

20th
ANNUAL
REPORT



1947

BATHURST
POWER & PAPER COMPANY LIMITED

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BATHURST
POWER & PAPER COMPANY
LIMITED

AND

SUBSIDIARY COMPANIES



ANNUAL REPORT

1947

BATHURST POWER & PAPER COMPANY
LIMITED



Subsidiary Companies

CASCAPEDIA MANUFACTURING & TRADING COMPANY
CHALEURS, QUE.

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

JACQUET RIVER BOOM COMPANY
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>
R. H. CHRISTIAN	<i>Asst. Secretary</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

1947

Production (in tons).....	110,858
<hr/>	
Sales (net).....	\$12,589,806
<hr/>	
Net Profits after Taxes.....	\$ 1,301,476
<hr/>	
Per Share—Class "A".....	\$ 2.71
Class "B".....	.71
<hr/>	
Dividends paid Class "A".....	\$ 500,000
Dividend declared Class "A" payable March 1, 1948.....	150,000
<hr/>	
Dividends paid per Share.....	\$ 1.25
Dividend declared payable March 1, 1948.....	.37½
<hr/>	
Working Capital.....	\$ 3,362,301
<hr/>	
Timber Limits, Plant and Equipment (net).....	\$13,592,491
<hr/>	
Net Worth (Capital Stock and Surplus).....	\$18,060,668
<hr/>	
Number of Employees (Excluding Woodlands Seasonal Employees).....	1,366
<hr/>	
Payroll (Wages and Salaries) all Employees.....	\$ 4,428,707
(Including Woodlands Seasonal Employees)	
<hr/>	
Taxes.....	\$ 1,581,865
<hr/>	
Per Share Taxes—Class "A".....	\$ 3.95
<hr/>	
Capital—No. Shares—Class "A".....	400,000
Class "B".....	300,000
<hr/>	
Number of Shareholders—Class "A".....	3,569
Class "B".....	1,339
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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 following report on the Company's affairs is submitted by the Directors together with the Consolidated Statement of Profit & Loss for the year ended December 31, 1947, the Consolidated Statement of Earned Surplus and Balance Sheet as at December 31, 1947, and the report of the Auditors.

FINANCIAL

Comparative earnings for the years 1947 and 1946 are summarized hereunder.

	<i>Year ended December 31st</i>	
	<i>1947</i>	<i>1946</i>
EARNINGS	—	—
before Depreciation, Depletion and Taxes.....	\$2,896,094	\$2,327,598
<i>Less:</i>		
Depreciation and depletion.....	589,618	606,279
Estimated taxes on income.....	1,005,000	795,000
	<u>\$1,594,618</u>	<u>\$1,401,279</u>
	\$1,301,476	926,319
Balance of reserve previously provided to meet cost of restoring pulpwood inventory.....	—	70,000
Consolidated Net Earnings.....	<u>\$1,301,476</u>	<u>\$ 996,319</u>

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

Funds which became available

Consolidated Net Earnings.....	\$1,301,476
Charges included therein not involving cash outlay	
Depreciation and depletion.....	589,618
Decrease in prepaid and deferred charges.....	47,156
Direct credits to Surplus.....	15,729
Insurance fund revenue.....	1,154
	<hr/>
Total funds which became available.....	<u>\$1,955,133</u>

Disposition of Funds

Expended for buildings, plant and machinery....	\$ 588,244
Payment re interest in Chicoutimi Syndicate Agreement.....	624,000
Miscellaneous debits and credits to Depreciation and Depletion Reserves (net).....	12,289
Decrease in Reserve for Contingencies.....	17,000
Dividends paid on Class "A" shares.....	500,000
Dividend declared payable March 1, 1948 on Class "A" shares.....	150,000
Increase in Working Capital.....	107,209
	<hr/>
	\$1,998,742
Reduction in refundable portion of excess profits tax in respect of a subsidiary company whose standard profit was determined by the Board of Referees.....	43,609
	<hr/>
Total as above.....	<u>\$1,955,133</u>

The following salient features are given reflecting important aspects of the financial position of the Company and its subsidiaries at December 31, 1947:

Net Current and Working Assets.....	\$3,362,301
Cash and Marketable Securities.....	701,577
Bank Loans outstanding.....	2,124,000
Balance remaining to credit of Earned Surplus.....	2,820,668

Dividends on Class "A" Shares paid or declared during the year were as follows:

<i>Date of payment</i>	<i>Rate</i>	<i>Amount</i>
March 1, 1947.....	.25	\$100,000
June 2, 1947.....	.25	100,000
Sept. 1, 1947.....	.25	100,000
Dec. 1, 1947.....	.37½	150,000
Dec. 1, 1947 (Extra).....	.12½	50,000
Dividends paid in 1947.....	\$1.25	\$500,000
Dividend declared December 22, 1947 payable March 1, 1948.....	.37½	150,000
Dividends paid or declared charged to Earned Surplus		<u>\$650,000</u>

Inventories, including expenditures on current season's logging operations, increased \$1,170,310 as compared with 1946, mainly because of higher costs of raw materials, larger quantities of wood on hand at the mill, and advanced progress, at the year end, in the current season's logging operations, due to climatic conditions. The continuation of the "last-in-first-out" inventory method for pulpwood and certain basic raw materials has resulted in such materials being carried at inventory values substantially below replacement costs. Deliveries of pulpwood during 1947 were satisfactory, and all inventories are being maintained at levels deemed necessary for efficient operations.

On January 26, 1948 the Company issued and sold \$3,500,000 principal amount of First Mortgage Bonds Series "A" dated January 2, 1948 being part of an authorized issue of \$10,000,000 to be outstanding at any one time. This issue comprised \$800,000 3% Serial Bonds, maturing \$100,000 annually on January 2, 1951 to January 2, 1958 inclusive, and \$2,700,000 3¾% 20-year Bonds, maturing 1968. Out of the proceeds of this issue \$1,874,000 has been applied in reduction of bank loans.

Under Agreement dated September 12, 1947 the Company entered into a Syndicate with Nesbitt, Thomson & Company Limited and Joseph Simard in which Syndicate the Company had a 40% interest. The Syndicate was formed for the purpose of endeavouring to purchase from the Government of the Province of Quebec the physical assets and rights formerly owned by Quebec Pulp and Paper Corporation (in Bankruptcy) and its subsidiaries. The initial payment by the Company under the Agreement amounted to \$624,000. Owing to general business conditions the purchase has not been consummated and the Syndicate has been dissolved. The amounts contributed to the Syndicate by the members, representing their respective interests therein, less expenses, have been returned to them.

The consolidated tax bill for 1947 (including \$1,005,000 provision for taxes on income, plus real estate, unemployment insurance, stumpage dues, workmen's compensation, and other Provincial Government levies) amounted to \$1,581,865. The following tabulation illustrates the impact of the present scale of taxation:

Per \$100 of Net Sales	\$12.56
Per \$100 of total payroll	\$35.72
Per Class "A" share	\$ 3.95

PROPERTIES

Capital expenditures during 1947 were \$588,244. The additions to properties effected during the year represented a continuation of the general programme of rehabilitation contemplated in 1945. Past and present delays in the delivery of materials and equipment have created difficult problems in carrying out this work, and it is anticipated that completion of the programme will take longer than originally planned. Increased costs of construction are still evident.

PRODUCTION, SALES AND MARKETS

Production of Mill at Bathurst	Year Ended December 31st			
	1947 Tons	% of Total	1946 Tons	% of Total
Kraft Products (Liner and Corrugating Board).....	75,472	68.08	77,214	63.10
Unbleached Sulphite.....	18,788	16.95	24,393	19.94
Boxboards.....	16,598	14.97	20,752	16.96
	<u>110,858</u>	<u>100%</u>	<u>122,359</u>	<u>100%</u>

Production at Bathurst was curtailed due to the failure on September 21, 1947 of an electric generator in the steam power plant. Normal operations were resumed on November 27, 1947. Electrical and Machinery Break-down and Use and Occupancy insurance carried by the Company covered such contingency.

Manufacturing costs were higher reflecting increases in wage rates, raw materials and supplies.

Consolidated Sales, eliminating inter-company transactions, were \$12,589,806 for the year 1947.

The demand for all products of the Company and its subsidiaries continued throughout the year in excess of supply.

Price controls affecting products of the Company and its subsidiaries were suspended by the Wartime Prices and Trade Board during the year. However, similar prices established by rulings of the Wartime Prices and Trade Board were maintained by the Company and its subsidiaries until October 1947 when, due to increased costs of production, the price of Shipping Cases was increased by approximately 5% and an increase of 10% was effected in the prices of Kraft Products, Boxboards and Unbleached Sulphite.

Sales of Kraft Products, Shipping Cases and Boxboards represent the major portion of the gross income of the Company and its subsidiaries. The selling prices for these products have not increased proportionately with the advance in prices of general commodities.

ORGANIZATION

The Directors acknowledge and appreciate the continued loyalty, co-operation and efficient service rendered by those engaged in the operations of the Company and its subsidiaries.

The Company endeavours to maintain through its many and varied activities, a close liaison with all employees. The Mutual Interest Board, Welfare Association and Twenty-five Year Service Club materially contribute to the continued good relationship existing within the organization.

During the year thirty-one additional members joined the Twenty-five Year Service Club making a total of ninety-seven active working members who have individually rendered more than 25 years of service to the Company.

Ten employees were retired during the year, making a total of twenty-two employees drawing retirement benefits from the Pension Fund established for that purpose.

Group Insurance was extended to cover the employees of the two container subsidiaries where only partial coverage previously existed.

Increases in wages and salaries made effective during the year were comparable to those granted by the rest of the Industry.

OUTLOOK FOR 1948

While demand continues to be in excess of supply, general business conditions point to the possible development of more competitive markets. The Directors and Officers feel that the Company is in a sound position to face the future with confidence.

On behalf of the Directors,

R. L. WELDON,
President.

MONTREAL, April 7th, 1948.

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

*Consolidated Statement of Profit and Loss for the Years
Ended December 31, 1947 and 1946*

	<u>1947</u>	<u>1946</u>
Sales, less freight, allowances and discounts.....	\$12,589,805.67	\$11,753,798.39
Cost of products sold.....	8,871,859.26	8,788,306.94
	<u>\$ 3,717,946.41</u>	<u>\$ 2,965,491.45</u>
Miscellaneous income.....	116,666.09	166,177.04
	<u>\$ 3,834,612.50</u>	<u>\$ 3,131,668.49</u>
Administrative and selling expenses.....	\$ 814,826.18	\$ 688,991.17
Contribution to employees' pension fund.....	75,000.00	50,000.00
Interest on bank loans.....	48,692.54	65,078.92
	<u>\$ 938,518.72</u>	<u>\$ 804,070.09</u>
	<u>\$ 2,896,093.78</u>	<u>\$ 2,327,598.40</u>
Depreciation.....	\$ 500,509.05	\$ 489,876.93
Depletion.....	89,109.02	116,402.12
	<u>\$ 589,618.07</u>	<u>\$ 606,279.05</u>
	<u>\$ 2,306,475.71</u>	<u>\$ 1,721,319.35</u>
Estimated taxes on income.....	1,005,000.00	795,000.00
	<u>\$ 1,301,475.71</u>	<u>\$ 926,319.35</u>
Balance of reserve previously provided to meet cost of restoring pulpwood inventory.....	—	70,000.00
Net profit.....	<u>\$ 1,301,475.71</u>	<u>\$ 996,319.35</u>

Note: Included in administrative and selling expenses are the following items —

	<u>1947</u>	<u>1946</u>
Officers' remuneration including subsidiary companies.....	\$102,448.50	\$131,034.05
Legal expenses.....	10,631.01	27,696.07
Directors' fees.....	7,796.91	8,452.01
	<u>\$120,876.42</u>	<u>\$167,182.13</u>

The accompanying notes to consolidated financial statements should be read in conjunction with the above consolidated statement of profit and loss.

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

*Consolidated Statement of Earned Surplus for the Years
Ended December 31, 1947 and 1946*

	1947	1946
Earned surplus at close of previous year	\$2,140,648.56	\$1,565,113.25
Adjustments affecting prior years	15,729.19	20,784.04
Net profit—per statement attached	1,301,475.71	996,319.35
	\$3,457,853.46	\$2,540,648.56
Dividends paid during year on Class "A" shares	\$ 500,000.00	\$ 400,000.00
Dividends declared December 22 1947 payable March 1 1948 on Class "A" shares	\$ 150,000.00	—
	\$ 650,000.00	\$ 400,000.00
	\$2,807,853.46	\$2,140,648.56
Refundable portion of excess profits tax transferred from Deferred Surplus—		
Consolidated refundable portion	\$59,668.91	
<i>Less:</i> Portion thereof applicable to sub- sidiary companies at acquisition . . .	46,854.19	
	12,814.72	—
	\$2,820,668.18	\$2,140,648.56

The accompanying notes to consolidated financial statements should be read in conjunction with the above consolidated statement of earned surplus.

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

Consolidated Balance Sheet—December 31, 1947

ASSETS

	<u>1947</u>	<u>1946</u>
CURRENT ASSETS:		
Cash in banks and on hand.....	\$ 679,959.51	\$ 984,740.86
Marketable securities at cost..... (Quoted value \$22,260.00)	21,617.50	21,617.50
Accounts receivable, less reserve.....	1,368,662.41	993,477.05
Estimated amount receivable (net) in respect of prior years' taxes on income.....	74,253.18	—
Inventories (Note 1).....	3,648,277.26	2,903,173.15
Expenditures on current season's logging operations.....	1,614,712.72	1,189,506.80
	<u>\$ 7,407,482.58</u>	<u>\$ 6,092,515.36</u>
REFUNDABLE PORTION OF EXCESS PROFITS TAX.....	\$ 59,668.91	\$ 102,647.47
PROPERTIES (Note 2):		
Timber leases and licenses and undeveloped water powers.....	\$ 7,491,146.97	\$ 7,491,146.97
<i>Less: Reserve for depletion.....</i>	<i>1,416,946.05</i>	<i>1,329,837.69</i>
	<u>\$ 6,074,200.92</u>	<u>\$ 6,161,309.28</u>
Land, buildings, plant and machinery, etc.....	\$13,110,498.69	\$12,522,253.60
<i>Less: Reserve for depreciation.....</i>	<i>5,592,209.01</i>	<i>5,101,988.44</i>
	<u>\$ 7,518,289.68</u>	<u>\$ 7,420,265.16</u>
	<u>\$13,592,490.60</u>	<u>\$13,581,574.44</u>
MISCELLANEOUS INVESTMENTS AND ADVANCES:		
Interest in Chicoutimi Syndicate Agreement at cost..	\$ 624,000.00	\$ —
Sundry investments—		
At cost.....	45,000.00	45,000.00
At nominal value.....	3.00	4.00
	<u>\$ 669,003.00</u>	<u>\$ 45,004.00</u>
DEFERRED CHARGES:		
Prepaid taxes and unexpired insurance.....	\$ 81,475.94	\$ 137,530.61
Depletion on pulpwood on hand to be absorbed in future operations.....	51,343.31	60,474.52
Deferred charges applicable to future operations and other miscellaneous debits (net).....	280,709.29	262,679.63
	<u>\$ 413,528.54</u>	<u>\$ 460,684.76</u>
	<u>\$22,142,173.63</u>	<u>\$20,282,426.03</u>

Approved on behalf of the Board:

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

LIABILITIES

	<u>1947</u>	<u>1946</u>
CURRENT LIABILITIES:		
Bank loans (of which \$1,500,000.00 is secured) (Note 3).....	\$ 2,124,000.00	\$ 1,400,000.00
Accounts payable and accrued liabilities.....	1,017,619.93	842,825.49
Estimated taxes on income, less instalments paid (Note 4).....	481,986.74	390,310.74
Other taxes and stumpage dues.....	271,575.02	204,287.40
Dividend on Class "A" shares payable March 1, 1948.....	150,000.00	—
	<u>\$ 4,045,181.69</u>	<u>\$ 2,837,423.63</u>
RESERVE FOR CONTINGENCIES AND INSURANCE.....	\$ 36,323.76	\$ 52,170.12
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 the option of the Company 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—per statement attached.....	2,820,668.18	2,140,648.56
Deferred surplus—refundable portion of excess profits tax, less amount applicable to subsidiary companies at acquisition.....	—	12,183.72
	<u>\$18,060,668.18</u>	<u>\$17,392,832.28</u>
	<u>\$22,142,173.63</u>	<u>\$20,282,426.03</u>

The accompanying notes to consolidated financial statements should be read in conjunction with the above consolidated balance sheet.

Submitted with our Report to the Shareholders, dated March 8, 1948.

PRICE, WATERHOUSE & Co., Auditors.

BATHURST POWER & PAPER COMPANY LIMITED AND SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements

Note 1:

Pulpwood, other raw materials, supplies and finished products as determined and certified by the management; valued in respect of pulpwood and certain basic raw materials of Bathurst Power & Paper Company Limited by using a "last-in-first-out" inventory method, and in respect of other raw materials, supplies and finished products at cost, not in excess of market.

Note 2:

At book values December 31, 1934, with the cost of subsequent additions (excepting plants of container subsidiary companies carried 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.

Note 3:

Under a prospectus dated January 26, 1948, the Company issued \$3,500,000.00 First Mortgage Bonds Series "A" dated January 2, 1948 (of which \$800,000.00 are 3% serial bonds maturing \$100,000.00 annually from January 2, 1951 to 1958 inclusive, and \$2,700,000.00 are 3¾% 20-year bonds maturing January 2, 1968). Out of the proceeds of this issue \$1,874,000.00 has been applied in reduction of bank loans.

Note 4:

The Companies' tax returns have been assessed up to December 31, 1945, with the exception of one subsidiary company which has been tentatively assessed up to December 31, 1944. Provision for subsequent periods is stated in amounts deemed by the management to be adequate. Bathurst Power & Paper Company Limited has claimed for excess profits tax purposes \$168,784.25 as a reserve for future decline in inventory values. To the extent that the whole or any part of this reserve is not used to offset price or quantity decreases in the 1948 fiscal year, such amount must be added back in computing the profits subject to excess profits tax in the fiscal year 1947. The maximum liability in respect thereof is approximately \$25,000.00 and is not reflected in the statements attached.

PRICE, WATERHOUSE & CO.

215 ST. JAMES STREET WEST
MONTREAL 1

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have examined the consolidated balance sheet of Bathurst Power & Paper Company Limited, and its subsidiary companies as at December 31, 1947, and the consolidated statements of profit and loss and earned surplus for the year ending on that date, and have obtained all the information and explanations which we required. Our examination included such tests of the accounting records and other supporting evidence and such other procedures as we considered appropriate.

In our opinion the attached consolidated balance sheet, supplemented by the notes appended thereto, is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of Bathurst Power & Paper Company Limited and its subsidiary companies as at December 31, 1947, and the related consolidated statements of profit and loss and earned surplus present fairly the results of the combined operations for the year ending on 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 8, 1948.

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.
Caveil & 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. Lufft & 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 26TH, 1948, 11.30 A.M.

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

