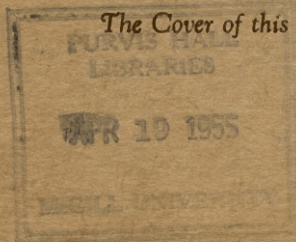


BATHURST POWER AND
PAPER COMPANY
LIMITED



NINTH ANNUAL REPORT
1936

*The Cover of this Report is Standard Kraft Corrugating Board
made by Bathurst.*



BATHURST POWER AND
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NINTH ANNUAL REPORT
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Report of Directors

To the Shareholders of

Bathurst Power and Paper Company, Limited.

The Directors present herewith the Consolidated Balance Sheet and Statement of Profit and Loss and Surplus Account for the year ended December 31, 1936, together with the Report of the Auditors, Messrs. Price, Waterhouse & Company.

Net Earnings for the year, after providing for Depreciation and all other charges and making provision for Dominion Income Taxes, were \$47,369.93.

Current Working Assets, including Cash, Call Loans and Marketable Securities, amounting to \$860,891.70, aggregated \$2,582,040.94 and compare with \$2,686,141.49 as of December 31st, 1935. Current and Accrued Liabilities were \$402,455.84 as compared with \$251,767.18.

Net Current and Working Assets at the end of the year were \$2,179,585.10 compared with \$2,434,374.31 as at the end of the previous year, a reduction of \$254,789.21.

The Net Working Capital position of the Company is affected, of course, by the extent to which capital expenditures and deferred maintenance are in excess of Cash Profits earned. In the year under review, the Earnings of the Company, before providing for Depreciation and Depletion, were approximately \$275,000., but the Cash Resources of the Company were drawn upon to meet capital additions to properties in excess of \$425,000. An extensive programme of mill repairs and replacements was also carried out, notably in reconditioning the Cylinder Machine for the manufacture of Boxboards, to which reference was made in last year's Annual Report, and in effecting repairs to the Newsprint Machine, which had been idle for several years.

In view of the fact that the Company has currently obtained no benefit from the results to be expected from such replacement expenditures, the sum of \$67,309. has been carried forward in Deferred Charges to be absorbed against future operations of the Newsprint and Cylinder Machines.

The programme referred to in last year's Report of alterations and additions to the Kraft Mill and Fourdrinier Machine was substantially completed and has resulted in increased production and operating efficiency. The additional tonnage made available thereby was absorbed by increased sales as it became available.

The Cylinder Machine was brought into operation in the month of July, but the development of a market for its product resulted in uneconomic operation which, together with the problems incident to the manufacture of a new product, created an operating loss of substantial proportions.

The volume of sales of Unbleached Sulphite was such that the operations of the Sulphite Mill were on a curtailed and unprofitable basis throughout the year. However, the Sulphite Mill was put on full time about the middle of December and operations are now productive of a profit.

Due to the increased demand for Newsprint during 1936, the Directors approved the resumption of operations in the Company's Newsprint Mill, and it is expected that the manufacture of Newsprint will be commenced as soon as water conditions permit.

Expenditures for new construction during the year, as stated above, amounted to \$425,000. The additions consisted of that part of the cost of reconditioning the Cylinder Machine, alterations and additions to the Kraft Liner Machine and additions to the Newsprint Mill, which, in the opinion of the Management, was a proper charge to Capital. It also includes various items of additional equipment for improving efficiency and increasing production.

To ensure manufacturing operations of the Company being conducted on an uninterrupted and efficient basis, a firm supply of power is essential at all times. Hitherto, because of the lack of sufficient power at certain seasons of the year during periods of low water, the producing facilities of the Mill have been seriously affected and curtailed. To overcome this condition and to improve manufacturing facilities, a programme for augmenting the supply of power was approved by the Directors. The installation will consist of a high pressure steam plant to operate in conjunction with a by-product turbo-generator. The steam plant is designed to burn pulverized fuel and the whole unit is of the most efficient modern design. This installation will ensure the continuity of operation of its present manufacturing facilities and enable the Company's Newsprint Mill to operate without interruption. It will also have the effect of reducing manufacturing costs. The total estimated cost of these improvements is \$686,000., of which \$102,605.52 was included in 1936 expenditures.

With the completion of this work, the Company's rated capacity will be as follows:

	<i>Tons Daily</i>	<i>Tons Annually</i>
For consumption in own finished product:		
Ground Wood Pulp.....	115	35,500
Sulphate Pulp.....	130	40,000
Sulphite Pulp.....	46	13,500
	<hr/>	<hr/>
Finished product for sale:		
Sulphite Pulp.....	26	8,000
Kraft Liner Board.....	130	40,000
Cylinder Board.....	80	25,000
Newsprint Paper.....	78	24,000
	<hr/>	<hr/>
Total Finished Product for Sale.....	314	97,000

The existing facilities may be increased from time to time as conditions warrant.

The value at which the marketable securities are carried on the Balance Sheet is after crediting the profit realized on the sale of certain investments during the year.

While the results for the year 1936 are disappointing, mainly because of conditions over which the Company had no control, conditions in the industry are showing a marked improvement and the Directors believe that the outlook for 1937 is encouraging. Increased demand for the Company's products at higher prices than obtained last year has already manifested itself and improvements already in process or being installed and under contemplation for increasing production and for more efficient operation should be reflected in future operations and contribute materially to future development.

The physical condition of the plant and of the Hydro Electric development has been fully maintained during the year.

The Auditors, Messrs. Price, Waterhouse & Company, retire at this time, and, being eligible, offer themselves for re-election.

The Directors acknowledge with appreciation the loyal and efficient services of the officers, staff and employees of the Company.

Respectfully submitted on behalf of the Board of Directors.

R. L. WELDON,
President.

MONTREAL, P.Q., April 6th, 1937.

BATHURST POWER AND PAPER COMPANY LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet, December 31, 1936

ASSETS	1936	1935	LIABILITIES	1936	1935
CURRENT ASSETS			CURRENT LIABILITIES:		
Cash in Banks, on Hand and on Call	\$ 153,478.23	\$ 264,076.00	Accounts Payable	\$ 171,586.45	\$ 153,497.24
Marketable Securities at cost—			Commitments for Capital Expenditures	127,146.00	—
Dominion of Canada Bonds (Quoted Value at December 31, 1936, \$269,488.)	266,065.50	352,707.26	Accrued Liabilities	26,627.34	34,572.75
Provincial, Municipal and Other Bonds (Quoted Value at December 31, 1936, \$532,500.)	441,347.97	776,104.50	Taxes and Stumpage Dues	67,096.05	47,397.19
Accounts and Notes Receivable, less Reserve for Doubtful Accounts	227,897.60	290,742.55	Provision for Dominion Income Tax	10,000.00	16,300.00
Trade Deposits	10,833.26	10,553.86		<u>\$ 402,455.84</u>	<u>\$ 251,767.18</u>
Inventories of Raw Materials, Supplies and Finished Products as determined and certified by responsible officials of the company, valued on the basis of average cost or market, whichever was the lower	1,220,399.10	791,909.96			
Expenditures on current season's logging operations	262,019.28	200,047.36	RESERVES:		
	<u>\$ 2,582,040.94</u>	<u>\$ 2,686,141.49</u>	Depreciation of Buildings, Plant and Machinery	\$ 768,423.93	\$ 621,643.52
PROPERTIES at book values December 31, 1934, with the cost of subsequent additions and after applying in reduction of values Capital Surplus of \$8,804,082.45 at December 31, 1935—			Depletion of Timber Limits	401,704.74	348,308.59
Timber Limits and Undeveloped Water Powers	\$ 7,337,628.97	\$ 7,337,568.97	Insurance Fund	14,072.75	13,695.72
Buildings, Plant and Machinery	6,780,887.17	6,355,401.49		<u>\$ 1,184,201.42</u>	<u>\$ 983,647.83</u>
	<u>\$14,118,516.14</u>	<u>\$13,692,970.46</u>	COMMON SHARES AND SURPLUS:		
INVESTMENTS IN AND ADVANCES TO ASSOCIATED AND OTHER COMPANIES	\$ 55,760.60	\$ 55,596.68	CLASS A: Authorized—750,000 shares without nominal or par value.		
DEFERRED CHARGES:			Issued—400,000 shares without nominal or par value. (Class A shares are redeemable at \$65.00 per share upon thirty days' notice)	\$14,400,000.00	\$14,400,000.00
Prepaid Taxes, Unexpired Insurance and Expenses	\$ 25,406.95	\$ 21,842.11	CLASS B: Authorized—500,000 shares without nominal or par value.		
Depletion on Pulpwood on Hand, to be absorbed in future operations	47,482.69	41,353.69	Issued—300,000 shares without nominal or par value.	840,000.00	840,000.00
Mill Replacements to be absorbed in future operations	67,309.29	—			
	<u>\$ 140,198.93</u>	<u>\$ 63,195.80</u>	Earned Surplus as per statement attached	69,859.35	22,489.42
	<u>\$16,896,516.61</u>	<u>\$16,497,904.43</u>		<u>\$15,309,859.35</u>	<u>\$15,262,489.42</u>
				<u>\$16,896,516.61</u>	<u>\$16,497,904.43</u>

Approved on behalf of the Board:
R. L. WELDON, }
H. J. WEBB, } Directors.

Submitted with our report March 23rd, 1937.

PRICE, WATERHOUSE & Co.,
Auditors.

BATHURST POWER AND PAPER COMPANY LIMITED

AND SUBSIDIARY COMPANIES

*Consolidated Statement of Profit and Loss and Surplus Account
December 31, 1936*

Sales		\$2,069,072.68
Cost of Sales, including administration and sales expenses \$139,869.53 and depletion \$46,585.00, but before providing for the undernoted items . . .		1,810,143.65
		<u>258,929.03</u>
Other Operating Income		20,074.26
		<u>\$ 279,003.29</u>
Officers' Remuneration	\$57,234.93	
Directors' Fees	980.00	
Legal Expenses	<u>835.50</u>	
		59,050.43
		<u>\$ 219,952.86</u>
Depreciation		176,089.21
		<u>\$ 43,863.65</u>
Non-Operating Income—		
Interest from Investments, etc.		49,288.63
		<u>\$ 93,152.28</u>
OTHER DEDUCTIONS:		
Idle Properties Expense		31,435.92
		<u>\$ 61,716.36</u>
DEDUCT:		
Bathurst Electric & Water Power Company Limited, operating profit before providing for Depreciation for year ending December 31, 1936 (including \$473.00 Salaries to Officers and Directors' Fees)	\$ 911.59	
Depreciation	<u>4,883.50</u>	
		3,971.91
		<u>\$ 57,744.45</u>
Over-run in wood pile and inventory adjustments and other non-recurring items (net)		2,031.31
		<u>\$ 59,775.76</u>
DEDUCT:		
Provision for Income Taxes	\$ 10,000.00	
Additional Tax paid in respect of 1935	<u>2,405.83</u>	
		12,405.83
		<u>\$ 47,369.93</u>
ADD: Surplus, December 31, 1935		22,489.42
		<u>\$ 69,859.35</u>
		<u><u>\$ 69,859.35</u></u>

Auditor's Report

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have made an examination of the books and accounts of the Bathurst Power & Paper Company Limited and its Subsidiary Companies for the year ending December 31, 1936, and have obtained all the information and explanations which we have required, and we report that the above Balance Sheet at December 31, 1936, is, in our opinion, properly drawn up so as to show a true and correct view of the financial position of Bathurst Power & Paper Company Limited and its Subsidiary Companies at that date, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

PRICE, WATERHOUSE & CO.,
Auditors.

MONTREAL, March 23, 1937.

BATHURST POWER AND PAPER COMPANY
LIMITED



Officers

R. L. WELDON	.....	President
P. A. THOMSON	.....	Vice-President
H. J. WEBB	.....	Vice-President and Secretary-Treasurer
RAYMOND KELLY	.....	Vice-President in Charge of Sales
G. A. SCHRYER	.....	Asst. Treasurer

Directors

F. J. CAMPBELL

R. G. IVEY, K.C.

A. J. NESBITT

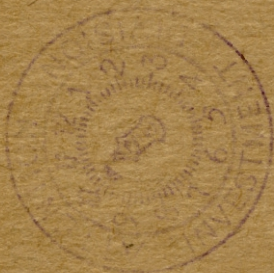
H. J. WEBB

H. P. ROBINSON

R. L. WELDON

J. B. WOODYATT

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