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MORE THAN A CENTURY OF BREWING EXPERIENCE



KEEFE HOUSE

CANADIAN BREWERIES LIMITED

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DEC 17 1953  
MICHIGAN UNIVERSITY

**CANADIAN BREWERIES LIMITED**

*Annual Report*

FOR YEAR ENDED OCTOBER THIRTY-FIRST, NINETEEN FORTY-FIVE



Your Company's Annual Report for the year ended October thirty-first, nineteen forty-five, is set forth in the following pages in the usual conventional form, supplemented by graphic or pictorial presentation of certain information . . . .

# CANADIAN BREWERIES LIMITED

## BOARD OF DIRECTORS

*W. L. Bayer	Montreal
D. C. Betts	Toronto
*J. A. Bohannon	Cleveland
*Wing Com. C. F. W. Burns	Toronto
Lt.-Col. J. Innes Carling	London
*Robert Fleming	Toronto
Hon. Wilfrid Gagnon, C.B.E.	Montreal
Lt.-Col. W. Fraser Hadley	Ottawa
C. D. Magee	Toronto
*M. W. McCutcheon	Ottawa
*E. P. Taylor	Toronto

\*Member of the Executive Committee of the Board

## LONDON (ENGLAND) COMMITTEE

L. A. Stride, Chairman  
A. C. Whitmee                      G. F. Cobbold

## OFFICERS

Chairman of the Board	E. P. Taylor
President	D. C. Betts
Vice-President	H. A. Taylor
Vice-President—Production	F. N. Ward
Vice-President—Sales	I. R. Dowie
Vice-President—Engineering	T. G. Ferguson
Secretary	W. C. Butler
Treasurer	H. A. Cornwall

## TRANSFER AGENT AND REGISTRAR

National Trust Company Limited, Toronto and Montreal

## AUDITORS

George A. Touche & Co.

## BANKERS

The Royal Bank of Canada                      Imperial Bank of Canada

# CANADIAN BREWERIES LIMITED

## REPORT OF THE BOARD OF DIRECTORS

Toronto, Canada,  
January 30th, 1946.

To the Shareholders:

Your Directors present herewith a statement of the affairs and financial position of the Company for the fiscal year ended October 31st, 1945.

The most significant development of the past year has been that the investment in the shares of Brewing Corporation of America, Cleveland, Ohio, was substantially increased to the extent that such Company became 71% owned by your Company. The accounts of Brewing Corporation of America are for the first time consolidated with the accounts of your Company and its other subsidiaries. Therefore the figures for the year in review are not strictly comparative with those for the previous year.

From the financial standpoint the results of operations for the year were satisfactory. The net profit before income and excess profits taxes amounted to \$8,668,011, as against \$4,439,844 in the previous year. After provision for income and excess profits taxes there remained a net profit of \$2,294,347, in comparison with the previous year's profits of \$1,271,284. Included in the year's profit is an amount of \$588,900, representing the refundable portion of the excess profits tax, as against \$641,050 in the profits of the previous year.

The balance sheet reflects the expansion of the Company which took place during the year. Net working capital stood at \$8,722,678, as against \$5,188,477 at the end of the previous year.

The capital structure of the Company was simplified so that the share capital now consists solely of common shares. At the end of the year the outstanding share capital of your Company was 1,735,791 common shares of no par value, held by 7,695 shareholders.

Conditions surrounding distribution in Canada were unsatisfactory at certain points. This was caused by the supply of beer being insufficient to meet the demand. In the United States, supplies were more nearly adequate. It is significant that in the United States, where less restricted sale generally is permitted, retail sales conditions were in the main free of objectionable features.

All plants were maintained in splendid physical condition, which enabled your Company to continue to produce ales and beers of the finest quality.

Your Company's relations with its employees, and the provision which has been made for their welfare are referred to elsewhere in this report. It has been a great source of satisfaction to your Directors to introduce the forty-hour week for practically all employees, with the exception of a limited number whose duties justify a somewhat longer working week. As a result of increases in hourly rates of wages, the shortening of hours has not reduced the employees' "take-home" pay.

Of the 327 employees who joined the armed forces of Canada and the United States, 132 have already returned and have re-entered the service of your Company. It is with sorrow that we record that 14 made the supreme sacrifice.

To meet the increasing demand for the products of your Company, your Directors have authorized a large expansion of productive facilities in Canada and the United States. Commitments have been, or will be shortly, made to expend \$7,500,000 on plant additions which, when completed, will add 50% to Canadian capacity and 100% to capacity in the United States. Whereas a substantial part of the cost of this expansion will be financed out of earnings, your Directors plan in the near future to cause the Company to issue rights to its shareholders to purchase additional common shares of the Company on a pro-rata basis.

With the public demand and acceptance of your Company's products being as satisfactory as it is, and with the amelioration of heavy wartime taxes, your Directors look forward to the future with confidence.

Your Directors wish to record their appreciation of the loyalty and efficient services rendered by Mr. D. C. Betts, President, and the other officers and employees of the Company during the period under review.

Submitted on behalf of the Board of Directors.

E. P. TAYLOR,

Chairman of the Board.

# CANADIAN BREWERIES LIMITED

## Consolidated Balance Sheet

### ASSETS

CURRENT ASSETS:		
Cash on Hand and in Banks .....		\$6,416,698.98
Investments in Marketable Securities at cost (Quoted Market Value \$427,000.00) .....		369,003.92
Accounts and Bills Receivable less Reserve for doubtful accounts ...		1,184,277.28
Inventories as certified by responsible officials:		
Stocks of beer and other products, raw materials and supplies valued at the lower of cost or market .....	\$4,723,771.43	
Containers at estimated value not in excess of replacement cost .....	1,275,794.59	
		5,999,566.02
Prepaid Expenses .....		418,021.26
		<u>\$14,387,567.46</u>
REFUNDABLE PORTION OF EXCESS PROFITS TAX .....		1,720,623.11
INVESTMENTS IN SHARES of Other Brewing Companies (Quoted Market Value \$1,666,000.00) .....		1,003,920.13
DEFERRED CHARGES:		
Debenture Discount and Expenses, less amounts written off .....		\$173,917.36
Sundry .....		279,774.47
		<u>453,691.83</u>
FIXED ASSETS (See Note 3):		
Land .....		\$1,464,174.44
Buildings .....	\$ 7,659,190.30	
Plant and Equipment .....	10,275,415.22	
	\$17,934,605.52	
Less: Reserves for Depreciation .....	5,816,476.36	
		<u>12,118,129.16</u>
		13,582,303.60
SUNDRY PROPERTIES AND INVESTMENTS including interest in Affiliated Company and Subsidiary Company not consolidated in Balance Sheet at book values, less reserves ..		\$1,139,172.15
PREMIUM PAID ON PURCHASE OF SHARES of Subsidiaries Acquired since the 31st October, 1943 .....		3,128,944.62
		<u>\$35,416,222.90</u>

We have examined the books and accounts of Canadian Breweries Limited, and of its Subsidiary Companies with three exceptions referred to hereunder, for the year ended the 31st October, 1945. In connection therewith we tested accounting records and other supporting evidence and made a general review of the accounting methods and of the Profit and Loss and Surplus Accounts for the year. In the case of three Subsidiary Companies not audited by us we have had produced to us Balance Sheets with relative Profit and Loss and Surplus Accounts, certified by their respective auditors, which have been accepted by us for inclusion in the accompanying Consolidated Accounts. Based upon such examination, we report that all our requirements as auditors have been complied with and that, in our opinion, the above Consolidated Balance Sheet as supplemented by the explanatory notes numbered 1 to 7 inclusive appended thereto is properly drawn up so as to exhibit a true and correct view of the state of the affairs of Canadian Breweries Limited and its Subsidiary Companies as at the 31st October, 1945, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

DATED at Toronto, Ontario, 21st January, 1946.

GEORGE A. TOUCHE & CO.  
Chartered Accountants, Auditors.

# AND SUBSIDIARY COMPANIES

Statement I

at the 31st October 1945

## LIABILITIES AND CAPITAL

### CURRENT LIABILITIES:

Accounts Payable and Accrued Liabilities .....		\$2,416,249.96
Income and Excess Profits Taxes accrued less payments thereon (See Note 4) .....	\$5,777,332.74	
Less: United States Government Securities, at cost plus accrued interest, deposited with bank under loan agreement for payment of United States taxes .....	<u>2,528,693.22</u>	
		3,248,639.52
		<u>\$5,664,889.48</u>

### DEBENTURES AND NOTES PAYABLE:

Serial Notes Payable in instalments from the 15th December, 1946, to the 15th December, 1950 .....	\$1,459,654.23
Notes due \$550,000.00 annually from 31st December, 1946, to the 31st December, 1954 .....	<u>4,950,000.00</u>
	\$6,409,654.23

### DEBENTURES—Secured by First Mortgage:

Authorized .....

\$10,000,000.00

Issued—\$5,000,000.00 of which \$400,000.00 have matured.

#### Outstanding:

Serial Debentures maturing in annual instalments of \$200,000.00  
on the 1st July, 1946 to 1952 inclusive, and \$300,000.00 on  
the 1st July, 1953 to 1960 inclusive, and \$400,000.00 on the  
1st July, 1961 and 1962, and bearing interest at various rates  
from 3¼% to 4½% according to dates of maturity .....

4,600,000.00

11,009,654.23

INVENTORY RESERVE .....

332,968.31

MINORITY INTEREST IN SUBSIDIARY COMPANY .....

1,617,907.17

### CAPITAL AND SURPLUS represented by:

#### Authorized Capital (See Note 5):

3,236,491 Common Shares of no par value.

#### Issued Capital:

1,735,791 Common Shares of no par value .....

\$11,040,102.61

Capital Surplus—Statement II .....

1,724,571.19

Distributable Surplus (See Note 6)—Statement III .....

4,026,129.91

16,790,803.71

\$35,416,222.90

Approved on behalf of the Board, E. P. TAYLOR, Director.

D. C. BETTS, Director.

# CANADIAN BREWERIES LIMITED and SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED BALANCE SHEET

at the 31st October, 1945

(1) BASIS OF CONVERSION TO CANADIAN FUNDS

The Accounts of the United States Subsidiaries have been converted at the rate of exchange at the 31st October, 1945, as set by the Foreign Exchange Control Board of Canada.

(2) DATES OF ACCOUNTS OF SUBSIDIARIES

The Accounts of the Subsidiaries have been prepared as at the 31st October, 1945, with the exception of Brewing Corporation of America, Cleveland, U.S.A., and its Subsidiaries, and Victory Mills Limited, Toronto, whose fiscal periods end the 30th September, 1945, and whose accounts as at that date have been included in the accompanying statements.

(3) LAND, BUILDINGS, PLANT AND EQUIPMENT

Land, Buildings, Plant and Equipment in Canada are, in the main, valued on the basis of independent appraisals made at various dates, in 1939 or later years, plus subsequent additions at cost, less retirements.

In the case of Brewing Corporation of America and its subsidiaries, Machinery and Equipment are valued at cost, and Land, Buildings and fixed equipment are valued at amounts determined in 1936 by the Board of Directors with the subsequent additions at cost, resulting in a total net book value of \$2,523,197.47 which is approximately \$3,800,000.00 less than that determined by independent appraisals made in 1944 and 1945.

(4) EXCESS PROFITS TAXES

Dominion Excess Profits Taxes for the years 1940 to 1945 inclusive are subject to final determination of standard profits for certain operating Subsidiaries in connection with which applications are being made to the Minister of National Revenue.

(5) SHARE CAPITAL

Effect has been given to the Supplementary Letters Patent dated the 31st October, 1945.

(6) SURPLUS

The Trust Deed securing the Serial Debentures contains a provision whereby dividends may not be declared or paid which would reduce the consolidated net current assets of the Canadian Companies below a certain level.

An amount of \$659,126.72 has been taken up in the Profit and Loss Account representing Canadian Breweries Limited share of the profits of the United States Subsidiaries for the year. By the terms of certain loan agreements no distribution of such profits can be made to Canadian Breweries Limited until the liabilities incurred in connection therewith have been liquidated.

(7) COMMITMENTS

At the Balance Sheet dates Uncompleted Construction Contracts amounted to approximately \$2,900,000.00.



# CANADIAN BREWERIES LIMITED and SUBSIDIARY COMPANIES

Statement IV

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the Year ended the 31st October, 1945

Profit from Operations before charging Depreciation, Income Taxes and other items as set out below .....	\$9,642,688.19
Miscellaneous Income—Net .....	186,411.46
	9,829,099.65
LESS: Debenture and Note Interest .....	352,480.11
Net Profit for year before providing for Depreciation, Income Taxes and Minority Interest .....	\$9,476,619.54
Provision for Depreciation .....	808,608.63
Net Profit for year before Income Taxes and Minority Interest .....	\$8,668,010.91
Provision for Dominion Income and Excess Profits Taxes .....	\$6,594,483.00
LESS: Refundable Portion of Excess Profits Tax .....	588,900.00
	6,005,583.00
Profit applicable to Minority Interest .....	\$2,662,427.91
	368,080.44
Balance Transferred to Distributable Surplus—Statement III .....	\$2,294,347.47

# CANADIAN BREWERIES LIMITED and SUBSIDIARY COMPANIES

Statement II

## CAPITAL SURPLUS

For the Year ended the 31st October, 1945

Balance at Credit the 1st November, 1944 .....		\$1,737,064.62
ADD: Surplus resulting from appraisals of Fixed Assets at the 31st October, 1945.		
Brading's Capital Brewery Limited .....	\$506,750.14	
Carling Breweries (Walkerville) Limited .....	202,716.30	
	\$709,466.44	
Less: Applied in reduction of premium paid on purchase of shares of Subsidiaries .....	709,466.44	
DEDUCT: Adjustments resulting from disposals of Fixed Assets during the year .....		12,493.43
Balance at the 31st October, 1945—Statement I .....		\$1,724,571.19

Statement III

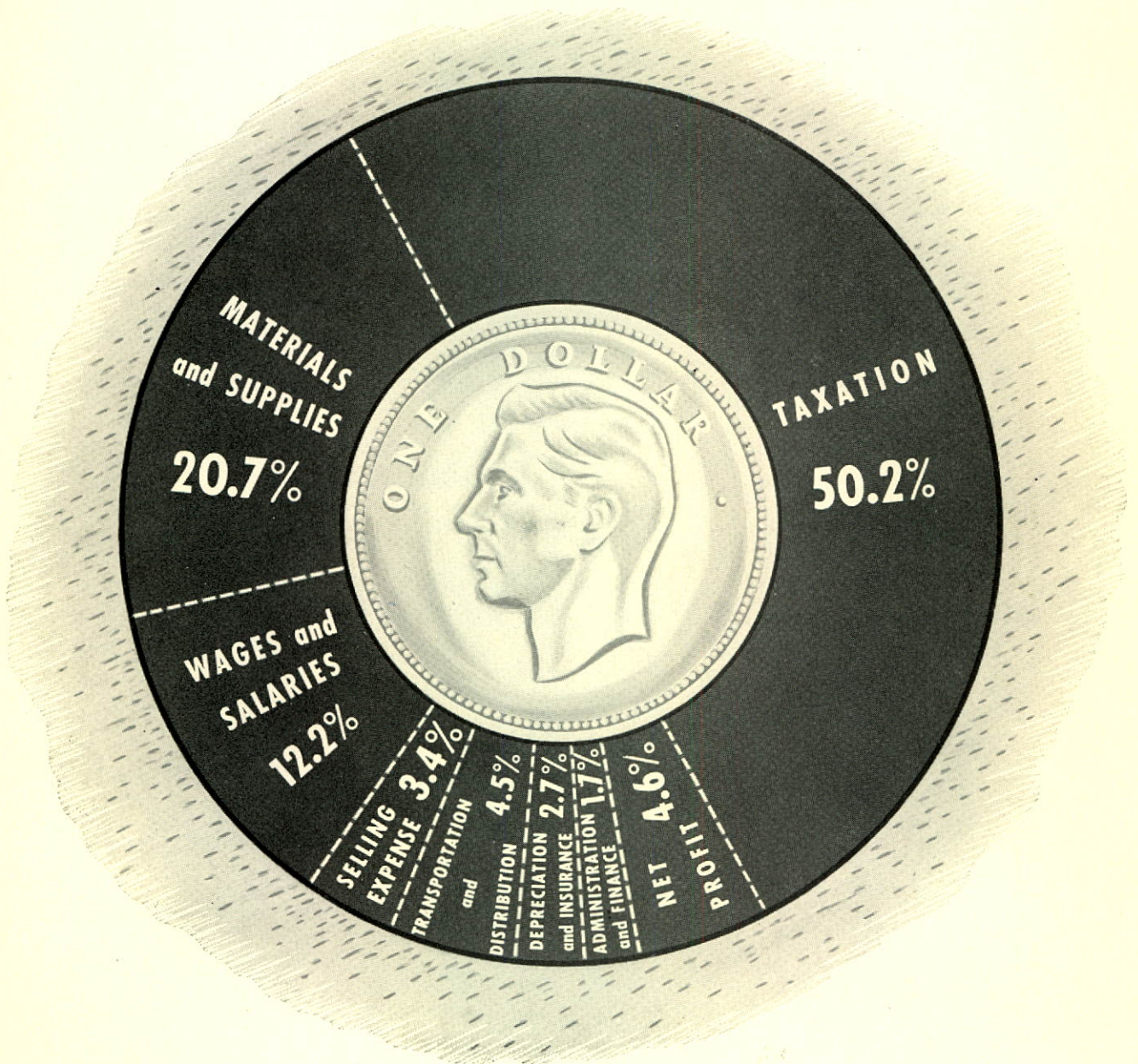
## DISTRIBUTABLE SURPLUS

For the Year ended the 31st October, 1945

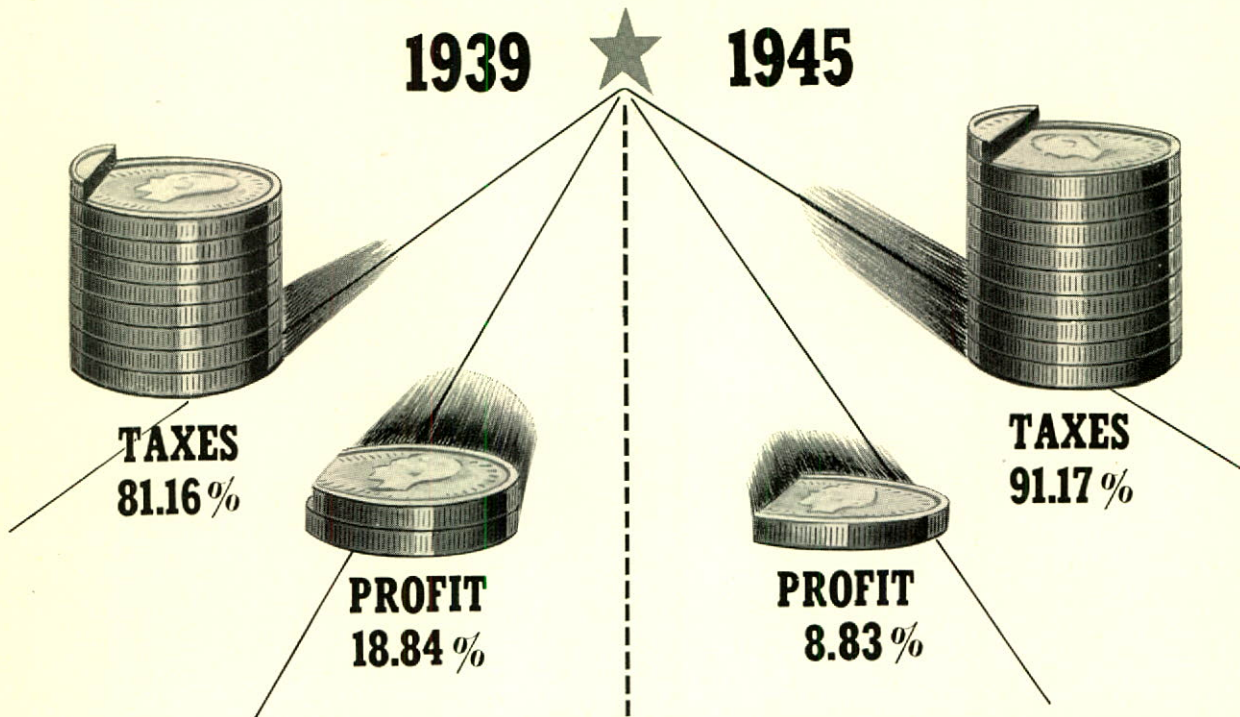
Balance at Credit the 1st November, 1944 .....		\$2,737,096.64
ADD: Net Profit for the year ended the 31st October, 1945—Statement IV .....		
		2,294,347.47
		\$5,031,444.11
DEDUCT: Dividends Paid		
Preference Shares .....	\$808,258.20	
Common Shares .....	197,056.00	
		1,005,314.20
Balance at the 31st October, 1945—Statement I .....		\$4,026,129.91

# DISTRIBUTION OF THE SALES DOLLAR

## 1945



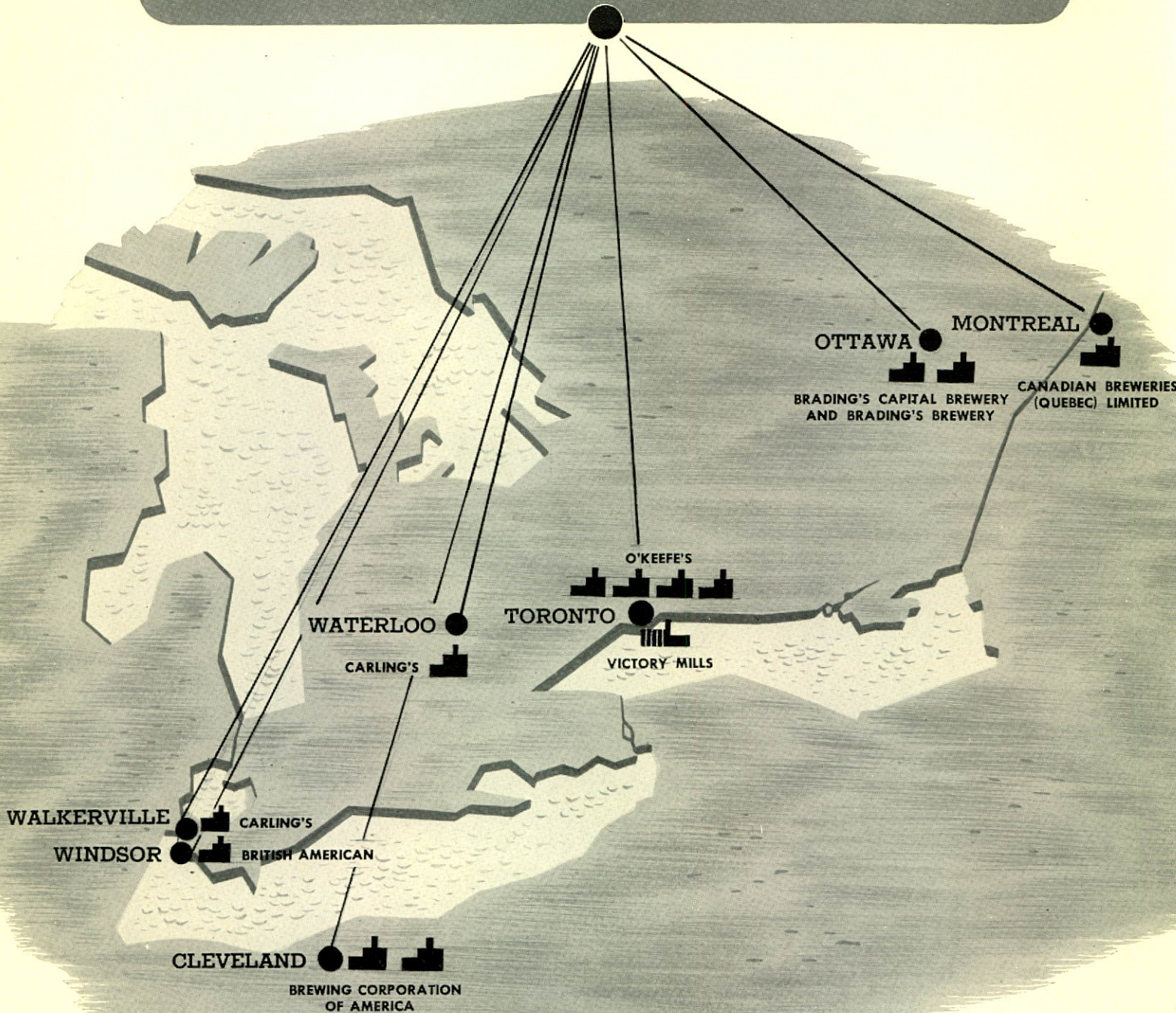
## TAX BURDEN OF THE PROFIT DOLLAR



## TAXES PER SHARE OF CAPITAL STOCK



## LOCATION OF YOUR COMPANY'S PLANTS



The brands of O'Keefe's and Carling's are available throughout Ontario, Quebec and the Maritime Provinces. Carling's well-known brands are also obtainable in the United States. Brading's Capital and British American products are available in Eastern Ontario and Western Ontario respectively.

## LABOUR RELATIONS...

Your Company has for many years enjoyed excellent relations with Labour. This happy situation is due, we believe, mainly to the spirit of mutual fairness and give-and-take which has existed, and does exist, in both the union and the management. The leaders of the union are men who have a keen appreciation of the difficulties and problems which confront management and while safeguarding at all times the interests of the union members they have not permitted those interests to destroy their sense of equity. On the Company's part, many benefits for the employees have been instituted, most of them spontaneously and without any demand from the workers.



There has long been in effect an insurance plan which covers death, accident, sickness and hospitalization. The hospitalization feature includes employees' immediate families.

The Company's retire-operated roughly on the company contribution for each dollar paid by plan provides, for long-service employees, pensions at age 65. Employees with shorter periods of service earn comparably lower retirement incomes. The Canadian Breweries' plan is regarded by insurance men as one of the most liberal in effect in Canada.



All of your on a 40-hour week for all plant employees except engineers, the nature of whose duties requires longer hours of work. Hourly rates were at that time increased so that employees on the 40-hour week will receive the same take-home pay which they formerly received for 44 hours.



Simultaneously with the adoption of the 40-hour week the Company awarded to all employees six annual statutory holidays with pay. In addition, all employees with one year's continuous employment were awarded two weeks' annual vacation with pay, and one week's annual vacation with pay was granted to those with 6 months' continuous service.



The management of your Company feels that these innovations will improve the health and well-being of the employees and enable them to carry out their duties more easily and more effectively.

## EXPORT



**E**XTENSIVE preparations are being made for intensified sales campaigns abroad when conditions permit large scale export shipments.

Market surveys have been completed for all of our potential future export outlets. Contacts have been opened with distributors in the United States and 33 foreign countries. The two maps will serve to illustrate the extent of the markets under study ranging from Newfoundland to the Fiji Islands.

Since the wartime shortage of beer has been a world wide condition, we have been aware that we could not accept the demand apparent in the last few years as an index of normal potential but have based our study on prewar conditions, taking into consideration such trends as we could observe which might be likely to endure in post-war conditions.

Plans for the development of these markets are in an advanced stage and we believe that by their implementation we may be able to obtain something close to world wide distribution for our

brands. While the volume in many countries with highly developed brewing industries will, of course, be very small, others which have no breweries, or are not capable of producing sound products have in the past afforded a very considerable market for brewers in the export business.

During the past year, in addition to conducting a voluminous correspondence with merchants in all these countries, we circulated booklets and maps abroad to do our share of the task of building up Canada as a large exporting and importing nation.

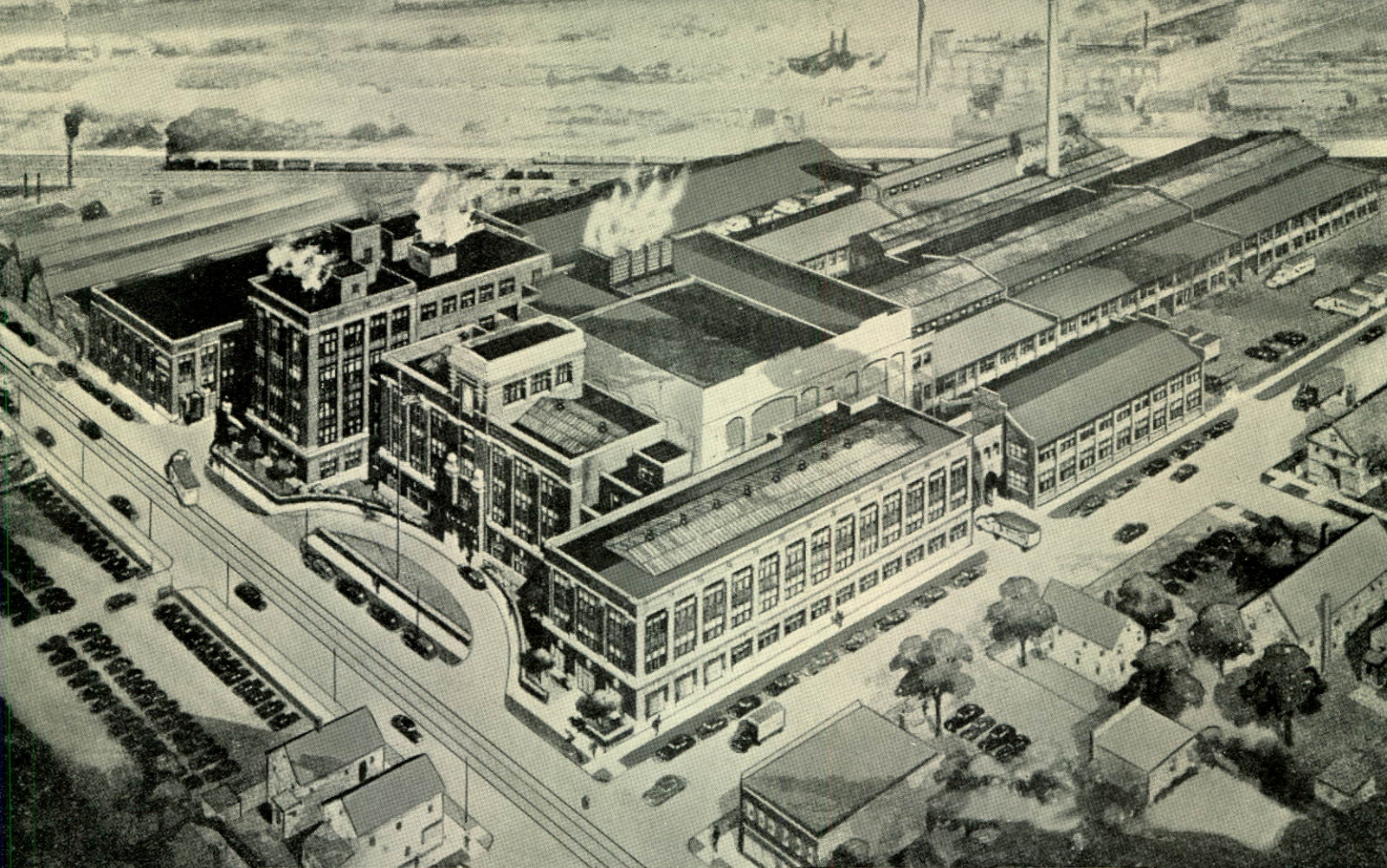


**O**VERSEAS  
**S**HIPMENTS  
**T**O THE  
**A**RMED FORCES  
**O**F THE  
**U**NITED  
**N**ATIONS

**D**URING the war years your Company helped to supply Canadian beer to Britain's armed forces through the Navy, Army and Air Force Institute (N.A.A.F.I.). It is worthy of note that more than 97% of the beer so supplied from Ontario was produced in the plants of your Company. Your American subsidiary company, Brewing Corporation of America, co-operated in supplying beer to the U.S. forces to the extent of 15% of its production.

While we have no official information as to where this beer was shipped, your Company's brands have found their way into many countries, as evidenced by letters received from our own employees in the services, who have been delighted to find them in North Africa, Italy, Sicily, Gibraltar and in Air Force messes in India and Australia and many other countries.





## BREWING CORPORATION OF AMERICA

**B**REWING CORPORATION of America with two plants in Cleveland, Ohio, the newest subsidiary of your Company, has a romantic story in the conversion of a super-automobile plant into a modern brewery in 1931. The brewery in Cleveland was formerly the plant of the Peerless Motor Car Company which in 1885 was turning out machine tools, clothes wringers and bicycles and was the only exhibitor at America's first automobile show in 1900, still in business 30 years later. In July, 1931, the market for high-priced cars being almost nil and the repeal of prohibition practically assured, it was decided to convert the plant into a modern brewery. The conversion completed, the Brewing Corporation's next problem was sales. Rather than start business with a new and unknown brand, the management made arrangements for the use of the century-old Carling name, formulas and technical assistance of Canadian Breweries Limited.

Brewing Corporation of America with its million barrel capacity is now one of the five largest producers of bottled ale and beer in the United States. It is planned to double the Cleveland Brewery's output which will enable the Company to expand its distribution to all of the 48 States.

## VICTORY MILLS LIMITED

**V**ICTORY MILLS LIMITED, a wholly-owned subsidiary of your Company, operates a modern \$2,500,000.00 plant on the Toronto waterfront, processing soybeans and other oil bearing seeds and brewery by-products. In view of Canada's vast food production programme and because of the many uses of soybean products, this business will assume importance in the nation's economy.

Victory Mills, with a daily capacity of 225 tons of soybeans, will make possible a tenfold increase in Canada's output of soybean oil cake meal, providing farmers with a major domestic source of protein feeds essential to greater yields of meat and dairy products. At the same time its output of soy flours and oils will provide substantial quantities of valuable products to help meet increased nutritional needs both at home and abroad.

But more important still, perhaps, from a long term standpoint, is the stimulation Victory Mills will give to the cultivation of the soybean, which, apart from its value as a source of food products, has a potential usefulness in industry that chemists compare favourably with the present versatility of coal. Running at capacity, Victory Mills will utilize 3,000,000 bushels of soybeans a year. Soybean oil, now going exclusively to the edible market has also many industrial applications—paint, printing ink, linoleum, soap and even lipstick.



# FAMOUS BRANDS OF YOUR COMPANY

BRADING'S CAPITAL BREWERY LIMITED  
OLD STOCK ALE



BRITISH AMERICAN BREWING COMPANY LIMITED  
CINCINNATI CREAM  
BRITISH ALE



THE CARLING BREWERIES LIMITED AND  
BREWING CORPORATION OF AMERICA  
RED CAP ALE  
BLACK LABEL LAGER



O'KEEFE'S BREWING COMPANY LIMITED  
OLD STOCK ALE  
OLD VIENNA BEER



VICTORY MILLS LIMITED  
Processors of soybeans and oil-bearing seeds,  
brewers' yeast and brewers' grains.





CANADIAN BREWERIES LIMITED