

15th

*Annual
Report*

1942

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BATHURST

POWER AND PAPER COMPANY LIMITED

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BATHURST

POWER AND PAPER COMPANY LIMITED

BATHURST POWER AND PAPER COMPANY
LIMITED



Officers

R. L. WELDON.....	President
P. A. THOMSON.....	Vice-President
H. J. WEBB.....	Vice-President and Secretary-Treasurer
G. A. SCHRYER.....	Asst. Treasurer
F. D. LAMONT.....	Asst. Treasurer

Directors

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

J. B. WOODYATT

Report of Directors

TO THE SHAREHOLDERS OF BATHURST POWER AND PAPER COMPANY LIMITED

The Directors present herewith the Consolidated Statement of Profit and Loss covering operations for the year ended December 31, 1942, the Consolidated Statement of Earned Surplus and Consolidated Balance Sheet as at December 31, 1942, together with the report of the Auditors, Messrs. Price, Waterhouse & Company.

The essential features of the financial position and the results of operations are referred to hereunder:

FINANCIAL

Consolidated net profit for the year 1942 after all charges amounted to \$750,114.00 as compared with \$918,447.23 in 1941. Premium on exchange on proceeds of sales to the United States amounted to \$142,530.95 during the year.

Consolidated provision for Depreciation and Depletion of \$571,320.55 compares with \$543,139.35 for the previous year.

Provision for estimated Dominion Income and Excess Profits Taxes was \$501,452.29 and compares with \$612,298.15 for 1941.

Total funds which became available from earnings during the year, and their disposition are set forth below:

Funds which became available

Consolidated Net Profit.....	750,114
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Charges included therein not involving cash outlay

Depreciation.....	435,798
Depletion.....	135,522
Increase in Reserves provided through direct charges to operating accounts and other miscellaneous credits.....	32,313

Total Funds which became available.....	<u>\$1,353,747</u>
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Disposition of Funds

Added to Working Capital.....	577,273
Invested in Plant and Equipment.....	49,957
Increase in Prepaid and Deferred Charges.....	18,065
Purchase Money Notes Redeemed.....	105,000
Dividends Paid.....	600,000
Direct Debits and Credits to Surplus (Net).....	3,452

TOTAL.....	<u>\$1,353,747</u>
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Net Current and Working Assets at \$4,226,981.52 showed an increase of \$577,272.64 over December 31, 1941. Cash and Securities at the year end amounted to \$1,433,574.59 compared with \$1,006,748.62 at December 31, 1941.

Four quarterly dividends of 25c each, and two extra dividends of 25c each, aggregating \$1.50 per share on the Class "A" shares were paid during 1942 amounting in all to \$600,000. The net earned surplus at December 31, 1942, was \$1,191,649.80.

Inventories including expenditures for current season's logging operations at \$2,970,157.53 reflect an increase of \$372,607.17. Most of this increase is due to current season's logging expenditures and an increase in stocks of finished products which were at an abnormally low level at the end of 1941.

In the Annual Report for last year it was stated that the Company had adopted what is commonly known as "Last-in-first-out" system of charging wood and certain basic raw materials into cost of production. The effect of this accounting procedure as pointed out in last year's report is to maintain inventory values substantially at the prices which were in effect at December 31, 1939, to the extent of the quantities on hand at that date.

The result of this practice in the year under review compared with the "average cost" method is a reduction in Net Profit of \$121,389. As indicated in the previous year's report the Income Tax Department have intimated that the foregoing method is not acceptable to the Department in determining taxable profits, although wise business methods continue to dictate it as sound accounting.

In June, 1942, the Company retired the balance of its outstanding Purchase Money Notes amounting to \$105,000 issued in 1940 in connection with the acquisition of 175 square miles of Timber Limits.

PROPERTIES

Capital additions to properties during the year under review amounted to \$49,957.36.

Expenditures for Maintenance of Plant and Machinery were similar in amount to those of 1941. Maintenance supplies were very difficult to obtain because of the impact of the war effort and the resultant inability to obtain priorities for certain essential materials. Indications are that this condition will become even more acute in 1943 and it is obvious that maintenance and betterment work will have to be curtailed to an absolute minimum. Much ingenuity was exercised by our organization in effecting repairs and although some interruptions to production took place that could not be wholly considered normal, the plant and machinery have been reasonably well maintained. Depreciation continues to be charged to Operations at the same rates as those made effective in 1941.

PRODUCTION

Year Ended December 31st

	1942	% of Total	1941	% of Total
Kraft Products (Liner and Corrugating Board)	53,513	48.56	47,357	44.68
Unbleached Sulphite	22,034	19.99	20,932	19.75
Boxboards	20,182	18.31	18,942	17.87
Newsprint and Miscellaneous Specialties	14,475	13.14	18,762	17.70
	<u>110,204</u>	<u>100%</u>	<u>105,993</u>	<u>100%</u>

The lowest rainfall on record in the watershed supplying the Company's Hydro-Electric Plant created a shortage of power in the second half of the year and this in turn resulted in lower production than would otherwise have been the case. The effect of this extreme lack of rainfall will continue until the Spring run-off in 1943.

Manufacturing costs in 1942 continued their upward trend in a substantial manner. The increase in costs was sufficient to not only offset the effect of the increased volume of business done but in addition to reduce manufacturing profits some \$245,000. The chief increase in manufacturing costs is due to the cost of pulpwood. Bulk materials such as coal and sulphur and numerous miscellaneous items of supplies have increased in cost sufficiently to make their total substantial also. This trend towards increased costs shows no signs of abatement at this time. Actually the current wood supply now being cut is again substantially higher in all phases of its cost than that of last season.

SALES AND MARKETS

The Company's products continue to be shipped to Canada, the United States and the United Kingdom as in past years. No shipments were made to Australasia in 1942 through inability to obtain shipping space.

There was no change throughout the year in the selling prices of any the Company's products.

North America continues to be the source of supply of pulp and paper products for the United Nations. While statistically the pulp and paper industry is not recognized as a munitions industry, nevertheless the continually growing requirements for pulp and paper products for war purposes are making the over-all industry more essential than ever to the United Nations.

ORGANIZATION

The Company's policy in respect to its organization continues to maintain satisfactory relations.

In accordance with the rise in the cost of living index the cost of living bonus was increased on August 16, 1942, to \$3.22½ from the previous figure of \$2.62½ per week.

The work of the medical department has progressed most satisfactorily during the year. An X-Ray machine was installed and the medical and personnel work carried on by the Company within its organization is well above the average.

Accident experience during the year improved in spite of the number of new and inexperienced employees.

Enlistments in the armed forces by members of the organization continued and at present there are 219 in the Active Army, 4 in the Navy, 41 in the Air Force and approximately 50 in the Reserve Army, a total of 314.

TAXES

No decision has been rendered with respect to the Company's claim that its business was one of a class which during the standard period was depressed and that the profits of the standard period were so low that it would not be just to ascertain the Company's standard profits by reference to such profits; nor to its application to the Board of Referees to determine the standard profits of the standard period at a rate on the amount of capital employed. Pending such decision the sum of \$501,452.29 has been provided out of Earnings for Estimated Income and Excess Profits Taxes based on rates aggregating 40% of the net profits which in the opinion of the management are subject to Tax.

The Company's tax liability for the year ended December 31, 1940, is still under discussion and the return for the year ended December 31, 1941, has not been examined by the taxing authorities. The tax provisions for these years and for the current fiscal year which ended on December 31st last are, therefore, subject to review and final determination by the Income Tax Department.

The total direct tax bill, paid or accrued, of the Company for the year 1942 including stampage dues and other Provincial levies amounted to \$845,111.46.

The above sum is exclusive of sales tax included in the cost of materials purchased and unemployment insurance premiums.

MUNITION SUB-CONTRACTS

Production of Munitions under the auspices of the Wartime Machine Shop Board of the Canadian Pulp and Paper Association

continued in the Company's maintenance shop. Some seventy-five thousand man hours of work have been turned out since the work commenced in the second half of 1941.

OUTLOOK FOR 1943

The exigencies of war continue to make it impossible to forecast the future with any assurance. The Company, however, may be expected to share fully in the volume of business required from the Pulp and Paper Industry.

The Directors acknowledge with appreciation the loyal and efficient services of the members of the Company's organization during a difficult year.

R. L. WELDON,
President.

MONTREAL, February 26, 1943.

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

*Consolidated Statement of Profit and Loss for
years ended December 31, 1942 and 1941*

	<u>Year 1942</u>	<u>Year 1941</u>
Net Sales, less freight, allowances and discounts	\$6,817,508.56	\$6,600,011.10
Cost of Sales and Expenses		
Including Manufacturing Cost, General Administration and Selling Expenses, except Officers' Remuneration, Directors' Fees, Legal Expenses and after deducting Miscellaneous Operating Income	5,041,487.83	4,588,057.43
	<u>\$1,776,020.73</u>	<u>\$2,011,933.67</u>
Non-Operating Revenue		
Interest on Investments, Premium on Exchange and Sundry non-operating Income	161,578.74	198,250.00
	<u>\$1,937,599.47</u>	<u>\$2,210,203.67</u>
Deduct:		
Officers' Remuneration	64,129.60	63,946.05
Provincial Corporation Taxes	—	22,924.89
Directors' Fees	8,383.10	7,153.75
Legal Expenses	6,504.22	3,011.89
Employees' Pension Fund	50,000.00	50,000.00
	<u>\$ 129,016.92</u>	<u>\$ 147,036.58</u>
Profit before Depreciation, Depletion and Income and Excess Profits Taxes	\$1,808,582.55	\$2,063,167.09
Depreciation	430,523.17	427,931.28
Depletion	135,522.14	110,120.20
	<u>\$ 566,045.31</u>	<u>\$ 538,051.48</u>
Net Profit Bathurst Power and Paper Company Limited be- fore Income and Excess Profits Taxes	\$1,242,537.24	\$1,525,115.61
Profit of Subsidiary Company after charging \$5,275.24 for Depreciation and \$393.12 for Officers' Salaries	9,029.05	5,629.77
	<u>\$1,251,566.29</u>	<u>\$1,530,745.38</u>
Estimated Income and Excess Profits Taxes	501,452.29	612,298.15
Net Profit for the year	<u>\$ 750,114.00</u>	<u>\$ 918,447.23</u>

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

*Consolidated Statement of Earned Surplus for
years ended December 31, 1942 and 1941*

	<u>Year 1942</u>	<u>Year 1941</u>
Earned Surplus, at close of previous year.	\$1,044,987.95	\$ 626,540.72
Net Profit for the year.	750,114.00	918,447.23
Adjustment in respect of prior year's taxes.	1,547.85	—
	<u>\$1,796,649.80</u>	<u>\$1,544,987.95</u>
Dividends paid.	600,000.00	500,000.00
Transferred to Reserve for Contingencies.	5,000.00	—
	<u>\$ 605,000.00</u>	<u>\$ 500,000.00</u>
Earned Surplus at December 31, per Balance Sheet.	<u>\$1,191,649.80</u>	<u>\$1,044,987.95</u>

BATHURST POWER AND PAPER COMPANY LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet, December 31, 1942

ASSETS

	<u>Dec. 31, 1942</u>	<u>Dec. 31, 1941</u>
CURRENT ASSETS:		
Cash in Banks and on Hand.....	\$ 570,393.98	\$ 646,040.51
Marketable Securities and Guaranteed Deposit at book values..... (Quoted Market Values at December 31, 1942— \$863,254.32)	863,180.61	360,708.11
Accounts Receivable less Reserve for Doubtful Accounts	537,645.30	853,339.05
Trade Deposits.....	20,000.00	30,000.00
Inventories of Raw Materials, Supplies and Finished Products, as determined and certified by responsible officials of the Company, valued at prices not in excess of cost or market.....	2,387,653.40	2,162,789.70
Expenditures on Current Season's Logging Operations.....	582,504.13	434,760.66
	<u>\$ 4,961,377.42</u>	<u>\$ 4,487,638.03</u>
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—		
Timber Limits and Undeveloped Water Powers.....	\$ 7,491,146.97	\$ 7,490,966.97
Buildings, Plant and Machinery.....	8,601,595.23	8,551,817.87
	<u>\$16,092,742.20</u>	<u>\$16,042,784.84</u>
INVESTMENTS IN ASSOCIATED AND OTHER COMPANIES.....	<u>\$ 44,504.00</u>	<u>\$ 44,504.00</u>
DEFERRED CHARGES:		
Prepaid Taxes and Unexpired Insurance.....	\$ 35,465.34	\$ 57,226.49
Depletion on Pulpwood on hand, to be absorbed in future operations.....	93,370.88	80,656.50
Other Deferred Charges.....	144,923.46	117,811.30
	<u>\$ 273,759.68</u>	<u>\$ 255,694.29</u>
	<u>\$21,372,383.30</u>	<u>\$20,830,621.16</u>

Approved on behalf of the Board:

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

LIABILITIES

	<u>Dec. 31, 1942</u>	<u>Dec. 31, 1941</u>
CURRENT LIABILITIES:		
Accounts Payable and Accrued Liabilities.....	\$ 402,208.54	\$ 228,375.03
Provision for Income and Excess Profits Taxes (estimated) Less Instalments Paid.....	310,628.61	586,442.41
Other Taxes and Stumpage Dues.....	21,558.75	23,111.71
	<u>\$ 734,395.90</u>	<u>\$ 837,929.15</u>
PURCHASE MONEY NOTES.....	<u>\$ —</u>	<u>\$ 105,000.00</u>
RESERVES:		
Depreciation of Buildings, Plant and Machinery.....	\$ 3,131,726.41	\$ 2,691,990.77
Depletion of Timber Limits.....	1,028,064.64	870,517.61
Contingencies.....	29,158.95	24,158.95
Insurance Fund.....	17,387.60	16,036.73
	<u>\$ 4,206,337.60</u>	<u>\$ 3,602,704.06</u>
COMMON STOCK AND SURPLUS:		
Class A—		
Authorized—750,000 shares without nominal or par value.....		
Issued—400,000 shares without nominal or par value.....	\$14,400,000.00	\$14,400,000.00
(Class A shares are redeemable at \$65.00 per share upon thirty days' notice).		
Class B—		
Authorized—500,000 shares without nominal or par value.....		
Issued—300,000 shares without nominal or par value.....	840,000.00	840,000.00
Earned Surplus, as per statement attached.....	1,191,649.80	1,044,987.95
	<u>\$16,431,649.80</u>	<u>\$16,284,987.95</u>
	<u>\$21,372,383.30</u>	<u>\$20,830,621.16</u>

Submitted with our Report to the Shareholders dated February 9, 1943.

PRICE, WATERHOUSE & Co., Auditors.

PRICE, WATERHOUSE & CO.

215 ST. JAMES STREET WEST
(CANADIAN PACIFIC EXPRESS BUILDING)
MONTREAL

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have made an examination of the books and accounts of Bathurst Power and Paper Company Limited and its Subsidiary Companies for the year ending December 31, 1942, and have obtained all the information and explanations which we have required. Provision has been made for Income and Excess Profits Taxes in amounts considered by the Directors to be sufficient and this provision is subject to final determination by the Income Tax Department. On this basis we report that the attached Consolidated Balance Sheet at December 31, 1942 is, in our opinion, properly drawn up so as to show a true and correct view of the financial position of Bathurst Power and 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, February 9, 1943.



Clouds of vapor on a frosty day make a striking background in this photograph of the Bathurst Power & Paper Company's mill at Bathurst, N.B.

**BATHURST POWER AND PAPER COMPANY
LIMITED**



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

CYLINDER BOARDS—Patent Coated—Bleached Manilla—Pulp-boards—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.

HEAD OFFICE
Bathurst, New Brunswick

Montreal Office
Sun Life Building, Dominion Square

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., London, Eng.
AUSTRALIA	E. Lufft & Son, Yalaroi House, Sydney, N.S.W.
NEW ZEALAND	Neill Cropper & Co., Dilworth Bldg. Auckland, N.Z.

Mills at
BATHURST, NEW BRUNSWICK

Transfer Agents

THE ROYAL TRUST COMPANY, 105 St. James St. W., Montreal, Que.

THE ROYAL TRUST COMPANY, 66 King Street W., Toronto, Ont.

THE ROYAL TRUST COMPANY, 436 Main Street, Winnipeg, Man.

THE ROYAL TRUST COMPANY, 56 Prince William St., Saint John,
N.B.

Registrars

BANKERS TRUST COMPANY, 105 St. James St. W., Montreal, Que.

BANKERS TRUST COMPANY, 66 King Street W., Toronto, Ont.

BANKERS TRUST COMPANY, 436 Main Street, Winnipeg, Man.

BANK OF MONTREAL, 2 King Street, Saint John, N.B.

ANNUAL MEETING OF SHAREHOLDERS

MONTREAL, MARCH 22ND, 1943, 11.30 A.M.

**THE COVER OF THIS REPORT IS
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THE CYLINDER MACHINE
AT BATHURST**

