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**INTERNATIONAL
POWER COMPANY
LIMITED**

**THIRTY-FIRST
ANNUAL REPORT**

**YEAR ENDED
31st DECEMBER, 1956**

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INTERNATIONAL
POWER COMPANY
LIMITED



HEAD OFFICE
MONTREAL, CANADA



SUBSIDIARY COMPANIES

Bolivian Power Company, Limited

*Monterey Railway, Light and Power
Company*

*Empresa de Luz y Fuerza Electrica de Oruro,
Sociedad Anonima*

Compañía de Alumbrado Electrico de San Salvador

*The Demerara Electric Company
Limited*

Empresas Electricas Venezolanas, Sociedad Anonima

INTERNATIONAL
POWER COMPANY
LIMITED

BOARD OF DIRECTORS

FREDERICK KRUG, *President*

RUSSELL D. BELL

LEO. F. DALEY

WILLIAM M. HICKEY

JOHN R. HUGHES

ALASTAIR G. MACKINNON

RICHARD J. SMITH

HON. HERBERT J. SYMINGTON, P.C., C.M.G., Q.C.

LESLIE G. PROCTOR, *Secretary-Treasurer*

INTERNATIONAL POWER COMPANY LIMITED

Report of the Directors

FOR THE YEAR ENDED 31ST DECEMBER, 1956

TO THE SHAREHOLDERS;

Your Directors submit herewith their thirty-first Annual Report and Financial Statements together with Consolidated Statements for the year ended 31st December, 1956.

The method used for conversion of foreign currency accounts in the Consolidated Statements is the same as that for the year 1955. Notwithstanding a further substantial devaluation of Bolivian currency, consolidated net income after all charges, but before dividends, shows an increase of \$562,573.18, over that of the previous year.

As in the past, the accounts of two of your subsidiaries, namely, Monterey Railway, Light and Power Company and Empresas de Luz y Fuerza Electrica de Oruro, S.A., are not included in the accompanying consolidated statements. The securities of these two subsidiaries held by your Company, are shown in the Consolidated Balance Sheet under the heading "Investments in Subsidiary Companies — Not Consolidated".

The electricity output of all subsidiaries, including power purchased, increased from 807.8 million kilowatt hours in 1955 to 886.1 million kilowatt hours in 1956, an increase of 9.7%. Installed generating capacity was increased 9,900 kilowatts during 1956 to bring the total at the end of that year to 193,721 kilowatts. It is estimated that capital expenditures for the year 1957 will approximate \$8,800,000.

Regular dividends at the rate of \$2.40 per annum were paid in January, April, July and October. A dividend of \$3.00 per share was declared in December and paid in February of the current year. Your Directors hope, subject to any adverse change in conditions, to continue quarterly dividend payments at the latter rate.

It is with profound regret that we record the sudden death on 12th May, 1957, of one of your Directors, Judge John J. Burns. His wise counsel will be greatly missed. Mr. Richard J. Smith has been appointed by your Board to fill the vacancy.

Submitted on behalf of the Board,

F. KRUG,
President.

Montreal, 17th May, 1957.

INTERNATIONAL POWER COMPANY LIMITED

Statement of Income and Expenditure *For the Year Ended 31st December, 1956* *(with comparative figures for year 1955)*

	1956	1955
DIVIDENDS AND INTEREST (LESS WITHHOLDING TAX) FROM SUBSIDIARY COMPANIES AND MISCELLANEOUS INCOME	\$ 1,311,509.42	\$ 1,288,187.15
<i>Deduct:</i>		
Directors' Fees and Expenses	4,575.00	3,850.00
Executive Counsel	20,000.00	20,000.00
Miscellaneous Expenses	70,591.33	46,783.23
	<u>95,166.33</u>	<u>70,633.23</u>
NET INCOME FOR YEAR, TRANSFERRED TO STATEMENT OF EARNED SURPLUS	\$ <u>1,216,343.09</u>	\$ <u>1,217,553.92</u>

INTERNATIONAL POW

Balance Sheet as at
(with comparative figures

ASSETS

	1956	1955
SHARES OF SUBSIDIARY COMPANIES, AT COST.....	\$ 9,476,304.11	\$ 9,476,089.11
DEBENTURES AND OTHER INDEBTEDNESS OF SUBSIDIARY COMPANIES, AT COST.....	162,888.43	187,685.82
	9,639,192.54	9,663,774.93
CASH	1,382,863.93	855,503.64
BANK DEPOSIT RECEIPTS.....	575,250.00	—
UNITED STATES OF AMERICA TREASURY NOTES, AT COST.....	—	598,968.75
ACCOUNTS RECEIVABLE.....	31,210.32	—
	1,989,324.25	1,454,472.39
TRUST FUNDS (PER CONTRA).....	—	42,451.87
	\$11,628,516.79	\$11,160,699.19

Approved on behalf of the Board:

A. G. MACKINNON, *Director.*

L. G. PROCTOR, *Director.*

ER COMPANY LIMITED

31st December, 1956
 as at 31st December, 1955)

LIABILITIES

	1956	1955
ACCOUNTS PAYABLE.....	\$ 23,465.76	\$ 21,534.16
DIVIDEND PAYABLE 21ST FEBRUARY, 1957.....	587,100.00	117,420.00
AMOUNT DUE TO SUBSIDIARY COMPANIES.....	88,309.07	222,094.16
	<u>698,874.83</u>	<u>361,048.32</u>
TRUST ACCOUNT (PER CONTRA).....	—	42,451.87
	<u>—</u>	<u>42,451.87</u>
RESERVE FOR EXCHANGE.....	—	3,115.22
	<u>—</u>	<u>3,115.22</u>
CAPITAL STOCK AND SURPLUS:		
Common Shares of No Par Value:		
Authorized: 220,000 shares.		
Issued and Fully paid: 195,700 shares.....	3,631,750.00	3,631,750.00
SURPLUS:		
Tax-Paid Undistributed Income.....	2,832,654.83	2,433,426.83
Capital Surplus.....	3,727,358.92	3,756,051.83
Earned Surplus.....	737,878.21	932,855.12
	<u>10,929,641.96</u>	<u>10,754,083.78</u>
	<u>\$11,628,516.79</u>	<u>\$11,160,699.19</u>

Audited in accordance with our Report of this date.

MONTREAL, 16TH MAY, 1957.

CREAK, CUSHING & HODGSON,
 Chartered Accountants.

INTERNATIONAL POWER COMPANY LIMITED

Statement of Earned Surplus *For the Year Ended 31st December, 1956*

BALANCE AT 31ST DECEMBER, 1955.....	\$	932,855.12
<i>Less:</i> Prior year charge, transferred from Capital Surplus.....		2,280.00
		<u>930,575.12</u>
<i>Add:</i> Net Income for year, transferred from Statement of Income and Expenditure.....		1,216,343.09
		<u>2,146,918.21</u>
<i>Deduct:</i>		
15% Tax paid in accordance with Section 105 of the Income Tax Act.....	\$	70,452.00
Amount transferred to Tax-Paid Undistributed Income....		<u>399,228.00</u>
		<u>469,680.00</u>
		1,677,238.21
Dividends on Common Stock.....		939,360.00
BALANCE AT 31ST DECEMBER, 1956.....	\$	<u><u>737,878.21</u></u>

INTERNATIONAL POWER COMPANY LIMITED

Statement of Capital Surplus *For the Year Ended 31st December, 1956*

BALANCE AT 31ST DECEMBER, 1955.....		\$ 3,756,051.83
<i>Add:</i>		
Profit on sale of U.S. Treasury Notes.....	\$ 2,593.75	
Prior year charge, transferred to Earned Surplus.....	2,280.00	
		<u>4,873.75</u>
		3,760,925.58
<i>Deduct:</i>		
Adjustment of exchange provision made in prior years, required to convert U.S. Dollar balances at 31st Dec- ember, 1956.....	77,048.86	
Less: Exchange profit applicable to Capital.....	43,482.20	
		<u>33,566.66</u>
BALANCE AT 31ST DECEMBER, 1956.....		<u>\$ 3,727,358.92</u>

Statement of Tax-Paid Undistributed Income *For the Year Ended 31st December, 1956*

BALANCE AT 31ST DECEMBER, 1955.....	\$ 2,433,426.83
<i>Add:</i>	
Tax-Paid Undistributed Income transferred from Statement of Earned Surplus.....	399,228.00
BALANCE AT 31ST DECEMBER, 1956.....	<u>\$ 2,832,654.83</u>

INTERNATIONAL POW
AND SUBSIDIA

Consolidated Balance Sheet
(with comparative figures)

ASSETS

	1956	1955
CAPITAL ASSETS:		
Lands, Buildings and Plants; Franchises, Contracts, Goodwill, etc. (Note 2).....	<u>\$58,353,605.67</u>	<u>\$52,371,362.73</u>
INVESTMENT IN SUBSIDIARY COMPANIES, NOT CONSOLIDATED, AT COST:		
Shares.....	402,841.70	402,716.70
Debentures and other Indebtedness.....	<u>167,506.47</u>	<u>162,888.43</u>
	<u>570,348.17</u>	<u>565,605.13</u>
MISCELLANEOUS INVESTMENTS.....	<u>8,359.02</u>	<u>5,373.94</u>
TRUST FUNDS (PER CONTRA).....	<u>—</u>	<u>42,451.87</u>
CURRENT ASSETS:		
Cash.....	3,173,613.07	2,814,854.58
Bank Deposit Receipts.....	7,530,805.55	—
United States of America Treasury Notes, at cost.....	—	4,105,609.29
Accounts Receivable, less Reserve.....	2,512,315.03	2,215,684.89
Materials and Supplies as certified by responsible officials and valued at cost.....	<u>1,687,900.76</u>	<u>1,516,941.56</u>
	<u>14,904,634.41</u>	<u>10,653,090.32</u>
DEFERRED CHARGES:		
Prepaid and other Deferred Charges.....	<u>174,837.81</u>	<u>128,471.01</u>
	<u><u>\$74,011,785.08</u></u>	<u><u>\$63,766,355.00</u></u>

Approved on behalf of the Board:

A. G. MACKINNON, *Director.*

L. G. PROCTOR, *Director.*

ER COMPANY LIMITED
RY COMPANIES

as at 31st December, 1956

as at 31st December, 1955)

LIABILITIES

CURRENT LIABILITIES:	1956	1955
Bank Loan.....	\$ 72,222.67	\$ 85,013.69
Accounts Payable.....	1,864,589.02	2,241,730.39
Dividend Payable 21st February, 1957.....	587,100.00	117,420.00
Consumers' Deposits, including interest thereon.....	394,744.38	437,256.54
Amount due by Subsidiary Company to Subsidiary Com- pany not consolidated.....	—	49,893.33
	<u>2,918,656.07</u>	<u>2,931,313.95</u>
TRUST ACCOUNT (PER CONTRA).....	—	42,451.87
MINORITY INTEREST in Capital Stock and Surplus of Subsidiary Companies.....	799,380.89	726,702.28
RESERVES:		
Depreciation and Renewals.....	14,646,986.59	13,289,453.75
Reserve for Contingencies.....	1,083,297.10	1,065,783.79
Legal.....	2,020,093.36	1,677,609.46
Exchange.....	2,112,965.32	349,919.36
Miscellaneous.....	394,444.88	491,419.25
	<u>20,257,787.25</u>	<u>16,874,185.61</u>
CAPITAL RESERVE (NOTE 2).....	6,360,853.26	5,253,125.28
CAPITAL STOCK AND SURPLUS:		
Common Shares of No Par Value:		
Authorized: 220,000 Shares.		
Issued and Fully Paid: 195,700 Shares.....	3,631,750.00	3,631,750.00
Surplus (Note 3):		
Tax-Paid Undistributed Income.....	2,832,654.83	2,433,426.83
Capital Surplus.....	10,294,523.11	10,323,216.02
Earned Surplus.....	26,916,179.67	21,550,183.16
	<u>43,675,107.61</u>	<u>37,938,576.01</u>
	<u>\$74,011,785.08</u>	<u>\$63,766,355.00</u>

Note: The accompanying notes to the consolidated financial statements should be read in conjunction with the above consolidated Balance Sheet.

Audited in accordance with our Report of this date.

CREAK, CUSHING & HODGSON,
Chartered Accountants.

MONTREAL, 16TH MAY, 1957.

INTERNATIONAL POWER COMPANY LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Income and Expenditure
For the Year Ended 31st December, 1956
(with comparative figures for year 1955)

	1956	1955
GROSS EARNINGS OF SUBSIDIARY COMPANIES, LESS EX- CHANGE LOSS.....	\$15,476,499.29	\$14,065,036.78
<i>Deduct:</i>		
Operating Expenses and Taxes.....	<u>7,154,442.88</u>	<u>6,404,368.30</u>
Note: The total amount paid during the year by subsidiary companies consolidated herein and by subsidiary companies not consolidated, was for Legal Fees \$35,628.09 for the year 1956 and \$53,745.86 for the year 1955 and Executive Salaries \$157,031.85 for the year 1956 and \$132,811.00 for the year.		
NET EARNINGS OF SUBSIDIARY COMPANIES.....	8,322,056.41	7,660,668.48
<i>Add:</i>		
Investment Income.....	<u>194,383.93</u>	<u>96,571.57</u>
<i>Deduct:</i>	<u>8,516,440.34</u>	<u>7,757,240.05</u>
Dividends on Common Stocks of Subsidiary Companies in hands of the public.....	30,701.84	30,702.12
Provision for Depreciation and Renewals.....	1,538,317.12	1,484,003.50
Provision for Contingencies.....	—	68,720.93
Legal Reserve.....	354,287.32	129,132.11
Minority Interest in Surplus for year of Subsidiary Com- panies.....	<u>73,316.63</u>	<u>50,122.97</u>
	<u>1,996,622.91</u>	<u>1,762,681.63</u>
NET INCOME OF SUBSIDIARY COMPANIES, AFTER DEDUCTION OF MINORITY INTEREST.....	<u>6,519,817.43</u>	<u>5,994,558.42</u>
<i>Add:</i>		
Miscellaneous Income, International Power Company Limited:		
Income from investment in Monterey Railway, Light & Power Company, not consolidated, etc.....	153,439.56	91,592.29
<i>Less:</i>		
Miscellaneous expenses and taxes (including Directors' Fees and Expenses \$4,575.00 for year 1956 and \$3,850.00 for year 1955 and Executive Council, \$20,000.00 for year 1956 and \$20,000.00 for year 1955.....	<u>95,166.33</u>	<u>70,633.23</u>
	<u>58,273.23</u>	<u>20,959.06</u>
NET INCOME FOR YEAR, TRANSFERRED TO CONSOLIDATED STATEMENT OF EARNED SURPLUS.....	<u>\$ 6,578,090.66</u>	<u>\$ 6,015,517.48</u>

Note: The accompanying notes to the consolidated financial statements should be read in conjunction with the above consolidated statement of Income and Expenditure.

INTERNATIONAL POWER COMPANY LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statement of Earned Surplus *For the Year Ended 31st December, 1956*

BALANCE AT 31ST DECEMBER, 1955.....		\$21,550,183.16
<i>Add:</i>		
Adjustment arising from variation in exchange conversion rates.....		96,352.87
		21,646,536.03
<i>Less:</i>		
Prior year charge, transferred from Capital Surplus.....	\$ 2,280.00	
Adjustment of income taxes applicable to prior years, in the accounts of Subsidiary Companies.....	2,787.23	
		5,067.23
		21,641,468.80
<i>Add:</i>		
Adjustment arising from sale by a Subsidiary Company of investments in one of its Subsidiary Companies.....		105,660.21
Net Income for year after payment of dividends on Common Stocks of Subsidiary Companies in hands of the public and provision for Minority Interest in Surplus for year of Subsidiary Companies.....		6,578,090.66
		28,325,219.67
<i>Deduct:</i>		
15% Tax paid in accordance with Section 105 of The Income Tax Act.....	70,452.00	
Amount transferred to Tax-Paid Undistributed Income..	399,228.00	
		469,680.00
Dividends on Common Stock.....		27,855,539.67
		939,360.00
		\$26,916,179.67
BALANCE AT 31ST DECEMBER, 1956.....		

Note: The accompanying notes to the consolidated financial statements should be read in conjunction with the above consolidated statement of Earned Surplus.

INTERNATIONAL POWER COMPANY LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Capital Surplus
For the Year Ended 31st December, 1956

BALANCE AT 31ST DECEMBER, 1955.....		\$10,323,216.02
<i>Add:</i>		
Profit on sale of U.S. Treasury Notes.....	2,593.75	
Prior year charge, transferred to Earned Surplus.....	2,280.00	
	<hr/>	4,873.75
		<hr/>
		10,328,089.77
<i>Deduct:</i>		
Adjustment of exchange provision made in prior years, required to convert U.S. dollar balances at 31st Decem- ber, 1956 in accounts of International Power Company Limited.....	77,048.86	
Less: Exchange profit applicable to Capital.....	43,482.20	
	<hr/>	33,566.66
		<hr/>
BALANCE AT 31ST DECEMBER, 1956.....		<u>\$10,294,523.11</u>

Note: The accompanying notes to the consolidated financial statements should be read in conjunction with the above consolidated statement of Capital Surplus.

INTERNATIONAL POWER COMPANY LIMITED AND SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements *As at 31st December, 1956*

1. FOREIGN EXCHANGE:

The following bases have been used in converting foreign currencies in the consolidated financial statements:

The foreign currency accounts of the Venezuela and Salvador companies have been converted to United States dollars at the prevailing current rates of exchange at 31st December, 1956.

The foreign currency accounts of the Demerara company have been converted to Canadian dollars at the prevailing current rate of exchange at 31st December, 1956.

The foreign currency accounts of Bolivian Power Company Limited have been converted to United States dollars at the free market rate of exchange at 31st December, 1956 with the following exception;

Gross income originating in Bolivian currency has been converted into United States dollars at the Government official rate of exchange (in effect until 16th December, 1956) to the extent that United States dollars were available at such official rate. The balance of the gross income originating in Bolivian currency and the operating expenditure in Bolivian currency have been converted at the free market rate of exchange at 31st December, 1956, as compared with conversion at the average annual free rate of exchange for the year 1955.

In prior years, the accounts of Bolivian Power Company Limited were included in the consolidated financial statements in Canadian dollars.

2. CAPITAL ASSETS:

Properties are valued at cost to subsidiary companies, converted to dollars in accordance with the exchange bases mentioned in Note 1 with the exception of Bolivian Power Company Limited which have been valued at the dollar cost at date of acquisition.

The intangibles definitely ascertainable in the books of the subsidiary companies or from contracts for the sale or purchase of property included in capital assets, amount to \$3,037,583.00. Adjustments arising on consolidation are included in the capital reserve as shown on the consolidated Balance Sheet

3. SURPLUS ACCOUNTS:

In the balance sheet of International Power Company Limited, capital profits less capital losses are included in the capital surplus account. In the consolidated balance sheet, capital profits and capital losses of subsidiary companies have not been so segregated and are included in consolidated earned surplus account.

CREAK, CUSHING & HODGSON
CHARTERED ACCOUNTANTS
215 ST. JAMES STREET, WEST
MONTREAL 1.

To the Shareholders,

INTERNATIONAL POWER COMPANY LIMITED,
MONTREAL.

We have examined the Balance Sheet of International Power Company Limited as at 31st December, 1956 and the Statements of Income and Expenditure and Surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. The aggregate profits for the year of the Subsidiary Companies, as shown by their audited accounts, have been brought into the Statement of Income and Expenditure only to the extent of dividends and interest received from the Subsidiary Companies.

We have also examined the consolidated Balance Sheet of International Power Company Limited and Subsidiary Companies as at 31st December, 1956 and the consolidated Statements of Income and Expenditure and Surplus for the year ended on that date. In the course of our examination, we accepted after conversion into dollars as set out in Note 1, the Subsidiary Companies' Financial Statements as examined and reported on by other public accountants. In the Consolidated Statements (a) the net income shown by the audited accounts of Monterey Railway, Light and Power Company, not consolidated, is reflected in Miscellaneous Income to the extent of the interest received by International Power Company Limited from such Subsidiary Company and (b) the profit shown by the audited accounts of Empresa de Luz y Fuerza Electrica de Oruro, S.A., not consolidated, has not been brought into the consolidated accounts.

In our opinion, based on our examination as set out herein, the accompanying Balance Sheet of International Power Company Limited as at 31st December, 1956 and the related Statements of Income and Expenditure and Surplus, and the corresponding consolidated Financial Statements when read in conjunction with the accompanying notes, are properly drawn up in conformity with generally accepted accounting principles and are on a basis consistent with that of the preceding year with the exception of the change in the method of exchange conversion mentioned in Note 1, and exhibit a true and correct view of the affairs of the Company and its Subsidiary Companies 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 Financial Statements of the Subsidiary Companies.

CREAK, CUSHING & HODGSON,
Chartered Accountants.

MONTREAL, 16TH MAY, 1956.

