1976

190TH ANNUAL STATEMENT, 1976

THE MOLSON COMPANIES

The Molson Companies Limited
and Subsidiary Companies

Incorporated under the laws of Canada

Head Office
1555 Notre Dame Street East
Montreal, Quebec H2L 2R5

Executive Office
2 International Boulevard
Rexdale, Ontario M9W 1A2

Registrar
National Trust Company, Limited
Halifax, Montreal, Toronto, Winnipeg,
Regina, Calgary and Vancouver

Transfer Agent
The Royal Trust Company
Halifax, Montreal, Toronto, Winnipeg,
Regina, Calgary and Vancouver

Auditors
Coopers & Lybrand

The annual meeting of the shareholders will be held in the Salon Viger at Le Chateau Champlain, Montreal, Quebec, on June 22, 1976 at 11:30 a.m. EDT.

Si vous préférez recevoir ce rapport en français, veuillez vous adresser au Secrétaire, case postale 1600, Place d'Armes, Montréal, Québec H2Y 3L3

DIRECTORS

Hon. J. B. Aird, Toronto, Partner, Aird, Zimmerman & Berlis, Barristers and Solicitors
†**W. R. Allen,** Toronto, Barrister and Solicitor
***J. T. Black,** Toronto, President
F. M. Covert, Halifax, Partner, Stewart MacKeen & Covert, Barristers and Solicitors
***W. P. Frankenhoff,** New York, Chairman, Executive Committee, William E. Hill & Company, Inc.
D. S. Harvie, Calgary, Chairman, The Devonian Group, and Deputy Chairman, Petro-Canada
T. E. Ladner, Vancouver, Partner, Ladner Downs, Barristers and Solicitors
Roger Létourneau, Quebec, Partner, Létourneau, Stein, Marseille, Delisle and LaRue, Barristers and Solicitors
*†**A. G. McCaughey,** Toronto, Senior Vice President, Finance
E. H. Molson, Montreal, Executive Vice President, Molson Breweries of Canada Limited
***Hon. H. deM. Molson,** Montreal, Honorary Chairman of the Board
***Gérard Plourde,** Montreal, Chairman of the Board, UAP Inc.
†**J. D. Riley,** Winnipeg, Chairman, Dominion Bronze Limited
***P. B. Stewart,** Toronto, Executive Vice President, Operations
N. E. Whitmore, Regina, President, Wascana Investments Limited
***D. G. Willmot,** Toronto, Chairman of the Board

*Member of the Executive Committee
†Member of the Audit Committee

HONORARY DIRECTORS

T. H. P. Molson, Montreal, Quebec
H. C. F. Mockridge, Toronto, Ontario
F. H. Sobey, Stellarton, Nova Scotia

OFFICERS

Hon. H. deM. Molson, Honorary Chairman of the Board
D. G. Willmot, Chairman of the Board
J. T. Black, President
P. B. Stewart, Executive Vice President, Operations
J. P. G. Kemp, Senior Vice President, Commercial Products and Services Group
A. L. Keyworth, Senior Vice President, Retail Merchandising Group
Morgan McCammon, Senior Vice President, Brewing Group
David Lakie, Senior Vice President, Corporate Relations
A. G. McCaughey, Senior Vice President, Finance
L. R. Sinclair, Senior Vice President and Controller
C. R. Cook, Vice President and Secretary
K. A. F. Gates, Vice President, General Counsel
W. J. Gluck, Vice President, Corporate Development
G. A. Jupp, Vice President, Public Affairs
Zotique Lespérance, Vice President
H. E. C. Stoneham, Vice President, Human Resources
I. M. Young, Treasurer

The design theme of this report commemorates our 190th year. Our 1786 founding marks us as one of the very oldest Canadian businesses operating today. The photographs contrast the age and tradition of our company with the modern outlook of our various businesses. As the following listing shows, some of the businesses which are now components of the Molson organization are old established Canadian companies in their own right:

Company	Founding place and date
Aikenhead Hardware Limited	Toronto, Ontario – 1832
John Wood Limited	Toronto, Ontario – 1867
Vilas Industries Limited	Cowansville, Quebec – 1870
Moyer Vico Corp.	St. Catharines, Ontario – 1884
Molson Newfoundland Brewery Limited	St. John's, Newfoundland – 1893
Willson Office Specialty Ltd.	
Office Specialty Inc.	Newmarket, Ontario – 1888
Willson Business Services Limited	Winnipeg, Manitoba – 1900
Sicks' Lethbridge Brewery Limited	Lethbridge, Alberta – 1902
Beaver Lumber Company Limited	Wolseley, Saskatchewan – 1906

FINANCIAL HIGHLIGHTS

March 31	**1976**	1975
Operations (millions of dollars)		
Sales	**$811.4**	$740.3
Net earnings – before extraordinary items	**23.6**	19.6
– after extraordinary items	**23.6**	18.6
Per Share		
Net earnings – before extraordinary items	**$ 1.72**	$ 1.43
– after extraordinary items	**1.72**	1.36
Dividends	**.80**	.80
Financial Position (millions of dollars)		
Working capital	**$ 98.9**	$ 92.4
Long-term debt	**98.1**	100.3
Shareholders' equity	**168.9**	156.3
Total assets	**421.3**	407.0

Representative products of our brewing, retailing and commercial products and services operating groups are shown in a modern photographic style in contrast with the traditional plaster cast on the cover, which depicts a scene in the early days of the Montreal brewery.

BACK COVER
An early Quebec sales promotional piece.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Honourable H. deM. Molson, Honorary Chairman of the Board; D. G. Willmot, Chairman of the Board; J. T. Black, President.

Financial and operations

Since 1786 when John Molson started his brewing business in Montreal the company has grown with Canada, and has developed roots deep in communities all across the country. The financial results in this report reflect the high degree of customer acceptance of our products and services, and we are happy to be able to report, for our 190th year, record levels of sales and earnings.

In the year ended March 31, 1976, consolidated sales amounted to $811 million compared with $740 million last year, an increase of 9.6%. Earnings increased 20.1% to $23.6 million or $1.72 per share compared with $19.6 million or $1.43 per share last year. An extraordinary loss of $1 million reduced final earnings last year to $18.6 million or $1.36 per share. Dividends paid during the year totalled 80 cents per share, the same rate as last year.

These results were achieved against a background of unsettled economic conditions in Canada generally, and despite major problems in some of our own operations in particular.

Brewing earnings and share of national market increased over the previous year's level, with market share increases being shown in all provinces except British Columbia and Newfoundland.

Retail earnings showed a rewarding turnaround from the previous year's loss and we are pleased to be able to report that 1976 earnings returned to the level of Fiscal 1974.

Earnings of John Wood and Anthes Equipment were excellent while earnings in the remainder of the businesses were generally disappointing. Vilas Industries and Willson Office Specialty incurred losses on the year's operations.

More detailed commentary on the operations of our various businesses will be found later in this report.

Capital expenditures

Capital expenditures amounted to $22.8 million, a substantial decrease from the previous year's capital spending which totalled $34.9 million. The added capacity of the Barrie brewery acquired in the previous year enabled brewing capital expenditures to be held to $16.2 million. The reduced rate of expansion of retailing required only $2.9 million compared with the $9.2 million spending of the previous year. Capital expenditures in our other businesses were also below last year's level.

We expect to return to more normal levels and to spend approximately $34 million on capital additions and expansions in Fiscal 1977. Three-quarters of these expenditures will be in the brewing area, largely for additional capacity. The remaining capital spending will allow for further expansion of Beaver Home and Building Centres, for the installation of new tooling and for a number of expansion-projects in our other businesses.

Employee relations

The very high rates of salary and wage adjustments experienced in Fiscal 1975, continued through the first half of this fiscal year, but were slowed by the introduction of the Federal Government's Anti-Inflation Program last fall. Since then, both salary expectations and negotiated wage settlements have moderated.

Of the 59 collective bargaining agreements which were in force at the beginning of the year, 25 were renegotiated. Two of these negotiations resulted in strikes at the Vilas furniture plant in Cowansville, Quebec, and the Vancouver brewery.

Six new bargaining units obtained certification, and in three of these, initial agreements have been signed.

There were a number of Federal and Provincial Government developments that significantly affected employee benefits. The most important of these regulatory changes was in Ontario and resulted in the amendment of benefit plans in order to provide equal rights for male and female salaried employees.

Government affairs

For some years, together with Canadian industry generally, the company has been witness to a growing involvement by governments in the business area, and as a result, have had to devote more effort and resources, year by year, to satisfying a multitude of statistical, informational and operational government requirements. Two new developments in this area during the past year were the Anti-Inflation Program, and the Royal Commission on Corporate Concentration. Both of these government related activities placed additional calls on management time, and in the case of the Anti-Inflation Program particularly has had a major impact on our affairs.

Be that as it may, we consider it imperative that business give its full support to the Anti-Inflation Program, and hope that the other key sectors of the economy, in particular, labour and government organizations, as well as the public at large, will effectively support the effort to reduce inflation in Canada to a bearable level within the time span presently envisaged for the current program.

Directors and officers

During the year, Peter B. Stewart was appointed Executive Vice President, Operations, moving from his position as Senior Vice President, Brewing Group and President, Molson Breweries of Canada Limited. Morgan McCammon, who succeeded Mr. Stewart in these positions, was previously Senior Vice President, Corporate Services. A. L. Keyworth was appointed Senior Vice President, Retail Merchandising Group and President, Beaver Lumber Company Limited succeeding David Lakie, who was appointed Senior Vice President, Corporate Relations. C. R. Cook, who had served as Vice President, Finance and Controller, Molson Breweries of Canada Limited since 1968 was appointed Vice President and Secretary. G. A. Jupp who had been Director, Public Affairs since 1972 was appointed Vice President, Public Affairs.

Peter B. Stewart was elected a member of the Board of Directors at the last Annual General Shareholders' Meeting.

Outlook

While recovery from the economic recession world-wide

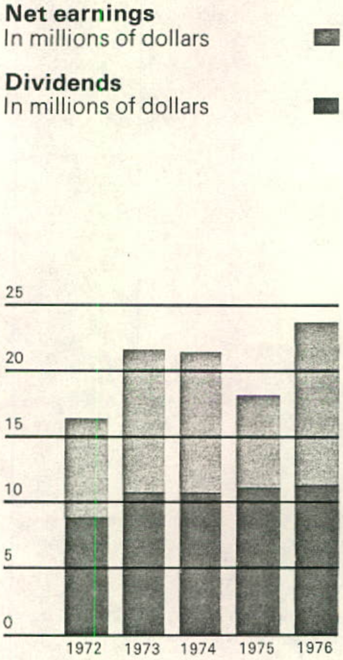
has been agonizingly slow, particularly in Canada as compared with the United States, the signs are for gradual betterment towards a healthier economy in the year ahead. The impact of the Federal Government's attempts to control inflation are difficult to assess, but should be positive in the short run, given a cooperative attitude on the part of all involved. While the uncertainties of the economic climate make forecasting more than usually difficult, we are reasonably confident that the company's businesses will continue to grow during the coming year, with resultant increases in sales and improvement in net earnings.

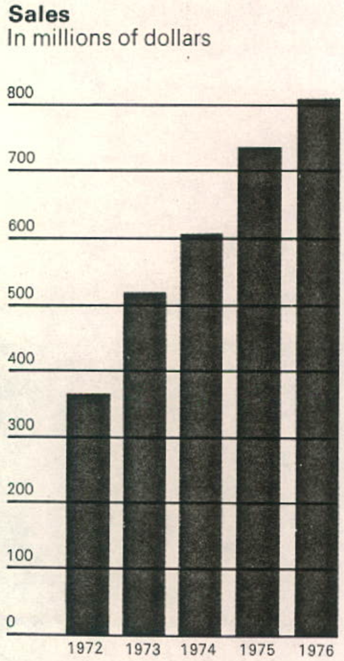
On behalf of the Board:

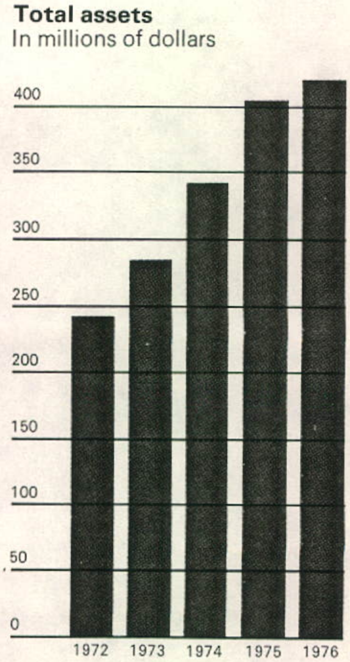
D. G. Willmot
Chairman of the Board

J. T. Black
President

May 20, 1976







BREWING GROUP

BREWING GROUP

(millions of dollars)	1976	1975
Sales Volume (millions of barrels)	6.0	5.8
Sales Revenue	$408.1	$357.1
Capital Expenditures	$ 16.2	$ 17.5
Employees	3181	3087

Molson Breweries of Canada Limited
1555 Notre Dame St. E.
Montreal, Quebec

Morgan McCammon, President
E. H. Molson, Executive Vice President
J. F. Osterman, Vice President, Controller
R. J. D. Martin, Vice President, Production
N. M. Seagram, Vice President, Planning and Personnel
J. R. Taylor, Vice President, Marketing

Molson Newfoundland Brewery Limited,
St. John's, Newfoundland
G. M. Winter, President

Molson's Brewery Quebec Limited, Montreal, Quebec
D. V. Pleshoyano, President
P. Falardeau, Vice President, Sales
Z. Lespérance, Vice President
A. L. Jones, Vice President, Production

Molson's Brewery (Ontario) Limited
Toronto and Barrie, Ontario
J. P. Rogers, President
D. B. Macaskill, Vice President, Administration
R. S. Maguire, Vice President, Marketing
F. C. Mann, Vice President, Production

Molson's Western Breweries Limited, Calgary, Alberta
H. H. Brace, President
W. J. Bradley, Vice President, Production
G. R. Hallamore, Vice President and Secretary
H. J. Moran, Vice President, Marketing

British Columbia Region
T. H. English, President

Alberta Region
T. M. Sterling, Vice President and General Manager

Saskatchewan Region
H. R. Deeks, Vice President and General Manager

Manitoba Region
R. F. J. Deeb, Vice President and General Manager

During Fiscal 1976 the Canadian brewing industry volume increased by only 2.4% – a disappointing performance largely caused by a continued slow growth in volume in Ontario and labour related difficulties in British Columbia.

Molson sales volume in Canada, for the year, increased by 3.1% with a resultant increase in share of the Canadian beer market. This increase was achieved despite a substantial loss in share of market in British Columbia due to an eleven-week strike during the peak consumption period last summer. Share gains were recorded in all other provinces except Newfoundland where we were unable to supply demand due to capacity problems, which have since been solved.

Marketing

Molson's major national brands – Molson Export Ale and Molson Canadian Lager Beer – continue to show impressive increases in sales and market share in most provinces. Strong performances were also recorded by our important regional brands – Laurentide in Quebec, Golden in Ontario, and Lethbridge Pilsner in Alberta. Hockey Night in Canada continues to be the major advertising vehicle for the Molson brands and, in addition this year, Molson was a major sponsor of a popular series of games between selected teams of the Soviet Union and the NHL.

In response to provincial government requests, "Crown" a low-alcohol beer, was introduced in Alberta, Saskatchewan and Manitoba. Most beers across Canada have 5% alcohol by volume, while the low-alcohol beers have 4%. The development of this segment of the market has been limited despite government price subsidies to consumers in certain provinces.

During the past year price increases were obtained in all provinces in which we operate breweries. The price increases in Ontario and Quebec were subjected to Anti-Inflation Board examination and adjustment before approval.

In April 1976, Molson "Diamond" lager beer was introduced to the Ontario market. Although we have had a great deal of success with our brands in Ontario, and have reached a position of market leadership in that province, we recognized that the growing market for lager beer, and the diversity of taste preferences within the lager beer market, was such that a second entrant was needed to complement and offer an alternative to our existing lager brand. Diamond lager was, therefore, developed to appeal to those lager drinkers who prefer a beer which is lighter, smoother and less bitter than most others in that market.

The export of Molson beers to the U.S.A., through our subsidiary the Martlet Importing Co. Inc., continued to grow significantly, with the result that Molson is now the second most popular imported beer in the United States.

Also in the United States, The Rainier Companies Inc., in which the company has a 48% interest, improved its earnings over last year, largely due to a strong performance by the Rainier Brewing Company. While sales of Mondavi wines continued to increase at a very encouraging rate, the Winery and Vineyard operations are not yet making a contribution to Rainier's profit.

Facilities

In a continuing effort to satisfy the growing market demand for our products, we continued to make substantial additions to our facilities. Total capital expenditures during the year amounted to $16.2 million.

Major new projects completed include packaging lines at the Edmonton and St. John's breweries. Also at St. John's, a new steinecker brewhouse and additional boiler capacity completed a rebuilding program that has resulted in a larger and more efficient brewing operation.

Other capital expenditures were undertaken throughout Canada. In Montreal, the existing tankage has been rearranged for more efficient usage, producing, at the same time, an expansion of capacity. In Toronto, brewhouse and boiler capacities have been increased and significant

improvements have been made in the packaging area. Steps were taken to enlarge the effluent treatment facilities at the Barrie brewery in anticipation of additional production. Fermentation and storage capacity at Edmonton and refrigeration capacity at Lethbridge were increased.

In the coming year, capital investment in expanded brewing facilities is anticipated to return to a more normal level of $23.6 million. Largest among the new projects will be high-speed packaging lines for both the Montreal and Barrie breweries. Other capital spending projects will include the expansion of cellaring facilities in Edmonton and Vancouver, the construction of a new warehouse facility in Lethbridge, the installation of additional fermenting tanks in Winnipeg, and the start of construction of a new brewhouse in Barrie.

Group outlook

A period of slow industry growth in parts of Canada during the last fiscal year caused some concern. However, we believe that industry volume, in the current year, will show an increase in the 3% to 4% range and that Molson's growth rate will be higher. The pressure of cost increases will continue to be a major concern until such increases can be brought into more reasonable balance with productivity and price improvements.

The tavern scene below is taken from a sales promotional piece used by the Montreal brewery in the 1900's. The above frame from a current TV commercial shows the product in a more contemporary setting.

RETAIL MERCHANDISING GROUP

RETAIL MERCHANDISING GROUP

(millions of dollars)	1976	1975
Sales	$232.2	$211.8
Capital Expenditures	$ 2.9	$ 9.2
Full Time Employees	2996	3099
Number of Stores	250	252

Beaver Lumber Company Limited
Executive Office
245 Fairview Mall Drive
Willowdale, Ontario

A. L. Keyworth, President
K. A. Mitchell, Senior Vice President, Store Operations
J. P. Fowler, Vice President, Distribution Services
R. F. Knowles, Vice President, Personnel
B. E. Smith, Vice President, Administration
D. K. Wilson, Vice President, Marketing
M. T. Crosslin, Director, Hard Goods Merchandising
P. C. de Vries, Director, L.B.M. Purchasing

British Columbia Division, Vancouver, B.C.
W. J. Mann, General Manager

Western Division, Winnipeg, Manitoba
A. G. Gemmell, Vice President and General Manager

Ontario Home Centre Division, Toronto, Ontario
P. A. Monchamp, General Manager

Ontario Building Centre Division, Toronto, Ontario
Lane Van Geest, General Manager

Quebec Division, Montreal, Quebec
Roger Samson, General Manager

Aikenhead Hardware Division, Toronto, Ontario
J. M. Aikenhead, President

Beaver Homes Division, Winnipeg, Manitoba
Donald Dolgopol, Director, Homes Production and Marketing

Operations

Gratifying progress has been made during the past fiscal year to bring our retailing operations closer to an acceptable profit level. During the year inventory levels which were unacceptably high in the preceding period were reduced, and store operating expenses and distribution costs brought under tighter control.

Considerable attention has been given, through consumer and store research studies, to a number of key elements in our Home Centre marketing concept. These studies have led to changes in our product emphasis, in store layout, and to the adoption of a more aggressive pricing posture. We believe that these changes, coupled with more regular product-oriented newspaper advertising, will strengthen our store appeal to customers.

As a result, our retailing operations showed good recovery in terms of return on sales and on investment.

Sales during the year totalled $232 million, up 9% over the previous year. This result reflects the closure at various times during the year of eight marginal stores and the operation of six new stores for part of the year. It also reflects the fact that, contrary to experience in most other sectors of the Canadian economy, our major product lines of lumber and plywood were affected by significant and unusual price deflation. The Aikenhead Hardware Division recorded a moderate sales increase while sales of Beaver Homes were slow, reflecting the general reduction in housing activity in the country.

We are especially encouraged by the results of the operations of the major urban Home Centres which have been opened during the past three years, almost all of which are achieving higher levels of sales and earnings than was forecasted for them at this stage of their development.

Facilities

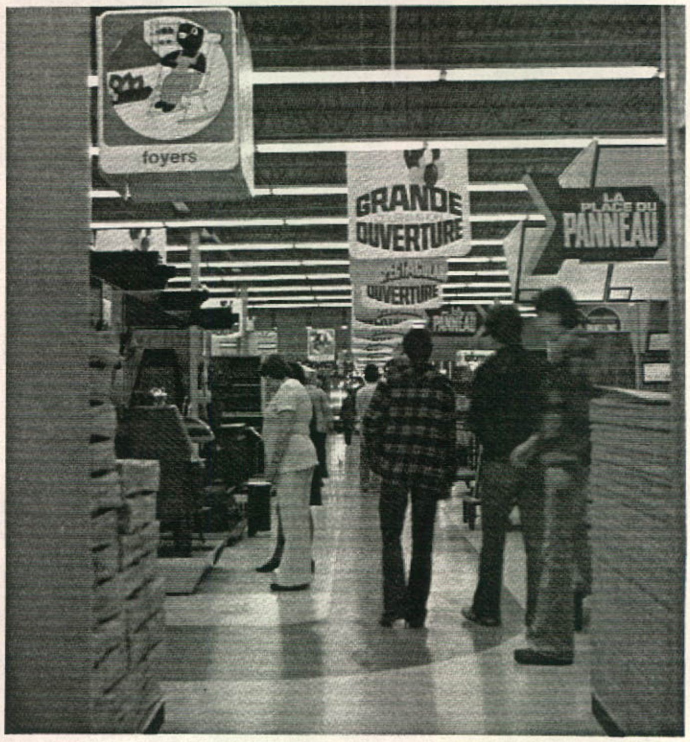
Capital spending in Fiscal 1976 was sharply reduced to $2.9 million from $9.2 million the previous year. However, our expansion into Quebec continued with the opening of the new Rosemère Beaver Home Centre (35,000 sq. ft.) in August. Later in the year, the business of CBS (Quebec) Ltd., consisting of two outlets in Montreal and one Home Centre in Quebec City, was acquired. The Quebec City store (31,000 sq. ft.) has since been completely remerchandised and remodelled, and had a successful reopening in April as Le Castor Bricoleur. The two smaller CBS stores in the Montreal area (Dorval and Greenfield Park) will continue to operate under the CBS name as "cash and carry" outlets similar to the Saveway stores in other provinces.

In addition, new Home Centres were opened in Victoria (32,000 sq. ft.) in April, 1975, and in northwest Calgary (50,000 sq. ft.) in March, 1976. A new Beaver Building Centre was built to replace a successful but inadequate facility in Parry Sound, Ontario, and two smaller Beaver stores in Woodstock and Listowel, Ontario were converted to Saveway "cash and carry" outlets. Since the end of the fiscal year, new Home Centres have been opened in north Edmonton (50,000 sq. ft.) and in Winnipeg (31,000 sq. ft.).

Group outlook

While the full impact of the Anti-Inflation Program is difficult to assess, our marketing policies and competitive pricing practices are such that we do not anticipate any conflict with the A.I.B. guidelines.

In the coming year we expect to see a return to more normal levels of capital expenditures, including the likelihood of expenditures on additional stores on suitable sites in Montreal and Quebec City. New site development activity elsewhere has also been increased and an active program of modernization and expansion of existing Building Centres and Hardware stores is continuing.



The Maple Creek, Saskatchewan, lumber yard in 1912 was supplier to a number of surrounding communities. Lumber and building materials are still important to Beaver but the entrance and part interior of this newest Le Castor Bricoleur in Ste Foy, Quebec, indicate the broadened range of products carried by today's Home Centre.

COMMERCIAL PRODUCTS AND SERVICES GROUP

COMMERCIAL PRODUCTS & SERVICES GROUP		
(millions of dollars)	1976	1975
Sales	$147.2	$148.9
Capital Expenditures	$ 4.5	$ 7.7
Employees	4105	4289

2 International Boulevard, Rexdale, Ontario
J. P. G. Kemp, Senior Vice President
Robin Eccles, Director, Planning
D. H. Stanley, Director, Personnel
B. F. Boardman, Controller

Anthes Business Forms Limited, Brampton, Ontario
K. L. Gallinger, President

Moyer Vico Corp., Toronto, Ontario
D. W. Gray, President
J. K. Stephenson, Vice President, Sales

O. E. L. Manufacturing Limited, Holland Landing, Ontario
A. N. Crawford, Vice President

Willson Office Specialty Ltd., Winnipeg, Manitoba
G. C. Berry, President
L. J. Craddock, Vice President, Marketing

Deluxe Upholstering Limited, Waterloo, Ontario
D. W. Eby, President

Vilas Industries Limited, Cowansville, Quebec
G. L. Townsend, President

Anthes Equipment Limited, Mississauga, Ontario
P. M. Duynstee, President

John Wood Limited, Toronto, Ontario
W. A. Farnell, President

Seaway/Midwest Ltd., Dorval, Quebec
Reginald Goldsmith, President
E. A. Backhouse, Executive Vice President, Operations

Sales of the businesses in this Group in the fiscal year just ended totalled $147 million, down 1% from the previous year. The Group results were most adversely affected by a poor year at Willson Office Specialty and an eight month strike at the Cowansville plant of the Vilas furniture division.

Office and educational products

The loss suffered by Willson Office Specialty during the year was a significant disappointment compared with the improving profit reported a year ago. Contributing factors to the poor results were sales of office furniture, which declined markedly from last year, the continued inflationary pressure on costs and difficulties encountered in merging the two components of this business.

Market prospects are, however, expected to improve next year, although furniture sales will still be below normal. A vigorous program to bring costs and expenses into better balance with current business conditions, together with an improving market, should lead to a recovery in earnings during the coming year.

Slow market conditions have, similarly, confronted Anthes Business Forms, with sales revenues unchanged despite inflation. Cost reduction programs, although effective, were not fully able to offset inflationary cost pressures and, with a more price competitive business environment, earnings suffered. Operations will benefit from the economic recovery and Anthes Business Forms should return to its normal levels of sales growth and earnings this year.

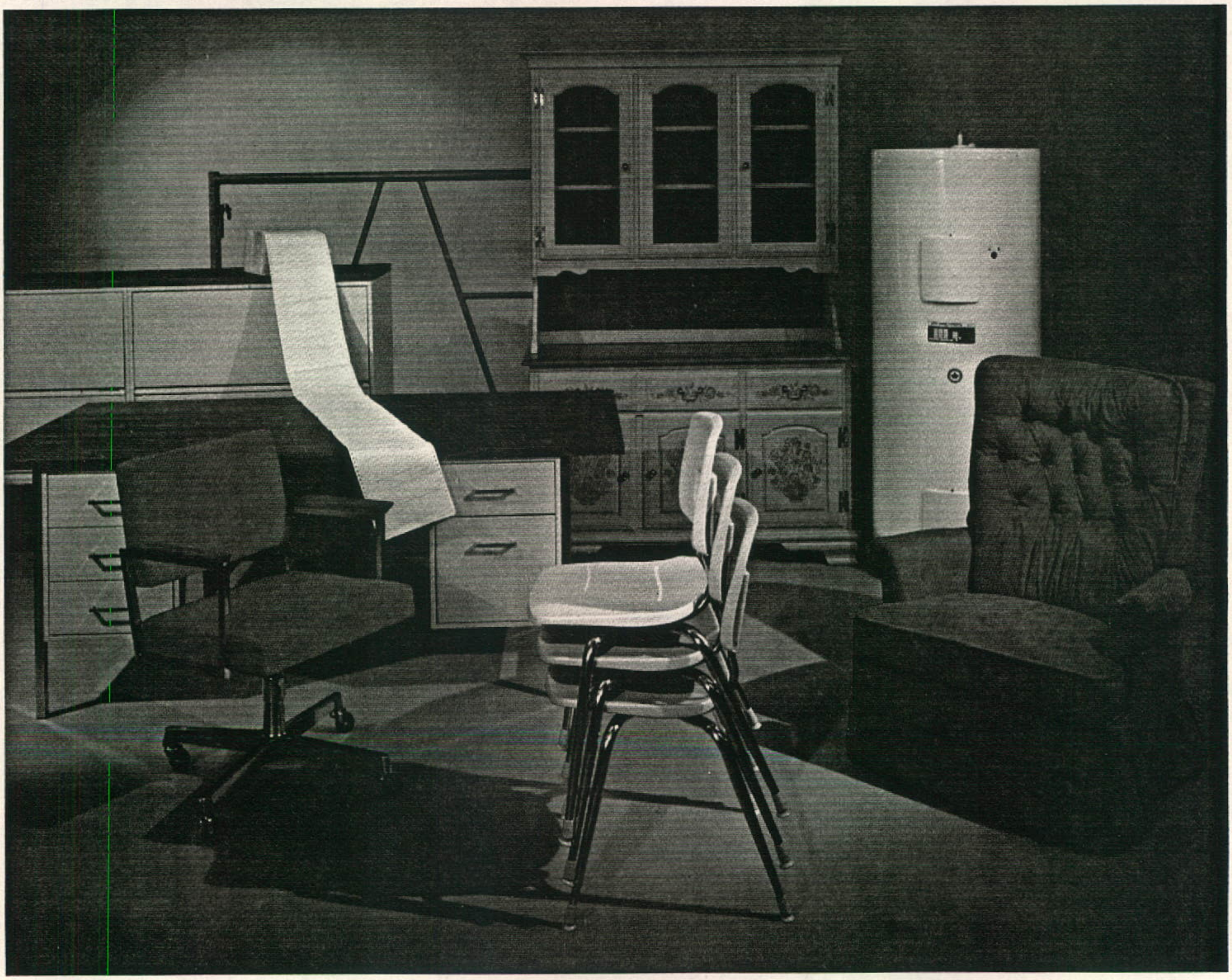
Moyer Vico sales improved in spite of declining school enrolments and reduced numbers of schools. Earnings, however, did not keep pace with sales nor match last year's level.

In response to changing less centralized buying patterns in the educational market, Moyer Vico has strengthened its marketing organization to make it more market, customer and service oriented and has further computerized its management information and control processes. During the year, new Teachers' Stores were opened in Calgary and Hamilton; bringing to five the number now in operation, with three more planned to open shortly. This new concept store has been well received by the professional educator and consumer alike.

During the year, office and educational furniture manufacturing operations located at Holland Landing and Markham, Ontario and at Farnham, Quebec, were separately incorporated as O.E.L. Manufacturing Limited.

Home furniture

A serious fire at the Vilas main plant in Cowansville in May,



1975 followed by an eight month strike, severely hurt this division's business for most of the year with the result that Vilas sales amounted to only two-thirds the level of the previous year and a serious loss was incurred. The expected recovery in the market for household furniture should provide a springboard for a return to profitability in Vilas' operating results. Completion of the expansion of the Montreal upholstery plant should help Vilas to capitalize on the favourable business outlook.

Sales of La-Z-Boy chairs by Deluxe Upholstering Limited were below expectations, but were still ahead of last year. The need to purchase chair frames from outside sources due to the Vilas plant closure resulted in reduced profit margins to Deluxe. Vigorous efforts to control costs in the face of continuing inflation minimized the erosion of earnings.

Construction products and services

Sales of water heaters by John Wood Limited were at the previous year's level and enabled the company to maintain its leading position in the Canadian water heater business. The greater availability of domestic steel at reasonable prices this year was a prime factor in the division reporting a healthy increase in earnings.

Anthes Equipment Limited enjoyed a good year both as to sales and earnings, although not up to the record levels of last year. Some weakness in the construction market is anticipated in the short term, but the effects of this weakness will be offset by the growing sales of new distributor products introduced during the past two years.

Warehousing and distribution

Operations of Seaway/Midwest Ltd. were adversely affected by the business slowdown as clients reduced inventories and as inventory turnover rates slowed. Earnings did not, as a result, achieve last year's level. Profits should, however, rebound as client inventories increase and inventory turnover rates accelerate during the period of economic recovery.

During the year, further expansion of the data processing and transmission network throughout Seaway/Midwest's distribution system provided new and improved services to clients. Warehouse facilities were expanded in St. John's, Newfoundland.

Group outlook

The outlook is for a measure of recovery in both sales and earnings in most of the divisions as the Canadian economy returns to more normal growth rates. However, the construction related businesses, where sales trends tend to trail the general economic cycle, are likely to feel the aftermath of the recent slowdown through much of Fiscal 1977.

The cluttered and awkward looking Moyer school desks and Office Specialty furniture of 1910 contrast with the modern clean look of the Willson Office Specialty products. Also represented here are John Wood water heaters, Anthes Equipment scaffolding, Anthes business forms, Vilas furniture and La-Z-Boy recliner chairs.

PETROLEUM MARKETING EQUIPMENT OPERATIONS

PETROLEUM MARKETING EQUIPMENT OPERATIONS

(millions of dollars)	1976	1975
Sales	$ 23.9	$ 22.5
Capital Expenditures	$ 1.0	$ .5
Employees	579	613

Bennett Pump Company Muskegon, Michigan, U.S.A.
P. M. Turner, President
A. C. Raschke, Vice President, North American Operations
I. A. Cross, Vice President, International Operations
R. A. Ramey, Controller

Beck & Co. (Meters) Limited, London, England
E. L. Prentice, Chairman

Tuscan Engineering Company Limited, Bridgend, Wales
Eric Powell, Managing Director

Beck & Co. (N.Z.) Ltd., Wellington, New Zealand
R. T. Higgs, Managing Director

During the year prototypes of new microcomputer-based electronic gasoline pumps were installed by Bennett Pump in some 11 test sites in the U.S. and Canada, and were well received by both the oil marketers and their customers. Full scale production is planned for the early months of the current year.

Bennett also began production of a new compact die cast aluminum pumping unit to be used in all gasoline pumps, which will result in cost savings over the prior cast iron design, and a new line of farm pumps, aimed at serving the growing market for on-site storage and dispensers on farms throughout North America.

The U.K. market for gasoline pumps continued to be severely depressed but export shipments by Beck & Co. (Meters) Limited, were well ahead of the prior year, and were particularly strong in Africa and the Middle East. Prototypes of the new microcomputer-based electronic pumps, modified for the U.K. market, will be installed at test sites in England during the early part of the new fiscal year.

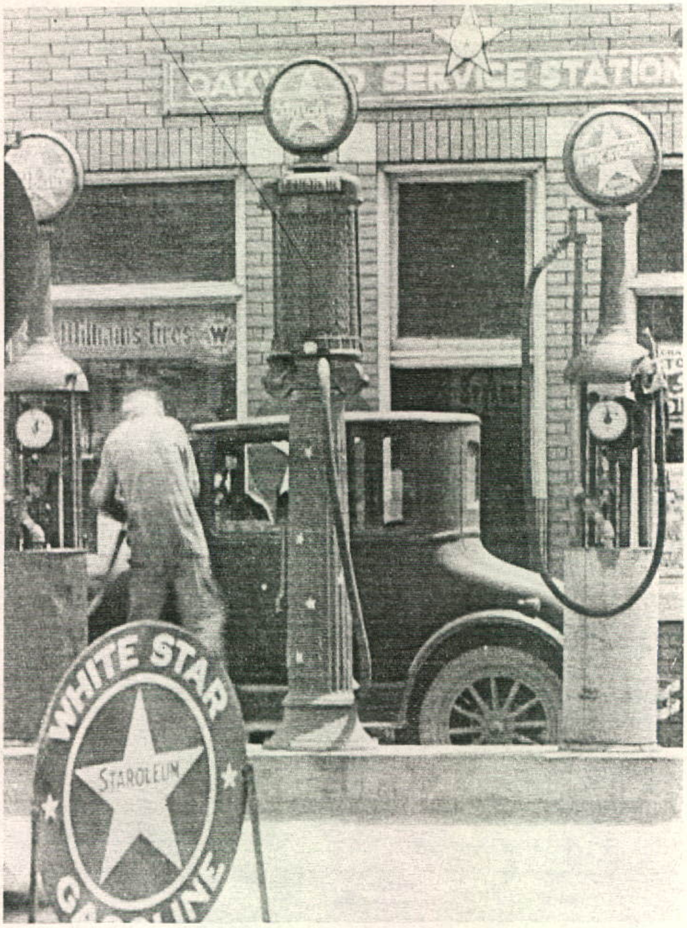
Beck disposed of its 50% holding in Pump Maintenance Ltd., England for cash, and also completed the closure of the Italian assembly operation referred to in last year's report.

Bennett's Mexican affiliate, Industrias Guillermo Murguia S.A., experienced another record year for sales and profits.

During the year the company increased its minority interest in Hockman-Lewis Ltd., a New Jersey based manufacturers agency business, which represents Bennett Pump Company and other service station equipment manufacturers in many countries of the world.

Outlook

Successful results from the tests of the prototypes of the new electronic self-serve pumps will place the company in the forefront of this new technology, and will lead to an increase in Bennett's share of the rapidly growing self-service market in North America.



These early Bennett pumps which had to be pumped by hand are a far contrast in operation and design from today's self service units.

CONSOLIDATED STATEMENT OF EARNINGS

Year ended March 31, 1976

	1976	1975
Revenues		
Sales and revenues	**$811,410,000**	$740,337,000
Investment income	**635,000**	963,000
Equity in earnings of other companies	**552,000**	219,000
	812,597,000	741,519,000
Costs and Expenses		
Cost of sales and selling and administrative costs	**607,517,000**	554,343,000
Brewing excise and sales taxes	**137,635,000**	126,755,000
Depreciation	**15,281,000**	13,360,000
Interest on long-term debt	**8,390,000**	7,859,000
Other interest	**3,719,000**	5,399,000
	772,542,000	707,716,000
Earnings before Income Taxes	**40,055,000**	33,803,000
Income taxes	**16,230,000**	13,895,000
	23,825,000	19,908,000
Minority Interest	**244,000**	288,000
Net Earnings before Extraordinary Items	**23,581,000**	19,620,000
Extraordinary items	**26,000**	(1,002,000)
Net Earnings for the Year	**$ 23,607,000**	$ 18,618,000
Net Earnings per Share		
– before extraordinary items	**$1.72**	$1.43
– after extraordinary items	**1.72**	1.36

(see Notes to Consolidated Financial Statements)

CONSOLIDATED BALANCE SHEET

As at March 31, 1976

	1976	1975
Assets		
Current Assets		
Cash and short-term investments	**$ 3,293,000**	$ 3,205,000
Accounts receivable	**75,149,000**	71,779,000
Inventories	**143,827,000**	141,249,000
Prepaid expenses	**3,718,000**	2,949,000
	225,987,000	219,182,000
Investments	**9,273,000**	9,710,000
Fixed Assets		
Land, buildings and equipment	**319,127,000**	298,175,000
Accumulated depreciation	**137,539,000**	124,695,000
	181,588,000	173,480,000
Other Assets – less amortization		
Intangible assets of acquisitions	**3,513,000**	3,592,000
Debenture discount and expenses	**1,002,000**	1,088,000
	4,515,000	4,680,000
	$421,363,000	$407,052,000

Signed on Behalf of the Board:

Director

Director

(see Notes to Consolidated Financial Statements)

	1976	1975
Liabilities		
Current Liabilities		
Bank indebtedness	**$ 22,019,000**	$ 29,088,000
Notes payable	**29,945,000**	29,980,000
Accounts payable	**54,811,000**	46,946,000
Income taxes	**6,124,000**	7,128,000
Excise and sales taxes	**9,437,000**	8,943,000
Dividends payable	**2,700,000**	2,698,000
Current instalments on long-term debt	**1,975,000**	1,965,000
	127,011,000	126,748,000
Long-term Debt	**98,184,000**	100,346,000
Minority Interest	**3,989,000**	4,550,000
Deferred Income Taxes	**20,708,000**	16,486,000
Deferred Income – less amortization	**2,479,000**	2,613,000
Shareholders' Equity		
Capital Stock	**48,371,000**	48,342,000
Retained Earnings	**120,621,000**	107,967,000
	168,992,000	156,309,000
	$421,363,000	$407,052,000

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of The Molson Companies Limited and subsidiaries as at March 31, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. 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 these consolidated financial statements present fairly the financial position of the companies as at March 31, 1976 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Chartered Accountants
Montreal, May 17, 1976

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended March 31, 1976

	1976	1975
Balance – beginning of year	**$107,967,000**	$102,148,000
Net earnings for the year	**23,607,000**	18,618,000
	131,574,000	120,766,000
Dividends	**10,953,000**	10,946,000
Additional consideration and expenses paid to settle the lawsuit in connection with the acquisition of Anthes Imperial Limited in 1968.	**—**	1,853,000
	10,953,000	12,799,000
Balance – end of year	**$120,621,000**	$107,967,000

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended March 31, 1976

	1976	1975
Source of Funds		
Net earnings before extraordinary items	**$ 23,581,000**	$ 19,620,000
Depreciation	**15,281,000**	13,360,000
Deferred income taxes	**4,222,000**	2,993,000
Other	**31,000**	4,000
Funds from operations	**43,115,000**	35,977,000
Long-term debt	**—**	23,041,000
Common shares	**29,000**	453,000
Sale of investments	**1,092,000**	4,724,000
	44,236,000	64,195,000
Use of Funds		
Dividends	**10,953,000**	10,946,000
Fixed assets	**22,883,000**	34,958,000
Investments	**655,000**	914,000
Minority interest	**561,000**	349,000
Business acquisitions (excluding working capital of $1,410,000; 1975 $5,224,000)	**506,000**	23,685,000
Repayment of long-term debt	**2,162,000**	2,351,000
Additional consideration and expenses paid to settle lawsuit	**—**	1,853,000
Extraordinary items	**(26,000)**	1,002,000
	37,694,000	76,058,000
Working Capital		
Increase (decrease) in the year	**6,542,000**	(11,863,000)
At beginning of year	**92,434,000**	104,297,000
At end of year	**$ 98,976,000**	$ 92,434,000

(see Notes to Consolidated Financial Statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

Consolidation

The accounts of all subsidiaries have been consolidated. Purchase accounting principles have been followed for subsidiaries acquired except for Anthes Imperial Limited in 1968 which was on the basis of pooling of interests.

Foreign Exchange

Earnings of foreign operations are translated at the average rate of exchange during the year. Current assets and current liabilities are translated at the rate at March 31 and other balance sheet accounts and related depreciation are translated at the rate on the date of acquisition. The resulting exchange gains or losses are included in the Consolidated Statement of Earnings.

Inventories

Inventories are valued at the lower of cost or net realizable value except for retail lumber inventories which are valued at the lower of cost or replacement cost. Cost is determined on a first-in first-out basis.

Investments

Companies which are 50% owned, or less than 50% owned and effectively controlled, are carried on the equity method. Other investments are carried on the cost basis.

Fixed Assets

Fixed assets are carried at cost. Depreciation is provided from the date assets are put into service on the straight-line method over their estimated useful lives.

Intangible Assets of Acquisitions

Effective April 1, 1974, the amounts by which the purchase price exceeds the value of assets acquired in business combinations are carried as intangible assets and are amortized on the straight-line basis over forty years.

Income Taxes

Deferred income taxes represent amounts deferred to future years due to the earlier deduction of certain expenses, principally depreciation, for tax purposes.

Investment tax credits are reflected in earnings in the year they are claimed for tax purposes. This program is in effect from June 23, 1975 to July 1, 1977, and for the year ended March 31, 1976, amounted to $450,000.

2. Business Combinations

During the year, the assets of one lumber retailing business were acquired effective November 6, 1975, and have been included on the basis of purchase accounting.

	1976	1975
Net Assets acquired:		
Value of net tangible assets	$ 1,916,000	$ 25,259,000
Intangible assets of acquisition	—	3,650,000
	1,916,000	28,909,000
Consideration paid:		
Cash	1,916,000	5,868,000
9% note payable over 15 years	—	23,041,000
	$ 1,916,000	$ 28,909,000

3. Inventories

	1976	1975
Finished goods	$109,173,000	$101,674,000
Work in process	13,862,000	17,693,000
Raw materials and supplies	20,792,000	21,882,000
	$143,827,000	$141,249,000

4. Investments

	1976	1975
Mortgages and loans, at cost	$ 2,933,000	$ 2,787,000
Investments, at equity	2,599,000	3,480,000
Other investments, at cost	3,741,000	3,443,000
	$ 9,273,000	$ 9,710,000

Investments include marketable investments carried at $4,299,000 (1975 – $4,397,000) which have a quoted value of $5,647,000 (1975 – $5,610,000).

5. Fixed Assets

	1976	1975
Land	$ 21,486,000	$ 23,317,000
Buildings	116,106,000	110,390,000
Equipment	181,535,000	164,468,000
	319,127,000	298,175,000
Accumulated depreciation	137,539,000	124,695,000
	$181,588,000	$173,480,000

6. Long-term Debt

	1976		1975	
	Current	Total	Current	Total
Sinking Fund Debentures:				
8¼% maturing in 1991		$ 40,000,000		$ 40,000,000
8¼% maturing in 1995		30,000,000		30,000,000
6% maturing in 1982	$ 170,000	2,820,000	$ 175,000	3,015,000
5¼% convertible maturing in 1989		2,213,000		2,337,000
8¾% maturing in 1988		1,000,000		1,000,000
Notes Payable:				
9% repayable by 1989	1,536,000	21,505,000	1,536,000	23,041,000
5¾% repayable by 1985	200,000	2,000,000		2,000,000
Sundry	69,000	621,000	254,000	918,000
	$1,975,000	$100,159,000	$1,965,000	$102,311,000
Current instalments		1,975,000		1,965,000
		$ 98,184,000		$100,346,000

Principal payments required during the next five fiscal years are: 1977 – $1,975,000, 1978 – $4,098,000, 1979 – $4,193,000, 1980 – $4,166,000, 1981 – $4,112,000.

7. Capital Stock

Authorized:

Convertible common shares without par value 15,000,000 Class "A", 7,000,000 Class "B", 7,000,000 Class "C", 15,000,000 Class "D".

Class "A" and "D" shares are interconvertible and Class "B" and "C" shares are interconvertible, on a one for one basis.

Class "A" and "D" shares are non-voting except, voting separately and as a class, the holders thereof are entitled to elect three members of the board of directors annually. Class "B" and "C" shares are fully voting.

Class "A" and "D" shares are entitled to a non-cumulative preferential dividend of 20¢ per share per annum. After the Class "B" and "C" shares receive dividends of 20¢ per annum, all shares rank equally as to dividends.

Dividends on Class "C" and "D" shares may be paid in cash out of tax paid undistributed surplus on hand, or out of 1971 capital surplus on hand as defined in the Income Tax Act.

Issued and Outstanding:	1976		1975	
	Shares	Amount	Shares	Amount
Class "A"	8,302,400	$ 38,354,000	8,306,000	$ 38,355,000
Class "B"	4,090,200	7,149,000	4,073,000	7,161,000
Class "C"	993,900	1,465,000	1,010,900	1,449,000
Class "D'	305,600	1,403,000	300,300	1,377,000
	13,692,100	$ 48,371,000	13,690,200	$ 48,342,000
Average number of shares outstanding	13,691,000		13,683,000	

Convertible Debentures

Holders of the 5¼% debentures of a subsidiary may convert these debentures on or before May 1, 1979, into Class "A" shares on the basis of 47 shares for each $1,000 debenture. At March 31, 1976 – 104,000 Class "A" shares have been reserved for this purpose (1975 – 110,000 shares).

During the year, the following shares were issued:

	1976		1975	
	Shares	Amount	Shares	Amount
Class "A"				
On conversion of debentures	400	$ 9,000	18,800	$ 399,000
On exercise of options by employees for cash	1,200	15,000	4,500	54,000
Class "B"				
On exercise of options by employees for cash	300	5,000	—	—
	1,900	$ 29,000	23,300	$ 453,000

During the year, the following shares were converted between the classes:

	1976	1975
Class "A" to Class "D"	60,400	79,400
Class "D" to Class "A"	55,100	66,800
Class "B" to Class "C"	123,600	91,400
Class "C" to Class "B"	140,500	70,200

Stock Options

During the year, options to employees at $22.31 for Class "A" shares and at $21.56 for Class "B" shares were amended to $19.37 and $17.50, respectively, and the expiry date was extended two years to August 14, 1978. The following options are outstanding at March 31:

	1976		1975	
	Option Price	Shares	Option Price	Shares
Class "A"	$ 19.37	9,100	$10.75 to $22.31	10,800
Class "B"	17.50	9,100	21.56	9,400
		18,200		20,200

Of the options outstanding at March 31, 1976, options covering 6,500 Class "A" shares and 6,500 Class "B" shares are held by officers, three of whom are also directors (1975 – 6,750 Class "A" shares and 6,750 Class "B" shares).

8. Extraordinary Items

	1976	1975
Loss on closure of a gasoline pump assembly plant in Italy	$ (277,000)	$ (1,002,000)
Provisions for costs relating to businesses sold in prior years (net of income taxes of $288,000)	(312,000)	—
Recovery of income taxes relating to losses prior to acquisition	615,000	—
	$ 26,000	$ (1,002,000)

9. Additional Information

Pension Plans

Current service pension costs have been provided in accordance with actuarial determination. Past service costs are being funded over approximately 17 years. The unfunded liability for past service pension costs amounts to $17,800,000 at March 31, 1976 (1975 – $17,600,000).

Commitments

Lease commitments which expire within 30 years require payments during the next five fiscal years as follows:
1977 – $10,100,000, 1978 – $9,800,000, 1979 – $9,400,000, 1980 – $9,100,000, 1981 – $8,800,000.
Properties leased are principally warehouses and retail stores.

Remuneration of Directors and Officers

	1976	1975
Directors: Number	16	16
Aggregate remuneration	$ 71,000	$ 73,000
Officers: Number	22	19
Aggregate remuneration	$ 1,116,000	$ 999,000
Number of officers who are also directors	5	4

Classes of Business

The following are the proportions of consolidated sales by class of business:

	1976	1975
Brewing	50%	48%
Retail merchandising	28	29
Office and education products	9	10
Home furniture	2	2
Construction products and services	5	5
Warehousing and distribution services	3	3
Petroleum marketing equipment	3	3
	100%	100%

Anti-inflation Legislation

The Canadian operations of the Company are subject to federal legislation which became effective October 14, 1975 and established controls on prices, profit margins, compensation to employees and dividends to shareholders. Dividends are currently restricted to the present quarterly rate on each class of share.

1972	1971	1970	1969	1968	1967
$232,163	$201,298	$192,689	$177,082	$164,187	$153,409
33,201	—	—	—	—	—
110,676	113,394	120,061	118,493	111,167	91,300
376,040	314,692	312,750	295,575	275,354	244,709
8,440	7,139	6,804	6,682	6,007	5,579
33,501	28,994	28,329	30,672	35,689	32,177
16,500	15,000	14,700	15,000	17,200	15,777
16,686	13,662	13,316	13,899	15,986	14,455
16,725	12,627	12,173	15,073	15,986	14,455
25,165	19,766	18,977	21,755	21,993	20,034
72,162	38,984	32,353	45,636	44,098	39,947
2.3:1	2.0:1	1.7:1	2.7:1	2.3:1	2.5:1
36,865(1)	10,543	11,796	10,525	10,748	7,585
248,803	169,471	164,196	150,691	151,024	132,954
51,047	17,797	10,654	11,128	11,357	10,187
125,811	98,642	95,524	96,025	90,890	82,183
1.40	1.20	1.17	1.23	1.41	1.28
1.40	1.11	1.07	1.33	1.41	1.28
1.86	1.74	1.67	1.92	1.94	1.78
.72	.72	.72	.72	.72	.64
$ 9.29	$ 8.67	$ 8.41	$ 8.46	$ 8.02	$ 7.30
13,530	11,374	11,362	11,346	11,329	11,263
15,016	13,700	13,166	13,252	—	—
9,210	6,674	7,360	7,500	—	—

HOW OUR 1976 SALES REVENUE WAS SPENT

millions of dollars		
Wages, salaries and benefits	19%	$155.5
Brewing federal excise, and federal and provincial income taxes	19%	$153.8
Interest on borrowed capital	2%	$ 12.1
Other operating expenses	57%	$466.4
Dividends to shareholders	1%	$ 10.9
Funds retained in the business for future growth	2%	$ 12.7
TOTAL	100%	$811.4

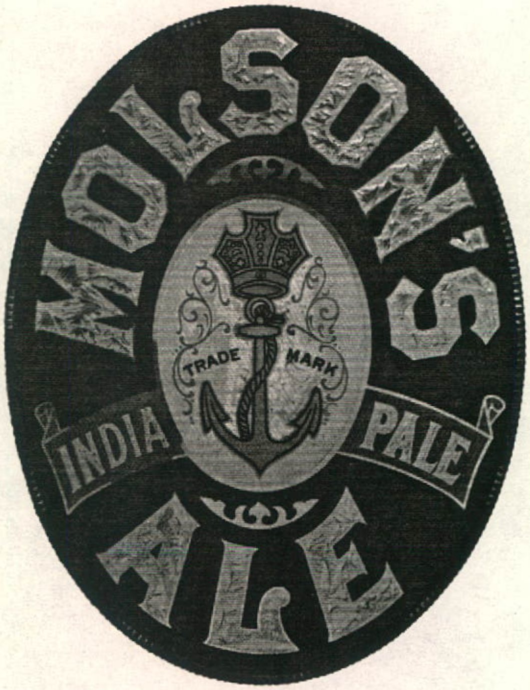
WHERE OUR 1976 SALES REVENUE CAME FROM

millions of dollars		
Brewing	50%	$408.1
Retail Merchandising	28%	$232.2
Office and education products	9%	$ 73.4
Home furniture	2%	$ 14.7
Construction products and services	5%	$ 38.0
Warehousing and distribution services	3%	$ 21.1
Petroleum marketing equipment	3%	$ 23.9
TOTAL	100%	$811.4

OPERATING AND FINANCIAL RECORD

Dollars in thousands except amounts per share	**1976**	1975	1974	1973
Operations				
Sales				
brewing	**$408,076**	$357,134	$296,236	$260,505
retail merchandising	**232,254**	211,841	174,607	131,249
other	**171,080**	171,362	145,319	130,484
Total sales	**811,410**	740,337	616,162	522,238
Depreciation	**15,281**	13,360	11,552	9,929
Earnings before income taxes	**40,055**	33,803	37,744	42,912
Income taxes	**16,230**	13,895	15,625	20,600
Net earnings – before extraordinary items	**23,581**	19,620	21,848	22,018
– after extraordinary items	**23,607**	18,618	21,928	22,022
Cash flow	**38,888**	31,978	33,480	31,951
Financial				
Working capital	**98,976**	92,434	104,297	72,338
– ratio	**1.8:1**	1.7:1	2.1:1	1.9:1
Net additions to fixed assets	**23,389**	54,939(1)	21,365	22,581
Total assets	**421,363**	407,052	345,316	285,138
Long-term debt	**98,184**	100,346	79,656	51,249
Shareholders' equity	**168,992**	156,309	150,037	138,905
Per Share				
Net earnings – before extraordinary items	**1.72**	1.43	1.60	1.62
– after extraordinary items	**1.72**	1.36	1.60	1.62
Cash flow	**2.84**	2.33	2.45	2.34
Dividends	**.80**	.80	.80	.80
Shareholders' equity	**$ 12.34**	$ 11.41	$ 10.98	$ 10.18
Other				
Number of shares outstanding (thousands)	**13,692**	13,690	13,667	13,637
Number of shareholders	**13,199**	13,656	14,134	13,988
Number of employees	**10,965**	11,211	10,928	10,455

Note 1. Includes net fixed assets of acquired businesses (1975 – $20,035,000; 1972 – $25,399,000).
All data except dividends for 1968 and prior years has been restated to reflect a business acquisition on a pooling of interest basis.



PRINTED IN CANADA