

FRASER COMPANIES, LIMITED

FRASER PAPER, LIMITED, AND RESTIGOUCHE COMPANY, LIMITED

Eighteenth Annual Report and Statement

YEAR ENDED 31ST DECEMBER, 1934

TO THE SHAREHOLDERS,
FRASER COMPANIES, LIMITED.

The Consolidated Balance Sheet, Profit and Loss Account and Surplus Accounts of Fraser Companies, Limited, Fraser Paper, Limited, and Restigouche Company, Limited, for the year ended 31st December, 1934, 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, 1934, and the Balance Sheet and Profit and Loss Account of Restigouche Company, Limited, for the same year. In the Balance Sheets the reserves for depletion and depreciation have been deducted from the value of Fixed Assets instead of being shown as Fixed Liabilities. Special reserves which were previously shown as Fixed Liabilities have been transferred to the Surplus Accounts.

Earnings for the year before interest charges, depletion and depreciation amounted to \$1,576,227.15. These earnings are \$460,686.33 greater than obtained during the previous year. The loss, after all charges, for the year, as shown in the Profit and Loss Account and which has been charged to surplus amounts to \$371,841.96.

The year's transactions resulted in an improvement of the Current Position amounting to \$1,167,742.10. Of this amount \$653,474.51 was obtained through the postponement of interest charges in connection with the Bond Issues and the Non-Current Bank Loan which have been postponed under the terms of the Plan of Re-organization and which have been accrued as Fixed Liabilities. The improvement of the Net Current Position permitted the retirement of all of the Fraser Prior Lien Bonds which were outstanding.

The Restigouche Company, Limited, resumed payment of its Bond Interest on the 1st of August, 1934, covering interest accrued during February, 1934, and subsequent months. Your Directors have decided not to exercise the option provided for in the Plan of Re-organization whereby Fraser Companies, Limited, could be released from its guarantee of the Six Per Cent Sinking Fund Mortgage Bonds of Restigouche Company, Limited, and which would have involved the cancellation of the indebtedness of Restigouche Company, Limited, to Fraser Companies, Limited, amounting to \$4,415,589.87 and the delivery of Voting Trust Certificates representing 48,460 common shares of Fraser Companies, Limited, and the surrender of the capital stock of Restigouche Company, Limited.

In accordance with the terms of the Plan of Re-organization 10,570 common shares of Fraser Companies, Limited, were issued to Bondholders who exercised their option to take these shares instead of postponing the interest for the year 1934.

The Restigouche pulp mill operated at full capacity during the year. The volume of business obtained for the pulp and paper mills at Edmundston, New Brunswick, and Madawaska, Maine, was considerably less than that obtained during the previous year. The mills at Madawaska, Maine, have been operated in accordance with the regulations of the National Industrial Recovery Act and as a result the costs of labour and supplies have been considerably increased. The lumber business was continued at the same volume as during the last two years.

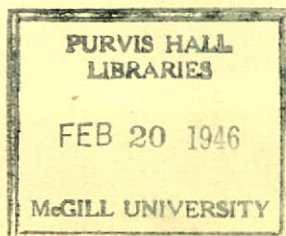
The Executive Committee has been increased from three to four and the Board of Directors have appointed Mr. A. M. Irvine as the additional member.

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 25TH, 1935.



CONSOLIDATED BALANCE SHEET
FRASER COMPANIES, LIMITED
 FRASER PAPER, LIMITED, AND RESTIGOUCHE COMPANY, LIMITED
At 31st December, 1934

ASSETS

CURRENT:

Cash in Banks and on Hand.....	\$	124,337.70
Accounts and Bills Receivable—Trade—less Reserve.....		528,611.53
Accounts Receivable—Other—less Reserve.....		14,946.91
Fraser Industries, Incorporated.....		78,049.69
Inventories of Lumber, Lath, Shingles, Ties, Logs, Pulpwood, Sulphite, Wrappers, Paper, General Merchandise at or below cost but not in excess of Market Values, and Expenditures on Logging and Pulpwood Operations Season 1934-1935 as certified by responsible officials of the Companies.....		3,246,795.04
		\$ 3,992,740.87
DEFERRED CHARGES TO OPERATIONS.....		206,079.00
INVESTMENTS.....		11,353.75

FIXED:

Real Estate, Buildings, Mills and Milling Plants, Warehouses, Craft, etc., and Freehold and Leasehold Timber Limits as valued at 31st December, 1932 (such valuation being considerably less than cost or appraisal of the Canadian Appraisal Company at 31st December, 1928) with subsequent net additions at cost.....		\$26,182,547.84
<i>Less: Reserves</i>		
Depreciation.....	\$3,529,753.80	
Depletion.....	2,834,608.35	
		6,364,362.15
		19,818,185.69

APPROVED ON BEHALF OF THE BOARD:

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

\$24,028,359.31

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, 1934, 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 the combined affairs of Fraser Companies, Limited, Fraser Paper, Limited, and Restigouche Company, Limited, at 31st December, 1934, according to the best of our information and the explanations given to us, and as shown by the books of the Companies at that date.

GEORGE A. TOUCHE & CO.,
 Chartered Accountants.

DATED AT MONTREAL,
 21ST FEBRUARY, 1935

STATEMENT OF FINANCIAL POSITION
FRASER INDUSTRIES, LIMITED
RESTIGOUCHE COMPANY, LIMITED

December 31, 1934

LIABILITIES AND CAPITAL

CURRENT:

Accounts Payable—Trade	\$ 731,534.30	
Bills Payable—Trade	86,000.00	
Bank Overdraft	35,872.66	
Bank Loans—Secured	1,567,000.00	
Bond Interest Accrued—Restigouche Company, Limited	121,150.00	
Payrolls and Other Charges Accrued	224,267.67	
Taxes Payable	25,944.75	
Reserve for Lumber Shipments and Pulpwood	51,907.05	
Reserve—General	70,408.91	
		\$ 2,914,085.34

PRIOR LIEN TEN YEAR 6% BONDS DUE 1ST JULY, 1942:

Authorized \$ 2,000,000.00

SPECIAL LOAN AND ACCRUED INTEREST THEREON:

(Secured by \$2,772,000.00 Six Per Cent Sinking Fund Mortgage Bonds and Deferred Interest thereon to date) 2,795,435.00

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 \$ 1,349,520.00

Accrued Interest on Deferred Interest to date 111,951.34

\$ 1,461,471.34

Deferred Interest on \$2,772,000.00 to date 415,800.00

Accrued Interest on Deferred Interest to date 25,397.06 1,902,668.40

\$12,876,668.40

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 415,800.00

Accrued Interest on Deferred Interest to date 25,397.06 3,213,197.06

9,663,471.34

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 \$ 581,520.00

Accrued Interest on Deferred Interest to date 59,822.41 641,342.41

5,487,342.41

CAPITAL AND SURPLUS:

Represented by 161,890 Shares of No Par Value out of a total authorized Issue of 500,000 Shares:

Amount attributed to Capital \$ 809,450.00

Surplus per Schedule A 2,358,575.22 3,168,025.22

Note: Contingent Liability in respect of Bills under Discount: \$24,028,359.31

Trade \$ 45,739.20

Fraser Industries, Incorporated 456,000.00

FRASER COMPANIES, LIMITED

FRASER PAPER, LIMITED, AND RESTIGOUCHE COMPANY, LIMITED

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31st December, 1934

*Earnings for twelve months ended 31st December, 1934, after Operating Expenses, Taxes, etc., but before Interest, Depletion and Depreciation.....		\$1,576,227.15
<i>Deduct:</i>		
Bank Interest—Current.....	\$141,340.71	
Bank Interest—Non-Current.....	160,469.26	
Bond Interest.....	782,880.00	
Interest on Deferred Bond Interest.....	105,397.85	
		<u>1,190,087.82</u>
		\$ 386,139.33
<i>Deduct:</i>		
Provision for Depletion.....	\$106,384.77	
Provision for Depreciation.....	651,596.52	
		<u>757,981.29</u>
NET LOSS FOR YEAR TO DATE.....		<u>\$ 371,841.96</u>

*Directors' remuneration of \$5,120.00 included in Operating Expenses.

SCHEDULE "A"

CONSOLIDATED SURPLUS ACCOUNT

At 31st December, 1934

Surplus at 31st December, 1932, after completion of Re-organization.....		\$2,500,000.00
<i>Add:</i>		
Special Reserve at 31st December, 1933 (adjusted), transferred.....		769,973.49
Adjustment in respect of Common Shares accepted by certain Bondholders in lieu of Interest for the year 1934.....		75,892.60
		<u>\$3,345,866.09</u>

CONSOLIDATED INCOME DEFICIT ACCOUNT

At 31st December, 1934

Net Loss for year ended 31st December, 1933.....	\$615,448.91	
Net Loss for year ended 31st December, 1934.....	371,841.96	
		<u>987,290.87</u>
Accumulated Loss for the two years from 31st December, 1932 (date upon which effect was given to scheme of Re-organization), to 31st December, 1934.....		<u>\$2,358,575.22</u>