

# 1978 **Annual Report** **Redpath Industries Limited**



**1973** In recognition of its diversification, the C&D Sugar Company changes its name to Redpath Industries Limited.

**1959**

C&D Sugar opens a new refinery in Toronto, prompted by the building of the St. Lawrence Seaway.

**1930**

Canada Sugar of Montreal joins Dominion of Chatham, Ontario, to form the Canada and Dominion Sugar Company Limited.

**1902**

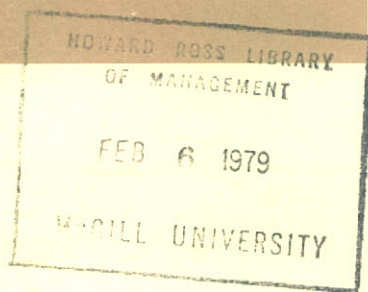
A beet sugar industry begins in southern Ontario. Two of the pioneer beet companies merge to form the Dominion Sugar Company.

**1879**

Redpath's business, expanded and strengthened, is incorporated as the Canada Sugar Refining Company Limited.

**1854**

John Redpath builds his "Canada Sugar Refinery" beside the Lachine Canal in Montreal.





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One hundred and twenty-five years ago, a Scots immigrant, John Redpath, built a small sugar refinery in Montreal. The business he founded has grown to become the modern, diversified company known as Redpath Industries Limited. □ This anniversary Annual Report provides a chronology of the company's growth. It also pays tribute to the people of Redpath whose skills, initiative, and drive continue to be our main strength.

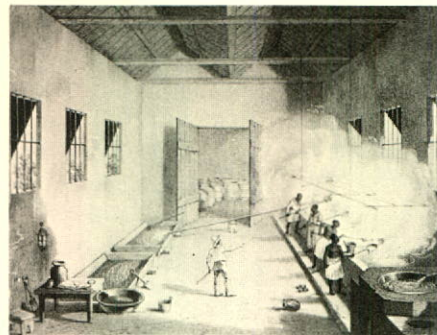
Honey was the first form of sugar enjoyed by mankind. A Neolithic artist painted this picture of a honey gatherer on a cave wall in Spain 20,000 years ago.

A primitive sugar mill in India. Sugar cane was first used as a vegetable, valued for its sweet juice. About 500 B.C., the Indians discovered how to boil the cane juice to make sugar. North American Indians later made a similar discovery about the sap of the maple tree.





A West Indian sugar house, about 1835. The discovery of the New World by Columbus led to the establishment of many "sugar colonies," and a vast increase in sugar production. By the 19th century sugar had become a staple in the diet of Western man.

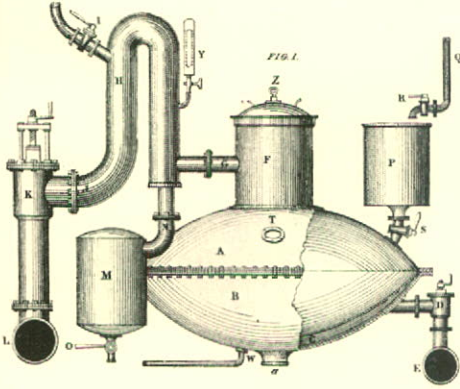


The Redpath refinery was built in 1854. The foundations of the original building are still intact and a modern sugar refinery of Redpath Sugars Limited operates on the same site.



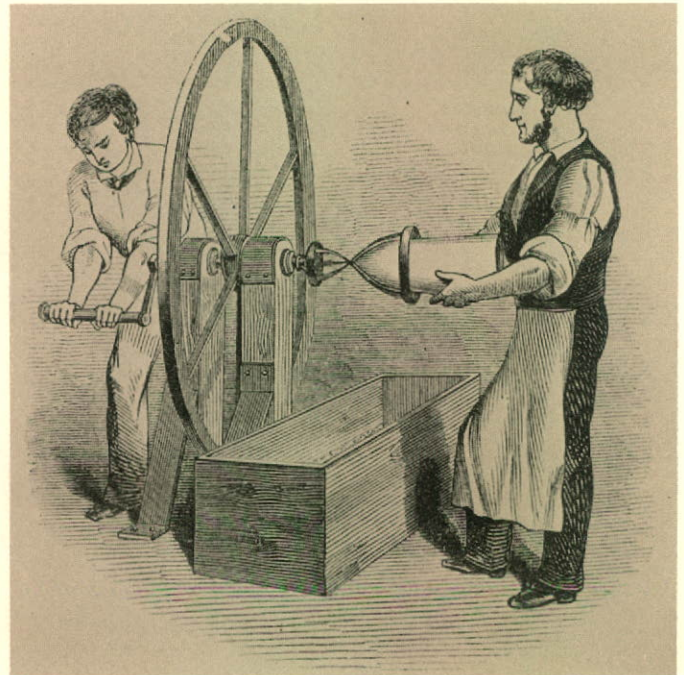
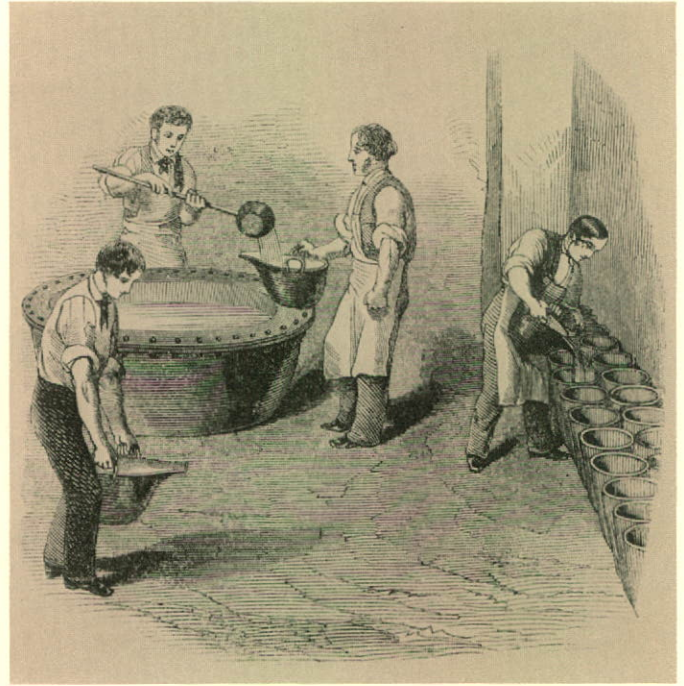
John Redpath was a Scottish stonemason who came to Canada in 1816. He soon established himself as a building contractor and by 1840 was one of the leading citizens of Montreal. An earnest, upright Victorian, he built the Canada Sugar Refinery "for the purpose of establishing a new branch of manufacture in Canada and also with the view of creating a business for his sons."





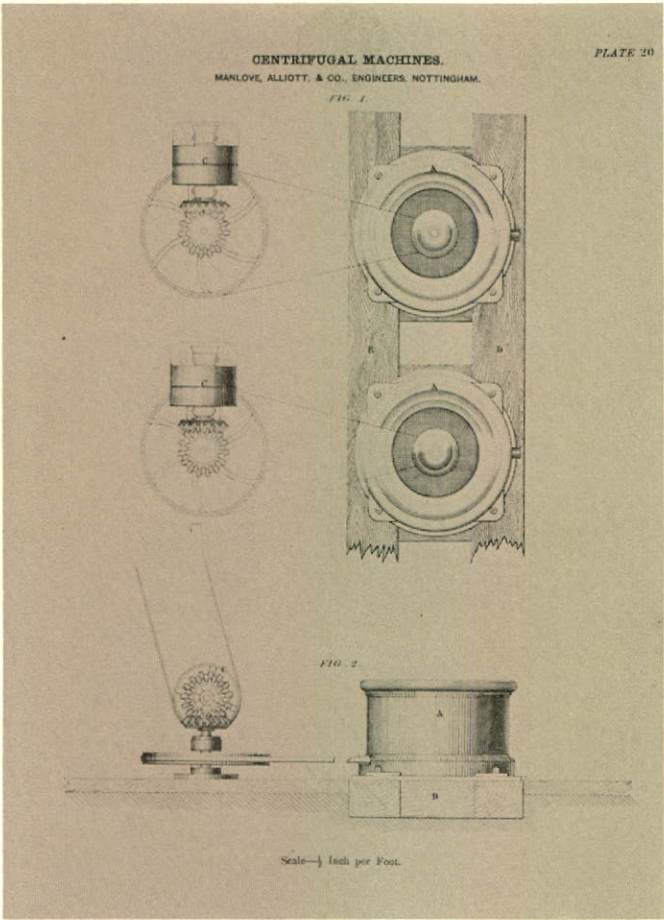
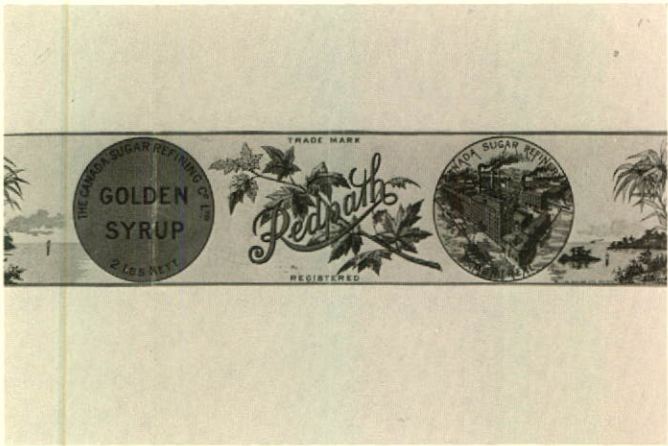
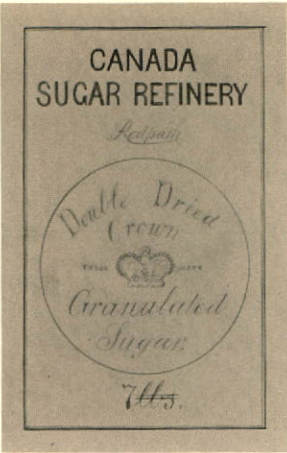
The vacuum pan is the heart of the sugar refining process. This picture shows the type of pan in use when John Redpath's refinery began operating.

Making sugar loaves, about 1850. The sugar loaf is one of Redpath's traditional trademarks.



"Nosing" a sugar loaf, about 1850. Redpath made sugar loaves until about 1870.





The centrifugal is another essential machine in the sugar refining process. They were first used in Canada at Redpath's refinery in the early 1860's. "We wish to keep pace with all the improvements of the day...the refinery is very much changed...especially by the introduction of centrifugals of which we have now a large number in use..."

George A. Drummond, 1864

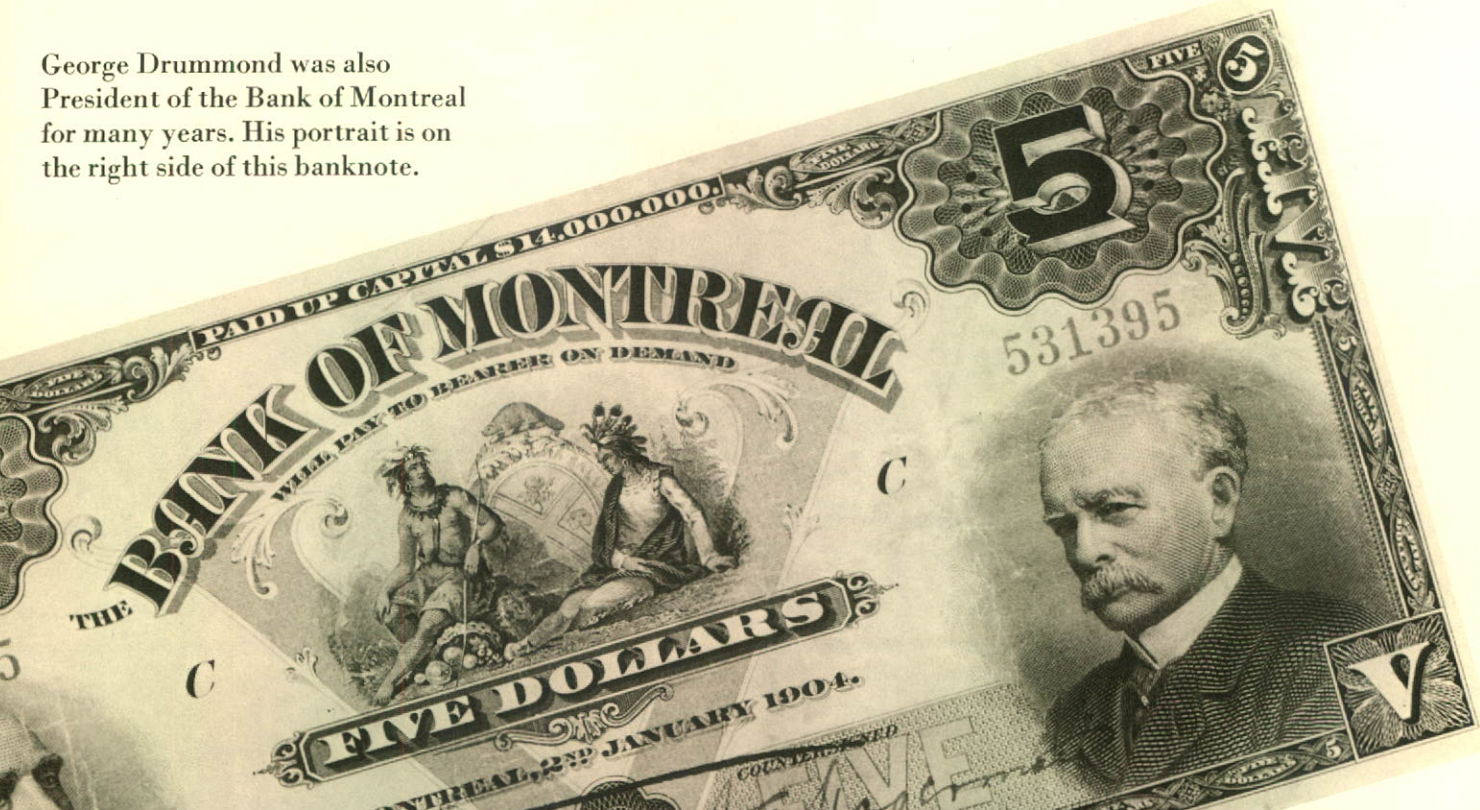




George and Helen Drummond, about 1880. George Drummond was John Redpath's brother-in-law. He came to Canada in 1854 to manage the sugar refinery. He had an extremely successful career, becoming President of the Canada Sugar Refining Company in 1880, a Senator in 1883, and being knighted "Sir" George in 1904. He died in 1910.



George Drummond was also President of the Bank of Montreal for many years. His portrait is on the right side of this banknote.





Huntly Redpath Drummond,  
eldest son of George Drummond,  
was President of Canada Sugar  
from 1911 to 1930.



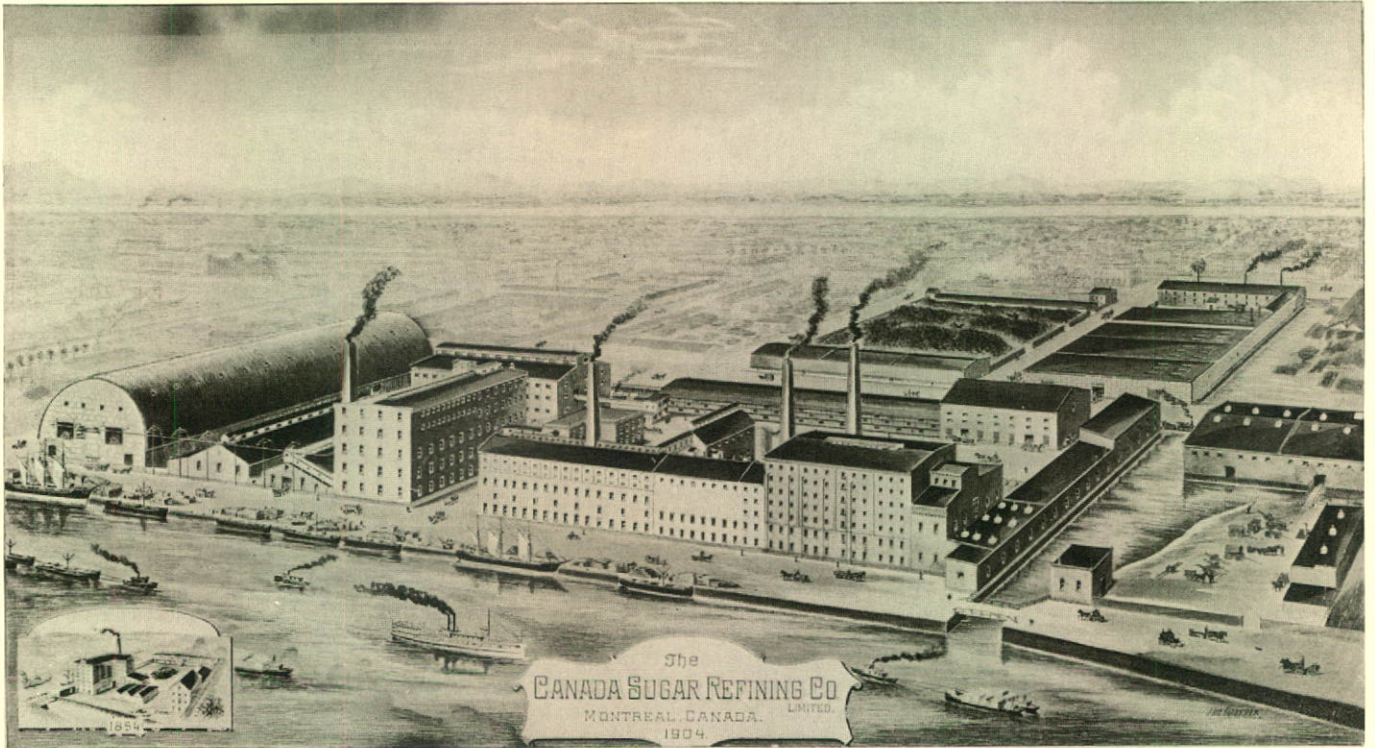
Huntly Drummond was a great athlete. He was a member of the Montreal football team which won the Canadian Championship in 1884, and was more than once a Canadian champion in ski-jumping.





Canada Sugar employees gathered to celebrate the Company's 50th anniversary in 1904. "The weather was beautiful...flags all over inside and outside... Band, music, conjuring tricks...also singing and dancing by talented members of the refinery and they were really good. Meanwhile the men's dressing room had been laid out for refreshments...and all the men had a good tuck out—meat, sandwiches, cake, ice cream, fruit, ginger ale, coffee, etc. There was plenty—I hear quite a little was taken home..."

Maurice to Arthur Drummond, August 20, 1904



After 50 years, the much expanded Redpath refinery in 1904.



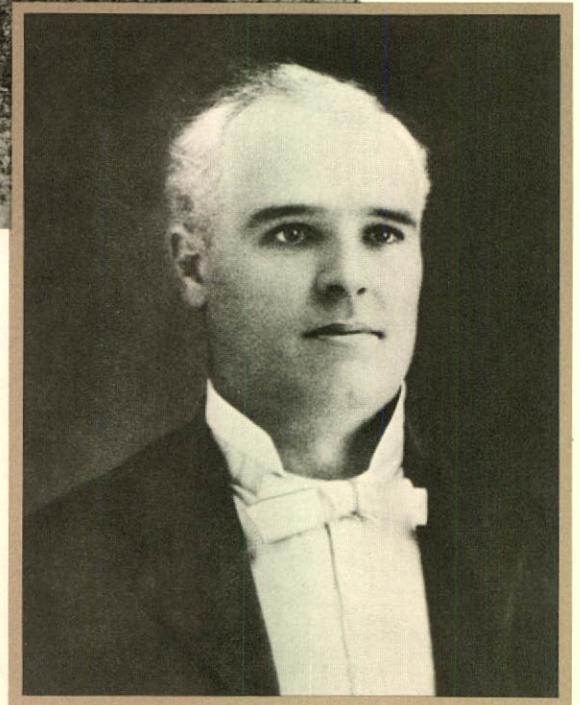




Franz Achard was the father of the beet sugar industry. He built the first beet factory in Germany in 1802. He was a pupil of Andreas Marggarf, the German scientist who discovered, about 1745, that sugar beets contained the same sugar as that found in sugar cane.



Back breaker! Thinning sugar beets in 1930.



D.A. Gordon was a businessman from Wallaceburg, Ontario. He was one of the pioneers who established the beet sugar industry in Ontario in 1902. In 1909 he became President of the newly-formed Dominion Sugar Company which later merged with Canada Sugar of Montreal to form Canada and Dominion Sugar Company Limited.



# CRYSTALS



The Dominion Sugar baseball team, about 1912. C.H. Houson, who became President of Dominion Sugar, and of C&D, is in the front row, second from left. Clarence Coyle, who became a Vice-President of C&D, is on the left end of the centre row.





After 75 years; Canada Sugar Refinery employees pose in the raw sugar warehouse. One year later they all joined a new company, Canada and Dominion Sugar Company Limited.

Packing sugar cubes in Montreal, about 1919.



"Let Redpath Sweeten It!" One of Canada Sugar's delivery trucks about 1919. The slogan has been used since registered in 1916.

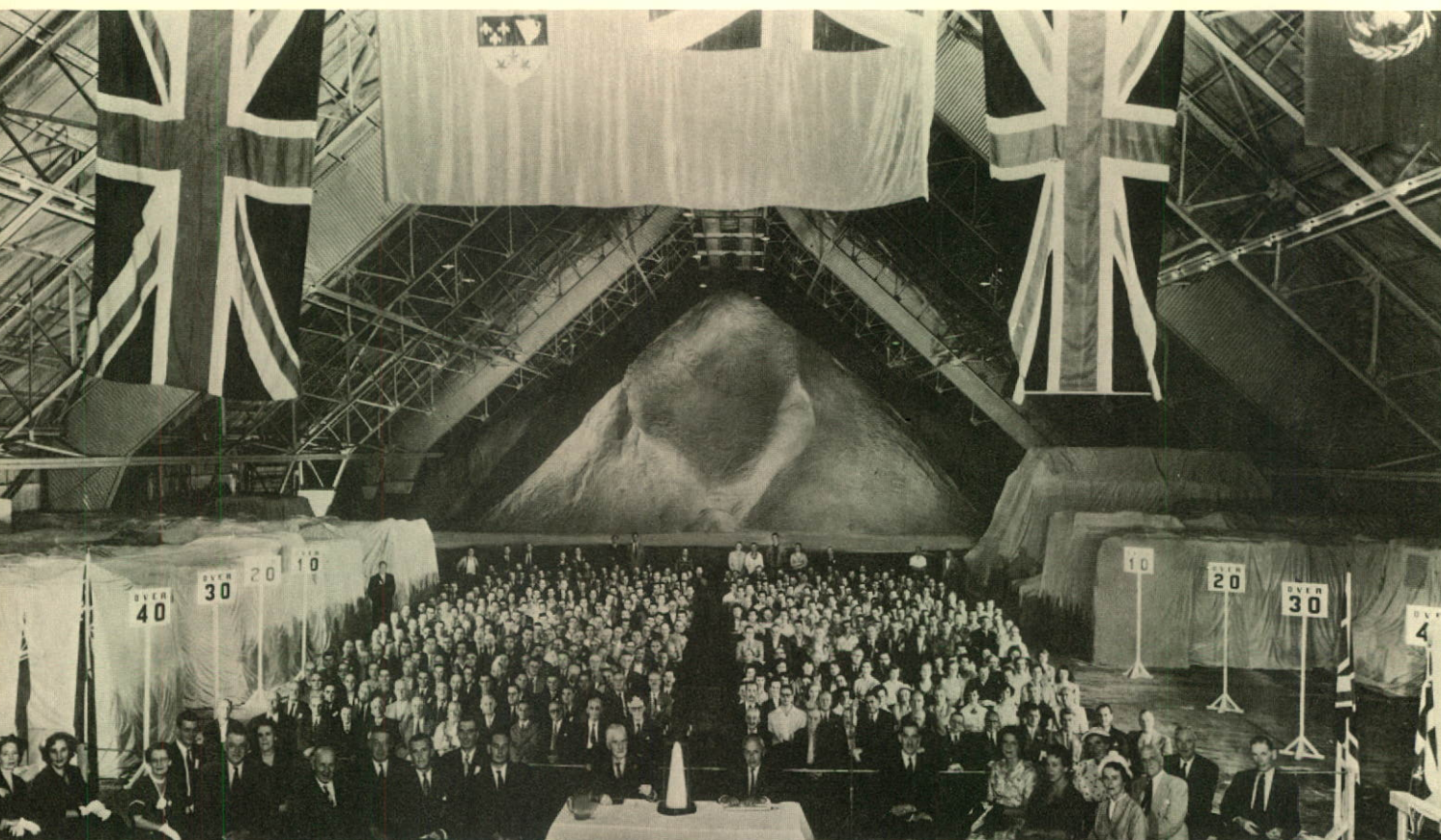


Packing and stitching 100 lb. bags; Montreal, about 1919.





Centennial, 1954; in the background  
is a Redpath innovation—the first raw  
sugar to arrive in Canada in bulk.

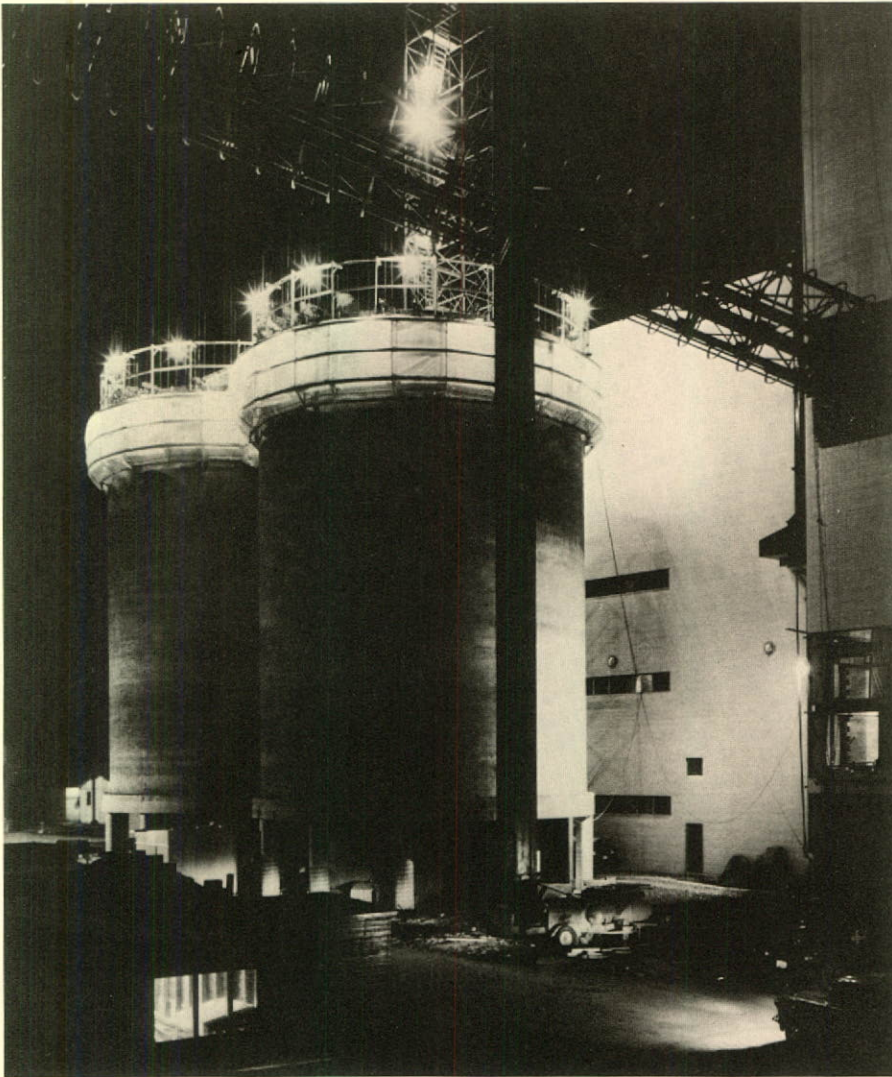


**1854** *Redpath* **1954**





1958—construction of RSL's Toronto refinery. The refinery was built as a direct consequence of the development of the St. Lawrence Seaway.



The Toronto refinery was opened by Her Majesty Queen Elizabeth II on June 29, 1959. Former C&D President Bill McGregor escorts the Queen; Vice President Mel Davidson is with the Duke of Edinburgh.

Canada and Dominion Sugar became Redpath Industries Limited in 1973 as a result of its diversification program. Today the operating subsidiaries and associate companies include Redpath Sugars Limited, Redpath Consultants International Limited, Refined Syrups & Sugars Inc., Zymaize Company, Daymond Limited, Certainteed/Daymond Co., Gienow Limited, Multi Fittings Limited, Multi Fittings (USA) Limited, London Plastics Machinery Limited, CB Packaging Limited, and Merry Packaging Limited.





The history of any company is shaped by its people. And, in the 1970's, we have become more aware of the fact that corporations should not be thought of in impersonal terms. Portrayed on the following pages is a sampling of the views and activities of the employees in our three divisions: Agro-Industrial, Construction Materials, and Packaging. These representatives illustrate the fact that people are a company's most important asset.



Jan Kuzmiec spends time at his cottage near Belleville, Ontario, whenever he can. It's the perfect place to rest, and the fishing there is excellent. When he's in Toronto, Jan is process manager at Redpath Sugars. In a setting just north of the city, Jan demonstrates a fishing technique for the photographer.

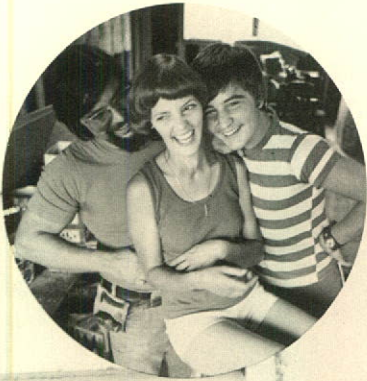




"We're a foster family," explains **Sylvia Lauzon**.

Sylvia's husband, their 12-year-old son, and 14-year-old foster son (in the photo) like that description.

Last summer they chaperoned 17- to 21-year-olds on a camping trip and refinished a newly-built room in the attic of their home in Chatham, Ontario. When she's not riding her bicycle, Sylvia is warehouse lead hand at Daymond's aluminum plant in Chatham.





Winning a track scholarship got **Meredith Lynn "Butch" Waggoner** to Hardin-Simmons University. Studying got him his degree in Biology and Sociology. Hard work moved him from sales rep to sales manager in charge of 13 states for Multi Fittings (USA)

Limited, in Waco, Texas. Sports goes way back to high school days for Butch. His first love is basketball. He's been officiating for more than five years in both high school and junior college ball and hopes some day to officiate major college ball.



It's not enough for **John "Jack" Horan** to be a serviceman for Refined Syrups and Sugars. He's got energy to spare. In Far Rockaway, New York, Jack coaches a Little League baseball team sponsored by the Daniel M. O'Connell Veteran's Post of the American Legion 272. The team has included girls, says Jack, "ever since their mothers got liberated." Jack is active as vice-president of the Brooklyn Hemophilia Association and often organizes blood drives. In addition to all of this, he's a trustee of Local 1814-1 of the International Longshoreman's Association.





"The night shift just works out better. I started working that shift when the children were young and so I didn't need a babysitter." That was 15 years ago. Now **Sally McLennan** is night shift inspector at Multi Fittings in London, Ontario. Even after a whole shift Sally can enjoy the sunshine in her backyard.



**Malcolm MacKinnon** is foreman of the bag department at CB Packaging in Toronto. He's been with the company for 8 years and supervises 35 people. "They're the best part of my job," he says.

Home is people too. Here he is in the backyard, relaxing with his sons, Bart and Justin, who ignore the camera. They're used to having their pictures taken—at home and on the hunting trips the family takes.



For relaxation, **Colm Patrick Kelly** rides his motorbike around the Ivory Coast project site near the town of Abidjan. As an employee of Redpath Consultants International Limited, Colm has been involved with the building and installation of major equipment at the project since January 1977.

He and his wife, Joanne, will leave the Ivory Coast and return to Montreal with an extra bundle—on February 2, 1978, Joanne gave birth to a son, Conor David.



"I can use the title loosely because there are many extra things in the job." **Ray Saunder**'s title now is manager of personnel and payroll and she's been with Daymond for 25 years. Ray's two sons, and the back-yard pool, built by her husband, were the props during a hot day of photography in Mississauga, Ontario. "Unfortunately," Ray says, "I'd just had my hair done for the photos and the boys dunked me!"





Carpentry and reading reduce the stress of sugar trading for **Howard Dennis**, vice-president of Redpath Sugars. "Following the sugar market is challenging and exacting, but when you concentrate on building a stereo cabinet in your workshop it has a marvellously therapeutic effect." Relaxing with family in Lachine, Quebec, certainly helps too.







Reading is the lesson of the day for **Pat Schaff's** two sons, especially for the eldest, who started school last fall. Pat gets her share of reading at work, as stockroom clerk for Gienow in Calgary, Alberta. Pat's been with Gienow for three years and is also president of Gienow's Social Club.





"I can see all the packaging operations and I speak to many different people." **Rejeanne Lalonde** enjoys her work as a chargehand, or supervisor, at Redpath Sugars in Montreal. In her spare time, she likes to cook, go to the theatre, and take long walks in the fresh air.









## Financial Highlights

Revenue	\$ 284,638,000
Net Income	\$ 4,770,000
Per Share	\$ 1.50
Dividends	\$ 3,290,000
Per Share	\$ 1.03

All divisions except engineering and consulting achieved higher revenues in the year.

Earnings declined due to losses in joint venture sugar refining in Yonkers, N.Y.

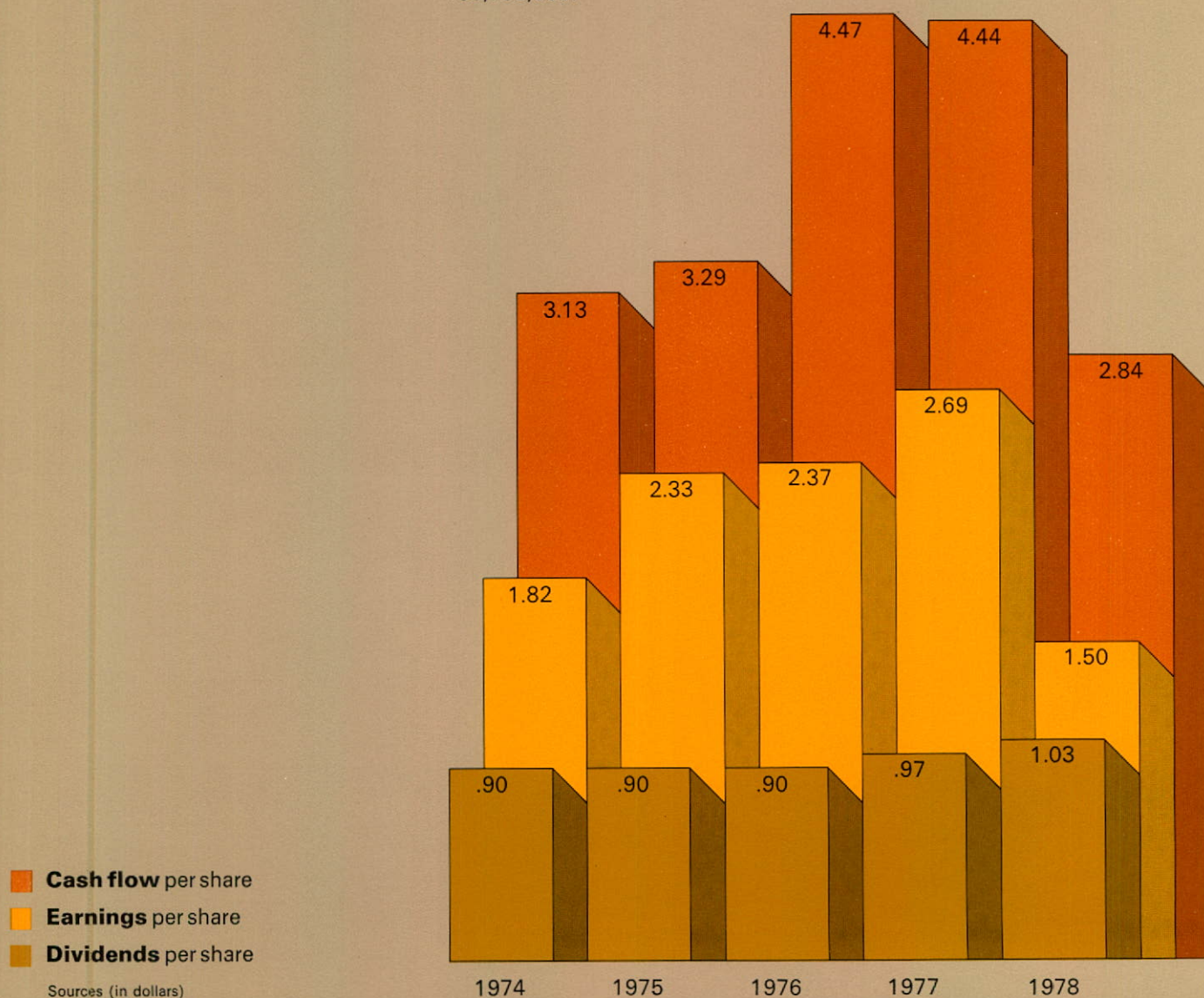
Net income from all other divisions was in total approximately the same as in the prior year.

Expenditure in property, new plant and equipment totalled \$12,060,000.

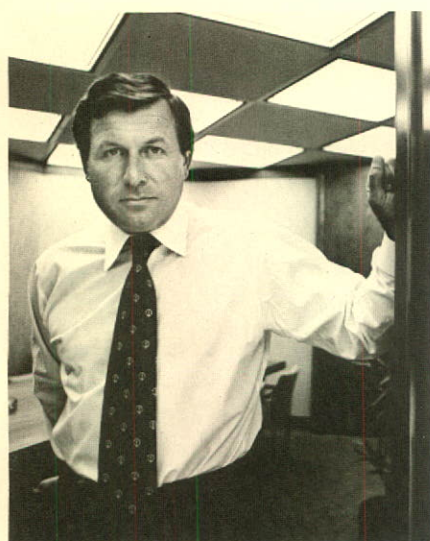
Working capital declined by \$4,254,000 and stands at \$39,709,000.

### Shareholders' Annual and Special General Meeting

The annual and a special general shareholders' meeting will be held in Montreal, Quebec at Le Quatre Saisons Hotel, on Tuesday, February 27, 1979 at 11:30 a.m. A buffet luncheon will be served following the meeting.







**N.M. Shaw**  
President and Chief Executive Officer

## Financial

Your company sustained reduced profits in the year ended September 30, 1978 while total revenues amounted to \$284,638,000, a record level for the sixth consecutive year. In the previous year, revenues totalled \$271,319,000.

Consolidated net income for the year amounted to \$4,770,000 or \$1.50 per share compared to \$8,571,000 or \$2.69 per share in 1977.

A major cause of the substantial drop in earnings was the continuing losses incurred by Refined Syrups & Sugars, Inc. (RS&S), the joint venture sugar refinery in Yonkers, New York. Accounting convention requires these losses to be included on a gross basis without benefit of any future income tax recovery. Losses at a reduced rate are expected until the capital program to convert the refinery from primarily liquid output to granulated production is completed. The program is on schedule and is expected to be concluded by October 1979.

Volume of sales and revenues of RS&S were significantly higher than a year ago. Billings rendered on the Ivory Coast construction contract declined in the year. All other divisions reported increased revenues in 1978. Revenue was earned from: sugar refining in Canada \$141,524,000 compared to \$134,280,000 in 1977; U.S. sugar refining (50% interest) \$44,544,000 compared to \$22,470,000 last year; construction materials division \$49,385,000 compared with \$45,171,000 in 1977; engineering and consulting \$37,094,000 in 1978 versus \$58,468,000 in 1977; packaging \$10,521,000 compared to \$9,030,000 last year.

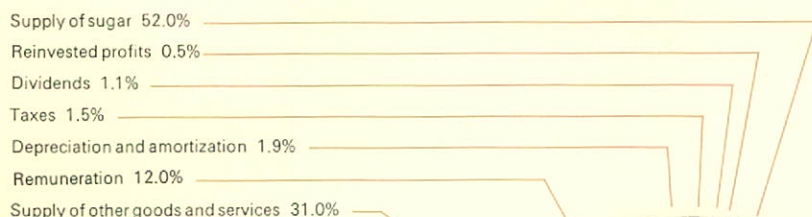
While the volume of sugar sold in Canada and the U.S. reached a new high, unit sales values were depressed because of continued low sugar prices. Significant and severe price competition has been prevalent in both the Canadian and U.S. sugar markets. In Canada, a successful marketing campaign and further plant efficiencies improved operating profits. Market conditions in 1978 were less favourable for raw sugar trading activities and produced profits somewhat lower than in 1977 but which were on target with expectations.

The construction materials division had record sales but profits were adversely affected by increased costs incurred in the start up of the company's new aluminum extrusion fabricating and anodizing plant at Chatham, Ontario. This plant is now operating satisfactorily and the division is now expected to attain forecast profit levels.

Expenditures on property, plant and equipment during the year totalled \$12,060,000 of which \$5,800,000 was invested in sugar facilities, \$4,755,000 in construction materials and the balance includes

## Distribution of Total Revenues

Year ended September 30, 1978





new equipment for the packaging business and preliminary construction costs in the high fructose corn sweetener joint venture. In fiscal 1979 investments in property, plant and equipment should total approximately \$21,600,000 which will include \$10.5 million for construction of the new high fructose corn sweetener facility in London, Ontario.

On March 15, 1978 the Quebec Court of Appeal upheld the acquittal of your company on a charge that it, and two of its competitors, conspired to enhance prices unreasonably, but found the companies guilty of unduly lessening competition and referred the matter back to the Quebec Superior Court for sentencing. On October 6, 1978 a fine of \$750,000 was imposed on each of the three companies. Your company, and the others have appealed the conviction to the Supreme Court of Canada and it is expected the appeal will be heard early in 1979. Payment of the fine was suspended pending outcome of the appeal. The amount of the fine has also been appealed.

Your company is presently constituted under the provisions of Part I of the Canada Corporations Act. It is proposed to seek approval at the shareholders' meeting scheduled for February 1979 to apply for a Certificate of Continuance under the Canada Business Corporations Act. In that connection shareholders will be asked to confirm a new general by-law enacted by the directors, which conforms to the substance and requirements of the Canada Business Corporations Act.

Amendments to the Income Tax Act of Canada eliminated with effect from December 31, 1978 the concept of tax-paid undistributed surplus on hand and 1971 capital surplus on hand. Accordingly the payment of "tax deferred" dividends will no longer be allowed. As a result, your Board of Directors considers it desirable to alter the share capital of the company at the same time as application is made for continuance under

the Canada Business Corporations Act. It is proposed that the Class B shares on which "tax deferred" dividends had been paid will be reclassified as common shares and following continuance, the company's authorized capital will consist of common shares and preferred shares. It will not be necessary to exchange or surrender present Class A and Class B certificates since the present Class A and Class B shares will become and be treated in all respects as common shares. It is not proposed at the present time to issue any of the preferred shares.

Because of the major investment commitment in RS&S plant modifications and the joint venture with John Labatt Limited to build a corn sweetener plant, capital expenditures of other divisions will be restrained over the next two years.

### Agro-Industrial Division

Sales volume of refined sugar from the Montreal and Toronto refineries is ahead of last year due to an increase in exports. Consumption of sugar in Canada is unchanged from a year ago and has remained at a figure slightly below historic levels. Margins in 1978 were low because of keen competition resulting from overcapacity in

eastern Canada's sugar refining industry. Profit from sugar trading while not as favourable as last year was satisfactory.

The new International Sugar Agreement came into effect, as anticipated on January 1, 1978. The objective of the agreement is to maintain world raw sugar prices between 11 cents and 21 cents U.S. per pound F.O.B. The mechanisms which are employed to support these levels are financially assisted stock piling and control of exports by producer countries. Although the minimum price objective has not yet been attained, it is believed the raw sugar market is trading at higher levels than would have been the case in the absence of an agreement. Redpath Sugars operations have not been significantly affected under the regulations of the agreement.

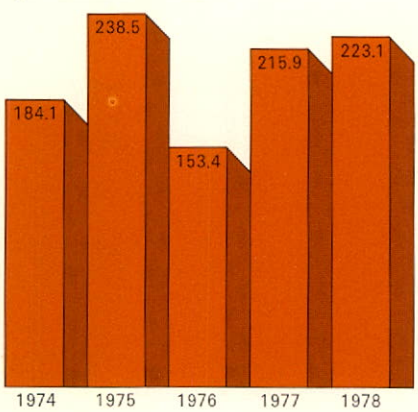
In anticipation of the signing of the sugar agreement, large quantities of raw sugar were imported into U.S.A. in the quarter ended December 31, 1977. This sugar which overhung the market during the early part of 1978 was a significant factor in the severe price competition which prevailed in northeastern U.S.

Although the United States has not yet ratified its membership to the agreement, it is expected to do so early in 1979. Congress has delayed ratification pending legislation of a sugar policy aimed at assisting U.S. domestic sugar producers through support of the domestic U.S. price of sugar. The anticipated congressional action to create a comprehensive sugar policy should not dramatically affect the future activities of RS&S.

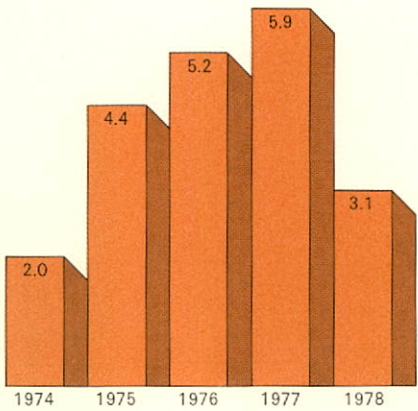
RS&S increased the volume throughput of its plant even while its modification and expansion program was underway. The capital cost of the modification program is currently running approximately as estimated. When completed at the end of calendar 1979, with production emphasis on granulated rather than liquid sugar as at present, the refinery will be in a substantially improved competitive position with a firm foothold in the large northeastern U.S. market. Profitable operations are not expected prior to spring of 1980.

The Ivory Coast contract to construct a raw sugar factory, related

Agro-Industrial Division



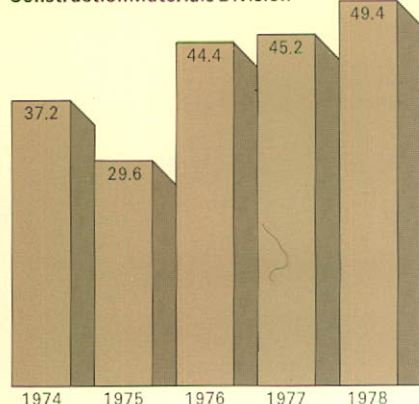
Revenues  
Sources (in millions of dollars)



Net Income  
Sources (in millions of dollars)

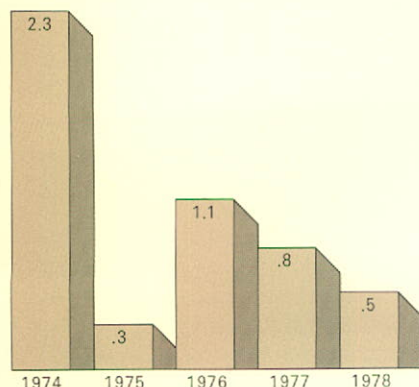


#### Construction Materials Division



#### Revenues

Sources (in millions of dollars)



#### Net Income

Sources (in millions of dollars)

infrastructure and clearing and planting of cane fields, is expected to be completed in the first half of 1979. A five year management contract for the start up and initial management of the project has just commenced. Other overseas projects are being actively pursued by the consulting and engineering division.

#### High Fructose Corn Sweetener

Following extensive engineering and financial studies, a final decision was made in mid-1978 to proceed with a 50% joint venture, known as Zymaize Company, between your company's major subsidiary, Redpath Sugars Limited, and two wholly-owned subsidiaries of John Labatt Limited. A contract has been let for the detailed engineering, procurement and construction management. Work is proceeding satisfactorily with a target date for completion of construction of August 1980.

Zymaize Company will operate a corn wet-milling and starch conversion plant for the production and sale of starch-derived sweeteners, principally high fructose corn sweetener. The new facility will cost approximately \$60 million. When completed the plant will provide a major new

sweetener product and will insulate your company to some extent from dependence on its sugar refining activities. Canada will obtain substantial benefit from the project through expanded markets for agricultural products, provision of employment opportunities and a lessening of foreign exchange expenditures.

#### Construction Materials Division

Sales revenue in the construction materials division reached a record level, 9.3% higher than last year. Daymond Limited had higher than expected sales in its plastic division, particularly for its high quality line of vinyl siding which is experiencing rapid sales growth. Drainage pipe sales improved despite increased competition, and the outlook is encouraging. The new modern aluminum extrusion, fabricating and anodizing plant at Chat-ham, Ontario is expected to have a positive impact now that start up problems have been resolved.

Multi Fittings Limited faced intense competition in the Canadian market where generally depressed prices were experienced. The situation has recently shown improvement with margins returning to normal and the division continues as a leading supplier of plastic fittings. The U.S. subsidiary of Multi Fittings was an important contributor to the company's earnings. Sales outlets have been expanded to include locations in Alberta and British Columbia and the State of Washington.

Gienow Limited finished the year below expectations as a result of difficult market conditions and severe competition. Management has recently been restructured and the company is now operating profitably.

#### Packaging Division

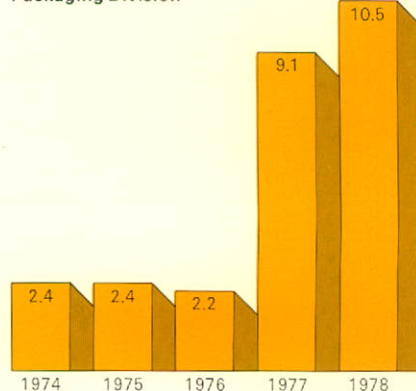
The packaging companies as a unit performed well with record sales and profitability above the industry average.

The packaging industry continues to be highly competitive but by pursuing a policy of selectivity of customers and markets a continuing acceptable level of contribution from this division is expected.

#### Oil and Gas

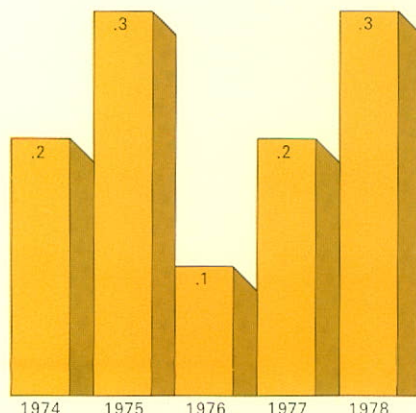
The joint venture exploration program started in late 1975 has resulted in a drilling success rate of 77%. During 1978 the company participated in 4 projects, all of which were successful, resulting in 1 oil well and 3 gas wells. Two wells are currently being drilled and 11 more are planned before spring 1979. An interest has also been acquired in acreage in the northern U.S.A.

#### Packaging Division



#### Revenues

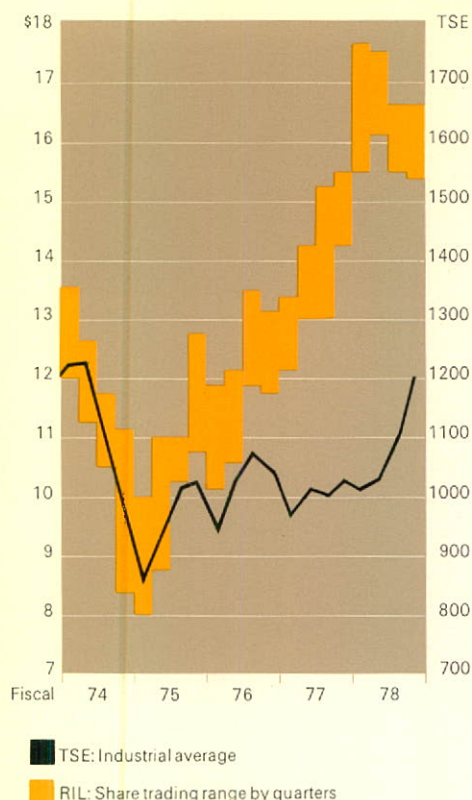
Sources (in millions of dollars)



#### Net Income

Sources (in millions of dollars)





### Appointments and Retirements

The Honourable Louis P. Beaubien retired from the Board in December 1978 having reached mandatory retirement age under the company's by-laws. He served the company with distinction since joining the Board on December 18, 1963 and his dedication and experience contributed in large measure to your company's growth in the intervening years. The Board is appreciative of his wise counsel and guidance.

Mr. W. Darcy McKeough accepted an appointment as a director of the company to fill the vacancy which occurred upon the retirement of the Honourable Louis P. Beaubien. Mr. McKeough is Chairman of McKeough Sons Company Limited, Chatham, Ontario and a director of several other companies. He is a former Treasurer of Ontario and held other important cabinet portfolios during his career in the Ontario legislature. Mr. McKeough's broad range of business experience will be of great value to the Board.

During the year, Mr. Peter R. Baker was appointed a Vice-President of the company.

### Pensions

The company is aware of the effects of inflation on those on a fixed income, and continues to provide on an ex gratia basis supplemental pension payments to its retired employees.

### Appreciation

The talents and efforts of all employees in the RIL group are acknowledged with appreciation. One benefit of a difficult year when results are below expectations is that goals and performance are more closely evaluated. Employees over the past year have risen to the challenge and with their dedication and support the company can look to the future with confidence.

On Behalf of the Board

*N. M. Shaw*

N. M. Shaw

President and Chief Executive Officer

December 18, 1978



	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
Revenue <i>(excluding equity in earnings of affiliate)</i>	284,638	271,319	200,393	270,934	223,925	128,217	103,291	85,135	74,994	64,578
Income taxes	4,277	6,567	5,145	3,985	4,216	3,141	3,300	3,725	3,250	3,600
Net income <i>(excluding extraordinary items)</i>	4,770	8,571	7,531	7,343	5,712	5,244	4,300	4,392	3,836	4,243
Dividends	3,290	3,079	2,858	2,835	2,819	2,790	2,790	2,790	2,635	2,635
Working capital	39,709	43,963	29,067	13,106	10,132	10,879	10,944	12,574	13,669	15,356
Short-term investments	19,958	23,446	21,181	16,440	1,000	—	—	—	278	3,667
Short-term notes	35,182	20,358	20,558	32,019	12,117	16,035	10,211	3,830	2,474	910
Long-term debt	31,860	29,734	1,686	2,172	2,257	2,926	3,337	3,730	4,061	5,520
Shareholders' equity	71,650	70,170	64,625	59,916	55,014	52,121	49,276	47,766	46,113	44,586
Capital expenditures	12,060	9,180	5,555	3,623	5,230	4,634	4,927	2,020	1,803	1,926
Depreciation and amortization	5,275	4,559	3,659	3,078	2,980	2,660	2,439	2,101	1,754	1,611
Net income as % of revenues	1.68	3.16	3.76	2.71	2.55	4.09	4.16	5.16	5.12	6.57
Net income as % of shareholders' equity	6.66	12.21	11.65	12.25	10.38	10.06	8.73	9.19	8.32	9.52
Earnings per share	1.50	2.69	2.37	2.33	1.82	1.69	1.39	1.41	1.23	1.37
Dividends per share	1.03	.972	.90	.90	.90	.90	.90	.90	.85	.85
Cash flow per share	2.84	4.44	4.47	3.29	3.13	2.46	2.27	1.99	1.66	1.43
Book value per share	22.52	22.06	20.34	18.88	17.56	16.81	15.89	15.41	14.87	14.38
Number of employees	1,903	2,045	1,840	1,690	1,595	1,657	1,582	1,487	1,268	1,182
Number of shareholders	2,777	2,820	2,793	2,851	2,909	2,904	2,799	2,958	3,133	3,250



Assets	Notes	1978	1977
Current:			
Cash		\$ 4,290,000	\$ 1,612,000
Accounts receivable		36,039,000	27,658,000
Inventories	2	50,510,000	50,207,000
Short-term investments		19,958,000	23,446,000
Income taxes recoverable		—	530,000
Prepaid expenses		1,463,000	1,064,000
Total current assets		112,260,000	104,517,000
Investments	4	12,562,000	13,788,000
Property, plant and equipment	5	54,498,000	48,778,000
Other assets:			
Goodwill, at cost less amortization		1,778,000	1,826,000
Long-term debt expense, at cost less amortization		777,000	851,000
Unamortized deferred foreign exchange loss	1	2,488,000	—
		5,043,000	2,677,000
		\$ 184,363,000	\$ 169,760,000

On behalf of the Board:  
C. F. Harrington *Director*  
N. M. Shaw *Director*



<b>Liabilities</b>	<b>Notes</b>	<b>1978</b>	<b>1977</b>
Current:			
Short-term notes		\$ 35,182,000	\$ 20,358,000
Accounts payable		21,096,000	23,289,000
Income taxes payable		1,007,000	—
Deferred income taxes on inventories		1,699,000	421,000
Construction advances	3	13,567,000	16,486,000
<i>Total current liabilities</i>		<b>72,551,000</b>	60,554,000
Long-term debt	6	31,860,000	29,734,000
Deferred income taxes		8,302,000	9,302,000
<b>Shareholders' Equity</b>			
Capital stock	7	15,674,000	15,674,000
Appraisal increment	1	6,232,000	6,232,000
Contributed surplus		1,000,000	1,000,000
Retained earnings	11	48,744,000	47,264,000
		<b>71,650,000</b>	70,170,000
		<b>\$ 184,363,000</b>	\$ 169,760,000



**Consolidated Statements of Income  
and Retained Earnings**

Redpath Industries Limited and its subsidiaries  
Year ended September 30, 1978

<b>Income</b>	<b>Notes</b>	<b>1978</b>	<b>1977</b>
Revenues	<b>9</b>	<b>\$ 284,638,000</b>	<b>\$ 271,319,000</b>
Expenses:			
Cost of sales and other operating costs		<b>238,244,000</b>	222,251,000
Selling, distribution and administrative		<b>27,382,000</b>	25,766,000
Depreciation		<b>4,927,000</b>	4,357,000
Amortization		<b>348,000</b>	202,000
Interest: long-term debt		<b>2,730,000</b>	327,000
other		<b>1,960,000</b>	3,278,000
		<b>275,591,000</b>	256,181,000
		<b>9,047,000</b>	15,138,000
Income taxes	<b>1</b>	<b>4,277,000</b>	6,567,000
Net income		<b>\$ 4,770,000</b>	<b>\$ 8,571,000</b>
Earnings per share		<b>\$ 1.50</b>	<b>\$ 2.69</b>

**Retained Earnings**

Balance, beginning of year	<b>\$ 47,264,000</b>	<b>\$ 41,772,000</b>
Net income	<b>4,770,000</b>	8,571,000
	<b>52,034,000</b>	50,343,000
Dividends paid	<b>3,290,000</b>	3,079,000
Balance, end of year	<b>\$ 48,744,000</b>	<b>\$ 47,264,000</b>



Source of working capital	1978	1977
Operations:		
Net income	\$ 4,770,000	\$ 8,571,000
Depreciation and amortization	5,275,000	4,559,000
Deferred tax credits	(1,000,000)	1,009,000
Working capital provided by operations	9,045,000	14,139,000
Proceeds from:		
Issue of shares	—	53,000
Disposal of property, plant and equipment	1,413,000	518,000
Issue of long-term debt	—	26,363,000
Disposal of investments	4,981,000	504,000
Total working capital provided	15,439,000	41,577,000
Use of working capital		
Acquisition of businesses	—	4,064,000
Acquisition of investments	3,755,000	8,182,000
Additions to property, plant and equipment	12,060,000	9,180,000
Payment of dividends	3,290,000	3,079,000
Retirement of long-term debt	588,000	2,176,000
Total working capital used	19,693,000	26,681,000
Working capital		
Increase (decrease) during year	(4,254,000)	14,896,000
Balance, beginning of year	43,963,000	29,067,000
Balance, end of year	\$ 39,709,000	\$ 43,963,000



**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**

A basic quantity of raw sugar equivalent is carried at a fixed value determined under the base stock method. All other inventories are valued at the lower of cost and net realizable value.

**c Construction costs**

Earnings from construction contracts are accounted for using the percentage-of-completion method whereby income is accrued in relation to the progress made.

**d 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.

**e Property, plant and equipment**

Property, plant and equipment is stated at appraised replacement cost at October 1, 1961, with subsequent additions recorded at cost. Depreciation is provided on plant and equipment on a straight-line basis over the estimated useful lives of the assets at rates varying from 2½% to 30%.

**f Long-term debt expense**

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

**g Income taxes**

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

**i Deferred income taxes 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 allowed 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.

**h Translation of foreign currencies**

Foreign currency receivables and payables and other foreign currency assets and liabilities carried at current prices are translated using the rate of exchange in effect at year-end. Other foreign currency assets and liabilities carried at past prices 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 for the year.

**2 Inventories**

Raw materials, work in process and finished goods:	1978	1977
Sugar	\$ 35,058,000	\$ 32,606,000
Construction materials	10,755,000	12,205,000
Other products	1,277,000	1,341,000
	<b>47,090,000</b>	46,152,000
Manufacturing and maintenance supplies	3,420,000	4,055,000
	<b>\$ 50,510,000</b>	\$ 50,207,000

During the year, the company acquired an additional 10,000 tons of raw sugar equivalent at an average price of \$392 per ton. The base stock now consists of 75,000 tons at an average price of \$250,

which is less than its market value at September 30, 1978. Quantities in excess of this amount are hedged on commodities markets and are not at significant market risk.



### 3 Construction advances

	1978	1977
Unearned advances received	\$ 35,295,000	\$ 28,614,000
Less costs deferred	21,728,000	12,128,000
Net advances	\$ 13,567,000	\$ 16,486,000

Advances received and still on hand are included in cash and short-term investments, which are valued at the lower of cost and market.

Firm commitments for equipment and services amount to approximately \$17 million at September 30, 1978.

### 4 Investments

	1978	1977
Portfolio, at cost (market value – \$8,978,000)	\$ 8,250,000	\$ 11,363,000
Oil and gas properties	2,048,000	1,444,000
Other, at the lower of cost and estimated realizable value	2,264,000	981,000
	\$ 12,562,000	\$ 13,788,000

### 5 Property, plant and equipment

	Investment	Accumulated depreciation	1978 net investment	1977 net investment
Property	\$ 4,839,000	—	\$ 4,839,000	\$ 4,515,000
Plant	29,158,000	\$ 11,116,000	18,042,000	16,226,000
Equipment	64,523,000	32,906,000	31,617,000	28,037,000
	\$ 98,520,000	\$ 44,022,000	\$ 54,498,000	\$ 48,778,000

### 6 Long-term debt

	1978	1977
9% Debentures due September 15, 1989 (U.S. \$25,000,000)	\$ 29,578,000	\$ 26,864,000
5% Sinking Fund Debentures due July 15, 1978	—	1,022,000
Promissory note, bearing effective interest at the U.S. prime rate plus ½%, payable in annual instalments of \$296,000 (\$887,000 in 1981) and due September 30, 1981 (U.S. \$1,250,000)	1,479,000	1,610,000
Non-interest bearing balance of payment, payable in annual instalments of \$200,000 (\$250,000 in 1980) and due September 17, 1980	450,000	650,000
Promissory note, bearing interest at the Canadian prime rate, payable in annual instalments of \$100,000 (\$150,000 in 1979) and due October 31, 1979	250,000	350,000
7½% note payable in monthly instalments including principal and interest and due October 4, 1984 (U.S. \$401,000)	475,000	503,000
Other	377,000	520,000
	32,609,000	31,519,000
Less current portion in accounts payable	749,000	1,785,000
	\$ 31,860,000	\$ 29,734,000

Long-term debt is repayable as follows:

1980: \$925,000; 1981: \$1,120,000; 1982: \$80,000; 1983: \$80,000; 1984: \$80,000 and subsequently \$29,575,000.



**7 Capital stock**

Authorized: 6,000,000 Class A and Class B inter-convertible common shares of no par value.  
 Issued: 3,181,500 common shares.  
 Under a stock option plan for officers and key employees, shares were reserved for issue at prices which cannot be less than 90%

of the fair market value at date of grant. During the year, no options were issued or exercised. At September 30, 1978, options for 2,500 shares to key employees remained outstanding at an option price of \$9.90 per share. These options expire on February 16, 1980.

**8 Contingencies**

On March 15, 1978 the Quebec Court of Appeal gave its judgment in the appeal by the Crown against the acquittal of the company and two of its competitors on charges of conspiring to enhance unreasonably the price of sugar and of conspiring to unduly lessen competition in the production, manufacture, purchase, barter, sale, transportation or supply of sugar. The Court of Appeal confirmed the acquittal of the companies on the first charge and substituted a finding of guilty on the second charge and referred the matter back to the Superior Court for sentencing. On October 6, 1978 a fine of \$750,000 was imposed on each of the three companies. The company, and the others, have appealed the conviction to the Supreme Court of Canada and it is expected the appeal will be heard early next year. The three companies have also appealed as to the amount of the fine to the Quebec Court of Appeal. Payment of the fine was suspended for twelve months to allow time for disposal of the appeals.

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 willful 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. A Notice of Objection to the assessment was filed by the company. On advice of counsel the company is strongly contesting the Crown's allegations and the trial of the criminal charge commenced January 23, 1978 and continued intermittently during the year. The Crown has not yet concluded its case and it is expected that the case for the defence will not commence until the first quarter of 1979.

Given the nature of litigation and the comments set out in this note it is not reasonably possible to determine whether any loss will ultimately result and accordingly no provision has been made in the accounts.

**9 Additional information**

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

	1978	1977
Assets	\$ 32,069,000	\$ 26,074,000
Liabilities	19,155,000	14,333,000
Share of net assets	\$ 12,914,000	\$ 11,741,000
Revenues	\$ 48,712,000	\$ 25,899,000
Expenses	52,172,000	26,119,000
Share of net loss before income taxes	\$ 3,460,000	\$ 220,000

Short-term notes include \$9.6 million of notes issued by a joint venture which are secured by its sugar inventories.



**b** Revenues by class of business were as follows:

	1978 Amount	%	1977 Amount	%
Agro-industrial:				
Sugar refining	\$ 186,068,000	65.4	\$ 157,516,000	58.1
Consulting projects	37,094,000	13.0	58,468,000	21.5
	223,162,000	78.4	215,984,000	79.6
Construction materials	49,385,000	17.4	45,171,000	16.7
Packaging materials	10,521,000	3.7	9,030,000	3.3
Other	1,570,000	0.5	1,134,000	0.4
	\$ 284,638,000	100.0	\$ 271,319,000	100.0

**c** The aggregate remuneration of the company's twelve directors and eight officers, in those capacities, was \$40,000 and \$410,000 respectively. Three officers served on the Board of Directors during the year.

**d** Certain of the figures for 1977 have been regrouped to conform with the presentation adopted in the current year.

## 10 Commitments

**a** The company through its subsidiary, Redpath Sugars Limited, has entered into a joint venture agreement to construct a corn wet milling and starch conversion plant in London, Ontario. It is anticipated that the cost of the company's investment in the venture will approximate \$30 million over a three-year

period. Approximately \$1 million had been spent as at September 30, 1978.

**b** Commitments for the acquisition of other property, plant and equipment aggregate approximately \$3 million.

## 11 Anti-inflation program

Under the federal government's anti-inflation program the company has been subject to mandatory compliance with legislation which controls prices, profit margins, employee compensation

and shareholder dividends. The program will no longer apply to the company after December 31, 1978.

## Auditors' Report

To the Shareholders of Redpath Industries Limited:

We have examined the consolidated balance sheet of Redpath Industries Limited as at September 30, 1978 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, subject to the resolution of the matters described in note 8, these consolidated financial statements present fairly the

financial position of the company as at September 30, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
November 24, 1978.

Clarkson, Gordon & Co.  
Chartered Accountants



**Operating Subsidiaries,  
Affiliates and  
Associated Companies****Share  
Capital  
Held %**

CB Packaging Limited . . . . .	100
<i>Toronto, Ontario</i>	
Certain-Teed/Daymond Co. . . . .	50
<i>Ann Arbor, Michigan</i>	
Comtrad Ltd. . . . .	100
<i>Mississauga, Ontario</i>	
Daymond Limited . . . . .	100
<i>Mississauga, Ontario</i>	
Devonport Trading Ltd. . . . .	100
<i>Hamilton, Bermuda</i>	
Gienow Limited . . . . .	100
<i>Calgary, Alberta</i>	
London Plastics Machinery Ltd. . . . .	100
<i>London, Ontario</i>	
Merry Packaging Limited . . . . .	75
<i>Don Mills, Ontario</i>	
MSU-Daymond Canada Ltd. . . . .	75
<i>Mississauga, Ontario</i>	
Multi Fittings Limited . . . . .	100
<i>London, Ontario</i>	
Multi Fittings (USA) Ltd. . . . .	100
<i>Waco, Texas</i>	
Redpath Sugars Limited . . . . .	100
<i>Montreal, Quebec</i>	
Refined Syrups & Sugars Inc. . . . .	50
<i>Yonkers, New York</i>	
Seaway Insurance Ltd. . . . .	100
<i>Hamilton, Bermuda</i>	
Spraycool Systems Limited . . . . .	100
<i>Rexdale, Ontario</i>	

**Corporate Officers**

Conrad F. Harrington <i>Chairman</i>
Neil M. Shaw <i>President and Chief Executive Officer</i>
Robert G. Brownridge, C.A. <i>Vice-President and Treasurer</i>
Stephen Stachenko <i>Vice-President, Agro-Industrial Division</i>
Ronald F. Booth <i>Vice-President and General Counsel</i>
Peter R. Baker <i>Vice-President</i>
John E. Wood <i>Secretary</i>
Michael D. Patrick, C.A. <i>Comptroller</i>
Bruce C. McCallum <i>Assistant Secretary</i>

**Transfer Agent and Registrar**

The Royal Trust Company  
*Montreal, Toronto, Calgary, Vancouver*

**Stock Listing**

Toronto Stock Exchange  
Montreal Stock Exchange  
Ticker Symbol: RIN

**Head Office**

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The Royal Bank Plaza  
Toronto, Ontario  
Tel. (416) 865-0400

**Mailing Address**

Post Office Box 66  
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Toronto, Ontario M5J 2J2

**Directors**

Robert G. Brownridge, C.A. <i>Vice-President and Treasurer, Redpath Industries Limited Toronto, Ontario</i>
James M. Ferguson <i>Chairman, Refined Syrups &amp; Sugars Inc. Yonkers, New York</i>
Conrad F. Harrington* <i>Chairman, Executive Committee, The Royal Trust Company Montreal, Quebec</i>
Roderick L. Henry* <i>President and Chief Executive Officer, Wire Rope Industries Limited Montreal, Quebec</i>
Colin Lyle <i>Director, Tate &amp; Lyle Limited, Director, Tate &amp; Lyle Refineries Ltd. Chairman, Tate &amp; Lyle Transport Ltd. London, England</i>
Charles S. MacNaughton <i>Honorary Co-Chairman, Burns Fry Ltd. Toronto, Ontario</i>
John H. Magee <i>Director, Redpath Industries Limited, Montreal, Quebec</i>
W. Darcy McKeough <i>Chairman of the Board McKeough Sons Company Ltd. Chatham, Ontario</i>
Paul S. Newell <i>President, Dominion Envelope Company Limited, Toronto, Ontario</i>
Neil M. Shaw <i>President and Chief Executive Officer, Redpath Industries Limited Toronto, Ontario</i>
David A. Tate <i>Director, Tate &amp; Lyle, Limited London, England</i>
H. Saxon Tate <i>Group Managing Director, Tate &amp; Lyle, Limited London, England</i>

\*Member of the Audit Committee.

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Les Industries Redpath Limitée,  
Casier postal, 66,  
The Royal Bank Plaza,  
Toronto, Ontario M5J 2J2







