

### 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.

LIBRARY USE ONLY

FOR THE YEAR ENDED SEPTEMBER 30, 1954

*John Labatt Limited*

LONDON, CANADA

# ANNUAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30

1954

Annual and Special General Meeting of  
Shareholders

JANUARY 14, 1955



## 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
W. L. SHORTREED.....	Assis't Gen. Manager and Sec'y.
J. H. MOORE, C.A.....	Director of Finance and Treasurer

## Solicitors

Ivey, Livermore & Dowler, London

## Auditors

Clarkson, Gordon & Co., London

## Transfer Agents

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

## Registrars

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

# The President's Report

## TO THE SHAREHOLDERS OF JOHN LABATT LIMITED:

Your Directors are pleased to present the Annual Report of your Company for the fiscal year ended September 30, 1954.

## Highlights of the Financial Statements

	1954*	1953	1952
Shareholders' Equity	\$18,437,840	\$11,426,511	\$10,611,620
Debentures and Mortgages	6,737,544	4,500,000	4,500,000
Fixed Assets	26,467,112	17,144,414	15,325,813
Accumulated Depreciation	10,058,585	6,490,184	5,636,702
Working Capital	5,642,362	4,189,965	4,725,184
No. of Shares Outstanding	1,254,995	900,000	900,000
Net Profit Per Share	2.29	1.90	1.33

\*Consolidated assets and liabilities of Shea's Winnipeg Brewery Limited are included.

## Conditions in the Industry

Owing largely to unusually adverse weather conditions during the peak selling period, industry sales declined during the year. In certain regions, unsettled employment was also a factor in limiting industry volume.

Costs in the industry remained fairly constant and assisted in maintaining the Company's earning position.

## Position of Your Company

Though sales for the industry as a whole declined, your Company enjoyed a slight increase in sales during the year.

## Shea's Winnipeg Brewery Limited

Your Directors are happy to report that the offer to purchase the shares of Shea's Winnipeg Brewery Limited was accepted by all shareholders of that company so that it became a wholly-owned subsidiary. The experience of the past year indicates that the association of the two companies will be a beneficial factor in their joint operation.

The comparative financial statements contained in this 1954 Annual Report clearly reflect the increase since 1953 in the value of the assets of your Company which is largely due to the inclusion of the Shea's assets for the first time.

## Montreal Brewery

Study of the Company's future production capacity requirements showed that the London and Toronto plants would be over-taxed if they continued to supply the entire eastern market. It became clear that any addition to production capacity should be made in the Province of Quebec where the Company has been selling and distributing its products for more than 78 years. Your Directors noted that brewing facilities in the Quebec market were immediately necessary not only to relieve the London and Toronto plants, but also to reduce transportation costs, and to permit full development of a market potential comparable to that of Ontario.

The decision was made, therefore, to proceed with the construction of a brewery in Quebec on the 29-acre site previously purchased in Ville LaSalle on the outskirts of Montreal. The contract was awarded to the Foundation Company of Canada Limited in August and work is already well advanced.

The new plant, designed so that it can be rapidly and economically expanded, will have an initial capacity of 250,000 barrels a year and will be in production early in 1956. The estimated cost of construction is \$6,500,000, including sums already expended.

The Montreal brewery will be operated by a subsidiary company to be known as La Brasserie Labatt Limitée—Labatt's Brewery Limited. It will produce and market Labatt's already well-established brands throughout the province.

Your Directors are confident that the establishment of brewing facilities in this area will materially strengthen the Company's competitive position, and in due course make a significant contribution to its profits.

## Modernization and Expansion

With the opening of the new fermenting and storage rooms at the London Plant during the year, the modernization and expansion program for this and the Toronto Plant was completed.

The management of Shea's Winnipeg Brewery Limited, prior to the association with your Company, foresaw the need for increased fermenting and storage capacity, the construction of which is now nearing completion.

## Earnings

The earnings of your Company continued to improve as in the previous year. Your Directors, however, are of the opinion that if the Company is to keep pace with Canada's rapid growth—and in view of the additional capital requirements indicated by its Montreal construction project—its working capital position should be maintained at a high level by continuing the present dividend policy, at least for the immediate future.

## Directors

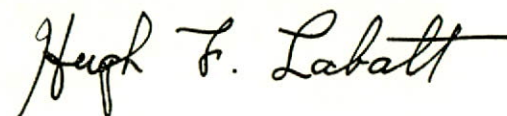
Arthur Sullivan, Q.C., LL.D., Chairman of the Board, Shea's Winnipeg Brewery Limited, has kindly consented to join your Board of Directors. His wide knowledge of Canadian business affairs, particularly those of Manitoba, will be of great value to your Company.

## General

The Directors wish to extend a warm welcome to the many shareholders who have joined us during the past year and to extend their sincere appreciation to all shareholders for their interest in and support of the Company. As of September 30, 1954, the Company was owned by 5,025 shareholders.

On behalf of the shareholders, and on their own behalf, the Directors wish to acknowledge the contribution to the Company's growth made by the officers and all employees.

Submitted on behalf of the Directors,



*President*

London, Ontario.  
November 1, 1954



# Consolidated Balance Sheet

# JOHN LABATT LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARIES

(Incorporated under the Laws of Canada)

AS AT SEPTEMBER 30, 1954

(with comparative amounts as at September 30, 1953—Note 1)

## ASSETS

	1954	1953
<b>CURRENT:</b>		
Cash.....	\$ 2,170,053	\$ 659,434
Marketable securities and accrued interest (at cost in 1954— market value approximately \$1,926,000).....	1,916,749	1,081,833
Accounts receivable less allowance for doubtful accounts.....	1,469,292	1,381,428
Inventories as determined and certified by the management and valued as set out in Note 2.....	4,128,255	3,406,077
Prepaid expenses.....	278,076	219,549
	<u>\$ 9,962,425</u>	<u>\$ 6,748,321</u>
<b>INVESTMENT IN PARTLY-OWNED SUBSIDIARIES - AT COST LESS AMOUNTS WRITTEN OFF</b>	<u>\$ 1,317,150</u>	
<b>FIXED—AT COST (Note 3)</b>		
Land.....	\$ 1,769,528	\$ 720,103
Buildings.....	14,695,851	8,849,351
Machinery and equipment.....	8,627,256	6,371,750
Trucks and automobiles.....	1,374,477	1,203,210
	<u>\$ 26,467,112</u>	<u>\$ 17,144,414</u>
Less accumulated depreciation.....	10,058,585	6,490,184
	<u>\$ 16,408,527</u>	<u>\$ 10,654,230</u>
<b>MORTGAGES, LOANS AND ADVANCES LESS ALLOWANCE FOR LOSSES</b> .....	<u>\$ 1,388,964</u>	<u>\$ 839,316</u>
	<u><u>\$ 29,077,066</u></u>	<u><u>\$ 18,241,867</u></u>

## LIABILITIES

	1954	1953
<b>CURRENT:</b>		
Accounts payable and accrued charges.....	\$ 1,378,887	\$ 1,157,537
Dividend payable October 1 .....	313,749	225,000
Estimated taxes payable.....	2,209,046	932,819
Serial debenture and mortgage principal instalments and sinking fund payment due within one year.....	418,381	243,000
	<u>\$ 4,320,063</u>	<u>\$ 2,558,356</u>
<b>DEBENTURES AND MORTGAGES (Note 4)</b> .....	<u>\$ 6,319,163</u>	<u>\$ 4,257,000</u>
<b>RESERVE FOR REDEMPTION OF CONTAINERS IN HANDS OF PUBLIC</b>		<u>\$ 400,000</u>
<b>CAPITAL AND SURPLUS:</b>		
Capital at September 30, 1954 (Note 5)		
Authorized—1,500,000 common shares without par value		
Issued —1,254,995 common shares.....	\$ 5,798,048	\$ 340,000
Earned surplus (Note 6).....	12,639,792	10,686,511
	<u>\$ 18,437,840</u>	<u>\$ 11,026,511</u>
	<u><u>\$ 29,077,066</u></u>	<u><u>\$ 18,241,867</u></u>

On behalf of the Board

HUGH F. LABATT, Director

HUGH A. MACKENZIE, Director

The "Notes to the consolidated Financial Statements" on the second page following should be read with this statement.

## AUDITORS' REPORT

To the Shareholders of John Labatt Limited:

We have examined the consolidated balance sheet of John Labatt Limited and its wholly-owned subsidiaries as at September 30, 1954 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.

As required by Section 118 of The Companies Act, Canada, we report that dividends received from partly-owned subsidiary companies have been included in consolidated net profit in an amount equal to the interest of John Labatt Limited in the profits of such subsidiaries for the year ended September 30, 1954.

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, 1954 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 1st, 1954.

CLARKSON, GORDON & CO.  
Chartered Accountants.



# JOHN LABATT LIMITED

## AND ITS WHOLLY-OWNED SUBSIDIARIES

### Statement of Consolidated Profit and Loss

FOR THE YEAR ENDED SEPTEMBER 30, 1954  
(with comparative amounts for 1953—Note 1)

	1954	1953
Consolidated profit before deducting the following charges..	\$ 7,057,054	\$ 4,677,820
Deduct:		
Depreciation.....	\$ 1,546,912	\$ 1,112,585
Interest on debentures and mortgages.....	293,292	191,556
	\$ 1,840,204	\$ 1,304,141
	\$ 5,216,850	\$ 3,373,679
Add:		
Income from other investments .....	56,659	41,215
Dividends received from partly owned subsidiaries less amount written off investment .....	268,702	
Consolidated profit before taxes on income.....	\$ 5,542,211	\$ 3,414,894
Estimated taxes on income.....	2,665,000	1,700,000
Net profit transferred to statement of consolidated earned surplus.....	\$ 2,877,211	\$ 1,714,894
Note: The following expenses incurred by the company have been deducted in arriving at consolidated profits:		
Directors' fees .....	\$ 6,000	\$ 6,000
Executive remuneration and legal fees.....	149,348	147,662

### Statement of Consolidated Earned Surplus

FOR THE YEAR ENDED SEPTEMBER 30, 1954  
(with comparative amounts for 1953—Note 1)

	1954	1953
Balance at beginning of year.....	\$ 10,686,511	\$ 8,337,249
Add:		
Consolidated net profit for the year.....	2,877,211	1,714,894
Reserve for redemption of containers restored to surplus .....	400,000	
Reserve for replacement of plant and equipment restored to surplus.....		2,000,000
Profit on sale of investments (net).....	90,581	
	\$ 14,054,303	\$ 12,052,143
Less:		
Expenses in connection with the sale of debentures and shares and expenses in connection with the acquisition of a subsidiary company .....	\$ 161,621	
Adjustment of depreciation charges, taxes on income, etc., relating to prior years.....		\$ 465,632
Dividends paid or declared.....	1,252,890	900,000
	\$ 1,414,511	\$ 1,365,632
Balance at end of year.....	\$ 12,639,792	\$ 10,686,511

The attached "Notes to the Consolidated Financial Statements" should be read with this statement.

# JOHN LABATT LIMITED

## AND ITS WHOLLY-OWNED SUBSIDIARIES

### Notes to the Consolidated Financial Statements

September 30, 1954

#### NOTE 1

During the past year John Labatt Limited acquired all of the outstanding shares of Shea's Winnipeg Brewery Limited and therefore the consolidated assets and liabilities of that company are included in the attached consolidated balance sheet as at September 30, 1954 but are not included in the comparative amounts shown for 1953.

Similarly, the consolidated earnings of this subsidiary company are not included in the earnings shown for 1953 but are included in total for the year ended September 30, 1954, as prior to October 1, 1953 certain persons were committed to sell to John Labatt Limited shares representing a controlling interest in Shea's Winnipeg Brewery Limited.

#### NOTE 2—Inventories

Inventories at September 30, 1954 and 1953 are valued as follows:

	1954	1953
Beer and ale—at the lower of cost or market.....	\$ 2,801,378	\$ 2,308,313
Raw materials and supplies—at the lower of cost or market.....	541,520	492,808
Bottles—at redemption price .....	444,444	357,377
Kegs—at cost less amounts written off.....	340,913	247,579
	\$ 4,128,255	\$ 3,406,077

#### NOTE 3—Fixed assets

Fixed assets of Shea's Winnipeg Brewery Limited and its wholly-owned subsidiaries are included at their effective cost to John Labatt Limited which is \$979,333 in excess of their book value in the accounts of the respective companies but is substantially less than their appraised values. Depreciation based on the effective cost to John Labatt Limited has been included in the attached statement of consolidated profit and loss.

#### NOTE 4—Debentures and Mortgages

Particulars of debentures and mortgages at September 30, 1954 and 1953 are as follows:

	1954	1953
Authorized .....	\$ 10,000,000	\$ 10,000,000
Outstanding:		
3¼ % serial debentures series "A" to mature in equal annual instalments of \$125,000 each on February 1, 1954 to 1961 inclusive.....	\$ 875,000	\$ 1,000,000
3¼ % serial debentures series "A" to mature in equal annual instalments of \$125,000 each on February 1, 1962 to 1971 inclusive.....	1,250,000	1,250,000
5 % sinking fund debentures series "B" to mature May 1, 1972 (sinking fund payment \$118,000 per annum)....	2,132,000	2,250,000



	1954	1953
5% serial debentures series "C" to mature in equal annual instalments of \$75,000 each on December 1, 1954 to 1960 inclusive.....	525,000	
5% sinking fund debentures series "C" to mature December 1, 1973 (sinking fund payment \$75,000 per annum commencing in 1961).....	975,000	
Mortgages of Shea's Winnipeg Brewery Limited and subsidiaries—principal outstanding.....	980,544	
	<u>\$ 6,737,544</u>	<u>\$ 4,500,000</u>

**Deduct:**

Principal instalments due within one year		
Series "A" debentures—February 1.....	\$ 125,000	\$125,000
Series "C" debentures—December 1.....	75,000	
Mortgages.....	100,381	
Sinking fund payment due within one year in respect of Series "B" debentures May 1.....	118,000	118,000
	<u>\$ 418,381</u>	<u>\$ 243,000</u>
	<u>\$ 6,319,163</u>	<u>\$ 4,257,000</u>

NOTE: Of the total authorized debentures, \$6,000,000 had been issued to September 30, 1954 of which \$1,500,000 were issued during the year ended on that date.

**NOTE 5—Capital Stock**

During the year ended September 30, 1954 authorized capital was increased by supplementary letters patent creating an additional 500,000 common shares and 354,995 of such shares were issued as follows:

	Shares	Value
For cash.....	100,000	\$ 1,537,500
As part consideration for the purchase of shares of Shea's Winnipeg Brewery Limited.....	254,995	3,920,548
	<u>354,995</u>	<u>\$ 5,458,048</u>

**NOTE 6—Earned Surplus**

The trust indenture relating to the debentures contains a provision whereby dividends may not be declared or paid which would reduce consolidated net current assets (as therein defined) below a certain level. At September 30, 1954 the consolidated net current assets (as so defined) were substantially in excess of such requirements.

**NOTE 7—Plant Additions**

The company has planned plant additions to be carried out in the 1955 and 1956 fiscal years at a total cost of approximately \$6,000,000 the liability for which is not included in the attached consolidated balance sheet.

## The General Manager's Report

### TO THE PRESIDENT AND DIRECTORS OF JOHN LABATT LIMITED:

This report explains certain items in the financial statements and brings to your attention some of the important developments of the 1954 fiscal year.

#### Financing

Details of the financing carried out by the Company during the past year in connection with the purchase of Shea's Winnipeg Brewery Limited, and to replace working capital, are as follows:

	Shares	Value
Common Shares:		
Shares issued to the shareholders of Shea's Winnipeg Brewery Limited in connection with the exchange of their shares.....	254,995	\$3,920,548
Shares sold for cash.....	100,000	1,537,500
Total additional shares issued during year.....	<u>354,995</u>	<u>\$5,458,048</u>
Debentures:		
Series "C" serial and sinking fund debentures issued during the year.....		\$1,500,000

#### Income and Costs

The 1954 operating profits increased over those of the previous year. The most important factors contributing to this improvement were:

- The inclusion of the Shea's profits in the consolidated statement.
- A continuing reduction of certain production costs, notably in the London Plant Bottling Department.
- An increased return from the Toronto Plant operation.
- Additional revenue arising from the sale of spent grains, made possible by the completion of the grain drying facilities at London.
- A small increase in sales volume.

Federal and Provincial sales and excise taxes continued to be a high cost factor and were the equivalent of \$10.88 per share this year.

#### Comparison of Per Share Earnings

	1954	1953	1952
Net Profits.....	2.29	1.90	1.33
Depreciation.....	1.23	1.24	1.12
Cash Income.....	3.52	3.14	2.45
Income Tax.....	2.12	1.89	1.49
Cash Income before Income Tax.....	5.64	5.03	3.94
Number of Shares Outstanding.....	1,254,995	900,000	900,000

## Plant

Modernization and expansion of the London Plant is now completed. The latest addition to the fermentation and storage building is one of the most modern installations on the continent. It has introduced brewing methods which will doubly ensure uniformity of product quality and reduce production costs.

## Sales

During the year there was a modest gain in your Company's sales volume. The increase was minimized by the drop in industry volume resulting from abnormally low temperatures during the peak selling period. Viewed against the background of the industry's losses, the gain demonstrates the continuing soundness of the Company's marketing policies.

Highlights of these policies were:

(a) The introduction late in the year of new labels. These provide a family identification to ensure mutual selling support for all products and to link all Company advertising with all its brands.

(b) Sponsorship for the second year of Canada's largest golf tournament, which helped to obtain national recognition for the Company's name and provided a substantial contribution to the work of the Ontario Society for Crippled Children.

(c) Further gift shipments of "50" Ale for Canadian Navy, Army and Air Force personnel in Korea and Europe. Labatt's are happy to have led the industry in inaugurating such gifts.

(d) For the second year in succession the winning by Labatt's Ale of the only first prize medal among many Canadian ale and beer entries at the Brewers' and Allied Traders International Exhibition, Olympia, London, England. This competition stands alone as the most exacting of the exhibitions open to Canadian brewers. It is believed unique in modern Canadian brewing history for any Company's products to have won such an honour in consecutive years.

## General

The successes achieved by your Company were made possible by the excellent support and co-operation of all its employees. During the year, some 633 Shea's employees were added to the 1,062 permanent Labatt employees on the payrolls as of September 30, 1954. The contributions of all those now associated with the Company were sincerely appreciated by the management and are hereby acknowledged.

*Respectfully submitted,*

*Nugh Mackenzie*

*General Manager*

*London, Ontario.  
November 1, 1954*