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37th

Annual Report

1961

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BUILDING PRODUCTS LIMITED

Annual Report

TO THE SHAREHOLDERS
BUILDING PRODUCTS LIMITED
FOR THE
FISCAL YEAR ENDED
DECEMBER 31, 1961

**BOARD
OF
DIRECTORS**

JOSEPH HARRIS

JOHN E. MITCHAM

GEORGE W. HUGGETT

WILLIAM R. McNEIL

JOHN D. JOHNSON

LUCIEN G. ROLLAND

LEONARD F. LONG

JOHN M. WELLS

R. BRUCE WEST

PHILIP R. ALLEN, *Honorary Chairman of the Board*

OFFICERS

Chairman of the Board.....WILLIAM R. McNEIL

President and Managing Director.....LEONARD F. LONG

Executive Vice-President.....JOHN E. MITCHAM

Vice-President — Manufacturing.....CHARLES E. TURNER

Vice-President — Sales.....ARTHUR B. WYNNE

Vice-President — Western.....ROY C. HALLER

Secretary-Treasurer.....ROBERT W. JONES

**AGENTS
AND
REGISTRARS**

Transfer Agent..... MONTREAL TRUST COMPANY,
Montreal, Que. — Toronto, Ont.

Registrar..... NATIONAL TRUST Co. LIMITED,
Montreal, Que. — Toronto, Ont.

Transfer Agent and Registrar.....BANK OF MONTREAL TRUST Co.,
New York, N.Y.

Transfer Agent and Registrar..... MONTREAL TRUST COMPANY,
Vancouver, B.C.



Annual Report OF THE DIRECTORS

The 37th Annual Report of the company for the year ended December 31, 1961 is presented herewith. This is a consolidated report of Building Products Limited and all of its wholly owned subsidiaries except Bermico Products Limited.

The interim report of December 20, 1961 pointed out that the earnings for the year 1961 would not equal the dividend payments and explained the principal reasons for this situation. To summarize briefly, they were:—

1. The effect of the six months strike at the Pont Rouge Plant and its aftermath;
2. The effect of fixed charges and start up expenses in connection with our expansion in the flooring field which resulted in losses rather than profits on the new flooring products for this initial year;
3. Low prices of roofing and board products, due basically to excess productive capacity in these industries, and accentuated by extreme price competition on the part of some elements.

As stated in the interim report, we are entering 1962 with a reasonable prospect of more normal profits although recovery of roofing and board prices has not yet actually become effective. Our labour relations seem to be stabilized and those contract re-negotiations due in 1962 come late in the year. The start up phase of the new flooring plant at Hamilton has now been passed and prospects for sales and profits in the flooring field are good. Our Micro Plastics Division is working at full capacity, particularly in the field of custom made products and is currently expanding its facilities.

Bermico Products Limited, which became wholly owned during 1961 is entering 1962 with a backlog of orders and with good prospects for full operation. Its carry over loss will reduce the impact of corporate income taxes on 1962 profits.

During 1961 a study was made by an internationally known firm of Management Consultants for the purpose of appraising our Management policies and practices and our profit potential as presently constituted. There were recommendations for changes in organization and practices, most of which are being implemented or further studied. This report confirmed the soundness of recent diversification moves and the profits which should result.

TO THE SHAREHOLDERS

Net additions to fixed assets for the year amounted to \$1,788,521. Included in this total were the building of the addition to the flooring mill at Hamilton, the start of the expansion of the Acton mill of the Micro Plastics Division, further expenditures at Pont Rouge to improve the line of decorative and acoustical products, payment for assets acquired from Canadian General-Tower Limited under contract reported last year and expenditures at various plants for improvement in quality, reduction of costs and replacement of obsolete or worn out facilities. As of January 1, 1962 unspent balances on approved projects amount to approximately \$545,000, consisting of the bulk of the Micro Plastics expansion and a number of smaller projects scattered among the other plants.

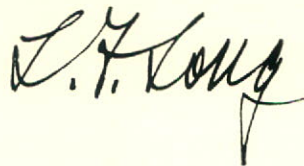
The general outlook is good for continuance of recovery in general business during 1962. Construction activity should share in this improvement to a moderate extent. It is unlikely that residential activity will increase greatly unless and until the rate of family formation increases. This may occur through greater immigration and eventually through the formation of separate households by the young people born just before and during the war period. Industrial construction is still retarded by excess plant capacity in some fields. However, the total of industrial, commercial, and institutional building should show some improvement over 1961.

In May 1961, the Exchequer Court of Canada rendered an opinion on our Trade Mark action which had been before it since 1957. The judgment rejected both our claim of infringement and the defendant's counter claim against the validity of our registration.

We record with deep regret the death of Mr. L. S. Odell who was a Director and Vice-Chairman of the Board and former President of the company. Mr. Odell had continued to be an active consultant up to the time of his death. The vacancy thus created on the Board has been filled by the appointment of Mr. Lucien G. Rolland.

The Directors wish to acknowledge and express their sincere appreciation for the loyal effort put forth by the employees during the past year.

On Behalf of the Board of Directors,



L. F. Long,
President.

February 9, 1962.



Year at a glance

	1961	1960	1959	1958
Net Sales Index (1957 equals 100)	117.5	106.0	111.0	104.2
Net Income	\$ 501,126	\$1,314,321	\$1,590,028	\$1,345,135
Provision for Income Taxes	368,071	1,201,439	1,441,503	1,109,725
Depreciation	1,156,858	965,132	962,336	803,638
Dividends Paid	870,451	870,091	870,091	870,091
Net Additions to Fixed Assets	\$1,788,521	\$2,829,175	\$2,350,120	\$ 782,541
Wages, Salaries and Employee Benefits	6,831,741	6,739,423	6,882,869	6,808,860
Working Capital	4,808,477	6,272,028	6,806,855	7,547,438
Working Capital Ratio	1.85 to 1	2.39 to 1	3.87 to 1	5.95 to 1
Number of Shares (N.P.V.) Outstanding	484,184	483,384	483,384	483,384
Earnings per Share	\$ 1.03	\$ 2.72	\$ 3.29	\$ 2.78
Dividends per Share	1.80	1.80	1.80	1.80
Shareholders Equity (Net Worth) per Share	31.13	30.86	27.76	26.51
Average Number of Shareholders	3,154	2,978	2,948	2,807
Average Number of Employees	1,465	1,518	1,553	1,541

STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS

	Year ended December 31	
	1961	1960
Income from operations before taking into account the items shown below	\$ 2,177,260	\$ 3,653,694
Interest on short-term investments	3,868	25,288
Profit on sale of fixed assets	<u>38,606</u>	<u>7,232</u>
	<u>\$ 2,219,734</u>	<u>\$ 3,686,214</u>
DEDUCT:		
Allowance for depreciation	\$ 1,156,858	\$ 965,132
Companies' contribution to employees' retirement income plan	<u>197,753</u>	<u>205,322</u>
	<u>\$ 1,354,611</u>	<u>\$ 1,170,454</u>
Income before income taxes	\$ 865,123	\$ 2,515,760
Provision for current income taxes	\$ 291,056	\$ 1,095,740
Deferred income taxes (Note 3)	<u>77,015</u>	<u>105,699</u>
	<u>\$ 368,071</u>	<u>\$ 1,201,439</u>
Net income for the year	\$ 501,126	\$ 1,314,321
Retained earnings at beginning of the year	13,434,853	11,935,570
Profit on sale of Havelock operation	<u>—</u>	<u>1,396,214</u>
	<u>\$13,935,979</u>	<u>\$14,646,105</u>
DEDUCT:		
Intangible assets acquired during year and written off	\$ —	\$ 341,161
Dividends	<u>870,451</u>	<u>870,091</u>
	<u>\$ 870,451</u>	<u>\$ 1,211,252</u>
Retained earnings at end of the year	<u>\$13,065,528</u>	<u>\$13,434,853</u>

BUILDING PRO

And Consolidated

CONSOLIDATED

ASSETS

	December 31	
	1961	1960
CURRENT ASSETS:		
Cash	\$ 694,633	\$ 2,480,804
Short-term investments — at cost	—	400,000
Accounts receivable, less allowance for doubtful accounts \$200,000 (1960 — \$201,500)	4,491,720	3,456,986
Income taxes recoverable	179,671	—
Raw materials, supplies and finished merchandise, valued at the lower of cost or market	4,927,527	4,304,418
Unexpired insurance, prepaid taxes, etc.	136,862	156,112
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Total current assets	\$10,430,413	\$10,798,320
INVESTMENT IN NON-CONSOLIDATED SUBSIDIARY COMPANY (Note 1):		
Shares — at cost	\$ 630,000	\$ 330,000
Advances	377,832	121,923
	<hr/>	<hr/>
	\$ 1,007,832	\$ 451,923
FIXED ASSETS:		
Land, buildings, equipment, franchises etc. — at cost	\$20,247,484	\$18,499,411
Less: Accumulated allowance for depreciation	9,968,245	8,851,835
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	\$10,279,239	\$ 9,647,576
SIGNED ON BEHALF OF THE BOARD:		
L. F. Long, Director		
G. W. Huggett, Director		
	<hr/>	<hr/>
	\$21,717,484	\$20,897,819
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DUCTS LIMITED

Subsidiary Companies

BALANCE SHEET

LIABILITIES

	December 31	
	1961	1960
CURRENT LIABILITIES:		
Short-term notes payable	\$ 3,500,000	\$ —
Accounts payable and accrued liabilities	2,111,368	4,016,749
Income and other taxes payable	10,568	509,543
Total current liabilities	<u>\$ 5,621,936</u>	<u>\$ 4,526,292</u>
PROVISION FOR PRODUCT GUARANTEES		
(Note 2)	<u>\$ 287,835</u>	<u>\$ —</u>
GENERAL CONTINGENCY AND REPLACEMENT		
RESERVE (Note 2)	<u>\$ —</u>	<u>\$ 797,504</u>
DEFERRED INCOME TAXES (Note 3)	<u>\$ 733,075</u>	<u>\$ 656,060</u>
SHAREHOLDERS' EQUITY:		
Capital Stock (Note 4) —		
Authorized—650,000 shares without nominal or par value		
Issued — 484,184 shares	\$ 1,509,110	\$ 1,483,110
Reserve for contingencies (Note 2)	500,000	—
Retained earnings	13,065,528	13,434,853
Total shareholders' equity	<u>\$15,074,638</u>	<u>\$14,917,963</u>
	<u>\$21,717,484</u>	<u>\$20,897,819</u>

NOTES TO 1961 CONSOLIDATED FINANCIAL STATEMENTS

1. The former minority interest in the non-consolidated subsidiary company was acquired during the year.
2. The practice of selling bonded guarantees on certain products has been discontinued. A portion of the general contingency and replacement reserve has accordingly been set aside to provide for possible claims on bonded guarantees outstanding, and the remainder has been reclassified as shareholders' equity.
3. Maximum capital cost allowances, which exceed straight-line depreciation recorded in the accounts, have been claimed for income tax purposes. The resulting reduction of \$77,015 in current income taxes has been set aside as deferred income taxes which may become payable in those periods in which capital cost allowances will be less than the depreciation recorded in the accounts.
4. Under special by-law "J" options have been granted to purchase unissued shares at the market prices at the dates of the grants. Options for 800 shares were exercised during 1961. Options for 11,000 shares were outstanding at December 31 1961. No further options may be granted under the by-law.
5. Statutory information: remuneration of executive officers for the year 1961 was \$145,933, legal fees \$9,261, and directors' fees \$13,280.

PRICE WATERHOUSE & CO.

CANADA CEMENT BUILDING
PHILLIPS SQUARE,
MONTREAL 2

February 6 1962

TO THE SHAREHOLDERS OF
BUILDING PRODUCTS LIMITED:

We have examined the consolidated balance sheet of Building Products Limited and consolidated subsidiary companies as at December 31 1961 and the statement of consolidated income 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 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 statement of consolidated income and retained earnings are properly drawn up so as to exhibit a true and correct view of the combined state of the affairs of Building Products Limited and consolidated subsidiary companies as at December 31 1961 and the results of their combined 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.

In accordance with the requirements of Section 118 of The Companies Act, we report that the loss for the year of the non-consolidated subsidiary company amounting to \$53,621 has not been provided for in the accompanying statements.

Price Waterhouse & Co.

Chartered Accountants.

**AUDITORS'
REPORT**

STATEMENT OF CHANGES IN CONSOLIDATED WORKING CAPITAL

	Year ended December 31	
	1961	1960
Working capital at beginning of year	<u>\$ 6,272,028</u>	<u>\$ 6,806,855</u>
Working capital was provided from:		
Operations —		
Net income for the year	\$ 501,126	\$ 1,314,321
<i>Add:</i>		
Allowance for depreciation	1,156,858	965,132
Deferred income taxes	<u>77,015</u>	<u>105,699</u>
	<u>\$ 1,734,999</u>	<u>\$ 2,385,152</u>
Capital stock issued	26,000	—
Proceeds of sale of Havelock operation, less net book value of plant and current income taxes payable thereon	<u>—</u>	<u>1,541,867</u>
	<u>\$ 1,760,999</u>	<u>\$ 3,927,019</u>
	<u>\$ 8,033,027</u>	<u>\$10,733,874</u>
Working capital was expended on:		
Dividends (\$1.80 per share)	\$ 870,451	\$ 870,091
Additions to fixed assets etc. (net)	1,788,521	2,829,175
Acquisition of intangible assets	—	341,161
Investment in non-consolidated subsidiary	555,909	418,923
Other	<u>9,669</u>	<u>2,496</u>
	<u>\$ 3,224,550</u>	<u>\$ 4,461,846</u>
Working capital at end of year	<u>\$ 4,808,477</u>	<u>\$ 6,272,028</u>
Decrease in working capital during the year	<u>\$ 1,463,551</u>	<u>\$ 534,827</u>

LOCATIONS OF OFFICES, PLANTS AND WAREHOUSES

To promote and sell BP Products, from coast to coast throughout Canada, Sales Offices and Warehouses are located in the volume market areas to provide immediate service and delivery to our wholesalers, distributors and dealers.

More than one hundred sales representatives work in these metropolitan districts or are located in outlying areas to keep close contact with the trade servicing the consumer market.

The centralizing of our plants also ensures efficient distribution by rail or motor transport at a minimum cost.

Saint John, N.B.	— Sales Office and Warehouse. Sales Headquarters, Atlantic Division.
Pont Rouge, Que.	— Paper Mill, Insul-Board and Excel-Board Mills.
Montreal, Que.	— Head Office, Roofing, Siding and Paper Mills. Sales Headquarters, Quebec Division.
Toronto, Ont.	— Sales Office and Warehouse. Sales Headquarters, Ontario Division.
Hamilton, Ont.	— General Offices, Roofing and Tile Flooring Mills. Bermico Pipe Plant.
Acton, Ont.	— Plastic Extrusion Plants.
Winnipeg, Man.	— General Offices, Roofing, Paper, Siding and Insul-Board Mills. Headquarters — Western Operations.
East Kildonan, Man.	— Buffalo Board Mill.
Edmonton, Alta.	— General Offices, Roofing and Paper Mills.
Wabamun, Alta.	— Buffalo Board Mill.
Vancouver, B.C.	— Sales Office and Warehouse.



FLORTILE PLANT

HAMILTON, ONTARIO

Since our introduction of Asphalt Flortile in 1931 and the further production of Vinyl-Asbestos Flortile in 1952, science has continued to develop new types of floor coverings which made it necessary for us to keep stride with today's market demands.

In the fall of 1961, we completed the expansion of our Hamilton Plant to include the manufacture of Solid Vinyl, Rubber and Hypalon Flortile. This latest and most modern equipment was installed to provide capacity production, efficiently and economically, in a wide range of additional colours and styles.

These new lines will include 22 Terrazzo and 24 Marbleized colours in Solid Vinyl as well as 19 Marbleized shades in Rubber plus 7 tones in Hypalon Flortile. This latter product, Hypalon, is a registered trade-mark of E.I. Du Pont de Nemours & Co. Inc. for one of its synthetic rubbers which we manufacture into tile exclusively in Canada and also export to the United States market.

The addition of the above new products plus our present production of Asphalt and Vinyl-Asbestos Flortile will provide our distributors with one of the largest selections of types and colours for the demanding public.

MICRO PLASTICS ACTON, ONTARIO

The continued, expanding growth of the use of plastics in Canada has necessitated a substantial increase in our production facilities, machinery requirements and building space at the Acton Plant.

It is expected the building will be completed and the equipment in full operation by mid-year of 1962.

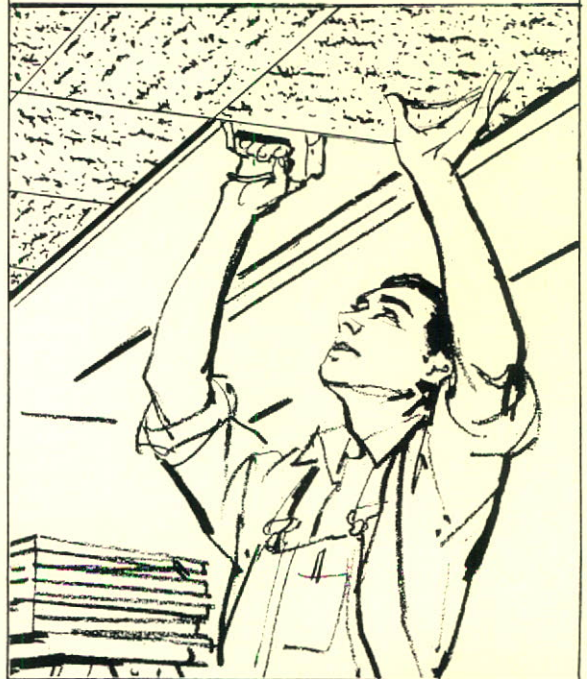
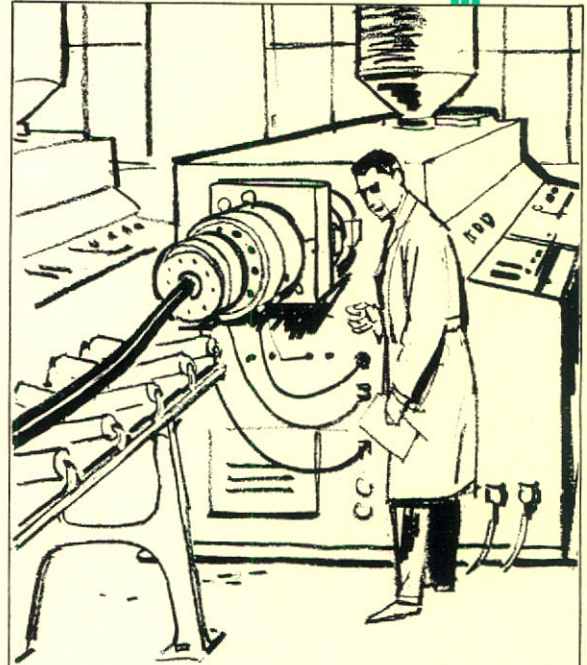
These additional manufacturing facilities will allow us to produce sheet material made from polyvinyl chloride, high impact styrene and acrylic resins. We will extrude a wide range of custom shapes for the building construction, automotive and electrical industries. The present market is showing a marked increase in the demand for many sizes of cold water piping made from medium and low density polyethylene resins. Plastics now substitute for many other materials and are produced as shoe laces and welting or brine tanks for water softeners. The sheet plastics made at Acton are fabricated by other manufacturers into saleable consumer items such as refrigerator door liners, ceiling lighting panels, window frame glides, signs and displays.

FIBREBOARD MILLS PONT ROUGE, QUEBEC

After a six month strike in our Fibreboard Mills, the manufacture of Insul-Board Panels, Sheathing and Roof Insulator recommenced on June 1st, 1961.

New equipment was installed in our EXCELBOARD Mill to improve the quality of our Decorative and Acoustical Ceiling Tiles. Although production commenced on October 6th, 1961, the full extent of the new processing procedure will not be realized until early in 1962.

At the present time, three new patterns in Ceiling Tile have been introduced to the trade and additional designs will follow periodically for acceptance by the consumer market.





Manufacturers of: —

BP ASPHALT SHINGLES
BP INSULATED SIDINGS
BP INSUL-BOARD PRODUCTS
BP INSUL-SHEATHINGS
BP EXCEL-BOARD DECORATIVE PRODUCTS
BP EXCEL-BOARD ACOUSTICAL TILE
BP EXCEL-SHEATHINGS
BUFFALO INSULATING BOARDS
BP VINYL-ASBESTOS FLORTILE
BP ASPHALT FLORTILE
ROBBINS RUBBER AND VINYL FLOOR TILE
TOWER RUBBER AND VINYL FLOOR TILE
BP BUILT-UP ROOFING MATERIALS
BP ROLL ROOFINGS
BP BUILDING PAPERS
BP SATURATED & DRY SHEATHINGS
BP ROOF COATINGS, CEMENTS & PAINTS
BP CONTAINER BOARDS
BP GYPSUM PAPERS
BP PLASTIC SHEETS & EXTRUDED SHAPES
CARLON POLYETHYLENE PIPE
BERMICO BITUMINIZED FIBRE PIPE & CONDUIT

Distributors of: —

BP FIBERGLAS BUILDING INSULATION

BUILDING PRODUCTS LIMITED

Canada's Largest Producer of Asphalt
Roofings and Insulating Board Products