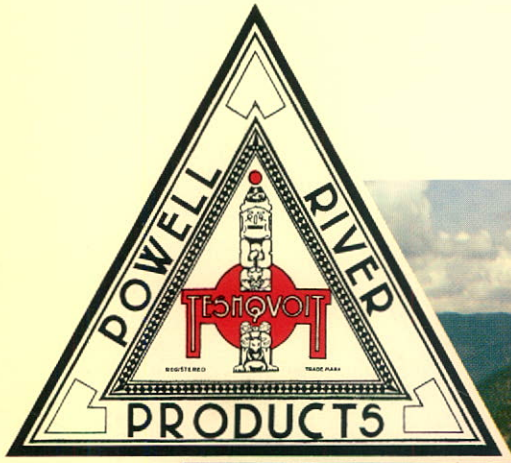
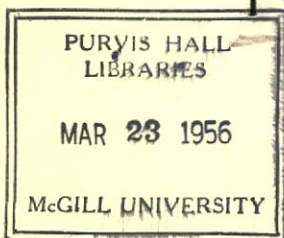


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1955 *Annual Report*

POWELL RIVER COMPANY LIMITED



POWELL RIVER COMPANY LIMITED

EXECUTIVE OFFICES: STANDARD BUILDING
VANCOUVER 2, BRITISH COLUMBIA

DIRECTORS

ANSON BROOKS	MAJ.-GEN. H. F. G. LETSON, C.B.
CONLEY 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	- - - - -	Chairman of the Board
M. J. FOLEY	- - - - -	President
G. W. O'BRIEN	- - - - -	Vice-President
I. H. ANDREWS	- - - - -	Vice-President
R. M. COOPER	- - - - -	Vice-President
W. C. R. JONES	- - - - -	Vice-President
J. A. KYLES	- - - - -	Vice-President
J. E. LIERSCH	- - - - -	Vice-President
*J. H. LAWSON, Q.C.	- - - - -	Secretary
K. B. FINN	- - - - -	Comptroller

*Deceased

TRANSFER AGENT

The Royal Trust Company, Vancouver, Toronto, Montreal

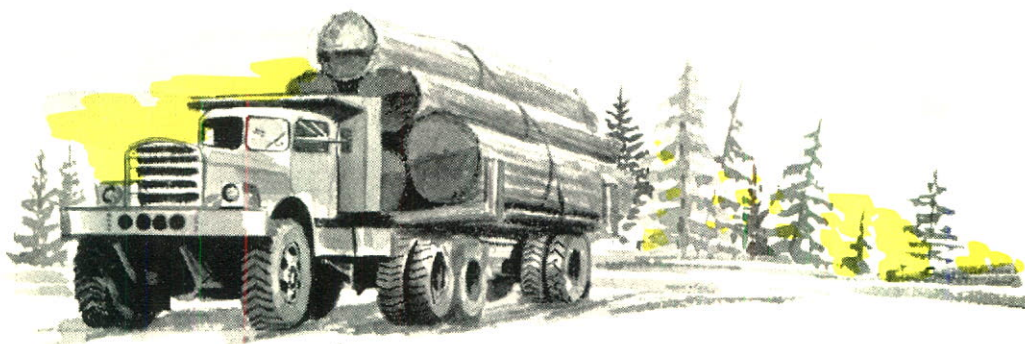
REGISTRAR

Bankers' Trust Company, Vancouver, Toronto, Montreal



RESULTS IN BRIEF

	1955	1954
SALES OF PAPER AND PAPER PRODUCTS—TONS	433,064	413,099
NET EARNINGS	\$12,197,018	\$11,258,311
EARNINGS PER SHARE	\$2.90	\$2.68
DIVIDENDS PAID PER SHARE	\$1.80	\$1.60
NUMBER OF SHAREHOLDERS	11,600	11,500
WAGES, SALARIES AND EMPLOYEE BENEFITS	\$19,581,000	\$18,751,000
NUMBER OF EMPLOYEES	4,231	4,225
WORKING CAPITAL	\$17,687,300	\$16,258,406
RATIO OF CURRENT ASSETS TO CURRENT LIABILITIES	2.85	2.95
INCOME TAXES	\$11,555,800	\$11,325,000
CAPITAL EXPENDITURES	\$9,087,654	\$4,300,330



1955 Annual Report to our Shareholders

We are pleased to present the forty-fifth annual report of your Company for the year ended December 31, 1955.

Earnings

Net earnings for the year were \$12,197,018, the equivalent of \$2.90 per share, as compared with \$11,258,311 and \$2.68 per share in 1954.

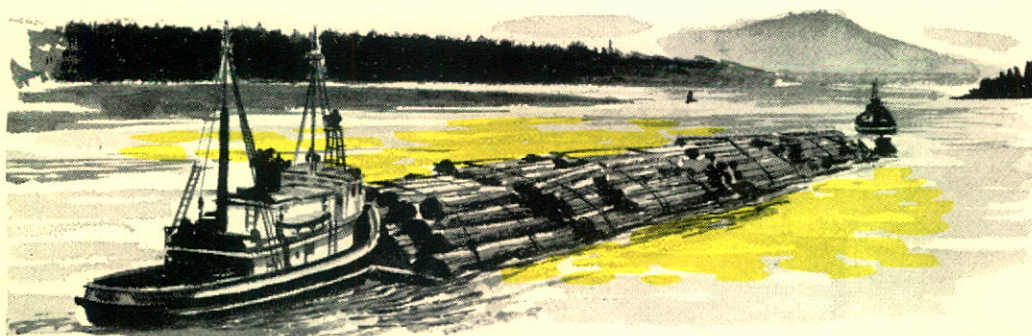
The improvement is mainly due to increased newsprint production and sales, higher earnings of our subsidiary operations, reduced U.S. exchange loss, and a reduction in Federal Income Taxes.

The following statement compares 1955 operating results with those of 1954:

	1955	1954
Consolidated profit before the undernoted items	\$28,577,298	\$27,091,482
Profit on disposal of equipment	84,425	43,513
Profit on sale of Government of Canada bonds.....	21,042	88,915
Income from sundry investments	16,644	11,078
	28,699,409	27,234,988
Depreciation and depletion	4,946,591	4,497,038
Provision for self-insurance	—	121,610
Dividends and redemption premium paid on preferred shares of subsidiary	—	33,029
	4,946,591	4,651,677
Consolidated profit before income taxes	23,752,818	22,583,311
Income taxes	11,555,800	11,325,000
Consolidated net profit	\$12,197,018	\$11,258,311

Dividends

The regular quarterly dividend of 25c per share was paid in March and was then increased to 30c, which was paid in June, September and December, with extras of 30c in June and 35c in December. The total distribution for the year was \$1.80 per share compared with \$1.60 for 1954.

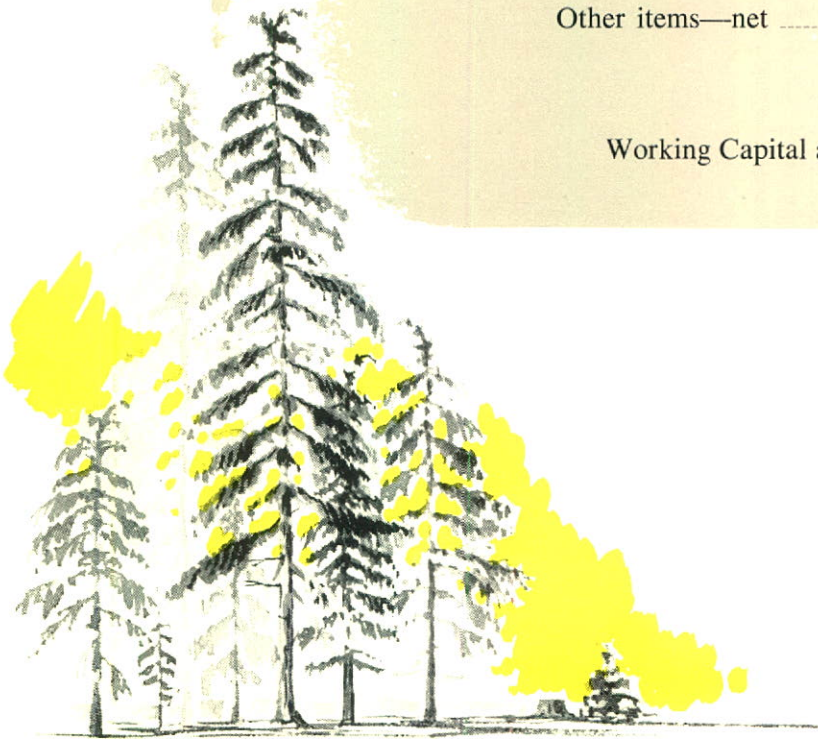


Working Capital

Notwithstanding capital expenditures of over \$9,000,000 during the year, our working capital increased by \$1,428,894 to \$17,687,300 at December 31, 1955. The ratio of current assets to current liabilities was 2.85 as compared with 2.95 at the end of 1954.

Details of the changes in working capital are summarized below:

Working Capital at January 1, 1955		\$16,258,406
ADDITIONS:		
Net earnings for 1955		12,197,018
Non-cash charges to operations:		
Depreciation and depletion		4,946,591
Cash received from the sale of fixed assets		979,617
		<u>34,381,632</u>
DEDUCTIONS:		
Capital expenditures:		
Manufacturing plants, equipment and hydro-electric development	\$6,753,395	
Marine equipment	619,548	
Logging equipment and development	1,333,862	
Timber	380,849	
		<u>9,087,654</u>
Dividends paid	7,560,000	
Other items—net	46,678	
		<u>16,694,332</u>
Working Capital at December 31, 1955		<u><u>\$17,687,300</u></u>



Pulp and Paper Mill Operations

As a result of higher paper machine speeds and improved efficiency our production of newsprint for 1955 was 16,370 tons greater than that of the previous year. A new 24 hour production record of 1,255 tons of newsprint was established in September.

While the production of unbleached sulphite pulp for sale was slightly down from 1954, it was the maximum amount available beyond our requirements for the manufacture of newsprint.

	1955	1954
<i>Production - Tons</i>		
Newsprint	392,321	375,951
Unbleached Sulphite Pulp	32,440	33,499
Newsprint Wrapper, Laminated and Other Products	8,459	8,073

The strong demand for newsprint continues and all the tonnage that can be produced at Powell River in 1956 has been sold on contract. Late in October there was an announced advance in price for our newsprint of \$4 per ton to \$130 United States ports and \$126 in Canada, to become effective November 15. However, due to competitive conditions, the effective date of the increase was subsequently deferred to January 1, 1956. This increase of approximately 3¼% is our first price change since June, 1952.

There was a good demand for unbleached sulphite pulp at improved prices during the year and we expect to sell our entire output in 1956.

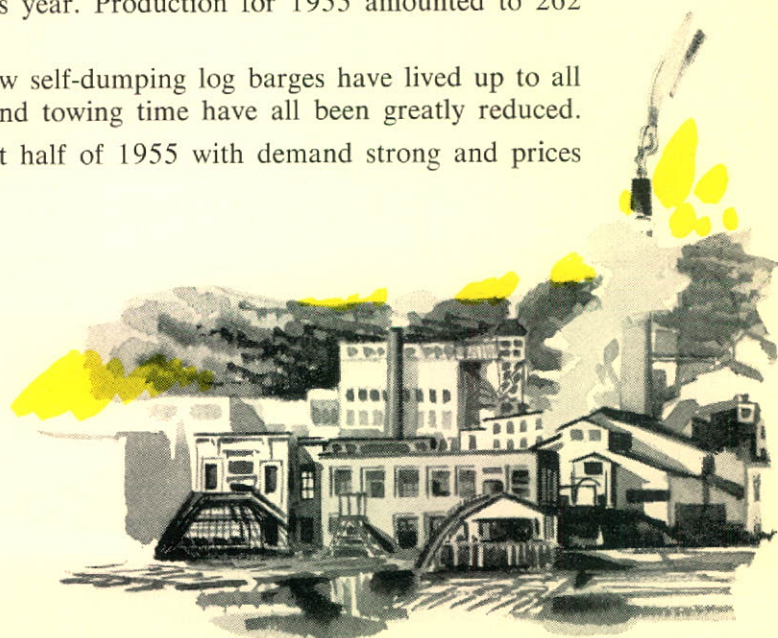
	1955	1954
<i>Sales - Tons</i>		
Newsprint	392,097	375,971
Unbleached Sulphite Pulp	33,924	31,452
Laminated and Other Products	7,043	5,676

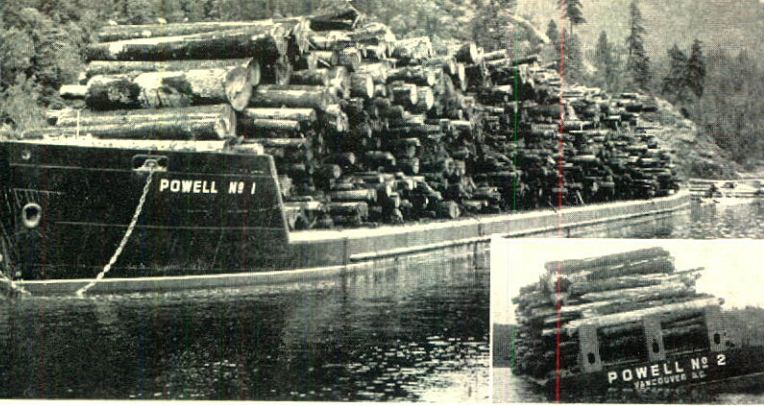
Subsidiary Operations

Log prices strengthened during 1955 and as a result the earnings of our logging subsidiaries compare favourably with the previous year. Production for 1955 amounted to 262 million feet of logs.

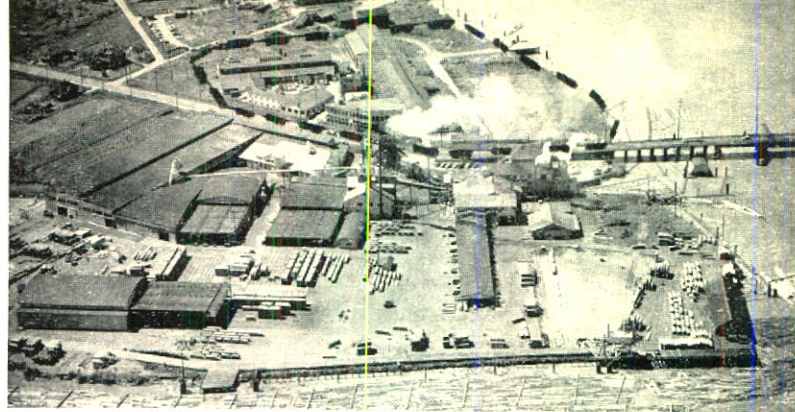
In the first full year of operation the new self-dumping log barges have lived up to all our expectations. Log losses, teredo damage and towing time have all been greatly reduced.

The lumber market was active in the first half of 1955 with demand strong and prices





No. 1 Log Barge fully loaded. Inset—No. 2 Barge about to discharge load.



B.C. Manufacturing Co. plant which recently won safety award.

higher than the previous year. Early in the second half the United Kingdom buying was drastically reduced and in the latter part of the year other markets softened. The overall results of the sawmilling division, however, showed a material improvement over 1954. With the present unsettled market conditions it is difficult to accurately forecast for 1956, but we expect it will be as good as 1955.

The new plant of the corrugated container division at New Westminster, B.C. came into operation in March. The usual problems in starting a new operation were encountered, but these have now been overcome and this plant should prove to be a valuable addition. The three Prairie plants showed satisfactory results for 1955. The outlook for the container division in 1956 appears favourable.

Research & Development

The expansion program at Powell River, announced in our semi-annual report, is now well under way. We expect that No. 9 newsprint machine, which will increase our capacity by approximately 25%, will be in operation by December. The power required for this expanded production will be supplied by the B.C. Electric Company which is now constructing a transmission line to Powell River.

The speed-up program for No. 7 paper machine has been delayed due to equipment deliveries but is now scheduled for completion in March.

A new office building is under construction at Powell River and should be ready for occupancy by September.

Our research staff, which has been studying the problem of industrial noise abatement, has developed a suction roll silencer for our newsprint machines. This silencer is operating successfully and has since been adopted by other mills in the industry.

Forestry

In December 1943, the Provincial Government appointed Chief Justice The Honourable Gordon McG. Sloan as Royal Commissioner to enquire into the forest situation in British Columbia. On conclusion of this enquiry in 1945, one of his recommendations was that another Royal Commission be appointed ten years later to re-examine the forestry situation in the light of progress made during that decade. Accordingly, in January 1955, the Government re-appointed the Chief Justice to conduct a similar enquiry.

In January, 1956, we presented our brief to this Royal Commission. The brief made a constructive analysis of forestry problems, recommended a partnership plan for combining private and government timber to achieve sustained yield and stressed the need for new forms of private tenure.

Last year we reported that a forest inventory survey would be undertaken as an essential factor in assessing the possibility of establishing a pulp and paper mill at Kitimat. This survey is being completed and we expect to receive a report in the near future.



No. 9 Machine Building takes shape. New Greenwood Mill in foreground.



Our new corrugated container plant at New Westminster, B.C.

As a continuing step in our program for complete utilization of our forest resources, we endeavour each year to increase the use of salvage wood. During 1955 we processed the equivalent of 23 million feet board measure of this material in our operations, and for 1956 we plan to use 32 million feet.

Properties

On October 15, 1955, Powell River and the three adjacent communities were incorporated as the District Municipality of Powell River. In view of this, and in line with our planned program for disposal of the townsite, we have sold approximately 75% of the homes to employees and other residents. Negotiations are presently under way with the Municipal Council for the sale of townsite services and facilities. We have also sold the Department Store to the Hudson's Bay Company.

Personnel

Labour contracts covering employees at Powell River and in our logging and sawmill operations were renewed for a two year period to June, 1957. The contracts provide for wage increases in each of the two years, together with certain additional fringe benefits.

Our continued emphasis on safety and training is producing beneficial results, particularly in the sawmills. Our British Columbia Manufacturing Company has received the National Safety Council's Gold Award for completing one million man hours, representing two years of operation, without a compensable accident.

The "25 Year Club" added 44 new members to its ranks during the year. Since the inception of the Club 443 employees have become eligible for membership, of whom 304 are still in active employment with the Company.

Conclusion

The loyal support and co-operation of our employees were in a large measure responsible for the results achieved in 1955 and the Directors wish to express their appreciation and thanks.

It is with deep regret that we record the death on December 3, 1955, of James H. Lawson, Q.C. He was for many years Director, Secretary and Counsel of the Company and had been closely associated with its affairs since inception. His passing is a great loss to his associates and the Company.

On behalf of the Board,

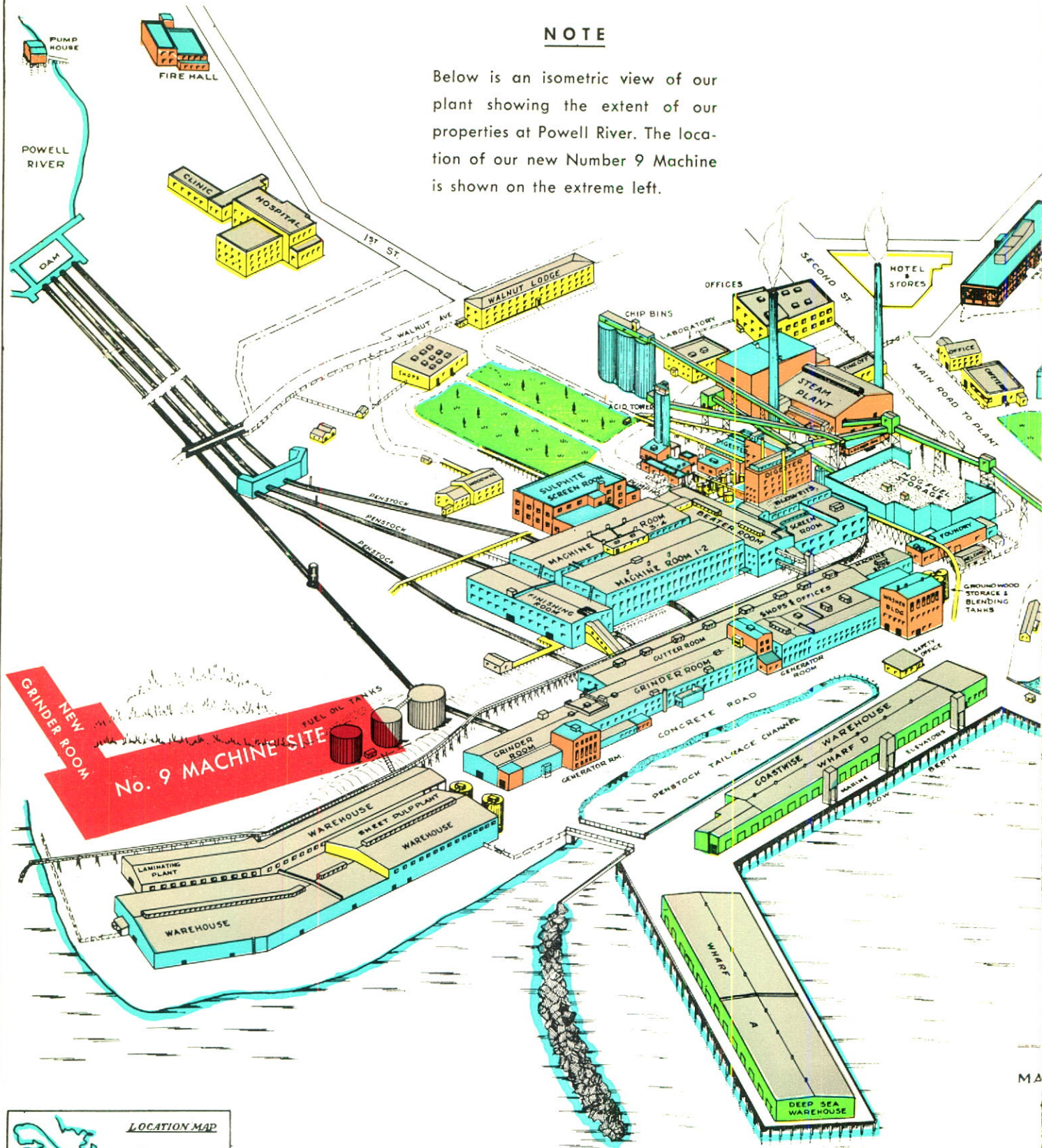
M. J. Foley
President

Norman S. Brown
Chairman.

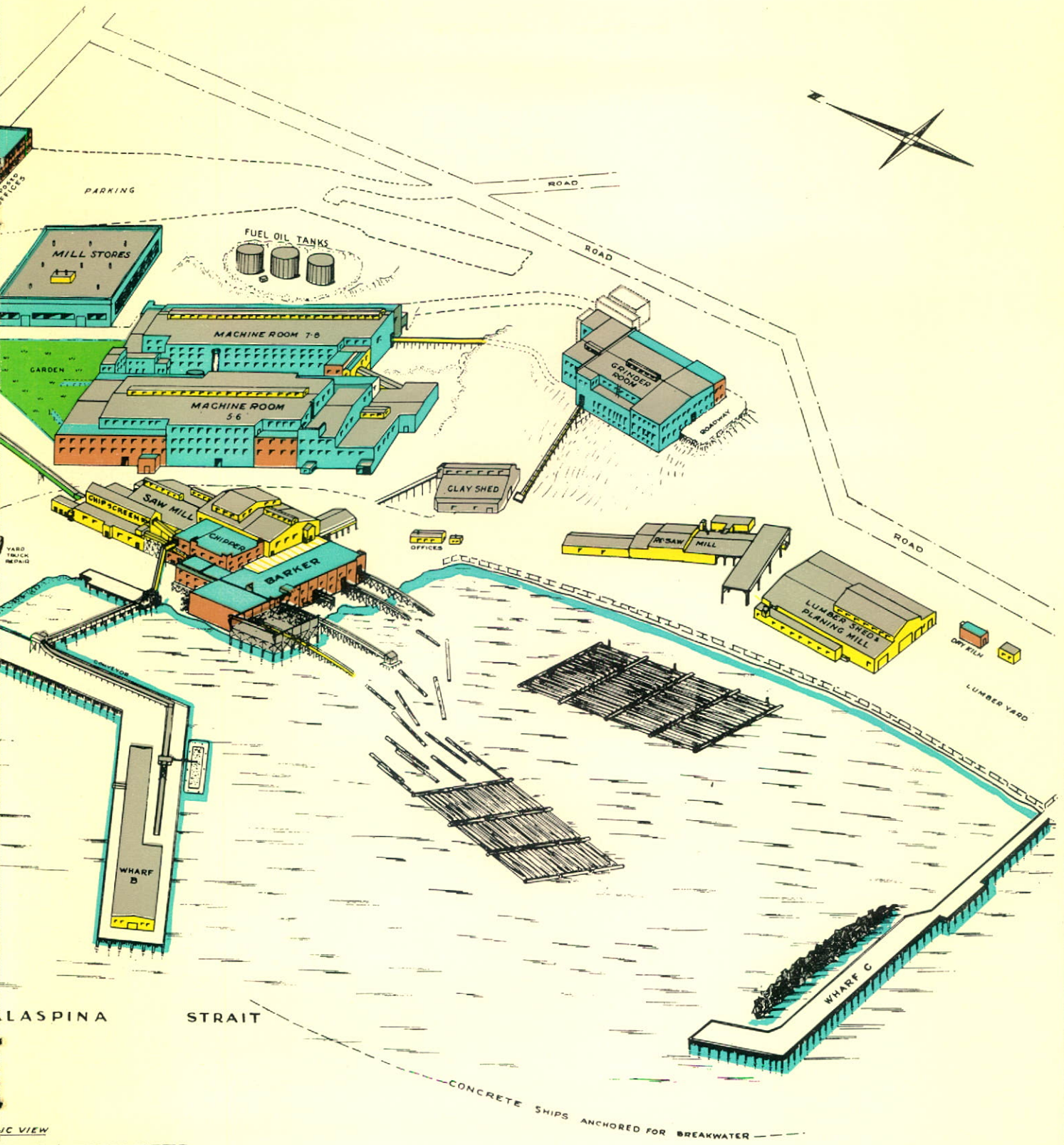
Vancouver 2, B.C.,
March 12, 1956.

NOTE

Below is an isometric view of our plant showing the extent of our properties at Powell River. The location of our new Number 9 Machine is shown on the extreme left.



ISOMETRIC
POWELL RIVER
POWELL R
 SCALE OF
 ENGINEERING
 MARSH & MCLE
 INSURANCE
 VANCOUVER
 SEPT.



COMPANY LIMITED

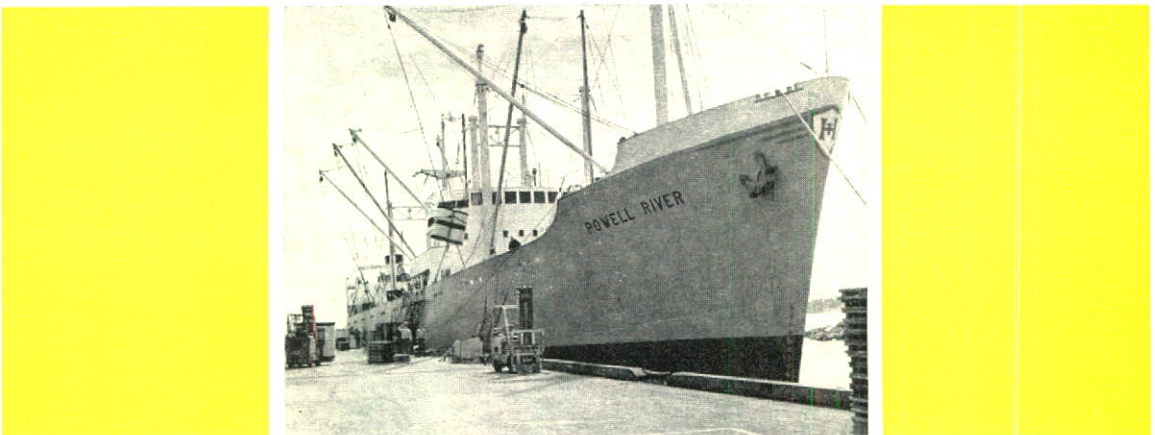
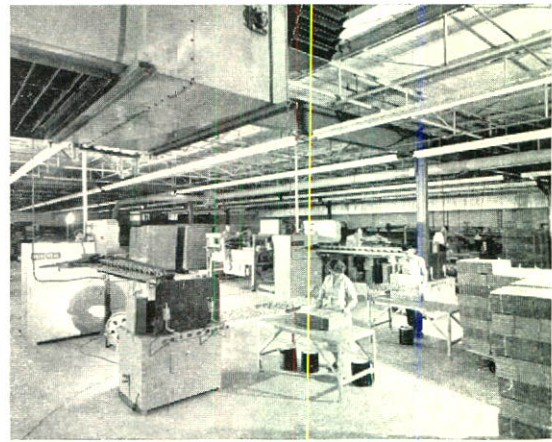
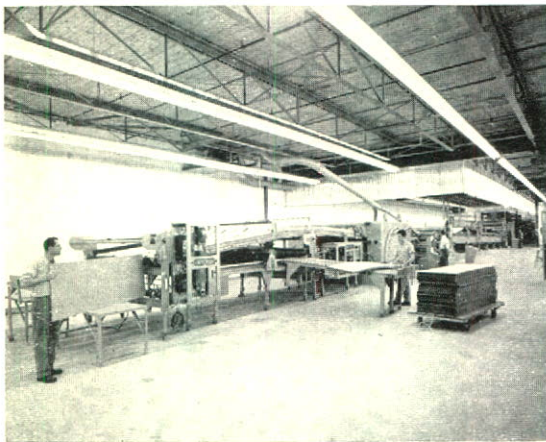
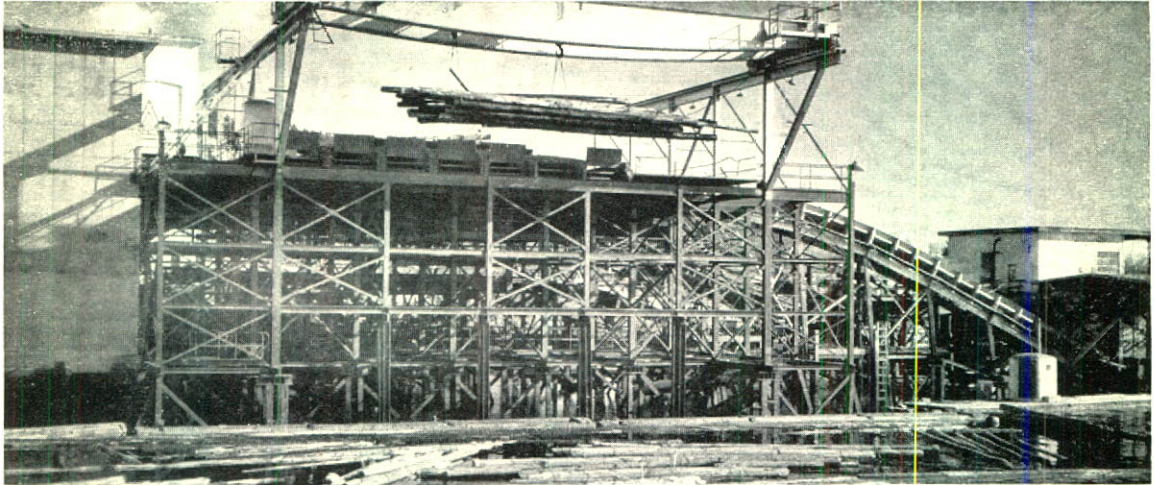
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 HANAN LIMITED
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 VER, B.C.
 1954.

KEY TO COLOURS

■	FIRE RESISTIVE (STEEL/CONCRETE)
■	CONCRETE
■	STEEL & TRANSITE OR ASBESTOS
■	FRAME METAL CLAD
■	FRAME
■	CONCRETE ROOF - BLUE
■	METAL OR COMP. - GREY

POWELL RIVER COMPANY

- (1) Bundled salvage logs are lifted onto log deck.
- (2) Corrugating machine at Martin Paper—New Westminster, B.C.
- (3) General view of interior of container plant.
- (4) M.S. "Powell River" loads newsprint for California ports.



LIMITED... and its subsidiaries

STATEMENT OF CONSOLIDATED PROFIT

and unappropriated profits reinvested or retained
in the business for the year ended December 31, 1955

(With comparable figures for the year ended December 31, 1954)

	1955	1954
Consolidated profit before the undernoted items.....	\$28,577,298	\$27,091,482
Profit on disposal of equipment	84,425	43,513
Profit on sale of investments.....	21,042	88,915
Income from sundry investments.....	16,644	11,078
	<u>28,699,409</u>	<u>27,234,988</u>
Depreciation and depletion.....	4,946,591	4,497,038
Provision for self-insurance.....	—	121,610
Dividends paid on preferred shares of subsidiary and premium on their redemption.....	—	33,029
	<u>4,946,591</u>	<u>4,651,677</u>
CONSOLIDATED PROFIT BEFORE TAXES.....	23,752,818	22,583,311
Income taxes	11,555,800	11,325,000
CONSOLIDATED NET PROFIT FOR THE YEAR....	<u>12,197,018</u>	<u>11,258,311</u>
Non-recurring credits or (charges):		
Excess of sale price of properties over depreciated book value	1,851,518	—
Cost of shares of subsidiaries in excess of book values at dates of acquisition written off.....	—	(250,497)
Reserved for contingencies.....	—	(500,000)
	<u>1,851,518</u>	<u>(750,497)</u>
Dividends paid	14,048,536	10,507,814
	<u>7,560,000</u>	<u>6,720,000</u>
	6,488,536	3,787,814
Unappropriated profits reinvested or retained in the business January 1.....	38,278,068	34,490,254
UNAPPROPRIATED PROFITS REINVESTED OR RETAINED IN THE BUSINESS DECEMBER 31, AS PER STATEMENT OF CONSOLIDATED FINANCIAL POSITION	<u>\$44,766,604</u>	<u>\$38,278,068</u>

POWELL RIVER COMPANY LIMITED...

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	As at December 31	
	1955	1954
CURRENT ASSETS:		
Cash	\$ 1,885,554	\$ 2,691,899
Government of Canada bonds, at cost (Note 1)	2,841,687	4,278,973
Deposits with Trust Companies	2,000,000	1,000,000
Accounts receivable, less allowance for losses	7,057,188	6,303,034
Inventories (Note 2)	12,955,975	10,053,091
Insurance and other prepaid expenses	525,972	275,348
TOTAL CURRENT ASSETS	27,266,376	24,602,345
CURRENT LIABILITIES:		
Accounts payable	3,628,693	2,748,237
Share warrant dividend coupons outstanding	806,610	747,364
Income taxes payable	5,143,773	4,848,338
TOTAL CURRENT LIABILITIES	9,579,076	8,343,939
WORKING CAPITAL	17,687,300	16,258,406
FUNDS ALLOCATED FOR SELF-INSURANCE:		
Government of Canada bonds, at cost	1,000,000	1,000,000
SUNDRY INVESTMENTS AND LONG-TERM RECEIVABLES	2,512,530	798,324
PLANTS AND EQUIPMENT, at cost less depreciation (Note 3)	29,024,216	25,674,445
TIMBER HOLDINGS, at cost, less depletion	10,802,558	10,806,893
EXCESS OF ASSETS OVER LIABILITIES	\$61,026,604	\$54,538,068
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	3,500,000
Appropriated for self-insurance	1,000,000	1,000,000
Unappropriated	44,766,604	38,278,068
	\$61,026,604	\$54,538,068

On Behalf of the Board:

HAROLD S. FOLEY, Director

M. J. FOLEY, Director

and its subsidiaries

NOTES TO FINANCIAL STATEMENTS

NOTE 1: Market value of Government of Canada bonds was \$2,786,349 at December 31, 1955 and \$4,306,150 at December 31, 1954.

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 (1955 and 1954) for decline in prices.

	1955	1954
NOTE 3: Manufacturing plants and equipment, hydro-electric development, etc. at cost	\$66,681,493	\$61,417,085
Marine equipment at cost	3,626,274	3,022,676
Logging equipment at cost and logging development at cost less amortization	7,822,231	7,449,384
	<u>78,129,998</u>	<u>71,889,145</u>
Deduct accumulated depreciation	49,105,782	46,214,700
	<u>\$29,024,216</u>	<u>\$25,674,445</u>

The Company is engaged in a program of plant expansion and improvement estimated to cost \$20,000,000. Of this amount \$4,400,000 had been expended at December 31, 1955.

NOTE 4: Authorized share capital at December 31, 1955 and 1954 was 4,836,975 shares without par value, of which 4,200,000 shares were issued.

AUDITOR'S REPORT

HELLIWELL, MACLACHLAN & CO.

Chartered Accountants

TELEPHONE MARINE 1277
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, 1955, 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, 1955 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.

Vancouver, B.C.
February 1, 1956

Helliwell, MacLachlan & Co.
Chartered Accountants

POWELL RIVER COMPANY

A TEN YEAR

	1955	1954	1953	1952
Sales				
Newsprint—Tons	392,097	375,971	329,762	307,238
Unbleached Sulphite Pulp—Tons....	33,924	31,452	34,403	37,429
Laminated and Other Products—Tons.....	7,043	5,676	5,570	6,280
Lumber—Million F.B.M. ¹	72	77	85	82
Profit before taxes	\$23,752,818	\$22,583,311	\$19,236,308	\$16,090,393
Income Taxes.....	11,555,800	11,325,000	9,510,000	8,148,000
Net Profit.....	12,197,018	11,258,311	9,726,308	7,942,393
Depreciation and Depletion.....	4,946,591	4,497,038	4,179,773	4,112,526
Capital Expenditures	9,087,654	4,300,330	2,925,899	8,116,841
Dividends	7,560,000	6,720,000	6,090,000	4,830,000
Working Capital	17,687,300	16,258,406	11,462,636	9,856,714
Shareholders' Equity	61,026,604	54,538,068	50,128,644	46,356,233
Net Profit per share	\$ 2.90	\$ 2.68	\$ 2.32	\$ 1.89
Dividends Paid per share	1.80	1.60	1.45	1.15
Shares Outstanding ²	4,200,000	4,200,000	4,200,000	4,200,000
Number of Shareholders	11,600	11,500	11,000	10,000
Number of Employees	4,231	4,225	3,853	3,572
Wages, Salaries and Employee Benefits	\$19,581,000	\$18,751,000	\$15,719,000	\$14,914,000

¹Sawmill Subsidiaries acquired late 1951

²Adjusted on the basis of three-for-one split October 1, 1951

LIMITED and its subsidiaries

COMPARISON

1951	1950	1949	1948	1947	1946
295,113	301,030	283,347	244,834	244,974	221,282
45,139	41,814	33,591	48,937	43,871	31,480
6,741	5,804	1,503	2,018	2,819	4,062
—	—	—	—	—	—
\$19,710,479	\$17,642,417	\$13,049,585	\$11,631,297	\$10,591,349	\$ 6,806,078
10,030,000	7,436,000	5,371,000	4,324,000	4,579,000	3,365,700
9,680,479	10,206,417	7,678,585	7,307,297	6,012,349	3,340,378
3,497,126	2,345,556	2,407,713	2,168,219	1,596,900	1,285,048
18,097,096	3,801,323	1,567,156	5,407,799	5,952,873	2,975,554
6,217,911	6,051,127	4,773,667	3,697,911	3,697,911	2,151,512
9,685,010	12,778,515	12,180,044	8,105,432	7,413,921	9,478,889
43,120,756	34,694,229	30,155,140	26,989,440	23,360,066	21,045,618
\$ 2.30	\$ 2.53	\$ 1.90	\$ 1.81	\$ 1.49	\$.85
1.52	1.50	1.18	.92	.92	.53
4,200,000	4,034,085	4,034,085	4,034,085	4,034,085	4,034,085
8,500	7,500	6,700	5,600	4,200	3,600
3,789	2,848	2,313	2,242	2,077	1,832
\$14,548,000	\$10,144,000	\$ 9,711,000	\$8,436,000	\$ 8,235,000	\$ 5,686,000



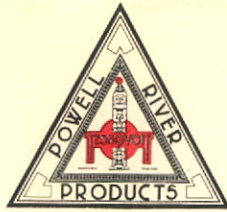
ANNUAL SHAREHOLDERS' MEETING

We again wish to thank our shareholders for their co-operation and interest in the Company which was displayed by the large attendance at our last Annual Meeting, and the prompt return of proxies.

This year's meeting will be held on Tuesday, April 24, 1956, at 2:00 p.m. (Pacific Standard Time) in the Hotel Vancouver, Vancouver, B.C.

We hope that you will be able to attend but if not we would appreciate your completing and returning the enclosed proxy as soon as possible.

POWELL RIVER
COMPANY LIMITED



(top left) View on Powell River-Vancouver Highway — six hour picturesque car and ferry trip.

(top right) Ninth hole of Powell River Golf Course overlooking Malaspina Straits.

(lower) Powell River's sports field — Timberlane Park.



POWELL RIVER COMPANY LIMITED

Incorporated 1911