

THIRTIETH ANNUAL REPORT AND STATEMENT

Year Ended 31st December, 1946



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

PURVIS HALL
LIBRARIES

MAR 5 1947

McGILL UNIVERSITY

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, 1946, and the Consolidated Income and Expenditure and Surplus Statements of these companies for the year ended 31st December, 1946 are submitted herewith.

Earnings for the year, including premium on United States exchange amounting to approximately \$1,000,000, but before interest charges and provisions for depletion, depreciation and Income and Excess Profits Taxes, amounted to \$5,735,000.

The net profit for the year, after all charges including a provision for Income and Excess Profits Taxes of \$1,720,000, amounted to \$1,964,000 as compared with a net profit of \$1,764,000 for the year 1945.

Your attention is directed to the following: expense of refinancing including call and exchange premiums \$253,000 which has been charged to surplus, expenditure of \$2,302,000 on additions to plants and properties being part of the programme of improvement and modernization of your companies' mills, provision of \$1,720,000 for Income and Excess Profits Taxes, and Common Dividends of \$742,000.

As a result of the foregoing, the consolidated net working capital amounts to \$6,797,000.

The statements accompanying this report give effect to the refunding of the previously outstanding \$7,000,000 principal amount of 3½% bonds of Fraser Companies, Limited which were payable in U.S. funds only, financed by a private sale at par of an issue of \$3,500,000 principal amount of 2½% Serial Bonds due 1948-1957 and an issue of \$3,500,000 principal amount of bonds of 3% Series due 1967. These new issues are payable in Canadian funds only.

Last August, an announcement was made of the proposed construction at Newcastle, New Brunswick, of a mill with an initial capacity of 120 tons daily to manufacture unbleached sulphate pulp. The site has been cleared and construction is expected to commence in May. The product of this mill will be bleached in a plant to be erected at Edmundston, and will supplement sulphite and groundwood fibres now being manufactured and used in your companies' mills, in order to permit increased production and greater diversification of products. These two projects, which it is estimated will require the expenditure of approximately \$6,000,000, are not included in the programme of improvement and modernization of your companies' mills.

Dividends amounting to \$2.00 a share on the Common Shares of the Company were paid during the year.

A new high in the production of woodpulp, paper and paperboard was established in 1946, while the production of lumber products was substantially lower than the previous year.

Prices on all products advanced at some time during the year but these advances, in the aggregate, were insufficient to offset the increased cost of materials and wages. The improvement in earnings was due to higher production and greater operating efficiencies, largely obtained from the results to date of the programme which is gradually being carried out to improve and modernize your companies' mills.

The vacancy in the Board of Directors has been filled by the election of Honourable F. Philippe Brais, K.C. of Montreal, Quebec.

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

Submitted on behalf of the Board of Directors.

AUBREY CRABTREE,
President.

EDMUNDSTON, NEW BRUNSWICK,
FEBRUARY 21ST, 1947.

FRASER COMPANIES, LIMITED

FRASER PAPER, LIMITED AND RESTIGOUCHE COMPANY, LIMITED

As at 31st December, 1946

(After giving effect to Refinancing)

ASSETS

CURRENT:

Cash in Banks and on Hand.....	\$ 1,971,477.00	
Dominion Government and United States Treasury Bonds.....	3,123,000.00	
Accounts and Bills Receivable—less Reserve.....	1,474,763.77	
Inventories, valued at or below cost comprising Raw Materials and Supplies, Goods in Process and Finished Products; and Logging and Pulpwood Advances Season 1946-1947, less Reserve, as certified by responsible officials of the Companies.....	4,738,278.10	
	<u>11,307,518.87</u>	\$11,307,518.87
DEFERRED CHARGES TO OPERATIONS.....		71,042.54
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.....

\$ 35,475,204.92

Less:

Reserves:

Depletion.....	\$ 6,286,067.91	
Depreciation.....	15,913,369.92	
	<u>22,199,437.83</u>	

13,275,767.09

APPROVED ON BEHALF OF THE BOARD:

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

\$ 25,154,834.50

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, 1946 and have obtained all the information and explanations we have required.

The estimated amount required at 31st December, 1946 to replace Pulpwood and Log Inventories was \$40,000.00 less than at 31st December, 1945 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 as at 31st December, 1946 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,
17TH FEBRUARY, 1947.

BALANCE SHEET OF

FRASER COMPANIES, LIMITED

RESTIGOUCHE COMPANY, LIMITED

December 31, 1946

(Consolidating on 2nd January, 1947)

LIABILITIES AND CAPITAL

CURRENT:

Accounts Payable.....	\$ 1,338,190.03	
Payrolls and Other Charges Accrued.....	761,247.56	
Dividend—Payable 25th January, 1947.....	185,508.00	
Provision for Dominion Income and Excess Profits Taxes and United States Income Taxes—less Instalments Paid.....	2,225,202.87	
		<u>\$ 4,510,148.46</u>

RESERVE FOR REPLACEMENT OF PULPWOOD AND LOG INVENTORIES TO NORMAL QUANTITIES AT PRESENT INVENTORY VALUES.....		984,000.00
RESERVE FOR CONTINGENCIES.....		570,000.00
REFUNDABLE PORTION OF EXCESS PROFITS TAXES—PER CONTRA.....		485,000.00

FIRST MORTGAGE AND COLLATERAL TRUST BONDS:

Authorized.....	\$ 12,000,000.00	
Issued:		
2½% Serial Bonds due 1948-1957.....	\$ 3,500,000.00	
3% Series due 1st January, 1967.....	3,500,000.00	
		<u>7,000,000.00</u>

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.....	7,621,227.13	
		<u>11,605,686.04</u>
		<u>\$25,154,834.50</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 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, 1946

Earnings for twelve months ended 31st December, 1946 (including \$66,853.34 Investment Income), after Operating Expenses (including Executive Officers' Salaries and Legal Fees of \$93,847.42 and Directors' Remuneration of \$1,000.00), Taxes, etc., but before providing for the undernoted items:		\$5,735,532.18
<i>Deduct:</i>		
Bond Interest and Exchange thereon.....		259,158.96
		<u>5,476,373.22</u>
<i>Deduct:</i>		
Provision for Depletion.....	\$ 399,950.99	
Provision for Depreciation.....	1,392,360.89	
		<u>1,792,311.88</u>
PROFIT, BEFORE PROVISION FOR INCOME AND EXCESS PROFITS TAXES.....		\$3,684,061.34
<i>Deduct:</i>		
Provision for Income and Excess Profits Taxes.....		1,720,000.00
NET PROFIT FOR YEAR.....		<u>\$1,964,061.34</u>

SCHEDULE "A"

STATEMENT OF CONSOLIDATED SURPLUS

As at 31st December, 1946

(After giving effect to Refinancing on 2nd January, 1947)

Balance at 31st December, 1945.....		\$1,871,376.77
<i>Deduct:</i>		
Refinancing Expense:		
Call price premium on Bonds redeemed and U.S. Exchange on net re-funding Expenditure.....	\$ 246,050.00	
Legal, Bank, Trustees Fees and Expenses, Printing and Registration.....	7,203.34	
		<u>253,253.34</u>
		\$1,618,123.43

STATEMENT OF CONSOLIDATED INCOME SURPLUS

As at 31st December, 1946

Balance at 31st December, 1945.....	\$ 4,781,074.36	
<i>Add:</i>		
Net Profit for year.....	1,964,061.34	
		<u>\$ 6,745,135.70</u>
<i>Deduct:</i>		
Dividends.....	742,032.00	
		<u>6,003,103.70</u>
		<u>\$7,621,227.13</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

HON. F. PHILIPPE BRAIS, O.B.E., K.C.

A. W. BREBNER

ARTHUR 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.

