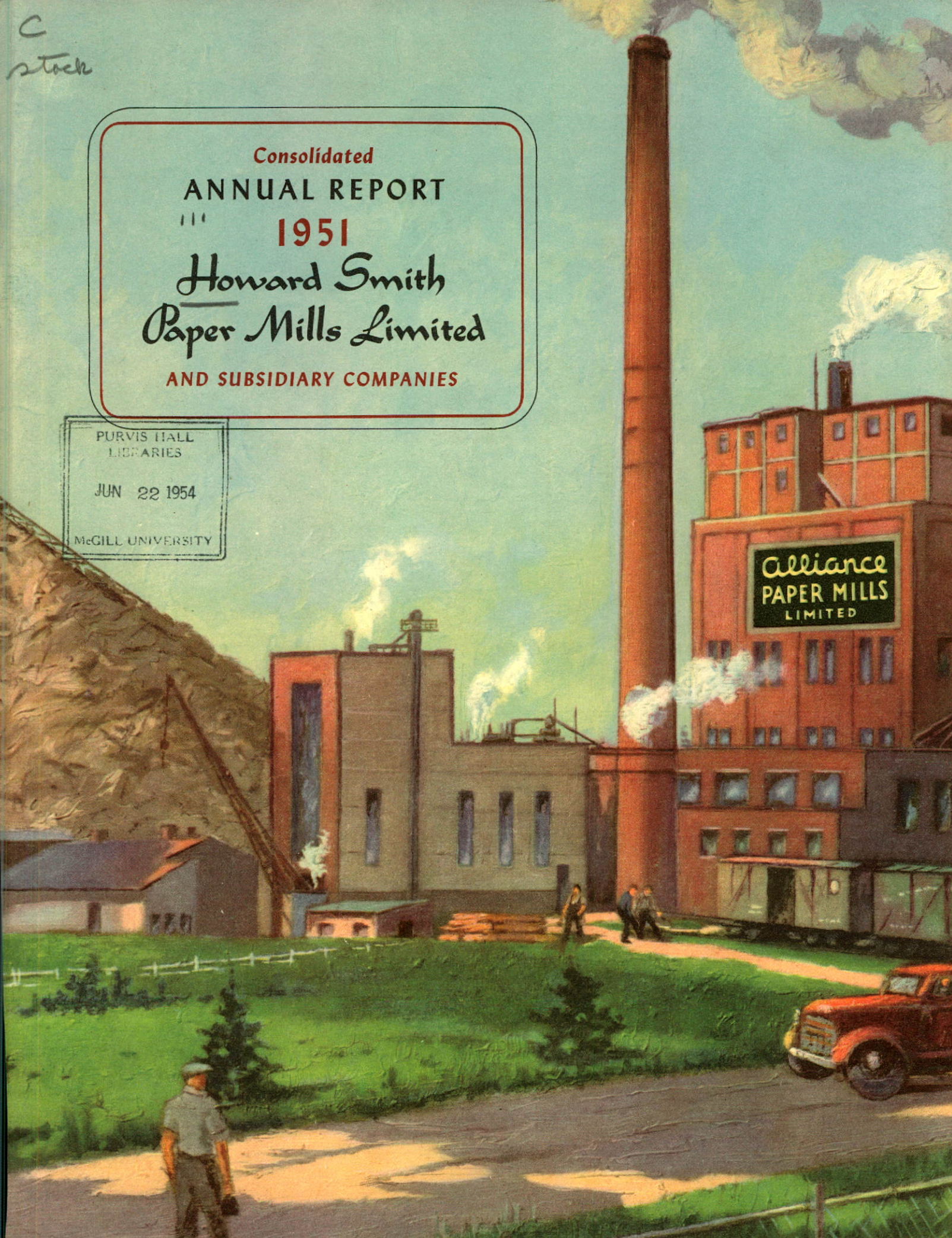


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*Consolidated*  
**ANNUAL REPORT**  
1951  
*Howard Smith*  
*Paper Mills Limited*  
**AND SUBSIDIARY COMPANIES**

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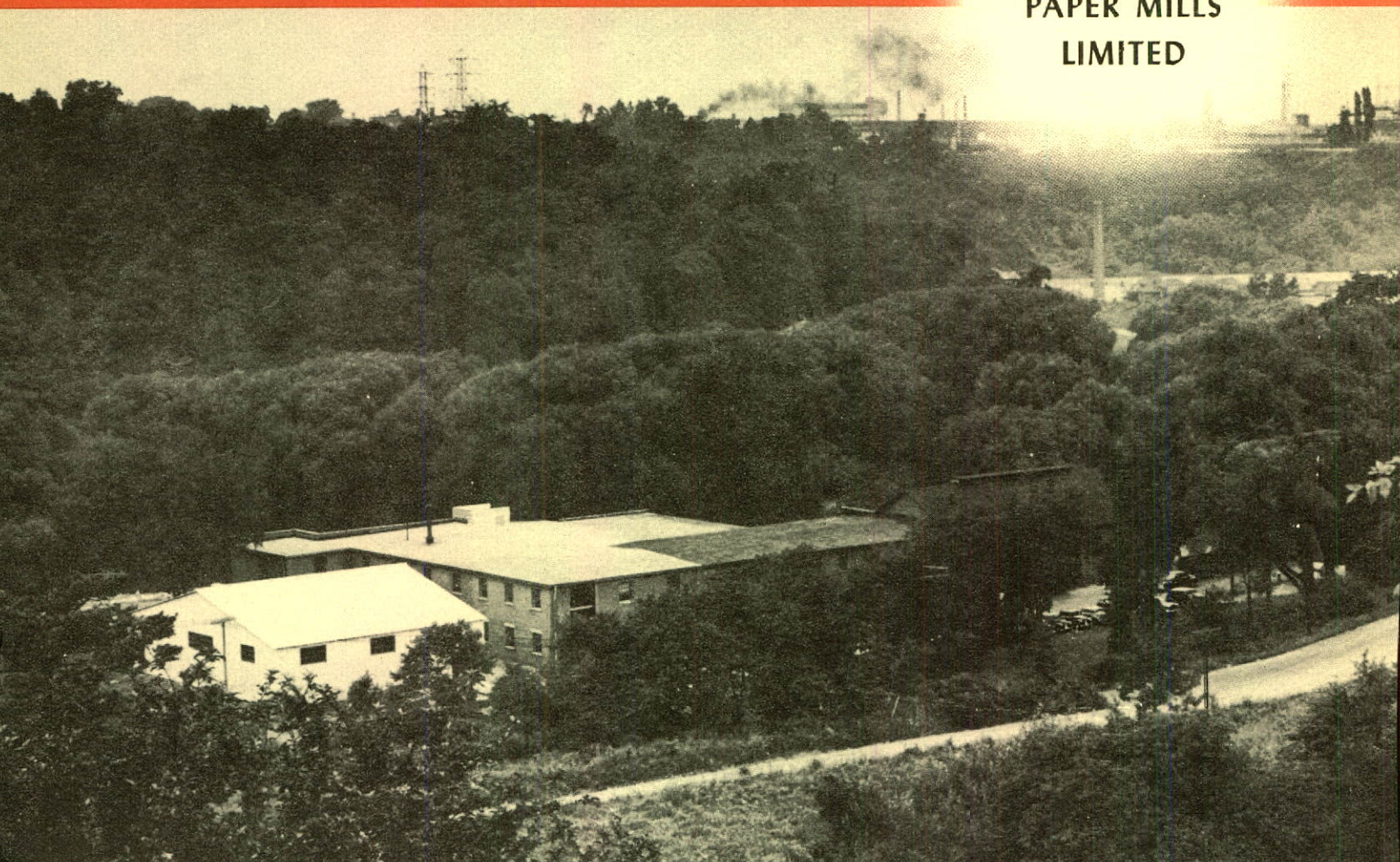


*The Georgetown Division (Coated Paper Mill), Georgetown, Ontario*

*The Don Valley Division (Specialty Papers and Bags), Todmorden, Toronto, Ontario*



**ALLIANCE  
PAPER MILLS  
LIMITED**





*The Lincoln Division (Sulphite Pulp and Paper Mill), Merritton, Ontario*

*The Lybster Division (Paper Mill), Merritton, Ontario*

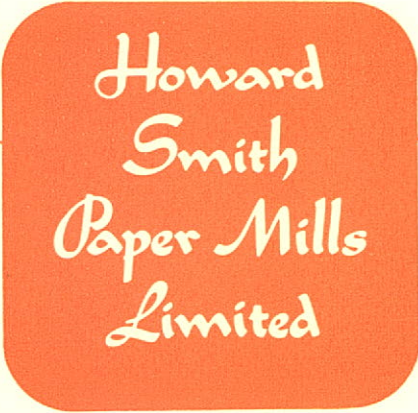




MARY GREY ROBINSON, 1951







Howard  
Smith  
Paper Mills  
Limited

HEAD OFFICE  
407 McGill Street  
Montreal

*The Shares of the Company are dealt in on the  
following exchanges*

## Officers

HAROLD CRABTREE, C.B.E., *Chairman of the Board*  
E. HOWARD SMITH, *President*  
E. K. ROBINSON, *Executive Vice-President*  
GEO. H. TOMLINSON, *Vice-President*  
KENNETH G. PENDOCK, *Secretary and Treasurer*  
J. R. LESLIE, M.B.E., *Controller*

## Directors

W. A. ARBUCKLE  
DE GASPE BEAUBIEN, C.B.E.  
CHAS. L. BURTON, C.B.E.  
HAROLD CRABTREE, C.B.E.  
H. ROY CRABTREE  
A. E. H. FAIR  
COL. R. D. HARKNESS, D.S.O., M.C.  
W. H. HOWARD, K.C., C.B.E.  
J. D. JOHNSON  
HOWARD MURRAY, O.B.E.  
E. K. ROBINSON  
E. HOWARD SMITH  
GEO. H. TOMLINSON  
ARTHUR B. WOOD

## Auditors

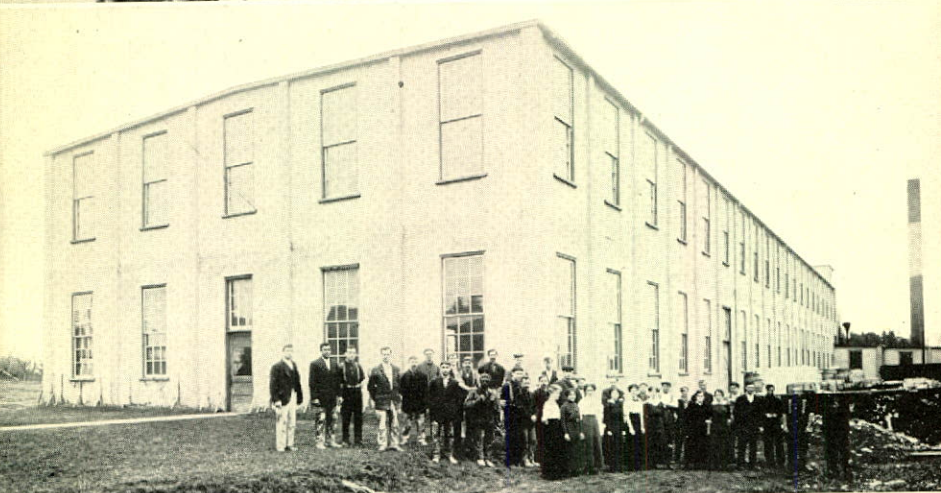
MESSRS. P. S. ROSS & SONS  
MONTREAL STOCK EXCHANGE  
TORONTO STOCK EXCHANGE  
NEW YORK CURB EXCHANGE



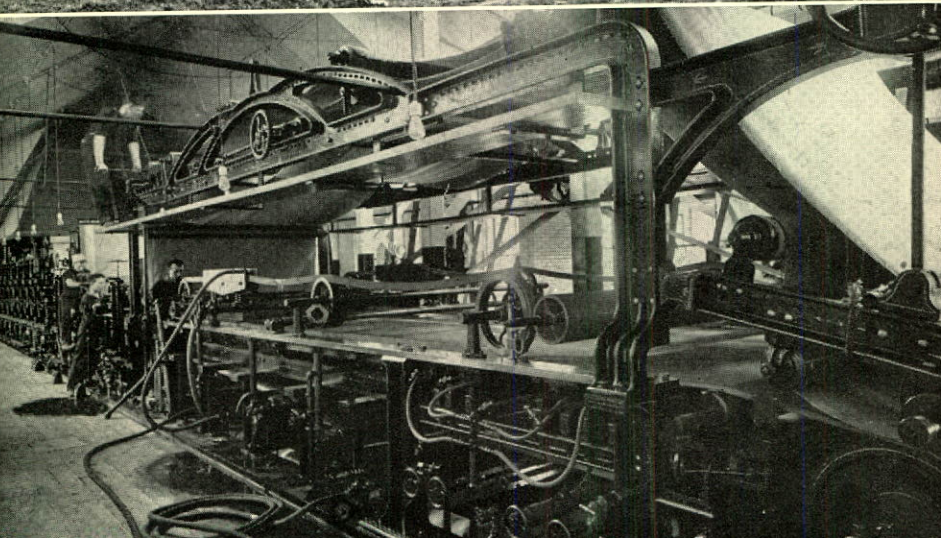
*Digging the foundations for  
the old Lincoln Mill at  
Merritton.*



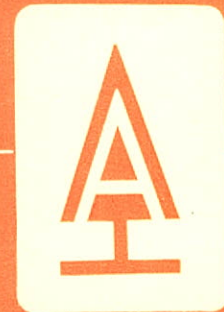
*Building the Lybster Division  
Finishing Room in 1910.*



*The original Mill and Staff of  
the Georgetown Coated Paper  
Mills Limited about 1912.*



*The old "Harper" Fourdrinier  
Paper Machine at the Don  
Valley Mill about 1907.*





# ALLIANCE PAPER MILLS LIMITED

*A wholly owned subsidiary of*

Howard  
Smith  
Paper Mills  
Limited

The Alliance Paper Mills Limited, one of the Howard Smith Paper Mills Limited wholly owned subsidiaries, was acquired in 1929, after the merger of the Lincoln Pulp and Paper Co. Limited of Merritton, Ontario, with the Ritchie & Ramsay Limited of New Toronto, Ontario, and the Georgetown Coated Paper Mills Limited of Georgetown, Ontario.

The two latter companies had been engaged in the manufacture of coated paper and board, using in the aggregate 7,000 tons per annum of paper and board. The plant of Ritchie & Ramsay Limited of New Toronto was subsequently closed down and the equipment moved to Georgetown, where all coating operations are being carried on.

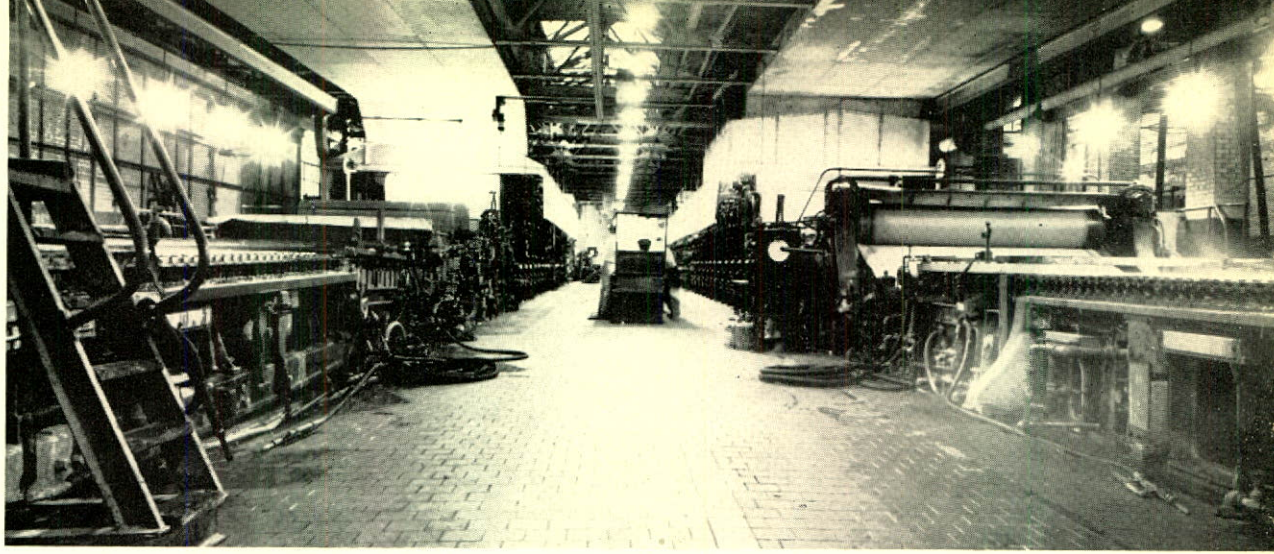
## **The Lincoln Pulp and Paper Company Limited**

Like so many other centres founded in the early 1800's the chief attraction of St. Catharines was the potential water power of Twelve Mile Creek, which was later augmented by the building of the Welland Canals. Flowing down over the Escarpment, the more or less steady flow of surplus water from the canals provided a continuous source of power for the modest requirements of the early saw mills, grist mills, textile mills and paper mills. In 1836, John Riordon, head of the Riordon family, built a small paper mill near Lock No. 6 on the old Welland canal, the first venture in papermaking in the immediate vicinity. This mill operated for some years, but was later sold and converted to the manufacture of knives. The Riordons then built another small pulp and paper mill at Lock No. 17, which operated up to 1920 when it was closed down and dismantled.

In 1877, a certain Noah A. Phelps, who with his brother had been operating a lumber business in Merritton, organized The Lincoln Paper Mills Limited and built a mill at Merritton which started operations in the following year, making newsprint, flour sack paper, jute envelope, tag stock, hosiery paper and various wrinkled papers, bags and sacks. The equipment consisted of a 60-inch cylinder paper machine, two bag machines, and two printing presses.

About 1888, the Company acquired a second mill in St. Catharines from MacDonald & Jones, which became known as the Lower Lincoln Mill. As business prospered, another two-cylinder machine was added to the Merritton or Upper Lincoln Mill (as it was known), which at that time was making most of the flour sacks used in Canada. Later, in 1901, these two machines were replaced with a more modern three-cylinder machine, while the Lower Mill at St. Catharines was equipped with a 72-inch four-drinier, to make newsprint and manilla papers.

In 1908, the St. Catharines Mill was totally destroyed by fire while the President, Mr. A. D. Woodruff, was overseas. Upon his return it was decided not to rebuild on that site, but to erect a second mill at Merritton. Implementing this decision, in 1909, the Company purchased the property of the Canadian Coloured Cottons (Lybster Division). Work began immediately to make the necessary structural changes to the buildings to house the paper machinery, but it was not until 1911 that the mill was ready for operations. The equipment consisted of a 118-inch fourdrinier to make grease-proof, glassine and wrapping papers. Up to that time all grease-proof and glassine papers had been imported.



*Wet Ends of No. 1 and No. 2 Paper Machines, Lybster Mill, Alliance Paper Mills Limited, Merrilton.*



*View of Dry Ends of No. 1 and No. 2 Paper Machines, Lybster Mill, Alliance Paper Mills Limited, Merrilton.*

Notwithstanding the lack of experience and the “know-how” involved in the manufacture of such papers, the mill eventually succeeded in producing these grades, which largely supplanted imports from the United States and Europe.

The depressed conditions of the early 1920’s were difficult years for the Company. In an effort to assure itself of a source of pulpwood, the Company, in 1922, was merged with the Canadian Pulpwood Corporation, the name being changed to “Lincoln Mills, Limited.”

About the same time, the Company, in an attempt to improve its position, began making Book and Writing Papers in addition to Glassine and Grease-proof. It, however, ran into further difficulties, and in 1925 went into receivership. Later it was re-organized under the name of the Lincoln Pulp and

Paper Company Limited, but despite the investment of some new capital, and the improved business conditions of the mid 20’s, it failed to make much headway, and in 1928 the undertaking was acquired by Alliance Paper Mills Limited.

### **The Don Valley Paper Company Limited**

In July 1939 the Don Valley Paper Company, Limited, whose paper mill was ideally situated in the valley of the Don River, Toronto, was acquired by Alliance Paper Mills Limited, and became a wholly-owned subsidiary of Alliance. The mill manufactures Specialty Papers, which find a ready market, principally in Toronto and the environs.

## The Story of the Don

In the early 1800's many families settled in the Don Valley. Here were established a grist mill, brewery, distillery, axe-grinding plant and several farms, in what was then a secluded and heavily forested area. Sometime in 1822, John Eastwood and Colin Skinner became partners in the grist mill, which Skinner had bought from his relatives. Hearing that a bounty of £125 had been offered to the first company to start a paper mill in Upper Canada, the partners decided to transform part of the grist mill into a paper mill. To provide the needed technical assistance, they took in with them a papermaker named Robert Stonehouse. Unfortunately, for them, they lost the race to one James Crooks, and it was not until August of 1827, some seven months after Crooks had won the bounty, that they produced their first paper.

At that time all paper produced in Canada was hand-made, and though Eastwood and Skinner failed in their first attempt, they later had the honour of installing the first paper machine in Canada sometime between 1832 and 1834. Since papermaking machines had only reached a practical stage of development in 1811, there were, naturally, very few shops that could build them; thus, it is greatly to the credit of these men that the first paper machine was installed in Canada at so early a date.

By 1846, the Company had offices in Toronto and Hamilton, where they sold paper, stationery, blank books and ran a printing and publishing business. John Eastwood died in 1850 and his son sold his share of the business to Joseph Skinner, who in turn sold the entire mill property to John Taylor & Brothers.

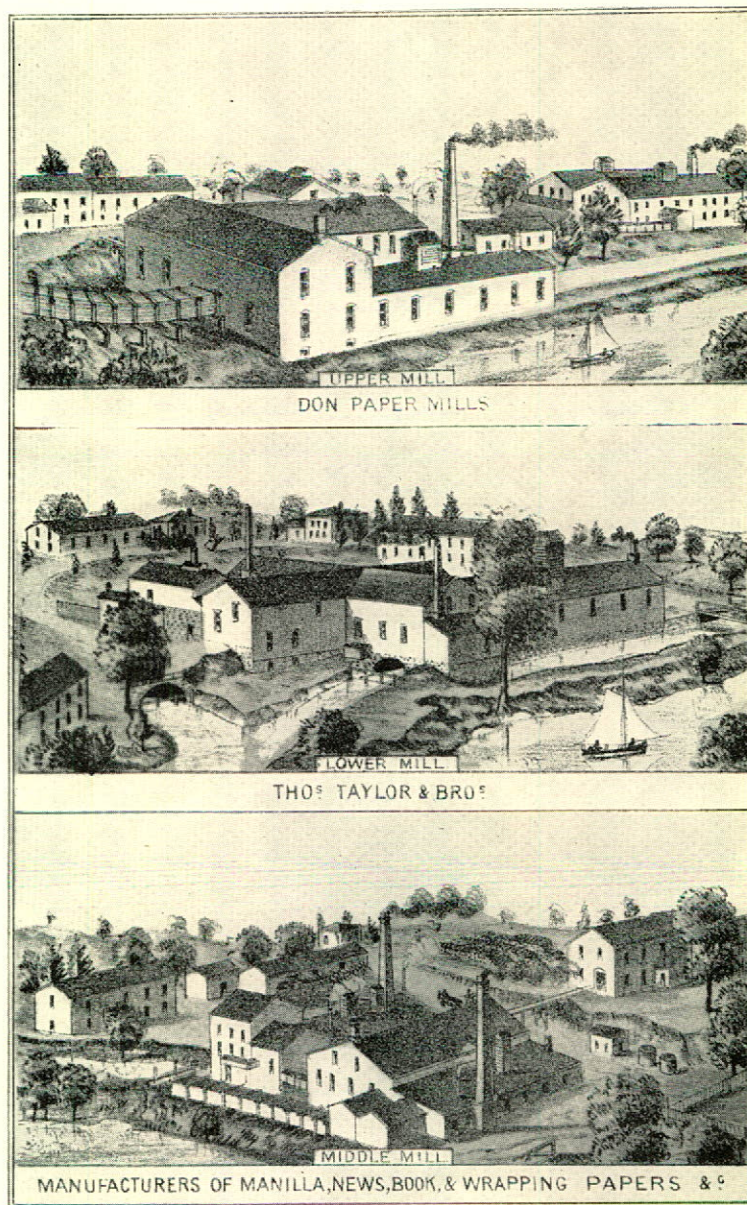
The Taylor family came from England and settled in the Don Valley in 1826, where they obtained several parcels of land. The family consisted of John Taylor Senior, his three sons, John, Thomas and George, and his brother James. When the Toronto "Globe" was started in 1844, the Hon. George Brown persuaded young John Taylor to build another paper mill. This led to the formation of John Taylor & Brothers in 1845, who built a mill about two miles up the Don from the Eastwood & Skinner mill. Later when the Taylors purchased the Eastwood mill, in 1855, they operated both for a time and in 1858 added a third, halfway between the

*The three Don Valley Mills  
Lower Mill built in 1826  
Upper Mill built in 1846  
Middle Mill built in 1858*

## ALLIANCE PAPER MILLS LIMITED

two. This is the same site on which the present mill is located.

On John Taylor's death in 1871, the company became known as Thomas Taylor & Brother. In 1880 Thomas died and his brother George turned the business over to his three sons, John F., George A., and William T. The Upper Mill, which had been rebuilt, was making Manilla, the Middle Mill newsprint and the Lower Mill felt. Eventually the Upper Mill became known as Selby & Company, but in 1890 was closed down. Meantime, the three



## ALLIANCE PAPER MILLS LIMITED

brothers ran the two mills and a brick works. A fire in 1900 destroyed the Lower Mill and this finally led to liquidation. Robert Davies of Toronto leased the Middle Mill for a while but in 1907, he bought it outright and ran it until his death in 1916. The estate carried on the business until 1928, when it was purchased by Norman E. Wainwright of Toronto, who, in turn, sold it to Alliance Paper Mills in 1939.

Throughout its long history the Don Valley mill has been of modest size and scope. In recent years quality of product has been greatly improved and production has been materially increased.

### **Recent History of Alliance Paper Mills Limited**

Since the formation of Alliance Paper Mills, Limited, the company has spent large sums on programmes of extensions and improvements. The sulphite pulp mill, which originally had a daily capacity of 50 tons has been increased to 100 tons daily, and has a two-stage bleaching plant capable of bleaching the entire output of Specialty Sulphite

Pulp. The production of the Lincoln Mill has been stepped up from 10 tons to 20 tons. For reasons of economic operation, the bag-making and printing equipment has been moved to Don Valley.

After the war the entire stock preparation system at Lybster was rebuilt, and a modern Steam Plant erected at the Lincoln Mill to provide additional steam requirements, as well as to effect economies in operation.

In the year under review, a new programme was embarked upon which consisted of three main parts: one — the building of a new paper mill at the Lybster Division to contain a machine 122" in width for the manufacture of light weight papers; second — the installation of an additional steam boiler at the Lincoln Mill, which will produce steam for all divisions; third — the erection of a steam power pipeline which conveys steam to the Lybster division in a 12" diameter insulated pipe.

Post-war work at Georgetown included the installation of a Microjet Coater, largely replacing the old type Brush coaters. Other work included a general modernization of the existing auxiliary machinery and buildings. A new and modern 90-inch supercalender stack was installed in 1951.

Alliance products are widely and favourably known, and new ones are being added from time to time to meet customer demand.



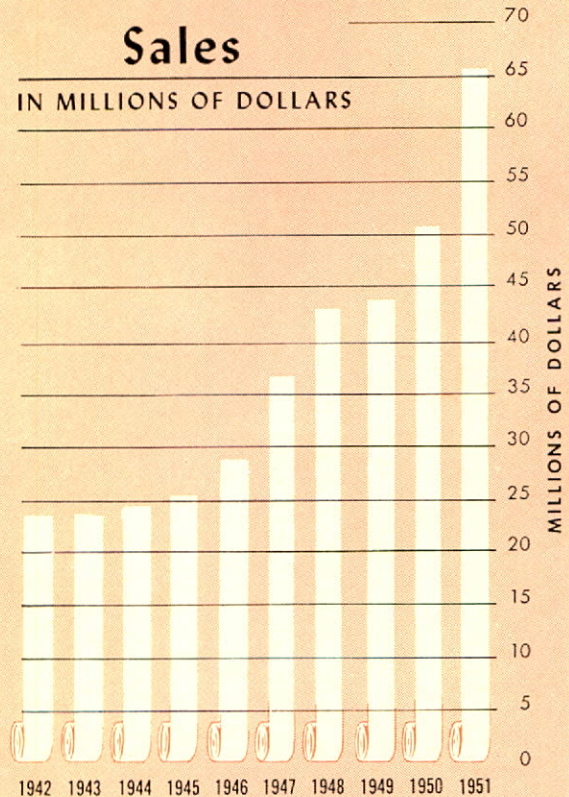
*Lybster Division 1921. Note pond which had to be drained to make way for No. 3 Machine Room.*

## PRODUCTION AND SALES

### Howard Smith Paper Mills Limited

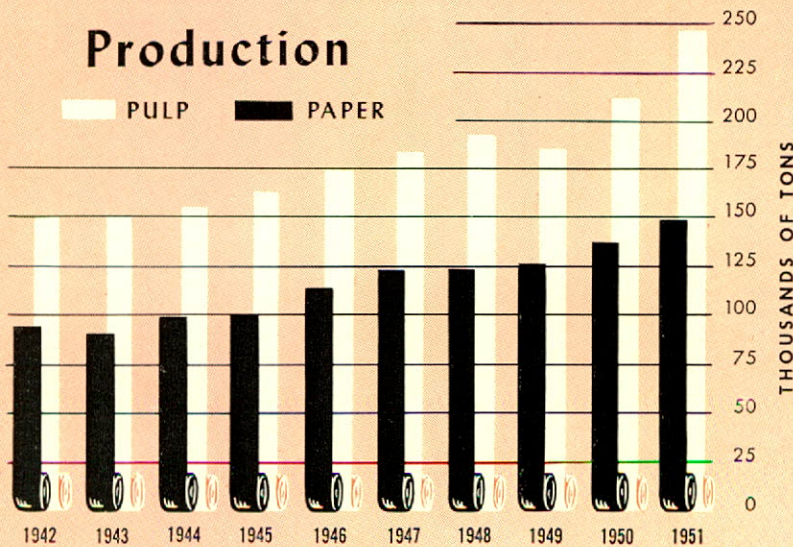
and wholly owned subsidiary companies

Both dollar sales and volume of production reached new highs in 1951. Total sales of pulp, paper, chemicals and laminates, excluding inter-company sales, amounted to some \$65,898,680 or 28% over 1950. Pulp production was 13.4% over the previous year, and tons of paper sold showed an 8% increase. Volume increases are a reflection of steady demand and enlarged productive capacity. Total dollar sales increases are due both to larger volume and certain price increases.

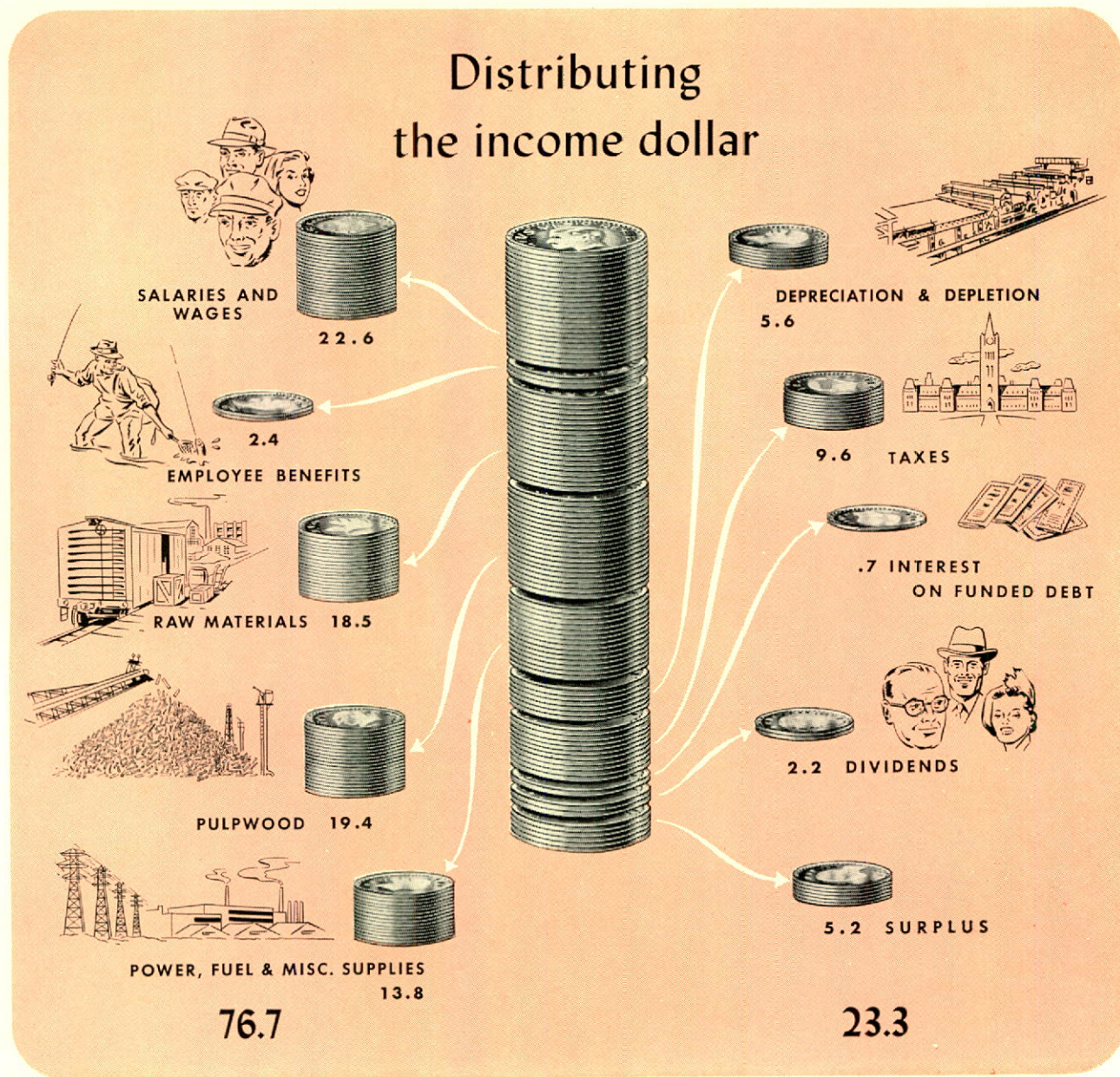


### Production

■ PULP ■ PAPER



During most of 1951, the demand for our products was greater than capacity to supply, and in many cases we reached the year-end with a considerable backlog of orders. New capacities in ours and other mills may change the 1951 picture. Present indications point to a generally good demand being maintained in 1952.



The above diagram shows what happened to each dollar of our income during 1951. Over three quarters was paid out in the form of wages or to suppliers of goods and services who in turn expended a considerable proportion for wages and other goods and services.

This money then is immediately returned to the country's economy and directly affects many different kinds of businesses.

Salaries, Wages and Employee Benefits account for 25c. out of each income dollar. Raw Materials

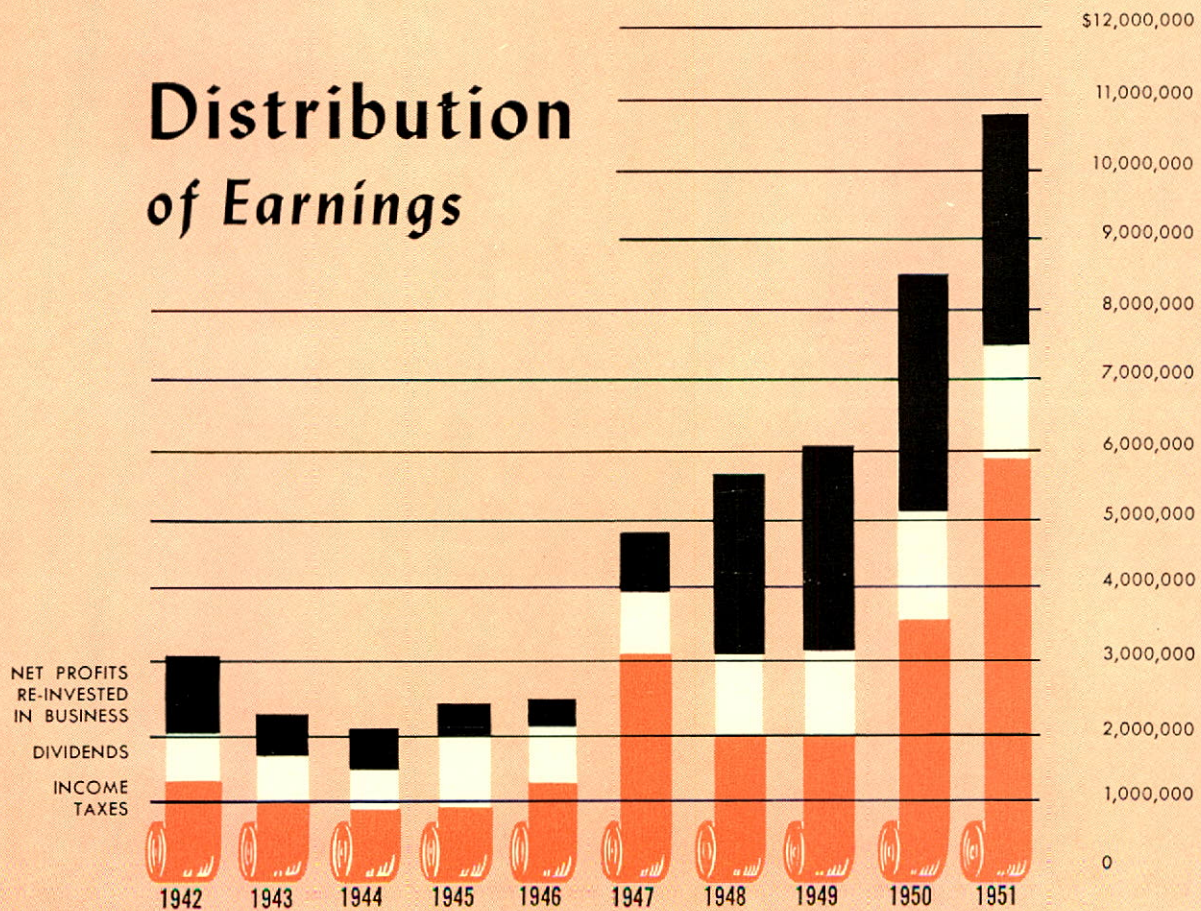
took 18.5c. and Pulpwood 19.4c., while Power, Fuel and Miscellaneous Supplies required 13.8c.

The amount set aside for depreciation of buildings and machinery and for the depletion of our forest lands totalled 5.6c. The Tax burden which has been increasing of late took 9.6c. and Interest on Funded Debt. 0.7c. This left net profits of 7.4c. of which 5.2c. were re-invested in the business with the shareholders receiving 2.2c. for their contribution of capital and faith in the enterprise. This is indeed a very modest return on their investment.

## 10 YEAR DISTRIBUTION OF EARNINGS

One of the prime concerns of business today is the fact that depreciation allowances are based on the original cost of equipment and not on its replacement value. Since machinery costs anywhere from three to ten times what it did fifteen or twenty years ago, the amounts set aside for depreciation or obsolescence fail to cover replacements by a wide margin. This means that a company must add extra

dollars to the depreciation account to keep its equipment up to date. It can get that money either by new financing or by taking it out of earnings. In our case, we have used both methods in strenuous efforts to replace obsolete machinery and to provide additional facilities. As can be seen from the chart below, corporation income taxes have taken a large proportion of our earnings over the past ten years. At the same time, we have put back into the business a sizeable percentage of earnings to maintain and improve productive facilities. This policy is founded on modern corporate thinking and in the long run is in the best interests of all concerned.



## NEW NUMBER ONE MACHINE

Number One Paper Machine came into operation at the Cornwall Division on November 12, 1951. It is the largest fine paper machine in Canada and one of the most modern on this continent. Annual capacity is estimated at some 18,000 tons of Book, Bond, Offset, Mimeograph, Duplicating Papers and other related grades which have been in short supply for some time. It is housed in the same Machine Room as No. 5 Paper Machine. These two machines have a daily capacity of over 120 tons.

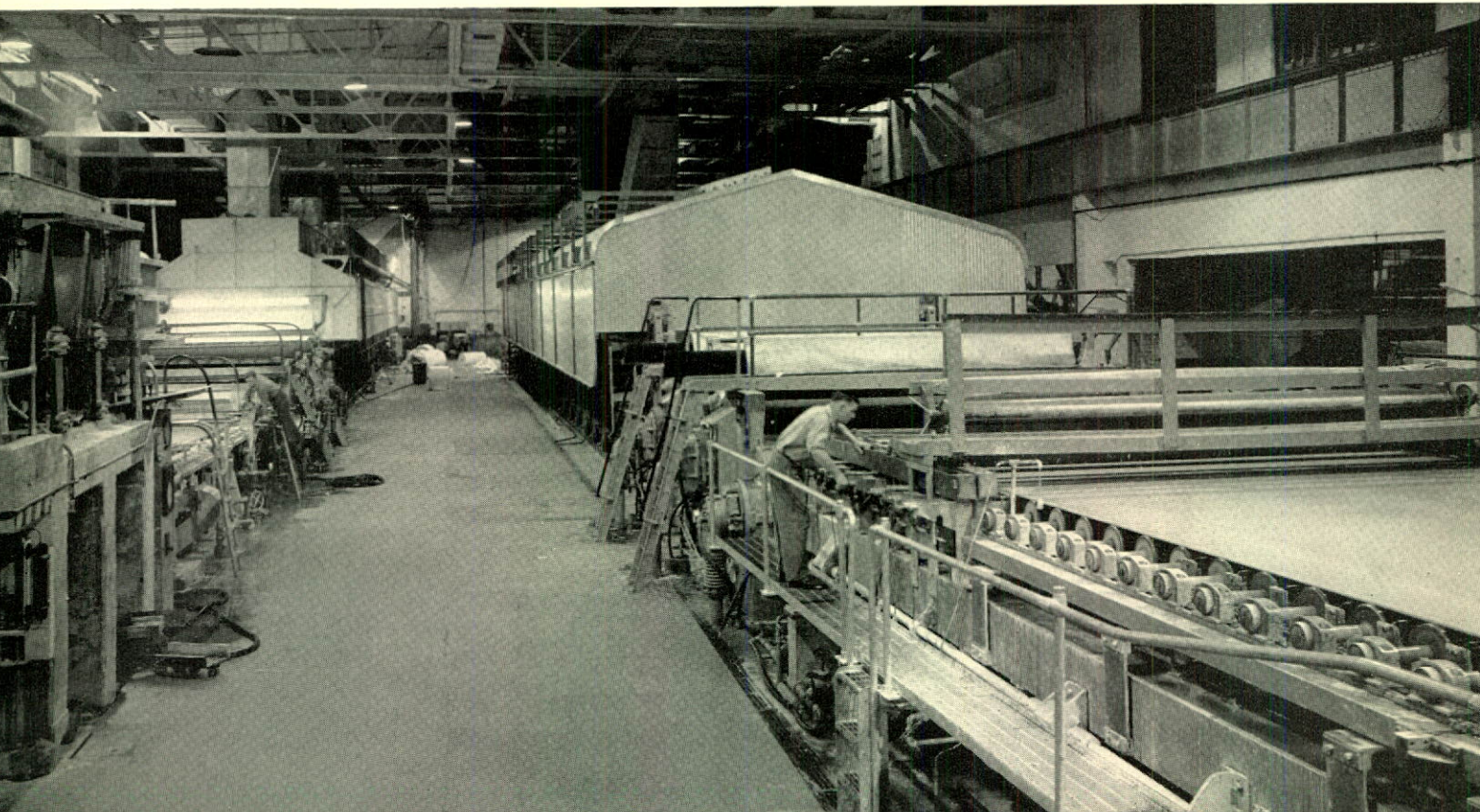
The installation of the new machine marks a climax in the general expansion and rehabilitation programme at the Cornwall Division. In previous reports we have described some of the projects which were necessary forerunners of the new machine. These included additions to the Electrical, Water and Sewer services and the building of a new Steam Plant. To provide for the new machine, No. 5 Machine Room was lengthened and a new Stock Storage and Stock Preparation building was erected. To take care of the increased output, the Finishing Room is being extended into the Shipping Room which is being located elsewhere.

The Wet End of Number One Machine was built by Canadian Vickers Ltd. and the Press, Dryer and Calender sections were fabricated by Dominion Engineering Ltd., both of Montreal. Erection of the new machine was carried out by the Company's own mechanical and electrical staffs with the assistance of various engineering consultants. It is 256 feet long, 28 feet wide, 36 feet high, weighs some 850 tons and is designed for a speed of 1000 feet per minute.

One of the more interesting features is the continuous stock preparation system which replaces the conventional batch system of beaters. The new system ensures more uniform stock preparation and better control.

The actual machine itself is precision engineered throughout and is equipped with the various devices and controls which experience indicates are advisable for the grades of paper to be made on it. This machine, together with the other additions and changes which it entailed, represents a big investment and it expresses our faith in the future markets for fine papers of Canadian manufacture. Its products will find their way all over Canada, and possibly into many foreign countries. Its installation should do much to bring deliveries to more normal levels, and to provide Canadians with better and more uniform papers.

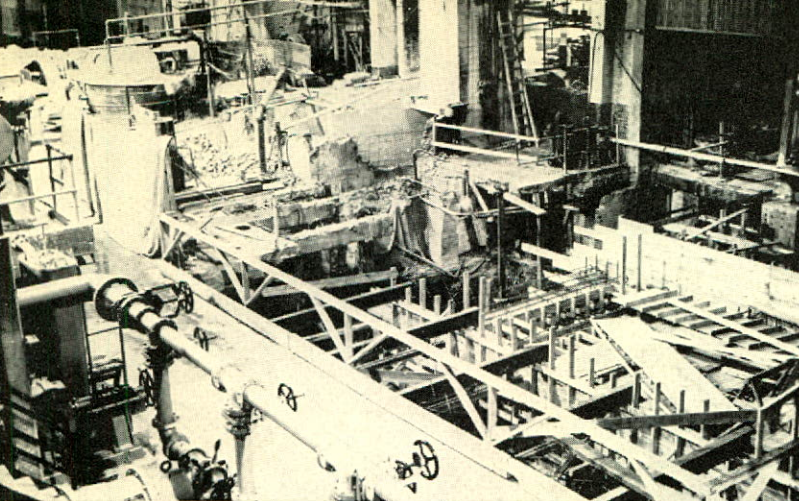
*View of No. 5 Machine Room, No. 1 machine on the right and No. 5 machine on the left.*





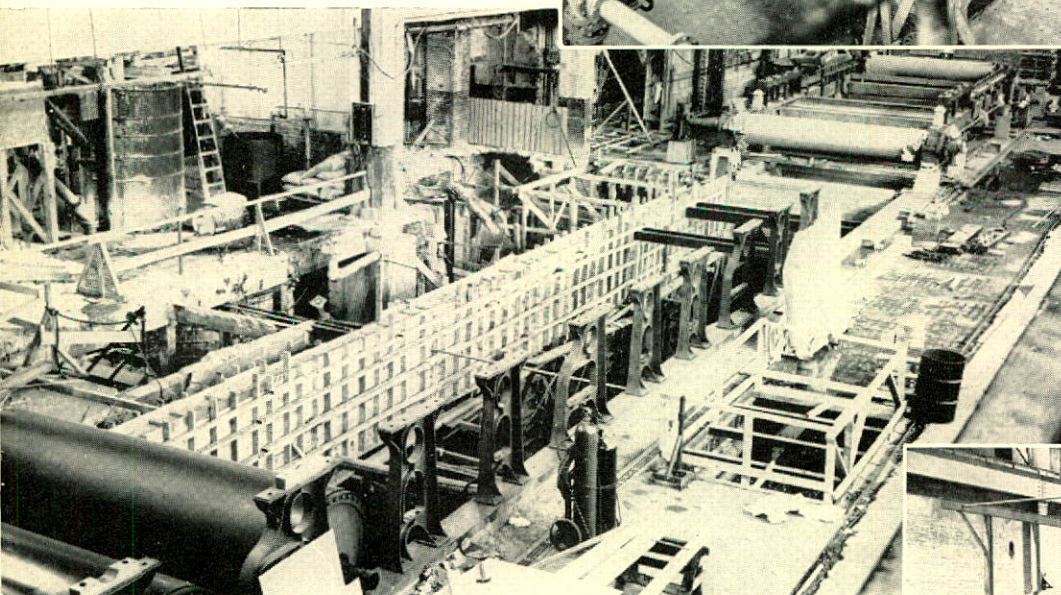
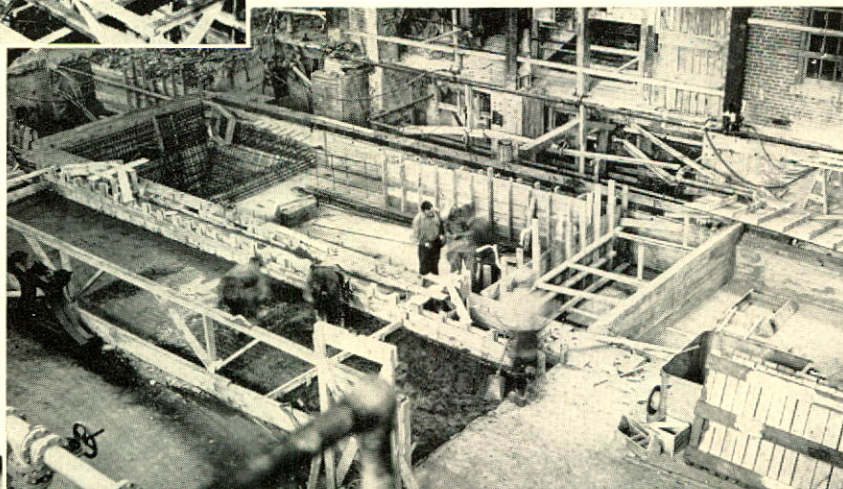
# STAGES IN THE INSTALLATION OF NUMBER ONE MACHINE

*Cornwall Division  
Howard Smith Paper Mills*



▲ Demolition and transfer of equipment begins and the first concrete forms are in place.

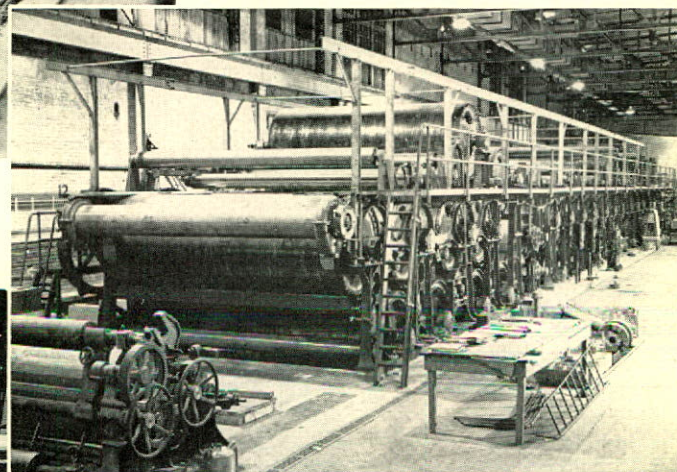
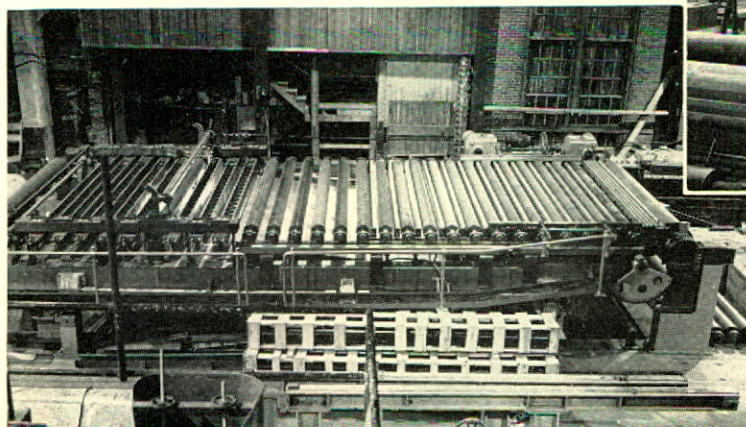
▶ Work on the concrete for the Dry End progresses as the engineers check over the blueprints.



◀ Parts of the Dry End in place.

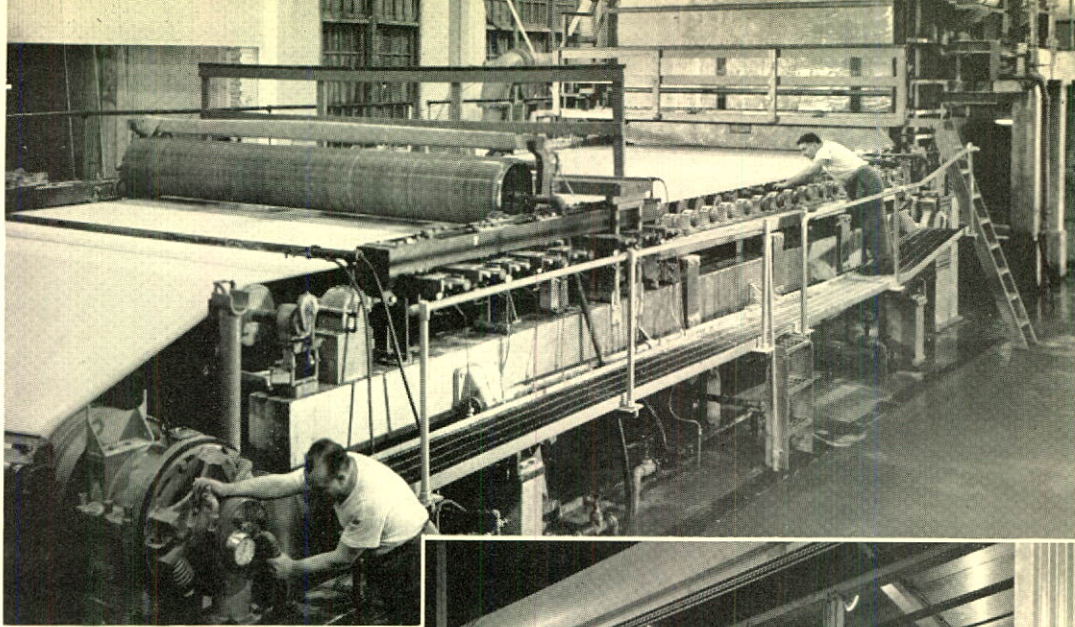
▼ The Dry End installed but still minus the Hood and numerous parts.

▼ The Wet End takes shape as the table rolls are placed.

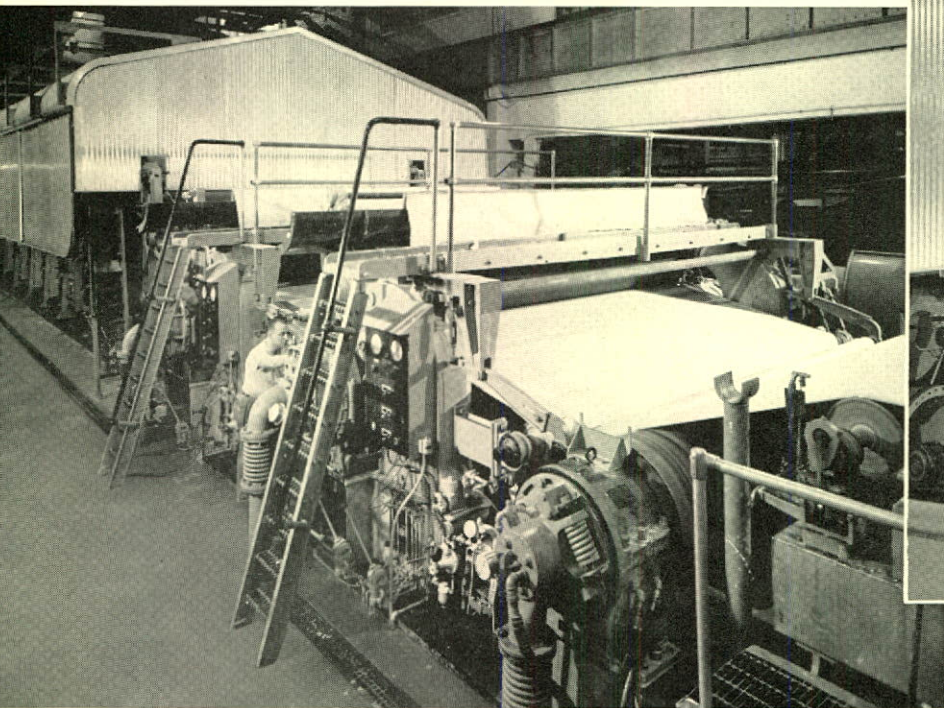
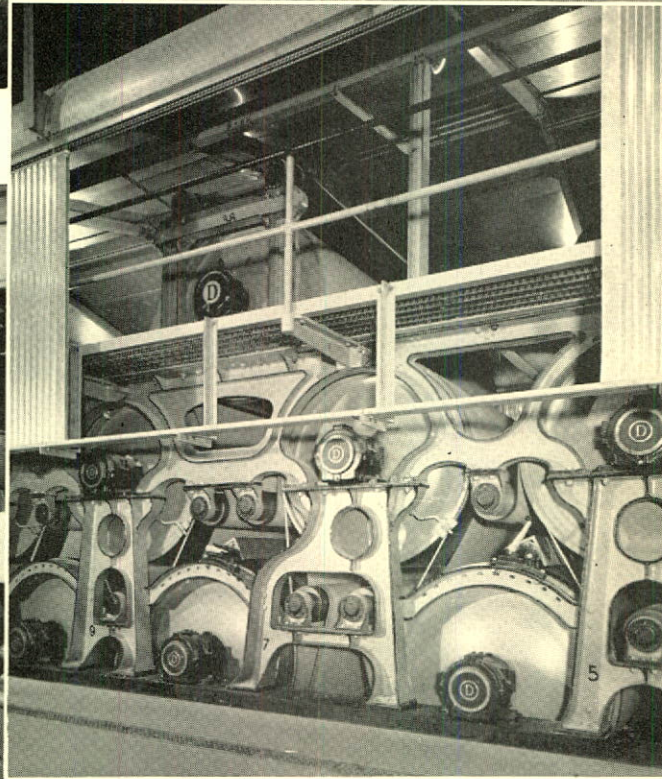


# NUMBER ONE MACHINE

Wet End of  
No. 1 Paper Machine  
at Cornwall Division. ▶

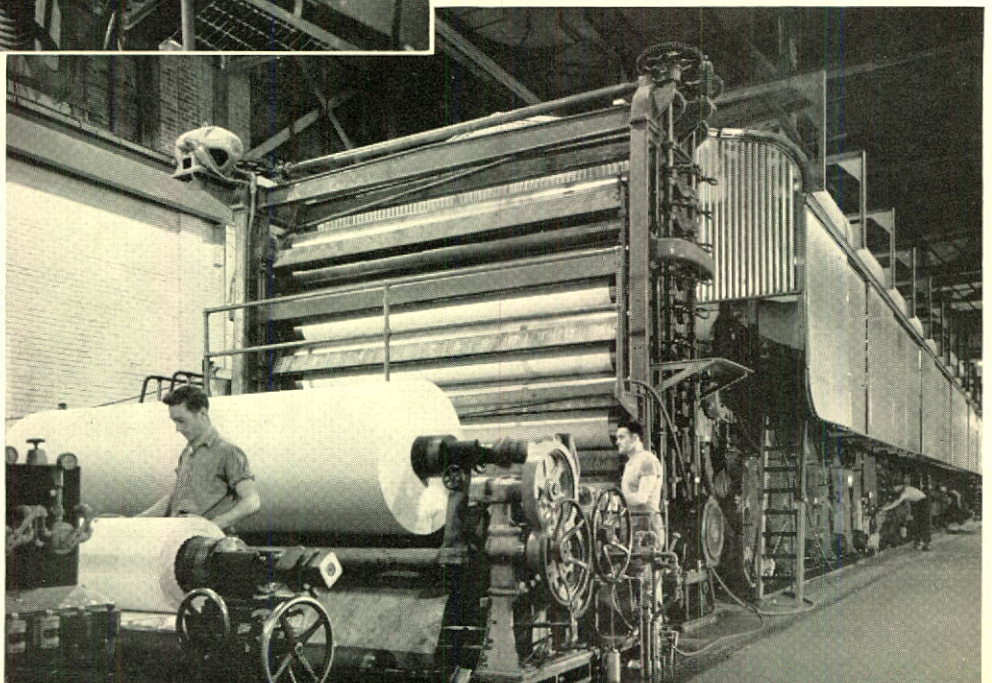


Detail of Dryers No. 1 Paper Machine, Cornwall Division. Lower  
rolls dry the paper, the upper rolls are felt dryers. ▶



▶ Press section of No. 1 Paper  
Machine, Cornwall Division.  
Here the wire and paper separate,  
the Press Rolls squeeze out  
water and smooth the surface.

Dry End of No. 1 Paper  
Machine at Cornwall Division. ▶  
Here the finished paper is  
wound into large rolls, later  
being slit into desired widths.



**CONSOLIDATED**  
**ANNUAL REPORT**  
**DECEMBER THIRTY-FIRST**  
**1951**



*Howard Smith Paper Mills Limited*  
**AND WHOLLY OWNED SUBSIDIARY COMPANIES**

# THE TWENTY-FOURTH ANNUAL REPORT

of the Directors of

## HOWARD SMITH PAPER MILLS, LIMITED

**T**o the Shareholders:

In presenting the Twenty-fourth Annual Report of your Company and its wholly owned subsidiaries for the year ended December 31, 1951, your Directors wish to draw your attention to the following changes in your Company's capital structure since the last Annual Report, namely:

- (a) an increase of \$3,405,000 in the outstanding 2¾% First Mortgage Bonds,
- (b) the creation and issue of \$6,500,000 4½% Debentures,
- (c) an increase in the authorized and outstanding Common Shares without nominal or par value as under-noted:

At a Special General Meeting of Shareholders held on September 18, 1951, Special By-law "J", previously enacted by the Directors, was sanctioned. This By-law was confirmed by Supplementary Letters Patent and had the effect of subdividing the Company's authorized 400,000 shares of Common Stock without nominal or par value into 1,600,000 new Common Shares without nominal or par value, of which 1,331,344 shares replaced the then issued and outstanding shares on a basis of four (4) new subdivided shares for each previously existing share. The balance consisting of 268,656 unissued shares was sold. Under this Special By-law "J" and said Supplementary Letters Patent, the authorized number of new Common Shares without nominal or par value was increased from 1,600,000 to 2,500,000, with the result that the authorized Common Share capital of the Company is 2,500,000 shares without nominal or par value of which 1,600,000 shares are outstanding.

These securities and shares were sold to provide funds for capital expenditures and other corporate purposes.

Earnings from all sources, after providing for the charges detailed in the Profit and Loss Account, including regular depreciation and depletion of \$3,239,076, amounted to \$11,942,934.

Net Profit for the year was \$4,914,725 after all charges including provision of \$6,050,000 for Income Taxes and \$400,000 for additional depreciation. This brought the total amount set aside for the year for depreciation and depletion to \$3,639,076 compared to \$3,531,055 in 1950.

Regular dividends at the rate of fifty cents (50c) per share per quarter, totalling \$320,000 for the year, were declared on the Preferred Shares.

Regular dividends of seventy-five cents (75c) per share per quarter were declared on the old Common Shares for the first three quarters of the year, and a dividend of twenty-five cents (25c) per share on the new outstanding Common Shares was declared for the fourth quarter, bringing total dividends on Preferred and Common Shares declared during the year to \$1,468,881.

After deducting regular dividends on the Preferred Shares, the following comparison of net profits before and after Income Taxes, with those of the previous year, will be of interest to the shareholders:

	1950	1951	Increase 1951 over 1950	
			\$	%
Net profit after all charges including Preferred				
Dividend but before Income Taxes . . . . .	\$7,936,007	\$10,644,725	\$2,708,718	34.1
Income Taxes . . . . .	3,710,000	6,050,000	2,340,000	63.1
Net Profit after Income Taxes . . . . .	4,226,007	4,594,725	368,718	8.7

In last year's report to the Shareholders, reference was made to the long term programme of extension and rehabilitation of the various mills undertaken by your Company. Progress was made during the year in the carrying out of this programme, the highlights being as follows:

*At the Cornwall Division:*

- (a) a new paper machine was brought into production in November which will increase the paper making capacity of this Division by about 18,000 tons per year.
- (b) a new steam plant also came into operation at about the same time as the paper machine.
- (c) the work of extending the soda pulp mill got well under way, but this job is not expected to be completed until late in 1952. Meantime only a moderate increase in production can be expected.

*At the Alliance Paper Mills Ltd., Merriton, Ont.:*

Both the new paper machine and the extension to the steam plant are well advanced and expected to be completed and put into operation in May 1952.

*At the Arborite Company Ltd., Ville LaSalle:*

An extension to this plant is also under way. This development is expected to be completed about the end of 1952 and will add materially to both the flexibility and capacity of the plant.

Capital expenditures during the year amounted to \$9,748,065 and at the year-end forward commitments on account of this programme amounted to approximately \$2,000,000.

The second stage of this programme, estimated to cost approximately \$10,000,000, has been approved by your Directors, the major items of which consist of the following projects at the Crabtree Division:

- (a) the erection of a sulphate pulp mill which will supply this Division with raw materials and provide some surplus for the other Divisions of your Company and for outside sales, and
- (b) the rebuilding of one of the paper machines for the manufacture of light weight papers.

It is expected that this second stage will extend over the next two or three years.

Earned Surplus showed an increase during the year of \$3,268,941.

A substantial advance in the cost of most supplies and raw materials, particularly pulpwood, and an increase in the volume of inventories necessitated by the moderate expansion of your Company's operations, resulted in a material increase in the dollar value of inventories since the last annual report.

At 31st December, 1951 Working Capital stood at \$13,479,044.

The Shareholders will be interested to know that approximately \$14,000,000 of sales were in United States funds, represented principally by sales of pulp to our United States customers.

Throughout the year your Company's mills operated at or about capacity, except on the production of certain high grade papers and coated paper, for which demand showed a definite falling off late in the year, but were unable to meet all the demands made upon them. While it is not to be expected that this high level of activity will continue without interruption, yet it seems reasonable to assume that, over the long term period, the consumption of pulp, paper and paperboard will continue to increase.

The demand for paper from overseas markets continued strong throughout the year, with little material change in evidence as the year closed.

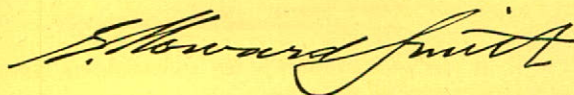
On December 31st, 1951 your Company's holdings of stock of Donnacona Paper Company, Limited amounted to 247,592 shares, being over 65% of the outstanding shares of that Company.

Your Directors record with deep regret the death of their former colleague, Mr. J. H. Gundy, which occurred on November 10, 1951. Mr. Gundy had been a Director of this Company since 1928 and his loss will be keenly felt by the Board.

Mr. H. Roy Crabtree was elected a Director to fill the vacancy created by the death of Mr. Gundy.

Your Directors wish to record their appreciation of the efficient manner in which officers, staff and employees carried out their duties throughout the year.

Submitted on behalf of the Board,



Montreal, March 19th, 1952.

President

# HOWARD SMITH PAPER

and Wholly Owned Subsidiaries

CONSOLIDATED BALANCE SHEET

## ASSETS

### Current Assets:

Cash in Banks and on Hand . . . . .	\$ 598,848	
Accounts Receivable, less Reserve for Doubtful Accounts . . . . .	7,393,081	
Balances on Employees' subscriptions to Canada Savings Bonds . . . . .	798,517	
Inventories of Finished Products, Work in Process, Raw Materials and Operating Supplies valued at lower of cost or market and advances on Wood Purchases—less reserve . . . . .	12,589,648	
		<u>\$21,380,094</u>

### Other Assets:

Amounts required for Capital Expenditures and Other Corporate Purposes—		
Government of Canada Bonds (par value \$7,900,000.)	\$ 7,835,400	
Funds on Deposit . . . . .	1,526,424	
Loan to Subsidiary Company—not consolidated . . . . .	600,000	
		<u>9,961,824</u>
Cash Surrender Value of Life Insurance Policies . . . . .	107,275	
Investment in a Subsidiary Company—not consolidated . . . . .	5,519,198	
Other Investments . . . . .	281,116	
Deferred Accounts Receivable and Guarantee Deposits . . . . .	227,149	
		<u>16,096,562</u>
Deferred Charges . . . . .		314,078
Patent and Research Expenditures—less amounts written-off . . . . .		96,355

### Fixed Assets at or below cost:

Land, Buildings, Plant, Equipment, etc. . . . .	52,236,574	
Leasehold and Freehold Timber Limits and Water Power . . . . .	2,892,578	
		<u>55,129,152</u>

\$93,016,241

Signed on behalf of the Board:

HAROLD CRABTREE, Director.

E. HOWARD SMITH, Director.

# PER MILLS, LIMITED

## Subsidiary Companies

STATEMENT AS AT 31st DECEMBER 1951

### LIABILITIES

#### Current Liabilities:

Accounts Payable and Accrued Liabilities.....	\$ 3,807,654	
Dividends Payable.....	480,000	
First Mortgage Bonds due 1st December 1952.....	600,000	
Provision for Income and Other Taxes.....	3,013,396	
	<hr/>	\$ 7,901,050

#### Funded Debt not maturing within one year:

First Mortgage Bonds, 1950 Series			
2¾% Bonds due 1st December 1953-1960.....	\$ 4,800,000		
3% Bonds due 1st December 1961-1970.....	6,000,000		
	<hr/>	10,800,000	
4½% Debentures—Series "A" due 1st June 1961.....		6,500,000	
		<hr/>	17,300,000

#### Reserves:

Depreciation and Depletion.....	28,499,673	
Inventories.....	1,500,000	
Contingencies.....	485,300	
	<hr/>	30,484,973

#### Capital:

\$2. Cumulative Preferred Stock (redeemable on thirty days' notice at \$52.50 plus accrued dividends)—			
Authorized—200,000 shares of \$50. each			
Issued —160,000 shares.....	8,000,000		
Common Stock—			
Authorized—2,500,000 shares of no par value			
Issued —1,600,000 shares.....	6,923,891		
	<hr/>	14,923,891	
Capital Surplus.....		2,405,640	
Earned Surplus.....		20,000,687	
		<hr/>	\$93,016,241
			<hr/>

*This is the Balance Sheet referred to in our Report of even date.*

*P. S. ROSS & SONS, Chartered Accountants.*

Montreal, 29th February 1952.

# HOWARD SMITH PAPER MILLS, LIMITED

## and Wholly Owned Subsidiary Companies

### CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT

*For the Year ended 31st December 1951*

Profit from operations for the year ended 31st December 1951 after deducting Depreciation and Depletion \$3,239,076, Salaries of Executive Officers \$174,437, Payments under Contributory Pension Plan \$521,340, Legal Fees \$17,012 and Directors' Fees \$11,050 . . . . .	\$11,440,625
Dividends from Subsidiary Company—not consolidated . . . . .	242,078
Income from other Investments . . . . .	90,025
Royalties . . . . .	170,206
	11,942,934
<b>DEDUCT:</b>	
Interest on Funded Debt . . . . .	\$ 463,609
Appropriation for additional Depreciation . . . . .	400,000
Amount written off Patent and Research Expenditures . . . . .	114,600
Provision for Income Taxes . . . . .	6,050,000
	7,028,209
Balance for the year ended 31st December 1951 transferred to Earned Surplus . . . . .	\$ 4,914,725

### CONSOLIDATED STATEMENT OF EARNED SURPLUS ACCOUNT

*For the Year ended 31st December 1951*

Earned Surplus, being income retained in the business as at 31st December 1950 . . . . .	\$16,731,746
Refundable Portion of Excess Profits Tax received . . . . .	64,903
Balance from Profit and Loss Account for the year ended 31st December 1951 . . . . .	4,914,725
	21,711,374
<b>DEDUCT:</b>	
Discount on Debentures and Expenses in connection with issues of Bonds, Debentures and Common Stock . . . . .	\$ 241,806
Dividends on—	
Preferred Shares . . . . .	\$ 320,000
Common Shares . . . . .	1,148,881
	1,468,881
	1,710,687
Earned Surplus, being income retained in the business as at 31st December 1951 . . . . .	\$20,000,687



# HOWARD SMITH PAPER MILLS, LIMITED and Wholly Owned Subsidiary Companies

## CONSOLIDATED STATEMENT OF CAPITAL SURPLUS ACCOUNT

For the Year ended 31st December 1951

Balance at 31st December 1950.....	\$2,359,758
Add: Proceeds from sale of Patents and Profit from sale of Fixed Assets.....	93,177
	<hr/>
	2,452,935
Deduct: Loss from sale of Securities.....	47,295
	<hr/>
Balance at 31st December 1951.....	<u>\$2,405,640</u>

## AUDITORS' REPORT

Montreal 1, Que., 29th February 1952.

TO THE SHAREHOLDERS,  
HOWARD SMITH PAPER MILLS, LIMITED,  
MONTREAL

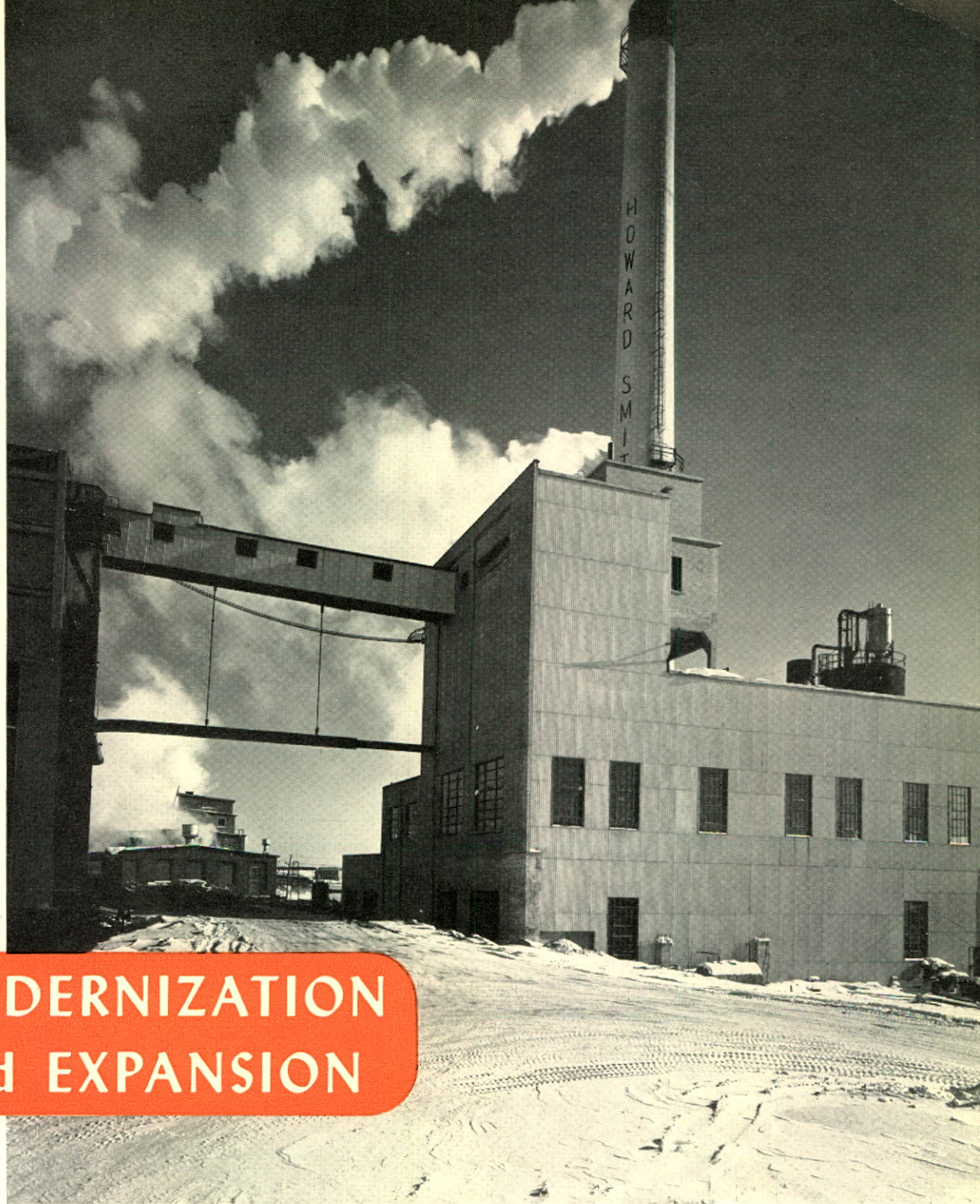
We have examined the consolidated balance sheet of Howard Smith Paper Mills, Limited and its wholly owned subsidiaries as at 31st December, 1951 and the related statements of profit and loss and surpluses for the year ended on that date and have obtained all the information and explanations we have required. In connection therewith we have examined or tested accounting records and other supporting evidence of the Howard Smith Paper Mills, Limited and two of its subsidiary Companies but we did not make a detailed audit of the transactions. We have been supplied with certified statements, as of the same date, of all other wholly owned subsidiary Companies.

In accordance with section 114 of the Companies Act (1934) we report that the profits for the fiscal year ended 31st December, 1951 of the subsidiary Company — not consolidated — have been included in the attached statements only to the extent of dividends received.

In our opinion the accompanying consolidated balance sheet and related statements of profit and loss and surpluses are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company and its wholly owned subsidiaries as at 31st December, 1951 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 certified statements furnished to us.

P. S. ROSS & SONS,  
Chartered Accountants.

*This Section of the Annual Report is  
printed letterpress on Bell-Fast  
Ledger, Buff, Basis 17 x 22—56(M)*



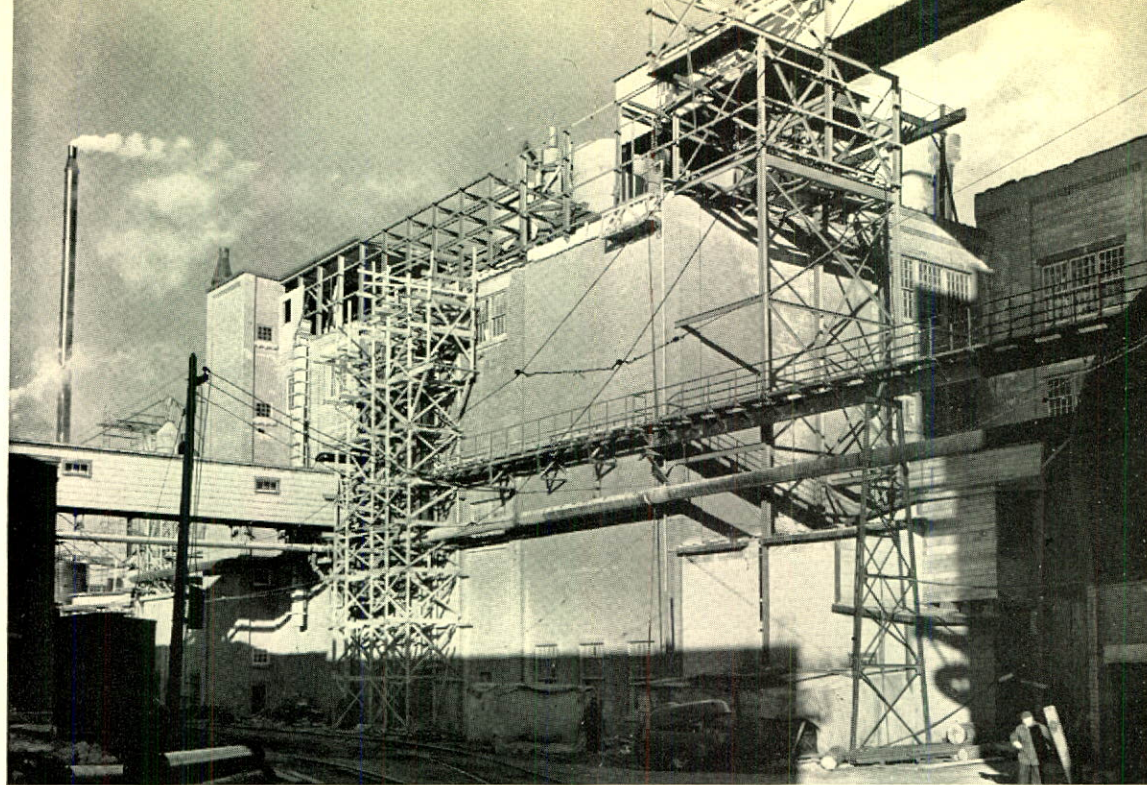
## MODERNIZATION and EXPANSION

*New Steam Plant, Cornwall Division.*

The Primary programme of modernization and expansion is rapidly nearing completion. It has touched all mills to a greater or lesser degree, thus during the past four or five years our visitors could not help but be conscious of the construction in progress. In some cases, that same condition exists today, and it seems as if we no sooner get one project

completed, when several others are begun or in full swing.

Not all are of major proportions, hence do not find their way into these reports, but oftentimes they are important adjuncts to the larger items. The following is a partial listing of major projects either completed or well under way.



*Additions to the Soda Pulp Mill, Cornwall Division, begin to take shape.*

## HOWARD SMITH PAPER MILLS LIMITED

### **Beauharnois División**

The general overhaul and redesign of the Electrical System has been completed and all units will be installed early in 1952. Certain adjustments and additions were made to Number One Machine to improve the quality and uniformity of its products.

### **Crabtree Mills División**

During 1951, Number One Machine was modified to obtain a substantial increase in production and to improve the quality and usefulness of its products. A new Bertrams Flow Unit and Nozzle Slice was installed at the Wet End, which had to be adjusted to accommodate it. The second Press Roll was replaced with a Suction Press and a new Smoothing Roll installed. In order to make certain desirable grades, a Size Press was added, and an After Dryer Section unit of 7 new dryers. The old calender is being replaced with a new Stack to improve finish. In addition, minor electrical work was carried out.

### **Cornwall División**

Elsewhere we have covered the installation of Number One Paper Machine, but that is only part

of the construction undertaken recently at this Division. The new Steam Plant was completed and put in operation. This is a new Combustion Engineering Steam Generator with a capacity of 175,000 pounds of steam per hour. Average hourly rate of consumption is 8 tons of pulverized coal. It is housed in a new steel and concrete building, and has a 250-foot re-inforced concrete stack. Inside, in addition to the generator, is a maze of modern equipment designed to extract every possible heat unit from the coal, and to reduce the nuisance from fly ash and soot.

The Soda Pulp Mill is currently being expanded and modernized. When completed late in 1952, the capacity will have been raised to 250 tons daily of high quality Bleached Soda Pulp. Three new Digesters making 6 in all, a Blow Tank, chip conveyors and much auxiliary equipment are now installed in a new brick and steel extension to the existing Digester House building.

To bleach the additional pulp, and to make possible the utilization of various types of hardwoods in their primary form, the Soda Mill Bleach Plant is being completely revised. Arising out of work done in the Research Department, many unique features

are being incorporated which will lead to cleaner and better quality pulp.

Increased production also means more load on the Chemical Preparation System. This is being revised and modernized with much new equipment in order to keep it in balance with the new requirements. The Chemical Recovery System has also been somewhat revised and a new Stack has been installed on top of the Recovery Boiler House to aid in flue gas disposal.

Many of these additions and changes have necessitated the demolition of portions of existing buildings, removal of equipment, and in some cases its relocation. All these moves have had to be accomplished with as little disturbance to production as possible, thus some of the items referred to above are completed and operating while others are soon to be finished and put into commission.

## ALLIANCE PAPER MILLS LIMITED

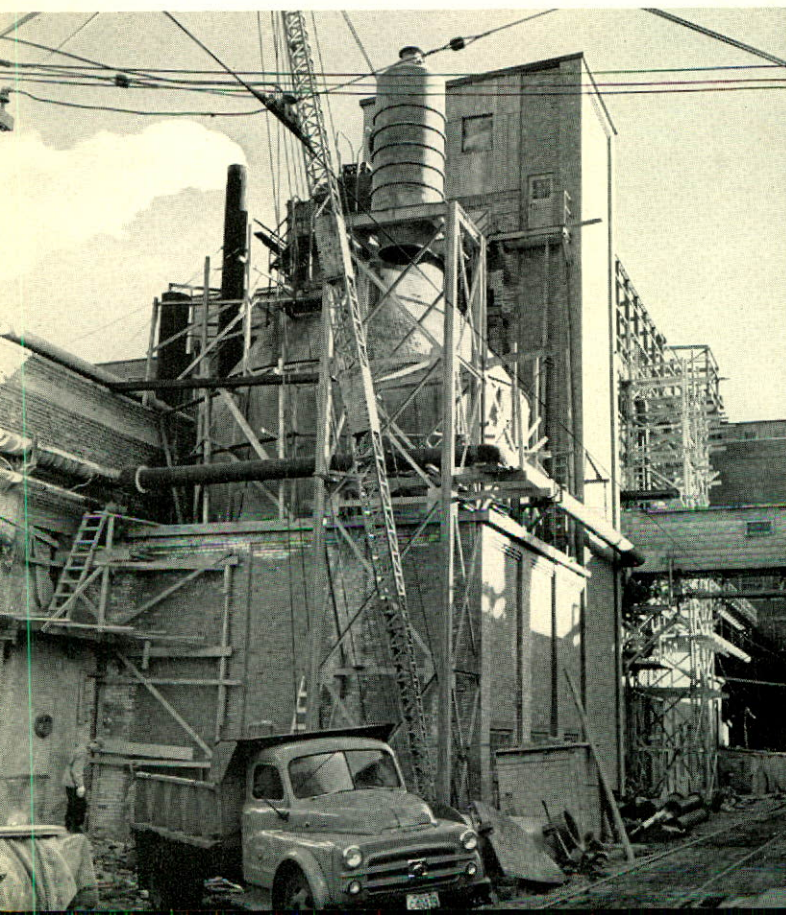
### Lybster Mill

Of major importance to this mill, was the construction of the No. 3 Paper Machine Room which will house the new No. 3 Fourdrinier Paper Machine. The building is located to the west of the mill on the far side of the Niagara, St. Catharines and Toronto Railroad tracks which parallel the existing mill at this point. Before construction could begin, a pond which occupied the site had to be drained and further seepage from the old Welland Canal eliminated. The new building is two storeys high, of

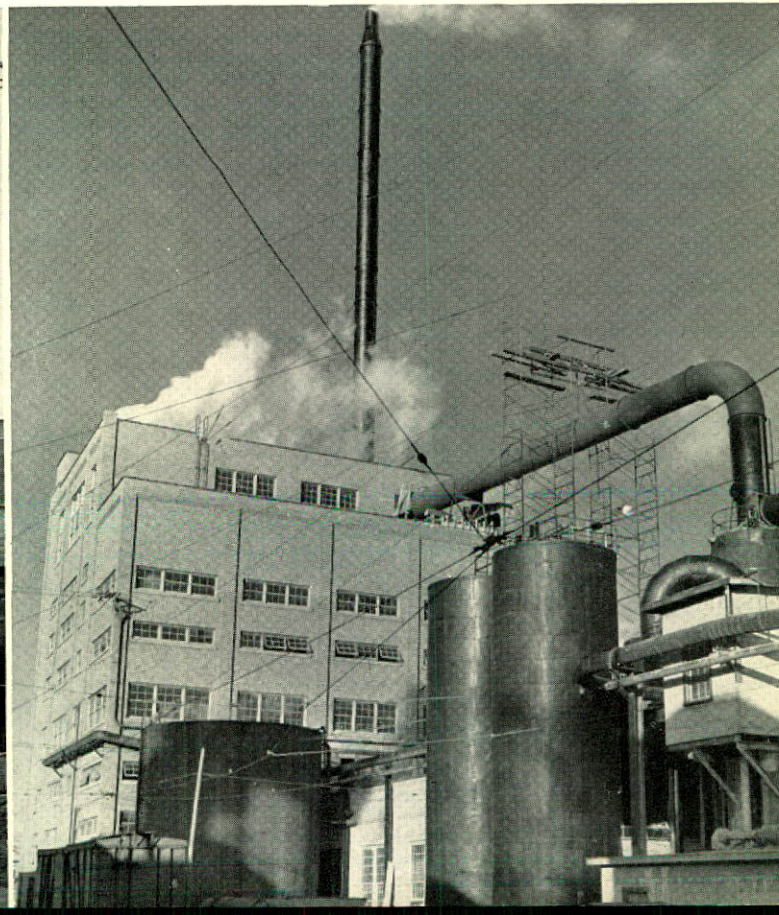
brick, concrete and steel construction. It includes a Paper Machine Room, Stock Preparation Room, Storage, Finishing and Shipping Rooms. General Offices will be located over the Finishing Room. Reinforced concrete tunnels pass under the railroad tracks at each end, and connect with the present mill.

Number 3 Machine is a high-speed 122-inch machine, built by John Inglis Company of Toronto, and is specially designed for the production of lightweight papers such as Onionskin, Cellucine, Carbonizing Tissues and Lightweight specialties. Auxiliary equipment includes stock preparation,

*Construction work on Soda Pulp Mill,  
Cornwall Division.*



*General view of new Recovery Furnace showing new stack  
and Lignin Plant in foreground.*



size press, calender stack, reel, re-winder and slitter. A double, overhead crane spans the machine room and travels its full length to aid in replacement or maintenance work. The entire building is so designed that an extension for any future machine can be readily made.

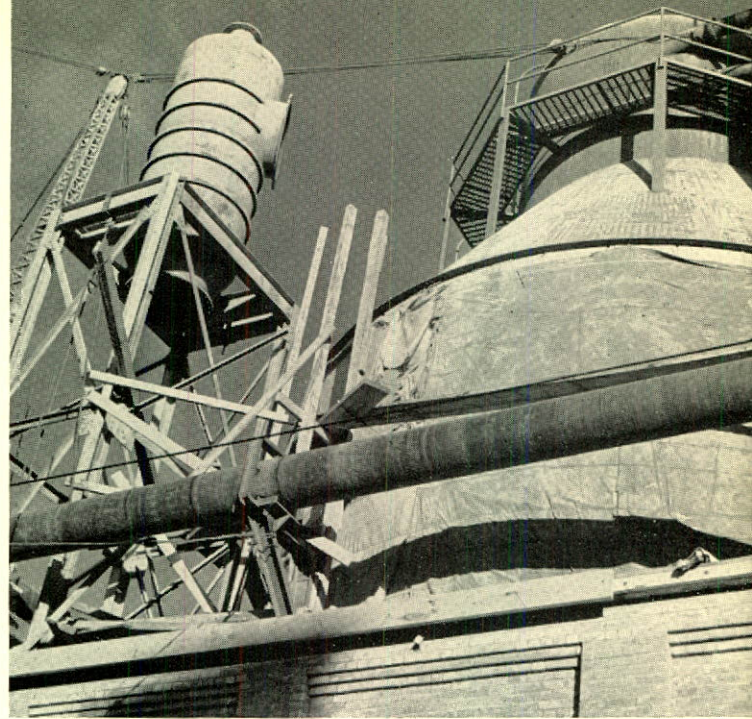
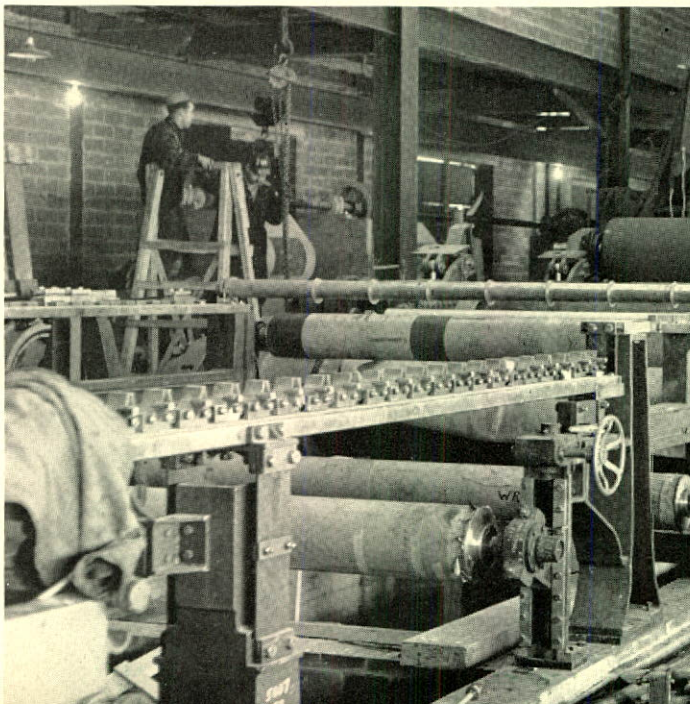
### **Lincoln Sulphite Mill**

Two major projects were under construction at this mill during 1951. In order to take care of the increased steam requirements at the Lybster Mill, a new Combustion Engineering Steam Generator housed in a new steel and concrete addition to the present Boiler House is being installed together with the necessary pulverisers, conveyors, fans, ducts and piping. The steam is to be carried in a 12-inch diameter insulated, overhead pipeline which crosses streets and railways, and is supported on specially constructed steel columns. This steam supply also supplants the old boilers at Lybster which have now been removed, the whole being designed to take care of any future expansion at the Lybster Mill.

### **THE ARBORITE COMPANY LIMITED**

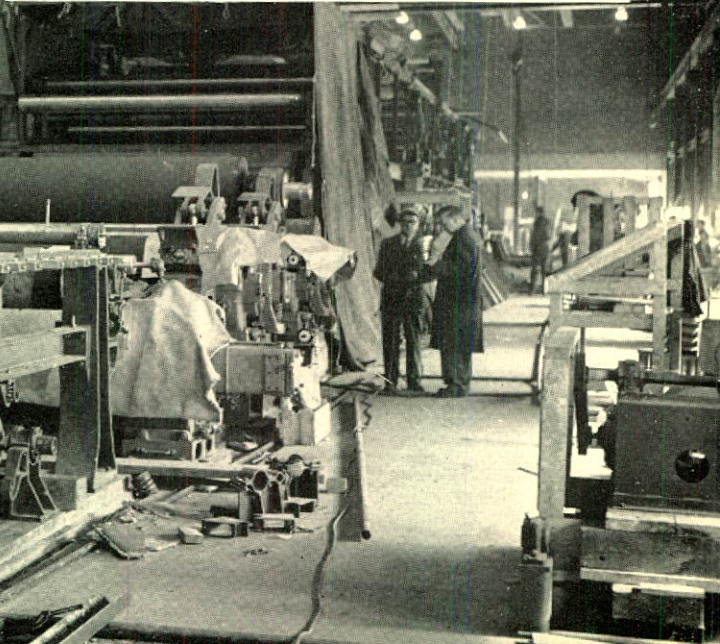
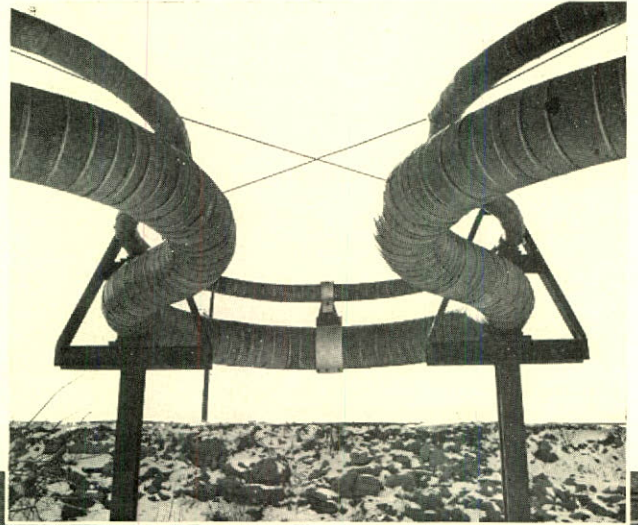
The present programme of expansion continued during the year and will extend throughout 1952. This involves a large building extension and will make Arborite one of the top three producers of decorative materials of this type in America. Additional equipment is being installed that will increase the capacity of the plant and give it more flexibility.

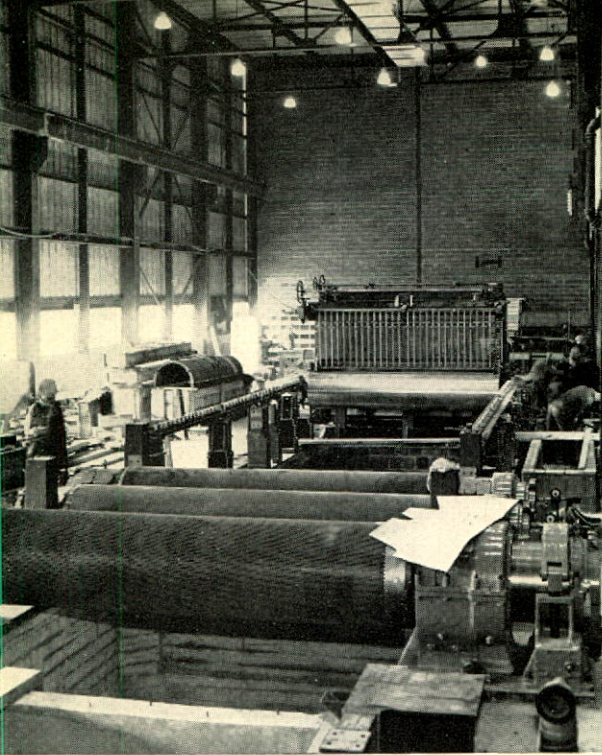
*The Wet End of No. 3 Paper Machine at Lybster Division in course of installation.*



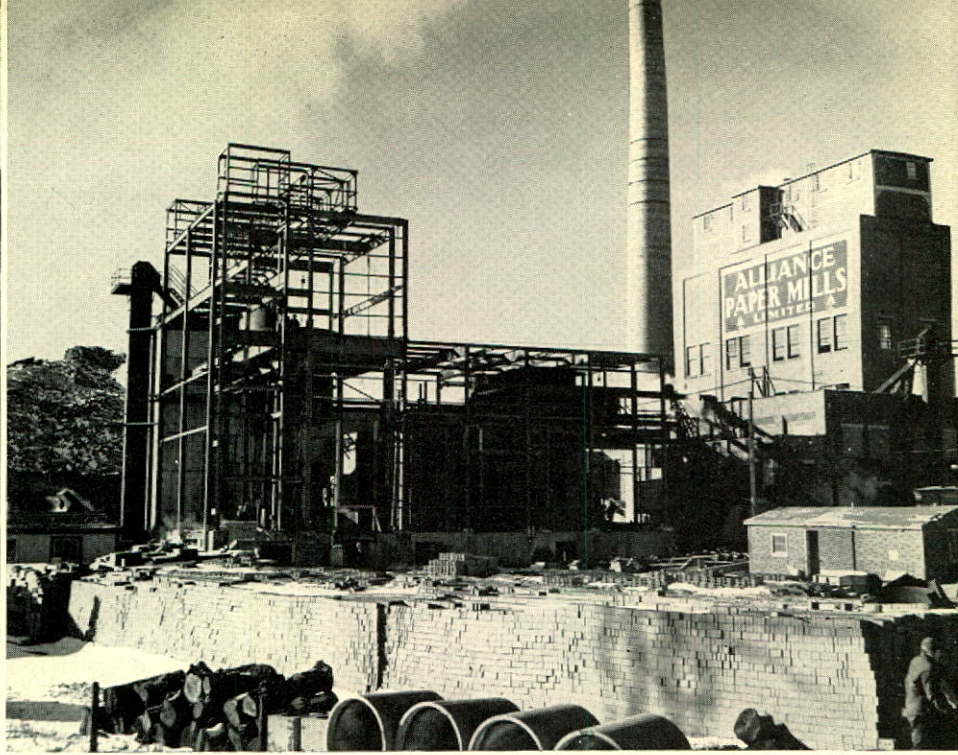
*New Blow Tank under construction, Soda Pulp Mill, Cornwall Division.*

*Expansion Bend on Overhead Steam Line, connecting Lincoln Division with Lybster Division, Alliance Paper Mills, Merrilton.*



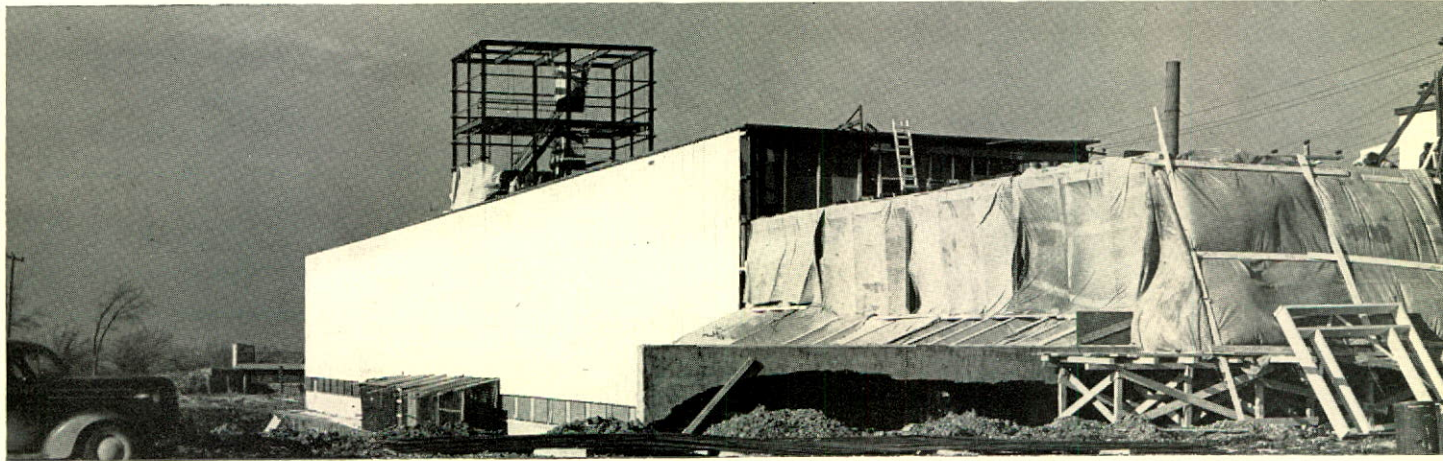


*Installing the Wet End of No. 3 Paper Machine,  
Lybster Division, Alliance Paper Mills, Merrilton.*

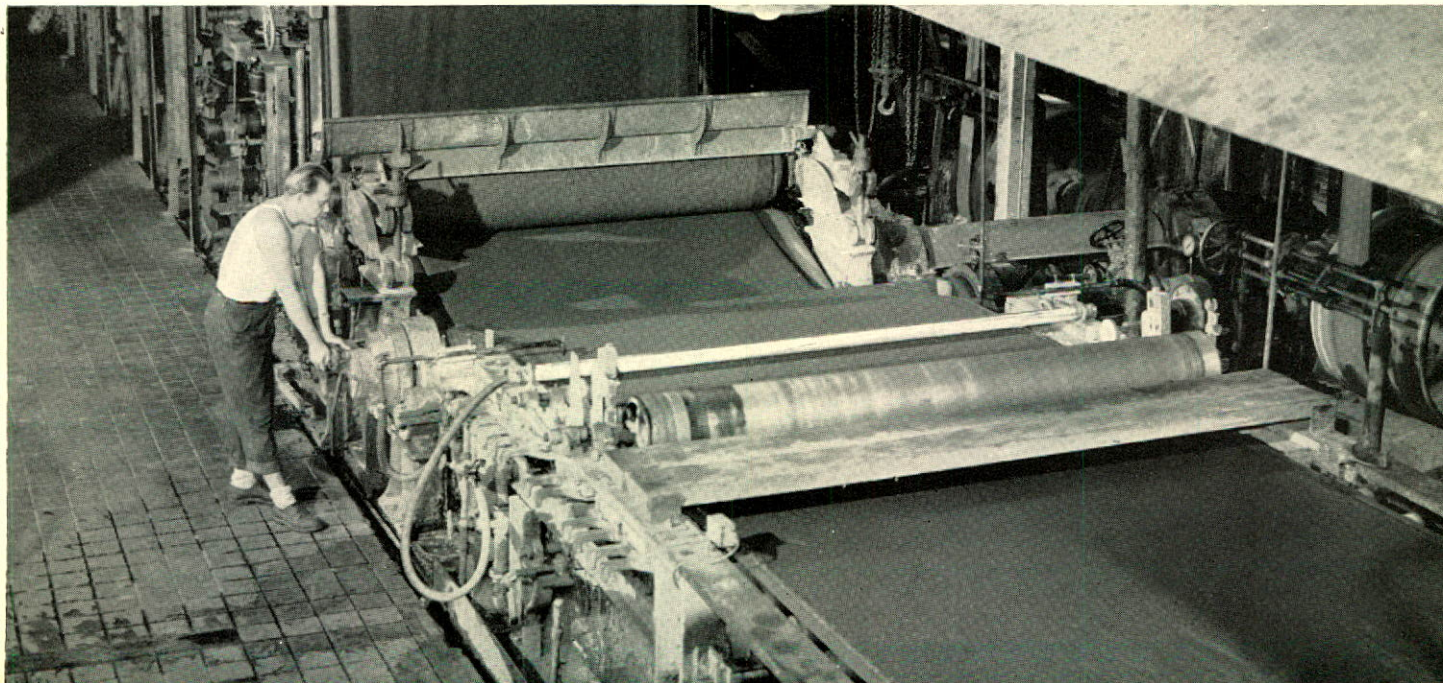


*New Steam Plant at Lincoln Division of Alliance Paper Mills, Merrilton.*

*No. 3 Paper Machine Room under construction, Lincoln Division, Alliance Paper Mills, Merrilton.*

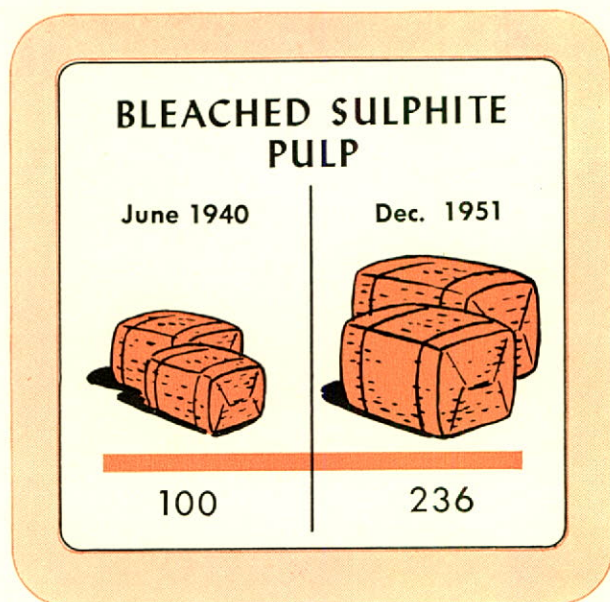
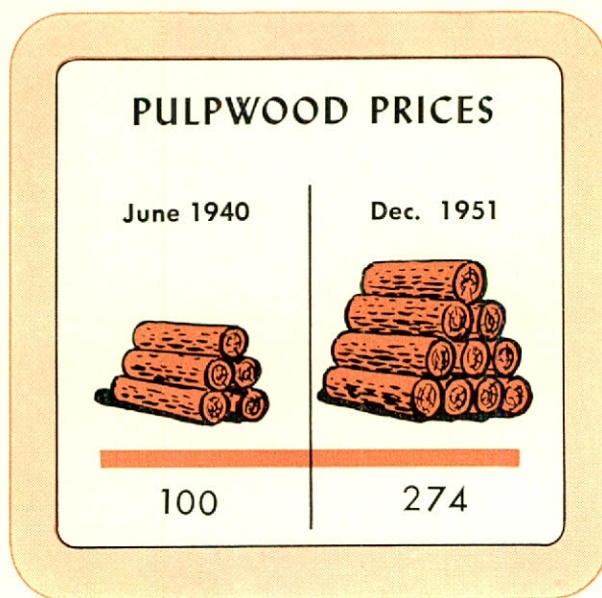


*Paper Machine at Don Valley Mill.*



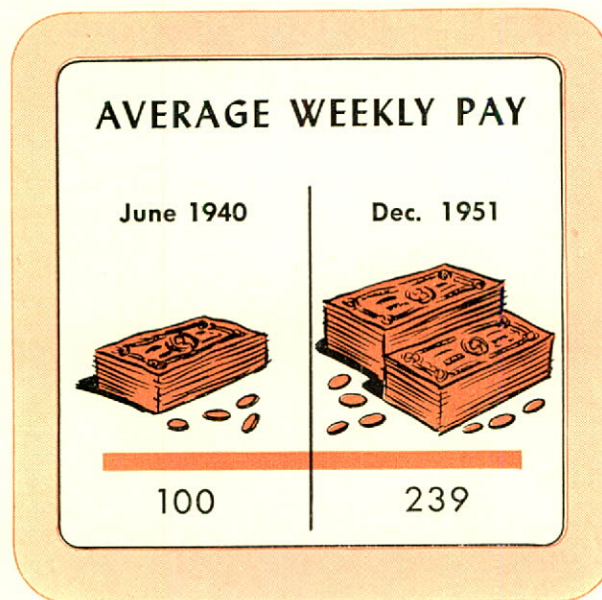
## COST TRENDS

In common with all other industries the rising costs of our materials and wages have made upward adjustments to our prices necessary from time to time. So far these increases have been less than the Canadian Cost of Living Index and the General Wholesale Price Index as can be seen from the graph on the opposite page. About mid-way in 1951 prices for paper were increased modestly, the increases being caused by an accumulation of higher costs for Pulpwood, Pulp and Wages plus many other incidental items. Even though upward pressures



existed, the price line was held relatively stable from then on up to the end of the year.

The other graph shows what has happened to prices in the U.S.A. and U.K. Here, too, our price increases have not been as great percentage-wise as in these two countries and in many cases our price levels, grade for grade, are as low or lower than in other countries where large populations permit of mass production methods not possible in Canada.

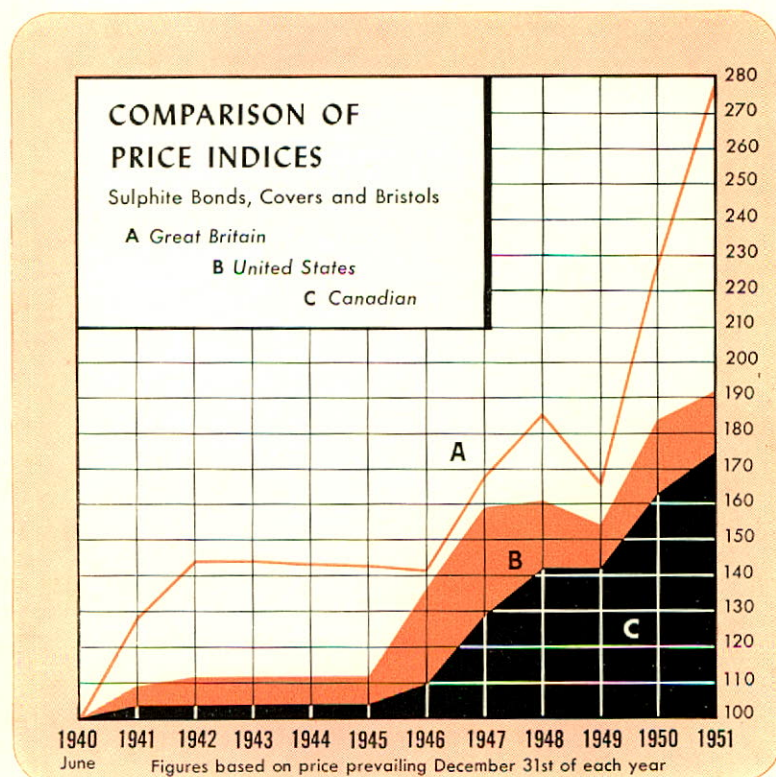
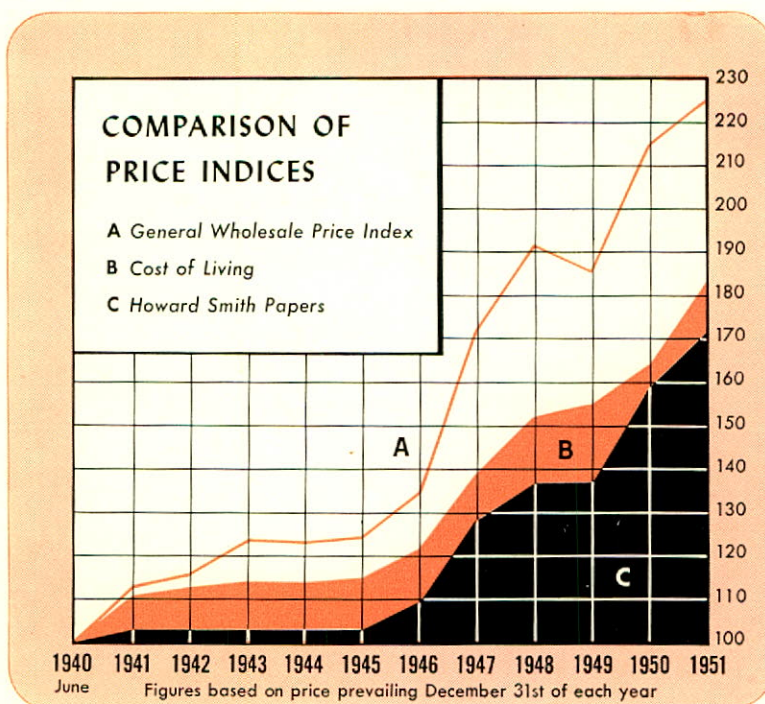




# PRICE TRENDS

## Notes

- A D.B.S. for Dec. 1951 based on Dec. 31, 1940 = 100
- B D.B.S. for Dec. 1951 based on Dec. 31, 1940 = 100
- C Average price indices for 29 representative grades based on June 1940 = 100

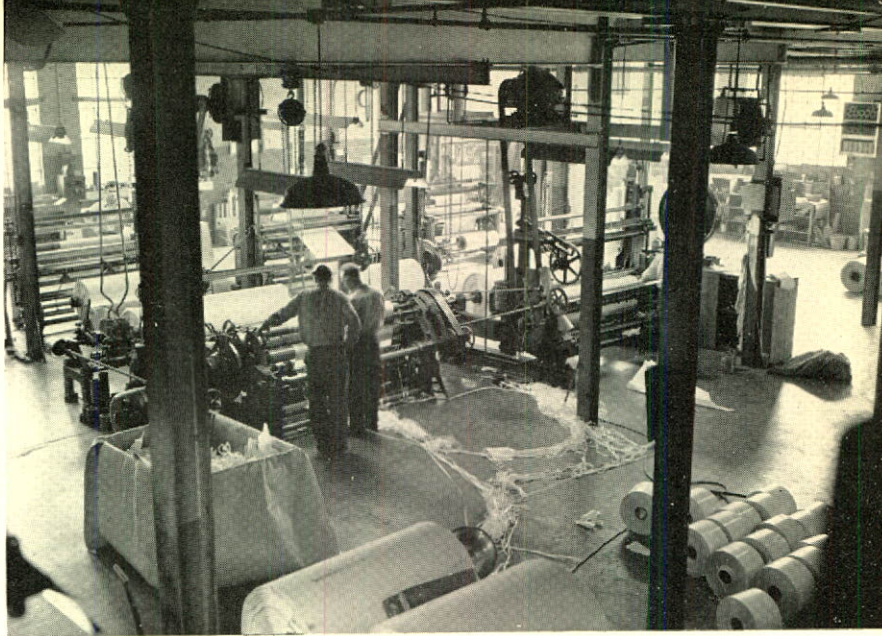


## Comparison of prices

HOWARD SMITH PAPERS  
versus  
UNITED KINGDOM  
and the  
UNITED STATES

## GLASSINE and GREASEPROOF

*Rewinding and finishing rolls of Glassine*



Amongst the wide variety of papers being made by Alliance Paper Mills, Greaseproof and Glassine have been singled out here because the facts of their manufacture, characteristics and uses are not widely known. Briefly, greaseproofness is a must in any container or package used to hold materials which are greasy, oily or which contain a shortening agent. Greaseproof paper is especially made to resist the penetration of greases or oils. Glassine has the same greaseproof qualities with added characteristics of transparency and high finish.

To understand greaseproof paper's resistance, we must go back to the individual cellulose fibres which are used for papermaking. These are usually obtained from wood by the Sulphite method of pulping, and may be considered as more or less pure cellulose. One of their many properties is their ability to absorb water through mechanical treatment. This is known as "hydration" and if carried to its ultimate, the fibres would break down into a gelatinous mass. The important point to know, is that this water of hydration is so combined with the cellulose that it remains in this state even after the fibres have been dried by air or normal heat.

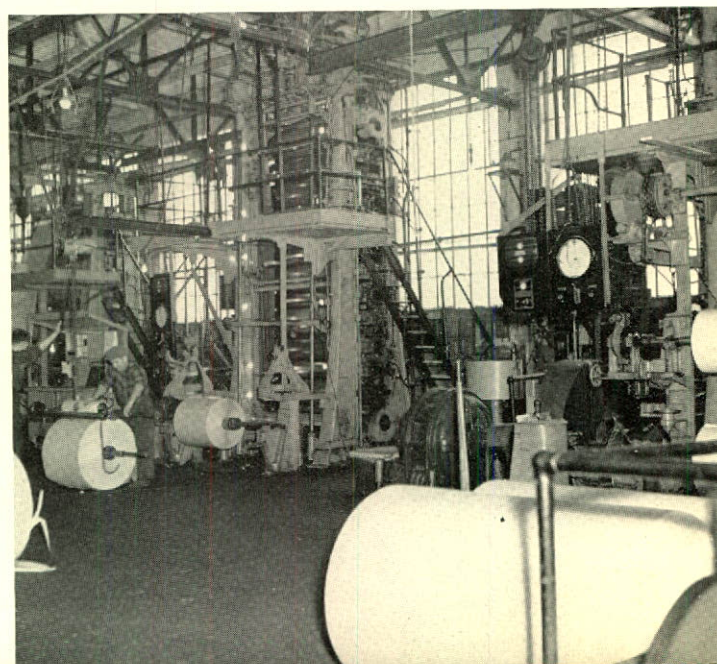
If we then treat papermaking fibres so that they become hydrated, they will carry this combined water with them into the finished paper. The dryers of the machine drive off the water which surrounds the fibres but has little effect on the

combined water. We therefore are able to produce a paper which contains so much water that it acts as a barrier to oils and greases, because oil and water mutually repel one another. In other words, this is a grease repellent or greaseproof paper.

The above explanation has purposefully been simplified but in actual practice a considerable degree of skill and knowledge is required to carry hydration to the optimum point and still have the fibres in a condition where they will form on the paper machine. Special equipment and special techniques are required for success.

Greaseproof paper is usually a white, semi-transparent and slightly brittle paper with a fine "eggshell" finish. If we now dampen it and pass it through the rolls of a heated supercalender stack, it is transformed into a highly glazed transparent paper called Glassine which is used for bags, liners or wraps in the food and confectionery trades.

*The supercalender stocks which transform Greaseproof to Glassine*



Both Greaseproof and Glassine papers are most often used by themselves in wraps, bags or liners because of their resistance to grease penetration, and in the case of Glassine, for its transparency and high finish. However, the art of packaging has now grown to the point where other characteristics not normal to these papers are desirable. Thus, there are a number of modifications which can be applied to them to make them more suitable to their end use. All or almost any combination of the following modifications can be made to arrive at predetermined characteristics.

The first modification is to vary the thickness or weight, the heavier sheets being stronger and more grease resistant. Then we can alter the colour for either decorative or utilitarian purposes. Examples of the latter are the small, frilly chocolate cups usually dark brown which not only look well, but protect the individual chocolates. Since these papers tend to brittleness, it is sometimes necessary to "Plasticize" them to make them more pliable. For other uses where they are likely to be wetted, a special resin can be added to give them increased "wet-strength."

In their natural state, glassines and greaseproofs are not completely waterproof, moisture-vapour-proof, or gas-proof, although more so than most untreated papers and boards. To obtain these characteristics we can coat them with a wax, lacquer or other similar material on one or both sides. Such treatments help to keep moisture or flavour, or both in the product and prevent excess moisture or unwanted flavours from entering the product. Coatings also have the ability of imparting the "heat-sealing" properties so necessary to "tight" packaging.

A further modification which oftentimes surprisingly changes the characteristics is "laminating." In this operation, two sheets are laminated with a modified wax film between, which acts as an adhesive and also as a vapour-proof and gas- or flavour-proof barrier. At the same time, laminating gives extra strength and through special formulation, extra pliability. In the ultimate, we can plasticize, coat, and laminate to arrive at a waterproof, greaseproof, vapour-proof and flavour-proof paper capable of being heat-sealed for the utmost in sealed-in freshness and flavour.

These papers are often made into liner bags to fit into a cardboard or other container. As one example, when the various cake, cookies, pies and other pastry mixes were developed, the necessary shortening was absorbed by the carton which soon became discoloured, and because of oxidation it became rancid and quite unacceptable. When the contents were bagged in glassine or laminated glassine, this trouble was overcome, the contents kept fresher on the shelf for longer periods and the flavour was retained.

It is only natural that the extra costs of the labour and materials entering into these modifications increase the basic price, but the economic facts are that in no other way can the same characteristics in other packaging materials be obtained at lesser costs. There should, therefore, always be a good market for glassine-related products. As techniques improve and as more and more food packagers discover the benefits of the greaseproof papers and their modifications, we can confidently look forward to heavy demands in the future.

*Typical use of Glassine in food packaging.*



# ALLIANCE Advertising

is designed to move

## MERCHANDISE to MARKETS

*Direct Mail Advertising sells the many grades distributed generally throughout the country*





*Publication Advertising publicizes Glassine, Greaseproof, Onionskin and Coated Papers*



**LOCATION  
OF MILLS  
OFFICES AND  
WOODLANDS**

*Howard Smith Paper Mills Limited*

- |   |   |  |
|---|---|--|
| <p><b>1 MONTREAL, Quebec</b><br/>Alliance Paper Mills Limited, Sales Office<br/>Arborite Co. Limited, Head Office and Plant<br/>Canada Paper Company, Head Office<br/>Canada Paper "Wholesale" Ltd., Sales Office and Warehouse<br/>Don Valley Paper Co. Ltd., Sales Office<br/>Federal Paper Co. Limited, Head Office and Warehouse<br/>Howard Smith Paper Mills Ltd., Head Office<br/>Kilgour's Limited, Sales Office and Warehouse</p> | <p><b>8 NEW CARLISLE, Quebec</b><br/>Pulpwood Buying Office<br/>Timber Limits</p> <p><b>9 GASPE, Quebec</b><br/>Timber Limits<br/>Woods Operations Office</p> <p><b>10 OTTAWA, Ontario</b><br/>Buntin Gillies &amp; Co. Limited, Sales Office and Warehouse<br/>Federal Paper Co. Limited, Sales Office and Warehouse<br/>Kilgour's Limited, Sales Office and Warehouse</p> <p><b>11 CORNWALL, Ontario</b><br/>Howard Smith Paper Mills Limited:<br/>2 Chemical Pulp Mills and Paper Mill<br/>Pulpwood Buying Office</p> <p><b>12 TORONTO, Ontario</b><br/>Alliance Paper Mills Limited, Sales Office<br/>Arborite Co. Limited, Sales Office<br/>Canada Paper Company, Sales Office<br/>Canada Paper "Wholesale" Ltd., Head Office and Warehouse<br/>Don Valley Paper Co. Limited, Head Office and Paper Mill<br/>Fred W. Halls Paper Co. Limited, Head Office and Warehouse<br/>Howard Smith Paper Mills Ltd., Sales Office<br/>Kilgour's Limited, Head Office and Warehouse</p> <p><b>13 HAMILTON, Ontario</b><br/>Buntin Gillies &amp; Co. Limited, Head Office and Warehouse<br/>Kilgour's Limited, Sales Office and Warehouse</p> <p><b>14 MERRITTON, Ontario</b><br/>Alliance Paper Mills Limited:<br/>Head Office<br/>2 Paper Mills<br/>Chemical Pulp Mill</p> | <p><b>15 LONDON, Ontario</b><br/>Fred W. Halls Paper Co. Ltd., Sales Office and Warehouse<br/>Kilgour's Limited, Sales Office and Warehouse</p> <p><b>16 GEORGETOWN, Ontario</b><br/>Alliance Paper Mills Limited, Coating Mill</p> <p><b>17 MATTAWA, Ontario</b><br/>Timber Limits</p> <p><b>18 NORTH BAY, Ontario</b><br/>Pulpwood Buying Office</p> <p><b>19 SUDBURY, Ontario</b><br/>Timber Limits</p> <p><b>20 OSKELANEO, Quebec</b><br/>Timber Limits<br/>Woods Operations Office</p> <p><b>21 CEDAR RAPIDS, Abitibi Territory, Quebec</b><br/>Timber Limits<br/>Woods Operations Office</p> <p><b>22 AMOS, Quebec</b><br/>Pulpwood Buying Office</p> <p><b>23 COCHRANE, Ontario</b><br/>Timber Limits</p> <p><b>24 WINNIPEG, Manitoba</b><br/>Alliance Paper Mills Limited, Sales Office<br/>Canada Paper Company, Sales Office<br/>Don Valley Paper Co. Ltd., Sales Office<br/>Howard Smith Paper Mills Ltd., Flax Plant<br/>Howard Smith Paper Mills Ltd., Sales Office<br/>Kilgour's Limited, Sales Office and Warehouse</p> |
|---|---|--|

**Cover** Lithographed from 7-colour process plates on Mayfair Cover Antique, White, 20 x 26 - 130 (M) made at the Cornwall Division. This Cover is a reproduction of an oil painting by Mary Grey Robinson of Montreal. Types for the front and back covers are Lydian Bold, Roman and Italic. Twentieth Century Bold and Medium and Condensed Gothic types are used for the map.

**Fly-Leaf** Alliance Embossed Glassine Persian Lamb 25 lb.

**Inside pages** Printed letterpress in two colours on Alliance Luxafold Enamel, White, 25 x 38 - 160 (M). Types used are Bodoni No. 175, 10 pt. leaded 2 pts. with Lydian Bold for headings. Occasional sub-headings in Lydian Bold with Twentieth Century Medium and Condensed Gothic on charts.







## MAIN PRODUCTS

*Howard  
Smith  
Paper Mills  
Limited*  
AND SUBSIDIARY  
COMPANIES

### ***Howard Smith Papers***

Rag and Sulphite Bond and Ledger; Papeterie; Writing; Duplicating; Envelope; Exercise; Book; Litho and Offset; Text; Cover; Blotting; Index and Printing Bristol; Boxboard; Blanks; Tissue; Blue Print and Drawing; Cigarette Paper and Specialties.

### ***Pulps and By-products***

Bleached Sulphite, Bleached Soda, and Groundwood Pulp; Vanillin — a flavouring material; Tomlinite — a synthetic resin.

### ***Alliance and Don Valley Papers***

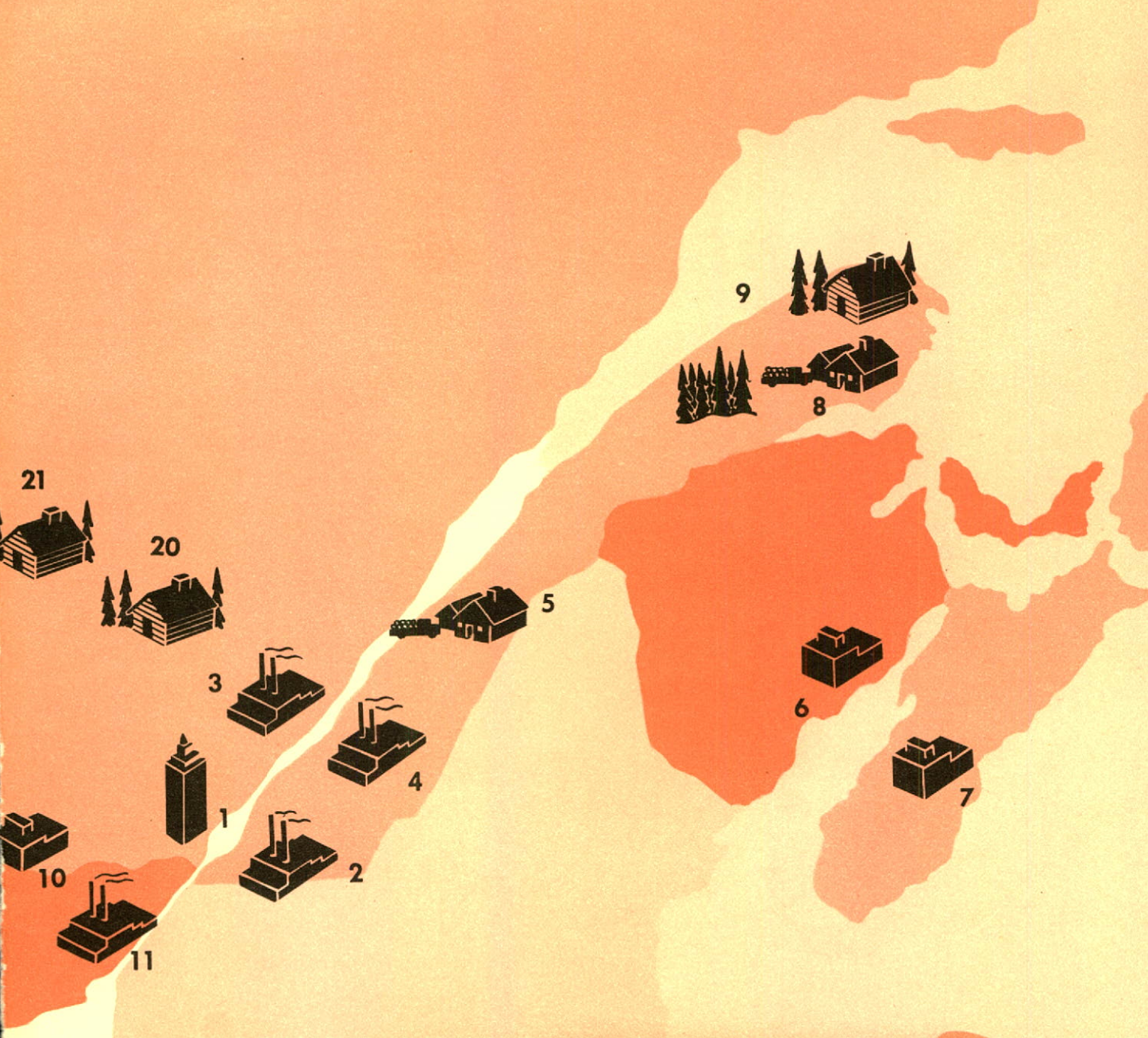
Glassine; Greaseproof; Onionskin; Waxing; Carbonizing; Coated Book; Coated Litho; Coated Bristol; Tag; Cover; Blotting; Bristol; Flour Sack; Potato and Flour Bags, Specialties.

### ***Canada Paper Company Papers***




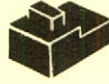


Kraft Wrapping; Grocery, Multiwall and Specialty Bags; Toilet Tissue; Towelling; Envelope; Rotogravure; Book Paper; Waxed, Krinkled and Infused Kraft; Tag; Wrapping Tissue and Specialties.

### ***The Arborite Company Limited***

Decorative Paperbase Laminates for Decorative Wallboard and Table or Countertop Application. Complete range of paper and cloth laminates for electrical and other industrial uses.



### LEGEND

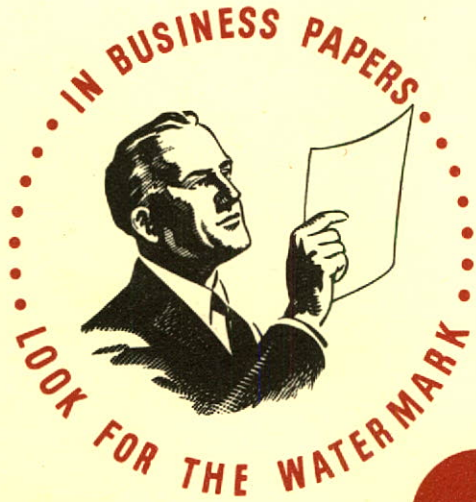
- |   |  |  |            |
|---|--|--|------------|
|  | Timber limits                              |  | Mills      |
|  | Timber limits and woods operations offices |  | Warehouses |
|  | Pulpwood buying offices                    |  | Offices    |

**NOTE**—In cases where more than one type of operation is carried on we have only shown the major one. Refer to list on page 24 for full details

ERTIES



LOCATION OF *Howard Smith* PROP  
MILLS, OFFICES and WOODLANDS



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Smith

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