

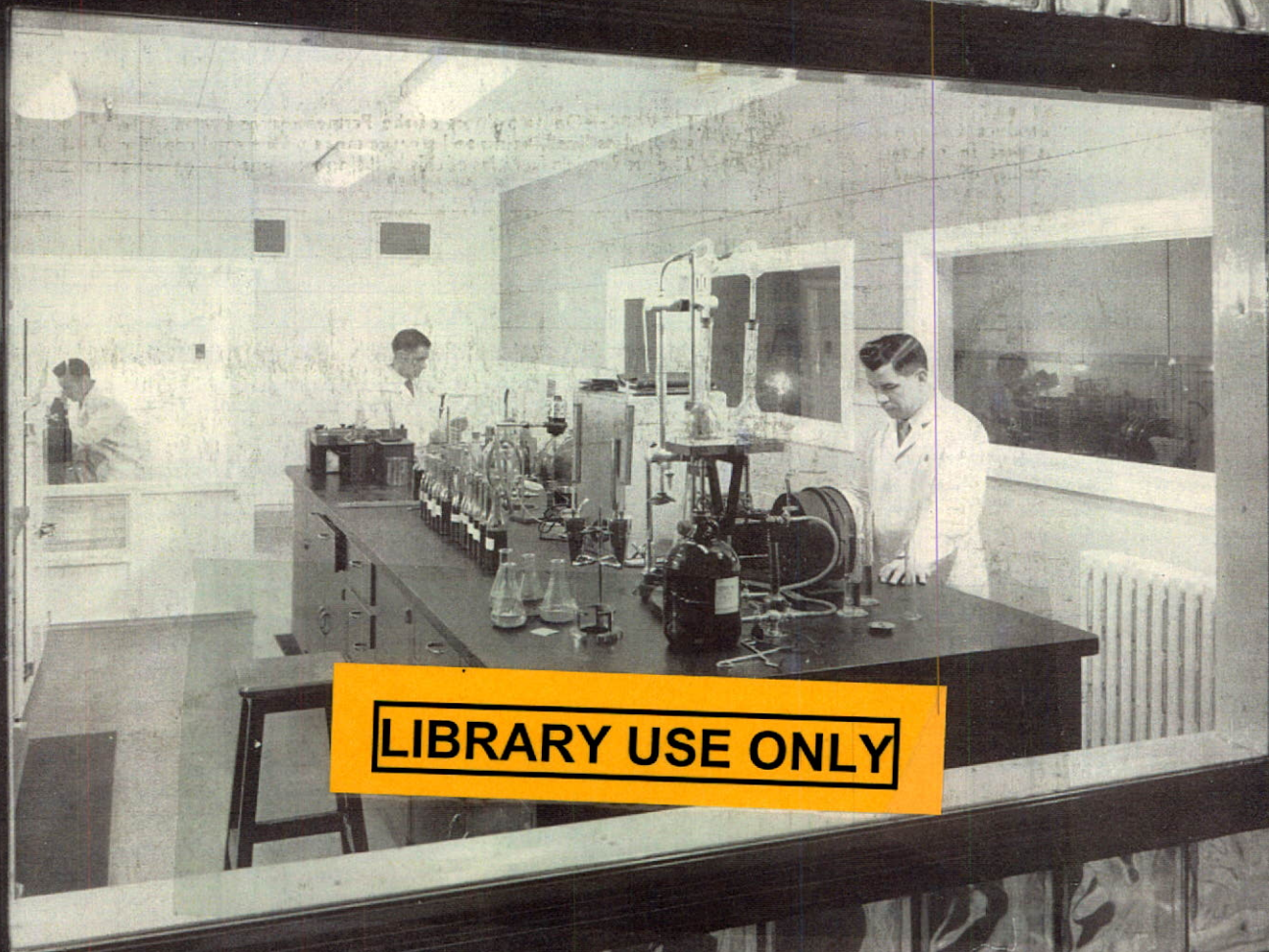


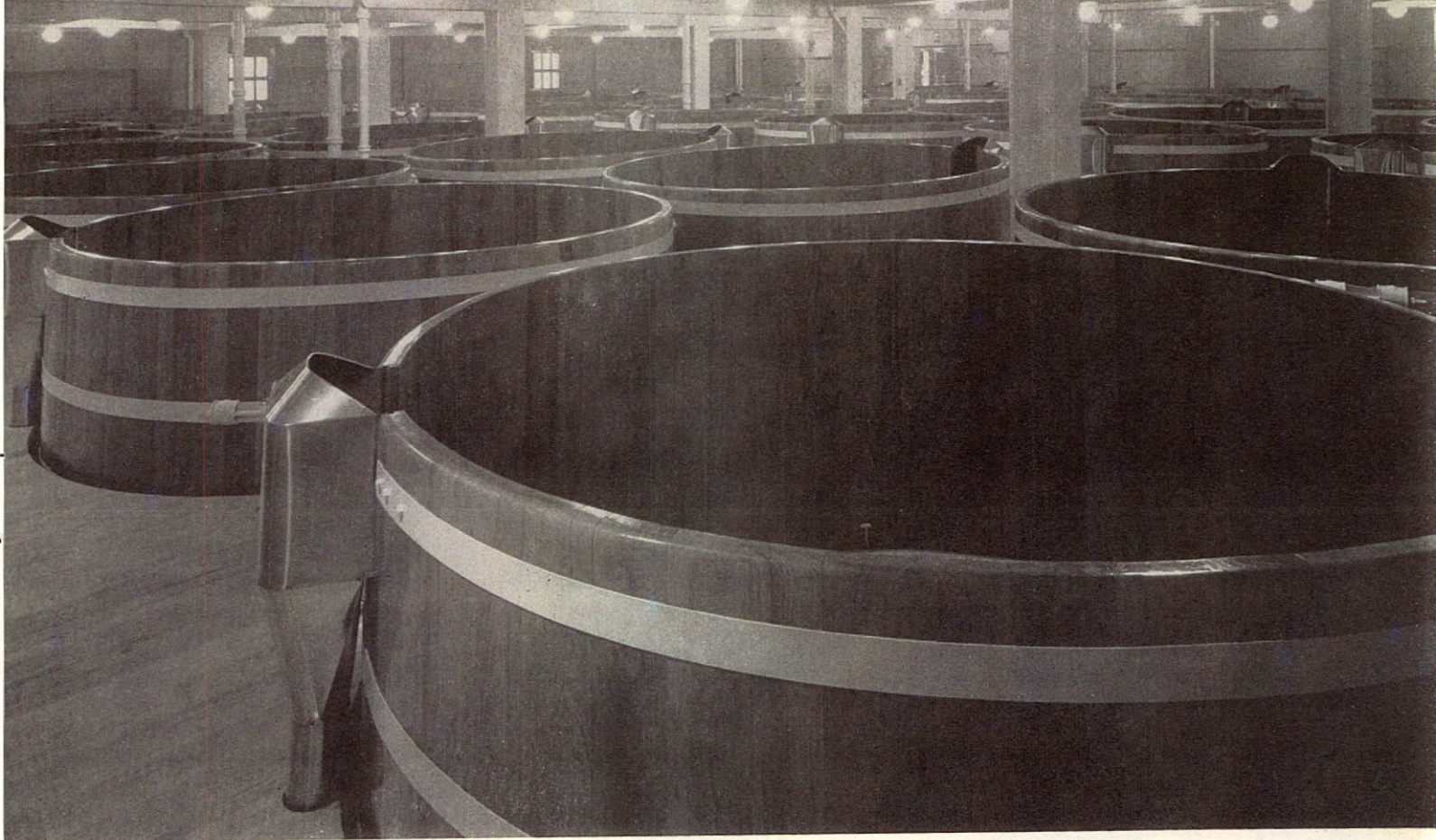
John Sabatt Limited

ANNUAL REPORT
for the year ending 30th September, 1950

LONDON

CANADA





FRONT COVER

In the Product Control Laboratory exhaustive tests are made to establish the quality of raw materials, products in process and finished products. In this way the Product Control Laboratory plays an important part in maintaining the traditionally high quality of Labatt ales, lager and stout.

FERMENTING—There are 39 cypress fermenting tuns in this room in the completely air-conditioned, three-storey Fermenting and Storage Building. Each tun has a capacity of 6,250 gallons, providing total new fermenting capacity of 243,750 gallons.

STORAGE—On two floors of the Fermenting and Storage Building there are 45 steel, glass-lined, aging and storage tanks with a total capacity of 679,950 gallons. The production facilities of this building were put into operation in March, 1950.

CONSTRUCTION PROGRAMME

On the cover, on this page and on pages 12 and 13 of this report are pictured the six major construction projects which were completed during 1950. They are:

New Fermenting and Storage Building

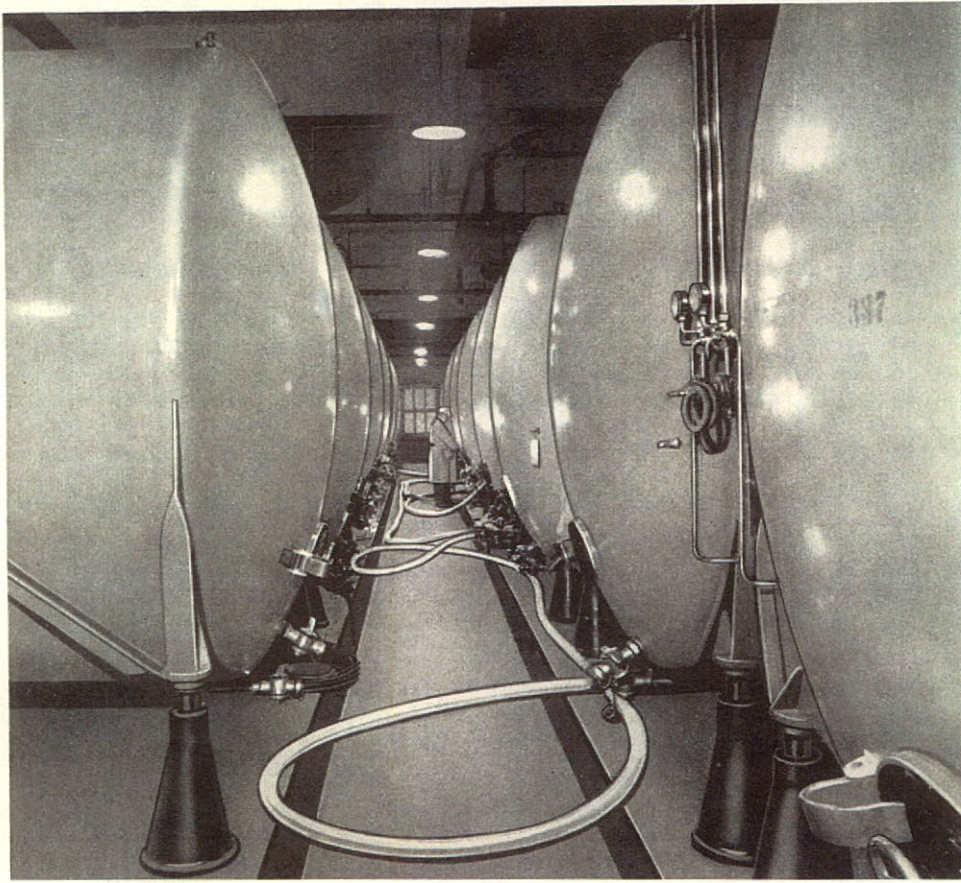
New Bottling Unit

New Garage

New London Retail Store

Product Control Laboratory

Railway Siding



John Labatt Limited

ESTABLISHED 1832

ANNUAL REPORT

**for the year ending
30th September, 1950**



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
26th January, 1951**

IN CONTINUOUS OPERATION FOR ONE HUNDRED AND EIGHTEEN 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 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.

factor in this decline. During the last few months the industry as a whole felt the continuing pressure of high prices for raw materials and the increased malt tax. These required price adjustments throughout Canada which, in your Directors' opinion, may still further reduce the industry's volume during the coming year.

CONSTRUCTION PROGRAMME

The projects referred to in the Company's Annual Report for 1949 were completed during the year. The fermenting and storage building, the new bottling unit, the new garage, the railway siding and the new London retail store are now in operation. Economies resulting from this construction have already been experienced but their full effect will be evident during the ensuing years. A new laboratory has been constructed to ensure the maintenance of the Company's high standards of quality. In all, the sum of \$1,534,540 was expended during the past fiscal year by your Directors for the completion of capital projects and for the acquisition of trucks and automobiles.

Your Directors have continued their study of the production requirements of the Company. In past reports reference has been made to the need for replacement of obsolescent bottling machinery and a start was made on this project during 1949 and 1950 by the installation of one new unit. The condition of the remaining older machines is now such that they too must be replaced if the Company's output of bottled beer is to be maintained. During a period of high operating costs it is essential to the Company's welfare that all operating economies possible be achieved since the Company's continued success is dependent as much on lowered costs through modernization as on increased sales. For these reasons your Directors are continuing the modernization project by relocating the bottling and shipping operations and replacing all obsolete machinery.

EARNINGS AND DIVIDENDS

Your Directors are confident that, with the anticipated reduction in operating costs resulting from the proposed capital expenditures and the improved sales prospect of your Company, earnings can be maintained at a satisfactory level.

DIRECTORS AND OFFICERS

On 1st August, 1950, Mr. John S. Labatt relinquished his position as President of the Company but remains with the Company as Chief Brewing Consultant and as a Director. He has served the Company for fifty years, of which thirty-five have been spent as

John Sabatt

CONSOLIDATED BALANCE

ASSETS

CURRENT:

Cash on hand and in banks.....	\$	22,173		
Government of Canada bonds and accrued interest—at cost less amounts written off.....		812,375		
(market value approximately \$821,000)				
Accounts receivable less reserve for doubtful accounts.....		998,455		
Portion of excess profits taxes refundable within one year.....		267,084		
Portion of advances to Brewers' Warehousing Co. Limited receivable within one year.....		296,237		
Inventories as determined and certified by the management, valued at the lower of cost or market—				
Beer and ale.....	\$1,699,404			
Raw materials and supplies.....	424,716	2,124,120	\$	4,520,444

FIXED:

	Asset at cost	Reserve for depreciation	Net book value	
Land.....	\$ 383,008		\$ 383,008	
Buildings.....	5,485,168	\$ 1,156,074	4,329,094	
Machinery and equipment.....	3,710,479	2,116,661	1,593,818	
Trucks and automobiles.....	1,127,265	664,373	462,892	
	<u>\$10,705,920</u>	<u>\$ 3,937,108</u>		6,768,812

OTHER:

Advances to Brewers' Warehousing Co. Limited and accrued interest.....	\$ 723,296			
Less amount receivable within one year (included with current assets).....	296,237	\$	427,059	
Prepaid expenses, deferred charges and sundry assets.....			352,186	
Bottles—valued at redemption price.....			309,483	
Kegs at cost less amounts written off.....			114,313	1,203,041
				<u>\$12,492,297</u>



and its Subsidiaries

(Incorporated under the
Companies Act — Canada)

BALANCE SHEET—SEPTEMBER 30, 1950

LIABILITIES

CURRENT:

Due to bankers—secured	\$ 521,479	
Accounts payable and accrued charges	771,490	
Dividend payable October 2, 1950	225,000	
Estimated taxes payable and accrued less payments on account	825,215	\$ 2,343,184

RESERVES:

Reserve for replacement of plant and equipment	\$ 2,000,000	
Reserve for redemption of containers in hands of public	\$ 400,000	2,400,000

CAPITAL AND SURPLUS:

Capital—		
Authorized—1,000,000 common shares without par value		
Issued—900,000 common shares	\$ 340,000	
Earned surplus	7,409,113	7,749,113

On behalf of the Board

JOHN S. LABATT, Director

HUGH F. LABATT, Director

\$12,492,297

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of John Labatt Limited and its subsidiaries as at September 30, 1950, and the related statements of consolidated profit and loss and 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 accounting records of the companies. We received all the information and explanations we required.

We report that in our opinion the above consolidated balance sheet and 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 September 30, 1950, and of the results of their 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.

CLARKSON, GORDON & CO.
Chartered Accountants.

London, Canada, November 15, 1950.

Statement of Consolidated Profit and Loss

For the Year Ended September 30, 1950

Operating profit before deducting the charges set out below		\$ 3,100,323
Deduct:		
Directors' fees	\$ 4,500	
Executives' remuneration	102,601	
Legal fees	8,966	
Provision for depreciation	487,244	603,311
		<u>\$ 2,497,012</u>
Add miscellaneous income less expenses		82,914
Profit before provision for taxes on income		<u>\$ 2,579,926</u>
Provision for Federal and Provincial taxes on income		1,029,000
Consolidated net profit for the year		<u><u>\$ 1,550,926</u></u>

Statement of Consolidated Earned Surplus

For the Year Ended September 30, 1950

Balance at September 30, 1949		\$ 6,713,117
Add consolidated net profit for the year		1,550,926
Amount released from reserve for redemption of containers		100,000
		<u>\$ 8,364,043</u>
Deduct:		
Dividends paid or declared	\$ 900,000	
Amount written off containers as a result of reduction in the redemption price less estimated allowance for income tax thereon (net)	54,930	954,930
Balance at September 30, 1950		<u><u>7,409,113</u></u>

The General Manager's Report

TO THE PRESIDENT AND DIRECTORS OF JOHN LABATT LIMITED:

The following report indicates the more important developments which have affected your Company's operation during the past fiscal year.

Working capital showed an increase of \$45,768.

The increase in amounts representing accounts receivable and inventories reflects both higher sales volume and higher prices due to the additional excise tax imposed by the Federal Government on 8th September, 1950.

The refundable portion of excess profit tax due 31st March, 1952, is included among other deferred charges in the amount of \$52,500.

Bottles on hand and on consignment have been revalued in accordance with the recent reduction in refund values in Ontario from 75¢ to 60¢ per case of two dozen pints and the corresponding reserve has been reduced proportionately from \$500,000 to \$400,000.

INCOME AND COSTS

Gross profit per barrel sold was very slightly higher than during the previous year. The cost of raw materials was substantially increased and malt alone accounted for \$247,000 during the twelve-month period. In addition, distributing costs were higher but, to offset these factors, Management was able to lower controllable expenses such as selling, administrative and direct production costs, with the result that the net profit was slightly higher than during the previous year.

Malt and other raw material prices are currently higher than the average for the past year.

SALES

The successful introduction of Anniversary Ale provided a large increase in sales for the Company and the decision has been made to retain Anniversary Ale as one of our regular products.

The Company's products received notable recognition during the past year when Anniversary Ale was awarded the Star of Excellence at the Institut International d'Alimentation exhibition held in Brussels, Belgium, and a bronze medal was awarded our India Pale Ale at the Brewers' and Allied Trade Exhibits in London, England. In the latter competition we defeated all the brands with which we are in major competition.

Your Company's sales have increased in the face of the industry's decline in volume. A high proportion of this increase has been in the Ontario market.

Your Company's retail store in London was relocated during the year and London volume has benefited.

Shipments of the Company's products to the Quebec market are showing improvement and sales in the United States are remaining constant.

TORONTO PLANT

The area supplied by the Toronto Plant was enlarged and the operations for the year showed an increase in net profit.

PRODUCT

The new laboratory with additional technical personnel has developed a greater degree of control over the consistency and quality of our products. One of the senior executives was sent to the United States and to Europe to study the methods and operations of various breweries. This is in accordance with the Company policy of keeping abreast of all new developments in brewing and bottling. The information obtained will prove of great value in the modernization project and the Company's normal operations.

TAXES

Elsewhere in this report is given pictorial evidence of the taxes on our products which are now borne by the consumer. The decline in the industry's volume as a result of the recent price adjustment made necessary by the malt tax increase is already evident throughout Canada and indications are appearing that the brewing industry as a whole is unable to absorb any further taxes without a loss in volume and a consequent decline in the industry's and the Government's revenue.

EMPLOYEE RELATIONS

The Employees' Recreation Association is now directed wholly by the employees and the majority of them are participating members. Union negotiations were successfully completed and, with the co-operation of the Union, the pension plan was revised to provide automatic retirement of employees at the age of sixty-five. The pension fund amounts to \$1,619,000; Company contributions \$978,000 and employees \$641,000.

The number of permanent employees as at 30th September, 1950, was 899. Turn-over was 5.7%.

Our Union members were of great assistance during the year in many ways and this has been appreciated by all departments.

THE FUTURE

Your Management's previously expressed optimism over the future was justified during the past year. The organization has developed into a well-integrated team and all departments are at full strength. It is Management's opinion that the teamwork and enthusiasm of the organization are this Company's best guarantee of continued success.

GENERAL

All employees of the Company wish to express their deep thanks to Mr. John S. Labatt for the many years of leadership he has given them and the Company, and express their

regret that his health necessitated his relinquishment of the Presidency. All the employees wish, at the same time, to extend congratulations to Mr. Hugh F. Labatt on the occasion of his elevation to the Presidency and look forward to many further years of continued association with Messrs. John and Hugh Labatt.

Management desires to record here its appreciation of the contribution made by all employees to the success of the Company's operations during the past year.

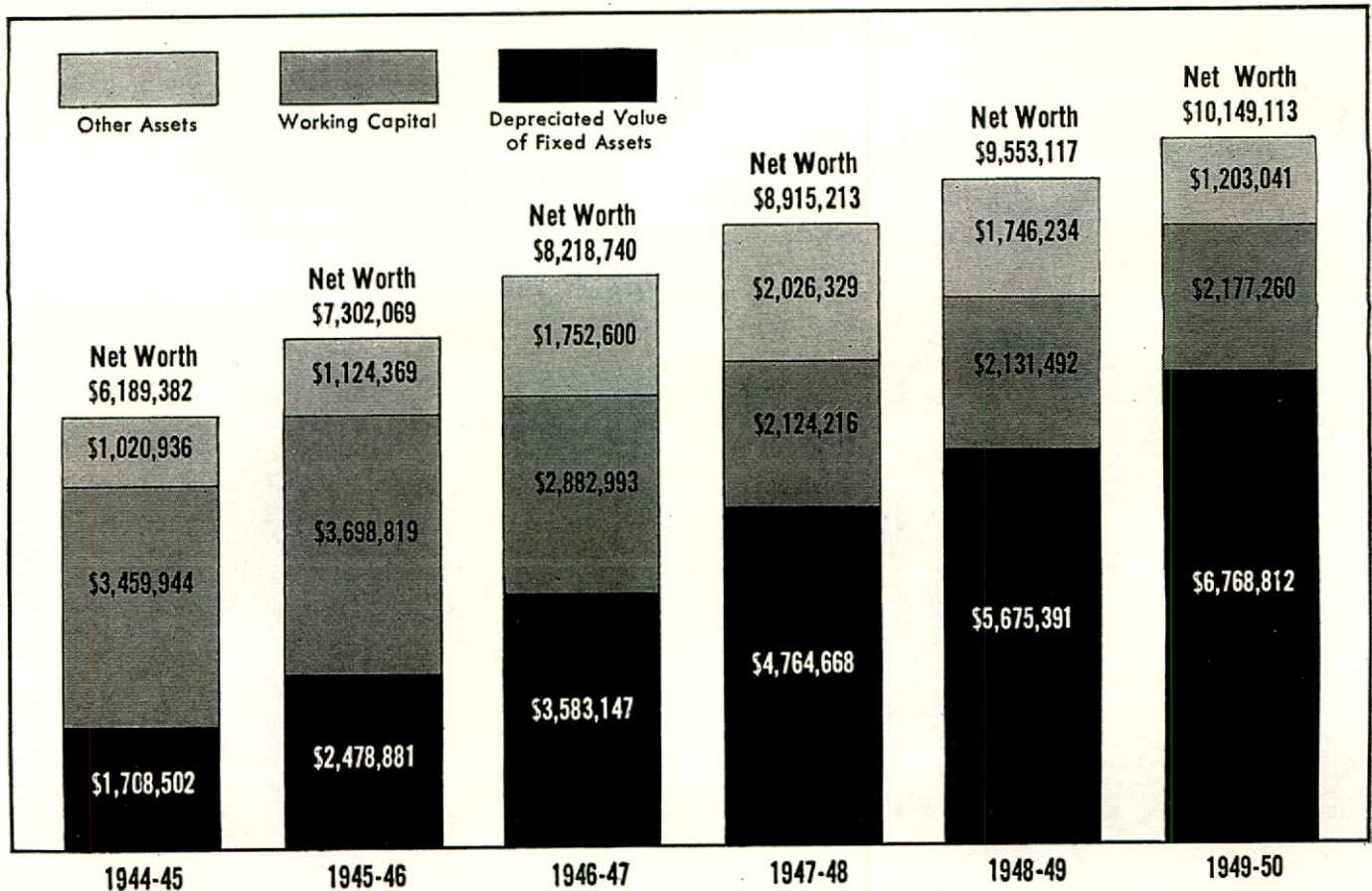
Respectfully submitted,

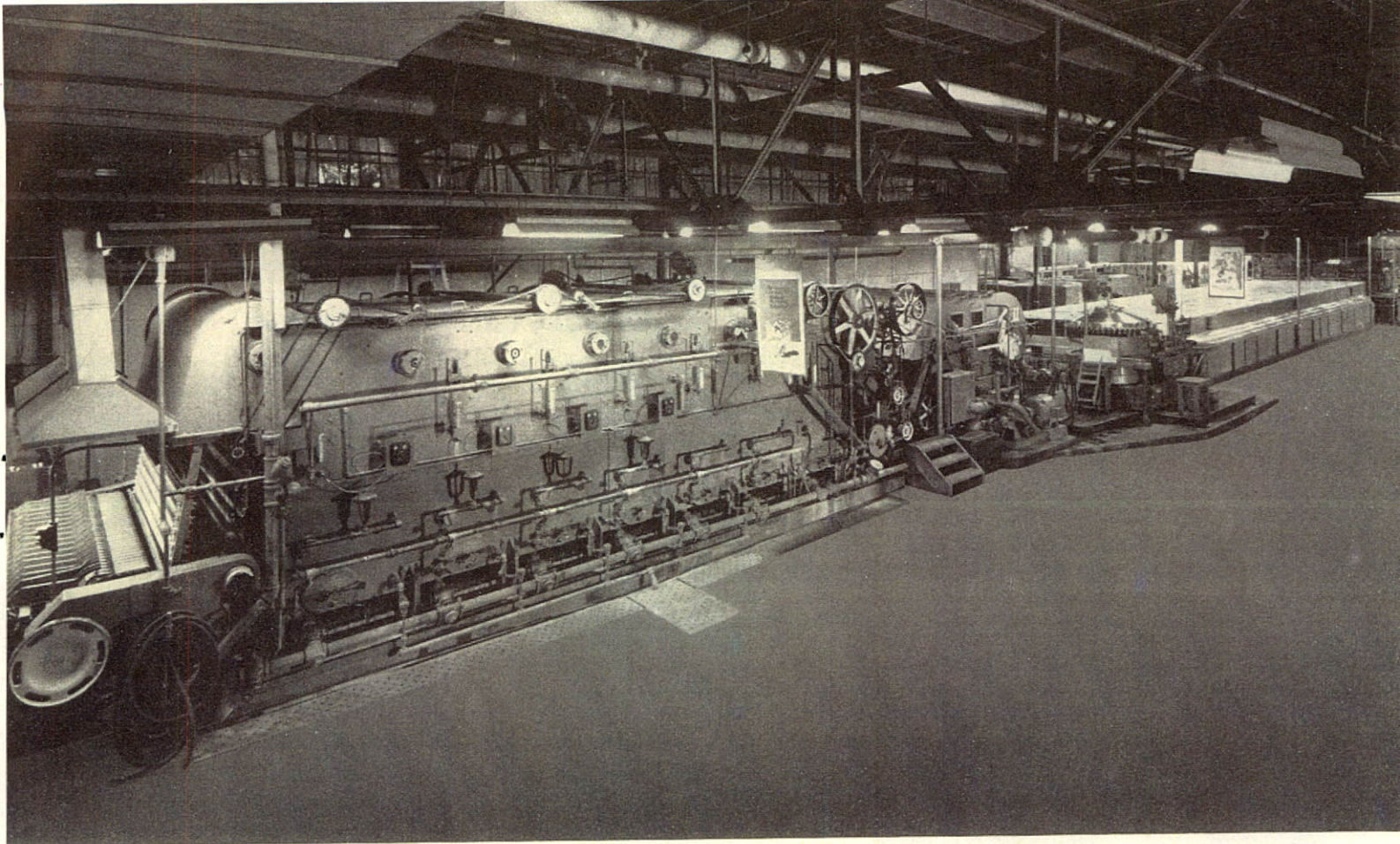
Hugh Mackenzie

General Manager

London, Ontario,
4th December, 1950.

ANALYSIS OF NET WORTH 1945 to 1950

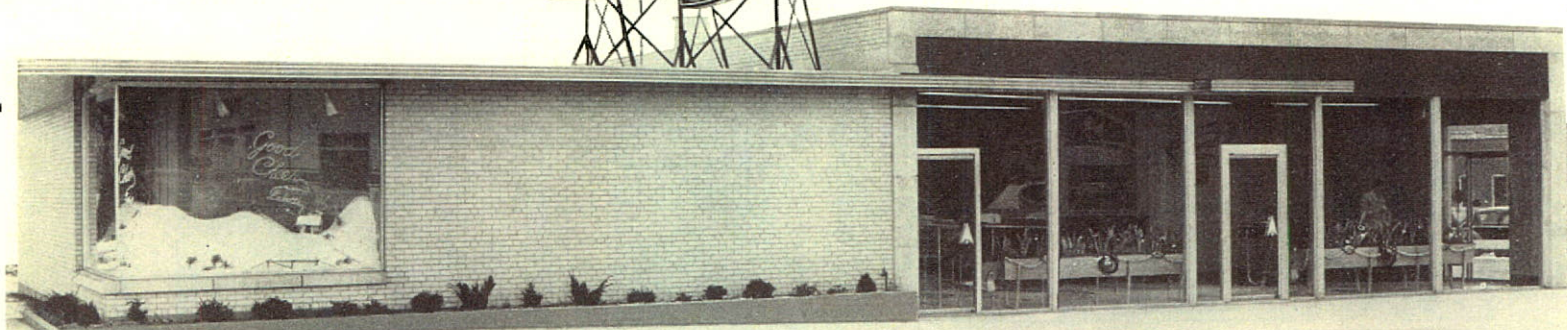




NEW BOTTLING LINE—The most modern in Canada, this new bottling unit was put into operation in May, 1950, and is in continuous operation through two shifts. From the time empty bottles are fed into the soaking and rinsing machine, the bottles are never again touched, the entire operation of filling, crowning, pasteurizing and packing in cartons being done by completely automatic machinery.



NEW LONDON RETAIL STORE—Utility and beauty are skilfully blended in the design and plan of this store which is located at a key downtown intersection. An unique arrangement of specially designed fixtures, located in such a way that there is a "free flow" of customers, eliminates congestion, affording customers the utmost in comfort and service. Also, a large parking lot provides off-the-street parking.





RAILWAY SIDING—Completion of the Company's own rail siding facilitates the shipment of supplies and finished products. Malt and hops now are unloaded directly into the plant and the Company's products are loaded into freight cars from the bottling plants.



NEW GARAGE—Occupying an area of more than an acre, the new London garage houses and services more than 200 vehicles. A feature of the construction is the bowstring roof trusses, which eliminated the need for any columns, leaving the main floor free of obstructions.





Anniversary Ale was introduced last March and immediately received an enthusiastic public reception. This new smoother, lighter ale was brewed by John S. Labatt in answer to a friendly challenge issued by his brother, Hugh F. Labatt, who suggested that Mr. John S. Labatt brew the finest ale of his career to mark the brothers' 50th anniversary of their association with the Company. In August it was decided to retain Anniversary Ale as one of our regular products and it is steadily increasing in popularity.

The EZY-DEUCE carton is another Labatt "first". This new two-dozen package with carrying handles is a worthy companion to the EZY-DOZ carton introduced in the Spring of 1949. The popularity of both cartons has been proved by increased sales and the comments of customers who appreciate their convenience.



JOHN LABATT LIMITED • LONDON, CANADA