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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

A WORD FROM THE PRESIDENT

THE year 1952 did not equal the all-time record of 1951 but the profit before income taxes is substantially greater than the average of the four years immediately preceding 1951. This is evident from the statement showing a six-year comparison of earnings which is included in this report.

The experience of The E. B. Eddy Company during the past year was similar to that of the fine and specialty paper industry in general. Toward the end of the first quarter of the year, volume of business began to slacken and, in the spring and summer months, there was a sharp drop. Although there was an improvement in the later months of the year, the total volume for the whole year was off from 1951 to an extent which resulted in a reduction in profits despite improvements in operating efficiency during the year.

The net income for the year is \$782,184. The usual dividends aggregating \$1.00 per share on the Class "A" shares, or a total of \$200,000, were paid to the shareholders.

As we indicated in the Annual Report for 1951, the Directors of The E. B. Eddy Company arranged for an additional issue of \$4,800,000 of bonds. First mortgage sinking fund, 4¾% bonds, Series "C", due May 1st, 1969, were sold to reimburse the Company for capital expenditures made, and to provide funds for the continuation of the programme of improving the production facilities of the Company.

It is with deep regret that I refer to the resignation of Mr. W. S. Kidd from the position of President of the Company due to reasons of health. He is continuing as a Director of the Company, and his associates and friends wish him many happy years.

I am pleased to report the appointment of Mr. W. D. Moffatt to the position of Director of Sales of The E. B. Eddy Company as of November 1st, 1952. This is a position which has been vacant since the retirement of Mr. George Winlow. Mr. Moffatt brings to the Company a wealth of experience in the fields of merchandising, sales and advertising.

I am also pleased to advise that Dr. W. Gally, B.A., M.Sc., Ph.D., who had been retained for some years as a consultant in matters of research, joined The E. B. Eddy Company on a full-time basis, at the first of this year, as Director of Research. Dr. Gally is well known as a scientist in the pulp and paper and other industries in Canada and the United States.

The work and study related to matters of research are being carried on at an accelerated pace and we believe that the scientific knowledge which is being gained of the many processes required in the production of the numerous products of the Company has, and will continue to be an important factor in its success.

The year 1953 will see the fulfilment of a large programme for improvement and modernization of our sulphite and fine and specialty paper mills. Reductions in cost of operation should be realized in part during this year and more fully in 1954. These expected improvements in operating efficiency may serve to compensate for increased costs of labour, freight and materials.

Long range planning is under way for further improvements in quality and manufacturing efficiency.

We look forward to 1953 with confidence. All divisions of the Company are under able direction and are prepared for the present competitive conditions.

It is a pleasure here to acknowledge with gratitude the loyal support we have enjoyed from our established customers.

I would like also to extend sincere thanks to all employees for their contribution to another year of progress and for their loyal co-operation and support, which has made easier the many problems confronting your Directors.



PRESIDENT

R E V I E W O F T H E Y E A R

E A R N I N G S

The year 1952 was a difficult one in the fine and specialty paper and paperboard industry. It was a year of downward adjustment of inventories throughout the trade, resulting in quite irregular mill operation and a substantial reduction in over-all volume. Consolidated net income of the Company and its wholly owned subsidiary, The E. B. Eddy Company, amounted to \$782,184 after provision for taxes, as compared to \$1,406,694 earned in 1951. These figures do not include the earnings of our partly owned subsidiary, Sidney Roofing & Paper Company Limited which are referred to later in this report.

Total sales of all grades were 118,755 tons, compared with 131,165 tons in 1951. Newsprint shipments, included in these figures, rose by 2,453 tons from 47,960 in 1951 to 50,413 in 1952, while shipments of other products declined by 14,863 tons. Exports other than newsprint, while buoyant in the early part of the year, dwindled in the later months and totalled 2,341 tons for the year, or 825 tons less than in 1951.

The falling-off in sales demand accounts in large measure for the drop in earnings in 1952. We are in the midst of a much more competitive situation than has existed for many years. The necessity to make deliveries on shorter notice has reduced paper machine efficiency in that it has been necessary to make much more frequent changes of grade and to manufacture in smaller quantities. A further important factor is the substantial increase in depreciation resulting from heavy capital expenditures in recent years in accordance with long-term plans for the improvement and modernization of

the plant. We have continued on all capital expenditures to write off the full depreciation allowed by the Income Tax Department, including depreciation on large expenditures on projects not yet in operation and on which the benefits have not, as yet, been realized.

T A X E S

While total income taxes payable to Federal and Provincial Governments are shown in the statements at an amount of \$927,000, as compared to net earnings of \$782,000, we should point out that total taxes of all kinds payable to Municipal, Provincial and Federal authorities amounted to more than \$2,150,000. This amount does not include stumpage dues and ground rents paid on our woods operations.

R E T A I N E D I N C O M E

This amount of \$4,270,376 at December 31, 1952 represents accumulated earnings which have been used in the business for investment in properties, inventories and working capital. This includes an amount of \$582,184 from 1952 earnings representing the net income of \$782,184 less dividends of \$200,000 on Class "A" shares.

During the year, amounts totalling \$239,685 were deducted from retained income. Of this, \$142,287 represents the expense related to the issue of Series "C" bonds, including discount of \$120,000. The other item of \$97,398 results from reflecting the liability of vacation pay earned by employees in the year previous.

P R O P E R T I E S

Capital expenditures totalling \$2,666,753 were made during the year. Of this, \$2,506,259 was expended on the mills in Hull and Ottawa, while \$160,494 comprises additions to and replacement of Woodlands facilities.

Planned expenditures in 1953, on projects under way at the end of 1952, amount to \$2,250,000. All of these expenditures are most essential to the progress of your Company. All are part of a balanced programme, designed to maintain competitive quality of product and to realize efficiencies so necessary to offset the increasing costs of labour, freight and materials.

In addition to the renewals and replacement of existing facilities, which in the pulp and paper industry require substantial sums each year, the major expenditures during the past two years and in 1953 are made up of several important projects. Our main woodhandling facilities at the Hull Lower Mill have been completely modernized and the extensive project under way in the Sulphite Mill adjacent thereto is designed to consolidate our pulp manufacturing in this efficient unit and to improve quality further at lower operating costs.

With the completion of the rebuilding of No. 11 Paper Machine in our Ottawa Mills in February 1953, our three largest and potentially most efficient fine paper machines have been substantially rebuilt. Considerable improvement in quality and efficiency has already been realized and, with further improvements planned, these three machines will be a most modern and efficient fine paper manufacturing unit.

Facilities for the finishing of fine papers were completely re-designed in 1952 resulting in substantial savings in finishing costs.

In addition to the above, we have now on order a new paper machine of the most modern type for the manufacture of tissue products. This project is essential to the maintenance of our leading position in the tissue product market. It is estimated that progress payments in 1953 will amount to \$1,500,000.

BONDS

To provide a portion of the funds required for our capital programme, arrangements were made early in 1952 for the sale, through underwriters of a new \$4,800,000 bond issue, known as Series "C". Of these bonds, \$4,000,000 were delivered during the year, the net proceeds being \$3,880,000, of which \$3,645,352 was received by the Company during the year, and \$234,648 was withdrawn, as capital expenditures were made in the early months of 1953. The remaining \$800,000 of bonds were delivered on March 16, 1953.

Through sinking fund redemptions aggregating \$583,500, the outstanding Series "A" and Series "B" bonds were reduced during the year from \$5,775,000 to \$5,191,500, and our total bonded debt at the close of 1952 stood at \$9,191,500.

Provision has been made in the accounts for the sinking fund payments of \$431,000 due in 1953.

WORKING CAPITAL

The year's transactions, including the issue of bonds referred to above, produced an increase of \$2,126,414 in working capital, which amounted to \$7,244,090 at the year-end.

SIDNEY ROOFING & PAPER COMPANY LIMITED

The operations of this Company and its subsidiaries in 1952, show consolidated net income of \$200,420 after income taxes, as compared to \$235,162 in 1951. Paperboard and paper box sales were down from the previous year, reflecting the experience generally in this industry and prices weakened on these products, particularly paper boxes. However, the demand remained strong for roofing, siding, insulation and other building materials and profits in this division of the business were comparable with 1951. Particularly encouraging is a substantial increase in Prairie building materials business in the first full year of operation of the Lloydminster plant, which came into production late in 1951.

EMPLOYEES

During the year The E. B. Eddy Company employed an average of 2,269 people, apart from wage earners employed in woods operations by ourselves and our logging contractors. In addition to wages and salaries, the Company spent over \$960,000, or \$423 per person, on employee benefits, including contributions to the retirement income plan and group insurance, Christmas bonuses, the cost of vacations and holidays with pay, plant medical centres and recreational activities.

No general increase in wage rates occurred in 1952, but protracted negotiations resulted in our granting, together with the industry, a reduction in working hours of mill employees from forty-eight to forty-four hours per week with the same take-home pay, effective January 4th, 1953. This will impose a considerable extra burden of cost during 1953 which we expect to be partially offset by increased efficiencies resulting from our extensive programme of mill improvements.

EDDY PAPER CO

and its wholly owned subsidiary

SIX - YEAR COMPARISON OF EARNINGS

1952

EARNINGS

Profit before taking into account the items shown below	\$ 3,938,007
Deduct:	
Provision for depreciation and depletion	\$ 1,521,015
Contributions to retirement income plan	397,005
Bond interest	310,690
	\$ 2,228,710
PROFIT BEFORE PROVISION FOR INCOME TAXES	\$ 1,709,297
Provision for income taxes	927,000
NET OPERATING INCOME	\$ 782,297
Deduct: Expenses of Eddy Paper Company Limited (Net)	113
NET INCOME FOR THE YEAR	\$ 782,184

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	\$12,926,196
Current liabilities	5,682,106
WORKING CAPITAL	\$ 7,244,090
Proceeds of bond issue in hands of trustee	234,648
Shares of subsidiary company	2,699,487
Bonds of subsidiary company	321,400
Properties, less reserve for depreciation*	22,805,635
Timber leases and licenses	2,396,002
Other assets	1
	\$35,701,263
Reserve for possible future decline in inventory values	921,000
	\$34,780,263
Deduct: Bonded Debt	8,759,800
NET ASSETS APPLICABLE TO CLASS "A" AND COMMON SHARES OF THE COMPANY	\$26,020,463

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

MPANY LIMITED

THE E. B. EDDY COMPANY

INCOMES & FINANCIAL POSITION

1951	1950	1949	1948	1947
<u>\$ 5,094,975</u>	<u>\$ 3,710,228</u>	<u>\$ 3,240,084</u>	<u>\$ 2,678,460</u>	<u>\$ 2,230,232</u>
\$ 1,238,121 374,473 217,694	\$ 1,035,334 322,045 239,230	\$ 987,729 333,381 251,473	\$ 931,993 290,553 230,057	\$ 891,449 150,000 140,000
<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>
\$ 3,264,687 1,843,000	\$ 2,113,619 858,000	\$ 1,667,501 691,000	\$ 1,225,857 510,000	\$ 1,048,783 473,000
<u>\$ 1,421,687</u> 14,993	<u>\$ 1,255,619</u> 8,289	<u>\$ 976,501</u> 13,553	<u>\$ 715,857</u> 12,447	<u>\$ 575,783</u> 11,026
<u>\$ 1,406,694</u>	<u>\$ 1,247,330</u>	<u>\$ 962,948</u>	<u>\$ 703,410</u>	<u>\$ 564,757</u>

<u>\$12,055,154</u> 6,937,478	<u>\$ 8,691,608</u> 3,194,522	<u>\$ 8,860,583</u> 3,210,856	<u>\$11,342,042</u> 5,004,301	<u>\$ 9,704,921</u> 5,031,904
\$ 5,117,676 2,648,732	\$ 5,497,086 2,328,232	\$ 5,649,727 1,528,232	\$ 6,337,741 —	\$ 4,673,017 —
21,528,426 2,494,560 1	8,374,571 2,673,743 1	8,292,247 2,750,632 67,241	8,657,164 2,811,654 130,572	7,021,270 2,885,867 98,925
<u>\$31,789,395</u> 921,000	<u>\$18,873,633</u> 708,472	<u>\$18,288,079</u> 708,472	<u>\$17,937,131</u> 708,472	<u>\$14,679,079</u> 584,514
\$30,868,395 5,190,430	\$18,165,161 5,767,224	\$17,579,607 6,229,000	\$17,228,659 6,641,000	\$14,094,565 4,000,000
<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

ASSETS

CURRENT ASSETS:

Cash	\$ 328,236	
Accrued bond interest	6,302	
Trade and other accounts receivable (less reserve \$95,971)	2,323,240	
Finished stocks and goods in process at standard cost not in excess of actual cost, and raw materials, supplies and pulpwood at average cost	8,101,774	
Expenditure on logging operations in progress	1,989,485	
Prepaid expenses	177,159	\$12,926,196
INVESTMENT IN A PARTLY OWNED SUBSIDIARY, at cost:		
Sidney Roofing and Paper Company Limited—		
Shares	\$ 2,699,487	
3¾% First Mortgage Sinking Fund Bonds, \$337,000 par value	321,400	3,020,887
FUNDS RETAINED BY TRUSTEE FOR THE BONDHOLDERS FOR CAPITAL EXPENDITURE PURPOSES		234,648
PROPERTIES:		
Land, water power and rights, at cost	\$ 1,471,120	
Buildings, machinery and equipment less reserve for depreciation (Note 1)	21,334,515	22,805,635
TIMBER LEASES AND LICENSES, at book value as reinstated at December 31 1944, plus subsequent acquisitions at cost, less depletion		2,396,002
GOODWILL, TRADEMARKS, ETC.		1

Signed on behalf of the Board:

R. A. ROBERTSON, *Director*

A. WELCH, *Director*

\$41,383,369

AUDITORS

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 for the year ended December 31 1952, and the results of our examination, and the procedures we have required. Our examination included a general review of the accounting principles and practices 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's affairs as at December 31 1952 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

y THE E. B. EDDY COMPANY

H E E T - D E C E M B E R 3 1 1 9 5 2

L I A B I L I T I E S

CURRENT LIABILITIES:

Bank loan	\$ 1,994,000	
Outstanding cheques	801,309	
Accounts payable and accrued liabilities	1,930,060	
Income and other taxes	525,737	
Sinking fund payments due in 1953	431,000	\$ 5,682,106

FIRST MORTGAGE SINKING FUND BONDS OF THE E. B. EDDY COMPANY (NOTE 2)		8,759,800
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RESERVE FOR POSSIBLE FUTURE DECLINE IN INVENTORY VALUES		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 cost 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	4,270,376	26,020,463

\$41,383,369

REPORT

and its wholly owned subsidiary, The E. B. Eddy Company, as at December 31 1952 and for the year ended on that date and have obtained all the information and explanations of procedures and such tests of accounting records and other supporting evidence as we

into 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

shown 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 1952

Operating profit of The E. B. Eddy Company before taking into account the items shown below		\$ 3,938,007
<i>Deduct:</i>		
Bond interest	\$ 310,690	
Contributions to employees' retirement income plan	397,005	
Provision for depletion	134,331	
Provision for depreciation	1,386,684	2,228,710
Provision for taxes on income		\$ 1,709,297 927,000
Net income of The E. B. Eddy Company		\$ 782,297
<i>Deduct:</i> Transfer agents' fees and other expenses of Eddy Paper Company Limited including income taxes of \$2,576		
	\$ 26,084	
Less: Dividends and interest from partly owned subsidiary	25,971	113
Net income for the year		\$ 782,184

RETAINED AND USED IN THE BUSINESS FOR THE YEAR ENDED DECEMBER 31 1952

Balance at beginning of year		\$ 3,927,877
<i>Deduct:</i>		
Bond discount and other expenses arising from issue of Series "C" bonds	\$ 142,287	
Vacation pay applicable to prior years less income taxes thereon	97,398	239,685
		\$ 3,688,192
<i>Add:</i> Net income for the year		782,184
		\$ 4,470,376
<i>Less:</i> Dividends aggregating \$1.00 per share on Class "A" shares		200,000
Balance at end of year		\$ 4,270,376

Note: Directors' fees amounted to \$2,725 and executive salaries and legal fees to \$104,912 for the year.

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	\$38,838,957
<i>Less:</i> Reserve for depreciation based on appraisals plus subsequent provisions	<u>17,504,442</u>
	<u><u>\$21,334,515</u></u>

2. First Mortgage Sinking Fund Bonds of The E. B. Eddy Company, appearing in the accompanying balance sheet in the amount of \$8,759,800 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, excluding \$800,000 Series "C" bonds to be delivered March 15 1953	\$ 4,000,000	\$ 3,000,000	\$ 4,000,000	\$11,000,000
Redeemed or called for redemption	<u>1,039,000</u>	<u>769,500</u>	<u>—</u>	<u>1,808,500</u>
Bonds outstanding	<u>\$ 2,961,000</u>	<u>\$ 2,230,500</u>	<u>\$ 4,000,000</u>	<u>\$ 9,191,500</u>
<i>Less:</i>				
Funds in hands of Trustee for bondholders	\$ 700	\$ —	\$ —	\$ 700
Sinking fund provision included with current liabilities	<u>178,000</u>	<u>133,000</u>	<u>120,000</u>	<u>431,000</u>
	<u>\$ 178,700</u>	<u>\$ 133,000</u>	<u>\$ 120,000</u>	<u>\$ 431,700</u>
	<u><u>\$ 2,782,300</u></u>	<u><u>\$ 2,097,500</u></u>	<u><u>\$ 3,880,000</u></u>	<u><u>\$ 8,759,800</u></u>

Bonds outstanding in the amount of \$9,191,500 have been issued under a trust deed authorizing a total outstanding of \$10,000,000.

EDDY PAPER COMPANY LIMITED

DIRECTORS H. J. COON
J. A. CRAIG
C. L. GUNDY
W. S. KIDD
H. W. LOFFT
R. A. ROBERTSON
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*
E. L. Milks, *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

Paper is such an everyday ingredient of our modern civilization that we are inclined to take it for granted. And yet it serves each of us, in our home, business, and industry, in many vital and indispensable ways. Some of the many uses of paper are indicated in this brief summary of the diversified paper products of The E. B. Eddy Company.

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 colours.

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—Hand-Dee and Onliwon.

GROCERY BAGS

For grocers, druggists and confectioners.

INDUSTRIAL PRODUCTS

Toilet Tissues—Onliwon and Roll tissue
Towels—Onliwon, Eureka and Apex
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.
In Western Canada Tees & Persse Ltd. act as sales representatives.
Export sales throughout the world are made through agents and brokers.*

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