

February

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BATHURST

annual report

1948

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BATHURST

POWER & PAPER COMPANY

LIMITED

AND

SUBSIDIARY COMPANIES

annual report

1948

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McGILL UNIVERSITY

**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.

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

*Deceased February 12, 1949

BOARD OF DIRECTORS

R. L. WELDON, *President*

P. A. THOMSON, *Vice-President*

R. H. CHRISTIAN,
Secretary and Treasurer

G. A. SCHRYER, *Asst. Treasurer*

F. D. LAMONT, *Asst. Treasurer*

OFFICERS

PRICE, WATERHOUSE & CO.
Montreal

AUDITORS

HEAD OFFICE, Bathurst, N.B.

MONTREAL OFFICE
1661 Sun Life Building

OFFICES

H I G H L I G H T S

	◆ 1948 ◆	◆ 1947 ◆
Sales (net)	\$15,586,248	\$12,589,806
Net Profit	\$ 1,685,486	\$ 1,301,476
Per Share— Class "A"	\$ 3.26	\$ 2.71
Class "B"	1.26	.71
Dividends declared—Class "A"	\$ 900,000	\$ 550,000*
Class "B"	75,000	—
*Excluding dividend \$100,000 declared December 23, 1946, paid March 1, 1947, charged to Earned Surplus during 1947.		
Dividends declared Class "A" per Share	\$ 2.25	\$ 1.37½
Dividend declared Class "B" per Share	.25	—
Working Capital Including Cash and Marketable Securities \$3,645,062 (1948) and \$701,577 (1947).	\$ 7,940,133	\$ 3,362,301
Properties (net)	\$13,691,679	\$13,592,491
Funded Debt	\$ 3,500,000	—
Capital Stock—Class "A" 400,000 Shares	\$14,400,000	\$14,400,000
Class "B" 300,000 Shares	840,000	840,000
Earned Surplus	3,531,154	2,820,668
Net Worth	\$18,771,154	\$18,060,668
Production (tons)	122,812	110,858
Employees Excluding Seasonal Employees	1,367	1,366
Payroll—all Employees Including Seasonal Employees	\$ 5,091,781	\$ 4,428,707
Taxes	\$ 1,863,151	\$ 1,581,865
Taxes per Share—Class "A"	\$ 4.66	\$ 3.95
Shareholders—Class "A"	3,464	3,569
Class "B"	1,293	1,339

BATHURST POWER & PAPER COMPANY LIMITED

(Incorporated under the Laws of the Dominion of Canada)

· · · · ·
· **REPORT OF DIRECTORS** ·
· · · · ·

TO THE SHAREHOLDERS:

The Directors submit the following twenty-first annual report on the affairs of the Company together with the Consolidated Statement of Profit & Loss for the year ended December 31, 1948, the Consolidated Statement of Earned Surplus and Balance Sheet as at December 31, 1948, and the report of the Auditors.

	FINANCIAL	<i>Comparative Earnings for year ended December 31</i>	
		1948	1947
EARNINGS			
Before Depreciation, Depletion and Taxes		\$3,512,181	\$2,896,094
<i>Less:</i>			
Depreciation and Depletion		636,695	589,618
Estimated Taxes on Income		1,190,000	1,005,000
		<u>\$1,826,695</u>	<u>\$1,594,618</u>
CONSOLIDATED NET EARNINGS		<u><u>\$1,685,486</u></u>	<u><u>\$1,301,476</u></u>

The improved earnings for 1948 were due to a greater volume of production, and higher efficiencies resulting from the additional investments in plant and equipment. Increases in selling prices, effected during the year, were not sufficient to take care of the increases in wages, raw materials, supplies and transportation costs.

Funds which became available from operations and other sources during the year, including the net proceeds from the sale of \$3,500,000 principal amount of First Mortgage Bonds, Series "A", and their disposition are reviewed hereunder.

RECEIVED FROM

Net Sales of our products after deducting \$1,121,698 freight and transportation costs thereon	\$15,586,248
Other sources, including interest on investments, refundable portion of Excess Profits Tax, etc.	91,932
Net proceeds from sale of First Mortgage Bonds, Series "A"	3,346,199
Reduction in Miscellaneous Investments	623,999
	<u>\$19,648,378</u>

DISPOSITION OF FUNDS

Cost of products sold, represented by labour, raw materials, administrative and selling expenses, etc.	\$11,924,026
Contribution to Employees' Pension Fund	100,000
Interest paid	122,668
Provision for taxes on income	1,190,000
Additions to buildings, plant and machinery	665,171
Bank loans retired	2,124,000
Increase in Working Capital excluding Bank loans retired	2,453,832
Increase in prepaid and Deferred Charges	22,969
Charges (net) to Depreciation and Depletion Reserves	70,712
Dividends declared during year--	
Class "A"	900,000
Class "B"	75,000
	<u>\$19,648,378</u>

Dividends declared during the year were as follows:

	<i>Date Declared</i>	<i>Date Payable</i>	<i>Rate</i>	<i>Amount</i>
CLASS "A"	Mar. 22, 1948	June 1, 1948	.37½	\$150,000
	June 28, 1948	Sept. 1, 1948	.37½	150,000
	Sept. 27, 1948	Dec. 1, 1948	.37½	150,000
	Dec. 20, 1948	Mar. 1, 1949	.37½	150,000
	Dec. 20, 1948	Mar. 1, 1949(Extra)	.75	300,000
			<u>\$2.25</u>	<u>\$900,000</u>
CLASS "B"	Dec. 20, 1948	Mar. 1, 1949	.25	<u>\$ 75,000</u>

The value of Inventories, including expenditures on current season's logging operations increased \$107,899 over 1947. Pulpwood and certain basic raw materials have been valued on the basis of the "last-in-first-out" method. This system has been in effect since 1940. Through the use of this procedure, these commodities are carried on the Company's books at values substantially below their replacement costs. Inventories are closely controlled and maintained at levels deemed necessary to meet the requirements of the Company and its subsidiaries.

The consolidated tax bill for 1948 (including \$1,190,000 provision for taxes on income, plus real estate, unemployment insurance, stumpage dues, workmen's compensation and other provincial government levies) amounted to \$1,863,151. It is to be noted that this total tax bill exceeded the net profit of the company, a situation which has existed for a number of years. The impact of the present scale of taxation is illustrated in the following tabulation:

	1948	1947
Per \$100 of Net Sales	\$11.95	\$12.56
Per \$100 of total payroll	36.57	35.72
Per Class "A" Share	4.66	3.95

PROPERTIES

Capital expenditures for additions to properties during 1948 were \$665,170.

The new 10,000 horse power, high-pressure, by-product, steam turbo-generator originally ordered in 1946, was received and placed in operation in June, 1948. With this installation, the mill power plant at Bathurst now has an overall capacity of approximately 25,000 horse power, in addition to the original hydro-electric plant at Great Falls with a capacity of 14,000 horse power at periods of full water flow. The new unit is operating satisfactorily and appreciably reduces the basic cost of power for the manufacturing process.

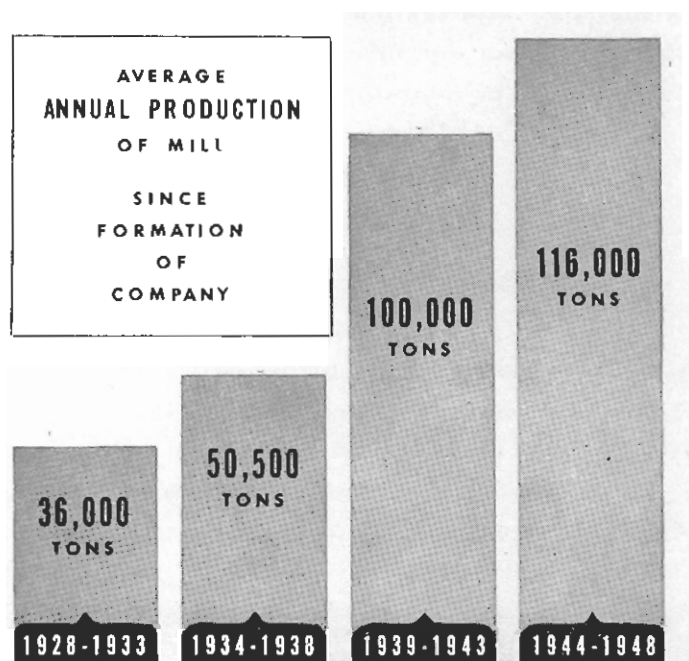
Rehabilitation of the Wood Preparing Department continued throughout the year. Work on the pulpwood haul-up, barking and washing drums, and sorting tables was completed early in the year, in time to receive and handle the 1948 deliveries of pulpwood. The design of this equipment embraced a number of new and advanced engineering features in wood preparation. The plant has operated very well and substantially reduced operating costs in this department.

Miscellaneous installations in mill, woodlands and container plants have all been made with a view to the development of economies in operation, and the marketing of competitive products.

All plants and equipment therein have been well maintained.

PRODUCTION

The year 1948, was the twenty-first year of operation since the Company was incorporated. Its growth in that period is represented clearly by the graphical presentation shown below. This naturally reflects a combination of both business conditions and productive capacity; the latter having been the governing factor for the past ten years.



Mill production for the year 1948 was 122,812 tons, an amount slightly in excess of that produced in the year 1947. Continuity of operations was well maintained.

**MILL PRODUCTION
IN TONS**

	1948	1947
KRAFT	79,707	75,472
PULP	22,006	18,788
BOXBOARD	21,099	16,598
	<u>122,812</u>	<u>110,858</u>

Basic costs of raw materials, supplies, wage rates and transportation continued to rise throughout the year and, in certain instances, further increases have taken place, since the end of the year.

Many important economies and increases in efficiency have been accomplished in the course of rehabilitating the plants. Engineering and Research work, for the development of new methods, necessary to meet the ever growing competitive demands for efficiency and quality, is being undertaken constantly. Wood consumption per ton of kraft pulp has been reduced 10 to 12 per cent, through the development at Bathurst, some years ago, of a process for the production of kraft pulp, consuming less pulpwood than heretofore. Known as the "high-yield" process it has been in successful operation at the Bathurst Mill for several years. It is anticipated further progress will be made in this direction by the Operating and Research Departments.

SALES

Consolidated Sales, eliminating inter-company transactions, were \$15,586,248 for the year 1948 compared with \$12,589,806 for the year 1947. The increase is represented by a substantial increase in volume of sales, and by increases in the prices of the various products sold, the latter made necessary by the rising costs of wage rates, raw materials, supplies and transportation.

During the past year sales and production have been approximately in balance and inventories of finished goods remain below normal.

Selling prices of Kraft Products, Shipping Cases and Boxboards continue to be maintained at levels below those of general commodities.

Sales, Research and Operating Departments work closely together to render customers of the Company and its subsidiaries full and effective service and in the development of new uses and new markets for the products of the Company.

ORGANIZATION

Regular employees of the Company and its subsidiaries, at the year end, numbered 1,367. In addition, seasonal employees rendered service to the Company in its woodlands and other divisions. The Directors acknowledge and appreciate the continued loyalty, co-operation and efficient service rendered by all, engaged in the operations of the Company.

Cordial relations existing within the organization are maintained and fostered through a better understanding, at all levels, of the mutual problems that arise. The programme of such work is extensive and expanding yearly. During the past year a continuous plan for foremanship training was introduced and is being carried on with success.

The welfare and safety activities, most of which are administered jointly with representatives of the employees, continued to receive active attention. It is well recognized that such activities contribute much in promoting the security and well being of all employees.

The hospital service plan which is financed through membership fees and Company contributions and which provides benefits for both employees and their dependent families has now been in operation over four and a half years. It has taken care of over 2,200 cases and has paid over \$60,000 for their hospital care.

In accident prevention work progress continues in all branches of the Company's activities. It is worthy of note that the mill in 1948 achieved its best safety record since the inception of the Company, twenty-one years ago.

Six employees were retired under the pension plan and we record with regret that the first deaths numbering three occurred among those previously retired. There are now twenty-five drawing benefits from the pension fund.

The long service of an additional group of employees received recognition when thirty employees of Shipping Containers Limited became members of the Fifteen Year Service Club of the Company.

Adjustments in wages and salaries were granted to employees during the year comparable to those given in other similar sections of the industry.

OUTLOOK

During the past year, the volume of Canadian business was higher than ever before. The steady augmentation of productive facilities since the end of the War has brought supply more closely in line with demand. Competitive conditions are being rapidly restored although demand continues at reasonably high levels.

The Directors and Officers feel that the Company can look forward to the future with confidence in the Company's position in the Industry.

The Directors announce with sincere sorrow the death, on February 12, 1949, of Lieut.-Col. H. J. Webb, a member of the Board of Directors. Lieut.-Col. Webb was formerly Vice-President and Secretary-Treasurer of the Company for many years, having retired only last year owing to ill health. His passing is deeply regretted.

On behalf of the Directors,

A handwritten signature in cursive script, appearing to read "R. R. Welding". The signature is written in dark ink and is positioned to the right of the text "On behalf of the Directors,".

MONTREAL, March 7th, 1949.

President.

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

CONSOLIDATED STATEMENT OF
PROFIT AND LOSS FOR THE
YEAR ENDING DECEMBER 31, 1948

	1948	1947
Sales, less freight, allowances and discounts	\$15,586,247.81	\$12,589,805.67
Cost of products sold	11,000,690.35	8,871,859.26
	<u>\$ 4,585,557.46</u>	<u>\$ 3,717,946.41</u>
Miscellaneous income	81,302.72	116,666.09
	<u>\$ 4,666,860.18</u>	<u>\$ 3,834,612.50</u>
Selling, administrative and general expenses	\$ 923,334.94	\$ 814,826.18
Contribution to employees' pension fund	100,000.00	75,000.00
Interest on bank loans	14,232.14	48,692.54
Interest on bonds	108,435.61	—
Amortization of bond discount and expenses	8,676.40	—
	<u>\$ 1,154,679.09</u>	<u>\$ 938,518.72</u>
	<u>\$ 3,512,181.09</u>	<u>\$ 2,896,093.78</u>
Depreciation	\$ 545,188.73	\$ 500,509.05
Depletion	91,506.26	89,109.02
	<u>\$ 636,694.99</u>	<u>\$ 589,618.07</u>
	<u>\$ 2,875,486.10</u>	<u>\$ 2,306,475.71</u>
Estimated taxes on income	1,190,000.00	1,005,000.00
Net profit	<u>\$ 1,685,486.10</u>	<u>\$ 1,301,475.71</u>

Note: Included in selling, administrative and general expenses are the following items -

	1948	1947
Officers' remuneration including subsidiary companies	\$106,681.90	\$102,448.50
Legal expenses	19,549.17	10,631.01
Directors' fees	8,765.00	7,796.91
	<u>\$134,996.07</u>	<u>\$120,876.42</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 YEAR ENDING
DECEMBER 31, 1948

	1948	1947
Earned surplus at close of previous year.....	\$ 2,820,668.18	\$ 2,140,648.56
Adjustments affecting prior years.....	—	15,729.19
Net profit—per statement attached.....	1,685,486.10	1,301,175.71
	<hr/>	<hr/>
	\$ 4,506,154.28	\$ 3,457,853.46
	<hr/>	<hr/>
Dividends on Class "A" shares.....	\$ 900,000.00	\$ 650,000.00
Dividend on Class "B" shares.....	75,000.00	—
	<hr/>	<hr/>
	\$ 975,000.00	\$ 650,000.00
	<hr/>	<hr/>
	\$ 3,531,154.28	\$ 2,807,853.46
	<hr/>	<hr/>
Refundable portion of excess profits tax transferred from Deferred Surplus, excluding portion applicable to sub- sidiary companies at acquisition.....	—	12,814.72
	<hr/>	<hr/>
	\$ 3,531,154.28	\$ 2,820,668.18
	<hr/>	<hr/>

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, 1948

	ASSETS		LIABILITIES		
CURRENT ASSETS:	1948	1947	CURRENT LIABILITIES:	1948	1947
Cash in banks and on call	\$ 2,605,791.36	\$ 679,959.51	Bank loans	\$	\$ 2,124,000.00
Marketable securities, at cost (Quoted value \$1,033,585.00)	1,039,267.50	21,617.50	Accounts payable and accrued liabilities	917,320.21	1,017,619.93
Accounts receivable, less reserve	1,376,531.13	1,368,662.11	Estimated taxes on income, less instalments paid	699,113.61	181,986.71
Estimated amount receivable (net) in respect of prior years' taxes on income	11,523.00	71,253.18	Other taxes and stampage dues	263,171.98	271,575.02
Inventories (Note D)	3,580,138.25	3,648,277.26	Bond interest accrued	61,938.70	
Expenditures on current season's logging operations	1,790,450.78	1,611,712.72	Dividend on Class "A" shares payable March 1, 1949	150,000.00	150,000.00
	\$10,407,008.02	\$ 7,407,482.58	Dividend on Class "B" shares payable March 1, 1949	75,000.00	
REFUNDABLE PORTION OF EXCESS PROFITS TAX	\$ 51,786.53	\$ 59,668.91		\$ 2,466,871.53	\$ 4,015,181.69
PROPERTIES (Note 2):			FIRST MORTGAGE BONDS:		
Timber leases and licenses and undeveloped water powers	\$ 7,491,116.97	\$ 7,491,116.97	Authorized	\$10,000,000.00	
Less: Reserve for depletion	1,508,811.88	1,116,916.05	Issued		
	\$ 5,982,305.09	\$ 6,074,200.92	3% Serial Bonds, Series "A", maturing \$100,000.00 per annum commencing January 2, 1951	\$ 300,000.00	\$
Land, buildings, plant and machinery, etc.	\$13,775,669.32	\$13,110,498.69	3 3/4% Sinking Funds Bonds, Series "A", maturing January 2, 1968	2,700,000.00	
Less: Reserve for depreciation	6,066,295.71	5,592,209.01		\$ 3,500,000.00	\$
	\$ 7,709,373.61	\$ 7,518,289.68	RESERVE FOR CONTINGENCIES AND INSURANCE	\$ 39,071.15	\$ 36,323.76
	\$13,691,678.70	\$13,592,490.60	COMMON STOCK AND SURPLUS:		
MISCELLANEOUS INVESTMENTS AND ADVANCES:			Class "A"		
Interest in Chicoutimi Syndicate Agreement, at cost	\$	\$ 621,000.00	Authorized	750,000 shares without nominal or par value	
Sundry investments			Issued	400,000 shares without nominal or par value	\$11,100,000.00
At cost	15,000.00	15,000.00	(Class "A" shares are redeemable at the option of the Company at \$65.00 per share upon thirty days' notice)		\$11,100,000.00
At nominal value	1.00	3.00	Class "B"		
	\$ 15,001.00	\$ 669,003.00	Authorized	500,000 shares without nominal or par value	
DEFERRED CHARGES:			Issued	300,000 shares without nominal or par value	\$10,000.00
Prepaid taxes and unexpired insurance	\$ 55,001.23	\$ 81,175.91	Earned surplus per statement attached	3,531,151.28	2,820,668.13
Depletion on pulpwood on hand to be absorbed in future operations	51,127.06	51,313.31		\$13,771,151.28	\$13,060,668.13
Deferred charges applicable to future operations and other miscellaneous debits (net)	330,366.10	280,709.29			
Unamortized portion of bond discount and expenses	115,125.02				
	\$ 581,622.71	\$ 413,528.51			
	\$24,777,099.96	\$22,142,173.63		\$24,777,099.96	\$22,142,173.63

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

Approved on behalf of the Board:

R. L. WELDON }
P. A. THOMSON } *Directors.*

Submitted with our Report to the Shareholders dated February 26, 1949.

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.

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, 1948, 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, 1948, 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, February 26, 1949.

BATHURST

POWER & PAPER COMPANY

LIMITED

PRODUCTS

PULP, PAPER AND BOARD MILLS
BATHURST, NEW BRUNSWICK

CORRUGATING PLANTS
SHIPPING CONTAINERS LTD.
Montreal, P.Q.

KRAFT CONTAINERS LTD.
Hamilton, Ont.

SALES OFFICES

CORRUGATED PRODUCTS
SHIPPING CONTAINERS LTD.
155 Beaubien St. W., Montreal
KRAFT CONTAINERS LTD.
Cavell & Mohs 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. Luff & Sons Pty Ltd. *Sydney, Australia*

NEW ZEALAND
Neill, Cropper & Co. Ltd. *Auckland, New Zealand*

MILLS

FOURDRINIER BOARDS
Kraft Liner & Corrugating

CYLINDER BOARDS

Patent Coated
Bleached Manilla
Pulp & Screenings
Coloured Boards

SULPHITE PULP
Strong Unbleached Sulphite

CORRUGATING PLANTS

Corrugated Shipping Cases
Corrugated Pads

Corrugated Partitions

Corrugated Specialties

Chick Boxes

Fruit Baskets

Single Faced Rolls

Single Faced Sheets

Double Faced Sheets

PULPWOOD

The basic raw material



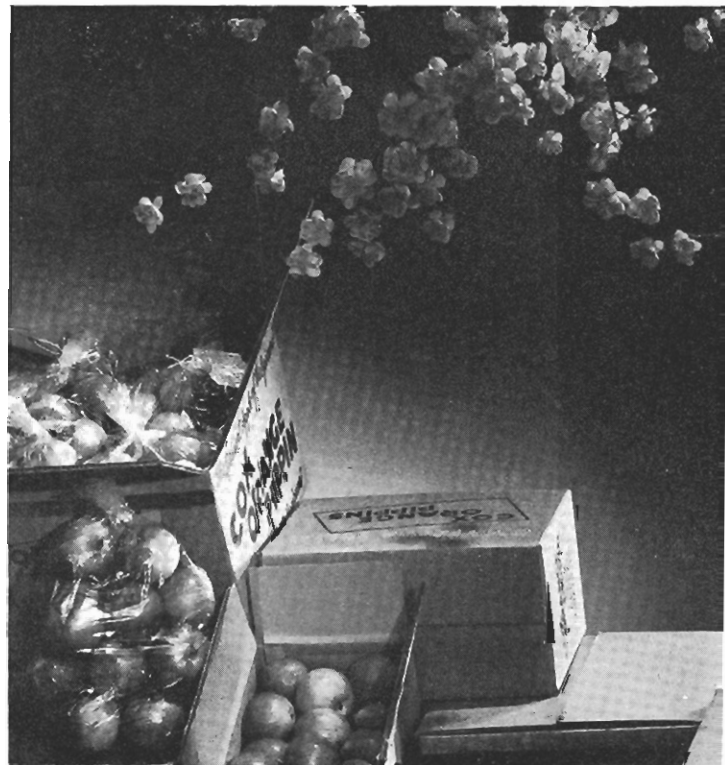
Timber limits, in Quebec and New Brunswick, held under Crown Licenses, comprise approximately 2,700 square miles. Operations are conducted on scientific forestry principles to safeguard these natural resources and to provide the mill with its raw materials.

Modern technical methods and scientific control follows the harvest of pulpwood through the mill where it is processed into Kraft liner, Kraft corrugating board, Boxboards and Pulp.

Manufacture of skilfully designed and well constructed Shipping Cases, from Kraft liner and Kraft corrugating board supplied by the mill, is undertaken by the two subsidiary companies in Montreal and Hamilton.

SHIPPING CASES

Manufactured for the packaging of
Canadian goods.



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 24TH, 1949
11.30 A.M.

