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THE GREAT LAKES PAPER COMPANY
LIMITED

ANNUAL REPORT



YEAR ENDED DECEMBER 31, 1948

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THE GREAT LAKES PAPER COMPANY, LIMITED

159 BAY STREET — TORONTO, ONTARIO

TO THE SHAREHOLDERS:

Your Board of Directors submits herewith Financial Statements for year ending December 31, 1948, certified by the Company's Auditors.

NET EARNINGS

Net Profits for the year 1948 were \$1,983,799.65, comparable to \$1,805,159.07 for the previous year.

	1948	1947
Net Sales	\$16,685,967.	\$15,233,068.
Operating Profit	5,338,070.	5,335,434.
Net Profit	2,287,490.	2,005,159.
Provision for Inventory Reserve	303,691.	200,000.
Net Profit to Surplus Account	1,983,799.	1,805,159.

WORKING CAPITAL

Net Working Capital position, December 31, 1948, was \$5,969,605., an increase of \$1,613,688. over the net position on December 31, 1947. Following is a summary of changes during the year:—

ADDITIONS	WITHDRAWALS
Net Profit	Cash Dividends Paid
\$1,983,799.	\$1,001,079.
Depreciation and Depletion	Capital Expenditures
1,139,299.	2,737,062.
Proceeds Bond Issue, 1967 Series ..	Sinking Fund, Bonds
1,750,000.	360,000.
Proceeds Debenture Issue	Sinking Fund, Preferred "A" Shs. ..
392,000.	71,000.
Profit Sale Investments	-----
390,022.	\$4,169,141.
Other Additions (Net)	Net Increase
127,709.	1,613,688.
-----	-----
<u>\$5,782,829.</u>	<u>\$5,782,829.</u>

Inventories \$6,903,694. are recorded at cost. The sum of \$303,691. was set aside out of 1948 Profits as an addition to existing reserves for possible decline in inventory values. Total of this reserve is now \$800,000.

CAPITAL EXPENDITURES

Total capital expenditures were \$2,737,062. \$2,189,267. of this amount was expended on Mill Improvements. \$547,795. applied to Woodlands Department. Retirement from capital account amounted to \$453,343. Net additions for 1948 to Fixed Asset account were \$2,283,719. The general mill improvement programme, commenced late in 1946, is now nearing completion. It is estimated that approximately \$500,000. outlay in 1949 may be required to complete the authorized programme. No. 5 Digester, erected under special Pulp Sales Agreement with Rhinelander Paper Company, went into operation in February, 1949.

MILL PRODUCTION

Production of Newsprint and pulp was maintained at close to capacity.

	1948	1947
Standard Newsprint Tons	129,980	123,690
Unbleached Sulphite Pulp A.D. Tons	45,271	49,533

851 A.D. Tons Groundwood and 2,941 A.D. Tons Screenings were also produced for export in year 1948. Production and Delivery costs increased considerably due to continued rise in basic costs of raw materials, wage rates and transportation. Labour supply, both for Mill and Woodlands operations, was adequate throughout the year. Pulpwood stocks are at an adequate level.

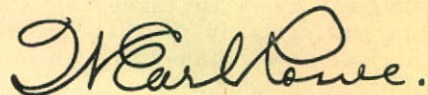
Capital Expenditures on mill improvements (years 1939-1948 inclusive) approximately \$5,200,000., together with utilization of some surplus capital facilities provided in original mill construction, has enabled the Company to increase its production facilities from an annual capacity of 100,000 tons Newsprint to an annual output of close to 140,000 tons Newsprint plus 48,000 A.D. Tons Unbleached Sulphite for export. The average daily output from two newsprint machines in 1945 was 359 tons while the present average figure is 446 tons daily.

OUTLOOK

It will be observed that newsprint continues to be our chief source of income and the outlook for 1949 is that a ready market for the maximum output of this commodity will be maintained. The increased amount of Sulphite Pulp required for additional newsprint capacity reduces somewhat the volume of surplus Sulphite for sale. Commencing in the latter months of 1948, there has been a decline in the demand, and spot market price for Unbleached Sulphite Pulp. It is therefore difficult to forecast what earnings from this source may be expected during the current year.

The Directors take this opportunity to acknowledge the efforts of all Officials and Employees for efficient service throughout the year.

Respectfully submitted on behalf of the Board of Directors.



President and Managing Director.

Office of the President—Toronto.
April 8th, 1949.

THE GREAT LAKES PAPER COMPANY

(Incorporated under the
BALANCE SHEET AS AT

ASSETS

CURRENT ASSETS:

Cash on hand and in banks.....	\$ 779,036.28
Accounts receivable, less reserve.....	1,661,704.63
Receivable from employees <i>re</i> Canada Savings Bonds.....	122,520.16
Inventories and advances on woods operations— Inventories as determined and certified by the management and valued at cost:	
Prepared and rough wood.....	\$1,956,896.77
Pulps and paper.....	283,161.55
Fuel, stores and supplies.....	1,559,039.34
	\$3,799,097.66
Expenditures and advances on 1948-1949 woods operations, including inventories of provisions and camp supplies, at cost.....	3,104,597.16
	\$6,903,694.82
Less reserve.....	800,000.00
	\$ 6,103,694.82
Deposit with Mutual Insurance Companies.....	181,709.49
	\$ 8,848,665.38

FIXED ASSETS:

	Asset	Reserve for depreciation	Net
Mill site and other real estate.....	\$ 141,998.72	—	\$ 141,998.72
Buildings, Machinery and equipment.....	15,149,331.47	\$8,311,035.83	6,838,295.64
Woods improvements, camp buildings and floating equipment.....	3,037,697.27	1,444,443.59	1,593,253.68
	\$18,329,027.46	\$9,755,479.42	8,573,548.04

The fixed assets are carried at values placed thereon at inception of present company with later additions at cost; depreciation reserves include depreciation estimated to have accrued to date of transfer to present company.

TIMBER CONCESSIONS AND LICENCES	\$4,172,409.83	
Less reserve for depletion.....	1,196,492.11	2,975,917.72

Timber concessions and licences are carried at the value placed thereon at the inception of the present company with subsequent additions at cost.

OTHER ASSETS:

Deposits with Province of Ontario <i>re</i> timber concessions.....	\$ 67,693.73	
Investment in shares of wholly-owned subsidiary, Superior Timber Company Limited, at cost.....	50,000.00	
Prepaid insurance and other deferred expenses.....	125,809.57	
Sundry balances receivable.....	24,573.15	268,076.45
		\$20,666,207.59

AUDITORS' REPORT TO

We have examined the balance sheet of The Great Lakes Paper Company Limited as at December 31, 1948 and the statements of profit and loss and earned surplus for the year ending on that date by the methods and without making a detailed audit of the transactions examined or tested the accounting records of the company. All our records are correct.

We report that in our opinion the accompanying balance sheet and the related statements of profit and loss and earned surplus have been prepared in accordance with the accounting principles generally accepted in Canada for its operations for the year according to the best of our information, the explanations given us and as shown by the books.

Toronto, Canada, March 4, 1949.

PER COMPANY, LIMITED

(Ontario Companies Act)

AT DECEMBER 31, 1948

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued charges.....		\$ 1,597,555.72
Bank loan <i>re</i> employees' Canada Savings bonds (secured)		129,200.00
Accrued bond interest.....		87,354.21
Reserve for taxes on income.....		704,950.59
Sinking fund instalments <i>re</i> first mortgage bonds		360,000.00

\$ 2,879,060.52
627,311.11

RESERVE FOR CONTINGENCIES.....

FIRST MORTGAGE SINKING FUND BONDS:

Authorized less redeemed..... \$5,990,000.00

Issued and outstanding—

3½% series due 1966 (payable at the option of the holders in Canadian or United States funds)	\$4,295,000.00
3½% series due 1967 (payable in Canadian funds)	1,695,000.00
	<u>\$5,990,000.00</u>

Less sinking fund instalments due May 1, 1949—included under current liabilities..... 360,000.00 5,630,000.00

4% DEBENTURES:

Authorized..... \$550,000.00

Issued and outstanding (payable in Canadian funds)..... 392,000.00

SHARE CAPITAL

Class "A" sinking fund preference shares without nominal or par value, redeemable at \$52.50 per share—

97,265 shares authorized and outstanding at December 31, 1947.....	\$3,890,600.00
1,775 shares purchased for redemption in 1948 in anticipation of 1949 sinking fund requirements	71,000.00

95,490 shares outstanding \$3,819,600.00

1949 sinking fund requirements not anticipated by purchase of shares in 1948 amount to \$36,000.00.

Class "B" preference shares without nominal or par value—

100,000 shares authorized and issued..... 1,000,000.00

Common shares without nominal or par value—

500,000 shares authorized
400,000 shares issued..... 2,500,000.00 7,319,600.00

The Class "A" preference shares and the Class "B" preference shares rank equally as to an initial fixed cumulative preferential dividend, payable quarterly at the rate of \$1.20 per share per annum; thereafter the Class "A" preference shares are entitled to an additional fixed cumulative preferential dividend payable quarterly at the rate of \$1.30 per share per annum.

EARNED SURPLUS..... 3,818,235.96
\$20,666,207.59

THE SHAREHOLDERS

Profit and loss and earned surplus for the year ended on that date. In connection therewith we made a general review of the accounting requirements as auditors have been complied with.

been drawn up so as to exhibit a true and correct view of the state of the company's affairs as at December 31, 1948 and the results of

CLARKSON, GORDON & CO.,
Chartered Accountants.

THE GREAT LAKES PAPER COMPANY, LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 1948

Operating profit from sales of newsprint and sulphite and after providing for costs of manufacture, selling, shipping and administrative expenses but before depreciation and other charges set out below		\$5,338,070.42
Deduct:		
Bond interest	\$213,356.25	
Depreciation	948,489.74	
Depletion on timber licences	190,809.04	
Provision for employees' pension plan	176,820.24	1,529,475.27
		<u>\$3,808,595.15</u>
Add:		
Income from investments	\$ 26,472.99	
Loss on disposal of fixed assets	17,577.18	8,895.81
		<u>\$3,817,490.96</u>
Profit before provision for taxes on income		1,530,000.00
Deduct provision for taxes on income		<u>\$2,287,490.96</u>
Net profit for the year		\$2,287,490.96
Deduct amount added to inventory reserve	\$400,000.00	
Less portion thereof provided in prior years and deducted from woods advances	96,308.69	303,691.31
		<u>\$1,983,799.65</u>
Balance transferred to earned surplus		<u><u>\$1,983,799.65</u></u>

STATEMENT OF EARNED SURPLUS

Balance December 31, 1947		\$2,835,515.67
Balance transferred from profit and loss		1,983,799.65
		<u>\$4,819,315.32</u>
Profit on sale of investment in shares of Minnesota and Ontario Paper Company	\$390,022.08	
Less transferred to contingency reserve	390,022.08	
		<u>\$241,079.36</u>
Deduct dividends declared and paid:		
Four dividends totalling \$2.50 per share on Class "A" preference shares ..	\$241,079.36	
Four dividends totalling \$1.20 per share on Class "B" preference shares ..	120,000.00	
Four dividends totalling \$1.60 per share on common shares	640,000.00	1,001,079.36
		<u>\$3,818,235.96</u>
Balance December 31, 1948		<u><u>\$3,818,235.96</u></u>

THE GREAT LAKES PAPER COMPANY, LIMITED

BOARD OF DIRECTORS

HON. W. EARL ROWE, P.C.

J. H. BARRY

COL. M. C. G. MEIGHEN

HON. RAY LAWSON, O.B.E., LL.D.

JOSEPH HORNER, JR.

MAJOR-GENERAL D. M. HOGARTH

R. G. MEECH, K.C.

W. C. COCHRANE

A. G. WALWYN



OFFICERS

HON. W. EARL ROWE, P.C.

President and Managing Director

MAJOR-GENERAL D. M. HOGARTH

Vice-President

JOHN E. GEFAELL

Vice-President in Charge of Sales

CHARLES ENGLAND

Assistant to the President

Secretary-Treasurer

F. K. CARLISLE, C.A.

Assistant Treasurer and Comptroller



