

1954
Annual Report

POWELL RIVER COMPANY LIMITED

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Powell River Company Limited



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.

* Deceased

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

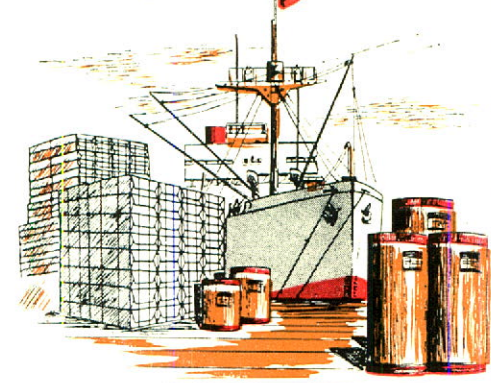
The Royal Trust Company, Vancouver, Toronto, Montreal

REGISTRAR

Bankers' Trust Company, Vancouver, Toronto, Montreal

EXECUTIVE OFFICES: STANDARD BUILDING, VANCOUVER 2, B. C.

Results in brief



	<u>1954</u>	<u>1953</u>
SALES OF PAPER AND PAPER PRODUCTS—TONS	413,099	369,735
NET EARNINGS	\$11,258,311	\$9,726,308
EARNINGS PER SHARE	\$2.68	\$2.32
DIVIDENDS PAID PER SHARE	\$1.60	\$1.45
NUMBER OF SHAREHOLDERS	11,500	11,000
WAGES, SALARIES AND EMPLOYEE BENEFITS	\$18,751,000	\$15,719,000
NUMBER OF EMPLOYEES	4,225	3,853
WORKING CAPITAL	\$16,258,406	\$11,462,636
RATIO OF CURRENT ASSETS TO CURRENT LIABILITIES	2.95	2.38
INCOME TAXES	\$11,325,000	\$9,510,000
CAPITAL EXPENDITURES	\$4,300,330	\$2,925,899

1954 ANNUAL REPORT

to our **S**hareholders

We take pleasure in presenting the forty-fourth annual report of your Company for the year ended December 31, 1954.

Earnings

Net earnings for the year were \$11,258,311, the equivalent of \$2.68 per share, as compared with \$2.32 for 1953.

The increase is chiefly due to the continuous operation of our newsprint machines, together with the recent improvements to the plant at Powell River. Other contributing factors were improved earnings of our logging subsidiaries, and inclusion of the earnings of Martin Paper Products Limited, which company we acquired early in the year.

The following statement compares the operating results for 1954 with those for 1953:

	<u>1954</u>	<u>1953</u>
Consolidated profit before the undernoted items	\$27,091,482	\$23,527,749
Profit on disposal of fixed assets	43,513	18,018
Profit on sale of Government of Canada bonds ..	88,915	—
Income from sundry investments	11,078	6,417
	<u>27,234,988</u>	<u>23,552,184</u>
Depreciation and depletion	4,497,038	4,179,773
Provision for self-insurance	121,610	136,103
Dividends and redemption premium paid on preferred shares of subsidiary	33,029	—
	<u>4,651,677</u>	<u>4,315,876</u>
Consolidated profit before income taxes	22,583,311	19,236,308
Income taxes	11,325,000	9,510,000
Consolidated net profit	<u>\$11,258,311</u>	<u>\$ 9,726,308</u>

Dividends

Regular quarterly dividends of 25c per share were paid in March, June, September and December, with extras of 25c in June and 35c in December. The total distribution for the year was \$1.60 per share, compared with \$1.45 for 1953.



Working Capital

During the year working capital increased by \$4,795,770 to \$16,258,406 at December 31, 1954. The ratio of current assets to current liabilities was 2.95 as compared with 2.38 at the end of 1953.

Details of changes in working capital are summarized below:

Working Capital at January 1, 1954.....		\$11,462,636
ADDITIONS:		
Net earnings for 1954.....		11,258,311
Non-cash charges to operations:		
Depreciation and depletion	\$4,497,038	
Self-insurance	121,610	
		<u>4,618,648</u>
Other items		60,751
		<u>27,400,346</u>
DEDUCTIONS:		
Capital expenditures:		
Manufacturing plants, hydro-electric development and townsite	2,554,066	
Marine equipment	1,497,557	
Logging equipment and development	248,707	
		<u>4,300,330</u>
Dividends paid	6,720,000	
Funds allocated for self-insurance	121,610	
		<u>11,141,940</u>
Working Capital at December 31, 1954		<u><u>\$16,258,406</u></u>

Latest addition to tugboat fleet—"N. R. Lang"—named after the company's first managing director.





Pulp and Paper Mill Operations

Continuous operation of the newsprint machines, together with the installation of the couch transfer on No. 8 machine and higher machine speeds, resulted in increased production over the previous year of 44,770 tons of newsprint. A new 24 hour record of 1219.9 tons was produced on January 9, 1955.

Production of unbleached sulphite pulp was up slightly to 33,499 tons, which was the maximum amount available for sale.

Production - Tons

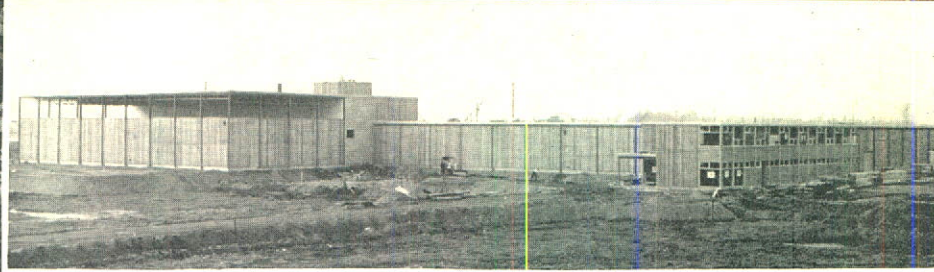
	<u>1954</u>	<u>1953</u>
Newsprint	375,951	331,181
Unbleached Sulphite Pulp	33,499	31,726
Newsprint Wrapper, Laminated and Other Products	8,073	8,128

There was no change in the basic price of newsprint in 1954. Indications for 1955 are that a close balance between supply and demand will prevail, but all the standard newsprint which can be produced at Powell River in 1955, has been sold on contract.

Demand for unbleached sulphite pulp has strengthened, and we expect to sell our entire output for 1955 at slightly higher prices.

Sales - Tons

	<u>1954</u>	<u>1953</u>
Newsprint	375,971	329,762
Unbleached Sulphite Pulp	31,452	34,403
Laminated and Other Products	5,676	5,570



Martin Paper Products Limited
above—New Westminister plant almost completed.
left—Winnipeg plant

Subsidiary Operations

Early in 1954 we disposed of our sawmill at Haney, B.C., since it did not fit in with our overall plans for integration and development. As a result, the total volume of lumber sales was down, however, our two sawmills in New Westminister, B.C., sold a total of 77 million feet board measure as compared with 70 million in 1953. Demand for our lumber products looks favourable for 1955.

Earnings of the logging subsidiaries showed an improvement over the previous year. Total production reached 264 million feet of logs compared with 209 million feet in 1953.

In 1954 we purchased Martin Paper Products Limited, a manufacturer of corrugated containers with plants in Winnipeg, Calgary and Edmonton. Construction of a fourth plant at New Westminister, B.C., was started in September and production is scheduled to commence in April, 1955. This move into the container field is another step in our plan for diversification of products and integration of operations toward complete utilization of our forest resources.

Kitimat Project

The application for a Forest Management License has now been conditionally approved by the Provincial Government. This enables a forest survey to be undertaken which is an essential preliminary to finalization of the License. The survey and examination of possible sites and markets are proceeding but will take some time. Until they are completed, no decision on this project can be made.

Research & Development

No major development project was carried out in 1954. However, engineering studies on plant and equipment improvements were continued and a speed-up program for No. 7 Paper Machine is now underway, which will be completed by the end of 1955. This should result in about 14,000 tons per year additional newsprint production and will cost \$1,500,000.

During the year our research staff perfected a method which has eliminated the sulphur dioxide gas nuisance at Powell River, and at the same time savings in sulphur consumption have been effected.

The Planning Division, which was set up last year, and whose purpose is to plan for the future well-being of the Company, has several projects and studies underway. These are being conducted in the fields of utilization of raw materials, market considerations and search for new products.

Personnel

The Labour Contracts signed in July, 1953, with the Unions representing employees at Powell River, covered a two-year period and therefore were not subject to negotiation during 1954.

Contracts covering the personnel in sawmills and logging operations were renewed effective June 15, 1954, for a one-year period, and provided for three additional paid holidays.

There was some improvement in the accident frequency rate at Powell River in 1954, and the experience in our sawmills has been very good. One of the mills established a record by completing the twelve months without a compensable accident. In the logging operations, the accident record has not been as satisfactory, and every effort is being made to improve it.

During the year 30 employees became eligible for membership in the "25 Year Club" bringing the total since its inception to 399. There are 274 of these members still in active employment with the Company.

Conclusion

The Directors again wish to express their appreciation to those members of the organization whose loyalty and efficiency have contributed to the satisfactory results for 1954.

It is with deep regret that we record the death on December 8, 1954, of Mr. Edward Brooks, our senior Director, and a son of Dr. D. F. Brooks, one of the founders of the Company. Mr. Brooks had always been closely associated with the Company and played a large part in its development. His sound judgment, leadership and warm personality will be greatly missed.

Mr. Conley Brooks, eldest son of the late Mr. Edward Brooks, has been appointed a Director to fill the vacancy created by the passing of his father.

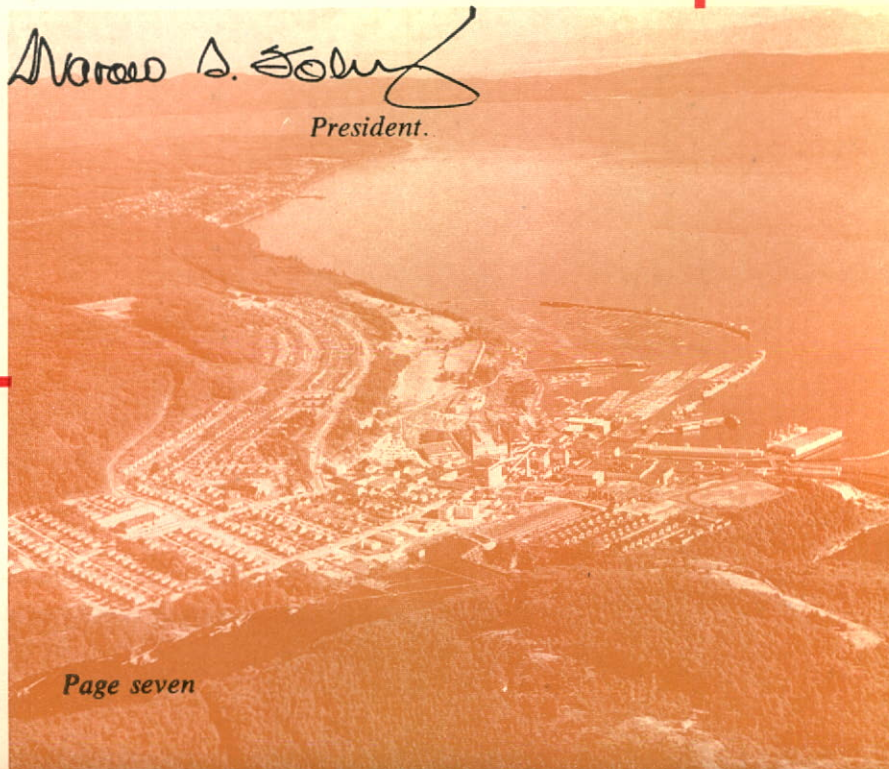
On behalf of the Board,

Vancouver 2, B.C.,
March 7, 1955.

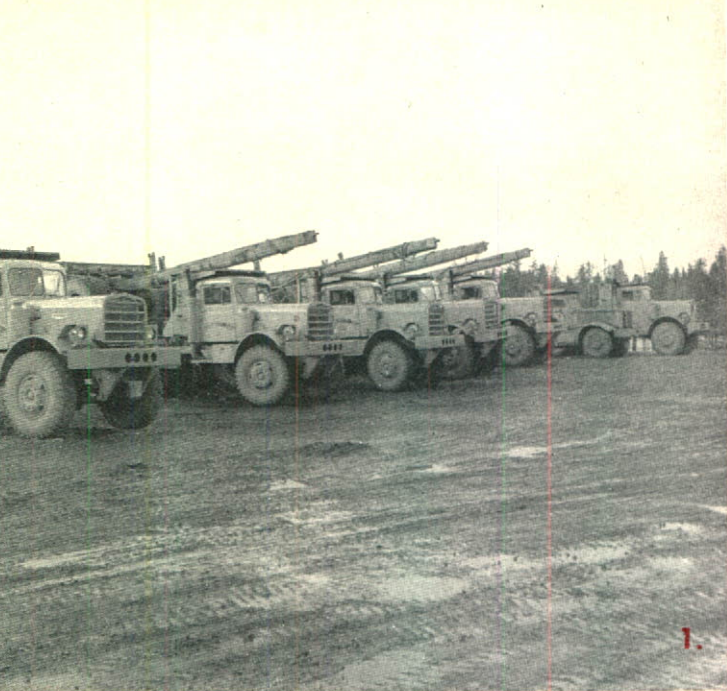


President.

Aerial view of Powell River plant
and townsite.



Powell River Company



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1. Logging truck fleet at one of our Queen Charlotte Island camps. This type of truck is used throughout our operations.
2. Logs cut while constructing roads are salvaged by shovel loaders.
3. View of truck loading operation.
4. Truck fully loaded and headed for salt water. Loads reach as high as 100 tons.

Limited . . . and its subsidiaries



STATEMENT OF CONSOLIDATED PROFIT

and

Unappropriated Profits Reinvested or Retained in the Business
Year Ended December 31, 1954

(With comparable figures for the year ended December 31, 1953)

	1954	1953
Consolidated profit before the undernoted items	\$27,091,482	\$23,527,749
Profit on disposal of fixed assets	43,513	18,018
Profit on sale of Government of Canada bonds	88,915	—
Income from sundry investments	11,078	6,417
	27,234,988	23,552,184
Depreciation and depletion	4,497,038	4,179,773
Provision for self-insurance	121,610	136,103
Dividends paid on preferred shares of subsidiary and premium on their redemption	33,029	—
	4,651,677	4,315,876
CONSOLIDATED PROFIT BEFORE TAXES	22,583,311	19,236,308
Income taxes	11,325,000	9,510,000
CONSOLIDATED NET PROFIT FOR THE YEAR	11,258,311	9,726,308
Cost of shares of subsidiaries in excess of book values at dates of acquisition written off	250,497	—
Reserved for contingencies	500,000	500,000
	750,497	500,000
	10,507,814	9,226,308
Dividends paid	6,720,000	6,090,000
	3,787,814	3,136,308
Unappropriated profits reinvested or retained in the business January 1	34,490,254	31,353,946
UNAPPROPRIATED PROFITS REINVESTED OR RETAINED IN THE BUSINESS DECEMBER 31, AS PER STATEMENT OF CONSOLIDATED FINANCIAL POSITION	\$38,278,068	\$34,490,254

Powell River Company Limited . . . and its Statement of Consolidated Financial Position

As at December 31,

CURRENT ASSETS:	1954	1953
Cash.....	\$ 2,691,899	\$ 1,519,269
Government of Canada bonds, at cost (Note 1).....	4,278,973	3,419,297
Deposits with Trust Companies.....	1,000,000	—
General Motors Acceptance Corporation notes, at cost.....	—	982,354
Accounts receivable, less allowance for losses.....	6,303,034	4,987,793
Inventories (Note 2).....	10,053,091	8,467,674
Insurance and other prepaid expenses.....	275,348	388,816
TOTAL CURRENT ASSETS.....	24,602,345	19,765,203
 CURRENT LIABILITIES:		
Accounts payable.....	2,748,237	2,320,487
Share warrant dividend coupons outstanding.....	747,364	444,677
Income taxes payable.....	4,848,338	5,537,403
TOTAL CURRENT LIABILITIES.....	8,343,939	8,302,567
WORKING CAPITAL.....	16,258,406	11,462,636
 FUNDS ALLOCATED FOR SELF-INSURANCE:		
Government of Canada bonds, at cost.....	1,000,000	878,390
 SUNDRY INVESTMENTS AND LONG-TERM RECEIVABLES.....		
	798,324	539,808
 PLANTS AND EQUIPMENT, at cost less depreciation (Note 3).....		
	25,674,445	25,897,775
 TIMBER HOLDINGS, at cost, less depletion.....		
	10,806,893	11,350,035
EXCESS OF ASSETS OVER LIABILITIES.....	54,538,068	50,128,644
 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.....	3,500,000	3,000,000
Appropriated for self-insurance.....	1,000,000	878,390
Unappropriated.....	38,278,068	34,490,254
	\$54,538,068	\$50,128,644

On Behalf of the Board:

HAROLD S. FOLEY, Director

G. W. O'BRIEN, Director

Notes to Financial Statements

NOTE 1: Market value of Government of Canada bonds was \$4,306,150 at December 31, 1954 and \$3,371,000 at December 31, 1953.

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 (1954 and 1953) for decline in prices.

	<u>1954</u>	<u>1953</u>
NOTE 3: Manufacturing plants and equipment, hydro-electric development, and townsite at cost	\$61,417,085	\$58,720,745
Marine equipment at cost.....	3,022,676	1,574,825
Logging equipment at cost and logging development at cost less amortization.....	7,449,384	7,263,362
	<u>71,889,145</u>	<u>67,558,932</u>
Deduct accumulated depreciation	46,214,700	41,661,157
	<u>\$25,674,445</u>	<u>\$25,897,775</u>

NOTE 4: Authorized share capital at December 31, 1954 and 1953 was 4,836,975 shares without par value, of which 4,200,000 shares were issued.

Auditors' Report



HELLIWELL, MACLACHLAN & CO.
Chartered Accountants

TELEPHONE: MARINE 1877
CABLE ADDRESS: "HELLIWELL, VANCOUVER"

MARINE BUILDING,
VANCOUVER 1,
BRITISH COLUMBIA

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, 1954, 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, 1954 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.
January 31, 1955

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 19, 1955, at 2:15 p.m. (Pacific Standard 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**

NEW LOG BARGES

Two new and revolutionary self-dumping log carrying barges have been acquired by the Company to transport its logs from the Queen Charlotte Islands south to the mill, a distance of some 450 miles. Previously, logs have been brought down in Davis rafts towed at a speed of 2-3 knots per hour, taking about two weeks to make the trip and often longer with delays occasioned by rough water.

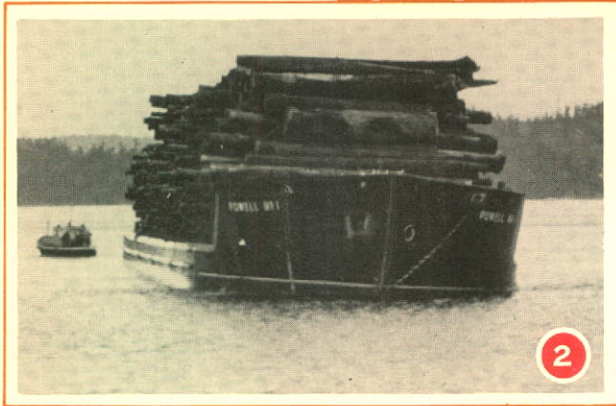
The first trip was made in November and proved very successful. The barge towed at an average speed of 6.6 knots, and can make the trip in four days. Delays due to bad weather and possible loss of logs should be largely eliminated and overall efficiency increased.

The two barges, named Powell No. 1 and No. 2, were built in Vancouver by Burrard Drydock Co. Ltd. at a cost of \$650,000 each. They are of all steel construction 343 feet long with a beam of 63 feet and each is capable of carrying 1,500,000 feet of logs. Two large flooding tanks extending the full length of the port side provide the self-dumping feature. Fitted with two eight inch valves both forward and aft, the tanks are soon flooded and barge lists to port and the logs slide off. After the load is dumped the water automatically drains out of the tanks.

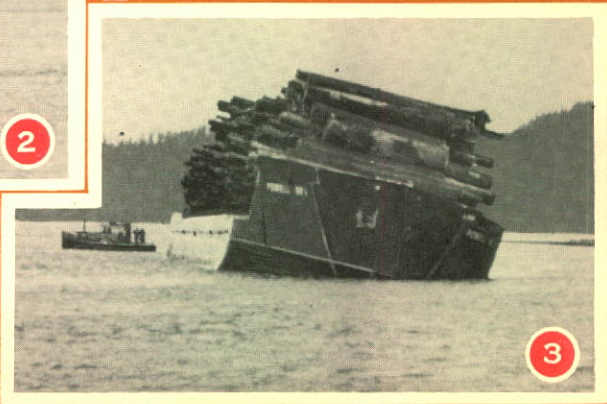
Unloading time takes about 30 minutes compared to the days of work formerly required to break down the big rafts. Pictures on opposite page tell the complete story.



1



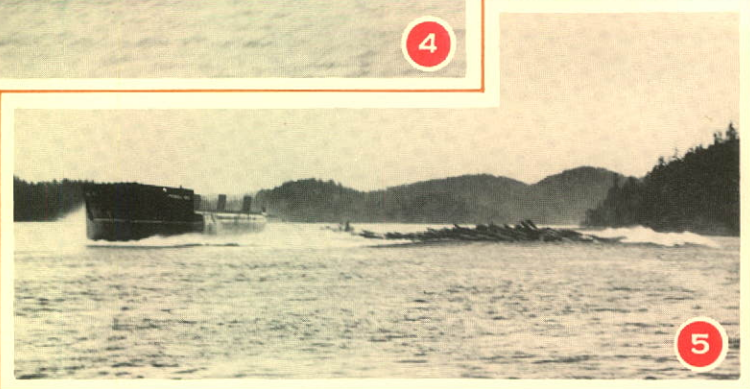
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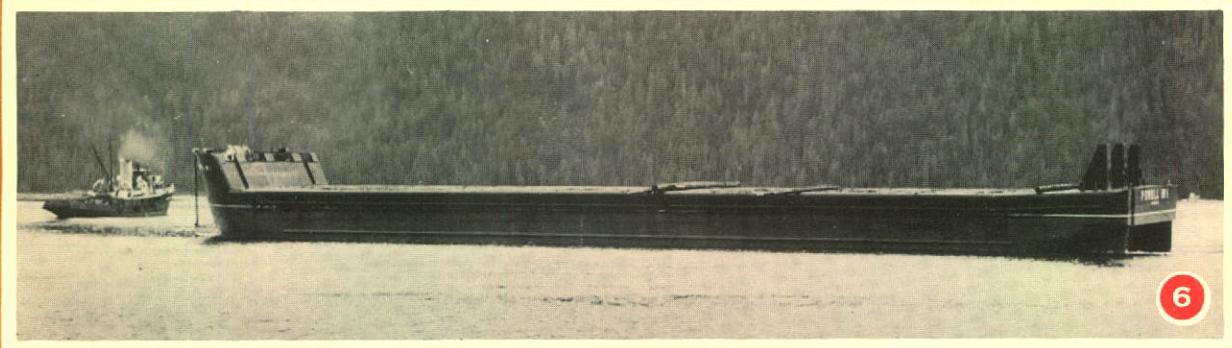
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5



6

1. Barge arrives at dumping ground.
2. Valves open, barge begins to list.
3. List is more pronounced.
4. Logs begin to slide.
5. Barge slides out from under load.
6. Ready for return trip in matter of minutes.

POWELL RIVER



POWELL RIVER COMPANY LIMITED

Incorporated 1911