

52698

International Finance Corporation



SECOND ANNUAL REPORT
1957-1958



WHAT IS THE INTERNATIONAL FINANCE CORPORATION?

IFC is an international investment institution with capital of \$93 million subscribed by 55 member governments; it is closely affiliated with the World Bank. IFC's purpose is to further economic development in its less developed member countries by investing—without government guarantee—in productive private enterprises in associa-

tion with private capital and management. IFC does not compete with, but supplements, private capital, and it does not exercise management functions.

Essentially IFC is an investing rather than a lending institution, and it judges projects on the basis of their merits as investments for private capital.

ELIGIBILITY OF INVESTMENT PROPOSALS

Private Character

IFC, unlike the World Bank, deals directly with private business without government intervention and finances only private enterprises. It does not invest in undertakings which are government owned and operated or in the management of which the government participates to any significant extent. However, an enterprise in which some public funds have been invested is not necessarily precluded from being financed by IFC if the enterprise is essentially private in character.

IFC does not seek nor accept any government guarantee.

Location of the Project

The project must be located in a member country or in a dependent territory of a

member country. IFC invests only in the less developed areas—Africa, Asia, the Middle East, Australia, Latin America, and a few special areas in Europe.

Type and Size of Enterprise

IFC invests in enterprises which are predominantly industrial (manufacturing, processing, mining), either for the expansion or improvement of an existing enterprise, or the creation of a new one. In most cases, it is not practical for IFC to make an investment in enterprises with total assets of less than about \$500,000.

Size of Investments

IFC will finance not more than half of the total cost of an enterprise. Generally its investments range from about \$100,000 to \$2,000,000.

FORMS OF INVESTMENT

IFC's investments are not conventional, fixed-interest loans; they are, rather, intermediate between conventional loan capital on the one hand and share capital on the other—loans carrying interest and some right to participate in the profits and growth of the business.

Such participation may take the form of (a) a right to convert the loan or some part of it into some type of share capital or an option to subscribe to share capital, or (b) a right to some additional income related to earnings, or (c) both. The amount and form of the participation are matters for negotiation to suit the circumstances of each individual case. IFC does not have a

standard rate of interest—the rate is only one part of the investment terms.

Security

In its investments IFC considers earning power and a balanced capital structure more important than a lien or mortgage on assets. Its investment may be subordinated to other obligations.

Currency

Since its capital is in U.S. dollars, IFC's investments to date have been generally expressed in U.S. dollars, but its investments, to some extent, may be expressed in other currencies if justified by their stability and by the terms of the investment.

PARTICIPATIONS AND REVOLVING PORTFOLIO

One of IFC's purposes is to encourage initial participation by private financial investors and, as the enterprises mature, to

revolve its portfolio by selling its investments.

INTERNATIONAL FINANCE CORPORATION

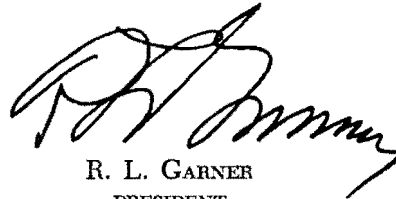
1818 H Street, N. W.
Washington 25, D. C.

October 8, 1958

My dear Mr. Chairman:

In accordance with Section 8 of the By-Laws of the International Finance Corporation, I have been authorized by the Board of Directors to submit to the Board of Governors this Second Annual Report of the Corporation. It covers developments during the period from September 11, 1957 to September 10, 1958.

Sincerely yours,

A handwritten signature in black ink, appearing to read "R. L. Garner", written in a cursive style.

R. L. GARNER
PRESIDENT

Chairman, Board of Governors
International Finance Corporation

INTRODUCTION

THE FIRST ANNUAL MEETING of the Board of Governors of the Corporation was held on September 27, 1957. A report covering the period from July 24, 1956 to September 10, 1957, was submitted to the Board of Governors at that meeting.

On September 10, 1958, the Corporation had 55 member countries, whose subscriptions totaled \$93,277,000, as set forth in Appendix E. During the period covered by this report, four countries—Afghanistan, Ghana, Greece and Malaya—have become members of the Corporation. All the capital due has been fully paid with the exception of \$590,000, which has been owed by Egypt since August 23, 1956. Applications for membership are now pending from Ireland and Libya.

Funds available to the Corporation have been invested in United States Government obligations with maturities up to five years. For the year ended June 30, 1958, earnings from these investments totaled \$3,414,410; earnings from the Corporation's operational investments totaled \$93,311; a total of \$3,507,721. After deduction of operating expenses of \$1,149,445, net income for the year was \$2,358,276. Disbursements under the Corporation's investments during the year totaled \$3,317,000. Financial statements as of June 30, 1958, are set forth as Appendices A to C.

OPERATIONS

POLICY

The amount of the Corporation's own investments is less significant than the fact that they combine with larger amounts of funds furnished by private investors. Furthermore, if these funds are soundly invested in successful enterprises, the record will progressively serve to stimulate the flow of other private capital, local and foreign, on an increasing scale.

Thus IFC acts as a catalytic agent to encourage the flow of private capital into productive enterprise. It will also seek to profit by the sale of its own investments thus to provide funds for further investment. IFC, therefore, endeavors to function as would an experienced private investor, combining caution with adventure and seeking rewards reasonable in relation to the risks. It is believed that this concept will prove in the long run to be the basis on which IFC can best fulfill its purpose.

PROPOSALS AND INQUIRIES

As the Corporation goes into its third year of operations, the volume of proposals and inquiries received continues to increase. An analysis of these inquiries for the first six months of 1958 gives some indication of their scope and pattern.

During this period the Corporation received 235 proposals. Of these, about 40% were ineligible as not falling within the requirements of its charter and operating policies. Some were located in countries which are not members of the Corporation; others were requests for straight loans, export financing and installment sales; a number were too small except for local financing.

The balance of the proposals (about 60% of the total) appeared on first inspection to be eligible for consideration. Many of these, however, were in a very preliminary stage, sometimes being merely possibilities of projects. In the greater number, the scanty information initially furnished was insufficient for judgment as to merits of the projects. Securing of relevant data, supplemented where appropriate by IFC's own investigation, is frequently a long, drawn-out affair. In some cases, months, or even years, will be needed to turn some of them into tangible projects.

Certain of the proposals were readily determined to be unattractive because of technical, economic or financial defects or the lack of experience or the reputation of the sponsors. Several others appeared to be of insufficient economic value to the country of location.

Of the projects presented only about 7% have up to now been determined to be promising prospects for near-term action. This small proportion of suitable business, out of the total, seems to be in line with experience of other investment organizations.

In the few instances where well-developed projects have been received, with plans and information adequately presented, IFC has been able to act promptly. Two of the commitments made in the past year were concluded in less than three months after presentation.

Projects now under active consideration include pulp, paper and other forest products; textiles; metal fabricating; industrial machinery; engineering; chemicals; food processing; cement; and mining. The location of these projects continues in the same pattern as reported a year ago, with the largest number in Latin America, a smaller number in Asia and a few in other areas.

IFC continues to receive a large number of general inquiries concerning its possible interest in various types of business without reference to specific proposals. In addition to the large volume of information which is sent out about IFC in response to inquiries, IFC continues to use all practical means of publicity—news articles, booklets and personal contacts—to spread information concerning IFC's objectives, policies and operations.

INVESTMENTS

As of September 10, 1958 the Corporation had entered into 11 commitments totaling the equivalent of \$10,417,000, as set forth in the table on the following page. Four of these were reported in the First Annual Report of the Corporation, as follows: Siemens do Brasil, Empresa Minera de Mantos Blancos S.A., Engranes y Productos Industriales, S.A., and Bristol de Mexico, S.A. Seven new commitments for \$6,097,000, made during the period covered by this report, are as follows: \$660,000 in Duncan's Holdings Ltd., Australia; \$957,000 in Olinkraft S.A. Celulose e Papel, \$450,000 in D.L.R. Plasticos do Brasil S.A., and \$2,450,000 in Willys-Overland do Brasil, S.A., Industria e Comercio—Brazil; \$200,000 supplemental commitment to Engranes y Productos Industriales, S.A., Mexico; \$630,000 in the Steel Corporation of Pakistan, Ltd. and \$750,000 in Adamjee Industries Ltd.—Pakistan.

On September 10, 1958 a total of \$3,397,000 had been disbursed.

SUMMARY OF
INTERNATIONAL FINANCE CORPORATION COMMITMENTS
(As of September 10)

<i>Country, Obligor, Type of Business</i>	<i>Date of Commitment</i>	<i>Terms</i>	<i>Commitment</i> ¹
AUSTRALIA			
Duncan's Holdings, Ltd. (Lumber milling)	Sept. 27, 1957	7% interest and additional payments contingent on profits; maturities 1961-67; option on shares.	\$ 660,000
BRAZIL			
Siemens do Brasil Cia. de Eletricidade (Electrical equipment)	June 20, 1957	6% interest; maturities 1962-68; option on shares.	1,000,000 ²
Olinkraft S.A. Celulose e Papel (Pulp and paper)	Jan. 16, 1958	7% interest; maturities 1963-70; option on shares.	957,000 ³
D.L.R. Plasticos do Brasil, S.A. (Automotive parts)	April 30, 1958	7% interest; maturities 1961-68; participation in profits; option on shares.	450,000
Willys-Overland do Brasil S. A. Industria e Comercio (Motor vehicles)	June 30, 1958	7% interest; maturities 1962-65; participation in profits; option on shares.	2,450,000
CHILE			
Empresa Minera de Mantos Blancos S.A. (Copper mining and smelting)	Aug. 20, 1957	7% interest and additional payments related to dividends; maturities 1964-68; option on shares.	2,200,000
MEXICO			
Engranes y Productos Industriales, S.A. (Industrial equipment)	Aug. 12, 1957	7% interest and additional payments contingent on profits; maturities 1961-67; option on shares.	600,000
	Aug. 25, 1958	6½% interest; maturity 1960, with provision for extension on modified terms in certain events.	200,000
Bristol de Mexico, S.A. (Aircraft engine overhaul)	Sept. 10, 1958	7% interest and additional payments contingent on profits; maturities 1960-66; option on shares.	520,000
PAKISTAN			
Steel Corporation of Pakistan, Ltd. (Steel products)	June 16, 1958	7% interest plus additional payments contingent on profits; maturities 1964-68; option on shares.	630,000
Adamjee Industries Ltd. (Cotton textiles)	July 8, 1958	7% interest; maturities 1964-68; option on shares.	750,000
			<u>\$10,417,000</u>

¹The investments are repayable in U.S. dollars in all cases except the original Engranes commitment and the Bristol commitment, where 50% of the investments are repayable in Mexican pesos.

²During the year, Siemens revised its expansion program and requested that the Corporation's commitment of \$2,000,000 be reduced to \$1,000,000.

³Original commitment was \$1,200,000; \$243,000 was cancelled by Olinkraft as not required.

AUSTRALIA

Duncan's Holdings Limited (\$660,000)

Duncan's, a holding company, has subsidiaries engaged in various aspects of the timber industry mainly in New South Wales, and Victoria, including the cutting and milling of timber and the wholesale and retail distribution of finished lumber.

The Corporation's investment is financing the modernization of various mills owned by Duncan's subsidiaries and providing working capital required for Duncan's expansion into the business of supplying impregnated timbers. A preservative process for timber, which lengthens its life substantially, was introduced into Australia recently by Hickson & Welsh of London, in association with Duncan's.

BRAZIL

Siemens do Brasil Companhia de Eletricidade (\$1,000,000)

A wholly owned subsidiary of Siemens of Western Germany, Siemens manufactures electric generating equipment, switchgear, transformers, large motors and accessories for utility and industrial application.

The Corporation's investment will assist in financing expansion of Siemens' Sao Paulo operation, including erection of a new plant to increase and modernize production of transformers and switchgear, metering and measuring equipment, and telephone exchanges and telephones. The expanded facilities are expected to reach full capacity operation in 1960.

Olinkraft S.A. Celulose e Papel (\$957,000)

A wholly owned subsidiary of Olin Mathieson Chemical Corporation of the United States, Olinkraft, in 1958, purchased an existing pulp and paper mill located at Canoas in the State of Catarina. New equipment is being installed to enable more efficient production of about 35 tons per day of unbleached kraft pulp, paper and liner board. IFC's investment will help finance the modernization of this mill. As soon as economic conditions justify, Olin Mathieson plans to expand the capacity of the mill to 80 tons per day, and to acquire and develop forest reserves adequate to meet the requirements of the expanded mill on a sustained yield basis.

The total investment in the project is \$3,757,000. This consists of an equity investment by Olin Mathieson of \$1,800,000; a \$1,000,000 loan from Brazilian sources; and the IFC investment of \$957,000.

D.L.R. Plasticos do Brasil S.A. (\$450,000)

D.L.R. is owned entirely by Brazilian interests. It was organized in 1946 and has been engaged primarily in the manufacture of a wide variety of molded plastics—telephone, elevator and home appliance parts. In 1956 it expanded its operations to include the manufacture of brake linings under a licensing agreement with the Bendix Aviation Corporation of the U.S.

IFC's investment will finance a further expansion of D.L.R.'s plant facilities and the purchase of new equipment for increased production of brake linings and to start the manufacture of clutch facings and steering wheels, under license with the Russell Manufacturing Company and the Sheller Manufacturing Corporation, both U.S. companies.

Upon completion of its expansion program in 1961, D.L.R. will be in a position to be a substantial supplier to the growing automotive manufacturing industry in Brazil.

Willys-Overland do Brasil S.A. Industria e Comercio (\$2,450,000)

The majority ownership of this company is held by more than 15,000 Brazilian stockholders, with Willys Motors, Inc. of Toledo, Ohio, U.S.A., (a subsidiary of Kaiser Industries Corporation), owning a large minority interest.

In 1956, when the Brazilian Government established a program to develop the national manufacture of automotive vehicles, Willys promptly cooperated in this program and adopted a plan for the manufacture of Jeeps from local materials. In 1957 the Government approved a supplementary program for the manufacture of the Jeep station wagon.

Current Jeep production is about 12,000 units a year. Production of station wagons is expected to reach the rate of 7,500 by the end of this year. Under the further expansion program, production by 1960 is scheduled to reach a rate of 40,000 utility units per year, with 95% by weight of each vehicle to be of parts manufactured in Brazil. In 1959 the company plans to start manufacture of the Willys passenger car, building up to a rate of 20,000 units per year by 1961; this would bring total vehicle production to 60,000 per year.

The company operates a gasoline engine plant with a capacity of 60,000 engines a year, and also has a large foundry, which provides virtually all of the castings. This foundry is being enlarged and further mechanized. Construction work is under way on a fully integrated axle and transmission plant to meet the company's requirements of axles, transmissions and transfer cases by the middle of 1959; on a press plant to supply the company and other manufacturers with body stampings; and an assembly plant for the passenger car.

The total cost of the Willys expansion program is expected to be equivalent to \$22,000,000. Financing is being drawn from both Brazilian and foreign sources. Funds for the initial phase were provided by the sale of stock to the Brazilian public, by an investment of equipment by Willys Motors, and by a loan from the American Overseas Finance Company. To complete the program, Willys Motors is investing the largest single amount in the form of equipment and tooling for a total value of \$6,500,000; and an equal amount is being raised by stock offerings to the Brazilian public. Several American firms are supplying equipment in exchange for stock. IFC, the American Overseas Finance Company and the Chase International Investment Corporation, are together investing \$3,500,000 in the expansion program, the latter two investments totaling \$1,050,000.

CHILE

Empresa Minera de Mantos Blancos, S.A. (\$2,200,000)

Mantos Blancos is a Chilean corporation engaged in the development of a copper mine and smelter in the Antofagasta region of northern Chile.

The financial program for development of the mine and smelter totals \$12,800,000. This includes equity investment of \$6,400,000 by Empresas Sudamericanas Consolidadas S.A. and Marvis Corporation S.A., two Panamanian corporations representing the interests of the Hochschild group, sponsors of the project. The balance of the financing includes loans of \$2,000,000 from the American Overseas Finance Company; \$1,600,000 from the Bank of America; \$600,000 from the J. Henry Schroder Banking Corporation; and IFC's investment of \$2,200,000.

Financing arrangements between Mantos Blancos and the three private private investment organizations were concluded in March 1958.

MEXICO

Bristol de Mexico, S.A. (\$520,000)

Bristol is owned by The Bristol Aeroplane Company of Canada, the majority stockholder; Aeronaves de Mexico, S.A., a leading Mexican airline; and other private Mexican investors.

The Corporation's investment assisted in the construction of an airplane engine overhaul and repair shop adjoining Mexico City airport.

The plant, equipped to process engines used on Douglas DC 3's, 4's and 6's and Convair aircraft, was officially inaugurated in February 1958, and is expected to be operating at full capacity by the end of the year.

Engranes y Productos Industriales S.A. (\$800,000)

Engranes is owned by Mexican and American stockholders. The company is engaged in the manufacture of a variety of industrial products and components. Both of IFC's investments in Engranes (\$600,000 in 1957 and \$200,000 in 1958) are financing the construction of new and expanded plant facilities, including a steel foundry and forge for production of automotive differential gears, and cylinder sleeves, hydraulic jacks, and rock-drill parts.

PAKISTAN

Steel Corporation of Pakistan, Ltd. (\$630,000)

A newly organized corporation in Karachi, West Pakistan, the Steel Corporation is controlled by the Fancy group which has wide commercial and industrial interests in Pakistan.

The new company has acquired an existing steel rerolling mill with a rated annual capacity of 15,000 long tons of reinforcing bars and structural shapes. The company is constructing a new multi-purpose strip and wire rod mill for the production of baling hoops (for baling jute and cotton), merchant bars, wire rods and finished wire products. The plant will have a rated capacity of 12,000 long tons a year and is expected to be in operation by May 1959. This will be the first production in Pakistan of baling hoops and wire products. Output will be sold in both East and West Pakistan.

Total capital of the new company, including acquisition of the existing mill and installation of the new one, amounts to the equivalent of \$3,390,000. Of this, \$840,000 will be in short-term bank loans, \$630,000 is being invested by IFC and \$1,920,000 will be equity investment in the form of ordinary shares.

Kloeckner Industrie Anlagen, G.M.B.H. of Duisburg, Germany, suppliers of the new rolling mill and technical advisers to the Steel Corporation, accepted partial payment for the equipment in shares of the company. A part of the equity financing is to be carried out through a public offering of shares in Pakistan, with the Fancy group taking responsibility for the underwriting.

Adamjee Industries Ltd. (\$750,000)

Adamjee is a Pakistan company, controlled by the Adamjee group, who own the world's largest jute mill located in East Pakistan and have other important industrial and commercial interests.

IFC's investment, together with company funds, will finance additions to Adamjee's cotton textile plant located near Karachi, West Pakistan, to improve the quality of locally produced cotton textiles and replace types of fabric which have been imported in the past. Additions will include printing and engraving machinery, combers, and machinery for the production of sewing thread and mosquito netting. Negotiations are underway to add preshrinking equipment. On completion of the project, this will be the only company in Pakistan equipped to engrave textile printing rolls and to produce printed fabrics comparable to high-quality imported goods.

MANAGEMENT AND STAFF

During the period covered by this report, the staff of the Corporation has been built up to meet the demands of business. The number of full-time officers and professional staff is now 21 and includes nationals of seven countries; all are located in Washington with the exception of the Corporation's Special Representative for Europe in Paris. In addition, several members of the World Bank staff are giving part time service to the Corporation.

The Corporation has continued to use the services of the Bank's Economic Staff, and the Legal, Treasurer's, Secretary's, and Administration Departments. The Corporation reimburses the Bank for these services.

Mr. Richard H. Demuth, the Bank's Director of Technical Assistance and Liaison—who played an outstanding part in the formation of the Corporation, and who acted as Assistant to the President in its formative period—relinquished his position with IFC because of the demands of his position in the World Bank.

IFC has used the services of over 20 consultants on specific assignments in the fields of engineering, production, marketing and accountancy. These consultants have been recruited from professional firms and industrial companies in North America, Europe, Latin America, and Asia.

APPENDICES

BALANCE SHEET	A
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Balance Sheet

JUNE 30, 1958

(EXPRESSED IN UNITED STATES CURRENCY — See Note 2, Appendix C)

ASSETS			
DUE FROM BANKS.....		\$	108,007
UNITED STATES GOVERNMENT OBLIGATIONS			
(\$93,600,000 face amount; at amortized cost).....	\$92,820,517		
Accrued Interest.....	468,364		93,288,881
RECEIVABLE ON ACCOUNT OF SUBSCRIBED CAPITAL			
Past Due (Egypt).....			590,000
OPERATIONAL INVESTMENTS EFFECTIVE (See Appendix C).....			
			5,387,000
ACCRUED INTEREST AND COMMITMENT CHARGES ON OPERATIONAL INVESTMENTS.			
			45,502
OTHER ASSETS.....			
			70,747
<i>TOTAL ASSETS</i>			<u>\$ 99,490,137</u>

LIABILITIES AND CAPITAL

ACCOUNTS PAYABLE AND ACCRUED EXPENSES.....		\$	141,929
UNDISBURSED EFFECTIVE OPERATIONAL INVESTMENTS (See Appendix C).....			
			2,070,000
CAPITAL			
Capital Stock			
Authorized 100,000 shares of \$1,000 par value each			
Subscribed 93,277 shares.....	\$93,277,000		
Net Income			
At June 30, 1957.....	\$1,642,932		
Fiscal Year Ended June 30, 1958	2,358,276	4,001,208	97,278,208
<i>TOTAL LIABILITIES AND CAPITAL</i>			<u>\$ 99,490,137</u>

Statement of Income and Expenses

FOR THE FISCAL YEAR ENDED JUNE 30, 1958
(EXPRESSED IN UNITED STATES CURRENCY — See Note 2, Appendix C)

INCOME

Income from United States Government Obligations.....	\$3,414,410
Income from Operational Investments.....	93,311
	\$3,507,721

EXPENSES

Administrative expenses:

Personal services.....	\$ 612,677
Contributions to staff benefits.....	58,316
Fees and compensation.....	124,461
Representation.....	20,142
Travel.....	125,024
Supplies.....	13,453
Office occupancy.....	98,953
Communication services.....	23,972
Furniture and equipment.....	42,320
Books and library services.....	11,189
Printing.....	16,319
Insurance.....	2,284
Other expenses.....	335
	\$1,149,445

NET INCOME.....	\$2,358,276
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Summary Statement of Operational Investments

JUNE 30, 1958

(EXPRESSED IN UNITED STATES CURRENCY)

<i>COUNTRY and Obligor</i>	<i>Original Commit- ment</i>	<i>Operational Investments Not Yet Effective (Note 1)</i>	<i>Cancel- lations</i>	<i>Operational Investments Effective (Note 2)</i>		
				<i>Disbursed</i>	<i>Undisbursed</i>	<i>Total</i>
AUSTRALIA						
DUNCAN'S HOLDINGS, LTD.	\$ 660,000	\$ —	\$ —	\$ 660,000	\$ —	\$ 660,000
BRAZIL						
SIEMENS DO BRASIL CIA. DE ELETRICIDADE	2,000,000	1,000,000	1,000,000	—	—	—
OLINKRAFT S.A. CELULOSE E PAPEL	1,200,000	—	243,000	957,000	—	957,000
D. L. R. PLASTICOS DO BRASIL, S.A.	450,000	—	—	400,000	50,000	450,000
WILLYS-OVERLAND DO BRASIL S.A. INDUSTRIA E COMERCIO	2,450,000	2,450,000	—	—	—	—
CHILE						
EMPRESA MINERA DE MANTOS BLANCOS, S.A.	2,200,000	—	—	260,000	1,940,000	2,200,000
MEXICO						
ENGRANES Y PRODUCTOS INDUSTRIALES, S.A.	600,000	—	—	520,000	80,000	600,000
BRISTOL DE MEXICO, S.A.	520,000	—	—	520,000	—	520,000
PAKISTAN						
STEEL CORPORATION OF PAKISTAN, LTD.	630,000	630,000	—	—	—	—
	\$10,710,000	\$4,080,000	\$1,243,000	\$3,317,000	\$2,070,000	\$5,387,000

Note 1

In these cases I.F.C. and the Obligor must complete certain legal formalities and other conditions before the Obligor may withdraw funds on account of the Investment.

Note 2

Principal and interest receivable in Mexican pesos have been translated into their U.S. dollar equivalents at the rate of 12.50 pesos to U.S. \$1.

General Note

The Operational Investments provide for the delivery to I.F.C. of notes or other securities and for options to acquire certain shares of capital stock of the various Obligors.

**Summary of Currencies Repayable on Operational
Investments Disbursed**

(Expressed in U.S. currency)	
<i>Currency</i>	<i>Amount</i>
Mexican Pesos	\$ 520,000
United States Dollars	2,797,000
Total Disbursed	\$3,317,000

Opinion of Independent Auditor

1000 VERMONT AVENUE, N. W.,
WASHINGTON 5, D. C.

August 4, 1958

To
INTERNATIONAL FINANCE CORPORATION
WASHINGTON, D. C.

In our opinion, the accompanying financial statements present fairly the financial position of International Finance Corporation at June 30, 1958, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & Co.

FINANCIAL STATEMENTS COVERED BY THE FOREGOING OPINION

BALANCE SHEET.....	APPENDIX A
STATEMENT OF INCOME AND EXPENSES.....	APPENDIX B
SUMMARY STATEMENT OF OPERATIONAL INVESTMENTS	APPENDIX C

Statement of Subscriptions to Capital Stock and Voting Power
SEPTEMBER 1, 1958

<i>Member</i>	<i>Subscriptions</i>		<i>Voting Power</i>	
	<i>Amount (in thousands of dollars)</i>	<i>Percent of Total</i>	<i>Number of Votes</i>	<i>Percent of Total</i>
Afghanistan.....	\$ 111	.12	361	.34
Australia.....	2,215	2.37	2,465	2.30
Austria.....	554	.59	804	.75
Belgium.....	2,492	2.67	2,742	2.56
Bolivia.....	78	.08	328	.31
Brazil.....	1,163	1.25	1,413	1.32
Burma.....	166	.18	416	.39
Canada.....	3,600	3.86	3,850	3.60
Ceylon.....	166	.18	416	.39
Chile.....	388	.42	638	.60
Colombia.....	388	.42	638	.60
Costa Rica.....	22	.02	272	.25
Cuba.....	388	.42	638	.60
Denmark.....	753	.81	1,003	.94
Dominican Republic.....	22	.02	272	.25
Ecuador.....	35	.04	285	.27
Egypt*.....	590	.63	840	.78
El Salvador.....	11	.01	261	.24
Ethiopia.....	33	.04	283	.26
Finland.....	421	.45	671	.63
France.....	5,815	6.23	6,065	5.67
Germany.....	3,655	3.92	3,905	3.65
Ghana.....	166	.18	416	.39
Greece.....	277	.30	527	.50
Guatemala.....	22	.02	272	.25
Haiti.....	22	.02	272	.25
Honduras.....	11	.01	261	.24
Iceland.....	11	.01	261	.24
India.....	4,431	4.75	4,681	4.37
Indonesia.....	1,218	1.30	1,468	1.37
Iran.....	372	.40	622	.58
Iraq.....	67	.07	317	.30
Israel.....	50	.05	300	.28
Italy.....	1,994	2.14	2,244	2.10
Japan.....	2,769	2.97	3,019	2.82
Jordan.....	33	.04	283	.26
Lebanon.....	50	.05	300	.28
Luxembourg.....	111	.12	361	.34
Malaya.....	277	.30	527	.49
Mexico.....	720	.77	970	.91
Netherlands.....	3,046	3.27	3,296	3.08
Nicaragua.....	9	.01	259	.24
Norway.....	554	.59	804	.75
Pakistan.....	1,108	1.19	1,358	1.27
Panama.....	2	†	252	.24
Paraguay.....	16	.02	266	.25
Peru.....	194	.21	444	.41
Philippines.....	166	.18	416	.39
Sweden.....	1,108	1.19	1,358	1.27
Thailand.....	139	.15	389	.36
Turkey.....	476	.51	726	.68
Union of South Africa.....	1,108	1.19	1,358	1.27
United Kingdom.....	14,400	15.44	14,650	13.69
United States.....	35,168	37.70	35,418	33.09
Venezuela.....	116	.12	366	.34
Totals.....	\$93,277	100.00	107,027	100.00

* The subscription of Egypt has not been paid, having been due since August 23, 1956.

† Less than .005 per cent.

Governors and Alternates

SEPTEMBER 1, 1958

<i>Member Government</i>	<i>Governor</i>	<i>Alternate</i>
Afghanistan	Abdullah Malikyar	Abdul Karim Hakimi
Australia	Sir Arthur Fadden	Sir Roland Wilson
Austria	Reinhard Kamitz	Wilhelm Teufenstein
Belgium	J. van Houtte	Jean Van Nieuwenhuysse
Bolivia	Miguel Gisbert N.	Fernando Pou Munt
Brazil	Jose Maria Alkmim	J. J. Cardozo de Mello Neto
Burma	U Kyaw Min	U Kyaw Nyun
Canada	Donald M. Fleming	A. F. W. Plumtre
Ceylon	Stanley de Zoysa	Rajendra Coomaraswamy
Chile	Felipe Herrera Lane	Alvaro Orrego Barros
Colombia	Ignacio Copete-Lizarralde	Eduardo Arias Robledo
Costa Rica	Alvaro Castro	Alvaro Vargas
Cuba		Joaquin E. Meyer
Denmark	Svend Nielsen	Hakon Jespersen
Dominican Republic	Arturo Despradel	Oscar G. Ginebra Henriquez
Ecuador	Federico Intriago	Jose R. Chiriboga V.
Egypt	Ahmed Zaki Saad	Albert Mansour
El Salvador	Carlos J. Canessa	Luis Escalante-Arce
Ethiopia	Menasse Lemma	George Peters Rea
Finland	R. v. Fieandt	Reino Rossi
France	Minister of Finance	Pierre Mendes-France
Germany	Ludwig Erhard	Franz Etzel
Ghana	K. A. Gbedemah	A. Eggleston
Greece	Gregory Cassimatis	Ioannis Paraskevopoulos
Guatemala	Manuel A. Bendfeldt Jauregui	Mario Asturias-Arevalo
Haiti	Fritz Saint Firmin Thebaud	Maurice Telemaque
Honduras	Celeo Davila	Jorge Bueso-Arias
Iceland	Petur Benediktsson	Vilhjalmur Thor
India	Morarji R. Desai	H. M. Patel
Indonesia	Soetikno Slamet	Loekman Hakim
Iran	Ali Asghar Nasser	Djalaledin Aghili
Iraq	Nadim Al-Pachachi	Mudhafar H. Jamil
Israel	David Horowitz	Martin Rosenbluth
Italy	Donato Menichella	Giorgio Cigliana-Piazza
Japan	Eisaku Sato	Masamichi Yamagiwa
Jordan	Anastas Hanania	Mohammad Ali Rida
Lebanon	Andre Tueni	Raja Himadeh
Luxembourg	Pierre Werner	Rene Franck
Malaya	Sir Henry H. S. Lee	Ismail bin Dato' Abdul Rahman
Mexico	Antonio Carrillo Flores	Jose Hernandez Delgado
Netherlands	H. J. Hofstra	S. Posthuma
Nicaragua	Guillermo Sevilla-Sacasa	Enrique Delgado
Norway	Arne Skaug	Carsten Nielsen
Pakistan	Syed Amjad Ali	M. A. Mozaffar
Panama	Ricardo M. Arias Espinosa	Julio E. Heurtematte
Paraguay	Oswaldo Chaves	Federico Mandelburger
Peru	Fernando Berckemeyer	Emilio Foley
Philippines	Miguel Cuaderno Sr.	Eduardo Z. Romualdez
Sweden	G. E. Straeng	N. G. Lange
Thailand	Serm Vinicchayakul	Puey Ungphakorn
Turkey	Hasan Polatkan	Sait Naci Ergin
Union of South Africa	Jozua Francois Naude	M. H. de Kock
United Kingdom	Derick Heathcoat Amory	Sir Leslie Rowan
United States	Robert B. Anderson	C. Douglas Dillon
Venezuela	Jose Joaquin Gonzalez- Gorron dona, Jr.	Alejandro J. Huizi-Aguiar

Directors and Alternates and Their Voting Power

SEPTEMBER 1, 1958

<i>Director</i>	<i>Alternate</i>	<i>Casting votes of</i>	<i>Total votes</i>
APPOINTED			
Tom B. Coughran	John S. Hooker	United States	35,418
G. F. Thorold	Geoffrey M. Wilson	United Kingdom	14,650
Rene Larre	Jean Cottier	France	6,065
V. Narahari Rao	P. J. J. Pinto	India	4,681
ELECTED			
Thomas Basyn (Belgium)	Max Thurn (Austria)	Belgium, Austria, Turkey, Luxembourg	4,633
Soemarno (Indonesia)	Carlo Gragnani (Italy)	Italy, Indonesia, Greece, Afghanistan	4,600
Takeshi Watanabe (Japan)	D. C. Gunsekera (Ceylon)	Japan, Burma, Ceylon, Thailand	4,240
Sven Viig (Norway)	Bjorn Tryggvason (Iceland)	Sweden, Denmark, Norway, Finland, Iceland	4,097
Mohamed Shoaib (Pakistan)	Ali Akbar Khosropur (Iran)	Pakistan, Egypt, Iran, Iraq, Lebanon, Ethiopia, Jordan	4,003
Luis Machado (Cuba)	Jorge A. Montealegre (Nicaragua)	Mexico, Cuba, Peru, Venezuela, Costa Rica, Guatemala, El Salvador, Honduras, Nicaragua, Panama	3,995
Otto Donner (Germany)	Karl-Heinz Drechsler (Germany)	Germany	3,905
Louis Rasminsky (Canada)	Alan B. Hockin (Canada)	Canada	3,850
B. B. Callaghan (Australia)	B. E. Fleming (Australia)	Australia, Union of South Africa	3,823
P. Lieftinck (Netherlands)	J. Smole (Yugoslavia) L. R. W. Soutendijk* (Netherlands)	Netherlands, Israel	3,596
Jorge Mejia-Palacio (Colombia)		Brazil, Colombia, Philippines, Ecuador, Dominican Republic, Haiti	3,296
Victor A. Pane (Paraguay)	Persio da Silva (Paraguay)	Chile, Bolivia, Paraguay	1,232
Note: Ghana (416 votes) and Malaya (527 votes) are not yet formally represented by a Director.			
*Temporary			

Principal Officers of IFC

President.....ROBERT L. GARNER
Vice President.....JOHN G. BEEVOR
Director of Investments.....BRODERICK HASKELL
Engineering Adviser.....WILLIAM J. JENKINS
General Counsel.....DAVIDSON SOMMERS

<i>Assistant Director of Investments</i> JOHN C. EVANS	<i>Senior Investment Officer</i> HANS VON DER GOLTZ	<i>Chief Accountant</i> WILLIAM S. B. SAMPSON
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*Assistant for Public
Affairs*
JENTRY S. HOLMES

The Offices of *Treasurer*, *Secretary* and *Director of Administration* are held by the corresponding officers of the International Bank for Reconstruction and Development (World Bank).

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