

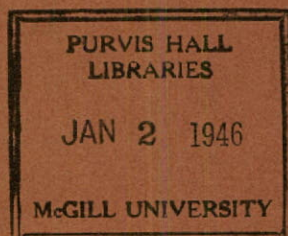
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IN THE MATTER OF

Abitibi Power & Paper Company,
Limited

FOURTH REPORT
of Receiver and Manager

12th May, 1936



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PROVINCIAL PAPER, LIMITED

Abitibi Power & Paper Company, Limited

FOURTH REPORT of Receiver and Manager

Attached hereto is the audited Balance Sheet of Abitibi Power & Paper Company, Limited, as of date December 31st, 1935, together with statement of the result of operations 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 the subsidiaries of the Company.

Newsprint paper produced by Canadian and Newfoundland mills amounted in 1935—according to reports—to approximately 3,088,455 tons, as compared with 2,915,697 tons in 1934—an increase of 172,758 tons, or about 6%. Of such increase approximately 64,655 tons were shipped to customers overseas, while 90,811 tons were applied to meet increased demands of Canadian and United States customers.

During 1935 newsprint paper produced by Abitibi Power & Paper Company, Limited and its subsidiaries amounted to 289,096 tons, an increase of 49,688 tons over that manufactured in 1934: such paper was produced—

153,815 tons at the Iroquois Falls (Ontario) mill,
84,114 tons at the Sault Ste. Marie (Ontario) mill,
33,224 tons at the Port Arthur (Ontario) mill, and
17,943 tons at the Pine Falls (Manitoba) mill,

the operation of which latter mill was commenced in July 1935.

During 1935 the general market price of newsprint paper remained the same as in 1933 and 1934—namely \$40-\$41 per ton f.o.b. mill—with costs of freight to destination paid by the manufacturer. Costs of pulpwood, coal and supplies used in the manufacture of newsprint, and of freight charges on delivery of the same were, on a relative basis, approximately \$350,000 higher in 1935 than in 1934.

Sulphite pulp produced by the Smooth Rock Falls mill of the Company amounted in 1935 to 45,949 tons, as compared with 38,721 tons in 1934—an increase of 7,228 tons. In March 1935 the market price of sulphite pulp was reduced by about \$5 a ton, which was largely compensated for by lower costs of manufacture from increased efficiency.

Contained in the Report of April 15th, 1935, was the following paragraph:

“In the first Report, issued under date of February 28th, 1933, information was included relative to the condition of the timber concessions held by Abitibi and subsidiary companies controlled or owned by it. This information indicated that certain of such concessions in Ontario had expired prior to Receivership and had not been renewed, and also that questions existed as to whether in respect of certain others of them defaults had occurred which permitted their cancellation. In the latter part of 1934, the Hon. Mr. Heenan, Minister of Lands and Forests for the Province of Ontario, intimated that he desired to discuss the position of such concessions, stating at the time that it would be the policy of the Province to provide all operating mills with timber sufficient for their present and future protection, but that the Province might require the surrender to it of areas not needed for such purposes. It is expected that negotiations with the Province in respect to the matter will be entered upon in the near future.”

An Act known as “The Forests Resources Regulation Act, 1936”, was passed by the Ontario Legislature at the Session just concluded. This Act gives the Lieutenant Governor in Council power

to make the broadest regulations to govern the cutting of timber on Crown lands, including power to increase or reduce the areas of any existing timber concessions having regard at all times to the maintenance of a sufficient supply of timber for the purpose of any existing mill, and to increase the stumpage charges payable by any Company where it is thought such Company is carrying on business in a manner detrimental to the public interest, and it provides for penalties for violation of the provisions of the Act or the regulations.

In the Report of April 15th, 1935, it was stated that enquiries were being made by certain persons with respect to the feasibility of converting the Fort William and Sturgeon Falls newsprint mills of the Company (both of which are closed down) into sulphite pulp mills, and it had been intimated that if such conversion was found to be economically practicable a proposal might be made to Abitibi for the purchase, lease or operation of either one or both of such mills. Owing to the reduction in March 1935 of the market price for sulphite pulp such enquiries were suspended and no proposals were made to Abitibi in respect of either of the mills. With the greater demands for sulphite pulp which now prevail, and a prospect of higher prices, an Order of Court was recently secured authorizing the Receiver and Manager to obtain a report from competent persons with respect to the practicability of converting the properties into sulphite pulp mills; preparation of such report is being proceeded with.

Under date of September 10th, 1932, the undersigned was appointed Receiver and Manager of Abitibi Power & Paper Company, Limited by the Supreme Court of Ontario, upon the application of Montreal Trust Company, Trustee under the Deed of Trust securing the First Mortgage Bonds of the Company. Under date of September 26th, 1932, F. C. Clarkson, Toronto, was appointed Provisional (and subsequently Permanent) Liquidator of the Company, becoming entitled, as such, to receive any equities which might exist in the assets of the Company over and above the claims of Bondholders and those which were secured and payable in priority thereto. Under date of December 20th, 1935, F. C. Clarkson resigned as Permanent Liquidator of the Company, and Mr. R. S. McPherson, Chartered Accountant, Toronto, was appointed to his place. The appointment of Mr. McPherson in no way changes or varies the position of the undersigned as Receiver and Manager in charge of the assets and operations of the Company subject to the supervision of Court.

In the latter part of January, 1936, the Honourable Peter Heenan, Minister of Lands and Forests of the Province of Ontario, intimated to members of the Bondholders' Committee that the Ontario Government desired to have Abitibi reorganized as soon as reasonably practicable, giving it as his opinion that, reorganized, the Company could operate to better advantage than it could while in receivership and that greater flexibility would thereby be provided for dealing with assets not required in the production of newsprint paper and pulp and with respect to the physical improvement and adjustment of certain of the Company's properties. Steps are now being taken by the Committee looking towards the preparation of a plan of reorganization; with the necessity, however, of obtaining engineering reports relative to the Company's properties and information as to what improvements can be made thereto with advantage—of adjusting the timber concessions of the Company—also of determining what amount of new moneys must be obtained to provide the Company with funds to make improvements to its properties and adequate working capital, and of ascertaining the terms and conditions upon which such new moneys can be secured. Some time must necessarily elapse before any plan can be constructed.

BALANCE SHEET

RECEIVER'S CURRENT ASSETS:

In presenting the Balance Sheet of December 31st, 1935, a variation has been made in the method of showing the advances which have been made by the Receiver and Manager to subsidiary Companies to enable them to acquire pulpwood and other trading assets and to discharge liabilities against assets of such character which were in their hands at the time. In previous Balance Sheets issued by the Receiver and Manager such advances were included under the heading of "Investments in and Advances to wholly owned Subsidiaries"; in the Balance Sheet now presented they are removed from under such heading and included in "Receiver's Current Assets" to the extent to which they are covered by net current assets of the subsidiaries.

Investments in bonds were included in the Balance Sheet of December 31st, 1934, at the amount of \$38,500, and in the Balance Sheet of December 31st, 1935, they are shown at the value of \$72,150; the difference represents a writing-up of such securities by \$47,575—to more closely approximate their realizable values which have improved—less \$13,925 realized from sale and collection of certain of the same.

With the adjustments above mentioned the Receiver's Current Assets amounted on December 31st, 1935—and in the aggregate—to..... \$6,373,817.35
as of date December 31st, 1934, they were..... 4,703,964.79

showing an increase during 1935 of..... \$1,669,852.56
which was comprised of—

Cash on hand, increase.....	\$187,927.72
Receivables, increase.....	228,233.50
Advances to Subsidiaries, represented by net current assets of subsidiaries.....	250,807.92
Inventories, increase.....	969,233.42
Investments, increase in net book value therein.....	<u>33,650.00</u>
Total.....	<u>\$1,669,852.56</u>

Increase in the amount of inventories carried and in the advances to subsidiary Companies was necessary in order to provide the Company's mills with adequate supplies of pulpwood to meet prospective increased demands for newsprint paper and pulp. Increase in the amount of receivables owing to the Company on December 31st, 1935, was attributable to an increased volume of business done.

The amount of \$3,647,114.81, included in Receiver's Current Assets on December 31st, 1935, as the value of inventories then on hand, is after deduction of \$300,000 set up as a reserve and as a protection against unforeseen contingencies—such reserve is referred to in the Report of April 15th, 1935. The amount of receivables shown as owing to the Receiver and Manager has also been reduced by certain reserves to cover prospective bad debts—of these reserves it is believed that approximately \$150,000 will not now be required.

RECEIVER'S LIABILITIES:

Liabilities owing by the Receiver and Manager on December 31st, 1935, amounted to.....	\$4,610,966.80
Similar liabilities as of date December 31st, 1934, were.....	<u>4,295,977.98</u>
showing an increase in the year 1935 of.....	\$ 314,988.82

which was more than offset by increased inventories, receivables and other current assets on hand as hereinbefore mentioned.

EXCESS OF RECEIVER'S CURRENT ASSETS OVER RECEIVER'S LIABILITIES:

As of date December 31st, 1935, Receiver's Current Assets amounted to.....	\$6,373,817.35
and Receiver's Current Liabilities to.....	<u>4,610,966.80</u>
showing an excess of Current Assets of.....	\$1,762,850.55
As of date December 31st, 1934, Receiver's Current Assets amounted to.....	\$4,703,964.79
and Receiver's Current Liabilities to.....	<u>4,295,977.98</u>
showing an excess of Current Assets of.....	<u>407,986.81</u>
The improvement for 1935 in Receiver's Net Current Assets, including in such improvement the \$250,807.92 of advances to subsidiaries was therefore.....	<u>\$1,354,863.74</u>

INVESTMENT BY RECEIVER IN PURCHASE OF SHARES OF SALES COMPANY:

In October 1933 the Receiver and Manager, with the approval of Court, purchased the entire capital stock of The G. H. Mead Company, of Dayton, Ohio, for the sum of \$750,000. Since the date of purchase the accumulated earnings of the Mead Company have amounted to about \$100,000. As the value of its shares is substantially represented by assets of an intangible character, such earnings were in 1935 applied in reduction of the cost of the same.

OPERATING ACCOUNT

Attached hereto as Exhibit 1-B is a statement showing the results of operations of Abitibi for the twelve months' period ending on December 31st, 1935. The costs of carrying all shut-down mills and losses during the year of wholly owned Subsidiaries have been charged in such statement as expenses, while earnings of other wholly owned Subsidiaries have been included as income. Calculated upon such basis the excess of income over expenditures, prior to charges for depreciation and bond interest, amounted in the year to \$1,105,185.51, as compared with \$953,927.66 in 1934. In addition during the year 1935 the Company received a dividend of \$100,000 on the shares of the common capital stock of Provincial Paper, Limited, which are owned by it.

Included in the expenses of the year was \$32,000 expended in respect of costs of re-opening the Pine Falls, Manitoba, newsprint mill in July 1935. Taxes paid and reserved for in 1935 amounted to approximately \$375,000, as compared with \$317,000 in 1934, and \$305,000 in 1933.

RELATIVE TO BONDHOLDERS' COMMITTEE

Under the provisions of the Deposit Agreement dated June 10th, 1932, under which the Bondholders' Committee has been acting, depositors were given the right to withdraw their bonds at any time subsequent to June 10th, 1935, if no plan of reorganization had been adopted prior thereto; or, if a plan of reorganization had been adopted, for a period of thirty days succeeding the adoption of such plan. In view of the uncertainties produced by such conditions and the desirability that Bondholders should be represented by a Committee appointed in the Receivership proceedings, an Order of Court was issued under date of March 27th, 1935, authorizing the calling of a meeting of Bondholders in the City of Toronto, Ontario, on the 7th day of June, 1935, for the purpose of considering and, if thought advisable, passing a resolution appointing a Committee to represent the Bondholders in the Receivership proceedings and in all matters relating to the rights of Bondholders, and authorizing the Committee so appointed to apply to Court for an Order appointing it to represent the Bondholders as a class in all of the proceedings before the Court. Such meeting was called and held in Toronto on June 7th, 1935, when a resolution was passed appointing Joseph P. Ripley, W. A. Arbuckle, Milton C. Cross, Andrew Fleming, Stanton Griffis, Edward E. Reid, and W. H. Somerville as the members of a Committee to be known as the Bondholders' Representative Committee of Abitibi Power & Paper Company, Limited First Mortgage Gold Bonds, with power to appoint two or more of the members of the Committee as an Executive Committee; to fill any vacancies which might from time to time occur in the said Committee and by a vote of the majority of the members of the said Committee then in office from time to time to add one or more additional persons to its numbers so that the total number at any one time should not exceed ten. The resolution also authorized the said Committee to apply to Court for an Order appointing it to represent the holders of the said bonds as a class in all proceedings relating to Abitibi Power & Paper Company, Limited in the Receivership action. Under Order of Court dated September 13th, 1935, the members of the Committee so appointed were made parties defendant to the Receivership action and authorized to appear by Counsel in the proceedings and take such part therein as they might be advised to. Such Order also declared that all holders of First Mortgage Gold Bonds of Abitibi Power & Paper Company, Limited are sufficiently represented in the proceedings by the Committee. Liberty was reserved to all or any party or parties interested to apply from time to time to add any other persons who may be appointed members of the said Bondholders' Representative Committee of Abitibi Power & Paper Company, Limited First Mortgage Gold Bonds as defendants and to represent all holders of the First Mortgage Gold Bonds of the defendant Abitibi Power & Paper Company, Limited, and to apply for such further or other Order or directions as they may be advised.

In personnel the members of the Bondholders' Representative Committee of Abitibi Power & Paper Company, Limited First Mortgage Gold Bonds are the same as those of the Bondholders' Committee acting under the Deposit Agreement of June 10th, 1932, which still continues to function.

The undersigned desires to express his appreciation of the continued service and assistance rendered by the Bondholders' Committee and in particular by the Advisory Committee thereof comprised of Mr. J. P. Ripley, President of Brown Harriman & Co. Incorporated, New York; Mr. W. H. Somerville, of The Mutual Life Assurance Company of Canada, Waterloo, Ontario; and Mr. Edward E. Reid, of The London Life Insurance Company, of London, Ontario, in connection with the many problems and matters required to be dealt with in connection with the Receivership.

This Report is supplementary to the Reports of the undersigned issued under date of February 28th, 1933, April 30th, 1934, and April 15th, 1935, and in preparing it the undersigned has had in mind the desirability of providing information as certified to by the Auditors' Reports relative to the results of operations for the period of Receivership between January 1st, 1935, and December 31st, 1935; also of giving in a general manner a broad view of matters with which he has been called to deal. It is not intended, however, that the Report should exhaustively enter into all the numerous questions which have arisen in connection with the affairs of Abitibi Power & Paper Company, Limited, or those of subsidiary Corporations, or to 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 12th, 1936.

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, 1935

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In the Matter of

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G. T. CLARKSON, Receiver and Manager:

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AUDITORS' CERTIFICATE

PRICE, WATERHOUSE & CO.

ROYAL BANK BUILDING
TORONTO

February 21, 1936.

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

The profits and losses of all subsidiary Companies (excepting Provincial Paper, Limited) for the year ending December 31, 1935, as shown by the accounts of such Companies, have been incorporated in the attached statement of results from the operations of the Receiver and Manager of Abitibi Power & Paper Company, Limited.

Provision has not been made in the accounts of the Receiver and Manager for interest accruing since September 10, 1932 on the Five Per Cent. First Mortgage Gold Bonds, nor for depreciation of buildings, equipment and properties since that date, nor has provision been made for depletion of timber concessions during the 1933-34 and 1934-35 woods operations by reason of the status of the Company's timber concessions; similarly, provision has not been made since September 10, 1932 in the accounts of the subsidiary Companies (other than Provincial Paper, Limited and The G. H. Mead Company) for depreciation on buildings, equipment and properties. Under existing conditions in the newsprint industry it would appear to be impossible to ascertain the sound values of the investments in certain subsidiary Companies, and in certain of the buildings, equipment, properties, and timber concessions.

Subject to the foregoing remarks, we report that, in our opinion, the accompanying balance sheet shows the true financial position as at December 31, 1935 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, 1935

(showing also for comparative purposes the assets and liabilities at December 31, 1934, as shown by the statement thereof contained in the third report of the Receiver and Manager dated April 15, 1935, after re-classifying certain accounts to make the figures comparable with those at December 31, 1935.)

A S S E T S			
	December 31, 1934	December 31, 1935	
RECEIVER'S CURRENT ASSETS:			
Cash on hand and on deposit.....	\$ 35,373.05	\$ 223,300.77	
Accounts receivable, customers, less reserve.....	314,260.80	689,211.38	
Receivable from subsidiary sales company for newsprint shipments, less reserve.....	941,235.56	794,518.48	
Receivable from other subsidiaries, represented by current assets.....	696,713.99	947,521.91	
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.....	2,677,881.39	3,647,114.81	
Investments in bonds.....	38,500.00	72,150.00	
	\$ 4,703,964.79	\$ 6,373,817.35	
DEPOSITS WITH TRUSTEE FOR BOND-HOLDERS.....	38,689.66	67,852.28	
INVESTMENTS IN THE SECURITIES OF AND ADVANCES TO WHOLLY OWNED SUBSIDIARIES (See Note I):			
Investments in and advances to wholly owned subsidiaries (exclusive of sales company).....	\$37,404,917.99	\$37,646,155.09	
Less—Amount included with Receiver's Current Assets above, represented by current assets (including those created from Receiver's advances) as shown by books of subsidiary companies.....	622,663.89	867,591.83	
	\$36,782,254.10	\$36,778,563.26	
Investment by Receiver in purchase of shares of sales company.....	750,000.00	650,000.00	
	37,532,254.10	37,428,563.26	
INVESTMENT IN SHARES OF AND ADVANCES TO THUNDER BAY PAPER CO., LIMITED.....	\$ 8,311,615.54	\$ 8,534,615.54	
Balance owing on contract for purchase of such shares.....	2,727,916.67	2,727,916.67	
	\$11,039,532.21	\$11,262,532.21	
Less—Amounts written off re period prior to Receivership.....	2,085,576.52	2,087,208.44	
Amounts charged to Receiver's operations to cover operating losses and costs of carrying properties shut down.....	813,650.81	1,035,597.52	
	8,140,304.88	8,139,726.25	
Forward.....	\$50,415,213.43	\$52,009,959.14	

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1935

(showing also for comparative purposes the assets and liabilities at December 31, 1934, as shown by the statement thereof contained in the third report of the Receiver and Manager dated April 15, 1935, after re-classifying certain accounts to make the figures comparable with those at December 31, 1935.)

LIABILITIES

	December 31, 1934	December 31, 1935
SUNDRY LIABILITIES OF RECEIVER:		
Wages accrued and payable.....	\$ 58,896.63	\$ 64,383.36
Sundry accounts payable.....	491,635.00	538,583.44
Receiver's certificates (secured).....	3,600,000.00	4,008,000.00
Bank overdraft.....	145,446.35	—
	<u>\$ 4,295,977.98</u>	<u>\$ 4,610,966.80</u>

AMOUNTS OWING ON CONTRACT TO
PURCHASE SHARES OF THUNDER BAY
PAPER CO., LIMITED (Due 1936-1944):

(the shares are held by a depositary
pending payment of this balance)

	2,727,916.67	2,727,916.67
Forward.....	<u>\$ 7,023,894.65</u>	<u>\$ 7,338,883.47</u>

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1935

ASSETS

	December 31, 1934	December 31, 1935
FORWARD	\$50,415,213.43	\$52,009,959.14
INVESTMENTS IN SHARES OF AND ADVANCES TO 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.....	5,367.14	613.04
	<u>1,505,367.14</u>	<u>1,500,613.04</u>
INVESTMENTS IN MILLS AND EQUIP- MENT, RAILWAYS, WATERPOWERS, TOWNSITES AND BUILDINGS:		
(after deducting reserves for depreciation created prior to Receivership).....	48,245,981.90	48,258,437.47
TIMBER CONCESSIONS AND FREEHOLD TIMBER OWNED:		
(after deducting depletion and other reserves).....	19,950,368.67	19,939,429.08
REAL ESTATE AND OFFICE BUILDINGS	327,004.34	327,004.34
CHATTELS AND EQUIPMENT.....	32,220.50	32,029.40
PREPAID EXPENSES	200,327.60	173,120.77
	<u>\$120,676,483.58</u>	<u>\$122,240,593.24</u>

NOTES—

- I.—With the object of showing the net amount of the Investments in and Advances to wholly owned Subsidiary Companies (including Thunder Bay Paper Co., Limited), the advances and charges by the Abitibi Company and by the Receiver and Manager of the Abitibi Company to such Subsidiaries are added to and grouped with the Investments in the Subsidiaries; similarly the Accounts Payable to the Subsidiaries are deducted from the Investments in the securities thereof. During the period of the receivership the Receiver and Manager has advanced \$2,734,989.67 to Subsidiary Companies (including Thunder Bay) 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. At December 31, 1935, the Receiver and Manager was indebted to other Subsidiaries for \$710,990.73, chiefly for power supplied.
- II.—Dividends on 7% Cumulative Preferred Stock are paid to September 30, 1931.
Dividends on 6% Cumulative Preferred Stock are paid to March 31, 1931.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1935

LIABILITIES

	December 31, 1934	December 31, 1935
FORWARD	\$ 7,023,894.65	\$ 7,338,883.47
GENERAL CREDITORS' CLAIMS INCURRED PRIOR TO RECEIVERSHIP	352,430.15	352,584.37
RESERVE FOR CONTINGENCIES.....	29,253.56	23,704.72
FIVE PER CENT. FIRST MORTGAGE GOLD BONDS:		
Outstanding.....	\$48,267,000.00	\$48,267,000.00
Interest accrued to September 10, 1932.....	1,877,050.00	1,877,050.00
Reserve for tax rebates.....	17,636.41	17,636.41
	50,161,686.41	50,161,686.41
CAPITAL STOCK:		
10,000 shares 7% Cumulative Preferred Stock of \$100.00 each....	\$ 1,000,000.00	\$ 1,000,000.00
348,818 shares 6% Cumulative Preferred Stock of \$100.00 each (including 785 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 1,891 shares deposited for exchange of shares of subsidiary companies).....	18,964,935.43	18,964,935.43
	54,846,735.43	54,846,735.43
NOMINAL SURPLUS OF PERIOD PRIOR TO RECEIVERSHIP.....	6,271,993.72	6,321,323.67
AMOUNT AVAILABLE TOWARDS DEPRECIATION AND BOND INTEREST FROM OPERATIONS DURING RECEIVERSHIP PERIOD:		
As at December 31, 1934.....	\$ 1,990,489.66	\$ 1,990,489.66
For year ending December 31, 1935	—	1,205,185.51
	1,990,489.66	3,195,675.17
	<u>\$120,676,483.58</u>	<u>\$122,240,593.24</u>

CONTINGENT AND CONTRACTUAL LIABILITIES OUTSTANDING AND INCURRED PRIOR TO RECEIVERSHIP:

1. Obligations in connection with subscription for shares of Newsprint Bond & Share Company.
2. Obligations in connection with Ontario Power Service Corporation Limited.
3. Possible obligation for purchase of power from The Hydro-Electric Power Commission of Ontario.

This Balance Sheet is issued subject to the important questions as to values of certain of the assets as referred to in our report dated February 21, 1936.

PRICE, WATERHOUSE & CO.,
Auditors.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT OF NOMINAL SURPLUS FOR PERIOD PRIOR TO RECEIVERSHIP AS SHOWN
BY BALANCE SHEET AS AT DECEMBER 31, 1935

PARTICULARS	AMOUNT
Nominal Surplus for period prior to September 10, 1932 as per balance sheet at December 31, 1934.....	\$ 6,271,993.72
ADD:	
Adjustment of reserve for investment in bonds.....	\$47,575.00
Sundry adjustments.....	1,754.95
	<hr/> 49,329.95

NOMINAL SURPLUS FOR PERIOD PRIOR TO SEPTEMBER 10, 1932 AS PER BALANCE SHEET AS AT DECEMBER 31, 1935.....	<hr/> <hr/> \$ 6,321,323.67
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IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT SHOWING THE RESULTS FROM OPERATIONS FOR THE YEAR ENDING
DECEMBER 31, 1935(Including also the results of wholly owned subsidiaries including Thunder
Bay Paper Co., Limited but exclusive of Provincial Paper, Limited)

PARTICULARS	AMOUNT	
INCOME:		
Sales of newsprint and pulp.....	\$10,906,209.13	
Sales of power.....	325,970.58	
	<hr/>	
	\$11,232,179.71	
<i>Less</i> —Operating costs including administration, superintendence and general expenses, but before providing for depreciation and bond interest.....	9,357,032.66	
	<hr/>	
	\$ 1,875,147.05	
<i>Add</i> —Premium on U.S. funds.....	38,452.28	
	<hr/>	
		\$1,913,599.33
ADD:		
Interest and discount earned (net).....	\$ 39,818.78	
Sundry minor operating profits.....	25,402.78	
	<hr/>	
		65,221.56
Amount previously provided as reserve for doubtful debts—now restored.....		100,000.00
		<hr/>
		\$2,078,820.89
DEDUCT:		
Interest on contract covering purchase of shares of Thunder Bay Paper Co., Limited.....	\$ 163,675.00	
Cost of carrying idle mills and timber concessions tributary thereto:		
Mill idle costs including caretaking and insurance.....	\$196,971.56	
Taxes on mills and townsites.....	74,237.96	
Timber concessions — taxes, licenses and fees.....	67,724.94	
	<hr/>	
	338,934.46	
Interest on Receiver's certificates and overdraft.....	221,190.24	
Cost of issue of Receiver's third report.....	3,092.46	
Expenses re Bondholders' meeting	743.22	
Amount written off the value of pulpwood acquired prior to Receiver- ship and located at shut-down mill (Ste. Anne division).....	50,000.00	
Provision for legal and audit expenses.....	48,000.00	
Paid to Receiver in respect of remuneration.....	48,000.00	
Amount applied in amortization of purchase price of The G. H. Mead Company shares.....	100,000.00	
	<hr/>	
		973,635.38
BALANCE		<hr/>
		\$1,105,185.51
ADD:		
Dividend on common stock of Provincial Paper, Limited.....		100,000.00
		<hr/>
BALANCE AVAILABLE FOR DEPRECIATION OF MILLS AND PROPERTIES AND TOWARDS BOND INTEREST		<hr/>
		\$1,205,185.51

MANITOBA PAPER COMPANY, LIMITED

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

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1935

A S S E T S

CURRENT ASSETS:

Cash on hand and on deposit.....	\$ 11,628.99	
Sundry accounts receivable, less reserves.....	54,819.73	
Receivable from affiliated sales company for newsprint shipments.....	62,268.67	
Inventories of pulpwood, materials and supplies as shown by the books, valued on the basis of cost less reserves, as certified to by responsible officials of the company.....	606,754.85	
		\$ 735,472.24

OTHER ASSETS AND DEFERRED CHARGES:

Deposits with Trustee for Bondholders.....	\$ 5,593.94	
Claims.....	7,333.26	
Unexpired insurance, royalty charges, etc.....	15,321.61	
		28,248.81

FIXED ASSETS:

Plant, machinery and equipment, at cost, including therein expenditures on preliminary development of project, premiums paid on acquisition of stock of predecessor company, etc.....	\$ 9,898,361.86	
Lands, timber limits, undeveloped water power, etc., at valuation placed thereon by the management at inception of company plus cost of surveys and timber limit deposit with government..	6,132,894.04	
		16,031,255.90

\$16,794,976.95

NOTE—Investments in and advances to Manitoba Paper Company, Limited are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows:

	As at December 31, 1934	As at December 31, 1935
Investment—		
5% First Mortgage Bonds with interest accrued thereon to August 31, 1932.....	\$ 7,011,562.50	\$ 7,011,562.50
Capital Stock (35,000 shares).....	1,500,000.00	1,500,000.00
Balance in Earned Surplus Account.....	2,167,941.46	2,136,098.15
	\$10,679,503.96	\$10,647,660.65
Add—Balances owing by Manitoba Paper Company, Limited to—		
Abitibi Power & Paper Company, Limited.....	1,591,926.58	1,591,926.58
Receiver and Manager of Abitibi Power & Paper Company, Limited.....	286,501.44	624,364.74
	<u>\$12,557,931.98</u>	<u>\$12,863,951.97</u>

MANITOBA PAPER COMPANY, LIMITED

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

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1935

LIABILITIES		
SUNDRY ACCOUNTS PAYABLE.....	\$ 91,547.44	
TAXES DUE AND ACCRUED.....	672.17	
	<hr/>	\$ 92,219.61
OWING TO AFFILIATED COMPANIES:		
Abitibi Power & Paper Company, Limited.....	\$1,591,926.58	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited for current advances to enable Manitoba Paper Company, Limited to liquidate liabilities and to meet expenses of carrying shut-down properties, etc.....	624,364.74	
Thunder Bay Paper Co., Limited.....	74.46	
	<hr/>	2,216,365.78
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 accrued thereon to August 31, 1932.....	86,562.50	
	<hr/>	7,011,562.50
NOTE—As a result of non-payment of bond interest due December 1, 1932 the company is in default under terms of Indenture and Mortgage dated June 1, 1928. 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.....	\$ 775,862.20	
Depletion.....	7,390.46	
	<hr/>	783,252.66
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.....	2,136,098.15	
	<hr/>	6,691,576.40
		<hr/>
		\$16,794,976.95
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 the Manitoba Paper Company, Limited and its subsidiary companies for the year ending December 31, 1935, 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, 1935 for interest accruing on the 5% First Mortgage Gold Bonds nor has any reserve been created for depreciation of fixed assets. Under present conditions in the newsprint industry it would appear to be impossible to obtain a fair valuation of the company's plant and property. Subject to these remarks, we report that, in our opinion, the above consolidated balance sheet as at December 31, 1935 is properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs according to the best of our information and the explanations given to us and as shown by the books of the companies.

TORONTO, February 21, 1936.

PRICE, WATERHOUSE & CO.,
Auditors.

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, 1935

PARTICULARS	AMOUNT
Surplus at December 31, 1934.....	\$2,167,941.46
DEDUCT:	
Expenses incurred in carrying properties during shut-down period, January 1, 1935 to July 6, 1935.....	\$58,574.76
Less—	
Profit from operations during the period July 7, 1935 to December 31, 1935.....	\$26,680.35
Interest and discount received.....	51.10
	<u>26,731.45</u>
Loss for the year ending December 31, 1935, before pro- viding for depreciation and bond interest (after charging executive salaries as represented by amounts paid to officers \$11,657.58, and legal fees \$1,184.77).....	31,843.31
BALANCE AT DECEMBER 31, 1935.....	<u><u>\$2,136,098.15</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, 1935

ASSETS

CURRENT ASSETS:

Cash on hand and on deposit.....	\$	538.73	
Sundry accounts receivable, less reserves.....		829.89	
Inventories of pulpwood, materials and supplies as shown by the books, valued on the basis of cost less write-downs and reserves to reduce to replacement values, as certified to by responsible officials of the company.....		236,899.62	
			\$ 238,268.24

OWING BY AFFILIATED COMPANY:

Thunder Bay Paper Co., Limited.....			5.58
-------------------------------------	--	--	------

OTHER ASSETS AND DEFERRED CHARGES:

Deposits with Trustee for Bondholders.....	\$	31,292.64	
Unexpired insurance, royalty charges, etc.....		12,062.42	
			43,355.06

FIXED ASSETS:

Plant, machinery and equipment.....	\$	9,306,085.04	
Lands, timber limits, and cutting rights.....		4,602,975.00	
			13,909,060.04

TOTAL ASSETS..... \$14,190,688.92

DEFICIT, as per statement attached..... 1,912,083.22

\$16,102,772.14

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, 1934	As at December 31, 1935
Investment—		
5% First Mortgage Bonds with interest accrued thereon to August 31, 1932.....	\$ 7,993,687.50	\$ 7,993,687.50
Capital Stock (100,000 shares).....	500,000.00	500,000.00
	\$ 8,493,687.50	\$ 8,493,687.50
Less—Balance in Deficit Account.....	1,771,969.68	1,912,083.22
	\$ 6,721,717.82	\$ 6,581,604.28
Add—Balances owing by Ste. Anne Paper Company, Limited to—		
Abitibi Power & Paper Company, Limited.....	5,121,605.27	5,121,605.27
Receiver and Manager of Abitibi Power & Paper Company, Limited.....	480,519.36	549,780.27
	<u>\$12,323,842.45</u>	<u>\$12,252,989.82</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, 1935**

LIABILITIES		
SUNDRY ACCOUNTS PAYABLE.....		\$ 13,929.04
OWING TO AFFILIATED COMPANY:		
Abitibi Power & Paper Company, Limited.....	\$5,121,605.27	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited—for advances to enable Ste. Anne Paper Company, Limited and its subsidiaries to liquidate liabilities and for costs of carrying shut-down properties.....	549,780.27	
		5,671,385.54
FUNDED DEBT:		
5% First Mortgage Gold Bonds:		
Due June 1, 1968.....	\$7,500,000.00	
Due June 1, 1971.....	395,000.00	
	\$7,895,000.00	
Interest accrued thereon to August 31, 1932.....	98,687.50	
		7,993,687.50
NOTE—As a result of non-payment of bond interest due December 1, 1932, the company is in default under terms of Indenture and Mortgage dated June 1, 1928. 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.....	\$ 651,628.20	
Depletion.....	226,637.26	
		878,265.46
CAPITAL STOCK AND SURPLUS:		
(before considering Deficit—as per contra):		
Common Shares—		
Represented by shares without nominal or par value		
Authorized and issued—100,000 shares.....	\$ 500,000.00	
Capital Surplus (no change during year).....	1,045,504.60	
		1,545,504.60
		<u>\$16,102,772.14</u>

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

We have examined the books and accounts of the Ste. Anne Paper Company, Limited and its subsidiary companies St. Anne Power Company and Baie St. Paul Lumber Company, Limited kept at the Toronto office for the year ending December 31, 1935, 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, 1935 for interest accruing on the 5% First Mortgage Gold Bonds nor has any reserve been created for depreciation of fixed assets. Under present conditions in the newsprint industry it would appear to be impossible to obtain a fair valuation of the companies' plant and property. Subject to these remarks, we report that, in our opinion, the above consolidated balance sheet at December 31, 1935 is properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs according to the best of our information and the explanations given to us and as shown by the books of the companies.

TORONTO, February 21, 1936.

PRICE, WATERHOUSE & CO.,
Auditors.

STE. ANNE PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES

ST. ANNE POWER COMPANY

BAIE ST. PAUL LUMBER COMPANY, LIMITED

CONSOLIDATED DEFICIT ACCOUNT
FOR THE YEAR ENDING DECEMBER 31, 1935

PARTICULARS	AMOUNT
Deficit at December 31, 1934.....	\$1,771,969.68
Add:	
Expenses incurred in carrying shut-down properties for the year ending December 31, 1935, before providing for depreciation or bond interest:	
Mill expenses.....	\$69,091.81
Woods expenses.....	21,821.08
	<u>\$90,912.89</u>
Less—Interest earned.....	799.35
	<u>90,113.54</u>
Amount reserved against inventories of pulpwood.....	50,000.00
DEFICIT AT DECEMBER 31, 1935.....	<u><u>\$1,912,083.22</u></u>

ABITIBI ELECTRIC DEVELOPMENT
COMPANY, LIMITED

Balance Sheet and
Profit and Loss Account

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1935

ASSETS

CASH ON HAND AND ON DEPOSIT.....	\$ 500.00
AMOUNT DUE BY G. T. CLARKSON, RECEIVER AND MANAGER OF ABITIBI POWER & PAPER COMPANY, LIMITED—	
For electric power supplied and collections retained.....	205,859.39
SUNDRY ACCOUNTS RECEIVABLE.....	1,124.90
INVENTORIES OF EQUIPMENT AND SUPPLIES (less reserves).....	26,868.45
DEFERRED CHARGES:	
Unexpired insurance, etc.....	1,026.23
FIXED ASSETS, at cost:	
Power plant, transmission line, etc.....	\$7,814,872.81
Speeders, camp buildings and equipment.....	39,093.65
Horses, vehicles and livestock.....	987.36
	7,854,953.82

\$8,090,332.79

NOTE—Investments in and advances to Abitibi Electric Development Company, Limited are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows:

	As at December 31, 1934	As at December 31, 1935
Investment—		
5% First Mortgage Bonds with interest accrued thereon to August 31, 1932.....	\$5,219,437.50	\$5,219,437.50
Capital Stock (20,005 shares).....	100,005.00	100,005.00
Balance in Earned Surplus Account	1,418,874.70	1,430,216.60
	\$6,738,317.20	\$6,749,659.10
Add—Balance owing by Abitibi Electric Development Company, Limited to Abitibi Power & Paper Company, Limited.....	1,332,860.85	1,332,860.85
	\$8,071,178.05	\$8,082,519.95
Less—Balance owing to Abitibi Electric Development Company, Limited by Receiver and Manager of Abitibi Power & Paper Company, Limited.....	196,134.71	205,859.39
	\$7,875,043.34	\$7,876,660.56

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1935

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$ 7,812.84	
ABITIBI POWER & PAPER COMPANY, LIMITED.....		1,332,860.85	
FUNDED DEBT:			
5% First Mortgage Gold Bonds:			
Due June 1, 1968.....	\$5,000,000.00		
Due June 1, 1971.....	155,000.00		
	\$5,155,000.00		
Interest accrued thereon to August 31, 1932.....	64,437.50		
			5,219,437.50
NOTE—As a result of non-payment of bond interest due December 1, 1932, the company is in default under terms of Indenture and Mortgage dated June 1, 1928. These bonds are all 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.			
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.....	1,430,216.60		
			1,530,221.60
NOTE—Provision has not been made for any possible liability under arrangement to take power from The Hydro-Electric Power Commission of Ontario.			
			<u>\$8,090,332.79</u>

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

We have examined the books and accounts of the Abitibi Electric Development Company, Limited for the year ending December 31, 1935, and have obtained all the information and explanations which we have required. No provision has been made for interest accrued during the period from September 1, 1932 to December 31, 1935 on the 5% First Mortgage Gold Bonds outstanding, nor has any reserve been made for depreciation of plant and equipment. Subject thereto, 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.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, February 21, 1936.

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1935

PARTICULARS	AMOUNT
Surplus at December 31, 1934.....	\$1,418,874.70
Add:	
Profit from operations for the year ending December 31, 1935 before providing for depreciation or bond interest—	
Sales.....	\$124,513.64
Operating expenses.....	<u>113,171.74</u>
	11,341.90
BALANCE AT DECEMBER 31, 1935.....	<u><u>\$1,430,216.60</u></u>

KAMINISTQUIA POWER CO., LIMITED

Balance Sheet and Profit and Loss Account

KAMINISTIQUEIA POWER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1935

ASSETS

CASH ON HAND AND ON DEPOSIT.....	\$ 1,000.00	
SUNDRY CUSTOMERS' ACCOUNTS, less reserves.....	10,777.82	\$ 11,777.82
INVESTMENT, less reserve:		
Fort William Hotel Company Limited.....		1.00
OWING BY AFFILIATED COMPANY:		
Abitibi Power & Paper Company, Limited—		
Balance owing in respect of period prior to Receivership.....	\$ 428,493.38	
Portion of power billings during period September 10, 1932 to December 31, 1935, being the excess of charges under power contract, over power used which is charged to Receiver and Manager as below.....	606,537.55	
	\$1,035,030.93	
Amount owing by G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited for power used and for collections retained, etc.....	471,808.71	1,506,839.64
DEFERRED CHARGES:		
Unexpired insurance, etc.....		418.84
FIXED ASSETS:		
Waterpowers, lands, buildings, etc., at appraised value as reported by Walter J. Francis & Co., Engineers, as at September 1925, plus subsequent additions, at cost.....		6,379,811.64
		<u>\$7,898,848.94</u>

NOTE—Investments in and advances to Kaministiquia Power Co., Limited are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows:

	As at December 31, 1934	As at December 31, 1935
Investment—		
5% First Mortgage Bonds with interest accrued thereon to August 31, 1932.....	\$3,543,750.00	\$3,543,750.00
Capital Stock (40,000 shares).....	950,000.00	950,000.00
Balance in Earned Surplus Account.....	1,315,757.57	1,626,532.54
	\$5,809,507.57	\$6,120,282.54
Less—Balances owing to Kaministiquia Power Co., Limited by—		
Abitibi Power & Paper Company, Limited.....	848,180.82	1,035,030.93
Receiver and Manager of Abitibi Power & Paper Company, Limited.....	349,736.57	471,808.71
	<u>\$4,611,590.18</u>	<u>\$4,613,442.90</u>

KAMINISTIKUIA POWER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1935

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$ 1,214.81
FUNDED DEBT:		
5% First Mortgage Gold Bonds, due 1968.....	\$3,500,000.00	
Interest accrued thereon to August 31, 1932.....	43,750.00	
		<u>3,543,750.00</u>
NOTE—As a result of non-payment of bond interest due December 1, 1932, the company may be in technical default under terms of Indenture and Mortgage dated June 1, 1928. These bonds are all owned by Abitibi Power & Paper Company, Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928 securing the issue of First Mortgage Gold Bonds of that company.		
RESERVE FOR DEPRECIATION OF PLANT.....		1,179,964.51
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.....	1,626,532.54	
		<u>3,173,919.62</u>
		<u><u>\$7,898,848.94</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 the Kaministiquia Power Co., Limited for the year ending December 31, 1935, and have obtained all the information and explanations which we have required. No provisions have been made during the period from September 1, 1932 to December 31, 1935 for interest accruing on the 5% First Mortgage Gold Bonds outstanding nor for depreciation of fixed assets, and no provision has been established against the account receivable from Abitibi Power & Paper Company, Limited, which if not collected will reduce the surplus shown by the balance sheet. Subject thereto, we report that, in our opinion, the above balance sheet at December 31, 1935 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, February 21, 1936.

PRICE, WATERHOUSE & CO.,
Auditors.

KAMINISTIQUEA POWER CO., LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1935

PARTICULARS	AMOUNT
Surplus at December 31, 1934.....	\$1,315,757.57
Add:	
Profit from operations for the year ending December 31, 1935, before providing for depreciation or bond interest—	
Sales.....	\$388,307.05
Operating expenses (including executive salaries as represented by amounts paid to officers \$7,020.00).....	77,532.08
	<u>310,774.97</u>
BALANCE AT DECEMBER 31, 1935.....	<u><u>\$1,626,532.54</u></u>

MATTAGAMI RAILROAD COMPANY

Balance Sheet and Profit and Loss Account

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

DECEMBER 31, 1935

ASSETS

SUNDRY ASSETS:

Cash on hand and on deposit.....	\$ 500.00	
Accounts receivable.....	3,908.84	
Inventory of coal, at cost.....	762.49	
	<hr/>	\$ 5,171.33

OWING BY AFFILIATED COMPANY:

Abitibi Power & Paper Company, Limited.....	\$ 97,460.12	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited.....	29,181.68	
	<hr/>	126,641.80

DEFERRED CHARGES:

Unexpired insurance.....		764.97
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FIXED ASSETS:

Rolling stock, rails, equipment, etc.....		242,576.85
		<hr/>
		<u>\$375,154.95</u>

NOTE—Investments in and advances to Mattagami Railroad Company are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows:

	As at December 31, 1934	As at December 31, 1935
Investment—		
Capital Stock (2,500 shares)	\$250,000.00	\$250,000.00
Balance in Earned Surplus Account.....	99,332.41	123,207.90
	<hr/>	<hr/>
	\$349,332.41	\$373,207.90
Less—Balances owing to Mattagami Railroad Company by—		
Abitibi Power & Paper Company, Limited.....	97,460.12	97,460.12
Receiver and Manager of Abitibi Power & Paper Company, Limited.....	6,250.74	29,181.68
	<hr/>	<hr/>
	<u>\$245,621.55</u>	<u>\$246,566.10</u>

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

DECEMBER 31, 1935

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$ 1,947.05	
CAPITAL STOCK AND SURPLUS:			
Common Shares			
Authorized—			
10,000 shares of \$100.00 each.....	\$1,000,000.00		
Issued—			
2,500 shares of \$100.00 each.....	\$ 250,000.00		
Earned Surplus—			
As per statement attached.....	123,207.90		373,207.90
			<u>\$375,154.95</u>

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

We have examined the books and accounts of the Mattagami Railroad Company for the year ending December 31, 1935, 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, which if not collected will reduce the surplus shown by the balance sheet, nor has any reserve been made for depreciation of rolling stock, rails and equipment, etc. Subject to these remarks, we report that, in our opinion, the above balance sheet at December 31, 1935 is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books of the company.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, February 21, 1936.

MATTAGAMI RAILROAD COMPANY

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1935

PARTICULARS	AMOUNT
Surplus at December 31, 1934.....	\$ 99,332.41
Add:	
Profit from operations for the year ending December 31, 1935, before providing for depreciation:	
Revenue.....	\$56,138.18
Operating expenditure.....	32,262.69
	23,875.49
BALANCE AT DECEMBER 31, 1935.....	<u>\$123,207.90</u>

THUNDER BAY PAPER CO., LIMITED

Balance Sheet and
Profit and Loss Account

THUNDER BAY PAPER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1935

ASSETS

CURRENT ASSETS:

Inventories of paper, materials and supplies, at cost, as certified to by responsible officials of the company.....	\$ 151,635.20	
Customers' accounts, less reserves.....	3,144.92	
Receivable from affiliated sales company for newsprint shipments.....	93,900.88	
Owing by affiliated companies.....	74.46	
Cash on hand and on deposit.....	9,944.28	
	<hr/>	\$ 258,699.74

OTHER ASSETS AND DEFERRED CHARGES:

Cash deposit on timber limit.....	\$ 50,000.00	
Unexpired insurance and other prepaid expenses.....	10,688.05	
	<hr/>	60,688.05

FIXED ASSETS, at cost:

Real estate.....	\$ 44,812.98	
Plant, machinery and equipment.....	5,842,682.01	
Other fixtures.....	2,494.68	
	<hr/>	5,889,989.67

\$6,209,377.46

NOTE—The above notes payable of \$1,755,211.82 to Abitibi Power & Paper Company, Limited and the Receiver and Manager thereof, and the capital and surplus are represented on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager, as follows:

	As at December 31, 1934	As at December 31, 1935
Investment in shares and advances.....	\$ 8,311,615.54	\$ 8,534,615.54
Balance owing on contract for purchase of such shares.....	2,727,916.67	2,727,916.67
	<hr/>	<hr/>
	\$11,039,532.21	\$11,262,532.21
<i>Less</i> —Amounts written off:		
For period prior to Receivership.....	\$ 2,085,576.52	\$ 2,087,208.44
For operating losses and costs of carrying properties shut down during period of Receivership.....	813,650.81	1,035,597.52
	<hr/>	<hr/>
	\$ 2,899,227.33	\$ 3,122,805.96
	<hr/>	<hr/>
Net balance carried as investments and advances.....	\$ 8,140,304.88	\$ 8,139,726.25

THUNDER BAY PAPER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1935

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....	\$ 40,267.14	
Owing to affiliated companies.....	66,571.49	
General Power and Paper Company Limited.....	139,489.02	
Accrued wages.....	11,350.22	
	<u> </u>	\$ 257,677.87

DEFERRED LIABILITIES:

Notes payable (due 1937-1938) to—		
Abitibi Power & Paper Company, Limited.....	\$ 194,367.16	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited, for funds provided to meet losses in operations, costs of carrying shut-down properties, etc.....	1,560,844.66	
	<u> </u>	1,755,211.82

RESERVE FOR DEPRECIATION.....		615,491.91
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CAPITAL STOCK:

Common Shares:		
Authorized and issued—		
20,000 shares of \$100.00 each.....	\$2,000,000.00	
Capital Surplus (no change during year).....	3,253,438.15	
	<u> </u>	\$5,253,438.15
Deduct—Deficit as per statement attached.....	1,672,442.29	
	<u> </u>	3,580,995.86
		<u> </u>
		<u> </u>
		\$6,209,377.46

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, 1935, and have obtained all the information and explanations which we have required. No provision was made during the year in respect of depreciation of plant and equipment. The provisions for depreciation made during recent years were based on the tonnage of newsprint produced and, as a result of the low volume of production during these years, the total depreciation provided, has, in our opinion, been inadequate. Subject to the foregoing remarks, 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, 1935 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, February 21, 1936.

THUNDER BAY PAPER CO., LIMITED

DEFICIT ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1935

PARTICULARS	AMOUNT
Deficit at December 31, 1934.....	\$1,448,863.66
ADD:	
Price adjustment on newsprint shipments made in 1932.....	1,631.92
	<u>\$1,450,495.58</u>
ADD:	
Loss from operations during the year ending December 31, 1935.....	\$116,205.84
Less—Premium on U.S. funds.....	4,918.31
	<u>\$111,287.53</u>
Interest charges, including interest paid on bank loans and interest credited to the Receiver and Manager of Abitibi Power & Paper Company, Limited for advances.....	110,659.18
	<u>221,946.71</u>
Loss for the year ending December 31, 1935, before providing for depreciation	
DEFICIT AT DECEMBER 31, 1935.....	<u><u>\$1,672,442.29</u></u>

PROVINCIAL PAPER, LIMITED

Balance Sheet and Profit and Loss Account

PROVINCIAL PAPER, LIMITED

BALANCE SHEET

DECEMBER 31, 1935

ASSETS

CURRENT ASSETS:

Cash on hand and in banks.....	\$309,117.41	
Bonds of Dominion and Provincial governments of a par value of \$650,000.00 (market value \$654,350.00).....	644,542.50	
Accounts and bills receivable, less reserve for doubtful accounts.....	801,488.86	
Inventories of paper, stock, supplies and pulpwood at the lower of cost or market, as determined and certified to by responsible officials, including advances on 1936 woods operations.....	856,147.27	
	<u> </u>	\$ 2,611,296.04

OTHER ASSETS:

Government deposit on timber limits.....	\$ 18,000.00	
Investments in subsidiary and other companies.....	181,275.31	
	<u> </u>	199,275.31

PROPERTY AND PLANT:

Real estate, buildings, equipment, etc.....	9,392,091.62
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DEFERRED CHARGES:

Installation of equipment, unexpired insurance, etc.....	24,629.31
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\$12,227,292.28

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, 1934	As at December 31, 1935
Investments in Shares of and Advances to Corporations other than Wholly Owned Subsidiaries—		
100,000 shares common stock without nominal or par value, carried at arbitrary value of.....	\$1,500,000.00	\$1,500,000.00
	<u> </u>	<u> </u>

PROVINCIAL PAPER, LIMITED

BALANCE SHEET

DECEMBER 31, 1935

LIABILITIES

CURRENT LIABILITIES:

Accounts payable, accrued charges, etc.....	\$ 243,814.05	
Dividend on preferred stock—1¾% payable January 2, 1936.....	61,250.00	
Bond interest accrued.....	35,287.07	
Reserve for Dominion and Provincial income taxes.....	19 086.16	
		\$ 359,437.28

MORTGAGE DEBT:

5½% First Mortgage Sinking Fund Bonds, due 1947:		
Authorized.....	\$10,000,000.00	
Issued.....	\$5,300,000.00	
Less—Redeemed and cancelled.....	1,425,000.00	
	\$3,875,000.00	
Less—Purchased and held by the company.....	25,500.00	
		3,849,500.00

RESERVE FOR DEPRECIATION OF PLANT AND BUILDINGS.....	2,575,000.00
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GENERAL RESERVES.....	996,588.40
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CAPITAL STOCK:

Authorized and issued—		
35,000 shares 7% cumulative preferred stock of \$100.00 each..	\$3,500,000.00	
100,000 shares common stock without nominal or par value.....	100,000.00	
		3,600,000.00

SURPLUS.....	846,766.60
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	\$12,227,292.28
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AUDITORS' REPORT TO THE SHAREHOLDERS:

We have examined the books and accounts of Provincial Paper, Limited for the year ending December 31, 1935, and have obtained all the information and explanations which we have required. An amount of \$100,000.00 has been provided from Profit and Loss Account and the sum of \$225,000.00 has been transferred from General Reserve in respect of depreciation of plant during the year; on this basis, we report that, in our opinion, the above balance sheet at December 31, 1935, 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.,
Auditors.

TORONTO, February 15, 1936.

PROVINCIAL PAPER, LIMITED

STATEMENT OF SURPLUS AND PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1935

PARTICULARS	AMOUNT
Profit for the year ending December 31, 1935, including income from investments, but before providing for the undernoted charges	\$ 713,617.14
DEDUCT:	
Provision for doubtful accounts.....	\$ 6,000.00
Provision for depreciation.....	100,000.00
Interest on mortgage debt (net).....	211,727.08
	<u>317,727.08</u>
Profit for the year, before providing for income taxes.....	\$ 395,890.06
DEDUCT:	
Provision for Dominion and Provincial income taxes.....	19,000.00
Net Profit for the year.....	<u>\$ 376,890.06</u>
ADD:	
Surplus as at December 31, 1934.....	814,876.54
	<u>\$1,191,766.60</u>
DEDUCT:	
Dividends on:	
7% Cumulative preferred stock.....	\$245,000.00
Common stock.....	100,000.00
	<u>345,000.00</u>
	<u><u>\$ 846,766.60</u></u>

