

FEDERAL GRAIN, LIMITED

Fifteenth Annual Report of the Directors

YEAR ENDED 31st JULY, 1944

TO THE SHAREHOLDERS:

Your Directors present herewith Financial Statements for the year ended 31st July, 1944, including the Balance Sheet, certified by your Auditors, Messrs. George A. Touche & Co., subject to any subsequent adjustments in respect to Income and Excess Profits Taxes.

Statement of Income and Expenditure shows an operating profit of \$387,440.43 after providing for bond interest, depreciation, interest on special Bank loans and other charges. This shows a decrease of \$4,415.77 from the year ended 31st July, 1943. From the net operating profit there has been deducted \$170,000.00 as provision for Income and Excess Profits Taxes. The balance, together with the capital gain arising from the sale of properties, has been transferred to Surplus Account. Working Capital shows an improvement of \$519,522.76 and now amounts to \$2,744,537.25.

First Mortgage Bonds of the par value of \$184,000.00 were redeemed during the year in accordance with Sinking Fund provisions, bringing the total redemption of Bonds to \$1,991,000.00.

Your wholly owned subsidiary Company shows a profit of \$254,372.07 after providing for bond interest, depreciation and all other charges, and making provision for estimated Income and Excess Profits Taxes. This amount has been transferred to your subsidiary Company's Surplus Account. During the year the name of the subsidiary was changed from Algoma Grain Securities Limited to The Alberta Pacific Grain Co. (1943) Ltd.

Your Directors continue to be faced with the problem of certain grain organizations paying patronage dividends, and at the same time neither paying nor making provision for payment of Income Tax or Excess Profits Tax, claiming—in spite of a ruling by the Department of Justice—that they are exempt from taxation under clauses in the Income War Tax Act relating to Co-Operatives. In view of this situation an amount of \$499,833.84 has been set up to provide for payments to customers of the Company, to be made only if and when they are allowed as a deductible expense for Income Tax and Excess Profits Tax purposes. Protests have been made to the Dominion Government over a period of years against the policy being pursued in the administration of the Income War Tax Act.

Western Canada will produce a crop this year considerably larger than average, but while the volume of grain handled through the Company's facilities should be satisfactory, the earnings of the Company for the next fiscal year will be adversely affected by the reduced handling charges now in effect at your Country Elevators. The rates at which grain is now being handled are far below actual costs of operations, but in order to hold its competitive position, it is necessary for your Company to operate at these low rates.

Since the end of the last fiscal year Preferred Shareholders have received dividends of \$6.00 per share, totalling \$180,000.00. Future payments will be made as conditions warrant.

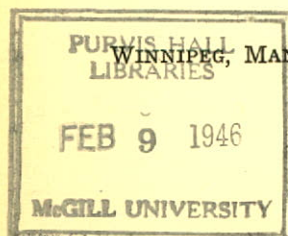
Your Directors desire to express appreciation of the efficient services and devotion to duty of employees. All are investing in War Savings Certificates and Victory Bonds. Many more members of the staff have joined the Canadian Forces, thus throwing a heavier burden on those remaining. Your Directors have instituted a contributory Retirement Annuity Plan for the benefit of the employees. The plan adopted will be handled through the Annuities Branch of the Dominion Government. The initial payment made by the Company for past services was approximately \$100,000.00 which will be written off over a ten-year period.

All your Directors retire at the ensuing General Annual Meeting and are eligible for re-election.

On behalf of the Board of Directors,

H. E. SELLERS,

President.



FEDERAL GRAIN

BALANCE SHEET

ASSETS

CURRENT ASSETS:

CASH in transit and with Paying Agents, etc.....	\$ 346,950.17
Dominion of Canada War Loan Bonds—Par Value \$250,000.00, at cost....	250,000.00
Bonds of the Company in excess of 1st December, 1944, Sinking Fund requirement—Par Value \$10,000.00, at cost.....	10,947.50

ACCOUNTS RECEIVABLE:

Balances owing on properties sold (since collected).....	\$ 18,282.87
General Accounts	193,861.27
Agents' Cottage Loans	6,489.33
Employees' Accounts	765.10
	<hr/> 219,398.57

ADVANCES SECURED BY GRAIN.....	23,809.50
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STOCKS ON HAND, AS CERTIFIED BY RESPONSIBLE OFFICIALS:

Grain purchased for account of The Canadian Wheat Board: valued on the basis of Board Prices less freight, etc.....	\$12,396,962.43
Grain, less stored grain: valued on the basis of market quotations of 31st July, 1944, less freight, etc.	802,446.14
Coal, Sacks, Feed Grain and Seed: valued at the lower of cost or market	423,719.12
	<hr/> 13,623,127.69

ACCRUED EARNINGS	113,695.87
PREPAID EXPENSES	17,016.73

\$14,604,946.03

INVESTMENTS in Marketable Securities (Market Value \$3,210.10).....	4,688.50
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BONDS OF THE COMPANY purchased for Sinking Fund— Par Value \$196,500.00, at cost	214,382.50
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MEMBERSHIPS AND SHARES in Grain Trade Organizations, at cost.....	108,019.51
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INVESTMENT IN WHOLLY OWNED SUBSIDIARY COMPANY, at cost.....	3,810,159.80
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PROPERTIES:

Terminal and Country Elevators, Temporary Bins, Coal Sheds, Dwellings, Flour Sheds, Automobiles, Furniture and Miscellaneous Equipment, at cost	\$ 8,244,208.93
Less Reserve for Depreciation	3,872,552.50
	<hr/> 4,371,656.43

DEFERRED CHARGES:

Employees' Retirement Annuity Plan—Payment re past services, less amount written off	88,499.70
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\$23,202,352.47

To the Shareholders,

Federal Grain, Limited, Winnipeg.

We have examined the foregoing Balance Sheet of Federal Grain, Limited with the books and vouchers.

We further report that in our opinion, subject to possible liabilities for additional income tax and the Company's affairs at 31st July, 1944, according to the best of our information and the explanations given to

AUDITORS

Winnipeg, 3rd November, 1944.

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STATEMENT I

AT 31st JULY, 1944

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Bank Loans (secured).....	\$ 6,205,940.90
Outstanding Cheques, less current account bank balances	121,593.17
Outstanding Cash Tickets and Orders	3,361,276.44
Sundry Creditors	1,436,622.88
Amount due wholly owned subsidiary	93,443.66
Provision for payments to customers to be made only if and when they are allowed as a deductible expense for Income Tax and Excess Profits Tax purposes	499,833.84
Accrued Taxes, including provision for balance of estimated Income Tax and Excess Profits Tax on profit for the year ended 31st July, 1944	141,697.89

\$11,860,408.78
3,738,200.00

SPECIAL LOANS due 1st June, 1946 (secured)

GENERAL MORTGAGE 5% DEBENTURES maturing 1st June, 1946

Authorized	\$4,000,000.00
Issued as collateral for Special Loans	\$4,000,000.00

FIRST MORTGAGE SINKING FUND GOLD BONDS:

Authorized	\$6,000,000.00
Issued, Series A 6%, maturing 1st August, 1949.....	\$4,250,000.00
Less Redeemed through Sinking Fund.....	1,991,000.00

2,259,000.00
107,917.26

BOND REDEMPTION RESERVE:

CAPITAL:

Authorized—

40,000 6½% Cumulative Preference Shares of \$100.00 each, redeemable at the option of the Company
160,000 Class A Common Shares of No Par Value.....
40,000 Class B Common Shares of No Par Value.....

Issued and fully paid—

30,000 Preference Shares	\$3,000,000.00
200,000 Common Shares	
Amount apportioned as Capital.....	1,250,000.00

4,250,000.00

DISTRIBUTABLE SURPLUS:

Balance at 31st July, 1943—unchanged.....	\$ 295,065.77
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EARNED SURPLUS:

Balance at 31st July, 1943	\$628,796.41
Deduct Preference Dividends (including dividend paid 1st August, 1944)	180,000.00
	\$448,796.41

Add Profit for the year ended 31st July, 1944—

Per Statement II	\$242,964.25	691,760.66
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986,826.43

Cumulative Preference Dividends are in arrear fractionally for the year 1933, and for all subsequent periods.

Approved on behalf of the Board,

H. E. SELLERS, *Director*.

T. H. RATHJEN, *Director*.

\$23,202,352.47

REPORT

ers relating thereto, and we report that we have obtained all the information and explanations we have required. excess profits tax, the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of us, and as shown by the books of the Company.

GEORGE A. TOUCHE & CO.,
Chartered Accountants,
Auditors.

Federal Grain, Limited

STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended 31st July, 1944

Income from the Company's operations after meeting all expenses including Executive Salaries and Legal Fees \$76,536.42 and after providing \$499,833.84 for payments to customers, but before taking into account the items shown below.....	\$1,018,524.76
Income from Investments.....	13,513.21
	<u>\$1,032,037.97</u>
Less: Depreciation	\$314,907.61
Bond Interest	128,626.09
Bond Interest Premiums	13,624.80
Interest on Special Loans	185,439.04
Directors' Fees	2,000.00
	<u>644,597.54</u>
Operating Profit, before providing for Income Tax and Excess Profits Tax.	\$ 387,440.43
Less: Provision for estimated Income Tax and Excess Profits Tax	170,000.00
	<u>\$ 217,440.43</u>
Add: Profit on sales of properties, etc. (net)	25,523.82
Net Profit for the year ended 31st July, 1944.....	<u>\$ 242,964.25</u>

STATEMENT REQUIRED UNDER SECTION 114 OF THE COMPANIES ACT 1934

The profit of the wholly owned subsidiary Company to 30th June, 1944 has not been brought into the accounts of Federal Grain, Limited.

GEORGE A. TOUCHE & CO.,
Chartered Accountants,
Auditors.

DIRECTORS

H. E. SELLERS, *President and Managing Director.*

H. C. MACGREGOR, *Vice-President*

V. W. TRYON, *Vice-President*

T. H. RATHJEN, C.A., *Treasurer.*

H. J. SYMINGTON, K.C.

A. H. WILLIAMSON

J. R. MURRAY

H. W. WEBSTER

H. E. SWIFT, K.C.

Secretary: R. C. GAGE

Registrar.....THE ROYAL TRUST COMPANY, Toronto, Montreal and Winnipeg.

Transfer Agents.....{ THE MONTREAL TRUST COMPANY, Toronto and Montreal;
THE NORTHERN TRUSTS Co., Winnipeg.

Auditors.....GEORGE A. TOUCHE & Co.

Solicitors.....SWIFT, MACLEOD & DEACON.