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Federal Grain Limited

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ANNUAL REPORT

YEAR ENDED 31st JULY 1948

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Federal Grain Limited

Winnipeg, Canada

BOARD OF DIRECTORS

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

H. C. MACGREGOR, *Vice-President and General Manager*

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

A. W. SELLERS, *Vice-President*

H. J. SYMINGTON, K.C.

V. W. TRYON

A. H. WILLIAMSON

H. W. WEBSTER

H. E. SWIFT, K.C.

Secretary: A. R. STRACHAN

Registrar

THE ROYAL TRUST COMPANY, Toronto, Montreal and Winnipeg

Transfer Agents

THE MONTREAL TRUST COMPANY, Toronto and Montreal

THE NORTHERN TRUSTS COMPANY, Winnipeg

Auditors

GEORGE A. TOUCHE & Co.

Solicitors

SWIFT, MACLEOD & DEACON

Annual Report of the Directors

TO THE SHAREHOLDERS:

We take pleasure in presenting herewith the Annual Report of your Company and its Subsidiaries for the year ended July 31, 1948.

The appended Consolidated Balance Sheet, Surplus Account, and Profit and Loss, have been prepared on a comparative basis, which shows the position of your Company and its Subsidiaries as at July 31, 1948 and July 31, 1947. We believe that this new manner of setting up the Balance Sheet will meet with the approval of the Shareholders.

The net combined profit from operations, after provision for taxes, is shown at \$343,199.29, and this amount, together with gains realized from the sale of various assets, amounting to \$205,747.30, has been transferred to Surplus Accounts.

Dominion, Provincial, and Municipal taxes paid, or provided for, total \$573,418.64.

Combined working capital of \$5,245,559.89 has not materially changed from last year. Expenditures of a capital nature amounted to \$791,914.31. Serial Bonds were redeemed during the year to the amount of \$300,000.00.

With the changes which have taken place during the past decade in regard to harvesting operations, it has become necessary to make extensive alterations to country elevators. You can appreciate from the following information why these alterations are necessary.

From 1936 to 1948 there was a net increase in the number of threshing machines and combines in use in the three Prairie Provinces of 38,000 machines. During the same period there was a tremendous increase in the number of trucks. This has resulted in grain moving direct from harvest operations to country elevators in an ever-increasing volume. The delivery of 126,000,000 bushels of grains from farms to country delivery points during the first three weeks of September is an indication of the volume of grain it is possible to move in a short period.

As it is impossible for the railways to move this huge volume of grain from country elevators as quickly as delivered, and in order that we have sufficient space at heavy delivery points, a policy of building a number of permanent annexes each year has been adopted. Of the total capital expenditures made during this fiscal period, approximately 65% was spent on country elevator properties by your Company and its Subsidiary.

During the year under review, 686 of the 783 country elevators owned by your Company and its Subsidiary were operated, as were the two Company Terminals located at the Head of the Lakes, and one Terminal at Vancouver.

From Operating Income, the sum of \$246,183.66 was provided to be distributed among the customers of the Company and its Subsidiary as a Patronage Dividend. This is conforming to the policy of the Company and its Subsidiary of paying Patronage Dividends when and if earnings permit.

Fortunately for our country, the near disaster which in early July threatened the crops in our Prairie Provinces was averted. Following a late seeding, and a serious lack of moisture in June, rains fell over most of the Prairies during the month of July, and as a result of exceptional falling weather, the crop this year is at least average. The Dominion Bureau of Statistics, on September 14, 1948, estimated that the total crops for the Prairie Provinces were as follows: Wheat, 358,000,000 bushels; Oats, 225,000,000 bushels; Barley, 144,000,000 bushels; Rye, 23,600,000 bushels; Flax, 17,000,000 bushels. It is anticipated that our elevators will handle a satisfactory volume of grain

Certain increases were granted in storage rates and handling charges, and it is hoped that these increases will help to offset the greatly increased operating costs.

Representations made to the Board of Grain Commissioners by all Companies, in connection with the application for Tariff rates, showed that the over-all increase in operating costs since 1939 amounted to 69.74%.

Dividends amounting to \$11.50 per share, on the Preferred Shares, were declared during the fiscal period under review. You have also been advised that an additional \$5.00 per share on arrears, and the Quarterly Dividend of \$1.63 per share due November 1st, will be paid on that date, on the Preferred Shares. It is the hope of your Directors that this Company can declare and pay future dividends on a quarterly basis. Your Directors intend to give consideration to the making of another special payment on arrears in the early part of 1949. As stated in the report to the Shareholders last year, it is the belief of your Directors that for the present at least, this method of making special payments on the arrears is in the Shareholders' interests.

On November 5, 1947, on the requisition of certain Shareholders, a special general meeting of the Shareholders was held to consider, and if deemed fit, to authorize the Company to bring an action or other proceedings to set aside certain transfers of 20,229 Class "B" shares of the Company, and to cancel the said shares, and for other relief specified in the notice calling the meeting. The special general meeting of the Shareholders, by a vote of 48,476 to 14,758, rejected a motion that the Company do bring and prosecute such action or proceedings. Subsequent to the meeting, one of the Class "B" Shareholders who had requisitioned the special general meeting, commenced an action against Federal Grain, Limited and its Directors and others, inter alia to set aside the said transfers and cancel the said Class "B" shares. This action is now pending in the courts.

Your Directors take this opportunity of expressing their appreciation to all members of the Company's organization, for it is as a result of their combined efforts that the Company has been able to complete another year of satisfactory progress.

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

On behalf of the Board of Directors,

H. E. SELLERS,

President.

WINNIPEG, MANITOBA,
October 6, 1948.

FEDERAL GRAIN BOARD

AND ITS WHOLLY OWNED SUBSIDIARIES

Consolidated Balance Sheet

ASSETS	31st July 1948	31st July 1947
CURRENT ASSETS		
Cash at Banks, less outstanding cheques.....	\$ 2,576,482.04	\$ 974,277.32
Cash in transit and with Paying Agents, etc.....	321,731.94	402,506.02
Dominion of Canada War Loan Bonds—Par Value \$100,000.00, at cost..		100,000.00
Accounts Receivable		
General Accounts.....	292,556.42	471,759.33
Agents' Cottage Loans.....	18,453.14	22,356.30
Employees' Accounts.....	9,790.19	6,637.68
Advances secured by grain.....	8,465.44	11,900.04
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.....	3,865,711.72	4,555,616.50
Grain, less stored grain: valued on the basis of market quotations of 31st July.....	628,896.85	1,126,023.03
The Canadian Wheat Board Agency Wheat Stocks: valued on the basis of Board prices plus shipping charges.....	18,220.23	130,181.34
Coal, Sacks, Feed Grain, Seed and Supplies: valued at the lower of cost or market.....	610,163.78	508,292.46
Accrued Earnings.....	71,618.53	57,103.14
Prepaid Expenses.....	95,490.61	80,644.92
	<u>\$ 8,517,580.89</u>	<u>\$ 8,447,298.08</u>
INVESTMENTS		
Memberships and Shares in Grain Trade Organizations.....	\$ 222,840.55	\$ 199,642.17
Federal Grain, Limited 18-Year 4% First Mortgage Bonds due 1964, at cost (Par Value \$248,500.00 at 31st July 1948 and \$193,500.00 at 31st July 1947).....	253,653.75	199,163.75
Mortgage Receivable.....		10,000.00
	<u>\$ 476,494.30</u>	<u>\$ 408,805.92</u>
DEFERRED ACCOUNT RECEIVABLE —being estimated refundable portion of Excess Profits Tax.....	<u>\$ 17,478.70</u>	<u>\$ 2,857.00</u>
PROPERTIES		
Terminal and Country Elevators, Temporary Bins, Coal Sheds, Dwell- ings, Flour Sheds, Automobiles, Furniture and Miscellaneous Build- ings and Equipment, less Reserve for Depreciation of \$11,032,801.14 at 31st July 1948 and \$10,712,953.73 at 31st July 1947.....	<u>\$ 5,811,988.63</u>	<u>\$ 5,741,726.93</u>
DEFERRED CHARGES		
Employees' Retirement Annuity Plans—Payments re past services, less amounts written off.....	<u>\$ 119,329.40</u>	<u>\$ 142,498.00</u>
Approved on behalf of the Board, H. E. SELLERS, <i>Director</i> . T. H. RATHJEN, <i>Director</i> .		
	<u><u>\$14,942,871.92</u></u>	<u><u>\$14,743,185.93</u></u>

This is the Balance Sheet referred to
GEORGE A. T.
Chartered Accountant
Auditor

IN, LIMITED

OWNED SUBSIDIARIES

Sheet at 31st July 1948

STATEMENT 1

LIABILITIES AND CAPITAL		31st July 1948	31st July 1947
CURRENT LIABILITIES			
Outstanding Cash Tickets and Orders.....		\$ 1,811,131.17	\$ 2,261,787.10
Patronage Dividend accrued season 1947-48.....		246,183.66	
Sundry Creditors.....		843,083.04	638,829.87
Accrued Taxes, including provision for estimated Income Tax and Excess Profits Tax.....		296,623.13	160,959.09
Dividend Payable.....		75,000.00	75,000.00
		<u>\$ 3,272,021.00</u>	<u>\$ 3,136,576.06</u>
FIRST MORTGAGE AND COLLATERAL TRUST BONDS			
Authorized.....	\$10,000,000.00		
Issued			
18-Year 4% Bonds due 1964.....		\$ 3,000,000.00	\$ 3,000,000.00
Serial 4% Bonds (less redeemed).....		2,400,000.00	2,700,000.00
\$300,000.00 maturing on 1st February in each of the years 1949 to 1956 inclusive.			
		<u>\$ 5,400,000.00</u>	<u>\$ 5,700,000.00</u>
EMPLOYEES' RETIREMENT RESERVE.....		\$ 205,000.00	\$ 168,000.00
CAPITAL			
Authorized			
40,000 6½% Cumulative Preference Shares of \$100.00 each, redeem- able 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	\$ 3,000,000.00
200,000 Common Shares			
Amount apportioned as Capital.....		1,250,000.00	1,250,000.00
		<u>\$ 4,250,000.00</u>	<u>\$ 4,250,000.00</u>
DISTRIBUTABLE SURPLUS			
Balance at 31st July 1947 and 31st July 1946.....		\$ 295,065.77	\$ 295,065.77
EARNED SURPLUS—Statement II.....		\$ 1,503,306.45	\$ 1,190,687.10
DEFERRED CREDIT TO SURPLUS—being estimated refundable portion of Excess Profits Tax—per contra.....		\$ 17,478.70	\$ 2,857.00
CUMULATIVE PREFERENCE DIVIDENDS IN ARREAR, \$1,800,000.00			
The Company and its subsidiaries, The Alberta Pacific Grain Co. (1943) Ltd. and The Bawlf Terminal Elevator Co. Limited, are defendants in an action now pending, to cancel 20,229 Class "B" shares of the Com- pany, and to set aside certain transfers of such shares.			
		<u>\$14,942,871.92</u>	<u>\$14,743,185.93</u>

in our report dated 6th October 1948.

UCHE & Co.,

countants,

ors.

STATEMENT II

FEDERAL GRAIN, LIMITED

and its Wholly Owned Subsidiaries

CONSOLIDATED STATEMENT OF EARNED SURPLUS

For the Year Ended 31st July 1948

	Year Ended 31st July	
	1948	1947
Balance at 31st July 1947 and 31st July 1946.....	\$1,190,687.10	\$ 780,934.76
<i>Deduct</i> Preference Dividends (including dividend paid 15th August 1948 and 15th August 1947).....	\$ 345,000.00	\$ 472,500.00
Adjustment re prior years Income and Excess Profits Taxes.....	48,594.97	
	\$ 393,594.97	\$ 472,500.00
<i>Add</i> Refund of Premiums on U.S. Bond Interest.....	\$ 797,092.13	\$ 308,434.76
Refundable portion received re 1942 Excess Profits Tax.....	13,500.00	25,000.00
Inter Company adjustments on consolidation.....	846.76	
Net profit for the year—Statement III.....	142,920.97	84,790.02
	548,946.59	772,462.32
Balance at 31st July 1948 and 31st July 1947.....	\$1,503,306.45	\$1,190,687.10

STATEMENT III

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended 31st July 1948

	Year Ended 31st July	
	1948	1947
Income from the Company's operations after meeting all expenses including Executive Salaries and Legal Fees \$114,848.39 but before taking into account the items shown below.....	\$1,393,447.61	\$1,151,507.91
<i>Less</i> Depreciation.....	\$ 643,815.33	\$ 724,683.06
Bond Interest.....	214,359.04	233,613.69
Directors' Fees.....	3,000.00	2,600.00
	\$ 861,174.37	\$ 960,896.75
Operating Profit.....	\$ 532,273.24	\$ 190,611.16
Income from Investments.....	47,926.05	279,815.91
Profit, before providing for Income Tax and Excess Profits Tax.....	\$ 580,199.29	\$ 470,427.07
<i>Less</i> Provision for estimated Income Tax and Excess Profits Tax.....	237,000.00	96,000.00
	\$ 343,199.29	\$ 374,427.07
<i>Add</i> Excess realized on disposal of fixed assets, etc.....	205,747.30	398,035.25
Net Profit transferred to Earned Surplus—Statement II.....	\$ 548,946.59	\$ 772,462.32

GEORGE A. TOUCHE & Co.
CHARTERED ACCOUNTANTS

ENGLAND, LONDON AND BIRMINGHAM.
CANADA, MONTREAL, TORONTO, WINNIPEG, REGINA,
CALGARY, EDMONTON, VANCOUVER, VICTORIA.
U.S.A., NEW YORK, CHICAGO, CLEVELAND, DETROIT,
ST. LOUIS, MINNEAPOLIS, LOS ANGELES.

CABLE ADDRESS: ALL OFFICES "RETEXO"
CODES, BENTLEY'S, A.B.C., WESTERN UNION

356 MAIN STREET,
WINNIPEG.

AUDITORS' REPORT

To the Shareholders,
Federal Grain, Limited,
Winnipeg.

We have examined the books and accounts of Federal Grain, Limited for the year ended 31st July 1948, and report that we obtained all the information and explanations we required.

In connection with The Alberta Pacific Grain Co. (1943) Ltd., a wholly owned subsidiary of Federal Grain, Limited, we inspected the Consolidated Balance Sheet thereof prepared as of 30th June 1948 together with the related Consolidated Statements of Income and Expenditure and Earned Surplus and the reports thereon of the Auditors, Messrs. Glendinning, Jarrett, Gray & Roberts. These accounts are included in the attached Consolidated Balance Sheet, consideration having been given to any necessary adjustments due to the differing dates of the Companies' year ends.

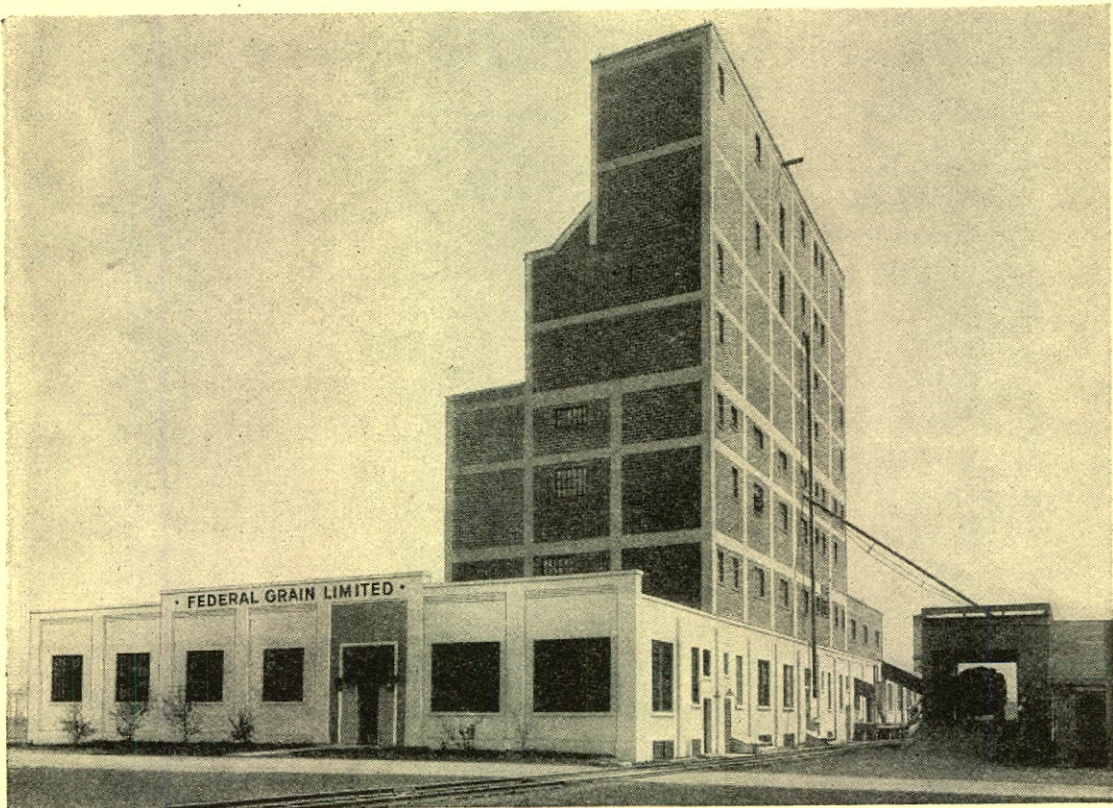
The returns for income and excess profits taxes of The Alberta Pacific Grain Co. (1943) Ltd. have been assessed up to and including the year ended 30th June 1943. The returns for the subsequent years have not been passed on by the taxation authorities and the liability included in the Consolidated Balance Sheet in respect of taxes on income is subject to the results of such review.

In our opinion, based on the explanations above given, the attached Consolidated Balance Sheet and related Consolidated Statements of Income and Expenditure and Earned Surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of Federal Grain, Limited and its wholly owned subsidiaries, according to the best of our information and the explanations given to us, and as shown by the books of Federal Grain, Limited, and the Audited Accounts of The Alberta Pacific Grain Co. (1943) Ltd.

GEORGE A. TOUCHE & CO.,

*Chartered Accountants,
Auditors.*

Winnipeg,
6th October 1948.



FEDERAL GRAIN LIMITED SEED PROCESSING PLANT AT WINNIPEG

