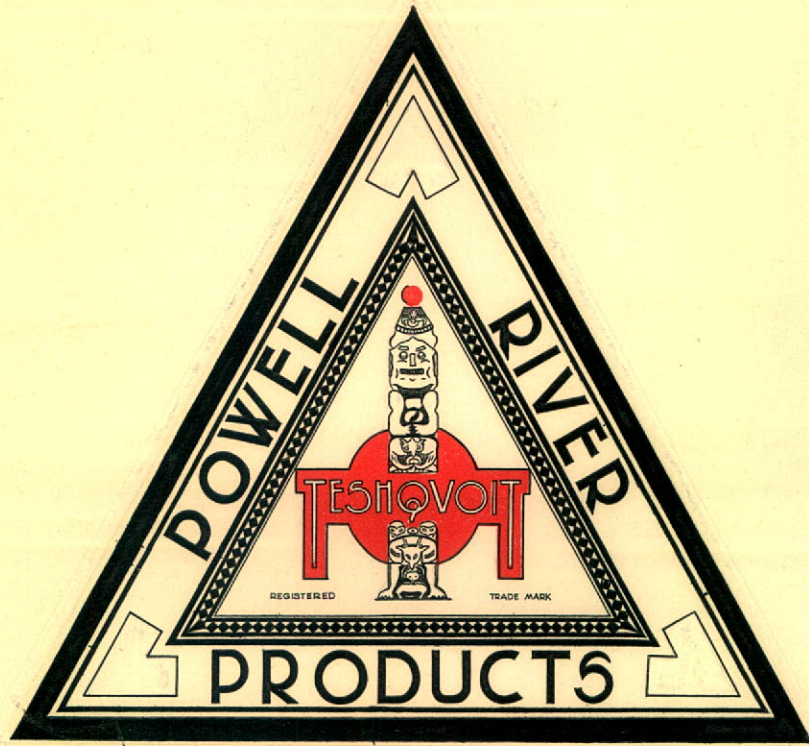


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1952

Annual Report

POWELL RIVER COMPANY LIMITED

PURVIS HALL
 LIBRARIES
 APR 16 1953
 MCGILL UNIVERSITY

Annual Shareholders' Meeting

The Annual Meeting will be held on April 28, 1953, at 2.15 p.m. (Pacific Daylight Saving Time), in the Hotel Vancouver, Vancouver, B.C.

We extend a warm welcome to all shareholders to attend this meeting. If you cannot be present, we would appreciate your completing the proxy form and returning it to us as soon as possible in the enclosed envelope.

We thank you for your co-operation in the past and your interest in the affairs of the Company.

POWELL RIVER COMPANY LIMITED

POWELL RIVER COMPANY LIMITED

DIRECTORS

ANSON BROOKS	H. F. G. LETSON
EDWARD BROOKS	G. W. O'BRIEN
W. S. BROOKS	J. G. SAMPLE
HAROLD S. FOLEY	R. H. SCANLON
M. J. FOLEY	C. WALLACE
J. H. LAWSON	A. H. WILLIAMSON

OFFICERS

HAROLD S. FOLEY	- - - -	<i>President</i>
M. J. FOLEY	- - - -	<i>Executive Vice-President</i>
G. W. O'BRIEN	- - - -	<i>Vice-President</i>
I. H. ANDREWS	- - - -	<i>Vice-President</i>
J. A. KYLES	- - - -	<i>Vice-President</i>
J. E. LIERSCH	- - - -	<i>Vice-President</i>
R. M. COOPER	- - - -	<i>Vice-President & Resident Manager</i>
J. H. LAWSON	- - - -	<i>Secretary</i>
H. J. BURNS	- - - -	<i>Comptroller</i>

TRANSFER AGENT

The Royal Trust Company, Vancouver, Toronto, Montreal

REGISTRAR

Bankers' Trust Company, Vancouver, Toronto, Montreal

EXECUTIVE OFFICES

Standard Building, Vancouver 2, British Columbia



HIGHLIGHTS

POWELL RIVER COMPANY LIMITED

	<u>1952</u>	<u>1951</u>
SALES OF PULP AND PAPER PRODUCTS—TONS	350,947	346,993
NET EARNINGS	\$7,942,393	\$9,680,479
EARNINGS PER SHARE	\$1.89	\$2.30
DIVIDENDS PAID PER SHARE	\$1.15	\$1.52
NUMBER OF SHAREHOLDERS	10,000	8,500
WAGES, SALARIES AND EMPLOYEE BENEFITS	\$14,914,000	\$14,548,000
NUMBER OF EMPLOYEES	3,572	3,789
WORKING CAPITAL	\$9,557,010	\$9,407,167
RATIO OF CURRENT ASSETS TO CURRENT LIABILITIES	2.32	1.94
INCOME TAXES	\$8,148,000	\$10,030,000
CAPITAL EXPENDITURES	\$8,071,076	\$18,097,096



1952 *Annual Report* TO SHAREHOLDERS

We take pleasure in presenting the forty-second annual report of your Company for the year ended December 31, 1952.

EARNINGS

Net earnings for the year were \$7,942,393, the equivalent of \$1.89 per share, as compared with \$2.30 for 1951.

While the combined sales of pulp and paper products were the highest in the history of the company, earnings were down chiefly due to the unfavourable rate of exchange on U.S. funds, increased costs of production and a higher rate of income tax.

The following is a comparison of the 1952 results with those of the preceding year:

	<u>1952</u>	<u>1951</u>
Consolidated profit before the undernoted items	\$20,264,245	\$23,266,887
Profit on disposal of fixed assets.....	49,542	16,169
Income from sundry investments.....	12,215	22,956
	<u>20,326,002</u>	<u>23,306,012</u>
Depreciation and depletion.....	4,112,526	3,497,126
Provision for self-insurance.....	123,083	98,407
	<u>4,235,609</u>	<u>3,595,533</u>
Consolidated profit before income taxes	16,090,393	19,710,479
Income taxes.....	8,148,000	10,030,000
Consolidated net profit.....	<u>\$ 7,942,393</u>	<u>\$ 9,680,479</u>



DIVIDENDS

Regular quarterly dividends of 25c per share were paid in March, June, September and December, with an extra of 15c in December. The total distribution for the year was \$1.15 per share, compared with \$1.52 in 1951.

WORKING CAPITAL

During the year working capital increased by \$149,843 to \$9,557,010 at December 31, 1952. The ratio of current assets to current liabilities at the year end was 2.32 as compared with 1.94 at the end of 1951.

Details of the changes in working capital during the year are summarized below:

Working Capital at January 1, 1952		\$ 9,407,167
ADDITIONS:		
Net earnings for 1952		7,942,393
Non-cash charges to operations:		
Depreciation and depletion	\$ 4,112,526	
Self-insurance	123,083	
	<hr/>	4,235,609
Bank loan—due in 1954		1,000,000
		<hr/>
		22,585,169
DEDUCTIONS:		
Capital expenditures:		
Manufacturing plants, hydro-electric development and townsite	7,359,288	
Boats and scows	300,472	
Logging equipment and development	365,551	
Timber holdings	45,765	
	<hr/>	8,071,076
Dividends paid	4,830,000	
Funds allocated for self-insurance	123,083	
Other items, net	4,000	
	<hr/>	13,028,159
Working Capital at December 31, 1952		<hr/> <hr/> \$ 9,557,010



PULP AND PAPER MILL OPERATIONS

The progress made in 1952 on the program of replacement and modernization of the Powell River plant was reflected in the record production of newsprint, which exceeded 1951 by 4,793 tons. A further increase is expected for 1953 when the full benefit of the program will be obtained. On January 28, 1953 the eight paper machines produced 1,157 tons of newsprint which is considered a world record for any one plant in 24 hours.

Due to adverse market conditions the production of sulphite pulp was curtailed in 1952 and was 6,482 tons down from 1951.

PRODUCTION — TONS		
	<u>1952</u>	<u>1951</u>
Newsprint	303,181	298,388
Unbleached Sulphite Pulp ...	39,110	45,592
Wrapper for Newsprint	4,071	3,436
Laminated and Other Products	4,266	4,851

The tonnage of newsprint sold in 1952 reached a new high level.

On June 16th a \$10 per ton increase in the price of newsprint for export markets went into effect. This increase only partially offset the continued rise in the cost of production and the exchange loss on U.S. funds.

Newsprint production on the North American Continent is now slightly in excess of consumption which has currently levelled off. However, all standard newsprint which can be produced at Powell River in 1953 has been sold on contract.

The pulp market continued to weaken throughout 1952 due to reduced demand and foreign pulp being offered at low prices. There is no present indication of any improvement in this situation, but our sales under contract for 1953 amount to approximately 80% of the production capacity at Powell River.

SALES — TONS		
	<u>1952</u>	<u>1951</u>
Newsprint	307,238	295,113
Unbleached Sulphite Pulp ...	37,429	45,139
Laminated and Other Products	6,280	6,741



SAWMILL OPERATIONS

The operations of the three sawmilling companies, acquired in the fall of 1951, were seriously affected by the six-week strike in the industry and the decline in world lumber prices. The total of all lumber products sold by these mills in 1952 was 82 million feet.

Present indications are that the 1952 sales footage will be maintained in 1953, but the tendency will be towards even lower price levels.

PROPERTIES

The program of replacement and modernization of the Powell River plant, which was to have been completed in 1952, was delayed about three months due to the strike in the construction industry. At date of writing, all projects are virtually complete and in operation. As a direct result of the program, the average daily production of newsprint in February, 1953, was 96 tons per day higher than in the corresponding month a year ago.

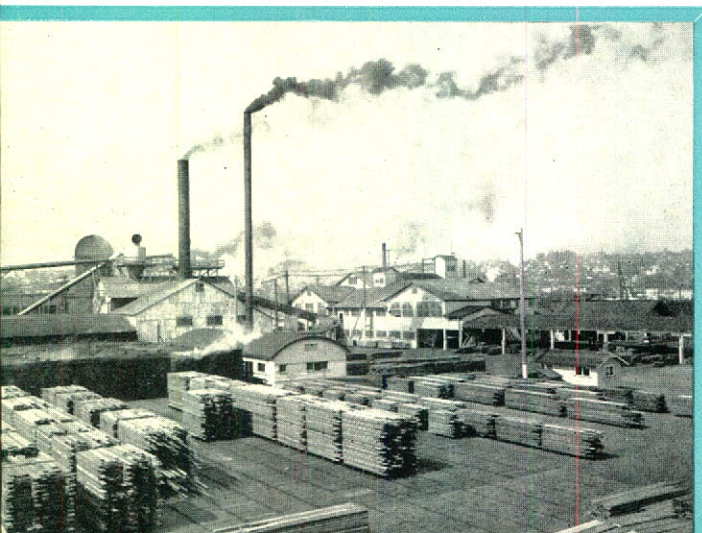
KITIMAT PROJECT

In conjunction with the Aluminum Company of Canada, we have continued our investigation with respect to the forest industry which we hope may be established at Kitimat, British Columbia.

Application has been made to the Provincial Government for a Forest Management Licence, but until such time as the Government feels justified in approving this application, we believe that the investigation and studies have been carried as far as is advisable.

The preliminary reports of economists, engineers and foresters indicate that a newsprint and pulp mill at Kitimat is a practical proposition. Before any final conclusion can be reached however, it will be necessary to carry out a thorough survey of the timber available, detailed engineering of the site and plant, and further studies of the economic factors, none of which should be undertaken prior to obtaining approval of the Forest Management Licence application. Under the circumstances, it may take a year or even longer before all the information necessary to make a decision can be assembled.

B.C. Manufacturing Co. Ltd. — sawmilling subsidiary.



RESEARCH

To keep our business abreast of competition, we are continuing both research towards improvements in our products and processes, and diversification studies. We are co-operating in research on high-yield sulphite with the Pulp and Paper Research Institute, and have joined with other members of the Industry in British Columbia on a chemical barking research project.



New wharf now completed and in operation.

PERSONNEL

The Labour Contracts, covering plant employees at Powell River, were renewed for the year ending June 30, 1953. The main changes were:— a general increase of 10c per hour raising the base wage rate to \$1.50 per hour; discontinuance of the cost-of-living bonus, with provision for reinstatement; and one more paid statutory holiday, bringing the total to six.

Settlement of contracts covering the personnel in the sawmill and logging operations was not reached until the employees had been on strike for a period of six weeks. The new agreements, effective June 15, 1952, included the following main provisions:— an increase of 5½c per hour, bringing the base wage rate to \$1.35 per hour; continuation of the cost-of-living bonus formula; and three paid statutory holidays.

In 1952, 32 employees became eligible for membership in the Company's "25 Year Club." Since the inception of the Club, 345 employees have qualified for membership, and 251 members are still in active employment with the Company.

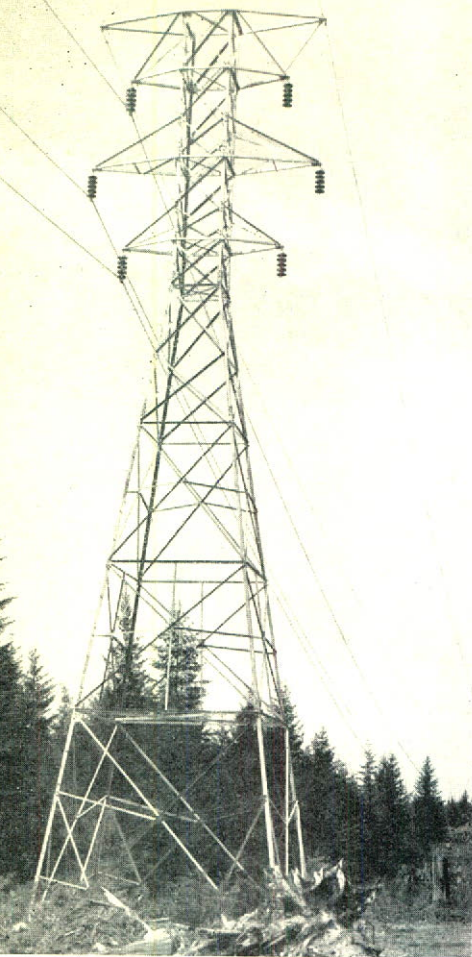
CONCLUSION

The mill development and construction projects created many operational problems at Powell River during the year. The maintenance of production under these conditions is worthy of high commendation. With this program now practically completed, we face the future confident that the resulting efficiencies and economies will further secure our competitive position in world markets.

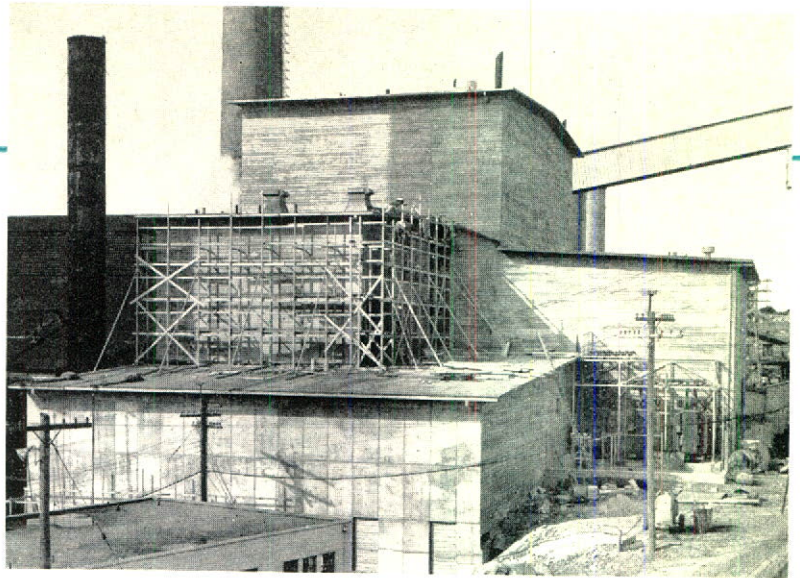
On behalf of the Board,

President.

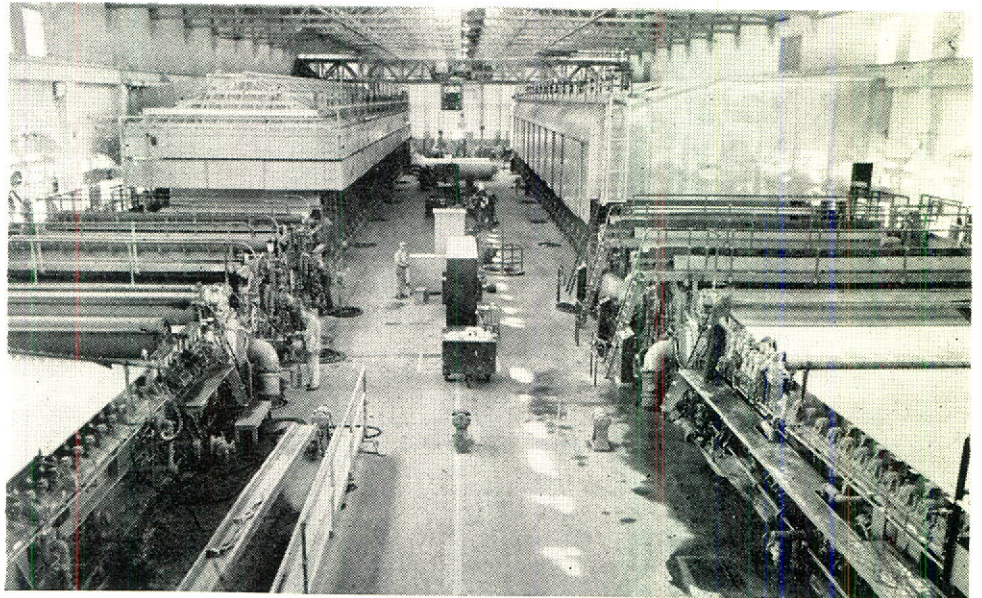
Vancouver, B.C.,
April 6, 1953.



New steel towered transmission line brings power from our Still-water power development 13 miles south.

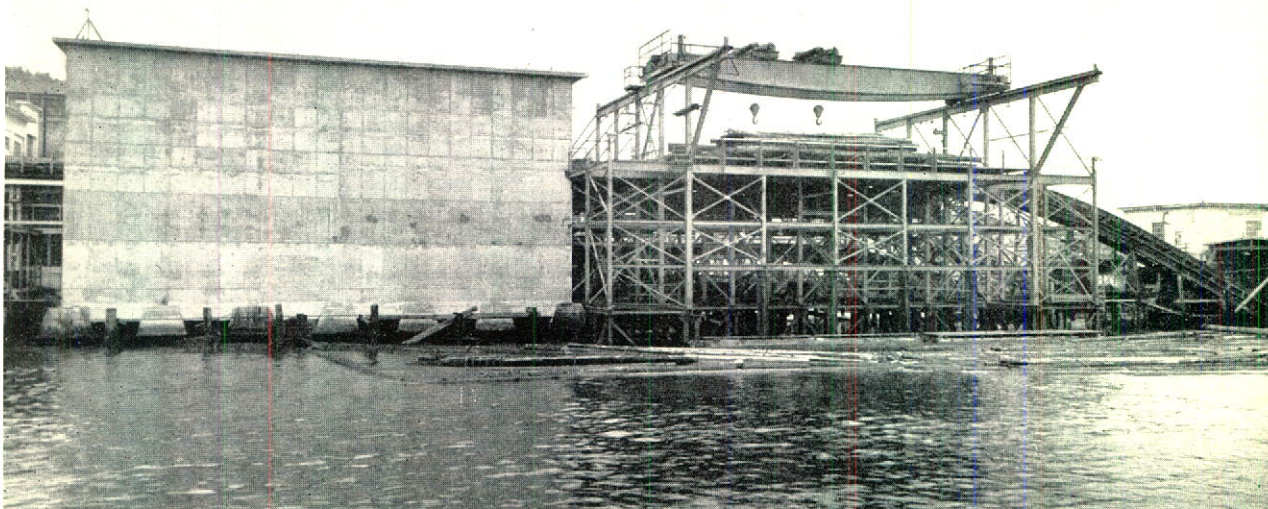


Steam plant extension, housing new high pressure boiler and turbo-generator, in final stages of construction.

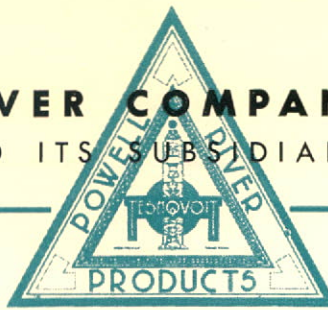


Unloading deck for small logs and new building housing ring-type log barker.

Speed up of paper machines has added to newsprint production.



POWELL RIVER COMPANY LIMITED
AND ITS SUBSIDIARIES



**Statement of Consolidated Profit
and
Accumulated Profits Reinvested or Retained in the Business**
(excluding Reserve for Contingencies)

Year Ended December 31, 1952

(With Comparable Figures for the Year Ended December 31, 1951)

	<u>1952</u>	<u>1951</u>
Consolidated Profit before the under noted items	\$20,264,245	\$23,266,887
Profit on disposal of fixed assets	49,542	16,169
Income from sundry investments	12,215	22,956
	<u>20,326,002</u>	<u>23,306,012</u>
Depreciation and depletion	4,112,526	3,497,126
Provision for self-insurance	123,083	98,407
	<u>4,235,609</u>	<u>3,595,533</u>
Consolidated Profit before income taxes	16,090,393	19,710,479
Income Taxes	8,148,000	10,030,000
Consolidated net profit for the year	7,942,393	9,680,479
Reserved for contingencies	-----	500,000
	<u>7,942,393</u>	<u>9,180,479</u>
Dividends paid	4,830,000	6,217,911
	<u>3,112,393</u>	<u>2,962,568</u>
Net credit from reduction of prior years' depreciation and other charges to agree with allowances for income tax purposes, less loss on sale of Government of Canada Bonds	-----	501,577
Profits reinvested or retained in the business January 1	28,241,553	24,777,408
Profits reinvested or retained in the business December 31, as per consolidated balance sheet	<u>\$31,353,946</u>	<u>\$28,241,553</u>



POWELL RIVER C

AND ITS SU

CONSOLIDATED BALANCE SHEET

(With Comparable Figures)

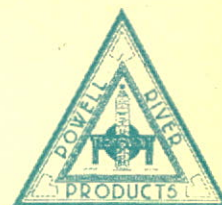
	<u>1952</u>	<u>1951</u>
ASSETS		
CURRENT:		
Cash	\$ 1,347,460	\$ 1,648,889
Government of Canada bonds at cost (Market value, 1952—\$1,532,000; 1951—\$1,673,000)	1,594,900	1,717,984
General Motors Acceptance Corporation notes at cost (Face value \$1,500,000)		1,474,948
Accounts receivable; less reserve, 1952—\$294,912; 1951—\$295,227	5,397,695	5,039,476
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 in 1952 and 1951 of \$541,446	8,480,884	9,481,469
	<u>16,820,939</u>	<u>19,362,766</u>
FUNDS ALLOCATED FOR SELF-INSURANCE:		
Government of Canada bonds, at cost	742,287	619,203
FIXED:		
Manufacturing plants and equipment, hydro-electric development, and townsite at cost	56,322,697	50,065,281
Boats and scows at cost	1,473,352	1,165,381
Logging equipment at cost and logging development at cost less amortization	7,313,879	6,816,339
	<u>65,109,928</u>	<u>58,047,001</u>
Timber holdings at cost, less depletion	11,653,164	11,871,360
	<u>76,763,092</u>	<u>69,918,361</u>
OTHER:		
Deferred charges and prepaid expenses	299,704	277,843
Sundry investments and long-term receivables	700,596	676,523
	<u>1,000,300</u>	<u>954,366</u>
	<u>\$95,326,618</u>	<u>\$90,854,696</u>

COMPANY LIMITED

BSIDIARIES

AS AT DECEMBER 31, 1952

as at December 31, 1951)



LIABILITIES

	<u>1952</u>	<u>1951</u>
CURRENT:		
Accounts payable	\$ 3,391,446	\$ 3,949,595
Share warrant dividend coupons outstanding	373,516	426,861
Income taxes payable	3,498,967	5,579,143
	<u>7,263,929</u>	<u>9,955,599</u>
NOTES PAYABLE TO BANKS (NON-CURRENT)	3,500,000	2,500,000
RESERVE FOR DEPRECIATION OF FIXED ASSETS	38,206,456	35,278,341
RESERVE FOR SELF-INSURANCE	742,287	619,203
RESERVE FOR CONTINGENCIES	2,500,000	2,500,000
CAPITAL:		
Share capital—ordinary shares without par value:		
Authorized—4,836,975 shares		
Issued —4,200,000 shares	11,760,000	11,760,000
Profits reinvested or retained in the business, excluding reserve for contingencies	31,353,946	28,241,553
	<u>43,113,946</u>	<u>40,001,553</u>
On Behalf of the Board:		
HAROLD S. FOLEY, Director.		
JAMES H. LAWSON, Director.		
	<u>\$95,326,618</u>	<u>\$90,854,696</u>



POWELL RIVER COMPANY LIMITED

AUDITORS' REPORT

MARINE BUILDING,
VANCOUVER I.
BRITISH COLUMBIA

HELLIWELL, MACLACHLAN & CO.
Chartered Accountants
TELEPHONE MARINE 1877
CABLE ADDRESS "HELLIWELL, VANCOUVER"

To the Shareholders of
Powell River Company Limited :

We have examined the consolidated balance sheet of Powell River Company Limited and its subsidiaries as at December 31, 1952, and the statement of consolidated profit and accumulated profits reinvested or retained in the business for the year ended on that date, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records of the parent company and the subsidiaries for which we acted as auditors, and such other supporting evidence as we considered necessary in the circumstances. In addition, we have referred to the balance sheets and income statements of the subsidiaries not examined by us, together with the reports of their auditors.

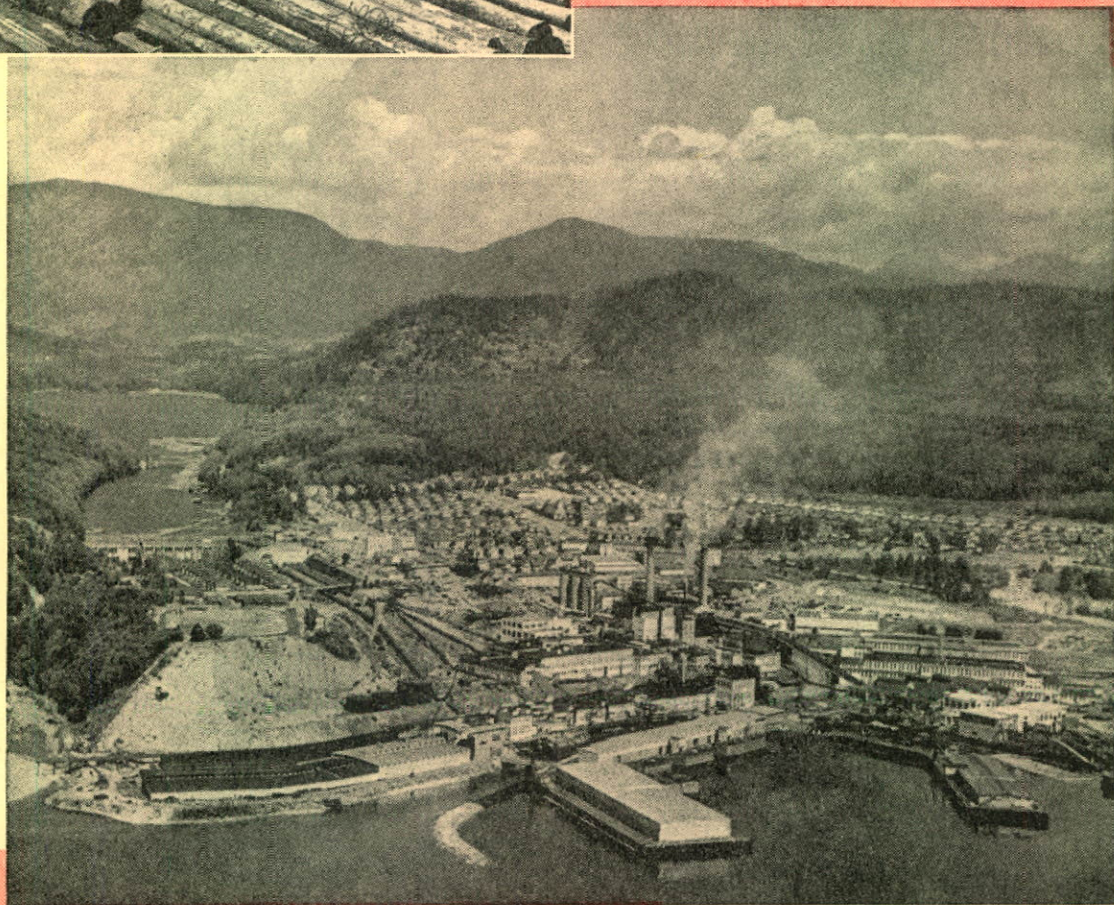
In our opinion the accompanying consolidated balance sheet and related statement of consolidated profit and accumulated profits drawn up so as to exhibit in the business are properly reinvested or retained a true and correct view of the state of the combined affairs of the companies as at December 31, 1952 and the results of their operations for the year ended 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 examined by us and the accounts of the remaining subsidiaries as reported upon by their auditors.

Helliwell, MacLachlan & Co.
Chartered Accountants

VANCOUVER, B. C.
March 10, 1953.



1. A large proportion of the logs for our operations is cut from timber limits in the Queen Charlotte Islands. Here they are rafted into Davis Rafts and towed by Company tugs to the mill 450 miles to the south. Photo shows raft almost completed.



2. Recent view of Powell River showing plant and portion of the town. The new wharf is shown in the centre foreground.

3. Latest addition to our towing fleet is MV "Kingcome" completed by Yarrows Ltd., Victoria, last year. Here shown on her trial run in Vancouver harbour the Kingcome is one of the most modern tugs on the British Columbia coast.





POWELL RIVER COMPANY LIMITED

Incorporated 1911