

FRASER COMPANIES, LIMITED

FRASER PAPER, LIMITED, FRASER REALTIES, LIMITED
AND RESTIGOUCHE COMPANY, LIMITED

Twenty-First Annual Report and Statement

YEAR ENDED 31ST DECEMBER, 1937

TO THE SHAREHOLDERS,
FRASER COMPANIES, LIMITED.

The Consolidated Balance Sheet of Fraser Companies, Limited, and its wholly owned subsidiaries at 31st December, 1937, and the Consolidated Profit and Loss and Surplus Accounts of these Companies for the year ended 31st December, 1937, are submitted herewith.

You will note that these statements for the first time include Fraser Realities, Limited, which owns timber lands in the Province of Quebec. All of the Common Shares of Fraser Realities, Limited, were acquired by exchange for 16,000 Common Shares of Fraser Companies, Limited.

Earnings for the year before interest charges, depletion, depreciation and provision for Dominion, Provincial and United States Income Taxes amounted to \$3,051,795.53. The profit after all charges for the year as shown in the Profit and Loss Account, which has been credited to Surplus, amounts to \$759,551.58. A profit applicable to prior years amounting to \$91,761.84 was ascertained during the year and you will note has been credited direct to Surplus Account.

During the year the deferred bond interest liabilities of Restigouche Company, Limited, amounting in all to \$699,624.09, were paid in cash. Payment of all deferred interest on outstanding Bonds of both Fraser Companies, Limited, and Restigouche Company, Limited, has thus been completed and Sinking Fund provisions of both issues are being complied with. The working capital requirements of the Trust Deed remain as the principal condition to be fulfilled for termination of the Voting Trust.

The year's transactions resulted in a net improvement to current position amounting to \$374,051.27 after applying \$669,028.93 on improvements to plant and properties and reducing fixed liabilities by the sum of \$1,092,298.85. The capital expenditures amounting to \$669,028.93 included a number of items of the pulp and paper mills which have been urgently required to improve operations but which have been deferred until this time. The principal items were equipment for more economical storing and reclaiming of pulpwood at Edmundston and a Multi-stage bleaching system for the Edmundston Sulphite Pulp Mill. The reduction of fixed liabilities was accounted for by the purchase of \$234,500.00 principal amount of Restigouche Company, Limited, Bonds, and \$125,500.00 principal amount of Fraser Companies, Limited, Bonds, a payment amounting to \$199,835.00 in reduction of the Special Loan and the discharge of \$532,463.85 on account of the deferred bond interest liabilities of Restigouche Company, Limited, forming part of the total amount of such deferred bond interest liabilities of \$699,624.09 discharged during the year.

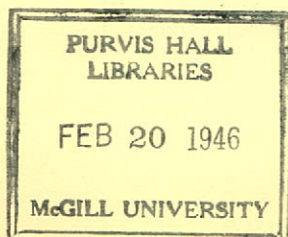
The Lumber Division operated at moderate capacity during the year. The Restigouche Pulp Mill and the Edmundston Board Mill operated at full capacity during the year. The Madawaska Paper Mills met an extremely active demand during the first ten months, but experienced a definite reduction in volume during the last two months. The volume of pulp and paper products sold during the year was the highest in the Companies' history.

Under the favourable business conditions which prevailed during 1937 a net profit was made in every operating division. This has been a source of great satisfaction to the operating, sales and administrative staffs and their continued efforts to meet the changed and more difficult situation now facing us are greatly appreciated.

Submitted on behalf of the Board,

K. S. MACLACHLAN,
President.

MONTREAL, P.Q.,
FEBRUARY 22ND, 1938.



FRASER COMPANIES

FRASER PAPER, LIMITED, FRASER REALTIES, LIMITED

At 31st December 1937

ASSETS

CURRENT:

| | | |
|--|---------------|-----------------|
| Cash in Banks and on Hand..... | \$ 246,843.03 | |
| Accounts and Bills Receivable—Trade—less Reserve..... | 1,247,265.47 | |
| Accounts Receivable—Other—less Reserve..... | 7,458.19 | |
| Inventories, valued at or below cost but not in excess of Market Values, comprising Raw Materials, Goods in Process and Finished Products, and Logging and Pulpwood Advances Season 1937-1938, as certified by responsible officials of the Companies..... | 4,294,826.51 | |
| | | \$ 5,796,393.20 |
| DEFERRED CHARGES TO OPERATIONS..... | | 23,612.53 |
| CASH HELD BY TRUSTEE..... | | 675.00 |
| INVESTMENTS..... | | 11,350.75 |

FIXED:

| | | | |
|---|-----------------|-----------------|---------------|
| Fraser Companies, Limited, Fraser Paper, Limited, and Restigouche Company, Limited, Freehold and Leasehold Timber Limits, Buildings, Mills, Equipment, etc., 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; and Fraser Realities, Limited, Freehold and Leasehold Timber Limits, Buildings, Mills, Equipment, etc., at Cost..... | | \$28,296,476.35 | |
| <i>Less: Reserves:</i> | | | |
| Depletion..... | \$ 3,501,755.57 | | |
| Depreciation..... | 6,019,047.04 | | |
| | | 9,520,802.61 | |
| | | | 18,775,673.74 |

APPROVED ON BEHALF OF THE BOARD:

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

\$24,607,705.22

TO THE SHAREHOLDERS OF FRASER COMPANIES, LIMITED:

We have examined the books and accounts of Fraser Companies, Limited, Fraser Paper, Limited, Fraser Realities, Limited, and Restigouche Company, Limited, for the year ended 31st December, 1937, 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, 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, Fraser Realities, Limited, and Restigouche Company, Limited, at 31st December, 1937, 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,
15TH FEBRUARY, 1938.

STATEMENT OF FINANCIAL POSITION OF
FRASER COMPANIES, LIMITED
 LIMITED, AND RESTIGOUCHE COMPANY, LIMITED

December 31, 1937

LIABILITIES AND CAPITAL

CURRENT:

| | | |
|---|-----------------|-----------------|
| Accounts Payable—Trade | \$ 1,300,974.62 | |
| Payrolls and Other Charges Accrued | 389,280.36 | |
| Bank Loans—Secured | 375,000.00 | |
| Special Loan Interest Accrued | 49,185.70 | |
| Bond Interest Accrued | 338,677.50 | |
| Provision for Taxes Payable | 186,737.74 | |
| Reserve for Lumber Shipments and Pulpwood | 46,669.18 | |
| Reserve—General | 99,274.81 | |
| | | \$ 2,785,799.91 |

| | | |
|---|--|------------|
| SPECIAL BANK LOAN—FRASER REALTIES, LIMITED | | 512,250.00 |
| (Secured by \$759,000.00 6% Fraser Realities, Limited, First Mortgage Bonds due 1st February, 1940, being the Authorized and Outstanding Bonds of this Issue) | | |

| | | |
|--|--|--------------|
| SPECIAL LOAN | | 2,101,957.00 |
| (Secured by \$2,322,000.00 6% Fraser Companies, Limited, First Mortgage Bonds) | | |

FRASER COMPANIES, LIMITED, FIRST MORTGAGE BONDS:

| | | |
|---|-----------------|-----------------|
| Authorized | \$15,000,000.00 | |
| Less: To be taken into account for Sinking Fund but not issuable | \$ 798,000.00 | |
| Unissuable portion of \$2,800,000.00 originally reserved for issue as security for Special Loan | 28,000.00 | |
| Redeemed and Cancelled | 397,500.00 | |
| | | 1,223,500.00 |
| | | \$13,776,500.00 |

Outstanding:

| | | |
|--|-----------------|--------------|
| Six Per Cent First Mortgage Bonds, Series of 1936, due 1st January, 1950 | \$10,576,500.00 | |
| Less: Held by Bank as security for Special Loan | \$ 2,322,000.00 | |
| Held by Trustee | 491,500.00 | |
| Redeemed and Cancelled | 50,000.00 | |
| | | 2,863,500.00 |
| | | 7,713,000.00 |

RESTIGOUCHE COMPANY, LIMITED, BONDS:

| | | |
|--|-----------------|--------------|
| Prior Lien Ten Year 6% Bonds due 1st July, 1942: | | |
| Authorized | \$ 500,000.00 | |
| Six Per Cent Sinking Fund Mortgage Bonds due 1st February, 1948: | | |
| Authorized and Issued | \$ 4,846,000.00 | |
| Less: Held by Trustee | \$ 299,500.00 | |
| Redeemed and Cancelled through the Sinking Fund | 255,000.00 | |
| | | 554,500.00 |
| | | 4,291,500.00 |

CAPITAL AND SURPLUS:

| | | |
|---|-----------------|-----------------|
| Represented by 371,016 Shares of No Par Value out of a Total Authorized Issue of 500,000 Shares (Note: 16,000 Shares issued during the year for the acquisition of the Capital Stock of Fraser Realities, Limited): | | |
| Amount attributed to Capital | \$ 3,984,458.91 | |
| Surplus per Schedule A | 3,218,739.40 | |
| | | 7,203,198.31 |
| | | \$24,607,705.22 |

FRASER COMPANIES, LIMITED

FRASER PAPER, LIMITED, FRASER REALTIES, LIMITED
AND RESTIGOUCHE COMPANY, LIMITED

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31st December, 1937

| | | |
|---|---------------------|----------------------|
| Earnings for twelve months ended 31st December, 1937, after Operating Expenses (including Executive Officers' Salaries and Legal Fees of \$81,974.69 and Directors' Remuneration of \$5,450.00), Taxes, etc., but before providing for the undernoted items | | \$ 3,051,795.53 |
| <i>Deduct:</i> | | |
| Bank and Other Interest | \$ 58,418.12 | |
| Special Loan Interest | 100,550.34 | |
| Bond Interest | 729,588.29 | |
| Interest on Deferred Bond Interest | 26,596.56 | |
| | <u>915,153.31</u> | |
| | | \$ 2,136,642.22 |
| <i>Deduct:</i> | | |
| Provision for Depletion | \$ 214,797.05 | |
| Provision for Depreciation | 1,007,000.00 | |
| | <u>1,221,797.05</u> | |
| | | \$ 914,845.17 |
| <i>Deduct:</i> | | |
| Provision for Dominion, Provincial and United States Income Taxes | | 155,293.59 |
| NET INCOME FOR YEAR TO DATE | | <u>\$ 759,551.58</u> |

SCHEDULE "A"

CONSOLIDATED SURPLUS ACCOUNT

At 31st December, 1937

| | |
|--------------------------------------|-----------------|
| Balance at 31st December, 1936 | \$ 3,212,450.63 |
|--------------------------------------|-----------------|

CONSOLIDATED INCOME SURPLUS ACCOUNT

At 31st December, 1937

| | |
|---|------------------------|
| Net Income for year ended 31st December, 1937 | \$759,551.58 |
| <i>Deduct:</i> | |
| Deficit at 31st December, 1936 | \$845,024.65 |
| <i>Less:</i> | |
| Net Adjustment affecting prior years, including Inventory Surplus ascertained in 1937 | 91,761.84 |
| | <u>753,262.81</u> |
| | 6,288.77 |
| | <u>\$ 3,218,739.40</u> |