

FRASER COMPANIES, LIMITED

FRASER PAPER, LIMITED, AND RESTIGOUCHE COMPANY, LIMITED

Seventeenth Annual Report and Statement

YEAR ENDED 31ST DECEMBER, 1933

TO THE SHAREHOLDERS,

FRASER COMPANIES, LIMITED:

The Consolidated Balance Sheet and Profit and Loss Account of Fraser Companies, Limited, Fraser Paper, Limited, and Restigouche Company, Limited, for the year ended 31st December, 1933, are submitted herewith and the comments made in this report apply to these statements.

We also attach for your information, Consolidated Balance Sheet and Profit and Loss Account of Fraser Companies, Limited, and Fraser Paper, Limited, for the year ended 31st December, 1933, and the Balance Sheet and Profit and Loss Account of Restigouche Company, Limited, for the same year.

The year's transactions resulted in an improvement of the current position amounting to \$977,844.76. The interest charges in connection with the bond issue of Fraser Companies, Limited, and Restigouche Company, Limited, which have been postponed under the terms of the Plan of Reorganization have been accrued as Fixed Liabilities and not as Current Liabilities. The increase during the year of accrued charges in regard to Fraser Bond issue amounted to \$529,029.00, and in connection with the Non-Current Bank Loan amounted to \$151,257.60, and in connection with the Restigouche Bond issue amounted to \$311,113.20, making a total of \$991,399.80.

During the year the amount of Prior Lien Bonds authorized to be outstanding and held by the Company's Bankers as collateral security has been reduced from \$1,096,000 to \$470,000, and the Current Bank Loans have been reduced from \$3,353,291.86 to \$1,901,000.

The Restigouche Sulphite Pulp Mill operated at full capacity during the entire year. A greater volume of business was obtained for the Pulp and Paper Mills at Edmundston, New Brunswick, and Madawaska, Maine, than during the previous year. In spite of this improvement, these mills were operated at considerably less than their capacity.

The average market values of both Pulp and Paper were lower than during the previous year, but production costs were reduced sufficiently to offset this disadvantage and obtain an improved result.

The volume of lumber sales was approximately the same as during the previous year, but an increase in price level was established. The market in the United Kingdom was more active and the demand greater.

Results of operations during the last half-year represented an improvement over those obtained during the first half-year, but the improvement was not sufficient to overcome the loss which had already been incurred. The loss for the year as shown in the Profit and Loss Account and which has been charged against surplus amounts to \$615,448.91, as compared with \$2,316,422.14 shown in the Profit and Loss Account for the

year ended 31st December, 1932. The improvement, namely, \$1,700,973.23, can be accounted for as follows:

Improvement in operating results contributed \$1,080,059.49 towards the reduction in loss. Included in this operating result are the savings obtained by keeping certain plants closed which could only have been operated at a heavy loss. \$1,080,059.49

The Provision for decline in inventories established in the Consolidated Profit and Loss Account for the year ended 31st December, 1932, was used to the extent of \$352,272.81 to offset losses incurred through the liquidation of Lumber inventories during the year. 352,272.81

Charges for depletion were applied at approximately the same rates as during the preceding year, but the quantity of logs cut from Company lands was much smaller and, consequently, the provision for depletion reserve was \$218,245.58 less than was required during 1932. 218,245.58

As reported in the last Annual Statement, the value of Fixed Assets was reduced. The provision for depreciation set up during 1932 was made in relation to the previous values. The same rates of depreciation were applied to the new values and resulted in a reduction of the provision for this reserve during 1933 to the extent of \$63,772.21. 63,772.21

Miscellaneous non-recurring items amounting to \$30,000.00 were written off during the year. 30,000.00

\$1,744,350.09

The sum of the foregoing items exceeds the \$1,700,973.23 by \$43,376.86 which is equal to the increase in the interest on the non-current Bank Loan plus Bond Interest plus interest on Deferred Bond Interest during 1933 as compared with 1932. 43,376.86

\$1,700,973.23

The Special Reserve transferred from Capital Account which amounted to \$800,000.00 on the Balance Sheet for the year ended 31st December, 1932, has been reduced by \$24,371.51. This reduction is accounted for by charging against this reserve certain reorganization expenses not provided for during 1932 and also certain investments in logging and river driving privileges which have been written down to nominal values and by crediting to this reserve income to the extent of \$3,227.02 from the sale of miscellaneous equipment.

Mr. R. B. Hanson, K.C., was elected a Director to fill the vacancy caused by the increase in the number of Directors from nine to ten.

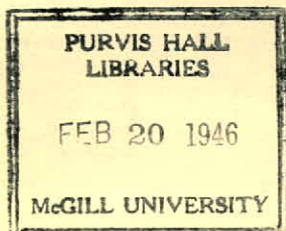
An Executive Committee was appointed by the Board of Directors consisting of Mr. Harold Crabtree as Chairman, Lieutenant-Colonel R. F. Massie and Mr. K. S. MacLachlan.

Great credit is due to the employees and to the operating, sales and administrative staffs for their loyalty and co-operation during another difficult year.

Submitted on behalf of the Board.

K. S. MACLACHLAN,
President.

MONTREAL, P.Q.
FEBRUARY 27TH, 1934.



CONSOLIDATED BALANCE SHEET
FRASER COMPANIES, LIMITED
 FRASER PAPER, LIMITED AND RESTIGOUCHE COMPANY, LIMITED
At 31st December, 1933

ASSETS

CURRENT:

Cash in Bank and on Hand.....	\$	24,440.36
Accounts and Bills Receivable—Trade—less Reserve.....		517,910.58
Accounts Receivable—Other—less Reserve.....		17,237.25
Fraser Industries, Incorporated.....		29,326.22
Inventories of Lumber, Lath, Shingles, Ties, Logs, Pulpwood, Sulphite, Wrappers, Paper, General Merchandise, Expenditures on Logging and Pulpwood Operations Season 1933-34, as certified by responsible officials of the Company.....		2,155,969.80
		\$ 2,744,884.21
INVESTMENTS.....		10,238.13

FIXED ASSETS:

Real Estate, Buildings, Mills and Milling Plants, Warehouses, Craft, etc., and Freehold and Leasehold Timber Limits.....		26,152,518.74
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DEFERRED CHARGES TO OPERATIONS.....		158,162.08
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APPROVED ON BEHALF OF THE BOARD:

K. S. MACLACHLAN, *Director*.
 H. CRABTREE, *Director*.

DATED AT MONTREAL,
 21ST FEBRUARY, 1934

\$29,065,803.16

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, 1933, and in accordance with the Companies Act (Dominion), we report that we have obtained all the information and explanations we have required.

We further report that, in our opinion, subject to the adequacy of the provision for Depreciation of Fixed Assets, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of affairs of Fraser Companies, Limited, Fraser Paper, Limited, and Restigouche Company, Limited, at 31st December, 1933, 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.

BALANCE SHEET OF
FRASER INDUSTRIES, LIMITED
 RESTIGOUCHE COMPANY, LIMITED
 December, 1933

LIABILITIES AND CAPITAL

CURRENT:			
Accounts Payable—Trade.....	\$	630,634.39	
Bills Payable—Trade.....		19,755.20	
Bank Overdraft.....		29,630.25	
Bank Loan—Secured.....		1,901,000.00	
Pay Roll and Other Charges Accrued.....		25,279.39	
Reserve—Pulpwood Shipments.....		35,546.25	
Reserve—General.....		192,125.30	
			\$ 2,833,970.78
CONTRACT—PAYABLE.....			26,249.80
PRIOR LIEN TEN YEAR 6% BONDS DUE 1ST JULY, 1942:			
Authorized.....	\$	2,000,000.00	
Amount authorized to be outstanding and held by the Bank as collateral security.....	\$	470,000.00	
			2,634,965.74
SPECIAL LOAN AND ACCRUED INTEREST THEREON: (Secured by \$2,772,000.00 Six Per Cent Sinking Fund Mort- gage Bonds and Deferred Interest to date).			
SIX PER CENT SINKING FUND MORTGAGE BONDS DUE 1ST JANUARY, 1950:			
Authorized.....	\$	15,000,000.00	
Less: To be taken into account for Sinking Fund but not issuable.....		798,000.00	
		\$14,202,000.00	
Issued.....			\$10,974,000.00
Add: Deferred Interest on \$8,202,000.00 to date.....	\$	984,240.00	
Accrued Interest on Deferred Interest to date.....		44,290.80	
	\$	1,028,530.80	
Deferred Interest on \$2,772,000.00 to date.....		249,480.00	
Accrued Interest on Deferred Interest to date.....		7,484.40	1,285,495.20
			\$12,259,495.20
Less: Reserved for issue to the Bank as Security for Special Loan, \$2,800,000.00 whereof ultimately authorized and issued.....	\$	2,772,000.00	
Deferred Interest thereon to date.....		249,480.00	
Accrued Interest on Deferred Interest to date.....		7,484.40	3,028,964.40
			9,230,530.80
PRIOR LIEN TEN YEAR 6% BONDS DUE 1ST JULY, 1942: (Restigouche Company, Limited)			
Authorized.....	\$	500,000.00	
SIX PER CENT SINKING FUND MORTGAGE BONDS DUE 1ST FEBRUARY, 1948: (Restigouche Company, Limited)			
Authorized and Issued.....	\$	4,846,000.00	
Add: Deferred Interest to date.....	\$	557,290.00	
Accrued Interest on Deferred Interest to date.....		23,987.70	581,277.70
			5,427,277.70
RESERVES:			
Depreciation.....	\$	2,865,866.04	
Depletion.....		2,635,817.72	5,501,683.76
SPECIAL RESERVE: (Transferred from Capital Account).....			775,628.49
CAPITAL AND SURPLUS:			
Represented by 151,320 shares of no par value, out of a total authorized issue of 500,000 shares.			
Amount attributed to Capital.....	\$	756,600.00	
Amount attributed to Surplus.....		1,878,896.09	2,635,496.09
Note: Contingent Liability in respect of Bills under Discount:			\$29,065,803.16
Trade.....	\$	76,921.70	
Fraser Industries, Incorporated.....		696,000.00	

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF
FRASER COMPANIES, LIMITED
 FRASER PAPER, LIMITED AND RESTIGOUCHE COMPANY, LIMITED

For the year ended 31st December, 1933

Earnings for twelve months ended 31st December, 1933, after operating expenses, taxes, etc., and provision for Bad and Doubtful Debts, but before Interest, Depreciation and Depletion.....		\$1,115,540.82
<i>Deduct:</i>		
Bank Interest—Current.....	\$206,773.57	
Bank Interest—Non-Current.....	151,257.60	
Bond Interest.....	782,880.00	
Interest on Deferred Bond Interest accrued.....	57,262.20	
	1,198,173.37	
		\$ 82,632.55
<i>Add:</i>		
Provision for Depreciation of Fixed Assets.....	\$490,043.63	
Provision for Depletion of Timber Limits.....	42,772.73	
	532,816.36	
LOSS FOR YEAR ENDED 31ST DECEMBER, 1933.....		\$ 615,448.91

CAPITAL AND SURPLUS ACCOUNT

At 31st December, 1933

Per Balance Sheet at 31st December, 1932.....		\$3,250,945.00
<i>Deduct:</i>		
Net Operating Loss for year ended 31st December, 1933.....		615,448.91
PER BALANCE SHEET AT 31ST DECEMBER, 1933.....		\$2,635,496.09