

The Spanish River Pulp and Paper Mills, LIMITED

ANNUAL REPORT, 1918

DIRECTORS:

G. H. MEAD, Sault Ste. Marie, Ontario.....President.
P. B. WILSON, Sault Ste. Marie, Ontario.....Vice-President.
T. GIBSON, Toronto, Ontario.....Secretary.
B. TOOKE, Montreal, Quebec.
C. E. READ, Ottawa, Ontario.
T. WATSON SIME, Toronto, Ontario.
W. E. STARVERT, London, England.

Sault Ste. Marie, Ontario,
30th August, 1918.

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 June 30th, 1918.

Summary of Income Account:
Total Net Revenue for the Year.....\$1,729,231
Less Reserved for Depreciation.....344,137

Less—Interest on Funded Debts and Other Loans.....\$1,385,094
807,519

Total Net Surplus for the Year.....\$ 577,575
Balance of the Consolidated Profit and Loss Accounts as at 30th
June, 1917.....993,726

Appropriated for extinction of the Deficiency Account.....\$1,571,301
500,000

Leaving to be carried forward.....\$1,071,301

While the operations of the early part of the period indicated considerably greater earnings for the Company than the previous year, the Net Revenue for the year finally shows a reduction of approximately \$390,000 due largely to the prices fixed for newsprint paper by both the Canadian and United States Governments. This has affected your Company to a greater extent than most of the Canadian pulp and paper companies since the output of your mills up to the present time has been almost exclusively newsprint paper, while nearly all other Canadian mills produce diversified products. Such products have benefited from unrestricted prices, resulting in greatly increased profits to the companies not producing chiefly newsprint. Your Directors have therefore considered it necessary in improving and extending the plants, to develop an output of products other than newsprint. A comparison of the Property Account with that of June 30th, 1917, shows a further expenditure during the year of approximately \$960,000, largely with this object in view. The productive capacity of the plants has been increased 100 tons per day.

The Company suffered during the winter a considerable shortage of water due to the drought which affected certain sections of the country, necessitating the purchase of groundwood to the amount of approximately \$300,000. This had a material influence in reducing the profits for the year. Except for the above, the operation of the plants continued during the year as nearly normal as labor conditions would permit.

The Company had been similarly affected by water shortage during the year 1914-15, as stated in the annual report of June 30th, 1915, and, as the foundation of success to any plant producing newsprint paper is a full supply of groundwood, your Directors have felt it necessary to extend the groundwood mills at all plants in order to provide ample quantities of pulp. These additions were referred to in the last annual report as being carried through during the Summer and Fall. Although the work was completed by Winter, the Fall rains did not materialize and the water shortage developed much earlier than usual, preventing the accumulation of the necessary surplus of pulp. During this Summer a surplus has been manufactured and stored against a similar contingency.

It is with satisfaction that the Directors now report construction work completed. With the sulphite Mill enlargements and improvements finished, the Board Mill in full operation, and Paper Mills brought to a state of high efficiency, the Company's now balanced plants should proceed in their operations with improving results. The total daily production of Pulp, Board and Paper for market sale now amounts to 570 tons, which under normal conditions will shortly be increased to 600 tons, the capacity of the plants. Stocks of newsprint paper throughout Canada and the United States are unusually low, the demand strong, and as Newsprint has been declared to be an essential to the prosecution of the war, the Directors anticipate no difficulty in disposing of the entire output during the ensuing year.

While it was expected that the profits for the year would provide sufficient funds to complete the above enlargements and improvements as well as supply additional working capital for the increased output, the low prices fixed by the Governments rendered necessary additional working capital for the increased output, the low prices fixed by the Governments rendered necessary additional accommodation from the Banks. The Inventories, particularly of pulp wood, might have been materially reduced, but your Directors considered it the part of wisdom to keep heavily stocked in all raw materials, and the Company is fortunate in having been able to obtain under great difficulties a full supply of pulp wood for the coming year.

The Board wishes to express its appreciation of the loyal support of Department Heads as well as all employees during a trying year, and hopes by the same service to make the coming year a more profitable one.

By Order of the Board.

GEO. H. MEAD,

President.

THE SPANISH RIVER PULP AND PAPER MILLS, LIMITED LAKE SUPERIOR PAPER COMPANY, LIMITED.

Consolidated Balance Sheet as at 30th June, 1918.

ASSETS

Property Account—		
As at 30th June, 1917.....	\$22,368,092.73	
Net Additions during year.....	958,966.28	
		\$23,327,059.01
Securities of Other Companies Owned—		11,400.00
Current Assets—		
Pulpwood.....	\$3,823,936.09	
Woods Operations—Equipment, Stores, etc.....	424,270.87	
Mill Stores and Supplies.....	1,422,626.52	
Paper Mill Products.....	300,670.08	
Accounts Receivable, after providing for Doubtful		
Debts.....	1,324,920.85	
Cash in Banks and on Hand.....	276,740.74	
		7,578,165.15
Securities Purchased for Sinking Fund Payments.....		22,565.79
Insurance Premiums Unexpired and Payments in Advance.....		39,129.72
Alterations and Improvements to Property Less \$56,042.67 Written		
off.....		108,591.11
Deferred Discount Charges, Balance to be Written off.....		121,790.92
Notes:—(1) 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.		
(2) Under the arrangement for postponement of bond interest the bondholders of The Spanish River Pulp & Paper Mills, Ltd., the Ontario Pulp & Paper Co., Ltd., and the Lake Superior Paper Co., Ltd., are entitled pro-rata to ten per cent. of profits from time to time available for dividends.		
(3) The whole of the Preferred and Common Stock of the Lake Superior Paper Company, Ltd., is owned by The Spanish River Pulp & Paper Mills, Ltd.		
Total Assets.....		\$31,708,701.70

LIABILITIES

Capital Stock:		
Common—Authorized.....	\$10,000,000.00	
Less: Unissued.....	2,000,000.00	
		\$ 8,000,000.00
Preferred 7% Cumulative—Authorized.....	\$10,000,000.00	
Less: Unissued.....	4,300,900.00	
		5,699,100.00
NOTE:—Dividends on \$3,000,000 of Preferred Stocks are Cumulative from 1st July, 1913, and on balance from 1st July, 1914.		
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.....	\$2,500,000.00	
Issued.....	\$1,500,000.00	
Less: Redeemed to Date.....	\$100,900.00	
Lake Superior Paper Co., Ltd. Authorized and Issued.....	5,000,000.00	
		8,726,113.40
Second Mortgage 6% Debentures, \$230,000.....		1,606,000.00
Deferred Interest on Bonds and Notes Due in 1922.....		1,411,084.36
Mortgages on Newly Acquired Property.....		192,000.00
Current Liabilities:		
Loans from Banks (Secured by Lien on Forest Products and Accounts Receivable).....	\$2,000,000.00	
Accounts and Bills Payable.....	1,429,851.86	
Current Interest on Bonds and Debentures due 1st July and 1st September, 1918.....	243,903.40	
		3,673,755.26
Depreciation Reserve.....		861,461.27
Miscellaneous Reserves.....		407,886.06
Profit and Loss Account.....		
Consolidated Credit as at 30th June, 1917.....	\$993,725.81	
Add Net Profit for the Year after Deducting all interest charges and providing for Depreciation of Plants.....	577,575.54	
Less: Balance of Deficiency Account Written off.....	500,000.00	
		1,071,301.35
Contingent Liabilities.....	\$61,437.00	
Total Liabilities.....		\$31,708,701.70

We have audited the books and accounts of The Spanish River Pulp & Paper Mills, Limited, and of its subsidiary, the Lake Superior Paper Company, Limited, for the year ending 30th June, 1918, 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.

30th August, 1918.

PRICE, WATERHOUSE & COMPANY,

Chartered Accountants.

ONTARIO'S FIRE PREVENTION LEAGUE.

Members of the Legislative Assembly, fire-fighters, insurance men, business men, and representatives of the various farmers' and women's organizations of the province, met at the Parliament Buildings recently and formed the Ontario Fire Prevention League, with the object of reducing the appalling fire loss of the province. The officers elected are:

Honorary president, Sir William Hearst; president, Arthur Hewitt, Toronto; first vice-president, H. D. Waddie, Hamilton; second vice-president, Mrs. L. A. Hamilton, Toronto; secretary-treasurer, Geo. F. Lewis, Toronto.

The resolutions adopted suggested among other things the adoption by municipalities of standard and minimum building codes, careful study of water supplies, possible co-operation among neighboring cities and towns, regulation of the transportation, storage and use of inflammable liquids and of explosives, a statutory obligation upon every municipality to equip and maintain a fire brigade, and provide a water supply, the equipment of barns containing produce with standard lightning rods, and inspection of all electric wiring in the province. It is stated that thirty-five fires occur in Ontario daily.

ORE AT TRAIL, B. C.

The ore receipts at Trail, B. C., for the first week of this month amounted to 5,587 tons, of which all but 2,196 tons were from the mines of the Consolidated Mining & Smelting Company. The Sullivan mine was the greatest producer, yielding 2,383 tons, compared with 859 tons from the Centre Star, the second in number of tons.

Since October the tonnage amounted to 299,157 tons, of which all but 84,153 tons were from the company's properties.