

FEDERAL GRAIN, LIMITED

Eighteenth Annual Report of the Directors

YEAR ENDED 31st JULY, 1947

TO THE SHAREHOLDERS:

The combined Balance Sheet and Income and Expenditure Account of Federal Grain Limited and its subsidiaries is presented herewith, certified by your Auditors, Messrs. George A. Touche & Co.

Combined operating profits of the Company and its subsidiary are shown at \$190,611.16 after providing for bond interest \$233,613.69, depreciation \$724,683.06 and all other charges. This shows a decrease of \$82,938.33 under the combined operating profits of your Company and its subsidiary for the previous fiscal period. From the sale of investments of your Company and its subsidiary combined profits of \$271,500.37 were realized. Sales of properties, etc., resulted in a capital gain aggregating \$398,035.25. After providing \$96,000.00 for Income and Excess Profits Taxes, sums aggregating \$772,462.32 have been transferred to the respective Surplus Accounts of your Company and its subsidiary.

Combined Working Capital now amounts to \$5,310,722.02, which is an increase of \$392,658.98. During the year capital expenditures amounted to \$772,351.45, serial bonds amounting to \$300,000.00 were redeemed, and dividends of \$472,500.00 were paid. These expenditures were offset by the sum of \$1,028,000.00 received by The Bawlf Terminal Elevator Company Limited from the sale of its Terminal Elevator and the 20,229 Class "B" shares of Federal Grain Limited, owned by them, and the amount credited to depreciation reserve.

As you were advised last year, your Company advertised that Patronage Dividends would be paid to its customers if earnings permitted. However, owing to very competitive markets, earnings from country elevators were not sufficient to pay Patronage Dividends. It will be the policy of the Directors of your Company to pay its customers, as far as possible, the highest competitive returns on grain delivered to its country elevators, and your Company has again advertised its intention to pay a Patronage Dividend on the 1947-48 crop, if earnings permit.

Unfortunately, the early promise of at least an average crop in Western Canada was not realized. Heat and drought over a large area did irreparable damage, with the result that the combined total of all grains produced this year will be greatly below last year's production. Certain increases in storage and handling charges will, it is hoped, help to offset the smaller volume of grain which your Company's elevators will handle.

During the past fiscal period dividends amounting to \$15.75 per share were declared on the Preferred shares. The extra dividend of \$9.25 paid in March, 1947, was made possible by the dividend received from the subsidiary, The Alberta Pacific Grain Co. (1943) Ltd. As I advised in my letter of February 14, 1947, this dividend from the subsidiary Company was paid out of the capital gains resulting from the sale of properties and the 20,229 "B" shares owned by The Bawlf Terminal Elevator Company Limited, a subsidiary of The Alberta Pacific Grain Co. (1943) Ltd. Your directors will give consideration to another special payment on arrears during the early part of 1948. For the present at least, it is the belief of your Directors that in so far as the arrears are concerned, it is in the shareholders' interests that your Company continue the policy of making special payments whenever possible.

Your Directors wish to record their appreciation to all those who have by their continued faithful service helped the Company to complete another year of satisfactory progress.

The Directors are pleased to announce the appointment of Mr. H. C. MacGregor as General Manager.

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.

PURVIS HALL
LIBRARIES

FEB 13 1954

WINNIPEG, MANITOBA, 6th October, 1947.

McGILL UNIVERSITY

FEDERAL GRAIN

AND ITS WHOLLY OWNED SUBSIDIARIES

Consolidated Balance Sheet

ASSETS	
CURRENT ASSETS:	
Cash at Banks, less Outstanding Cheques.....	\$ 974,277.32
Cash in transit and with Paying Agents, etc.....	402,506.02
Dominion of Canada War Loan Bonds—Par Value \$100,000.00, at cost	100,000.00
ACCOUNTS RECEIVABLE:	
General Accounts.....	\$ 471,759.33
Agents' Cottage Loans.....	22,356.30
Employees' Accounts.....	6,637.68
	500,753.31
ADVANCES SECURED BY GRAIN	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.....	\$ 4,555,616.50
Grain, less stored grain: valued on the basis of market quotations of 31st July, 1947, less freight, etc.....	1,126,023.03
The Canadian Wheat Board Agency Wheat Stocks: valued on the basis of Board prices plus shipping charges.....	130,181.34
Coal, Sacks, Feed Grain, Seed and Supplies: valued at the lower of cost or market.....	508,292.46
	6,320,113.33
ACCRUED EARNINGS	57,103.14
PREPAID EXPENSES	80,644.92
	\$ 8,447,298.08
INVESTMENTS:	
Memberships and Shares in Grain Trade Organizations, at cost.....	\$ 199,642.17
Federal Grain, Limited, 18-Year 4% First Mortgage Bonds due 1964, at cost.....	199,163.75
Mortgage Receivable.....	10,000.00
	408,805.92
DEFERRED ACCOUNT RECEIVABLE: — being estimated refundable portion of Excess Profits Tax.....	2,857.00
PROPERTIES:	
Terminal and Country Elevators, Temporary Bins, Coal Sheds, Dwellings, Flour Sheds, Automobiles, Furniture and Miscel- laneous Buildings and Equipment.....	\$16,454,680.66
Less Reserve for Depreciation.....	10,712,953.73
	5,741,726.93
DEFERRED CHARGES:	
Employees' Retirement Annuity Plans—Payments re past services, less amounts written off.....	142,498.00

Approved on behalf of the Board,

H. E. SELLERS, *Director*.

T. H. RATHJEN, *Director*.

\$14,743,185.93

To the Shareholders,
Federal Grain, Limited, Winnipeg.

AUDITOR

We have examined the books and accounts of Federal Grain, Limited for the year ended 31st July, 1947. In connection with The Alberta Pacific Grain Co. (1943) Ltd., a wholly owned subsidiary of Federal Grain, Limited. We have also examined the Consolidated Statements of Income and Expenditure and Earned Surplus and the reports thereon of the Auditors, and in our consideration having been given to any necessary adjustments due to the differing dates of the Companies' year ends.

The Company's returns for income and excess profits taxes have been assessed up to and including the 30th June, 1940. The returns for the subsequent years have not been passed on by the taxation authorities and the

In our opinion, based on the explanations above given, the foregoing Consolidated Balance Sheet and statement of the affairs of Federal Grain, Limited and its wholly owned subsidiaries, according to the best of our information, is correct.

Winnipeg, 30th September, 1947.

AIN, LIMITED

OWNED SUBSIDIARIES

Sheet at 31st July 1947

STATEMENT 1

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Outstanding Cash Tickets and Orders.....	\$ 2,261,787.10
Sundry Creditors.....	638,829.87
Accrued Taxes, including provision for estimated Income Tax and Excess Profits Tax on profits to 31st July, 1947.....	160,959.09
Dividend Payable.....	75,000.00
	<u>\$ 3,136,576.06</u>

FIRST MORTGAGE AND COLLATERAL TRUST BONDS:

Authorized.....	\$10,000,000.00
Issued: 18-Year 4% Bonds due 1964.....	<u>\$ 3,000,000.00</u>
Serial 4% Bonds.....	\$3,000,000.00
Less Redeemed 1st February, 1947, 300,000.00	300,000.00
\$300,000.00 maturing on 1st February in each of the years 1948 to 1956 inclusive	2,700,000.00
	<u>5,700,000.00</u>
EMPLOYEES' RETIREMENT RESERVE.....	168,000.00

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:

Balance at 31st July, 1946.....	\$ 295,065.77
---------------------------------	---------------

EARNED SURPLUS:

Balance at 31st July, 1946.....	\$ 780,934.76
Deduct Preference Dividends (including dividend paid 15th August, 1947)	472,500.00
	<u>\$ 308,434.76</u>
Add Refund of Premiums on U.S. Bond Interest.....	25,000.00
Inter Company adjustments on Consolidation.....	84,790.02
Profit for the year ended 31st July, 1947—per Statement II	772,462.32
	<u>1,190,687.10</u>

DEFERRED CREDIT TO SURPLUS: — being estimated refundable portion of Excess Profits Tax—per Contra	1,485,752.87
	<u>2,857.00</u>

CUMULATIVE PREFERENCE DIVIDENDS IN ARREAR	\$ 1,950,000.00
	<u>\$14,743,185.93</u>

S' REPORT

7, and report that we obtained all the information and explanations we required.
 , Limited, we inspected the Consolidated Balance Sheet thereof prepared as of 30th June, 1947, together with the related
 Messrs Glendinning, Jarrett, Gray & Roberts. These accounts are included in the foregoing Consolidated Balance Sheet,
 year ended 31st July, 1939, and those of The Alberta Pacific Grain Co. (1943) Ltd. up to and including the year ended
 liability included in the Consolidated Balance Sheet in respect of taxes on income is subject to the results of such review.
 related Statement of Income and Expenditure are properly drawn up so as to exhibit a true and correct view of the
 ion and the explanations given us, and as shown by the books of Federal Grain, Limited, and the Audited Accounts of

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

Federal Grain, Limited

and its Wholly Owned Subsidiaries

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended 31st July, 1947

Income from the Company's operations after meeting all expenses including Executive Salaries and Legal Fees \$101,142.43 but before taking into account the items shown below	\$1,151,507.91
<i>Less:</i> Depreciation.....	\$724,683.06
Bond Interest.....	233,613.69
Directors' Fees.....	2,600.00
	960,896.75
Operating Profit.....	\$ 190,611.16
Income from Investments—	
Sundry Income.....	\$ 8,315.54
Profit on Sale of Investments.....	271,500.37
	279,815.91
Profit, before providing for Income Tax and Excess Profits Tax.....	\$ 470,427.07
<i>Less:</i> Provision for estimated Income Tax and Excess Profits Tax.....	96,000.00
	\$ 374,427.07
<i>Add:</i> Profit on sales of properties, etc. (net).....	398,035.25
Net Profit for the year ended 31st July, 1947.....	\$ 772,462.32

DIRECTORS

H. E. SELLERS, C.B.E., <i>President and Managing Director</i>		
H. C. MACGREGOR, <i>Vice-President and General Manager</i>		A. W. SELLERS, <i>Vice-President</i>
T. H. RATHJEN, C.A., <i>Treasurer</i>		
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 & ORMOND.