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*Annual
Report*

1946



BATHURST

POWER AND PAPER COMPANY LIMITED

BATHURST
POWER & PAPER COMPANY
LIMITED
AND
SUBSIDIARY COMPANIES



ANNUAL REPORT
1946

**BATHURST POWER & PAPER COMPANY
LIMITED**

Subsidiary Companies

**CASCAPEDIA MANUFACTURING & TRADING COMPANY
CHALEURS, QUE.**

**BATHURST ELECTRIC AND WATER POWER COMPANY LIMITED
BATHURST, N.B.**

**KRAFT CONTAINERS LIMITED
HAMILTON, ONT.**

**SHIPPING CONTAINERS LIMITED
MONTREAL, QUE.**

Board of Directors

HON. G. P. BURCHILL	R. G. IVEY, K.C.
A. J. NESBITT	H. P. ROBINSON
JOSEPH A. SIMARD	P. A. THOMSON
H. J. WEBB	R. L. WELDON
J. B. WOODYATT	

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>

Auditors

PRICE, WATERHOUSE & CO., MONTREAL

Offices

HEAD OFFICE	Bathurst, N.B.
MONTREAL OFFICE	1661 Sun Life Building

Financial Highlights of the Year

Year ended December 31, 1946

Production (in tons).....	122,359
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Sales (net).....	\$11,753,798
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Net Profit after Taxes.....	\$ 996,319
<hr/>	
Per Share—Class "A".....	\$ 2.28
Class "B".....	.28
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Dividends paid Class "A".....	\$ 400,000
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Per Share.....	\$ 1.00
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Working Capital.....	\$ 3,286,165
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Timber Limits, Plant & Equipment (net).....	\$13,581,574
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Net Worth (Capital Stock and Surplus).....	\$17,392,832
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Number of Employees (Excluding Woodlands Seasonal Employees).....	1314
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Payroll (Wages and Salaries) all Employees.....	\$ 3,929,123
(Including Woodlands Seasonal Employees)	
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Taxes.....	\$ 1,209,863
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Per Share Taxes—Class "A".....	\$ 3.02
<hr/>	
Capital—No. Shares—Class "A".....	400,000
Class "B".....	300,000
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Number of Shareholders—Class "A".....	3,591
Class "B".....	1,434
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BATHURST POWER & PAPER COMPANY LIMITED

(Incorporated under the Laws of the Dominion of Canada)

Report of Directors

TO THE SHAREHOLDERS:

The Directors submit herewith the following report on the Company's affairs together with the Consolidated Statement of Profit & Loss covering operations for the year ended December 31, 1946, the Consolidated Statement of Earned Surplus and Balance Sheet as at December 31, 1946, and the report of the Auditors, Messrs. Price, Waterhouse & Co.

FINANCIAL

The consolidated statements presented herewith are not comparable with the previous year's accounts, since the financial position and the results of the operations of the two shipping container subsidiaries, Shipping Containers Limited and Kraft Containers Limited, are now included herein.

Before Depreciation, Depletion and Taxes, the income in 1946, including premium on exchange of \$90,069, amounted to \$2,327,598. Deductions from income in 1946 for Depreciation and Depletion were \$606,279.

Provision for estimated Dominion Income and Excess Profits Taxes was \$795,000.

Consolidated Net Earnings for the year 1946, after crediting \$70,000, the remainder of the reserve, established in 1944 to meet the higher cost of restoring the pulpwood inventory to normal volume, were \$996,319. The two shipping container subsidiaries contributed substantially to these earnings.

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, before crediting balance of reserve provided in 1944 to meet cost of restoring pulpwood inventory to normal.....	\$ 926,319
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Charges included therein not involving cash outlay

Depreciation.....	\$489,877	
Depletion.....	116,402	
		606,279
Insurance fund revenue.....		1,403

Total funds which became available.....		<u>\$1,534,001</u>
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Disposition of Funds

Net change, resulting from acquisition of subsidiary company and consolidation thereof together with subsidiary company not consolidated in previous year.....	\$1,171,602
Expended for buildings, plant and machinery.....	593,680
Increase in prepaid and deferred charges.....	81,310
Direct debits and credits to Surplus (net).....	20,784
Miscellaneous debits and credits to Depreciation and Depletion Reserves (net).....	9,931
Dividends paid.....	400,000

\$2,277,307

Less: Decrease in Working Capital.....	743,306
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Total as above.....	<u>\$1,534,001</u>
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Net Current and Working Assets were \$3,286,165 at December 31, 1946. Cash and Securities at the year-end amounted to \$1,006,358. The bank loan of \$1,400,000 at December 31, 1946, has since been reduced to \$1,000,000.

Four quarterly dividends of 25c each on Class "A" shares were paid during 1946, amounting in all to \$400,000 which sum was charged against Earned Surplus. At the end of the year the consolidated balance at the credit of Earned Surplus was \$2,140,648.

Plants of the subsidiary companies, Shipping Containers Limited and Kraft Containers Limited are included in Properties in the Consolidated Balance Sheet at replacement values of \$2,080,951 as at December 31, 1945, plus subsequent additions at cost. The above valuation is in accordance with appraisal reports certified by Industrial Valuation Company Limited, dated March 15, 1946. Depreciation amounting to \$589,693 in respect of these two plants is included in the Reserve for Depreciation shown on the Consolidated Balance Sheet. This basis has the effect of reflecting in the attached Balance Sheet under Properties, the excess of the cost of the shares of the subsidiaries over their book value at date of acquisition.

Inventories of parent and subsidiary companies, including expenditures for current season's logging operations, amounted to \$4,092,680.

The policy of charging pulpwood and certain other basic raw materials into production at current costs, on what is known as the "last-in-first-out" system, was continued through 1946. Inventory values of such materials are substantially below replacement costs. The pulpwood inventory at the year-end having been restored to a quantity somewhat in excess of that on hand at December 31, 1939, the Directors have determined that it is proper that the balance of the reserve set aside in 1944, to meet the cost of restoring the pulpwood inventory to normal, should be restored to profits. Accordingly the sum of \$70,000 representing this balance has been charged against the reserve and credited to earnings of the current year.

PROPERTIES

Capital expenditures for additions to properties during the year 1946 amounted to \$593,680. These expenditures were confined almost entirely to Mill and Woodlands operations, being a part of the general programme of rehabilitation referred to in last

year's report. Included therein were certain improvements to the Kraft Pulp Mill and Kraft Liner and Corrugating Board Mill which have not only assisted in reducing basic costs but have also added somewhat to productive capacity. During the year steps were taken toward the rehabilitation of the Wood Handling and Wood Preparing plants at the Mill, these plants having reached an age where repairs no longer suffice. It is expected that part of this programme will be in operation next summer, although the whole plan will take several years to complete.

During the year a new and well equipped Laboratory for development and research work was added to the plant, thus making possible the carrying on of progressive development work so essential to the progress of this industry.

An order has been placed for an additional steam turbo-generator unit for the power plant. This unit, which will have a rated capacity of 7,500 kilowatts, is of the back-pressure type and will not only provide additional power but will also serve to reduce power costs. It is expected that it will be in operation early in 1948.

The position of equipment manufacturers with respect to the delivery of their product is such as to make it necessary for the organization of the Company to plan for improvement and rehabilitation work long in advance of what was considered normal in pre-war days.

PRODUCTION OF MILL AT BATHURST

	Year Ended December 31st			
	1946	% of Total	1945	% of Total
Kraft Products (Liner and Corrugating Board)	77,214	63.10	69,786	60.83
Unbleached Sulphite	24,393	19.94	24,265	21.15
Boxboards	20,752	16.96	20,676	18.02
	<u>122,359</u>	<u>100%</u>	<u>114,727</u>	<u>100%</u>

Total production during the year increased 7,632 tons or 6.65%. During the past three years overall production has increased by

17,853 tons, reflecting a steady growth of productive ability and demand.

Basic costs of raw materials, supplies and wages continued their rising trend. Last year's report referred to an increase in wage rates of three cents per hour which became effective on January 1st, 1946. This was followed by a further increase of ten cents per hour in line with the rest of the industry in the Maritimes, on July 1, 1946.

Deliveries of pulpwood during 1946 were reasonably satisfactory and the inventory of pulpwood at December 31, 1946, was normal, having regard to the current production requirements of the mill. The general situation for the present season is well in hand.

SALES AND MARKETS

The consolidated sales, eliminating inter-company transactions, amounted to \$11,753,798,

Total sales of the mill production in the year 1946 were 122,304 tons compared with 115,181 tons in 1945. Sales volume was substantially the same as production resulting in no appreciable change in inventories of finished goods, which are well below normal levels. Sales of shipping containers were maintained at a satisfactory level, with demand in excess of supply.

It was stated in last year's Annual Report that appropriate relief was required, in price ceilings, to offset the serious rise which had taken place in all production costs. Some relief for this situation was obtained on April 1st, 1946, when the Wartime Prices and Trade Board permitted increases to be made in prices of all of the Company's products, including the production of the two shipping container subsidiaries. In addition there were several increases in the price of unbleached sulphite pulp sold to customers in the United States during the year. These increases were of assistance in meeting the rising costs referred to in last year's report.

Effective January 13, 1947, further relief in the price situation occurred when kraft liner and corrugating board prices were permitted to be increased by approximately \$10.00 per ton, box-boards by approximately 10%, and unbleached sulphite pulp for sale in Canada by \$6.00 per ton. At the same time price ceilings

for shipping containers were permitted an increase sufficient to offset the higher cost of container boards. In addition, on January 1st, 1947, the price of unbleached sulphite pulp in the United States increased \$11.00 per ton, and a further increase is expected to be made effective on April 1st.

ORGANIZATION

Reinstatement of the Company's employees who served in the armed forces was almost completed during the year. This was accomplished through careful study of each case beforehand, with the assistance of a Reinstatement Committee comprised of employees and management. A total of 305 men and women have now returned to the various divisions of the Company.

The work of the Mutual Interest Board was expanded through the establishment of production committees in some of the mill departments. These committees, which provide informal channels for the exchange of production ideas, between employees and management, are proving constructive, and are assisting in the development of mutual understanding of manufacturing problems.

Twelve employees were retired during the year and commenced to draw annuities under the Company's pension plan. The voluntary participation of employees, under the supplement to the retirement plan, providing for contributions on their part, broadened somewhat.

TAXES

The tax bill of the Company for 1946 (including provision for Dominion Income and Excess Profits Taxes of \$795,000, plus real estate, unemployment insurance, stumpage dues, workmen's compensation, and other Provincial Government levies) amounted to \$1,209,863. The following tabulation illustrates the impact of the present scale of taxation :

Per \$100 of Net Sales.....	\$10.29
Per \$100 of total payroll.....	\$30.79
Per Class "A" share.....	\$ 3.02

OUTLOOK FOR 1947

Demand for the Company's products and those of its subsidiaries continues, as throughout last year, in excess of supply, and the Directors and Officers of the Company look forward to the future with confidence

The Hon. G. P. Burchill was elected to the Board, replacing Mr. F. J. Campbell, deceased.

The Directors record their appreciation of the loyal and efficient service which all members of the organization have rendered to the Company.

On behalf of the Directors,

R. L. WELDON,
President.

MONTREAL, March 26th, 1947.

BATHURST POWER & PAPER COMPANY LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statement of Profit and Loss for the Year Ended December 31, 1946

Net sales, less freight allowances and discounts.....	\$11,753,798.39
Cost of sales and expenses—	
Including manufacturing cost, general administration and selling expenses except officers' remuneration, directors' fees, legal expenses, interest on bank loans and after deducting miscellaneous operating income.....	9,278,006.93
	\$ 2,475,791.46
Non-operating revenue—	
Premium on exchange and sundry non-operating income	134,067.99
	\$ 2,609,859.45
<i>Deduct:</i>	
Officers' remuneration—including subsidiary companies.....	\$131,034.05
Legal expenses.....	27,696.07
Directors' fees.....	8,452.01
Employees' pension fund.....	50,000.00
Interest on bank loans.....	65,078.92
	282,261.05
Profit before depreciation, depletion and income and excess profits taxes.....	\$ 2,327,598.40
Depreciation.....	\$489,876.93
Depletion.....	116,402.12
	606,279.05
Net profit before income and excess profits taxes.....	\$ 1,721,319.35
Income and excess profits taxes.....	795,000.00
	\$ 926,319.35
Balance of reserve previously provided to meet cost of restoring pulpwood inventory.....	70,000.00
	\$ 996,319.35

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

*Consolidated Statement of Earned Surplus for the Year
Ended December 31, 1946*

Earned Surplus—December 31, 1945.....	\$1,561,412.12
Proportion of subsidiary company's 1945 profits transferred.....	3,701.13
	\$1,565,113.25
<i>Less:</i> Adjustments affecting prior years.....	20,784.04
	\$1,544,329.21
<i>Add:</i> Net profit for the year.....	996,319.35
	\$2,540,648.56
Dividends paid on Class "A" shares.....	400,000.00
Earned Surplus—December 31, 1946.....	\$2,140,648.56

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

Consolidated Balance Sheet—December 31, 1946

ASSETS

CURRENT ASSETS:	
Cash in banks and on hand.....	\$ 984,740.86
Marketable securities at cost..... (Quoted value \$22,552.50)	21,617.50
Accounts receivable, less reserve for doubtful accounts	993,477.05
Inventories of pulpwood, other raw materials, supplies and finished products, as determined and certified by the Management, valued at cost, by using in respect of pulpwood and basic raw materials of Bathurst Power & Paper Company Limited a "last-in first-out" inventory method, not in excess of market.....	2,903,173.15
Expenditures on current season's logging operations..	1,189,506.80
Cash surrender value of life insurance policies.....	31,073.50
	\$ 6,123,588.86
 PROPERTIES at book values December 31, 1934, with the cost of subsequent additions (excepting plants of container subsidiary companies valued at appraised replacement value of \$2,080,951.58 as certified by Industrial Valuation Company Limited as at March 15, 1946) 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
Land, buildings, plant and machinery, etc.....	12,522,253.60
	20,013,400.57
MISCELLANEOUS INVESTMENTS	45,004.00
REFUNDABLE PORTION OF EXCESS PROFITS TAX	102,647.47
 DEFERRED CHARGES:	
Prepaid taxes and unexpired insurance.....	\$ 106,457.11
Depletion on pulpwood on hand to be absorbed in future operations.....	60,474.52
Deferred charges applicable to future operations and other miscellaneous debits (net).....	262,679.63
	429,611.26
	\$26,714,252.16

Approved on behalf of the Board:

H. J. Webb }
R. L. Weldon } *Directors.*

LIABILITIES

CURRENT LIABILITIES:	
Bank loan (secured by pledge of outstanding capital stock of two subsidiary companies).....	\$ 1,400,000.00
Accounts payable and accrued liabilities.....	842,825.49
Income and excess profits taxes, less instalments paid..	390,310.74
Other taxes and stampage dues.....	204,287.40
	\$ 2,837,423.63
 NOTE: Income and excess profits taxes have been assessed to the year ending December 31, 1943, except one sub- sidiary company assessed to the year ending December 31, 1941. Provision for subsequent periods is stated in amounts deemed to be adequate, subject to the Government's claim for interest on arrears of Bathurst Power & Paper Company Limited under appeal and for which, to the extent of approximately \$17,000, no provision has been made on the books.	
 RESERVES:	
Depreciation of Buildings, Plant and Machinery....	\$ 5,101,988.44
Depletion of timber limits.....	1,329,837.69
Contingencies.....	29,158.95
Insurance on bush camps.....	23,011.17
	6,483,996.25
 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
(Class "A" shares are redeemable at \$65.00 per share upon 30 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
	\$15,240,000.00
Earned surplus—per statement attached.....	2,140,648.56
Deferred surplus—refundable portion of excess profits tax (per contra).....	\$102,647.47
<i>Less:</i> Portion thereof applicable to sub- sidiary companies at acquisition.....	90,463.75
	12,183.72
	17,392,832.28
	\$26,714,252.16

Submitted with our Report to the Shareholders, dated March 14, 1947.

PRICE, WATERHOUSE & Co., Auditors.

PRICE, WATERHOUSE & CO.

215 ST. JAMES STREET WEST
MONTREAL 1

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have made an examination of the books and accounts of Bathurst Power & Paper Company Limited, and its subsidiary companies for the year ending December 31, 1946, and have obtained all the information and explanations which we have required, and we report that the attached Consolidated Balance Sheet at December 31, 1946, read in conjunction with the note included thereon regarding the Government's claim for interest, is, in our opinion, properly drawn up so as to show a true and correct view of the combined financial position of Bathurst Power & Paper Company Limited and its subsidiary companies as 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 14, 1947.

BATHURST POWER & PAPER COMPANY LIMITED

PULP, PAPER AND BOARD MILLS:—
BATHURST - NEW BRUNSWICK

CORRUGATING PLANTS:—

SHIPPING CONTAINERS LTD. - MONTREAL, P.Q.
KRAFT CONTAINERS LTD. - HAMILTON, ONT.

PRODUCTS:—

<i>Mills</i>	<i>Corrugating Plants</i>
Fourdrinier Boards	Corrugated Shipping Cases
Kraft Liner & Corrugating	Corrugated Pads
Cylinder Boards	Corrugated Partitions
Patent Coated	Corrugated Specialties
Bleached Manilla	Chick Boxes
Pulp & Screenings	Fruit Baskets
Coloured Boards	Single Faced Rolls
Sulphite Pulp	Single Faced Sheets
Strong Unbleached Sulphite	Double Faced Sheets

SALES OFFICES:—

CORRUGATED PRODUCTS:—

SHIPPING CONTAINERS LTD.
155 Beaubien St. W., Montreal
KRAFT CONTAINERS LTD.
Cavell & Mons Avenues, Hamilton

BOARD AND PULP:—

Quebec —BATHURST POWER & PAPER CO. LTD.
1661 Sun Life Building, Montreal
Ontario —BATHURST POWER & PAPER CO. LTD.
159 Bay St., Toronto
Maritimes—BATHURST POWER & PAPER CO. LTD.
Bathurst, New Brunswick

OVERSEAS REPRESENTATIVES:—

United Kingdom—Herbert Cox Ltd., London, England
Australia — E. Luft & Sons Pty Ltd., Sydney, Australia
New Zealand—Neill, Cropper & Co. Ltd., Auckland,
New Zealand

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 14TH, 1947, 11.30 A.M.

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

