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ANNUAL REPORT

1957

Howard Smith

PAPER MILLS LIMITED

AND SUBSIDIARY COMPANIES

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Howard Smith PROPERTIES

LOCATION OF MILLS, OFFICES AND WOODLANDS



LEGEND



Timber limits
and woods
operations
offices



Pulpwood
buying
offices



Powerhouse
and dam



Mills



Wholesale
trading
branches



Offices

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

Howard Smith

PAPER MILLS LIMITED AND SUBSIDIARY COMPANIES

ADMINISTRATION AND SALES OFFICES

MONTREAL, Quebec (15)

Alliance Paper Mills Limited
Sales Office

The Arborite Company Limited
Head Office

Canada Paper Company
Head Office

Don Valley Paper Co. Limited
Sales Office

Howard Smith Paper Mills Limited
Head Office

QUEBEC CITY, Quebec (9)

Donnacona Paper Company Limited
Head Office

TORONTO, Ontario (23)

Alliance Paper Mills Limited
Sales Office

The Arborite Company Limited
Sales Office and Warehouse

Canada Paper Company
Sales Office

Don Valley Paper Co. Limited
Head Office

Howard Smith Paper Mills Limited
Sales Office

MERRITTON, Ontario (25)

Alliance Paper Mills Limited
Head Office

WINNIPEG, Manitoba (32)

Alliance Paper Mills Limited
Sales Office

The Arborite Company Limited
Sales Office

Canada Paper Company
Sales Office

Don Valley Paper Co. Limited
Sales Office

Howard Smith Paper Mills Limited
Sales Office

MAIN OFFICES AND PROPERTIES

PULP AND PAPER MILLS, CONVERTING PLANTS

HOWARD SMITH

Beauharnois, Quebec (14)
Cornwall, Ontario (20)
Winnipeg Flax Division (32)

CANADA PAPER COMPANY

Windsor Mills, Quebec (13)

ALLIANCE PAPER MILLS

Georgetown, Ontario (27)
Merritton, Ontario (25)

DON VALLEY PAPER COMPANY

Toronto, Ontario (23)

DONNACONA PAPER COMPANY

Donnacona, Quebec (12)

ARBORITE COMPANY

LaSalle, Quebec (15)

WHOLESALE TRADING BRANCHES

BUNTIN, GILLIES & CO. LIMITED

Hamilton (24) and Ottawa (21)

CANADA PAPER "WHOLESALE" LIMITED

Toronto (23) and Montreal (15)

FEDERAL PAPER COMPANY LIMITED

Montreal (15) and Ottawa (21)

THE FRED W. HALLS PAPER CO., LIMITED

Toronto (23) and London (26)

KILGOUR'S LIMITED

Toronto (23), Montreal (15),
Ottawa (21), Hamilton (24),
London (26), Fort William (31),
Winnipeg (32), Regina (33),
Saskatoon (34)

MacGREGOR PAPER AND BAG CO. INC.

Montreal (15), Toronto (23),
Quebec City (9), Saint John (3),
Halifax (1), Sydney (2)

SCHOFIELD PAPER CO., LIMITED

Halifax (1) and Saint John (3)

PULPWOOD BUYING OFFICES, WOODLANDS OFFICES AND TIMBER LIMITS

PROVINCE OF QUEBEC

New Carlisle (4), Gaspé (5),
Madeleine River (6), Bersimis (7),
Sault-au-Mouton (8), Quebec City (9),
Jacques Cartier River (10),
Windsor Mills (13), Oskelaneo (16),
Cedar Rapids and Waswanipi (17),
Amos (18)

PROVINCE OF ONTARIO

Cochrane (19), Cornwall (20), Madoc (22),
Mattawa (28), North Bay (29), Sudbury (30)

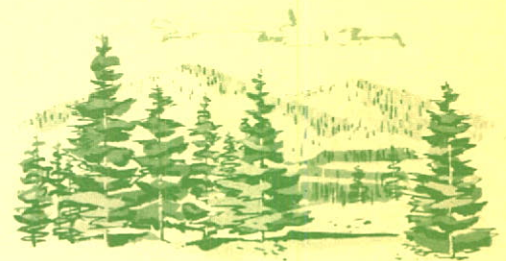
POWER DEVELOPMENT

Jacques Cartier River (11)



Experiments in the chemical killing of trees and mechanical logging methods are underway at the Oskelaneo Limits.

Here we see a section of a chemical kill. Further details will be found on pages 28, 29, 30, 31 and 32. Colour photo on front cover shows how the girdled tree is painted with a chemical which eventually kills it.



OFFICERS AND DIRECTORS

OFFICERS

H. ROY CRABTREE, *Chairman of the Board*
D. S. ABBOTT, *President*
H. E. MASON, *Executive Vice-President*
J. M. THOMPSON, *Vice-President*
W. H. AIRD, *Vice-President*
W. F. McCOLM, *Vice-President*
KENNETH G. PENDOCK, *Secretary and Treasurer*
A. G. LASCHINGER, *Controller*

DIRECTORS

D. S. ABBOTT
W. A. ARBUCKLE
deGASPE BEAUBIEN, C.B.E.
GEORGE W. BOURKE
H. ROY CRABTREE
HON. GEO. B. FOSTER, Q.C.
W. N. HALL
R. D. HARKNESS
W. H. HOWARD, C.B.E., Q.C.
H. E. MASON
M. WALLACE McCUTCHEON, C.B.E., Q.C.
JOHN A. McDOUGALD
HOWARD MURRAY, O.B.E.
W. E. PHILLIPS
J. EDOUARD SIMARD
E. HOWARD SMITH
E. P. TAYLOR
COLIN W. WEBSTER

AUDITORS

Messrs. P. S. Ross & Sons

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

*Montreal Stock Exchange
Toronto Stock Exchange
American Stock Exchange*



Howard Smith

PAPER MILLS LIMITED AND SUBSIDIARY COMPANIES

ANNUAL REPORT FOR THE YEAR ENDING DECEMBER 31 1957

Highlights OF THE YEAR

	1957	1956
Total pulp production — tons	425,073	458,250
Total paper production — tons	299,200	318,473
Net Sales	\$103,013,041	\$104,437,815
Net Earnings	\$6,689,870	\$7,089,130
Net earnings per common share	\$3.66	\$3.88
Dividends per share —		
Preferred stock	\$2.00	\$2.00
Common stock	\$1.20	\$1.50
Expenditures for plant additions and improvements	\$6,281,685	\$7,582,246
Working Capital	\$33,813,161	\$28,275,927
Common Shareholders' equity — per share	\$31.78	\$27.88
Number of employees	6,918	8,150



Thirtieth Annual REPORT OF THE DIRECTORS OF **HOWARD SMITH PAPER MILLS LIMITED**

TO THE SHAREHOLDERS

FINANCIAL HIGHLIGHTS for 1957 are shown on the opposite page. These are typical of the experience of other companies in the industry. While the year opened favourably and maintained an optimistic pace for the first quarter, that pace levelled off, and then dropped during the last half with a consequent reaction on the sales and earnings position of the Company.

Much has been written in recent months concerning the problems of the industry; whereas only two years ago there was an acute shortage of capacity to meet an apparently insatiable demand, there is today sufficient capacity to meet all market demands with operations substantially below rated capacity.

Your Company and its subsidiaries constitute one of the most diversified units in the Pulp and Paper Industry. We are a major supplier of fine and specialty papers; market a wide variety of pulps including soda, sulphite and sulphate pulps both at home and abroad; and produce a substantial volume of newsprint and kraft papers. Our output also includes laminates and wallboard used extensively in the construction and building industry, and such by-products as lignin and vanillin for general industrial purposes. The overall results of our operations for the year, therefore, reflect a mixture of the general level of activity and economic conditions which were experienced in these separate and, to some extent, unrelated markets.

In the field of fine and specialty papers, sales showed a modest increase over those of the previous years. Sales of pulp, particularly in the export field, were at a somewhat lower level, especially in the latter half of the year, as were newsprint and kraft paper sales. Laminates, which are marketed under the trade name of "Arborite," were up in spite of the lower activity in the building industry, due to their greater acceptance and utilization for home renovations and other new applications, whereas wallboard which is a staple product, showed a reduction in keeping with the level of activity in the industry.

CRABTREE MILLS

In line with your Company's policy of concentrating its paper making as far as possible with its integrated and pulp making divisions, announcement was made during the year of the sale of the Crabtree Mills Division at Joliette, P.Q., to the Westminster Paper Company Limited of New Westminster, B.C., largest manufacturer in Canada of household tissue products. Under the terms of the agreement Westminster will manufacture for your Company the fine paper grades produced at Crabtree Mills. They will also continue the manufacture of the Cashmere line of household papers and other products for which your Company will act as a distributor.

SALES AND EARNINGS

Net sales were \$103,013,041 — a reduction of 1% from 1956. Net profits from operations, after allowing for all charges including depreciation, depletion and taxes were \$6,099,958 compared to \$7,147,259 in the previous year — a reduction of 15%. These profits were equal to \$3.30 and \$3.88 for each of these years on each common share outstanding after providing for preferred dividends and minority shareholders' interests. Profits in 1957 were further increased by an additional \$624,028 from profits realized on the sale of Crabtree Mills and other miscellaneous fixed assets, giving total earnings from all sources for the year of \$6,723,986, equivalent to \$3.66 per common share after providing for preferred dividends and minority shareholders' interests.

The reduction in net profits of 15% (excluding profits from sale of fixed assets) when compared with the reduction in sales of 1%, is accounted for by increased costs affecting all divisions of the Company for labour and freight which could not be recovered from the relatively minor price increases which applied to some products or to improvements in operating efficiency; also to a loss in revenue occasioned by the higher discount rate on United States funds which prevailed throughout 1957 as compared with 1956. The average discount rate in 1957 was 4.2% as compared with 1.7% in 1956.

DIVIDENDS

Regular dividends were declared for the year at an annual rate of \$2.00 per share on the preference shares, and \$1.00 per share, with an extra dividend of 20¢ on the common shares. An extra dividend of 50¢ per common share was declared in 1956. Total dividends declared in 1957 amounted to \$2,411,300 and compares with \$2,934,125 declared in 1956. Your Directors, at their Board Meeting on November 26th, 1957, decided that the recent practice of paying "extra" dividends on the common shares is to be terminated, and that the next quarterly dividend on these shares would be at a rate of 30¢ per share, being at an annual rate of \$1.20.

FUNDED DEBT

Redemption of serial bonds has been effected and sinking fund requirements have been met for the year, in respect of the outstanding bonds and debentures of Howard Smith and Donnacona Paper as required by the Trust Deeds. The total funded debt outstanding at the end of the year amounted to \$15,816,500.

WORKING CAPITAL

The working capital at December 31st, 1957 was \$33,831,161, an increase of \$5,555,234 over the same position a year ago. This improvement is largely due to the sale of Crabtree Mills for a consideration of \$4,000,000 for the physical assets, excluding the amount received for inventories and other working assets. Included in the accounts receivable is an amount of \$3,000,000 payable in respect to this transaction which has now been received.

RESERVES

As at December 31st, 1957, transfers of the balances in the Inventory Reserve account of \$2,000,000 and the Contingency Reserve account of \$515,400 were made to Earned Surplus, since there were no specific requirements for these provisions. Also transferred to Earned Surplus was a balance in the Capital Surplus account of \$991,900. Items credited to this account in the past were in the nature of profits arising from the sale of securities, property and other transactions of an unusual and non-operating nature, although properly forming a part of the Company's income in the year in which such amounts were received. It was considered advisable that these amounts should also be consolidated with the Company's Earned Surplus account.

CAPITAL EXPENDITURES

The level of new capital investment in 1956 was maintained in 1957, with expenditures of \$6,281,685. The production of paper and related products requires substantial sums to be spent annually to replace

worn out or uneconomical and obsolete equipment in order to be competitive and maintain a satisfactory earning position. In recent years it has also been necessary to make major investments annually in new plant facilities to meet the increasing demands for paper products. It will be necessary to continue these large capital expenditures in 1958, but instead of investing in additional capacity, emphasis will have to be placed on those expenditures which will improve the quality of products and the efficiency of operations, particularly those which will contribute to offset increases in manufacturing and transportation costs.

Typical of such expenditures is the new liquor recovery furnace under construction at Cornwall which will result in a substantial improvement in the efficiency of the chemical recovery, additional steam generation from waste materials, and elimination of a serious stream pollution problem. At Alliance Paper Mills a new wide super-calender will be installed and will result in reduced operating costs, better customer service and improved quality. A major extension to the wood handling facilities will be commenced at Cornwall which, when completed, will result in substantially reduced wood handling costs, and provide for additional barking facilities necessary for maximum utilization of local wood supplies, and a further development of the utilization of hard woods.

LABOUR RELATIONS

Of the many activities to which Mill Managements are encouraged to devote constant attention is that having to do with accident prevention. It is gratifying to report that the Beauharnois Division were the winners in the Industry of the "Safest Mill in Canada Contest" and that our Cornwall Division had the lowest accident frequency rate in its record.

Labour agreements which were renewed with substantial monetary adjustments are due, with one exception, for re-negotiation this Spring. There is every reason to anticipate that this can be accomplished on a basis consistent with productivity levels and the economics of an essentially domestic industry.

DIRECTORATE AND OFFICERS

The year saw many changes in the Directorate of your Company and its Executive Officers. Vacancies on the Board created by the resignations of Messrs. J. D. Johnson, E. K. Robinson, G. H. Tomlinson and A. J. Philip were filled by the appointment of Messrs. W. N. Hall, J. Edouard Simard, H. E. Mason and the Hon. G. B. Foster, Q.C. Mr. E. Howard Smith retired as Chairman of the Board and President, Mr. E. K. Robinson as Executive Vice-President, and Mr. G. H. Tomlinson as Vice-President, Research. The Board has recorded its sincere appreciation of the long years of outstanding service of these devoted officers, and it is particularly gratifying that Mr. Smith's experience will continue to be available through his continuing as a Director, and that of Messrs. Robinson and Tomlinson in a consulting capacity.

Mr. H. Roy Crabtree became Chairman of the Board; Mr. D. S. Abbott, President, and Mr. H. E. Mason, Executive Vice-President; all of whom have had long and intimate association with the affairs of the Company. Messrs. W. F. McCole and J. M. Thompson were appointed to the newly-created positions of Vice-President, Woodlands, and Vice-President, Finance.

OUTLOOK

Indications are that the total demand for our products during 1958 will be maintained at last year's levels. It is expected that there will be a slackening in some lines which will be offset by equivalent gains in others. The important task of matching increased costs with operating savings will continue to demand the most intensive efforts on the part of your organization, since price increases cannot be relied upon to absorb such additional costs.

The sincere appreciation of the Directors is expressed of the loyal and efficient services rendered by the staff during the year.

Submitted on behalf of the Board:

H. ROY CRABTREE
Chairman

D. S. ABBOTT
President

Montreal, March 15th, 1958.

Comparative Consolidated

	<i>31st December</i>	<i>31st December</i>
	<u>1957</u>	<u>1956</u>
ASSETS		
Current Assets:		
Cash in banks and on hand	\$ 3,933,292	\$ 2,607,496
Trust deposit and Government of Canada bonds (Market value 1957, \$630,200; 1956, \$3,626,000)	638,600	3,638,600
Accounts receivable, less allowance for doubtful accounts	15,162,154	12,320,449
Inventories of finished products, work in process, raw materials and supplies — at lower of cost or market	18,040,893	14,696,252
Advances on woods operations	5,551,716	7,017,131
	<u>43,326,655</u>	<u>40,279,928</u>
Investments in and advances to other companies at cost	1,592,080	1,596,080
Fixed Assets at cost:		
Land and water power	1,867,727	1,880,946
Buildings, machinery, equipment and timber limits	106,432,148	105,135,490
	<u>108,299,875</u>	<u>107,016,436</u>
Deduct accumulated depreciation and depletion	64,314,270	60,904,827
	<u>43,985,605</u>	<u>46,111,609</u>
Prepaid insurance, taxes and guarantee deposits	507,363	618,300
	<u>\$ 89,411,703</u>	<u>\$ 88,605,917</u>

The balance sheet at 31st December 1956 has been arranged on a basis comparable to the balance

Signed on behalf of the Board of Directors:

D. S. ABBOTT, *Director.*

H. ROY CRABTREE, *Director.*

Balance Sheet

LIABILITIES

	<i>31st December</i> <i>1957</i>	<i>31st December</i> <i>1956</i>
Current Liabilities:		
Accounts payable and accrued liabilities.....	\$ 5,443,298	\$ 6,581,639
Provision for income and other taxes.....	3,186,087	4,027,469
Dividends payable.....	866,109	1,394,893
	<u>9,495,494</u>	<u>12,004,001</u>
Funded Debt: (see Note 1)		
Howard Smith Paper Mills, Limited —		
First Mortgage Bonds, 1950 Series		
2¾% Bonds due 1st December 1958-1960.....	1,800,000	2,400,000
3% Bonds due 1st December 1961-1970.....	6,000,000	6,000,000
4½% Debentures—Series "A" due 1st June 1961.....	3,466,500	3,547,500
Donnacona Paper Company, Limited —		
First Mortgage 3½% Bonds maturing 1st July 1962		
Series "B" (U.S. funds).....	3,850,000	4,015,000
Series "C".....	700,000	730,000
	<u>15,816,500</u>	<u>16,692,500</u>
Reserves for inventories and contingencies		2,515,400
Minority interest in Donnacona Paper Company, Limited.....	309,780	398,057
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	8,000,000
Common Stock —		
Authorized — 2,500,000 shares of no par value		
Issued — 1,742,750 shares.....	9,755,074	9,755,074
	<u>17,755,074</u>	<u>17,755,074</u>
Capital surplus.....		991,900
Earned surplus.....	46,034,855	38,248,985
	<u>\$89,411,703</u>	<u>\$88,605,917</u>

Sheet at 31st December 1957.

Note 1: Funded debt maturing within one year —

Howard Smith Paper Mills, Limited		
2¾% Bonds.....	\$ 600,000	\$ 600,000
4½% Series "A" Debentures.....	416,500	—
Donnacona Paper Company, Limited		
3½% Series "B" Bonds (U.S. funds).....	165,000	165,000
3½% Series "C" Bonds.....	30,000	30,000
	<u>\$1,211,500</u>	<u>\$ 795,000</u>

This is the balance sheet referred to in our Report of even date.

P. S. ROSS & SONS, Chartered Accountants.

Montreal, 24th February 1958.

H O W A R D S M I T H P A P E R M I L L S , L I M

Comparative Consolidated Statement

INCOME AND EXPENDITURE ACCOUNT FOR THE YEARS ENDED

	<i>31st December</i> 1957	<i>31st December</i> 1956
Sales.....	\$104,190,076	\$105,115,328
Deduct discount on foreign exchange.....	1,177,035	677,513
Net sales.....	103,013,041	104,437,815
Cost of products sold and operating, sales and administrative expenses.....	86,061,296	84,219,586
	16,951,745	20,218,229
Add investment and sundry income.....	430,237	435,118
	17,381,982	20,653,347
Deduct:		
Depreciation and depletion.....	4,818,157	5,273,022
Interest on funded debt.....	566,282	625,081
Executive officers' remuneration.....	215,653	211,957
Directors' fees.....	15,640	10,440
Legal fees.....	6,286	35,588
Transfer to inventory reserve.....	—	500,000
	5,622,018	6,656,088
Net profit before provision for taxes on income.....	11,759,964	13,997,259
Deduct provision for taxes on income.....	5,660,006	6,850,000
Net profit for the year.....	6,099,958	7,147,259
Profit on sale of fixed assets.....	624,028	—
Net earnings for the year.....	6,723,986	7,147,259
Deduct amount applicable to minority shareholders of Donnacona Paper Company, Limited.....	34,116	58,129
Balance transferred to earned surplus.....	\$ 6,689,870	\$ 7,089,130

Comparative Consolidated Statement

OF EARNED SURPLUS ACCOUNT FOR THE YEARS ENDED

	<i>31st December 1957</i>	<i>31st December 1956</i>
Earned surplus at beginning of year	\$38,248,985	\$33,122,296
Adjustments affecting prior periods	—	971,684
Amounts transferred from:		
Capital surplus	991,900	—
Contingency reserve	515,400	—
Inventory reserve	2,000,000	—
	<hr/>	<hr/>
	41,756,285	34,093,980
Balance from income and expenditure account	6,689,870	7,089,130
	<hr/>	<hr/>
	48,446,155	41,183,110
Deduct dividends on:		
Preferred shares	320,000	320,000
Common shares	2,091,300	2,614,125
	<hr/>	<hr/>
	2,411,300	2,934,125
Earned surplus as shown on balance sheet	<hr/> <u>\$46,034,855</u>	<hr/> <u>\$38,248,985</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

HOWARD SMITH PAPER MILLS, LIMITED,
Montreal, Que.

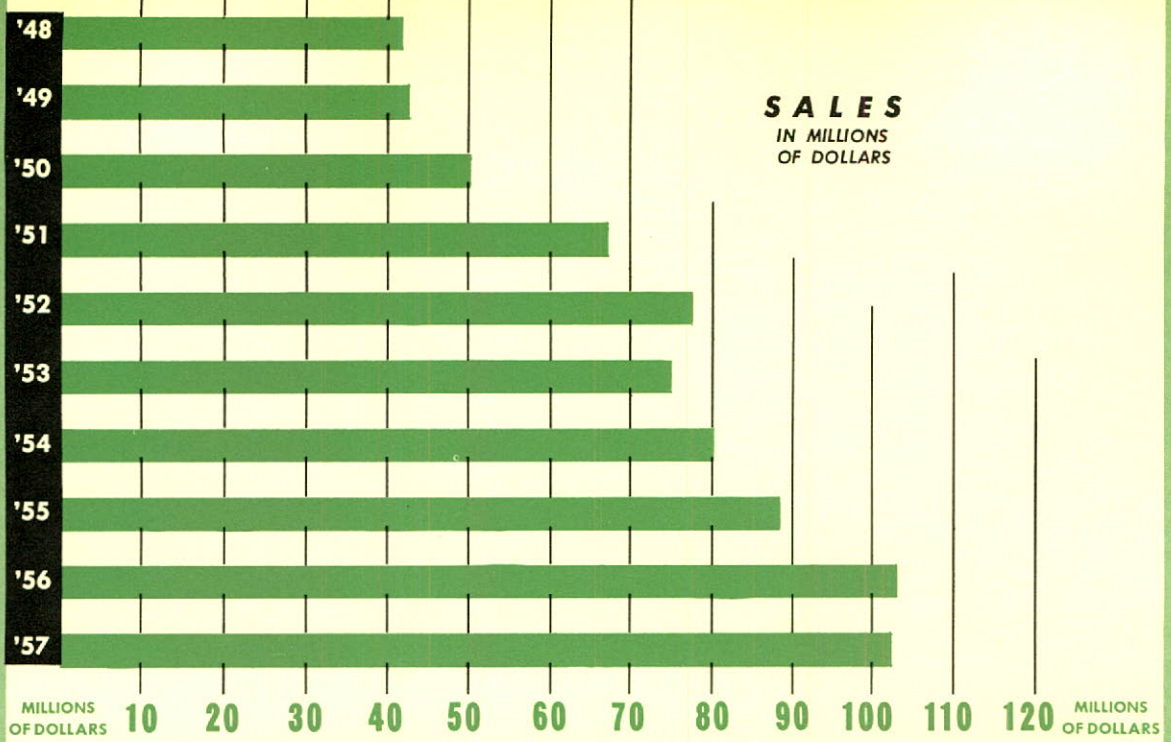
We have examined the consolidated balance sheet of Howard Smith Paper Mills, Limited and Subsidiary Companies as at 31st December 1957 and the related statements of income and expenditure and surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence of Howard Smith Paper Mills, Limited and four of its subsidiary companies as we considered necessary in the circumstances. The financial statements of all other subsidiary companies were examined by other auditors.

In our opinion, the accompanying consolidated balance sheet and related statements of income and expenditure and surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company and its Subsidiaries as at 31st December 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 which we examined and the audited statements of the subsidiary companies whose accounts we did not examine.

P. S. ROSS & SONS,

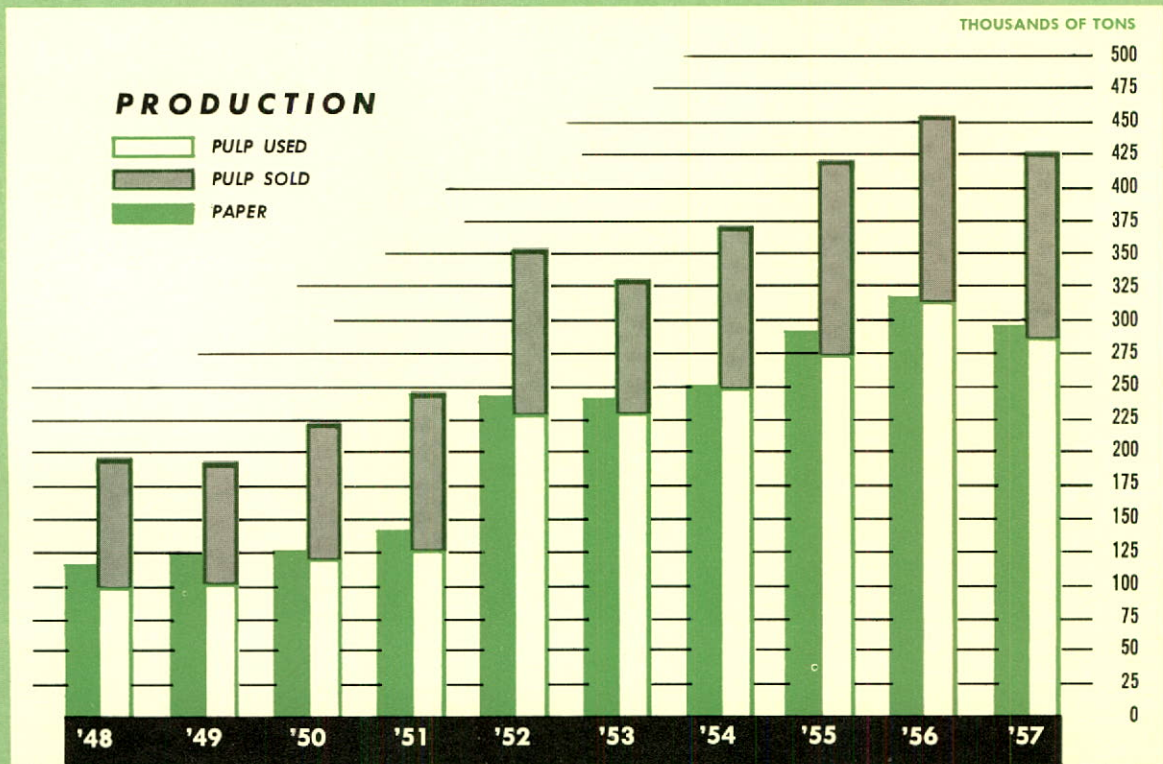
Chartered Accountants.

Montreal, Que., 24th February 1958.



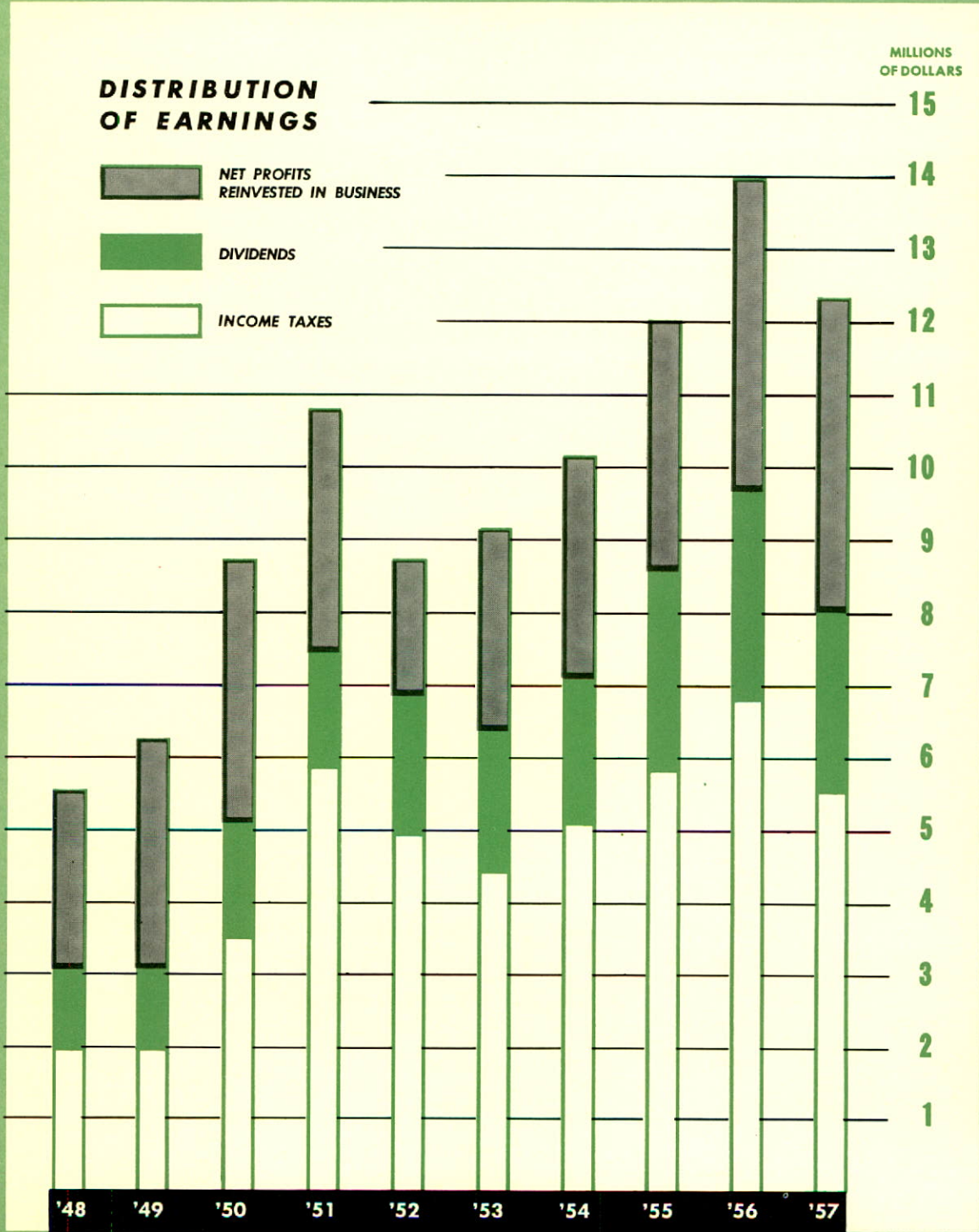
THE TOTAL SALES

The combined sales of all companies totalled \$103,013,041, a reduction of 1% from 1956, caused chiefly by lower volume in the export of pulp and newsprint, and less demand for kraft papers.



PULP AND PAPER PRODUCTION

Of the 425,073 tons of pulp produced some 135,139 were sold on the domestic and export markets. Total paper production reached 299,200 tons.



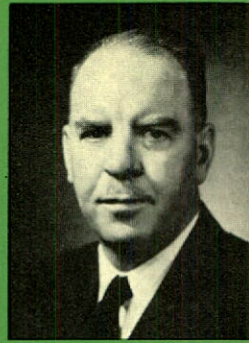
DISTRIBUTION OF EARNINGS

The Earnings picture was adversely affected by lower sales, increased costs of labour and freight, and the higher discount rate on United States funds.

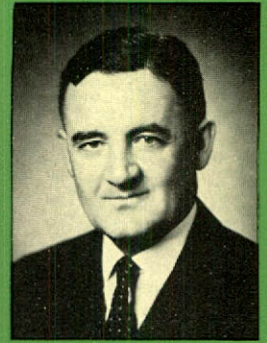
Howard Smith

PAPER MILLS LIMITED

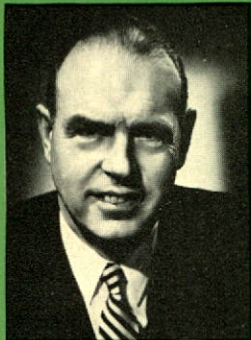
BOARD
OF DIRECTORS



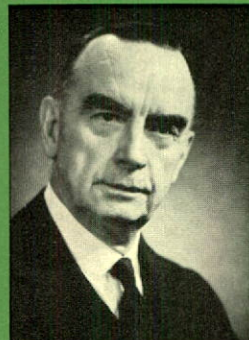
*D. S. ABBOTT



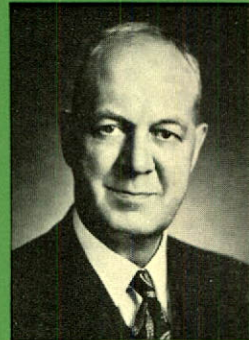
W. A. ARBUCKLE



*W. N. HALL



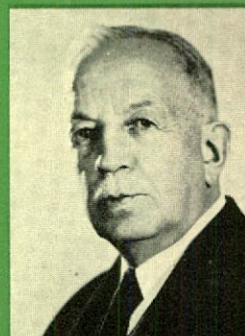
R. D. HARKNESS



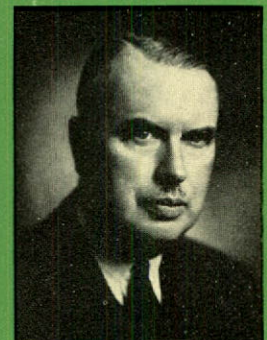
W. H. HOWARD, C.B.E., Q.C.



H. E. MASON



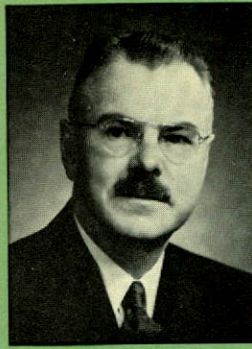
HOWARD MURRAY, O.B.E.



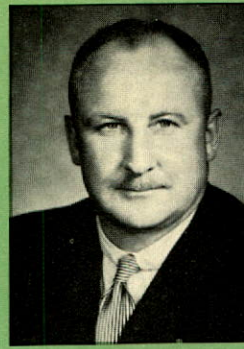
*W. E. PHILLIPS



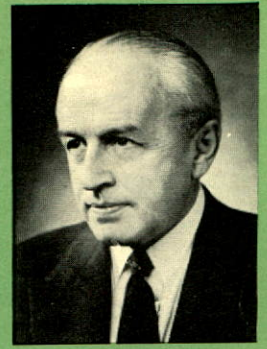
deGASPE BEAUBIEN, C.B.E.



GEORGE W. BOURKE



*H. ROY CRABTREE



HON. GEO. B. FOSTER, Q.C.



*M. WALLACE McCUTCHEON,
C.B.E., Q.C.



*JOHN A. McDOUGALD

**Member of the Policy and Finance Committee*



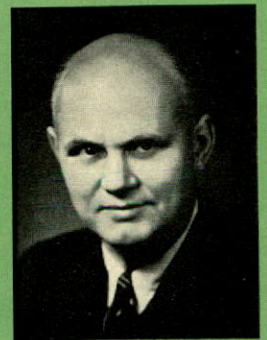
J. EDOUARD SIMARD



E. HOWARD SMITH

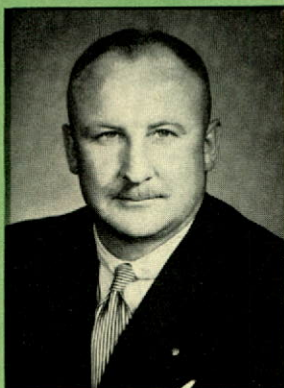


*E. P. TAYLOR

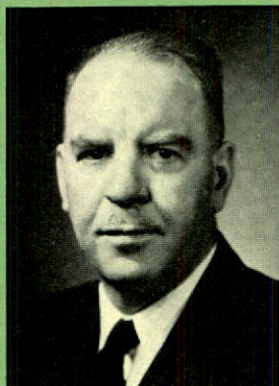


*COLIN W. WEBSTER

OFFICERS



H. ROY CRABTREE,
Chairman of the Board



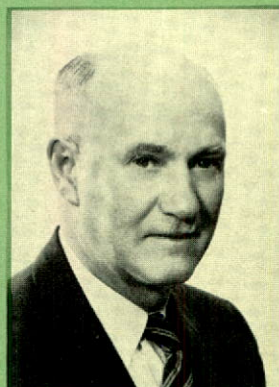
D. S. ABBOTT,
President



H. E. MASON,
Executive Vice-President



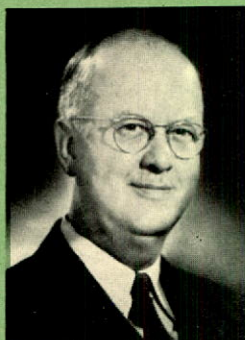
J. M. THOMPSON
Vice-President — Finance



W. F. McCOLM
*Vice-President
— Woodlands*



W. H. AIRD
Vice-President — Sales



KENNETH G. PENDOCK,
Secretary and Treasurer

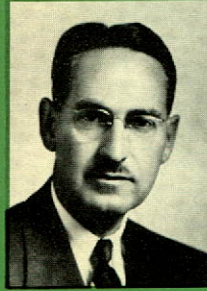


A. G. LASCHINGER
Controller

SALES MANAGEMENT



J. R. NIXON
*General Sales Manager
Howard Smith Paper Mills*



H. S. RAMSAY
*General Sales Manager
Alliance and Don Valley*



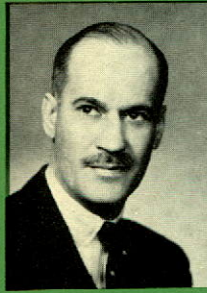
P. SANFORD
*Sales Manager
Canada Paper Company*



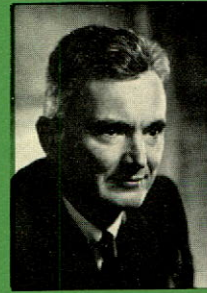
G. E. A. LAMBERT
*General Sales Manager
The Arborite Company*



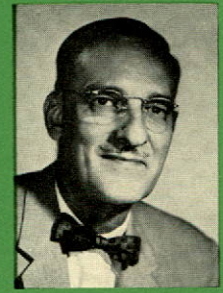
H. V. ROPER
*Eastern Sales Manager
Export Sales Manager*



P. L. MacDOUGALL
Pulp Sales Manager



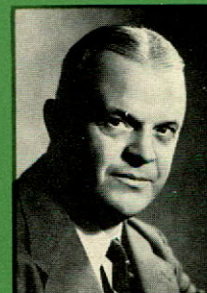
B. M. WOOD
*Sales Manager
Specialty Papers Division
Canada Paper Company*



N. B. POWTER
Advertising Manager



T. M. HUBLEY
*Supervisor
Fine Paper Branches*



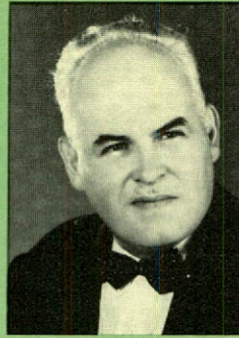
J. G. MCKAY
*Director of Sales
Coarse Paper Branches*

ADMINISTRATIVE AND

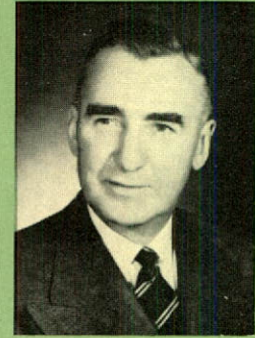


Howard Smith

PAPER MILLS
LIMITED



W. P. NESBITT
*Mill Manager,
Cornwall Division*



H. S. SPENCER
*Mill Manager,
Beauharnois Division*



ALLIANCE

PAPER MILLS
LIMITED

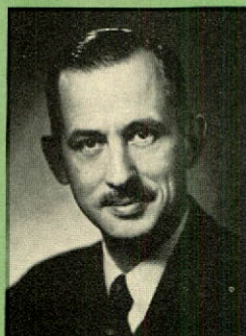


S. J. QUATTROCCHI
General Manager



W. J. CRICHTON
*Mill Manager,
Georgetown Division*

DON VALLEY PAPER CO., LIMITED



G. HOWARD SMITH
General Manager

THE ARBORITE COMPANY LIMITED

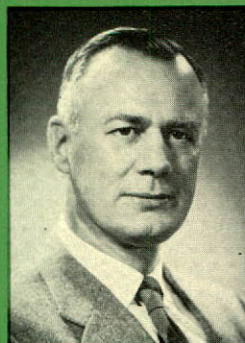


E. SELYAN
*Vice-President and
General Manager*

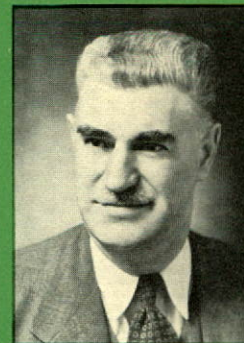
OPERATING STAFFS



CANADA PAPER COMPANY



A. J. PHILIP
*Vice-President and
General Manager*



W. E. RICE
*Mill Manager,
Windsor Mills*



DONNACONA PAPER COMPANY LIMITED



L. W. MICHAEL
*President and
Treasurer*



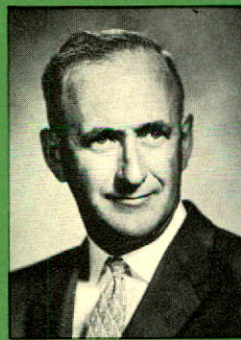
L. A. PALMER
*Vice-President and
General Manager*



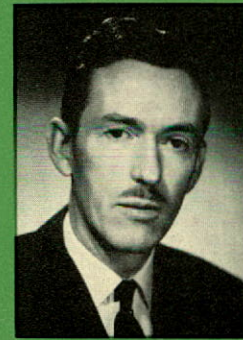
DR. G. H. TOMLINSON
Director of Research



K. G. K. BAKER,
Executive Assistant to the President

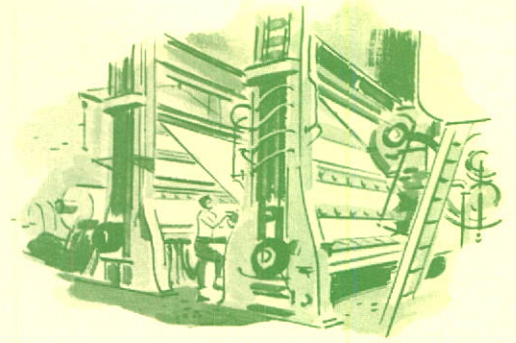


G. E. WILSON,
*Executive Assistant to the
Executive Vice-President*



P. V. PALMER,
Chief Engineer

Modernization and Expansion



In the past few years the Modernization and Expansion Programme has resulted in greatly increased manufacturing facilities, and improved operating efficiencies. The individual projects have ranged from new steam plants and electrical distribution systems to new pulp making and paper making equipment. In some cases the individual items are relatively small, but in the aggregate they amount to a considerable sum each year.

Of the major projects completed or under construction in 1957 might be mentioned the following:

HOWARD SMITH PAPER MILLS LIMITED

Beauharnois Division

In this highly specialized high grade mill, improved facilities were provided, with consideration given to improving the cleanliness of the paper, refinement of control and saving in labour.

Additional equipment was installed in the stock preparation system. The entire wet end of one machine was rebuilt in stainless steel, and a new electrical control panel was provided for the machine drive.

Cornwall Division

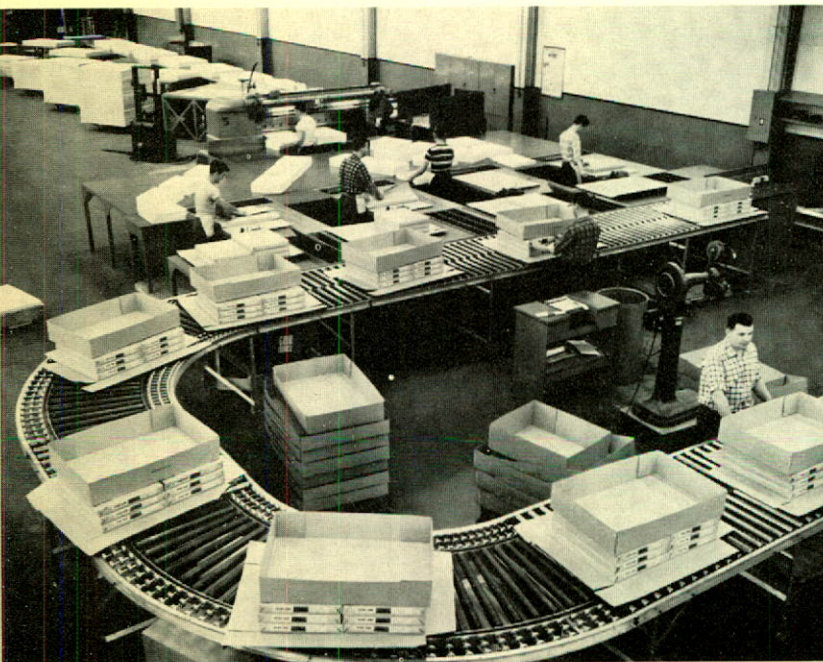
Early in 1957 ultra modern chlorine dioxide and pulp bleaching plants came into operation. These have enhanced the brightness of our pulps to new high levels, and have further advanced the leading position of our soda pulp in domestic and export markets.

A major project under construction is a new chemical recovery furnace and boiler to accommodate our present soda pulp plant needs, and to provide for future expanded rates of production.

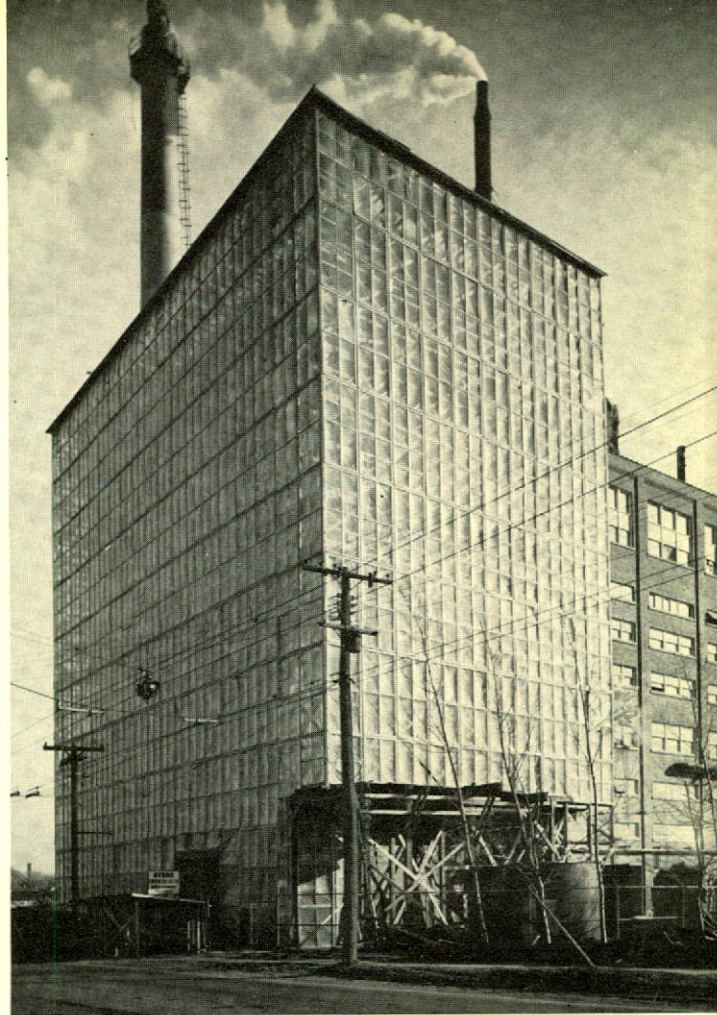
A new paper shipping building was constructed in conjunction with the new finishing room, and labour saving production and conveyor lines have been installed in both.

Our superb research facilities have been improved by provision for more office and library space, as well as by the installation of air conditioning equipment.

Carton assembly line at Cornwall Division. Freshly sealed paper is labelled and packed in cartons ready for shipment.



Automatic conveyor at Cornwall Division. Howard Smith Paper Mills, carries counted sheets to paper trimmer.



The new Recovery Furnace under construction at Cornwall Division, Howard Smith Paper Mills. To facilitate work during cold weather the entire skeleton of the building was "wrapped" in Polyethylene. This method enabled a three months advance on completion date.



CANADA PAPER COMPANY

St. Francis Division

Important modifications and additions to the drive, and the installation of a new battery of stock refiners have substantially improved the performance of No. 6 paper machine, and have added to its versatility.

More efficient finishing and shipping operations have resulted from the addition of 50,000 square feet of new floor space in these two departments.

Watapeka Division

A large, new drum barker was installed to replace two obsolete units and to provide extra capacity for anticipated increased production requirements.

In the interest of protecting the St. Francis River from bark debris, a complete bark burning system was installed. This consisted of de-watering presses, and a special burning plant in which some steam is generated.

Converted Products Division

The plant was expanded to provide an extra 10,860 square feet of floor space to accommodate additional bag making machines. A temporary wall was installed at one side to provide for anticipated future expansion.

Modern Siporex roofing material was used throughout to provide both cover and insulation.

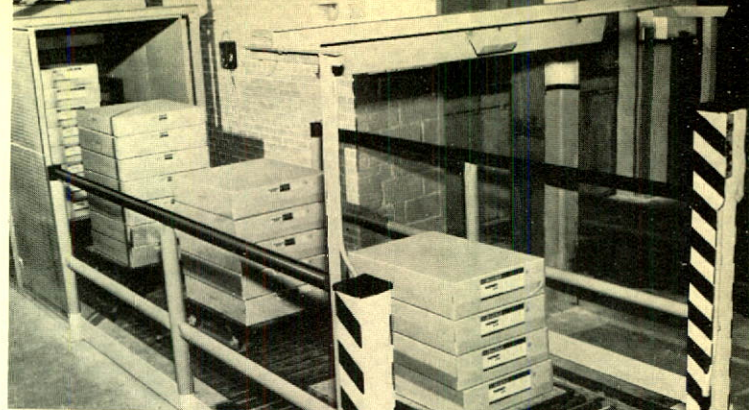
A programme of electrical rehabilitation initiated several years ago is now nearing completion.

ALLIANCE PAPER MILLS LIMITED

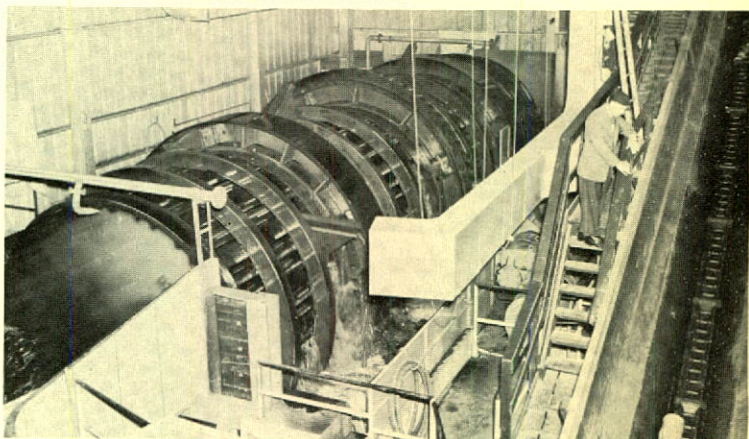
Lincoln Mill

The productive capacity of the board machine was increased very substantially by major modifications and additions to the dryer section.

In the sulphite mill a new water filter was installed and a new larger cylinder replaced older equipment on the Kamyr pulp sheeting machine. This was done in the interests of cleaner pulp and more efficient operation.



Automatic vertical conveyor at Cornwall Division, Howard Smith Paper Mills, carries packages to either stock room or rail and truck shipping docks.



New Drum Barker, Canada Paper Company, Windsor Mills, which ensures clean wood for better quality.



New Finishing Room Extension, Canada Paper Company, St. Francis Division, has improved shipment of trimmed stock.



Internal railroad dock protects paper when loading cars, Canada Paper Company, St. Francis Division.

Lybster Mill

The installation of our first modern de-aerating unit on No. 3 Paper Machine has improved both quality and rate of production.

Coating Division

Equipment is being installed which will double our Glosskote capacity by mid-year 1958.

DONNACONA PAPER COMPANY LIMITED

Newsprint Mill

A major improvement project was carried out on No. 3 machine. This involved rebuilding the wet end, adding two new stainless steel rubber covered suction press rolls, two new felt dryers, and a new high speed winder. Extensive tile lining was applied to machine pit and chest.

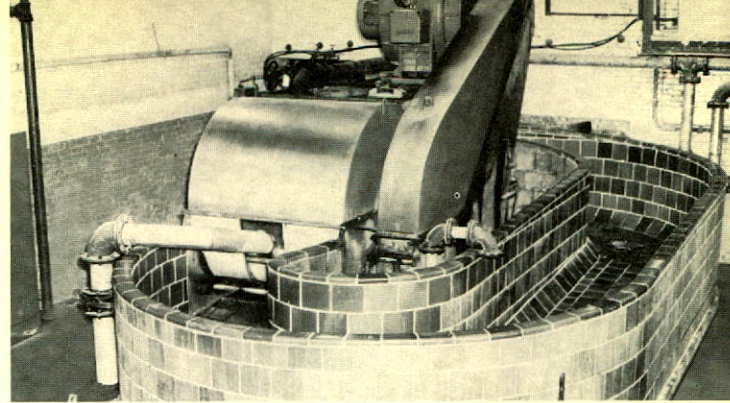
Additional stock refining equipment was added to the mill and a new broke pulper was installed for No. 1 machine.

Board Machine

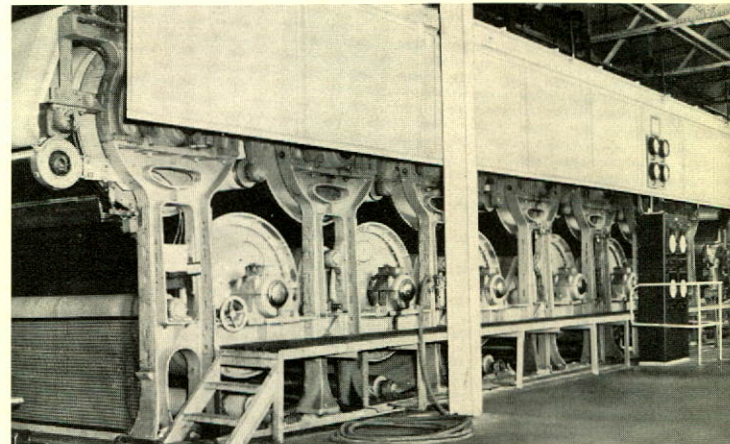
New finishing facilities were installed. These included special saws for panel board processing, a high speed double beveller for insulating tile, and automatic tile packaging system, and a dust collecting system.

THE ARBORITE COMPANY LIMITED

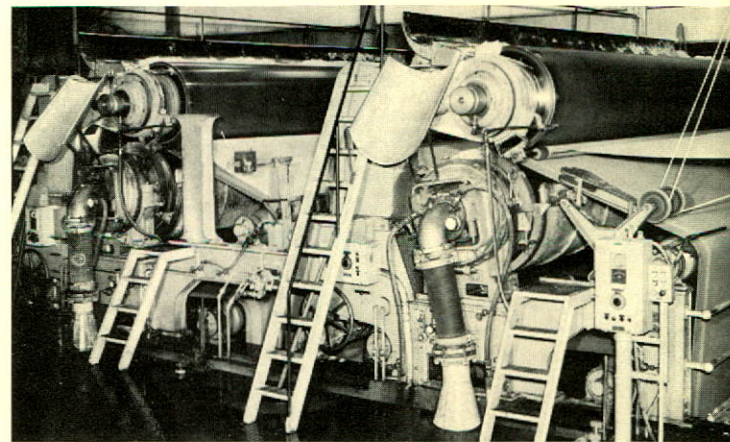
To further improve the quality and uniformity of the various paper base laminates a new Resin Manufacturing section was installed. This enables the plant to obtain resins with more desirable characteristics and formulations as indicated by the constant research in the laboratories. Production of large panels has been made possible by the installation of a new 4-foot by 10-foot Laminating Press and the Treater Room was extended by some 9,000 square feet for the storage of raw materials.



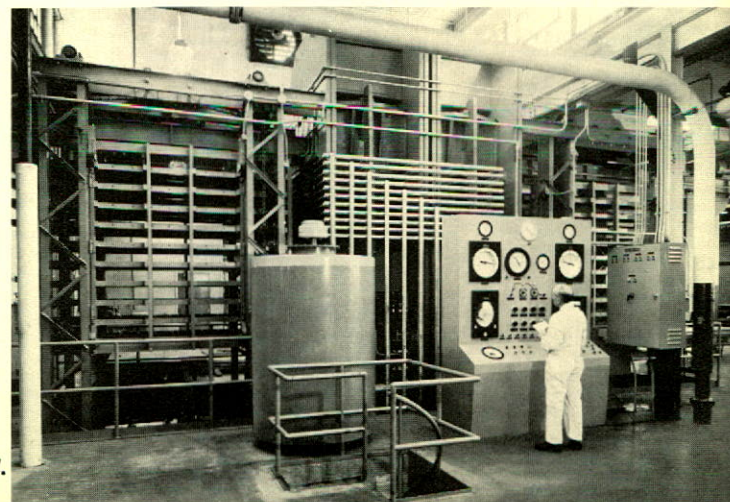
New tile-lined Lava Beater, Alliance Paper Mills, Lybster Division, for manufacture of Greaseproof and Glassine grades.



Additional dryer section for No. 2 Paper Machine, Alliance Paper Mills, Lybster Division.



Portion of new wet end of No. 3 Paper Machine installed in 1957 at Donnacona Paper Mills.



New 4 ft. x 10 ft. laminating press at The Arborite Company, Montreal.

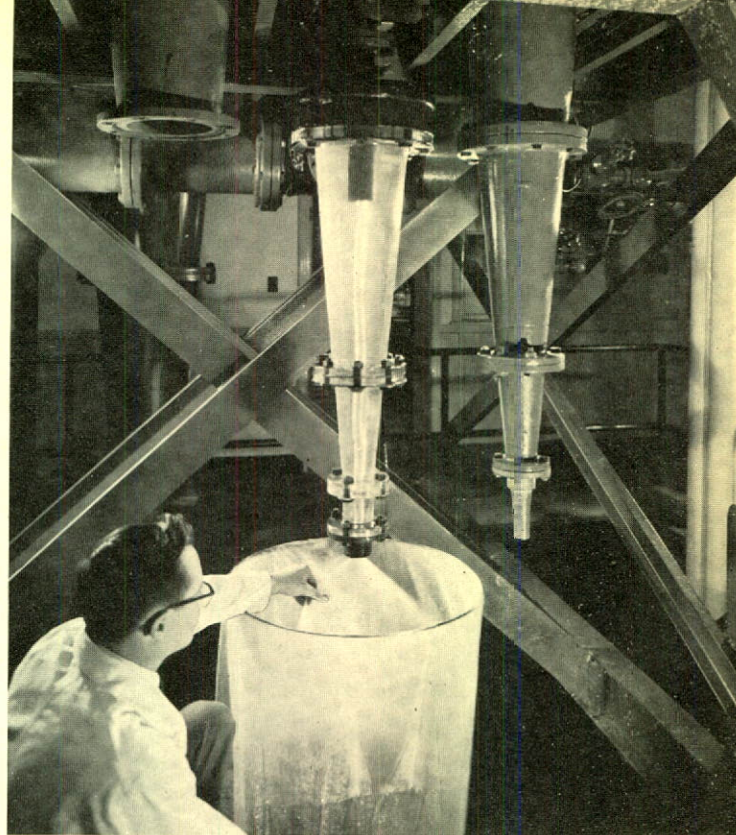
"The Past is but the Prelude"

THIS IS THE KEYNOTE for the energetic and imaginative group of scientists and technicians in the newly-expanded and modernized Howard Smith research and development facilities at Cornwall, now one of the largest centres of its kind in the industry.

Thirty-six months of planning and hard work, as well as almost a quarter of a million dollars, were required to complete this important stage in a continuing, long-range approach to "keeping up with the times" in vital pulp and paper research and commercial development in one of Canada's largest basic industries. The Director of Research, Dr. George H. Tomlinson II, now heads up an organization occupying more than 20,000 square feet of floor space and staffed by a research team of 50 chemists, physicists, engineers and technicians.

"The Past is but the Prelude" appears over the display in the entrance lobby of the research buildings — a constant reminder of the great importance of the past in developing the future. "In carrying out research," says Dr. Tomlinson, "one draws together clues from many sources until, combined with experiment, the problem is solved. The fruits of past research bear seeds of greater things still to come. Our Department is a fertile field in which these seeds can germinate and mature."

Realizing the need for a Research Department quite separate from the previously established Control Department, G. H. Tomlinson Sr., recently retired Vice-President in charge of Research, set up



A transparent plastic cone is used for this experimental Centricleaner at Cornwall used to remove dirt particles from the pulp stock by means of centrifugal force. Note column of air in vortex of swirling pulp and water solution.

the initial laboratory in Montreal in 1929 which 10 years later was moved to Cornwall. From this beginning it has been constantly busy pioneering new fields in pulp and paper science and technology and has been encouragingly successful in many projects. In 1958, the Department will celebrate its 30th year as a separate unit, during the same year as the Cornwall Mill will commemorate its 75th birthday.

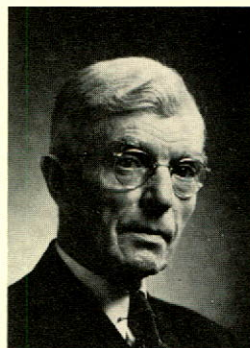
On a trip through this newly-expanded and modernized research centre you would see not only the conventional flasks and beakers, but also specialized analytical tools such as X-ray and Ultraviolet Spectrometers. In a research annex is housed a fascinating miniature Fourdrinier paper machine, less than one tenth the size of its bigger brothers in the mill. Possessing all the precision, control and performance functions of the giant machines, this mighty midget bridges the gap between laboratory hand-sheet facilities and full-sized commercial paper-making machines. Also, all the necessary auxiliary equipment for pulp and paper making is available in miniature operating size in this pilot plant building which is expected to add materially to the already impressive list of Howard Smith research accomplishments.

Second to none are the fully up-to-date laboratories added to the research building at Cornwall. Spacious rooms with fluorescent lighting, sound-proofed ceilings, clean and colourful rubber-tiled floors, generous window space, as well as the latest in laboratory working tables and benches. Well in evidence is Arborite, a product of Howard Smith research, used for decorative wallboard, table and counter tops, and Donnacousti tile made by another company in the organization. Everything has been planned and installed for maximum efficiency and future expansion, and includes air-conditioning and temperature control to maintain a constant experimental environment during all seasons of the year. Adjoining each laboratory is a smaller, but well-appointed office for compiling data and to facilitate progress reports during the course of experimental work.

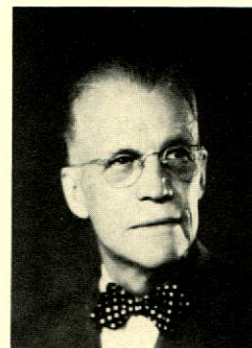
FOUR SECTIONS INVOLVED

Work of the Department can be divided roughly into four sections which deal with the study of (1) wood and wood handling; (2) pulping and bleaching; (3) paper and paper converting; and (4) by-products and plastics. The vast and varied programme carried on covers such activities as processes and processing, development of special products, product improvement and raw materials.

The Cornwall research work in the field of process research has had a profound effect on the pulp and paper industry as a whole, and some of the developments have resulted in methods and equipment now in universal use. A good example of effective teamwork between research and production occurred in the alkaline pulping process where the efficient recovery of the re-agent chemical, following the digestion, is vital to economical operation. The development in the early thirties of the water-cooled stationary black liquor recovery furnace, with its effective recovery of heat, proved a major advance over rotary units. Today, at least 90% of the free world's alkaline pulp liquors are processed in this equipment. The by-product steam produced as a



G. H. TOMLINSON



E. K. ROBINSON

TWO VETERAN EXECUTIVES who have contributed greatly to the beginnings of the Howard Smith research programme and its present expansion and modernization.

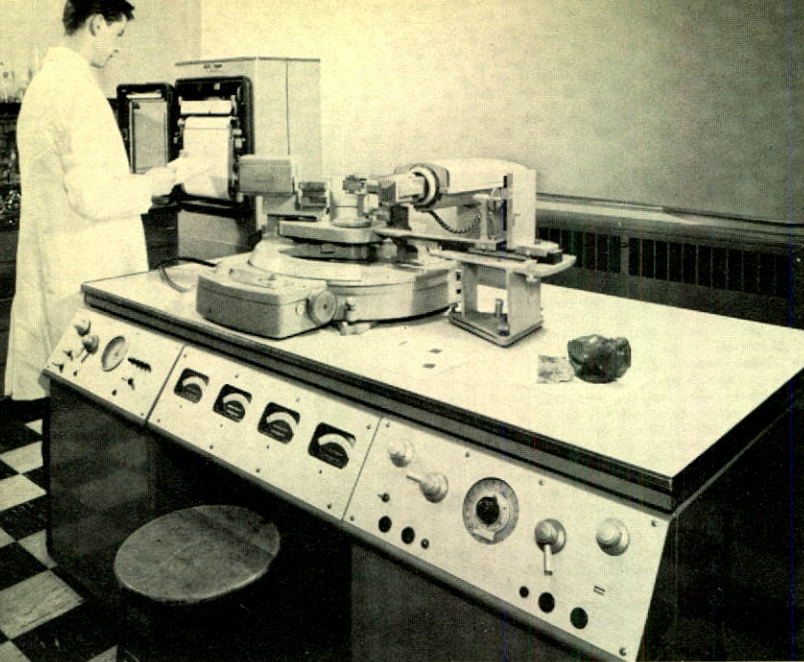
G. H. TOMLINSON, Sr., B.A., D.C.L., F.C.I.C., who retired in 1957 as Vice-President, Research and Development, after 36 years of service with the Company. Mr. Tomlinson, the inventor of several important processes, is the recipient of many international honours, including a special scroll from the Swedish Pulp and Paper Association, the TAPPI Medal of the American Pulp and Paper Association, and the Canada Medal of the Society of Chemical Industry.

E. K. ROBINSON, B.A., B.Sc., retired in 1957 as Executive Vice-President after 38 years of valuable service during which he helped the Company to grow and prosper.

Both men, still acting in an advisory capacity, have been associated with the development of many new techniques and inventions which have contributed much to the progress of the pulp and paper industry.

result of this development has an energy equivalent, for the North American mills alone, approximately two and one-half times that which will be generated by the combined Ontario and New York State powerhouses now being constructed as part of the St. Lawrence Seaway Project.

More recent work in black liquor processing has included the development of the cyclonic evaporator,



A vital piece of equipment in the Cornwall Research Department is the X-ray diffraction machine used for analyzing the physical properties of raw materials, pulps and finished papers.

black liquor oxidation as well as improved recovery of secondary heat and chemicals. The long-range Howard Smith policy of making such developments available to industry, on a royalty basis rather than holding them on a "secret" list, is of advantage when new units are installed. In the new Soda Mill Recovery system being installed at Cornwall, it is possible to take advantage of improvements worked out elsewhere which, when combined with newer developments at Cornwall, is expected to result in a new standard of chemical and heat recovery.

With the important Sulphite Process of making pulp, no chemical recovery system was available and the dumping of the waste liquors was a major problem. Just prior to World War II it was established by us that, by using a magnesium base instead of the calcium previously used, the waste liquor could be burned and the re-agent chemicals simultaneously recovered for re-use. Several large modern mills are operating now with this process. Due to the War, plans for conversion of Cornwall Mill were set aside, and more recently it appeared that capital could be more profitably employed in alkaline pulp mills where mixed woods, instead of the expensive spruce and balsam needed for the sulphite process, could be used. Current work in the Cornwall research department indicates that a new and interesting

process capable of using mixed woods and the magnesium base recovery system is possible and an extended full-scale period of mill pulping is being established at present. Called the Magnefite Process, this new approach was first announced at the recent annual meeting of the Canadian Pulp and Paper Association and shows signs of great promise.

CENTRIFUGAL CLEANER

The last Canadian Census was responsible indirectly for the development by the research team at Cornwall of a process which has since been adopted on a world-wide basis.

It seems that the Federal Government at Ottawa had acquired automatic electronic equipment for tabulating the data which would be obtained in the largest census in its history. It was essential that the cards used in data processing be free of conducting particles which could upset calculations.

About one particle — considerably less than the size of a pin-head — was found on the average in every 200 cards. It was established that these particles consisted chiefly of coal ash from trains and canal boats, and the tiny particles floating around in the air lodged in the cracks and crevices in the pulp-wood logs stockpiled outside the Cornwall Mill.

Following an intensive laboratory programme of investigation and experimentation, it was found that if the pulp suspension was injected into a "cyclone-like" conical vessel of special design the undesired particles would concentrate by centrifugal force at the walls of the cone and could be removed at the apex, while the cleaned pulp could be obtained at the other end. Working at top speed against a deadline set by the Government, the Cornwall engineering and operating forces set up a bank of these Centri-cleaners at the "wet end" of one of the paper machines and the resulting product was available just five months after the problem was submitted — and the clean pulp met with specifications well within the time limit!

This was only the beginning of further study in this direction. It was found that other material such as bark specks could be efficiently removed in the pulp mills by the Centri-cleaners, bringing great advantages in processing and cleaner pulps. Today, this equipment is being used in every corner of the world where pulp and paper are produced. Not only did the research team solve the customer's problem on this occasion, but they came up with a major improvement in technology and created a revolutionary change in the industry.

BY-PRODUCTS GALORE

The Department also has an outstanding record for developing new products. In the course of a fundamental study, sponsored by Howard Smith at McGill, it was established that vanillin, the essential aromatic of vanilla extract, can be formed from the lignin in wood. Methods were later established for its production from waste sulphite liquor. A plant went into production in Cornwall in 1937, the first anywhere to extract chemicals from lignin.

During World War II the Department of Munitions and Supply asked the Cornwall research team to investigate the possibility of developing plastic materials from wood. Methods were established for extracting lignin from the soda mill residual liquor, combining it with pulp fibre in a paper sheet, and laminating the sheets under high temperature and pressure. A pilot plant was established, and as demand grew for this new product the Plastics Division was formed into the wholly-owned Howard Smith subsidiary, The Arborite Company Limited, and its product, Arborite, has become a household name. The plant in suburban Montreal keeps turning out an ever-increasing flow of material for which there seems to be a never-ending demand. In the meantime, the original lignin production plant remains at Cornwall where researchers continue to seek other uses than laminates for the potential supply of lignin.

An interesting lignin application, not yet in commercial production, is as a reinforcing agent for rubber. The Department of National Defence, in co-operation with Cornwall, is presently building and road-testing military tires in which lignin forms the reinforcing agent. Preliminary tests look encouraging, with these tires showing greater wear resistance than those produced with conventional reinforcement.

An interesting coated paper product developed by the Research Department, in conjunction with the engineering and operating staffs, is Glosskote, which filled an essential need in this country's printing industry. Canada's first and only cast surfaced coated printing paper, Glosskote, has an exceptionally glossy surface obtained by drying it in contact with a highly finished chrome-plated drum. Glosskote is used as the cover of this Annual Report and it is finding application where a premium quality paper, combined with fine printing, is required to produce an especially attractive appearance.

Practically every person in Canada probably has benefited at some time in some small measure from products improved by Howard Smith research. These include not only standard paper such as printing grades but paper having specialized requirements, including cigarette, currency and cheque papers, blue print, black line, mimeograph and spirit duplicating papers, absorbent papers, candystick paper and hair wave envelope. The new laboratory paper machine has given an extra impetus to paper research. It allows not only detailed study of how and why the fibres form together into a sheet, but also the effect of different fibres, resins, chemicals and treatments in making papers where certain special combinations of properties are required.

The extraordinarily wide range of the Company's products and its readiness to break new ground have a stimulating effect on new ideas. Thus we can look forward to things to come because "the past is but the prelude."



*Painting the girdled tree
with the chemical agent*

THE *Oskelaneo Experiments*

SOME OF THE SIGHTS at our Oskelaneo timber limits would amaze an old-time lumberjack. Whole areas of standing forest killed by chemicals and left to dry and shed bark as if by magic. Giant, four-wheel-drive skidders hauling clusters of full length trees to a portable slasher for cutting into standard four-foot lengths. Finally, our veteran woodsman—accustomed to using his hands and brute strength at every stage of the game—would see these pulpwood logs piled into special racks which are winched onto trucks, driven to the rail-head and dumped automatically beside freight cars ready to carry them to the mill.

Automation and an assembly line approach have revolutionized technique in the Canadian North woods creating a continuous flow of pulpwood from stump to mill. Under former methods the wood is moved by hand many times between the cutting site and the pulp plant. Modern machinery performs these tasks so that the “sticks” are almost untouched by human hands.

Most of our northern pulpwood is destined for large newsprint mills and is usually cut in the Fall and Winter and driven down water courses during Spring freshets. This relatively cheap transportation keeps the wood wet, which is desirable in the manufacture of groundwood pulp. The dirt that gathers in the broom ends and checking cracks is not too objectionable for newsprint.

In contrast, chemical pulp mills require dry wood which is as clean as they can possibly receive it. Dry wood absorbs the cooking chemicals better and gives more uniform pulp. The dryness, combined with aging, enables the use of more

The tree is prepared by removing a strip of bark

Jack Pine, so plentiful in certain areas of our country. Wood for chemical pulp mills is seldom river-driven, usually coming to the mills in freight cars. Since many of our rivers flow North, the only way to get the wood to the mills is by railroad.

The lighter the wood, the less the freight charge in Canada, because rates for pulpwood are based on scale weight. One way to obtain light, clean wood is to cut it in the Spring, when the sap is running, and peel the bark by hand. Then let the peeled wood dry all Summer in small piles at the stump, and take it out over the winter snow. Labour is not always available during the short Spring season for this costly work, so some wood is cut and piled with the bark on during the Summer or Fall and then left to dry until the following Winter. In either case there is a heavy financial investment in this drying wood. The entire production cost covering camps, supervisors' and scalers' salaries, lumberjacks' wages, stumpage fees to the Government, heavy fire insurance premiums, all have to be paid a year or more in advance of delivery of the wood at the mills.

No wonder quicker, better and cheaper methods are being investigated in this harvesting of wood for hungry chemical pulp mills. Rising freight rates over longer and longer hauls, as well as an inadequate supply of seasonal labour required by conventional



techniques are making it imperative that the search for new methods be speeded up. Our Oskelaneo experiments in wood harvesting have already proven quite satisfactory and have promising future possibilities, if the necessary developments can be made. Oskelaneo has become a pilot plant — tests and equipment proven efficient, effective and economical there, can be applied almost anywhere else.



Section of forest area treated by chemical killing agent

*"B - X" Skidder
hauling full-length trees
from cutting area*



Chemical Killing

Because it lies alongside the C.N.R. Northern Trans-Continental line about 330 miles from Montreal, Oskelaneo was selected as the site for our northern experimental limits. Its mixed stand of Spruce and Jack Pine is relatively free of muskeg, lying as it does just outside the clay belt. Not a large operation, the 108 square miles at present support an annual cut of only 10,000 cords. Paralleling many other northern areas in climate and growing rate, Oskelaneo's main advantages are its proximity to a railroad and comparatively dry terrain. It's chemical killing that makes the operation in this locality so interesting.

Chemical killing, a surprisingly simple technique, was developed over a number of years by a Mr. Alec White and patents issued in 1942. On

December 15th, 1953, our Company and 16 others purchased the Canadian patent rights and made their use free to the public.

The first step in chemical killing is to remove a two-inch strip of bark in a ring around the base of the tree with a special girdling tool. A solution of sodium arsenite, coloured brilliantly blue, is then painted on the bared strip. Since this operation is performed in the Spring, the ascending sap carries the poison up the tree and through its system and in a few weeks it is dead. The stricken tree is left to stand for a period ranging from three to 12 months until it has reached required dryness, and is ready for cutting.

This new method of killing trees has not only revolutionized this end of the business, but has developed a new flock of statistics on the harvesting of wood. For example, comparative records show that fresh cut wet wood weighs 5,000 pounds to the cord. Wood cut and piled for a year averages 4,200 pounds to the cord. In contrast, chemically killed wood only weighs 3,800 pounds to the cord. Furthermore, man-hours required to cut and pile a cord of wood by conventional methods are four to five hours. A chemical kill crew of three men can treat 100 cords per day. The net result is that the wood dries better, investment in drying wood is much lower, there is no investment in roads for hauling until cutting



Pallet of pulp wood being winched onto truck body



The portable slasher cuts full-length trees rapidly into 4-foot lengths

actually begins, and when the wood is harvested the bark remaining on the pulpwood logs is easily and quickly removed.

Oskelaneo experiments to date indicate that in relation to debarking, chemical killing is better for hardwood species than Jack Pine, and less successful with Spruce and Balsam. Killing chemicals and methods will no doubt be improved over the years ahead as experiment and experience develop. Some researchers predict that injected chemicals will one day partially pulp the wood of the tree before it is cut to the ground.

"Hot-Logging" Successful

On your first trip over the Oskelaneo operations you are struck by the absence of big, burly lumberjacks; straining and sweating horses and many of the accustomed details which go with work in the woods. Instead, you watch small, slim operators at work with an amazing range of mechanical equipment and powered apparatus. It's all like a huge outdoor factory with no walls or roof but all the machinery necessary for transforming standing trees to peeled logs ready to be made into paper.

Under the "hot-logging" method at Oskelaneo the chemically killed trees are felled and debranched in the usual way and the full length trees piled ready for the "Blue Oxen." These four-wheel-drive skidders

— looking as big as a house and roaring like huge diesel locomotives — drag clusters of these trees at one time as if they were a handful of toothpicks being pulled by a toy tractor. Capable of pulling up to 20 tons in weight, these powerful machines tear their load of trees through the brush and woods from the stump to a concentration point. Travelling at a surprising rate of speed over all sorts of terrain and up or down 45 degree slopes with ease, these mechanized brutes make short work of bringing their loads to the portable slasher for cutting into standard four-foot length pulpwood logs. In dragging, or skidding their load across the uneven ground, much of the bark still remaining on the chemically-killed trees is removed in the process.

The skidder's load is deposited on a moving conveyor belt as the next step in the mechanical chain of events. The conveyor carries the full length trees to the circular saw which slashes them into short lengths. Another conveyor carries the logs past

Small pallets are used in areas not served by portable slasher



plers who place them in special pallet racks with a capacity of five cords. Transport trucks pull the racks on to their backs by means of a special chassis and a winch, and ferry them to the rail-head to waiting freight cars. Instead of as many as seven "pilings up" and "pilings down," as the lumberjack terms these steps, there is only one piling by hand in the rack and a second one into the freight car — an obvious saving in man-hours and back-breaking work.

Every operation in every step from standing tree to mill location is being examined for opportunities of effective and economical mechanization and streamlining. Last summer experiments were carried

out with a new sling device to lift the contents of the special racks and drop it automatically into the open top of a special "cage car." Looking much like large lion cages in a circus, these cars are expected to add to labour-saving as soon as loading and unloading operations have been improved.

Increased productivity per man-hour continues to dominate wood harvesting operations as it does every other step in the manufacture of paper. Out of Oskelaneo will probably come some revolutionary changes which will some day become standard practice in Canada's pulp and paper industry, which provides so many jobs and so much needed foreign exchange for our growing country.

Small pallets are winched in succession onto truck chassis



COVER

Lithographed in four-colour process with one extra colour, on Glosskote Bristol, 22½ x 28½ — .012. Inside cover lithographed black and red. Types used for outside and inside covers are News Gothic Condensed No. 204, 20th Century Medium, Bold, Extra Bold and Bodoni No. 375 and No. 275.

INSIDE PAGES

Colour illustrations lithographed in four-colour process. Type, black and white halftones and charts printed offset in two colours, on Luxagloss, 25 x 38 — 160 M. Types used are Bodoni No. 375, 10 pt. leaded two points with 20th Century Bold and Bold Italic for sub-headings, and Legend with Venus Bold and Extra Bold for display headings. The sub-headings are set in 20th Century Bold.

Howard Smith Paper Mills Limited

AND SUBSIDIARY COMPANIES

TEN YEAR EARNINGS SUMMARY

	Donnacona Paper Company Limited not consolidated in these years									
	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948
Net Sales.....	\$103,013,041	\$104,437,815	\$89,163,056	\$80,369,139	\$75,145,827	\$77,241,203	\$65,898,680	\$51,656,671	\$43,201,010	\$43,174,792
Less:										
Cost of products sold and operating, sales and administrative expenses.....	86,298,875	84,477,571	71,373,765	65,139,631	61,409,771	63,414,566	51,218,979	40,075,131	35,284,870	34,982,956
Earnings before the undernoted	16,714,166	19,960,244	17,789,291	15,229,508	13,736,056	13,826,637	14,679,701	11,581,540	7,916,140	8,191,836
Add investment and sundry income.....	430,237	435,118	312,135	341,526	471,059	226,191	502,309	585,249	326,375	289,668
	17,144,403	20,395,362	18,101,426	15,571,034	14,207,115	14,052,828	15,182,010	12,166,789	8,242,515	8,481,504
Deduct:										
Depreciation and depletion.....	4,818,157	5,273,022	5,370,459	4,697,367	4,271,129	4,302,728	3,753,676	3,674,738	2,551,686	2,134,557
Interest on funded debt.....	566,282	625,081	682,127	705,883	758,484	787,089	463,609	236,044	246,384	203,372
Transferred to Inventory Reserve.....	—	500,000	—	—	—	—	—	—	—	251,988
Transferred to Contingency Reserve.....	—	—	—	—	—	—	—	—	—	227,800
	5,384,439	6,398,103	6,052,586	5,403,250	5,029,613	5,089,817	4,217,285	3,910,782	2,798,070	2,817,717
Net Profit before provision for taxes on income.....	11,759,964	13,997,259	12,048,840	10,167,784	9,177,502	8,963,011	10,964,725	8,256,007	5,444,445	5,663,787
Deduct provision for taxes on income.....	5,660,006	6,850,000	5,850,000	5,110,000	4,431,000	4,950,000	6,050,000	3,710,000	2,283,000	2,286,165
Net Profit for the year.....	6,099,958	7,147,259	6,198,840	5,057,784	4,746,502	4,013,011	4,914,725	4,546,007	3,161,445	3,377,622
Profit on sale of fixed assets.....	624,028	—	—	—	—	—	—	—	—	—
Net Earnings for the year.....	6,723,986	7,147,259	6,198,840	5,057,784	4,746,502	4,013,011	4,914,725	4,546,007	3,161,445	3,377,622
Deduct amount applicable to minority shareholders of Donnacona Paper Co. Ltd.....	34,116	58,129	52,181	37,528	43,484	186,129	—	—	—	—
Balance transferred to earned surplus.....	6,689,870	7,089,130	6,146,659	5,020,256	4,703,018	3,826,882	4,914,725	4,546,007	3,161,445	3,377,622
Net Earnings — per common share*.....	\$3.66	\$3.88	\$3.34	\$2.70	\$2.51	\$2.05	\$2.87	\$3.17	\$2.13	\$2.30
Dividends declared per common share*.....	\$1.20	\$1.50	\$1.45**	\$1.00	\$1.00	\$1.00	.81½	.75	.50	.37½

* 1951 and prior years adjusted for 4 for 1 stock split on September 21st, 1951
 ** An extra dividend of 20c per share for the year 1954 was declared and paid in 1955

THESE TRADE MARKS

are well known to those who buy our various products



HOWARD SMITH PRODUCTS

Rag and Sulphite Bond and Ledger; Papeterie; Writing; Duplicating; Envelope; Exercise; Book; Litho; Offset; Text; Cover; Blotting; Drawing; Tissue, and Cigarette Paper; Base stock for Blue Print and Black Line Papers; Index and Printing Bristols; Boxboard; Blanks and other Specialties; Bleached Sulphite and Soda Pulps; Groundwood Pulp; Vanillin and Lignin.



DONNACONA PRODUCTS

Newsprint; Insulating Board; Sheathing Board; Acoustical Board; Plaster Base Board; Unbleached Sulphite Pulp and Specialties.



ALLIANCE AND DON VALLEY PRODUCTS

Glassine; Greaseproof; Onionskin; Carbonizing; Coated Book; Coated Litho; Coated Bristol; Tag; Cover; Blotting; Bristol; Flour Sack; Bleached Sulphite Pulp; and Specialties.



CANADA PAPER PRODUCTS

Wrapping and Converting Krafts; Manilla Envelope; Rotogravure and Catalogue Papers; Tag; Paper Towels; Krinkled and Infused Kraft; Grocery; Multiwall and Specialty Bags; Groundwood Pulp; Bleached and Unbleached Sulphate Pulp.

ARBORITE PRODUCTS

Decorative Paperbase Laminates for Decorative Wallboard and Table or Countertop Application; Twin Trim Arborite-faced Aluminum Extrusions; complete range of Paper and Cloth Laminates including Convolute Tubes and Rods for electrical and other industrial uses.

The Arborite logo consists of the word 'ARBORITE' in a bold, white, sans-serif font. The text is set against a green background that has a jagged, arrow-like shape on the left side, pointing upwards and to the right.