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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. Tittermore
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

REPORT OF THE DIRECTORS

For the year ended 31st December 1961

The Directors submit herewith their twenty-ninth Annual Report including the statements of the Company and its consolidated subsidiaries. Consolidated net income amounted to \$5,969,219, as compared with \$2,707,699 for the year 1960.

Three interim dividends of 7½c. each were declared in respect of the year and these absorbed \$1,237,143, leaving a balance of \$4,732,076 added to "Earnings Retained in the Business" which now totals \$31,469,411.

By Order of the Board,

L. E. BAGGS

Secretary.

23rd February 1962.

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Anglo-Newfoundland Development Company, Limited

AND CONSOLIDATED SUBSIDIARIES

Consolidated Statement of Income

	<u>1961</u>	<u>1960</u>
Income from operations	8,166,396	6,109,606
Income from investments	210,406	372,481
Income from sale of investments and fixed assets	1,536,618	307,379
Excess of insurance recovery over book value of fixed assets lost in fire at Botwood, Nfld.	1,329,643	—
	11,243,063	6,789,466
Depreciation and depletion	2,589,744	2,504,267
	8,653,319	4,285,199
Income tax — estimated, Note 4	2,684,100	1,577,500
Net income	\$5,969,219	\$2,707,699

Consolidated Statement of Earnings Retained in the Business

	<u>1961</u>	<u>1960</u>
Balance at 1st January	26,737,335	18,910,313
Net income for the year	5,969,219	2,707,699
Transfer of provisions for shortages and obsolescence of inventory, etc., no longer required	—	646,046
	32,706,554	22,264,058
DEDUCT		
Dividends declared	1,237,143	1,649,524
	31,469,411	20,614,534
Adjustment arising on revaluation of investment in a subsidiary company not consolidated, Note 1	—	6,122,801
Balance at 31st December	\$31,469,411	\$26,737,335

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Ordinary General Meeting of Anglo-Newfoundland Development Company, Limited will be held at the offices of the Company, Grand Falls, Newfoundland, on Thursday, the Third day of May, 1962, at ten-thirty o'clock in the forenoon, for the following purposes:-

1. To receive the Directors' and Auditors' Reports, the Balance Sheet and Statement of Income for the year ended 31st December, 1961.
2. To elect Directors in the place of those retiring and to vote the remuneration of Directors for the year ending 31st December, 1962.
3. To appoint Auditors.
4. To transact any other ordinary business of the Company.

By Order of the Board,
L. E. BAGGS
Secretary.

23rd February 1962

Anglo-Newfoundland Development Company, Limited

AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheet as at 31st December

	1961	1960
Current Assets		
Cash	7,228,133	1,973,146
Short term investments and marketable securities at cost	—	3,587,135
Accounts receivable	12,485,765	7,830,694
Inventories—valued at the lower of cost or market	18,045,631	14,236,757
Prepaid expenses	251,628	461,063
	<u>38,011,157</u>	<u>28,088,795</u>
DEDUCT		
Current Liabilities		
Accounts payable to affiliated companies	3,340,598	—
Accounts payable — other	2,650,177	1,784,549
Dividends payable	412,381	824,762
Estimated income tax payable	2,269,616	956,423
	<u>8,672,772</u>	<u>3,565,734</u>
Working Capital	29,338,385	24,523,061
Investments		
Subsidiary company not consolidated		
Common shares, Note 1	7,800,301	7,800,301
Advance	—	500,000
Government of Canada bonds deposited as security (market value \$233,125), Note 2	234,688	234,688
Other investments at cost	1,015,233	1,141,880
Land, Buildings, Equipment, Timber Limits and Mining Rights at cost less depreciation and depletion, Note 3	20,684,862	20,103,451
	<u>59,073,469</u>	<u>54,303,381</u>
DEDUCT		
Accumulated Tax Reductions Applicable to Future Years, Note 4	38,012	—
Stockholders' Equity	<u>\$59,035,457</u>	<u>\$54,303,381</u>
Represented by		
Capital Stock		
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	31,469,411	26,737,335
Excess of book value of net assets of consolidated subsidiary over cost of acquisition	73,971	73,971
	<u>\$59,035,457</u>	<u>\$54,303,381</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, 1961 and the related consolidated statements of income 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. The consolidated financial statements incorporate figures in respect of certain subsidiaries which have been reported on by other auditors.

In our opinion, based on our examination and the reports of other auditors, and according to the best of our information and the explanations given to us the accompanying consolidated balance sheet and related consolidated statements of income 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, 1961, and the results of their combined operations for the year then ended.

9, Basinghall Street,
London, E.C. 2,
2nd February, 1962

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

Anglo-Newfoundland Development Company, Limited

AND CONSOLIDATED SUBSIDIARIES

Explanatory Notes on Accounts

Note 1. Investment in Subsidiary Company not Consolidated

At the time of publishing the 1960 statements, Gaspesia Pulp and Paper Company, Ltd. (then named Gaspesia Sulphite Company, Ltd.) was a wholly owned subsidiary of Anglo-Newfoundland Development Company, Limited, and its accounts were included in the consolidated statements along with those of the other subsidiary companies. On 16th January 1962, 49% of the outstanding common shares of Gaspesia Pulp and Paper Company, Ltd. were sold for a price equivalent to the net equity of the shares at 31st December 1960. For this reason, the accounts of this subsidiary are not included in the consolidation as at 31st December 1961 and comparative figures for 1960 have been adjusted accordingly.

In the consolidated balance sheet as at 31st December 1961, the investment in Gaspesia Pulp and Paper Company, Ltd. is carried at the net equity of that Company as shown on its audited balance sheet as at 31st December 1960, and an adjustment to reflect this valuation has been made on the consolidated statement of earnings retained in the business.

During 1961, Gaspesia Pulp and Paper Company, Ltd. paid no dividends and earned a profit of \$79,089 which has not been taken into the consolidated accounts. At 31st December 1961, the shareholders equity in this Company amounted to \$7,879,390.

Note 2.

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 3. Land, Buildings, Equipment, Timber Limits and Mining Rights

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

1961			1960		
DEPRECIATION AND			DEPRECIATION AND		
COST	DEPLETION	BALANCE	COST	DEPLETION	BALANCE
83,511	—	83,511	83,511	—	83,511
3,625,433	2,781,137	844,296	3,625,433	2,658,946	966,487
7,747,687	7,438,272	309,415	7,302,667	7,035,472	267,195
39,789,364	23,159,901	16,629,463	37,527,209	21,449,871	16,077,338
2,409,765	1,334,793	1,074,972	2,436,853	1,298,147	1,138,706
3,309,089	1,817,884	1,491,205	3,823,469	2,510,255	1,313,214
252,000	—	252,000	257,000	—	257,000
<u>\$57,216,849</u>	<u>\$36,531,987</u>	<u>\$20,684,862</u>	<u>\$55,056,142</u>	<u>\$34,952,691</u>	<u>\$20,103,451</u>

Note 4. Depreciation and Accumulated Tax Reductions

Depreciation is recorded in the accounts on the basis of the normal rates allowed for income tax purposes. However, an amendment to the Income Tax Act in 1961 grants special depreciation allowances in addition to the normal rates. The effect of this amendment is to permit the claiming of depreciation for tax purposes in the current year which would normally not be claimed until future years. Accordingly, \$76,024 of special depreciation allowance will be claimed for tax purposes in 1961 but this has not been reflected in the amounts of depreciation or income tax charged on the consolidated statement of income. The reduction in income tax payable as a result of the special allowance amounts to \$38,012 and as this amount is applicable to those future periods in which the amounts of depreciation claimed for tax purposes will be less than they would otherwise have been, it has been included in the balance sheet under the caption "Accumulated Tax Reductions Applicable to Future Years".

Note 5. Capital Commitments

An estimated amount of \$3,079,505 will be required to complete approved capital projects.