

FRASER COMPANIES, LIMITED

FRASER PAPER, LIMITED
AND RESTIGOUCHE COMPANY, LIMITED

Twenty-Sixth Annual Report and Statement

YEAR ENDED 31ST DECEMBER, 1942

TO THE SHAREHOLDERS,
FRASER COMPANIES, LIMITED:

The Consolidated Balance Sheet of Fraser Companies, Limited, and its wholly-owned Subsidiaries at 31st December, 1942, and the Consolidated Profit and Loss and Surplus Accounts of these Companies for the year ended 31st December, 1942, are submitted herewith.

Earnings for the year, including United States Exchange amounting to approximately \$1,000,000.00, but before interest charges and provision for depletion, depreciation, application in reduction of logs and lumber inventories, and income and excess profits taxes, amounted to \$5,010,184.77.

The net profit for the year, after all charges but before income and excess profits taxes, amounted to \$2,549,368.28, which amount was transferred to Surplus. This compares with a profit for the previous year of \$2,432,947.61. A provision for income and excess profits taxes of \$2,350,000.00 has been transferred from Surplus and set up as a current liability.

As the Standard Profits Claims which have been filed under the Excess Profits Tax Act of Canada are still awaiting decision by the Board of Referees, it is impossible to say whether the appropriations and payments which have been made for the three tax years in question, 1940, 1941 and 1942, are sufficient to cover the Excess Profits taxes which may be assessed.

Consolidated net working capital amounts to \$5,165,446.96, showing an improvement amounting to \$1,499,983.94 as a result of the year's transactions after applying \$228,583.87 on additions to plant and properties, \$507,000.00 on reduction of fixed liabilities and after making provision for income and excess profits taxes of \$2,350,000.00. The reduction of fixed liabilities is accounted for by the purchase of \$316,500.00 principal amount of Fraser Companies, Limited, bonds, and of \$190,500.00 principal amount of Restigouche Company, Limited, bonds.

Your Directors have given consideration to the dissolution of the Voting Trust affecting Common Shares of your Company but no action in regard thereto can be taken until your Company's Standard Profits Claim has been decided and the excess profits tax liabilities of your Company can be determined.

The demand for the products of the paper mills at Madawaska, Maine, eased during the third quarter and continued on about the same basis for the balance of the year. Government restrictions applying to the industry from the 1st of last November currently permit production of a reduced amount of tonnage quarterly, compared with the average quarterly tonnage actually produced during the six month period ended 31st March, 1942.

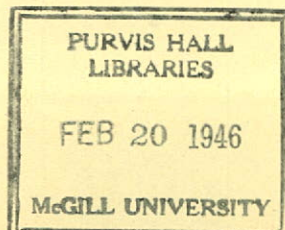
The heavy demand for both lumber and pulp that prevailed throughout the year continues in evidence but difficulties are now being experienced in getting a sufficient number of men, particularly for lumbering operations, which may require your mills to be operated during 1943 on a reduced scale.

Company employees in the armed forces or acting in executive capacities in Wartime organizations now number more than five hundred and thirty. The policy announced in last year's report of utilizing all time available in your Companies' Machine and Repair Shops for the machining and production of parts required for war purposes has been continued.

The Directors and Officers again wish to express their appreciation of the sincere and unstinting support given by the whole organization to Company affairs and also to the war effort throughout the year.

Submitted on behalf of the Board,

EDMUNDSTON, NEW BRUNSWICK,
FEBRUARY 24TH, 1943.



AUBREY CRABTREE,
President.

CONSOLIDATED B
FRASER COMPANIES
FRASER PAPER, LIMITED, AND FRASER

At 31st December

ASSETS

CURRENT:

Cash in Banks and on Hand.....	\$ 4,044,097.25	
Investment in Dominion Government and United States Treasury Bonds..	1,025,000.00	
Accounts and Bills Receivable—Trade—less Reserve.....	1,837,517.60	
Accounts Receivable—Other—less Reserve.....	20,436.41	
Inventories, valued at or below cost, comprising Raw Materials and Supplies, Goods in Process and Finished Products, and Logging and Pulpwood Advances Season 1942-1943, as certified by responsible officials of the Companies.....	2,492,863.80	
		\$ 9,419,915.06
DEFERRED CHARGES TO OPERATIONS.....		74,289.04
OTHER 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	\$29,379,210.97	
<i>Less:</i>		
Reserves:		
Depletion.....	\$ 4,926,327.30	
Depreciation.....	11,412,964.50	
		16,339,291.80
		13,039,919.17

APPROVED ON BEHALF OF THE BOARD:

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

\$22,545,128.27

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, 1942, and have obtained all the information and explanations we have required.

The policy of including Pulpwood on hand and to be delivered in the current season on the last-in, first-out method of valuation has been maintained; there has also been reserved out of earnings for the year an amount of \$400,000.00 to provide for the estimated additional cost of restoring Pulpwood Inventories to normal quantities.

In order to maintain the same basis of valuation of Logs and Lumber Inventories as in prior years, \$261,522.07, in addition to previous amounts, has been applied in reduction of Logs and Lumber Inventories.

Reserve for Contingencies has been increased during the year by a charge to Earnings amounting to \$114,000.00.

Pending decisions on the Standard Profits Claims filed by Fraser Companies, Limited and Restigouche Company, Limited, under the Dominion Excess Profits Tax Act, a provision has been made of \$2,350,000.00 for Dominion and United States Income and Excess Profits Taxes; the excess profits taxes refundable are not ascertainable. Reference is made in the Balance Sheet to a contingent liability in respect of United States Income and Excess Profits Taxes at present not definitely determined.

In our opinion, subject to the foregoing, 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, 1942, 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,
22ND FEBRUARY, 1943.

FRASER COMPANIES, LIMITED

RESTIGOUCHE COMPANY, LIMITED

December, 1942

LIABILITIES AND CAPITAL

CURRENT:

Accounts Payable—Trade.....	\$ 993,600.16	
Payrolls and Other Charges Accrued.....	330,802.54	
Bond Interest Accrued and Exchange thereon.....	284,590.27	
Provision for Dominion and United States Income and Excess Profits and Other Taxes—less Instalments Paid.....	2,645,475.13	
		\$ 4,254,468.10

BALANCE OF CONTRACT PAYABLE ON TIMBER LANDS PURCHASED.....		180,000.00
RESERVE FOR REPLACEMENT OF PULPWOOD INVENTORIES.....		400,000.00
RESERVE FOR CONTINGENCIES.....		444,000.00

FRASER COMPANIES, LIMITED, FIRST MORTGAGE BONDS:

Authorized.....	\$15,000,000.00	
<i>Less:</i> 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.....	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	
<i>Less:</i> Held by Trustee.....	\$ 2,439,500.00	
Redeemed and Cancelled.....	2,582,000.00	
		5,021,500.00
		<u>5,589,000.00</u>

RESTIGOUCHE COMPANY, LIMITED, BONDS:

Six Per Cent Sinking Fund Mortgage Bonds due 1st February, 1948:		
Authorized and Issued.....	\$ 4,846,000.00	
<i>Less:</i> Held by Trustee.....	\$ 469,000.00	
Redeemed and Cancelled through the Sinking Fund	899,000.00	
		1,368,000.00
		<u>3,478,000.00</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".....	4,215,201.26	
		8,199,660.17
		<u>\$22,545,128.27</u>

NOTES: (a) There is a Contingent Liability in respect of United States Income and Excess Profits 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, 1942

Earnings for twelve months ended 31st December, 1942, after Operating Expenses (including Executive Officers' Salaries and Legal Fees of \$81,131.36 and Directors' Remuneration of \$1,350.00), Taxes, etc., but before providing for the undernoted items:—	\$5,010,184.77
<i>Deduct:</i>	
Bond Interest and Exchange thereon.....	619,412.35
	<u>\$4,390,772.42</u>
<i>Deduct:</i>	
Provision for Depletion.....	\$ 376,882.07
Provision for Depreciation.....	1,203,000.00
	<u>1,579,882.07</u>
	\$2,810,890.35
<i>Deduct:</i>	
Applied in reduction of Logs and Lumber Inventories.....	261,522.07
	<u>NET PROFIT, BEFORE PROVISION FOR INCOME AND EXCESS PROFITS TAXES.....</u>
	<u>\$2,549,368.28</u>

SCHEDULE "A"

CONSOLIDATED SURPLUS ACCOUNT

At 31st December, 1942

Balance at 31st December, 1941.....	\$3,222,630.78
<i>Deduct:</i>	
Premium on Companies' own Bonds purchased.....	18,377.50
	<u>\$3,204,253.28</u>

CONSOLIDATED INCOME SURPLUS ACCOUNT

At 31st December, 1942

Surplus at 31st December, 1941.....	\$ 811,579.70
<i>Add:</i>	
Net Profit for year to date.....	\$2,549,368.28
<i>Less:</i>	
Provision for Dominion and United States Income and Excess Profits Taxes.....	2,350,000.00
	<u>199,368.28</u>
	1,010,947.98
	<u>\$4,215,201.26</u>