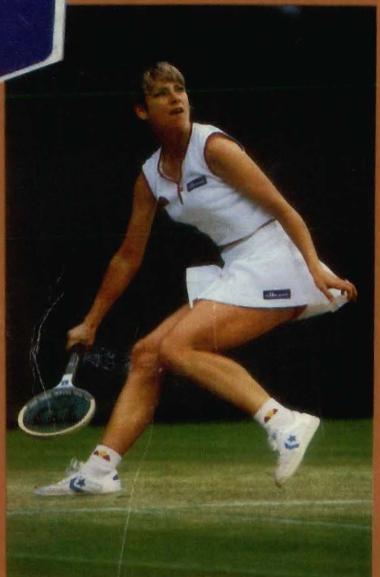
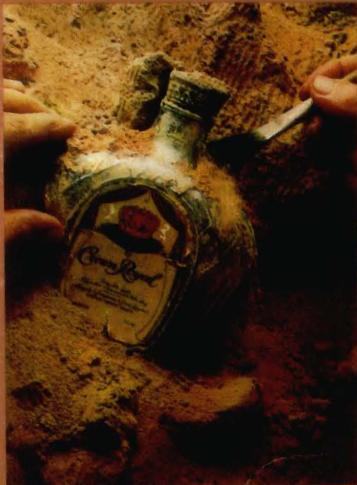




The
Seagram
Company
Ltd.

Annual
Report
1982





The Seagram Company Ltd. is the world's largest producer and marketer of distilled spirits and wines, with subsidiaries and affiliates in twenty-nine countries on six continents.

Sales were \$2.8 billion, and operating income rose to \$291.3 million. Earnings per share were a record \$8.85, and book value per share rose to \$83.83. During the year the Company purchased 5 million of its shares.

The Company has a 21.3 percent interest in E.I. du Pont de Nemours and Company and received dividends after taxes of \$110.3 million in 1982. Equity in Du Pont's unremitted earnings was \$75.8 million.

Fiscal 1982 was a year full of events of relevance and interest to the Company. Some of the year's visual highlights are suggested on the cover and shown in more detail beginning on page 5.

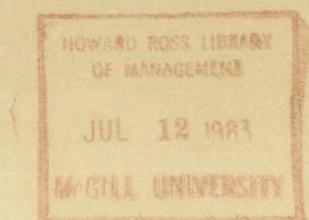
Highlights

The Seagram Company Ltd. and Subsidiary Companies

(U.S. dollars in thousands, except per share amounts)

	1982	1981	1980
Spirits and Wine Revenues	\$2,826,184	\$2,772,733	\$2,534,952
Spirits and Wine Operating Income	291,331	273,562	239,744
Income After Income Taxes:			
Spirits and Wine	111,287	98,643	74,342
Dividends Received (1982) and Interim Investment Income (1981)	110,285	180,187	—
Equity in Unremitted Du Pont Earnings	75,796	—	—
U.S. Oil and Gas	—	6,802	68,105
Total Business Segments	297,368	285,632	142,447
Interest Expense Related to Share Repurchase	(17,927)	—	—
Extraordinary and Sundry Credits*	—	1,238,125	15,770
Net Income	\$ 279,441	\$1,523,757	\$ 158,217
Earnings Per Share:			
Income from Operations, Dividends and Interim Investments	\$6.45	\$ 7.95	\$ 2.12
Equity in Unremitted Du Pont Earnings	2.40	—	—
U.S. Oil and Gas	—	.19	1.94
Extraordinary and Sundry Credits*	8.85	8.14	4.06
Net Income	\$8.85	\$43.44	\$ 4.51
Dividends Paid Per Share	\$1.70	\$1.325	\$1.063

*Includes the 1981 gain on sale of U.S. oil and gas properties, the 1980 gain on sale of office building and the 1981 reversal of deferred income taxes provided in 1980 relating to United Kingdom stock appreciation relief.



For a more detailed report of the results of the year, shareholders should refer to the Financial Review, which begins on page 14.

The spirits and wine business grew modestly in the relatively mature North American market. Several of the Company's premium brands—notably Crown Royal, The Glenlivet and Myers's Original Dark Rum—registered solid sales gains. Seagram's Gin outperformed the category as a whole and maintained its position as the top-selling gin in the U.S. In 1982, the Company produced and sold the 300 millionth case of Seagram's 7 Crown Whiskey, a milestone we believe is unique in the history of the spirits industry.

The combination of prolonged high unemployment and persistent inflation generally depressed demand for spirits and wines. There were some bright spots, however. In Canada, our total spirits business maintained its share of market. Sales of B&G red and white wines were up substantially, outperforming the table wine category as a whole, and Paul Masson held its large share of the growing California wine market in Canada.

Changing tastes and preferences among North American consumers continue to have a significant effect on spirits and wine sales. The Scotch whisky market, for example, declined as a whole in 1982, adversely affecting sales of the Company's brands in that category. Those same changing tastes and preferences also contributed to the growing success of a number of Seagram's new products. Led by the increasing sales of Myers's Original Dark, two new Myers's Rums—Golden Rich and Platinum White—also are making inroads in the premium segment of the rum category in the U.S.

Nineteen eighty-two was another year of solid progress for The Seagram Company Ltd. Operating earnings were strong, despite a worldwide recession that restricted growth in most of the countries in which the Company does business. During the year, the Company increased its equity holding in E.I. du Pont de Nemours and Company. Seagram also purchased 5 million of its own shares.

The recession that battered businesses the world over restricted revenue growth in 1982. Foreign revenues and operating income did grow in local currency terms, but because of the strength of the U.S. dollar relative to other currencies, those gains were depressed somewhat in the process of translating results for financial reporting purposes. Nonetheless, the Company recorded spirits and wine sales of \$2.8 billion, an increase of 1.9 percent over fiscal 1981. Operating income rose 6.5 percent to \$291.3 million.

Net income declined to \$279.4 million from \$301.3 million before an extraordinary item last year, reflecting the interest expense associated with the purchase of the 5 million Seagram shares during the year and the absence of a special 1981 credit relating to deferred taxes. On a per-share basis, however, net income increased to \$8.85, compared with the previous year's \$8.59 before an extraordinary gain, as a result of fewer shares outstanding. The Company reports all amounts in United States dollars.

Masson Light—a wine from Paul Masson with one-third fewer calories—was successfully introduced across America. Masson Light Chablis and Rosé each quickly gained popularity among consumers, selling a total of more than one million cases in their first year; the line has been expanded to include a “light” Rhine wine as well. Black Tower, a German white wine, and Partager, a moderately priced French *vin de table*, grew from their solid bases established last year. Both brands are backed by a substantial advertising and promotion effort.

Nineteen eighty-two also saw the introduction of several new products that have the potential to contribute to growth in future years. Among them were Myers's Original Rum Cream and Captain Morgan Spiced Rum. With the growing popularity of mixable spirits, the rum category represents a key growth opportunity for the Company.

Overseas Expansion Continues

Seagram further expanded its involvement in overseas markets. The Company believes that international markets—particularly the less developed countries—constitute substantial growth opportunities.

There were some notable successes overseas in 1982. In its first year of operation under Seagram ownership, Wilson Distillers Ltd.—New Zealand's only licensed whisky distillery—has more than doubled Seagram's spirits earnings in that country.

Seagram's wine business was brisk in Europe with Barton & Guestier's sales in both France and export markets increasing by 35 percent. The Paul Masson carafes have become popular in a number of European countries, particularly the United Kingdom, where Paul Masson is the leading California wine.

In the Far East, the Company launched a new joint venture in Thailand when Seagram Thailand began marketing imported products last summer. Kirin-Seagram, the Company's joint venture in Japan, introduced a new super premium whisky—Crescent—to complement its two existing successful domestic whiskies, Emblem and Robert Brown.

Worldwide growth in spirits and wine operations was achieved in 1982 with minimum capital expenditures and inventory investment as sluggish and uncertain economic conditions dictated prudence.

Du Pont Position Increased

During 1982 Seagram increased its position in Du Pont. As of July 31, 1982, Seagram held 50.1 million Du Pont shares, or 21.3 percent of the total outstanding. The Company's position in Du Pont contributed \$186 million to 1982 earnings.

Three senior Seagram officers sit on Du Pont's Board. Edgar Bronfman and Harold Fieldsteel serve as Directors, and Charles Bronfman is a member of the Finance Committee as well as a Director. Seagram benefits from the presence of Edward G. Jefferson, Du Pont's Chairman and Chief Executive Officer, and Irving S. Shapiro, Du Pont's former Chairman and current Chairman of the Finance Committee, on its own Board of Directors.

Owing to a weak stock market in which the Company felt its shares were significantly undervalued, Seagram last November purchased a total of 5 million shares for \$60 per share. Book value and earnings per share were increased by this action.

New Operating Units Formed

As economies and markets evolve and change, corporations must adjust their operating structure from time to time to suit new situations and take advantage of new opportunities. Seagram made three such adjustments in 1982. The Company established a new operating entity in the United States—Joseph E. Seagram, U.S.A. William M. Wilbur, who has served the Company for five years, three of them as President of its North American marketing arm, The House of Seagram, was named to head JES/USA. The new unit supercedes The House of Seagram and is responsible for all aspects of Seagram's spirits and wine business in the U.S.

In a parallel move in Canada, Gabor Jellinek was named President of Joseph E. Seagram & Sons, Limited. Mr. Jellinek has been with the Company since 1957 and had previously been Executive Vice President and Chief Operating Officer of the Company's Canadian operating unit.

Earlier in the year, the Company established The Seagram Wine Companies to direct its wine operations in the U.S. The move reflects a significant intended expansion of Seagram's commitment to the wine business in North America and worldwide. Michael P. H. Cliff, formerly President of Seagram's Gold Seal Vineyards, has been named to head the new wine group.

During the year, Ian D. Sinclair and Iain M. Tennant retired from the Board of Directors. The Company is extremely grateful for their outstanding service. Fortunately, we will continue to have their

wise counsel since both men have agreed to remain as Honorary Directors. We are pleased to report that David M. Culver, President and Chief Executive Officer of Alcan Aluminium Ltd., joined the Board in March.

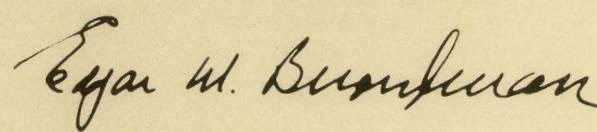
The Company's senior management was also strengthened during the year by two appointments. Richard Karl Goeltz, formerly Treasurer, was named Vice President and Treasurer. Arnold M. Ludwick joined the Company from Cemp Investments as Vice President, Financial Analysis.

In 1982, as in almost any year, the Company passed many milestones, hit numerous high points, and became involved with people, places and projects few of us could have foreseen a decade or more ago. The following pages capture some of these events—from production of the 300 millionth case of 7 Crown to our support of symphony orchestras across Canada. These are more than highlights of 1982: They are pieces of Seagram history that we believe we will always look back on with pride.

Seagram's quarterly dividend was increased, effective in December 1981, to \$0.45 per share in U.S. currency. Previously the quarterly dividend had been \$0.35 per share. Dividends paid for the year totaled \$1.70 per share, an increase of 28 percent over fiscal 1981.

We wish to thank our shareholders, employees and customers for their continued support and loyalty.

On behalf of the Board,

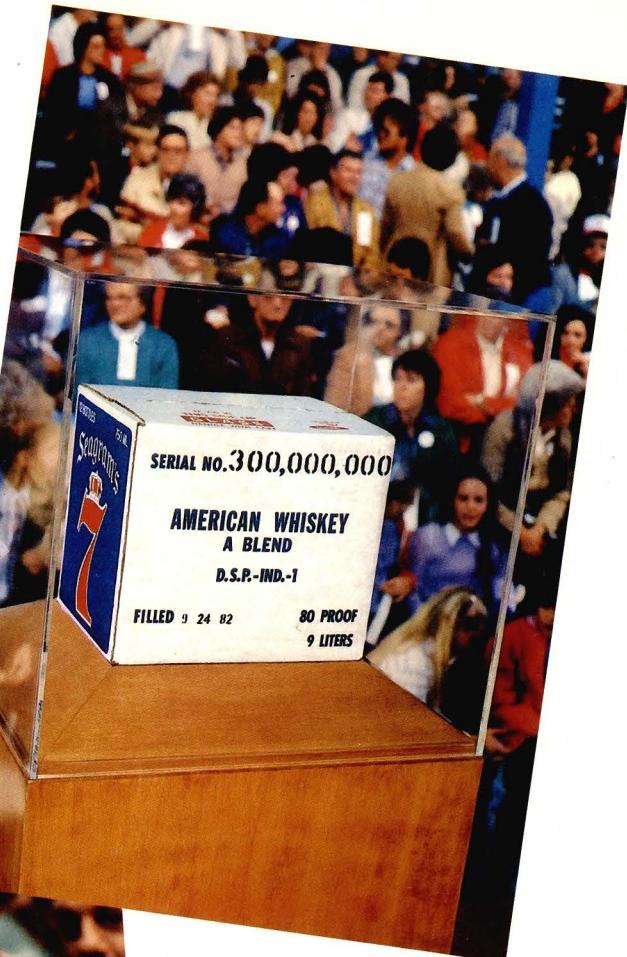


Edgar M. Bronfman
Chairman

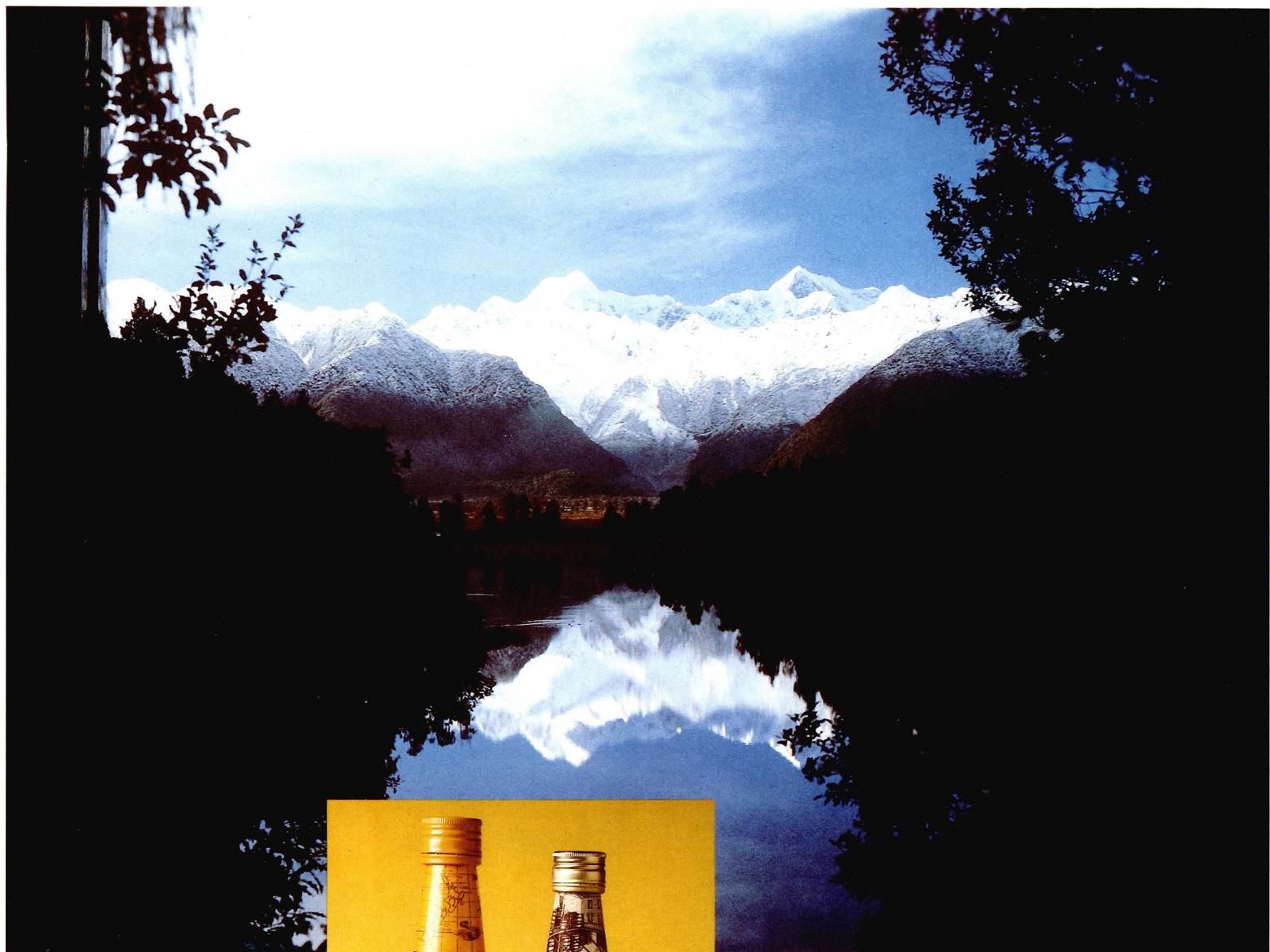
September 16, 1982

'82

Visual Highlights of the Year



During 1982 Seagram produced the 300 millionth case of 7 Crown Whiskey, a milestone never before reached by any brand. Federal, state, local and Company officials gathered in Lawrenceburg, Indiana, for two days of festivities to celebrate the event. There was a marching band, a fife and drum corps and an old-fashioned picnic for employees, with bluegrass and country music. On hand was John Doenges, who hand-stenciled the serial number on the case, assisted by his brother, Ray. Both have been with Seagram since 1936. 7 Crown, one of America's first national brands, was introduced in 1934; by 1947 it was the best-selling brand in the U.S.



There is growth potential for Seagram in many markets around the world, and the Company strengthened its position in a number of them this past year. One is New Zealand, where pure mountain spring water and a climate similar to that in parts of Scotland add to the quality of these locally made whiskies. They became part of Seagram's line this year with the purchase of Wilson Distillers Ltd., the country's only whisky producer. The success of 45 South and Wilson's set the stage for Dunbar, a premium whisky which was introduced in March.

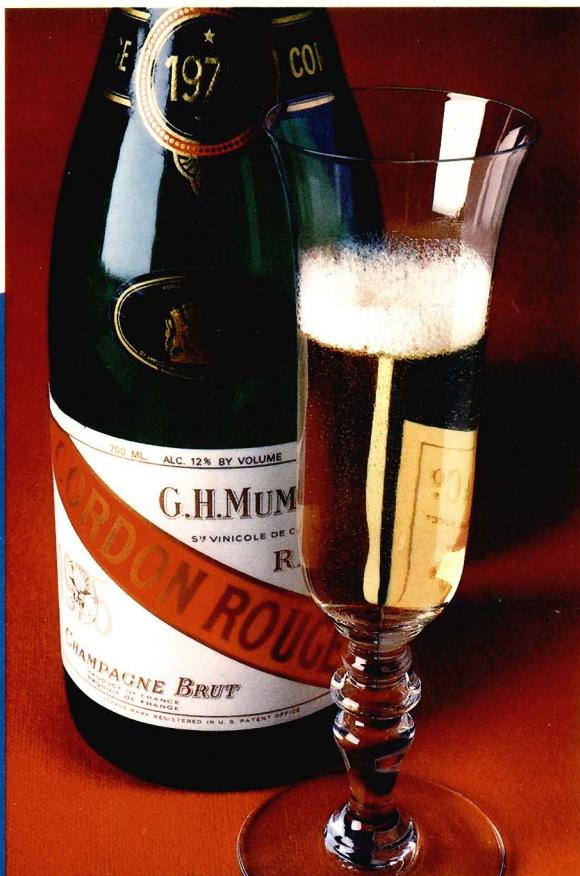
Crescent, a super premium whisky introduced this year in Japan, has already built a strong following in a very competitive market. Its success there follows that of Emblem and Robert Brown, two other Company brands.

Seagram has gained unique access to the South Korean market through a joint venture with Oriental Brewery, the country's largest maker of beer. OB-Seagram dedicated a new blending and bottling hall this year, which produces premium quality Blackstone Whisky, and also completed construction of Korea's first malt distillery.



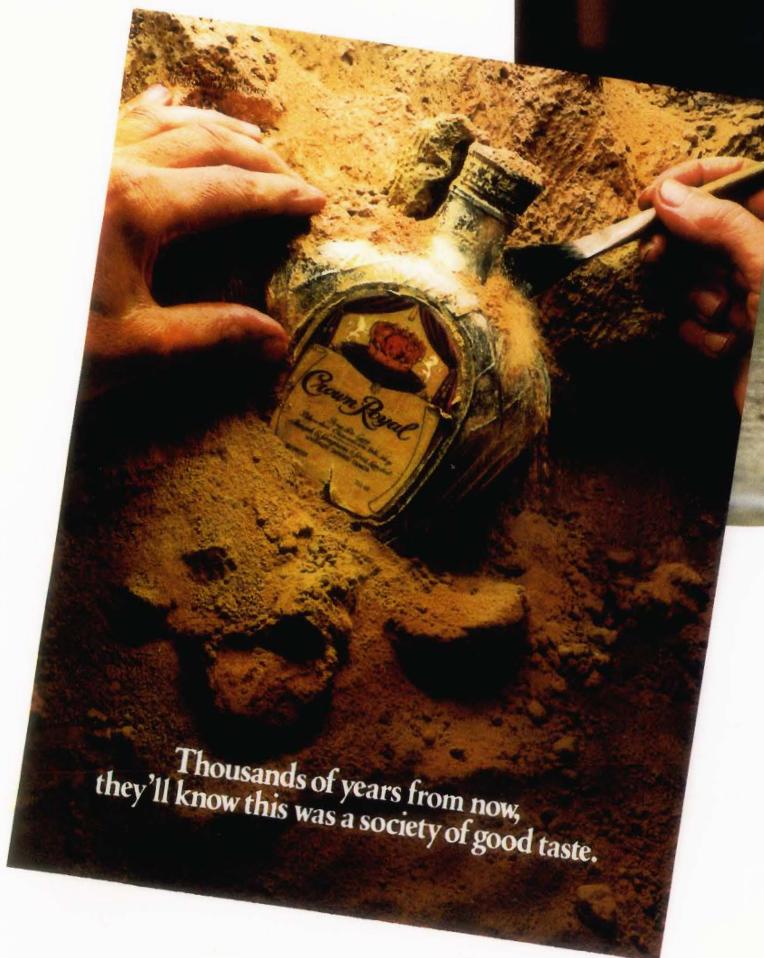
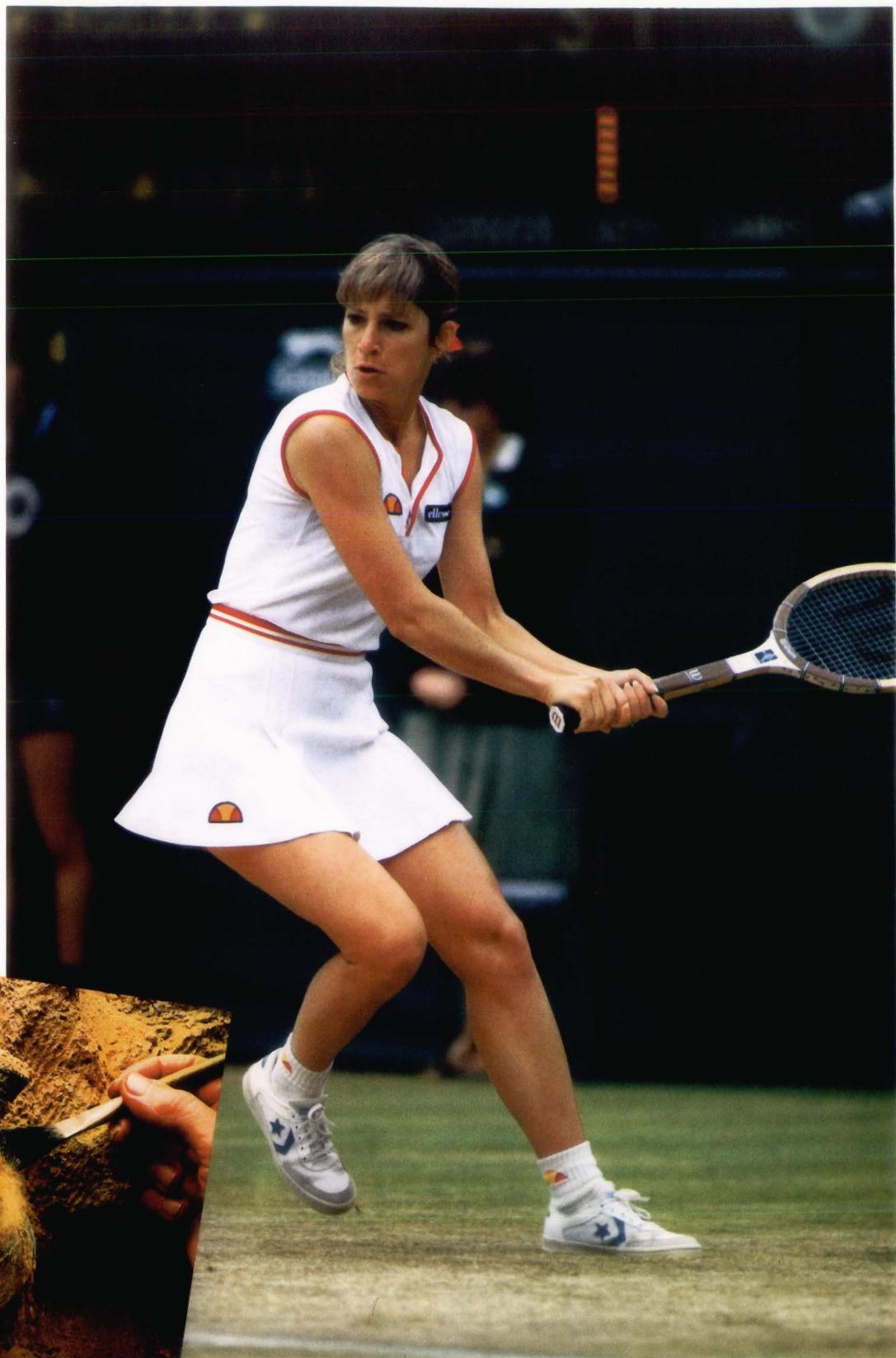
Thai consumers have had Seagram products available to them for more than two decades, but its marketing capability has now been augmented through a recently formed joint venture with the leading Thai spirits company. The new company is called Seagram Thailand.

Sponsorship of athletic competition and great sporting events has long been popular with beverage companies. Among Seagram's associations are the America's Cup and 7 Crowns of Sports.



Outstanding athletes in 7 sports are honored each year with Seagram's 7 Crowns of Sports awards, which judge excellence on a computer-based rating system. In April Chris Evert Lloyd was crowned for the fifth time; she later won her sixth U.S. Open championship.

Yachtsmen from around the world have already gathered in Newport, Rhode Island, to begin preparing for the America's Cup trials and the 25th defence next year. Official champagne sponsor of the event, Mumm will also present a retrospective exhibition of America's Cup art since 1851, opening in Newport this fall.



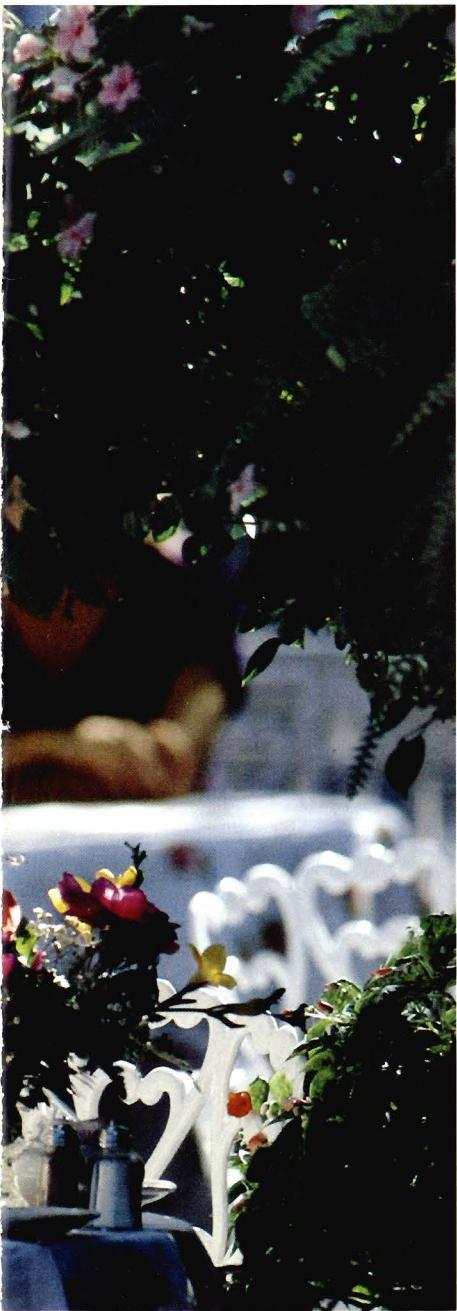
Thousands of years from now, they'll know this was a society of good taste.

Great advertising has helped build such distinctive brands as Chivas Regal and Crown Royal.

Many "experts" argued that European consumers would never accept wines in carafes, but Paul Masson carafes are a major success in the United Kingdom and countries on the continent. Most recently, they were introduced in Germany, potentially a very large market.



When the DeJean twins, Justin and Richard, graduated near the top of their class at a New York City high school, they were also twin winners of four-year Seagram Scholarships which pay all tuition and academic fees. Since 1961, more than 135 children of employees have received Seagram Scholarships to 80 different colleges and universities of their choice in the U.S. and Canada.



Masson Light has sold more than a million cases in its initial year. The first light wine to be made from fully ripened grapes, Masson Light is now available in three varieties, Light Chablis, Light Rhine and Light Rosé.

The new, moderately priced Cuvée Spéciale red and white wines have had great success in Canada. Led by the always popular Prince Blanc and Prince Noir Bordeaux, sales of B&G wines in Canada rose 49 percent this year.

Through the Guest Artist Series, designed to encourage and develop Canadian talent, and the Celebrity Concerts, Seagram helps bring music to cities large and small across Canada. Among the more than 40 symphony orchestras receiving grants is the Huronia of Barrie, Ontario, shown here in concert.





Some people and some groups appear to be more susceptible to alcohol and alcoholism than others. Why this is so and the answers to related questions are the subject of a \$5.8 million Seagram research grant, one of the largest ever made by private industry. World-renowned scientist Dr. Bert Vallee (left) directs the project, now in its second year, at the Harvard Medical School.



French cowboys are featured in TV ads for Partager, a new B&G vin de table which is well on its way to becoming a million-case brand. After only two years it is already the largest selling French wine in the U.S.

Should you drink if you're pregnant?

The question is very much in the news these days.

Studies are being done in many countries to determine the effect of alcohol on unborn children, but because the investigation is still so young, and because mothers' lifestyles are so varied, medical people have yet to reach a unanimous conclusion.

Now we're not doctors or scientists, but we have some good advice to offer you.

If you drink, it's more important than ever to be moderate. Too much beer, wine or spirits can be harmful to the child you're carrying—and not good for you, either.

Because you want to do what's best for both of you, you'd be wise to ask your doctor for guidelines. Then, of course, follow them—even if the decision is not to drink during your pregnancy.

After all, nothing is more worth celebrating than the birth of a healthy child.

Seagram

We believe in moderation and we've been saying so since 1934.



Seagram's landmark, award-winning campaign urging moderation in the use of the Company's products entered its 48th year. It squarely faces up to such social concerns as drinking and driving and drinking while pregnant.



Financial Report

Contents

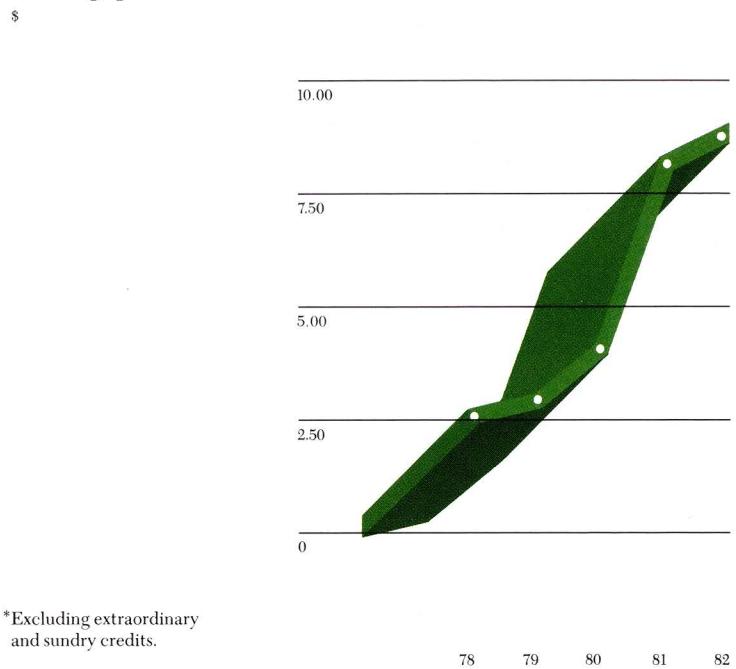
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Highlights

The financial results for the year ended July 31, 1982, reflect the successful redeployment of the Company's assets following the sale of the U.S. oil and gas properties in early fiscal 1981 and the continuing strength of the spirits and wine operations.

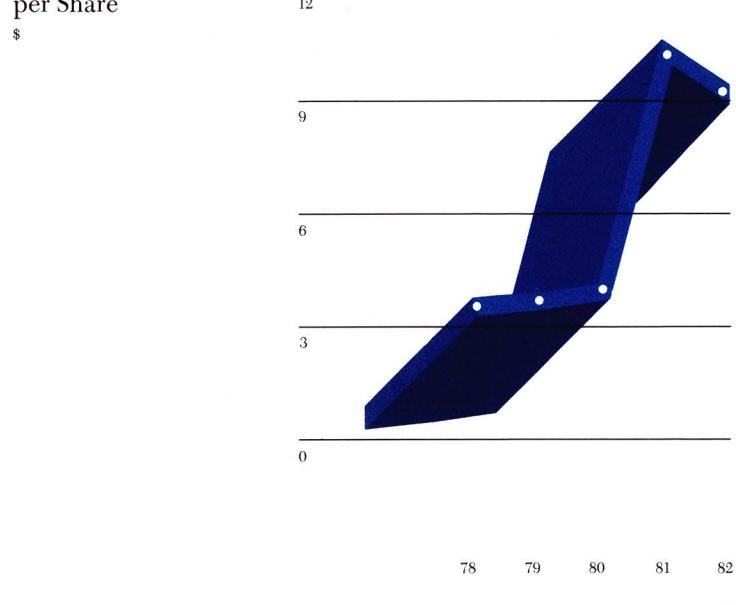
- Fiscal 1982 earnings of \$297.3 million, before interest related to the November 1981 share repurchase, increased 4.1 percent over 1981 and were double those of 1980, the last full year in which the U.S. oil and gas properties were owned. Income for 1982, which includes Seagram's share of Du Pont earnings from August 17, 1981, to June 30, 1982, more than tripled earnings five years ago.
- Dividends received from Conoco and Du Pont were \$118.5 million. If the Du Pont shares had been held for the entire year, Seagram would have received \$138 million based upon a Du Pont payment of \$2.75 per share annually.
- Spirits and wine income advanced again in 1982 despite a difficult economic climate worldwide.
- Book value per share rose to almost \$84.00; at year-end 1980 it was \$37.46. In November 1981 the Company repurchased 5,000,000 of its shares at \$60.00 per share, thereby reducing the number of shares outstanding by 14 percent.
- Dividends paid per share rose 28 percent; during 1982 the annual dividend rate was increased \$0.40 per share to \$1.80, a 29 percent increase.

Earnings per Share*



*Excluding extraordinary and sundry credits.

Funds Provided from Operations, Dividends and Interim Investments, per Share



Earnings Summary

The 1982 after-tax income, excluding interest expense related to a share repurchase and extraordinary and sundry credits, rose 4.1 percent, after a doubling in 1981 of 1980 after-tax income.

(millions)	1982	1981	1980
After-tax income			
Spirits and wine	\$111.3	\$ 98.6	\$ 74.3
Dividends received, after \$8.2 million income tax	110.3	—	—
Interest on interim investments, after income tax	—	180.2	—
Equity in unremitted Du Pont earnings	75.7	—	—
U.S. oil and gas (discontinued)	—	6.8	68.1
After-tax income before undernoted items	297.3	285.6	142.4
Interest expense related to share repurchase	(17.9)	—	—
Extraordinary and sundry credits	—	1,238.2	15.8
Net income	\$279.4	\$1,523.8	\$158.2

The notes to the financial statements discuss the restatement of net income to reflect Financial Accounting Standard No. 52.

Spirits and Wine

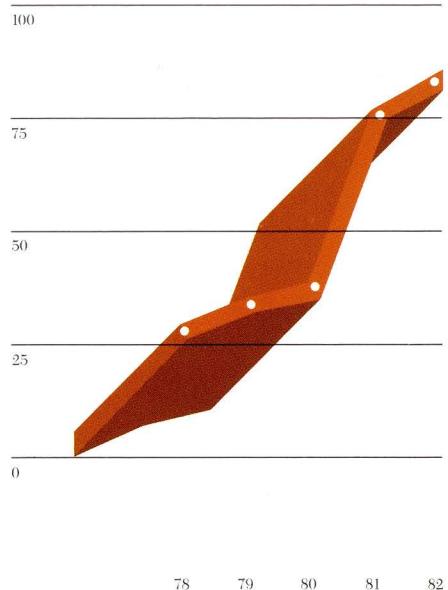
The results of operations for spirits and wine were:

(millions)	1982	1981	1980
Revenues	\$2,826.2	\$2,772.7	\$2,535.0
Operating income	291.3	273.6	239.7

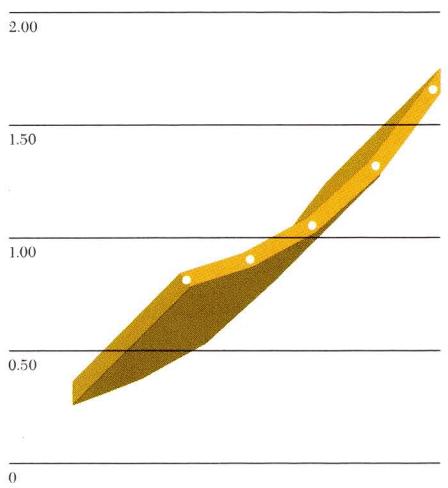
The above data include oil and gas activities in Canada and internationally, which were not material.

Seagram is the world's largest producer and marketer of distilled spirits and wines, with subsidiaries and affiliates in twenty-nine countries on six continents. The Company's traditional strength has been in North America where it is the industry leader engaged in all aspects of spirits and wine production and marketing; in other countries, operations consist of one or more of the following activities: distillation, production of wines, sales of local products and distribution of imported goods manufactured principally by affiliates.

Book Value per Share
\$



Dividends per Share
\$



Revenues advanced slightly in 1982, following a 9.4 percent gain the prior year. In both periods, significant factors in these increases were higher selling prices and a relatively greater proportion of sales of premium products. Unit volume declined somewhat in 1982 and was unchanged in 1981. The strength of the U.S. dollar negatively affected 1982 sales revenue and operating income of overseas affiliates. In 1982 the Company began consolidating its proportionate share of the operations of Kirin-Seagram Ltd. Refer to the Report of the Directors to the Shareholders on pages 2 to 4 regarding recent marketing developments.

In the market outside North America, representing 34 percent of revenues excluding excise taxes, management is aggressively seeking to expand existing operations, to initiate new ventures and to make acquisitions. The Company has established a worldwide consumer franchise for its premium products and is strengthening the market's acceptance for the brands manufactured and sold by foreign affiliates. The Company views the area outside North America as having the greater potential for future growth.

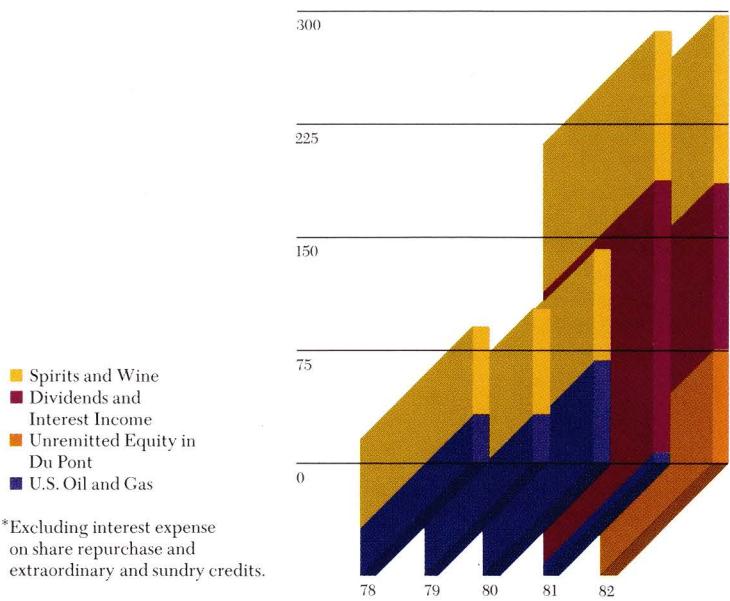
To establish and maintain a consumer franchise for Seagram products, substantial expenditures worldwide are made for advertising and sales promotion. In 1982 these outlays were \$263 million, an increase of 9 percent over the prior year.

Emphasis continues to be on premium products, which have relatively greater profit margins. As a result of this strategy, operating income increased 6.5 percent in 1982 to a record \$291 million, following a 14.1 percent advance in 1981. Operating income as a percentage of revenue reached a new high of 10.3 percent in 1982, compared with 9.9 percent in 1981 and 9.5 percent in 1980.

Inflation-adjusted data are presented on page 31, using the current cost method of accounting required by Financial Accounting Standard No. 33. Management is cognizant of the effects of inflation on operating profits and makes decisions to maintain real earnings and profitability.

Income*

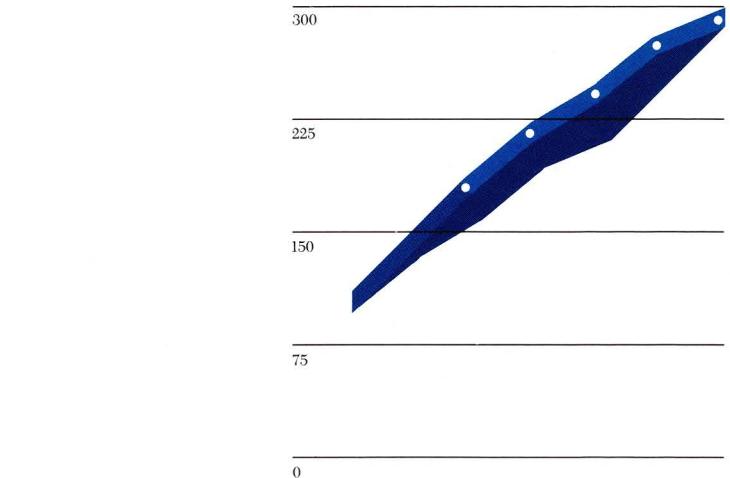
\$ millions



*Excluding interest expense on share repurchase and extraordinary and sundry credits.

Spirits and Wine Operating Income

\$ millions



Dividends Received and Du Pont Investment

Following the 1981 sale of its U.S. oil and gas properties for \$2.3 billion, Seagram obtained 47,400,377 shares of Du Pont through a tender offer for Conoco Inc. In fiscal 1982 Seagram acquired additional shares in the market at an average price of \$32.31, and now holds 50,116,677 shares, or 21.3 percent. Du Pont is the largest chemical company in North America and, with its acquisition of Conoco, has significant reserves of and operations in oil, gas and coal. For the twelve-month period ending June 30, 1982, it had approximately \$32 billion in revenues, assets of \$25 billion and earnings of \$1.1 billion. Du Pont in the past has paid dividends regularly, which from 1977 to 1981 increased 43 percent, from \$1.92 to \$2.75 per share.

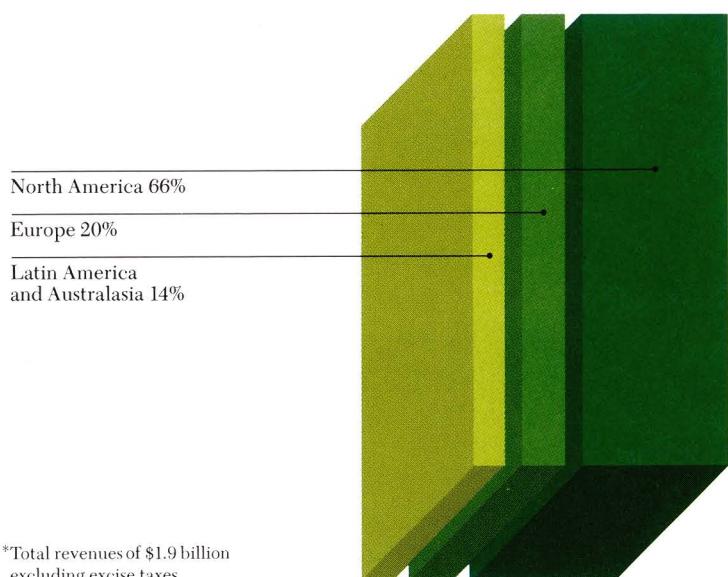
Extraordinary and Sundry Credits

The Company recognized an extraordinary gain of \$1.2 billion after taxes on its 1981 sale of U.S. oil and gas properties to Sun Company. Seagram retains a reversionary interest of 25 percent of future income from producing properties and 49 percent of future income from non-producing properties. Seagram may benefit from the reversionary interest after Sun has realized certain investment criteria. At the present time, the precise value of the reversionary interest is uncertain because it is dependent on future oil and gas prices and the success of Sun's exploration and development activities; therefore, no value has been assigned to it in the balance sheet.

As a means of reducing the effect of inflation, the United Kingdom has allowed a deferral of income taxes (Stock Appreciation Relief, or SAR) since 1973. The law changed several times, and in 1981 this income tax benefit became virtually permanent. Accordingly, in 1981 the Company recorded a sundry credit of \$15.6 million for the reversal of SAR-related deferred taxes provided in 1980.

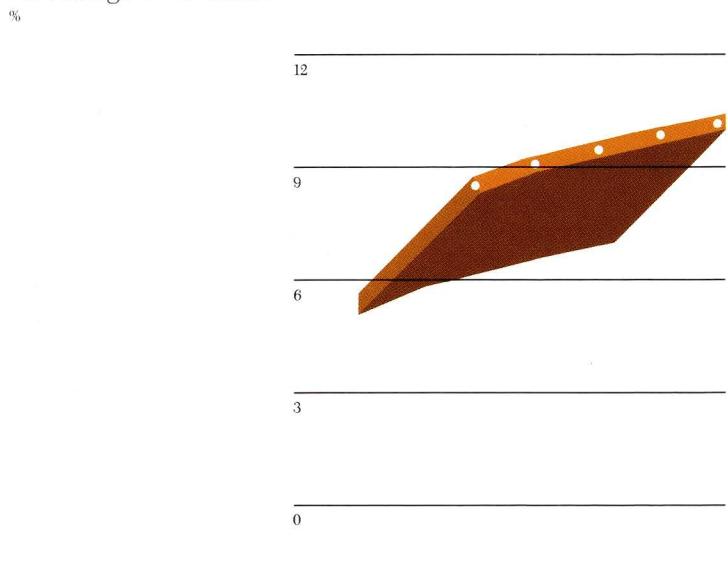
In 1980, the Company sold its New York office building for \$70.5 million and realized a \$15.8 million after-tax gain. An agreement was simultaneously entered into to sell the land later for \$15 million.

1982 Revenues*



*Total revenues of \$1.9 billion
excluding excise taxes.

Operating Income as a Percentage of Revenues



Cash Flow, Asset Management and Debt Levels

A summary follows of the Company's cash flow generated from operations and investments and the use of these funds:

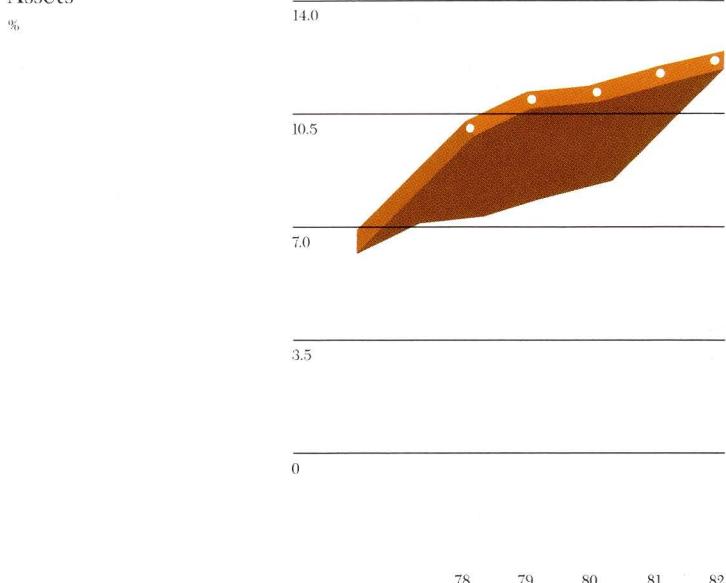
(millions)	1982	1981	1980
Funds provided by spirits and wine operations	\$176.1	\$178.3	\$137.2
Funds provided by dividends (1982) and interim investments (1981)	110.3	180.2	—
Total funds provided	286.4	358.5	137.2
Decrease (increase) in funds invested in operations, net	6.6	(74.0)	(116.0)
Net funds available	\$293.0	\$284.5	\$ 21.2
Dividends paid to shareholders	\$ 52.9	\$ 46.5	\$ 37.3

Funds provided per share were \$9.07 in 1982, \$10.22 in 1981 and \$3.91 in 1980.

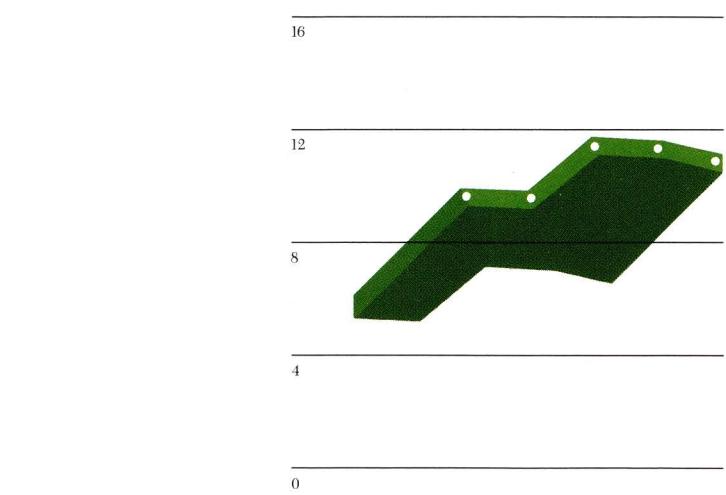
The Company borrows funds in different currencies from various sources. Financing costs in 1982 primarily resulted from: substantial investment in assets to support the spirits and wine operations (\$112.6 million interest expense); acquisition of the 21.3 percent Du Pont holding (\$29.2 million interest expense, before \$13.4 million income tax benefit, on the borrowings in excess of the sales proceeds from the U.S. oil and gas properties); and repurchase of 5,000,000 of the Company's shares (\$32.0 million interest expense before \$14.1 million income tax benefit). Total interest expense in 1982 of \$173.8 million was \$56.3 million greater than in 1981 due to the financing costs associated with the Du Pont investment and the share repurchase, plus a higher average effective interest rate in 1982.

During recent years the Company has achieved steady improvement in asset utilization and profitability through emphasis on premium products. Accordingly, operating income as a percentage of spirits and wine assets rose to a high of 12.3 percent in 1982, compared with 11.8 percent in 1981 and 11.2 percent in 1980. Inventories decreased \$14.9 million in 1982 and \$87.9 million in 1981, mostly due to the effect of the strength of the U.S. dollar on translation of inventories held overseas. The Company must maintain a large quantity of ageing inventories, especially Scotch whisky, to meet projected demand as much as twelve years into the future. Inventories available for future sale have exceeded \$1 billion since 1979.

Operating Income as a Percent of Spirits and Wine Assets



Return* on Average Shareholders' Equity



*Excluding extraordinary and sundry credits.

Capital expenditures were \$90.2 million in 1982, compared with \$140.3 million in 1981. The Company continued its program to modernize production facilities, but, in view of the prevailing worldwide recession, emphasis was placed on capital projects forecast to have the greatest benefit in the intermediate term. Accordingly, a lower level of capital expenditures may be anticipated until the economic environment improves.

Early in fiscal 1982 Texas Pacific, the Company's oil and gas subsidiary, drilled two exploratory wells in the Gulf of Thailand "B" structure field, which increased its share of gross proved natural gas reserves to 1.5 trillion cubic feet as estimated by an independent engineering consulting firm. A three-well drilling program is under way that will fulfill the Company's last remaining obligations to maintain the concessions and will further delineate a 1981 gas and condensate discovery 25 miles south of "B" structure.

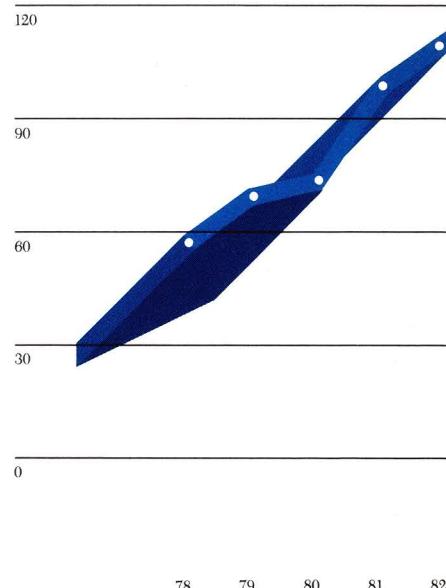
In Canada, where the Company holds 36 million net equivalent barrels of proved and probable reserves, Texas Pacific replaced production; capital expenditures were reduced as a result of the unfavorable economic climate for oil and gas producers created by the National Energy Program.

Short-term and long-term debt less cash and short-term investments was \$1.2 billion in 1982, compared with \$862 million in 1981. Most of the 1982 increase can be attributed to the November 1981 share repurchase. Dividends paid to shareholders have risen steadily from \$37.3 million in 1980 to \$46.5 million in 1981 and \$52.9 million in 1982. To fund seasonal working capital requirements, the Company has relied on commercial paper supported by bank credit facilities.

With the expected level of funds generated internally from operations and from Du Pont dividends, it is anticipated that the overall needs for external financing will decline over time. Further, no difficulty is anticipated in meeting future financial obligations.

Spirits and Wine
Net Income*

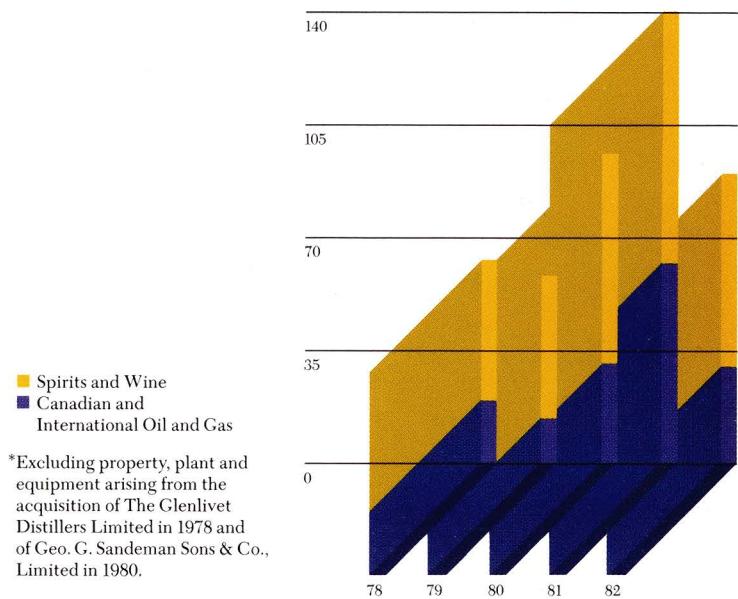
\$ millions



*Excluding interest expense on share repurchase and extraordinary and sundry credits.

Capital Expenditures*

\$ millions



Spirits and Wine
Canadian and
International Oil and Gas

*Excluding property, plant and equipment arising from the acquisition of The Glenlivet Distillers Limited in 1978 and of Geo. G. Sandeman Sons & Co., Limited in 1980.

Return to Shareholders

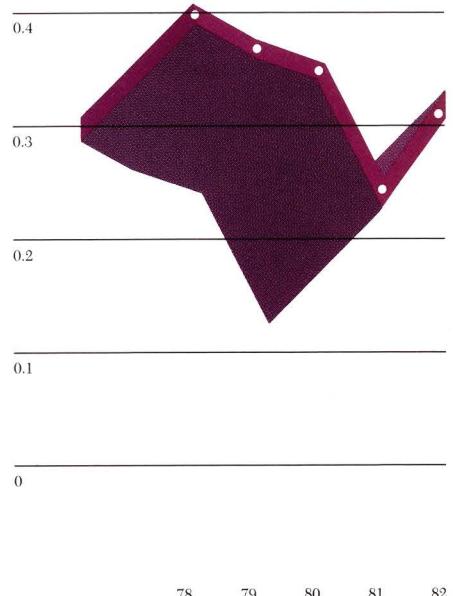
In the second quarter of fiscal 1982, the Company increased the dividend 29 percent to an annual rate of U.S. \$1.80 per share. Dividends paid were:

	Fiscal 1982	Fiscal 1981
First Quarter	\$.35	\$.275
Second Quarter	.45	.350
Third Quarter	.45	.350
Fourth Quarter	.45	.350
	<u>\$1.70</u>	<u>\$1.325</u>

The Company's common shares are traded on the New York, Montreal, Toronto, Vancouver, London and Paris Stock Exchanges. At July 31, 1982, the market prices were Canadian \$57.88 and U.S. \$46.38. The quarterly high and low prices for the last two years were as follows:

	Fiscal 1982		Fiscal 1981	
	High	Low	High	Low
Canadian Stock Exchanges (Canadian Dollars)				
First Quarter (October 31)	C\$72 $\frac{3}{4}$	C\$53 $\frac{3}{4}$	C\$72	C\$63
Second Quarter (January 31)	70 $\frac{3}{4}$	60 $\frac{1}{2}$	77	64 $\frac{1}{2}$
Third Quarter (April 30)	65 $\frac{3}{4}$	57 $\frac{1}{4}$	68 $\frac{3}{4}$	62 $\frac{3}{4}$
Fourth Quarter (July 31)	68 $\frac{1}{2}$	56 $\frac{1}{4}$	72	61 $\frac{1}{2}$
New York Stock Exchange				
First Quarter	US\$59 $\frac{1}{2}$	US\$45 $\frac{1}{4}$	US\$61 $\frac{1}{2}$	US\$54 $\frac{1}{2}$
Second Quarter	59 $\frac{1}{2}$	50 $\frac{1}{4}$	65 $\frac{1}{4}$	54
Third Quarter	54	47 $\frac{1}{2}$	57 $\frac{1}{2}$	52 $\frac{1}{4}$
Fourth Quarter	55 $\frac{1}{2}$	43 $\frac{1}{2}$	59 $\frac{1}{2}$	51

Debt*/Debt*+
Equity Ratio
%



*Net of cash and short-term investments.

Consolidated Statement of Income

For the three years in the period ended July 31, 1982
(U.S. dollars in thousands, except per share amounts)

The Seagram Company Ltd.
(Incorporated under the Canada Business Corporations Act)
and Subsidiary Companies

	1982	1981	1980
Sales and other income	\$2,826,184	\$2,772,733	\$2,534,952
Cost of goods	1,865,985	1,877,650	1,754,406
	960,199	895,083	780,546
Selling, general and administrative expenses	668,868	621,521	540,802
Operating income	291,331	273,562	239,744
Interest expense	112,607	117,469	92,720
Income before income taxes and undernoted items	178,724	156,093	147,024
Provision for income taxes	67,437	57,450	72,682
Income from spirits and wine operations before undernoted items	111,287	98,643	74,342
Interest expense related to share repurchase, after income taxes	(17,927)	—	—
Reversal of 1980 deferred taxes related to United Kingdom stock appreciation relief (SAR)	—	15,644	—
Income from dividends (1982) and interim investments (1981), after income taxes	110,285	180,187	—
Equity in unremitted earnings of E.I. du Pont de Nemours and Company	75,796	—	—
Income before discontinued operations and extraordinary gains	279,441	294,474	74,342
Income from discontinued operations, after income taxes	—	6,802	68,105
Income before extraordinary gains	279,441	301,276	142,447
Extraordinary gains, after income taxes	—	1,222,481	15,770
Net income	\$ 279,441	\$1,523,757	\$ 158,217
Per share data:			
Income from operations, dividends and interim investments	\$6.45	\$ 7.95	\$2.12
Reversal of 1980 SAR-related deferred taxes	—	.45	—
Equity in unremitted earnings of E.I. du Pont de Nemours and Company	2.40	—	—
Income before discontinued operations and extraordinary gains	8.85	8.40	2.12
Income from discontinued operations	—	.19	1.94
Extraordinary gains	—	34.85	.45
Net income	\$8.85	\$43.44	\$4.51

Consolidated Balance Sheet

At July 31, 1982 and 1981
(U.S. dollars in thousands)

Assets	1982	1981
Current assets		
Cash and short-term investments at cost, which approximates market	\$ 104,072	\$ 815,119
Receivables	347,114	357,219
Receivables from Sun Company, Inc.	11,192	25,690
Inventories	1,072,987	1,087,848
Prepaid expenses	31,739	28,743
Total current assets	<u>1,567,104</u>	<u>2,314,619</u>
 Common stock of E.I. du Pont de Nemours and Company	 <u>2,599,863</u>	 <u>2,569,000*</u>
 Notes receivable from Sun Company, Inc.	 <u>90,000</u>	 <u>180,000</u>
 Property, plant and equipment, at cost	 941,628	 868,137
Accumulated depreciation	(318,472)	(286,024)
	<u>623,156</u>	<u>582,113</u>
 Investments and advances—spirits and wine companies	 <u>88,721</u>	 <u>109,518</u>
 Sundry assets and excess of cost over net assets of companies acquired	 <u>72,122</u>	 <u>78,382</u>
	 <u>\$5,040,966</u>	 <u>\$5,833,632</u>

*Conoco Inc. at July 31, 1981.

Liabilities and Shareholders' Equity

	1982	1981
Current liabilities		
Short-term borrowings	\$ 516,206	\$ 435,186
United States excise taxes	109,594	106,131
Payables and accrued liabilities	218,524	246,575
Income and other taxes	114,614	151,081
Indebtedness payable within one year	73,929	23,922
Total current liabilities	<u>1,032,867</u>	<u>962,895</u>
Long-term indebtedness	<u>706,166</u>	<u>1,217,747</u>
Deferred income taxes and other credits	<u>745,058</u>	<u>957,701</u>
Minority shareholders of subsidiaries	<u>35,449</u>	<u>34,190</u>
Shareholders' equity		
Shares without par value		
1982—30,077,400 shares; 1981—35,077,400 shares	15,039	17,539
Cumulative translation adjustments	(195,073)	(129,938)
Retained earnings	<u>2,701,460</u>	<u>2,773,498</u>
Total shareholders' equity	<u>2,521,426</u>	<u>2,661,099</u>
	<u>\$5,040,966</u>	<u>\$5,833,632</u>

Consolidated Statement of Changes in Financial Position

For the three years in the period ended July 31, 1982
(U.S. dollars in thousands)

The Seagram Company Ltd.
(Incorporated under the Canada Business Corporations Act)
and Subsidiary Companies

	1982	1981	1980
Operations:			
Income from spirits and wine operations	\$ 111,287	\$ 98,643	\$ 74,342
Less: Interest expense related to share repurchase	(17,927)	—	—
Items not requiring the use of funds—			
Depreciation	33,398	33,905	31,017
Deferred income taxes	49,622	39,179	17,466
Sundry	(247)	6,614	14,355
Income from dividends (1982) and interim investments (1981)	176,133	178,341	137,180
	110,285	180,187	—
Funds provided from operations, dividends and interim investments	286,418	358,528	137,180
Capital expenditures	(90,244)	(140,341)	(95,697)
Receivables	24,603	(59,516)	(34,136)
Inventories	14,861	87,933	(130,708)
Prepaid expenses	(2,996)	2,214	(12,269)
Excise taxes and payables	(24,588)	(8,846)	69,988
Income and other taxes	84,976	44,573	86,847
Decrease (increase) in funds invested in operations	6,612	(73,983)	(115,975)
Net funds available from operations, dividends and interim investments	293,030	284,545	21,205
Dividends paid	(52,882)	(46,477)	(37,292)
Funds from extraordinary items and discontinued operations	(154,799)	2,231,868	(1,520)
Investments and other:			
Common stock of Conoco Inc.	—	(2,569,000)	—
Repurchase and cancellation of 5,000,000 shares	(301,097)	—	—
Purchase of additional shares of E.I. du Pont de Nemours and Company	(87,767)	—	—
Acquisition of Geo. G. Sandeman Sons & Co., Limited	—	—	(24,331)
Change in cumulative translation adjustments	(65,135)	(130,251)	10,170
Other, net	38,157	64,897	21,129
Net investments	(415,842)	(2,634,354)	6,968
Financing activities:			
Issuance of long-term indebtedness	313,119	904,740	69,829
Repayment of long-term indebtedness	(824,700)	(147,009)	(35,951)
Increase (decrease) in short-term borrowings	131,027	203,455	(29,890)
Net financing funds (repaid) provided	(380,554)	961,186	3,988
Net change in cash and short-term investments	\$ (711,047)	\$ 796,768	\$ (6,651)

*Excludes capital assets of \$22,405,000 arising from acquisition of Geo. G. Sandeman Sons & Co., Limited.

Consolidated Statement of Retained Earnings

For the three years in the period ended July 31, 1982
(U.S. dollars in thousands, except per share amounts)

The Seagram Company Ltd.
(Incorporated under the Canada Business Corporations Act)
and Subsidiary Companies

	1982	1981	1980
Retained earnings at beginning of year, as reported			\$1,159,670
Restatement for the change in accounting for foreign currency translation			15,623
Retained earnings at beginning of year, as restated	\$2,773,498	\$1,296,218	1,175,293
Net income	279,441	1,523,757	158,217
Dividends (per share: 1982—\$1.70; 1981—\$1.325; 1980—\$1.063)	(52,882)	(46,477)	(37,292)
Repurchase and cancellation of shares	(298,597)	—	—
Retained earnings at end of year	\$2,701,460	\$2,773,498	\$1,296,218

Summary of Significant Accounting Policies

The Company follows accounting principles generally accepted in both Canada and the United States. The policies described below and the Notes to Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of The Seagram Company Ltd. and its subsidiaries consolidated from the date of acquisition on the basis of purchase accounting. Investments and advances relate principally to nonconsolidated affiliates owned 20 percent or more, which are accounted for using the equity method.

Foreign Currency Translation

A substantial portion of the Company's operations relates to subsidiaries in the U.S. and, therefore, the Consolidated Financial Statements are expressed in U.S. currency. The accounts of companies in Canada and elsewhere outside the U.S. have been translated in accordance with Financial Accounting Standard No. 52 (FAS 52), which the Company adopted in fiscal year 1982. Except for operations in highly inflationary economies, all assets and liabilities have been translated using end-of-year exchange rates, and revenues and expenses have been translated using the average exchange rate for the year. Translation effects for operations in highly inflationary economies were not significant. Unrealized translation adjustments are included in shareholders' equity, whereas realized transaction gains and losses are recognized currently in net income.

Inventories

Inventories are stated at cost, which is not in excess of market, and consist principally of spirits and wines. Cost is determined by either the last-in, first-out (LIFO) method or the identified cost method.

The LIFO method is used by the Company in the United States, Puerto Rico and Venezuela. Under the LIFO method, the current costs of producing spirits and wines are charged to cost of goods, and the inventory included in the balance sheet reflects the lower production costs of prior periods. In a period of rising prices, the costs of producing spirits and wines are substantially higher than the original production costs associated with the spirits and wines now being sold. Whiskey inventories in the United States generally mature for 4½ to 8 years.

The Company's general practice is to expense, as incurred, costs associated with the ageing of spirits and wines. In accordance with industry practice, current assets include spirits and wines which, in the Company's normal business cycle, will be aged for varying periods of years.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation is determined for financial reporting purposes using the straight-line method over estimated useful asset lives, generally at annual rates of 2-10 percent for buildings, 4-20 percent for machinery and equipment, and 2-20 percent for all other assets.

Income Taxes

Deferred income taxes are provided for items reported for tax purposes in different periods than recognized in the financial statements. Such provisions relate principally to intangible development costs, accelerated depreciation methods and the treatment for tax purposes of a portion of the proceeds of the sale of the U.S. oil and gas properties as a loan.

The United States investment tax credit is deducted from income tax expense in the year in which the related asset is placed in service.

Deferred taxes have not been provided on undistributed earnings of subsidiaries outside of Canada because the Company plans to reinvest such earnings.

Intangible Assets

Product trademarks, distribution rights and patents are carried at nominal value. The excess of cost over amounts assigned to net assets of companies acquired is amortized over varying annual periods, none exceeding forty years.

Pensions

The Company has trustee pension plans covering substantially all of its employees. Pension costs, determined by independent consulting actuaries, are essentially funded as accrued.

Revenue and Expense Items

Sales and other income and cost of goods include duties and taxes on whiskies and other spirits.

Advertising and promotion expenses are charged to income as incurred.

Notes to Consolidated Financial Statements

For the three years in the period ended July 31, 1982

Note 1: Accounting and Presentation Changes

In fiscal 1982, the Company elected early compliance with FAS 52, which changed the method for translation of foreign currency financial statements. Translation gains and losses previously reported have been excluded from the Consolidated Statement of Income as follows: gain of \$35,856,000 (\$1.02 per share) in 1981 and loss of \$13,564,000 (\$.39 per share) in 1980. The effects of FAS 52 on operating income for those years were not significant and, therefore, restatement was not necessary. Inventories, property, plant and equipment, and certain other balance sheet accounts at July 31, 1981 and 1980, were restated. Note 10 contains an analysis of cumulative translation adjustments reflected in shareholders' equity. The Company also adopted the proportionate consolidation method for its interest in Kirin-Seagram Ltd. in 1982.

Additionally in fiscal 1982, the Company elected to modify the presentation of the Consolidated Statement of Changes in Financial Position from one which reflects changes in working capital to one which emphasizes changes in cash and short-term investments.

Certain reclassifications have been made in the Consolidated Statements of Income and of Changes in Financial Position for fiscal years 1981 and 1980 to conform with current classifications.

Note 2: Extraordinary Items

In fiscal 1981, the Company sold its oil, gas and related properties in the United States to Sun Company, Inc. (Sun) for \$2.3 billion. A gain of \$1.2 billion, after provision for deferred income taxes of \$616 million, was recorded as an extraordinary item. The results for this discontinued operation for fiscal 1980 and up to August 29, 1980, the date of sale in fiscal 1981, are presented in the Consolidated Statement of Income under the caption "Income from discontinued operations."

Under the terms of the sale, the Company retains a reversionary interest, 25 percent in producing properties and 49 percent in nonproducing properties, which entitles the Company to participate if Sun achieves certain investment criteria; no value has been assigned to this reversionary interest for financial statement purposes. For tax purposes a majority of the gain has been treated as an installment sale and the remainder as a loan. The tax provision relating to the loan required assumptions as to future oil and gas prices and costs and results of exploration and development and, therefore, may be subject to adjustment by the Internal Revenue Service. Management believes that any changes in the tax provision will not be materially ad-

verse to the Company's financial position.

In fiscal 1980, the Company sold its New York City office building. Simultaneously, a lease was entered into for approximately one-quarter of the facility for fifteen years with an option to renew for three additional ten-year periods. Accordingly, \$17,875,000 of the total \$33,645,000 after-tax gain on the sale was deferred and is being amortized over a fifteen-year period.

Note 3: Equity in Du Pont

In June 1981, the Company made a tender offer to purchase shares of the common stock of Conoco Inc. (Conoco). A total of 27,882,575 shares was acquired and recorded at July 31, 1981 at a carrying value of \$2.6 billion. On August 17, 1981, the Conoco shares were tendered to E. I. du Pont de Nemours and Company (Du Pont) pursuant to a Du Pont tender offer to acquire all of the common stock of Conoco. The Company received in exchange 47,400,377 shares of Du Pont common stock, representing 20.2 percent of the total Du Pont shares outstanding following completion of the Conoco acquisition. Certain U.S. income tax benefits associated with the exchange were recorded as a reduction of the Conoco carrying value assigned to the Du Pont shares upon the exchange.

Effective October 2, 1981, the Company and Du Pont entered into agreements which provide for mutual board representation and other matters relating to the future relationship between them. Subject to certain conditions, the Company will not as a general matter exceed a 25 percent holding of Du Pont's voting stock, and Du Pont will have a right of first refusal if the Company offers its Du Pont shares for sale during the term of the agreements. The agreements cover a ten-year period and will be automatically extended for an additional five years unless the Company gives Du Pont notice of its intention to terminate the agreements.

During fiscal 1982, the Company acquired through open-market purchases 2,716,300 additional shares of Du Pont common stock at a cost of \$87.8 million. At July 31, 1982, the Company held 50,116,677 shares of Du Pont, or 21.3 percent of its total common stock outstanding.

The Company accounts for its investment in Du Pont under the equity method whereby its proportionate share of Du Pont's earnings is included in income. Equity in unremitted Du Pont earnings is included in fiscal 1982 income based on Du Pont's earnings for the period from August 17, 1981 (date of acquisition) to

June 30, 1982, as adjusted principally for interest expense of \$29.2 million, less \$13.4 million income tax benefit, related to the financing costs associated with the Du Pont holdings. Income taxes are provided on the Company's share of Du Pont earnings to the extent dividends are remitted. Dividends from Du Pont in fiscal 1982 were \$102.3 million, for which \$7.1 million of income taxes were provided. The \$401 million excess of the Company's carrying value above the equity in Du Pont's net assets has been allocated primarily to Du Pont's LIFO inventory. The portion allocated to property, plant and equipment and long-term borrowings is being amortized over varying annual periods, none exceeding fifteen years.

Presented below is summarized financial information for Du Pont as derived from its public reports during the twelve months ended June 30, 1982:

(millions)	
As of June 30, 1982	
Current assets	\$ 9,908
Noncurrent assets	<u>14,638</u>
	<u>\$24,546</u>
Current liabilities	\$ 4,919
Noncurrent liabilities	<u>8,912</u>
Stockholders' equity	<u>10,715</u>
	<u>\$24,546</u>
For the twelve months ended June 30, 1982	
Sales and other income	<u>\$32,336</u>
Cost of goods sold and other expenses	<u>\$24,832</u>
Net income before cumulative effect of change in accounting for investment tax credit	<u>\$ 1,103</u>

Note 4: Notes Receivable from Sun Company, Inc.

At July 31, 1981, the Company held \$1.8 billion in notes from Sun, which had the option to repay the first \$900 million note after August 29, 1981, and during fiscal 1982 it did so. The second \$900 million note is due in four equal annual installments commencing on August 29, 1986, and bears interest at a rate of $\frac{3}{8}$ of 1 percent above the interest rate for ninety-day prime commercial paper placed through dealers. On January 1, 1981, \$225 million of the second note was converted to a fixed interest rate of 12.7125 percent.

On December 30, 1980, the Company obtained advances of \$1.62 billion by pledging the notes with a consortium of banks. The advances are non-recourse as to principal and bear interest at a rate of $\frac{1}{2}$ of 1 percent above the London Interbank Offered Rate (LIBOR). Of the total advances, \$810 million was prepaid during fiscal 1982 upon Sun's prepayment of the note, and

\$810 million is repayable in four annual installments commencing December 22, 1986. In view of the foregoing, the notes receivable are net of the advances in the Consolidated Balance Sheet, and the related interest income and expense have been offset in the Consolidated Statement of Income. Included in 1982 cash and short-term investments is \$78 million which is restricted to interest payments on this arrangement.

Note 5: Credit Arrangements and Long-term Indebtedness

Short-term borrowings at July 31, 1982 consisted of bank borrowings of \$122,275,000 and commercial paper of \$393,931,000. The interest rates on these short-term borrowings were at the prime rates or their equivalent.

The Company's unused lines of credit amount to \$957,973,000, including \$545,000,000 in revolving credit agreements of the Company's United States subsidiary, Joseph E. Seagram & Sons, Inc.

Long-term indebtedness consisted of:

(thousands)	1982	1981
Revolving Credit Agreement Borrowings, due December 31, 1983, through December 31, 1987; interest at 15.8% on average in fiscal 1982 (18.7% in fiscal 1981)	\$180,000	\$ 886,000
9% Eurodollar Notes, due February 15, 1983	60,000	60,000
Term Loan, due November 30, 1983, through November 28, 1986; interest at 15.1% on average in fiscal 1982	300,000	—
12% Promissory Notes, due February 1, 1989	26,000	29,500
7% Debentures, due December 15, 1991 (\$20,610,000 Canadian in 1982 and \$21,718,000 Canadian in 1981)	16,422	17,590
10% Debentures, due June 1, 1995 (\$53,428,000 Canadian in 1982 and \$56,615,000 Canadian in 1981)	42,571	45,852
12% Promissory Notes, due July 15, 1996	82,300	88,200
Bank borrowings, primarily sterling, repayable in fiscal 1983 through 1985; interest at 15.9% on average in fiscal 1982 (16.2% in fiscal 1981)	40,623	75,709
Sundry	<u>32,179</u>	<u>38,818</u>
Less: Indebtedness payable within one year	<u>780,095</u>	<u>1,241,669</u>
	<u>73,929</u>	<u>23,922</u>
	<u>\$706,166</u>	<u>\$1,217,747</u>

On December 22, 1980, Joseph E. Seagram & Sons, Inc., entered into a \$1.38 billion Revolving Credit Agreement. Borrowings bear interest at a rate of $\frac{1}{2}$ of 1 percent above LIBOR. There is a fee of $\frac{3}{8}$ of 1 percent on the unused portion of the commitment. Borrowings outstanding at December 22, 1983, are repayable in nine semi-annual installments commencing December 31, 1983. Under the terms of the revolving credit facil-

ity, amounts repaid may be reborrowed at any time until December 22, 1983. The credit facility may be cancelled at the Company's option, and \$670 million was cancelled August 13, 1982.

In November 1981, the Company repurchased 5,000,000 of its common shares using the proceeds from an unsecured \$300 million five-year term loan bearing interest at $\frac{3}{8}$ percent above LIBOR until November 1984, and $\frac{1}{2}$ percent thereafter. The loan is repayable in four annual installments commencing November 1983. The interest expense associated with this debt, less \$14.1 million income tax benefit, has been shown separately in the income statement in order to obtain comparability among the periods presented.

Interest expense on long-term indebtedness was \$84,806,000 in 1982, \$51,948,000 in 1981 and \$59,283,000 in 1980.

Annual repayments and redemptions for the five years subsequent to July 31, 1982, are as follows: 1983—\$73,929,000; 1984—\$160,105,000; 1985—\$129,935,000; 1986—\$122,628,000; 1987—\$123,723,000.

Note 6: Income before Income Taxes and Income Taxes

The components of income from spirits and wine operations before income taxes were:

(thousands)	1982	1981	1980
North America	\$114,703	\$102,312	\$ 62,519
Foreign	64,021	53,781	84,505
Total	\$178,724	\$156,093	\$147,024

North America includes United States and Canada.

The components of income tax expense were:

(thousands)	1982	1981	1980
Current:			
United States Federal	\$ (14,025)	\$135,324	\$ 3,104
Other jurisdictions	25,028	45,521	58,338
	11,003	180,845	61,442
Deferred:			
United States Federal:			
Tax treatment of sale of U.S. oil and gas properties as a loan	28,089	24,334	—
Depreciation and other	3,022	5,910	(183)
Other jurisdictions:			
Depreciation and other	6,014	470	11,423
	37,125	30,714	11,240
Total income tax expense	48,128	211,559	72,682
Less: Taxes applicable to dividends and interim investments	(8,177)	(154,109)	—
Add: Tax benefit applicable to interest expense related to share repurchase and Du Pont investment	27,486	—	—
Income tax provision applicable to spirits and wine operations	\$ 67,437	\$ 57,450	\$ 72,682

The Company's effective income tax rate for income from spirits and wine operations differed from the statutory rate in the United States due to the following factors:

	1982	1981	1980
Statutory rate	46%	46%	46%
Operations outside the United States	(1)	2	4
United States investment tax credit	(1)	(1)	(1)
United Kingdom stock appreciation relief	(6)	(10)	—
Effective income tax rate	38%	37%	49%

Since 1973 the United Kingdom has permitted companies to mitigate the effects of inflation by deferring certain income taxes related to the value of inventories (Stock Appreciation Relief, SAR). The applicable laws changed a number of times and required modification to the Company's tax provisions and related deferred liabilities. Major modifications to the law were made in 1981, providing that SAR benefits from prior years would be virtually permanent; therefore, in 1981 deferred taxes provided in 1980 were reversed as a sundry credit to income. SAR benefits recognized both for financial reporting and tax purposes were: 1982—\$10.6 million; 1981—\$15.5 million.

Various taxing authorities have proposed or levied assessments of additional income taxes for prior years. Management believes that settlements will not have a material effect on the financial position of the Company.

Note 7: Common Shares

The Company is authorized to issue an unlimited number of common shares without nominal or par value. Pursuant to a tender offer, the Company repurchased 5,000,000 of its common shares in November 1981 at a cost of \$301 million. The average common shares outstanding during fiscal 1982 was 31,570,550.

Note 8: Pension Plans

Pension costs were \$20.4 million in 1982, \$24.7 million in 1981 and \$22.8 million in 1980.

Based on valuation data as of July 31, 1981, the actuarial present value of accumulated plan benefits totaled \$235 million, most of which was for vested employees. The weighted average assumed rate of return used in determining the actuarial present value was 9 percent. Net assets of the pension plans measured at market value were \$246 million.

Note 9: Geographic Data

Financial information relating to significant geographic areas is presented below. Sales to unrelated parties reflect shipments made to locations both within and without each geographic segment. Sales among geographic areas include intercompany transactions on a current market price basis.

	Sales and Other Income				(thousands)
	Unrelated Parties	Inter-company	Operating Income	Total Assets	
(millions)					
1982					
United States	\$1,736	\$ 17	\$ 78	\$3,712	
Europe	514	99	69	742	
Latin America and Australasia	352	49	40	237	
Canada	224	149	104	350	
	\$2,826	\$314	\$291	\$5,041	
1981					
United States	\$1,703	\$ 6	\$ 75	\$4,531	
Europe	563	109	79	764	
Latin America and Australasia	305	53	28	229	
Canada	202	159	92	310	
	\$2,773	\$327	\$274	\$5,834	
1980					
United States	\$1,593	\$ 6	\$ 39	\$ 867	
Europe	473	125	110	924	
Latin America and Australasia	289	38	20	213	
Canada	180	136	71	259	
	\$2,535	\$305	\$240	\$2,263	

The above data exclude discontinued U.S. oil and gas operations.

Note 10: Additional Financial Data

(thousands)	1982	1981
Receivables:		
Trade	\$ 330,272	\$ 338,045
Other	32,884	37,324
	363,156	375,369
Less: Valuation accounts	(16,042)	(18,150)
	\$ 347,114	\$ 357,219
Inventories:		
Spirits and wine	\$ 995,900	\$ 995,950
Materials and supplies	77,087	91,898
	\$1,072,987	\$1,087,848

Inventories accounted for under the LIFO inventory method amounted to \$319,291,000 at July 31, 1982, and \$359,905,000 at July 31, 1981. The excess of current estimated replacement cost over LIFO carrying value was \$300,935,000 and \$295,832,000 at July 31, 1982 and 1981, respectively.

(thousands)	1982	1981
Property, plant and equipment:		
Land	\$ 49,234	\$ 44,593
Buildings	229,712	212,098
Machinery and equipment	301,565	273,825
Oil and gas properties outside the United States	202,193	174,583
Other, including construction in progress	158,924	163,038
	\$941,628	\$868,137

(thousands)	1982	1981
Payables and accrued liabilities:		
Trade	\$ 81,650	\$ 71,634
Other	136,874	174,941
	\$218,524	\$246,575
Deferred income taxes and other credits:		
Deferred income taxes	\$648,822	\$873,556
Other credits	96,236	84,145
	\$745,058	\$957,701

During 1982 as a result of the prepayment by Sun of one of the notes receivable, \$245 million of deferred taxes provided in 1981 became currently payable; virtually all of this liability was satisfied during 1982. In the Consolidated Statement of Changes in Financial Position, this increase in current taxes payable is included in the caption "Funds from extraordinary items and discontinued operations."

(thousands)	1982	1981	1980
Reconciliation of cumulative translation adjustments:			
Cumulative translation adjustments at beginning of year	\$ (129,938)	\$ 313	\$ (9,857)
Change in cumulative translation adjustments before taxes	(62,582)	(123,693)	11,255
Tax effect	(2,553)	(6,558)	(1,085)
Cumulative translation adjustments at end of year	\$(195,073)	\$(129,938)	\$ 313
Excise taxes and duties included in sales	\$ 910,669	\$ 982,998	\$946,706
Minority interest in net income of subsidiary companies	\$ 2,367	\$ 2,831	\$ 5,065

In 1982, \$21,004,000 of income earned on notes receivable from Sun was applied to interest expense. This classification reflects the Company's intention to reduce indebtedness associated with the spirits and wine segment as Sun liquidates the notes receivable included in the balance sheet. In the prior year, interest income on these notes was included in the caption "Income from dividends (1982) and interim investments (1981), after income taxes" because the ultimate disposition of the principal was not known.

Note 11: Supplementary Financial Data Adjusted for the Effects of Changing Prices (Unaudited)

The U.S. Financial Accounting Standards Board (FASB) has adopted rules requiring disclosure of supplementary financial data adjusted for the effects of changing prices. In accordance with procedures recognized as experimental by the FASB, the adjustments for changing prices in the accompanying supplementary schedules are based upon the current cost method of accounting for inflation. The primary financial statements are in compliance with FAS 52 for foreign currency translation. Accordingly, as permitted by FAS 52, the current cost adjustments presented herein are based on the FASB's proposed statement, Financial Reporting and Changing Prices: Foreign Currency Translation, dated August 19, 1982, using the translate-restate method.

The current cost method of inflation accounting adjusts reported income for the estimated effect on cost of goods and depreciation expense from changes in specific prices of inventory and property, plant and equipment after they are acquired. Inventories are restated to current cost based upon most recent manufacturing costs. Specific indices are used to determine the current cost of property, plant and equipment.

The cost of goods adjustment under current cost is not significant because of the use of the last-in, first-out inventory method (LIFO) in the historical cost financial statements wherever permitted under local tax law; LIFO cost in most instances is identical to current cost. Depreciation expense is higher under current cost as a result of the increase in costs of construction and machinery and equipment over the past decade. The FASB standard permits no modification of income tax as reported in the primary financial statements to accommodate tax effects normally associated with incurring higher costs.

The current cost method involves the use of assumptions, estimates and subjective judgments. In determining the effects of inflation on operations, no consideration has been given to savings emanating from efficiencies or technological improvements associated with replacing property, plant and equipment. The adjustments to reported income should not be viewed as precise measurements of the effects of inflation.

Statement of Income Adjusted for Changing Prices

(millions, except per share amounts)	1982
Net income	\$ 279
Adjustments to reflect the effect of specific price changes relating to spirits and wine operations:	
Cost of goods	(45)
Depreciation	(25)
Net income as adjusted for current cost	\$ 209
Gain from decline in purchasing power on net monetary position	\$ 123
Translation adjustment	\$ (66)
Excess of increase in specific prices of inventories and property, plant and equipment held during the year over general inflation	\$ 27
Income per common share:	
As reported	\$ 8.85
Current cost basis	6.62
Shareholders' equity:	
As reported at year-end	\$2,521
Current cost basis (average 1982 dollars)	3,620

At July 31, 1982, the current cost of inventory was \$1,765 million and the current cost of property, plant and equipment, net of accumulated depreciation, was \$1,142 million.

Summary of Supplementary Financial Data

(millions, except per share amounts)	1982	1981	1980	1979	1978
Sales and other income:					
As reported	\$2,826	\$2,773	\$2,535	\$2,369	\$2,109
In average fiscal 1982 dollars	2,826	3,003	3,057	3,242	3,166
Income before discontinued operations and extraordinary gains:					
As reported	279	294	74		
Current cost	209	252	36		
Income before discontinued operations and extraordinary gains per share:					
As reported	8.85	8.40	2.12		
Current cost	6.62	7.18	1.03		
Gain (loss) from decline in purchasing power on net monetary position	123	(61)	152		
Translation adjustment	(66)	(140)	(56)		
Increase (decrease) in specific prices relative to the change in the general price level	27	(309)	(17)		
Shareholders' equity at year-end:					
As reported	2,521	2,661	1,314		
Current cost	3,620	3,810	2,753		
Cash dividends paid per common share:					
As reported	1.70	1.33	1.06	.91	.81
In average fiscal 1982 dollars	1.70	1.44	1.28	1.25	1.22
Market price per common share at year-end:					
As reported	46.38	52.63	56.00	29.38	25.50
In average fiscal 1982 dollars	46.38	56.99	67.53	40.20	38.28
Average U.S. Consumer Price Index (1967 = 100)	283.4	261.7	235.0	207.1	188.8

Auditors' Report

**To the Shareholders of
The Seagram Company Ltd.**

We have examined the consolidated balance sheets of The Seagram Company Ltd. and its subsidiary companies as at July 31, 1982 and 1981 and the consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended July 31, 1982. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at July 31, 1982 and 1981 and the results of their operations and the changes in their financial position for each of the three years in the period ended July 31, 1982, in accordance with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for foreign currency translation as described in Note 1 to the consolidated financial statements.

Price Waterhouse
Montréal, Québec
September 16, 1982

Quarterly Data

(U.S. dollars in thousands, except per share amounts)

The Seagram Company Ltd. and Subsidiary Companies

1982:	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal Year
Sales and other income	\$ 813,931	\$795,294	\$607,398	\$609,561	\$2,826,184
Operating income	107,911	66,089	54,280	63,051	291,331
Interest expense	32,548	25,387	26,836	27,836	112,607
Income before income taxes and undernoted items	75,363	40,702	27,444	35,215	178,724
Provision for income taxes	30,145	14,424	8,803	14,065	67,437
Income from spirits and wine operations before undernoted items	45,218	26,278	18,641	21,150	111,287
Interest expense related to share repurchase, after income taxes	—	(4,661)	(6,299)	(6,967)	(17,927)
Income from dividends, after income taxes	15,024	41,923	26,481	26,857	110,285
Equity in unremitted earnings of E.I. du Pont de Nemours and Company	27,738	14,393	14,887	18,778	75,796
Net income	\$ 87,980	\$ 77,933	\$ 53,710	\$ 59,818	\$ 279,441
Per share data:					
Income from operations and dividends	\$ 1.72	\$2.03	\$1.32	\$1.38	\$ 6.45
Equity in unremitted earnings of E.I. du Pont de Nemours and Company	.79	.48	.51	.62	2.40
Net income	\$ 2.51	\$2.51	\$1.83	\$2.00	\$ 8.85
1981:					
Sales and other income	\$ 777,550	\$778,206	\$605,824	\$611,153	\$2,772,733
Operating income	99,092	61,918	49,912	62,640	273,562
Interest expense	23,016	31,580	32,271	30,602	117,469
Income before income taxes and undernoted items	76,076	30,338	17,641	32,038	156,093
Provision for income taxes	36,629	15,557	8,530	(3,266)	57,450
Income from spirits and wine operations before undernoted items	39,447	14,781	9,111	35,304	98,643
Reversal of 1980 deferred taxes related to U.K. stock appreciation relief (SAR)	—	—	—	15,644	15,644
Income from interim investments, after income taxes	24,907	47,493	50,794	56,993	180,187
Income before discontinued operations and extraordinary gain	64,354	62,274	59,905	107,941	294,474
Income from discontinued operations	6,802	—	—	—	6,802
Extraordinary gain	1,222,481	—	—	—	1,222,481
Net income	\$1,293,637	\$ 62,274	\$ 59,905	\$107,941	\$1,523,757
Per share data:					
Income from operations and interim investments	\$ 1.84	\$1.77	\$1.71	\$2.63	\$ 7.95
Reversal of 1980 SAR-related deferred taxes	—	—	—	.45	.45
Income before discontinued operations and extraordinary gain	1.84	1.77	1.71	3.08	8.40
Income from discontinued operations	.19	—	—	—	.19
Extraordinary gain	34.85	—	—	—	34.85
Net income	\$36.88	\$1.77	\$1.71	\$3.08	\$43.44

The above information was subjected to a limited review by the Company's independent accountants in accordance with procedures established by the American Institute of Certified Public Accountants.

Ten-Year Financial Summary

(U.S. dollars in thousands, except per share amounts)

	1982	1981
Operating results (for the fiscal year)⁽¹⁾		
Spirits and wine revenues	\$2,826,184	\$2,772,733
Spirits and wine operating income—Amount	291,331	273,562
—Percent of revenues	10.3%	9.9%
Income after income taxes		
Spirits and wine	111,287	98,643
Dividends received (1982) and interim investment income (1981)	110,285	180,187
Equity in unremitted DuPont earnings	75,796	—
U.S. oil and gas	—	6,802
Total business segments—Amount	297,368	285,632
—Percent of average shareholders' equity	11.5%	11.3%
Interest expense related to share repurchase	(17,927)	—
Extraordinary items and United Kingdom stock appreciation relief ⁽²⁾	—	1,238,125
Net income	\$ 279,441	\$ 1,523,757
Dividends	\$ 52,882	\$ 46,477
Financial position (at July 31)		
Cash and short-term investments	\$ 104,072	\$ 815,119
Current assets	1,567,104	2,314,619
Common stock of DuPont (Conoco Inc. in 1981)	2,599,863	2,569,000
Net assets of discontinued operations	—	—
Property, plant and equipment (net)	623,156	582,113
Total assets	5,040,966	5,833,632
Short-term debt, including indebtedness payable within one year	590,135	459,108
Current liabilities	1,032,867	962,895
Long-term indebtedness	706,166	1,217,747
Total liabilities	2,519,540	3,172,533
Shareholders' equity	2,521,426	2,661,099
Per share statistics⁽⁴⁾		
Income from operations, dividends and interim investments	\$ 6.45	\$ 7.95
Equity in unremitted DuPont earnings	2.40	—
U.S. oil and gas income	—	.19
Total business segments income	8.85	8.14
Extraordinary items and United Kingdom stock appreciation relief ⁽²⁾	—	35.30
Net income	\$ 8.85	\$43.44
Dividends	\$ 1.70	\$1.325
Shareholders' equity	83.83	75.86
End of year market price		
New York Stock Exchange	46.38	52.63
Canadian Stock Exchanges	C57.88	C65.25

(1) Reference should be made to Note 1 of the Consolidated Financial Statements regarding the retroactive adoption of FAS 52 and to Notes 2 and 3 with respect to the sale of U.S. oil and gas properties and the subsequent investment in DuPont.

(2) Includes (i) an after-tax gain on sale of U.S. oil and gas properties of \$1,222,481,000 (\$34.85 per share) in 1981 and an after-tax gain on sale of office

building of \$15,770,000 (\$.45 per share) in 1980 and (ii) a reversal in 1981 of 1980 deferred income taxes of \$15,644,000 (\$.45 per share) related to United Kingdom stock appreciation relief and a reversal in 1979 of \$50,589,000 (\$1.44 per share) pertaining to prior years and \$24,998,000 (\$.71 per share) arising in 1979.

1980	1979	1978	1977	1976	1975	1974	1973
\$2,534,952	\$2,369,316	\$2,109,250	\$2,024,184	\$1,907,045	\$1,818,123	\$1,795,727	\$1,668,446
239,744	215,030	179,311	146,831	133,455	141,213	162,774	148,172
9.5%	9.1%	8.5%	7.3%	7.0%	7.8%	9.1%	8.9%
74,342	69,931	57,978	47,460	47,259	44,134	65,445	64,684
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
68,105	33,418	32,545	37,658	36,705	38,520	24,443	3,413
142,447	103,349	90,523	85,118	83,964	82,654	89,888	68,097
11.4%	9.5%	9.6%	9.3%	9.3%	9.8%	11.4%	9.3%
—	—	—	—	—	—	—	—
15,770	75,587	—	—	—	—	—	—
\$ 158,217	\$ 178,936	\$ 90,523	\$ 85,118	\$ 83,964	\$ 82,654	\$ 89,888	\$ 68,097
\$ 37,292	\$ 31,883	\$ 28,566 ⁽³⁾	\$ 28,917	\$ 27,970	\$ 27,970	\$ 27,096	\$ 24,473
\$ 18,351	\$ 25,002	\$ 51,848	\$ 61,716	\$ 133,287	\$ 49,732	\$ 64,419	\$ 56,278
1,548,482	1,399,703	1,295,114	1,170,772	1,377,436	1,250,245	1,129,623	1,013,853
—	—	—	—	—	—	—	—
566,390	438,223	368,451	318,392	309,433	306,403	252,138	196,430
531,225	447,692	430,716	380,536	395,265	360,340	300,883	269,447
2,829,187	2,457,565	2,252,803	1,982,518	2,184,225	2,022,944	1,777,926	1,550,510
255,653	285,543	190,149	92,657	188,430	277,164	299,424	190,748
753,270	626,325	495,186	342,968	454,877	489,838	503,993	365,946
460,016	421,098	512,064	515,798	595,591	471,900	291,747	308,291
1,515,117	1,274,590	1,271,074	1,081,259	1,256,604	1,151,317	960,983	796,359
1,314,070	1,182,975	981,729	901,259	927,621	871,627	816,943	754,151
\$ 2.12	\$ 1.99	\$ 1.65	\$ 1.35	\$ 1.34	\$ 1.26	\$ 1.86	\$ 1.84
—	—	—	—	—	—	—	—
1.94	.95	.93	1.07	1.05	1.10	.70	.10
4.06	2.94	2.58	2.42	2.39	2.36	2.56	1.94
.45	2.15	—	—	—	—	—	—
\$ 4.51	\$ 5.09	\$ 2.58	\$ 2.42	\$ 2.39	\$ 2.36	\$ 2.56	\$ 1.94
\$1.063	\$.909	\$.814	\$.824	\$.797	\$.797	\$.772	\$.698
37.46	33.72	27.99	25.69	26.44	24.85	23.29	21.50
56.00	29.38	25.50	21.25	23.88	30.75	33.00	41.75
C65.50	C34.25	C28.63	C22.50	C23.38	C32.00	C32.00	C41.00

(3) Due to depreciation of the Canadian dollar, dividends measured in U.S. currency declined, although the amount paid in Canadian funds increased to C\$31,780,000 in 1978 from C\$29,745,000 in 1977. Since fiscal 1980, dividends have been declared in U.S. currency.

(4) At July 31, 1982, after cancellation of 5,000,000 shares repurchased in November 1981, 30,077,400 shares were outstanding. Average shares outstanding during fiscal 1982 was 31,570,550.

The Seagram Company Ltd.

Directors

Edgar M. Bronfman¹
Chairman and
Chief Executive Officer
The Seagram Company Ltd.

Charles R. Bronfman, O.C.¹
Deputy Chairman and
Chairman of the Executive Committee
The Seagram Company Ltd.

Philip E. Beekman¹
President and
Chief Operating Officer
The Seagram Company Ltd.

David M. Culver
President and
Chief Executive Officer
Alcan Aluminium Limited
(a Canadian multinational aluminium
company)

Paul Desmarais, O.C.^{2,3}
Chairman of the Board and
Chief Executive Officer
Power Corporation of Canada
(an investment and management
company)

Harold Fieldsteel¹
Executive Vice President,
Administration and Finance,
and Controller
The Seagram Company Ltd.

A. Jean de Grandpré, O.C., Q.C.^{2,3}
Chairman of the Board and
Chief Executive Officer
Bell Canada
(a diversified communications company)

Melvin W. Griffin
Executive Vice President,
Manufacturing
The Seagram Company Ltd.

Alain de Gunzburg⁴
Chairman of the Board
G. H. Mumm & Cie and
Vice President,
Acquisitions and Development
Joseph E. Seagram & Sons, Inc.
(subsidiaries of the Company)

Edward G. Jefferson³
Chairman and
Chief Executive Officer
E. I. du Pont de Nemours and Company
(a chemicals, fibres, plastics,
specialty products and
integrated energy company)

E. Leo Kolber^{1,3,4}
President
Cemp Investments Ltd.
(a diversified holding company)

Fred H. McNeil^{1,3}
Director
Bank of Montreal
(a Canadian chartered bank)

C. Edward Medland^{2,4}
Chairman and
Chief Executive Officer
Wood Gundy Limited
(investment dealers)

Irving S. Shapiro²
Partner
Skadden, Arps, Slate, Meagher & Flom
(attorneys)

The Hon. John N. Turner, P.C., Q.C.⁴
Partner
McMillan, Binch
(barristers and solicitors)

Philip F. Vineberg, O.C., Q.C.^{1,4}
Partner
Phillips & Vineberg
(barristers and solicitors)

John L. Weinberg^{3,4}
Senior Partner
Goldman, Sachs & Co.
(investment bankers)

Honorary Directors

John L. Loeb
Ian D. Sinclair, O.C.
Iain M. Tennant

Officers

Edgar M. Bronfman
Chairman and
Chief Executive Officer

Charles R. Bronfman
Deputy Chairman and
Chairman of the Executive Committee

Philip E. Beekman
President and
Chief Operating Officer

Harold Fieldsteel
Executive Vice President,
Administration and Finance,
and Controller

Melvin W. Griffin
Executive Vice President,
Manufacturing

Richard Karl Goeltz
Vice President and
Treasurer

Louis S. Goldberg
Vice President,
Human Resources

Arnold M. Ludwick
Vice President,
Financial Analysis

Edward F. McDonnell
Vice President,
Marketing—International

Russell W. McLauchlan
Vice President,
Quality Control

William M. Wilbur
Vice President, U.S.A.

Michael C. L. Hallows
Secretary

Lionel W. Greer
Assistant Vice President, U.S.A.

Honorary Secretary

Alan A. Sharp

¹ Member of the Executive Committee.

² Member of the Audit Committee.

³ Member of the Human Resources
Committee.

⁴ Member of the Finance Committee.

Auditors

Price Waterhouse

Transfer Agents

The Royal Trust Company
Montreal, Toronto, Calgary,
Vancouver

Manufacturers Hanover
Trust Company
New York

Registrars

The Royal Trust Company
Montreal, Toronto, Calgary,
Vancouver

Manufacturers Hanover
Trust Company
New York

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held November 23, 1982, at 11:30 a.m. (E.S.T.) at Le Château Champlain, Place du Canada, Montreal, Quebec, Canada.

Form 10-K

A copy of the Annual Report on Form 10-K, as filed with the Securities and Exchange Commission in Washington, D.C., may be obtained by writing to the Secretary, The Seagram Company Ltd., 1430 Peel Street, Montreal, Quebec, Canada H3A 1S9.

Edition française du rapport annuel

On peut se procurer l'édition française de ce rapport en écrivant au Secrétaire, La Compagnie Seagram Ltée, 1430, rue Peel, Montréal, Québec, Canada H3A 1S9.

The Seagram Company Ltd.
1430 Peel Street
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Canada H3A 1S9