

FEDERAL GRAIN, LIMITED

Eleventh Annual Report of the Directors

YEAR ENDED 31st JULY, 1940

TO THE SHAREHOLDERS:

Your Directors present herewith Financial Statements of the Company for the year ended 31st July, 1940, including the Balance Sheet, certified by your Auditors, Messrs. George A. Touche & Co.

The Statement of Income and Expenditure, after meeting all expenses including depreciation and bond interest, together with premiums thereon, shows an operating profit of \$169,281.16. From this operating profit there has been deducted balance of organization expenses, net loss on wrecking and rebuilding elevators, and provision for Income Taxes and Excess Profits Tax, amounting in all to \$75,139.66, leaving a profit of \$94,141.50, which has been placed to the credit of Earned Surplus Account.

Bond Interest of \$176,940.00 was paid with the additional cost of \$19,048.03 for premium on United States Funds.

The Company continues to follow its policy of spending substantial amounts for elevator renewals and installation of modern equipment in Country and Terminal elevators. Capital expenditures were made amounting to \$164,220.49. Depreciation of \$436,433.56 was provided as compared with \$170,740.24 the previous year.

In accordance with sinking fund provisions, First Mortgage Bonds of the par value of \$155,000.00 were retired, bringing the total amount of bonds now cancelled to \$1,301,000.00. Further purchases of bonds have been made to the par value of \$196,000.00 in anticipation of future sinking fund requirements.

There was a satisfactory increase in the volume of grain handled over the preceding year, and again a bumper crop is in evidence, which together with the large carry-over and restricted shipping will cause considerable difficulty in the handling and storing of this crop. To meet this emergency your Company has arranged to provide temporary additional storage of approximately 5,000,000 bushels.

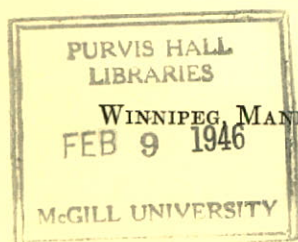
We are operating again under contract with The Canadian Wheat Board on the same terms and conditions as last year with the exception of a one-third reduction in storage rate. The loss of revenue resulting from this reduced rate will be offset to some extent by our increased storage facilities.

Your Directors desire to convey their best wishes to the many Employees including our Secretary, Lt. Col. E. W. Neville, M.C., V.D, who have joined the Canadian Forces for service at home and abroad.

Your Directors also desire to express their appreciation of the loyal and efficient services rendered by all Country Elevator Agents, Employees, Managers and Officers of the Company.

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..... \$111,682.41

ACCOUNTS RECEIVABLE:

General Accounts.....	\$43,918.28	
Agents' Cottage Loans.....	3,168.48	
Employees' Accounts.....	902.44	
		47,989.20

ADVANCES SECURED BY GRAIN..... 132,619.97

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.....	\$1,451,793.52	
Grain, less stored grain: valued on the basis of market quotations of 31st July, 1940, less freight, etc.	2,137,871.27	
Coal, Sacks and Feed Grain: valued at the lower of cost or market....	29,224.94	
		3,618,889.73

ACCRUED EARNINGS..... 170,773.35

PREPAID EXPENSES..... 18,309.35

\$4,100,264.01

MORTGAGE RECEIVABLE, arising out of sale of terminal elevator..... 307,769.35

INVESTMENTS:

In Shares of Grain Trade Organizations, at book values.....	\$35,147.70	
In Marketable Securities (Market Value \$15,913.75).....	25,591.55	
		60,739.25

BONDS OF THE COMPANY purchased in anticipation of Sinking Fund

Par \$196,000.00 — cost.....		194,165.65
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MEMBERSHIPS, at cost..... 86,001.00

PROPERTIES:

Terminal and Country Elevators, Temporary Bins, Coal Sheds, Dwellings, Flour Sheds, Automobiles, Furniture and Miscella- neous Equipment, at cost.....	\$8,512,319.90	
Less Reserve for Depreciation.....	2,616,879.08	
		5,895,440.82

\$10,644,380.08

AUDITORS'

To the Shareholders,
Federal Grain Limited, Winnipeg.

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

We further report that in our opinion the Balance Sheet is properly drawn up so as to exhibit a true and
explanations given to us, and as shown by the books of the Company.

Winnipeg, 14th September, 1940.

AIN, LIMITED

AT 31st JULY, 1940

STATEMENT I

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Bank Loans and Outstanding Cheques, less Current Account balances (secured).....	\$2,315,557.93
Sundry Creditors.....	524,316.44
Accrued Taxes, including provision for Income Taxes and Excess Profits Tax on profit for the year ended 31st July, 1940.....	87,939.58
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	\$2,927,813.95

FIRST MORTGAGE SINKING FUND GOLD BONDS:

Authorized.....	\$6,000,000.00
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Issued, Series A 6%, maturing 1st August, 1949.....	\$4,250,000.00
Less Redeemed through Sinking Fund.....	1,301,000.00
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	2,949,000.00
BOND REDEMPTION RESERVE.....	128,358.86

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
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	4,250,000.00

DISTRIBUTABLE SURPLUS:

Balance at 31st July, 1939 — unchanged.....	\$295,065.77
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EARNED SURPLUS:

Profit for the year ended 31st July, 1940 — per Statement II.....	94,141.50
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	389,207.27

Cumulative Preference Dividends not paid since 1st February, 1931.

Approved on behalf of the Board,
H. E. SELLERS, *Director*.
T. H. RATHJEN, *Director*.

\$10,644,380.08

REPORT

ating thereto, and we report that we have obtained all the information and explanations we have required.
correct view of the state of the Company's affairs at 31st July, 1940, according to the best of our information and the

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

Federal Grain, Limited

STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended 31st July, 1940

Income from the Company's operations after meeting all expenses including Depreciation \$436,433.56 and Executive Salaries and Legal Fees \$48,650.10 but before taking into account the items shown below.....	\$340,869.11
Income from Investments	25,900.08
	<u>\$366,769.19</u>
<i>Less:</i> Bond Interest.....	\$176,940.00
Bond Interest Premiums.....	19,048.03
Directors' Fees.....	1,500.00
	<u>197,488.03</u>
Operating Profit, before providing for Income Taxes and Excess Profits Tax....	\$169,281.16
<i>Less:</i> Balance of organization expenses written off.....	\$10,000.00
Loss on wrecking and rebuilding elevators, etc. (net).....	19,139.66
Provision for Income Taxes and Excess Profits Tax.....	46,000.00
	<u>75,139.66</u>
Net Profit for the year ended 31st July, 1940.....	<u><u>\$94,141.50</u></u>

DIRECTORS

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

A. THOMSON, *Vice-President.*

H. J. SYMINGTON

A. H. WILLIAMSON

W. A. ANDERSON

T. H. RATHJEN

F. E. TOPPER

V. W. TRYON

J. R. MURRAY

Secretary: E. W. NEVILLE

Treasurer: T. H. RATHJEN

Asst. 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:.....HUDSON, ORMOND, SPICE, SWIFT & McLEOD.