

**John Labatt  
Annual Report  
1981**







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# John Labatt



John Labatt is a broadly-based Canadian-owned company carrying on business in three major industrial groups: Brewing, Packaged Food and Agri Products.

The principal products for each operating division within each of the three major groups are as follows:

Group	Division	Products
 <b>Brewing</b>	Labatt Brewing Labatt Importers	beer, ale, malt liquor and stout sale of beer and ale in the United States
 <b>Packaged Food</b>	Catelli  Laura Secord Chef Francisco Wines	pasta, jams, pickles, soups, sauces, packaged flour, puddings, maple syrup, processed meats and condiments  confectionery, ice cream and baked goods prepared frozen foods in the United States wine in Canada and the United States
 <b>Agri Products</b>	Milk Ogilvie Flour Industrial Grain Products Miracle Feeds Terra Foods	cheese, butter, milk and other dairy products flour and other milled grain products wheat starch and gluten distribution of by-product livestock feeds fresh mushrooms

In addition, John Labatt has a number of partly-owned business investments accounted for on the equity basis summarized as follows:

Partly-Owned Businesses	Interest	Products and Activities
<b>Zymaize Company</b>	50% partnership interest	sweeteners and starch derived from corn
<b>McGavin Foods Limited</b>	60% equity, 50% voting share interest	baked goods in western Canada
<b>Toronto Blue Jays Baseball Club</b>	45% partnership interest	American League baseball
<b>Canada Malting Co., Limited</b>	14.2% share interest	malt for the brewing and distilling industries
<b>Catelli-Primo Limited</b>	46.4% share interest	packaged food in Trinidad



## Financial Highlights

	1981	1980	1979	1978	1977
Fully diluted earnings per share before extraordinary items	<b>\$3.21</b>	<b>\$2.76</b>	\$1.71	\$2.53	\$2.12
Fully diluted net earnings per share	<b>2.98</b>	<b>2.65</b>	1.71	2.53	2.12
Cash income per share	<b>6.39</b>	<b>5.40</b>	4.13	4.86	4.52
Dividends paid per common share	<b>\$1.30</b>	<b>\$1.23</b>	\$1.19	\$1.14	\$1.09
Earnings before extraordinary items per sales dollar	<b>2.98¢</b>	<b>2.81¢</b>	2.02¢	3.40¢	3.04¢
Return on assets	<b>9.9%</b>	<b>9.2%</b>	7.6%	10.3%	9.4%
Return on shareholders' equity	<b>15.8%</b>	<b>14.9%</b>	9.8%	15.7%	14.4%
Shareholders — preferred	<b>Nil</b>	<b>Nil</b>	2,496	2,935	3,573
— common	<b>11,410</b>	<b>12,365</b>	11,024	12,238	10,717
Employees	<b>10,400</b>	<b>13,100</b>	12,750	12,350	12,100

## Group Summary

(thousands)

<b>Operating Results</b>	<b>1981</b>	<b>1980</b>	<b>1979</b>	<b>1978</b>	<b>1977</b>
Gross Sales					
Brewing	\$ 650,519	\$ 603,138	\$ 514,227	\$ 512,351	\$ 479,367
Packaged Food	440,663	409,329	322,468	256,739	213,077
Agri Products	404,535	329,314	272,991	228,173	229,750
	<b>\$1,495,717</b>	<b>\$1,341,781</b>	<b>\$1,109,686</b>	<b>\$ 997,263</b>	<b>\$ 922,194</b>
Earnings before interest and income taxes					
Brewing	\$ 46,089	\$ 42,228	\$ 26,915	\$ 46,946	\$ 44,028
Packaged Food	20,885	16,899	15,966	7,749	5,146
Agri Products	30,841	27,636	19,324	11,984	11,019
	<b>97,815</b>	<b>86,763</b>	<b>62,205</b>	<b>66,679</b>	<b>60,193</b>
Interest	(25,666)	(24,664)	(19,327)	(14,499)	(13,376)
Income taxes	(29,580)	(25,935)	(17,451)	(19,729)	(20,500)
Earnings before the following Equity in net earnings (losses) of partly-owned businesses	<b>42,569</b>	<b>36,164</b>	<b>25,427</b>	<b>32,451</b>	<b>26,317</b>
Minority interest	<b>2,107</b>	<b>1,700</b>	<b>(2,860)</b>	<b>1,534</b>	<b>1,850</b>
	<b>(112)</b>	<b>(109)</b>	<b>(101)</b>	<b>(90)</b>	<b>(102)</b>
Earnings before extraordinary items	<b>44,564</b>	<b>37,755</b>	<b>22,466</b>	<b>33,895</b>	<b>28,065</b>
Extraordinary items	<b>(3,200)</b>	<b>(1,508)</b>			
Net earnings	<b>\$ 41,364</b>	<b>\$ 36,247</b>	<b>\$ 22,466</b>	<b>\$ 33,895</b>	<b>\$ 28,065</b>
<b>Capital Expenditures and Acquisitions</b>					
Brewing	\$ 15,359	\$ 24,094	\$ 13,726	\$ 22,866	\$ 14,063
Packaged Food	11,548	22,933	43,219	12,542	5,484
Agri Products	19,883	12,959	10,762	4,507	3,840
Total	<b>\$ 46,790</b>	<b>\$ 59,986</b>	<b>\$ 67,707</b>	<b>\$ 39,915</b>	<b>\$ 23,387</b>





## Letter to Shareholders

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### Financial Highlights

Fiscal 1981 was a year in which your Company showed significant improvement in operations. Gross sales increased from \$1,341,781,000 to \$1,495,717,000. This 11.5% growth in sales was achieved despite lengthy work stoppages in the Brewing operations in British Columbia and Alberta.

John Labatt's earnings before extraordinary items were \$44,564,000, up from \$37,755,000, representing an increase of 18.0%. Earnings per share for fiscal 1981 were \$3.21, up 16.3% from \$2.76 per share for fiscal 1980. The earnings growth reflects improved operating results in each major operating group: Brewing, Packaged Food and Agri Products. During the year, the Company sold Delmar Chemicals, a manufacturer of fine chemicals, and Parnell Foods and Mannings, food service operations in Canada and the United States, respectively. The Delmar, Parnell and Mannings dispositions together with an expected loss on the anticipated sale of the Zambian brewing investment resulted in an extraordinary loss which reduced earnings by \$3,200,000 or 23¢ per share.

Income before interest and income taxes for the three major operating groups increased by 12.7%. Brewing Group earnings at \$46,089,000 exceeded last year's earnings of \$42,228,000 despite the industry-wide work stoppages in British Columbia and Alberta which reduced Brewing Group earnings by an estimated \$9,500,000 before income taxes and net earnings by 36¢ per share. Packaged Food Group earnings at \$20,885,000 were 23.6% ahead of last year's earnings of \$16,899,000, continuing the improved performance trend established in fiscal 1979. Agri Products Group earnings of \$30,841,000 were 11.6% ahead of record earnings of \$27,636,000 set in fiscal 1980.

Equity in net earnings of partly-owned businesses were \$2,107,000 in fiscal 1981, up 23.9% from the previous year. McGavin Foods, the largest contributor, provided \$1,348,000 compared to \$1,087,000 in fiscal 1980.

### Business Development

In fiscal 1981, the Company continued with aggressive development activities designed to upgrade its businesses and improve the balance of earnings between the three major operating groups. Developmental programs which were commenced in prior years progressed significantly. Zymaize Company, a joint venture established with Redpath Industries to manufacture and market high fructose corn syrup from a newly constructed plant in London, Ontario, is now in its startup phase. Evaluations

will be completed shortly for a major expansion program for this plant which would enable Zymaize Company to produce high fructose syrup 55, a higher concentrate liquid sweetener, used extensively in the soft drink industry.

During fiscal 1981, the Brewing Group continued to emphasize the marketing of its two flagship brands, Labatt's "50" and Labatt's "Blue". "Budweiser", introduced in Alberta in fiscal 1980, was launched into additional markets and in every case consumers' response was excellent. The high rate of trial and consumer acceptance achieved by "Budweiser" is unprecedented in the Canadian brewing industry.

Terra Foods in Montreal, the controlled environment fresh mushroom operation, was completed. The plant is now in production supplying the Quebec market with fresh mushrooms through grocery chains. This development employs advanced technology which may offer further developmental opportunities for the Agri Products Group.

During fiscal 1981, several small acquisitions were made to enhance existing businesses. In the New England area, Catelli acquired a small operation in the specialty meat products business and a maple syrup products company. In early fiscal 1982, an additional small specialty meat products facility was acquired to further strengthen the Company's position in this regional business.

A major expansion of the Agri Products Group occurred during fiscal 1981 when an agreement was reached with Dart & Kraft, Inc. to acquire their 83.6% interest in Dominion Dairies, one of the largest dairy operations in Ontario and Quebec. Dominion Dairies, together with the acquisition of Stacey Brothers, a skim milk and butter manufacturer in Mitchell, Ontario, significantly strengthens the Company's position in the Canadian milk processing business.

Delmar Chemicals, a manufacturer of fine chemicals, and Parnell Foods and Mannings, two food service operations, were sold during the year. Proceeds from these sales provided a significant portion of the financing for acquisitions and these dispositions have more closely aligned operations to our three major operating groups: Brewing, Packaged Food and Agri Products.

The Company has entered into a joint venture with the Canada Development Corporation and the Government of Ontario to develop biotechnically-based products and processes for commercialization. Biotechnology involves the development of industrial processes using biological



agents to produce useful end products. The venture will provide a focus for translating research into beneficial products and processes. John Labatt believes its participation in the new biotechnology venture could provide long-term opportunities in areas closely related to the Company's current business and in non-related areas as well.

During the year, John Labatt made an exploratory investment in Maynard Energy Inc., an oil and gas exploration company. This investment will provide an opportunity to determine the appropriateness of further investment in this area over the long term.

Business development activities carried out in fiscal 1981 have significantly strengthened your Company's overall position in each of its three main operating groups. During fiscal 1982, John Labatt will continue to aggressively pursue growth opportunities. The Company's main focus will be on food processing both in Canada and the United States in those segments of the industry where we can become a market leader. It is anticipated that this will likely be in either industrial food processing or in situations where processors who sell branded items enjoy a strong regional market presence.

### Dividends

At the September 1980 annual meeting, the quarterly dividend rate paid on common shares was increased to 33¢. In fiscal 1981, total dividends paid to common shareholders were \$16,641,000 or \$1.30 per share, up from \$15,283,000 or \$1.23 per share paid in fiscal 1980.

### Financial Position

John Labatt's financial position strengthened in fiscal 1981 in line with improved earnings. Shareholders' equity increased to \$282,600,000 from \$253,700,000 last year, and return on shareholders' equity improved in fiscal 1981 to 15.8% compared to 14.9% in fiscal 1980. Return on assets employed, excluding partly-owned businesses, similarly improved from a level of 9.2% last year to 9.9% for fiscal 1981.

The ratio of current assets to current liabilities remained unchanged in fiscal 1981 at 1.75. Current assets increased by \$39,700,000, while current liabilities, including short-term debt, increased by \$23,100,000.

Short-term indebtedness in fiscal 1981 at \$80,600,000 was \$7,000,000 over the fiscal 1980 level. Internally generated funds, together with proceeds from divestments, were sufficient to finance nearly all of the Company's capital

needs in fiscal 1981. Long-term debt as a percentage of total capital employed decreased during fiscal 1981 to 34.0% from a level of 37.9% in fiscal 1980.

On June 4, 1981, John Labatt placed an \$80,000,000 11% convertible subordinated debenture priced at 100. Of this issue, \$47,000,000 was sold to the public and \$33,000,000 was sold to Brascan Limited, the Company's principal shareholder. The net proceeds from this issue were used to reduce short term indebtedness previously incurred to finance working capital requirements, expansion and improvement of facilities and acquisitions, and to provide funds for the Zymaize joint venture. The debentures, which mature on June 1, 2001, are convertible on or before June 1, 1991, into Class A convertible common shares of the Company at a conversion price of \$31.625 per share.

### Management

In fiscal 1981, J.W. Tait, Executive Vice-President and member of the Board of Directors of John Labatt, retired. Mr. Tait joined Ogilvie Mills in 1940. He played an important role in the development of John Labatt since the acquisition in 1968 of Ogilvie Mills. In his current capacity as a member of the Board of Directors of Ogilvie Mills, McGavin Foods and Zymaize Company, Mr. Tait will continue to provide your Company with valued counsel.

### Shareholders

John Labatt has been a Canadian corporate citizen since before Confederation. As of April 30, 1981, 11,029 Canadian residents located across Canada held 96.7% of the Company's shares.

Regional holdings of the Company's shares are shown in the following table:

	Number of Shareholders	%
Atlantic	435	3.8%
Quebec	1,796	15.7
Ontario	6,226	54.6
Western	2,572	22.6
Total Canada	11,029	96.7
Non-residents	381	3.3
Total shareholders	11,410	100.0%

John Labatt is proud to be a Canadian Company and values its Canadian heritage and traditions.



## Board of Directors

Mr. J.H. Moore retired as Chairman of the Board and as a Director of John Labatt effective January 1, 1981. Mr. Moore joined John Labatt in 1953, was elected President in 1958 and became Chairman of the Board in 1967. During his 27 years of service, Mr. Moore's contribution towards the growth and prosperity of your Company was outstanding. In recognition of his dedicated contribution, the Company established the J. H. Moore Award for Excellence Program. Through this award program, the Company will honour those employees, or members of their families, and pensioners who have excelled in their chosen field or who have made an outstanding contribution toward improving the quality of life for others.

Mr. N.E. Hardy, formerly Vice-Chairman of the Board, was elected Chairman succeeding Mr. Moore.

During the year, John Labatt was saddened at the death of Mr. R. Lavoie. Mr. Lavoie had been a valued member of the Company's Board of Directors since 1972 and of the Ogilvie Mills Board since 1973.

Mr. J.D. Harrison, a highly respected member of the Board of Directors, retired after 14 years of dedicated service. Mr. Harrison was elected as an Honorary Director of John Labatt on his retirement.

In fiscal 1981, Mr. J. Ortiz-Patino of Geneva, Switzerland, Director and Chairman of the Board of Patino, N.V. and a Director and Vice-Chairman of the Board of Brascan Limited, and Mr. Charles Diamond of Vancouver, British Columbia, President of B.C. Turf Ltd., joined the Board of Directors of the Company.

## Corporate Responsibility

John Labatt believes that one of the measures of its contribution to the well-being of the communities in which its business is conducted is its program of donations to non-profit organizations. During fiscal 1981, the Company contributed \$1,220,000 to numerous non-profit organizations, continuing a long established tradition. Health and welfare related programs received 39%, education projects 19%, civic and sports projects 18%, cultural groups 11%, and 13% was used to provide youth employment in community service programs. John Labatt is pleased to be associated with the many thousands of citizens who freely contribute their time and talent to improve the quality of life in their communities.

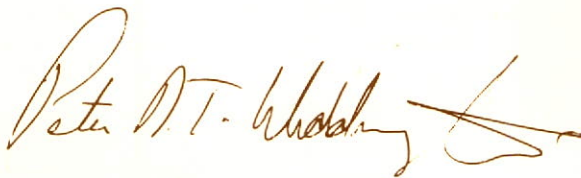
A further obligation of good corporate citizenship is to ensure that corporate thinking reflects the ever changing needs of an organization's various publics. To meet this objective, the Company was one of the first in Canada to establish in 1975 a Public Responsibility Committee of the Board. The Public Responsibility Committee's mandate is to review policies and practices in areas relating to a wide number of external social and political issues.

## Outlook

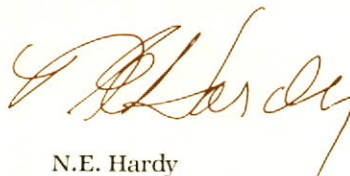
John Labatt looks forward to fiscal 1982 with confidence. It will be a year in which sales will approach \$2 billion, and further significant progress in all three operating groups is anticipated. The Brewing Group is well positioned to secure gains in key markets and this momentum is expected to contribute towards an improved performance in fiscal 1982. The Packaged Food Group is expected to increase its contribution by continuing to implement operational improvements and by expanding its customer base. The Agri Products Group will also record significant growth with the acquisition of Dominion Dairies which greatly enhances John Labatt's position in the Canadian milk processing business. The Zymaize joint venture currently in its startup phase is not expected to contribute to earnings in fiscal 1982; however, Zymaize will be producing and marketing high fructose syrup shortly and significant earnings are anticipated in subsequent years when the operation reaches higher production levels.

## Tribute

John Labatt would like to express its appreciation to the 10,400 employees who have been instrumental in the progress the Company has made during fiscal 1981. John Labatt's confidence in the future is in large part a reflection of confidence in its people.



P.N.T. Widdrington  
President and Chief Executive Officer



N.E. Hardy  
Chairman of the Board  
July 9, 1981





## The Brewing Group

	1981	1980	1979	1978	1977
Industry volume (000 hl.)	19,534	20,682	19,257	19,506	19,394
Labatt domestic volume (000 hl.)	7,073	7,617	7,091	7,608	7,509
Market share	36.2%	36.8%	36.8%	39.0%	38.7%
(thousands)					
Gross sales	\$650,519	\$603,138	\$514,227	\$512,351	\$479,367
Assets employed	228,592	207,540	192,971	189,092	170,394
Capital expenditures	15,359	24,094	13,726	22,866	14,063
Depreciation and amortization	15,425	11,672	11,352	9,881	8,831
Earnings before interest and income taxes	\$ 46,089	\$ 42,228	\$ 26,915	\$ 46,946	\$ 44,028

The Brewing Group operates 14 plants across Canada with a total annual capacity of 9,200,000 hectolitres. Labatt's "50" and Labatt's "Blue" are distributed nationally and are two of Canada's leading brands, accounting for approximately 80% of Labatt's sales. A variety of quality ales, lagers and specialty beers are produced to serve all market segments. Labatt Brewing also exports to 18 states of the United States through Labatt Importers, located in Buffalo, New York.

### LABATT BREWING

Labatt Brewing Company's earnings for fiscal 1981 were \$46,089,000, representing a 9.1% increase over fiscal 1980. Sales for the year were \$650,519,000 or 7.9% above sales for fiscal 1980. This moderate increase reflects work stoppages in British Columbia and Alberta, which began in late July, 1980, and which were settled on September 22, 1980, in British Columbia, and on February 18, 1981, in Alberta. The total cost has been estimated at \$9,500,000 before income taxes.

Canadian brewing industry volume declined by 5.5% in fiscal 1981. This decline is primarily attributed to the work stoppages in British Columbia and Alberta, and to a lesser extent to generally unfavourable weather conditions in eastern Canadian markets.

Labatt's share of the Canadian market for the twelve months ending April 30, 1981, averaged 36.2%. In the important Ontario market, Labatt increased its market share, and gains were also achieved in Saskatchewan and in the Atlantic provinces. Labatt's Quebec market share, although below the level it was a year ago for the full twelve months, has shown positive signs of improvement in the fourth quarter. In British Columbia, lower market shares have been a serious difficulty in recent years. The Company has recently seen some stabilization of the decline and anticipates that gains can be realized in fiscal 1982.

During fiscal 1981, Labatt continued to respond to consumer taste for a greater variety of products. "Budweiser" is the world's largest selling brand and is produced under licence from Anheuser-Busch. During fiscal 1981, "Budweiser" was expanded into additional provincial markets. Initial market share achieved in all markets during launch was unprecedented for a new brand in the Canadian brewing industry. The Company has been exceptionally pleased with the success of "Budweiser" as it has performed well above expectations to the point that full supplies could not be maintained in some markets. "Budweiser" is now available in British Columbia, Alberta, Saskatchewan, Ontario and Quebec. "Michelob", which is imported by Labatt, is the first United States super premium beer sold in Canada and is available in Ontario, Alberta and British Columbia.





The two national brands, Labatt's "50" and Labatt's "Blue", remain the cornerstone brands of the Company and will continue to receive the commitment necessary to maintain their position as two of Canada's largest selling brands. In the Maritimes, Oland and Keith products continue to enjoy wide consumer acceptance; and in British Columbia, "Columbia Extra Stock", a malt liquor, was introduced to satisfy that segment of the market. In the light beer category, Labatt strengthened its position with the introduction of "Oland Light" in the Atlantic provinces. Labatt's light beer products are now available in all markets and are performing well in this growing segment.

Throughout the year, efforts were intensified in the area of improving operating efficiencies and production techniques. Positive results from these programs were able to partially offset significant increases in the cost of raw materials and energy. As a result of Labatt's continued commitment to reducing fuel consumption, efficiency programs during fiscal 1981 kept the increase in distribution costs significantly below the increase in the cost of energy, improving the Company's overall cost efficiency and positively impacting on earnings. As well, major distribution studies are underway in Ontario, Quebec and British Columbia to identify additional ways of controlling distribution costs, and production facilities are being examined in Newfoundland and British Columbia, taking into consideration capacity requirements and cost competitiveness. In spite of significant progress in reducing operating costs, price increases were required to offset additional higher costs. During fiscal 1981, price increases were obtained in most provinces; however, the time lag in receiving approval for price increases had a negative impact on earnings during the first nine months of the year.

Labour agreements now exist in all provinces, and the Company looks forward to a period of labour stability during which emphasis will be placed on strengthening union-management relations.

During fiscal 1982, industry volume which was adversely affected by work stoppages in fiscal 1981 is anticipated to recover. The Canadian brewing industry will remain intensely competitive, and Labatt will continue to act aggressively but prudently in this highly competitive industry. Initiatives have been taken and others are planned to increase the Company's sales volumes and this, coupled with a strong and continued emphasis on efficiency and productivity improvements, will ensure continued growth in earnings.

#### **LABATT IMPORTERS**

Labatt's products are currently distributed in 18 states of the United States as "Labatt's Canadian Ale" and "Labatt's Beer".

John Labatt's beer exports achieved good progress during fiscal 1981 despite a difficult beer industry market environment. The market growth rate for imported beer showed a substantial slowdown during fiscal 1981 for a net growth of only 0.4%, reflecting intense competitive pressures in all segments of the United States beer market. However, growth for Canadian imported beer remained more buoyant and Labatt's volume grew by 9.7% to a level of 263,000 U.S. barrels. A new advertising program launched in fiscal 1980 was refined and improved during fiscal 1981. The volume growth, combined with a more cost efficient operation, resulted in a much improved financial performance in fiscal 1981.

Labatt Importers will continue to emphasize its distribution coverage in established markets and, as a result, increased sales and continued earnings improvement are anticipated for fiscal 1982.



## The Packaged Food Group

(thousands)	1981	1980	1979	1978	1977
Gross sales	\$440,663	\$409,329	\$322,468	\$256,739	\$213,077
Assets employed	217,201	235,038	198,486	136,423	112,425
Capital expenditures and acquisitions	11,548	22,933	43,219	12,542	5,484
Depreciation and amortization	8,475	7,583	5,425	4,471	4,427
Earnings before interest and income taxes	\$ 20,885	\$ 16,899	\$ 15,966	\$ 7,749	\$ 5,146

During fiscal 1981, the Packaged Food Group continued the improved performance trend established in fiscal 1979. This year, the Group's sales increased by 7.7% to \$440,663,000 over fiscal 1980, and earnings before interest and income taxes rose by 23.6% to \$20,885,000.

Catelli, the Group's single largest contributor, recorded higher earnings as did Laura Secord and Chef Francisco, all due to aggressive marketing programs and increased operating efficiencies. The wine operations experienced a difficult year both in Canada at Chateau-Gai and at Lamont in the United States, due mainly to unfavourable industry conditions in both markets.

During fiscal 1981, Mannings in California and Parnell Foods in Ontario, food service investments, were sold as a result of a redefined corporate strategy. The Consumer Products name was changed to "Packaged Food" in fiscal 1981, to more closely describe the Group's business activities following the sale of Mannings and Parnell.

During fiscal 1982, despite anticipated high interest rates and a generally weak economy, John Labatt looks for continued growth at Catelli, Laura Secord and Chef Francisco, and for an improved performance by both the Canadian and United States wine operations.

### CATELLI

Catelli produces and markets a wide range of grocery products in Canada and in the New England region of the United States.

In Canada, Catelli is the leading producer of pasta and has a significant market share in several of its other product lines, particularly on a regional basis. Catelli's other product lines include soups, pickles, jams, marmalades, table and maple syrups, spaghetti sauces, puddings, packaged flour and other milled products. Private label and generic products are produced by Catelli for retail food chains.

In New England, soups, high quality processed meat products, specialty condiments, and table and maple syrup products are sold.

Catelli operates six plants in Canada, two in Toronto, one each in Lethbridge, Montreal, St. Hyacinthe, and Delta (Ontario). In New England, several small plants are operated.

In fiscal 1981, the Division's performance improved despite the slow growth in the Canadian retail food industry. Higher sales volumes and improved operating efficiencies contributed to this strong performance. Despite high interest rates which have caused major retail customers to reduce their inventories, Catelli's volume increased by 8.1% during fiscal 1981, mainly as a result of strong volume in custom packed products, flour, jarred and canned goods.

Catelli has continued to expand its base in New England. The acquisition of M.M. Mades and the recent purchase of the Portland, Maine, plant of Cudahy Foods, added to the Division's presence in the processed meat products business, and the acquisition of Vermont Maple Orchards provided new capacity and markets for maple syrup products in the United States.

In fiscal 1982, it is anticipated that the retail food industry will experience slow growth; however, Catelli is positioned in the market to continue the trend in earnings growth it has achieved in recent years. Emphasis will be placed on strengthening market share position in Canada, particularly in the important Ontario market and on further developing its operational base in New England.

### LAURA SECORD

Laura Secord manufactures a wide range of confectionery, ice cream and specialty products in two plants located in Toronto and Montreal. The Division markets its full range of quality products through its retail operations, which consist of 197 leased Laura Secord shops, 14 leased areas in department stores, and approximately 1,300 agency outlets





mainly located in drug and department stores. In addition, the Laura Secord division operates a wholesale business, marketing "Turtles", "Nutchos" and other Smiles 'n Chuckles products as well as the Laura Secord family of candy bars. The Division also manufactures confectionery goods for export to the United States and the United Kingdom.

In fiscal 1981, Laura Secord had significantly improved results, due mainly to increased sales in both the retail and wholesale business, and to a lesser extent, to improved exports to the United States. "Turtles" continued to enjoy a leading share in the boxed chocolate market in Canada.

During fiscal 1981, improved shop operations contributed to positive results. The United Kingdom branch was phased out and a sales agent was appointed for this market. In early fiscal 1982, fresh baked products were discontinued as part of the Division's overall effort to improve profitability of operations.

Emphasis at Laura Secord during fiscal 1982 will continue to be directed toward improvement of operations and to strengthening market share for its major product lines. It is anticipated that this will contribute to further improved performance for fiscal 1982.

#### **CHEF FRANCISCO**

Chef Francisco produces prepared frozen soups, cakes and other baked goods for sale to airlines, restaurants and other food service operations in the United States. The Division also sells directly to the retail grocery trade under the "Oregon Farms" brand name. Chef Francisco operates two plants located in Eugene, Oregon, and King of Prussia, Pennsylvania.

Chef Francisco's sales were significantly above those of last year, with sales of frozen soups to chain restaurants being very strong. During fiscal 1981, the national roll-out program in the United States for "Oregon Farms" carrot cake was completed and two additional flavours were added to the product line. "Oregon Farms" carrot cake became the number one product in the sweet goods category of the frozen baked goods segment of the United States market during fiscal 1981.

In fiscal 1982, Chef Francisco looks forward to higher earnings based on a growing acceptance of "Chef Francisco" frozen soups in the food service market and on a continued strong performance for the "Oregon Farms" products.

#### **WINES**

John Labatt has significant investments in both the Canadian and United States wine industry. The Canadian wine operations include Chateau-Gai, with wineries in New Brunswick, Ontario and Alberta, and Casabello with facilities located in British Columbia. The United States operation, Lamont Winery, is located in California and is primarily a processor of grapes into wine for sale in bulk to other wineries and for private label distribution.

Earnings from the Canadian operation in fiscal 1981 were below earnings achieved during the previous year. Canadian wines are under heavy pressure from lower priced imported wines. As a result, Chateau-Gai's performance was depressed due to soft margins and a higher federal excise tax burden. The increased taxation burden limited Chateau-Gai's ability to effect price increases to cover the normal escalation of operating costs. Although the consumer has been faced with higher retail prices during fiscal 1981, these revenues substantially accrue to the federal and provincial governments, thus reducing the Division's profitability.

During fiscal 1981, the "Alpenweiss" brand became the largest selling Canadian produced white table wine. Chateau-Gai continued to increase its presence in this growing segment of the market with the introduction of "Edelwein" during the year.

During fiscal 1982, Chateau-Gai will concentrate its efforts on improving its market position; however, the basic fundamentals of the business exacerbated by a heavy burden of taxation are such that significant progress will be difficult and results in fiscal 1982 are expected to be only moderately improved.

Lamont Winery, located in Bakersfield, California, with an annual capacity of 1,200,000 hectolitres, is strategically located in the southern California grape producing region. Lamont Winery was acquired in July, 1978, as a long-term developmental investment, and major earnings were not anticipated for several years.

Since acquisition, management at Lamont has been strengthened and product quality has been improved. During fiscal 1981, an industry-wide surplus of bulk wines, which resulted from the second consecutive year of abnormally high grape crops, contributed to unsatisfactory margins.

During fiscal 1982, Lamont's earnings will remain sensitive to marketing conditions for bulk wines.



## The Agri Products Group

(thousands)	1981	1980	1979	1978	1977
Gross sales	<b>\$404,535</b>	\$329,314	\$272,991	\$228,173	\$229,750
Assets employed	<b>135,605</b>	109,022	93,811	78,266	78,943
Capital expenditures and acquisitions	<b>19,883</b>	12,959	10,762	4,507	3,840
Depreciation and amortization	<b>5,209</b>	4,673	4,080	3,539	3,378
Earnings before interest and income taxes	<b>\$ 30,841</b>	\$ 27,636	\$ 19,324	\$ 11,984	\$ 11,019

Agri Products Group operations improved again in fiscal 1981 following the record high earnings achieved in fiscal 1980. Sales increased by 22.8% and earnings before interest and income taxes increased by 11.6%. Improved earnings over fiscal 1980 occurred in all divisions.

Ault, the largest contributor to the Group, improved its performance due to an expanded business base and to strong domestic and export sales. Ogilvie Flour, also a major contributor to the Group, showed improved performance during fiscal 1981, and IGP and Feeds made higher contributions.

During fiscal 1982, the Agri Products Group is expected to continue to grow and good performance from each division is anticipated.

### **MILK**

Ault Foods, a diversified milk products manufacturer, and Dominion Dairies, a fluid milk processor and distributor, which was acquired in early fiscal 1982, represent the Company's interest in the milk products business.

Ault's major product lines include cheddar and specialty cheeses, whey powder and derivative products, skim milk powder, butter, condensed and evaporated milk products, fluid milk, ice cream and frozen novelties. The majority of these products are sold to large food processors and retailers for private label distribution. A significant export market has been developed over the last several years for cheese and other dairy products. Ault operates plants in Winchester, Napanee and Mitchell, Ontario, and in Quebec at Rouyn and Laverlochère.

Dominion Dairies processes and distributes fluid milk and cream, ice cream, frozen desserts, yogurt, cottage cheese and sour cream under the "Sealtest" and "Light n' Lively" labels, principally throughout Ontario and Quebec. In addition to its brand name products, Dominion Dairies operates a private label business, the major product being ice cream, and also sells directly to institutions and other food service outlets. Dominion Dairies has plants located in Windsor, Ottawa, Montreal, and two in Toronto.

In fiscal 1981, Ault had another year of continued growth in sales and earnings. Canadian consumption of dairy products increased during fiscal 1981, and Ault registered sales gains in all product lines, including significant cheese volume gains. Improved results were recorded from the Rouyn and Laverlochère plants as sales and product lines were expanded and increased capacity and operational efficiency programs were completed. Export activity was strengthened through additional markets and products and by greater penetration into existing markets, principally the United Kingdom.

During the year, Ault acquired Stacey Brothers, an industrial milk processor in Mitchell, Ontario. The acquisition strengthens Ault's operations in southwestern Ontario and significant expansion is planned for the Mitchell facility during the coming years.

The acquisition of Dominion Dairies early in fiscal 1982 significantly expands the Milk Products Division's operations and will contribute to continued strong growth in sales and earnings during the coming year.





### **OGILVIE FLOUR**

The Ogilvie Flour Division is the largest flour miller in Canada, grinding approximately 25 million bushels of wheat annually through its five mills located in Montreal, Midland, Strathroy, Winnipeg and Medicine Hat. Ogilvie Flour sells to the Canadian baking industry and other food processors and retains an important and strong export business.

In fiscal 1981, Ogilvie Flour continued to be a major contributor to John Labatt's overall results. Sales volumes in fiscal 1981 were approximately equal to those in the previous year; however, improved earnings were achieved due to satisfactory margins, a result of continued emphasis on operating efficiencies. Canadian government foreign aid volumes declined during fiscal 1981 from the fiscal 1980 levels, while domestic sales volumes increased.

In fiscal 1981, Ogilvie Flour participated in the annual industry contract to mill substantial volumes of export flour. In addition to this yearly contract, the industry also acquired a separate significant new export contract which was milled and shipped during the latter part of fiscal 1981 and early fiscal 1982.

In outlook, operating profits next year are expected to show moderate growth.

### **INDUSTRIAL GRAIN PRODUCTS**

IGP is one of the world's largest producers of wheat starch and gluten. Gluten is a vegetable protein used as an additive to baking flour and in pet foods, cereals and other food processing applications. IGP exports 80% of its gluten, with the major market being the United States. Starch products are sold primarily in Canada in the food processing, paper, mining, building products and adhesive industries. IGP has two plants, located at Candiac, Quebec, and Thunder Bay, Ontario.

In fiscal 1981, IGP contributed positively to the Agri Products Group's profit growth. The profit contribution was due to increased starch and gluten sales, the result of improved market conditions despite significantly higher wheat costs.

IGP is now emphasizing the development and marketing of specialized value-added starch products, and during fiscal 1981, notable success in this area was achieved with the adhesives industry in the United States.

IGP will market and distribute the corn starch products from the new Zymaize plant located in London, Ontario.

In fiscal 1982, IGP's performance is expected to again show improvement.

### **MIRACLE FEEDS**

The Feeds Division distributes food and beverage industry by-products from breweries, distilleries, wet corn millers and the canning industry. These products are purchased from a number of plants in Canada and the United States, and are sold as animal feeds primarily to the dairy and cattle industry.

In fiscal 1981, the Division made a modest contribution to Group earnings and its performance was greatly improved over fiscal 1980. During fiscal 1982, improvements are again expected from both the Canadian and United States operations.

### **TERRA FOODS**

Terra Foods is the Agri Products Group's newest division, producing and marketing high quality fresh mushrooms for the Quebec market through grocery chains under the "Terra" brand name. The Division operates a plant located in Carignan, Quebec, which was completed in early 1981 and is now in full production. The operation incorporates new technology designed to efficiently produce superior yields of high quality mushrooms.

During fiscal 1982, it is anticipated that the Division will be a positive contributor to earnings.

## Partly Owned Businesses

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### ZYMAIZE

In December 1977, John Labatt entered into a joint venture agreement with Redpath Industries to construct and operate a corn wet milling plant located in London, Ontario. The plant will produce high fructose syrup, corn syrup, corn starch and, as by-products, gluten feed, gluten meal and corn germ.

High fructose syrup is a sweetener derived from corn which can be used as a substitute for liquid cane and beet sugar. It has had rapid acceptance in a variety of applications in the food processing industry in the United States and its use in Canada is increasing.

At Zymaize, the plant construction is now complete and the operation is in its startup phase. The plant will be producing and marketing products during fiscal 1982. Capacity production levels are not scheduled to be achieved until fiscal 1983 when it is expected that the plant will process up to 30,000 bushels of corn per day.

Zymaize profitability will be influenced significantly by the price of refined sugar and to a lesser extent by the cost of corn and the sales price of corn by-products. While sugar prices will continue to be volatile, it is felt that future sugar prices will be such that Zymaize profitability will be significant.

While Zymaize is not expected to contribute to John Labatt's earnings in fiscal 1982, results will improve in subsequent years when the plant is operating at higher production levels.

Evaluations will be completed shortly for a major expansion of the Zymaize plant which will enable the production of high fructose syrup 55, a higher concentrate sweetener used extensively in the soft drink industry.

### McGAVIN FOODS

McGavin Foods, the largest bakery in western Canada, operates 10 plants throughout British Columbia, Alberta, Saskatchewan and Manitoba. McGavin Foods produces bread and rolls for grocery stores and restaurants as well as a wide variety of specialty bread products.

In fiscal 1981, McGavin Foods' contribution to John Labatt's earnings increased from \$1,087,000 to \$1,348,000. The "Homestead" line of bread products was launched in Saskatchewan and a \$2,000,000 capital improvement of the Calgary plant improved operating results. A significant portion of McGavin's volume is derived from their private label business in western Canada.

In fiscal 1982, continued improvement is anticipated.

## Inflation Accounting

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In December 1979, the Canadian Institute of Chartered Accountants issued an Exposure Draft on Current Cost Accounting which the Institute intended to lead to a generally accepted method of preparing current cost statements supplementary to traditional historical cost based financial statements. These proposals remain in the discussion stage and a final recommendation has not yet been proposed. Therefore, in preparing the following current cost information, John Labatt has continued to be guided by the Discussion Paper on Current Value Accounting issued by the Canadian Institute of Chartered Accountants in August 1976.

Current cost financial data must be used with caution, as several subjective assumptions are required in its preparation and there is, as noted, no generally accepted or established method for preparing current cost financial statements. Nevertheless, the current cost financial data illustrates the effects of inflation on reported earnings, on replacement values of capital assets employed, and on investment returns.





## Summary of Inflation-adjusted Group Operating Results

### For Years Ending April 30

(thousands of dollars)

	Consolidated		Brewing		Packaged Food		Agri Products	
	1981	1980	1981	1980	1981	1980	1981	1980
Income before taxes and interest expense – historic cost basis (Notes A and B)	\$ 97,815	\$ 86,763	\$ 46,089	\$ 42,228	\$ 20,885	\$ 16,899	\$ 30,841	\$ 27,636
Less: Current Value adjustments – Depreciation (Note C)	(21,250)	(13,032)	(10,686)	(6,361)	(6,334)	(3,193)	(4,230)	(3,478)
Cost of products sold (Note D)	(15,178)	(8,640)	(2,948)	(3,435)	(10,967)	(4,047)	(1,263)	(1,158)
Income before taxes and interest expense – current value basis	\$ 61,387	\$ 65,091	\$ 32,455	\$ 32,432	\$ 3,584	\$ 9,659	\$ 25,348	\$ 23,000
Assets employed – historic cost basis (Note B)	\$581,398	\$551,600	\$228,591	\$207,540	\$217,201	\$235,038	\$135,606	\$109,022
Add: Current value adjustments – Fixed assets – net (Note C)	252,502	238,875	128,859	119,264	86,687	77,395	36,956	42,216
Inventories (Note D)	17,383	7,386	12,356	2,948	4,314	3,706	713	732
Assets employed – current value basis	\$851,283	\$797,861	\$369,806	\$329,752	\$308,202	\$316,139	\$173,275	\$151,970
After tax return (Note E)								
Historic cost basis	9.9%	9.2%	11.9%	11.9%	5.7%	4.2%	13.4%	14.8%
Current value basis	4.3%	4.8%	5.2%	5.7%	.7%	1.8%	8.6%	8.8%

#### Notes:

- A. Corporate expenses other than interest have been allocated to operating groups according to their respective proportion of assets employed.
- B. Reference is made to note 11 to the consolidated financial statements — Information by Class of Business.
- C. Current values for fixed assets are based on recent professional appraisals updated by regional indices. Estimated useful lives and depreciation rates used to calculate depreciation expense and accumulated depreciation on a current value basis are the same as those used for historic cost purposes.
- D. Replacement cost for current value purposes is determined by a current pricing of materials, labour and overhead components.
- E. After tax return on assets employed has been calculated by applying the overall effective income tax rate for the company in 1981 of 41.0% (1980-41.8%) to income before taxes and interest expense.

## Responsibility for Financial Statements

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### Management

The accompanying consolidated financial statements of John Labatt were prepared by management of the Company in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year.

The Company is responsible for the integrity and objectivity of the information contained in the financial statements. The preparation of financial statements necessarily involves the use of estimates requiring careful judgement in those cases where transactions affecting a current accounting period are dependent upon future events.

The Company's accounting procedures and related internal control systems are designed to provide assurance that accounting records are reliable and to safeguard the Company's assets. The accompanying consolidated financial statements have been prepared by qualified personnel in accordance with policies and procedures established by management, and in management's opinion, these statements fairly reflect the financial position of the Company, the results of its operations and the changes in its financial position, within reasonable limits of materiality and within the framework of the accounting policies outlined in note 1 to the Consolidated Financial Statements.

### External Auditors

Clarkson Gordon, chartered accountants, as the Company's external auditors appointed by the shareholders, have examined the consolidated financial statements for the year ended April 30, 1981, and their report is presented on page 21.

Their opinion is based upon an examination conducted in accordance with generally accepted auditing standards and a review of the Company's accounting systems and procedures and internal controls. Based upon the evaluation of these systems, the external auditors conduct appropriate tests of the Company's accounting records and obtain sufficient audit evidence to provide reasonable assurance that the financial statements are presented fairly in accordance with generally accepted accounting principles.

### Audit Committee

The Audit Committee, a majority of whose members are non-management Directors, meets quarterly to review the Company's financial statements before their submission to the Board of Directors for approval. The Audit Committee also reviews, on a continuing basis, reports prepared by both the internal and external auditors of the Company relating to the Company's accounting policies and procedures and internal control systems. The Audit Committee meets regularly with both the internal and external auditors, without management present, to review their activities and to consider the results of their audits. The Audit Committee makes a recommendation annually as to the appointment of the Company's external auditors, who are elected annually by the Company's shareholders.





## Consolidated Statement of Earnings

### For the Year Ended April 30, 1981

(with comparative amounts for the year ended April 30, 1980)

	1981	1980
<b>Revenue</b>		
Gross sales	\$1,495,717,000	\$1,341,781,000
Less excise and sales taxes	198,783,000	177,701,000
	<b>1,296,934,000</b>	<b>1,164,080,000</b>
<b>Operating costs</b>		
Cost of products sold	831,768,000	744,916,000
Selling and administrative expenses	341,849,000	311,910,000
Depreciation and amortization	29,109,000	23,928,000
Interest — long-term	18,004,000	16,709,000
— short-term	7,662,000	7,955,000
	<b>1,228,392,000</b>	<b>1,105,418,000</b>
<b>Operating income</b>	<b>68,542,000</b>	<b>58,662,000</b>
<b>Investment and sundry income</b>	<b>3,607,000</b>	<b>3,437,000</b>
<b>Income before taxes</b>	<b>72,149,000</b>	<b>62,099,000</b>
<b>Income taxes</b> — current	<b>19,716,000</b>	<b>19,211,000</b>
— deferred	<b>9,864,000</b>	<b>6,724,000</b>
	<b>29,580,000</b>	<b>25,935,000</b>
<b>Earnings before the following</b>	<b>42,569,000</b>	<b>36,164,000</b>
<b>Equity in net earnings of partly-owned businesses</b>	<b>2,107,000</b>	<b>1,700,000</b>
<b>Minority interest</b>	<b>(112,000)</b>	<b>(109,000)</b>
<b>Earnings before extraordinary items</b>	<b>44,564,000</b>	<b>37,755,000</b>
Extraordinary items (note 2)	<b>(3,200,000)</b>	<b>(1,508,000)</b>
<b>Net earnings</b>	<b>\$ 41,364,000</b>	<b>\$ 36,247,000</b>
<b>Earnings per common share</b> (note 1)		
Before extraordinary items	<b>\$3.47</b>	<b>\$3.01</b>
Net earnings	<b>\$3.22</b>	<b>\$2.89</b>
<b>Fully diluted earnings per common share</b> (note 1)		
Before extraordinary items	<b>\$3.21</b>	<b>\$2.76</b>
Net earnings	<b>\$2.98</b>	<b>\$2.65</b>

See accompanying notes

## Consolidated Balance Sheet

**April 30, 1981**

(with comparative amounts as at April 30, 1980)

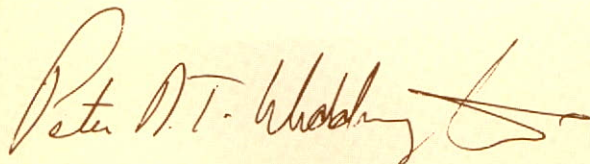
<b>Assets</b>	<b>1981</b>	<b>1980</b>
<b>Current</b>		
Cash	\$ 1,515,000	\$ 2,645,000
Accounts receivable	124,278,000	115,316,000
Inventories (note 1)	204,927,000	180,520,000
Prepaid expenses	22,371,000	14,904,000
	<b>353,091,000</b>	<b>313,385,000</b>
<b>Investments and other assets</b>		
Investment in partly-owned businesses (note 3)	20,743,000	15,801,000
Investment in other companies	4,955,000	2,739,000
Mortgages, loans and advances	8,277,000	2,300,000
Due from employees under share purchase and option plans (note 5)	688,000	617,000
	<b>34,663,000</b>	<b>21,457,000</b>
<b>Fixed at cost</b>		
Land	16,295,000	15,613,000
Buildings and equipment	466,781,000	452,618,000
	<b>483,076,000</b>	<b>468,231,000</b>
Less accumulated depreciation	<b>212,463,000</b>	<b>199,348,000</b>
	<b>270,613,000</b>	<b>268,883,000</b>
<b>Unamortized debt financing expense</b>	<b>2,816,000</b>	<b>2,703,000</b>
<b>Goodwill, licences and trademarks (note 1)</b>	<b>61,776,000</b>	<b>65,632,000</b>
	<b>\$722,959,000</b>	<b>\$672,060,000</b>

See accompanying notes

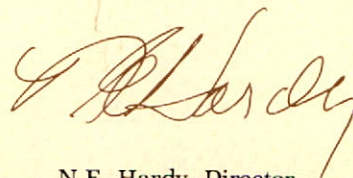


<b>Liabilities</b>	<b>1981</b>	<b>1980</b>
<b>Current</b>		
Bank advances and short-term notes	\$ 80,629,000	\$ 73,640,000
Accounts payable	105,252,000	92,455,000
Taxes payable	12,110,000	8,858,000
Dividends payable	116,000	201,000
Long-term debt due within one year	3,340,000	3,145,000
	<b>201,447,000</b>	<b>178,299,000</b>
<b>Deferred income taxes</b>	<b>60,606,000</b>	<b>51,847,000</b>
<b>Long-term debt (note 4)</b>	<b>177,075,000</b>	<b>186,966,000</b>
<b>Minority interest in subsidiary company</b>	<b>1,243,000</b>	<b>1,203,000</b>
<b>Shareholders' Equity</b>		
<b>Share capital (note 5)</b>		
Authorized		
4,000,000 preferred shares		
Class A convertible common shares of no par value in unlimited amount		
Class B convertible common shares of no par value in unlimited amount		
Issued and outstanding		
12,739,502 Class A common shares (12,454,119 - 1980)		
194,420 Class B common shares (257,750 - 1980)	88,095,000	83,975,000
<b>Retained earnings</b>	<b>194,493,000</b>	<b>169,770,000</b>
	<b>282,588,000</b>	<b>253,745,000</b>
	<b>\$722,959,000</b>	<b>\$672,060,000</b>

On behalf of the Board



P.N.T. Widdrington, Director



N.E. Hardy, Director

## Consolidated Statement of Changes in Financial Position

### For the Year Ended April 30, 1981

(with comparative amounts for the year ended April 30, 1980)

	1981	1980
<b>Sources of working capital</b>		
From operations		
Earnings before extraordinary items	\$ 44,564,000	\$ 37,755,000
Net charges to earnings which do not reduce working capital	37,561,000	29,721,000
	<b>82,125,000</b>	67,476,000
Proceeds on disposal of subsidiary companies' operations (net of working capital of \$1,091,000 and mortgages assumed on sale of \$6,627,000)	12,370,000	14,900,000
Sale of properties and other assets	1,914,000	1,706,000
Shares issued under share purchase and option plans	953,000	2,750,000
Shares issued on conversion of subordinated debentures	3,167,000	2,382,000
Reduction in mortgages, loans and advances	486,000	2,314,000
Sinking fund debentures net of financing expense		39,062,000
	<b>101,015,000</b>	130,590,000
<b>Uses of working capital</b>		
Dividends — preferred		249,000
— common	16,641,000	15,283,000
Land, buildings and equipment	39,398,000	57,453,000
Acquisition of subsidiary companies (net of working capital of \$5,886,000)	7,392,000	2,533,000
Reduction in long-term debt	9,601,000	7,173,000
Investment in partly-owned businesses	3,786,000	2,195,000
Investment in other companies	2,982,000	
Increase in mortgages, loans and advances	185,000	1,074,000
Goodwill, licences and trademarks	3,051,000	1,036,000
Redemption of preferred shares		621,000
Other	1,421,000	1,159,000
	<b>84,457,000</b>	88,776,000
<b>Increase in working capital</b>	<b>16,558,000</b>	41,814,000
<b>Working capital, beginning of year</b>	<b>135,086,000</b>	93,272,000
<b>Working capital, end of year</b>	<b>\$151,644,000</b>	\$135,086,000

See accompanying notes



## Consolidated Statement of Retained Earnings

### For the Year Ended April 30, 1981

(with comparative amounts for the year ended April 30, 1980)

	1981	1980
Balance, beginning of year	\$169,770,000	\$149,055,000
Net earnings	41,364,000	36,247,000
	211,134,000	185,302,000
Dividends		
— preferred (\$ .75 per share 1980)		249,000
— common (\$1.30 per share 1981; \$1.23 per share 1980)	16,641,000	15,283,000
	16,641,000	15,532,000
Balance, end of year	\$194,493,000	\$169,770,000

See accompanying notes

## Auditors' Report

To the Shareholders of  
John Labatt Limited.

We have examined the consolidated balance sheet of John Labatt Limited as at April 30, 1981 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of John Labatt Limited and the financial statements of those subsidiaries and partly-owned businesses of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries and partly-owned businesses.

In our opinion, these consolidated financial statements present fairly the financial position of John Labatt Limited as at April 30, 1981 and the results of its operations and the changes in its 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.

London, Canada.  
June 10, 1981.

Clarkson Gordon  
Chartered Accountants.

## Notes to the Consolidated Financial Statements

April 30, 1981

### 1. Accounting Policies

The corporation follows generally accepted accounting principles, the most significant of which are as follows:

#### Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiary corporations. The results of operations of subsidiaries acquired or sold during the year are included from or to their respective dates of acquisition or sale.

#### Foreign Currency Translation

Foreign currency assets and liabilities are translated into Canadian dollars on the following basis:

Monetary current assets and current liabilities	— at rates of exchange in effect at the balance sheet date
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Inventories, prepaid expenses, fixed and other long-term assets, long-term debt and depreciation provisions	— at historical rates of exchange
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Income and operating costs and expenses are translated into Canadian dollars at average exchange rates prevailing during the year.

Gains and losses arising on the translation of foreign currencies are included in earnings.

#### Net Earnings Per Common Share

Earnings per common share have been calculated using the weighted monthly average number of shares outstanding during the year.

Fully diluted earnings per common share have been calculated on the assumption that the 9<sup>1</sup>/<sub>2</sub>% convertible subordinated debentures outstanding at the end of the year had been converted to common shares at the beginning of the year, and that common share options outstanding at the end of the year had been exercised at the beginning of the year or on the date of issuance.

The number of shares used in calculating earnings per common share are as follows:

Basic	1981	1980
Weighted average common shares	12,846,116	12,458,475
Fully Diluted		
Common shares outstanding, end of year:		
Class A	12,739,502	12,454,119
Class B	194,420	257,750
Common shares which may be issued upon the:		
Conversion of 9 <sup>1</sup> / <sub>2</sub> % Convertible Subordinated Debentures	1,234,685	1,408,329
Exercise of share purchase and option plans	381,162	283,646
	14,549,769	14,403,844

#### Inventories

Inventories, other than containers, are valued at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis. Containers are valued at redemption price or at estimated value not exceeding replacement cost. Inventory values are as follows:

	1981	1980
Finished and in process	\$127,586,000	\$119,512,000
Materials and supplies	58,093,000	48,998,000
Containers	19,248,000	12,010,000
	\$204,927,000	\$180,520,000



### Investment in Partly-Owned Businesses

Partly-owned businesses are companies and partnerships in which the corporation has significant influence, and are accounted for using the equity method of accounting. Under this method, the corporation's share of earnings of partly-owned businesses, net of applicable income taxes, is included in consolidated earnings. The investments are carried in the consolidated balance sheet at cost plus the corporation's share of undistributed net earnings since acquisition.

### Investment in Other Companies

Investments in other companies are carried at cost and income is recognized when dividends are received.

### Fixed Assets

Buildings, machinery, equipment and vehicles are initially recorded at cost. Normal maintenance and repair expenditures are expensed as incurred. Gains or losses arising on the disposal of individual assets are included in earnings in the year of disposal.

### Depreciation

Depreciation is provided on a straight line basis over the estimated useful lives of assets, generally at annual rates of 2½% for buildings, 10% for machinery and equipment and 20% for vehicles.

### Unamortized Debt Financing Expense

Debt financing expenses are amortized over the term of the issue to which they relate.

### Goodwill, Licences and Trademarks

Goodwill and other intangible assets acquired prior to May 1, 1974, are carried in the accounts at cost without amortization. Goodwill and other intangible assets acquired after April 30, 1974, are being amortized by charges to earnings over the lesser of their estimated useful lives and forty years (1981 — \$1,332,000; 1980 — \$1,202,000).

The amounts of goodwill and other intangible assets consist of:

	1981	1980
Licences and trademarks	\$ 9,788,000	\$ 6,737,000
Purchased goodwill	8,690,000	9,212,000
Excess of purchase price of shares of certain subsidiary companies over assigned value of net assets acquired	47,388,000	52,893,000
	65,866,000	68,842,000
Less accumulated amortization	4,090,000	3,210,000
	\$61,776,000	\$65,632,000
Portion of above amount acquired after April 30, 1974, and which is subject to amortization	\$18,042,000	\$14,138,000

### Income Taxes

The corporation follows the deferral method of tax allocation accounting. Future income tax recoveries relating to losses are provided for only where it is virtually certain, in the loss year, that earnings in future years will be sufficient to make such recoveries possible.

Possible future income tax recoveries not recognized in the financial statements amounted to approximately \$5,100,000 (\$4,689,000 at April 30, 1980). If not recovered, this amount will expire in varying amounts up to 1988.

The effective tax rate in 1981 was 41.0% (41.8% in 1980). In aggregate, the 3% inventory tax credit and investment tax credits reduced the effective tax rate in 1981 by 6.0 percentage points (5.8 percentage points in 1980). The 5% income tax surcharge and items not deductible for tax purposes increased the effective tax rate in 1981 by 2.2 percentage points (2.4 percentage points in 1980).

### Research and Development Costs

Research and development costs, which amounted to \$4,314,000 in 1981 (\$3,710,000 in 1980), have been charged to earnings as incurred.



## 2. Extraordinary Items

During the year, the corporation sold the assets of Soman, Inc. (formerly Mannings, Inc.), a food service operation in the United States; Parnell Foods Limited, a food service operation in Canada; and Delmar Chemicals Limited, a manufacturer of fine pharmaceutical chemicals in Canada. An extraordinary loss of \$2,450,000, net of applicable income tax recoveries of \$155,000, was recorded on the disposition of these subsidiary companies' operations.

The corporation has recorded, as an extraordinary loss, a \$750,000 provision for the disposal of its interest in a brewing venture in Zambia.

## 3. Partly-owned Businesses

Investments in partly-owned businesses, accounted for using the equity method of accounting, include the following:

Canada	% Equity Interest
Canada Malting Co., Limited	14.2
McGavin Foods Limited (50% voting)	60.0
Toronto Blue Jays Baseball Club	45.0
Zymaize Company	50.0
<b>Trinidad</b>	
Catelli-Primo Limited	46.4

A summary of changes in these investments is as follows:

	1981	1980
Investment, beginning of year	\$15,801,000	\$29,170,000
Add		
Share of net earnings	2,107,000	1,700,000
Additional investment	3,786,000	2,195,000
	<b>21,694,000</b>	33,065,000
Less		
Dividends received	686,000	544,000
Dispositions	265,000	
Reclassification of Brazilian brewing investment		16,720,000
Investment, end of year	<b>\$20,743,000</b>	\$15,801,000

## 4. Long-Term Debt

Particulars of debentures payable and other long-term debt are as follows:

	1981	1980
Sinking fund debentures		
6 <sup>1</sup> / <sub>4</sub> % Series C to mature May 15, 1981	\$ 337,000	\$ 640,000
6 <sup>1</sup> / <sub>4</sub> % Series D to mature June 15, 1987	2,829,000	3,597,000
6 <sup>1</sup> / <sub>4</sub> % Series E to mature October 1, 1989	2,024,000	2,501,000
7 <sup>1</sup> / <sub>8</sub> % Series F to mature April 15, 1992	3,900,000	4,200,000
9 <sup>1</sup> / <sub>4</sub> % Series G to mature September 1, 1990	22,950,000	23,883,000
8 <sup>1</sup> / <sub>4</sub> % Series H to mature March 1, 1993	25,945,000	26,885,000
9% Series I to mature March 15, 1994	27,482,000	28,393,000
11 <sup>1</sup> / <sub>8</sub> % Series J to mature October 1, 1999	40,000,000	40,000,000
9 <sup>1</sup> / <sub>2</sub> % Convertible Subordinated Debentures to mature June 1, 1995	22,533,000	25,702,000
Term bank loan repayable May 1, 1981, and May 1, 1982	3,000,000	5,000,000
Term bank loan repayable July 1, 1983, to June 30, 2003, at discounted amount	24,460,000	23,800,000
	<b>175,460,000</b>	184,601,000
Advances, mortgages and other long-term liabilities	3,831,000	4,449,000
Obligations under capital leases	1,124,000	1,061,000
	<b>180,415,000</b>	190,111,000
Less portion due within one year included in current liabilities	3,340,000	3,145,000
	<b>\$177,075,000</b>	\$186,966,000



The term bank loan, repayable July 1, 1983, to June 30, 2003, had rates of interest to maturity significantly below market rates at the date of assumption. The principal balance of this loan, at April 30, 1981, and April 30, 1980, was \$36,550,000 (\$32,500,000 U.S.). However, for financial reporting purposes this principal balance has been discounted based on an interest rate of 10<sup>3</sup>/<sub>8</sub>% to an amount of \$24,460,000 (\$21,750,000 U.S.) at April 30, 1981, and \$23,800,000 (\$21,158,000 U.S.) at April 30, 1980. Earnings of the corporation reflect interest expense calculated at a rate of 10<sup>3</sup>/<sub>8</sub>% on this discounted amount. This term bank loan is secured by a charge on the assets of certain subsidiary companies in the United States.

Maturities and sinking fund requirements for the years ending April 30, 1982, through 1986 are \$3,340,000; \$5,433,000; \$6,002,000; \$5,906,000 and \$7,471,000, respectively.

The 9<sup>1</sup>/<sub>2</sub>% convertible subordinated debentures are convertible at the holder's option on or before the earlier of June 1, 1985, or the last business day prior to redemption into Class A convertible common shares of the corporation at a conversion price of \$18.25 per share.

The sinking fund debentures are secured by a floating charge on the undertaking, property and assets of John Labatt Limited. At April 30, 1981, the corporation had satisfied all of the covenants under the trust deed relating to the debentures, including the provision whereby dividends paid by the corporation subsequent to April 30, 1979, may not exceed consolidated net earnings, as defined in the trust deed, earned subsequent to that date plus \$25,000,000.

Long-term debt denominated in foreign currencies, including the corporation's share of long-term debt of partly-owned businesses translated at historical rates of exchange, amounted to \$26,934,000 at April 30, 1981, (\$26,770,000 at April 30, 1980). If translated at the rates of exchange in effect at the balance sheet dates, these obligations would have amounted to \$28,590,000 at April 30, 1981 (\$28,440,000 at April 30, 1980).

## 5. Share Capital

The corporation has been continued under the Canada Business Corporations Act. The corporation is a constrained share corporation whereby the total number of voting shares outstanding, as defined in the corporation's articles to be held by non-residents and associates, is restricted to 20% and the number to be held by any single non-resident and associate is restricted to 10%.

## Common shares

Under the provisions of the Canada Business Corporations Act and the corporation's articles, authorized common share capital is unlimited as to the number of shares which may be issued.

The two classes of common shares are interchangeable one to another and are subject to the same rights and conditions. Prior to January 1, 1979, dividends received by shareholders on the Class B shares were entitled to a different tax treatment.

## Preferred shares

There are 4,000,000 authorized preferred shares available for future issue with conditions and preferences as determined by the Board of Directors.

## Shares Available for Share Purchase and Option Plans

During 1975 the corporation enacted a by-law which made available 750,000 unissued Class A common shares for allotment to employees under share purchase or option plans. At April 30, 1981, these shares were allocated as follows:

Under option	318,600
Issued	237,673
Reserved for Employee Share Purchase Plan maturing in July 1981	61,922
Available for future issuance or option to employees	131,805
	750,000

Under the provisions of the by-law the Board of Directors is not restricted with respect to any allotment of these shares.

Details of shares under option to employees (318,600 allotted under this by-law and 640 allotted under a previous by-law), as of April 30, 1981, are as follows:

Plan	Number of shares	Price per share	Expiry date
1974 Share option	640	\$12.85	December 1984
1975 Share option	5,500	19.00	June 1981
1975 Share option	57,100	19.00	December 1983
1979 Share option	256,000	\$21.75	December 1989
	319,240		



Of the 319,240 shares under option there are 152,000 under option to officers of the corporation.

Under these plans, the individuals are entitled to purchase the shares and pay for them over periods of up to 15 years. The following schedule sets out details of amounts due from employees under these plans:

	1981	1980
Officers	\$367,000	\$252,000
Other employees	321,000	365,000
	\$688,000	\$617,000
Number of shares	51,627	47,893

#### Shares Converted, Issued and Redeemed

The changes in the corporation's issued shares were as follows:

	1981	1980	
	Common Shares	Common Shares	Preferred Shares
Issued and outstanding, beginning of year	12,711,869	12,022,690	447,646
Conversions		413,172	(413,172)
Issued under employee share purchase and option plans for a cash consideration of \$952,593 (1980 - \$2,750,000)	48,495	145,476	
Issued as a result of conversion of the 9 1/2% Convertible Subordinated Debentures at \$18.25 per share	173,558	130,531	
Redeemed			(34,474)
Issued and outstanding, end of year	12,933,922	12,711,869	NIL

## 6. Leases, Commitments and Guarantees

### Operating Leases

The corporation has entered into or guaranteed long-term operating leases substantially all of which will be discharged within 15 years. Fixed rental expense for 1981 was \$6,037,000 (\$6,628,000 in 1980). Future annual fixed rental payments for years ending April 30 are as follows:

1982	\$4,462,000
1983	3,715,000
1984	3,038,000
1985	2,281,000
1986	1,780,000

In aggregate, fixed rental payments for subsequent years and guarantees amount to \$6,205,000.

Certain long-term operating leases require payments related to sales and/or additional charges for increased costs. The amount of such additional rental expense for 1981, not included in the above amount, is approximately \$1,623,000 (\$1,576,000 in 1980).

Certain of the long-term operating leases would have been treated as capital leases if the recommendations of the Canadian Institute of Chartered Accountants on lease accounting had been applied by the corporation on a retroactive basis to leases in effect at May 1, 1979. The effect of capitalization on the corporation's balance sheet would have been to record a non-current asset of \$3,380,000 at April 30, 1981 (\$3,713,000 at April 30, 1980); a non-current lease obligation of \$2,255,000 at April 30, 1981 (\$2,661,000 at April 30, 1980); and a current lease obligation of \$354,000 at April 30, 1981 (\$398,000 at April 30, 1980). The effect of the retroactive application of these recommendations on the corporation's net earnings for both 1981 and 1980 would have been immaterial.

### Capital Leases

Assets leased by the corporation subsequent to May 1, 1979, under agreements which transfer substantially all of the benefits and risks of ownership of the asset to the corporation are accounted for as capital leases. Accordingly, at the inception of the leases the assets and related obligations are recorded at an amount equal to the present value of future lease payments discounted at the interest rates inherent in the lease contracts.



At April 30, 1981, fixed assets included buildings and equipment acquired under capital leases amounting to \$1,058,000 (\$1,108,000 in 1980).

Future lease payments required under capital leases at April 30, 1981, for years ending April 30, are as follows:

1982	\$ 273,000
1983	250,000
1984	178,000
1985	109,000
1986	82,000
1987 to 1990	1,191,000
Total future minimum lease payments	2,083,000
Less imputed interest	959,000
Present value of minimum lease payments	\$1,124,000

#### Commitments

During 1982, the corporation plans capital expenditures of approximately \$60,000,000. Of this amount, \$8,289,000 is represented by commitments at April 30, 1981.

During the year, the corporation together with the Canada Development Corporation and the Government of Ontario announced their intention to establish a joint venture to build a Canadian based, internationally competitive research effort in biotechnology and subsequently exploit the results of this research on a commercial scale. The corporation's investment for its 30% participation in the joint venture over the next ten years is expected to be approximately \$15,000,000 of which \$7,500,000 is expected to be funded in 1982 and the balance in varying amounts over the subsequent years.

#### Contingent Liability

The corporation is contingently responsible for the liabilities of Zymaize Company, a partnership with Redpath Sugars Limited, which has constructed a plant to produce high fructose syrup. The Zymaize plant construction is now complete and operations are in the startup phase. The cost of the plant is expected to be \$101,000,000, including \$17,000,000 capitalized as development costs, startup costs, interest and leased equipment expenses. The project is financed substantially by a 12-year term loan arranged through two Canadian chartered banks by Zymaize Inc., a company wholly-owned by Zymaize Company. Zymaize Company will lease the plant facilities from Zymaize Inc. over the 12-year term.

#### 7. Pension Plans

The corporation contributes to its pension plans the amounts necessary to provide defined retirement incomes for the participants. Past service costs relating to improved benefits are funded and charged to earnings over periods not exceeding 15 years. Current service costs are funded and charged to earnings as they accrue.

Based on the most recent actuarial valuations, the corporation's unfunded obligations under pension plans were \$6,159,400 at December 31, 1980 (\$11,771,000 at December 31, 1979).

The decreased unfunded obligations under the corporation's pension plans at December 31, 1980, compared to the amount at December 31, 1979, resulted from earnings of the corporation's pension funds being in excess of levels anticipated in prior valuations, updated actuarial assumptions and the transfer to the purchasers of Mannings, Inc. of the unfunded obligations relating to the pension plan covering employees of that company.



### 8. Acquisitions

During the year, the corporation acquired for cash all the shares of Stacey Brothers Ltd., a milk processor and butter manufacturer located in southwestern Ontario, and M.M. Mades Co. Inc., a New England manufacturer of processed meat products. Details of the combined net assets acquired, accounted for under the purchase method, are as follows:

	Current	Non-Current	Total
Identifiable assets acquired at assigned values	\$11,310,000	\$7,431,000	\$18,741,000
Less liabilities assumed	5,424,000	39,000	5,463,000
Purchase price	\$ 5,886,000	\$7,392,000	\$13,278,000

### 9. Remuneration of Directors and Officers

During 1981 the total remuneration paid to fifteen of the corporation's twenty directors, as directors, was \$218,200 and to four of these directors, as directors of subsidiary companies, was \$11,700.

The corporation's sixteen officers received remuneration totalling \$2,241,800. The five officers who served as directors received no additional remuneration as directors.

### 10. The Company Act (British Columbia)

The Company Act (British Columbia) requires consolidated financial statements to include the names of every subsidiary corporation but permits the circulation within the province of statements which do not so comply.

These consolidated financial statements include the accounts of all subsidiary corporations. However, they do not include the names of such subsidiary corporations and, to that extent, they do not comply. A list of all of the subsidiaries of the corporation is available for inspection at the corporation's registered office in British Columbia.



### 11. Information by Class of Business

The classes of business of the corporation are as follows:

Brewing comprises the corporation's brewing activities in Canada and the sale of Canadian made beer and ale in the United States.

Packaged Food includes operations that manufacture and distribute grocery food products, confectionery products and wines, in Canada and the United States.

Agri Products includes operations that process agricultural products into basic foods.

The following is a summary of key financial information by business segment for the years ended April 30, 1981, and 1980, expressed in thousands of dollars:

	1981		1980	
	Gross sales	Inter-segment sales	Gross sales	Inter-segment sales
Brewing	\$ 650,519	\$ 1,031	\$ 603,138	\$ 1,032
Packaged Food	440,663	6	409,329	
Agri Products	404,535	43,487	329,314	37,391
	<b>\$1,495,717</b>	<b>\$44,524</b>	<b>\$1,341,781</b>	<b>\$ 38,423</b>
	Capital expenditures	Depreciation & amortization	Capital expenditures	Depreciation & amortization
Brewing	\$15,359	\$15,425	\$24,094	\$11,672
Packaged Food	10,365	8,475	20,400	7,583
Agri Products	13,674	5,209	12,959	4,673
	<b>\$39,398</b>	<b>\$29,109</b>	<b>\$57,453</b>	<b>\$23,928</b>
	Contribution	Assets employed	Contribution	Assets employed
Brewing	\$46,089	\$228,592	\$42,228	\$207,540
Packaged Food	20,885	217,201	16,899	235,038
Agri Products	30,841	135,605	27,636	109,022
	<b>97,815</b>	<b>581,398</b>	<b>86,763</b>	<b>551,600</b>
Interest	<b>25,666</b>		<b>24,664</b>	
Income before taxes	<b>\$72,149</b>		<b>\$ 62,099</b>	
Investment in partly-owned businesses		<b>20,743</b>		<b>15,801</b>
Current liabilities, other than bank advances and short-term notes		<b>120,818</b>		<b>104,659</b>
Total assets per consolidated balance sheet		<b>\$722,959</b>		<b>\$672,060</b>



## 12. Related Party Transactions

Through subsidiaries, the corporation enters into transactions with certain of its partly-owned businesses for the purchase and sale of products in the normal course of business. These transactions include sales of flour, pasta and packaged food products to both McGavin Foods Limited and Catelli-Primo Limited and the purchase of malt from Canada Malting Co., Limited. Set out below are the amounts of these transactions for 1981 and 1980:

	1981	1980
Sales to McGavin Foods Limited and Catelli-Primo Limited	\$11,919,000	\$ 9,331,000
Purchases from Canada Malting Co., Limited	29,259,000	24,596,000

Amounts owing to the corporation at April 30, in respect of the sales referred to above, were included in accounts receivable in the accompanying consolidated balance sheet, as set out below:

	1981	1980
Amounts receivable from McGavin Foods Limited	\$1,047,000	\$983,000
Catelli-Primo Limited	128,000	168,000

Amounts owing by the corporation, in respect of malt purchases from Canada Malting Co., Limited, included in accounts payable in the accompanying consolidated balance sheet, amounted to \$1,511,000 at April 30, 1981 (\$1,182,000 at April 30, 1980).

In the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, the corporation distributes beer through entities which are jointly owned by the corporation and other Canadian brewers. Each brewer's interest in these distribution companies is based upon its market share in the respective provinces, and all costs of such distribution companies are reimbursed by the brewers based upon their relative market shares.

In January 1977, the corporation acquired from the Toronto Blue Jays Baseball Club, a limited partnership in which the corporation holds a 45% interest, the exclusive rights to televise, in Canada, certain of the games played by the Club during the 1980 baseball season for \$1,000,000. In October 1980 the corporation entered into an agreement with the Club to acquire similar television rights for the 1981 to 1985 seasons inclusive for an aggregate consideration of \$24,000,000 payable in increasing annual amounts throughout the term of the agreement.

In May 1980, the corporation sold to Brascan Limited, the corporation's principal shareholder, for \$14,900,000, all of the outstanding shares of John Labatt do Brasil Participacoes Ltda, the corporation's wholly-owned Brazilian subsidiary. This transaction was effected in order to facilitate repatriation of the sale proceeds received by the subsidiary on the sale of the corporation's Brazilian brewing investment in 1980.

## 13. Subsequent Events

On June 4, 1981, the corporation sold to Wood Gundy Limited, A.E. Ames & Co. Limited, Dominion Securities Limited and Midland Doherty Limited, as underwriters, \$47,000,000 principal amount of 11% convertible subordinated debentures, and on the same date sold to Brascan Limited, the corporation's principal shareholder, \$33,000,000 of these debentures. The debentures were sold at par and the total net proceeds received by the corporation from the sale of these debentures amounted to approximately \$78,760,000 after deducting underwriting commission and estimated expenses of the issue.

Had the debentures been issued and converted to common shares on May 1, 1980, pro-forma fully diluted earnings per share before and after extraordinary items for the year ended April 30, 1981, would have been \$3.08 and \$2.89 respectively.

The debentures, which mature on June 1, 2001, are convertible on or before June 1, 1991, into Class A common shares of the corporation at a conversion price of \$31.625 per share.

In each of the years 1992 to 2000 inclusive, the corporation is committed to retire a minimum of 5% of the aggregate principal amount of these debentures outstanding on June 1, 1991.



On June 10, 1981, the corporation made an offer, to be outstanding until July 3, 1981, unless extended by the corporation, to purchase all of the outstanding shares of Dominion Dairies Limited for \$26.01 cash per share. Shareholders of Dominion Dairies Limited with addresses in Canada may, at their option, elect in respect of all but not less than all of their shares of Dominion Dairies Limited to accept 1.04 Class A convertible common shares of the corporation in lieu of cash for each share of Dominion Dairies Limited. Dart & Kraft Inc. of Glenview, Illinois, which owns 83.6% of the shares of Dominion Dairies Limited, has agreed to accept the offer of \$26.01 per share payable by way of an unsecured promissory note of the corporation in the amount of \$43,807,810. This note will bear interest at a rate 1% less than the average of the prime rates charged by two Canadian chartered banks payable semi-annually and will be due 360 days after its date. Dart & Kraft will have the right to renew the note for two further successive 360-day periods.

Gerin Limited of Montreal, Quebec, holding 11.3% of the shares of Dominion Dairies Limited, has agreed in principle to accept either the \$26.01 cash offer per share or 1.04 Class A common shares for each of its shares of Dominion Dairies Limited.

Should all shareholders, other than Dart & Kraft Inc., accept the corporation's cash offer, the cash consideration to be paid will amount to approximately \$8,600,000. Conversely, should all shareholders, other than Dart & Kraft Inc. and non-Canadian residents, accept shares of the corporation in lieu of cash, 338,207 shares of the corporation will be issued at \$26.01 per share.



## Corporate Information

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### Directors

M.Bélanger, Quebec, Quebec  
President, Gagnon et Bélanger Inc.  
Elected 1972

P.F. Bronfman, Toronto, Ontario  
Chairman of the Board,  
Edper Investments Ltd.  
Elected 1979

J.B. Cronyn, London, Ontario  
Corporate Director  
Elected 1959

C. Diamond, Vancouver, British Columbia  
President, B.C. Turf Ltd.  
Elected 1981

J.T. Eyton, Toronto, Ontario  
President and Chief Executive Officer  
Brascan Limited  
Elected 1979

E.C. Freeman-Attwood  
Rio de Janeiro, Brazil  
President,  
Brascan Administracao e Investimentos Ltda.  
Elected 1977

E.A. Goodman, Toronto, Ontario  
Partner, Goodman & Goodman  
Elected 1966

A.S. Graydon, Meaford, Ontario  
President, Parham Investments Limited  
Elected 1952-54 and 1955

N.E. Hardy, London, Ontario  
Chairman of the Board  
John Labatt Limited  
Elected 1966

G.F. Hughes, Windsor, Nova Scotia  
President, Ocean Company Limited  
Elected 1973

M.L. Lahn, London, Ontario  
President and Chief Executive Officer  
The Canada Trust Company  
Elected 1978

A.J. MacIntosh, Toronto, Ontario  
Partner, Blake, Cassels & Graydon  
Elected 1967

A.M. McGavin, Vancouver, British Columbia  
Honorary Director  
McGavin Foods Limited  
Elected 1969

J. Ortiz-Patino, Geneva, Switzerland  
Chairman of the Board  
Patino, N.V.  
Elected 1980

H.C. Pinder, Saskatoon, Saskatchewan  
President,  
Saskatoon Trading Company Limited  
Elected 1977

W.F. Read, London, Ontario  
Senior Vice-President  
John Labatt Limited  
Elected 1970

P.N.T. Widdrington, London, Ontario  
President and Chief Executive Officer  
John Labatt Limited  
Elected 1973

W.P. Wilder, Toronto, Ontario  
President and Chief Executive Officer  
Hiram Walker Resources Ltd.  
Elected 1970

### Honorary Directors

J.A. Taylor, London, Ontario  
Honorary Chairman  
The Canada Trust Company  
Elected Director 1963  
Elected Honorary Director 1978

J.D. Harrison, London, Ontario  
Retired Partner, Harrison, Elwood  
Elected Director 1967  
Elected Honorary Director 1980



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## **Committees of the Board**

### **Executive Committee**

Chairman: N.E. Hardy;

J.T. Eyton, E.A. Goodman, A.S. Graydon, M.L. Lahn, A.J. MacIntosh, P.N.T. Widdrington

FUNCTION: During intervals between meetings of the Board of Directors, the Executive Committee has all the powers of the Board except those powers that are required by legislation or Company by-law to be exercised by the Board itself.

### **Public Responsibility Committee**

Chairman: E.A. Goodman;

P.F. Bronfman, N.E. Hardy, G.F. Hughes, A.M. McGavin, W.F. Read, J.A. Taylor (Honorary Member), J.D. Harrison (Honorary Member)

FUNCTION: Reviews Company policies and practices concerning the physical, social and political environment, specifically those concerning labour, equal employment opportunity, consumer protection, public relations, charitable donations and government relations. It also reviews the impact of proposed legislation which may have social implications for the Company.

### **Audit Committee**

Chairman: M. Bélanger;

A.J. MacIntosh, J. Ortiz-Patino, P.N.T. Widdrington, W.P. Wilder

FUNCTION: Reviews financial information intended for publication, and the adequacy thereof, before such information is submitted to the Board. It also reviews, on a continuing basis, control procedures in effect throughout the Company.

### **Pension Investment Advisory Committee**

Chairman: J.B. Cronyn;

C. Diamond, J.T. Eyton, M.L. Lahn, H.C. Pinder

FUNCTION: Reviews and makes recommendations with respect to the funding of employee pension benefits, selection of investment managers and funding vehicles, investment return objectives and investment strategies, and performance of each pension fund within the organization.

### **Management Resources and Compensation Committee**

Chairman: N.E. Hardy;

J.T. Eyton, E.A. Goodman, A.J. MacIntosh

FUNCTION: Reviews manpower planning and the performance of management personnel and makes recommendations to the Board concerning executive compensation.



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### **Corporate Officers**

N.E. Hardy, Chairman of the Board  
P.N.T. Widdrington, President and  
Chief Executive Officer  
B.G. Brighton, Senior Vice-President,  
Finance and Administration  
J.M. Legault, Senior Vice-President,  
Corporate Affairs  
R.W. Luba, Senior Vice-President,  
Packaged Food Group  
W.F. Read, Senior Vice-President,  
Brewing Group  
G. Saint-Pierre, Senior Vice-President,  
Agri Products Group  
R.B. Fraser, Vice-President,  
Corporate Development  
R.L. Hooley, Vice-President,  
Personnel Resources  
D.C. Kitts, Vice-President,  
Secretary and General Counsel  
G.S. Taylor, Vice-President,  
Finance and Treasurer  
G.E. Wilson, Vice-President,  
Engineering Services

### **Operating Divisions**

#### **Brewing Group**

S.M. Oland, President, Labatt Brewing Company  
D.L. Cashen, Vice-President, Western Region  
E.G. Bradley, Vice-President, Ontario Region  
P. Desjardins, Vice-President, Quebec Region  
J.R. McLeod, Vice-President, Atlantic Region  
G.P. Freeman, Vice-President and General Manager,  
British Columbia  
J.F. Morgan, Vice-President and General Manager, Alberta  
R.S. Thorpe, Vice-President and General Manager,  
Saskatchewan  
G.M. Nosworthy, Vice-President and General Manager,  
Manitoba  
F.M. Milley, Vice-President and General Manager,  
Newfoundland  
R.A. Binnendyk, Vice-President, Corporate Development  
and Public Affairs  
L.D. Campbell, Vice-President, Distribution and Purchasing  
J.W. Murray, Vice-President  
J.H. England, Vice-President, Finance  
T.R. Errath, Vice-President, Marketing  
R.B. McCuaig, Vice-President, Brewing Operations  
J.J. Ranson, Vice-President, Personnel

#### **Labatt Importers**

W.F. Read, Chairman

#### **Packaged Food Group**

M. Condé, President, Chateau-Gai Wines  
F. Elsener, President, Chef Francisco  
J.F. Ronald, President, Catelli  
D.L. Triggs, President, Lamont Winery  
W.H. Wardle, President, Laura Secord

#### **Agri Products Group**

S.G.K. Ault, Chairman, Ault Foods  
K.H. Henry, President, Ault Foods  
J.F. Blakney, President, Ogilvie Flour  
N.F. Kalin, President, I.G.P.  
P. Labrecque, President, Terra Foods  
D.G. McDougall, President, Miracle Feeds



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**Stock Exchanges**

Montreal, Toronto, Winnipeg, Alberta, Vancouver

**Transfer Agents**

The Canada Trust Company, Halifax, Montreal, Toronto,  
Winnipeg, Regina, Calgary and Vancouver

The Canadian Bank of Commerce Trust Company,  
New York, U.S.A.

**Registrars**

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

Bank of Montreal Trust Company, New York, U.S.A.

**Principal Banks**

Canadian Imperial Bank of Commerce

Citibank, N.A., New York, U.S.A.

**Auditors**

Clarkson Gordon

Chartered Accountants, London, Ontario





## Eight-Year Review

	1981	1980	1979	1978	1977	1976	1975	1974
<b>Operations Data (thousands)</b>								
Gross sales	\$1,495,717	\$1,341,781	\$1,109,686	\$997,263	\$922,194	\$837,218	\$727,457	\$603,014
Income before taxes	72,149	62,099	42,878	52,180	46,817	39,376	36,462	39,840
Income taxes	29,580	25,935	17,451	19,729	20,500	16,741	15,122	18,801
Earnings before extraordinary items	44,564	37,755	22,466	33,895	28,065	24,327	22,176	22,564
Net Earnings	41,364	36,247	22,466	33,895	28,065	26,873	22,176	22,564
Cash Income	82,125	67,476	49,714	56,513	50,860	45,639	38,121	39,609
Dividends paid								
— preferred		249	519	695	1,147	2,264	2,802	2,916
— common	16,641	15,283	14,159	13,094	12,237	10,079	9,219	8,153
Capital expenditures	39,398	57,453	38,550	36,506	22,926	25,956	28,328	27,415
<b>Financial Data (thousands)</b>								
Working capital	151,644	135,086	93,272	99,052	98,984	90,992	54,050	67,062
Land, buildings and equipment — net	270,613	268,883	232,060	201,334	183,314	177,647	169,211	150,723
Long-term debt	177,075	186,996	153,405	142,146	145,985	146,950	116,185	118,632
Shareholders' equity	\$282,588	\$253,745	\$228,519	\$215,571	\$194,809	\$179,437	\$164,904	\$154,170
<b>Ratios and Percentages</b>								
Earnings before extraordinary items as a percent of gross sales	2.98%	2.81%	2.02%	3.40%	3.04%	2.91%	3.05%	3.74%
Ratio of current assets to current liabilities	1.75	1.76	1.51	1.84	2.16	2.13	1.45	1.82
Long-term debt as a percent of capital employed	33.95%	37.86%	35.80%	35.43%	38.66%	41.23%	37.86%	40.27%
<b>Per Common Share Data</b>								
Earnings before extraordinary items	\$ 3.47	\$ 3.01	\$ 1.84	\$ 2.89	\$ 2.45	\$ 2.24	\$ 2.09	\$ 2.15
Fully diluted earnings before extraordinary items	3.21	2.76	1.71	2.53	2.12	1.89	1.84	1.87
Dividends paid	1.30	1.23	1.19	1.14	1.09	1.03	.98	.89
Cash income	6.39	5.40	4.13	4.86	4.52	4.41	3.81	4.01
Shareholders' equity	21.85	19.96	18.34	17.67	15.89	14.25	12.33	11.14
Price range — high	29 <sup>3</sup> / <sub>8</sub>	26 <sup>1</sup> / <sub>2</sub>	24 <sup>5</sup> / <sub>8</sub>	22 <sup>1</sup> / <sub>8</sub>	18 <sup>3</sup> / <sub>8</sub>	21	25 <sup>7</sup> / <sub>8</sub>	27 <sup>7</sup> / <sub>8</sub>
Price range — low	\$21 <sup>1</sup> / <sub>8</sub>	\$20 <sup>1</sup> / <sub>4</sub>	\$19 <sup>1</sup> / <sub>4</sub>	\$16 <sup>7</sup> / <sub>8</sub>	\$14 <sup>3</sup> / <sub>4</sub>	\$16 <sup>1</sup> / <sub>4</sub>	\$12 <sup>5</sup> / <sub>8</sub>	\$20 <sup>1</sup> / <sub>4</sub>
<b>Statistical Data at Year End</b>								
Number of shares outstanding								
— preferred	Nil	Nil	447,646	605,080	828,173	1,856,987	2,762,918	2,869,209
— Class A common	12,739,502	12,454,119	11,637,190	11,111,354	10,821,717	9,857,004	9,092,440	8,964,933
— Class B common	194,420	257,750	385,500	471,255	499,441	392,908	251,391	239,933
Number of shareholders	12,933,922	12,711,869						
— preferred	Nil	Nil	2,496	2,935	3,573	4,735	5,293	5,540
— common	11,410	12,365	11,024	12,238	10,717	9,385	9,205	9,110
Number of employees	10,400	13,100	12,750	12,350	12,100	12,150	11,600	11,500



**For further information  
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