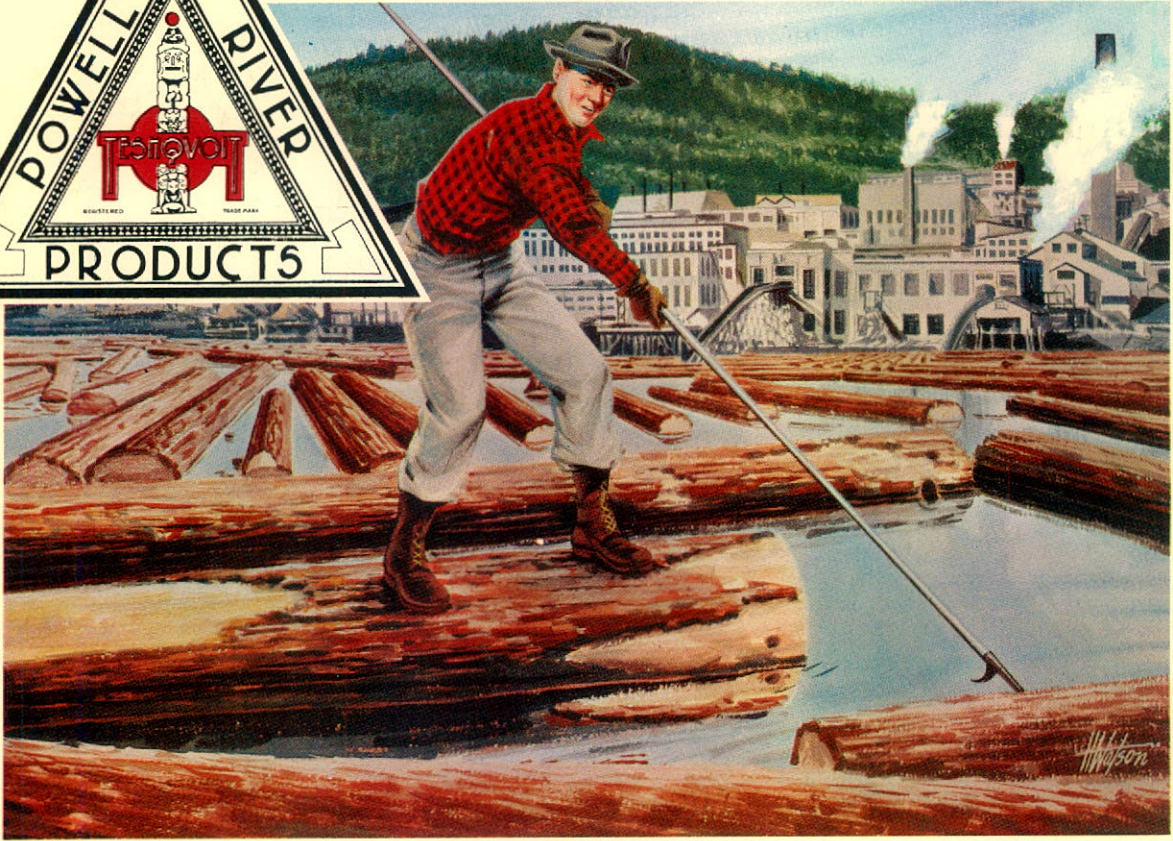
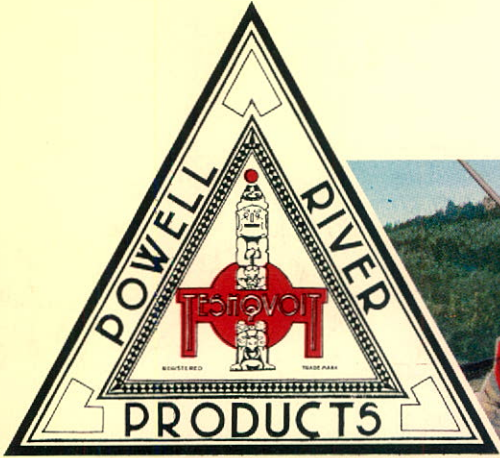


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1956
Annual Report

POWELL RIVER COMPANY LIMITED

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POWELL RIVER COMPANY LIMITED

EXECUTIVE OFFICES: STANDARD BUILDING
VANCOUVER 2, BRITISH COLUMBIA

Directors

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

Officers

<i>Chairman of the Board</i>	HAROLD S. FOLEY
<i>President</i>	M. J. FOLEY
<i>Vice-President</i>	I. H. ANDREWS
<i>Vice-President</i>	R. M. COOPER
<i>Vice-President</i>	W. C. R. JONES
<i>Vice-President and Secretary</i>	J. A. KYLES
<i>Vice-President</i>	J. E. LIERSCH
<i>Vice-President</i>	H. P. J. MOORHEAD
<i>Vice-President</i>	H. A. RENWICK
<i>Comptroller</i>	K. B. FINN

Transfer Agent

The Royal Trust Company,
Vancouver, Toronto, Montreal

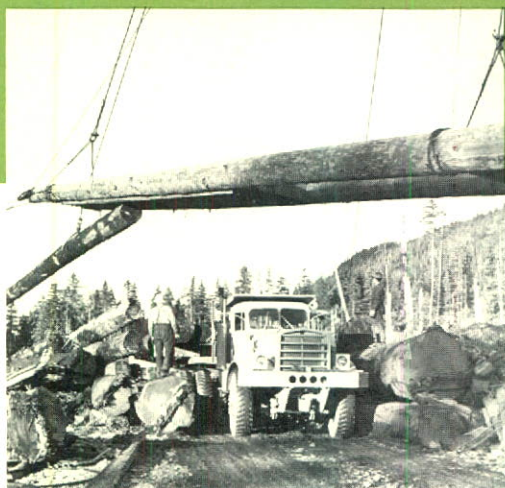
Registrar

Bankers' Trust Company,
Vancouver, Toronto, Montreal



Results in Brief . . .

	1956	1955
NET SALES	\$72,402,000	\$71,477,000
EARNINGS	\$10,906,108	\$12,197,018
EARNINGS PER SHARE	\$2.60	\$2.90
DIVIDENDS PAID PER SHARE	\$1.80	\$1.80
NUMBER OF SHAREHOLDERS	12,000	11,600
WAGES, SALARIES AND EMPLOYEE BENEFITS	\$21,226,000	\$19,581,000
NUMBER OF EMPLOYEES	4,476	4,231
WORKING CAPITAL AT END OF YEAR	\$13,934,254	\$17,687,300
RATIO OF CURRENT ASSETS TO CURRENT LIABILITIES	\$2.13	\$2.85
INCOME TAXES	\$ 9,795,000	\$11,555,800
CAPITAL EXPENDITURES	\$17,781,690	\$ 9,087,654



Loading logs for the haul to booming grounds.

1956 Annual Report to our Shareholders . . .

Your Directors submit hereunder the forty-sixth annual report of the Company for the year ended December 31, 1956.

Earnings

Net earnings for the year were \$10,906,108, the equivalent of \$2.60 per share, as compared with \$12,197,018 and \$2.90 per share for 1955.

These results are after providing for depreciation on capital expenditures for new plant, not yet in production, to the full extent allowable for income tax purposes.

In addition to this depreciation the main reasons for the decline in earnings are increased costs of production, a marked weakness in lumber markets which prevailed throughout the year and the high discount rate on U.S. funds.

A comparison of the 1956 results with those for 1955 is shown below.

	1956	1955
Consolidated profit before the undernoted items.....	\$26,538,955	\$28,577,298
Profit on disposal of equipment.....	5,585	84,425
Profit on sale of Government of Canada bonds.....	—	21,042
Income from sundry investments.....	13,382	16,644
	<u>26,557,922</u>	<u>28,699,409</u>
Depreciation:		
On Plant in use.....	3,905,381	4,129,709
On Plant under construction.....	1,689,000	440,000
	<u>5,594,381</u>	<u>4,569,709</u>
Depletion.....	262,433	376,882
	<u>5,856,814</u>	<u>4,946,591</u>
Consolidated profit before income taxes.....	20,701,108	23,752,818
Income taxes.....	9,795,000	11,555,800
Consolidated net profit.....	<u>\$10,906,108</u>	<u>\$12,197,018</u>

Dividends

The regular quarterly dividend of 30c per share was paid in March, June, September and December, with extras of 30c in June and December. The total distribution for the year was \$1.80, being the same as for 1955.



Previous Shareholders' Meeting.



Working Capital

The working capital at December 31, 1956 was \$13,934,254, a decrease of \$3,753,046 from the previous year-end. This decrease was directly attributable to the substantial capital expenditures on the No. 9 paper machine development program. The ratio of current assets to current liabilities was 2.13 as compared with 2.85 at the end of 1955.

Details of the changes in working capital are summarized below:

Working Capital at January 1, 1956.....		\$17,687,300
ADDITIONS:		
Net earnings for 1956.....		10,906,108
Non-cash charges to operations:		
Depreciation and Depletion.....		5,856,814
Cash received from the sale of fixed assets.....		242,458
Proceeds of term loan.....		5,000,000
		<u>39,692,680</u>
DEDUCTIONS:		
Capital expenditures:		
Manufacturing plants, equipment and hydro-electric development.....	\$16,163,793	
Marine equipment.....	387,227	
Logging equipment and development.....	1,015,508	
Timber.....	215,162	
	<u>17,781,690</u>	
Dividends paid.....	7,560,000	
Additional income taxes re prior years.....	317,044	
Other items—net.....	99,692	
	<u>25,758,426</u>	
Working Capital at December 31, 1956.....		<u><u>\$13,934,254</u></u>



Deepsea ships loading at Powell River.

Pulp and Paper Mill Operations

Newsprint production was 10,568 tons greater than that of the previous year. This increase was accomplished by the completion in April of the speed-up program on No. 7 paper machine and generally higher speeds on the other machines. The 24 hour production record now stands at just a fraction under 1,300 tons.

The production of unbleached sulphite pulp for sale was slightly lower than that for 1955 due to increased requirements for the manufacture of newsprint.

	1956	1955
Production - Tons		
Newsprint.....	402,889	392,321
Unbleached Sulphite Pulp.....	31,315	32,440
Newsprint Wrapper, Laminated and Other Products	7,394	8,459

Market indications point to a continuing demand for newsprint in 1957 and all our anticipated production at Powell River has been sold on contract. Prices remained firm during 1956 but effective March 1, 1957 were advanced \$4.00 per ton to \$134.00 United States ports and \$130.00 in Canada. This increase of approximately 3% will only partially offset our rising costs of production and the exchange loss on U.S. funds.

Unbleached sulphite pulp continued to be in good demand throughout the year and all available tonnage for 1957 has been sold under contract.

	1956	1955
Sales - Tons		
Newsprint.....	402,783	392,097
Unbleached Sulphite Pulp.....	30,311	33,924
Laminated and Other Products...	7,114	7,043

Subsidiary Operations

The decline in the lumber market, both in demand and price, which started midway through 1955 continued throughout all of 1956. As a result the earnings of our sawmilling division showed a marked decrease from the previous year. With the present credit restrictions, drastically curtailed buying by the United Kingdom and high freight rates, the prospects for the lumber industry in 1957 are not encouraging.



Westminster Shook Mills — sawmilling subsidiary.



Earnings of the corrugated container division showed a substantial improvement over the previous year and the outlook for 1957 appears favorable.

Research and Development

Despite unprecedented delays in deliveries of equipment, labor shortages and other problems our No. 9 newsprint machine, originally scheduled for completion by the end of December, came into production on February 28, 1957. With this new machine in operation the expansion program at Powell River is now virtually complete.

The speed-up program for No. 7 paper machine was completed in April and this unit is now operating very satisfactorily at substantially higher speeds.

To meet our growing steam requirements a new boiler of 270,000 pounds per hour capacity is under construction and should be in operation before the end of 1957.

The new office building at Powell River was recently completed and the old original structure is now being demolished to provide space for future plant expansion.

A modernization program including chipping facilities is presently under way at our cedar saw-mill in New Westminster. This program will greatly improve the efficiency of the operation and enable us to recover material which is presently considered waste.

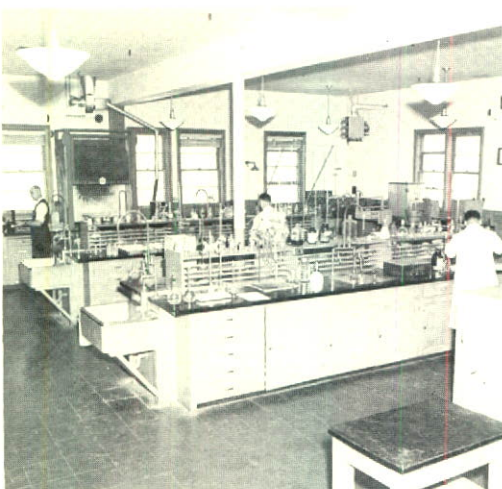
During the past year our research staff has concentrated its efforts on means to increase the sulphite pulp yield from wood chips. As a result, conversion work is now being carried out in the sulphite mill at Powell River which we expect will ultimately increase the pulp yield by 40%.

New Projects

In November an agreement was negotiated with Brooks-Scanlon, Inc. whereby we will purchase, subject to fulfillment of certain important conditions, just over 51% of the voting stock which will give us approximately a one-third equity interest in that Company. The purchase price is eleven million U.S. dollars payable over a period of from three to four years. Under the terms of the agreement we will have management control of Brooks-Scanlon, Inc.

Brooks-Scanlon, Inc., a United States corporation, owns approximately 150,000 acres of fee simple forest lands in the State of Oregon and has a successful lumber manufacturing operation at Bend, Oregon.

A program for the modernization and development of the plant at Bend has been under way for some time and this will be



Portion of research laboratory at Powell River.

completed as rapidly as possible. In addition, it is anticipated that construction of a paper mill, in the Bend area, will commence towards the end of 1957.

Powell River Company was founded by members of the Brooks and Scanlon families, who also organized the predecessor corporations of Brooks-Scanlon, Inc. Members of these families hold substantial interests in the common stock of both Companies and two of the directors of Brooks-Scanlon, Inc. are also directors of Powell River Company. The terms of the agreement were recommended by a committee of three consisting of a representative of each company and one independent member. The agreement as finally approved by the Board of our Company is substantially in the form recommended by this committee, with subsequent modification only as to minor details.

This new venture will broaden and strengthen our Company and further our plans for diversification.

Personnel

The labor contracts covering employees at Powell River and in our logging and sawmill operations expire in mid 1957. Since these agreements were for a two year period no contract negotiations with the unions took place during this past year.

Our sawmill division has maintained its excellent accident prevention record and the pulp and paper, logging and container divisions have materially decreased their accident frequency rates.

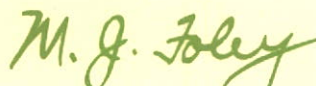
Motion Picture

Our new film "The Powell River Story", which was previewed at our Annual Meeting last year, was released for public distribution in September. Telling the story of the Company from the standing tree to the finished products, the film has had a wide circulation to date and has been well received. It is a half hour 16 mm. film in color and sound, and is available for group showings by contacting distribution points listed on Page 16.

Conclusion

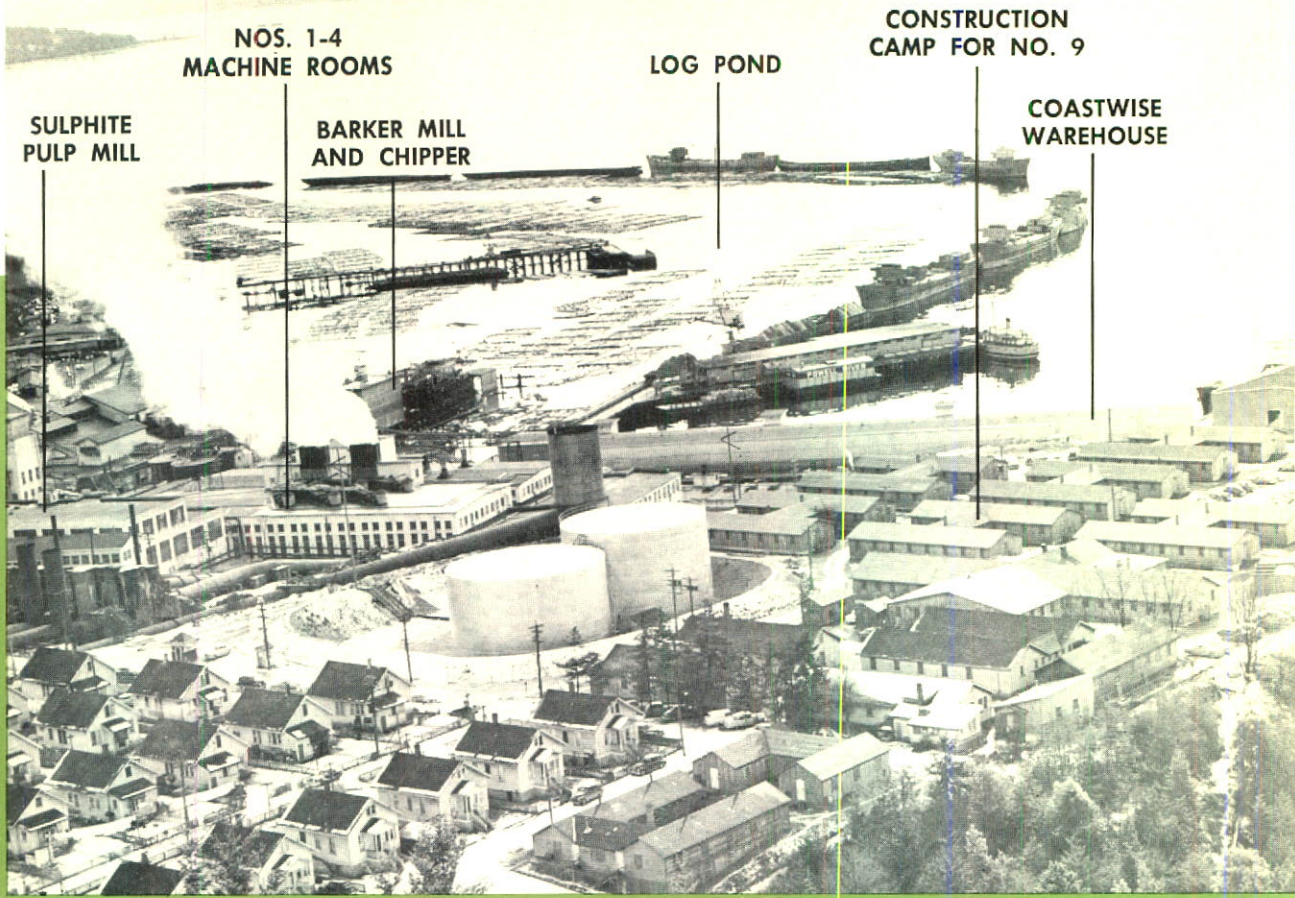
The Directors wish to express their appreciation of the loyal support and co-operation given by employees during the past year.

On behalf of the Board,


President.

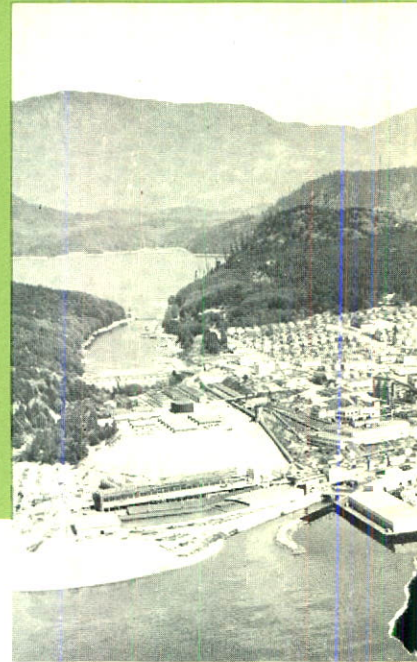

Chairman.

Vancouver 2, B.C.,
March 15, 1957.

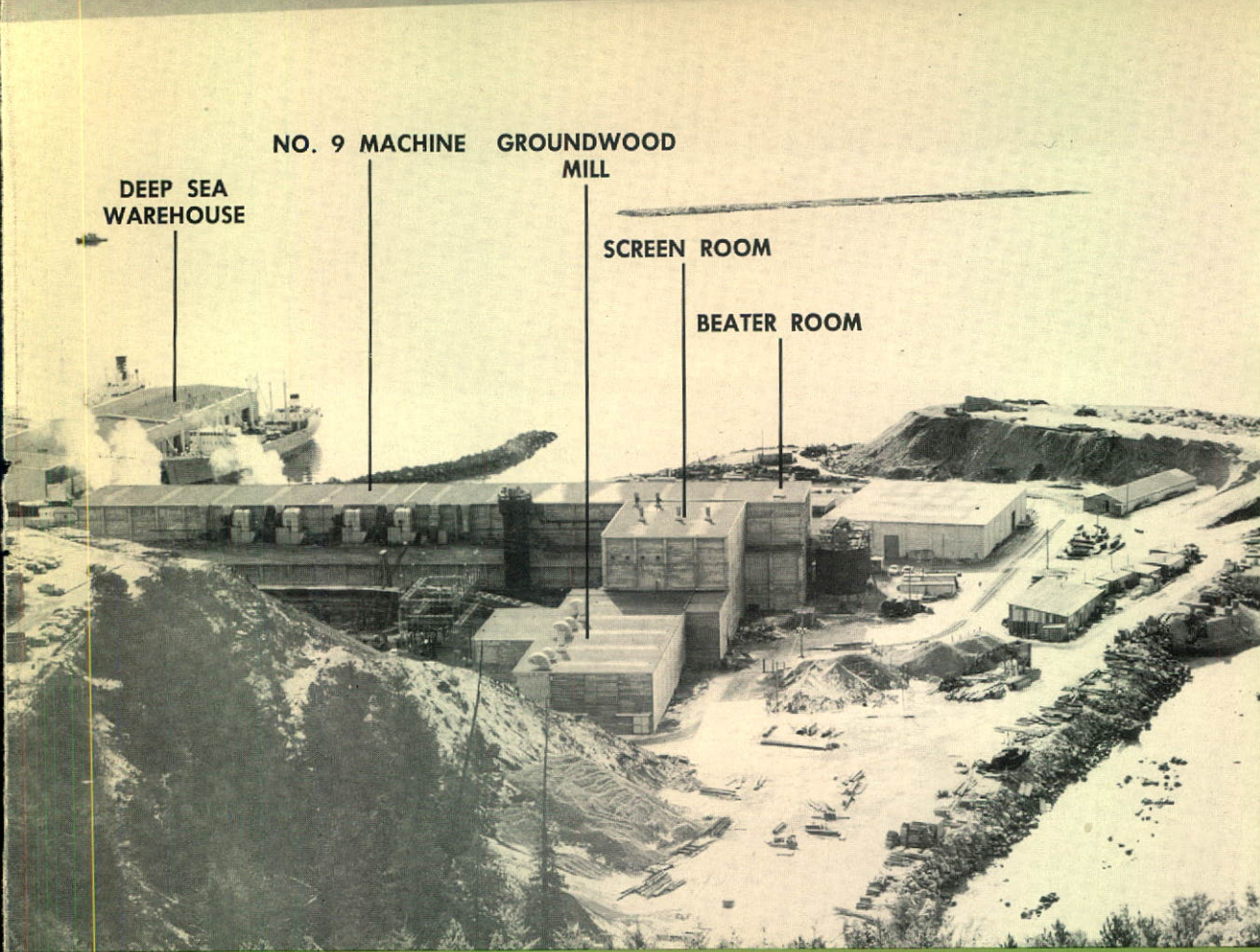


Overlooking Powell
New No. 9 Machine Building, Groundwo

Chairman of Board H. S. Foley (left)
and longest service employee
Courtney Powell turn sod for No. 9 Building.



Powell R
No. 9 shown under co

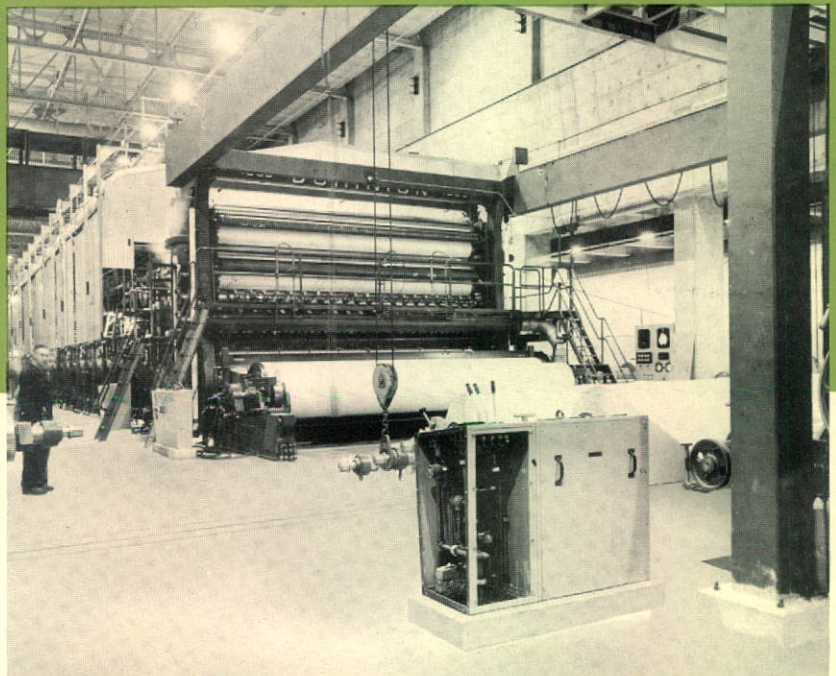


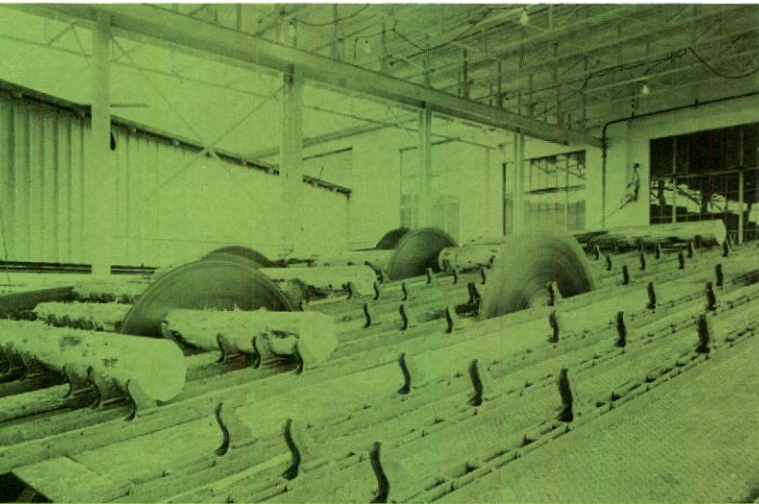
l River Harbour —
od Mill and Screen Room (right centre).



river, B.C.
nstruction in lower left.

First reels produced
by No. 9 — February 28, 1957.



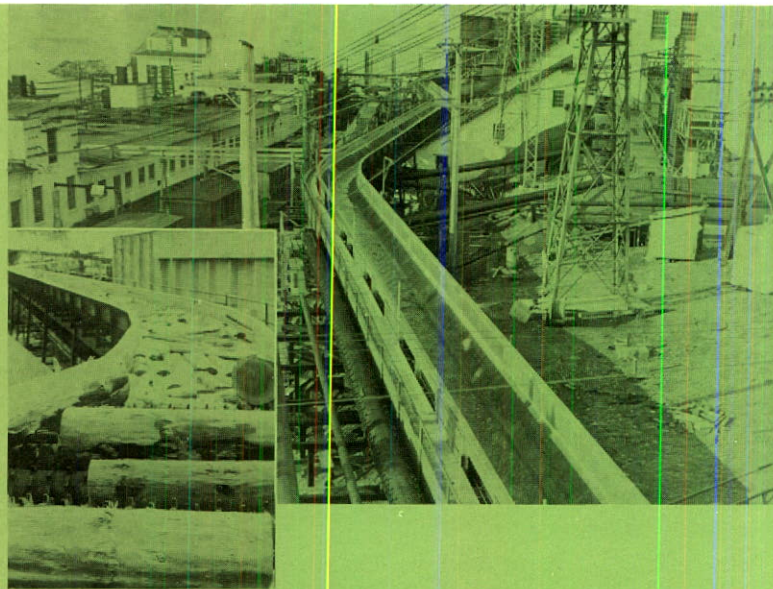


(Top left)—New slasher deck where logs are cut to 64" blocks.

(Top right)—1200' flume carries blocks from saw-mill to grindowood mill.

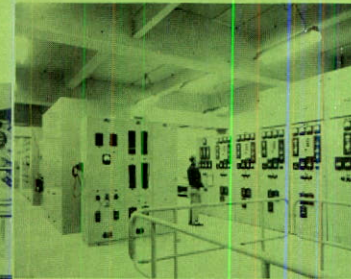
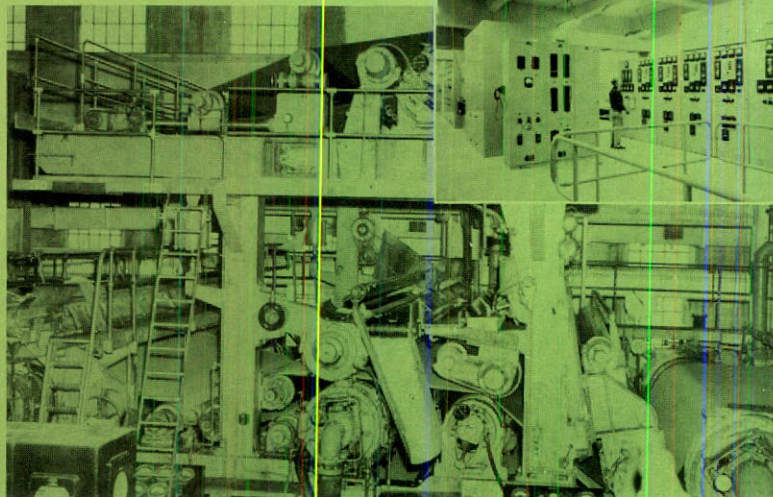
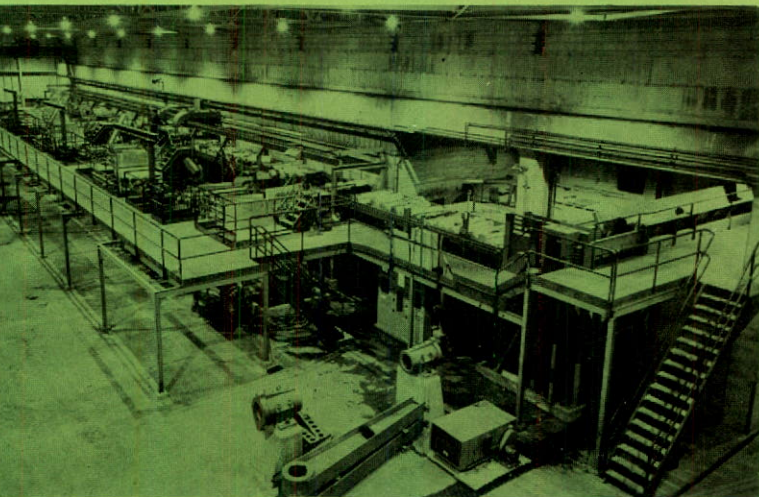
(Inset)—Blocks automatically lifted from flume by spiked rollers.

(Lower left)—New grindowood mill—64" blocks are put through 4 huge grinders.



(Lower right)—Complicated-looking suction couch transfer which transfers wet paper from wire to press felts has enabled speed-up of paper machines.

(Inset)—New electrical control room for No. 9 equipment.



STATEMENT OF CONSOLIDATED PROFIT

and unappropriated profits reinvested or retained
in the business for the year ended December 31, 1956

(With comparable figures for the year ended December 31, 1955)

	1956	1955
Consolidated profit before the undernoted items.....	\$26,538,955	\$28,577,298
Profit on disposal of equipment.....	5,585	84,425
Profit on sale of investments.....	—	21,042
Income from sundry investments.....	13,382	16,644
	<hr/>	<hr/>
	26,557,922	28,699,409
Depreciation (Note 1).....	5,594,381	4,569,709
Depletion.....	262,433	376,882
	<hr/>	<hr/>
	5,856,814	4,946,591
CONSOLIDATED PROFIT BEFORE TAXES.....	20,701,108	23,752,818
Income taxes.....	9,795,000	11,555,800
	<hr/>	<hr/>
CONSOLIDATED NET PROFIT FOR THE YEAR.....	10,906,108	12,197,018
Non-recurring credits:		
Excess of sale price of properties over depreciated book values.....	176,829	1,851,518
Adjustment of income of prior years.....	455,480	—
	<hr/>	<hr/>
	632,309	1,851,518
	<hr/>	<hr/>
	11,538,417	14,048,536
Dividends paid.....	7,560,000	7,560,000
	<hr/>	<hr/>
	3,978,417	6,488,536
Unappropriated profits reinvested or retained in the business January 1.....	44,766,604	38,278,068
	<hr/>	<hr/>
UNAPPROPRIATED PROFITS REINVESTED OR RETAINED IN THE BUSINESS DECEMBER 31, AS PER STATEMENT OF CONSOLIDATED FINANCIAL POSITION.....	\$48,745,021	\$44,766,604



Statement of Consolidated Financial Position

	As at December 31	
	1956	1955
CURRENT ASSETS:		
Cash	\$ 1,377,495	\$ 1,885,554
Government of Canada bonds, at cost (Note 2)	2,841,687	2,841,687
Deposits with Trust Companies	—	2,000,000
Accounts receivable, less allowance for losses	7,532,082	7,057,188
Inventories (Note 3)	13,894,960	12,955,975
Insurance and other prepaid expenses	561,384	525,972
TOTAL CURRENT ASSETS	26,207,608	27,266,376
CURRENT LIABILITIES:		
Bank loan	2,000,000	—
Accounts payable	5,071,749	3,628,693
Share warrant dividend coupons outstanding	944,667	806,610
Income taxes payable	4,256,938	5,143,773
TOTAL CURRENT LIABILITIES	12,273,354	9,579,076
WORKING CAPITAL	13,934,254	17,687,300
FUNDS ALLOCATED FOR SELF-INSURANCE:		
Government of Canada bonds, at cost	1,000,000	1,000,000
SUNDRY INVESTMENTS AND LONG-TERM RECEIVABLES	2,612,605	2,512,530
PLANTS AND EQUIPMENT, at cost less depreciation (Note 4)	41,701,575	29,024,216
TIMBER HOLDINGS, at cost, less depletion	10,756,587	10,802,558
	70,005,021	61,026,604
DEDUCT NOTES PAYABLE TO BANK — NON CURRENT	5,000,000	—
EXCESS OF ASSETS OVER LIABILITIES	\$65,005,021	\$61,026,604
SHAREHOLDERS' INTEREST, represented by:		
Share capital—4,200,000 shares (Note 5)	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	48,745,021	44,766,604
	\$65,005,021	\$61,026,604

On Behalf of the Board:

G. W. O'BRIEN, Director

A. H. WILLIAMSON, Director



Notes to Financial Statements

NOTE 1: The companies have recorded depreciation charges based on the maximum capital cost allowances permitted under Canadian income tax regulations. Accordingly, such charges include \$1,689,000 in 1956 (\$440,000 in 1955) in respect of plant construction in progress (principally No. 9 newsprint machine and related facilities).

NOTE 2: The market value of Government of Canada bonds at December 31, 1956 and December 31, 1955 was as follows:

	1956	1955
Bonds classified as current asset.....	\$2,788,294	\$2,786,349
Bonds classified as funds allocated for self-insurance.....	981,206	980,514
	<u>\$3,769,500</u>	<u>\$3,766,863</u>

At December 31, 1956 the above bonds were lodged with the bank as security for loans.

NOTE 3: 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 (1956 and 1955) for decline in prices.

	1956	1955
Manufacturing plants and equipment, hydro-electric development, etc., at cost.....	\$82,497,382	\$66,681,493
Marine equipment at cost.....	3,996,009	3,626,274
Logging equipment at cost and logging development at cost less amortization.....	9,204,172	7,822,231
	<u>\$95,697,563</u>	<u>\$78,129,998</u>
<i>Deduct</i> accumulated depreciation.....	53,995,988	49,105,782
	<u>\$41,701,575</u>	<u>\$29,024,216</u>

The expenditures in 1957 to complete plant construction in progress at December 31, 1956 are estimated to be \$1,500,000.

NOTE 5: Authorized share capital at December 31, 1956 and 1955 was 4,836,975 shares without par value, of which 4,200,000 shares were issued.

NOTE 6: The Company has agreed, subject to certain important conditions, to purchase from Brooks-Scanlon, Inc. a sufficient number of shares of Brooks-Scanlon, Inc. to give the Company voting control. The purchase price is \$11,000,000 in United States Funds payable over a period of from three to four years.

Auditors' Report

HELLIWELL, MACLACHLAN & Co.

Chartered Accountants

TELEPHONE MARINE 1577
CABLE ADDRESS "HELLIWELL, VANCOUVER"

MARINE BUILDING,
VANCOUVER I.

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, 1956, 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. Except for certain subsidiary companies for which we do not act as auditors, our examination included a general review of the accounting procedures and such tests of accounting records and 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 accompanying 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, 1956 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 4, 1957

Helliwell, MacLachlan & Co.
Chartered Accountants

POWELL RIVER COMPANY LIMITED

	1956	1955	1954	1953
Sales				
Newsprint—Tons	402,783	392,097	375,971	329,762
Unbleached Sulphite Pulp—Tons	30,311	33,924	31,452	34,403
Laminated and Other Products—Tons	7,114	7,043	5,676	5,570
Lumber—Million F.B.M. ¹	74	78	77	85
Container Board— Million Sq. Ft. ²	397	320	—	—
Profit before taxes	\$20,701,108	\$23,752,818	\$22,583,311	\$19,236,308
Income Taxes	9,795,000	11,555,800	11,325,000	9,510,000
Net Profit	10,906,108	12,197,018	11,258,311	9,726,308
Depreciation and Depletion	5,856,814	4,946,591	4,497,038	4,179,773
Capital Expenditures	17,781,690	9,087,654	4,300,330	2,925,899
Dividends	7,560,000	7,560,000	6,720,000	6,090,000
Working Capital	13,934,254	17,687,300	16,258,406	11,462,636
Shareholders' Equity	65,005,021	61,026,604	54,538,068	50,128,644
Net Profit per share	\$ 2.60	\$ 2.90	\$ 2.68	\$ 2.32
Dividends Paid per share	1.80	1.80	1.60	1.45
Shares Outstanding ³	4,200,000	4,200,000	4,200,000	4,200,000
Number of Shareholders	12,000	11,600	11,500	11,000
Number of Employees	4,476	4,231	4,225	3,853
Wages, Salaries and Employee Benefits	\$21,226,000	\$19,581,000	\$18,751,000	\$15,719,000

¹Sawmill subsidiaries acquired late 1951

²Container Plants acquired 1954

³Adjusted on the basis of three-for-one split October 1, 1951

. . . and its subsidiaries

A TEN YEAR COMPARISON

1952	1951	1950	1949	1948	1947
307,238	295,113	301,030	283,347	244,834	244,974
37,429	45,139	41,814	33,591	48,937	43,871
6,280	6,741	5,804	1,503	2,018	2,819
82	—	—	—	—	—
—	—	—	—	—	—
\$16,090,393	\$19,710,479	\$17,642,417	\$13,049,585	\$11,631,297	\$10,591,349
8,148,000	10,030,000	7,436,000	5,371,000	4,324,000	4,579,000
7,942,393	9,680,479	10,206,417	7,678,585	7,307,297	6,012,349
4,112,526	3,497,126	2,345,556	2,407,713	2,168,219	1,596,900
8,071,076	18,097,096	3,801,323	1,567,156	5,407,799	5,952,873
4,830,000	6,217,911	6,051,127	4,773,667	3,697,911	3,697,911
9,856,714	9,685,010	12,778,515	12,180,044	8,105,432	7,413,921
46,356,233	43,120,756	34,694,229	30,155,140	26,989,440	23,360,066
\$ 1.89	\$ 2.30	\$ 2.53	\$ 1.90	\$ 1.81	\$ 1.49
1.15	1.52	1.50	1.18	.92	.92
4,200,000	4,200,000	4,034,085	4,034,085	4,034,085	4,034,085
10,000	8,500	7,500	6,700	5,600	4,200
3,572	3,789	2,848	2,313	2,242	2,077
\$14,914,000	\$14,548,000	\$10,144,000	\$ 9,711,000	\$ 8,436,000	\$ 8,235,000

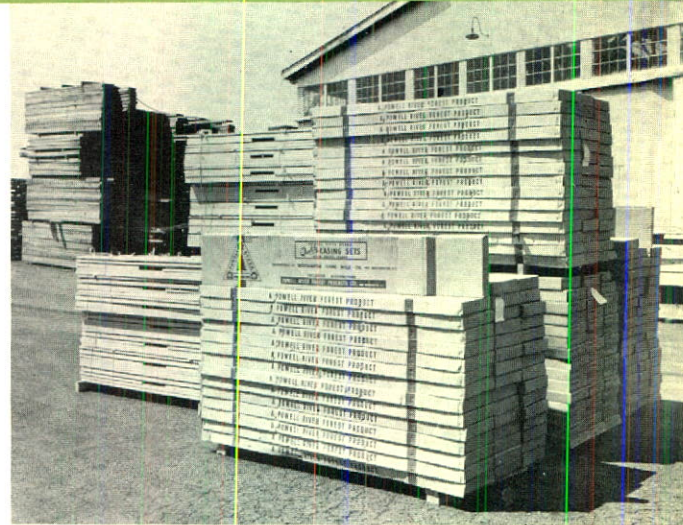
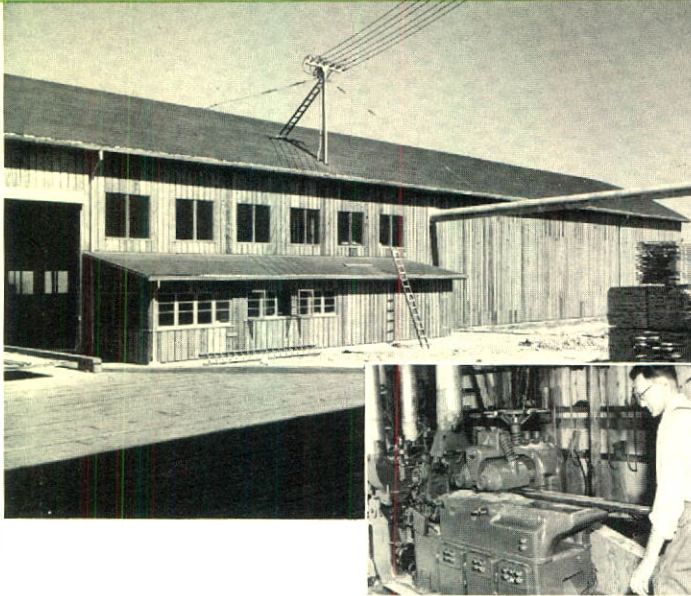


(Top right)—Finished casing stock produced by sawmill division is shipped in corrugated packages produced by our container division.

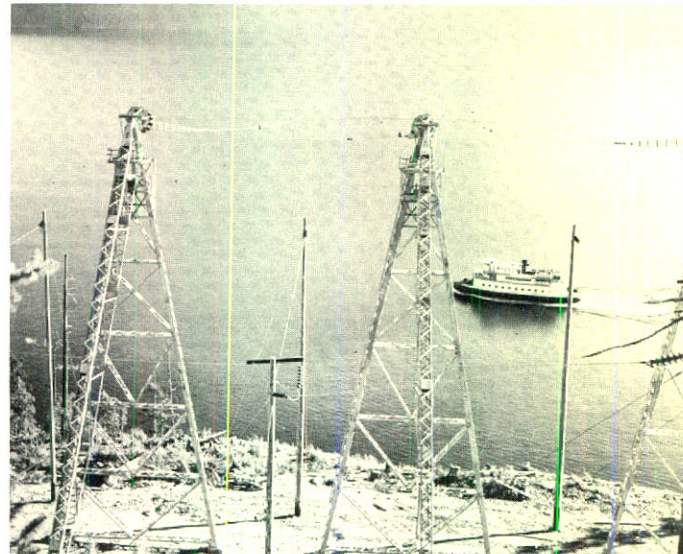
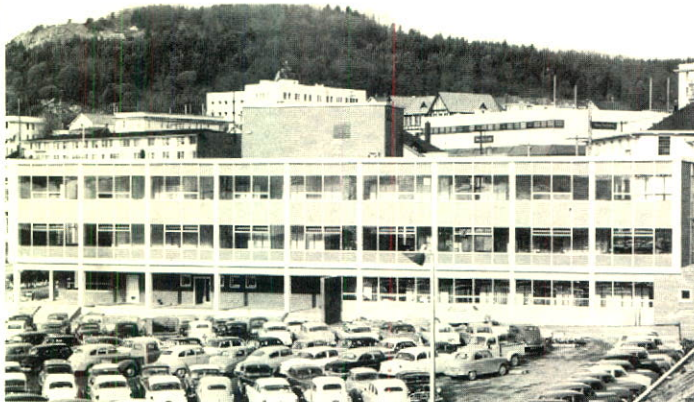
(Lower left) — New general office building at Powell River is now completed.

(Lower right)—World's fourth longest aerial water crossing brings necessary power to Powell River for No. 9 machine.

(Top left)—New moulding plant and storage shed at our sawmill division.



(Inset) — Moulding machine enables further product diversification.



DISTRIBUTION POINTS OF "THE POWELL RIVER STORY"

Prints of our new film are obtainable from the following points where bookings can be arranged:

Western Canada

Powell River Company Limited
510 West Hastings Street, Vancouver 2, B.C.

Central Canada

Martin Paper Products Limited
755 St. Jean Baptiste St., St. Boniface, Man.

Eastern Canada

Mr. G. Harold Fisk
Sun Life Building, Montreal, Quebec

Eastern United States

Powell River Sales Corporation
10 East 40th Street, New York 16, N.Y.

Western United States

Powell River Sales Corporation
546 Skinner Building, Seattle 1, Washington

Or—

Powell River Sales Corporation
3008 Russ Building, San Francisco, California

Or—

Powell River Sales Corporation
234 East Colorado St., Pasadena, California

England

Mr. W. A. McAdam, Agent General
British Columbia House, 1-3 Regent Street,
London S.W. 1, England

ANNUAL SHAREHOLDERS' MEETING

Our last Annual Meeting was well attended and we wish to extend our thanks to those who were present for the co-operation and interest shown. We also wish to thank those shareholders who were unable to attend but who so promptly returned their proxies.

The meeting this year will be held on Tuesday, April 16, at 2:15 p.m. Pacific Standard Time in the Ballroom, Hotel Georgia, Vancouver, B.C.

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

POWELL RIVER COMPANY LIMITED





POWELL RIVER COMPANY LIMITED

Incorporated 1911