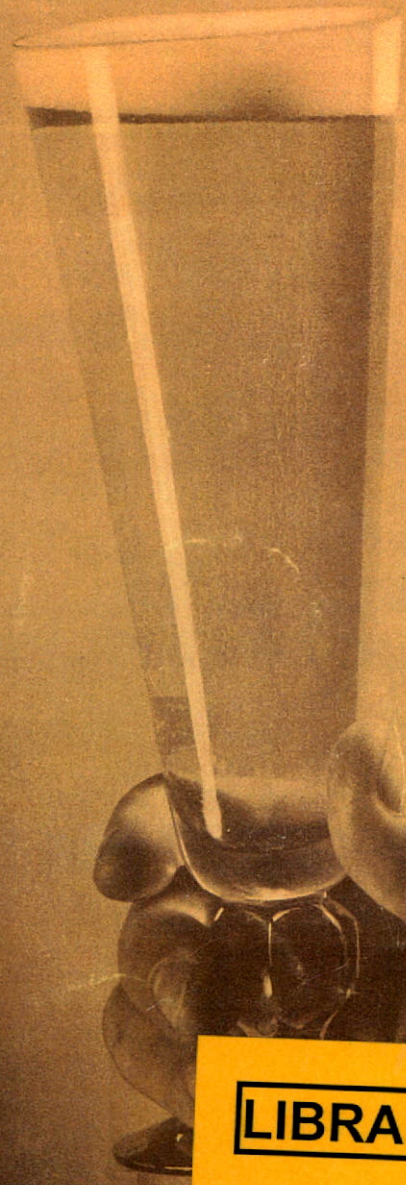


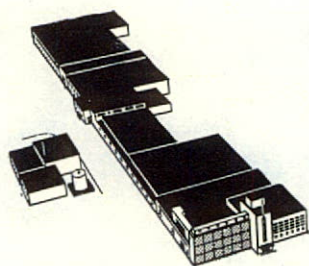
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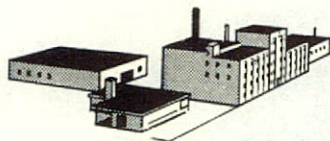
1959 ANNUAL REPORT

LIBRARY USE ONLY

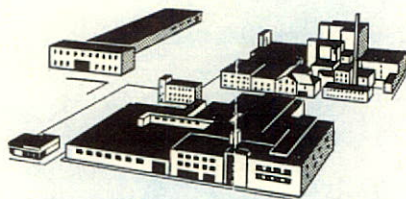
John Labatt Limited
LONDON • CANADA



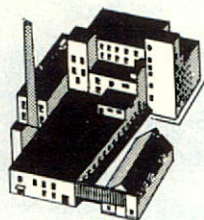
MONTREAL



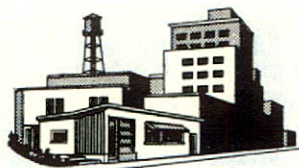
TORONTO



LONDON



WINNIPEG



VANCOUVER



VICTORIA

Labatt's

ANNUAL REPORT

FOR THE FISCAL PERIOD ENDED APRIL 30,
1959

Annual and Special General Meeting of Shareholders
AUGUST 27, 1959

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

DIRECTORS

| | |
|---------------------------------------|--------------------|
| V. P. Cronyn | London, Ontario |
| R. G. Ivey, Q.C. | London, Ontario |
| Hugh A. Mackenzie | Toronto, Ontario |
| A. S. Graydon | London, Ontario |
| Louis P. Gelinas | Montreal, Quebec |
| John P. Labatt | Winnipeg, Manitoba |
| Hon. Charles P. McTague, Q.C. | Toronto, Ontario |
| H. J. O'Connell | Montreal, Quebec |
| J. H. Moore | London, Ontario |
| D. B. Weldon | London, Ontario |
| D. W. Pritchard | London, England |

OFFICERS

| | |
|-------------------------|----------------------------|
| J. H. Moore | President |
| J. P. Labatt | Vice-President |
| 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 | Ontario Division |
| R. H. Woodman | Quebec Division |
| J. P. Labatt | Manitoba Division |
| R. F. Lewarne | British Columbia 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 seven months to April 30

| | *1959 | *1958 |
|-------------------------------|--------------|--------------|
| Gross Sales | \$34,762,333 | \$28,888,281 |
| Net Profit — amount | 1,146,759 | 827,493 |
| — per share | .90 | .66 |
| Depreciation and amortization | 1,185,719 | 1,001,416 |
| Cash income — amount | 2,428,080 | 1,878,614 |
| — per share | 1.91 | 1.50 |
| Dividends paid per share | .60 | .60 |

FINANCIAL POSITION

| | As at April 30, 1959 | As at September 30, 1958 |
|-------------------------------------|-------------------------|-----------------------------|
| Working capital | 5,861,004 | 5,960,219 |
| Investments in associated companies | 6,243,003 | 3,447,722 |
| Fixed assets | 43,505,376 | 42,145,717 |
| Accumulated depreciation | 20,152,899 | 19,220,267 |
| Debentures and notes payable | 13,800,000 | 9,225,000 |
| Minority interest in subsidiaries | 1,896,853 | 2,193,389 |
| Shareholders' equity — amount | 24,052,088 | 23,459,832 |
| — per share | 18.91 | 18.69 |

* It should be noted that the figures above for the 1959 operating results include Labatt's share of earnings of Lucky Lager Breweries Ltd., control of which was acquired in May, 1958, and therefore cannot be compared with the 1958 operating results. The 1958 figures have been calculated for the same seven-month period covered by this report and are unaudited.

THE DIRECTORS' REPORT

TO THE SHAREHOLDERS:

The Board of Directors submits herewith the Annual Report of John Labatt Limited and its subsidiaries for the fiscal period ended April 30, 1959, together with the consolidated balance sheet, financial statements and auditors' report.

Your Directors enacted a by-law changing the fiscal year-end from September 30 to April 30. Therefore this report includes the operations of the Company and its subsidiaries for a seven-month period only. This change was made to facilitate financial and operational planning.

As shareholders you will be interested to know that this Company continues as a truly Canadian enterprise. On April 30, 1959 there were 6,006 shareholders and 98.4% of them live in this country.

Breaking this down to provincial areas, 52% reside in Ontario, 16% in Quebec, 13% in Manitoba, 9% in British Columbia and 8.4% in the remainder of Canada.

The 1.6% shareholders who reside outside Canada represent approximately 30,000 shares or less than 2½% of the issued stock.

FINANCIAL

Highlights of the Financial Report and charts showing comparative figures over the past ten years are provided for your convenience.

The Federal Budget presented on April 9, 1959 contained no changes in the Excise Duties levied directly on the products of the brewing industry. Two principal tax changes do affect your Company. Sales Tax was increased from 10% to 11% and 3% was added to Corporation Income Tax.

In January 1959, \$5,000,000 Sinking Fund Debentures were issued to provide additional funds for general corporate purposes, including the augmenting of present working capital to finance expanding operations.

During the period under review Lucky Lager Breweries Ltd. added to its holdings of shares in Capital Estates Inc.

MARKETING

Your Company has been able to improve its position in all major markets, and in some cases record levels have been achieved.

Industry volume declined in Ontario and Quebec but remained stable in Manitoba and British Columbia, resulting in a slight decline in industry volume nationally.

The Company's national marketing organization is now consolidated into a very efficient and enthusiastic force, well able to deal with the intense competition being met in all markets.

SALES DOLLAR ALLOCATION

John Labatt Limited realized a net profit of 3.3 cents on each sales dollar from which a dividend of 2.2 cents or 66% was paid to the shareholders. The balance of the sales dollar was distributed in the following manner:

| | |
|---|-------|
| For taxes, Federal, Provincial and Municipal | 38.3¢ |
| For employees in salaries, wages and benefits | 19.9¢ |
| For materials | 12.4¢ |
| For other expenses | 22.9¢ |
| For depreciation provision | 3.2¢ |
| | <hr/> |
| | 96.7¢ |
| | <hr/> |

RESEARCH

Research continues as an important phase of operations, with a variety of projects underway to develop useful commodities from the by-products of the brewing process and to perfect technical refinements to the basic methods of making beer.

The research staff has been strengthened by the addition of experienced scientific personnel with resultant acceleration in several phases of the program.

As a result of the technical liaison with Ind Coope Limited of the United Kingdom, a research program of mutual interest is under way. Your Directors feel this partnership is in the forefront of brewing research and benefits of major importance can be expected.

In addition, your Company is working in close liaison with Canadian universities which have research programs with parallel interests and objectives.

PERSONNEL

Roy H. Woodman was appointed General Manager of La Brasserie Labatt Limitée in January 1959. He joined Labatt's in 1952 and since 1956 was Controller of the Company.

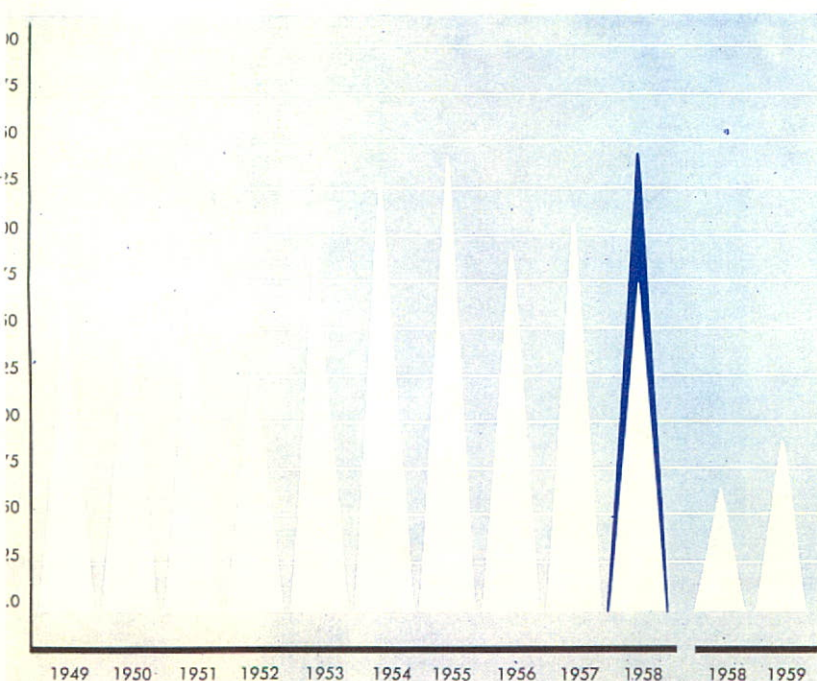
Your Directors wish to acknowledge with emphasis the continuing enthusiastic and loyal support of all employees, which this year number over 2,300.

Written in the Policy Manual are these words: "The Company recognizes and appreciates the dignity and worth of the individual employee. The most important assets of any business are its people."

This philosophy is a living force at Labatt's and every day is translated into action. As a result the relationship between employees and management is excellent everywhere and morale is at a very high level. You may be assured that every effort will be made to maintain and improve this very desirable and enviable relationship.

NET PROFIT PER SHARE

IN DOLLARS



NOTES

Note 1: Number of shares issued: 1949-1953 — 900,000; 1954-1958 — 1,254,995; 1959 — 1,272,245.

Note 2: Fiscal year ended September 30 for 1949-1958 inclusive. Comparison between 1958 and 1959 are for seven months ended April 30.

Note 3: Earnings of \$2.44 a share for 1958 have been estimated to provide direct comparison with previous years. Earnings were reduced by industry shut-down in Ontario due to strike in distributing organization.

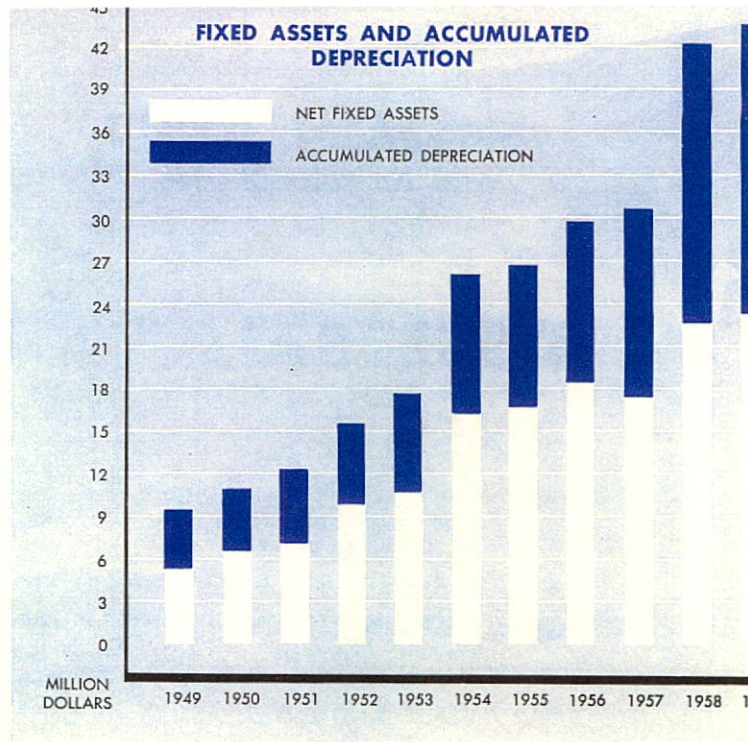
PRODUCTION

A \$1,200,000 expansion program in five of the Company's eight breweries was started in the latter part of 1958 and now is nearing completion. This increases the national production capacity to over 1¾ million barrels annually.

Construction of an addition to the Montreal brewery commenced in June 1959, providing greater production capacity to meet increased demands for Labatt's products in this market. The largest lager fermenting tanks in North America, incorporating the latest technical developments for brewing lager beer, have been installed in the London brewery. An addition to the Winnipeg brewery has provided increased fermenting capacity. At the New Westminster brewery an addition has permitted increased production of both lager and ale and provides accommodation for additional production equipment when required.

Labatt's is proud of the reputation achieved over the years for making the finest possible ales and lagers. Every effort is being made to guard this reputation by constant and meticulous attention to quality.

Your Company was the first in Canada to install electronic scanners to inspect bottles before and



after they are filled. These electronic inspectors, coupled with previous techniques, provide the finest quality control methods currently available to the North American brewing industry.

THE OUTLOOK

The period under review has been one mainly of consolidation in all areas of operations and administration, following several years which saw major expansions. Even while this consolidation was under way, very significant progress was achieved.

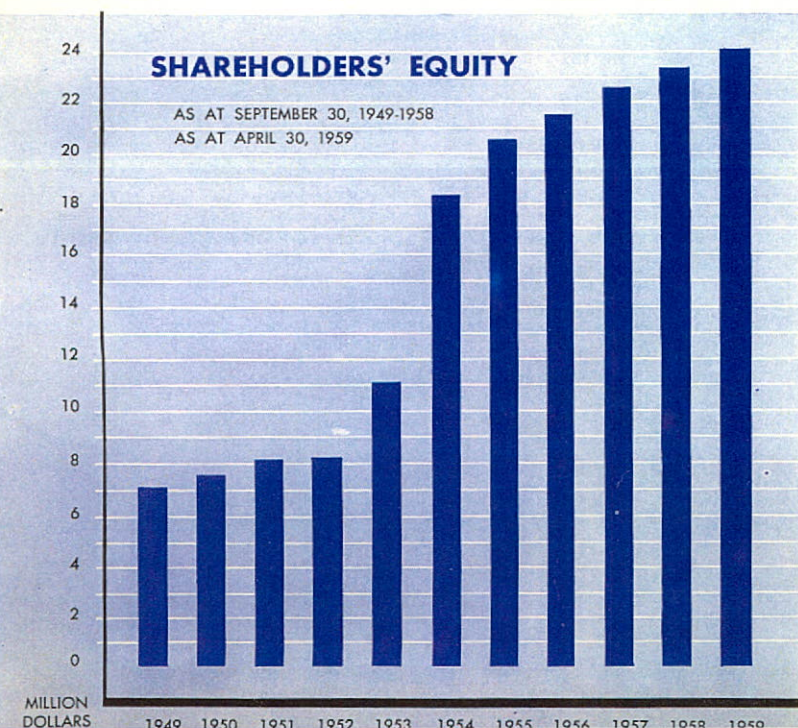
Prospects for the Canadian brewing industry are for steadily increasing sales as general economic conditions improve and populations continue to increase.

Because of its health and vigorous condition and generally increasing markets, your Company is in an excellent position to achieve further major successes on a national scale.

By order of the Board of Directors,

President.

Aug. 10, 1959.



JOHN LABATT LIMITED
and its subsidiaries

CONSOLIDATED

ASSETS

CURRENT:

| | | |
|--|------------|--------------|
| Cash | \$ 557,162 | |
| Marketable securities and accrued interest — at approximate market value | 2,885,780 | |
| Accounts receivable less allowance for doubtful accounts | 3,227,611 | |
| Inventories — valued as set out in Note 2 | 7,470,916 | |
| Prepaid expenses | 740,756 | \$14,882,225 |

INVESTMENTS AND OTHER ASSETS AT COST:

| | | |
|--|--------------|-----------|
| Investments in associated companies (Note 1) | \$ 6,243,003 | |
| Mortgages, loans and advances — less allowances for losses | 2,213,579 | |
| Due from employees under Stock Purchase Plan (Note 4) | 403,878 | 8,860,460 |

FIXED AT COST: (Note 1)

| | | |
|---|---------------------|---------------------|
| Land | \$ 2,044,267 | |
| Buildings | 22,354,240 | |
| Machinery and equipment | 16,812,181 | |
| Trucks and automobiles | 2,026,357 | |
| Leasehold improvements and other deferred charges | 268,331 | |
| | <u>\$43,505,376</u> | |
| Less accumulated depreciation and amortization | <u>20,152,899</u> | <u>23,352,477</u> |
| | | <u>\$47,095,162</u> |

Notes to the Consolidated

Note 1 — Assets of subsidiary company — The investment in associated 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 which is \$3,496,748 in excess of their net book value in the accounts of the subsidiary company at date of acquisition as follows:

| | |
|-------------------------------------|--------------------|
| Investments in associated companies | \$ 953,519 |
| Fixed assets | <u>2,543,229</u> |
| | <u>\$3,496,748</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 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 from the date of acquisition of control of the subsidiary company and depreciation on this basis for the seven months ended April 30, 1959 has been included in the attached statement of profit and loss.

Note 2 — Inventories — Inventories at April 30, 1959 are valued as follows:

| | |
|---|---------------------|
| Beer and ale—at the lower of cost or market | \$ 4,213,199 |
| Raw materials and supplies—at the lower of cost or market | 1,049,324 |
| Bottles at redemption price | 971,239 |
| Kegs — at cost less amounts written off | <u>1,237,154</u> |
| | <u>\$ 7,470,916</u> |

Note 3 — Debentures and notes payable — Particulars of debentures and notes payable at April 30, 1959 are as follows:

| | |
|--|------------------|
| Debentures: | |
| Authorized less redeemed | (a) \$11,800,000 |
| Outstanding — | |
| 4% serial debentures series "A" to mature in equal annual instalments of \$425,000 each on March 1, 1960 to 1965 inclusive | \$2,550,000 |
| 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 | |

AS AT APRIL 30, 1959

BALANCE SHEET

LIABILITIES

CURRENT:

| | | |
|--|------------------|--------------|
| Bank loans | \$ 2,900,686 | |
| Accounts payable and accrued charges | 2,655,929 | |
| Taxes payable | 1,789,606 | |
| Debenture and note principal due within one year | <u>1,675,000</u> | \$ 9,021,221 |

DEBENTURES AND NOTES PAYABLE (Note 3) 12,125,000

MINORITY INTEREST IN SUBSIDIARIES 1,896,853

CAPITAL AND SURPLUS:

Capital (Note 4) —

Authorized — 1,500,000 common shares without par value

Issued — 1,272,245 common shares \$ 6,215,283

Earned surplus (Note 5) 17,836,805 24,052,088

On behalf of the Board:

J. H. MOORE, Director

V. P. CRONYN, Director

\$47,095,162

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

Financial Statements

| | | |
|---|------------------|---------------------|
| payments of \$250,000 per annum commencing 1960) .. | 5,000,000 | 11,800,000 |
| Notes payable: | | |
| 4 1/4% note maturing March 29, 1960 | \$1,000,000 | |
| 5 3/4% note maturing August 11, 1963 | <u>1,000,000</u> | <u>2,000,000</u> |
| | | \$13,800,000 |
| Deduct principal due within one year: | | |
| 4% serial debentures series "A" — March 1, 1960 | \$ 425,000 | |
| 5 1/2% sinking fund debentures series "B" — January 2, 1960 | 250,000 | |
| 4 1/4% note maturing March 29, 1960 | <u>1,000,000</u> | <u>1,675,000</u> |
| | | <u>\$12,125,000</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 certain conditions are complied with.

Note 4 — Capital stock — During the seven months ended April 30, 1959, 17,250 shares of the company were issued under an executive instalment stock purchase plan for \$417,235 of which

\$403,878 was unpaid at April 30, 1959. An additional 32,750 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, 1959 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 six 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 seven months ended April 30, 1959 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 period have been reduced by approximately \$45,000. The accumulated reductions in income taxes since the adoption of this policy during the 1958 fiscal year amount to approximately \$163,000.

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

FOR THE SEVEN MONTHS ENDED APRIL 30, 1959

| | |
|--|---------------------|
| Consolidated profit before deducting the following charges | \$ 3,551,810 |
| Deduct: | |
| Depreciation and amortization | \$ 1,185,719 |
| Interest on debentures, notes and bank loan | 351,535 |
| | <u>\$ 1,537,254</u> |
| | \$ 2,014,556 |
| Add: | |
| Income from investments (net) | 392,087 |
| Profit on sale of investments and fixed assets | 14,218 |
| | <u>\$ 2,420,861</u> |
| Taxes on income (Note 7) | 1,178,500 |
| Consolidated net profit before minority interest | \$ 1,242,361 |
| Deduct minority interest | 95,602 |
| Consolidated net profit | <u>\$ 1,146,759</u> |

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

Directors' fees \$ 6,000 + 11,500 = 17,500
Executive remuneration and legal fees, \$112,594 + 59,250 = 171,844 + 9,135 = 180,979

STATEMENT OF CONSOLIDATED EARNED SURPLUS

FOR THE SEVEN MONTHS ENDED APRIL 30, 1959

| | |
|--|---------------------|
| Balance October 1, 1958 | \$17,661,784 |
| Add consolidated net profit | 1,146,759 |
| | <u>\$18,808,543</u> |
| Deduct: | |
| Dividends paid | \$ 763,347 |
| Expenses in connection with sale of debentures | 208,391 |
| | <u>971,738</u> |
| Balance April 30, 1959 | <u>\$17,836,805</u> |

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, 1959 and the consolidated statements of profit and loss and earned surplus for the seven-month period 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 affairs of the companies as at April 30, 1959 and the results of their operations for the seven-month period 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.
June 29, 1959.

CLARKSON, GORDON & CO.
Chartered Accountants.

LABATT'S NATIONAL BRANDS

Pilsener Lager Beer

"50" Ale

India Pale Ale

These famous brands are brewed across Canada with Labatt's traditional excellence of quality, and their popularity is increasing everywhere.

Advertisements like those on the following pages appear in major Canadian magazines, promoting these brands on a national scale, supporting concentrated marketing programs conducted in the various provinces.

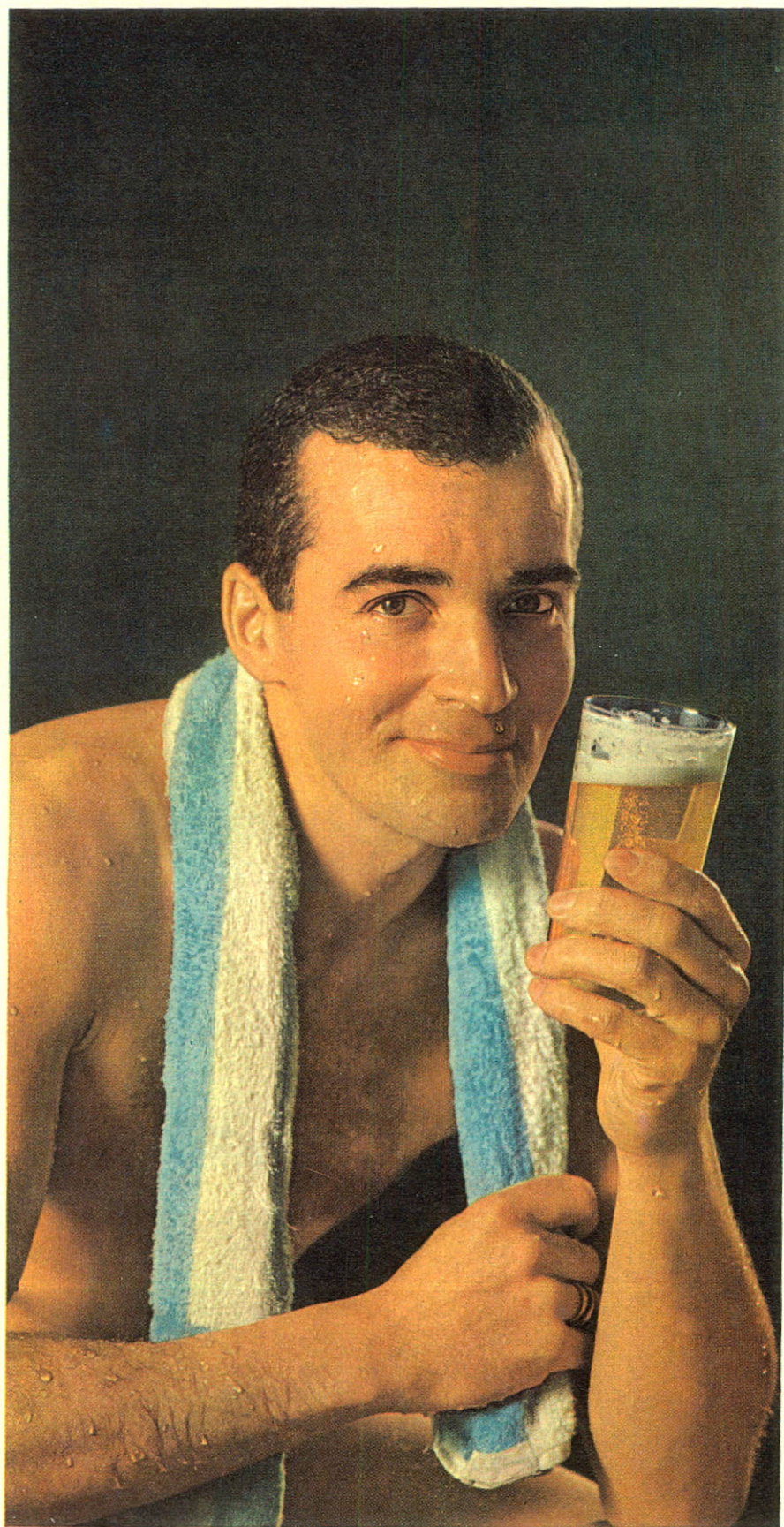
What makes
Labatt's Pilsener
Lager Beer
so refreshingly
different?

It's that
Pilsen flavour!

... created by European master brewers in Pilsen, Czechoslovakia, the birthplace of lager beer, and re-created in Canada by Labatt's from the original Pilsen recipe using yeast flown from Europe. Labatt's Pilsener... the only Canadian lager that gives you both lightness and flavour . . . so refreshingly different.



Anytime's a good time with
Labatt's PILSENER
LAGER BEER



*Here's a real
man's ale—*

**FULL
STRENGTH
IPA**

Labatt's India Pale Ale—what more could a man want! Here's an ale that's truly different in its hearty strength, its full-bodied character. A real ale, brewed for men who enjoy the natural tang of hops, the full, satisfying flavour of malt. Carefully brewed in a century-old tradition for men who demand the zest and snap of a full-strength ale. This is your ale—Labatt's India Pale Ale.



Anytime's a good time with
Labatt's INDIA PALE ALE

easy-going '50' ale
sips light sits light



Anytime's a good time with
Labatt's '50' Ale



MONTREAL • TORONTO • LONDON • WINNIPEG • VANCOUVER • VICTORIA