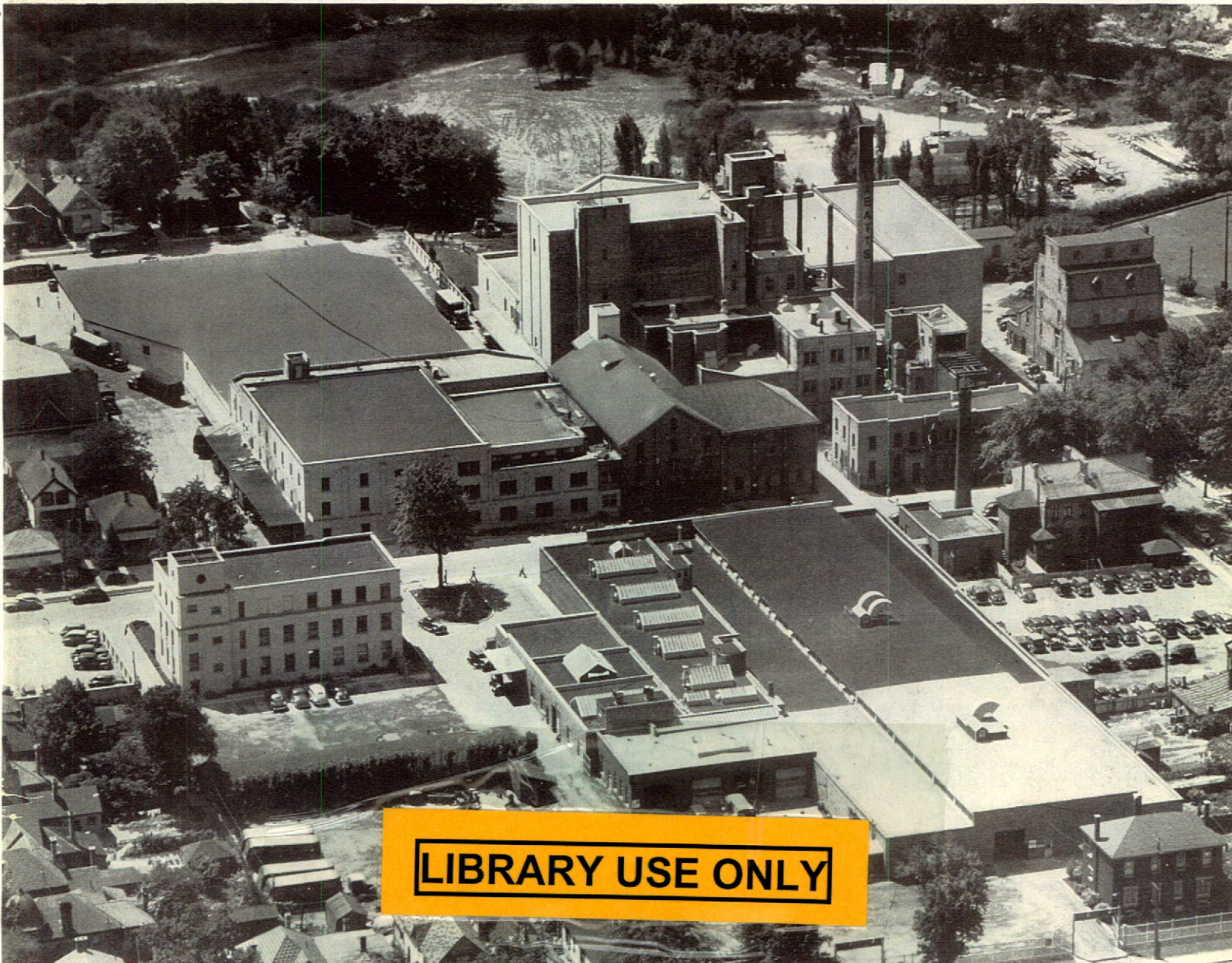


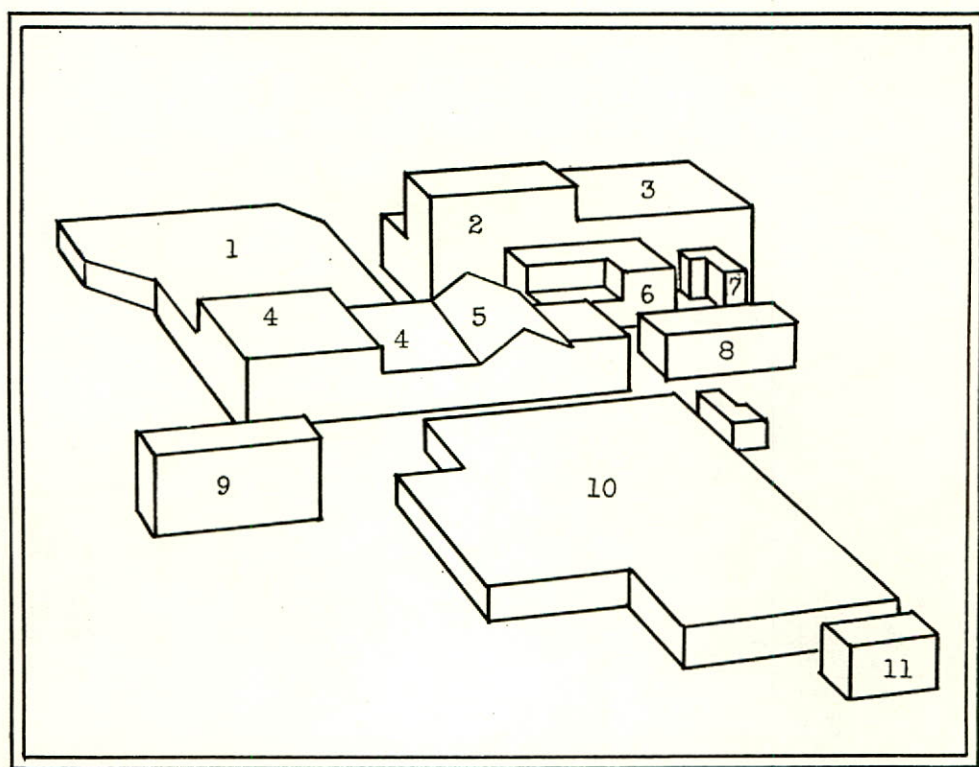


# *John Sabatt Limited*



**ANNUAL REPORT**  
for the year ending 30th September, 1947  
LONDON      CANADA





**Our Cover Picture** shows the brewery from the air. This key identifies the principal buildings. (1) Empty Bottle Storage. (2) Fermenting and Carbonating Cellars. (3) Storage Cellars. (4) Bottle Shop and Shipping Department. (5) "Old Malt House" (cafeteria and recreation). (6) Brew House, Fermenting Rooms and Hop Storage. (7) Boiler House. (8) Offices and Staff Club. (9) Main Office. (10) Garage. (11) Drivers' Club House. Further photographs at the back of the Report show the Brewery at work.

*John Labatt Limited*

ESTABLISHED 1832

## ANNUAL REPORT

for the year ending  
30th September, 1947



This trademark has come to stand for integrity. Integrity in the ancient and honourable craft of brewing. Integrity in the attitude of the company towards the public and towards its employees.

Annual General Meeting of Shareholders  
17th January, 1948

IN CONTINUOUS OPERATION FOR ONE HUNDRED AND FIFTEEN YEARS

## Contents of this report • • • • •

Aims of John Labatt Limited	- -	Page 2
Directors and Officers	- - -	Page 3
President's Report	- - - -	Page 4
Consolidated Balance Sheet	- -	Page 6
Statement of Profit and Loss	-	Page 8
General Manager's Report	- -	Page 9
The Brewery in Operation	- -	Page 11



### The Aims of John Labatt Limited

The aims of John Labatt Limited are; first, to produce malt beverages of the finest quality; second, to make a fair profit on operations; and, third, to meet all of our obligations to our shareholders, our employees, our customers and to the community at large, all of whom contribute to and are responsible for the success of the Company.

## DIRECTORS

JOHN S. LABATT..... London, Ontario  
HUGH F. LABATT..... London, Ontario  
MAJOR-GENERAL THE HON. S. C. MEWBURN, P.C., K.C., C.M.G. .... Hamilton, Ontario  
R. H. CRONYN..... London, Ontario  
W. H. R. JARVIS..... New York City, New York, U.S.A.

## OFFICERS

MAJOR-GENERAL, THE HON. S. C. MEWBURN, P.C., K.C., C.M.G., Chairman of the Board  
JOHN S. LABATT..... President  
HUGH F. LABATT..... Vice-President  
HUGH A. MACKENZIE..... Vice-President and General Manager  
L. C. BONNYCASTLE..... Assistant General Manager and Secretary  
W. L. DAVIS..... Treasurer

## SOLICITORS

Ivey & Livermore, London

## AUDITORS

Clarkson, Gordon & Company, Toronto

## TRANSFER AGENTS

The Canada Trust Company, Toronto, The Royal Trust Company, Montreal  
and Halifax, and The Bank of Montreal Trust Company, New York, U.S.A.

## REGISTRARS

The Royal Trust Company, Toronto and Halifax, The Bankers' Trust Company,  
Montreal, and The Bank of Montreal Trust Company, New York, U.S.A.



# John Labatt

## CONSOLIDATED BALANCE

### ASSETS

#### CURRENT:

Cash on hand and in banks.....				\$ 696,452
Dominion of Canada bonds at cost and accrued interest (market value \$2,665,500).....				2,607,469
Accounts receivable less reserve for doubtful accounts.....				647,781
Inventories as determined and certified by the management, valued at the lower of cost or market—				
Beer and ale.....	\$1,020,120			
Materials and supplies.....	338,371	\$1,358,491		
Less wartime inventory reserve.....		516,433	842,058	\$ 4,793,760

#### FIXED:

	Asset at cost	Reserve for depreciation	Net book value	
Land.....	\$ 321,433	\$	\$ 321,433	
Buildings.....	3,142,637	846,879	2,295,758	
Machinery and equipment.....	2,381,282	1,742,647	638,635	
Trucks and automobiles.....	765,230	437,909	327,321	
	\$6,610,582	\$3,027,435	\$3,583,147	3,583,147

#### OTHER:

Advances to Brewers' Warehousing Co. Limited....			\$ 258,688	
Prepaid expenses, deferred charges and sundry assets.....			233,373	
Bottles—valued at redemption price.....	\$ 398,797			
Kegs at cost less amounts written off.....	69,567		468,364	
Refundable portion of excess profits tax.....			792,175	1,752,600
				<u>\$10,129,507</u>

**SHEET - 30th SEPTEMBER, 1947**

**LIABILITIES**

**CURRENT:**

Accounts payable and accrued charges.....	\$ 811,924	
Dividends payable 1st October and 1st November 1947 .....	450,000	
Provision for taxes payable and contingencies less payments on account and in advance.....	1,165,276	\$2,427,200

**RESERVES:**

Reserve for replacement of plant and equipment.....	\$1,000,000	
Reserve for redemption of containers in hands of public.....	500,000	1,500,000

**CAPITAL AND SURPLUS:**

**Capital—**

Authorized—1,000,000 common shares without par value		
Issued—900,000 common shares.....	\$ 340,000	
Earned surplus.....	5,862,307	6,202,307

On behalf of the Board

JOHN S. LABATT, Director

HUGH F. LABATT, Director

\$10,129,507

**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have made an examination of the above consolidated balance sheet of John Labatt Limited and its subsidiaries as at 30th September 1947 and of the related statements of consolidated profit and loss and earned surplus for the year ended on that date. In connection therewith we examined or tested accounting records of the company and received all the information and explanations we required from its officers and employees; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions. We report that in our opinion the above consolidated balance sheet and related statements of consolidated profit and loss and earned surplus have been drawn up so as to exhibit a true and correct view of the state of the companies' affairs at 30th September 1947 and of the results of their operations for the year ended that date, according to the best of our information and the explanations given us and as shown by the books.

CLARKSON, GORDON & CO.,  
Chartered Accountants.

## Statement of Consolidated Profit and Loss

### For the Year Ended 30th September, 1947

Operating profit before deducting the charges set out below.....		\$3,628,537
Deduct:		
Directors' fees.....	\$ 3,000	
Executive's remuneration.....	108,500	
Legal fees.....	14,440	
Provision for depreciation.....	191,648	317,588
		<u>\$3,310,949</u>
Add miscellaneous income less expenses.....		85,058
		<u>\$3,396,007</u>
Provision for Dominion and Provincial taxes on income.....	\$1,477,000	
Less reduction in wartime inventory reserve.....	26,213	1,450,787
		<u>\$1,945,220</u>
Net profit for the year.....		<u><u>\$1,945,220</u></u>

## Statement of Consolidated Earned Surplus

Balance 30th September, 1946.....		\$5,919,423
Adjustments affecting operations of prior years:		
Reserves restored to surplus—		
Reserve against advances to Brewers' Warehousing Co. Limited.....	\$157,123	
Reserve against inventory of bottles previously carried at 50% of redemption prices.....	83,383	\$ 240,506
Sundry adjustments.....		82,158
		<u>\$ 322,664</u>
Less additional provision for taxes and contingencies.....	200,000	122,664
		<u>\$6,042,087</u>
Consolidated net profit for the year.....		1,945,220
		<u>\$7,987,307</u>
Dividends.....	\$1,125,000	
Provision for replacement of plant and equipment.....	1,000,000	2,125,000
		<u>\$5,862,307</u>
Balance 30th September, 1947.....		<u><u>\$5,862,307</u></u>



# The General Manager's Report

To the President and Directors of John Labatt Limited:

You may wish for further amplification of certain items on the audited balance sheet, the profit and loss account and the surplus account.

## Income and Costs

As was anticipated in last year's report, malt costs were reduced owing to better yield and the exclusive use of Canadian malt. This saving enabled the Company to maintain the cost of production at last year's level in spite of a general increase in other costs.

Increased production at the Toronto plant and a greater percentage of production of bottled ale and beer at the London plant resulted in increased sales at a slightly higher net profit per gallon.

## Surplus and Reserves

Advances to the Brewers' Warehousing Company Limited which were formerly written off to operations have been brought into the balance sheet at face value because such advances have now become a permanent factor in the financing of the distributing company.

It had been the practice of the Company to value bottles at 50% of refund price. The tax authorities have ruled that bottles must be valued at full refund price for tax purposes and the books have been adjusted accordingly. The reserve previously carried has been transferred to surplus in the amount of \$83,383.

The sundry adjustment of \$82,158 credited to surplus account arose largely from depreciation charged on trucks and automobiles in excess of amounts allowed by the income tax authorities in assessing the years 1940 to 1942.

An amount of \$200,000 has been transferred from surplus to a reserve for taxes and contingencies to meet additional liabilities which may arise from income tax assessments for 1943 and subsequent years which are currently under discussion.

While \$191,648 was added to the depreciation reserves through charges to operations during the year, \$176,107 was deducted from the reserves, being the accumulated depreciation applicable to assets disposed of during the year. These assets were chiefly trucks and cars which were replaced with new equipment.

The first recovery of the refundable portion of the excess profit tax which is due the Company on or before 31st March, 1948, amounts to \$67,431 which is included in the total of \$792,175.

## Public Relations

During the year the Company has made progress in strengthening its friendly relations with employees, shareholders, governments, customers and the general public.



Of particular interest and value is the Company's activity in the field of traffic safety. Through its sponsorship of the Division of Public Safety at the University of Toronto, the Company has made a contribution toward the reduction of traffic accidents that has earned widespread approval. In addition, through the application of scientific methods for selecting, testing and training transport drivers, the Company has enjoyed a direct return from this activity. The Transportation Department of John Labatt Limited, the originator of scientific driver training in Canada, has the lowest accident record of any comparable fleet of motor trucks in the Dominion. This record has resulted in considerable savings in operational costs.

### Personnel

The number of employees in the London and Toronto plants is now 952. The increase of 158 is due to the addition of the Toronto plant, the operation of the additional bottling unit in London, and a substantial increase in the truck fleet operations.

As a result of the development of personnel policies, turnover was reduced from 22% per annum to 8% and absenteeism showed a corresponding decrease of 21%.

It is gratifying that every employee eligible has taken advantage of the free annual medical examination—this year extended to *all* employees on a voluntary basis.

The Company's medical department and the University of Western Ontario are engaged in original research into the effect of psychological and personal factors on plant accident rates. The employees are co-operating fully in this project.

Collective bargaining between the Union and the management resulted in two wage increases on 1st April, 1947 and 1st October, 1947. These adjustments were made in order to meet the rising cost of living.

The Pension Fund now amounts to \$1,160,000 of which the employees have contributed \$344,250 and the Company \$815,750.

A Quarter Century Club was formed during the year for those employees with 25 or more years of service.

Your management wishes to record appreciation of the cordial relationships existing between the Company and the members of Unions in London and Toronto. Intelligent and positive co-operation has been evident in all matters relating to the welfare and efficiency of the organization.

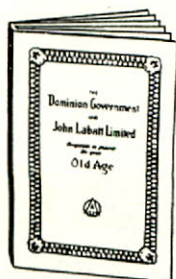
The teamwork of the department heads and of all employees within the departments, was a major factor in the success of the Company during the year. The support that all employees have given the management is sincerely appreciated.

Respectfully submitted,

*Nagh Mackenzie*

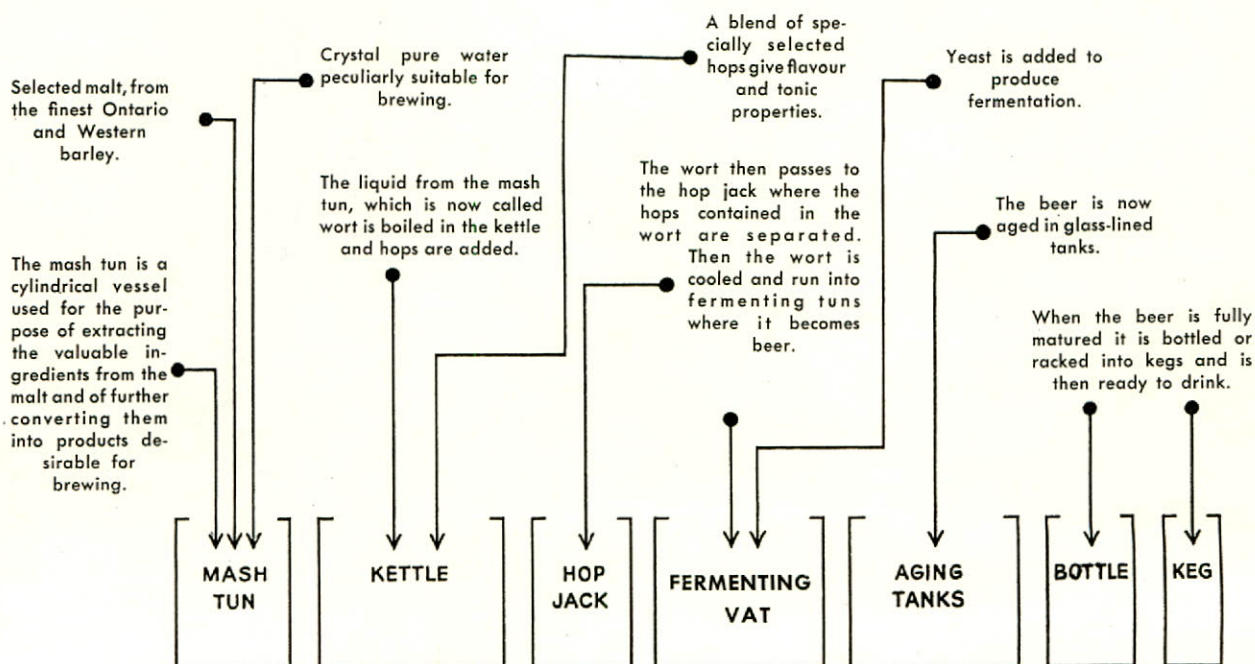
General Manager.

London, Ontario,  
26th November, 1947.





Here in diagrammatic form, we see the stages of the brewing  
of India Pale Ale and other Labatt products.



## THE Brewery AT WORK



India Pale Ale, Extra Stock Ale, Crystal Lager and XXX Stout are the products of your Company. Each is brewed only from fine barley-malt, selected hops, yeast and water.

The brewing process itself is as old as history. However, it is only within the last hundred years that there has been any exact understanding of what takes place when liquid ferments or why.

Briefly, the process may be divided into four stages. The first is *extractive* . . . the goodness and body is extracted from malted barley . . . the flavour and tonic properties from selected hops.



The next stage is that of *fermentation*. Brewers yeast is added to the 'wort', to induce fermentation.



In the third stage the fermented brew is *aged*, and only when time has mellowed it to the peak of perfection, do we come to the final stage of *packing* into barrels or bottles.

Of Labatt's famous brands the best known is undoubtedly *India Pale Ale*. Brewed from an original English formula, awarded gold medals in Europe, Australia and America, it is a favourite among discriminating drinkers. *Extra Stock Ale* . . . a premium brew with a superb tang is prized by those who want a richer, fuller ale. For Lager drinkers, Labatt's *Crystal Lager* offers just the right light flavour . . . not too bitter, not too sweet. Finally, *XXX Stout* with its distinctive colour, flavour and body is brewed from malt and roasted barley.

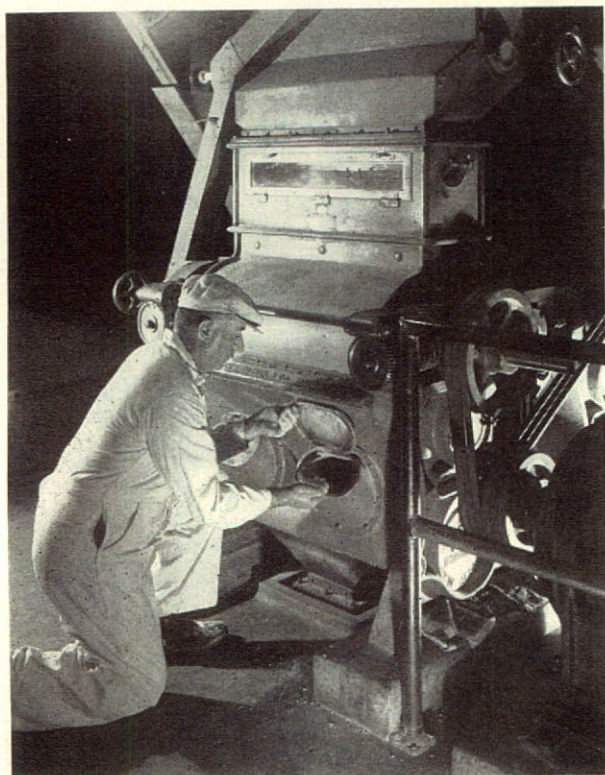


The diagram above and the photographs of the brewery on the following pages illustrate the actual procedure in brewing these celebrated brands.





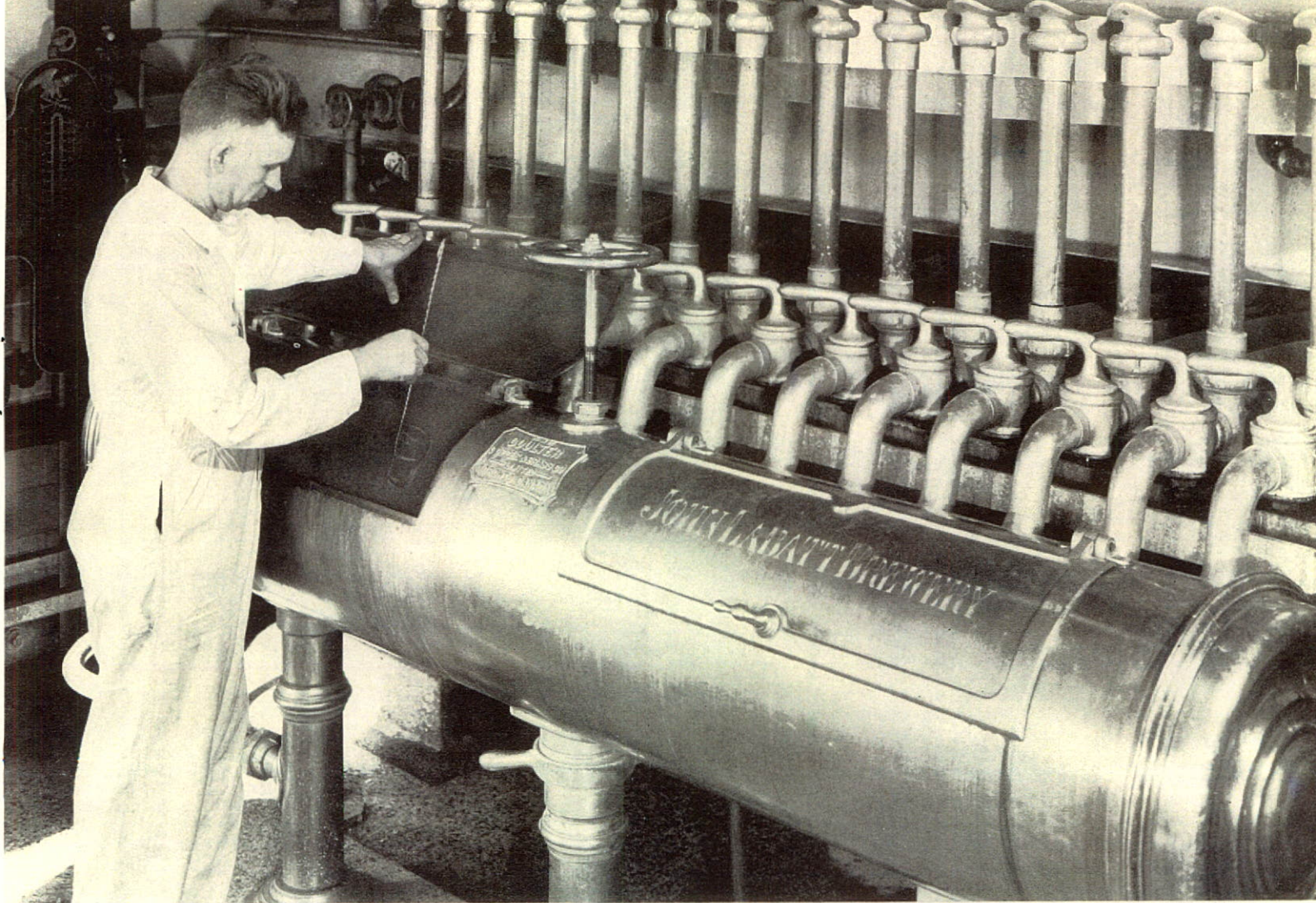
THE MASH TUN . . . THE VESSEL ABOVE IT IS THE PONY MASHER



THE MALT MILL

*T*HE BREWING process begins with barley malt. In the picture on the left you see the "malt mill" where the finest Canadian malt is cleaned, ground, transferred into hoppers and weighed out for each brew. The malt is then "mashed". To extract the valuable ingredients from malt it is thoroughly mixed with hot water in a vessel called the Pony Masher. Then in the Mash Tun (above) the mash is again mixed at uniform temperature and drawn off into the "Grant" (top right) where it is examined before entering the brew kettle . . . the liquid is now called "Wort". In the brew kettle (extreme bottom right) the "Wort" is boiled with a careful blend of selected native and imported hops.

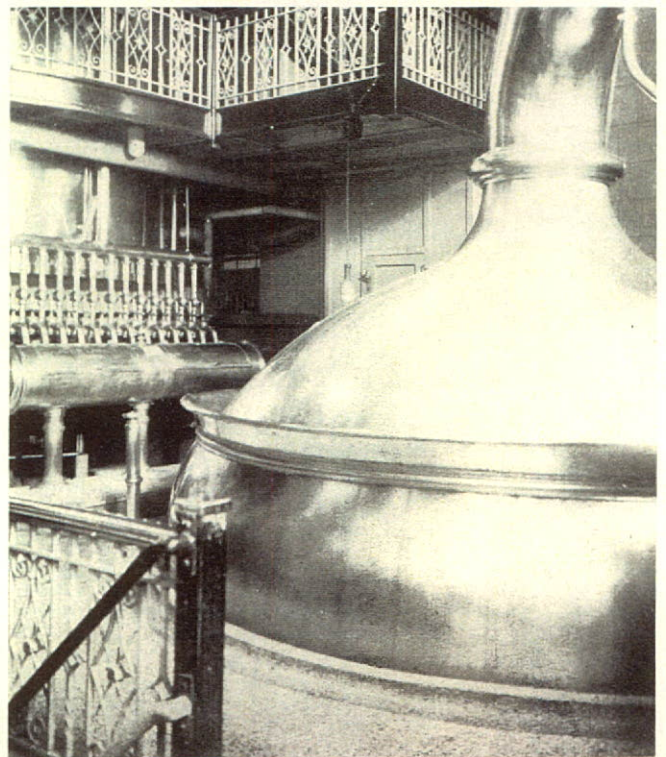




INSPECTING WORT IN THE GRANT



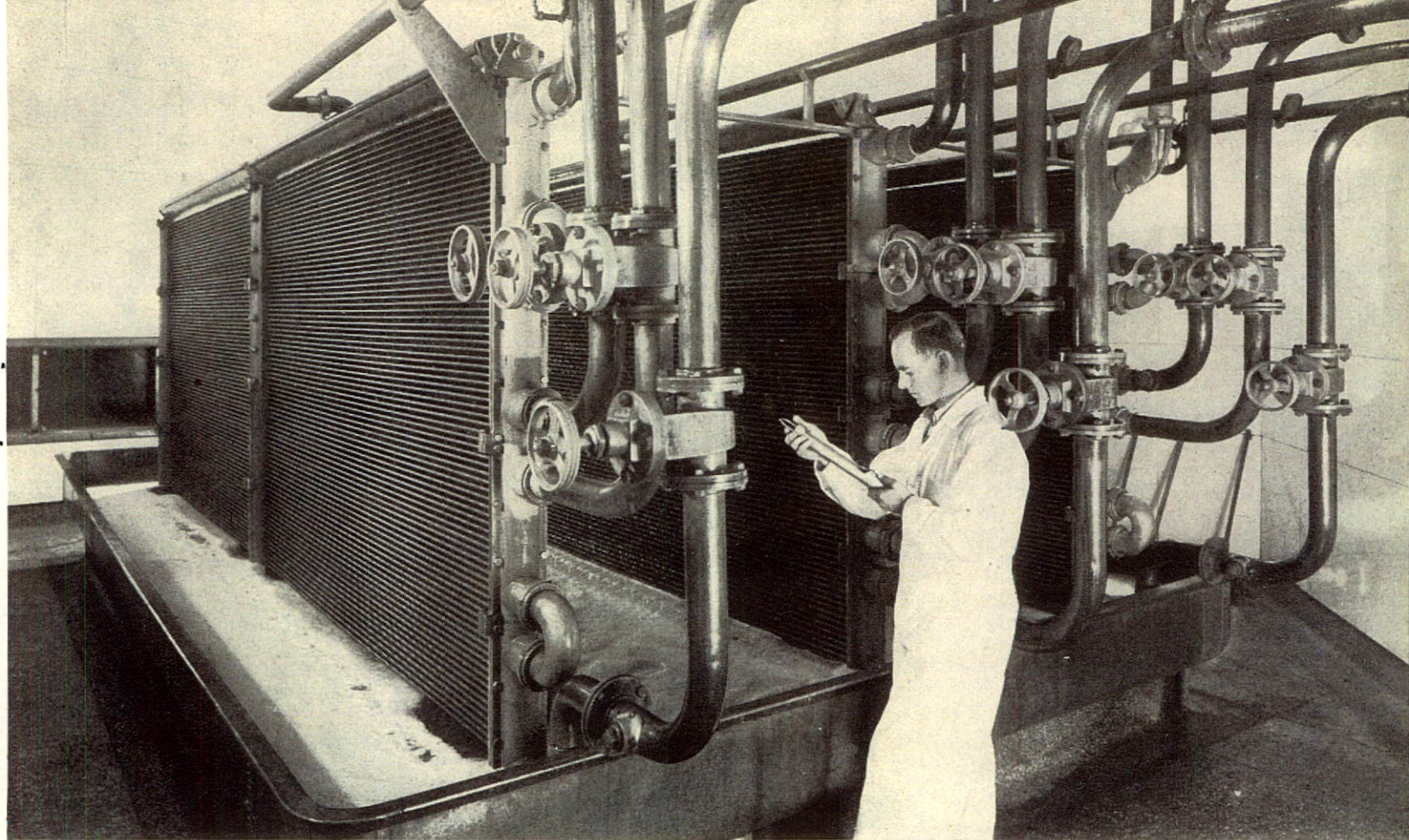
WEIGHING THE HOPS



ONE OF THE KETTLES IN THE BREW HOUSE





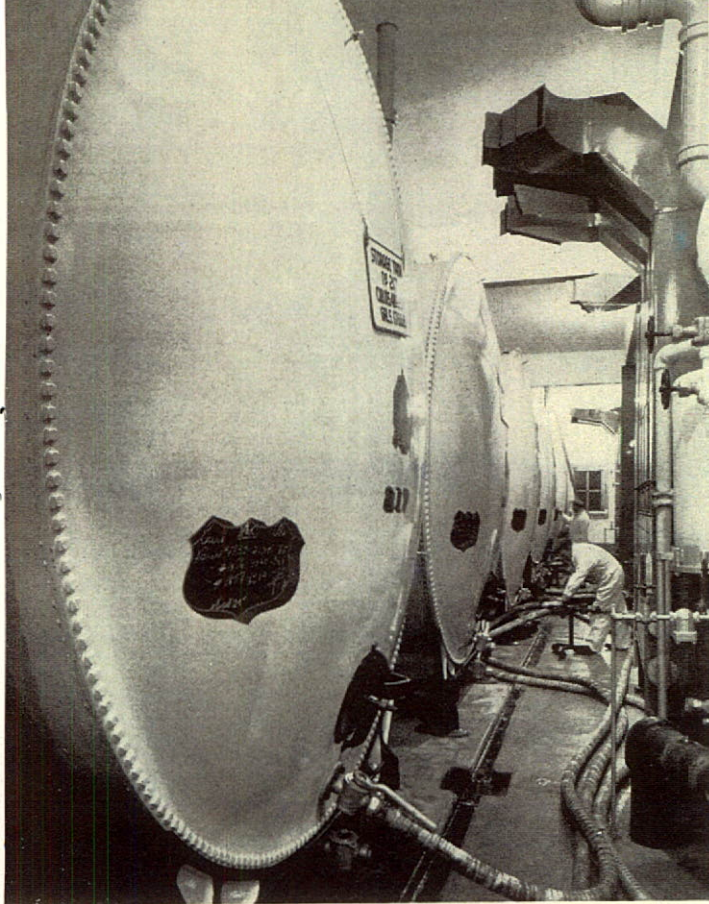


COOLING THE WORT AFTER HOPS HAVE BEEN SEPARATED IN THE "HOP JACK"

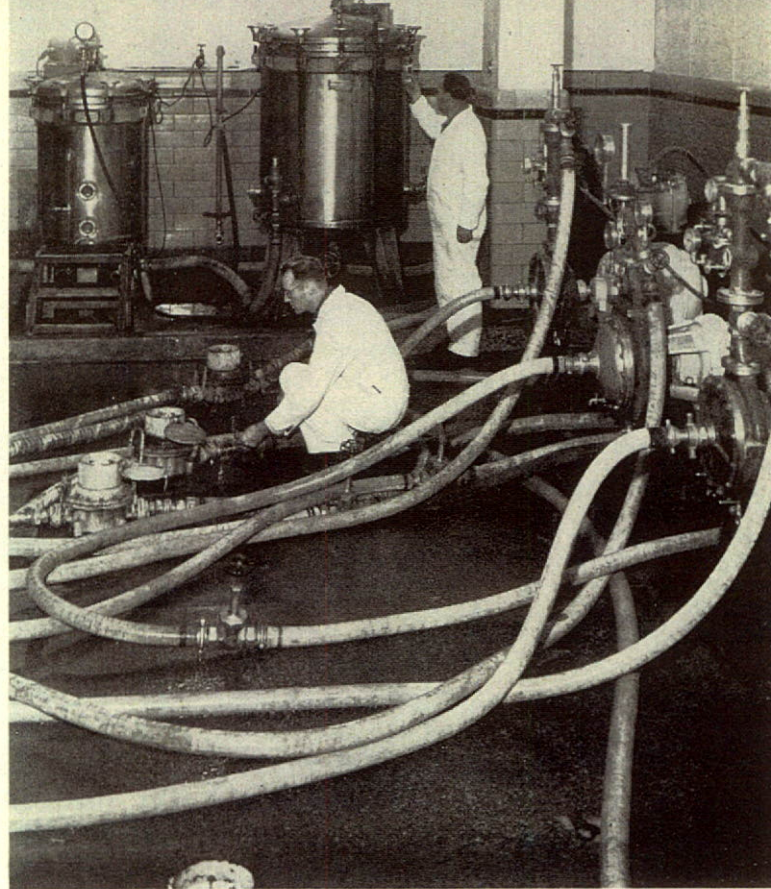


**FERMENTATION.** The cooled Wort is first transferred to cypress vats called settling tanks. Here yeast—in the form of a creamy liquid—is added to induce fermentation. The ale is then distributed to vats in the spotless air-conditioned fermenting room where it ferments from seven to ten days.





**AGING.** In floor after floor of huge glass lined tanks each brew is aged to the maturity of full flavour.



**FILTERING.** The ale is reunited with the natural gas of fermentation and passed through a series of filters.



THIS MACHINE "RACKS" ONTARIO'S FAVOURITE ALE INTO KEGS





# *John Sabatt Limited*

