

FEDERAL GRAIN, LIMITED

Thirteenth Annual Report of the Directors

YEAR ENDED 31st JULY, 1942

TO THE SHAREHOLDERS:

Your Directors present herewith Financial Statements for the year ended 31st July, 1942, including the Balance Sheet, certified by your Auditors, Messrs. George A. Touche & Company.

The Company's operations, as shown in the Statement of Income and Expenditure, resulted in a net profit of \$267,157.87, after meeting all expenses, depreciation and bond interest. A reserve of \$150,000.00 has been provided from the year's profits to meet Income and Excess Profits Taxes, which, added to the amount already at credit, brings the reserve to the estimated present liability. The Net Profit has been transferred to the credit of Earned Surplus Account.

Working Capital shows a substantial increase of \$611,045.90 compared with the previous year. The amount added to depreciation reserve includes the balance of the cost of the temporary storage facilities erected in the country, and half the cost of our temporary terminal storage built at Fort William last year.

As was anticipated in the last Annual Report, the volume of grain handled at country elevators during the year under review was greatly reduced, and amounted to little more than half the handling of the preceding year. This was due largely to reduced yields per acre of all grains and the Government policy of encouraging reduction in wheat acreage. However, the amount of grain held in storage in the Company's elevators was greater and the Company's terminal elevators experienced a satisfactory year.

Bank Loans of \$5,852,451.05 continue large owing to the heavy stocks of grain carried in the Company's elevators and annexes.

First Mortgage Bonds of the par value of \$170,000.00 were redeemed during the year in accordance with Sinking Fund provisions, bringing the total redemption of bonds to \$1,632,000.00.

Western Canada was favored with ideal conditions throughout the growing season, and as a result will produce this year a record crop. However, owing to Government restrictions on the marketing of wheat, shortage of available freight cars and storage space, our handling in the current year will not reflect the large volume of grain produced.

Under the new contract with The Canadian Wheat Board, your company in conjunction with all other companies has reduced grain handling charges, by which the farmer will benefit materially. Storage rates have also been further reduced and will result in a substantial saving to the Canadian Government. Elevator Companies have reduced storage rates 40% since August 1, 1940.

Three Preferred dividends of \$2.00 per share each, totalling \$180,000.00, were paid to shareholders. A further payment of \$2.00 per share will be made November 2, 1942, and future payments will be made as conditions warrant.

Your Directors desire to express appreciation of the efficient services and devotion to duty of employees. All are investing in War Savings Certificates and Victory Bonds. Many more members of the staff have joined the Canadian Forces, thus throwing a heavier burden on those remaining.

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

On behalf of the Board of Directors,

H. E. SELLERS,
President.

WINNIPEG, MANITOBA, 30th September, 1942.

FEDERAL GRAIN, LIMITED

STATEMENT I

BALANCE SHEET AT 31st JULY, 1942

ASSETS		LIABILITIES AND CAPITAL
CURRENT ASSETS:		
CASH at Banks, less outstanding Cheques.....	\$ 18,972.50	CURRENT LIABILITIES:
CASH in transit and with Paying Agents, etc.....	149,907.32	Bank Loans (secured).....
ACCOUNTS RECEIVABLE:		\$ 5,852,451.05
Wartime Salvage Limited—re Scrap Metal.....	\$ 34,244.56	Sundry Creditors.....
General Accounts.....	48,339.68	1,328,631.10
Agents' Cottage Loans.....	5,644.43	Accrued Taxes, including provision for Income Tax and Excess Profits Tax on profit for the year ended 31st July, 1942.....
Employees' Accounts.....	1,250.22	233,750.47
	89,478.89	\$ 7,414,832.62
ADVANCES SECURED BY GRAIN.....	260,963.77	FIRST MORTGAGE SINKING FUND GOLD BONDS:
STOCKS ON HAND, AS CERTIFIED BY RESPONSIBLE OFFICIALS:		Authorized.....
Wheat purchased for account of The Canadian Wheat Board: valued on the basis of Board prices less freight, etc.....	\$3,187,953.57	\$6,000,000.00
Grain, less stored grain: valued on the basis of market quotations of 31st July, 1942, less freight, etc.....	5,031,373.87	Issued, Series A 6%, maturing 1st August, 1949.....
Coal, Sacks, Feed Grain and Seed: valued at the lower of cost or market.....	84,918.59	\$4,250,000.00
	8,304,246.03	Less Redeemed through Sinking Fund.....
ACCRUED EARNINGS.....	235,043.08	1,632,000.00
PREPAID EXPENSES.....	27,099.69	2,618,000.00
	\$ 9,085,711.28	BOND REDEMPTION RESERVE:
MORTGAGE RECEIVABLE, arising out of sale of terminal elevator.....	272,139.29	130,515.71
INVESTMENTS in Marketable Securities (Market Value \$14,797.00).....	26,466.55	CAPITAL:
BONDS OF THE COMPANY purchased in anticipation of Sinking Fund Par \$81,500.00—cost.....	83,233.75	Authorized—
MEMBERSHIPS AND SHARES in Grain Trade Organizations, at cost.....	134,360.78	40,000 6½% Cumulative Preference Shares of \$100.00 each, redeemable at the option of the Company
PROPERTIES:		160,000 Class A Common Shares of No Par Value.....
Terminal and Country Elevators, Temporary Bins, Coal Sheds, Dwellings, Flour Sheds, Automobiles, Furniture and Miscellaneous Equipment, at cost.....	\$8,833,576.93	40,000 Class B Common Shares of No Par Value.....
Less Reserve for Depreciation.....	3,492,483.96	Issued and fully paid—
	\$5,341,092.97	30,000 Preference Shares.....
Distress Storage Bins, Ft. William—less amount written off.....	177,296.73	\$3,000,000.00
	177,296.73	200,000 Common Shares
	5,518,389.70	Amount apportioned as Capital.....
	\$15,120,301.35	1,250,000.00
		4,250,000.00
		DISTRIBUTABLE SURPLUS:
		Balance at 31st July, 1941 — unchanged.....
		\$ 295,065.77
		EARNED SURPLUS:
		Balance at 31st July, 1941.....
		\$324,729.38
		Deduct Preference Dividends paid.....
		180,000.00
		\$144,729.38
		Add Profit for the year ended 31st July, 1942—
		per Statement II.....
		\$267,157.87
		411,887.25
		706,953.02
		Cumulative Preference Dividends are in arrear fractionally for the year 1932, and for all subsequent periods.
		\$15,120,301.35

Approved on behalf of the Board,
T. H. RATHJEN, Director.
H. E. SELLERS, Director.

AUDITORS' REPORT

To the Shareholders,
Federal Grain, Limited, Winnipeg.

We have examined the foregoing Balance Sheet of Federal Grain, Limited with the books and vouchers relating thereto, and we report that we have obtained all the information and explanations we have required. We further report that in our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs at 31st July, 1942, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

Winnipeg, 29th September, 1942.

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

Federal Grain, Limited

STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended 31st July, 1942

Income from the Company's operations after meeting all expenses including Depreciation \$455,655.91, balance of cost of Temporary Country Storage Bins written off \$208,507.15, amount written off Distress Storage Bins, Ft. William \$177,296.72 and Executive Salaries and Legal Fees \$56,691.80, but before taking into account the items shown below.....	\$564,758.94
Income from Investments.....	23,043.70
	<u>\$587,802.64</u>
Less: Bond Interest	\$154,448.58
Bond Interest Premiums.....	16,362.72
Directors' Fees	2,400.00
	<u>173,211.30</u>
Operating Profit, before providing for Income Tax and Excess Profits Tax.	\$414,591.34
Less: Income Tax and Excess Profits Tax — amount required to increase balance of provision to estimated liability.....	150,000.00
	<u>\$264,591.34</u>
Add: Surplus on fire loss adjustment, etc. (net).....	2,566.53
	<u>\$267,157.87</u>

DIRECTORS

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

A. THOMSON, *Vice-President.*

T. H. RATHJEN, *Treasurer.*

H. J. SYMINGTON

A. H. WILLIAMSON

W. A. ANDERSON

J. R. MURRAY

F. E. TOPPER

V. W. TRYON

Secretary: R. C. GAGE

Registrar.....THE ROYAL TRUST COMPANY, Toronto, Montreal and Winnipeg.

Transfer Agents.....{ THE MONTREAL TRUST COMPANY, Toronto and Montreal;
THE NORTHERN TRUSTS Co., Winnipeg.

Auditors.....GEORGE A. TOUCHE & Co.

Solicitors.....HUDSON, ORMOND, SPICE, SWIFT & MCLEOD.