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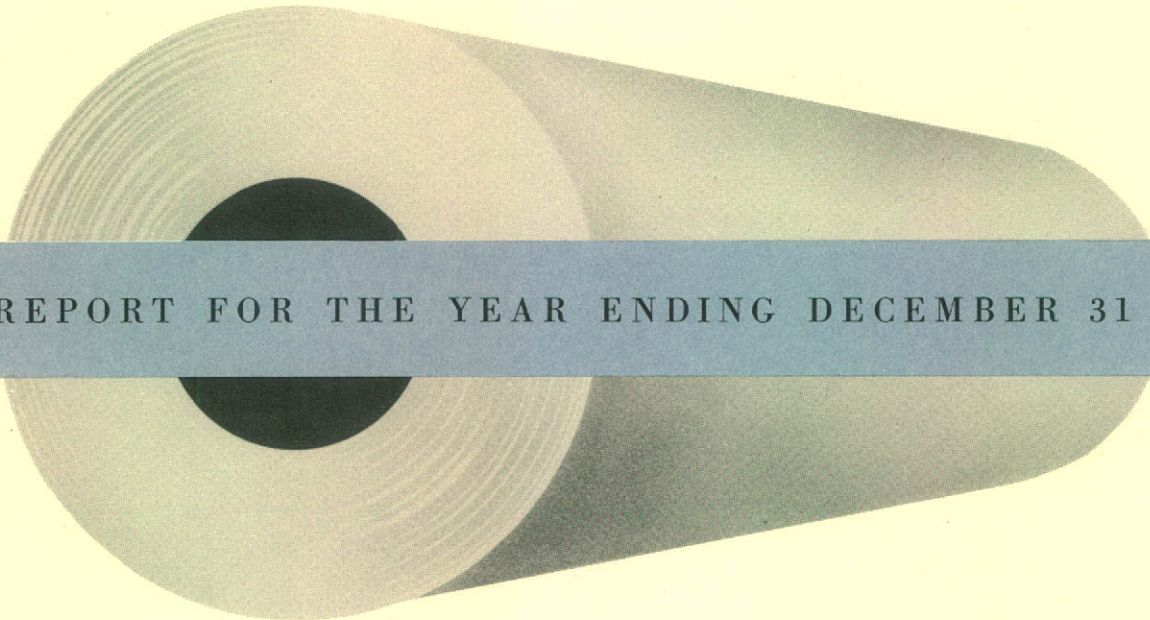
A N N U A L R E P O R T

EDDY PAPER COMPANY LIMITED

and its wholly owned subsidiary

THE E. B. EDDY COMPANY

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ANNUAL REPORT FOR THE YEAR ENDING DECEMBER 31 1949

EDDY PAPER COMPANY LIMITED

and its wholly owned subsidiary

THE E. B. EDDY COMPANY

DIRECTORS H. J. COON
G. GORDON GALE
C. L. GUNDY
W. S. KIDD
H. W. LOFFT
R. A. ROBERTSON
W. GARFIELD WESTON

OFFICERS *Chairman of Board:* W. GARFIELD WESTON
Vice-Chairman of Board: G. GORDON GALE
President: W. S. KIDD
Vice-President: JOHN F. TAYLOR
General Manager: A. WELCH
Secretary and Treasurer: R. F. CALDWELL
Assistant Secretary: E. L. MILKS

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.*

Herewith is the Consolidated Balance Sheet of your Company and its wholly owned subsidiary, The E. B. Eddy Company, as at December 31, 1949, and the Consolidated Statement of Profit and Loss and Earned Surplus for the year 1949, together with the Auditors' Report to the Shareholders.

The net profit for the year was \$962,948 compared with \$703,410 in 1948. After payment of \$200,000 in regular quarterly dividends on the Class "A" Shares, \$762,948 was added to Earned Surplus in 1949.

During the year, The E. B. Eddy Company provided \$926,707 for depreciation and \$61,022 for depletion, a total of \$987,729. In comparison, an amount of \$931,993 was provided for these two items in 1948.

Inventories and expenditures on logging operations for the current woodlands year were reduced by \$2,578,849 at the end of 1949 as compared with the end of 1948.

Through the operation of the sinking fund, Series "A" and Series "B" First Mortgage Bonds of The E. B. Eddy Company amounting to \$335,500, were redeemed and cancelled during the year, thereby reducing the balance outstanding at the year end to \$6,664,500. Provision for the sinking fund payment of \$417,304, resulting from the year's business, which will be due in June next, has been made in the Company's accounts. In addition, the Sinking Fund has purchased bonds of the par value of \$17,500, which are pending delivery, and has cash on hand of \$696. These amounts, together with the payment of \$417,304, make up the total of \$435,500 shown in the Balance Sheet.

Sales of all grades of paper in the year 1949 were 125,964 tons compared with 127,864 tons in 1948, a reduction of 1,900 tons. Export sales of specialty papers and paperboard were 3,532 tons less than the previous year. Domestic sales of paperboard were down 3,210 tons due to the discontinuance of uneconomic production late in 1948. Domestic sales of specialty papers and consumer products were increased by 1,659 tons, and newsprint by 3,183 tons.

PRESIDENT'S REPORT

to the Shareholders of

Eddy Paper Company Limited

PRESIDENT'S REPORT (CONTINUED)

To make necessary replacements of capital assets and to improve the economy and efficiency of operations, an amount of \$546,204 was spent during the year. Because sustained demand on productive capacity made it inadvisable to take machines out of operation for improvements, it is estimated that \$534,000 will be required to complete Capital Jobs which were in progress at the end of 1949. Additional capital expenditures, amounting to over \$500,000 are planned for 1950.

Total provision by The E. B. Eddy Company for the Retirement Income Plan for its employees was \$333,381, of which \$150,000 was for past service.

With a view to broadening its field of operations and adding to the diversity of its products, The E. B. Eddy Company during the year acquired a majority of the outstanding Class "B" (voting) shares of Sidney Roofing & Paper Company Limited. The mills of this Company, located at Victoria, B.C., manufacture a complete line of roofing materials and paperboard, and National Paper Box Limited, a subsidiary in Vancouver, B.C., is the largest folding and set-up box manufacturing plant in Western Canada.

Although practically all our products are in good supply, the demand continues to require capacity production. Sales to sterling areas, which now represent a very small part of total sales, are expected to decline still further during the year, but it is anticipated that this loss will be made up in other markets.

The Board of Directors acknowledge with gratitude and appreciation the able, conscientious and loyal performance of all members of the organization during the year.

Submitted on behalf of the Board.

A handwritten signature in blue ink, appearing to read "W. S. Kidd". The signature is written in a cursive, flowing style.

PRESIDENT

EACH DOLLAR OF SALES INCOME = 100 Cents

WE SPENT

For:

MATERIALS 40 Cents
(A large portion for Pulpwood, made up principally of wages to bush workers)

FUEL AND POWER 7 "

TRANSPORTATION 5 "

DEPRECIATION 5 "
(allowance for wear and tear of Buildings and Machinery)

BOND AND BANK INTEREST 2 "

SUNDRY EXPENSES 1 "

60 Cents

REMAINDER 40 Cents

deduct: Dominion, Provincial, Municipal and School Taxes 7 "

BALANCE AVAILABLE FOR EMPLOYEES AND SHAREHOLDERS 33 Cents

HOW THIS 33 CENTS WAS DISTRIBUTED

WE PAID

To Employees for **WAGES** 25 Cents

For Employees **WELFARE PLANS** 3 "

28 Cents

To **2,640 SHAREHOLDERS** who own, on the average, 76 Class A Shares each 1 Cent*

29 Cents

used to purchase **new equipment** and **replacements** and for **major repairs**; also for **working funds** for day to day requirements and for **expansion of the business** 4 "

33 Cents

HOW OUR
income
WAS SPENT IN
1949

*Represents less than 2% interest on the total Capital Invested in the Company.

*financial
position*
AT THE YEAR END

WORKING FUNDS (our day-to-day assets)

Cash		\$ 127,435
Owed to us by	customers, employees, and others	\$ 1,834,485
Inventories	raw materials, pulpwood, supplies, goods in process of manufacture and products ready for sale	6,724,129
Expenses paid in advance	which will be charged to sub- sequent Operating costs	225,218
		<u>\$ 8,911,267</u>

AGAINST THESE WORKING FUNDS WE OWED (day-to-day debts)

To the bank:		\$ 1,160,920
To suppliers:	for raw materials, pulpwood, sup- plies, equipment and services	1,124,959
To Governments:	for income, municipal, school and business taxes	507,673
For Sinking Fund	Payments to be made within six months on account of long term loans to enable us to purchase timber limits, land, equipment and buildings	417,304
		<u>\$ 3,210,856</u>

OUR DAY-TO-DAY ASSETS LESS OUR DAY-TO-DAY DEBTS

Assets	\$ 8,911,267
Debts	<u>3,210,856</u>

OUR NET WORKING FUNDS ARE THEREFORE \$ 5,700,411

OTHER TOOLS

WITH WHICH OUR OPERATIONS ARE CARRIED ON

Timber limits, water power development, land, build- ings and machinery	after deducting depletion of timber limits and wear and tear on build- ings and machinery	\$11,042,879
Mortgages and Investments		1,544,789
		<u>\$12,587,668</u>

NET WORKING FUNDS PLUS OTHER TOOLS TOTALLED *\$18,288,079

From this total we deduct

Long term loans represented by outstanding Bonds issued
by us \$6,229,000

Provision for decline in value of inventories 708,472

6,937,472

LEAVING THE NET VALUE OF ALL OUR ASSETS
(capital invested)

\$11,350,607

The Net Value of All our Assets (Capital Invested) is the investment of 2,640 shareholders whose confidence in the Company makes this business possible.

* This is equivalent to an investment of \$8,800 to provide each regularly employed member of the Company with the tools by which, combined with his own skill, he is enabled to earn his living.

We have examined the consolidated balance sheet of Eddy Paper Company Limited and its wholly owned subsidiary, The E. B. Eddy Company, as at December 31 1949 and the consolidated statement of profit and loss and earned surplus for the year ending on that date and have obtained all the information and explanations which we required. Our examination included such tests of the accounting records and other supporting evidence and such other auditing procedures as we considered necessary in the circumstances.

We report that, in our opinion, the attached consolidated balance sheet and the related consolidated statement of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of Eddy Paper Company Limited and its wholly owned subsidiary as at December 31 1949 and the results of operations for the year ending 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.

In accordance with the provisions of Section 114 of The Companies Act 1934, we also report that The E. B. Eddy Company's proportion of the profits of its partly owned subsidiary, acquired during the year, has not been taken up in the attached accounts.

GEO. A. WELCH & COMPANY

PRICE, WATERHOUSE & CO.

OTTAWA, February 14 1950.

Auditors

AUDITORS' REPORT

to the Shareholders of

Eddy Paper Company Limited

EDDY PAPER COMPANY LIMITED AND ITS WHOLLY OWNED SUBSIDIARIES

C O N S O L I D A T E D

DECEMBER 31, 1950

ASSETS

Current and Working Assets:

Cash on hand and with bankers	\$ 127,435	
Trade and other accounts receivable (less reserve \$95,971)		1,834,485
Inventories, as determined and certified by the management:		
Raw materials and supplies at average cost	\$ 1,321,932	
Finished stocks and goods in process at standard cost not in excess of actual cost		1,028,881
Logs in rivers, etc., and pulpwood in blockpiles at average cost		3,216,708
Expenditure on logging operations, season 1949-1950, including log- ging facilities less amounts written off	1,156,608	6,724,129
Prepaid expenses		<u>174,534</u> \$ 8,860,583

Mortgages Receivable 16,557

Investment in Partly Owned Subsidiary Company, at Cost 1,528,232

Properties, at Cost:

Water power and rights	\$ 895,691	
Land		574,429
Buildings, machinery and equipment (including those on lands not owned in fee simple)	\$18,085,710	
<i>Less:</i> Reserve for depreciation	<u>11,555,187</u>	6,530,523
Additions and improvements in progress		<u>291,604</u> 8,292,247

*Timber Leases and Licenses, at book value as reinstated
at December 31, 1944 plus acquisitions at cost, less depletion* 2,750,632

Deferred Charges 50,683

Goodwill, Trademarks, etc. 1

\$21,498,935

Approved on behalf of the Board:

G. GORDON GALE, Director

W. S. KIDD, Director

Y OWNED SUBSIDIARY THE E. B. EDDY COMPANY

B A L A N C E S H E E T

ER 31 1949

Current Liabilities:

LIABILITIES

Bank loan and overdraft—secured.....	\$1,160,920		
Accounts payable and accrued liabilities.....	1,124,959		
Dominion, Provincial and Municipal taxes.....	507,673		
Sinking fund payable.....	\$ 435,500		
<i>Less:</i> Held by trustee.....	18,196	417,304	\$ 3,210,856

**First Mortgage Sinking Fund Bonds of
The E. B. Eddy Company due June 15 1966:**

Issued—			
3½% Series "A".....	\$4,000,000		
<i>Less:</i> Redeemed.....	204,000	\$3,796,000	
4% Series "B".....	\$3,000,000		
<i>Less:</i> Redeemed.....	131,500	2,868,500	
		\$6,664,500	
<i>Deduct:</i> Sinking fund payable (see current liabilities).....		435,500	6,229,000

Inventory Reserves..... 708,472

Capital Stock:

Cumulative Convertible Non-Callable

Class "A" shares—

 Authorized—400,000 shares at \$20.00 per share

 Issued —200,000 shares at \$20.00 per share \$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 8,000,000

Surplus Accounts:

Capital Surplus—

 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.....

\$1,676,754

 Earned Surplus, per statement attached.....

1,673,853

3,350,607

\$21,498,935

Submitted with our Report to the Shareholders dated February 14 1950

GEO. A. WELCH & COMPANY

PRICE, WATERHOUSE & CO.

Auditors

EDDY PAPER COMPANY LIMITED AND ITS WHOLLY OWNED SUBSIDIARY THE E. B. EDDY COMPANY

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

FOR THE YEAR ENDING DECEMBER 31 1949

Operating profit of The E. B. Eddy Company before taking into account the items shown below	\$3,341,834	
Income from investments	990	\$3,342,824
Deduct:		
Executive salaries and legal fees	\$ 99,640	
Directors' fees	3,100	
Bond interest	251,473	
Contributions to employees' retirement income plan	333,381	
Provision for depletion	61,022	
Provision for depreciation	926,707	1,675,323
		<u>\$1,667,501</u>
Provision for taxes on income		691,000
Net profit of The E. B. Eddy Company for the year		<u>\$ 976,501</u>
Deduct: Transfer agents' fees and other expenses of Eddy Paper Company Limited including legal fees of \$295 and Province of Quebec profits taxes of \$315		13,553
NET PROFIT FOR THE YEAR		<u>\$ 962,948</u>
Earned surplus at December 31 1948	\$ 910,905	
Add: Net profit for the year	962,948	
		<u>\$1,873,853</u>
Deduct: Dividends of \$1.00 per share on Class "A" shares	200,000	
Earned surplus at December 31 1949		<u>\$1,673,853</u>

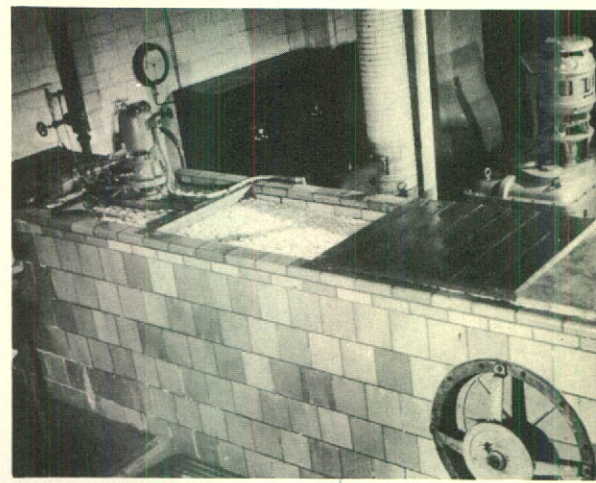
Drive to Quality



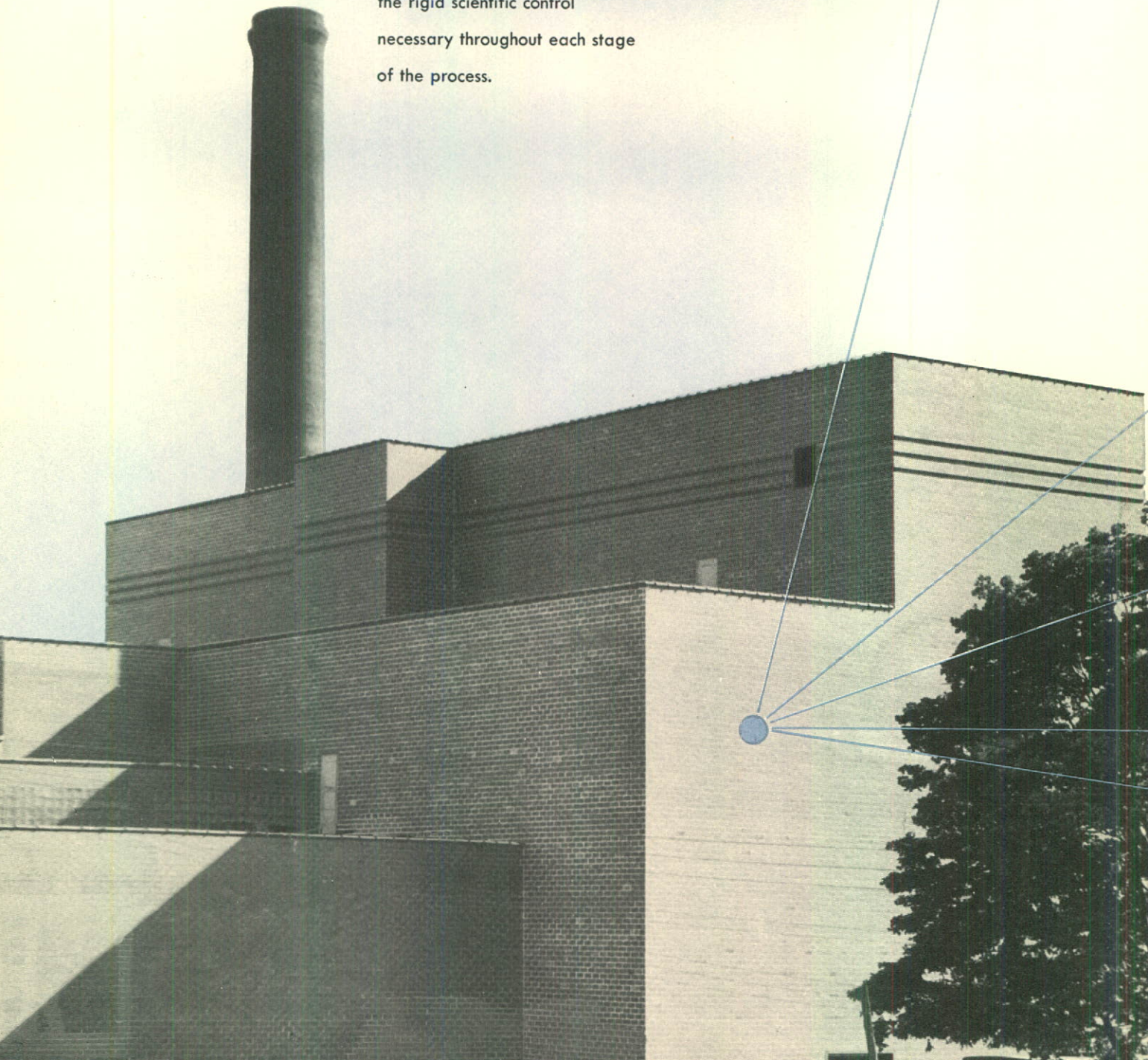
Paper begins with the ring of the woodsman's axe
in the forests of Northern Quebec. In the spring
tough river drivers herd the logs down
the long journey to the mills.

**THE
BLEACHED
SULPHITE
PLANT**

This vast new plant, completed in 1949, was specially designed to produce daily 200 tons of the highest quality bleached sulphite pulp. High quality pulp is the prime requirement of good paper, and the ultra modern equipment in this plant maintains the rigid scientific control necessary throughout each stage of the process.

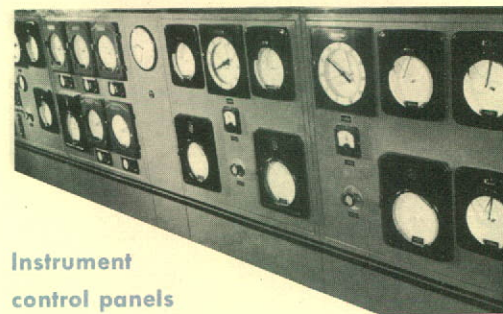


Incoming pulp is automatically diluted to proper consistency.

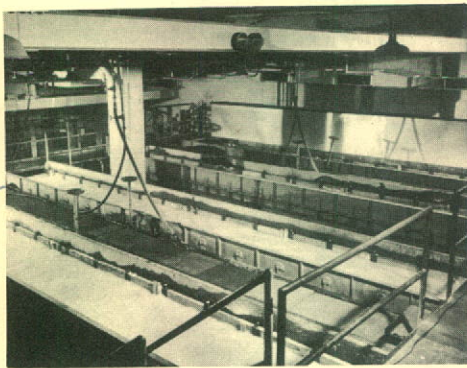




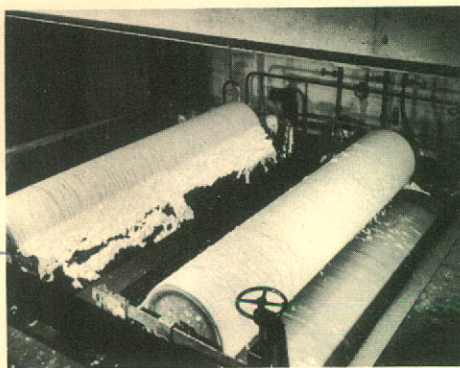
This battery of five machines thoroughly washes the pulp after each chemical operation, under conditions of strictest control.



Instrument control panels



Screening out impurities

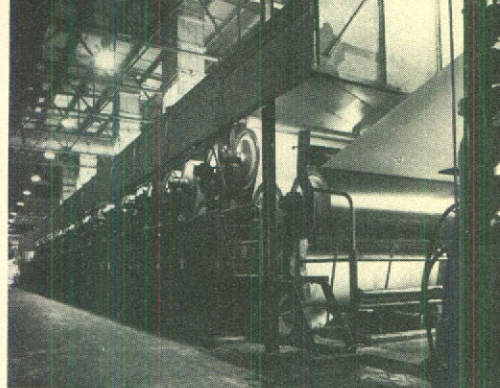
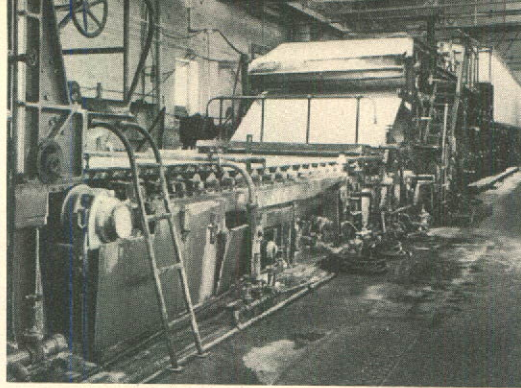
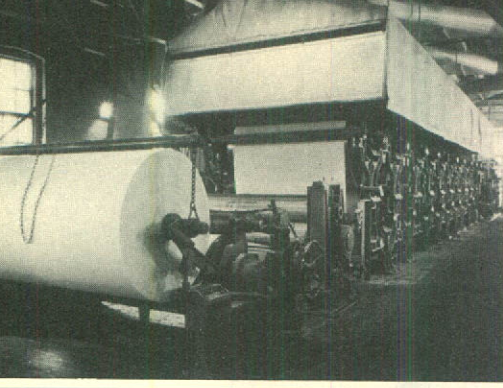


Thickening the pulp



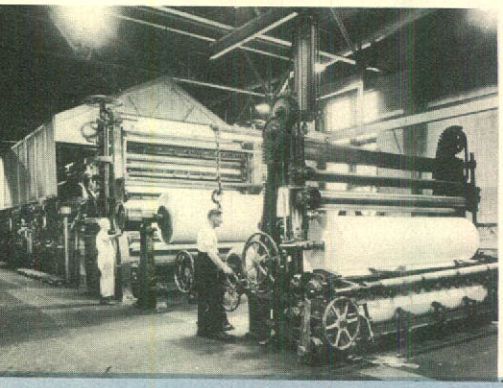
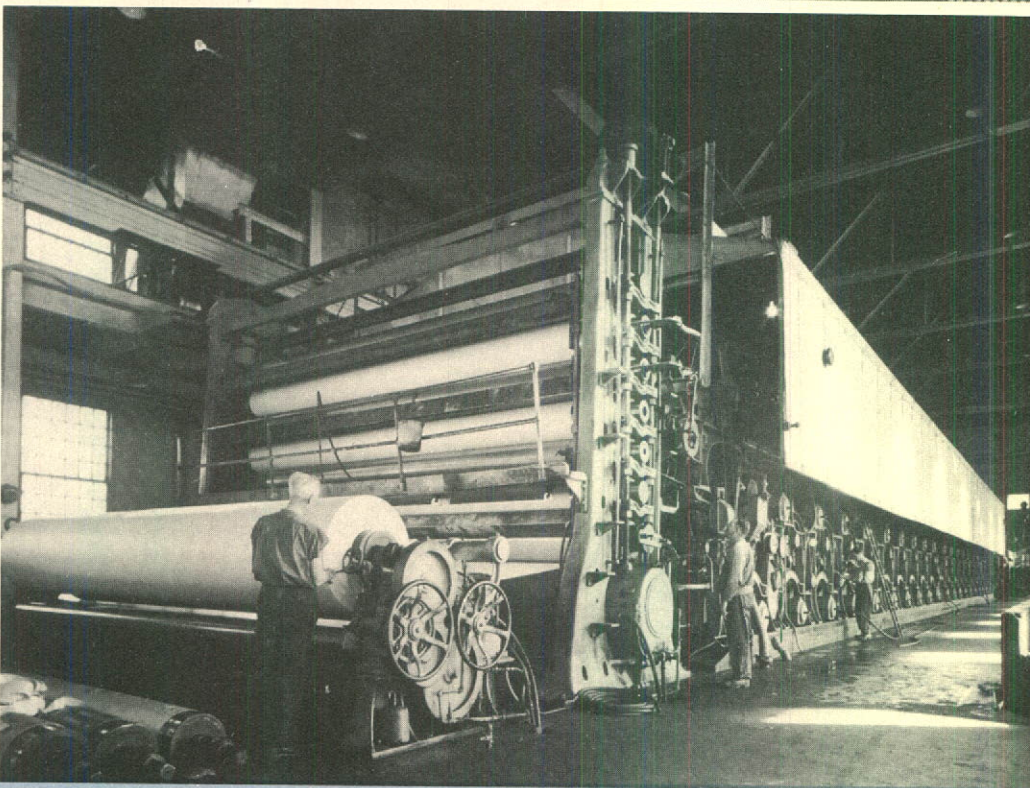
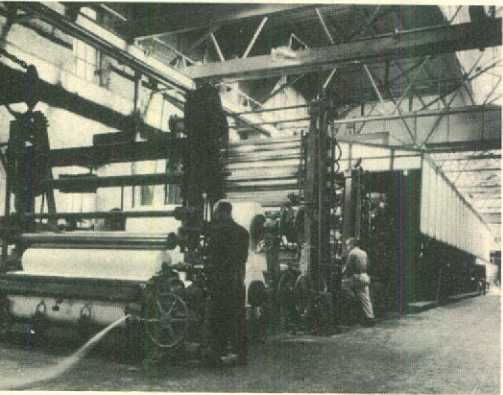
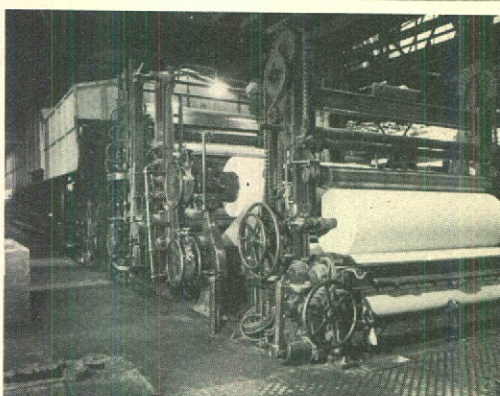
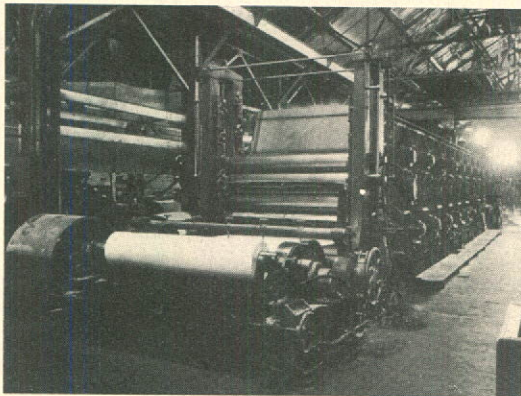
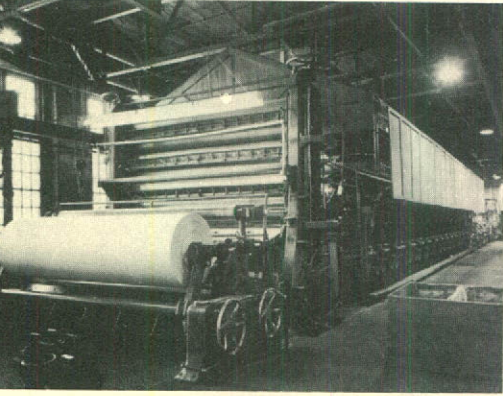
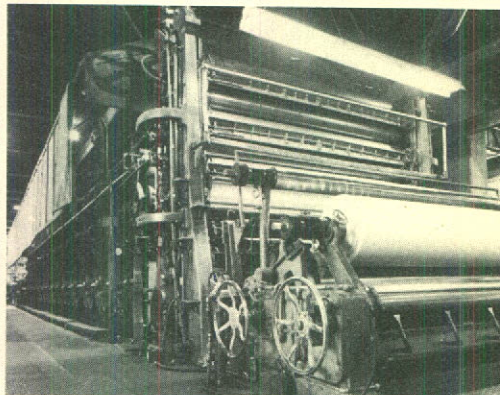
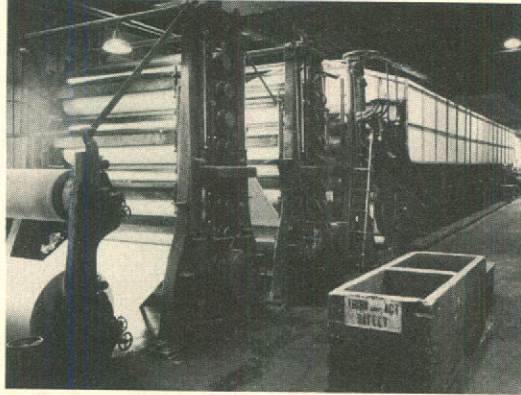
The final product—pure bleached pulp for the papermaking process

← Seven huge bleaching towers occupy three floors of the building.



THE PAPER MACHINES

In 1949, these giant paper machines
— 11 of them — made 130,500 tons
of paper, including newsprint
and paperboard.



**FINE PAPER
INSPECTION**

Efficient, keen-eyed girls sorting
fine paper maintain Eddy's
traditional standard of excellence.



**WRAPPING
CHENEAX BOND**

Expert packagers prepare the
company's many and diverse
products for shipment, ensuring
their delivery in perfect condition.



**WHITE SWAN
TISSUE
WRAPPING**

Manual handling of this sanitary
product is avoided by the use
of automatic wrapping machines.



From selected logs to fine papers

*Spruce and balsam logs finally emerge in over
200 grades of paper each designed to serve a particular
need in industry, business and in the home.*

SPECIALTY PAPERS FOR PRINTERS

Cheneaux Bond

A watermarked utility bond which has become a standard in industry for letterheads and business forms; made in white and six distinctive colours and all popular weights.

Ancaster Book

A quality paper in high favour for catalogues, folders, calendars, broadsides, books and general printing.

Wellington Offset

A favorite with printers because of its versatility, this paper can be used for offset lithography or letterpress printing; available in four weights and three sizes, in an improved bright white.

Tecumseh Bristol

A strong sulphite bristol with a smooth printing surface, available in white and seven popular colours, its uses extend from display cards to tickets for all purposes.

Post Card Bristol

Made especially for postal cards in a colour and writing surface approved by postal authorities.

Guardian Index Bristol

Designed for file and index cards, this bristol is adaptable to many uses where a smooth finished bristol is required; white and six attractive colours.

Mohawk Bristol

The economical bristol that ranges in use from tickets and tags to booklet covers and display work, its versatility augmented by its ten brilliant colours, in addition to white.

Multiscrip Duplicating

Designed to meet the needs of office duplicating machines employing stencils, its surface is receptive to pen and ink and to printing ink; white and four useful colours.

Multicopy Wove Duplicating

A smooth finished paper which is designed to take spirit process and gelatine process duplicating and is also satisfactory for offset and letterpress printing; white and four colours.

PAPERS FOR CONVERTING INTO

Boxes—for food packaging and other uses

Cable and ticker tape

Cash register and accounting machine rolls

Christmas seals

Cigarette tubes

Counter check books

Display signs

Drinking and cake cups

Envelopes

File folders

Grocery Bags

Gift wrappings

Gummed tape

Paper cores, tubes, and lamp bulb wrappers

Paper doilies and place mats

Plastic and clay coated papers

Postage and revenue stamps

Soda straws

Tickets for milk, bread, theatres, etc.

Tobacco wrappers

Wallpaper

Waxed paper

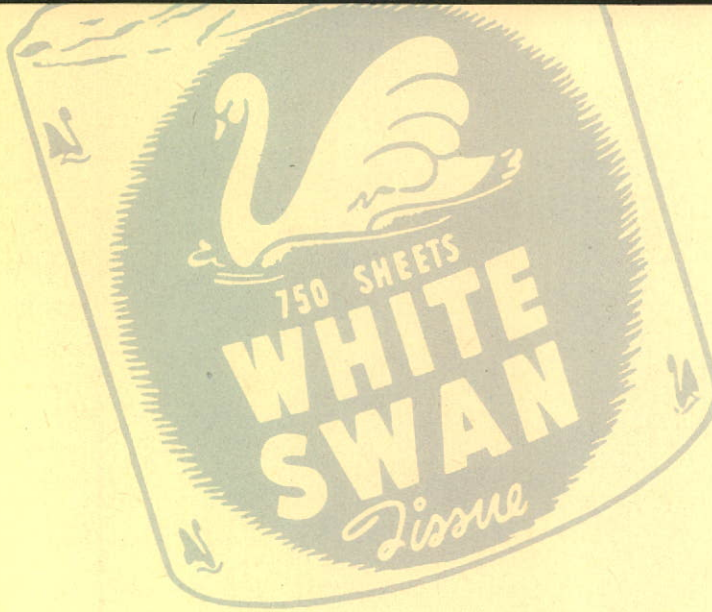
Wrapping for explosives

Writing pads

TOILET TISSUES

White Swan
Vanity
Dreadnought
Navy
Universal
Hotel and Industrial
Onliwon Interfolded

CONSUMER PRODUCTS MANUFACTURED BY THE E. B. EDDY COMPANY



PAPER TOWELS

Han-Dee
Onliwon
Eureka
Apex Industrial Rolls

SERVIETTES

Silver Swan
Brocade
Linen Finish
Banquet
Onliwon Dispenser
Tray Cloths

GROCERY BAGS

Balmoral
Bedford
Buckingham
Whitehall



HEAD OFFICE: HULL, P.Q.

SALES OFFICES:

HALIFAX, N.S.

SAINT JOHN, N.B.

QUEBEC, P.Q.

MONTREAL, P.Q.

TORONTO, ONT.

HAMILTON, ONT.

LONDON, ONT.

OTTAWA, ONT.

AGENCIES:

FORT WILLIAM, ONT.

WINNIPEG, MAN.

REGINA, SASK.

SASKATOON, SASK.

CALGARY, ALTA.

EDMONTON, ALTA.

VANCOUVER, B.C.

In eastern Canada The E. B. Eddy
Company maintain sales offices.
In western Canada
Tees & Persse Ltd. act as
sales representatives. Export sales
throughout the world are made
through agents and brokers.