



Redpath Industries Limited
Annual Report 1980

Pour obtenir l'édition française
du présent rapport,
on est prié d'écrire au Secrétaire,
Les Industries Redpath Limitée,
Cassier postal 66
The Royal Bank Plaza
Toronto, Ontario
M5J 2J2

***Redpath Industries Limited
is a diversified company
engaged in the processing
and supply of nutritive
sweeteners, the production of
construction and packaging
materials, and agricultural
consulting services. The com-
pany has 26 offices and
plants in Canada, the United
States and abroad.***

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Shareholders' Annual Meeting

The annual meeting of share-
holders will be held in Toronto at
the Harbour Castle Hilton Hotel
on Tuesday, February 17, 1981 at
11:30 a.m., E.S.T. Luncheon will
be served following the meeting.

The surreal creature on the cover represents the evolution of sweeteners. Since time began, bees have been converting nectar into honey in a natural process using enzymes. Scientists have developed a similar process for the production of high fructose syrup from corn.

1.



2.



3.



4.



ADM Corn Sweeteners

1. Sweeteners are as old as mankind and were first found in plants, flowers and in wild honey. The methods of collecting, filtering and packing the substance were secrets closely guarded by the ancient Egyptians.

2. The tall grass that grew in northern India, when chewed, tasted like honey. Evidence from 627 A.D. noted that when processed, it looked like

salt but tasted sweet. Export of cane opened the way for the modern sugar industry.

3. Sugar beets, as a source of sugar, were discovered in 1811. By extracting the sucrose that was naturally present in the beet, a sweetener was obtained. Beets could be grown in temperate climates where cane could not be.

4. Corn has now become a feedstock

for a new sweetener. Heating the cornstarch with a dilute acid results in a sugar called glucose. In a process called isomerization, developed within the past five years, fructose sugar is produced from the glucose. Now in its early stages of development, new applications for "high fructose corn syrup" in the food industry are anticipated.

REVENUE	\$386,358,000
INCOME BEFORE EXTRAORDINARY ITEMS	10,437,000
CASH INCOME	16,370,000
DIVIDENDS PAID	3,279,000

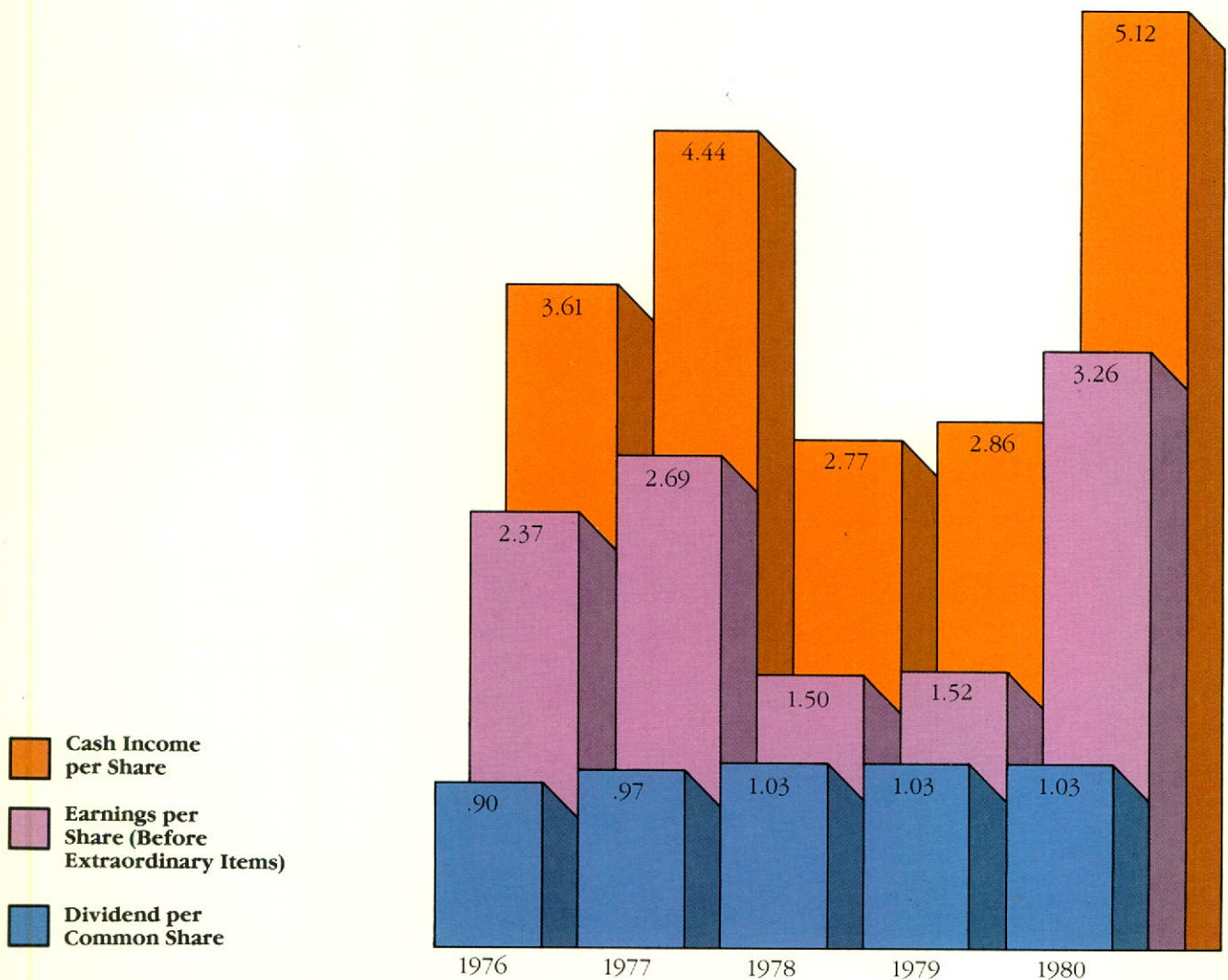
Financial Highlights

Record high levels were established for revenue, income and working capital.

Net income for the year of \$13,137,000 is after inclusion of the extraordinary gain of \$2,700,000 realized from the recovery of income taxes on carry forward of losses of prior years and also includes a gain of \$2,577,000 (\$5,346,000 pre tax) from sale of base stock.

1,426,361 Convertible Voting Preference Shares were issued on September 25, 1980 for \$26,388,000.

Capital expenditures in the year totalled \$32,165,000.





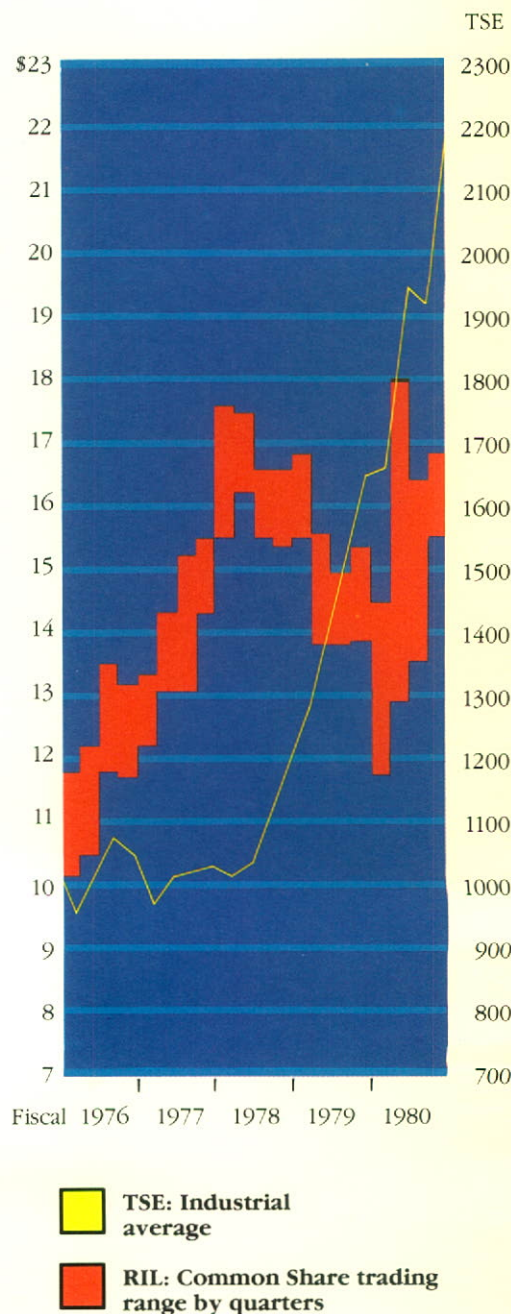
Neil M. Shaw, President and Chief Executive Officer of Redpath Industries since 1972, was appointed Group Managing Director of Tate & Lyle, Limited in July, 1980. He joined Redpath Industries in 1954, subsequently served as Vice-President, Marketing and later as President of the first non-sugar subsidiary, Daymond Limited.

Directors' Report to Shareholders

In 1980 record revenues and income were achieved by your company. Revenues totalled \$386,358,000 compared to \$348,721,000 in 1979, an increase of 11%. Income before extraordinary items was \$10,437,000 or \$3.26 per share after dilution compared with \$4,824,000 or \$1.52 per share in 1979. After inclusion of extraordinary items of \$2,700,000, net income was \$13,137,000 or \$4.11 per share. In 1979 after deducting the extraordinary item of \$5,154,000, there was a net loss of \$330,000 or \$0.10 per share.

The company strengthened its financial position substantially in 1980 through the issuance in September of 1,426,361 Convertible Voting Preference Shares Series 'A' for \$26,388,000. Working capital increased during the year by \$33,885,000 and at September 30, 1980 was at a record level of \$69,941,000. At year end the company had \$45,811,000 invested in call loans and short term investments, which was required in the first quarter of fiscal 1981 to finance raw sugar arrivals and for investment in the Zymaze project.

Supplementary financial information has been provided in this year's Annual Report as an indication of the effects of inflation on the company's earnings and financial conditions. Sometimes referred to as "inflation accounting" it may be found immediately following the regular financial statements.



SWEETENERS DIVISION

Redpath Sugars Limited

Following the closure of the Montreal Redpath refinery in January 1980, the full existing capacity of the Toronto refinery was required to meet the company's domestic sales, resulting in a significant reduction in refining costs. That factor, together with base stock inventory adjustment referred to below and advantageous raw sugar purchasing transactions, improved the profit in the Redpath Sugar division, notwithstanding continued severe refined sugar price competition. Sales volumes were reduced from the previous year due in part to the loss of the United States export market and in part to reduced consumption in Canada during the fiscal year brought about by higher refined sugar prices.

Overcapacity continues to exist in the industry, and will be aggravated as more industrial customers move toward substitution of high fructose sweeteners for sugar. This will result in continuing extraordinary competitive pressures in the marketplace. Having reduced capacity, Redpath is in a better position to withstand these pressures.

High inventory financing costs and high raw sugar prices prompted the company to review the optimum quantity of base stock of raw sugar which it requires for purposes of its present refining operations in Toronto. Accordingly 7,000 tonnes were sold in fiscal



Ronald E. Booth was appointed Executive Vice-President of Redpath Industries in February, 1980. He joined the company in 1976 as Vice-President and General Counsel. Mr. Booth is responsible for administration, personnel, finance and law for the RIL group.

1980 increasing the company's income by \$2.6 million after full provision for income taxes and a further 7,000 tonnes were sold early in fiscal 1981. The income of \$2.9 million from this subsequent transaction will be included in 1981 results.

Due to the fact that the company's method of inventory valuation is not accepted for income tax purposes, income reported for tax purposes exceeds income computed using the base stock method of inventory valuation. Income tax relating to this difference amounts

to \$14,494,000 and is shown as "deferred tax on inventories". In 1979, due to lower sugar prices at that time, income for tax purposes was lower than that computed by use of the base stock method resulting in deferred tax of \$1,792,000, shown as a current liability.

Refined Syrups & Sugars, Inc.

Refined Syrups & Sugars, Inc., of Yonkers, New York became profitable in the year and made a substantial contribution to earnings. No income tax was payable by RS&S on income for the year because of the offsetting of losses of prior years which were carried forward. Accounting convention requires that the reduction in taxes otherwise payable be shown as an extraordinary income item. Full capacity operations, more favourable trading conditions and higher sales volumes enabled RS&S to be competitive on a profitable basis. RS&S is now a substantial supplier to major industrial users in the northeastern United States.

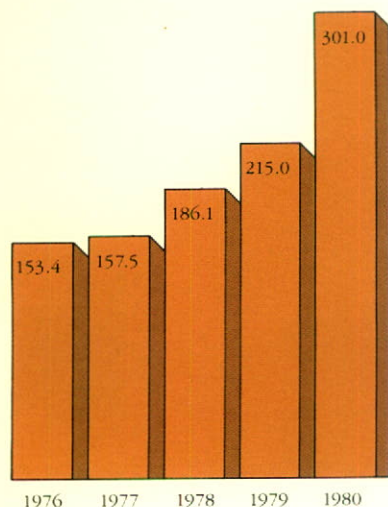
Capital projects are underway to enable the refinery to participate in the grocery package market. This should assist RS&S in combatting expected increased competition from high fructose sweeteners in the industrial users' market.

Sweeteners Division

Revenue in the Sweeteners Division amounted to \$300,972,000 in the fiscal year, compared with \$214,990,000 in the previous year.

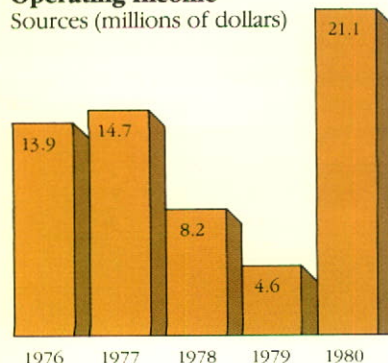
Revenue

Sources (millions of dollars)



Operating Income

Sources (millions of dollars)



It is gratifying that the company's first major investment in the United States is now yielding expected results. The outlook for fiscal 1981 appears favourable with expectations that results will be similar to those achieved in fiscal 1980.

World Sugar Situation

During the past year major producers of raw sugar suffered shortfalls in production of five to six million tonnes. A steady upward trend in raw sugar prices has resulted.

Current statistical information shows a similar pattern continuing for the coming year with production expected to lag behind consumption by three to four million tonnes. World stocks will thus be reduced for the second year in succession with a hardening effect on current price levels. Increased production later in 1981 and some reduction in consumption brought about by high prices may lessen the upward pressure on prices.

Zymaize

Zymaize Company is a joint venture project with John Labatt Limited to construct and operate a plant in London, Ontario which will primarily produce and sell a liquid sweetener derived from corn. Delay has been experienced in construction of the plant due to strikes which occurred in the construction industry in mid 1980 and lower than forecasted productivity rates in the construction industry. The capital cost of the plant has escalated and with capitalized interest and start-up costs, the company's total investment in the project is estimated to reach approximately \$45 million plus an estimated \$7 million for working capital. It is now expected that the plant will be in commercial production in the spring of 1981. The plant's principal product, high fructose corn syrup, will be priced to sell at a discount

to refined sugar prices and hence the profitability of the project depends to a significant extent on the level of sugar prices. At currently forecasted sugar prices Zymaize is expected to achieve satisfactory profit levels.

Zymaize will provide an important new market for Canadian produced corn which will be used as the basic raw material for a variety of products including high fructose corn syrup, glucose, starch and animal feeds.

Ivory Coast

The company was successful during the year in negotiating a settlement under which the Government of the Ivory Coast and its Agency, Sodesucre accepted the sugar complex constructed for them by the company. The acceptance was conditional upon the company supplying an additional U.S. \$1.5 million of work and equipment which obligation should be completed in the second calendar quarter of 1981. After providing for costs expected to be incurred as a result of the settlement, the project remained profitable overall.

CONSTRUCTION MATERIALS DIVISION

Daymond Limited

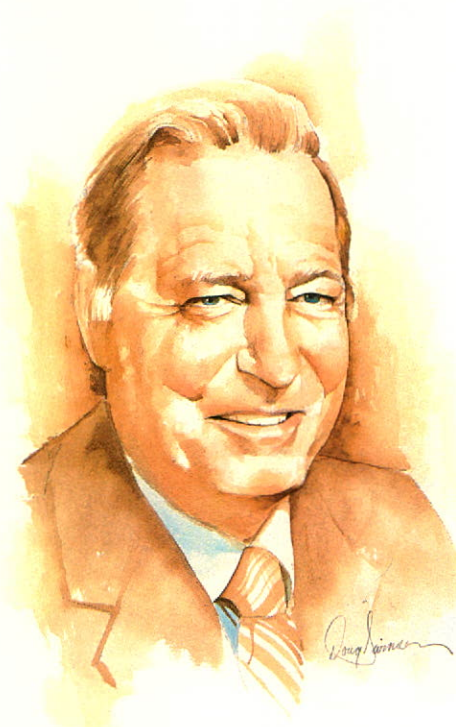
The vinyl siding division continued to show substantial growth.

The agricultural drainage pipe market in Western Canada showed improvement with sales substantially higher than last year. While sales of agricultural drainage systems in Southern Ontario were affected by unusually wet conditions last spring, Daymond was able to improve its market position and maintain product profitability. In the Province of Quebec, stiff competition, government marketing policies and poor weather conditions adversely affected drainage sales. Total demand for agricultural drainage at year end indicated a generally improved outlook for sales in 1981.

Daymond's aluminum division suffered from the current economic climate, in particular from the slow automotive market and reduced housing starts in Canada. The automotive market has improved greatly in the first quarter of fiscal 1981 resulting in increased sales of the division's aluminum products and an optimistic outlook for 1981.

Certain-Teed/Daymond Co.

Certain-Teed/Daymond Co. operations were significantly hampered by the general recession in the United States, specifically by the drastic fall off in U.S. housing starts and low prices for agricultural crops. A substantial upswing in grain prices has occurred in the past several months and the U.S. housing industry has begun to show signs of general improvement.



John A. Swan, President of Daymond Limited since 1972, was appointed Executive Vice-President of Redpath Industries in February, 1980. Mr. Swan has been with the RIL group for most of his career and is now responsible for all refining and manufacturing operations.

Multi Fittings Limited

At the conclusion of the first half of the fiscal year Multi Fittings Limited was ahead of the same period in the previous year in both sales volume and profit but by early spring had begun to feel the impact of the dramatic decline in construction activity generally in North America. High interest rates seriously affected the housing market. In addition, U.S. government funding of sewer and water projects was reduced. Group sales were down sharply in the last half of the year with the result that the Multi Group finished in a loss position. Improvement is expected in the spring of 1981 when a return to a normal level of housing starts is anticipated.

Gienow Limited

Sales and profits of Gienow Limited during the year were well ahead of last year, largely under the stimulus of the booming construction market in Western Canada and the capturing of a significant volume of sales to customers in the industrial camp business both in Canada and abroad. The outlook for the company continues to be encouraging.

PACKAGING DIVISION

Capital expenditures authorized during the year for new equipment are expected to expand significantly the product range and market opportunities for the division with a consequent favourable effect on revenues and profits. New laminating equipment is being installed at Merry Packaging, additional printing capability has been added to Holway Packaging and the extrusion capabilities of CB Packaging will be broadened.

Litigation

On July 18, 1980 the Supreme Court of Canada allowed the Appeal by the company and two of its competitors from a conviction on a charge of conspiring to unduly lessen competition in the production, manufacture, purchase, barter, sale, transportation or supply of sugar. This case, which began in May of 1974, has made considerable demands on the time and resources of the company's officers and employees and we are pleased to have successfully defended our position.

Dividends

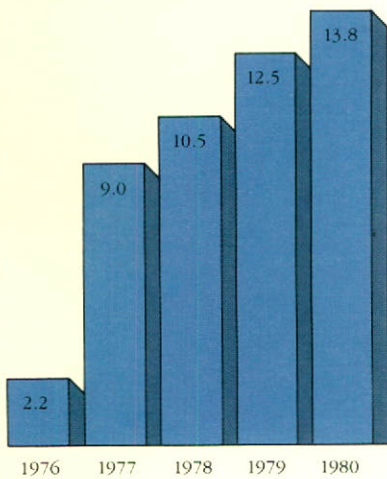
Effective December 1, 1980 the quarterly dividend rate on Common Shares was increased from

Packaging Division

Revenues of the Packaging Division increased in the year by \$1,227,000 to \$13,774,000, but profits remained at approximately the same level as the year before.

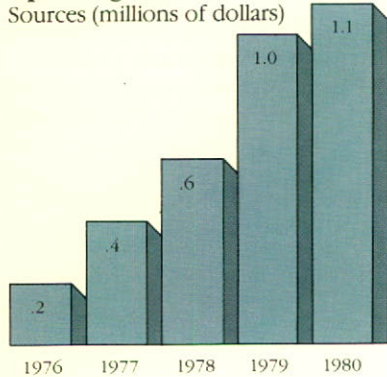
Revenue

Sources (millions of dollars)



Operating Income

Sources (millions of dollars)



\$0.25758 to \$0.30 per share. The first dividend on the \$1.665 Convertible Voting Preference Shares, Series 'A', totalling \$0.30563 per share in respect of the fractional period from September 25, 1980 was also paid on December 1, 1980.

Appointments and Retirements

During the year James M. Ferguson, Charles S. MacNaughton, John H. Magee and David A. Tate retired after serving as directors for a number of years. The time and energy they devoted to the company's welfare and their extensive and significant contributions to its progress are gratefully acknowledged.

John C.W. Mitchell, Chairman and Chief Executive Officer of Refined Syrups & Sugars, Inc., New York and President and Chief Executive Officer of Tate & Lyle Inc., New York joined the Board in January 1980. James Forbes, Vice-Chairman and Managing Director of Corporate Services (including Finance) of Tate & Lyle, Limited became a director in May 1980, and J. Michael G. Scott, Vice-Chairman, Wood Gundy Limited was appointed a director in August 1980. The wide range of business talent and experience brought to the Board by your new directors will greatly benefit the company.

In February, 1980 Ronald E. Booth and John A. Swan were appointed Executive Vice-Presidents of the company. Reporting to the President, they share overall responsibilities for the total operations of the Redpath group. On July 31, 1980 Neil M. Shaw, President, was appointed Group Managing Director of Tate & Lyle, Limited.

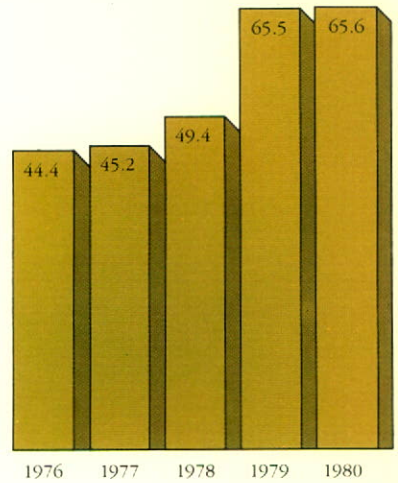
In December 1980, Maureen J. Sabia was appointed to the office of General Counsel of the company.

Construction Materials Division

Despite a downturn in the North American economy, particularly in the housing and automotive industries, revenues in the Construction Materials Division totalled \$65,645,000, about the same as in the previous year when revenues totalled \$65,537,000.

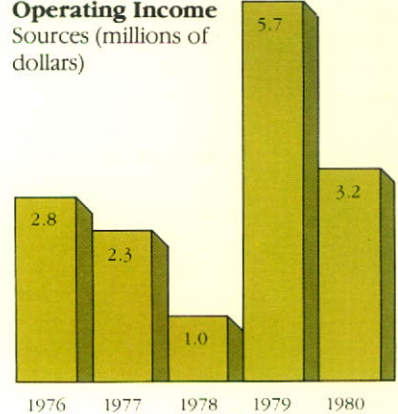
Revenue

Sources (millions of dollars)



Operating Income

Sources (millions of dollars)



Employee Relations

As a responsible employer, we are conscious of the desirability of maintaining good employee relations. We are pleased to report that no work interruptions occurred during the year at any of the company's production facilities.

In an effort to alleviate the impact of inflation on our pensioners, an ex-gratia increase in pensions was authorized effective January 1, 1981.

Appreciation

We would like to recognize the significant contribution of our employees, customers and shareholders to the company's performance during the past year. Our success is due to their loyalty and support.

On behalf of the Board



N.M. Shaw

President and Chief Executive Officer

January 16, 1981

Redpath Industries Limited

Distribution of Total Revenues 1980

66.8% Supply of Sugar

16.4% Supply of Other Goods and Services

9.5% Remuneration

1.1% Interest

1.5% Depreciation and Amortization

1.3% Income Taxes

Operating Profits:

0.9% -Distributed (Dividends)

2.5% -Reinvested

100.0%

Operational and Financial Data (thousands of dollars)	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
Revenue	386,358	348,721	284,638	271,319	200,858	270,934	223,925	128,217	103,291	85,135
Depreciation and Amortization	5,771	5,751	5,275	4,559	3,659	3,078	2,980	2,660	2,439	2,101
Income Taxes	7,850	3,100	4,277	6,567	5,145	3,985	4,216	3,141	3,300	3,725
* Net Income	10,437	4,824	4,770	8,571	7,531	7,343	5,712	5,244	4,300	4,392
Cash Income	16,370	9,090	8,806	14,139	11,471	10,450	9,821	7,640	7,049	6,173
Dividends Paid	3,279	3,278	3,290	3,079	2,858	2,835	2,819	2,790	2,790	2,790
Capital Expenditures	32,165	14,910	12,060	9,180	5,555	3,623	5,230	4,634	4,927	2,020
Working Capital	69,941	36,056	39,709	43,963	29,067	13,106	10,132	10,879	10,944	12,574
Property, Plant and Equipment	83,290	59,202	54,498	48,778	38,621	36,923	37,059	34,754	34,705	32,913
Investments and Other Assets	16,875	14,441	17,605	16,465	6,658	19,813	17,805	16,010	13,824	12,559
Capital Employed	170,106	109,699	111,812	109,206	74,346	69,842	64,996	61,643	59,473	58,046
Long-term Debt	57,782	36,129	31,860	29,734	1,686	2,172	2,257	2,926	3,337	3,730
Shareholders' Equity	103,901	68,055	71,650	70,170	64,625	59,916	55,014	52,121	49,276	47,766
Percentages and Ratios										
Net Income as % of Revenue	2.7	1.4	1.7	3.2	3.7	2.7	2.6	4.1	4.2	5.2
Net Income as % of Capital Employed	6.1	4.4	4.3	7.8	10.1	10.5	8.8	8.5	7.2	7.6
Net Income as % of Shareholders' Equity	10.0	7.1	6.7	12.2	11.7	12.3	10.4	10.1	8.7	9.2
Long-Term Debt as % of Capital Employed	34.0	32.6	28.5	27.2	2.3	3.1	3.5	4.7	5.6	6.4
Ratio of Current Assets to Current Liabilities	1.8:1	1.7:1	1.6:1	1.7:1	1.6:1	1.2:1	1.2:1	1.4:1	1.4:1	1.5:1
Per Share Data (fully diluted)										
Net Income	3.26	1.52	1.50	2.69	2.37	2.33	1.82	1.69	1.39	1.41
Cash Income	5.12	2.86	2.77	4.44	3.61	3.29	3.13	2.46	2.27	1.99
Dividends (Common Share)	1.03	1.03	1.03	.97	.90	.90	.90	.90	.90	.90
Shareholders' Equity	22.54	21.38	22.52	22.06	20.34	18.88	17.56	16.81	15.89	15.41
Statistical Data										
Number of Employees	1646	1841	1903	2045	1840	1690	1595	1657	1582	1487
Number of Shareholders	3464	2553	2777	2820	2793	2851	2909	2904	2799	2958
* Before Extraordinary Income (Loss) of:	2,700	(5,154)	—	—	—	—	—	—	—	51

Consolidated Balance Sheet

September 30, 1980

Redpath Industries Limited
and its subsidiaries*(Incorporated under the laws of Canada)*

ASSETS	Notes	1980	1979
Current:			
Cash		\$ 5,308,000	\$ 2,336,000
Call loans and short-term investments, at cost which approximates market		45,811,000	252,000
Accounts receivable		50,733,000	42,734,000
Inventories	2	45,219,000	44,047,000
Income taxes recoverable		—	716,000
Prepaid expenses		1,399,000	1,278,000
Deferred tax on inventories		14,494,000	—
Total current assets		162,964,000	91,363,000
Investments	3	12,735,000	10,247,000
Property, plant and equipment	4,6,13	83,290,000	59,202,000
Other assets	5	4,140,000	4,194,000
		\$263,129,000	\$165,006,000

(see accompanying notes)

On behalf of the Board:



C.F. Harrington, Director



N.M. Shaw, Director

Management's Report**To the Shareholders of Redpath Industries Limited:**

Because of a change in the auditing standards required or recommended by The Canadian Institute of Chartered Accountants, the company's auditors are no longer required to draw attention to contingencies affecting the company by expressing a reservation of opinion in their report. Contingencies are fully discussed in Note 8 to the financial statements and you are specifically requested to refer to the information contained in that note when reviewing the financial statements to which this report relates.

Toronto, Canada
November 17, 1980

R.G. Brownridge
Vice-President and Treasurer

LIABILITIES	Notes	1980	1979
Current:			
Short-term notes		\$ 2,023,000	\$ 21,731,000
Accounts payable		74,548,000	31,784,000
Income taxes payable		16,452,000	—
Deferred tax on inventories		—	1,792,000
Total current liabilities		93,023,000	55,307,000
Long-term debt	6	57,782,000	36,129,000
Deferred income taxes		8,423,000	5,515,000
SHAREHOLDERS' EQUITY			
Capital stock	7,11	42,075,000	15,687,000
Retained earnings		61,826,000	52,368,000
		103,901,000	68,055,000
		\$263,129,000	\$165,006,000

(see accompanying notes)

Auditors' Report

To the Shareholders of Redpath Industries Limited:

We have examined the consolidated balance sheet of Redpath Industries Limited as at September 30, 1980 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at September 30, 1980 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles, applied on a basis consistent in all material respects with that of the preceding year.

Toronto, Canada
November 17, 1980

Clarkson Gordon
Chartered Accountants

**Consolidated Statements of
Income and Retained Earnings**

Year ended September 30, 1980

Redpath Industries Limited
and its subsidiaries

INCOME	Notes	1980	1979
Revenues	9	\$386,358,000	\$348,721,000
Gain on sale of base stock	2	5,346,000	—
		391,704,000	348,721,000
Expenses:			
Cost of sales and other costs exclusive of the following—		363,500,000	329,708,000
Depreciation		5,374,000	5,465,000
Amortization		397,000	286,000
Interest—long-term debt		3,340,000	2,909,000
—other		806,000	2,429,000
		373,417,000	340,797,000
		18,287,000	7,924,000
Income taxes		7,850,000	3,100,000
Income before extraordinary items		10,437,000	4,824,000
Extraordinary items:			
Loss on refinery closure, net of income tax recovery of \$3,733,000		—	(5,154,000)
Recovery of income taxes on carry forward of losses of prior years	10	2,700,000	—
Net income (loss)		\$ 13,137,000	\$ (330,000)
Basic earnings per share:	12		
Before extraordinary items		\$3.27	\$ 1.52
After extraordinary items		\$4.12	\$(0.10)
Fully-diluted earnings per share:	12		
Before extraordinary items		\$3.26	\$ 1.52
After extraordinary items		\$4.11	\$(0.10)
RETAINED EARNINGS			
Balance, beginning of year		\$52,368,000	\$48,744,000
Net income (loss)		13,137,000	(330,000)
Transferred from:			
Contributed surplus		—	1,000,000
Appraisal increment		—	6,232,000
		65,505,000	55,646,000
Dividends on common shares		3,279,000	3,278,000
Share issue expenses, net of income tax recovery of \$400,000		400,000	—
		3,679,000	3,278,000
Balance, end of year		\$61,826,000	\$52,368,000

(see accompanying notes)

**Consolidated Statements of
Changes in Financial Position**

Year ended September 30, 1980

Redpath Industries Limited
and its subsidiaries

SOURCE OF WORKING CAPITAL	Notes	1980	1979
Operations—			
Income before extraordinary items		\$10,437,000	\$ 4,824,000
Depreciation and amortization		5,771,000	5,751,000
Deferred tax		2,908,000	(92,000)
Loss on disposal of property, plant and equipment		1,873,000	—
Gain on sale of investments		(4,619,000)	(1,393,000)
Working capital provided by operations		16,370,000	9,090,000
Proceeds from—			
Issue of shares		25,988,000	13,000
Disposal of property, plant and equipment		830,000	1,140,000
Recovery of income taxes on carry forward of losses of prior years	10	2,700,000	—
Issue of long-term debt		29,170,000	6,191,000
Disposal of other investments		8,952,000	5,252,000
Total working capital provided		84,010,000	21,686,000
USE OF WORKING CAPITAL:			
Provision for refinery closure, net of current income tax recovery		—	3,700,000
Acquisition of investments		6,821,000	1,544,000
Additions to property, plant and equipment		32,165,000	14,910,000
Dividends		3,279,000	3,278,000
Retirement of long-term debt		7,860,000	1,907,000
Total working capital used		50,125,000	25,339,000
WORKING CAPITAL:			
Increase (decrease) during year		33,885,000	(3,653,000)
Balance, beginning of year		36,056,000	39,709,000
Balance, end of year		\$69,941,000	\$36,056,000

(see accompanying notes)

September 30, 1980

1. Significant Accounting Policies

The following is a summary of significant accounting policies used in the preparation of these financial statements:

(a) Principles of consolidation—

These financial statements include the accounts of Redpath Industries Limited, all of its subsidiaries and the proportionate share of the assets, liabilities, revenues and expenses of its joint ventures.

Goodwill resulting from the acquisition of businesses is amortized on a straight-line basis at 2.5% per year.

(b) Inventories—

Sugar inventory consists of physical quantity on hand, the net value of forward purchases and sales and net terminal positions on commodity markets. A basic quantity of such inventory is carried at a fixed value determined under the base stock method. Inventory in excess of the base stock quantity is hedged on commodity markets and is not at significant market risk. Gains and losses resulting from trading activities relative to maintaining the hedged position are recognized in the income statement at the time the hedging transactions occur. All other inventories are valued at the lower of cost, determined on the first-in, first-out basis, and net realizable value.

(c) Oil and gas properties—

The company follows the full cost method of accounting for its investments in oil and gas properties, whereby all costs related to the exploration for and the development of reserves are capitalized. These costs are depleted using the composite unit-of-production method based upon estimated proven reserves of oil and natural gas.

(d) Property, plant and equipment—

Property, plant and equipment is stated at cost which includes interest capitalized during construction.

Depreciation is provided on plant and equipment on a straight-line basis over the estimated useful lives of the assets at rates varying from 2.5% to 30%.

(e) Long-term debt expense—

Issuance expenses and discount on long-term debt are amortized over the life of the related debt on a straight-line basis.

(f) Share issue expense—

Expenses incurred and commissions paid on the issue of shares of capital stock of the company are charged to retained earnings in the year of issue.

(g) Income taxes—

In accounting for income taxes, the company follows the tax allocation method.

(i) Deferred tax on inventories:

The company's basis of valuation for sugar inventories is not accepted for income tax purposes. Taxes on the difference between this basis of valuation and that used in the calculation of current taxes payable are deferred.

(ii) Deferred income taxes:

Deferred taxes are provided on timing differences which result primarily from claiming capital cost allowances in excess of depreciation provided.

The company follows the flow-through method of accounting for investment tax credits and inventory allowances, whereby the provision for income taxes is reduced for such credits claimed.

(h) Translation of foreign currencies—

Foreign currency assets and liabilities carried at current prices are translated using the rate of exchange in effect at the year end. Other foreign currency assets and liabilities are translated using the rates of exchange in effect at the dates of transaction. Unrealized foreign exchange gains and losses relating to the translation of long-term debt of a fixed term are deferred and amortized over the remaining life of the related debt. All other foreign exchange gains and losses are included in net income.

(i) Obligations under capital leases—

Leases which transfer substantially all the risks of ownership to the company have been capitalized retroactively without material effect on income of prior years.

2. Inventories

	1980	1979
Raw materials, work in process and finished goods—		
Sugar	\$28,578,000	\$26,414,000
Construction materials	12,585,000	12,560,000
Packaging materials	1,834,000	1,460,000
	42,997,000	40,434,000
Manufacturing and maintenance supplies	2,222,000	3,613,000
	\$45,219,000	\$44,047,000

In accounting for its proportionate share of the sugar inventory of Refined Syrups & Sugars, Inc., its United States joint venture, the company, with effect from October, 1979 adopted the method of accounting used by the joint venture with the result that the company's base stock of raw sugar has been reduced by 6,800 tonnes. There would not have been any material change in income of the current year or prior years had the method been adopted earlier.

**Notes to Consolidated
Financial Statements**

Redpath Industries Limited
and its subsidiaries

September 30, 1980

In addition, 7,000 tonnes of base stock in Canada were sold prior to the company's fiscal year end, resulting in a gain of \$5,346,000. A further 7,000 tonnes were sold subsequent to the year end resulting in a gain of \$5,838,000 which will be recognized in income in 1981. The inventory of base stock at September 30, 1980 consists of 59,000 tonnes, valued at an average price of \$225 per tonne established in 1974, which is approximately \$800 per tonne below replacement cost at September 30, 1980.

3. Investments

	1980	1979
Portfolio, at cost (market value-\$3,421,000)	\$ 1,235,000	\$ 5,009,000
Oil and gas properties	3,841,000	2,687,000
Other, at the lower of cost and estimated realizable value	7,659,000	2,551,000
	\$12,735,000	\$10,247,000

4. Property, Plant and Equipment

	1980		1979	
	Investment	Accumulated depreciation	Net investment	Net investment
Property	\$ 4,875,000	\$ —	\$ 4,875,000	\$ 4,891,000
Plant	30,205,000	7,982,000	22,223,000	17,718,000
Equipment	85,108,000	28,916,000	56,192,000	36,593,000
	\$120,188,000	\$36,898,000	\$83,290,000	\$59,202,000

5. Other Assets

	1980	1979
Goodwill, at cost less amortization	\$1,619,000	\$1,740,000
Long-term debt expense, at cost less amortization	793,000	704,000
Unamortized deferred foreign exchange loss	1,728,000	1,750,000
	\$4,140,000	\$4,194,000

6. Long-term Debt

	1980	1979
Floating rate term bank loans of a joint venture currently bearing interest at the Canadian prime rate, repayable in monthly installments over a ten year period. Security for these loans consists of a fixed and floating charge debenture on the plant and equipment of the joint venture company	\$23,936,000	\$ 6,191,000
9% Debentures due September 15, 1989 (U.S. \$25,000,000)	29,185,000	29,015,000
Floating rate term bank loans of a joint venture bearing interest at the United States prime rate plus one-half percent, repayable in semi-annual installments over a seven year period commencing in 1981. Security for these loans consists of the property and plant of the joint venture company and a guarantee of Redpath Industries Limited (U.S. \$4,000,000)	4,670,000	—
Non-interest bearing loan of a joint venture company repayable in equal quarterly installments from 1988 to 1992. Security for these loans consists of the property and plant of the joint venture company and a guarantee of Redpath Industries Limited (U.S. \$1,000,000)	1,167,000	—
Obligations under capital leases	804,000	548,000
Other	795,000	1,086,000
	60,557,000	36,840,000
Less current portion in accounts payable	2,775,000	711,000
	\$57,782,000	\$36,129,000

Long-term debt is repayable as follows: **1982**—\$2,352,000; **1983**—\$2,509,000; **1984**—\$2,956,000; **1985**—\$3,130,000; **1986**—\$3,362,000 and subsequently \$43,473,000.

**Notes to Consolidated
Financial Statements**

September 30, 1980

Redpath Industries Limited
and its subsidiaries

7. Capital Stock

	1980	1979
Issued—1,426,361 \$1.665 Convertible Voting Preference Shares, Series A (issued September 25, 1980 for cash (note (11)))	\$26,388,000	\$ —
—3,182,500 Common Shares	15,687,000	15,687,000
	\$42,075,000	\$15,687,000

The Convertible Voting Preference Shares, Series A are entitled to receive fixed cumulative preferential cash dividends, as and when declared by the board of directors, at the rate of \$1.665 per share per annum payable in quarterly installments. They are convertible at the option of the holder into Common Shares of the company at any time on the basis of one Common Share for each Convertible Voting Preference Share.

8. Contingency

On February 22, 1977 income tax assessments were issued by Revenue Canada, Taxation against the company for its five taxation years ended September 30, 1971 claiming \$3,026,859 in taxes plus interest at 6% per annum on the taxes alleged to be due for such years and penalties of \$756,714 on the grounds that the company should have considered as its own all the income of its non-resident affiliate, Albion Company Limited. In addition, the company was shortly thereafter served with a summons to appear in criminal court on charges that the alleged failure to include the income of Albion Company Limited constituted an offence under paragraph 239(1)(d) of the Income Tax Act (Canada) dealing with wilful evasion of taxes. A corporation guilty of such an offence is liable, in addition to any penalty otherwise provided, to a fine of not less than \$25 and not exceeding \$10,000 plus, in an appropriate case, an amount not exceeding double the amount of the tax that should have been shown to be payable or that was sought to be evaded. The company filed a Notice of Objection to the assessment and, on advice of counsel, is strongly contesting the Crown's allegation. The trial of the criminal charge commenced January 23, 1978 and both the Crown and the company have completed the presentation of their evidence. Written legal arguments are to be filed. Given the nature of litigation and the comments set out in this note, it is not possible to determine whether any loss will ultimately result and accordingly no provision has been made in the accounts. Such losses, if incurred, will be accounted for as adjustments of income of the applicable years.

9. Segmented Information

The board of directors has determined and recorded in the minutes of a board meeting that the company operates primarily in three industry segments—Sweeteners, Construction Materials and Packaging Materials. The Sweeteners division includes sugar and other nutritive sweetener operations. The Construction Materials division is engaged in the manufacture and sale of plastic and aluminum products designed for use in agriculture and manufacturing, housing and other construction. The Packaging Materials division manufactures flexible packaging materials and folding cartons for the food, secondary manufacturing and retail industries. Inter-segment sales are accounted for at prices comparable to open market prices for similar products. The company has provided consulting and engineering services in Africa on projects related to sugar growing, milling and refining and to various agricultural products. Results from these activities, which are now substantially complete, are reported separately under the heading Consulting Projects. Operations by industry segment and geographic segment are as presented below in millions of dollars:

a) Industry Segments	Sweeteners	Construction Materials	Packaging Materials	Consulting Projects	Other	Eliminations	Total
Revenue from:							
Transactions with third parties	301.0	65.6	13.8	0.7	5.3	—	\$386.4
Transactions with other segments	—	—	0.3	—	—	(0.3)	—
Total revenue	301.0	65.6	14.1	0.7	5.3	(0.3)	\$386.4
Segment operating income	21.1	3.2	1.1	(6.1)	3.2	(0.1)	\$ 22.4
Interest expense							(4.1)
Income taxes							(7.9)
Income before extraordinary item							\$ 10.4
Net income							\$ 13.1
Total assets	149.0	42.5	8.1	1.1	62.4	—	\$263.1
Capital expenditure	29.2	2.7	0.2	—	0.1	—	\$ 32.2
Depreciation and amortization	2.5	2.5	0.3	—	0.5	—	\$ 5.8

**Notes to Consolidated
Financial Statements**

September 30, 1980

Redpath Industries Limited
and its subsidiaries

b) Geographic Segments	Canada	United States	Africa	Other	Eliminations	Total
Revenue from:						
Transactions with third parties	266.5	119.0	0.7	0.2	—	\$386.4
Transactions with other segments	—	—	—	—	—	—
Total revenue	266.5	119.0	0.7	0.2	—	\$386.4
Segment operating income	20.3	8.2	(6.1)	0.1	(0.1)	\$ 22.4
Interest expense						(4.1)
Income taxes						(7.9)
Income before extraordinary item						\$ 10.4
Net income						\$ 13.1
Total assets	203.6	57.3	1.1	1.1	—	\$263.1
Capital expenditure	29.7	2.5	—	—	—	\$ 32.2
Depreciation and amortization	4.2	1.6	—	—	—	\$ 5.8

Canadian operations include export sales of \$4,666,000 to customers in the United States.

10. Joint Ventures

- (a) The company's proportionate share of the assets, liabilities, revenues and expenses of its joint ventures is as follows:

	1980	1979
Assets	\$ 79,434,000	\$34,658,000
Liabilities	44,099,000	19,000,000
Share of net assets	\$ 35,335,000	\$15,658,000
Revenues	\$113,108,000	\$67,201,000
Expenses	107,705,000	68,300,000
Share of net income (loss) before income taxes	\$ 5,403,000	\$ (1,099,000)

Liabilities include \$29.8 million of long-term debt (\$6.2 million at September 30, 1979) described more fully in note 6.

- (b) Income taxes in a joint venture have been reduced by the carry forward of losses incurred in prior years.

11. Related Party Transactions

On September 25, 1980, Tate & Lyle, Limited, through a wholly-owned subsidiary purchased from the company 601,361 \$1.665 Convertible Voting Preference Shares, Series A for \$11,125,000. As a result of this transaction and the concurrent sale of shares to the public, Tate & Lyle, Limited's total holding of voting shares of the company has been reduced to 50.99% of the number presently outstanding.
The company sells all of the molasses extracted in its sugar refining process to affiliated companies. Sales in the year ended September 30, 1980 totalled \$1,951,000 and at September 30, 1980 receivables from affiliated companies totalled \$179,000.

12. Earnings per share

Earnings per Common Share have been calculated on the average number of shares outstanding during the year. Fully diluted earnings per share have been calculated assuming full conversion of the \$1.665 Convertible Voting Preference Shares, Series A, on the date of issue.

13. Commitments

- (a) The company through its subsidiary, Redpath Sugars Limited, has entered into a joint venture agreement to construct a high fructose corn syrup plant in London, Ontario. It is anticipated that the total cost of the company's investment in the venture will be \$45 million. Approximately \$34 million had been spent as at September 30, 1980 (\$7 million at September 30, 1979) and is included in property, plant and equipment (note 4).
(b) Commitments for the acquisition of other property, plant and equipment aggregated approximately \$3 million at September 30, 1980 (\$2 million at September 30, 1979).

**Supplementary Results on a
Current Cost Basis (unaudited)**

Redpath Industries Limited
and its subsidiaries

September 30, 1980

Introduction

Earlier this year, the Canadian Institute of Chartered Accountants (CICA) issued an Exposure Draft on "Current Cost Accounting". The Exposure Draft proposed that certain publicly traded Canadian enterprises report supplementary information indicating the major effects of changes in prices, specific to the business, on the results of their operations. At this time the status of the Exposure Draft is uncertain and final recommendations may not be forthcoming for some time. The effects of inflation continue however, to have a significant impact on the results of Canadian businesses and therefore the Company believes it important to report supplementary information on the effects of changing prices this year rather than waiting for specific requirements.

**Objective of Current Cost
Financial Statements**

During a period of inflation a capital intensive company such as Redpath must be able to generate sufficient funds to finance the increasing costs of replacement of property, plant and equipment and working capital requirements. These supplementary consolidated current cost financial statements, prepared substantially in accordance with the CICA proposals, are an attempt to indicate the amount of income available after providing for such requirements. This is often referred to as the maintenance of the "operating capability" of the business.

**Current Cost Accounting
is Experimental**

It should be recognized that current cost accounting is in the early stages of development and therefore experimental. Readers should be aware that preparation of current cost financial statements involves the use of subjective estimates and judgements. However, it is believed that the methods used provide a reasonable approximation of the impact of changing prices. It is intended to continue to refine the techniques and methods used in the preparation of current cost financial statements as experience is gained with the methodology.

**Consolidated Statement of Income
Current Cost Basis (unaudited)**

(with comparative historic cost)
(\$millions)

Year ended September 30, 1980

	Notes	Current Cost Basis	Historic Cost Basis
Revenues		\$386.4	\$386.4
Income before long-term debt interest and income taxes		\$ 21.6	\$ 21.6
Less current cost adjustments	3,5	(10.8)	—
Operating income		10.8	21.6
Financing adjustment	4	2.9	—
Less interest on long-term debt		(3.3)	(3.3)
		(.4)	(3.3)
Income before income taxes and extraordinary item		10.4	18.3
Income taxes	1(c)	(7.9)	(7.9)
		2.5	10.4
Extraordinary item		2.7	2.7
Income attributable to shareholders		\$ 5.2	\$ 13.1
Earnings per share			
—before extraordinary item		\$.78	\$3.27
—after extraordinary item		\$1.63	\$4.12

**Consolidated Balance Sheet
Current Cost Basis (unaudited)**

(with comparative historic cost)
(\$millions)

September 30, 1980

	Notes	Current Cost Basis	Historic Cost Basis
Inventories	1,5	\$ 94.4	\$ 45.2
Other net current assets		24.7	24.7
Investments	1	14.9	12.7
Property, plant and equipment	1,5	116.4	83.3
Other assets		4.1	4.1
		\$254.5	\$170.0
Long-term debt		\$ 57.8	\$ 57.8
Deferred income taxes		8.4	8.4
Shareholders' equity	2	188.3	103.8
		\$254.5	\$170.0

(see accompanying notes)

**Notes to Consolidated Financial
Statements Current Cost Basis
(unaudited)**

Redpath Industries Limited
and its subsidiaries

September 30, 1980

**1. Accounting Policies and
General Description of
Consolidated Current Cost
Financial Statements**

- (a) The consolidated current cost financial statements have been prepared substantially in accordance with the general principles proposed in the CICA Exposure Draft 'Current Cost Accounting', (referred to as the "CICA Exposure Draft") except as noted. The objective of the current cost method used in these supplementary financial statements is to provide for the maintenance of the "operating capability" of the business by reflecting the impact of changing prices on the company. The method is not a system of accounting for the decline in the general purchasing power of money but rather for changes in specific prices of assets used in the company's business.
- (b) The operating income of the company on the current cost basis is the profit (before long-term debt interest and income taxes) arising from the normal business activities of the company during the year. It is determined after providing for the impact of price changes on the specific assets used in the business and needed to maintain net operating capability, but does not take into account the manner in which the assets are financed. Current cost operating income is arrived at by making the adjustments set out and explained in Note 3.
- (c) Income attributable to shareholders on the current cost basis is the profit after providing for the costs and benefits to shareholders of financing a portion of the productive assets of the company with borrowed funds and providing for income taxes (described in Note 4). No adjustment has been made to the income tax expense as reported in the historic cost financial statements.
- (d) In the consolidated balance sheet, prepared on a current cost basis, assets and liabilities are valued as follows:
 - **Inventories**, at the lower of current cost and net realizable value.
 - **Investments**, at values established by management. Portfolio investments have been valued by reference to market values at the balance sheet date. (This differs from the CICA Exposure Draft which suggests such assets should remain at historic cost).
 - **Property, plant and equipment**, generally at current replacement cost, net of accumulated depreciation, unless there has been a permanent impairment in value, in which case assets are written down to a recoverable amount based on future anticipated cash flows from the asset. Land has been included at estimated current market values established by management. Construction in process on the Zymaize project has been included at historic cost since this is considered to approximate current cost at the balance sheet date.
 - **Other assets and liabilities**, at historic cost.
- (e) Since this is the first year in which the company has presented supplementary current cost financial statements no current cost comparative figures have been provided. However, for comparison, equivalent figures on the historic cost basis have been provided. These figures have been reclassified to conform with the presentation adopted for the current cost financial statements.
- (f) Except as set out above, the accounting policies used in the current cost financial statements are those used in the historic cost financial statements.

**2. Shareholders' Equity
Current Cost Basis**

		(\$millions)
Opening shareholders' equity		\$106.5
Add increases in amounts required to maintain the operating capability of the company:		
Inventory	45.5	
Property, plant and equipment	8.3	
Increase in monetary working capital	3.5	
Other	(.5)	
	56.8	
Less financing adjustment	(2.9)	53.9
		160.4
Current cost income attributable to shareholders		5.2
		165.6
Less dividends		(3.3)
Preferred share issue	26.4	
Share issue expenses	(.4)	26.0
Closing shareholders' equity		\$188.3

**Notes to Consolidated Financial
Statements Current Cost Basis
(unaudited)**

Redpath Industries Limited
and its subsidiaries

September 30, 1980

3. Current Cost Adjustments

	(\$millions)
Cost of sales	\$ 1.4
Monetary working capital	3.5
Depreciation	3.3
Elimination of gain on sale of base stock (net of income tax of \$2.7)	2.6
	\$10.8

The **cost of sales** adjustment represents the additional cost of replacing goods sold at the date of sale compared with their historic costs.

The **monetary working capital** adjustment (referred to as net productive monetary items in the CICA Exposure Draft) reflects a charge for the additional amount of working capital required as a result of price changes. **Monetary working capital** consists of accounts receivable, prepaid expenses and accounts payable. It also consists of cash and short-term notes to the extent such items are designated for use in day-to-day operating activities.

The **depreciation** adjustment is the difference between the current cost of assets consumed in the year and the depreciation charge recorded in the historic cost financial statements.

The **gain on sale of base stock** has been eliminated since it represents a holding gain realized on base stock. The adjustment is net of income taxes. While the elimination of the tax effect is not in accordance with the CICA Exposure Draft, the company nevertheless believes it appropriate to eliminate all of the effects of the gain on historic cost income.

4. The Financing Adjustment

A portion of the net operating assets of the company is financed by borrowings. Since the obligation to repay borrowings is fixed in terms of money, irrespective of changes in prices of the assets so financed, it is not necessary to provide for the impact of changing prices on the proportion of assets financed by debt when determining income attributable to shareholders on the current cost basis. The financing adjustment abates the current cost adjustments in the proportion that assets are financed by the average net borrowings for the year.

Net borrowings for this purpose consist of long-term debt, deferred income taxes, and current assets and liabilities fixed in monetary terms (not included in monetary working capital). In the CICA Exposure Draft, deferred income taxes are not regarded as net borrowings, neither are they treated as part of equity.

Interest related to such borrowings is shown as a reduction of the financing adjustment in the consolidated statement of income on a current cost basis.

5. Valuation Methods

- (a) **Inventories** have been directly priced using current prices for labour, materials and overhead. The raw sugar component of inventories has been valued based on the London Daily Price for raw sugar at September 30, 1980.
- (b) The **cost of sales adjustment** has been computed using an averaging method based upon average price change experienced by the company during the year.
- (c) The **monetary working capital adjustment** has been computed using the average change in the price of inventory items during the year as an approximation of price changes in monetary working capital for the period.
- (d) **Plant and equipment** has been restated employing appropriate Statistics Canada indices applied to the historic costs.
- (e) **Depreciation** on a current cost basis has been computed using the company's existing depreciation policies applied to the average gross current cost of plant and equipment for the period. At this time, existing asset lives are considered to be appropriate for this purpose.



Sugar is an inexpensive and efficient source of carbohydrates required in a nutritionally balanced diet. It also plays a major role in preserving food and preventing spoilage. Consumed in moderation, it adds pleasure and enjoyment to meals.

Redpath Sugars Limited is a major supplier of sugar products in Eastern Canada. Redpath has been a household name since 1854, as a supplier of high quality refined sugar.

In 1977, Redpath Industries

Limited acquired a fifty percent interest in a sugar refinery in Yonkers, New York, called Refined Syrups & Sugars, Inc. RS&S' manufacturing facilities have been expanded from liquid sugar to include a range of granulated sugars for industrial use. RS&S is now a major supplier of products to the northeastern U.S. market.

This truck from the Refined Syrups & Sugars fleet transports industrial sugar products

throughout the northeastern United States.





Corn has become an important source of nutritive sweetener to the food industry. Redpath Industries Limited and John Labatt Limited are participating in a joint venture project at London, Ontario, called Zymaize Company, which will process the new, high technology product.

The principal product from this highly automated plant will be high fructose corn syrup. A variety of corn sweeteners, starch and animal feeds will be manufactured as well. Zymaize will also

provide an important new market for Canadian corn, using approximately eight million bushels each year.



The aerial photograph of Zymaize Company in London, Ontario, shows the plant near completion.





Through three packaging facilities in Toronto, a wide range of packaging products is offered to the marketplace.

Packaging plays an important role in today's society, best summed up by the slogan "to contain, protect and sell". Redpath's packaging division now has a range of products and technology to meet the most sophisticated demands of the marketplace.

CB Packaging Limited, acquired in the early 1970's, extrudes,

prints and forms plastic packaging film to produce flexible packages.

Merry Packaging Limited with six-colour printing facilities is now extending its capabilities with the installation of a large new laminator.

Holway Packaging, specializing in the production of folding cartons, has acquired a four-colour press which will expand the markets available to this division.



Here are three examples of modern packaging that combine visual appeal, convenience, and efficiency.





Land drainage has become an important necessity for the North American farmer. Redpath's subsidiary, Daymond Limited, manufactures drainage pipe in Canada under the brand name "FLEX-DRAIN" at three plants located at Baie d'Urfe, Quebec; Huron Park, Ontario; and Calgary, Alberta.

"FLEXDRAIN" is finding ready acceptance in Western Canada for the control and the reclamation of saline soil.

In the United States, Redpath Industries Limited owns fifty per-

cent of Certain-Teed/Daymond Co. which manufactures "CERTA-FLEX" drainage pipe. With four plants in the states of Iowa, Illinois, Indiana and New York, the company is able to meet the growing demands of American industry and agriculture.

Daymond also produces vinyl siding and accessories at its Mississauga, Ontario plant. Aluminum extruded products are manufactured at its Chatham, Ontario location.



Daymond's polyethylene coils, used for sub-surface agricultural drainage, are loaded onto a truck for delivery.



**Operating
Subsidiaries,
Affiliates and
Joint Ventures**

**Investment
Held
(percent)**

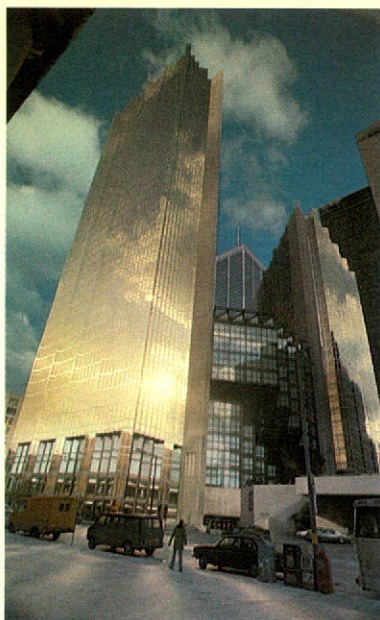
CB PACKAGING LIMITED and HOLWAY PACKAGING Toronto, Ontario	100
CERTAIN-TEED/DAYMOND CO. Ann Arbor, Michigan	50
DAYMOND LIMITED Mississauga, Ontario	100
GIENOW LIMITED Calgary, Alberta	100
MERRY PACKAGING LIMITED Dcn Mills, Ontario	100
MSU-DAYMOND CANADA LTD. Mississauga, Ontario	75
MULTI FITTINGS LIMITED London, Ontario	100
MULTI FITTINGS (USA) LTD. Waco, Texas	100
REDPATH SUGARS LIMITED Montreal, Quebec	100
REFINED SYRUPS & SUGARS, INC. Yonkers, New York	50
SEAWAY INSURANCE LTD. Hamilton, Bermuda	100
ZYMAIZE COMPANY London, Ontario	50

Transfer Agent and Registrar

THE ROYAL TRUST COMPANY
Montreal, Toronto, Winnipeg, Calgary,
Vancouver

Stock Listing

Toronto Stock Exchange
Montreal Stock Exchange
Ticker Symbol: RIN



Courtesy: The Royal Bank.

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Executive Vice-President

ROBERT G. BROWNRIDGE, C.A.
Vice-President and Treasurer

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Vice-President

JOHN E. WOOD
Secretary

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