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annual report

EDDY PAPER COMPANY LIMITED

AND ITS SUBSIDIARIES

1957



EDDY PAPER COMPANY LIMITED

DIRECTORS

R. F. CALDWELL
J. A. CRAIG
C. L. GUNDY
R. H. HEDGER
W. S. KIDD
W. D. MOFFATT
B. W. POWER
J. F. TAYLOR
W. GARFIELD WESTON

OFFICERS

W. GARFIELD WESTON, *Chairman of the Board*
R. F. CALDWELL, *President and Managing Director*
J. A. CRAIG, *Vice-President*
W. D. MOFFATT, *Vice-President*
B. W. POWER, *Vice-President and Treasurer*
C. G. BANGHART, *Secretary*

TRANSFER AGENTS

MONTREAL TRUST COMPANY,
Halifax, Saint John, Montreal, Toronto, Winnipeg and Vancouver

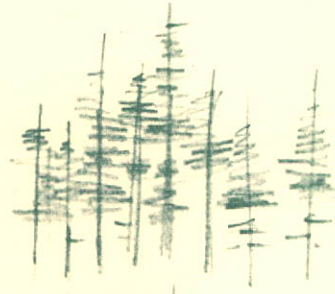
REGISTRARS

THE TORONTO GENERAL TRUSTS CORPORATION,
Montreal, Toronto, Winnipeg and Vancouver
and its agents at Halifax and Saint John

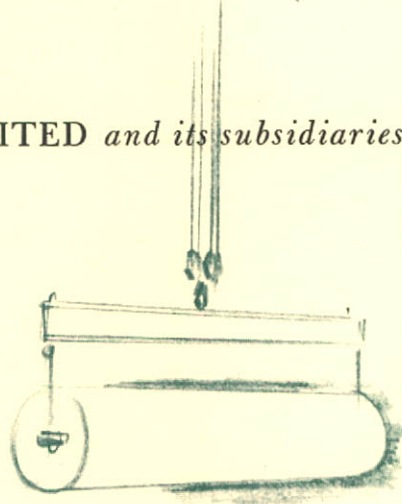
ANNUAL MEETING

The annual general meeting of shareholders will be held at the Chateau Laurier Hotel, Ottawa, at 10.00 a.m. D.S.T., on Tuesday, April 29, 1958. Official notice will be mailed about April 10 to Shareholders of record at the close of business on March 31.

FRONT COVER—Machine Chests where pulps are mixed and agitated for uniformity, before being pumped to the paper machines.



EDDY PAPER COMPANY LIMITED *and its subsidiaries* • ANNUAL REPORT FOR 1957



EDDY PAPER COMPANY LIMITED

HEAD OFFICE Hull, P.Q.

THE E. B. EDDY COMPANY, a wholly-owned subsidiary

HEAD OFFICE Hull, P.Q.

MILLS Hull, P.Q., and Ottawa, Ont.

WOODLANDS BRANCHES Parent, Fort Coulonge and Rapides des Joachims, P.Q.
Elk Lake, Ont.

SALES OFFICES Toronto, London and Ottawa, Ont.
Montreal and Quebec, P.Q.
Halifax, N.S., and Saint John, N.B.

AGENCIES Vancouver, B.C.
Calgary and Edmonton, Alta.
Regina and Saskatoon, Sask.
Winnipeg, Man.
Fort William, Ont.
St. John's, Nfld.

In Eastern Canada The E. B. Eddy Company maintains sales offices except in Newfoundland, where Gordon Butler & Co. Ltd. act as distributors.

In Western Canada Tees & Persse Ltd. act as sales representatives. Export sales throughout the world are made through agents and brokers.

SIDNEY ROOFING & PAPER COMPANY LIMITED

a partly-owned subsidiary, and its subsidiaries:*

NATIONAL PAPER BOX LIMITED

BISHOP ASPHALT PAPERS LIMITED

VANCOUVER PAPER BOX COMPANY LIMITED

PORTNEUF INVESTMENTS LIMITED

SIDNEY PRODUCTS LIMITED

BULMAN BROS. B.C. LITHOGRAPHING & PRINTING LIMITED

HEAD OFFICE Victoria, B.C.

PLANTS Victoria, Vancouver and Burnaby, B.C.
Lloydminster, Alta.
Mimico, Ont.
Portneuf Station, P.Q.

SALES OFFICES AND WAREHOUSES Victoria and Vancouver, B.C.
Calgary and Edmonton, Alta.
Regina and Saskatoon, Sask.
Winnipeg, Man.
Mimico and London, Ont.
Montreal and Quebec, P.Q.
Saint John, N.B.

*At December 31, 1957, the Company owned 90.8% of the shares of Sidney Roofing & Paper Company Limited including all the Class "B" or voting stock.

D I R E C T O R S ' R E P O R T



EARNINGS of the Company were reasonably well maintained in 1957 in view of the levelling off in the national economy and the trend toward lower corporate profits in industry generally, and in the pulp and paper and building products industries in particular. Continuing increases in productive capacity, unaccompanied by commensurate growth in markets, have brought intensified competition as well as demands for ever-rising standards of product quality. Cost increases arising from these and other causes have created increasing pressure for production efficiency in manufacturing, converting and woodlands operations. We regard these conditions as normal and healthy in a competitive economy and expect them to be with us in varying degrees for the foreseeable future, with perhaps greater than normal pressure on profit margins in the next year or so.

It is at such times and in such conditions that the interests of management and labour come closer together, although this is not always recognized. Any significant increase in labour costs could have serious adverse effects on the industry, as well as on those who derive their livelihood from it.

CHANGES IN BASIS OF FINANCIAL REPORTING

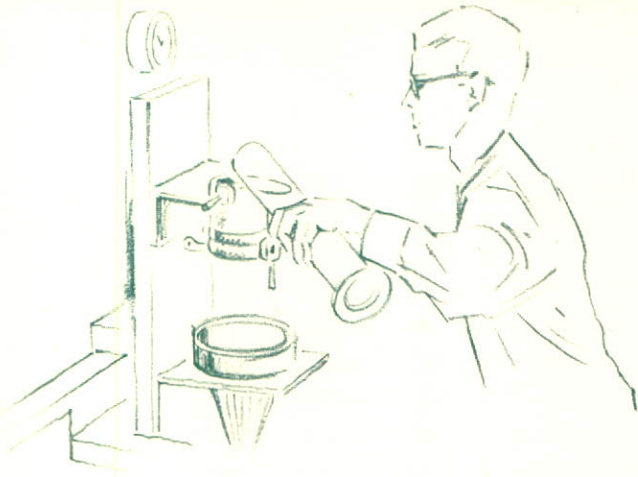
It will be recalled that in 1951 the recorded values of plant and equipment were increased to give formal effect to recent appraisals, the purpose

being to reflect more closely the current value of these assets, much of which had been acquired many years earlier at low cost and had been heavily depreciated.

With the passage of time and the acquisition of other companies having fixed assets valued on the basis of appraisals at various dates, it became increasingly apparent that the recorded appraised values no longer accomplished the original purpose of reflecting current asset values and, at the same time, resulted in the reporting of profits for this Company which were not comparable with those of most other companies. With few exceptions, other companies account for asset values on the basis of actual cost, and their reported profits are not adversely affected by additional amounts of depreciation based on appraised values.

In addition, the adoption of appraisal values created some anomalous tax features. While the resulting increase in asset values was understandably not depreciable for income tax purposes, Provincial taxation authorities nevertheless exacted capital taxes on these higher values. At December 31, 1956, the consolidated statement of financial position contained net values amounting to some \$17 million, the depreciation on which would be disallowed for income tax purposes.

Believing it to be in the best interests of shareholders, bondholders and all concerned, your Directors decided to revert to the former practice of reporting property values on the basis of actual cost. In order to give effect to this decision as at January 1, 1957, a rather complicated adjustment was made in the accounts, details of which are provided in Note 2 on Page 8 of this report.



In the interests of more accurate comparisons, all figures quoted in this report for previous years have been adjusted, where necessary, to the new basis of accounting.

SALES

2 For the first time, sales are shown in the consolidated statement of income for the year 1957, and the comparable figures for the two previous years appear in the Three-Year Review on Page 11 of this report. Net sales for 1957 were \$45,275,352, a decline from the previous year of \$193,565, or less than $\frac{1}{2}$ of 1%. Physical sales volume in 1957 dropped in most divisions of the company, the main exception being newsprint, production of which was curtailed in 1956 as the result of a fire. Nevertheless, the over-all level of business done was the second highest in our history, and only slightly below the record year 1956. In this respect our experience was similar to that of the pulp and paper industry generally.

Business is expected to continue at about the same level in 1958. While the Company looks forward to improved activity in building products, resulting from increased mortgage funds made available, newsprint volume may fall off in view of the present excess of industry capacity over demand. The completion of the Eddy No. 4 paper machine will occur too late in the year to have any significant effect on volume of consumer products for the year as a whole.

EARNINGS

Consolidated net income for the year amounted to \$2,078,873 and was \$127,346, or 5.8% less than the previous year's net income expressed on the same basis as that used in 1957. Special emphasis

was placed on maintaining or improving the overall efficiencies in operation to minimize the effect of a small reduction in volume and variation in levels of operation. As a result, operating profit, before bond interest, retirement income contributions, depreciation and depletion, declined by a comparatively small amount during a year in which major elements of expense increased substantially. In addition, high rates of discount on the U.S. dollar depressed revenues received from exports of newsprint.

The increase in bond interest during the year reflects the inclusion for a full year of interest on bonds delivered in mid-1956 by Sidney Roofing & Paper Company Limited. Bond interest on the issues presently outstanding will decline in succeeding years as bonds are scheduled for redemption by both E. B. Eddy and Sidney at the combined rate of \$625,000 per year until 1964.

RETAINED INCOME

Income retained and used in the business amounted to \$11,967,350 at December 31, 1957, an increase of \$2,186,958 over the previous year-end. Of this, \$668,851 arose in connection with adjustments related to the reversion to the cost basis of fixed asset accounting and represents mainly the reversal of depreciation on the excess of appraisal values over cost, which had the effect of reducing profit for prior years, as previously reported. Details regarding this adjustment have been provided in Note 2 on Page 8 of the report. The balance of the increase, or \$1,518,107, consists of \$2,078,873 from net earnings for the year less dividends on Class "A" and Common shares amounting to \$531,109 and less \$29,657 repre-

senting the excess of consideration over book value of net assets on acquisition of shares of a subsidiary.

DIVIDENDS

Dividends during the year amounted to \$531,109, of which \$137,786 was paid to holders of Class "A" shares at the fixed annual rate of \$1.00 per share, and \$393,323 was paid to holders of Common shares. Following the announcement of the Company's declaration of the first dividend on the Common shares, holders of 94,596 Class "A" shares converted their shares during the year to an equal number of Common shares. In 1957, Common share dividends were paid at the quarterly rate of 37½¢ per share, bringing the total to \$1.50 per share.

WORKING CAPITAL

In 1957 working capital declined by \$5,744,031 to a year-end total of \$7,870,166 with a current ratio of 1.8 to 1. A summary of the major changes in working capital is provided in a table located on Page 10 of this report, which shows that this reduction is attributable to the high level of capital expenditures which totalled \$9,432,194 during the year.

A further temporary decline in working capital is expected in 1958, due again to the continuing heavy capital program. While the completion early in 1959 of the major development program now under way will permit a gradual return of working capital to normal levels, it may be found desirable to accomplish this by further long-term financing.

PROPERTIES

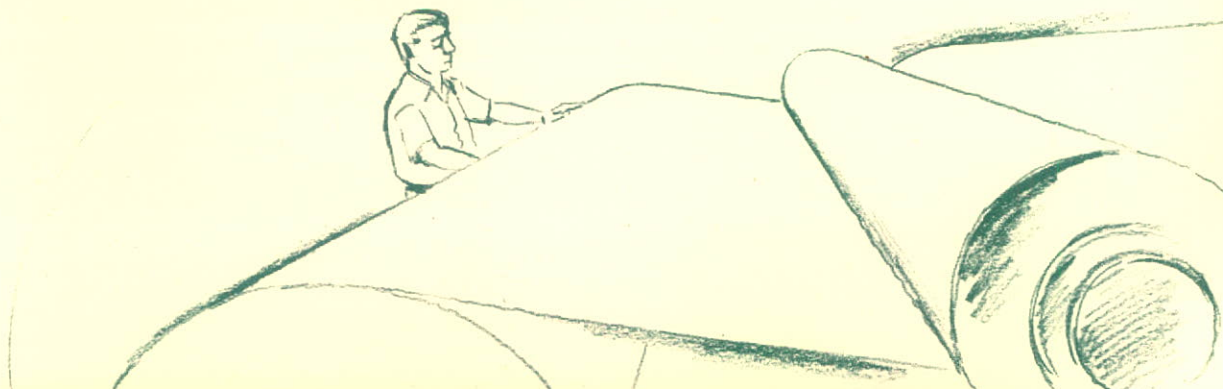
The current capital program begun in 1957 will not be completed until early in the year 1959, but

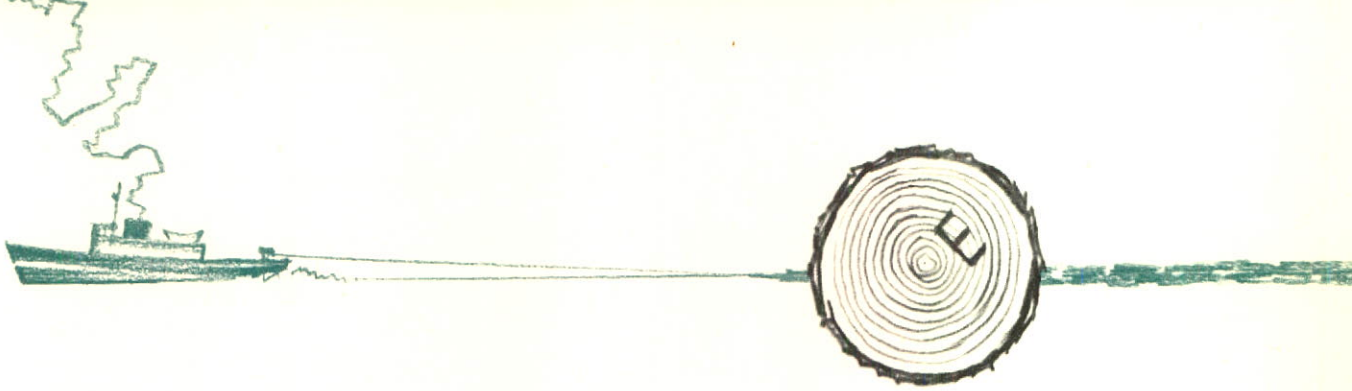
all phases are proceeding on schedule. The two major projects included in this program are taking place at Burnaby in British Columbia and at Hull, Quebec. Pages 12 and 13 of this report provide pictorial information on these projects. Capital expenditures for the year included \$6,261,015 by the Sidney group of companies and \$3,171,179 by The E. B. Eddy Company, or a total of \$9,432,194.

Sidney spent some \$5,900,000 during the year to complete a major portion of its relocation project. This includes completion of the new paperboard mill, which began operation in November and is now producing for the western markets, and the near completion of a roofing plant warehouse and administration building, which will be ready for occupancy in 1958. In addition, a \$150,000 warehouse was constructed in Mimico, Ontario for the purpose of providing better service to eastern customers served by Bishop Asphalt Papers Limited. The remainder of the expenditures were directed toward general improvement and modernization of existing facilities.

The E. B. Eddy Company's Yankee Paper Machine project required expenditures during the year of some \$1,600,000 covering mainly site preparation, building construction and progress payments on the new machine.

Planned capital expenditures for the year 1958 amount to \$8,900,000. Sidney will spend approximately \$2,200,000, including a further \$1,900,000 for the Burnaby relocation and expansion project. The E. B. Eddy Company will spend some \$3,700,000 on the Yankee Machine, \$1,100,000 on additional pulp and steam capacity, plus an additional \$1,900,000 devoted to a continuing program of plant improvement and development, bringing the total to \$6,700,000 for the year 1958.





Completion of this capital program, designed to provide increased capacity, improve product quality, increase rates of production and reduce costs, will enhance the Company's ability to compete in the anticipated growth of the domestic market.

BONDS

4

At December 31, 1957 bonds outstanding are reduced by \$625,000 from the previous year-end. This amount reflects the initial provision of \$250,000 for redemption in 1958 of Sidney's serial bonds, as well as the regular provision for redemption of \$375,000 of the E. B. Eddy serial bonds.

FUTURE

It is universally acknowledged that the long term prospects for the paper and building products industries are assured, but the outlook for the year 1958 does not indicate any appreciable improvement over the level of business experienced in the previous two years. It is unlikely, in the present over-supplied market, that further cost increases can be recovered by adequate increases in selling prices. However, we feel that a continuation of the present policies and attitudes of the Company will enable us to maintain or improve on the comparatively favourable results obtained during the year 1957.

The Company is giving increasing emphasis to its responsibility to the communities in which subsidiaries are located. Every attempt is made to support, through donations, a fair share of the cost of worthy charitable activities and educational ventures. Our subsidiary companies often represent to these communities the largest single source of

commercial tax revenues. The total amount paid by the Company and its subsidiaries in the form of municipal, school and business taxes to local governments amounted to \$652,072 in 1957. This represents an increase in excess of \$100,000 over the preceding year, and a further increase approaching \$100,000 is anticipated for 1958.

Throughout the past year the Company again enjoyed a period of excellent relationship with its customers. This relationship is nurtured by vigorous attention to quality of product and customer service.

We are proud also of the state of harmony existing between the companies and their employees and in turn the employee organizations. The main key to the success of a company lies in the performance of its people. Highest performance can only be achieved under conditions where common goals can be identified and where individual effort is rewarded. The policies and practices of all our companies are directed toward maintenance of these conditions.

On behalf of the Board,

President.

Hull, Quebec
February 17, 1958.

EDDY PAPER COMPANY LIMITED

and its subsidiaries

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1957

Net Sales		\$45,275,352	
Operating profit before taking into account the items shown below		<u>\$ 7,346,466</u>	
Bond interest	\$ 862,132		
Contributions to employees' retirement income plan	472,427		
Provision for depletion	158,680		
Provision for depreciation	<u>1,896,924</u>	3,390,163	
		<u>\$ 3,956,303</u>	
Provision for taxes on income (Note 4)		1,793,700	
		<u>\$ 2,162,603</u>	
Minority interest in net income of subsidiary		83,730	
Net income for the year (Note 5)		<u><u>\$ 2,078,873</u></u>	

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NOTE: In 1957 the Company and its subsidiaries paid directors' fees of \$6,750 and salaries to executive officers of the parent company and legal fees of \$266,977.

CONSOLIDATED STATEMENT OF INCOME RETAINED AND USED IN THE BUSINESS FOR THE YEAR ENDED DECEMBER 31, 1957

Balance at beginning of year		\$ 9,780,392	
Add: Net increase resulting from reversion to cost basis of fixed asset accounting (Note 2)		668,851	
Adjusted balance at beginning of year		<u>\$10,449,243</u>	
Net income for the year		2,078,873	
		<u>\$12,528,116</u>	
Dividends paid—Class "A" shares	\$ 137,786		
Common shares	<u>393,323</u>		
	\$ 531,109		
Excess of consideration over book value of net assets on ac- quisition of shares of subsidiary during the year	<u>29,657</u>	560,766	
Balance at end of year		<u><u>\$11,967,350</u></u>	

EDDY PAPER COMPANY

and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CURRENT ASSETS:

Cash	\$ 35,635	
Accounts receivable	5,547,154	
Finished stocks, goods in process and raw materials (Note 1)	9,445,217	
Expenditure on logging operations in progress	2,061,716	
Prepaid expenses	598,141	<u>\$17,687,863</u>

CURRENT LIABILITIES:

Bank loans and overdrafts	\$ 4,547,973	
Accounts payable and accrued liabilities	3,984,162	
Income and other taxes	660,562	
Serial bonds maturing within one year	625,000	<u>9,817,697</u>

WORKING CAPITAL

INVESTMENTS, at cost		\$ 7,870,166
PROPERTIES (Note 2)		197,015
TIMBER LEASES AND LICENSES, at book value as reinstated at December 31, 1944, plus subsequent acquisitions at cost, less depletion		<u>32,810,105</u>
		1,855,138
		<u>\$42,732,424</u>

Deduct:

FIRST MORTGAGE BONDS (Note 3)	\$20,375,000	
RESERVE for income taxes payable in future years (Note 4)	2,005,552	
MINORITY INTEREST in subsidiary	384,522	<u>22,765,074</u>
NET ASSETS, REPRESENTING SHAREHOLDERS' INTEREST		<u>\$19,967,350</u>

ANY LIMITED

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AL POSITION - DECEMBER 31, 1957

SHAREHOLDERS' INTEREST, consisting of:

Capital stock:

Authorized

400,000 Cumulative Convertible Non-Callable Class "A"
shares of \$20 per share, entitled to fixed annual dividends
of \$1.00 each (Note 6)

600,000 Common shares without nominal or par value

Issued and outstanding

Class "A", 105,404 shares (after deducting 94,596 shares
converted to common shares during the year)

\$ 2,108,080

Common, 294,596 shares (including 94,596 shares issued
on conversion of Class "A" shares) at \$20 per share

5,891,920

Income retained and used in the business

11,967,350

Signed on behalf of the Board:

R. F. CALDWELL, *Director*

B. W. POWER, *Director*

\$19,967,350



EDDY PAPER COMPANY LIMITED

and its subsidiaries

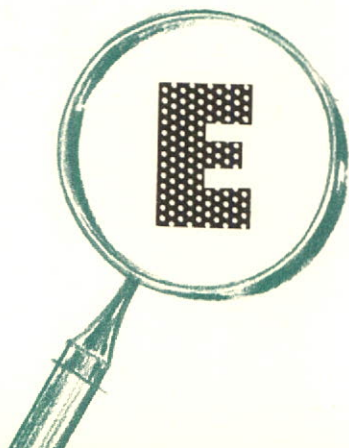
NOTES REGARDING 1957 CONSOLIDATED FINANCIAL STATEMENTS

1. The E. B. Eddy Company finished stocks, goods in process, raw materials and supplies are valued at standard cost not in excess of actual cost, and pulpwood is valued at average cost. The finished stocks, goods in process, raw materials and supplies of Sidney Roofing & Paper Company Limited and its subsidiaries are valued at the lower of cost or market.
2. As of January 1, 1957, those properties of the consolidated companies previously recorded at replacement values based on appraisals, were re-stated at cost. The relative adjustments are summarized in the following statement of net changes in property accounts during the year:

	December 31, 1956	Net reduction from elimination of appraisal increases	Net additions during year	December 31, 1957 at cost
Buildings, machinery and equipment (including facilities located on lands not owned in fee simple)	\$66,257,734	\$19,064,744	\$8,888,834	\$56,081,824
Less: Accumulated depreciation	25,730,066	2,244,691	1,508,770	24,994,145
	\$40,527,668	\$16,820,053	\$7,380,064	\$31,087,679
Land	988,241	194,364	32,858	826,735
Water power and rights.	895,691	—	—	895,691
	\$42,411,600	\$17,014,417	\$7,412,922	\$32,810,105

The elimination of appraisal increases has been reduced by \$1,436,574 representing the reversal of that portion of the total depreciation charged to income in the years 1954, 1955 and 1956 which pertained to the excess of appraisal values over cost. The excess of depreciation claimed for tax purposes over the amounts provided in those years resulted in a reserve for income taxes payable in future years, and with the increase in this excess consequent upon the reversal, the reserve for income taxes payable in future years has been increased by \$605,802. The remainder of the depreciation reversed, less minority interest, has been added to income retained and used in the business. For the year 1957 depreciation has been based on fixed assets at cost.

With the foregoing explanation, the manner of recording the elimination of appraisal increases may be stated as follows:



	Elimination of appraisal increases	Deduct: Reversal of depreciation	Net adjustment
Elimination of excess of appraisal value over cost of land and depreciated cost of buildings, machinery and equipment	\$14,020,792	\$ —	\$14,020,792
Elimination of excess of book value of net assets of subsidiaries over consideration for acquisition of shares	3,491,654	—	3,491,654
Reduction in minority interest in subsidiary	809,938	33,314	776,624
Increase in reserve for income taxes payable in future years	—	605,802	(605,802)
Adjustments to income retained and used in the business	128,607	797,458	(668,851)
	<u>\$18,450,991</u>	<u>\$1,436,574</u>	<u>\$17,014,417</u>

The value of properties as at December 31, 1957, expressed on the same basis of valuation used at December 31, 1956 (appraisal plus subsequent additions at cost less depreciation) would amount to \$48,789,375.

It is estimated that further capital expenditures totalling \$7,962,000 will be made to complete capital projects in progress at December 31, 1957.

3. First mortgage bonds at December 31, 1957, excluding those maturing within one year and shown as a current liability, comprise:

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First mortgage bonds issued by The E. B. Eddy Company—

1954 Series: 3¼% serial bonds due October 1, 1959 to 1964	\$ 1,500,000	
4% sinking fund bonds due October 1, 1974	7,500,000	\$ 9,000,000
1955 Series: 3¼% serial bonds due June 1, 1959 to 1965	\$ 875,000	
4% sinking fund bonds due June 1, 1975	3,750,000	4,625,000
		<u>\$13,625,000</u>

First mortgage and collateral trust bonds issued by Sidney Roofing & Paper Company Limited—

1955 Series: 4½% serial bonds due September 1, 1959 to 1965	\$ 1,750,000	
4½% sinking fund bonds due September 1, 1975	5,000,000	6,750,000
		<u>\$20,375,000</u>

4. Income taxes provided in the accounts exceed the amount payable in the year by \$770,888. Of this amount \$703,137 arises from depreciation to be claimed for tax purposes in excess of the amount recorded in the accounts. The remainder, or \$67,751, results from pre-production expenses related to plant relocation incurred during the year but applicable to 1958 earnings. This reduction in taxes payable has been added to Reserve for income taxes payable in future years, and is applicable to those future periods in which the amounts claimed for tax purposes will be less than those recorded in the accounts.
5. The net income for the year 1956, adjusted to reflect the effect of the reversion to a cost basis of fixed asset accounting, was \$2,206,219.
6. Class "A" shares may, at the option of the holders, be converted share for share into common shares and are non-callable except that if at any time not less than 90% in number of all Class "A" shares theretofore issued have been converted into common shares, the Company may redeem upon call all or part of the remaining outstanding Class "A" shares at not less than \$22.50 per share plus unpaid preferential dividends. At December 31, 1957, a total of 94,596 of the 200,000 Class "A" shares theretofore issued had been converted into common shares.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
EDDY PAPER COMPANY LIMITED:

We have examined the consolidated statement of financial position of Eddy Paper Company Limited and its subsidiaries as at December 31, 1957 and the consolidated statements of income and income retained and used in the business for the year ended on that date, together with the notes appended thereto, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures of Eddy Paper Company Limited and of its wholly owned subsidiary, The E. B. Eddy Company, and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have been furnished with consolidated financial statements, audited by other Chartered Accountants, of the partly owned subsidiary, Sidney Roofing & Paper Company Limited and its wholly owned subsidiaries, whose accounts were not examined by us but which are included in the accompanying consolidated statements.

In our opinion, the accompanying consolidated statement of financial position and consolidated statements of income and income retained and used in the business, supplemented by the notes appended thereto, are properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the companies as at December 31, 1957 and the combined results of their 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 companies examined by us and the audited financial statements furnished to us.

PRICE WATERHOUSE & CO.,
GEO. A. WELCH & COMPANY,
Chartered Accountants

Ottawa, February 11, 1958

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SUMMARY OF CHANGES IN WORKING CAPITAL

ADDITIONS

Net income for the year	\$2,078,873	
Depreciation and depletion	2,055,604	
Portion of income tax provision applicable to future years	770,888	
Other items	26,784	\$ 4,932,149
		<hr/>

REDUCTIONS

Additions, replacement and improvements of buildings, machinery and equipment	\$9,432,194	
Reduction of long term debt	625,000	
Dividends paid—Class "A" shares	\$137,786	
Common shares	393,323	531,109
Net reduction related to acquisition of shares of subsidiary during the year	87,877	10,676,180
		<hr/>
DECREASE DURING YEAR		\$ 5,744,031
WORKING CAPITAL AT BEGINNING OF YEAR		13,614,197
WORKING CAPITAL AT END OF YEAR		<hr/> <u>\$ 7,870,166</u>

EDDY PAPER COMPANY LIMITED

and its subsidiaries

THREE-YEAR REVIEW

	1957	1956 (Revised*)	1955 (Revised*)
EARNINGS			
Net sales	\$45,275,352	\$45,468,917	\$41,979,903
Operating profit before the following	\$ 7,346,466	\$ 7,580,055	\$ 6,669,552
Bond interest	862,132	827,636	614,191
Employees' retirement fund	472,427	494,380	464,027
Depreciation and depletion	2,055,604	1,896,041	1,763,242
Profit before taxes on income	3,956,303	4,361,998	3,828,092
Taxes on income	1,793,700	2,032,848	1,800,539
Minority interest	83,730	122,931	121,894
Net income	2,078,873	2,206,219	1,905,659
Earnings per share**	\$5.20	\$5.52	\$4.76

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FINANCIAL POSITION

Current assets	\$17,687,863	\$20,334,908	\$19,209,756
Current liabilities	9,817,697	6,720,711	5,269,194
Working capital	7,870,166	13,614,197	13,940,562
Properties, less depreciation	32,810,105	25,397,184	21,325,567
Timber limits, less depletion	1,855,138	1,898,255	2,046,183
Investments	197,015	217,015	22,020
Funded debt	20,375,000	21,000,000	19,375,000
Reserve for income taxes payable in future years	2,005,552	1,234,664	744,746
Minority interest	384,522	442,744	515,358
Total shareholder equity	19,967,350	18,449,243	16,699,228
Equity per share**	\$49.92	\$46.12	\$41.75

CAPITAL EXPENDITURES

Additions, replacements and improvements of land, buildings, machinery and equipment	\$ 9,432,194	\$ 5,884,111	\$ 3,878,298
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*After giving effect to the reversion to cost basis of fixed asset accounting. See Note 2 in the notes to the 1957 consolidated financial statements.

**Expressed on the former appraisal basis of fixed asset accounting, used in the years 1956 and 1955, the amounts are as follows:

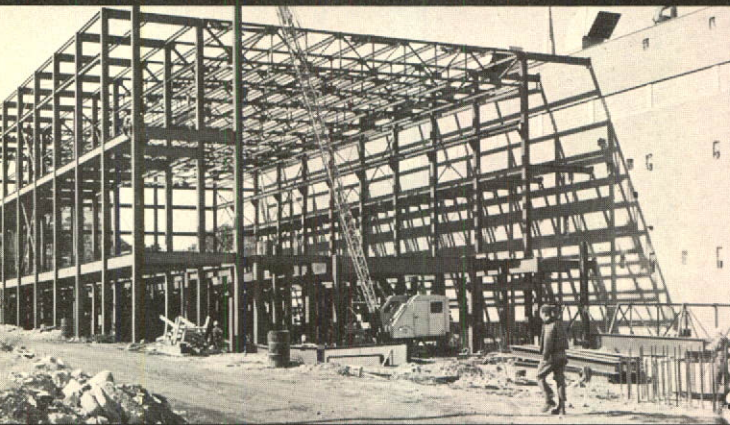
	1956	1955
Earnings per share	\$ 4.54	\$ 3.85
Equity per share	\$88.23	\$83.35

Earnings and equity per share calculations assume all Class "A" shares are converted to Common, see Note 6 in the notes to the 1957 consolidated financial statements.

THE E. B. EDDY COMPANY

a new paper machine

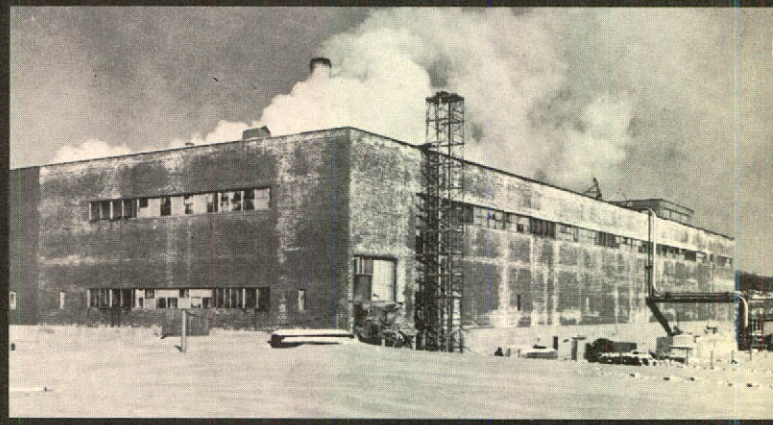
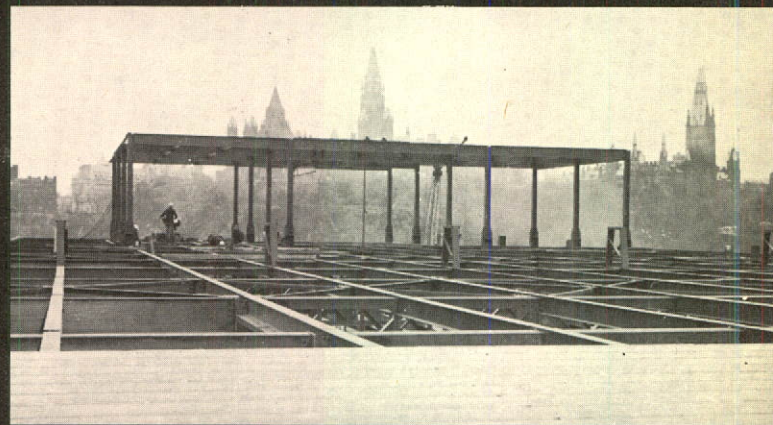
Now under construction at the Hull, Quebec plant is the second Yankee paper machine which is scheduled to commence operations in 1958. This new machine will give increased capacity for the manufacture of towelling and certain tissue grades to meet the demands of the growing markets for these products.



ABOVE
The steel structure of the building to house the new No. 4 paper machine.

ABOVE (right)
The Parliament Buildings in Ottawa can be seen across the river from the roof of the new building.

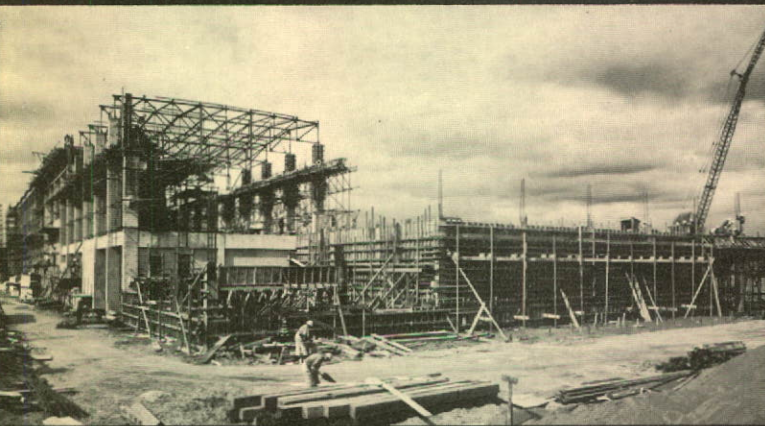
RIGHT
Construction of the building to house No. 4 paper machine was carried out during the winter months.



SIDNEY ROOFING & PAPER COMPANY LIMITED

a new mill

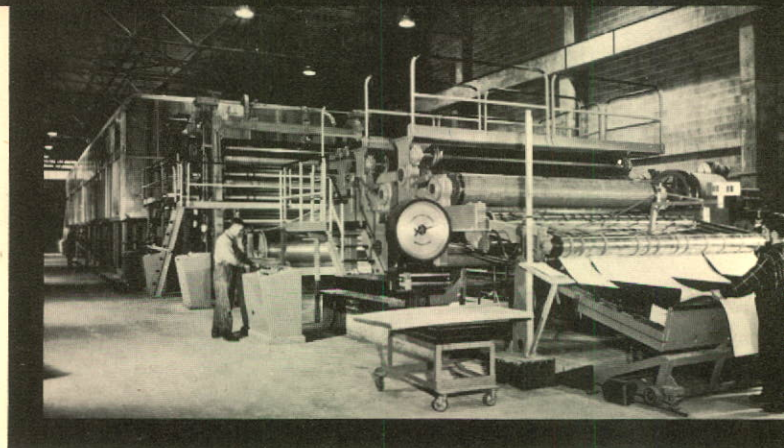
The first stage of the relocation of Sidney Roofing & Paper Company Limited from Victoria to Burnaby, B.C. has been completed. Operations have begun at the new plant where paperboard is now being made on No. 4 Machine. Work on this project will be completed early in 1959.



ABOVE
The first section of the new Burnaby plant takes shape in skeleton form.



ABOVE (right)
A general view of the Burnaby project which includes the new head office and administration building.



RIGHT
The take-off end of the new No. 4 Machine, where paperboard can be supplied in rolls or flat sheets.

Some of the many and varied uses of the products made and distributed by The E. B. Eddy Company and Sidney Roofing & Paper Company Limited are indicated in this summary.

THE E. B. EDDY COMPANY

PRINTING PAPERS

Cheneaux Bond, Century Bond, Wellington Offset, Guardian Index Bristol, Tecumseh Bristol, Rideau Bristol, Mohawk Bristol, Ancaster Book, Multiscrip Mimeo, Multicopy Duplicating and many others, in a selection of sizes, weights and colors.

CONVERTING PAPERS

A wide range of paper for conversion into hundreds of everyday products, for example, envelopes, bread wrappers, paper cups, etc.

HOUSEHOLD PRODUCTS

Toilet Tissues—White Swan, Universal and Alouette. Serviettes—White Swan and Linen Finish. Towels—White Swan roll and dispenser.

GROCERY BAGS

For grocers, druggists and confectioners.

PAPERBOARD

A wide range of grades for manufacturing into paper cartons largely for use in the food processing industry.

INDUSTRIAL PRODUCTS

Toilet Tissues—Onliwon and roll tissues. Towels—Onliwon, Eureka, Apex and Premier. Tray Cloths Serviettes—Onliwon Dispenser and Linen Finish.

NEWSPRINT

For the domestic and export markets.

SIDNEY ROOFING & PAPER COMPANY LIMITED

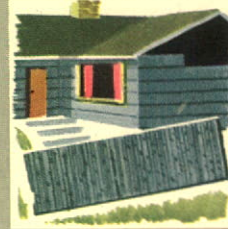
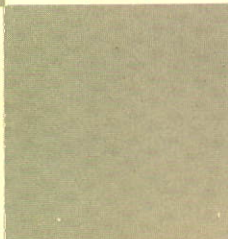
and subsidiaries

MANUFACTURERS OF

Duroid Asphalt Shingles, Sidney Insulated Sidings, Roll Sidings, Roll Roofing (Plain and Mineral Surfaced), Permax Building Papers, Plain and Saturated Building Papers, Built-up Roofing Materials, Mineral Wool, Asphalt Preservative Coatings and Cements, Paperboards and Cartons, Printing and Lithographing Services.

DISTRIBUTORS OF

Sidney Asbestos-Cement Sidings, Rock Wool Insulation, Sidney Asbestos-Cement Building Boards, Masonite, Ten/Test and I.P. Plywood Products, Vabar and Richkraft Building Papers, Micafil and Imperial Vermiculite, Du Pont Polythene Film.





THIS REPORT
IS LITHOGRAPHED IN CANADA ON
E. B. EDDY'S WELLINGTON OFFSET
BASIS 25 x 38 200M