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Annual Report
1956

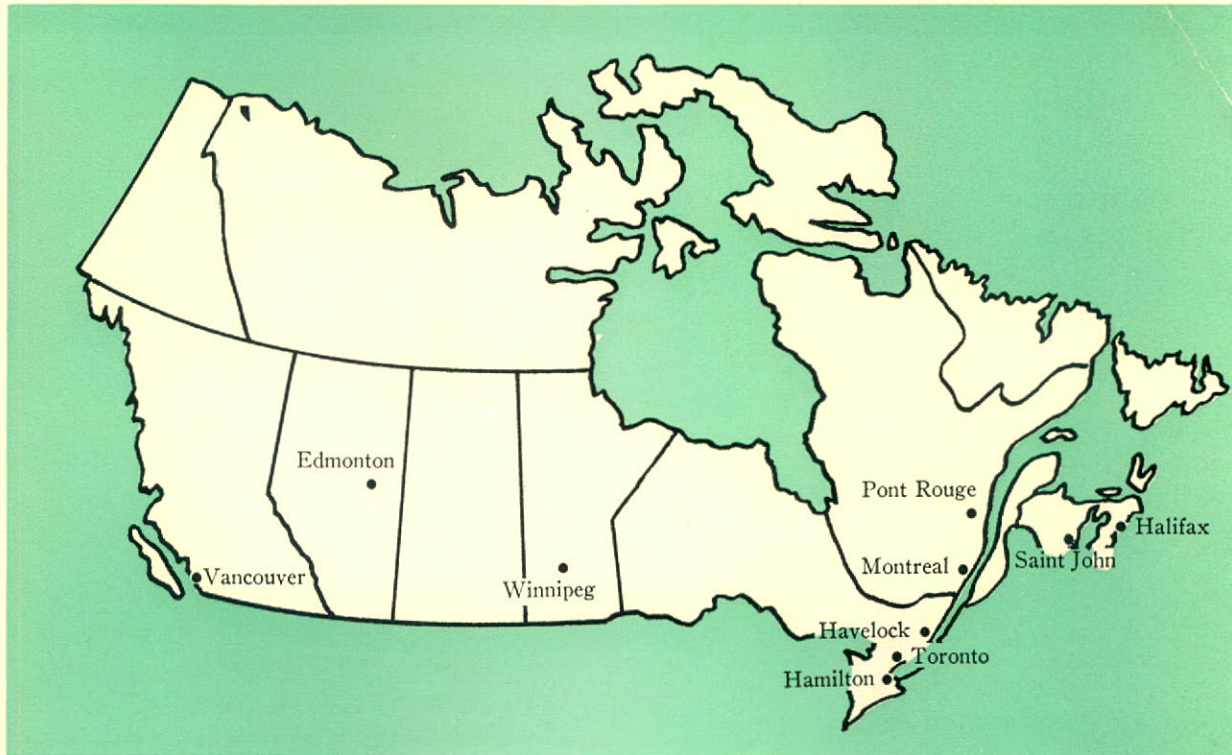


BUILDING PRODUCTS LIMITED



Annual Report

TO THE SHAREHOLDERS
BUILDING PRODUCTS LIMITED
FOR THE
FISCAL YEAR ENDING
DECEMBER 31st 1956



LOCATIONS OF OFFICES, PLANTS AND WAREHOUSES

Your company operates plants and maintains warehouses and sales offices in strategic locations in seven of the ten Canadian provinces to serve promptly the requirements of customers from coast to coast.

- Vancouver, B.C. — Sales Office and Warehouse.
- Edmonton, Alta. — General Offices, Roofing and Paper Mills.
- Winnipeg, Man. — General Offices, Roofing, Paper, Siding and Board Mills. Headquarters of the Company's Western Operations.
- Hamilton, Ont. — General Offices, Roofing and Tile Flooring Mills.
- Toronto, Ont. — Sales Office and Warehouse. Sales headquarters of our Ontario Division.
- Havelock, Ont. — Quarry, Rock Crushing and Granule Colouring Mills.
- Montreal, Que. — Company Head Office, Roofing, Siding and Paper Mills. Sales headquarters of our Quebec Division.
- Pont Rouge, Que. — Board and Paper Mills.
- Saint John, N.B. — Office and Warehouse. Headquarters of Maritime Sales Division.
- Halifax, N.S. — Sales Office.

THE B. P. STORY



Building Products Limited was incorporated on December 5th, 1925 with a Head Office located at Montreal, Quebec.

The formation of your Company consolidated the operations of two manufacturers with a history in the Canadian roofing industry dating back to 1905.

These two predecessor companies were equipped with roofing mills at Hamilton and Ville Lasalle and felt mills at Portneuf and Pont Rouge.

From a meagre beginning, the Company has continually expanded its production facilities so that now 17 mills at 6 plant locations, strategically situated across Canada, are daily manufacturing products that are continually in public demand for new construction, renovation and modernization uses.

Over the years the growth of other divisions and departments has kept pace with that of the manufacturing division.

Starting with a few sales people in 1925, today B.P. has a sales force numbering close to one hundred who travel in every province of Canada and successfully market our products to trade buyers from St. John's, Nfld. to Victoria, B.C.

Particularly in recent years, Research and Development, a department largely responsible for the introduction of our many outstanding products, has greatly expanded its technical facilities and increased its personnel and know-how.

Finance, Purchasing and all other divisions and departments have shown steady growth. Each group has played an important role in attaining the respect and the stature the Company enjoys today. In fact, every employee in his own way has contributed to making B.P. — *Canada's largest manufacturer of asphalt shingles and insulated sidings.*

The B.P. organization can face the future with confidence that subsequent phases of the B.P. Story will relate chapters of further expansion and greater successes.

**BOARD
OF
DIRECTORS**

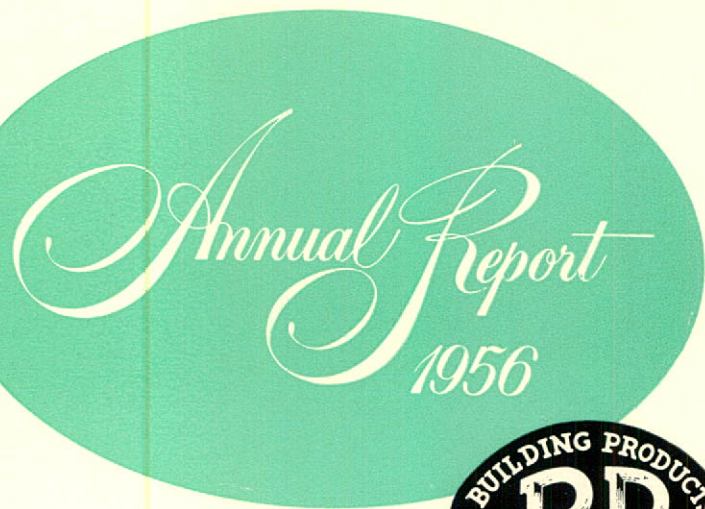
PHILIP R. ALLEN
JAMES A. ECCLES, LL.D.
JOSEPH HARRIS, LL.D.
GEORGE W. HUGGETT
JOHN D. JOHNSON, LL.D.
LEONARD F. LONG
WILLIAM R. McNEIL
LESLIE S. ODELL
HILTON R. TUDHOPE, O.B.E.

OFFICERS

Chairman of the Board WILLIAM R. McNEIL
Vice-Chairman of the Board LESLIE S. ODELL
President and Managing Director LEONARD F. LONG
Vice-President — Manufacturing CHARLES E. TURNER
Secretary-Treasurer JOHN E. MITCHAM
Assistant Treasurer REGINALD L. SEWELL

**AGENTS
AND
REGISTRARS**

Transfer Agent.....MONTREAL TRUST CO.
Montreal, Que. — Toronto, Ont.
Registrar.....NATIONAL TRUST CO., LIMITED
Toronto, Ont. — Montreal, Que.
Transfer Agent and Registrar.....BANK OF MONTREAL TRUST CO.,
New York, N.Y.
Transfer Agent and Registrar.....MONTREAL TRUST CO.,
Vancouver, B.C.



OF THE DIRECTORS



Your Directors present their Thirty-second Annual Report with the financial statements of the company, and your Auditors' report for the year ending December 31, 1956.

The year was characterized by mixed trends in various branches of the construction industry and in the demand for your company's products. Industrial, commercial and institutional construction established new records with a correspondingly high demand for the products entering into those forms of construction. On the other hand, residential building showed some decline. The net effect on your company's sales was a moderate improvement in physical volume and a greater improvement in dollar sales due to a partial correction of the adverse price condition of the previous year. Sales for the year established a new record.

The net income for the year also established a new record at \$2,054,974 equivalent to \$4.25 per share, compared to \$1,602,066 and \$3.31 respectively in 1955.

The Edmonton paper mill operation continued to make progress in sales, costs and quality, and contributed materially to the profit of the company. The same can be said in a lesser degree of the Havelock granule plant. Neither of these additions has yet realized its full profit potential, but continued improvement is expected from both.

Net additions to fixed assets during the year amounted to \$1,983,937, consisting principally of the new insulation board plant at Pont Rouge and a number of individually small projects to provide reductions in cost and necessary replacements. The board plant will be completed and in operation about April 1st. At its December meeting the Board of Directors approved the building of a new production line for asphalt and vinyl floor tile at Hamilton at an estimated cost of \$950,000. No expenditures of consequence were made against this project in 1956. The work is now proceeding and it should be in production by the end of 1957. Total unexpended balances at December 31, 1956 on all approved capital projects amounted to approximately \$1,300,000.

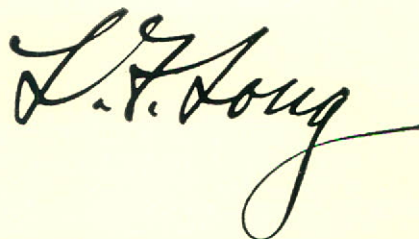
TO THE SHAREHOLDERS

The continued need for funds to finance necessary fixed capital projects and the present high cost of borrowed funds, as well as the uncertain outlook for the immediate future, have influenced your directors in their decision not to increase the dividend rate at this time in spite of increased earnings. Even without an increase in dividends some short term bank financing will be necessary.

The year 1956 saw a steadily tightening money market, which was especially reflected in the decline of mortgage lending. As a result, the trend of housing starts through the latter portion of the year was downward. The rate of completions continued about the same as the previous year; consequently the backlog of houses under construction at the end of the year was substantially reduced. There is nothing at the time of this report which would indicate that the downward trend of housing will be reversed in the near future. The government has announced an increase of one-half of one percent in the interest rate on insured mortgages but this in itself is not likely to reverse the trend. While construction of new houses is only one factor among many that affect your company's business, the influence of this factor in the year 1957 is not likely to be favorable. On the other hand, outlook for other forms of construction is very good and should continue the favorable trend of sales and consumption of built-up roofing materials, floor tile, roof insulation, etc. The inclusion of heavy start-up and depreciation charges on the new Pont Rouge insulation board mill will have some adverse affect on profit. On the whole, it is felt that your company's sales in 1957 may equal the record of 1956, but that profits may not hold the same level due to increasing labor, material and administration costs, and inclusion of the start-up expenses and fixed charges previously mentioned.

The results for the year 1956 could not have been attained without the loyal service and co-operation of officers and employees for which the Directors wish to express their sincere thanks.

On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to read "L. F. Long". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

L. F. LONG,
President.

Montreal, February 8, 1957.

Balance Sheet

ASSETS

| | December 31 | |
|---|--------------|--------------|
| | 1956 | 1955 |
| CURRENT ASSETS: | | |
| Cash and short term notes | \$ 1,971,117 | \$ 1,271,361 |
| Government of Canada securities — at cost | 896,610 | 1,694,606 |
| (Market value December 31, 1956 — \$875,610) | | |
| Accounts receivable, less allowance for bad debts of \$200,000 (1955 — \$175,000) | 2,764,252 | 1,993,818 |
| Raw materials, supplies and finished merchandise, valued at the lower of cost or market | 3,465,252 | 3,272,617 |
| Unexpired insurance, prepaid taxes, etc. | 73,755 | 122,687 |
| | <hr/> | <hr/> |
| Total current assets | \$ 9,170,986 | \$ 8,355,089 |
| FIXED ASSETS: | | |
| Land, buildings and equipment — at cost | \$11,885,262 | \$10,062,452 |
| (Unexpended balances at December 31, 1956 on approved capital projects amount to approximately \$1,300,000). | | |
| LESS: Accumulated allowance for depreciation | 6,150,041 | 5,739,870 |
| | <hr/> | <hr/> |
| | \$ 5,735,221 | \$ 4,322,582 |
| | <hr/> | <hr/> |
| | \$14,906,207 | \$12,677,671 |
| | <hr/> <hr/> | <hr/> <hr/> |

SIGNED ON BEHALF OF THE BOARD:

L. F. Long, Director

J. D. Johnson, Director



BUILDING PRODUCTS LIMITED



| | December 31 | |
|--|---------------------|---------------------|
| | 1956 | 1955 |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued liabilities | \$ 1,382,895 | \$ 1,101,558 |
| Income and other taxes payable (estimated) | 1,026,939 | 390,064 |
| | <hr/> | <hr/> |
| Total current liabilities | \$ 2,409,834 | \$ 1,491,622 |
| RESERVES: | | |
| General contingency and replacement reserve | \$ 800,000 | \$ 800,000 |
| Reserve for future income taxes | 185,802 | 60,361 |
| | <hr/> | <hr/> |
| | \$ 985,802 | \$ 860,361 |
| CAPITAL AND RETAINED EARNINGS: | | |
| Capital stock— | | |
| Authorized—650,000 shares without nominal or par value | | |
| Issued—483,384 shares | \$ 1,483,110 | \$ 1,483,110 |
| (Under the provisions of Special By-law "J" options to purchase 10,900 shares were granted on various dates up to December 31, 1956 at the market prices ruling on those dates.) | | |
| Retained earnings | 10,027,461 | 8,842,578 |
| | <hr/> | <hr/> |
| Total capital and retained earnings | \$11,510,571 | \$10,325,688 |
| | <hr/> | <hr/> |
| | <u>\$14,906,207</u> | <u>\$12,677,671</u> |

STATEMENT OF INCOME AND RETAINED EARNINGS



Year ended December 31

| | 1956 | 1955 |
|---|--------------|--------------|
| Income from operations before taking into account the items shown below | \$ 4,644,503 | \$ 3,401,993 |
| Interest on investments | 45,064 | 36,323 |
| | \$ 4,689,567 | \$ 3,438,316 |
| DEDUCT: | | |
| Allowance for depreciation | \$ 571,298 | \$ 508,991 |
| Company's contribution to employees' retirement income plan | 181,664 | 177,468 |
| Directors' fees | 13,040 | 12,920 |
| Legal fees | 4,721 | 7,288 |
| Remuneration of executive officers | 99,260 | 97,366 |
| Debenture interest | — | 1,433 |
| Loss (Profit) on sale of fixed assets | 4,169 | (4,577) |
| | \$ 874,152 | \$ 800,889 |
| Income before income taxes | \$ 3,815,415 | \$ 2,637,427 |
| Provision for current income taxes | \$ 1,635,000 | \$ 975,000 |
| Reserve for future income taxes (See note) | 125,441 | 60,361 |
| | \$ 1,760,441 | \$ 1,035,361 |
| Net income for the year | \$ 2,054,974 | \$ 1,602,066 |
| Retained earnings at beginning of the year | 8,842,578 | 8,110,603 |
| | \$10,897,552 | \$ 9,712,669 |
| Dividends | 870,091 | 870,091 |
| Retained earnings at end of the year | \$10,027,461 | \$ 8,842,578 |

NOTE:—Maximum capital cost allowances, which exceed straight-line depreciation recorded in the accounts by \$283,407 (\$135,950 in 1955), have been claimed for Federal income tax purposes. The resulting reduction of \$125,441 (\$60,361 in 1955) in current taxes has accordingly been reserved for future income taxes which may become payable in those periods in which capital cost allowances will be less than the depreciation recorded in the accounts.

STATEMENT OF CHANGES IN WORKING CAPITAL

| | 1956 | 1955 |
|---|--------------------|--------------------|
| Working capital at end of year | <u>\$6,761,152</u> | <u>\$6,863,467</u> |
| Working capital was provided from: | | |
| Operations — | | |
| Net income for the year | \$2,054,974 | \$1,602,066 |
| <i>Add:</i> | | |
| Allowance for depreciation | 571,298 | 508,991 |
| Reserve for future income taxes | 125,441 | 60,361 |
| | <u>2,751,713</u> | <u>2,171,418</u> |
| Working capital was expended on: | | |
| Dividends (\$1.80 per share) | \$ 870,091 | \$ 870,091 |
| Additions to fixed assets (net) | 1,983,937 | 756,966 |
| | <u>2,854,028</u> | <u>1,627,057</u> |
| Increase (decrease) in working capital | <u>(102,315)</u> | <u>544,361</u> |
| The 1956 decrease in working capital is reflected in the following increases (decreases) in current assets and current liabilities: | | |
| Cash and short term notes | \$ 699,756 | |
| Government of Canada securities | (797,996) | |
| Accounts receivable | 770,434 | |
| Inventories | 192,635 | |
| Unexpired insurance, etc. | (48,932) | |
| Net increase in current assets | <u>815,897</u> | |
| Accounts payable and accrued liabilities | 281,337 | |
| Income and other taxes payable (estimated) | 636,875 | |
| Net increase in current liabilities | <u>918,212</u> | |
| Decrease in working capital during 1956 | <u>(102,315)</u> | |

PRICE WATERHOUSE & CO.

215 ST. JAMES STREET WEST
MONTREAL 1

February 4, 1957.

AUDITORS' REPORT

TO THE SHAREHOLDERS,
BUILDING PRODUCTS LIMITED:

We have examined the balance sheet of Building Products Limited as at December 31 1956 and the statement of 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, the accompanying balance sheet and statement of income and retained earnings are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31 1956 and the result of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the company.

Price Waterhouse & Co.

Chartered Accountants

**AUDITORS'
REPORT**



Building Products Limited

is extremely proud, and justifiably so, of the many firsts to which the Company can lay claim.

Almost 30 years ago, in 1928, Thick Butt Asphalt Shingles were invented by B.P. Subsequently, they became the standard for asphalt shingles in both Canada and the United States.

In the same year, the now famous family of B.P. Insul-Board products was introduced. B.P. Insul-Board was the first asphalt-laminated fibreboard.

Three years later, in 1931, the first asphalt tile flooring made in Canada was manufactured at our Hamilton Plant.

Again, in 1932, the Company introduced another first — Insul-Ated Sidings. In ensuing years, several other manufacturers in North America began production of products similar to B.P. Insul-Ated Siding.

Building Products Limited commenced operating the first roofing mill in the Prairies at Winnipeg in 1934.

At Hamilton, in 1936, the first roofing granule colouring mill in Canada went into production.

Vinyl-asbestos tile flooring, the most popular type of vinyl tile, was made in Canada for the first time by B.P. in 1952.

The first paper mill of any kind between the Red River in Manitoba and the Pacific coast was built by B.P. at Edmonton and began production in 1954.

Roofmaster Asphalt Shingles, an entirely new concept in roofing beauty and design were introduced by B.P. in 1955 and the patented improvement, known as *SEAL-A-LINE*, is being introduced in 1957.

These and other developments indicate the progressive nature of the company — a characteristic that has helped immeasurably to build up an enviable reputation and to assure that the B.P. Oval will long be a symbol of quality products and industry leadership.

**MANUFACTURERS
OF**

ASPHALT ROOFINGS for all types of roofs . . . including Square Butt and Lock design B.P. Asphalt Shingles in various weights and in a wide range of beautiful plain and blended colours — B.P. Built-Up Roofings for every flat-type roofing need — B.P. Roll Roofings, durable, inexpensive, easily applied.

INSUL-ATED SIDINGS for outside walls — invented by B.P. engineers — combining insulation and weatherproofing with a lasting colourful finish requiring no maintenance . . . including Insul-Bric and Insul-Stone with the exclusive “Nu-Line” feature — also Insul-TEX and Insul-Shake.

INSUL-BOARD — the only insulating board with a built-in vapour barrier . . . available in panels, lath and roof insulator . . . layers of scientifically prepared fibre-board laminated with special asphalt to provide insulation and structural strength.

INSUL-SHEATHINGS — for exterior sheathing use . . . grid lamination feature affords structural strength with required breathing characteristic.

FLORTILE — first Canadian Asphalt floor tile . . . first Canadian Vinyl-asbestos floor tile . . . both available in many attractive colours . . . durable, easily cleaned, can be applied over either wood or concrete sub-floors — on, above or below grade.

ASPHALT COATINGS AND CEMENTS — to waterproof foundations and roofs . . . to make easy repairs and to caulk — effectively, easily, economically.

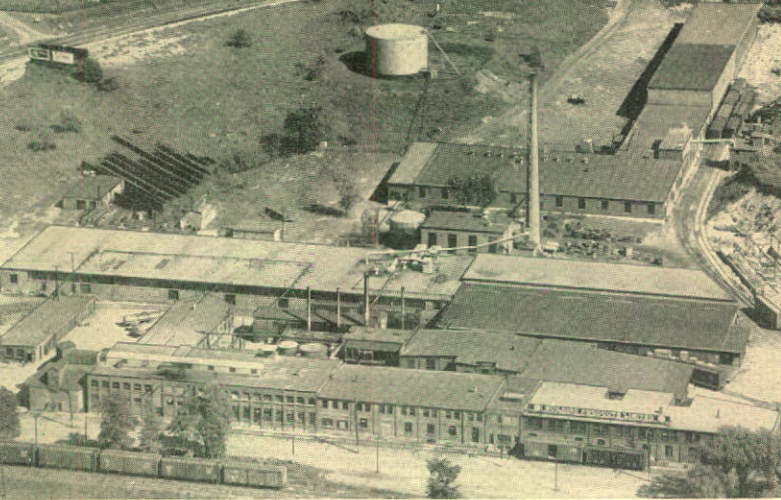
TRAP ROCK — a tough, hard aggregate for high quality road surfacing and industrial flooring use.

ROOFING GRANULES — provide beauty and protection for asphalt roofing and siding products.

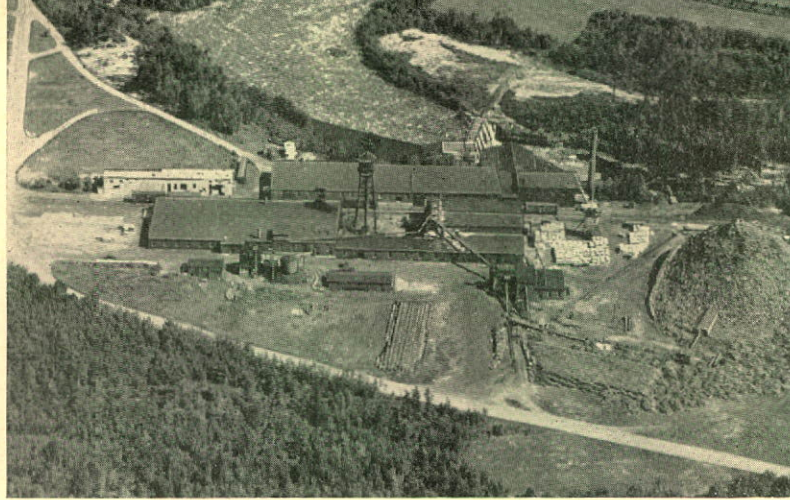
**DISTRIBUTORS
OF**

FIBERGLAS BUILDING INSULATION — recognized as the finest in its field today.

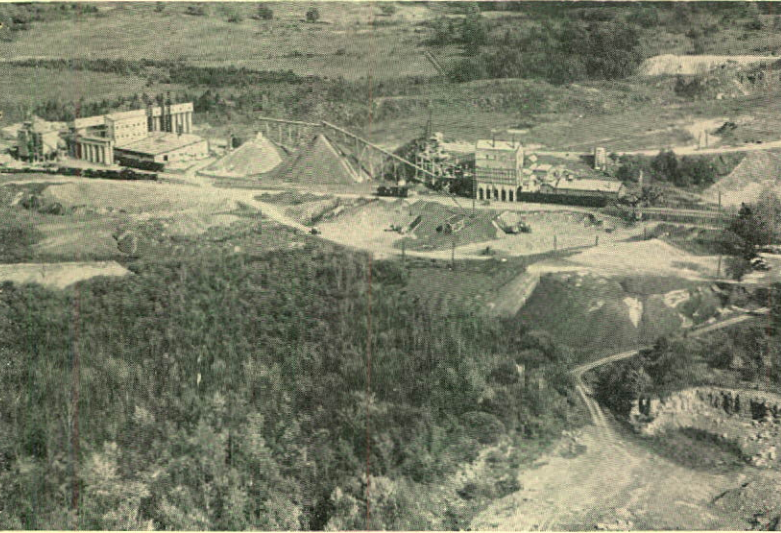
B.P. HARDBOARD — a complete line of Canadian Hardboards — Standard, Tempered and Utility grades.



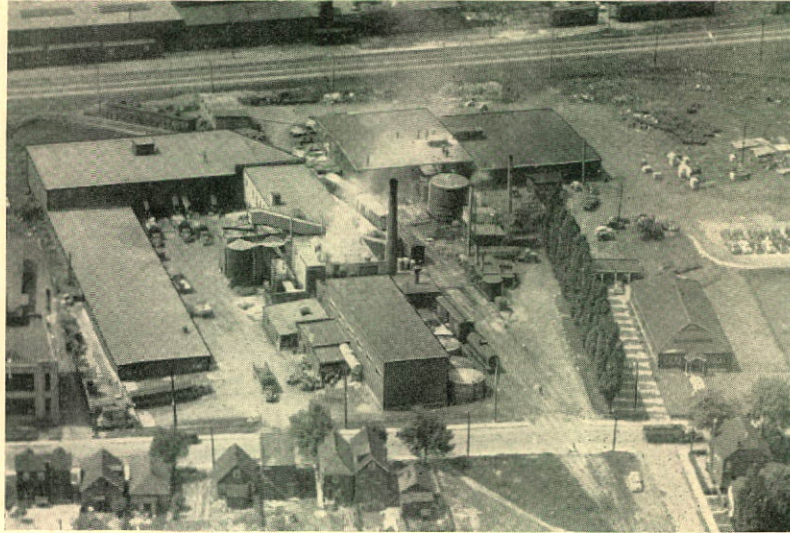
MONTREAL



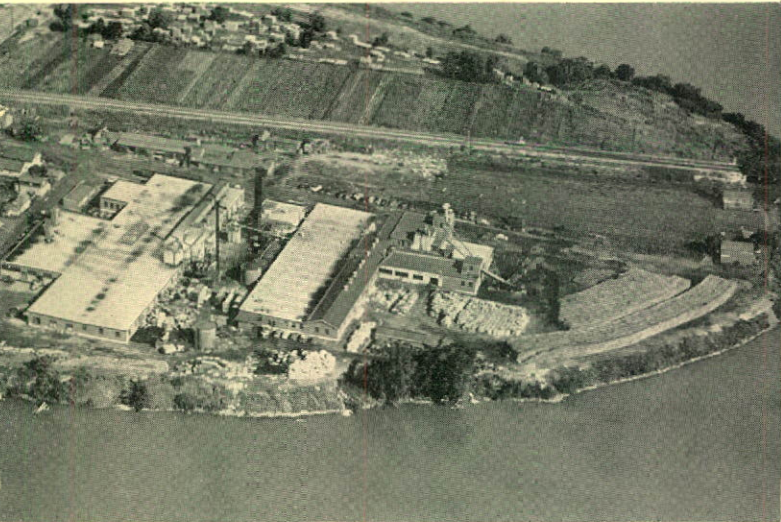
PONT ROUGE



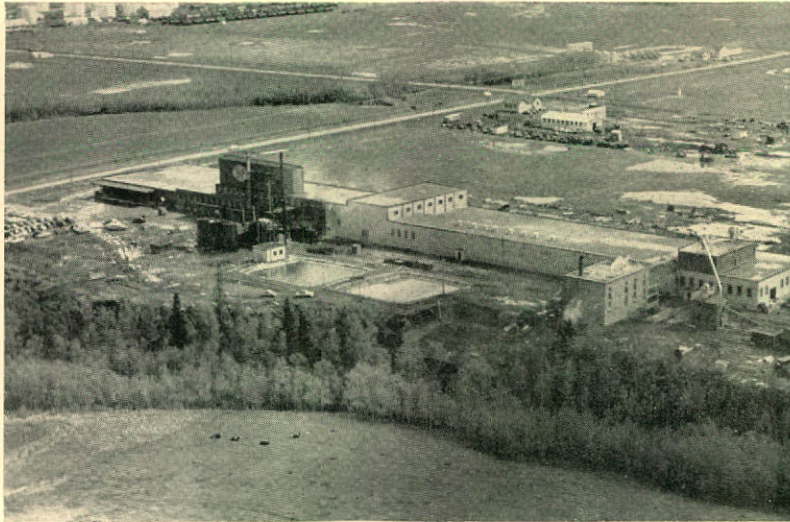
HAVELOCK



HAMILTON



WINNIPEG



EDMONTON



VANCOUVER



TORONTO



SAINT JOHN, N.B.



BUILDING PRODUCTS LIMITED

Canada's Largest Manufacturer of Asphalt Shingles and Insulated Sidings.