
	5,622,750.00
EARNED SURPLUS AT 31ST DECEMBER, 1948.....	3,662,066.50
	<u>\$13,817,947.45</u>

Audited in accordance with our report of this date.

MONTREAL, 26th May, 1949.

CREAK, CUSHING & HODGSON,
Chartered Accountants.

INTERNATIONAL POW AND SUBSIDIA

Consolidated Balance Sheet

ASSETS

CAPITAL ASSETS:

Lands, Buildings and Plants; Franchises, Contracts, Goodwill, etc. \$24,238,143.03

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 intangibles so definitely segregated, appear as \$3,095,724.72, which is included in the above amount.

Investment in Subsidiary Companies—

Not Consolidated:

Shares	\$3,211,508.55	
Debentures and Other Indebtedness	1,052,116.31	
		4,263,624.86

Miscellaneous Investments		3,681.79
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\$28,505,449.68

TRUST FUNDS (Per Contra)		47,762.40
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CURRENT ASSETS:

Cash	\$1,326,045.83	
Accounts and Notes Receivable, less Reserve	954,839.35	
Materials and Supplies, as certified by responsible officials and valued at cost	1,116,397.68	3,397,282.86

DEFERRED CHARGES:

Prepaid and Other Deferred Charges		120,736.46
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\$32,071,231.40

Approved on behalf of the Board:

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

Audited in accordance with our report of this date.

ER COMPANY LIMITED
RY COMPANIES

as at 31st December, 1948

LIABILITIES

FUNDED DEBT:

6% Unsecured Serial Debentures, due in instalments 27th June, 1949-50... \$ 1,400,000.00

TRUST ACCOUNT (Per Contra)..... 47,762.40

CURRENT LIABILITIES:

Bank Loans.....	\$ 464,053.99	
Accounts Payable.....	928,892.64	
Consumers' Deposits, including interest thereon.....	304,800.35	
Interest accrued.....	920.55	
Dividend Payable 3rd January, 1949.....	50,000.00	
	<hr/>	1,748,667.53

MINORITY INTEREST in Capital Stock and Surplus of
Subsidiary Companies..... 1,291,351.93

RESERVES:

Depreciation and Renewals.....	\$7,076,553.37	
Reserve for Contingencies.....	558,081.99	
General.....	551,349.66	
Miscellaneous.....	1,197,674.22	
	<hr/>	9,383,659.24

DEFERRED CREDIT:

Porto Rico Power Company Limited, Investment Realization Account.... 3,005,508.49

CAPITAL STOCK AND EARNED SURPLUS:

First Preferred, issuable in one or more Series:

Authorized: 120,000 Shares of \$25 each. \$3,000,000.00

Issued and Fully Paid: First Series—

5% Cumulative Redeemable First Preferred:

80,000 Shares of \$25 each..... \$2,000,000.00

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, 1948..... 9,571,531.81

15,194,281.81

\$32,071,231.40

INTERNATIONAL POWER COMPANY LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Income and Expenditure
For the Year Ended 31st December, 1948

GROSS EARNINGS OF SUBSIDIARY COMPANIES	\$6,203,035.62
<i>Deduct:</i>	
Operating Expenses and Taxes, less Exchange Profit	3,380,390.20
<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 \$34,076.41 and Executive Salaries \$74,756.42.	
NET EARNINGS OF SUBSIDIARY COMPANIES	\$2,822,645.42
<i>Add:</i>	
Other Income	30,831.41
	\$2,853,476.83
<i>Deduct:</i>	
Dividends on Common Stocks of Subsidiary Companies in hands of Public	\$ 19,412.00
Reserve for Depreciation and Renewals	656,620.29
Reserve for Contingencies	94,230.77
General Reserve	36,340.96
Minority Interest in Surplus for Year	86,650.84
	893,254.86
NET INCOME AVAILABLE TO INTERNATIONAL POWER COMPANY LIMITED	\$1,960,221.97
<i>Add:</i>	
Miscellaneous Income, International Power Company Limited:	
Interest from Investment in Subsidiary Companies, not consolidated, etc.	\$ 363,635.06
<i>Less:</i>	
Miscellaneous Expenses and Taxes (including Directors' Fees, \$3,500.00, Executive Counsel, \$20,000.00 and Executive Salaries, \$3,600.00)	54,068.72
	309,566.34
	\$2,269,788.31
<i>Deduct:</i>	
Interest on Debentures	112,632.35
	\$2,157,155.96
<i>Deduct:</i>	
Premium and Expenses on Redemption of 6% Secured and Unsecured Serial Debentures	\$ 38,765.63
Premium, Expenses, etc., on Redemption and Conversion of 6% First Preferred Stock and Expenses re Issue of 5% First Preferred Stock	70,697.27
	\$ 109,462.90
<i>Less:</i>	
Profit on Sale of Miscellaneous Investment	3,804.67
	105,658.23
NET PROFIT FOR YEAR, transferred to Consolidated Statement of Earned Surplus	\$2,051,497.73

INTERNATIONAL POWER COMPANY LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Earned Surplus

BALANCE AT 31ST DECEMBER, 1947.....		\$8,088,295.13
<i>Deduct:</i>		
Surplus of Subsidiary Company previously consolidated...	\$ 417,214.78	
Other adjustments.....	51,046.27	
		468,261.05
		\$7,620,034.08
<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.....		2,051,497.73
		\$9,671,531.81
<i>Deduct:</i>		
Dividends on 5% First Preferred Stock.....		100,000.00
BALANCE AT 31ST DECEMBER, 1948.....		\$9,571,531.81



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

To the Shareholders,

INTERNATIONAL POWER COMPANY LIMITED,
MONTREAL, QUE.

We have audited the books of International Power Company Limited for the year ended 31st December 1948 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.

In the Consolidated Balance Sheet, under the heading of Investment in Subsidiary Companies—Not Consolidated, shares of the Newfoundland Subsidiary Company are included at the price at which such shares were sold in March, 1949, and investments in the other Subsidiary Companies—not consolidated, are included at cost.

We have examined the Balance Sheets certified by the auditors of the Subsidiary Companies and report that the auditors of one Subsidiary Company include in their Report qualifications regarding the provisions for depreciation, and that the auditors of another Subsidiary Company include in their Report a qualification as to the valuation of materials and supplies on hand.

Subject to the foregoing, we report that, in our opinion, the accompanying Balance Sheet of International Power Company Limited as at 31st December, 1948, 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 according to 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.

MONTREAL, 26th May, 1949.

