

CANADIAN POWER & PAPER SECURITIES LIMITED

Montreal, 29th September, 1953.

To the Shareholders:

Your Directors present the First Annual Report of your Company for the period from the date of incorporation, 14th July, 1952 to 31st July, 1953. The profit for the period totalled \$136,644 and after payment of the regular quarterly dividends on the Preferred shares a net surplus of \$36,644 resulted. The number of outstanding Preferred shares was reduced from 50,000 shares to 40,000 shares as a result of the conversion of 10,000 shares of Preferred stock into 100,000 shares of Common stock.

Certain changes in the investment holdings were made thereby realizing a profit of \$25,522. From this an amount of \$7,500 was applied in writing off a portion of Deferred Charges and the balance of \$18,022 was transferred to the credit of Investment Reserve. The market value of the Company's investments at \$2,986,674 showed a depreciation of \$447,703 compared with book cost. This reflected largely the lower market values obtaining for the Company's holdings in Bathurst Power & Paper Co. Ltd. as at 31st July, 1953.

Shareholders will note that the percentage of funds at book cost invested in bonds, debentures and preferred stocks stood at 21.7% as compared with 15.6% when the Company took over the assets of the predecessor company. This is in conformity with the Directors' policy of seeking wider diversification of investment and of establishing some reserve buying power.

The Board of Directors have deemed it advisable to increase the number of their members from seven to eight. Consequently a Special General Meeting of shareholders has been called to be held immediately prior to the Annual General Meeting for the purpose of obtaining confirmation of the relative By-law duly passed by the Directors. If this By-law is confirmed Hon. C. C. Pratt, O.B.E., of Newfoundland will be nominated a Director at the Annual General Meeting.

The Books and Accounts of your Corporation have been audited by Messrs. Wert, Whitelaw & Co., Chartered Accountants, whose report is attached.

Respectfully submitted on behalf of the Board,

W. A. ARBUCKLE,

President.

CLASSIFICATION OF SECURITIES

on Percentage Basis as at 31st July, 1953.

<u>Nature of Undertaking</u>	<u>Bonds and Preferred Debentures</u>	<u>Stocks</u>	<u>Common Stocks</u>	<u>Total</u>
Mining and Smelting.....	.....	.....	3.8	3.8
Miscellaneous.....	1.2	.1	.1	1.4
Oils.....	1.7	.....	1.5	3.2
Public Utilities.....	.....	21.0	31.0	52.0 (a)
Pulp and Paper.....	.....	.....	33.5	33.5 (b)
Real Estate.....	.7	.....	.7	1.4
Textiles.....	.....	1.1	3.6	4.7
	3.6	22.2	74.2	100.0
	3.1	18.6	78.3	100.0

PURVIS ~~BASED ON~~ MARKET VALUE
LIBRARIES

BASED ON BOOK COST

APR 25 1955

(a) Consisting largely of Power Corporation of Canada, Limited.

McGILL UNIVERSITY

(b) Consisting entirely of Bathurst Power & Paper Co. Limited.

CANADIAN POWER & PAPER SECURITIES LIMITED

STATEMENT OF INCOME AND EXPENDITURE

For the period from the incorporation of the Company on the 14th July 1952
to 31st July 1953

INCOME:

Interest and dividends from investments \$168,437

EXPENDITURE:

Interest on debentures \$ 22,500

Directors' fees 3,500

Salary of executive officer 1,200

Legal fees 232

Trust company fees and expenses 2,134

Taxes 800

General expense and audit fees 738

31,104

PROFIT FOR THE PERIOD BEFORE PROVISION FOR INCOME TAXES 137,333

PROVISION FOR INCOME TAXES 689

NET PROFIT FOR THE PERIOD \$136,644

STATEMENT OF EARNED SURPLUS ACCOUNT

For the period from the incorporation of the Company on the 14th July 1952
to 31st July 1953

Net profit for the period
as per Statement of Income and Expenditure \$136,644

Deduct:

Dividends paid or payable on Preferred Shares 100,000

EARNED SURPLUS as per Balance Sheet \$ 36,644

STATEMENT OF CAPITAL SURPLUS ACCOUNT

For the period from the incorporation of the Company on the 14th July 1952
to 31st July 1953

Net profit on Investments sold during the period \$ 25,522

Deduct:

Deferred charges written off \$ 7,500

Transferred to Investment Reserve 18,022

25,522

CAPITAL SURPLUS as per Balance Sheet \$ —

AUDITORS' REPORT

The Shareholders,
Canadian Power & Paper Securities Limited,
Montreal.

We have examined the Balance Sheet of Canadian Paper & Paper Securities Limited as at 31st July 1953, and the related Statements of Income and Expenditure and of Surplus Accounts for the period ended on that date, and have obtained all the information and explanations we have required.

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. We have verified the existence of the Company's investments by certificate from the custodian thereof, and of the cash by certificate from the depository.

In our opinion, the accompanying Balance Sheet and related Statements of Income and Expenditure and of Surplus Accounts are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31st July 1953, and the results of its operations for the period ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the Company.

Went, Whitelaw & Co.
Chartered Accountants

Montreal, 28th August, 1953.

CANADIAN POWER & PAPER SECURITIES LIMITED

BALANCE SHEET

As at 31st July, 1953

ASSETS

CASH			\$ 32,487
INVESTMENTS — marketable securities			
	Market Value	Cost	
Bonds and Debentures	\$ 106,060	\$ 106,979	
Preferred Stocks	662,512	638,137	
Common Stocks	2,218,102	2,689,261	
	<u>\$2,986,674</u>	<u>3,434,377</u>	
Deduct: Investment Reserve		18,022	3,416,355
ACCRUED INTEREST AND DIVIDEND RECEIVABLE			621
DEFERRED CHARGES:			
Preliminary expenses		21,198	
Commission on sale of Preferred Shares		37,500	
		<u>58,698</u>	
Deduct: Portion written off		7,500	51,198
			<u>\$3,500,661</u>

LIABILITIES

ACCOUNTS PAYABLE:			
Sundry		\$ 1,940	
Taxes payable		1,439	\$ 3,379
		<u>3,379</u>	
DIVIDEND PAYABLE 31st August 1953, on Preferred Shares ...			25,000
COLLATERAL REDEEMABLE DEBENTURES (secured) bearing in- terest at 4½% per annum payable semi-annually and maturing 31st July 1957.			500,000
CAPITAL STOCK AND SURPLUS:			
<i>Capital:</i>			
Preferred Shares, Cumulative Redeemable Convertible, of the par value of \$50. each.			
Authorized and issued			
50,000 shares each fully paid	\$2,500,000		
Deduct:			
10,000 shares converted into Common Shares	500,000		
	<u>2,000,000</u>		
Outstanding			
40,000 shares		\$2,000,000	
Common Shares			
Authorized			
1,000,000 shares without nominal or par value			
Outstanding			
181,952 shares issued as fully paid of which 7 shares have been issued for cash at \$1. per share; 81,945 shares representing a paid up capital of \$435,631, in part payment of the purchase price of the under- taking, business, property, assets, rights and good- will of Canadian Power & Paper Investments, Limited; and 100,000 shares representing a paid up capital of \$500,000, on the conversion of 10,000 Preferred Shares.		935,638	
		<u>2,935,638</u>	
<i>Surplus</i>			
Capital Surplus — as per Statement attached	\$ —		
Earned Surplus — as per Statement attached	36,644		
		<u>36,644</u>	2,972,282
			<u>\$3,500,661</u>

Approved on behalf of the Board of Directors
W. A. ARBUCKLE, Director
P. N. THOMSON, Director

CANADIAN POWER & PAPER
SECURITIES LIMITED

Annual Report

For the period from the date of incorporation,
14th July, 1952 to 31st July, 1953.

OFFICERS:

President:

W. A. ARBUCKLE, C.A.

Vice-President:

P. N. THOMSON

Secretary-Treasurer:

R. F. MARTIN

Assistant Secretary-Treasurer:

D. D. EWART

DIRECTORS:

W. A. ARBUCKLE, C.A.

JOHN E. L. DUQUET, Q.C.

R. R. McLERNON

P. A. THOMSON

JEAN SIMARD

P. N. THOMSON

R. L. WELDON

Auditors:

WERT, WHITELAW & CO., Montreal, Que.