

FRASER COMPANIES, LIMITED

FRASER PAPER, LIMITED
AND RESTIGOUCHE COMPANY, LIMITED

Twenty-Seventh Annual Report and Statement

YEAR ENDED 31ST DECEMBER, 1943

TO THE SHAREHOLDERS,

FRASER COMPANIES, LIMITED:

The Consolidated Balance Sheet of Fraser Companies, Limited and its wholly-owned subsidiaries at 31st December, 1943, and the Consolidated Income and Expenditure and Surplus Statements of these companies for the year ended 31st December, 1943, are submitted herewith.

Earnings for the year, including premium on United States exchange amounting to approximately \$1,000,000.00 and \$1,156,000.00 arising through a change in the basis of valuation of pulpwood and logs, but before interest charges and provision for depletion, depreciation and Income and Excess Profits taxes, amounted to \$5,457,000.00.

The net profit for the year, after all charges, but not including \$1,156,000.00 referred to in the preceding paragraph and before deducting provision for Income and Excess Profits taxes, amounted to \$2,109,000.00, as compared with a net profit of \$2,549,000.00 for the year 1942. The Standard Profits Claims of Fraser Companies, Limited and Restigouche Company, Limited have now been decided and a provision of \$2,770,000.00 for Income and Excess Profits taxes has been charged to Surplus and included in the Current Liabilities.

Consolidated net working capital amounts to \$5,679,000.00, showing an improvement of \$513,000.00 for the year, after applying \$2,446,000.00 on additions to plants and properties and \$124,000.00 in reduction of funded debt, and after making provision for Income and Excess Profits taxes of \$2,770,000.00. The reduction in funded debt is accounted for by the purchase of \$59,500.00 principal amount of bonds of Fraser Companies, Limited and \$64,500.00 principal amount of bonds of Restigouche Company, Limited.

During the year, 981 square miles of freehold timber lands were acquired from The New Brunswick Railway Company. These lands are favourably situated and increase the security of your Companies' operations.

The Auditors' Certificate necessary for termination of the Common Share Voting Trust Agreement affecting shares in the capital stock of the Company has been received.

Steps are being taken for dissolution of the Voting Trust, and in order to give opportunity for exchanges of Voting Trust Certificates for Common Shares before the Annual Meeting and so enable Voting Trust Certificate holders to exercise voting rights as shareholders at the Annual Meeting, the time of the meeting has been fixed at a date later than has been customary.

Total tonnage of pulp and paper produced and sold was approximately the same as the previous year, even though pulpwood available was somewhat less, the balance of wood required being made up by utilization of slabs and mill-waste from your Company's sawmills.

As a result of insufficient men available for lumbering operations, production and sales of lumber products were substantially reduced. The shortage of manpower in the woods still continues and may result in a further reduction in the operations of your mills during 1944.

Your Directors wish to make particular mention of the contribution which your companies have made to the war effort. More than 725 of your companies' employees have joined the armed forces. It is gratifying to note that Restigouche Company, Limited was awarded the War Work Shield donated by the Wartime Machine Shop Board of the Canadian Pulp and Paper Association, for "Distinguished Performance in Production of Materials vital to Canada's War Effort" in its group, for the second and third quarters of 1943, and your company's plant at Edmundston received a Certificate of Merit for outstanding work of the same kind.

During the year Mr. F. C. Beatteay, who had been a valued member of your Board for many years, tendered his resignation because of ill health.

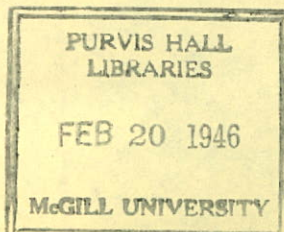
The vacancy on the Board has been filled by the appointment of Mr. A. W. Brebner, Campbellton, New Brunswick, who has been a Director and a Vice-President of Restigouche Company, Limited for a number of years.

Your Directors and Officers wish to express their appreciation of the outstanding services rendered by all personnel of your company's organization throughout the year.

Submitted on behalf of the Board,

AUBREY CRABTREE,
President.

EDMUNDSTON, NEW BRUNSWICK,
MARCH 10TH, 1944.



CONSOLIDATED BALANCE SHEET

FRASER COMPANIES

FRASER PAPER, LIMITED, AND RESTIGOUCHE COMPANY, LIMITED

As at 31st December 1943

ASSETS

CURRENT:

Cash in Banks and on Hand	\$ 2,060,109.93	
Dominion Government and United States Treasury Bonds	4,595,000.00	
Accounts and Bills Receivable—Trade—less Reserve	1,856,547.28	
Accounts Receivable—Other—less Reserve	40,694.69	
Inventories, valued at or below cost, comprising Raw Materials and Supplies, Goods in Process and Finished Products, and Logging and Pulpwood Advances Season 1943-1944, as certified by responsible officials of the Companies	3,047,856.59	
		\$11,600,208.49
DEFERRED CHARGES TO OPERATIONS		37,003.09
REFUNDABLE PORTION OF EXCESS PROFITS TAXES—ESTIMATED		310,000.00
OTHER INVESTMENTS		16,006.00

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 at Cost less Deductions for Equipment and Property Sold		\$31,597,682.25
<i>Less:</i>		
Reserves:		
Depletion	\$ 5,277,469.89	
Depreciation	12,607,587.46	
		17,885,057.35
		13,712,624.90

APPROVED ON BEHALF OF THE BOARD:

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

\$25,675,842.48

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, 1943, and have obtained all the information and explanations we have required.

Pulpwood and Logs on hand and to be delivered in the current season have been valued at less than present day costs. This procedure is considered sound by the Management and is approved by us. As a consequence of the use of the valuations adopted instead of those resulting from the last-in, first-out method formerly employed the earnings for the year have been increased by \$1,156,000.00.

Out of the earnings for the year, \$843,000.00 has been added to Reserve for Replacement of Pulpwood and Log Inventories and \$126,000.00 has been transferred to Reserve for Contingencies.

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, as at 31st December, 1943, 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,
8TH MARCH, 1944.

BALANCE SHEET OF

FRASER COMPANIES, LIMITED

RESTIGOUCHE COMPANY, LIMITED

December, 1943

LIABILITIES AND CAPITAL

CURRENT:

Accounts Payable—Trade	\$ 1,153,727.12	
Payrolls and Other Charges Accrued	521,818.91	
Bond Interest Accrued and Exchange thereon	280,929.77	
Provision for Dominion and United States Income and Excess Profits and Other Taxes—less Instalments Paid	3,964,954.98	
		\$ 5,921,430.78

RESERVE FOR REPLACEMENT OF PULPWOOD AND LOG INVENTORIES TO NORMAL QUANTITIES AT PRESENT INVENTORY VALUES		1,243,000.00
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RESERVE FOR CONTINGENCIES		570,000.00
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REFUNDABLE PORTION OF EXCESS PROFITS TAXES—PER CONTRA		310,000.00
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FRASER COMPANIES, LIMITED, FIRST MORTGAGE BONDS:

Authorized	\$15,000,000.00	
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Less: To be taken into account for Sinking Fund but not issuable	\$ 798,000.00	
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Unissuable portion of \$2,800,000.00 originally reserved for issue as security for Special Loan	28,000.00	
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Redeemed and Cancelled	363,500.00	
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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	
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Less: Redeemed subject to the Company's power to re-issue	\$ 2,055,000.00	
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Redeemed and Cancelled	3,026,000.00	
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5,081,000.00

5,529,500.00

RESTIGOUCHE COMPANY, LIMITED, BONDS:

Six Per Cent Sinking Fund Mortgage Bonds due 1st February, 1948:		
Authorized and Issued	\$ 4,846,000.00	

Less: Redeemed subject to the Company's power to re-issue	\$ 373,500.00	
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Redeemed and Cancelled through the Sinking Fund	1,059,000.00	
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1,432,500.00

3,413,500.00

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	
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Surplus per Schedule "A"	4,703,952.79	
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8,688,411.70

\$25,675,842.48

NOTES: (a) Fraser Companies, Limited and Restigouche Company, Limited have claimed reserves against future depreciation in inventory values allowable under the Excess Profits Tax Act.
 (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

STATEMENT OF CONSOLIDATED INCOME AND EXPENDITURE

For the year ended 31st December, 1943

Earnings for twelve months ended 31st December, 1943, after Operating Expenses (including Executive Officers' Salaries and Legal Fees of \$83,044.47 and Directors' Remuneration of \$1,300.00), Taxes, etc., but before providing for the undernoted items:—		\$5,457,069.53
<i>Deduct:</i>		
Bond Interest and Exchange thereon.....		598,847.91
		<u>\$4,858,221.62</u>
<i>Deduct:</i>		
Provision for Depletion.....	\$ 351,142.59	
Provision for Depreciation.....	1,241,900.00	
		<u>1,593,042.59</u>
NET PROFIT, BEFORE PROVISION FOR INCOME AND EXCESS PROFITS TAXES.....		<u><u>\$3,265,179.03</u></u>

SCHEDULE "A"

STATEMENT OF CONSOLIDATED SURPLUS

As at 31st December, 1943

Balance at 31st December, 1942.....	\$3,204,253.28
<i>Deduct:</i>	
Premium on Companies' own Bonds purchased.....	6,427.50
	<u>\$3,197,825.78</u>

STATEMENT OF CONSOLIDATED INCOME SURPLUS

As at 31st December, 1943

Surplus at 31st December, 1942.....	\$1,010,947.98
<i>Add:</i>	
Net Profit for year to date.....	3,265,179.03
	<u>\$4,276,127.01</u>
<i>Deduct:</i>	
Provision for Dominion Income and Excess Profits Taxes, including Refundable Portion of Excess Profits Taxes.....	2,770,000.00
	<u>1,506,127.01</u>
	<u><u>\$4,703,952.79</u></u>