

Bathurst Power
& Paper Company
Limited



ELEVENTH
ANNUAL REPORT
1938

This Cover is
BATHURST PATENT COATED NEWS BACK BOARD
(Please see back cover)

PURVIS HALL
LIBRARIES

APR 20 1955

McGILL UNIVERSITY

Report of Directors

To the Shareholders of

Bathurst Power and Paper Company, Limited.

The Directors present herewith the Consolidated Balance Sheet as at December 31, 1938, and the Statement of Profit and Loss and Surplus Account covering operations for the year ended December 31, 1938, together with the report of the Auditors, Messrs. Price, Waterhouse & Company.

Net earnings, after providing for Depreciation and Dominion Income Tax, were \$153,042.54 and compare with \$454,146.73 for 1937. Reduction in sales volume and lower prices were the main factors contributing to the reduction in profits.

The total amount for Depreciation charged against earnings during the year amounted to \$333,632.34. This compares with \$292,332.22 for the previous year and reflects a full year's depreciation on the cost of additions to properties made in 1937.

No major capital expenditures were undertaken during the year.

A dividend of \$0.25 per share on Class A shares outstanding, amounting to \$100,000.00, was paid on December 19, 1938. The earned Surplus Account amounted to \$476,447.14 at December 31, 1938.

Net Current and Working Assets were \$2,369,721.49 on December 31, 1938, as compared with \$1,887,293.21 on December 31, 1937, representing an increase of \$482,428.28. The Company's strong financial position has been maintained, and Cash and Securities of \$663,192.48 show a substantial increase over the corresponding amount of \$356,000.32 at the end of the previous year.

Reference was made in last year's report to curtailment of operations in the early part of 1938. This condition continued through the first half of the year, after which volume of sales improved in certain lines. The sharp drop in general business activity, however, resulted in lower prices for the Company's products. The combination of reduction in volume and price resulted in sales of \$3,320,225.54 for 1938 as compared with \$3,904,523.05 in 1937.

Operations of the Kraft Mill were curtailed during the first half of 1938 but since then the capacity has been fully absorbed. During the year, drastic reductions in prices in the United States forced substantially lower price levels in both Home and Export markets.

Further progress was made with the Boxboard products of the Cylinder Machine, particularly in Overseas markets, and operations for the year were on a somewhat greater volume and more profitable basis than in 1937.

Newsprint production was on a curtailed basis throughout the year, with some improvement in the second half. Prices remained steady but volume was restricted by reduction of purchases from Canadian mills, caused by excessive stocks held by publishers at the end of 1937, reduced commercial activity in the United States, and by competition from foreign mills.

Sulphite Mill operations continued throughout the year on a restricted basis due to reduction in consumption, abnormal stocks in the hands of consumers and foreign competition.

The major outlet in the domestic market for the Company's Kraft and Box Board products is through manufacturers of shipping cases, folding and set-up boxes. The drastic price reductions which took place in these industries in the United States during the present year have increased importations of these products, making profitable trading conditions difficult for both Board Mills and Box Manufacturers. This condition has been seriously aggravated by the provisions of the new Trade Agreement with the United States, under which the tariff on the products of both the Company and its Customers has been substantially reduced. Adequate support by the Government for growing industries, indigenous to this country, is essential if such industries are to make progress.

The new Trade Agreement, which came into operation on January 1, 1939, has the effect of reducing the tariff protection of these industries for the second time in three years. Further, it has removed the tariff on all grades of wood pulp entirely. The economic welfare of the pulp and paper industry and allied industries, constituting as they do, the largest employers of labour in Canada, is a matter of grave concern to the industries themselves, and should be to the people and governments of this country. The restoration of profitable operations to these industries, as a whole, is essential and would materially alleviate unemployment.

The ever growing burden of taxation causes industry much concern. That industry should be called upon to contribute to the upkeep of the state admits of no controversy, but it would seem that such contributions should be exacted as an apportionment, to the state, of the profits derived from industry. A pressing need exists for reviewing certain forms of taxation, for the establishment of principles to produce a system of provincial income

taxation in substitution for some of the present methods of raising revenues and for the co-ordination of the various provincial statutes to simplify the preparation of the returns and to eliminate over-lapping, duplication and inequalities. The statutes should be so interpreted that the exercise of taxation does not savour of confiscation of property. Such a system would encourage the tax payer to face the future with greater confidence.

The Company renders returns and pays taxes on its capital and surplus on varying bases to three provinces of the Dominion, in addition to federal and provincial taxes on income and profits. To these taxes must be added municipal and business taxes, stumpage on wood, workmen's compensation, assessments, sales tax, etc. Accounting systems must be adapted to meet the variety of prescribed returns, and corresponding clerical help employed, resulting in considerable non-productive effort.

The outlook for the Company depends on the return of normal business and price conditions, generally, and particularly, in the United States, whereby the present productive capacity for Board in that country can be absorbed in their home market at satisfactory prices; and on the restoration of the board and box industries in Canada to a profitable level.

The improvement programme, completed toward the end of 1937, has fully demonstrated its usefulness during the past year, and materially assisted the Company in meeting increased costs of labour and materials. The efficiency of the plant has been fully maintained. The Company's products continue to be well received both at home and abroad. When economic conditions improve, better profits may be expected.

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., March 16th, 1939.

BATHURST POWER AND PAPER COMPANY LIMITED AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet, December 31, 1938

ASSETS	Dec. 31, 1938	Dec. 31, 1937	LIABILITIES	Dec. 31, 1938	Dec. 31, 1937
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash in Banks, on Hand and on Call	\$ 608,439.23	\$ 299,769.57	Accounts Payable and Accrued Liabilities	\$ 392,903.54	\$ 490,902.91
Marketable Securities at book values	54,753.25	56,230.75	Taxes and Stumpage Dues	62,017.11	150,543.04
(Quoted market values at December 31, 1938, \$57,300.00)			Provision for Dominion and Provincial Taxes	32,040.99	118,565.94
Accounts Receivable, less Reserve for Doubtful Ac- counts	341,708.60	360,428.50	<u>\$ 486,961.64</u>	<u>\$ 760,011.89</u>	
Trade Deposits	28,260.00	23,524.49	RESERVES:		
Inventories of Raw Materials, Supplies and Finished Products, as determined and certified by respon- sible officials of the Company, valued on the basis of average cost or market, whichever was the lower	1,595,721.87	1,330,095.58	Depreciation of Buildings, Plant and Machinery	\$ 1,357,937.31	\$ 1,041,445.20
Expenditures on current season's logging operations . .	227,800.18	577,256.21	Depletion of Timber Limits	595,192.23	468,046.60
	<u>\$ 2,856,683.13</u>	<u>\$ 2,647,305.10</u>	Contingencies	24,158.95	24,158.95
			Insurance Fund	15,087.39	14,597.65
			<u>\$ 1,992,375.88</u>	<u>\$ 1,548,248.40</u>	
PROPERTIES at book values December 31, 1934, with cost of subsequent additions and after applying in reduction of values Capital Surplus of \$8,804,082.45 at December 31, 1935—			COMMON STOCK AND SURPLUS:		
Timber Limits and Undeveloped Water Powers	\$ 7,337,628.97	\$ 7,337,628.97	Class A—		
Buildings, Plant and Machinery	7,763,167.02	7,797,158.46	Authorized—750,000 shares without nominal or par value.		
	<u>\$ 15,100,795.99</u>	<u>\$ 15,134,787.43</u>	Issued—400,000 shares without nominal or par value	\$ 14,400,000.00	\$ 14,400,000.00
OTHER INVESTMENTS	\$ 44,503.00	\$ 44,503.00	(Class A shares are redeemable at \$65.00 per share upon thirty days' notice)		
DEFERRED & PREPAID CHARGES:			Class B—		
Prepaid Taxes and Unexpired Insurance	\$ 36,310.56	\$ 17,099.87	Authorized—500,000 shares without nominal or par value.		
Depletion on Pulpwood on Hand, to be absorbed in future operations	106,904.60	42,687.73	Issued—300,000 shares without nominal or par value	840,000.00	840,000.00
Other Deferred Charges	50,587.38	85,281.76	Earned Surplus as per statement attached	476,447.14	423,404.60
	<u>\$ 193,802.54</u>	<u>\$ 145,069.36</u>	<u>\$ 15,716,447.14</u>	<u>\$ 15,663,404.60</u>	
	<u><u>\$ 18,195,784.66</u></u>	<u><u>\$ 17,971,664.89</u></u>	<u><u>\$ 18,195,784.66</u></u>	<u><u>\$ 17,971,664.89</u></u>	

Approved on behalf of the Board:

H. J. WEBB,
R. L. WELDON, } *Directors.*

**BATHURST POWER AND PAPER COMPANY
LIMITED
AND SUBSIDIARY COMPANIES**

*Consolidated Statement of Profit and Loss and Surplus Account,
Year Ended December 31, 1938*

Sales		\$ 3,320,225.54
Cost of Sales, including administration and sales expenses and a provision of \$57,580.25 for depletion, but before providing for the undernoted items.		2,802,960.07
		\$ 517,265.47
Other Operating Income		54,893.18
		\$ 572,158.65
Officers' Remuneration	\$ 64,783.33	
Directors' Fees	1,620.00	
Legal Expenses	3,268.26	69,671.59
		\$ 502,487.06
Depreciation		328,731.67
		\$ 173,755.39
Non-Operating Profits—		
Income from Investments, etc.		11,639.79
		\$ 185,395.18
Bathurst Electric and Water Power Company Limited—		
Profit from Operations after charging \$4,900.67 for Depreciation and \$393.00 for Officers' Salaries.		1,871.98
Combined Profit before providing for Income Tax		\$ 187,267.16
Provision for Dominion Income Tax for year ended December 31, 1938.		34,224.62
		\$ 153,042.54
Add: Surplus at December 31, 1937.		423,404.60
		\$ 576,447.14
Deduct: Dividends paid.		100,000.00
Surplus, Balance at December 31, 1938.		\$ 476,447.14

Auditors' 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, 1938, and have obtained all the information and explanations which we have required; and we report that the above Balance Sheet at December 31, 1938, 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 3, 1939.

BATHURST POWER AND PAPER COMPANY LIMITED



Officers

R. L. WELDON	<i>President</i>
P. A. THOMSON	<i>Vice-President</i>
H. J. WEBB	<i>Vice-President and Secretary-Treasurer</i>
RAYMOND KELLY	<i>Vice-President in Charge of Sales</i>
G. A. SCHRYER	<i>Asst. Treasurer</i>
F. D. LAMONT	<i>Asst. Treasurer</i>

Directors

F. J. CAMPBELL	R. G. IVEY, K.C.
A. J. NESBITT	P. A. THOMSON
H. P. ROBINSON	JOSEPH SIMARD
H. J. WEBB	R. L. WELDON

J. B. WOODYATT

BATHURST POWER & PAPER COMPANY LIMITED

General Office:

SUN LIFE BUILDING, MONTREAL

Mills at

BATHURST, NEW BRUNSWICK

Cables: "Wongan," Montreal



*The Following Products are Manufactured at
Bathurst for Domestic and Export Markets*

CYLINDER BOARDS — Patent Coated — Bleached
Manilla — Pulpboards — Kraft Lined Boards —
Coloured Boards and Screenings Boards.

FOURDRINIER BOARDS — Kraft Liner and Kraft
Corrugating Boards.

SULPHITE PULP — High grade unbleached Sulphite
Pulp.

NEWSPRINT — Standard Newsprint Paper.

DISTRICT SALES OFFICES:

ONTARIO 159 Bay Street, Toronto, Ont.

QUEBEC Sun Life Building, Montreal, P.Q.

MARITIME PROVINCES Bathurst, N.B.

UNITED KINGDOM Herbert Cox Ltd., Armour House,
London, England

AUSTRALIA E. Lufft & Son, Yularoi House, Sydney, N.S.W.

NEW ZEALAND Neill Cropper & Co., Dilworth Bldg.,
Auckland, N.Z.