



PURVIS HALL
LIBRARIES
MAR 11 1960
MCGILL UNIVERSITY



THE SHAWINIGAN WATER AND POWER COMPANY

62nd ANNUAL REPORT 1959



SIXTY-SECOND ANNUAL REPORT

THE SHAWINIGAN WATER AND POWER COMPANY

HEAD OFFICE: MONTREAL, CANADA

CONTENTS

Highlights	1	System Map	14
The President's Letter	2	Financial Statements and Statistics	16
Directors' Report	5	Auditors' Report	19
Source and Distribution of 1959 Revenues	8	Shawinigan Chemicals Limited	23
Source and Application of Funds	9	Directors and Officers	28

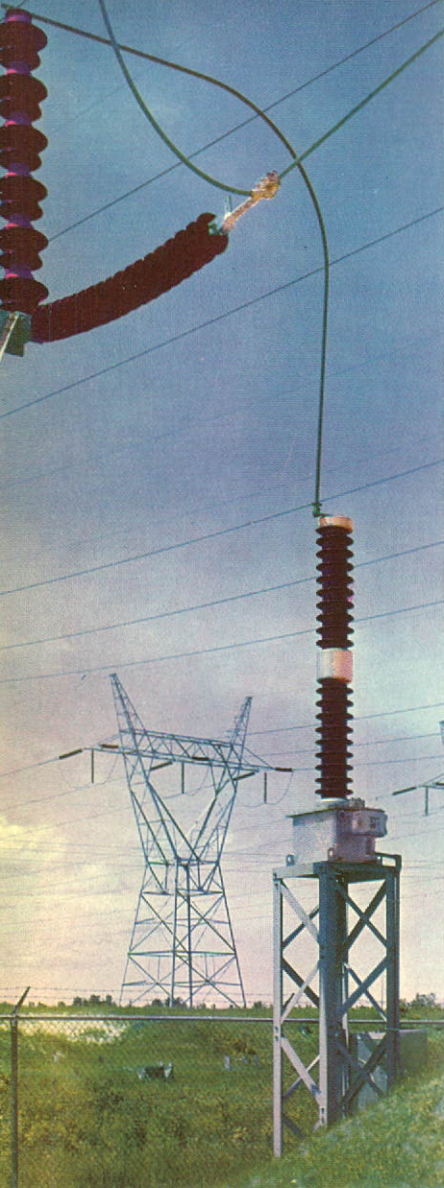
Nous nous ferons un plaisir de vous envoyer la version française de ce rapport sur demande.

Le Service des Relations extérieures et de la Publicité

The Shawinigan Water and Power Company

600 ouest, rue Dorchester, Montréal, P.Q.

Front Cover: Regulating gates and sluiceways of the 246,200-kilowatt power development recently completed at Beaumont.



HIGHLIGHTS

	1959	1958	Increase or Decrease*
Total kilowatthours sold	12,028,421,800	10,973,479,600	9.6%
Primary power peak load in kilowatts	1,939,500	1,740,000	11.4%
Revenue from sales of electricity	\$75,897,901	\$69,866,481	8.6%
Earnings per common share	\$1.45	\$1.62	17 cents*
Dividends declared per common share	80 cents	68 cents	12 cents
Common shares outstanding, December 31.	7,825,763	7,419,773	405,990
Capital expenditures	\$17,451,643	\$34,999,610	\$17,547,967*
Customers served December 31.	350,949	337,747	13,202

The above figures reflect the consolidation of the accounts and operating statistics of The Shawinigan Water and Power Company, St. Maurice Power Corporation, and Southern Canada Power Company, Limited.

PRESIDENT'S LETTER

Revenue and Earnings

In 1959, revenue from electricity sales reached a new high of \$75,897,901, an increase of 8.6 per cent over the previous year. Most noteworthy was the improvement in sales to larger industrial customers, particularly in the latter months of the year.

Total operating expenses increased by 9.9 per cent to \$59,084,434. Provision for depreciation was 18.6 per cent greater than in 1958, due primarily to the large new investment in the Beaumont power development, and provision for income taxes increased 20.7 per cent because of higher taxable income and the higher rate of Federal income tax. Payments for power purchased also increased substantially because of the delivery of an additional 60,000 kilowatts from Hydro-Quebec under the Bersimis contract.

Net earnings showed a decrease of 4.6 per cent at \$13,175,472 compared with \$13,812,825 in 1958. This reduction was due largely to the commissioning late in 1958 of the new Beaumont generating station which created, for the time being, generating capacity in excess of firm power requirements. While the increase in revenue from electricity sales over 1958 was very satisfactory, it was not enough to compensate for the carrying charges on the Beaumont plant and the loss of income credit arising from interest charged to construction while the plant was being built.

Common Shares Issued

During the year, 405,990 additional common shares were issued. Of these 118,909 were issued to Union Carbide Canada Limited to purchase its interest in Canadian Resins and Chemicals Limited; 63,120 to employees under our Employee Stock Purchase Plan; and 223,961 to holders of Convertible Debentures who exercised their rights of conversion to common stock.

**Earnings per
Common Share**

As a result of these various factors, net earnings were \$1.45 per common share on the number outstanding at the end of the year compared with \$1.62 for the previous year.

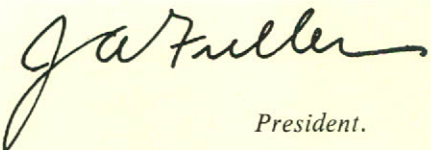
**Dividends from
Subsidiaries**

Noteworthy in 1959 was the very considerable improvement in the business and earnings of Shawinigan Chemicals Limited, a wholly-owned subsidiary, an account of which will be found following the report of the Board of Directors. Dividends received from the Chemicals Company amounted to \$1,000,000 compared with \$229,331 in 1958. The Shawinigan Engineering Company, Limited, also a wholly-owned subsidiary, paid no dividends in 1959 because of lower income. The Engineering Company, however, has many new projects on its books for 1960, and prospects for additional business are excellent.

Future Prospects

Accelerated development in many areas served by the Company and increased use of electric energy by all classes of customers point to a continued rise in demand for electricity in the years ahead. We are helping to bring many new industries to Shawinigan territory, and are exerting every effort to extend the use of electricity to the mutual benefit of the consumer and the Company. Our main concern is to assure a supply of power and energy in quantities sufficient to meet the growing demands of present and future customers, which we expect will increase at an average rate of over 6 per cent each year, equivalent to a doubling about every ten years. To provide for these demands, the expenditure of large amounts of capital over the next few years will be necessary.

Our Company is primarily a service industry, and it is the duty of our employees to render good service. I know that they perform this task conscientiously and well, and on behalf of the Directors, I take this opportunity of expressing our appreciation to them for their good work during the past year.



J. A. Fuller

President.



THE SHAWINIGAN WATER AND POWER COMPANY

ANNUAL REPORT

of the Board of Directors for the year ended December 31, 1959

TO THE SHAREHOLDERS:

The 1959 financial statements and comparative 1958 figures of The Shawinigan Water and Power Company and its subsidiaries, St. Maurice Power Corporation and Southern Canada Power Company, Limited are consolidated in this report. Throughout the report the term "Shawinigan" refers to all three companies, while the term "the Company" refers to The Shawinigan Water and Power Company alone.

A report on Shawinigan Chemicals Limited and its subsidiary and associated companies is presented on pages 23 to 27. The separate report is preferable as the operations of the chemicals companies differ substantially from those of the power companies.

EARNINGS AND DIVIDENDS

Net earnings in 1959 were \$13,175,472, a decrease of 4.6 per cent from earnings of \$13,812,825 in the previous year.

Earnings per common share on the

7,825,763 shares outstanding December 31, 1959 were \$1.45 compared with \$1.62 per share in 1958 on the 7,419,773 shares outstanding at the end of that year.

Dividends declared on the common stock for the four quarters of 1959 totalled 80 cents per share compared with 68 cents in 1958.

REVENUE AND EXPENSES

Total operating revenues were \$77,071,599 of which sales of electricity amounted to \$75,897,901, an increase of 8.6 per cent. Total operating expenses rose 9.9 per cent to \$59,084,434, leaving an operating income of \$17,987,165, up 4.6 per cent from 1958.

Operation, maintenance and general expenses amounted to \$19,888,936, a slight decrease from the \$20,089,085 reported for 1958. However the 1959 expenses would have been greater by approximately \$750,000 had the Company continued its former practice of charging

to expense certain minor additions to plant which are now being capitalized. The revised procedure results from a review of the Company's accounting methods and policies carried out in the past few years and is in conformity with general utility practice.

Increases in the other operating expenses in 1959 were due mainly to larger power purchases, substantially increased provision for depreciation resulting principally from the commissioning of the Beaumont development, higher taxable income, and the higher Federal income tax rate applicable throughout the year.

Non-operating income was lower at \$1,860,871 compared with \$3,457,421 in

the previous year. Because of completion of the Beaumont development, the income credit from interest charged to construction of \$80,919 was much below the amount of \$1,971,612 charged in 1958.

Dividends of \$1,632,298 from subsidiary and other companies were 35.5 per cent higher. Reflecting the marked recovery of the chemicals industry in 1959, dividend payments by Shawinigan Chemicals Limited were up sharply at \$1,000,000. Quebec Power Company raised the annual dividend rate on its common shares by 20 cents to \$1.60 in the last quarter of 1958 so that payments received from that company in 1959 increased 10.3 per cent to \$620,110. No dividends were paid by The Shawinigan Engineering Company, Limited, compared with \$400,000 in the previous year.

OPERATIONS

Purchases of firm power from Quebec Hydro-Electric Commission under the Bersimis contract increased from 180,000 to 240,000 kilowatts on November 1, 1959. This contract with the Commission, which came into effect November 1, 1956, provides for one additional block of 60,000 kilowatts to be taken on November 1, 1960, when the full contract amount of 300,000 kilowatts will be reached.



Radio communication enables district operating offices to maintain constant contact with service crews.

Indicative of increased industrial activity in the territory served by Shawinigan, kilowatthour sales of primary power to major industries were up 6.7 per cent.

Quebec Iron and Titanium Corporation, an important customer in the South Shore area, whose plant closed down in November 1958, resumed operations in March 1959, and reached full production in June.

Among new bulk power contracts negotiated in 1959 was an agreement between the Company and The Steel Company of Canada Limited to deliver power to that company's new pipe mill at Contrecoeur, which commenced operations in September.

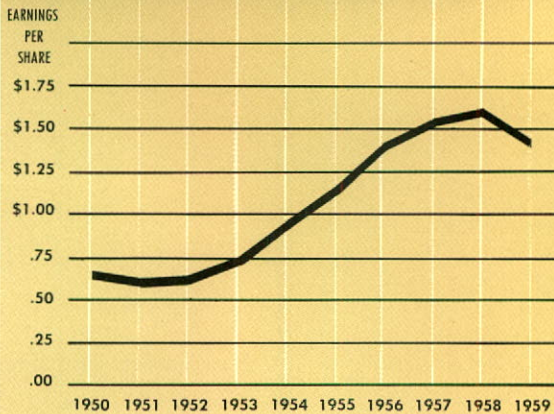
Kilowatthours sold to small industrial and commercial customers, and for municipal services were 13.7 per cent higher. Purchases by urban residential customers increased 15.6 per cent and by rural customers 16.6 per cent.

The number of customers served by Shawinigan increased 3.9 per cent in 1959 to 350,949, of which 311,742 were residential and 39,207 industrial, commercial, municipal, and utility customers.

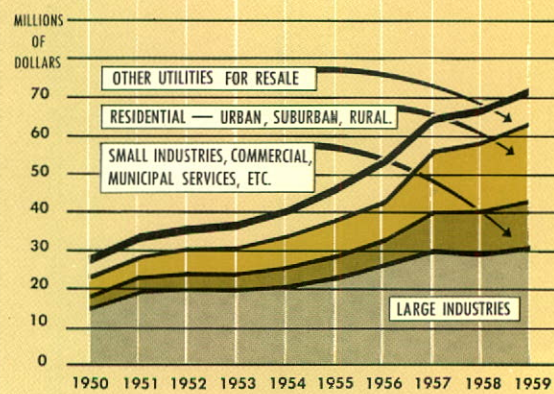
WATER CONDITIONS

The seasonal April to June fill-up of the St. Maurice reservoirs was below average. However, precipitation during

**NET EARNINGS
PER COMMON SHARE**
OUTSTANDING AT END OF
EACH YEAR

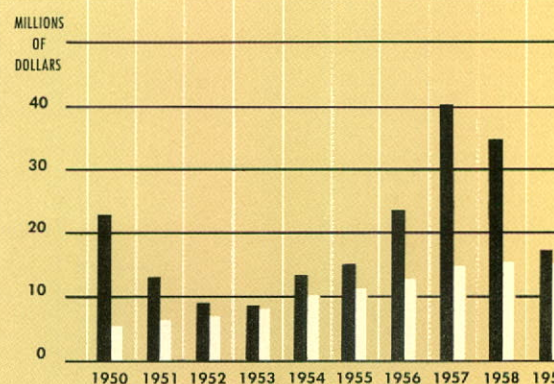


**REVENUE FROM
PRIMARY
ELECTRICITY SALES**

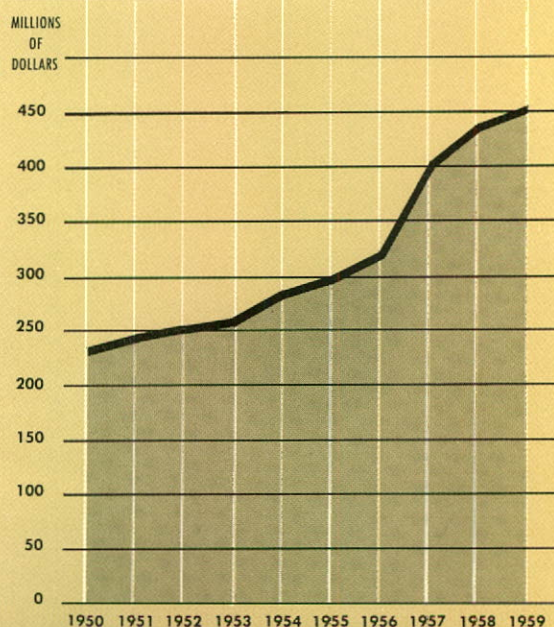


**ANNUAL CAPITAL
EXPENDITURES FOR
NEW CONSTRUCTION**

CAPITAL EXPENDITURES ■
FUNDS AVAILABLE FROM DEPRECIATION AND RETAINED EARNINGS □



**GROSS INVESTMENT
IN PROPERTY, PLANT
AND EQUIPMENT**
AT DECEMBER 31



the summer and fall months was exceptionally heavy with the result that water in storage recorded a new high level at the year end, 50.5 per cent higher than the long term average.

These favourable hydraulic conditions plus the generating capacity of the new Beaumont plant permitted generation of energy in excess of firm power requirements. As a result, large quantities of secondary energy were sold during 1959 to operate electric boilers for the production of process steam.

CAPITAL AND MAINTENANCE EXPENDITURES

Capital expenditures in 1959 decreased, being \$17,451,643 compared with

\$34,999,610 in the previous year. Although the new Beaumont generating station commenced production late in 1958, a substantial expenditure was necessary in 1959 to complete the project.

Other major capital outlays were made to increase the capacity of sub-stations and distribution systems at many locations throughout the Company's territory, including the area immediately north of Montreal; to extend the 230,000-volt transmission network; to carry out investigations and studies of possible future power developments on the upper St. Maurice river; and to erect a new service building at Donnacona.

SOURCE AND DISTRIBUTION OF 1959 REVENUES

<i>Percent of gross revenues</i>	Source:	
96.0	Sales of electricity	\$75,897,901
1.9	Other income	1,540,171
2.1	Dividends from subsidiary and other companies	1,632,298
100.0		\$79,070,370
	Distribution:	
18.7	Services of employees	\$14,741,212
14.7	Power purchased	11,621,984
13.7	Depreciation and amortization	10,794,955
6.4	Materials and services purchased	5,073,625
21.7	Taxes and other payments to governments	17,169,772
7.5	Interest paid to bondholders	5,957,539
10.0	Dividends to shareholders	7,936,443
.7	Preferred dividends and minority interest — Southern Canada Power Company, Limited	535,811
6.6	Retained for use in the business	5,239,029
100.0		\$79,070,370

Maintenance expenditures totalled \$6,859,446 and included repairs to the Grand'Mère generating station and dam as well as overhauling and repairing certain generating units at other plants. This amount is not comparable with that of the previous year because of the change in accounting practice and policies mentioned in the Revenue and Expenses section of this report.

FINANCIAL POSITION

As shown in the Consolidated Statement of Source and Application of Funds, internally generated funds together with receipts under the Employee Stock Purchase Plan and loan repayments, exceeded capital expenditures and

sinking fund charges with the result that working capital increased by \$1,212,371.

No new public financing was undertaken in 1959. The Company repaid \$5,000,000 principal amount of short-term notes which had been issued in 1958.

Funded debt was reduced \$7,711,500 to \$161,711,000 through retirement of \$1,658,500 first mortgage bonds under sinking fund provisions, and as a result of conversion to common shares of \$6,053,000 of the 5½% convertible debentures.

Additional common shares issued by the Company in 1959 totalled 405,990, of which 223,961 shares were issued to holders of the 5½ per cent debentures

SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1959

Source of Funds:

Net earnings	\$13,175,472
Add—Charges to earnings not requiring cash outlay:	
Depreciation and amortization	10,794,955
Tax applicable to future years	1,647,300
	<u>25,617,727</u>
Sale of common shares to employees	1,325,557
Repayment of advances by subsidiary companies	559,000
Miscellaneous items	756,673
	<u>\$28,258,957</u>

Application of Funds:

Capital expenditures	\$17,451,643
Redemption of funded debt	1,658,500
Dividends to shareholders	7,936,443
	<u>27,046,586</u>

Increase in Working Capital \$ 1,212,371

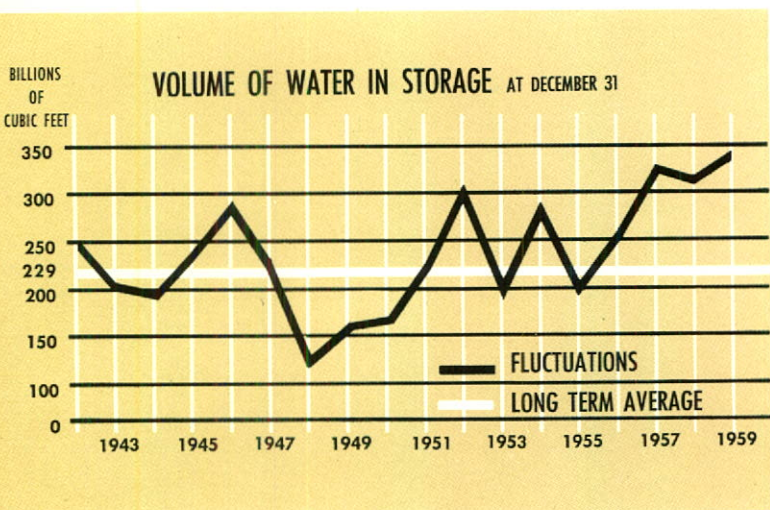
who took advantage of the conversion privilege, and 63,120 shares to employees under the terms of the Employee Stock Purchase Plan. The remaining 118,909 common shares were issued in February to Union Carbide Canada Limited for purchase of its 51 per cent

terminal stations, a distance of 48 miles, and a line of the same voltage between Charlesbourg and Chaudière terminal stations, a distance of 12 miles, were completed by The Shawinigan Engineering Company, Limited, and placed in service in 1959. These lines form part of a long term plan to integrate the South Shore system with the high voltage network on the North Shore of the St. Lawrence River.

As a part of the Beaumont power development, the river bed of the St. Maurice was deepened for two miles below the generating station. Completion of this project in 1959 brought the plant up to its rated capacity of 246,200 kilowatts.

Engineering studies of the remaining power sites on the upper St. Maurice river were continued. The Engineering Company made further reports on a proposed power development at Rapide du Lièvre. At Rapide des Coeurs, site of another proposed development, hydraulic studies were continued and surveys were made of the access road from Rapide Blanc, the construction area, and for diversion of the Canadian National Railways line.

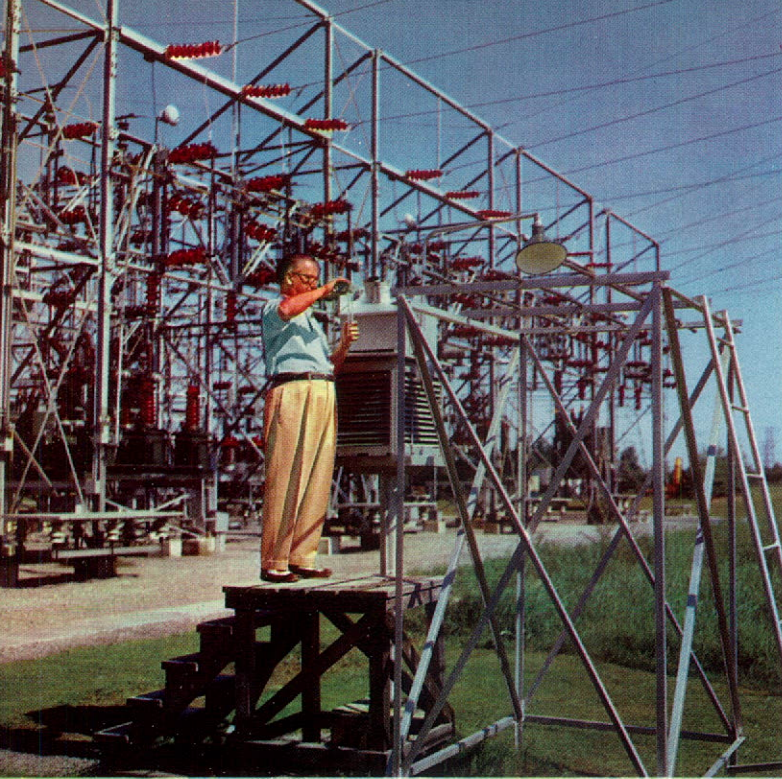
Shawinigan Engineering commenced construction of a new sodium cyanide plant at Shawinigan East for Shawinigan



interest in Canadian Resins and Chemicals Limited. This interest was sold in turn to Shawinigan Chemicals Limited for 145,069 shares of its common stock, thereby increasing the Company's investment in Shawinigan Chemicals by \$3,626,725.

ENGINEERING AND CONSTRUCTION

A 230,000-volt transmission line between Trois-Rivières and Kingsey



St. Maurice valley weather stations, some manned by Company personnel, have been in operation for many years. Weather, especially precipitation, has a direct bearing on Company operations.

Chemicals Limited. This plant will be completed in 1960.

Among its projects for outside organizations, the Engineering Company completed design and supervision of construction of the Dufferin Falls power development for The James Maclaren Company Limited on the Lièvre river. Additional studies were made of power sites in Labrador for Hamilton Falls Power Corporation Limited, and in Newfoundland for Southern Newfoundland Power and Development Ltd.

In 1956, Shawinigan Engineering, in collaboration with Atomic Energy of Canada Limited, undertook the design and supervision of construction of an atomic reactor near Bombay, India for the Indian Government. Housing for the reactor and erection of the atomic pile

have been completed and installation of equipment is under way. It is expected this project will be finished in 1960. In 1959, the Engineering Company was retained by Atomic Energy of Canada Limited, as consulting engineers for the proposed Federal Government Whiteshell Nuclear Research Establishment in Manitoba; at the end of the year, the first phase, consisting of field investigations, was being completed.

A Thermal Division was established by the Engineering Company to make investigations and studies of thermal generating stations, and to undertake their design and construction.

ST. LAWRENCE SEAWAY

The Company's service area lies on both sides of the St. Lawrence River, straddling the eastern end of the new Seaway which provides easy ocean access to the markets of the world. Interest in this area has quickened, particularly along the South Shore between Varennes and Sorel, where substantial industrial development has already taken place.

Shawinigan's Industrial Development Departments have been active in encouraging new industries to locate both in the South Shore area and in the many other rapidly developing areas served by Shawinigan.



The new service building at Beauharnois provides modern accommodation for the district operating staff.

SALES PROMOTION

Sales of major electric appliances in the territory served by the Company were 20 per cent higher than in 1958. Contributing factors were the intensive sales promotion program undertaken each year in co-operation with manufacturers and distributors of electric appliances, and the many other Company promotional programs.

In 1959, the Company offered its customers a new financing plan for the purchase of electric water heaters and for rewiring of homes. The Company also actively supported programs promoting the installation of adequate wiring systems in new homes. A continuing program to encourage municipalities to improve street lighting was intensified during 1959 with gratifying results.

Engineers, agronomists, home economists, and other specialists on the staff of the Company provided instruction and consulting services pertaining to applications of electricity in industrial

and commercial establishments, households, and on the farm.

EMPLOYEES

Shawinigan had 3,204 regular employees at the year end.

In December, 2,783 employees subscribed for 118,754 common shares of the Company under the 1959 Employee Stock Purchase Plan. Similar plans were instituted in 1953 and 1956. Under the latest plan employees of Shawinigan and its wholly-owned subsidiaries, having one year's continuous service, were given the opportunity of subscribing for a limited number of common shares of the Company at a favourable price. These shares, purchased on an instalment basis over a period of approximately two years, may be paid up and acquired after one year.

CHANGES OF DIRECTORS AND OFFICERS

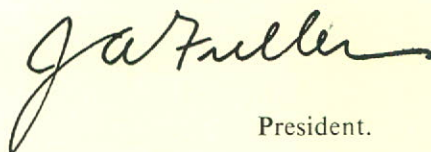
Dr. H. S. Sutherland, President of the Chemicals Company was appointed a Director of The Shawinigan Water and Power Company in February 1959. He succeeded the late Dr. R. S. Jane, former President of Shawinigan Chemicals.

In March of 1959, A. C. Abbott, formerly Vice-President, Distribution, and W. R. Way, formerly Vice-President and

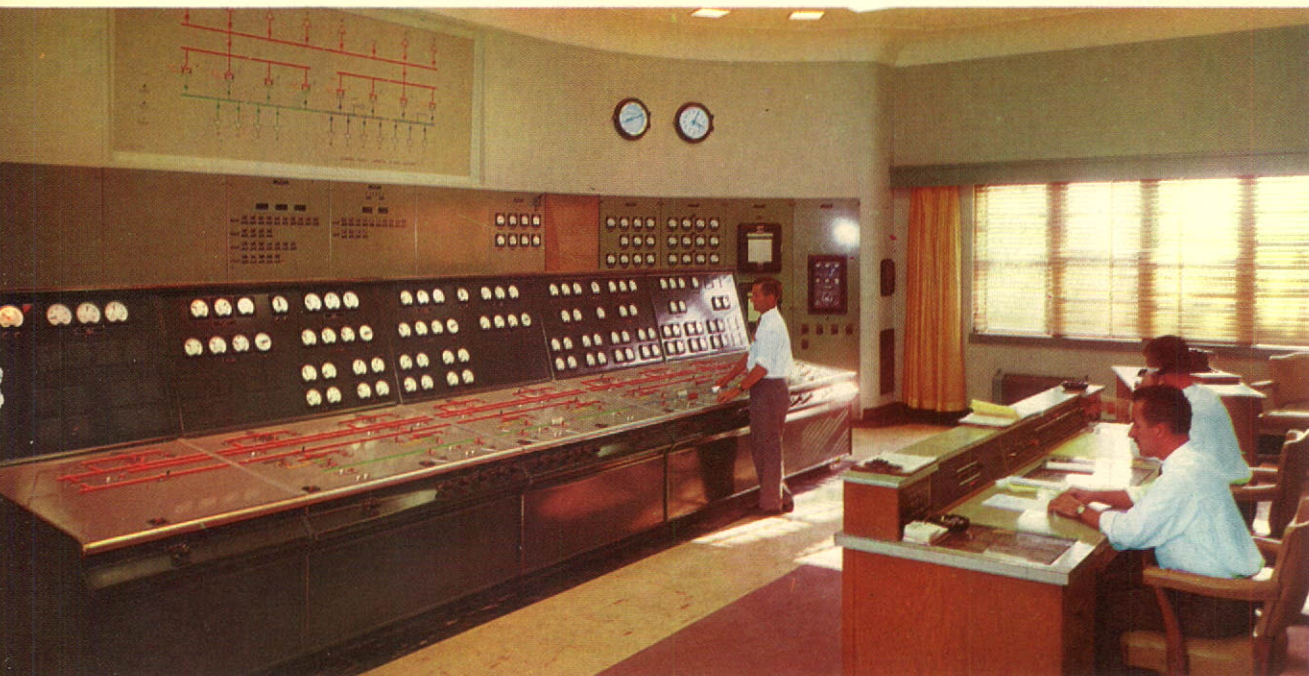
Chief Engineer, were appointed Vice-Presidents at large. At the same time, Jules Bouchard, formerly Manager, Commercial and Distribution Department, was appointed an Assistant Vice-President with specific responsibility for that Department. Joslyn A. Smith, formerly Manager, Production and Plant Department, was appointed an Assistant Vice-President with specific responsibility for

that Department and for the Power Operations and Engineering, and Electrical Repair Departments.

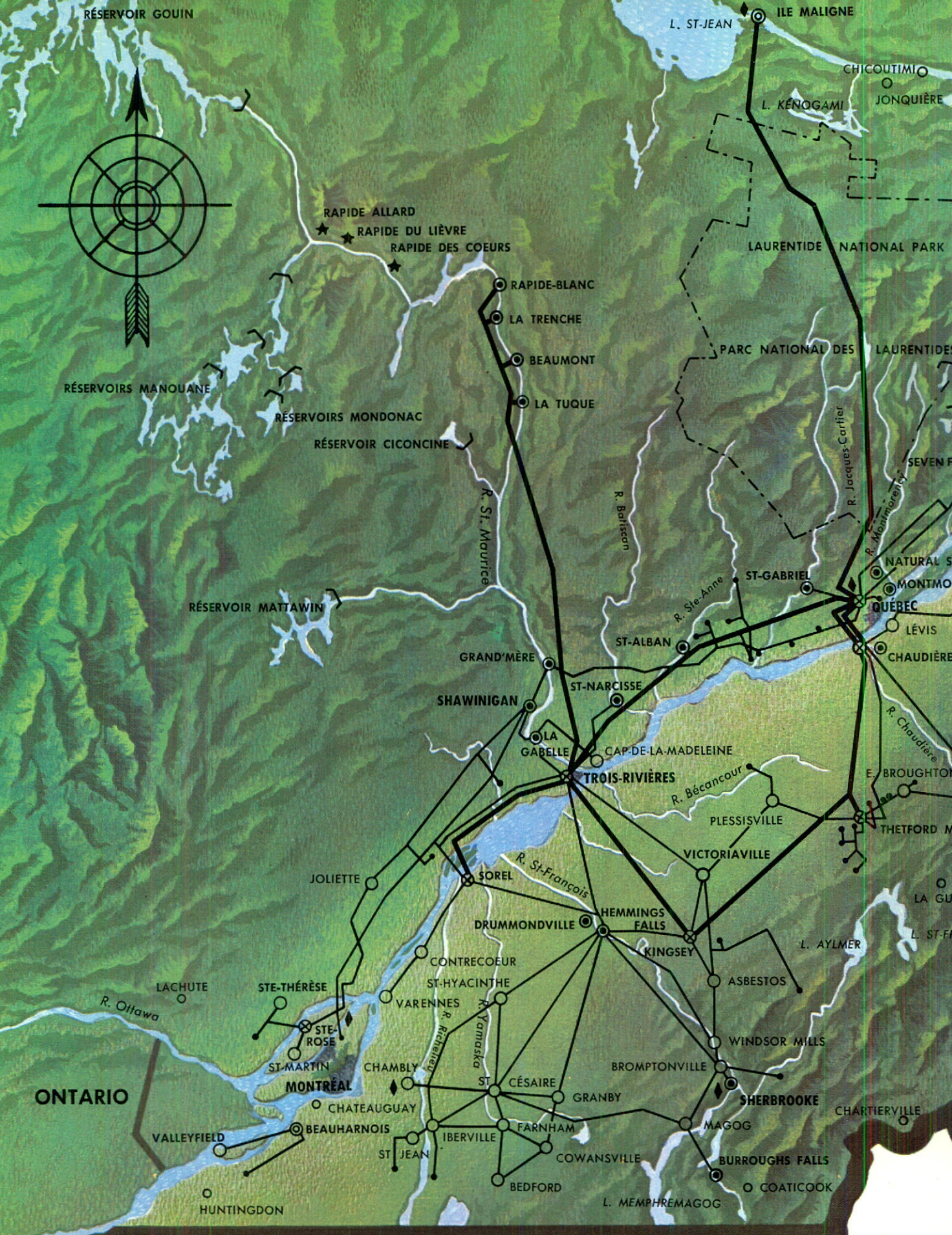
On behalf of the Board of Directors,



President.



Trois-Rivières terminal station control-room. Of the Company's seven terminal stations, Trois-Rivières is the largest.



RÉSERVOIR GOUIN

L. ST-JEAN

ILE MALIGNE

CHICOUTIMI

JONQUIÈRE

L. KÉNOGAMI

LAURENTIDE NATIONAL PARK

RAPIDE ALLARD
RAPIDE DU LIÈVRE
RAPIDE DES COEURS

RAPIDE-BLANC

LA TRENCHÉ

BEAUMONT

LA TUQUE

RÉSERVOIRS MANOUANE

RÉSERVOIRS MONDONAC

RÉSERVOIR CICONCINE

RÉSERVOIR MATTAWIN

R. St. Maurice

R. Batiécun

R. Ste-Anne

ST-GABRIEL

NATURAL 5

MONTMO

QUÉBEC

LÉVIS

CHAUDIÈRE

GRAND'MÈRE

ST-ALBAN

SHAWINIGAN

ST-NARCISSE

LA GABELLE

CAP-DE-LA-MADELEINE

TROIS-RIVIÈRES

R. Bécancour

E. BROUGHTON

PLESSISVILLE

THETFORD M

JOLIETTE

SOREL

R. St-François

VICTORIAVILLE

DRUMMONDVILLE

HEMMINGS FALLS

L. AYLMER

L. ST-F

LACHUTE

STE-THÉRÈSE

STE-ROSE

ST-MARTIN

CHAMBLAY

MONTREAL

CHATEAUGUAY

VALLEYFIELD

BEAUHARNOIS

ST JEAN

IBERVILLE

ST JEAN

CÉSAIRE

GRANBY

BÉDARD

ST-JEAN

CÉSAIRE

GRANBY

BÉDARD

ST-JEAN

R. Ottawa

R. Richelieu

R. Yamaska

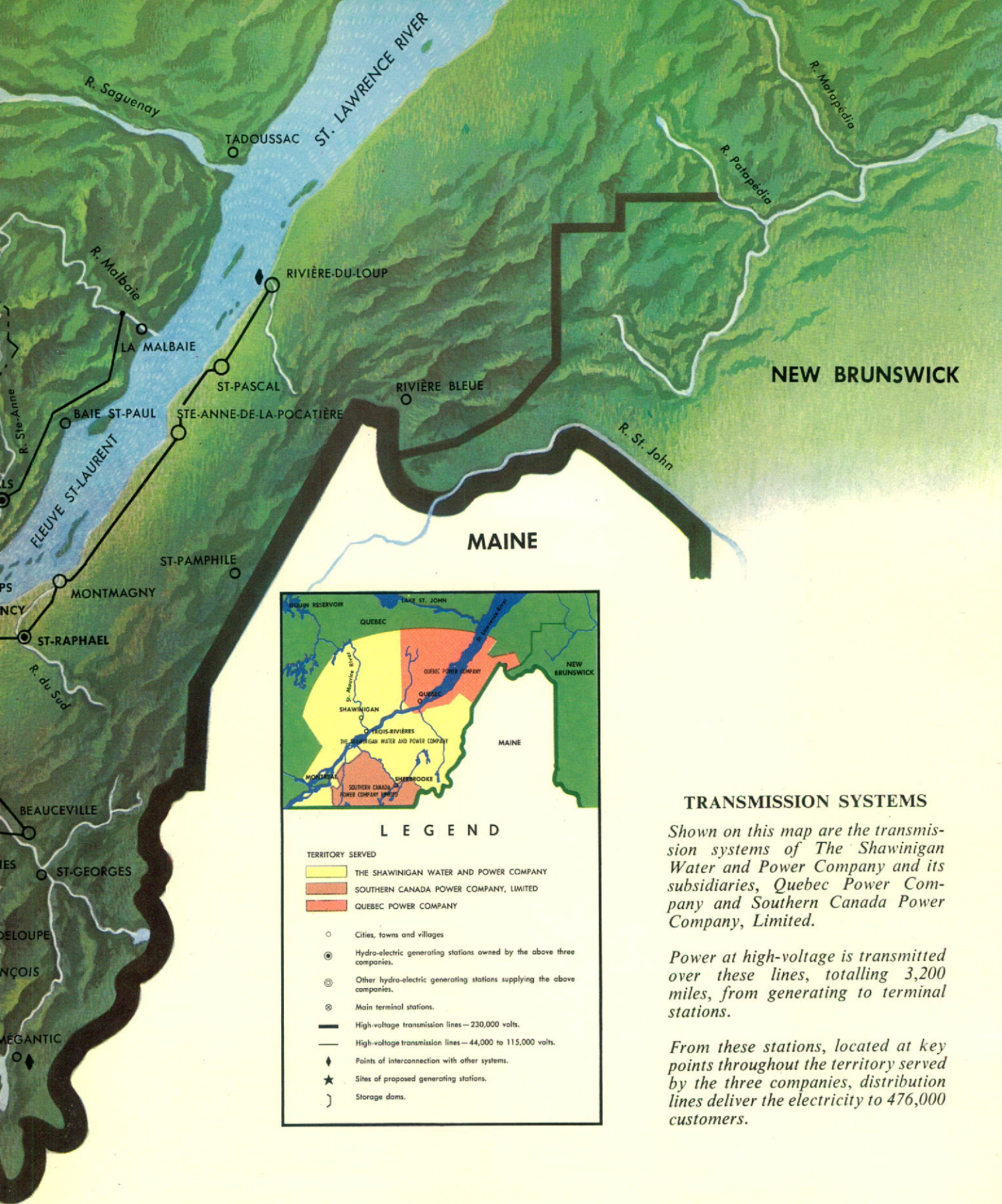
R. Bécancour

R. Chaudière

CHARTIÈREVILLE

L. MEMPHREMAGOG

ONTARIO



NEW BRUNSWICK

MAINE

TRANSMISSION SYSTEMS

Shown on this map are the transmission systems of The Shawinigan Water and Power Company and its subsidiaries, Quebec Power Company and Southern Canada Power Company, Limited.

Power at high-voltage is transmitted over these lines, totalling 3,200 miles, from generating to terminal stations.

From these stations, located at key points throughout the territory served by the three companies, distribution lines deliver the electricity to 476,000 customers.

LEGEND

TERRITORY SERVED

- THE SHAWINIGAN WATER AND POWER COMPANY
- SOUTHERN CANADA POWER COMPANY, LIMITED
- QUEBEC POWER COMPANY

- Cities, towns and villages
- ⊙ Hydro-electric generating stations owned by the above three companies.
- ⊕ Other hydro-electric generating stations supplying the above companies.
- ⊗ Main terminal stations.
- High-voltage transmission lines—230,000 volts.
- High-voltage transmission lines—44,000 to 115,000 volts.
- ◆ Points of interconnection with other systems.
- ★ Sites of proposed generating stations.
-) Storage dams.

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1959 and 1958

ASSETS

	1959	1958
<u>Current assets</u>		
Cash	\$ 898,177	\$1,785,323
Temporary investments — at cost, less reserve	1,009,233	3,716,053
(Market value \$1,211,071)		
Accounts receivable, less provision for doubtful accounts....	9,120,445	8,228,167
Materials and supplies at cost.....	3,576,120	3,318,408
Prepaid charges	1,550,399	1,464,899
	\$16,154,374	18,512,850
<u>Investments in and advances to subsidiary and other companies</u>		
Investments in subsidiary companies at cost, less net adjustments.....	19,994,012	16,667,287
Advances to subsidiary companies.....	1,050,000	1,609,000
Investments in other companies at cost, less net adjustments.....	270,914	341,914
	21,314,926	18,618,201
<u>Fixed assets</u>		
Property, plant and equipment at cost of construction or acquisition (including \$7,840,501 being excess of carrying value of investment in subsidiary companies consolidated over book value of their net assets).....	453,922,740	437,017,945
Less: Accumulated depreciation	116,586,738	106,224,461
	337,336,002	330,793,484
<u>Mattawin River and other storage dams at cost</u>	4,070,376	4,070,376
Less: Amortization to date	1,649,842	1,585,750
	2,420,534	2,484,626
<u>Unamortized premium, discount and expense of funded debt</u>	2,853,921	3,281,831
	\$380,079,757	\$373,690,992

Approved on behalf of the Directors,
R. J. BEAUMONT, *Director*.
NORMAN J. DAWES, *Director*.

THE SHAWINIGAN WATER AND POWER COMPANY

ST. MAURICE POWER CORPORATION and SOUTHERN CANADA POWER COMPANY, LIMITED

LIABILITIES

	1959	1958
Current liabilities		
Accounts payable (including provision for taxes on income).....	\$11,842,785	\$10,630,991
Accrued interest on funded debt.....	1,416,704	1,503,136
Dividends payable.....	1,783,978	1,480,187
Notes payable.....	—	5,000,000
	\$15,043,467	18,614,314
Deferred liabilities	2,519,982	2,470,848
<small>(Advances received an account of cost of transmission lines, less instalments repaid)</small>		
Funded debt (Note 1).....	161,711,000	169,422,500
Deferred credit (Note 4).....	12,020,500	10,373,200
<small>(Accumulated tax reductions applicable to future years)</small>		
Reserves		
Water storage equalization.....	1,492,000	1,492,000
Contingent and other reserves.....	677,586	671,586
	2,169,586	2,163,586
Preferred shares of subsidiary owned by public, and minority interest		
Southern Canada Power Company, Limited, 6% cumulative participating preferred stock		
Issued — 70,889 shares of \$100 each...	7,088,900	7,088,900
Minority interest in common stock and retained earnings.....	327,614	349,495
	7,416,514	7,438,395
	200,881,049	210,482,843

CAPITAL AND RETAINED EARNINGS

Cumulative redeemable preferred shares		
Authorized—1,000,000 shares of \$50 par value		\$50,000,000
Issued —series “A” 4% 400,000 shares.....	20,000,000	20,000,000
—series “B” 4½% 100,000 shares.....	5,000,000	5,000,000
Class “A” common shares (Note 2)		
Authorized—592,500 shares without nominal or par value		
Issued —568,617 shares.....	15,163,120	15,163,120
Common shares (Note 2)		
Authorized—9,600,000 shares without nominal or par value		
Issued —7,825,763 shares (1958 — 7,419,773).....	92,842,187	81,836,905
Earnings retained and invested in the business (Note 3)...	46,193,401	41,208,124
	179,198,708	163,208,149
	\$380,079,757	\$373,690,992

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1959 and 1958

	1959	1958
Sales of electricity	\$75,897,901	\$69,866,481
Other operating revenue	1,173,698	1,042,606
Total operating revenues	<u>77,071,599</u>	<u>70,909,087</u>
Operation, maintenance and general expenses	19,888,936	20,089,085
Power purchased	11,621,984	9,826,141
Water storage rentals	1,694,458	1,575,272
Provision for depreciation	10,463,300	8,818,800
Taxes, other than taxes on income	4,254,956	4,163,577
Taxes on income (Note 4)		
Provision for income and profits taxes	\$9,513,500	7,207,717
Tax applicable to future years	<u>1,647,300</u>	<u>2,037,000</u>
Total operating expenses	<u>11,160,800</u>	<u>9,244,717</u>
Total operating expenses	<u>59,084,434</u>	<u>53,717,592</u>
Operating income	<u>17,987,165</u>	<u>17,191,495</u>
Dividends from subsidiary and other companies	1,632,298	1,204,624
Miscellaneous income, less income taxes thereon	147,654	281,185
Interest charged to construction	80,919	1,971,612
Total non-operating income	<u>1,860,871</u>	<u>3,457,421</u>
Total non-operating income	<u>19,848,036</u>	<u>20,648,916</u>
Interest on funded debt	5,957,539	6,190,209
Other interest and miscellaneous charges	179,214	111,518
Total interest and miscellaneous charges	<u>6,136,753</u>	<u>6,301,727</u>
Total interest and miscellaneous charges	<u>13,711,283</u>	<u>14,347,189</u>
Dividends of \$496,223 to preferred shareholders of Southern Canada Power Company, Limited and minority interest of common shareholders in the net earnings of that Company ..	535,811	534,364
Net earnings for the year	<u>\$13,175,472</u>	<u>\$13,812,825</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1959 and 1958

	1959	1958
Balance at beginning of year	\$41,208,124	\$33,974,442
<i>Add:</i>		
Net earnings for the year	13,175,472	13,812,825
Transferred from contingent reserve	—	500,000
Total additions	<u>13,175,472</u>	<u>14,312,825</u>
Total additions	<u>54,383,596</u>	<u>48,287,267</u>
<i>Deduct:</i>		
Amortization of premium, discount and expense of funded debt, net	253,752	267,266
Dividends on preferred shares	1,025,000	1,025,000
Dividends on class "A" common shares	758,156	758,156
Dividends on common shares	6,153,287	5,028,721
Total deductions	<u>8,190,195</u>	<u>7,079,143</u>
Balance at end of year	<u>\$46,193,401</u>	<u>\$41,208,124</u>

NOTES TO FINANCIAL STATEMENTS

1. Funded debt

	1959	1958
<u>The Shawinigan Water and Power Company</u>		
First mortgage sinking fund bonds:		
Series "H" 3½% maturing January 1, 1970.....	\$14,572,500	\$14,772,500
Series "J" 3½% maturing February 1, 1970.....	7,565,000	7,711,500
Series "L" 3% maturing March 1, 1961.....	10,759,000	11,211,000
Series "M" 3% maturing April 15, 1971.....	25,000,000	25,000,000
Series "N" 3% maturing May 15, 1971.....	6,557,500	6,645,000
Series "O" 3¼% maturing April 1, 1972.....	12,343,500	12,358,500
Series "P" 3½% maturing October 1, 1973.....	21,080,500	21,427,500
Series "Q" 3% maturing March 1, 1975.....	15,000,000	15,000,000
Series "R" 4¾% maturing October 1, 1976.....	14,429,000	14,480,000
	<u>127,307,000</u>	<u>128,606,000</u>
Convertible sinking fund debentures:		
1957 Series 5½% maturing October 15, 1972.....	13,389,000	19,442,000
	<u>140,696,000</u>	<u>148,048,000</u>
<u>St. Maurice Power Corporation</u>		
First mortgage sinking fund bonds:		
Series "A" 3¼% maturing April 1, 1970.....	10,015,000	10,374,500
<u>Southern Canada Power Company, Limited</u>		
First mortgage bonds:		
Series "B" 3½% maturing July 2, 1976.....	6,000,000	6,000,000
Series "C" 3½% maturing July 2, 1976.....	2,500,000	2,500,000
Series "D" 3¾% maturing January 2, 1981.....	2,500,000	2,500,000
Principal and interest payable in lawful money of Canada with the exception of The Shawinigan Water and Power Company Series "M" and "Q" payable in lawful money of the United States of America.	<u>11,000,000</u>	<u>11,000,000</u>
	<u>\$161,711,000</u>	<u>\$169,422,500</u>

2. Common shares — The Shawinigan Water and Power Company

- (a) The class "A" common shares rank equally and pari passu, share for share, with the common shares except that up to and including February 14, 1964, the class "A" common shares are entitled to preferential cumulative cash dividends at the rate of \$1.33½ per share per annum.
- (b) The following authorized but unissued common shares have been reserved:
- 118,712 Shares under the Employee Stock Purchase Plan — 1959 for issue on completion of instalment payments.
 - 441,837 Shares being the number required as of December 31, 1959 in accordance with the provisions of the Trust Indenture to effect the conversion of the \$13,389,000 5½% convertible sinking fund debentures, 1957 Series.

3. Earnings retained and invested in the business

An amount of \$2,949,890 of the Retained Earnings of Southern Canada Power Company, Limited is deemed to be Designated Surplus under Section 28(2) of the Income Tax Act, and therefore would be subject to income tax if and when received by the parent company.

4. Taxes on income

The estimated reduction of \$1,647,300 in income tax payable for the current year results from claiming capital cost allowance in excess of the depreciation charged in the accounts. The accumulated amount by which income taxes have been so reduced in this and previous years is \$12,020,500 and is shown on the Balance Sheet as a deferred credit. These accumulated tax reductions will be used in future periods if capital cost allowances deductible for tax purposes are less than the depreciation recorded in the accounts.

5. Change in basis of accounting

During the year accounting practices were revised by the Company whereby certain minor additions to Fixed Assets are now being capitalized. As a result, Operating Expenses in 1959 are reduced by approximately \$750,000 from what they would have been under the former practice. Comparative figures for 1958 have not been restated.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the Consolidated Balance Sheet of The Shawinigan Water and Power Company, St. Maurice Power Corporation and Southern Canada Power Company, Limited as at December 31, 1959, and the Consolidated Statements of Earnings and Earnings Retained and Invested in the Business for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. In the case of one Subsidiary Company, whose records were not examined by us, we have been furnished with Financial Statements certified by other accountants.

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of the Companies, the accompanying Consolidated Balance Sheet and related Consolidated Statements of Earnings and Earnings Retained and Invested in the Business are properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the Companies as at December 31, 1959 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as to the change explained in Note 5 to the Financial Statements, in which we concur.

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

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1950-1959

Earnings of subsidiary companies have been consolidated in the following statement only from the year of acquisition of control, namely: St. Maurice Power Corporation from the year 1954 and Southern Canada Power Company, Limited from the year 1957.

(In Thousands of Dollars)

	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950
Sales of electricity:										
Primary.....	\$72,882	\$67,064	\$64,914	\$53,534	\$46,630	\$40,871	\$37,451	\$36,134	\$34,137	\$28,683
Secondary.....	3,016	2,802	1,122	632	1,269	1,542	1,350	1,423	514	587
<i>Total</i>	75,898	69,866	66,036	54,166	47,899	42,413	38,801	37,557	34,651	29,270
Other operating revenue.....	1,173	1,043	1,213	877	848	761	785	337	266	239
<i>Total operating revenues</i>	77,071	70,909	67,249	55,043	48,747	43,174	39,586	37,894	34,917	29,509
Operation, maintenance and general expenses.....	19,889	20,089	19,965	15,047	14,068	12,960	12,363	11,791	10,310	8,885
Power purchased.....	11,622	9,826	9,144	7,291	5,447	4,256	5,088	4,653	5,173	5,015
Water storage rentals.....	1,694	1,575	1,482	1,427	1,343	1,234	1,053	1,012	978	672
Provision for depreciation.....	10,463	8,819	8,278	7,066	6,765	7,096	6,590	6,142	5,600	4,300
Taxes, other than taxes on income.....	4,255	4,163	3,837	3,459	3,166	3,030	2,679	2,580	2,204	1,876
Taxes on income:										
Provision for income and profits taxes...	9,514	7,208	6,863	6,137	5,055	3,645	2,566	2,717	3,889	2,472
Tax applicable to future years.....	1,647	2,037	1,763	1,332	1,205	1,117	1,037	1,217	—	—
<i>Total operating expenses</i>	59,084	53,717	51,332	41,759	37,049	33,338	31,376	30,112	28,154	23,220
<i>Operating income</i>	17,987	17,192	15,917	13,284	11,698	9,836	8,210	7,782	6,763	6,289
Dividends from subsidiary and other companies.....	1,632	1,204	1,804	1,744	1,866	1,756	1,745	1,665	1,921	1,956
Miscellaneous income, less income taxes thereon.....	148	281	364	295	207	199	213	164	182	273
Interest charged to construction.....	81	1,972	1,003	332	197	139	53	45	247	806
<i>Total non-operating income</i>	1,861	3,457	3,171	2,371	2,270	2,094	2,011	1,874	2,350	3,035
<i>Total</i>	19,848	20,649	19,088	15,655	13,968	11,930	10,221	9,656	9,113	9,324
Interest on funded debt.....	5,958	6,190	5,393	4,300	4,206	4,222	3,904	3,938	4,067	4,016
Other interest and miscellaneous charges..	179	112	70	—	—	—	—	—	—	—
<i>Total</i>	6,137	6,302	5,463	4,300	4,206	4,222	3,904	3,938	4,067	4,016
<i>Total</i>	13,711	14,347	13,625	11,355	9,762	7,708	6,317	5,718	5,046	5,308
Provision for water storage equalization reserve, less income taxes applicable.....	—	—	—	—	310	294	364	524	—	—
<i>Total</i>	13,711	14,347	13,625	11,355	9,452	7,414	5,953	5,194	5,046	5,308
Dividends to preferred shareholders of Southern Canada Power Company, Ltd. and minority interest of common shareholders in net earnings of that Company.	536	534	563	—	—	—	—	—	—	—
<i>Net earnings for the year</i>	\$13,175	\$13,813	\$13,062	\$11,355	\$9,452	\$7,414	\$5,953	\$5,194	\$5,046	\$5,308
<i>Earnings and dividends:</i>										
<i>Preferred shares \$50 par value:</i>										
Earned per share.....	\$26.35	\$27.62	\$26.12	\$22.71	\$18.90	\$14.82	\$11.90	\$10.38	\$10.09	\$10.61
Dividends per share:										
Series "A" 4% (400,000 shares)....	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Series "B" 4½% (100,000 shares)....	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	1.87½†
<i>Class "A" common shares without nominal or par value:</i>										
Earned per share*.....	21.36	22.48	21.16	—	—	—	—	—	—	—
Dividends declared per share*.....	1.33⅓	1.33⅓	1.16⅔‡	—	—	—	—	—	—	—
<i>Common shares without nominal or par value:</i>										
Earned per share*.....	1.45	1.62	1.56	1.42	1.16	.97	.75	.64	.62	.66
Dividends declared per share*.....	.80	.68	.67⅓	.60	.53⅓	.48⅓	.48⅓	.48⅓	.48⅓	.48⅓

*Earnings and dividends per share restated on the basis of the three for one subdivision in October 1957 and based on the number of shares outstanding at each year end.

†For ten months only. ‡From February 15.

THE SHAWINIGAN WATER AND POWER COMPANY
ST. MAURICE POWER CORPORATION and SOUTHERN CANADA POWER COMPANY, LIMITED

CONSOLIDATED OPERATING STATISTICS
FOR THE YEARS 1950 - 1959

Subsidiary company figures have been consolidated on the same basis as have those in the 10-year earnings statement on the opposite page

	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950
Installed turbine capacity										
—kilowatts.....	1,573,500	1,573,500	1,327,300	1,284,000	1,284,000	1,165,900	999,900	999,900	999,900	857,400
Primary power purchased under contract—kilowatts.....	517,800	453,600	385,300	322,300	259,200	207,000	216,700	208,000	198,400	190,100
Total.....	2,091,300	2,027,100	1,712,600	1,606,300	1,543,200	1,372,900	1,216,600	1,207,900	1,198,300	1,047,500
Primary power peak load										
—kilowatts.....	1,939,500	1,740,000	1,707,800	1,600,800	1,500,000	1,319,100	1,249,700†	1,249,000†	1,253,700†	1,147,300†
Energy sold										
—millions of kilowatthours....	12,028	10,973	10,310	9,898	9,235	8,413	7,853	8,158	7,538	6,567
Miles of transmission and distribution lines:										
44,000 volts and up.....	2,824	2,827	2,596	1,900	1,827	1,754	1,649	1,570	1,571	1,560
Under 44,000 volts.....	15,208	14,762	14,518	11,009	10,682	10,470	10,216	9,984	9,573	9,093
Total.....	18,032	17,589	17,114	12,909	12,509	12,224	11,865	11,554	11,144	10,653
Water in storage at end of year										
—billions of cubic feet.....	345	320	330	264	207	291	211	310	229	172
Percentage of total capacity‡	88	82	90	72	56	79	58	87	64	48
Percentage derivation of revenue from primary electricity sales:										
Large industries.....	43	44	47	50	50	51	53	56	57	53
Small industries, commercial, municipal services...	16	16	15	12	12	12	12	12	11	12
Residential:										
urban and suburban....	16	15	14	10	10	9	8	7	7	7
rural (including farm)....	12	12	11	9	10	11	10	9	9	10
Other utilities for resale....	13	13	13	19	18	17	17	16	16	18
Number of municipalities served.	835	824	823	612	612	612	591	591	590	580
Number of customers served....	350,949	337,747	326,349	231,759	222,817	214,642	204,961	194,987	186,255	176,112
Average consumption per residential customer—kilowatthours:										
Urban and suburban.....	4,332	4,018	3,648	3,137	2,814	2,494	2,396	2,165	1,956	1,747
Rural (including farm)....	2,892	2,492	2,256	1,817	1,628	1,532	1,267	1,136	1,013	974
Total wages and salaries paid, including benefits										
—thousands of dollars.....	17,247	16,724	15,872	11,935	11,011	10,202	10,044	9,608	8,300	7,453
Number of regular employees....	3,204	3,190	3,134	2,419	2,337	2,284	2,297	2,260	2,260	2,190

†The excess of the primary power peak load over the sum of turbine capacity and primary power purchased under contract is accounted for by varying amounts of power purchased as available and as required.

‡Storage capacity increased in 1953, 1954 and 1958.





SHAWINIGAN CHEMICALS LIMITED

The financial statements of Shawinigan Chemicals Limited and its wholly-owned subsidiaries, Shawinigan Products Corporation, New York City; Shawinigan, Limited, London, England; and, The McArthur Chemical Co. (1958) Ltd. are consolidated in this report.

Earnings of associated companies are included only to the extent of dividends received from them during the year.

GENERAL

Sales and earnings of Shawinigan Chemicals Limited, and its subsidiary and associated companies, improved substantially.

During the year, the Chemicals Company acquired complete ownership of Canadian Resins and Chemicals Limited, previously owned jointly with Union Carbide Canada Limited.

Canadian Resins and Chemicals' manufacturing facilities at Shawinigan and Ste. Thérèse are now operated as a division of the Chemicals Company, producing Vinyl resins, compounds, chemicals, and plasticizers; "Vinylite" film, sheeting, and coated fabrics; plastic mono-filaments, and polyethylene film and flat tubing.

Late in 1959, construction of a sodium cyanide plant was started at Shawinigan East, adjacent to the Company's sulphuric acid, and caustic soda and chlorine plants. This plant will be completed in 1960.

EARNINGS AND DIVIDENDS

Consolidated net earnings in 1959, after provision of \$1,040,307 for taxes on income, amounted to \$1,938,122 against \$865,205 in 1958.

Earnings, before provision for taxes totalled \$2,978,429 of which \$2,063,873 was derived from manufacturing operations, and \$914,556 from royalties, dividends from associated companies, and other sources.

The Chemicals Company's share of undistributed earnings of its associated companies for 1959 totalled approximately \$248,000, compared with \$255,000 in the previous year.

FINANCIAL POSITION

At the end of 1959, there were 499,844 common shares of the Chemicals Company outstanding, all of which are held by The Shawinigan Water and Power Company. A total of 145,069 of these

shares was issued during 1959 to the Power Company in payment for the 51 per cent interest in Canadian Resins and Chemicals Limited which the Power Company had acquired from Union Carbide Canada Limited.

The Chemicals Company's share of the net worth of its associated companies exceeded the book value of its investment in these companies at December 31, 1959 by approximately \$4,083,000 compared with \$5,204,000 at the end of the previous year. A net decrease results from the consolidation of Canadian Resins and Chemicals with the parent Company in 1959.

OPERATIONS

The Chemicals Company's manufacturing plants in the Province of Quebec at Shawinigan, Varennes, Ste. Thérèse, and Bedford, and one plant in Ontario, at Merriton, produce lime, calcium carbide, a wide range of industrial organic chemicals and resins derived from carbide, formaldehyde, pentaerythritol, sulphuric acid, chlorine, caustic soda, converted vinyl products and stainless steel castings. The Chemicals Company also has subsidiary and associated companies in Canada, the United States, and the United Kingdom which are reported on below.

WHOLLY-OWNED SUBSIDIARIES

Shawinigan Products Corporation, New York—Volume of sales increased

substantially. Dividends received by the Chemicals Company from this company totalled \$179,000 U.S. Funds, the same as in 1958.

Shawinigan Products Corporation acts as a sales agent in the United States for the Chemicals Company and for Shawinigan Products' associated company Midwest Carbide Corporation which has carbide manufacturing plants at Keokuk, Iowa, and Pryor, Oklahoma.

Shawinigan, Limited, London, England—Earnings of this company were higher. Dividends received from Shawinigan, Limited totalled \$59,993 against \$60,954 in 1958. This company acts as sales agent in the United Kingdom and European markets for the Chemicals Company and associated companies.

The McArthur Chemical Co. (1958) Ltd., Montreal—There was a satisfactory increase in sales in 1959 and operations were profitable. An initial dividend of \$50,000 was paid. This company acts as sales agent for St. Maurice Chemicals Division of the Chemicals Company and for other chemical manufacturers, and in addition carries on a general sales business in industrial chemicals.

ASSOCIATED COMPANIES IN CANADA

B.A.-Shawinigan Limited, Montreal—This company operated at a high level of production and earnings increased substantially. Dividends received from B.A.-

Shawinigan totalled \$235,006 against \$58,752 in the preceding year. B.A.-Shawinigan is jointly owned with the British American Oil Company Limited, from whose Montreal East refinery the raw materials for its operations are obtained. Construction of an extension is under way which will provide a 20 per cent increase in B.A.-Shawinigan's capacity to produce phenol and acetone.

IN THE UNITED STATES

Shawinigan Resins Corporation, Springfield, Massachusetts — Sales increased sharply in 1959. Dividends paid by Shawinigan Resins to the Chemicals Company totalled \$312,600 U.S. Funds compared with \$78,150 U.S. Funds in the previous year.

Shawinigan Resins Corporation is jointly owned with Monsanto Chemical

Company and manufactures Butvar, Formvar, polyvinyl alcohol, polyvinyl acetate and polyvinyl acetate resins at its plants in Springfield, Massachusetts and Trenton, Michigan. During the year the company disposed of its Gelvatex Division at Anaheim, California.

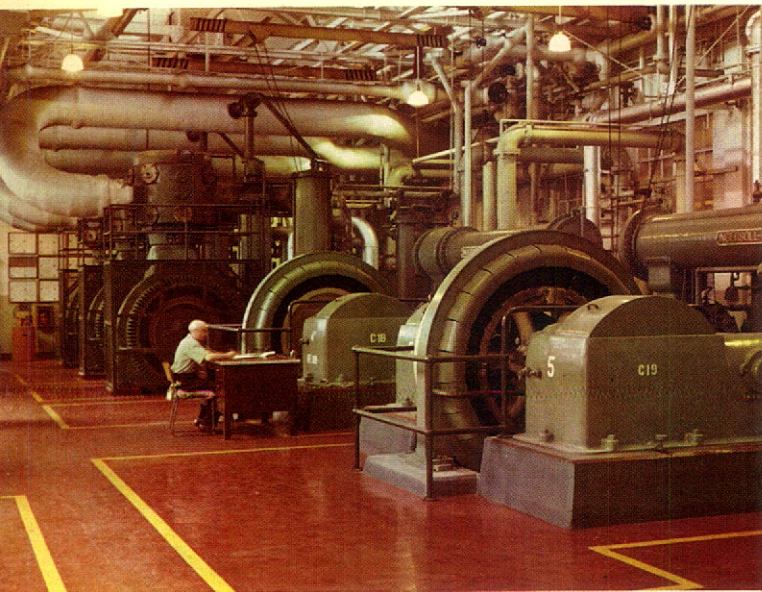
Substantial diversification has occurred in the Company's sales pattern which should reduce the effects of a slowdown in any one industry. Towards the end of the year the company doubled its productive capacity for Gelvatol resins which are used in adhesives, emulsification, film, textile, and paper applications.

IN THE UNITED KINGDOM

Hedon Chemicals Limited—This company, jointly owned with The Distillers Company Limited, Edinburgh, manufactures vinyl acetate in a plant near Hull, England. It completed the fiscal year ended September 30, 1959, with a modest profit and an initial dividend of \$16,315 has been received from this Company.

DIRECTORS AND OFFICERS

H. D. Ross, formerly Vice-President and Assistant General Manager was appointed Vice-President and General Manager. C. K. Lockwood, formerly Vice-President, Sales, was appointed Vice-President, and Manager, Industrial Chemicals Division. P. W. Wright, Secretary of the Company, was appointed Vice-President and Secretary.



Compressors in Shawinigan Chemicals Limited plant at Shawinigan supply air and refrigeration for various chemical processes.



CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1959 and 1958

ASSETS

<u>Current assets</u>	1959	1958
Cash.....	\$1,891,148	\$1,627,437
Short-term investments at approximate market value	5,173,730	1,738,165
Accounts receivable, less provision for doubtful accounts.....	6,229,506	4,642,085
Finished goods, raw materials and supplies, valued at lower of cost or market.....	6,955,828	5,323,187
Prepaid expenses.....	672,862	398,960
	<u>20,923,074</u>	<u>13,729,834</u>
<u>Investments</u> —at cost		
Shares in and loans to associated and other companies.....	5,797,284	8,385,369
<u>Property, plant and equipment</u> — at cost.....	50,742,079	37,068,021
Less accumulated depreciation.....	<u>32,483,848</u>	<u>21,615,628</u>
	18,258,231	15,452,393
	<u>\$44,978,589</u>	<u>\$37,567,596</u>
LIABILITIES		
<u>Current liabilities</u>		
Accounts payable and accrued charges.....	\$3,361,345	\$2,247,689
Accrued interest on debentures.....	47,629	50,103
Provision for taxes on income.....	945,754	156,981
Sinking fund instalment payable October 15, 1960..	250,000	250,000
	<u>4,604,728</u>	<u>2,704,773</u>
<u>4¾% Sinking fund debentures</u>		
Maturing October 15, 1971.....	4,750,000	5,000,000
Less amount payable October 15, 1960.....	250,000	250,000
	<u>4,500,000</u>	<u>4,750,000</u>
<u>Shareholders' equity</u>		
<i>Capital Stock</i> —		
Authorized—600,000 common shares of \$25.00 each.....	\$15,000,000	
Issued —499,844 common shares (1958 - 354,775 shares) (Note 1).....	12,496,100	8,869,375
Capital surplus.....	3,234,085	3,251,917
Retained earnings (Notes 2 and 3).....	<u>20,143,676</u>	<u>17,991,531</u>
	35,873,861	30,112,823
	<u>\$44,978,589</u>	<u>\$37,567,596</u>

Approved on behalf of the Directors,

H. S. SUTHERLAND, *Director.*
J. H. GIBBS, *Director.*

AUDITORS' REPORT

We have examined the attached Consolidated Balance Sheet of Shawinigan Chemicals Limited and its Subsidiary Companies as at December 31, 1959, and the related Consolidated Statements of Earnings, Retained Earnings and Capital Surplus for the year ended that date, and have obtained all the information and explanations we have required. We were furnished with financial statements of the United Kingdom subsidiary, together with report thereon of independent chartered accountants. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information, the explanations given to us and as shown by the books of the Companies examined by us and the financial statements furnished to us, the accompanying Consolidated Balance Sheet and the related Consolidated Statements of Earnings, Retained Earnings and Capital Surplus, with the accompanying notes thereto, are properly drawn up so as to exhibit a true and correct view of the combined state of affairs of Shawinigan Chemicals Limited and its Subsidiary Companies as at December 31, 1959, and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, February 8, 1960.

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

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1959 AND 1958

	1959	1958
Net sales.....	\$44,646,758	\$33,006,788
Cost of goods sold.....	38,467,719	29,325,760
GROSS PROFIT.....	<u>6,179,039</u>	<u>3,681,028</u>
Administrative and selling expenses.....	3,214,405	2,093,590
Research expense.....	665,735	733,214
Interest on debentures.....	235,026	237,500
	<u>4,115,166</u>	<u>3,064,304</u>
PROFIT ON OPERATIONS.....	<u>2,063,873</u>	<u>616,724</u>
Income from investments.....	770,750	279,095
Income from royalties.....	13,531	118,653
Income from other sources.....	130,275	65,590
	<u>914,556</u>	<u>463,338</u>
	2,978,429	1,080,062
Provision for taxes on income (Note 5).....	1,040,307	214,857
NET EARNINGS FOR YEAR.....	<u>\$1,938,122</u>	<u>\$865,205</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1959 AND 1958

	1959	1958
Balance at beginning of year, including Canadian Resins and Chemicals Limited in 1959.....	\$19,271,026	\$16,235,012
Net earnings for year.....	1,938,122	865,205
Transfers from general and other reserves.....	—	1,141,271
	<u>21,209,148</u>	<u>18,241,488</u>
Sundry adjustments applicable to prior years.....	65,472	20,626
Dividends paid during year.....	1,000,000	229,331
	<u>1,065,472</u>	<u>249,957</u>
BALANCE AT END OF YEAR.....	<u>\$20,143,676</u>	<u>\$17,991,531</u>

CONSOLIDATED STATEMENT OF CAPITAL SURPLUS

FOR THE YEARS ENDED DECEMBER 31, 1959 AND 1958

	1959	1958
Balance at beginning of year.....	\$3,251,917	\$2,987,504
Debit arising from acquisition of net assets of Canadian Resins and Chemicals Limited.....	(17,832)	—
Transfers from general reserve.....	—	46,491
Net credit arising from acquisition of net assets of St. Maurice Chemicals Limited and The McArthur Chemical Co. Ltd.....	—	217,922
BALANCE AT END OF YEAR.....	<u>\$3,234,085</u>	<u>\$3,251,917</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. During the year 145,069 shares were issued for the consideration of 32,752 shares of Canadian Resins and Chemicals Limited which company's net assets were then acquired at their book value.
2. The Debenture Trust Agreement restricts the payment of cash dividends and reductions of paid-up capital stock to the total of consolidated net earnings subsequent to December 31, 1955 and \$3,000,000.
3. An amount of \$1,141,785 of the retained earnings of Canadian Resins and Chemicals Limited is deemed to be Designated Surplus and subject to income tax if and when distributed to the parent company as at present provided under Section 28 (2) of the Income Tax Act.
4. Contingent Liability — One of the subsidiary companies whose accounts are consolidated herein is jointly and severally liable as co-guarantor of \$1,250,000, 4¾% Sinking Fund Debentures of an associated company, maturing July 1, 1964.
5. A reduction of \$171,132 (1958 - \$195,630) in the provision for taxes on income has resulted from claiming for tax purposes an amount of \$393,799 (1958 - \$498,736) for depreciation in excess of that recorded in the accounts. The accumulated reduction in taxes to date amounts to \$366,762.
6. The following amounts have been charged against earnings in 1959: depreciation \$2,322,116, executive salaries \$312,203, directors' fees \$11,070, legal expenses \$29,638.



THE SHAWINIGAN WATER AND POWER COMPANY

DIRECTORS

LT.-COL. L. J. A. AMYOT RAYMOND DUPUIS, Q.C. ARTHUR SURVEYER
*R. J. BEAUMONT *J. A. ECCLES H. S. SUTHERLAND
N. J. DAWES *J. A. FULLER W. R. WAY
AUGUSTE DESILETS, Q.C. R. E. HEARTZ *H. G. WELSFORD
*S. G. DOBSON *W. F. MACKLAIER, Q.C. J. B. WOODYATT
W. F. MAINGUY

**Members of Executive Committee.*

OFFICERS

R. J. BEAUMONT, *Chairman of the Board*
J. A. FULLER, *President and Chairman of the Executive Committee*
W. F. MAINGUY, *Executive Vice-President*
A. C. ABBOTT, *Vice-President* W. R. WAY, *Vice-President*
H. B. ABBOTT-SMITH, *Vice-President,* L. E. BOISSONNAULT, *Vice-President,*
Power Sales *Finance*
E. D. GRAY-DONALD, *Vice-President, Administrative Services*
A. C. JONCAS, *Treasurer* R. R. MERIFIELD, *Secretary*
A. TIMON, *Comptroller*

Assistant Vice-Presidents
JULES BOUCHARD H. M. FINLAYSON FRANCOIS ROY
T. P. DALTON GORDON D. HULME JOSLYN A. SMITH
L. MCGILLIS

HEAD OFFICE: MONTREAL, CANADA

TRANSFER AGENTS:

PREFERRED SHARES CLASS "A" COMMON SHARES COMMON SHARES
Montreal Trust Company Montreal Trust Company The Royal Trust Company
Montreal, Toronto, Halifax, *Montreal, Toronto* *Montreal, Toronto, Vancouver*
Winnipeg, Edmonton, Vancouver
Bank of Montreal Trust
Company
New York City

REGISTRARS:

PREFERRED SHARES CLASS "A" COMMON SHARES COMMON SHARES
The Royal Trust Company The Royal Trust Company National Trust Company,
Montreal, Toronto, Halifax *Montreal, Toronto* *Limited*
Winnipeg, Edmonton, Vancouver *Montreal, Toronto, Vancouver*
Bankers Trust Company
New York City

BANKERS:

The Royal Bank of Canada
Banque Canadienne Nationale

AUDITORS:

Sharp, Milne & Co.,
Chartered Accountants, Montreal

The Company's Preferred, Class "A" Common and Common Shares are listed or traded on the Exchanges shown below:

PREFERRED SHARES: Montreal Stock Exchange; Toronto Stock Exchange.

CLASS "A" COMMON SHARES: Montreal Stock Exchange; Toronto Stock Exchange.

COMMON SHARES: Montreal Stock Exchange; Toronto Stock Exchange; Vancouver Stock Exchange; American Stock Exchange, New York City; London Stock Exchange; Paris Bourse; Amsterdam Stock Exchange; Brussels Bourse.



SHAWINIGAN CHEMICALS LIMITED

DIRECTORS

P. W. BLAYLOCK	C. K. LOCKWOOD	A. W. SCOTT
J. A. FULLER	W. F. MAINGUY	H. S. SUTHERLAND
J. H. GIBBS	H. D. ROSS	P. W. WRIGHT
	C. M. SCHWAB	

OFFICERS

J. A. FULLER, *Chairman of the Board*
H. S. SUTHERLAND, *President*

P. W. BLAYLOCK, *Vice-President, Research and Development*,
C. K. LOCKWOOD, *Vice-President and Manager, Industrial Chemicals Division*

J. H. GIBBS, *Vice-President, Industrial Relations* P. W. WRIGHT, *Vice-President and Secretary*
H. D. ROSS, *Vice-President and General Manager*

A. H. ANDERSEN, *Assistant Vice-President* G. BENSON, *Assistant Vice-President*
G. A. DONALD, *Treasurer*

HEAD OFFICE: MONTREAL, CANADA

WORKS: SHAWINIGAN, STE. THERESE, VARENNES, BEDFORD, P.Q. AND MERRITON, ONT.

SHAWINIGAN LIMITED, LONDON, ENGLAND

F. G. PENTECOST, *Chairman of the Board*
W. SCOTT, *Managing Director* V. P. BROOKS, *Director*
R. G. WALLER, *Secretary*

SHAWINIGAN PRODUCTS CORPORATION, NEW YORK, N.Y.

C. M. SCHWAB, *President*
WALTER BENDER, *Vice-President* F. X. LEE, *Secretary-Treasurer*



THE SHAWINIGAN ENGINEERING COMPANY, LIMITED

OFFICERS

R. E. HEARTZ, *President*

J. A. BURKE, *Vice-President, Construction* G. R. RINFRET, *Vice-President, Engineering*
L. E. BOISSONNAULT, *Treasurer* R. R. MERIFIELD, *Secretary*

HEAD OFFICE: MONTREAL, CANADA

