

C

IN THE MATTER OF

Abitibi Power & Paper Company,
Limited

SEVENTH REPORT
of Receiver and Manager

15th May, 1939

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Abitibi Power & Paper Company, Limited

SEVENTH REPORT of Receiver and Manager

Attached hereto is audited Balance Sheet of Abitibi Power & Paper Company, Limited, as of date December 31st, 1938, together with statement of the results of operations for the year ending on such date; also attached are audited Balance Sheets and Profit and Loss Accounts, as of the same date, of certain of the subsidiaries of the Company.

According to statistical reports shipments of newsprint by Canadian mills amounted to 2,515,996 tons in 1938, as compared with 3,654,669 tons in 1937 and 3,247,954 tons in 1936: the reduction of 1,138,673 tons in shipments during 1938, as compared with those of 1937, was—according to such statistical reports—comprised of:

reduction in shipments to The United States	1,028,340 tons
reduction in shipments to Canadian customers	60,356 tons
reduction in shipments to Overseas markets	49,977 tons

The reduction in shipments to The United States was attributable to a falling off in consumption there during 1938 of about 400,000 tons; the consumption in 1938 of about 350,000 tons (as estimated) of excess stocks of newsprint bought in and carried over from 1937; and the purchase during 1938 by United States publishers of an increased proportion of their requirements from United States and Foreign mills at prices lower than those being charged by most Canadian companies.

Newsprint produced by Abitibi Power & Paper Company, Limited, and its subsidiaries in 1938 amounted to 293,444 tons, or 191,773 tons less than that produced by them in 1937: such newsprint was manufactured

92,872 tons at the Iroquois Falls (Ontario) mill
54,870 tons at the Sault Ste. Marie (Ontario) mill
42,866 tons at the Port Arthur (Ontario) mill
28,470 tons at the Fort William (Ontario) mill
41,414 tons at the Pine Falls (Manitoba) mill
32,952 tons at the Beaulieu (Ste. Anne, Quebec) mill

in accord with the requirements of the Governments of Ontario and Quebec that the newsprint mills in such Provinces should be operated at approximately equal rates of production—as compared with their respective capacities—in order to provide employment for labor and the use of natural resources in the localities in which they are located. Of the 291,481 tons of newsprint shipped by Abitibi and its subsidiaries in 1938, 4,848 tons were sold to other manufacturers.

The general base contract market price charged by the majority of Canadian mills for newsprint sold in The United States during 1938 was \$50. per ton f.o.b. mill with costs of freight allowed to destination by the manufacturer; such price has been continued for 1939.

With reduction in market demands therefor, sulphite pulp produced by the Smooth Rock Falls mill of Abitibi amounted to 34,288 tons in 1938, as compared with 60,307 tons in 1937. In 1937 the price of bleached sulphite pulp—delivered at New York dock—was \$54. per ton for the first quarter of the year, \$58. per ton for the second quarter, and \$65. per ton for the third quarter: on October 1st, 1937, the price was raised to \$70. per ton, being subsequently reduced to \$60. per ton on December 17th, 1937. During 1938 the price was \$60. per ton up to June 1st, when it was reduced to \$55. per ton. On August 10th it was further reduced to \$50. per ton, at which price it has since continued down to the date of this Report.

Attached as Exhibit 1 is audited Balance Sheet of Abitibi Power & Paper Company, Limited, G. T. Clarkson, Receiver and Manager, as of date December 31st, 1938, and—for purposes of comparison—similar Balance Sheet as of date December 31st, 1937: the following comments are made in respect of items contained in that of December 31st, 1938—

A comparison of Receiver's current assets and liabilities as of date December 31st, 1937, and December 31st, 1938, shows as follows:

RECEIVER'S CURRENT ASSETS :

as of date December 31st, 1937.....	\$ 9,691,665.12
as of date December 31st, 1938.....	12,731,926.50

Increase..... \$3,040,261.38

RECEIVER'S CURRENT LIABILITIES :

as of date December 31st, 1937.....	\$ 4,389,094.42
as of date December 31st, 1938.....	\$4,634,359.56
Contingent Reserve, hereinafter referred to	750,000.00
	5,384,359.56

Increase..... 995,265.14

Net Improvement..... \$2,044,996.24

Included in Receiver's current liabilities on December 31st, 1938—as above stated—is the sum of \$750,000., which has been set aside, with the approval of Court, as a Contingent Reserve: such reserve has been established in accord with proper accounting practice against possible—but not certain—losses which may be sustained in connection with certain receivables owing to the Company and its subsidiaries, and also as a protection against unforeseen and other contingencies. In addition to such Contingent Reserve—and as mentioned in a previous Report—a reserve of \$300,000. is maintained in respect of pulpwood inventories; other specific reserves held—and not believed to be presently required for the purposes for which they were set up—were estimated to amount to about \$102,000. on December 31st, 1938. The amounts of Receiver's current assets in each of the years 1937 and 1938—as above shown—are after deduction of such pulpwood and other specific reserves.

In February, 1939, about 60,000 cords of pulpwood at the Beaupre mill of Ste. Anne Paper Company, Limited—an Abitibi subsidiary—were destroyed by fire: such pulpwood was adequately insured. Other pulpwood on hand there and not destroyed is sufficient in quantity to enable operations of the mill to be continued.

Expenditures made and liabilities incurred during the year in connection with capital improvements to properties of the Company amounted to \$257,193. (net); the more important items thereof were—

(a) AT IROQUOIS FALLS (ONTARIO) :

Extension of railroad in pulpwood limits and expenditures on townsite, houses, etc..... \$ 12,110.

(b) AT SMOOTH ROCK FALLS (ONTARIO) :

Installation of direct chlorination bleaching plant, etc..... 189,770.

(c) AT PORT ARTHUR (ONTARIO) :

For Nipigon Lake and River improvements, and equipment..... 41,144.

Expenditures made upon and obligations incurred in respect of capital improvements to the properties of wholly owned subsidiary companies amounted in 1938 to \$83,345.; the more important items included therein were—

(d) AT BEAUPRE (QUEBEC) :

For installation of barking drum, wood room and other improvements..... \$ 37,421.

(e) AT PORT ARTHUR (ONTARIO) :

For installation of groundwood refiners, sulphite screens and suction presses 42,886.

In or about August, 1936, Abitibi Officials reported to the Abitibi Bondholders' Representative Committee that if certain replacements, repairs and improvements—which such Officials suggested—were to be made to the properties of the Company and its subsidiaries they would cost

for replacements, repairs, and to cover deferred maintenance—as then estimated...	\$2,015,232.
for improvements—as then estimated.....	6,299,039.

Total..... \$8,314,271.

and result in increasing the capacities of the newsprint mills of such companies by approximately 93,310 tons per annum; also, that if such mills were thereafter to be operated to such full increased capacities, savings in costs of manufacture (prior to charges for interest and depreciation) would, in

their opinion, amount to approximately \$1,057,623. per annum. Expenditures made and obligations incurred up to December 31st, 1938, in connection with such suggested improvements, replacements and repairs amounted to—

(a) for repairs and deferred maintenance—charged to costs of operation	\$ 637,003.
(b) for improvements to properties— added to the capital costs thereof.....	2,149,610.
Total.....	<u>\$2,786,613.</u>

During the period of Receivership up to December 31st, 1938, expenditures upon maintenance and repairs to the properties of the Company and its subsidiaries were—

In the period September 10th, 1932, to December 31st, 1932.....	\$ 231,807.
Year 1933.....	712,922.
Year 1934.....	855,830.
Year 1935.....	970,941.
Year 1936.....	1,183,377.
Year 1937.....	1,955,713.
Year 1938.....	1,260,969.

Such expenditures were charged to costs of operation or, where applicable, to the costs of carrying idle mills: the quantities of newsprint and pulp produced by operating mills in each of such years had a direct bearing upon the amounts required to be expended therein for the maintenance and repair of such mills. Expenditures in the years 1936, 1937 and 1938 include those in (a) of the preceding paragraph mentioned.

Attached as Exhibit I-B is an audited statement showing the results of operations of Abitibi and its wholly owned subsidiaries for the twelve months ending December 31st, 1938: the following comments are made in respect of items contained therein—

(a) Costs of carrying idle properties amounted to \$187,618.90

(b) Excess of income over expenditures, prior to depreciation and bond interest, amounted in the year to \$2,983,256.33, as compared with \$4,838,965.18 in 1937 and \$2,185,188.76 in 1936. After charge of \$1,785,000. for depreciation of the properties of the Company and its subsidiaries during the year, a balance of \$1,198,256.33 remained towards charges for bond interest.

In the Balance Sheet of December 31st, 1937 (shown on Exhibit I hereto) the accumulated amount available towards depreciation and bond interest from operations during the Receivership period up to December 31st, 1937, was shown as \$8,460,775.52, after deduction of \$1,785,000. for depreciation during the year 1937. Early in 1938, such charge for depreciation was increased by \$650,000., and the \$8,460,775.52 reduced to a similar extent.

In the period of Receivership between September 10th, 1932, and December 31st, 1938, earnings of Abitibi and its wholly owned subsidiaries amounted—as per audited statements, but prior to charges for depreciation and bond interest, and prior to transfer of \$750,000. to Contingent Reserve—to..... \$13,229,031.85
to which has to be added—

(a) Provision made for amortization of costs of purchase of The G. H. Mead Company shares	146,000.00
(b) Provision for depletion of timber charged as costs of operation.....	121,964.78
	<u>\$13,496,996.63</u>
(c) Proceeds received from the sale and collection of sundry investments.....	126,821.29
(d) Cash deposits on timber limits applied towards payment of dues on pulpwood cut,	49,676.60
(e) Bank deposits covering bond coupons outstanding—reclaimed.....	1,300.00
Total.....	<u>\$13,674,794.52</u>

Forward.....\$13,674,794.52

To December 31st, 1938, the following expenditures and transfers had been made out of such earnings and receipts :

(f) In payment of claims secured in priority to those of Bondholders		
(1) Settlement of claim secured upon the shares of Thunder Bay Paper Co., Limited	\$2,114,109.04	
(2) Interest on Bank loans made prior to Receivership and secured upon inventories, and receivables of the company and the common shares of Provincial Paper, Limited.....	178,961.00	
		\$2,293,070.04
(g) On capital improvements and additions to properties.....	\$2,551,215.69	
In purchase of The G. H. Mead Company....	746,000.00	
		\$3,297,215.69
(h) In payment of Abitibi Bondholders' Protective Committee expenses—incurred prior to receivership.....	50,319.39	
		\$5,640,605.12
(i) Cash deposited with the Trustee for Abitibi Bondholders.....	32,730.15	
(j) Transfer to Contingent Reserve hereinbefore mentioned.....	750,000.00	
		\$ 6,423,335.27
Leaving an improvement in Working Capital position of.....		\$ 7,251,459.25

During the period of Receivership to December 31st, 1938, overdue and unpaid interest upon the First Mortgage Bonds of the Company (including interest on overdue interest) increased by \$18,016,328.12.

AGREEMENT WITH PROVINCE OF ONTARIO :

In the Sixth Report of the undersigned reference was made to an Agreement bearing date of June 24th, 1937, in which the Province of Ontario undertook that if within one year from the date thereof—or within such further time as the Government of Ontario might consent to—Abitibi should be reorganized or rearranged, or its undertaking and assets should be sold to a new company upon a basis sanctioned by and with the sanction of the Supreme Court of Ontario—and in any case on a basis satisfactory to the Province—the Province of Ontario and The Hydro-Electric Power Commission of Ontario would enter into an agreement with the rearranged, reorganized or new Abitibi company to carry into effect various provisions set out in a Schedule attached to the Agreement, including—amongst other things—the granting of new concessions in respect of timber limits, the waiving of defaults and the reinstatement of power and water rights, and an undertaking by The Hydro-Electric Power Commission of Ontario not to exercise—for certain extended periods of time—certain rights of expropriation of power properties: all upon the terms and conditions more specifically set out in such Schedule.

Under date of March 9th, 1939, an Order-In-Council—approved by the Lieutenant-Governor of Ontario—was passed providing that if and when a reorganization or rearrangement of the Company is duly completed or if and when a sale of the entire undertaking and assets of the Abitibi Power & Paper Company, Limited, is duly approved or directed by the Supreme Court of Ontario and such sale duly completed, then the various provisions of the Agreement dated 24th of June, 1937, other than those mentioned in Clause 2 thereof, but including those set out in Schedule "A" to the said Agreement, be carried into effect with the reorganized or rearranged Company or the purchaser under such sale or any assignee of such purchaser, and that such a reorganization, rearrangement or sale shall be deemed a basis satisfactory to the Government as required in Clause 3 of the said Agreement; and, further, that if a reorganization or rearrangement of the Company or if a sale of its undertaking and assets as contemplated above has not been effected by the 1st of April, 1940, the provisions of any Order-in-Council, passed in pursuance of that of March 9th, 1939, may be rescinded upon six months' notice in writing to Montreal Trust Company (Trustee for Abitibi Bondholders), Abitibi (acting through its Liquidator) and the undersigned as Receiver and Manager of Abitibi. (Note:

Clause 2 above referred to provided for the release by the Province of Ontario and The Hydro-Electric Power Commission of Ontario of certain claims against Abitibi and its subsidiaries, in consideration of the transfer to the Commission of the so-called Crystal Falls development —such transfer has been completed and the release received.)

RELATIVE TO REORGANIZATION :

A plan called "Plan of Sale of Assets and Reorganization" dated July 21st, 1937, was prepared by the Abitibi Bondholders' Representative Committee and submitted to a meeting of Bondholders held on October 15th, 1937, when it was approved by a large majority of Bondholders present and/or voting by proxy at such meeting. Subsequently application was made to the Supreme Court of Ontario for approval of the plan, when it was opposed by representatives of minority Bondholders, the Liquidator and certain junior security holders, following which such approval was refused: thereafter an appeal to the Court of Appeal of The Supreme Court of Ontario was taken when the judgment of the lower Court was upheld.

The Liquidator of Abitibi, Mr. R. S. McPherson, also prepared a plan called a "Plan of Compromise and Arrangement" and made motions to the Court for the calling of meetings of Bondholders and Shareholders: such motions were adjourned and are not disposed of.

A plan of procedure on behalf of Bondholders for the purchase of the assets of Abitibi Power & Paper Company, Limited, by a new company, has recently been prepared and made public by the Abitibi Bondholders' Protective Committee; a plan for reorganization of Abitibi Power & Paper Company, Limited has also been prepared and made public by a Committee representing holders of Preferred Shares of such Company; comments upon such plans have been issued by Abitibi Bondholders' Defensive Committee, representing certain minority Bondholders of Abitibi, and by Committees recently formed to represent unsecured Creditors and Common Stockholders of the Company.

RELATIVE TO BONDHOLDERS' REPRESENTATIVE COMMITTEE :

The undersigned again desires to express his appreciation of the continued service and assistance rendered by the Abitibi Bondholders' Representative Committee and in particular by the Advisory Committee thereof comprised of Mr. J. P. Ripley, President of Harriman Ripley & Co., Incorporated, New York; Mr. W. H. Somerville, General Manager of The Mutual Life Assurance Company of Canada, Waterloo, Ontario; and Mr. Edward E. Reid, Managing Director of The London Life Insurance Company, of London, Ontario, in connection with the many problems and matters required to be dealt with in the Receivership.

This Report is supplementary to the Reports of the undersigned Receiver issued under date of February 28th, 1933, April 30th, 1934, April 15th, 1935, May 12th, 1936, March 25th, 1937, and May 6th, 1938, and in preparing it the Receiver has had in mind the desirability of providing information as certified by the Auditors' Reports relative to the results of operations for the period of Receivership between January 1st, 1938 and December 31st, 1938; 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 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.

Toronto, May 15th, 1939.

G. T. CLARKSON,
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, 1938

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G. T. CLARKSON, Receiver and Manager :

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AUDITORS' CERTIFICATE

PRICE, WATERHOUSE & CO.

ROYAL BANK BUILDING
TORONTO
May 12, 1939

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) for the year ending December 31, 1938, 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 on the Five Per Cent. First Mortgage Gold Bonds since September 10, 1932; similarly, provision has not been made for depreciation of buildings, equipment and properties in the accounts of the Receiver and Manager of Abitibi Power & Paper Company, Limited, nor in the accounts of the subsidiary companies (other than Provincial Paper, Limited and The G. H. Mead Company) for the period from September 10, 1932 to December 31, 1936; during the two years ending December 31, 1938, however, amounts aggregating \$4,220,000.00 were provided for depreciation in the accounts of the Receiver and Manager of Abitibi Power & Paper Company, Limited and in the accounts of the subsidiary companies (exclusive of the amounts provided by Provincial Paper, Limited and The G. H. Mead Company). No provision has been made since September 10, 1932, for the amortization of the book values of timber concessions in the accounts of the Receiver and Manager of Abitibi Power & Paper Company, Limited, nor in the accounts of the subsidiary companies.

Under authority of the Court, an amount of \$750,000.00 was transferred as of December 31, 1938 to Contingent Reserve from the accumulated amount available towards depreciation and bond interest from operations during the period of the Receivership to December 31, 1938. Such transfer was made in connection with a substantial account owing to The G. H. Mead Company by one of its largest customers for which, we are informed, certain security is held the value of which is impossible to determine at this time, and to provide for certain other contingencies.

In the case of certain of the timber concessions and licenses the conditions required to be observed have not been fully complied with; what liability, if any, the company may be under in this connection cannot be determined at the present time.

Subject to the foregoing remarks and to the values at which the investments in certain subsidiary companies, and in buildings, equipment, properties and timber concessions are carried, we report that, in our opinion, the accompanying balance sheet shows the true financial position as at December 31, 1938 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, 1938

(showing also for comparative purposes the assets and liabilities at December 31, 1937, as shown by the statement thereof contained in the sixth report of the Receiver and Manager dated May 6, 1938).

	ASSETS	
	December 31, 1937	December 31, 1938
RECEIVER'S CURRENT ASSETS :		
Cash on hand and on deposit.....	\$ 126,069.96	\$ 336,286.21
Accounts receivable, customers', less reserves.....	531,622.67	449,748.54
Receivable from The G. H. Mead Company for newsprint shipments.....	1,495,305.54	2,001,289.94
Receivable from other subsidiaries represented by current assets.....	2,653,474.72	3,575,830.76
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.....	4,814,742.23	6,299,321.05
Investments in bonds.....	70,450.00	69,450.00
	<u>\$ 9,691,665.12</u>	<u>\$12,731,926.50</u>
DEPOSITS WITH TRUSTEE FOR BOND-HOLDERS.....	94,695.02	62,205.31
INVESTMENTS IN THE SECURITIES OF AND ADVANCES TO WHOLLY OWNED SUBSIDIARIES (See Note I):		
Investments in and advances to wholly owned subsidiaries (exclusive of The G. H. Mead Company).....	\$46,216,667.72	\$46,084,020.09
Less—Amount included with Receiver's Current Assets above, represented by current assets (including those created from Receiver's advances) as shown by the books of subsidiary companies....	2,653,474.72	3,575,830.76
	<u>\$43,563,193.00</u>	<u>\$42,508,189.33</u>
Investment by Receiver in purchase of shares of The G. H. Mead Company.....	600,000.00	600,000.00
	<u>44,163,193.00</u>	<u>43,108,189.33</u>
Forward.....	<u>\$53,949,553.14</u>	<u>\$55,902,321.14</u>

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1938

(showing also for comparative purposes the assets and liabilities at December 31, 1937, as shown by the statement thereof contained in the sixth report of the Receiver and Manager dated May 6, 1938).

	LIABILITIES	
	December 31, 1937	December 31, 1938
SUNDRY LIABILITIES OF RECEIVER :		
Wages accrued and payable.....	\$ 96,121.23	\$ 72,237.34
Sundry accounts payable.....	764,053.19	504,961.80
Receiver's certificates (secured).....	2,600,000.00	4,000,000.00
Liabilities on contracts for boats under construction.....	928,920.00	57,160.42
	<hr/> \$ 4,389,094.42	<hr/> \$ 4,634,359.56
Contingent reserve	—	750,000.00
	<hr/> \$ 4,389,094.42	<hr/> \$ 5,384,359.56
GENERAL CREDITORS' CLAIMS INCURRED PRIOR TO RECEIVERSHIP.....	750,002.82	749,857.32
RESERVE FOR CONTINGENCIES.....	23,704.72	—
FIVE PER CENT. FIRST MORTGAGE GOLD BONDS :		
Outstanding.....	\$48,267,000.00	\$48,267,000.00
Unpaid interest coupons due December 1, 1931 and prior.....	1,300.00	1,300.00
Interest accrued to September 10, 1932....	1,877,050.00	1,877,050.00
Reserve for tax rebates.....	17,636.41	17,636.41
	<hr/> 50,162,986.41	<hr/> 50,162,986.41
Forward.....	<hr/> \$55,325,788.37	<hr/> \$56,297,203.29

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1938

ASSETS

	December 31, 1937	December 31, 1938
Forward	\$ 53,949,553.14	\$ 55,902,321.14
INVESTMENTS IN SHARES OF CORPORATIONS OTHER THAN WHOLLY OWNED SUBSIDIARIES :		
Shares of Provincial Paper, Limited at arbitrary value of.....	\$ 1,500,000.00	\$ 1,500,000.00
Miscellaneous, less reserves.....	635.00	635.00
	1,500,635.00	1,500,635.00
INVESTMENTS IN MILLS AND EQUIPMENT, RAILWAYS, WATERPOWERS, TOWNSITES AND BUILDINGS :		
(after deducting reserves for depre- ciation).....	46,186,156.42	46,032,633.19
BOATS UNDER CONSTRUCTION UNDER AUTHORITY OF COURT.....	940,845.00	-
TIMBER CONCESSIONS AND FREEHOLD TIMBER OWNED :		
(after deducting depletion and other reserves).....	19,907,560.74	19,894,049.39
REAL ESTATE AND OFFICE BUILDINGS.....	326,971.69	327,039.25
CHATELS AND EQUIPMENT	38,336.68	27,829.98
PREPAID EXPENSES.....	237,198.11	206,553.22
	<u>\$123,087,256.78</u>	<u>\$123,891,061.17</u>

NOTES —

- I.—With the object of showing the net amount of the Investments in and Advances to wholly owned - Subsidiary Companies, 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 \$4,141,745.72 to subsidiary companies 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, 1938, the Receiver and Manager was indebted to other subsidiaries for \$1,959,322.35, chiefly for power supplied and collections retained.
- 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, 1938

		LIABILITIES	
		December 31, 1937	December 31, 1938
Forward		\$ 55,325,788.37	\$ 56,297,203.29
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 116 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 Common Stock without nominal or par value (including 67 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.....		4,453,957.46	4,488,090.60
BALANCE OF AMOUNT AVAILABLE TOWARDS DEPRECIATION AND BOND INTEREST FROM OPERATIONS DURING RECEIVERSHIP PERIOD :			
(after deducting provisions for depreciation in respect of the two years ending December 31, 1938 aggregating \$4,220,000.00 and amount of \$750,000.00 set aside as a Contingent Reserve under authority of the Court) —Exhibit 1-B.....		8,460,775.52	8,259,031.85
		<u>\$123,087,256.78</u>	<u>\$123,891,061.17</u>

This balance sheet is issued subject to the important questions as to values of certain of the assets and to other matters as referred to in our report dated May 12, 1939.

PRICE, WATERHOUSE & CO.,
Auditors.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT OF NOMINAL SURPLUS FOR THE PERIOD PRIOR TO RECEIVERSHIP AS
SHOWN BY BALANCE SHEET AS AT DECEMBER 31, 1938

PARTICULARS	AMOUNT
Nominal Surplus for period prior to September 10, 1932, as per balance sheet at December 31, 1937.....	\$ 4,453,957.46
ADD :	
Adjustment of account with Newsprint Institute of Canada.....	\$ 10,428.42
Adjustment of reserve provided as of September 10, 1932.....	23,704.72
	<u>34,133.14</u>
NOMINAL SURPLUS FOR PERIOD PRIOR TO SEPTEMBER 10, 1932, AS PER BALANCE SHEET AS AT DECEMBER 31, 1938.....	<u>\$ 4,488,090.60</u>

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT OF AMOUNT AVAILABLE AS AT DECEMBER 31, 1938, TOWARDS
DEPRECIATION AND BOND INTEREST, FROM OPERATIONS DURING
RECEIVERSHIP PERIOD

(Including also the results of wholly owned subsidiaries, exclusive of Provincial Paper, Limited)

PARTICULARS	AMOUNT
Balance as at December 31, 1937 after deducting amounts of \$1,785,000.00 provided for depreciation for the year ending December 31, 1937 (including provisions shown on books of subsidiary companies).....	\$ 8,460,775.52
DEDUCT :	
Further amounts provided in respect of depreciation for the year ending December 31, 1937 (including provision shown on books of subsidiary company).....	650,000.00
	\$ 7,810,775.52
ADD :	
Amount available for depreciation of mills and properties and towards bond interest from operations for the year ending December 31, 1938 as per statement on Exhibit 1-C attached....	\$ 2,983,256.33
Less—Amount provided for depreciation for the year ending Decem- ber 31, 1938 (including provisions shown on books of subsidiary companies).....	1,785,000.00
	1,198,256.33
	\$ 9,009,031.85
DEDUCT :	
Amount set aside as a Contingent Reserve as per order of Court (see reference thereto in auditors' report as annexed).....	750,000.00
BALANCE AS AT DECEMBER 31, 1938, CARRIED TO BALANCE SHEET.....	\$ 8,259,031.85

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT SHOWING THE RESULT FROM OPERATIONS FOR THE YEAR ENDING
DECEMBER 31, 1938

(Including also the results of wholly owned subsidiaries, exclusive of Provincial Paper, Limited)

PARTICULARS	AMOUNT	
INCOME :		
Sales of newsprint and pulp.....	\$14,109,003.80	
Sales of power.....	621,765.88	
	<u>\$14,730,769.68</u>	
<i>Less</i> —Operating costs, including administration, superintendence, selling and general expenses, but before providing for deprecia- tion and bond interest.....	11,370,546.30	
	<u>\$ 3,360,223.38</u>	
<i>Add</i> —Premium on U.S. funds (net).....	57,246.31	
		<u>\$3,417,469.69</u>
ADD :		
Interest and discount earned (net).....	\$ 87,954.86	
Sundry minor operating profits.....	3,195.90	
		<u>91,150.76</u>
DEDUCT :		<u>\$3,508,620.45</u>
Cost of carrying idle mills and timber concessions tributary thereto :		
Mill idle costs including caretaking and insurance.....	\$72,599.25	
Taxes on mills and townsites.....	55,952.58	
Timber concessions—taxes, licenses and fees.....	<u>59,067.07</u>	
	\$ 187,618.90	
Interest on Receiver's certificates and overdraft.....	191,290.32	
Cost of issue of Receiver's sixth report.....	2,706.04	
Provision for bad and doubtful accounts receivable.....	8,000.00	
Provision for legal and audit expenses.....	48,000.00	
Paid to Receiver in respect of remuneration.....	48,000.00	
Provision for U.S. Federal taxes on interest and dividends received.....	<u>13,493.51</u>	
		<u>499,108.77</u>
		<u>\$3,009,511.68</u>
DEDUCT :		
Cost of obtaining special reports under authority of Court.....	\$ 12,237.25	
Expenses of Liquidator.....	2,706.40	
Costs of parties represented on motion for approval of Ripley plan for sale of assets, as taxed by the Court.....	<u>11,311.70</u>	
		<u>26,255.35</u>
BALANCE AVAILABLE FOR DEPRECIATION OF MILLS AND PROPERTIES AND TOWARDS BOND INTEREST.....		<u>\$2,983,256.33</u>
DEDUCT :		
Amount provided for depreciation for the year ending December 31, 1938 (including provisions shown on books of subsidiary companies).....		<u>1,785,000.00</u>
BALANCE, CARRIED TO EXHIBIT 1-B.....		<u><u>\$1,198,256.33</u></u>

NOTE: See auditors' report annexed relative to transfer of \$750,000.00 to Contingent Reserve from the accumulated amount available towards depreciation and bond interest from operations during the period of the Receivership to December 31, 1938.

MANITOBA PAPER COMPANY, LIMITED
and its Subsidiaries

Balance Sheet and
Profit and Loss Account

MANITOBA PAPER COMPANY, LIMITED

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

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1938

ASSETS

CURRENT ASSETS :

Cash on hand and on deposit.....	\$ 13,195.61
Sundry accounts receivable, less reserve.....	100,162.08
Receivable from The G. H. Mead Company for newsprint shipments	230,326.21
Inventories of paper, pulpwood, materials and supplies, valued on the basis of cost less reserves, as certified to by responsible officials of the company, and expenditures on logging operations	982,328.23

\$ 1,326,012.13

OWING BY AFFILIATED COMPANY :

G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited for collections retained.....	315,442.49
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\$ 1,641,454.62

OTHER ASSETS AND DEFERRED CHARGES :

Deposits with Trustee for Bondholders.....	\$ 5,904.99
Claims.....	4,883.26
Unexpired insurance, etc.....	15,059.17

25,847.42

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.....	\$ 9,977,845.68
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Lands, timber limits, undeveloped water power, etc., at valuation placed thereon by the management at inception of company plus cost of surveys.....	6,101,637.09
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16,079,482.77

\$17,746,784.81

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, 1937	As at December 31, 1938
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.....	2,958,008.58	2,978,448.89
	<u>\$11,469,571.08</u>	<u>\$11,490,011.39</u>
Add—Balance owing by Manitoba Paper Company, Limited to Abitibi Power & Paper Company, Limited.....	1,591,926.58	1,591,926.58
	<u>\$13,061,497.66</u>	<u>\$13,081,937.97</u>
Less—Balance owing to Manitoba Paper Company, Limited by Receiver and Manager of Abitibi Power & Paper Company, Limited, before charging Manitoba Paper Company, Limited with any interest since August 31, 1932.....	204,718.40	315,442.49
	<u><u>\$12,856,779.26</u></u>	<u><u>\$12,766,495.48</u></u>

MANITOBA PAPER COMPANY, LIMITED

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

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1938

LIABILITIES		
SUNDRY ACCOUNTS PAYABLE.....	\$ 141,268.33	
TAXES DUE AND ACCRUED.....	4,847.60	
	<hr/>	\$ 146,115.93
OWING TO AFFILIATED COMPANY :		
Abitibi Power & Paper Company, Limited.....		1,591,926.58
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.....	\$ 1,455,862.20	
Depletion.....	7,390.46	
	<hr/>	1,463,252.66
CAPITAL 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, as per statement attached.....	2,978,448.89	
	<hr/>	7,533,927.14
		<hr/>
		<u>\$17,746,784.81</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 and its subsidiary companies for the year ending December 31, 1938, 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, 1938 for interest accruing on the 5% First Mortgage Gold Bonds nor for the amortization of the book values of timber limits. No reserve has been created for depreciation of plant, machinery and equipment from February, 1932 up to December 31, 1936; amounts aggregating \$680,000.00 have, however, been provided for depreciation for the two years ending December 31, 1938. There is a question as to whether the conditions required to be observed by the company under its timber concession have been complied with. Subject to these remarks, and to the values at which plant, properties and timber limits are carried, we report that, in our opinion, the above consolidated balance sheet as at December 31, 1938 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.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, March 29, 1939.

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, 1938

PARTICULARS	AMOUNT
Surplus at December 31, 1937.....	\$ 2,958,008.58
DEDUCT :	
Further amount provided in respect of depreciation for the year ending December 31, 1937.....	300,000.00
	<u>\$ 2,658,008.58</u>
ADD :	
Profit from operations for the year ending December 31, 1938, before providing for depreciation (after charging executive salaries as repre- sented by amounts paid to officers \$13,200.00)	\$ 500,440.31
Less—Provision for depreciation.....	<u>180,000.00</u>
Profit for the year, before providing for bond interest.....	320,440.31
BALANCE AT DECEMBER 31, 1938.....	<u><u>\$ 2,978,448.89</u></u>

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, 1938

ASSETS

CURRENT ASSETS :

Cash on hand and on deposit.....	\$ 18,003.20	
Sundry accounts receivable, less reserve.....	15,445.14	
Receivable from The G. H. Mead Company for newsprint shipments	296,933.16	
Inventories of paper, pulpwood, materials and supplies as shown by the books, valued on the basis of cost less write-downs and reserves to reduce to replacement values, as certified to by responsible officials of the company, and expenditures on logging operations.....	1,072,241.35	
		\$ 1,402,622.85

OTHER ASSETS AND DEFERRED CHARGES :

Deposits with Trustee for Bondholders.....	\$ 33,033.31	
Unexpired insurance, prepaid taxes, etc.....	31,782.04	
		64,815.35

FIXED ASSETS :

Plant, machinery and equipment.....	\$ 9,684,391.51	
Lands, timber limits, and cutting rights.....	4,602,975.00	
		14,287,366.51

TOTAL ASSETS..... \$15,754,804.71

DEFICIT, as per statement attached..... 2,564,868.84

\$18,319,673.55

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, 1937	As at December 31, 1938
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.....	2,439,771.58	2,564,868.84
	\$ 6,053,915.92	\$ 5,928,818.66
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 before charging Ste. Anne Paper Company, Limited with any interest since August 31, 1932.....	2,144,715.40	2,342,698.64
	<u>\$13,320,236.59</u>	<u>\$13,393,122.57</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, 1938

LIABILITIES		
SUNDRY ACCOUNTS PAYABLE.....		\$ 62,109.08
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, to meet expenses of carrying shut-down properties, for improvements, and to provide funds for operations.....	2,342,698.64	7,464,303.91
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	
Interest accrued 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.....	\$ 1,026,628.20	
Depletion.....	227,440.26	1,254,068.46
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>\$18,319,673.55</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 for the year ending December 31, 1938, 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, 1938 for interest accruing on the 5% First Mortgage Gold Bonds nor has any reserve been created for amortization of the book value of timber limits. No reserve has been provided for depreciation of plant, machinery and equipment from June, 1931 up to December 31, 1936; amounts aggregating \$375,000.00 have, however, been provided for depreciation for the two years ending December 31, 1938. Subject to these remarks, and to the values at which plant, properties and timber limits are carried, we report that, in our opinion, the above consolidated balance sheet at December 31, 1938 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, April 8, 1939.

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, 1938

PARTICULARS	AMOUNT
Deficit at December 31, 1937.....	\$ 2,439,771.58
Profit from operations for the year ending December 31, 1938, before providing for depreciation.....	\$ 49,902.74
Provision for depreciation.....	175,000.00
	<hr/>
Loss for the year, before providing for bond interest.....	125,097.26
DEFICIT AT DECEMBER 31, 1938.....	<hr/> <u>\$ 2,564,868.84</u>

THUNDER BAY PAPER CO., LIMITED

Balance Sheet and Profit and Loss Account

THUNDER BAY PAPER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1938

ASSETS

CURRENT ASSETS :

Cash on hand and on deposit.....	\$	1,000.00	
Customers' accounts, less reserves.....		4,705.62	
Receivable from The G. H. Mead Company for newsprint shipments		369,104.76	
Inventories of paper, pulpwood, materials and supplies, valued on the basis of cost, less reserve as certified to by responsible officials of the company.....		738,716.09	
			\$ 1,113,526.47

DEFERRED CHARGES :

Unexpired insurance and other prepaid expenses.....			3,866.20
---	--	--	----------

FIXED ASSETS, at cost :

Cash deposit on timber limit.....	\$	50,000.00	
Real estate.....		44,812.98	
Plant, machinery and equipment.....		5,977,509.28	
Other fixtures.....		3,056.78	
			6,075,379.04

\$ 7,192,771.71

NOTE—The investment in and advances to Thunder Bay Paper 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, 1937	As at December 31, 1938
Investment in shares and advances before charging Thunder Bay Paper Co., Limited with any interest since December 31, 1935.....	\$10,874,562.26	\$10,721,521.38
Less—Amounts written off :		
For period prior to Receivership.....	\$ 2,087,208.44	\$ 2,087,208.44
For operating losses and costs of carrying properties shut down during period of Receivership.....	1,095,128.84	740,833.50
	\$ 3,182,337.28	\$ 2,828,041.94
Net balance carried as investment and advances.....	<u>\$ 7,692,224.98</u>	<u>\$ 7,893,479.44</u>

THUNDER BAY PAPER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1938

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$	58,105.68	
OWING TO AFFILIATED COMPANY :			
Abitibi Power & Paper Company, Limited.....	\$	194,367.16	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited for advances to enable Thunder Bay Paper Co., Limited to liquidate liabilities, to meet expenses of carrying shut-down properties and to provide funds for operations.....		1,799,047.08	1,993,414.24
RESERVE FOR DEPRECIATION.....			1,265,491.91
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	
		\$ 5,253,438.15	
Deduct—Deficit as per statement attached.....		1,377,678.27	3,875,759.88
CONTINGENT AND CONTRACTUAL LIABILITY :			
Obligation to Dominion Government in connection with the completion of dock construction at the Bare Point Mill, Port Arthur.			
			<u>\$ 7,192,771.71</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, 1938, and have obtained all the information and explanations which we have required. An amount of \$150,000.00 has been provided from the profits for the year for depreciation of fixed assets but we are unable to state whether or not the accumulated reserve to this date is adequate. The conditions required to be observed by the company under its timber concession have not been fully complied with; what liability, if any, the company may be under in this connection cannot be determined at the present time. Subject to these 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, 1938 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, April 8, 1939.

THUNDER BAY PAPER CO., LIMITED

DEFICIT ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1938

PARTICULARS	AMOUNT
Deficit at December 31, 1937.....	\$ 1,731,973.61
Profit for the year ending December 31, 1938, before providing for depreciation.....	\$ 504,295.34
Less—Provision for depreciation.....	<u>150,000.00</u>
Profit for the year ending December 31, 1938.....	354,295.34
DEFICIT AT DECEMBER 31, 1938.....	<u><u>\$ 1,377,678.27</u></u>

ABITIBI ELECTRIC DEVELOPMENT
COMPANY, LIMITED

Balance Sheet and
Profit and Loss Account

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1938

ASSETS

CASH ON HAND AND ON DEPOSIT	\$ 750.00
AMOUNT DUE BY G. T. CLARKSON, RECEIVER AND MANAGER OF ABITIBI POWER & PAPER COMPANY, LIMITED— For electric power supplied and collections retained.....	524,892.08
SUNDRY ACCOUNTS RECEIVABLE	1,299.81
INVENTORIES OF EQUIPMENT AND SUPPLIES (less reserve).....	22,620.68
DEFERRED CHARGES : Unexpired insurance, etc.....	1,517.09
FIXED ASSETS, at cost : Power plant, transmission line, etc.....	\$ 7,830,591.13
Speeders, camp buildings and equipment.....	41,007.02
Horses, vehicles and livestock.....	1,212.36
	7,872,810.51

\$ 8,423,890.17

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, 1937	As at December 31, 1938
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.....	1,453,709.10	1,466,882.00
	\$ 6,773,151.60	\$ 6,786,324.50
Add—Balance owing by Abitibi Electric Development Company, Limited to Abitibi Power & Paper Company, Limited.....	1,332,860.85	1,332,860.85
	\$ 8,106,012.45	\$ 8,119,185.35
Less—Balance owing to Abitibi Electric Development Company, Limited by Receiver and Manager of Abitibi Power & Paper Company, Limited before charging Abitibi Electric Development Company, Limited with any interest since August 31, 1932.....	319,331.03	524,892.08
	\$ 7,786,681.42	\$ 7,594,293.27

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1938

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$	9,704.82	
ABITIBI POWER & PAPER COMPANY, LIMITED.....		1,332,860.85	
FUNDED DEBT :			
5% 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 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.....			295,000.00
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.....		1,466,882.00	
		<hr/>	1,566,887.00
			<hr/>
	\$		8,423,890.17
			<hr/>

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, 1938, 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, 1938 on the 5% First Mortgage Gold Bonds outstanding, nor has any reserve been made for depreciation of plant and equipment up to December 31, 1936; amounts aggregating \$295,000.00 have, however, been provided for depreciation for the two years ending December 31, 1938. 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. All our requirements as auditors have been complied with.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, March 3, 1939.

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1938

PARTICULARS	AMOUNT
Surplus at December 31, 1937.....	\$ 1,453,709.10
ADD :	
Profit from operations for the year ending December 31, 1938, before providing for depreciation \$ 158,172.90	
Less—Provision for depreciation.....	145,000.00
Profit for the year before providing for bond interest.....	13,172.90
BALANCE AT DECEMBER 31, 1938.....	<u>\$ 1,466,882.00</u>

KAMINISTIKUIA POWER CO., LIMITED

Balance Sheet and
Profit and Loss Account

KAMINISTIKUIA POWER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1938

ASSETS

CASH ON HAND AND ON DEPOSIT.....	\$ 1,000.00	
SUNDRY CUSTOMERS' ACCOUNTS, less reserve.....	5,351.97	
	<hr/>	\$ 6,351.97
INVESTMENT, less reserve :		
Fort William Hotels, Limited.....		1.00
OWING BY AFFILIATED COMPANY :		
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 April 30, 1937, being the excess of charges under power contract, over power used which is charged to Receiver and Manager as below	851,166.40	
	<hr/>	
	\$ 1,279,659.78	
Amount owing by G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited for power used and for collections retained, etc.....	1,037,539.93	
	<hr/>	2,317,199.71
DEFERRED CHARGES :		
Unexpired insurance, etc.....		1,108.25
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.....		6,379,896.64
		<hr/>
		<u>\$ 8,704,557.57</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, 1937	As at December 31, 1938
	<hr/>	<hr/>
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.....	2,123,687.53	2,234,579.36
	<hr/>	<hr/>
	\$ 6,617,437.53	\$ 6,728,329.36
Less—Balances owing to Kaministiquia Power Co., Limited by—		
Abitibi Power & Paper Company, Limited.....	1,279,659.78	1,279,659.78
Receiver and Manager of Abitibi Power & Paper Company, Limited before charging Kaministiquia Power Co., Limited with any interest since August 31, 1932.....	803,100.97	1,037,539.93
	<hr/>	<hr/>
	<u>\$ 4,534,676.78</u>	<u>\$ 4,411,129.65</u>

KAMINISTIKUIA POWER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1938

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$	5,876.62	
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 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.....			1,372,964.51
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 statement attached.....		2,234,579.36	
			3,781,966.44
			<u>\$ 8,704,557.57</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, 1938, 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, 1938 for interest accruing on the 5% First Mortgage Gold Bonds outstanding, 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. Provision was not made for accruing depreciation of fixed assets during the period from September 1, 1932 to December 31, 1936, but amounts aggregating \$193,000.00 have been provided for depreciation for the two years ending December 31, 1938. Subject thereto, we report that, in our opinion, the above balance sheet at December 31, 1938 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 3, 1939.

KAMINISTIKUIA POWER CO., LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1938

PARTICULARS	AMOUNT
Surplus at December 31, 1937.....	\$ 2,123,687.53
ADD :	
Profit from operations for the year ending December 31, 1938, before providing for depreciation (after charging executive salaries as represented by amounts paid to officers \$7,700.00)	\$ 228,891.83
Less—Provision for depreciation.....	<u>118,000.00</u>
Profit for the year before providing for bond interest.....	110,891.83
BALANCE AT DECEMBER 31, 1938.....	<u><u>\$ 2,234,579.36</u></u>

MATTAGAMI RAILROAD COMPANY

Balance Sheet and
Profit and Loss Account

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

DECEMBER 31, 1938

ASSETS

SUNDRY ASSETS :

Cash on hand and on deposit.....	\$ 500.00	
Accounts receivable.....	2,889.52	
Inventory of coal, etc., at cost.....	1,516.58	
		\$ 4,906.10

OWING BY AFFILIATED COMPANY :

Abitibi Power & Paper Company, Limited.....	\$ 97,460.12	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited.....	76,728.92	
		174,189.04

DEFERRED CHARGES :

Unexpired insurance.....		719.53
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FIXED ASSETS :

Rolling stock, rails, equipment, etc.....		242,523.30
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\$ 422,337.97

NOTE—The investment 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, 1937	As at December 31, 1938
Investment—		
Capital Stock (2,500 shares).....	\$ 250,000.00	\$ 250,000.00
Balance in Earned Surplus Account.....	161,805.51	159,696.93
	\$ 411,805.51	\$ 409,696.93
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.....	75,592.10	76,728.92
	\$ 238,753.29	\$ 235,507.89

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

DECEMBER 31, 1938

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$ 2,641.04
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RESERVE FOR DEPRECIATION.....	10,000.00
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CAPITAL STOCK AND SURPLUS :

Common Shares :

Authorized —

10,000 shares of \$100.00 each.....	<u>\$ 1,000,000.00</u>
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Issued—

2,500 shares of \$100.00 each.....	\$ 250,000.00
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Earned Surplus—

As per statement attached.....	159,696.93
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	409,696.93
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	<u>\$ 422,337.97</u>
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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, 1938, 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. Provision was not made for accruing depreciation of rolling stock, rails and equipment, etc., up to December 31, 1936, but amounts of \$5,000.00 have been provided towards depreciation in each of the two years ending December 31, 1938. Subject to these remarks, we report that, in our opinion, the above balance sheet at December 31, 1938 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 3, 1939.

MATTAGAMI RAILROAD COMPANY

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1938

PARTICULARS	AMOUNT
Surplus at December 31, 1937...	\$ 161,805.51
DEDUCT :	
Profit for the year ending December 31, 1938, before providing for depreciation	\$ 2,891.42
<i>Less:</i> Provision towards depreciation	5,000.00
Loss for the year	2,108.58
BALANCE AT DECEMBER 31, 1938	<u>\$ 159,696.93</u>

PROVINCIAL PAPER, LIMITED

Balance Sheet and
Profit and Loss Account

PROVINCIAL PAPER, LIMITED

BALANCE SHEET

DECEMBER 31, 1938

ASSETS

CURRENT ASSETS :

Cash on hand and in banks.....	\$ 281,349.58	
Advances to Receiver and Manager of Abitibi Power & Paper Company, Limited, due in 1939 (Secured by Receiver's certificates).....	600,000.00	
Accounts and bills receivable, less reserve for doubtful accounts.	796,079.18	
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 1939 woods operations.....	1,217,545.12	
	<hr/>	\$ 2,894,973.88

OTHER ASSETS :

Government deposit on timber limits.....	\$ 3,000.00	
Investments in subsidiary and other companies	181,275.31	
	<hr/>	184,275.31

PROPERTY AND PLANT :

Real estate, buildings, equipment, etc.	9,603,290.49
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DEFERRED CHARGES :

Unexpired insurance.....	5,062.77
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\$12,687,602.45

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, 1937	As at December 31, 1938
Investments in Shares of and Advances to Corporations other than Wholly Owned Subsidiaries—		
100,000 shares common stock without nominal or par value, carried at arbitrary value of	\$ 1,500,000.00	\$ 1,500,000.00
	<hr/>	<hr/>

PROVINCIAL PAPER, LIMITED

BALANCE SHEET

DECEMBER 31, 1938

LIABILITIES

CURRENT LIABILITIES :

Accounts payable, accrued charges, etc.....	\$ 250,072.93	
Dividend on preferred stock—1¾% payable January 3, 1939.....	61,250.00	
Balance of bonds called for redemption as of November 1, 1938 including premium thereon (par value \$18,500.00).....	18,592.50	
Bond interest accrued.....	31,166.66	
Reserve for Dominion and Provincial taxes.....	51,640.97	
		\$ 412,723.06

MORTGAGE DEBT :

5½% First Mortgage Sinking Fund Bonds, due 1947 :		
Authorized.....	\$10,000,000.00	
Issued.....	\$ 5,300,000.00	
Less—		
Redeemed and cancelled.....	\$ 1,881,500.00	
Balance of bonds called for redemption as of November 1, 1938.....	18,500.00	
	1,900,000.00	
		3,400,000.00

RESERVE FOR DEPRECIATION OF PLANT AND BUILDINGS	3,650,302.29
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GENERAL RESERVES.....	621,286.11
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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	
		3,600,000.00

SURPLUS.....	1,003,290.99
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	<u>\$12,687,602.45</u>
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AUDITORS' REPORT TO THE SHAREHOLDERS :

We have examined the books and accounts of Provincial Paper, Limited for the year ending December 31, 1938, and have obtained all the information and explanations which we have required. An amount of \$300,000.00 has been provided from Profit and Loss account and the sum of \$25,000.00 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, 1938 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 7, 1939.

PROVINCIAL PAPER, LIMITED

STATEMENT OF SURPLUS AND PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1938

PARTICULARS	AMOUNT
Profit for the year ending December 31, 1938, including income from investments, but before providing for the undernoted charges.....	\$ 784,803.88
DEDUCT :	
Provision for depreciation.....	\$ 300,000.00
Interest on mortgage debt (net) ..	207,602.09
	<u>507,602.09</u>
Profit for the year, before providing for income taxes..	\$ 277,201.79
DEDUCT :	
Provision for Dominion and Provincial income taxes.....	35,000.00
Net profit for the year.....	<u>\$ 242,201.79</u>
ADD :	
Surplus as at December 31, 1937..	1,006,089.20
	<u>\$ 1,248,290.99</u>
DEDUCT :	
Dividends on 7% Cumulative preferred stock	245,000.00
SURPLUS AS AT DECEMBER 31, 1938.....	<u><u>\$ 1,003,290.99</u></u>

