

**ANNUAL REPORT 1948**

**EDDY PAPER COMPANY LIMITED**

and its wholly owned subsidiary

**THE E. B. EDDY COMPANY**



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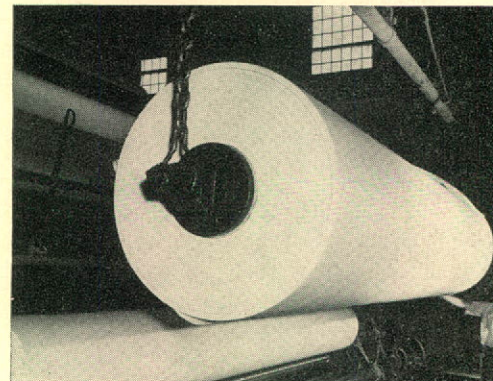
**ANNUAL REPORT**

for the year ended December 31, **1948**

**EDDY PAPER COMPANY LIMITED**

and its wholly owned subsidiary

**THE E. B. EDDY COMPANY**



# EDDY PAPER COMPANY LIMITED

## 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 and ~~Managing Director~~.....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.*

## GENERAL ADMINISTRATIVE OFFICES

HULL, QUEBEC.

**THE PRESIDENT'S  
REPORT TO  
THE SHAREHOLDERS  
OF EDDY PAPER  
COMPANY LIMITED**

Submitted herewith is the Consolidated Balance Sheet of your Company and its wholly owned subsidiary, The E. B. Eddy Company, as at December 31, 1948, and the Consolidated Statement of Profit and Loss and Earned Surplus for the year 1948, together with the Auditors' Report to the Shareholders.

This Annual Report reflects the results shown by The E. B. Eddy Company in the sixty-second year after its incorporation and the ninety-seventh year after the business was founded.

**EARNINGS**

The net profit for the year was \$703,410. After payment of the regular quarterly dividends on the Class A Shares, amounting to \$200,000 in the year, and after providing \$110,000 for bond discount and other expenses arising from the issue of Series "B" Bonds by The E. B. Eddy Company, \$393,410 from the operations for 1948 was added to Earned Surplus and your equity was increased accordingly.

Depreciation provided by The E. B. Eddy Company during the year was \$857,780 and depletion was \$74,213, a total of \$931,993, advantage being taken of the maximum amounts permitted under present income tax regulations.

**PRODUCTION**

During the first eight months of the year all production units operated at capacity but in the last four months demand for some of our products eased and production was reduced accordingly. Total production was more than 135,000 tons of paper and paperboard, or about the same as in 1947. These two years are record years in the history of the Company.

**SALES**

The easing in demand for some of our products, previously mentioned, was confined to certain grades of specialty papers in the domestic market and to a decline in exports. Converted products, paperboard and newsprint continue at a high level of demand, requiring capacity operations in these divisions. The decline in the domestic market for specialty papers is due, largely, to supply overtaking demand. The reduction in export sales is due, almost entirely, to dollar shortages in importing countries. The effect of this is not confined to your Company or to the Pulp and Paper Industry, but is widespread, and the need for a solution to the problem of inadequate international exchange has never been more apparent. While sales to overseas markets represent a small percentage of our total sales, they have made an important contribution to earnings.

**EXECUTIVES**

The resignation of Mr. George C. Winlow, as a Director of your Company and as Sales Director of The E. B. Eddy Company, due to ill health, is noted with regret. Mr. Winlow is widely and favourably known in the paper trade and he will be greatly missed in our organization. It is our hope that with freedom from responsibilities and with rest his health will be fully restored. Mr. N. B. A. Fair, as General Sales Manager, will head the Sales Department.

**CAPITAL EXPENDITURES**

The E. B. Eddy Company expended \$2,445,461 on capital account during the year. The main project was the completion of the expansion of the Sulphite Mill in Hull, Quebec, the immediate major benefit being the elimination of dependence on outside sources for the supply of bleached sulphite pulp with an improvement in the quality of this product and a reduction in its cost. Other expenditures were made to improve quality and reduce costs, and for necessary replacements.

It is estimated that it will cost about \$300,000 to complete the capital jobs which were in progress at December 31, 1948. Further capital expenditures will be required in 1949 but they will be substantially reduced from the expenditures in either 1948 or 1947.

As referred to in the President's Report for 1947, First Mortgage Sinking Fund 4% Bonds, Series "B" of The E. B. Eddy Company, due June 15, 1966, to an amount of \$3,000,000 were sold to reimburse the Company for capital expenditures made and to provide funds for the continuation of the construction programme. \$359,000 is shown on the Balance Sheet as a current liability representing the sinking fund payments to be made on June 15, 1949, to retire Series "A" and "B" Bonds in accordance with the Trust Deeds.

**RETIREMENT INCOME PLAN**

Under the Retirement Income Plan of The E. B. Eddy Company a total of 1,149 employees have enrolled, leaving only nine eligible employees outside the Plan. During the year eighty-nine retired employees were extended the benefits provided under the Plan.

**THE FUTURE**

Production levels and sales are high but the gap between supply and demand, in quite a number of our products, has narrowed greatly or has disappeared. By the very nature of the conditions of doing business during the past ten years, break-even points have risen and profits are affected by any reduction in volume.

These changing market conditions have been expected and prepared for by your subsidiary Company. We are confident that we will meet the intensified competition of the period ahead by constantly improving the quality of our products and by more efficient operations.

**ACKNOWLEDGMENT  
TO EMPLOYEES**

The Directors take this opportunity of expressing their thanks to all officials and employees of the Company for their efficient and faithful service throughout the year.

For the Board of Directors,



February 3, 1949

PRESIDENT

# AUDITORS' REPORT

## TO THE SHAREHOLDERS OF EDDY PAPER COMPANY LIMITED:

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 1948 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 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 1948 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.

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

Ottawa, January 21 1949

Auditors

# EDDY PAPER COMPANY LIMITED

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

## CONSOLIDATED BALANCE SHEET

DECEMBER 31 1948

### ASSETS

#### CURRENT AND WORKING ASSETS:

Cash on hand and with bankers.....	\$	38,837	
Trade and other accounts receivable (less reserve for bad debts of \$95,971).....			1,670,998
Cash in hands of Trustee for Bondholders, available in respect of amounts payable for property additions and improvements.....			183,742
Inventories, as determined and certified by the management—			
Raw materials and supplies at average cost.....	\$	2,141,195	
Finished stocks and goods in process at standard cost not in excess of actual cost.....			1,072,890
Logs in rivers, etc., and pulpwood in blockpiles, at average cost....			4,656,055
Expenditure on logging operations, season 1948-1949, including logging facilities less amounts written off.....		1,432,838	9,302,978
Prepaid expenses.....			145,487
			\$11,342,042
MORTGAGE RECEIVABLE.....			25,000
PROPERTIES, AT COST:			
Water power and rights.....	\$	895,691	
Land.....			577,078
Buildings, machinery and equipment (including those on lands not owned in fee simple).....	\$	17,694,119	
Less: Reserve for depreciation.....		10,647,143	7,046,976
Additions and improvements in progress.....			137,419
			8,657,164
TIMBER LEASES AND LICENSES, at book value as reinstated at December 31 1944 plus acquisitions at cost, less depletion.....			2,811,654
DEFERRED CHARGES.....			105,571
GOODWILL, TRADEMARKS, ETC.....			1
			\$22,941,432

Approved on behalf of the Board: G. GORDON GALE, Director

W. S. KIDD, Director



## LIABILITIES

### CURRENT LIABILITIES:

Bank loan and overdraft.....	\$3,127,365	
Accounts payable and accrued liabilities.....	1,087,030	
Dominion, Provincial and Municipal taxes.....	430,906	
Sinking fund payments due June 15 1949.....	<u>359,000</u>	\$ 5,004,301

### FIRST MORTGAGE SINKING FUND BONDS OF THE E. B. EDDY COMPANY due June 15 1966:

3½% Bonds Series "A" (less sinking fund payment of \$205,000 included with current liabilities).....	\$3,795,000	
4% Bonds Series "B" (less sinking fund payment of \$154,000 included with current liabilities).....	<u>2,846,000</u>	6,641,000

INVENTORY RESERVES.....		708,472
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### 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	<u>4,000,000</u>	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 (including \$99,684 in 1948).....	\$1,676,754	
Earned surplus, per statement attached.....	<u>910,905</u>	<u>2,587,659</u>
		<u>\$22,941,432</u>

Submitted with our Report to the Shareholders dated January 21 1949

PRICE, WATERHOUSE & CO.  
GEO. A. WELCH & COMPANY  
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 1948

Operating profit of The E. B. Eddy Company (after deducting \$123,958 added to inventory reserves) before taking into account the items shown below ..... \$2,782,431

*Deduct:*

Executive salaries and legal fees.....	\$ 100,696	
Directors' fees.....	3,275	
Bond interest.....	230,057	
Contributions to employees' retirement income plan.....	290,553	
Provision for depletion.....	74,213	
Provision for depreciation.....	857,780	1,556,574
		<hr/>
		\$1,225,857

Provision for taxes on income..... 510,000

Net profit of The E. B. Eddy Company for the year..... \$ 715,857

*Deduct:* Transfer agents' fees and other expenses of Eddy Paper Company Limited..... 12,447

Net Profit for the year..... \$ 703,410

Earned surplus at December 31 1947..... 517,495

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\$1,220,905

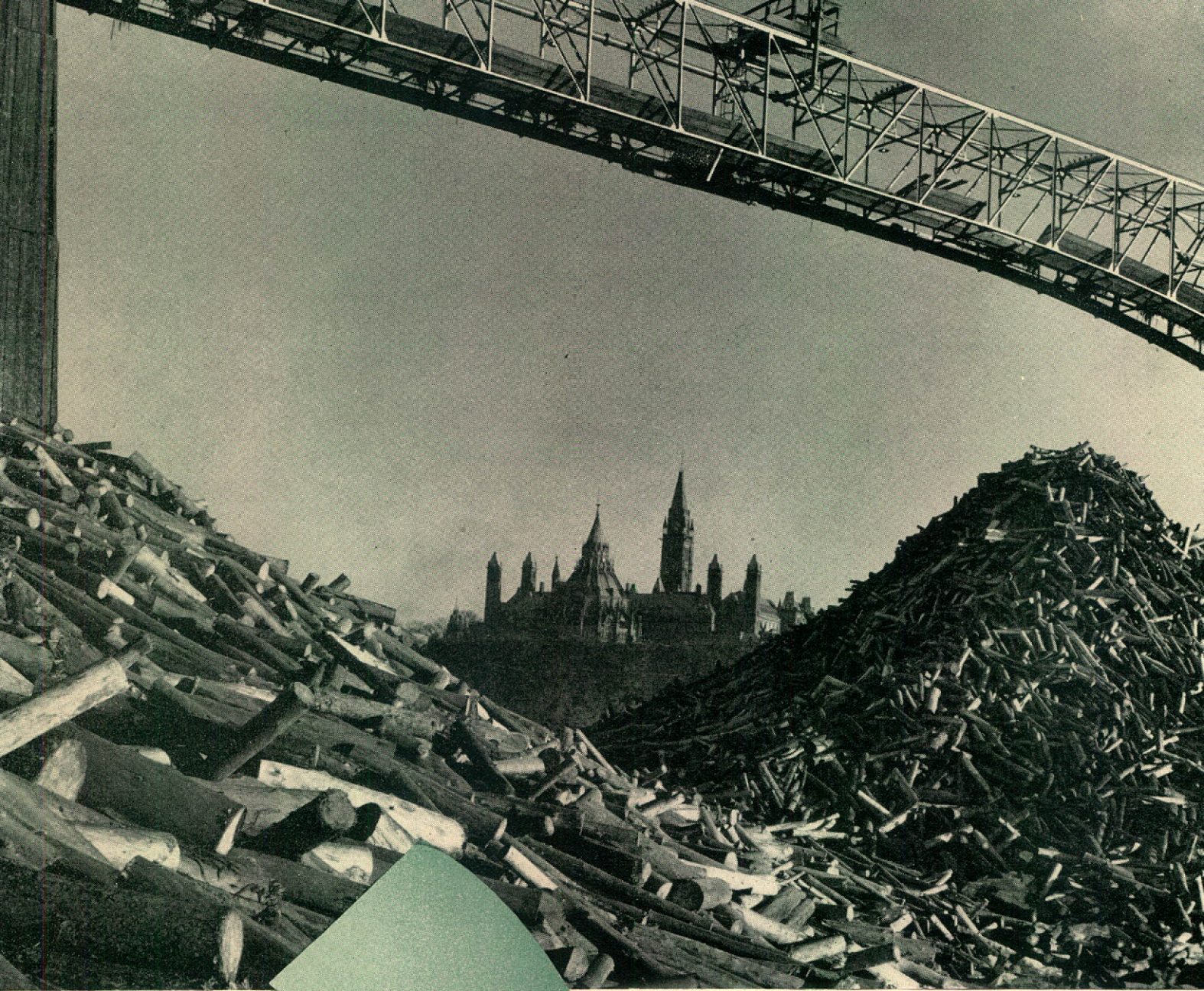
*Deduct:* Bond discount and other expenses arising from issue of Series "B" Bonds of The E. B. Eddy Company..... \$ 110,000

Dividends of \$1.00 per share on Class "A" shares.....	200,000	310,000
	<hr/>	<hr/>

Earned Surplus at December 31 1948 ..... \$ 910,905

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Just across the Ottawa river from Canada's Parliament buildings, these huge piles of pulpwood logs stand as a reminder of the important role played by the paper industry in Canada's economy.

At right, the logs are in the first stage of being broken down into their essential fibres from which the end product, paper, is made.





The vibrant hum of the great paper-making machines dominates the Eddy mills. Twelve machines can produce each day 500 tons of many kinds of paper for many uses.

At right is shown one of the many machines installed to increase the speed of wrapping and packaging one of our products preparatory to shipment across Canada. This machine is cutting apart multiple-wrapped packages of Onliwon paper towels.

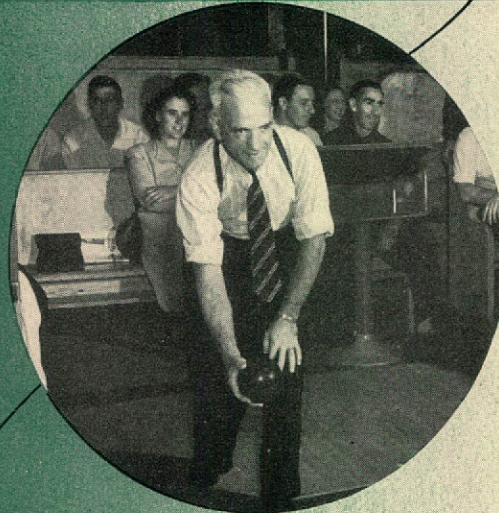
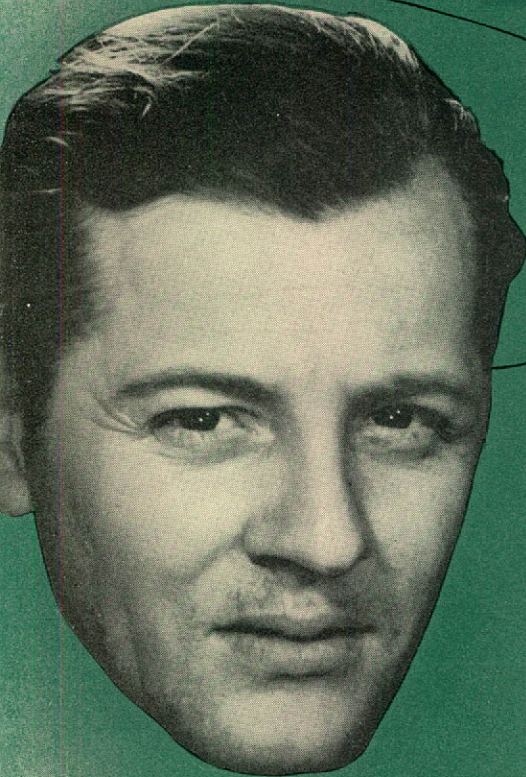


A pause for relaxation:  
the men take time out  
from their work for a snack  
or a cold drink.



The Management of  
the company is aware  
of its responsibility  
to its employees  
and the importance of  
good working  
relations.  
Recreational facilities,

## EMPLOYEE RELATIONS



Keen, friendly competition  
on the bowling alleys.

a retirement income  
plan, sickness  
insurance, health care  
and attention to  
injuries; these are  
the groundwork upon  
which is built the  
cordial relations  
between management  
and labour which  
results in the highest  
efficiency and  
cooperative  
endeavour in the  
mills.



First aid for an injury...  
at the hands of a  
competent registered  
nurse.



Management and labour sit down together to discuss  
plant problems, grievances and mutual relations  
in an atmosphere of trust and cordiality.

**PAPER  
PRODUCTS**

manufactured by

**THE E. B. EDDY COMPANY**

WHITE SWAN TOILET TISSUE

ONLIWON TOILET TISSUE

ONLIWON PAPER TOWELS

PAPER BAGS

HAN-DEE TOWELS

EUREKA PAPER TOWELS

SILVER SWAN SERVIETTES

BROCADE SERVIETTES

NAVY TOILET TISSUE

DREADNOUGHT TOILET TISSUE

NEWSPRINT

PAPER-BOARDS

CHENEUX BOND

DALHOUSIE BOND

DALHOUSIE LEDGER

MULTISCRIP DUPLICATING

MULTICOPY DUPLICATING

EXPRESS WRITING MANILLA

WELLINGTON OFFSET

ANCASTER BOOK

NIAGARA LITHO

TECUMSEH BRISTOL

GUARDIAN INDEX BRISTOL

MOHAWK BRISTOL

"C" TAG

LIGHTHOUSE WOVE ENVELOPE

REGISTER PAPER

CARTRIDGE ENVELOPE

ENVELOPE MANILLA

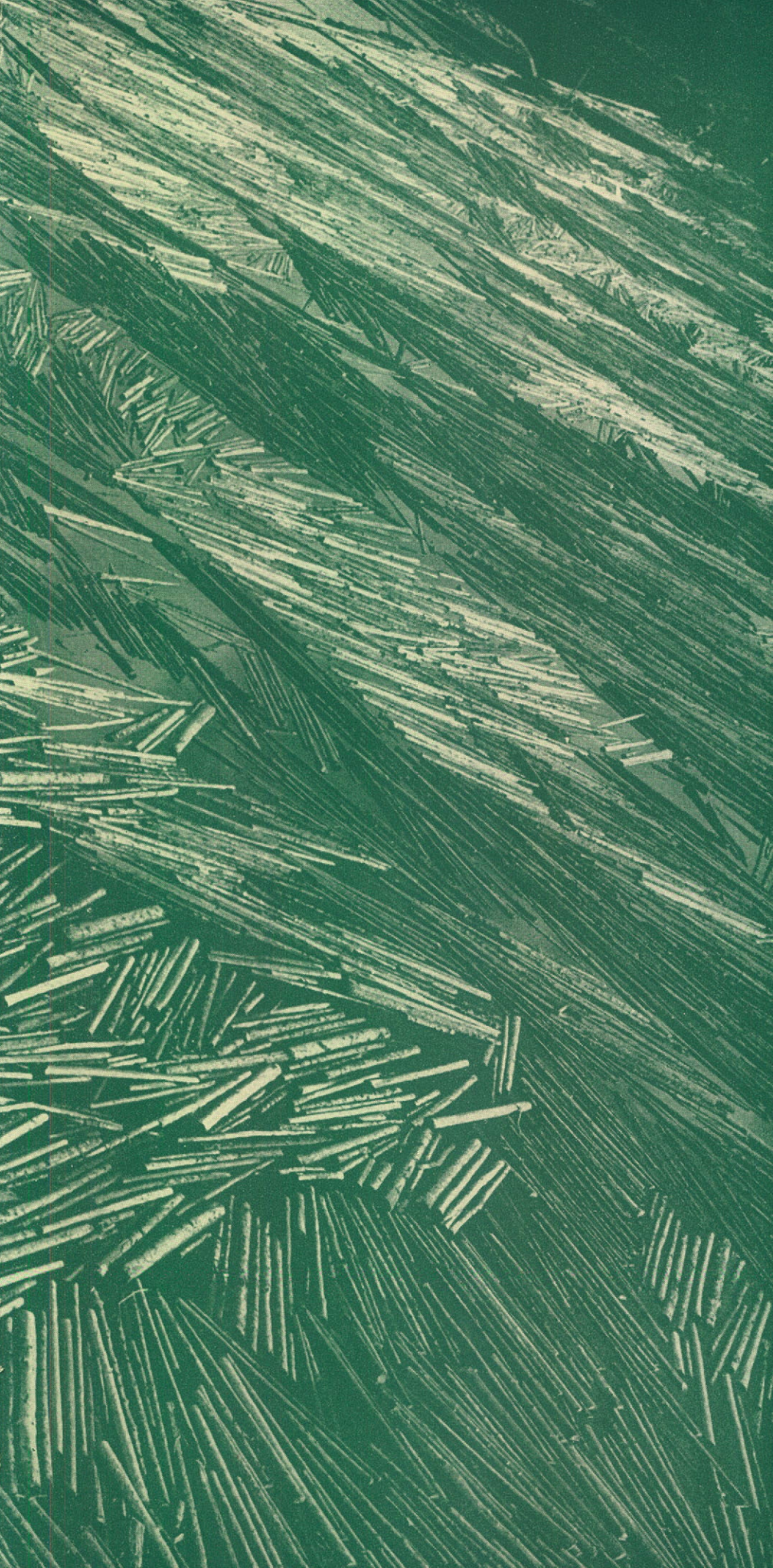
STATIONERY PAPERS

WAXING SULPHITES

BAG SULPHITES

TWISTING TISSUE

SODA STRAW PAPER



**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.**

**KINGSTON, 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 & Perse Ltd.  
act as sales representatives.  
Export sales throughout  
the world are made through  
agents and brokers.**

