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LONDON • CANADA

John Labatt Limited

1957

POUR L'ANNÉE TERMINÉE LE 30 SEP

ANNUEL

RAPPORT

129^{ième}



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129th
ANNUAL
REPORT

FOR THE YEAR ENDED SEPTEMBER 30th.

1957

John Labatt Limited

LONDON • CANADA



Labatt's

FAMILY OF FINE BREWS



ASK FOR
YOUR FAVOURITE BRAND
BY NAME

ANNUAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30

1957

Annual General Meeting
of Shareholders

JANUARY 17, 1958

150 Simcoe St., London, Ontario
at 12:00 o'clock noon

Directors

W. H. R. JARVIS.....	Toronto, Ontario
V. P. CRONYN.....	London, Ontario
R. G. IVEY, Q.C.....	London, Ontario
HUGH A. MACKENZIE.....	London, Ontario
A. S. GRAYDON.....	London, Ontario
*ARTHUR SULLIVAN, Q.C.....	Winnipeg, Manitoba
LOUIS P. GELINAS.....	Montreal, Quebec
JOHN P. LABATT.....	Winnipeg, Manitoba
HON. CHARLES P. McTAGUE.....	Toronto, Ontario
H. J. O'CONNELL.....	Montreal, Quebec
J. H. MOORE.....	London, Ontario

*Deceased, October 21, 1957

Officers

W. H. R. JARVIS.....	President
J. H. MOORE.....	Executive Vice-President and Managing Director
J. B. CRONYN.....	Vice-President, Production
J. D. VARNELL.....	Vice-President, Marketing
A. S. GRAYDON.....	Secretary
J. W. CARSON.....	Treasurer

Divisional Managers

N. E. HARDY.....	General Manager, Ontario
W. L. SHORTREED.....	General Manager, Quebec
JOHN P. LABATT.....	General Manager, Manitoba

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 Directors' Report

TO THE SHAREHOLDERS:

The Board of Directors submits herewith the 129th Annual Report of John Labatt Limited and its subsidiaries for the year ended September 30, 1957, together with the consolidated balance sheet, financial statements and auditors' report.

Conditions in the Industry

Industry sales volume was higher in the Company's major markets in 1957 than in the previous year. This was due to more favourable weather, increased population and continued prosperity.

Competition was intensified in every phase of marketing and as a result, selling costs continued to increase.

Generally speaking, other costs rose, too.

The action of governments at various levels played an important part in the industry's operations during the year:

In Manitoba, following a period of negotiations between the brewers and the Government Liquor Control Commission, prices paid to brewers for their products were reduced. The law now also requires that such beer prices be approved by the Municipal and Public Utility Board before becoming effective.

While the ultimate effect of the latter action on Manitoba brewers remains uncertain, the industry as a whole protests the inference that it should be considered comparable to a public utility.

In Ontario, a substantial increase in the provincial gallonage tax added considerably to the industry's already very heavy tax load. Later approval was granted for a price increase for bottled beer sold through retail stores. This was the first such increase since 1950 and the first assistance of this kind to offset mounting operational costs and heavier taxes in seven years. Prices received by brewers for products sold through licenced outlets remained unchanged.

In Quebec there were no tax or price changes during the year but a modest increase in retail and wholesale prices has since been approved.

Your Company's Position

Factors which contributed to the industry's increased sales volume also played a part in your Company's success during the year and the total sales volume showed a satisfactory increase.

In Manitoba, gains achieved with Labatt's "50" Ale and Pilsener Beer improved the market position, despite the introduction by competitors of other national brands.

In Ontario, regular gains were achieved throughout the year and Labatt's share of this market was greater in September, 1957, than in September, 1956.

In Quebec the Company's market position also was improved, despite the most intensified competition yet experienced.

Sales in other provinces and markets increased, with exports to the United States showing steady gains. Your Company's products are available now in Bermuda and some of the British West Indies.

Highlights of the Financial Statements

Comparison of Financial Position

	1957	1956	1955
Shareholders' Equity	\$22,741,003	\$21,641,294	\$20,682,143
Debentures and Mortgages	7,650,500	8,081,500	8,512,500
Fixed Assets	30,764,892	29,912,646	26,937,536
Accumulated Depreciation	13,199,937	11,721,881	10,275,344
Working Capital	9,446,632	8,238,002	6,738,135

Comparison of Earnings Per Share

	1957	1956	1955
Net Profits	2.08	1.89	2.43
Depreciation	1.32	1.38	1.31
Cash Income	3.40	3.27	3.74
Income Tax	1.48	1.38	2.09
Cash Income before Income Tax	4.88	4.65	5.83
Number of Shares Outstanding	1,254,995	1,254,995	1,254,995

In order to bring to the Shareholders attention the heavy taxation levied on the company by municipal, provincial and federal Governments, your Directors would like to point out that 1957 taxes amounted to \$16.25 for each share, compared with \$14.85 in 1956, while Shareholders net profit was \$2.08 a share in 1957 and \$1.89 in 1956.

Net profits were improved during the year. Several factors contributed to the improvements: (a) increased sales volume which raised revenue and lowered unit production costs, (b) further economies achieved by production staffs in improving plant efficiency, (c) transportation savings resulting from supplying the Eastern Ontario and Maritime markets from the Montreal brewery, and (d) improving the operating efficiency of the Ontario truck fleet. Offsetting these factors to some degree were: (a) loss of revenue resulting from the Manitoba price reduction, and (b) increased costs as already noted.

No major capital expenditures were made during the year. Hav-

ing no large construction projects in hand, engineering staffs were able to concentrate on improving the general condition of plants and equipment and increasing operating efficiency. As part of this program your Directors approved a number of minor capital expenditures for the more economical handling of packaged beer at the London Plant, a garage building at the Montreal brewery, and the installation of new machinery. These facilities are now contributing to profit as planned.

As the statements show, Working Capital was increased by \$1,200,000 during the year—mostly in cash and short term securities. The Company is therefore in a very strong and flexible financial position, enabled to take advantage of present high interest rates, to quickly meet new forms of competition if necessary, and to avail itself of any technological improvements which may present themselves.

The Company has continued its policy of charging to profit and loss the maximum depreciation allowable under the Income Tax Act. Your Directors believe that, where such depreciation is claimed for tax purposes, it should be recorded in the financial statements.

However it does result in a charge against profits of \$212,000 or 17 cents per share more than if the practice of certain other companies had been followed whereby the provision for Income Tax is reduced to give effect to the claiming of maximum depreciation but such depreciation is not charged fully against the profits for the year.

Production Facilities

The Montreal plant has become recognized as a fine example of modern brewery construction and production engineering. It has been the subject of technical papers, widespread inquiries and many favourable comments.

With the first full year of operations completed production costs compare favourably with estimates made prior to construction.

Research and Development

The Company continues to emphasize the importance of Research and Development, not only in the many phases of brewing beers of consistent superior quality, but also in production techniques and services from raw material to consumer.

This department is studying the development of products allied to the brewing technique together with the more effective use of by-products. One such study resulted in the installation of yeast drying equipment at London and the profitable marketing of dried yeast, in addition to dried grains, in the agricultural feeds field.

Personnel

Approving the enlargement of the Board, Shareholders at the Annual and Special General Meeting on January 18th last elected three new Directors, the Honourable C. P. McTague, Toronto; H. J. O'Connell, Montreal and J. H. Moore, London.

The death on October 21st of Arthur Sullivan, Q.C., Chairman of the Board of Shea's Winnipeg Brewery Limited and a Director of John Labatt Limited, was noted with deep regret throughout the Company.

Of interest in 1957 was the celebration by employees of the 50th anniversary of organized labour within the Company. The first Union charter was granted on August 23, 1907. Labatt's has the longest Union history in the Canadian brewing industry.

The Directors hereby acknowledge the earnest efforts of its 2,121 employees and its many agents and distributors during the year. Their very real contributions to the Company's progress in 1957 are sincerely appreciated.

The Board also acknowledges and appreciates the part the four newly-created divisional groups played in the Company's success. The Ontario, Manitoba and Quebec operating divisions and the Head Office co-ordinating and planning division have become efficient, well-integrated teams during the year, each accepting full responsibility in its own sphere.

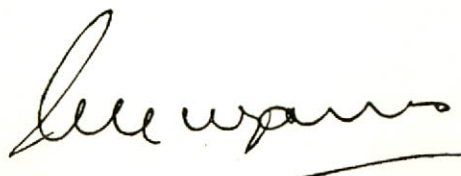
As of September 30, 1957, the Company was owned by 5,810 Shareholders whose confidence, interest and support is hereby gratefully acknowledged.

The Outlook

In the next few years the overall Canadian market volume for the brewing industry is expected to show modest yet steady gains as the population increases, living standards continue to improve and more leisure hours are enjoyed.

Having increased its working capital and improved both its production efficiency and its sales position, John Labatt Limited looks to the future with confidence and enthusiasm to obtain a still greater share of this growing Canadian market.

By order of the Board of Directors,



PRESIDENT

November 25, 1957

MONTREAL, TORONTO, HAMILTON
LONDON, WINNIPEG, REGINA
CALGARY, EDMONTON, VANCOUVER

ARTHUR YOUNG, CLARKSON, GORDON & CO.
ACCOUNTANTS AND AUDITORS
OFFICES IN PRINCIPAL CITIES OF U.S.A.

Clarkson, Gordon & Co.
Chartered Accountants

291 DUNDAS STREET

London
CANADA

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, 1957 and the consolidated statement 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, 1957 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.

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 earned by such subsidiaries for the year ended September 30, 1957.

Clarkson, Gordon & Co.
Chartered Accountants

London, Canada.
November 25, 1957.

Consolidated Balance Sheet

JOHN LABATT LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARIES

(Incorporated under the Laws of Canada)

AS AT SEPTEMBER 30, 1957

(with comparative amounts as at September 30, 1956)

ASSETS

	1957	1956
CURRENT:		
Cash.....	\$ 966,786	\$ 1,141,144
Marketable securities and accrued interest—at cost which is approximately market value.....	5,811,819	4,746,602
Accounts receivable less allowance for doubtful accounts.....	1,184,998	1,611,913
Inventories as determined and certified by the management and valued as set out in Note 1.....	5,208,113	4,364,976
Prepaid expenses.....	413,239	306,291
	<u>\$ 13,584,955</u>	<u>\$ 12,170,926</u>
INVESTMENT IN PARTLY-OWNED SUBSIDIARIES AT COST LESS AMOUNTS WRITTEN OFF.....	<u>\$ 1,281,903</u>	<u>\$ 1,299,508</u>
FIXED AT COST:		
Land.....	\$ 1,726,154	\$ 1,742,837
Buildings.....	16,654,298	16,624,309
Machinery and equipment.....	10,559,353	9,854,541
Trucks and automobiles.....	1,532,838	1,396,040
Leasehold improvements and other deferred charges.....	292,249	294,919
	<u>\$ 30,764,892</u>	<u>\$ 29,912,646</u>
Less accumulated depreciation and amortization.....	13,199,937	11,721,881
	<u>\$ 17,564,955</u>	<u>\$ 18,190,765</u>
MORTGAGES, LOANS AND ADVANCES LESS ALLOWANCE FOR LOSSES.....	<u>\$ 1,672,513</u>	<u>\$ 1,563,019</u>
	<u><u>\$ 34,104,326</u></u>	<u><u>\$ 33,224,218</u></u>

LIABILITIES

	1957	1956
CURRENT:		
Accounts payable and accrued charges.....	\$ 1,595,769	\$ 1,586,944
Dividend payable October 1.....	376,499	376,499
Estimated taxes payable.....	1,740,555	1,537,981
Debenture and mortgage principal due within one year.....	425,500	431,500
	<u>\$ 4,138,323</u>	<u>\$ 3,932,924</u>
DEBENTURES AND MORTGAGES (Note 2).....	<u>\$ 7,225,000</u>	<u>\$ 7,650,000</u>
CAPITAL AND SURPLUS:		
Capital—		
Authorized—1,500,000 common shares without par value		
Issued—1,254,995 common shares.....	\$ 5,798,048	\$ 5,798,048
Earned Surplus (Note 3).....	16,942,955	15,843,246
	<u>\$ 22,741,003</u>	<u>\$ 21,641,294</u>
On behalf of the Board		
W. H. R. JARVIS	Director	
V. P. CRONYN	Director	
	<u><u>\$ 34,104,326</u></u>	<u><u>\$ 33,224,218</u></u>

The attached "Notes to the consolidated financial statements" should be read with this statement.

JOHN LABATT LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARIES

Statement of Consolidated Profit and Loss

FOR THE YEAR ENDED SEPTEMBER 30, 1957
(with comparative amounts for 1956)

	1957	1956
Consolidated profit before deducting the following charges..\$	5,911,567	\$ 5,631,273
Deduct:		
Depreciation and amortization.....	1,656,508	1,728,143
Interest on debentures and mortgages.....	313,230	330,501
	\$ 1,969,738	\$2,058,644
	\$ 3,941,829	\$3,572,629
Add:		
Dividends received from partly-owned subsidiaries less amount written off investment.....	221,771	283,438
Income from other investments.....	239,679	188,342
Profit on sale of investments and fixed assets.....	59,424	58,932
Consolidated profit before taxes on income.....\$	4,462,703	\$ 4,103,341
Estimated taxes on income.....	1,857,000	1,732,000
Consolidated net profit.....\$	2,605,703	\$ 2,371,341

Note: The following expenses incurred by the company have been deducted in arriving at consolidated profits—

Directors' fees.....\$	7,875	\$ 6,750
Executive remuneration and legal fees.....	160,113	158,095

Statement of Consolidated Earned Surplus

FOR THE YEAR ENDED SEPTEMBER 30, 1957
(with comparative amounts for 1956)

	1957	1956
Balance at beginning of year.....\$	15,843,246	\$ 14,884,095
Add:		
Consolidated net profit.....	2,605,703	2,371,341
Amount written off investment in a prior year.....		93,804
	\$ 18,448,949	\$ 17,349,240
Deduct:		
Dividends paid or declared.....	1,505,994	1,505,994
Balance at end of year.....\$	16,942,955	\$ 15,843,246

JOHN LABATT LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARIES

Notes to the Consolidated Financial Statements

SEPTEMBER 30, 1957

NOTE 1—Inventories

Inventories at September 30, 1957 and 1956 are valued as follows:

	1957	1956
Beer and ale—at the lower of cost or market.....\$	3,311,669	\$2,765,169
Raw materials and supplies—at the lower of cost or market.....	638,292	643,221
Bottles at redemption price.....	644,527	609,826
Kegs—at cost less amounts written off.....	613,625	346,760
	\$ 5,208,113	\$4,364,976

NOTE 2—Debentures and mortgages

Particulars of debentures and mortgages at September 30, 1957 and 1956 are as follows:

	1957	1956
Authorized less redeemed.....(a) \$	7,650,000	\$ 8,075,000
Outstanding:		
4% serial debentures series "A" to mature in equal annual instalments of \$425,000 each on March 1, 1957 to 1965 inclusive.....\$	3,400,000	\$ 3,825,000
4% sinking fund debentures series "A" to mature March 1, 1975 (sinking fund payment of \$425,000 per annum commencing 1966).....	4,250,000	4,250,000
Mortgages of subsidiaries of Shea's Winnipeg Brewery Limited—principal outstanding.....	500	6,500
	\$ 7,650,500	\$ 8,081,500

Deduct principal due within one year:

4% serial debentures series "A"—March 1.....\$	425,000	\$ 425,000
Mortgages.....	500	6,500
	\$ 425,500	\$ 431,500
	\$ 7,225,000	\$ 7,650,000

(a) Under the provisions of the trust deed entered into on February 15, 1955, additional debentures may be authorized from time to time in an unlimited amount provided certain conditions are complied with.

NOTE 3—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, 1957 the consolidated net current assets (as so defined) were substantially in excess of such requirements.

NOTE 4—Long term lease

Under a lease entered into during the year ended September 30, 1955 in respect of the occupancy of premises sold by a subsidiary company, an annual rental of approximately \$287,000 is payable for the next seven years and substantially reduced rentals are payable under renewal options covering additional periods totalling eight years.