

**1958**

**Annual  
Report**

**POWELL RIVER COMPANY LIMITED**

PURVIS HALL  
LIBRARIES  
MAR 19 1959  
MCGILL UNIVERSITY

## **ANNUAL SHAREHOLDERS' MEETING**

The Annual General Meeting of the shareholders of the Company will be held on Tuesday, the 14th day of April, 1959, at 2:00 p.m., in the Ballroom of the Hotel Georgia, Vancouver, B.C.

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

May we take this opportunity to thank all who attended our meeting last year and those unable to attend who so promptly returned their proxies.

POWELL RIVER COMPANY LIMITED.

## 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, O.B.E.  
J. S. SAMPLE  
\*R. H. SCANLON  
COL. HON. C. WALLACE, C.B.E.  
A. H. WILLIAMSON, O.B.E.

\* Deceased

## Officers

HAROLD S. FOLEY  
M. J. FOLEY  
J. E. LIERSCH  
I. H. ANDREWS  
R. M. COOPER  
W. C. R. JONES  
J. A. KYLES  
H. P. J. MOORHEAD  
H. A. RENWICK  
K. B. FINN

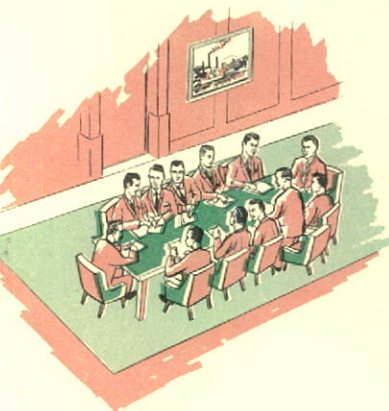
*Chairman of the Board*  
*President*  
*Executive Vice-President*  
*Vice-President*  
*Vice-President*  
*Vice-President*  
*Vice-President and Secretary*  
*Vice-President*  
*Vice-President*  
*Comptroller*

## Transfer Agent

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

## Registrar

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



## POWELL RIVER COMPANY LIMITED

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



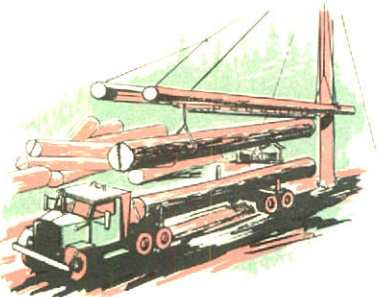
## Results in brief

	1958 <sup>1</sup>	1957
Net Sales . . . . .	\$55,628,000	\$66,972,000
Net Earnings <sup>2</sup> . . . . .	\$7,600,089	\$7,762,377
Earnings per Share . . . . .	\$1.81	\$1.85
Dividends Paid . . . . .	\$6,300,000	\$6,300,000
Dividends Paid per Share . . . . .	\$1.50	\$1.50
Wages, Salaries and Employee Benefits . . . . .	\$16,681,000	\$19,081,000
Taxes:		
Federal Income . . . . .	\$6,680,000	\$6,800,000
Provincial Logging Income . . . . .	\$720,000	\$750,000
Real Property, School and Forestry . . . . .	\$1,347,000	\$1,095,000
Capital Expenditures . . . . .	\$1,613,119	\$8,828,506
Working Capital at end of year . . . . .	\$16,956,770	\$11,566,747
Ratio of Current Assets to Current Liabilities . . . . .	3.60	2.63
Number of Employees . . . . .	3,404	4,144
Number of Shareholders (Estimated) . . . . .	12,000	12,000

<sup>1</sup> 1958 excludes Martin Paper Products Ltd.

<sup>2</sup> Excluding non-recurring capital gains.

## POWELL RIVER COMPANY LIMITED



# 1958 ANNUAL REPORT TO OUR SHAREHOLDERS



Your Directors submit the forty-eighth annual report of the Company for the year ended December 31, 1958.

## Earnings

Net earnings for the year were \$7,600,089, the equivalent of \$1.81 per share, as compared with \$7,762,377 and \$1.85 per share for 1957. The earnings for 1958 do not include those of Martin Paper Products Ltd., formerly our container division. As previously reported, that company is no longer a wholly-owned subsidiary, a 50% interest having been sold at the first of the year.

The results for the year were seriously affected by the strike in the British Columbia pulp and paper mills which commenced November 14, 1957 and was not settled until February 4, 1958. The present over-capacity of the pulp and paper industry and the general levelling-off in business, together with increased wages and property taxes, also had adverse effects on 1958 results. The market for lumber improved in volume but this improvement was largely offset by a decline in prices. The average discount rate on U.S. funds improved by approximately 1% as compared with the previous year and this was reflected in the 1958 earnings.

The depreciation charged against 1958 earnings was considerably lower than in 1957. There was no change in the basis of recording depreciation, the reduction being due to the expiry of certain post-war special allowances, the exclusion of Martin Paper Products Ltd. from the consolidated figures and the normal effect of providing depreciation on the declining balance method.

A comparison of the 1958 results with those for 1957 is shown below.

	1958	1957
Consolidated profit before the undernoted items	\$19,972,240	\$21,981,599
Profit on disposal of equipment . . . . .	58,002	27,542
Profit on disposal of investments . . . . .	—	71,231
Income from sundry investments . . . . .	27,823	17,219
	<hr/>	<hr/>
	20,058,065	22,097,591
Depreciation . . . . .	4,348,265	6,128,217
Depletion . . . . .	122,725	212,249
Amortization . . . . .	586,986	444,748
	<hr/>	<hr/>
	5,057,976	6,785,214
	<hr/>	<hr/>
Consolidated profit before income taxes . . . . .	15,000,089	15,312,377
Income taxes:		
Federal . . . . .	6,680,000	6,800,000
Provincial Logging . . . . .	720,000	750,000
	<hr/>	<hr/>
	7,400,000	7,550,000
	<hr/>	<hr/>
Consolidated Net Profit . . . . .	\$ 7,600,089	\$ 7,762,377

## Dividends

The regular quarterly dividend of 30c per share was paid in March, June, September and December, with extras of 15c per share in June and December. The total distribution for the year was \$1.50 per share, being the same as 1957.

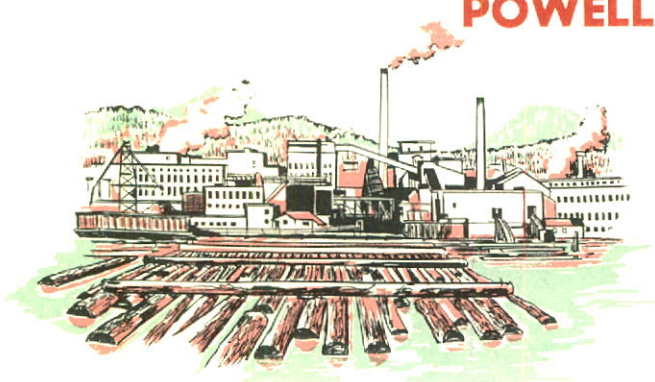
## Working Capital

During the year working capital increased by \$5,390,023 to \$16,956,770 as at December 31, 1958. The ratio of current assets to current liabilities was 3.60 as compared with 2.63 at the end of 1957.

Details of changes in working capital are summarized below.

Working Capital at January 1, 1958 . . . . .		\$11,566,747
ADDITIONS:		
Net earnings for 1958 . . . . .		7,600,089
Non-cash charges to operations:		
Depreciation, Depletion and Amortization . . . . .		5,057,976
Proceeds from sale of fixed assets . . . . .		51,217
Net proceeds re sale of 50% interest in Martin Paper Products Ltd. . . . .		2,530,834
Transfer of allowance for decline in inventory prices . . . . .		541,446
Adjustment of prior years' income . . . . .		244,250
		<u>27,592,559</u>
DEDUCTIONS:		
Capital expenditures:		
Manufacturing plants and equipment . . . \$	847,873	
Marine equipment . . . . .	211,546	
Logging equipment and development . . . . .	489,882	
Timber . . . . .	63,818	
		<u>1,613,119</u>
Dividends paid . . . . .	6,300,000	
Retirement of note payable . . . . .	2,500,000	
Increase in Sundry Investments and Long Term Receivables, etc. . . . .	222,670	
		<u>10,635,789</u>
Working Capital at December 31, 1958 . . . . .		<u><u>\$16,956,770</u></u>

## POWELL RIVER COMPANY LIMITED





## Pulp and Paper Mill Operations

Due to the continued inability of consumers to use contracted newsprint tonnage it was necessary to curtail production in the pulp and paper mill. This curtailment was achieved in two ways: paper machines operated at lower speeds, and periodic mill shutdowns were programmed to balance production with delivery schedules. Actual production of newsprint was 357,322 tons or 36,748 tons less than the previous year.

The production of unbleached sulphite pulp for sale was reduced to 1,593 tons as a result of the weak market which prevailed during the year for this product.

While the industry's capacity for the production of newsprint remains in excess of consumption, there are indications of improved business conditions in 1959 which, if they materialize, should be reflected in an increased demand for this product.

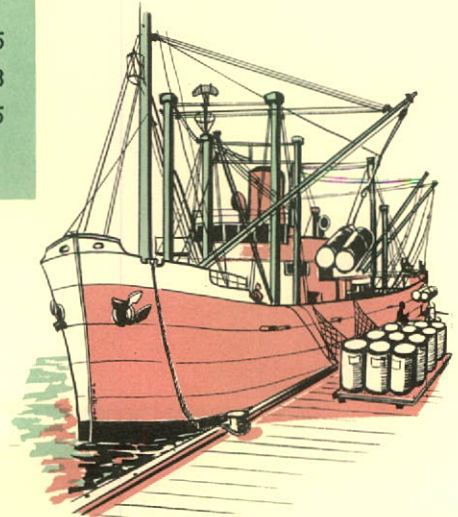
We see no encouraging signs of a strengthening in the market for unbleached sulphite pulp and it appears that sales in 1959 will remain at about the 1958 level.

### PRODUCTION — TONS

	1958	1957
Newsprint . . . . .	357,322	394,070
Unbleached Sulphite Pulp . . . . .	1,593	12,244
Wrapper, Laminated and Other Products . . . . .	6,286	6,090

### SALES — TONS

	1958	1957
Newsprint . . . . .	359,575	389,815
Unbleached Sulphite Pulp . . . . .	2,841	12,853
Wrapper, Laminated and Other Products . . . . .	5,260	6,225



## Sawmill Operations

The modernization and expansion of our sawmill facilities referred to in our report last year enabled us to take advantage of the increase in demand that developed for lumber during 1958. Lumber sales were 83 million f.b.m. as compared with 62 million f.b.m. for 1957.

During the year the operations of B.C. Manufacturing Co. Ltd. and Westminster Shook Mills Ltd. were consolidated under the new name of Powell River Lumber Company Limited.

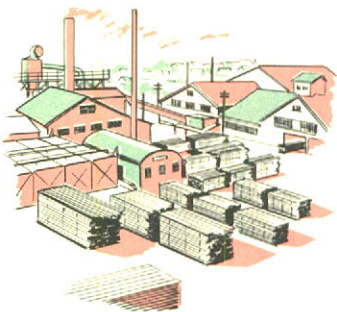
## Research and Development

As a result of the successful operation of a pilot plant for high yield sulphite pulp as reported last year, the sulphite mill is being converted to the high yield process and this conversion will be completed by early 1960. This will produce substantial cost savings through reduction in wood usage.

Investigations in connection with possible new wood products have led to our entry into the building board field. Our product, a flakeboard, is a composite board that will utilize waste from our cedar sawmill. Plans for a 60 ton per day plant have been completed and preparations for its construction on a site adjacent to our sawmills are under way. This plant should be in production by the end of the year.

The plans for a 40 ton per day fine paper mill which will produce a variety of fine papers are currently being engineered. This plant will be located on Annacis Island near New Westminster where we have obtained a site. This project is scheduled for completion in 1960.

Primarily due to business conditions it has not yet been possible to reach a final decision in regard to the construction of the proposed Brooks-Scanlon, Inc. paper mill in Oregon. However, the matter is under constant review and it is hoped that a definite programme will be formulated this year.



**POWELL RIVER COMPANY LIMITED**

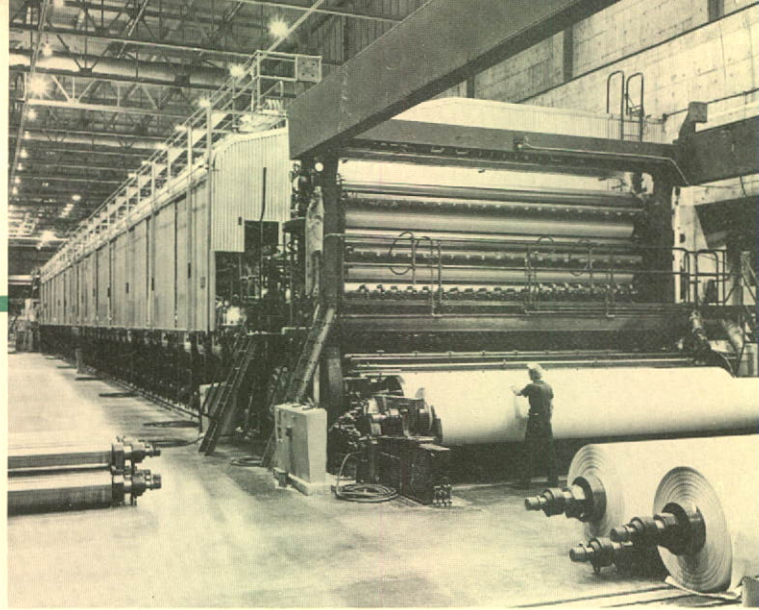


## Personnel

The pulp and paper mill employees operated under the two year contract that was negotiated following the strike which ended February 4, 1958. This contract expires June 30, 1959.

The labour contracts covering employees in the sawmill and logging operations expired on June 15, 1958 and these were re-negotiated for a further year to June 15, 1959.

The year 1958 was an outstanding one from the point of view of safety. All divisions of the company had good accident records and the Powell River mill, two of the logging divisions and one sawmill won Provincial Centennial Safety Awards.



No. 9 Paper Machine at Powell River designed to operate at speeds up to 2500 feet per minute.

## Conclusion

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

---

It is with deep regret that we record the death, on November 21, 1958, of Mr. Robert H. Scanlon, a senior Director of the Company. Mr. Scanlon had been closely associated with the Company since its inception and his loss will be keenly felt.

*On behalf of the Board,*

*Norwood D. Solway*  
CHAIRMAN

*M. J. Foley*  
PRESIDENT





Powell River Lumber Company Limited—  
W.S.M. Division, at New Westminster,  
B.C. (Formerly Westminster Shook Mills Ltd.)



Our newsprint and pulp plant at Powell  
River, B.C. with portion of town and  
Powell Lake in background.



Powell River Lumber Company  
Limited—B.C.M. Division, also at  
New Westminster, B.C. (Formerly  
B.C. Manufacturing Co. Ltd.)



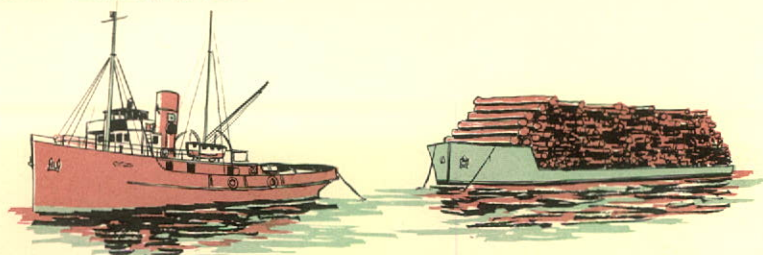
# Statement of Consolidated Profit

and unappropriated profits reinvested or retained in the business  
for the year ended December 31, 1958

(with comparable figures for the year ended December 31, 1957)

	1958	1957
Consolidated profit before the undernoted items	\$19,972,240	\$21,981,599
Profit on disposal of equipment . . . . .	58,002	27,542
Profit on disposal of investments . . . . .	—	71,231
Income from sundry investments . . . . .	27,823	17,219
	<hr/>	<hr/>
	20,058,065	22,097,591
Depreciation (Note 1) . . . . .	4,348,265	6,128,217
Depletion . . . . .	122,725	212,249
Amortization of logging development . . . . .	586,986	444,748
	<hr/>	<hr/>
	5,057,976	6,785,214
	<hr/>	<hr/>
CONSOLIDATED PROFIT BEFORE TAXES . . . . .	15,000,089	15,312,377
Income taxes:		
Federal . . . . .	6,680,000	6,800,000
Provincial Logging . . . . .	720,000	750,000
	<hr/>	<hr/>
	7,400,000	7,550,000
	<hr/>	<hr/>
CONSOLIDATED NET PROFIT FOR THE YEAR . . . . .	7,600,089	7,762,377
Non-recurring credits:		
Profit on sale of fifty per cent of investment in Martin Paper Products Holdings Limited	1,396,979	—
Inventory reserves transferred . . . . .	541,446	—
Adjustment of income of prior years . . . . .	244,250	—
Excess of sale price of properties over depreciated book value . . . . .	—	266,467
	<hr/>	<hr/>
	2,182,675	266,467
	<hr/>	<hr/>
	9,782,764	8,028,844
Dividends paid . . . . .	6,300,000	6,300,000
	<hr/>	<hr/>
	3,482,764	1,728,844
Unappropriated profits reinvested or retained in the business January 1 . . . . .	50,473,865	48,745,021
	<hr/>	<hr/>
UNAPPROPRIATED PROFITS REINVESTED OR RETAINED IN THE BUSINESS DECEMBER 31, AS PER STATEMENT OF CONSOLIDATED FINANCIAL POSITION . . . . .	\$53,956,629	\$50,473,865

## POWELL RIVER COMPANY LIMITED and its Subsidiaries





# Statement of Consolidated Financial Position

As of December 31

	1958	1957
CURRENT ASSETS:		
Cash . . . . .	\$ 2,857,805	\$ 879,812
Short-term notes . . . . .	2,966,857	—
Government of Canada bonds, at cost (market value 1958—\$493,750; 1957—\$47,562) . . . . .	493,750	51,188
Accounts receivable, less allowance for losses . . . . .	6,924,911	2,940,764
Inventories (Note 2) . . . . .	10,096,902	14,566,684
Insurance and other prepaid expenses . . . . .	142,477	207,640
<b>TOTAL CURRENT ASSETS . . . . .</b>	<b>23,482,702</b>	<b>18,646,088</b>
CURRENT LIABILITIES:		
Accounts payable . . . . .	2,128,571	2,703,743
Share warrant dividend coupons outstanding . . . . .	964,471	755,969
Income taxes payable . . . . .	3,432,890	3,619,629
<b>TOTAL CURRENT LIABILITIES . . . . .</b>	<b>6,525,932</b>	<b>7,079,341</b>
<b>WORKING CAPITAL . . . . .</b>	<b>16,956,770</b>	<b>11,566,747</b>
SHARES OF BROOKS-SCANLON, INC. (Note 3) . . . . .	221,504	221,504
SUNDRY INVESTMENTS AND LONG-TERM RECEIVABLES (Note 4) . . . . .	4,443,734	3,127,396
PLANTS AND EQUIPMENT, at cost less depreciation (Note 5) . . . . .	38,057,390	43,722,080
TIMBER HOLDINGS, at cost less depletion . . . . .	10,537,231	10,596,138
	70,216,629	69,233,865
DEDUCT NOTE PAYABLE TO BANK—NON-CURRENT . . . . .	—	2,500,000
<b>EXCESS OF ASSETS OVER LIABILITIES . . . . .</b>	<b>\$70,216,629</b>	<b>\$66,733,865</b>
SHAREHOLDERS' INTEREST, represented by:		
Share capital—4,200,000 shares (Note 6) . . . . .	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 . . . . .	53,956,629	50,473,865
	70,216,629	66,733,865

ON BEHALF OF THE BOARD:

*C. Wallace*, DIRECTOR

*A. H. Williamson*, DIRECTOR



**POWELL RIVER COMPANY LIMITED**  
and its Subsidiaries

# Notes to Financial Statements

- NOTE 1: The companies have recorded depreciation charges based, in general, on the maximum capital cost allowances permitted under Canadian income tax regulations.
- 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. The allowance of \$541,446 for decline in prices deducted from inventories in 1957 was transferred to surplus in 1958.
- NOTE 3: This represents the price of 10,000 shares of Class "B" stock of Brooks-Scanlon, Inc. acquired pursuant to the terms of the agreement, as subsequently revised, 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 and 1957 accounts. The balance of the consideration is payable within the next two and a half years.
- NOTE 4: Investments at December 31, 1958 include \$1,103,020 for a 50 per cent interest in Martin Paper Products Holdings Limited. The other 50 per cent interest held at December 31, 1957 was sold as of January 2, 1958. Because of the change in the status of this investment in 1958 the 1958 figures reflect only an investment in shares; the 1957 figures reflect a consolidation of the financial position and results of operations of the then wholly-owned subsidiary.

	1958	1957
NOTE 5: Manufacturing plants and equipment,		
hydro-electric development, etc., at cost . . . . .	\$ 86,362,825	\$ 89,563,458
Marine equipment, at cost . . . . .	4,337,687	4,188,852
Logging equipment at cost and logging		
development at cost less amortization . . . . .	9,401,367	9,583,842
	100,101,879	103,336,152
Deduct accumulated depreciation . . . . .	62,044,489	59,614,072
	\$ 38,057,390	\$ 43,722,080

93,752,310

- NOTE 6: Authorized share capital at December 31, 1958 and 1957 was 4,836,975 shares without par value, of which 4,200,000 shares were issued.

## Auditors' Report

HELLIWELL, MACLACHLAN & Co.  
(INCORPORATING ISHAY, BOISTON, DUNN & Co.)  
**CHARTERED ACCOUNTANTS**

VANCOUVER PARTNERS

W. R. C. PATRICK	J. L. HELLIWELL	H. W. ADAIR
D. J. KELSEY	G. M. MILLER	J. M. MOYNES
W. G. MITCHELL		H. B. SMITH

MARINE BUILDING  
**VANCOUVER I. B. C.**  
TELEPHONE MUTUAL 3-1277

*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, 1958, 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, 1958 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 3, 1959.*

*Helliwell, MacLachlan & Co.*  
CHARTERED ACCOUNTANTS



## A Ten-Year Comparison

	1958	1957	1956
Sales			
Newsprint—Tons . . . . .	359,575	389,815	402,783
Unbleached Sulphite Pulp—Tons . .	2,841	12,853	30,311
Laminated and Other Products—Tons . . . . .	5,260	6,225	7,114
Lumber—Million F.B.M. <sup>1</sup> . . . . .	83	62	74
Corrugated Board— Million Sq. Ft. <sup>2</sup> . . . . .	—	453	397
Profit before taxes . . . . .	\$15,000,089	\$15,312,377	\$20,701,108
Income Taxes . . . . .	7,400,000	7,550,000	9,795,000
Net Profit . . . . .	7,600,089	7,762,377	10,906,108
Depreciation, Depletion and Amortization <sup>3</sup>	5,057,976	6,785,214	5,856,814
Capital Expenditures . . . . .	1,613,119	8,828,506	17,781,690
Dividends . . . . .	6,300,000	6,300,000	7,560,000
Working Capital . . . . .	16,956,770	11,566,747	13,934,254
Shareholders' Equity . . . . .	70,216,629	66,733,865	65,005,021
Net Profit Per Share . . . . .	\$ 1.81	\$ 1.85	\$ 2.60
Dividends Paid Per Share . . . . .	1.50	1.50	1.80
Shares Outstanding <sup>4</sup> . . . . .	4,200,000	4,200,000	4,200,000
Number of Shareholders (Estimated) . .	12,000	12,000	12,000
Number of Employees . . . . .	3,404	4,144	4,476
Wages, Salaries and Employee Benefits . . . . .	\$16,681,000	\$19,081,000	\$21,226,000

Notes:

<sup>1</sup> Sawmill subsidiaries acquired late 1951.

<sup>2</sup> Container Plants acquired 1954; and excluded from consolidation in 1958 due to sale of 50% interest 1/1/58.

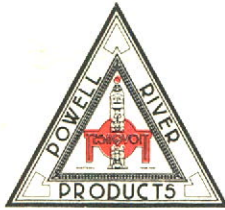
<sup>3</sup> Amortization not included for years 1956 and prior.

<sup>4</sup> Adjusted on the basis of three-for-one split October 1, 1951.



1955	1954	1953	1952	1951	1950	1949
392,097	375,971	329,762	307,238	295,113	301,030	283,347
33,924	31,452	34,403	37,429	45,139	41,814	33,591
7,043	5,676	5,570	6,280	6,741	5,804	1,503
78	77	85	82	—	—	—
320	—	—	—	—	—	—
\$23,752,818	\$22,583,311	\$19,236,308	\$16,090,393	\$19,710,479	\$17,642,417	\$13,049,585
11,555,800	11,325,000	9,510,000	8,148,000	10,030,000	7,436,000	5,371,000
12,197,018	11,258,311	9,726,308	7,942,393	9,680,479	10,206,417	7,678,585
4,946,591	4,497,038	4,179,773	4,112,526	3,497,126	2,345,556	2,407,713
9,087,654	4,300,330	2,925,899	8,071,076	18,097,096	3,801,323	1,567,156
7,560,000	6,720,000	6,090,000	4,830,000	6,217,911	6,051,127	4,773,667
17,687,300	16,258,406	11,462,636	9,856,714	9,685,010	12,778,515	12,180,044
61,026,604	54,538,068	50,128,644	46,356,233	43,120,756	34,694,229	30,155,140
\$ 2.90	\$ 2.68	\$ 2.32	\$ 1.89	\$ 2.30	\$ 2.53	\$ 1.90
1.80	1.60	1.45	1.15	1.52	1.50	1.18
4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,034,085	4,034,085
11,600	11,500	11,000	10,000	8,500	7,500	6,700
4,231	4,225	3,853	3,572	3,789	2,848	2,313
\$19,581,000	\$18,751,000	\$15,719,000	\$14,914,000	\$14,548,000	\$10,144,000	\$ 9,711,000

**POWELL RIVER COMPANY LIMITED**  
and its Subsidiaries



POWELL RIVER COMPANY LIMITED

*Incorporated 1911*

