

## The Macintyre Report on the Audit of New Brunswick Power Co. Accounts

### LENGTHY AND COMPLICATED DOCUMENT OVER WHICH SUCH A STORM HAS ARISEN

#### Auditor Makes No Recommendations But Finds That Company Has Issued \$3,100,000 of Stock and Bonds on Property Possessing a Book Value of Approximately \$2,600,000—Gas Department Showed Loss While Street Railway Profit Was Slight—Company's Earnings Came Chiefly From Electric Light and Power Departments.

The Standard presents herewith a summary of the report prepared by Mr. R. A. Macintyre, chartered accountant, and embodying the result of the audit he made into the books and accounts of the New Brunswick Power Company. The document is very lengthy, as in addition to Mr. Macintyre's report, it contains elaborate statistical tables covering the operations of the St. John Railway Company for many years. It is now before the City Council for consideration and will probably be published in full in a few days.

Mr. Macintyre's report is as follows: Saint John, N. B., 21st January, 1918. To His Worship the Mayor and Members of the Common Council of the City of Saint John.

Gentlemen:—As instructed by you, I have made an examination of the books and accounts of the New Brunswick Power Company, and books and accounts associated therewith, and herewith request to report:

While doing the work I requested that they produce the minute books and stock ledgers of both the Saint John Railway Company and the New Brunswick Power Company for examination, but my request was met by an absolute refusal.

The Saint John Railway Company began business in May, 1895, with a property costing, as shown in ledger, \$950,000, which steadily increased by new construction to February, 1917, when it reached... \$2,414,547.94 and amount in construction... 3,271.72 amounting to a total of \$2,417,876.66 as per exhibit "A."

Bonds also were issued in 1895 for \$450,000. As extensions were made these were gradually increased until in February, 1917, they amounted to \$1,250,000. Of this amount there was held in treasury... 182,400 leaving as per exhibit "C" \$1,057,600.

Making a total issue of stock and bonds of... \$2,057,600.

Exhibit "D" shows the company's earnings, operating expenses, gross profits before ordinary depreciations, depreciations, special deductions, total depreciations and deductions, profits and losses of each department, and net profit for the years 1913, 1914, 1915 and 1916. It will be seen that the gross earnings steadily increased from 1914 to and including 1916, and also that the special deduction charges to operation and credited to contingent and depreciation were in 1914, \$5,000; in 1915, \$43,000; in 1916, \$85,872, leaving the net profits for 1914 \$129,908.34; for 1915, \$129,423.47; for 1916, \$129,828.53.

The Eastern Electric Company Limited was simply a subsidiary company of the Saint John Railway Company, and took the place of the manufacturing department in the books of the company, an operation that was intended to enable the railway company to buy general supplies at jobber's prices.

Mr. Hopper says that no capital was put in; nor stock issued; nor minute book nor stock ledger kept; the capital all being supplied by the railway company.

There was a profit, according to the Electric Company's books of \$62,159.84 at 31st December, 1916, and a further amount for January and February 1917 of \$1,290.57, making a total of \$63,450.41, but there is nothing to show in the books of the railway company, nor in the adjusting and closing entries what became of this \$63,450.41 profit, or that the shareholders had any knowledge of this asset, or its working.

As per voucher No. 35116, embodying "to carry out resolution passed at shareholders' meeting 23rd Feb., 1914, and according to a resolution of Board

of Directors held 3rd February, 1917"—a cheque was issued to R. B. Emerson and James Manchester in trust for H. M. Hopper for \$10,000, dated 5th February, 1917, endorsed to the order of H. M. Hopper and cashed 27th February, and he also received a cheque for \$500, interest at 5 per cent. to December 31st, 1916. These two amounts were charged to profit and loss.

### MARQUIS OF DUFFERIN AND AVA IS DEAD

#### Was Son of a Governor General of Canada—Wife New York Girl—Brother Succeeds Him.

London, Feb. 7.—The Marquis of Dufferin and Ava died of pneumonia today. Terence Temple Blackwood, Baron Clarendon, Earl of Dufferin and Earl of Ava was born March 16, 1866, the second son of the first Marquis of Dufferin and Ava, who was governor general of Canada, and Harlot, daughter of Archibald Rowan Hamilton, of Killybegs, County Down. He succeeded his father to the title in 1902. He married Florence, daughter of John H. Davis, of New York, in 1893, and leaves three daughters.

The Marquis served long in the diplomatic service and had been attached to the foreign office since 1896. He is succeeded by his brother, Ian Basil Guinness Temple, Lord Blackwood, private secretary to the lord lieutenant of Ireland, who was wounded in the present war.

Tracts and are taken from the opening entries of the New Brunswick Power Company's books.

Exhibit "H" on the general ledger balance sheet of the company as at 1st March, 1917, showing cost of fixed capital \$5,215,495.74, and capital stock \$5,099,000.00.

On the 28th February, 1917, the New Brunswick Power Company took over the assets and assumed the liabilities of the Saint John Railway Company.

On 1st March, 1917, as soon as the New Brunswick Power Company took possession, the company by the issue of new stock and bonds at increased higher average rates of interest, raised the fixed capital from:

Prior to 1st March, 1917, the interest was—  
\$1,000,000 stock at 6 p.c. .... \$60,000.00  
\$1,067,600 stock at 5 p.c. .... \$53,380.00  
Total .. \$113,380.00

To—  
1,750,000 bonds at 5 p.c. .... \$87,500.00  
\$1,067,600 stock at 5 p.c. .... \$53,380.00  
Total .. \$140,880.00

An increase in interest alone of .. \$69,120.00 per year, which the company has to pay in excess of 1916.

Not only cash from proceeds of above bonds and stocks was put into the company, and the earning power of the company was, and is exactly what it was in 1916.

According to the books the company is preparing for a further issue of stock or bonds for capital extensions, as can be seen by charges to "construction account" exhibit "J," which means another increase on this item.

In addition, there is \$2,000,000 of common stock issued, as full paid up, on which the moment earnings increase sufficiently to show a surplus, a dividend can be declared.

Renewals and replacements of tracts etc., (at head of King street for example), are not being charged up at actual cost to renewal and replacement reserves, but at estimated cost when constructed originally, and balance to capital expenditure; the present cost of replacement being very much in excess of the original cost.

Under date 6th March, 1917, Mr. Fred R. Taylor was voted, and on 8th, paid a commission of \$20,000 for services in connection with promoting the sale. This amount is charged to "fixed capital acquired March 1st, 1917" as per voucher No. 3.

Exhibit "K"—revenue and expenses, etc., for nine months from 1st March, 1917, to 30th November, 1917, of \$3,578.68, subject to payment therefrom of interest and dividend charges, as per profit and loss account, \$137,543.65, leaving a surplus for nine months of \$3,441.03. For the same period the company shows a loss of \$1,213.36, a difference of \$2,227.67. This deduction had no connection with earnings between 1st March, 1917, and 30th November, 1917. (Continued on page two.)

### CUNARD STEAMSHIP AURANIA IS TORPEDOED

#### Thirteen Thousand Ton Vessel Badly Damaged But Not Sunk.

#### SHIP ON WAY TO UNITED STATES

#### Aurania is Sister Ship of Andania, Sunk Last Month.

#### DISTRESS CALL OFF NEWFOUNDLAND

#### All on Board Steamer Alliance Saved Except Six.

New York, Feb. 7.—The Cunard liner Aurania, 13,400 tons, was torpedoed by a German submarine within the last forty-eight hours while bound for the United States, it was learned from officials of the Cunard Line today.

Although crippled badly by the explosion the ship was not sunk, and is believed to be making her way back to port with the assistance of government vessels, it was said. The ship carried but little cargo.

There were thirteen or fourteen passengers aboard the Aurania when she was struck, it was stated at the offices of the Cunard Line. No additional particulars were as yet available, it was added.

The Aurania is a sister ship of the Cunard liner Andania, sunk by a submarine last month. She was built in 1915 at Newcastle-On-Tyne. The ship was 530 feet long, sixty feet beam and accommodation of 550 passengers in the cabin and 2,000 in the steerage.

Calls For Help.

An Atlantic Port, Feb. 7.—Calls for help from a steamer in distress off the Newfoundland coast were picked up by another ship and relayed to government stations. The nature of the vessel's trouble was not revealed by the authorities.

#### All Saved But Six.

Washington, Feb. 7.—All members of the naval armed guard and all Americans of the crew were saved when the American steamer Alliance was torpedoed and sunk in the war zone last Tuesday. A state department despatch today said six foreigners among the crew were lost.

### RAILROADS ARE DIGGING OUT

#### Movement of Trains in New England Still Below Normal, However.

New York, Feb. 7.—Railroads east of Chicago were today recovering slowly from the recent storm and low temperatures and were opening up lines which were snowed in, according to reports received at the office of the regional director, A. H. Smith.

In Pittsburgh district the conditions were improving with moderating weather. In Northern New York some freight trains were being operated again. Movement into New England was still below normal, the moderating weather not having reached that section.

### FOOD TRUST MAD

London, Ont. Feb. 7.—At last night's meeting of the Canadian Produce Association, the attitude of the high cost of living commissioner, W. F. O'Connor, with respect to his assertions that there were excess holdings of cold storage produce in the country was condemned by the meeting.

### MANY PERSONS KILLED AND WOUNDED IN RIOTS IN CAPITAL OF RUSSIA

#### ST. JOHN TRAIN AT ST. STEPHEN

#### Shore Line Train Which Left Here Last Monday Morning Able to Reach Destination This Morning.

Special to The Standard.

St. Stephen, Feb. 8.—The Shore line train which left St. John Monday morning, and ever since has been in a wilderness of snow, arrived in St. Stephen at 1 o'clock this morning. The train, which was in charge of Conductor Corey Greene and Engineer Fred Greene, was stalled at Fenfield Monday night and was released by a relief train from St. Stephen on Thursday.

The passengers on the train and the train crew were most hospitably entertained by Mrs. Colin McKay, Mrs. Mary Daley and Walter McDowell.

Joe Pritchard, one of the passengers, who came through to St. Stephen, described the road between here and St. John as one of continuous snow, and Conductor Greene asserts that in thirty-two years he has never seen such conditions.

### WAR COMMITTEE HAS MORE POWER

#### Can Purchase for All Departments of the Government Whether for War Purposes or Not.

Ottawa, Feb. 7.—An order-in-council passed today extends the functions of the war purchasing committee to purchases for all departments of the government system of railways and in the case of purchases where the provisions of the new order cannot be enforced, "without detriment to the public interest."

### FREDERICTON MAN VICE-PRESIDENT

#### W. W. Laskey Chosen for New Brunswick at Kennel Club Meeting.

Toronto, Feb. 7.—A new constitution was adopted at the annual meeting last night at the Carlitz of the Kennel Club. The main change provides for the proportionate representation of directors based on the proportionate membership of each province. J. Russell of Toronto was elected president. Provincial vice-presidents include: W. R. Aitkin, Quebec, and W. W. Laskey, Fredericton, N. B. L. Ross of Ville St. Pierre, Que., was elected a director at large.

### INTERNATIONAL PAPER CO. WINS

#### Common Stockholders Wanted Directors to Pay Higher Dividends.

Ottawa, Feb. 7.—The government has decided to create a war trade board. The members are: Sir George Foster, minister of trade and commerce; Frank P. Jones, Montreal; John W. McConnell, Montreal; James H. Gundy, Toronto; Charles B. McNaught, Toronto; Jos. Gibbons, Toronto.

C. A. McFrath, as fuel controller, and the Hon. H. Laporte, as chairman of the war purchasing commission, are to be members of the board ex officio.

#### Rioting and Pillaging in Petrograd and Authorities Use Armored Cars to Oppose Mob—Wine Cellars Sacked—Chaotic Conditions Under Bolshevik Misrule—Slight Artillery Activity on Italian Fronts.

#### Operations on Western Front Continued to Be Marked by Heavy Artillery Exchanges in Conjunction with Raiding Attacks on the Opposing Trenches—French Repulse German Raiders.

As indicating the chaotic condition in Russia under the Bolshevik rule, a Petrograd advice reaching London says that looting occurred Tuesday and Wednesday in the Russian capital, when wine-cellars were sacked by mobs. The authorities used armored cars to oppose pillagers, many of whom were killed or wounded.

Operations on the western front continued to be marked by heavy artillery exchanges, in conjunction with raiding attacks on the opposing trenches. Paris reports active cannonades on the Aisne and Verdun fronts and in Alsace, and a half dozen forays of the Germans were repulsed in which the enemy lost men and material. According to Berlin, the Germans captured prisoners in a raid in Flanders and in forefield engagements in artois and a French attack in the Champagne broke down.

Rome reports slight artillery activity on all the Italian fronts, but that hostile aircraft Wednesday morning renewed their bombardments of Italian towns. The number of enemy machines brought down by the Entente airmen on the Italian front from January 26 to February 6th was fifty-six.

#### CANADIAN TROOPS REACH HALIFAX

#### Large Party of Officers Going to United States to Instruct Troops.

Halifax, Feb. 7.—The second steamer to arrive here with returned soldiers since the disaster of December 6th reached port this afternoon. On board were one hundred and forty seven officers and five hundred and three men, who are now either well on their way to their homes or are nearing Quebec, where the men will be boarded.

Included in the party were twenty-five officers and twenty-five non-commissioned officers, who have been sent to the United States to help train the American troops.

Their names follow: Major H. B. McDougall; Captain R. L. H. Goodday; Captain A. H. Cabham; Captain A. B. Campbell, M. C.; Captain W. E. Hunter; Captain W. E. McIntyre; Captain W. C. McDonnell, M. C.; Lieut. H. Aird; Lieut. J. L. Austin; Lieut. W. J. Brothers; Lieut. H. C. Besumont, M. C.; Lieut. W. C. Bryan; Lieut. Y. C. Dowling; Lieut. M. K. Daval; Lieut. H. T. Munchin; Lieut. A. A. McQueen, M. C.; Lieut. J. A. McKenle; Lieut. W. O. Morris; Lieut. F. Stewart; Lieut. L. E. Sandall; Lieut. H. E. Salisbury; Lieut. W. E. Shier; Lieut. P. H. Whitney; Lieut. W. J. Wright; Lieut. W. L. Norrell.

#### SEVERAL PROTESTS.

Special to The Standard.

Fredricton, Feb. 7.—The provincial government was again in session to night. Delegations, representing the York County Council and Fredericton City Council, appeared to see if the government would take over the expense incurred by the County of York and City of Fredericton on account of the smallpox outbreak last fall. The delegation argued strongly as to the government bearing the expenses incurred. After some time spent in discussion the government agreed to give the matter consideration.

Another delegation consisting of Oldred, Walker and Barker, appeared to have the government reduce the city's patriotic tax of \$22,000. It was claimed by the delegation that the present tax was excessive as compared with other towns in the province, notably Moncton, which is assessed for only \$16,000. The delegation put up a strong case and the government has it under consideration.

A representative delegation from Restigouche county also appeared, asking concessions for a pulp mill in that county.

### WAR TRADE BOARD HEADED BY FOSTER

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