

FEDERAL GRAIN, LIMITED

Tenth Annual Report of the Directors

YEAR ENDED 31st JULY, 1939

TO THE SHAREHOLDERS:

Your Directors present herewith Financial Statements of the Company for the year ended 31st July, 1939, including the Balance Sheet, certified by your Auditors, Messrs. George A. Touche & Co.

Statement of income and expenditure records an operating profit of \$184,712.75 including income from investments, and after providing \$170,740.24 for depreciation of properties and executive salaries and legal fees of \$48,387.59. After meeting bond interest and premiums thereon of \$187,840.60, loss on wrecking and re-building elevators, \$15,448.24, and other charges amounting to \$6,500.00, the Statement shows a loss for the year of \$25,076.09. This compares with a loss of \$71,295.38 last year when no provision was made for depreciation. The net loss has been deducted from distributable surplus reducing the credit balance of this account to \$295,065.77.

The Company's plants have been maintained in a good state of repair. Property acquisitions and improvements have brought about an increase in capital investment of \$135,091.66. Value of the Company's properties now stands at \$8,348,099.41, with depreciation reserves totalling \$2,204,656.54.

In accordance with sinking fund provisions First Mortgage Bonds of the par value of \$150,000.00 were retired at a cost of \$144,681.97, bringing total amount of bonds now retired to \$1,146,000.00.

As a result of the more satisfactory harvest of 1938, an increased volume of grain was handled through the Company's plants, and indications are that the crop now being harvested will be one of the largest in the history of Western Canada.

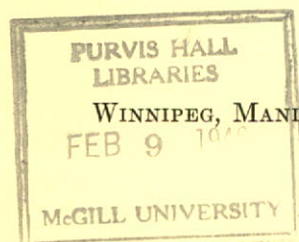
In common with other Elevator Companies our Company has renewed its agreement with the Canadian Wheat Board for the handling of wheat delivered to the Board by producers. Satisfactory arrangements have been made for the handling of wheat marketed under the Wheat Co-operative Marketing Act (1939). This will enable the Company's customers to obtain full benefit from Government wheat price guarantees.

Upon the outbreak of war a number of our employees enlisted. More will undoubtedly display their loyalty to the Empire, and your Directors are considering means of assisting employees who join the Colors. All possible assistance will be rendered the Government and the farmers in meeting the marketing situation brought about by the war.

Your Directors 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 GR

BALANCE SHEET

ASSETS

CURRENT ASSETS:

CASH at Banks, less Outstanding Cheques.....	\$767,818.19
CASH in transit and with Paying Agents, etc.....	87,056.81

ACCOUNTS RECEIVABLE:

Department of Agriculture, Regina.....	\$ 8,473.02	
General Accounts.....	39,984.55	
Agents' Cottage Loans.....	3,385.37	
Employees' Accounts.....	987.08	
		52,830.02
ADVANCES SECURED BY GRAIN.....		9,056.30

STOCKS ON HAND, AS CERTIFIED BY RESPONSIBLE OFFICIALS:

Wheat purchased for account of The Canadian Wheat Board, at Board prices less freight.....	\$436,580.54	
Grain, less stored grain: valued on the basis of market quotations of 31st July, 1939.....	124,017.75	
Coal and Feed Grain, at the lower of cost or market value.....	11,487.28	
		572,085.57
ACCRUED EARNINGS.....		35,326.50
PREPAID EXPENSES.....		16,070.63

\$1,540,244.02

MORTGAGE RECEIVABLE, arising out of sale of terminal elevator.....	324,279.92
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INVESTMENTS:

In Shares of Grain Trade Organizations at book values.....	\$35,024.20	
In Marketable Securities (Market Value \$15,706.25).....	25,591.55	
		60,615.75

BONDS OF THE COMPANY purchased in anticipation of Sinking Fund Par \$11,500.00 — cost.....	10,798.75
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MEMBERSHIPS, at cost.....	86,001.00
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PROPERTIES:

Terminal and Country Elevators, Coal Sheds, Dwellings, Flour Sheds, Automobiles, Furniture and Miscellaneous Equipment, at cost....	\$8,348,099.41	
Less Reserve for Depreciation.....	2,204,656.54	
		6,143,442.87

DEFERRED CHARGES:

Organization Expenses, less proportion written off.....	10,000.00
	<u>\$8,175,382.31</u>

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 the explanations given to us, and as shown by the books of the Company.

Winnipeg, 7th September, 1939.

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STATEMENT I

AT 31st July, 1939

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Sundry Creditors.....	\$356,930.04
Accrued Taxes.....	42,555.39
	<u>\$399,485.43</u>

FIRST MORTGAGE SINKING FUND GOLD BONDS:

Authorized.....	<u>\$6,000,000.00</u>	
Issued, Series A 6%, maturing 1st August, 1949.....	\$4,250,000.00	
Less Redeemed through Sinking Fund.....	<u>1,146,000.00</u>	3,104,000.00
BOND REDEMPTION RESERVE.....		126,831.11

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.....	<u>1,250,000.00</u>	4,250,000.00

DISTRIBUTABLE SURPLUS:

Balance at 31st July, 1938.....	\$320,141.86	
Deduct Loss for the year ended 31st July, 1939, per Statement II	<u>25,076.09</u>	295,065.77

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

Approved on behalf of the Board,

H. E. SELLERS, *Director*

T. H. RATHJEN, *Director*

\$8,175,382.31

REPORT

relating 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, 1939, according to the best of our information and

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

Federal Grain, Limited

STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended, 31st July, 1939

Income from the Company's operations after meeting all expenses including Depreciation \$170,740.24 and Executive Salaries and Legal Fees \$48,387.59, but before taking into account the items shown below.....	\$136,766.44
Income from Investments.....	47,946.31
	<u>\$184,712.75</u>
Less: Bond Interest.....	\$186,240.00
Bond Interest Premiums.....	1,600.60
Directors' Fees.....	1,500.00
	<u>189,340.60</u>
Operating Loss.....	\$ 4,627.85
Add: Proportion of organization expenses written off.....	\$ 5,000.00
Loss on wrecking and rebuilding elevators, etc. (net).....	15,448.24
	<u>20,448.24</u>
Loss for the year.....	<u><u>\$ 25,076.09</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. Treasurer: 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.