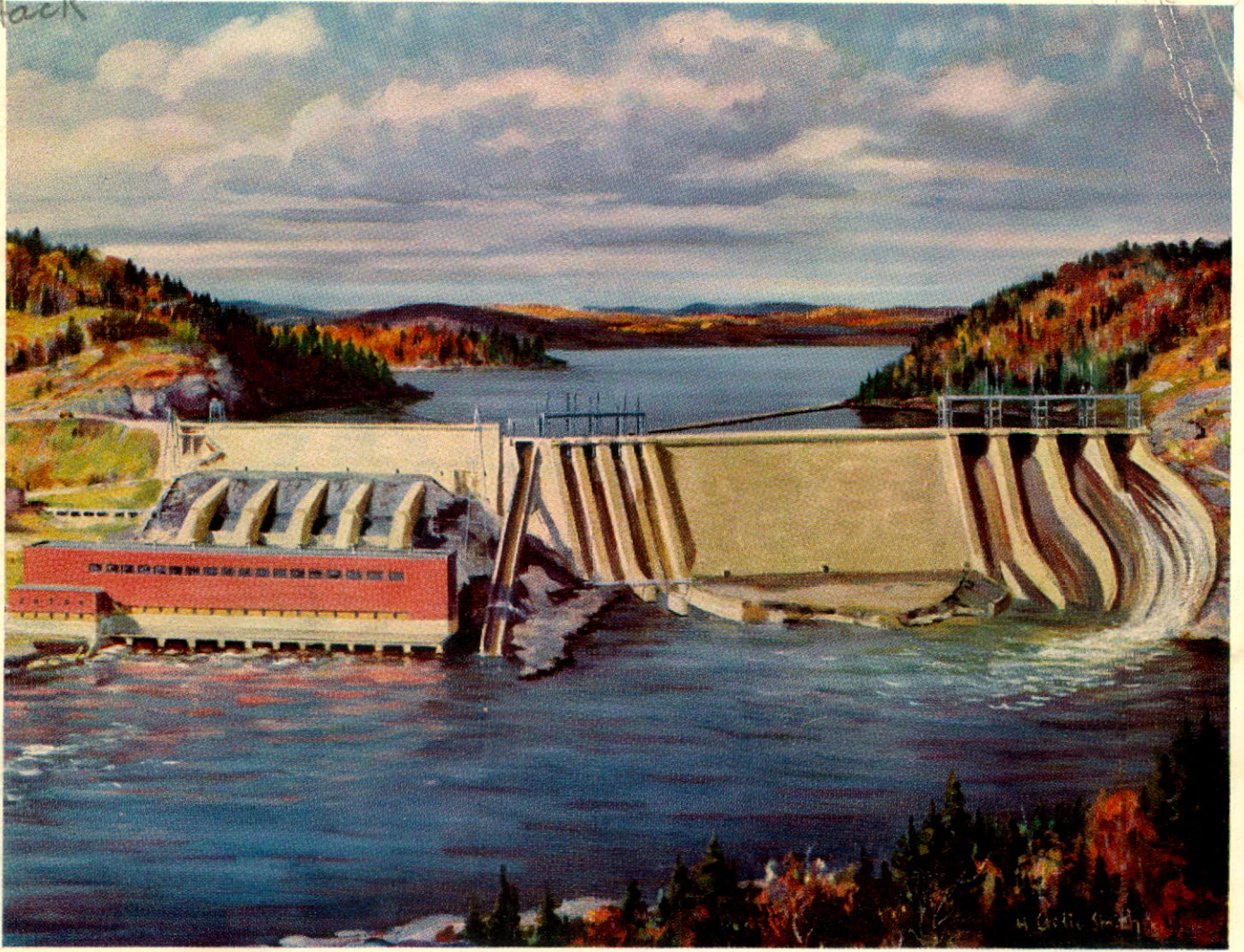


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FIFTY - FOURTH ANNUAL REPORT

The Shawinigan Water and Power Company

1951





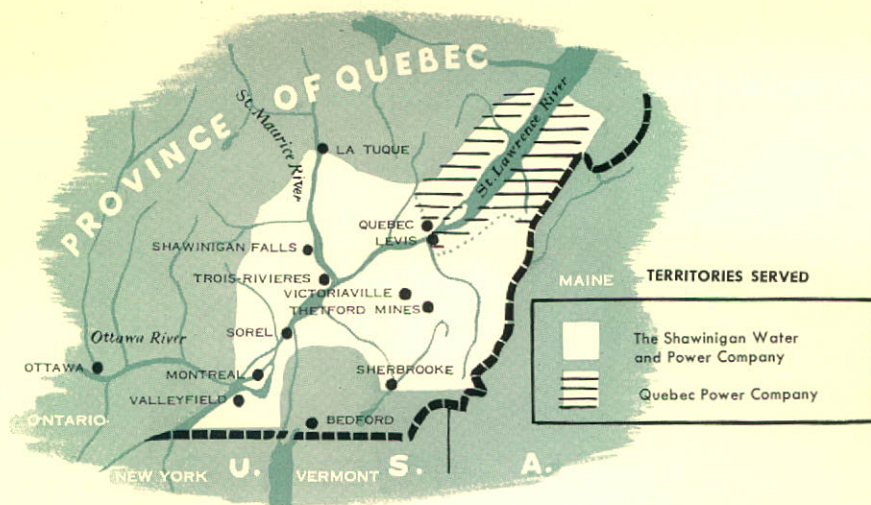
FIFTY - FOURTH ANNUAL REPORT

The Shawinigan Water and Power Company

1951

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FRONT COVER *The new Trenché Development—325,000 horsepower from a painting by H. Leslie Smith.*



What is Shawinigan?

The Shawinigan Water and Power Company has for fifty-four years, under our free enterprise system, successfully combined the capital provided by thousands of investors with the knowledge and experience of engineers, businessmen, and skilled workers, to convert remote water powers into electricity and bring it to the industries and people of the Province of Quebec.

SHAWINIGAN . . .

• • • provides electric service throughout 16,000 square miles of the Province of Quebec, serving 186,000 customers directly, and many thousands more through the sale of power at wholesale to other utility systems.

• • • is the principal source of electric power, in the Province of Quebec, for the pulp and paper and asbestos industries, and is a major power source for the electrochemical and metallurgical industries.

• • • has five large hydro-electric developments on the St. Maurice River and a 50 per cent interest in a sixth, and two smaller developments on other rivers, with a total installed capacity of 1,562,700 horsepower.

• • • has available four undeveloped sites for hydro-electric generating plants on the St. Maurice River, totalling 620,000 horsepower.

• • • has a network of more than 11,100 miles of transmission and distribution lines throughout the territory it serves.

• • • controls Quebec Power Company, serving over 100,000 customers in the City of Quebec and a wide area eastward on both shores of the St. Lawrence River.

• • • owns Shawinigan Chemicals Limited, one of the world's large chemical companies, producing calcium carbide, acetic acid, plastics, and a wide range of industrial chemicals at Shawinigan Falls, Quebec.

• • • owns The Shawinigan Engineering Company Limited, which has designed and constructed Shawinigan power plants, and has carried out the design and engineering work of other large hydro-electric developments both in Quebec and elsewhere in Canada.



Highlights

- Firm power peak load 1,680,563 horsepower—9.3% over 1950.
 - Total kilowatt-hours sold 7,538,421,000, up 14.8%.
 - Kilowatt-hours sold to residential, farm, commercial and municipal consumers increased 12.9%.
 - Gross revenue from power sales \$34,651,194, up 18.4%.
 - Earnings per Common Share from power operations 96c vs. \$1.08 in 1950.
 - Total earnings per Common Share \$1.84 vs. \$1.98 in 1950.
 - Regular dividend of \$1.20 per Common Share paid, plus special dividend of 25c per share.
 - Taxes and other payments to Governments \$3.33 per Common Share vs. \$2.39 in 1950.
 - Work started on diversion of Megiscane River to St. Maurice watershed.
 - Water storage reserves at the year-end 34.5% higher than 1950.
 - Trench development completed and in full production — 325,000 hp.
 - Contract entered into for purchase of additional 50,000 hp. from Saguenay Power Company, Ltd., starting January 1954.
 - Commitments made to supply 77,500 additional horsepower to new and existing customers.
 - Capital expenditures for the year \$12,917,000.
-

The President's Letter

The Province of Quebec continues to grow and to use electricity at an ever-increasing rate. The year 1951 saw many new records established in the Company's business. Revenue from power sales was the highest in our history. The total generating capacity of the system, the peak load, the number of customers and municipalities served, the average annual consumption of electricity by residential customers, all reached new peaks.

About the middle of the year the new 325,000 horsepower Trenché generating plant was completed. Power produced by this plant was quickly absorbed by load requirements with a consequent substantial increase in revenue. Our operating expenses also increased, but to a lesser extent than revenue, and our net earnings from power operations would have increased except for the higher rate of Federal Income Tax, which, including the Defence Surtax, was 31.5% greater than in 1950.

Manufacturing operations of Shawinigan Chemicals Limited were at an all-time high and resulted in considerably improved earnings. Subsidiary and associated companies' earnings in Great Britain and Canada were also higher but those of the United States subsidiary, Shawinigan Products Corporation, were somewhat lower owing to higher taxes and a reduction in dividends from associated companies.

Two of the projects mentioned in last year's Report as being under consideration by the Chemicals Company are now in progress. In partnership with The British American Oil Company Limited, a new company called B.A.-Shawinigan Limited, was formed for the

manufacture of petro-chemicals from refinery gases. This company's plant is now under construction on a site adjoining The British American Oil Company's refinery in Montreal East. A second new venture, St. Maurice Chemicals Limited, was started in partnership with Heyden Chemical Corporation of New York, to manufacture formaldehyde and pentaerythritol in Canada. This company's plant is to be located at Varennes, within the territory served by The Shawinigan Water and Power Company. These two enterprises will further broaden the field of activities in which Shawinigan Chemicals is participating.

Study of the financial results obtained by our Company reveals that despite an increase of 18.4% in revenue from power sales, net earnings per Common Share from power operations declined from \$1.08 in 1950 to 96c in 1951. This decline was due entirely to the much higher level of Federal Income Tax. Taxation is a matter of increasingly grave concern to all electric utility companies operating under our private enterprise system, and, in fact, now threatens to cripple the industry's ability to meet the tremendous demands made upon it for expansion of power facilities. As a measure of the tax burden on our Company, it is significant that in 1951 the total amount payable by Shawinigan to Municipal, Provincial and Federal Governments amounted to no less than \$3.33 per Common Share, as compared to total net earnings from power operations of only 96c per Common Share.

The question of additional power supply is still under active consideration. We have been able to purchase some additional power for delivery in 1954, which will provide for part of our requirements. In addition, The Shawinigan Engineering Company Limited is engaged in a project to divert the upper reaches of the Megiscane and Susie Rivers, which at present flow northward to James Bay, into the Gouin Reservoir. When this work is completed in October 1952, the additional river flow in the St. Maurice will increase the power producing capacity of our existing plants by some 27,000 horsepower.

Canada is today undergoing the most rapid industrial expansion it has ever known and in Quebec this growth over the past few years

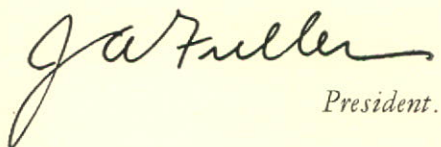
has been even more rapid than in the country as a whole. As the supplier of power to a large part of the industrialized area of the province, Shawinigan has had to expand at an unprecedented rate.

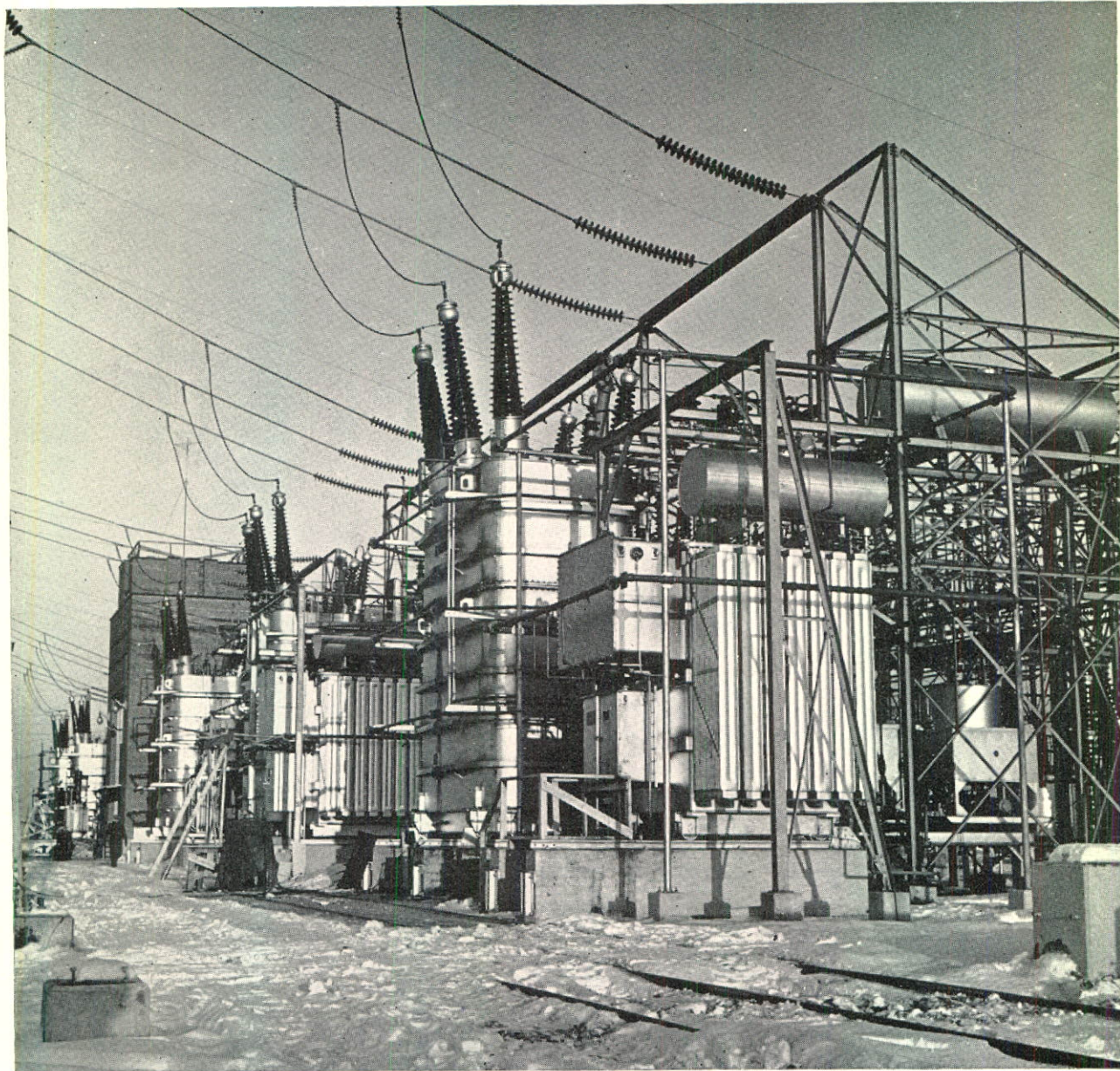
Since 1939, our system generating capacity has been increased from 886,400 horsepower to 1,562,700 horsepower. Even so, additional supplies of power must soon be provided for the further industrial and general development which can be foreseen over the next few years.

Money to build new power facilities can come from only two sources—from investors and from the Company's own earnings. In the past, we have obtained about three-quarters of our capital needs from investors and one-quarter from the Company's own resources. Today adequate earnings are essential not only for reinvestment in the business but also to enable new money to be raised from investors. To attain this objective, the price charged for electric service must be brought more in line with today's costs of other goods and services. Furthermore, in the taxation of utilities, consideration must be given to the controlled nature of the industry and its inherent need of large amounts of new capital.

Despite problems created by inflation and increased taxation, the past year has been one of substantial progress and accomplishment for our Company. Our business has been expanded and diversified, our plant has been enlarged, made more efficient, and been well maintained; operating expenses have been carefully controlled so that in spite of rising costs they have risen proportionately less than revenues. We have a loyal and hard-working staff who have contributed in large measure to this satisfactory result. We have provided an essential service to an increasingly large part of the Province of Quebec.

We believe that Shawinigan has continued to play its part as a good citizen. Like other citizens it has problems, but remains confident that they will be solved.


President.



Three huge new transformers recently installed at the Terminal Station at Trois Rivières. These are a part of the equipment needed to distribute the additional power generated at the new Trenché development.

The Shawinigan Water and Power Company

54th Annual Report

OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 1951

OPERATIONS

Record Kilowatt-hour Output As a result of the completion early in the year of the full initial capacity of the new Trenché development, and increased purchases of power from other suppliers, we were able to supply all the power needs of existing and new customers. Total kilowatt-hours sold amounted to 7,538,421,000, as against 6,566,539,000 kilowatt-hours in the previous year. Our own generating plants produced 76 per cent of the total, which compares with 71.4 per cent in 1950. It is interesting to note that on the basis of total kilowatt-hours sold in 1950, Shawinigan was the largest investor-owned electric utility in Canada and the eighth largest in North America.

Level of Industrial Activity High—Record Peak Load Throughout the territory we serve, industrial activity was at an even higher level than in the previous year—pulp and paper, chemical, metallurgical, and many other industries having operated throughout the year at or near full capacity. Many new industries were established in our territory. There was also an expansion of 12.9 per cent in the amount of electricity consumed by residential, farm, commercial and municipal customers, resulting both from

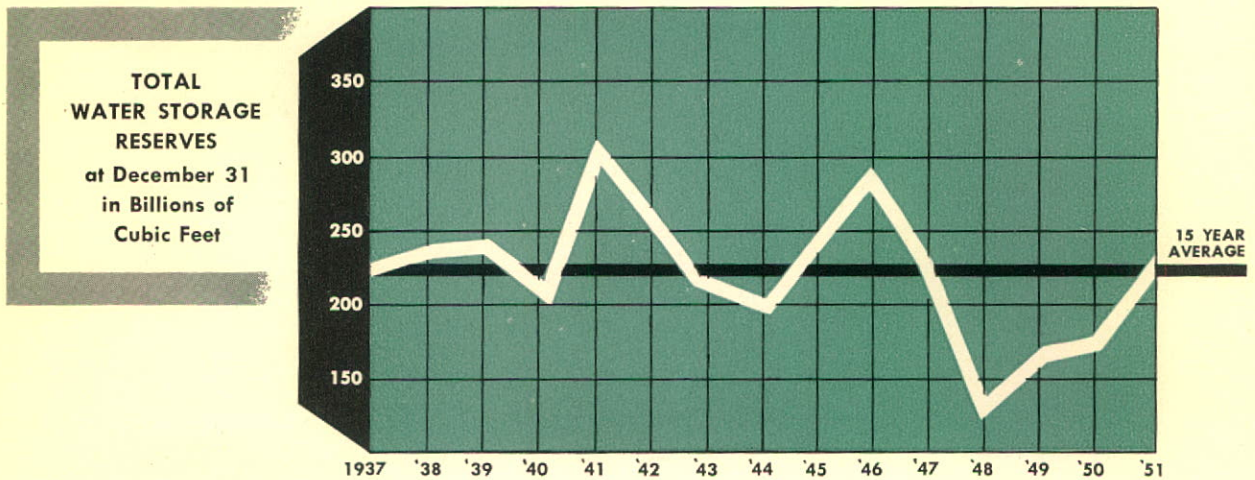
increased use by existing consumers, and from the addition of new customers. As a consequence of this high level of business activity, the firm power peak load on the Company's system reached a record 1,680,563 horsepower, as compared to 1,537,936 horsepower in 1950. New commitments for the sale of firm power totalled 77,500 horsepower, including new and existing customers; contracts which expired during the year were renewed at increased prices.

Water Storage Reserves Water storage reserves were higher at the end of 1951 than was anticipated earlier in the year and exceeded reserves at the end of 1950 by 34.5%. Higher than average rainfall during the autumn more than compensated for low precipitation in earlier months, and for the increased withdrawals from storage necessitated by steadily rising power demands.

Secondary Power In order to conserve water for prime power needs, the sale of secondary power for the operation of electric steam boilers was restricted to periods when excess river flow enabled us to furnish such power without drawing on water storage reserves. Boiler power supplied during the year totalled 305,323,000 kilowatt-hours, compared to 323,091,000 kilowatt-hours in 1950.

Maintenance The additional generating capacity made available by completion of the Trenché development enabled us to carry out a carefully scheduled programme of major maintenance work on generating units in our other plants. In recent years this had been deferred, except in the most

WATER STORAGE RESERVES



urgent cases, due to the necessity of keeping in service all available generating capacity to supply increasing demands for power.

Our Distribution Business Addition of 10,193 new customers to the Company's distribution system during the year brought the total number served at the end of 1951 to 186,217, in 590 municipalities. The number of customers served has doubled in the past ten years. In the field of rural electrification, we completed and placed in operation 384 miles of new lines. Once again the average annual consumption of residential customers increased, and amounted to 1,558 kilowatt-hours per customer, compared to 1,453 kilowatt-hours in 1950. Growth of our business necessitated the opening of a new district headquarters at St. Agapit, Lotbiniere County, and the construction of a new and larger divisional office and service building at Victoriaville, headquarters for all operations south of the St. Lawrence River except in the Valleyfield-Beauharnois area.



These logs are about to pass through the Company's dam at Rapide Blanc. The boat and men are needed to help them on their way down the St. Maurice River.

Contract for Additional Purchased Power

As one step in providing for the anticipated increase in demand on our system over the next few years, we have purchased an additional 50,000 horsepower from Saguenay Power Company, Ltd., a subsidiary of the Aluminum Company of Canada. The contract is for a period of twenty-five years, and delivery will start in January 1954. To carry this increased amount of power and to improve the inter-

change facilities between the two systems, the voltage on our lines from Isle Maligne to Quebec is being increased from 165,000 volts to 220,000 volts.

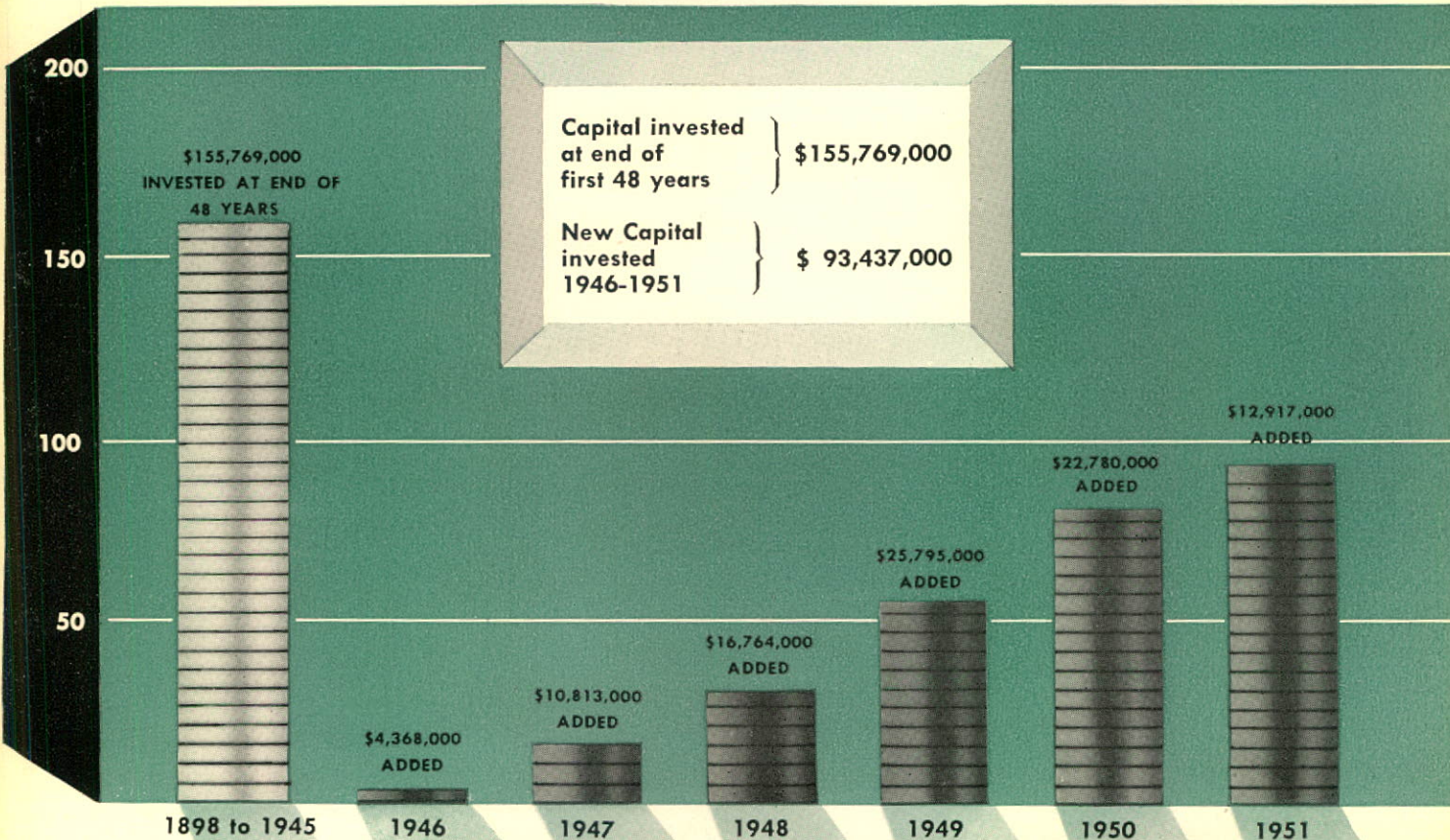
Co-operation in Log Driving Operations Brief reference should be made to a phase of our operations which, though perhaps not widely known, is nevertheless of great importance to industry in the Province of Quebec. During the log driving season, an average of some 37 million logs are floated down the St. Maurice River and passed through specially designed log chutes in the Company's power dams. For many years we have maintained close co-operation with the pulp and paper companies, other timber interests, and their log-driving agencies, so that these millions of logs may be successfully brought down the St. Maurice without delay and with the least possible loss of water for power production purposes.

CONSTRUCTION

Our total expenditures on capital account during the year amounted to \$12,917,000. This sum includes \$5,540,118 spent to complete the Trenché development and attendant transmission and terminal facilities. Expenditures on urban and rural distribution systems totalled \$4,550,930. The balance of \$2,825,952 was spent on raising the voltage of the Quebec-Isle Maligne lines, and on extensions and improvements to our system in general.

It is significant to note, as shown on the accompanying chart, that capital expenditures during the period 1946 to 1951, inclusive, have increased the investment in our power system by \$93,437,000 or 60 per cent. In other words, capital expenditures in the last six years have been more than half the total value of fixed assets at the end of the first forty-eight years of the Company's existence. In this six-year period, we have increased our system generating capacity by 457,000 horsepower, and have added 5,333 miles of transmission and distribution lines and more than 72,000 customers.

MILLIONS OF DOLLARS
NEW CAPITAL INVESTED IN POWER OPERATIONS—1946-1951



SALES DEVELOPMENT

It is sometimes asked "Why should a utility have to spend time and money selling its services? Does it not have ready-made customers anxious to use electricity, and is not the only problem to find enough power to supply them?" The answer is simple. First, the nature of our business compels us to invest a large sum, more than \$7.00, in power generation and distribution facilities, to obtain \$1.00 of annual revenue. Therefore, unless these facilities are kept busy as many hours a day and as many days a year as possible, interest charges and other expenses will make this investment uneconomic. While it is sometimes difficult to keep up with the growth in peak loads, we can, by encouraging wider use of electricity by more people, fill some of the valleys between these peaks and thus, by making fuller use of our power system, earn more revenue. Furthermore, it is of advantage to consumers, whether industries, commercial establishments, farmers or householders, to make the greatest practicable use of electric service and of the investment which they themselves have made in wiring and electrical equipment.

A carpet manufacturing plant recently established in our territory through the efforts of the Industrial Development Department.



The excellent lighting in this clothing factory was designed by our lighting advisers.



Our Industrial Development and Research Departments have actively continued their respective work interesting industrialists in the advantages of our territory and our services, and developing new industrial processes to further the use of electric power. Largely as a result of these efforts, 53 new industrial plants were established during 1951 in our territory. Our industrial, commercial and farm customers were continually advised by our staff specialists, in close co-operation with electrical dealers, as to new and better applications of electricity to their manufacturing processes, business activities, or farm operations.

During the year we carried on continuous advertising through newspapers, pamphlets, magazines, and other media, informing consumers about new and improved electrical appliances and equipment and of the benefits obtainable from electric service.

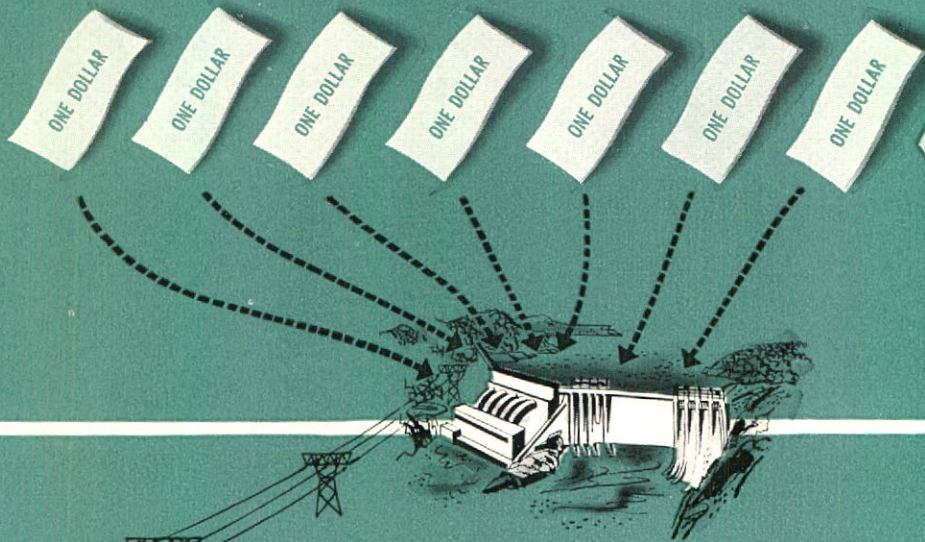
No business, electric utility or other, can long be successful with a "come and get it" attitude, and we have therefore continued active efforts to encourage profitable use of our electrical service by both existing and new customers.



This farmer is discussing a new electric milking installation with one of the Company's agronomists.

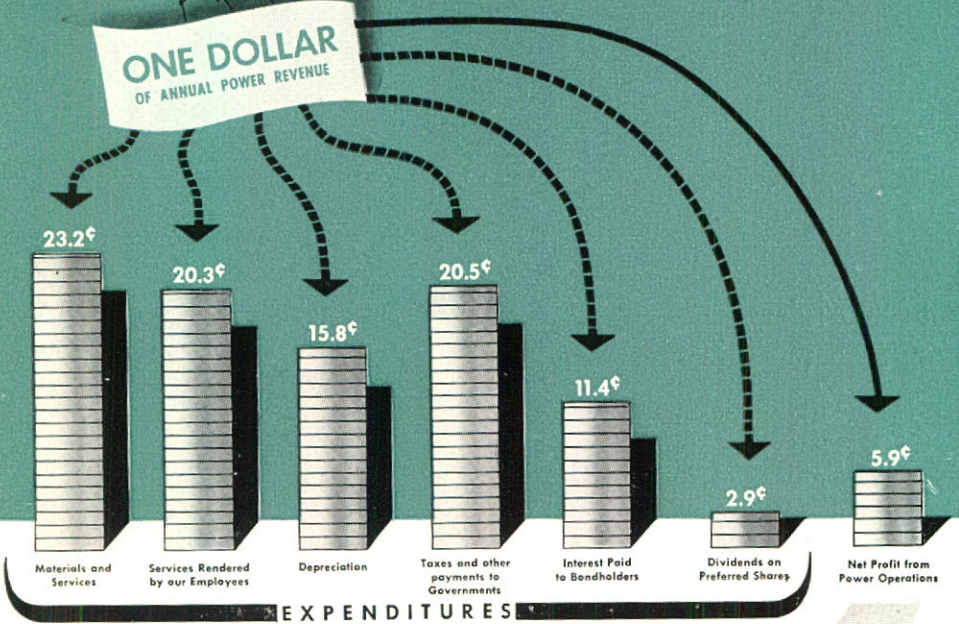
THE STORY OF ONE DOLLAR OF ANNUAL POWER REVENUE

THE CAPITAL REQUIRED TO MAKE IT

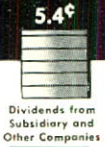


These are the 7 dollars which have had to be invested in power plants, and transmission and distribution systems, to deliver one dollar's worth of power annually to our customers.

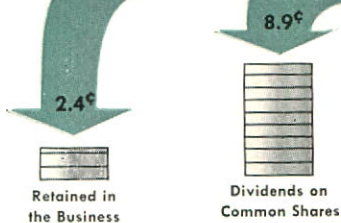
HOW WE SPENT IT



For each dollar we received as revenue from power operations, we had a net profit of 5.9c; we also received a further 5.4c from our investments in subsidiary and other companies.



Net Profit from All Sources available for Dividends on Common Shares— 11.3¢



FINANCIAL RESULTS

Revenue from power sales increased 18.4% and reached an all-time high. Sales to industrial consumers were 23.2% higher than in 1950, resulting from the high level of operations of pulp and paper companies, chemical manufacturing plants and other large power-using industries; deliveries of power to the Aluminum Company were at a considerably higher level and smelting operations were started at the Quebec Iron and Titanium Corporation's plant at Sorel. Sales to residential, farm, commercial and municipal customers increased 12.5% and represented 22% of the total revenue from power sales.

Dividends from subsidiary and other companies were about the same as in 1950. For the second year in succession, an extra dividend of \$2.00 per share, totalling \$562,550, was paid by our wholly-owned subsidiary, Shawinigan Chemicals Limited, bringing total dividends paid by that company during the year to \$5.00 per share, or \$1,406,375.

Operating expenses were 13.5% higher, due to higher wage levels, further advances in the prices of materials and supplies, higher taxes and increased water rentals. Due to the greater investment in plant and equipment utilized to serve our customers, the amount provided for Depreciation was increased from \$4,300,000 to \$5,600,000. The amount provided for Income and Profits Taxes was 53.3% higher than in 1950, due partly to higher rates and partly to higher taxable income.

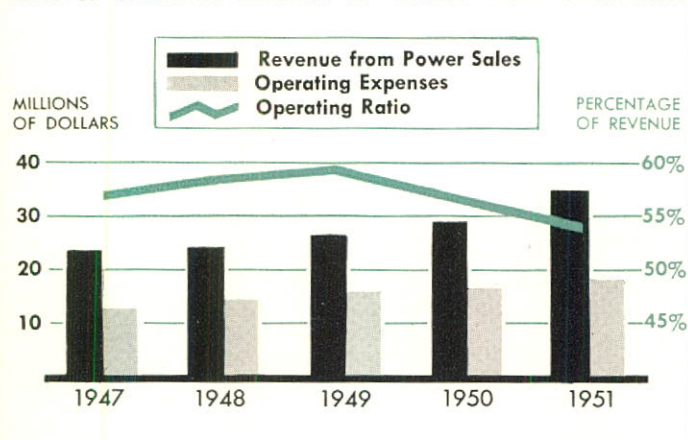
Payments to Governments include an annual payment to the Provincial Government, based on the number of kilowatt-hours generated, under "An Act to Insure the Progress of Education", which came into effect in 1946. These payments were disallowed as a deductible expense for Income Tax purposes, and in June 1951, an appeal by Quebec electric utility companies against this disallowance was granted by the Income Tax Appeal Board. The Minister of National Revenue, however, has appealed this decision, and pending the outcome of this appeal, we are continuing to provide for Federal Income Tax on the basis of such disallowance.

Revenues

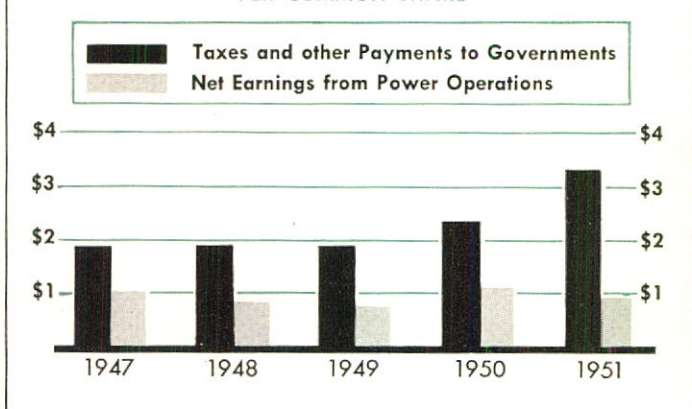
Following is a comparative analysis of revenues and expenditures for the years 1951 and 1950.

WE RECEIVED:	1951	1950	Increase
FROM OUR CUSTOMERS FOR POWER AND ELECTRICITY:			
INDUSTRIES—Pulp and Paper	\$ 9,395,189	\$ 8,725,622	7.7%
Electrochemical and Metallurgical	7,525,402	4,511,061	66.8%
Other Industries	4,470,325	4,124,654	8.4%
TOTAL FROM INDUSTRIES	21,390,916	17,361,337	23.2%
OTHER UTILITIES FOR RESALE	5,620,121	5,118,546	9.8%
SALES TO RESIDENTIAL, FARM, COMMERCIAL AND MUNICIPAL CUSTOMERS	7,640,157	6,790,483	12.5%
TOTAL REVENUES FROM POWER SALES	34,651,194	29,270,366	18.4%
FROM TEMPORARY INVESTMENTS, RENTALS AND OTHER SOURCES	896,951	1,513,450	40.7% <i>Decrease</i>
DIVIDENDS FROM SUBSIDIARY AND OTHER COMPANIES	1,920,876	1,955,946	1.8% <i>Decrease</i>
TOTAL REVENUES	<u>\$37,469,021</u>	<u>\$32,739,762</u>	14.4%

RATIO OF OPERATING EXPENSES TO REVENUE FROM POWER SALES



TAXES AND OTHER PAYMENTS TO GOVERNMENTS AND NET EARNINGS FROM POWER OPERATIONS PER COMMON SHARE



Expenditures

	1951	1950	Increase
FOR MATERIALS AND SERVICES BOUGHT FROM OTHERS	\$ 8,253,390	\$ 7,496,869	10.1 %
This includes an amount of \$5,173,029 for power purchased, and also expenditures for all materials and supplies needed for the operation and maintenance of our plants, transmission and distribution systems, buildings and other equipment.			
FOR SERVICES RENDERED BY OUR EMPLOYEES	7,229,687	6,402,339	12.9 %
The increase was due primarily to higher wage levels, and in part to the slightly greater number of employees. The amount includes vacations with pay, and the Company's contributions to pensions, group life insurance and other employee benefits.			
FOR PAYMENTS TO GOVERNMENTS	7,272,872	5,215,984	39.4 %
Income tax payable to the Federal Government totalled \$3,590,000, an increase of 59.6%. Payments to Provincial and Municipal Governments totalled \$3,682,872, an increase of 24.1%. These included profits tax, property and school taxes, water rentals, royalties on output and other levies.			
FOR THE COST OF PROVIDING FOR REPLACEMENT OF PLANT AND EQUIPMENT (DEPRECIATION)	5,600,000	4,300,000	30.2 %
The increased amount provided for this purpose was necessitated by our increased investment in plant and equipment.			
PAID FOR THE USE OF MONEY INVESTED IN THE BUSINESS	8,250,958	8,162,231	1.1 %
Owing to payment of a full year's interest on \$15,000,000 Series "Q" Bonds, issued in April 1950, bond interest totalled \$4,067,496 as compared with \$4,016,269 in 1950. Preferred dividends totalled \$1,025,000 as against \$987,500, due to payment of a full year's dividend on the \$5,000,000 4½% Series "B" Preferred Shares issued in March 1950. The balance available to the common shareholders totalled \$4,020,576 or \$1.84 per share, as compared with \$4,320,801 or \$1.98 per share in 1950. Regular quarterly dividends totalling \$1.20 per share, or \$2,613,900, were paid during the year and, in addition, a special dividend of 25c per share totalling \$544,562 was paid from the extra dividend received from Shawinigan Chemicals Limited.			
TOTAL EXPENDITURES	36,606,907	31,577,423	15.9 %
RETAINED IN THE BUSINESS FOR FUTURE NEEDS	862,114	1,162,339	
	<u>\$37,469,021</u>	<u>\$32,739,762</u>	

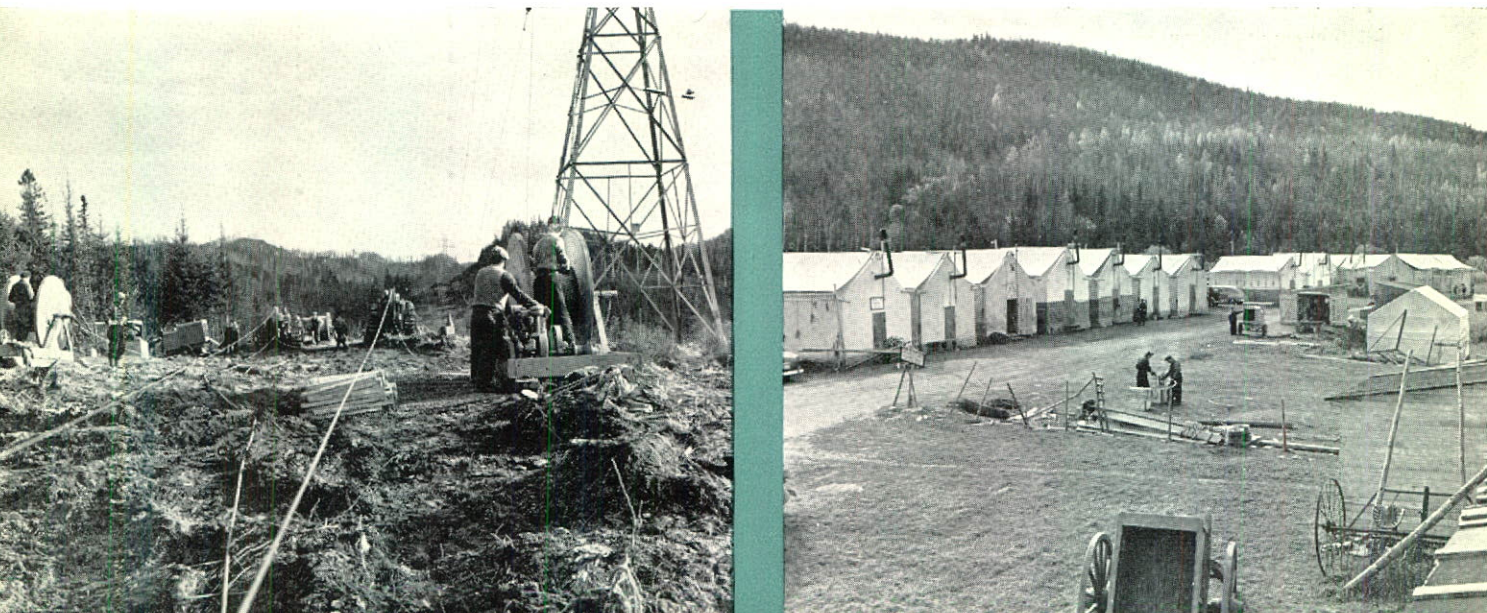
FINANCIAL POSITION

There are several notable changes in the Company's financial position as compared with the previous year. The Balance Sheet as at December 31, 1951, with comparative figures for 1950, will be found on pages 36 and 37.

Fixed Assets increased by \$11,915,329, as a result of capital expenditures made during the year. Net Current Assets declined \$5,761,397, due to the excess of capital expenditures over funds which became available from the year's operations. No financing operations were carried out during the year; total Funded Debt outstanding was reduced by \$1,304,000 through the operation of the Sinking Fund.

The Contingent Reserve has been increased by \$484,874, representing capital profits realized from various sales of land and buildings over the past few years; the Depreciation and Renewal Reserve has been increased by \$4,504,990.

Two views of work in progress to raise the voltage of our Isle Maligne-Quebec transmission lines from 165,000 to 220,000 volts. Left: reeling out the new conductors; right: one of the construction camps deep in the bush.



SOURCES AND ALLOCATION OF FUNDS

The following statement indicates the monies which became available to the Company during the years 1951 and 1950 and how these funds were utilized:

	1951	1950
WORKING CAPITAL, JANUARY 1.....	\$20,550,190	\$14,551,666
SOURCES OF FUNDS:		
Net Profit for the year.....	\$5,045,576	5,308,301
Depreciation and Amortization.....	5,669,075	4,369,075
Proceeds from sale of 3% Series "Q" Bonds.....	—	16,866,300
Proceeds from sale of 4½% Preferred Shares.....	—	5,062,500
Refunded portion of Excess Profits Tax.....	294,823	127,271
Reduction in Stores and Moveable Plant.....	—	321,726
Disposal of Fixed Assets.....	405,223	827,477
Advances received re construction of transmission lines.....	1,282,000	1,332,000
Miscellaneous items.....	244,361	153,278
	12,941,058	34,367,928
TOTAL FUNDS.....	33,491,248	48,919,594
ALLOCATION OF FUNDS:		
Capital expenditures for the year.....	12,917,000	22,780,415
Additions to Stores and Moveable Plant.....	297,993	—
Financing expenses.....	—	190,527
Bonds redeemed under sinking fund provisions.....	1,304,000	1,252,500
Dividends—Preferred Shares.....	1,025,000	987,500
Common Shares.....	3,158,462	3,158,462
	18,702,455	28,369,404
WORKING CAPITAL, DECEMBER 31.....	\$14,788,793	\$20,550,190

Shawinigan Chemicals Limited

Highlights

- Total sales 39% higher. Canadian sales up 25%; U.S. sales up 75.9%; overseas sales up 45%.
 - Net profit from manufacturing operations increased 65.9%.
 - Total net income increased 26.1%.
 - Total dividends paid \$5.00 per share, the same as last year.
 - Capital expenditures for the year, \$1,684,000.
 - Net Current Assets up 10.5%.
 - New quarry opened at Bedford, Quebec.
 - B.A.-Shawinigan Limited formed in partnership with The British American Oil Company Limited.
 - St. Maurice Chemicals Limited reorganized in partnership with Heyden Chemical Corporation.
 - Capital expenditures of Canadian Resins for the year, \$681,000.
 - Canadian Resins to undertake large expansion programme starting early in 1952.
-

SHAWINIGAN CHEMICALS LIMITED

OPERATIONS

All the Company's manufacturing plants at Shawinigan Falls were operated throughout the year at or near full capacity and the volume of goods produced was considerably higher than in 1950. The principal increase was in the production of vinyl acetate, resulting from the addition to this plant, which came into partial operation about the middle of the year and will be completed in 1952. An expansion of the acetylene black plant was completed early in 1951.

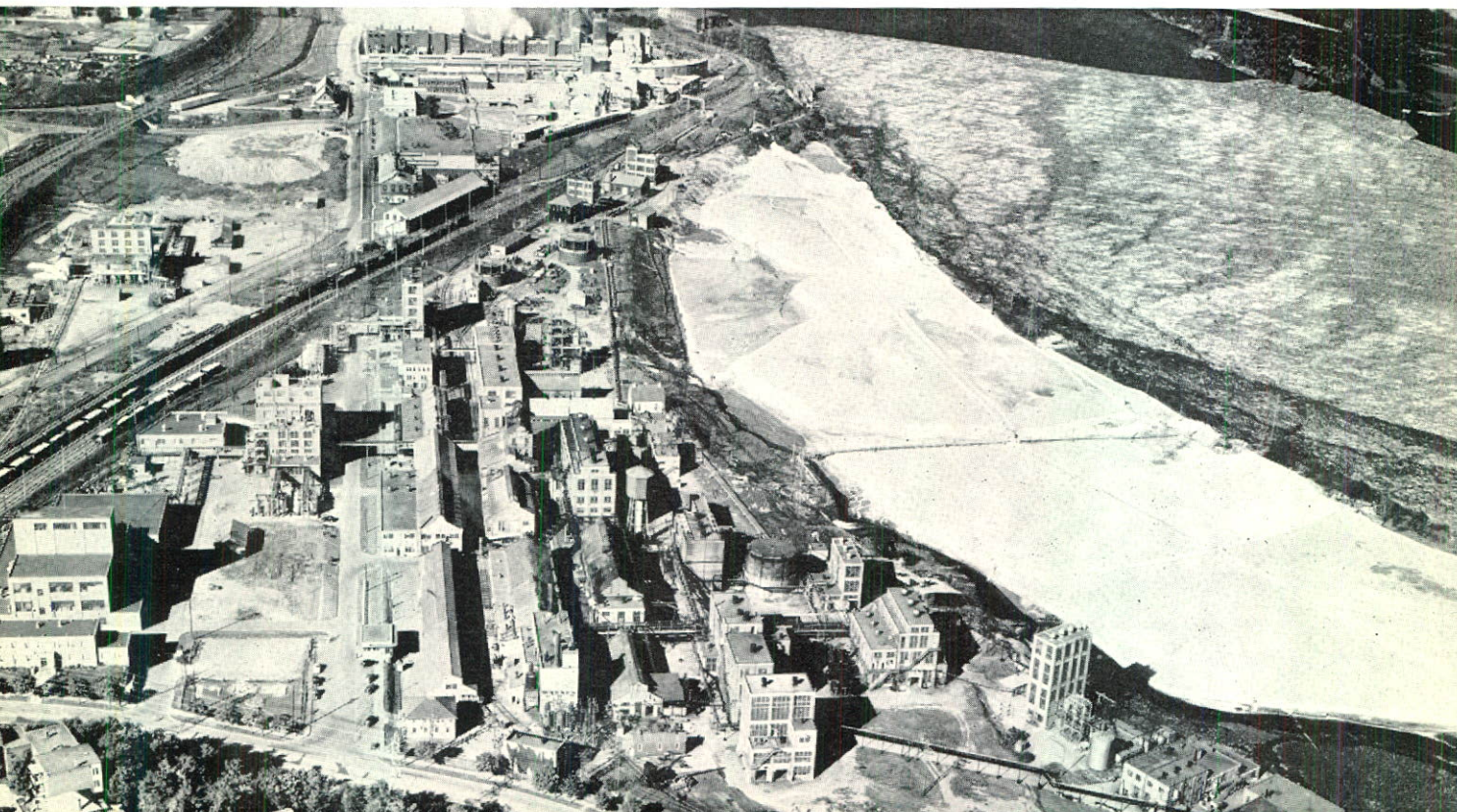
There were a number of other new developments in the Chemicals Company's business. A new limestone deposit of suitable quality was acquired close to the present quarry at Bedford, Quebec. Sufficient stone is available at this new site to supply the requirements for carbide manufacturing operations over the next 15 to 20 years.

Because of inadequate space, the Chemicals Company decided to acquire additional land for new manufacturing facilities. A tract of some 540 acres was purchased in 1950 at Varennes, Quebec, on the south shore of the St. Lawrence River, some 15 miles downstream from Montreal. In addition to excellent rail and highway facilities, the property has a water frontage of 7,200 feet on the main ship channel. Consequently, it is expected that advantage can be taken of low-cost water transportation of both raw

materials and finished products. To accelerate the development of the property, it was decided to make land available to a certain number of other industries for the location of manufacturing plants, and in 1951, a site was sold to the Electric Reduction Company Limited of Buckingham, Quebec, which is now establishing a plant there for the production of elemental phosphorus. It is expected that an integrated chemical manufacturing development will be established on this site which will result in further expansion of Quebec's growing chemical industry.

During the year, in partnership with The British American Oil Company Limited, a new petro-chemical company called B.A.-Shawinigan Limited was formed, in which the Chemicals Company has a 50 per cent

Aerial view of the plants of Shawinigan Chemicals Limited and Canadian Resins and Chemicals Limited at Shawinigan Falls.



shareholding. Preliminary work on the construction of a plant for production of acetone and phenol was begun at the end of the year on a site adjoining The British American Oil Company's refinery in Montreal East, from which the primary raw material — refinery gases — will be obtained.

Another new enterprise, St. Maurice Chemicals Limited, was started during the year, owned equally by Heyden Chemical Corporation of New York and Shawinigan Chemicals Limited, to manufacture formaldehyde and pentaerythritol in Canada. It is proposed to locate this plant on part of the Varennes property and construction is expected to start in the spring of 1952.

In order to supply the ever-expanding markets for the products of Canadian Resins and Chemicals Limited, it was decided to add a third calender line to that company's compounding plant at Shawinigan Falls. This will considerably increase its capacity to produce film, sheeting, and moulding compounds. Construction has already been started and it is expected that the new equipment will be in operation during the latter part of 1952. The Resins Company will also start construction of an additional resin manufacturing plant at Shawinigan Falls in the spring of 1952, at an estimated cost of \$2,500,000. This plant will produce special types of vinyl chloride resins which are not at present manufactured in Canada, and for which there are demands for both military and civilian needs. The erection of this plant will make Canada independent of foreign sources for these resins.

FINANCIAL RESULTS

A statement of the sales and earnings of the Chemicals Company for 1951 as compared with 1950 is shown below:

	1951	1950
INCOME FROM SALE OF PRODUCTS	\$23,352,262	\$16,797,577
The cost of making and selling these products was....	19,394,584	14,672,643
<i>Note: Included in this cost is an amount of \$1,166,195 (\$1,000,000 in 1950) to provide for replacement of plant and equipment (Depreciation).</i>		
	<u>3,957,678</u>	<u>2,124,934</u>
Special appropriation towards increased cost of replacements and other contingencies.....	400,000	350,000
This left earnings on manufacturing operations before Income and Profits Taxes of.....	3,557,678	1,774,934
Estimated proportion of such taxes payable on manufacturing operations.....	2,058,525	871,142
THIS LEFT A PROFIT ON MANUFACTURING OPERATIONS OF.....	<u>1,499,153</u>	<u>903,792</u>
Income from investments in subsidiary companies, from royalties on patents and from other sources	\$1,760,997	1,541,860
Estimated proportion of Income and Profits Taxes payable on this income..	<u>401,475</u>	<u>178,858</u>
	1,359,522	1,363,002
NET INCOME FROM ALL SOURCES THEREFORE WAS.....	<u>2,858,675</u>	<u>2,266,794</u>
Dividends paid to the parent company for use of money invested in the business.....	1,406,375	1,406,375
BALANCE RETAINED IN THE BUSINESS FOR FUTURE NEEDS.....	<u>\$1,452,300</u>	<u>\$860,419</u>

Sales and Earnings from Manufacturing Operations

Total sales were 39% higher than in 1950 which was itself a record year for the company. Canadian sales were 25% higher; U.S. sales 75.9% higher; and sales in overseas markets 45% higher. In Canada the increase was due to the continued growth of the Canadian market for chemicals generally; in the United States the increase was mainly due to increased sales of vinyl acetate, acetic acid and calcium carbide; in overseas markets, while sales were higher than in 1950, they were still restricted by the shortage of dollars in some consuming countries.

The statement above shows the profit earned from manufacturing

operations. Included in manufacturing costs is an amount of \$1,166,195, which was set aside as a reserve for replacement of plant and equipment, this being the maximum amount allowable under the Income Tax Act, 1949. In view of present greatly increased costs of replacement of plant and equipment, and to provide for other contingencies, an additional amount of \$400,000 was appropriated to Contingent Reserve. Provision for Income and Profits Taxes was 136.3% higher than in 1950, due to the increase in tax rates and higher taxable income. After deducting all expenses, net profit for the year from manufacturing operations totalled \$1,499,153 as compared to \$903,792 in 1950.



The first blast at the new quarry is set off with spectacular effect.

Income From Other Sources

Dividends from Subsidiary and Associated Companies

Shawinigan Limited, London, England—Sales of this wholly-owned subsidiary company were at a higher level than in 1950. Its net profit (subject to audit) for 1951 was £25,036, as against £17,697 in the previous year. Dividends received by the Chemicals Company during 1951 from this company amounted to \$80,650 after conversion at rates of exchange prevailing at the time payments were received.

Shawinigan Products Corporation, New York City, U.S.A.—Sales and operating profits before taxes of this wholly-owned subsidiary were at a higher level than in 1950. Owing, however, to a reduction in dividends received from its associated companies and to higher rates of taxation, net earnings from all sources were lower, and amounted to \$539,700 (subject to audit), as compared with \$885,166 in 1950. Sales of Shawinigan Resins Corporation, which is jointly owned by Shawinigan Products Corporation

and Monsanto Chemical Company, were likewise higher than in the previous year, but again, due to the higher level of taxation, net earnings of this company were lower. Shawinigan Resins Corporation is engaged in an extensive programme of capital expenditure and with this in view, a larger proportion of net earnings was retained in the business. Dividends received by Shawinigan Products Corporation from Shawinigan Resins Corporation in 1951 totalled \$214,500, as compared with \$572,000 in 1950.

Cash dividends paid by Shawinigan Products Corporation during the year totalled \$344,000 U.S. Funds as against \$514,000 U.S. Funds in the previous year.

Canadian Resins and Chemicals Limited—This company, jointly owned with Union Carbide and Carbon Corporation, New York City, has plants at Shawinigan Falls adjoining those of the Chemicals Company. It is engaged in the manufacture of "Vycanac" synthetic resins and "Vinylite" plastics, as well as dioctyl phthalate plasticizer. Sales and earnings were at a higher level than in 1950. Dividends received by the Chemicals Company from this source totalled \$493,920, the same amount as in 1950. As previously mentioned, Canadian Resins and Chemicals Limited is undertaking expansion of existing plants and construction of additional plants to manufacture new types of resins, total expenditures for which are estimated at some \$3,500,000 over the years 1952 and 1953.

Income from Royalties

Income in 1951 from royalties on patents owned by the Chemicals Company totalled \$761,720 as compared with \$452,337 in 1950. The two amounts, however, are not comparable because in 1951, in addition to receiving the full amount of royalties earned in the previous year, as was the case in 1950, the company also received the greater part of royalties earned in 1951.

Net Earnings

After deducting \$401,475 for estimated Income and Profits Taxes payable on income from sources other than manufacturing operations, there remained net income from these sources of \$1,359,522, as compared with \$1,363,002 in 1950. After adding net profit of \$1,499,153 derived from manu-

facturing operations, total net income of the Chemicals Company for the year amounted to \$2,858,675, as compared with \$2,266,794 in 1950.

Dividends

From these earnings the Chemicals Company paid regular dividends of \$3.00 per share for the year, and an extra dividend of \$2.00 per share during the last quarter, or a total of \$1,406,375, the same amount as in 1950. After payment of these dividends, the remaining sum of \$1,452,300 was retained in the business for current and contemplated capital expenditures and other purposes, including participation with other companies in new manufacturing enterprises.

CAPITAL EXPENDITURES

Expenditures for the year on capital account totalled \$1,684,000. This was spent for the addition to the vinyl acetate plant, construction of an additional plant for the generation of acetylene gas by the "dry" method, extensions to the acetylene black plant, and other additions and improvements to plant and equipment.

Capital expenditures of Canadian Resins and Chemicals Limited during the year amounted to \$681,000, as against \$94,000 in the previous year.

FINANCIAL POSITION

A summary of the Chemicals Company's financial position as at December 31, 1951, with comparative figures for 1950 is given below.

Financial Position as at December 31, 1951 and 1950

OWNED		OWED			
	1951	1950			
Cash, call loan, and marketable securities	\$ 5,663,805	\$ 5,327,200	For materials, services and taxes	\$ 2,682,411	\$ 1,456,718
Raw materials, supplies and finished goods	3,779,609	2,278,130	Purchase of Government plant	—	148,159
Due from customers	2,416,630	1,869,628	Purchase of patent	60,000	90,000
Investments in subsidiary and associated companies	2,595,855	2,455,695	Reserve to provide for replacement of plant and equipment (<i>Depreciation</i>)	12,438,229	11,502,530
Other assets	664,606	937,481	Contingent and insurance reserves	1,527,361	1,267,361
Property, plant and equipment	18,943,037	17,547,285	TOTAL OWED	16,708,001	14,464,768
TOTAL OWNED	<u>\$34,063,542</u>	<u>\$30,415,419</u>	Net Worth (<i>Total owned less total owed</i>)	17,355,541	15,950,651
				<u>\$34,063,542</u>	<u>\$30,415,419</u>

It will be noted that there were increases in Investments in subsidiary and associated companies and in Property, Plant and Equipment. These changes reflect the new developments in the Company's business and capital expenditures made during the year for new plant and extensions. Net current assets were 10.5 per cent higher than at the end of 1950.

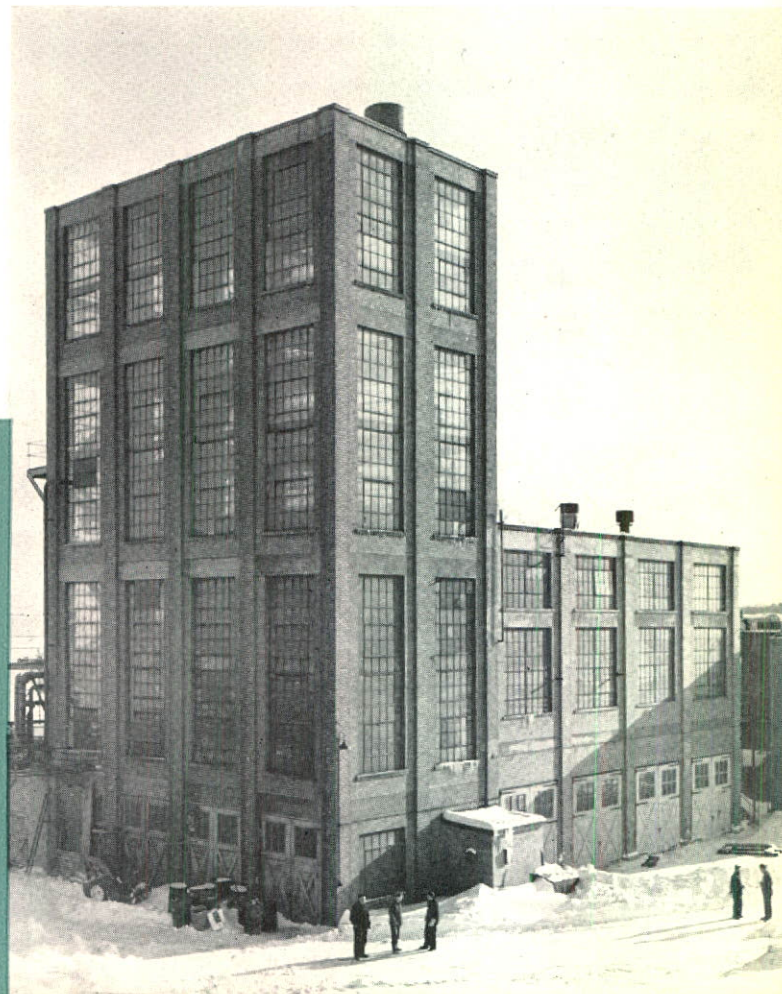
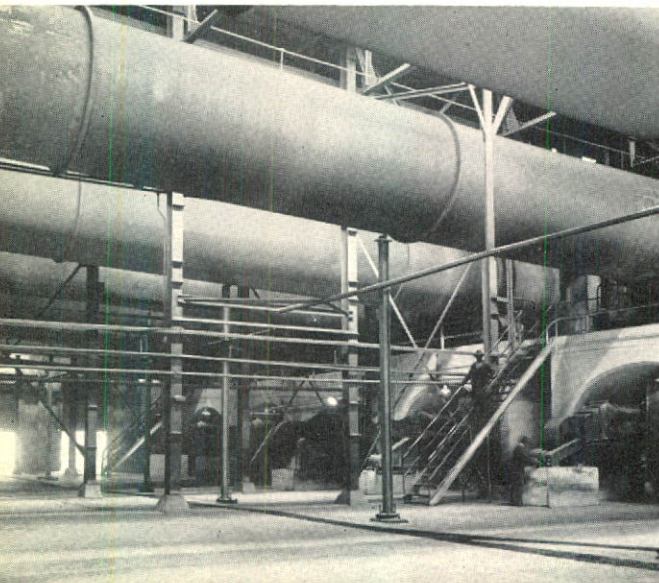
THE OUTLOOK

Through the partnerships entered into with other companies in 1951 the Chemicals Company will participate in the manufacture of a number of new products. It is also considering construction of new plants for the manufacture of other new products, and of additional facilities to increase the output of existing products. It must, however, be borne in mind that considerable time will elapse before these new ventures can be brought into production.

Indications are that markets for chemical and vinyl plastic products will continue to expand and we are confident that the Chemicals Company and its associated enterprises will maintain and improve the present important position which they hold in this rapidly growing industry.

The new vinyl acetate plant at Shawinigan Falls, Que.

Rotary lime kilns in the Carbide plant.



CHANGES OF DIRECTORS AND OFFICERS

The Shawinigan Water and Power Company

During the year, the Company suffered the loss by death of two senior members of the Board of Directors, Mr. Beaudry Leman and Mr. Paul F. Sise. Mr. Leman's connection with the Company dates from 1900 when he worked as an engineer on the construction of the first power house at Shawinigan Falls. He had been a member of the Board of Directors since 1922 and a member of the Executive Committee since 1939. Mr. Sise had been a member of the Board since 1938 and had served as a member of the Executive Committee since 1947. To fill these vacancies, Mr. Auguste Desilets, Q.C., of Grand'Mère and Mr. P. S. Gregory, a Vice-President of the Company were appointed Directors. Mr. J. A. Eccles and Mr. Arthur Surveyer were appointed members of the Executive Committee to replace Mr. Leman and Mr. Sise.

In July 1951, after having completed forty-four years of service with the Company, Mr. John Morse, Vice-President, Generation and Transmission, retired on pension. Joining the Engineering Department of the Company in 1907, he became Assistant Superintendent of the Operating Department in 1911 and was promoted to General Superintendent in 1916. For the remaining thirty-five years of his service with the Company, he was head of the Operating Department (now the Generation and Transmission Department) having been appointed Vice-President in Charge of Operation in 1941. Many of the important features in the design of the Company's high-voltage transmission system, as well as the efficient operation and co-ordination of the Company's generating plants, were due to his wise planning. Mr. W. R. Way, General Superintendent of the Generation and Transmission Department, was appointed Vice-President to succeed Mr. Morse.

THE FUTURE

We shall not attempt to predict the future of business generally in the present unsettled state of world affairs. Nevertheless, we see no reason to expect anything but a continuing increase in the demand for electric power. The rapid development of Quebec, and Canada, as well as the ever-increasing number of ways in which electricity is serving industry, commerce, the farm, and the home, would seem to assure not only continued growth but increasing stability of power demand.

Meeting this demand will continue to be the primary concern of our Company. Given reasonable rates for electric service and an equitable basis of taxation, we are confident of our ability to meet any and all demands efficiently and economically.

I again take this opportunity of expressing to all members of the Shawinigan family our appreciation of their efforts on behalf of the Company, which in large part have made it possible for us to report another year of substantial progress.

On behalf of the Board of Directors,

A handwritten signature in cursive script, appearing to read "J. A. Fuller". The signature is written in dark ink and is positioned above the printed name "President".

President.



The City of Shawinigan Falls—half a century ago a wilderness, today a thriving industrial centre and model city.

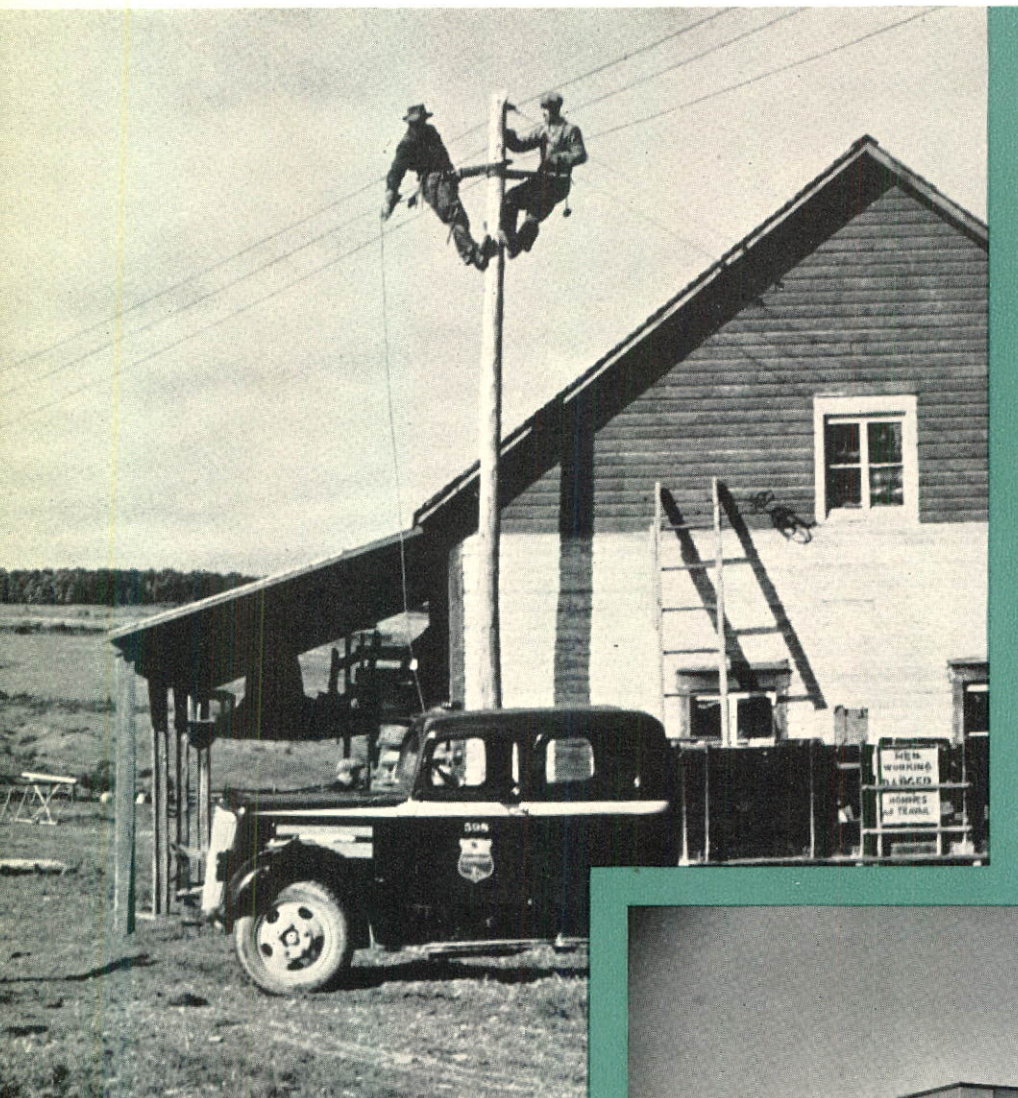
SHAWINIGAN AS A CITIZEN

Throughout the fifty-four years since the Shawinigan Company was incorporated and started the development of the falls at Shawinigan, it has endeavoured not only to provide reliable electrical service at low cost, but to play its part as a good citizen.

We believe that in the long run, no business enterprise can survive unless it has the approval and support of the public. The public's estimate of a business depends upon the kind of citizen it has proved itself to be; what it has contributed to the development of the

country, to the well-being of the community, and the welfare of its own people. To an electric utility company, whose whole business is rendering service directly to the public, these standards are even more important than to other industries.

In the following pages we have endeavoured to show some of the ways in which the Company has fulfilled its obligations as a citizen during the past year.



Built more than 384 miles of new rural distribution lines bringing the benefits of electrical service to many places not previously served, often in remote areas. Now serves a total of 186,217 customers, of whom 10,193 were added during 1951.

Assisted in bringing to the Province of Quebec last year, 53 new industrial plants which will give employment to approximately 1,300 Quebec workers.





Maintained a staff of agronomists and industrial specialists whose job is to keep customers informed of new applications of electricity and to advise them as to the best ways of putting electricity to work for them.

Actively assisted electrical dealers throughout the territory to sell more electrical appliances and equipment by means of advertising, individual and group demonstrations, preparation of sales promotion material, turning over to dealers lists of prospective buyers, promotion of adequate wiring standards in homes, etc.



Through its staff of home economists, by means of periodical demonstrations and lectures at various centres throughout the territory, kept housewives informed about the advantages of electric cooking, and other ways of utilizing electricity in the home.

Organized and provided instructors for classes in electricity for young people who are members of the Cercle des Jeunes Agriculteurs and other similar organizations. Also gave prizes in essay contests and helped to organize farm clubs, forums, and other educational activities in rural areas.





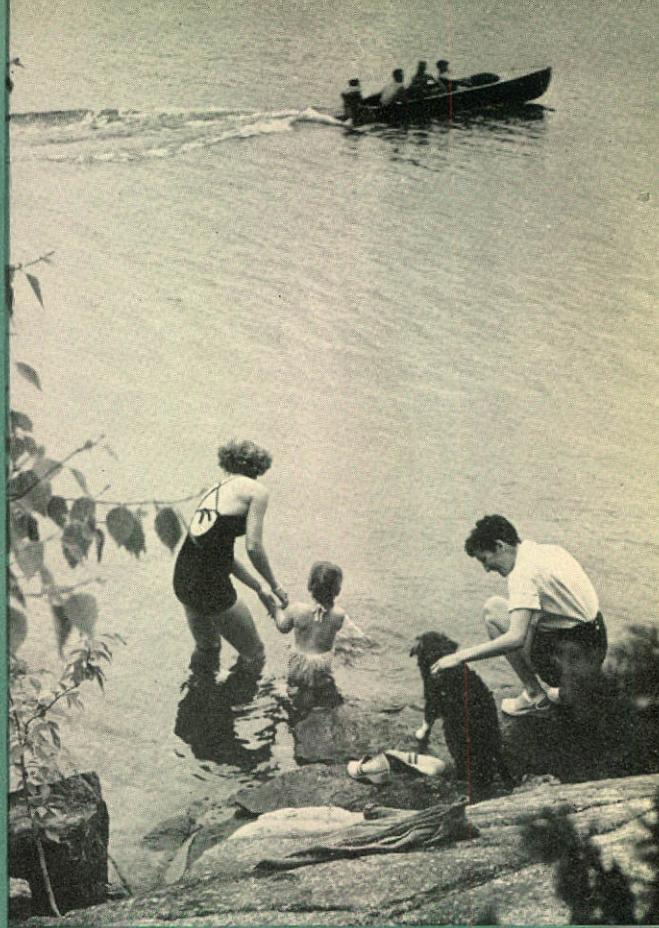
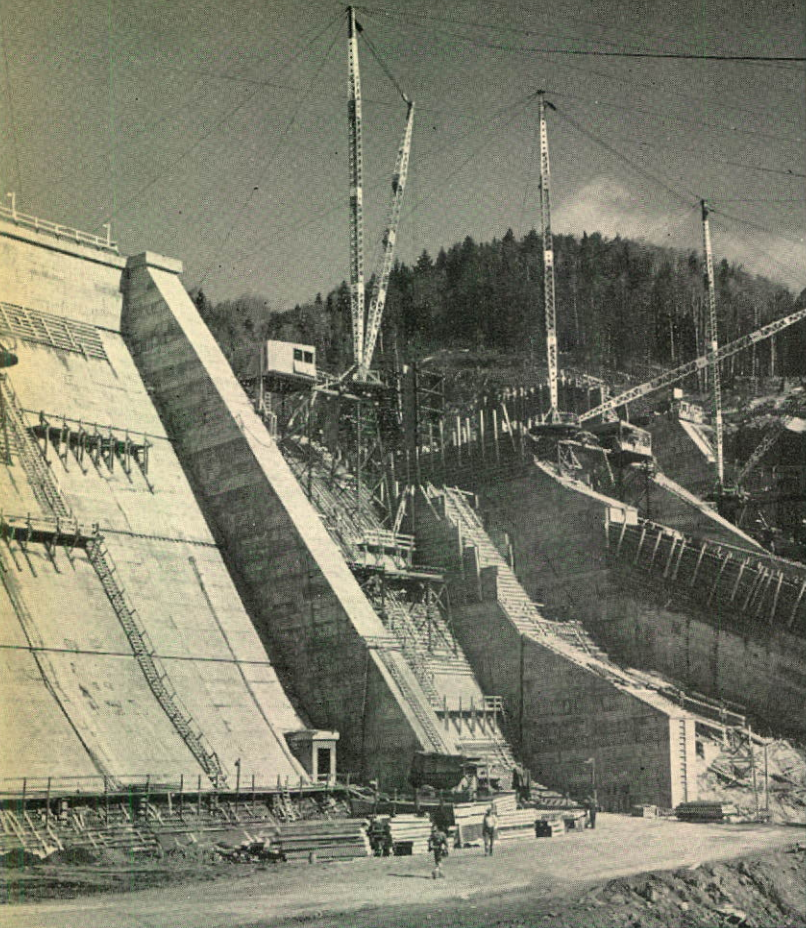
Paid in contributions to Retirement Income and Group Life Insurance Plans, an average of \$166 per employee.

Provided scholarships at various universities and technical schools in the Province of Quebec. A fund subscribed by employees and the Company jointly, in memory of one of our late presidents, provides financial assistance to sons of employees, selected on the basis of ability, who for economic reasons would otherwise be unable to further their education.



Encouraged participation by our employees in community affairs such as service on school and hospital boards, in welfare organizations, chambers of commerce, fund-raising activities, and other phases of community life.



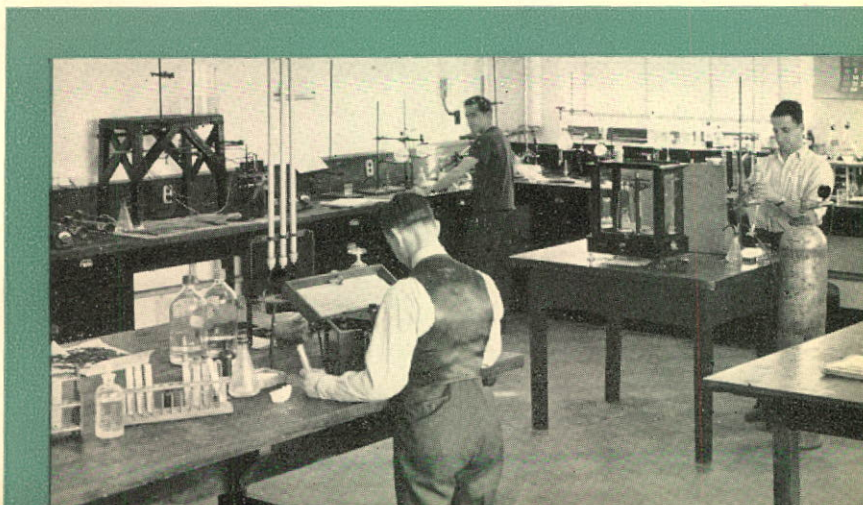


Spent more than \$20,000,000, the vast majority of it in the Province of Quebec, for materials and services used in the development and operation of the Company.

Paid for vacations, statutory and religious holidays, wages and salaries during absence through illness or accident, medical, nursing, and first-aid facilities, work in reducing accidents, and for other special benefits, an average of \$355 per employee.

The Company does its best to provide safe, healthy, and comfortable working conditions; to keep its widely scattered employees well informed about their Company's progress, policies, and problems; and to give them every opportunity of contributing in accordance with their abilities, to the welfare and progress of the Shawinigan family.

Operated a well-equipped research department studying and developing new industrial processes in which electricity plays a part. Some of the commercially successful developments now operating in the Company's territory are in large measure due to the work of this department in past years.



The Shawinigan Water

Comparative Balance Sheet as at

Fixed Assets:	ASSETS	1951	1950
Power Developments	\$80,756,386		\$78,117,219
Properties	27,753,828		27,577,379
Machinery	40,396,836		36,909,829
Transmission Lines and Distribution System	<u>95,011,067</u>		<u>89,398,361</u>
Total Fixed Assets (at cost of construction or acquisition)		\$243,918,117	232,002,788
<u>Mattawin River and Other Storage Dams (at cost)</u>	4,073,658		
Less: Amortization to Date	<u>1,156,423</u>	2,917,235	2,986,310
<u>Securities of Subsidiary and Other Companies (at cost, less net adjustments)</u>		14,943,671	15,150,090
<u>Deposit with Quebec Government</u>		125,000	250,000
<small>(\$125,000 Province of Quebec Bonds, deposited with the Quebec Government as provided in the emphyteutic lease dated June 22, 1928.)</small>			
<u>Refundable Portion of Dominion of Canada Excess Profits Tax</u>		—	294,035
<u>Stores and Moveable Plant (at cost)</u>		3,154,615	2,856,622
Current Assets:			
Cash in Banks and on Hand	2,450,218		2,532,159
Call Loans	—		4,420,000
Temporary Investments (at cost, less reserve)	13,483,748		15,728,617
<small>(Government Bonds and other investments, market value \$13,662,965.)</small>			
Accounts and Bills Receivable	4,782,308		3,686,218
Prepaid Charges	<u>1,171,633</u>		<u>817,274</u>
Total Current Assets		21,887,907	27,184,268
<u>Unamortized Bond Premium, Discount and Expense</u>		<u>3,267,556</u>	<u>3,497,326</u>
Total Assets		<u>\$290,214,101</u>	<u>\$284,221,439</u>

AUDITORS' REPORT

We have audited the books and accounts of The Shawinigan Water and Power Company for the year ended December 31, 1951. In connection therewith we examined or tested the accounting records and other supporting evidence and made a general review of the accounting methods of the Company.

Stores, Moveable Plant, Cash Funds and Customers' Accounts have been verified periodically by your Internal Audit Department which has furnished us with certificates to that effect.

We have received all the information and explanations we have required, and in our opinion, based on our examination, the above Balance Sheet and related Statements of Profit and Loss and Surplus set forth a true and correct view of the affairs of The Shawinigan Water and Power Company as at December 31, 1951, and the result of operations for the year ended on that date, according to the best of our information, the explanations given to us and as shown by the books and records of the Company.

(Signed) SHARP, MILNE & CO.,
Chartered Accountants.

Montreal, January 26, 1952.

December 31, 1951 and 1950

Capital Stock:	LIABILITIES		1951	1950
<u>Cumulative Redeemable Preferred:</u>				
Authorized—600,000 Shares of \$50 par value	\$30,000,000			
Issued—Series "A" 4%, 400,000 Shares of \$50 par value		\$20,000,000		\$20,000,000
Series "B" 4½%, 100,000 Shares of \$50 par value		5,000,000		5,000,000
<u>Common:</u>				
Authorized—2,600,000 Shares of no par value				
Issued —2,178,250 Shares of no par value		67,562,997		67,562,997
Total Capital Stock			\$ 92,562,997	92,562,997
<u>Funded Debt:</u>				
<u>First Mortgage and Collateral Trust Sinking Fund Bonds:</u>				
Series "H" 3½% maturing January 1, 1970	18,761,000			
Less: Redeemed under Sinking Fund Provisions	1,819,500	16,941,500		17,330,000
Series "J" 3½% maturing February 1, 1970	9,164,000			
Less: Redeemed under Sinking Fund Provisions	206,500	8,957,500		9,042,500
Series "L" 3% maturing March 1, 1961	12,828,000			
Less: Redeemed under Sinking Fund Provisions	472,000	12,356,000		12,356,000
Series "M" 3% maturing April 15, 1971		25,000,000		25,000,000
Series "N" 3% maturing May 15, 1971	10,000,000			
Less: Redeemed under Sinking Fund Provisions	2,043,500	7,956,500		8,235,000
Series "O" 3¼% maturing April 1, 1972	13,806,500			
Less: Redeemed under Sinking Fund Provisions	347,500	13,459,000		13,581,500
Series "P" 3½% maturing October 1, 1973	25,000,000			
Less: Redeemed under Sinking Fund Provisions	1,683,500	23,316,500		23,746,000
Series "Q" 3% maturing March 1, 1975		15,000,000		15,000,000
Total Funded Debt			122,987,000	124,291,000
<small>(Principal and Interest payable in Canadian Funds with the exception of Series "M" and "Q" payable in United States Funds.)</small>				
Deferred Liabilities			3,349,950	2,067,950
<small>(Advances received on account of cost of transmission lines, repayable in instalments in subsequent years.)</small>				
<u>Current Liabilities:</u>				
Accounts Payable (including Provision for Income and Profits Taxes)	4,982,336			4,492,907
Accrued Bond Interest, and Dividends Payable		2,116,778		2,141,171
Total Current Liabilities			7,099,114	6,634,078
<u>Reserves:</u>				
Contingent and Insurance Reserves	1,644,906			1,160,032
Depreciation and Renewal Reserve	52,794,497			48,289,507
Total Reserves			54,439,403	49,449,539
<u>Surplus:</u>				
Earned Surplus	9,775,637			8,921,840
Deferred Surplus		—		294,035
<small>(Refundable portion of Dominion of Canada Excess Profits Tax.)</small>				
Total Liabilities			<u>\$290,214,101</u>	<u>\$284,221,439</u>

Approved on behalf of the Directors, W. B. SCOTT }
 ARTHUR SURVEYER } *Directors.*

The Shawinigan Water and Power Company

COMPARATIVE STATEMENT OF PROFIT AND LOSS ACCOUNT

For the years ended December 31, 1951 and 1950

	1951	1950
Revenue from Power Sales.....	\$34,651,194	\$29,270,366
Other Revenue, including Income from Temporary Investments and Rentals.....	896,951	1,513,450
Dividends from Subsidiary and Other Companies.....	1,920,876	1,955,946
	<hr/>	<hr/>
Total Revenue.....	37,469,021	32,739,762
Deduct:		
Operating Expenses.....	3,477,421	3,227,140
Power Purchased.....	5,173,029	5,014,990
Maintenance and Repairs.....	2,783,343	2,103,526
Taxes, other than Income and Profits Taxes.....	2,204,265	1,875,765
General Expenses.....	4,049,284	3,553,552
Water Storage Rentals.....	977,607	672,219
	<hr/>	<hr/>
Total Operating Expenses.....	18,664,949	16,447,192
Net Profit before Bond Interest, Depreciation and Income and Profits Taxes.....	18,804,072	16,292,570
Deduct:		
Interest paid and accrued on Bonds (including U.S. Exchange \$54,225).....	4,067,496	4,016,269
	<hr/>	<hr/>
Net Profit before Depreciation and Income and Profits Taxes.....	14,736,576	12,276,301
Deduct:		
Provision for—Depreciation.....	5,600,000	4,300,000
Income and Profits Taxes.....	4,091,000	2,668,000
	<hr/>	<hr/>
Total Depreciation and Income and Profits Taxes.....	9,691,000	6,968,000
	<hr/>	<hr/>
Net Profit transferred to Earned Surplus Account.....	\$5,045,576	\$5,308,301

COMPARATIVE STATEMENT OF EARNED SURPLUS ACCOUNT

For the years ended December 31, 1951 and 1950

	1951	1950
Surplus carried forward from previous year.....	\$8,921,840	\$7,588,307
Refunded Portion of Excess Profits Tax.....	294,823	127,271
Preferred Stock Premium, less Expenses.....	—	49,257
Profit on Securities sold.....	—	297,804
Net Profit transferred from Profit and Loss Account.....	5,045,576	5,308,301
	<hr/>	<hr/>
	14,262,239	13,370,940
Deduct:		
Amortization of Bond Premium, Discount and Expense.....	230,770	230,768
One tenth of additional cost for past service, Employees' Retirement Income Plan (sixth annual payment).....	72,370	72,370
Dividends on Preferred Shares.....	1,025,000	987,500
Dividends on Common Shares.....	3,158,462	3,158,462
	<hr/>	<hr/>
	4,486,602	4,449,100
	<hr/>	<hr/>
Earned Surplus as per Balance Sheet.....	\$9,775,637	\$8,921,840

Audited and Verified,
per our Report attached,
(Signed) SHARP, MILNE & CO.,
Chartered Accountants.

Montreal, January 26, 1952.

The Shawinigan Water and Power Company

Comparative Statement of Profit and Loss Account

For the Years ended December 31, 1942-1951

	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951
Revenue from Power Sales.....	\$23,291,283	\$23,088,890	\$22,081,965	\$20,805,955	\$21,168,786	\$22,670,756	\$24,792,632	\$25,880,023	\$29,270,366	\$34,651,194
Other Revenue, including Income from Temporary Investments and Rentals.....	298,633	282,142	330,690	245,289	399,135	748,990	1,031,709	1,281,158	1,513,450	896,951
Dividends from Subsidiary and Other Companies.....	588,397	960,681	860,735	934,955	1,178,294	1,303,181	1,467,803	1,383,844	1,955,946	1,920,876
Total Revenue.....	24,178,313	24,331,713	23,273,390	21,986,199	22,746,215	24,722,927	27,292,144	28,545,025	32,739,762	37,469,021
Deduct:										
Operating Expenses.....	1,580,349	1,703,598	1,872,595	1,868,763	2,086,954	2,581,455	2,757,125	3,124,126	3,227,140	3,477,421
Power Purchased.....	4,252,495	4,284,068	4,353,609	3,465,720	3,593,803	3,556,985	4,446,236	4,511,777	5,014,990	5,173,029
Maintenance and Repairs.....	1,194,900	1,425,055	2,794,115	2,042,721	1,729,420	1,729,082	1,899,033	2,157,985	2,103,526	2,783,343
Taxes, other than Income and Profits Taxes.....	921,936	836,384	865,450	913,599	1,245,363	1,353,410	1,611,706	1,810,941	1,875,765	2,204,265
General Expenses.....	1,737,503	2,024,499	2,064,224	2,058,854	2,324,690	2,750,473	3,177,839	3,219,506	3,553,552	4,049,284
Water Storage Rentals.....	530,921	548,726	549,508	575,005	616,200	668,169	627,759	654,623	672,219	977,607
Total Operating Expenses.....	10,218,104	10,822,330	12,499,501	10,924,662	11,596,430	12,639,574	14,519,698	15,478,958	16,447,192	18,664,949
Net Profit before Bond Interest, Depreciation and Income and Profits Taxes.....	13,960,209	13,509,383	10,773,889	11,061,537	11,149,785	12,083,353	12,772,446	13,066,067	16,292,570	18,804,072
Deduct:										
Interest paid and accrued on Bonds (including U.S. Exchange).....	3,836,244	3,789,897	3,723,806	3,163,562	2,958,659	2,842,045	2,981,256	3,694,938	4,016,269	4,067,496
Net Profit before Depreciation and Income and Profits Taxes.....	10,123,965	9,719,486	7,050,083	7,897,975	8,191,126	9,241,308	9,791,190	9,371,129	12,276,301	14,736,576
Deduct:										
Provision for—										
Depreciation.....	2,900,000	3,000,000	3,000,000	3,000,000	3,150,000	3,250,000	3,500,000	3,600,000	4,300,000	5,600,000
Income and Profits Taxes.....	4,691,099†	4,552,101†	1,725,796†	2,592,000†	1,849,000	2,043,000	2,040,000	1,848,000	2,668,000	4,091,000
Total Depreciation and Income and Profits Taxes.....	7,591,099	7,552,101	4,725,796	5,592,000	4,999,000	5,293,000	5,540,000	5,448,000	6,968,000	9,691,000
Net Profit.....	\$ 2,532,866	\$ 2,167,385	\$ 2,324,287	\$ 2,305,975	\$ 3,192,126	\$ 3,948,308	\$ 4,251,190	\$ 3,923,129	\$ 5,308,301	\$ 5,045,576

† Including Refundable Portion of Dominion of Canada Excess Profits Tax.

Earnings and Dividends:

Preferred Shares, \$50 Par Value:

Earnings per Share.....						\$9.87	\$10.62	\$9.80	\$10.61	\$10.09
Dividends per Share:										
Series "A", 4% (400,000 shares).....						1.00*	2.00	2.00	2.00	2.00
Series "B", 4½% (100,000 shares).....									1.87½†	2.25

Common Shares, No Par Value:

Earnings per Share.....	\$1.16	\$1.08	\$1.06	\$1.05	\$1.46	\$1.62	\$1.58	\$1.43	\$1.98	\$1.84
Dividends per Share.....	.90	.90	.92	.92	1.05	1.20	1.20	1.20	1.45	1.45

*For six months only.

†For ten months only.

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J. B. CHALLIES	*J. A. FULLER	H. G. WELSFORD
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Montreal, Que. Toronto, Ont.

Bankers Trust Company
New York City, U.S.A.

Transfer Agents

The Royal Trust Company
Montreal, Que. Toronto, Ont.

Bank of Montreal Trust Company
New York City, U.S.A.

Bankers

The Royal Bank of Canada

National Canadian Bank

Auditors

Sharp, Milne & Co., *Chartered Accountants,
Montreal, Que.*

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WORKS: *Shawinigan Falls, Que.*

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SHAWINIGAN PRODUCTS CORPORATION, NEW YORK CITY, N.Y.

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