

CANADA NORTHERN POWER CORPORATION, LIMITED

Montreal, Que., March 7th, 1940.

TO THE SHAREHOLDERS:

In submitting herewith the following report of the operations of your Company for the year ended December 31st, 1939, your Directors are pleased to again report satisfactory growth in the volume of business transacted by the Company, though the substantial rate reductions and the increase of the burden of taxation have resulted in a slight decline in net earnings, as will be seen by reference to the comparative statement of operations covering the past five years.

Regular dividends on the 7% Cumulative Preferred stock and \$1.20 per share on the no par value Common stock were paid during the year.

Power Demand The demand for power during the year shows an increase of 49,055,431 kilowatt hours, having risen from 700,848,611 in 1938 to 749,904,042 in 1939, while the number of customers supplied by the Company on December 31st, 1939, was 25,209, an increase of 2,641 over the previous year.

Construction Activities The past year has been a comparatively uneventful year insofar as construction is concerned, no major projects having been undertaken. Work in this department has been confined to the building of comparatively short distribution lines in order to serve new mining customers and the extension of facilities in several of the towns served by the Company. The longest of the mine feeders to be built was that to the property of Malartic Gold Fields, which is five miles in length. At the Town of Timmins, Ontario, the increased growth of the domestic and commercial load necessitated an addition of 3,000 k.v.a. to the Substation Transformer capacity, which was effected by the substitution of 3-1,500 k.v.a. Transformers for 3 of 500 k.v.a. capacity each. A similar situation was remedied at the Town of South Porcupine by the installation of 3-500 k.v.a. Transformers for 6-100 k.v.a. Transformers, which had sufficed hitherto. At Kirkland Lake, owing to the development of new subdivisions and expansion of business premises, it was necessary to provide two new feeders from the Substation to the business section and install further transformer capacity at the Substation. Early in the year the most easterly distribution system of the Company was inaugurated at Pascal, Quebec, a new town designed to serve the Perron and Cournor mine area. This point is ninety-six miles east of the Ontario-Quebec boundary.

New Power Customers Contracts for the supply of power were entered into with the following mines in Quebec: Senore Gold Mines, located in the Pascal area; West Malartic Gold Mines in Cadillac Township; Siscoe Gold Mines, situate in Dubuisson Township; Senator-Rouyn Mines in Rouyn Township, and Mic-Mac Mines, Limited, whose property is in Bousquet Township.

Franchises During the year two municipal franchises expired, which were each renewed for a ten-year period. They were for the Towns of Elk Lake and Earleton, Ontario.

Merchandise Department This department of the Company's activities, which contributes appreciably to the growth of demand from its domestic customers by the provision of reliable electrical appliances, experienced another successful year, securing sales amounting to \$196,422.

Sinking Fund During the year your Company retired \$461,000 of its 5% Bonds, comprising regular Sinking Fund requirements plus additional Bonds drawn by lot by the Trustee, making the total retirement of Bonds to date, \$2,168,000.

Taxation The burden of taxation continues to rank as the most difficult problem demanding the attention of your Directors, as the proportion of earnings necessary to meet the requirements of the various governmental departments becomes greater each year and increases the discrimination endured by both the shareholders and customers of privately owned companies. It is pointed out that not only does this unfair method of taxation increase the difficulties of

securing business, but it also penalizes the returns from earnings by compelling a contribution towards the administration of the country's affairs from which publicly owned institutions are free.

The growth of this item of taxation is shown by the following table of the amounts paid under this head for the past ten years:

Year	Taxes	Net Earnings	Percentage
1930	\$304,275	\$2,160,477	14.08%
1931	335,000	2,280,104	14.70%
1932	365,191	2,389,081	15.28%
1933	394,467	2,590,812	15.22%
1934	437,045	2,712,730	16.1 %
1935	477,955	2,770,678	17.2 %
1936	517,429	2,804,914	18.44%
1937	538,543	2,901,639	18.5 %
1938	546,607	2,840,984	19.24%
1939	543,891	2,755,385	19.7 %

These figures do not include many miscellaneous taxes, among which are: tax on gasoline, licenses for automobiles and trucks, meter inspection taxes, tax on telephone bills, sales taxes (Federal and Municipal), tax on meals, tax on railway fares, customs duties, etc.

Rates On January 1st, 1939, the third substantial reduction in the rates for power to mine customers went into effect, which brought the rate for the first 8,000 horsepower to \$3.33 per horsepower per month net, for the next 3,000 horsepower to \$1.67 per horsepower per month net, and for the next 9,000 horsepower to \$1.25 per horse-

power per month net. A further reduction was put into effect on January 1st, 1940, by which the rate for power for mines is as follows:

For the first 10,000 H.P.—\$3.00 per H.P. per month.

For each of the next 10,000 H.P.—\$1.25 per H.P. per month.

These reductions have been of great benefit to the mining industry and the development of the area served by the Company, and furnish a clear illustration of the fact that when the item of taxation is taken into consideration the cost of power supplied by the Company is as low as the cost to the users of power furnished by any organization supplying similar service on the continent. This is further borne out by a comparison of the total kilowatt hour output of the Company with the gross electric revenue, from which it will be seen that we receive sixty-nine one-hundredths of a cent per kilowatt hour before considering taxes, and after taxes amounting to \$543,891 are deducted, only sixty-two one-hundredths of a cent per kilowatt hour.

Plants and Properties

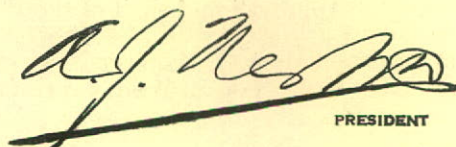
The plants and properties of your Company continue to be maintained at a high standard of efficiency and all storage reservoirs are in excellent condition.

Employees

Your Directors desire to express their appreciation of the efficient and loyal efforts of the employees of your Company in the pursuit of their duties.

The Annual General Meeting of the Shareholders of your Company will be held at Room 103, 355 St. James Street West, in the City of Montreal, on Tuesday, the 26th day of March, 1940, at 3 o'clock in the afternoon.

Respectfully submitted on behalf of the Board.


PRESIDENT

CANADA NORTHERN POWER AND SUBSIDIARIES

Consolidated Balance Sheet

ASSETS	1939	1938
Plant Investment:		
Properties, Plant and Equipment, Franchises, Organization, etc. (at Cost) less net adjustments arising as a result of consolidation	\$35,535,666.40	\$35,254,666.13
Cash in Banks.....	\$1,089,593.51	\$828,507.15
Call Loan.....	480,000.00	480,000.00
Investments—		
Marketable Securities..... \$1,131,357.70 (Market Value \$1,199,969)		
Other Investments at book value	397,479.95	
	1,528,837.65	1,552,712.45
Notes Receivable.....	61,500.00	83,500.00
Accounts Receivable, including accrued revenue.....	534,537.35	545,924.91
Merchandise and Maintenance Supplies—		
Inventories as shown by book records, valued at cost as certified to by responsible officers of the Company. Book records are adjusted periodically to agree with Physical Inventories	254,084.54	255,917.84
	\$3,948,553.05	\$3,746,562.35
Prepaid and Deferred Charges.....	62,570.39	58,097.39
Montreal Trust Company — Bond Redemption Account.....	20,197.90	.....
Bonds of the Corporation purchased in anticipation of Sinking Fund Requirements—Par Value.....	32,000.00	28,000.00

Approved on behalf of the Board:

A. J. NESBITT
JAS. B. WOODYATT } Directors.

\$39,598,987.74 \$39,087,325.87

Auditors

We have made an examination of the books of account of Canada Northern Power and Light Corporation for the year ended 31st December 1939, and have obtained all the information and explanations which we have required. The attached Consolidated Balance Sheet and relative Consolidated Statements of Income and Balance Sheet show the combined financial position of the Companies at 31st December 1939, and the information and explanations received by us and as shown by the books of the Companies.

Montreal, 26th February, 1940.

R CORPORATION, LIMITED

Y COMPANIES

as at 31st December, 1939

LIABILITIES

	1939	1938
TO THE PUBLIC:		
Funded Debt—		
Collateral Trust 5% Sinking Fund Gold Bonds, Series "A", due 1953.....	\$17,000,000.00	
LESS:		
Redeemed and cancelled by Sinking Fund to date.....	2,168,000.00	
	<u>\$14,832,000.00</u>	<u>\$15,293,000.00</u>
Accounts Payable and Accrued Liabilities.....	232,909.14	244,338.18
Provision for Taxes.....	327,788.73	321,694.49
Bond Interest Accrued.....	123,417.78	127,208.33
Subsidiary Company Dividends Payable.....	20,611.90	21,257.00
Preferred Dividend Payable.....	96,250.00	96,250.00
Common Dividend Payable.....	120,000.00	120,000.00
Customers' Deposits including interest.....	211,214.05	196,192.92
	<u>1,132,191.60</u>	<u>196,192.92</u>
	<u>\$15,964,191.60</u>	<u>\$16,419,940.92</u>
TO THE PUBLIC SHAREHOLDERS OF SUBSIDIARIES:		
Capital Stock:		
6% Cumulative Convertible Preferred Shares of \$100.00 each— (Redeemable at \$110.00 and accrued dividend after 60 days notice).....	1,202,100.00	1,202,100.00
Common Shares of No Par Value.....	197,998.04	197,998.04
Minority Shareholders' Interest in Surplus of Subsidiaries.....	2,729.95	4,437.97
TO THE SHAREHOLDERS—CANADA NORTHERN POWER CORPORATION, LIMITED:		
Capital Stock:		
7% Cumulative Preferred Shares of \$100.00 each (Redeemable at \$110.00 and accrued dividend after 30 days notice).		
Authorized..... 75,000 shares		
Issued..... 55,000 shares	5,500,000.00	5,500,000.00
Common Shares of No Par Value:		
Authorized..... 500,000 shares		
Issued..... 400,000 shares	2,148,796.00	2,148,796.00
Reserves:		
Depreciation.....	11,721,749.76	10,996,602.88
Bad Debts.....	39,502.95	35,575.29
Miscellaneous.....	150,613.36	150,900.62
Surplus—Balance as at 31st December 1939.....	*2,643,269.93	*2,405,360.37
Special Reserve (being the net profits on securities, less premiums on bonds purchased for Sinking Fund purposes, since 1st January, 1938).....	28,036.15	25,613.78
	<u>\$39,598,987.74</u>	<u>\$39,087,325.87</u>

*Subject to Contingent Liability for further Income Tax Adjustment, if any, for current and prior periods.

Report
er Corporation Limited, and its Subsidiaries for the year ended 31st December,
quired.
Income and Expenditure and of Surplus, in our opinion, set forth correctly the
results from operations for the year ended 31st December, 1939, according to
e Companies.

P. S. ROSS & SONS,
Chartered Accountants.

CANADA NORTHERN POWER CORPORATION, LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Statement of Income and Expenditure *For the Year Ended 31st December, 1939*

Gross Earnings from Operations.		\$5,204,154.40
DEDUCT:		
Operating Expenses.	\$2,205,808.63	
Directors' Fees.	15,050.00	
Executive Officers' Salaries.	28,970.00	
Legal Fees.	3,276.69	
Provision for Bad Debts.	5,168.76	
		<u>2,258,274.08</u>
Net Operating Profit before interest, depreciation and income taxes.		2,945,880.32
Income from Investments.		60,900.01
		<u>3,006,780.33</u>
DEDUCT:		
Interest on—Bonds, including exchange.	795,116.03	
—Customers' Deposits.	7,115.44	
Provision for—Depreciation.	725,000.00	
—Income Taxes.	256,557.35	
		<u>1,783,788.82</u>
Net Income for the year transferred to Surplus.		<u><u>\$1,222,991.51</u></u>

Consolidated Statement of Surplus *For the Year Ended 31st December, 1939*

Balance at Credit—1st January, 1939.		\$2,405,360.37
DEDUCT:		
Adjustments affecting previous financial periods (net).		25,859.62
		<u>\$2,379,500.75</u>
ADD:		
Net Income for the year transferred from Consolidated Statement of Income and Expenditure.	\$1,222,991.51	
Profits from Sale of Securities—(Net).	\$ 8,667.37	
LESS: Premium on Bonds purchased for Sinking Fund purposes.	6,745.00	
		<u>1,922.37</u>
		<u>1,224,913.88</u>
		<u>\$3,604,414.63</u>
DEDUCT:		
Dividends on—		
Capital Stock of Subsidiaries held by the Public—		
Preferred.	72,126.00	
Common.	10,394.60	
		<u>82,520.60</u>
7% Cumulative Preferred Stock.	385,000.00	
Common Stock.	480,000.00	
Bond Redemption Expense.	11,701.73	
Transfer to Special Reserve.	1,922.37	
		<u>961,144.70</u>
Balance at Credit—31st December 1939.		<u><u>\$2,643,269.93</u></u>

Examined and certified in accordance with our attached Report.

Montreal, 26th February, 1940.

P. S. ROSS & SONS,
Chartered Accountants.

CANADA NORTHERN POWER CORPORATION, LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Operating Statement *For Years Ending December 31st*

	1935	1936	1937	1938	1939
Electric Revenue.....	\$4,350,665	\$4,494,937	\$4,884,548	\$5,052,287	\$5,166,160
(#) Miscellaneous Revenue.....	67,823	77,880	101,132	93,719	98,894
Gross Earnings.....	\$4,418,488	\$4,572,817	\$4,985,680	\$5,146,006	\$5,265,054
Purchased Power.....	428,916	480,179	706,429	912,580	1,119,379
Operation.....	635,760	656,641	718,311	722,452	717,607
Maintenance.....	105,179	113,654	120,758	123,383	128,792
Taxes.....	477,955	517,429	538,543	546,607	543,891
	\$1,647,810	\$1,767,903	\$2,084,041	\$2,305,022	\$2,509,669
Net Earnings.....	2,770,678	2,804,914	2,901,639	2,840,984	2,755,385
Bad Debts.....	4,530	4,575	4,921	5,055	5,164
Interest.....	824,285	815,885	802,653	780,995	802,231
	\$ 828,815	\$ 820,460	\$ 807,574	\$ 786,050	\$ 807,395
Surplus for Year.....	1,941,863	1,984,454	2,094,065	2,054,934	1,947,990
(A) Surplus brought forward.....	1,714,609	(c) 1,342,006	1,647,931	2,028,586	2,379,501
	\$3,656,472	\$3,326,460	\$3,741,996	\$4,083,520	\$4,327,491
Preferred Dividends Paid.....	463,592	462,520	459,546	457,126	457,126
Common Dividends Paid.....	497,645	493,312	493,226	493,034	490,394
(B) Minority Interest, adjustment of Surplus.....	(B) 5,840	.....	.....	.....	.....
Transferred to Depreciation Reserve.....	720,000	720,000	739,000	728,000	725,000
Premium on Bonds purchased for Sinking Fund.....	.....	.....	24,843	.....	.....
Bond Redemption Expense.....	.....	.....	.....	.....	11,701
	\$1,675,397	\$1,675,832	\$1,716,615	\$1,678,160	\$1,684,221
Surplus Carried Forward.....	\$1,981,075	\$1,650,628	\$2,025,381	\$2,405,360	\$2,643,270
Sinking Fund Instalments Paid....	\$ 191,925	\$ 201,825	\$ 211,925	\$ 243,575	\$ 255,350
Customers Connected.....	15,734	17,508	19,782	22,568	25,209
Shareholders.....	3,715	4,013	4,016	4,000	3,998
Kilowatt Hours Output.....	577,267,535	594,753,243	649,123,556	700,848,611	749,904,042

(A)—Adjusted for prior year charges.

(B)—Reduction of Minority Interest equity in Surplus.

(c)—Adjustment after addition of Profit on Sale of Securities and deduction of Bond Discount.

(#)—Miscellaneous Revenue includes compressed air gross earnings, pulp and merchandise net profits and earnings from investments, etc.

OFFICERS

President

A. J. NESBITT, Montreal

Vice-President

JAS. B. WOODYATT, Montreal

Vice-President and General Manager

B. V. HARRISON, New Liskeard

Directors

F. O. BLACKWELL.....New York
B. V. HARRISON.....New Liskeard
L. C. HASKELL.....Montreal
DAN. McLACHLIN.....Arnprior
A. J. NESBITT.....Montreal
ALFRED H. PARADIS.....Montreal
JOS. SIMARD.....Montreal
P. A. THOMSON.....Montreal
JAS. B. WOODYATT.....Montreal

Secretary

L. C. HASKELL

Treasurer

CHAS. JOHNSTONE

Assistant Secretary

V. J. NIXON

Assistant Treasurer

T. IRVING

Assistant Secretary-Treasurer

H. A. SEYMOUR

Fiscal Agents

NESBITT, THOMSON & COMPANY, LIMITED

Auditors

P. S. ROSS & SONS

Transfer Agents and Registrars

MONTREAL TRUST COMPANY, MONTREAL, P.Q. AND TORONTO, ONT.

Head Office

355 ST. JAMES STREET WEST
MONTREAL
CANADA

