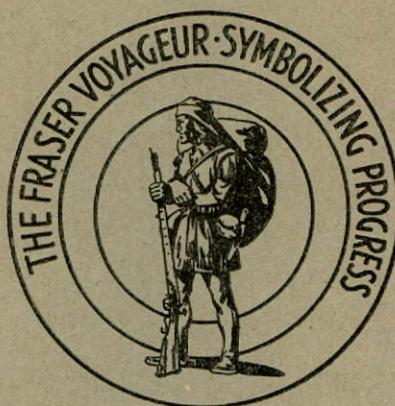


TWENTY-NINTH ANNUAL REPORT AND STATEMENT

Year Ended 31st December, 1945



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 at 31st December, 1945, and the Consolidated Income and Expenditure and Surplus Statements of these companies for the year ended 31st December, 1945, are submitted herewith.

Earnings for the year, including premium on United States exchange amounting to approximately \$1,000,000, but before interest charges and provision for depletion, depreciation and Income and Excess Profits Taxes, amounted to \$5,542,000.

The net profit for the year, after all charges including a provision for Income and Excess Profits Taxes of \$1,770,000, amounted to \$1,764,000, as compared with a net profit of \$1,458,000 for the year 1944.

Your attention is directed to the following: expenditure of \$1,302,000 on additions to plants and properties being part of the programme of improvement and modernization of your companies' mills, provision of \$1,770,000 for Income and Excess Profits Taxes, and Common Dividends of \$742,000.

An amount of \$731,000 was transferred from "Reserve for Replacement of Pulpwood and Log Inventories to Normal Quantities at Present Inventory Values" (non-current) to Inventory Reserve in Current Assets.

As a result of the foregoing, the consolidated net working capital amounts to \$6,349,000.

During the year payment of dividends on the Common Shares of the Company was continued. Four quarterly dividends of 50c per share were declared which in total amounted to \$742,000 and payment or provision for which is included in the statements herewith.

Total tonnage of woodpulp, paper and paperboard products sold was approximately the same as in the previous year. Diversion of woodpulp from your paper mills in Madawaska, Maine, to other consumers by direction of the United States War Production Board, as mentioned in last year's report, was not in effect during the last quarter.

No changes occurred in the ceiling prices applicable to sales of woodpulp, paper and paperboard manufactured in your mills during the year.

Sales of lumber products were slightly higher than in the previous year with no change in ceiling prices.

Cost of most materials, particularly logs, pulpwood and coal, used in the manufacture of your companies' products increased during the year. Further increases in wages likewise affected earnings. These higher cost trends continue and are only partially offset by increases in prices of B grade groundwood papers authorized by the United States Office of Price Administration December 29th, 1945, and increases in the export market prices of paper board and dissolving woodpulp effective January 1st and 17th, 1946, respectively.

Shortage of man-power, particularly in the woods, continues to be a source of much concern.

We are pleased to advise that of the more than 800 former full-time employees who served in all branches of the armed forces, approximately 30% have rejoined your companies' service. It has been a great pleasure to welcome back these employees and their return has been of great value in contributing towards meeting the man-power requirements of your companies.

It is with regret that your Directors have to report that Mr. K. S. Maclachlan, who has been a valued member of your Board for many years, has resigned effective the 22nd of February, 1946.

Your Directors and Officers wish to tender their thanks and sincere appreciation for the continued co-operation and excellent service rendered by all employees during the year.

AUBREY CRABTREE,

President.

EDMUNDSTON, NEW BRUNSWICK,

FEBRUARY 22ND, 1946.

FRASER COMPANIES

FRASER PAPER, LIMITED AND RESTIGOUCHE COMPANY, LIMITED

At 31st December 1945

ASSETS

CURRENT:

Cash in Banks and on Hand.....	\$ 1,153,385.48	
Dominion Government and United States Treasury Bonds.....	3,265,000.00	
Accounts and Bills Receivable—less Reserve.....	1,578,039.76	
Inventories, valued at or below cost comprising Raw Materials and Supplies, Goods in Process and Finished Products; and Logging and Pulpwood Advances Season 1945-1946, less Reserve, as certified by responsible officials of the Companies.....	3,865,927.99	
		\$ 9,862,353.23
DEFERRED CHARGES TO OPERATIONS.....		99,986.11
REFUNDABLE PORTION OF EXCESS PROFITS TAXES—ESTIMATED.....		485,000.00
OTHER INVESTMENTS.....		15,506.00

FIXED:

Freehold and Leasehold Timber Limits, Buildings, Mills, Equipment, etc., as valued at 31st December, 1932 (such valuation being less than cost) with subsequent Additions at Cost less Deductions for Equipment and Property Sold.....	\$ 33,447,332.64	
<i>Less:</i>		
Reserves:		
Depletion.....	\$ 5,886,116.92	
Depreciation.....	14,795,451.71	
		20,681,568.63
		12,765,764.01

APPROVED ON BEHALF OF THE BOARD:

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

\$ 23,228,609.35

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, 1945 and have obtained all the information and explanations we have required.

The estimated amount required at 31st December, 1945 to replace Pulpwood and Log Inventories was \$731,000.00 less than at 31st December, 1944, and the Reserve created for this purpose has been adjusted accordingly. Earnings for the year have not been affected, as Inventory Reserve has been increased by the same amount.

In our opinion, the above Consolidated Balance Sheet as supplemented by the explanatory notes (a) and (b) appended thereto 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 at 31st December, 1945, 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,
18TH FEBRUARY, 1946.

BALANCE SHEET OF

FRASER COMPANIES, LIMITED

RESTIGOUCHE COMPANY, LIMITED

December 31, 1945

LIABILITIES AND CAPITAL

CURRENT:

Accounts Payable.....	\$ 1,079,942.66	
Payrolls and Other Charges Accrued.....	633,013.93	
Dividend—Payable 25th January, 1946.....	185,508.00	
Provision for Dominion and United States Income and Excess Profits and Other Taxes—less Instalments Paid.....	1,614,234.72	
		\$ 3,512,699.31

RESERVE FOR REPLACEMENT OF PULPWOOD AND LOG INVENTORIES TO NORMAL QUANTITIES AT PRESENT INVENTORY VALUES.....		1,024,000.00
RESERVE FOR CONTINGENCIES.....		570,000.00
REFUNDABLE PORTION OF EXCESS PROFITS TAXES—PER CONTRA.....		485,000.00

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.....	6,652,451.13	
		10,636,910.04
		<u>\$23,228,609.35</u>

NOTES: (a) Fraser Companies, Limited and Restigouche Company, Limited have claimed reserves against future depreciation in inventory values under the Excess Profits Tax Act. Income and Excess Profits Tax Assessments of the above mentioned Companies to 31st December, 1943 have recently been received and as no adjustment has been made in this regard some provision is available for the liability that may arise when the Excess Profits Tax Act ceases to apply.

(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, 1945

Earnings for twelve months ended 31st December, 1945 (including \$62,517.06 Investment Income), after Operating Expenses (including Executive Officers' Salaries and Legal Fees of \$83,070.31 and Directors' Remuneration of \$1,350.00), Taxes, etc., but before providing for the undernoted items:	\$5,542,522.85
<i>Deduct:</i>	
Bond Interest and Exchange thereon.....	271,337.50
	<u>\$5,271,185.35</u>
<i>Deduct:</i>	
Provision for Depletion.....	\$ 353,853.61
Provision for Depreciation.....	1,383,693.61
	<u>1,737,547.22</u>
NET PROFIT, BEFORE PROVISION FOR INCOME AND EXCESS PROFITS TAXES.....	\$3,533,638.13
<i>Deduct:</i>	
Provision for Income and Excess Profits Taxes.....	1,770,000.00
NET PROFIT FOR YEAR.....	<u><u>\$1,763,638.13</u></u>

SCHEDULE "A"

STATEMENT OF CONSOLIDATED SURPLUS

At 31st December, 1945

Balance at 31st December, 1944.....	\$1,871,376.77
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STATEMENT OF CONSOLIDATED INCOME SURPLUS

At 31st December, 1945

Balance at 31st December, 1944.....	\$ 3,759,468.23
<i>Add:</i>	
Net Profit for Year.....	1,763,638.13
	<u>\$ 5,523,106.36</u>
<i>Deduct:</i>	
Dividends.....	742,032.00
	<u>4,781,074.36</u>
	<u><u>\$6,652,451.13</u></u>

FRASER COMPANIES, LIMITED

EDMUNDSTON, NEW BRUNSWICK

OFFICERS

Chairman of the Board

HAROLD CRABTREE, C.B.E.

President and General Manager

AUBREY CRABTREE

Treasurer

H. H. HENDERSON

Vice-President and Controller

L. M. SHERWOOD

Secretary

G. G. GILLIES

EXECUTIVE COMMITTEE

Chairman

HAROLD CRABTREE, C.B.E.

AUBREY CRABTREE

S. F. DUNCAN

A. M. IRVINE

L. M. SHERWOOD

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

L. M. SHERWOOD

H. P. THORNHILL

AUDITORS

MESSRS. GEORGE A. TOUCHE & Co.

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.

