CANADA MALTING CO.
LIMITED

Annual Report

For the Year Ending December 31, 1944

CANADA MALTING CO., LIMITED

Board of Directors

GEO. BAILEY	JOHN P. HEIGHTON
ERIC S. CLARKE	WALTER C. LAIDLAW
J. E. GRANT	ARNOLD C. MATTHEWS
H. C. HATCH	L. M. McCARTHY

C. H. S. MICHIE

Executive Officers

ARNOLD C. MATTHEWS . . . . Chairman of the Board

ERIC S. CLARKE . . . . President and Managing-Director

H. C. HATCH . . . . Vice-President

JOHN P. HEIGHTON . . . . Secretary and Treasurer

Transfer Agent

TORONTO GENERAL TRUSTS CORP.

Toronto, Ont. - - Montreal, Que.

Registrar

MONTREAL TRUST CO.

Toronto, Ont. - - Montreal, Que.

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS OF

CANADA MALTING CO., LIMITED

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1944

Your Directors submit herewith Balance Sheet and Profit and Loss Statement for the twelve months ended December 31, 1944, with the Report of your Auditors, Messrs. Price, Waterhouse & Co.

The result of the year's operations shows a net profit of $466,647.33, after making provision for depreciation to the extent of $256,533.97 and providing for income and excess profits taxes payable, for which there has been reserved the sum of $949,298.44, of which $109,919.42 is refundable.

With the addition of the income from investments, etc., the final net profit was $546,941.64, or approximately $2.75 per share. Dividends totalling $2.50 per share were paid.

Your plants and properties have been well maintained.

You will note the gross profit is lower than in the previous year. Manufacturing costs show further general increases, a major factor being the very much higher proportion of screenings contained in the barley available for malting. The quantity of barley grown in Canada has increased very substantially during the war years. There is, at present, a great demand for barley for export to the United States, and this demand has kept the price of all barleys at the ceiling, regardless of grade. In the crop year 1939, approximately 35.5% of the barely shipped in Western Canada qualified for the 2 C.W. malting grade; in 1944, less than 7% was up to that standard.

If the export market for Canadian barley, either as barley or malt, is to be retained, growers should be encouraged to produce barley of the quality and type that originally attracted export interest. While the present ratio between Canadian and United States prices exists and the payment of equalization fees continues, a method of encouragement is readily available. The distribution of the equalization fund in such a manner as to bonus the grower of the better grades over the payments made to producers of feed barleys, would go a long way toward restoring the production of high quality malting barley in Canada.

The addition to your Montreal malthouse was completed in December. The construction took approximately three months longer than anticipated, with a consequent increase in cost over the preliminary estimates. This delay was brought about by the impossibility of securing suitable labour, when required, and unforeseen difficulties encountered in obtaining the new equipment.

While it is expected that this added capacity will be operated all through 1945, it should be realized that the increase in malt shipments in 1944 over 1943 was accomplished only by drawing heavily on malt stocks. These must now be brought back to an adequate working position; consequently, the current year's shipments will not fully reflect the increased production.

It should be noted that the quantity of malt required for alcohol for war purposes together with the increased war-time demand for malt in food products, represents almost 25% of the Company's total production and requires the full capacity of both the 1940 and 1944 additions. It can, therefore, be expected that, after the war, there will exist a large surplus of malting capacity in Canada, which will be required only if export business can be greatly increased over the pre-war volume.

Early in the year, Mr. Arnold C. Matthews expressed his wish to retire from the office of President. Mr. Matthews was appointed Managing-Director in 1927, and has been President of the Company since 1933. The Board felt that his long experience should be available to the Company, and, with this in view, he was elected Chairman of the Board. In this connection, a By-law will be submitted for approval at the Annual Meeting of the Company.

Mr. E. S. Clarke, Managing-Director of the Company since 1935, was elected President.

During the year, contact has been maintained with all employees now serving in the Armed Forces. It can be reported with gratification that all letters received indicate they look forward to returning to the Company's employ, where their positions are awaiting them.

Your Directors wish to record their appreciation of the loyalty and efficiency displayed by the staff and employees throughout the year. The continued accelerated production has only been accomplished through their successful efforts and very fine co-operation.

By Order of the Board,

ERIC S. CLARKE, *President.*

CANADA MALTING CO., LIMITED

BALANCE SHEET AS OF DECEMBER 31, 1944

ASSETS

Current Assets:			
Cash on hand		$ 1,670.09	
Investment in marketable securities, at cost (Market Value $1,675,817.32)		1,583,229.94	
Accounts receivable, less reserve		581,770.27	
Inventories, as determined and certified to by responsible officers of the company:			
Malt, barley, etc. — on the basis of the lower of approximate cost or market, less reserve	$3,535,668.94		
Coal, bags, etc.—on the basis of cost	194,500.20		
		3,730,169.14	
			$5,896,839.44
Refundable Portion of Excess Profits Tax			333,854.20
Grain Exchange Seat and Memberships in Clearing Associations, less amount written off			16,701.00
Deferred Charges:			
Prepaid taxes, insurance, etc.		$ 30,626.60	
Machinery repair parts, chattels, etc.		5,000.00	
Equalization fees paid to The Canadian Wheat Board		117,217.97	
			152,844.57
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	$3,384,765.77		
Plant and equipment	2,673,696.50		
	$6,058,462.27		
Less—Reserve for depreciation	3,291,671.61		
		2,766,790.66	
			3,009,323.47
			$9,409,562.68

LIABILITIES

Current Liabilities:			
Bank advances (secured)		$ 952,903.91	
Accounts payable and accrued liabilities		373,707.90	
Reserve for income, excess profits and other taxes		420,651.81	
			$1,747,263.62
Reserve Against Future Depreciation in Inventory Values			200,000.00
Capital and Surplus:			
Capital Stock—			
Represented by 198,972 shares without nominal or par value (Authorized 200,000 shares)	$4,441,960.00		
Capital surplus (no change during the year)	797,676.01		
	$5,239,636.01		
Earned surplus (as per statement attached)		1,888,808.85	
Refundable portion of excess profits tax		333,854.20	
			7,462,299.06
			$9,409,562.68

Approved on behalf of the Board:

ERIC S. CLARKE, Director.

JOHN P. HEIGHTON, Director.

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have examined the books and accounts of Canada Malting Co., Limited, for the year ending December 31, 1944, 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, 1944, according to the best of our information and the explanations given to us, and as shown by the books of the company.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

TORONTO, March 9, 1945.

CANADA MALTING CO., LIMITED

COMPARATIVE STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS
FOR THE YEARS ENDING DECEMBER 31, 1943 AND 1944

PROFIT AND LOSS

Particulars	1943		1944	
Profit from operations for the year after charging all manufacturing, selling and general expenses, but before providing for the under-noted charges		$1,969,442.42		$1,737,951.02
Deduct—				
Directors' fees	$2,500.00		$2,500.00	
Total amount paid or provided as counsel and solicitors' fees, and remuneration and fees of executive officers and directors who hold salaried positions in the company	57,357.25	59,857.25	62,971.28	65,471.28
Operating Profit for the Year, before providing for depreciation of buildings, plant and and equipment and income and excess profits taxes		$1,909,585.17		$1,672,479.74
Deduct—Provision for depreciation of buildings, plant and equipment		225,000.00		256,533.97
		$1,684,585.17		$1,415,945.77
Deduct—Provision for Dominion income and excess profits taxes (before deducting refundable portion of excess profits tax: 1943—$172,434.78 and 1944—$109,919.42)		1,241,648.04		949,298.44
		$ 442,937.13		$ 466,647.33
Add—Income from investments, etc.		83,668.90		80,294.31
Net Profit for the Years ending Dec. 31, 1943 and 1944, carried to Earned Surplus		$ 526,606.03		$ 546,941.64

EARNED SURPLUS

Particulars	1943		1944	
Balance as at Dec. 31, 1942 and 1943		$1,810,121.18		$1,839,297.21
Add—Net profit for the years ending Dec. 31, 1943 and 1944	$526,606.03		$546,941.64	
Deduct—Dividends paid	497,430.00	29,176.03	497,430.00	49,511.64
Balance as at Dec. 31, 1943 and 1944		$1,839,297.21		$1,888,808.85