

ANNUAL REPORT

FOR THE YEAR ENDING 30th SEPTEMBER, 1949



John Sabatt Limited

LONDON

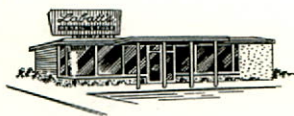
CANADA



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The Toronto Retail Store



Located at 383 King Street East (at Parliament Street) in Toronto, Labatt's Retail Store is gaining a city-wide reputation for its attractive appearance, the efficiency of its service and, of course, the quality of the products it sells to the public.

Modernistic design and construction, colourful decoration and streamlined furnishings are combined to make this store one of the most attractive retail establishments in Ontario.

Free telephone service, clean washrooms, adequate parking facilities, windshield cleaning and assistance in carrying empty and full cases are among the services featured at Labatt's Retail Store.

To shareholders resident in Toronto or visiting the city, a cordial invitation is extended to observe the operation of this store. It is one of the more important factors contributing to your Company's success in the Toronto area.

John Labatt Limited

ESTABLISHED 1832

ANNUAL REPORT

**for the year ending
30th September, 1949**



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
27th January, 1950**

IN CONTINUOUS OPERATION FOR ONE HUNDRED AND SEVENTEEN YEARS



DIRECTORS

JOHN S. LABATT..... London, Ontario
HUGH F. LABATT..... London, Ontario
W. H. R. JARVIS..... New York City, New York, U.S.A.
V. P. CRONYN..... London, Ontario
R. G. IVEY, K.C..... London, Ontario

OFFICERS

HUGH F. LABATT..... Chairman of the Board and Vice-President
JOHN S. LABATT..... President
HUGH A. MACKENZIE..... Vice-President and General Manager
M. W. BURNS..... Treasurer
W. L. SHORTREED..... Secretary

SOLICITORS

Ivey & Livermore, London

AUDITORS

Clarkson, Gordon & Co., London

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.

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.

The President's Report

TO THE SHAREHOLDERS OF JOHN LABATT LIMITED:

This report presents the results of your Company's operations for the year ending 30th September, 1949, a review of the important factors which have affected your Company and the industry in the last few years and a forecast of future development.

FINANCIAL POSITION

The financial results of the year's operations are given in detail in the statements printed in this report. Major items for the five years of operation as a public company are summarized and compared as follows:

	1945	1946	1947	1948	1949
Net Earnings.....	1.70	1.72	2.16	1.92	1.70
* Dividends.....	1.00	1.00	1.25	1.00	1.00
Earned Surplus at end of year.....	4,855,190	5,919,423	5,862,307	6,075,213	6,713,117
**Working Capital.....	3,459,944	3,698,819	2,882,993	2,124,216	2,131,492
Fixed Assets at Cost.....	4,607,437	5,490,775	6,610,582	8,010,193	9,247,710
Depreciation & Replacement Reserves..	2,898,935	3,011,894	4,027,435	5,245,525	5,572,319

*An extra of 25c per share paid in November, 1947.

**Working Capital has been adjusted to same inventory valuation basis as used in the current year.

DEMAND AND SUPPLY

Your Company expanded continuously since 1933 and entered the war period operating at full capacity. An increase in the per capita income in Canada resulted in a much greater demand for ale and beer. From 1943 till 1948 this demand was great enough to effect a leveling of the normal seasonal consumption curve and your Company benefitted by the relatively higher increases in the winter months.

Since that time normal seasonal variations in consumption have again developed. Your Company, though still unable to take full advantage of the demand in peak months, experienced a reduction in sales during the slack periods.

NEW CONSTRUCTION

To offset the condition just recited, your Directors are continuing the extension programme commenced in 1946. In July, 1946, they purchased the assets of a brewery in Toronto. This brewery, after complete renovation, reached its highest production last year at a rate $3\frac{1}{2}$ times that of 1946.

In London, the original plans for expansion had to be revised because it was not permissible to build on residential property. However, construction of a large fermenting and aging building, now nearing completion, will materially increase the output during peak periods.

The installation of two new bottling lines, one each in London and Toronto, increased bottling capacity by 40%. To meet the demand for your Company's products, another bottling line has been purchased and is being installed in London. This unit has a capacity greater than any other now in operation in Canada. Costs of operation and maintenance will be

substantially lower when it goes into production next spring. This added unit will bottle the increased output provided by the new aging building.

In order to centralize warehousing facilities and to plan for a much needed railway siding, the transportation department will be moved to a garage being built on an adjoining block.

WORKING CAPITAL AND DIVIDEND POLICY

During the past four years your Company's fixed assets have increased by \$4,640,273. At the same time, earnings have been sufficient to maintain working capital at a level ample for the Company's needs and payment of regular dividends. Your Directors are of the opinion that the policy of paying for capital improvements out of earnings should be continued.

THE FUTURE

A steady increase in the population of Ontario, your Company's major market, the better facilities offered the public by the Brewers' Warehousing Company Limited and the fact that Canadian consumption per capita is still below that of the Northern United States and England are factors which contribute to the strength of the market available to the industry and to your Company.

Your Directors take this opportunity to express their confidence in the Brewers' Warehousing Company Limited which enables the brewers to sell their products through the most efficient and lowest cost beer distributing system available. Your attention is drawn to the fact that the Ontario public pays a lower price for the industry's products than anywhere else in Canada and, with very few areas excepted, in the U.S.A.

A trend has been evident during the year on the part of the public to buy for home consumption. It is felt that this indicates an acceptance of ale and beer by an increasing number of persons as the beverage of moderation.

DIRECTORS AND OFFICERS

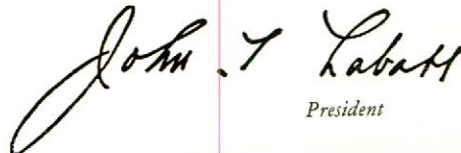
In December, 1948, Major General S. C. Mewburn, P.C., K.C., relinquished his position as Chairman of the Board and retired as a Director. He served your Company as a Director since November, 1928 and as Chairman of the Board since June, 1935. He was of invaluable assistance during several very critical periods in the Company's history.

The position of Chairman of the Board has been filled by the election to that post of Mr. Hugh F. Labatt, Vice-President of the Company since January, 1915.

The vacancy on the Board created by General Mewburn's retirement was filled at the last Annual Meeting by the election of Mr. R. G. Ivey, K.C., of London. Mr. Ivey is widely known for his broad knowledge of business affairs.

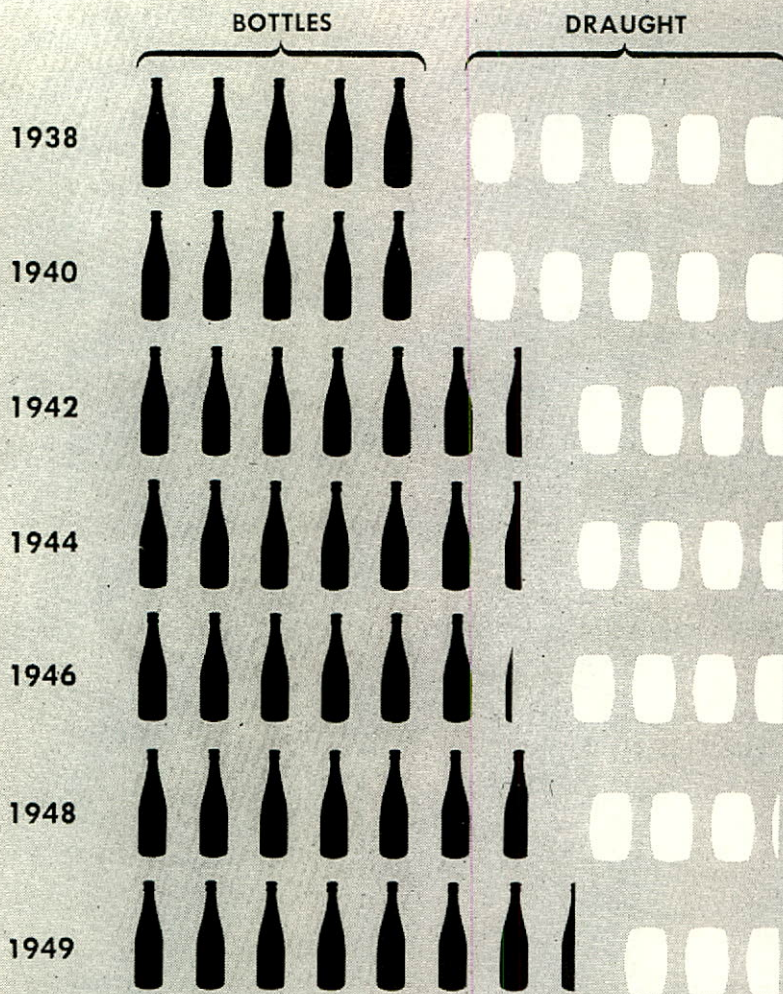
The number of shareholders as at the 30th September, 1949, was 2,245. Your Directors wish to express to you their appreciation of your continued interest and to offer on your behalf as on their own, to the officers and all employees, an acknowledgment of their loyal and unfailing attention to the best interests of your Company.

Submitted on behalf of the Directors,


President

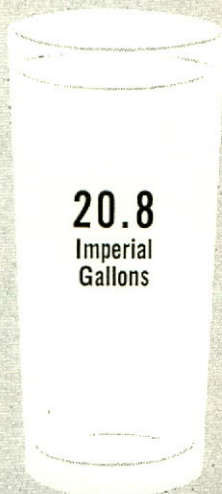
London, Ontario,
2nd December, 1949.

COMPARATIVE CONSUMPTION OF BOTTLED AND DRAUGHT BEER IN ONTARIO

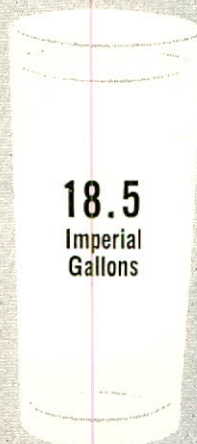


PER CAPITA BEER CONSUMPTION IN 1948

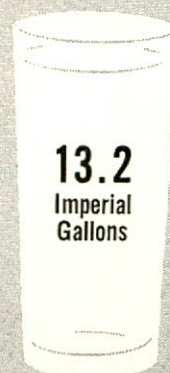
UNITED
KINGDOM



UNITED
STATES
(Northern
States)



CANADA



John Sabatt

CONSOLIDATED BALANCE

ASSETS

CURRENT:

Cash on hand and in banks.....	\$ 496,405		
Dominion of Canada bonds and accrued interest—at cost less amounts written off..... (market value approximately \$830,750)	812,375		
Accounts receivable less reserve for doubtful accounts.....	728,561		
Inventories as determined and certified by the management, valued at the lower of cost or market—			
Beer and ale.....	\$1,468,363		
Materials and supplies.....	410,100	1,878,463	\$ 3,915,804

FIXED:

	Asset at cost	Reserve for depreciation	Net book value	
Land.....	\$ 340,451		\$ 340,451	
Buildings.....	4,766,516	\$1,037,994	3,728,522	
Machinery and equipment.....	3,070,286	1,947,665	1,122,621	
Trucks and automobiles.....	1,070,457	586,660	483,797	
	<u>\$9,247,710</u>	<u>\$3,572,319</u>		5,675,391

OTHER:

Advances to Brewers' Warehousing Co. Limited....		\$ 597,246	
Prepaid expenses, deferred charges and sundry assets.		266,150	
Bottles—valued at redemption price.....	\$ 290,702		
Kegs at cost less amounts written off.....	63,336	354,038	
Refundable portion of excess profits tax.....		528,800	1,746,234
			<u>\$11,337,429</u>



and its Subsidiaries

(Incorporated under the
Dominion Companies Act)

STATEMENT—SEPTEMBER 30, 1949

LIABILITIES

CURRENT:

Accounts payable and accrued charges.....	\$ 724,984	
Dividend payable October 1, 1949.....	225,000	
Estimated taxes payable and accrued less payments on account...	<u>834,328</u>	\$ 1,784,312

RESERVES:

Reserve for replacement of plant and equipment.....	\$2,000,000	
Reserve for redemption of containers in hands of public.....	<u>500,000</u>	2,500,000

CAPITAL AND SURPLUS:

Capital—		
Authorized—1,000,000 common shares without par value		
Issued—900,000 common shares.....	\$ 340,000	
Earned surplus.....	<u>6,713,117</u>	7,053,117

NOTE: The cost of completing the construction programme presently undertaken by the company is estimated at \$1,000,000 the liability for which is not included in the above balance sheet.

On behalf of the Board

JOHN S. LABATT, Director

HUGH F. LABATT, Director

\$11,337,429

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of John Labatt Limited and its subsidiaries as at September 30, 1949 and the statements of consolidated profit and loss and consolidated earned surplus for the year ended on that date. In connection therewith we made a general review of the accounting methods and, without making a detailed audit of the transactions, examined or tested the accounting records of the companies. We received all the information and explanations we required from the officers and employees of the companies.

We report that in our opinion the above consolidated balance sheet and the related statements of consolidated profit and loss and consolidated earned surplus have been drawn up so as to exhibit a true and correct view of the state of the companies' affairs on a consolidated basis at September 30, 1949 and of the results of their combined operations for the year, according to the best of our information and the explanations given us and as shown by the books of the companies.

London, Canada, November 21, 1949

CLARKSON, GORDON & CO.
Chartered Accountants.

Statement of Consolidated Profit and Loss

For the Year Ended September 30, 1949

Operating profit before deducting the charges set out below.....		\$2,938,415
Deduct:		
Directors' fees.....	\$ 4,500	
Executives' remuneration.....	102,750	
Legal fees.....	10,268	
Provision for depreciation.....	393,059	510,577
		<u>\$2,427,838</u>
Add miscellaneous income less expenses.....		67,282
Profit before provision for taxes on income.....		<u>\$2,495,120</u>
Provision for Dominion and Provincial taxes on income.....		967,000
Consolidated net profit for the year.....		<u><u>\$1,528,120</u></u>

Statement of Consolidated Earned Surplus

For the Year Ended September 30, 1949

Balance at September 30, 1948.....		\$6,075,213
Add:		
Consolidated net profit for the year.....		1,528,120
Net profit on disposal of fixed assets and investments.....		9,784
Reserve for contingencies no longer required.....	\$300,000	
Less additional provision for taxes on the income of prior years.....	300,000	
		<u>\$7,613,117</u>
Deduct dividends paid or declared.....		900,000
Balance at September 30, 1949.....		<u><u>\$6,713,117</u></u>

The General Manager's Report

TO THE PRESIDENT AND DIRECTORS OF JOHN LABATT LIMITED:

This report amplifies the financial statements for the year ending 30th September, 1949, and gives a brief summary of the more important developments and changes which have occurred within the organization during the year.

Despite heavy capital expenditures, the Working Capital position was maintained during the year as shown on the following statement:

FUNDS ACQUIRED DURING THE YEAR:

Net profit for the year.....	\$1,528,120	
Provision for depreciation charged in arriving at the above profit which did not require an outlay of cash.....	387,546	
Profit on disposal of investments.....	2,412	
Decrease in inventory of containers.....	195,692	
Refundable excess profits tax recovered.....	196,200	
		\$2,309,970

FUNDS EXPENDED DURING THE YEAR:

On additions to buildings, plant, equipment, trucks and automobiles (net).....	\$1,271,247	
On advances to Brewers' Warehousing Co. Ltd.....	123,822	
Increase in prepaid expenses.....	7,625	
Dividends.....	900,000	
		\$2,302,694
Increase in Working Capital.....		\$ 7,276

The Balance Sheet items do not appear to need further explanation. The only entry during the year relating to the surplus account, which is outside the ordinary course of business, was the transfer from the contingency reserve to the reserve for taxes.

Capital expenditures including trucks and automobiles for next year are estimated at \$1,150,000. Recovery of refundable excess profits tax on or before March, 1950, will be \$246,500. Advances to the Brewers' Warehousing Company Limited in 1950 will amount to approximately \$110,000.

INCOME AND COSTS

The Company during the year was able to maintain its gross profit (sales less manufacturing costs) at relatively the same level as last year and has shown improvement in the gross profit per unit sold. This was due to gaining a greater share of the Ontario bottle market, the trend in the industry from draught beer to bottled beer and a transfer of volume from the lower

profit markets. The net profit for the year showed a small decrease as a result of higher distribution and selling expenses.

Production costs are still rising mainly due to higher prices for barley malt, cartons and freight.

DISTRIBUTION AND SALES

The last two years have been devoted to a thorough reorganization of merchandising personnel and methods in order to meet the increasing competition which is developing in the brewing industry as in business generally. One evidence of new merchandising methods was the successful introduction of the now well known patented EZY-DOZ package.

The Company has national distribution but shipments are being curtailed into those areas where higher freight and other costs eliminated a satisfactory profit margin. A one-way non-returnable bottle was introduced into the Eastern Provinces which will help to offset freight costs.

One outside market, the U.S.A., has been enlarged by the shipment of draught ale into border cities. The sales indicate a satisfactory acceptance by the public. This is the first time Canadian draught ale has been made available in the U.S.A.

The Company's new retail store at the Toronto plant has been most successful with a sales increase of a hundred percent over last year.

PUBLIC RELATIONS

The Company has continued its policy of service to the public. 2,263 motorists were assisted when in trouble on the highway. A tourist information booth was operated over week-ends on No. 2 Highway West of London. Two vans equipped with driver testing devices were present at most of the fall fairs and available to police departments and service clubs in towns and cities throughout Ontario. 75,075 drivers have received tests in these vans and at the Company's booth at the Canadian National Exhibition. Executives, the field representatives and other employees have continued to serve in service clubs and other public service activities. Members of the John Labatt Limited St. John Ambulance Division have attended sports and other crowded gatherings and assisted in emergencies.

EMPLOYEE RELATIONS

An Employees' Recreation Association was organized during the year to take over and be responsible for all relative employee activities. The cost is borne about equally between employee contributions and a Company grant.

A Work Stabilization Committee has been set up jointly by the Company and the Union. All possible methods of ensuring year round employment for permanent employees are explored and recommendations made to management. It has already made valuable contributions not only towards minimizing the problem, but also to a greater understanding of the difficulties inherent in such a seasonal business.

PERSONNEL

The number of employees is 948. Turnover is lower at 7.4%. Absenteeism was again reduced by 8.25%.

The average age of the senior executives is 46 years and of the junior executives, 36½.

A new Contract has been signed which provides for a 5c per hour premium for night shifts. The Union made certain concessions regarding holidays.

The Pension Fund amounts to \$1,430,000; Company contributions \$914,000 and employees \$516,000.

THE FUTURE

Your Management is most optimistic regarding the future. With a young, well trained and enthusiastic organization, ample reserves, high quality products and an aggressive merchandising policy, advantage can be taken of the additional productive capacity now available.

All the employees of the Company wish to extend warmhearted congratulations to Messrs. John S. Labatt and Hugh F. Labatt on jointly entering their fiftieth year of employment with the Company.

Your Management wishes to record appreciation of the teamwork so evident among employees and to give credit to senior executives and their assistants for the able direction of their departments.

Respectfully submitted,

Hugh Mackenzie

General Manager

London, Ontario,
1st December, 1949.

ANALYSIS OF NET WORTH

1944-45

to

1948-49



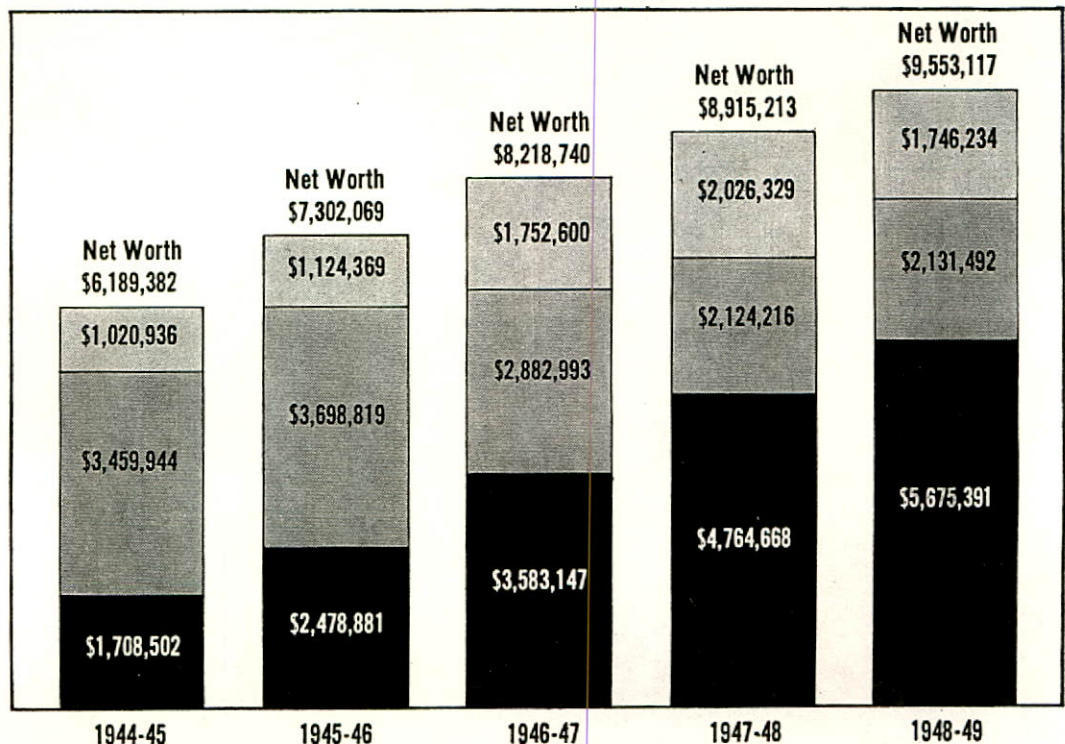
Other Assets

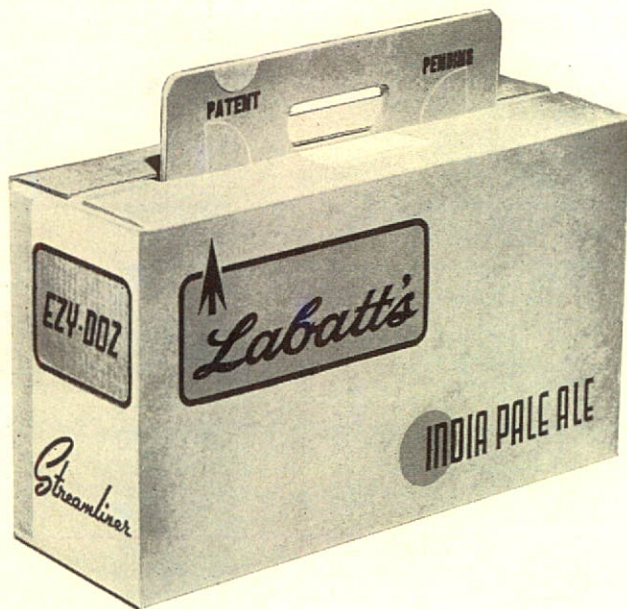


Working Capital



Depreciated Value
of Fixed Assets





The well-known patented EZY-DOZ package is an example of Labatt ingenuity and enterprise in developing new merchandising ideas. This convenient package, designed to carry one dozen pints of the Company's products, is easy to carry, easy to lift and easy to store. It is another example of your Company's objective to lead in merchandising methods as well as in quality of product. The convenient handle and trim lines made it an immediate popular favourite with a marked effect on sales.

Another merchandising first for Labatt's was the introduction of the "One-Way" bottle in the provinces of Quebec and New Brunswick.

This new bottle contains as much as the standard pint bottle although it is two and one half inches shorter. The shorter neck of the "One-Way" bottle, thinner glass and a slight increase in diameter offset the apparent difference in size.

Because they can see what they are buying and because it is lighter, saves space and cools faster, the Labatt "One-Way" bottle gained immediate consumer acceptance with those who prefer a non-returnable container.





Ask for it by name

In search of an ale whose taste is *always* satisfying, more and more people are turning to Labatt's... asking for Labatt's by name.

FAMOUS OLD RECIPE

You, too, will find Labatt's flavour distinctive... a refreshing change, thanks to the famous Labatt recipe for India Pale Ale.

EASY TO CARRY

In the new "Ezy-Doz" container, 12 pints of Labatt's are as easy to carry as an overnight case. If you live in Quebec or New Brunswick you can get Labatt's in the modern one-way bottle. Ask for it next time *by name*.



UNION

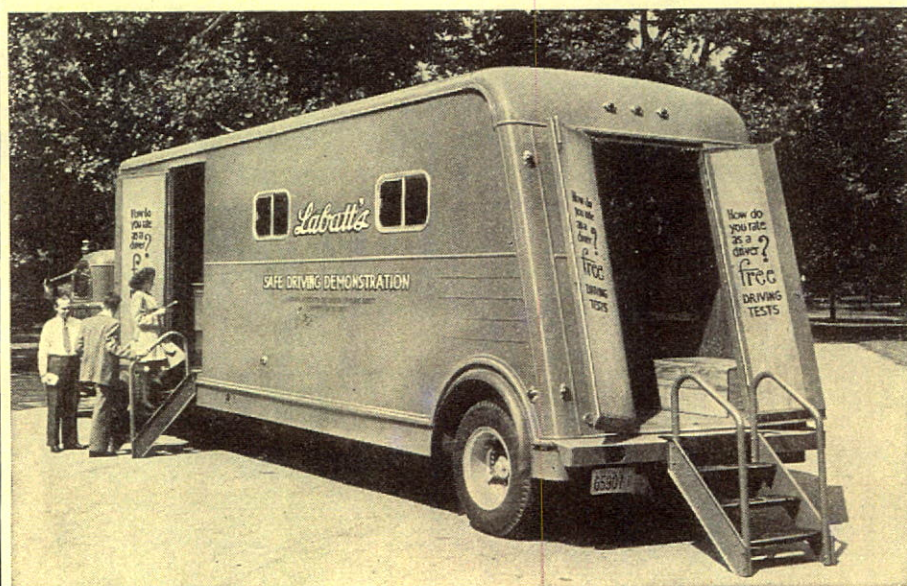
MADE

IN THE PUBLIC INTEREST



A FRIEND IN NEED

A car tire exploded on an Ontario highway. A woman wrested the swaying car to a stop. Her child began to cry. She looked about helplessly. Cars and trucks roared past... except one. A big red streamliner stopped. The uniformed driver stepped out... tipped his cap... asked if he could help. Another motorist joined thousands who have blessed the Labatt tradition never to pass a motorist in trouble on the road. This is just one of the many public services which expresses Labatt's appreciation to the thousands who prefer their ale.



FOR SAFETY'S SAKE

All day, visitors to a country fair passed through the big trailer unit. At night, two weary men closed its doors. They had sold nothing... taken not a cent. They were operators of one of Labatt's safe driving units, where over 70,000 people have learned of driving faults they should correct. The same sense of public responsibility that led Labatt's to pioneer driver training in Canada has always governed the rigid standards to which every gallon of the product of this family business is brewed.

JOHN LABATT LIMITED, LONDON, CANADA



FOUR FAMOUS BEERS

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. Labatt's *Crystal Lager* has, for lager drinkers, just the right light flavour . . . not too bitter, not too sweet. *Extra Stock Ale* . . . a premium brew with a superb tang is prized by those who want a richer, fuller ale. Finally, *XXX Stout* with its distinctive colour, flavour and body is brewed from malt and roasted barley.