

**CANADA MALTING CO.  
LIMITED**



**ANNUAL REPORT**



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*FOR THE YEAR ENDING DECEMBER 31, 1938*

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## 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

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, 1938*

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The Board of Directors submits herewith Balance Sheet and Profit and Loss Statement for the twelve months ending December 31, 1938, 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 \$455,927.42. This compares with \$568,262.28 in the preceding year—a reduction of \$112,334.86.

The income from investments and interest earned was \$40,654.41 in 1938, and \$19,671.70 in 1937—an increase of \$20,982.71; thus making a combined net profit of \$496,581.83 in the year under review as compared to \$587,933.98 in 1937.

The decrease in the operating profit in 1938 was due to a slight decline in domestic business and a more substantial decline in export trade.

It will be noted, in the current assets of the Balance Sheet, the cash and equivalent is a considerably larger amount than usual and, correspondingly, the inventories have declined in value. This is due to the very low grain prices prevailing at the end of 1938, which were substantially lower than for the past four years.

The strong working capital position of your Company has been maintained, the ratio of current assets to liabilities being 15 to 1.

There was expended on property account, during the year, the sum of \$42,268.61.

Due to the present general conditions of International Trade—quotas, export subsidies, exchange control, etc.—it is found increasingly difficult to obtain export trade in volume. This is important, in view of the fact that the total Canadian malt consumption in 1938 was equal to approximately 63% of the productive capacity in Canada.

In the recent Trade Treaty with the United States, the protection on barley-malt entering Canada was reduced by 20%, no change being made in the rate entering the United States. While there is probably no immediate cause for concern on this account with respect to the Canadian malt market, it might be noted that in the years 1926 to 1929, with a tariff 30% higher than it is to-day, the imports of United States malt into Canada, due to the substantially lower prices of grain prevailing in that Country during the period, reached a high point of 20% of total Canadian consumption.

It is with deep regret your Directors report the recent death of Mr. E. G. Long, K.C. Mr. Long had been a Director of your Company for the past twelve years. His judgment was always sound. He will be greatly missed.

At a Special General Meeting, to be held prior to the Annual Meeting, a resolution will be presented for the approval of a By-law reducing the number of Directors from ten to nine.

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., LIMITED

Balance Sheet, December 31, 1938

ASSETS		LIABILITIES
<b>CURRENT ASSETS:</b>		<b>CURRENT LIABILITIES:</b>
Cash on hand and in bank .....	\$ 400,781.33	Accounts payable and accrued liabilities .....
Deposits with bankers, at interest .....	702,143.89	Reserve for Dominion and Provincial income taxes, and
Call loans—guaranteed, or secured by col- lateral .....	580,000.00	other accrued taxes .....
Investment in marketable securities, at cost .....	290,767.48	<u>150,000.00</u>
(Market value \$366,890.62)		\$ 250,560.32
Accounts receivable, less reserve .....	419,941.18	<b>CAPITAL AND SURPLUS:</b>
Inventories, as determined and certified to by responsible officers of the company: Malt, barley, etc.—on the basis of mar- ket, which was lower than cost, less reserve .....	\$1,354,450.80	Capital Stock—
Coal, bags, etc.—on the basis of cost...	26,539.47 1,380,990.27	Represented by 198,972 shares with- out nominal or par value .....
	<u>\$3,774,624.15</u>	(Authorized 200,000 shares)
<b>DOMINION OF CANADA BONDS</b> , at cost: Deposited with Department of National Revenue .....	2,087.50	Capital Surplus (no change during the year) .....
<b>GRAIN EXCHANGE SEATS AND MEMBERSHIP IN CLEARING HOUSE</b> , at cost .....	17,200.00	<u>797,676.01</u>
<b>DEFERRED CHARGES:</b>		\$5,239,636.01
Prepaid taxes, etc. ....	\$ 21,589.92	Earned Surplus (as per statement attached) .....
Machinery repair parts and office supplies	20,000.00	<u>1,290,646.86</u>
	<u>41,589.92</u>	6,530,282.87
<b>FIXED ASSETS</b> , based on appraised depre- ciated values as reported by Canadian Appraisal Company Limited as at June 25, 1927, plus subsequent additions at cost:		Approved on behalf of the Board.
Land .....	\$ 242,532.81	ARNOLD C. MATTHEWS, Director.
Buildings .....	2,509,626.34	ERIC S. CLARKE, Director.
Plant and equipment .....	2,019,751.07	
	<u>\$4,771,910.22</u>	
Less—Reserve for depreciation .....	1,826,568.60	
	<u>2,945,341.62</u>	
	<u>\$6,780,843.19</u>	
	<u>\$6,780,843.19</u>	

## AUDITORS' REPORT TO THE SHAREHOLDERS:

We have examined the books and accounts of Canada Malting Co., Limited, for the year ending December 31, 1938, 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, 1938, according to the best of our information and the explanations given to us, and as shown by the books of the company.

TORONTO, February 16, 1939.

PRICE, WATERHOUSE & CO.,  
Chartered Accountants.

# CANADA MALTING CO., LIMITED

## Statement of Profit and Loss and Earned Surplus For the Year Ending December 31st, 1938



### 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 .....	\$ 852,993.49
<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 .....	59,913.93
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Operating Profit for the year, before providing for depreciation and income taxes .....	\$ 790,579.56
<i>Deduct—</i> Provision for depreciation .....	200,000.00
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	\$ 590,579.56
<i>Deduct—</i> Provision for Dominion and Provincial income taxes .....	134,652.14
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	\$ 455,927.42
<i>Add—</i> Income from investments and bank balances .....	40,654.41
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Net Profit for year ending December 31, 1938, carried to Earned Surplus .....	\$ 496,581.83
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### EARNED SURPLUS

Balance as at December 31, 1937 .....	\$1,192,073.75
<i>Add—</i>	
Net profit for the year ending December 31, 1938 .....	\$496,581.83
<i>Deduct—</i> Dividends paid .....	398,008.72
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	98,573.11
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Balance as at December 31, 1938 .....	\$1,290,646.86
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