

Annual Report **1947**
FOR THE YEAR ENDING DECEMBER 31,



COVER:

Mill at Sturgeon
Falls, Ontario, closed
down in 1930, reha-
bilitated in 1947 and
now manufacturing
corrugating board.



Annual Report **1947**
FOR THE YEAR ENDING DECEMBER 31



Executive Offices, 408 University Avenue, Toronto, Ontario





BOARD OF DIRECTORS

Douglas W. Ambridge
Edward W. Bickle
Harry J. Carmichael
George R. Cottrelle
Allan Graydon, K.C.
James Henry Gundy
T. Rodgie McLagan
Robert H. Reid
Joseph P. Ripley
William H. Smith
J. S. D. Tory, K.C.

EXECUTIVE COMMITTEE

Douglas W. Ambridge
James Henry Gundy
William H. Smith
J. S. D. Tory, K.C.

OFFICERS

Douglas W. Ambridge, *President and General Manager*
William H. Smith, *Vice-President*
Thomas Broadhurst, *Secretary*
Howard Young, *Treasurer*

TRANSFER AGENTS

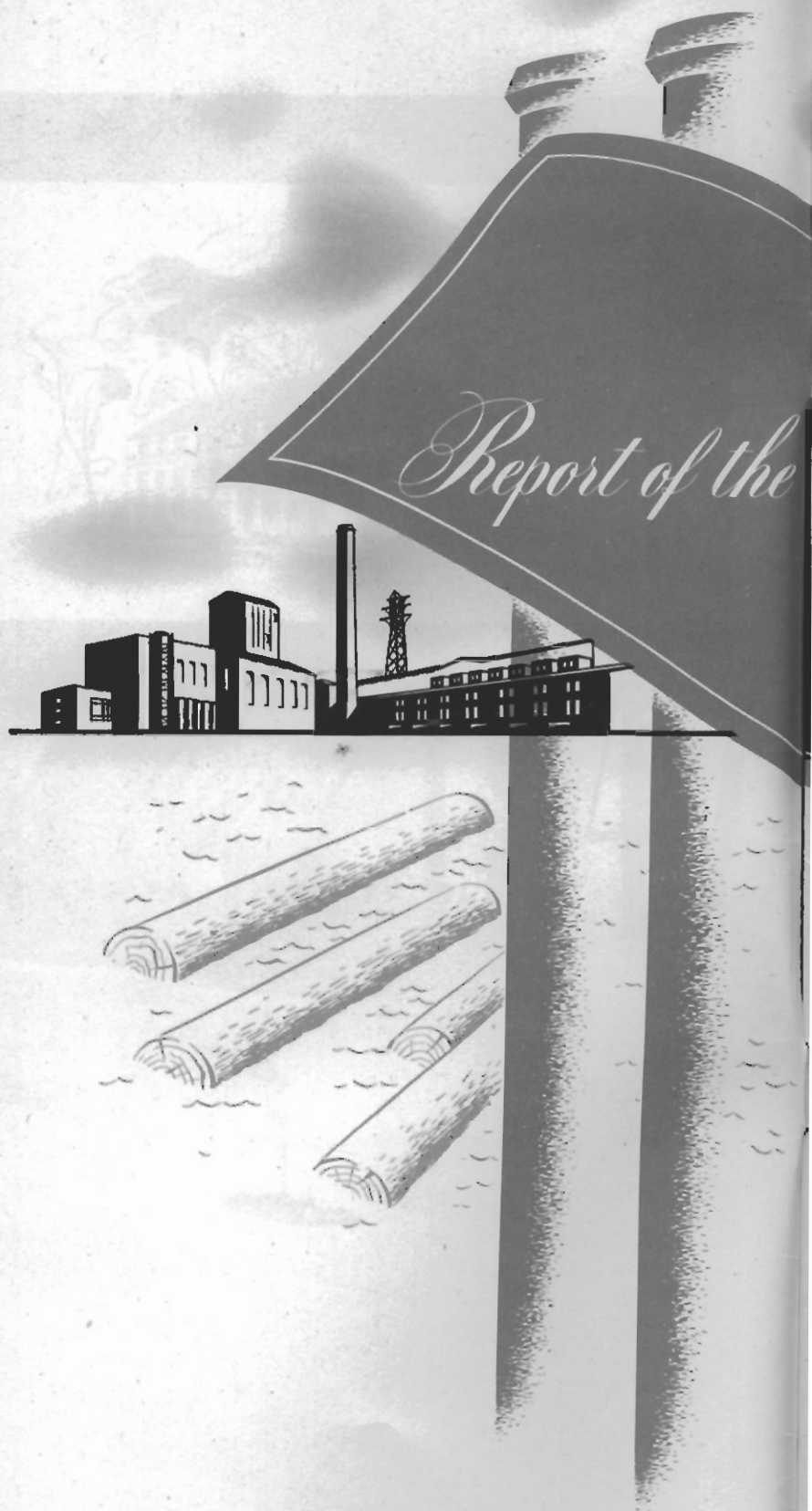
Montreal Trust Company
Toronto, Ont.
Montreal Trust Company
Montreal, Que.
City Bank Farmers Trust Company
New York, N. Y.

REGISTRARS

The Toronto General Trusts Corporation
Toronto, Ont.
The Eastern Trust Company
Montreal, Que.
The National City Bank of New York
New York, N. Y.

AUDITORS

Price, Waterhouse & Co.
Toronto, Ont.



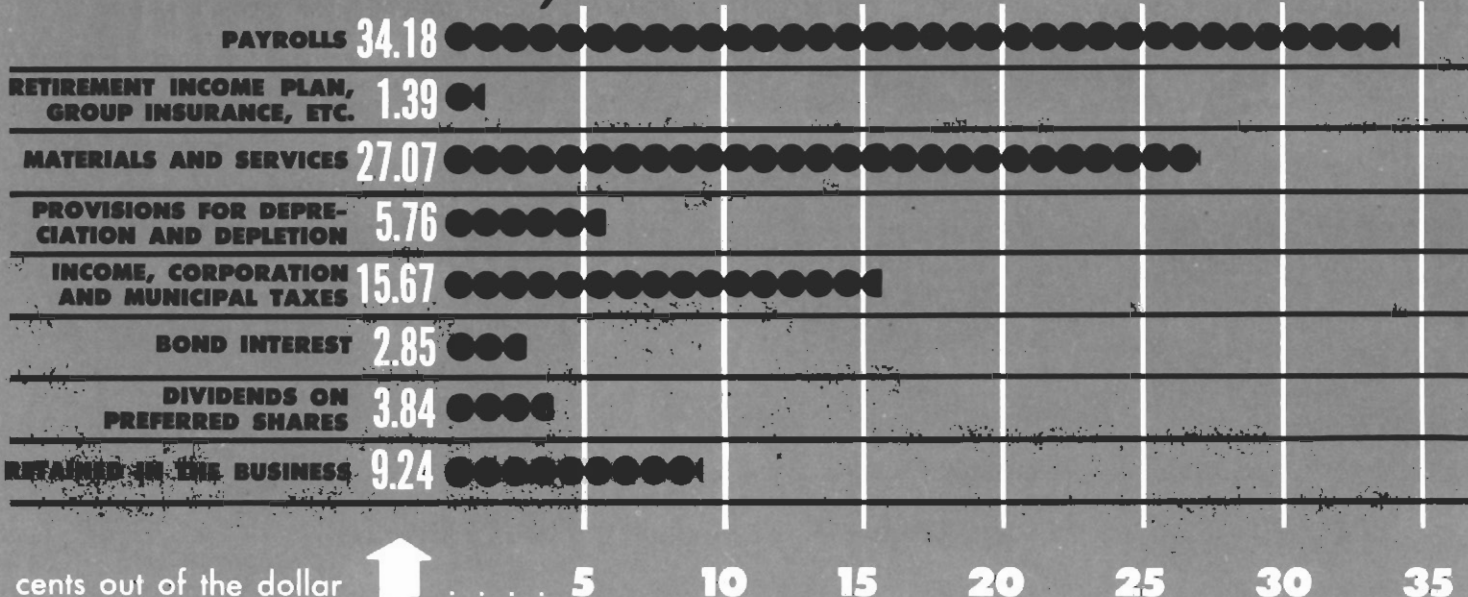


TO THE SHAREHOLDERS OF ABITIBI POWER & PAPER COMPANY, LIMITED:

*M*ARKED PROGRESS in the task of rebuilding the Company was made during 1947. The mills were operated at rates in excess of their normal capacities, and as a result new records in total sales and in earnings were set up. The prices of our products have been gradually adjusted so that their relationship to the prices of other world commodities is beginning to be more rational. This adjustment has been the result of the interplay of economic forces in the free markets of the United States.

As a result of the improved position of our products in the world's markets and of the strong demand for them which resulted in capacity operations, it has been possible to proceed with the reconstruction programme which will be more fully discussed below.

Distribution of the Sales Dollar received by the Company during the Year



Earnings Profits for the year ending December 31, 1947 after all charges were \$8,563,046.

Your Directors felt that the placing of both classes of preferred stock on a regular dividend basis was a step which should be taken as soon as possible, and during the year this was done and all arrears on the prior preferred were paid up. Your Directors are convinced that further rehabilitation of the Company's properties is necessary before a dividend policy on the common shares can be established.

The above chart shows the distribution of the revenue received during the year. This chart clearly indicates the effect of retaining a very large proportion of the profits in the business.

Balance Sheet The balance sheet reflects the redemption on April 1st, 1947 of \$53,093,700 of 5% bonds due 1965 and the issue as of that date of \$45,000,000 of 3½% serial and twenty-year bonds.

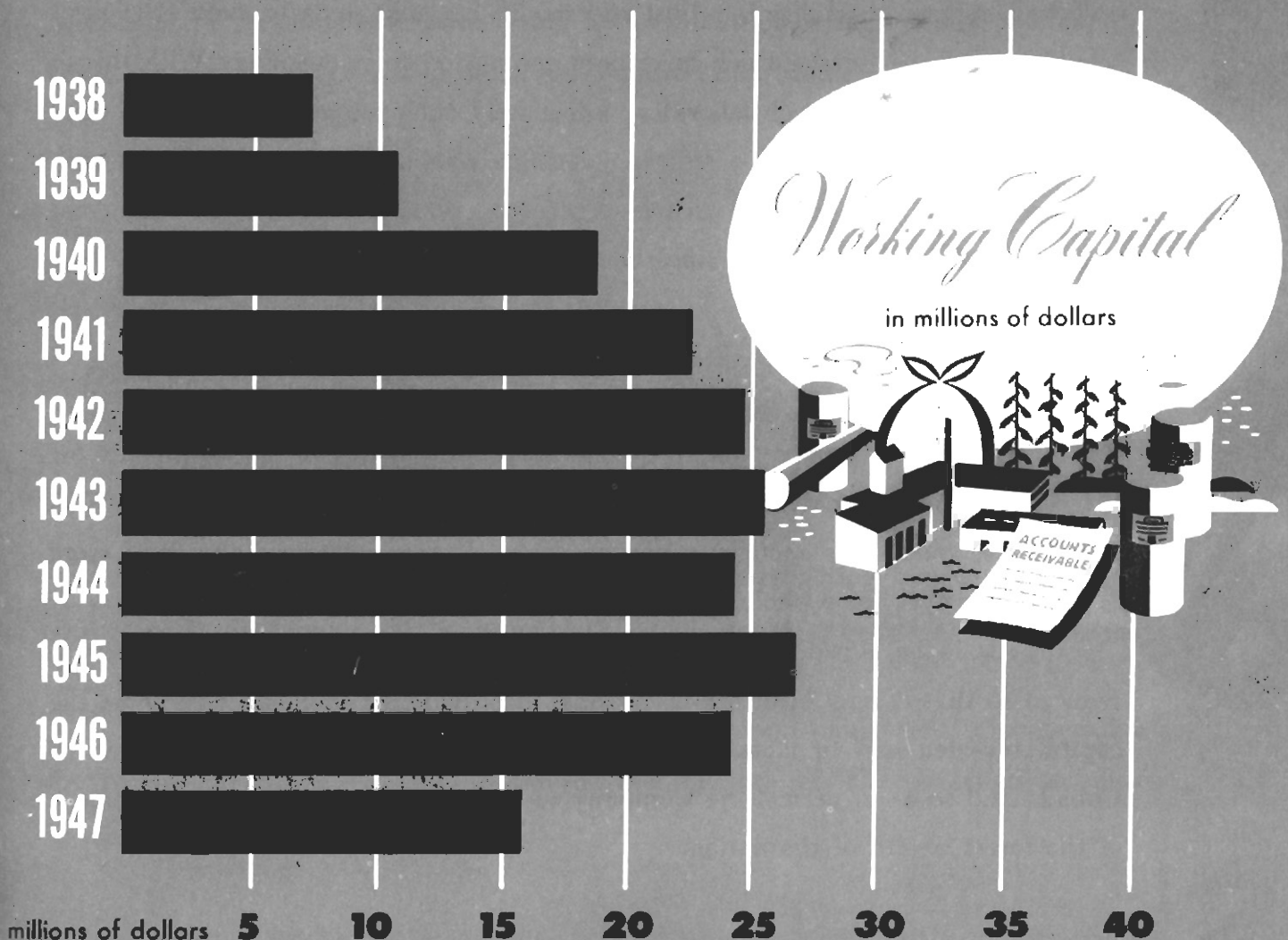
As a result of this redemption it was possible to redeem the 14 shares of 5% preferred stock which were issued as part of the Plan of Reorganization.

The large increase in the value of the inventories required to maintain the present scale of operations is also noteworthy. The value of the Company's properties,

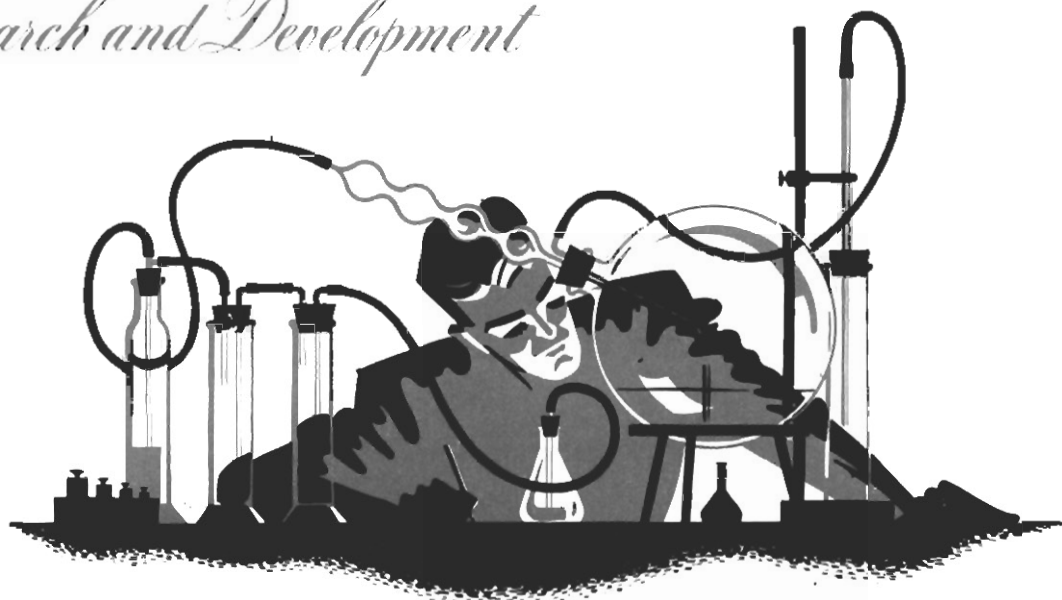
plant and equipment has substantially increased during the year due to the heavy capital expenditures now being undertaken.

Working Capital

The chart below shows the amount of working capital which has been available in recent years. The reduction in working capital which took place during 1947 due largely to the redemption of the 5% bonds mentioned above has not hampered the Company's operations, although it has been necessary to borrow money from the bank to assist in financing the very large woods operations which are seasonal in nature and which have been necessary to maintain the present record production.



Research and Development



Your Directors are convinced that the successful future of the Company is dependent upon its ability to adjust and modify its mills so as to make the fullest possible use of the forests which have been committed to its keeping. With this in mind a new central research laboratory adequately equipped and staffed has begun operations at Sault Ste. Marie. It is confidently expected that the results of the work being carried out there will do much to increase the productiveness of the forests and to make possible a healthy diversification of the Company's products.

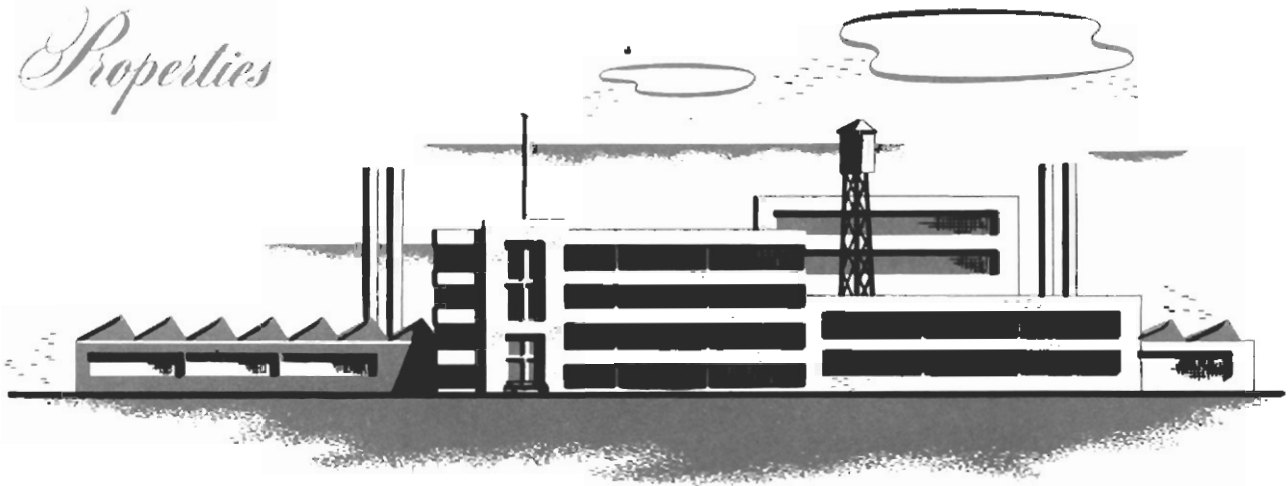


Taxes

Taxes on income payable to the Dominion and Provincial Governments for the year 1947 are estimated at \$9,800,000. This very large sum is equal to 44.6% of the total payrolls. It is enough to pay an army of over 4,500 men a wage of more than \$40 per week for a whole year.

It is to be hoped that the tax load on the Company may be progressively reduced so that it may in future be possible to provide for adequate returns on the capital invested and to increase the opportunities for productive employment in Canada and so as to permit the Company to play its full part in the development of the forest wealth of the nation.

Properties



Much progress has been made during the year on the rehabilitation programme. In addition, long-deferred maintenance and modernization work was put in hand and completed; some new capital equipment was installed and is now in operation, and a great deal of new equipment was ordered and will be delivered to the various mills for installation in 1948. The present position is therefore that the existing equipment in the mills is in measurably better condition, some entirely new capital additions are in operation, and many new capital improvements are well under way.

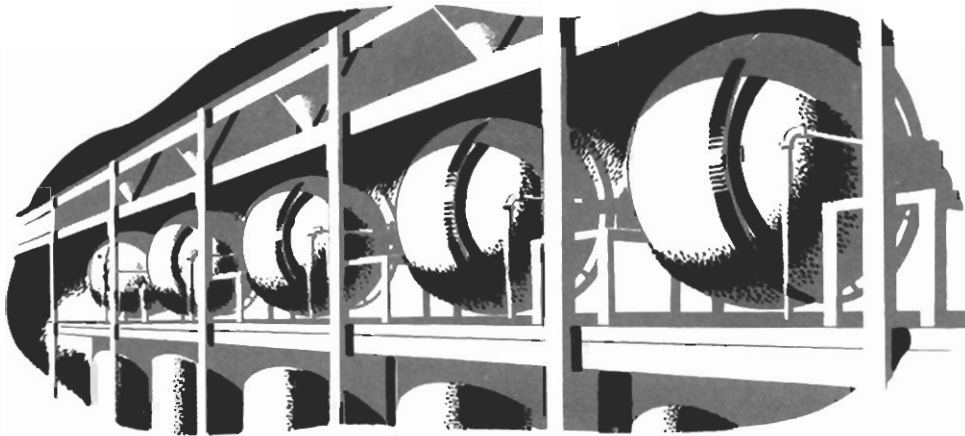


Illustration shows
newly installed
Rotary Digesters at
Sturgeon Falls,
Ontario

At Sturgeon Falls the new semi-chemical corrugating board plant began operating in September. It is turning out a high quality product and by the time this report is distributed will be in full production.

At Smooth Rock Falls the new caustic extraction plant went into operation in August and has greatly improved the quality of the bleached sulphite produced there.

The new grinder room at the Thunder Bay mill went into operation during January 1948 and both production and costs have been improved as expected.

The board machine at Iroquois Falls has been speeded up and modernized and is now producing 40% more board of a very much improved quality for use in Canada and for export to the United States.

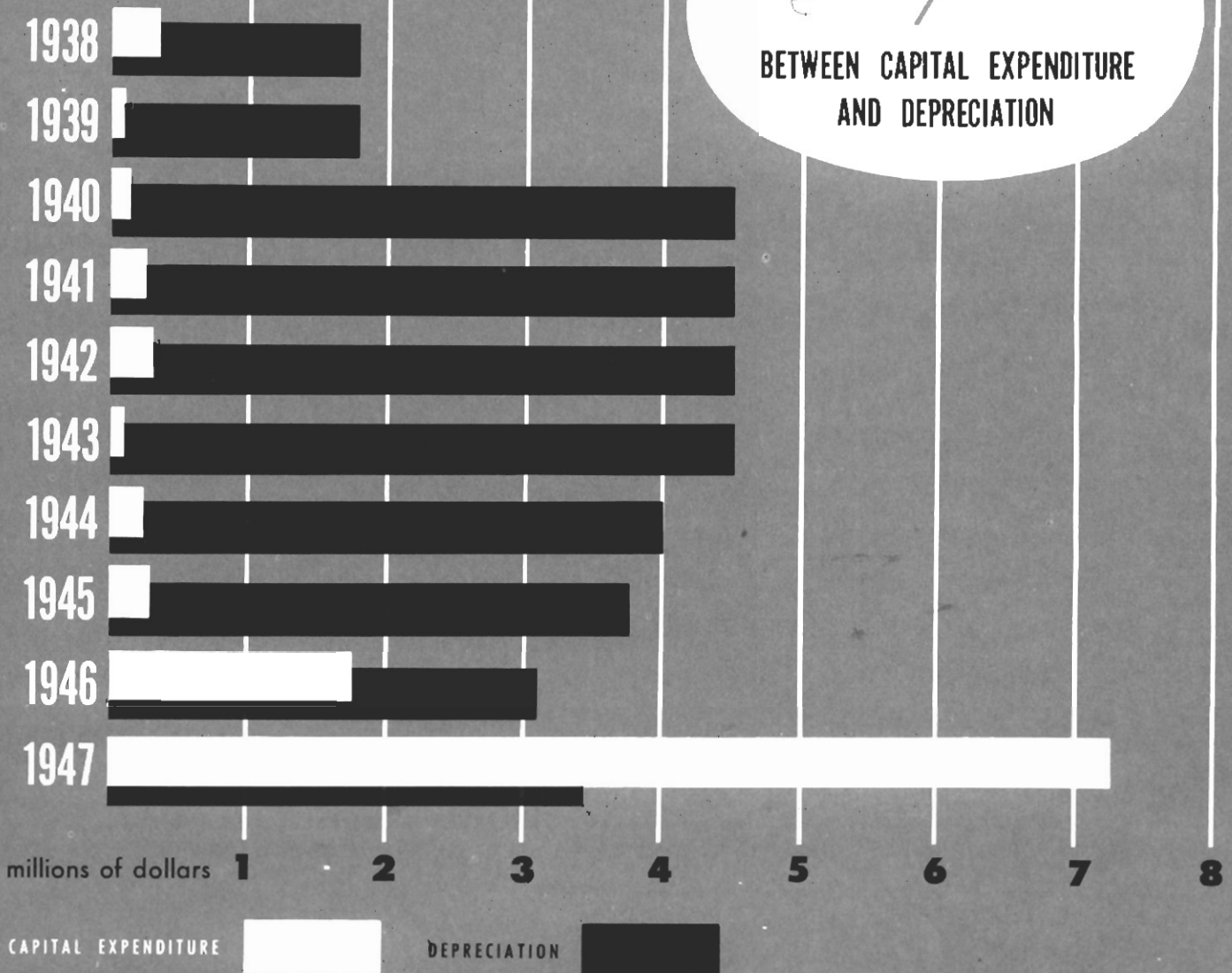
The plans for speeding up and modernizing the mills at Pine Falls, Iroquois Falls, Port Arthur, and Beaufré have been completed; the necessary equipment has been ordered and the work will proceed as deliveries are made.

The principal mills of the Company and its subsidiaries with presently existing capacities and type of products are shown in the chart below:

<i>Location</i>	<i>Product</i>	<i>Annual Capacity</i>
IROQUOIS FALLS, ONT.	Newsprint Board	200,900 tons 16,000 tons
SMOOTH ROCK FALLS, ONT.	Bleached Sulphite	63,000 tons
STURGEON FALLS, ONT.	Corrugating Board	30,000 tons
SAULT STE. MARIE, ONT.	Newsprint Unbleached Sulphite	95,700 tons 33,000 tons
PORT ARTHUR, ONT.	Newsprint	94,400 tons
FORT WILLIAM, ONT.	Newsprint	60,500 tons
PINE FALLS, MANITOBA	Newsprint	97,100 tons
BEAUPRÉ, QUEBEC	Newsprint Unbleached Sulphite	99,900 tons 6,200 tons
GEORGETOWN, ONT. MILLE ROCHES, ONT. PORT ARTHUR, ONT. THOROLD, ONT.	(a) Fine Papers	63,500 tons
(a) Owned by Provincial Paper, Limited.		

Comparison

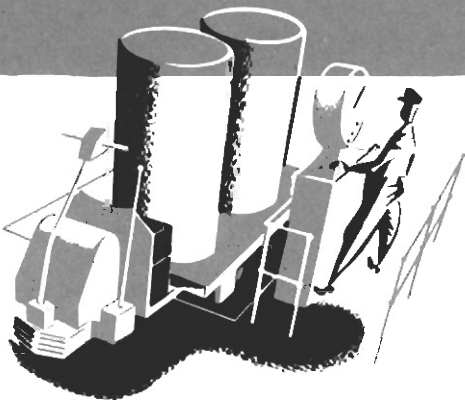
BETWEEN CAPITAL EXPENDITURE AND DEPRECIATION



The above chart shows how the amounts set aside for depreciation during past years compare with the capital expenditures made in the same period. The recent sharp increases in capital expenditures can be seen in their relation to the past when the difficulties of the receivership prevented the expenditure of even the annual depreciation on the work of keeping the Company's properties in first class condition.

PRODUCTION IN ABITIBI MILLS

	TONS OF NEWSPRINT PAPER	TONS OF BLEACHED SULPHITE PULP	TONS OF UNBLEACHED SULPHITE PULP	TONS OF BOARD
1938	293,444	32,036	2,134	764
1939	324,543	40,685	3,686	1,195
1940	430,299	51,927	21,565	2,790
1941	474,127	60,582	29,402	1,197
1942	422,882	63,025	44,183	1,911
1943	470,750	63,447	42,393	1,604
1944	438,705	62,314		1,784
1945	453,657	63,128	6,978	1,450
1946	610,683	57,090	28,394	1,136
1947	657,752	65,369	38,031	8,593



Newsprint production for the year 1947 again established a new all-time record. All the Company's mills increased their annual productions and in addition, further productive facilities were put to work. The Sturgeon Falls mill began the production of corrugating board in September and produced a total of 6126 tons during the remainder of the year. At Beaupré the manufacture of unbleached sulphite for sale was begun in July by using some excess capacity which existed there. The above table shows the annual tonnages of various products which the Company has produced in recent years.

Alitibi Sales Company, Limited

During the year the work of setting up the staff and offices of the new sales company was completed. The new storey on the Toronto office building was finished and the control and management of the Company's sales policies is now in Toronto.

Every effort is being made to build a strong sales force so as to improve the services to our many customers in Canada, in the United States and abroad.

Industrial Relations

Satisfactory relations with the various Unions involved in the Company's operations continue. The establishment of the Retirement Income Plan reported last year has done much to ensure the maintenance of a healthy atmosphere among the thousands of men and women who earn their living in the mills, woods and offices. During the next few years several hundred men and women who have spent the greater part of their lives in the service of the Company will retire under the provisions of the plan.

Great efforts in many directions are constantly being made to improve the well being, productiveness and efficiency of the employees, and the Directors take this opportunity of expressing their appreciation of the cooperation, loyalty and goodwill which have been freely given by every man and woman in the Company's employ during the past year.

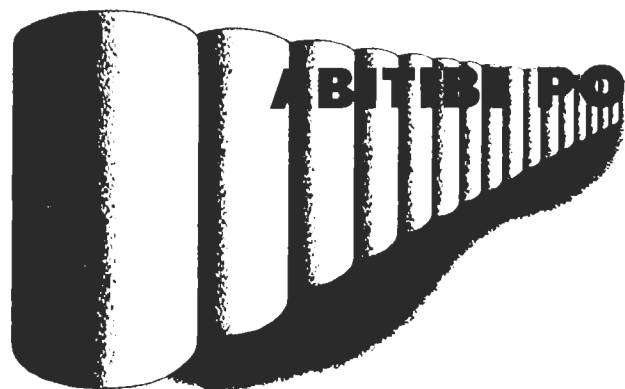
On behalf of the Board,



Swanbridge

President

Toronto, March 1, 1948



ABITIBI POWER & PAPER COMPANY, LIMITED and subsidiary companies

Other than Provincial Paper, Limited, The G. H. Mead Company and Abitibi Service Inc.

Consolidated Balance Sheet

DECEMBER 31, 1947

Assets

CURRENT ASSETS:

Cash on hand and in bank	\$	682,816	
Miscellaneous investments, less reserves		184,780	
Accounts receivable, less reserves		6,983,524	
Inventories of paper, pulp, wood, materials and supplies on the basis of cost, as determined and certified by responsible officials and expenditures on logging operations	\$28,257,237		
Less—Reserves applied in reduction thereof	915,687	27,341,550	
			\$ 35,192,679

SHARES OF SUBSIDIARY COMPANIES NOT CONSOLIDATED:

Provincial Paper, Limited	\$	5,500,000	
The G. H. Mead Company		210,023	
Abitibi Service Inc.		500	
			5,710,523

Note: The company's equity in subsidiary companies not consolidated as shown by the balance sheets of such subsidiaries as at December 31, 1947 exceeds the value shown herein by \$1,083,033.

CAPITAL ASSETS:

Properties, plant and equipment at gross physical values as at April 30, 1946, as reported by Messrs. Coverdale & Colpitts, Consulting Engineers, New York, plus subsequent additions at cost	\$117,228,394		
Less—Accrued depreciation as at April 30, 1946, as reported by Messrs. Coverdale & Colpitts, plus subsequent provisions	47,457,032		
		\$ 69,771,362	

Note: A surplus of \$20,125,054 arising from the restatement of values of the properties, plant and equipment as at the termination of receivership on April 30, 1946, has been applied as at that date \$14,447,635 in absorbing the consolidated deficit in profit and loss and \$8,197,419 in reduction of the consolidated gross book values of timber concessions, agreements and licenses, and waterpower rights.

Freehold timber areas, at cost	\$	418,975	
Timber concessions, agreements and licenses, and waterpower rights		18,377,232	
	\$18,796,207		
Less—Reserves for depletion	2,349,816	16,446,361	
			86,217,723

OTHER ASSETS AND DEFERRED CHARGES:

Deposits with Provincial Government	\$	149,150	
Refundable portion of excess profits taxes		203,548	
Prepaid insurance, taxes, etc.		569,144	
Bond discount and expense		938,854	
			1,860,696
			\$128,981,621

Liabilities

CURRENT LIABILITIES:

Bank loan (secured)	\$	3,000,000	
Wages and salaries payable and accrued		1,024,195	
Accounts payable and sundry accruals		6,395,550	
Dividends payable January 1, 1948		554,477	
Interest accrued on First Mortgage Bonds		389,375	
Dominion and Provincial taxes on income		5,590,790	
Other taxes payable and accrued		368,431	
First Mortgage Bonds—payments due within one year		2,035,000	
			\$ 19,357,827

ADVANCE PAYMENTS ON CONTRACTS (NON-CURRENT)

570,447

FIRST MORTGAGE BONDS:

Authorized	\$65,000,000		
Issued and outstanding:			
3½% First Mortgage Serial Bonds, Series "A" (\$1,000,000 maturing annually April 1, 1948 to 1957)		\$ 10,000,000	
3½% First Mortgage Twenty-Year Bonds, Series "A" maturing April 1, 1967			
Issued	\$85,000,000		
Less—Purchased for redemption	500,000	34,500,000	
		\$ 44,500,000	
Less—Serial and sinking fund payments due within one year—shown above		2,035,000	
			\$2,465,000

RESERVE AGAINST POSSIBLE DECLINE IN INVENTORY VALUES

1,500,000

CAPITAL STOCK:

Authorized and outstanding—			
Prior Preferred Shares—			
Annual cumulative dividend of \$2.50 a share; redeemable at \$37.50 a share			
50,000 shares of \$20 each	\$	1,000,000	
Preferred Shares—			
Annual cumulative dividend of \$1.50 a share; redeemable at \$25 a share			
1,395,272 shares of \$20 each		27,905,440	
Common Shares—			
1,241,694 shares without nominal or par value		23,941,295	
			\$4,846,735

EARNED SURPLUS, SINCE MAY 1, 1946:

Per statement attached			10,241,612
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Note: Annual provisions for excess profits taxes have been determined after taking into account inventory reserves aggregating \$3,350,000, in accordance with section 6 of The Excess Profits Tax Act.

APPROVED ON BEHALF OF THE BOARD:

D. W. AMBRIDGE, Director

W. H. SMITH, Director

\$128,981,621



ABITIBI POWER & PAPER

Consolidated Statement of Profit and Loss

For the Year Ended December 31, 1947

PARTICULARS	AMOUNT
Net Sales—after deducting outward freight, etc.....	\$64,340,010
Less—Operating costs including administration, selling and general expenses but before provision for depreciation, depletion, etc.	39,719,951
Add—	
Dividend from subsidiary company, not consolidated.....	262,500
Profit on sale of securities.....	111,395
Adjustment of payment in 1946 toward employees' retirement income plan, less income and excess profits taxes attributable thereto.....	98,192
	<u>\$25,092,146</u>
Deduct—	
Provision for depreciation.....	\$ 3,443,769
Provision for depletion.....	260,000
Employees' retirement income plan.....	810,445
Exchange premium and other expenses on redemption of First Mortgage 5% Bonds due 1965.....	300,774
Amortization of bond discount and expense.....	78,157
Interest on First Mortgage 5% Bonds due 1965 (redeemed in 1947).....	659,080
Interest on 3½% First Mortgage Serial and Twenty-Year Bonds Series "A".....	1,176,875
	<u>6,729,100</u>
PROFITS before provision for taxes on income.....	<u>\$18,363,046</u>
Deduct— Provision for:	
Dominion income and excess profits taxes.....	\$ 8,500,000
Provincial income taxes.....	1,300,000
	<u>9,800,000</u>
NET PROFIT FOR THE YEAR.....	<u>\$ 8,563,046</u>

Note: Fees of directors not executive officers and not holding salaried positions amounted to \$22,800 for the year and counsel and solicitors' fees, salaries and fees of executive officers and directors holding salaried positions amounted to \$434,790 for the year.

COMPANY, LIMITED and subsidiary companies

Other than Provincial Paper, Limited, The G. H. Mead Company and Abitibi Service Inc.

Consolidated Statement of Earned Surplus

(Since May 1, 1946)

For the Year Ended December 31, 1947

PARTICULARS	AMOUNT
Net profit for the year	\$ 8,563,046
<i>Deduct—Dividends on:</i>	
5% Preferred Shares (redeemed in 1947)	\$ 79
Prior Preferred Shares (including arrears of \$250,000)	375,000
Preferred Shares	2,092,908
	2,467,987
BALANCE FOR THE YEAR	\$ 6,095,059
<i>Add—</i> Earned surplus as at December 31, 1946	4,146,553
EARNED SURPLUS AS AT DECEMBER 31, 1947	\$10,241,612

Note: So long as any of the 3½% First Mortgage Bonds are outstanding, the company may not pay dividends on its capital stock out of the consolidated earned surplus existing on December 31, 1946.

Auditors' Report

PRICE WATERHOUSE & CO.

ROYAL BANK BUILDING
TORONTO

February 10 1948

To the Shareholders of
ABITIBI POWER & PAPER COMPANY, LIMITED:

We have examined the consolidated balance sheet of Abitibi Power & Paper Company, Limited and subsidiary companies other than Provincial Paper, Limited, The G. H. Mead Company and Abitibi Service Inc. as at December 31 1947 and the related statements of profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations which we required. Our examination included such tests of the accounting records and other supporting evidence and such other procedures as we considered appropriate in the circumstances.

Pursuant to Section 114 of The Companies Act 1934, we report that the earnings of subsidiary companies not consolidated have been included in the consolidated statement of profit and loss only to the extent of dividends received.

In our opinion, the accompanying consolidated balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31 1947 and the related statements of profit and loss and earned surplus present fairly the result of operations for the year ended on that date 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.



Provincial Paper, Limited



MANUFACTURERS OF FINE PAPERS FOR



Magazines and periodicals

Books, catalogues and folders

Business forms and envelopes

Labels, calendars, box wraps, etc., etc.

PROVINCIAL PAPER, LIMITED

BOARD OF DIRECTORS

Douglas W. Ambridge
Walter S. Barber
Thomas Broadhurst
Allan Graydon, K.C.
Arthur P. Jewett
Arthur G. Pounsford
William H. Smith
John S. D. Tory, K.C.
Howard Young

OFFICERS

Douglas W. Ambridge, *President*
William H. Smith, *Vice-President*
Walter S. Barber, *Secretary-Treasurer*

TRANSFER AGENTS

Royal Trust Company,
Toronto, Ont.
and
Montreal, Que.

REGISTRARS

Royal Trust Company,
Toronto, Ont.
and
Montreal, Que.

AUDITORS

Price, Waterhouse & Co.
Toronto, Ont.

Report of the President

The year 1947 was a noteworthy one in the history of this Company. Total production of the many grades of paper produced was an all-time record. Furthermore the Company began the production of machine coated paper for the first time in the history of Canadian papermaking. This operation is being carried out at the Port Arthur mill and has been outstandingly successful.

Profits for the year after all charges were \$1,055,511. The regular 4% dividend on the preferred shares was paid and a dividend for the year of 75 cents per share on the common stock of the Company was paid. The full effect of the refinancing of the Company which was carried out in 1946 was reflected in the year's earnings.

The Balance Sheet discloses a moderate increase in working capital. Inventories are however much higher than usual due to the increased scale of operations and to the increased prices of wood and other raw materials.

Taxes on income for the year are estimated to be \$985,000. This is a heavy load for the Company to carry and one which interferes seriously with the ability of the Company to expand its production and serve the consumers of paper adequately.

The physical condition of some of the Company's mills leaves much to be desired. It should be remembered that Provincial Paper, Limited shared the vicissitudes of receivership with Abitibi and that there was very little spent on mill improvements. The result is that a thorough renovation is overdue and every effort is being made to catch up with deferred maintenance and to install new facilities where they are most needed.

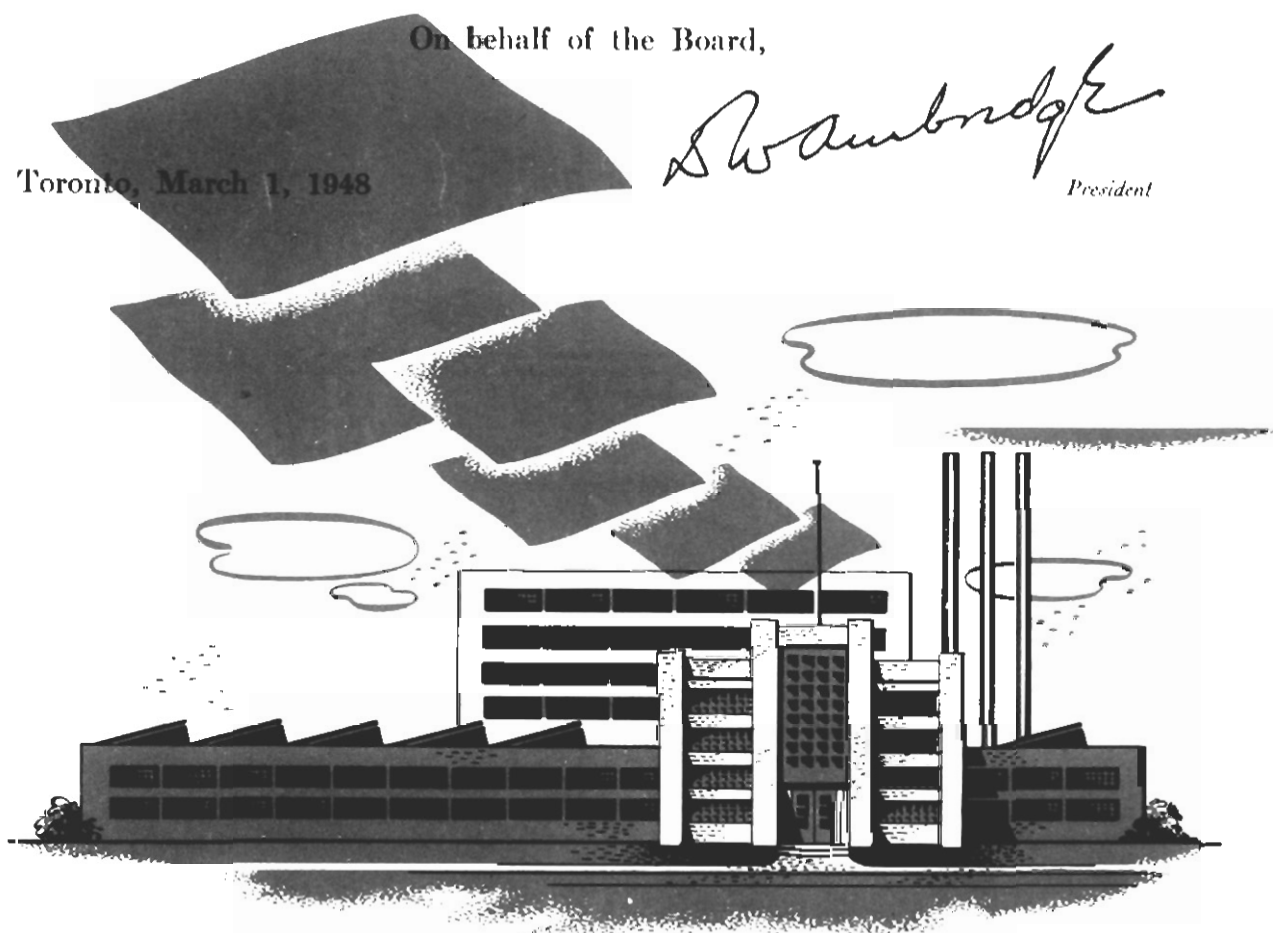
A very complete engineering study of the future possibilities of the various mills has recently been submitted and is having the close attention of the management.

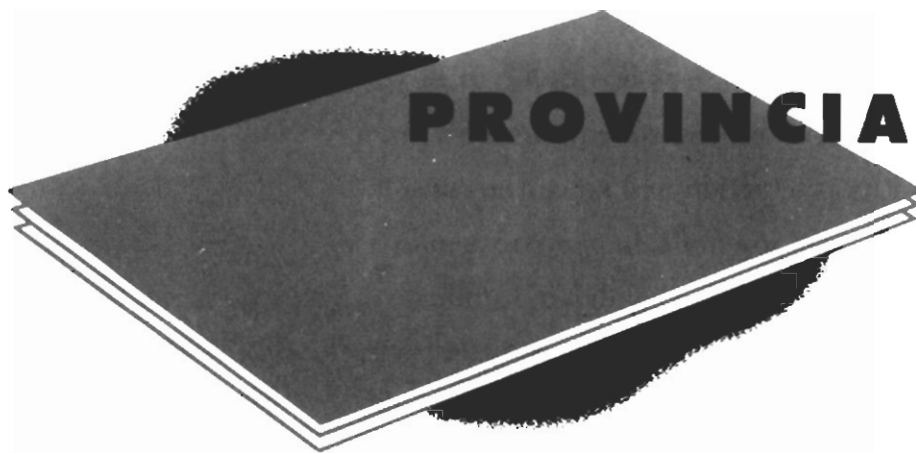
The Directors would like to extend their congratulations to the officers and employees of the Company on the successful year which this report reviews, and to express their appreciation of the happy relations which continue to prevail.

On behalf of the Board,

Toronto, March 1, 1948

Swanbridge
President





PROVINCIAL PAPER,

Balance

Assets

CURRENT ASSETS:

Cash on hand and in bank	\$	54,436	
Accounts receivable, less reserves		1,543,092	
Inventories of paper, pulp, wood, materials and supplies valued at or below present market prices not above cost, as determined and certified by responsible officials and expenditures on logging operations, less reserve of \$375,835		2,801,526	
			\$ 4,399,054

SHARES OF SUBSIDIARY COMPANIES NOT CONSOLIDATED:

Simcoe Realty Company Limited	\$	165,644	
Sucker Creek Timber Slide Company Limited		10,631	
			176,275

Note: The company's net equity in subsidiary companies not consolidated as shown by the balance sheets of such subsidiaries as at December 31, 1947 exceeds the value shown herein by \$8,514.

CAPITAL ASSETS:

Properties, plant and equipment, etc.	\$10,549,396	
Less —Accrued depreciation	5,937,879	
		4,611,517

OTHER ASSETS AND DEFERRED CHARGES:

Refundable portion of excess profits taxes (including \$30,396 receivable in 1948)	\$	111,576	
Miscellaneous investments, less reserve		5,000	
Prepaid insurance, etc.		58,665	
			175,241
			\$ 9,362,087

LIMITED

Sheet

DECEMBER 31, 1947

Liabilities

CURRENT LIABILITIES:

Wages accrued and payable.....	\$	75,355	
Accounts payable and sundry accruals.....		677,682	
Dominion and Provincial taxes on income.....		693,928	
Other taxes payable and accrued.....		26,942	
			\$ 1,473,907

GENERAL RESERVE

629,536

CAPITAL STOCK:

Authorized, issued and outstanding—

4% Cumulative Redeemable Preference Shares—

20,000 shares of \$50 each (redeemable at option of the company at

\$53.50 per share)..... \$ 1,000,000

Common Shares—

350,000 shares without nominal or par value..... 4,100,000

5,100,000

EARNED SURPLUS:

Per statement attached..... 2,158,644

\$ 9,362,087

PROVINCIAL PAPER, LIMITED

Statement of Profit and Loss

For the Year Ended December 31, 1947

PARTICULARS	AMOUNT
Net Sales—After deducting outward freight, etc.	\$11,829,261
<i>Less</i> —Operating costs including administration, selling and general expenses but before provision for depreciation, etc.	9,382,230
	<u>\$ 2,447,031</u>
<i>Deduct</i> —	
Provision for depreciation	\$ 188,220
Employees' retirement income plan	218,200
	<u>406,520</u>
PROFITS before provision for taxes on income	<u>\$ 2,040,511</u>
<i>Deduct</i> —Provision for:	
Dominion income and excess profits taxes	\$ 842,000
Provincial income taxes	143,000
	<u>985,000</u>
NET PROFIT FOR THE YEAR	<u><u>\$ 1,055,511</u></u>

STATEMENT OF EARNED SURPLUS

For The Year Ended December 31, 1947

Net profit for the year, as above	\$ 1,055,511
<i>Deduct</i> —Dividends on:	
Preference Shares	\$ 40,000
Common Shares	262,500
	<u>302,500</u>
BALANCE FOR THE YEAR	<u>\$ 753,011</u>
<i>Add</i> —	
Earned surplus as at December 31, 1946	\$ 1,352,926
Cash value of life insurance policy surrendered during year	33,070
Dividends from subsidiary companies (paid out of earnings of prior years) ..	19,637
	<u>1,405,633</u>
EARNED SURPLUS AS AT DECEMBER 31, 1947	<u><u>\$ 2,158,644</u></u>

Auditors' Report

PRICE, WATERHOUSE & CO.

ROYAL BANK BUILDING
TORONTO

February 10 1948

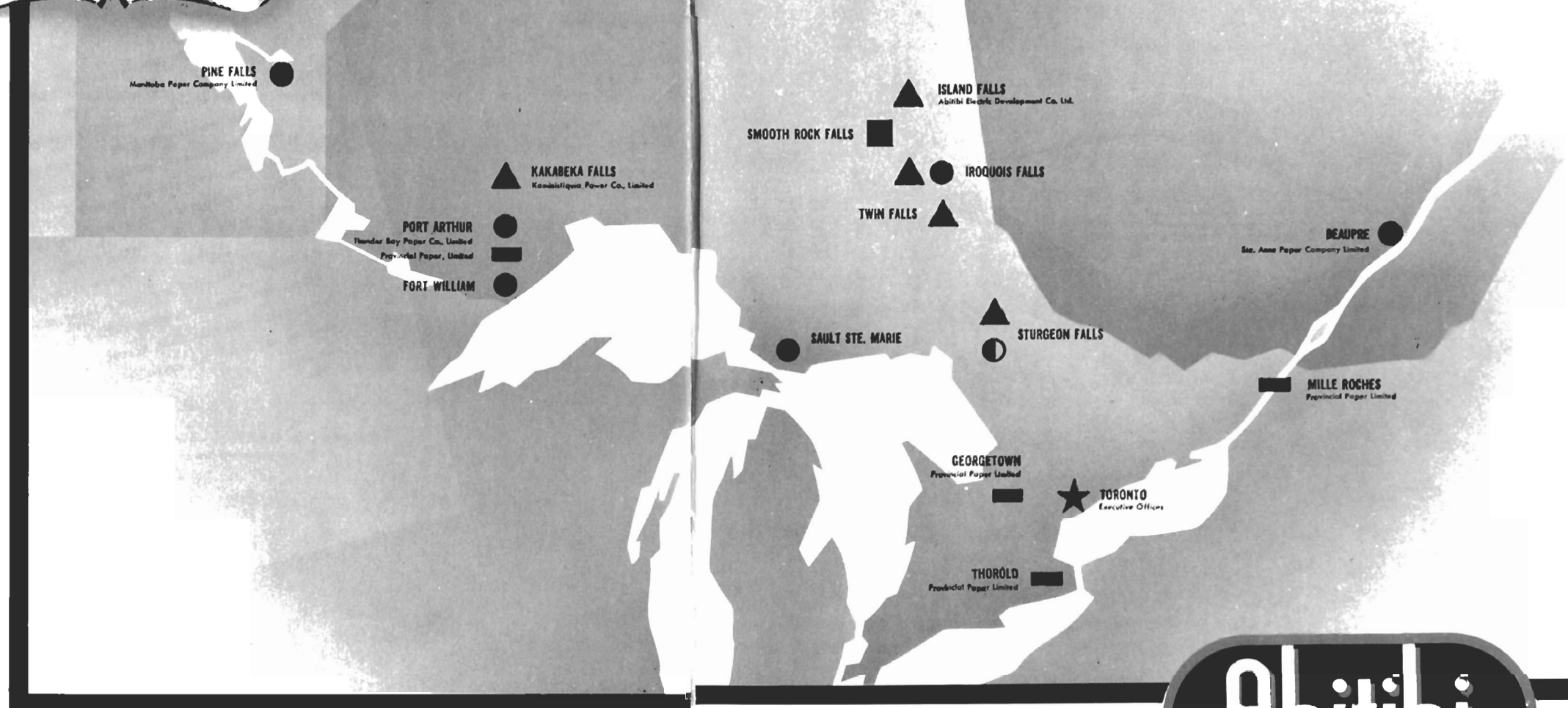
To the Shareholders of
PROVINCIAL PAPER, LIMITED:

We have examined the balance sheet of Provincial Paper, Limited as at December 31 1947 and the related statement of profit and loss and earned surplus for the year ending on that date and all our requirements as auditors have been complied with. Our examination included such tests of the accounting records and other supporting evidence and such other procedures as we considered appropriate in the circumstances. In our opinion, the accompanying balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as at December 31 1947 and the related statements of profit and loss and earned surplus present fairly the result of operations for the year ending on that date according to the best of our information and the explanations given to us and as shown by the books of the company.

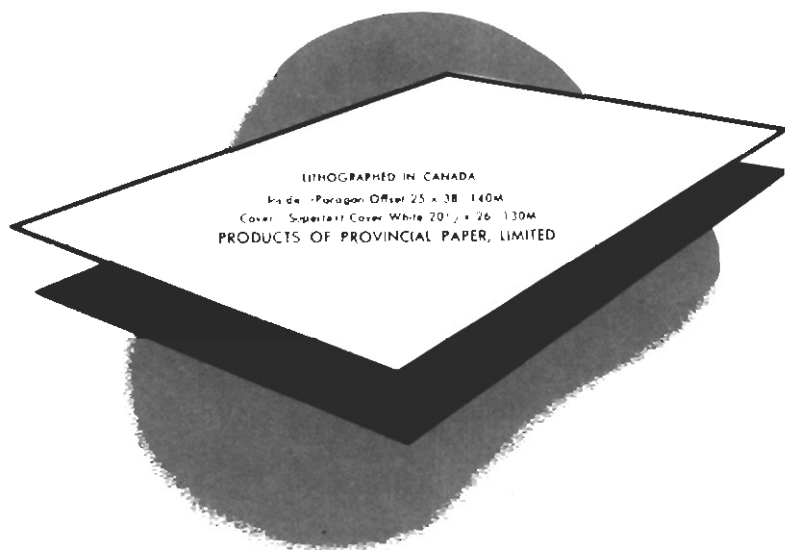
Price Waterhouse & Co.
Auditors.



SITES OF PAPER MILLS, PULP MILLS AND DEVELOPED WATER POWERS



Abitibi
POWER & PAPER COMPANY, LIMITED



LITHOGRAPHED IN CANADA

Inside - Poragon Offset 25 x 38 - 140M

Cover - Superior Cover White 20 1/2 x 26 - 130M

PRODUCTS OF PROVINCIAL PAPER, LIMITED

