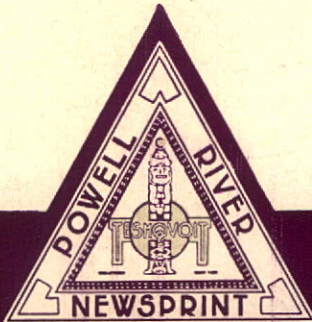
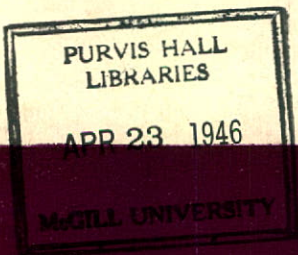


1945
ANNUAL REPORT
TO
SHAREHOLDERS




POWELL RIVER COMPANY LIMITED

MANUFACTURERS OF PULP AND PAPER

OFFICES: VANCOUVER, B. C. • MILLS: POWELL RIVER, B. C.

POWELL RIVER NEWSPRINT

STAND ON  THIS END

MADE IN CANADA

PRODUCT
POWELL RIVER CO. LTD.
POWELL RIVER, B.C.

CARRIERS WILL BE HELD RESPONSIBLE FOR ALL DAMAGE	Roll No. R 395	Size
	Gr. Wt. 1556	66½

USE NO HOOKS → **UNWIND IN THIS DIRECTION**

POWELL RIVER COMPANY LIMITED

Board of Directors

S. D. BROOKS	J. G. SAMPLE
HAROLD S. FOLEY	R. BELL-IRVING
EDWARD BROOKS	G. F. LAING
R. H. SCANLON	D. A. EVANS
J. H. LAWSON	ANSON BROOKS
A. H. WILLIAMSON	

Officers

S. D. BROOKS	- - - - -	<i>Chairman of the Board</i>
HAROLD S. FOLEY	- - - - -	<i>President</i>
R. BELL-IRVING	- - - - -	<i>1st Vice-President</i>
G. F. LAING	- - - - -	<i>Vice-President</i>
G. W. O'BRIEN	- - - - -	<i>Vice-President</i>
B. R. CANCELL	- - - - -	<i>Vice-President</i>
J. H. LAWSON	- - - - -	<i>Secretary</i>
D. A. EVANS	- - - - -	<i>Resident Manager</i>
R. M. COOPER	- - - - -	<i>Assistant Resident Manager</i>
J. A. KYLES	- - - - -	<i>Assistant Resident Manager</i>
J. N. TURVEY	- - - - -	<i>Comptroller</i>
J. C. HILL	- - - - -	<i>Assistant Secretary</i>

Executive Offices

STANDARD BANK BUILDING
Vancouver, B. C.

Transfer Agent

THE ROYAL TRUST COMPANY
Vancouver, Toronto, Montreal

Registrar

BANKERS' TRUST COMPANY
Vancouver, Toronto, Montreal

Annual Meeting held on the last Tuesday of April at Vancouver, B. C.

Wholly Owned Subsidiaries of the Company

The Company has complete control of its production from the standing tree to the finished product. Operations of the Company's subsidiaries include logging, timber holding, lumber manufacture and transportation by water. The Company's wholly owned subsidiaries include the following:

KELLEY LOGGING COMPANY LIMITED—A logging company operating in the Queen Charlotte Islands with a capacity of 60,000,000 bd. ft. per year. It is the Company's principal source of spruce logs.

O'BRIEN LOGGING COMPANY LIMITED—A logging company operating in the lower coast area of British Columbia with a capacity of 40,000,000 bd. ft. per year. It is a large producer of hemlock and balsam.

ALICE LAKE LOGGING COMPANY LIMITED—A logging company operating in the middle coast area of British Columbia with a capacity of 35,000,000 bd. ft. per year. It is a large producer of hemlock and balsam.

KELLEY SPRUCE LIMITED—A lumber manufacturer operating at Powell River with a capacity of 24,000,000 bd. ft. per year.

PACIFIC COAST SPRUCE (CANADA) LIMITED—Lumber brokers with offices at Vancouver, handling substantial quantities of spruce and hemlock lumber.

QUEEN CHARLOTTE TOWING AND SALVAGE COMPANY LIMITED—A log towing operation with one boat of 230 indicated h.p.

KINGCOME NAVIGATION COMPANY LIMITED—A transportation and log towing operation engaged along the coast of British Columbia. It operates three tugboats with a total of 2340 indicated h.p., six covered barges of carrying capacity of 400 tons each and three open barges of carrying capacity of 300 tons each. This company maintains a regular freight and mail service between Powell River and Vancouver.

POWELL STORES LIMITED—Owns and operates a newly built, modern department store at Powell River.

BROUGHTON STRAIT TIMBER COMPANY LIMITED—A timber holding company with limits containing a substantial block of timber.

POWELL RIVER COMPANY LIMITED

Vancouver and Powell River, B. C., Canada

Vancouver, B. C.,
April 4th, 1946.

To the Shareholders:

The thirty-fifth annual report of your company, for the fiscal period ended December 31st, 1945, is submitted herewith.

Net earnings for the year, excluding refundable portion of excess profits taxes, amounted to \$2,027,144.62, or \$1.51 per share. The refundable portion of excess profits taxes for the period is estimated at \$375,500.00, or 28c per share.

Results for the year, compared with the previous year, are summarized as follows:

	1945	1944	Increase Decrease
Consolidated operating profit before the under-noted items	\$6,231,001	\$6,262,899	\$ 31,898
<i>Add:</i> Profit on disposal of fixed assets	72,537	230,463	157,926
	\$6,303,538	\$6,493,362	\$189,824
<i>Deduct:</i> Provision for depreciation and depletion	1,171,894	1,966,691	794,797
	\$5,131,644	\$4,526,671	\$604,973
<i>Consolidated profit before taxes</i>	\$5,131,644	\$4,526,671	\$604,973
<i>Deduct:</i> Provision for Dominion income and excess profits taxes (including estimated post-war refund)	3,104,500	2,419,833	684,667
	\$2,027,144	\$2,106,838	\$ 79,694
<i>Consolidated net profit</i>	\$2,027,144	\$2,106,838	\$ 79,694
Ratio of taxes on income to profit before deduction of such taxes	60.50%	53.46%	7.04%

All assets built under contract with the War Contracts Depreciation Board were fully depreciated as at the close of 1944. This fact, together with the correction of our basis of providing depreciation on our general plant properties to conform with Dominion Income Tax Department regulations resulted in the reduced provision for depreciation.

The provision for taxes is the highest experienced in the company's history.

Dividends paid in 1945 amounted to \$1,460,081.35 which permitted retention of profits in the business from the year's operation to the extent of \$567,063.27. Dividends in 1944 amounted to \$1,344,695.00, resulting in \$762,143.34 profit being retained in the business.

PRODUCTION

The most difficult problem experienced throughout the year was that of maintaining adequate crews. The situation in this respect for the latter part of the year at the mill was satisfactory but there has been very little improvement in the case of the logging operations.

Production results are summarized below :

PRODUCTION			
	1945	1944	Increase Decrease
Pulp and Paper		Tons	
Newsprint	187,789	163,171	24,618
Wrapper	4,143	3,704	439
Corrugating Board	7,563	7,753	190
Laminated Products	1,806	1,409	397
Pulp	38,758	38,580	178
Lumber	10,227,000	Bd. Ft.	2,529,000
Logs	79,074,000	Ft.	8,772,000

SALES

Newsprint sales of the parent company amounted to 227,273 tons of which 188,330 tons were produced at Powell River and 38,943 tons were secured from other producing units in Canada through the operation of the Canadian Newsprint Pool. Sales of sulphite pulp amounted to 43,440 tons as compared with 42,515 tons in 1944.

Demand for all products of the company continues to be very strong. Sales are limited only by the company's ability to produce.

PROPERTIES

The properties of the company have been maintained in good condition throughout the year.

Progress on the diversification and development program has been limited because of difficulties in obtaining deliveries of materials and new equipment. However, much progress has been made in finalizing forward plans and in placing orders for equipment. The other changes and developments along the waterfront, a necessary and preliminary step to the contemplated future plans of the company, have been almost completed.

The assets of the former Crown company "Aero Timber Products Ltd." were purchased from War Assets Corporation late in the year. This company was set up by the Government during the war for the purpose of increasing the supply of aero grade spruce. The assets consist of a complete logging operation and a substantial amount of standing timber. These assets, as at the year end, had not been analyzed in sufficient detail to permit us to make a proper distribution in our balance sheet.

WORKING CAPITAL

The working capital of the company increased by \$196,685 to \$5,573,648 during the year. The following comparison shows the details of changes that have occurred:

	1945	1944	Increase Decrease
<i>Current Assets:</i>			
Cash on hand and in banks.....	\$ 606,662	\$ 595,096	\$ 11,566
Dominion of Canada bonds at cost.....	3,214,107	2,440,829	773,278
Accounts receivable less reserve.....	2,715,427	2,537,113	178,314
Inventories	2,274,565	2,186,427	88,138
	\$8,810,761	\$7,759,465	\$1,051,296
<i>Current Liabilities:</i>			
Accounts payable	\$1,567,662	\$1,079,513	\$488,149
Balance due War Assets Corporation on purchase of Aero Timber Products Ltd.....	700,000		700,000
Reserve for taxes.....	969,451	1,302,989	333,538
	\$3,237,113	\$2,382,502	\$854,611
Working Capital	\$5,573,648	\$5,376,963	\$196,685

RECEIPTS AND DISPOSITION OF FUNDS

Total funds received during the year and their disposition are shown in the following statement:

FUNDS PROVIDED FROM FOLLOWING SOURCES:

Consolidated Profit for year as per Profit and Loss Account.....	\$2,027,144
<i>Add—</i>	
<i>Charges to Profit and Loss not involving current expenditure:</i>	
Depreciation and depletion.....	\$1,171,895
Net book value of fixed assets disposed of.....	74,505
	\$1,246,400
Net decrease in investments and long term receivables.....	114,486
Refundable portion of excess profits tax included in tax provision	376,388
	\$1,737,274
<i>Deduct—</i>	
Additional provision for taxes of prior years charged to Surplus	\$19,502
Increase in deferred charges and sundry items.....	17,302
	36,804
	1,700,470
Total Funds Provided.....	\$3,727,614

DISTRIBUTION OF FUNDS PROVIDED:

<i>Additions to fixed assets:</i>	
Paper mill, hydro-electric development and townsite.....	\$578,416
Tugs and scows.....	3,140
Logging equipment and development.....	133,676
Timber holdings	35,000
Logging assets and timber holdings of Aero Timber Products Ltd.	944,228
	\$1,694,460
Increase in refundable portion of excess profits tax.....	376,388
Dividends paid	1,460,081
	3,530,929
Increase in Working Capital	\$ 196,685

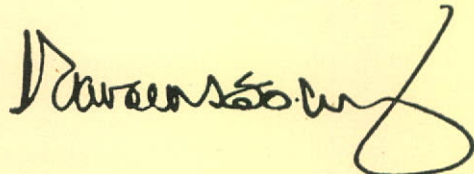
MOTION PICTURE

A sound film in full color covering the extensive operations of the company was completed during the year. It has been well received and has proven useful in market development and public relations work.

ORGANIZATION

It is with a great deal of pleasure that the Company has welcomed back to its plant at Powell River from the Armed Services 377 persons. It is expected that approximately 350 more will return to our entire operations.

The staffs throughout our operations have been most loyal and co-operative. It is with satisfaction that acknowledgement is made of the excellent results that they have produced.

A handwritten signature in black ink, appearing to read "D. J. ...", with a large, stylized flourish at the end.

President.

POWELL RIVER C

(Incorporated under the Comp

AND ITS SU

Consolidated Balance Sheet

A S S E T S

CURRENT:

Cash on hand and in banks.....	\$ 606,662.21
Dominion of Canada bonds and treasury bills at cost (par value \$3,193,250; market value \$3,220,000).....	3,214,107.18
Accounts receivable, less reserve.....	2,715,426.85
Inventories of paper, lumber, logs and supplies, as determined and certified by officials of the companies and valued at the lower of cost or market value, less reserve.....	2,274,565.02
	<u>\$ 8,810,761.26</u>

FIXED:

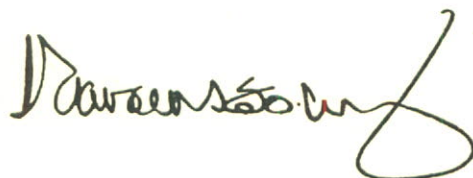
Paper mill, hydro electric development and townsite at cost.....	\$ 28,044,811.36
Tugs and scows at cost.....	468,857.88
Logging equipment and logging development at cost.....	1,227,018.60
	<u>\$ 29,740,687.84</u>
Timber holdings at cost less depletion.....	2,176,357.94
Logging assets and timber holdings of Aero Timber Products Ltd. purchased from War Assets Corporation—not yet allocated	944,227.97
	<u>\$ 32,861,273.75</u>

OTHER

Estimated post-war refund under the Excess Profits Tax Act.....	\$ 974,088.10
Deferred charges and prepaid expenses.....	138,247.38
Sundry investments and long term receivables.....	341,487.31
	<u>1,453,822.79</u>
	<u>\$ 43,125,857.80</u>



Director.



Director.

OMPANY LIMITED

(Companies Act of British Columbia)

SUBSIDIARIES

at 31st December, 1945

LIABILITIES

CURRENT:

Accounts payable	\$ 1,567,662.63
Balance due War Assets Corporation on purchase of assets of Aero Timber Products Ltd.	700,000.00
Reserve for income and excess profits taxes.....	969,450.59
	<hr/>
	\$ 3,237,113.22

RESERVE FOR DEPRECIATION OF FIXED ASSETS..... 22,959,008.98

INSURANCE FUND 96,912.79

CAPITAL AND SURPLUS:

Capital—

Authorized—

1,612,325 ordinary shares without par value.

Issued—

1,344,695 ordinary shares without par value.....\$ 7,396,025.00

Earned surplus 8,502,013.28

Deferred surplus (estimated post-war refund under the Excess
Profits Tax Act) 934,784.53

16,832,822.81

\$43,125,857.80

We have audited the books of Powell River Company Limited and its subsidiary companies as at December 31, 1945 with the exception of Knight Inlet Logging Company Limited and Broughton Logging Company Limited and O'Brien Logging Company Limited which is a subsidiary of these two aforementioned companies.

From the balance sheets prepared from the books of the Companies audited by ourselves and from the balance sheets signed by the auditors of the other three companies mentioned, we have prepared the above consolidated balance sheet as at December 31, 1945. In our opinion, based on such examination, the balance sheet is properly drawn up so as to exhibit a true and correct consolidated view of the state of the affairs of Powell River Company Limited and all its subsidiaries as at December 31, 1945, according to the best of our information and the explanations given to us.

VANCOUVER, B. C.
March 25th, 1946.

HELLIWELL MACLACHLAN & CO.,
Chartered Accountants.

POWELL RIVER COMPANY LIMITED

(Incorporated under the Companies Act of British Columbia)

AND ITS SUBSIDIARIES

Consolidated Profit and Loss and Earned Surplus Account for the year ended 31st December, 1945

Operating profit before depreciation, depletion and taxes on income.....\$ 6,231,001.93

Deduct—

Depreciation and depletion.....\$ 1,171,894.64
Provision for Dominion income and excess profits taxes
(including estimated post-war refund of excess profits tax
\$375,500.00) 3,104,500.00
4,276,394.64

Operating Profit\$ 1,954,607.29

Add—

Non-taxable profit on disposals of fixed assets..... 72,537.33
72,537.33

Consolidated profit for year.....\$ 2,027,144.62

Deduct—

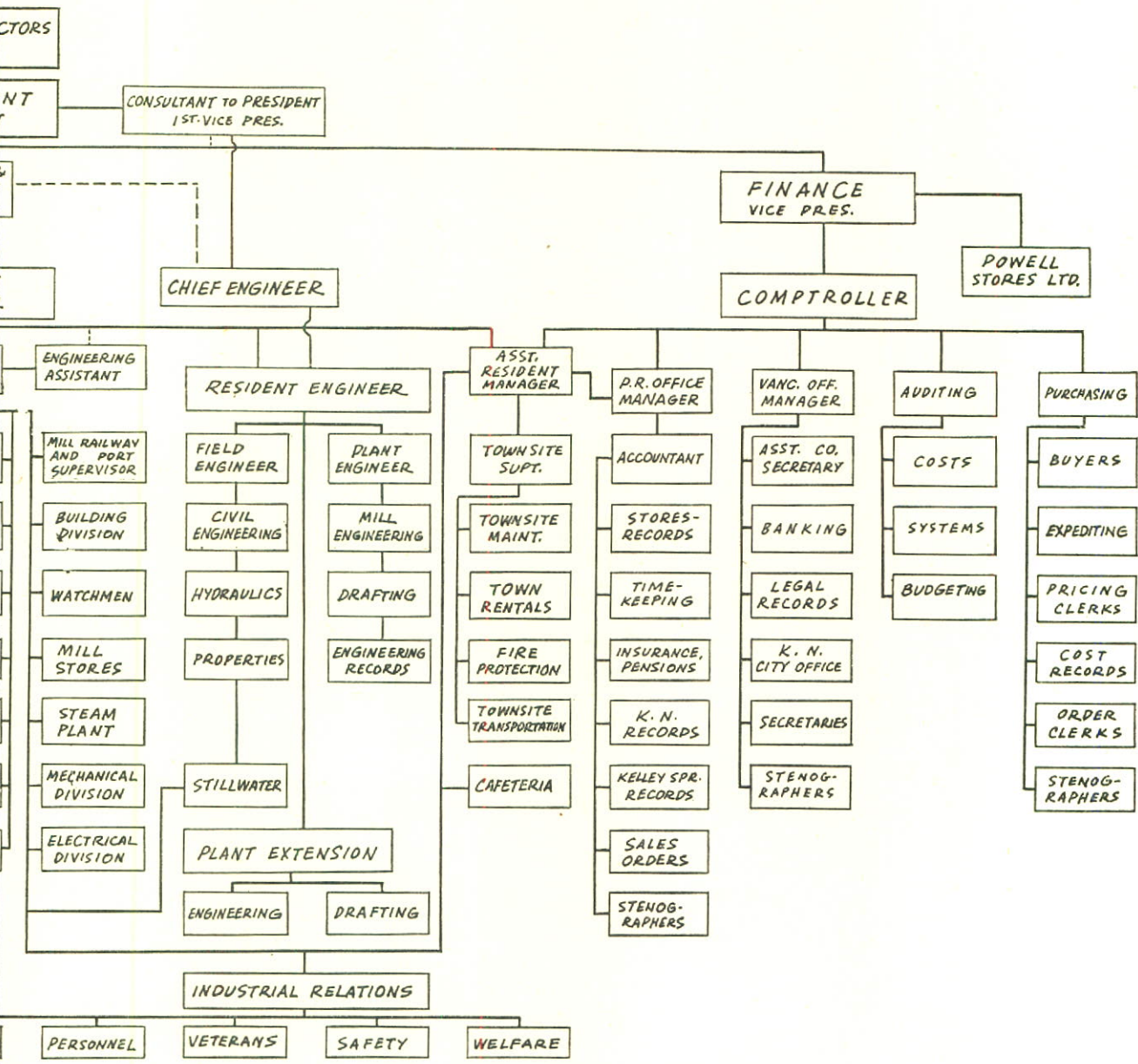
Additional provision for income and excess profits taxes
of subsidiary companies in respect of the years 1940,
1941 and 1942 (including estimated post-war refund of
excess profits tax \$888.10).....\$ 19,501.88
Dividends paid 1,460,081.35
1,479,583.23
\$ 547,561.39

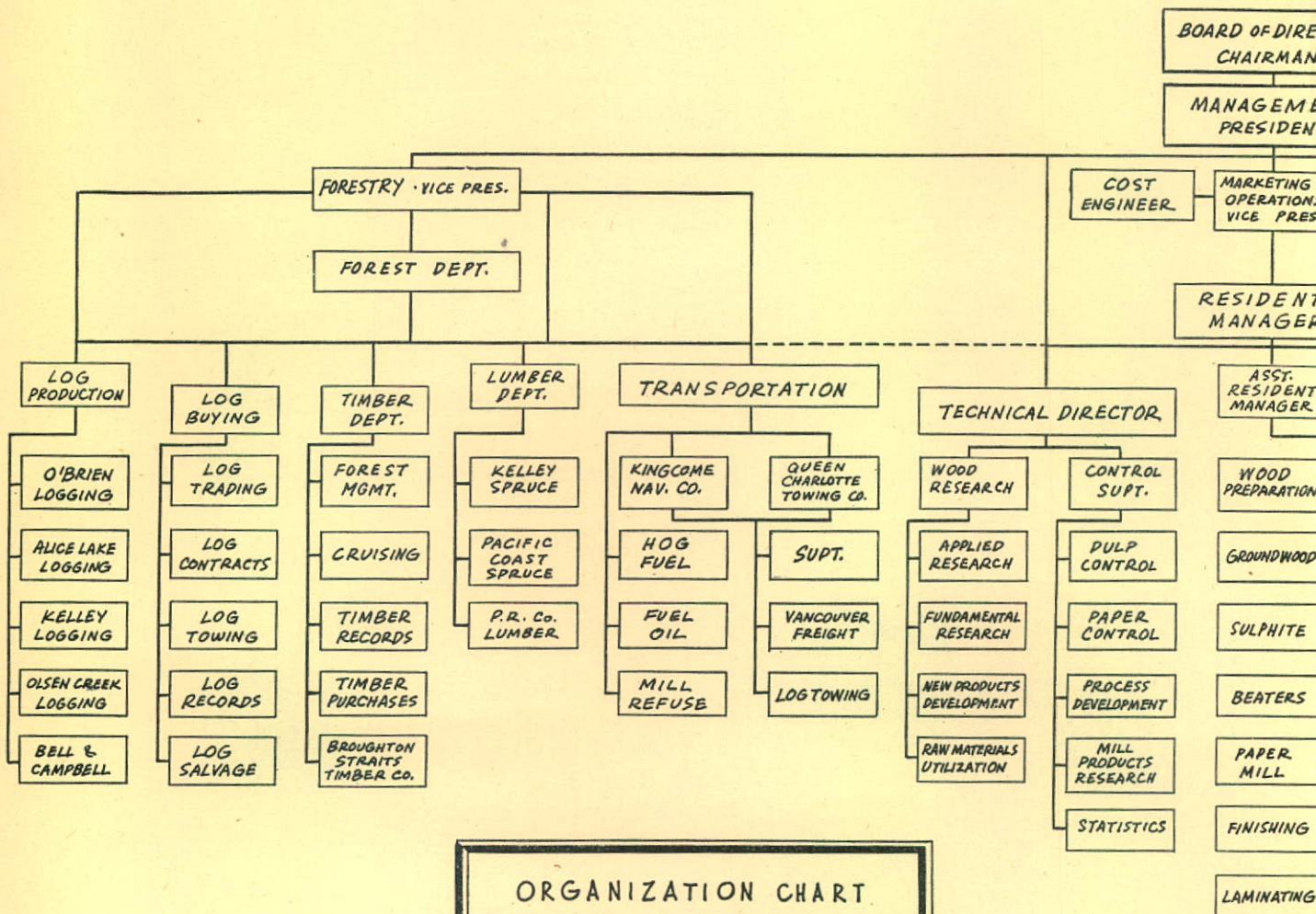
Add—

Consolidated earned surplus at 31st December, 1944..... 7,954,451.89
7,954,451.89

Consolidated earned surplus at 31st December, 1945, as per consolidated balance
sheet\$8,502,013.28
\$8,502,013.28

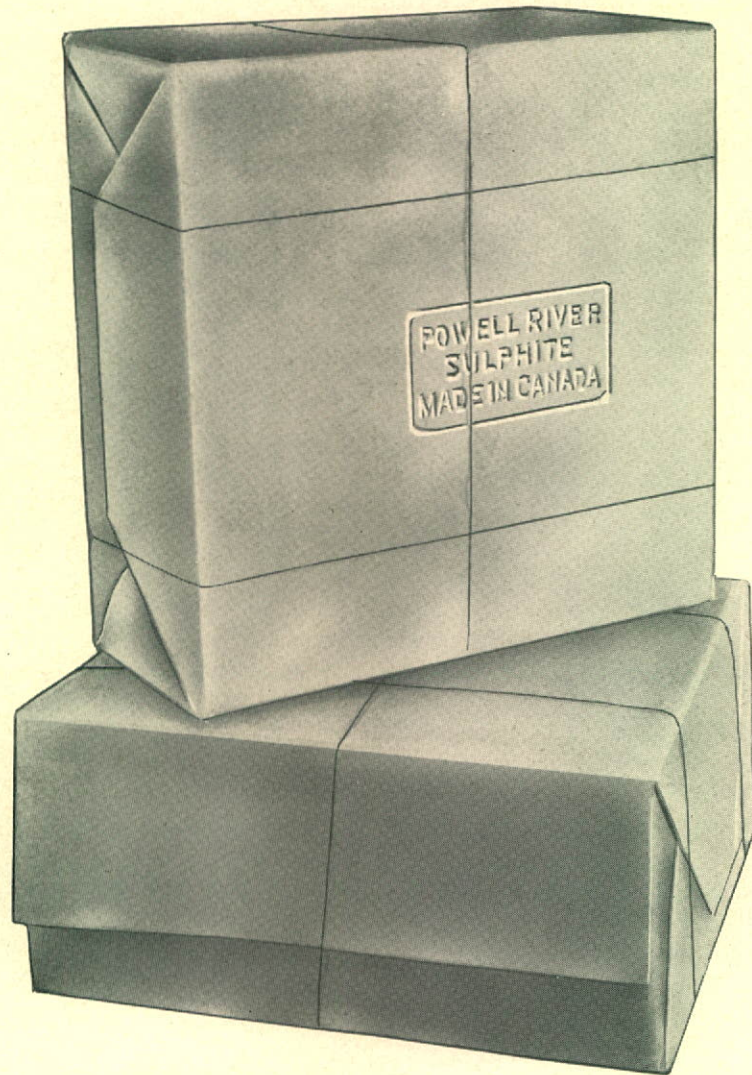
ORGANIZATION
CHART





ORGANIZATION CHART
POWELL RIVER COMPANY
 AND ITS SUBSIDIARIES
 APPROVED. *AAS*
 DATE • MAR. 30, 1946

PRESS



POWELL RIVER
SULPHITE
MADE IN CANADA

AERIAL VIEW OF POWELL RIVER

