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ABITIBI POWER AND PAPER COMPANY LIMITED

FOURTEENTH ANNUAL REPORT

FOR THE FISCAL YEAR ENDING DECEMBER 31, 1927

To the Shareholders of the

Abitibi Power & Paper Company, Limited.

Your Directors herewith submit their report for the fiscal year ending December 31, 1927.

Operations for the year produced net earnings of \$4,213,489.86, including adjustment of logs inventory and after providing for income tax, but before providing for interest and reserves. Net profits, after all charges were \$2,904,574.20, out of which \$70,000 was paid in Preferred Stock Dividends and \$1,250,000 in Common Stock Dividends. Surplus for the year was \$1,584,574.20 and the total earned surplus at December 31, 1927, after transferring from surplus account to depreciation reserve an additional amount of \$1,092,491.76, was \$8,339,976.06.

Fixed assets were increased by \$8,675,924.89, of which \$4,425,866.12 represented expenditures on the Company's Mills, Railroads, Townsites and Power Plants, and \$4,250,058.77 represented an increase through revaluation of timber. \$691,900 of the Company's bonds were paid and cancelled. Current payables were kept to the lowest practicable point, and total surplus and reserves were increased \$6,187,419.81, of which amount \$1,937,361.04 resulted from current operations and the balance from timber revaluation.

On January 1, 1928 the Company acquired through common stock purchase the controlling ownership in Spanish River Pulp & Paper Mills, Limited, Fort William Power Company, Limited, Manitoba Paper Company, Limited, Ste. Anne Paper Company, Ltd., and Murray Bay Paper Company, Ltd.

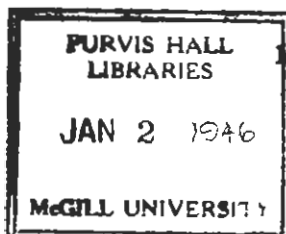
On account of market conditions, production and sales were materially reduced as compared with the preceding year, and the results attained under these unfavorable conditions must be attributed to the loyal effort and increased efficiency of the entire organization.

On behalf of the Board of Directors,

ALEXANDER SMITH,

President.

Montreal, March 1, 1928.



Abitibi Power and Paper Company Limited

BALANCE SHEET DECEMBER 31, 1927

ASSETS	LIABILITIES
CURRENT ASSETS:	
Inventories at Cost:	
Logs and Expenditures on 1927-1928 Season's Logging Operations.....	534,927.17
Paper, Pulp, Material and Supplies.....	288,615.50
Cash on Hand and on Deposit.....	34,392.19
Accounts Receivable, less Reserve.....	857,934.86
Investments in Preferred Stocks of other Paper Companies and in the Company's own Bonds purchased for redemption purposes.....	
Cash on Hand and on Deposit.....	
4,949,423.61	
FIXED ASSETS:	
Lands, Water Powers and Timber Limits, after giving effect to the revaluation of Timber Limits in 1927.....	4,000,000.00
Pulp and Paper Mills.....	2,794,200.00
Office Fixtures.....	5,457,500.00
30,970,981.92	8,251,700.00
INVESTMENTS IN AND ADVANCES TO ASSOCIATED COMPANIES	
8,007,879.81	12,251,700.00
38,978,861.73	
OTHER ASSETS:	
Insurance and Other Expenses Prepaid.....	11,955,356.17
56,740.52	4,250,058.77
\$43,985,025.86	16,205,414.94
RESERVES:	
SURPLUS AND UNDIVIDED PROFITS:	
CAPITAL STOCK ISSUED:	
Seven Per Cent Cumulative Preferred Stock 10,000 Shares of \$100.00 each.....	
Common Stock — 250,000 Shares of no par value.....	
Note: Supplementary Letters Patent have been obtained by the Company authorizing the creation of additional Capital Stock as under— Six Per Cent Cumulative Preferred: 500,000 Shares of \$100.00 each Common: 1,250,000 Shares of no par value.	
	\$43,985,025.86
CONTINGENT LIABILITIES:	
Bonds and other obligations of the Abitibi Electric Development Company Limited and the Abitibi Transportation & Navigation Company Limited, guaranteed by the Company to the extent of \$ 1,313,181.25	

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have examined the Books and Accounts of the Abitibi Power & Paper Company Limited, for the year ending December 31, 1927, and have obtained all the information and explanations which we have required; and we certify that, in our opinion, the above Balance Sheet at December 31, 1927, 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 & COMPANY,
Auditors.

Montreal, February 16, 1928.

Approved on behalf of the Board.

W. A. BLACK,
Director.

L. R. WILSON,
Director.

ABITIBI POWER AND PAPER COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDING DECEMBER 31, 1927

Profit from Operations, including surplus arising from adjustment of logs inventory, after Income Tax but before Depreciation and Interest.....	4,213,489.86
Provision for Depreciation and Exhaustion.....	546,422.60
Profit before Interest.....	3,667,067.26
Interest on Funded Debt, less Interest Received.....	762,493.06
Net Profit.....	<u>\$ 2,904,574.20</u>

SURPLUS ACCOUNT

Net Profit as above.....	\$ 2,904,574.20
DEDUCT:	
Dividends on:	
Preferred Stock.....	70,000.00
Common Stock.....	1,250,000.00
	<u>1,320,000.00</u>
	1,584,574.20
Surplus as at December 31, 1926.....	7,847,893.62
	<u>9,432,467.82</u>
Transferred to Depreciation Reserve.....	1,092,491.76
Surplus as per Balance Sheet.....	<u>\$ 8,339,976.06</u>