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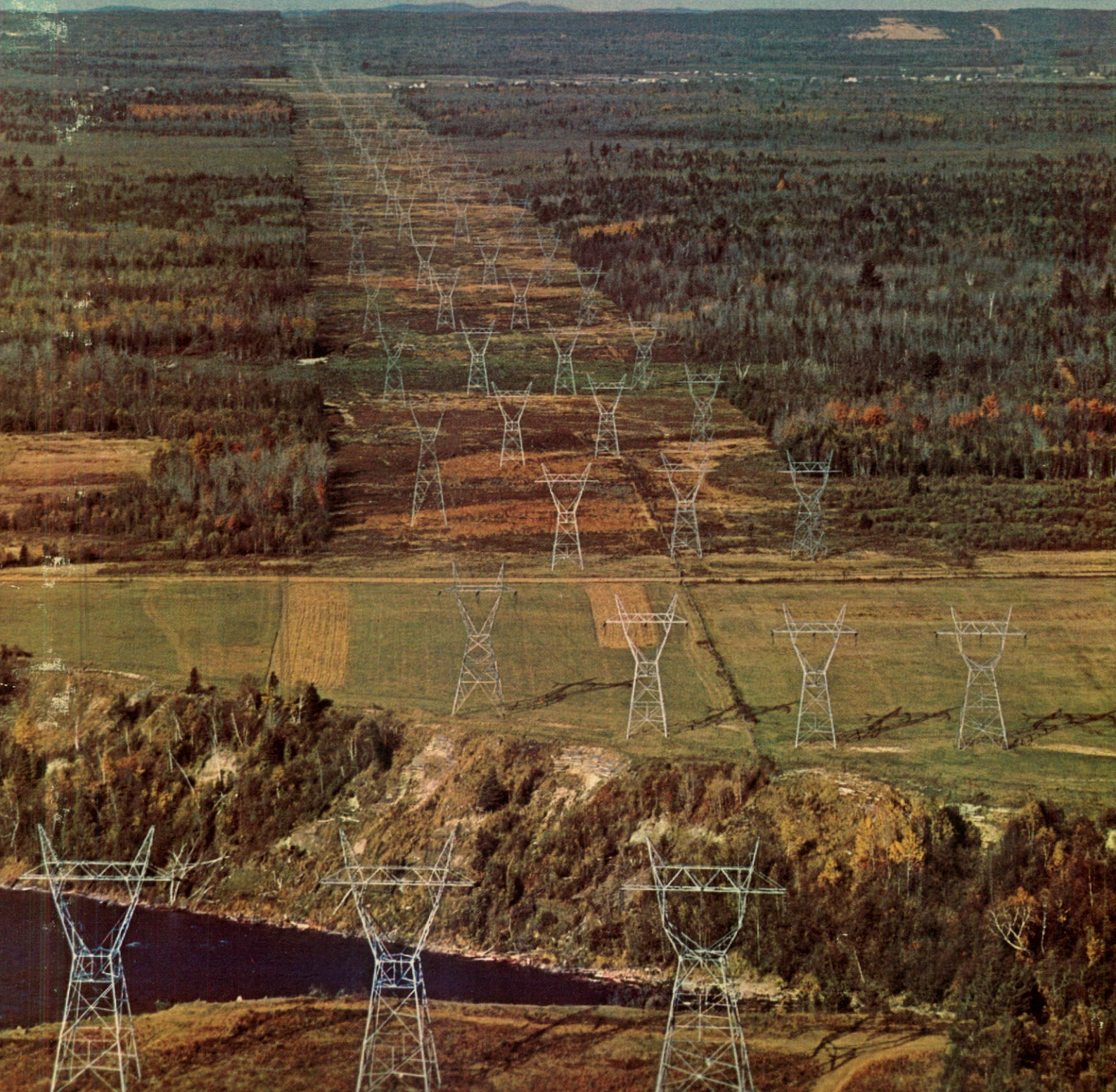
THE
SHAWINIGAN

WATER AND POWER COMPANY



ANNUAL REPORT

1961



Front Cover: A parade of towers carrying transmission lines from the Company's generating stations along the St. Maurice River (foreground) to the terminal station at Trois-Rivières. Shawinigan operates 18,460 miles of transmission and distribution lines.

Inside Cover: The plant of Quebec Iron and Titanium Corporation, a major power customer in the Sorel area. Establishment of the plant in the Province was largely due to the Power Company's research leading to the development of a process for the electrolytic production of titanium slag and pig iron from ilmenite ore.



THE SHAWINIGAN WATER AND POWER COMPANY

HEAD OFFICE: MONTREAL, CANADA



SIXTY-FOURTH

ANNUAL REPORT

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*On obtiendra la version française de ce rapport sur demande.
Service des Relations extérieures et de la Publicité, The Shawinigan Water and
Power Company, 600 ouest, boulevard Dorchester, Montréal, Canada.*

HIGHLIGHTS

	1961	1960	Increase or Decrease*
Total primary kilowatt-hour sales—millions	11,878	11,169	6.4%
Primary power peak load—kilowatts . . .	2,159,900	2,015,900	7.1%
Revenue from sales of electricity	\$86,854,971	\$81,542,566	6.5%
Earnings per common share	\$1.51	\$1.55	4 cents*
Dividends declared per common share . . .	80 cents	80 cents	—
Common shares outstanding, December 31	7,939,081	7,827,793	111,288
Capital expenditures	\$23,733,153	\$17,702,658	\$6,030,495
Customers served December 31	369,366	362,296	7,070

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.

A section of the Company's terminal station at Thetford Mines.



NEW PLANTS

Several events of outstanding importance to the Company's future occurred during the year. First, was the decision to proceed with the 125,000-kilowatt Des Coeurs hydro-electric station on the upper St. Maurice River. Second, was the decision to start concurrently construction of a 300,000-kilowatt thermal electric generating station to both complement and supplement the production of our hydro-electric developments on the St. Maurice River. The thermal station, to be located at Tracy near Sorel on the South Shore of the St. Lawrence River, will come into operation about mid-1964. Third, was the decision of Shawinigan Chemicals Limited to build a petrochemical plant at Varennes, Quebec, which will produce ethylene, propylene and butylene, and other chemicals which are important building blocks of the chemical industry. The major part of the ethylene produced will be converted to acetaldehyde, a basic raw material for the manufacture by the Chemicals Company of many of its products.

FUTURE FINANCING

These projects involve substantial amounts of money. The estimated cost of the thermal electric plant is \$45 million, and a similar amount is required to construct the Des Coeurs hydro-electric station. To this total of \$90 million must be added normal annual expenditures to provide for the growth of our transmission and distribution systems, and major terminal stations and substations. The estimated total expenditure for the period 1962-1966 is \$175 million. The present ratio of funded debt to total capital and surplus is only 43.5 per cent, and we therefore expect that the moneys required to supplement internally generated funds can be obtained by the sale of first mortgage bonds.

It is expected that new public financing will be required during the latter part of 1962.

In August, The British American Oil Company Limited acquired a 25 per cent interest in Shawinigan Chemicals Limited, for which it paid \$12,077,645 in cash and its 50 per cent share ownership of B.A.-Shawinigan Limited. The cash payment plus internally generated funds of the Chemicals Company are expected to be adequate to cover the cost of the new petrochemical plant at Varennes which is estimated to be \$20 million.

EARNINGS

Sales of electricity, major source of Shawinigan's revenue, amounted to \$86,854,971, a record high. Net earnings of \$13,766,259 were off 1.6 per cent as the result of a number of factors including higher interest charges, increased water storage rentals, costs arising from the February 25 sleet storm, and increased power purchases. Because of sub-normal hydraulic conditions early in the year, less secondary energy was generated in 1961 and energy purchases were increased to supply electric boiler customers and to maintain water storage levels.

Earnings per common share were \$1.51 compared with \$1.55 in the previous year.


THE FUTURE

Shawinigan's tradition is one of pioneering. Our first power plant, which was completed in 1902, was a major pioneering effort with many attendant risks. This power plant brought to Quebec its first large-scale industries, and ever since Shawinigan has been a major contributor to the industrial and economic development of the Province.

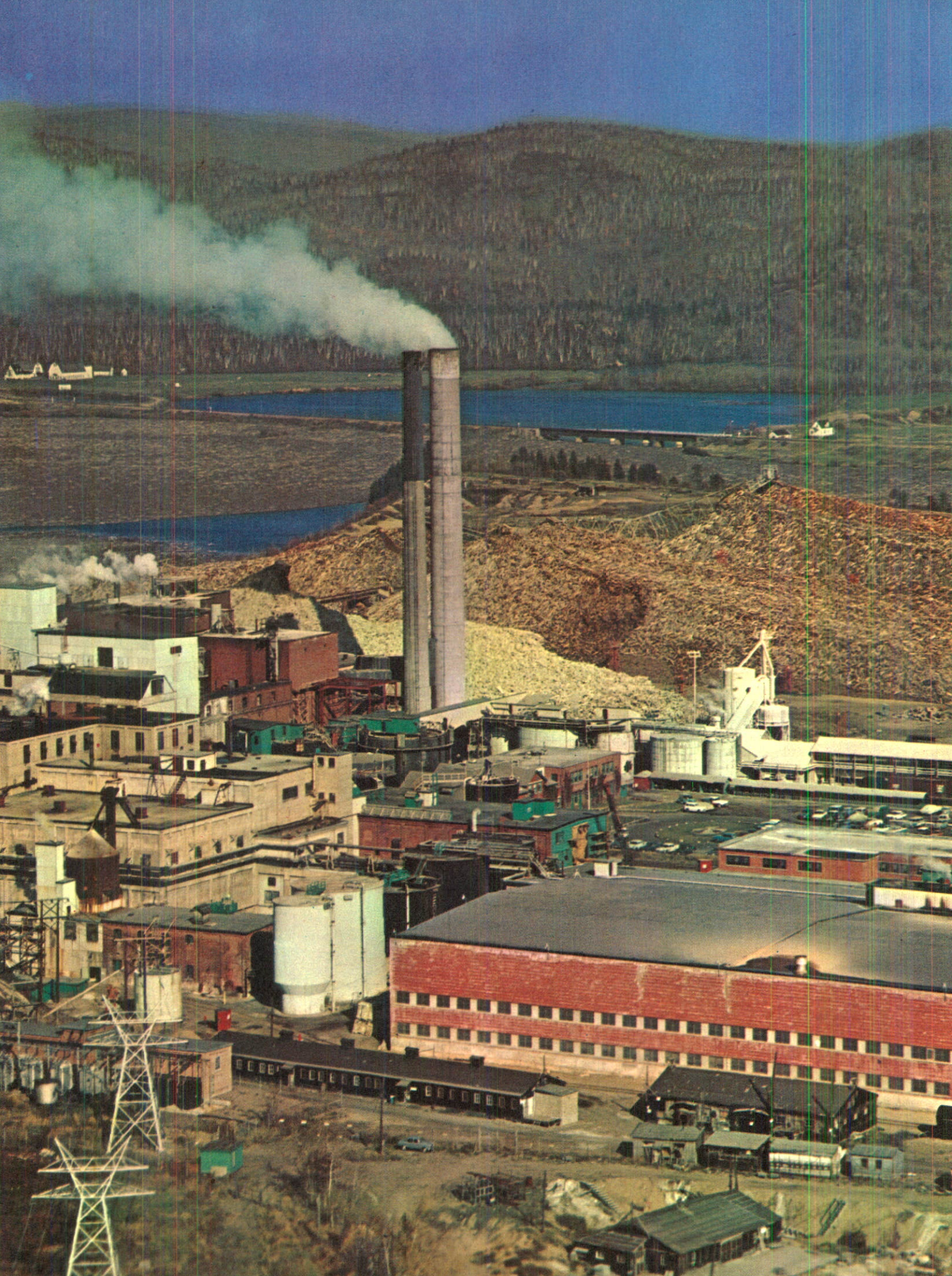
As to the future, we foresee continued growth in power requirements which, in ten years, will be double those of today, and plans have been made to meet this expected increase in demand.



Chairman



President



REPORT OF THE BOARD OF DIRECTORS

Net earnings in 1961 were \$13,766,259, a decrease of 1.6 per cent from earnings of \$13,985,067 in the previous year. Earnings per share on the 7,939,081 common shares of the Company outstanding on December 31, 1961 were \$1.51. This compares with \$1.55 on the 7,827,793 shares outstanding at the end of 1960.

Dividends of 80 cents per share were declared on the common stock in 1961, unchanged from the preceding year.

REVENUE AND EXPENSES

Total operating revenues of \$88,075,914, of which \$86,854,971 resulted from sales of electricity, were 6.4 per cent higher than in 1960. Total operating expenses of \$69,652,243 increased 8.0 per cent leaving operating income of \$18,423,671, up 0.8 per cent.

Much of the increase in operating expenses was caused by larger power purchases which totalled \$17,420,145 in 1961 as against \$14,299,010 in the preceding year. Of the increase in cost of purchased power, \$2,035,733 was for additional firm power under contract and \$1,085,402 for energy to maintain water storages at satisfactory levels and for resale to customers producing steam from electric boilers. Because of sub-normal precipitation and run-off in early 1961 practically all of the energy supplied to steam boiler customers was purchased. Expenditures for energy to maintain water storages were offset by a transfer to earnings of \$243,000 from the water storage equalization reserve, a tax paid reserve, set up in past years to meet the contingency of sub-normal hydraulic conditions.

Operation, maintenance and general expenses rose 4.2 per cent to \$21,983,168, included in which was an amount of \$376,506 for costs arising from the sleet storm of February 25. Water storage rentals rose 18.7 per cent to \$2,118,546 in consequence of the revised agreement with the Provincial Government relating to water storage benefits described more fully in a later section of this report. Provincial profits tax was also higher resulting from a tax rate increase of two percentage points.

Interest on funded debt amounted to \$6,402,202, up \$718,047 mainly as a result of the issuance on March 1 of \$20 million 5¾ per cent bonds, \$9,942,000 of which was used to refund, at maturity, an equivalent amount of 3 per cent bonds.

Total non-operating income of \$2,141,936 was up 6.4 per cent. Dividend payments received from Shawinigan Chemicals were \$250,156 lower. Total dividends paid out by the Chemicals Company in 1961 amounted to \$916,459 compared with \$1,000,000 in the previous year. The amount paid to the Power Company was \$749,844 and the remainder was paid to The British American Oil Company Limited subsequent to its acquisition of the 25 per cent interest in the Chemicals Company.

In this report, the 1961 financial statements and comparative 1960 figures of The Shawinigan Water and Power Company, and its subsidiaries, St. Maurice Power Corporation and Southern Canada Power Company, Limited are consolidated. Throughout the report the term "Shawinigan" refers to all three companies, while the term "the Company" or "the Power Company" refers to The Shawinigan Water and Power Company only.

A report on Shawinigan Chemicals Limited and its subsidiary and associated companies is presented on pages 21 to 23. The separate report is desirable because the operations of the chemicals companies differ substantially from those of the power companies.

◀ *In 1961 The Canadian International Paper Company completed a program substantially increasing the capacity of its La Tuque plant. The pulp and paper industry purchases a large amount of power from Shawinigan.*

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

REVENUES AND HOW USED—1961

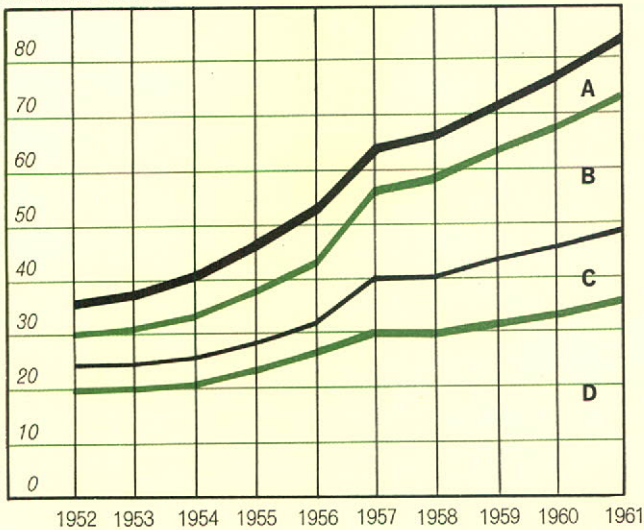
<i>Percent of gross revenues</i>	REVENUES:	
95.8	Sales of electricity	\$86,854,971
2.1	Other income	1,937,693
1.8	Dividends from subsidiary and other companies	1,633,186
.3	Water storage equalization reserve	243,000
<u>100.0</u>		<u>\$90,668,850</u>
	HOW USED:	
18.2	Services of employees	\$16,533,144
19.2	Power purchased	17,420,145
12.9	Depreciation and amortization	11,744,223
6.0	Materials and services purchased	5,404,022
20.9	Taxes and other payments to governments	18,862,327
7.0	Interest paid to bondholders	6,402,202
8.9	Dividends to shareholders	8,091,928
.6	Preferred dividends and minority interest— Southern Canada Power Company, Limited	536,528
6.3	Retained for use in the business	5,674,331
<u>100.0</u>		<u>\$90,668,850</u>

SOURCE AND APPLICATION OF FUNDS—1961

SOURCE OF FUNDS:	
Net earnings	\$13,766,259
Add—Charges to earnings not requiring cash outlay:	
Depreciation and amortization	11,744,223
Taxes applicable to future years	1,886,000
	<u>27,396,482</u>
Sale of common shares to employees	2,447,621
Sale of series "S" bonds	19,600,000
Disposal of fixed assets, and miscellaneous items	2,106,918
	<u>51,551,021</u>
APPLICATION OF FUNDS:	
Capital expenditures	23,733,153
Redemption of funded debt	12,083,500
Investments in and advances to subsidiary and other companies (net)	353,139
Dividends to shareholders	8,091,928
	<u>44,261,720</u>
INCREASE IN WORKING CAPITAL	<u>\$ 7,289,301</u>

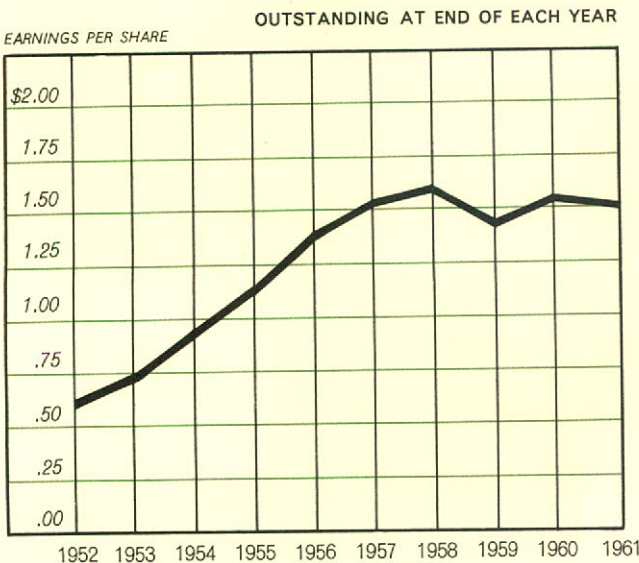
REVENUE FROM PRIMARY ELECTRICITY SALES

MILLIONS OF DOLLARS



- Other utilities for resale* **A**
- Residential—urban, suburban, rural* **B**
- Small industries, commercial, municipal services, etc.* **C**
- Large industries* **D**

EARNINGS PER COMMON SHARE



The reduction in dividend income received from the Chemicals Company was more than offset by an increase in the dividend paid by The Shawinigan Engineering Company Limited from \$150,000 in 1960 to \$250,000 in 1961, and increases in interest charged to construction and other miscellaneous income.

FINANCIAL POSITION

As previously mentioned, the Company issued on March 1, 1961, \$20 million principal amount, series "S" 5¼ per cent 20-year bonds. Proceeds from this bond issue, receipts of \$2,447,621 from the 1959 Employee Stock Purchase Plan, which terminated in November 1961, plus other internally generated funds, produced total funds of \$51,551,021 as shown by the statement of Source and Application of Funds.

Outlay of funds for capital expenditures, redemption of \$9,942,000 three per cent series "L" bonds which matured March 1, 1961, and dividends to shareholders, totalled \$44,261,720. This was \$7,289,301 less than funds received and is reflected in an increase in working capital by this amount.

Funded debt on December 31, 1961, was \$167,928,500, an increase of \$7,916,500 during the year. The increase resulted from additional debt of \$20 million created by the issuance of the series "S" bonds, less the redemption at maturity of the \$9,942,000 series "L" bonds and the retirement of other first mortgage bonds in accordance with sinking fund provisions.

OPERATIONS

On February 25, one of the worst sleet storms in Shawinigan's history struck a large part of its service area, and over half of its customers were affected. At the peak of repair operations some 1,000 men were on duty, including employees from other electric utilities and contractors. By February 27, approximately 90 per cent of the customers affected had power restored, and the remaining 10 per cent shortly afterwards.

Total energy generated in 1961 was 13.0 per cent below the previous year because of sub-normal precipitation in the first six months of the year. Purchases of firm and secondary energy were up 32.9 per cent due to the increase in power taken under firm contracts, particularly the Bersimis contract with the Quebec Hydro-Electric Commission, and the energy purchased for resale to electric boiler customers. Secondary energy was also purchased in the first half of the year to assist in maintaining a satisfactory water storage position.

Total sales of electricity, including secondary energy, increased 2.2 per cent to a record high of 13,516 million kilowatthours. Secondary energy sales were off 20.4 per



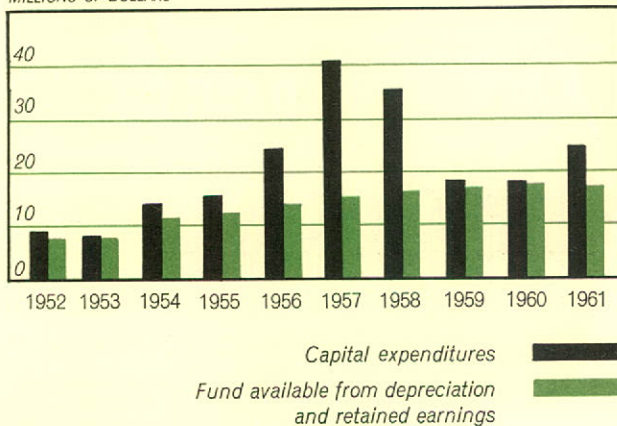


The Company's new Valleyfield service building, officially opened in June 1961.

◀ A Company crew using a "giraffe" for selective tree-trimming along distribution lines.

CAPITAL EXPENDITURES FOR NEW CONSTRUCTION

MILLIONS OF DOLLARS



cent from the previous year because of the unfavourable hydraulic conditions already mentioned.

Kilowatthour sales of primary power to residential customers including urban, suburban and rural customers (including farm), increased 10.6 per cent compared with an increase of 10.2 per cent in 1960 over 1959. Primary power sales to large customers, including the pulp and paper, chemical and metallurgical, iron and titanium, and asbestos industries increased 4.6 per cent.

Primary power peakload of the Shawinigan system occurred in December when demand reached 2,159,900 kilowatts. This compared with a peak of 2,015,900 in December of the preceding year.

Total number of Shawinigan customers on December 31, 1961 was 369,366, an increase of 7,070 or 1.9 per cent over the same date of 1960. Residential, including rural customers totalled 328,283, industrial, commercial, municipal and utility 41,083.

POWER AND WATER STORAGE AGREEMENTS

Agreement was reached in principle with Quebec Hydro-Electric Commission covering purchases of power from the Manicouagan development with delivery to start in 1966. The additional power will be required at that time to meet Shawinigan's anticipated load growth. During the year, the contract with Quebec Hydro for delivery of power at Chambly amounting to 37,300 kilowatts expired and a new contract for 75,000 kilowatts went into effect on November 1.

A new water storage agreement, which will be in effect for 40 years from January 1, 1958, was completed with the Quebec government, replacing one which had expired. Under the new agreement the rates payable by the Company for water storage benefits provided by the Gouin and Manouan storage reservoirs are substantially increased. The new rates will be applied on a graduated basis to reach a maximum in 1966.

WATER CONDITIONS

During the 1961 spring run-off period, precipitation was unusually light, which together with a dry fall in 1960 resulted in a sub-normal catchment in water storages. Some secondary energy was purchased at this time to assist in maintaining water storage reserves. Later in the year, precipitation improved and on December 31, 1961, water in storage was 14 per cent above the long-term average for that date.

CAPITAL AND MAINTENANCE EXPENDITURES

Capital expenditures in 1961 were \$6,030,495 higher at \$23,733,153. Outlay for erection of the Isle Maligne to Quebec 345,000-volt transmission line and extension of terminal facilities at Quebec amounted to \$6,545,767. This

line, which is nearing completion, will be used to transmit power which the Company has arranged to purchase from Aluminum Company of Canada, Limited starting November 1, 1962.

Other major expenditures were for completion of extensions to the Ste. Rose and Chaudière terminal stations, preliminary clearing and construction of access roads at the 125,000-kilowatt Rapide des Coeurs power development on the Upper St. Maurice River, and site preparation work in connection with the 300,000-kilowatt thermal generating station at Tracy on the South Shore of the St. Lawrence River.

Total maintenance expenses were \$7,791,632 compared with \$7,265,012 in 1960. Cost of the severe sleet storm of February 1961 was \$1,195,151 of which \$818,645 was charged as capital expenditure as many lines had to be completely rebuilt, and \$376,506 as maintenance. Other maintenance charges included repairs to generating plants, transmission and distribution lines, terminal stations and substations throughout the system.

NEW INDUSTRY

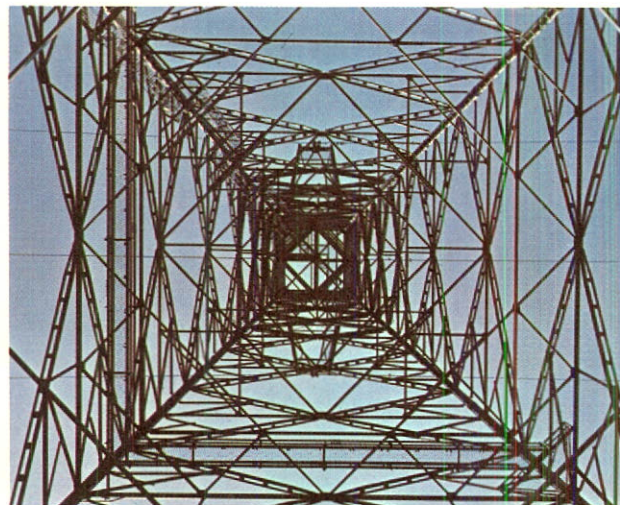
In keeping with highly successful efforts over many years to induce new industries to locate in Quebec, the Company's industrial development department worked closely with various companies in their search for suitable plant locations. A number of these companies decided during the year to locate in the Province of Quebec. Because they complement existing industries, these new plants should appreciably accelerate the diversification of the Province's economy.

Provincial government legislation was passed in 1961 enabling municipalities to establish industrial funds and organize industrial parks. As a result, the Company intensified its "area development" program under which municipalities are assisted in preparing for greater industrial growth. Interest in the program has been substantial and the results gratifying.

A study was started to determine what goods now imported by Canada could be produced competitively in the Province of Quebec. This "production gap" study will provide information to assist companies considering plant locations in the Province.

PROMOTION OF ELECTRICITY SALES

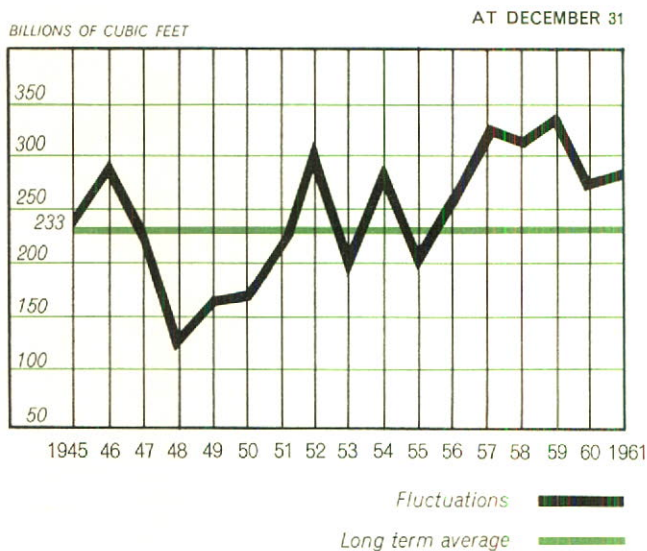
The average annual amount of electricity used by urban and suburban residential customers in 1961 reached a record high of 5,022 kilowatthours, and by rural residential (including farm) customers 3,275 kilowatthours, also a new high. The increasing use of electricity reflects the Company's vigorous sales promotional program and the



An unusual perspective of a transmission tower, viewed from the centre of its base.

Modern farms of Company customers near Huntingdon. Practically all farms in Shawinigan's service area are electrified.

VOLUME OF WATER IN STORAGE





effective work of Company residential advisers, home economists, agronomists, and home wiring specialists.

Company residential advisers assisted some 650 dealers located within the service area to market major electrical appliances. Two customer contests were sponsored in co-operation with manufacturers and dealers, and the Company financed at low monthly payments the sale of family size electric water heaters by appliance dealers. In 1961, the sale of major appliances by these dealers reached a record retail value of approximately \$7,400,000.

Staff home economists provided housewives with individual and group instruction, including demonstrations in Company kitchens, on how to secure the fullest benefits from modern electric appliances. Courses were also given in domestic schools throughout the service area in co-operation with the Quebec government.

Company agronomists advised farmers on ways to modernize their operations by using electricity. In collaboration with the Department of Agriculture free courses in basic electricity and its application to the farm were given to rural youth groups and agricultural schools. Many young men and women attended these courses during 1961. It is interesting to note that the Company first engaged agronomists in 1938 in order to advise farmers in its service area as to the best ways and means of making use of electric service on the farm. It was one of the first companies in Canada to provide this service to its rural customers, and it has continued to do so since that time.

The Company participated in the Medallion home program which encourages builders to provide adequate wiring in new houses. For older houses, the Company in co-operation with some 370 local electrical contractors, financed approved re-wiring at low monthly payments. In 1961, more than 7,980 houses were re-wired of which 16 per cent were under the Company's finance plan.

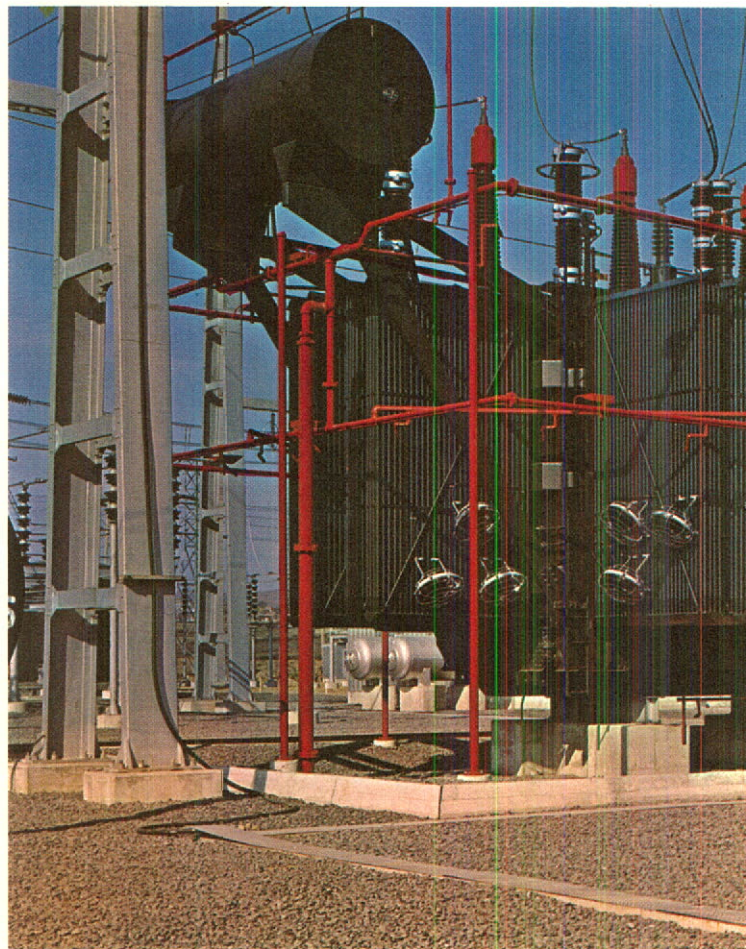
A vigorous street lighting program was undertaken during the year. Demonstrations were given at central points in the Company's territory, to which local mayors and councillors were invited to witness the advantages of modern street lighting equipment. A total of 150 municipalities served by the Company modernized their street lighting facilities in 1961.

SHAREHOLDERS

Of the Company's 17,452 common and class "A" common shareholders, 50.7 per cent reside in the Province of Quebec and 81.5 per cent in Canada. During 1961, the number of shareholders in the Province of Quebec increased by 1,253 and the number in Canada by 1,796. Of the 8,507,698 common and class "A" common shares

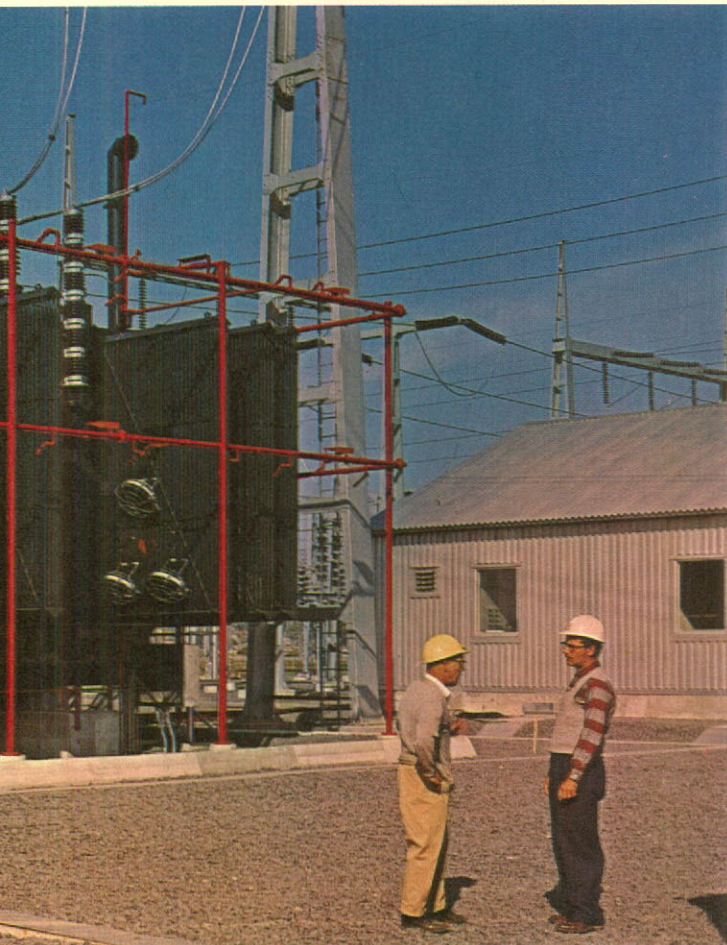


A new power transformer, part of the extension to the Quebec terminal station. Power will be received here at 345,000 volts, highest on the Company's system.





The Company's Quebec terminal station at dusk.



outstanding, 68.7 per cent are held in Canada, while outside Canada the next largest number of shares, 12.7 per cent, are held in Europe.

A total of 102,788 common shares was held at the end of the year by 1,519 employees of the Company and subsidiaries. The geographic distribution of common shares and shareholders is presented on page 24.

DIRECTORS AND OFFICERS

We regret to record the death of two directors of the Company, Dr. Arthur Surveyer, P. Eng., in April, and Auguste Desilets, Q.C., in October. Dr. Surveyer had been a director for twenty years and Mr. Desilets ten years. Their wise counsel will be greatly missed.

In March of 1961, N. J. Dawes and S. G. Dobson retired from the Board of Directors after long and outstanding service. Mr. Dawes had been a director for twenty-three years and Mr. Dobson for fifteen years.

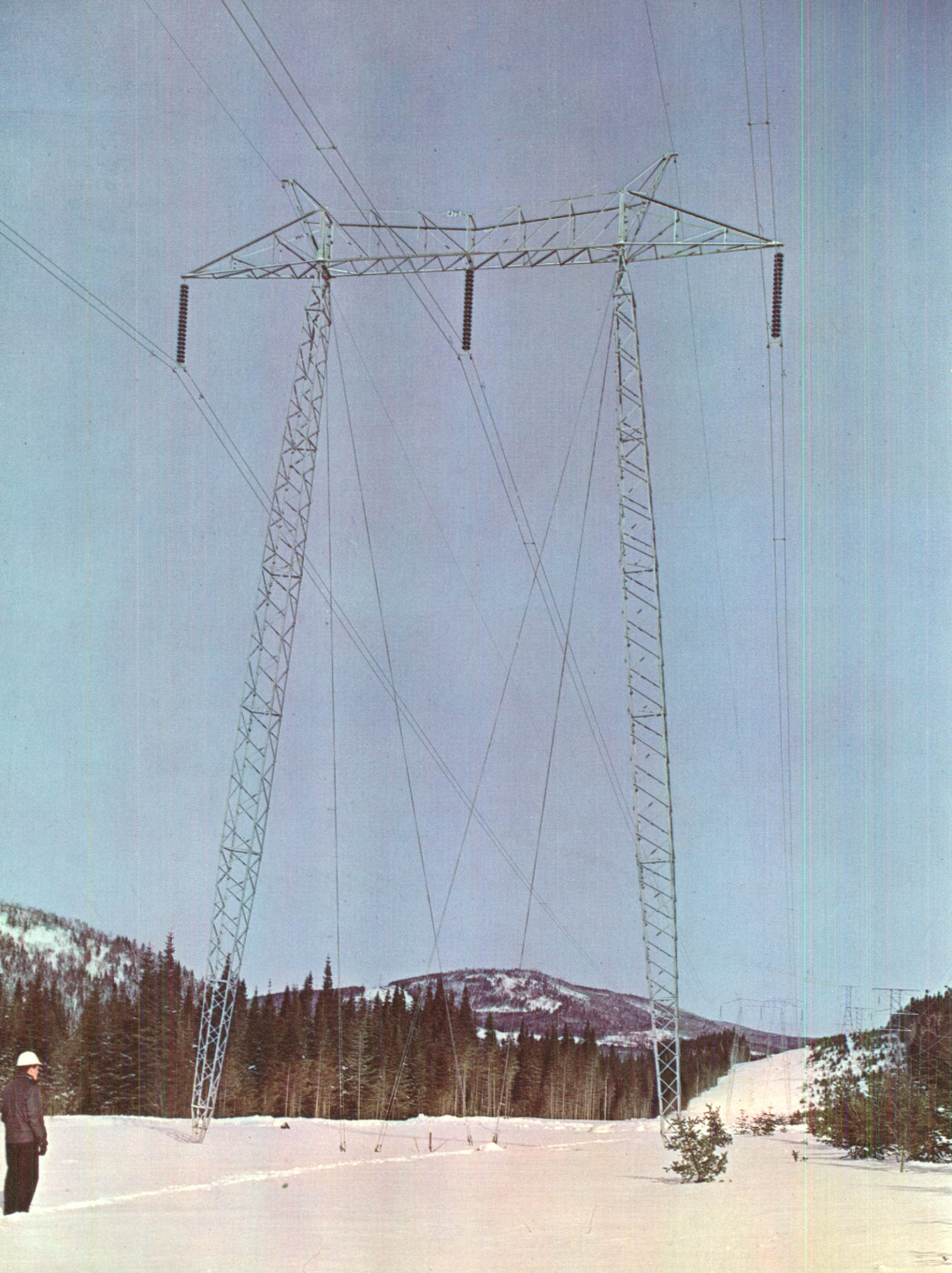
At the Annual General Meeting on March 22, Senator Paul Henri Bouffard, Q.C., and A.C. Abbott, Executive Vice-President of the Company were elected to the Board of Directors. In June, Paul Desruisseaux, Q.C., and in December Marcel Crête, Q.C., were appointed Directors of the Company.

At the Directors' Meeting following the Annual Meeting, R. J. Beaumont, formerly Chairman of the Board, was named Honorary Chairman, J. A. Fuller, formerly President, was elected Chairman of the Board and Chief Executive Officer, W. F. Mainguy, formerly Executive Vice-President, was elected President, A. C. Abbott, formerly Vice-President, became Executive Vice-President, and W. R. Way, formerly Vice-President, became Senior Vice-President.

EMPLOYEES

In November, the Company offered a limited number of shares to employees at a favourable price, the fourth such plan in the past eight years. A total of 2,696 employees of the Company and subsidiary companies subscribed for 128,495 shares. This was 48 per cent of the total number of eligible employees. The stock is purchased on an instalment basis and may be paid up only after the plan has been in effect for a full year.

The Employee Comprehensive Medical Expense Plan was revised January 1, 1961, co-incident with the introduction of the Province of Quebec's Hospital Insurance Service. Among the more important changes effected, maximum benefits per illness were increased to \$10,000, double the previous limit. This maximum, plus the plan's comprehensive coverage whereby every type of standard medical expense is insured, provides employees with the usual benefits of standard medical plans as well as



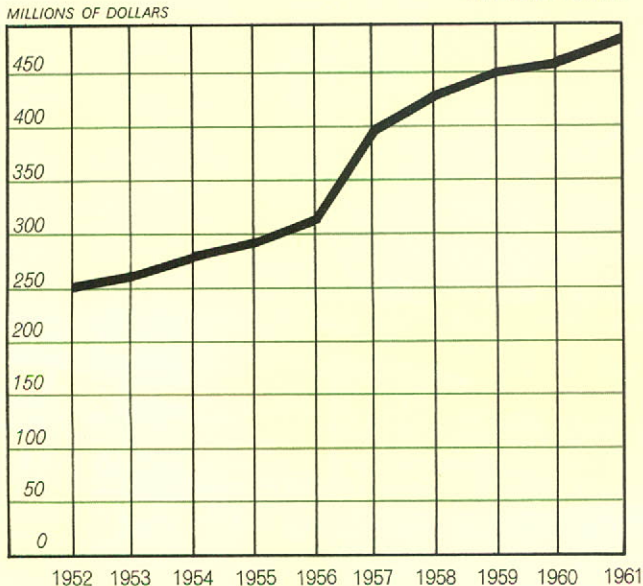


A typical "Medallion" home in the Company's service area. The term "Medallion" signifies that the home has met minimum standards for modern electric living.

◀ A guyed portal tower on the new 345,000-volt transmission line under construction from Isle Maligne to Quebec. Engineering and construction of this 135-mile line are by The Shawinigan Engineering Company Limited.

GROSS INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT

AT DECEMBER 31



protection against excessive costs arising from prolonged illnesses.

Pension benefits were increased retroactive to April 1, 1960 for employees who had retired prior to that date and whose retirement income was small relative to present day living costs. As a result, the monthly income of 484 former employees was increased.

A total of 77 scholarships were awarded in 1961 to children of employees of the Company and subsidiary companies by the Julian C. Smith Memorial Fund Corporation. The Fund, founded by employees and now financed mainly by contributions from the Company and subsidiary companies, has awarded 571 scholarships during twenty-one years of operation.

Perhaps the best indication of good teamwork and efficient operation in the Company is the fact that in the last ten years we have increased the number of customers served by 46.7 per cent, the number of kilowatthours sold by 73.1 per cent, and the miles of line in our electrical system by 24.5 per cent, while the total number of regular employees has increased 10.4 per cent.

All employees have contributed in great measure to these results and to maintenance of the high quality of our service. We take this opportunity to express our appreciation for their good work during the year 1961, and particularly for their outstanding efforts in restoring service following the February sleet storm.

On behalf of the Board of Directors

J. A. Keller

Chairman

W. S. Langley

President



THE SHAWINIGAN ENGINEERING COMPANY LIMITED



Design of the 125,000-kilowatt Rapide des Coeurs development on the upper St. Maurice River for the Power Company, which has been under way since 1959, was continued during 1961. Preliminary clearing and construction of access roads and temporary buildings by the Engineering Company was started in 1961.

The Engineering Company, in collaboration with consultants, are engaged in the design and foundation tests for the 300,000-kilowatt thermal generating station to be built for The Shawinigan Water and Power Company at Tracy on the South Shore of the St. Lawrence River near Sorel, and will act as general contractors for the project. Design and construction of the extension to the Power Company's terminal station near Quebec City were continued. When completed in 1962, the installation of 650,000 kva of new transformer capacity will add substantially to the station capacity and will provide facilities to receive power at 345,000 volts over the new transmission line from Isle Maligne.

This will be the first 345,000-volt transmission line on the Power Company's system. The Engineering Company, as engineers and contractors, made substantial progress on this 135-mile line during 1961. Actual construction was started in May 1961, and by the end of the year all transmission tower foundations were complete, 75 per cent of the 599 towers were erected and 60 per cent of the conductors strung.

OUTSIDE PROJECTS

Among various projects for outside organizations, the Engineering Company is the overall engineering consultant at the Whiteshell Nuclear Research Establishment being built in Manitoba for Atomic Energy of Canada Limited. Construction of the active area shop started in December, while erection of the powerhouse, research and development building, and the medical building will start early in 1962.

At the Twin Falls Power Corporation Limited power development in Labrador, where the Engineering Company is carrying out engineering design and project management, construction of the 120,000-horsepower generating station at Twin Falls, the 110-mile 230,000-volt transmission line from Twin Falls to Wabush, and the terminal station at Wabush is well under way and was on schedule at the end of 1961.

The Engineering Company is one of three shareholders of CASECO Consultants Limited, Vancouver, British Columbia, which was organized to carry out engineering studies on the Columbia River development in Canada for the British Columbia Power Commission. During 1961, in collaboration with CASECO, the Engineering Company participated in the preliminary studies and preparation of estimates of cost of storage dams, power developments, and the transmission system for the Columbia River project in Canada.

The Engineering Company continued design work for the Quebec Hydro-Electric Commission's Carillon project on the Ottawa River, which will have an installed generating capacity of 840,000 horsepower when completed, and which will incorporate a 65-foot single-lift navigation lock.

In addition to the foregoing major projects, Shawinigan Engineering performed both engineering and construction work on miscellaneous projects for The Shawinigan Water and Power Company, Shawinigan Chemicals Limited, Quebec Power Company, Quebec Iron and Titanium Corporation, Consolidated Paper Corporation, and many other clients.

The Shawinigan Engineering Company Limited was founded in 1919 to consolidate the operations of two divisions of The Shawinigan Water and Power Company—engineering and construction. During its 42 years of operation, the Engineering Company has undertaken a wide range of major projects for both the Power Company and outside organizations.

◀ *Twin Falls Power Corporation Limited's generating station under construction at Twin Falls, Labrador. Engineering design and project management for this 120,000-horsepower plant are being carried out by The Shawinigan Engineering Company Limited.*

CAPITAL EXPANSION

Shawinigan's generating capacity will be increased by 27 per cent in the next four years when two new generating stations are completed. Capital investment in the plants will total approximately \$90 million.

At Tracy, near Sorel, the \$45 million thermal station will add 300,000 kilowatts to Shawinigan's generating capacity in 1964. A further increase in capacity of 125,000 kilowatts will result when the \$45 million hydro-electric station at Rapide des Coeurs on the upper St. Maurice River starts producing power in 1965.

◀ Artist's conception of the Company's projected 300,000-kilowatt thermal generating station near Sorel.



Illustration of the 125,000-kilowatt ► power development to be built at Rapide des Coeurs on the upper St. Maurice River.



Ben Turner



SHAWINIGAN CHEMICALS LIMITED



On August 1, 1961, B.A.-Shawinigan Limited, formerly jointly owned with The British American Oil Company Limited, became wholly-owned and a division of the Chemicals Company.

Acquisition of full ownership of B.A.-Shawinigan Limited by the Chemicals Company results from the participation by The British American Oil Company Limited in the financing of a \$20 million petrochemical plant being built by Shawinigan Chemicals Limited at Varennes, Quebec. B.A. subscribed for 166,615 common shares, or 25 per cent of the issued share capital of Shawinigan Chemicals Limited. For this interest in the Chemicals Company, B.A. paid \$12,077,645 in cash, and in addition transferred its 50 per cent interest in B.A.-Shawinigan Limited to the Chemicals Company. The balance of the Chemicals Company's outstanding share capital, 499,844 common shares, is held by The Shawinigan Water and Power Company.

OPERATIONS In the early part of 1961 demand for chemicals and chemical products was light. In the latter half of the year, volume of sales increased substantially, but the improvement in profits was partially offset by a further decline in the prices of the Chemicals Company's products, particularly in the plastics field. The net return from export sales and dividends received from United States subsidiary and associated companies was favourably affected by the decline of the Canadian dollar to a discount relative to United States currency.

EARNINGS Profit on operations totalled \$2,233,973 compared with \$2,677,231 in the previous year, after adjusting the 1960 figures to include B.A.-Shawinigan Limited. Income from investments, royalties and other sources, including in 1961 a liquidating dividend from B.A.-Shawinigan Limited of \$154,516, amounted to \$1,010,396 as against \$1,020,389 in 1960.

Net earnings after provision for taxes on income were \$2,087,788, an increase of 13 per cent over 1960. However, these net earnings were 4 per cent less than the combined net earnings of the Chemicals Company and B.A.-Shawinigan Limited for 1960, less the ordinary inter-company dividends. The Chemicals Company's share of undistributed earnings of its associated companies for 1961 totalled approximately \$182,000.

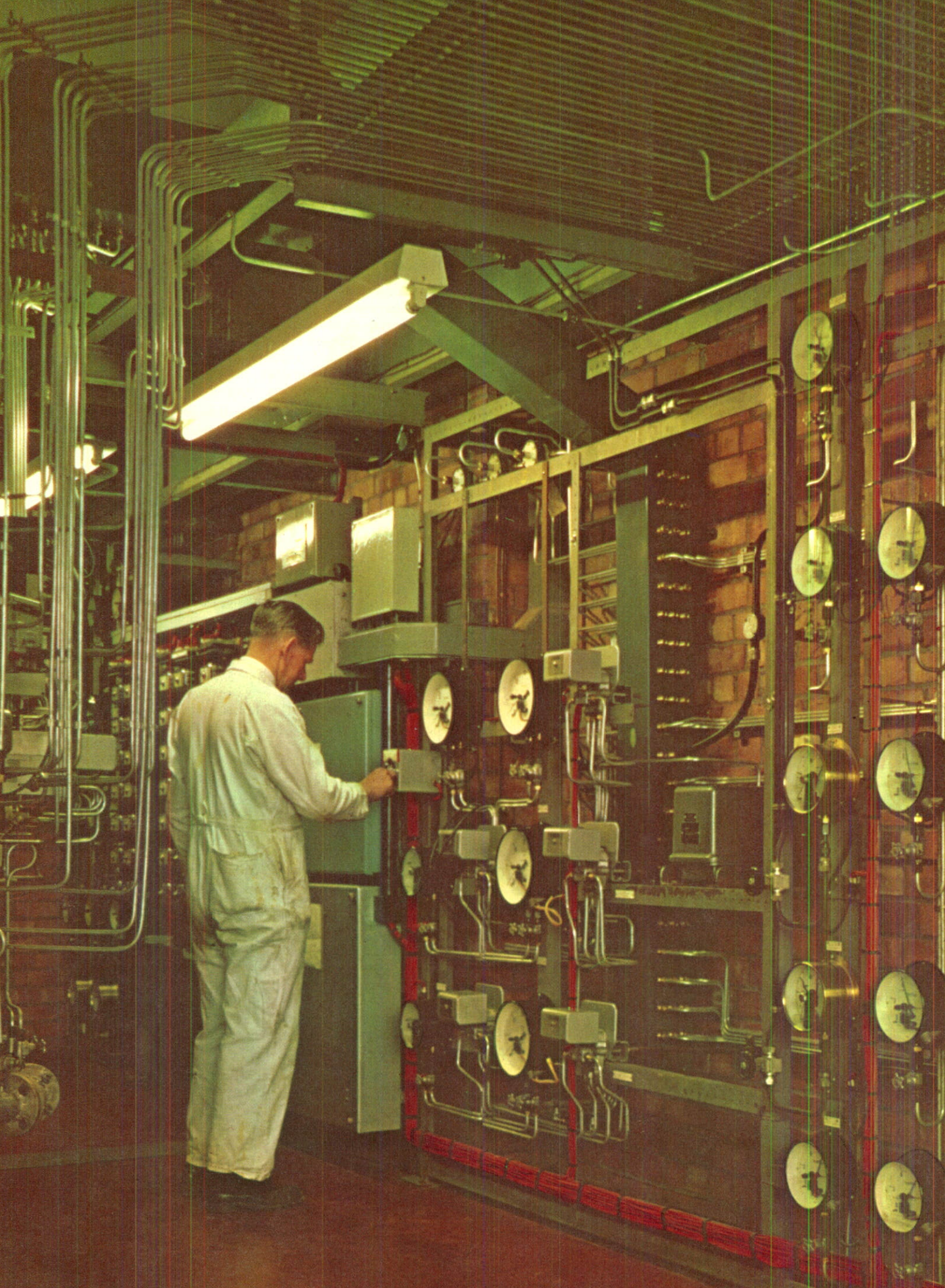
CAPITAL EXPENDITURES During 1961 capital expenditures totalled \$2,986,581, of which \$1,456,483 was for initial work on the construction of the petrochemical plant. This compares with capital expenditures of \$2,492,179 in 1960. Work on the new plant started in September following some years of study on the feasibility and advantages of such a project. The plant, which is expected to start operations in mid-1963, will produce ethylene, propylene, and other products basic to the chemicals industry. The ethylene will be used primarily for the production of acetaldehyde which will be shipped to Shawinigan to supplement the supply of acetaldehyde now produced from acetylene at the Chemicals Company's Shawinigan plant.

FINANCIAL POSITION Net working capital on December 31, 1961 amounted to \$14,896,858 compared with \$18,010,076, at the end of the previous year, including B.A.-Shawinigan Limited. Temporary investments, including the cash received from The British American Oil Company Limited in part payment of its 25 per cent interest in the Chemicals Company, have been ear-marked on the balance sheet for the construction of the petrochemical plant. This amount,

The financial statements of Shawinigan Chemicals Limited, Shawinigan Products Corporation, Shawinigan, Limited, The McArthur Chemical Co. Ltd., and B.A.-Shawinigan Limited are consolidated in this report.

Earnings of associated companies are included only to the extent of dividends received from them during the year. Throughout the report the term "Chemicals Company" refers to Shawinigan Chemicals Limited.

◀ *Distillation towers dominate the foreground of this artist's conception of Shawinigan Chemicals' \$20 million petrochemical plant now under construction at Varennes, Quebec.*



PRODUCTS OF SHAWINIGAN
CHEMICALS LIMITED

The Chemicals Company's manufacturing plants in the Province of Quebec at Shawinigan, Varennes, Ste. Thérèse and Bedford, and one plant in Ontario, at St. Catharines, produce lime, calcium carbide, a wide range of industrial organic chemicals and resins derived from carbide, formaldehyde, pentaerythritol, sulphuric acid, chlorine, caustic soda, sodium cyanide, converted vinyl products, and stainless steel castings.

Shawinigan Products Corporation,
New York

together with cash to be generated during the building period, is expected to be sufficient to cover the cost of the plant.

The Chemicals Company's share of the net worth of its associated companies exceeds the book value of the investment in these companies at December 31, 1961, by approximately \$5,127,000.

The Chemicals Company's subsidiary and associated companies in Canada, the United States and the United Kingdom are reported on below.

WHOLLY-OWNED SUBSIDIARIES

Shawinigan, Limited,
London, England

Earnings were higher in 1961 than in the previous year. Shawinigan Products Corporation acts as a sales agent in the United States for the Chemicals Company as well as for Shawinigan Products' associated company, Midwest Carbide Corporation, which has carbide manufacturing plants at Keokuk, Iowa, and Pryor, Oklahoma.

Earnings in 1961 were below the previous year. This company acts as sales agent in the United Kingdom and European markets for the Chemicals Company and associated companies.

The McArthur Chemical Co. Ltd.,
Montreal

This company acts as sales agent for the 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. In 1961, McArthur Chemical started manufacturing in Montreal fine chemicals used in the pharmaceutical, cosmetics and food industries. Starting up costs were a factor in the Company's reduced earnings for the year.

**ASSOCIATED COMPANIES—
IN THE UNITED STATES**

Shawinigan Resins Corporation,
Springfield, Massachusetts

Reduction in demand in certain consuming industries resulted in somewhat lower earnings. The Chemicals Company received dividends from Shawinigan Resins in 1961 totalling \$312,600 U.S. funds, compared with \$390,750 in 1960. Shawinigan Resins Corporation, jointly owned with Monsanto Chemical Company, manufactures Butvar, Formvar, polyvinyl alcohol, polyvinyl acetate and polyvinyl acetate resins at its plants in Springfield, Massachusetts, and Trenton, Michigan.

IN THE UNITED KINGDOM

Hedon Chemicals Limited,
Hull, England

Earnings in 1961 were slightly lower than in the previous year. Dividends received amounted to £6,125, unchanged from 1960. This company, jointly owned with The Distillers Company Limited, Edinburgh, manufactures vinyl acetate.

CHANGES OF DIRECTORS AND OFFICERS

In March 1961, E.H. Peck, Manager, Economic Research Department, The Shawinigan Water and Power Company was elected a Director of the Chemicals Company. Three officers of The British American Oil Company Limited, E.D. Loughney, its President, D.L. Campbell, its Executive Vice-President, and J.W. Morgan, its Vice-President, were appointed in July to the Chemicals Company's Board of Directors.

P.W. Wright, Vice-President and Secretary, retired on pension in June and resigned as a Director. C.M. Schwab, New York, resigned from the Board in July. Over the years the Chemicals Company benefited greatly by the valuable services they rendered.

In June, Gwyn Benson, Assistant Vice-President, was appointed Assistant Vice-President and Secretary.

◀ *Control room of Hedon Chemicals Limited's vinyl acetate plant near Hull, England. Hedon is jointly owned by Shawinigan Chemicals Limited and The Distillers Company Limited, Edinburgh.*

GEOGRAPHIC DISTRIBUTION OF
THE SHAWINIGAN WATER AND POWER COMPANY
COMMON AND CLASS 'A' COMMON
SHAREHOLDERS AND SHARES

	SHAREHOLDERS		SHARES	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
Province of Quebec	8,850	50.7	3,865,899	45.4
Elsewhere in Canada	5,376	30.8	1,980,522	23.3
Canada	14,226	81.5	5,846,421	68.7
Europe ¹	169	1.0	1,084,229	12.7
Great Britain	423	2.4	642,830	7.6
United States	2,507	14.4	887,508	10.4
Other Countries	127	.7	46,710	.6
Total	17,452	100.0	8,507,698 ²	100.0

¹The large number of shares held in Europe relative to the number of shareholders is by reason of the holding of one agency on behalf of many beneficial owners.

²Of this total, 568,617 are class "A" common shares.

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

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1961 AND 1960

	1961	1960
Sales of electricity	\$86,854,971	\$81,542,566
Other operating revenues	1,220,943	1,199,305
Total operating revenues	88,075,914	82,741,871
Operation, maintenance and general expenses	21,983,168	21,103,312
Power purchased	17,420,145	14,299,010
Water storage rentals	2,118,546	1,785,050
Provision for depreciation	11,393,000	10,914,500
Taxes, other than taxes on income	4,751,384	4,584,708
Taxes on income (Note 4)		
Provision for income and profits taxes	10,100,000	10,316,200
Taxes applicable to future years	1,886,000	1,463,000
Total operating expenses	69,652,243	64,465,780
Operating income.	18,423,671	18,276,091
Dividends from subsidiary and other companies	1,633,186	1,780,140
Miscellaneous income, less income taxes thereon	312,426	178,849
Interest charged to construction	196,324	54,028
Total non-operating income	2,141,936	2,013,017
	20,565,607	20,289,108
Interest on funded debt	6,402,202	5,684,155
Other interest and miscellaneous charges	103,618	87,248
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	536,528	532,638
	7,042,348	6,304,041
	13,523,259	13,985,067
Transfer from water storage equalization reserve	243,000	—
Net earnings	13,766,259	13,985,067
Dividends on preferred shares	1,025,000	1,025,000
Dividends on class "A" common shares	758,156	758,156
Earnings applicable to common shares	11,983,103	12,201,911
Dividends on common shares	6,308,772	6,261,673
Retained earnings for the year	\$ 5,674,331	\$ 5,940,238

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

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

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1961 AND 1960

ASSETS	1961	1960
Current assets		
Cash	\$ 1,060,758	\$ 614,629
Temporary investments—at cost, less reserve (Market value \$6,669,733)	6,389,698	2,037,502
Accounts receivable, less provision for doubtful accounts	10,598,671	9,556,899
Materials and supplies at cost	3,290,539	3,073,446
Prepaid charges	1,878,602	1,973,117
	<u>23,218,268</u>	<u>17,255,593</u>
Investments in and advances to subsidiary and other companies		
Investments in subsidiary companies at cost, less net adjustments	19,994,012	19,994,012
Advances to subsidiary companies	2,435,000	2,020,000
Investments in other companies at cost	209,053	270,914
	<u>22,638,065</u>	<u>22,284,926</u>
Fixed assets		
Property, plant and equipment at cost of construction or acquisition (including \$7,876,944 being excess of carrying value of investment in subsidiary companies consolidated over book value of their net assets)	488,989,810	469,229,936
Less: Accumulated depreciation	135,174,919	125,652,230
	<u>353,814,891</u>	<u>343,577,706</u>
Mattawin River and other storage dams at cost		
	4,083,136	4,070,376
Less: Amortization to date	1,778,310	1,713,935
	<u>2,304,826</u>	<u>2,356,441</u>
Unamortized premium, discount and expense of funded debt		
	2,661,557	2,488,207
	<u>\$404,637,607</u>	<u>\$387,962,873</u>

Approved on behalf of the Directors,
PAUL DESRUISSEAUX, Director.
J. A. FULLER, Director.

LIABILITIES	1961	1960
Current liabilities		
Accounts payable (including provision for taxes on income)	\$ 12,029,152	\$ 13,666,384
Accrued interest on funded debt	1,700,604	1,412,256
Dividends payable	1,806,642	1,784,384
	<u>15,536,398</u>	<u>16,863,024</u>
Deferred liabilities	2,049,472	2,289,717
(Advances received on account of cost of transmission lines, less instalments repaid)		
Funded debt (Note 1)	167,928,500	160,012,000
Deferred credit (Note 4)	15,369,500	13,483,500
(Accumulated tax reductions applicable to future years)		
Reserves		
Water storage equalization	1,249,000	1,492,000
Contingent and other reserves	689,585	683,586
	<u>1,938,585</u>	<u>2,175,586</u>
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	313,281	310,769
	<u>7,402,181</u>	<u>7,399,669</u>
	<u>210,224,636</u>	<u>202,223,496</u>
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 —7,939,081 shares (1960—7,827,793)	95,334,468	92,886,847
Earnings retained and invested in the business (Note 3)	58,915,383	52,689,410
	<u>194,412,971</u>	<u>185,739,377</u>
	<u>\$404,637,607</u>	<u>\$387,962,873</u>

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

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

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1961 AND 1960

	1961	1960
Balance at beginning of year	\$52,689,410	\$46,193,401
<i>Add:</i>		
Retained earnings for the year	5,674,331	5,940,238
Profits arising from sale of property and from other transactions	555,479	735,310
	58,919,220	52,868,949
<i>Deduct:</i>		
Amortization of premium, discount and expense of funded debt, less excess of principal amount over cost of acquisition of bonds redeemed through sinking fund	3,837	179,539
Balance at end of year	\$58,915,383	\$52,689,410

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

NOTES TO FINANCIAL STATEMENTS

1. Funded debt

	1961	1960
<u>The Shawinigan Water and Power Company</u>		
<u>First mortgage sinking fund bonds:</u>		
Series "H" 3½% maturing January 1, 1970	\$13,810,500	\$14,470,500
Series "J" 3½% maturing February 1, 1970	7,317,000	7,484,000
Series "L" 3% maturing March 1, 1961	—	9,942,000
Series "M" 3% maturing April 15, 1971	25,000,000	25,000,000
Series "N" 3% maturing May 15, 1971	6,116,500	6,416,000
Series "O" 3¼% maturing April 1, 1972	12,270,500	12,330,500
Series "P" 3½% maturing October 1, 1973	20,758,500	21,000,000
Series "Q" 3% maturing March 1, 1975	15,000,000	15,000,000
Series "R" 4¼% maturing October 1, 1976	14,239,000	14,364,500
Series "S" 5¾% maturing March 1, 1981	20,000,000	—
	134,512,000	126,007,500
<u>Convertible sinking fund debentures:</u>		
1957 Series 5½% maturing October 15, 1972	13,389,000	13,389,000
	147,901,000	139,396,500
<u>St. Maurice Power Corporation</u>		
<u>First mortgage sinking fund bonds:</u>		
Series "A" 3¼% maturing April 1, 1970	9,027,500	9,615,500
<u>Southern Canada Power Company, Limited</u>		
<u>First mortgage bonds:</u>		
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
	11,000,000	11,000,000
	\$167,928,500	\$160,012,000

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.

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 \$1.33⅓ per share per annum.
- (b) The following authorized but unissued common shares have been reserved:
1. 128,269 shares under the Employee Stock Purchase Plan—1961 for issue on completion of instalment payments.
 2. 401,670 shares being the number required as of December 31, 1961 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 \$1,886,000 in income taxes 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 \$15,369,500 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.

AUDITORS' REPORT

To the Shareholders,
The Shawinigan Water and Power Company,
Montreal.

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, 1961, and the Consolidated Statements of Earnings and Retained Earnings 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 Retained Earnings 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, 1961 and the results of their operations for the year ended on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, January 29, 1962.

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

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

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1952 - 1961

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

	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952
Sales of electricity:										
Primary	\$84,075	\$78,096	\$72,882	\$67,064	\$64,914	\$53,534	\$46,630	\$40,871	\$37,451	\$36,134
Secondary	2,780	3,447	3,016	2,802	1,122	632	1,269	1,542	1,350	1,423
Total	86,855	81,543	75,898	69,866	66,036	54,166	47,899	42,413	38,801	37,557
Other operating revenues	1,221	1,199	1,173	1,043	1,213	877	848	761	785	337
Total operating revenues	88,076	82,742	77,071	70,909	67,249	55,043	48,747	43,174	39,586	37,894
Operation, maintenance and general expenses	21,983	21,103	19,889	20,089	19,965	15,047	14,068	12,960	12,363	11,791
Power purchased	17,420	14,299	11,622	9,826	9,144	7,291	5,447	4,256	5,088	4,653
Water storage rentals	2,119	1,785	1,694	1,575	1,482	1,427	1,343	1,234	1,053	1,012
Provision for depreciation	11,393	10,915	10,463	8,819	8,278	7,066	6,765	7,096	6,590	6,142
Taxes, other than taxes on income	4,751	4,585	4,255	4,163	3,837	3,459	3,166	3,030	2,679	2,580
Taxes on income:										
Provision for income and profits taxes	10,100	10,316	9,514	7,208	6,863	6,137	5,055	3,645	2,566	2,717
Taxes applicable to future years	1,886	1,463	1,647	2,037	1,763	1,332	1,205	1,117	1,037	1,217
Total	11,986	11,779	11,161	9,245	8,626	7,469	6,260	4,762	3,603	3,934
Total operating expenses	69,652	64,466	59,084	53,717	51,332	41,759	37,049	33,338	31,376	30,112
Operating income	18,424	18,276	17,987	17,192	15,917	13,284	11,698	9,836	8,210	7,782
Dividends from subsidiary and other companies	1,633	1,780	1,632	1,204	1,804	1,744	1,866	1,756	1,745	1,665
Miscellaneous income, less income taxes thereon	312	179	148	281	364	295	207	199	213	164
Interest charged to construction	196	54	81	1,972	1,003	332	197	139	53	45
Total non-operating income	2,141	2,013	1,861	3,457	3,171	2,371	2,270	2,094	2,011	1,874
Total	20,565	20,289	19,848	20,649	19,088	15,655	13,968	11,930	10,221	9,656
Interest on funded debt	6,402	5,684	5,958	6,190	5,393	4,300	4,206	4,222	3,904	3,938
Other interest and miscellaneous charges	104	87	179	112	70	—	—	—	—	—
Dividends to preferred shareholders of Southern Canada Power Company, Limited and minority interest of common shareholders in net earnings of that Company	536	533	536	534	563	—	—	—	—	—
Total	7,042	6,304	6,673	6,836	6,026	4,300	4,206	4,222	3,904	3,938
Total	13,523	13,985	13,175	13,813	13,062	11,355	9,762	7,708	6,317	5,718
Provision for water storage equalization reserve, less income taxes applicable	(243)	—	—	—	—	—	310	294	364	524
Net earnings	13,766	13,985	13,175	13,813	13,062	11,355	9,452	7,414	5,953	5,194
Dividends on preferred shares	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025
Dividends on class "A" common shares	758	758	758	758	658	—	—	—	—	—
Earnings applicable to common shares	11,983	12,202	11,392	12,030	11,379	10,330	8,427	6,389	4,928	4,169
Dividends on common shares	6,309	6,262	6,153	5,029	4,907	4,369	3,870	3,169	3,159	3,159
Retained earnings for the year	\$ 5,674	\$ 5,940	\$ 5,239	\$ 7,001	\$ 6,472	\$ 5,961	\$ 4,557	\$ 3,220	\$ 1,769	\$ 1,010
Earnings per common share*	\$ 1.51	\$ 1.55	\$ 1.45	\$ 1.62	\$ 1.56	\$ 1.42	\$ 1.16	\$.97	\$.75	\$.64
Dividends declared per common share*80	.80	.80	.68	.67½	.60	.53⅓	.48⅓	.48⅓	.48⅓
Common and class "A" common:										
Book value per share*	20.14	19.40	18.63	17.57	16.61	14.84	14.05	13.29	12.24	12.06

*Earnings, dividends, and book value 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.

CONSOLIDATED OPERATING STATISTICS FOR THE YEARS 1952 - 1961

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

	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952
Installed turbine capacity										
—kilowatts	1,573,500	1,573,500	1,573,500	1,573,500	1,327,300	1,284,000	1,284,000	1,165,900	999,900	999,900
Primary power purchased under contract—kilowatts	632,000	578,600	517,800	453,600	385,300	322,300	259,200	207,000	216,700	208,000
Total	2,205,500	2,152,100	2,091,300	2,027,100	1,712,600	1,606,300	1,543,200	1,372,900	1,216,600	1,207,900
Primary power peak load										
—kilowatts	2,159,900	2,015,900	1,939,500	1,740,000	1,707,800	1,600,800	1,500,000	1,319,100	1,249,700†	1,249,000†
Energy sold										
—millions of kilowatthours	13,516	13,227	12,028	10,973	10,310	9,898	9,235	8,413	7,853	8,158
Miles of transmission and distribution lines:										
44,000 volts and over	2,916	2,877	2,824	2,827	2,596	1,900	1,827	1,754	1,649	1,570
Under 44,000 volts	15,544	15,265	15,208	14,762	14,518	11,009	10,682	10,470	10,216	9,984
Total	18,460	18,142	18,032	17,589	17,114	12,909	12,509	12,224	11,865	11,554
Water in storage at end of year										
—billions of cubic feet	284	277	345	320	330	264	207	291	211	310
Percentage of total capacity‡.	70	69	88	82	90	72	56	79	58	87
Percentage derivation of revenue from primary electricity sales:										
Large industries	42	43	43	44	47	50	50	51	53	56
Small industries, commercial, municipal services.	17	17	16	16	15	12	12	12	12	12
Residential:										
urban and suburban	16	16	16	15	14	10	10	9	8	7
rural (including farm)	11	11	12	12	11	9	10	11	10	9
Other utilities for resale	14	13	13	13	13	19	18	17	17	16
Number of municipalities served	833	840	835	824	823	612	612	612	591	591
Number of customers served	369,366	362,296	350,949	337,747	326,349	231,759	222,817	214,642	204,961	194,987
Average consumption per residential customer—kilowatthours:										
urban and suburban	5,022	4,632	4,332	4,018	3,648	3,137	2,814	2,494	2,396	2,165
rural (including farm)	3,275	3,025	2,892	2,492	2,256	1,817	1,628	1,532	1,267	1,136
Total wages and salaries paid, including benefits										
—thousands of dollars	19,490	18,364	17,247	16,724	15,872	11,935	11,011	10,202	10,044	9,608
Number of regular employees	3,228	3,202	3,204	3,190	3,134	2,419	2,337	2,284	2,297	2,260

†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.

S H A W I N I G A N C H E M I C A L S L I M I T E D
AND WHOLLY-OWNED SUBSIDIARIES

C O N S O L I D A T E D B A L A N C E S H E E T
A S A T D E C E M B E R 3 1 , 1 9 6 1 A N D 1 9 6 0

ASSETS	1961	1960
Current assets		
Cash	\$ 930,182	\$ 985,781
Short-term investments—at face value	1,233,000	4,137,551
Accounts receivable, less provision for doubtful accounts	8,740,186	6,186,810
Finished goods, raw materials and supplies, valued at lower of cost or market	8,590,651	9,047,395
Prepaid expenses	900,679	630,652
	<u>20,394,698</u>	<u>20,988,189</u>
Investments—at cost		
Shares in and loans to associated and other companies	3,856,315	5,701,657
Temporary investments—at face value, maturing on or before January 31, 1963		
Reserved for construction cost of petrochemical plant	16,000,000	—
Property, plant and equipment—at cost		
Less accumulated depreciation	61,996,132	52,924,883
	40,780,844	34,901,904
	<u>21,215,288</u>	<u>18,022,979</u>
	<u>\$61,466,301</u>	<u>\$44,712,825</u>
L I A B I L I T I E S		
Current liabilities		
Bank loan	\$ 500,000	\$ —
Accounts payable and accrued charges	4,046,816	3,142,693
Accrued interest on debentures.	42,648	45,154
Provision for taxes on income (Note 4).	658,376	323,337
Sinking fund instalment payable October 15, 1962	250,000	250,000
	<u>5,497,840</u>	<u>3,761,184</u>
4¾% Sinking fund debentures		
Maturing October 15, 1971	4,250,000	4,500,000
Less amount payable October 15, 1962	250,000	250,000
	<u>4,000,000</u>	<u>4,250,000</u>
Shareholders' equity		
Capital stock (Note 1)		
Authorized—675,000 common shares without nominal or par value		
Issued —666,459 shares (1960—499,844)	26,423,805	12,496,100
Capital surplus.	3,234,085	3,234,085
Retained earnings (Notes 2 and 3)	22,310,571	20,971,456
	<u>51,968,461</u>	<u>36,701,641</u>
	<u>\$61,466,301</u>	<u>\$44,712,825</u>
Approved on behalf of the Directors,		
	W. F. Mainguy, Director.	
	E. D. Loughney, Director.	

A U D I T O R S ' R E P O R T

We have examined the Consolidated Balance Sheet of Shawinigan Chemicals Limited and its Subsidiary Companies as at December 31, 1961, and the related Consolidated Statements of Earnings and Retained Earnings for the year ended on that date, and have obtained all the information and explanations we have required. We were furnished with financial statements of the United Kingdom and United States subsidiaries, together with the reports thereon of independent 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 and Retained Earnings, 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, 1961, 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.

[Signed] SHARP, MILNE & CO.,
Chartered Accountants.

Montreal, February 9, 1962.

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1961 AND 1960

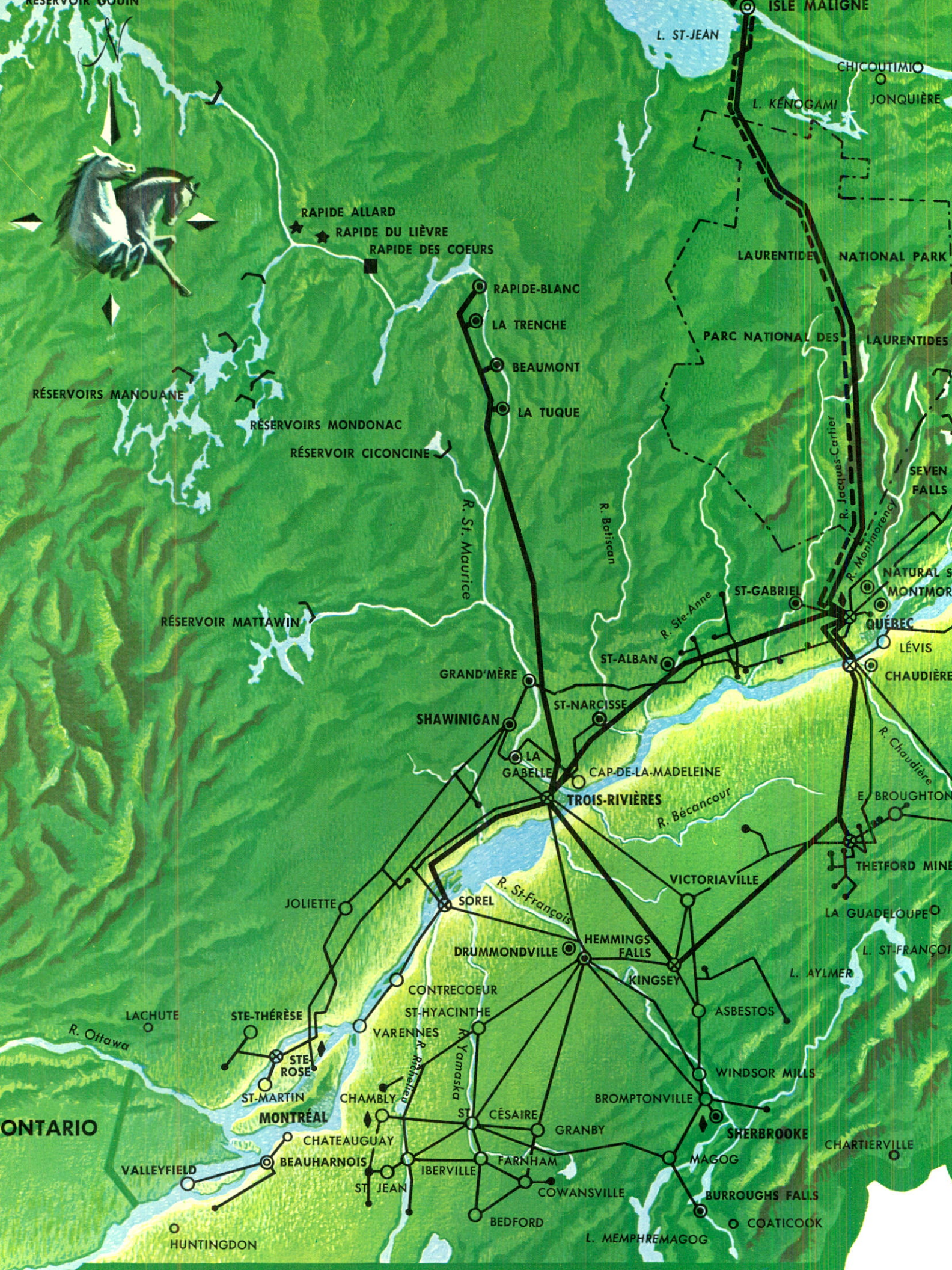
	1961	1960
Net sales	\$54,909,495	\$45,938,379
Cost of goods sold	47,893,473	39,958,779
Gross Profit	<u>7,016,022</u>	<u>5,979,600</u>
Administrative and selling expenses	3,883,505	3,567,706
Research expense	687,300	641,889
Interest on debentures	211,244	222,985
	<u>4,782,049</u>	<u>4,432,580</u>
Profit on Operations	<u>2,233,973</u>	<u>1,547,020</u>
Income from investments	773,709	923,867
Liquidating dividend from B.A.-Shawinigan Limited	154,516	—
Income from royalties	19,031	68,841
Income from other sources	63,140	27,681
	<u>1,010,396</u>	<u>1,020,389</u>
	3,244,369	2,567,409
Provision for taxes on income (Note 4)	1,156,581	721,513
Net Earnings (Note 5)	<u>\$ 2,087,788</u>	<u>\$ 1,845,896</u>

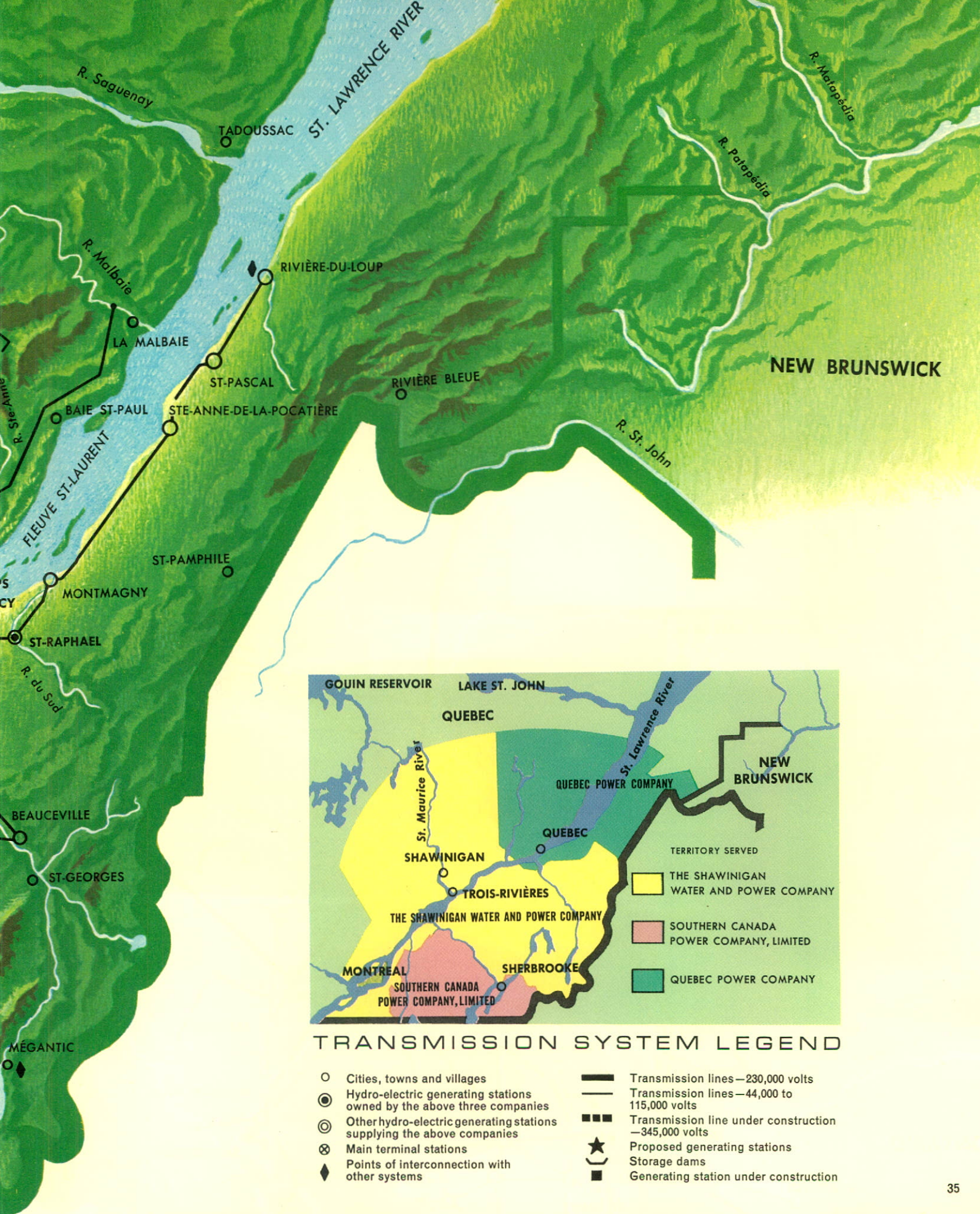
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1961 AND 1960

	1961	1960
Balance at beginning of year	\$20,971,456	\$20,143,676
Net earnings for year.	2,087,788	1,845,896
Profit on disposal of fixed assets	42,950	—
Sundry adjustments applicable to prior years	52,134	(18,116)
Exchange adjustment on conversion of accounts of foreign subsidiaries	72,702	—
	<u>\$23,227,030</u>	<u>\$21,971,456</u>
Dividends paid	916,459	1,000,000
Balance at end of year	<u>\$22,310,571</u>	<u>\$20,971,456</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Share authorization was increased to 675,000 common shares without nominal or par value. Shares issued in 1961 totalled 166,615 of which 144,483 were for \$12,077,645 cash and 22,132, valued at \$1,850,060, for the remaining 50 per cent interest in B.A.-Shawinigan Limited.
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. A reduction of \$266,927 (1960—\$159,306) in the provision for taxes on income has resulted from claiming for tax purposes an amount of \$517,617 (1960—\$376,416) for depreciation in excess of that recorded in the accounts. The accumulated reduction in taxes to date amounts to \$792,995.
5. The net assets of B.A.-Shawinigan Limited were acquired by the Chemicals Company and its operations for the full year of 1961 were included in the consolidated statement of earnings.
6. The following amounts have been charged against earnings in 1961:—depreciation \$2,922,032, executive salaries \$342,152, directors' fees \$11,863, legal expenses \$9,422.
7. Contingent Liability—One of the subsidiary companies whose accounts are consolidated herein is jointly and severally liable as co-guarantor of \$750,000, 4½% Sinking Fund Debentures of an associated company, maturing July 1, 1964.





TRANSMISSION SYSTEM LEGEND

- 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
- ◆ Points of interconnection with other systems
- Transmission lines—230,000 volts
- Transmission lines—44,000 to 115,000 volts
- - - Transmission line under construction—345,000 volts
- ★ Proposed generating stations
- ⊙ Storage dams
- Generating station under construction

THE SHAWINIGAN WATER AND POWER COMPANY

DIRECTORS

A. C. Abbott	R. E. Heartz
Lt.-Col. L. J. A. Amyot	W. F. Macklaier, Q.C.*
R. J. Beaumont	W. F. Mainguy*
Hon. P. H. Bouffard, Q.C.	H. Greville Smith, C.B.E.
Marcel Crête, Q.C.	H. S. Sutherland
Paul Desruisseaux, Q.C.	W. R. Way
Raymond Dupuis, Q.C.*	H. G. Welsford*
J. A. Fuller*	J. B. Woodyatt

*Members of Executive Committee

OFFICERS

R. J. Beaumont	<i>Honorary Chairman</i>
J. A. Fuller	<i>Chairman of the Board and Chief Executive Officer</i>
W. F. Mainguy	<i>President</i>
A. C. Abbott	<i>Executive Vice-President</i>
W. R. Way	<i>Senior Vice-President</i>
H. B. Abbott-Smith	<i>Vice-President, Power Sales</i>
L. E. Boissonnault	<i>Vice-President, Finance</i>
Jules Bouchard	<i>Vice-President, Distribution</i>
E. D. Gray-Donald	<i>Vice-President, Administrative Services</i>
D. King	<i>Vice-President, System Planning and Engineering</i>
J. A. Smith	<i>Vice-President, Production and Power Operations</i>
A. C. Joncas	<i>Treasurer</i>
R. R. Merifield, Q.C.	<i>Secretary</i>
A. Timon	<i>Comptroller</i>
D. E. Ellis	<i>Assistant Vice-President</i>
H. M. Finlayson	<i>Assistant Vice-President</i>
Gordon D. Hulme	<i>Assistant Vice-President</i>
L. McGillis	<i>Assistant Vice-President</i>
François Roy	<i>Assistant Vice-President</i>

Head Office: *Montreal, Canada*

THE SHAWINIGAN ENGINEERING COMPANY LIMITED

DIRECTORS

A. C. Abbott	R. E. Heartz
J. A. Burke	W. F. Mainguy
J. A. Fuller	J. A. Thomas
E. D. Gray-Donald	W. R. Way
R. E. Grout	

OFFICERS

R. E. Heartz	<i>Chairman of the Board</i>
R. E. Grout	<i>President</i>
J. A. Burke	<i>Vice-President, Construction</i>
J. A. Thomas	<i>Vice-President, Engineering</i>
L. E. Boissonnault	<i>Treasurer</i>
R. R. Merifield, Q.C.	<i>Secretary</i>

Head Office: *Montreal, Canada*



THE SHAWINIGAN
WATER AND POWER
COMPANY

TRANSFER AGENTS:

Preferred Shares

Montreal Trust Company
Montreal, Toronto, Halifax,
Winnipeg, Edmonton, Vancouver

Class "A" Common Shares

Montreal Trust Company
Montreal, Toronto

Common Shares

The Royal Trust Company
Montreal, Toronto, Vancouver
Bank of Montreal Trust
Company
New York City

REGISTRARS:

Preferred Shares

The Royal Trust Company
Montreal, Toronto, Halifax
Winnipeg, Edmonton, Vancouver

Class "A" Common Shares

The Royal Trust Company
Montreal, Toronto

Common Shares

National Trust Company,
Limited
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
and Class "A" Common
Shares are listed or traded
on the Montreal and
Toronto Stock Exchanges.
The Common Shares are
listed or traded on stock
exchanges in Montreal,
Toronto, Vancouver,
New York, London, Paris,
Amsterdam and Brussels.

SHAWINIGAN CHEMICALS LIMITED

DIRECTORS

P. W. Blaylock	W. F. Mainguy
D. L. Campbell	J. W. Morgan
J. A. Fuller	E. H. Peck
J. H. Gibbs	H. D. Ross
C. K. Lockwood	A. W. Scott
E. D. Loughney	H. S. Sutherland

OFFICERS

J. A. Fuller	<i>Chairman of the Board</i>
H. S. Sutherland	<i>President</i>
H. D. Ross	<i>Vice-President and General Manager</i>
P. W. Blaylock	<i>Vice-President, Research and Development</i>
J. H. Gibbs	<i>Vice-President, Industrial Relations</i>
C. K. Lockwood	<i>Vice-President, Marketing</i>
A. H. Andersen	<i>Assistant Vice-President</i>
Gwyn Benson	<i>Assistant Vice-President and Secretary</i>
G. A. Donald	<i>Treasurer</i>

Head Office: Montreal, Canada

Works: Shawinigan, Montreal East, Ste. Thérèse, Varennes, Bedford, P.Q. and St. Catharines, Ont.

SHAWINIGAN, LIMITED, LONDON, ENGLAND

F. G. Pentecost	<i>Chairman of the Board</i>
A. W. Scott	<i>Managing Director</i>
V. P. Brooks	<i>Director</i>
R. G. Waller	<i>Secretary</i>

SHAWINIGAN PRODUCTS CORPORATION
NEW YORK, N.Y.

C. M. Schwab	<i>President</i>
Walter Bender	<i>Vice-President</i>
K. C. Clarke	<i>Vice-President</i>
F. X. Lee	<i>Secretary-Treasurer</i>

THE McARTHUR CHEMICAL CO. LTD.
MONTREAL, P.Q.

H. S. Sutherland	<i>President</i>
N. F. Chappell	<i>Vice-President and General Manager</i>
S. A. Bird	<i>Vice-President, Sales</i>
Gwyn Benson	<i>Secretary</i>
G. A. Donald	<i>Treasurer</i>

