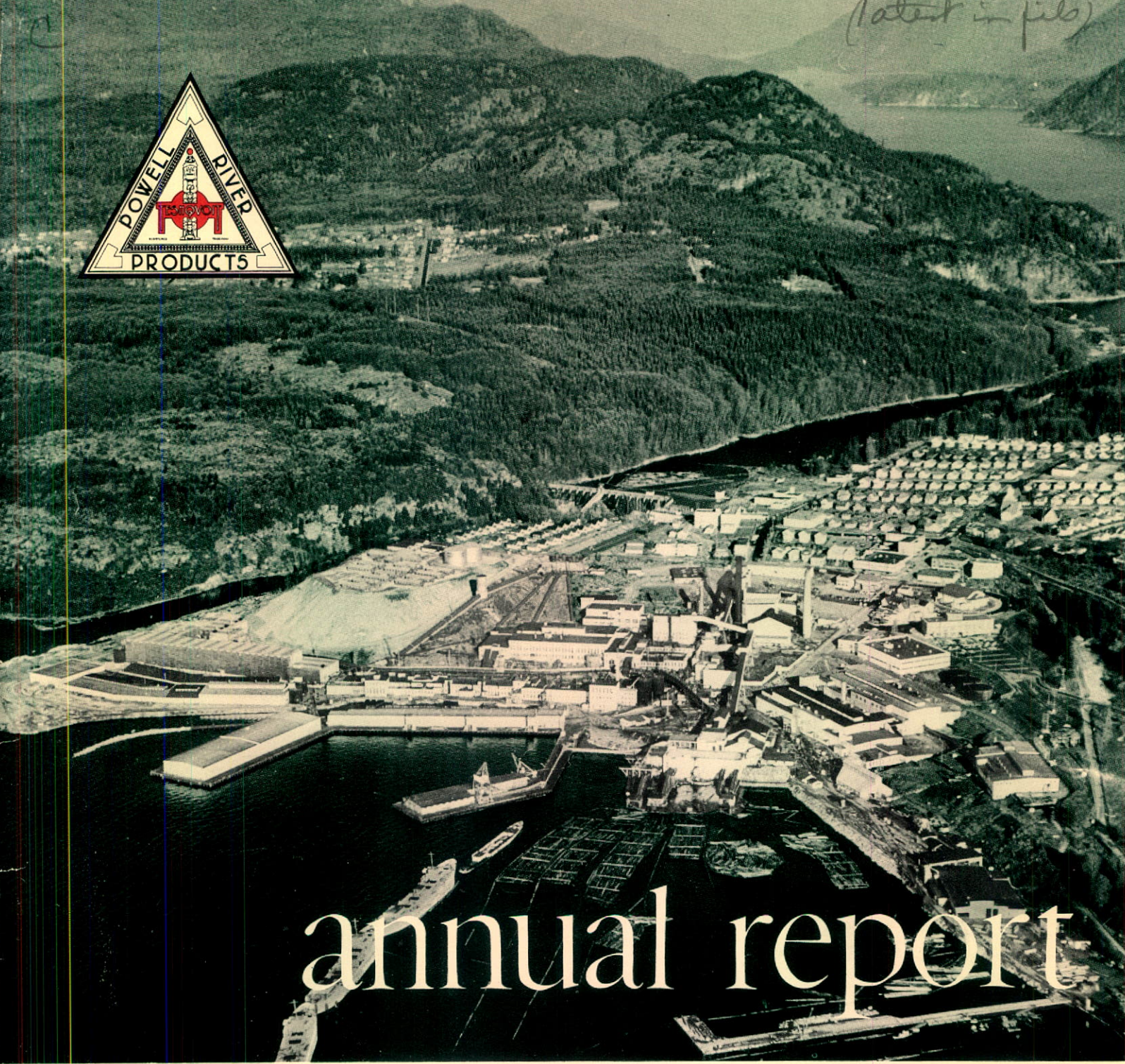
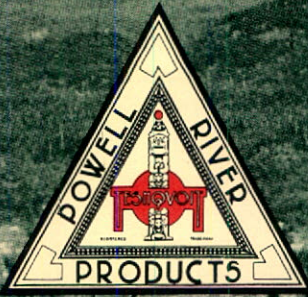


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annual report

1957

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POWELL RIVER COMPANY LIMITED





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
W. C. RILEY
J. S. SAMPLE
R. H. SCANLON
COL. HON. C. WALLACE, C.B.E.
A. H. WILLIAMSON, O.B.E.

Officers

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

Transfer Agent

THE ROYAL TRUST COMPANY, *Vancouver, Toronto, Montreal*

Registrar

BANKERS' TRUST COMPANY, *Vancouver, Toronto, Montreal*

Results In Brief

	1957	1956
Net Sales	\$66,972,000	\$72,402,000
Net Earnings	\$7,762,377	\$10,906,108
Earnings per Share	\$1.85	\$2.60
Dividends Paid	\$6,300,000	\$7,560,000
Dividends Paid per Share	\$1.50	\$1.80
Wages, Salaries and Employee Benefits	\$19,081,000	\$21,226,000
Taxes:		
Federal Income	\$6,800,000	\$9,587,000
Provincial Logging Income	\$750,000	\$208,000
Real Property, School and Forestry	\$1,095,000	\$814,000
Capital Expenditures	\$8,383,758	\$17,781,690
Working Capital at End of Year	\$11,566,747	\$13,934,254
Ratio of Current Assets to Current Liabilities	2.63	2.13
Number of Employees	4,144	4,476
Number of Shareholders (Estimated)	12,000	12,000

1957 Annual Report

To Our Shareholders

Your Directors submit the forty-seventh annual report of the Company for the year ended December 31, 1957.

Earnings

Net earnings for the year were \$7,762,377, the equivalent of \$1.85 per share, as compared with \$10,906,108 and \$2.60 per share for 1956.

The decline in earnings was due to a number of factors, the most significant being the strike which closed all pulp and paper mills in British Columbia from November 14 until February 4 this year. The other main reasons for the decline were the inability of consumers of our newsprint to take their contract commitments, the continued weakness in log and lumber markets and the high discount rate on U.S. funds which averaged two and one-half times that of 1956.

A comparison of the 1957 results with those for 1956 is shown below.

	1957	1956
Consolidated profit before the undernoted items	\$21,536,851	\$26,538,955
Profit on disposal of equipment	27,542	5,585
Profit on disposal of investments	71,231	—
Income from sundry investments	17,219	13,382
	<hr/>	<hr/>
	21,652,843	26,557,922
Depreciation	6,128,217	5,594,381
Depletion	212,249	262,433
	<hr/>	<hr/>
	6,340,466	5,856,814
Consolidated profit before income taxes	15,312,377	20,701,108
Income taxes:		
Federal	6,800,000	9,587,000
Provincial Logging	750,000	208,000
	<hr/>	<hr/>
	7,550,000	9,795,000
Consolidated net profit	<u>\$ 7,762,377</u>	<u>\$10,906,108</u>

Dividends

The regular quarterly dividend of 30c per share was paid in March, June, September and December, with an extra of 30c in June. The total distribution for the year was \$1.50 per share as compared with \$1.80 for 1956.

Working Capital

Working capital at December 31, 1957 was \$11,566,747, a decrease of \$2,367,507 from the previous year-end. The ratio of current assets to current liabilities was 2.63 as compared with 2.13 at the end of 1956.

Details of changes in working capital are summarized below:

Working Capital at January 1, 1957		\$13,934,254
ADDITIONS:		
Net earnings for 1957		7,762,377
Non-cash charges to operations:		
Depreciation and Depletion		6,340,466
Proceeds from sale of fixed assets		448,832
Transfer of funds allocated for self-insurance		1,000,000
Other items		871
		<u>29,486,800</u>
DEDUCTIONS:		
Capital expenditures:		
Manufacturing plants and equipment	\$ 7,655,297	
Marine equipment	199,986	
Logging equipment and development	479,871	
Timber	48,604	
		<u>8,383,758</u>
Dividends paid	6,300,000	
Reduction in notes payable	2,500,000	
Purchase of shares in Brooks-Scanlon, Inc.	221,504	
Increase in sundry investments and long term receivables	514,791	
		<u>17,920,053</u>
Working Capital at December 31, 1957		<u><u>\$11,566,747</u></u>

Pulp and Paper Mill Operations

With No. 9 Paper Machine commencing operation in February, 1957, our newsprint capacity was substantially increased over 1956. However, due to the strike and cancellations of contract tonnage caused by general business conditions the mill manufactured only 85% of anticipated tonnage and newsprint production was actually 8,819 tons less than the previous year.

The production of unbleached sulphite pulp for sale was 19,071 tons less than in 1956. The strike and soft markets were the reasons for this drop in production.

The outlook for the marketing of newsprint in 1958 is not encouraging. There is currently a surplus of supply and with additional capacity coming into production this year there is little expectation of a higher operating ratio over 1957, unless there is a general improvement in business conditions.

The markets for unbleached sulphite pulp continue to weaken and indications are that the sales volume for 1958 will be lower than 1957.

PRODUCTION — TONS			
	1957	1956	
Newsprint	394,070	402,889	
Unbleached Sulphite Pulp	12,244	31,315	
Newsprint Wrapper, Laminated and Other Products	5,090	7,394	
SALES — TONS			
	1957	1956	
Newsprint	389,815	402,783	
Unbleached Sulphite Pulp	12,853	30,311	
Laminated and Other Products	6,225	7,114	

Subsidiary Operations

The demand for lumber products continued its adverse trend throughout 1957. This trend resulted in severe competitive conditions which were reflected in lower lumber prices. These market conditions combined with steadily rising costs of production seriously reduced the earnings of our sawmilling division from the previous year. Unless there is a considerable improvement in market conditions, which is not now apparent, the outlook for the lumber division in 1958 is not encouraging.

The sales and earnings of Martin Paper Products Ltd., the corrugated container division, exceeded those of the previous year. While competition in the container field is increasing nevertheless it is expected that the 1958 results will be as good as 1957.

Effective January 1, 1958, a fifty per cent interest in Martin Paper Products Ltd. was sold to MacMillan & Bloedel Limited of Vancouver who, along with other forest products, manufacture container board. This move gives Martin Paper Products Ltd. an assured source of supply of their basic material requirements and also should prove beneficial to both companies. Powell River Company Limited will continue to manage this operation.

Development and Research

The performance of No. 9 newsprint machine has measured up to expectations and this machine has already attained a speed of 2,000 feet per minute.

Last year we reported that the new boiler would be in operation by the year end. The strike, however, delayed this installation but it is now complete and in process of being run-in.

The modernization of our cedar sawmill will be completed during March. Certain features of this program are already in operation and have proved satisfactory.

A major expansion of the facilities at the New Westminster container plant was undertaken and completed during 1957. This expansion was necessary in order to handle the increasing volume of business at that plant.

The program of modernization and development of the Brooks-Scanlon plant at Bend, Oregon, progressed satisfactorily during 1957 and will be completed and in full operation by April. We previously reported that construction of the paper mill in the Bend area was expected to commence towards the end of 1957. It developed, however, that the economic studies and other investigations have taken considerably longer than was originally anticipated. Also, the market for pulp products at the present time is not favorable and it now appears that a final decision regarding the appropriate timing for the start of construction will not be possible until the latter part of 1958.

There were no new developments in regard to the proposed Kitimat project during 1957, nor is any action contemplated in 1958.

The work of our research staff on the problem of increasing yields of sulphite pulp has been successful. The operation of a 50 ton per day pilot plant has assured the commercial success of the process.

Research is continuing with increased emphasis on improving the quality of our products and cost reduction in our processes.

Investigations into the possible manufacture of new wood products have been very active this past year and some tangible results are expected in 1958.

Labor

The labor contracts covering employees in the sawmill and logging operations were renewed for one year to June 15, 1958, and provided for a 7½ % wage increase, liberalized vacations

and other fringe benefits. The recommendation of a Conciliation Board and a subsequent offer by industry had been refused by the unions and the above settlement was made only after Provincial Government intervention to avert a threatened strike. In our opinion the settlement was unjustified and completely out of keeping with the industry's economic condition.

Negotiations with the pulp and paper mill employees also went to conciliation but the Board's award was refused by the unions who finally called a strike of all mills in B.C. on November 14 which lasted for 12 weeks to February 4, 1958. The final settlement was a two year contract to June 30, 1959, with a 7½ % wage increase for the first year to June 30, 1958, additional increases for mechanics and liberalized vacations. This first year settlement is basically the same as recommended by the Conciliation Board and which the unions refused although it was accepted by industry. The contract for the second year provides for an additional wage increase of 2% with further liberalization of vacations. The Company sincerely regrets the employees' strike action. The effects were very widespread and not only have earnings of the Company and its employees been seriously reduced but the economy of this Province and the country as a whole has also suffered.

Organization

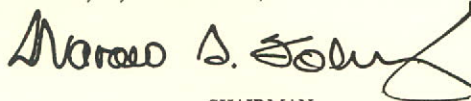
We have pleasure in reporting the appointment of Mr. J. E. Liersch to the position of Executive Vice-President effective September 17, 1957.

We also take pleasure in reporting that effective November 1, 1957, Mr. I. H. Andrews, Vice-President, assumed full responsibility for the important functions of Planning, Research and Development of our Company.

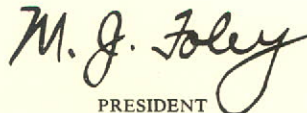
Conclusion

The Directors wish to thank those members of our organization who have contributed their loyal support and co-operation during the past year.

On behalf of the Board,



CHAIRMAN



PRESIDENT

March 14, 1958

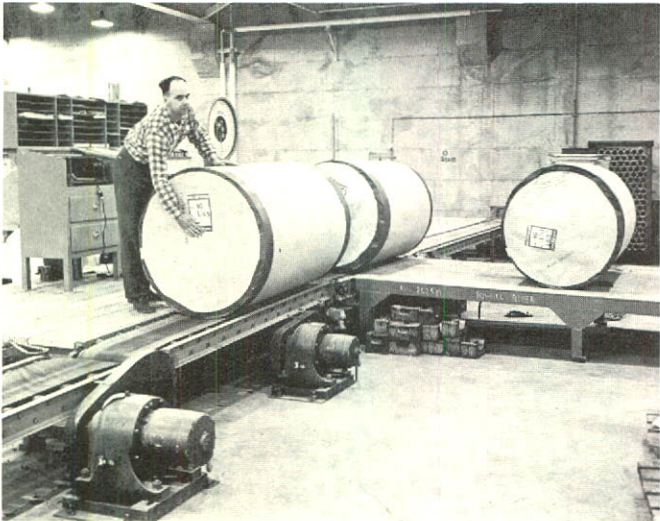
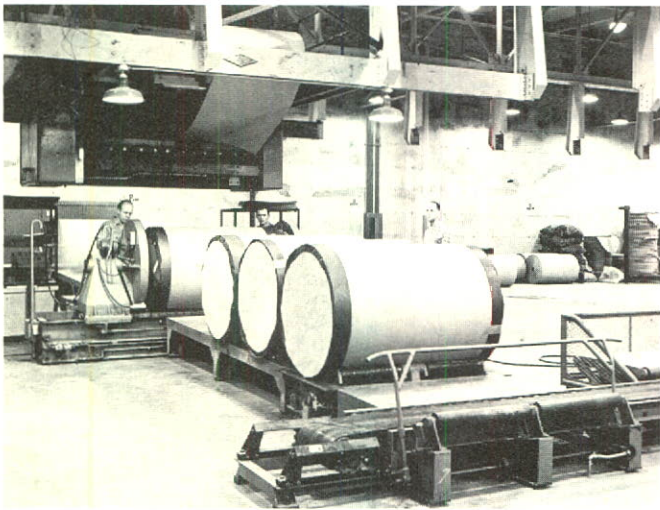


PULP & PAPER

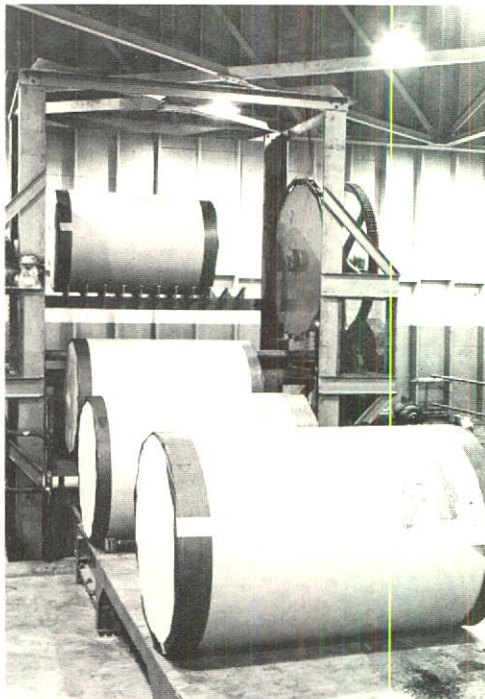
(Top) Powell River waterfront with M.S. Powell River (left) loading newsprint for California ports and Company barges loading for Vancouver where trans-shipment is made by rail to inland ports.

(Inset) M.S. Kongsholm, latest addition to Canadian Gulf Line vessels which transport Powell River newsprint. Both the Powell River and Kongsholm were specially constructed to handle newsprint.

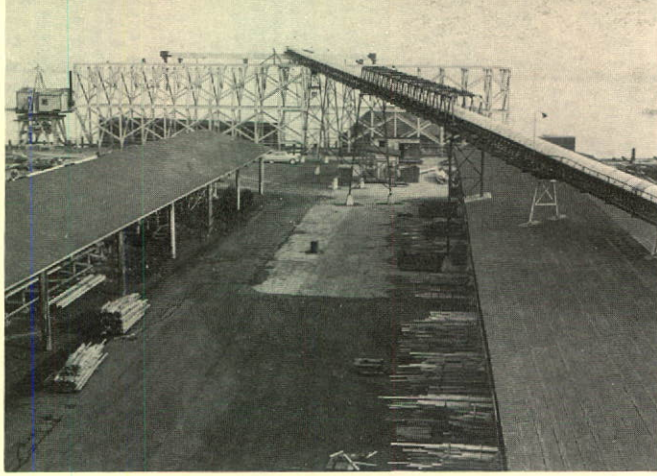
(Left) Automatic conveying equipment at Powell River has increased efficiency in roll wrapping and handling. Travelling from paper machine to finishing room by conveyors—rolls are wrapped from overhead wrapper dispenser and soft heads pressed into place by the header.



Automatically conveyed to scales, the scaleman records weight and stamps it on each roll along with roll number and size.



Rolls are then conveyed to lowerator and taken down to ground floor where they are automatically upended ready for transportation to storage warehouses.

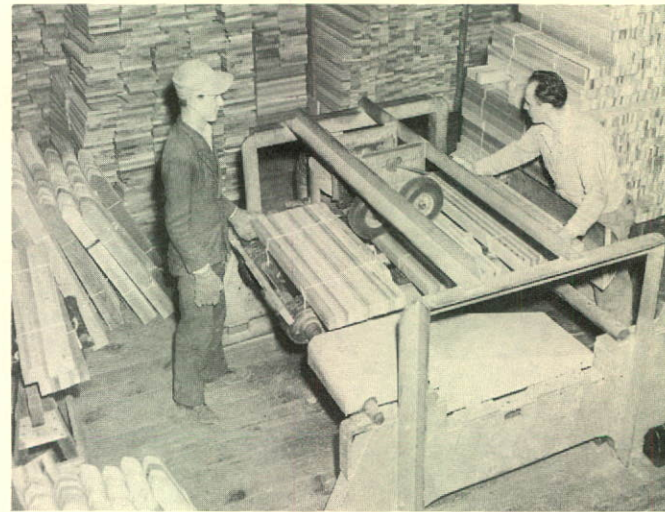


Chipper and conveying equipment was recently installed at our sawmilling division at New Westminster. View of conveyor also shows travelling loader and one loaded scow with another ready for loading.

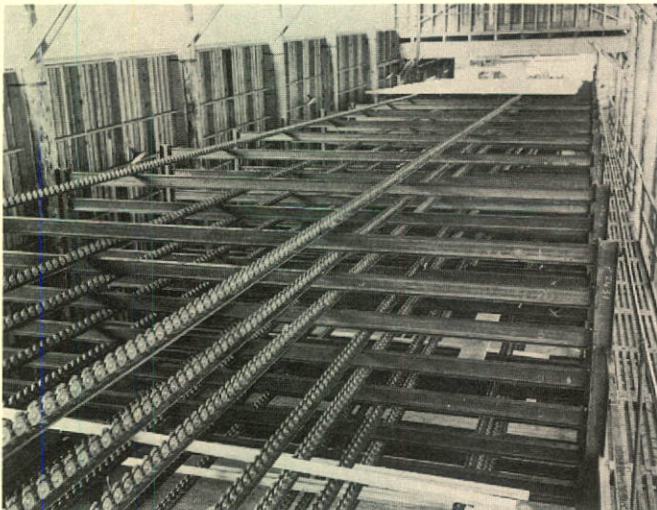


Another installation at the sawmills which has reduced labor and increased efficiency is the Setzer sorter-stacker. Random length lumber begins climb to sorter shown below.

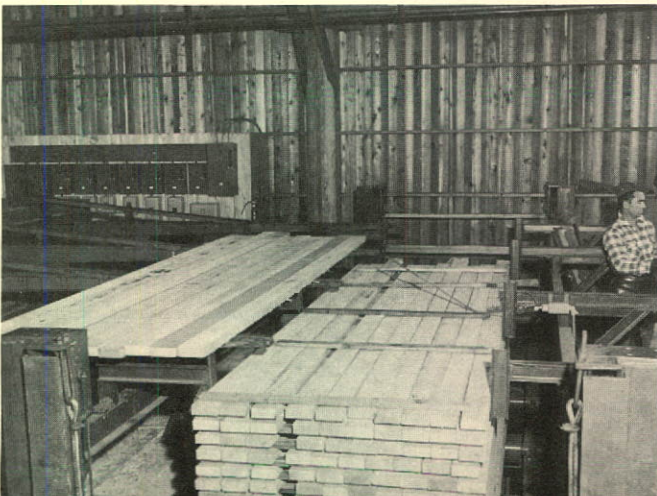
SAWMILLS



Red cedar fence pickets are just one of many products converted from scrap lumber into useful commodities by our sawmills.



Different lengths are separated and automatically conveyed at various levels. Provision is made to handle twelve different lengths.

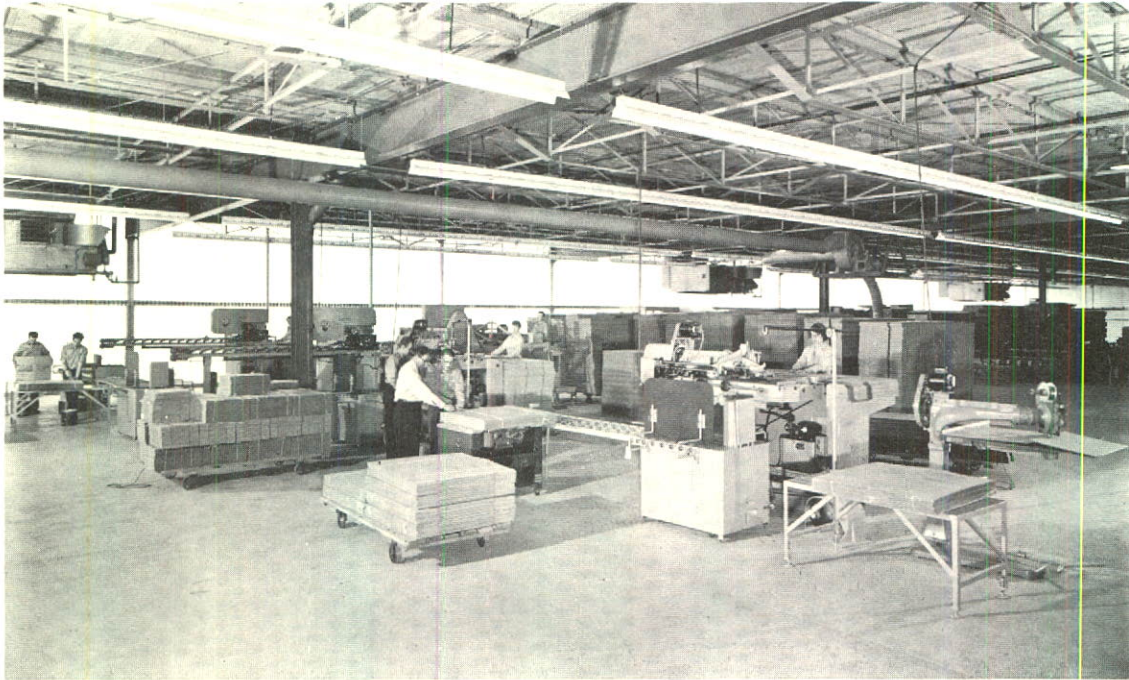


At the end of the line each length is stacked separately in its own pile and taken to kilns for drying. Kiln capacity has been increased 25% by use of this equipment.

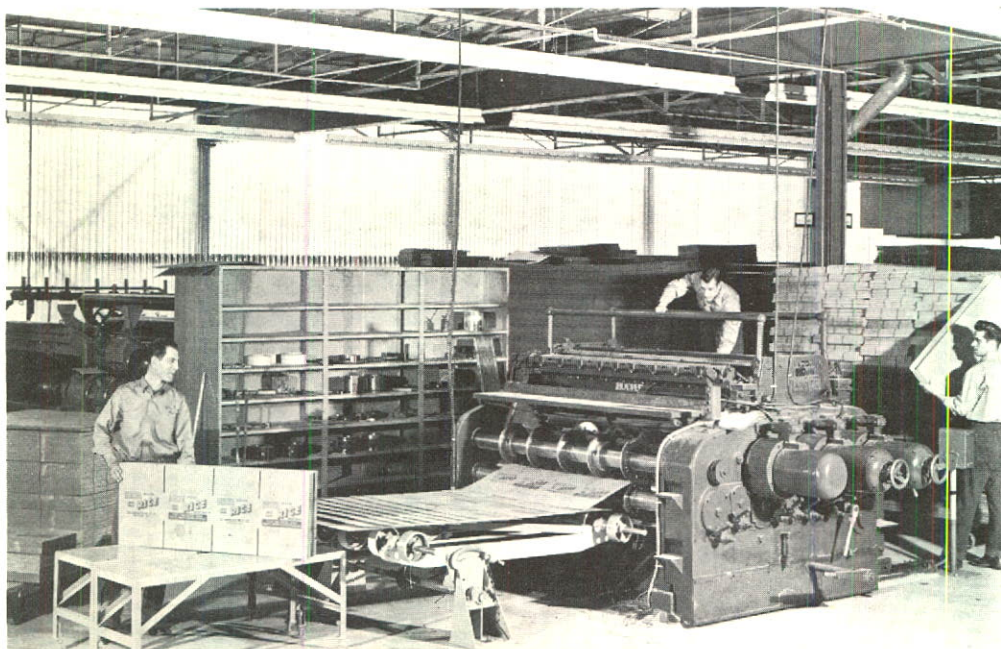
CONTAINER PLANT



Attractive packaging can greatly assist sales promotion. Here artist at one of the container plants cuts the rubber printing die—an exacting job which has to be done in reverse.



General view of New Westminster container plant interior. With modern equipment the plant is well lighted with spacious aisles and well equipped to manufacture any type of corrugated container. Other plants are located in Winnipeg, Calgary and Edmonton.



Close up of printer slotter where corrugated board is slotted for shaping and printed with the customer's brand name, slogan, etc.

Powell River Company Limited and its Subsidiaries

	1957	1956
Consolidated profit before the undernoted items	\$21,536,851	\$26,538,955
Profit on disposal of equipment	27,542	5,585
Profit on disposal of investments	71,231	—
Income from sundry investments	17,219	13,382
	21,652,843	26,557,922
Depreciation (Note 1).	6,128,217	5,594,381
Depletion	212,249	262,433
	6,340,466	5,856,814
CONSOLIDATED PROFIT BEFORE TAXES	15,312,377	20,701,108
Income taxes:		
Federal	6,800,000	9,587,000
Provincial Logging	750,000	208,000
	7,550,000	9,795,000
CONSOLIDATED NET PROFIT FOR THE YEAR	7,762,377	10,906,108
Non-recurring credits:		
Excess of sale price of properties over depreciated book value	266,467	176,829
Adjustment of income of prior years	—	455,480
	266,467	632,309
	8,028,844	11,538,417
Dividends paid	6,300,000	7,560,000
	1,728,844	3,978,417
Unappropriated profits reinvested or retained in the business January 1	48,745,021	44,766,604
UNAPPROPRIATED PROFITS REINVESTED OR RETAINED IN THE BUSINESS DECEMBER 31, AS PER STATEMENT OF CONSOLIDATED FINANCIAL POSITION	\$50,473,865	\$48,745,021

Statement of Consolidated Profit

*and unappropriated profits
reinvested or retained
in the business for the year
ended December 31, 1957
(with comparable figures for the
year ended December 31, 1956)*

Powell River Company Limited and its Subsidiaries

Statement of Consolidated Financial Position

	AS AT DECEMBER 31	
	1957	1956
CURRENT ASSETS:		
Cash	\$ 879,812	\$ 1,377,495
Government of Canada bonds, at cost (market value 1957—\$47,562; 1956—\$2,788,294)	51,188	2,841,687
Accounts receivable, less allowance for losses	2,940,764	7,532,082
Inventories (Note 2)	14,566,684	13,894,960
Insurance and other prepaid expenses	207,640	561,384
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	18,646,088	26,207,608
CURRENT LIABILITIES:		
Bank loan	—	2,000,000
Accounts payable	2,703,743	5,071,749
Share warrant dividend coupons outstanding	755,969	944,667
Income taxes payable	3,619,629	4,256,938
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	7,079,341	12,273,354
	<hr/>	<hr/>
WORKING CAPITAL	11,566,747	13,934,254
FUNDS ALLOCATED FOR SELF-INSURANCE:		
Government of Canada bonds, at cost	—	1,000,000
SHARES OF BROOKS-SCANLON, INC. (Note 3)	221,504	—
SUNDRY INVESTMENTS AND LONG-TERM RECEIVABLES	3,127,396	2,612,605
PLANTS AND EQUIPMENT, at cost less depreciation (Note 4)	43,722,080	41,701,575
TIMBER HOLDINGS, at cost, less depletion	10,596,138	10,756,587
	<hr/>	<hr/>
	69,233,865	70,005,021
DEDUCT NOTES PAYABLE TO BANK—NON CURRENT	2,500,000	5,000,000
	<hr/>	<hr/>
EXCESS OF ASSETS OVER LIABILITIES	\$66,733,865	\$65,005,021
	<hr/>	<hr/>
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	50,473,865	48,745,021
	<hr/>	<hr/>
	\$66,733,865	\$65,005,021
	<hr/>	<hr/>

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. For 1956 such charges included \$1,689,000 in respect of plant under construction. Depreciation charged in respect of construction in progress at December 31, 1957, is not significant.

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 (1957 and 1956) for decline in prices.

NOTE 3: During 1957 the Company made its first payment of \$229,167 United States Funds (\$221,504 equivalent Canadian Funds) pursuant to the terms of the agreement to purchase voting control of Brooks-Scanlon, Inc. for a total consideration of \$11,000,000 United States Funds, as referred to in the 1956 Accounts.

	1957	1956
NOTE 4: Manufacturing plants and equipment, hydro-electric development, etc. at cost	\$89,563,458	\$82,497,382
Marine equipment at cost	4,188,852	3,996,009
Logging equipment at cost and logging development at cost less amortization	9,583,842	9,204,172
	<u>103,336,152</u>	<u>95,697,563</u>
Deduct accumulated depreciation	59,614,072	53,995,988
	<u>\$43,722,080</u>	<u>\$41,701,575</u>

NOTE 5: Authorized share capital at December 31, 1957 and 1956, was 4,836,975 shares without par value, of which 4,200,000 shares were issued.

Auditors' Report

HELLIWELL, MACLACHLAN & CO.
INCORPORATING ISMAY, BOISTON, DUNN & CO.
 CHARTERED ACCOUNTANTS

MARINE BUILDING
 VANCOUVER 1, B. C.
TELEPHONE MARINE 1277

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, 1957, 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 did 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, 1957 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 by the accounts of the remaining subsidiaries as reported upon by their auditors.

Helliwell, MacLachlan & Co.
 CHARTERED ACCOUNTANTS.

Vancouver, B.C.
 February 5, 1958.

Powell River Company Limited

A Ten Year Comparison

	1957	1956	1955
Sales			
Newsprint—Tons	389,815	402,783	392,097
Unbleached Sulphite Pulp—Tons	12,853	30,311	33,924
Laminated and Other Products—Tons	6,225	7,114	7,043
Lumber—Million F.B.M. ¹	62	74	78
Corrugated Board— Million Sq. Ft. ²	453	397	320
<hr/>			
Profit before taxes	\$15,312,377	\$20,701,108	\$23,752,818
Income Taxes	7,550,000	9,795,000	11,555,800
Net Profit	7,762,377	10,906,108	12,197,018
Depreciation and Depletion	6,340,466	5,856,814	4,946,591
Capital Expenditures	8,383,758	17,781,690	9,087,654
Dividends	6,300,000	7,560,000	7,560,000
Working Capital	11,566,747	13,934,254	17,687,300
Shareholders' Equity	66,733,865	65,005,021	61,026,604
<hr/>			
Net Profit per share	\$ 1.85	\$ 2.60	\$ 2.90
Dividends Paid per share	1.50	1.80	1.80
<hr/>			
Shares Outstanding ³	4,200,000	4,200,000	4,200,000
Number of Shareholders (Estimated)	12,000	12,000	11,600
<hr/>			
Number of Employees	4,144	4,476	4,231
Wages, Salaries and Employee Benefits	\$19,081,000	\$21,226,000	\$19,581,000

¹ Sawmill subsidiaries acquired late 1951

² Container Plants acquired 1954

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

and its Subsidiaries

1954	1953	1952	1951	1950	1949	1948
375,971	329,762	307,238	295,113	301,030	283,347	244,834
31,452	34,403	37,429	45,139	41,814	33,591	48,937
5,676	5,570	6,280	6,741	5,804	1,503	2,018
77	85	82	—	—	—	—
—	—	—	—	—	—	—
\$22,583,311	\$19,236,308	\$16,090,393	\$19,710,479	\$17,642,417	\$13,049,585	\$11,631,297
11,325,000	9,510,000	8,148,000	10,030,000	7,436,000	5,371,000	4,324,000
11,258,311	9,726,308	7,942,393	9,680,479	10,206,417	7,678,585	7,307,297
4,497,038	4,179,773	4,112,526	3,497,126	2,345,556	2,407,713	2,168,219
4,300,330	2,925,899	8,071,076	18,097,096	3,801,323	1,567,156	5,407,799
6,720,000	6,090,000	4,830,000	6,217,911	6,051,127	4,773,667	3,697,911
16,258,406	11,462,636	9,856,714	9,685,010	12,778,515	12,180,044	8,105,432
54,538,068	50,128,644	46,356,233	43,120,756	34,694,229	30,155,140	26,989,440
\$ 2.68	\$ 2.32	\$ 1.89	\$ 2.30	\$ 2.53	\$ 1.90	\$ 1.81
1.60	1.45	1.15	1.52	1.50	1.18	.92
4,200,000	4,200,000	4,200,000	4,200,000	4,034,085	4,034,085	4,034,085
11,500	11,000	10,000	8,500	7,500	6,700	5,600
4,225	3,853	3,572	3,789	2,848	2,313	2,242
\$18,751,000	\$15,719,000	\$14,914,000	\$14,548,000	\$10,144,000	\$ 9,711,000	\$ 8,436,000

Treetopping is a spectacular operation. Highrigger tops tree for use as spar tree in high lead logging.

LOGGING



Justkatla logging camp—one of our Queen Charlotte Islands operations. With both single and married quarters, the camp is modern in every respect.



Construction of roads to reach the timber is a costly job. Laid out by engineers for proper grade, roads must often be cut through solid rock.



Modern trailer trucks carry up to 100 tons of logs over roads which must be built to withstand the weight.



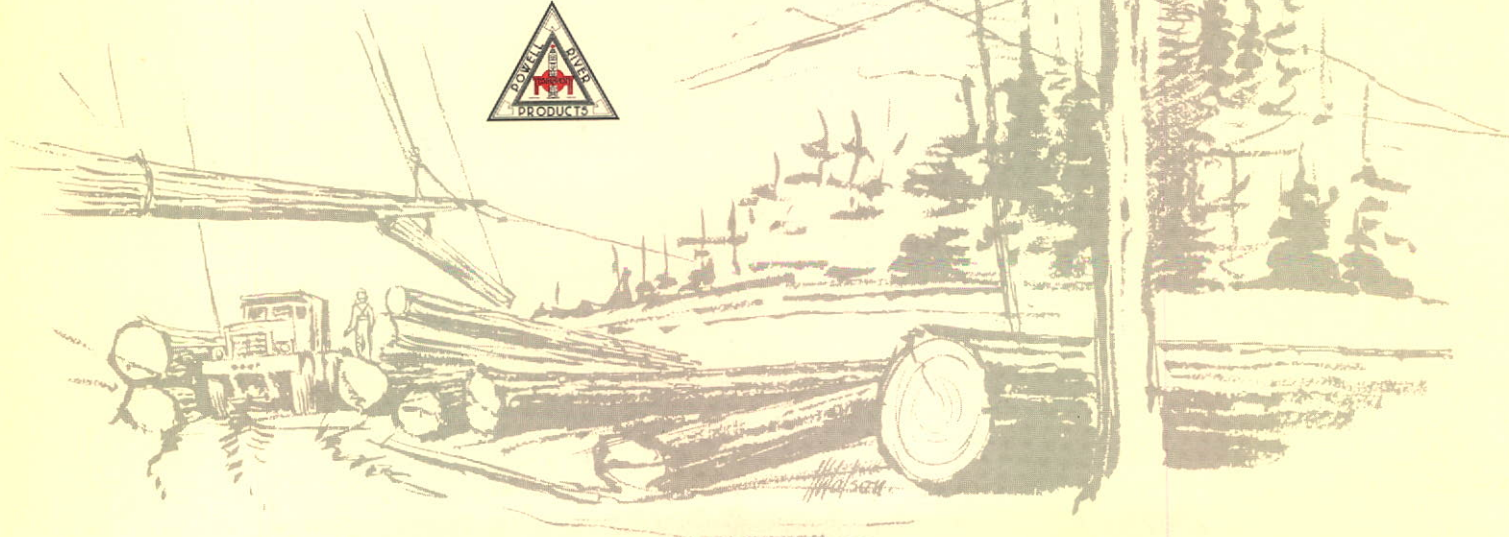
Annual Shareholders' Meeting

We wish to express our thanks to the shareholders who attended our last Annual Meeting and to those who were unable to attend but who so promptly returned their proxies. It is gratifying to know that such a large number take an interest in the affairs of the Company.

Our meeting this year will be held on Tuesday, April 15, at 2:00 p.m. Pacific Standard Time, in the Ballroom, Hotel Georgia, Vancouver, B.C.

We would again welcome all those who can attend but if you can not 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

In keeping with British Columbia's Centennial, 1858 - 1958, our cover pictures show Powell River in its early beginnings and today. The early picture was taken in 1912 when our annual capacity was 35,000 tons with two machines, and shows the contrast with today's operation of nine machines and a capacity of 500,000 tons annually.