

# TWENTY-EIGHTH ANNUAL REPORT AND STATEMENT

*Year Ended 31st December, 1944*



FRASER COMPANIES, LIMITED,

FRASER PAPER, LIMITED

AND RESTIGOUCHE COMPANY, LIMITED

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**FRASER COMPANIES, LIMITED**  
**FRASER PAPER, LIMITED**  
**AND RESTIGOUCHE COMPANY, LIMITED**

TO THE SHAREHOLDERS,

FRASER COMPANIES, LIMITED:

The Consolidated Balance Sheet of Fraser Companies, Limited and its wholly-owned subsidiaries as at 31st December, 1944, and the Consolidated Income and Expenditure and Surplus Statements of these companies for the year ended 31st December, 1944, are submitted herewith.

Earnings for the year, including premium on United States exchange amounting to approximately \$1,000,000.00, but before interest charges and provision for depletion, depreciation and Income and Excess Profits Taxes, amounted to \$6,129,000.00.

The net profit for the year, after all charges but before deducting provision for Income and Excess Profits Taxes, amounted to \$4,048,000.00, as compared with a net profit of \$3,265,000.00 for the year 1943. A provision for Income and Excess Profits Taxes of \$2,590,000.00 has been made and deducted from the year's earnings.

Your attention is directed to the following: reduction of funded debt \$1,943,000.00, expense of refinancing including call and exchange premiums \$487,000.00, expenditure of \$986,000.00 on additions to plants and properties being part of the programme of improvement and modernization of your companies' mills, application of \$827,000.00 to Pension Funds, provision of \$2,590,000.00 for Income and Excess Profits Taxes, and Common Dividends of \$390,000.00.

An amount of \$512,000.00 was transferred from Inventory Reserve in current assets to "Reserve for Replacement of Pulpwood and Log Inventories to Normal Quantities at Present Inventory Values" (non-current), and \$1,185,000.00 previously included in current liability provision for Excess Profits Taxes was transferred to surplus. As a result of the foregoing, the consolidated net working capital amounts to \$5,691,000.00.

The statements accompanying this report give effect to the refunding of the previously outstanding 6% bonds of Fraser Companies, Limited and Restigouche Company, Limited, financed in part by a private sale at par of a new issue of \$7,000,000.00 principal amount of 3½% bonds of Fraser Companies, Limited, dated 1st January 1945, payable in U. S. funds only, and in part from current funds.

During the year payment of dividends on the Common Shares of the Company was resumed. Three quarterly dividends of 35c per share were declared which in total amounted to \$390,000.00, and payment or provision for which is included in the statements herewith.

After careful consideration, Pension Plans on the employer-employee contributory principle were formulated for employees of Fraser Companies, Limited, Restigouche Company, Limited and Fraser Paper, Limited. In the case of Fraser Paper, Limited the Plan is designed to supplement the benefits available to employees of that Company in the United States under the Social Security Act, and details of the Plan are still subject to final approval by the United States Government authorities. In order to provide for the past service elements of the Plans, contributions totalling \$827,000.00 in all have been made and charged to surplus. Contributions for such purposes are deductible for Income and Excess Profits Taxes over a period of ten years. In respect of current services each Plan provides for payment by the Company concerned of sums certified by the Actuary as sufficient with the contributions of employee members to provide for the specified pensions.

Total tonnage of pulp and paper produced and sold was approximately the same as in the two previous years but the production of paper was proportionately decreased by the diversion of pulp normally consumed by your paper mills in Madawaska, Maine, to other consumers by direction of the United States War Production Board.

No changes occurred in the ceiling prices of the grades of paper and paperboard manufactured in your mills. In February the price of Bleached Sulphite (Paper Grades) advanced Ten Dollars per ton in the U.S. market with corresponding increases in other export markets. This is the first price change since July, 1940, resulting in a higher mill return. Similar increases for Dissolving Pulp grades became effective later in the year.

Production and sales of lumber products were substantially lower than in the previous year due to shortage of manpower in the woods and inability to deliver all drives to the mills because of low water conditions during the spring which prevented log drives reaching the mills. Lumber prices were firm to slightly higher but not sufficiently higher to offset increases in cost.

Shortage of manpower in the woods and reduced inventories of pulpwood on hand may result in reduced productivity in 1945.

Your companies' Machine and Repair Shops have continued the machining and production of parts required for war purposes.

More than seven hundred and eighty-five of your companies' employees have joined the armed forces in all branches of the service. They have all devoted their utmost endeavours to the common cause and we are proud of the record which they have established. A number of them have made the supreme sacrifice. Others have been incapacitated. To the bereaved families and friends we extend our deep and sincere sympathy.

Your Directors and Officers wish to tender their thanks to all members of the organization, who, under difficult circumstances throughout another war year, have rendered excellent and outstanding service.

EDMUNDSTON, NEW BRUNSWICK,  
FEBRUARY 23RD, 1945.

AUBREY CRABTREE,  
President.

CONSOLIDATED B  
**FRASER COMPANIES**  
 FRASER PAPER, LIMITED, AND RESTIGOUCHE COMPANY, LIMITED

*As at 31st December 1944*  
 (After giving effect to refinancing)

ASSETS

CURRENT:

Cash in Banks and on Hand.....	\$ 1,583,302.67	
Dominion Government and United States Treasury Bonds.....	3,055,000.00	
Accounts and Bills Receivable—less Reserve.....	1,386,857.38	
Inventories, valued at or below cost comprising Raw Materials and Supplies, Goods in Process and Finished Products; and Logging and Pulpwood Advances Season 1944-45, less Reserve, as certified by responsible officials of the Companies.....	3,886,508.64	
		\$ 9,911,668.69
DEFERRED CHARGES TO OPERATIONS.....		31,938.72
REFUNDABLE PORTION OF EXCESS PROFITS TAXES—ESTIMATED.....		569,000.00
OTHER INVESTMENTS.....		15,506.00

FIXED:

Freehold and Leasehold Timber Limits, Buildings, Mills, Equipment, etc., as valued at 31st December, 1932 (such valuation being considerably less than cost) with subse- quent Additions at Cost less Deductions for Equipment and Property sold.....		\$32,363,157.54
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*Less:*

Reserves:

Depletion.....	\$ 5,532,263.31	
Depreciation.....	13,629,469.04	
		19,161,732.35
		13,201,425.19

APPROVED ON BEHALF OF THE BOARD:

AUBREY CRABTREE, *Director.*  
 L. M. SHERWOOD, *Director.*

\$23,729,538.60

TO THE SHAREHOLDERS OF  
 FRASER COMPANIES, LIMITED.

We have examined the books and accounts of Fraser Companies, Limited, Fraser Paper, Limited and Restigouche Company, Limited for the year ended 31st December, 1944 and have obtained all the information and explanations we have required. The amount available at 31st December, 1943 to value Pulpwood and Logs on hand and to be delivered at less than cost has been reduced by a transfer of \$512,000.00 from Inventory Reserve to Reserve for Replacement of Pulpwood and Log Inventories. There has been transferred to Income Surplus an amount of \$1,185,156.61, included in the Liability for Excess Profits Taxes at 31st December, 1943 being the estimated taxes applicable to the amounts claimed to that date in respect of Reserves for future decline in inventory values allowable under the Excess Profits Tax Act, which amounts are liable to be subject to Excess Profits Tax when utilized or when the Act ceases to apply. In our opinion, on this basis, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of Fraser Companies, Limited, Fraser Paper, Limited and Restigouche Company, Limited as at 31st December, 1944, according to the best of our information and the explanations given to us, and as shown by the books of the Companies as at that date.

GEORGE A. TOUCHE & CO.,  
 Chartered Accountants.

DATED AT MONTREAL,  
 19TH FEBRUARY, 1945.

## BALANCE SHEET OF

**FRASER PAPER INDUSTRIES, LIMITED**FRASER PAPER INDUSTRIES, LIMITED  
ESTIGOUCHE COMPANY, LIMITED

December, 1944

(ending on 1st January, 1945)

## LIABILITIES AND CAPITAL

## CURRENT:

Accounts Payable.....	\$ 1,340,444.71	
Payrolls and Other Charges Accrued.....	553,463.39	
Common Stock Dividend—payable 25th January, 1945.....	129,855.60	
Provision for Dominion and United States Income and Excess Profits and Other Taxes—less Instalments Paid.....	2,196,470.99	
		<u>\$ 4,220,234.69</u>

## RESERVE FOR REPLACEMENT OF PULPWOOD AND LOG INVENTORIES TO NORMAL

QUANTITIES AT PRESENT INVENTORY VALUES..... 1,755,000.00

RESERVE FOR CONTINGENCIES..... 570,000.00

REFUNDABLE PORTION OF EXCESS PROFITS TAXES—PER CONTRA..... 569,000.00

## FIRST MORTGAGE AND COLLATERAL TRUST BONDS:

Authorized..... \$10,000,000.00

## Issued:

3½% Series due 1st January, 1965, payable in U.S. Funds..... 7,000,000.00

## CAPITAL AND SURPLUS:

Represented by 371,016 Shares of No Par Value out of a Total Authorized  
Issue of 500,000 Shares:

Amount Attributed to Capital.....	\$ 3,984,458.91	
Surplus per Schedule "A".....	5,630,845.00	
		<u>9,615,303.91</u>
		<u>\$23,729,538.60</u>

NOTES: (a) In computing the liability for Excess Profits Taxes a reduction therein has been given effect to in respect of Reserves for future decline in Inventory values claimed to date under the Excess Profits Tax Act.

(b) In consolidating the Balance Sheet of Fraser Paper, Limited, which operates in the United States of America, American Dollars are expressed as an equal number of Canadian Dollars.

# FRASER COMPANIES, LIMITED

FRASER PAPER, LIMITED AND RESTIGOUCHE COMPANY, LIMITED

## STATEMENT OF CONSOLIDATED INCOME AND EXPENDITURE

*For the year ended 31st December, 1944*

Earnings for twelve months ended 31st December, 1944 (including \$135,309.25 Investment Income), after Operating Expenses (including Executive Officers' Salaries and Legal Fees of \$97,007.23 and Directors' Remuneration of \$1,550.00), Taxes, etc., but before providing for the undernoted items:	\$ 6,129,186.53
<i>Deduct:</i>	
Bond Interest and Exchange thereon.....	584,741.70
	<u>\$5,544,444.83</u>
<i>Deduct:</i>	
Provision for Depletion.....	\$ 254,793.42
Provision for Depreciation.....	1,241,900.00
	<u>1,496,693.42</u>
NET PROFIT, BEFORE PROVISION FOR INCOME AND EXCESS PROFITS TAXES.....	\$4,047,751.41
<i>Deduct:</i>	
Provision for Income and Excess Profits Taxes, including Refundable Portion of Excess Profits Taxes.....	2,590,000.00
NET PROFIT FOR YEAR.....	<u><u>\$1,457,751.41</u></u>

### SCHEDULE "A"

#### STATEMENT OF CONSOLIDATED SURPLUS

*As at 31st December, 1944*

*(After giving effect to refinancing on 1st January, 1945)*

Balance at 31st December, 1943.....	\$3,197,825.78
<i>Deduct:</i>	
Premium on Companies' Bonds Purchased.....	\$ 12,871.50
Refinancing Expense:	
Call price premium on Bonds redeemed and U.S. Exchange on net refunding expenditure.....	\$400,766.04
Brokerage, Legal, Bank, Trustees' Fees and Expenses, Printing and Registration.....	85,811.47
	<u>486,577.51</u>
Companies' Contributions to Pension Funds in respect of past services of Employees.....	827,000.00
	<u>1,326,449.01</u>
	<u>\$1,871,376.77</u>

#### STATEMENT OF CONSOLIDATED INCOME SURPLUS

*As at 31st December, 1944*

Balance at 31st December, 1943.....	\$1,506,127.01
<i>Add:</i>	
Net Profit for Year.....	1,457,751.41
Reduction in Provision for Taxes for years 1940 to 1943 inclusive, in respect of Inventory Reserves claimed under the Excess Profits Tax Act	1,185,156.61
	<u>\$4,149,035.03</u>
<i>Deduct:</i>	
Common Stock Dividends.....	389,566.80
	<u>3,759,468.23</u>
	<u><u>\$5,630,845.00</u></u>

# FRASER COMPANIES, LIMITED

EDMUNDSTON, NEW BRUNSWICK

## OFFICERS

*Chairman of the Board*

HAROLD CRABTREE, C.B.E.

*President and General Manager*

AUBREY CRABTREE

*Vice-President and Controller*

L. M. SHERWOOD

*Treasurer*

H. H. HENDERSON

*Secretary*

G. G. GILLIES

## DIRECTORS

A. W. BREBNER

A. H. CAMPBELL

AUBREY CRABTREE

HAROLD CRABTREE, C.B.E.

S. F. DUNCAN

HON. R. B. HANSON, P.C., K.C.

A. M. IRVINE

CDR. K. S. MACLACHLAN, O.B.E.

L. M. SHERWOOD

H. P. THORNHILL

## AUDITORS

MESSRS. GEORGE A. TOUCHE & COMPANY

The shares of the Capital Stock of the Company are listed for trading on the Montreal Curb Market and Toronto Stock Exchange.

Books for the registration and transfer of shares are maintained at Montreal, Toronto and Edmundston.

