

FEDERAL GRAIN, LIMITED

Sixth Annual Report of the Directors

YEAR ENDED 31st JULY, 1935

TO THE SHAREHOLDERS:

Your Directors submit herewith the Sixth Annual Report of the Company for the year ended 31st July, 1935, together with the Financial Statement certified by your Auditors, Messrs. George A. Touche and Company.

After deducting all expenses of operations, bond interest and exchange, making provision for depreciation, income taxes and other charges set forth in detail in the Company's Statement of Income and Expenditure submitted herewith, net income for the year is \$14,194.53. This balance has been transferred to Surplus Account, increasing the balance at credit of this account to \$485,505.79.

Bond interest and exchange for the year amounted to \$219,240.00. Bonds of a par value of \$138,500.00 were redeemed in accordance with Sinking Fund provisions, at a cost to the Company of \$110,132.50. Depreciation of \$439,043.24 has been provided. Properties and equipment have been maintained in good repair.

The volume of grain available for handling through your elevators was disappointing and smaller than the previous year. Many elevators remained closed in locations where grasshoppers and drought caused crop failures.

Severe rust and frost damage to the crop now being harvested occurred during the growing season and production will again be disappointing, both as to yield and grade.

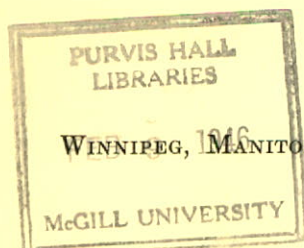
Large reductions were made in country elevator inventories which resulted in bank loans being reduced to \$2,367,569.63 compared with \$5,576,085.12 for the previous year. A further improvement has taken place in the working capital of the Company due in the main to the conservation of cash arising from depreciation write-offs. Your Directors do not deem it prudent to recommend dividend payments until such time as prospects and earnings improve.

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

On behalf of the Board of Directors,

H. E. SELLERS,

President.



WINNIPEG, MANITOBA, 5th September, 1935.

FEDERAL GR

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash in transit and with Paying Agents, etc..... \$40,891.63

ACCOUNTS RECEIVABLE:

Department of Agriculture, Regina.....	\$257,301.23	
General Accounts.....	18,791.76	
Terminal Accounts.....	10,461.91	
Agents' Cottage Loans.....	4,496.61	
Employees' Accounts.....	1,523.70	
		292,575.21
		75,175.39

ADVANCES SECURED BY GRAIN.....

STOCKS ON HAND, AS CERTIFIED BY RESPONSIBLE OFFICIALS:

Grain, less Stored Grain; based on market values, less necessary adjustments for freight, etc.....	\$3,586,049.23	
Coal at the lower of cost or market value.....	7,816.84	
Feed Grain, at market values.....	7,965.98	
		3,601,832.05

ACCRUED EARNINGS.....

PREPAID EXPENSES.....

109,084.64
33,005.78

\$4,152,564.70

INVESTMENTS:

Sundry Stocks at book values..... 55,561.95

Bonds of the Company purchased in anticipation of Sinking Fund
Par \$132,000.00—cost.....

120,195.00

MEMBERSHIPS, AT COST.....

86,001.00

PROPERTIES:

Terminal and Country Elevators, Coal Sheds, Dwellings, Flour Sheds, Automobiles, Furniture and Miscellaneous Equipment, at cost.....	\$8,701,416.81	
Less Reserve for Depreciation.....	1,710,949.15	
		6,990,467.66

DEFERRED CHARGES:

Organization Expenses, less proportion written off..... 27,500.00

Approved on behalf of the Board.

H. E. SELLERS, *Director.*

T. H. RATHJEN, *Director.*

\$11,432,290.31

AUDITORS

To the Shareholders:
Federal Grain, Limited,
Winnipeg, Manitoba.

We have examined the foregoing Balance Sheet of Federal Grain, Limited, at 31st July, 1935, with the books and vouchers required.

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

Winnipeg, 5th September, 1935.

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AT 31st JULY, 1935

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Bank Loans and Outstanding Cheques, less Current Account balances (secured).....	\$2,367,569.63
Sundry Creditors (of which amount \$117,606.43 is secured).....	534,889.42
Accrued Taxes, including estimated income taxes on profit for the year ended 31st July, 1935.....	32,963.94

\$2,935,422.99

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.....	596,000.00	
	<u>3,654,000.00</u>	

GENERAL MORTGAGE 6% DEBENTURES:

Authorized.....	\$1,000,000.00	
Issued to Banks as collateral, repayable on demand.....	\$1,000,000.00	

BOND REDEMPTION RESERVE.....	107,361.53
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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	
	<u>4,250,000.00</u>	

DISTRIBUTABLE SURPLUS.....	\$457,500.00
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EARNED SURPLUS—

Balance at 31st July, 1934	\$13,811.26	
Add Net Profit for the year ended 31st July, 1935, after providing for Income Taxes.....	14,194.53	
	<u>28,005.79</u>	

485,505.79

* Cumulative Preference Dividends not paid since 1st February 1931

\$11,432,290.31

REPORT

and vouchers relating thereto, and we report that we have obtained all the information and explanations we have at view of the state of the Company's affairs according to the best of our information and the explanations given

GEORGE A. TOUCHE & CO.,

Chartered Accountants,
Auditors.

Federal Grain, Limited

STATEMENT OF INCOME AND EXPENDITURE For the Year Ended 31st July, 1935

Income from the Company's operations (after providing for Depreciation on Properties and Equipment).....		\$239,989.77
Income from Investments.....		10,184.79
		<u>\$250,174.56</u>
Less: Bond Interest.....	\$219,240.00	
Directors' Fees.....	1,500.00	
		<u>220,740.00</u>
Net Operating Profit.....		\$29,434.56
Less: Provision for Income Taxes on 1934-5 profits.....	\$10,000.00	
Proportion of organization expenses written off.....	7,500.00	
		<u>\$17,500.00</u>
Deduct Fire Loss adjustments, etc. (net).....	2,259.97	
		<u>15,240.03</u>
NET PROFIT FOR THE YEAR—transferred to Earned Surplus.....		<u>\$14,194.53</u>
Note: The provision made for Depreciation of Properties and Equipment amounted to \$439,043.24.		

STATEMENT OF SURPLUS For the Year Ended 31st July, 1935

	Total Surplus	Distributable Surplus	Earned Surplus
Surplus at 31st July, 1934, per Balance Sheet.....	\$471,311.26		
Composed of:			
Distributable Surplus, being part of consideration for issue of Common Stock apportioned as Surplus, less Preference dividends paid		\$457,500.00	
Earned Surplus.....			\$13,811.26
Net Profit for the year ended 31st July, 1935, after providing for Income Taxes.....	\$ 14,194.53		\$14,194.53
Surplus at 31st July, 1935, per Balance Sheet.....	<u>\$485,505.79</u>	<u>\$457,500.00</u>	<u>\$28,005.79</u>

DIRECTORS

H. E. SELLERS, *President and Managing Director.*
A. THOMSON, *Vice-President.*

H. J. SYMINGTON A. H. WILLIAMSON J. R. MURRAY W. A. ANDERSON
T. H. RATHJEN F. E. TOPPER V. W. TRYON

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 TRUST Co., Winnipeg.
Auditors - - - - GEORGE A. TOUCHE & COMPANY.
Solicitors - - - - HUDSON, ORMOND, SWIFT & McLEOD.