

The Spanish River Pulp & Paper Mills, Limited

ANNUAL REPORT, 1919

DIRECTORS:—GEO. H. MEAD, *President.* P. B. WILSON, *Vice-President.* T. GIBSON, *Vice-President.*
C. E. READ, T. WATSON SIME, G. R. GRAY, T. H. WATSON, J. G. GIBSON, *Secretary.*

TORONTO, ONTARIO,
25th August, 1919.

TO THE SHAREHOLDERS OF
THE SPANISH RIVER PULP AND PAPER MILLS, LIMITED.
Your Directors submit the following report of the operations of the Spanish River Pulp and Paper Mills, Limited, including the Lake Superior Paper Company, Limited, for the year ending 30th June, 1919.

TOTAL NET REVENUE FOR THE YEAR	\$2,757,964
LESS RESERVED FOR DEPRECIATION	501,068
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LESS INTEREST ON FUNDED DEBTS AND OTHER LOANS	799,975
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TOTAL NET SURPLUS FOR THE YEAR	\$1,456,921
Less Appropriation for Contingencies and Government Taxes	160,000
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Balance of the Consolidated Profit and Loss Account as at 30th June, 1918	\$1,071,301
Leaving to be carried forward	<u>\$2,368,222</u>

The completion of construction work and proper balancing of the plants as referred to in the Report of last year has given the first annual opportunity to the Company for demonstrating its earning ability. The result of the past twelve months' operation, while showing substantial increase over the previous year, does not, however, in the opinion of your Directors, yet represent an adequate return upon the very valuable resources of the Company or the large amount of capital invested.

The year's available water supply was particularly good and the Company consequently had a large production of Groundwood. With the exception of Sulphite (the market for which has been somewhat limited in recent months) the output of all products of the Company has nearly approximated capacity.

As there were no Sinking Fund requirements during the past fiscal year, the Company, having paid no dividends upon its Capital Stock, has been able to materially reduce its bank indebtedness and therefore finds itself in a strong cash position.

Your Directors have determined that it is in the best interests of all security holders to pay the Deferred Interest on Bonds and Notes due in 1922, and redeem the Second Mortgage Debentures, due in 1924. To provide the necessary funds they have arranged the sale of \$3,500,000 new 6% Serial Mortgage Lien Ten Year Notes, part of an authorized issue of \$5,000,000.

Because of the increasing demands of regular customers of the Company, the installation of two additional paper machines at Espanola with a capacity of 100 tons per day, has become necessary. It is proposed to pay for this installation out of the proceeds of the sale of the \$3,500,000 of Notes and the earnings of the ensuing year.

Approval by the Stock Holders of the \$5,000,000 Note Issue, as well as the sale of the above-mentioned portion of the Notes, is being asked at a General Meeting which has been called for the same date as the Annual Meeting.

In anticipation of the payment of Deferred Interest and Second Mortgage Debentures, a call has been issued by the Directors as of August 1st, upon the Talons and Notes representing the Deferred Interest, and a call will be made upon September 1st, for the Second Mortgage Debentures. In each case six months' notice must be given to Holders, therefore payment will be made on February 1st, and March 1st, 1920, respectively.

With the foregoing obligations disposed of, the Company will be free to consider the payment of dividends upon its Preferred Stock and your Directors propose in the near future to submit for consideration a plan for funding accumulated dividends thereon.

In January last the Company suffered a great loss in the death of Mr. B. Tooke, of Montreal. Mr. Tooke had been a member of the Board for several years as the nominee of the Bond Holders of the Ontario Pulp & Paper Company,

Limited, and during the time he was associated with the Company rendered yeoman service taking at all times a keen interest in its affairs. At a recent meeting of the Ontario Bond Holders Mr. George R. Gray was nominated to fill the vacancy on the Board, and was subsequently duly elected.

Owing to the interregnum caused by Mr. Tooke's death and the absence in England of two of the Directors on war service, it seemed desirable to temporarily appoint another Director in Canada, and upon Sir William Stavert resigning, the vacancy was filled by the appointment of Mr. J. G. Gibson to the Board.

The Directors have particular pleasure on the conclusion of peace in thanking those of the organization who took part in the war and welcoming them back to their duties. They also wish to thank those who carried on at home for the increased effort put forth, which has contributed so materially to the success of the year's operations.

By Order of the Board.

GEO. H. MEAD, *President.*

PROPERTY ACCOUNT—		ASSETS.
As at 30th June, 1918	\$23,827,059.01	
Net Additions during year	306,498.95	
	<hr/>	\$24,133,557.96
CURRENT ASSETS—		
Pulpwood	\$ 3,407,074.86	
Woods Operations—Equipment, Stores, etc.	384,764.64	
Mill Stores	1,138,482.93	
Mill Products	492,120.87	
Accounts Receivable, less Doubtful Debts	1,301,012.33	
Victory Bonds (1933)	91,650.00	
Cash in Banks and on hand	516,011.96	
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Securities Purchased for Sinking Fund		84,460.94
Insurance Premiums and Payments in Advance		53,968.41
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Total Assets		<u>\$31,603,104.90</u>
CAPITAL STOCK:—		LIABILITIES.
Authorized:—Common	\$10,000,000.00	
Preferred 7% Cumulative	10,000,000.00	
	<hr/>	\$20,000,000.00
Issued:— Common	\$ 8,000,000.00	
Preferred 7% Cumulative	5,699,100.00	
	<hr/>	\$13,699,100.00
FIRST MORTGAGE 6% BONDS—		
The Spanish River Pulp & Paper Mills, Ltd.: Authorized and Issued. \$2,500,000.00 Less: Redeemed to Date 172,986.60		\$ 2,327,013.40
Ontario Pulp & Paper Co., Ltd.: Authorized and Issued. \$1,500,000.00 Less: Redeemed to Date. 100,900.00		1,399,100.00
Lake Superior Paper Co., Ltd.: Authorized and Issued	5,000,000.00	
	<hr/>	8,726,113.44
Second Mortgage 6% Debentures, £330,000		1,606,000.00
Deferred Interest on Bonds and Notes		1,463,071.92
Specific Mortgages		110,000.00
CURRENT LIABILITIES:		
Loans from Banks	\$500,000.00	
Accounts and Bills Payable	793,330.53	
Accrued Interest on Bonds and Debentures	243,903.40	
	<hr/>	1,537,233.93
Miscellaneous and Contingent Reserves		764,342.95
Depreciation Reserves		1,329,019.94
PROFIT AND LOSS ACCOUNT—		
Consolidated Credit as at 30th June, 1918 ..	\$1,071,301.35	
Add Net Profit for the Year	1,296,921.37	
	<hr/>	2,368,222.72
Contingent Liabilities	\$157,600	
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Total Liabilities		<u>\$31,603,104.90</u>

Note:—The Spanish River Pulp & Paper Mills, Ltd., guarantees the principal and interest of the bonds of the Lake Superior Paper Co., Ltd., and the Ontario Pulp & Paper Co., Ltd., and owns the whole of the Preferred and Common Stock of the Lake Superior Paper Company, Ltd. Dividends on \$3,000,000 of Preferred Stock are cumulative from 1st July, 1913, for which Vouchers (to be exchanged for Dividend Warrants) have been issued. The Dividends on the balance are cumulative from 1st July, 1914. Bondholders are entitled to 10% of divisible profits.

We have audited the books and accounts of the Spanish River Pulp and Paper Mills, Limited, and of its subsidiary, the Lake Superior Paper Company, Limited, for the year ending 30th June, 1919, and certify that the above Consolidated Balance Sheet is properly drawn up and shows a true and correct view of the state of the combined Companies' affairs and the result of the operations for the year as shown by the books and according to the best of our knowledge and the explanations given us.

All our requirements as Auditors have been complied with.
PRICE, WATERHOUSE & COMPANY,
25th August, 1919. Chartered Accountants.