

FRASER COMPANIES, LIMITED

FRASER PAPER, LIMITED
AND RESTIGOUCHE COMPANY, LIMITED

Twenty-Fifth Annual Report and Statement

YEAR ENDED 31ST DECEMBER, 1941

TO THE SHAREHOLDERS,

FRASER COMPANIES, LIMITED:

The Consolidated Balance Sheet of Fraser Companies, Limited, and its wholly-owned Subsidiaries at 31st December, 1941, and the Consolidated Profit and Loss and Surplus Accounts of these Companies for the year ended 31st December, 1941, are submitted herewith.

The operations of your Companies' Mills were greatly increased in comparison with the previous year. This increased volume is reflected in the Profit and Loss Account, upon certain items of which comment follows.

Earnings for the year before interest charges and provision for depletion, depreciation, application in reduction of inventories, and income and excess profits taxes amounted to \$5,116,591.10.

The net profit for the year, after all charges, including an amount of \$438,135.24 applied in reduction of inventories, but before income and excess profits taxes, amounted to \$2,432,947.61, which amount was transferred to surplus. This compares with a profit for the previous year of \$679,737.32. A provision for income and excess profits taxes of \$2,000,000.00 was set up as a current liability.

Fraser Companies, Limited, and Restigouche Company, Limited, have each filed Standard Profits Claims under the Dominion Excess Profits Tax Act. So far no decision has been issued by the Board of Referees and your Directors are unable to say what the actual excess profits tax liability will amount to. The above-mentioned provision for income and excess profits taxes was therefore transferred from Surplus rather than from Income and Expenditure account.

Consolidated net working capital amounts to \$3,665,463.02, showing a reduction amounting to \$300,462.38 as a result of the year's transactions after applying \$408,067.65 on improvements to plant and properties, \$2,408,000.00 on reduction of fixed liabilities and after making provision for income and excess profits taxes of \$2,000,000.00. The reduction of fixed liabilities is accounted for by payment of \$1,200,000.00 in full discharge of the Special Loan of Fraser Companies, Limited, and by the purchase of \$789,500.00 principal amount of Fraser Companies, Limited, bonds, and of \$418,500.00 principal amount of Restigouche Company, Limited, bonds.

During the year 133 square miles of freehold timber lands were acquired from The New Brunswick Railway Company. These lands are favourably situated to your Edmundston Mills and increase the security for the continuity of their operations.

Your Directors are pleased to report that an amicable settlement of the dispute between the Gatineau Power Company and your Company was arrived at and agreements have been entered into in accordance with the terms of the settlement.

The war has created a very heavy demand for all your Companies' products—lumber, pulp and paper. Restrictions in the supply of certain materials and chemicals entering into the manufacture of such products have necessitated modifications and substitutions in manufacturing procedure. The quantity of chlorine used by your Companies for the bleaching of pulp has, by Government restriction, been substantially reduced so that it could be diverted to other war uses. Further adjustments in manufacturing procedure can be expected as time goes on, and these matters continue to receive the serious consideration of the Management.

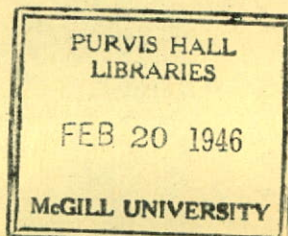
Since the start of the war more than two hundred and fifty employees of your Companies have either joined the armed forces or been acting in executive capacities in wartime organizations, and during the past year your Companies' Machine and Repair Shops were organized to operate on a twenty-four hour per day basis, which has permitted considerable time and effort to be devoted to the machining and production of parts required for war purposes.

The Directors and Officers wish particularly at this time to express their appreciation of the whole-hearted support given by the entire organization under difficult circumstances, which were accentuated by depleted personnel as a result of enlistments and other war aid.

Submitted on behalf of the Board,

EDMUNDSTON, NEW BRUNSWICK,
FEBRUARY 19TH, 1942.

AUBREY CRABTREE,
President.



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At 31st D

ASSETS

CURRENT:

Cash in Banks and on Hand.....	\$ 2,296,555.76	
Accounts and Bills Receivable—Trade—Less Reserve.....	1,617,490.14	
Accounts Receivable—Other—Less Reserve.....	11,696.29	
Inventories, valued at or below cost, comprising Raw Materials, Goods in Process and Finished Products, and Logging and Pulpwood Advances Season 1941-1942, as certified by responsible officials of the Companies..	3,052,607.86	
		\$ 6,978,350.05
DEFERRED CHARGES TO OPERATIONS.....		34,984.00
INVESTMENTS.....		11,005.00

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		\$29,210,627.10
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Less:

Reserves:

Depletion.....	\$ 4,549,445.23	
Depreciation.....	10,209,964.50	
		14,759,409.73
		14,451,217.37

APPROVED ON BEHALF OF THE BOARD:

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

\$21,475,556.42

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, 1941, and have obtained all the information and explanations we have required. A provision for Income and Excess Profits Taxes of \$2,000,000.00 has been made pending decisions in the matter of the Standard Profits Claims filed by Fraser Companies, Limited, and Restigouche Company, Limited, under the Dominion Excess Profits Tax Act. On this basis, the above Consolidated Balance Sheet is, in our opinion, 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, 1941, 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, 1942.

BALANCE SHEET OF

FRASER COMPANIES, LIMITED

RESTIGOUCHE COMPANY, LIMITED

December, 1941

LIABILITIES AND CAPITAL

CURRENT:

Accounts Payable—Trade.....	\$ 740,105.37	
Payrolls and Other Charges Accrued.....	236,044.09	
Bond Interest Accrued and Exchange thereon.....	300,737.57	
Provision for Income and Excess Profits and Other Taxes.....	2,036,000.00	
		\$ 3,312,887.03

BALANCE OF CONTRACT PAYABLE ON TIMBER LANDS PURCHASED..... 240,000.00

RESERVE FOR CONTINGENCIES..... 330,000.00

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

\$13,810,500.00

Outstanding:

Six Per Cent First Mortgage Bonds, Series of 1936, due 1st January, 1950 \$10,610,500.00

Less: Held by Trustee..... \$2,554,000.00

Redeemed and Cancelled..... 2,151,000.00

4,705,000.00

5,905,500.00

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..... \$ 428,500.00

Redeemed and Cancelled through the Sinking Fund 749,000.00

1,177,500.00

3,668,500.00

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"..... 4,034,210.48

8,018,669.39

\$21,475,556.42

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, 1941

Earnings for twelve months ended 31st December, 1941, after Operating Expenses (including Executive Officers' Salaries and Legal Fees of \$78,390.30 and Directors' Remuneration of \$1,300.00), Taxes, etc., but before providing for the undernoted items:—		\$5,116,591.10
<i>Deduct:</i>		
Sundry Interest—Net.....	\$ 6,041.60	
Special Loan Interest.....	31,709.61	
Bond Interest and Exchange thereon.....	661,462.62	
	699,213.83	
		\$4,417,377.27
<i>Deduct:</i>		
Provision for Depletion.....	\$ 343,294.42	
Provision for Depreciation.....	1,203,000.00	
	1,546,294.42	
		\$2,871,082.85
<i>Deduct:</i>		
Applied in reduction of Inventories.....		438,135.24
NET PROFIT, BEFORE PROVISION FOR INCOME AND EXCESS PROFITS TAXES.....		\$2,432,947.61

SCHEDULE "A"

CONSOLIDATED SURPLUS ACCOUNT

At 31st December, 1941

Balance at 31st December, 1940.....		\$3,232,877.03
<i>Deduct:</i>		
Premium on Companies' own Bonds purchased.....		10,246.25
		\$3,222,630.78

CONSOLIDATED INCOME SURPLUS ACCOUNT

At 31st December, 1941

Surplus at 31st December, 1940.....		\$149,081.54
<i>Add:</i>		
Net Profit for year to date.....	\$2,432,947.61	
Net adjustment affecting prior years.....	369,550.55	
	\$2,802,498.16	
<i>Less:</i>		
Provision for Income and Excess Profits		
Taxes.....	\$2,000,000.00	
Transferred to Reserve for Contingencies.....	140,000.00	
	2,140,000.00	
		662,498.16
		811,579.70
		\$4,034,210.48