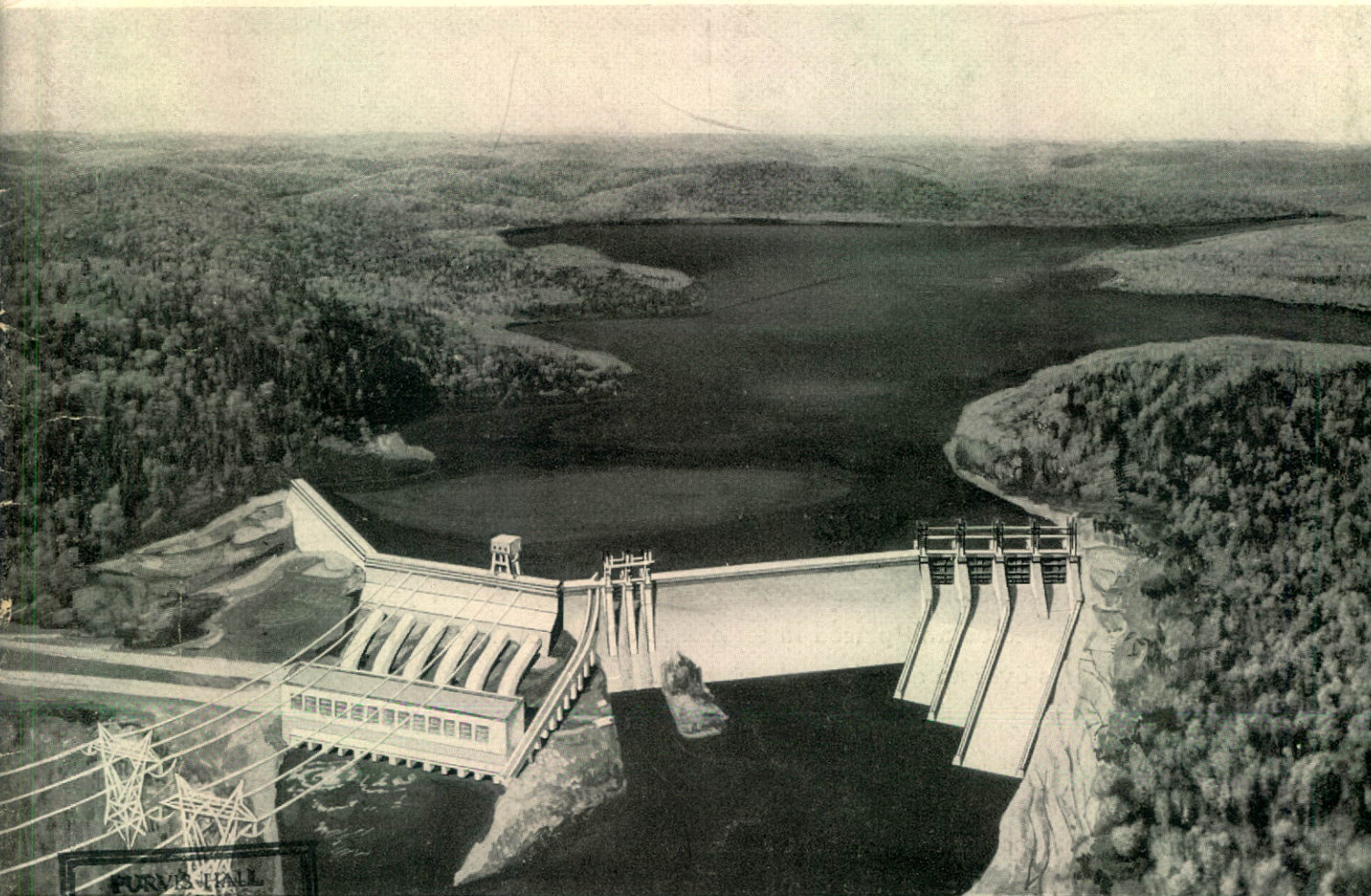


Corporation
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Fiftieth Annual Report

THE SHAWINIGAN WATER AND POWER COMPANY

For the Year ended December 31, 1947



Artist's sketch of the proposed 384,000 horsepower Trenché development



THE YEAR IN BRIEF



THIS Annual Report for the year 1947 accompanies an Anniversary Book which portrays the Company's achievements over the past half-century. As to the year just passed, I would like to submit a few brief comments.

Our revenues from power sales were \$22,670,756, which is an increase of 7.1% over the year 1946. Retail power sales increased 15.5% and we obtained 13,470 new retail customers. These sales constituted 26.9% of our power revenue.

We completed and placed in service 734 miles of new distribution lines, and erected poles over an additional 1132 miles.

The Net Revenue available for dividends on the common shares amounted to \$3,548,308 or \$1.62 per share as compared with \$1.46 per share last year.

Good progress was made during the year with construction of the new 195,000 horsepower development at Shawinigan Falls, and in view of present and prospective increases in the demand for power, we decided to proceed with the development of the Trenché site on the upper St. Maurice in the Spring of 1948.

This development, which will have an eventual capacity of 384,000 horsepower, is scheduled to come into operation in the Fall of 1951 and will, we believe, keep us ahead of anticipated power demands in our territory.

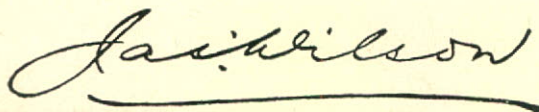
Many new industries were established in our territory during the year and discussions are continuously taking place with prospective new customers.

Our capital expenditures for the year were \$10,813,000. These expenditures form part of a programme totalling approximately \$40,000,000 planned for the years 1947-1949 inclusive. In order to raise the funds required, in addition to those available from our own resources, we sold \$20,000,000 of 4% Preferred Shares in June at a favourable price. In view of the upward trend in interest rates since that time, this financing has proven very opportune. In April we completed our refunding programme by the redemption of \$13,806,500 of 4% Bonds which were replaced by the same amount of 3 $\frac{1}{4}$ % Bonds.

The sales of our Chemicals Company, although again somewhat restricted by shortages of containers, increased 16% over 1946. The capital expenditures of the Chemicals Company for the year amounted to \$1,444,000. Several new manufacturing units came into operation, with others scheduled for operation early in 1948. The business of the Chemicals Company continues to grow and present indications are that sales for 1948 will show a further increase.

Wages and salaries paid to the employees of our Company and the Chemicals Company amounted to \$9,840,712 for the year, an increase of 20% over the previous year. As of January 1, 1947 a new retirement income plan which replaced the former non-contributory plan was put into effect. Approximately 98% of the eligible employees of the Company and its subsidiary and affiliated companies are participating. At the end of 1947 there were 212 former employees of the Shawinigan Companies on pension.

We believe that the accomplishments of our Companies in the service of the Province of Quebec over the past fifty years warrant our looking forward with confidence to the future.

A handwritten signature in cursive script, reading "J. A. Wilson". The signature is written in dark ink and is positioned above a horizontal line.

President.

OUR INCOME AND EXPENSES

Fiftieth Annual Report of the *Board of Directors*

For the Year ended December 31, 1947

The results of the year's operations are shown in condensed form on the opposite page.

Our income from power sales of \$22,670,756 compared with \$21,168,786 in 1946. Retail sales amounting to \$6,104,367 increased 15.5% over 1946, and produced 26.9% of our power revenues. Our income from other sources, derived mainly from dividends on shares of subsidiary and other companies, increased \$474,741 over the previous year. This was due in part to an increase from \$2 to \$2.50 per share in the dividend paid by our Chemicals Company.

Operating expenses again increased due to higher material and wage costs.

Interest charges on Funded Debt were reduced as a result of refunding operations carried out during the past three years. The average interest rate on our Funded Debt is now 3.19% as compared with 4.33% before we started our refunding programme. The cost of providing for renewal and replacement of plant and equipment amounted to \$3,250,000, and the amount set aside for income and profits taxes payable to the Federal and Provincial Governments was \$2,043,000. Dividends on the Preferred Shares, which accrued from July 2, amounted to \$400,000, leaving earnings of \$3,548,308 for the Common Shares, or \$1.62 per share compared with \$1.46 in 1946. Dividends on these shares were paid at the rate of 30c. quarterly—a total of \$1.20 per share for the year.

CONDENSED STATEMENT OF INCOME AND EXPENSES

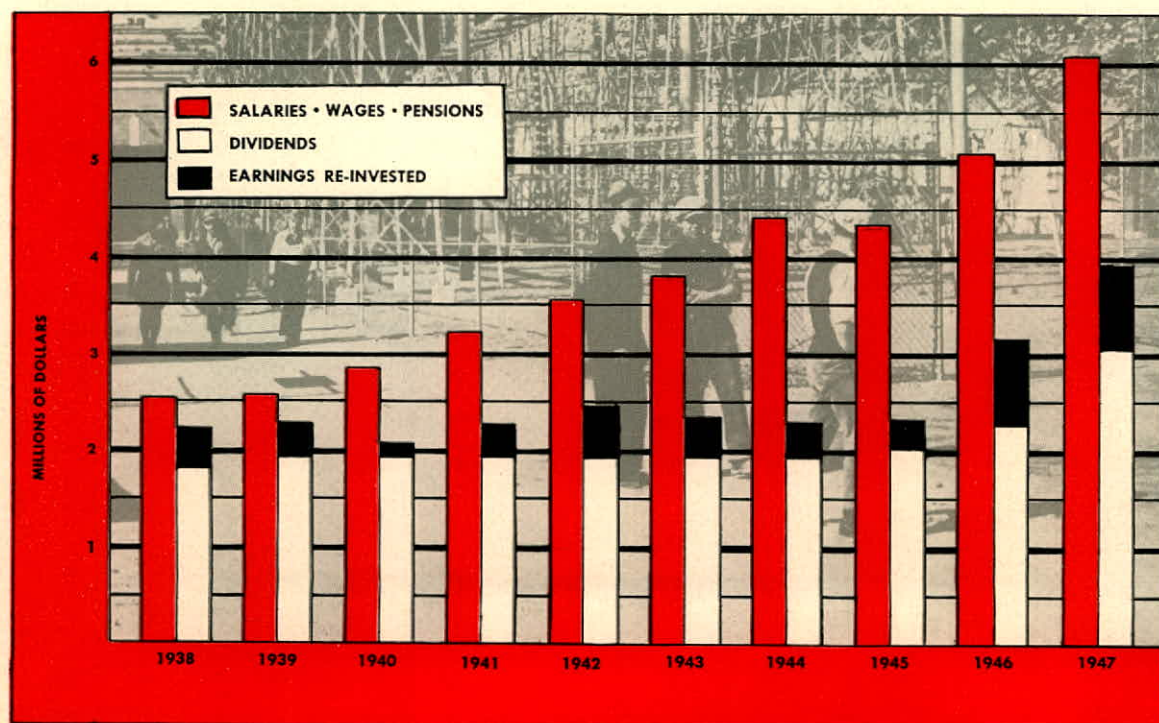
THE SHAWINIGAN WATER AND POWER COMPANY

We received from our customers for power and electricity purchased by them	\$ 22,670,756
We received from our investments in subsidiary and other companies and from other sources	2,052,171
Total Receipts	<u>\$ 24,722,927</u>

These receipts were expended for:

Materials and services bought from others	\$6,387,401	
*Wages and salaries (including employee benefits)	4,898,763	
Taxes paid directly to Federal, Provincial and Municipal Governments	3,396,410	
Cost of providing for replacement of plant and equipment (Depreciation)	3,250,000	
Paid for use of money invested in plants and equipment:		
Interest to bondholders	\$2,842,045	
Dividends to shareholders	3,013,900	
	<u>5,855,945</u>	\$ 23,788,519
Balance retained in the business		934,408
		<u>\$ 24,722,927</u>

*Not including wages and salaries charged to Capital Account.



FINANCIAL POSITION

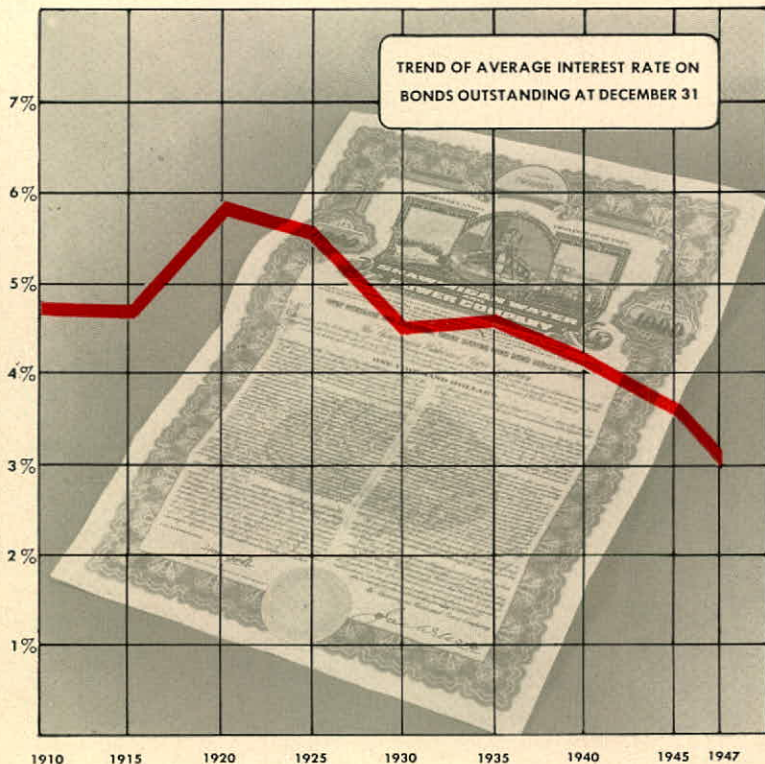
Our Balance Sheet as at December 31, 1947 will be found at the end of this Report.

As compared with 1946, there are only two changes of significance. One of these is the addition of \$10,742,550 to Fixed Assets as a result of the various capital expenditures made during the year. The total value of our plant and equipment is now \$170,797,029 or \$70,432 per employee.

The other is the increase of \$12,874,018 in Cash, Government Bonds and Call Loans, resulting largely from the sale of \$20,000,000 4% Cumulative Redeemable Preferred Shares of \$50 Par Value, at a price to the Company of \$50.375 per share. Our present working capital, together with funds which will become available from our own resources, will be utilized for proposed capital expenditures.

Our refunding programme was continued by the redemption of \$13,806,500 of 4% Bonds which were replaced by a similar amount of 3 $\frac{1}{4}$ % Bonds.

The Reserve for Depreciation has been increased by \$3,179,542 and Surplus by \$636,609. This latter amount has been retained in the business for working capital, plant expansion, and debt reduction.



NOTE: THE ABOVE AVERAGE INTEREST RATES ARE BASED ON FUNDED DEBT OUTSTANDING AT THE END OF THE YEARS SHOWN.

SOURCES OF FUNDS AND THEIR ALLOCATION

We believe employees and shareholders alike will be interested in a brief statement showing the various sources of funds which became available to us during the year and how we disposed of them.

THE SHAWINIGAN WATER AND POWER COMPANY

SOURCES OF FUNDS:

Net Profit for the Year.....	\$ 3,948,308
Depreciation and Amortization.....	3,319,076
Proceeds from Sale of 4% Preferred Shares.....	20,150,000
Total Funds.....	<u>\$ 27,417,384</u>

ALLOCATION OF FUNDS:

Capital Expenditures for Year.....	\$ 10,813,008
Stores and Moveable Plant.....	851,234
Cost of Refunding of Bonds and Sale of Preferred Shares.....	295,157
Increases in Other Assets and miscellaneous items.....	209,029
Dividends—Preferred Shares.....	400,000
Common Shares.....	2,613,900
Increase in Working Capital.....	12,235,056
	<u>\$ 27,417,384</u>

The amount added to Working Capital will be available for proposed capital expenditures.

POWER SALES

Sales of primary power at wholesale exceeded those of any previous year, except the war years 1942 to 1944. Kilowatthours sold under primary power contracts amounted to 4,557,448,817 compared with 4,152,021,222 in 1946. The larger demands of primary power customers made it necessary to reduce deliveries of secondary power for production of steam in electric boilers.

Additional firm power commitments under new and existing contracts amounted to 63,600 horsepower. As a result of the efforts of the Industrial Development Department and the Research Department, several prospective users of large amounts of power are considering locating in our territory.



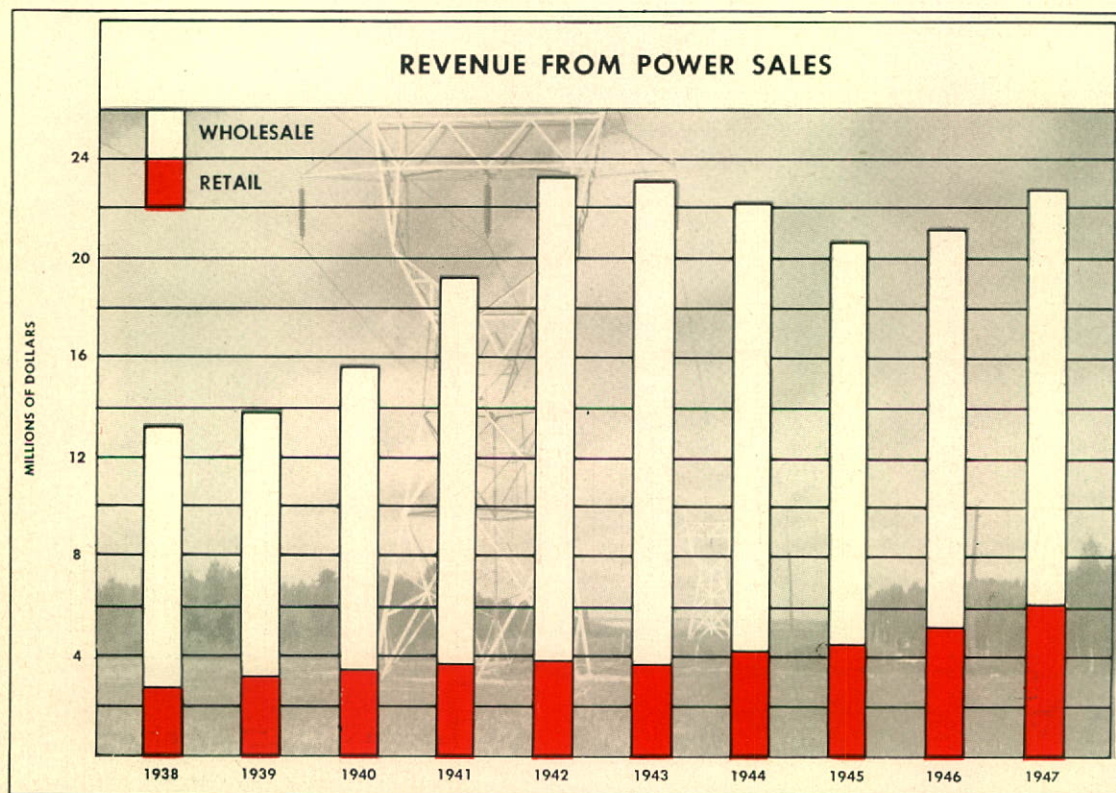
One of the large Paper Mills served by the Company.



Company Office and Store at Valleyfield, Que.

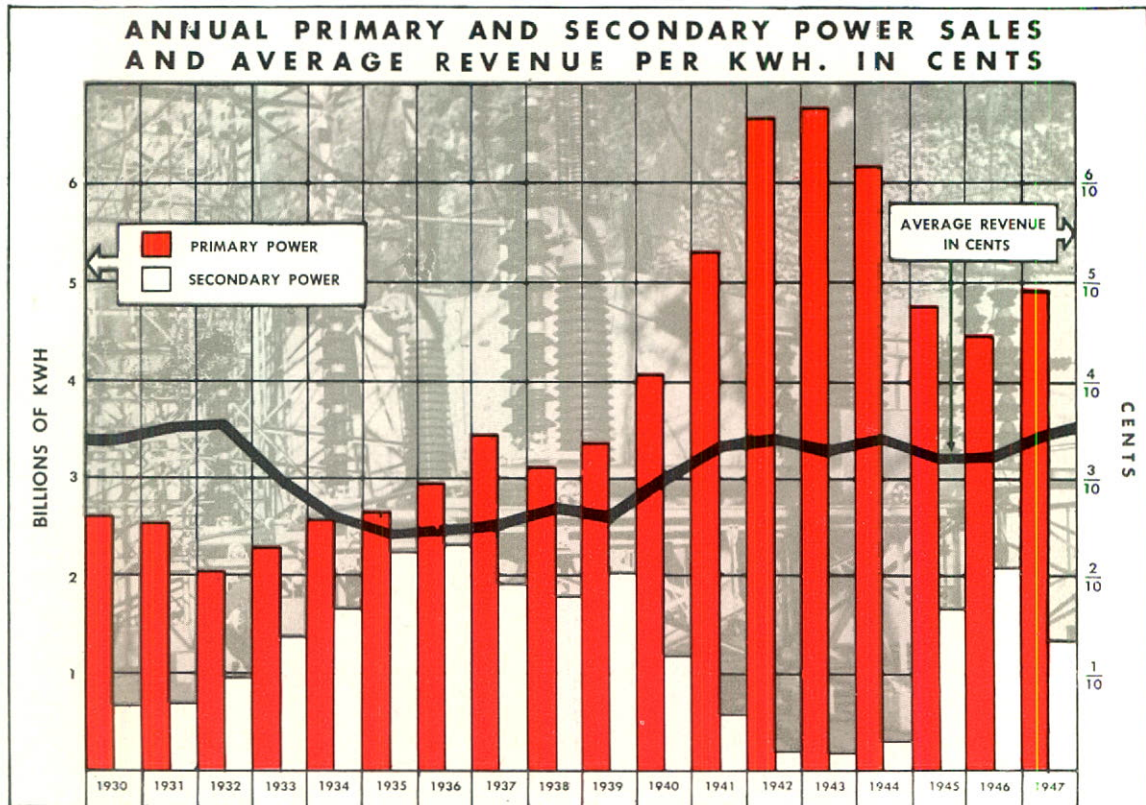
Retail sales were the largest in our history. The number of customers served at the end of the year was 138,275 and the number of municipalities 539. As compared with 10 years ago, this represents an increase of 99.4% and 26.2% respectively. The growth of retail sales relative to total power sales is well illustrated in the accompanying chart.

We believe that we can look forward to a further increase in the consumption of electricity by our retail customers. Our rates are low, adequate power is available, and the consumer is becoming more and more aware of the many useful services which can be performed economically by means of electricity.



In accordance with our established policy, we continued the extension of our services to rural areas. Although hampered by lack of sufficient equipment and materials, we completed 734 miles of lines, and poles were erected over an additional 1132 miles; these lines will be completed early in 1948.

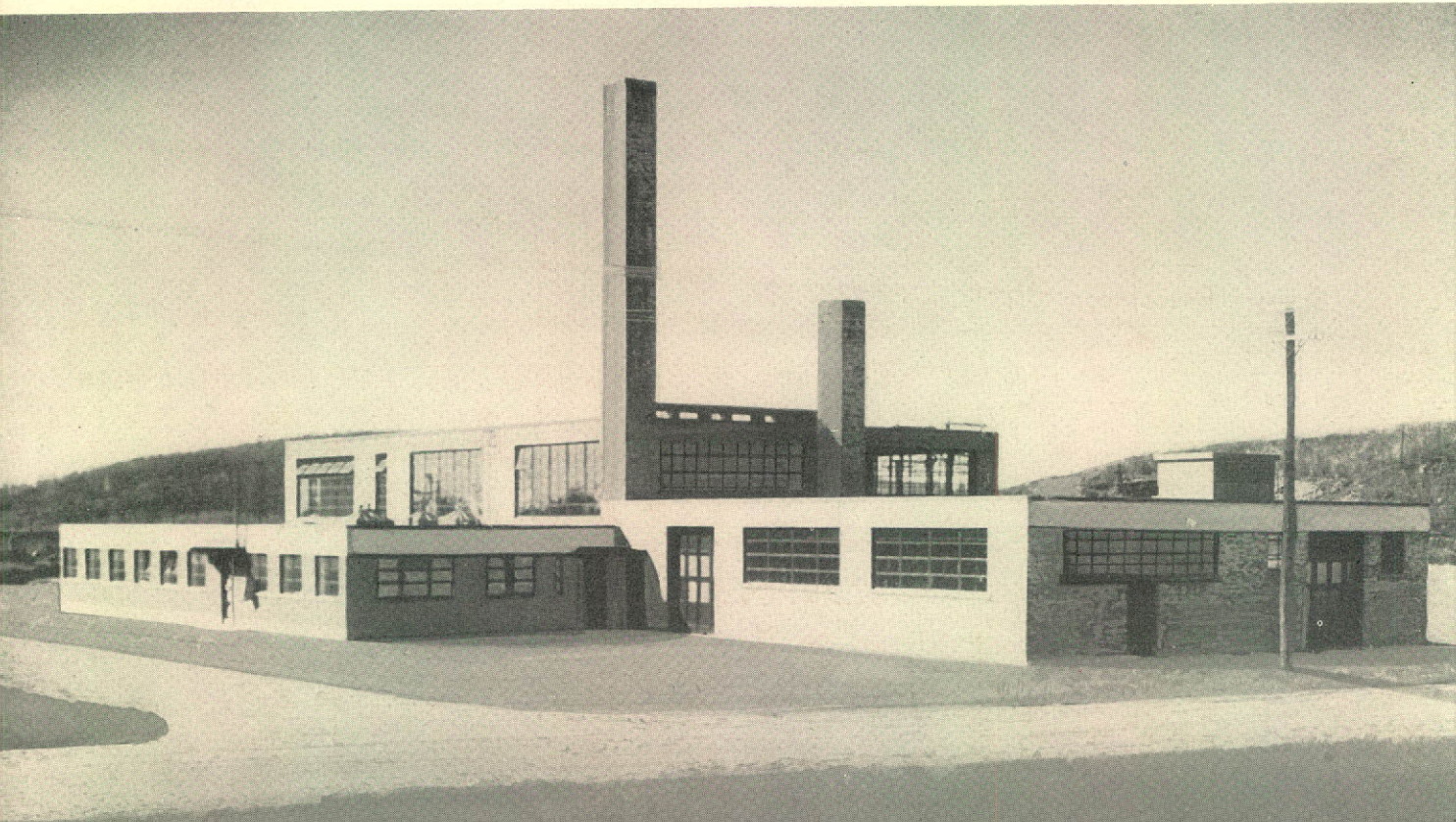
Our Company has long been known as a low-cost producer of power. We believe that this factor has contributed largely to the increase in primary power sales which is shown on the accompanying chart. It will be noted that there was an increase in the average revenue per kilowatthour in 1947. This was due to the increase in the proportion of primary power sold relative to total power sales.



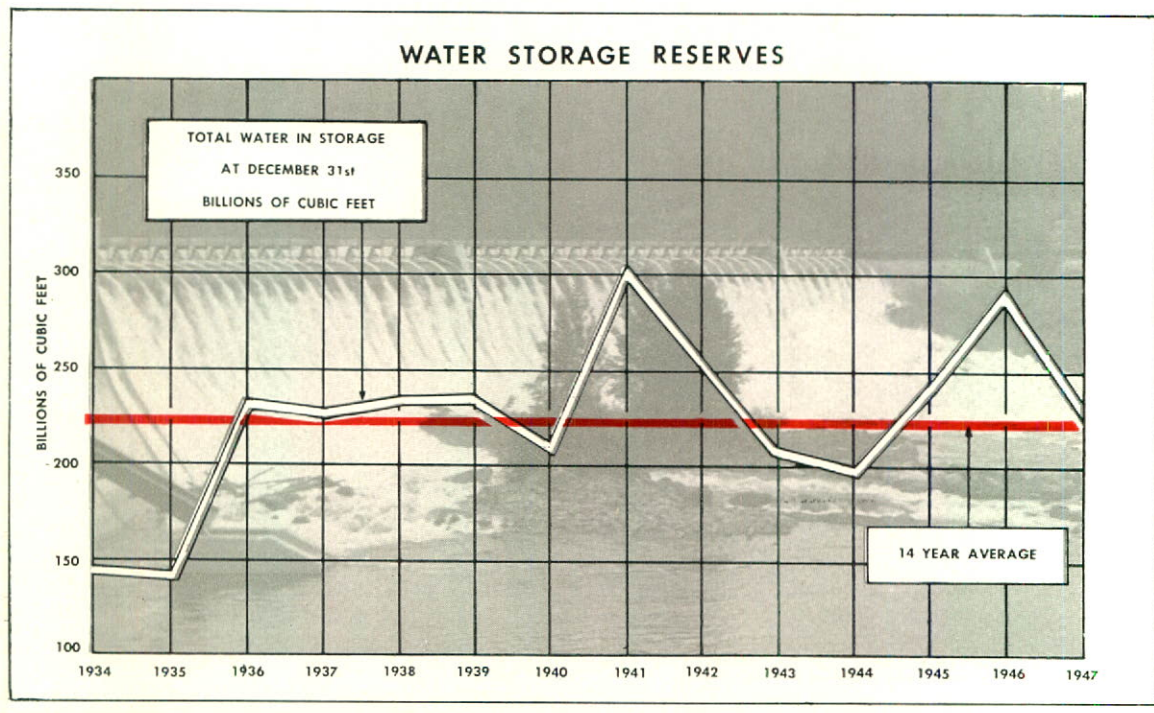
OPERATIONS

Power produced and purchased amounted to a total of 6,886,491,000 kilowatt-hours as compared with 7,187,324,000 kilowatthours in 1946. The amount of surplus power we were able to purchase from other generating companies was again reduced. The firm power peak load on the Company's system was 1,151,863 horsepower which is the highest peace-time peak in our history. This compares with 1,037,359 horsepower in 1946.

Research laboratories and experimental plant of the Company at Shawinigan Falls, which also contains the Cerium plant of Shawinigan Chemicals Limited.



The success of our Company's operations depends very largely upon the river-flow of the St. Maurice. The extensive drainage area of this river and the adequate storage facilities which have been provided by The Quebec Streams Commission, have resulted in a river-flow which can be very closely regulated over comparatively long periods of time. This favourable situation made it possible to cope with the very heavy floods which occurred in the spring of 1947 without damage to our power installations, and at the same time to retain enough water in storage to fill the reservoirs to capacity. Although very dry conditions were experienced during the fall months, storage reserves at the end of the year were 233 billion cubic feet, as compared with an average of 227 billion cubic feet over the past fourteen years. Illustrative of the beneficial effects of regulation is the accompanying chart showing water in storage each year since 1934, compared with the average for that period.

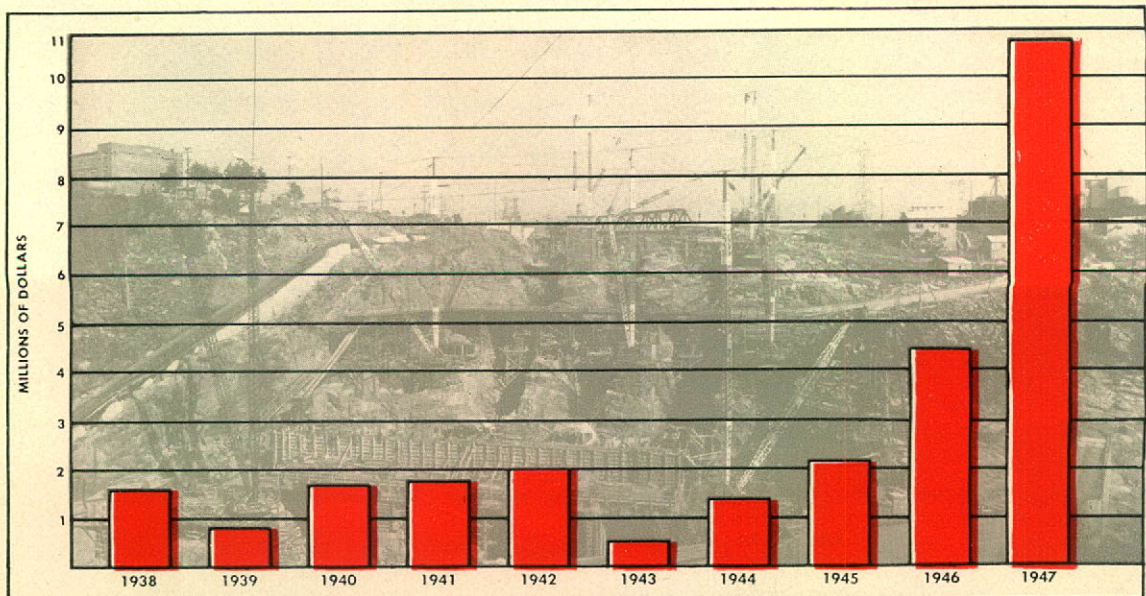


CAPITAL EXPENDITURES

After a careful study of the prospective demands for power in our territory, we decided to undertake a programme of capital expenditure over the years 1947 to 1949 totalling approximately \$40,000,000. The programme includes completion of the new generating station at Shawinigan Falls and preliminary construction work on a new power development located just below the junction of the Trenché and St. Maurice Rivers, as well as additions to transmission and distribution systems and other facilities.

Satisfactory progress was made in 1947 with this programme. The total expenditure amounted to \$10,813,000. Of this amount, \$4,397,000 was expended on the new generating station at Shawinigan Falls; \$5,040,000 was spent for rural and urban distribution facilities; and the remainder for various additions to plant and equipment.

ANNUAL CAPITAL EXPENDITURES 1938-1947



OUR MANAGEMENT

We believe that our Company is well managed. With very few exceptions our managerial employees have risen through the ranks and occupy their present positions as a result of hard work and proven ability over a long period of years. On the opposite page is a chart of our present management organization. Below each position is shown the number of years service of the employee holding that office.



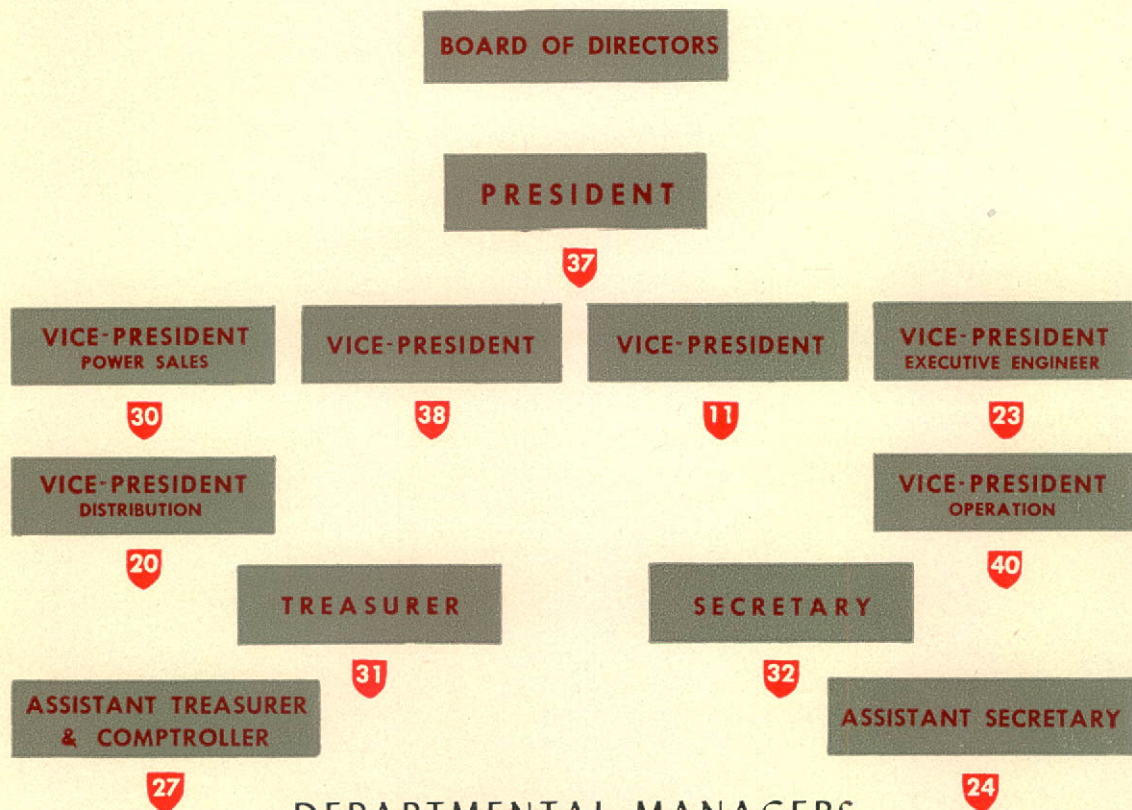
*Management Committee of
The Shawinigan Water and Power Company.*



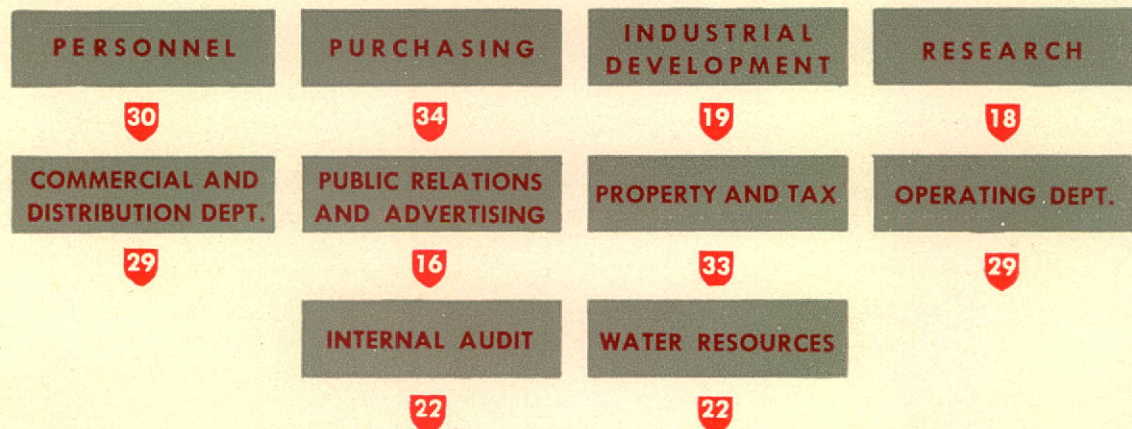
*Executive Committee of
Shawinigan Chemicals Limited.*

THE SHAWINIGAN WATER AND POWER COMPANY

MANAGEMENT CHART



DEPARTMENTAL MANAGERS



SHAWINIGAN CHEMICALS LIMITED

SHAWINIGAN CHEMICALS LIMITED

Operating Record for 1947

INCOME:

From sale of products.....	\$ 13,166,964
The cost of making and selling these products was.....	<u>11,596,201</u>
Note: Included in this cost is an amount of \$427,808 to provide for replacement of plants (Depreciation).	
This left earnings on manufacturing operations before Income and Profits Taxes of.....	1,570,763
Estimated proportion of such taxes payable on these earnings....	<u>765,092</u>

PROFIT:

This left a profit of 6.1 cents on each dollar of sales, or a total of.	805,671
Received from investments in subsidiary companies, from royalties on patents, and from other sources.....	\$734,562
Estimated proportion of Income and Profits Taxes payable on this income.....	<u>259,908</u>
	474,654
Net Income from all sources therefore was.....	<u>1,280,325</u>
Dividends of \$2.50 per share paid to the Parent Company for use of money invested in the business, or a total of.....	703,188
Balance retained in the business.....	<u>\$577,137</u>

SHAWINIGAN CHEMICALS LIMITED

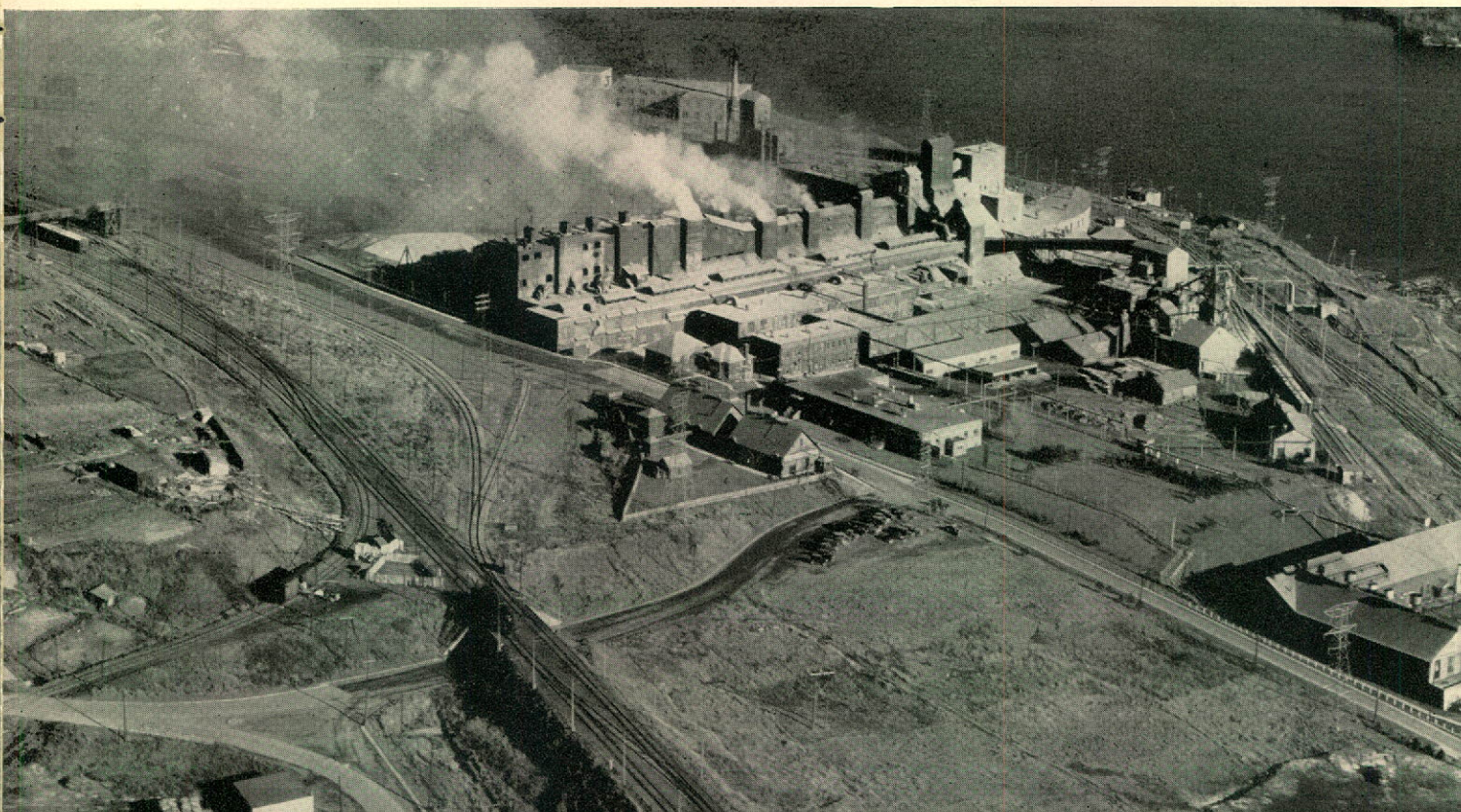
A statement of the sales and earnings of our Chemicals Company for 1947 is shown on the opposite page.

Sales exceeded those of the previous year by 16% and would have been somewhat greater except for shortages in supply of materials for containers.

Costs of manufacture were higher by reason of increased raw material costs and wage increases granted during the year. After providing an amount of \$427,808 to provide for replacement of plant and equipment, the profit from manufacturing operations was \$1,570,763 before Income and Profits Taxes.

The Chemicals Company also derives substantial income from sources other than earnings on its manufacturing operations. One of these is royalties from the licensing of patents to other chemical manufacturers in the United States and elsewhere. The net amount of royalties received in 1947 was \$342,055.

The Carbide Plant of Shawinigan Chemicals Limited.



Another is income from shareholdings in its two wholly-owned subsidiaries, Shawinigan Limited, London, England and Shawinigan Products Corporation, New York City, which act as its selling agents, the former in the United Kingdom and Europe and the latter in the United States.

The net profits (subject to audit) of Shawinigan Limited for 1947 were £15,788. Dividends received from Shawinigan Limited during the year amounted to \$25,155, after conversion at current exchange rates.

The net profits (subject to audit) of Shawinigan Products Corporation for 1947 were \$502,000. Included in its income were dividends of \$250,250 received from its 50% shareholding in Shawinigan Resins Corporation, of Springfield, Mass., for certain products of which company it acts as selling agent. Dividends paid by Shawinigan Products Corporation during the year amounted to \$114,000 U.S. Funds and a further dividend of \$100,000 has been declared since the close of the year.

Net Income of the Chemicals Company was \$1,280,325, after providing an amount of \$1,025,000 for Income and Profits Taxes, as compared with Net Income of \$1,038,349 in the previous year. Dividends of \$2.50 per share were paid, or a total amount of \$703,188. This compares with \$562,550 in 1946. After payment of dividends, an amount of \$577,137 was retained in the business for working capital and plant expansion.



Welfare Building at the Carbide Division

FINANCIAL POSITION

A summary of the Chemicals Company's financial position is shown below. We believe that its present funds and those which will become available from future earnings will enable it to carry out its current programme of capital expenditures.

Financial Position at the end of 1947

OWNED	OWED
Cash, Call Loan and Marketable Securities	For Materials, Services and Taxes \$ 1,499,636
\$ 3,122,034	Purchase of Government Plant.. 958,313
Raw Materials, Supplies and Finished Goods	Purchase of Patent 180,000
2,429,916	Reserve to provide for replacement of plants (Depreciation). 9,660,768
Due from customers	Other Reserves 667,361
2,552,094	Total Owed 12,966,078
Investments in subsidiary and associated companies	Net Worth (total owned less total owed) 13,811,442
1,622,695	\$26,777,520
Other Assets	
1,841,558	
Property, Plant and Equipment. 15,209,223	
Total Owned <u>\$26,777,520</u>	

CAPITAL EXPENDITURES

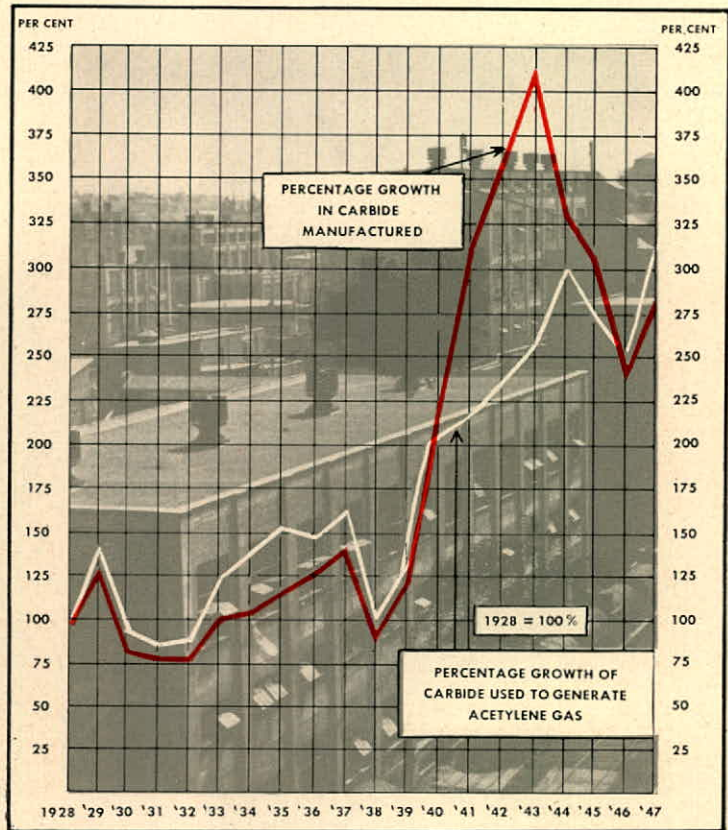
The Chemicals Company spent an amount of \$1,444,000 during the year on new plants and additions and improvements to existing plants. Among the most important was an additional unit for the manufacture of Acetaldehyde which came into operation during November. New plants for the production of Butyraldehyde and Monochloroacetic Acid are expected to come into operation early in 1948. The Company is also erecting a new plant for Vinyl Acetate which will utilize a process developed in its Research Laboratories.

BUSINESS

The business of the Chemicals Company is grouped into three divisions, namely, Carbide, Chemicals, and Stainless Steel & Alloys. The former two are closely related in that Acetylene Gas generated from Carbide is the basic raw material for the products of the Chemicals Division. Carbide is also shipped to consumers for use principally in oxy-acetylene welding.

The accompanying chart shows the percentage increase in Carbide production since the Company was formed in 1927, and is also indicative of the considerable growth of the Chemicals Division. In 1928, approximately 70% of all Carbide produced was used to generate Acetylene Gas for the manufacture of chemicals; in 1947, this figure had grown to approximately 80% of a greatly increased total production.

A further chart illustrates the growth of diversification within the Chemicals Division itself. Originally the major product of this Division was Acetic Acid which, in 1928, constituted 84.9% of total sales. While Acetic Acid remains an important



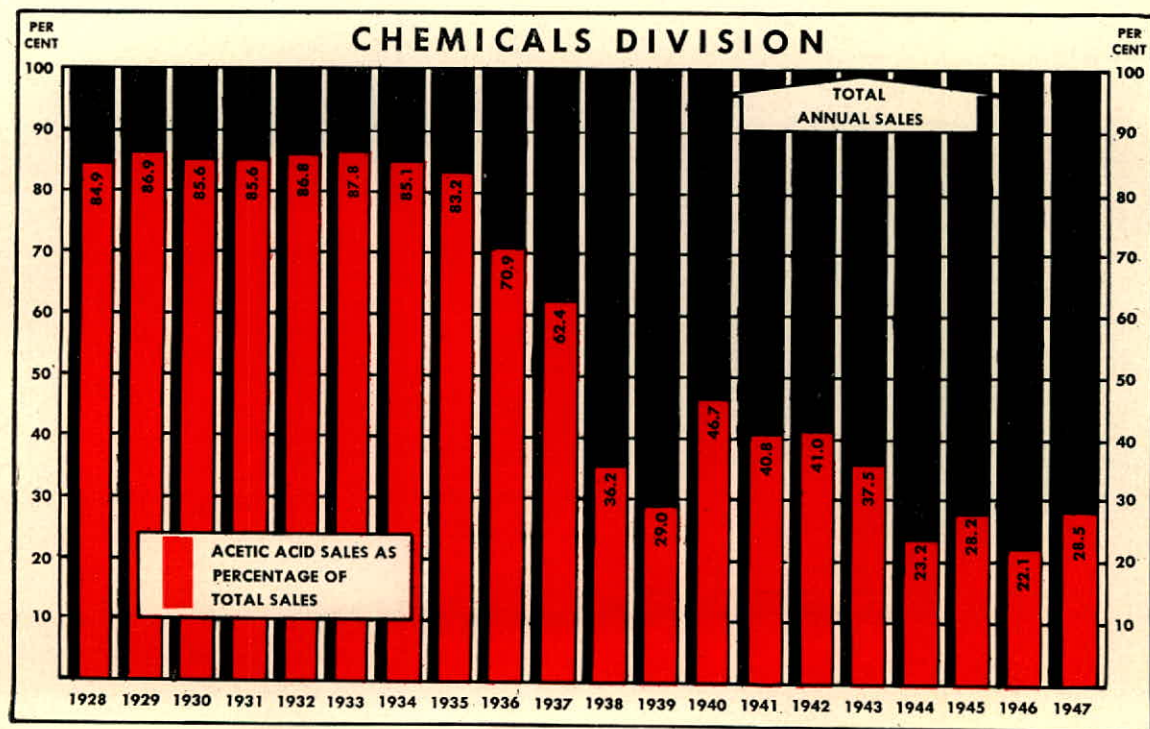
product, its percentage of total sales was reduced to 28.5% in 1947. The growth of the Company as a whole may be measured by the fact that sales in 1947 were 164% in excess of those in 1928.

The Stainless Steel & Alloys Division produces stainless steel and corrosion and heat-resisting castings for the paper and other industries, as well as for the requirements of the Chemicals and Carbide Divisions of the Company. Its products have gained a reputation for high quality.

The Chemical Company's Research Departments have been further expanded and a new wing has been added to the Research Laboratories at Shawinigan Falls.

Shawinigan Resins Corporation, in which, as previously mentioned, Shawinigan Products Corporation has a 50% interest, had a successful year in the manufacture and sale of vinyl acetate resins. Sales and earnings were larger than in 1946, and additions were made to the company's plants during the year.

Canadian Resins and Chemicals Limited, jointly owned by the Chemicals Company and Union Carbide and Carbon Corporation, made satisfactory progress

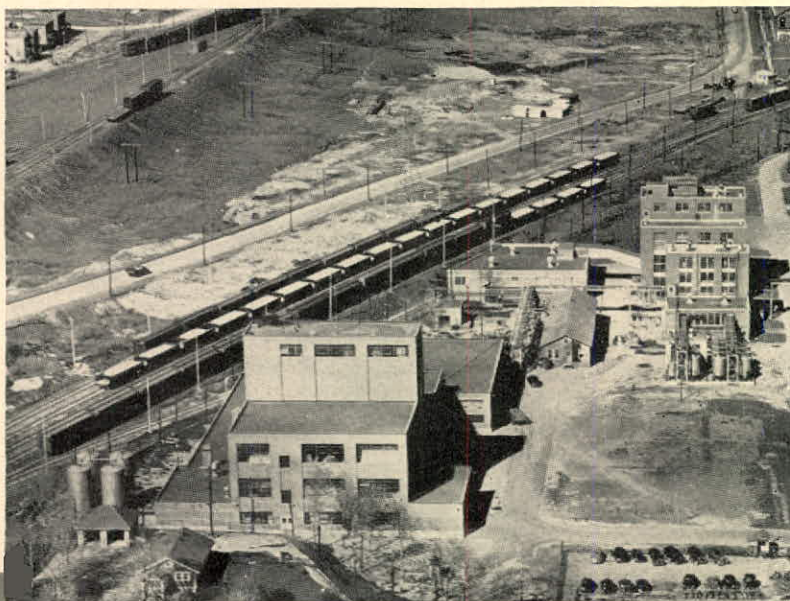


during the year. Its capacity for production of resin was increased and the new plant for the manufacture of plasticizer will come into operation early in 1948. This plasticizer is an essential material in the manufacture of "Vinylite" plastics, and has heretofore been purchased in the United States.

THE OUTLOOK

While the business of the Chemicals Company is subject to greater fluctuation than that of the Parent Company, prospects for its future growth are excellent. An important new contract has been entered into covering the shipment of large quantities of Acetic Acid to the United States during 1948. The Geneva Tariff Agreements which became effective as of January 1, 1948 provide for reductions in customs duties on certain of the Company's products, which we believe will be advantageous.

The growth of the Chemicals Company has resulted in large measure from extensive and efficient research carried out over past years. This research effort will be continued in the belief that the Company's future growth is also largely dependent thereon.



Plants of Canadian Resins and Chemicals Limited at Shawinigan Falls.

OFFICERS AND DIRECTORS

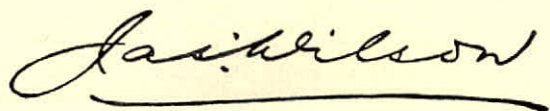
We have to record with deep regret the death of Mr. Gordon W. MacDougall, K.C., who was Chairman of the Executive Committee. In a legal capacity Mr. MacDougall's association with our Company goes back to its inception. In 1922 he was elected a Director, and in 1939 became Vice-President and Chairman of the Executive Committee. His knowledge of our affairs was profound, and this, together with sound judgment and an ever ready willingness to devote himself to the Company's problems, rendered his services of inestimable value. His loss will be keenly felt. Mr. James Wilson, President, was appointed to succeed Mr. MacDougall as Chairman of the Executive Committee, and Mr. W. B. Scott, K.C., has been appointed to the Board of Directors.

THE FUTURE

We have every reason to believe that our Company will continue to grow as steadily and as soundly as it has in the past. At the present time we are going through a period of growth so greatly accelerated that we have decided to commence the construction of the Trenché development about five years sooner than was originally planned. Experience has proven the wisdom of our established policy of building additional generating plant and facilities for the delivery of power in advance of demand. Our Company is in the favourable position of having ample power resources on the upper St. Maurice, which can be developed when required. While periods of retarded growth may be experienced in the years ahead, we believe that any surplus power which may become available during such periods can be sold advantageously as secondary power.

We attribute much of our Company's past success to our loyal and efficient body of employees, and we realize fully that the maintenance of that loyalty and efficiency in the years to come will be an essential factor in our future prosperity.

On behalf of the Board of Directors,

A handwritten signature in cursive script, reading "James Wilson", with a horizontal line underneath.

President.

THE SHAWINIGAN WATER

Comparative Balance Sheet as at

ASSETS		1947	1946
<u>Fixed Assets:</u>			
Power Development	\$58,368,694.62		\$55,246,548.18
<small>(Cost of power houses, gatehouses, dams, tunnels, sluice and regulating gates, log chutes, penstocks, shop buildings, roads, tracks, bridges and riparian rights at Shawinigan Falls, La Gabelle, Grand'Mere, Rapide Blanc and other plants.)</small>			
Properties	25,782,024.28		25,691,640.44
<small>(Cost of land for power developments at Shawinigan Falls, La Gabelle, Grand'Mere, Rapide Blanc and other plants, including road and shore protection, together with the cost of undeveloped water power sites, real estate and dwellings at Shawinigan Falls owned by the Company, dwellings and miscellaneous buildings at other power sites.)</small>			
Machinery	25,753,946.96		24,454,309.66
<small>(Cost of water wheels, generators, transformers, switches, cables and other equipment used in the production of power at Shawinigan Falls, La Gabelle, Grand'Mere, Rapide Blanc and other plants.)</small>			
Distribution Systems	60,892,362.88		54,661,980.71
<small>(The amount of the Company's investment in equipment required for the delivery of power to the Company's customers, inclusive of towers, transmission lines, distribution lines, right-of-way, terminal stations, sub-stations, transformers and installations of electric steam boilers.)</small>			
Total Fixed Assets		\$170,797,028.74	160,054,478.99
<u>Mattawin River and Other Storage Dams</u>	4,073,657.92		
Less: Amortization to Date	880,121.26		
		3,193,536.66	3,251,839.21
<u>Securities of Subsidiary and Other Companies (Book Value)</u>		16,824,772.35	16,810,111.18
<u>Deposit with Quebec Government</u>		250,000.00	250,000.00
<small>(\$250,000 Province of Quebec Bonds, deposited with the Quebec Government as provided in the Water Power Lease.)</small>			
<u>Refundable Portion of Dominion of Canada Excess Profits Tax</u>		1,532,774.08	1,532,774.08
<u>Stores and Moveable Plant</u>		3,257,161.83	2,405,928.01
<small>(Cost of spare equipment, also materials, supplies and miscellaneous items carried in stores.)</small>			
<u>Current Assets:</u>			
Cash in Banks and on Hand	1,702,516.60		2,143,624.02
Government Bonds and Call Loans	21,482,725.00		8,167,600.00
Accounts and Bills Receivable	2,776,486.63		2,712,616.32
Total Current Assets		25,961,728.23	13,023,840.34
<u>Prepaid Charges</u>		559,806.70	445,744.22
<small>(Insurance, taxes, rentals, etc., paid in advance.)</small>			
<u>Unamortized Bond Premium, Discount and Expense, less Net Preferred Stock Premium and Expense</u>		5,483,458.54	5,566,568.65
Total Assets		\$227,860,267.13	\$203,341,284.68

Approved on behalf of the Directors,

Montreal, January 20, 1948.

J. A. ECCLES }
W. B. SCOTT } *Directors.*

SHARP, MILNE & CO.,
CHARTERED ACCOUNTANTS

ALDRED BUILDING
507 Place d'Armes

Montreal, January 20, 1948.

*The Shawinigan Water and Power Company,
Montreal, Que.*

We have audited the books and accounts of The Shawinigan Water and Power Company for the year ended December 31, 1947. In connection therewith we examined or tested the accounting records and other supporting evidence and made a general review of the accounting methods of the Company.

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

We have received all the information and explanations we have required, and in our opinion, based on our examination, the attached Balance Sheet and related Statements of Profit and Loss and Surplus set forth correctly the financial position of The Shawinigan Water and Power Company as at December 31, 1947, and the result of operations for the year ended on that date, according to the best of our information, the explanations given to us and as shown by the books and records of the Company.

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

THE SHAWINIGAN WATER AND POWER COMPANY

COMPARATIVE STATEMENT OF PROFIT AND LOSS ACCOUNT

For the years ended December 31, 1947 and 1946

	1947	1946
Revenue from Power Sales.....	\$22,670,755.89	\$21,168,786.30
Other Revenue, including Income from Investments in Subsidiary and other Companies and Rentals.....	2,052,170.72	1,577,429.27
Gross Revenue.....	24,722,926.61	22,746,215.57
Deduct:		
Operating Expenses.....	2,581,454.63	2,086,953.94
Power Purchased.....	3,556,985.36	3,593,802.57
Maintenance and Repairs.....	1,729,081.99	1,729,420.34
Taxes, other than Income and Profits Taxes.....	1,353,409.48	1,245,362.99
General Expenses.....	2,750,472.81	2,324,690.32
Water Storage Rentals.....	668,169.24	616,199.75
Total Operating Expenses.....	12,639,573.51	11,596,429.91
Operating Profit.....	12,083,353.10	11,149,785.66
Deduct:		
Interest paid and accrued on Bonds (including U.S. Exchange \$3,750.00).....	2,842,044.69	2,958,659.61
Net Income before Depreciation and Income and Profits Taxes.....	9,241,308.41	8,191,126.05
Deduct:		
Provision for—Depreciation.....	3,250,000.00	3,150,000.00
Income and Profits Taxes.....	2,043,000.00	1,849,000.00
Total Depreciation and Income and Profits Taxes.....	5,293,000.00	4,999,000.00
Net Income transferred to Earned Surplus Account....	\$ 3,948,308.41	\$ 3,192,126.05

COMPARATIVE STATEMENT OF EARNED SURPLUS ACCOUNT

For the years ended December 31, 1947 and 1946

	1947	1946
Surplus carried forward from previous year, after adjustments.....	\$ 4,538,425.74	\$ 3,958,696.54
Net Income transferred from Profit and Loss Account.....	3,948,308.41	3,192,126.05
	8,486,734.15	7,150,822.59
Deduct:		
Amortization of Bond Premium, Discount and Expense, less Net Preferred Stock Premium and Expense.....	228,266.48	254,871.99
One tenth of additional cost for past service, Employees' Retirement Income Plan.....	72,370.44	73,200.00
Dividends on Preferred Shares for Six Months.....	400,000.00	—
Dividends on Common Shares for the Year.....	2,613,900.00	2,287,162.50
	3,314,536.92	2,615,234.49
Earned Surplus as per Balance Sheet.....	\$ 5,172,197.23	\$ 4,535,588.10

Audited and Verified,

per our Report attached.

SHARP, MILNE & CO.,

Chartered Accountants.

Montreal, January 20, 1948.

AND POWER COMPANY

December 31, 1947 and 1946

LIABILITIES

	1947	1946
<u>Capital Stock:</u>		
<u>Cumulative Redeemable Preferred:</u>		
Authorized—600,000 Shares of \$50.00 par value	\$30,000,000.00	
Issued—Series "A" 4% 400,000 Shares of \$50.00 par value	\$20,000,000.00	—
<u>Common:</u>		
Authorized—2,600,000 Shares of no par value		
Issued—2,178,250 Shares of no par value	67,562,996.75	\$67,562,996.75
Total Capital Stock	\$87,562,996.75	67,562,996.75
<u>Funded Debt:</u>		
<u>First Mortgage and Collateral Trust Sinking Fund Bonds:</u>		
Series "G" 4% maturing June 1, 1969	—	13,806,500.00
Series "H" 3½% maturing January 1, 1970	18,761,000.00	
Less: Redeemed under Sinking Fund Provisions	1,194,000.00	
	17,567,000.00	17,567,000.00
Series "J" 3½% maturing February 1, 1970	9,164,000.00	
Less: Redeemed under Sinking Fund Provisions	63,000.00	
	9,101,000.00	9,101,000.00
Series "L" 3% maturing March 1, 1961	12,828,000.00	12,828,000.00
Series "M" 3% maturing April 15, 1971	25,000,000.00	25,000,000.00
Series "N" 3% maturing May 15, 1971	10,996,500.00	
Less: Bonds unsold	996,500.00	
	10,000,000.00	
Less: Redeemed under Sinking Fund Provisions	500,000.00	
	9,500,000.00	9,500,000.00
Series "O" 3¼% maturing April 1, 1972	13,806,500.00	—
Total Funded Debt	87,802,500.00	87,802,500.00
<u>Current Liabilities:</u>		
Accounts Payable (including Provision for Income and Profits Taxes)	3,002,694.93	2,545,124.11
Accrued Bond Interest, and Dividends Payable	1,725,953.21	1,480,692.57
Total Current Liabilities	4,728,648.14	4,025,816.68
<u>Reserves:</u>		
Contingent and Insurance Reserves	1,160,032.35	1,160,032.35
<small>(This amount is made up of sums transferred from surplus or earnings to provide for loss or damage to property by fire or other contingencies.)</small>		
Depreciation and Renewal Reserve	39,901,118.58	36,721,576.72
<small>(Amounts representing provision for depreciation and renewals.)</small>		
Total Reserves	41,061,150.93	37,881,609.07
<u>Surplus:</u>		
Earned Surplus	5,172,197.23	4,535,588.10
Deferred Surplus	1,532,774.08	1,532,774.08
<small>(Refundable Portion of Dominion of Canada Excess Profits Tax.)</small>		
	6,704,971.31	6,068,362.18
Total Liabilities	\$227,860,267.13	\$203,341,284.68

The Company jointly with Montreal Light, Heat & Power Consolidated (now succeeded by Quebec Hydro-Electric Commission) has guaranteed, as to one-half each, the principal and interest of \$3,351,500 of the 3% Collateral Trust Ten-year Bonds of United Securities Limited maturing May 1, 1952.

Audited and Verified,

per our Report attached,

SHARP, MILNE & CO.,

Chartered Accountants.

THE SHAWINIGAN WATER AND POWER COMPANY

Comparative Statement of Profit and Loss Account

For the Years 1938-1947

	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947
Revenue from Power Sales.....	\$13,224,613	\$13,994,918	\$15,762,141	\$19,111,277	\$23,291,283	\$23,088,890	\$22,081,965	\$20,805,955	\$21,168,786	\$22,670,756
Other Revenue.....	1,163,387	1,138,609	1,302,574	953,006	887,030	1,242,823	1,191,425	1,180,244	1,577,429	2,052,171
Gross Revenue.....	14,388,000	15,133,527	17,064,715	20,064,283	24,178,313	24,331,713	23,273,390	21,986,199	22,746,215	24,722,927
<i>Deduct:</i>										
Operating Expenses.....	1,082,222	1,126,794	1,302,468	1,470,186	1,580,349	1,703,598	1,872,595	1,868,763	2,086,954	2,581,455
Power Purchased.....	1,627,160	1,771,897	2,339,693	3,485,991	4,252,495	4,284,068	4,353,609	3,465,720	3,593,803	3,556,985
Maintenance and Repairs.....	875,116	838,667	871,821	1,127,915	1,194,900	1,425,055	2,794,115	2,042,721	1,729,420	1,729,082
Taxes, Other than Income and Profits Taxes.....	873,653	1,046,140	1,040,799	1,093,939	921,936	836,384	865,450	913,599	1,245,363	1,353,410
General Expenses.....	1,392,052	1,459,166	1,480,218	1,550,008	1,737,503	2,024,499	2,064,224	2,058,854	2,324,690	2,750,473
Water Storage Rentals.....	450,246	485,832	500,736	481,407	530,921	548,726	549,508	575,005	616,200	668,169
Total Operating Expenses.....	6,300,449	6,728,496	7,535,735	9,209,446	10,218,104	10,822,330	12,499,501	10,924,662	11,596,430	12,639,574
Operating Profit.....	8,087,551	8,405,031	9,528,980	10,854,837	13,960,209	13,509,383	10,773,889	11,061,537	11,149,785	12,083,353
<i>Deduct:</i>										
Interest Paid and Accrued on Bonds (Including U.S. Exchange).....	3,839,059	3,881,205	4,124,038	4,018,574	3,836,244	3,789,897	3,723,806	3,163,562	2,958,659	2,842,045
Net Income before Depreciation and Income and Profits Taxes.....	4,248,492	4,523,826	5,404,942	6,836,263	10,123,965	9,719,486	7,050,083	7,897,975	8,191,126	9,241,308
<i>Deduct:</i>										
Provision for Depreciation.....	1,600,000	1,800,000	2,000,000	2,400,000	2,900,000	3,000,000	3,000,000	3,000,000	3,150,000	3,250,000
Income and Profits Taxes.....	387,361	419,000	1,340,000	2,116,000	4,691,099	4,352,101	1,725,796	2,592,000	1,849,000	2,043,000
Net Income.....	\$ 2,261,131	\$ 2,304,826	\$ 2,064,942	\$ 2,320,263	\$ 2,532,866	\$ 2,367,385	\$ 2,324,287	\$ 2,305,975	\$ 3,192,126	\$ 3,948,308
∅ Including Refundable Portion of Dominion of Canada Excess Profits Tax.										
<i>Earnings and Dividends:</i>										
4% Preferred Shares, \$50 Par Value:										\$9.87
Earned per Share.....										1.00*
Dividends for the Year.....										*For six months only.
Common Shares, No Par Value:										
Earned per Share.....	\$1.03	\$1.05	\$0.94	\$1.06	\$1.16	\$1.08	\$1.06	\$1.05	\$1.46	\$1.62
Dividends for the Year.....	.83	.90	.90	.90	.90	.90	.90	.92	1.05	1.20

THE SHAWINIGAN WATER AND POWER COMPANY

DIRECTORS

JAMES WILSON, O.B.E., *President and Chairman of Executive Committee*
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LIEUT.-COL. L. J. ADJUTOR AMYOT *BEAUDRY LEMAN
*NORMAN J. DAWES W. B. SCOTT, K.C.
*S. G. DOBSON *PAUL F. SISE
J. A. ECCLES H. G. WELSFORD ARTHUR SURVEYER

H. G. BUDDEN, *Secretary*

*Member of Executive Committee.

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J. B. CHALLIES, *Vice-President and* W. F. MAINGUY, *Vice-President in Charge of Distribution*
Executive Engineer JOHN MORSE, *Vice-President in Charge of Operation*
N. P. WOODS, *Treasurer*
C. W. HEMMING, *Assistant Treasurer* WALTER S. HUNTER, *Assistant Secretary*
and Comptroller

HEAD OFFICE: Montreal, Canada

SHAWINIGAN CHEMICALS LIMITED

EXECUTIVE OFFICERS

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H. S. REID, *Vice-President* H. S. SUTHERLAND, *Vice-President, Sales*
J. A. FULLER, *Vice-President* C. M. CARMICHAEL, *Vice-President, Stainless Steel & Alloys*
P. W. WRIGHT, *Secretary and Treasurer*

HEAD OFFICE: Montreal, Canada

WORKS: Shawinigan Falls, Que.

SHAWINIGAN LIMITED LONDON, ENGLAND

A. W. SCOTT, *Director and Sales Manager*

SHAWINIGAN PRODUCTS CORPORATION NEW YORK, N. Y.

L. F. LOUTREL, *President*

THE SHAWINIGAN ENGINEERING COMPANY LIMITED

EXECUTIVE OFFICERS

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J. A. McCRORY, *President* E. V. LEIPOLDT, *Vice-President*
R. E. HEARTZ, *Vice-President and Chief Engineer* C. R. LINDSEY, *Vice-President*
H. G. BUDDEN, *Secretary* N. P. WOODS, *Treasurer*

HEAD OFFICE: Montreal, Canada

