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**INTERNATIONAL
POWER COMPANY
LIMITED**

**THIRTIETH
ANNUAL REPORT**

**YEAR ENDED
31st DECEMBER, 1955**

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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*

Campañia 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

ALBERT F. CULVER

WILLIAM M. HICKEY

JOHN C. MacKEEN

ALASTAIR G. MACKINNON

HUGH MacMILLAN

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

LESLIE G. PROCTOR, *Secretary-Treasurer*

INTERNATIONAL POWER COMPANY LIMITED

Report of the Directors

FOR THE YEAR ENDED 31ST DECEMBER, 1955

TO THE SHAREHOLDERS:

Your Directors submit herewith their thirtieth Annual Report and Financial Statements together with Consolidated Statements for the year ended 31st December, 1955.

Your attention is drawn to a change in the method of foreign exchange conversion. In the past, accounts in foreign currencies were converted, for the purposes of consolidation, to dollars at the par of exchange prevailing at the date the accounts of each subsidiary company were first brought into the consolidation, except in the case of Bolivian Power Company Limited, where Government official rates of exchange prevailing at the year-end were used.

In view of the time that has elapsed since the accounts of the subsidiaries were first consolidated, and the change in conversion rates since that time, your Directors feel that it is now probably more accurate to use present-day exchange rates in converting foreign currency accounts instead of the rates in effect at the time the consolidations were first made. Accordingly, the accompanying consolidated statements have been compiled on the basis set out in detail in the "Notes to Consolidated Financial Statements as at 31st December 1955". For a better understanding of the year to year changes, comparable figures for 1954 on the new basis have been included in the balance sheet and income account exhibits.

Exchange conversion of local currency accounts at the year-end rate of exchange presents no particular problem except in the case of Bolivia where exchange restrictions call for special treatment. Bolivian Power Company Limited revenue is partly in dollars and partly in bolivianos, the local currency. It is permitted by governmental decree to convert part of its currency revenue at the government official rate of 191.90 bolivianos to the dollar. To the extent that dollars were available from actual dollar revenue and from dollars derived from bolivianos converted to dollars at the

official rate of exchange, accounts are expressed in dollars. The balance of gross revenue and the operating expenditure in Bolivian currency have been converted at the average free market rate of exchange for the year, which in 1955, was 3,042.75 bolivianos to the dollar, and in 1954, was 1,436.62 to the dollar.

The accounts of two of your subsidiaries, namely, Monterey Railway, Light and Power Company and Empresa 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".

Consolidated gross revenue did not fully reflect the growth of business in the subsidiaries because of voluntary rate reductions made effective in Venezuela and Salvador during 1955. Electricity output of all subsidiaries, including power purchased, increased from 720 million kilowatt hours in 1954, to 808 million kilowatt hours in 1955, an increase of over 12%.

Installed generating capacity was increased by 33,360 K.W. during 1955 to bring the total at the end of that year to 183,820 K.W. Capital expenditures for further additions to generating capacity and distribution facilities are estimated at approximately \$4,000,000 for 1956.

Regular quarterly dividends at the annual rate of \$2.40 per share were paid on the Common Stock of no par value.

In January, 1956, election was again made under Section 105 of the Income Tax Act to be assessed and pay the special tax on the amount corresponding to the total share dividends paid in 1955. Such amount, less the 15% tax, will be transferred to Tax-Paid Undistributed Income Account when the assessment has been received.

Your Directors record with sorrow the death on August 6th, 1955, of Izaak Walton Killam, who founded this Company in 1926 and continued as President and Director for nearly thirty years to provide the leadership largely responsible for its successful development.

Submitted on behalf of the Board,

F. KRUG,
President.

18th May, 1956.

INTERNATIONAL POWER COMPANY LIMITED

Statement of Income and Expenditure
For the Year Ended 31st December, 1955
(with comparative figures for year 1954)

	1955	1954
DIVIDENDS AND INTEREST (LESS WITHHOLDING TAX) FROM		
SUBSIDIARY COMPANIES AND MISCELLANEOUS INCOME.....	<u>\$1,288,187.15</u>	<u>\$1,505,143.53</u>
<i>Deduct:</i>		
Directors' Fees and Expenses.....	3,850.00	4,000.00
Executive Counsel.....	20,000.00	20,000.00
Miscellaneous Expenses.....	46,783.23	47,858.20
	<u>70,633.23</u>	<u>71,858.20</u>
NET INCOME FOR YEAR, TRANSFERRED TO STATEMENT OF		
EARNED SURPLUS.....	<u><u>\$1,217,553.92</u></u>	<u><u>\$1,433,285.33</u></u>

INTERNATIONAL POW

Balance Sheet as at
(with comparative figures

ASSETS

	1955	1954
SHARES OF SUBSIDIARY COMPANIES, AT COST.....	\$ 9,476,089.11	\$ 9,469,981.86
DEBENTURES AND OTHER INDEBTEDNESS OF SUBSIDIARY COMPANIES, AT COST.....	187,685.82	620,778.58
	9,663,774.93	10,090,760.44
CASH.....	855,503.64	185,410.44
UNITED STATES OF AMERICA TREASURY NOTES, AT COST....	598,968.75	—
	1,454,472.39	185,410.44
TRUST FUNDS (PER CONTRA).....	42,451.87	47,457.65
	\$11,160,699.19	\$10,323,628.53

Approved on behalf of the Board:

F. KRUG, *Director.*

L. G. PROCTOR, *Director.*

ER COMPANY LIMITED

31st December, 1955
as at 31st December, 1954)

LIABILITIES

	1955	1954
ACCOUNTS PAYABLE.....	\$ 21,534.16	\$ 52,058.31
PROVISION FOR 20% TAX ON THE PREMIUM PAID ON RED- EMPTION OF PREFERRED STOCK.....	—	14,600.00
DIVIDEND PAYABLE 15TH JANUARY, 1956	117,420.00	117,420.00
AMOUNT DUE TO SUBSIDIARY COMPANIES.....	222,094.16	13,947.64
	<u>361,048.32</u>	<u>198,025.95</u>
TRUST ACCOUNT (PER CONTRA).....	42,451.87	47,457.65
	<u>3,115.22</u>	<u>—</u>
RESERVE FOR EXCHANGE.....		
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.....	2,433,426.83	1,874,730.33
Capital Surplus.....	3,756,051.83	4,412,891.05
Earned Surplus.....	932,855.12	158,773.55
	<u>10,754,083.78</u>	<u>10,078,144.93</u>
	<u>\$11,160,699.19</u>	<u>\$10,323,628.53</u>

Audited in accordance with our Report of this date.

MONTREAL, 15th May, 1956.

CREAK, CUSHING & HODGSON,
Chartered Accountants.

INTERNATIONAL POWER COMPANY LIMITED

Statement of Earned Surplus *For the Year Ended 31st December, 1955*

BALANCE AT 31ST DECEMBER, 1954.....	\$	158,773.55	
<i>Add:</i>			
Amount transferred to Capital Surplus in prior year now reversed on receipt of Supplementary Letters Patent confirming reduction in Preferred Stock.....	\$	683,497.65	
Net Income for year, transferred from Statement of Income and Expenditure.....		1,217,553.92	
			<u>1,901,051.57</u>
			2,059,825.12
<i>Deduct:</i>			
15% Tax paid in accordance with Section 105 of The Income Tax Act.....		98,593.50	
Amount transferred to Tax-Paid Undistributed Income.....		558,696.50	
			<u>657,290.00</u>
			1,402,535.12
Dividends on Common Stock.....			469,680.00
BALANCE AT 31ST DECEMBER, 1955.....	\$	932,855.12	<u><u></u></u>

INTERNATIONAL POWER COMPANY LIMITED

Statement of Capital Surplus *For the Year Ended 31st December, 1955*

BALANCE AT 31ST DECEMBER, 1954.....		\$4,412,891.05
<i>Deduct:</i>		
Amount transferred from Earned Surplus in prior year now reversed on receipt of Supplementary Letters Patent confirming reduction in Preferred Stock.....		683,497.65
		<hr/>
		3,729,393.40
<i>Add:</i>		
Adjustment of exchange provision made in prior years, less amount required to convert U.S. Dollar balances at 31st December, 1955.....	\$	5,470.48
Profit realized on redemption of bonds of Subsidiary Company.....		12,013.58
Exchange Profit applicable to Capital.....		9,174.37
		<hr/>
		26,658.43
		<hr/>
BALANCE AT 31ST DECEMBER, 1955 (segregation at 31st December, 1954 of portion of Capital Surplus, in respect to redemption of Preferred Stock, no longer required following receipt of Supplementary Letters Patent confirming such reduction in Preferred Stock).....		<u>\$3,756,051.83</u>

Statement of Tax-Paid Undistributed Income *For the Year Ended 31st December, 1955*

BALANCE AT 31ST DECEMBER, 1954.....		\$1,874,730.33
<i>Add:</i>		
Tax-Paid Undistributed Income transferred from Statement of Earned Surplus.....		558,696.50
		<hr/>
BALANCE AT 31ST DECEMBER, 1955.....		<u>\$2,433,426.83</u>

INTERNATIONAL POWER
AND SUBSIDIARIES

Consolidated Balance Sheet
(with comparative figures)

ASSETS

	1955	1954
CAPITAL ASSETS:		
Lands, Buildings and Plants, Franchises, Contracts, Goodwill, etc, (Note 2).....	\$52,371,362.73	\$47,281,142.23
INVESTMENT IN SUBSIDIARY COMPANIES, NOT CONSOLIDATED, AT COST:		
Shares.....	402,716.70	396,789.45
Debentures and other Indebtedness.....	162,888.43	162,888.43
	565,605.13	559,677.88
MISCELLANEOUS INVESTMENTS.....	5,373.94	5,373.14
TRUST FUNDS (PER CONTRA).....	42,451.87	47,457.65
CURRENT ASSETS:		
Cash.....	2,814,854.58	3,666,208.62
United States of America Treasury Notes, at cost.....	4,105,609.29	—
Accounts Receivable, less Reserve.....	2,215,684.89	1,982,470.47
Materials and Supplies, as certified by responsible officials and valued at cost.....	1,516,941.56	1,448,764.04
	10,653,090.32	7,097,443.13
DEFERRED CHARGES:		
Prepaid and other Deferred Charges.....	128,471.01	123,684.64
	\$63,766,355.00	\$55,114,778.67

Approved on behalf of the Board:

F. KRUG, *Director.*

L. G. PROCTOR, *Director.*

ER COMPANY LIMITED
RY COMPANIES

as at 31st December, 1955
as at 31st December, 1954)

LIABILITIES

	1955	1954
CURRENT LIABILITIES:		
Bank Loans.....	\$ 85,013.69	\$ 206,794.96
Accounts Payable.....	2,241,730.39	1,713,690.21
Dividend payable, 15th January, 1956.....	117,420.00	117,420.00
Consumers' Deposits, including interest thereon.....	437,256.54	441,818.44
Amount due by Subsidiary Company to Subsidiary Company not consolidated.....	49,893.33	33,087.70
	<u>2,931,313.95</u>	<u>2,512,811.31</u>
TRUST ACCOUNT (PER CONTRA).....	<u>42,451.87</u>	<u>47,457.65</u>
MINORITY INTEREST in Capital Stock and Surplus of Subsidiary Companies.....	<u>726,702.28</u>	<u>677,939.49</u>
RESERVES:		
Depreciation and Renewals.....	13,289,453.75	12,034,136.41
Reserve for Contingencies.....	1,065,783.79	965,338.41
General.....	1,677,609.46	1,548,510.58
Miscellaneous.....	841,338.61	805,491.37
	<u>16,874,185.61</u>	<u>15,353,476.77</u>
CAPITAL RESERVE (Notes 1 and 2).....	<u>5,253,125.28</u>	<u>3,999,371.20</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 (Note 3):		
Tax-Paid Undistributed Income.....	2,433,426.83	1,874,730.33
Capital Surplus.....	10,323,216.02	10,980,055.24
Earned Surplus.....	21,550,183.16	16,037,186.68
	<u>37,938,576.01</u>	<u>32,523,722.25</u>
	<u>\$63,766,355.00</u>	<u>\$55,114,778.67</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.

MONTREAL, 15th May, 1956.

CREAK, CUSHING & HODGSON,
Chartered Accountants.

INTERNATIONAL POWER COMPANY LIMITED AND CONSOLIDATED SUBSIDIARY COMPANIES

Consolidated Statement of Income and Expenditure for Year 1955 (with comparative figures for year 1954)

	1955	1954
GROSS EARNINGS OF SUBSIDIARY COMPANIES, LESS EXCHANGE LOSS.....	\$14,065,036.78	\$13,475,585.89
<i>Deduct:</i>		
Operating Expenses and Taxes.....	6,404,368.30	5,785,086.28
Note: The total amount paid during the year by subsidiary companies consolidated herein and by subsidiary companies not consolidated, was for Legal Fees \$53,745.86 for the year 1955 and \$37,647.22 for the year 1954 and Executive Salaries \$132,811.00 for the year 1955 and \$112,211.00 for the year 1954.		
NET EARNINGS OF SUBSIDIARY COMPANIES.....	7,660,668.48	7,690,499.61
<i>Deduct:</i>		
Dividends on Common Stocks of Subsidiary Companies in hands of the public.....	30,702.12	30,711.42
Provision for Depreciation and Renewals.....	1,484,003.50	1,319,993.76
Provisions for Contingencies.....	68,720.93	68,720.93
General Reserve.....	129,132.11	297,998.80
Minority Interest in Surplus for year of Subsidiary Companies.....	50,122.97	47,588.43
	1,762,681.63	1,765,013.34
<i>Less:</i>		
Other Interest (Net).....	96,571.57	45,562.21
	1,666,110.06	1,719,451.13
NET INCOME OF SUBSIDIARY COMPANIES, AFTER DEDUCTION OF MINORITY INTEREST.....	5,994,558.42	5,971,048.48
<i>Add:</i>		
Miscellaneous Income, International Power Company Limited: Income from investment in Monterey Railway, Light & Power Company, not consolidated, etc.....	91,592.29	274,958.75
<i>Less:</i>		
Miscellaneous expenses and taxes (including Directors' Fees and Expenses, \$3,850.00 for year 1955 and \$4,000.00 for year 1954 and Executive Counsel, \$20,000.00 for year 1955 and \$20,000.00 for year 1954).....	70,633.23	71,858.20
	20,959.06	203,100.55
NET INCOME FOR YEAR, transferred to Consolidated Statement of Earned Surplus.....	\$ 6,015,517.48	\$ 6,174,149.03

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, 1955

BALANCE AT 31ST DECEMBER, 1954.....	\$14,614,357.90	
<i>Add:</i>		
Adjustment arising from change in method of converting foreign currencies	1,422,828.78	\$16,037,186.68
<i>Add:</i>		
Amount transferred to Capital Surplus in prior year now reversed on receipt of Supplementary Letters Patent confirming reduction in Preferred Stock.....	683,497.65	
<i>Less:</i>		
Adjustments of exchange, etc. (net) applicable to prior years, in the accounts of Subsidiary Companies.....	59,048.65	624,449.00
		16,661,635.68
<i>Add:</i>		
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.....		6,015,517.48
		22,677,153.16
<i>Deduct:</i>		
15% Tax paid in accordance with Section 105 of The Income Tax Act.....	98,593.50	
Amount transferred to Tax-Paid Undistributed Income	558,696.50	657,290.00
		22,019,863.16
Dividends on Common Stock.....		469,680.00
BALANCE AT 31ST DECEMBER, 1955.....		\$21,550,183.16

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

INTERNATIONAL POWER COMPANY LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Capital Surplus
For the Year Ended 31st December, 1955

BALANCE AT 31ST DECEMBER, 1954.....		\$ 8,643,660.28
<i>Add:</i>		
Adjustment arising from change in method of converting foreign currencies	2,336,394.96	
	10,980,055.24	
<i>Deduct:</i>		
Amount transferred from Earned Surplus in prior year now reversed on receipt of Supplementary Letters Patent confirming reduction in Preferred Stock.....	683,497.65	
	10,296,557.59	
<i>Add:</i>		
Adjustment of exchange provision made in prior years, less amount required to convert U.S. dollar balances at 31st December, 1955 in accounts of International Power Company Limited.....	\$ 5,470.48	
Profit realized on redemption of bonds of Subsidiary Company.....	12,013.58	
Exchange Profit applicable to Capital.....	9,174.37	
	26,658.43	
BALANCE AT 31ST DECEMBER, 1955 (segregation at 31st December, 1954 of portion of Capital Surplus in respect to redemption of Preferred Stock, no longer required following receipt of Supplementary Letters Patent confirming such reduction in Preferred Stock).....		\$10,323,216.02

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

INTERNATIONAL POWER COMPANY LIMITED AND SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements *As at 31st December, 1955*

1. FOREIGN EXCHANGE:

A change in the method of converting foreign currencies in the consolidated financial statements has been made for the year ended 31st December 1955.

In prior years, accounts in foreign currencies were for purposes of consolidation, converted to dollars at the par of exchange prevailing at the date the accounts of each operating subsidiary company were first brought into the consolidation with the exception of the accounts of Bolivian Power Company, Limited which were converted at Government official rates.

For the year ended 31st December, 1955, 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 1955 and no adjustment has been made in the consolidated financial statements for the exchange difference between United States and Canadian dollars.

The foreign currency accounts of The Demerara company have been converted to Canadian dollars at the prevailing current rate of exchange at 31st December 1955.

The foreign currency accounts of Bolivian Power Company Limited have been converted to Canadian dollars at the Bolivian Government official rate of exchange at 31st December 1955, with the following exceptions:—

- (a) Gross income originating in Bolivian currency has been converted at the Government official rate of exchange to the extent that 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 average free market rate of exchange for the year.
- (b) The reduction in earnings of Bolivian Power Company Limited, as included in the consolidated statement of income and expenditure, arising from the use of the average free market rate of exchange for the year in lieu of the Government official rate, indicated in (a) above, amounted to \$1,040,442.69 for the year ended 31st December, 1955. The amount of such exchange adjustment has been added to the consolidated capital reserve.

Using the same method of exchange conversion, an adjustment to the earnings for the year ended 31st December, 1954, amounting to \$539,002.88, has likewise been added to the consolidated capital reserve, the corresponding charge being included in "adjustment arising from change in method of converting foreign currencies" as shown in the consolidated statement of earned surplus.

2. CAPITAL ASSETS:

Properties are valued at cost to subsidiary companies, converted to dollars in accordance with the exchange bases mentioned in note 1.

The properties of Bolivian Power Company, Limited have been converted at Government official rates as indicated in the said note. 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 \$2,970,919.10. 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.

4. COMPARATIVE FIGURES OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1954:

The consolidated financial statements for the year ended 31st December 1954, shown for comparative purposes, have been adjusted to give effect to exchange conversions of foreign currency accounts of subsidiary companies on bases similar to those employed for the year ended 31st December 1955.

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

To the Shareholders,

INTERNATIONAL POWER COMPANY LIMITED,
MONTREAL.

We have examined the Balance Sheet of International Power Company Limited as at 31st December 1955 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 1955 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 1955 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, 15th May, 1956.

