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1928

ABITIBI POWER & PAPER COMPANY, LIMITED

FIFTEENTH ANNUAL REPORT

FOR THE FISCAL YEAR ENDING DECEMBER 31, 1928

To the Shareholders of the

Abitibi Power & Paper Company, Limited.

Your Directors herewith submit their report for the fiscal year ending December 31, 1928.

Operations for the year produced net earnings of \$7,380,963.96, after income tax and after deducting all special allowances and adjustments in prices, but before providing for interest and reserves. After deducting net interest on funded debt, amounting to \$2,818,108.19, there was available for reserves and dividends \$4,562,855.77. Preferred Stock dividends of \$1,529,325.00 and Common Stock dividends of \$2,434,852.65 were declared and paid. Additional reserves for depreciation and depletion, amounting to \$1,716,814.61, were set up on the usual basis and \$544,520.00 was added to earned surplus from adjustment of logs inventory.

During the year fixed assets were increased \$4,395,796.28, of which \$4,189,872.92 represented capital additions to the Company's mills, power plants, railroads and townsites, and the balance, \$205,923.36, was added to lands, timber limits and undeveloped water powers.

On January 1, 1928, the Company acquired through exchange of Stocks the ownership of Spanish River Pulp & Paper Mills, Limited, Fort William Power Company, Limited, Manitoba Paper Company, Limited, Ste. Anne Paper Company, Ltd., and Murray Bay Paper Company, Ltd. The welding of these units into one organized whole is progressing steadily and your management believes that the present year will see a satisfactory solution of the practical problems necessarily involved in the controlled operation of properties so widely distributed. Meantime, the Company has completed its major financing by the sale of \$26,000,000.00 par value of 6% Preferred Stock and \$50,000,000.00 of 5% First Mortgage Bonds and has refunded all old Preferred Stocks, Bonds and Debentures of the parent Company and all its subsidiaries, with the exception of \$1,000,000.00 of Abitibi 7% Preferred Stock, which is not subject to call or payment.

The year 1928 was one of serious overproduction in the newsprint industry, accompanied by destructive competition, unwarranted price cutting, and a general condition of demoralization, which culminated in the last half of the year in price quotations so low as to threaten the welfare of publisher and manufacturer alike. The Company's production was less than 64% of its capacity, and net receipts for paper bore no relation to current contract prices. Under the leadership of the Premiers of Ontario and Quebec, a serious program of stabilization is now under way with excellent prospects of success. With the stimulus of low prices, consumption of newsprint paper is increasing, and your Directors look to the future with complete confidence in your Company's ability to meet all competitive conditions that may arise.

On behalf of the Board of Directors,

ALEXANDER SMITH,

President.

Montreal, March 4, 1929.

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Abitibi Power & Paper

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:

Inventories of Pulpwood, Paper, Pulp, Materials and Supplies at cost, and expenditures on Logging Operations.....	13,355,357.29	
Unexpired Insurance, Prepaid Taxes etc.....	420,554.56	
Accounts Receivable.....	4,317,981.37	
Investments in Capital Stocks and Bonds of Other Companies.....	527,502.00	
Cash on hand and on deposit.....	1,809,802.01	
	<hr/>	20,431,197.23

FIXED ASSETS:

Plant, Machinery and Equipment at cost.....	105,678,524.18	
Lands, Timber Limits as revalued in 1927, Undeveloped Water Powers etc.....	51,809,489.28	
	<hr/>	157,488,013.46
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		\$177,919,210.69
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AUDITORS' REPORT TO THE SHAREHOLDERS:

We have examined the Books and Accounts of the Abitibi Power & Paper Company, Limited and its Subsidiary Companies for the year ending December 31, 1928, and have obtained all the information and explanations which we have required; and we certify that, in our opinion, the above Balance Sheet at December 31, 1928, is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the Abitibi Power & Paper Company, Limited and its Subsidiary Companies, according to the best of our information and the explanations given to us and as shown by the Books of the Companies.

PRICE, WATERHOUSE & COMPANY,

Auditors.

Montreal, February 25, 1929.

r Company, Limited

HEET DECEMBER 31, 1928

LIABILITIES

CURRENT LIABILITIES:

Bank Loans.....	5,000,000.00	
Current Accounts and Bills Payable.....	2,575,008.39	
Bond Interest Accrued.....	208,333.33	
Dividends Payable.....	550,668.00	
	<hr/>	8,334,009.72

DEFERRED LIABILITIES:

Purchase Money Obligation payable over eighteen years	236,975.65	
Purchase Money Obligation payable over four years....	180,000.00	
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FUNDED DEBT:

Five per cent First Mortgage Gold Bonds 1953.....		50,000,000.00
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RESERVES:

Depreciation of Plant.....	22,282,463.16	
Depletion (provided in the year 1928).....	337,833.00	
General and Contingent.....	1,520,737.75	
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PREFERRED SHARES:

10,000 shares 7% Cumulative Preferred Stock of \$100.00 each.....	1,000,000.00	
348,818 shares 6% Cumulative Preferred Stock of \$100.00 each, including 1,765 shares deposited for exchange of shares of Spanish River Pulp & Paper Mills, Limited.....	34,881,800.00	
	<hr/>	35,881,800.00

COMMON STOCK & SURPLUS:

Balance as per annexed statement represented by 988,117 shares without nominal or par value, including 185,660 shares deposited for exchange of shares of subsidiary companies. The total authorized issue is 1,500,000 shares.....		59,145,391.41
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		\$177,919,210.69

Approved on behalf of the Board,

VICTOR E. MITCHELL,

Director.

L. R. WILSON,

Director.

ABITIBI POWER & PAPER COMPANY, LIMITED

CONSOLIDATED SURPLUS AND PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDING DECEMBER 31, 1928

Balance at credit of Surplus as at December 31, 1927 (including undistributed profits of Companies now consolidated of \$16,801,767.56) after deduction of Bond Discount and Premiums on Securities redeemed etc....		59,719,007.90
Surplus arising from adjustment of Logs Inventory		544,520.00
Profit from Operations for the year ending December 31, 1928, after Income Tax and after deducting special allowances and adjustments in prices, but before Depreciation and Interest.....	7,380,963.96	
Deduct:		
Provision for Depreciation and Depletion. 1,716,814.61		
Interest on Funded Debt, less Interest received..... 2,818,108.19		
	4,534,922.80	
		2,846,041.16
		63,109,569.06
Deduct:		
Dividends on:		
7% Cumulative Preferred Stock.....	70,000.00	
6% Cumulative Preferred Stock.....	1,459,325.00	
No Par Value Common Stock.....	2,255,416.00	
Shares of Subsidiary Companies outstanding, but since redeemed.....	179,436.65	
		3,964,177.65
Balance at credit of Surplus carried forward..		\$ 59,145,391.41