

ANNUAL REPORT

Canadian General Electric Co.

Limited

1907



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Canadian General Electric Company
Limited

ANNUAL REPORT *of the*
BOARD OF DIRECTORS

FOR THE YEAR ENDED
31ST DECEMBER
1907

GENERAL OFFICES

14-16 KING ST. E., TORONTO, ONT.

DISTRICT OFFICES

MONTREAL, QUE. HALIFAX, N.S. OTTAWA, ONT.
WINNIPEG, MAN. VANCOUVER, B.C.
ROSSLAND, B.C.

FACTORIES

CANADIAN GENERAL ELECTRIC CO., LIMITED,
PETERBORO, ONT.

CANADA FOUNDRY CO., LIMITED,
TORONTO, ONT.

ORNAMENTAL IRON DEPT.,
TORONTO, ONT.

DEPARTMENTAL EXECUTIVE COMMITTEE

CHAIRMAN:

H. G. NICHOLLS, *Assistant General Manager and Secretary*

VICE-CHAIRMAN:

G. W. WATTS, *Manager of Works*

ASHWORTH, J. J. *Manager of Sales, Foundry Dept.*
BREMNER, J. A. *General Auditor*
GUEST, A. E. *Treasurer*
JENKING, E. I. ** Assistant Secretary*
KYNOCHE, J. *Chief Engineer, Electrical Dept.*
MADDEN, G. F. *Manager of Agencies*
McCORMACK, E. D. *Manager, Supply Dept.*
WEDD, E. K. M. *Manager, Purchasing Dept.*

Annual Report of the Directors

SUBMITTED TO THE SHAREHOLDERS AT THE ANNUAL
GENERAL MEETING, HELD AT THE OFFICES
OF THE COMPANY, IN TORONTO, ON
WEDNESDAY, 15TH APRIL, 1908.

Your Directors submit, herewith, the Consolidated Balance Sheet of the Company as upon the 31st day of December, 1907, and the combined Statement of Profit and Loss for the year ending on that date.

Because of the large number of shareholders of the Company resident in England and Europe, your Directors decided to have an Audit of the affairs of the Company made by Messrs Price, Waterhouse and Company, whose international reputation as Chartered Accountants gives our Shareholders additional assurance of the accuracy of our published Statements.

After a searching investigation extending over several weeks, they have approved of the Statement of Assets and Liabilities submitted herewith; have confirmed our conservative method of arriving at values and have endorsed the thoroughness of our Accounting and Cost Keeping, and their Certificate is appended hereto.

The form of the Balance Sheet has been somewhat changed upon their recommendation, and for a proper comparison with previous years the following explanations are made—

The Values of Patents and Contracts and Patterns and Drawings have only been actually increased by the sum of \$9,000.00, as previously a proportion of these items was carried on the Canada Foundry books and appeared under the heading of Factory Plants.

Large sums have from time to time been written off these accounts, and during the past year a further sum of \$47,745.19 expended for Patterns and Drawings has also been written off in addition to an expense of \$12,532.85 for Repairs and Maintenance.

The unpaid instalments on the new issue of the Preferred Capital Stock amounting, at the end of the year, to \$547,614.72 have since been paid and have been used in the reduction of the Liabilities of the Company. The issue of \$300,000 Preferred Stock was redeemed on 2nd January, 1908, and the Bonds of the Northey Manufacturing Company maturing on the 6th April, 1908, have also been redeemed. As against the Liabilities it will be seen that the Company owned (in addition to the instalments on the Preferred Stock) Quick Assets of \$5,212,088.33.

On account of the large amount of work on hand at the end of the year, our Liability for raw material, etc., purchased for actual orders on hand, was unusually large, and this will be materially reduced as the season advances.

The custom of the Company is to take the Inventory of all materials at cost or market price, whichever is the lower, and, at the end of last year, owing to falling values the shrinkage on this account is exceptional. The result of our large Inventory is seen in the shrinkage in the Gross Profits for the year, as it was taken at a time when the price of raw materials was at the lowest point.

A sum of \$100,000.00 had previously been carried at the credit of Contingent Fund to provide for such contingencies as reduction on the market price of materials on hand and other unforeseen contingencies, and this Fund has now been availed of.

Work in Progress and Orders on Hand but not delivered are taken at Factory Cost with no profit added.

As the shareholders are aware, the financial situation last year resulted in high charges for money, and all Municipalities, Railroads and other Corporations had to finance their requirements at higher charges than obtained in prior years.

This Company's issue of two millions of Preferred Stock was largely oversubscribed, and although the Auditors advise us that it would be permissible to spread the discount and expense of this issue over several years, your Directors have decided to charge it all off this year as against Surplus Account, although as a matter of fact the instalments paid were only received towards the close of the year and the balance, being about one-third, has been received during the current year.

In addition to the large sums written off for depreciation year by year, the Statements now submitted show a further writing off of \$226,977.10, and your Directors draw the attention

of the Shareholders to the fact that a reference to the Profit and Loss Statements from 1900 to 1906 inclusive, shews that during those years no less a sum than \$934,527.22 has been written off, which added to the \$226,977.10, written off for 1907, makes a total writing off of \$1,161,504.32 since 1900.

The unoccupied real estate owned by the Company, purchased with regard to future extensions, has been valued by a leading Real Estate Expert at \$160,000.00 in excess of the values carried on our books.

The tools and machinery at Peterboro are carried at about 55% of their replacement value. As previously stated the total expenditures for the year on Patterns and Drawings amounted to \$60,278.04, all of which has been written off. All charges for the development of new lines of apparatus; cost of removing the old Pipe Foundry to the new Works, and a large sum expended in introducing an improved Cost System have all been charged direct to Operating Expense in addition to the sum of \$118,000.00 for maintenance and renewals of buildings and machinery. It may also be mentioned that a sum of \$401,469.53 was expended during the year for new machinery and tools for the equipment of the new shops, and a sum of \$149,475.28 was written off Machinery and Tool Account.

During the year Agreements have been executed whereby the Company has secured the control for Canada of the business and manufacturing rights of the Allgemeine Elektrizitäts-Gesellschaft, of Berlin, the largest manufacturers of electrical apparatus in Europe, the Sprague Electric Company, of New York, and several minor concerns, and by Agreement with the General Electric Company, of Schenectady, N. Y., this Company has also acquired all the rights to their business in Newfoundland. All expenses in connection with these Agreements have been charged to Expense Account and no Capital charge has been made for these valuable Rights and Franchises.

During the year the new factory building at Peterboro, an extension to the Machine Shop at Davenport and the new Cast Iron Pipe Foundry have been completed and equipped with the necessary tools and appliances and are now in operation.

The financial depression, which has caused such a falling off in orders in the United States and to a lesser extent in Canada, has to some extent affected the business of your Company but we are pleased to be able to report that our Works have sufficient

Certificate of Chartered Accountants

Price, Waterhouse & Co.

Chartered Accountants,

London (England), New York, Philadelphia, Chicago, St. Louis,
Pittsburg, San Francisco, Seattle, Mexico, and Montreal (Canada).

54 WILLIAM STREET, NEW YORK,
4TH APRIL, 1908.

*TO THE SHAREHOLDERS of the
CANADIAN GENERAL ELECTRIC COMPANY, Limited.*

We have examined the Books and Accounts of the Canadian General Electric Company, and of its subsidiary Companies (the Canada Foundry Company, Limited, and the Industrial Realty Company of Canada, Limited) for the year 1907, and we find that the annexed Consolidated Balance Sheet and the relative Surplus Account are correctly prepared therefrom.

The Company's Accounting System both at the Head Office and at the Factories is efficient, not only as regards the recording of financial transactions but also as regards Cost Accounting.

We have satisfied ourselves as to the propriety of the charges to Capital during the year, only actual Additions and Extensions being charged thereto, plus interest during construction. Provision has been made for depreciation of Plant and Equipment.

The Inventory of Raw Material, Supplies, Work in Progress and Manufactured Products, has been taken and certified by responsible Officials of the Company, and has been checked by us with the Factory records. The valuations have been carefully and accurately made at or below cost, proper provision being made for goods that are either obsolete or not readily saleable.

Reserves have been made for Doubtful Accounts and Notes Receivable and for all ascertainable Liabilities.

We have verified the Cash, the Investments and the Bank Balances by actual inspection or by properly certified statements.

WE CERTIFY that, in our opinion, the annexed Balance Sheet is properly drawn up so as to show the true financial position of the Company at December 31st, 1907, and that the Surplus Account shows the correct result of the operations for the fiscal year ending that date.

PRICE, WATERHOUSE & CO.,

**CANADIAN GENERAL
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET.**

ASSETS.	
CAPITAL ASSETS—	
Patents and Contracts.....	\$ 401,855.00
Real Estate, Buildings, etc., at Toronto, Peterboro, Montreal Branches, and Power Plant at Nassau.....	3,343,678.98
Machinery and Tools	1,488,994.76
Patterns and Drawings	268,348.77
	<u>\$5,502,877.51</u>
CURRENT ASSETS—	
Cash	\$ 24,376.87
Accounts Receivable (less Reserve for doubtful debts).....	1,755,880.21
Notes Receivable.....	80,351.58
Inventory of Raw Material, Supplies, Work in Progress and Finished Materials.....	2,865,325.18
Expenditure on Contracts (less collections on account).....	288,850.54
Investments.....	191,304.00
Discount and Insurance unexpired.....	27,260.23
	<u>\$5,212,086.33</u>
	<u>\$10,742,235.07</u>

**ELECTRIC COMPANY, LIMITED
COMPANIES.**

31ST DECEMBER, 1907.

LIABILITIES.	
CAPITAL LIABILITIES—	
Capital Stock, Common.....	\$4,700,000.00
Capital Stock, Preferred, retired 2nd Jan., 1908.....	300,000.00
Capital Stock, Preferred (new issue) \$2,000,000.00 Less unpaid instalments due 1908.....	547,614.72
	<u>6,452,385.28</u>
Northey Co. Mortgage Bonds, due 1908.....	160,000.00
Mortgages	95,485.00
Balance Nassau Power Plant.....	79,429.24
	<u>\$6,787,299.52</u>
CURRENT LIABILITIES—	
Canadian Bank of Commerce	\$907,647.99
Accounts Payable	680,308.53
Bills Payable.....	603,310.47
	<u>2,191,266.99</u>
SURPLUS	1,763,668.56
(Contingent Liability on Notes Receivable, Discounted ... \$1,061,616.44)	
	<u>\$10,742,235.07</u>

We have audited the above Balance Sheet and certify that it is properly drawn up, so as to show the true financial position of the Company, on 31st December, 1907.

PRICE, WATERHOUSE & CO.
Chartered Accountants.

CONSOLIDATED SURPLUS ACCOUNT

GROSS PROFIT FOR THE YEAR ENDED 31ST DECEMBER, 1907.	
(Before providing for Depreciation and Interest on borrowed Capital).....	\$722,433.34
LESS—	
Depreciation of Buildings, Machinery, Patterns, etc.	\$226,977.10
Interest	141,229.47
	368,206.57
	354,226.77
ADD—	
Undivided Profits, as at 1st January, 1907, including Contingent Fund	207,679.36
	561,906.13
Less Dividend Paid	488,000.00
	73,906.13
Reserve Fund, as at 1st January, 1907	1,800,320.00
Less Commission and Expenses of new issue of Preferred Stock.....	110,557.57
	1,689,762.43
Surplus, per Balance Sheet.....	\$1,763,668.56

Certified to be correct,

LYNDHURST OGDEN,
Auditor.

TORONTO, 4th April, 1908.

orders on hand to last for some months to come and new orders are being received in satisfactory volume.

In view of the fact that the Profits for the past year have been lessened, for the several reasons previously explained, your Directors considered it prudent and conservative to reduce, in the meantime, the Dividend on the Common Stock to seven per cent. per annum.

W. R. BROCK,
President.