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MILLAN BLOEDEL LIMITED

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Bank Letters

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Bank Letters

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Sr No.

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# H. R. MACMILLAN EXPORT COMPANY, LIMITED

## LUMBER AND SHIPPING

VANCOUVER, CANADA

~~W.H.M.~~  
~~W.H.V.~~  
~~L.R.S.~~  
~~E.B.B.~~  
H. H. W.

March 9th 1945

The General Manager,  
The Canadian Bank of Commerce,  
TORONTO - Canada.

Dear Sir:

The year ended September 30th 1944, the fifth year of war, was from a financial standpoint the best year in the history of this group of companies. The net consolidated profit after all operating costs, after making provision for depletion and depreciation equal to or in excess of amounts allowed by Income Tax authorities, and for income and excess profits taxes was \$1,274,003.43. Provision for taxes was \$1,713,780.45, being slightly over 57% of the net. Practically all companies of the group were in the excess profit bracket, the chief exception being the Canadian Transport Company Limited. Details will be given under the individual companies' headings.

In July 1944 the head company celebrated its 25th Anniversary. Incorporated July 28th 1919, as a British Columbia private company, it was re-incorporated in 1930 as a public Dominion company. The date of its new Letters Patent charter was February 3rd 1930. The Anniversary Dinner was not held until early October. 390 representatives of the various companies attended. The total employees at this time numbered over 2700.

The name of H.R. MacMillan Export Company Limited had become so well known to world timber trade that it appeared advisable to extend its use on a domestic basis as well. Consequently during the past year steps were taken to change the name of the various sales organizations in Canada, to correspond with the title so well known abroad, and also to use each channel for distribution of all products made or sold by the combined companies. The British Columbia Plywoods Limited was changed to H.R. MacMillan Sales Ltd. and its Ontario and Manitoba subsidiaries, formerly British Columbia Plywoods (Ontario) Limited and British Columbia Plywoods (Manitoba) Limited became respectively H.R. MacMillan Sales (Ontario) Limited, and H.R. MacMillan Sales (Manitoba) Ltd. There had been two incorporations in the Province of Quebec, H.R. MacMillan Export (Quebec) Limited and British Columbia Plywoods (Quebec) Limited. The former sold lumber, the latter plywood. It was decided to combine their functions. The name of the former was changed, for the sake of uniformity, to H.R. MacMillan Sales (Quebec) Ltd. It purchased all the assets of the other Quebec company, which will remain dormant.

As pointed out in the opening paragraph, practically all companies in the group were successful in filling their standards. It will be recalled that MacMillan Industries Limited had on technical grounds been debarred from receiving a standard of more than \$5,000.00. The application of Alberni Plywoods Limited was approved last August. That company received a standard of \$450,000.00, which



DEAR SIR:

ALBERNI - CANADA  
 THE CANADIAN BANK OF COMMERCE  
 THE GENERAL MANAGER

H.H.M.  
 E.B.B.  
 F.W.

MARCH 20TH 1944

was very satisfactory. Although it is still felt that MacMillan Industries Limited was and is entitled to a substantial increase, the Board's decision relative to the other plywood plant is a real benefit.

During the year more than 800 MM feet of timber were purchased, all in areas adjacent to our present operations. Full particulars of each purchase are given under the separate companies involved, and the total expended is shown under disposals at the end of this letter. These purchases are part of the firm's policy to obtain sufficient of its own timber to ensure adequate life to its manufacturing plants.

The year was marked by the redemption of the last of \$250,000.00 bonds issued by the British Columbia Plywoods Limited in April 1937. Although the group had previously assumed bonded obligations incurred through purchases, this was the first issue put out by any of our companies. All other capital and other obligations were paid when due.

It would not be fitting to let this opportunity pass without pointing out that in the latter part of 1943 the chief shareholders started negotiations to sell to the public a small fraction of their common shares. Due to Income Tax complications, negotiations were dropped after they had reached a satisfactory stage with the brokers involved. They were not re-opened until early in the present calendar year, when 50,000 shares were offered to the public and a further smaller quantity to employees.

The 50,000 shares were oversubscribed before the official date of offering; employees' shares were in accordance with requests received from them. All this should properly appear in our next letter, but it seems fitting to point it out here.

On December 1st 1943 the Regional War Labor Board approved of the principle of holidays with pay to wage earners. A clause to this effect has been written into labor agreements in the timber industry. To qualify, employees must have been steadily employed for a minimum of twelve months prior to the period when holidays were given. All the qualified employees at our manufacturing plants were given one week's holiday with pay, either at the July 1st or August 1st weekend. Those at the logging camps got similar holidays with pay at Christmas.

Herewith is a list showing the number of employees at our various plants, camps and offices. Office employees of the various plants and camps are added to the wage-earners there -

	1944	1945	
<u>Plywood Plants</u>			
Alberni Plywoods Limited	236	239	
MacMillan Industries Ltd. (Plywood Division)	715	651	951
	951	890	
<u>Sawmills</u>			
Canadian White Pine Company Limited	597	540	
Alberni Pacific Lumber Company Limited	420	372	
Shawnigan Lake Lumber Company Limited	24	30	1,041
	1041	942	

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**Logging**

Alberni Pacific Lumber Company Limited	260	260	
Northwest Bay Logging Company Limited	175	161	
Shawnigan Lake Lumber Company Limited	34	40	
Iron River Logging Company	115	146	
Coast Mills Export Company Limited - Sorting	10	12	594
			<u>594</u>

**Office**

H.R. MacMillan Export Company Limited	85	84	
Canadian Transport Company Limited	20	25	
H.R. MacMillan Sales (Manitoba) Ltd (includes 7 warehouse staff)	12	14	
H.R. MacMillan Sales (Ontario) Limited (includes 7 warehouse staff)	12	13	
H.R. MacMillan Sales (Quebec) Ltd (includes 2 warehouse staff)	6	11	135
			<u>135</u>
<b>Total</b> ... ..			<u>2,721</u>

*Grand Total* 2,721

Employees of companies not included, such as Alpine Timber Company Limited, work on a part time basis only and are included in other companies, principally H.R. MacMillan Export Company Limited.

1. Statements of the following companies are enclosed. With the exception of name changes these are the same as for last year -

- (A) H.R. MacMillan Export Company Limited
- (B) Alberni Plywoods Limited
- (C) Alberni Pacific Lumber Company Limited
- (D) Alberni Pacific Transport Company Limited
- (E) Alpine Timber Company Limited
- (F) H.R. MacMillan Sales Ltd.
- (G) H.R. MacMillan Sales (Manitoba) Ltd.
- (H) H.R. MacMillan Sales (Ontario) Limited
- (I) British Columbia Plywoods (Quebec) Limited
- (J) H.R. MacMillan Sales (Quebec) Ltd.
- (K) Canadian White Pine Company Limited
- (L) Canadian Transport Company Limited, including Iron River Logging Co.
- (M) Coast Mills Export Company Limited
- (N) MacMillan Industries Limited
- (O) Northwest Bay Logging Company Limited
- (P) Nanoose Trucking Company Limited
- (Q) North Island Trucking Company Limited
- (R) Shawnigan Lake Lumber Company Limited
- (S) Consolidated

(18) During the year a Royal Commission on Forestry was appointed by the Provincial Government. The company appointed an experienced Forester, to be in a position to fulfil its obligations and take advantage of the opportunities.

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1942 1943 1944

N. 1944 P. M.

(11) COMBINED BALANCE SHEET

These figures are not the 1942 balance sheet figures, but the adjusted figures after taking into consideration the special depreciation allowed early in 1943. The deferred surplus - refundable tax item, disappeared in 1944 due to the standard profit award.

	1942	1943	1944
Paid-up Capital	\$350,000.	\$350,000.	\$350,000.
Surplus	7,547.	85,283.	342,700.
Deferred Surplus, Refundable Tax	-	5,700.	-
Buildings, Plant, after depreciation	827,410.	428,805.	336,618.
Tax Reserve	14,898.	72,167.	133,225.
Depreciation Reserve	132,918.	559,831.	648,016.
Daily production plywood 1/16th	575	744	532
Daily production railroad ties	88	100	83
Value of daily production plywood	\$3,603.	\$6,868.	\$4,914.
Value of daily production ties	50.	73.68	83.
Daily Payroll	\$1,041.	\$1,587.	\$1,086.

**(B) ALBERNI PLYWOODS LIMITED**

**(i) Company set-up:**

There have been no changes in company set-up this year

**(ii) Company progress:**

	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943	Year Ended Sept. 30, 1944
Paid-up Capital	\$350,000.	\$350,000.	\$350,000.
Surplus	7,547.	85,283.	342,700.
Deferred Surplus, Refundable Tax	-	5,700.	-
Buildings, Plant, after depreciation	827,410.	428,805.	336,618.
Tax Reserve	14,898.	72,167.	133,225.
Depreciation Reserve	132,918.	559,831.	648,016.
Daily production plywood 1/16th	575	744	532
Daily production railroad ties	88	100	83
Value of daily production plywood	\$3,603.	\$6,868.	\$4,914.
Value of daily production ties	50.	73.68	83.
Daily Payroll	\$1,041.	\$1,587.	\$1,086.

These figures are not the 1942 balance sheet figures, but the adjusted figures after taking into consideration the special depreciation allowed early in 1943. The deferred surplus - refundable tax item, disappeared in 1944 due to the standard profit award.

This plant has maintained its very high standard of efficiency. Only one shift was operated during 1944, as compared with two in the earlier years; production figures are therefore lower.

Generally speaking, labor conditions were slightly better in 1944 than in 1943, and there was not quite as much time lost by curtailments and shut-downs.

**(C) ALBERNI PACIFIC LUMBER COMPANY LIMITED**

**(1) Changes in company set-up:**

- (a) The second instalment (\$250,000.00) of the 4% bond issue was paid in January 1944.
- (b) The annual payment of \$220,000.00 U.S. was paid to Mr. John D. Rockefeller in August 1944.
- (c) A total of \$22,050. was paid against the small timber agreement. This included the annual payment of \$15,000.00, plus \$7,050.00 stumpage.
- (d) A new obligation totalling \$164,275.00 for purchase of what is known as "Italian Creek timber" from the Esquimalt & Nanaimo Railway was assumed. The cash payment was \$29,275.00, the balance payable in five annual instalments of \$27,000.00 each commencing April 30, 1945, with interest at 6%.
- (e) A new obligation totalling \$98,268.75 for purchase of Deep Lake Licences from the North American Timber Company Limited was assumed. The cash payment was \$20,000.00, the balance in three annual instalments of \$20,000.00 each and a final payment of \$18,268.75. Annual payments commence May 11, 1945; interest at 4%.

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(c) ALPINE TIMBER COMPANY LIMITED

Production figures for 1944 compared with 1943 are as follows:

Production	326 M.	297 M.
Production in Board Feet in period	92,013 M.	89,186 M.
Value of production	\$2,714,386.	\$2,889,047.
Daily Payroll	\$5,359.	\$4,411.

1944 production figures were very good compared with the previous year when it is considered that "B" mill was shut down in May 1943 and has not been operated since. Two shifts of "A" mill were worked throughout the year.

Generally speaking, labor conditions were slightly better in 1944 than in 1943, and there was not quite as much time lost by curtailments and shut-downs.

(11) Company progress:

	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943	Year Ended Sept. 30, 1944
Paid up Capital	\$1,200,200.	\$1,200,200.	\$1,200,200.
Accumulated surplus after depreciation, income tax & interest	1,347,411.	1,563,918.	1,846,519.
Deferred Surplus, Refundable Tax	-	5,500.	22,500.
Amount realized in period for capital obligations	669,846.	684,250.	607,437.
Paid in period on capital obligations	450,769.	475,000.	541,325.
Investment in spur lines at period end	76,339.	71,983.	72,944.
Depreciated value Plant, Buildings	525,113.	504,500.	432,430.
Timber (after depletion)	3,388,396.	3,183,881.	3,304,358.
Tax Reserve	244,522.	174,441.	309,617.
Depreciation Reserve	1,719,122.	1,807,063.	1,901,122.
Average daily production	384 M.	326 M.	297 M.
Production in Board Feet in period	111,549 M.	92,013 M.	89,186 M.
Value of production	\$2,859,000.	\$2,714,386.	\$2,889,047.
Daily Payroll	\$4,920.	\$5,359.	\$4,411.

1944 production figures were very good compared with the previous year when it is considered that "B" mill was shut down in May 1943 and has not been operated since. Two shifts of "A" mill were worked throughout the year.

Generally speaking, labor conditions were slightly better in 1944 than in 1943, and there was not quite as much time lost by curtailments and shut-downs.

(D) ALBERNI PACIFIC TRANSPORT COMPANY LIMITED

Tolls received last year were \$36,412.00, the least in the company's history. There has been no change in the liability of \$147,000.00 notes.

(E) ALPINE TIMBER COMPANY LIMITED

(1) Changes in Company set-up:

The Annual payment of \$110,000.00 was made on due date.

Additional timber was purchased for cash as follows -

(a) Block 195 Cowichan Lake District	\$94,415.
(b) Part Block 403, Cowichan Lake District	55,622.
(c) Nitinat Indian Reserve	52,156.
(d) 4 small lots totalling	15,874.
	<u>\$218,067.</u>

(a) and (b) were transfers from H.R. MacMillan Export Company Limited and have been ignored.

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(11) **Company progress:** domestic demand Canada has been allowed a slightly higher

	Sept. 30, 1943	Sept. 30, 1944
Paid-up Capital	\$500,000.	\$500,000.
Accumulated Surplus	-	3,688.
Timber (after depletion)	1,081,133.	1,141,674.
Deferred Liabilities	330,000.	220,000.

(G) **H.R. MacMILLAN SALES (MANITOWA) LTD**

(i) The Balance Sheet shows an increase in the Timber Account of roughly \$60,000. \$150,037.00 has been transferred from Timber Account during the year to a separate classification indicating a total increase in timber of \$210,000.00. One small piece of property was sold for \$13,500. Actually, therefore, an increase of \$223,500. must be explained. The above list shows \$218,067.00; the balance of \$5,000.00 consists of taxes and other carrying charges, charged to the Timber Account.

This company was incorporated primarily as a timber holding and not an operating company. However during the past year it entered into two contracts. Under one it sold stumpage at a profit, and under the other contracted timber to be logged and sold the logs at a profit. This explains the duplication in the statement of profit and loss.

(F) **H.R. MacMILLAN SALES LTD - (The new name will be used for this and the three other companies concerned.)**

(i) **Changes in company set-up:**  
As mentioned previously all bonds have been redeemed.

(11) **Progress made:**

(G) **H.R. MacMILLAN SALES (ONTARIO) LIMITED**

	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943	Year Ended Sept. 30, 1944
Paid up Capital	\$229,300.	\$229,300.	\$229,300.
Accumulated Surplus	461,124.	611,900.	761,570.
Deferred Surplus, Refundable Tax	-	9,600.	39,600.
Real Estate, Buildings & Equipment, at cost after depreciation	13,032.	11,501.	10,118.
Tax Reserve	84,540.	150,103.	250,193.
Depreciation Reserve	4,008.	5,974.	7,875.

The above requires no comment.

(111) **Distribution of shipments during the period has been as follows:**

	P L Y W O O D			
	Year Ended Sept. 30, 1941	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943	Year Ended Sept. 30, 1944
Canada	76%	56%	23%	33%
United Kingdom	16%	40%	72%	67%
South Africa	1%	-	-	-
New Zealand	1%	-	-	-
British West Indies	1%	-	-	-
South America	1%	-	-	-
Miscellaneous	4%	4%	-	-
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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(17) *Складные*  
 (18) *Средства в компании*  
 (19) *Н.Р.Макмиллан Сэйлс Лтд* - (для тех же целей)  
 exhibiting the distribution in the statement of profits and loss.  
 considered stated to be correct and true the total of the other  
 companies. Under one of the articles of the charter and under the other  
 an obligation company. However under the laws here it entered into the  
 the company and incorporated by the laws of the Province of Ontario  
 from \$212,000.00; the balance of \$2,000.00 consists of taxes and other  
 expenses. An increase of \$322,200.00 was paid for the year 1943  
 \$370,000.00. One share of \$100.00 was paid for \$12,200.00  
 less to a separate statement indicating a total increase in surplus of  
 \$20,000.00. \$120,000.00 has been retained from the surplus of  
 the previous year and increase in the surplus account of Ontario  
 \$20,000.00  
 1,081,122.00  
 \$200,000.00  
 \$200,000.00  
 \$200,000.00  
 \$200,000.00

Detailed Description  
 Surplus (after distribution)  
 Accumulated surplus  
 1942-43 subject

Responding to domestic demand Canada has been allowed a slightly higher percent of output in 1944 than in the previous year. An increase of this tendency, with permission to ship to other British Empire countries, is foreseen for the current fiscal year.

(G) H.R. MacMILLAN SALES (MANITOBA) LTD

(i) Company set-up:

There were no changes in company set-up.

(ii) Company progress:

	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943	Year Ended Sept. 30, 1944
Paid-up Capital	\$86,200.	\$86,200.	\$86,200.
Surplus	17,892.	16,162.	22,672.
Deferred Surplus, Refundable Tax	-	2,582.	1,608.
Real Estate, etc.	19,586.	18,363.	17,140.
Income Tax Reserve	7,925.	13,200.	3,000.
Depreciation Reserve	14,516.	15,739.	16,961.
Turnover	149,072.	139,453.	143,481.
Net earnings after taxes	5,807.	5,305.	3,678.

This company continues to make satisfactory progress.

Real estate figures are net, after depreciation.

(H) H.R. MacMILLAN SALES (ONTARIO) LIMITED

(i) Company set-up:

There were no changes in company set-up.

(ii) Company progress:

	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943	Year Ended Sept. 30, 1944
Paid-up Capital	\$100,000.	\$100,000.	\$100,000.
Surplus	27,944.	8,600.	6,889.
Deferred Surplus, Refundable Tax	-	7,100.	15,600.
Real Estate, Buildings, etc.	73,688.	75,261.	71,539.
Income Tax Reserve	18,700.	54,690.	42,563.
Depreciation Reserve	5,428.	6,969.	10,751.
Turnover	820,580.	333,801.	474,188.
Net earnings after taxes	27,944.	-	-

This company has again done exceedingly well. Having practically no standard its surplus has been increased only by the 20% Refundable Excess Profits Tax. After a sharp decline in turnover in 1943 due to Timber Control regulations this has increased in 1944, again giving evidence to an easing of this control as far as domestic shipments are concerned.

Other items are self-explanatory.

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(II) Company set-up:  
 (I) Company set-up:  
 (G) H.B. MacMillan Sales (Quebec) Ltd

(I) BRITISH COLUMBIA PLYWOODS (QUEBEC) LIMITED

(i) Company set-up:

As stated in the opening paragraphs, this company did not change its name. Changes in capital structure did not take place until after September 30, 1944. As a preliminary step a dividend of \$8,000.00 was declared, but not paid, prior to this date.

(ii) Company progress:

	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943	Year Ended Sept. 30, 1944
Tax Reserve			
Paid-up Capital	\$20,000.	\$20,000.	\$20,000.
Surplus	4,850.	5,473.	6,780.
Deferred Surplus, Refundable Tax	-	4,100.	6,962.
Real Estate, etc.	23,148.	23,619.	24,991.
Income Tax Reserve	4,600.	20,743.	15,235.
Depreciation Reserve	1,014.	2,161.	3,266.
Turnover	145,730.	131,857.	188,887.
Net earnings after taxes	4,850.	-	250.

The surplus account has been reduced by the declaration of the dividend. The comments made on the turnover of the Ontario company are applicable here.

(J) H.R. MacMILLAN SALES (QUEBEC) LTD

(i) As previously stated this was the former H.R. MacMillan Export (Quebec) Limited. As it did not change its functions for the period under review, it will not be scheduled until next year when the British Columbia Plywoods (Quebec) Limited will have been entirely inactive.

On a turnover of \$517,000. as compared with \$295,000. in 1943 it made a profit after taxes of just under \$3,000. It was just under the Excess Profits Tax bracket.

(ii) Company progress:

	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943	Year Ended Sept. 30, 1944
Paid-up Capital	\$10,000.	\$10,000.	\$10,000.
Surplus	14,634.	18,088.	21,042.
Turnover	504,469.	295,553.	517,325.

(K) CANADIAN WHITE PINE COMPANY LIMITED

(i) Company set-up:

(a) The first mortgage bonds were reduced to \$15,000.00 as at September 30th; they have since been repaid in full.

(b) Bank loan of \$3,000,000.00 was offset by Head Office Investment of the same amount. Details will be given at a later date.

(b) Investments have been reduced from \$22,000.00 to \$11,000.00, by a payment of \$11,000.00 received from Canadian White Pine Company Limited and credited

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(1) Company progress:  
 The company made on the balance of the  
 The company account has been reduced by  
 Depreciation Reserve  
 Income Tax Reserve  
 Deferred Surplus, etc.  
 Deferred value Buildings, Plant,  
 Machinery  
 Tax Reserve  
 Depreciation Reserve  
 Daily production Board Feet  
 Annual production in Board Feet  
 Value of production  
 Daily payroll

142' 120"  
 1' 014"  
 2' 200"  
 32' 148"  
 1' 820"  
 \$50,000  
 20' 20' 1242  
 1000' 1000'  
 30' 142"  
 32' 278"  
 2' 100"  
 2' 442"  
 \$50,000  
 20' 20' 1242  
 1000' 1000'  
 12' 222"  
 34' 287"  
 2' 225"  
 2' 420"  
 \$50,000  
 20' 20' 1242  
 1000' 1000'

(11) Company progress:  
 An additional \$3,120.00 was direct to surplus. These  
 \$5,000. to \$4,000. will be received

	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943	Year Ended Sept. 30, 1944
Paid-up Capital	\$1,900,000.	\$1,900,000.	\$1,900,000.
Accumulated surplus after income tax and depreciation	734,848.	879,348.	1,024,065.
Deferred Surplus, Refundable Tax	-	13,000.	13,000.
Depreciated value Buildings, Plant, Machinery	868,003.	901,145.	964,040.
Tax Reserve	301,000.	103,015.	105,000.
Depreciation Reserve	410,722.	470,722.	563,472.
Daily production Board Feet	476 M.	366 M.	308 M.
Annual production in Board Feet	144,814 M.	105,141 M.	92,146 M.
Value of production	\$3,846,259.	\$3,107,968.	\$3,014,065.
Daily payroll	\$4,214.	\$3,643.	\$3,412.

Capital expenditure during the year was chiefly in connection with the  
 installation of the three gang mills with accompanying equipment. This forms a  
 new unit of the most modern type, particularly adapted to cutting with minimum  
 waste the smaller logs now being produced. The saw kerf is 13/64 inch. It did  
 not come into operation until early November. It is anticipated that on one  
 shift it will increase production by about 25 million feet annually, and will use  
 logs which could not be economically handled in the other plants.

Production was down from the previous year due to the fact that only one  
 shift in the big mill and two in the small were worked during the whole of the  
 year, whereas there were three shifts in the small mill for over half of the  
 previous year.

Labor was difficult to obtain at times, and many days were worked with a short-  
 handed crew.

Over 90% of the logs sawn came from our own logging camps.

(L) CANADIAN TRANSPORT COMPANY LIMITED

(1) Company set-up:

(a) The most conspicuous change has been the addition of a logging department  
 which operates under the trade name of Iron River Logging Company. The  
 timber of the Bateo Development Company Limited, which lies a few miles South  
 of Campbell River on Vancouver Island, was purchased in June 1944. The  
 total consideration for timber, road development, camps, logging equipment,  
 booming ground, etc., was \$330,000.00, payable over the next eight years  
 with the initial payment in June 1945. Acquisition of this going concern  
 ensured a full supply of logs to Canadian White Pine Company Limited for the  
 next ten years or longer. It will also be a source of supply for peeler  
 logs.  
 A further quantity of adjoining timber was transferred to this company from  
 Alpine Timber Company Limited.

(b) Investments have been reduced from \$59,314.00 to \$11,615.00, by a payment of  
 \$47,700.00 received from Campbell River Timber Company Limited and credited

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to this account. An additional \$3,180.00 went direct to surplus. These shares have been entirely written off; it is anticipated that a further \$5,000. to \$6,000. will be received from this investment.

(c) The sailing ship "City of Alberni" was sold for an amount in excess of the original purchase cost. The results of her last voyage have not yet been finalized.

(ii) Company progress:

	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943	Year Ended Sept. 30, 1944
Surplus			
Paid up Capital	\$25,000.	\$25,000.	\$25,000.
Surplus, after tax reserve	560,192.	110,466.	178,747.
Dividends paid to H.R. MacMillan Export Co. Limited	-	590,000.	-
Tax Reserve	67,805.	34,244.	36,000.
Profit after tax reserve	101,704.	134,274.	53,057.
Voyages made	13	19	33
Tonnage carried	105,242	162,939	247,439
Timber (after depletion)	-	-	\$868,014.

The voyages were distributed as follows:

	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943	Year Ended Sept. 30, 1944
B.C./United Kingdom (Control and Admiralty)	11	17	8
B.C./Australia/ New Zealand	-	1	4
B.C./India	-	-	2
B.C./South Africa	1	1	3
B.C./California	-	-	1
Gulf & West Indies/B.C.	1	-	1
U.K./B.C.	-	-	1
U.K./Australia	-	-	1
U.K./Africa	-	-	1
Australia/Pacific Coast	-	-	5
Africa & South America/Pacific Coast	-	-	6
Daily production square feet of 1/16" veneer	13	19	33

All the 1944 voyages were by ships owned by Park Steamship Company Limited and operated by Canadian Transport Company Limited as Managing Operator. The schedule of voyages indicates that this is an extremely varied and interesting business.

Due to the increase in the number of vessels operated, from seven to ten, the potential gross earnings for the current year will be a minimum of \$180,000.00 and a maximum of \$300,000.00. It is expected that the present method of operating Park ships will remain in force for some considerable time.

The daily payroll was considerably higher in 1944 than in 1943. There were more employees. The percentage of female employees increased from 25% to 23% which accounted for part of the increase, while the larger number of employees accounted

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... The increase in daily production in 1944 is due to the better grade of logs obtained and to a more efficient arrangement of labor. The 1944 logs, while not higher grade than those of 1943 were of a sounder type. Soundness of log is very important in a plywood operation as a sound log, even though it contains knots, can be peeled to a much smaller core than a larger, higher grade of log which is liable to contain defects that make a much larger core unavoidable. A large core is the cause not only of loss of wood, but also of loss of time. It will be noted that the daily payroll was considerably higher in 1944 than in 1943. There were more employees. The percentage of female employees increased from 38% to 48% which accounted for part of the increase, while the larger number of employees accounted

(M) COAST MILLS EXPORT COMPANY LIMITED

As in last year this company made a small trading profit in sale of doors, but its chief source of revenue was its log sorting department. It was able to add \$29,029.00 to its surplus account after paying taxes.

Company progress:

	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943	Year Ended Sept. 30, 1944
Paid up Capital	\$200.	\$200.	\$200.
Surplus	75,378.	97,823.	126,752.
Turnover	922,898.	1,033,928.	1,173,790.

(N) MACMILLAN INDUSTRIES LIMITED

(i) Changes in company set-up:

(a) The most important change is the increase of more than \$100,000.00 in the refundable portion of Excess Profits Taxes. As outlined last year this company's standard was set at \$5,000.00 and was therefore able to reduce its deficit by only a nominal amount, plus the refundable portion.

(b) Capital assets were reduced by a few small sales and by the depreciation taken during the year.

(ii) Company progress:

	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943	Year Ended Sept. 30, 1944
Paid up Capital	\$10,000.	\$10,000.	\$10,000.
Deficit	1,370,169.	1,756,537.	1,749,212.
Deferred Surplus, Refundable Tax	-	30,345.	130,445.
Buildings, Plant (Plywood Division) after depreciation	499,854.	289,568.	248,247.
Equipment, Rolling Stock (Logging Division) after depreciation	70,904.	22,942.	22,942.
Tax Reserve	83,000.	496,879.	563,375.
Depreciation Reserve	1,120,482.	1,280,767.	1,327,346.
Daily production square feet of 1/16" veneer	1550 M.	1223 M.	1467 M.
Daily production in Mono-dor	222	218	-
Value of daily production Plywood	\$11,500.	\$11,900.	\$14,000.
" " " " Mono-dor	553.	414.	-
Daily Payroll	\$2,970.	\$2,412.	\$2,950.

The increase in daily production in 1944 is due to the better grade of logs obtained and to a more efficient arrangement of labor. The 1944 logs, while not higher grade than those of 1943 were of a sounder type. Soundness of log is very important in a plywood operation as a sound log, even though it contains knots, can be peeled to a much smaller core than a larger, higher grade of log which is liable to contain defects that make a much larger core unavoidable. A large core is the cause not only of loss of wood, but also of loss of time. It will be noted that the daily payroll was considerably higher in 1944 than in 1943. There were more employees. The percentage of female employees increased from 38% to 48% which accounted for part of the increase, while the larger number of employees accounted

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(77) COMBINED BALANCE:  
 (P) OPERATING EXPENSES:  
 (Q) DEPRECIATION:  
 (R) AMOUNT PAID IN PERIOD ON CAPITAL OBLIGATIONS:

1943  
 1944  
 1945  
 1946  
 1947  
 1948  
 1949  
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 2024  
 2025

COMBINED BALANCE:

(R) for the increased production. There was no change in the number of shifts operated.

(O) NORTHWEST BAY LOGGING COMPANY LIMITED

(1) Changes in company set-up:

Two notes of \$50,000.00 each were paid on due dates. The mortgage was reduced from \$719,000.00 to \$666,000.00 by stumpage on 53 million feet of mortgaged timber cut during the year. The other four million feet produced by the company came from timber purchased outright.

(11) Company progress:

	Year Ended Sept. 30, 1943	Year Ended Sept. 30, 1944
Paid up Capital	\$800,000.	\$800,000.
Surplus	100,511.	258,173.
Refundable portion Excess Profits Tax	-	350.
Amount realized in period for capital obligations	216,472.	269,360.
Amount paid in period on capital obligations	130,089.	103,737.
Investments in roads at period end	117,979.	108,490.
Timber and timber rights (after depletion)	905,631.	1,126,140.
Plant and Buildings, depreciated value	243,645.	242,402.
Tax Reserve	-	25,000.
Depreciation Reserve	15,030.	42,604.
Average daily production (logging)	185 M.	208 M.
Production B.C. Log Scale in period	37,514 M. (10 mos)	57,225 M.
Value of production	\$690,458.	\$1,125,906.
Daily Payroll	\$1,324.	\$1,378.

The principal purchase of timber during the year was from the operator who had been logging adjacent and even overlapping areas. The price paid for timber and a small amount of logging equipment was \$325,000.00, all cash.

This operation has settled down during the past year and is carrying on satisfactorily. Although the investment in roads is down, they are in a much more satisfactory condition than they were a year ago.

During 1944 a further capital profit of \$105,814. was made on sale of mill equipment. There will be a further small profit on the current year.

(P) NANOOSE TRUCKING COMPANY LIMITED

This small company, whose functions have been previously explained, made a profit of \$3,464. after depreciation and taxes. This and the North Island Trucking Company Limited operate logging trucks for hauling logs at the Northwest Bay operation.

(Q) NORTH ISLAND TRUCKING COMPANY LIMITED

The same remarks as in (P) apply. In this case the net profit was \$3,156.

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\$200,000  
 Sept. 30, 1944  
 Year Ended

100,000  
 \$200,000  
 Sept. 30, 1944  
 Year Ended

\$200,000  
 Sept. 30, 1944  
 Year Ended

(ii) COMPANY PROGRESS:

(A) REVENUE

(S) CONSOLIDATION

**(R) SHAWNIGAN LAKE LUMBER COMPANY LIMITED**

(i) Changes in company set-up: Final payment for the shares of this company was made during this period. We advised you a year ago that we were interested only in the timber, rights to equipment which were acquired with the company. The old mill situated on Shawnigan Lake was sold with a capital loss of \$16,207. This mill, with a substantial reserve for depreciation, was written off our records. Since then it has appeared expedient to purchase the timber, the mill, and logging equipment belonging to Wellburn Timbers Limited. This mill is located at the north end of the E. & N. timber acquired by this company, most of which will be logged in this direction. Timber which was geographically suitably located for the old mill had been almost exhausted. This explains the change in the fixed assets that took place between September 30, 1943 and September 30, 1944.

(A) REVENUE

Alpine Timber Company Limited 22,179.  
 The purchase of the Wellburn timber has been set up as a liability, but lacking definite figures we are unable to set up the E. & N. agreement. This involves a total of some \$650,000.00, of which approximately \$50,000.00 will be taken up each year. The first selection was taken up in May 1944.

H.R. MacMillan Sales Ltd.	143,789.	
(ii) <u>Company progress:</u>	10,936.	
H.R. MacMillan Sales (Manitoba) Ltd.		
H.R. MacMillan Sales (Ontario) Limited	9 mos. ended	Year Ended
H.R. MacMillan Sales (Quebec) Ltd.	Sept. 30, 1943	Sept. 30, 1944
Paid up Capital	\$72,000.	\$72,000.
Accumulated Surplus	86,559.	76,924.
Refundable portion Excess Profits Tax	-	-
Amount realized in period for capital	6,321.	-
Shawnigan Lake Lumber obligations	14,057.	31,992.
Paid in period on capital obligations	-	43,036.
	\$2,540,333.	
Investment in logging roads at period end	67,411.	70,644.
Depreciated value plant, building, land	103,715.	126,857.
(B) <u>DISBURSEMENTS</u>	13,885.	140,056.
Timber (after depletion)	44,259.	16,936.
Depreciation reserve		

H.R. MacMillan Export Company Limited	Preferred Dividends	\$51,714.
Daily production	Common Dividends	177,000 41 M.
Production in period	Purchase money	6,212 M.
Value of production in period	as shares in	\$173,630.
Daily payroll	Lake Lumber Co. Limited	33,700 \$435.
	Capital Expenditures	300,000 300,000.

Due to the cessation of sawmill operation in one period and resumption in the next, the above schedule is not complete or comparable. We trust that our remarks under Paragraph (i) will enable you to follow the changes that took place. We shall be pleased to give you any further details you may require in this connection.

H.R. MacMillan Sales (Ontario) Limited	Capital Expenditures	500.
	Income Taxes Prior Years	1,670.

(S) CONSOLIDATION

It does not appear possible to comment on the above without going into much unnecessary detail. As in the past years we shall be very pleased to give you any information you may require.

Canadian Transport Company Limited	Capital Expenditures	\$2,479.
	Income Taxes Prior Years	4,827.
	Purchase of timber and logging assets, less purchase obligations	\$23,482. 23,482.

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(17) Combined Balance:

These book have been prepared September 30, 1943 and September 30, 1944. This exhibits the credits in the fixed assets of the H. & M. Timber Company and the credits in the fixed assets of the H. & M. Timber Company. The balance of the combined assets will be located in the notes and the balance of the combined liabilities will be located in the notes and the balance of the combined equity will be located in the notes.

**REALIZATION AND DISPOSALS**

Realization includes total earnings less income taxes, but before depreciation, capital expenditure, bond and mortgage payments of both principal and interest. In addition it includes depletion of timber at our logging camps, proceeds from the sale of equipment and investments, and income tax credits from previous years. In one or two cases timber has been transferred from one company to another. Such transfers have been taken into consideration under either "Realization" or "Disposals".

**(A) REALIZATIONS FOR TWELVE MONTHS**

H.R. MacMillan Export Company Limited	Timber purchase	\$522,627.	
Alberni Plywoods Limited	Timber purchase	346,102.	
Alberni Pacific Lumber Company Limited	Timber purchase	607,437.	
Alberni Pacific Transport Company Limited	Capital Expend	36,437.	
Alpine Timber Company Limited	Timber Taxes	66,179.	
British Columbia Plywoods (Quebec) Limited		1,228.	
Canadian White Pine Company Limited	Note Interest	237,084.	
Canadian Transport Company Limited		147,289.	
Coast Mills Export Company Limited	Timber Purchase	31,229.	
H.R. MacMillan Sales Ltd.	Mortgage	143,769.	
H.R. MacMillan Sales (Manitoba) Ltd.	Obligations	10,936.	
H.R. MacMillan Sales (Ontario) Limited		3,795.	
H.R. MacMillan Sales (Quebec) Ltd.	Note Interest	2,998.	
MacMillan Industries Limited	Note Interest	88,543.	
Northwest Bay Logging Company Limited	Capital Expend	269,360.	
Nanoose Trucking Company Limited		7,257.	
North Island Trucking Company Limited		6,321.	
Shawnigan Lake Lumber Company Limited		31,992.	
		<u>\$2,560,633.</u>	

**(B) DISPOSALS FOR TWELVE MONTHS**

<b>Trading -</b>			
H.R. MacMillan Export Company Limited	Preferred Dividends	\$51,714.	
	Common Dividends	177,000.	
	Purchase money obligations re shares in Shawnigan Lake Lumber Co. Limited	35,792.	
	Capital Expenditure	802.	\$265,308.
H.R. MacMillan Sales Ltd.	Bond Principal	\$37,000.	
	Capital Expenditure	519.	37,519.
H.R. MacMillan Sales (Ontario) Limited	Capital Expenditure	\$60.	
	Income Taxes Prior Years	1,610.	1,670.
H.R. MacMillan Sales (Quebec) Ltd.	Capital Expenditure	\$29.	29.
British Columbia Plywoods (Quebec) Ltd.	Capital Expenditure	\$2,479.	
	Income Taxes Prior Years	4,348.	6,827.
Canadian Transport Company Limited	Purchase of timber and logging assets, less purchase obligations	\$233,492.	233,492.

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(V) MANUFACTURING  
 Alberni Plywoods Limited  
 Alberni Pacific Lumber Company Limited  
 Principal or Capital obligations  
 Capital Expenditure  
 Income Tax assessments, prior years  
 Excess Realization over Payments .....

21,588  
 142,588  
 221,087  
 1,588  
 69,143  
 28,731  
 604,421  
 279,105  
 2238,821

(V) MANUFACTURING EXHIBIT FOR STATEMENT OF WORKING CAPITAL AND RESERVE ACCOUNTS AS AT THE CLOSE OF THE YEAR ENDING 31 ST 1958.  
 The following table shows the working capital and reserve accounts of the companies mentioned above as at the close of the year ending 31st December 1958. The figures are in dollars and cents.

<u>Manufacturing</u>		<u>Capital Expenditure</u>	
<u>Alberni Plywoods Limited</u>		\$698.	\$698.
<u>Alberni Pacific Lumber Company Limited</u>			
Principal or Capital obligations	Bond Interest	\$22,919.	
Capital Expenditure	Bond Redemption	250,000.	
Income Tax assessments, prior years	J.D.Rockefeller	220,000.	
	Premium on J.D.Rockefeller payment	24,200.	
	Payments on timber purchase obligations	22,050.	
	Timber purchased, less purchase obligations	49,275.	
	Capital Expenditure	21,990.	
	Timber Taxes	41,193.	651,627.
<u>Alberni Pacific Transport Co. Limited</u>			
	Note Interest	\$11,760.	11,760.
(1) <u>Alpine Timber Company Limited</u>			
H.R. MacMillan Export Company Limited	Timber Purchased	\$99,507.	
H.R. MacMillan Sales Ltd.	Payments re purchase obligations	110,000.	209,507.
H.R. MacMillan Sales (Manitoba) Ltd.			
<u>Canadian White Pine Company Limited</u>	Bond Interest	\$1,125.	
British Columbia Plywoods (Quebec) Limited	Bond Principal	15,000.	
Coast Mills Export Company Limited	Capital Expenditure	161,080.	177,205.
Canadian Transport Company Limited			
<u>MacMillan Industries Limited</u>	Note Interest	\$13,500.	
	Debenture Interest	20,970.	
	Capital Expenditure	5,108.	39,578.
(11) <u>Northwest Bay Logging Company Limited</u>			
Alberni Plywoods Limited	Purchase obligation, Principal	\$53,737.	
Alberni Pacific Lumber Company Limited	Note Interest	2,500.	
Alberni Pacific Transport Company Limited	Note Principal	50,000.	
Alpine Timber Company Limited	Income Taxes Prior Years	3,391.	
Canadian White Pine Company Limited	Timber purchased	283,526.	
MacMillan Industries Limited	Capital Expenditure	41,330.	
Northwest Bay Logging Company Limited	Investment	250.	434,734.
Wenatchee Trucking Company Limited			
<u>Shawnigan Lake Lumber Company Limited</u>	Purchase obligation, Principal	\$43,036.	
Shawnigan Lake Lumber Company Limited	Timber purchased, less purchase obligations	45,609.	
	Option Deposit	5,000.	
	Capital Expenditures, less purchase obligations	5,234.	98,879.
<u>TOTALS:</u>			
Capital	\$1,080,148.		
Surplus	24,684,981.		
	2,084,832.		
		6,759,264.	
		98,879.	
		\$2,168,323.	

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47,182  
 31,880  
 49,532  
 53,020  
 34,500  
 380,000  
 300,000  
 355,878  
 3888

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Summarized according to classes of expenditure -

Interest on Capital obligations and Dividends	\$301,488.
Principal on Capital obligations	836,615.
Capital Expenditure	1,021,371.
Income Tax assessments, prior years	9,349.
	<u>\$2,168,823.</u>

Excess Realization over Payments ..... \$391,810.

CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

	<u>Capital</u>	<u>Surplus including refundable portion of Excess Profits Tax</u>
<b>(i) Trading:</b>		
H.R. MacMillan Export Company Limited	\$1,051,900.	\$3,510,319.
H.R. MacMillan Sales Ltd.		801,170.
H.R. MacMillan Sales (Manitoba) Ltd.	8,248.	24,280.
H.R. MacMillan Sales (Ontario) Limited		22,489.
British Columbia Plywoods (Quebec) Limited		182.
Coast Mills Export Company Limited		126,752.
Canadian Transport Company Limited		178,747.
H.R. MacMillan Sales (Quebec) Ltd.		21,042.
	<u>\$1,060,148.</u>	<u>\$4,684,981.</u>
<b>(ii) Manufacturing:</b>		
Alberni Plywoods Limited	\$	\$342,699.
Alberni Pacific Lumber Company Limited	1,000,200.	1,869,019.
Alberni Pacific Transport Company Limited		100,826.
Alpine Timber Company Limited		3,688.
Canadian White Pine Company Limited	522,000.	1,037,065.
MacMillan Industries Limited	9,999.	-1,618,767.
Northwest Bay Logging Company Limited		258,523.
Nanoose Trucking Company Limited	-4,898.	4,928.
North Island Trucking Company Limited	-4,050.	9,378.
Shawnigan Lake Lumber Company Limited	-23,842.	76,924.
	<u>\$1,499,409.</u>	<u>\$2,084,283.</u>
<b>TOTALS:</b>		
Capital	\$1,060,148. 1,499,409.	\$2,559,557.
Surplus	\$4,654,981. 2,084,283.	6,769,264.
		<u>\$9,328,821.</u>

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(7) Income Tax  
 Income Tax management's report  
 showing the effect of the  
 various provisions of the  
 Income Tax Act on the  
 company's income tax liability  
 for the year ended September  
 30, 1944.

Income Tax management's report  
 showing the effect of the  
 various provisions of the  
 Income Tax Act on the  
 company's income tax liability  
 for the year ended September  
 30, 1944.

\$3,193,832  
 8,248  
 1,031,217  
 898,878  
 \$301,489

The book values of plant, machinery and equipment, is more than \$4,500,000.00 less than the depreciated values indicated by recent appraisal. The appraised depreciated values in turn are more than \$1,500,000.00 less than the appraised new replacement value. No such comparative figures are available for timber, but it can be said that its book value is considerably below replacement cost.

Working Capital -

September 30, 1943	\$1,598,068.
September 30, 1944	1,951,135.
Increase	<u>\$353,067.</u>

This figure is not exactly the same as the difference between realizations and disposals. As has been previously explained the discrepancy is due to sundry changes in deferred charges, adjustments for intercompany profit on inventories, and similar adjustments.

Obligations due in twelve months ending September 30, 1945 -

Alberni Pacific Lumber Company Limited

Bond principal	\$250,000.00
Rockefeller	220,000.00
North American Timber Company #1	16,698.10
North American Timber Company #2	20,000.00
E. & N. (Italian Creek)	27,000.00
Interest - Bond (quarterly)	15,000.00
" North American Tbr. Co. #2 (quarterly)	3,130.75
" E. & N. (quarterly)	8,100.00

Alberni Pacific Transport Company Limited

Note Interest	11,760.00
---------------	-----------

Alpine Timber Company Limited

Block 51-B	110,000.00
------------	------------

Canadian White Pine Company Limited

#1 Bond principal	15,000.00
" interest	450.00
#2 Bond principal	250,000.00
" interest (semi-yearly)	105,000.00

Canadian Transport Company Limited (Iron River Logging Co.)

Batco Development Company Limited	100,000.00
-----------------------------------	------------

Northwest Bay Logging Company Limited

Note principal	50,000.00
" interest	3,000.00

Shawnigan Lake Lumber Company Limited

Wellburn Timbers Limited #1	30,000.00
Wellburn Timbers Limited #2	6,667.00
Interest	400.00
E. & N. (no definite date)	50,000.00
Interest " " "	1,500.00

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September 30, 1944  
 September 30, 1943  
 Total of obligations due in twelve months ending September 30, 1945 ... \$1,293,705.00

Total of obligations due in twelve months ending September 30, 1945 ... \$1,293,705.00

In addition to the above, the following schedule of dividends and interest is payable to shareholders -

<u>H.R. MacMillan Export Company Limited</u>		
Common dividends on the basis of 20¢ per share		\$177,000.00
Preference dividends 6%		51,714.00
<u>MacMillan Industries Limited</u>		
Interest on notes 3%		\$13,500.00
Interest on debentures 3%		20,970.00
		<u>\$263,184.00</u>

The liquidation of the Campbell River Timber Company Limited could be completed at the time of writing were it not for a lease on which two more payments of \$1,500.00 U.S. each must be paid. Efforts are being made to prepay these two amounts and cancel the lease. A total of \$980,000.00 has been paid to shareholders, who invested \$550,000.00. All assets have been sold; there is \$40,000.00 on deposit with The Canadian Bank of Commerce, from which must be paid the \$3,000.00 U.S. mentioned above, and the further small expenses which may be incurred.

Yours very truly,  
 H.R. MacMILLAN EXPORT COMPANY LIMITED.

H.R. MacMillan  
 President

HEW:MM

necessary to liquidate it. Since October 1st 1943, the start of the fiscal period now under review, the following companies have been incorporated or purchased. All

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 Sec's APP

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MBL - ECCOTT -  
Sec's APH FILES

BAIK LEMES

February 22nd 1944.

The General Manager,  
The Canadian Bank of Commerce,  
TORONTO - Ontario.

Dear Sir:

In reviewing the past year and with it the previous years of this Company's development, two main trends are noticeable. In 1935 the plant of Dominion Mills Limited on the North Arm of the Fraser River was purchased. It is now known as the "Fir Mill" of the Canadian White Pine Company Limited. The latter company was incorporated in 1926, but until it acquired the Dominion Mills' property produced a negligible amount of lumber. 1935 thus saw the real beginning of the development of the lumber manufacturing branch, and also the start of our plywood operation. From then until 1942 development was along the line of increasing manufacturing facilities. Alberni Pacific Lumber Company Limited was purchased in 1936, a large manufacturing plant with timber for years of production. Its two mills have been constantly improved, and are now capable of cutting 650 M. feet B.M. in a three shift day. Similarly the plant at Canadian White Pine Company Limited has been increased; a fire in January 1937 gave the opportunity of rebuilding the old mill as one of the most modern and efficient units in the West. The three shift capacity at Canadian White Pine Company Limited is 700 M. feet B.M. per day.

Growth of the plywood branch has been on a much larger scale. The original plant, built in Vancouver in 1935 by British Columbia Plywoods Limited, had a capacity of 12 million 3/8" thickness annually. Additions were made from time to time, culminating in the construction of plants #2, #3 and #4 from 1938 to 1941. In 1941 the annual capacity had increased to 120 million 3/8", which makes this plant by itself the largest in Canada, and one of the three largest manufacturers on the Pacific Coast. This plant was sold in 1940 to Thossen & Clark Timber Company Limited, which has since changed its name to MacMillan Industries Limited.

In 1941, when it appeared that log supply had put a limit to the expansion of this plant, construction of a second mill was started at Port Alberni on the south end of the property owned by Alberni Pacific Lumber Company Limited. This mill, known as Alberni Plywoods Limited, started to operate in January 1942, and has been carrying on very successfully since. Its annual capacity is 60 million 3/8".

The above is, in brief, the story of the first, or manufacturing trend, starting in 1935 and reaching a peak in 1942.

The second trend, that of acquisition of timber, started where the first left off. Although we acquired timber with Alberni Pacific Lumber Company Limited in 1936, yet that was looked upon as a unit by itself, a plant with the timber necessary to liquidate it. Since October 1st 1942, the start of the fiscal period now under review, the following companies have been incorporated or purchased. All

1A-2

SIR No.

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MBL - ECCOTT -  
Sec's APH FILES

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connected with the acquisition of timber. Details will be given under their individual headings -

- Northwest Bay Logging Company Limited
- Nanoose Trucking Company Limited
- North Island Trucking Company Limited
- Alpine Timber Company Limited
- Shawnigan Lake Lumber Company Limited.

(1) STATEMENTS:

Statements of the following companies are enclosed. This is the same as for last year, with the above five added, except that there were no operations of the H.R.MacMillan Export Company (U.S.A.), and it, therefore, has no statement -

- (A) H.R.MacMillan Export Company Limited
- (B) Alberni Plywoods Limited
- (C) Alberni Pacific Lumber Company Limited
- (D) Alberni Pacific Transport Company Limited
- (E) Alpine Timber Company Limited
- (F) British Columbia Plywoods Limited
- (G) British Columbia Plywoods (Manitoba) Limited
- (H) British Columbia Plywoods (Ontario) Limited
- (I) British Columbia Plywoods (Quebec) Limited
- (J) Canadian White Pine Company Limited
- (K) Canadian Transport Company Limited
- (L) Coast Mills Export Company Limited
- (M) H.R.MacMillan Export (Quebec) Limited
- (N) MacMillan Industries Limited
- (O) Northwest Bay Logging Company Limited
- (P) Nanoose Trucking Company Limited
- (Q) North Island Trucking Company Limited
- (R) Shawnigan Lake Lumber Company Limited
- (S) Consolidated.

(2) HIGHLIGHTS of respective companies are summarized hereunder -

(A) H.R.MacMILLAN EXPORT COMPANY LIMITED

(1) Changes in company set-up:

The capital surplus item of \$100,000.00 set up on incorporation of the Company has been included in the Surplus Account. A limited number of common shares were made available to certain of the older employees with more responsible duties. All of those to whom shares were offered took advantage of this opportunity.

(ii) Company progress:

	Year Ended Sept. 30, 1941	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943
Paid up Capital	\$1,051,900.	\$1,051,900.	\$1,051,900.
Accumulated Surplus	2,758,001.	2,739,583.	3,302,405.
Tax Reserve	351,758.	194,995.	148,139.

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BAIK Lenses

You will notice that we have omitted the item of "Working Capital", which has been included in the above schedule in our past letters. This has been done purposely, as the figure has been made meaningless by intercompany advances. It will be omitted from all the individual companies' reports, but will be included under the heading of "Consolidation".

Four quarterly dividends of 5¢ each were paid on the 885,000 issued Common shares, \$177,000.00 in all. The usual quarterly dividends at 6% were paid on the \$861,900.00 Preference stock, - \$51,714.00 - or a total of \$228,714.00 paid out in dividends. There are no arrears.

(iii) Shipments during the year ended September 30, 1943:

Country	M. feet B.M.		Value	
	1942	1943	1942	1943
United Kingdom	168,574	195,820	\$4,777,848.	\$6,588,189.
Australia	3,277	10,709	267,715.	556,151.
South Africa	10,771	9,193	1,207,604.	1,052,968.
Eastern Canada	18,894	3,197	490,756.	149,918.
Eastern U.S.A. & Panama	102,165	24,296	3,855,681.	1,055,479.
South America	1,440	-	50,151.	-
West Indies	5,425	1,409	354,893.	114,823.
India	840	-	70,161.	-
New Zealand	-	1,075	-	53,837.
Others	317	163	47,063.	15,521.
	<u>311,693</u>	<u>245,867</u>	<u>\$11,121,872.</u>	<u>\$9,586,936.</u>

The above figures are significant, as indicating -

- (a) The increasingly important part the lumbering industry in British Columbia has played in supplying the United Kingdom with lumber.
- (b) The increase in mutual aid shipments to Australia.
- (c) The downward trend in 1943, which reflects the reduced production during that period.

(B) ALBERNI PLYWOODS LIMITED

(1) Company set-up:

There have been no changes in company set-up this year.

(ii) Company progress:

	1942	1943
Paid up Capital	\$350,000.	\$350,000.
Surplus	49,296.	90,983.
Buildings, Plant, after depreciation	896,993.	428,805.
Tax Reserve	42,781.	72,167.
Depreciation Reserve	63,335.	559,831.

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BAUK LEMMES

Company progress - (Continued)

	Year Ended Sept. 27, 1942	Year Ended Sept. 30, 1943
Daily production plywood 1/16th	575	744
Daily production railroad ties	88	100
Value of daily production plywood	\$3,603.	\$6,869.
" " " " ties	50.	73.68
Number of employees	246	320
Daily Payroll	\$1,041.	\$1,537.

The above figures are made up on the basis of the balance sheet figures as at September 30, 1942, and 1943. They are, however, misleading due to the fact that in January 1943 this plant was allowed special depreciation made retroactive for portion of 1942. Corrected figures comparable to 1943 are as follows:

Surplus	\$7,547.
Buildings after depreciation	827,410.
Tax Reserve	14,898.
Depreciation Reserve	132,918.

The plant has proved most satisfactory in every respect. It has had very little labor difficulty; operating two shifts throughout the year, with 61% of female employees. Early last October the second shift was taken off, and since then it has operated only one full shift, plus a skeleton shift to keep all departments parallel.

(C) ALBERNI PACIFIC LUMBER COMPANY LIMITED

(1) Changes in company set-up:

- (a) The first instalment (\$250,000.00) of the new 4% bond issue fell due and was paid in January 1943.
- (b) The annual payment of \$220,000.00 was made when due in August to J.D.Rockefeller, and the small timber purchase obligation reduced by the amount falling due, \$5,000.00.

(11) Company progress:

	Year Ended Sept. 27, 1941	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943
Paid up Capital	\$1,200,200.	\$1,200,200.	\$1,200,200.
Accumulated surplus after depreciation, income tax and interest	1,099,679.	1,347,411.	1,569,418.
Amount realized in period for capital obligations	548,854.	669,846.	684,250.
Paid in period on capital obligations	510,369.	450,769.	475,000.
Investment in spur lines at period end	86,623.	76,339.	71,983.
Depreciated value Plant, Buildings	532,001.	525,113.	504,500.
Timber (depleted value)	3,572,391.	3,388,396.	3,183,881.
Tax Reserve	177,537.	244,523.	174,441.
Depreciation Reserve	1,630,103.	1,719,122.	1,807,063.

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BAIK Lenses

Company progress - (Continued)

	<u>Year Ended Sept. 27, 1941</u>	<u>Year Ended Sept. 30, 1942</u>	<u>Year Ended Sept. 30, 1943</u>
Average daily production	390 M.	384 M.	326 M.
Production in board feet in period	111,244 M.	111,549 M.	92,013 M.
Value of production	\$2,590,000.	\$2,859,000.	\$2,714,386.
Average number of employees (including loggers and construction)	625	692	711
Daily Payroll	\$3,900.	\$4,920.	\$5,359.

Two shifts of "A" mill and one of "B" operated until May 22nd 1943, when "B" mill was shut down indefinitely. During the summer months the day shift of "A" mill operated for only 45 hours per week. Altogether, on account of holidays, shutdowns and curtailments, 31 operating days were lost. This year marks the start of holidays with pay for wage earners in the lumber industry in British Columbia. Alberni Pacific Lumber Company Limited gave three such days in connection with the Labour day shutdown.

The schedule above shows very clearly the trend of lower production from a larger number of employees, and with consequent increased costs. Labor turnover was more noticeable than in 1942, but we maintained our favored position within the industry. There were ten female employees in the planing mill.

(D) ALBERNI PACIFIC TRANSPORT COMPANY LIMITED

The income of this company, which is directly related to the volume of logs produced, was reduced last year, and will probably be lower still in 1944. Its only liability is the amount of the notes, \$147,000.00, which are all owned internally. Its current asset is the account receivable from its parent company, Alberni Pacific Lumber Company Limited.

(E) ALPINE TIMBER COMPANY LIMITED

(1) Company set-up:

This company was incorporated in February 1943, with an authorized capital of \$1,000,000.00. It was formed primarily to buy and hold timber. By September 30th last it had made investments of slightly over \$1,000,000.00, and is making further purchases as suitable timber is available. Although its capital is only \$1,000,000.00 it has been and will be provided with funds as required, by the parent company.

It is the present aim of the management to obtain control of sufficient timber to ensure the useful life of all manufacturing plants for at least this generation.

This company had not started any operations last year. Its statement of account consists only of a Balance Sheet, highlights of which are as

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BAIK Lenses

follows -

September 30, 1943

Paid up Capital	\$500,000.
Timber	1,081,133.
Deferred Liabilities	330,000.

(F) BRITISH COLUMBIA PLYWOODS LIMITED

(i) Change in company set-up:  
Bonds have been reduced to \$37,000.00. They will be completely repaid on April 1st.

(ii) Progress made:

	<u>Year Ended Sept. 30, 1941</u>	<u>Year Ended Sept. 30, 1942</u>	<u>Year Ended Sept. 30, 1943</u>
Paid-up Capital	\$229,300.	\$229,300.	\$229,300.
Accumulated Surplus	342,127.	461,124.	621,500.
Real Estate, Buildings & Equipment, at cost after depreciation	62,439.	13,032.	11,501.
Tax Reserve	137,535.	84,540.	150,103.
Depreciation Reserve	7,578.	4,008.	5,974.

(iii) The above requires no comment.

(iii) Distribution of shipments during the period has been as follows:

	<u>P L Y W O O D</u>			
	<u>Year Ended Sept. 30, 1940</u>	<u>Year Ended Sept. 30, 1941</u>	<u>Year Ended Sept. 30, 1942</u>	<u>Year Ended Sept. 30, 1943</u>
Canada	39%	76%	56%	29%
United Kingdom	53%	16%	40%	72%
South Africa	1%	1%	-	-
New Zealand	1%	1%	-	-
British West Indies	-	1%	-	-
South America	-	1%	-	-
Miscellaneous	1%	4%	4%	-
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

We have omitted the column showing Mono-dor shipments. It is interesting to note the fluctuation in percentages shipped to the United Kingdom during the past four years; also to note that Canada and the United Kingdom combined have absorbed practically all our production during that period. As advised you previously, the manufacture of Mono-dors was discontinued in December 1942 by order of The Canadian Timber Controller. The domestic market had absorbed practically all of this production.

(G) BRITISH COLUMBIA PLYWOODS (MANITOBA) LIMITED

(i) Company set-up:  
There were no changes in company set-up.

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Bank Letters

(10) Company progress:

	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943
(11) Paid up Capital	\$86,200.	\$86,200.
Surplus	17,892.	16,162.
Real Estate, etc.	19,586.	18,363.
Income Tax Reserve	7,925.	13,200.
Depreciation Reserve	14,516.	15,739.
Turnover	\$149,072.	\$139,433.
Net earnings after taxes	5,807.	5,305.

In spite of its reduced and very small turnover this Company had no difficulty in making more than double its standard profit of approximately \$8,600. or 10% of its paid up capital. Surplus account was less in 1943 due to the fact that it had charged to it slightly more than \$7,000.00 income and excess profits taxes for previous years. This comparatively large figure was chiefly on account of adjustment in inventory figures for 1941.

Real estate figures for both 1942 and 1943 are net after depreciation.

(H) BRITISH COLUMBIA PLYWOODS (ONTARIO) LIMITED

(1) Company set-up:

There were no changes in company set-up.

(11) Company progress:

	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943
(12) Paid up Capital	\$100,000.	\$100,000.
Surplus	27,944.	15,700.
Real Estate, Buildings, etc.	73,698.	75,261.
Income Tax Reserve	18,700.	54,690.
Depreciation Reserve	5,429.	6,969.
Turnover	\$820,580.	\$333,801.
Net earnings after taxes	27,944.	-

The following points are to be noted in connection with the above -

- (a) Retroactive tax legislation which left this Company with practically no standard profit has reduced Surplus Account to the figure shown. Of this amount \$7,100.00 is deferred surplus, being 20% of Excess Profits Tax paid. No surplus whatever, beyond this 20%, was added for the 1943 operation. There might be \$200.00 or \$300.00 allowed, but as the amount is so small it has not been taken into consideration.
- (b) The value of real estate was increased during the year by the addition of an elevator, and by other improvements to the warehouse.
- (c) The very large reduction in turnover was due to The Canadian Timber Controller's regulations making it impossible for us to supply this company with even a small percentage of the plywood they could handle.

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COLUMBIA PLYWOODS (QUEBEC) LIMITED

(i) Company set-up:

There were no changes in company set-up.

(ii) Company progress:

	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943
Paid up Capital	\$20,000.	\$20,000.
Surplus	4,850.	5,473.
Real Estate, etc.	23,148.	23,619.
Income Tax Reserve	4,600.	20,743.
Depreciation Reserve	1,014.	2,161.
Turnover	\$145,730.	\$131,857.
Net earnings after taxes	4,850.	-

The comments on British Columbia Plywoods (Ontario) Limited are also applicable to this company. It will likewise have no standard profit. Its deferred surplus is \$4,100.00.

During the year it acquired two adjacent lots, thereby increasing the value of fixed assets.

(J) CANADIAN WHITE PINE COMPANY LIMITED

(i) Company set-up:

Outstanding debentures as at September 30th 1943 totalled \$30,000.00. \$15,000.00 was paid on December 31st; they will be paid in full December 31st 1944.

(ii) Company progress:

	Year Ended Sept. 27, 1941	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943
Paid up Capital	\$1,900,000.	\$1,900,000.	\$1,900,000.
Accumulated surplus after income tax and depreciation	554,194.	734,948.	892,348.
Depreciated value Buildings, Plant, Machinery,	896,246.	868,003.	901,145.
Tax Reserve	129,452.	301,000.	103,015.
Depreciation Reserve	355,763.	410,722.	470,722.
Daily Production Board feet	583 M.	476 M.	366 M.
Annual production in board feet	175,537 M.	144,814 M.	105,141 M.
Value of production	\$4,225,765.	\$3,846,259.	\$3,107,968.
Number of employees	772	698	571
Daily payroll	\$4,044.	\$4,214.	\$3,643.

(iii) Operations:

In spite of depreciation taken the net value of buildings, plant and machinery has increased by some \$33,000.00 since last year. The chief

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- (1) Power Plant \$18,000.
- (2) Two Gang Mills 49,000. (installation not yet completed)
- (3) Dry kiln equipment 19,000.

The labor and log shortage have combined to produce the reduction in production shown above. The large mill operated only one shift during the twelve months under review, while the small mill continued on three shifts until April 22nd last, when it reduced to two. In spite of the decreased production this company was able to make substantial profits in 1942 and 1943, exceeding its standard profit in both years.

The labor situation is becoming easier as far as availability is concerned; the log situation is being taken care of by our own operations, which can, if necessary, be extended. It will remain our policy to buy all the logs available to us on the open market, safeguarding our own resources.

(K) CANADIAN TRANSPORT COMPANY LIMITED

(1) Company set-up:

The surplus account has been reduced by declaration of a dividend of \$590,000.00 to the parent company, and increased by the realization received of Campbell River Timber Company Limited shares, \$79,500.00. These shares have been written down to \$47,700.00. It is anticipated that a further approximate \$55,000.00 will be received.

(11) Company progress:

	Year Ended Sept. 30, 1941	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943
Paid up Capital	\$25,000.	\$25,000.	\$25,000.
Surplus, after tax reserve	456,922.	560,192.	110,466.
Dividends paid to H.R. MacMillan Export Co. Ltd.	-	-	590,000.
Tax Reserve	152,396.	67,805.	34,244.
Profit after tax reserve	256,692.	101,704.	134,274.
Voyages made	55	13	19
Tonnage carried	366,180	105,242	162,939

The voyages were distributed as follows:

	15 mos. ended Sept. 30, 1941	Year Ended Sept. 30, 1942	Year Ended Sept. 30, 1943
B.C./United Kingdom (Control and Admiralty)	33	11	17
B.C./Australia	2	-	1
B.C./West Indies	6	-	-
B.C./South Africa	7	1	1
B.C./Sudan	1	-	-
B.C./California	2	-	-
Gulf & West Indies/B.C.	-	1	-
Pacific Coast/S. America/Pacific Coast North America	2	-	-
South Seas/B.C.	2	-	-
	<u>55</u>	<u>13</u>	<u>19</u>

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BAIK LEMES

The "City of Alberni" reported to you a year ago as being on its third voyage had an adventurous trip. Shortly after leaving here for South Africa it ran into very heavy weather and was forced to go into San Francisco for repairs, thus being delayed long enough to miss the favorable season for rounding Cape Horn. It got as far south as the Cape but ran into one of the heaviest gales experienced there in years. Leaking badly, it could not proceed with the voyage and returned to Valparaiso, where the cargo was discharged and the vessel sold.

The busses have also been sold. The tug "Dollarton" and the scows are producing revenue for the company.

The company has been appointed as one of the Managing Operators for the Park Steamship Company Limited - a Crown Company formed to own a number of the cargo ships now being built in Canada - and at present seven of the 10,000 ton cargo ships have been allocated to the Canadian Transport Company Limited, for management and operation. Of these seven ships five have already been delivered and are engaged in trading to Australia, New Zealand, West Coast South America, India and the United Kingdom. Canadian Transport Company Limited is remunerated for this service by the payment of fees and commissions in accordance with a scale set by the Park Steamship Company Limited, which allows, for the operation of seven ships, a minimum annual earning of \$173,000. and a maximum annual earning of \$272,000. The actual earnings will, of course, vary between these limits according to the freight rates received in the various trades into which the ships are ordered by the Canadian Shipping Board.

(L) COAST MILLS EXPORT COMPANY LIMITED

In addition to maintaining its log sorting department, this company was able, through lifting of Control bans, to resume in a very small way its former door business. It made a satisfactory profit after taxes, of some \$22,000.00.

(M) H.R. MacMILLAN EXPORT (QUEBEC) LIMITED

This company maintained its record of profit making. On a turnover of \$295,000.00 it made a net profit after taxes of \$3,453.00, being barely within the Excess Profits Tax bracket.

(N) MacMILLAN INDUSTRIES LIMITED

(1) Changes in company set-up:

On November 1st last the Board of Referees, before whom we have had our application for standard profits since the early spring of 1942, finally gave their decision and allowed this company the minimum standard of \$5,000.00. A considerable portion of the delay was caused, we are told, by a deadlock in the Board itself. Two members held out for \$5,000.00, while the other two maintained that a reasonable standard should be given - we refrain from further comment.

The result has been the reduction of the surplus set up, by some \$386,000.00 for past years' taxes, and the reserving for taxes of practically all of this year's profits. We have been able to retain our special depreciation for the past three years. This has now been used up and for

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the future we will have only the standard rate, some \$40,000.00 for two years and then \$20,000.00 per annum until the plant is wholly depreciated. This, together with the \$5,000.00 standard and the 20% refundable portion of Excess Profits tax, will limit this company's realization until that tax has been reduced or removed.

(ii) Company progress:

	<u>Sept. 30, 1941</u>	<u>Sept. 30, 1942</u>	<u>Sept. 30, 1943</u>
Paid up Capital	\$709,000.	\$ 10,000.	\$ 10,000.
Deficit	1,436,317.	1,370,169.	1,756,537.
Buildings, Plant (Plywood Division) after depreciation	609,985.	499,354.	239,568.
Equipment, Rolling Stock (Logging Division) after depreciation	186,101.	70,904.	22,942.
Tax Reserve	62,000.	83,000.	496,879.
Depreciation Reserve	898,557.	1,120,432.	1,230,767.

Comment has already been made on the surplus, or rather, deficit account, and on the Plywood Division, fixed assets and depreciation reserve. The company sold its timber and most of its logging equipment to Alberni Pacific Lumber Company Limited, which owned adjoining timber.

	<u>Year Ended Sept. 30, 1941</u>	<u>Year Ended Sept. 30, 1942</u>	<u>Year Ended Sept. 30, 1943</u>
Daily production square feet of 1/16" veneer	1800 M.	1550 M.	1223 M.
Daily production in Mono-dor	235	222	218
Value of daily production Plywood	\$12,726.	\$11,500.	\$11,900.
" " " " Mono-dor	578.	553.	414.
Number of employees	693	637	550
Daily Payroll	\$3,041.	\$2,970.	\$2,412.

The Mono-dor figures are for three months only, as manufacture after December 31, 1942, was forbidden by The Canadian Timber Controller. There has been an improvement in the disposal of sawdust and waste since last year, but no other changes of importance in buildings or machinery. The company has operated only two shifts during the whole period. The percentage of female employees has increased to 33%.

(o) NORTHWEST BAY LOGGING COMPANY LIMITED

In the introductory paragraphs of this letter we stated that the acquisition of timber was the most conspicuous feature of last year's operation, and in our last letter of March 8th 1943 advised you of the formation of the above company.

In November 1942 we purchased all, or practically all, the assets of The Canadian Robert Dollar Company Limited. The chief asset was an agreement to cut some 750 million feet of timber. With this agreement went the camp, logging equipment and roads located on Vancouver Island, as well as the sawmill and town-site located at Dollarton on the north shore of Burrard Inlet. \$1,250,000.00 was paid for all the above, \$300,000.00 in cash and \$200,000.00 by way of notes.

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BAIK Lenses

were four in number dated at six month intervals starting May 31, 1943. In addition we repaid to the Dollar Company an advance made by them to the owners of the timber, \$150,000.00. The balance, \$750,000.00 is payable at the rate of \$1.00 per M. as the timber is logged.

Logs were dumped into Northwest Bay, a well protected booming ground about twenty miles north of Nanaimo on Vancouver Island; hence the name of the company.

Company set-up:

Paid up Capital	\$300,000.
Surplus	100,511.
Amount realized in period for capital obligations	216,472.
Amount paid in period on capital obligations	130,089.
Investment in roads at period end	117,979.
Timber and timber rights (depleted value)	905,631.
Plant and buildings, depreciated value	243,645.
Tax Reserve	-
Depreciation Reserve	15,030.

Of the surplus account \$51,058.00 is operating profit, the balance being capital gain on the sale of mill equipment. The mill has been dismantled and is being sold piecemeal. Since acquiring the property we have already purchased small quantities of adjoining timber and are negotiating for more.

Average daily production (logging)	185 M.
Production in board feet in period (10 months)	37,514 M.
Value of production	\$690,458.
Average number of employees	165
Daily payroll	\$1,324.

This is a comparatively small operation, from which the best that can be expected with present equipment is between four and five million feet monthly. The former owners had slowed down on their programme of road construction. Although we have improved the situation during our period of ownership, it is not yet entirely satisfactory. We anticipate that we will have caught up again by the end of this calendar year.

The logs produced have all been sold to Canadian White Pine Company Limited. The assurance of a steady supply of logs has been of great value to that company in enabling it to work out and adhere to a consistent programme, instead of being entirely dependent on outsiders for logs, with a consequent hand-to-mouth policy and inadequate supply.

(2) NANOOSE TRUCKING COMPANY LIMITED

This small company had been formed as a satellite to Canadian Robert Dollar Company Limited in the logging operations which we purchased. It owned two trucks, one logging and one general purpose. In order to acquire this equipment, which was needed, we had to purchase the shares of the company from its former owners. This had nothing to do with the larger purchase of timber and assets from the Canadian Robert Dollar Company Limited.

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Basic Letters

The logging truck, which was the chief source of revenue, had an unfortunate accident last April, and through difficulty of obtaining new parts from U.S.A., was laid up for several months. Consequently this company operated at a loss last year.

(Q) NORTH ISLAND TRUCKING COMPANY LIMITED

The first paragraph under the heading of Nanoose Trucking Company Limited applies also to this company, except that it owned two logging trucks, both of which were kept fully employed. The company made a small profit.

This and the previous company have each a minimum standard profit, and are therefore advantageous taxwise.

(R) SHAWNIGAN LAKE LUMBER COMPANY LIMITED

This company was purchased as the owner of certain timber rights which have already put us in control of 250 million feet of timber. Incorporated in 1894, it is one of the oldest lumber companies in the Province. Its mill was located on Shawnigan Lake, about twenty-five miles north of Victoria on Vancouver Island. We were interested only in the timber and have disposed of practically all the other fixed assets. As this will not continue as a manufacturing company we have not made up a schedule. No operations whatever are going on at present, and the time of resumption is uncertain.

(S) CONSOLIDATION

It was our intention to submit a consolidated tax return for all our companies, and we had made preparations accordingly. However, recent legislation allowing only the standard of one company, plus \$5,000.00 for each of the others, caused us to change our mind in this respect.

It appears impracticable to comment on the details of the consolidated balance sheet. We shall be very pleased to give you any information you may require, and to answer any questions in connection with it.

REALIZATION AND DISPOSAL:

Realizations include total earnings less income taxes, but before depreciation, capital expenditure, bond and mortgage. In addition they include depletion of timber at Alberni Pacific Lumber Company Limited and Northwest Bay Logging Company Limited, and proceeds from the sale of equipment.

(A) REALIZATION:

	<u>Period</u>	<u>Realization</u>
H.R. MacMillan Export Company Limited	1 year	\$ 202,986.
Alberni Plywoods Limited	"	533,526.
Alberni Pacific Lumber Company Limited	"	723,139.
Alberni Pacific Transport Company Ltd.	"	51,449.
Alpine Timber Company Limited	8 months	-

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BANK LEMES

(A) REALIZATION - Continued

	<u>Period</u>	<u>Realization</u>
British Columbia Plywoods Limited	1 year	\$158,811.
British Columbia Plywoods (Manitoba) Ltd.	"	6,523.
British Columbia Plywoods (Ontario) Ltd.	"	3,773.
British Columbia Plywoods (Quebec) Ltd.	"	1,146.
Canadian White Pine Company Limited	"	212,000.
Canadian Transport Company Limited	"	136,362.
Coast Mills Export Company Limited	"	24,293.
H.R. MacMillan Export (Quebec) Limited	"	3,494.
MacMillan Industries Limited	"	244,471.
Northwest Bay Logging Company Limited	10 months	157,244.
Nanoose Trucking Company Limited	11 months	187.
North Island Trucking Company Limited	"	4,372.
Shawnigan Lake Lumber Company Limited	1 year	38,382.
		<u>\$2,502,163.</u>

(B) DISPOSALS:

Trading:

H.R. MacMillan Export Company Limited

Preferred Dividends	\$51,714.	
Common Dividends	177,000.	
Shares in Shawnigan Lake Lumber Co. Ltd. purchased, less purchase money obligations	60,000.	
Timber purchased	<u>151,046.</u>	\$439,760.

British Columbia Plywoods Limited

Bond Interest	\$3,107.	
Bond Principal	<u>39,000.</u>	42,107.

British Columbia Plywoods (Manitoba) Limited.

Income Taxes, prior years		7,034.
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British Columbia Plywoods (Ontario) Limited

Capital Expenditures	\$5,307.	
Income Taxes, prior years	<u>19,344.</u>	24,651.

British Columbia Plywoods (Quebec) Limited

Capital Expenditures		1,617.
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Coast Mills Export Company Limited

Capital Expenditures		5,551.
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Bank Lenses

**Manufacturing:**

Alberni Plywoods Limited	Capital Expenditures	\$1,445.
Alberni Pacific Lumber Co. Limited	Bond Interest	\$32,890.
	Bond Redemption	250,000.
	J.D. Rockefeller	220,000.
	Premium on J.D. Rockefeller payment	24,200.
	Payment on new timber	115,853.
	Timber Taxes	33,995.
	Capital Expenditures	52,436.
	Payment re timber	5,000.
		<u>739,424.</u>
Alberni Pacific Transport Co. Limited	Note Interest	11,760.
Alpine Timber Company Limited	Timber purchased, less purchase obligations	751,133.
Canadian White Pine Company Ltd.	Bond Interest	\$2,025.
	Bond Principal	15,000.
	Capital Expenditures	104,612.
		<u>121,637.</u>
MacMillan Industries Limited	Note Interest	\$14,625.
	Note Principal	50,000.
	Debenture Interest	20,970.
	Income Taxes, prior years	386,996.
		<u>472,591.</u>
Northwest Bay Logging Co. Limited	Purchase obligation principal	\$30,089.
	Note interest	4,125.
	Notes principal	100,000.
	Capital Expenditures less purchase obligation	519,912.
	Purchase of subsidiary companies	16,000.
		<u>670,126.</u>
Shawnigan Lake Lumber Co. Limited	Timber	\$4,255.
	Purchase obligations, principal	40,247.
	Real Estate	1,314.
		<u>45,816.</u>
		<u>\$3,334,652.</u>

Capital 21,000,000.  
Reserves 1,400,000.  
Assets 22,400,000.  
Liabilities 1,400,000.

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Summarized according to classes of expenditure:

Interest on Capital obligations and dividends	\$318,216.
Principal on Capital obligations	749,336.
Capital expenditures	1,853,726.
Income Tax assessments, prior years	413,374.
	<u>\$3,334,652.</u>
<u>Excess of payments over realization</u> ...	<u>\$832,489.</u>

This excess is attributable chiefly to the purchase of timber, and in part to the income tax assessed for prior years against MacMillan Industries Limited.

CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

(i) Trading:

	<u>Capital</u>	<u>Surplus</u>
H.R. MacMillan Export Company Limited	\$1,051,900.	\$3,302,405.
British Columbia Plywoods Limited		476,642.
British Columbia Plywoods (Manitoba) Ltd.	8,248.	104,944.
British Columbia Plywoods (Ontario) Ltd.		15,700.
British Columbia Plywoods (Quebec) Ltd.		9,573.
Coast Mills Export Company Limited		97,823.
Canadian Transport Company Limited		110,466.
H.R. MacMillan Export (Quebec) Limited		18,088.
	<u>\$1,060,148.</u>	<u>\$4,135,641.</u>

(ii) Manufacturing:

Alberni Plywoods Limited		\$85,283.
Alberni Pacific Lumber Company Ltd.	\$1,000,200.	1,569,418.
Alberni Pacific Transport Co. Ltd.		93,222.
Alpine Timber Company Limited		-
Canadian White Pine Company Limited	522,000.	892,348.
MacMillan Industries Limited	9,999.	-1,726,192.
Northwest Bay Logging Company Limited		100,511.
Nanoose Trucking Company Limited	-4,898.	1,464.
North Island Trucking Company Limited	-4,050.	6,222.
Shawnigan Lake Lumber Company Limited	-23,842.	86,559.
	<u>\$1,499,409.</u>	<u>\$1,108,835.</u>

TOTALS:

Capital	\$1,060,148.	
	<u>1,499,409.</u>	\$2,559,557.
Surplus	\$4,135,641.	
	<u>1,108,835.</u>	<u>5,244,476.</u>
		<u>\$7,804,033.</u>

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The above figures are based on book values of the fixed assets. These have been depreciated to such an extent that recent appraisal figures for depreciated - not new replacement - values, are some \$4,500,000.00 in excess of book figures.

Adding this figure we get a total amount of -

Total Trading (Capital and Surplus)	\$5,195,789.
Total Manufacturing (Capital and Surplus)	2,603,244.
Appraisal value in excess of book values	<u>4,500,000.</u>
	<u>\$12,304,033.</u>

Note: - Timber is in our balance sheets at considerably below replaceable cost or realization results.

Working Capital:

September 30, 1942	\$2,726,663.
September 30, 1943	<u>1,593,068.</u>
Reduction	<u>\$1,123,595.</u>

The difference in the above reduction in working capital and the excess of expenditure over realization of \$832,489. developed earlier, is due to the fact that the consolidated statement shows that portion of the deferred liabilities which mature within one year, under current liabilities. After making allowance for this, the reduction in working capital becomes \$845,803.00, the balance of the difference being accounted for in sundry changes in deferred charges, adjustments for inter-company profit on inventories, and current assets introduced from subsidiaries purchased in the current year.

Obligations due in twelve months ending September 30, 1944 -

H.R. MacMillan Export Company Limited	Preferred dividends	\$51,700.
	Common dividends @ 20¢ per share	177,000.
Alberni Pacific Lumber Company Limited	Principal bonds	250,000.
	Interest bonds	25,000.
	Principal J.D. Rockefeller	220,000.
	Premium at 11%	24,200.
	Payment on timber purchase	15,000.
Alberni Pacific Transport Company Limited	Interest on notes	11,760.
Alpine Timber Company Limited	Payment on timber purchase	110,000.
British Columbia Plywoods Limited	Principal bonds	37,000.
	Interest bonds	2,035.
Canadian White Pine Company Limited	Principal mortgage	15,000.
	Interest mortgage	1,350.

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MacMillan Industries Limited	Interest notes	\$13,500.
	Interest debentures	21,000.
Northwest Bay Logging Company Limited	Note and Interest	<u>52,250.</u>
		<u>\$1,026,795.</u>

Of this amount \$274,960. is payable to shareholders.

The liquidation of Campbell River Timber Company Limited is going on favorably. The shareholders, who invested \$550,000.00 have already received \$715,000.00. The final payment was made by buyers on account of the sale of timber, so that there is at time of writing on deposit with The Canadian Bank of Commerce the sum of \$271,000.00. Fixed assets unsold should realize about \$40,000.00; there will be well over \$300,000.00 still to distribute when liquidation is completed.

Yours very truly,  
H.R. MacMILLAN EXPORT COMPANY LIMITED.

H.R. MacMillan  
President.

H.H.W. J.M.

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