

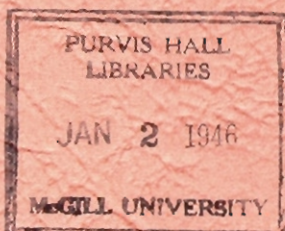
C

IN THE MATTER OF

Abitibi Power & Paper Company,
Limited

NINTH REPORT
of Receiver and Manager

5th May, 1941



This report is printed
on Paragon Offset
made by
PROVINCIAL PAPER, LIMITED

Abitibi Power & Paper Company, Limited

NINTH REPORT of Receiver and Manager

Attached hereto is audited Balance Sheet of Abitibi Power & Paper Company, Limited, (hereinafter called Abitibi) as of date December 31st, 1940, together with statement of the results of its operations with those of its wholly-owned subsidiaries, 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 such subsidiaries, and of Provincial Paper, Limited, the common capital stock of which, only, is owned by Abitibi.

By reason of abnormal conditions arising from the intervention and continuation of War, shipments of Canadian newsprint mills increased from 2,861,202 tons, in 1939, to 3,435,934 tons, in 1940. The increase of 574,732 tons (about 20% of shipments in 1939) was provided :

—to the United States	400,326 tons
—to Overseas markets	179,994 tons
	<hr/> 580,320 tons
<i>less</i>	
reduction in shipments to Canadian customers	5,588 tons
Net Increase	<hr/> 574,732 tons

Under such conditions, newsprint manufactured by Abitibi and its wholly-owned subsidiaries increased from 324,543 tons, in 1939, to 430,299 tons, in 1940. In compliance with the requirements of the Provinces of Ontario and Quebec that newsprint mills in such Provinces be operated at approximately equal ratios of production (as compared with their respective capacities) in order to provide relatively equal employment of labor and use of natural resources in the localities in which they are situate, such newsprint was manufactured by Abitibi :

135,844 tons at its Iroquois Falls (Ontario) mill,
74,449 tons at its Sault Ste. Marie (Ontario) mill,
61,526 tons at its Port Arthur (Ontario) mill,
38,671 tons at its Fort William (Ontario) mill,
60,270 tons at its Beupre (Quebec) mill,
59,539 tons at its Pine Falls (Manitoba) mill,

included in which were 102,333 tons sold to other Canadian newsprint manufacturers.

The general base contract price for newsprint sold in the United States (\$50. per ton, United States funds, f.o.b. mill, with freight allowed to destination) remained the same in 1940 as in 1939, and has been continued (as of the date of this report) to June 30th, 1941.

The quantities of sulphite pulps produced by Abitibi in 1940 were also increased by reason of the continuation of War, and amounted to :

those manufactured at the Smooth Rock Falls (Ontario) pulp mill :

—bleached	51,927 tons,
—unbleached	8,022 tons,
—screenings	1,891 tons,
	<hr/> 61,840 tons

those manufactured at newsprint mills of the Company :

—newsgrade	13,542 tons
	<hr/>

or a total of 75,382 tons

as compared with 44,896 tons manufactured at the Smooth Rock Falls mill and 477 tons of newsgrade sulphite pulps produced at newsprint mills of the Company, in 1939.

Prices of bleached sulphite pulps (delivered at New York dock) increased from \$50. per ton (United States funds) in 1939, to \$60. per ton for the first three months—\$61.50 per ton for the second three months—and \$72.50 per ton for the last six months of 1940. For the first six months of 1941, the price is \$72.50 per ton.

Prices of newsgrade sulphite pulps (delivered at New York dock) increased from about \$36. per ton (United States funds) in 1939, to \$46. per ton for the first three months—\$48.50 per ton for the second three months—and \$59.50 per ton for the last six months of 1940. For the first six months of 1941 the price is \$59.50 per ton.

COMMENTS IN RESPECT OF BALANCE SHEET

In respect of items contained in the Balance Sheet of Abitibi, as of date December 31st, 1940, (Exhibit I hereto) the following comments are made :

RELATIVE TO ASSETS :

- (a) Receiver's net current assets on December 31st, 1940, as compared with those on December 31st, 1939,

but prior to charge of the amounts owing for bond interest and interest on overdue and unpaid bond interest, at the end of each of such years, and such Income and Excess Profits Taxes, if any, as Abitibi may have to pay in respect of its 1940 earnings,

were as follows :

December 31st, 1939

Current assets.....	\$12,272,826.95	
Current liabilities including Contingent Reserve of \$750,000.....	1,500,169.70	
Excess of Current Assets.....		\$10,772,657.25

December 31st, 1940

Current assets.....	\$20,425,160.98	
Current liabilities including Contingent Reserve of \$750,000.....	1,596,788.67	
Excess of Current Assets.....		18,828,372.31
Increase in year 1940.....		\$ 8,055,715.06

(b) As of date December 31st, 1940, certain Hearst companies were indebted to Abitibi and its wholly-owned subsidiaries in the amount of \$1,594,685.50, as security for the payment of which, and the claims of certain other Creditors, certain securities stand lodged with a Trustee. Such securities are of such character that no sound estimate of their realizable value can be made at this time. In 1938 a Contingent Reserve of \$750,000. (above mentioned and as shown under Receiver's Liabilities in Exhibit I) was set up, with the approval of Court, as a provision against receivables owing to the Company and its wholly-owned subsidiaries, and in respect of unforeseen and other contingencies. Such reserve is believed to be adequate for such purposes.

In addition to the above Contingent Reserve—and as mentioned in previous reports—is a reserve of \$300,000., maintained in respect of pulpwood inventories of Abitibi and its wholly-owned subsidiaries, which reserve is not believed to be required at the present time. Other specific reserves held, and not believed to be required for the purposes for which they were set up, were estimated to amount to about \$50,000. on December 31st, 1940. The amount of Receiver's Current Assets—as shown in Exhibit I—is after deduction of such pulpwood and other specific reserves.

(c) Expenditures made and liabilities incurred in the year in connection with capital improvements and additions to mills and properties directly owned by Abitibi, amounted to \$165,494.72, the principal items comprised in which were :

At Iroquois Falls (Ontario)—

Warping Tug and Winch Boat, Heating Sluice Gates at Twin Falls and installation of Slush Stock System in Wrapper Mill.....	\$ 40,386.51
--	--------------

At Smooth Rock Falls (Ontario)—	
Wood Cleaning Equipment and other improvements.....	8,168.07
At Fort William (Ontario)—	
Purchase of Land.....	5,325.00
At Port Arthur (Ontario)—	
Diesel Powered Work Boat, Marine Railway Dry Dock and other im-	
provements.....	28,935.05
At Sault Ste. Marie (Ontario)—	
For installation of Refiners, Sulphite Mill and Board Machine Improve-	
ments for drying Sulphite, Block Pile Storage, Warping Tug and other	
improvements.....	82,680.09
Total.....	<u>\$165,494.72</u>

Expenditures made and liabilities incurred for similar purposes in connection with the mills and properties of wholly-owned subsidiaries of Abitibi, amounted to \$32,326.31, the principal items comprised in which were :

At Beaupre (Quebec)—	
Chemi-pulp System, Sulphite White Water System, Block Pile Fire Pro-	
tection, Winch Boat and other improvements.....	\$ 17,015.02
At Port Arthur (Ontario)—	
Electric Truck and additional Block Pile Storage.....	9,268.84
At the properties of other subsidiaries.....	6,042.45
Total.....	<u>\$ 32,326.31</u>

The above expenditures were made with the approval of The Supreme Court of Ontario.

RELATIVE TO LIABILITIES :

(d) First Mortgage 5% Bonds of Abitibi outstanding and interest thereon are included in the Balance Sheet (Exhibit 1) at the following amounts :

Principal amount of such bonds.....	\$48,267,000.00
Interest accrued thereon to September 10th, 1932.....	1,877,050.00
Unpaid interest coupons due December 1st, 1931, and prior thereto ..	1,300.00
Reserve for tax rebates.....	17,636.41
or at a total of.....	<u>\$50,162,986.41</u>

being the amount of the same as it was at the date of inception of the receivership of Abitibi.

As of date December 31st, 1940, the amount of such bonds, with unpaid and accrued interest thereon (including interest on overdue and npaid interest) was as follows :

Principal amount.....	\$48,267,000.00
Interest overdue, accrued due, and unpaid to December 31st, 1940	21,922,562.50
Interest on interest overdue and unpaid.....	4,706,032.50
Reserve for tax rebates.....	17,636.41
a total of.....	<u>\$74,913,231.41</u>

Under the terms of the Mortgage securing the above bonds and interest, payment of the same may be required to be made in United States funds. Had payment been made in such funds on December 31st, 1940, a possible premium of 11% on \$74,913,231.41 would require to have been provided by Abitibi in order to obtain them. On such a basis Canadian funds required to fully discharge such bonds and interest, in United States funds, on December 31st, 1940, would have amounted to \$83,-153,686.86.

RELATIVE TO RESULTS OF OPERATIONS IN 1940

In respect of the earnings of Abitibi and its wholly-owned subsidiaries in the year 1940 (see Exhibit I-B) the following comments are made :

(1) Excess of income over expenditures for the year, prior to charges for depreciation and bond interest—and such Income and Excess Profits Taxes, if any, as Abitibi may have to pay—amounted to \$8,187,505.44, as compared with \$3,445,001.11 in 1939, \$2,983,256.33 in 1938, and \$4,838,965.18 in 1937 (when conditions in the Canadian Newsprint Industry were also abnormal).

(2) Included in income for the year 1940 were the following (amongst other) items :

- (a) Sales of newsprint and pulps, which amounted to \$22,539,189.66, as compared with \$15,506,229.36 in 1939.
- (b) Sales of power, which amounted to \$960,040.47, as compared with \$639,819.03 in 1939.
- (c) Interest and discount earned (net) and sundry minor operating profits obtained were \$148,690.30 in 1940, as against \$118,866.37 in 1939.
- (d) Premium received upon United States funds was \$1,458,786.85 in 1940, as compared with \$504,026.49 in 1939.

(3) Included in operating expenses for the year were the following (amongst other) items :

- (a) Expenditures for maintenance and repair of the mills and properties of Abitibi and its wholly-owned subsidiaries amounted to \$1,648,653.77, as compared with \$1,360,926.68 in 1939.
- (b) Costs of carrying idle properties amounted to \$147,618.60, as compared with \$171,248.21 in 1939.
- (c) Special protection provided to mills and properties cost \$111,093.43 in 1939 \$87,604.65 was expended for such purposes.
- (d) Costs of obtaining special reports, under authority of Court, were \$1,800.00 in 1940, as compared with \$17,172.03 in 1939.

Against the excess of income over expenditures in the year—\$8,187,505.44 as above mentioned—the amount of \$4,500,000, has, with the sanction of The Supreme Court of Ontario, been charged for depreciation, in the year, upon the properties of Abitibi and its wholly-owned subsidiaries, being an amount which it is believed will be permitted to be deducted in determining Abitibi's consolidated taxable income in the year. From the balance of consolidated income remaining, after charges for depreciation,—and in determining consolidated taxable income—interest in the year upon the Abitibi bonds outstanding is deductible, and also, it is contended, interest on overdue and unpaid interest thereon, plus the possible premium of 11% on both of such items, to permit payment of the same to be made in United States funds, as may be required under the terms of the Bond Mortgage; in the aggregate such three items would have amounted—for 1940—to \$3,794,992.87.

RELATIVE TO INCOME AND EXCESS PROFITS TAXES PAYABLE

Taxes payable upon the consolidated taxable income of Abitibi and its wholly-owned subsidiaries (if any, after charges for depreciation, bond interest and other properly deductible items) and upon the taxable income of the wholly-owned subsidiaries of Abitibi, are as follows :

INCOME TAXES—

- (a) To the Department of National Revenue of The Dominion of Canada—20% of the consolidated taxable income of Abitibi and its subsidiaries; in 1939 such rate was 17%.
- (b) To the Province of Ontario—5% of the separate-taxable incomes of Abitibi and of its wholly-owned subsidiaries which are incorporated in Ontario; in 1940 such rate was increased from 2% applicable against earnings in the year 1938 to 5% applicable upon earnings in 1939, 1940 and 1941.

- (c) To the Province of Quebec—5% of the taxable income of Ste. Anne Paper Company, Limited, a wholly-owned subsidiary of Abitibi: in 1940 such rate was increased from 2½% applicable against earnings in 1938 to 5% applicable against earnings in 1939 and thereafter.
- (d) To the Province of Manitoba—12% of the consolidated taxable income of Manitoba Paper Company, Limited (a wholly-owned subsidiary of Abitibi) and its subsidiaries.

EXCESS PROFITS TAXES —

In the year 1940 an Excess Profits Tax Act was enacted by The Dominion of Canada and resolutions for its amendment have recently been introduced in Parliament. Under such Act the following Excess Profits taxes (in addition to Income taxes) have to be paid upon taxable income of the year 1940,

- (a) If annual consolidated taxable income shall not exceed 125% of the "Standard Profits" hereinafter mentioned, 12% of such taxable income must be paid as Excess Profits taxes; but
- (b) If annual consolidated taxable income shall be in excess of 125% of "Standard Profits" 75% of the excess of such income beyond "Standard Profits" (but less income taxes on such 75% and less the amount of any special inventory reserve allowed under the Act) must be paid as Excess Profits taxes.

"Standard Profits" under the Act and proposed amendments are those which shall be equal to average taxable income over the years 1936, 1937, 1938 and 1939, or, at the option of the tax-payer in certain cases, over the best three of such years; but, under the procedure in effect earlier this year, if any business was considered by the members or owners thereof to have been depressed in such years application might be made to the Minister of National Revenue to have the same classed as a depressed business. It was provided that if the Minister should approve of such application, the Standard Profits of such business might be fixed by the Board of Referees (referred to in the Act) at between 5% and 10% of the capital employed. Abitibi and other members of the Canadian Newsprint Industry made application to have such Industry classed as a depressed one and such application has recently been approved. Pending determination, by the Board of Referees, of the Standard Profits of Abitibi, there is no present certainty as to what they will be.

Under the above conditions it is not possible, at the date of this report, to determine what, if any, Income and Excess Profits taxes will require to be paid in respect of the net consolidated earnings of Abitibi in the year 1940.

STEPS TAKEN IN THE YEAR WITH RESPECT TO DISPOSITION OF THE AFFAIRS OF ABITIBI POWER & PAPER COMPANY, LIMITED (in receivership)

Under date of June 10th, 1940, and upon the application of Montreal Trust Company, Trustee for Abitibi Bondholders, an Order was made by The Supreme Court of Ontario that all of the assets of Abitibi—as those of a going concern—should be offered for sale by Public Auction, on October 16th, 1940, before the Master of The Supreme Court of Ontario, under conditions of sale approved by the Court, and subject to a reserve bid to be fixed by such Master. At such offering two bids were received, one of \$30,000,000., from a representative of the Abitibi Bondholders' Protective Committee, and the other for about \$40,300,000., which was not in accord with the Conditions of Sale approved by the Court. As both of such bids were below the reserve bid fixed by the Master, the sale was declared to be an abortive one.

Under date of November 1st, 1940, the Honorable Charles Patrick McTague, Justice of Appeal of The Supreme Court of Ontario; Sir James Dunn, Baronet; and Albert Edward Dymont, Esquire, were appointed a Royal Commission (by the Crown in the right of the Province of Ontario) to enquire into and report upon the matters, relating to Abitibi, which are set forth in their Commission of Appointment. Under date of March 17th, 1941, such Commission made its report to the Lieutenant-Governor-in-Council of Ontario. Subsequently the Legislature of the Province of Ontario enacted "The Abitibi Power & Paper Company Limited Moratorium Act 1941", which Act, under the provisions thereof, is not to come into effect unless/until proclaimed by the Lieutenant-Governor-in-Council of Ontario—to the date of this report it had not been so proclaimed. Under order of The

Supreme Court of Ontario the undersigned was directed to mail copies of the above Report and Act to the Bondholders, Creditors and Shareholders of Abitibi of whom he has knowledge. Copies of the same are therefore enclosed herewith.

The undersigned desires, once again, 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, May 15th, 1939 and April 15th, 1940, 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, 1940 and December 31st, 1940; also of giving in a general manner a broad view of matters with which he has been called to deal. It is not intended, however, that the Report should exhaustively enter into all the numerous questions which have arisen in connection with the affairs of Abitibi Power & Paper Company, Limited, or those of subsidiary corporations, or make any representations or convey the impression that all matters which have or may prove to have a bearing upon the affairs of the Companies are made mention of in the Report. Statements attached and figures mentioned in the Report are accurate so far as the undersigned has been able to ascertain but he does not represent or guarantee their correctness.

Toronto, May 5th, 1941.

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, 1940

INDEX TO EXHIBITS

In the Matter of

ABITIBI POWER & PAPER COMPANY, LIMITED,
G. T. CLARKSON, Receiver and Manager :

Balance Sheet, December 31, 1940..... (showing also for comparative purposes the assets and liabilities at December 31, 1939, as shown by the statement thereof contained in the eighth report of the Receiver and Manager dated April 15, 1940)	Exhibit 1
Statement of amount available as at December 31, 1940, towards depreciation and bond interest, from operations during Receivership period (including also the results of wholly owned subsidiaries, but exclusive of Provincial Paper, Limited).....	Exhibit 1-A
Statement showing the result from operations for the year ending December 31, 1940 (including also the results of wholly owned subsidiaries, but exclusive of Provincial Paper, Limited).....	Exhibit 1-B
MANITOBA PAPER COMPANY, LIMITED AND ITS SUBSIDIARIES : Consolidated Balance Sheet, December 31, 1940..... Consolidated Statement of Surplus and Profit and Loss for the year ending December 31, 1940.....	Exhibit 2 Exhibit 2-A
STE. ANNE PAPER COMPANY, LIMITED AND ITS SUBSIDIARIES : Consolidated Balance Sheet, December 31, 1940..... Consolidated Deficit Account for the year ending December 31, 1940.....	Exhibit 3 Exhibit 3-A
THUNDER BAY PAPER CO., LIMITED : Balance Sheet, December 31, 1940..... Deficit Account for the year ending December 31, 1940.....	Exhibit 4 Exhibit 4-A
ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED : Balance Sheet, December 31, 1940..... Deficit Account for the year ending December 31, 1940.....	Exhibit 5 Exhibit 5-A
KAMINISTIGUIA POWER CO., LIMITED : Balance Sheet, December 31, 1940..... Surplus and Profit and Loss Account for the year ending December 31, 1940...	Exhibit 6 Exhibit 6-A
MATTAGAMI RAILROAD COMPANY : Balance Sheet, December 31, 1940..... Surplus and Profit and Loss Account for the year ending December 31, 1940...	Exhibit 7 Exhibit 7-A
PROVINCIAL PAPER, LIMITED : Balance Sheet, December 31, 1940..... Surplus and Profit and Loss Account for the year ending December 31, 1940...	Exhibit 8 Exhibit 8-A

AUDITORS' CERTIFICATE

PRICE, WATERHOUSE & CO.

ROYAL BANK BUILDING
TORONTO
April 18, 1941

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, 1940, 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, 1940, 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 four years ending December 31, 1940, however, amounts aggregating \$10,505,000.00 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. It is impracticable at this date to accurately determine the amount of income or excess profits taxes, if any, which may be found to be payable in respect of the profits for 1940 and accordingly no provision therefor has been made in the accounts of the Receiver and Manager or the subsidiary companies (other than Provincial Paper, 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.

With the exceptions as noted above and as 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, 1940 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.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1940

(showing also for comparative purposes the assets and liabilities at December 31, 1939, as shown by the statement thereof contained in the eighth report of the Receiver and Manager dated April 15, 1940).

	ASSETS	
	December 31, 1939	December 31, 1940
RECEIVER'S CURRENT ASSETS :		
Cash on hand and on deposit.....	\$ 303,741.44	\$ 6,490,712.98
Dominion of Canada Second War Loan Bonds at cost and market value.....	—	1,492,500.00
Investments in sundry bonds.....	131,303.00	127,503.00
Accounts receivable, customers', less reserves.....	804,492.92	976,664.20
Receivable from The G. H. Mead Company for newsprint shipments, less reserves.....	1,760,142.12	1,710,868.39
Net current assets of other subsidiaries ..	3,378,235.49	3,485,833.21
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.....	5,894,911.98	6,141,079.20
	\$12,272,826.95	\$20,425,160.98
DEPOSITS WITH TRUSTEE FOR BOND-HOLDERS.....	63,524.46	62,282.73
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).....	\$45,229,502.36	\$43,260,409.34
Less—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.....	3,378,235.49	3,485,833.21
	\$41,851,266.87	\$39,774,576.13
Investment by Receiver in purchase of shares of The G. H. Mead Company....	600,000.00	600,000.00
	42,451,266.87	40,374,576.13 ✓
INVESTMENTS IN SHARES OF CORPORATIONS OTHER THAN WHOLLY OWNED SUBSIDIARIES :		
Shares of Provincial Paper, Limited at arbitrary value of.....	\$ 1,500,000.00	\$ 1,500,000.00
Miscellaneous, less reserves.....	635.00	635.00
	1,500,635.00	1,500,635.00
Forward.....	\$56,288,253.28	\$62,362,654.84

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1940

(showing also for comparative purposes the assets and liabilities at December 31, 1939, as shown by the statement thereof contained in the eighth report of the Receiver and Manager dated April 15, 1940).

LIABILITIES				
	December 31, 1939		December 31, 1940	
<hr/>				
SUNDRY LIABILITIES OF RECEIVER :				
Wages accrued and payable.....	\$	99,691.96	\$	122,181.69
Sundry accounts payable.....		650,477.74		724,606.98
		<hr/>		<hr/>
		\$ 750,169.70		\$ 846,788.67
Contingent reserve.....		750,000.00		750,000.00
		<hr/>		<hr/>
		\$ 1,500,169.70		\$ 1,596,788.67
GENERAL CREDITORS' CLAIMS INCURRED				
PRIOR TO RECEIVERSHIP.....		749,855.32		749,986.99
FIVE PER CENT. FIRST MORTGAGE GOLD				
BONDS :				
Outstanding.....	\$48,267,000.00		\$48,267,000.00	
Unpaid interest coupons due December 1, 1931 and prior.....	1,300.00		1,300.00	
Interest accrued to September 10, 1932....	1,877,050.00		1,877,050.00	
Reserve for tax rebates.....	17,636.41		17,636.41	
	<hr/>	50,162,986.41	<hr/>	50,162,986.41
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	
	<hr/>	54,846,735.43	<hr/>	54,846,735.43
Forward.....		\$107,259,746.86		\$107,356,497.50

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1940

ASSETS		December 31, 1939	December 31, 1940
Forward		\$ 56,288,253.28	\$ 62,362,654.84
INVESTMENTS IN MILLS AND EQUIPMENT, RAILWAYS, WATER- POWERS, TOWNSITES AND BUILDINGS : (after deducting reserves for depreciation) .		44,920,613.76	42,617,540.97
TIMBER CONCESSIONS AND FREEHOLD TIMBER OWNED : (after deducting depletion and other reserves)		19,890,600.95	19,877,091.98
REAL ESTATE AND OFFICE BUILDINGS		327,361.46	327,397.46
CHATELS AND EQUIPMENT		22,105.59	23,089.59
PREPAID EXPENSES ..		229,832.24	252,119.78
		<u>\$121,678,767.28</u>	<u>\$125,459,894.62</u>

NOTES :

1.—The Receiver's Current Assets, as above, include \$3,280,168.03, 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 \$36,838.82 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, 1940 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 5½% 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 \$4.86⅔ to the pound (£) sterling.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1940

	LIABILITIES	
	December 31, 1939	December 31, 1940
Forward.....	\$107,259,746.86	\$107,356,497.50
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 four years ending December 31, 1940 aggregating \$10,505,000.00—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, but before providing for income and excess profits taxes, if any, in respect of the year ending December 31, 1940) Exhibit I-A..	9,930,929.82	13,615,306.52
	<u>\$121,678,767.28</u>	<u>\$125,459,894.62</u>

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 from the investments in the securities thereof. The advances made by the Receiver and Manager to subsidiaries 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—have, at December 31, 1940, been reduced to \$1,395,085.98.

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 April 18, 1941.

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, 1940, TOWARDS DEPRECIATION AND BOND INTEREST, FROM OPERATIONS DURING RECEIVERSHIP PERIOD

(Including also the results of wholly owned subsidiaries, exclusive of Provincial Paper, Limited, but before providing for income and excess profits taxes, if any, payable in respect of the year ending December 31, 1940)

PARTICULARS	AMOUNT
Balance as at December 31, 1939 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.....	\$ 9,930,929.82
DEDUCT:	
Adjustment applicable to prior year.....	3,128.74
	\$ 9,927,801.08
ADD:	
Amount available for depreciation of mills and properties and towards bond interest from operations for the year ending December 31, 1940, before providing for income and excess profits taxes, if any, as per statement on Exhibit 1-B attached.....	\$ 8,187,505.44
Less—Amount provided for depreciation for the year ending December 31, 1940 (including provisions shown on books of subsidiary companies).....	4,500,000.00
	3,687,505.44
BALANCE AS AT DECEMBER 31, 1940, CARRIED TO BALANCE SHEET	<u>\$13,615,306.52</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, 1940

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

PARTICULARS		AMOUNT
INCOME :		
Sales of newsprint and pulp.....		\$22,539,189.66
Sales of power.....		960,040.47
		<hr/> \$23,499,230.13
Less Operating costs, including administration, superintendence, selling and general expenses, but before providing for depreciation.....		16,535,523.98
		<hr/> \$ 6,963,706.15
Add—Premium on U.S. funds (net).....		1,458,786.85
		<hr/> \$ 8,422,493.00
ADD:		
Interest and discount earned (net).....	\$	127,060.92
Sundry minor operating profits.....		21,629.38
		<hr/> 148,690.30
		<hr/> \$ 8,571,183.30
DEDUCT:		
Cost of carrying idle mills and timber concessions tributary thereto :		
Mill idle costs including caretaking and insurance.....	\$48,360.41	
Taxes on mills and townsites.....	41,515.92	
Timber concessions—taxes, licenses and fees.....	57,742.27	
	\$	147,618.60
Cost of issue of Receiver's eighth report.....		2,849.01
Cost of protection of properties against sabotage.....		111,093.43
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, etc.....		20,714.62
		<hr/> 378,275.66
		<hr/> \$ 8,192,907.64
DEDUCT:		
Cost of obtaining special reports under authority of Court.....	\$	1,800.00
Expenses of Liquidator.....		1,801.20
Expenses of Bondholders' Representative Committee.....		1,801.00
		<hr/> 5,402.20
		<hr/> BALANCE AVAILABLE FOR DEPRECIATION OF MILLS AND PROPERTIES AND TOWARDS BOND INTEREST, BEFORE PROVIDING FOR INCOME AND EXCESS PROFITS TAXES, IF ANY.....
		<hr/> \$ 8,187,505.44
DEDUCT:		
Amount provided for depreciation for the year ending December 31, 1940 (including provisions shown on books of subsidiary companies).....		4,500,000.00
		<hr/> BALANCE AVAILABLE TOWARDS THE PAYMENT OF BOND INTEREST AND INCOME AND EXCESS PROFITS TAXES, IF ANY, CARRIED TO EXHIBIT 1-A.....
		<hr/> \$ 3,687,505.44

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, 1940

ASSETS

CURRENT ASSETS :

Cash on hand and on deposit	\$ 6,166.10	
Sundry accounts receivable, less reserve	183,240.68	
Receivable from The G. H. Mead Company for newsprint shipments	148,236.82	
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	789,322.50	
	<hr/>	\$ 1,126,966.10

NOTE—The net current assets include \$256,838.17 of United States funds which are expressed in Canadian dollars at par, the exchange premium of \$25,683.00 not being taken up in the accounts as at December 31, 1940.

OTHER ASSETS AND DEFERRED CHARGES :

Deposits with Trustee for Bondholders	\$ 6,105.14	
Unexpired insurance, etc.	18,685.89	
	<hr/>	24,791.03

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.	\$ 9,996,632.06	
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	
	<hr/>	16,098,269.15

\$17,250,026.28

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, 1940
Investment—	
5% First Mortgage Bonds with interest due and accrued thereon	\$ 9,455,915.47
Capital Stock (35,000 shares)	1,500,000.00
Balance in Earned Surplus Account	938,895.68
	<hr/>
	\$11,894,811.15

MANITOBA PAPER COMPANY, LIMITED

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

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1940

LIABILITIES		
SUNDRY ACCOUNTS PAYABLE.....	\$	156,899.41
TAXES DUE AND ACCRUED.....		4,584.81
	\$	161,484.22
FUNDED DEBT :		
5% First Mortgage Gold Bonds :		
Due June 1, 1968	\$	6,500,000.00
Due June 1, 1971		425,000.00
	\$	6,925,000.00
Interest due and accrued thereon		2,530,915.47
		9,455,915.47
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	\$	2,130,862.20
Depletion.....		7,390.46
		2,138,252.66
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		938,895.68
		5,494,373.93
		<u>\$17,250,026.28</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 Manitoba Paper Company, Limited and its subsidiary companies for the year ending December 31, 1940 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, 1940 for the amortization of the book values of timber limits nor has any reserve been created for depreciation of plant, machinery and equipment from February, 1932 up to December 31, 1936: amounts aggregating \$1,355,000.00 have, however, been provided for depreciation for the four years ending December 31, 1940. Provision has not been made for income and excess profits taxes, if any, in respect of the profits for the year ending December 31, 1940. There is a question as to whether the conditions required to be observed by the company under its timber concession and power rights have been complied with. Except as to the foregoing and as 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, 1940 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, April 18, 1941.

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, 1940

PARTICULARS	AMOUNT
Surplus at December 31, 1939..	\$3,379,258.93
<i>Less</i> Interest on 5% First Mortgage Gold Bonds for period from September 1, 1932 to December 31, 1939	2,539,166.67
	<u>\$ 840,092.26</u>
Add :	
Profit from operations for the year ending December 31, 1940, before providing for depreciation (after charging executive salaries as represented by amounts paid to officers \$12,375.00)	\$940,053.42
<i>Less</i> Provision for depreciation	\$495,000.00
Interest on 5% First Mortgage Gold Bonds.....	346,250.00
	<u>\$41,250.00</u>
Profit for the year, before providing for income and excess profits taxes, if any.....	98,803.42
BALANCE AT DECEMBER 31, 1940	<u><u>\$ 938,895.68</u></u>

STE. ANNE PAPER COMPANY, LIMITED
and its Subsidiaries

Balance Sheet and
Profit and Loss Account

STE. ANNE PAPER COMPANY, LIMITED
AND ITS SUBSIDIARIES
ST. ANNE POWER COMPANY AND BAIE ST. PAUL LUMBER COMPANY, LIMITED
CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1940

A S S E T S

CURRENT ASSETS :

Cash on hand and on deposit	\$ 33,076.64	
Sundry accounts receivable	78,506.39	
Receivable from The G. H. Mead Company for newspaper shipments	278,245.92	
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	1,202,034.60	
		\$ 1,591,863.55

NOTE: The net current assets include \$282,257.81 of United States funds which are expressed in Canadian dollars at par, the exchange premium of \$28,225.00 not being taken up in the accounts as at December 31, 1940.

OTHER ASSETS AND DEFERRED CHARGES :

Deposits with Trustee for Bondholders	\$ 39,450.94	
Unexpired insurance, prepaid taxes, etc.	26,138.90	
		65,589.84

FIXED ASSETS :

Plant, machinery and equipment	\$ 9,780,905.74	
Lands, timber limits, and cutting rights	3,557,470.40	
		13,338,376.14

TOTAL ASSETS

\$14,995,829.53

DEBIT, as per statement attached

5,352,267.84

\$20,348,097.37

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,
1940

Investment

5% First Mortgage Bonds with interest due and accrued thereon	\$11,283,270.83
Capital Stock (100,000 shares)	500,000.00

\$11,783,270.83

Less: Balance in Debit Account	5,352,267.84
--------------------------------	--------------

\$ 6,431,002.99

Add: Balances owing by Ste. Anne Paper Company, Limited to:-

Abitibi Power & Paper Company, Limited	5,121,605.27
Receiver and Manager of Abitibi Power & Paper Company, Limited	1,328,174.81

\$12,880,783.07

STE. ANNE PAPER COMPANY, LIMITED
AND ITS SUBSIDIARIES
ST. ANNE POWER COMPANY AND BAIE ST. PAUL LUMBER COMPANY, LIMITED
CONSOLIDATED BALANCE SHEET **DECEMBER 31, 1940**

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$ 112,248.16
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.....	1,328,174.81	6,449,780.08
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 due and accrued thereon.....	3,388,270.83	11,283,270.83
<p>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.</p>		
RESERVES :		
Depreciation	\$ 1,676,628.20	
Depletion	326,170.10	2,002,798.30
CAPITAL STOCK :		
Common Shares -		
Represented by shares without nominal or par value		
Authorized and issued—100,000 shares.....		500,000.00
		<u>\$20,348,097.37</u>

G. T. CLARKSON, Receiver and Manager,
 ABITIBI POWER & PAPER COMPANY, LIMITED :

We have examined the books and accounts of 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, 1940 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, 1940 for amortization of the book values of timber limits as recorded on the books of St. Anne Paper Company nor has any reserve been provided for depreciation of plant, machinery and equipment from June, 1931 up to December 31, 1936; amounts aggregating \$1,025,000.00 have, however, been provided for depreciation for the four years ending December 31, 1940. Except as to the foregoing and as 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, 1940 is properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs according to the best of our information and the explanations given to us and as shown by the books of the companies.

TORONTO, April 18, 1941.

PRICE, WATERHOUSE & CO.,
 Auditors.

STE. ANNE PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES
 ST. ANNE POWER COMPANY
 BAIE ST. PAUL LUMBER COMPANY, LIMITED

CONSOLIDATED DEFICIT ACCOUNT
 FOR THE YEAR ENDING DECEMBER 31, 1940

PARTICULARS	AMOUNT
Deficit at December 31, 1939.....	\$2,436,681.95
<i>Add</i> —Interest on 5% First Mortgage Gold Bonds for period from September 1, 1932 to December 31, 1939	2,894,833.33
	<u>\$5,331,515.28</u>
<i>Add</i> :	
Profit from operations for the year ending December 31, 1940, before providing for depreciation.....	\$848,997.44
<i>Less</i> —Provision for depreciation.....	\$475,000.00
Interest on 5% First Mortgage Gold Bonds.....	394,750.00
	<u>869,750.00</u>
Loss for the year.....	<u>20,752.56</u>
DEFICIT AT DECEMBER 31, 1940.....	<u><u>\$5,352,267.84</u></u>

THUNDER BAY PAPER CO., LIMITED

Balance Sheet and
Profit and Loss Account

THUNDER BAY PAPER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1940

A S S E T S

CURRENT ASSETS :

Cash on hand and on deposit.....	\$ 1,000.00
Sundry accounts receivable.....	90,104.12
Receivable from The G. H. Mead Company for newsprint shipments.....	308,237.54
Inventories of paper, pulpwood, materials and supplies, valued on the basis of cost less reserve, as certified to by responsible officials of the company.....	678,065.68
	<u>\$ 1,077,407.34</u>
NOTE—The net current assets include \$379,931.29 United States funds which are expressed in Canadian dollars at par, the exchange premium of \$37,993.00 not being taken up in the accounts as at December 31, 1940.	

DEFERRED CHARGES :

Prepaid expenses.....	7,027.59
-----------------------	----------

FIXED ASSETS, at cost :

Cash deposit on timber limit.....	\$ 50,000.00
Real estate.....	44,812.98
Plant, machinery and equipment.....	5,980,423.64
Other fixtures.....	3,056.78
	<u>6,078,293.40</u>
	<u><u>\$ 7,162,728.33</u></u>

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, 1940
Investment in shares and advances before charging Thunder Bay Paper Co., Limited with any interest since December 31, 1935.....	\$ 8,989,385.47
Profit during period of Receivership.....	264,635.08
	<u>\$ 9,254,020.55</u>
Less—Amounts written off for period prior to Receivership.....	2,087,208.44
Net balance carried as investment and advances.....	<u><u>\$ 7,166,812.11</u></u>

THUNDER BAY PAPER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1940

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$ 89,729.63
OWING TO AFFILIATED COMPANY :		
Abitibi Power & Paper Company, Limited.....	\$ 194,367.16	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited.....	66,911.17	
		261,278.33
RESERVE FOR DEPRECIATION.....		1,930,491.91
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...	372,209.69	
		4,881,228.46
CONTINGENT AND CONTRACTUAL LIABILITY :		
Obligation to Dominion Government in connection with the com- pletion of dock construction at the Bare Point Mill, Port Arthur.		
		<u>\$ 7,162,728.33</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, 1940 and have obtained all the information and explanations which we have required. An amount of \$515,000.00 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 the foregoing and except that no provision has been made for income and excess profits taxes, if any, in respect of the year ending December 31, 1940, 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, 1940 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, April 18, 1941.

PRICE, WATERHOUSE & CO.,
Auditors.

THUNDER BAY PAPER CO., LIMITED

DEFICIT ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1940

PARTICULARS	AMOUNT
Deficit at December 31, 1939.....	\$ 926,971.61
<i>Add</i> —Income tax paid in respect of prior period	3,128.74
	<u>\$ 930,100.35</u>
DEDUCT :	
Profit from operations for the year ending December 31, 1940, before providing for depreciation.....	\$ 1,072,890.66
<i>Less</i> —Provision for depreciation.....	<u>515,000.00</u>
Profit for the year ending December 31, 1940, before providing for income and excess profits taxes, if any.....	<u>557,890.66</u>
DEFICIT AT DECEMBER 31, 1940.....	<u><u>\$ 372,209.69</u></u>

ABITIBI ELECTRIC DEVELOPMENT
COMPANY, LIMITED

Balance Sheet and
Profit and Loss Account

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1940

ASSETS

CASH ON HAND AND ON DEPOSIT.....	\$ 750.00
SUNDRY ACCOUNTS RECEIVABLE.....	1,655.86
INVENTORIES OF EQUIPMENT AND SUPPLIES (less reserve).....	25,619.31
DEFERRED CHARGES : Unexpired insurance, etc.....	1,466.16
FIXED ASSETS, at cost : Power plant, transmission line, etc.....	\$ 7,832,623.67
Speeders, camp buildings and equipment.....	47,943.82
Horses, vehicles and livestock.....	1,062.36
	<u>7,881,629.85</u>
TOTAL ASSETS.....	\$ 7,911,121.18
DEFICIT, as per statement attached.....	599,570.67

NOTE—Under date of August 1, 1925 Abitibi Power & Paper Company, Limited entered into a 25-year contract to purchase power from Abitibi Electric Development Company, Limited at a price of \$700,000.00 per year. Since January 1, 1932 this contract has not been observed by either Abitibi Power & Paper Company, Limited or by the Receiver and Manager thereof, nor by Abitibi Electric Development Company, Limited; had the contract been fully observed the deficit above shown would have been wiped out and the Abitibi Company and the Receiver and Manager thereof would have been indebted to Abitibi Electric Development Company, Limited in a substantial amount. On April 9, 1941 the Receiver and Manager of Abitibi Power & Paper Company, Limited was authorized by the court to agree to the cancellation, as of January 1, 1932, of the above-mentioned agreement and to waive all interest accruing during the period from January 1, 1932 to December 31, 1939 in respect of the \$5,155,000.00 First Mortgage Bonds of Abitibi Electric Development Company, Limited.

\$ 8,510,691.85

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, 1940
Investment—	
5% First Mortgage Bonds with interest due and accrued thereon.....	\$ 7,367,354.17
Capital Stock (20,005 shares).....	100,005.00
	<u>\$ 7,467,359.17</u>
Less—Balance in Deficit account.....	599,570.67
	<u>\$ 6,867,788.50</u>
Add—Balance owing by Abitibi Electric Development Company, Limited to Abitibi Power & Paper Company, Limited.....	204,945.61
	<u>\$7,072,734.11</u>

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1940

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$	8,387.07
ABITIBI POWER & PAPER COMPANY, LIMITED.....		204,945.61
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 due and accrued thereon.....		2,212,354.17
		<u>7,367,354.17</u>
<p>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.</p>		
RESERVE FOR DEPRECIATION.....		830,000.00
CAPITAL STOCK :		
Common Shares—		
Represented by shares without nominal or par value		
Authorized—50,000 shares		
Issued— 20,005 shares..		100,005.00
		<u>\$ 8,510,691.85</u>

G. T. CLARKSON, Receiver and Manager,
ABITIBI POWER & PAPER COMPANY, LIMITED:

We have examined the books and accounts of Abitibi Electric Development Company, Limited for the year ending December 31, 1940 and have obtained all the information and explanations which we have required. Except that no provision has been made for depreciation of plant and equipment up to December 31, 1936 (amounts aggregating \$830,000.00 have been provided for depreciation for the four years ending December 31, 1940), 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.

TORONTO, April 18, 1941.

PRICE, WATERHOUSE & CO.,
Auditors.

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

DEFICIT ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1940

PARTICULARS	AMOUNT
Interest on 5% First Mortgage Gold Bonds for period from September 1, 1932 to December 31, 1939.....	\$1,890,166.67
<i>Less</i> —Balance in Surplus Account as at December 31, 1939.....	1,480,596.00
	<u>\$ 409,570.67</u>
Profit from operations for the year ending December 31, 1940 before providing for depreciation.....	\$457,750.00
<i>Less</i> —Provision for depreciation.....	\$390,000.00
Interest on 5% First Mortgage Gold Bonds.....	257,750.00
	<u>647,750.00</u>
Loss for the year.....	190,000.00
DEFICIT AT DECEMBER 31, 1940.....	<u><u>\$ 599,570.67</u></u>

KAMINISTIQUEIA POWER CO., LIMITED

Balance Sheet and Profit and Loss Account

KAMINISTIQUEA POWER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1940

ASSETS

CURRENT ASSETS :

Cash on hand and on deposit.....	\$ 1,000.00	
Sundry customers' accounts, less reserve.....	12,240.44	
Inventories of supplies.....	11,116.66	
	<hr/>	\$ 24,357.10

INVESTMENT, less reserve.....		1.00
-------------------------------	--	------

OWING BY AFFILIATED COMPANY :

Abitibi Power & Paper Company, Limited—		
Balance owing in respect of period prior to Receivership.....	\$ 428,493.38	
Portion of power billings during period September 10, 1932 to April 30, 1937, being the excess of charges under power contract, over power used which has been charged to the Receiver and Manager of Abitibi Power & Paper Company, Limited.....	851,166.40	
	<hr/>	\$ 1,279,659.78
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited—		
For power used and collections retained, etc.....	83,345.22	
	<hr/>	1,363,005.00

DEFERRED CHARGES :

Unexpired insurance, etc.....		946.39
-------------------------------	--	--------

FIXED ASSETS :

Waterpowers, lands, buildings, etc., at appraised value as reported by Walter J. Francis & Co., Engineers, as at September 1925, plus subsequent additions, at cost.....	6,379,751.36	
	<hr/>	\$ 7,768,060.85
	<hr/>	

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,	
	1940	
Investment—		
5% First Mortgage Bonds with interest accrued thereon.....	\$ 3,514,583.33	
Capital Stock (40,000 shares).....	950,000.00	
Balance in Earned Surplus Account.....	1,014,734.05	
	<hr/>	\$ 5,479,317.38
Less—Balances owing to Kaministiquia Power Co., Limited by—		
Abitibi Power & Paper Company, Limited.....	1,279,659.78	
Receiver and Manager of Abitibi Power & Paper Company, Limited.....	83,345.22	
	<hr/>	1,363,005.00
	<hr/>	\$ 4,116,312.38
	<hr/>	

KAMINISTIQUEA POWER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1940

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$ 10,391.88
FUNDED DEBT :		
5% First Mortgage Gold Bonds, due 1968.....	\$ 3,500,000.00	
Interest accrued thereon.....	14,583.33	
		3,514,583.33
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.....		1,680,964.51
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.....	1,014,734.05	
		2,562,121.13
		<u>\$ 7,768,060.85</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 Kaministiquia Power Co., Limited for the year ending December 31, 1940 and have obtained all the information and explanations which we have required. Except that no provision has been established against the account receivable from Abitibi Power & Paper Company, Limited nor for depreciation of fixed assets during the period from September 1, 1932 to December 31, 1936 (amounts aggregating \$501,000.00 have been provided for depreciation for the four years ending December 31, 1940), we report that, in our opinion, the above balance sheet at December 31, 1940 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, April 18, 1941.

PRICE, WATERHOUSE & CO.,
Auditors.

KAMINISTIKUIA POWER CO., LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1940

PARTICULARS	AMOUNT
Surplus at December 31, 1939.....	\$1,106,737.55
Profit from operations for the year ending December 31, 1940, before providing for depreciation (after charging execu- tive salaries as represented by amounts paid to officers \$7,908.32)	\$272,996.50
<i>Less</i> —Provision for depreciation.....	\$190,000.00
Interest on 5% First Mortgage Gold Bonds	175,000.00
	<u>365,000.00</u>
Loss for the year.....	92,003.50
BALANCE AT DECEMBER 31, 1940.....	<u><u>\$1,014,734.05</u></u>

MATTAGAMI RAILROAD COMPANY

Balance Sheet and
Profit and Loss Account

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

DECEMBER 31, 1940

ASSETS

SUNDRY ASSETS :

Cash on deposit.....	\$ 100.00	
Accounts receivable.....	5,154.47	
Inventory of coal, etc., at cost	2,529.59	
		\$ 7,784.06

OWING BY AFFILIATED COMPANY :

Abitibi Power & Paper Company, Limited.....	\$ 97,460.12	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited.....	88,023.83	
		185,483.95

DEFERRED CHARGES :

Unexpired insurance.....	733.11
--------------------------	--------

FIXED ASSETS :

Rolling stock, rails, equipment, etc.....	242,523.30
	\$436,524.42

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, 1940
Investment—	
Capital Stock (2,500 shares).....	\$250,000.00
Balance in Earned Surplus Account.....	158,839.71
	\$408,839.71
Less—Balances owing to Mattagami Railroad Company by—	
Abitibi Power & Paper Company, Limited.....	\$ 97,460.12
Receiver and Manager of Abitibi Power & Paper Company, Limited.....	88,023.83
	185,483.95
	\$223,355.76

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

DECEMBER 31, 1940

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$ 2,684.71	
RESERVE FOR DEPRECIATION.....		25,000.00
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.....	158,839.71	408,839.71
		<u>\$436,524.42</u>

G. T. CLARKSON, Receiver and Manager,
ABITIBI POWER & PAPER COMPANY, LIMITED :

We have examined the books and accounts of Mattagami Railroad Company for the year ending December 31, 1940 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 nor has provision been made for income and excess profits taxes, if any, in respect of the profits for the year ending December 31, 1940. Provision was not made for accruing depreciation of rolling stock, rails and equipment, etc., up to December 31, 1936, but amounts aggregating \$25,000.00 have been provided towards depreciation in the four years ending December 31, 1940. Except as to the foregoing, we report that, in our opinion, the above balance sheet at December 31, 1940 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, April 18, 1941.

PRICE, WATERHOUSE & CO.,
Auditors.

MATTAGAMI RAILROAD COMPANY

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1940

PARTICULARS	AMOUNT
Surplus at December 31, 1939	\$154,606.57
ADD :	
Profit from operations for the year ending December 31, 1940 before providing for depreciation.. . . .	\$ 14,233.14
Less--Provision for depreciation	10,000.00
Profit for the year before providing for income and excess profits taxes, if any	4,233.14
BALANCE AT DECEMBER 31, 1940.....	<u>\$158,839.71</u>

PROVINCIAL PAPER, LIMITED

— —

Balance Sheet and
Profit and Loss Account

PROVINCIAL PAPER, LIMITED

BALANCE SHEET

DECEMBER 31, 1940

A S S E T S

CURRENT ASSETS :

Cash on hand and in banks.....	\$ 581,324.67	
Accounts receivable, less reserve for bad debts, etc.....	882,398.62	
Government and other bonds, at cost (market value \$498,000).....	499,475.00	
Inventories of paper, pulpwood, materials and supplies valued at or below present market prices, not above cost, as determined and certified to by responsible officials of the company, and expenditures on 1941 wood operations.....	1,515,737.84	
		\$ 3,478,936.13
NOTE—The net current assets include \$91,743.07 of United States funds which are expressed in Canadian dollars, the exchange premium of \$9,174.31 not being taken up in the accounts as at December 31, 1940.		

OTHER ASSETS :

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

PROPERTY AND PLANT :

Land, buildings, equipment, etc.....	9,827,113.70
--------------------------------------	--------------

DEFERRED CHARGES :

Unexpired insurance.....	6,110.82
--------------------------	----------

\$13,496,435.96

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,
1940

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
--	-----------------

PROVINCIAL PAPER, LIMITED

BALANCE SHEET

DECEMBER 31, 1940

LIABILITIES

CURRENT LIABILITIES :

Accounts payable and accrued liabilities.....	\$ 207,474.73	
Dividend on preferred stock—1¾% payable January 2, 1941	61,250.00	
Bond interest accrued.....	30,396.66	
Reserve for Dominion and Provincial Income and Excess Profits taxes (estimated).....	304,388.44	
		\$ 603,509.83

MORTGAGE DEBT :

5½% First Mortgage Sinking Fund Redeemable		
Bonds, due 1947 :		
Authorized.....	\$10,000,000.00	
Issued.....	\$ 5,300,000.00	
Less—		
Redeemed.....	1,984,000.00	
		3,316,000.00

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.....	4,225,384.28
--	--------------

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	
		3,600,000.00

SURPLUS.....	1,130,255.74
--------------	--------------

\$13,496,435.96

AUDITORS' REPORT TO THE SHAREHOLDERS :

We have examined the books and accounts of Provincial Paper, Limited for the year ending December 31, 1940 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, 1940 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 7, 1941.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

PROVINCIAL PAPER, LIMITED

STATEMENT OF SURPLUS AND PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1940

PARTICULARS	AMOUNT
Profit for the year ending December 31, 1940, including income from investments, but before providing for the undernoted charges.....	\$1,056,193.68
DEDUCT :	
Provision for depreciation.....	\$300,000.00
Interest on mortgage debt.....	\$182,862.28
U.S. exchange premium paid thereon.....	20,114.85
	<u>202,977.13</u>
	502,977.13
Profit for the year, before providing for income and excess profits taxes.....	\$ 553,216.55
DEDUCT :	
Provision for Dominion and Provincial income taxes and for Dominion excess profits tax (estimated).....	280,000.00
Net Profit for the year.....	<u>\$ 273,216.55</u>
ADD :	
Surplus as at December 31, 1939.....	1,102,039.19
	<u>\$1,375,255.74</u>
DEDUCT :	
Dividends on 7% cumulative preferred stock.....	245,000.00
SURPLUS AS AT DECEMBER 31, 1940.....	<u><u>\$1,130,255.74</u></u>

