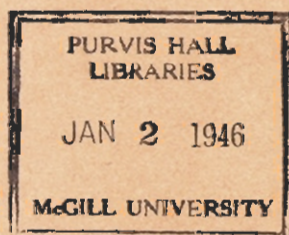


IN THE MATTER OF

**Abitibi Power & Paper Company,
Limited**

THIRD REPORT
of Receiver and Manager

15th April, 1935



This report is printed
on Paragon Offset Paper
made by
PROVINCIAL PAPER, LIMITED

Abitibi Power & Paper Company, Limited

THIRD REPORT of Receiver and Manager

Under date of February 28th, 1933, a Report was issued to Bondholders, Creditors and Shareholders of Abitibi Power & Paper Company, Limited (hereinafter called Abitibi) with respect to the state of such Company's affairs as of date September 10th, 1932, when it was placed in Receivership. Under date of April 30th, 1934, a second Report was issued, with audited Balance Sheet as of date December 31st, 1933, and a statement indicating the results of operations during the period of Receivership down to such date. With the extended information in the two Reports mentioned, it is felt that many of the details therein contained can be now eliminated and the essential facts of the situation still be reasonably presented—accordingly this third Report is less extensive in form and details than those preceding it.

Abitibi is the owner directly, or through Stock ownership, of the following newsprint paper mills:

	APPROXIMATE ANNUAL RATED CAPACITY	
IN THE PROVINCE OF ONTARIO		
At Iroquois Falls.....	186,000 tons	
At Sault Ste. Marie.....	78,000 "	
At Fort William.....	52,000 "	
At Port Arthur.....		
(Subject to payment of balance of purchase price for the capital stock of Thunder Bay Paper Co., Limited which owns such mill)	78,000 "	
		394,000 tons
IN THE PROVINCE OF QUEBEC		
At Beauce.....		78,000 tons
IN THE PROVINCE OF MANITOBA		
At Pine Falls.....		78,000 tons
ALSO THESE MILLS REPORTED TO BE OF HIGH MANUFACTURING COST, OR INEFFICIENT		
Espanola (Ontario) mill, of a rated annual capacity of.....	100,000 tons	
Sturgeon Falls (Ontario) mill.....	46,000 "	
	146,000 tons	
The total estimated annual rated capacity of efficient mills being.....		550,000 tons

In addition to the newsprint mills, above mentioned, the Company owns a pulp mill at Smooth Rock Falls, Ontario, with a rated capacity of 60,000 tons per annum of high grade sulphite pulp—the Kaministiquia Power Co., Limited, which sells power to certain customers in the City of Fort William, Ontario, and is under contract to supply 9,500 h.p. to the Fort William paper mill, owned by Abitibi, which is presently closed down—and Abitibi Electric Development Company, Limited, with a development at Island Falls on the Abitibi River in Northern Ontario, which supplies electrical power to the Iroquois Falls paper mill. The whole of the Common Capital Stock of Provincial Paper, Limited, which operates four specialty paper mills in the Province of Ontario, is also owned by Abitibi, which in addition controls certain other minor subsidiaries.

During the year 1934, the Sault Ste. Marie paper mill operated to full capacity and produced 84,906 tons of paper, while the Iroquois Falls mill produced 135,467 tons of paper, about 72.8% of its rated capacity. The Thunder Bay paper mill was in operation during the first six months of 1934 under an arrangement made with the Hydro Commission of the City of Port Arthur, relative to the

adjustment of a power contract, and in order to salvage certain pulpwood which was deteriorating, following which it was closed down until December, 1934, when it was reopened in connection with orders received, extending into 1935: during such periods of operation the mill produced 19,035 tons of paper. The total newsprint tonnage produced by Abitibi mills during 1934 was therefore 239,408 tons.

Sulphite pulp produced by the Smooth Rock Falls mill amounted in 1934 to 38,721 tons, or 6,305 tons less than was manufactured in 1933: this reduction was attributable to a slight falling off in demand during the year. Further capital expenditures will require to be made upon the property for the installation of a filter plant.

During 1934 the general market price for newsprint paper remained the same as in 1933, namely \$40-\$41 f.o.b. mill, with cost of freight to destination paid by the manufacturer, a rate which affords little or no profit to the industry generally, and provides less than cost to many mills, if a reasonable allowance for depreciation and obsolescence be taken into account. Such price continued in 1934, notwithstanding that costs of manufacture were higher and the consumption of newsprint paper in the United States and Canada increased by about 600,000 tons in the year. In November, 1934, most of the important Canadian and American mills announced an increase of \$2.50 a ton for the first six months of 1935, but ability to obtain this price has not been possible by reason of certain contracts entered into in 1934—by Companies other than Abitibi—with important consumers, which provide for the sale to them of paper during 1935 at 1934 prices. Such contracts and the deliveries which are now being made under them have had a disturbing effect on general market prices.

In the first Report, issued under date of February 28th, 1933, information was included relative to the condition of the timber concessions held by Abitibi and subsidiary companies controlled or owned by it. This information indicated that certain of such concessions in Ontario had expired prior to Receivership and had not been renewed, and also that questions existed as to whether in respect of certain others of them defaults had occurred which permitted their cancellation. In the latter part of 1934, the Hon. Mr. Heenan, Minister of Lands and Forests for the Province of Ontario, intimated that he desired to discuss the position of such concessions, stating at the time that it would be the policy of the Province to provide all operating mills with timber sufficient for their present and future protection, but that the Province might require the surrender to it of areas not needed for such purposes. It is expected that negotiations with the Province in respect to the matter will be entered upon in the near future.

In the latter part of 1934, the Receiver and Manager allowed certain parties to make an inspection of the Company's mill at Fort William, Ontario, and later, of its mill at Sturgeon Falls, Ontario—both of which are closed down—in order to determine whether it would be feasible to convert the same into sulphite mills for the production of certain kinds of sulphite pulp, intimation being that if such conversion was found to be economically practicable a proposal might be made to Abitibi for the purchase, lease or operation of one or other of such mills. A report on the Fort William mill has been partially completed, and one upon the Sturgeon Falls mill is still in course of preparation. To this date no proposals have been made to the Receiver and Manager relative to the purchase, lease or operation of either of the mills.

Attached hereto is Balance Sheet of Abitibi, as of date December 31st, 1934, also Operating Statement for the twelve months' period ending on that date: such Balance Sheet has been audited by Messrs. Price, Waterhouse & Co., Chartered Accountants, Toronto, whose certificate is annexed thereto. Similarly audited statements covering the accounts of certain subsidiaries, owned or controlled by Abitibi, are also attached.

In respect of items contained in the Abitibi Balance Sheet the following report is made:

BALANCE SHEET

CURRENT ASSETS AND CURRENT LIABILITIES:

At the date of Receivership Abitibi was indebted to The Royal Bank of Canada in the sum of \$4,261,038, and as security therefor such Bank held a charge upon certain deposits, the Company's inventories of pulpwood, paper and pulp, the receivables owing to it, and upon the whole of the Common Shares of Provincial Paper, Limited, a subsidiary. The validity of such securities was investigated by Counsel for the Bondholders' Committee and for the Receiver and Manager, both of whom gave it as their opinion that such liens were valid and effective, following which the Court authorized the Receiver and Manager to admit their validity and empowered him to enter into an arrangement with the Bank looking to the collection of the receivables and the conversion of the trading assets covered by the pledges, which was done. With application of the proceeds from such realizations and collections, the amount remaining payable to the Bank on December 31st, 1933, was \$1,297,138, and when in November, 1934, such debt stood reduced to \$618,475, the Court authorized the Receiver and Manager

to discharge the same by the issue of a Receiver's certificate for \$600,000 and payment of the balance in cash, following which the securities held by the Bank were turned over to the Receiver and Manager.

With payment of the claim of The Royal Bank of Canada, as above mentioned, it is necessary to take such debt into account as of date December 31st, 1933—also the current assets pledged in respect thereof—in order to obtain a comparison of the then current position with that of December 31st, 1934. Calculated upon such a footing the comparison is as follows:

1933—

LIABILITIES WERE

Receiver's obligations.....	\$2,923,746	
The Royal Bank of Canada—balance owing on advances made prior to Receivership.....	1,297,138	\$4,220,884

ASSETS WERE

Receiver's current assets.....	\$2,544,648	
Securities held by The Royal Bank of Canada, as valued.....	\$2,556,732	
LESS—Arbitrary value attached to Common Shares of Provincial Paper, Limited included in above.....	1,500,000	
Leaving current assets in the form of inventories and receivables to the amount of.....	1,056,732	3,601,380
Excess of current liabilities was.....		\$ 619,504

1934—

LIABILITIES

Receiver's current obligations were.....	\$4,325,232
--	-------------

ASSETS

Receiver's current assets were.....	4,081,301
-------------------------------------	-----------

Excess of current liabilities was.....	243,931
--	---------

Indicating an improvement for 1934, according to the audited Balance Sheet, of.....	\$ 375,573
---	------------

It should be noted that such improvement was obtained notwithstanding that current assets were reduced in 1934 by certain expenditures, but for which, the improvement would be greater—such expenditures were as follows:

(a) Moneys expended on capital improvements to mills.....	\$ 171,195	
(b) Advances made to subsidiary companies other than to cover losses and the costs of carrying shut down mills.....	62,792	
(c) Receivables pledged to The Royal Bank of Canada—carried as current assets in 1933, and removed therefrom after being turned over to the Receiver and Manager, in 1934, when they were added to the advances to Thunder Bay Paper Co., Limited.....	211,065	
(d) Working capital advanced in year to Thunder Bay Paper Co., Limited.....	60,888	
(e) Interest paid to The Royal Bank of Canada in respect of balance of loan made prior to Receivership.....	40,573	
(f) Amount by which wood inventories were written down in 1934 to increase reserves held thereagainst to \$300,000.....	184,919	
(g) Moneys expended in respect of minor assets and for prepaid expenses not carried as current assets.....	15,491	746,923

which means that had such payments and adjustments not been made the actual improvement in the current position for the year would have been about.....	\$1,122,496
---	-------------

In respect of the items comprised in the above statement, the following information is given:

(a) Capital expenditures made, in improvement of properties of the Company, amounted during the year to \$171,195, of which \$146,684 was expended on the installation of a Chemipulp system and an electric boiler installation at the Smooth Rock Falls pulp mill of the Company, in order to permit of the production of an improved quality of pulp and to enable the mill to be operated, at a saving in cost, with the use of electric power. The balance of the item, amounting to \$24,511, covered improvements made to the Iroquois Falls and Sault Ste. Marie mills of the Company.

(b) Advances to subsidiaries other than those covering losses and the costs of carrying shut-down mills (which amounts were written off as expenses during the year) amounted to \$62,792. This item was comprised of the sum of \$125,840, advanced to the Manitoba Paper Company, Limited, to assist it in purchasing pulpwood under an arrangement entered into with the Manitoba Government. As against such advances the Receiver and Manager received \$63,048 during the year from other subsidiaries.

(c) Included as receivables and shown as current assets pledged to The Royal Bank of Canada on December 31st, 1933, were certain claims against Thunder Bay Paper Co., Limited, and General Power & Paper Company Limited, amounting to \$211,065. In the Balance Sheet of December 31st, 1934—and following their transfer by the Bank to the Receiver and Manager—these claims were transferred from current assets and now appear under the heading "Investments in Shares of and Advances to Thunder Bay Paper Co., Limited" to the amount of which they have been added.

(d) In order to conform to the terms of an agreement covering the purchase by Abitibi of the capital stock of Thunder Bay Paper Co., Limited and to maintain current assets of such Company on a parity with its current liabilities, the sum of \$60,888 was advanced during 1934 to Thunder Bay Paper Co., Limited, as working capital.

(e) In the year 1934 the sum of \$40,573 was paid out of current assets to cover interest on the balance of the advances owing by Abitibi (prior to Receivership) to The Royal Bank of Canada.

(f) As of date December 31st, 1933, the book value of pulpwood inventories stood reduced by \$115,081, which sum had been set aside as a fund for protection against unexpected shortages or other contingencies which might arise in the future in respect of pulpwood holdings of the Company—during the year 1934 the value of pulpwood inventories on hand was reduced by a further \$184,919 in order to increase such fund to \$300,000.

LIABILITIES OF RECEIVER AND MANAGER

Liabilities owing directly by the Receiver and Manager amounted, in the aggregate, on December 31st, 1934, to.....	\$4,325,232
as compared with similar obligations owing by the Receiver and Manager on December 31st, 1933, of.....	2,923,746
an increase of.....	\$1,401,486
which excess was offset by	
(a) Increased amount of receivables owing by customers to Abitibi on December 31st, 1934 (as compared with December 31st, 1933) due to larger volume of business done.....	\$228,930
(b) Increased amount of pulpwood inventories on hand on December 31st, 1934, as compared with those held on December 31st, 1933.....	1,297,961
Total.....	\$1,526,891

Such increase in value of pulpwood inventories carried is attributable to the following conditions:

In the Fall of 1933, when pulpwood necessary for the operations during 1934 of the Iroquois Falls and Smooth Rock Falls mills of the Company was being cut in the woods, bushmen employed in so doing struck for higher wages and other concessions, and such strike continued for a number of weeks before it was settled.

Cutting of pulpwood for use in 1935 started in the mid-year of 1934, or several months earlier than had previously been the custom, and agreements were also entered into for the purchase of substantial additional quantities of wood from Contractors. Wages paid by Abitibi and such Contractors were at

least equal to, and in many cases higher than, those paid by other Canadian mills, and it is beyond question that their bushmen were generally satisfied with the same. Notwithstanding this, demands were made in September, 1934, for increases and concessions which could not possibly be granted, and upon their being refused, strikers led by radical elements, forced the closing down of most of the Company's and the Contractors' camps in a determined effort to prevent the cutting of wood, otherwise than at the expense of meeting their demands. After lasting about seven weeks the strike collapsed and the bushmen went back to work on the Company's terms.

A sufficient supply of pulpwood at reasonable cost, together with substantial reserves, is now available for use of the operating mills of the Company—the necessity of paying for wood cut in the mid-year of 1934, and for added quantities purchased, served, however, to increase the liabilities of the Receiver and Manager as of date December 31st, 1934—also to increase the inventories of the Company as of such date.

As before mentioned the liabilities of the Receiver and Manager as of date December 31st, 1934, amounted in the aggregate, to \$4,325,232: such obligations were not incurred for operating purposes only but represent amounts owing after payment or charge, during the period of Receivership, of the following special items, namely:

(a) Amounts paid by the Receiver and Manager (or reserved for) in connection with preferred claims and liabilities owing at the date of Receivership and ranking in priority to the claims of Bondholders—about	\$ 900,000
(b) Amount paid to The Royal Bank of Canada for the release to the Receiver and Manager of 100,000 Common shares of Provincial Paper, Limited, which were pledged to such Bank for advances made prior to Receivership and arbitrarily valued at \$1,500,000.	435,475
(c) Net advances to subsidiaries to provide working capital, enable them to compromise or pay liabilities and to purchase pulpwood	248,169
(d) Payments by the Receiver and Manager on account of the principal sum and interest owing at the date of Receivership under contract for the purchase of the capital stock of Thunder Bay Paper Co., Limited.....	100,322
(e) Payments made in money and/or by the issue of Receiver's certificates in purchase of the capital stock of The G. H. Mead Company.....	750,000
(f) Capital expenditures made by the Receiver and Manager in improvement of mills belonging to the Company.....	248,229
(g) Interest paid upon above expenditures—about.....	130,000
Total.....	<u>\$2,812,195</u>

INVESTMENTS IN SHARES OF AND ADVANCES TO CORPORATIONS OTHER THAN WHOLLY OWNED SUBSIDIARIES:

Standing pledged to The Royal Bank of Canada on December 31st, 1933, in respect of advances made prior to Receivership, were assets to the amount of \$2,556,732, included in which was \$1,500,000, being the arbitrary value attached to 100,000 shares of the Common Capital Stock of Provincial Paper, Limited. In November, 1934, the Receiver and Manager discharged the claim of the Bank and obtained possession of such shares; in the Balance Sheet of December 31st, 1934, they have been included under the above heading.

GENERAL CREDITORS' CLAIMS INCURRED PRIOR TO RECEIVERSHIP:

These amounted on December 31st, 1934, to \$352,430, as compared with \$309,818, on December 31st, 1933, an increase of \$42,612. Of such increase \$36,866 represents an adjustment of a claim of Fort Frances Pulp & Paper Company Limited, which was in litigation at the date of Receivership—the remainder, \$5,746, represents adjustments of certain other minor liabilities.

OPERATING ACCOUNT

Attached hereto as Schedule 1-B is a statement showing the results of operation of Ahitibi for the twelve months' period ending on December 31st, 1934. Costs of carrying all shut-down mills and losses during the year of wholly owned subsidiaries have been charged in such statement as expenses, while earnings of other wholly owned subsidiaries, exclusive of The G. H. Mead Company, have been included as income. Calculated upon such basis the excess of income over expenditures, but prior to charges for depreciation and bond interest, amounted to \$953,928, as compared with \$486,617 for the 3½ months ending December 31st, 1932, and \$549,945 for the year 1933, or a total for the 15½ months ending December 31st, 1933, of \$1,036,562 as shown by the audited statement of such date.

Included in the income for the periods ending December 31st, 1932, and December 31st, 1933, respectively, were substantial sums received as premium on United States exchange, and amounts recovered from temporary sales of power—also in the earlier period the market price of newsprint paper was \$5 per ton higher than in 1933 and 1934. In 1934, discount paid on United States exchange cost the Company \$96,973, while in each of the three periods the book value of pulpwood inventories was written down in varying amounts (not reflected on the statements) to permit the accumulation of a fund as a measure of safety against possible future contingencies. Such special income and charges have to be eliminated or adjusted before any comparison on an equal footing can be obtained of the strictly operating results of one period as compared with the others: with this done such results were approximately as follows:

(a) FOR PERIOD SEPTEMBER 10TH, 1932 TO DECEMBER 31ST, 1932:	
Excess of income over expenditures as combined in statement.....	\$ 486,617
ADD—	
Reserve set up in respect of pulpwood inventories and not reflected in statements.....	22,000
	<u>\$ 508,617</u>
DEDUCT—	
(a) Premiums received on United States exchange.....	\$259,093
(b) Revenue received from temporary sales of power.....	79,083
(c) Deduction to equalize recoveries from paper sales—60,674 tons sold at prices \$5 per ton in excess of rates recovered in later periods.....	303,370
	<u>641,546</u>
Excess of expenditures for period (prior to charge for depreciation and bond interest) had items (a), (b), and (c) above not been received—would have been.....	<u>\$132,929</u>
(b) FOR TWELVE MONTHS' PERIOD ENDING DECEMBER 31ST, 1933:	
Excess of income over expenditures as combined in statement.....	\$ 549,945
ADD—	
Reserve set up in respect of pulpwood inventories and not reflected in statements.....	93,081
	<u>\$ 643,026</u>
DEDUCT—	
(a) Premiums received on United States exchange.....	\$390,495
(b) Revenue received from temporary sales of power.....	83,580
	<u>474,075</u>
Excess of income for period (prior to charge for depreciation and bond interest) had items (a) and (b) above not been received—would have been.....	<u>\$ 168,951</u>
(c) FOR TWELVE MONTHS' PERIOD TO DECEMBER 31ST, 1934:	
Excess of income, as per statement.....	\$ 953,928
ADD—	
Reserve set up in respect of pulpwood inventories and not reflected in statement.....	184,919
	<u>\$1,138,847</u>
(a) Discount paid on United States exchange.....	96,973
	<u>\$1,235,820</u>
(the above does not include Abitibi's share—about \$50,000—of the earnings for the year 1934, of The G. H. Mead Company.)	

The above results indicate that an improvement in operating conditions was effected in 1934, attributable to reduced expenses, greater efficiency and an increased volume of business.

RELATIVE TO BONDHOLDERS' COMMITTEE

Under the provisions of the Deposit Agreement dated June 10th, 1932, under which the present Bondholders' Committee is acting, Depositors are given the right to withdraw their bonds at any time subsequent to June 10th, 1935, if no plan for reorganization has been adopted prior thereto, or, if a plan of reorganization is adopted, for a period of thirty days succeeding the adoption of such plan. In view of the uncertainties produced by these conditions and the desirability that Bondholders shall be represented by a Committee appointed in the Receivership proceedings, members of the present Bondholders' Committee suggested that a meeting of Bondholders be called for the appointment of a Committee. An application to Court was accordingly made by Montreal Trust Company, Trustee under the Deed of Trust securing the bonds of Abitibi Power & Paper Company, Limited, and under date of March 27th, 1935, an Order of Court was issued authorizing and empowering Montreal Trust Company, in conjunction with The National City Bank of New York—co-Trustee—to call a meeting of Bondholders to be held in the City of Toronto, Ontario, on the 7th day of June, 1935, for the purpose of discussing the affairs of Abitibi Power & Paper Company, Limited and considering, and if thought advisable, passing a resolution appointing a Committee to represent the Bondholders in the Receivership proceedings and in all matters relating to the rights of Bondholders and authorizing the Committee so appointed to apply to Court for an Order appointing it to represent the Bondholders as a class in all of the proceedings before the Court.

The duty of the Receiver and Manager, as an Officer of Court, is to manage and administer the assets of the Company in accordance with the direction of Court; accordingly he desires not to express any opinion on the question of reorganization. The undersigned, however, desires to express his appreciation of the continued service and assistance rendered by the Bondholders' Committee and in particular by the Advisory Committee thereof comprised of Mr. J. P. Ripley, President of Brown Harriman & Co. Inc., New York; Mr. W. H. Somerville, of The Mutual Life Assurance Company of Canada, Waterloo, Ontario; and Mr. Edward E. Reid, of The London Life Insurance Company, of London, Ontario, in connection with the many problems and matters required to be dealt with in connection with the Receivership.

This Report is supplementary to the Reports of the undersigned issued under date of February 28th, 1933, and April 30th, 1934, and in preparing it the undersigned has had in mind the desirability of providing information as certified to by the Auditors' Reports relative to the results of operations for the period of Receivership between January 1st, 1934, and December 31st, 1934; also of giving in a general manner a broad view of matters with which he has been called to deal. It is not intended, however, that the Report should exhaustively enter into all the numerous questions which have arisen in connection with the affairs of Abitibi Power & Paper Company, Limited, or those of subsidiary corporations, or to make any representations or convey the impression that all matters which have or may prove to have a bearing upon the affairs of the Companies are made mention of in the Report. Statements attached and figures mentioned in the Report are accurate so far as the undersigned has been able to ascertain but he does not represent or guarantee their correctness.

G. T. CLARKSON,

Toronto, April 15th, 1935.

Receiver and Manager.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

AND

SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

DECEMBER 31, 1934

INDEX TO EXHIBITS

In the Matter of

ABITIBI POWER & PAPER COMPANY, LIMITED,
G. T. CLARKSON, Receiver and Manager:

Balance Sheet, December 31, 1934..... (showing also for comparative purposes the assets and liabilities at December 31, 1933 as shown by the statement thereof contained in the second report of the Receiver and Manager dated April 30, 1934).	Exhibit 1
Statement of Nominal Surplus for period prior to Receivership as shown by balance sheet as at December 31, 1934.....	Exhibit 1-A
Statement showing results from operations for the year ending December 31, 1934 (including also the results of wholly owned subsidiaries including Thunder Bay Paper Co., Limited, but exclusive of Provincial Paper, Limited and The G. H. Mead Company).....	Exhibit 1-B
MANITOBA PAPER COMPANY, LIMITED AND ITS SUBSIDIARIES:	
Consolidated Balance Sheet, December 31, 1934	Exhibit 2
Consolidated Statement of Surplus and Profit and Loss for the year ending December 31, 1934.....	Exhibit 2-A
STE. ANNE PAPER COMPANY, LIMITED AND ITS SUBSIDIARIES:	
Consolidated Balance Sheet, December 31, 1934.....	Exhibit 3
Consolidated Deficit Account for the year ending December 31, 1934.....	Exhibit 3-A
ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED:	
Balance Sheet, December 31, 1934.....	Exhibit 4
Surplus and Profit and Loss Account for the year ending December 31, 1934.....	Exhibit 4-A
KAMINISTIQUE PAPER CO., LIMITED:	
Balance Sheet, December 31, 1934.....	Exhibit 5
Surplus and Profit and Loss Account for the year ending December 31, 1934.....	Exhibit 5-A
MATTAGAMI RAILROAD COMPANY:	
Balance Sheet, December 31, 1934.....	Exhibit 6
Surplus and Profit and Loss Account for the year ending December 31, 1934.....	Exhibit 6-A
THUNDER BAY PAPER CO., LIMITED:	
Balance Sheet, December 31, 1934.....	Exhibit 7
Deficit Account for the year ending December 31, 1934.....	Exhibit 7-A
PROVINCIAL PAPER, LIMITED:	
Balance Sheet, December 31, 1934.....	Exhibit 8
Surplus and Profit and Loss Account for the year ending December 31, 1934.....	Exhibit 8-A

AUDITORS' CERTIFICATE

PRICE, WATERHOUSE & CO.

ROYAL BANK BUILDING,
TORONTO

March 1, 1935.

G. T. CLARKSON, Esq., Receiver and Manager,
ABITIBI POWER & PAPER COMPANY, LIMITED,
TORONTO, ONTARIO.

Dear Sir:

We have made an examination of the books and accounts of Abitibi Power & Paper Company, Limited, G. T. Clarkson, Receiver and Manager, and have been furnished with all the information and explanations which we have required.

The profits and losses of all subsidiary Companies (excepting Provincial Paper, Limited and The G. H. Mead Company) for the year ending December 31, 1934, as shown by the accounts of such Companies, have been incorporated in the attached statement of results from the operations of the Receiver and Manager of Abitibi Power & Paper Company, Limited.

Provision has not been made in the accounts of the Receiver and Manager for interest accruing since September 10, 1932 on the Five Per Cent. First Mortgage Gold Bonds nor for depreciation of buildings, equipment and properties, nor for depletion of timber concessions during the 1933-34 woods operations by reason of the status of the Company's timber concessions; similarly, provision has not been made since September 10, 1932 in the accounts of the subsidiary Companies (other than Provincial Paper, Limited and The G. H. Mead Company) for depreciation on buildings, equipment and properties. Under existing conditions in the newsprint industry it would appear to be impossible to ascertain the sound values of the investments in certain subsidiary Companies, and in certain of the buildings, equipment, properties, and timber concessions.

Subject to the foregoing remarks, we report that in our opinion the accompanying balance sheet shows the true financial position as at December 31, 1934 of Abitibi Power & Paper Company, Limited, G. T. Clarkson, Receiver and Manager, according to the best of our information and the explanations given to us and as shown by the books.

Yours very truly,

PRICE, WATERHOUSE & CO.

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1934

(showing also for comparative purposes the assets and liabilities at December 31, 1933, as shown by the statement thereof contained in the second report of the Receiver and Manager dated April 30, 1934)

A S S E T S			
	December 31, 1933		December 31, 1934
RECEIVER'S CURRENT ASSETS:			
Cash on hand and on deposit.....	\$ 24,811.44	\$	35,373.05
Accounts receivable, customers.....	428,033.52		314,260.80
Receivable from subsidiary sales company for newsprint shipments, less reserve.....	655,548.46		941,235.56
Receivable from other subsidiaries, on current accounts.....	17,034.41		74,050.10
Inventories of paper, pulp, wood and supplies on the basis of cost less reserves as determined and certified to by responsible representatives of the Receiver and Manager, and expenditures on logging operations.....	1,379,920.57		2,677,881.39
Investments in bonds.....	39,300.00		38,500.00
	<u>\$ 2,544,648.40</u>	<u>\$</u>	<u>4,081,300.90</u>
DEPOSITS WITH TRUSTEE FOR BOND-HOLDERS.....	41,484.52		38,689.66
ASSETS PLEDGED TO ROYAL BANK PRIOR TO RECEIVERSHIP.....	2,556,732.13		—
INVESTMENTS IN THE SECURITIES OF AND ADVANCES TO WHOLLY OWNED SUBSIDIARIES:			
Investment by Receiver in purchase of shares of Sales Company.....	\$ 750,000.00	\$	750,000.00
Investments in and advances to other wholly owned subsidiaries....	37,342,125.96		37,404,917.99
	<u>38,092,125.96</u>	<u></u>	<u>38,154,917.99</u>
INVESTMENT IN SHARES OF AND ADVANCES TO THUNDER BAY PAPER Co., LIMITED.....	\$ 7,646,804.06	\$	8,311,615.54
Balance owing on contract for purchase of such shares.....	2,727,916.67		2,727,916.67
	<u>\$10,374,720.73</u>	<u></u>	<u>\$11,039,532.21</u>
Less—Amounts written off re period prior to Receivership.....	2,038,431.70		2,085,576.52
Amounts charged to Receiver's operations to cover operating losses and costs of carrying properties shut down.....	467,937.01		813,650.81
	<u>7,868,352.02</u>	<u></u>	<u>8,140,304.88</u>
Forward.....	<u>\$51,103,343.03</u>		<u>\$50,415,213.43</u>

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1934

(showing also for comparative purposes the assets and liabilities at December 31, 1933, as shown by the statement thereof contained in the second report of the Receiver and Manager dated April 30, 1934)

LIABILITIES

	December 31, 1933	December 31, 1934
SUNDRY LIABILITIES OF RECEIVER:		
Wages accrued and payable.....	\$ 46,566.95	\$ 58,896.63
Reserves for contingencies.....	95,983.08	29,253.56
Sundry accounts payable.....	331,534.81	491,635.00
Payable for Banker's securities realized.....	231,466.19	
Receiver's certificates (secured).....	2,075,000.00	3,600,000.00
Bank overdraft.....	143,195.37	145,446.35
	<u>\$ 2,923,746.40</u>	<u>\$ 4,325,231.54</u>

PAYABLE TO ROYAL BANK IN RESPECT OF LOANS MADE PRIOR TO RECEIVERSHIP:

(secured, per contra)..... 1,297,137.80

AMOUNTS OWING ON CONTRACT TO PURCHASE SHARES OF THUNDER BAY PAPER CO., LIMITED (Due 1936-1944):

(the shares are held by a depositary pending payment of this balance)

	2,727,916.67	2,727,916.67
Forward.....	<u>\$ 6,948,800.87</u>	<u>\$ 7,053,148.21</u>

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1934

	A S S E T S	
	December 31, 1933	December 31, 1934
FORWARD	\$51,103,343.03	\$50,415,213.43
INVESTMENTS IN SHARES OF AND ADVANCES TO CORPORATIONS OTHER THAN WHOLLY OWNED SUBSIDIARIES:		
Shares of Provincial Paper, Limited at arbitrary value of.....	\$ —	\$ 1,500,000.00
Miscellaneous, less reserves.....	4,159.92	5,367.14
	4,159.92	1,505,367.14
INVESTMENTS IN MILLS AND EQUIP- MENT, RAILWAYS, WATERPOWERS, TOWNSITES AND BUILDINGS:		
(after deducting reserves for depreciation created prior to Receivership).....	48,074,787.07	48,245,981.90
TIMBER CONCESSIONS AND FREEHOLD TIMBER OWNED:		
(after deducting depletion and other reserves).....	19,961,439.02	19,950,368.67
REAL ESTATE AND OFFICE BUILDINGS	326,704.34	327,004.34
CHATTELS AND EQUIPMENT.....	32,303.82	32,220.50
PREPAID EXPENSES.....	186,343.74	200,327.60
	<u>\$119,689,080.94</u>	<u>\$120,676,483.58</u>

NOTES—

- I.—With the object of showing the net amount of the Investments in and Advances to wholly owned Subsidiary Companies (including Thunder Bay Paper Co., Limited), the advances and charges by the Abitibi Company and by the Receiver and Manager of the Abitibi Company to such Subsidiaries are added to and grouped with the Investments in the Subsidiaries; similarly the Accounts Payable to the Subsidiaries are deducted from the Investments in the securities thereof. During the period of the receivership the Receiver and Manager has advanced \$2,104,865.46 to Subsidiary Companies (including Thunder Bay) to cover losses in operations and/or costs of carrying shut down mills—also to permit such companies to liquidate liabilities and to purchase pulpwood. At December 31, 1934, the Receiver and Manager was indebted to other Subsidiaries for \$556,390.93, chiefly for power supplied.
- II.—Dividends on 7% Cumulative Preferred Stock are paid to September 30, 1931.
Dividends on 6% Cumulative Preferred Stock are paid to March 31, 1931.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1934

		LIABILITIES	
		December 31, 1933	December 31, 1934
FORWARD		\$ 6,948,800.87	\$ 7,053,148.21
GENERAL CREDITORS' CLAIMS INCURRED PRIOR TO RECEIVERSHIP.....		309,817.58	352,430.15
FIVE PER CENT. FIRST MORTGAGE GOLD BONDS:			
Outstanding.....	\$ 48,267,000.00		\$ 48,267,000.00
Interest accrued to September 10, 1932.....	1,877,050.00		1,877,050.00
Reserve for tax rebates.....	17,636.41		17,636.41
		50,161,686.41	50,161,686.41
CAPITAL STOCK:			
10,000 shares 7% Cumulative Preferred Stock of \$100.00 each....	\$ 1,000,000.00		\$ 1,000,000.00
348,818 shares 6% Cumulative Preferred Stock of \$100.00 each (including 785 shares deposited for exchange of shares of The Spanish River Pulp and Paper Mills Limited).....	34,881,800.00		34,881,800.00
1,088,117 shares of Common Stock without nominal or par value (including 1,891 shares deposited for exchange of shares of subsidiary companies).....	18,964,935.43		18,964,935.43
		54,846,735.43	54,846,735.43
NOMINAL SURPLUS OF PERIOD PRIOR TO RECEIVERSHIP.....		6,385,478.65	6,271,993.72
AMOUNT AVAILABLE TOWARDS DEPRECIATION AND BOND INTEREST FROM OPERATIONS DURING RECEIVERSHIP PERIOD:			
As at December 31, 1933.....	\$ 1,036,562.00		\$ 1,036,562.00
For year ending December 31, 1934	—		953,927.66
		1,036,562.00	1,990,489.66
		<u>\$119,689,080.94</u>	<u>\$120,676,483.58</u>

CONTINGENT AND CONTRACTUAL LIABILITIES OUTSTANDING AND INCURRED PRIOR TO RECEIVERSHIP:

1. Obligations in connection with subscription for shares of Newsprint Bond & Share Company.
2. Obligations in connection with Ontario Power Service Corporation Limited.
3. Possible obligation for purchase of power from The Hydro-Electric Power Commission of Ontario.

This Balance Sheet is issued subject to the important questions as to values of certain of the assets as referred to in our report dated March 1, 1935.

PRICE, WATERHOUSE & CO.,
Auditors.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT OF NOMINAL SURPLUS FOR PERIOD PRIOR TO RECEIVERSHIP AS SHOWN
BY BALANCE SHEET AS AT DECEMBER 31, 1934

PARTICULARS	AMOUNT	
Nominal Surplus for period prior to September 10, 1932 as per balance sheet at December 31, 1933.....		\$ 6,385,478.65
<i>Add:</i>		
Reserve for contingencies, written back.....	\$ 10,000.00	
Interest charges for the period October 27, 1933 to November 30, 1934 on overdue accounts receivable in respect of period prior to Receivership.....	18,678.22	28,678.22
		<u>\$ 6,414,156.87</u>
<i>Deduct:</i>		
Interest during the period January 1, 1934 to November 30, 1934 on Royal Bank loan made prior to Receivership.....	\$ 40,572.89	
Written off investment in Thunder Bay Paper Co., Limited to reduce book value of investment by the amount of write-downs of book inventories of pulpwood on the books of that company, etc.....	47,144.82	
Increase in amount owing to General Creditors as a result of compromise by Liquidator of claim of Fort Frances Pulp & Paper Company Limited re price adjustments on newsprint shipments in 1918.....	36,866.26	
Charges in connection with realization of wood inventories carried forward from period prior to Receivership (net).....	17,478.27	
Sundry adjustments (net).....	100.91	142,163.15
		<u>142,163.15</u>
NOMINAL SURPLUS FOR PERIOD PRIOR TO SEPTEMBER 10, 1932 AS PER BALANCE SHEET AS AT DECEMBER 31, 1934.....		<u>\$ 6,271,993.72</u>

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT SHOWING THE RESULTS FROM OPERATIONS FOR THE YEAR ENDING
DECEMBER 31, 1934(Including also the results of wholly owned subsidiaries including Thunder
Bay Paper Co., Limited but exclusive of Provincial Paper, Limited and
The G. H. Mead Company)

PARTICULARS	AMOUNT	
INCOME:		
Sales of newsprint and pulp.....	\$ 9,371,839.47	
Sales of power.....	329,940.42	
	<hr/>	
	\$ 9,701,779.89	
<i>Less</i> —Operating costs including administration, superintendence and general expenses, but before providing for depreciation and bond interest.....	7,745,330.70	
	<hr/>	
	\$ 1,956,449.19	
<i>Deduct</i> —Discount on U.S. funds.....	96,972.91	
	<hr/>	
		\$1,859,476.28
ADD:		
Interest and discount earned including interest on advances to Thunder Bay Paper Co., Limited.....	\$ 124,902.46	
Sundry minor operating profits.....	12,179.27	137,081.73
	<hr/>	
		\$1,996,558.01
DEDUCT:		
Interest on contract covering purchase of shares of Thunder Bay Paper Co., Limited.....	\$ 163,675.00	
Cost of carrying idle mills and timber concessions tributary thereto:		
Mill idle costs including caretaking and insurance.....	\$337,686.37	
Taxes on mills and townsites.....	84,803.95	
Timber concessions — taxes, licenses and fees.....	79,855.89	
Interest charges and minor expenses.....	45,297.85	
	<hr/>	
	547,644.06	
Interest on Receiver's certificates and overdraft.....	152,113.48	
Cost of issue of Receiver's second report.....	4,197.81	
Provision for bad and doubtful accounts receivable.....	10,000.00	
Amount written off the value of pulpwood acquired prior to Receiver- ship and located at shut-down mill (Ste. Anne division).....	75,000.00	
Provision for legal and audit expenses.....	42,000.00	
Paid to Receiver in respect of remuneration.....	48,000.00	
	<hr/>	
		1,042,630.35
BALANCE AVAILABLE FOR DEPRECIATION OF MILLS AND PROPERTIES AND TOWARDS BOND INTEREST.....		<hr/>
		\$ 953,927.66

MANITOBA PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES
PINE FALLS HOTEL COMPANY LIMITED
PINE FALLS HOSPITAL LIMITED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1934

A S S E T S

CURRENT ASSETS:

Cash on hand and on deposit.....	\$ 5,874.66	
Sundry accounts receivable, less reserves.....	17,376.03	
Inventories of pulpwood, materials and supplies as shown by the books, valued on the basis of cost less reserves, as certified to by responsible officials of the company.....	335,316.84	
	<u> </u>	\$ 358,567.53

OWING BY AFFILIATED COMPANY:

Thunder Bay Paper Co., Limited.....		80.69
-------------------------------------	--	-------

OTHER ASSETS AND DEFERRED CHARGES:

Deposits with Trustee for Bondholders.....	\$ 5,451.13	
Claims.....	7,333.26	
Unexpired insurance, royalty charges, etc.....	16,071.81	
	<u> </u>	28,856.20

FIXED ASSETS:

Plant, machinery and equipment, at cost, including therein expenditures on preliminary development of project, premiums paid on acquisition of stock of predecessor company, etc.....	\$ 9,880,859.44	
Lands, timber limits, undeveloped water power, etc., at valuation placed thereon by the management at inception of company plus cost of surveys and timber limit deposit with government..	6,151,313.69	
	<u> </u>	16,032,173.13

\$16,419,677.55

NOTE—Investments in and advances to Manitoba Paper Company, Limited are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows:

	As at December 31, 1933	As at December 31, 1934
Investment—		
5% First Mortgage Bonds with interest accrued thereon to August 31, 1932.....	\$ 7,011,562.50	\$ 7,011,562.50
Capital stock (35,000 shares).....	1,500,000.00	1,500,000.00
Balance in Earned Surplus Account.....	2,230,735.11	2,167,941.46
	<u> </u>	<u> </u>
	\$10,742,297.61	\$10,679,503.96
Add—Balances owing by Manitoba Paper Company, Limited to—		
Abitibi Power & Paper Company, Limited.....	1,591,926.58	1,591,926.58
Receiver and Manager of Abitibi Power & Paper Company, Limited.....	97,867.99	286,501.44
	<u> </u>	<u> </u>
	\$12,432,092.18	\$12,557,931.98

MANITOBA PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES
PINE FALLS HOTEL COMPANY LIMITED
PINE FALLS HOSPITAL LIMITED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1934

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$ 20,805.63	
TAXES DUE AND ACCRUED.....	2,209.03	
	<hr/>	\$ 23,014.66
OWING TO AFFILIATED COMPANIES:		
Abitibi Power & Paper Company, Limited.....	\$1,591,926.58	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited for current advances to enable Manitoba Paper Company, Limited to liquidate liabilities and to meet expenses of carrying shut-down properties, etc.....	286,501.44	
	<hr/>	1,878,428.02
FUNDED DEBT:		
5% First Mortgage Gold Bonds:		
Due June 1, 1968.....	\$6,500,000.00	
Due June 1, 1971.....	425,000.00	
	<hr/>	\$6,925,000.00
Interest accrued thereon to August 31, 1932.....	86,562.50	
	<hr/>	7,011,562.50
NOTE—As a result of non-payment of bond interest due December 1, 1932 the company is in default under terms of Indenture and Mortgage dated June 1, 1928. These bonds are owned by Abitibi Power & Paper Company, Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928 securing the issue of First Mortgage Gold Bonds of that company.		
RESERVES:		
Depreciation.....	\$ 775,862.20	
Depletion.....	7,390.46	
	<hr/>	783,252.66
COMMON STOCK AND SURPLUS:		
Common shares—		
Represented by shares without nominal or par value		
Authorized and issued—35,000 shares.....	\$1,500,000.00	
Capital Surplus (no change during year).....	3,055,478.25	
Earned Surplus, per statement attached.....	2,167,941.46	
	<hr/>	6,723,419.71
	<hr/>	<u>\$16,419,677.55</u>

APPROVED ON BEHALF OF THE BOARD:

L. R. WILSON, Director
W. H. SMITH, Director

G. T. CLARKSON, Receiver and Manager

ABITIBI POWER & PAPER COMPANY, LIMITED:

We have examined the books and accounts of the Manitoba Paper Company, Limited kept at the Toronto office for the year ending December 31, 1934, and have obtained all the information and explanations which we have required. No provision has been made during the period from September 1, 1932 to December 31, 1934 for interest accruing on the 5% First Mortgage Gold Bonds nor has any reserve been created for depreciation of fixed assets. Under present conditions in the newsprint industry it would appear to be impossible to obtain a fair valuation of the company's plant and property. Subject to these remarks we report that, in our opinion, the above consolidated balance sheet as at December 31, 1934 is properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs according to the best of our information and the explanations given to us and as shown by the books.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, March 1, 1935.

MANITOBA PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES

PINE FALLS HOTEL COMPANY LIMITED

PINE FALLS HOSPITAL LIMITED

CONSOLIDATED STATEMENT OF SURPLUS AND PROFIT AND LOSS FOR THE YEAR
ENDING DECEMBER 31, 1934

PARTICULARS	AMOUNT
Surplus at December 31, 1933.....	\$2,230,735.11
DEDUCT—	
Expenses incurred in carrying shut-down properties for the year ending December 31, 1934, before providing for depreciation or bond interest:	
Mill expenses.....	\$51,746.12
Woods expenses.....	11,142.20
	<hr/> \$62,888.32
Less—Interest and discount received.....	94.67
	<hr/> \$ 62,793.65
BALANCE AT DECEMBER 31, 1934.....	<hr/> \$2,167,941.46

STE. ANNE PAPER COMPANY, LIMITED
and its Subsidiaries

Balance Sheet and
Profit and Loss Account

STE. ANNE PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES

ST. ANNE POWER COMPANY AND BAIE ST. PAUL LUMBER COMPANY, LIMITED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1934

CURRENT ASSETS :		ASSETS	
Cash on hand and on deposit.....	\$ 500.00		
Sundry accounts receivable, less reserves.....	1,581.53		
Inventories of pulpwood, materials and supplies as shown by the books valued on the basis of cost less write-downs and reserves to reduce to realizable values, as certified to by responsible officials of the company.....	293,474.65		
		\$ 295,556.18	
OWING BY AFFILIATED COMPANY:			
Thunder Bay Paper Co., Limited.....			11.66
OTHER ASSETS AND DEFERRED CHARGES:			
Deposits with Trustee for Bondholders.....	\$ 30,493.29		
Unexpired insurance, royalty charges, etc.....	20,686.50		
			51,179.79
FIXED ASSETS:			
Plant, machinery and equipment.....	\$ 9,306,305.04		
Lands, timber limits, and cutting rights.....	4,602,975.00		
			13,909,280.04
			<u>\$14,256,027.67</u>
DEFICIT, as per statement attached.....			1,771,969.68

\$16,027,997.35

NOTE—Investments in and advances to Ste. Anne Paper Company, Limited and its subsidiary companies are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows:

	As at December 31, 1933	As at December 31, 1934
Investment:		
5% First Mortgage Bonds with interest accrued thereon to August 31, 1932.....	\$ 7,993,687.50	\$ 7,993,687.50
Capital stock (100,000 shares).....	500,000.00	500,000.00
	\$ 8,493,687.50	\$ 8,493,687.50
Less—Balance in Deficit Account.....	1,610,119.52	1,771,969.68
	\$ 6,883,567.98	\$ 6,721,717.82
Add—Balances owing by Ste. Anne Paper Company, Limited to—		
Abitibi Power & Paper Company, Limited.....	5,121,605.27	5,121,605.27
Receiver and Manager of Abitibi Power & Paper Company, Limited.....	375,738.17	480,519.36
	<u>\$12,380,911.42</u>	<u>\$12,323,842.45</u>

STE. ANNE PAPER COMPANY, LIMITED
AND ITS SUBSIDIARIES
ST. ANNE POWER COMPANY AND BAIE ST. PAUL LUMBER COMPANY, LIMITED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1934

LIABILITIES		
SUNDRY ACCOUNTS PAYABLE.....	\$	8,445.16
OWING TO AFFILIATED COMPANY:		
Abitibi Power & Paper Company, Limited.....	\$5,121,605.27	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited—for advances to enable Ste. Anne Paper Company, Limited and its subsidiaries to liquidate liabilities and for costs of carrying shut-down properties.....	480,519.36	
		5,602,124.63
FUNDED DEBT:		
5% First Mortgage Gold Bonds		
Due June 1, 1968.....	\$7,500,000.00	
Due June 1, 1971.....	395,000.00	
	\$7,895,000.00	
Accrued interest thereon to August 31, 1932.....	98,687.50	
		7,993,687.50
NOTE—As a result of non-payment of bond interest due December 1, 1932, the company is in default under terms of Indenture and Mortgage dated June 1, 1928. These bonds are owned by Abitibi Power & Paper Company, Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928 securing the issue of First Mortgage Gold Bonds of that Company.		
RESERVES:		
Depreciation.....	\$ 651,628.20	
Depletion.....	226,607.26	
		878,235.46
CAPITAL STOCK AND SURPLUS:		
(before considering Deficit—as per contra):		
Common Shares—		
Represented by shares without nominal or par value		
Authorized and issued—100,000 shares.....	\$ 500,000.00	
Capital Surplus (no change during year).....	1,045,504.60	
		1,545,504.60
		<u>\$16,027,997.35</u>

G. T. CLARKSON, Receiver and Manager,
 ABITIBI POWER & PAPER COMPANY, LIMITED:

We have examined the books and accounts of the Ste. Anne Paper Company, Limited and its subsidiary companies St. Anne Power Company and Baie St. Paul Lumber Company, Limited kept at the Toronto office for the year ending December 31, 1934, and have obtained all the information and explanations which we have required. No provision has been made during the period from September 1, 1932 to December 31, 1934 for interest accruing on the 5% First Mortgage Gold Bonds nor has any reserve been created for depreciation of fixed assets. Under present conditions in the newsprint industry it would appear to be impossible to obtain a fair valuation of the companies' plant and property. Subject to these remarks, we report that in our opinion the above consolidated balance sheet at December 31, 1934 is properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs according to the best of our information and the explanations given to us and as shown by the books of the companies.

TORONTO, March 1, 1935.

PRICE, WATERHOUSE & CO.,
 Auditors.

STE. ANNE PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES

ST. ANNE POWER COMPANY

BAIE ST. PAUL LUMBER COMPANY, LIMITED

CONSOLIDATED DEFICIT ACCOUNT

FOR THE YEAR ENDING DECEMBER 31, 1934

PARTICULARS	AMOUNT
Deficit at December 31, 1933.....	\$1,610,119.52
Add—	
Expenses incurred in carrying shut-down properties for the year ending December 31, 1934, before providing for depreciation or bond interest:	
Mill expenses.....	\$64,010.23
Woods expenses.....	21,463.30
	<hr/> \$85,473.53
Interest on bank loan, etc.....	1,376.63
	<hr/> 86,850.16
Amount reserved against inventories of pulpwood.....	75,000.00
 DEFICIT AT DECEMBER 31, 1934.....	 <hr/> <hr/> \$1,771,969.68

ABITIBI ELECTRIC DEVELOPMENT
COMPANY, LIMITED

Balance Sheet and
Profit and Loss Account

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1934

A S S E T S

CASH ON HAND AND ON DEPOSIT	\$ 350.00
AMOUNT DUE BY G. T. CLARKSON, RECEIVER AND MANAGER OF ABITIBI POWER & PAPER COMPANY, LIMITED— For electric power supplied and collections retained.....	196,134.71
SUNDRY ACCOUNTS RECEIVABLE	1,087.40
INVENTORIES OF EQUIPMENT AND SUPPLIES (less reserves)	27,677.91
UNEXPIRED INSURANCE, PREPAID CHARGES, ETC.	997.04
FIXED ASSETS, AT COST:	
Power plant transmission line, etc.	\$7,812,885.23
Speeders, camp buildings and equipment.....	39,803.63
Horses, vehicles and livestock.....	1,118.70
	7,853,807.56

\$8,080,054.62

NOTE Investments in and advances to Abitibi Electric Development Company, Limited are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows:

	As at December 31, 1933	As at December 31, 1934
Investment		
5% First Mortgage Bonds with interest accrued thereon to August 31, 1932.....	\$5,219,437.50	\$5,219,437.50
Capital stock (20,005 shares)	100,005.00	100,005.00
Balance in Earned Surplus Account	1,401,233.82	1,418,874.70
	\$6,720,676.32	\$6,738,317.20
Add—Balance owing by Abitibi Electric Development Company, Limited to Abitibi Power & Paper Company, Limited	1,332,860.85	1,332,860.85
	\$8,053,537.17	\$8,071,178.05
Less—Balance owing to Abitibi Electric Development Company, Limited by Receiver and Manager of Abitibi Power & Paper Company, Limited	173,030.00	196,134.71
	<u>\$7,880,507.17</u>	<u>\$7,875,043.34</u>

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1934

LIABILITIES

SUNDRY ACCOUNTS PAYABLE		\$ 8,876.57	
ABITIBI POWER & PAPER COMPANY, LIMITED		1,332,860.85	
FIVE PER CENT. FIRST MORTGAGE GOLD BONDS:			
Due June 1, 1968.....	\$5,000,000.00		
Due June 1, 1971.....	155,000.00		
	<hr/>		
	\$5,155,000.00		
Interest accrued thereon to August 31, 1932.....	64,437.50		
	<hr/>		5,219,437.50
NOTE—As a result of non-payment of bond interest due December 1, 1932, the company is in default under terms of Indenture and Mortgage dated June 1, 1928. These bonds are all owned by Abitibi Power & Paper Company, Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928 securing the issue of First Mortgage Gold Bonds of that company.			
CAPITAL STOCK AND SURPLUS:			
Common Shares—			
Represented by shares without nominal or par value			
Authorized—50,000 shares			
Issued— 20,005 shares.....	\$ 100,005.00		
Earned Surplus—			
As per statement attached.....	1,418,874.70		
	<hr/>		1,518,879.70
NOTE—Provision has not been made for any possible liability under arrangement to take power from The Hydro-Electric Power Commission of Ontario.			
			<hr/>
			<u>\$8,080,054.62</u>

G. T. CLARKSON, Receiver and Manager,
ABITIBI POWER & PAPER COMPANY, LIMITED:

We have examined the books and accounts of the Abitibi Electric Development Company, Limited for the year ending December 31, 1934, and have obtained all the information and explanations which we have required. No provision has been made for interest accrued during the period from September 1, 1932 to December 31, 1934 on the 5% First Mortgage Gold Bonds outstanding, nor has any reserve been made for depreciation of plant and equipment. Subject thereto we report that in our opinion the above balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books of the company.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, March 1, 1935.

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1934

PARTICULARS	AMOUNT
Surplus at December 31, 1933.....	\$1,401,233.82
Add—	
Profit from operations for the year ending December 31, 1934, before providing for depreciation or bond interest—	
Sales.....	\$116,850.17
Operating expenses.....	99,209.29
	<u>17,640.88</u>
BALANCE AT DECEMBER 31, 1934.....	<u><u>\$1,418,874.70</u></u>

KAMINISTIQUIA POWER CO., LIMITED

Balance Sheet and Profit and Loss Account

KAMINISTIQUEA POWER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1934

A S S E T S

CASH ON HAND AND ON DEPOSIT.....	\$ 1,000.00	
SUNDRY CUSTOMERS' ACCOUNTS, less reserves.....	8,751.65	
	<hr/>	\$ 9,751.65
INVESTMENT, less reserve:		
Fort William Hotel Company Limited.....		1.00
OWING BY AFFILIATED COMPANIES:		
Abitibi Power & Paper Company, Limited—		
Balance owing in respect of period prior to Receivership.....	\$428,493.38	
Portion of power billings during period September 10, 1932 to December 31, 1934, being the excess of charges under power contract, over power used which is charged to Receiver and Manager as below.....	419,687.44	
	<hr/>	
	\$848,180.82	
Amount owing by G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited for power used and for collections retained, etc.....	349,736.57	
	<hr/>	1,197,917.39
DEFERRED CHARGES:		
Unexpired insurance, etc.....		420.53
FIXED ASSETS:		
Waterpowers, lands, buildings, etc., at appraised value as reported by Walter J. Francis & Co., Engineers, as at September 1925, plus subsequent additions, at cost.....		6,379,811.64
		<hr/>
		<u>\$7,587,902.21</u>

NOTE—Investments in and advances to Kaministiquia Power Co., Limited are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows:

	As at December 31, 1933	As at December 31, 1934
Investment—		
5% First Mortgage Bonds with interest accrued thereon to August 31, 1932.....	\$3,543,750.00	\$3,543,750.00
Capital stock (40,000 shares).....	950,000.00	950,000.00
Balance in Earned Surplus Account.....	991,742.16	1,315,757.57
	<hr/>	<hr/>
	\$5,485,492.16	\$5,809,507.57
Less—Balances owing to Kaministiquia Power Co., Limited by—		
Abitibi Power & Paper Company, Limited.....	661,373.19	848,180.82
Receiver and Manager of Abitibi Power & Paper Company, Limited.....	212,018.35	349,736.57
	<hr/>	<hr/>
	\$4,612,100.62	\$4,611,590.18
	<hr/>	<hr/>

KAMINISTQUIA POWER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1934

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$ 1,043.05
FUNDED DEBT:		
5% First Mortgage Gold Bonds, due 1968.....	\$3,500,000.00	
Interest accrued thereon to August 31, 1932.....	43,750.00	
		3,543,750.00
NOTE—As a result of non-payment of bond interest due December 1, 1932, the company may be in technical default under terms of Indenture and Mortgage dated June 1, 1928. These bonds are all owned by Abitibi Power & Paper Company, Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928 securing the issue of First Mortgage Gold Bonds of that Company.		
RESERVE FOR DEPRECIATION OF PLANT.....		1,179,964.51
CAPITAL STOCK AND SURPLUS:		
Represented by shares without nominal or par value		
Authorized and issued—		
Class "A" Non-Voting 30,750 shares		
Class "B" Voting 9,250 shares	\$ 950,000.00	
Capital Surplus (no change during year).....	597,387.08	
		\$1,547,387.08
Earned Surplus		
As per attached statement.....	1,315,757.57	
		2,863,144.65
		<u>\$7,587,902.21</u>

APPROVED ON BEHALF OF THE BOARD:

L. R. WILSON, Director.

W. H. SMITH, Director.

G. T. CLARKSON, Receiver and Manager,

ABITIBI POWER & PAPER COMPANY, LIMITED:

We have examined the books and accounts of the Kaministiquia Power Co., Limited for the year ending December 31, 1934, and have obtained all the information and explanations which we have required. No provisions have been made during the period from September 1, 1932 to December 31, 1934 for interest accruing on the 5% First Mortgage Gold Bonds outstanding nor for depreciation of fixed assets, and no provision has been established against the account receivable from Abitibi Power & Paper Company, Limited, which if not collected will reduce the surplus shown by the balance sheet. Subject thereto, we report that, in our opinion, the above balance sheet at December 31, 1934 is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books of the company.

TORONTO, March 1, 1935.

PRICE, WATERHOUSE & CO.,
Auditors.

KAMINISTQUIA POWER CO., LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1934

PARTICULARS	AMOUNT
Surplus at December 31, 1933.....	\$ 991,742.16
Add—	
Profit from operations for the year ending December 31, 1934, before providing for depreciation or bond interest—	
Sales.....	\$399,897.88
Operating expenses.....	75,882.47
	<hr/>
	324,015.41
BALANCE AT DECEMBER 31, 1934.....	<hr/> \$1,315,757.57 <hr/>

MATTAGAMI RAILROAD COMPANY

Balance Sheet and
Profit and Loss Account

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

DECEMBER 31, 1934

A S S E T S

SUNDRY ASSETS:

Cash on hand and on deposit.....	\$ 500.00	
Accounts receivable.....	1,782.23	
Inventory of coal, at cost.....	665.74	
	<hr/>	\$ 2,947.97

OWING BY AFFILIATED COMPANY:

Abitibi Power & Paper Company, Limited.....	\$ 97,460.12	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited.....	6,250.74	
	<hr/>	103,710.86

DEFERRED CHARGES:

Unexpired insurance.....		805.01
--------------------------	--	--------

FIXED ASSETS:

Rolling stock, rails, equipment, etc.....		242,576.85
---	--	------------

\$350,040.69

NOTE—Investments in and advances to Mattagami Railroad Company are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows:

	As at December 31, 1933	As at December 31, 1934
Investment—		
Capital stock (2,500 shares).....	\$250,000.00	\$250,000.00
Balance in Earned Surplus Account.....	88,626.58	99,332.41
	<hr/>	<hr/>
	\$338,626.58	\$349,332.41
Less—Balances owing to Mattagami Railroad Company by—		
Abitibi Power & Paper Company, Limited.....	97,460.12	97,460.12
Receiver and Manager of Abitibi Power & Paper Company, Limited.....	—	6,250.74
	<hr/>	<hr/>
	\$241,166.46	\$245,621.55
Add—Advances by Receiver and Manager of Abitibi Power & Paper Company, Limited.....	4,073.39	—
	<hr/>	<hr/>
	\$245,239.85	\$245,621.55
	<u><u> </u></u>	<u><u> </u></u>

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

DECEMBER 31, 1934

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$ 708.28	
CAPITAL STOCK AND SURPLUS:			
Common shares			
Authorized—			
10,000 shares of \$100.00 each.....	\$1,000,000.00		
Issued—			
2,500 shares of \$100.00 each.....	\$ 250,000.00		
Earned Surplus—			
As per statement attached.....	99,332.41		349,332.41
			<u>\$350,040.69</u>

G. T. CLARKSON, Receiver and Manager,
ABITIBI POWER & PAPER COMPANY, LIMITED:

We have examined the books and accounts of the Mattagami Railroad Company for the year ending December 31, 1934, and have obtained all the information and explanations which we have required. No provision has been established against the account receivable from Abitibi Power & Paper Company, Limited, which if not collected will reduce the surplus shown by the balance sheet, nor has any reserve been made for depreciation of rolling stock, rails and equipment, etc. Subject to these remarks, we report that, in our opinion, the above balance sheet at December 31, 1934 is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us, and as shown by the books of the company.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, March 1, 1935.

MATTAGAMI RAILROAD COMPANY

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1934

PARTICULARS	AMOUNT
Surplus at December 31, 1933.....	\$88,626.58
Add—	
Profit from operations for the year ending December 31, 1934, before providing for depreciation:	
Revenue.....	\$53,243.35
Operating expenditure.....	42,537.52
	<hr/> 10,705.83
BALANCE AT DECEMBER 31, 1934.....	<hr/> \$99,332.41 <hr/>

THUNDER BAY PAPER CO., LIMITED

Balance Sheet and Profit and Loss Account

THUNDER BAY PAPER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1934

A S S E T S

CURRENT ASSETS:

Inventories of paper, materials and supplies, at cost, as certified to by responsible officials of the company.....	\$ 152,240.20	
Customers' accounts, less reserves.....	95,430.22	
Cash on hand and on deposit.....	3,151.29	
	<hr/>	\$ 250,821.71

OTHER ASSETS AND DEFERRED CHARGES:

Cash deposit on timber limit.....	\$ 50,000.00	
Unexpired insurance and other prepaid expenses.....	12,956.76	
	<hr/>	62,956.76

FIXED ASSETS, at cost:

Real Estate.....	\$ 44,812.98	
Plant, machinery and equipment.....	5,841,863.69	
Office fixtures.....	2,287.68	
	<hr/>	5,888,964.35

\$6,202,742.82

NOTE—The above notes payable of \$1,532,211.82 to Abitibi Power & Paper Company, Limited and the Receiver and Manager thereof, and the capital and surplus are represented on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager, as follows:

	As at December 31, 1933	As at December 31, 1934
Investment in shares and advances.....	\$ 7,646,804.06	\$ 8,311,615.54
Balance owing on contract for purchase of such shares.....	2,727,916.67	2,727,916.67
	<hr/>	<hr/>
	\$10,374,720.73	\$11,039,532.21
<i>Less</i> —Amounts written off:		
For period prior to Receivership.....	\$ 2,038,431.70	\$ 2,085,576.52
For operating losses and costs of carrying properties shut down during period of Receivership.....	467,937.01	813,650.81
	<hr/>	<hr/>
	\$ 2,506,368.71	\$ 2,899,227.33
Net balance carried as investments and advances.....	\$ 7,868,352.02	\$ 8,140,304.88
<i>Add</i> —Accounts pledged to bankers prior to Receivership.....	211,310.01	—
	<hr/>	<hr/>
	\$ 8,079,662.03	\$ 8,140,304.88

THUNDER BAY PAPER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1934

LIABILITIES

CURRENT LIABILITIES:

Bank loans (secured under Section 88 and by assignment of book debts).....	\$ 25,000.00	
Accounts payable.....	44,860.09	
Owing to affiliated companies.....	34,137.74	
General Power and Paper Company Limited.....	131,550.00	
Accrued Wages.....	14,916.77	
	<hr/>	\$ 250,464.60

DEFERRED LIABILITIES:

Notes payable (due 1936-1938) to Abitibi Power & Paper Company, Limited.....	\$ 194,367.16	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited, for funds provided to meet losses in operations, costs of carrying shut-down properties, etc.....	1,337,844.66	
	<hr/>	1,532,211.82

RESERVE FOR DEPRECIATION.....		615,491.91
-------------------------------	--	------------

CAPITAL STOCK:

Common shares:		
Authorized and issued—		
20,000 shares of \$100.00 each.....	\$2,000,000.00	
Capital Surplus (no change during year).....	3,253,438.15	
	<hr/>	\$5,253,438.15
Deduct—Deficit as per attached statement.....	1,448,863.66	
	<hr/>	3,804,574.49
		<hr/>
		<u>\$6,202,742.82</u>

G. T. CLARKSON, Receiver and Manager,
ABITIBI POWER & PAPER COMPANY, LIMITED:

We have examined the books and accounts of Thunder Bay Paper Co., Limited for the year ending December 31, 1934, and have obtained all the information and explanations which we have required. No provision was made during the year in respect of depreciation of plant and equipment. The provisions for depreciation made during recent years were based on the tonnage of newsprint produced and, as a result of the low volume of production during these years, the total depreciation provided, has, in our opinion, been inadequate. Subject to the foregoing remarks, we report that, in our opinion, the above balance sheet is drawn up so as to exhibit a true and correct view of the state of the company's affairs as at December 31, 1934 according to the best of our information and the explanations given to us and as shown by the books of the company.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, March 1, 1935.

THUNDER BAY PAPER CO., LIMITED

DEFICIT ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1934

PARTICULARS	AMOUNT
Deficit at December 31, 1933.....	\$1,056,005.04
Add—	
Write-down of book inventories of pulpwood.....	\$ 46,662.18
Interest adjustment applicable to prior years.....	482.64
	<u>47,144.82</u>
	\$1,103,149.86
Add—	
Loss from operations during the year ending December 31, 1934.....	\$ 92,891.65
Expenses incurred in carrying properties during shut-down periods	146,622.96
Interest charges, including interest paid on bank loans and interest credited to the Receiver and Manager of Abitibi Power & Paper Company, Limited for advances.....	<u>106,199.19</u>
Loss for the year ending December 31, 1934, before pro- viding for depreciation.....	345,713.80
NOTE—Loss from operations is after charging wood to manufacture during the six months ending June 30, 1934 on the basis of the reduced values after giving effect to reserves provided there- against in 1931 and 1932.	
DEFICIT AT DECEMBER 31, 1934.....	<u><u>\$1,448,863.66</u></u>

PROVINCIAL PAPER, LIMITED

Balance Sheet and Profit and Loss Account

PROVINCIAL PAPER, LIMITED

BALANCE SHEET

DECEMBER 31, 1934

A S S E T S

CURRENT ASSETS:

Cash on hand and in banks.....	\$ 362,297.28	
Bonds of Provincial governments of a par value of \$600,000.00 (market value \$611,040.00).....	594,605.00	
Accounts and bills receivable, less reserve for doubtful accounts.....	727,340.44	
Inventories of paper, stock, supplies and pulpwood at the lower of cost or market, as determined and certified to by responsible officials, including advances on 1935 woods operations	822,005.74	
	<hr/>	\$ 2,506,248.46

OTHER ASSETS:

Government deposit on timber limits.....	\$ 18,000.00	
Investments in subsidiary and other companies.....	181,275.31	
	<hr/>	199,275.31

PROPERTY AND PLANT:

Real estate, buildings, equipment, etc.....	9,296,724.78
---	--------------

DEFERRED CHARGES:

Installation of equipment, unexpired insurance, etc.....	40,288.36
--	-----------

\$12,042,536.91

NOTE—The investment in shares of Provincial Paper, Limited is carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows:

	As at December 31, 1933	As at December 31, 1934
100,000 shares common stock without nominal or par value, carried at arbitrary value of \$1,500,000.00, included with—		
Assets Pledged to Bankers prior to Receivership.....	\$1,500,000.00	
	<hr/>	
Investments in Shares of and Advances to Corporations other than Wholly Owned Subsidiaries.....		\$ 1,500,000.00
		<hr/> <u>\$ 1,500,000.00</u> <hr/>

PROVINCIAL PAPER, LIMITED

BALANCE SHEET

DECEMBER 31, 1934

LIABILITIES

CURRENT LIABILITIES:

Accounts payable, accrued charges, etc.....	\$ 196,039.48	
Dividend on preferred stock—1 $\frac{3}{4}$ % payable January 2, 1935.....	61,250.00	
Bond interest accrued.....	35,282.49	
Reserve for income taxes.....	14,000.00	
	<hr/>	\$ 306,571.97

MORTGAGE DEBT:

5 $\frac{1}{2}$ % First Mortgage Sinking Fund Bonds, due 1947:		
Authorized.....	\$10,000,000.00	
Issued.....	\$5,300,000.00	
Less—Redeemed and cancelled.....	1,425,000.00	
	<hr/>	
	\$3,875,000.00	
Less—Purchased and held by the company.....	25,500.00	
	<hr/>	3,849,500.00

RESERVE FOR DEPRECIATION OF PLANT AND BUILDINGS.....	2,250,000.00
--	--------------

GENERAL RESERVES.....	1,221,588.40
-----------------------	--------------

CAPITAL STOCK:

Authorized and issued—		
35,000 shares 7% cumulative preferred stock of \$100.00 each	\$3,500,000.00	
100,000 shares common stock without nominal or par value.....	100,000.00	
	<hr/>	3,600,000.00

SURPLUS.....	814,876.54
--------------	------------

\$12,042,536.91

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have examined the books and accounts of Provincial Paper, Limited for the year ending December 31, 1934, and have obtained all the information and explanations which we have required. An amount of \$100,000.00 has been provided from Profit and Loss Account and the sum of \$225,000.00 has been transferred from General Reserve in respect of depreciation of plant during the year; on this basis, we report that, in our opinion, the above balance sheet at December 31, 1934, exhibits a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books of the company. All our requirements as auditors have been complied with.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, February 15, 1935.

PROVINCIAL PAPER, LIMITED

STATEMENT OF SURPLUS AND PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1934

PARTICULARS	AMOUNT
Profit for the year ending December 31, 1934, including income from investments, but before providing for the undernoted charges.....	\$ 694,614.39
DEDUCT:	
Provision for doubtful accounts.....	\$ 10,000.00
Provision for depreciation	100,000.00
Interest on mortgage debt (net).....	212,835.50
	<u>322,835.50</u>
Profit for the year, before providing for income taxes.....	\$ 371,778.89
DEDUCT:	
Provision for income taxes.....	14,000.00
Net Profit for the year.....	\$ 357,778.89
ADD:	
Surplus as at December 31, 1933.....	\$688,097.65
Transferred from income tax reserves provided in prior years.....	14,000.00
	<u>702,097.65</u>
	\$1,059,876.54
DEDUCT:	
Dividends on 7% cumulative preferred stock.....	245,000.00
	<u>\$ 814,876.54</u>

