

# Canadian Western Lumber Company, Limited

(Incorporated under the laws of the Dominion of Canada),

AND ITS SUBSIDIARY COMPANIES.

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*Notice of Annual Meeting*

AND

DIRECTORS' REPORT

AND

CONSOLIDATED BALANCE SHEET AND FINANCIAL STATEMENTS

AS AT

31st DECEMBER, 1940.

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# Canadian Western Lumber Company, Limited

(Incorporated under the laws of the Dominion of Canada),

AND ITS SUBSIDIARY COMPANIES.

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## *Notice of Annual Meeting*

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## DIRECTORS' REPORT

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## CONSOLIDATED BALANCE SHEET AND FINANCIAL STATEMENTS

AS AT

**31st DECEMBER, 1940.**

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### Board of Directors.

H. J. MACKIN, *President and Managing Director.*

A. J. MITCHELL, *Vice-President.*

T. BLUNDELL BROWN.

COL. K. R. MARSHALL, C.M.G., D.S.O.

JOHN DAVIDSON.

C. L. BURTON.

J. F. LASH, K.C.

### Secretary.

W. A. WALKER, Toronto.

### Treasurer.

G. G. STEWART, Vancouver.

### Offices.

25, KING STREET WEST, TORONTO, AND MARINE BUILDING, VANCOUVER.

### Secretary and Registrar in England.

THE BRITISH EMPIRE TRUST COMPANY, LIMITED,

*(Temporary Address)*

213 Finchampstead Road, Wokingham, Berks.

# Canadian Western Lumber Company, Limited

(Incorporated under the laws of the Dominion of Canada),

FRASER MILLS, BRITISH COLUMBIA,  
AND ITS SUBSIDIARY COMPANIES.

## THIRTY-FIRST ANNUAL REPORT OF THE DIRECTORS.

To be submitted at the Annual Meeting to be held in Toronto on Tuesday, the 29th day of April, 1941, at 12 o'clock noon (Eastern Daylight Saving Time).

To the shareholders of

CANADIAN WESTERN LUMBER COMPANY, LIMITED.

The Consolidated Balance Sheet and Financial Statements for the year ended 31st December, 1940, are submitted herewith by your Directors.

The Earnings for the year 1940 as shown on the Consolidated Statement of Income and Expenditure (page 6) amounted to . . . . . \$1,499,345.09  
from which there has been deducted Reserves—

For Depreciation and Obsolescence of Buildings, Plant, Equipment, etc. . . . .	\$186,194.88	
For Depreciation of Investments . . . . .	41,894.98	
For Taxes . . . . .	654,000.00	882,089.86
		<hr/>
leaving		\$ 617,255.23

*Deduct*—Interest on 5 per cent. First Mortgage Debenture Stock:

For the half-year to 30th June, 1940, due and paid 1st December, 1940; together with Interest to date of redemption on Stock drawn through Sinking Fund . . . . .	\$ 62,906.74
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For the half-year to 31st December, 1940, accrued, payable 1st June, 1941 . . . . .	33,589.49
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96,496.23

leaving a balance of

\$ 520,759.00

from which there has been appropriated for Sinking Fund for the year to 31st December, 1940, in respect of 5 per cent. First Mortgage Debenture Stock an amount of . . . . .

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348,928.67

leaving a balance available from the year's earnings towards payment of Interest on the 5 per cent. Cumulative Income Debenture Stock of . . . . .

\$ 171,830.33

to which should be added the amount brought forward from earnings of previous years . . . . .

491.96

making a total of

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\$ 172,322.29

which surplus of \$172,322.29 of earnings will enable a payment of 3 per cent. to be made on 1st June, 1941, on the 5 per cent. Cumulative Income Debenture Stock in respect of the year 1940. The payment of this Interest will require \$166,339.70, and the small balance which it is impracticable to divide will be held by the Trustees for distribution with such future amounts as may become available.

It will be noted that the Earnings have enabled the Company to provide the full Sinking Fund for the year in the amount of \$348,928.67 for redemption of 5 per cent. First Mortgage Debenture Stock.

During the year 194,305,191 feet of lumber were sold, as compared with 200,203,982 feet in the previous year—a decrease of 5,898,791 feet. The amount realized from sales shows an increase of \$362,165.27 as compared with the previous year.

Earnings, after absorbing increased costs for labour and supplies and before provision for taxes, show a substantial improvement over the previous year, brought about by the higher average prices realized. However, the betterment is more than offset by additional income taxes levied because of the War. Provision to meet these taxes has been made in the year's Accounts.

Sales of lumber and other products were made in satisfactory volume to the United Kingdom, Australia, South Africa, British West Indies and minor markets. The scarcity of ships during the first four months and the last month of the year resulted in considerably reduced shipments. The United States of America absorbed only a very small part of the Company's production. Good crops were harvested again this year in the Prairie Provinces but the low price of grain and marketing difficulties prevented the expansion in trade which would have resulted under more favourable conditions. Requirements of the Canadian Department of National Defence created an important demand for the Company's products.

Some slight headway was made during the year in disposing of properties taken over in previous years in settlement of outstanding accounts on the Prairies. Unfortunately, prices realized from sales of properties resulted in losses which have been charged to Reserves created therefor in past years. It has been considered prudent to provide \$41,894.98 for further expected losses.

The lumbering industry on the British Columbia coast is largely dependent on external trade and due to the disruption of overseas markets and the uncertainty of shipping, it is impossible to make any forecast of value for the current year. The Company is well equipped with production facilities and selling organization to share in any demand for forest products.

Your Board wishes to record its appreciation of the loyal services rendered by staff and employees during the year.

Respectfully submitted,

H. J. MACKIN,

*President.*

TORONTO, CANADA,  
February 28th, 1941.

# CANADIAN WESTERN LUMBER COMPANY, LIMITED,

## AND ITS SUBSIDIARY COMPANIES CONSOLIDATED BALANCE SHEET, AS AT 31st DECEMBER, 1940

LIABILITIES		ASSETS	
<b>SHARE CAPITAL—</b>		<b>PROPERTIES—</b>	
Authorized and Issued: 3,100,000 Ordinary Shares of the par value of \$2.00 each of Canadian Western Lumber Company, Limited.....	\$6,200,000.00	Timber Limits (Company valuations as at 31st December, 1932, as per Directors' Report for that year).....	\$6,668,221.79
<i>Deduct—</i> 27,000 Shares owned by Subsidiary Company.....	54,000.00	Additions at Cost, less Disposals since 31st December, 1932.....	2,013,813.32
	<b>\$6,146,000.00</b>		8,682,035.11
		<i>Deduct—</i> Timber cut since 31st December, 1932.....	4,107,529.65
			4,574,505.46
<b>DEBENTURE STOCKS (Secured) maturing 1st December, 1945—</b>		Real Estate, Sawmills, Buildings, Plant, Equipment, Logging Construction, Tug-boats, etc. (at cost).....	6,494,719.68
5 per cent. First Mortgage Debenture Stock authorized.....	£1,629,314 = 7,929,328.13		<b>\$11,069,225.14</b>
<i>Less</i> Formerly issued as Collateral and available for re-issue.....	269,000 = 1,309,133.33		
	£1,360,314 = 6,620,194.80		
<i>Less</i> Redeemed to date.....	1,084,236 = 5,276,615.18		
	£ 276,078 = 1,343,579.62		
5 per cent. Cumulative Income Debenture Stock.....	£1,139,313 = 5,544,656.60		
		<b>INVESTMENTS—</b>	
	6,888,236.22	Mortgages, Real Estate and Buildings acquired, Agreements for Sale of Real Estate, Tax Sale Certificates and Miscellaneous Bonds and Shares, at book value less Reserve.....	279,556.89
<b>INTEREST ACCRUED (Secured), payable 1st June, 1941—</b>			
On 5 per cent. First Mortgage Debenture Stock.....	33,589.49	<b>CURRENT ASSETS—</b>	
On 5 per cent. Cumulative Income Debenture Stock.....	166,339.70	Logs, Lumber and Supplies, as per physical Inventories (at cost).....	2,414,984.69
	199,929.19	Bills and Accounts Receivable, less Reserve.....	524,372.04
		Cash in Bank and on Hand.....	516,141.13
			3,455,497.86
<b>CURRENT LIABILITIES—</b>		<b>CASH IN HANDS OF TRUSTEES—</b>	
Bills and Accounts Payable, General.....	435,918.42	For distribution to 5 per cent. Cumulative Income Debenture Stockholders on account of Arrears of Interest (as per contra).....	491.96
Mortgages (secured).....	5,840.11	Add—Interest accrued.....	215.24
Reserve for Taxes.....	725,497.38		707.20
	1,167,255.91	For Sinking Fund in respect of 5 per cent. First Mortgage Debenture Stock.....	289.95
			997.15
<b>SINKING FUND IN RESPECT OF 5 PER CENT. FIRST MORTGAGE DEBENTURE STOCK—</b>		<b>TRUST ACCOUNTS—</b>	
Earnings available as at 31st December, 1940, payable to the Trustees on or before 2nd April, 1941 (as per contra).....	348,928.67	From Sales of Mortgaged Premises—	
		Cash in Bank.....	\$256,020.41
<b>PROVISION MADE FOR FUTURE PAYMENT ON ACCOUNT OF ARREARS OF INTEREST ON 5 PER CENT. CUMULATIVE INCOME DEBENTURE STOCK (Secured)—</b>		Deferred Instalments.....	158,162.00
Balance of Earnings available as at 31st December, 1939 (as per contra).....	491.96		414,182.41
Added during year to 31st December, 1940, as per Consolidated General Statement of Income and Expenditure.....	171,830.33	Investments owned by The Columbia River Lumber Company, Limited, and deposited with the Trustees:	
	172,322.29	Debenture Stocks of Canadian Western Lumber Company, Limited (at par):	
<i>Deduct</i> 3 per cent. payable 1st June, 1941, transferred to Interest Accrued...	166,339.70	£ 83,740 5 per cent. First Mortgage Debenture Stock.....	407,534.66
	5,982.59	£381,243 5 per cent. Cumulative Income Debenture Stock.....	1,855,382.60
NOTE.—There are arrears of \$3,820,876.03 accumulated at 31st December, 1940, on the 5 per cent. Cumulative Income Debenture Stock of Canadian Western Lumber Company, Limited, which have not been provided for. Pending maturity of the Debenture Stock such Interest is payable only when Net Earnings are available.		Other Investments (at cost).....	260,652.22
			2,523,569.48
<b>ACCRETION ON INVESTMENTS</b> owned by The Columbia River Lumber Company, Limited, (which investments are deposited with the Trustees).....	456,966.06		2,937,751.89
		<b>DEFERRED CHARGES—</b>	
<b>RESERVES—</b>		Insurance, etc.....	85,914.98
For Depreciation and Obsolescence of Sawmills, Buildings, Plant, Equipment, Logging Construction, Tugboats, etc.....	4,519,728.69	<b>DEFERRED DEBITS TO INCOME AND EXPENDITURE ACCOUNT—</b>	
For General purposes.....	194,836.23	Sinking Fund in respect of 5 per cent. First Mortgage Debenture Stock (as per contra).....	348,928.67
	4,714,564.92	Depletion of Timber Limits not provided for by Sinking Fund or otherwise.....	1,749,990.98
			2,098,919.65
	<b>\$19,927,863.56</b>		<b>\$19,927,863.56</b>

Signed on behalf of the Board,

H. J. MACKIN, *Director*.

A. J. MITCHELL, *Director*.

TORONTO, ONTARIO,  
February 28th, 1941.

To the Shareholders,

We report that we have audited the books and accounts of CANADIAN WESTERN LUMBER COMPANY, LIMITED, and its Subsidiary Companies for the twelve months ended 31st December, 1940, and that we have obtained all the information and explanations we have required.

We are of the opinion that the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the combined state of the affairs of CANADIAN WESTERN LUMBER COMPANY, LIMITED, and its Subsidiary Companies according to the best of our information and the explanations given to us and as shown by the books of the respective Companies.

VANCOUVER, B.C.,  
February 10th, 1941.

HELLIWELL, MACLACHLAN & CO.,  
*Chartered Accountants, Auditors.*

**CANADIAN WESTERN LUMBER COMPANY, LIMITED,  
AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED GENERAL STATEMENT OF INCOME AND EXPENDITURE  
FOR THE 12 MONTHS ENDED 31st DECEMBER, 1940**

By TOTAL PROFIT FROM OPERATIONS.....		\$1,677,851.74
Less: Standing Timber taken from Subsidiary Company at cost price and used in operations.....		58,913.00
		\$1,618,938.74
" OPERATING PROFIT.....		\$1,618,938.74
<i>Deduct:</i>		
Remuneration of Executive Officers including Managing Director.....	\$126,546.00	
Directors' Fees.....	7,000.00	
Legal Remuneration and Costs.....	19,718.51	
		153,264.51
" NET OPERATING PROFIT before providing for Depreciation and Obsolescence, Depletion of Timber Limits and Income Taxes....		\$1,465,674.23
" Income from Investments.....		2,310.00
" General Interest—earned less paid.....		31,360.86
		\$1,499,345.09
To RESERVES:		
For Depreciation and Obsolescence of Sawmills, Buildings, Plant, Equipment, Logging Construction, Tugboats, etc.....	\$186,194.88	
For Depreciation of Investments.....	41,894.98	
For Taxes.....	654,000.00	882,089.86
		\$ 617,255.23
" INTEREST ON 5 per cent. First Mortgage Debenture Stock:		
For the half-year to 30th June, 1940, due and paid 1st December, 1940; together with Interest to date of redemption on Stock drawn through Sinking Fund.....	\$ 62,906.74	
For the half-year to 31st December, 1940, accrued, payable 1st June, 1941.....	33,589.49	
		96,496.23
By NET PROFIT for the year (without providing for Depletion of Timber Limits covered by Trust Deeds and before providing for Sinking Fund in respect of 5 per cent. First Mortgage Debenture Stock and Interest on 5 per cent. Cumulative Income Debenture Stock)....		\$ 520,759.00
which is available for the following purposes:		
Sinking Fund in respect of 5% First Mortgage Debenture Stock—Provision for the year to 31st December, 1940.....	\$348,928.67	
Balance available towards payment of Interest on 5 per cent. Cumulative Income Debenture Stock, carried to Consolidated Balance Sheet.....	171,830.33	
		\$ 520,759.00



# Canadian Western Lumber Company, Limited

(Incorporated under the Laws of the Dominion of Canada).

And Its Subsidiary Companies.

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DIRECTORS' REPORT  
AND  
CONSOLIDATED BALANCE SHEET  
AND FINANCIAL STATEMENTS,  
AS AT  
31st DECEMBER, 1940.

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*Notice of Annual Meeting.*

*To the Shareholders of*

**Canadian Western Lumber Company, Limited.**

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of CANADIAN WESTERN LUMBER COMPANY, LIMITED, will be held in the Company's Offices, 25 King Street West, in the City of Toronto, Canada, at the hour of 12 o'clock noon (Eastern Daylight Saving Time), on Tuesday, the 29th day of April, 1941, to receive and consider the Report of the Directors, the Consolidated Balance Sheet and Financial Statements of the Company and the Report of the Auditors; to elect Directors; to appoint Auditors; and to transact such other business as may properly be brought before the Meeting.

By Order of the Board,

W. A. WALKER,  
Secretary.

TORONTO, CANADA,  
March 29th, 1941.

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