

WINNIPEG
ELECTRIC
COMPANY

FORTY-THIRD
ANNUAL REPORT
NINETEEN THIRTY-FIVE

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To those who received copies of the Annual Report of Winnipeg Electric Company for the year 1935.

In approving the printed form of Annual Report, the Directors of Winnipeg Electric Company at a meeting held prior to the annual meeting on June 8, 1936, amended the report as follows:

By deleting the words "in exchange for shares of Manitoba Power Company Limited, and Northwestern Power Company, Limited, held by the public" where they appear in the fifth and sixth lines of the first paragraph on page three of the printed Report and by substituting therefor "balance will be available for the subsequent exchange (if and when decided upon) for the obligations given to Manitoba Power Company, Limited, and Northwestern Power Company, Limited, upon closing," and by deleting the fourth paragraph on said page three, and by adding as second last paragraph on page three: "The Plan of Reorganization was only made possible by the consent of the Bondholders of the constituent Companies voluntarily waiving accrued and future interest under their existing bonds, which interest amounted to over \$9,000,000 during the life of their bonds; and by the Preference Stockholders approving the waiving of cumulative dividends and a lower dividend rate than under their present stock."

and the amended report was presented to and adopted by the Shareholders of the Company at the annual meeting June 8, 1936.

Will you please, therefore, attach this sheet to the report already sent you.

E. ANDERSON,
President,

Winnipeg, Canada.
June 9, 1936.

Winnipeg Electric Company.

THE
ANNUAL REPORT

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

*Submitted at the Forty-third Annual Meeting
held on the eighth day of June
Nineteen thirty-six*

DIRECTORS:

EDWARD ANDERSON, K.C., *President*

W. J. BULMAN

G. DE B. GREENE

A. J. NESBITT

GEORGE KIDD

W. H. CARTER

J. B. COYNE, K.C.

J. A. McPHAIL

D. H. McDOUGALL

C. S. RILEY

WM. FERGUSON

ISAAC PITBLADO, K.C.

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

J. S. MACKENZIE, *Treasurer*

L. PALK, *Secretary*

Report of the President and Directors Winnipeg Electric Company

For the year ended December 31, 1935

To the Shareholders:

In submitting the Forty-Third Annual Report for the year ended December 31st, 1935, your Directors present the following statements:

Balance Sheet and Auditor's Report.

Income Account for 1935.

As the General Plan of Consolidation and Readjustment hereunder referred to has become operative the foregoing statements cover the combined business and operations of Winnipeg Electric Company after consolidation with Manitoba Power Company Limited and Northwestern Power Company Limited and its subsidiary companies Winnipeg, Selkirk and Lake Winnipeg Railway Company and Suburban Rapid Transit Company.

FINANCIAL READJUSTMENT

In last year's annual report it was stated that the management had devoted itself energetically to bringing about a readjustment of the finances of Winnipeg Electric and associated Companies. During 1935 these efforts continued unabated and with success. The General Plan of Consolidation and Readjustment has received the necessary approval of all security holders concerned, and was declared operative on April 23rd, 1936.

The general effect of the Plan may be summarised as follows:

Winnipeg Electric Company takes over as of January 2nd, 1935, the assets and liabilities of Manitoba Power Company Limited and Northwestern Power Company Limited and acquires all outstanding bonds of Winnipeg, Selkirk & Lake Winnipeg Railway Company and Suburban Rapid Transit Company, of which two Companies Winnipeg Electric already holds all outstanding shares. All inter-company liabilities as between Winnipeg Electric and Manitoba Power Company and Northwestern Power Company and all bond guarantees disappear, and shares held by Winnipeg Electric in Manitoba Power and Northwestern Power are cancelled.

APPLICATION FOR RELIEF FOR STREET RAILWAY AND NEGOTIATIONS FOR PURCHASE OF PROPERTIES BY CITY OF WINNIPEG

Reports for several years now have outlined the Company's attempts to secure relief from payment of the five per cent street railway gross earnings tax, paving charges and snow removal charges, a group of burdensome imposts that, due to great changes in conditions since the original franchise was granted in 1892, can no longer be justified. Past reports have shown the nature of our negotiations with the City of Winnipeg in 1930 and 1931, with a view to being relieved of this undue tax burden and of our subsequent application to the Provincial Legislature in 1933 for such relief, following the failure to receive proper consideration at the hands of the City. The problem of making certain adequate local mass transportation for Greater Winnipeg has now been before the Legislature at four different sessions. In last year's report it was stated that a detailed plan to provide such service and bill to make it effective had been submitted to the Legislature by the Municipal and Public Utility Board at the 1934 session, but as negotiations for the purchase of all the holdings of Winnipeg Electric and associated Companies by the City of Winnipeg were still being carried on, the Legislature decided not to proceed with the report of the Board so that negotiations between the City and the Company would not be hampered.

Negotiations with the City have been carried on for the past two years unsuccessfully. After many efforts to come to a satisfactory agreement it was found impossible to do so and the negotiations for the purchase of its properties by the City are definitely at an end.

At the 1935 session of the Legislature, a further report from the Municipal and Public Utility Board was presented, but no action was taken in regard to it. However, about the close of the 1936 session the Government announced its decision to leave it to the Legislature to initiate action with respect to this report, the Board being asked again to reconsider the subject and be ready to advise the House before the next session on changes in the recommendations of the report. This decision was made because of differing views in the Legislature on the recommendations and because it had been suggested that reorganization had improved the finances of the Company.

IMPROVEMENTS TO COMPANY'S PROPERTY

Because of existing economic conditions no major improvements to the Company's property were made during the year 1935.

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 hitherto have been elected by the Shareholders. Under the plan of consolidation and readjustment, however, the Bondholders have the right to appoint six of the directors for a period of seven years from the date of the plan going into operation. In accordance with this provision the Bondholders have 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. These gentlemen took office on April 23rd, 1936, following the resignations of Messrs. W. R. Bawlf, N. J. Breen, S. L. Fuller, J. B. Woodyatt, P. A. Thomson and A. E. Pickering from the Board. It is only fitting that reference should be made at this time to the devoted services to the Company of these former directors, all but one of whom have been members of the Board for many years.

The loyal and efficient services rendered by the executives and employees in conducting the affairs of your Company through a most strenuous year are most gratefully acknowledged.

EDWARD ANDERSON,
President.

WINNIPEG ELECTRIC COMPANY

CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER, 1935, AFTER OF CONSOLIDATION

ASSETS

PHYSICAL PROPERTIES.....		\$74,831,757.92
(Comprising the properties of Winnipeg Electric Company, Winnipeg, Selkirk and 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 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 properties of Northwestern Power Company, Limited, at cost.)		
SUNDRY INVESTMENTS.....		12,915.00
CURRENT ASSETS:		
Cash in Banks, on hand, and in the hands of Sinking Fund Trustees or other agents.....	\$2,947,797.47	
Consumers' and other Accounts Receivable, less reserve for doubtful accounts.....	772,332.31	
Working Funds and Deposit with Workmen's Compensation Board, etc.....	42,887.76	
Materials and Supplies, including merchandise for sale.....	577,527.51	
		4,340,545.05
DEFERRED CHARGES TO OPERATION:		
Insurance Premiums and other expenses paid in advance, etc.....	\$ 46,732.20	
Expenditure on leased premises.....	195,696.80	
		242,429.00
		\$79,427,646.97

AUDITORS' REPORT

To the Shareholders, Winnipeg Electric Company, Winnipeg.

We have audited the books and accounts of Winnipeg Electric Company, Manitoba Power Company, Limited, Northwestern Power Company, Limited, Winnipeg, Selkirk and Lake Winnipeg Railway Company and Suburban Rapid Transit Company for the year ended 31st December 1935. We have also examined the consolidating entries made throughout the books of the various companies giving effect to the Plan of Consolidation and Readjustment dated the 15th May, 1935, which has now finally been approved. The above Balance Sheet is drawn in consolidated form to give effect to the Plan, and to the taking over by Winnipeg Electric Company of the assets and liabilities of Manitoba Power Company, Limited, and Northwestern Power Company, Limited, and also includes the assets and liabilities of the Subsidiary Companies, Winnipeg, Selkirk and Lake Winnipeg Railway Company and Suburban Rapid Transit Company. Depreciation for the year has been provided for to the extent of \$1,000,000.00, as specified in the Plan. 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 these explanations, 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 consolidated companies 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, 20th May, 1936.

AND SUBSIDIARY COMPANIES

GIVING EFFECT TO THE PROVISIONS OF THE GENERAL PLAN AND READJUSTMENT

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:

First Mortgage 5% Gold Bonds of Winnipeg Electric Company, matured 1st January, 1935; outstanding in hands of public.	\$ 2,895,000.00
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(Under the General Plan a new issue is being made for the purpose of retiring these bonds and meeting expenses connected with Consolidation and Readjustment, etc.)

Remainder of Funded Debt, being in process of replacement by new issues in accordance with the General Plan as follows:

General Mortgage Bonds, Series A, due 2nd January, 1965.	27,446,200.00
General Mortgage Income Bonds, Series B, due 2nd January, 1965.	6,000,000.00
	<u>36,341,200.00</u>

NOTE—In addition to the above, Series A Bonds to the amount of \$1,829,300.00 are to be issued to the Bank as collateral security for the Special Bank Loan—see below under "Deferred Liabilities."

CURRENT AND ACCRUED LIABILITIES:

Accounts Payable, including Wages and Salaries.	\$ 623,717.83
Consumers' Security Deposits.	87,580.67
Scrip Certificates (Northwestern).	10,000.00
Bond Interest:	
Matured Coupons, etc.	\$ 110,514.75
Accrued to 31st December, 1934.	174,616.65
Accrued on new General Mortgage Bonds Series A, for the year ended 31st December, 1935.	1,097,848.00
	<u>1,382,979.40</u>
Other Interest.	51,539.34
Other Liabilities.	197,027.17
Province of Manitoba—Water Power Rentals.	120,000.00
	<u>2,472,844.41</u>

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

998,360.69

DEFERRED LIABILITIES (payable in instalments):

Special Bank Loan (secured).	\$1,250,000.00
Lake of the Woods and Lac Seul Storage Charges.	506,541.93
Paving and Consolidated Tax Arrears (City of Winnipeg)	68,688.62
	<u>1,825,230.55</u>

DEPRECIATION RESERVE..... 11,359,188.50

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

SURPLUS, before providing for Interest on Series B Bonds..... 385,354.39

\$79,427,646.97

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. This is not included in the foregoing Balance Sheet.

Foreign Exchange on redemption of Winnipeg Electric Company First Mortgage 5% Gold Bonds.

WINNIPEG ELECTRIC COMPANY AND
SUBSIDIARY COMPANIES

CONSOLIDATED INCOME ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 1935

GROSS EARNINGS FROM OPERATION.....	\$6,352,338.06
OPERATING EXPENSES.....	3,090,111.57
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NET OPERATING INCOME.....	\$3,262,226.49
Interest on Funded Debt.....	\$1,242,598.00
Other Interest.....	66,201.57
Taxes.....	502,333.63
Depreciation.....	1,000,000.00
Amortization Bond Discount and Expense.....	4,940.00
Other Income Deductions.....	60,798.90
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	2,876,872.10
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NET INCOME before providing for Interest on Series B Bonds.....	\$ 385,354.39
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