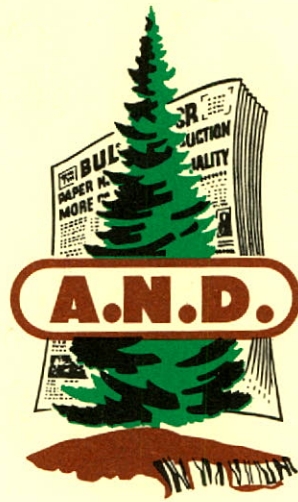


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Anglo-Newfoundland Development Company, Limited

Annual Report
1960

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Anglo-Newfoundland Development Company, Limited

Annual Report

1960

Anglo-Newfoundland Development Company, Limited

(INCORPORATED IN NEWFOUNDLAND)
Registered Office, Grand Falls, Newfoundland, Canada

Directors

G. BECKETT	B. C. GARDNER, M.C.	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	
	E. A. SURSHAM	

Officers

Chairman of the Board: E. M. LITTLE
President and General Manager: T. R. MOORE
Vice-President—Finance: J. S. GOODYEAR
Secretary: L. E. BAGGS *Assistant Secretary:* W. P. CREAGH
Treasurer: T. M. HOPKINS
Assistant Secretary and Assistant Treasurer: C. J. BOND
Controller: R. E. MEMBERY

Bankers

BANK OF MONTREAL

Solicitors

HOWARD, CATE, OGILVY, BISHOP, COPE, PORTEOUS & HANSARD
THE ROYAL BANK BUILDING
MONTREAL, P.Q.

Registrars and Transfer Agents

LEVER, HONEYMAN & Co., 9, BASINGHALL STREET, LONDON, E.C. 2, ENGLAND
MONTREAL TRUST COMPANY, 511 PLACE D'ARMES, MONTREAL, P.Q.
MONTREAL TRUST COMPANY, 15 KING STREET WEST, TORONTO, ONT.

Auditors

LEVER, HONEYMAN & Co., 9, BASINGHALL STREET, LONDON, E.C. 2, ENGLAND

Financial Highlights

	1960	1959	1958	1957	1956
	(Thousands of Dollars)				
Sales—Pulp and Paper	36,565	33,885	35,025	37,404	39,211
<hr/>					
Net Income—Pulp and Paper	1,727*	1,324	2,550	1,742	3,064
—Mining	1,019	969	258	539	2,362
Consolidated Net Income	2,746	2,293	2,808	2,281	5,426
<hr/>					
Dividends Declared	1,649	1,649	1,100	2,062	3,299
Capital Expenditures	4,461	3,284	2,569	3,008	3,155
Working Capital	28,516	26,821	27,180	25,182	24,964
<hr/>					
		(Cents per Stock Unit)			
Consolidated Net Income	50*	42	51	41	99
Dividends Declared	30	30	20	37	60

*See Note 4.



Report of the Directors

The Directors submit herewith their twenty-eighth Annual Report, including the Consolidated Statements of the Company and its subsidiaries. The Consolidated Net Income amounted to \$2,746,008, as compared with \$2,293,144 for the year 1959, and was derived from the following Companies and operations:

	<u>1960</u>	<u>1959</u>
Parent Company from newsprint and ancillary operations (including steamship and railway operations conducted by subsidiary companies) and from sundry investments	1,689,125	1,387,772
Gaspesia Sulphite Company, Ltd.—sulphite pulp operations .	38,310	(64,136)
Terra Nova Properties, Limited—mining operations	<u>1,018,573</u>	<u>969,508</u>
	<u>\$2,746,008</u>	<u>\$2,293,144</u>

Four interim dividends of 7½¢ each were declared in respect of the year and these absorbed \$1,649,524, leaving a balance of \$1,096,484 added to “Earnings Retained in the Business” which now totals \$26,260,164.

By Order of the Board,

L. E. BAGGS,

Secretary.

18th April, 1961.

Statement by the President

MR. T. R. MOORE

The presentation of the financial statements has been changed this year to conform more closely with North American practice, and it is hoped that you will find this change to be helpful. Differences in comparative figures are reconciled for your convenience in section five of the explanatory notes which follow the statements.

Anglo-Newfoundland Development Company, Limited

Newsprint production in 1960 totalled 231,000 tons, a slight increase over 1959 despite temporarily reduced production levels while number six paper machine was being rebuilt and returned to operation. The 1960 financial results were influenced by non-recurring items of cost associated with the 1959 loggers' strike and the start-up of rehabilitated production facilities as well as by a capital gain on the disposal of certain trade investments. Net income increased by 22% over the previous year.

Total sales amounted to \$27,550,000, substantially the same as in 1959. Indications in the early months of 1960 were that the demand for newsprint would increase considerably over the previous year, but the stimulating effect of a high growth of U.S. consumption diminished late in the year and the total improvement was below expectations. However, the Company has entered 1961 with a continuing strong market position and an outlook for improved sales volume.

Capital expenditures during 1960 amounted to \$3,544,000. The principal outlay, \$1,857,000, was in continuation of the program to modernize the paper machines in the Grand Falls mill, the major portion of which has now been completed. An additional \$547,000 was expended on new woods camps, roads and dams. This high rate of new investment in fixed assets, of course, has brought the amount of depreciation which must be recovered against earnings to a substantial level.



*Dumping pulpwood
to await spring
run-off*



Labour relations were maintained on an amicable basis during the year. A new woods labour agreement was negotiated and will remain in effect until May 1962. A new one-year mill labour contract was signed providing for wage increases in line with those granted by other companies in the newsprint industry. A further agreement providing for continuous operation of the mill seven days a week was also concluded, effective 1st January, 1961. With continuous operations, it is expected that an increase in newsprint production in the order of from 10% to 15% will be obtained in 1961.

Commitments to the Government of the Province of Ontario in connection with the conditions of the extension of the licence agreement on timber lands at Sioux Lookout were complied with. There have been no further developments concerning plans to extend paper mill operations into this area.

Early in 1961, the operation of joint sales companies with Anglo-Canadian Pulp and Paper Mills, Limited was terminated following acquisition of the controlling interest in that Company by Albert E. Reed and Company, Limited. Anglo-Newfoundland Development Company, Limited has now established its own sales company, Northeastern Paper Sales, Inc., and all the Company's products and those of Gaspesia Sulphite Company, Ltd. will be marketed through this outlet.

With the mill substantially rehabilitated, additional production available through continuous operations, and a strong sales position, the Anglo-Newfoundland Development Company, Limited views the newsprint industry's outlook for a keenly competitive 1961 with confidence.

Gaspesia Sulphite Company, Ltd.

1960 was a year of sustained weakness for the sulphite pulp market, during which the price of bleached pulp to the U.S. market dropped by \$15.00 per ton and the price of unbleached pulp by \$10.00. Despite this condition, a net profit of \$38,310 for the year was realized as compared with a loss of \$64,136 in 1959. The mill at Chandler, Quebec, operated at 90% of capacity and 64,000 tons of bleached sulphite pulp and 14,000 tons of unbleached pulp were sold during the year.

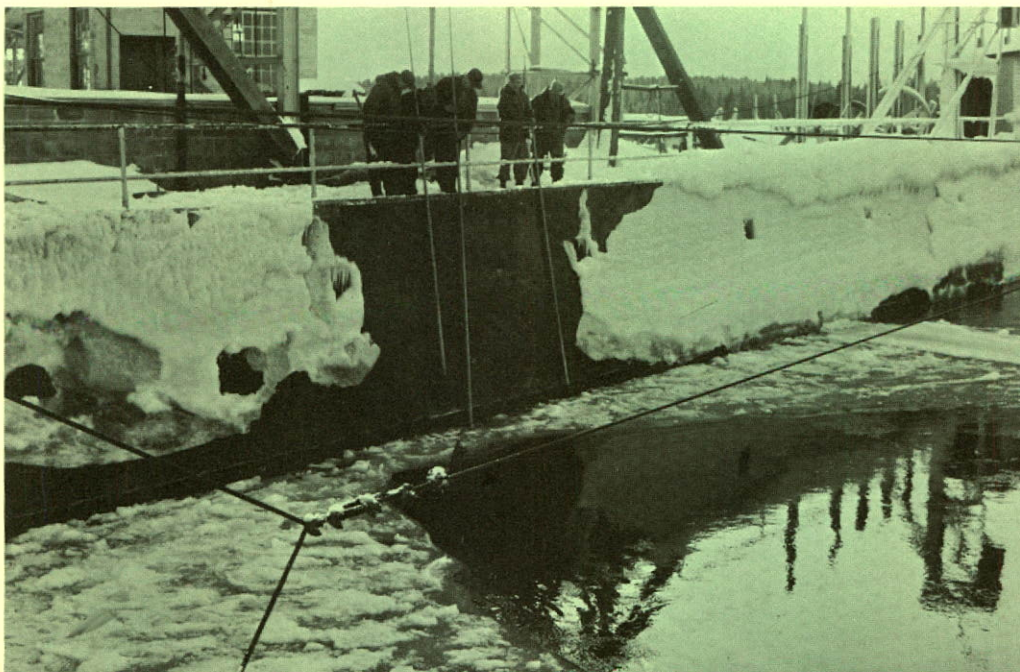
During 1960, a considerable amount of planning work was carried out to determine the economic feasibility of installing facilities for paper manufacture at Chandler. The results of this study have been favourable and it is expected that the Company will enter into a contract for the installation of a modern high-speed paper machine sometime in 1961, provided the necessary timber limits and power supply can be made available.

Terra Nova Properties, Limited

This Company's net income at \$1,018,573 is slightly higher than in 1959. The quantity of ore mined and milled at the Buchans mine increased by 27,000 short tons to a total of 386,000 tons and production is expected to be maintained at this level in 1961.

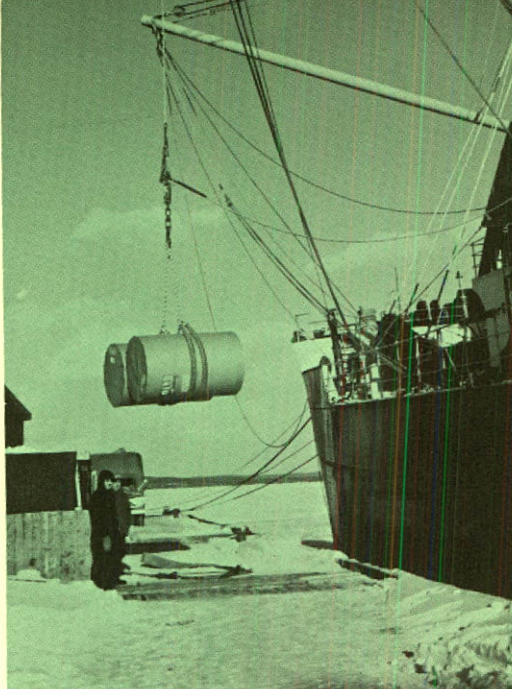
Mine development for the year amounted to 7,609 feet, almost 3,000 feet more than in 1959. Over one half of this work was concentrated on drifts, raises and ore passes of the MacLean orebody. New ore discovered during the year amounted to 145,000 tons and the estimated reserves of assured and probable ore totalled 5,119,000 tons at 31st December, 1960, 241,000 tons

*Frozen segment of
pulpwood pile*



*Cleaning ice from
Hydro inlet at
Mill dam*

Late season loading operations at Botwood, Newfoundland



less than at the previous year-end. Extensive prospecting and exploration work was carried out on Crown Lands and in the area adjacent to the present Buchans mine, and findings in the latter area gave encouraging indications.

Consolidated Position

Consolidated Net Income, after depreciation and taxes, of \$2,746,008 is equivalent to 50c. per stock unit, compared with \$2,293,144 or 42c. per stock unit in 1959. Consolidated working capital as at 31st December, 1960 amounted to \$28,516,246.

Mr. E. L. Neal was elected a Director of the Company at the General Meeting of Shareholders on 11th May, 1960. Mr. W. H. Howard, C.B.E., Q.C. and Mr. W. E. Soles retired from the Board of Directors, the former after almost 15 years of valued service during which he served for several years as Chairman of the Board. Mr. R. A. Redhead and Mr. W. B. Moore have been appointed to fill these vacancies.

I wish to express my sincere thanks to the officers and employees of the Company and its subsidiaries for the loyal and efficient service rendered through the year.

18th April, 1961.

President.

Anglo-Newfoundland Development Company, Limited

AND SUBSIDIARY COMPANIES

Consolidated Statement of Income

	<u>1960</u>	<u>1959</u>
Income from operations	6,669,474	6,653,725
Income from investments	372,481	322,321
Income from disposal of fixed assets and investments	339,797	—
	<u>7,381,752</u>	<u>6,976,046</u>
Depreciation and depletion	2,996,244	2,878,402
	<u>4,385,508</u>	<u>4,097,644</u>
Income tax—estimated	1,639,500	1,804,500
Net income	<u>\$2,746,008</u>	<u>\$2,293,144</u>

Consolidated Statement of Earnings Retained in the Business

	<u>1960</u>	<u>1959</u>
Balance at 1st January	24,517,634	17,979,276
Net income for the year	2,746,008	2,293,144
Transfer of provision for shortages and obsolescence of inventory, etc., no longer required	646,046	—
	<u>27,909,688</u>	<u>20,272,420</u>
<i>Deduct</i>		
Dividends declared	1,649,524	1,649,524
	<u>26,260,164</u>	<u>18,622,896</u>
Transferred from Reserves:		
Capital Reserve	—	5,475,275
Revenue Reserve	—	419,463
Balance at 31st December	<u>\$26,260,164</u>	<u>\$24,517,634</u>

Anglo-Newfoundland Development Company, Limited

AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet as at 31st December

	<u>1960</u>	<u>1959</u>
Current Assets		
Cash	2,235,608	3,592,640
Short term investments and marketable securities at cost (market value \$4,905,640) Note 4.	3,587,135	3,838,812
Accounts receivable	9,356,549	7,422,907
Inventories—valued at the lower of cost or market	17,816,023	17,770,563
Prepaid expenses	572,218	449,934
	<u>33,567,533</u>	<u>33,074,856</u>
DEDUCT		
Current Liabilities		
Bank loan and overdraft—secured	—	1,137,162
Accounts payable	3,218,674	2,729,250
Dividends payable	824,762	1,099,683
Estimated income tax payable	1,007,851	1,287,917
	<u>5,051,287</u>	<u>6,254,012</u>
Working Capital	28,516,246	26,820,844
Land, Buildings, Equipment, Timber Limits and Mining Rights at cost less depreciation and depletion, Note 1.	24,408,067	23,264,433
Other Assets		
Trade investments at cost, Note 4	1,144,380	2,030,552
Other investments	—	10,334
Loan to associated company	—	200,000
Government of Canada Bonds deposited as security (market value \$220,625), Note 2.	234,688	234,688
	<u>234,688</u>	<u>234,688</u>
Stockholders' Equity	<u>\$54,303,381</u>	<u>\$52,560,851</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	26,260,164	24,517,634
Excess of book value of net assets of subsidiaries over cost of acquisition	551,142	551,142
	<u>\$54,303,381</u>	<u>\$52,560,851</u>

On behalf of the Board,

T. R. MOORE }
J. S. GOODYEAR } *Directors.*

Auditors' Report

To the Stockholders of

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY, LIMITED:

We have examined the accounts of Anglo-Newfoundland Development Company, Limited and its subsidiary companies for the year ended 31st December, 1960, and have obtained all the information and explanations we have required. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and related consolidated statements of income and of earnings retained in the business are properly drawn up so as to exhibit a true and fair view of the state of the combined affairs of the Company and its subsidiaries as at 31st December, 1960, and the results of their combined operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

9, Basinghall Street,
London, E.C. 2,
18th April, 1961.

LEVER, HONEYMAN & Co., }
Chartered Accountants } *Auditors.*

Explanatory Notes on Accounts

Note 1. Land, Buildings, Equipment, Timber Limits and Mining Rights.

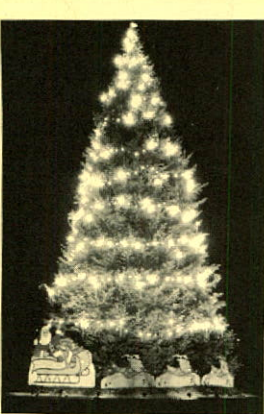
Figures on the Balance Sheet are arrived at as follows:—

1960			1959		
COST	DEPRECIATION AND DEPLETION	BALANCE	COST	DEPRECIATION AND DEPLETION	BALANCE
132,153	—	132,153	114,926	—	114,926
4,261,753	3,058,516	1,203,237	4,262,752	2,932,654	1,330,098
7,792,963	7,408,903	384,060	7,245,105	6,831,798	413,307
47,189,307	27,361,031	19,828,276	44,401,790	25,651,115	18,750,675
2,906,174	1,616,047	1,290,127	2,832,477	1,546,295	1,286,182
3,823,469	2,510,255	1,313,214	3,491,500	2,401,794	1,089,706
257,000	—	257,000	279,539	—	279,539
<u>\$66,362,819</u>	<u>\$41,954,752</u>	<u>\$24,408,067</u>	<u>\$62,628,089</u>	<u>\$39,363,656</u>	<u>\$23,264,433</u>

The costs shown above include the cost of assets acquired from the Predecessor Company as at 1st January, 1933 at their then net book values. The depreciation provided by the Predecessor Company to that date on assets which are still in use amounts to \$4,222,740 so that the original cost of existing fixed assets is \$70,585,559.

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, 1962 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 will be forfeited by the Company if it does not fulfil that condition.



Explanatory Notes on Accounts

Note 3. Capital Commitments at 31st December, 1960 were as follows:—

Estimated amount required to complete capital construction in progress	\$1,677,304
Estimated cost of other construction work approved by the Directors but not commenced by 31st December, 1960	\$ 241,550

Note 4.

Following a decision to market certain trade investments which have been held by the Company for a considerable number of years, the book value of these investments in the amount of \$901,001 was transferred from "Trade investments" to the "Short term investments and marketable securities" section of current assets. During 1960, a portion of these investments with a book value of \$202,866 was marketed for \$580,009 and the capital gain has been included in income. The balance was marketed in January 1961 for \$2,024,466.

Note 5. Comparative 1959 consolidated figures.

The 1959 current assets total shown on the 1960 balance sheet for comparative purposes is lower than that on the 1959 balance sheet by \$413,307, which represents the book value of woods assets transferred to "Land, buildings, equipment, timber limits and mining rights", which now includes all fixed assets.

Of the Capital Reserve which amounted to \$6,026,417 as at 31st December, 1959, \$551,142 has been shown in 1960 under the caption "Excess of book value of net assets of subsidiaries over cost of acquisition" and the balance, made up of surpluses of \$2,979,946 arising from disposal of fixed assets etc., and \$2,495,329 being earnings capitalized by a subsidiary in 1951 on declaration of a stock dividend, has been transferred to "Earnings retained in the business". The Revenue Reserve of \$419,463 has been similarly transferred.

The amortization of woods assets in the amount of \$626,957 was deducted in arriving at trading income in the 1959 profit and loss account. In the 1959 comparative figures on the 1960 consolidated statement of income, the "Income from operations" balance is before deduction of this amount which is included in the charge for depreciation and depletion.

Consolidated Statement of Source and Application of Funds

	1960
SOURCE OF FUNDS	
Net income	2,746,008
Depreciation and depletion charges to net income not requiring an expenditure of funds . . .	2,996,244
Repayment of loan to associated company	200,000
Transfer of trade investments, Note 4	901,001
Disposal of other investments	10,334
Transfer of provisions for shortages and obsolescence of inventory no longer required	646,046
	7,499,633
APPLICATION OF FUNDS	
Capital expenditure on land, buildings, equipment, timber limits and mining rights (net) . . .	4,139,878
Purchase of trade investments	14,829
Dividends	1,649,524
	5,804,231
Increase in working capital	1,695,402
Working capital at the beginning of the year	26,820,844
Working capital at the end of the year	\$28,516,246



