John Labatt
Annual Report
1980

John Labatt

John Labatt is a broadly-based Canadian-owned food and beverage company. Operating divisions are in three Groups for management and reporting purposes. For each Group the Company reports sales and earnings before interest and income taxes but after allocation of corporate costs.

Group	Division	Products and services
Brewing Group	Canada	lager, ale, malt liquor and stout
	United States	sale of Canadian ale and lager in the United States
Consumer Products	Catelli	pasta, jarred goods, puddings, soups, sauces and packaged flour
	Laura Secord	confectionery, ice cream and baked goods
	Wines	wines in Canada and the United States
	Food Service	food service and restaurants in Canada and the United States
	Chef Francisco	prepared frozen foods in the United States
Agri Products	Flour	flour and other milled grain products
	Industrial Grain Products	wheat starch and gluten
	Ault	cheese, butter and other dairy products
	Mushrooms	a business under development to produce and market fresh mushrooms

John Labatt also has investments in related businesses and includes in net income its equity interest in the earnings of these companies:

Investment and percentage ownership	Products and services
Zymaize Company (50% partnership interest)	will produce sweeteners derived from corn (plant under construction in London, Ontario)
McGavin Foods Limited (60% equity, 50% voting)	baked goods in western Canada
Toronto Blue Jays Baseball Club (45% partnership interest)	American League baseball
Canada Malting Co., Limited (14%)	malt for the brewing and distilling industries

Financial Highlights

	1980	1979	1978	1977	1976
Fully diluted earnings per share before extraordinary items	**$2.76**	$1.71	$2.53	$2.12	$1.89
Fully diluted net earnings per share	**2.65**	1.71	2.53	2.12	2.07
Cash income per share	**5.40**	4.13	4.86	4.52	4.41
Dividends paid per share	**$1.23**	$1.19	$1.14	$1.09	$1.03
Earnings before extraordinary items per sales dollar	**2.81¢**	2.02¢	3.40¢	3.04¢	2.91¢
Return on assets	**9.2%**	7.6%	10.3%	9.4%	8.6%
Return on shareholders' equity	**14.9%**	9.8%	15.7%	14.4%	13.6%
Shareholders — preferred	**Nil**	2,496	2,935	3,573	4,735
— common	**12,365**	11,024	12,238	10,717	9,385
Employees	**13,100**	12,750	12,350	12,100	12,150

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The Annual and Special Meeting will be held at 11:30 a.m. on Friday, September 5, 1980 at the registered office of the Corporation, 451 Ridout Street, North, London, Ontario.

Shareholders are encouraged to attend the meeting, but if unable, have the opportunity to participate by completing and returning the enclosed proxy.

Pour obtenir la version française du présent rapport, écrire au Secrétaire de John Labatt Limitée, 451 Ridout Street, North, London, Ontario N6A 4M3.

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Group Summary

(thousands)					
Operating Results	**1980**	1979	1978	1977	1976
Gross sales					
Brewing	**$ 603,138**	$ 514,227	$ 512,351	$ 479,367	$ 442,765
Consumer Products	**409,329**	322,468	256,739	213,077	197,824
Agri Products	**329,314**	272,991	228,173	229,750	196,629
	$1,341,781	$1,109,686	$ 997,263	$ 922,194	$ 837,218
Earnings before interest and income taxes					
Brewing	**$ 42,228**	$ 26,915	$ 46,946	$ 44,028	$ 41,821
Consumer Products	**16,899**	15,966	7,749	5,146	4,124
Agri Products	**27,636**	19,324	11,984	11,019	7,675
	86,763	62,205	66,679	60,193	53,620
Interest	**(24,664)**	(19,327)	(14,499)	(13,376)	(14,244)
Income taxes	**(25,935)**	(17,451)	(19,729)	(20,500)	(16,741)
Earnings before the following	**36,164**	25,427	32,451	26,317	22,635
Equity in net earnings (losses) of partly-owned businesses	**1,700**	(2,860)	1,534	1,850	1,813
Minority interest	**(109)**	(101)	(90)	(102)	(121)
Earnings before extraordinary items	**37,755**	22,466	33,895	28,065	24,327
Extraordinary items	**(1,508)**				2,546
Net earnings	**$ 36,247**	$ 22,466	$ 33,895	$ 28,065	$ 26,873
Capital Expenditures and Acquisitions					
Brewing	**$ 24,094**	$ 13,726	$ 22,866	$ 14,063	$ 11,591
Consumer Products	**22,933**	43,219	12,542	5,484	6,094
Agri Products	**12,959**	10,762	4,507	3,840	9,602
Total	**$ 59,986**	$ 67,707	$ 39,915	$ 23,387	$ 27,287

Letter to Shareholders

Financial Highlights

For the fiscal year ending April 30, 1980, your Company's gross sales were $1,341,781,000, up 20.9% from $1,109,686,000 last year. Approximately 7.6 percentage points of this gain reflected higher volumes and the remainder was due to higher prices. Volume gains were broadly based across all operating divisions.

John Labatt's earnings, before an extraordinary loss, were $37,755,000 or $2.76 per share, up from $22,466,000 or $1.71 per share in fiscal 1979. The extraordinary loss on sale of Skol-Caracu in Brazil reduced earnings in fiscal 1980 by $1,508,000 or by 11¢ per share.

Income before interest and income taxes from the three operating Groups, increased to $86,763,000 or by 39.5% in fiscal 1980. Brewing Group earnings at $42,228,000 were significantly above $26,915,000 earned last year when results were depressed by work stoppages in western Canada. Consumer Products Group earnings at $16,899,000 were 5.8% ahead of last year following several years of significant gains. Agri Products Group earnings at $27,636,000 were 43.0% ahead of fiscal 1979, continuing the trend set in the previous year.

Interest costs increased to $24,664,000 from $19,327,000 due to higher levels of borrowings to finance working capital requirements and capital expenditures and to higher interest rates on current borrowings.

Net equity income from partly-owned businesses was $1,700,000 in fiscal 1980 versus a loss of $2,860,000 in fiscal 1979 when results from partly-owned businesses included a loss of $4,190,000 from Skol-Caracu. McGavin Foods' contribution was $1,087,000 compared to $373,000 last year.

Dividends

At the September 1979 Annual Meeting the quarterly dividend rate paid on common shares was increased to 31¢. In fiscal 1980, total dividends paid to common shareholders were $15,283,000 or $1.23 per share, up from $14,159,000 or $1.19 per share paid in fiscal 1979.

Financial Position

John Labatt's overall financial position improved during the year in line with the recovery in net earnings. The improved earnings level raised the return on shareholders' equity to 14.9% in fiscal 1980 from 9.8% a year ago. Return on average assets employed, excluding partly-owned businesses, increased to 9.2% from 7.6%.

In October 1979, John Labatt placed a $40,000,000, 11⅛% sinking fund debenture priced at 100. The proceeds from this issue were used to repay short term indebtedness previously incurred for acquisition and expansion activities. Net working capital increased with issuance of the debentures, which also increased the percentage of long term debt to total capital employed from 35.8% at April 30, 1979 to 37.9% at the end of the 1980 fiscal year. All other important financial ratios improved from fiscal 1979 levels.

On February 15, 1980, the Company redeemed, at their par value of $621,000, the remaining Convertible Preferred Shares, Series A.

Business Developments

During fiscal 1980 capital expenditures and investment in acquisitions totalled $59,986,000. The majority of these investments were made to expand the Consumer and Agri Products Groups. Capital expenditures next year are anticipated to be approximately $50,000,000.

Recent business development at the Labatt Brewing Company was highlighted by the introduction of brands to meet consumer demand for more varied products. In March 1980, "Grand Prix", a new ale was launched in Ontario and in May 1980, "Labatt Légère-Light" became the first light beer to be marketed in Quebec. In June 1980, Labatt began production and marketing in Alberta of "Budweiser", the world's largest selling beer, under an exclusive agreement with Anheuser-Busch. In addition, "Michelob" will be imported and distributed by Labatt. Also during the year, Labatt expanded its distribution and launched a new marketing program in the United States. Since present brewing capacity can meet anticipated volume growth, capital expenditures in fiscal 1980 were primarily to improve productivity.

In the Consumer Products Group, acquisitions were made to enhance the profitability of existing businesses. These were a small winery in Calgary, increasing distribution in the prairie region, and two small food processors in New England, expanding Catelli's specialty food business. Plant expansions were made to pasta and pudding facilities in Canada and to frozen soup capacity in the United States. Food Service expansion included five additional "Great Canadian Soup Co." restaurants in Canada.

In the Agri Products Group, expansions were made to flour milling capacity, to facilities for specialty starches and to cheese production for export markets. In addition, two milk processing operations were acquired to expand within the specialty cheese market in Ontario and to increase milk supply.

In November 1979, construction began on a $10,000,000 plant in Carignan, Quebec to produce fresh mushrooms. The decision to enter the fresh mushroom business is based on strong consumer demand. In addition, the mushroom industry is currently fragmented, labour intensive and in need of modernization. The industry therefore offers excellent opportunities for technological innovation and large scale production. The plant is scheduled for completion in November 1980.

Construction of the Zymaize plant continued during fiscal 1980. Zymaize will produce high fructose corn syrup-42, a sweetener derived from corn comparable in sweetness to liquid cane and beet sugar.

The Zymaize plant is scheduled to be operational in the early months of calendar 1981. The project will involve a cost overrun with construction now expected to cost $69,000,000. Business conditions for Zymaize are favourable. Prices and demand for high fructose corn syrup-42 are now expected to be stronger than the Company's original estimate due to increases in world sugar prices.

In April 1980, John Labatt sold its 29.8% interest in Skol-Caracu, a brewing company in Brazil for $14,900,000. Skol-Caracu had experienced operating difficulties in recent years. Operations improved in fiscal 1980; however, overall results were not expected to be satisfactory for some time and substantial further capital investment would have been required.

Management

During the year several important senior management changes were made. J.W. Tait was appointed executive vice-president with overall responsibility for the Consumer and Agri Products Groups. R.W. Luba, a senior vice-president, assumed responsibility for Catelli and Laura Secord in addition to his responsibility for the other Consumer divisions. G. Saint-Pierre was appointed a senior vice-president of John Labatt and continues his responsibilities for the Agri Products Group. W.F. Read, a senior vice-president of John Labatt, assumed overall responsibility for the Brewing Group.

Shareholders

John Labatt had 12,365 shareholders as of April 30, 1980. Canadian residents, located across the country hold 96.8% of the Company's shares as shown in the following table:

	Number of Shareholders
Atlantic	438
Quebec	2,158
Ontario	6,556
Western	2,817
Total Canada	11,969
Non-residents	396
Total shareholders	12,365

Board of Directors

At the September 1979 Annual Meeting, P.F. Bronfman, President Edper Investments Ltd. and J.T. Eyton, President and Chief Executive Officer of Brascan Limited, were elected to John Labatt's Board of Directors. The Chairman, J.H. Moore, introduced the new directors with the following comment:

> "These two gentlemen will add to the strength of your Board and further enhance the link with Labatt's largest shareholder, Brascan Limited. I have had several discussions with them prior to this meeting and there is no doubt in my mind that their objectives for Labatt and its method of operation are positive and compatible with those of the Corporation."

J.D. Harrison will retire from the Board at the September 1980 Annual Meeting having reached mandatory retirement age. Mr. Harrison, a partner of Harrison, Elwood, the Company's solicitors, joined the Board in 1967. Mr. Harrison has served the Company well, most recently as a valued member of both the Executive Committee and the Audit Committee of the Board.

Corporate Responsibility

John Labatt is committed not only in policy, but in practice, to fulfilling its role as a good corporate citizen. The Company believes that this role can best be accomplished by contributing to the economic health of the communities in which it operates.

John Labatt is one of the first Canadian corporations to have a Public Responsibility Committee of the Board. The Public Responsibility Committee this year completed its annual review of the Company's donation policy and employee health program, as well as reviewing government relations and John Labatt's public responsibility objectives.

The Company's donations to non-profit organizations in fiscal 1980 were $1,100,000. Of this amount 39% was directed towards health and welfare programs; 22% to educational projects; 15% to civic and sports groups; 14% provided youth with summer employment in community service programs and 10% was donated to cultural groups. While donation expenditures alone are significant, they reflect only a part of the total commitment of John Labatt's facilities and employees to community services across the country.

Outlook

John Labatt looks forward to higher earnings next year. While the outlook for the Canadian economy is uncertain, the Company has two strong attributes, first, quality products positioned to take advantage of growth opportunities within the brewing, wine, consumer food and agri processing industries, and second, a work force of 13,100 highly skilled and experienced men and women.

Peter N.T. Widdrington

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

J.H. Moore

J.H. Moore
Chairman of the Board
July 4, 1980

The Brewing Group

	1980	1979	1978	1977	1976
Industry volume (000 hl.)	**20,682**	19,257	19,506	19,394	19,651
Labatt domestic volume (000 hl.)	**7,617**	7,091	7,608	7,509	7,471
Market share	**36.8%**	36.8%	39.0%	38.7%	38.0%
(thousands)					
Gross sales	**$603,138**	$514,227	$512,351	$479,367	$442,765
Assets employed	**207,540**	192,971	189,092	170,394	161,090
Capital expenditures	**24,094**	13,726	22,866	14,063	11,591
Depreciation and amortization	**11,672**	11,352	9,881	8,831	8,236
Earnings before interest and income taxes	**$ 42,228**	$ 26,915	$ 46,946	$ 44,028	$ 41,821

The Labatt Brewing Company operates 14 plants across Canada with a total annual capacity of 9,000,000 hectolitres. The nationally distributed Labatt's "50" and Labatt's "Blue" are Canada's largest selling ale and lager and make up over 80% of Labatt's sales. A wide range of quality ales, lagers and new specialty beers are produced to serve all market segments. Labatt also exports to sixteen American states.

Canada

Labatt Brewing Company's sales and earnings were improved over last year when the brewing industry, and to a greater extent Labatt, was disrupted by work stoppages in western Canada. Sales increased to $603,138,000 from $514,227,000 and earnings before interest and income taxes increased to $42,228,000 from $26,915,000.

Labatt's share of the Canadian market for the twelve months ending April 30, 1980 averaged 36.8% equal to the previous year. Labatt gained market share in Ontario and the Atlantic provinces. There was some loss of market position in Quebec and in British Columbia where the company had difficulty in regaining its high market share prior to the work stoppages in fiscal 1979.

Consumers have continued to demand a greater variety of products. In the last two year, Labatt has met this trend with a number of new brands. During the year, "Special Lite" maintained its position as the leading light beer in Canada. "Special Lite" is available across Canada in all provinces except Quebec. In May 1980, Labatt was the first brewer in Canada to introduce a light beer into Quebec. The new beer "Labatt Légère-Light", is specifically designed for the Quebec market. "Labatt Légère-Light" has 4% alcohol by volume, relative to 5% for regular beer and a 30% reduction in calories, but maintains the traditional full flavour of beers brewed for the Quebec market. Additional new brands directed to specific market segments include "Grand Prix", a full bodied ale which was introduced into Ontario in March and in June "Old Scotia" was introduced as a strong ale in Nova Scotia.

In June 1980, an exclusive agreement was entered into with Anheuser-Busch under which the Labatt Brewing Company will brew "Budweiser" beer for sale in Canada using the original Anheuser-Busch recipe, and will import "Michelob" beer from the United States. "Budweiser", the world's largest selling beer, will be the same alcohol strength and price as regular Canadian beer and will be sold through usual distribution channels. "Michelob" will be the first super-premium beer imported into Canada from the United States. Sale of "Budweiser" and "Michelob" began in Alberta during the summer of 1980 with distribution to be expanded on a phased basis.

The company's two national brands, Labatt's "50" and Labatt's "Blue" continue to enjoy the consumer preference which has made them Canada's largest selling ale and lager.

During the year overall productivity improved. However, raw material and packaging costs rose at an accelerated rate compared to previous years. Distribution costs increased, reflecting higher fuel costs, and marketing expenses increased significantly to meet a high level of competitive spending.

Labatt's overall commitment to an extensive energy conservation program helped to offset the increase in the cost of energy. A company-wide formalized energy conservation program resulted in 7% less energy being required to produce a hectolitre of beer in fiscal 1980 compared to fiscal 1979. This commitment to energy conservation will continue.

Price increases were obtained in most provinces during the year to offset higher costs. However, a time lag in receiving approval for increases in some provinces had an effect on earnings in the first nine months of fiscal 1980.

Recently three year labour contracts have been signed in Ontario, Quebec, Newfoundland, New Brunswick and Manitoba. The conditions of the settlements should provide a positive labour environment during the next three years. Negotiations are currently underway in British Columbia on an industry-wide basis and in Alberta where Labatt's and competitors' contracts expired in March.

Outlook

Total industry volume which has increased by an average of 3% a year over the last two years, is expected to continue to increase at a rate moderately above population growth. Costs are expected to continue to accelerate and profitability will be sensitive to pricing; however, the company is taking measures to further improve productivity and enters fiscal 1981 with recent price increases in place across Canada. Given contract settlements in British Columbia and Alberta, the labour environment should be positive.

The company's positive momentum in Ontario is expected to continue reflecting the popularity of Labatt's "Blue" and Labatt's "50", supplemented by "Special Lite" and the introduction of "Grand Prix". Labatt's strong position in the Maritimes is expected to be maintained. Steps have been taken to address performance in Quebec and British Columbia and with the introduction of "Budweiser" into Alberta improved performance is anticipated from that growing market. Overall, Labatt has top quality brands positioned in all major markets and appropriate brand introductions will continue to meet the trend for more varied products.

In summary, Labatt Brewing Company is taking steps to maintain its strong share position in the highly competitive marketing environment and to ensure continuation of satisfactory results from brewing operations.

United States

The market for imported beers in the United States continued to grow rapidly. Last summer Labatt launched a new marketing program and expanded its distribution area from nine to sixteen eastern and central states. The new marketing program presents "Labatt's Canadian Ale" and "Labatt's Beer" as traditional high quality Canadian products.

Due to the gradual implementation of the program, sales volume increased only moderately by 6.8% to 281,000 hectolitres in fiscal 1980. Labatt plans to continue to expand its distribution area and to build its wholesale network.

With this further expansion and marketing program, accelerated sales gains are expected.

The Consumer Products Group

(thousands)	1980	1979	1978	1977	1976
Gross sales	**$409,329**	$322,468	$256,739	$213,077	$197,824
Assets employed	**235,038**	198,486	136,423	112,425	119,801
Capital expenditures and acquisitions	**22,933**	43,219	12,542	5,484	6,094
Depreciation and amortization	**7,583**	5,425	4,471	4,427	3,870
Earnings before interest and income taxes	**$ 16,899**	$ 15,966	$ 7,749	$ 5,146	$ 4,124

Summary

Consumer Products Group sales rose by 26.9% to $409,329,000 in fiscal 1980. Group earnings before interest and income taxes were $16,899,000 compared to $15,966,000 in the prior year. This performance follows five years of consecutive gains from an earnings base of $1,518,000 in fiscal 1975.

Catelli, the Group's largest contributor, had higher earnings from volume growth and operating efficiencies. Laura Secord's continued improved performance also contributed to the Group's higher earnings. Canadian wine earnings increased but overall wine earnings were reduced by Lamont's results. Lower food service earnings reflected investment spending at Parnell in Canada and the effect of a slowdown in the United States economy on Mannings' catering business. At Chef Francisco, earnings were reduced by marketing costs to expand the "Oregon Farms" retail grocery business.

In outlook, Consumer Products Group earnings are expected to show improvement in fiscal 1981 reflecting results from past development activity and recent marketing investment spending.

CATELLI

Catelli produces and markets a wide range of grocery products under brand names which include: "Habitant" for soups, sauces, pickles and jams, "Catelli", "Splendor" and "Romi" for pasta and "Laura Secord" for jams, marmalades and puddings. The division also markets Ogilvie flour under the "Five Roses" label and other Ogilvie milled products. Catelli is the leading producer of pasta in Canada and has significant market positions in several of its other product lines, particularly on a regional basis. A minor, but increasingly important aspect of Catelli's business, is sales to retail food chains of private label and generic products.

The division operates pasta plants in Montreal, Toronto and Lethbridge, Canada's only aseptic pudding plant in Toronto and plants for soups and sauces, jarred goods and other products in St. Hyacinthe, Quebec, Delta, Ontario and Manchester, New Hampshire.

In fiscal 1980, Catelli achieved earnings gains continuing a growth trend which has established this division as the most significant contributor to the Consumer Products Group. Profit increases were obtained from significantly higher sales volumes and improved operating efficiencies. Catelli's volumes increased by 9.9% in fiscal 1980 led by strong gains in puddings and pasta. A strike at the Montreal plant during the first month of fiscal 1980 had little effect on the year's sales volumes. However, high interest rates caused major retail customers to reduce inventories, temporarily affecting further sales increases.

Production capacity at the aseptic pudding plant in Toronto was expanded to meet increasing market demand. Catelli also expanded its base in New England with the acquisition of two small food processors. These acquisitions will add pickled condiments and processed meat products to the other quality canned goods produced in Manchester, New Hampshire.

In fiscal 1981 it is anticipated that Catelli will continue the earnings growth achieved in prior years. Business development will emphasize market share gains for established lines, including generic and private label products, and other activities to expand Catelli's business base.

LAURA SECORD

The well-known "Laura Secord" chocolates and other confectionery and specialty products such as ice cream and baked goods are sold through 214 Laura Secord shops, 17 department stores and over 1,000 other agency outlets. A wholesale division markets "Turtles", other "Smiles 'n Chuckles" products and "Laura Secord" candy bars which have recently been introduced to national distribution. Laura Secord operates confectionery plants in Toronto and in Montreal, and exports to the United Kingdom and the United States.

In fiscal 1980, Laura Secord's earnings continued to show improvement. Sales volume outpaced the confectionery industry in Canada. The division continued its program of modernizing and relocating shops and in fiscal 1980, seven shops were closed and five new shops were opened, bringing the total to 214. The "Laura Secord" candy bars achieved recognition as one of Canada's top selling bars and "Turtles" maintained its leadership position in the boxed chocolate market.

In fiscal 1981 a continuation of improved performance is anticipated.

WINES

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

In Canada, sales volume increased by 15.7% outpacing industry growth of 8%. This increase in market share reflects the success of "Alpenweiss" and the introduction of "Cavallo" and "Princière" in Ontario. Regional expansion of the "Alpenweiss" brand is underway and it is now a significant factor in the rapidly growing white wine segment. In outlook, higher Federal excise taxes will have a dampening effect on wine industry growth in Canada.

Lamont Winery was purchased two years ago as a long term investment in the growing United States wine market. Major earnings were not anticipated until problems were corrected. During fiscal 1980, some progress was made on operational objectives but earnings declined due in part to an excess supply of bulk wines in California throughout the year.

FOOD SERVICE

Food Service activities are carried out by Parnell in Canada and by Mannings in the United States.

Parnell is involved in industrial and mobile catering, vending machine operations and, most recently, "Great Canadian Soup Co." restaurants. Ontario is the base of operations with Alberta and British Columbia becoming increasingly important. Mannings, operating primarily in the western United States, is involved in food service for offices and health care institutions.

In fiscal 1980, Parnell's mobile catering business in Alberta expanded. In Ontario, four additional "Great Canadian Soup Co." restaurants were opened bringing the total to eight and the first was opened in Québec. These restaurants have received good consumer acceptance and emphasis on quality ingredients and real value should ensure their vitality in a developing market.

Overall earnings in the Food Service division were moderately lower than last year as sales were affected by client shut-downs and layoffs. Earnings were also reduced by development expenditures to expand markets and for additional restaurants. In fiscal 1981 the division's earnings will be related to industrial activity in its market areas.

CHEF FRANCISCO

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

In fiscal 1980, Chef Francisco's sales volumes were higher, reflecting addition of a plant in Pennsylvania acquired last year, and extension of "Oregon Farms" sales to the eastern United States. "Oregon Farms" frozen cakes are now available throughout most of the United States. Sales of frozen soups to restaurants, airlines and vending clients were buoyant. During fiscal 1980, frozen soup production capacity was doubled at a cost of $2,500,000.

In fiscal 1980, marketing expenditures for "Oregon Farms" plus the cost of assimilating the new plant, contributed to somewhat lower earnings than last year. In fiscal 1981, Chef Francisco's results are expected to respond positively to recent increases in production capacity and to extended distribution of "Oregon Farms" frozen products.

The Agri Products Group

(thousands)	1980	1979	1978	1977	1976
Gross sales	**$329,314**	$272,991	$228,173	$229,750	$196,629
Assets employed	**109,022**	93,811	78,266	78,943	79,575
Capital expenditures and acquisitions	**12,959**	10,762	4,507	3,840	9,602
Depreciation and amortization	**4,673**	4,080	3,539	3,378	3,068
Earnings before interest and income taxes	**$ 27,636**	$ 19,324	$ 11,984	$ 11,019	$ 7,675

Summary

The Agri Products Group results in fiscal 1980 improved upon the performance of last year. Sales increased to $329,314,000 from $272,991,000 in fiscal 1979 and earnings before interest and income taxes increased by 43% to $27,636,000 from $19,324,000.

Higher earnings were achieved in all major divisions. The largest absolute increase occurred at the Flour division and a significant increase occurred at Industrial Grain Products. Ault continued to make earnings gains and enjoyed another year of business expansion, both domestically and internationally. The Feeds division advanced to an earnings position from a small loss last year.

In outlook, the Agri Products Group is expected to show continued good performance at all divisions next year.

FLOUR

The Flour division is the leading miller in Canada with more than 25 million bushels of wheat milled in fiscal 1980. The division sells to Canadian bakeries and other food processors and has an important export business. Ogilvie Flour operates plants in Montreal, Midland, Strathroy, Winnipeg and Medicine Hat.

In fiscal 1980, the Flour division continued to be a major contributor to John Labatt's operating results and profit increase. The improvement in earnings was due to satisfactory margin performance supported by continued improvements in operating efficiencies. Ogilvie's total sales volumes were approximately equal with the previous year, with domestic sales increases offset by a decline in export sales. Despite higher prices for wheat flour, which increased during the year due primarily to higher wheat costs, domestic sales were strong and the Flour division increased its share of the Canadian baking flour market.

In January 1980, the Flour division participated with the Canadian Millers Association in the seventeenth consecutive contract to supply flour to Cuba through a contract with the U.S.S.R. Volumes under the new contract were below the previous year due to new mill construction in Cuba. Canadian Government Foreign Aid orders were also lower but this market should return to historic levels in the near future.

During the year a $2,500,000 upgrading and expansion program at the Midland plant continued. The project is scheduled for completion in August 1980 and will increase milling capacity at Midland by approximately 25%.

In outlook operating profits next year are expected to be at satisfactory levels.

INDUSTRIAL GRAIN PRODUCTS

IGP separates wheat flour into starch and gluten, a vegetable protein. Starch products are marketed primarily within Canada to customers in the food processing, paper, mining, building products and adhesive industries. Gluten is used as an additive to baking flour and in pet foods, cereals and other food processing applications. Eighty percent of IGP's gluten is exported with the major market being the United States. IGP operates plants in Candiac, Quebec and Thunder Bay, Ontario. IGP, the only company of its kind in Canada, upgrades the value of flour produced by Ogilvie.

In fiscal 1980, IGP contributed appreciably to the Agri Group's profit growth. The cost of flour, IGP's largest raw material component, increased sharply as the legislated ceiling on domestic wheat prices increased to $5.00 per bushel from $3.25 per bushel; however, this added cost was more than offset by generally good market conditions for IGP's products and the division operated at capacity throughout the year.

Gluten sales and prices were particularly strong in the United States where demand increased while imports from other countries declined. Starch sales were also strong with both price and volume higher than last year. In particular, major gains were made in higher quality and modified value added starches.

Quality and specialization into value added products are the basis of IGP's future development. Specialty starches are being developed for use in a number of industrial applications which formerly required petroleum based chemicals. IGP is researching modifications to wheat starch which will further enhance its adaptability for use in products such as adhesives. During the year additional capital was invested to take advantage of the strong demand for specialty starches as well as to satisfy the expanding gluten market.

The outlook for starch products appears favourable. Next year the gluten market may be affected by additional capacity in the United States. However, over the longer term world demand for gluten is increasing as new applications are introduced and other protein sources increase in cost.

AULT

Ault is a diversified milk products manufacturer. The division's major product lines include cheddar cheese, specialty cheeses, butter and fluid milk products including a full range of ice cream and novelties. Most products are sold to large food processors and retailers for private label distribution. Over the last few years, Ault has also developed a substantial export market in 14 countries for cheese and other dairy products. Ault operates plants in Winchester and Napanee, Ontario and in northwestern Quebec at Rouyn and Laverlochère.

In fiscal 1980, Ault had another year of continued growth in sales and earnings. The acquisition, during the previous year, of Beurrerie Lafrenière and Laiterie Dallaire, in northwestern Quebec, provided Ault in fiscal 1980 with increased milk supply, additional production facilities, broadened geographic markets and new lines of business. During the current year Ault's growth was further accelerated by two acquisitions which added new products and provided distribution to new clients in western Ontario markets. An evaporator in Laverlochère, Quebec, installed in fiscal 1979, improved operating efficiencies and conservation of energy.

The year was also marked by an expansion of cheddar cheese exports to the United Kingdom and further gains are expected in fiscal 1981. To enable Ault to satisfy this market, facilities in Winchester and Napanee were expanded. The export market for other dairy products was further developed with additional products and new geographic markets.

Increased consumption of dairy products in Canada and larger export markets are providing a good environment for Ault's profit growth. Specialty cheeses are the fastest growing segment of the Canadian cheese industry, and during the year Ault continued to develop products for this market. In fiscal 1981, Ault looks forward to higher cheese sales and to new product and market expansion, both domestically and internationally.

FEEDS

The Feeds division distributes food and beverage industry by-products including brewers' grains and waste from vegetable processing plants. These by-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 1980, the Feeds division had a small operating profit representing a substantial improvement from last year's loss. Further improvements are expected next year.

DELMAR

Delmar is a manufacturer of fine organic chemicals and nutritional additives marketed in bulk form to the pharmaceutical, photographic, food and other industries for further processing. Delmar, a small contributor to John Labatt's results, had moderately lower earnings in fiscal 1980.

McGAVIN FOODS

McGavin Foods is the largest bakery in western Canada and has nine plants throughout British Columbia, Alberta, Saskatchewan and Manitoba producing bread and rolls for grocery stores and restaurants. Earnings are not consolidated but are included in John Labatt's net equity income from partly-owned businesses.

In fiscal 1980, John Labatt's share of McGavin Foods' earnings increased from $373,000 to $1,087,000 as the company's results continued to improve. The "Homestead" line of natural style breads has been extended into additional provinces following its success in British Columbia last year. Profits also benefitted from sales of a new line of soft rolls and continuation of a plant modernization program.

Inflation Accounting

A comparison of inflation-adjusted results with conventional historical accounting data illustrates the effect of inflation on reported earnings, on replacement value of capital assets employed, and on investment returns. Inflation-adjusted results must be used with caution, as several subjective assumptions are required in their preparation and there is, as yet, no generally accepted or established method for preparing inflation-adjusted financial statements.

In preparing this 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. It should be noted that in December 1979 the Canadian Institute of Chartered Accountants issued an Exposure Draft on Current Cost Accounting which is intended to lead to a generally accepted method of preparing inflation-adjusted statements supplementary to traditional historical cost based financial statements.

Summary of Inflation-adjusted Group Operating Results

For Years Ending April 30
(thousands of dollars)

	Consolidated		Brewing		Consumer Products		Agri Products	
	1980	1979	**1980**	1979	**1980**	1979	**1980**	1979
Income before taxes and interest expense — historic cost basis (Notes A and B)	**$ 86,763**	62,205	**$ 42,228**	$ 26,915	**$ 16,899**	$ 15,966	**$ 27,636**	$ 19,324
Less: Current value adjustments — Depreciation (Note C)	**(13,032)**	(8,116)	**(6,361)**	(4,974)	**(3,193)**	(776)	**(3,478)**	(2,366)
Cost of products sold (Note D)	**(8,640)**	(4,410)	**(3,435)**	(1,088)	**(4,047)**	(2,452)	**(1,158)**	(870)
Income before taxes and interest expense — current value basis	**$ 65,091**	$ 49,679	**$ 32,432**	$ 20,853	**$ 9,659**	$ 12,738	**$ 23,000**	$ 16,088
Assets employed — historic cost basis (Note B)	**$551,600**	$485,268	**$207,540**	$192,971	**$235,038**	$198,486	**$109,022**	$ 93,811
Add: Current value adjustments — Fixed assets — net (Note C)	**238,875**	165,450	**119,264**	108,995	**77,395**	25,028	**42,216**	31,427
Inventories (Note D)	**7,386**	4,287	**2,948**	1,646	**3,706**	2,088	**732**	553
Assets employed — current value basis	**$797,861**	$655,005	**$329,752**	$303,612	**$316,139**	$225,602	**$151,970**	$125,791
After tax return (Note E)								
Historic cost basis	**9.2%**	7.6%	**11.9%**	8.3%	**4.2%**	4.8%	**14.8%**	12.3%
Current value basis	**4.8%**	4.5%	**5.7%**	4.1%	**1.8%**	3.3%	**8.8%**	7.6%

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 1980 of 41.8% (1979-40.7%) to income before taxes and interest expense.

Responsibility for Financial Statements

Management

The accompanying consolidated financial statements of John Labatt were prepared by management of the Company in conformity with generally accepted accounting principles, which, except for the change in the method of accounting for capital leases as prescribed by the Canadian Institute of Chartered Accountants, have been 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, 1980 and their report is presented on page 19.

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 their 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 external and internal 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, 1980
(wih comparative amounts for the year ended April 30, 1979)

	1980	1979
Revenue		
Gross sales	$1,341,781,000	$1,109,686,000
Less excise and sales taxes	177,701,000	159,544,000
	1,164,080,000	950,142,000
Operating costs		
Cost of products sold	744,916,000	617,228,000
Selling and administrative expenses	311,910,000	252,567,000
Depreciation and amortization	23,928,000	20,857,000
Interest — long term	16,709,000	14,082,000
— short term	7,955,000	5,245,000
	1,105,418,000	909,979,000
Operating income	58,662,000	40,163,000
Investment and sundry income	3,437,000	2,715,000
Income before taxes	62,099,000	42,878,000
Income taxes — current	19,211,000	14,802,000
— deferred	6,724,000	2,649,000
	25,935,000	17,451,000
Earnings before the following	36,164,000	25,427,000
Equity in net earnings (losses) of partly-owned businesses	1,700,000	(2,860,000)
Minority interest	(109,000)	(101,000)
Earnings before extraordinary item	37,755,000	22,466,000
Loss on sale of Brazilian brewing investment (note 2)	(1,508,000)	
Net earnings	$ 36,247,000	$ 22,466,000
Earnings per common share (note 1)		
Before extraordinary item	$3.01	$1.84
Net earnings	$2.89	$1.84
Fully diluted earnings per common share (note 1)		
Before extraordinary item	$2.76	$1.71
Net earnings	$2.65	$1.71

See accompanying notes

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Consolidated Balance Sheet

April 30, 1980
(with comparative amounts as at April 30, 1979)

Assets	1980	1979
Current		
Cash	$ 2,645,000	$ 2,838,000
Marketable securities at cost (which approximates market value)		17,336,000
Accounts receivable	115,316,000	89,657,000
Inventories (note 1)	180,520,000	151,173,000
Prepaid expenses	14,904,000	14,027,000
	313,385,000	275,031,000
Investments and other assets		
Investment in partly-owned businesses (note 3)	15,801,000	29,170,000
Investment in other companies	2,739,000	2,703,000
Mortgages, loans and advances	2,300,000	3,540,000
Due from employees under share purchase and option plans (note 5)	617,000	365,000
	21,457,000	35,778,000
Fixed at cost		
Land	15,613,000	13,617,000
Buildings and equipment	452,618,000	398,227,000
	468,231,000	411,844,000
Less accumulated depreciation	199,348,000	179,784,000
	268,883,000	232,060,000
Unamortized debt financing expense	2,703,000	1,915,000
Goodwill, licences and trademarks (note 1)	65,632,000	65,503,000
	$672,060,000	$610,287,000

See accompanying notes

Liabilities	1980	1979
Current		
Bank advances and short term notes	$ 73,640,000	$ 85,910,000
Accounts payable	92,455,000	79,423,000
Taxes payable	8,858,000	13,424,000
Dividends payable	201,000	295,000
Long term debt due within one year	3,145,000	2,707,000
	178,299,000	181,759,000
Deferred income taxes	51,847,000	45,439,000
Long term debt (note 4)	186,966,000	153,405,000
Minority interest in subsidiary company	1,203,000	1,165,000
Shareholders' Equity		
Share capital (note 5)		
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		
Nil Series A preferred shares (447,646—1979)		8,058,000
12,454,119 Class A common shares (11,637,190—1979) 257,750 Class B common shares (385,500—1979)	83,975,000	71,406,000
	83,975,000	79,464,000
Retained earnings	169,770,000	149,055,000
	253,745,000	228,519,000
	$672,060,000	$610,287,000

On behalf of the Board

P.N.T. Widdrington, Director

J.H. Moore, Director

Consolidated Statement of Changes in Financial Position

For the Year Ended April 30, 1980
(with comparative amounts for the year ended April 30, 1979)

	1980	1979
Sources of working capital		
From operations		
Earnings before extraordinary item	**$ 37,755,000**	$ 22,466,000
Net charges to earnings which do not reduce working capital	**29,721,000**	27,248,000
	67,476,000	49,714,000
Sinking fund debentures net of financing expense	**39,062,000**	
Proceeds on sale of Brazilian brewing investment	**14,900,000**	
Sale of properties and other assets	**1,706,000**	1,964,000
Shares issued under share purchase and option plans	**2,750,000**	309,000
Shares issued on conversion of subordinated debentures	**2,382,000**	4,852,000
Reduction in mortgages, loans and advances	**2,314,000**	4,305,000
Net current assets of Lamont Winery Inc. acquired on the assumption of long term debt		11,717,000
	130,590,000	72,861,000
Uses of working capital		
Dividends – preferred	**249,000**	519,000
– common	**15,283,000**	14,159,000
Land, buildings and equipment	**57,453,000**	38,550,000
Acquisition of subsidiary companies	**2,533,000**	6,616,000
Reduction in long term debt	**7,173,000**	11,282,000
Investment in partly-owned businesses	**2,195,000**	1,883,000
Increase in mortgages, loans and advances	**1,074,000**	1,655,000
Goodwill, licences and trademarks	**1,036,000**	3,572,000
Redemption of preferred shares	**621,000**	
Other	**1,159,000**	405,000
	88,776,000	78,641,000
Increase (decrease) in working capital	**41,814,000**	(5,780,000)
Working capital, beginning of year	**93,272,000**	99,052,000
Working capital, end of year	**$135,086,000**	$ 93,272,000

See accompanying notes

Consolidated Statement of Retained Earnings

For the Year Ended April 30, 1980
(with comparative amounts for the year ended April 30, 1979)

	1980	1979
Balance, beginning of year	**$149,055,000**	$141,267,000
Net earnings	**36,247,000**	22,466,000
	185,302,000	163,733,000
Dividends		
—preferred ($ .75 per share 1980; $1.00 per share 1979)	**249,000**	519,000
—common ($1.23 per share 1980; $1.19 per share 1979)	**15,283,000**	14,159,000
	15,532,000	14,678,000
Balance, end of year	**$169,770,000**	$149,055,000

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, 1980 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, 1980 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 except for the change in the method of accounting for capital leases as prescribed by the Canadian Institute of Chartered Accountants referred to in note 6 to the consolidated financial statements, with which change we concur.

London, Canada.
June 9, 1980

Clarkson Gordon
Chartered Accountants.

Notes to the Consolidated Financial Statements

April 30, 1980

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
Inventories, prepaid expenses, fixed and other long term assets, long term debt and depreciation provisions	– at historical rates of exchange

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.

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 9½% 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 date of issuance.

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

Basic	1980	1979
Weighted average common shares	12,458,475	11,904,265
Fully Diluted		
Common shares outstanding, end of year:		
Class A	12,454,119	11,637,190
Class B	257,750	385,500
Common shares which may be issued upon the:		
Conversion of 9½% Convertible Subordinated Debentures	1,408,329	1,538,904
Conversion of Preferred Shares Series A	Nil	447,646
Exercise of share purchase and option plans	283,646	246,118
	14,403,844	14,255,358

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:

	1980	1979
Finished and in process	$119,512,000	$ 96,782,000
Materials and supplies	48,998,000	42,278,000
Containers	12,010,000	12,113,000
	$180,520,000	$151,173,000

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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 generally is provided on a straight line basis over the estimated useful lives of assets 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 being 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 periods not exceeding forty years (1980 – $1,202,000; 1979 – $1,151,000).

The amounts of goodwill and other intangible assets (of which $14,138,000 acquired after April 30, 1974 is subject to amortization) consist of:

	1980	1979
Licences and trademarks	**$ 6,737,000**	$ 6,563,000
Purchased goodwill	**9,212,000**	8,350,000
Excess of purchase price of shares of certain subsidiary companies over assigned value of net assets acquired	**52,893,000**	52,598,000
	68,842,000	67,511,000
Less accumulated amortization	**3,210,000**	2,008,000
	$65,632,000	$65,503,000

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 amount to approximately $4,689,000. If not recovered this amount will expire in varying amounts up to 1989.

The overall effective tax rate in 1980 was 41.8% (40.7% in 1979). In aggregate the 3% inventory tax credit and investment tax credits reduced the overall effective tax rate in 1980 by 5.8 percentage points (4.9 percentage points in 1979). Future income tax recoveries not recognized in the financial statements increased the overall effective tax rate in 1980 by 2.4 percentage points (1.2 percentage points in 1979).

Research and Development Costs

Research and development costs, which amounted to $3,710,000 in 1980 ($2,900,000 in 1979), have been charged to earnings.

2. Loss on Sale of Brazilian Brewing Investment

In April 1980 the corporation disposed of its 29.8% equity interest in Cervejarias Reunidas Skol-Caracu S/A, for $14,900,000 represented by a note due July 24, 1980 payable in Canada. This note is included in accounts receivable in the accompanying consolidated balance sheet. The sale resulted in an extraordinary loss of $1,508,000 net of an income tax recovery of $312,000.

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	14.0
McGavin Foods Limited (50% voting)	60.0
Toronto Blue Jays Baseball Club	45.0
Zymaize Company	50.0
United States of America	
Nana-Manning's	50.0
Trinidad	
Catelli-Primo Limited	46.4

A summary of changes in these investments is as follows:

	1980	1979
Investment, beginning of year	**$29,170,000**	$30,434,000
Add		
Share of net earnings	**1,700,000**	
Additional investment	**2,195,000**	1,883,000
	33,065,000	32,317,000
Less		
Share of net losses		2,860,000
Dividends received	**544,000**	287,000
Disposition of Brazilian brewing investment	**16,720,000**	
Investment, end of year	**$15,801,000**	$29,170,000

4. Long Term Debt

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

	1980	1979
Sinking fund debentures		
6¼% Series C to mature May 15, 1981	**$ 640,000**	$ 1,048,000
6¼% Series D to mature June 15, 1987	**3,597,000**	3,770,000
6¼% Series E to mature October 1, 1989	**2,501,000**	2,901,000
7⅛% Series F to mature April 15, 1992	**4,200,000**	4,500,000
9¼% Series G to mature September 1, 1990	**23,883,000**	25,101,000
8¼% Series H to mature March 1, 1993	**26,885,000**	27,670,000
9% Series I to mature March 15, 1994	**28,393,000**	28,970,000
11⅛% Series J to mature October 1, 1999	**40,000,000**	
9½% Convertible Subordinated Debentures to mature June 1, 1995	**25,702,000**	28,085,000
Term bank loan repayable May 1, 1980 to May 1, 1982	**5,000,000**	6,000,000
Term bank loan repayable July 1, 1983 to June 30, 2003 at discounted amount	**23,800,000**	23,193,000
	184,601,000	151,238,000
Advances, mortgages and other long term liabilities	**4,449,000**	4,874,000
Obligations under capital leases	**1,061,000**	
	190,111,000	156,112,000
Less portion due within one year included in current liabilities	**3,145,000**	2,707,000
	$186,966,000	$153,405,000

The term bank loan repayable July 1, 1983 to June 30, 2003, has rates of interest to maturity significantly below market rates at the date of assumption. The principal balance of this loan at both April 30, 1980 and April 30, 1979 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 10⅜% to an amount of $23,800,000 ($21,158,000 U.S.) at April 30, 1980 and similarly to an amount of $23,193,000 ($20,623,000 U.S.) at April 30, 1979. Earnings of the corporation reflect interest expense calculated at a rate of 10⅜% on this discounted amount. This term bank loan is secured by a charge on the assets of certain United States subsidiary companies.

Maturities and sinking fund requirements for the years 1981 through 1985 are $3,145,000; $5,726,000; $6,098,000; $6,465,000 and $6,192,000 respectively.

The 9½% convertible subordinated debentures are convertible on or before June 1, 1985 at the holder's option 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, 1980 the corporation had satisfied all of the convenants under the trust deed relating to the debentures.

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 $26,770,000 at April 30, 1980 ($32,305,000 at April 30, 1979). If translated at the rates of exchange in effect at the balance sheet dates these obligations would have amounted to $28,440,000 at April 30, 1980 ($33,879,000 at April 30, 1979).

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.

The Preferred Shares Series A which had not been converted to Class A common shares by February 15, 1980 were redeemed at par for cash.

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, 1980 these shares were allocated as follows:

Under option	370,350
Issued	190,953
Reserved for Employee Share Purchase Plan maturing in June 1981	72,457
Available for future issuance or option to employees	116,240
	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 (370,350 allotted under this by-law and 2,415 allotted under a previous by-law), as of April 30, 1980 are as follows:

Plan	Number of shares	Price per share	Expiry Date
1974 Share option	2,415	$12.85	December 1984
1975 Share option	21,500	19.00	June 1981
1975 Share option	72,850	19.00	December 1983
1979 Share option	276,000	$21.75	December 1985
	372,765		

Of the 372, 765 shares under option there are 183,000 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:

	1980	1979
Officers	**$252,000**	$ 93,000
Other employees	**365,000**	272,000
	$617,000	$365,000
Number of shares	**47,893**	32,850

Shares Converted, Issued and Redeemed During the Year

During 1980 changes in the corporation's issued shares were as follows:

	Preferred Shares Series A	Common Shares
Issued and outstanding at April 30, 1979	447,646	12,022,690
Conversions	(413,172)	413,172
Issued under employee share purchase and option plans for a cash consideration of $2,750,000		145,476
Issued as a result of conversions of the 9½% convertible subordinated debentures at $18.25 per share		130,531
Redeemed	(34,474)	
Issued and outstanding at April 30, 1980	Nil	12,711,869

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 16 years. Fixed rental expense for 1980 was $6,628,000. Future annual fixed rental payments for years ending April 30 are as follows:

1981	$6,087,000
1982	5,153,000
1983	4,653,000
1984	3,907,000
1985	3,144,000

In aggregate, fixed rental payments for subsequent years and guarantees amount to $12,910,000.

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 1980, not included in the above amount is approximately $1,576,000 (1979 – $1,239,000).

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 at April 30, 1980 would have been to record a non-current asset of $3,713,000, a non-current lease obligation of $2,661,000 and a current lease obligation of $398,000. The effect of the retroactive application of these recommendations on the corporation's net earnings for both 1980 and 1979 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, 1980, fixed assets include buildings and equipment acquired under capital leases amounting to $1,108,000.

Future lease payments required under capital leases at April 30, 1980, are as follows:

1981	$ 199,000
1982	199,000
1983	177,000
1984	161,000
1985	109,000
1986 to 1990	1,281,000
Total future minimum lease payments	2,126,000
Less imputed interest	1,065,000
Present value of minimum lease payments	$1,061,000

Commitments

During 1981 the corporation plans capital expenditures of approximately $50,000,000. Of this amount $10,856,000 is represented by commitments at April 30, 1980.

Guarantees

The corporation has guaranteed various loans and payments amounting to approximately $3,130,000 in aggregate.

Contingent Liability

The corporation is contingently responsible for the liabilities of Zymaize Company, a partnership with Redpath Sugars Limited, which will operate a plant, producing high fructose syrup, to be completed early in 1981. The cost of the plant is expected to be $69,000,000 which together with interest costs incurred during construction, 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 at December 31, 1979 were $11,771,000.

8. Acquisitions

During the year the corporation acquired for cash two businesses whose operations are similar to those carried on by the corporation. 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	$1,615,000	$2,997,000	$4,612,000
Less liabilities assumed	904,000	759,000	1,663,000
Identifiable net assets acquired	711,000	2,238,000	2,949,000
Excess of purchase price over assigned values of identifiable net assets		295,000	295,000
Purchase price	$ 711,000	$2,533,000	$3,244,000

9. Remuneration of Directors and Officers

During 1980 the total remuneration paid to fifteen of the corporation's twenty directors, as directors, was $211,000 and to four of these directors as directors of subsidiary companies was $11,000.

The corporation's nineteen officers received remunerations totalling $2,048,000. The five officers who served as directors received no additional remuneration as directors.

10. The Companies Act (British Columbia)

The Companies 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 directors have determined at a meeting of directors and have recorded in the minutes thereof the classes of business in accordance with Section 47 of the Canada Business Corporations Act Regulations, based upon businesses of similar nature following the functional and managerial organization of the corporation as follows:

Brewing comprises the corporation's brewing activities in Canada and the United States.

The Consumer Products Group includes both food service operations and operations that produce and distribute grocery food products, confectionery and wines, in Canada and the United States.

The Agri Products Group includes operations engaged in the secondary processing of agricultural products into basic foods.

The following is a summary of key financial information on these segments expressed in thousands of dollars.

	1980		1979	
	Gross sales	Inter-segment sales	Gross sales	Inter-segment sales
Brewing	$ 603,138	$ 1,032	$ 514,227	$ 759
Consumer Products	409,329		322,468	
Agri Products	329,314	37,391	272,991	27,591
	$1,341,781	$ 38,423	$1,109,686	$ 28,350
	Capital Expenditures	Depreciation & Amortization	Capital Expenditures	Depreciation & Amortization
Brewing	$24,094	$ 11,672	$13,726	$ 11,352
Consumer Products	20,400	7,583	20,678	5,425
Agri Products	12,959	4,673	4,146	4,080
	$57,453	$ 23,928	$38,550	$ 20,857
	Contribution	Assets Employed	Contribution	Assets Employed
Brewing	$42,228	$207,540	$26,915	$192,971
Consumer Products	16,899	235,038	15,966	198,486
Agri Products	27,636	109,022	19,324	93,811
	86,763	551,600	62,205	485,268
Interest	24,664		19,327	
Income before taxes	$62,099		$42,878	
Investment in partly-owned businesses		15,801		29,170
Current liabilities, other than bank advances and short term notes		104,659		95,849
Total assets per consolidated balance sheet		$672,060		$610,287

Corporate Information

Directors

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

P.F. Bronfman, Toronto, Ontario
President, Edper Investments Ltd.
Elected 1979

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

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

E.C. Freeman-Attwood
Rio de Janeiro, Brazil
Executive Vice-President, Brazil,
Brascan Limited
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
Vice-Chairman of the Board,
John Labatt Limited
Elected 1966

J.D. Harrison, London, Ontario
Partner, Harrison, Elwood
Elected 1967

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

R. Lavoie, Montreal, Quebec
Chairman of the Board,
Crédit Foncier Franco-Canadien
Elected 1972

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

A.M. McGavin, Vancouver, British Columbia
Chairman of the Board,
McGavin Foods Limited
Elected 1969

J.H. Moore, London, Ontario
Chairman of the Board,
John Labatt Limited
Elected 1957

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

J.W. Tait, Toronto, Ontario
Executive Vice-President,
John Labatt Limited
Elected 1969

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-Consumers Home Ltd.
Elected 1970

Honorary Director

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

Committees of The Board

Executive Committee

Chairman: J.H. Moore;

J.T. Eyton, E.A. Goodman, A.S. Graydon, N.E. Hardy, J.D. Harrison, 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, R. Lavoie, H.C. Pinder, W.F. Read, J.A. Taylor (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;

J.D. Harrison, A.J. MacIntosh, J.H. Moore, 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;

J.W. Tait, M.L. Lahn, A.M. McGavin

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 for each pension fund within the organization.

Management Resources and Compensation Committee

Chairman: J.H. Moore;

E.A. Goodman, N.E. Hardy, A.J. MacIntosh

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

Corporate Officers

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

Operating Divisions

Brewing Group

S.M. Oland, Executive Vice-President, Canadian Operations
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
B.G. Elliot, Vice-President
J.H. England, Vice-President, Finance
T.R. Errath, Vice-President, Marketing
T.M. Kirkwood, Vice-President
R.B. McCuaig, Vice-President, Brewing Operations
J.J. Ranson, Vice-President, Personnel

Consumer Products Group

M. Condé, President, Chateau-Gai Wines
J.R. Corbett, President, Parnell
F. Elsener, President, Chef Francisco
W.A. Mann, Group Vice-President, U.S. Foods
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
J.F. Blakney, President, Ogilvie Flour
G.J. Dunne, President, Delmar
N.F. Kalin, President, IGP
P. Labrecque, President, Mushroom Division
D.G. McDougall, President, Miracle Feeds

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.

Solicitors

Harrison, Elwood, London, Ontario

Auditors

Clarkson Gordon
Chartered Accountants, London, Ontario

For further information please write:

Investor Relations
John Labatt
Box 5050
London, Ontario N6A 4M3

Eight Year Review

	1980	1979	1978	1977	1976	1975	1974	1973
Operations Data (thousands)								
Gross sales	**$1,341,781**	$1,109,686	$997,263	$922,194	$837,218	$727,457	$603,014	$517,685
Income before taxes	**62,099**	42,878	52,180	46,817	39,376	36,462	39,840	36,854
Income taxes	**25,935**	17,451	19,729	20,500	16,741	15,122	18,801	16,750
Earnings before extraordinary items	**37,755**	22,466	33,895	28,065	24,327	22,176	22,564	20,435
Net earnings	**36,247**	22,466	33,895	28,065	26,873	22,176	22,564	17,836
Cash income	**67,476**	49,714	56,513	50,860	45,639	38,121	39,609	32,447
Dividends paid								
– preferred	**249**	519	695	1,147	2,264	2,802	2,916	2,991
– common	**15,283**	14,159	13,094	12,237	10,079	9,219	8,153	7,783
Capital expenditures	**57,453**	38,550	36,506	22,926	25,956	28,328	27,415	23,086
Financial Data (thousands)								
Working capital	**135,086**	93,272	99,052	98,984	90,992	54,050	67,062	43,470
Land, buildings and equipment – net	**268,883**	232,060	201,334	183,314	177,647	169,211	150,723	135,740
Long term debt	**186,996**	153,405	142,146	145,985	146,950	116,185	118,632	91,093
Shareholders' equity	**$253,745**	$228,519	$215,571	$194,809	$179,437	$164,904	$154,170	$142,671
Ratios and Percentages								
Earnings before extraordinary items as a percent of gross sales	**2.81%**	2.02%	3.40%	3.04%	2.91%	3.05%	3.74%	3.95%
Ratio of current assets to current liabilities	**1.76**	1.51	1.84	2.16	2.13	1.45	1.82	1.65
Long term debt as a percent of capital employed	**37.86%**	35.80%	35.43%	38.66%	41.23%	37.86%	40.27%	36.61%
Per Common Share Data								
Earnings before extraordinary items	**$ 3.01**	$ 1.84	$ 2.89	$ 2.45	$ 2.24	$2.09	$ 2.15	$ 1.93
Fully diluted earnings before extraordinary items	**2.76**	1.71	2.53	2.12	1.89	1.84	1.87	1.70
Dividends paid	**1.23**	1.19	1.14	1.09	1.03	.98	.89	.86
Cash income	**5.40**	4.13	4.86	4.52	4.41	3.81	4.01	3.26
Shareholders' equity	**19.96**	18.34	17.67	15.89	14.25	12.33	11.14	9.79
Price range – high	**26 ½**	24 ⅝	22 ⅛	18 ⅜	21	25 ⅞	27 ⅞	31 ¾
Price range – low	**$20 ¼**	$19 ¼	$16 ⅞	$14 ¾	$16 ¼	$12 ⅝	$20 ¼	$23 ⅞
Statistical Data at Year End								
Number of shares outstanding								
– preferred	**Nil**	447,646	605,080	828,173	1,856,987	2,762,918	2,869,209	2,975,564
– Class A common	**12,454,119**	11,637,190	11,111,354	10,821,717	9,857,004	9,092,440	8,964,933	9,098,325
– Class B common	**257,750**	385,500	471,255	499,441	392,908	251,391	239,933	
Number of shareholders								
– preferred	**Nil**	2,496	2,935	3,573	4,735	5,293	5,540	5,970
– common	**12,365**	11,024	12,238	10,717	9,385	9,205	9,110	9,300
Number of employees	**13,100**	12,750	12,350	12,100	12,150	11,600	11,500	10,100

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