



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.

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John Labatt Limited

FOR THE YEAR ENDING SEPTEMBER 30. 1952



LONDON, CANADA

ANNUAL REPORT

FOR THE YEAR ENDING SEPTEMBER 30

1952

Annual General Meeting of Shareholders

DECEMBER 15, 1952

The President's Report

Directors

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, Q.C.....	London, Ontario
HUGH A. MACKENZIE.....	London, Ontario
A. S. GRAYDON.....	London, Ontario

Officers

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

Solicitors

Ivey, Livermore & Dowler, 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.

TO THE SHAREHOLDERS OF JOHN LABATT LIMITED:

Your Directors are pleased to present the Annual Report of the Company for the fiscal year ending September 30, 1952.

Financial Position

Comparisons from the financial statements of the past three years are summarized below:

	1950	1951	1952
Net earnings per share	\$ 1.72	\$ 1.75	\$ 1.58
Dividend paid—per share	1.00	1.00	1.00
Earned surplus at end of year	7,409,113	8,035,274	8,337,249
Working capital	2,177,260	3,920,898	3,551,885
Fixed assets at cost	10,705,920	12,230,916	15,352,864
Depreciation and replacement reserves	5,937,108	6,341,230	6,699,461

Conditions in the Industry

In the past year industry volume in Canada increased approximately 9%. The trend of the previous year was altered slightly in that sales of draught beer, while increasing, had a slightly lower rate of increase than bottled beer.

Industry costs continued to advance during the year. The taxation rate remained at an all-time high level and the increase in sales tax, which was made effective April 11, 1951, was felt throughout the entire 1952 fiscal year. Labour rates, material prices and distribution costs were all substantially higher in the industry as a whole.

These factors imposed a heavy strain upon the industry's profit position.

Your Company's Position

Your Company again had the highest sales in its history and, once more, its percentage increase in sales was greater than the industry's. However, as will be seen elsewhere in this Report these increased sales could not offset the higher costs which faced the Company.

Modernization and Expansion

The modernization programme referred to in previous Reports neared completion during the year. As we advised shareholders last year, the economies from this programme are only now accruing to the Company. This has included the construction of a new bottle shop and of new warehouse and shipping facilities at the London plant. The programme was designed to make more efficient the utilization of labour and to effect substantial operating economies. The bottle shop now is in partial operation, and it will be functioning completely early in 1953.

During the fiscal year approximately \$3,300,000 was spent on the building programme referred to above, as well as on the purchase of trucks and automobiles and on other capital assets.

A further \$2,250,000 debenture issue was made, bringing the Company's total funded indebtedness to \$4,500,000 as set forth in the balance sheet. The additional issue was to reimburse the Company in part for capital expenditures and for general corporate purposes.

During the year an option to purchase a twenty-nine acre site in Ville La Salle was taken by the Company. The area chosen has many natural advantages as a brewing site and will safeguard the Company's position in the Quebec market when it is desired to proceed with the construction of a Montreal brewery. In addition, the Montreal warehouse is to be enlarged in order to accommodate the greatly increased sales the Company is now enjoying in the Province of Quebec.

Earnings and Dividends

Your Directors are in a difficult position to forecast the prospect for earnings and dividends in the coming year. The increasingly successful sales programme of the Company is most heartening and it is confidently expected that new production and sales records will be established during the coming year. The economies resulting from previous capital investment in the modernization programme also will be apparent during the ensuing year.

Offsetting these favourable aspects, however, are those cost factors over which management has no control, such as taxation and price increases in materials in general. If these were to remain constant some slight improvement in the Company's earning position could be anticipated in the coming year. But for substantial relief some reduction in taxation is required. Your Company, in common with the rest of the industry, is constantly striving to convince the respective

taxing authorities of the dangers inherent in the disproportionate burden they have placed on the industry.

Directors

On July 8, 1952, Mr. John S. Labatt died and thus deprived the Company of the services of one who had been largely instrumental in guiding the Company to its present position. His advice and counsel were always of great assistance to the Directors and to the management and will be greatly missed.

To fill the vacancy on the Board of Directors, Mr. A. S. Graydon was appointed to serve until the next Annual Meeting.

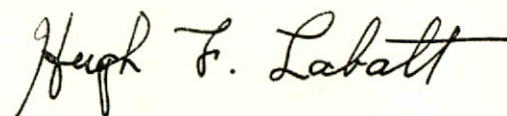
General

During the year Mr. John P. Labatt, the elder son of the late John S. Labatt, returned to the Company following intensive training in brewing practices. Thus the fourth generation of brewmasters in the family became a member of the firm.

The number of shareholders as of September 30, 1952, was 2,440.

Your Directors wish to express their appreciation of your interest and support during the year and, on behalf of the shareholders and themselves, to acknowledge the part played by the officers and employees in the success of the Company under difficult conditions.

Submitted on behalf of the Directors,



President

*London, Ontario.
November 17, 1952.*

Consolidated Balance Sheet

JOHN LABATT LIMITED

AND ITS SUBSIDIARY (Incorporated under the Companies Act, Canada)

AS AT SEPTEMBER 30, 1952

ASSETS

CURRENT:

Cash on hand and in banks.....	\$ 349,375		
Marketable securities and accrued interest—at market value which is less than cost.....	2,086,975		
Accounts receivable less reserve for doubtful accounts.....	1,161,842		
Inventories as determined and certified by the management, valued at the lower of cost or market—			
Beer and ale.....	\$2,542,042		
Raw materials and supplies.....	407,436	2,949,478	\$6,547,670

FIXED:

	Asset at Cost	Reserve for Depreciation	Net Book Value
Land.....	\$ 470,204		\$ 470,204
Buildings.....	8,125,044	\$1,455,225	6,669,819
Machinery and equipment.....	5,591,228	2,548,687	3,042,541
Trucks and automobiles.....	1,166,388	695,549	470,839
	<u>\$15,352,864</u>	<u>\$4,699,461</u>	<u>10,653,403</u>

OTHER:

Advances to Brewers' Warehousing Company Limited.....	\$ 532,650		
Prepaid expenses, deferred charges and sundry assets.....	284,033		
Bottles—valued at redemption price.....	\$ 369,088		
Kegs at cost less amounts written off.....	186,190	555,278	1,371,961
			<u>\$18,573,034</u>

LIABILITIES

CURRENT:

Accounts payable and accrued charges.....	\$1,517,469	
Dividend payable October 1, 1952.....	225,000	
Estimated taxes payable and accrued less payments on account.....	1,253,316	\$2,995,785

DEBENTURES:

Authorized—\$10,000,000		
Issued—		
3¼% serial debentures series "A" to mature in equal annual instalments of \$125,000 each on February 1, 1954 to 1961 inclusive.....	\$1,000,000	
3¾% serial debentures series "A" to mature in equal annual instalments of \$125,000 each on February 1, 1962 to 1971 inclusive.....	1,250,000	
5% sinking fund debentures series "B" to mature May 1, 1972.....	2,250,000	4,500,000

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.....	8,337,249	8,677,249

NOTE: The company has planned plant additions and replacements to be carried out in 1953 totalling approximately \$2,000,000 the liability for which is not included in the above balance sheet.

On behalf of the Board

HUGH F. LABATT, Director
HUGH A. MACKENZIE, Director

\$18,573,034

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of John Labatt Limited and its subsidiary as at September 30, 1952 and the consolidated statements of profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and consolidated statements of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at September 30, 1952 and the results of their operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

London, Canada, November 15, 1952

CLARKSON, GORDON & CO.,
Chartered Accountants.

Rev. Addin Lyne
w/ H. Lyne

425,640
1.292

18,573,034
426,932
18,573,034

JOHN LABATT LIMITED AND ITS SUBSIDIARY

Statement of Consolidated Profit and Loss

FOR THE YEAR ENDED SEPTEMBER 30, 1952

Operating profit before deducting the charges set out below.....		\$3,762,036
Deduct:		
Directors' fees.....	\$ 5,625	
Executive remuneration.....	122,162	
Legal fees.....	12,633	
Provision for depreciation.....	580,377	
Interest on funded debt.....	118,300	839,097
		<u>\$2,922,939</u>
Add income from investments.....		41,078
		<u>\$2,964,017</u>
Profit before provision for taxes on income.....		\$2,964,017
Provision for taxes on income.....		1,540,000
		<u>\$1,424,017</u>
Consolidated net profit for the year.....		<u>\$1,424,017</u>

Statement of Consolidated Earned Surplus

FOR THE YEAR ENDED SEPTEMBER 30, 1952

Balance October 1, 1951.....		\$8,035,274
Add consolidated net profit for the year.....		1,424,017
		<u>\$9,459,291</u>
Deduct:		
Dividends paid or declared.....	\$900,000	
Discount and expenses in respect of debenture issue.....	69,885	
Amount written off investments to reduce to market value.....	152,157	1,122,042
		<u>\$8,337,249</u>
Balance September 30, 1952.....		<u>\$8,337,249</u>

The General Manager's Report

TO THE PRESIDENT AND DIRECTORS OF
JOHN LABATT LIMITED:

The following report is in explanation of certain items in the audited statements and brings to your attention matters of interest affecting operations.

Balance Sheet

The working capital of the Company decreased by \$369,013. Relevant extraordinary items were: proceeds of the additional debenture issue \$2,180,115, and net capital expenditures of \$3,323,534.

The increase in inventories was entirely due to the large quantities on hand, the average unit cost being slightly less per barrel than the previous year.

Accounts payable on account of capital expenditures largely explain the increase in current liabilities.

With the additional issue of 5% sinking fund debentures the annual interest charge on debentures currently outstanding amounts to \$191,875.

Income and Costs

Profits before and after income taxes were down for the year; but it is encouraging to note that the results of the last six months of the fiscal year showed higher profits than during the same period last year. This reflects economies arising from previous capital expenditures.

Over the year costs more than absorbed the additional profit accruing from the increase in sales. The major items included: the extra 2% sales tax absorbed for 12 months this year compared to six months of the previous year; overtime premium in the bottling department due partially to the continued use of the old units; increased labour costs throughout; increased price of bottles and a decrease in carton salvage value; heavy repairs and maintenance resulting from exceptionally heavy pressure on old equipment now being replaced; and sharply higher distributing costs due to increased wages in the Brewers' Warehousing Company Limited.

It should be noted that despite the increase in costs of the Brewers' Warehousing Company Limited, nevertheless it is still the cheapest possible method of beer distribution.

Sales promotion expenses including advertising, public relations, salesmen's salaries and expenses, and general administrative expenses, were both lower on a per unit basis than in the previous year.

Some of the new bottling equipment will not be operating in its final and most economical location until the end of March, 1953. Recently however, it has been possible to shift practically all bottling from the obsolete units to the modern machines so that bottling and shipping operations now take place in the one building with obvious future savings.

Distribution

Your fleet was modernized by replacing a number of smaller trucks with the largest trailers available. The ensuing decrease in cost is becoming apparent.

The Brewers' Warehousing Company Limited is working on plans for a large modernization programme. While your Company will be called upon for its share of the capital outlays, the proposed construction will result in more economical operations.

Sales

During the summer months your Company could not meet the demand for its products.

While the increase in Pilsener sales has been phenomenal, all other brands gained substantially.

Sales outside the Province of Ontario increased in all important markets and particularly in the Province of Quebec and in the United States. A sales re-organization programme in both these territories is being completed. The results are most encouraging.

Six carloads of Anniversary Ale have now been sent to the Canadian troops in Korea. The latest carload should reach the troops before Christmas.

Toronto Plant

This plant, producing and distributing draught beer only, contributed a somewhat larger profit to the operations during the past year, due to an increase in sales and to economies effected within its operations.

Employee Relations

The pension fund amounts to \$2,124,359; Company contributions total \$1,202,111, and employee contributions, \$922,248. The number of permanent employees in Toronto and London as at 30th September, 1952 was 1,021.

Housing loans have been granted to employees since 1944. All loans have been repaid when due. 66.3% of the employees now own their own homes. The advantages of a stable work force are obvious.

General

Management desires to express appreciation of the contribution made by all employees to the success of the Company. Their whole-hearted co-operation during a year when construction in progress created severe difficulties in operation, has been outstanding.

All the employees of the Company wish to record their deep sorrow occasioned by the death of the late Mr. John S. Labatt.

Respectfully submitted,

Nugh Mackenzie

General Manager

*London, Ontario.
November 15, 1952*