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THE GREAT LAKES PAPER COMPANY
LIMITED

ANNUAL REPORT



YEAR ENDED DECEMBER 31, 1949

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McGILL UNIVERSITY

THE GREAT LAKES PAPER COMPANY, LIMITED

159 BAY STREET

TORONTO, ONTARIO

TO THE SHAREHOLDERS:

Your Board of Directors submit herewith financial statement for the year ending December 31, 1949, as certified by the Company's auditors.

NET EARNINGS

Net profits for the year 1949 were \$1,750,240.44 comparable with \$1,983,799.65 for the previous year.

Net Sales (excluding premium on foreign exchange)	1949	1948
Newsprint.....	\$13,111,124.	\$11,525,210.
Sulphite Pulp and other Products.....	2,574,458.	5,160,757.
	<u>\$15,685,582.</u>	<u>\$16,685,967.</u>
Operating Profit.....	4,716,888.	5,338,070.
Net Profit.....	1,750,240.	2,287,490.
Provision for Inventory Reserve.....	—	303,691.
Net Profit to Surplus Account.....	1,750,240.	1,983,799.

Demand for standard newsprint paper throughout the year was sufficient to absorb the maximum production capacity of the paper Mill. The market for Unbleached Sulphite Pulp deteriorated both in volume of demand and market price. Considerable improvement in demand for pulp became apparent in the closing months of 1949 and has continued throughout the first quarter of 1950.

Dividends were declared and paid as follows:

Preferred A Shares.....	\$232,749.—\$2.50 per share
Preferred B Shares.....	120,000.— 1.20 " "
Common shares.....	460,000.— 1.15 " "
TOTAL.....	<u>\$812,749.</u>

WORKING CAPITAL

The Net Working Capital position of the Company on December 31st, 1949, was \$6,471,145. comparable with the liquid position on December 31st, 1948 of \$5,969,605. or an increase during 1949 of \$501,540. Changes in position are summarized as follows:—

Net Profits for the year.....	\$1,750,240.
Less Dividends Paid.....	<u>812,749.</u>
Earnings retained in business.....	937,491.
Depreciation and Depletion Reserved.....	1,316,471.
Proceeds from Debenture Issue (net).....	40,000.
Miscellaneous additions.....	33,655.
	<u>\$2,327,617.</u>
Withdrawals from Working Capital:	
Capital Expenditures.....	\$ 818,227.
Retirement of Funded Debt.....	348,000.
Class "A" Preference Shares Retired.....	142,000.
Cash Segregated for Improvements and Renewals.....	500,000.
Deposits on Timber Licenses.....	17,850.
	<u>\$1,826,077.</u>
NET INCREASE IN WORKING CAPITAL.....	<u>\$ 501,540.</u>

Inventories on December 31st, 1949 are recorded at cost \$5,707,621. comparable with total inventories at December 31st, 1948, \$6,903,694. Reserve for possible depreciation of inventory values \$800,000. provided as of December 31st, 1948, has not been increased, the reserve being deemed to be adequate.

CAPITAL EXPENDITURES

Capital Expenditures \$818,227. include the sum of \$548,015. for mill improvements, and \$370,212. for Woodlands developments and logging equipment.

MILL PRODUCTION

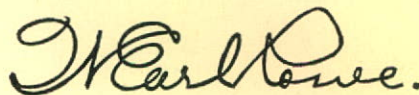
Strong demand for Newsprint throughout the year required capacity operation, 142,745 tons of Standard Newsprint being manufactured. Production in the previous year was 129,980 tons. Demand for Unbleached Sulphite Pulp fell off sharply, orders received calling for production of 26,468 A.D. Tons comparable with 45,326 A.D. Tons produced in 1948. Operations for year 1949 reflect a continuance in the upward trend of production and delivery cost of products. Substantial economies are reflected in mill operations by reason of plant modernization, but these benefits have been offset by higher costs of materials and in particular by the heavy increases applied to freight rates both in Canada and United States.

OUTLOOK

The strong current demand for newsprint and pulp products lends encouragement for anticipation of satisfactory earnings for the year 1950. There are however, uncontrollable factors such as unsettled world conditions and trends in political and industrial relations, the outcome of which cannot be foreseen, which would seem to preclude the possibility of an accurate forecast of conditions.

The Board of Directors wishes to acknowledge the efforts and continued loyal service of all Company Officials and Employees throughout the past year.

Submitted on behalf of the Board of Directors.



President and Managing Director.

Office of the President, Toronto, Ontario
April 10th, 1950.

THE GREAT LAKES PAPER COMPANY

(Incorporated under the laws of Ontario)

BALANCE SHEET AS AT DECEMBER 31, 1949

ASSETS

CURRENT ASSETS:

Cash on hand and in banks.....		\$ 1,474,256.40
Accounts receivable, less reserve.....		1,695,531.43
Receivable from employees <i>re</i> Canada Savings Bonds.....		125,520.82
Inventories and advances on woods operations—		
Inventories as determined and certified by the management and valued at cost:		
Prepared and rough wood.....	\$1,695,358.21	
Pulps and paper.....	97,777.02	
Fuel, stores and supplies.....	1,434,689.61	\$3,227,824.84
Expenditures and advances on 1949-1950 woods operations including inventories of provisions and camp supplies, at cost.....		2,479,796.48
		\$5,707,621.32
Less reserve.....	800,000.00	\$ 4,907,621.32
Deposit with Mutual Insurance Companies.....		159,391.74
		\$ 8,362,321.71
CASH HELD IN BANK FOR CAPITAL ADDITIONS.....		500,000.00
(since invested in Government of Canada bonds)		

FIXED ASSETS:

	Asset	Reserve for depreciation	Net
Mill site and other real estate.....	\$ 146,068.72	—	\$ 146,068.72
Buildings, Machinery and equipment.....	15,697,346.91	\$ 9,103,782.12	6,593,564.79
Woods improvements, camp buildings and floating equipment.....	3,179,953.94	1,771,276.30	1,408,677.64
	\$19,023,369.57	\$10,875,058.42	8,148,311.15

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

TIMBER CONCESSIONS AND LICENCES		\$4,296,294.83
Less reserve for depletion.....		1,361,056.19
		2,935,238.64

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.....		\$ 85,543.73
Investment in shares of wholly-owned subsidiary, Superior Timber Company Limited, at cost.....		50,000.00
Prepaid insurance, other deferred expenses and sundry balances receivable		84,399.78
Cash in the hands of the trustee for future redemption of first mortgage bonds—1967 series		46,000.00
		265,943.51
		\$20,211,815.01

AUDITORS' REPORT TO SHAREHOLDERS

We have examined the balance sheet of The Great Lakes Paper Company, Limited as at December 31, 1949 and the statements of profit and loss and earned surplus for the year ending on that date, and we report that in our opinion the accompanying balance sheet and the related statements of profit and loss and earned surplus fairly represent the financial position and results of operations of the company at the end of the year and for the year according to the best of our information, the explanations given us and as shown by the books.

We report that in our opinion the accompanying balance sheet and the related statements of profit and loss and earned surplus fairly represent the financial position and results of operations of the company at the end of the year and for the year according to the best of our information, the explanations given us and as shown by the books.

Toronto, Canada, February 25, 1950.

ER COMPANY, LIMITED

(Ontario Companies Act)

AT DECEMBER 31, 1949

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued charges.....		\$ 880,907.59
Bank loan <i>re</i> employees' Canada Savings bonds (secured)		131,800.00
Accrued bond interest.....		81,943.73
Reserve for taxes on income.....		505,525.59
Sinking fund instalments <i>re</i> first mortgage bonds		291,000.00

\$ 1,891,176.91

RESERVE FOR CONTINGENCIES..... 627,311.11

FIRST MORTGAGE SINKING FUND BONDS:

Authorized less redeemed or purchased for redemption..... \$5,619,000.00

Issued and outstanding less held for redemption—

3½% series due 1966 (payable at the option of the holders in Canadian or United States funds)..... \$3,992,000.00

3½% series due 1967 (payable in Canadian funds)..... 1,627,000.00

\$5,619,000.00

Less sinking fund instalments due May 1, 1950—included under current liabilities..... 291,000.00

5,328,000.00

4% DEBENTURES:

Authorized..... \$550,000.00

Issued and outstanding (payable in Canadian funds).....

432,000.00

SHARE CAPITAL:

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

95,490 shares authorized and outstanding at December 31, 1948..... \$3,819,600.00

3,550 shares purchased in 1949 for redemption or in anticipation of 1950 sinking fund requirements..... 142,000.00

91,940 shares outstanding \$3,677,600.00

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

7,177,600.00

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.....

4,755,726.99

NOTE: Assets and liabilities in United States funds have been included in the above statement at par of exchange. The net current assets so included total \$1,434,537.

\$20,211,815.01

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.

have been drawn up so as to exhibit a true and correct view of the state of the company's affairs as at December 31, 1949 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, 1949

Operating profit from sales of newsprint and sulphite (including premium realized on foreign exchange) and after providing for costs of manufacture, selling, shipping and administrative expenses but before depreciation and other charges set out below.....		\$4,716,888.52
Deduct:		
Bond interest.....	\$ 219,525.08	
Depreciation.....	1,152,175.81	
Depletion on timber licences.....	151,347.70	
Provision for employees' pension plan.....	169,225.91	1,692,274.50
		<u>\$3,024,614.02</u>
Add profit on disposal of fixed assets.....		20,626.42
Profit before provision for taxes on income.....		<u>\$3,045,240.44</u>
Deduct provision for taxes on income.....		1,295,000.00
Net profit for the year.....		<u><u>\$1,750,240.44</u></u>

STATEMENT OF EARNED SURPLUS

Balance December 31, 1948.....		\$3,818,235.96
Net profit for the year.....		1,750,240.44
		<u>\$5,568,476.40</u>
Deduct dividends declared and paid:		
Four dividends totalling \$2.50 per share on Class "A" preference shares ..	\$ 232,749.41	
Four dividends totalling \$1.20 per share on Class "B" preference shares ..	120,000.00	
Four dividends totalling \$1.15 per share on common shares ..	460,000.00	812,749.41
Balance December 31, 1949.....		<u><u>\$4,755,726.99</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, O.B.E.

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

JOSEPH HORNER, JR.

MAJOR-GENERAL D. M. HOGARTH, C.M.G., D.S.O.

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, C.M.G., D.S.O.

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



