

**CANADA MALTING CO.
LIMITED**



ANNUAL REPORT



**For The Seventeen Months
Ending December 31, 1936**

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Report of the Directors to the Shareholders of
CANADA MALTING CO., LIMITED
For the period of seventeen months ending
December 31, 1936

The Board of Directors submits herewith Balance Sheet and Profit and Loss Statement for the seventeen months period ending December 31, 1936, as certified to by the Auditors of the Company, Messrs. Price, Waterhouse & Co.

The date of closing the Company's fiscal year was changed from July 31st to December 31st, thus corresponding with the calendar year, which accounts for the seventeen months period reviewed by this report.

After deducting all expenses and providing for depreciation and taxes, the manufacturing profits for seventeen months amounted to \$837,984.48. With the addition of interest and income from investment securities and profit resulting from the sale of securities which, combined, amounted to \$58,462.52, the total income for the period was \$896,447.00.

There will be noted a rather decided change from the current assets and liabilities figures of former reports. This is accounted for by the fact that July 31st, the closing date of previous fiscal years, is the low inventory period of the Company, and December 31st—the date of the present report—the high inventory period. Also the price of malting barley, due to the limited Canadian crop and demand from the United States for same, has been substantially higher during the past six-months than for many years.

Inventory of materials on hand was taken on a cost basis, which was lower than market, with a conservative provision made in respect to abnormal premiums it was necessary to pay for malting barley, due to conditions mentioned above.

There was expended on property account, during the period, the sum of \$159,391.13, the major portion of which represents the replacement of obsolete storage and the construction of additional storage at the Winnipeg Plant. There were also certain improvements to Montreal and Calgary Plants.

Depreciation, during the seventeen months under review, has been charged at the same rate as the previous twelve-month periods.

Your Company was again fortunate in obtaining a large volume of export business, which enabled your Plants to be operated at capacity. The margin of profit on this export trade was most satisfactory.

Your Directors have given consideration to establishing a Pension Fund, and with this in view an amount of \$75,000.00 has been set aside out of earned surplus as at December 31, 1936, as a preliminary provision for same, subject to the approval of the shareholders. Advice was obtained from Insurance Companies and other sources, and an additional appropriation will be required to place this Fund on a sound actuarial basis.

Your Plants have been maintained in first-class condition.

It is with deep regret that the Directors report the death of Mr. W. G. Knee (a member of the Board), during the fiscal period.

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., LIMITED

Balance Sheet, December 31, 1936

ASSETS

CURRENT ASSETS:

Cash on hand	\$	1,500.00
Investment in marketable securities, at cost		116,760.00
(Market value \$166,250.00)		
Accounts receivable, less reserve		469,832.48
Inventories, as determined and certified to by responsible officers of the company:		
Malt, barley, etc. (on the basis of approximate cost which was lower than market, less provision in respect of abnormal premiums paid for barley of malting grade)	\$4,019,093.46	
Coal, bags, etc. (on the basis of cost)	27,214.15	4,046,307.61
		<u>\$4,634,400.09</u>

DOMINION OF CANADA BONDS, AT COST, DEPOSITED WITH DEPARTMENT OF NATIONAL REVENUE		2,087.50
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GRAIN EXCHANGE SEATS AND MEMBERSHIP IN CLEARING HOUSE AT COST		17,200.00
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DEFERRED CHARGES:

Prepaid taxes, etc.	\$	17,199.06
Machinery repair parts and office supplies		20,000.00
		<u>37,199.06</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		1,927,718.41
		<u>\$4,679,559.12</u>
Less—Reserve for depreciation		1,426,568.60
		<u>3,252,990.52</u>

\$7,943,877.17

LIABILITIES

CURRENT LIABILITIES:

Bank advances (secured as to \$743,000.00)	\$1,213,762.75
Accounts payable and accrued liabilities	52,865.10
Reserve for Dominion and Provincial income taxes, and other accrued taxes	295,564.96
	<u>\$1,562,192.81</u>

RESERVE FOR PENSION FUND	75,000.00
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CAPITAL AND SURPLUS:

Capital Stock—	
Represented by 198,972 shares without nominal or par value	\$4,441,960.00
(Authorized 200,000 shares)	
Capital Surplus (no change during the year)	797,676.01
	<u>\$5,239,636.01</u>
Earned Surplus (as per statement attached)	1,067,048.35
	<u>6,306,684.36</u>

Approved on behalf of the Board.

ARNOLD C. MATTHEWS, Director.

JOHN P. HEIGHTON, Director.

\$7,943,877.17

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have examined the books and accounts of Canada Malting Co., Limited, for the period of seventeen months ending December 31, 1936, and have been furnished with all the information and explanations which we have required; and we report that, in our opinion, the above balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as at December 31, 1936, according to the best of our information and the explanations given to us, and as shown by the books of the company.

TORONTO, March 10, 1937.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

CANADA MALTING CO., LIMITED

*Statement of Profit and Loss and Earned Surplus
For the Period of Seventeen Months Ending December 31st, 1936*

PROFIT AND LOSS

Particulars	Amount
Profit from operations for the period of seventeen months, after charging all manufacturing, selling and general expenses, but before providing for the under-noted charges	\$1,485,805.28
<i>Deduct—</i>	
Directors' fees	\$ 2,376.95
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	67,110.51
	69,487.46
<i>Operating Profit</i> for the period, before providing for depreciation and income taxes	\$1,416,317.82
<i>Deduct—</i> Provision for depreciation	283,333.34
	\$1,132,984.48
<i>Add—</i>	
Profit on sale of stocks and bonds	\$ 20,631.04
Income from stocks and bonds	19,058.67
Interest (net)	18,772.81
	58,462.52
	\$1,191,447.00
<i>Deduct—</i> Provision for Dominion and Provincial income taxes	295,000.00
	\$ 896,447.00

EARNED SURPLUS

Balance as at August 1, 1935	\$ 917,427.16
<i>Deduct—</i> Additional income taxes in respect of prior years	25,059.42
	\$ 892,367.74
<i>Add—</i>	
Net Profit for the period of seventeen months ending December 31, 1936	\$896,447.00
Less—Dividends paid	646,766.39
	249,680.61
	\$1,142,048.35
<i>Deduct—</i> Reserve for Pension Fund	75,000.00
	\$1,067,048.35

