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ABITIBI POWER & PAPER COMPANY, LIMITED

EIGHTEENTH ANNUAL REPORT

FOR THE FISCAL YEAR ENDING DECEMBER 31, 1931

To the Shareholders of the

Abitibi Power & Paper Company, Limited

Your Directors herewith submit their report for the fiscal year ending December 31, 1931.

By reference to the attached Profit & Loss Account, it will be seen that operations for the year produced earnings of \$5,397,151.83, before providing for interest and reserves. After deducting interest on funded debt, and other interest, amounting to \$2,801,608.58, there was available for reserves and dividends, \$2,595,543.25. Preferred Stock dividends of \$820,727.00 were declared and paid. Reserves for depreciation and depletion amounting to \$1,293,570.65 were set aside on the usual basis of production and \$745,500.00 was added to the reserve for depreciation of investments.

Your physical properties have been kept in good condition, all maintenance of operating and idle plants being charged, as usual, against current manufacturing operations.

As the result of a thorough examination, and after full consideration by your Board of Directors, the Company's inventories were reduced to the basis of current values by a write down of \$3,560,892.36, which still leaves the relation of current assets to current liabilities as at December 31st in the sound ratio of more than three to one.

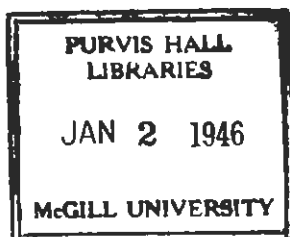
During the year, the policy of inventory liquidation, referred to in the Company's last annual report, has been strictly adhered to, but owing to the further severe curtailment in operations resulting from the increasing severity of the general business depression, less progress was made in this direction than had been anticipated. Nevertheless, during the period under review, the Company retired nearly a million dollars of its funded debt and reduced its current bank loans from \$4,500,000.00 to \$3,400,000.00. Since December 31st further payments have been made reducing current bank loans to \$2,150,000.00.

While conditions in the newsprint industry show no immediate promise of improvement, which must await a definite upturn in the general business situation, it is well to remember that in comparison with other heavy manufacturing industries, newsprint consumption is being well maintained, further expansion is definitely ended for several years to come and there is an increasing tendency towards lower productive capacity through the elimination of obsolete plants which cannot continue to operate indefinitely under present competitive conditions.

On behalf of the Board of Directors,

ALEXANDER SMITH,
President.

Iroquois Falls, March 5, 1932.



Abitibi Power & Paper Company, Limited

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1931

ASSETS	
CURRENT ASSETS:	
Inventories of pulpwood, paper, pulp, materials and supplies, and expenditures on logging operations	9,492,493.68
Unexpired insurance, prepaid taxes, etc.	224,875.47
Customers' accounts	2,944,786.73
Other accounts receivable and cash deposits on timber limits	405,824.68
Investment in bonds	1,120,249.88
Cash on hand and on deposit	1,937,089.91
	16,125,320.35
INVESTMENTS:	
In capital stocks of and advances to other companies, at cost	7,897,268.05
Less: Reserve	1,509,500.00
	6,387,768.05
	22,513,088.40
FIXED ASSETS:	
Plant, machinery and equipment, at cost	116,887,716.98
Lands, timber limits, undeveloped water powers, etc.	52,295,485.38
	169,183,202.36
	\$191,696,290.76

Approved on behalf of the Board,

VICTOR E. MITCHELL,
Director.
L. R. WILSON,
Director.

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have examined the books and accounts of the Abitibi Power & Paper Company, Limited and its subsidiary companies for the year ending December 31, 1931, and have obtained all the information and explanations which we have required; and we report that, in our opinion, the above Balance Sheet at December 31, 1931, is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the Abitibi Power & Paper Company, Limited and its subsidiary companies, according to the best of our information and the explanations given to us and as shown by the books of the companies.

PRICE, WATERHOUSE & COMPANY,
Auditors.

Toronto, February 19, 1932.

LIABILITIES	
CURRENT LIABILITIES:	
Bank loans (secured)	3,400,000.00
Current accounts and bills payable	1,493,130.62
Bond interest accrued	243,394.99
Dividends payable	79,470.00
	5,215,995.61
DEFERRED LIABILITIES:	
Purchase money obligation payable over fifteen years	197,479.69
Purchase money obligation payable in December, 1932	45,000.00
	242,479.69
OBLIGATION in connection with purchase of General Power & Paper Company Limited (secured)	
	4,250,000.00
FUNDED DEBT:	
Five per cent First Mortgage Gold Bonds, due 1953	
Authorized	75,000,000.00
Issued and outstanding	49,155,000.00
Five and one-half per cent First Mortgage Bonds, due 1947, of Provincial Paper Limited	
Authorized	10,000,000.00
Issued and outstanding	4,900,000.00
	54,055,000.00
RESERVES:	
Depreciation and depletion	28,607,431.01
General and contingent	2,159,365.96
	30,766,796.97
PREFERRED SHARES:	
10,000 shares 7% Cumulative Preferred Stock of \$100.00 each. The total authorized issue is 10,000 shares	1,000,000.00
348,818 shares 6% Cumulative Preferred Stock of \$100.00 each, including 792 shares deposited for exchange of shares of The Spanish River Pulp and Paper Mills Limited. The total authorized issue is 500,000 shares	34,881,800.00
35,000 shares 7% Cumulative Preferred Stock of \$100.00 each of Provincial Paper Limited. The total authorized issue is 35,000 shares	3,500,000.00
	39,381,800.00
COMMON SHARES AND SURPLUS:	
Balance as per annexed statement, represented by 1,088,117 shares without nominal or par value, including 1,891 shares deposited for exchange of shares of subsidiary companies. The total authorized issue is 1,500,000 shares	57,784,218.49
	\$191,696,290.76

Common Shares and Surplus represented on the books of the Company and its subsidiaries by Earned Surplus \$14,766,978.05, Common Stock Account \$18,964,935.43, Capital Surplus \$24,052,305.01, Total \$57,784,218.49.

Contingent and Contractual Liabilities.

As guarantor of obligations of General Power & Paper Company Limited in connection with its purchase of Thunder Bay Paper Co., Limited and obligation in connection with subscription for shares of Newspaper Bond and Share Company

\$2,269,200.00

As guarantor of completion of plant of the Ontario Power Service Corporation, Limited.

ABITIBI POWER & PAPER COMPANY, LIMITED
 CONSOLIDATED SURPLUS AND PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDING DECEMBER 31, 1931

Balance at credit as at January 1, 1931		61,609,365.25
Deduct:		
Special write-down of wood to reduce the inventories to the basis of current values as estimated by the management		3,560,892.36
		58,048,472.89
Profit from operations for the year, after charging wood to manufacture on basis of reduced prices resulting from above adjustment of surplus	5,199,946.59	
Profit on bonds purchased for Sinking Fund	197,205.24	
	5,397,151.83	
Deduct:		
Provision for depreciation and depletion on the usual basis of production	1,293,570.65	
Interest on funded debt and other interest	2,801,608.58	
	4,095,179.23	
Profit before Investment Reserve	1,301,972.60	
Deduct:		
Reserve for depreciation of investments	745,500.00	
		556,472.60
		58,604,945.49
Deduct:		
Dividends on:		
7% Cumulative Preferred Stock (9 months)	52,500.00	
6% Cumulative Preferred Stock (3 months)	523,227.00	
7% Cumulative Preferred Stock of Provincial Paper Limited	245,000.00	
	820,727.00	
Balance at credit carried forward		\$57,784,218.49