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ANNUAL
REPORT
1948



POWELL RIVER COMPANY LIMITED

EXECUTIVE OFFICES: VANCOUVER

MILLS: POWELL RIVER

BRITISH COLUMBIA

YOUR COMPANY

Incorporated July 13, 1911

PLANT LOCATED AT POWELL RIVER, B.C.
80 miles north of Vancouver, B.C.
200 miles north of Seattle, Wash.

OPERATIONS:

8 Newsprint Machines—Annual Capacity	276,000 tons
Unbleached Sulphite Pulp—Annual Capacity	47,000 tons
Laminated Products	3,000 tons
Developed Plant Area	70 acres
Hydro-Electric Power Developed	95,000 h.p.
Timber Holdings	6¾ billion ft.
Area of Timber Holdings	725 sq. mi.
Annual Payroll (including woods operations)	\$8,436,000
Number of Employees (including woods operations)	2,500

GENERAL INFORMATION:

Powell River Population	2,500
Powell River and District Population	8,500
Annual Rainfall	30 inches
Average Summer Temperature	75°
Average Winter Temperature	40°

POWELL RIVER COMPANY LIMITED

BOARD OF DIRECTORS

R. BELL-IRVING
ANSON BROOKS
EDWARD BROOKS
W. S. BROOKS
D. A. EVANS
HAROLD S. FOLEY

M. J. FOLEY
J. H. LAWSON
G. W. O'BRIEN
J. G. SAMPLE
R. H. SCANLON
A. H. WILLIAMSON

OFFICERS

HAROLD S. FOLEY *President*
M. J. FOLEY *Executive Vice-President*
G. W. O'BRIEN *Vice-President*
J. H. LAWSON *Secretary*
R. M. COOPER *Resident Manager*
J. A. KYLES *Comptroller*

EXECUTIVE OFFICES

Standard Building, Vancouver, B.C.

TRANSFER AGENT

THE ROYAL TRUST COMPANY — Vancouver, Toronto, Montreal

REGISTRAR

BANKERS' TRUST COMPANY — Vancouver, Toronto, Montreal

ANNUAL MEETING

Last Tuesday of April at Vancouver, B C.

POWELL RIVER COMPANY LIMITED

VANCOUVER AND POWELL RIVER, B.C.

TO OUR SHAREHOLDERS

We take pleasure in submitting the thirty-eighth annual report of your Company, for the year ended December 31, 1948.

EARNINGS

Net earnings for the year were \$7,307,297; of this amount \$450,000 has been allocated as a special reserve against contingencies.

The major factors contributing to the successful results for the year were, production from Number 8 newsprint machine, which came into operation in September, continued improvement in operating efficiency, and somewhat better prices for our product.

A comparison of the 1948 results with the previous year is as follows:

	1948	1947
Consolidated profit before the undernoted items.....	\$13,743,548	\$12,171,491
Profit on disposal of fixed assets	55,968	1,408
Income from sundry investments	—	15,350
	<hr/>	<hr/>
	\$13,799,516	\$12,188,249
Depreciation and depletion	2,168,219	1,596,900
	<hr/>	<hr/>
Consolidated profit before taxes	\$11,631,297	\$10,591,349
Dominion and Provincial income taxes.....	4,324,000	4,579,000
	<hr/>	<hr/>
Consolidated net profit	\$ 7,307,297	\$ 6,012,349
Reserve for contingencies	450,000	—
	<hr/>	<hr/>
Available for dividends and reinvestment.....	\$ 6,857,297	\$ 6,012,349
	<hr/>	<hr/>

DIVIDENDS

Dividend payments on account of the year's earnings amounted to \$3.05 per share. This consisted of regular quarterly dividends of 40c in March, June, September and December, with extras of 50c and 65c in June and December respectively, and a final extra of 30c in March, 1949.

WORKING CAPITAL

Despite heavy capital expenditures on the plant extension and development program and substantial dividend payments, the working capital at the year-end showed an improvement of \$617,482 over the previous year. From the balance sheet it will be noted that the excess of current assets over current liabilities reflects a working capital of \$7,885,170.

The following statement summarizes the changes during the year under review:

Working Capital at January 1, 1948	\$ 7,267,688
ADDITIONS:	
Net earnings year 1948	7,307,297
Non-cash charges to operations:	
Depreciation and depletion	\$ 2,168,219
Insurance	19,989
	<hr/>
	2,188,208
Net book value of assets sold	100,532
Other items, net	127,155
	<hr/>
	16,990,880
DEDUCTIONS:	
Capital Expenditures:	
Plant extension and development	\$ 4,507,013
Logging equipment and development	692,551
Timber holdings	141,227
Tugs and scows	67,008
	<hr/>
	5,407,799
Dividends paid	3,697,911
	<hr/>
	9,105,710
Working Capital at December 31, 1948	<u>\$ 7,885,170</u>

PRODUCTION

Our production goal of 290,000 tons of newsprint and sulphite pulp combined, which we set for the year, was exceeded by some 5,300 tons. This tonnage would have been even greater had it not been for a period of curtailed production due to a power failure, which is reported on under "Properties."

A comparison of production tonnage with 1947 is as follows:

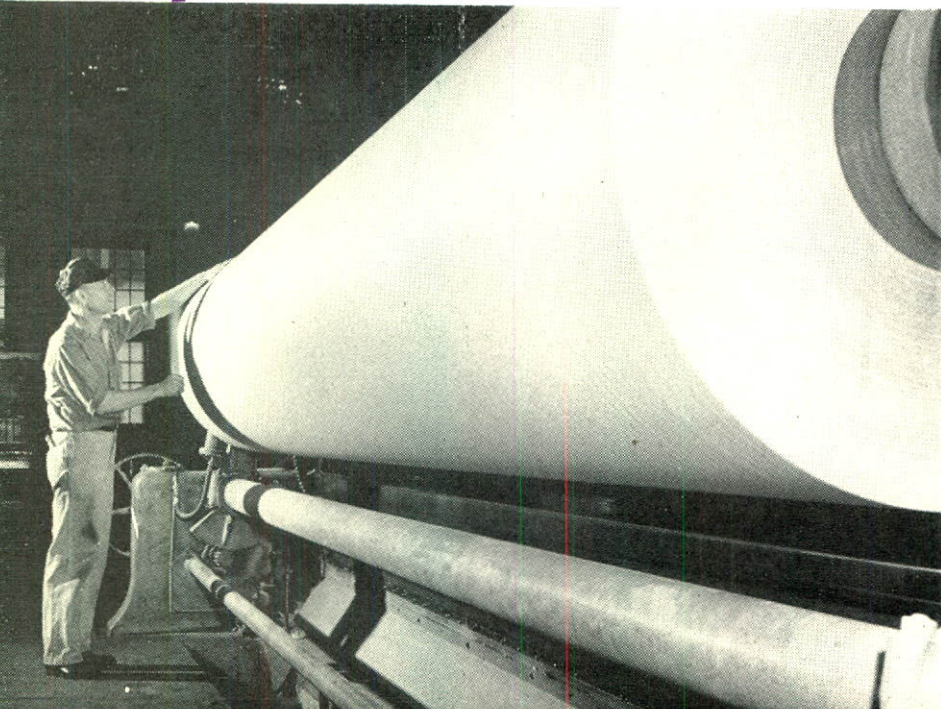
	1948	1947
Newsprint	247,235	239,087
Unbleached Sulphite Pulp	48,125	43,919
Wrapper	5,409	5,210
Laminated Products	2,962	2,864

SALES

Throughout the year demand for our products continued to be greater than our productive capacity. The market for our newsprint is still in excess of production, and our entire estimated tonnage for 1949 is sold under long-term contracts. The sulphite pulp market softened in December and is still somewhat unsettled, however, we believe that our entire production for the current year will be sold.

The following is a comparison with 1947 tonnage sold:

	1948	1947
Newsprint	244,834	244,974
Unbleached Sulphite Pulp	47,103	43,871
Miscellaneous Products	5,896	2,819



To maintain high quality, finished newsprint coming off machine is carefully checked for uniformity.

PROPERTIES

All properties of the Company were maintained in good operating condition throughout 1948, maintenance costs, however, were at an all-time high. With the completion of the post-war expansion program our operating and technical staffs are now concentrating their efforts on a normal program of modification and improvement of the older units of plant and equipment, all with a view to improving economy and efficiency of operation.

The Lois River hydro-electric plant was out of commission from the middle of July to early September due to a rupture in the tunnel between the dam and the power house. On account of the shortage of power while repairs were being carried out, the operation of the newsprint machines was curtailed and the start-up of Number 8 machine delayed. Direct Damage and Use and Occupancy insurance was in force at the time and claims have been filed.

EXTENSION AND DEVELOPMENT

The year 1948 saw the completion of our post-war expansion and development program and your Directors have no further plans at present for any new major capital projects during 1949.

The addition to the Greenwood Pulp Mill, which involved the installation of extra grinders, washers, screens, etc., to supply the groundwood pulp required for the new newsprint machine, was completed on schedule.

The High-Yield Sulphite Pulp Process commenced in 1947, was completed and the results are satisfactory. This is designed to reduce the quantity of wood required in the manufacture of our products and is a further step towards conservation of our timber limits and economy of operation.

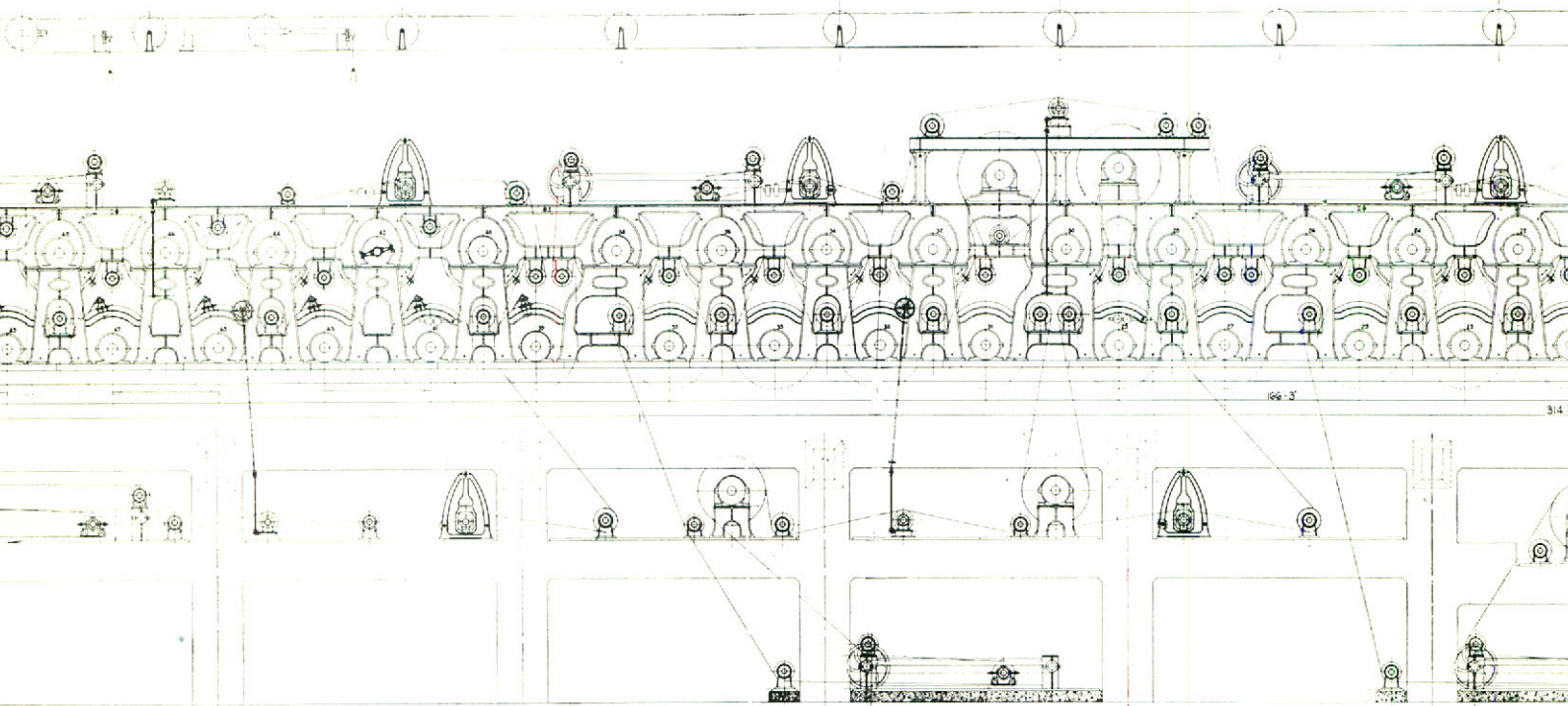
NUMBER 8 MACHINE

This new newsprint machine came into production in September and operating results to date have been most gratifying. As advised in previous reports, the machine embodies all the latest improvements in design, many of which were developed by our own engineers and research staffs.

The following pages are devoted to an illustration and pictures of the machine, which should be of interest to our shareholders.

NUMBER 8 NEWS

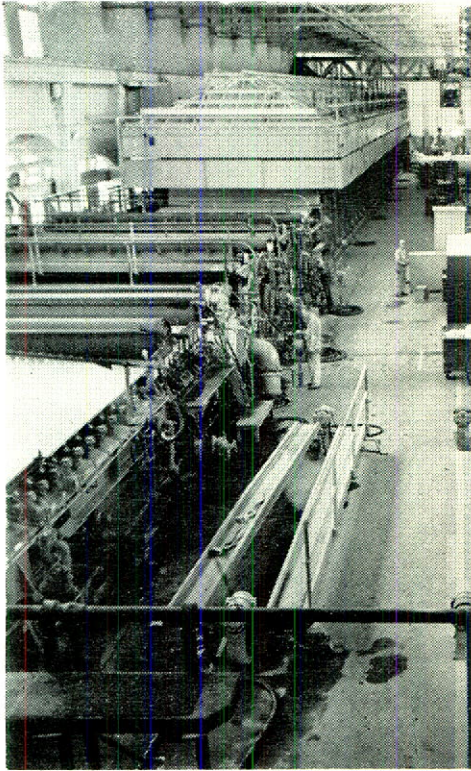
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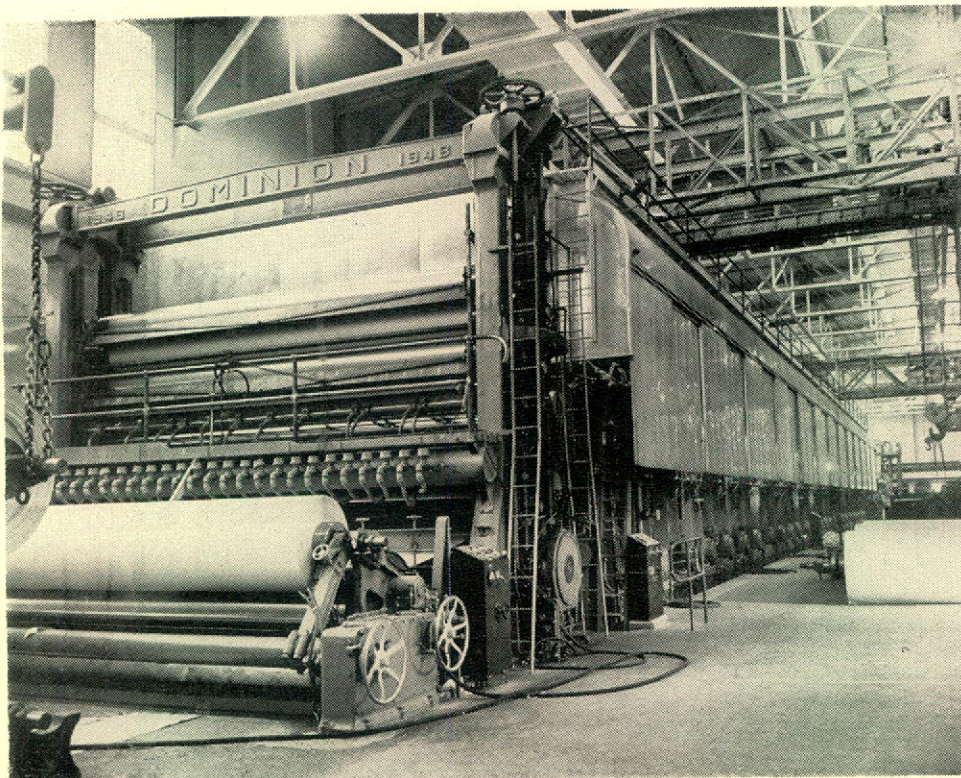
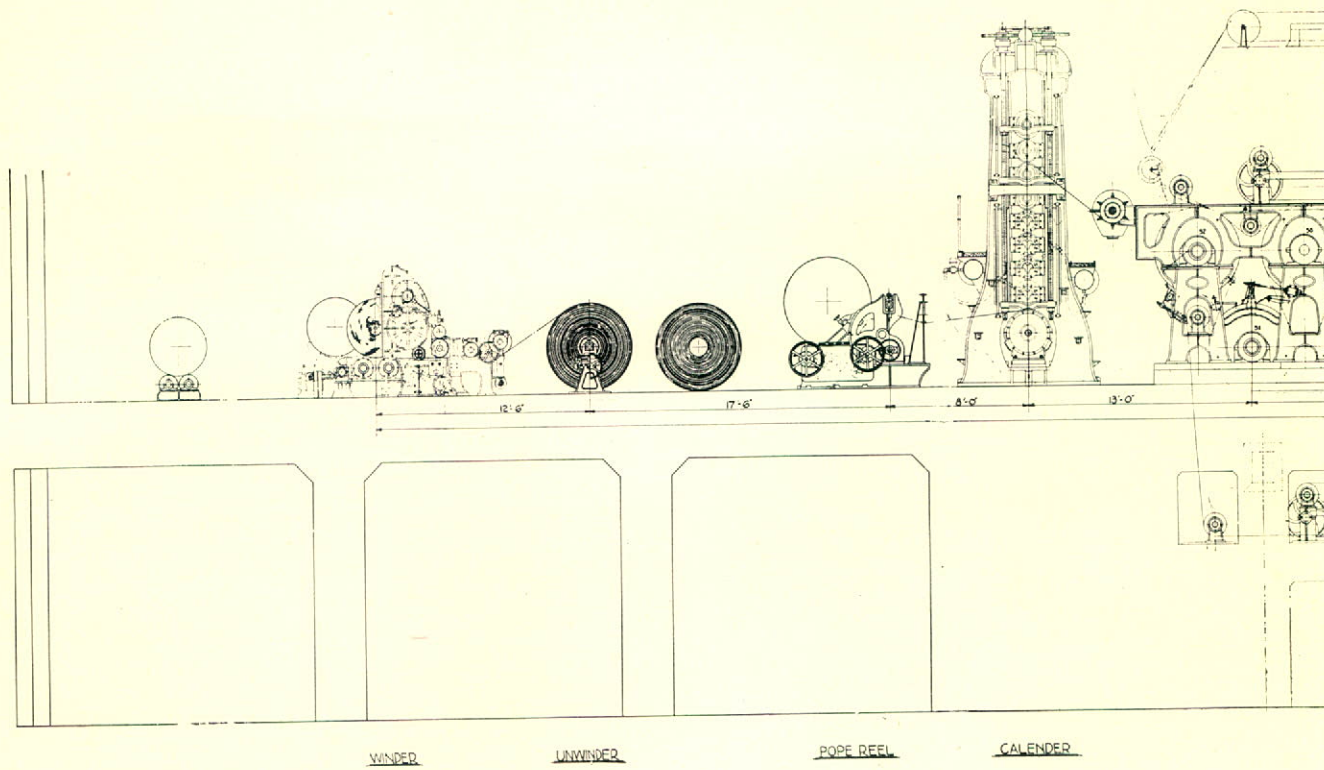


DRYER SECTION

Numbers 7 and

*Number
7
Newsprint
Machine*



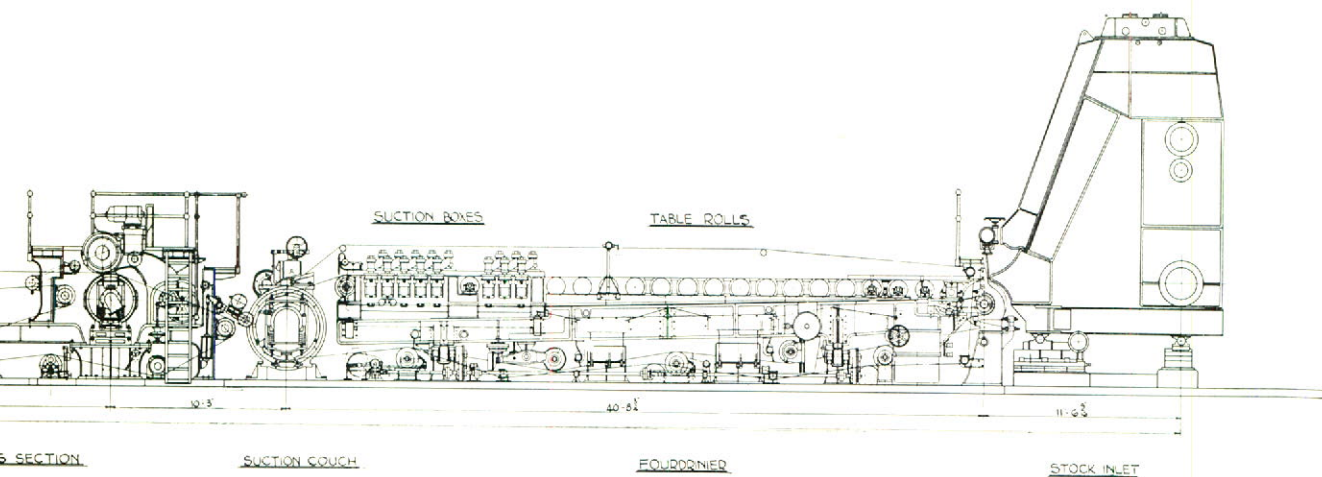


*Dry end
of No. 8
Machine
showing
Calender
Stack and
Reel
Winder*

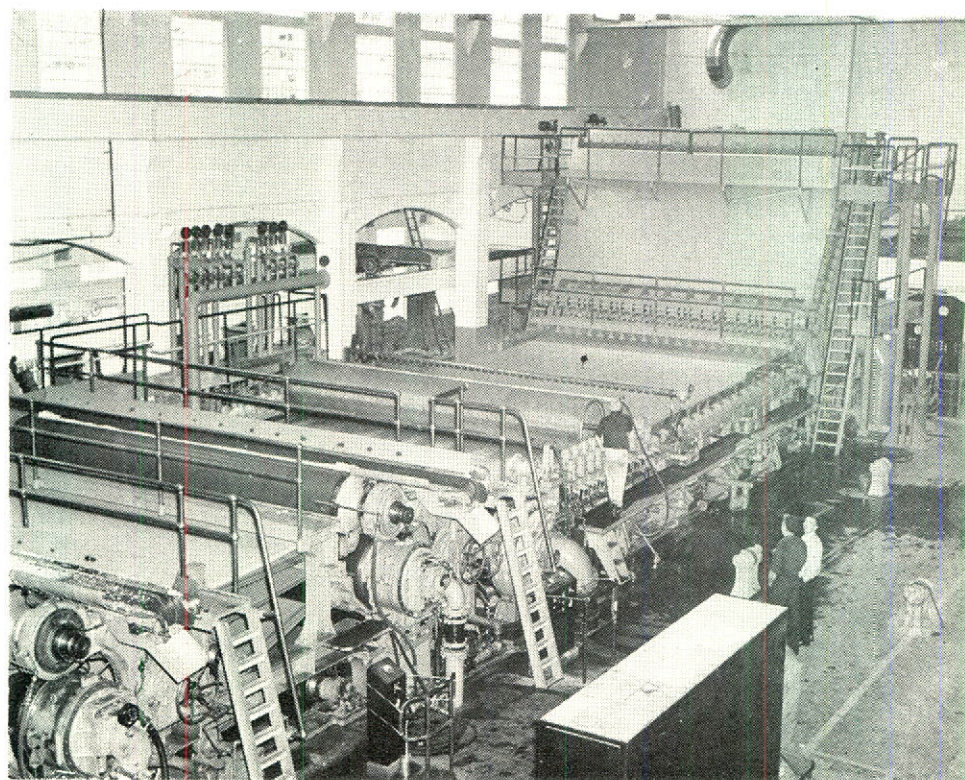




**Number Eight
Paper Machine**

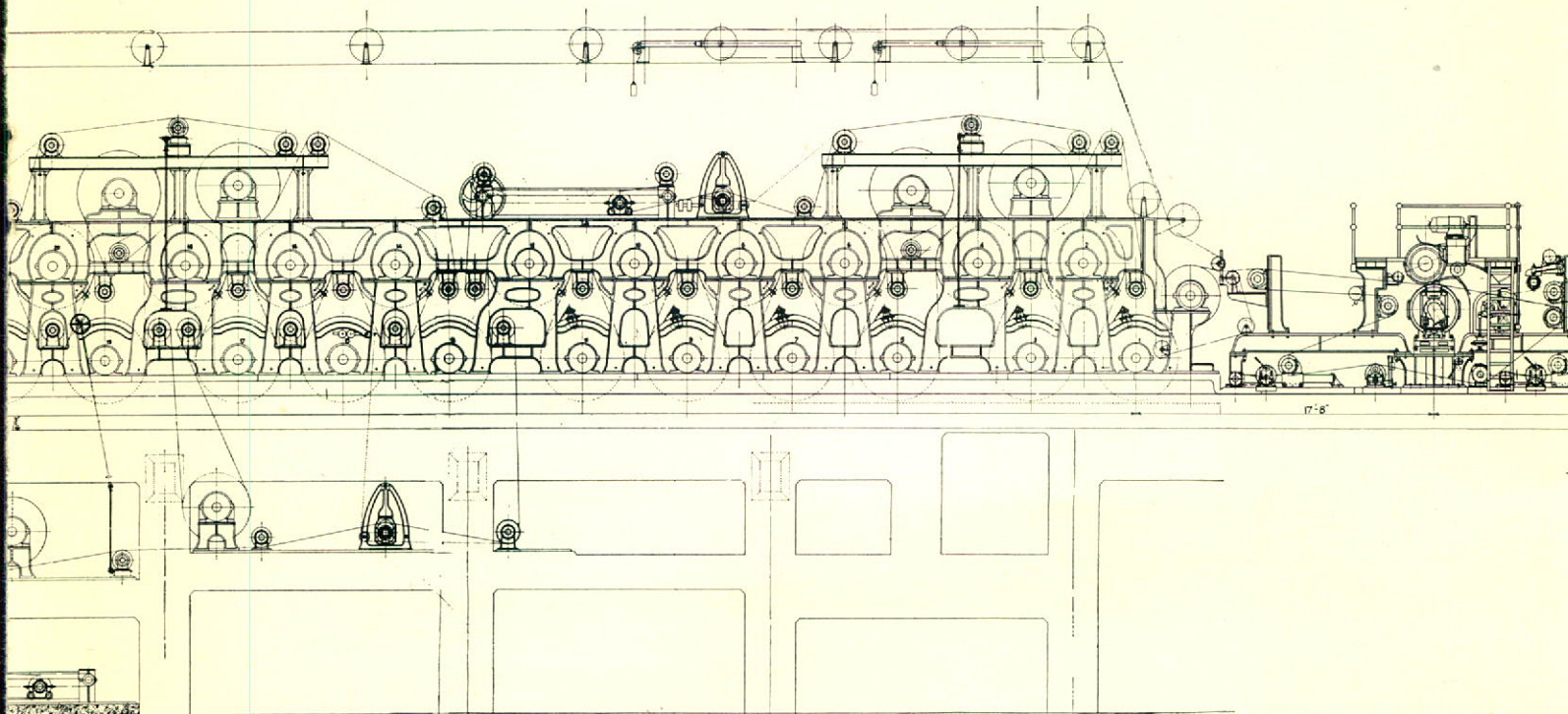


*Wet end
of No. 8
Machine
showing
Wire
Section
and
New Design
of
Head Box*

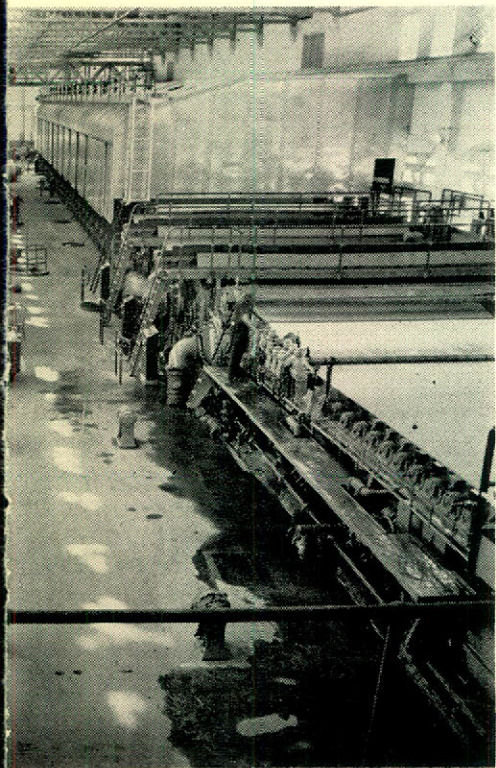


PRINT MACHINE

Overall Length)



Machine Room



Number
8
Newsprint
Machine

TIMBER HOLDINGS

We continued our policy of maintaining adequate timber reserves and, although no major acquisitions were made during the year, several purchases of small tracts were added to our holdings.

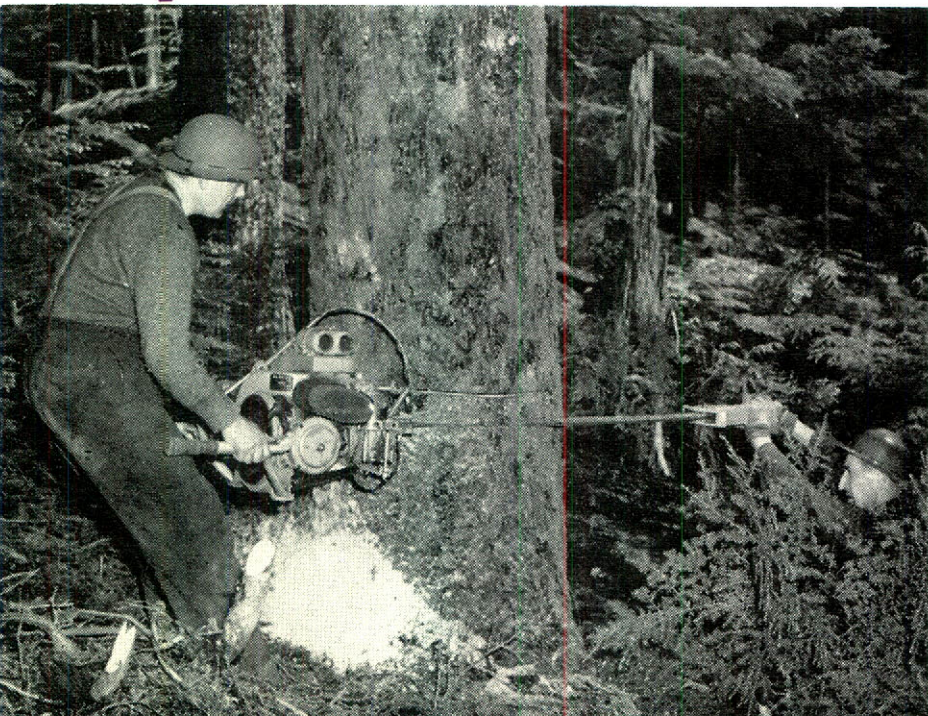
With the installation of special machinery for handling small wood and "forest waste" which was announced last year, we have commenced re-logging some of our holdings to salvage this material. This will contribute substantially to the conservation of our forest reserves to ensure continued operation of our plant in future years.

Another major step in this direction is the establishing of an experimental forest at Powell River on Company property. The area covers 450 acres and contains a thick stand of 50-year-old trees. Studies, by means of long-term experiments, will be made to establish the various approaches to the problems of thinning, selective cutting and reforestation in stands of immature timber.

We hope that the research program initiated in this experimental area will grow and extend in the years to come and the lessons learned by practical experimentation will be applied over our entire forest lands.

RESEARCH

Our technical staffs continue active research pertaining to our products and mill processes with the objectives of lower costs, improved quality and greater productivity. Good progress was made during the year and we believe our operations during 1949 will benefit considerably from their work.



Falling Timber by the use of power saw.

Renewals of our labour agreements with the International Unions were again amicably negotiated and provided for wage increases throughout our operations. The base wage rate at Powell River is now \$1.06 per hour, which maintains the high wage standard.

Beginning 1949, as an added incentive for employees to work safely, the Company, in conjunction with the two plant Unions, has embarked on a plan to provide low rental housing for retired employees. Funds to carry out this plan are obtained from contributions made by the Company for each accident-free day that the plant operates; penalties for workmen's compensation paid or pension awards are deducted from these contributions. In addition, the Company has made available certain land in the vicinity of Powell River where the houses will be built. This plan is unique in industrial relations and should prove a fine incentive to safe workmanship.

During the year 23 employees completed a quarter century of service and became eligible for membership in the Company's "25-Year Club." This brings the total active membership in the club to 174.

We wish to acknowledge the fine spirit displayed by the mill Unions during the period of curtailed operations when, on their own initiative, they offered to operate the plant continuously until the tunnel repairs were completed. This is indicative of the excellent relations existing between the Unions, their Members and the Company. Our entire personnel functioned in a most loyal and co-operative manner throughout the year, and the management appreciates this fact which is reflected in the excellent results of the year's operations.



President.

Vancouver, B.C.,
April 5, 1949.

POWELL

RIVER

(Incorporated under the
AND ITS

CONSOLIDATED

BALANCE

SHEET

ASSETS

CURRENT:

Cash on hand and in banks	\$ 1,142,682
Dominion of Canada bonds at cost (market value \$2,827,600)	2,840,353
Accounts receivable, less reserve of \$38,009	3,922,079
Refundable portion of excess profits tax due March 31, 1949	71,270
Inventories of paper, pulp, 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 of \$541,446	4,529,640
	<hr/>
	\$12,506,024

FIXED:

Pulp and paper mill, hydro-electric development, and townsite at cost	39,091,901
Tugs and scows at cost	710,012
Logging equipment at cost and logging development at cost less amortization	2,915,444
	<hr/>
	42,717,357
Timber holdings at cost less depletion	4,139,691
	<hr/>
	46,857,048

OTHER:

Refundable portion of excess profits tax due March 31, 1950 and subsequently	37,595
Deferred charges and prepaid expenses	220,262
Sundry investments and long-term receivables	293,547
	<hr/>
	551,404
	<hr/>
	\$59,914,476
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On Behalf of the Board:



Director.



Director.

COMPANY LIMITED

(Companies Act of British Columbia)

SUBSIDIARIES

AS AT DECEMBER 31, 1948

LIABILITIES

CURRENT:

Accounts payable	\$ 1,665,053
Share warrant dividend coupons outstanding	213,651
Dominion and Provincial income taxes payable	2,742,150
	<hr/>
	\$ 4,620,854

RESERVE FOR DEPRECIATION OF FIXED ASSETS..... 28,304,182

INSURANCE RESERVE 116,920

RESERVE FOR CONTINGENCIES 450,000

CAPITAL:

Share Capital:

Authorized—1,612,325 ordinary shares without par value.

Issued —1,344,695 ordinary shares without par value..... 7,396,025

Profits reinvested or retained in the business..... 19,026,495

26,422,520

\$59,914,476

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the books and accounts of Powell River Company Limited and of certain of its subsidiary companies for the year ended December 31, 1948. In addition, we have referred to the balance sheets and income statements of the remaining subsidiary companies, together with the reports of their auditors. We report that we have obtained all the information and explanations we have required and that, in our opinion, the above consolidated balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the companies as at December 31, 1948, according to the best of our information and the explanations given to us and as shown by the books of the companies examined by us and the accounts of the remaining subsidiaries as reported upon by their auditors.

Vancouver, B. C.,
March 30, 1949.

HELLIWELL, MACLACHLAN & Co.,
Chartered Accountants.

POWELL RIVER COMPANY LIMITED

(Incorporated under the Companies Act of British Columbia)

AND ITS SUBSIDIARIES

STATEMENT OF CONSOLIDATED PROFIT

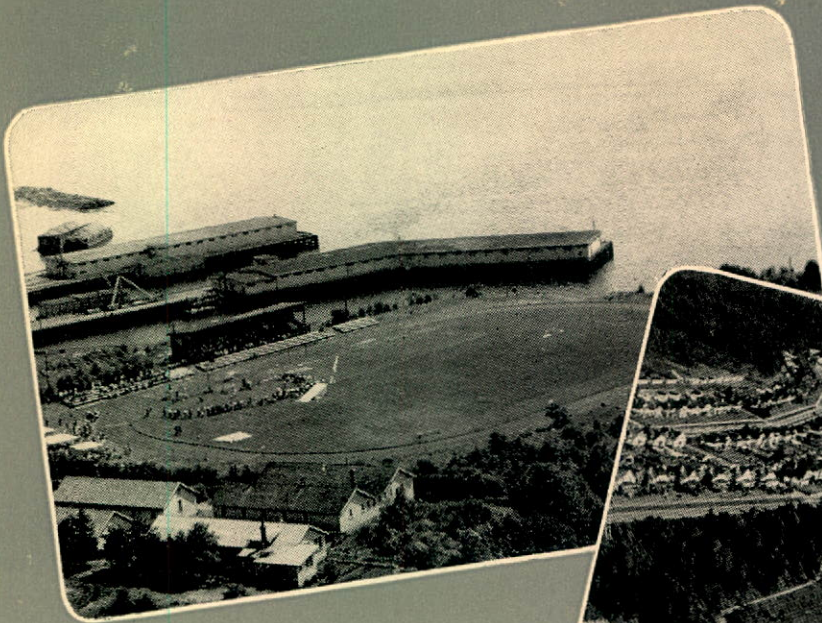
AND

ACCUMULATED PROFITS REINVESTED

OR RETAINED IN THE BUSINESS

YEAR ENDED DECEMBER 31, 1948

Consolidated profit before the undernoted items	\$13,743,548
Profit on disposals of fixed assets	55,968
	<hr/>
	13,799,516
Depreciation and depletion	2,168,219
	<hr/>
Consolidated profit before taxes	11,631,297
Dominion and Provincial income taxes	4,324,000
	<hr/>
Consolidated net profit for the year	7,307,297
Reserve for contingencies	450,000
	<hr/>
	6,857,297
Dividends paid	3,697,911
	<hr/>
	3,159,386
Profits reinvested or retained in the business, December 31, 1947.....	15,867,109
	<hr/>
Profits reinvested or retained in the business, December 31, 1948, as per consolidated balance sheet	\$19,026,495
	<hr/>



1

Sports oval provided and maintained by the Company for all forms of sport.



2

Scenic nine-hole golf course located in the heart of town paralleling the waterfront.



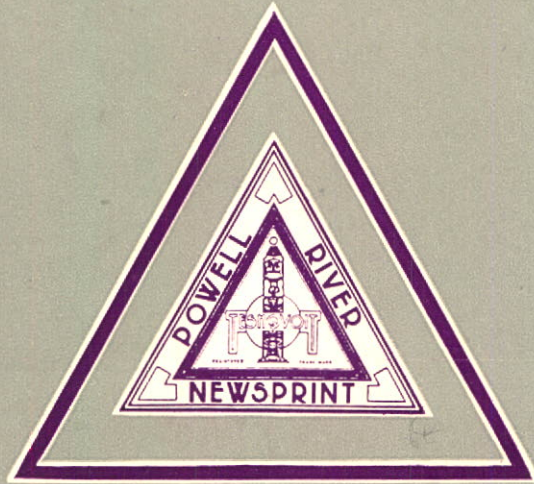
3

Some of Powell River's well kept homes overlooking Malaspina Strait and Vancouver Island.



4

Bathing beach on Company property with bathhouse, rafts and complete swimming facilities.



POWELL RIVER COMPANY LIMITED

EXECUTIVE OFFICES: VANCOUVER

MILLS: POWELL RIVER

BRITISH COLUMBIA