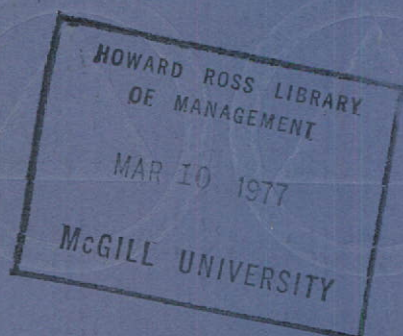


# Federal Industries Ltd./Forty-Seventh Annual Report-1976

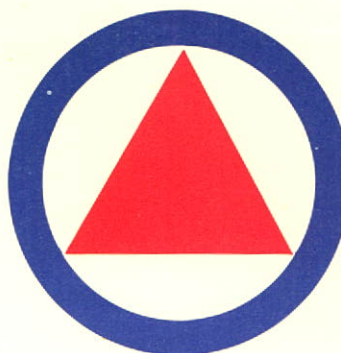






# Federal Industries Ltd.

Head office: 2400 One Lombard Place,  
Winnipeg, Manitoba



## Financial Highlights

	1975-76	1974-75
Sales and Services .....	\$106,729,235	\$88,067,794
Earnings before income taxes and extraordinary items .....	6,273,391	98,182
Net earnings (loss) before extraordinary items .....	3,274,730	(745,706)
Net earnings .....	2,675,774	256,383
Earnings per share:		
Including extraordinary items .....	\$ .78	\$ .07
Excluding extraordinary items .....	\$ .63	\$ (.25)
Dividends paid per common share		
Class A .....	\$ .40	\$ .40
Class B .....	\$ .34	\$ .17

## Board of Directors

- \*G. AITKEN  
Independent Consultant
- \*R. G. GRAHAM  
President  
Inter-City Gas Limited
- R. N. HAMBRO  
Director  
Hambros Bank Limited
- R. A. HUBBER-RICHARD  
President  
The White Pass and Yukon  
Corporation Limited
- A. S. LEACH  
Chairman of the Board  
Federal Industries Ltd.
- A. S. LEACH, JR.  
Vice-President  
Federal Industries Ltd.
- \*J. B. MacAULAY  
Solicitor
- \*J. D. RILEY  
Chairman of the Board  
Dominion Bronze Limited
- J. D. SCOTT  
President  
Yukon River Industries Ltd.
- C. L. SEARLE  
Professor of Electrical Engineering and Psychology  
Queen's University, Kingston, Ontario
- S. A. SEARLE, JR.  
President & Chief Executive Officer  
Federal Industries Ltd.

\*Member of Audit Committee

## Officers

- A. S. LEACH  
Chairman of the Board
- S. A. SEARLE, JR.  
President & Chief Executive Officer
- A. S. LEACH, JR.  
Vice-President
- J. S. PELTON  
Treasurer and Chief Financial Officer
- W. D. DAVIE  
Secretary

## The Company and its Subsidiaries

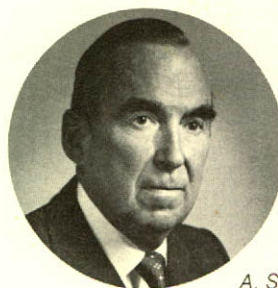
- FEDERAL INDUSTRIES LTD.  
Ste. 2400-One Lombard Place  
Winnipeg, Manitoba R3B 0X3
- Citation Cabinets Ltd.
- Neptune Bulk Terminals Ltd.
- Standard Aero Engine Limited
- Thunder Bay Terminals Ltd.
- The White Pass and Yukon Corporation Limited

### TRANSFER AGENT AND REGISTRAR

- The Royal Trust Company  
Calgary, Montreal, Toronto, Vancouver and Winnipeg



## Report to the Shareholders



A. S. LEACH, Chairman

On behalf of the Board of Directors, I am pleased to present the Annual Report and audited statements of Federal Industries Ltd. and subsidiaries for the year ended March 31, 1976, the Company's fiscal year. Net earnings for the year, including extraordinary items, amounted to 78¢ per share compared to the prior year's earnings of 7¢ per share. After excluding extraordinary items, net earnings per share were 63¢, compared to a loss of 25¢ in 1975. All subsidiaries contributed positively to these earnings.

Sales and Services for 1976 were \$106,729,235, an increase of 21% over 1975.

As Panco Poultry was sold during our 1975 fiscal year, for comparative purposes Panco's figures have been eliminated from sales and services, cost of sales and other categories, with the results of its operations last year shown separately under the caption "loss on discontinued operations."

In December 1975, your Company made a public tender offer for the remaining outstanding common shares of The White Pass and Yukon Corporation Limited, and at the date of this Report, the purchase has been substantially completed. It was felt that this acquisition represented a consolidation and rationalization of the interests of Federal Industries, with the financial strengths of the combined companies significantly greater than that enjoyed separately. The total cost for the purchase of these shares is expected to be \$9,000,000, bringing the investment in White Pass to approximately \$27,000,000.

During the year, Mr. W. D. Davie and Mr. W. R. Flesher retired from your Board. Mr. Davie served as a Director since 1974 and Mr. Flesher since 1973. Each contributed meaningfully to your Board during their term, and both continue their service with Federal as valued Officers in the group of companies.

Two new members have been appointed to fill the vacancies: Mr. R. N. Hambro and Mr. J. D. Scott. Mr. Hambro of London, England, is an Executive Director of the Hambros Bank Limited, Chairman of Hambro America Inc. and a Director of The White Pass and Yukon Corporation Limited, as well as a number of other companies. Mr. Scott, a resident of

Whitehorse, Yukon Territory, is a retired mining engineer. He is President of Yukon River Industries Ltd. and a Director of The White Pass and Yukon Corporation Limited.

The Directors express their sincere appreciation to all personnel for their part in the return of the Company to more normal levels of profitability. We also thank our shareholders for their continued support.

We anticipate that the current favourable earnings level will be continued in the coming year.

On behalf of your Board of Directors.

A handwritten signature in blue ink that reads "A. S. Leach".

A. S. Leach, Chairman  
May 20, 1976.





(Left to Right)  
R. A. Hubber-Richard  
President  
The White Pass and Yukon Corporation Limited  
H. W. Grant  
President  
Standard Aero Engine Limited  
S. A. Searle, Jr.  
President & Chief Executive Officer  
Federal Industries Ltd.  
A. S. Leach, Jr.  
President  
Thunder Bay Terminals Ltd.  
G. H. Kedgley  
President  
Neptune Bulk Terminals Ltd.  
W. R. Flesher  
President  
Citation Cabinets Ltd.



## President's Report 1975-76



S. A. SEARLE, JR., President

It is my pleasure to report a substantial improvement in the earnings of your Company during the past year. I would like to report on the operations of each of the subsidiaries and on their prospects for the coming year.

### **Standard Aero Engine Limited**

Standard Aero Engine sales and services reached record levels during the 1975-76 fiscal year reflecting Canada's increased aviation activity and the Company's continuing efforts to serve the broadest possible portion of this market.

Engine overhaul production continued to be satisfactory, with employment levels in this area reaching a new high. Product sales have reached record levels with the addition of several new lines distributed through the Company's seven Branch offices across Canada.

A number of major undertakings were completed during the year, consistent with our program to provide modern and efficient facilities. Two major areas of office space were renovated, and several production areas were expanded and modernized. Modernization of production machinery continued, with \$300,000 having been committed during the year. Property adjacent to our present Winnipeg facilities was acquired during the year, and we are studying several new programs for a major building expansion to accommodate future production and administrative needs.

Standard's dominant position in the industry together with Northern Canada's dependence upon air transportation assures the continued success and growth of this Company.

### **Citation Cabinets Ltd.**

The results from Citation Cabinets have improved significantly during the year. Unit sales were up 13% and the cost reduction program has proven effective in reducing overhead and manufacturing cost to a level commensurate with current market activity.

During the year, a knock-down cabinet, Mod-U-Loc, was introduced to the product line, and has received

favourable response from our customers. This product is particularly suited to the dealer and export market and is being actively and successfully marketed.

The product line for kitchen cabinets was re-organized and our product offering simplified enabling the Company to take full advantage of its production facilities.

We anticipate a significant improvement in the housing sector of the economy during 1976. Citation has adequate production and marketing facilities to take advantage of this growth and other future opportunities.

### **The White Pass and Yukon Corporation Limited**

Earnings for the year 1975-76 increased substantially compared to last year. However, the results, while improved, fell short of our expectations because of work stoppages amongst customers and suppliers, all beyond the control of White Pass. During the year, major additions were made to the rail and highway maintenance shops. New trucking equipment was acquired, and improvements were made in the petroleum division and the corporate office facilities. Four new passenger coaches were ordered to accommodate increased rail passenger volume.

Major transportation contracts were re-negotiated and freight tariffs were adjusted to compensate for increased operating costs.

In August 1975, Pacific and Arctic Motors was incorporated as a wholly-owned subsidiary of White Pass to sell and service trucks and other heavy equipment in the Yukon Territory.

We anticipate continued increases in the transportation and petroleum volumes in the coming year. These, coupled with capital additions and productivity improvements, should produce further earnings improvement.

### **Neptune Bulk Terminals Ltd.**

During the year, the five companies of the Neptune family were amalgamated under the new company, Neptune Bulk Terminals Ltd.

The 1975-76 results from Neptune were encouraging. The tonnage volume continued to increase, despite problems in offshore potash markets. Revenues and earnings improved substantially.

This year saw the successful commencement of the operation of the new rapeseed oil facility referred to in last year's Annual Report. Also, a new facility to handle copper concentrates was completed. This semi-automated facility handles concentrate coming from the Yukon in containers, with the product removed from the container at our site, and then shipped via rail cars to an eastern Canadian smelter. Neptune is in a sound position to continue its growth trend, and we anticipate that it will continue to enjoy the leadership role in the handling of bulk commodities on the West Coast of Canada.

**Thunder Bay Terminals Ltd.**

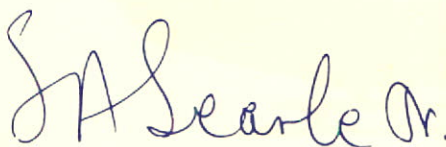
Activities commenced in 1974 for the development of a new bulk commodity terminal located in Thunder Bay, Ontario. The terminal will initially handle coal, arriving from Western Canada by unit train and shipped via the Great Lakes to the thermal generating stations operated by Ontario Hydro. The terminal will have the capacity, upon completion, to handle up to six million tons of coal per annum, with the potential for expansion in the future as required. The design of the terminal will permit the handling of a number of other bulk commodities for various customers.

Construction activities have remained at a minimal level during the past year due to unforeseen circumstances relating to the future of Alberta coal supplies and contract negotiations. We anticipate successful resolutions of these problems shortly and look forward to Thunder Bay Terminals Ltd. being operational in 1978, at a capital cost exceeding \$40 million.

**General**

The marked improvement in the earnings of your Company has resulted from a combination of increases in volumes handled and improved management practices initiated at all subsidiaries. It is now apparent that our program of cost control and more critical managerial analysis has been effective.

Under these circumstances, your Company is in an excellent position to benefit from increased volumes which should come in the future, and we look forward to another year of continuing development and expansion.

A handwritten signature in blue ink, reading "S. A. Searle Jr." with a stylized, cursive script.

S. A. SEARLE, JR.  
President and Chief Executive Officer  
May 20, 1976



## Standard Aero Engine



Eighty percent of all non-military helicopters flying in Canada are serviced by this Federal subsidiary. The company is held in high regard for its work on piston and turbine engines used in a variety of large and small aircraft. In addition to this active overhaul work, Standard Aero operates seven branch offices across Canada to sell and service a wide range of general aviation components. The company acts as sole distributor of the well-known Allison and Lycoming engines. With recent land acquisitions, Standard is now gearing for projected physical expansion to keep pace with anticipated growth opportunities.





## Citation Cabinets



Citation Cabinets designs, manufactures and assembles kitchen cabinets, bathroom vanities and other household items at its plants in Richmond, British Columbia, Calgary and Edmonton. The primary market has been western Canada with expansion plans for targeted new markets in eastern Canada, the western United States and overseas.

## Thunder Bay Terminals



Thunder Bay Terminals, the newest Federal company, is a bulk-handling facility under construction on McKellar Island in the Thunder Bay area. The company will handle coal from western Canada to be used in thermal generating stations by Ontario Hydro. Planned to be operational in 1978, the terminal facilities can be expanded in the future to include other coal users as well as the handling of other bulk commodities.



## White Pass and Yukon Corporation



White Pass and Yukon is a major transportation service for Yukon, Alaska, northern Alberta and British Columbia. Two large container ships operate between Vancouver and Skagway, the 110-mile White Pass Railway carries passengers and cargo from Skagway to Whitehorse and a large fleet of trucks and trailers moves goods throughout the Yukon, into Alaska and the two provinces. An oil pipeline runs adjacent to the railway with bulk storage facilities at each end.



## Neptune Bulk Terminals



Neptune is a bulk-commodity handling and ship-loading operation based in the Vancouver Inner Harbour. Coal, potash, phosphate rock, fertilizer, alfalfa, mineral concentrates and rapeseed oil make up the current annual volume of approximately six million tons. Ample space exists to expand these operations and in addition the company is studying the possibility of a coal-handling facility in Prince Rupert to serve mines being developed in northern British Columbia.



# Auditors' Report

TOUCHE ROSS & CO.

213 Notre Dame Avenue  
Winnipeg, Manitoba R3B 1N3  
(204) 942-0051

To the Shareholders,  
Federal Industries Ltd.,  
Winnipeg, Manitoba.

We have examined the consolidated balance sheet of Federal Industries Ltd. and its subsidiary companies as at 31st March 1976 and the consolidated statements of retained earnings, earnings and changes in financial position for the year then ended. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at 31st March 1976 and the results of their operations and the changes in financial position for the year ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winnipeg, Manitoba,  
17th May 1976.

*Touche Ross & Co.*

Chartered Accountants.



# Federal Industries Ltd. and its Subsidiary Companies

## Consolidated Balance Sheet at 31st March 1976

### ASSETS

	1976	1975
<b>CURRENT</b>		
Cash . . . . .	\$ 8,554	\$ 74,737
Accounts receivable . . . . .	18,139,793	14,180,196
Inventories — Note 1 . . . . .	22,662,383	19,905,564
Prepaid expenses . . . . .	495,096	708,788
Total Current Assets . . . . .	<u>41,305,826</u>	<u>34,869,285</u>
<b>FIXED</b>		
Property, plant and equipment, at cost . . . . .	93,900,712	90,725,384
Accumulated depreciation . . . . .	<u>32,395,026</u>	<u>28,852,526</u>
	<u>61,505,686</u>	<u>61,872,858</u>
<b>OTHER</b>		
Mortgages and agreements for sale, at cost . . . . .	465,151	305,952
Other investments, at cost . . . . .	68,169	35,691
Deferred charges . . . . .	229,393	184,088
Goodwill, at cost less amounts amortized — Notes 1 and 2 . . . . .	<u>5,265,481</u>	<u>9,376,373</u>
	<u>6,028,194</u>	<u>9,902,104</u>
	<u>\$108,839,706</u>	<u>\$106,644,247</u>

On behalf of the Board  
A. S. LEACH, Director  
S. A. SEARLE, Jr., Director



## LIABILITIES

	1976	1975
<b>CURRENT</b>		
Bank indebtedness, secured . . . . .	\$ 14,303,639	\$ 6,784,893
Notes payable, secured . . . . .	—	3,000,000
Accounts payable and accrued liabilities . . . . .	11,250,339	8,866,694
Income taxes . . . . .	11,060	568,111
Dividends . . . . .	335,528	337,623
Current portion of long term debt . . . . .	3,480,190	1,911,000
Total Current Liabilities . . . . .	<u>29,380,756</u>	<u>21,468,321</u>
<b>LONG TERM</b> — Note 4 . . . . .	24,173,801	19,283,980
<b>DEFERRED INCOME TAXES</b> — Notes 1 and 5 . . . . .	5,255,152	5,240,862
<b>MINORITY INTEREST</b> — Notes 2 and 6 . . . . .	6,793,978	18,588,279
Total Liabilities . . . . .	<u>65,603,687</u>	<u>64,581,442</u>

## SHAREHOLDERS' EQUITY

<b>CAPITAL STOCK</b>		
Common Shares — Note 3 . . . . .	14,367,300	14,367,300
<b>RETAINED EARNINGS</b> . . . . .	28,868,719	27,695,505
Total Shareholders' Equity . . . . .	43,236,019	42,062,805
	<u>\$108,839,706</u>	<u>\$106,644,247</u>



**Federal Industries Ltd.  
and its Subsidiary Companies**

**Consolidated Statement of Retained Earnings  
For The Year Ended 31st March 1976**

	1976	1975
Balance at beginning of year . . . . .	\$27,695,505	\$28,814,682
Net earnings for the year . . . . .	<u>2,675,774</u>	<u>256,383</u>
	<u>30,371,279</u>	<u>29,071,065</u>
Dividends — Class A shares . . . . .	1,194,975	1,294,396
Dividends — Class B shares . . . . .	153,497	68,989
Tax paid on 1971 undistributed income . . . . .	<u>27,088</u>	<u>12,175</u>
	<u>1,375,560</u>	<u>1,375,560</u>
Adjustment of prior years' income taxes — Note 7 . . . . .	<u>127,000</u>	<u>—</u>
	<u>1,502,560</u>	<u>1,375,560</u>
Balance at end of year . . . . .	<u>\$28,868,719</u>	<u>\$27,695,505</u>



# Federal Industries Ltd. and its Subsidiary Companies

## Consolidated Statement of Earnings For The Year Ended 31st March 1976

	1976	1975
Sales and services — Note 8 . . . . .	\$106,729,235	\$ 88,067,794
Cost of sales and operating expenses — Note 9 . . . . .	93,338,828	80,281,485
Depreciation and amortization . . . . .	4,361,231	4,293,951
Amortization of goodwill . . . . .	224,100	275,300
Interest on long term debt . . . . .	1,575,434	1,731,870
Other interest expense . . . . .	956,251	892,489
	<u>100,455,844</u>	<u>87,475,095</u>
Earnings from continuing operations . . . . .	6,273,391	592,699
Loss on discontinued operations . . . . .	—	494,517
Earnings before income taxes and extraordinary items . . . . .	6,273,391	98,182
Provision for income taxes — Notes 1 and 5 . . . . .	2,998,661	843,888
Earnings (loss) before extraordinary items . . . . .	3,274,730	( 745,706)
Extraordinary items — Note 10 . . . . .	513,637	1,130,070
Net earnings . . . . .	3,788,367	384,364
Portion allocated to minority shareholders . . . . .	1,112,593	127,981
Net earnings for the year . . . . .	<u>\$ 2,675,774</u>	<u>\$ 256,383</u>
Net earnings per common share . . . . .	<u>\$ .78</u>	<u>\$ .07</u>
Net earnings (loss) per common share, excluding extraordinary items . . . . .	<u>\$ .63</u>	<u>\$(.25)</u>



# Federal Industries Ltd. and its Subsidiary Companies

## Consolidated Statement of Changes in Financial Position For The Year Ended 31st March 1976

	1976	1975
<b>SOURCE OF FUNDS</b>		
Operations		
Net earnings for the year	\$ 2,675,774	\$ 256,383
Add Depreciation and amortization	4,361,231	4,570,386
Amortization of goodwill	224,100	275,300
Deferred income taxes	14,290	( 703,212)
Extraordinary items	( 513,637)	(1,130,070)
Earnings allocated to minority shareholders	1,112,593	127,981
Funds provided by operations	7,874,351	3,396,768
Additional long term debt financing	8,273,870	—
Reduction of income taxes — Note 10	513,637	101,000
Disposal of subsidiary company	—	5,959,293
Other	—	146,037
	16,661,858	9,603,098
Decrease in working capital	1,475,894	2,156,724
	<u>\$18,137,752</u>	<u>\$11,759,822</u>
<b>APPLICATION OF FUNDS</b>		
Purchase of minority interest in subsidiary company	8,464,588	770,008
Purchase of fixed assets, net of disposals	3,994,059	7,261,412
Decrease in long term debt	3,384,049	1,651,851
Adjustment of prior years' income taxes	127,000	—
Tax paid on 1971 undistributed income	27,088	12,175
Dividends	1,348,472	1,363,385
Dividends paid by subsidiary company		
to minority shareholders	555,514	700,991
Other	236,982	—
	<u>\$18,137,752</u>	<u>\$11,759,822</u>
WORKING CAPITAL, at end of year	<u>\$11,925,070</u>	<u>\$13,400,964</u>



# Federal Industries Ltd. and its Subsidiary Companies

## Notes to Consolidated Financial Statements For The Year Ended 31st March 1976

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries. Their names and the company's interest therein are set out below:

	1976	1975
Citation Cabinets Ltd. . . . .	100%	100%
Neptune Bulk Terminals Ltd.* . . . . .	100	100
Standard Aero Engine Limited . . . . .	100	100
The White Pass and Yukon Corporation Limited . . . . .	95.23	50.22
Thunder Bay Terminals Ltd. . . . .	100	100

Operations of subsidiaries acquired during a year are included from the date of acquisition. All material intercompany balances, transactions and profits are eliminated.

\*Neptune Terminals Ltd., Neptune Coal Terminals Ltd. and subsidiary companies were amalgamated during the year as Neptune Bulk Terminals Ltd.

#### (b) Foreign Currency Translations

The accounts of certain subsidiaries are maintained in United States dollars. These accounts have been translated into Canadian dollars as follows: current assets and current liabilities at exchange rates prevailing at the end of the year; fixed assets, depreciation and long term debt substantially on the basis of rates prevailing at date of acquisition; income and expenses (other than depreciation) on the basis of average exchange rates during the year. Exchange gains or losses from such translation practices have been transferred to consolidated income or expense.

#### (c) Valuation of Inventories

Inventories have been valued at the lower of cost and net realizable value.

#### (d) Depreciation

Depreciation on property, plant and equipment is provided at rates which are estimated to amortize

the original cost of such assets over their useful lives.

#### (e) Intangible Assets

The goodwill on the balance sheet represents the excess of cost of shares of subsidiary companies over the book amount of net assets acquired and is being amortized over a forty year period.

#### (f) Income Taxes

The company follows the tax allocation method of accounting for income taxes whereby earnings are charged with income taxes relating to reported profits. Differences between such taxes and taxes currently payable are reflected in deferred income taxes and arise because of differences between the time certain items of revenue and expense are reported in the accounts and the time they are reported for income tax purposes.

Potential tax reductions that may result from the application of losses against future taxable income are not recognized until such future taxable income is earned.

### 2. CORPORATE ACQUISITION AND REORGANIZATION

- (a) At 31st March 1976 the company had acquired an additional 45.01% of the outstanding common shares of The White Pass and Yukon Corporation Limited. These shares were acquired under the terms of an offer made on 12th December 1975 to the minority shareholders of that company. The effective purchase price for these shares was as follows:

Book value of minority interest acquired . . . . .	\$12,351,380
Adjustment to goodwill on consolidation arising from the acquisition of the additional shares of The White Pass and Yukon Corporation Limited . . . . .	3,886,792
Cost of shares acquired . . . . .	<u>\$ 8,464,588</u>



# Federal Industries Ltd. and its Subsidiary Companies

## Notes to Consolidated Financial Statements For The Year Ended 31st March 1976

### (NOTE 2—Continued)

Subsequent to the year end the company continued to purchase shares of The White Pass and Yukon Corporation Limited and on 22nd April 1976 the company initiated proceedings to acquire the balance of the outstanding common shares pursuant to the provisions of Section 136 of the Canada Corporations Act. The cost of such acquisitions would be approximately \$875,000.

- (b) On 29th November 1975, Neptune Terminals Ltd., Neptune Coal Terminals Ltd. and subsidiary companies were amalgamated pursuant to the Companies Act of the Province of British Columbia as Neptune Bulk Terminals Ltd. All assets and liabilities of the predecessor companies were reflected in the accounts of the amalgamated company at their book values.

The accompanying financial statements include the accounts of the amalgamated company for the four months ended 31st March 1976 together with the accounts of the predecessor companies for the eight months ended 29th November 1975.

### 3. CAPITAL STOCK

The authorized share capital of the company consists of:

- (a) 6,000,000 Class A convertible shares without nominal or par value.
- (b) 6,000,000 Class B convertible shares without nominal or par value.

The maximum consideration for the issue of these shares is not to exceed \$20,000,000.

The two classes of shares are interconvertible at any time and are similar in all respects, including dividend rights, except that dividends on Class B shares may be declared out of tax paid undistributed surplus on hand or out of 1971 capital surplus on hand as defined in the Income Tax Act of Canada.

Where a dividend is paid on Class B shares out of tax paid undistributed surplus that dividend is reduced by the 15% tax paid on 1971 undistributed income on hand to create the tax paid undistributed surplus.

At 31st March 1976, there were 3,438,900 shares issued and outstanding comprised of 2,881,428 (1975 - 3,021,091) Class A shares and 557,472 (1975 - 417,809) Class B shares.

### 4. LONG TERM LIABILITIES

	1976	1975
Term bank loan, secured, 1% above prime rates . . . . .	\$ 500,000	\$ 1,500,000
Term bank loan, secured, 1¼% above prime rates . . . . .	8,273,870	—
Term bank loan, secured, 1½% above prime rates . . . . .	5,000,000	5,500,000
Purchase agreement, secured, due 1987* . . . . .	3,908,919	3,999,255
First mortgage bonds, 8½% due 1989 . . . . .	1,836,000	2,002,000
Debenture stock, 4½% due 1976 . . . . .	—	824,900
Debenture stock, 5% due 1976 . . . . .	—	463,450
Unsecured loan stock, 5½% due 1978 . . . . .	1,095,000	1,095,000
First ship mortgage note, 6½% due 1981 . . . . .	480,000	600,000
First ship mortgage note, 8½% due 1985 . . . . .	2,100,000	2,300,000
Mortgages payable, average rate 9.8% . . . . .	980,012	999,375
	<u>\$24,173,801</u>	<u>\$19,283,980</u>

The aggregate amount of maturities over the next five years are approximately as follows: 1977 - \$3,480,000; 1978 - \$2,160,000; 1979 - \$4,010,000; 1980 - \$2,970,000; 1981 - \$3,030,000.

\*The purchase agreement only bears interest if a specified volume of business is achieved in the year. The rate will vary depending on a number of contingent factors but will not be greater than 7%.



# Federal Industries Ltd. and its Subsidiary Companies

## Notes to Consolidated Financial Statements For The Year Ended 31st March 1976

### 5. DEFERRED INCOME TAXES

A subsidiary company has a loss carry forward and other timing differences for income tax purposes amounting to approximately \$950,000 (1975 - two companies - \$2,040,000) that is available to be applied against taxable income in future years. The potential tax reduction that may result from claiming this amount for tax purposes has not been reflected in earnings or deferred income taxes.

### 6. MINORITY INTEREST

Minority interest in The White Pass and Yukon Corporation Limited:

	1976	1975
6¾% preferred shares . . . . .	\$5,500,000	\$ 5,500,000
Equity of common shareholders as at 31st March . . .	<u>1,293,978</u>	<u>13,088,279</u>
	<u>\$6,793,978</u>	<u>\$18,588,279</u>

### 9. DIRECTORS REMUNERATION

The aggregate remuneration of directors and senior officers of the company was as follows:

	1976				1975			
	As Directors		As Officers		As Directors		As Officers	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Federal Industries Ltd. . . . .	13	\$29,000	6	\$206,670	13	\$128,700*	6	\$201,935
Citation Cabinets Ltd. . . . .			4	53,536			4	45,000
Panco Poultry Ltd. . . . .							3	55,000
Standard Aero Engine Limited. . . . .							3	32,490
The White Pass and Yukon Corporation Limited . . . . .	7	10,150	2	63,333	5	3,817	2	57,918

3 Officers are also Directors of the company (1975 - 4 officers)

\*This includes \$100,000 which was paid to a retiring director who was the Chief Executive Officer of Panco Poultry Ltd., upon the sale of that company.

### 10. EXTRAORDINARY ITEMS

	1976	1975
Reduction of income taxes from utilization of prior years' losses and other timing differences of subsidiary companies . . . . .	\$513,637	\$ 101,000
Net gain on disposal of subsidiary company net of income taxes of \$281,300. . . . .	<u>—</u>	<u>1,029,070</u>
	<u>\$513,637</u>	<u>\$1,130,070</u>

### 7. ADJUSTMENT OF PRIOR YEARS' INCOME TAXES

The adjustment of prior years' income taxes of \$127,000 is in respect of taxes payable on dividends received from a subsidiary company in prior years.

### 8. SALES AND SERVICES BY SUBSIDIARY COMPANY

	1976	1975
Citation Cabinets . . . . .		
Ltd. . . . .	\$ 14,983,794	\$11,483,154
Neptune Bulk Terminals Ltd. . . . .	7,682,855	6,044,199
Standard Aero Engine Limited . . . . .	24,539,606	21,703,524
The White Pass and Yukon Corporation Limited Transportation revenue . . . . .	38,620,898	30,269,618
Petroleum sales and related revenue . . . . .	20,902,082	18,567,299
	<u>\$106,729,235</u>	<u>\$88,067,794</u>



# **Federal Industries Ltd. and its Subsidiary Companies**

## **Notes to Consolidated Financial Statements For The Year Ended 31st March 1976**

### **11. CONTRACTUAL OBLIGATIONS**

- (a) The company and its subsidiary companies have lease commitments with varying terms requiring annual rental payments of approximately \$800,000.
- (b) Commitments for capital expenditures at 31st March 1976 were approximately \$2,900,000.
- (c) On 4th April 1974 a subsidiary of The White Pass and Yukon Corporation Limited entered into an agreement to purchase a 100% interest in a transportation company for approximately \$200,000, subject to receiving governmental approval.
- (d) The company has a contractual obligation in respect of the acquisition of the additional common shares of The White Pass and Yukon Corporation Limited — See Note 2.

### **12. ANTI-INFLATION LEGISLATION**

The company and its subsidiaries are subject to the Federal Government's Anti-Inflation Legislation which became effective 14th October 1975. This Legislation limits increases in prices, profits, compensation payments and dividends. Management has done the necessary calculations required to determine compliance and is of the opinion that there are no significant liabilities as a result of the Legislation.

Dividends to the company's shareholders for the twelve month period ending 13th October 1976 may not exceed 40¢ per Class A common share and 34¢ per Class B common share. The restriction that may apply to dividend payments subsequent to 13th October 1976 has not yet been announced by the Government.







