

FRASER COMPANIES, LIMITED

FRASER PAPER, LIMITED, AND RESTIGOUCHE COMPANY, LIMITED

Nineteenth Annual Report and Statement

YEAR ENDED 31ST DECEMBER, 1935

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, 1935, 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, 1935, and the Balance Sheet and Profit and Loss Account of Restigouche Company, Limited, for the same year.

Earnings for the year before interest charges, depletion and depreciation amounted to \$1,827,623.54. These earnings are \$251,396.39 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 \$84,288.06, an improvement of \$287,553.90 over the preceding year.

The year's transactions resulted in an improvement of the Current Position amounting to \$1,396,002.55. Of this amount \$624,644.49 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.

A total of 6,260 Common Shares of Fraser Companies, Limited, were issued to Bondholders who exercised their option under the terms of the Plan of Re-organization to take these shares instead of postponing the interest for the year 1935.

The probable effect on Working Capital of attempting to pay in cash during the next nine years deferred charges in accordance with the programme contained in the Plan of Re-organization has received careful study. Having in mind the necessity of continuing to increase Working Capital and the benefit to be gained from the increase in Earning Power which is expected to result, it is considered advisable that a Plan should be worked out to provide for satisfaction of the deferred charges in such a way as to protect Working Capital and thus permit income requirements of the Holders of our securities to be met by resumption of bond interest payments on the 1st of July next.

Preliminary negotiations along these lines are under way at the present time, and if and when advantageous arrangements can be made, such a Plan will be submitted for your approval.

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 greater than that obtained during the previous year. The lumber business continued at somewhat lower volume than during the last three years.

During the year the Madawaska Board Machine, which has not been operated since June, 1933, was sold and the proceeds from the sale were used for the redemption of 6% Sinking Fund Mortgage Bonds.

The Honourable C. A. Dunning, P.C., terminated his service as a member of the Board of Directors when he accepted appointment to the position of Minister of Finance in the Federal Government.

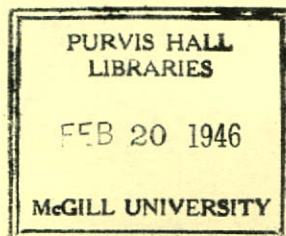
A great loss was sustained through the death of the late Colonel Robert F. Massie, D.S.O., member of the Board of Directors and of the Executive Committee.

The vacancies on the Board have been filled by the election of Mr. H. P. Thornhill of Montreal and of Mr. S. F. Duncan of Toronto.

The employees and the operating, sales, and administrative staffs deserve great credit for their loyalty and co-operation, and for the progress that has been made.

Submitted on behalf of the Board.

MONTREAL, P.Q.
FEBRUARY 20TH, 1936.



K. S. MACLACHLAN,
President.

CONSOLIDATED BALANCE SHEET
FRASER COMPANIES, LIMITED
 FRASER PAPER, LIMITED, AND RESTIGOUCHE COMPANY, LIMITED
 At 31st December, 1935

ASSETS

CURRENT:

Cash in Banks and on Hand	\$	52,541.62
Accounts and Bills Receivable—Trade—less Reserve		1,088,521.04
Accounts Receivable—Other—less Reserve		9,835.08
Fraser Industries, Incorporated		15,378.41
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 1935-1936 as certified by responsible officials of the Companies		3,186,319.13
		\$4,352,595.28
DEFERRED CHARGES TO OPERATIONS		116,491.02
CASH HELD BY TRUSTEES		45,529.88
INVESTMENTS		11,352.75

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 additions and deductions at cost		\$25,878,397.84
Less: Reserves:		
Depletion	\$2,943,606.79	
Depreciation	4,092,620.29	
		7,036,227.08
		18,842,170.76

APPROVED ON BEHALF OF THE BOARD:

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

\$23,368,139.69

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, 1935, 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, 1935, 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,
 12TH FEBRUARY, 1936.

BALANCE SHEET OF
RESTIGOUCHE COMPANY, LIMITED
 December, 1935

LIABILITIES AND CAPITAL

CURRENT:			
Accounts Payable—Trade	.....	\$ 779,824.24	
Taxes Payable	.....	27,976.08	
Bank Loan—Secured	.....	567,000.00	
Payrolls and Other Charges Accrued	.....	260,512.57	
Bond Interest Accrued—Restigouche Company, Limited	.....	118,150.00	
Reserve for Lumber Shipments and Pulpwood	.....	46,612.37	
Reserve—General	.....	77,861.94	
			<u>\$1,877,937.20</u>
PRIOR LIEN TEN YEAR 6% BONDS DUE 1ST JULY, 1942:			
Authorized	.....	\$ 2,000,000.00	
			2,965,677.20
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).			
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	
		<u>\$14,202,000.00</u>	
Issued	.....	\$10,974,000.00	
Less: Redeemed and Cancelled	.....	309,500.00	
		<u>\$10,664,500.00</u>	
Add: Deferred Interest on \$7,892,500.00 to date	.....	\$ 1,696,290.00	
Accrued Interest on Deferred Interest to date	.....	197,937.32	
		<u>\$ 1,894,227.32</u>	
Deferred Interest on \$2,772,000.00 to date	.....	582,120.00	
Accrued Interest on Deferred Interest to date	.....	54,344.19	
		<u>2,530,691.51</u>	
			<u>\$13,195,191.51</u>
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	.....	582,120.00	
Accrued Interest on Deferred Interest to date	.....	54,344.19	
		<u>3,408,464.19</u>	
			9,786,727.32
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	
Less: Redeemed and Cancelled	.....	120,000.00	
		<u>\$ 4,726,000.00</u>	
Add: Deferred Interest to date	.....	\$ 567,120.00	
Accrued Interest on Deferred Interest to date	.....	95,868.72	
		<u>662,988.72</u>	
			5,388,988.72
CAPITAL AND SURPLUS:			
Represented by 168,150 Shares of No Par Value out of a total authorized Issue of 500,000 Shares:			
Amount attributed to Capital	.....	\$ 840,750.00	
Surplus per Schedule A	.....	2,508,059.25	
			<u>3,348,809.25</u>
Note: Contingent Liability in respect of Bills under Discount	.....	<u>\$182,320.96</u>	
			<u>\$23,368,139.69</u>

FRASER COMPANIES, LIMITED

FRASER PAPER, LIMITED, AND RESTIGOUCHE COMPANY, LIMITED

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31st December, 1935

*Earnings for twelve months ended 31st December, 1935, after Operating Expenses, Taxes, etc., but before providing for the undernoted items		\$1,827,623.54
<i>Deduct:</i>		
Bank and Other Interest—Current	\$ 96,814.95	
Bank Interest—Non-Current	170,242.20	
Bond Interest	763,262.97	
Interest on Deferred Bond Interest	128,883.18	
	<hr/>	1,159,203.30
		<hr/>
		\$ 668,420.24
<i>Deduct:</i>		
Provision for Depletion	\$130,520.72	
Provision for Depreciation	622,187.58	
	<hr/>	752,708.30
		<hr/>
NET LOSS FOR YEAR TO DATE		\$ 84,288.06
*Executive Officers' Salaries and Legal Fees of \$63,549.50, and Directors' Remuneration of \$6,513.34 are included in Operating Expenses.		<hr/> <hr/>

SCHEDULE "A"

CONSOLIDATED SURPLUS ACCOUNT

At 31st December, 1935

Balance at 31st December, 1934		\$3,345,866.09
<i>Add:</i>		
Adjustment in respect of Common Shares accepted by certain Bondholders in lieu of Interest:		
Year ended 31st December, 1934	\$ 592.35	
Year ended 31st December, 1935	44,354.45	
Surplus on redemption of Bonds, being the difference between the purchase price and the par value of Bonds redeemed and cancelled	116,897.81	
	<hr/>	161,844.61
		<hr/>
		\$3,507,710.70

CONSOLIDATED INCOME DEFICIT ACCOUNT

At 31st December, 1935

Balance at 31st December, 1934	\$987,290.87	
<i>Deduct:</i>		
Deferred Interest and Accrued Interest on Deferred Interest to 31st December, 1934, on Bonds redeemed and cancelled	72,264.09	
	<hr/>	\$915,026.78
<i>Add:</i>		
Dominion Income Tax 1934	336.61	
Net Loss for year ended 31st December, 1935	84,288.06	
	<hr/>	999,651.45
		<hr/>
		\$2,508,059.25