

FEDERAL GRAIN, LIMITED

Fourteenth Annual Report of the Directors

YEAR ENDED 31st JULY, 1943

TO THE SHAREHOLDERS:

Your Directors present herewith Financial Statements for the year ended 31st July, 1943, including the Balance Sheet, certified by your Auditors, Messrs. George A. Touche & Co.

Statement of Income and Expenditure shows an operating profit of \$391,856.20 after providing for bond interest, depreciation and other charges. This is \$22,735.14 less than the operating profit for the year ended 31st July, 1942. From the net operating profit there has been deducted \$170,000.00 as provision for Income and Excess Profits Tax. The balance, together with the capital gain arising from the sale of properties, has been transferred to Surplus Account.

Our letter to shareholders a year ago made reference to the reduction in grain handling charges provided in the new contract with The Canadian Wheat Board, and the reduced storage rates which are controlled by the Board of Grain Commissioners. These reductions and the payments of higher prices for grain, required to maintain your Company's business in the face of patronage dividend payments by some elevator companies resulted in lower earnings.

Bank loans of \$10,144,214.58 show a large increase owing to the heavy stocks of grain carried in the Company's elevators and annexes.

First Mortgage Bonds of the par value of \$175,000.00 were redeemed during the year in accordance with Sinking Fund provisions, bringing the total redemption of bonds to \$1,807,000.00.

Working Capital was increased during the year by \$554,135.83 and now amounts to \$2,225,014.49. Depreciation at the maximum rates allowed on the Company's properties has been provided.

During the year some of the Company's properties at points where there was a duplication of facilities with The Alberta Pacific Grain Company Limited were disposed of, and the money received has contributed to the improvement in working capital.

Early this year your Company organized Algoma Grain Securities Ltd., as a wholly owned subsidiary. This subsidiary company now controls The Alberta Pacific Grain Company Limited through the purchase of approximately 98% of preferred and 80% of the common shares. Special bank loans were arranged to finance this purchase. Your Company's terminal elevators have always been dependent upon shipments from The Alberta Pacific Grain Company Limited for a substantial proportion of their business, and any change in policy of that Company would have seriously reduced your Company's earnings.

Over a considerable area in Western Canada severe drought conditions were experienced this Summer and this, together with the reduction in acreage sown, has resulted in a wheat crop of about one-half of last year's record crop. There are still very large stocks of grain carried on Western farms, and this will to some extent offset the smaller crop.

Two Preferred Dividends of \$2.00 per share each, totalling \$120,000.00, were paid to shareholders during the fiscal year. A further payment of \$2.00 per share was made on September 2, 1943, and future payments will be made as conditions warrant.

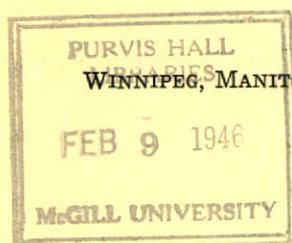
Your Directors desire to express appreciation of the efficient services and devotion to duty of employees. All are investing in War Savings Certificates and Victory Bonds. Many more members of the staff have joined the Canadian Forces, thus throwing a heavier burden on those remaining.

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 at Banks, less outstanding Cheques..... | \$ 177,695.47 |
| CASH in transit and with Paying Agents, etc..... | 221,251.74 |
| Dominion of Canada War Loan Bonds—Par Value \$200,000.00 at cost.... | 200,000.00 |
| Bonds of the Company in excess of 1st December, 1943, Sinking Fund requirement—Par Value \$43,500.00 at cost..... | 47,415.00 |

ACCOUNTS RECEIVABLE:

| | |
|--|---------------|
| Balances owing on properties sold (since collected)..... | \$ 251,570.66 |
| General Accounts | 114,903.24 |
| Agents' Cottage Loans | 6,453.15 |
| Employees' Accounts | 1,624.39 |

374,551.44

ADVANCES SECURED BY GRAIN.....

8,608.44

STOCKS ON HAND, AS CERTIFIED BY RESPONSIBLE OFFICIALS:

| | |
|---|----------------|
| Wheat purchased for account of The Canadian Wheat Board: valued on the basis of Board prices less freight, etc..... | \$4,902,017.58 |
| Grain, less stored grain: valued on the basis of market quotations of 31st July, 1943, less freight, etc..... | 8,775,620.01 |
| Coal, Sacks, Feed Grain and Seed: valued at the lower of cost or market | 233,483.40 |

13,911,120.99

ACCRUED EARNINGS

158,381.90

PREPAID EXPENSES

22,344.43

\$15,121,369.41

MORTGAGE RECEIVABLE, arising out of sale of terminal elevator.....

252,977.26

INVESTMENTS in Marketable Securities (Market Value \$26,141.25).....

26,627.80

BONDS OF THE COMPANY purchased for Sinking Fund—

Par Value \$184,000.00, at cost

199,405.00

MEMBERSHIPS AND SHARES in Grain Trade Organizations, at cost.....

133,739.78

INVESTMENT IN WHOLLY OWNED SUBSIDIARY COMPANY, at cost plus interest

on Special Loans to date of commencement of operations.....

3,810,159.80

PROPERTIES:

Terminal and Country Elevators, Temporary Bins, Coal Sheds, Dwellings, Flour Sheds, Automobiles, Furniture and Miscellaneous Equipment, at cost

\$8,317,075.85

Less Reserve for Depreciation

3,625,815.54

4,691,260.31

\$24,235,539.36

AUDITORS

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 the Balance Sheet is properly drawn up so as to exhibit a true and correct statement of the assets and liabilities of the Company, and the explanations given to us, and as shown by the books of the Company.

Winnipeg, 26th October, 1943.

AIN, LIMITED

STATEMENT I

AT 31st July, 1943

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

| | |
|---|-----------------|
| Bank Loans (secured)..... | \$10,144,214.58 |
| Sundry Creditors | 2,621,178.32 |
| Accrued Taxes, including provision for estimated Income Tax and Excess Profits Tax on profit for the year ended 31st July, 1943. | 130,962.02 |

\$12,896,354.92

3,599,000.00

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.....

1,807,000.00

2,443,000.00

123,322.26

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, 1942 — unchanged.....

\$ 295,065.77

EARNED SURPLUS:

Balance at 31st July, 1942

\$411,887.25

Deduct Preference Dividends paid.....

120,000.00

\$291,887.25

Add Profit for the year ended 31st July 1943—

Per Statement II

\$336,909.16

628,796.41

923,862.18

Cumulative Preference Dividends are in arrear fractionally for the year
1932, and for all subsequent periods.

Approved on behalf of the Board,

T. H. RATHJEN, *Director*.

H. E. SELLERS, *Director*.

\$24,235,539.36

REPORT

rs relating thereto, and we report that we have obtained all the information and explanations we have required.
e and correct view of the state of the Company's affairs at 31st July, 1943, according to the best of our infor-

GEORGE A. TOUCHE & CO.,

Chartered Accountants,

Auditors.

Federal Grain, Limited

STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended 31st July, 1943

| | |
|---|---------------------|
| Income from the Company's operations after meeting all expenses including balance of cost of Distress Storage Bins, Ft. William \$177,296.73 and Executive Salaries and Legal Fees \$55,975.65, but before taking into account the items shown below..... | \$890,184.12 |
| Income from Investments..... | 20,086.72 |
| | <u>\$910,270.84</u> |
| Less: Depreciation | \$343,948.02 |
| Bond Interest | 142,003.06 |
| Bond Interest Premiums | 14,804.60 |
| Interest for July, 1943, on Special Loans..... | 15,258.96 |
| Directors' Fees | 2,400.00 |
| | <u>518,414.64</u> |
| Operating Profit, before providing for Income Tax and Excess Profits Tax..... | \$391,856.20 |
| Less: Provision for estimated Income Tax and Excess Profits Tax..... | 170,000.00 |
| | <u>\$221,856.20</u> |
| Add: Profit on sales of properties, etc. (net) | 115,052.96 |
| Net Profit for the year ended 31st July, 1943..... | <u>\$336,909.16</u> |

REPORT OF DIRECTORS REQUIRED UNDER SECTION 114 OF THE COMPANIES ACT 1934

The subsidiary Company only commenced operations on 1st July, 1943, and financial statements showing the results of the operations for the month of July, 1943, were not prepared. No provision has been made in the Balance Sheet of Federal Grain Limited for any profit or loss in this regard.

T. H. RATHJEN, *Director*
H. E. SELLERS, *Director*

DIRECTORS

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

A. THOMSON, *Vice-President.*

T. H. RATHJEN, *Treasurer.*

H. J. SYMINGTON

A. H. WILLIAMSON

W. A. ANDERSON

J. R. MURRAY

F. E. TOPPER

V. W. TRYON

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.