

C  
CANADA  
MALTING  
ANNUAL REPORT  
1985



# Report to the Shareholders

Report of the Directors  
to the Shareholders  
for the financial year ended  
December 31, 1985

Your Company's consolidated net earnings for 1985 before an extraordinary loss were \$4.17 million or \$1.51 per share. Comparable earnings for 1984 were \$6.34 million or \$2.41 per share.

An extraordinary loss of \$7.45 million or \$2.70 per share resulted in a consolidated net loss for 1985 of \$3.28 million or \$1.19 per share.

The extraordinary loss of which \$5.1 million are non-cash losses consists of:

— Loss on sale of the Winnipeg malthouse and elevator	\$610,000
— Write-off of book value of the two Toronto plants, closure costs, and carrying costs for the estimated period they will not be in use.	\$6,840,000

The Winnipeg plant was old, inefficient, and considering our malthouse locations of Calgary and Thunder Bay, not advantageously placed. In recent years its production has been largely for the export market, and the plant has not been in full production since November, 1984.

The two Toronto plants, while not as old as the one in Winnipeg, are similarly inefficient and costly to operate. Although these two plants normally produce malt for domestic customers, because of their high operating costs and the lack of export business they are currently used primarily as transfer facilities for malt produced at Thunder Bay for customers in Southern Ontario.

We have regretfully come to the conclusion that the Toronto plants are no longer viable — their capacity is only needed if export sales are available, and their increasing costs of operation make it unlikely that export business will provide a return.

To improve the overall efficiency of our operations, we plan to utilize some form of transfer facility in Ontario to serve our customers, instead of using the Toronto plants for that purpose. We expect these two plants to be closed permanently within the next two years.

The consolidation of our production at Calgary, Thunder Bay and Montreal and the elimination of our three least efficient facilities will place us in a stronger competitive situation. This will be particularly important if Canada - U.S. free trade becomes a fact.

It is our intention to retain a reduced but significant presence in the export market. To offset a part of the reduction in capacity due to plant closures, we anticipate some expansion at Thunder Bay and Calgary in the next few years.

# CANADA MALTING CO. LIMITED

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

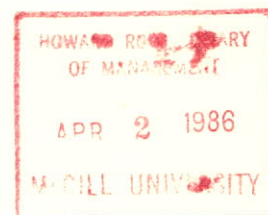
NOTICE IS HEREBY GIVEN that the Annual Meeting (the "Meeting") of the Shareholders of **CANADA MALTING CO. LIMITED** (the "Corporation") will be held in the Alberta Room at the Royal York Hotel, in the City of Toronto, Ontario, on Thursday, the 24th day of April, 1986, at 11:30 a.m. (Toronto Time), for the following purposes:

1. To receive and consider the report of the Board of Directors and the consolidated financial statements of the Corporation for the year ended December 31, 1985, together with the auditors' report thereon.
2. To elect a Board of Directors and Honorary Director to hold office until the close of the next annual meeting.
3. To appoint auditors to hold office until the close of the next annual meeting, at a remuneration to be fixed by the Board of Directors.
4. To transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Shareholders who are unable to attend the Meeting are requested to date, sign and return the enclosed form of proxy in the envelope provided.

Dated at Toronto, Ontario, this 4th day of March, 1986.

By Order of the Board of Directors,  
I.G. Paulin  
Secretary and Director of Administration



## MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular accompanies Notice of the Annual Meeting (the "Meeting") of Shareholders of Canada Malting Co. Limited (the "Corporation") called for Thursday, the 24th day of April, 1986 and is furnished in connection with a solicitation of proxies for use at the Meeting. The report of the Board of Directors for the financial year ended December 31, 1985, including consolidated financial statements, is being mailed to the Shareholders of record concurrently with this Circular. The information herein contained is given as of the 4th day of March, 1986.

### REVOCABILITY OF PROXIES

A Shareholder giving a proxy has the power to revoke it at any time before it is exercised. A proxy may be revoked (a) by depositing an instrument in writing executed by the Shareholder or by his attorney authorized in writing at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournments thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting or any adjournments thereof, or (b) in any other manner permitted by law.

### SOLICITATION OF PROXIES

**Proxies for the Meeting are being solicited by the Management of the Corporation.** The cost of solicitation will be borne by the Corporation.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Holders of common shares without par value of the Corporation will be entitled to vote at the Meeting. Each share registered in a Shareholder's name on the date of the Meeting entitles him to one vote. The number of shares entitled to be voted at the meeting is 3,131,444.

To the knowledge of the Directors and Officers of the Corporation, the only persons who beneficially own or exercise control or direction over shares carrying more than 10% of the votes attached to shares of the Corporation are John Labatt Limited, which owns, controls or directs 622,903 shares, representing 19.89% of the voting shares of the Corporation, and The Molson Companies Limited, which owns, controls or directs 622,903 shares, representing 19.89% of such voting shares.

### PROXIES AND VOTING

Shareholders unable to attend the Meeting are requested by Management to complete, sign and return the accompanying form of proxy. Proxies deposited with the Secretary of the Corporation at any time up until the opening of the Meeting may be voted if otherwise valid.

Shares represented by proxies in favour of Management will be voted (subject to any contrary instructions they may contain) for the approval of the report of the Board of Directors and consolidated financial statements for the year ended December 31, 1985, for the election of Directors and Honorary Director proposed by Management, and for the appointment of auditors as indicated below.

**The enclosed proxy form confers discretionary authority upon the persons named therein with respect to amendments to matters identified in the Notice of the Meeting or other matters that may properly come before the Meeting. Management knows of no such amendments or other matters to come before the Meeting.**

**A Shareholder has the right to appoint a person (who need not be a Shareholder) as proxyholder to attend and act on his behalf at the Meeting other than the persons designated in the enclosed form of proxy. The Shareholder may exercise this right by striking out the management nominees and inserting the name of his nominee in the space provided in the enclosed form of proxy.**

### REPORT OF DIRECTORS AND FINANCIAL STATEMENTS

The report of the Board of Directors and the consolidated financial statements for the year ended December 31, 1985 will be placed before the Meeting for its approval. Such approval requires a majority of the votes cast in respect of the resolution.

## ELECTION OF DIRECTORS

The present Board consists of ten Directors. The term of office for each Director elected shall be from the date of the Meeting until the close of the next annual meeting or until his successor is elected or appointed. It is proposed that the following will be nominated at the Meeting. A proxy pursuant to this solicitation will be voted for the election of such persons as Directors, unless the proxy provides for withholding shares from voting. If for some reason any of the proposed nominees are unable to serve, the persons named in the proxy will use their best judgment in voting on alternate nominees.

The following are the names of such proposed nominees, all other positions and offices with the Corporation (if any) now held by them, their principal occupations, the years in which they were first elected as Directors of the Corporation, and the approximate number of shares of the Corporation beneficially owned or over which control or direction is exercised by each of such nominees. The information of such shares of the Corporation so owned, controlled or directed, not being within the knowledge of Management, has been furnished by the respective nominees.

Name of Proposed Nominee / Principal Occupation	Director Since	Number of Common Shares ††
<b>John W. Adams, FCA</b> † Chairman of the Board, Emco Limited, London, Ontario, the principal business of which is the manufacture and distribution of plumbing, heating and petroleum equipment.	1980	Nil
<b>William P. Cooper, P. Eng.</b> † President, Cooper Construction Company Limited, Etobicoke, Ontario, the principal business of which is building construction, which office he has held since 1975.	1984	Nil
<b>Robert Després, O.C.</b> Chairman of the Board of Atomic Energy of Canada Limited, Ottawa, Ontario, the principal business of which is nuclear energy, and President and Chief Executive Officer, Netcom Inc.	1980	300
<b>J. Anthony Doyle</b> Partner in the Law Firm Blake, Cassels and Graydon which office he has held since 1978.	1985	12,771
<b>Cecil F. Edwards</b> President and Chief Executive Officer of the Corporation.	1979	603
<b>Douglas W. Elliot</b> Retired Executive of the Corporation.	1978	465
<b>Rhys T. Eyton</b> President and Chief Executive Officer, Pacific Western Airlines Ltd., Calgary, Alberta, which office he has held since 1976.	1984	200
<b>James C. Grant</b> Consultant to the Corporation.	1976	2,360
<b>John P.G. Kemp</b> † Corporate Director and Consultant to The Molson Companies Limited.	1978	Nil
<b>Wallace F. Read</b> † Corporate Director of and Consultant to John Labatt Limited.	1975	Nil*

†† Number of common shares beneficially owned, controlled or directed, March 4, 1986.

† Member of the Audit Committee, of which John W. Adams is Chairman.

\* Holds in his own name three shares of the Corporation which is beneficially owned by John Labatt Limited.

## ELECTION OF HONORARY DIRECTOR

Shareholders may elect as an Honorary Director any Shareholder who was a member of the Board of Directors at the time of the commencement of the first annual meeting of Shareholders after he attained the age of seventy years. It is proposed that the undermentioned will be nominated at the Meeting.

Name	Number of Common Shares Beneficially Owned, Controlled or Directed as of March 4, 1986
<b>Leonard G. Lumbers</b>	3

Mr. Lumbers is an Honorary Director.

## **EXECUTIVE COMPENSATION**

The following information pertains to the compensation paid by the Corporation and its subsidiaries to the Corporation's Executive Officers and Directors during the year ended December 31, 1985.

- a) There are 6 Executive Officers of the Corporation.
- b) Cash compensation of Executive Officers during 1985 aggregated \$483,677, which includes a deferred payment of \$42,339 to an Executive Officer upon retirement under a deferred compensation arrangement.
- c) The Corporation maintains a trustee pension plan which is available to all full-time employees, including Executive Officers, on identical terms. In 1985, however, the Corporation made an additional contribution of \$50,000 to the plan to fund a supplemental retirement benefit for a retired Executive Officer.
- d) The aggregate value of other compensation not referred to in (b) or (c), including personal benefits, paid for Executive Officers did not exceed \$3,000.
- e) Each of the eight outside Directors are entitled to a fixed fee of \$5,000 per year and an additional fee of \$500 for each meeting of the Board or of any committee of the Board attended by him. The two Directors who are employees of the Corporation are not compensated as Directors. In 1985, Directors' fees aggregated \$65,600.

## **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The Corporation provides liability insurance for Directors and Officers of the Corporation and its subsidiary in those capacities. Under this insurance coverage the Corporation is insured against any loss arising out of any liability it may have to indemnify a Director or Officer, and individual Directors and Officers are insured for losses arising during the performance of their duties for which they are not indemnified by the Corporation. Exclusions from coverage on such individual Director and Officer insurance include, amongst others, acts of dishonesty and acts which result in personal profit. There is a policy limit of \$10 million in any policy year, subject to deductibles of \$100,000 in respect of the Corporation's indemnity coverage, and \$5,000 per occurrence in respect of the individual Director and Officer subject to an aggregate deductible limit of \$10,000. The entire premium cost in the aggregate amount of \$15,000 for the financial year ended December 31, 1985 was borne by the Corporation.

## **APPOINTMENT OF AUDITORS**

Price Waterhouse have been auditors of the Corporation since 1927. The persons named in the accompanying form of proxy intend to vote for the reappointment of Price Waterhouse as auditors of the Corporation at a remuneration to be fixed by the Board of Directors, unless a proxy provides for withholding shares from voting.

## **APPROVAL BY BOARD OF DIRECTORS**

The Board of Directors has approved the contents and the sending of this Management Proxy Circular.

TORONTO, ONTARIO  
March 4, 1986

I.G. PAULIN  
Secretary and Director of  
Administration

# CANADA MALTING CO. LIMITED

## PROXY SOLICITED BY MANAGEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD APRIL 24, 1986

C

The undersigned, being a Shareholder of CANADA MALTING CO. LIMITED (the "Corporation") hereby appoints CECIL F. EDWARDS, President and Chief Executive Officer, or failing him, DOUGLAS W. ELLIOTT, Retired Executive of the Corporation, or failing him, JAMES C. GRANT, Consultant to the Corporation, OR, INSTEAD OF ANY OF THEM, ..... as proxyholder, to attend, vote and act on behalf of the undersigned at the Annual Meeting (the "Meeting") of Shareholders of the Corporation, to be held at The Royal York Hotel in the City of Toronto, on Thursday, the 24th day of April, 1986, at 11:30 A.M. (Toronto Time) and at any and all adjournments thereof, in the same manner, to the same extent and with the same power as if the undersigned were present at the Meeting or any such adjournments and without limiting the generality of the power hereby conferred, the nominees designated above are directed to vote or withhold from voting, as follows:

- (1) FOR  AGAINST  approval of the report of the Board of Directors and consolidated financial statements for the year ended December 31, 1985.
- (2) VOTE  WITHHOLD VOTE  in the election of Directors and Honorary Director to hold office until the close of the next annual meeting.
- (3) VOTE  WITHHOLD VOTE  in the appointment of auditors to hold office until the close of the next annual meeting, at a remuneration to be fixed by the Board of Directors.
- (4) At the proxyholder's discretion in respect of amendments to matters identified in the Notice of the Meeting or other matters that may properly come before the Meeting, or any and all adjournments thereof.

If a choice has been specified by the Shareholder for Item (1), the shares represented by this proxy will be voted in accordance with such choice. Where the Shareholder has not specified a choice in respect of Item (1), the proxy will be voted "For" such proposal.

The shares represented by this proxy will be voted for the election of Directors and the Honorary Director proposed by Management and named in the accompanying Management Proxy Circular and for the appointment of Price Waterhouse as auditors, unless the Shareholder has specified above that his vote be withheld.

\*DATED this ..... day of ..... 1986

.....  
Signature of Shareholder

A Shareholder has the right to appoint a person (who need not be a Shareholder) as proxyholder to attend and act on his behalf at the Meeting other than the persons designated above. The Shareholder may exercise this right by inserting the name of his nominee in the space provided above.

*\*This form of proxy should be dated and signed by the Shareholder or the proper officer or officers of a Corporate Shareholder or his or its attorney authorized in writing. If not dated by the Shareholder in the space provided, the form of proxy is deemed to bear the date on which it was mailed by Management of the Corporation.*



The history of the United States is a complex and multifaceted story that spans centuries. It begins with the early Native American civilizations, such as the Mayans, Aztecs, and Incas, who built great empires in the Americas. The arrival of European explorers in the late 15th and early 16th centuries marked the beginning of a new era of discovery and conquest. The Spanish, French, and British established colonies across the continent, each with its own unique culture and traditions. The struggle for independence from British rule culminated in the American Revolution, which led to the birth of a new nation. The young republic faced numerous challenges, including the Civil War, which tested the nation's unity and commitment to the principles of liberty and equality. The Reconstruction era followed, as the nation sought to rebuild and integrate the newly freed African Americans. The late 19th and early 20th centuries saw rapid industrialization and westward expansion, leading to the rise of a powerful nation. The United States emerged as a global superpower after World War II, playing a central role in the Cold War and the promotion of democracy and human rights. Today, the United States continues to shape the world through its economic, cultural, and political influence.



We emphasize that we will continue to serve our Canadian customers and our traditional export customers with the quality and service they have come to expect.

1985 malting earnings before the extraordinary item declined sharply from the previous year. Shipments to domestic customers were lower than in 1984, largely due to labor stoppages in the Canadian brewing industry. Export volume and margins declined significantly.

We expect that beer sales in Canada will show some recovery in 1986, but this may be offset by lower returns from export business. 1986 costs will be reduced by the removal of carrying costs on idle Toronto facilities. These carrying costs have been provided for in the Extraordinary Item in the accompanying Financial Statements.

In spite of the rationalization of our facilities, we are not obtaining a satisfactory return on our investment in the malting business, which is suffering from significant world over capacity. With no outlook for major growth in consumption, we are aggressively seeking opportunities for diversification in order to improve overall return on investment.

Earnings from Leaver Mushrooms for 1985 were higher than in the previous year, and continued to provide a satisfactory return on capital. We anticipate some further improvement in 1986. During 1985 Leaver acquired an additional mushroom farm, and it is operating satisfactorily.

In the Fall of 1985 your Directors concluded that a strengthening of the Company's equity position was required as a base for the borrowing required for the further diversification being sought by the Company. In October \$12,000,000 was raised by way of a private placement of common shares issued to Labatt and Molson at \$24 per share. Although the transaction has led to a complaint by a group of shareholders to the Ontario Securities Commission which has scheduled a hearing into the matter in April, your Directors are satisfied that the funds were raised on the most financially advantageous basis for the Company. Representatives of Labatt and Molson who sit on the Board did not participate in the decision concerning the transaction, advance notice of which was given to and accepted by both the Toronto and Montreal Stock Exchanges. We are confident that this increased equity base has placed the Company in a strong position to seek further growth in new areas.

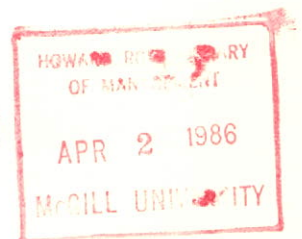
Your Directors sincerely thank all employees for their dedication and effort during a difficult year.

On behalf of the Board,



C. F. Edwards,  
President and  
Chief Executive Officer.

TORONTO, Ontario  
March 4, 1986




# Consolidated Balance Sheet

(expressed in thousands of dollars)

	1985	1984
	December 31	
<b>Assets</b>		
<b>Current assets:</b>		
Cash and short term investments	\$ 712	\$ —
Accounts receivable	15,719	15,637
Income tax recoverable (Note 4)	625	—
Inventories	47,582	51,838
	<u>64,638</u>	<u>67,475</u>
<b>Fixed assets (Note 2)</b>	<u>43,808</u>	<u>50,833</u>
	<u><u>\$108,446</u></u>	<u><u>\$118,308</u></u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Bank advances and bankers' acceptances	\$ —	3,880
Accounts payable and accrued liabilities	15,793	10,113
Income taxes payable (Note 4)	—	1,478
Long-term debt payable within one year	—	2,400
Mortgage loan payable within one year	380	—
	<u>16,173</u>	<u>17,871</u>
<b>Long-term debt: (Note 3):</b>		
Term loan	—	10,400
Mortgage loan	1,140	—
<b>Deferred income taxes, net of investment tax credits recoverable (Note 4)</b>	<b>5,823</b>	<b>11,239</b>
<b>Shareholders' equity:</b>		
Common shares (Note 5)	17,395	5,395
Retained earnings	67,915	73,403
	<u>85,310</u>	<u>78,798</u>
	<u><u>\$108,446</u></u>	<u><u>\$118,308</u></u>

APPROVED BY THE BOARD:


 Director


 Director

## Consolidated Statement of Earnings

(expressed in thousands of dollars)

	1985	1984
	Year ended December 31	
Net sales	<b>\$155,920</b>	\$166,499
Costs and expenses:		
Cost of products sold and all expenses except items shown below	<b>142,306</b>	148,345
Bank and other interest (Note 3)	<b>1,650</b>	2,015
Property rentals (Note 6)	<b>974</b>	908
Depreciation	<b>5,106</b>	5,006
	<u><b>150,036</b></u>	<u>156,274</u>
Earnings before income taxes	<b>5,884</b>	10,225
Income taxes:		
Current	<b>3,580</b>	5,349
Deferred	<b>(1,862)</b>	(1,464)
	<u><b>1,718</b></u>	<u>3,885</u>
Earnings before extraordinary item	<b>4,166</b>	6,340
Extraordinary item net of tax (Note 8)	<u><b>(7,449)</b></u>	<u>—</u>
<b>Net (loss) earnings for the year</b>	<u><b>\$(3,283)</b></u>	<u>\$ 6,340</u>
<b>Earnings (loss) per share:</b>		
Before extraordinary item	<b>\$ 1.51</b>	\$ 2.41
Extraordinary item	<u><b>(2.70)</b></u>	<u>—</u>
	<u><b>\$ (1.19)</b></u>	<u>\$ 2.41</u>

## Consolidated Statement of Retained Earnings

(expressed in thousands of dollars)

	1985	1984
	Year ended December 31	
Balance at beginning of year	<b>\$73,403</b>	\$ 69,080
Net (loss) earnings for the year	<u><b>(3,283)</b></u>	<u>6,340</u>
	<b>70,120</b>	75,420
Deduct: Dividends paid \$0.80 (1984 — \$0.77) per share	<u><b>2,205</b></u>	<u>2,017</u>
<b>Balance at end of year</b>	<u><b>\$67,915</b></u>	<u>\$73,403</u>

# Consolidated Statement of Changes in Financial Position

(expressed in thousands of dollars)

	1985	1984
	Year ended December 31	
<b>Funds provided by (used in) operating activities:</b>		
Earnings before extraordinary item	\$ 4,166	\$ 6,340
Non-cash items:		
Depreciation	5,106	5,006
Deferred income taxes	<u>(1,862)</u>	<u>(1,464)</u>
	7,410	9,882
Change in non-cash working capital balances:		
Accounts receivable	(82)	(1,895)
Inventories	4,256	(7,414)
Income taxes payable, recoverable	(2,103)	(1,444)
Change in accounts payable and accrued liabilities	<u>1,553</u>	<u>1,120</u>
	<u>3,624</u>	<u>(9,633)</u>
Funds provided by operating activities	11,034	249
<b>Funds provided by (used in) financing and investment activities:</b>		
Share issue	12,000	—
Investment tax credits recoverable	1,273	(721)
Mortgage Loan	1,520	—
Dividends paid	(2,205)	(2,017)
Additions to fixed assets	<u>(6,230)</u>	<u>(1,835)</u>
Funds provided by (used in) financing and investment activities	<u>6,358</u>	<u>(4,573)</u>
<b>Increase (decrease) in funds</b>	<b>17,392</b>	<b>(4,324)</b>
Cash and term loans at beginning of year	<u>(16,680)</u>	<u>(12,356)</u>
<b>Cash and term loans at end of year</b>	<u><b>\$ 712</b></u>	<u><b>\$(16,680)</b></u>

# Notes to Consolidated Financial Statements

---

## 1. Summary of accounting policies

---

(a) Principles of consolidation —

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, Leaver Mushrooms Co. Limited.

(b) Inventories —

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

(c) Fixed assets —

Land, buildings and equipment are stated at 1955 appraised values plus subsequent additions at cost. Depreciation provisions are computed by the straight-line method at rates based on the estimated useful lives of the depreciable assets, principally as follows:

Buildings	— 2.5% per annum
Indirect heating and heat recovery equipment	— 10.0% per annum
Other machinery and equipment	— 7.5% per annum

The Corporation follows the policy of capitalizing interest on borrowings during the construction of major projects. Government grants and investment tax credits relating to the projects are deducted from their cost.

(d) Pensions —

Current service costs are charged to operations as they occur.

On the basis of independent actuarial reports obtained by the Corporation, no unfunded past service costs remain unamortized at December 31, 1985.

(e) Foreign currency transactions —

The Corporation's principal transactions involving foreign currencies are export sales, substantially all of which are covered by foreign exchange contracts or foreign bank advances. These sales are translated into Canadian dollars at the rates applicable to the related forward exchange contracts or foreign bank advances.

Current assets and current liabilities to be settled in foreign currencies are translated into Canadian dollars at rates applicable to related forward exchange contracts, or at exchange rates prevailing at the balance sheet date.

(f) Earnings per share —

Earnings per share is calculated based on the weighted average number of shares outstanding.

# Notes to Consolidated Financial Statements

2. Fixed assets	1985	1984
	December 31 (thousands of dollars)	
Buildings and equipment	\$88,171	\$97,961
Accumulated depreciation	<u>44,972</u>	<u>48,770</u>
	43,199	49,191
Land	<u>609</u>	<u>1,642</u>
	<u>\$43,808</u>	<u>\$50,833</u>

## 3. Long term debt

Long-term interest expense in 1985 was \$952,000 (1984 — \$1,252,000).

The mortgage bears interest at 10% per annum, is repayable in annual instalments of \$380,000 on each July 2, 1986 through 1989 and is secured by a mushroom growing property which was purchased during the year.

4. Income taxes	1985	1984
-----------------	------	------

The Corporation's effective tax rate is made up as follows:

Combined basic federal and provincial tax rate	48.7	49.1%
Increase (decrease) in the income tax rate resulting from:		
Manufacturing and processing profits deduction	(7.1)	(4.7)
Inventory allowance	(12.4)	(6.2)
Other	—	(0.2)
Effective tax rate	<u>29.2%</u>	<u>38.0%</u>

Investment tax credits arising from capital expenditures and amounting to \$602,000 (1984 — \$1,875,000) are available to reduce income taxes payable in future years. These expire as follows: 1986 — \$476,000; 1987 — \$89,000; and 1988 — \$37,000. The credits are reflected in the balance sheet as a reduction of deferred income taxes.

## 5. Common shares

(a) Authorized

On December 31, 1985 and 1984 the Corporation had authorized share capital of an unlimited number of common shares without nominal or par value.

(b) Issued and Outstanding

During the year the Corporation issued 500,000 common shares to related parties for a cash consideration of \$24.00 per share.

As at December 31, 1985 there were 3,131,444 (1984 — 2,631,444) common shares issued and outstanding.

# Notes to Consolidated Financial Statements

## 6. Leased property

Under the terms of the lease taken back on the Toronto Bathurst Street property, expropriated in 1973, the Corporation has leased the property to November 30, 1987 with the right to terminate the lease with one year's notice. The Corporation may also, with one year's notice to take effect at any time, require the lessor to take possession of any part of the leased property with an appropriate adjustment of the rent. The annual rent for the balance of the lease period is currently \$614,000.

## 7. Segmented information and related party transactions

The Corporation operates in two industry segments:

Malt operations, consisting of the processing of Canadian barley for sale to brewers, distillers and food manufacturers; and

Mushroom farming, consisting of the growing and selling of fresh and canned mushrooms.

	Industry segments				Consolidated	
	1985	1984	1985	1984	1985	1984
			(expressed in thousands of dollars)			
Net sales	\$138,971	\$151,199	\$16,949	\$15,300	\$155,920	\$166,499
Earnings before income taxes	4,077	8,877	1,807	1,348	5,884	10,225
Assets	98,722	112,030	9,724	6,278	108,446	118,308

Of the total quantity of malt sold by the Corporation, export sales accounted for approximately 32% (1984 — 35%) and sales to shareholders approximately 56% (1984 — 51%).

Sales to related parties are made in the normal course of business and on the same terms as sales to unrelated parties.

## 8. Extraordinary item

The extraordinary item represents the costs of \$12,276,000 less deferred income taxes of \$4,827,000 associated with the planned closure of the Winnipeg and two Toronto malting plants. The net book value of the fixed assets written off amounts to \$8,149,000. The net costs of closure and carrying unused plants to their estimated date of disposal amounts to \$4,127,000.

On February 1, 1986 the Winnipeg plant assets were sold. The extraordinary item reflects the effect of this sale.

### To the Shareholders of Canada Malting Co. Limited:

We have examined the consolidated balance sheet of Canada Malting Co. Limited as at December 31, 1985 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario  
March 4, 1986

*Price Waterhouse*  
Chartered Accountants

# Auditors' Report

# 10 Year Summary

(expressed in thousands of dollars  
except current ratio and per share  
amounts)

	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
<b>Operations</b>										
Net earnings										
Before extraordinary item	\$4,166	\$6,340	\$8,161	\$6,471	\$4,824	\$4,716	\$4,785	\$5,609	\$3,656	\$2,023
After extraordinary item	(3,283)	6,340	8,461	6,471	4,824	3,935	4,785	5,609	3,656	6,482

## Financial

Working capital	48,465	49,604	46,251	37,634	28,092	24,930	28,301	29,209	24,375	22,253
Fixed assets (net)	43,808	50,833	54,004	57,710	62,037	61,533	34,062	28,756	28,696	27,811
Total assets	108,446	118,308	112,170	130,663	138,609	139,069	95,190	77,042	75,821	79,419
Shareholders' equity	85,310	78,798	74,475	67,724	62,832	59,587	57,147	53,864	49,753	47,285

## Current ratio

	4.00-1	3.78-1	4.88-1	2.07-1	1.58-1	1.47-1	1.86-1	2.57-1	2.12-1	1.80-1
--	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

## Per common share

Net earnings										
Before extraordinary item	1.51	2.41	3.10	2.46	1.83	1.79	1.83	2.15	1.41	.78
After extraordinary item	(1.19)	2.41	3.22	2.46	1.83	1.50	1.83	2.15	1.41	2.50
Dividends — regular	.80	.77	.65	.60	.60	.60	.60	.53	.48	.47
— extra								.07		
Shareholders' equity	27.24	29.94	28.30	25.74	23.88	22.64	21.81	20.63	19.12	18.23



# Corporate Information

---

## Board of Directors

---

*John W. Adams, FCA	Douglas W. Elliott
*William P. Cooper	Rhys T. Eyton
Robert Després, O.C.	James C. Grant
J. Anthony Doyle	*John P.G. Kemp
Cecil F. Edwards	*Wallace F. Read

\*Member of the Audit Committee

---

## Honorary Director

---

Leonard G. Lumbers

---

## Officers

---

Cecil F. Edwards	President and Chief Executive Officer
Alexander L. Mackay	Director of Operations
Donald W. McOuat	Manager of Operations
I.G. Paulin	Secretary and Director of Administration
Jonathan Bamberger	Director of Finance and Corporate Development

---

## Head Office

---

1 Bathurst Street  
Toronto, Ontario M5V 2N8

---

## Malthouses and Elevators

---

Toronto	Montreal
Calgary	Thunder Bay

---

## Transfer Agent and Registrar

---

National Trust Company, Limited  
Toronto Montreal

---

The Annual meeting will be held at 11:30 a.m. on Thursday, April 24, 1986 in the Alberta Room at the Royal York Hotel, 100 Front Street West, Toronto, Ontario.

