

16<sup>th</sup>

*Annual  
Report*

1943



**BATHURST**

POWER AND PAPER COMPANY LIMITED

S I X T E E N T H

A N N U A L

R E P O R T

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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 submit herewith the Consolidated Statement of Profit and Loss covering operations for the year ended December 31, 1943, the Consolidated Statement of Earned Surplus and Balance Sheet as at December 31, 1943, 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

Before Depreciation, Depletion and Taxes the income in 1943, including premium on exchange of \$152,721, amounted to \$1,515,292.77 as compared with \$1,808,582.55 for the year 1942.

Deductions from income in 1943 for Depreciation and Depletion were \$574,549.08. The corresponding deductions in 1942 were \$566,045.31.

Provision for estimated Dominion Income and Excess Profits Taxes was \$408,745.26 and compares with \$501,452.29 for 1942.

Net profits for the year amounted to \$539,371.29 after all charges, as compared with \$750,114.00 in 1942.

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

<i>Funds which became available</i>	
Consolidated Net Profit.....	\$539,371
<i>Charges included therein not involving cash outlay</i>	
Depreciation.....	439,354
Depletion.....	140,595
Decrease in Deferred Charges.....	51,350
Increase in Reserves provided through direct charges to operating accounts and other miscellaneous credits.....	8,702
Total Funds which became available.....	<u>\$1,179,372</u>
<i>Disposition of Funds</i>	
Added to Working Capital.....	662,654
Invested in Plant and Equipment.....	115,669
Dividends Paid.....	400,000
Adjustment of prior year's Taxes of Subsidiary.....	1,049
TOTAL.....	<u>\$1,179,372</u>

Net Current and Working Assets at \$4,889,635.51 showed an increase of \$662,653.99 over December 31, 1942. Cash and Securities at the year end amounted to \$2,434,373.65 compared with \$1,433,574.59 at December 31, 1942.

Four quarterly dividends of 25c each on the Class "A" shares were paid during 1943 amounting in all to \$400,000 which sum was charged against Earned Surplus. No extra dividends were declared in 1943. At the end of the year the balance at the credit of Earned Surplus was \$1,329,971.87, compared with \$1,191,649.80 on December 31, 1942.

Inventories, including expenditures for current season's logging operations at \$2,677,125.46, reflect a decrease of \$293,032.07.

Manufacturing costs substantially increased in the year under review and the decrease in gross profits after providing for general administrative and selling expenses, and after crediting Miscellaneous Operating Revenue, was \$310,792.

Depreciation has been accrued at the higher rates established in 1941 but under a ruling of the Income Tax Department issued in January 1943 an increase in depreciation rates, even when such rates are below the maximum fixed by the Department, is not permissive in respect of fiscal periods ending in 1940 and subsequent years, and in consequence the provision for depreciation in the year 1941 and subsequent years may have to be reduced in the computation of taxable profits.

In accordance with established practice depletion has been accrued on the season's cut at the rate of \$1.00 per cord of wood which rate prior to 1940 was acceptable to the taxing authorities. Discussions that have been had with representatives of the Income Tax Department now indicate that the charge for depletion commencing with the year 1940 may have to be substantially reduced but until mandatory instructions are received it is not proposed to make any change in the established procedure of the Company.

The profits for the year have been ascertained after charging wood and certain other basic raw materials to the cost of manufacture on what is commonly known as the "last-in-first-out" system. As mentioned in last year's report the Income Tax Department have intimated that this method is not acceptable to the Department in determining taxable profits although prudent accounting dictates this procedure as sound business practice.

#### TAXES

The total direct tax bill, paid or accrued, of the Company for the year 1943 including stumpage dues and other Provincial

levies amounted to \$771,341.90. This sum is exclusive of sales tax included in the cost of materials purchased and unemployment insurance premiums.

An accurate estimate of earnings subject to tax cannot be determined until the conclusion of tax negotiations with the Income Tax Department, and Income and Excess profits taxes therefore have been calculated at rates aggregating 40% of the net profits which in the opinion of the management are subject to tax.

No decision has been rendered by the Board of Referees with respect to the standard profits for the standard years and the tax liability of the Company for the year 1940 and subsequent years remains undetermined.

While it is fully recognized that Dominion Revenue needs in the war years must be met it is submitted that, if industry is to enter the post-war period and to contribute adequately to the maintenance of full employment, that the administration's tax advisors should give more consideration to evolving a taxing system that will permit corporations to build up adequate financial reserves to meet post-war problems. It is a matter of national importance that the economic vitality of industry should be encouraged and maintained.

The present Canadian taxing system does not give sufficient recognition to the effects of the economic peaks and valleys in industry. Acknowledging that some measure of time is necessary for the determination of income, and the twelve month period is universally accepted both for corporate and taxation purposes, it is submitted that profits are not accurately measured by the results of one or two years but over a longer period and that the taxation of peak profits at peak rates in profitable years without granting adequate relief in years of losses or lower profits is damaging to the business structure and discouraging to the investment of venture capital.

Consideration should be given to lengthening the accounting periods for the determination of income for taxation purposes similar to the broader practice followed in the United Kingdom.

#### PROPERTIES

Capital additions to properties during the year under review amounted to \$115,669.67.

Expenditures for Maintenance of Plant and Machinery were approximately at the same rate as in 1942, nevertheless the quality of these repairs continued to deteriorate, and further

deferred maintenance accumulated. Abnormal post-war maintenance expenditures will be required as a consequence of inability to maintain the plant as efficiently as in normal years. This, of course, is due to the impossibility of obtaining suitable materials and supplies for maintenance purposes. Such costs, in the opinion of the management, are costs of current operation and allowance therefor should be permitted as a proper deduction from the income of war-time years. Failure to recognize such costs means that more than the maximum amount of taxes applicable in the varying circumstances will be taken.

#### PRODUCTION

	Year Ended December 31st			
	1943	% of Total	1942	% of Total
Kraft Products (Liner and Corrugating Board).....	49,575	47.44	53,513	48.56
Unbleached Sulphite.....	24,697	23.63	22,034	19.99
Boxboards.....	19,678	18.83	20,182	18.31
Newsprint and Miscellaneous Specialties.....	10,556	10.10	14,475	13.14
	<u>104,506</u>	<u>100%</u>	<u>110,204</u>	<u>100%</u>

The shortage of power from the Company's Hydro-Electric Plant, resulting from extremely low rainfall, referred to in last year's annual report, continued to affect production adversely in the first half of the year. Conditions were normal in the second half of the year and production was on a full time basis. In consequence of this condition production for 1943 as shown in the summary above registered a decline of 5,698 tons equivalent to 5.17% compared with 1942. It will be noted that the main reductions occurred in kraft products and newsprint where power is a major factor. Actually the production of unbleached sulphite was higher in 1943 than in 1942.

It was stated in last year's report that the trend toward increased costs showed no signs of abatement, and the decline in profits clearly reflects this situation. Increase in production costs was again marked by the rising cost of pulpwood although cost of other materials was also a factor. Current indications are for further sizeable increases in the cost of pulpwood; a substantial increase in the price of coal was recently announced, and general wage rates have also been increased under direction of the Regional

War Labour Board of New Brunswick following the settlement of demands of organizations representing industry employees. Payroll costs in 1944 will, therefore, reflect the increased rates of pay which became effective on January 1st and it is now possible that the increases awarded will be made retroactive to some date in 1943 in which event that part of the increase relating to 1943 will have to be absorbed in 1944.

The general supply situation for pulpwood continues serious because of labour shortages, particularly in the early part of the cutting season, although it has been helped materially by improved Selective Service regulations, in effect since early in November 1943. Every effort is being made by the Company, in compliance with regulations, to ensure a sufficient supply of pulpwood to maintain full operations, and it is expected that this will be possible.

Manufacture of newsprint was discontinued as of January 31 1944 on instructions of the Wartime Prices and Trade Board and the productive capacity freed thereby is being used to augment the manufacture of kraft liner and corrugating boards which are in short supply at the present time.

#### SALES AND MARKETS

Total sales of the products of the Company in the year 1943 amounted to 105,533 tons compared with 106,688 in the preceding year.

The dollar volume of sales in 1943 at \$6,992,759 compares with \$6,817,508 in 1942, an increase of \$175,251. The sales in the two years, however, are not exactly comparable as the figures for 1943 include some sales of purchased sulphite to Bathurst customers in order that a like additional quantity of the Company's own product could be made available for shipment to the Ministry of Supply in the United Kingdom. If sales of purchased tonnage are eliminated the net increase in the dollar volume of sales was \$50,523. This betterment, notwithstanding a decline in overall tonnage, is a reflection of the increase in sales of unbleached sulphite and of a reduction in inventories of saleable products at December 31 1943 compared with the end of 1942.

Because of the general insufficiency of supply of pulp and paper products to meet the requirements of the United Nations, the products of the Company, along with others of the industry, are now under allocation by the Wartime Prices and Trade Board.

Products sold in the domestic market are subject to the general price ceiling policy of the Wartime Prices and Trade Board. With



the exception of newsprint there were no changes in prices in either the domestic or export market during the year 1943. The price of newsprint in both markets was increased on March 1st by \$4.00 per ton, and again on September 1st by a further \$4.00 per ton.

On February 14 1944 an increase in the export price of unbleached sulphite pulp of \$8.00 per ton was authorized, the first change since July 1940. This increase will assist, although it will not offset increases in costs which have taken place since that date.

#### ORGANIZATION

General relations with the Employees of the Company continued on a satisfactory basis.

In accordance with the rise in the cost of living index, the cost of living bonus was increased on November 16 1943 to \$3.57 ½ from the previous figure of \$3.22 ½ per week, established on August 16 1942. Under the Wartime Wages Control Order of 1943 this cost of living bonus was incorporated in the basic wages effective with the first pay-roll period commencing on and after February 15th 1944.

The application for an increase in wages presented by the employees of this and other pulp and paper companies in the Province of New Brunswick to the Regional War Labour Board early in October has recently been ruled upon and the Board has ordered an increase of approximately 5 cents per hour or its equivalent.

The work of the medical department continued on a satisfactory basis. In the course of the year all permanent employees at the plant had chest X-Rays. Four cases of tuberculosis were found and appropriate treatment arranged. This procedure has safeguarded employees from exposure and at the same time proper treatment has already enabled two of the cases to return to work in a medically satisfactory condition.

Enlistments in the armed forces by members of the organization *continued and at present there are 278 in the Active Army, 11 in the Navy, 51 in the Air Force and 80 in the Reserve Army, a total of 420.*

#### MUNITIONS SUB-CONTRACTS

Work in the maintenance shop of the Company continued throughout the year at the maximum capacity of the shop. Approximately 90,000 man hours of work were turned out. The

Wartime Machine Shop Board of the Canadian Pulp and Paper Association, under whose auspices the work is carried on, awarded the shop and its workers a Certificate of Merit for excellent workmanship.

#### OUTLOOK FOR 1944

It is anticipated that the plant will operate on a full time basis throughout 1944, although war conditions naturally make it impossible to forecast the future with assurance. Consideration is being given by the management to the post-war situation although it is too soon to attempt definite conclusions on this subject.

Under difficult conditions the continued demonstration of loyalty and effective service by all members of the Company's organization is a source of great satisfaction to the Directors who take this opportunity of acknowledging their appreciation.

On behalf of the Directors,

R. L. WELDON,  
*President*

MONTREAL, March 9th, 1944.

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

*Consolidated Statement of Profit and Loss for  
years ended December 31, 1943 and 1942*

	<u>Year 1943</u>	<u>Year 1942</u>
Net Sales, less freight, allowances and discounts . . . . .	\$6,992,759.16	\$6,817,508.56
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 . . . . .	5,527,530.20	5,041,487.83
	\$1,465,228.96	\$1,776,020.73
Non-Operating Revenue		
Interest on Investments, Premium on Exchange and Sundry non-operating Income . . . . .	175,592.75	161,578.74
	\$1,640,821.71	\$1,937,599.47
<i>Deduct:</i>		
Officers' Remuneration . . . . .	64,129.60	64,129.60
Legal Expenses . . . . .	3,393.19	6,504.22
Directors' Fees . . . . .	8,006.15	8,383.10
Employees' Pension Fund . . . . .	50,000.00	50,000.00
	\$ 125,528.94	\$ 129,016.92
Profit before Depreciation, Depletion and Income and Excess Profits Taxes . . . . .	\$1,515,292.77	\$1,808,582.55
Depreciation . . . . .	433,954.24	430,523.17
Depletion . . . . .	140,594.84	135,522.14
	\$ 574,549.08	\$ 566,045.31
Net Profit, Bathurst Power and Paper Company Limited be- fore Income and Excess Profits Taxes . . . . .	\$ 940,743.69	\$1,242,537.24
Profit of Subsidiary Company after charging \$5,399.67 for Depreciation and \$393.12 for Officers' Remuneration . . .	7,372.86	9,029.05
	\$ 948,116.55	\$1,251,566.29
Estimated Income and Excess Profits Taxes . . . . .	408,745.26	501,452.29
Net Profit for the year . . . . .	\$ 539,371.29	\$ 750,114.00

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

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*Consolidated Statement of Earned Surplus for  
years ended December 31, 1943 and 1942*

	<u>Year 1943</u>	<u>Year 1942</u>
Earned Surplus at close of previous year . . . . .	\$1,191,649.80	\$1,044,987.95
Net Profit for the year . . . . .	539,371.29	750,114.00
	<u>\$1,731,021.09</u>	<u>1,795,101.95</u>
Dividends paid . . . . .	400,000.00	600,000.00
Transferred to Reserve for Contingencies . . . . .	—	5,000.00
Adjustment in respect of prior years' taxes . . . . .	1,049.22	1,547.85
	<u>*\$ 401,049.22</u>	<u>\$ 603,452.15</u>
Earned Surplus at December 31 per Balance Sheet . . . . .	<u>\$1,329,971.87</u>	<u>\$1,191,649.80</u>

# BATHURST POWER AND PAPER COMPANY LIMITED

## AND SUBSIDIARY COMPANIES

*Consolidated Balance Sheet, December 31, 1943*

### ASSETS

	<u>Dec. 31, 1943</u>	<u>Dec. 31, 1942</u>
<b>CURRENT ASSETS:</b>		
Cash in Banks and on Hand .....	\$ 1,455,226.15	\$ 570,393.98
Marketable Securities and Guaranteed Deposits at book values .....	979,147.50	863,180.61
(Quoted Market Values at December 31, 1943— \$977,545.00)		
Accounts Receivable less Reserve for Doubtful Accounts	684,394.60	537,645.30
Trade Deposits .....	20,000.00	20,000.00
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 .....	2,148,278.25	2,387,653.40
Expenditures on Current Season's Logging Operations	528,847.21	582,504.13
	<u>\$ 5,815,893.71</u>	<u>\$ 4,961,377.42</u>
<b>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—</b>		
Timber Limits and Undeveloped Water Powers .....	7,491,146.97	\$ 7,491,146.97
Buildings, Plant and Machinery .....	8,717,264.90	8,601,595.23
	<u>\$ 16,208,411.87</u>	<u>\$ 16,092,742.20</u>
<b>INVESTMENTS IN ASSOCIATED AND OTHER COMPANIES</b>	<u>\$ 44,504.00</u>	<u>\$ 44,504.00</u>
<b>DEFERRED CHARGES:</b>		
Prepaid Taxes and Unexpired Insurance .....	\$ 64,816.87	\$ 35,465.34
Depletion on Pulpwood on hand, to be absorbed in future operations .....	83,146.30	93,370.88
Other Deferred Charges .....	74,446.11	144,923.46
	<u>\$ 222,409.28</u>	<u>\$ 273,759.68</u>
	<u>\$ 22,291,218.86</u>	<u>\$ 21,372,383.30</u>

Approved on behalf of the Board,

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

### LIABILITIES

	<u>Dec. 31, 1943</u>	<u>Dec. 31, 1942</u>
<b>CURRENT LIABILITIES:</b>		
Accounts Payable and Accrued Liabilities .....	\$ 503,732.75	\$ 402,208.54
Income and Excess Profits Taxes (estimated) less Installments Paid .....	396,711.60	310,628.61
Other Taxes and Stumpage Dues .....	25,813.85	21,558.75
	<u>\$ 926,258.20</u>	<u>\$ 734,395.90</u>
<b>NOTE: The actual liability for Income and Excess Profits Taxes cannot be calculated until the Board of Referees has given a decision on the Company's application for determination of a "standard profit," and until the settlement of certain differences with the Income Tax Department.</b>		
<b>RESERVES:</b>		
Depreciation of Buildings, Plant and Machinery .....	\$ 3,575,179.97	\$ 3,131,726.41
Depletion of Timber Limits .....	1,171,182.87	1,028,064.64
Contingencies .....	29,158.95	29,158.95
Insurance Fund .....	19,467.00	17,387.60
	<u>\$ 4,794,988.79</u>	<u>\$ 4,206,337.60</u>
<b>COMMON STOCK AND SURPLUS:</b>		
<b>Class A—</b>		
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.)		
<b>Class B—</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.....	1,329,971.87	1,191,649.80
	<u>\$ 16,569,971.87</u>	<u>\$ 16,431,649.80</u>
	<u>\$ 22,291,218.86</u>	<u>\$ 21,372,383.30</u>

Submitted with our Report to the Shareholders dated February 16, 1944.

PRICE, WATERHOUSE & Co., Auditors.

# PRICE, WATERHOUSE & CO.

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

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## 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, 1943 and have obtained all the information and explanations which we have required.

Pending a decision by the Board of Referees on the Company's application for the determination of a "Standard Profit" under the Excess Profits Tax Act and the settlement of certain other differences, the Directors have made annual provisions for Income and Excess Profits Taxes based on rates aggregating 40% of the net profits which in their opinion are subject to tax. The actual liability for such taxes is subject to final determination by the Income Tax Department.

On this basis we report that the attached Consolidated Balance Sheet at December 31, 1943 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 16, 1944.

**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.

**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 27TH, 1944, 11.30 A.M.



**THE BOARD USED FOR THE COVER OF  
THIS REPORT IS PULPBOARD COLOURED  
RED ONE SIDE AND MANUFACTURED  
ON THE CYLINDER MACHINE  
AT BATHURST —  
FURTHER PROCESSED FOR THE GRAINING EFFECT**



