

FRASER COMPANIES, LIMITED

FRASER PAPER, LIMITED
AND RESTIGOUCHE COMPANY, LIMITED

Twenty-Fourth Annual Report and Statement

YEAR ENDED 31ST DECEMBER, 1940

TO THE SHAREHOLDERS,

FRASER COMPANIES, LIMITED:

The Consolidated Balance Sheet of Fraser Companies, Limited and its wholly owned subsidiaries at 31st December, 1940, and the Consolidated Profit and Loss and Surplus Accounts of these Companies for the year ended 31st December, 1940, are submitted herewith.

Fraser Realties, Limited was merged with Fraser Companies, Limited as of July 1st, 1940, and consequently is not mentioned in these statements.

Earnings for the year before interest charges and provision for depletion, depreciation, and Dominion and Provincial income and excess profits taxes amounted to \$3,221,641.02. The net profit for the year transferred to Surplus, after all charges including provision for Dominion income and excess profits taxes at rates aggregating 30%, amounted to \$369,237.32. This compares with a loss for the previous year of \$208,637.86.

The year's transactions resulted in an improvement to current position amounting to \$125,065.36, after reducing fixed liabilities by the sum of \$1,907,857.00. The reduction of fixed liabilities was accounted for by payment of \$501,957.00 in reduction of the Special Loan of Fraser Companies, Limited, and of \$369,900.00 in full discharge of the Special Bank Loan of Fraser Realties, Limited, and by the purchase of \$880,000.00 principal amount of Fraser Companies, Limited Bonds, and of \$156,000.00 principal amount of Restigouche Company, Limited Bonds.

The Pulp and Paper Mills at Edmundston, New Brunswick, and Madawaska, Maine, operated at a higher percentage of capacity than during the previous year. The earnings reflect an improvement in prices. There was a more steady demand for Sulphite Pulp produced by the Restigouche Company, at somewhat improved prices. Lumber Sales were slightly greater in volume and at higher prices than during the previous year.

The Company suffered a severe loss through the sudden death on November 15th of your late Vice-President, Mr. Donald Fraser. His service with the Company and its predecessors extended over a period of sixty years and his energetic and conscientious attention to the affairs of the Company was an example to the whole organization.

Vacancies on the Board have been filled by the election of Mr. Aubrey Crabtree, of Edmundston, New Brunswick, and Mr. L. M. Sherwood, of Edmundston, New Brunswick.

Lt.-Col. K. S. Maclachlan, who is serving as Acting Deputy Minister of National Defence (Naval Services) resigned as President of the Company but remains a member of the Board.

Mr. Aubrey Crabtree was elected President of the Company in place of Lt.-Col. K. S. Maclachlan and Mr. L. M. Sherwood was elected Vice-President of the Company in place of the late Mr. Donald Fraser.

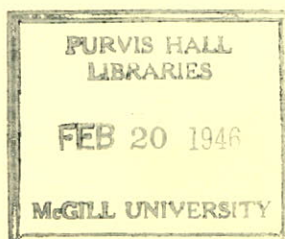
The Officers and Directors again wish to give public expression of their appreciation of the enthusiastic and co-operative work of the entire organization. The continued loyal support accorded the Management is very gratifying.

Submitted on behalf of the Board,

A. CRABTREE,
President.

MONTREAL, P.Q.,

FEBRUARY 20TH, 1941.



CONSOLIDATED BALANCE SHEET
FRASER COMPANIES, LIMITED

FRASER PAPER, LIMITED, AND RESTIGOUCHE COMPANY, LIMITED

At 31st December, 1940

ASSETS

CURRENT:

Cash in Banks and on Hand	\$ 2,112,276.06	
Accounts and Bills Receivable—Trade—Less Reserve.....	1,358,298.35	
Accounts Receivable—Other—Less Reserve.....	3,848.61	
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 1940-1941, as certified by re- sponsible officials of the Companies.....	3,483,941.70	
		\$ 6,958,364.72

DEFERRED CHARGES TO OPERATIONS.....		22,042.94
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INVESTMENTS		11,005.00
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FIXED:

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		\$28,562,559.45
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Less:

Reserves:

Depletion	\$4,206,150.81	
Depreciation.....	9,006,964.50	
	13,213,115.31	15,349,444.14

APPROVED ON BEHALF OF THE BOARD:

A. CRABTREE, *Director*.
L. M. SHERWOOD, *Director*.

\$22,340,856.80

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, 1940, and have obtained all the information and explanations we have required.

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, and Restigouche Company, Limited, at 31st December, 1940, 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,
19TH FEBRUARY, 1941.

BALANCE SHEET OF

FRASER COMPANIES, LIMITED

RESTIGOUCHE COMPANY, LIMITED

December, 1940

LIABILITIES AND CAPITAL

CURRENT:

Accounts Payable—Trade	\$ 1,664,595.40	
Payrolls and Other Charges Accrued	426,009.35	
Special Loan Interest Accrued	32,938.56	
Bond Interest Accrued and Exchange thereon	338,396.01	
Dominion and Provincial Income and Excess Profits and Other Taxes (Estimated)	340,500.00	
Reserve for Contingencies	190,000.00	
		\$ 2,992,439.32

SPECIAL LOAN		1,200,000.00
(Secured by \$1,320,000.00 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 re- served for issue as security for Special Loan	28,000.00	
Redeemed and Cancelled	363,500.00	1,189,500.00
		<u>\$13,810,500.00</u>

Outstanding:

Six Per Cent First Mortgage Bonds, Series of 1936, due 1st January, 1950.	\$10,610,500.00	
Less: Held by Bank as security for Special Loan	\$1,320,000.00	
Held by Trustee	984,000.00	
Redeemed and Cancelled	1,611,500.00	3,915,500.00
		<u>6,695,000.00</u>

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	\$ 288,500.00	
Redeemed and Cancelled through the Sinking Fund	470,500.00	759,000.00
		<u>4,087,000.00</u>

CAPITAL AND SURPLUS:

Represented by 371,016 Shares of No Par Value out of a Total Authorized Issue of 500,000 Shares:		
Amount Attributed to Capital	\$ 3,984,458.91	
Surplus per Schedule "A"	3,381,958.57	7,366,417.48
		<u>\$22,340,856.80</u>

NOTES: (a) There is a Contingent Liability in respect of U.S. Income Taxes at present not definitely determined.

(b) In consolidating the Balance Sheet of Fraser Paper, Limited, which operates in the United States of America, American Dollars are expressed as an equal number of Canadian dollars.

FRASER COMPANIES, LIMITED

FRASER PAPER, LIMITED, AND RESTIGOUCHE COMPANY, LIMITED

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31st December, 1940

Earnings for twelve months ended 31st December, 1940, after Operating Expenses (including Executive Officers' Salaries and Legal Fees of \$106,954.42 and Directors' Remuneration of \$1,750.00), Taxes, etc., but before providing for the undernoted items:—		\$3,221,641.02
<i>Deduct:</i>		
Bank and Other Interest—Net.....	\$ 44,440.38	
Special Loan Interest.....	66,911.27	
Bond Interest and Exchange thereon.....	748,525.72	
		859,877.37
		\$2,361,763.65
<i>Deduct:</i>		
Provision for Depletion.....	\$ 478,526.33	
Provision for Depreciation.....	1,203,500.00	
		1,682,026.33
		\$ 679,737.32
<i>Deduct:</i>		
Dominion and Provincial Income and Excess Profits Taxes (Estimated).....		310,500.00
NET PROFIT FOR YEAR TO DATE.....		\$ 369,237.32

SCHEDULE "A"

CONSOLIDATED SURPLUS ACCOUNT

At 31st December, 1940

Balance at 31st December, 1939.....	\$3,225,569.38
<i>Add:</i>	
Discount on Companies' Own Bonds purchased.....	7,307.65
	\$3,232,877.03

CONSOLIDATED INCOME SURPLUS ACCOUNT

At 31st December, 1940

Net Profit for Year ended 31st December, 1940.....	\$369,237.32
<i>Deduct:</i>	
Deficit at 31st December, 1939.....	220,155.78
	149,081.54
	\$3,381,958.57