

SEAGRAM CO. LTD.

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1978

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

REC'D MAR 11 1991

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended July 31, 1978. Commission file number 1-2275

THE SEAGRAM COMPANY LTD.

(Exact name of registrant as specified in its charter)

Canada

(State or other jurisdiction of incorporation or organization)

None

(I.R.S. Employer Identification No.)

1430 Peel Street, Montreal, Quebec, Canada
(Address of principal executive offices)

H3A 1S9
(Zip Code)

Registrant's telephone number, including area code: (514) 849-5271

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange
on which registered

Common shares without
nominal or par value

New York Stock Exchange, Inc.
Montreal Stock Exchange
Toronto Stock Exchange
Vancouver Stock Exchange
London Stock Exchange
Paris Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

N O N E

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X. No. .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report:
35,077,400 shares.

Item 1. Business.

The Seagram Company Ltd. (the "Company") is a holding company, multi-national in its scope, with operating subsidiaries and affiliates in Argentina, Australia, Austria, Belgium, Brazil, Canada, Costa Rica, Denmark, the Dominican Republic, France, Ireland, Israel, Italy, Jamaica, Japan, Mexico, New Zealand, Portugal, Puerto Rico, Spain, Switzerland, the United Kingdom, the United States, Venezuela and West Germany. The Company produces a complete line of whiskies, gins, rums, brandies, vodkas, liqueurs and other spirits and wines and markets its brands in over 175 countries. In addition, through its subsidiaries the Company is engaged in the exploration for and the development, production and sale of crude oil, natural gas and related products. Of the Company's sales during the fiscal year ended July 31, 1978, net of excise taxes, approximately 75% were made in North America, 15% in Europe and 10% in Latin America and Australasia.

INFORMATION AS TO INDUSTRY SEGMENTS

Information as to the amount of the revenues, operating income and identifiable assets of the Company's two industry segments for the five fiscal years ended July 31, 1978 is incorporated by reference to the Industry Segment Information contained in the Company's 1978 Annual Report to Shareholders at page 45. Information as to the amount of the revenues,

operating income and identifiable assets by geographic segment for fiscal 1978 is incorporated by reference to Note 10 of Notes to Consolidated Financial Statements contained in the Company's 1978 Annual Report to Shareholders.

SPIRITS AND WINE

The activities of the Company are grouped as North American and Foreign Operations. Included within the latter are Europe, Latin America and Australasia.

North American Operations

Canada

The Company, through its subsidiary companies in Canada, produces principally Canadian whisky, including Seagram's V.O., Lord Calvert, Seagram's Crown Royal and Harwood, for export to the United States and world markets. In addition, the Canadian subsidiaries market in Canada a complete line of whiskies, rums, gins, brandies, vodkas, liqueurs and other spirits produced by them in Canada or imported from foreign subsidiaries and others. The Company also participates in all major sectors of the domestic and imported wine markets in Canada. Sales of spirits and wine are made to twelve Liquor Control Boards or Commissions in the ten Provinces and two Territories. The Canadian subsidiaries maintain sizeable inventories of aging spirits and operate six distilleries, with an approximate combined daily capacity of 100,000 U.S. proof gallons, and five bottling

plants with a combined daily capacity of 60,000 cases. During fiscal 1978, the Company closed distilling operations for six months in five plants in accordance with a production plan to correct inventory levels.

United States

Through its wholly owned subsidiary Joseph E. Seagram & Sons, Inc. ("Joseph E. Seagram"), the Company participates in all major sectors of the spirits and domestic and imported wine markets. The principal brands of spirits marketed by Joseph E. Seagram include Seagram's Seven Crown, Kessler, Calvert Extra and Four Roses blended whiskeys; Seagram's V.O., Seagram's Crown Royal, Lord Calvert and Harwood Canadian whiskies; Chivas Regal, Passport and The Glenlivet Scotch whiskies; Seagram's Benchmark Bourbon; John Jameson Irish Whiskey; Wolfschmidt, Crown Russe and Nikolai vodkas; Seagram's Extra Dry and Calvert gins; Ronrico Puerto Rican Rum; Myers's Jamaican Rum; Leroux brandies and liqueurs; and The Christian Brothers Brandy. The wines marketed by the Company include Paul Masson wines and champagnes, The Christian Brothers wines, Gold Seal wines and champagnes, Barton & Guestier (B&G) French wines, Mumm's French champagnes, Kayser German wines, and Frank Schoonmaker Selections. Except for The Christian Brothers wines and brandy, Gold Seal wines and champagnes and Frank

Schoonmaker Selections, for which Joseph E. Seagram is the sole marketer, all such products are either produced in the United States by Joseph E. Seagram or outside the United States by other subsidiaries or affiliates of the Company.

Joseph E. Seagram's five distilleries have a combined daily capacity of approximately 180,000 proof gallons, and its six bottling plants have a combined daily capacity of approximately 150,000 cases.

In thirty-two states and the District of Columbia, Joseph E. Seagram sells to approximately 500 wholesale distributors who also handle other brands of distilled spirits and wines. In eighteen control states, sales are made to state and local agencies.

In seeking to achieve a high degree of market penetration for its principal brands, Joseph E. Seagram makes extensive use of national magazines, newspapers and outdoor advertising, but does not use radio and television, except for promoting wines. (See Schedule XVI of the Consolidated Financial Statements of the Company.)

Joseph E. Seagram owns inventories of all types of aging spirits and wine and believes it has the largest inventory of aging spirits in the United States. Joseph E. Seagram is aging approximately 3,100,000 barrels of spirits and wine in its warehouses.

The basic raw materials used in the production of Joseph E. Seagram's spirits are grains, principally corn, which it purchases from others. Joseph E. Seagram owns and operates grain elevators located in Indiana and Illinois with storage capacity aggregating approximately 3,600,000 bushels. White oak barrels are used for the storage of whiskey and spirits during the aging period. Joseph E. Seagram manufactures substantially all of its barrels and purchases substantially all of its bottles and packaging materials from various suppliers. Joseph E. Seagram produces approximately 77% of its domestic wine requirements. Of this production, approximately 13% is derived from grapes grown in its vineyards in California.

Foreign Operations

For many years, the Company has been engaged in an overseas expansion and acquisition program to provide export markets for spirits and wine produced by subsidiaries and affiliates, to produce products locally for exportation, to develop local markets and to secure sources of supply. In the development of the Company's overseas network of subsidiaries and affiliates, significant investments in inventories and facilities and expenditures for advertising and promotion have been made to develop the local markets. Well known brands produced abroad and marketed by the Company include: Chivas Regal, The Glenlivet, Royal Salute, 100 Pipers and Passport Scotch whiskies; Boodles Gin; Royal Label whisky;

Barton & Guestier (B&G) French wines; Mumm's French champagnes; Ronrico Puerto Rican, Palo Viejo Puerto Rican, Captain Morgan and Cacique rums; Robert Brown's Whisky; Kayser German wines; Ricasoli, Bersano, and Brolio Italian wines; Macieira Brandy; Sabra Liqueur; and Myers's Jamaican Rum. The Company does not believe that its foreign operations offer any major risks not inherent in its United States operations other than the risks of currency fluctuations.

Seagram Distillers Limited, a wholly owned subsidiary incorporated in Scotland, produces and markets through subsidiaries Chivas Regal, Royal Salute, 100 Pipers, Passport and several other brands of Scotch whisky for sale principally to affiliated companies in the United States, Canada, the United Kingdom and elsewhere. Export sales are made through a sales division of the Company to more than 175 countries throughout the world. Among higher-priced Scotch whiskies (referred to in the industry as "premium" Scotch whisky), Chivas Regal, a twelve year-old whisky, is the largest-selling premium Scotch whisky in the United States and Canada. World-wide sales of Chivas Regal have increased from approximately 1,416,000 cases in 1973 to approximately 2,123,000 cases in 1978.

Subsidiaries of Seagram Distillers Limited operate four distilleries in Scotland which produce Highland Malt

whiskies. They have bottling plants in Paisley and Liverpool and substantial warehouse facilities in Scotland and England.

The Company also markets in the United Kingdom a complete line of whiskies, gins, rums, vodkas, brandies and wines.

During fiscal 1978 the Company purchased The Glenlivet Distillers Limited of Scotland for \$88.2 million. The acquisition nearly trebled the malt whisky distillation capacity of the Company. Glenlivet produces and markets The Glenlivet, a twelve year-old single malt Scotch, Glen Grant, a single malt Scotch and Something Special and Queen Anne, blended Scotch whiskies.

The Glenlivet Distillers Limited operates five distilleries, two bottling plants and warehouse facilities in Scotland.

The Company also has a 20% interest in Irish Distillers Group Limited, which is located in the Republic of Ireland and produces John Jameson as well as virtually all of the branded Irish whiskey in the world.

OIL AND GAS

The Company, through its wholly owned subsidiaries Texas Pacific Oil Company, Inc. ("Texas Pacific") and Texas Pacific Oil Canada Ltd., is engaged in the United States, Canada and overseas in the exploration for and the development, production and sale of crude oil, natural gas and

related products. Crude oil is sold to refining companies and natural gas is sold to pipeline companies pursuant to contracts. The United States activities are conducted in twenty-four states and offshore Texas and Louisiana, with production primarily in Texas, Oklahoma, Louisiana, Mississippi, and New Mexico. Production also commenced during the fourth quarter of fiscal 1978 in the Gulf of Mexico. In Canada, operations are located principally in the Province of Alberta. In addition, Texas Pacific is exploring in Europe and Asia, including active exploration for natural gas in the Gulf of Thailand.

The acquisition of Texas Pacific by the Company in 1963 was financed principally through institutional investors by a \$216,000,000 production payment that was retired in December 1974, prior to which Texas Pacific did not make a significant contribution to the Company's sales or operating income.

EMPLOYEES

As of July 31, 1978, the Company had approximately 15,000 employees, of whom approximately 14,200 were employed in the Company's spirits and wine business and 800 in its oil and gas operations.

COMPETITION, REGULATION AND TAXATION

Based on available industry sales data, the Company believes that it is the largest marketer of spirits in the non-communist world.

The Company's spirits and wine business in the United States is subject to strict regulation by the Federal Government and by various states in which the Company's operations are conducted or products are distributed. Such regulation covers almost every aspect of the business, including production facilities, marketing, uniformity of prices, labels, packaging and advertising. Many states require advance filing or publication of prices resulting in periods of up to six months before prices can be changed. In addition, many states require distillers to affirm that prices charged are no higher than in other states. In Canada, the production and sale of spirits and wine are subject to strict regulation by the Federal and Provincial governments. These regulations cover almost every aspect of the business, including production, marketing, packaging and advertising. Sales are made to Provincial and Territorial Liquor Control Boards and Commissions. Substantially all of the Company's foreign operations are also subject to regulation by local governmental authorities.

The Company is not a major factor in the oil and gas industry. In its oil business the Company's sales depend

upon the demands of oil refiners. In seeking oil and gas exploration prospects, the Company competes with the major oil companies as well as with independent oil and gas concerns and others.

Substantially all the jurisdictions in which Texas Pacific owns producing oil and gas properties have laws regulating the production and sale of oil and natural gas. In addition to requiring permits for the drilling of wells, such laws regulate the spacing of wells, the prevention of waste of oil and gas resources, and other matters. Certain jurisdictions regulate the amount of oil and gas produced by assigning to each well an allowable rate of production.

Under the Natural Gas Act, Texas Pacific is a "natural-gas company" and, as such, is subject to regulation by a Department of Energy agency, the Federal Energy Regulatory Commission. Although such regulation covers the sale of natural gas, the principal impact of such federal control on Texas Pacific is the regulation of the price that it may receive for natural gas sold for resale in interstate commerce in the United States.

In October, 1978, Congress approved legislation which establishes defined categories of gas and a pricing scheme and ceiling for each category; the legislation also extends federal price regulation to intrastate gas sales for the first time.

The Economic Regulatory Administration ("ERA"), an agency of the Department of Energy, regulates crude oil prices. The ERA has been granting price increases; however, it has refused to permit full statutory authorized crude oil price increases, allowing only price increases which reflect inflation.

Item 2. Summary of Operations.

Incorporated by reference to the Five-Year Summary of Operations in the Company's 1978 Annual Report to Shareholders at page 45 and to Management's Discussion and Analysis thereof at page 47. With the exception of the aforementioned, the information in "Item 1 - Industry Segment Information," Notes 7, 10 and 12 of Notes to Consolidated Financial Statements, and certain of the financial statements referred to in the Index to Financial Statements of this Annual Report, no other data appearing in the 1978 Annual Report to Shareholders are deemed to be filed as part of this Annual Report.

THE SEAGRAM COMPANY LTD. AND SUBSIDIARY COMPANIES

For the Year Ended July 31

	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
	(In thousands of U. S. Dollars)				
<u>ANALYSIS OF RETAINED EARNINGS:</u>					
Retained earnings at beginning of period	\$1,006,023	\$ 947,867	\$895,314	\$849,164	\$794,685
Net income	<u>90,564</u>	<u>87,073</u>	<u>80,523</u>	<u>74,120</u>	<u>81,575</u>
	1,096,587	\$1,034,940	975,837	923,284	876,260
Dividends	<u>28,566*</u>	<u>28,917</u>	<u>27,970</u>	<u>27,970</u>	<u>27,096</u>
Retained earnings at end of period	<u>\$1,068,021</u>	<u>\$1,006,023</u>	<u>\$947,867</u>	<u>\$895,314</u>	<u>\$849,164</u>

*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.

Item 3. Properties.

SPIRITS AND WINE

The Company's executive offices are located in a four-story office building which the Company owns at 1430 Peel Street, Montreal, Quebec, and Joseph E. Seagram's executive offices are located in a thirty-eight story office building which it owns at 375 Park Avenue, New York, New York. The principal properties located in North America owned by the Company (through subsidiaries) include, in Canada, six distilleries, one winery, five bottling plants and warehouses at nine locations; in the United States, five distilleries located in Kentucky, Indiana and Maryland, three wineries and 5,200 acres of vineyards located in California, six bottling plants in Indiana, Kentucky, Maryland and California, warehouses at fifteen locations principally in Indiana, Kentucky, Maryland, Ohio and Pennsylvania, and a cooperage mill in Tennessee. The principal properties owned outside North America include nine distilleries in Scotland and related warehouse and bottling facilities in Scotland and England; distilleries in Argentina, Brazil, Italy, Japan, Mexico, Puerto Rico and Venezuela; and wineries in France, Italy, Germany, Spain and New Zealand.

OIL AND GAS

Oil and gas operations are conducted by the Company's wholly owned subsidiaries, Texas Pacific and Texas Pacific Oil Canada Ltd., in the United States and Canada. In addition, exploration programs are being conducted by Texas Pacific in Europe and Asia.

As of July 31, 1978, the estimated future net recoverable oil and gas reserves are:

	<u>OIL (Barrels)</u>		<u>GAS (MCF)</u>	
	<u>U.S.</u>	<u>CANADA</u>	<u>U.S.</u>	<u>CANADA</u>
Proved Developed	108,972,000	3,687,000	330,371,000	13,219,000
Proved Undeveloped	<u>10,186,000</u>	<u>-</u>	<u>62,679,000</u>	<u>8,631,000</u>
	<u>119,158,000</u>	<u>3,687,000</u>	<u>393,050,000</u>	<u>21,850,000</u>

For the month of July, 1978, the average market prices per barrel of oil and thousand cubic feet (MCF) of gas were \$9.71 and \$1.29, respectively.

For the five years ended July 31, 1978, net oil and gas production was:

	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
Total Net Oil Production (Barrels)					
U.S.	12,836,000	13,567,000	14,052,000	14,175,000	14,313,000
Canada	<u>233,000</u>	<u>230,000</u>	<u>267,000</u>	<u>297,000</u>	<u>437,000</u>
	<u>13,069,000</u>	<u>13,797,000</u>	<u>14,319,000</u>	<u>14,472,000</u>	<u>14,750,000</u>

	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
Total Net Gas Production (MCF)					
U.S.	47,380,000	52,445,000	55,330,000	58,733,000	55,308,000
Canada	<u>1,758,000</u>	<u>2,399,000</u>	<u>3,076,000</u>	<u>3,540,000</u>	<u>3,031,000</u>
	<u>49,138,000</u>	<u>54,844,000</u>	<u>58,406,000</u>	<u>62,273,000</u>	<u>58,339,000</u>

At July 31, 1978, there were the following gross and net productive wells and productive acres:

	<u>Gross</u>	<u>Net</u>
Productive Wells		
Oil	11,085	1,807
Gas	<u>1,136</u>	<u>274</u>
	12,221 ^(a)	2,081
	<u>=====</u>	<u>=====</u>
Productive Acres	713,800	497,800
	<u>=====</u>	<u>=====</u>

(a) 140 Wells with multiple completions.

The reserves shown below are estimated to be produced for fiscal year 1979, using existing equipment and technology:

	<u>OIL (Barrels)</u>	<u>GAS (MCF)</u>
Proved Developed	12,559,000	53,824,000

No reserve estimates have been filed with any other federal or foreign governmental authority or agency during the twelve-month period ended on the date of this report.

At July 31, 1978, the following undeveloped acreage was owned or leased by the Company:

	<u>Gross Acres</u>	<u>Net Acres</u>
Arkansas	129,900	92,900
Colorado	356,500	303,000
Illinois	189,600	189,600
Idaho	67,400	65,700
Kentucky	208,900	208,900
Louisiana	148,000	148,000
Montana	286,500	259,700
Oklahoma	87,500	54,100
South Dakota	535,400	270,000
Texas	479,700	361,000
Utah	220,600	220,600
Wyoming	401,500	242,400
Other U.S.	252,300	164,900
Canada	599,900	485,500
Spain	785,900	526,000
Thailand	8,631,700	5,338,800
United Kingdom	<u>222,800</u>	<u>38,800</u>
	13,604,100	8,969,900
	=====	=====

Activities at July 31, 1978 include the following wells which are being drilled:

	<u>Gross</u>	<u>Net</u>
Development Wells	49	11
Secondary Recovery Wells	90	42
Exploration Wells	<u>16</u>	<u>7</u>
	155	60
	===	==

Item 4. Parents and Subsidiaries.

See Exhibit A attached hereto for a list of subsidiaries of the Company, their degree of relationship to the Company, and the state or other jurisdiction of incorporation. Subsidiaries not listed in Exhibit A, considered in the aggregate as a single subsidiary, do not constitute a significant subsidiary. The results of all subsidiaries are included in the Consolidated Financial Statements.

Four trusts established for the benefit of the children and grandchildren of the late Samuel Bronfman beneficially own (through holding companies) an aggregate of 11,833,090 common and CSOH shares* of the Company or 33.73% of the outstanding shares of the Company. The trustees of each of these four trusts are Edgar M. Bronfman, Charles R. Bronfman, Minda de Gunzburg, Phyllis Lambert, Lazarus Phillips, Philip F. Vineberg and E. Leo Kolber. Each of Edgar M. Bronfman, Charles R. Bronfman, Minda de Gunzburg and Phyllis Lambert is, together with his or her children, the beneficiary of one of these four trusts. Such trusts' indirect proportionate interests (through such trusts' 95% interest in one of the holding companies referred to above)

* Common and CSOH shares are hereinafter sometimes referred to without differentiation as "shares". See Note 12 of Notes to Consolidated Financial Statements contained in the Company's 1978 Annual Report to Shareholders for a description of the CSOH shares.

in the shares of the Company are 3,186,544, 3,618,134, 2,024,701 and 2,412,021 shares or 9.08%, 10.31%, 5.77% and 6.88% of the Company's outstanding shares, respectively. Edgar M. Bronfman is Chairman of the Board and Chief Executive Officer and a director of the Company; Charles R. Bronfman is Chairman of the Executive Committee and a director of the Company; and Alain de Gunzburg (the husband of Minda de Gunzburg), E. Leo Kolber and Philip F. Vineberg are directors of the Company.

Item 5. Pending Legal Proceedings.

See Note 7 of Notes to Consolidated Financial Statements contained in the Company's 1978 Annual Report to Shareholders with respect to additional income taxes proposed by various taxing authorities.

Item 6. Increases and Decreases in Outstanding Securities and Indebtedness.

See Note 12 of Notes to Consolidated Financial Statements contained in the Company's 1978 Annual Report to Shareholders with respect to a change in the Company's capital stock.

During the fourth quarter of fiscal 1978 the Company increased outstanding indebtedness from \$461,699,000, as previously reported in the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1978, to \$512,064,000 at July 31, 1978, primarily due to an increase of sterling bank borrowings to finance the purchase of aged

Scotch whisky. The aggregate net cash proceeds used for this purpose were \$47,009,000.

Item 7. Changes in Securities and Changes in Security for Registered Securities.

See Item 10 below.

Item 8. Defaults upon Senior Securities.

None

Item 9. Approximate Number of Equity Security Holders.

<u>Title of Class</u>	<u>Number of Record Holders</u>
Common and CSOH ⁽¹⁾ shares, without nominal or par value	18,500

Item 10. Submission of Matters to a Vote of Security Holders.

On May 18, 1978, the Company's shareholders at a Special General Meeting of Shareholders, by a vote of 24,941,981 "For" and 28,259 "Against", sanctioned and confirmed By-Law No. 46, altering the authorized capital stock of the Company by the creation of a class of shares designated as CSOH shares. See Note 12 of Notes to Consolidated Financial Statements contained in the Company's 1978 Annual Report to Shareholders for a description of the CSOH shares.

(1) See Note 12 of Notes to Consolidated Financial Statements contained in the Company's 1978 Annual Report to Shareholders for a description of the CSOH shares.

Item 10A. Executive Officers of the Registrant.

The following table sets forth certain information with respect to the executive officers of the Company:

<u>Officer</u>	<u>Position</u>	<u>Held Office Since</u>	<u>Age</u>
Edgar M. Bronfman (1)	Chairman of the Board and Chief Executive Officer	1975	49
Charles R. Bronfman (1)	Chairman of the Executive Committee	1975	47
Philip E. Beekman	President	1977	47
Harold Fieldsteel	Executive Vice President, Administration and Finance (1978) and Treasurer and Controller (1971)	1971	56
Melvin W. Griffin	Executive Vice President, Manufacturing	1977	55
Frank S. Berger	Vice President, Marketing-North America	1978	41
Jack Welsch	Vice President, Compliance	1978	65
Alan A. Sharp	Secretary (1966) and Assistant Treasurer (1975)	1966	64

The term of office of each officer expires November 14, 1978, or on the date his successor is elected and qualifies, in accordance with the By-Laws.

(1) Edgar and Charles Bronfman are brothers.

The Company's officers held the following positions prior to being elected to their present offices:

Mr. Edgar M. Bronfman was President of the Company from 1971 until being elected to his present position. In addition, he was either a consultant or President of Joseph E. Seagram until his appointment as Chairman and Chief Executive Officer of that company in 1977.

Mr. Charles R. Bronfman was named Executive Vice President in 1971, a position held until he became President and Chairman of the Executive Committee in 1975.

Mr. Beekman was the Vice President and General Manager of the Household Products Division of Colgate-Palmolive Company between 1970 and 1974 and was General Manager of Colgate-Palmolive International Inc. from 1974 to 1975. From the latter date until joining the Company on February 7, 1977, he served as both Vice President and a director of Colgate-Palmolive Company and President of Colgate-Palmolive International Inc. Mr. Beekman concurrently serves as President of Joseph E. Seagram.

Mr. Fieldsteel was named Treasurer and Controller in 1971 and was elected Vice President in 1976. He also has been serving as the Executive Vice President, Administration and Finance, of Joseph E. Seagram since 1971.

Mr. Griffin was named Executive Vice President and Chief Operating Officer of The House of Seagram Ltd., a subsidiary of the Company, in 1970 and became President of that company in 1975. He was named Vice President, Manufacturing of the Company in 1977.

Mr. Berger was designated in 1973 as President of General Wine and Spirits Company, a division of Joseph E. Seagram, after which he became President in 1977 of another selling division, Seagram Distillers Company. In May, 1978, he was appointed President of The House of Seagram, a division of Joseph E. Seagram.

Mr. Welsch was President of Fromm and Sichel, Inc. from 1973 until 1978 when he was named Vice Chairman of the Board of Directors of that company.

Mr. Sharp has been Secretary of the Company since 1966 and has been Assistant Treasurer since 1975.

Item 11. Indemnification of Directors and Officers.

The information called for by this Item is unchanged from that given in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1977.

Item 12. Financial Statements, Exhibits Filed and Reports on Form 8-K.

(a) Financial Statements and Exhibits.

(1) The financial statements and supporting schedules listed on the Index to Financial Statements of this Annual Report and attached hereto are filed as part of this Annual Report.

(2) Exhibits:

- A - List of subsidiaries relating to Item 4.
- B - Executive Split Dollar Life Insurance and Supplemental Pension Plan and Form of Compensation Agreement of Joseph E. Seagram & Sons, Inc. (incorporated by reference to Exhibit B of the Annual Report on Form 10-K of Joseph E. Seagram for the year ended July 31, 1978).
- C - Executive Incentive Award Plan of Joseph E. Seagram & Sons, Inc. (incorporated by reference to Exhibit C of the Annual Report on Form 10-K of Joseph E. Seagram for the year ended July 31, 1978).
- D - Text of By-Law No. 46 of the Company.
- E - Retirement Plan for Employees of the Participating Subsidiaries and Affiliates of The Seagram Company Ltd. (with amendments to May 4, 1978) and Pension Trust Agreement by and between The Seagram Company Ltd. and The Royal Trust Company.
- F - Retirement Plan for Salaried Employees of the Participating Subsidiaries and Affiliates of The Seagram Company Ltd. (with amendments to May 4, 1978) and Pension Trust Agreement by and between The Seagram Company Ltd. and The Royal Trust Company.
- G - Commingled Trust Agreement by and between The Seagram Company Ltd. and The Royal Trust Company.

H - Pension Plan for Hourly-Rated Employees
of the Participating Subsidiaries and
Affiliates of The Seagram Company Ltd.

I - Retirement Plan for Salaried Employees of
Joseph E. Seagram Division of The Seagram
Company Ltd.

(b) No Current Report on Form 8-K was filed by the
Company during the quarter ended July 31, 1978.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE SEAGRAM COMPANY LTD.
(Registrant)

By /s/ Alan A. Sharp
Alan A. Sharp
Secretary and Assistant
Treasurer

Dated: October 30, 1978

EXHIBIT A
THE SEAGRAM COMPANY LTD.
Parents and Subsidiaries

	<u>Organized Under Laws of</u>	<u>% of Voting Securities Owned by its Immediate Parent</u>
THE SEAGRAM COMPANY LTD. - LA COMPAGNIE SEAGRAM LTEE (Registrant)	Canada	—
Centenary Distillers Ltd.	Canada	100%
Joseph E. Seagram & Sons, Inc.	Indiana	100%
Distillers Products Sales Corporation	Massachusetts	100%
Vintners Associates, Inc.	Delaware	84%
Fromm and Sichel, Inc.	New York	100%
Vie-Del Company	Nevada	87%
St. Regis Napa Vineyards, Inc.	California	100%
Paul Masson, Inc.	California	93%
Texas Pacific Oil Company, Inc.	Delaware	100%
Dunigan Tool and Supply Company, Inc.	Texas	100%
Seagram Investments Inc.	Delaware	100%
The Glenlivet Distillers Limited	United Kingdom	100%
Seagram Distillers Limited (1)	United Kingdom	100%
Chivas Brothers Limited	United Kingdom	100%
Seagram Finance Company Limited	United Kingdom	100%
Seagram United Kingdom Limited	United Kingdom	100%
Seagram's de Mexico, S.A. de C.V.	Mexico	97%
Chemineaud Freres - Barton & Guestier S.A.	France	100%
G. H. Mumm & Cie.	France	(2)
Weichsler GmbH.	Austria	100%
Casa Vinicola Barone Ricasoli S.p.A.	Italy	95%
Seagram Continental Bebidas S.A. (4)	Brazil	100%
Calvert Empresa de Bebidas Ltda. (4)	Brazil	100%
Seagram Distribuidora de Bebidas Ltda. (4)	Brazil	100%
Seagram's de Costa Rica, S.A.	Costa Rica	60%
Seagram Australia Pty Limited	Australia	100%
Kirin-Seagram Limited (5)	Japan	50%
Rene Briand S.p.A.	Italy	(3)
International Distillers of Israel Limited	Israel	100%
Bodegas Palacio, S.A.R.A.	Spain	100%
Lehment GmbH.	West Germany	100%
Irish Distillers Group Limited	Ireland	20%
Macieira & Ca. Ltda.	Portugal	(6)
Atlantic Distillers Ltd.	Canada	100%
The Adams Distillers Group Ltd. - Le Groupe de Distillateurs Adams Ltee	Canada	100%
Calvert of Canada Limited	Canada	100%
International Wines & Spirits Ltd. - La Compagnie Internationale de Vins et Spiritueux Ltee	Canada	100%

EXHIBIT A
THE SEAGRAM COMPANY LTD.
Parents and Subsidiaries
(continued)

	<u>Organized Under Laws of</u>	<u>% of Voting Securities Owned by its Immediate Parent</u>
THE SEAGRAM COMPANY LTD. - LA COMPAGNIE SEAGRAM LTEE (Registrant)	Canada	--
Texas Pacific Oil Canada Ltd.	Canada	100%
Joseph E. Seagram & Sons, Limited	Canada	100%
Distillers Corporation Limitee	Canada	100%
Hans U. Bon A.G.	Switzerland	100%
Destileria San Ignacio S.A.I.C.	Argentina	(7)
Destileria del Norte S.A.	Argentina	(7)
Corporacion Venezolana Canadiense, S.A.	Venezuela	100%
Licorerias Unidas, S.A.	Venezuela	55%
La Maison Secrestat Ltee	Canada	100%
Captain Morgan Rum Distillers Limited	Canada	100%
Puerto Rico Distillers, Inc.	Puerto Rico	99%
Seagrams Belgium N.V.	Belgium	100%
Seagram (New Zealand) Limited	New Zealand	100%

NOTES

- (1) Registrant holds 8% of the voting stock of this subsidiary and Joseph E. Seagram & Sons, Inc. indirectly holds 92%.
- (2) Joseph E. Seagram & Sons, Inc. owns directly and indirectly 51% of the stock of this subsidiary.
- (3) Centenary Distillers Ltd. owns 99% and Distillers Corporation Limitee owns 1%.
- (4) Joseph E. Seagram & Sons, Inc. through subsidiaries owns 100% of the stock of this subsidiary.
- (5) Joseph E. Seagram & Sons, Inc. owns, directly and indirectly, 50% of the voting stock of this company.
- (6) Registrant owns 70% and Centenary Distillers Ltd. owns 30%.
- (7) Distillers Corporation Limitee owns 50% and Captain Morgan Rum Distillers Limited owns 50% of the stock of this company.

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549



ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED JULY 31, 1978

THE SEAGRAM COMPANY LTD.

FINANCIAL STATEMENTS

THE SEAGRAM COMPANY LTD.
(Incorporated under the Canada Corporations Act)
AND SUBSIDIARY COMPANIES

INDEX TO FINANCIAL STATEMENTS

The 1978 and 1977 consolidated financial statements of The Seagram Company Ltd. together with the report thereon of Price Waterhouse & Co. dated September 20, 1978, appearing on pages 37 through 44 of the accompanying 1978 Annual Report to shareholders are incorporated in this Form 10-K Annual Report. With the exception of the aforementioned information and the information incorporated in Items 1 and 2, the 1978 Annual Report to shareholders is not to be deemed filed as part of this Annual Report. The following additional financial data should be read in conjunction with the financial statements in such 1978 Annual Report to shareholders. Schedules not included with these additional financial data have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

ADDITIONAL FINANCIAL DATA
1978 AND 1977

Consolidated:

Supplementary information to notes to consolidated financial statements for the years ended July 31, 1978 and 1977

Schedules - for the years ended July 31, 1978 and 1977:

II - Amounts receivable from directors, officers and employees

V - Property, plant and equipment

VI - Accumulated depreciation, depletion and amortization of property, plant and equipment

XII - Valuation and qualifying accounts and reserves

XVI - Supplementary income statement information

Registrant (a):

Balance sheets at July 31, 1978 and 1977

Statements of income and retained earnings for the years ended July 31, 1978 and 1977

(a) Reference is made to Note M of the supplementary information to notes to consolidated financial statements of The Seagram Company Ltd. for financial statements and schedules of The Seagram Company Ltd. (registrant).

Statements of changes in financial position for the years ended July 31, 1978 and 1977

Schedules - for the years ended July 31, 1978 and 1977:

III - Investments in and dividends received from subsidiaries and affiliates.

IV - Indebtedness of subsidiaries and affiliates - not current.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the application of our report, which appears on page 44 of the 1978 Annual Report to shareholders of The Seagram Company Ltd., to the additional financial data listed in the foregoing index when these data are read in conjunction with the financial statements in such 1978 Annual Report to shareholders; our report and the financial statements have been incorporated in this Annual Report on Form 10-K. The examinations referred to in our report included examinations of the additional financial data.

PRICE WATERHOUSE & CO.

1200 McGill College Avenue
Montreal, Quebec, H3B2G4
September 20, 1978

THE SEAGRAM COMPANY LTD.
(Incorporated under the Canada Corporations Act)
AND SUBSIDIARY COMPANIES

SUPPLEMENTARY INFORMATION TO NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 1978 AND 1977

(A) Inventories included in the computation of cost of goods amounted to:

	J u l y 3 1,		
	1 9 7 8	1 9 7 7	1 9 7 6
Whiskies, spirits and wine	\$883,334,000	\$754,625,000	\$758,479,000
Raw materials and supplies	<u>79,294,000</u>	<u>76,589,000</u>	<u>82,816,000</u>
	<u>\$962,628,000</u>	<u>\$831,214,000</u>	<u>\$841,295,000</u>

A substantial amount of whiskies and spirits inventories are stored in bonded premises subject to governmental supervision. Provision for United States and Canadian excise taxes is made upon withdrawal of these inventories from bonded premises.

(B) Oil and gas properties:

The Company provides for depreciation on a straight-line basis using estimated useful asset lives of 5 to 25 years.

(C) Income tax provision:

	1 9 7 8		1 9 7 7	
	United States Federal	Other	United States Federal	Other
Current	\$ 2,347,000	\$45,898,000	\$13,605,000	\$32,416,000
Net effect of timing differences	<u>16,378,000</u>	<u>12,007,000</u>	<u>8,623,000</u>	<u>9,152,000</u>
Provision for income taxes	<u>\$18,725,000</u>	<u>\$57,905,000</u>	<u>\$22,228,000</u>	<u>\$41,568,000</u>

(D) Receivables comprise the following:

	1 9 7 8	1 9 7 7
Trade	\$307,990,000	\$320,848,000
Officers and employees	2,670,000	2,921,000
Miscellaneous	38,624,000	36,370,000
Reserves for doubtful accounts and allowances (Schedule XII)	<u>(14,584,000)</u>	<u>(12,789,000)</u>
	<u>\$334,700,000</u>	<u>\$347,350,000</u>

(E) Sundry assets comprise the following:

	1 9 7 8	1 9 7 7
Receivables from directors, officers and employees (Schedule II)	\$ 182,000	\$ 190,000
Other sundry	<u>36,669,000</u>	<u>32,632,000*</u>
	<u>\$36,851,000</u>	<u>\$32,822,000</u>

*Restated to conform to 1978 classification.

(F) Payables and accrued liabilities comprise the following:

	1 9 7 8	1 9 7 7
Payables - trade	\$ 94,670,000	\$ 60,548,000
Miscellaneous payables and accrued liabilities	70,241,000	49,690,000
Accrued salaries and wages	16,740,000	14,886,000
Accrued interest	<u>9,930,000</u>	<u>9,974,000</u>
	<u>\$191,581,000</u>	<u>\$135,098,000</u>

- (G) Interest rates on short-term borrowings were at prime or its equivalent, and on a weighted average basis were 9.3% for the fiscal year ended July 31, 1978, and 9.5% at July 31, 1977 (9.0% and 9.1% at July 31, 1977 respectively).

Short-term borrowings at July 31, 1977 consisted of bank borrowings of \$75,319,000 and commercial paper of \$9,100,000. The maximum amount of short-term borrowings outstanding during the fiscal year ended July 31, 1977 was \$254,501,000 and averaged \$174,153,000 for the fiscal year ended July 31, 1977.

- (H) Minority interest in net income of subsidiary companies for the years ended July 31, 1978 and 1977 was \$4,229,000 and \$4,614,000, respectively.

(I) Deferred income taxes included on the balance sheet under the caption deferred income taxes and other credits amounted to \$130,848,000 at July 31, 1978 and \$93,730,000 at July 31, 1977.

(J) Executive compensation and stock option plans:

Joseph E. Seagram & Sons, Inc. has an Executive Compensation Plan which provides certain employees with the option to convert their annual cash bonus into deferred equivalent stock units. Each unit represents one share of the Company's common stock at the market value at date of award. Upon termination of employment the employee receives at the discretion of the Company, either the current cash value of equivalent stock units or common shares of the Company. The employees' bonuses are charged to expense in the year of award. At July 31, 1978, 211,300 (173,277 at July 31, 1977) equivalent stock units were outstanding.

Joseph E. Seagram & Sons, Inc. also has a Presidential Stock Option Plan for key employees. These key employees are not included in the Executive Compensation Plan and may elect to receive (i) half the bonus in cash and half in stock units or options (ii) half in stock units and half in options or (iii) all in cash, stock units or options. Stock options are to purchase shares of common stock of The Seagram Company Ltd., exercisable on death, retirement or other termination of employment. The number of shares subject to such options will depend upon the bonus awarded to the employee and the option price per share selected by him, which may range from 12-1/2% to 100% of current market value. The difference between market value and option price at date of grant is charged to expense during the current year. Employees will have the right during the 30 days after exercise of an option to sell the shares purchased to Joseph E. Seagram & Sons, Inc. at the then market price. The amounts charged to expense for key employees under the Presidential Stock Option Plan for cash, options and stock units, amounted to \$1,146,000 in 1978 and \$468,000 in 1977.

In a fiscal 1977 transaction separate from the above plan, an officer of the Company was granted an option to purchase 20,000 shares at \$22.93 per share (100% of the average market price during the month preceding the grant).

Information concerning options is as follows:

	Shares	Option price		Market value	
		Per Share	Total	Per Share	Total
Shares under option:					
July 31, 1978	63,695	\$ 2.70 to \$22.93	\$1,011,000	\$21.75 to \$30.75	\$1,630,000
July 31, 1977	59,506	\$ 2.70 to \$22.93	\$ 961,000	\$21.75 to \$30.75	\$1,531,000
Options granted:					
1978	4,189	\$11.83	\$ 50,000	\$23.66(a)	\$ 99,000
1977	29,774	\$ 2.70 to \$22.93	\$ 555,000	\$21.75 to \$22.93(a)	\$ 672,000
Options exercised(c):					
1978	-	-	-	-	-
1977	781	\$15.45	\$ 12,000	\$23.33(b)	\$ 18,000

- (a) At date options were granted; fiscal 1977 includes the 20,000 share transaction discussed above.
- (b) At date options were exercised.
- (c) All options were exercised in the year they became exercisable.

(K) Replacement cost data -
(unaudited):

The replacement cost of the Company's property, plant and equipment with the exception of bulk warehouses has been estimated principally on the basis of indices published by governmental and private organizations applied to the historical cost of assets. For bulk warehouses the cost per unit of storage capacity was used to compute the estimated cost of replacing the existing capacity. No attempt was made to reengineer the entire storage facility into units larger than those currently in existence. Accumulated depreciation at the end of the year and depreciation expense for the year related to the replacement cost of property, plant and equipment were calculated by applying to the replacement cost the ratio of historical accumulated depreciation to historical cost.

The replacement cost of inventories was estimated principally by applying current cost standards to quantities of inventory on hand at July 31, 1978 and 1977. Because aging inventory is stored for more than one year, the quantity at July 31, 1978 and 1977 exceeds the Company's annual production capacity.

The estimated replacement cost for cost of goods sold for inventory not on the last-in, first-out (LIFO) inventory method was developed based upon current cost standards.

Replacement cost data -
(unaudited) (continued):

	Estimated replacement cost	Historic cost
Inventories at July 31, 1978	<u>\$1,268,689,000</u>	<u>\$ 957,320,000</u>
Cost of goods for the year ended July 31, 1978	<u>\$1,552,595,000</u>	<u>\$1,518,312,000</u>
Property, plant and equipment at July 31, 1978	<u>\$1,279,326,000</u>	<u>\$ 601,509,000</u>
Less - Accumulated depreciation	<u>533,078,000</u>	<u>249,936,000</u>
	<u>\$ 746,248,000</u>	<u>\$ 351,573,000</u>
Depreciation, excluding oil and gas operations for the year ended July 31, 1978:		
Included in cost of goods	\$ 29,061,000	\$ 12,781,000
Included in other operating costs	<u>22,747,000</u>	<u>12,165,000</u>
	<u>\$ 51,808,000</u>	<u>\$ 24,946,000</u>

The following table reconciles the historical cost amounts for which replacement cost data are provided to the related totals reported in the consolidated balance sheet and income statement:

	Inventories	Cost of goods sold	Property, plant and equipment	Accumulated depreciation	Depreciation excluding oil and gas operations
Totals as shown in the accompanying consoli- dated financial statements	\$962,628,000	\$1,606,689,000	\$642,038,000	\$251,473,000	\$25,056,000
Facilities which may not be replaced at the end of their current economic lives	—	—	(2,810,000)	(1,537,000)	(110,000)
Oil and gas operations	(5,308,000)	(88,377,000)	—	—	—
Land and construction in progress, at cost	—	—	(37,719,000)	—	—
Historical amounts for which replacement cost data have been provided	<u>\$957,320,000</u>	<u>\$1,518,312,000</u>	<u>\$601,509,000</u>	<u>\$249,936,000</u>	<u>\$24,946,000</u>

Replacement cost data -
(unaudited) (continued):

	Estimated replacement cost	Historic cost
Inventories at July 31, 1977	<u>\$1,024,383,000*</u>	<u>\$ 742,486,000*</u>
Cost of goods for the year ended July 31, 1977	<u>\$1,431,228,000*</u>	<u>\$1,400,471,000*</u>
Property, plant and equipment at July 31, 1977	\$ 992,444,000	\$ 500,373,000
Less - Accumulated depreciation	<u>425,880,000</u>	<u>217,713,000</u>
	<u>\$ 566,564,000</u>	<u>\$ 282,660,000</u>
Depreciation, excluding oil and gas operations for the year ended July 31, 1977:		
Included in cost of goods	\$ 27,691,000	\$ 13,476,000
Included in other operating costs	<u>12,358,000</u>	<u>7,138,000</u>
	<u>\$ 40,049,000</u>	<u>\$ 20,614,000</u>

The following table reconciles the historical cost amounts for which replacement cost data are provided to the related totals reported in the consolidated balance sheet and income statement:

	Inventories	Cost of goods sold	Property, plant and equipment	Accumulated depreciation	Depreciation excluding oil and gas operations
Totals as shown in the accompanying consoli- dated financial statements	\$831,214,000	\$1,599,833,000*	\$594,509,000	\$233,325,000	\$23,601,000
Facilities which may not be replaced at the end of their current economic lives	—	—	(1,650,000)	(1,068,000)	(80,000)
Oil and gas operations and countries excluded	(88,728,000)*	(199,362,000)*	(58,386,000)	(14,544,000)	(2,907,000)
Land and construction in progress, at cost	<u>—</u>	<u>—</u>	<u>(34,100,000)</u>	<u>—</u>	<u>—</u>
Historical amounts for which replacement cost data have been provided	<u>\$742,486,000*</u>	<u>\$1,400,471,000*</u>	<u>\$500,373,000</u>	<u>\$217,713,000</u>	<u>\$20,614,000</u>

*Restated

(L) Consolidated retained earnings at July 31, 1978 include \$647,842,000 (\$643,303,000 at July 31, 1977) representing a portion of the retained earnings of Joseph E. Seagram & Sons, Inc. and subsidiary companies, which, under provisions of the most restrictive indenture requirements, cannot be paid in the form of dividends or otherwise transferred to the Canadian parent.

(M) Registrant financial statements:

The Seagram Company Ltd. is a holding company. See accompanying index for financial statements and schedules included.

THE SEAGRAM COMPANY LTD.
(Incorporated under the Canada Corporations Act)
AND SUBSIDIARY COMPANIES

SCHEDULE II - AMOUNTS RECEIVABLE FROM
DIRECTORS, OFFICERS AND EMPLOYEES
YEAR ENDED JULY 31, 1978

Name of Debtor	Balance receivable at July 31, 1977	Additions	Reductions	Balance receivable at July 31, 1978
M. W. Griffin	\$110,000		\$8,000	\$102,000 ⁽¹⁾
A. F. Murphy	<u>80,000</u>	<u> </u>	<u> </u>	<u>80,000</u> ⁽²⁾
	<u>\$190,000</u>	<u>—</u>	<u>\$8,000</u>	<u>\$182,000</u>

(1) This balance comprises loans bearing interest, commencing January 1, 1978, at the rate of 10% per annum and includes \$30,000 principal due in 1979 through 1992, repayable in equal monthly installments; and \$72,000 principal repayable upon demand. The demand note is secured by collateral of 2,000 shares of The Seagram Company Ltd. common stock. These loans were interest-free through December 31, 1977. Reductions of \$8,000 include repayment of \$2,000 and a reduction of \$6,000 due to the decline in value of the Canadian dollar, in which the loans are denominated.

(2) This balance represents a demand note bearing interest at 4% per annum.

THE SEAGRAM COMPANY LTD.
(Incorporated under the Canada Corporations Act)
AND SUBSIDIARY COMPANIES

SCHEDULE II - AMOUNTS RECEIVABLE FROM
DIRECTORS, OFFICERS AND EMPLOYEES

YEAR ENDED JULY 31, 1977

Name of debtor	Balance receivable at July 31, 1976	Additions	Reductions	Balance receivable at July 31, 1977
M. W. Griffin	\$120,000		\$10,000	\$110,000 (1)
A. F. Murphy	<u>80,000</u>	<u> </u>	<u> </u>	<u>80,000</u> (2)
	<u>\$200,000</u>	<u>-</u>	<u>\$10,000</u>	<u>\$190,000</u>

(1) This balance comprises interest-free loans of \$34,000 due in 1979 through 1992 repayable in equal monthly installments and \$76,000 repayable upon demand. The demand note is secured by collateral of 2,000 shares of The Seagram Company Ltd. common stock. Reductions of \$10,000 include repayment of \$2,000 and a reduction of \$8,000 due to the decline in value of the Canadian dollar, in which the loans are denominated.

(2) This balance represents a demand note bearing interest at 4% per annum.

THE SEAGRAM COMPANY LTD.
(Incorporated under the Canada Corporations Act)
AND SUBSIDIARY COMPANIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED JULY 31, 1978

Classification	Balance at July 31, 1977	Additions at cost	Acquisition of The Glenlivet Distillers Limited	Transfers in (out)	Retirements	Balance at July 31, 1978
Land and land improvements	\$ 37,296,000	\$ 959,000	\$ 1,943,000	\$ 3,095,000	\$ 1,385,000	\$ 41,908,000
Buildings	226,775,000	12,671,000	13,407,000	6,335,000	5,171,000	254,017,000
Machinery and equipment	224,920,000	12,130,000	4,081,000	15,356,000	3,519,000	252,968,000
Other	78,221,000	6,436,000	—	2,242,000	2,714,000	84,185,000
Construction in progress	<u>27,297,000</u>	<u>11,355,000</u>	<u>—</u>	<u>(27,028,000)</u>	<u>2,664,000</u>	<u>8,960,000</u>
	594,509,000	43,551,000	19,431,000	—	15,453,000	642,038,000
Oil and gas properties	<u>424,851,000</u>	<u>111,973,000</u>	<u>—</u>	<u>—</u>	<u>26,276,000</u>	<u>510,548,000</u>
	<u>\$1,019,360,000</u>	<u>\$155,524,000</u>	<u>\$19,431,000</u>	<u>—</u>	<u>\$41,729,000</u>	<u>\$1,152,586,000</u>

SCHEDULE V
CONSOLIDATED

THE SEAGRAM COMPANY LTD.
(Incorporated under the Canada Corporations Act)
AND SUBSIDIARY COMPANIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED JULY 31, 1977

Classification	Balance at July 31, 1976	Additions at cost	Transfers in (out)	Retirements	Balance at July 31, 1977
Land and land improvements	\$ 40,505,000	\$ 702,000	\$ 184,000	\$ 4,095,000	\$ 37,296,000
Buildings	226,320,000	2,520,000	4,333,000	6,398,000	226,775,000
Machinery and equipment	219,985,000	5,770,000	9,236,000	10,071,000	224,920,000
Other	76,830,000	4,953,000	(635,000)	2,927,000	78,221,000
Construction in progress	<u>22,572,000</u>	<u>19,089,000</u>	<u>(13,118,000)</u>	<u>1,246,000</u>	<u>27,297,000</u>
	586,212,000	33,034,000	-	24,737,000	594,509,000
Oil and gas properties	<u>385,001,000</u>	<u>73,575,000</u>		<u>33,725,000</u>	<u>424,851,000</u>
	<u>\$971,213,000</u>	<u>\$106,609,000</u>	<u>-</u>	<u>\$58,462,000</u>	<u>\$1,019,360,000</u>

THE SEAGRAM COMPANY LTD.
(Incorporated under the Canada Corporations Act)
AND SUBSIDIARY COMPANIES

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION
AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED JULY 31, 1978

Classification	Balance at July 31, 1977	Additions charged to costs and expenses	Transfers in (out)	Retirements	Balance at July 31, 1978
Land improvements	\$ 5,133,000	\$ 745,000	\$ 3,000	\$ 218,000	\$ 5,663,000
Buildings	68,958,000	6,474,000	193,000	1,977,000	73,648,000
Machinery and equipment	121,166,000	12,736,000	(8,000)	2,653,000	131,241,000
Other	<u>38,068,000</u>	<u>5,101,000</u>	<u>(188,000)</u>	<u>2,060,000</u>	<u>40,921,000</u>
	233,325,000	25,056,000	-	6,908,000	251,473,000
Oil and gas properties	<u>112,222,000</u>	<u>27,772,000</u>	<u> </u>	<u>5,892,000</u>	<u>134,102,000</u>
	<u>\$345,547,000</u>	<u>\$52,828,000</u>	<u> </u>	<u>\$12,800,000</u>	<u>\$385,575,000</u>

SCHEDULE VI
CONSOLIDATED

THE SEAGRAM COMPANY LTD.
(Incorporated under the Canada Corporations Act)
AND SUBSIDIARY COMPANIES

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION
AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

YEAR ENDED JULY 31, 1977

Classification	Balance at July 31, 1976	Additions charged to costs and expenses	Transfers in (out)	Retirements	Balance at July 31, 1977
Land improvements	\$ 5,406,000	\$ 481,000	-	\$ 754,000	\$ 5,133,000
Buildings	67,246,000	5,754,000	(\$145,000)	3,897,000	68,958,000
Machinery and equipment	115,968,000	12,518,000	492,000	7,812,000	121,166,000
Other	<u>35,616,000</u>	<u>4,848,000</u>	<u>(347,000)</u>	<u>2,049,000</u>	<u>38,068,000</u>
	224,236,000	23,601,000	-	14,512,000	233,325,000
Oil and gas properties	<u>86,706,000</u>	<u>27,361,000</u>		<u>1,845,000</u>	<u>112,222,000</u>
	<u>\$310,942,000</u>	<u>\$50,962,000</u>	<u>-</u>	<u>\$16,357,000</u>	<u>\$345,547,000</u>

THE SEAGRAM COMPANY LTD.
(Incorporated under the Canada Corporations Act)
AND SUBSIDIARY COMPANIES

SCHEDULE XII - VALUATION AND QUALIFYING
ACCOUNTS AND RESERVES
YEAR ENDED JULY 31, 1978

Description	Balance at July 31, 1977	Additions charged to costs and expenses	Deductions	Balance at July 31, 1978
Reserves deducted from receivables:				
Reserve for doubtful accounts	\$ 7,278,000	\$2,344,000	\$1,546,000	\$ 8,076,000
Reserve for allowances	<u>5,511,000</u>	<u>6,508,000</u>	<u>5,511,000</u>	<u>6,508,000</u>
	<u>\$12,789,000</u>	<u>\$8,852,000</u>	<u>\$7,057,000</u>	<u>\$14,584,000</u>

THE SEAGRAM COMPANY LTD.
(Incorporated under the Canada Corporations Act)
AND SUBSIDIARY COMPANIES

SCHEDULE XII - VALUATION AND QUALIFYING
ACCOUNTS AND RESERVES

YEAR ENDED JULY 31, 1977

Description	Balance at July 31, 1976	Additions charged to costs and expenses	Deductions	Balance at July 31, 1977
Reserves deducted from receivables:				
Reserve for doubtful accounts	\$ 7,512,000	\$1,420,000	\$1,654,000	\$ 7,278,000
Reserve for allowances	<u>3,847,000</u>	<u>5,511,000</u>	<u>3,847,000</u>	<u>5,511,000</u>
	<u>\$11,359,000</u>	<u>\$6,931,000</u>	<u>\$5,501,000</u>	<u>\$12,789,000</u>

THE SEAGRAM COMPANY LTD.
(Incorporated under the Canada Corporations Act)
AND SUBSIDIARY COMPANIES

SCHEDULE XVI - SUPPLEMENTARY INCOME
STATEMENT INFORMATION
YEAR ENDED JULY 31, 1978

Item	Charged to costs and expenses
Taxes, other than income taxes:	
Duties and taxes on whiskies and other spirits	\$925,613,000
Social security taxes	16,189,000
Miscellaneous federal, state and local taxes	39,103,000
Advertising ⁽¹⁾	162,147,000

- (1) Advertising includes the cost of advertising the Company's brand names and products. Point-of-sale displays are an integral part of the Company's advertising campaigns and are included in advertising costs.

THE SEAGRAM COMPANY LTD.
(Incorporated under the Canada Corporations Act)
AND SUBSIDIARY COMPANIES

SCHEDULE XVI - SUPPLEMENTARY INCOME
STATEMENT INFORMATION

YEAR ENDED JULY 31, 1977

I t e m	Charged to costs and expenses
Taxes, other than income taxes:	
Duties and taxes on whiskies and other spirits	\$946,028,000
Social security taxes	13,798,000
Miscellaneous federal, state and local taxes	34,960,000
Advertising (1)	117,146,000

- (1) Advertising includes the cost of advertising the Company's brand names and products. Point-of-sale displays are an integral part of the Company's advertising campaigns and are included in advertising costs.

THE SEAGRAM COMPANY LTD.
(Incorporated under the Canada Corporations Act)
(Registrant)

B A L A N C E S H E E T

JULY 31, 1978 AND 1977
(Amounts stated in United States currency)

	1 9 7 8	1 9 7 7
A s s e t s		
Current assets:		
Cash	\$ 3,000	\$ 3,000
Receivables	9,233,000	10,220,000
Prepaid expenses	2,583,000	2,738,000
Investments and advances - spirits and wine companies	2,091,000	2,091,000
Investments in securities of subsid- iaries and affiliates consolidated, at cost (Schedule III)	128,491,000	127,993,000
Indebtedness of subsidiaries and affiliates - not current (Schedule IV)	238,553,000	228,870,000
Sundry assets	9,066,000	9,573,000
	<u>\$390,020,000</u>	<u>\$381,488,000</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accrued interest on debentures and notes	\$ 4,344,000	\$ 4,460,000
Accounts payable	123,000	208,000
Income and other taxes	1,190,000	1,244,000
Long-term indebtedness:		
9-1/2% debentures to mature June 1, 1980	57,395,000	61,100,000
9% Eurodollar notes to mature February 15, 1983	60,000,000	60,000,000
10-7/8% debentures to mature June 1, 1995	52,980,000	56,400,000
Shareholders' equity:		
Common stock	17,539,000	17,539,000
Retained earnings	196,449,000	180,537,000
	<u>\$390,020,000</u>	<u>\$381,488,000</u>

THE SEAGRAM COMPANY LTD.
(Incorporated under the Canada Corporations Act)
(Registrant)

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED JULY 31, 1978 AND 1977
(Amounts stated in United States currency)

	1 9 7 8	1 9 7 7
Dividends from subsidiary companies	\$ 48,365,000	\$ 22,542,000
Interest on advances to subsidiary companies	17,529,000	18,566,000
Investment and other income	<u>637,000</u>	<u>1,915,000</u>
	66,531,000	43,023,000
Selling, general and administrative expenses	827,000	340,000
Interest on long-term indebtedness	<u>16,824,000</u>	<u>18,221,000</u>
Income before unrealized exchange fluctuations and income taxes	48,880,000	24,462,000
Unrealized foreign exchange (losses)	<u>(4,067,000)</u>	<u>(7,290,000)</u>
Income before income taxes	44,813,000	17,172,000
Provision for income taxes - current	<u>335,000</u>	<u>442,000</u>
Net income	<u>\$ 44,478,000</u>	<u>\$ 16,730,000</u>
Retained earnings at beginning of year as previously reported	\$180,537,000	\$195,535,000
Unrealized exchange losses applicable to prior years	<u>—</u>	<u>(2,716,000)</u>
Retained earnings at beginning of year as adjusted	180,537,000	192,819,000
Net income	<u>44,478,000</u>	<u>16,730,000</u>
	225,015,000	209,549,000
Dividends (1978 - \$.906 Canadian per share; 1977 - \$.848 Canadian per share)	<u>(28,566,000)</u>	<u>(29,012,000)</u>
Retained earnings at end of year	<u>\$196,449,000</u>	<u>\$180,537,000</u>

THE SEAGRAM COMPANY LTD
(Incorporated under the Canada Corporations Act)
(Registrant)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED JULY 31, 1978 AND 1977
(Amounts stated in United States currency)

Financial resources provided by:		
Net income	<u>\$44,478,000</u>	<u>\$16,730,000</u>
Working capital provided from operations	44,478,000	16,730,000
(Reductions in) long-term indebtedness	<u>(7,125,000)</u>	<u>(10,625,000)</u>
	<u>37,353,000</u>	<u>6,105,000</u>
Financial resources used for:		
Dividends	28,566,000	29,012,000
Increase (decrease) in investments in subsidiaries and affiliates	498,000	(27,000)
Increase (decrease) in advances to subsidiaries and affiliates	9,683,000	(24,715,000)
(Decrease) in sundry assets	<u>(507,000)</u>	<u>(1,012,000)</u>
	<u>38,240,000</u>	<u>3,258,000</u>
Net change in working capital	<u>(\$ 887,000)</u>	<u>\$ 2,847,000</u>
Consisting of increase (decrease) in:		
Receivables	(\$ 987,000)	\$ 3,982,000
Other current assets	<u>(155,000)</u>	<u>(187,000)</u>
	(1,142,000)	3,795,000
Payables and accrued liabilities	(201,000)	7,000
Income and other taxes	<u>(54,000)</u>	<u>941,000</u>
Net change in working capital	<u>(\$ 887,000)</u>	<u>\$ 2,847,000</u>

THE SEAGRAM
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SCHEDULE III - IN
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Name of issuer	Title of issue	Balance Number or Princip of bonds
Wholly owned subsidiary companies:		
Centenary Distillers Limited	5% noncumulative preferred stock - \$100 par value	233,
	Common stock - \$100 par value	120,
Distillers Corporation Limited	Capital stock - no par value	1,250,
Joseph E. Seagram & Sons, Limited	Capital stock - no par value	250,
Calvert of Canada Limited	Capital stock - no par value	400,
Other companies (33)	Various	Va
Majority owned subsidiary company (1)	Various	Va
Other affiliated companies (4)	Various	Va
Totals		

AM COMPANY LTD.
(the Canada Corporations Act)
(Registrant)

INVESTMENTS IN AND DIVIDENDS
IN SUBSIDIARIES AND AFFILIATES

AS AT JULY 31, 1978

Balance at July 31, 1977				Balance at July 31, 1978			
Number of shares or units.	Principal amount of bonds and notes	Amount in dollars		Number of shares or units.	Principal amount of bonds and notes	Amount in dollars	Cash dividends
100 shs.		\$ 24,232,000		233,000 shs.		\$ 24,232,000	
100 shs.		77,239,000		120,000 shs.		77,239,000	
100 shs.		11,658,000		1,250,000 shs.		11,658,000	\$ 5,400,000
100 shs.		2,496,000		250,000 shs.		2,496,000	4,500,000
100 shs.		1,807,000		400,000 shs.		1,807,000	31,500,000
Various		6,511,000		Various		6,511,000	6,965,000
Various		983,000	\$498,000	Various		1,481,000	
Various		3,067,000		Various		3,067,000	
		<u>\$127,993,000</u>	<u>\$498,000</u>			<u>\$128,491,000</u>	<u>\$48,365,000</u>
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SCHEDULE III - I
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Number
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of bonds

Name of issuer	Title of issue	
Wholly owned subsidiary companies:		
Centenary Distillers Limited	5% noncumulative preferred stock - \$100 par value	233
	Common Stock - \$100 par value	120
Distillers Corporation Limited	Capital stock - no par value	1,250
Joseph E. Seagram & Sons, Limited	Capital stock - no par value	250
Calvert of Canada Limited	Capital stock - no par value	400
Other companies (33)	Various	Va
Majority owned subsidiary company (1)	Various	Va
Other affiliated companies (4)	Various	Va
Totals		

AM COMPANY LTD.
(the Canada Corporations Act)
Registrant)

INVESTMENTS IN AND DIVIDENDS
SUBSIDIARIES AND AFFILIATES

ENDED JULY 31, 1977

Balance at July 31, 1976

Balance at July 31, 1977

Number of shares or units.	Principal amount of bonds and notes	Amount in dollars	Additions	Deductions	Number of shares or units.	Principal amount of bonds and notes	Amount in dollars	Cash dividends
of shares units. al amount and notes								
000 shs.		\$ 24,232,000			233,000 shs.		\$ 24,232,000	
000 shs.		77,239,000			120,000 shs.		77,239,000	
000 shs.		11,658,000			1,250,000 shs.		11,658,000	\$ 8,820,000
000 shs.		2,496,000			250,000 shs.		2,496,000	1,960,000
000 shs.		1,807,000			400,000 shs.		1,807,000	11,760,000
Various		6,511,000			Various		6,511,000	2,000
Various		983,000			Various		983,000	
Various		<u>3,094,000</u>		<u>\$27,000</u>	Various		<u>3,067,000</u>	
		<u>\$128,020,000</u>	<u>-</u>	<u>\$27,000</u>			<u>\$127,993,000</u>	<u>\$22,542,000</u>

THE SEAGRAM COMPANY LTD.
(Incorporated under the Canada Corporations Act)
(Registrant)

SCHEDULE IV - INDEBTEDNESS OF SUBSIDIARIES AND AFFILIATES - NOT CURRENT
YEARS ENDED JULY 31, 1978 AND 1977

	Balance receivable at July 31,		
	1 9 7 8	1 9 7 7	1 9 7 6
Wholly owned subsidiary companies:			
Centenary Distillers Limited	\$ 24,323,000	\$ 26,269,000	\$ 41,386,000
Distillers Corporation Limited	54,302,000	23,913,000	15,841,000
Calvert of Canada Limited	91,272,000	96,749,000	105,949,000
Joseph E. Seagram & Sons, Limited	10,596,000	11,232,000	12,300,000
Other companies (5)	9,365,000	12,034,000	19,494,000
Majority owned subsidiary company (1)	780,000	1,098,000	1,202,000
Other affiliated companies (6)	<u>47,915,000</u>	<u>57,575,000</u>	<u>57,413,000</u>
Total Indebtedness	<u>\$238,553,000</u>	<u>\$228,870,000</u>	<u>\$253,585,000</u>