

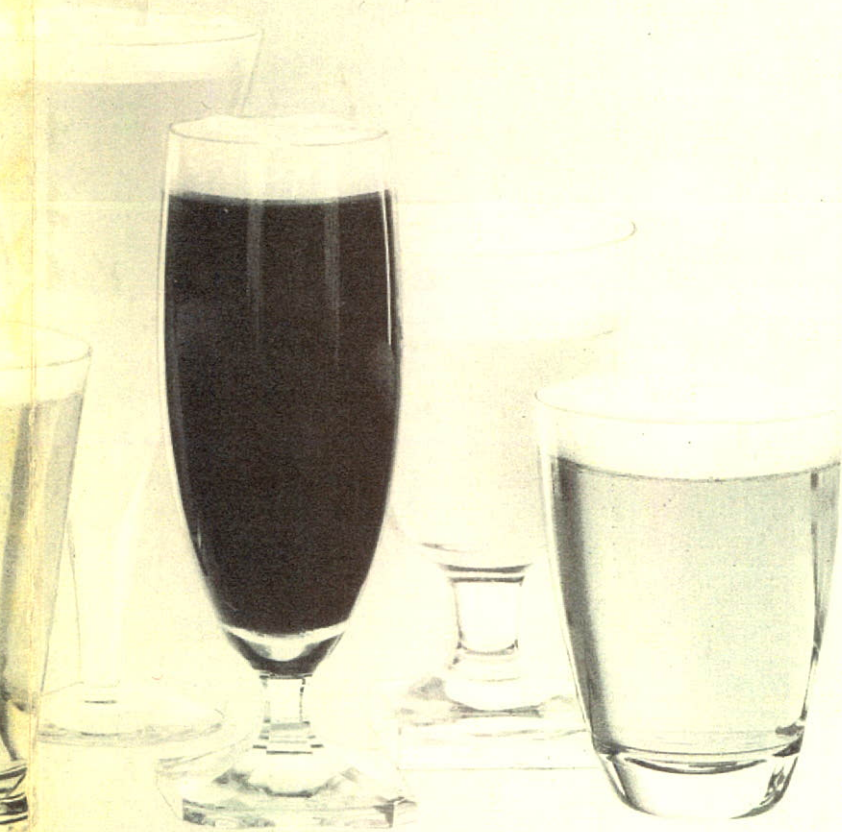


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***Labatt's***

Annual Report for 1960  
John Labatt Limited





**JOHN LABATT LIMITED, LONDON, CANADA**

18th century French Tankard  
Courtesy Royal Ontario Museum

Scandinavian glassware  
Courtesy Henry Birks & Sons



## Annual Report

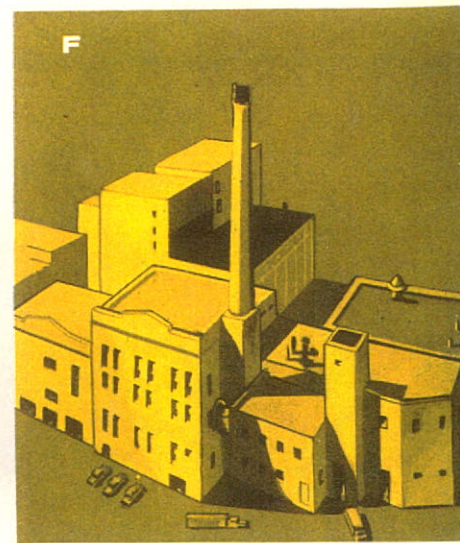
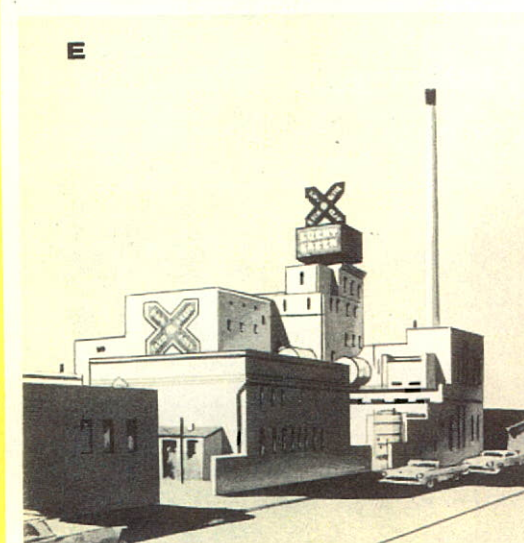
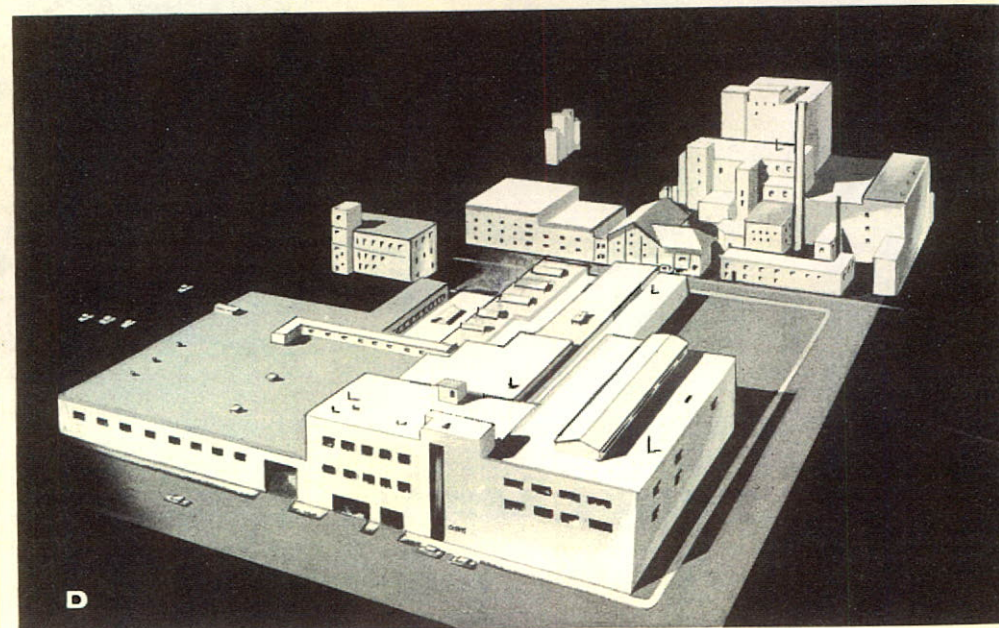
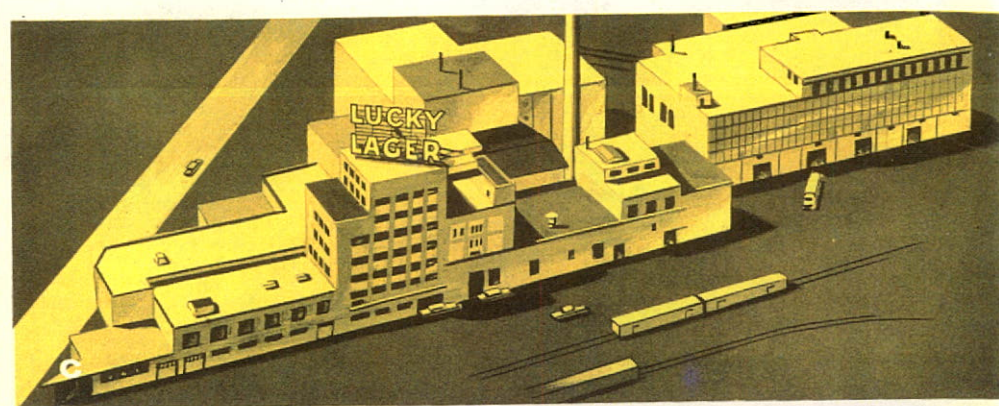
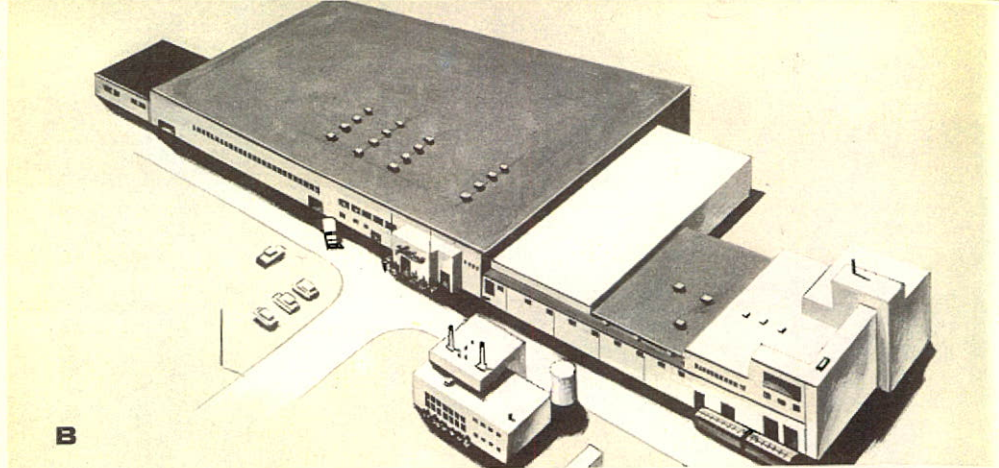
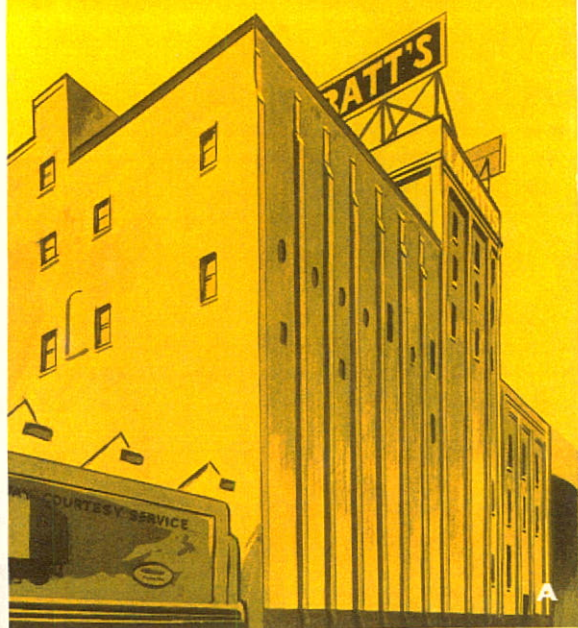
*For the year ended April 30, 1960*

Annual and Special General Meeting of Shareholders

August 26, 1960

150 Simcoe Street, London, Ontario,  
at 12:00 o'clock noon E.D.T.





- A** *Toronto, Ont.*  
**B** *La Salle, Que.*  
**C** *New Westminster, B. C.*  
**D** *London, Ont.*  
**E** *Victoria, B. C.*  
**F** *Winnipeg, Man.*



# John Labatt Limited

*Executive Offices—150 Simcoe Street, London, Ontario*

## **DIRECTORS**

J. B. Cronyn	London, Ontario
L. P. Gélinas	Montreal, Quebec
A. S. Graydon	London, Ontario
R. G. Ivey, Q.C.	London, Ontario
J. P. Labatt	London, Ontario
H. A. Mackenzie	Toronto, Ontario
Hon. C. P. McTague, Q.C.	Toronto, Ontario
J. H. Moore	London, Ontario
H. J. O'Connell	Montreal, Quebec
D. W. Pritchard	London, England
D. B. Weldon	London, Ontario

## **OFFICERS**

J. H. Moore	President
J. B. Cronyn	Vice-President, Production
J. P. Labatt	Vice-President, Marketing
A. S. Graydon	Vice-President and Secretary
J. D. Varnell	Vice-President
J. W. Carson	Treasurer and Assistant Secretary
J. A. Mennie	Controller

N. E. Hardy	Vice-President, Ontario Division
R. F. Lewarne	Vice-President, British Columbia Division
D. G. McGill	Vice-President, Manitoba Division
R. H. Woodman	Vice-President, Quebec Division

## **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.

## Financial Highlights:

### OPERATING RESULTS *(for the year ended April 30)*

	1960	*1959
Gross sales	\$74,144,950	\$61,252,058
Net profit—amount	3,768,295	2,413,866
—per share	2.63	1.90
—as a percentage of sales	5.1%	3.9%
Depreciation and amortization	2,126,705	2,021,021
Cash income—amount	6,107,202	4,634,643
—per share	4.26	3.64
Dividends paid per share	1.20	1.20
Number of shares issued	1,434,615	1,272,245

### FINANCIAL POSITION *(as at April 30)*

	1960	1959
Working capital	\$ 8,242,737	\$ 5,861,004
Investments in associated companies	7,213,507	6,243,003
Fixed assets	45,416,934	43,505,376
Accumulated depreciation	21,642,899	20,152,899
Debentures, mortgage and notes payable	11,275,231	13,800,000
Minority interest in subsidiaries	1,934,185	1,896,853
Shareholders' equity—amount	29,406,060	24,052,088
—per share	20.50	18.91
Number of shares issued	1,434,615	1,272,245

*\*It should be noted that the operating results for the 12 months to April 30, 1959 were depressed because of the industry shut-down in Ontario in 1958*



## Report from the Board of Directors

The Board of Directors is pleased to submit the Annual Report of John Labatt Limited for the fiscal year ended April 30, 1960, together with the consolidated balance sheet, financial statements, and auditors' report.

Labatt's continues to be a truly Canadian Company with 98.3% of the 6,630 shareholders residing in this country and widely distributed from coast to coast.

**FINANCIAL**—Highlights of the financial report are provided for your convenience. It should be noted that the operating results for the 12 months to April 30, 1959 were depressed because of the industry shut-down in Ontario during August and September 1958 due to the Brewers' Warehousing Company strike.

Sales reached a record \$74.1 million.

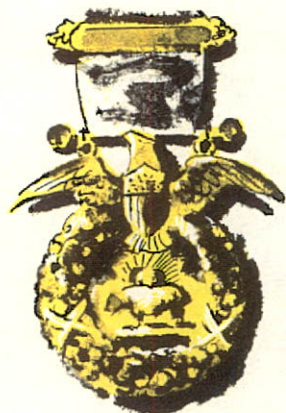
Net profit of \$3,768,000 or \$2.63 a share was achieved by increased sales, by constant vigilance over costs and by increasing productive efficiency.

At 5.1 cents on the sales dollar, net profit was at the average for Canadian industry as reported by The Canadian Manufacturers' Association. With the intense competition of last year expected to increase, it will become even more difficult to maintain this earnings ratio.

Working capital increased to \$8.2 million. This was partially the result of a successful rights issue last October when 157,620 shares were sold, raising almost \$3.2 million.

Funded debt and bank loans were reduced by \$5.3 million and \$3.3 million was spent to modernize or expand facilities.

Shareholder equity was \$20.50 a share.



Gold Medals from Labatt's collection of 27 medallions and honours won in international brewing competitions.



Taxes paid to federal, provincial and municipal governments continued to be a heavy load on the economy of the industry and your Company. During the year taxes paid by Labatt's amounted to \$30,060,925. This is \$82,360 for every day of the year. Taxes represented \$20.43 per share compared with the shareholders' net profit of \$2.63 per share.

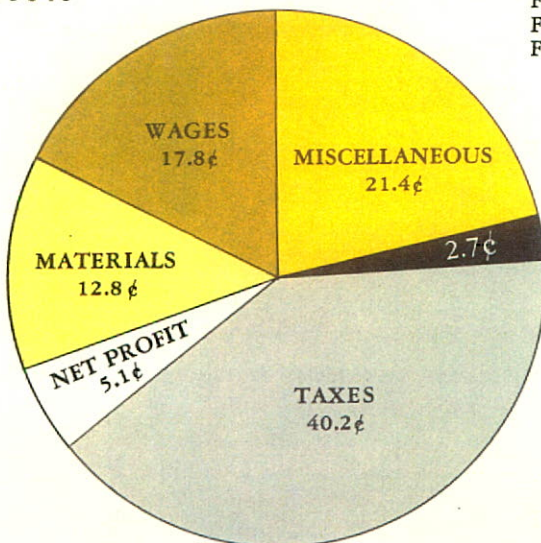
The industry continues to carry the burden of two taxation inequities. These are the "emergency" tax imposed during the Korean crisis of 10 years ago, and double taxation resulting from paying Sales Tax on the Federal Excise Duty.

**MARKETING**—Labatt's obtained a larger share of the market as industry volume increased to a record level. The marketing organization was strengthened to deal effectively with increasing competition.

Expanding the Company's position in Western Canada, on July 1 Labatt's leased, with the option to purchase, the plant of The Saskatoon Brewing Company Limited in Saskatoon, Saskatchewan. This brewery is now being operated by a wholly-owned subsidiary, Labatt's Saskatchewan Brewery Limited.

Labatt's brands, Pilsener Lager Beer and Velvet

## Sales dollar allocation



John Labatt Limited realized a net profit of 5.1 cents on each sales dollar from which a dividend of 2.2 cents or 43% was paid to the shareholders. The balance of the sales dollar was distributed in the following manner:

For taxes, Federal, Provincial and Municipal.....	40.2¢
For employees in salaries, wages and benefits.....	17.8¢
For materials.....	12.8¢
For other expenses.....	21.4¢
For depreciation provision.....	2.7¢
	<u>94.9¢</u>



**PERSONNEL**—Your Directors consider that the conscientious effort of all employees is one of this Company's most important assets, contributing greatly to its success; recognition of the dignity and worth of the individual employee continues as a fundamental philosophy within Labatt's.

As long as this enviable relationship of mutual respect and understanding exists, your Company will continue to progress.

Mr. J. H. Beatty, formerly Assistant Treasurer was appointed Vice-President and General Manager of Labatt's Saskatchewan Brewery Limited.

A sincere welcome is extended to all employees at the Saskatoon brewery.

**THE OUTLOOK**—Your Directors have continuing faith in the great potential of Canada in the years ahead. Prospects for the brewing industry are for increasing volume as the population grows.

However, the pressure from mounting costs coupled with the high level of taxation this industry is asked to bear, are imposing burdens which cloud an otherwise optimistic outlook.

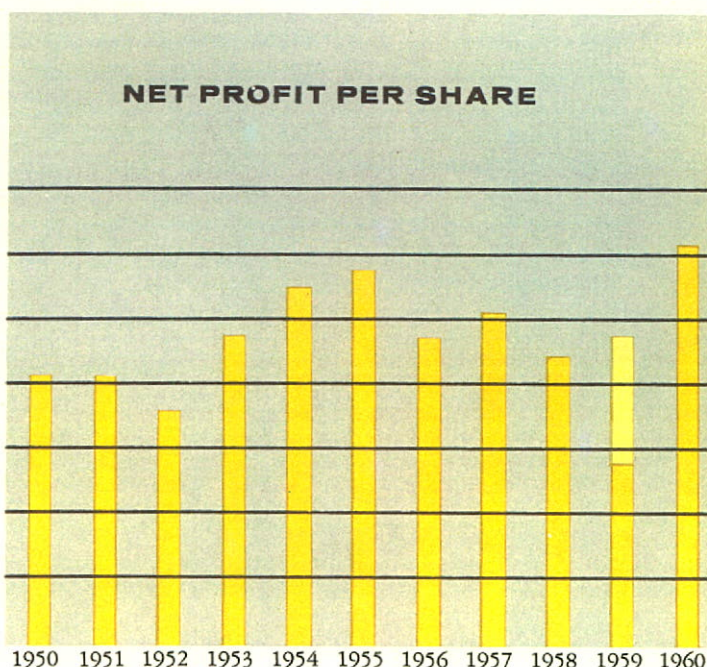
There appears to be a trend—according to independent surveys of Canadian public opinion—toward greater acceptability of beer in society. This has obvious long-term implications for your Company and the brewing industry.

This change in attitude also may have significant social consequences, fostering the wider availability of beer which is becoming recognized more and more as the "beverage of moderation."

By order of the Board of Directors,

July 15, 1960.

*[Signature]*  
President.



**Notes:**

**1. NUMBER OF SHARES ISSUED**

1949-1953	900,000
1954-1958	1,254,995
1959	1,272,245
1960	1,434,615

**2. 1959 EARNINGS** are for seven months only due to change in year end from September 30 to April 30. Yellow shading indicates earnings of \$1.90 for the 12 months to April 30, 1959, for comparison.



# John Labatt Limited (Incorporated under

## CONSOLIDATED BALANCE

### ASSETS

#### *current:*

	Cash	\$ 1,038,897	
Marketable securities and accrued interest—at approximate market value		2,480,441	
Accounts receivable less allowance for doubtful accounts		3,749,001	
Inventories—valued as set out in Note 2		7,469,877	
Prepaid expenses		<u>521,651</u>	\$15,259,867

#### *investments and other assets at cost:*

Investments in associated companies (Note 1)	\$ 7,213,507	
Mortgages, loans and advances—less allowance for losses	2,421,056	
Due from employees under Share Purchase Plan (Note 4)	<u>489,141</u>	10,123,704

#### *fixed at cost: (Note 1)*

	Land	\$ 2,435,054	
	Buildings	22,340,803	
	Machinery and equipment	17,983,803	
	Trucks and automobiles	2,426,717	
	Leasehold improvements	<u>230,557</u>	
		\$45,416,934	
Less accumulated depreciation and amortization		<u>21,642,899</u>	23,774,035
			<u>\$49,157,606</u>



# *the laws of Canada) and its subsidiaries*

**SHEET AS AT APRIL 30, 1960**

## **LIABILITIES**

### *current:*

Accounts payable and accrued charges	\$ 2,809,256	
Taxes payable	3,732,874	
Debenture and mortgage principal due within one year	<u>475,000</u>	\$ 7,017,130

*debentures and mortgage payable (Note 3)* 10,800,231

*minority interest in subsidiaries* 1,934,185

### *capital and surplus:*

Capital (Note 4)—		
Authorized—1,500,000 common shares without par value		
Issued—1,434,615 common shares	\$ 9,492,726	
Earned surplus (Note 5)	<u>19,913,334</u>	<u>29,406,060</u>

On behalf of the Board  
J. H. Moore—Director  
A. S. Graydon—Director

\$49,157,606

The attached "Notes to the Consolidated Financial Statements" 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 subsidiaries as at April 30, 1960 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 and according to the best of our information and the explanations given to us, and as shown by the books of the companies, 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 affairs of the companies as at April 30, 1960 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

London, Canada.  
June 1, 1960.

Clarkson, Gordon & Co.  
Chartered Accountants.



## *Statement of consolidated profit and loss for the year ended April 30, 1960*

Consolidated profit before deducting the following charges	\$ 9,502,351
Deduct:	
Depreciation and amortization	\$ 2,126,705
Interest	618,130
	<u>\$ 2,744,835</u>
	\$ 6,757,516
Add:	
Income from investments (net)	636,164
Profit on sale of investments and fixed assets	170,817
	<u>\$ 7,564,497</u>
Taxes on income (Note 7)	3,584,000
Consolidated net profit before minority interest	<u>\$ 3,980,497</u>
Deduct minority interest	212,202
Consolidated net profit	<u>\$ 3,768,295</u>
Note: The following expenses incurred by the company have been deducted in arriving at consolidated profit—	
Directors' fees	\$ 9,750
Executive remuneration and legal fees	275,229

## *Statement of consolidated earned surplus for the year ended April 30, 1960*

Balance May 1, 1959	\$17,836,805
Add:	
Consolidated net profit	3,768,295
Profit on sale of property of a subsidiary company (after deducting estimated income taxes thereon of \$59,325)	\$ 382,251
Less amount applied to write down the effective cost of fixed assets of another subsidiary company (Note 1)	<u>382,251</u>
	<u>\$21,605,100</u>
Deduct:	
Dividends paid	\$1,625,541
Expenses in connection with share issue	66,225
Balance April 30, 1960	<u>\$19,913,334</u>

The attached "Notes to the Consolidated Financial Statements" should be read with these statements.

## NOTES

**Note 1—Assets of subsidiary company**—The investment in associate companies and fixed assets of Lucky Lager Breweries Ltd., a subsidiary company, are included in the consolidated balance sheet at their effective cost to John Labatt Limited less an amount of \$382,251 which was written off against consolidated earned surplus in 1960. The effective cost after this reduction is \$3,129,994 in excess of the net book value of the assets concerned as recorded in the accounts of the subsidiary company at the date of acquisition as follows:

Investment in associated companies	\$ 953,519
Fixed assets (after reduction of \$382,251)	2,176,475
	<u>\$3,129,994</u>

The effective cost to John Labatt Limited of the investment in associated companies represents the approximate market value of these investments at the date of acquisition of control of the subsidiary company on June 1, 1958 with subsequent purchases at cost. The net effective cost of the fixed assets is substantially less than their depreciated appraised values.

Depreciation based on the effective cost of the fixed assets to John Labatt Limited has been provided and charged to profit and loss account from the date of acquisition of control of the subsidiary company to April 30, 1960.

**Note 2—Inventories**—Inventories at April 30, 1960 are valued as follows:

Beer and ale—at the lower of cost or market	\$4,446,551
Raw materials and supplies—at the lower of cost or market	1,157,711
Bottles at redemption price	790,297
Kegs—at cost less amounts written off	1,075,318
	<u>\$7,469,877</u>

**Note 3—Debentures and mortgage payable**—Particulars of debentures and mortgage payable at April 30, 1960 are as follows:

Authorized less redeemed	(a) \$10,875,000
Outstanding—	
4% serial debentures series "A" to mature in equal annual instalments of \$425,000 each on March 1, 1961 to 1965 inclusive	\$2,125,000
4% sinking fund debentures series "A" to mature March 1, 1975 (sinking fund payments of \$425,000 per annum commencing 1966)	4,250,000
5½% sinking fund debentures series "B" to mature January 2, 1979 (sinking fund payment of \$250,000 per annum)	(b) 4,500,000
5½% mortgage due June 1, 1969 repayable in monthly instalments of principal and interest of	\$10,875,000

\$2,000 with special repayments of \$50,000 each on July 1, 1960 to 1962 inclusive

400,231  
\$11,275,231

Deduct principal due within one year:

4% serial debentures series "A"	
March 1, 1961	\$ 425,000
5½% mortgage	50,000
	<u>475,000</u>
	<u>\$10,800,231</u>

(a) Under the provisions of the trust deed dated February 15, 1955 and the supplemental trust deed dated December 15, 1958, additional debentures may be authorized from time to time provided the company complies with certain conditions.

(b) In addition to meeting the sinking fund requirements for 1960 the company has purchased and cancelled \$250,000 of Series "B" debentures to provide for the sinking fund payment required on January 2, 1961.

**Note 4—Capital Stock**—During the year ended April 30, 1960 the company issued 157,620 shares for \$3,152,400 cash through an offering of rights to shareholders.

The company also issued during the year 4,750 additional shares under an executive instalment share purchase plan for \$125,044 and at April 30, 1960 instalments totalling \$489,141 were receivable in respect of shares of the company issued since the inception of the plan. An additional 28,000 shares are reserved for possible issuance under this plan.

**Note 5—Earned surplus**—The trust deed and supplemental trust deed relating to the debentures contain provisions whereby dividends may not be declared or paid which would reduce consolidated net current assets (as therein defined) below a certain level. At April 30, 1960 the consolidated net current assets (as so defined) were in excess of such requirements.

**Note 6—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 five years and substantially reduced rentals are payable under renewal options covering additional periods totalling eight years.

**Note 7—Taxes on income**—Income taxes charged against profits for the year ended April 30, 1960 have been determined after claiming maximum capital cost allowances which are in excess of depreciation recorded in the accounts based on the cost of fixed assets. As a result, income taxes otherwise payable for the year have been reduced by approximately \$200,000. The accumulated reductions in income taxes since the adoption of this policy during the 1958 fiscal year amount to approximately \$363,000.

**Note 8—Plant addition**—The company has planned an addition to its Montreal brewery to be carried out in the 1961 fiscal year at a total cost of approximately \$3,000,000, the liability for which is not included in the attached consolidated balance sheet.



## *"Leadership in Brewing Research"*

John Labatt Limited is a member of a technical partnership with two other major brewing companies, Ind Coope Limited in England and Lucky Lager Brewing Company in the United States.

This international liaison is unique within the industry and forms one of the world's foremost brewing research organizations.

It provides for the co-ordinated use of technical facilities and the free exchange of scientific information. By delegating specific areas of investigation, the three companies have been able

to undertake projects of wider scope and to make more rapid progress than would have been possible individually.

Thus leadership in brewing research is being achieved.

In the years ahead, as the fund of knowledge increases and the scientific aspects of brewing are more completely understood, new methods will be developed and proven to produce beer of the finest uniform quality at less cost.

To the companies in the partnership this will be an accomplishment of major importance.

## *"A l'avant-garde de la recherche en brassage"*

La compagnie John Labatt Limited fait partie d'une association technique avec deux autres brasseries importantes, Ind Coope Limited en Angleterre et Lucky Lager Brewing Company aux Etats-Unis.

Cette liaison internationale est unique au sein de l'industrie et elle constitue l'une des organisations de recherche en brassage les plus avancées de l'univers.

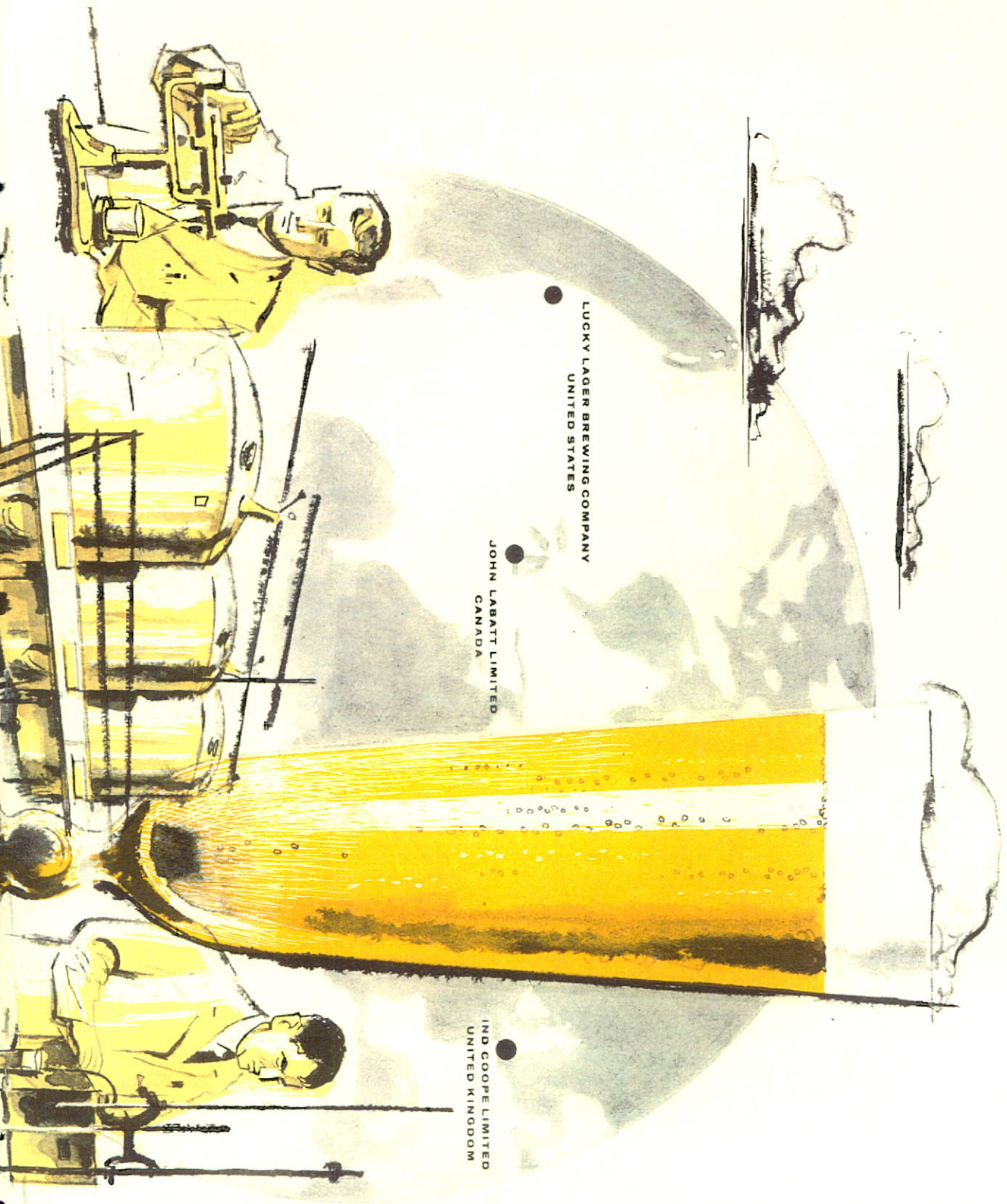
Elle comporte l'usage coordonné des installations techniques et le libre échange de l'information scientifique; en désignant des domaines spécifiques de recherche, les trois compagnies sont en mesure d'entreprendre des projets de plus grande envergure

et de faire des progrès plus rapides qu'il leur serait possible chacune de leur côté.

Ainsi se réalise cette position de commande dans la recherche en brassage.

Dans les années à venir, à mesure que le fonds des connaissances s'enrichira et que les aspects scientifiques du brassage seront mieux compris, de nouvelles méthodes seront mises au point et éprouvées pour brasser une bière d'une meilleure qualité uniforme et à un coût moindre.

Pour les compagnies qui se sont ainsi associées, ce sera un accomplissement d'importance majeure.



LUCKY LAGER BREWING COMPANY  
UNITED STATES

JOHN LABATT LIMITED  
CANADA

IND COPE LIMITED  
UNITED KINGDOM