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PRICE BROTHERS & COMPANY, LIMITED

REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in submitting the following report of the operations of the Company and its Subsidiary Companies for the year ended 31st December 1946, together with the Consolidated Balance Sheet as at that date.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The Profit for the Year amounted to		\$13,283,312.56
From this was deducted:		
Interest on First Mortgage Bonds - Net	\$ 439,128.70	
Allowance for depreciation of the Company's properties and depletion of timber limits	2,146,000.00	2,585,128.70
Profit for the Year before Income and Excess Profits Taxes		10,698,183.86
Provision for Income and Excess Profits Taxes		5,882,000.00
Profit for the Year Ended 31st December 1946		<u>\$ 4,816,183.86</u>

Assessments for Income and Excess Profits Taxes for the years 1940 to 1945 were received and settled in 1946 and the Reserves set up for that purpose proved sufficient.

In 1946 the Company redeemed the 5% 1957 First Mortgage Bonds and the 5½% Cumulative Redeemable Preferred Shares and replaced these issues by \$9,835,000 3¼% First Mortgage Bonds and \$5,000,000 4% Cumulative Redeemable Preferred Shares.

Dividends were paid on the 5½% old Preferred Shares to the date of redemption and provision has been made for the dividend on the 4% Cumulative Preferred Shares payable 1st January 1947; on 1st May 1946 a dividend of \$1.50 was paid on the Common Shares.

The auditors, Messrs. Creak, Cushing & Hodgson, C.A., have examined the books of the Company and their report on the Consolidated Financial Statements for the year is submitted herewith.

Your Directors desire to record their appreciation of the loyal and efficient services rendered by the employees during the year.

By Order of the Board,
C. H. L. JONES,
President.

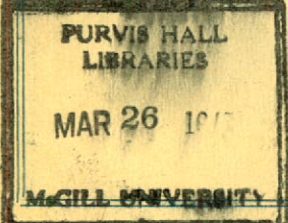
Quebec, P. Q.
12th March, 1947.

OFFICERS

- | | | | |
|-----------------------|--------------------------------------|---------------|------------------------------|
| H. J. Symington, K.C. | Chairman of the Board | M. R. Kane | Vice-President |
| C. H. L. Jones | President | P. W. Sims | Vice-President and Treasurer |
| A. A. Aitken | Vice-President | | |
| A. C. Price | Executive Vice-President | Hector Cimon | Vice-President and Secretary |
| J. H. Price | Vice-President | | |
| G. F. Layne | Vice-President | Wm. Dunkerley | Assistant Treasurer |
| | F. A. Bussieres, Assistant Secretary | | |

DIRECTORS

- | | |
|----------------|------------------------|
| A. A. Aitken | A. C. Picard |
| W. A. Arbuckle | Sir Keith Price |
| J. D. Johnson | Paul F. Sise |
| C. H. L. Jones | H. J. Symington, K.C. |
| Alfred Marois | A. C. M. Thomson, K.C. |
| | J. C. Newman |



**PRICE BROTHERS &
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET**

ASSETS

CURRENT ASSETS

Cash on Hand and in Banks.....	\$	884,983.70
Accounts and Bills Receivable, less Reserve.....		3,900,930.62
Inventories at not more than cost:		
Finished Products, Raw Materials and Expenditure on Logging Operations, and Operating Supplies as determined from book and physical inventories and certified by officers of the Company.....		12,822,712.94
		\$17,608,627.26

INVESTMENTS

Government Bonds and Shares in Other Companies at quoted values.....	3,247,308.88	
Other Investments at book values.....	1,012,301.38	4,259,610.26

OTHER ASSETS

Mortgages Receivable.....	25,153.22	
Notes Receivable - Sale of Timber Limits.....	21,785.87	
Cash in hands of Trustee for Bondholders.....	29,656.25	
Refundable Portion of Excess Profits Tax.....	952,267.44	1,028,862.78

PREPAID AND DEFERRED CHARGES

448,595.12

FIXED ASSETS

Timber Lands (freehold and leasehold), developed and undeveloped Water Power Sites, Newsprint, Lumber, Cardboard and Paper Specialty Mills, Logging and other Operating Equipment, etc. at book values.....	71,820,990.58	
Deduct:		
Reserves for Depreciation and Depletion.....	35,542,041.18	36,278,949.40
		\$59,624,644.82

Approved on behalf of the Board:

H. J. Symington }
A. C. M. Thomson } Directors

AUDITOR

To the Shareholders,
Price Brothers & Company, Limited,
Quebec, Que.

We have examined the Consolidated Balance Sheet of Price Brothers & Company, Limited and its Subsidiary Companies for the year ended the same date. In connection therewith we examined or tested accounting records of the Companies and made a general review of the accounting methods and of the operating and income accounts for the period.

In our opinion, based on such examination, the above Consolidated Balance Sheet and related Statement of Profit and Loss position of the Company and its Subsidiary Companies at 31st December 1946 and the results from their operations are fairly presented by the books of the Companies.

Montreal, 10th March 1947

COMPANY, LIMITED

SUBSIDIARY COMPANIES

STATEMENT AT 31ST DECEMBER 1946

LIABILITIES**CURRENT LIABILITIES**

Accounts Payable and Accrued Liabilities.....	\$ 2,597,337.82	
Dividend on Preferred Shares payable 1st January 1947.....	100,000.00	
Interest accrued on First Mortgage Bonds.....	26,636.45	
Provision for Income and Excess Profits Taxes.....	2,919,131.62	\$ 5,643,105.89

RESERVE FOR CONTINGENCIES		500,000.00
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FIRST MORTGAGE BONDS

3¼% Series due 1st June 1947.....	500,000.00	
3¼% Series due 1948-1952.....	2,500,000.00	
3¼% Series due 1966.....	6,835,000.00	9,835,000.00

CAPITAL AND SURPLUS

4% Cumulative Redeemable Preferred Shares		
Authorized and Issued - 50,000 shares each of \$100.00 par value.....	5,000,000.00	
Common Shares		
Authorized - 679,084 shares without nominal or par value		
Issued - 547,857 shares.....	21,803,780.00	
Capital Surplus.....	10,323,553.44	
Earned Surplus, including \$952,267.44 Refundable Portion of Excess Profits Tax.....	6,519,205.49	43,646,538.93
		<u>\$59,624,644.82</u>

ACCOUNTANTS' REPORT

we have examined the Balance Sheet of the subsidiary Companies at 31st December 1946 and the related Consolidated Profit and Loss and Surplus Accounts for the year ended that date, and other supporting evidence and obtained all the information and explanations required; we also made a general

enquiry into the Profit and Loss and Surplus Accounts are properly drawn up so as to exhibit a true and correct view of the financial position of the subsidiary Companies for the year ended that date, according to the best of our information, the explanations given to us and as shown

Creak, Cushing & Hodgson,
Chartered Accountants.

PRICE BROTHERS & COMPANY, LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS AND SURPLUS ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1946

PROFIT AND LOSS AND EARNED SURPLUS ACCOUNT

Operating Profits before providing for Depreciation and Depletion.....		\$13,098,658.73
Add:		
Revenue from Investments.....	\$ 177,667.36	
Miscellaneous Interest - Net.....	6,986.47	184,653.83
		13,283,312.56
Deduct:		
Interest on First Mortgage Bonds - Net.....	439,128.70	
Provision for		
Depreciation.....	\$ 1,645,000.00	
Depletion.....	501,000.00	2,146,000.00
		2,585,128.70
Profit for the year before providing for Income and Excess Profits Taxes.....		10,698,183.86
Provision for Income and Excess Profits Taxes.....		5,882,000.00
		4,816,183.86
Deduct:		
Reserve for Contingencies.....	500,000.00	
Refinancing Bonds and Preferred Stock - Premium, Discount and Expense.....	292,814.51	
Preferred Dividends - Net.....	256,068.72	1,048,883.23
		3,767,300.63
Add:		
Earned Surplus at 31st December 1945.....	3,396,365.70	
Adjustment of Reserve for Contingencies for additional Income and Excess Profits Taxes 1940-1941.....	190,600.25	
		3,586,965.95
Deduct:		
Balance of payments for Employees' Pensions for Past Services...	13,275.59	
Common Dividend of \$1.50 per share paid 1st May 1946.....	821,785.50	835,061.09
		2,751,904.86
Earned Surplus at 31st December 1946.....		\$ 6,519,205.49

CAPITAL SURPLUS ACCOUNT

Balance at 31st December 1945.....		\$ 9,192,515.25
Add:		
Profit on Sale of Investments.....	\$ 463,207.31	
Adjustment to par value of Company's 5% Bonds used for Sinking Fund Purposes...	3,250.00	
Adjustment of Investments to quoted values at 31st December 1946.....	664,580.88	1,131,038.19
		1,131,038.19
Balance at 31st December 1946.....		\$10,323,553.44