

# FEDERAL GRAIN, LIMITED

## *Seventeenth Annual Report of the Directors*

YEAR ENDED 31st JULY, 1946

### TO THE SHAREHOLDERS:

Your Directors present herewith the Financial Statement for the year ended 31st July, 1946, including the Balance Sheet with the Report from your Auditors, Messrs. George A. Touche & Co.

The Statement of Income and Expenditure shows an operating profit of \$317,184.46, after providing for bond interest, depreciation, patronage dividends and all other charges. This is a reduction of \$43,612.28 from the year ended 31st July, 1945. From the net operating profit \$125,000.00 has been deducted to provide for Income and Excess Profits Taxes. The balance, together with the capital gain arising from the sale of properties, has been transferred to Surplus Account.

Working Capital shown at \$1,120,630.60 reflects the refinancing mentioned below and the purchase of \$2,000,000.00 First Mortgage Bonds from your wholly owned subsidiary. Under the refinancing these bonds are now carried in the Investment Account and accordingly are not included in the Current Assets.

At the last Session of Parliament amendments to the Income War Tax Act were passed which to some measure have remedied the inequitable tax situation existing between co-operatives and ordinary business. Corporations, in common with co-operatives, are now permitted, subject to certain limitations, to treat patronage dividend payments as a deductible expense in arriving at taxable income. In keeping with its consistent policy of giving customers, as far as possible, the highest competitive returns on grain delivered to its elevators, your Company and subsidiary have made provision for an aggregate payment of patronage dividends amounting to \$661,175.12 for the year under review. Furthermore, your Company has announced its intention to pay a patronage dividend, if earnings permit, on deliveries made during the fiscal year 1946-47.

During the year a new issue of \$3,000,000.00 4% Serials and \$3,000,000.00 4% Sinking Fund First Mortgage Bonds were sold. The proceeds from this sale were used to call outstanding six percent bonds, to retire special loan and to redeem at maturity outstanding bonds of your subsidiary.

Your wholly owned subsidiary, The Alberta Pacific Grain Co. (1943) Ltd., shows a net loss of \$45,594.91 after providing for full depreciation, bond interest, patronage dividends, all other charges and Income and Excess Profits Taxes.

An above average crop has been produced in Western Canada this year which will result in a material increase in the volume of grain handled through your Company's elevators. A vigorous policy to keep your Company in a strong competitive position is being maintained in all the phases of operations. Developments in certain allied lines have been quite extensive, and your Company is taking a leading position in Western Canada, both in the forage seed and in the retail coal business.

During the past fiscal year dividends amounting to \$6.50 per share were declared on the preferred shares. As stated in my letter to you of 26th July, 1946, it is hoped that this dividend policy can be continued so that arrears will not increase. When your Directors can fully realize what effect the payment of patronage dividends will have on the earnings of your Company further consideration will be given to the problem of adequately dealing with the arrears of dividends on preferred shares.

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

Your Board has accepted the resignation of Mr. J. R. Murray with sincere regret. This vacancy will be filled at the Annual Meeting, at which time all your Directors retire and are eligible for re-election.

On behalf of the Board of Directors,

H. E. SELLERS,

President.

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WINNIPEG, MANITOBA, 16th October, 1946.

McGILL UNIVERSITY



# FEDERAL GRAIN

## BALANCE SHEET

### ASSETS

#### CURRENT ASSETS:

Cash at Banks, less Outstanding Cheques .....	\$ 69,808.30
Cash in transit and with Paying Agents, etc. ....	179,695.29
Dominion of Canada War Loan Bonds—Par Value \$300,000.00, at cost .....	300,000.00

#### ACCOUNTS RECEIVABLE:

General Accounts .....	\$ 373,451.14
Dividend receivable from wholly owned subsidiary .....	46,875.00
Agents' Cottage Loans .....	12,188.44
Employees' Accounts .....	1,516.56
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	434,031.14

ADVANCES SECURED BY GRAIN .....	8,855.38
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#### 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. ....	\$ 1,351,572.38
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Grain, less stored grain: valued on the basis of market quotations of 31st July, 1946, less freight, etc. ....	629,962.90
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The Canadian Wheat Board Agency Wheat Stocks: valued on the basis of Board prices plus shipping charges .....	473,228.15
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Coal, Sacks, Feed Grain and Seed: valued at the lower of cost or market .....	269,407.19
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	2,724,170.62

ACCRUED EARNINGS .....	51,879.95
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PREPAID EXPENSES .....	31,694.65
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\$ 3,800,135.33

MEMBERSHIP AND SHARES in Grain Trade Organizations, at cost.....	111,668.10
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#### INVESTMENT IN WHOLLY OWNED SUBSIDIARY COMPANY, at cost

4% First Mortgage Bonds maturing 1st February, 1964 .....	\$ 2,000,000.00
37,500 Shares of \$100.00 Par Value .....	3,810,159.80

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5,810,159.80

#### PROPERTIES:

Terminal and Country Elevators, Temporary Bins, Coal Sheds, Dwellings, Flour Sheds, Automobiles, Furniture and Miscellaneous Equipment, at cost .....	\$ 8,517,021.53
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Less Reserve for Depreciation .....	4,410,124.72
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4,106,896.81

#### DEFERRED CHARGES:

Employees' Retirement Annuity Plans—Payments re past services, less amounts written off .....	86,358.70
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\$13,915,218.74

To the Shareholders,

Federal Grain, Limited, Winnipeg.

We have examined the foregoing Balance Sheet of Federal Grain, Limited with the books and vouchers. The Company's returns for income and excess profits taxes have been assessed up to and including 30th June, 1940. For subsequent years, the liability for income and excess profits taxes has been estimated on the basis of the Taxation.

We report that, subject to the comment in the foregoing paragraph, the above Balance Sheet is prepared according to the best of our information and the explanations given to us, and as shown by the books of the Company.

Winnipeg, 15th October, 1946.

AUDITOR

# AIN, LIMITED

STATEMENT 1

AT 31st JULY, 1946

CURRENT LIABILITIES:		LIABILITIES AND CAPITAL	
Outstanding Cash Tickets and Orders .....			\$ 1,056,163.45
Accounts Payable:			
Patronage Dividend accrued season 1945-46 .....	\$ 398,181.52		
Amount payable to wholly owned subsidiary .....	45,861.11		
Sundry Creditors .....	483,935.50	927,978.13	
Provision for payments to customers to be made only if and when they are allowed as a deductible expense for Income Tax and Excess Profits Tax purposes .....		499,833.84	
Accrued Taxes, including provision for balance of estimated Income Tax and Excess Profits Tax on profit for the year ended 31st July, 1946 .....		120,529.31	
Dividend Payable .....		75,000.00	
			\$ 2,679,504.73
FIRST MORTGAGE AND COLLATERAL TRUST BONDS			
Authorized .....	\$10,000,000.00		
Issued: 18-Year 4% Bonds due 1964		\$ 3,000,000.00	
Serial 4% Bonds,			
\$300,000.00 maturing on 1st February			
in each of the years 1947 to 1956 inclusive .....	3,000,000.00	6,000,000.00	
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	4,250,000.00	
DISTRIBUTABLE SURPLUS:			
Balance at 31st July, 1945 .....	\$ 295,065.77		
EARNED SURPLUS:			
Balance at 31st July, 1945 .....	\$796,852.16		
Deduct Preference Dividends (including dividend paid 31st August, 1946) .....	\$195,000.00		
Costs of Refunding Issue (net) .....	119,999.71		
		314,999.71	
		\$481,852.45	
Add Profit for the year ended 31st July, 1946—			
Per Statement II .....	208,795.79	690,648.24	985,714.01
Cumulative Preference Dividends are in arrear fractionally for the year 1935, and for all subsequent periods.			
Approved on behalf of the Board,			
T. H. RATHJEN, Director.			
H. E. SELLERS, Director.			
			\$13,915,218.74

## S' REPORT

uchers relating thereto, and we report that we have obtained all the information and explanations we have required. g the year ended 31st July, 1939, and those of its wholly owned subsidiary up to and including the year ended n the best information available but these estimates are subject to the results of review by the Department of properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs at 31st July, 1946, mpany.

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



# Federal Grain, Limited

## STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended 31st July, 1946

Income from the Company's operations after meeting all expenses including Executive Salaries and Legal Fees \$71,333.96 but before taking into account the items shown below .....		\$739,311.69
Income from Investments—		
Dividend receivable from wholly owned subsidiary .....	\$ 46,875.00	
Sundry Income .....	21,942.66	68,817.66
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		\$808,129.35
Less: Depreciation .....	\$320,975.57	
Deduct Proceeds from sales of temporary storage annexes—fully depreciated .....	57,100.00	\$263,875.57
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Bond Interest .....	149,787.36	
Bond Interest Premiums .....	9,811.99	
Interest on Special Loans .....	65,469.97	
Directors' Fees .....	2,000.00	490,944.89
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Operating Profit, before providing for Income Tax and Excess Profits Tax .....		\$317,184.46
Less: Provision for estimated Income Tax and Excess Profits Tax .....		125,000.00
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		\$192,184.46
Add: Profit on sales of properties, etc. (net) .....		16,611.33
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Net Profit for the year ended 31st July, 1946 .....		\$208,795.79

### STATEMENT REQUIRED UNDER SECTION 114 OF THE COMPANIES ACT 1934

The loss of the wholly owned subsidiary Company to 30th June, 1946, has not been brought into the accounts of Federal Grain, Limited. In our opinion no provision is necessary in the accounts of Federal Grain, Limited, because the combined Capital and Surplus of the subsidiary Company exceeds the value placed on the Shares in the accounts of Federal Grain, Limited. The auditors have made a similar qualification regarding Income and Excess Profits Taxes to that made by ourselves in reporting on Federal Grain, Limited.

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

### DIRECTORS

H. E. SELLERS, C.B.E., <i>President and Managing Director.</i>	
H. C. MACGREGOR, <i>Vice-President</i>	V. W. TRYON, <i>Vice-President</i>
T. H. RATHJEN, C.A., <i>Treasurer.</i>	
H. J. SYMINGTON, K.C.	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.