

**CANADA MALTING CO.
LIMITED**



ANNUAL REPORT



PURVIS ~~FOR THE~~ YEAR ENDING DECEMBER 31, 1937
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McGILL UNIVERSITY

DIRECTORS



ARNOLD C. MATTHEWS, *President*

H. C. HATCH, *Vice-President*

ERIC S. CLARKE, *Managing Director*

JOHN P. HEIGHTON, *Secretary and Treasurer*

GEO. BAILEY

J. E. GRANT

E. G. LONG, K.C.

L. M. McCARTHY

C. H. S. MICHIE

WARD WRIGHT, K.C.

Report of the Directors to the Shareholders of
CANADA MALTING CO., LIMITED
For the Fiscal Year ending December 31, 1937

The Board of Directors submits herewith Balance Sheet and Profit and Loss Statement for the twelve months ending December 31, 1937, as certified to by the Auditors of the Company, Messrs. Price, Waterhouse & Co.

The net operating profit for the year, after deducting all expenses and providing for depreciation (at the usual rate) and taxes, amounted to \$568,262.28. The non-operating income and interest earned was \$19,671.70, making a combined net profit of \$587,933.98.

The previous report covered a seventeen month period. A direct comparison is, therefore, not available, but it can be stated that the operating profit in 1937 was lower than in 1936. This was due to a lesser margin of profit in both domestic and export sales—the volume of sales having been maintained.

The important changes in the current assets and liabilities position are, as follows:
Cash on hand has increased \$212,743.87.

The bank loan of \$1,213,762.75 as of December, 1936, has been liquidated.
Inventories have been reduced by \$1,373,516.54.

The above is due to the substantially lower prices for malting barley prevailing in the latter months of 1937.

The investment in securities at cost, consisting of Government Bonds and Stocks (all readily marketable) has been increased from \$116,760.00 to \$332,827.89—the market value of same as of December 31, 1937, being \$333,916.66.

Accounts Payable has been increased by \$75,080.48 and amounts to \$127,945.58.

A sum of \$64,897.79 has been set aside out of earned surplus as an addition to the Pension Fund referred to in last year's report. The provision of this amount, together with last year's appropriation, will establish this Pension Fund, and no further large contributions should be necessary. A moderate annual appropriation will be required, approximately equal to the annual contribution of the employees.

The net working capital is \$3,267,362.15, and the ratio of current assets to liabilities is 9.95 to 1.

There was expended on property account, during the year, the sum of \$50,082.49, the major portion of which represents the erection of an experimental kiln for research purposes at Montreal.

When Prohibition was rescinded in the United States in 1933, the Malting Industry in that Country was entirely inadequate to care for the large increase in demand which immediately occurred. Your Company was in a position to participate in the import trade, which consequently developed, into that Country, along with European, South American and Australian Maltsters. During the past four years we have accordingly enjoyed a very profitable trade with the United States. The Industry there, however, has been gradually increasing productive capacity until they have now reached a point where they are able to provide for domestic consumption. The retention of this trade is, therefore, very problematical. Your Management is making every effort to develop export business in other Countries, the necessity for which is clearly indicated when it is realized that the total Canadian malt consumption in 1937 was only equal to approximately 64% of the productive capacity in Canada.

Your Plants have been maintained in first-class condition.

The Directors wish to express their appreciation of the efforts of the staff and employees.

Respectfully submitted on behalf of the Board.

ARNOLD C. MATTHEWS,
President.

CANADA MALTING CO.

Balance Sheet, December 31, 1938

ASSETS

CURRENT ASSETS:

Cash on hand and in bank	\$ 214,243.87	
Investment in marketable securities, at cost	332,827.89	
(Market value \$333,916.66)		
Accounts receivable, less reserve	412,342.69	
Inventories, as determined and certified to by responsible officers of the company:		
Malt, barley, etc.—on the basis of market which was lower than cost, less reserve	\$2,640,941.47	
Coal, bags, etc.—on the basis of cost	31,849.60	2,672,791.07
		<u>\$3,632,205.52</u>

DOMINION OF CANADA BONDS, at Cost, Deposited with Department of National Revenue

2,087.50

GRAIN EXCHANGE SEATS AND MEMBERSHIP IN CLEARING HOUSE at Cost

17,200.00

DEFERRED CHARGES:

Prepaid taxes, etc.	\$ 21,987.10	
Machinery repair parts and office supplies	20,000.00	
		<u>41,987.10</u>

FIXED ASSETS, based on appraised depreciated values as reported by Canadian Appraisal Company Limited as at June 25, 1927, plus subsequent additions at cost:

Land	\$ 242,532.81	
Buildings	2,509,307.90	
Plant and equipment	1,977,800.90	
	<u>\$4,729,641.61</u>	
Less—Reserve for depreciation	1,626,568.60	
		<u>3,103,073.01</u>
		<u>\$6,796,553.13</u>

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have examined the books and accounts of Canada Malting Co. with all the information and explanations which we have required; and we have ascertained that the same present a true and correct view of the state of the company and the explanations given to us, and as shown by the books of the company.

TORONTO, February 12, 1938.

NG CO., LIMITED

December 31, 1937

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 127,945.58
Reserve for Dominion and Provincial income taxes, and other accrued taxes	172,000.00
Reserve for pension fund	64,897.79
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	\$ 364,843.37

CAPITAL AND SURPLUS:

Capital Stock—	
Represented by 198,972 shares with- out nominal or par value	\$4,441,960.00
(Authorized 200,000 shares)	
Capital Surplus (no change during the year)	797,676.01
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	\$5,239,636.01
Earned Surplus (as per statement attached)	1,192,073.75
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	6,431,709.76

Approved on behalf of the Board.

ARNOLD C. MATTHEWS, Director.

ERIC S. CLARKE, Director.

\$6,796,553.13

limited, for the year ending December 31, 1937, and have been furnished
we report that, in our opinion, the above balance sheet is properly drawn
affairs as at December 31, 1937, according to the best of our information
pany.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

CANADA MALTING CO., LIMITED

Statement of Profit and Loss and Earned Surplus For the Year Ending December 31st, 1937

PROFIT AND LOSS

Particulars	Amount	
Profit from operations for the year after charging all manufacturing, selling and general expenses, but before providing for the under-noted charges	\$ 970,230.73	
<i>Deduct—</i>		
Directors' fees	\$ 2,500.00	
Total amount paid as counsel and solicitors' fees, and remuneration and fees of executive officers and directors (totalling five in all) who hold salaried positions in the company	59,125.83	61,625.83
<i>Operating Profit</i> for the year, before providing for depreciation and income taxes	\$ 908,604.90	
<i>Deduct—</i> Provision for depreciation	200,000.00	
	\$ 708,604.90	
<i>Deduct—</i> Provision for Dominion and Provincial income taxes	140,342.62	
	\$ 568,262.28	
<i>Add—</i>		
Income from stocks and bonds	\$ 14,528.49	
Interest	5,143.21	19,671.70
<i>Net Profit for year ending December 31, 1937, carried to Earned Surplus</i>	\$ 587,933.98	

EARNED SURPLUS

Balance as at December 31, 1936	\$1,067,048.35	
<i>Add—</i>		
Net Profit for the year ending December 31, 1937	\$587,933.98	
Less—Dividends paid	398,010.79	189,923.19
	\$1,256,971.54	
<i>Deduct—</i> Provision for retirement allowances	64,897.79	
<i>Balance as at December 31, 1937</i>	\$1,192,073.75	

