

Annual Report
CANADA NORTHERN POWER
CORPORATION
LIMITED



Year ended
DECEMBER THIRTY-FIRST
1941

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CANADA NORTHERN POWER CORPORATION, LIMITED

Montreal, Que., March 5th, 1942.

TO THE SHAREHOLDERS:

Your Directors herein submit their report on the operations of your Company for the year ended December 31st, 1941.

From the comparative statement of operations it will be seen that as a result of the loss of the Noranda Mines contract to The Quebec Streams Commission and increased taxation, net earnings show a further decline from those of the preceding year.

To assist in the war effort, your Company and one of its subsidiaries during the year purchased \$1,690,000 par value of your Company's 5% Bonds, being part of the repatriated securities held by the United Kingdom Security Deposit in Canada.

Regular dividends on the 7% Cumulative Preferred Stock and dividends amounting to eighty cents per share on the no par value Common Stock were paid out of the earnings for the year.

Power Demand There was a slight decrease in the power demand for the year, the output having been 731,328,765 kilowatt hours in 1941 as compared with 742,829,599 in 1940. The number of customers served by the Company increased from 25,882 in 1940 to 25,935 at December 31st, 1941, a gain of 53.

Construction Activities No major construction operations were undertaken during 1941, work in this department being confined to maintenance and general improvement of equipment. Three additional 1,000 k.v.a. transformers were installed at the Malartic Substation of the Company to provide for the increased demand for power in the area served from that substation. These transformers, however, were transferred from other points on the Company's system.

New Power Customers War conditions have prevented the active development of a number of properties for which plans of operations have been made, consequently there are few new power customers to report. A contract was signed in April last providing for the supply of power at the property of National Malartic Mining Co. Ltd., and power was turned on early in May. Operations were resumed in

December at the property formerly owned by Quebec Manitou Mines, Limited, situated at the east side of Bourlamaque Township, which had been closed down since 1938. During the year several Northern Quebec properties were advanced to the status of producing mines by the operation of new Mills. These include Senator-Rouyn Mines, Ltd., in Rouyn Township, and West Malartic Mines, Ltd., in Cadillac Township, while construction is well advanced on the Mill at the property of Mic-Mac Mines in Bousquet Township.

Municipal Contracts The franchise under which light and power are supplied to the residents of the Township of Bucke, in the Cobalt district of Ontario, was renewed for a period of ten years as a result of the vote of the electors on July 9th, 1941.

Merchandise Department Sales of electrical appliances to the amount of \$159,280 were made by the Merchandise Department during the year.

Taxation The item of taxation continues to absorb an increasing proportion of the revenues of your Company, which your Directors are satisfied will be cheerfully borne by both shareholders and customers.

It must, however, be apparent to them that a disproportionate share of the cost of the administration of the country and the prosecution of the war is borne by them as a result of the unfair principle of tax exemption for publicly-owned utilities, whereby the customers of such institutions are relieved of paying amounts corresponding to those contributed by our customers and shareholders.

The following table, showing the amounts paid under this head in proportion to the business of the Company for the past ten years, illustrates the growing heavy burden the item of taxation imposes and the increasing difficulty of meeting competition from publicly-owned competitors who do not pay these taxes:

Year	Taxes	Gross Earnings	Percentage
1932	\$365,191	\$3,456,772	10.5%
1933	394,467	3,690,284	10.6%
1934	437,045	4,166,303	10.4%
1935	477,955	4,418,488	10.8%
1936	517,429	4,572,817	11.3%
1937	538,543	4,985,680	10.8%
1938	546,607	5,146,006	10.6%
1939	543,891	5,265,054	10.3%
1940	693,066	5,020,464	13.8%
1941	870,233	4,994,176	17.4%

The above figures do not include several miscellaneous taxes, among which are: tax on gasoline, licenses for automobiles and trucks,

meter inspection taxes, tax on telephone bills, sales tax (Federal and Municipal), tax on meals, tax on railway fares, customs duties; nor \$62,300 this year for the 8% Federal and the 2% Provincial (Quebec) tax on electric light bills.

Rates When the item of taxation is taken into consideration, it will be found that the cost of power supplied by the Company is as low as the cost to the users of power furnished by any organization supplying similar service on the continent, as will be seen by a comparison of the total kilowatt hour output with the gross electric revenue of the Company, which shows that we receive sixty-six one-hundredths of a cent per kilowatt hour before considering taxes, and after taxes amounting to \$870,233 are deducted, only fifty-five one-hundredths of a cent per kilowatt hour.

Plants and Properties The high standard of efficiency of the various plants and equipment of the Company has been maintained throughout the year, all being in first-class condition.

Employees Your Directors desire to express their appreciation of the faithful and loyal service performed by the employees of the Company.

The Annual General Meeting of the Shareholders of your Company will be held at Room 103, 355 St. James Street West, in the City of Montreal, on Tuesday, the 24th day of March, 1942, at 3 o'clock in the afternoon, daylight saving time.

Respectfully submitted on behalf of the Board.


PRESIDENT

CANADA NORTHERN POWER CORPORATION, LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet as at December 31, 1941

ASSETS	1941	1940	LIABILITIES	1941	1940
Plant Investment:			To THE PUBLIC:		
Properties, Plant and Equipment, Franchises, Organization, etc., at cost less net adjustments arising as a result of consolidation..	\$35,190,457.29	\$35,213,143.20	Funded Debt—		
Cash in Banks.....	321,206.59	805,968.16	Collateral Trust 5% Sinking Fund Gold Bonds, Series "A," due 1953.....	\$17,000,000.00	
Call Loan.....		645,000.00	LESS:		
Investments—			Redeemed and cancelled to date by Sink- ing Fund.....	2,695,500.00	
Marketable Securities.....	\$1,325,823.38		Accounts Payable and Accrued Liabilities.....	203,510.92	
(Market Value \$1,310,385.60)			Provision for Taxes.....	473,285.21	
Bonds of the Corporation held by Subsidiary Com- pany (Par Value \$1,060,000.00).....	1,087,400.00		Bond Interest accrued including provision for exchange.....	126,697.23	
Other Investments at Book Value.....	384,084.24		Subsidiary Companies Dividends Payable.....	18,725.80	
	2,797,307.62	1,697,464.21	Preferred Dividend Payable.....	96,250.00	
Notes Receivable.....	12,000.00	37,000.00	Common Dividend Payable.....	60,000.00	
Accounts Receivable, including accrued revenue.....	468,242.06	486,620.27	Customers' Deposits including interest.....	216,069.98	
Merchandise and Maintenance Supplies—				1,194,539.14	
Inventories as shown by book records, valued at not more than cost as certified to by responsible officers of the Company. Book records are adjusted periodically to agree with physical inventories.....	274,310.79	241,482.09	To THE PUBLIC SHAREHOLDERS OF SUBSIDIARIES:		
	\$ 3,873,067.06	\$ 3,913,534.73	Capital Stock:		
Montreal Trust Company—Bond Redemption Account.....	1,304.50	3,761.90	6% Cumulative Convertible Preferred Shares of \$100.00 each— (Redeemable at \$110.00 and accrued dividend after 60 days notice).....	1,190,900.00	1,202,100.00
Bonds of the Corporation purchased in anticipation of Sinking Fund requirements—Par Value.....	608,000.00	239,000.00	Common Shares of No Par Value.....	197,998.04	197,998.04
Prepaid and Deferred Charges.....	61,563.49	62,995.91	Minority Shareholders' Interest in Surplus of Subsidiaries.....	1,906.34	2,697.62
			To THE SHAREHOLDERS—CANADA NORTHERN POWER CORPORATION, LIMITED:		
			Capital Stock:		
			7% Cumulative Preferred Shares of \$100.00 each (Redeemable at \$110.00 and accrued dividend after 30 days notice). Authorized.....	75,000 shares	
			Issued.....	55,000 shares	
			Common Shares of No Par Value:		
			Authorized.....	500,000 shares	
			Issued.....	400,000 shares	
			Reserves:		
			Depreciation.....	12,468,673.30	11,780,137.55
			Bad Debts.....	41,753.24	36,813.97
			Miscellaneous.....	148,807.36	150,459.92
			Surplus—Balance as at December 31, 1941.....	2,536,518.92	2,572,715.63
Approved on behalf of the Board:				\$39,734,392.34	\$39,432,435.74
A. J. NESBITT } JAS. B. WOODYATT } Directors.	\$39,734,392.34	\$39,432,435.74		\$39,734,392.34	\$39,432,435.74

Auditors' Report

We have made an examination of the books and accounts of Canada Northern Power Corporation Limited and its Subsidiaries for the year ended December 31, 1941, and have obtained all of the information and explanations which we have required. We report that, in our opinion, the accompanying Consolidated Balance Sheet and relative Consolidated Statements of Surplus and of Income and Expenditure are properly drawn up so as to exhibit a true and correct view of the combined affairs of the Companies at December 31, 1941, and the results of their operations for the year ended that date according to the best of our information and the explanations given to us and as shown by the books of the Companies.

Montreal, February 18, 1942.

P. S. ROSS & SONS,
Chartered Accountants.

CANADA NORTHERN POWER CORPORATION, LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Income and Expenditure
For the Year Ended December 31, 1941

Gross Earnings from Operations.....		\$4,916,720.48
DEDUCT:		
Operating Expenses.....	\$2,144,256.40	
Directors' Fees.....	14,775.00	
Executive Officers' Salaries.....	29,344.00	
Legal Fees.....	1,912.73	
Contributions to Pension Fund.....	25,000.00	
Provision for Bad Debts.....	4,891.04	\$2,220,179.17
Net Operating Profit before interest, depreciation and income and excess profits taxes.....		2,696,541.31
Income from Investments.....		77,455.22
		\$2,773,996.53
DEDUCT:		
Interest on—Bonds including exchange—net.....	764,735.31	
—Customers' Deposits.....	7,446.76	
Provision for—Depreciation.....	720,000.00	
—Income and Excess Profits Taxes.....	577,909.46	2,070,091.53
Net Income for the year transferred to Surplus.....		\$ 703,905.00

Consolidated Statement of Surplus
For the Year Ended December 31, 1941

Balance at Credit—January 1, 1941.....		\$2,572,715.63
ADD:		
Investment Revenue and miscellaneous adjustments pertaining to previous financial periods—net.....		40,357.99
		2,613,073.62
ADD:		
Net Income for the year transferred from Consolidated Statement of Income and Expenditure.....	\$703,905.00	
Profits from sale of securities—net.....	\$50,325.49	
LESS:		
Premium on bonds purchased for sinking fund purposes.....	\$19,737.50	
Amounts written off book value of investments.....	28,840.99	
Transfer to Reserve for Investments.....	1,747.00	50,325.49
		703,905.00
		\$3,316,978.62
DEDUCT:		
Dividends on—		
Capital Stock of Subsidiaries held by the Public—		
Preferred.....	\$71,958.00	
Common.....	3,501.70	
		75,459.70
7% Cumulative Preferred Stock.....	385,000.00	
Common Stock.....	320,000.00	780,459.70
		1,105,459.70
Balance at Credit—December 31, 1941.....		\$2,536,518.92

This is the statement referred to in our accompanying Report dated February 18, 1942.

P. S. ROSS & SONS,
Chartered Accountants.

CANADA NORTHERN POWER CORPORATION, LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Operating Statement
For Years Ending December 31st

	1937	1938	1939	1940	1941
Electric Revenue.....	\$4,884,548	\$5,052,287	\$5,166,160	\$4,921,871	\$4,889,766
(B) Miscellaneous Revenue.....	101,132	93,719	98,894	98,593	104,410
Gross Revenue.....	<u>4,985,680</u>	<u>5,146,006</u>	<u>5,265,054</u>	<u>5,020,464</u>	<u>4,994,176</u>
Purchased Power.....	706,429	912,580	1,119,379	1,075,276	1,046,425
Operation.....	718,311	722,452	717,607	715,213	729,160
Maintenance.....	120,758	123,383	128,792	123,440	122,380
Taxes (not including Income Taxes).....	278,587	285,802	287,334	290,978	292,324
Total Operation, Maintenance and Taxes.....	<u>1,824,085</u>	<u>2,044,217</u>	<u>2,253,112</u>	<u>2,204,907</u>	<u>2,190,289</u>
Net Earnings.....	3,161,595	3,101,789	3,011,942	2,815,557	2,803,887
Bad Debts.....	4,921	5,055	5,164	4,925	4,891
Interest.....	802,653	780,995	802,231	827,538	772,182
Depreciation.....	739,000	728,000	725,000	733,000	720,000
Employees' Pension Fund.....	25,000
Bond Redemption Expense.....	24,843	11,701	5,537
Total Deductions.....	<u>1,571,417</u>	<u>1,514,050</u>	<u>1,544,096</u>	<u>1,571,000</u>	<u>1,522,073</u>
Net Earnings after Deductions...	1,590,178	1,587,739	1,467,846	1,244,557	1,281,814
Income and Excess Profits Taxes..	259,956	260,805	256,557	402,088	577,909
Surplus for Year.....	1,330,222	1,326,934	1,211,289	842,469	703,905
(A) Surplus brought forward.....	1,647,931	2,028,586	2,379,501	2,624,073	2,613,074
	<u>2,978,153</u>	<u>3,355,520</u>	<u>3,590,790</u>	<u>3,466,542</u>	<u>3,316,979</u>
Preferred Dividends Paid.....	459,546	457,126	457,126	457,126	456,958
Common Dividends Paid.....	493,226	493,034	490,394	436,700	323,502
	<u>952,772</u>	<u>950,160</u>	<u>947,520</u>	<u>893,826</u>	<u>780,460</u>
Surplus Carried Forward.....	<u>\$2,025,381</u>	<u>\$2,405,360</u>	<u>\$2,643,270</u>	<u>\$2,572,716</u>	<u>\$2,536,519</u>
Sinking Fund Instalments Paid...	<u>\$ 211,925</u>	<u>\$ 243,575</u>	<u>\$ 255,350</u>	<u>\$ 279,375</u>	<u>\$ 291,775</u>
Customers Connected.....	19,782	22,568	25,209	25,882	25,935
Shareholders.....	4,016	4,000	3,998	4,031	4,064
Kilowatt Hour Output.....	<u>649,123,556</u>	<u>700,848,611</u>	<u>749,904,042</u>	<u>742,829,599</u>	<u>731,328,765</u>

(A) Adjusted for prior year charges.

(B) Miscellaneous Revenue includes compressed air gross earnings, merchandise net profits and earnings from investments, etc.

OFFICERS

President

A. J. NESBITT, Montreal

Vice-President

JAS. B. WOODYATT, Montreal

Vice-President and General Manager

B. V. HARRISON, New Liskeard

Directors

F. O. BLACKWELL.....	New York
B. V. HARRISON.....	New Liskeard
L. C. HASKELL.....	Montreal
DAN. McIACHLIN.....	Arnprior
A. J. NESBITT.....	Montreal
ALFRED H. PARADIS.....	Montreal
JOS. SIMARD.....	Montreal
P. A. THOMSON.....	Montreal
JAS. B. WOODYATT.....	Montreal

Secretary

L. C. HASKELL

Treasurer

CHAS. JOHNSTONE

Assistant Secretary

V. J. NIXON

Assistant Treasurer

T. IRVING

Assistant Secretary-Treasurer

H. A. SEYMOUR

Fiscal Agents

NESBITT, THOMSON & COMPANY, LIMITED

Auditors

P. S. ROSS & SONS

Transfer Agents and Registrars

MONTREAL TRUST COMPANY, MONTREAL, P.Q. AND TORONTO, ONT.

Head Office

355 ST. JAMES STREET WEST
MONTREAL
CANADA