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IN THE MATTER OF

**Abitibi Power & Paper Company,
Limited**

Eleventh Report
of Receiver and Manager

28th May, 1943

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Abitibi Power & Paper Company, Limited**ELEVENTH 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, 1942, 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.

With the continuation of abnormal conditions brought about by the War, shipments of newsprint by Canadian mills in the year ending December 31st, 1942, as compared with those in each of the years ending December 31st, 1940 and 1941, respectively, were as follows:

	In 1942	In 1941	In 1940
To Canadian customers.....	202,536 tons	196,766 tons	183,894 tons
To The United States.....	2,810,832 tons	2,770,002 tons	2,594,452 tons
To Overseas Markets.....	195,312 tons	487,897 tons	657,588 tons
Total	<u>3,208,680 tons</u>	<u>3,454,665 tons</u>	<u>3,435,934 tons</u>

Upon the above basis shipments were approximately 7% less in 1942 than they were in 1941.

Certain restrictions having been imposed, in 1943, in respect to the consumption of newsprint in both Canada and the United States, and also in respect of the quantities of newsprint which may be exported from Canada to the United States, present prospects are that the aggregate production/shipments of Canadian newsprint mills will likely be less in 1943 than they were in 1942, but to what approximate extent cannot, at the time, be determined.

**RELATIVE TO THE PRODUCTION/SHIPMENTS OF ABITIBI UNDERTAKINGS IN 1942 AND PRICES FOR
THE PRODUCTS MANUFACTURED/SOLD BY THEM**

NEWSPRINT PRODUCTION/SHIPMENTS:

(1) As of date August 11th, 1942, (effective September 4th, 1942) and with the approval of the Governor General in Council of the Dominion of Canada, Privy Council Order No. 170, was issued appointing an Administrator, (under The Wartime Prices and Trade Board) to the Canadian Newsprint Industry. Since September 4th, 1942, newsprint production/shipments of Abitibi and its wholly-owned subsidiaries have been conducted in accord with the directions of such Newsprint Administrator.

(2) Operating under the above conditions newsprint produced by Abitibi and its wholly-owned subsidiaries in the year ending December 31st, 1942, amounted to 412,873 tons, as compared with 454,840 tons in 1941 and 430,299 tons in 1940. Of the newsprint so produced in 1942, 72,980 tons were supplied to other newsprint manufacturers, and/or to customers thereof.

(3) The general United States base contract price for newsprint was the same in 1942, as in 1941, namely \$50. (United States funds) per ton, f.o.b. mill, with freight allowed to destination. In December 1941, and in view of increased costs of manufacture and delivery, an increase of \$3. per ton in the United States—effective on and after April 1st, 1942—was announced by a number of Canadian newsprint manufacturing companies. On March 26th, 1942, the Price Administration of the United States ordered continuance thereof of the \$50. price until May 30th, 1942, and, later, further continued such price. Subsequently, and effective as from March 1st, 1943, the price permitted to be charged paid in the United States was increased by \$4. per ton, and, to a similar extent, in Canada.

WOOD PULPS PRODUCTION/SHIPMENTS:

(1) Wood pulps produced/shipped by Abitibi and its wholly-owned subsidiaries include:

- (a) Bleached and unbleached sulphite pulps, produced at Abitibi's Smooth Rock Falls (Ontario) sulphite pulp mill; and

(b) Newsgrade sulphite pulps—produced at the Iroquois Falls (Ontario), Sault Ste. Marie (Ontario) and Beaupre (Quebec) newsprint mills of Abitibi and its wholly-owned subsidiaries.

(2) As of date December 9th, 1942, Privy Council Order No. 9627 was issued with the approval of the Governor General in Council of the Dominion of Canada appointing an Administrator of Wood Pulp, with jurisdiction over the productions/shipments of such wood pulps as are produced by Canadian mills without the use of newsprint machines. Under P.C. 170 (hereinbefore mentioned) relating to administration of the Canadian Newsprint Industry, the manufacture/shipment of wood pulps produced with the use of newsprint machines is subject to the direction of the Newsprint Administrator.

(3) Operating under the above conditions, sulphite and other wood pulps produced by Abitibi mills in 1942 were as follows:

At the Smooth Rock Falls (Ontario) pulp mill—

Sulphite pulps—bleached.....	63,025 tons	
—unbleached	—	
—screenings.....	1,423 tons	
	<hr/>	64,448 tons

At newsprint mills of the Company—

Groundwood pulp	5,127 tons	
Sulphite—unbleached.....	44,183 tons	
	<hr/>	49,310 tons

or a total of..... 113,758 tons

as compared with 93,224 tons in 1941 and 75,926 tons in 1940.

Prices for bleached sulphite pulps, in 1942, were, on the average, \$76. per ton (United States funds), delivered—freight allowed—to United States destinations—this as compared with an approximately similar price in 1941, and about \$70. per ton in 1940. Prices for newsgrade sulphite pulps, in 1942, were, on the average, \$64. (United States funds), delivered—freight allowed—to United States destinations, as compared with an approximately similar price in 1941, and about \$58. per ton in 1940.

SUBSTITUTE WOOD FIBRE PRODUCTS MANUFACTURED/SHIPPED:

(1) Under P.C. 170 (hereinbefore mentioned) the manufacture/shipment of substitute wood fibre products—produced with the use of newsprint machines—was—on and after September 4th, 1942—made subject to the directions of the Newsprint Administrator.

(2) Substitute wood fibre products manufactured by Abitibi mills in 1942, amounted to 10,009 tons, as compared with 19,287 tons in 1941.

ELECTRIC POWER SALES:

(1) The use and sale of electric power in Canada has, since August 23rd, 1940, been subject to the direction and control of a Power Controller.

(2) Sales of electric power by Abitibi to the public, and by the wholly-owned subsidiaries of Abitibi to the public and Abitibi mills, amounted, in 1942, to \$1,220,648.62, as compared with \$1,213,456.56 in 1941 and \$960,040.47 in 1940.

RELATIVE TO RESULTS OF OPERATIONS IN YEAR ENDING DECEMBER 31ST, 1942

(1) Audited statement of the consolidated earnings of Abitibi and its wholly-owned subsidiaries for the year which ended on December 31st, 1942, is set out in Exhibit I-C hereto. Such statement shows earnings for the year as follows:

Excess of operating income over operating expenditure as set out in Exhibit I-C \$8,749,392.

Less:

Amount provided for depreciation in the year upon the properties of Abitibi and its wholly-owned subsidiaries	\$4,500,000.
Bond interest for the year including interest upon overdue interest	3,166,994.
Reserved for the premium, if any, which may require to be provided by Abitibi to permit the above interest to be paid in the equivalent of United States funds.....	348,369.

Forward \$8,015,363. \$8,749,392.

Forward.....	\$8,015,363.	\$8,749,392.
Reserved for interest (for the year) on the premium, if any, which may require to be provided to permit the amounts paid on October 15th, 1941 and April 15th, 1942 (in reduction of the principal of the Abitibi bonds) to be paid in the equivalent of United States funds.....	53,315.	
Reserved for income/excess profits taxes.....	350,000.	
		<u>8,418,678.</u>
leaving a balance—applicable in reduction of deficit from operations in the Receivership period-- of.....		<u>\$ 330,714.</u>

(2) In 1942 costs of manufacture/distribution to Abitibi and its wholly-owned subsidiaries—per ton of newsprint/other products produced—were in excess of those in 1941, due to higher aggregate costs of labor, pulpwood, supplies and transportation, and reduction in the quantities of newsprint/other products produced. Costs of manufacture/distribution in 1943 will exceed those of 1942.

(3) Included in income for the year 1942 were the following amongst other items:

- (a) Recoveries from sales of newsprint/wood pulps/wood fibre products \$24,893,619.37—this as compared with \$25,824,783.82 in 1941—a reduction in 1942 of about 3.6%, as compared with 1941;
- (b) Premiums received upon United States exchange amounted to \$1,972,856.52; in 1941 such premiums amounted to \$1,865,650.58;
- (c) Interest and discount received and minor operating profits obtained amounted to \$221,906.13—as compared with \$146,897.94 in 1941.

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

- (a) Expenditures for the maintenance and repair of the mills and properties of Abitibi and its wholly owned subsidiaries, \$1,679,141.44—as compared with \$1,721,451.91 in 1941;
- (b) Costs of providing special protection to mills and other properties \$114,160.55—as compared with \$114,054.43 in 1941;
- (c) Costs of carrying the idle Espanola and Sturgeon Falls properties were \$126,815.07—as compared with \$127,508.25 in 1941; (Note: with the sale of the Espanola properties/rights—as of date January 15th, 1943 [as hereinafter mentioned] anticipation is that there will be a reduction of about \$50,000.00 in the above costs, in 1943).

(5) Under the provisions of P.C. 222 and subsequent Orders, respecting administration of the Canadian Newsprint Industry, Abitibi was in January 1943 required to pay to the Commodity Prices Stabilization Corporation Limited (a Dominion of Canada controlled corporation) the sum of \$375,126.92 as an interim payment, in respect of newsprint shipped by it,—in excess of its “established percentage” as defined in P.C. 222—in the period between September 4th and December 31st, 1942, inclusive, as directed by the Newsprint Administrator. Such amount was reserved for in the 1942 accounts of the Company and later paid under protest, as in excess of the sum which Abitibi should equitably, or properly, have been called upon to pay.

(6) As also obtained in each of the calendar years 1940 and 1941, it was not possible, at the end of 1942, to accurately determine what income/excess profits taxes were payable by Abitibi and its wholly-owned subsidiaries on their consolidated earnings for such year—this for the reason that their aggregate “Standard Profits” (as described in the Ninth Report of the undersigned) have not as yet been determined by The Board of Referees, empowered to do so under the provisions of The Excess Profits Tax Act. Determination of such “Standard Profits” has been delayed by such Board pending completion of an investigation into the accounts of Canadian Newsprint/Pulp companies by a Committee appointed—for such purpose—by the Department of National Revenue. Report is that such investigation is expected to be completed in the near future.

(7) During 1942, operations of Abitibi and its subsidiaries were, by reason of War conditions, subject not only to the provisions of the Orders hereinbefore mentioned, but to those of many others affecting the purchase of pulpwood/supplies/materials; the employment of labor and wages to be paid to labor; the employment of administrative/clerical and other assistance and the salaries permitted to be paid to the same; the acquisition of equipment and supplies for the maintenance of properties and existing

facilities, and other necessary requirements. Such conditions largely increased the efforts necessary to be provided by Abitibi and its subsidiaries in order to do business, while information required of the companies in respect of their operations, and the many returns which had to be provided by them in connection therewith, imposed heavy additional burdens and undue strain upon their Officers and other employees.

RELATIVE TO BALANCE SHEET OF DECEMBER 31ST, 1942

Balance Sheet of Abitibi as of date December 31st, 1942—as audited by Messrs. Price, Waterhouse & Co.—is attached hereto as Exhibit 1.

(1) In the Abitibi Receivership proceedings all amounts recovered from realizations of the Company's assets and/or from operations of the Company and its wholly-owned subsidiaries are available to be applied in reduction of the principal and interest owing upon the Company's bonds. With this the case the amounts recovered from year to year from such operations (after the charges/reserves made there-against) have been accumulated, and shown in each annual Balance Sheet as the balance remaining available towards depreciation and bond interest—before providing for income/excess profits taxes.

(2) With the extended duration of the Receivership proceedings, and the large accumulation of interest owing to Bondholders, it is now felt that a clearer picture of the state of Abitibi's affairs (in Receivership) will be presented if the amount of such interest be reflected upon the Company's Balance Sheet, and the deficit from operations during the Receivership period (after charge there-against of such interest and other charges/reserves made) also be shown. The form of the Balance Sheet of Abitibi as of date December 31st, 1942, has therefore been changed to show such amounts.

(3) To effect the above changes the following adjustments have been made in the Company's accounts:

The balance remaining from operations in the Receivership period—available for the purposes above mentioned—and as shown on the Balance Sheet of December 31st, 1941, was	\$17,717,884.
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to which has been added:

Subsequent adjustments applicable to 1941	10,934.
Surplus from 1942 operations	330,714.

\$18,059,532.

<i>Less:</i> Payment made in 1942 on account of income/excess profits taxes	1,000,000.
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\$17,059,532.

Against such amount there was charged as of date December 31st, 1942:

Interest accumulated on Abitibi bonds to December 31st, 1942	\$33,269,644.
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Less:

Interest due to September 10th, 1932—included in prior Balance Sheets	\$1,895,109.
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Interest charged in reduction of 1942 earnings	3,166,994.
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5,062,103.

\$28,207,541.

Reserve for premium, if any, necessary to be provided by Abitibi to permit the above interest to be paid in the equivalent of United States funds	3,102,829.
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Interest reserved on premium, if any, re Bond payments made on October 15th, 1941 and April 15th, 1942	\$ 60,505.
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<i>Less:</i> Amount charged in reduction of 1942 earnings	53,315.
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7,190.

Written off the value of The G. H. Mead Company shares—in 1942	111,238.
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31,428,798.

Leaving a deficit from operations during the period of Receivership to December 31st, 1942, of	\$14,369,266.
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this after charging Bond interest, interest upon overdue interest and the following further amounts:

Depreciation upon the properties of Abitibi and its wholly-owned subsidiaries	\$19,505,000.
Reserve for such amount, if any, as Abitibi shall require to provide to permit the above interest to be paid in the equivalent of United States funds	3,451,198.
Interest reserved on premium, if any, re Bond payments made on October 15th, 1941 and April 15th, 1942	60,505.
Reserves against inventories/for contingencies	2,250,000.
Payments/reserves for income/excess profits taxes	1,350,000.
Written off The G. H. Mead Company shares acquired during period of Receivership	257,238.
total	<u>\$26,873,941.</u>

(4) The principal of the Abitibi bonds outstanding at the date of Receivership (September 10th, 1932) was \$48,267,000. and on April 15th, 1941, and October 15th, 1942, payments aggregating \$11,101,410. (in Canadian funds) were made in reduction of the same, under Orders of Court. In the Balance Sheet of December 31st, 1942, the principal of the bonds then remaining owing is shown at \$37,165,590. (\$48,267,000. less \$11,101,410.) but in a footnote to such Balance Sheet is the statement that under the provisions of the Mortgage Deed of Trust securing such \$48,267,000. bonds, the principal thereof, and interest thereon, may be required to be paid in Sterling and/or Canadian/United States gold coin. If Abitibi had paid the principal of such bonds on December 31st, 1942, and—having regard to the above provisions—been obligated to provide the prevailing rate of premium to permit such payment to be made in United States funds, the amount—in Canadian funds—which it would then require to have provided would have been approximately as follows:

Principal of bonds	\$48,267,000.
Premium for United States funds—11%—as of date December 31st, 1942	5,309,370.
	<u>\$53,576,370.</u>

Less:

Aggregate of amount paid in reduction of principal on October 15th, 1941 and April 15th, 1942	11,101,410.
total	<u>\$42,474,960.</u>

(5) On October 15th, 1941, a payment of \$6,274,710., and on April 15th, 1942, a payment of \$4,826,700. (both in Canadian funds) was made, making a total of \$11,101,410. as above mentioned, in reduction of the principal of the \$48,267,000. Abitibi bonds outstanding. As of date May 19th, 1943, an Order was made by the Supreme Court of Ontario for the payment to Abitibi Bondholders of the sum of \$9,170,730. (Canadian funds)—equal to \$190. per \$1,000. bond—in reduction of the principal of the bonds held by them.

(6) RELATIVE TO INCOME/EXCESS PROFITS TAXES:

As hereinbefore mentioned, income/excess profits taxes payable upon the consolidated earnings of Abitibi and its wholly-owned subsidiaries, in the years 1940, 1941 and 1942, cannot be accurately computed until the "Standard Profits" of Abitibi have been determined by the Board of Referees empowered—under The Excess Profits Tax Act—to do so. In April, 1942, the sum of \$1,000,000. was paid by Abitibi to the Department of National Revenue in respect of such taxes for the years 1940 and 1941; set up in the Balance Sheet of December 31st, 1942, is a reserve of \$350,000. in respect of such further, if any, taxes as shall prove to have been payable to such date.

(7) RELATIVE TO RECEIVER'S NET CURRENT ASSETS:

Excluding

- the principal amount owing upon Abitibi bonds, which is due and payable, following default;
- interest overdue/accrued due and unpaid upon the above bonds; interest on such overdue interest; the premium, if any, on bond interest/on interest on overdue interest/and on the payments made in reduction of the principal of the Abitibi bonds outstanding; and interest upon the premium, if any, which may require to be paid by Abitibi to permit the payments to Bondholders on October 15th, 1941, and April 15th, 1942, to be in the equivalent of United States funds; and
- such, if any, additional income/excess profits taxes (in excess of payments made/reserves set up) as shall prove to be payable by Abitibi and its wholly-owned subsidiaries in respect of their consolidated earnings to December 31st, 1942,

Receiver's net current assets were as follows:

as of date December 31st, 1941,

Receiver's current assets	\$24,273,797.25	
<i>Less:</i> Receiver's current liabilities, including Contingent Reserve of \$750,000.	1,800,908.36	
Excess of current assets		\$22,472,888.89

as of date December 31st, 1942,

Receiver's current assets	\$27,284,570.85	
<i>Less:</i> Receiver's current liabilities, including reserve of \$350,000. for income/excess profits taxes and Contingent Reserve of \$750,000.	2,549,298.65	
Excess of current assets		24,735,272.20

Showing an increase in the year 1942 of		\$ 2,262,383.31
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Such increase was after the payment—in 1942—of \$4,826,700. (Canadian funds) in reduction of the principal amount then owing upon the Abitibi bonds outstanding, and \$1,000,000. in respect of income/excess profits taxes.

(8) OTHER ITEMS:

As of date December 31st, 1942, certain Hearst companies were indebted to Abitibi and its wholly-owned subsidiaries in the amount of \$1,662,918.58, as security for the payment of which, and the claims of certain other Creditors, certain securities stand lodged with a corporate 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. (as shown under Receiver's Liabilities in Exhibit 1) 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 the 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, 1942. The amount of Receiver's current assets—as shown in Exhibit 1—is after deduction of such pulpwood and other specific reserves.

(9) During the year expenditures made and liabilities incurred in connection with capital improvements and additions to mills and properties owned by Abitibi and its wholly-owned subsidiaries amounted to \$299,311.39; such expenditures/the incurring of such obligations were approved by The Supreme Court of Ontario. Capital expenditures made—in the period of Receivership to December 31st, 1942—upon the properties of Abitibi and its wholly-owned subsidiaries, and additions thereto, amount to \$3,346,004.

(10) RELATIVE TO SALE OF ESPANOLA ASSETS:

At the date of Receivership—in September 1932—Abitibi was the owner of the properties and rights comprising its so-called Espanola (Ontario) Division, included in which, and speaking generally, were the following:

(a) The Espanola newsprint mill, which had been constructed as a groundwood mill in 1901-1905; been converted into a newsprint mill in 1912/1913; and then been closed down in 1929 by reason of the excessive costs of producing newsprint in it. Subsequent to its being closed down certain minor plant/equipment/parts were removed from it for use in other Abitibi mills/properties;

(b) the Townsite of Espanola, upon which stood erected a large number of buildings, dwellings and erections, many of which were in a depreciated physical condition;

(c) a water-power site (owned in fee simple) and power development at Espanola—on the Spanish River—and certain rights permitting the use of the waters of such river for the generation of power; and

(d) the right to cut timber from the so-called Spanish River Timber Concession Areas, the agreement covering which had expired in 1930, and not been formally renewed, but which rights were subsequently extended from year to year thereafter;

while in addition to the above, and as part of the assets of the Espanola and Sturgeon Falls Divisions, Abitibi also held:

(c) the right to cut timber from the so-called Spanish Reserve Timber Areas, the agreement covering which expires on May 15th, 1944, without any specific provision contained therein for the renewal thereof.

In 1937, and with the approval of Court, an examination of the Espanola mill was made by independent pulp and paper engineers who reported that they could find no justification for its further operation as a newsprint mill but were of the opinion that a salvage value existed in the Espanola properties comprised of a limited amount of useable machinery and equipment, and the potential value of the water-power site and development there.

In December 1942 Kalamazoo Vegetable Parchment Company of Kalamazoo, Michigan, made an offer of \$975,000., cash, for the assets of the Espanola Division,—and the right, if it should so require, to cut timber from certain lands within the so-called Spanish Reserve Areas—this subject to the conditions that neither the Espanola mill nor the plant/equipment therein would be applied to the production of newsprint or—for fifteen years—to the production of sulphite pulps, in competition with those produced by Abitibi. Such offer was, with the approval of Court, accepted on January 6th, 1943, and the sale was completed as of date January 15th, 1943.

Sale of the above Espanola properties/rights, for the consideration mentioned, will—with the original and nominal values at which such assets and the Spanish River/Spanish Reserve Timber Areas have continued to be carried on Abitibi books—require the writing off, in 1943, of a book loss of about \$8,445,000. Had the sale been completed in 1942, such loss would have exhausted the “Nominal surplus of period prior to Receivership” of \$3,041,714,—as shown on the Balance Sheet of December 31st, 1942,—and created a deficit for such period of about \$5,403,286.

RELATIVE TO NEGOTIATIONS FOR SALE OF THE PROPERTIES OF KAMINISTQUIA POWER CO., LIMITED

Kaministiquia Power Co., Limited (hereinafter called Kam Power) is a wholly-owned subsidiary of Abitibi, and owns a hydro-electric power development—of an installed capacity of 35,000 h.p.—located at Kakabeka Falls, on the Kaministiquia River, about 19 miles distant from the City of Fort William, at the head of Lake Superior, in the Province of Ontario. Power from such development is supplied to Abitibi's Fort William newsprint mill and distributed to a number of other commercial customers in the City of Fort William.

Under date of October 5th, 1942, the Chairman of The Hydro-Electric Power Commission of Ontario (hereinafter referred to as the Commission) which owns and operates certain hydro-electric developments on the Nipigon River (which flows into the head of Lake Superior) and supplies power therefrom to the Public Utilities Commissions of the Cities of Port Arthur and Fort William, and to other industrial undertakings in the vicinity of such cities, notified the undersigned that, with the approval of the Government of Ontario, steps would be taken by it to expropriate the Kam Power properties unless Abitibi was willing to negotiate for sale of such properties to the Commission.

Under Order of the Supreme Court of Ontario, issued as of date November 17th, 1942, the undersigned was empowered to negotiate for the sale of the Kam Power properties to the Commission—this subject to the condition that no agreement in respect thereto would be entered into without prior approval thereof by the Court. Such negotiations are now in course.

STEPS TAKEN SINCE ISSUE OF TENTH REPORT WITH RESPECT TO DISPOSITION OF THE AFFAIRS OF ABITIBI POWER & PAPER COMPANY, LIMITED, IN RECEIVERSHIP

Contained in the Tenth Report of the undersigned—issued under date of April 27th, 1942—was information as to the proceedings taken, to such date, in respect of sale of the assets of Abitibi. Since such date the following further steps have been taken in such connection:

(a) On May 16th, 1942, the Court of Appeal of Ontario made an Order admitting an appeal by the Liquidator of Abitibi—to the Privy Council, in London, England—from the judgment of such Court of Appeal, upholding that of the Honourable Mr. Justice Middleton, of The Supreme Court of Ontario, that “The Abitibi Power & Paper Company Limited Moratorium Act, 1941” was ultra vires of the powers of The Province of Ontario, and ordering sale of the assets of Abitibi. Report is that hearing of the appeal by the Privy Council was commenced on May 27th, 1943; and

(b) Under "The Statute Law Amendment Act, 1943", of the Province of Ontario, the provisions of "The Abitibi Power & Paper Company Limited Moratorium Act, 1941" and of "The Abitibi Power & Paper Company Limited Moratorium Act, 1942" were extended to remain effective and in force until the 30th day of June, 1944.

The undersigned once again desires to express his appreciation of the assistance and continued service rendered by the Abitibi Bondholders' Representative Committee, and in particular by the Advisory Committee thereof composed of Mr. J. P. Ripley, Chairman of Harriman Ripley & Co., Incorporated, New York; Mr. W. H. Somerville, General Manager of The Mutual Life Assurance Company of Canada, of Waterloo, Ontario; and Mr. Robert H. 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 and Manager 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, April 15th, 1940, May 5th, 1941, and April 27th, 1942, 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, 1942, and December 31st, 1942; also of giving in a general manner a broad view of matters with which he has been called upon 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 28th, 1943.

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, 1942

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In the Matter of

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G. T. CLARKSON, Receiver and Manager:

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Balance Sheet, December 31, 1942	Exhibit 6
Surplus and Profit and Loss Account for the year ending December 31, 1942	Exhibit 6-A

MATTAGAMI RAILROAD COMPANY:

Balance Sheet, December 31, 1942	Exhibit 7
Surplus and Profit and Loss Account for the year ending December 31, 1942	Exhibit 7-A

PROVINCIAL PAPER, LIMITED:

Balance Sheet, December 31, 1942	Exhibit 8
Statement of Earned Surplus and Profit and Loss for the year ending December 31, 1942	Exhibit 8-A

AUDITORS' CERTIFICATE

PRICE, WATERHOUSE & CO.

ROYAL BANK BUILDING
TORONTO
May 27, 1943

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, 1942, and have been furnished with all the information and explanations which we have required.

The profits and losses of all subsidiary companies (except Provincial Paper, Limited) for the year ending December 31, 1942, as shown by the accounts of such companies, have been incorporated in the attached statements showing the results from the operations of the Receiver and Manager of Abitibi Power & Paper Company, Limited.

Provision has been made in the accounts of the Receiver and Manager as at December 31, 1942 for interest due and accrued on the Five Per Cent. First Mortgage Gold Bonds, including interest upon overdue interest, and a reserve has been created for the amount, if any, which may require to be provided to permit payment thereof in the equivalent of United States funds. A reserve has also been created for the amount, if any, which may be required to permit the amounts paid up to December 31, 1942 in reduction of the principal amount of bonds to be paid in the equivalent of United States funds, but no reserve has been provided for exchange premium which may be required in connection with the principal amount of bonds outstanding at December 31, 1942.

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 six years ending December 31, 1942, however, amounts aggregating \$19,505,000.00 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 the income and excess profits taxes, if any, which may be found to be payable in respect of the profits for the year 1940, and the amount of such taxes on the profits for the two years ending December 31, 1942; however, under authority of the Court, a payment of \$1,000,000.00 was made as of April 30, 1942, and a further amount of \$350,000.00 has been provided as a reserve, in respect of such income and excess profits taxes.

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. Under authority of the Court a further amount of \$1,500,000.00 was transferred as of December 31, 1941 as a reserve against inventories and other contingencies.

The final adjustment to be made with the Wartime Prices and Trade Board in respect of the four months ending December 31, 1942 under the system of allocating newsprint tonnage between producers has not yet been determined but an amount of \$375,126.92 paid as a preliminary adjustment in respect thereof has been debited to the operations for the year 1942.

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 the explanatory notes thereon shows the true financial position as at December 31, 1942 of Abitibi Power & Paper Company, Limited, G. T. Clarkson, Receiver and Manager, according to the best of our information and the explanations given to us and as shown by the books.

Yours very truly,

PRICE, WATERHOUSE & CO.

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1942

(showing also for comparative purposes the assets and liabilities at December 31, 1941, as shown by the statement thereof contained in the tenth report of the Receiver and Manager dated April 27, 1942).

	ASSETS	
	December 31, 1941	December 31, 1942
RECEIVER'S CURRENT ASSETS:		
Cash on hand and on deposit.....	\$ 8,156,150.02	\$ 3,241,467.10
Dominion of Canada Bonds at cost and market value	1,981,666.66	8,012,916.66
Investments in sundry bonds.....	239,553.00	231,553.00
Accounts receivable, customers', less reserves	1,362,309.33	1,410,501.77
Receivable from The G. H. Mead Company for newsprint shipments, less reserve.....	1,479,860.18	1,778,876.42
Net current assets of other subsidiaries ..	4,103,688.32	4,080,180.87
Inventories of paper, pulp, wood and supplies on the basis of cost less reserves, as determined and certified to by responsible representatives of the Receiver and Manager, and expenditures on logging operations.....	6,950,569.74	8,529,075.03
	<u>\$24,273,797.25</u>	<u>\$27,284,570.85</u>
DEPOSITS WITH TRUSTEE FOR BOND-HOLDERS.....	64,241.85	67,872.42
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)	\$41,830,976.30	\$39,714,783.62
Less—Amount included with Receiver's Current Assets above, represented by net current assets as shown by books of subsidiary companies.....	4,103,688.32	4,080,180.87
	<u>\$37,727,287.98</u>	<u>\$35,634,602.75</u>
Investment by Receiver in purchase of shares of The G. H. Mead Company, less amounts written off.....	600,000.00	500,000.00
	<u>38,327,287.98</u>	<u>36,134,602.75</u>
INVESTMENTS IN SHARES OF CORPORATIONS OTHER THAN WHOLLY OWNED SUBSIDIARIES:		
Shares of Provincial Paper, Limited at arbitrary value of	\$ 1,500,000.00	\$ 1,500,000.00
Miscellaneous, less reserves.....	635.00	635.00
	<u>1,500,635.00</u>	<u>1,500,635.00</u>
Forward	<u>\$64,165,962.08</u>	<u>\$64,987,681.02</u>

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1942

(showing also for comparative purposes the assets and liabilities at December 31, 1941, as shown by the statement thereof contained in the tenth report of the Receiver and Manager dated April 27, 1942).

LIABILITIES			
	December 31, 1941	December 31, 1942	
SUNDRY LIABILITIES OF RECEIVER:			
Wages accrued and payable	\$ 153,880.81	\$ 178,099.11	
Sundry accounts payable	897,027.55	1,271,199.54	
	<u>\$ 1,050,908.36</u>	<u>\$ 1,449,298.65</u>	
Reserve for income and excess profits taxes	—	\$ 350,000.00	
Contingent reserve	\$ 750,000.00	750,000.00	
	<u>750,000.00</u>	<u>\$ 1,100,000.00</u>	
	<u>\$ 1,800,908.36</u>	<u>\$ 2,549,298.65</u>	
RESERVE AGAINST INVENTORIES AND OTHER CONTINGENCIES	1,500,000.00	1,500,000.00	
FIVE PER CENT. FIRST MORTGAGE GOLD BONDS:			
Outstanding (see Note IV)	\$41,992,290.00	\$37,165,590.00	
Interest accrued to September 10, 1932	1,878,350.00	—	
Interest due and accrued to December 31, 1942, including interest upon overdue interest	—	33,269,644.00	
Reserve for the amount, if any, which may require to be provided by Abitibi to permit the above interest and distributions made to Bondholders during the period of Receivership up to December 31, 1942 to be paid in the equivalent of United States funds	—	4,941,320.64	
Reserve for tax rebates	17,636.41	17,636.41	
	<u>43,888,276.41</u>	<u>75,394,191.05</u>	
GENERAL CREDITORS' CLAIMS INCURRED PRIOR TO RECEIVERSHIP	749,986.99	750,998.38	
CAPITAL STOCK:			
10,000 shares 7% Cumulative Preferred Stock of \$100.00 each	\$ 1,000,000.00	\$ 1,000,000.00	
348,818 shares 6% Cumulative Preferred Stock of \$100.00 each (including 96 shares deposited for exchange of shares of The Spanish River Pulp and Paper Mills Limited)	34,881,800.00	34,881,800.00	
1,088,117 shares Common Stock without nominal or par value (including 67 shares deposited for exchange of shares of subsidiary companies)	18,964,935.43	18,964,935.43	
	<u>54,846,735.43</u>	<u>54,846,735.43</u>	
Forward	<u>\$102,785,907.19</u>	<u>\$135,041,223.51</u>	

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1942

ASSETS		December 31, 1941	December 31, 1942
Forward.....		\$ 64,165,962.08	\$ 64,987,681.02
INVESTMENTS IN MILLS AND EQUIPMENT, RAILWAYS, WATER- POWERS, TOWNSITES AND BUILDINGS:			
(after deducting reserves for depreciation).....		40,366,560.22	38,245,799.07
TIMBER CONCESSIONS AND FREEHOLD TIMBER OWNED:			
(after deducting depletion and other reserves).....		19,865,121.71	19,858,987.12
REAL ESTATE AND OFFICE BUILDINGS.....		327,883.96	328,394.96
CHATELLETS AND EQUIPMENT.....		22,448.84	—
PREPAID EXPENSES.....		243,904.77	292,809.16
TOTAL ASSETS.....		\$124,991,881.58	\$123,713,671.33
DEFICIT FROM OPERATIONS DURING THE PERIOD OF RE- CEIVERSHIP,			
after charging bond interest accruing therein, including interest upon overdue interest, and the amounts men- tioned in Note V below, Exhibit I-B.....		—	14,369,266.27
		<u>\$124,991,881.58</u>	<u>\$138,082,937.60</u>

NOTES:

- I.—The Receiver's Current Assets include \$3,481,664.19, chiefly accounts receivable, which, although receivable in United States funds, are expressed in Canadian dollars at par, and similarly there are sundry liabilities of the Receiver amounting to \$27,559.26 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, 1942 in respect of these assets or liabilities which include a substantial amount owing by one of the largest customers of The G. H. Mead Company, partly in respect of which a contingent reserve is included with the liabilities of the Receiver.
Under the terms of the Indenture and Mortgage dated June 1, 1928 the 5% First Mortgage Gold Bonds and the interest thereon are payable in Canadian gold coin of the standard of weight and fineness existing June 1, 1928, or at the holder's option in gold coin of the United States of America of the standard of weight and fineness existing June 1, 1928, or in English sterling at the fixed rate of exchange of \$4.862½ to the pound (£) sterling (see Note IV).
- 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 to such subsidiaries are added to and grouped with the investments in the subsidiaries; similarly the accounts payable to the subsidiaries by the Abitibi Company and by the Receiver and Manager of the Abitibi Company 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, 1942, been repaid by the subsidiaries.
- 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.
- IV.—The balance of \$37,165,590.00 shown for 5% First Mortgage Gold Bonds outstanding at December 31, 1942 is after deducting payment made by Order of the Court of \$6,274,710.00, Canadian funds, on September 10, 1941 to Montreal Trust Company, as Trustee for the Bondholders, and a similar payment of \$4,826,700.00 on March 12, 1942—such amounts to be credited on October 15, 1941 and April 15, 1942, respectively, in reduction of the principal monies due on the bonds.
As stated in Note I above, under the terms of the Indenture and Mortgage dated June 1, 1928 the bonds and the interest thereon are payable at the holder's option in United States funds. Provision has been made in the balance sheet for exchange premium of 11% on United States funds which may be required in connection with the payments aggregating \$11,101,410.00 above-mentioned, made in Canadian funds during 1941 and 1942 to bondholders, and in connection with bond interest due and accrued to December 31, 1942 including interest upon overdue interest. No provision has been made for exchange premium which may be required in connection with the principal amount of \$37,165,590.00 of bonds outstanding at December 31, 1942.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1942

	LIABILITIES	
	December 31, 1941	December 31, 1942
Forward	\$102,785,907.19	\$135,041,223.51
NOMINAL SURPLUS OF THE PERIOD PRIOR TO RECEIVERSHIP, Exhibit 1-A: (See Note VI).....	4,488,090.60	3,041,714.09
BALANCE OF AMOUNT AVAILABLE TOWARDS DEPRECIATION AND BOND INTEREST FROM OPERATIONS DURING RECEIVER- SHIP, AS AT DECEMBER 31, 1941: (after deducting provisions of \$15,005,000.00 for deprecia- tion, and reserves of \$2,250,000.00 for inventories and contingencies but before providing for income and excess profits taxes, if any, in respect of the year 1940 and for such taxes in respect of the year 1941), Exhibit 1-B.....	17,717,883.79	—
	<u>\$124,991,881.58</u>	<u>\$138,082,937.60</u>

V.—The amount of \$14,369,266.27 shown for Deficit during the Period of Receivership is after charging bond interest accruing therein, including interest upon overdue interest, and the undernoted amounts:

Depreciation upon the properties of Abitibi and its wholly owned subsidiaries in respect of the six years ending December 31, 1942.....	\$19,505,000.00
Reserved for such amount, if any, which may require to be provided by Abitibi to permit interest due and accrued during Receivership Period up to December 31, 1942 (including interest upon overdue interest) to be paid in the equivalent of United States funds.....	3,451,198.81
Reserved for interest, if any, on exchange premium, if any, which may require to be provided to permit the amounts paid on October 15, 1941 and April 15, 1942 (in reduction of the principal amount of the bonds) to be paid in the equivalent of United States funds.....	60,504.70
Amounts set aside, under authority of the Court, as Reserves against Inventories and Contingencies.....	2,250,000.00
Payment of \$1,000,000.00 and amount of \$350,000.00 reserved in respect of income and excess profits taxes.....	1,350,000.00
Amounts written off the investment in shares of The G. H. Mead Company acquired during period of Receivership.....	257,237.95
	<u>\$26,873,941.46</u>

VI.—As of January 15, 1943 the Espanola Mill and certain of the timber rights and other assets relating thereto were sold for a cash consideration of \$975,000.00. This transaction is not reflected in the balance sheet as at December 31, 1942, the assets so sold being included therein at a net book value of approximately \$9,420,000.00. The loss of approximately \$8,445,000.00 as recorded on the books in 1943 will exhaust the Nominal Surplus of the period Prior to Receivership of \$3,041,714.09 shown on the balance sheet as at December 31, 1942 and create a deficit for that period of approximately \$5,400,000.00.

VII.—During the period of Receivership to December 31, 1942 capital expenditures (net) on the properties of Abitibi Power & Paper Company, Limited and its wholly owned subsidiaries amounted to \$3,346,004.00.

This balance sheet is issued subject to the Notes as above and as to values of certain of the assets and to other matters as referred to in our report dated May 27, 1943.

PRICE, WATERHOUSE & CO.,
Auditors.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT OF NOMINAL SURPLUS FOR THE PERIOD PRIOR TO RECEIVERSHIP AS
SHOWN BY THE BALANCE SHEET AS AT DECEMBER 31, 1942

PARTICULARS	AMOUNT
Nominal Surplus for period prior to September 10, 1932, as per balance sheet at December 31, 1941	\$4,488,090.60
DEDUCT:	
Reserved for interest upon overdue interest on the Five Percent First Mortgage Gold Bonds for the period from June 1, 1932 to September 10, 1932	\$ 16,759.38
Reserved for the amount, if any, which may require to be provided by Abitibi to permit the bond interest of \$1,878,350.00 accrued and unpaid at date of Receivership and the above interest of \$16,759.38 to be paid in the equivalent of United States funds	208,462.03
Reserved for the exchange premium, if any, which may require to be provided to permit the payments of \$6,274,710.00 on October 15, 1941 and of \$4,826,700.00 on April 15, 1942 in Canadian funds (in reduction of the principal amount of the First Mortgage Gold Bonds) to be paid in the equivalent of United States funds	1,221,155.10
	<u>1,446,376.51</u>
NOMINAL SURPLUS FOR THE PERIOD PRIOR TO SEPTEMBER 10, 1932, AS PER BALANCE SHEET AS AT DECEMBER 31, 1942 (SEE NOTE VI)	<u><u>\$3,041,714.09</u></u>

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT OF DEFICIT AS AT DECEMBER 31, 1942
FROM OPERATIONS DURING THE PERIOD OF RECEIVERSHIP

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

PARTICULARS	AMOUNT
Amount available as at December 31, 1941 towards depreciation and bond interest, from operations during Receivership Period, after deducting provisions for depreciation in respect of the five years ending December 31, 1941, aggregating \$15,005,000.00 (including provisions shown on books of subsidiary companies) and amounts of \$750,000.00 and \$1,500,000.00 set aside as special reserves 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 and for such taxes in respect of the year ending December 31, 1941.....	\$17,717,883.79
ADD:	
Adjustment applicable to prior year.....	10,933.85
	<u>\$17,728,817.64</u>
DEDUCT:	
Payment made in 1942 in respect of income and excess profits taxes, as authorized by the Court.....	\$ 1,000,000.00
Reserved for interest due and accrued from September 11, 1932 to December 31, 1941 on the First Mortgage Gold Bonds, including interest upon overdue interest.....	28,207,540.66
Reserved for the amount, if any, which may require to be paid by Abitibi to permit the above interest of \$28,207,540.66 to be paid in the equivalent of United States funds.....	3,102,829.47
Reserved for interest, if any, to December 31, 1941 on exchange premium, if any, which may require to be provided to permit the amount paid on October 15, 1941 (in reduction of the principal amount of Abitibi bonds) to be paid in the equivalent of United States funds.....	7,189.77
	<u>32,317,559.90</u>
DEFICIT AS AT DECEMBER 31, 1941 from operations during the period of Receivership after giving effect to the above reserves for interest and U.S. premiums thereon and the payment of \$1,000,000.00 in respect of income and excess profits taxes.....	\$14,588,742.26
DEDUCT:	
Profit from operations during the year ending December 31, 1942, applicable in reduction of deficit from operations during the Receivership period, Exhibit 1-C.....	330,713.94
	<u>\$14,258,028.32</u>
ADD:	
Amount written off the investment in shares of The G. H. Mead Company.....	111,237.95
DEFICIT AS AT DECEMBER 31, 1942 from operations during the period of Receivership, carried to Balance Sheet.....	<u>\$14,369,266.27</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, 1942

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

PARTICULARS	AMOUNT
INCOME:	
Sales of newsprint and other pulpwood products.....	\$24,893,619.37
Sales of power.....	1,220,648.62
	<u>\$26,114,267.99</u>
<i>Less</i> —Operating costs, including administration, superintendence, selling and general expenses, but before providing for depre- ciation	18,772,143.07
	<u>\$ 7,342,124.92</u>
<i>Add</i> —Premium on U.S. funds (net)	1,972,856.52
	<u>\$ 9,314,981.44</u>
<i>Deduct</i> —Amount fixed by the Wartime Prices and Trade Board to be paid as a preliminary adjustment in respect of the four months to December 31, 1942 under the system of allocating newsprint tonnage	375,126.92
	<u>\$ 8,939,854.52</u>
ADD:	
Interest and discount earned (net)	\$ 208,687.37
Sundry minor operating profits.....	13,218.76
	<u>221,906.13</u>
	<u>\$ 9,161,760.65</u>
DEDUCT:	
Cost of carrying idle mills and timber concessions tribu- tary thereto:	
Mill idle costs including caretaking and in- surance	\$38,727.15
Taxes on mills and townsites	29,265.86
Timber concessions—taxes, licenses and fees	58,822.06
	<u>\$ 126,815.07</u>
Cost of issue of Receiver's tenth report.....	2,864.81
Cost of protection of properties against sabotage	114,160.55
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.	50,725.85
	<u>390,566.28</u>
Forward	<u>\$ 8,771,194.37</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, 1942

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

PARTICULARS		AMOUNT
	Forward	\$ 8,771,194.37
DEDUCT:		
Expenses of Liquidator	\$ 2,151.20	
Expenses of Bondholders' Representative Committee	2,151.00	
Paid to Trustee in connection with second distribution to Bondholders	2,500.00	
Paid to Trustee in connection with special legal costs	15,000.00	
		<u>21,802.20</u>
BALANCE available for depreciation of mills and properties and towards bond interest, before providing for income and excess profits taxes		\$ 8,749,392.17
LESS:		
Amount provided for depreciation for the year ending December 31, 1942 (including provisions shown on books of subsidiary companies)	\$ 4,500,000.00	
Amount reserved for income and excess profits taxes which may be found to be payable in respect of 1942 profits	350,000.00	
		<u>4,850,000.00</u>
		\$ 3,899,392.17
LESS:		
Reserved for interest due and accrued for year 1942 on the First Mort- gage Gold Bonds, including interest upon overdue interest	\$ 3,166,993.96	
Reserved for the amount, if any, which may require to be provided by Abitibi to permit the above interest of \$3,166,993.96 to be paid in the equivalent of United States funds	348,369.34	
Reserved for interest, if any, for the year 1942 on exchange premium, if any, which may require to be provided to permit the amounts paid on October 15, 1941 and April 15, 1942 (in reduction of the principal amount of Abitibi bonds) to be paid in the equivalent of United States funds	53,314.93	
		<u>3,568,678.23</u>
BALANCE, CARRIED TO EXHIBIT 1-B		<u>\$ 330,713.94</u>

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, 1942

ASSETS

CURRENT ASSETS:

Cash on hand and on deposit.....	\$ 9,711.37	
Sundry accounts receivable, less reserve.....	193,267.42	
Receivable from The G. H. Mead Company for newsprint shipments....	410,788.72	
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.....	886,421.70	
		\$ 1,500,189.21

NOTE—The net current assets include \$454,842.07 of United States funds which are expressed in Canadian dollars at par, the exchange premium of \$45,484.00 not being taken up in the accounts as at December 31, 1942.

OTHER ASSETS AND DEFERRED CHARGES:

Deposits with Trustee for Bondholders.....	\$ 6,514.59	
Unexpired insurance, etc.....	17,401.92	
		23,916.51

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.....	\$10,022,629.24	
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	
		16,124,266.33

\$17,648,372.05

NOTE—Investments in Manitoba Paper Company, Limited and 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, 1942
Investment—	
5% First Mortgage Bonds with interest due and accrued thereon.....	\$ 8,317,693.38
Capital Stock (35,000 shares).....	1,500,000.00
Balance in Earned Surplus Account.....	1,373,325.10
	<u>\$11,191,018.48</u>

MANITOBA PAPER COMPANY, LIMITED

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

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1942

LIABILITIES		
SUNDRY ACCOUNTS PAYABLE.....	\$ 270,969.87	
TAXES DUE AND ACCRUED.....	2,652.79	
	<hr/>	\$ 273,622.66
FUNDED DEBT:		
5% First Mortgage Gold Bonds:		
Due June 1, 1968.....	\$ 6,500,000.00	
Due June 1, 1971.....	425,000.00	
	<hr/>	
	\$ 6,925,000.00	
Interest due and accrued thereon.....	1,392,693.38	
	<hr/>	8,317,693.38
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.....	\$ 3,120,862.20	
Depletion.....	7,390.46	
	<hr/>	3,128,252.66
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.....	1,373,325.10	
	<hr/>	5,928,803.35
APPROVED ON BEHALF OF THE BOARD:		
L. R. WILSON, Director		
W. H. SMITH, Director		
		<hr/> <hr/>
		\$17,648,372.05

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, Pine Falls Hotel Company Limited and Pine Falls Hospital Limited, for the year ending December 31, 1942 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, 1942 for amortization of the book values of timber limits nor has any reserve been provided for depreciation of plant, machinery and equipment from February, 1932 up to December 31, 1936; amounts aggregating \$2,345,000.00 have, however, been provided for depreciation for the six years ending December 31, 1942. It is impracticable at this date to accurately determine the amount of the income and excess profits taxes, if any, which may be found to be payable in respect of the profits for the year 1940 and the amount of such taxes for the two years ending December 31, 1942; the parent company has, however, made a payment and established a reserve in respect of such taxes on the basis of consolidated tax returns for that company and its wholly-owned subsidiaries, including Manitoba Paper Company, Limited. 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, 1942 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, May 27, 1943.

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, 1942

PARTICULARS	AMOUNT
Surplus at December 31, 1941.....	\$1,245,976.25
ADD:	
Profit from operations for the year ending December 31, 1942, before providing for depreciation (after charging executive salaries as represented by amounts paid to officers \$13,047.20).....	\$968,598.85
Less— Provision for depreciation.....	\$495,000.00
Interest on 5% First Mortgage Gold Bonds.....	346.250.00
	<u>841,250.00</u>
Profit for the year, before providing for income and excess profits taxes.....	127,348.85
BALANCE AT DECEMBER 31, 1942.....	<u><u>\$1,373,325.10</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, 1942

ASSETS

CURRENT ASSETS:

Cash on hand and on deposit.....	\$ 7,812.70	
Sundry accounts receivable, less reserve.....	74,699.66	
Receivable from The G. H. Mead Company for newsprint shipments....	292,174.63	
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.....	1,343,017.23	
		\$ 1,717,704.22

NOTE—The net current assets include \$310,168.03 of United States funds which are expressed in Canadian dollars at par, the exchange premium of \$31,017.00 not being taken up in the accounts as at December 31, 1942.

OTHER ASSETS AND DEFERRED CHARGES:

Deposits with Trustee for Bondholders.....	\$ 40,190.59	
Unexpired insurance, prepaid taxes, etc.....	34,686.98	
		74,877.57

FIXED ASSETS:

Plant, machinery and equipment.....	\$9,784,407.61	
Lands, timber limits, and cutting rights.....	3,557,470.40	
		13,341,878.01

TOTAL ASSETS \$15,134,459.80

DEFICIT, as per statement attached. 5,535,867.48

\$20,670,327.28

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, 1942
Investment—	
5% First Mortgage Bonds with interest due and accrued thereon.	\$12,072,770.83
Capital Stock (100,000 shares).....	500,000.00
	<u>\$12,572,770.83</u>
Less—Balance in Deficit Account.. . . .	5,535,867.48
	<u>\$ 7,036,903.35</u>
Add—Balance owing by Ste. Anne Paper Company, Limited to Abitibi Power & Paper Company, Limited.....	4,982,797.48
	<u>\$12,019,700.83</u>

STE. ANNE PAPER COMPANY, LIMITED
AND ITS SUBSIDIARIES
ST. ANNE POWER COMPANY AND BAIE ST. PAUL LUMBER COMPANY, LIMITED
CONSOLIDATED BALANCE SHEET **DECEMBER 31, 1942**

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$ 75,400.67
OWING TO AFFILIATED COMPANY:		
Abitibi Power & Paper Company, Limited....		4,982,797.48
FUNDED DEBT:		
5% First Mortgage Gold Bonds:		
Due June 1, 1968.....	\$7,500,000.00	
Due June 1, 1971.....	395,000.00	
	<u>\$7,895,000.00</u>	
Interest due and accrued thereon	4,177,770.83	
		<u>12,072,770.83</u>
NOTE—Under the terms of the Indenture and Mortgage dated as of June 1, 1928 the company may be in default. These bonds are owned by Abitibi Power & Paper Company, Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928 securing the issue of First Mortgage Gold Bonds of that company.		
RESERVES:		
Depreciation	\$2,626,628.20	
Depletion.....	<u>412,730.10</u>	
		<u>3,039,358.30</u>
CAPITAL STOCK:		
Common Shares—		
Represented by shares without nominal or par value		
Authorized and issued—100,000 shares....		500,000.00
		<u>\$20,670,327.28</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, 1942 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, 1942 for amortization of the book values of timber limits as recorded on the books of St. Anne Power Company nor has any reserve been provided for depreciation of plant, machinery and equipment from June, 1931 up to December 31, 1936; amounts aggregating \$1,975,000.00 have, however, been provided for depreciation for the six years ending December 31, 1942. It is impracticable at this date to accurately determine the amount of the income and excess profits taxes in respect of the profits for the year ending December 31, 1941; the parent company has, however, made a payment in respect of such taxes on the basis of a consolidated tax return for that company and its wholly-owned subsidiaries, including Ste. Anne Paper Company, Limited. 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, 1942 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, May 27, 1943.

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, 1942

PARTICULARS	AMOUNT
Deficit at December 31, 1941.....	\$5,279,689.84
ADD:	
Profit from operations for the year ending December 31, 1942, before providing for depreciation.....	\$613,572.36
Less— 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.....	256,177.64
DEFICIT AT DECEMBER 31, 1942	<u><u>\$5,535,867.48</u></u>

THUNDER BAY PAPER CO., LIMITED

Balance Sheet and
Profit and Loss Account

THUNDER BAY PAPER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1942

ASSETS

CURRENT ASSETS:

Cash on hand and on deposit.....	\$ 280.16
Sundry accounts receivable.....	613,798.55
Inventories of paper, pulpwood, materials and supplies, valued on the basis of cost less reserve, as certified to by responsible officials of the company.....	670,700.45
	<u>\$1,284,779.16</u>

NOTE—The net current assets include \$15,148.13 United States funds which are expressed in Canadian dollars at par, the exchange premium of \$1,514.00 not being taken up in the accounts as at December 31, 1942.

OWING BY AFFILIATED COMPANY:

G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited.....	1,899,418.60
	<u>\$3,184,197.76</u>

DEFERRED CHARGES:

Prepaid expenses.....	5,557.98
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FIXED ASSETS, at cost:

Cash deposit on timber limit.....	\$ 50,000.00
Real estate.....	44,812.98
Plant, machinery and equipment.....	6,001,305.55
Other fixtures.....	3,679.53
	<u>6,099,798.06</u>
	<u><u>\$9,289,553.80</u></u>

NOTE—The investment in Thunder Bay Paper Co., 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, 1942
Investment in shares.....	<u>\$8,728,107.14</u>

Deduct:

Amounts written off for period prior to Receivership.....	\$2,087,208.44
Less—Profit during period of Receivership.....	1,577,993.30
	<u>509,215.14</u>
	<u>\$8,218,892.00</u>

Deduct:

Balance owing to Thunder Bay Paper Co., Limited by Receiver and Manager of Abitibi Power & Paper Company, Limited.....	1,899,418.60
	<u>\$6,319,473.40</u>

THUNDER BAY PAPER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1942

LIABILITIES

SUNDRY ACCOUNTS PAYABLE	\$ 134,475.21
RESERVE FOR DEPRECIATION	2,960,491.91
CAPITAL STOCK AND SURPLUS:	
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
Earned Surplus, as per statement attached	941,148.53
	<u>6,194,586.68</u>

CONTINGENT AND CONTRACTUAL LIABILITY:

Obligation to Dominion Government in connection with the completion of dock construction at the Bare Point Mill, Port Arthur.

\$9,289,553.80

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, 1942 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. It is impracticable at this date to accurately determine the amount of income and excess profits taxes, if any, which may be found to be payable in respect of the profits for the year 1940 and the amount of such taxes for the two years ending December 31, 1942; the parent company has, however, made a payment and established a reserve in respect of such taxes on the basis of consolidated tax returns for that company and its wholly-owned subsidiaries, including Thunder Bay Paper Co., Limited. Except as to the foregoing, 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, 1942 according to the best of our information and the explanations given to us and as shown by the books of the company. All our requirements as auditors have been complied with.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, May 27, 1943

THUNDER BAY PAPER CO., LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1942

PARTICULARS	AMOUNT
Surplus at December 31, 1941.....	\$316,093.72
ADD:	
Profit from operations for the year ending December 31, 1942, before providing for depreciation.....	\$1,140,054.81
Less—Provision for depreciation.....	<u>515,000.00</u>
Profit for the year ending December 31, 1942, before providing for income and excess profits taxes.....	<u>625,054.81</u>
SURPLUS AT DECEMBER 31, 1942.....	<u><u>\$941,148.53</u></u>

ABITIBI ELECTRIC DEVELOPMENT
COMPANY, LIMITED

Balance Sheet and
Profit and Loss Account

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1942

ASSETS

CASH ON HAND AND ON DEPOSIT.....	\$	1,174.00
SUNDRY ACCOUNTS RECEIVABLE.....		1,891.51
INVENTORIES OF EQUIPMENT AND SUPPLIES (less reserve).....		29,167.07
RECEIVABLE FROM AFFILIATED COMPANY: G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited		455,232.13
DEFERRED CHARGES: Unexpired insurance, etc.....		7,008.29
FIXED ASSETS, at cost: Power plant, transmission line, etc.....	\$7,839,325.91	
Speeders, camp buildings and equipment	68,252.17	
		<u>7,907,578.08</u>
		<u>\$8,402,051.08</u>

NOTE—Investment in Abitibi Electric Development Company, 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, 1942
Investment—	
5% First Mortgage Bonds with interest due and accrued thereon.....	\$5,176,479.17
Capital Stock (20,005 shares).....	100,005.00
Balance in Earned Surplus Account.....	1,500,260.85
	<u>\$6,776,745.02</u>
Less—Balance owing to Abitibi Electric Development Company, Limited by Receiver and Manager of Abitibi Power & Paper Company, Limited.....	455,232.13
	<u>\$6,321,512.89</u>

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1942

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$	15,306.06	
FUNDED DEBT:			
5% First Mortgage Gold Bonds:			
Due June 1, 1968.....	\$5,000,000.00		
Due June 1, 1971.....	155,000.00		
	<u>\$5,155,000.00</u>		
Interest accrued thereon.....	21,479.17		
		<u>5,176,479.17</u>	
NOTE—Under the terms of the Indenture and Mortgage dated as of June 1, 1928 the company may be in default. These bonds are owned by Abitibi Power & Paper Company, Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928 securing the issue of First Mortgage Gold Bonds of that company.			
RESERVE FOR DEPRECIATION.....		1,610,000.00	
CAPITAL STOCK AND SURPLUS:			
Common Shares—			
Represented by shares without nominal or par value			
Authorized—50,000 shares			
Issued— 20,005 shares.....	\$	100,005.00	
Earned Surplus—			
As per statement attached.....	1,500,260.85		
		<u>1,600,265.85</u>	
			<u>\$8,402,051.08</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, 1942 and have obtained all the information and explanations which we have required. No provision has been made for depreciation of plant and equipment up to December 31, 1936; amounts aggregating \$1,610,000.00 have, however, been provided for the six years ending December 31, 1942. It is impracticable at this date to accurately determine the amount of income and excess profits taxes in respect of the profits for the two years ending December 31, 1942; the parent company has, however, made a payment and established a reserve in respect of such taxes on the basis of consolidated tax returns for that company and its wholly-owned subsidiaries, including Abitibi Electric Development Company, Limited. Except as to the foregoing 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, May 27, 1943.

PRICE, WATERHOUSE & CO.,
Auditors.

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1942

PARTICULARS	AMOUNT
Surplus at December 31, 1941.....	\$1,482,932.09
ADD:	
Profit from operations for the year ending December 31, 1942 before providing for depreciation	\$665,078.76
Less—Provision for depreciation.....	\$390,000.00
Interest on 5% First Mortgage Gold Bonds	257,750.00
	<u>647,750.00</u>
Profit for the year, before providing for income and excess profits taxes.....	17,328.76
BALANCE AT DECEMBER 31, 1942	<u><u>\$1,500,260.85</u></u>

KAMINISTIQUEIA POWER CO., LIMITED

Balance Sheet and Profit and Loss Account

KAMINISTIQUEIA POWER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1942

ASSETS

CURRENT ASSETS:

Cash on hand and on deposit.....	\$ 818.24	
Sundry customers' accounts, less reserve.....	13,992.47	
Inventories of supplies.....	10,347.97	
	<u>25,158.68</u>	\$ 25,158.68
INVESTMENT, less reserve.....		1.00

RECEIVABLE FROM AFFILIATED COMPANY:

Abitibi Power & Paper Company, Limited—		
Balance owing in respect of period prior to Receivership.....	\$ 428,493.38	
Portion of power billings during period September 10, 1932 to April 30, 1937, being the excess of charges under power contract, over power used which has been charged to the Receiver and Manager of Abitibi Power & Paper Company, Limited	851,166.40	
	<u>\$1,279,659.78</u>	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited—		
For power used and collections retained, etc.....	343,585.10	
	<u>1,623,244.88</u>	1,623,244.88

DEFERRED CHARGES:

Unexpired insurance, etc.....	2,964.10
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FIXED ASSETS:

Waterpowers, lands, buildings, etc., at appraised value as reported by Walter J. Francis & Co., Engineers, as at September 1925, plus subsequent additions, at cost.....	6,391,261.43
	<u>\$8,042,630.09</u>

NOTE—Investments in 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, 1942
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.....	911,023.44
	<u>\$5,375,606.77</u>
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	343,585.10
	<u>1,623,244.88</u>
	<u>\$3,752,361.89</u>

KAMINISTIQUEA POWER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1942

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$ 8,671.73
FUNDED DEBT:		
5% First Mortgage Gold Bonds, due 1968.....	\$3,500,000.00	
Interest accrued thereon.....	14,583.33	
		<u>3,514,583.33</u>
NOTE—Under the terms of the Indenture and Mortgage dated as of June 1, 1928 the company may be in default. These bonds are owned by Abitibi Power & Paper Company, Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928 securing the issue of First Mortgage Gold Bonds of that company.		
RESERVE FOR DEPRECIATION OF PLANT.....		2,060,964.51
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	
	<u>\$1,547,387.08</u>	
Earned Surplus—		
As per statement attached.....	911,023.44	
		<u>2,458,410.52</u>
		<u><u>\$8,042,630.09</u></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, 1942 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 \$881,000.00 have been provided for depreciation for the six years ending December 31, 1942), we report that, in our opinion, the above balance sheet at December 31, 1942 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, May 27, 1943.

PRICE, WATERHOUSE & CO.,
Auditors.

KAMINISTIQUIA POWER CO., LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1942

PARTICULARS	AMOUNT
Surplus at December 31, 1941.....	\$963,405.59
Profit from operations for the year ending December 31, 1942, before providing for depreciation (after charging executive salaries as represented by amounts paid to officers \$8,200.00) \$312,617.85	
Less—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.....	52,382.15
BALANCE AT DECEMBER 31, 1942....	<u><u>\$911,023.44</u></u>

MATTAGAMI RAILROAD COMPANY

Balance Sheet and Profit and Loss Account

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

DECEMBER 31, 1942

A S S E T S

SUNDRY ASSETS:

Cash on deposit.....	\$ 100.00	
Accounts receivable.....	4,003.16	
Inventory of coal, etc., at cost.....	13,169.05	
	<u>17,272.21</u>	\$ 17,272.21

RECEIVABLE FROM AFFILIATED COMPANY:

Abitibi Power & Paper Company, Limited.....	\$97,460.12	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited.....	63,500.09	
	<u>160,960.21</u>	

DEFERRED CHARGES:

Unexpired insurance.....	858.95
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FIXED ASSETS:

Rolling stock, rails, equipment, etc.....	244,966.94
	<u>\$424,058.31</u>

NOTE—The investment in Mattagami Railroad Company 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, 1942
Investment—	
Capital Stock (2,500 shares).....	\$250,000.00
Balance in Earned Surplus Account.....	125,514.89
	<u>\$375,514.89</u>
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.....	63,500.09
	<u>160,960.21</u>
	<u>\$214,554.68</u>

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

DECEMBER 31, 1942

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$ 3,543.42	
RESERVE FOR DEPRECIATION.....		45,000.00
CAPITAL STOCK AND SURPLUS:		
Common Shares:		
Authorized—		
10,000 shares of \$100.00 each.....	<u>\$1,000,000.00</u>	
Issued—		
2,500 shares of \$100.00 each.....	\$ 250,000.00	
Earned Surplus—		
As per statement attached.....	<u>125,514.89</u>	375,514.89
		<u>\$424,058.31</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, 1942 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 accruing depreciation of rolling stock, rails and equipment, etc., up to December 31, 1936; amounts aggregating \$45,000.00 have, however, been provided towards depreciation in the six years ending December 31, 1942. It is impracticable at this date to accurately determine the amount of income and excess profits taxes, if any, which may be found to be payable with respect to the profits for the year 1940; the parent company has, however, made a payment in respect of such taxes on the basis of a consolidated tax return for that company and its wholly-owned subsidiaries, including Mattagami Railroad Company. Except as to the foregoing, we report that, in our opinion, the above balance sheet at December 31, 1942 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, May 27, 1943.

PRICE, WATERHOUSE & CO.,
Auditors.

MATTAGAMI RAILROAD COMPANY

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1942

PARTICULARS	AMOUNT
Surplus at December 31, 1941	\$149,325.04
DEDUCT:	
Loss from operations for the year ending December 31, 1942 before providing for depreciation	\$13,810.15
Provision for depreciation	<u>10,000.00</u>
Loss for the year	23,810.15
BALANCE AT DECEMBER 31, 1942	<u><u>\$125,514.89</u></u>

PROVINCIAL PAPER, LIMITED

Balance Sheet and Profit and Loss Account

PROVINCIAL PAPER, LIMITED

BALANCE SHEET

DECEMBER 31, 1942

ASSETS

CURRENT ASSETS:

Cash on hand and in banks.....	\$ 490,743.36
Accounts receivable, less reserve for bad debts, etc.....	821,631.72
Dominion and Provincial Government bonds, at cost (market value \$798,750.00).....	801,760.00
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 1943 wood operations, after giving effect to an accumulated reserve against future depreciation in inventory values amounting to \$189,315.09.....	1,746,242.17
	<u>\$ 3,860,377.25</u>

NOTE—The net current assets include \$39,588.60 of United States funds which are expressed in Canadian dollars, the exchange premium of \$3,958.86 not being taken up in the accounts as at December 31, 1942.

REFUNDABLE PORTION OF DOMINION EXCESS PROFITS TAX (estimated).....	30,449.11
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OTHER ASSETS:

Investments in subsidiary and other companies.....	181,275.31
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PROPERTY AND PLANT:

Land, buildings, equipment, etc.....	9,950,841.56
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DEFERRED CHARGES:

Unexpired insurance.....	5,676.73
	<u>\$14,028,619.96</u>

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,
1942

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.....	<u>\$1,500,000.00</u>
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PROVINCIAL PAPER, LIMITED

BALANCE SHEET

DECEMBER 31, 1942

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities.....	\$ 289,688.88	
Dividend on preferred stock—1¾%, payable January 2, 1943.....	61,250.00	
Bond interest accrued.....	28,251.66	
Reserve for Dominion income and excess profits taxes (estimated).....	\$ 498,505.59	
Less—Payments made on account thereof.....	300,000.00	
	<u>198,505.59</u>	
		\$ 577,696.13

MORTGAGE DEBT:

5½% First Mortgage Sinking Fund Redeemable Bonds, due 1947:		
Authorized.....	\$10,000,000.00	
Issued.....	\$5,300,000.00	
Less—Redeemed.....	2,218,000.00	
		<u>3,082,000.00</u>

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.....	4,825,384.28
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	
		<u>3,600,000.00</u>
EARNED SURPLUS.....		1,291,804.33

DEFERRED SURPLUS—refundable portion of Dominion excess profits tax (estimated) as per contra.....	30,449.11
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\$14,028,619.96

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have examined the books and accounts of Provincial Paper, Limited for the year ending December 31, 1942 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, 1942 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.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

TORONTO, February 17, 1943.

PROVINCIAL PAPER, LIMITED

STATEMENT OF EARNED SURPLUS AND PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1942

PARTICULARS	AMOUNT
Profit for the year ending December 31, 1942, including income from investments, but before providing for the undernoted charges	\$1,216,959.65
DEDUCT:	
Provision for depreciation	\$300,000.00
Interest on mortgage debt	\$169,554.00
U.S. exchange premium paid thereon	18,393.51
	<u>187,947.51</u>
	<u>487,947.51</u>
Profit for the year, before providing for income and excess profits taxes	\$ 729,012.14
DEDUCT:	
Provision for Dominion income and excess profits taxes (estimated)	450,000.00
	<u>450,000.00</u>
Net Profit for the year	\$ 279,012.14
ADD:	
Earned surplus as at January 1, 1942	1,257,792.19
	<u>1,257,792.19</u>
	<u>\$1,536,804.33</u>
DEDUCT:	
Dividends on 7% cumulative preferred stock	245,000.00
	<u>245,000.00</u>
EARNED SURPLUS AS AT DECEMBER 31, 1942	<u>\$1,291,804.33</u>

