

c Stack (latest in file) 1962

# Anglo-Newfoundland Development Company, Limited

(INCORPORATED IN NEWFOUNDLAND)

Registered Office, Grand Falls, Newfoundland, Canada

## Directors

G. Beckett	G. C. Brown	Wm. Dunkerley	J. S. Goodyear
P. Gruchy, C.B.E.	E. M. Little	T. R. Moore	W. B. Moore
R. E. Morrow, D.F.C., Q.C.	E. L. Neal, D.F.C.	R. A. Redhead	The Viscount Rothermere

## Officers

Chairman of the Board: E. M. Little	President: T. R. Moore	General Manager: C. R. Tittlemore
Secretary: L. E. Baggs	Treasurer: T. M. Hopkins	Controller: R. E. Mambery
Assistant Secretary: W. P. Creagh	Assistant Secretary and Assistant Treasurer: C. J. Bond	

## Registrars and Transfer Agents

Montreal Trust Company, 511 Place d'Armes, Montreal, P.Q. and 15 King Street West, Toronto, Ont.  
Lever, Honeyman & Co., 9 Basinghall Street, London, E.C. 2, England

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## REPORT OF THE DIRECTORS

For the year ended 31st December 1962

The Directors submit herewith their thirtieth Annual Report including the statements of the Company and its consolidated subsidiaries. Consolidated net earnings amounted to \$2,879,454, as compared with \$5,892,231 for the year 1961.

Four interim dividends of 7½c. each were declared in respect of the year and these absorbed \$1,649,525, leaving a balance of \$1,229,929 added to "Earnings Retained in the Business" which now totals \$32,699,340.

By Order of the Board,

**L. E. BAGGS**

Secretary.

21st February 1963.

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# Anglo-Newfoundland Development Company, Limited

## AND CONSOLIDATED SUBSIDIARIES

### Statement of Earnings

	1962	1961
Sales (net after delivery charges) . . . . .	24,799,212	28,607,960
Less: Cost of sales and expenses . . . . .	20,944,061	22,840,865
	3,855,151	5,767,095
Gain on foreign exchange . . . . .	1,950,461	882,908
Income from mining operations . . . . .	964,940	1,371,945
Income from investments . . . . .	176,845	210,406
	6,947,397	8,232,354
Less: Depreciation and depletion, Note 6 . . . . .	2,576,248	2,586,384
Estimated income tax, Notes 2 and 6 . . . . .	2,000,807	2,620,000
Net income from operations . . . . .	2,370,342	3,025,970
Income from sales of investments and fixed assets . . . . .	509,112	1,536,618
Excess of insurance recovery over book value of fixed assets lost in fire at Botwood, Nfld. . . . .	—	1,329,643
Net earnings . . . . .	<u>\$ 2,879,454</u>	<u>\$ 5,892,231</u>

### Statement of Earnings Retained in the Business

	1962	1961
Balance 1st January . . . . .	31,469,411	26,737,335
Net earnings for the year . . . . .	2,879,454	5,892,231
	34,348,865	32,629,566
Less: Dividends declared . . . . .	1,649,525	1,237,143
	32,699,340	31,392,423
Adjustment arising from the sale of a subsidiary company, Note 1 . . . . .	—	76,988
Balance 31st December . . . . .	<u>\$32,699,340</u>	<u>\$31,469,411</u>

# Anglo-Newfoundland Development Company, Limited

## AND CONSOLIDATED SUBSIDIARIES

Balance Sheet as at 31st December

	1962	1961
<b>Current Assets</b>		
Cash . . . . .	648,962	7,017,165
Deposit with parent company . . . . .	780,000	—
Accounts receivable from affiliated company . . . . .	5,973,014	10,291,615
Accounts receivable — other . . . . .	1,107,541	1,687,542
Inventories — valued at the lower of cost or market . . . . .	15,465,561	14,603,426
Prepaid expenses . . . . .	514,739	238,950
	<u>24,489,817</u>	<u>33,838,698</u>
<b>DEDUCT</b>		
<b>Current Liabilities</b>		
Accounts payable . . . . .	2,371,084	2,190,209
Dividend payable . . . . .	412,381	412,381
Estimated income tax payable . . . . .	1,132,293	2,206,972
	<u>3,915,758</u>	<u>4,809,562</u>
<b>Working Capital</b> . . . . .	20,574,059	29,029,136
<b>Long Term Receivables, Note 3</b> . . . . .	4,374,225	—
<b>Investments</b>		
Subsidiary companies not consolidated, Note 1 . . . . .	3,980,301	8,124,836
Government of Canada bonds deposited as security, at cost (market value \$230,625), Note 4 . . . . .	234,688	234,688
Marketable securities, at cost (market value \$6,562,500) . . . . .	7,212,500	—
Other investments, at cost . . . . .	1,014,733	1,015,233
<b>Land, Buildings, Equipment, Timber Limits and Mining Rights</b> at cost less depreciation and depletion, Note 5 . . . . .	23,103,440	20,669,576
	<u>60,493,946</u>	<u>59,073,469</u>
<b>DEDUCT</b>		
<b>Accumulated Tax Reductions Applicable</b> to Future Years, Note 6 . . . . .	228,560	38,012
<b>Stockholders' Equity</b> . . . . .	<u>\$60,265,386</u>	<u>\$59,035,457</u>
<b>Represented by</b>		
<b>Capital Stock</b>		
Authorized — 6,000,000 Ordinary Shares of \$5 each		
Issued and converted into stock — 5,498,415 units of \$5 each	27,492,075	27,492,075
Earnings retained in the business . . . . .	32,699,340	31,469,411
Excess of book value of net assets of consolidated subsidiary over cost of acquisition . . . . .	73,971	73,971
	<u>\$60,265,386</u>	<u>\$59,035,457</u>

On behalf of the Board,  
**T. R. MOORE**  
**R. E. MORROW** } Directors

## Auditors' Report

To the Stockholders of

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY, LIMITED:

We have examined the consolidated balance sheet of Anglo-Newfoundland Development Company, Limited and its consolidated subsidiaries as at 31st December 1962 and the related consolidated statements of earnings and of earnings retained in the business for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, based on our examination and according to the best of our information and the explanations given to us the accompanying consolidated balance sheet and related consolidated statements of earnings and of earnings retained in the business are properly drawn up in accordance with generally accepted accounting principles so as to present fairly the state of the combined affairs of Anglo-Newfoundland Development Company, Limited and its consolidated subsidiaries as at 31st December 1962 and the results of their combined operations for the year then ended.

9 Basinghall Street,  
 London, E.C. 2,  
 1st February, 1963

LEVER, HONEYMAN & CO., }  
 Chartered Accountants } Auditors

# Anglo-Newfoundland Development Company, Limited

## AND CONSOLIDATED SUBSIDIARIES

### Explanatory Notes on Accounts

#### Note 1: Principles of Consolidation

The accompanying financial statements as at 31st December 1962 include the accounts of all subsidiary companies except Gaspesia Pulp and Paper Company Ltd. in which a 51% interest is owned. The investment in Gaspesia is carried at the proportionate book value of Gaspesia's shares at 31st December 1960 which is \$592,454 more than the proportionate book value at 31st December 1962. Anglo-Newfoundland's portion of Gaspesia's loss in 1962 was \$671,179. This loss is after absorbing substantial interest and financing charges in connection with the construction of a new paper mill at Chandler, P.Q.

At the time of publishing the 1961 statements, Price Paper Corporation (then named North-eastern Paper Sales, Inc.) was a wholly owned subsidiary and its accounts were included in the consolidated statements. During 1962 the shares of this Company were sold to Price Brothers & Company, Limited for their book value at 31st December 1961, and comparative 1961 figures have been adjusted accordingly.

#### Note 2: Income Tax on Unrealized Profit

While no credit is taken for unrealized inter-company profits on inventories in the hands of foreign sales affiliates, it was the practice up to and including 1961 to provide for all income tax payable on such profits by a charge to earnings. In 1962, however, inventories held by these affiliates have increased substantially, necessitating a change in the basis of recording income taxes applicable to unrealized profits to avoid a distortion of earnings for the year. Accordingly, income tax of \$209,316, applicable to the excess of these unrealized inter-company profits over the balance at 31st December 1961, has been deferred and included in Prepaid Expenses on the balance sheet.

#### Note 3: Long Term Receivables

Consists mainly of amounts receivable from sales of fixed assets not due within the next year and a balance of \$2,820,000 in connection with the sale of Gaspesia shares to The New York Times Company which will be due when the new paper mill being constructed at Chandler, P.Q., is completed and in satisfactory operation. It is expected that this will be by early 1964.

#### Note 4:

The Company has been granted a timber licence by the Government of Ontario on condition that the construction of a mill will be commenced by 1st May 1963 and as security for the due performance of that condition has deposited with the Treasurer of Ontario, Government of Canada bonds of the par value of \$250,000 which may be forfeited by the Company if it does not fulfil that condition.

#### Note 5: Land, Buildings, Equipment, Timber Limits and Mining Rights

Figures on the Balance Sheet are arrived at as follows:-

1962				1961		
DEPRECIATION AND DEPLETION				DEPRECIATION AND DEPLETION		
COST	DEPLETION	BALANCE		COST	DEPLETION	BALANCE
83,511	—	83,511	Freehold land . . . . .	83,511	—	83,511
3,723,325	2,911,220	812,105	Timber limits . . . . .	3,625,433	2,781,137	344,296
8,002,846	7,805,492	197,354	Woods assets . . . . .	7,747,687	7,438,272	309,415
42,556,888	24,512,923	18,043,965	Mill buildings and equipment	39,765,246	23,151,069	16,614,177
1,174,590	840,063	334,527	Town properties . . . . .	2,409,765	1,334,793	1,074,972
5,328,833	1,946,855	3,381,978	Railway and shipping facilities	3,309,089	1,817,884	1,491,205
250,000	—	250,000	Mining rights . . . . .	252,000	—	252,000
<u>\$61,119,993</u>	<u>\$38,016,553</u>	<u>\$23,103,440</u>		<u>\$57,192,731</u>	<u>\$36,523,155</u>	<u>\$20,669,576</u>

#### Note 6: Depreciation and Accumulated Tax Reductions

Depreciation is recorded in the accounts on the basis of the regular rates of capital cost allowance permitted for income tax purposes but is not taken on major capital projects until they are completed and in normal operation. Income tax charged to earnings is based on this depreciation figure. However, the maximum capital cost allowance permitted, including special depreciation, is taken for income tax purposes and this exceeded depreciation charged to 1962 earnings by \$382,549. As a result, income tax payable for the year is \$191,275 less than tax charged to earnings and this amount has been added to "Accumulated Tax Reductions Applicable to Future Years."

#### Note 7: Capital Commitments

An estimated amount of \$1,790,000 will be required to complete approved capital projects.