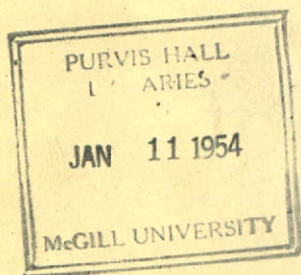


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A N N U A L R E P O R T
1949



National Breweries Limited

41st

annual report

for the year ended 31st December, 1949

ANNUAL GENERAL MEETING
29th MARCH 1950

National Breweries Limited

**NATIONAL
BREWERIES
LIMITED**

board of directors

*Hon. C. C. Ballantyne, P. C. (C)	*L. A. Ekers
G. C. Cushing	C. H. Gordon
*J. C. Cushing	*A. A. Magee, K. C., C. B. E.
*Norman J. Dawes	Hon. Alphonse Raymond
Ormiston J. N. Dawes	W. Taylor-Bailey

*Member of Executive Committee.

officers

Norman J. Dawes	. . .	President and Managing-Director
L. A. Ekers	. . .	Vice-President and Assistant to the President
J. C. Cushing	. . .	Executive Vice-President
L. J. Scott	. . .	Assistant to the Executive Vice-President
J. A. Desrochers	. . .	Director of Sales
W. P. Carr	. . .	Director of Finance
A. D. Johnston	. . .	Vice-President and Secretary
C. H. Hanson	. . .	Vice-President and Assistant to the President
O. J. N. Dawes	. . .	Director of Production
A. E. Sargent	. . .	Director of Engineering
C. C. Gardner	. . .	Director of Industrial Relations

transfer agent

The Royal Trust Company
Montreal and Toronto

registrar

Montreal Trust Company
Montreal and Toronto

bankers

Bank of Montreal

auditors

Creak, Cushing & Hodgson

The Directors' Report

TO THE SHAREHOLDERS OF NATIONAL BREWERIES LIMITED

Your Board of Directors presents herewith the Annual Report of National Breweries Limited for the year 1949. This is the 41st. annual report of the Company, whose oldest unit has completed its one hundred and fifty-ninth year of continuous operation.

EARNINGS

The consolidated earnings for the year amounted to \$1,910,188 equal to \$2.38 a share on the Common Stock after paying \$1.75 a share on the Preferred Stock, which compares with \$3,009,421 or \$3.90 per share in 1948.

Sales volume was lower while production and selling costs continued to rise; the combination of these two factors brought about a reduction in earnings. In addition, we paid debenture interest of \$260,000 which can only be offset when a large part of our construction programme is completed.

Taxes continue to be a heavy charge on your Company's earnings, and we feel that the time has arrived when the various taxing authorities should start reducing taxes from their present wartime peaks.

FINANCE

Working capital now stands at \$6,198,141, a reduction of \$875,736 as compared with December 31st, 1948. As raw materials and supplies have become more readily available, it was possible to reduce our inventories by this amount and invest it in plant and equipment which did not form part of the major expansion programme. Expenditures to date on the expansion programme total \$2,600,000 of which \$2,300,000 was spent in 1949. Earned surplus has increased from \$7,974,090 to \$8,338,035.

PRODUCTION AND DISTRIBUTION

During the busy months of the year, your Company's plants operated at maximum capacity yet were unable to supply the requirements of the

Sales Departments. This condition emphasizes the importance of increased production facilities in order to take full advantage of the high sales potential during these months.

Two brands which had been discontinued during the war were produced again during the year. Dawes Black Horse Brewery re-introduced its KINGSBEER lager and its instant acceptance by the public has already taxed the productive capacity of that department. Frontenac Brewery has brought back WHITE CAP ale. The initial results have exceeded expectations.

In the month of May beer in cans became available again after a gap of seven months, and once more demonstrated the popularity of this type of package. "One-way" bottles were introduced to the Canadian public during 1949 and their reception, along with the cans, has proved that many consumers prefer to buy their beer in non-returnable containers. Three of our breweries, Dawes Black Horse, Dow, and Frontenac, are using both cans and one-way bottles in addition to their regular packages.

PLANT ADDITIONS AND BETTERMENTS

Steady progress has been maintained toward the completion of our construction programme. The new bottling house at Dow Brewery is scheduled to be in operation before the end of September, at which time adjoining railroad siding facilities will also be completed. The tunnel connecting Dawes Black Horse Brewery with the railroad siding was finished during the summer and is now being equipped for use. Construction of the new brewhouse at Dawes Black Horse Brewery is scheduled to start this spring.

Other capital expenditures during the year included new bottling equipment, storage tanks, boilers, condensers, and compressors for the various breweries as well as a new stable for the Black Horse stallions of Dawes Brewery.

EMPLOYEE RELATIONS

Your Directors wish to express their sincere appreciation for the co-operation and good work of all employees of the Company. Your Management's relations with the employees and their representatives have been very satisfactory throughout the year.

The various Company health and security programmes, including Group Life Assurance, Pensions, Medical Services, Sickness Benefits and Blue Cross have been maintained. The cost of Medical Services and Sickness Benefits is borne completely by the Company, while the cost of the other plans is shared by the employees and the Company.

Salaries and wages paid to employees of the Company are the highest in our history and compare favourably with rates paid for similar work in the various districts in which your Company operates.

Results of the Company's safety programme showed a further marked improvement in 1949. During the year, schedules for the issue of protective clothing and equipment were re-examined by all plant safety committees and the safety engineer. Their recommendations were reviewed in detail and revisions made where necessary.

The Medical Department was very active and the work performed by our medical and nursing staff is important in maintaining the health and physical efficiency of all employees.

OWNERSHIP AND MANAGEMENT

The number of shares issued of preferred and common stock of your Company remains unchanged. The number of shareholders, however, has again increased and now totals 6,536.

It is with sincere regret that we report the resignation of the Honourable Donat Raymond from your Board of Directors. Senator Raymond, who has served as a Director of the Company for the past twenty-three years, is retiring for reasons of health. In accepting this resignation the Board wishes to record their appreciation of the valuable service which Senator Raymond has rendered to the Company.

Early in the year, three important executive appointments were made. Mr. C. H. Hanson, Vice-President and formerly Director of Sales, was appointed Assistant to the President, being succeeded as Director of Sales by Mr. J. A. Desrochers. The position of Director of Finance, previously held by Mr. Desrochers, has been filled by Mr. W. P. Carr, formerly Manager of Dawes Black Horse Brewery.

THE FUTURE

Your Company enters the new year in a strong competitive position. The sales record for the latter part of 1949 is encouraging. With augmented production facilities, it is anticipated that we will be in a position to take full advantage of seasonal market trends and an increasing demand for our products. Continuous studies are conducted to find ways and means of reducing costs. Good results have been achieved already and, with the completion of our construction programme, further economies of operation will result.

On behalf of the Board of Directors,

A handwritten signature in black ink, reading "Norman J. Dawes". The signature is written in a cursive, flowing style with a large, prominent 'N' and 'D'.

President and Managing-Director

Montreal, Que., February 22nd, 1950.

National Breweries Limited

AND SUBSIDIARY COMPANIES

CONSOLIDATED

ASSETS

CURRENT ASSETS

Cash	\$1,197,260	
Accounts Receivable (Less provision for Doubtful Accounts)	2,324,503	
Stocks of Beer, Malt, Hops, Supplies and Containers, less Reserves (including provision for future decline in inventory values) (As determined and certified by responsible officials of the Company and valued at cost or under and not above market)	4,980,036	
Investments (Dominion of Canada Bonds and other Marketable Securities at cost, less Reserve. Approximate market value \$1,547,500)	1,282,798	
		\$ 9,784,597

FIXED ASSETS

Land	2,226,324	
Buildings, Machinery, Equipment, etc. \$15,325,608 (Valued on the basis of appraisals made in 1912 and 1913 by Canadian Appraisal Co. Ltd., Putnam & Nesbitt and Putnam & Robertson, with subsequent additions at cost, less amounts written off)		
Less Depreciation Reserves	9,827,736	
	5,497,872	
	7,724,196	
Construction in progress Amount spent to date on Buildings and Machinery not yet in operation . .	4,414,792	
		12,138,988

OTHER ASSETS

Refundable Portion of Excess Profits Tax	607,739	
Balance of proceeds of Debenture Issue held for Plant Expansion and Improve- ment and presently invested in Dominion of Canada Bonds	5,200,000	
Miscellaneous Investments, less Reserve	493,182	
Deferred Charges, Prepaid Expenses, etc.	385,269	
Goodwill, Trade Marks, etc.	1	
		6,686,191

Approved on behalf of the Board:
NORMAN J. DAWES }
L. A. ETERS } Directors

\$28,609,776

ED BALANCE SHEET as at 31st december 1949

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 1,953,683	
Taxes	<u>1,632,773</u>	
		\$ 3,586,456

DEBENTURES

3¼% Sinking Fund Debentures Series "A" maturing September 1, 1963	8,000,000
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PROVISION FOR INCREASED COST OF REPLACING FIXED ASSETS	500,000
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CAPITAL STOCK

Preference:

Authorized: 160,000 shares of \$25.00 par value	<u>\$ 4,000,000</u>	
Issued: 111,000 shares		2,775,000

Common:

Authorized: 960,000 shares of no par value		
Issued: 721,372 shares	5,410,285	

EARNED SURPLUS	<u>8,338,035</u>	
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Notes: Commitments for plant expansion contracted for to date
\$3,200,000. The accounts of the United States
subsidiaries are included at par of exchange.

13,748,320

Audited in accordance with our report of this date.
CREAK, CUSHING & HODGSON
Chartered Accountants,
Auditors.

\$28,609,776

MONTREAL, 22nd February, 1950.

NATIONAL BREWERIES LIMITED and Subsidiary Companies

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1949

Profit from Operations	\$ 3,037,003
(After deducting Depreciation \$391,377, remuneration to Executive Officers \$164,020, Directors Fees \$8,700, Legal Fees \$25,100)	
Deduct:	
Interest on Debentures	\$ 260,000
Less: Interest on funds held for Plant Expansion and Improvement and Income from Investments	184,511
	75,489
	2,961,514
Deduct:	
Provision for Income Taxes (estimated)	1,051,326
Net Profit for the year transferred to Surplus Account .	1,910,188

CONSOLIDATED EARNED SURPLUS ACCOUNT

Balance at 1st January 1949	7,974,090
Add:	
Adjustment of prior years' taxes, etc.	54,327
	8,028,417
Net Profit for the year as per Consolidated Profit and Loss Account	\$1,910,188
Profits realized on Sale of Investments and Fixed Assets, etc. (net)	36,424
	1,946,612
	9,975,029
Deduct:	
Preference Dividends	194,250
Common Dividends	1,442,744
	1,636,994
Balance at 31st December 1949	8,338,035

AUDITORS' REPORT TO THE SHAREHOLDERS

Creak, Cushing & Hodgson
Chartered Accountants.

LEMUEL CUSHING, C.A.
GEORGE S. BURDEN, C.A.
GEORGE HUNTER, C.A.
ALFRED SMIBERT, C.A.
W. ALEX. FALCONER, C.A.
PHILIP GODFREY, C.A.
—
ANDREW W. WHITELAW, C.A.

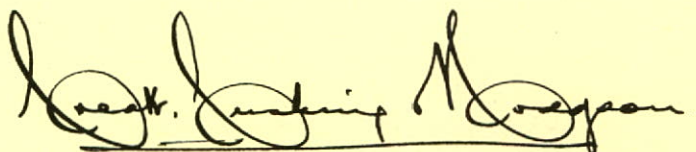
460 St. Francois Xavier Street.
Montreal.

22nd February 1950.

To the Shareholders,
National Breweries Limited,
Montreal.

We have examined the books of National Breweries Limited and subsidiary Companies for the year ended 31st December 1949 and have obtained all the information and explanations which we have required.

We report that, in our opinion, the accompanying Consolidated Balance Sheet as at 31st December 1949 is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of National Breweries Limited and its subsidiary Companies according to the best of our information, the explanations given to us and as shown by the books of the Companies.



CHARTERED ACCOUNTANTS.
AUDITORS.

*CONSOLIDATED EARNINGS - TAXES - DIVIDENDS

Dec. 31st	Taxes and Duties	Earnings Available for Dividends	Dividends		Retained in the Business
			Preferred	Common	
1940	\$ 5,405,688	\$1,480,053	\$194,250	\$1,442,744	\$184,972
1941	8,347,080	2,026,332	194,250	1,442,744	108,399
1942	13,393,640	1,949,972	194,250	1,442,744	635,718
1943	10,722,514	1,698,763	194,250	1,442,744	90,707
1944	13,820,771	1,887,328	194,250	1,442,744	760,451
1945	17,865,584	2,384,190	194,250	1,442,744	51,659
1946	19,190,635	2,709,439	194,250	1,442,744	796,593
1947	20,916,525	3,096,213	194,250	1,442,744	487,118
1948	21,660,250	3,009,421	194,250	1,442,744	153,870
1949	18,847,086	1,910,188	194,250	1,442,744	363,945

*CONSOLIDATED WORKING CAPITAL

Dec. 31st	Current Assets	Current Liabilities	Working Capital
1940	\$ 8,166,355	\$ 940,868	\$7,225,487
1941	9,993,881	2,543,184	7,450,697
1942	11,273,633	3,153,336	8,120,297
1943	11,752,352	3,292,380	8,459,972
1944	12,149,468	4,760,736	7,388,732
1945	10,761,879	4,280,779	6,481,100
1946	9,936,400	2,887,740	7,048,660
1947	12,201,023	3,804,575	8,396,448
1948	10,319,879	3,246,002	7,073,877
1949	9,784,597	3,586,456	6,198,141

*The figures for the years prior to 1945 do not include those of Frontenac Breweries Limited.
The figures for the years prior to 1947 do not include those of Black Horse Ale Inc. and Mount
Royal Importers Inc.

The figures for the years prior to 1948 do not include those of Champlain Brewery Limited.

HOW EACH INCOME DOLLAR WAS SPENT DURING THE YEAR



TAXES AND DUTIES — **45.0 cents**

Taxes and duties continued to absorb the largest single portion of the gross income dollar.



MATERIALS AND SUPPLIES — **20.1 cents**

The second largest portion of the dollar was expended for the various materials and supplies required to conduct the business of your Company.



WAGES, SALARIES AND BENEFITS — **16.0 cents**

This figure represents the wages, salaries and benefits paid to or for the employees of the Company.



OTHER OPERATING EXPENSES — **14.2 cents**

Spent for items not included under other headings such as advertising, insurance, freight, warehousing, services, depreciation, administration, etc.



DIVIDENDS PAID — **3.9 cents**

This portion of the dollar was paid in the form of dividends to holders of our common and preferred stock.



REINVESTED IN THE BUSINESS — **.8 cents**

Each year a certain sum of your Company's earnings is set aside to provide for future growth and continuance of operation. After meeting all expenses, the balance of the income dollar, as shown, was reinvested in the business.

National Breweries Limited

owning and operating

DAWES BLACK HORSE BREWERY, MONTREAL

Black Horse Ale
Dawes Kingsbeer Lager
Dawes Cream Porter

DAWES DRAUGHT ALE BREWERY, MONTREAL

Black Horse Ale

DOW BREWERY, MONTREAL

Dow Ale
Dow Crown Stout

FRONTENAC BREWERIES LIMITED, MONTREAL

Frontenac White Cap Ale
Frontenac Blue Label Lager

BOSWELL BREWERY, QUEBEC

Boswell Ale

CHAMPLAIN BREWERY LIMITED, QUEBEC

Champlain Ale
Champlain Porter

MOUNT ROYAL IMPORTERS INC., NEW YORK, N.Y.

BLACK HORSE ALE INC., NEW YORK, N.Y.

