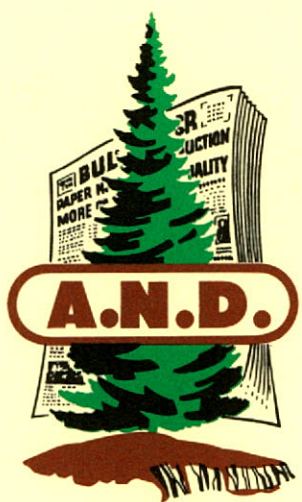


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Anglo-Newfoundland Development Company, Limited

Annual Report
1959

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ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY,
LIMITED

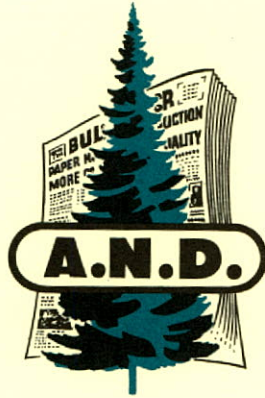
NOTICE IS HEREBY GIVEN that the Ordinary General Meeting of ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY, LIMITED will be held at the Offices of the Company, Grand Falls, Province of Newfoundland, on Wednesday, the Eleventh day of May, 1960, at ten-thirty o'clock in the forenoon, for the following purposes, namely:—

1. To receive the Directors' and Auditors' Reports, the Balance Sheet and Profit and Loss Account to 31st December, 1959.
2. To elect Directors in the place of those retiring and to vote the remuneration of Directors for the year ending 31st December, 1960.
3. To appoint Auditors.
4. To transact any other ordinary business of the Company.

By Order of the Board,

L. E. BAGGS,
Secretary.

Dated this 12th day of April, 1960.
Grand Falls,
Province of Newfoundland,
Canada.



Anglo-Newfoundland Development Company, Limited

Annual Report
1959

*Mill and townsite
Grand Falls, Newfoundland*





Report of the Directors

For the year ended 31st December, 1959

The Directors submit herewith their twenty-seventh Annual Report and Statement of Accounts, together with the Consolidated Accounts of the Company and its subsidiaries. The Consolidated Profit, after providing for all expenses, depletion, depreciation and Canadian Income Tax, amounted to \$2,293,144 compared with \$2,808,497 for the year 1958. These amounts were derived from the following Companies and operations:

	1959	1958
Parent Company from newsprint and ancillary operations (including steamship and railway operations conducted by subsidiary companies) and from sundry investments.	1,387,772	2,435,931
Gaspesia Sulphite Company, Ltd. — sulphite pulp operations .	(64,136)	113,674
Terra Nova Properties, Limited — mining operations	969,508	258,892
	<u>\$2,293,144</u>	<u>\$2,808,497</u>

The Consolidated Surplus brought forward from last year was \$17,979,276. To this was added the net profit for the year, making a total of \$20,272,420. Four interim dividends of 5¢ each and an extra interim dividend of 10¢ were declared in respect of the year and these absorbed \$1,649,524, leaving a surplus carried forward of \$18,622,896.

By Order of the Board,

L. E. BAGGS,
Secretary.

12th April, 1960.

Statement by the President

MR. T. R. MOORE

The Fiftieth Anniversary of newsprint production at Grand Falls was marred by a prolonged woods labour dispute which hampered logging operations in the early months of 1959. This unrest had a detrimental effect on newsprint operating costs which more than offset a marked improvement in the profits from mining operations.

Anglo-Newfoundland Development Company, Limited

As mentioned in my statement last year, protracted negotiations with the woods labour union failed to avert a lengthy loggers' strike. That dispute came about despite your Company's record of over 20 years of fair dealing with the former woods unions and despite the fact that it was already paying the highest woods wages in Eastern Canada. The position taken by your Company, that it could not accede to exorbitant demands, was dictated by economic necessity.

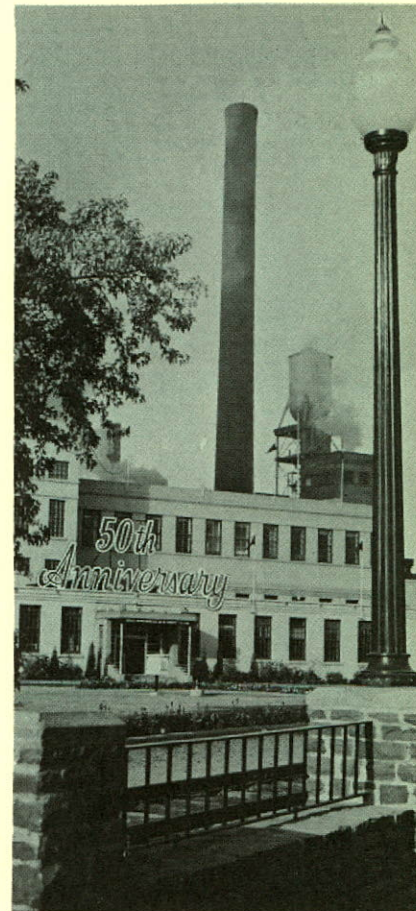
Finally, a new woods union was organized and an acceptable agreement, effective for one year, was made with it. As might be expected, the cost of pulpwood delivered to the mill rose appreciably due to the strike, and this, coupled with the expense of importing sulphite pulp to conserve wood supplies, resulted in sharply higher manufacturing costs.

In this connection, you should know that many pulp and paper companies in Central and Eastern Canada operate at a cost advantage over your Company because, among other things, their woods operations are not unionized and, in addition, they are able to purchase some of the pulpwood they need from farmers and jobbers. Pulpwood is not available in significant quantities for purchase in Newfoundland.

Purchased wood is, normally, lower in price and its purchase relieves producers, to that extent, of the necessity of making the large expenditures on woods roads and logging equipment that your Company must make in order to procure necessary wood from its timber limits. Accordingly, your Company must, in order to remain competitive, at all times do its utmost to keep its wage rate structure from rising materially and must maintain a firm stand against any unduly onerous wage demands.

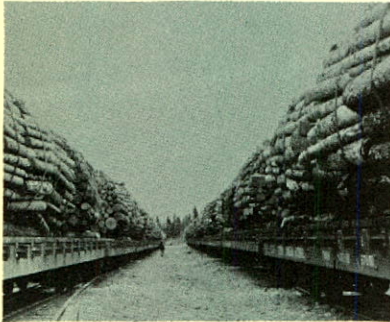
Newsprint production and sales for the year under review aggregated approximately 230,000 tons, substantially the same as in 1958. However, total sales at \$27,566,000 were about 2% below those of the previous year, due, in the main, to the necessity of retaining saleable sulphite pulp for mill use and to the increased average discount on the U.S. dollar which latter operated to reduce sales revenues by about \$400,000 more than in 1958. Another detrimental factor was a weaker market for small newsprint rolls.

Capital expenditures at Grand Falls amounted to \$2,081,000 during the year with the principal outlays made as part of the continuing programme to modernize and increase the production of the paper machines. Number 7 machine was completely overhauled last spring and the rebuilding of number 6 machine is to begin in February 1960, with number 5 machine to follow in 1961. When completed, the improvements made under this programme will result in a substantial increase in newsprint production. In addition to investments in mill facilities, a further \$512,000 was spent to provide new camps, roads, dams and equipment for woods operations. Fourteen miles of woods roads were added during the year bringing the total length of serviceable woods roads of your Company to 483 miles.

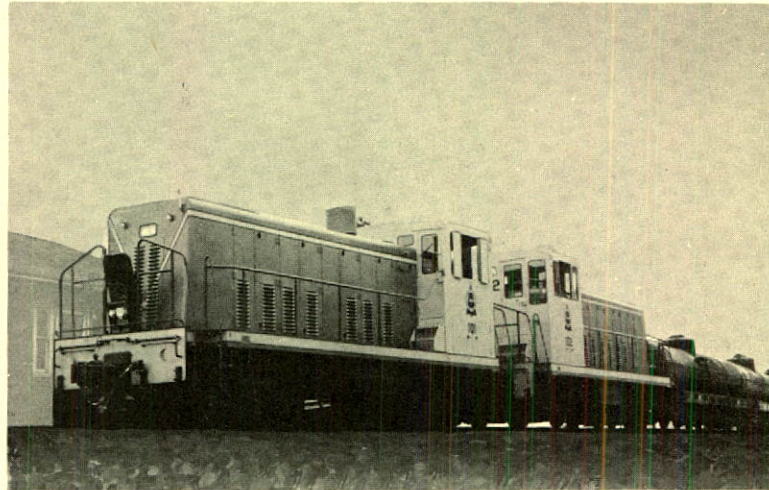




Bishop's Falls Power Dam



Pulpwood arriving on flatcars



70-Ton Diesel Locomotives

Although a significant portion of the increased consumption of newsprint in the U.S. has been supplied by American producers, the buoyancy of the U.S. economy contributed to a strengthening of world demand for newsprint in 1959. The long-term outlook for newsprint continues to be encouraging although competition can be expected to increase from worldwide sources of supply, particularly as technological improvements permit utilization of additional wood species in newsprint manufacture. The preferred position historically held by Canadian producers, due to the abundance of spruce and balsam is, therefore, weakening, and a realistic approach to cost reductions is essential if Canada is to maintain her share of the expanding world market.

Your Company's order situation at the end of 1959 was considerably better than it was a year earlier and we are in a position to take advantage of a continued improvement in market conditions. Pulpwood resources are sufficient to support expansion in mill output. The possibility of a large hydro-electric installation and of the establishment of an ice-free port at Bay d'Espoir, in Southern Newfoundland, is viewed with keen interest.

Conditions of the extended licence agreement on timber limits in the vicinity of Sioux Lookout, Ontario, were fulfilled during the year by the construction of access roads at a cost of about \$25,000.

Gaspesia Sulphite Company, Ltd.

The quantity of pulp sold in 1959 totalled 54,000 tons, approximately the same as in the previous year. However, the aggregate sales realization was substantially lower than in 1958 due to the effect of the decline in world sulphite prices, aggravated by the influx of low-priced Scandinavian bleached pulp into the U.S. market. Consequently, a net loss for the year of \$64,136 was sustained as compared with a net profit of \$113,674 in 1958.

Production facilities at Chandler, Quebec, were notably improved during the year. The Chlorine dioxide stage allowed for in the original plans of the bleaching plant was added in November, making it possible to produce an exceptionally bright bleached pulp which is being marketed under the trade name of "Wonderwhite". A chipper of an entirely new design has also been installed in order to enable the production of a pulp with longer fibre and, hence, of considerably greater strength.

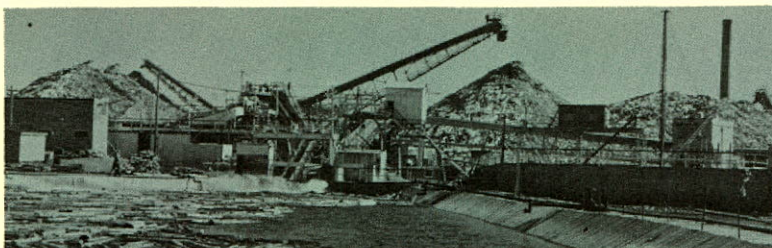


*Main shopping area
Grand Falls*



*Mining Headframe at
Buchans, Newfoundland*

*Pulpwood and wood
handling equipment*



Terra Nova Properties, Limited

The quantity of ore mined and milled at the Buchans property totalled 359,000 short tons in 1959, a decrease of 30,000 tons from the previous year. Operating profits from the mine were substantially higher, however, due to advances in the market prices of base metals from the depressed levels which prevailed in 1958. Production in 1960 is expected to increase to approximately 380,000 short tons.

Mine development work for the year amounted to 4,700 feet including extension of the MacLean shaft by 1,298 feet to a total depth of 3,444 feet. Excavation of this shaft to the 3,523 foot level is expected to be completed early in 1960. The assured and probable ore reserves as at 31st December, 1959 totalled 5,360,000 short tons.

A new concession agreement covering mineral rights on 1,000 square miles of Crown Lands was entered into with the Province of Newfoundland for a period of five years from 1st January, 1959. Exploration work was carried out on part of the land covered by this agreement but the section considered to be most favourable remains to be examined. In addition, prospecting activities in the Provinces of Quebec and Ontario were continued. However, no new mineral deposits of proven economic significance were discovered during the year.

Consolidated Position

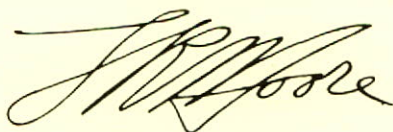
Consolidated Net Profit, after depreciation and taxes, of \$2,293,144 is equivalent to 42¢ per stock unit compared with \$2,808,497 or 51¢ per stock unit for 1958. Consolidated working capital as at 31st December, 1959 amounted to \$27,234,151, an increase of \$54,020 from the position as at 31st December, 1958.

The Fiftieth Anniversary of the beginning of newsprint production at Grand Falls was celebrated in 1959 and your Company commemorated the occasion by providing scholarships to aid children from small outport schools in obtaining a High School education. This is an extension of the aids to education already provided in the form of University scholarships and grants.

It is with great regret that the death on 16th May, 1959, of Mr. Arthur S. Fuller, a director for 28 years, is reported.

I take this opportunity to express my sincere appreciation of the loyal and faithful services rendered by officers and employees of the Company and its subsidiaries during the last year and throughout the last half century.

12th April, 1960.

 *President.*

Anglo-Newfoundland Development Company, Limited

AND SUBSIDIARY COMPANIES

Parent Company

<u>31st December, 1958</u>		<u>31st December, 1959</u>	
42,852,417		44,527,844	
24,998,219		26,351,337	
<hr/>	17,854,198	<hr/>	18,176,507
1,937,658		1,937,658	
—		500,000	
25,525		15,501	
<hr/>	1,963,183	<hr/>	2,453,159
2,028,052		2,028,052	
—		—	
—		200,000	
<hr/>	2,028,052	<hr/>	2,228,052
	234,688		234,688
9,167,768		9,780,813	
460,325		312,587	
3,488,437		3,412,409	
4,841,914		5,994,049	
3,539,000		2,639,000	
4,226,279		3,273,469	
<hr/>		<hr/>	
25,723,723		25,412,327	
—		—	
1,281,114		1,130,949	
16,931		45,000	
1,368,344		684,548	
340,230		351,371	
274,921		274,921	
274,921		824,762	
<hr/>		<hr/>	
3,556,461		3,311,551	
	22,167,262		22,100,776
	<hr/>		<hr/>
	\$44,247,383		\$45,193,182
<hr/>		<hr/>	
\$30,000,000		\$30,000,000	
	27,492,075		27,492,075
2,077,681		2,110,545	
419,463		419,463	
14,258,164		15,171,099	
<hr/>	16,755,308	<hr/>	17,701,107
	<hr/>		<hr/>
	\$44,247,383		\$45,193,182

Fixed Assets (Note 1)

At Cost
Less: Depletion and Depreciation

Subsidiary Companies

Shares at Cost
Loan
Current Account

Investments

Trade Investments at Cost
Other Investments (not quoted) at Cost
Loan to Associated Company

Government of Canada Bonds deposited as Security (Market Value \$210,000).

Current Assets

Pulpwood and Logging Supplies, at Cost
Deferred Logging Expenditure
Stocks of Paper and Pulp, Mill and Rail
Debtors and Prepaid Expenses
Short Term Investments
Cash

Deduct:

Current Liabilities

Bank Loan and Overdraft — secured
Trade and Other Creditors
Subsidiary Company Current Account
Income Tax — estimated
Provisions
Dividend declared payable 5th January, 1959
Dividends declared payable 1st April, 1959

Working Capital

Total Net Assets

Capital

Authorized 6,000,000 Ordinary Shares of \$100 each
Issued and Converted into Stock (5,498,000 Shares)

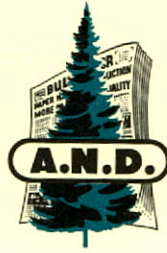
Reserves and Surplus

Capital Reserve (Note 5)
Revenue Reserve (Note 5)
Profit and Loss Surplus

On behalf of the Board

Balance Sheets

31st December, 1959



Consolidated

	<u>31st December, 1959</u>		<u>31st December, 1958</u>	
.....	55,382,984		53,096,133	
.....	32,531,858		30,697,314	
	<hr/>	22,851,126	<hr/>	22,398,819
.....	—		—	
.....	—		—	
.....	—		—	
	<hr/>	—	<hr/>	—
.....	2,030,552		2,030,552	
.....	10,334		24,467	
.....	200,000		—	
.....	<hr/>	2,240,886	<hr/>	2,055,019
.....		234,688		234,688
.....				
.....	12,840,970		11,071,283	
.....	413,307		534,305	
.....	4,929,593		5,269,178	
.....	7,872,841		6,417,441	
.....	3,838,812		3,939,000	
.....	3,592,640		5,294,890	
	<hr/>		<hr/>	
.....	33,488,163		32,526,097	
.....				
.....	1,137,162		—	
.....	2,277,879		2,569,136	
.....	<hr/>		<hr/>	
.....	1,287,917		1,786,758	
.....	451,371		440,230	
.....	274,921		274,921	
.....	824,762		274,921	
	<hr/>		<hr/>	
.....	6,254,012		5,345,966	
.....		<hr/>		<hr/>
.....		27,234,151		27,180,131
.....		<hr/>		<hr/>
.....		\$52,560,851		\$51,868,657
.....		<hr/>		<hr/>
.....				
.....	\$30,000,000		\$30,000,000	
.....	<hr/>		<hr/>	
.....		27,492,075		27,492,075
.....				
.....	6,026,417		5,977,843	
.....	419,463		419,463	
.....	18,622,896		17,979,276	
	<hr/>	<hr/>	<hr/>	<hr/>
.....		25,068,776		24,376,582
.....		<hr/>		<hr/>
.....		\$52,560,851		\$51,868,657
.....		<hr/>		<hr/>

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

Auditors' Report

To the Members of

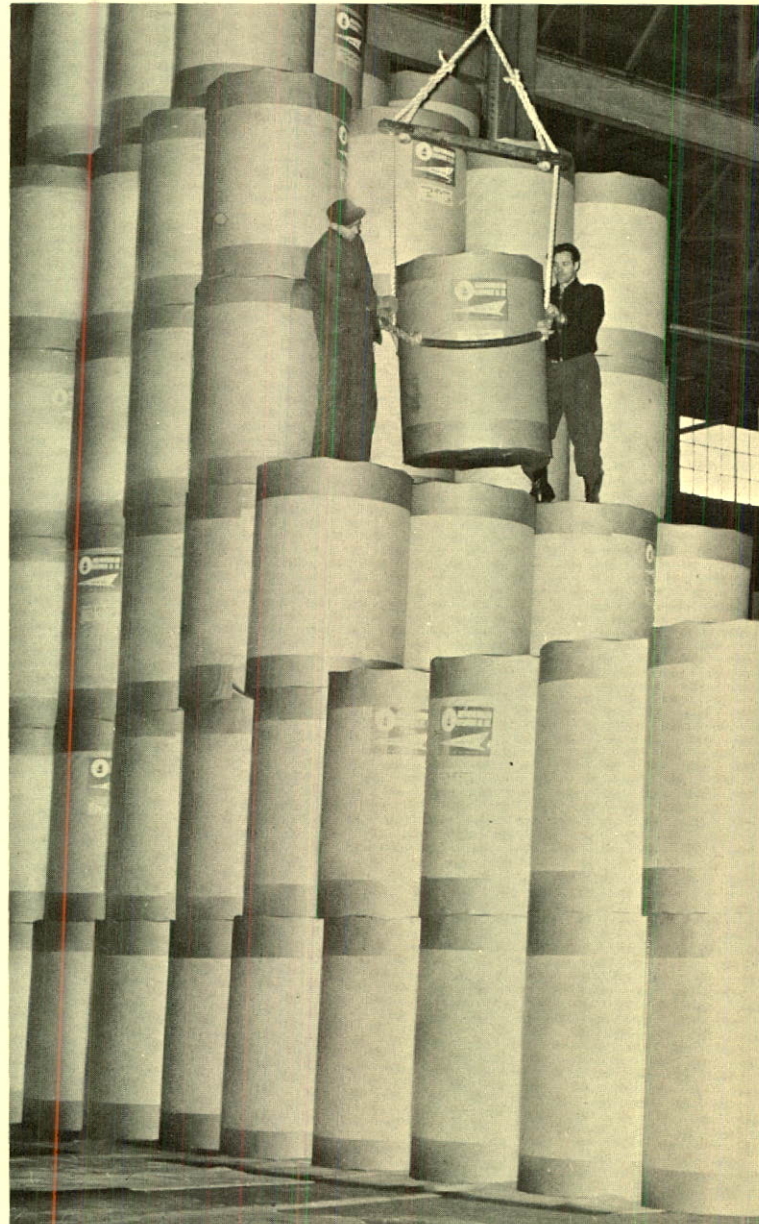
ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY,
LIMITED:

We have audited the books and accounts of the Company for the year to 31st December, 1959, and report that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for that purpose. In our opinion proper books of account have been kept by the Company so far as appears from our examination of those books. We have examined the accompanying Balance Sheet and the related Profit and Loss Account of the Company which are in agreement with the books of account. In our opinion and to the best of our information and according to the explanations given to us, the said accounts with the notes annexed thereto give a true and fair view, in the case of the Balance Sheet, of the state of the Company's affairs at 31st December, 1959, and, in the case of the Profit and Loss Account, of the profit of the year to that date.

We have also examined the accompanying Consolidated Balance Sheet and related Consolidated Profit and Loss Account of the Company and its Subsidiaries with the audited accounts of those Companies. In our opinion such Consolidated Balance Sheet and Consolidated Profit and Loss Account have been properly prepared so as to give, with the notes annexed thereto, a true and fair view respectively of the state of affairs and of the profits of the Company and its Subsidiaries so far as concerns the members of the Company.

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

9, Basinghall Street,
London, E.C. 2,
12th April, 1960.

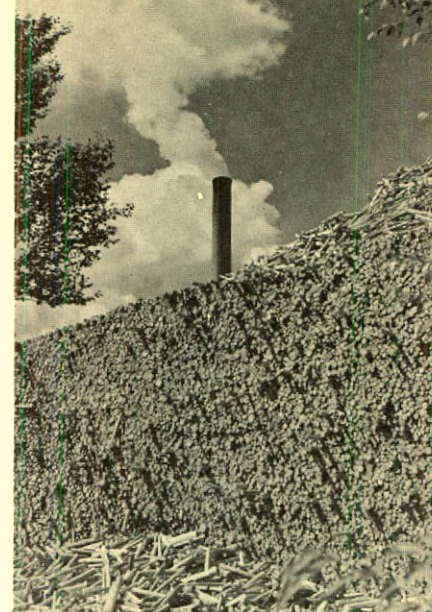


Anglo-Newfoundland Development Company, Limited

AND SUBSIDIARY COMPANIES

Profit and Loss and Surplus Accounts Year ended 31st December, 1959

<u>Parent Company</u>			<u>Consolidated</u>	
1958	1959		1959	1958
5,301,772	3,820,195	Trading Income	6,026,768	6,910,749
		Income From		
50,089	87,440	Short Term Investments	147,583	60,844
54,131	11,666	Government Bonds	11,666	54,131
140,632	158,990	Trade Investments	158,990	140,632
—	—	Other Investments	4,082	11,107
113,859	—	Profit on sale of Government Bonds	—	113,859
<u>5,660,483</u>	<u>4,078,291</u>		<u>6,349,089</u>	<u>7,291,322</u>
1,759,994	1,777,832	Depletion and Depreciation	2,251,445	2,226,825
<u>3,900,489</u>	<u>2,300,459</u>		<u>4,097,644</u>	<u>5,064,497</u>
1,760,000	1,113,000	Income Tax — estimated	1,804,500	2,256,000
<u>2,140,489</u>	<u>1,187,459</u>		<u>2,293,144</u>	<u>2,808,497</u>
300,000	1,375,000	Net Profit before inter-company dividends	—	—
<u>2,440,489</u>	<u>2,562,459</u>	Dividends from Subsidiary Companies	2,293,144	2,808,497
12,917,358	14,258,164	Balance from Last Account	17,979,276	16,270,462
<u>15,357,847</u>	<u>16,820,623</u>		<u>20,272,420</u>	<u>19,078,959</u>
		Dividends in respect of the year 1959		
1,099,683	1,099,683	Four interim dividends of 5¢ per stock unit	1,099,683	1,099,683
—	549,841	Extra interim dividend of 10¢ per stock unit	549,841	—
<u>\$14,258,164</u>	<u>\$15,171,099</u>	Balance Carried Forward	<u>\$18,622,896</u>	<u>\$17,979,276</u>



Explanatory Notes on Accounts

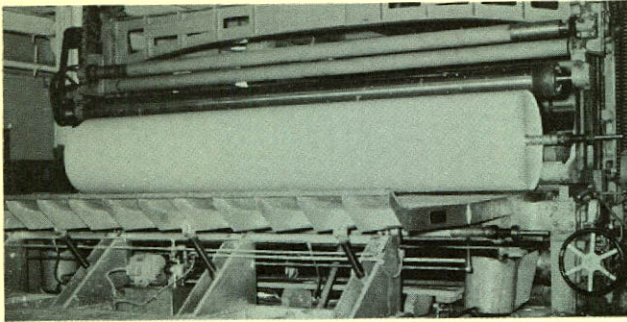
Note 1. Fixed Assets—The Fixed Asset figures on the Balance Sheets are arrived at as follows:—

31ST DECEMBER, 1958			31ST DECEMBER, 1959		
<u>COST</u>	<u>DEPLETION AND DEPRECIATION</u>	<u>BALANCE</u>			
			<u>COST</u>	<u>DEPLETION AND DEPRECIATION</u>	<u>BALANCE</u>
CONSOLIDATED					
4,371,569	2,818,801	1,552,768	4,377,678	2,932,654	1,445,024
42,410,259	24,100,691	18,309,568	44,401,790	25,651,115	18,750,675
2,515,261	1,467,229	1,048,032	2,832,477	1,546,295	1,286,182
3,494,543	2,310,593	1,183,950	3,491,500	2,401,794	1,089,706
304,501	—	304,501	279,539	—	279,539
<u>\$53,096,133</u>	<u>\$30,697,314</u>	<u>\$22,398,819</u>	<u>\$55,382,984</u>	<u>\$32,531,858</u>	<u>\$22,851,126</u>
PARENT COMPANY					
3,708,194	2,437,814	1,270,380	3,709,943	2,538,283	1,171,660
33,578,861	19,062,633	14,516,228	34,942,302	20,163,427	14,778,875
2,070,819	1,187,179	883,640	2,384,099	1,247,833	1,136,266
3,494,543	2,310,593	1,183,950	3,491,500	2,401,794	1,089,706
<u>\$42,852,417</u>	<u>\$24,998,219</u>	<u>\$17,854,198</u>	<u>\$44,527,844</u>	<u>\$26,351,337</u>	<u>\$18,176,507</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 \$4,235,360 so that the original cost of existing Fixed Assets of the Parent Company is \$48,763,204.

Anglo-Newfoundland Development Company, Limited

AND SUBSIDIARY COMPANIES



Note 2. Other Investments (Not Quoted)

	31ST DECEMBER, 1958	31ST DECEMBER, 1959
Investments at Cost	96,973	83,656
Deduct:		
Provision for Depletion	72,506	73,322
Per Consolidated Balance Sheet	\$24,467	\$10,334

Note 3.

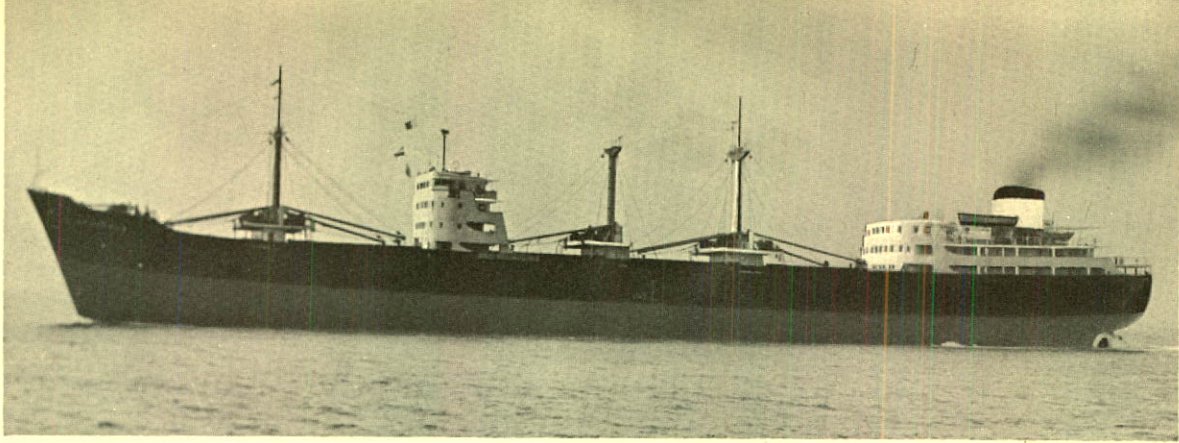
The Company has been granted a timber licence by the Government of Ontario on condition that the construction of a mill will be commenced by 1st May, 1962 and as security for the due performance of that condition has deposited with the Treasurer of Ontario, Government of Canada Bonds of the par value of \$250,000 which will be forfeited by the Company if it does not fulfil that condition.

Note 4. Capital Commitments at 31st December, 1959 were as follows:—

	PARENT COMPANY	CONSOLIDATED
Estimated amount required to complete Capital Construction in Progress	\$2,215,859	\$2,240,859
Estimated cost of other Construction Work approved by the Directors but not commenced by 31st December, 1959 . . .	\$ 409,120	\$ 409,120

Note 5. Reserves — Movements during year were as follows:—

PARENT COMPANY			CONSOLIDATED	
CAPITAL RESERVES	REVENUE RESERVES		CAPITAL RESERVES	REVENUE RESERVES
2,077,681	419,463	Balance at 31st December, 1958.	5,977,843	419,463
70,025	—	Surplus on Disposals of Property and Equipment	85,735	—
2,147,706	419,463		6,063,578	419,463
37,161	—	Residual balances of Fixed Assets scrapped or obsolete . . .	37,161	—
\$2,110,545	\$419,463	Balance at 31st December, 1959.	\$6,026,417	\$419,463



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.

W. H. HOWARD, C.B.E., Q.C.

E. M. LITTLE

T. R. MOORE

R. E. MORROW, D.F.C., Q.C.

THE VISCOUNT ROTHERMERE

W. E. SOLES

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

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



