

17th

*Annual
Report*
1944

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BATHURST

POWER AND PAPER COMPANY LIMITED

SEVENTEENTH
ANNUAL
REPORT
1944



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>
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	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, 1944, the Consolidated Statement of Earned Surplus and Balance Sheet as at December 31, 1944, together with the report of the Auditors, Messrs. Price, Waterhouse & Company.

The financial statements presented give effect to the decision of the Board of Referees on the Company's application to determine the Standard Profits of the Standard Period for Excess Profits Tax purposes. The Balance Sheet figures as of December 31, 1943, which are shown for comparative purposes, have been restated to give effect to the decision of the Board and to the settlement of certain differences with the Income Tax Department as they relate to the years 1940, 1941, 1942 and 1943.

FINANCIAL—YEAR 1944

Before Depreciation, Depletion and Taxes, the income in 1944 including premium on exchange of \$113,444 amounted to \$1,331,071 as compared with \$1,515,293 for the year 1943.

Deductions from income in 1944 for Depreciation and Depletion were \$480,095. The corresponding deductions in 1943 were \$574,549.

Provision for estimated Dominion Income and Excess Profits Taxes was \$353,106 and compares with \$408,745 for 1943.

After all charges and provision of a special reserve of \$125,000 for Contingencies, net profits for the year amounted to \$380,450 as compared with \$539,371 for the preceding year.

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

Funds which became available

Consolidated Net Profit \$ 380,450

Charges included therein not involving cash outlay

Depreciation 375,586

Depletion \$109,934

Less Deferred Depletion included therein 19,705

90,229

Increase in Reserve for Contingencies 125,000

Increase in Reserves provided through direct charges
to operating accounts and other miscellaneous
credits 7,004

Total Funds which became available \$ 978,269

Disposition of Funds

Invested in Plant and Equipment \$ 754,899

Replacement of Mill plant, charged against

Depreciation Reserve 36,989

Increase in Investments in other companies 4,500

Increase in Prepaid and Deferred charges 58,968

Dividends paid 400,000

Direct Debits and Credits to surplus (net) 3,826

\$1,259,182

Less Decrease in Working Capital 280,913

\$ 978,269

Net Current and Working Assets were \$4,383,553 at December 31, 1944, as compared with \$4,664,466 at December 31, 1943, a decrease of \$280,913. Cash and Securities at the year-end amounted to \$1,786,129 compared with \$2,434,374 at December 31, 1943.

Four quarterly dividends of 25c each on the Class "A" shares were paid during 1944 amounting in all to \$400,000 which sum was charged against Earned Surplus. At the end of the year the balance at the credit of Earned Surplus was \$1,547,787 compared with \$1,571,163 (adjusted) on December 31, 1943.

Inventories, including expenditures for current season's logging operations, at \$3,266,913 reflect an increase of \$589,787. The gain in inventory is represented chiefly by the greater progress of the current season's logging operations and an increase in finished products, which were abnormally low at the end of 1943.

The policy of charging pulpwood and certain other basic raw materials into manufacturing costs on what is known as the "last-in-first-out" system was continued through 1944. The unit values of the Company's pulpwood inventory based on the "last-in-first-out" method are substantially lower than current costs and pulpwood inventories have been considerably reduced below the quantity which is considered normal. To meet this situation the Directors have deemed it prudent that a reserve should be set aside to meet the anticipated higher cost of restoring the pulpwood inventory to normal volume so as to preserve the much lower unit values at which the pulpwood inventory is carried. The amount so set aside has been charged against profits and credited to reserve for contingencies.

ADJUSTMENTS—PRIOR YEARS

The income tax returns of the Company for the years 1940-1943 have been reviewed by representatives of the Income Tax Department and an understanding with respect to material differences has been concluded, although final determination of the taxable profits for the above years has not yet been made by the Department. The estimated additional provision for Income and Excess Profits Taxes which results from the decision of the Board of Referees and our understanding of the decisions of the Income Tax Department, in respect of the above four years, amounts to \$225,169.

The adjustments to Earned Surplus as at December 31, 1943, which arise from the determination of the Standard Profits claim of the Company and our understanding of the decisions of the Income Tax Department are summarized as follows:

Reduction in amounts provided for:	
Depreciation	\$185,014.50
Depletion	160,499.54
Expenditures disallowed as Maintenance Repairs and transferred as shown hereunder:	
Buildings, Plant and Machinery	55,364.80
Depreciation Reserve	60,235.52
Repair Items disallowed as current expenditures, the cost of which is permitted to be charged against the operations of future years, less amortization deductions	
	5,245.86
	<hr/>
	\$466,360.22
LESS: Increase in Income and Excess Profits Taxes . .	225,168.98
	<hr/>
	<u>\$241,191.24</u>

PROPERTIES

Capital expenditures for additions to properties during the year under review amounted to \$754,899, of which some \$692,780 represents the cost to December 31, 1944, of work in progress.

The major work undertaken consisted of the installation of a second, efficient, high pressure, pulverized fuel steam generator. This unit is similar to, but some 60% larger than, the installation made in 1937, and it will have the effect of substantially reducing cost of steam. The existing low pressure boilers, which were installed in 1915-1916, will be maintained in service to serve as spare units. In addition, several other auxiliary units of production equipment are being installed which will improve efficiency, lower basic costs of conversion, and add somewhat to production.

Expenditures for Maintenance of Plant and Machinery were at approximately the same rate as for the past several years. Some improvement in the availability of suitable materials and supplies was noted.

PRODUCTION

	Year Ended December 31st			
	% of		% of	
	1944	Total	1943	Total
Kraft Products (Liner and				
Corrugating Board).....	65,829	60.04	49,575	47.44
Unbleached Sulphite.....	22,656	20.66	24,697	23.63
Boxboards.....	20,542	18.73	19,678	18.83
Newsprint and Miscellaneous				
Specialties.....	622	.57	10,556	10.10
	<u>109,649</u>	<u>100%</u>	<u>104,506</u>	<u>100%</u>

Overall production showed a gain of 5,143 tons, approximately 5%. As stated in last year's report the manufacture of newsprint was discontinued on instructions of the Wartime Prices and Trade Board and the productive capacity freed thereby devoted to the production of kraft liner and corrugating boards, production of which rose from 49,575 tons in 1943 to 65,829 tons in 1944, a gain of 16,254 tons. Production of unbleached sulphite pulp was slightly lower than in 1943 due to the necessity of relining two of the three sulphite digesters. This relining of sulphite digesters occurs at periodic intervals.

Production costs reflect the increase in wage rates authorized by the New Brunswick Regional War Labour Board early in 1944. Supplies, including coal, were again higher.

The shortage of manpower in the woods during the season 1943-1944 reduced the cut of pulpwood below requirements and as a result the inventory of pulpwood at the mill at December 31, 1944, as previously mentioned, was below normal. A much improved situation in this respect seems assured with the current season's operations.

SALES AND MARKETS

Total sales of the products of the Company in the year 1944 amounted to 107,852 tons compared with 105,533 in the preceding

year. Sales volume at slightly less than production brought inventories of finished goods to a more normal level.

The dollar volume of sales in 1944 at \$7,452,835 compares with \$6,992,759 in 1943. This increase in sales which amounted to \$460,076 represents in part the change from the manufacture of newsprint to kraft products, larger tonnage sold, and an increase in the price of unbleached sulphite sold for export which became effective February 14, 1944.

The prices for products sold in the domestic market continue to be under the original ceilings established in 1940; the Company has not been able to adjust its prices to the uncontrollable higher manufacturing costs and profit margins have been substantially reduced. Unbleached sulphite pulp sold to the U.S.A. is subject to pricing in accord with the rules of the Office of Price Administration (U.S.A.). Prices in other countries are subject to negotiation but generally are equivalent either to those in the domestic or U.S.A. markets.

There has been some relaxation of allocation of production by Wartime Prices and Trade Board. This policy of eliminating controls as rapidly as they cease to be necessary for the essential prosecution of the war is much to be commended.

ORGANIZATION

Relationships with employees of the Company continued on a satisfactory basis. The Mutual Interest Board, which is representative of both Management and Employees, continued its activities during the year in developing closer understanding of mutual problems.

Vacations with pay for all employees with one year's service or more was established several years ago. This has now been extended under regulations of the Regional War Labour Board of New Brunswick so that, commencing with five years service, an additional day's vacation is added for each year's service until with the completion of ten years service two full weeks vacation with pay is granted.

During the year a Mutual Welfare Association was established under the joint direction of Management and Employees. In this manner, all welfare plans of the Company are co-ordinated and have now been extended to provide hospital benefits for both the employee and his dependents.

Company employees in the Armed Forces at this time total 427, of which 283 are in the Army, 13 in the Navy, 51 in the Airforce and 80 in the Reserve Army.

Employee purchases of Victory Bonds and War Savings Certificates have been gratifying and well in excess of objectives.

MUNITIONS SUB-CONTRACTS

Work in the maintenance shop of the Company continued throughout the year and approximately 70,000 man hours of work were turned out.

The co-ordinated and co-operative work of the industry in relieving "bottle necks" in prime contractors' shops has been commended by the government, and has proven to have been a major contribution to Canada's Munition production.

OUTLOOK FOR 1945

It is anticipated that production will be on a full time basis throughout the year.

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, April 6th, 1945.

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

*Consolidated Statement of Profit and Loss for
year ended December 31, 1944*

Net Sales, less freight, allowances and discounts	\$7,452,835.35
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	6,136,811.18
	\$1,316,024.17
Non-Operating Revenue	
Interest on Investments, Premium on Exchange and Sundry non-operating Income	143,959.32
	\$1,459,983.49
<i>Deduct:</i>	
Officers' Remuneration	\$ 64,129.60
Legal Expenses	6,969.13
Directors' Fees	7,813.65
Employees' Pension Fund	50,000.00
	\$ 128,912.38
Profit before Depreciation, Depletion and Income and Excess Profits Taxes	\$1,331,071.11
Depreciation	\$ 370,160.36
Depletion	109,934.18
Contingencies	125,000.00
	\$ 605,094.54
Net Profit, Bathurst Power and Paper Company Limited before Income and Excess Profits Taxes	725,976.57
Profit of Subsidiary Company after charging \$5,425.18 for Depreciation, \$393.12 for Officers' Remuneration and \$266.35 for Legal Expenses	7,579.81
	733,556.38
Income and Excess Profits Taxes	353,106.30
	\$ 380,450.08
Net Profit for the year	\$ 380,450.08

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

*Consolidated Statement of Earned Surplus for
year ended December 31, 1944*

Earned Surplus at close of previous year	\$1,329,971.87
Adjustments resulting from the determination of the Standard Profits of the Company and the settlement of certain differences with the Income Tax Department:	
Year ended December 31, 1940	\$116,096.20
do. 1941	77,633.96
do. 1942	18,231.96
do. 1943	29,229.12
	241,191.24
Adjusted Surplus December 31, 1943	\$1,571,163.11
Net Profit for the year	380,450.08
	\$1,951,613.19
<i>Less:</i>	
Dividends Paid	\$400,000.00
Prior Year's Adjustments—Net	3,826.22
	403,826.22
Earned Surplus December 31st, 1944 per Balance Sheet	\$1,547,786.97

BATHURST POWER AND PAPER COMPANY LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet, December 31, 1944

ASSETS

	<u>Dec. 31, 1944</u>	<u>Dec. 31, 1943</u>
CURRENT ASSETS:		
Cash in Banks and on Hand.....	\$ 506,468.60	\$ 1,455,226.15
Marketable Securities and Guaranteed Deposits at book values (Quoted Market Values at December 31, 1944— \$1,276,082.50)	1,279,660.00	979,147.50
Accounts Receivable less Reserve for Doubtful Accounts	720,774.04	684,394.60
Trade Deposits.....	—	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.....	2,250,324.30	2,148,278.25
Expenditures on Current Season's Logging Operations..	1,016,588.63	528,847.21
	\$ 5,773,815.57	\$ 5,815,893.71
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	\$ 7,491,146.97
Buildings, Plant and Machinery.....	9,527,528.59	8,772,629.70
	\$17,018,675.56	\$16,263,776.67
INVESTMENTS IN ASSOCIATED AND OTHER COMPANIES	\$ 49,004.00	\$ 44,504.00
REPUNDABLE PORTION EXCESS PROFITS TAX	13,091.82	12,742.52
DEFERRED CHARGES:		
Prepaid Taxes and Unexpired Insurance	\$ 44,601.13	\$ 64,816.87
Depletion on Pulpwood on hand, to be absorbed in future operations.....	55,142.95	83,146.30
Other Deferred Charges	186,878.71	79,691.97
	\$ 286,622.79	\$ 227,655.14
	\$23,141,209.74	\$22,364,572.04

Approved on behalf of the Board,

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

NOTE:—The December 31, 1943 figures have been restated as explained in the Directors' Report.

LIABILITIES

	<u>Dec. 31, 1944</u>	<u>Dec. 31, 1943</u>
CURRENT LIABILITIES:		
Accounts Payable and Accrued Liabilities	\$ 767,651.25	\$ 503,732.75
Income and Excess Profits Taxes less instalments paid.	473,960.28	621,880.58
Other Taxes and Stumpage Dues.....	148,650.95	25,813.85
	\$ 1,390,262.48	\$ 1,151,427.18
RESERVES:		
Depreciation of Buildings, Plant and Machinery.....	\$ 3,675,447.23	\$ 3,329,929.95
Depletion of Timber Limits.....	1,100,912.15	1,010,683.33
Contingencies.....	154,158.95	29,158.95
Insurance Fund.....	19,550.14	19,467.00
	\$ 4,950,068.47	\$ 4,389,239.23
COMMON STOCK AND SURPLUS:		
Class "A"—		
Authorized—750,000 shares without nominal or par value.		
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
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.....	1,547,786.97	1,571,163.11
Deferred Surplus—Refundable Portion Excess Profits Tax	13,091.82	12,742.52
	\$16,800,878.70	\$16,823,905.63
	\$23,141,209.74	\$22,364,572.04

Submitted with our Report to the Shareholders dated April 4, 1945.

PRICE, WATERHOUSE & Co., Auditors.

PRICE, WATERHOUSE & CO.

215 ST. JAMES STREET WEST
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, 1944, and have obtained all the information and explanations which we have required.

Provision has been made for Income and Excess Profits Taxes in accordance with the Company's understanding of the decisions of the Department but final assessments have not yet been received.

On this basis we report that the attached Consolidated Balance Sheet at December 31, 1944, 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, April 4, 1945.

**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, APRIL 30TH, 1945, 11.30 A.M.

**THE COVER OF THIS REPORT
IS STANDARD KRAFT
CORRUGATING BOARD
MADE BY BATHURST**



