

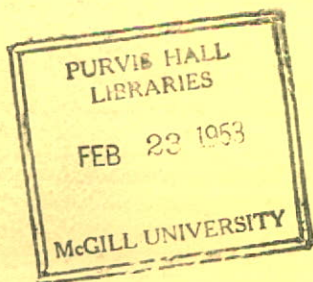
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TWENTY-FIFTH ANNUAL REPORT

OF

Donnacona Paper Company,
Limited

For the Year Ended December 31st, 1952



DONNACONA PAPER COMPANY, LIMITED

HEAD OFFICE: 25 ST. LOUIS STREET (KENT HOUSE), QUEBEC, P.Q.

DIRECTORS

HAROLD CRABTREE, C.B.E.	LOUIS W. MICHAEL
AUBREY CRABTREE	LESLIE A. PALMER
HON. GEORGE B. FOSTER, Q.C.	J. EDOUARD SIMARD
ROBERT P. KERNAN	E. HOWARD SMITH

A. J. PHILIP

OFFICERS

HAROLD CRABTREE, C.B.E.	<i>Chairman of the Board</i>
LOUIS W. MICHAEL	<i>President and Treasurer</i>
LESLIE A. PALMER	<i>Vice-President and Mill Manager</i>
E. HOWARD SMITH	<i>Vice-President</i>
P. L. FITZGERALD, F.C.I.S., C.G.A.	<i>Secretary</i>
C. LEVEILLE	<i>Asst. Secretary-Treasurer</i>

TRANSFER AGENT

MONTREAL TRUST COMPANY, MONTREAL, P.Q.

REGISTRAR

ROYAL TRUST COMPANY, MONTREAL, P.Q.

AUDITORS

SHARP, MILNE & Co., MONTREAL, P.Q.

DONNACONA PAPER COMPANY, LIMITED

AND SUBSIDIARY COMPANIES

TO THE SHAREHOLDERS:

Your Directors are pleased to present the Twenty-fifth Annual Report of your Company and its wholly-owned subsidiaries for the year ended 31st December 1952 and its financial position as shown by the Consolidated Balance Sheet, Profit and Loss Account and the Auditors' Report for the fiscal year ended December 31st, 1952.

The Subsidiary Companies, which are wholly-owned are Donnacona Sales Corporation, Quebec Paper Sales and Transportation Company Limited, Donnacona Improvement Company Limited, D. P. Power Company Limited and Cartier Warehouse Company Limited.

Income from operations for the year amounted to \$3,522,232. compared with \$5,506,195. in 1951. After deducting \$196,787. for Bond Interest, \$891,403. for Depreciation and Depletion and providing \$1,295,919. for Income Taxes, there remained Net Income of \$1,138,122. as compared with \$1,644,965. in 1951.

The lower profits shown this year as against 1951 reflects higher manufacturing costs, the strengthening of the Canadian dollar which resulted in U. S. Funds selling at a discount rather than at a premium, the reduction in selling price and sales volume of unbleached sulphite pulp and the reduction of sales volume of Insulating Board. The market for newsprint paper remained firm throughout the year.

Two dividends of fifty cents (50c.) each per share were paid during the year to Common Shareholders. The first was in respect of the period October 1, 1951, to March 31, 1952, and the second of the period April 1 to September 30, 1952. As it is the intention to declare future dividends on a quarterly basis, a third dividend of twenty-five cents (25c.) per share payable January 30, 1953, was declared for the final quarter of 1952, bringing dividends declared for the calendar year to one dollar (\$1.00) per share.

Shown below is a comparison of significant figures of the years 1952 and 1951:

	1 9 5 2		1 9 5 1
Production - Tons.....	160,087.		170,688.
Net Sales.....	\$17,161,596.		\$ 18,383,769.
Operating Income.....	\$ 3,522,232.		\$ 5,506,195.
Taxes on Income.....	\$ 1,295,919.		\$ 2,316,011.
Net Income.....	\$ 1,138,122.		\$ 1,644,965.
Amount earned on Common Shares.....	\$ 1,138,122.		\$ 1,644,965.
Amount earned per Common Share.....	\$	3.00	\$ 4.33
Current Assets.....	\$ 9,013,341.		\$ 8,788,689.
Current Liabilities.....	\$ 3,933,200.		\$ 3,576,223.
Working Capital.....	\$ 5,080,141.		\$ 5,212,466.
Number of Common Shareholders.....	506		1,625

Capital expenditures for additions and improvement to plants and the acquisition of additional Timber Limits during the year amounted to \$1,493,772.

The programme for modernizing and increasing the productive capacity of your Company's plant is progressing, but delayed delivery of machinery and equipment has held up completion of some of the projects.

The terms of the Labour Contract between your Company and its employees, which expired April 30th, 1952, have been submitted to arbitration.

In August, 1952, Howard Smith Paper Mills Limited made an offer to the Shareholders of this Company to exchange the no par value Common Shares of the two Companies on the basis of one and one quarter shares of Howard Smith for one share of this Company. In the opinion of your Directors such an exchange is an advantageous one to the Shareholders. On account of United States' Securities regulations, the offer could not be made to holders in that country of 15,655 shares (representing approximately 4- $\frac{1}{8}$ % of your Company's total issued shares). We are informed that as at February 6th, Howard Smith have acquired ownership of 348,897 Donnacona shares or 91.9% of the total outstanding.

Your Directors wish to record with gratitude and appreciation the efficient and loyal services of the Officers, Staff and Employees during the year.

On Behalf of the Directors.

LOUIS W. MICHAEL,
President.

Quebec, P.Q., February 21st, 1953.

DONNACONA PAPER

COMPARATIVE CONSOLIDATED

December 31,

ASSETS

Current:	1952	1951
Cash in Banks and on Hand.....	\$ 130,156.66	\$ 46,561.37
Accounts Receivable.....	1,653,110.59	1,627,132.73
Balances on Employees' subscriptions to Canada Savings Bonds.....	105,468.79	—
Investments (Marketable Securities at cost)....	630,890.00	630,890.00
Inventories:		
Pulpwood, Raw Materials, Finished Products, Operating Supplies and Advances on Woods Operations, as determined and certified to by the Management and valued at not more than cost.....	6,493,714.90	6,484,104.83
	9,013,340.94	8,788,688.93
Property and Plant:		
Real Estate, Freehold and Leasehold Timber Limits, Water Powers (developed and undeveloped), Mills, etc., including Moveable Plant, Tools and Equipment.....	21,882,354.90	20,484,405.02
Deduct: Reserve for Depreciation and Depletion.	11,873,879.79	11,042,847.78
	10,008,475.11	9,441,557.24
Deferred Charges to Operations.....	124,372.93	164,600.72
Approved on behalf of the Board		
HAROLD CRABTREE, <i>Director.</i>		
LOUIS W. MICHAEL, <i>Director.</i>		
	\$19,146,188.98	\$ 18,394,846.89

AUDITORS

We have made an examination of the Consolidated Balance Sheet of the Companies as at December 31, 1952, and of the Consolidated Statement of Income and other tested accounting records of the Companies and other supporting documents.

We have received all the information and explanations we have been asked for in connection with the Consolidated Balance Sheet and accompanying Consolidated Statement of Income so as to exhibit a true and correct view of the affairs of the Companies as at the end of that date.

Montreal, January 30, 1953.

COMPANY, LIMITED

DATED BALANCE SHEET

1952 and 1951

LIABILITIES

Current:	1952	1951
Accounts Payable and Accrued Wages.....	\$ 732,258.53	\$ 864,653.88
Provision for Income Taxes, less amounts paid on account.....	813,371.40	1,374,469.39
Loans Payable.....	2,001,000.00	1,042,000.00
Interest on First Mortgage Bonds, payable January 1, 1953.....	96,687.50	100,100.00
Dividend Payable January 30, 1953.....	94,883.00	
First Mortgage Bonds Redeemable July 1, 1953.....	195,000.00	195,000.00
	<u>3,933,200.43</u>	<u>3,576,223.27</u>
First Mortgage Bonds:		
Authorized.....	\$9,944,000.00	
Issued.....	5,500,000.00	5,500,000.00
Series "B" 3½% maturing July 1, 1962 (Principal and Interest payable in U.S. Funds)		
Less: Redeemed and Cancelled.....	825,000.00	660,000.00
Redeemable July 1, 1953.....	165,000.00	165,000.00
	<u>4,510,000.00</u>	<u>4,675,000.00</u>
Series "C" 3½% maturing July 1, 1962.....	1,000,000.00	1,000,000.00
Less: Redeemed and Cancelled.....	150,000.00	120,000.00
Redeemable July 1, 1953.....	30,000.00	30,000.00
	<u>820,000.00</u>	<u>850,000.00</u>
	<u>5,330,000.00</u>	<u>5,525,000.00</u>
Reserve for Contingencies.....	881,817.84	881,817.84
Capital Stock:		
Authorized and Issued: 379,532 Common Shares without nominal or par value.....	2,181,860.00	2,181,860.00
Surplus:		
Earned Surplus — per Statement attached.....	6,819,310.71	6,229,945.78
	<u>\$19,146,188.98</u>	<u>\$18,394,846.80</u>

REPORT

of Donnacona Paper Company, Limited, and Subsidiary Com-
Profit and Loss for the year. In connection therewith, we examined
vidence, but did not make a detailed audit of all the transactions.

required and, in our opinion, based on our examination, the above
t of Profit and Loss and Surplus Accounts are properly drawn up
as at December 31, 1952 and the results of operations for the year

SHARP, MILNE & Co., C.A., Auditors.

DONNACONA PAPER COMPANY, LIMITED
COMPARATIVE CONSOLIDATED STATEMENT OF PROFIT AND LOSS
AND SURPLUS ACCOUNTS

For the years ended December 31, 1952 and 1951

	<u>1 9 5 2</u>	<u>1 9 5 1</u>
Income from Operations.....	\$3,522,231.79	\$5,506,195.23
Deduct:		
Interest on First Mortgage Bonds.....	196,787.50	210,244.38
Provision for Depreciation and Depletion.....	891,402.65	1,334,975.20
Provision for Income Taxes.....	1,295,919.43	2,316,010.60
	<hr/> 2,384,109.58	<hr/> 3,861,230.18
Net Income for the year.....	1,138,122.21	1,644,965.05
Dividends on Common Stock.....	474,415.00	379,532.00
	<hr/> 663,707.21	<hr/> 1,265,433.05
Add:		
Surplus from previous year.....	6,229,945.78	5,058,293.97
	<hr/> 6,893,652.99	<hr/> 6,323,727.02
Deduct:		
Additional Cost of Past Services, Employees' Pension Plan.....	74,342.28	93,781.24
	<hr/> 74,342.28	<hr/> 93,781.24
Surplus, as per Balance Sheet.....	\$6,819,310.71	\$6,229,945.78
	<hr/> <hr/> \$6,819,310.71	<hr/> <hr/> \$6,229,945.78

