

1953
Annual Report

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POWELL RIVER COMPANY LIMITED

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POWELL RIVER COMPANY LIMITED

**Executive Offices: Standard Building
Vancouver 2, British Columbia**

DIRECTORS

ANSON BROOKS	MAJ.-GEN. H. F. G. LETSON, C.B.
EDWARD BROOKS	G. W. O'BRIEN
W. S. BROOKS	J. S. SAMPLE
HAROLD S. FOLEY	R. H. SCANLON
M. J. FOLEY	COL. - HON. C. WALLACE, C.B.E.
J. H. LAWSON, Q.C.	A. H. WILLIAMSON, O.B.E.

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</i>
J. H. LAWSON, Q.C.	-	-	<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



RESULTS IN BRIEF

	<u>1953</u>	<u>1952</u>
SALES OF PULP AND PAPER PRODUCTS—TONS	369,735	350,947
NET EARNINGS	\$9,726,308	\$7,942,393
EARNINGS PER SHARE	\$2.32	\$1.89
DIVIDENDS PAID PER SHARE	\$1.45	\$1.15
NUMBER OF SHAREHOLDERS	11,000	10,000
WAGES, SALARIES AND EMPLOYEE BENEFITS	\$15,719,000	\$14,914,000
NUMBER OF EMPLOYEES	3,853	3,572
WORKING CAPITAL	\$11,462,636	\$9,557,010
RATIO OF CURRENT ASSETS TO CURRENT LIABILITIES	2.38	2.32
INCOME TAXES	\$9,510,000	\$8,148,000
CAPITAL EXPENDITURES	\$2,925,899	\$8,071,076



1953

Annual Report

TO OUR SHAREHOLDERS

We are pleased to present the forty-third annual report of your Company for the year ended December 31, 1953.

Earnings

Net earnings for the year were \$9,726,308, the equivalent of \$2.32 per share, as compared with \$1.89 for 1952.

Production and sales of pulp and paper products reached a new high chiefly as a result of our recently completed program of replacement and modernization of the plant at Powell River. While earnings were substantially higher than 1952, they were only on a par with 1951, and are still below the peak year of 1950, due to the unfavorable rate of U.S. exchange, higher labour and material costs, and lower pulp prices.

The results for 1953 are compared with those for 1952 in the following summary:

	<u>1953</u>	<u>1952</u>
Consolidated profit before the undernoted items	\$23,527,749	\$20,264,245
Profit on disposal of fixed assets	18,018	49,542
Income from sundry investments	6,417	12,215
	23,552,184	20,326,002
Depreciation and depletion	4,179,773	4,112,526
Provision for self-insurance	136,103	123,083
	4,315,876	4,235,609
Consolidated profit before income taxes ...	19,236,308	16,090,393
Income taxes	9,510,000	8,148,000
Consolidated net profit	\$ 9,726,308	\$ 7,942,393

Dividends

Regular quarterly dividends of 25c per share were paid in March, June, September and December, with extras of 15c in June and 30c in December. The total distribution for the year was \$1.45 per share, compared with \$1.15 for 1952.



Working Capital

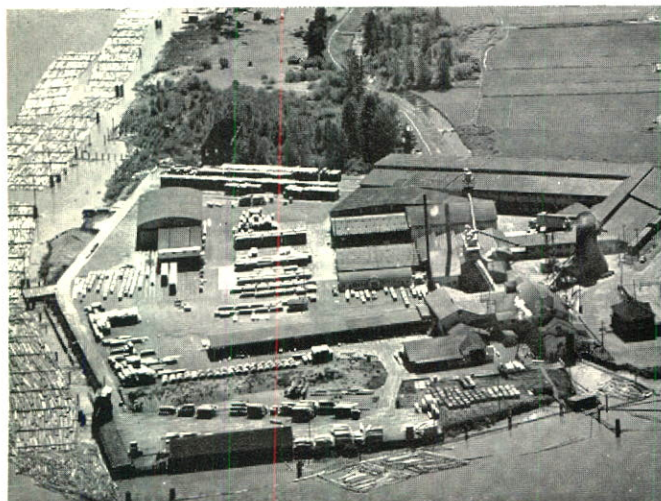
During the year working capital increased by \$1,905,626 to \$11,462,636 at December 31, 1953. The ratio of current assets to current liabilities was 2.38 as compared with 2.32 at the end of 1952.

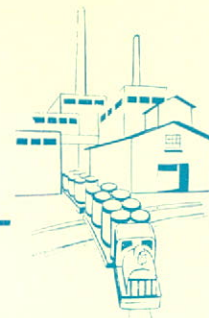
Details of the changes in working capital are summarized below:

Working Capital at January 1, 1953		\$ 9,557,010
ADDITIONS:		
Net earnings for 1953		9,726,308
Non-cash charges to operations:		
Depreciation and depletion	\$ 4,179,773	
Self-insurance	136,103	
		<u>4,315,876</u>
Other items		515,444
		<u>24,114,638</u>
DEDUCTIONS:		
Capital expenditures:		
Manufacturing plants, hydro-electric development and townsite	2,644,010	
Boats and scows	104,473	
Logging equipment and development	166,010	
Timber holdings	11,406	
		<u>2,925,899</u>
Retirement of notes payable to banks	3,500,000	
Dividends paid	6,090,000	
Funds allocated for self-insurance	136,103	
		<u>12,652,002</u>
Working Capital at December 31, 1953		<u>\$11,462,636</u>

Views of Lumber operations.

B.C. Manufacturing Co. Ltd. (left) and portion of Westminster Shook Mills Ltd. (right).





Pulp and Paper Mill Operations

Production of newsprint reached a new record of 331,181 tons, an increase of 28,000 tons over the previous year. A seven-day basis of operation was instituted at the mill in December in place of the six-day operation and, consequently, we expect a further increase in newsprint production in 1954.

We processed the maximum amount of unbleached sulphite pulp available for sale, which was lower than 1952 due to the requirements for increased newsprint production.

Production—Tons	<u>1953</u>	<u>1952</u>
Newsprint	331,181	303,181
Unbleached Sulphite Pulp	31,726	39,110
Newsprint Wrapper, Laminated and Other Products	8,128	8,337

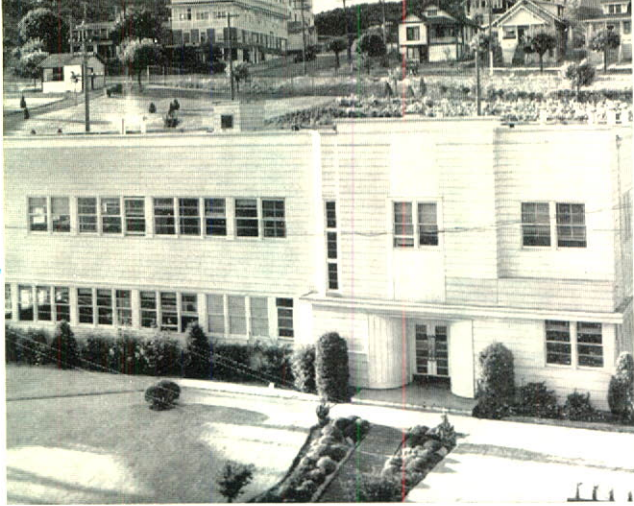
The basic price of newsprint established in 1952 for the United States market remained unchanged throughout 1953. The Canadian price, which could not be changed in 1952 due to Government controls, was increased \$7.00 per ton on April 1, 1953. The newsprint market continues to be strong and we have contracted for the sale of our entire production for 1954.

The demand and price for pulp dropped to a very low level in 1953 but we were able to sell our full production. Prices have not improved but demand has strengthened and we have sold under contract all the anticipated tonnage for 1954.

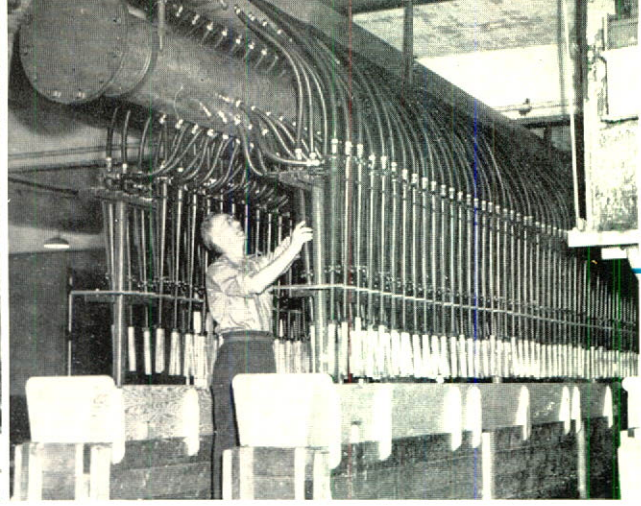
Sales—Tons	<u>1953</u>	<u>1952</u>
Newsprint	329,762	307,238
Unbleached Sulphite Pulp	34,403	37,429
Laminated and Other Products	5,570	6,280

Subsidiary Operations

Earnings of our sawmills in 1953 were higher than in 1952, with the volume of sales totaling 85 million feet board measure, an increase of 3 million over the previous year. Demand in the United Kingdom and Canada has strengthened recently but, due to lower prices, indications are that sawmill earnings will be lower in 1954.



Modern research laboratory building at Powell River.



New centri-cleaners installed to improve pulp quality have proven very satisfactory.

The logging subsidiaries produced a total of 209 million feet of logs in 1953 compared to 139 million feet in 1952. Although logging costs were reduced as a result of higher production and a steadier and more efficient work force, earnings were down due to substantially lower sales prices. In 1954 we are planning on a production of approximately 250 million feet to meet the additional requirements for the seven-day operation at Powell River.

Kitimat Project

There is nothing new to report in connection with the possibility of establishing a forest industry at Kitimat, B.C. We are still awaiting word from the Provincial Government with respect to our Forest Management License application. We think it is reasonable to expect their decision in the not too distant future.

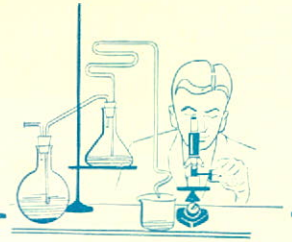
Research & Development

The program of replacement and modernization was completed during 1953, and no major construction or development projects are presently underway. However, we are continuing to carry out engineering studies pertaining to future improvements in plant and equipment.

A very significant improvement in the groundwood process has been developed by our research staff at Powell River. As a result, power requirement has been reduced by 10% and grinder capacity increased an equivalent amount, providing us with power and facilities for additional newsprint production. Another project of interest recently developed by our staff is a new means of controlling paper machine speed variations, which we expect will enable the machines to operate at higher speeds.

To maintain our high standards, we have continued to give special attention to improvement in the quality of all our products with particular emphasis on Supertone, a high grade newsprint.

In recent years we have acquired additional operations to provide diversification of products and more complete utilization of forest resources. In order to obtain the maximum results from our expanded operations, we have now set up a senior planning division to plan for the future prosperity of the Company through better utilization of raw materials, development of new products, acquisition of desirable processes and plants; and, at the same time, to plan the orderly growth of our entire organization.



Personnel

Labour has shown a decided tendency toward stabilization throughout our operations. To illustrate, the turnover at Powell River in 1953 was the lowest in many years. Only 177 employees left the Company during the year compared with 422 in 1952 and 813 in 1951.

The 1953 negotiations with the Unions representing plant employees at Powell River were the most difficult we have experienced. Meetings commenced in June and did not end until November when a Government supervised strike vote was taken. Further direct negotiations brought about a two-year agreement which will run until June 30, 1955. It provides for a 5c per hour general increase from July 1, 1953, an additional 2c per hour on December 1, and a further 2c per hour on May 1, 1954. This increases the base wage rate from \$1.50 per hour to \$1.59. The agreement also provides for one additional paid holiday.

Contracts covering the personnel in sawmills and logging operations effective June 15, 1953, provide for incorporation of the cost-of-living bonus of 9c per hour into the basic wage rate, and a general wage increase of 5c per hour. This brings the base rate from \$1.35 per hour to \$1.49. Also included in the agreements were two additional paid holidays.

Our continuing program of safety was intensified during the year and as a result our accident record has shown a decided improvement.

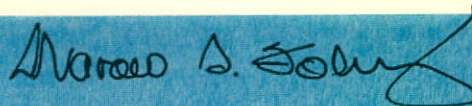
During the year 20 employees became eligible for membership in the "25 Year Club," bringing the total who have qualified for membership to 365, of which 253 are still in active employment with the Company.

Conclusion

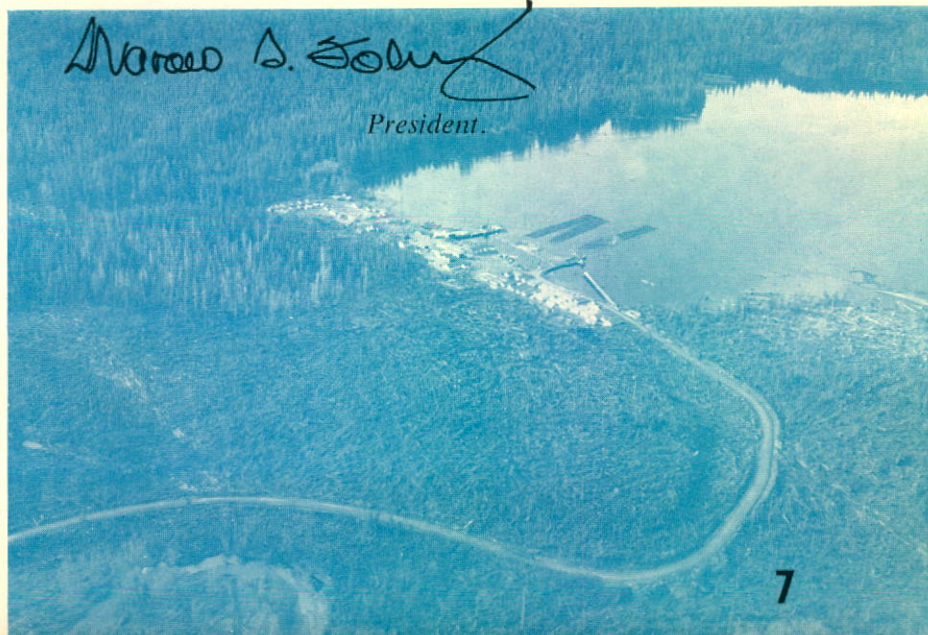
We again wish to thank all the members of our organization who have contributed to the improved results for 1953. Our plants are now in a strong competitive position, and we look forward to 1954 with confidence.

On behalf of the Board,

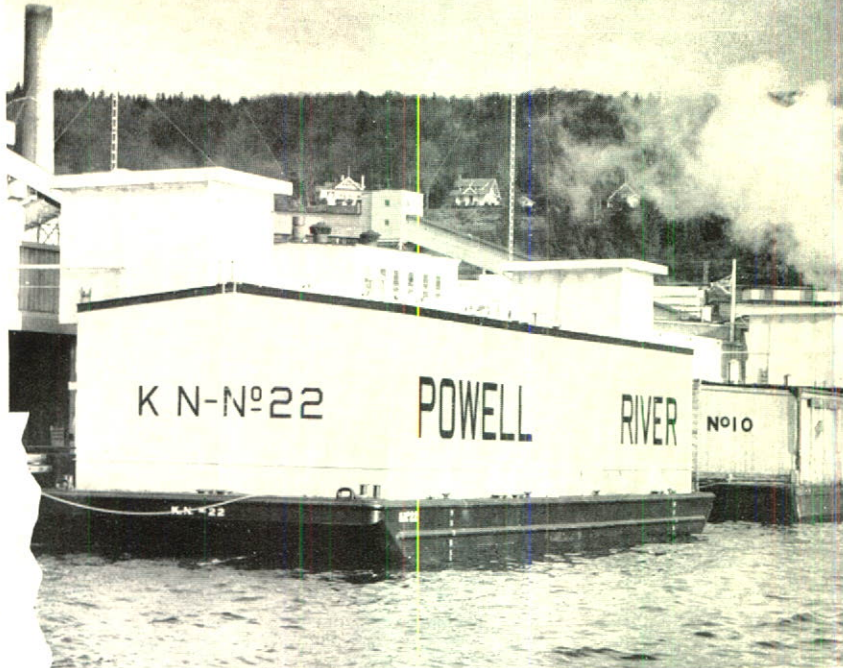
Vancouver, B.C.,
April 6, 1954.


President.

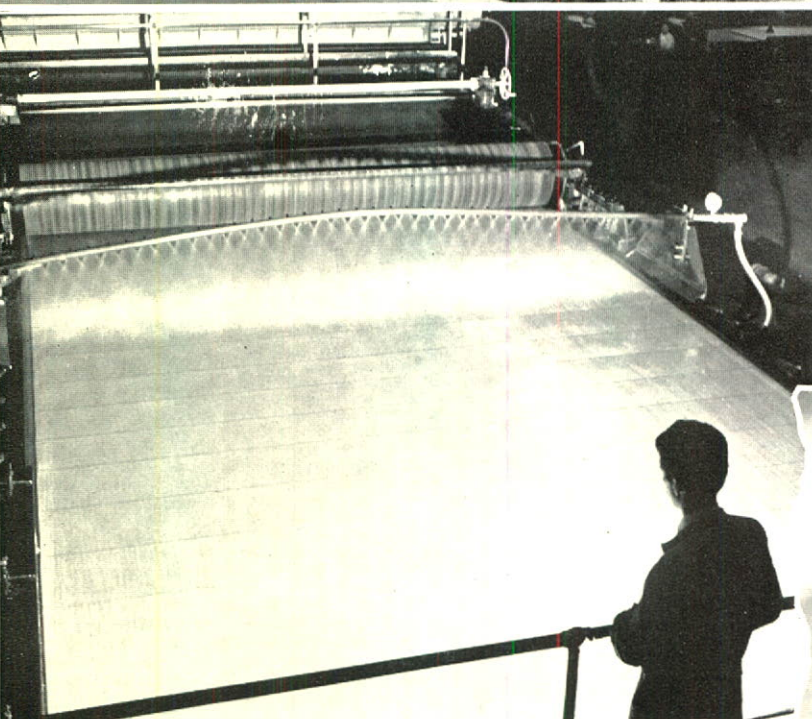
Juskatla logging camp in
Queen Charlotte Islands.



New all-steel barge with capacity of 500 tons built for subsidiary Kingcome Navigation Company Limited to transport newsprint to Vancouver.

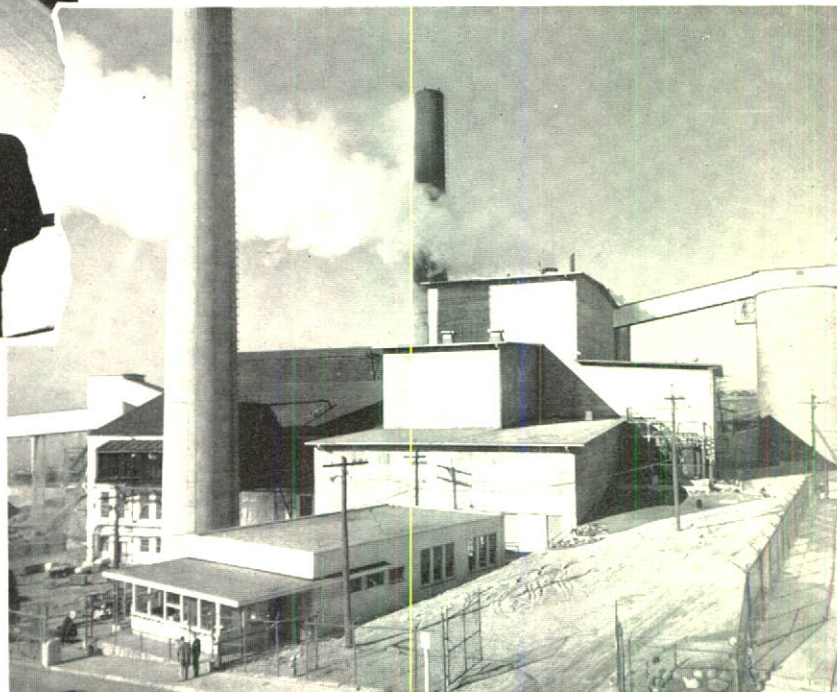


Section of mill grounds in front of Machine Room building housing Numbers 7 and 8 paper machines.



First stage of newsprint production is high-speed paper machine wire where pulp mixture (99½% water) flows onto fine mesh copper wire through which water drains leaving wood fibres to form sheet of newsprint.

Modern steam plant addition housing new high-pressure boiler and turbo-generator completed early in the year.





Statement of Consolidated Profit

and

**Unappropriated Profits Reinvested or Retained in the Business
Year Ended December 31, 1953**

(With comparable figures for the year ended December 31, 1952)

	<u>1953</u>	<u>1952</u>
Consolidated profit before the undernoted items	\$23,527,749	\$20,264,245
Profit on disposal of fixed assets.....	18,018	49,542
Income from sundry investments.....	6,417	12,215
	<u>23,552,184</u>	<u>20,326,002</u>
Depreciation and depletion.....	4,179,773	4,112,526
Provision for self-insurance.....	136,103	123,083
	<u>4,315,876</u>	<u>4,235,609</u>
CONSOLIDATED PROFIT BEFORE TAXES	19,236,308	16,090,393
Income taxes.....	9,510,000	8,148,000
CONSOLIDATED NET PROFIT FOR THE YEAR	9,726,308	7,942,393
Reserved for contingencies.....	500,000	—
	<u>9,226,308</u>	<u>7,942,393</u>
Dividends paid	6,090,000	4,830,000
	<u>3,136,308</u>	<u>3,112,393</u>
Unappropriated profits reinvested or retained in the business January 1.....	31,353,946	28,241,553
UNAPPROPRIATED PROFITS RE- INVESTED OR RETAINED IN THE BUSINESS DECEMBER 31, AS PER STATEMENT OF CONSOLIDATED FINANCIAL POSITION	\$34,490,254	\$31,353,946

POWELL RIVER COMPANY LIMITED

AND ITS SUBSIDIARIES

Statement of Consolidated Financial Position

	As at December 31	
	1953	1952
CURRENT ASSETS:		
Cash	\$ 1,519,269	\$ 1,347,460
Government of Canada bonds, at cost (Note 1)	3,419,297	1,594,900
General Motors Acceptance Corporation notes, at cost	982,354	—
Accounts receivable, less allowance for losses	4,987,793	5,397,695
Inventories (Note 2)	8,467,674	8,480,884
Insurance and other prepaid expenses	388,816	299,704
TOTAL CURRENT ASSETS	19,765,203	17,120,643
CURRENT LIABILITIES:		
Accounts payable	2,320,487	3,391,446
Share warrant dividend coupons outstanding	444,677	373,516
Income taxes payable	5,537,403	3,498,967
TOTAL CURRENT LIABILITIES	8,302,567	7,263,929
WORKING CAPITAL	11,462,636	9,856,714
FUNDS ALLOCATED FOR SELF-INSURANCE:		
Government of Canada bonds, at cost	878,390	742,287
SUNDRY INVESTMENTS AND LONG-TERM RECEIVABLES	539,808	700,596
PLANTS AND EQUIPMENT, at cost less depreciation (Note 3)	25,897,775	26,903,472
TIMBER HOLDINGS, at cost less depletion	11,350,035	11,653,164
	50,128,644	49,856,233
DEDUCT NOTES PAYABLE TO BANKS, NON-CURRENT	—	3,500,000
EXCESS OF ASSETS OVER LIABILITIES	50,128,644	46,356,233
SHAREHOLDERS' INTEREST represented by:		
Share capital — 4,200,000 shares (Note 4)	11,760,000	11,760,000
Profits reinvested or retained in the business:		
Appropriated for contingencies	3,000,000	2,500,000
Appropriated for self-insurance	878,390	742,287
Unappropriated	34,490,254	31,353,946
	\$50,128,644	\$46,356,233
On Behalf of the Board:		
HAROLD S. FOLEY, Director		
JAMES H. LAWSON, Director		



Notes to Financial Statements

NOTE 1: Market value of Government of Canada bonds was \$3,371,000 at December 31, 1953 and \$1,532,000 at December 31, 1952.

NOTE 2: Inventories comprise 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 an allowance of \$541,446 (1953 and 1952) for decline in prices.

NOTE 3: Manufacturing plants and equipment, hydro-electric development, and townsite at cost

	\$58,720,745	\$56,322,697
Boats and scows at cost.....	1,574,825	1,473,352
Logging equipment at cost and logging development at cost less amortization.....	7,263,362	7,313,879
	<u>67,558,932</u>	<u>65,109,928</u>
Deduct accumulated depreciation.....	41,661,157	38,206,456
	<u>\$25,897,775</u>	<u>\$26,903,472</u>

NOTE 4: Authorized share capital at December 31, 1953 and 1952 was 4,836,975 shares without par value, of which 4,200,000 shares were issued.

HELLIWELL, MACLACHLAN & CO.
Chartered Accountants

TELEPHONE MARINE 1277
CABLE ADDRESS "HELLIWELL, VANCOUVER"

MARINE BUILDING,
VANCOUVER I,
BRITISH COLUMBIA

Auditors' Report

To the Shareholders of
Powell River Company Limited:

We have examined the statement of consolidated financial position of Powell River Company Limited and its subsidiaries as at December 31, 1953, and the statement of consolidated profit and unappropriated 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 statements of financial position and income statements of the subsidiaries not examined by us, together with the reports of their auditors.

In our opinion the foregoing statement of consolidated financial position, together with the notes thereto, and related statement of consolidated profit and unappropriated profits reinvested or retained in the business are 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, 1953 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 8, 1954

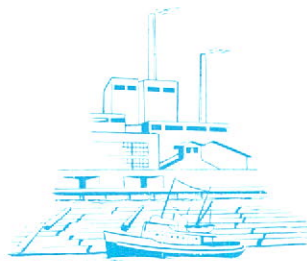
ANNUAL SHAREHOLDERS' MEETING

We wish to thank our shareholders for their co-operation and interest in the affairs of the company which was displayed by the prompt return of proxies for our last Annual Meeting.

This year's meeting will be held on Tuesday, April 27, 1954, at 2:15 p.m. (Pacific Daylight Saving Time) in the Hotel Vancouver, Vancouver, B.C.

We hope that all who can attend the meeting will do so but if you cannot be present we would appreciate your completing the enclosed proxy form and returning it to us as soon as possible.

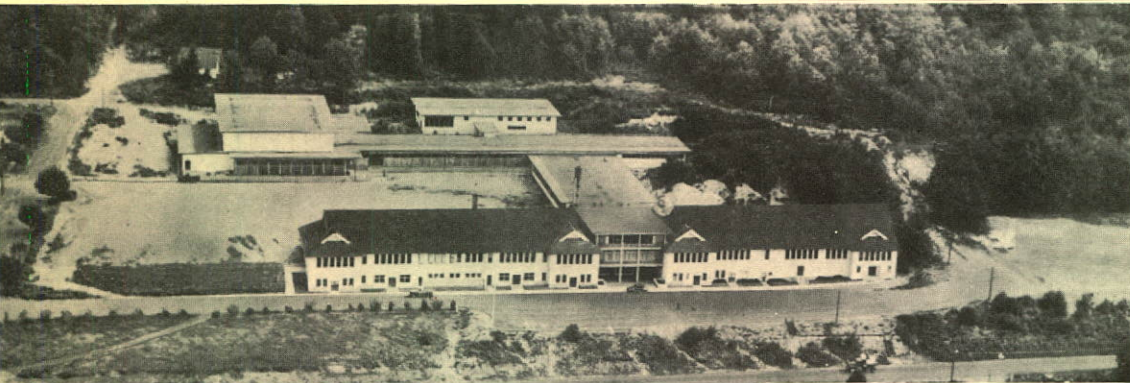
**POWELL RIVER
COMPANY LIMITED**



Residents of Powell River enjoy excellent swimming at Willingdon Beach where the Company has provided complete facilities.



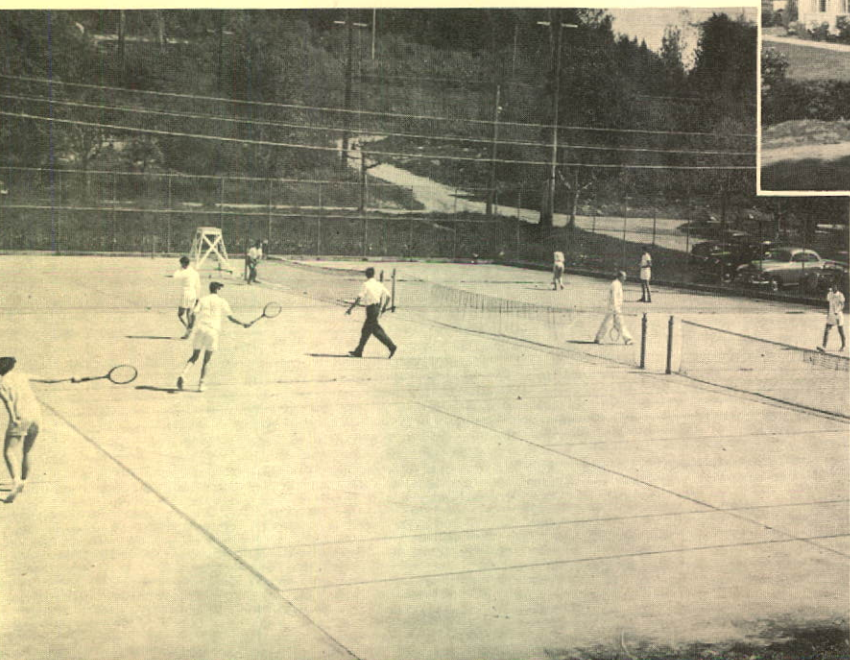
Powell River High School ranks as one of the most modern in the Province.



New Company Firehall and equipment protecting plant and town-site.



Among the various recreational facilities provided are concrete tennis courts.





POWELL RIVER COMPANY LIMITED

Incorporated 1911