

C

IN THE MATTER OF

Abitibi Power & Paper Company,
Limited

EIGHTH REPORT
of Receiver and Manager

15th April, 1940

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PROVINCIAL PAPER, LIMITED

Abitibi Power & Paper Company, Limited

EIGHTH REPORT of Receiver and Manager

Attached hereto is audited Balance Sheet of Abitibi Power & Paper Company, Limited, as of date December 31st, 1939, 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 2,861,202 tons in 1939, as compared with 2,515,996 tons in 1938 and 3,654,669 tons in 1937: the increase of 345,206 tons in shipments during 1939, as compared with those of 1938, was according to such statistical reports—comprised of :

increase in shipments to the United States	313,106 tons
increase in shipments to Canadian customers	30,285 tons
increase in shipments to Overseas markets	1,815 tons

Newsprint produced by Abitibi Power & Paper Company, Limited, and its subsidiaries in 1939 amounted to 324,543 tons, or 31,099 tons more than that produced by them in 1938: such newsprint was manufactured

109,265 tons at the Iroquois Falls (Ontario) mill
52,896 tons at the Sault Ste. Marie (Ontario) mill
45,411 tons at the Port Arthur (Ontario) mill
27,867 tons at the Fort William (Ontario) mill
46,877 tons at the Pine Falls (Manitoba) mill
42,227 tons at the Beauport (Ste. Anne, Quebec) mill

in accord with the requirements of the Governments of Ontario and Quebec that 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 323,889 tons of newsprint shipped by Abitibi and its subsidiaries in 1939, 46,418 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 1939 was \$50. per ton f.o.b. mill with costs of freight allowed to destination by the manufacturer; such price has been continued by such mills during the first six months of 1940.

Sulphite pulp produced by the Smooth Rock Falls mill amounted to 44,896 tons in 1939, as compared with 34,288 tons in 1938. In 1939 the price of bleached sulphite pulp—delivered at New York dock—was \$50. per ton throughout the year. For the first quarter of 1940 the price was \$60. per ton—for the second quarter it is \$61.50 per ton.

The following comments are made in respect of items contained in the Balance Sheet of December 31st, 1939, included with which is that of December 31st, 1938—for purposes of comparison.

A comparison of Receiver's current assets and liabilities as of date December 31st, 1938, and December 31st, 1939, shows as follows :

RECEIVER'S CURRENT ASSETS :

as of date December 31st, 1938	\$12,731,926.50	
as of date December 31st, 1939.....	12,272,826.95	
Reduction.....		\$ 459,099.55

RECEIVER'S CURRENT LIABILITIES :

as of date December 31st, 1938.....	\$ 5,384,359.56	
as of date December 31st, 1939.....	1,500,169.70	
Reduction		3,884,189.86
Net Improvement.....		<u>\$3,425,090.31</u>

Included in Receiver's current liabilities on both of December 31st, 1938 and December 31st, 1939, as above stated, is the sum of \$750,000., which was set aside in 1938—with the approval of Court—as a Contingent Reserve : such reserve was established 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 previous Reports—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 \$50,000. on December 31st, 1939. The amounts of Receiver's current assets as above shown are after deduction of such pulpwood and other specific reserves.

In 1934 the sum of \$75,000., and in the year 1935 the further sum of \$50,000., were set aside as reserves against inventories and charged in reduction of earnings in such years. Of such amounts \$60,885.24 is found to be not now required—it has, therefore, been restored and added to the balance available, towards Depreciation and Bond Interest, from operations during Receivership period. During the year the capital surplus of Ste. Anne Paper Company, Limited, amounting to \$1,045,504.60, was applied in reduction of the value at which Lands, Timber Limits and Cutting Rights were being carried on its books.

In the year the following set-offs were given effect to, with the approval of Court :

- (a) The sum of \$1,307,101.75 advanced by Kaministiquia Power Co., Limited (a wholly owned subsidiary) to the undersigned—as Receiver and Manager of Abitibi Power & Paper Company, Limited—was applied in part payment of interest overdue and owing upon \$3,500,000. 5% First Mortgage Gold Bonds of Kaministiquia Power Co., Limited, which bonds are owned by Abitibi Power & Paper Company, Limited, and stand pledged to the Trustee for the Bondholders of such Company.
- (b) The sum of \$673,261.65 owing by the undersigned—as Receiver and Manager of Abitibi Power & Paper Company, Limited—to Abitibi Electric Development Company, Limited (a wholly owned subsidiary)—for power supplied and collections retained—was applied in partial set-off of moneys owing by such Company to Abitibi Power & Paper Company, Limited in respect of advances made by the latter prior to the date of its Receivership.
- (c) The sum of \$959,264.06 advanced by Manitoba Paper Company, Limited (a wholly owned subsidiary) to the undersigned—as Receiver and Manager of Abitibi Power & Paper Company, Limited—was applied in partial set-off of moneys owing by such Company to Abitibi Power & Paper Company, Limited, in respect of advances made by the latter prior to the date of its Receivership.

In the Balance Sheets of the wholly owned subsidiaries mentioned—attached hereto—effect is given to such set-offs.

Expenditures made and liabilities incurred in connection with capital improvements to properties of the Company amounted in the year to \$79,421.06, comprised of :

At Iroquois Falls (Ontario)	
Extension of Logging Railway Spur Lines, Twin Falls Water Line and Fire Protection, and other improvements.....	\$17,861.20
At Fort William (Ontario)	
For installation of Refiners, Screens and other improvements	23,692.97
At Port Arthur (Ontario)	
Marine Railway Dry Dock, Scow, River Improvements, etc.	37,866.89
Total.....	<u>\$79,421.06</u>

Expenditures made and obligations incurred in the year in respect of capital improvements to the properties of wholly owned subsidiary companies amounted to \$101,535.51, comprised of :

At Pine Falls (Manitoba)	
For installation of Refiners and other improvements.....	\$ 16,232.78
At Beaufort (Quebec)	
For installation of Refiners, Flat Screens, improvements to Mill Water Supply, Block Pile Fire Protection, etc.....	79,499.21
At properties of Other Subsidiaries	5,803.52
Total.....	<u>\$101,535.51</u>

Overdue and accrued interest upon the First Mortgage Bonds of the Company (including interest on overdue interest) amounted on December 31st, 1939 to \$23,208,382.50; such amount does not include any possible premium on United States funds.

Attached as Exhibit 1-B is audited statement showing the results of operations of Abitibi and its wholly owned subsidiaries for the twelve months ending December 31st, 1939 : the following comments are made in respect of items contained therein—

- (a) Costs of carrying idle properties amounted to \$171,248.21.
- (b) Expenditures for maintenance and repairs to the properties of the Company and its subsidiaries amounted to the sum of \$1,360,926.68—such expenditures were charged to costs of operation or, where applicable, to the costs of carrying idle properties.
- (c) Costs paid to protect the properties of the Company and its subsidiaries against sabotage amounted in the year to \$87,604.65.
- (d) Costs of obtaining special reports, under authority of Court, amounted to \$17,172.03.
- (e) Premium received on United States funds amounted (net) to \$504,026.49.
- (f) Excess of income over expenditures, prior to charges for depreciation and bond interest, amounted to \$3,445,001.11, as compared with \$2,983,256.33 in 1938, \$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 \$1,660,001.11 remained (for 1939) towards charges of \$3,298,245. for bond interest and interest on overdue and unpaid bond interest—(not including any possible premium on United States funds).

In the Seventh Report of the undersigned reference was made to certain Plans and Proposals which had been put forward for the re-arrangement or reorganization of Abitibi Power & Paper Company, Limited, and to a Plan of Procedure, on behalf of Bondholders, for the purchase of the Company's assets by a new company. Other plans have since been suggested but so far no steps have been taken to make them effective.

In or about August 1939, and at the request of Bondholders, the Trustee for Bondholders was about to apply to the Court for the sale of the assets of the Company. Before such application could actually be made the War intervened and up to the present the application has not been proceeded with.

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, May 6th, 1938 and May 15th, 1939, 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, 1939 and December 31st, 1939; 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, April 15th, 1940.

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, 1939

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In the Matter of

ABITIBI POWER & PAPER COMPANY, LIMITED,

G. T. CLARKSON, Receiver and Manager :

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AUDITORS' CERTIFICATE

PRICE, WATERHOUSE & CO.

ROYAL BANK BUILDING
TORONTO

March 28, 1940

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, for the year ending December 31, 1939, 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, 1939, 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 three years ending December 31, 1939, however, amounts aggregating \$6,005,000.00 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 other than Baie St. Paul Lumber Company, Limited.

The amount of \$750,000.00 shown as Contingent Reserve was transferred as of December 31, 1938 under authority of the Court 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 obligations, 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 with explanatory notes thereon shows the true financial position as at December 31, 1939 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, 1939

(showing also for comparative purposes the assets and liabilities at December 31, 1938, as shown by the statement thereof contained in the seventh report of the Receiver and Manager dated May 15, 1939).

ASSETS

	December 31, 1938	December 31, 1939
RECEIVER'S CURRENT ASSETS :		
Cash on hand and on deposit.....	\$ 336,286.21	\$ 303,741.44
Accounts receivable, customers', less reserves.....	449,748.54	804,492.92
Receivable from The G. H. Mead Company for newsprint shipments, less reserves.....	2,001,289.94	1,760,142.12
Net current assets of other subsidiaries.....	3,575,830.76	3,378,235.49
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.....	6,299,321.05	5,894,911.98
Investments in bonds.....	69,450.00	131,303.00
	<u>\$12,731,926.50</u>	<u>\$12,272,826.95</u>
DEPOSITS WITH TRUSTEE FOR BOND-HOLDERS.....	62,205.31	63,524.46
INVESTMENTS IN THE SECURITIES OF AND ADVANCES TO WHOLLY OWNED SUBSIDIARIES (See Note II) :		
Investments in and advances to wholly owned subsidiaries (exclusive of The G. H. Mead Company).....	\$46,084,020.09	\$45,229,502.36
<i>Less</i> —Amount included with Receiver's Current Assets above, represented by net current assets (including those created from Receiver's advances) as shown by books of subsidiary companies.....	3,575,830.76	3,378,235.49
	<u>\$42,508,189.33</u>	<u>\$41,851,266.87</u>
Investment by Receiver in purchase of shares of The G. H. Mead Company....	600,000.00	600,000.00
	<u>43,108,189.33</u>	<u>42,451,266.87</u>
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
	<u>1,500,635.00</u>	<u>1,500,635.00</u>
Forward	<u>\$57,402,956.14</u>	<u>\$56,288,253.28</u>

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1939

(showing also for comparative purposes the assets and liabilities at December 31, 1938, as shown by the statement thereof contained in the seventh report of the Receiver and Manager dated May 15, 1939).

LIABILITIES

	December 31, 1938	December 31, 1939
SUNDRY LIABILITIES OF RECEIVER :		
Wages accrued and payable.....	\$ 72,237.34	\$ 99,691.96
Sundry accounts payable.....	504,961.80	598,699.48
Receiver's certificates (secured).....	4,000,000.00	—
Liabilities on contracts for construction of boats.....	57,160.42	51,778.26
	<u>\$ 4,634,359.56</u>	<u>\$ 750,169.70</u>
Contingent reserve.....	750,000.00	750,000.00
	<u>\$ 5,384,359.56</u>	<u>\$ 1,500,169.70</u>
GENERAL CREDITORS' CLAIMS INCURRED PRIOR TO RECEIVERSHIP.....		
	749,857.32	749,855.32
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
	<u>50,162,986.41</u>	<u>50,162,986.41</u>
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 96 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
	<u>54,846,735.43</u>	<u>54,846,735.43</u>
Forward.....	<u>\$111,143,938.72</u>	<u>\$107,259,746.86</u>

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1939

ASSETS

	December 31, 1938	December 31, 1939
Forward	\$ 57,402,956.14	\$ 56,288,253.28
INVESTMENTS IN MILLS AND EQUIPMENT, RAILWAYS, WATER- POWERS, TOWNSITES AND BUILDINGS : (after deducting reserves for depreciation).....	46,032,633.19	44,920,613.76
TIMBER CONCESSIONS AND FREEHOLD TIMBER OWNED : (after deducting depletion and other reserves).....	19,894,049.39	19,890,600.95
REAL ESTATE AND OFFICE BUILDINGS.....	327,039.25	327,361.46
CHATELS AND EQUIPMENT.....	27,829.98	22,105.59
PREPAID EXPENSES.....	206,553.22	229,832.24
	<u>\$123,891,061.17</u>	<u>\$121,678,767.28</u>

NOTES—

I.—The Receiver's Current Assets, as above, include \$3,153,432.66, chiefly accounts receivable, which, although receivable in United States funds, are expressed in Canadian dollars at par, and similarly there are sundry liabilities amounting to \$39,119.06 included in Canadian dollars at par which are payable in United States funds. No exchange premium has been taken up in the accounts of the Receiver and Manager as at December 31, 1939 in respect of these assets or liabilities which include a substantial amount owing by one of the largest customers of The G. H. Mead Company, partly in respect of which a contingent reserve is included with the liabilities of the Receiver.

Under the terms of the Indenture and Mortgage dated June 1, 1928 the 5% First Mortgage Gold Bonds and the interest thereon are payable in Canadian gold coin of the standard of weight and fineness existing June 1, 1928, or at the holder's option in gold coin of the United States of America of the standard of weight and fineness existing June 1, 1928, or in English sterling at the fixed rate of exchange of \$4.86 $\frac{2}{3}$ to the pound (£) sterling.

II.—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

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1939

LIABILITIES

	December 31, 1938	December 31, 1939
Forward	\$111,143,938.72	\$107,259,746.86
NOMINAL SURPLUS OF PERIOD PRIOR TO RECEIVERSHIP: (no change during year).....	4,488,090.60	4,488,090.60
BALANCE OF AMOUNT AVAILABLE TOWARDS DEPRECIATION AND BOND INTEREST FROM OPERATIONS DURING RECEIVER- SHIP : (after deducting provisions for depreciation in respect of the three years ending December 31, 1939 aggregating \$6,005,000.00—including provisions shown on books of subsidiary companies—and amount of \$750,000.00 set aside as a Contingent Reserve under authority of the Court) Exhibit 1-A.....	8,259,031.85	9,930,929.82
	<u>\$123,891,061.17</u>	<u>\$121,678,767.28</u>

from the investments in the securities thereof. During the period of the receivership the Receiver and Manager has advanced \$3,084,371.18 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, 1939 the Receiver and Manager was indebted to other subsidiaries for \$82,451.86 chiefly for collections retained. Under authority of the Court, during the year ending December 31, 1939 the indebtedness of the Receiver and Manager to certain subsidiaries (chiefly for power supplied and collections retained) was set off against balances receivable in respect of periods prior to receivership to the amount of \$1,632,525.71; a further amount of \$1,307,101.75 owing by the Receiver and Manager to a subsidiary was applied against interest accrued and receivable in respect of the bonds of that company.

III.—Dividends on 7% Cumulative Preferred Stock are paid to September 30, 1931. Dividends on 6% Cumulative Preferred Stock are paid to March 31, 1931.

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 March 28, 1940.

PRICE, WATERHOUSE & CO.,
Auditors.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT OF AMOUNT AVAILABLE AS AT DECEMBER 31, 1939, 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, 1938 after deducting provisions for depreciation in respect of the two years ending December 31, 1938 aggregating \$4,220,000.00 (including provisions shown on books of subsidiary companies) and amount of \$750,000.00 set aside as a Contingent Reserve under authority of the Court	\$ 8,259,031.85
Add : Sundry adjustments (net) applicable to operations during receivership period up to December 31, 1938	11,896.86
	\$ 8,270,928.71
Add : Amount available for depreciation of mills and properties and towards bond interest from operations for the year ending December 31, 1939 as per statement on Exhibit 1-B attached	\$ 3,445,001.11
Less : Amount provided for depreciation for the year ending December 31, 1939 (including provisions shown on books of subsidiary companies)	1,785,000.00
	1,660,001.11
BALANCE AS AT DECEMBER 31, 1939, CARRIED TO BALANCE SHEET	<u>\$ 9,930,929.82</u>

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, 1939

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

PARTICULARS		AMOUNT
INCOME :		
Sales of newsprint and pulp.....	\$15,506,229.36	
Sales of power.....	639,819.03	
	<hr/>	
	\$16,146,048.39	
Less—Operating costs, including administration, superintendence, selling and general expenses, but before providing for deprecia- tion and bond interest.....	12,819,075.68	
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	\$ 3,326,972.71	
Add—Premium on U.S. funds (net).....	504,026.49	
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		\$3,830,999.20
ADD :		
Interest and discount earned (net).....	\$ 115,464.73	
Sundry minor operating profits.....	3,401.64	
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		118,866.37
		<hr/>
		\$3,949,865.57
DEDUCT :		
Cost of carrying idle mills and timber concessions tribu- tary thereto :		
Mill idle costs including caretaking and in- surance.....	\$60,688.39	
Taxes on mills and townsites.....	52,957.95	
Timber concessions—taxes, licenses and fees.....	57,601.87	
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	\$ 171,248.21	
Interest on Receiver's certificates and overdraft.....	107,962.99	
Cost of issue of Receiver's seventh report.....	2,805.45	
Cost of protection of properties against sabotage.....	87,604.65	
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....	16,587.92	
	<hr/>	
		482,209.22
		<hr/>
		\$3,467,656.35
DEDUCT :		
Cost of obtaining special reports under authority of Court.....	\$ 17,172.03	
Expenses of Liquidator.....	3,002.40	
Expenses of Bondholders' meeting October 15, 1937.....	28.81	
Expenses of Bondholders' Representative Committee.....	2,452.00	
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		22,655.24
		<hr/>
BALANCE AVAILABLE FOR DEPRECIATION OF MILLS AND PROPERTIES AND TOWARDS BOND INTEREST.....		\$3,445,001.11
DEDUCT :		
Amount provided for depreciation for the year ending December 31, 1939 (including provisions shown on books of subsidiary companies).....		1,785,000.00
		<hr/>
BALANCE, CARRIED TO EXHIBIT 1-A.....		\$1,660,001.11
		<hr/>

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, 1939

ASSETS

CURRENT ASSETS :

Cash on hand and on deposit	\$ 5,028.39	
Sundry accounts receivable, less reserve.....	83,560.39	
Receivable from The G. H. Mead Company for newsprint shipments..	309,218.10	
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.....	915,104.84	
	<u> </u>	\$ 1,312,911.72

NOTE--The net current assets include \$308,181.84 of United States funds which are expressed in Canadian dollars at par, the exchange premium of \$30,818.00 not being taken up in the accounts as at December 31, 1939.

OTHER ASSETS AND DEFERRED CHARGES :

Deposits with Trustee for Bondholders.....	\$ 6,004.93	
Unexpired insurance, etc.....	7,516.69	
	<u> </u>	13,521.62

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.....	\$ 9,994,078.46	
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	
	<u> </u>	16,095,715.55

\$17,422,148.89

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, 1938	As at December 31, 1939
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.....	2,978,448.89	3,379,258.93
	<u>\$11,490,011.39</u>	<u>\$11,890,821.43</u>
Add--Balance owing by Manitoba Paper Company, Limited to Abitibi Power & Paper Company, Limited	1,591,926.58	632,662.52
	<u>\$13,081,937.97</u>	<u>\$12,523,483.95</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	315,442.49	—
	<u>\$12,766,495.48</u>	<u>\$12,523,483.95</u>

MANITOBA PAPER COMPANY, LIMITED

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

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1939

LIABILITIES		
SUNDRY ACCOUNTS PAYABLE	\$ 198,419.51	
TAXES DUE AND ACCRUED	1,514.52	
	<hr/>	\$ 199,934.03
OWING TO AFFILIATED COMPANY :		
Abitibi Power & Paper Company, Limited, after deducting amounts due by the Receiver and Manager thereof, as authorized by the Court		632,662.52
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—Under the terms of the Indenture and Mortgage dated as of June 1, 1928 the company may be in default. 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	\$ 1,635,862.20	
Depletion	7,390.46	
	<hr/>	1,643,252.66
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	3,379,258.93	
	<hr/>	7,934,737.18
		<hr/>
		\$17,422,148.89

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, 1939, 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, 1939 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 \$860,000.00 have, however, been provided for depreciation for the three years ending December 31, 1939. 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, 1939 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 28, 1940.

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, 1939

PARTICULARS	AMOUNT
Surplus at December 31, 1938.....	\$ 2,978,448.89
ADD :	
Profit from operations for the year ending December 31, 1939, before providing for depreciation (after charging executive salaries as represented by amounts paid to officers \$12,200.00).....	\$ 580,810.04
Less—Provision for depreciation.....	180,000.00
Profit for the year, before providing for bond interest.....	400,810.04
BALANCE AT DECEMBER 31, 1939.....	<u>\$ 3,379,258.93</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, 1939

ASSETS

CURRENT ASSETS :

Cash on hand and on deposit.....	\$ 7,972.62	
Sundry accounts receivable.....	122,132.86	
Receivable from The G. H. Mead Company for newsprint shipments	252,599.32	
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.....	928,985.52	
		\$ 1,311,690.32

NOTE—The net current assets include \$290,754.82 of United States funds which are expressed in Canadian dollars at par, the exchange premium of \$29,075.00 not being taken up in the accounts as at December 31, 1939.

OTHER ASSETS AND DEFERRED CHARGES :

Deposits with Trustee for Bondholders.....	\$ 38,788.93	
Unexpired insurance, prepaid taxes, etc.....	33,114.36	
		71,903.29

FIXED ASSETS :

Plant, machinery and equipment.....	\$ 9,763,890.72	
Lands, timber limits, and cutting rights.....	3,557,470.40	
		13,321,361.12

TOTAL ASSETS..... \$14,704,954.73

DEFICIT, as per statement attached..... 2,436,681.95

\$17,141,636.68

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, 1938	As at December 31, 1939
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.....	2,564,868.84	2,436,681.95
	\$ 5,928,818.66	\$ 6,057,005.55
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.....	2,342,698.64	1,929,657.55
	\$13,393,122.57	\$13,108,268.37

STE. ANNE PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES

ST. ANNE POWER COMPANY AND BAIE ST. PAUL LUMBER COMPANY, LIMITED
CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1939

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$ 101,213.84
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.....	1,929,657.55	7,051,262.82
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—Under the terms of the Indenture and Mortgage dated as of June 1, 1928 the company may be in default. 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.....	\$ 1,201,628.20	
Depletion.....	293,844.32	1,495,472.52
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—		
As at December 31, 1938.....	\$ 1,045,504.60	
Less—Applied in reduction of book value of lands, timber limits and cutting rights as at December 31, 1939....	1,045,504.60	
		500,000.00
		<u>\$17,141,636.68</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, 1939, 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, 1939 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 as recorded on the books of St. Anne Power Company. No reserve has been provided for depreciation of plant, machinery and equipment from June, 1931 up to December 31, 1936; amounts aggregating \$550,000.00 have, however, been provided for depreciation for the three years ending December 31, 1939. 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, 1939 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 28, 1940.

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, 1939

PARTICULARS	AMOUNT
Deficit at December 31, 1938	\$ 2,564,868.84
<i>Less</i> — Adjustments in respect of prior years	60,885.24
	<u>\$ 2,503,983.60</u>
DEDUCT:	
Profit from operations for the year ending December 31, 1939, before providing for depreciation	\$ 242,301.65
<i>Less</i> — Provision for depreciation	175,000.00
Profit for the year, before providing for bond interest	<u>67,301.65</u>
DEFICIT AT DECEMBER 31, 1939	<u><u>\$ 2,436,681.95</u></u>

THUNDER BAY PAPER CO., LIMITED

Balance Sheet and
Profit and Loss Account

THUNDER BAY PAPER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1939

ASSETS

CURRENT ASSETS :

Cash on hand and on deposit.....	\$ 1,000.00	
Sundry accounts receivable.....	8,504.24	
Receivable from The G. H. Mead Company for newsprint shipments	302,662.63	
Inventories of paper, pulpwood, materials and supplies, valued on the basis of cost less reserve, as certified to by responsible officials of the company.....	762,986.50	
	<u>\$ 1,075,153.37</u>	

NOTE—The net current assets include \$300,406.90 United States funds which are expressed in Canadian dollars at par, the exchange premium of \$30,040.00 not being taken up in the accounts as at December 31, 1939.

DEFERRED CHARGES :

Prepaid expenses.....	2,261.33
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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	
	<u>6,075,379.04</u>	

\$ 7,152,793.74

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, 1938	As at December 31, 1939
Investment in shares and advances before charging Thunder Bay Paper Co., Limited with any interest since December 31, 1935.....	<u>\$10,721,521.38</u>	<u>\$10,074,069.24</u>
<i>Less</i> —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.....	740,833.50	290,126.84
	<u>\$ 2,828,041.94</u>	<u>\$ 2,377,335.28</u>
Net balance carried as investment and advances.....	<u><u>\$ 7,893,479.44</u></u>	<u><u>\$ 7,696,733.96</u></u>

THUNDER BAY PAPER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1939

LIABILITIES		
SUNDRY ACCOUNTS PAYABLE.....		\$ 64,873.19
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.	1,151,594.94	
		1,345,962.10
RESERVE FOR DEPRECIATION.....		1,415,491.91
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	926,971.61	
		4,326,466.54
CONTINGENT AND CONTRACTUAL LIABILITY :		
Obligation to Dominion Government in connection with the completion of dock construction at the Bare Point Mill, Port Arthur.		
		<u>\$ 7,152,793.74</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, 1939, 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 obligation, 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, 1939 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 28, 1940.

THUNDER BAY PAPER CO., LIMITED

DEFICIT ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1939

PARTICULARS	AMOUNT
Deficit at December 31, 1938.....	\$ 1,377,678.27
DEDUCT:	
Profit for the year ending December 31, 1939, before providing for depreciation.....	\$ 600,706.66
Less—Provision for depreciation.....	150,000.00
Profit for the year ending December 31, 1939.....	450,706.66
DEFICIT AT DECEMBER 31, 1939.....	<u>\$ 926,971.61</u>

ABITIBI ELECTRIC DEVELOPMENT
COMPANY, LIMITED

Balance Sheet and
Profit and Loss Account

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1939

ASSETS

CASH ON HAND AND ON DEPOSIT.....	\$ 750.00
SUNDRY ACCOUNTS RECEIVABLE.....	2,998.14
INVENTORIES OF EQUIPMENT AND SUPPLIES (less reserve).....	24,979.79
DEFERRED CHARGES : Unexpired insurance, etc.....	1,145.32
FIXED ASSETS, at cost : Power plant, transmission line, etc.....	\$ 7,832,095.52
Speeders, camp buildings and equipment.....	47,185.75
Horses, vehicles and livestock.....	1,212.36
	7,880,493.63

\$ 7,910,366.88

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, 1938	As at December 31, 1939
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.....	1,466,882.00	1,480,596.00
	\$ 6,786,324.50	\$ 6,800,038.50
Add—Balance owing by Abitibi Electric Development Company, Limited to Abitibi Power & Paper Company, Limited.....	1,332,860.85	659,599.20
	\$ 8,119,185.35	\$ 7,459,637.70
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.....	524,892.08	—
	\$ 7,594,293.27	\$ 7,459,637.70

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1939

LIABILITIES		
SUNDRY ACCOUNTS PAYABLE.....		\$ 10,729.18
ABITIBI POWER & PAPER COMPANY, LIMITED—after deducting amounts due by Receiver and Manager thereof, as authorized by the Court.....		659,599.20
FUNDED DEBT :		
5% First Mortgage Gold Bonds :		
Due June 1, 1968.....	\$ 5,000,000.00	
Due June 1, 1971.....	155,000.00	
	<u>\$ 5,155,000.00</u>	
Interest accrued thereon to August 31, 1932.....	64,437.50	
		<u>5,219,437.50</u>
NOTE—Under the terms of the Indenture and Mortgage dated as of June 1, 1928 the company may be in default. 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.....		440,000.00
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.....	1,480,596.00	
		<u>1,580,601.00</u>
		<u>\$ 7,910,366.88</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, 1939, 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, 1939 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 \$440,000.00 have, however, been provided for depreciation for the three years ending December 31, 1939. 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 28, 1940.

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1939

PARTICULARS	AMOUNT
Surplus at December 31, 1938.....	\$ 1,466,882.00
Add :	
Profit from operations for the year ending December 31, 1939, before providing for depreciation	\$ 158,714.00
Less—Provision for depreciation...	<u>145,000.00</u>
Profit for the year before providing for bond interest.....	13,714.00
BALANCE AT DECEMBER 31, 1939.....	<u><u>\$ 1,480,596.00</u></u>

KAMINISTIQUEIA POWER CO., LIMITED

Balance Sheet and
Profit and Loss Account

KAMINISTIQUEA POWER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1939

ASSETS

CURRENT ASSETS :

Cash on hand and on deposit.....	\$ 1,000.00	
Sundry customers' accounts, less reserve.....	9,177.77	
Inventories of supplies.....	1,785.58	
	<u> </u>	\$ 11,963.35

INVESTMENT, less reserve :

Fort William Hotels, Limited.....	1.00
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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 has been charged to the Receiver and Manager of Abitibi Power & Paper Company, Limited.....	851,166.40	
	<u> </u>	1,279,659.78

DEFERRED CHARGES :

Unexpired insurance, etc.....	1,168.77
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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.....	6,378,017.04
	<u><u>\$ 7,670,809.94</u></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, 1938	As at December 31, 1939
Investment—		
5% First Mortgage Bonds with interest accrued thereon.....	\$ 3,543,750.00	\$ 3,519,981.58
Capital Stock (40,000 shares).....	950,000.00	950,000.00
Balance in Earned Surplus Account.....	2,234,579.36	1,106,737.55
	<u> </u>	<u> </u>
	\$ 6,728,329.36	\$ 5,576,719.13
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.....	1,037,539.93	—
	<u> </u>	<u> </u>
	\$ 4,411,129.65	\$ 4,297,059.35

KAMINISTIKUIA POWER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1939

LIABILITIES		
SUNDRY ACCOUNTS PAYABLE.....	\$	5,739.22
FUNDED DEBT :		
5% First Mortgage Gold Bonds, due 1968.....	\$	3,500,000.00
Interest due and accrued thereon to December 31, 1939, after deducting amounts due by the Receiver and Manager of Abitibi Power & Paper Company, Limited for power used and collections retained, etc., as authorized by the Court.....	19,981.58	3,519,981.58
NOTE—Under the terms of the Indenture and Mortgage dated as of June 1, 1928 the company may be in default. 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.....		1,490,964.51
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.....	1,106,737.55	2,654,124.63
		<u>\$ 7,670,809.94</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, 1939, 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 fixed assets during the period from September 1, 1932 to December 31, 1936, but amounts aggregating \$311,000.00 have been provided for depreciation for the three years ending December 31, 1939. Subject thereto, we report that, in our opinion, the above balance sheet at December 31, 1939 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 28, 1940.

KAMINISTIKUIA POWER CO., LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1939

PARTICULARS	AMOUNT
Surplus at December 31, 1938.....	\$ 2,234,579.36
<i>Less</i> —Interest on 5% First Mortgage Gold Bonds for period from September 1, 1932 to December 31, 1938.....	1,108,333.33
	<u>\$ 1,126,246.03</u>
Profit from operations for the year ending December 31, 1939, before providing for depreciation and bond interest (after charging executive salaries as represented by amounts paid to officers \$7,700.00)	\$ 273,491.52
<i>Less</i> —Provision for depreciation \$ 118,000.00 Interest on 5% First Mort- gage Gold Bonds..... 175,000.00	<u>293,000.00</u>
Loss for the year.....	19,508.48
BALANCE AT DECEMBER 31, 1939..	<u><u>\$ 1,106,737.55</u></u>

MATTAGAMI RAILROAD COMPANY

Balance Sheet and Profit and Loss Account

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

DECEMBER 31, 1939

ASSETS

SUNDRY ASSETS :

Cash on hand and on deposit.....	\$ 100.00	
Accounts receivable.....	3,469.13	
Inventory of coal, etc., at cost.....	2,419.82	
		\$ 5,988.95

OWING BY AFFILIATED COMPANY :

Abitibi Power & Paper Company, Limited.....	\$ 97,460.12	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited.....	76,921.81	
		174,381.93

DEFERRED CHARGES :

Unexpired insurance.....		351.20
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FIXED ASSETS :

Rolling stock, rails, equipment, etc.....		242,523.30
		<u>\$ 423,245.38</u>

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, 1938	As at December 31, 1939
Investment—		
Capital Stock (2,500 shares).....	\$ 250,000.00	\$ 250,000.00
Balance in Earned Surplus Account.....	159,696.93	154,606.57
	<u>\$ 409,696.93</u>	<u>\$ 404,606.57</u>
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.....	76,728.92	76,921.81
	<u>\$ 235,507.89</u>	<u>\$ 230,224.64</u>

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

DECEMBER 31, 1939

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$ 3,638.81	
RESERVE FOR DEPRECIATION.....		15,000.00
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.....	154,606.57	404,606.57
		<u>\$ 423,245.38</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, 1939, 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 three years ending December 31, 1939. Subject to these remarks, we report that, in our opinion, the above balance sheet at December 31, 1939 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 28, 1940.

PRICE, WATERHOUSE & CO.,
Auditors.

MATTAGAMI RAILROAD COMPANY

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1939

PARTICULARS	AMOUNT
Surplus at December 31, 1938.....	\$ 159,696.93
DEDUCT :	
Loss for the year ending December 31, 1939, before providing for depreciation.....	\$ 90.36
Provision towards depreciation.....	5,000.00
Loss for the year.....	5,090.36
BALANCE AT DECEMBER 31, 1939.....	<u>\$ 154,606.57</u>

PROVINCIAL PAPER, LIMITED

Balance Sheet and
Profit and Loss Account

PROVINCIAL PAPER, LIMITED

BALANCE SHEET

DECEMBER 31, 1939

ASSETS

CURRENT ASSETS :

Cash on hand and in banks.....	\$ 1,050,507.67	
Accounts receivable, less reserve for bad debts, etc.....	985,411.97	
Inventories of paper, pulpwood, materials, and supplies valued on the basis of cost prices which are not in excess of market prices, as determined and certified to by responsible officials of the company, and expenditures on 1940 woods operations.....	1,228,842.97	
	<hr/>	\$ 3,264,762.61

NOTE—The net current assets include \$206,376.46 of United States funds which are expressed in Canadian dollars, the exchange premium of \$20,637.00 not being taken up in the accounts as at December 31, 1939.

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 :

Land, buildings, equipment, etc.....	9,672,985.24
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DEFERRED CHARGES :

Unexpired insurance.....	4,205.38
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\$13,126,228.54

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, 1938	As at December 31, 1939
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
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PROVINCIAL PAPER, LIMITED

BALANCE SHEET

DECEMBER 31, 1939

LIABILITIES

CURRENT LIABILITIES :

Accounts payable and accrued liabilities.....	\$ 249,439.12
Dividend on preferred stock—1¾% payable January 2, 1940.....	61,250.00
Balance of bonds called for redemption as of November 1, 1938 including premium thereon (par value \$1,500.00).....	1,507.50
Bond interest accrued.....	31,166.66
Reserve for Dominion and Provincial taxes.....	117,445.88
	<hr/> \$ 460,809.16

MORTGAGE DEBT :

5½% First Mortgage Sinking Fund Redeemable Bonds, due 1947 :	
Authorized.....	<u>\$10,000,000.00</u>
Issued.....	\$ 5,300,000.00
Less—	
Redeemed and cancelled.....	\$ 1,898,500.00
Balance of bonds called for redemption as of November 1, 1938.....	1,500.00
	<hr/> 1,900,000.00
	3,400,000.00

NOTE: The principal and interest on the above bonds are payable at the holder's option in Canadian or United States currency.

RESERVE FOR DEPRECIATION OF BUILDINGS AND EQUIPMENT..... 3,942,094.08

GENERAL RESERVES..... 621,286.11

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..... 1,102,039.19

\$13,126,228.54

AUDITORS' REPORT TO THE SHAREHOLDERS :

We have examined the books and accounts of Provincial Paper, Limited for the year ending December 31, 1939, and have obtained all the information and explanations which we have required. We report that, in our opinion, the above balance sheet at December 31, 1939 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.

TORONTO, February 13, 1940.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

PROVINCIAL PAPER, LIMITED

STATEMENT OF SURPLUS AND PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1939

PARTICULARS	AMOUNT
Profit for the year ending December 31, 1939, including income from investments, but before providing for the undernoted charges.....	\$ 935,748.20
DEDUCT :	
Provision for depreciation.....	\$ 300,000.00
Interest on mortgage debt (paid in U.S. funds)....	187,000.00
	<u>487,000.00</u>
Profit for the year, before providing for income taxes.....	\$ 448,748.20
DEDUCT :	
Provision for Dominion and Provincial income taxes.....	105,000.00
Net Profit for the year.....	<u>\$ 343,748.20</u>
ADD :	
Surplus as at December 31, 1938.....	1,003,290.99
	<u>\$ 1,347,039.19</u>
DEDUCT :	
Dividends on 7% cumulative preferred stock	245,000.00
SURPLUS AS AT DECEMBER 31, 1939.....	<u><u>\$ 1,102,039.19</u></u>

