

WINNIPEG
ELECTRIC
COMPANY

FORTY-FOURTH
ANNUAL REPORT
NINETEEN THIRTY-SIX

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THE
ANNUAL REPORT

OF
WINNIPEG ELECTRIC COMPANY
FOR THE FISCAL YEAR ENDED
THIRTY-FIRST OF DECEMBER
NINETEEN THIRTY-SIX

*Submitted at the Forty-fourth Annual Meeting
held on the third day of May
Nineteen Thirty-seven*

DIRECTORS:

EDWARD ANDERSON, K.C.

W. J. BULMAN

G. DE B. GREENE

A. J. NESBITT

GEORGE KIDD

W. H. CARTER

P. A. THOMSON

J. A. McPHAIL

D. H. McDOUGALL

C. S. RILEY

WM. FERGUSON

ISAAC PITBLADO, K.C.

EDWARD ANDERSON, K.C., *President and General Manager*

W. J. BULMAN, *Vice-President*

J. S. MACKENZIE, *Treasurer*

L. PALK, *Secretary*

Report of the President and Directors Winnipeg Electric Company

For the year ended December 31st, 1936

To the Shareholders:

In submitting the Forty-fourth Annual Report for the year ended December 31st, 1936, your Directors present the following statements:

Balance Sheet and Auditor's Report.
Income Account for 1936.

As shown by the audited accounts herewith, the earnings of the Company during 1936 were sufficient to enable the Company to pay all operating expenses, provide for depreciation and taxes, and pay all bond interest. It was enabled to do this by the sacrifices made by the bondholders and other security holders in pursuance of the Plan of Reorganization.

The power contract with the Winnipeg Hydro will expire on the 1st of September, 1937, but it is hoped that the general increase in other business of the Company will compensate for any reduction in revenue through the termination of this contract.

GENERAL CONDITIONS

Brighter conditions now prevail than for several years past. The outlook, also, is generally good, with the exception of the ever-present possibility of international complications which would change the situation entirely.

Unfortunately, a serious drought again affected large areas in the West during 1936. However, those farmers who reaped good crops last year benefited materially by higher prices and the value of all grain production was in excess of that of 1935. It is gratifying, too, that the stocks of grain in Canada are again of normal proportions. It cannot be said, however, that there is no wheat problem in Canada while foreign outlets are blocked by excessive tariffs, quotas and exchange restrictions. There is need for aggressive sales policies as well as for further efforts to diversify farming and to withdraw submarginal lands from cultivation.

The mines continue in the forefront of development. New gold properties are widening our frontiers of settlement in several

directions, while demand for base metals has recovered to levels which encourage production and exploration.

Construction is practically the one industry which seriously lags behind the general recovery. As construction activity expands, the general barometer of business rises. Every reasonable effort should therefore be made to encourage the resumption of building activity. It is to be hoped the plans of the National Employment Commission to further this end through the Home Improvement Plan will prove successful.

The spread of industrialism in the West continues. The Industrial Development Board of Manitoba reports that in Greater Winnipeg alone fifty-two industries were established in 1936 (true, they were mostly small) and sixty-one new products were added to the output of existing manufacturers. The use of the province's natural resources and farm products by the manufacturers of Greater Winnipeg is an encouraging feature of Manitoba's industrial growth.

FINANCIAL READJUSTMENT

The preparation of new share certificates, bonds, etc., and arrangements to deliver them in exchange for the old securities, as provided for in the Plan of Consolidation and Readjustment were completed in August, 1936, and exchanges in pursuance with the plan commenced in the following month and have proceeded satisfactorily. Those who have not already taken advantage of the exchange privilege should do so as soon as practicable.

APPLICATION TO THE LEGISLATURE FOR MODIFICATION OF CERTAIN OF THE TERMS OF THE COMPANY'S STREET RAILWAY FRANCHISE

The final report of the Municipal and Public Utility Board on the Mass Transportation Problem in Greater Winnipeg presented to the Legislature at its 1935 session remains for further action by the Legislature in regard to it. Meanwhile the Company decided to make another effort to obtain from the City of Winnipeg direct either a new or some modification of its present franchise in consideration of the Company expending a considerable amount of money over a period of five years in modernizing its transportation system. This proposal is now being given consideration by the City and negotiations are in progress.

RENEWAL OF FRANCHISES

Negotiations with the Council of the Rural Municipality of Charleswood carried on for the purpose of settling all outstanding differences in regard to transportation, extensions of light,

heat and power service, and arrears of taxes were successfully completed by the execution of an agreement dated the 21st day of December, 1936, whereby all disputed matters were settled and the existing light, heat and power franchise renewed for a further period of ten years from the 1st day of January, 1938.

Negotiations with the Council of the Rural Municipality of St. James were also carried on and agreements have been arrived at whereby an exclusive modern mass transportation franchise for twenty-five years, terminable at the option of the Municipality in twenty years, and a new exclusive franchise for light, heat and power service within the Municipality for a similar period were granted to your subsidiary Suburban Rapid Transit Company.

IMPROVEMENTS TO COMPANY'S PROPERTY

Because of existing economic conditions no major improvements to the Company's property were made during the year 1936.

The usual extensions, in the form of poles, wires, transformers and meters, etc., in the case of the Electric Utility, and of service mains and meters in that of the Gas Utility, were made to take care of new customers.

DIRECTORS

Under the By-laws of the Company your Board of Directors consists of twelve members, all of whom, until the financial readjustment took place, were elected by the Shareholders. The plan of consolidation and readjustment, however, gave the Bondholders the right to name six of the directors for a period of seven years from the date of the plan going into operation, and the Bondholders on April 23rd, 1936, appointed the following gentlemen to be their representatives: viz. Mr. Isaac Pitblado, K.C., and Mr. C. S. Riley of Winnipeg, Mr. George Kidd of Vancouver, Mr. George de B. Greene and Mr. Wm. Ferguson of New York, and Mr. D. H. McDougall of Toronto. The other six directors are elected by the Shareholders.

The competent and faithful services rendered by the executives and employees in conducting the affairs of your Company through 1936 are very gratefully acknowledged.

EDWARD ANDERSON,
President.

WINNIPEG ELECTRIC COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS

PHYSICAL PROPERTIES.....\$75,039,360.91

(Comprising the properties of Winnipeg Electric Company, Winnipeg, Selkirk & Lake Winnipeg Railway Company and Suburban Rapid Transit Company, value based on the appraisal of J. G. White Engineering Corporation as of 31st December, 1916, and additions since at cost; the former properties of Manitoba Power Company Limited, based on the appraisal of R. S. Lea as of 31st December, 1927, and additions since at cost; and the former properties of Northwestern Power Company Limited, at cost.)

SUNDRY INVESTMENTS..... 13,415.00

CURRENT ASSETS:

Cash in Banks and on hand.....\$2,396,882.00

Funds on Deposit to meet specific liabilities
(per contra):

Bond Interest.....\$808,141.41

For Redemption of First Mortgage Bonds..... 23,614.36

Scrap Certificates..... 3,066.50

834,822.27

Consumers' and other Accounts Receivable, less Reserve
for Doubtful Accounts.....

643,649.19

Working Funds and Deposit with Workmen's Compensation Board, etc.....

50,995.38

Materials and Supplies, including merchandise for sale.....

494,236.17

4,420,585.01

DEFERRED CHARGES TO OPERATION:

Insurance Premiums and Other Expenses paid in advance,
etc.....\$

71,802.40

Expenditure on leased premises.....

183,465.88

Bond Discount and Expense.....

154,479.13

409,747.41

\$79,883,108.33

AUDITORS' REPORT

To the Shareholders of Winnipeg Electric Company, Winnipeg.

We have audited the books and accounts of Winnipeg Electric Company and its subsidiaries, Winnipeg, Selkirk & Lake Winnipeg Railway Company, and Suburban Rapid Transit Company, for the year ended 31st December, 1936, and report that we have received all the information and explanations we have required.

Depreciation for the year has been provided for to the extent of \$1,018,001.43, as specified in the Plan of Consolidation and Readjustment. The position of the Company as disclosed by the Balance Sheet is subject to the sufficiency of this provision for the year, and of the depreciation reserve as a whole. Subject to this, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company according to the best of our information and the explanations given us, and as shown by the books.

GEORGE A. TOUCHE & CO.

Chartered Accountants,
Auditors.

Winnipeg, 10th March, 1937.

AND SUBSIDIARY COMPANIES

STATEMENT AT 31st DECEMBER, 1936

CAPITAL AND LIABILITIES

CAPITAL STOCK:

Preferred 50,000 Shares of \$100.00 each, non-cumulative; dividend rates 4% to 2nd January, 1942, thereafter 5%.....	\$ 5,000,000.00	
Common Shares of no par value, 281,712 Shares Class A and 283,277 Shares Class B.....	13,754,521.07	
		<u>\$18,754,521.07</u>

FUNDED DEBT:

4½% First Mortgage Bonds (First Series) due 2nd January 1960.....	\$ 3,500,000.00	
Remainder of Funded Debt in process of replacement by new issues in accordance with the General Plan of Consolidation and Readjustment, as follows:		
General Mortgage Bonds and/or Debenture Stock due 2nd January, 1965—		
Series A 4% to 2nd January, 1942, and 5% thereafter.....	27,446,200.00	
Series B Income Basis of 4% to 2nd January, 1942, 5% for next 5 years and 5% fixed thereafter.....	6,000,000.00	
		<u>36,946,200.00</u>

(In addition to the above, Series A Bonds to the amount of \$1,829,300.00 have been issued to the Bank as collateral security for the Special Bank Loan.)

CURRENT AND ACCRUED LIABILITIES:

Accounts Payable, including Wages and Salaries.....	\$ 741,007.59	
Bond Interest (per contra)—		
Payable 2nd January, 1937.....	\$627,674.00	
Matured Coupons, etc.....	180,467.41	
		808,141.41
First Refunding 30 year 5% Sinking Fund Gold Bonds due 2nd January, 1935, and accrued interest, called for redemption (per contra).....	23,614.36	
Scrip Certificates (Northwestern), per contra.....	3,066.50	
Special Bank Loan (secured) payable in instalments.....	1,025,000.00	
Consumers' Security Deposits.....	76,689.36	
Other Interest.....	52,333.09	
Other Liabilities.....	242,953.75	
		<u>2,972,806.06</u>

MISCELLANEOUS RESERVES for Injuries and Damages, Leased Premises, Consolidation and Readjustment, Contingencies, etc.....

626,961.82

DEFERRED LIABILITIES (payable in instalments):

Lake of the Woods and Lac Seul Storage Charges.....	\$ 503,190.53	
Paving and Consolidated Tax Arrears (City of Winnipeg).....	55,138.26	
		<u>558,328.79</u>

DEPRECIATION RESERVE..... 12,147,420.83

PROPERTY RESERVE..... 7,290,947.36

SURPLUS, before providing for Interest on Series B Bonds for the year 1936.. 585,922.40

CONTINGENT LIABILITIES:

Contingent Certificates, as provided for in the General Plan, amounting to \$1,921,234.00. It is agreed with the bearers that while any Certificates are outstanding the Company will not pay any dividends on its Capital Stock or make any distribution to Shareholders.

\$79,883,108.33

WINNIPEG ELECTRIC COMPANY AND
SUBSIDIARY COMPANIES

CONSOLIDATED INCOME ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER, 1936

GROSS EARNINGS FROM OPERATION.....	\$6,638,495.97
OPERATING EXPENSES.....	3,274,844.71
NET OPERATING INCOME.....	\$3,363,651.26

Miscellaneous Income (net).....	1,372.60
GROSS INCOME.....	\$3,365,023.86

Interest on Funded Debt.....	\$1,255,348.00
Other Interest.....	51,779.58
Taxes.....	538,503.56
Depreciation.....	1,018,601.48
Amortization Bond Discount and Expense.....	5,883.63
Other Income Deductions.....	54,339.60
	2,924,455.85
NET INCOME before providing for Interest on Series B Bonds.....	\$ 440,568.01

SURPLUS ACCOUNT

BALANCE, 1st January, 1936.....	\$ 385,354.39
Less Interest on Series B Bonds for the year 1935.....	240,000.00
	\$ 145,354.39
NET INCOME for the year brought down.....	440,568.01
	\$ 585,922.40

