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annual report

E D D Y P A P E R C O M P A N Y L I M I T E D

and its wholly owned subsidiary THE E. B. EDDY COMPANY

P R E S I D E N T ' S M E S S A G E

BUSINESS conditions in Canada were more favourable in 1953 than had been anticipated in the early months of the year. Most segments of the economy enjoyed good demand and high volume. There was, however, a continuation of the trend of rising costs without adequate increases in selling prices resulting in lower profit margins.

The continued rise in wages, together with a high level of employment, has sustained purchasing power and demand, although the growth of industrial capacity in recent years has intensified competition in both domestic and export markets. There has been a definite return to a buyers' market, particularly as to quality discrimination, but generally a market in which there has been a continued strong urge to purchase goods.

Our volume increased substantially in 1953 and earnings before income taxes were slightly higher than in 1952. Higher costs arose mainly from increased wages and employee benefits, together with increasing customer demands for quality of product and service.

Again, depreciation, interest and other fixed charges have increased as expenditures are made in our mills to raise efficiency, improve quality and keep pace with the growth of the domestic market.

The coming year will see the completion of our new paper machine for the manufacture of tissue products. This new machine, the most modern of its type, will result in a great improvement in

quality as well as a much more efficient manufacturing operation.

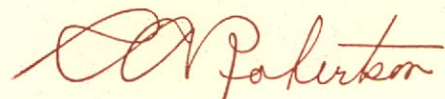
Net income for the year was \$862,161, or about 10% higher than last year, the increase being mainly due to a reduction in Federal income tax rates. During the year, Class "A" shareholders received the usual dividends totalling \$1.00 per share or an aggregate of \$200,000.

The year 1954 is faced with confidence. One of the major undertakings in 1954 will be filling increased capacity while dealing with a market progressively more demanding as to quality and service.

The competent group of men heading the various divisions are ever aware of their responsibilities to shareholders, employees, customers and to all the various communities in which the influence of the Company is felt.

To our established customers who have continued to support our efforts I, once more, extend sincere thanks.

I am most appreciative of the part played by each employee in the year's successful operation. Their achievements have been, and will continue to be, a significant contribution to the progress of your Company.



PRESIDENT

REVIEW OF THE YEAR

EARNINGS

In 1953, the fine and specialty paper and paper-board industry emerged from the difficult conditions of the previous year and demand was well maintained for all products. However, the year was one of keen competition in which quality of product and customer service were emphasized, while at the same time costs, particularly labour and employee benefits, continued to rise. Nevertheless, the Company's consolidated net earnings before income taxes were slightly higher than in 1952 and, after providing for taxes, consolidated net income amounted to \$862,161, as compared with \$782,184 earned in 1952. These figures do not include the earnings of our partly owned subsidiary, Sidney Roofing & Paper Company Limited, to which reference is made later in this report.

Total sales of all grades increased to 124,783 tons from 118,755 tons in 1952. Included in these figures were newsprint shipments of 48,353 tons in 1953. Other products increased by 8,088 tons to 76,430 tons. Exports other than newsprint amounted to 3,326 tons for the year, or 985 tons more than in 1952 but competition resulted in sharply reduced prices in foreign markets.

The rise in sales volume, together with substantial benefits realized from capital expenditures made in recent years, enabled the Company to maintain earnings in the face of narrowing margins resulting from higher costs. We have continued the policy of

writing off the full depreciation allowed for income tax purposes, including depreciation on the cost of projects still under construction.

TAXES

While some relief in income tax rates occurred in 1953, the Federal and Provincial Governments still took almost half of our earnings. Moreover, total taxes of all kinds payable to Municipal, Provincial and Federal authorities, exclusive of stampage dues and ground rents paid on our woods operations, amounted to more than \$2,000,000, about \$2.40 for each \$1.00 of net income.

RETAINED INCOME

Since the inception of the Company in 1946, all earnings, less dividends on Class "A" shares, have been retained and used in the business. This retained income amounted to \$4,908,537 at December 31, 1953.

The amount retained from 1953 earnings amounted to \$638,161, representing the net income of \$862,161, less dividends of \$200,000 on Class "A" shares and discount of \$24,000 on the issue of \$800,000 of Series "C" Bonds.

PROPERTIES

The year 1953 saw the completion of some large projects for the modernization and expansion of existing mill facilities.

In addition, the new tissue machine project was well under way at the year-end and it is anticipated that this machine will begin producing in the last half of 1954. This is a major project and an essential one from a quality and volume standpoint if we are to maintain our dominant position in the tissue product market.

Total capital expenditures in 1953 amounted to \$3,203,536, of which \$2,977,250 was devoted to the mills in Hull and Ottawa. The remaining \$226,286

comprises mainly equipment, roads and other facilities used in Woodlands operations. Capital expenditures planned for 1954 amount to some \$4,800,000, of which \$4,250,000 is to be spent on projects under way at the end of 1953.

BONDS

The last of the Series "C" Bond issue amounting to \$800,000 was delivered on March 16, 1953. The net proceeds, \$776,000, together with the \$234,648 held by the Trustee for the bondholders at December 31, 1952, were withdrawn from time to time as capital expenditures were made during the year.

Total bonded debt at the end of 1953 amounted to \$9,467,500. The increase of \$276,000 during the year comprises the \$800,000 Series "C" Bonds delivered, less total sinking fund redemptions for all issues amounting to \$524,000, including \$93,000 redeemed in 1953 on account of the 1954 sinking fund instalment. Provision has been made in the accounts for the remaining sinking fund payments due in 1954, amounting to \$476,000.

WORKING CAPITAL

Working capital amounted to \$7,133,984 at December 31, 1953, a reduction of \$110,106 during the year, which partially reflects the heavy capital expenditures already mentioned. The bank loan, however, was reduced by \$481,000 to \$1,513,000 at the year-end.

SIDNEY ROOFING & PAPER COMPANY LIMITED

The 1953 consolidated earnings of this Company and its subsidiaries, before income taxes, were higher than in any previous year and well above 1952. After provision for income taxes, net profit for the year amounted to \$323,118, as compared with \$200,420 in 1952. Demand for all products

was strong throughout the year and shipments were substantially higher than in the previous year. The continuing building boom in Western Canada resulted in higher sales of building materials in all territories, the growth being particularly marked in the Prairies. The paperboard and paper box business recovered from the slack conditions experienced in 1952 and sales were greatly improved.

EMPLOYEES

Although no general increase in wages was granted during the year, the Company, together with the industry, instituted a reduction in working hours for mill employees from forty-eight to forty-four hours per week, effective January 4, 1953, with no reduction in take-home pay. This reduction in the work week was the result of the 1952 labour negotiations. In addition, the 1953 negotiations resulted in a further reduction of the work week to forty hours, effective October 4, 1954, again maintaining take-home pay. Accordingly, hourly rates rose by 20% but only part of the increase was effective for the full year. Thus, while labour costs rose substantially in 1953, the increase will be still heavier in 1954 and the maintenance of present profit levels will depend upon the level of business and upon the improvements in operations anticipated from our programme of mill development and improvement.

During the year, the average working force engaged in manufacturing, sales and administrative capacities numbered 2,356 persons, exclusive of wage earners employed by ourselves and our logging contractors in woods operations. Apart from wages and salaries, the Company spent some \$1,135,000 on employee benefits including contributions to the retirement income plan and group insurance, Christmas bonuses, vacations and holidays with pay, plant medical services and recreational activities. This amounted to approximately \$482 per employee.

EDDY PAPER CO

and its wholly owned subsidiary

SEVEN - YEAR COMPARISON OF EARNINGS

EARNINGS

	1953
Profit before taking into account the items shown below	\$ 4,193,908
Dividends and interest from partly owned subsidiary	<u>22,239</u>
	\$ 4,216,147
Deduct:	
Provision for depreciation and depletion	\$ 1,686,511
Contributions to retirement income plan	408,233
Bond interest	<u>400,794</u>
	\$ 2,495,538
PROFIT BEFORE PROVISION FOR INCOME TAXES	\$ 1,720,609
Provision for income taxes	<u>858,448</u>
NET INCOME FOR THE YEAR	<u>\$ 862,161</u>

The income figures shown above are in accordance with published statements. They do not reflect adjustments to retained income (earned surplus), which have been detailed in published statements.

FINANCIAL POSITION

Current assets	\$12,665,778
Current liabilities	<u>5,531,794</u>
WORKING CAPITAL	\$ 7,133,984
Proceeds of bond issue in hands of trustee	—
Shares of subsidiary company	2,724,891
Bonds of subsidiary company	—
Properties, less reserve for depreciation*	24,458,944
Timber leases and licences	<u>2,253,028</u>
Other assets	<u>1</u>
	\$36,570,848
Reserve for possible future decline in inventory values	<u>921,000</u>
	\$35,649,848
Deduct: Bonded debt	<u>8,991,224</u>
NET ASSETS APPLICABLE TO CLASS "A" AND COMMON SHARES OF THE COMPANY	<u>\$26,658,624</u>

**Increased in 1951 by \$12,073,334 over cost by adjusting to appraisal values.*

MPANY LIMITED

THE E. B. EDDY COMPANY

R N I N G S & F I N A N C I A L P O S I T I O N

1952	1951	1950	1949	1948	1947
\$ 3,914,499	\$ 5,071,432	\$ 3,700,513	\$ 3,225,856	\$ 2,666,013	\$ 2,219,206
25,971	8,651	1,530	990	—	—
<u>\$ 3,940,470</u>	<u>\$ 5,080,083</u>	<u>\$ 3,702,043</u>	<u>\$ 3,226,846</u>	<u>\$ 2,666,013</u>	<u>\$ 2,219,206</u>
\$ 1,521,015	\$ 1,238,121	\$ 1,035,334	\$ 987,729	\$ 931,993	\$ 891,449
397,005	374,473	322,045	333,381	290,553	150,000
310,690	217,694	239,230	251,473	230,057	140,000
<u>\$ 2,228,710</u>	<u>\$ 1,830,288</u>	<u>\$ 1,596,609</u>	<u>\$ 1,572,583</u>	<u>\$ 1,452,603</u>	<u>\$ 1,181,449</u>
\$ 1,711,760	\$ 3,249,795	\$ 2,105,434	\$ 1,654,263	\$ 1,213,410	\$ 1,037,757
929,576	1,843,101	858,104	691,315	510,000	473,000
<u>\$ 782,184</u>	<u>\$ 1,406,694</u>	<u>\$ 1,247,330</u>	<u>\$ 962,948</u>	<u>\$ 703,410</u>	<u>\$ 564,757</u>

\$12,926,196	\$12,055,154	\$ 8,691,608	\$ 8,860,583	\$11,342,042	\$ 9,704,921
5,682,106	6,937,478	3,194,522	3,210,856	5,004,301	5,031,904
<u>\$ 7,244,090</u>	<u>\$ 5,117,676</u>	<u>\$ 5,497,086</u>	<u>\$ 5,649,727</u>	<u>\$ 6,337,741</u>	<u>\$ 4,673,017</u>
234,648	—	—	—	—	—
2,699,487	2,648,732	2,328,232	1,528,232	—	—
321,400	—	—	—	—	—
22,805,635	21,528,426	8,374,571	8,292,247	8,657,164	7,021,270
2,396,002	2,494,560	2,673,743	2,750,632	2,811,654	2,885,867
1	1	1	67,241	130,572	98,925
<u>\$35,701,263</u>	<u>\$31,789,395</u>	<u>\$18,873,633</u>	<u>\$18,288,079</u>	<u>\$17,937,131</u>	<u>\$14,679,079</u>
921,000	921,000	708,472	708,472	708,472	584,514
<u>\$34,780,263</u>	<u>\$30,868,395</u>	<u>\$18,165,161</u>	<u>\$17,579,607</u>	<u>\$17,228,659</u>	<u>\$14,094,565</u>
8,759,800	5,190,430	5,767,224	6,229,000	6,641,000	4,000,000
<u>\$26,020,463</u>	<u>\$25,677,965</u>	<u>\$12,397,937</u>	<u>\$11,350,607</u>	<u>\$10,587,659</u>	<u>\$10,094,565</u>

EDDY PAPER CO

and its wholly owned subsidiaries

CONSOLIDATED BALANCE SHEET

A S S E T S

CURRENT ASSETS:

Cash	\$ 322,428	
Trade and other accounts receivable (less reserve \$95,971)	2,940,214	
Finished stocks and goods in process at standard cost not in excess of actual cost, and raw materials, supplies and pulpwood at average cost	7,087,993	
Expenditure on logging operations in progress	2,035,875	
Prepaid expenses	<u>279,268</u>	\$12,665,778

INVESTMENT IN SHARES OF PARTLY OWNED SUBSIDIARY,
at cost

2,724,891

PROPERTIES:

Land, water power and rights, at cost	\$ 1,527,119	
Buildings, machinery and equipment less reserve for depreciation (Note 1)	<u>22,931,825</u>	24,458,944

TIMBER LEASES AND LICENSES, at book value as reinstated at
December 31 1944, plus subsequent acquisitions at cost, less depletion

2,253,028

GOODWILL, TRADEMARKS, ETC.

1

Signed on behalf of the Board:

R. A. ROBERTSON, *Director*

A. WELCH, *Director*

\$42,102,642

A U D I T O R

TO THE SHAREHOLDERS OF
EDDY PAPER COMPANY LIMITED:

We have examined the consolidated balance sheet of Eddy Paper Company Limited and the consolidated statement of income and income retained and used in the business operations we have required. Our examination included a general review of the accounting records considered necessary in the circumstances.

In our opinion, the above consolidated balance sheet supplemented by the notes thereto are properly drawn up so as to exhibit a true and correct view of the state of the company as at December 31 1953 and the result of its operations for the year ended on that date, as shown by the books of the companies.

The Company's proportion of the income of its partly owned subsidiary has been taken into account in the consolidated statement of income.

MPANY LIMITED

THE E. B. EDDY COMPANY

SHEET - DECEMBER 31 1953

LIABILITIES

CURRENT LIABILITIES:

Bank loan	\$ 1,513,000	
Outstanding cheques	831,344	
Accounts payable and accrued liabilities	2,019,595	
Income and other taxes	691,855	
Sinking fund payments due in 1954 (Note 2)	<u>476,000</u>	\$ 5,531,794

FIRST MORTGAGE SINKING FUND BONDS OF THE E. B. EDDY COMPANY (Note 2)		8,991,224
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RESERVE FOR POSSIBLE FUTURE DECLINE IN INVENTORY VALUES, in respect of which corporation income taxes have been paid		921,000
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SHAREHOLDERS' INTEREST, represented by:

Cumulative Convertible Non-Callable Class "A" shares entitled to fixed annual dividends of \$1.00 each—		
Authorized—400,000 shares at \$20.00 per share		
Issued —200,000 shares	\$ 4,000,000	
Common shares without nominal or par value—		
Authorized—600,000 shares		
Issued —200,000 shares at \$20.00 per share	4,000,000	
Excess of net book value of assets of The E. B. Eddy Company at date of acquisition of shares of that Company over costs thereof, plus subsequent net adjustments	1,676,753	
Excess of appraised values over depreciated cost of buildings, machinery and equipment	12,073,334	
Income retained and used in the business	<u>4,908,537</u>	26,658,624

\$42,102,642

REPORT

and its wholly owned subsidiary, The E. B. Eddy Company, as at December 31 1953
for the year ended on that date and have obtained all the information and explana-
procedures and such tests of accounting records and other supporting evidence as we

to and the related statement of income and income retained and used in the business
combined affairs of Eddy Paper Company Limited and its wholly owned subsidiary as at
according to the best of our information and the explanations given to us and as shown

taken up in the attached accounts only to the extent of dividends received.

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

EDDY PAPER COMPANY LIMITED

and its wholly owned subsidiary THE E. B. EDDY COMPANY

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31 1953

Operating profit before taking into account the items shown below		\$ 4,193,908
Dividends and interest received from partly owned subsidiary		22,239
		<u>\$ 4,216,147</u>
<i>Deduct:</i>		
Bond interest	\$ 400,794	
Contributions to employees' retirement income plan	408,233	
Provision for depletion	143,379	
Provision for depreciation	1,543,132	2,495,538
		<u>\$ 1,720,609</u>
Provision for taxes on income		858,448
Net income for the year		<u>\$ 862,161</u>

Note: Directors' fees amounted to \$1,425 and executive salaries and legal fees to \$155,828 for the year.

RETAINED AND USED IN THE BUSINESS FOR THE YEAR ENDED DECEMBER 31 1953

Balance at beginning of year		\$ 4,270,376
<i>Deduct:</i> Bond discount on issue of Series "C" bonds		24,000
		<u>\$ 4,246,376</u>
<i>Add:</i> Net income for the year		862,161
		<u>\$ 5,108,537</u>
<i>Less:</i> Dividends aggregating \$1.00 per share on Class "A" shares		200,000
Balance at end of year		<u>\$ 4,908,537</u>

NOTES REGARDING THE BALANCE SHEET

1. The value of buildings, machinery and equipment appearing in the accompanying balance sheet is based on appraisals and includes facilities located on lands not owned in fee simple. The figures shown represent the following—

Replacement values based on appraisals made by Dominion Appraisal Company Limited in 1947 and 1948, plus subsequent net additions at cost.	\$41,854,092
<i>Less:</i> Reserve for depreciation based on appraisals plus subsequent provisions	<u>18,922,267</u>
	<u><u>\$22,931,825</u></u>

Planned expenditures in 1954 on capital projects under way at the end of 1953 amount to \$4,250,000.

2. First Mortgage Sinking Fund Bonds of The E. B. Eddy Company appearing in the accompanying balance sheet in the amount of \$8,991,224 comprise—

	Series "A" 3½% bonds due <u>June 15 1966</u>	Series "B" 4% bonds due <u>June 15 1966</u>	Series "C" 4¾% bonds due <u>May 1 1969</u>	<u>Total</u>
Issued	\$ 4,000,000	\$ 3,000,000	\$ 4,800,000	\$11,800,000
Redeemed or called for redemption	<u>1,250,500</u>	<u>917,500</u>	<u>164,500</u>	<u>2,332,500</u>
Bonds outstanding	<u>\$ 2,749,500</u>	<u>\$ 2,082,500</u>	<u>\$ 4,635,500</u>	<u>\$ 9,467,500</u>
<i>Less:</i>				
Funds in hands of Trustee for bondholders	\$ 216	\$ 60	\$ —	\$ 276
Sinking fund provision included with current liabilities	<u>223,500</u>	<u>177,000</u>	<u>75,500</u>	<u>476,000</u>
	<u>\$ 223,716</u>	<u>\$ 177,060</u>	<u>\$ 75,500</u>	<u>\$ 476,276</u>
	<u><u>\$ 2,525,784</u></u>	<u><u>\$ 1,905,440</u></u>	<u><u>\$ 4,560,000</u></u>	<u><u>\$ 8,991,224</u></u>

Bonds outstanding in the amount of \$9,467,500 have been issued under a trust deed authorizing a total outstanding of \$10,000,000.

EDDY PAPER COMPANY LIMITED

DIRECTORS

J. A. CRAIG
D. G. CURRIE
C. L. GUNDY
W. S. KIDD
R. A. ROBERTSON
D. R. A. WALKER
A. WELCH
W. GARFIELD WESTON

OFFICERS

W. Garfield Weston, *Chairman of the Board*
R. A. Robertson, *President*
A. Welch, *Vice-President and General Manager*
John F. Taylor, *Vice-President*
R. F. Caldwell, *Secretary and Treasurer*
B. W. Power, *Assistant Treasurer*
C. G. Banghart, *Assistant Secretary*

TRANSFER AGENTS

Montreal Trust Company
Halifax, Montreal, Toronto, Winnipeg and Vancouver
The Maritime Trust Company
Saint John

REGISTRARS

The Toronto General Trusts Corporation
Montreal, Toronto, Winnipeg and Vancouver
and its agents at Halifax and Saint John

P R O D U C T S

O F T H E E . B . E D D Y C O M P A N Y

A measure of the acceptance of E. B. Eddy products is in the familiarity of their names. The housewife will recognize many of the brands she buys from her grocer's shelves. Other Eddy brands will be familiar to the office worker as watermarks on business stationery. To printers and box manufacturers, publishers and converters, E. B. Eddy products are literally their stock in trade.

PRINTING PAPERS

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

CONVERTING PAPERS

A wide range of papers are made 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—Silver Swan, Brocade and Linen Finish.
Towels—Han-Dee and Onliwon.

GROCERY BAGS

For grocers, druggists and confectioners.

INDUSTRIAL PRODUCTS

Toilet Tissues—Onliwon and Roll Tissue.
Towels—Onliwon, Eureka, Apex and Premier.
Tray Cloths
Serviettes—Dispenser and Onliwon.

PAPERBOARD

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

NEWSPRINT

For the domestic and export markets.

THE E. B. EDDY COMPANY

HEAD OFFICE

Hull, P.Q.

MILLS AT

Hull, P.Q.
Ottawa, Ont.

SALES OFFICES

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

AGENCIES

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

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.

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

