

# Annual Report 1982

National  
Sea Products  
Limited







# National Sea Products Limited

National Sea Products Limited is the largest, diversified and fully integrated fishing company in Canada. Our business is the harvesting, processing and marketing of top quality fish and seafood products.

The Company, headquartered in Halifax, Nova Scotia, operates plants in the five Atlantic provinces. In addition, National Sea operates four plants in the United States and has fishing interests in Australia and Uruguay. The Company is supplied with raw material by its own fleet of modern trawlers and purchases from hundreds

of independent fishermen. Its products are marketed worldwide through the Company's Canadian, US and International marketing divisions. National Sea's High Liner® brand is the retail fish and seafood market leader in Canada and is enjoying growing popularity in the United States.

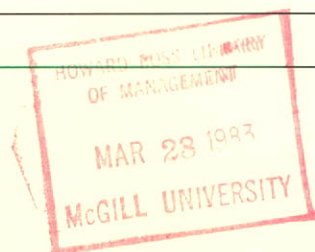
National Sea Products Limited is a Canadian-owned public company, and its shares trade on both the Toronto and Montreal stock exchanges.

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### Cover Photo:

A view of what may well be the most photographed lighthouse in the world ... at Peggy's Cove, Nova Scotia.





## Directors' Report to the Shareholders



Last year your Company's performance was less than satisfactory. Notwithstanding record sales of \$386,231,000, net income from all our operations was only \$1,030,000.

The current year is especially difficult to forecast, not only because of the absence so far of any significant improvement in the mix of diverse external conditions that affect our margins, but also because of the uncertainty at this time of the outcome of the negotiations currently underway for the restructuring of the offshore industry contemplated by the recent report of the Kirby Task Force.

### Report of the Kirby Task Force on Atlantic Fisheries

The Kirby Task Force was appointed by the federal government in January 1982 to examine the problems of the East Coast fishery in the wake of its disastrous results for 1981 and, to a lesser extent, 1980. Throughout 1982 much of the industry's attention was focused on the work of the Task Force. Your Company responded to many requests for information on our operations and submitted two briefs setting out the Company's position on the many issues under consideration by the Task Force.

The report of the Task Force, released earlier this month, contains fifty-seven recommendations for the revitalization of the fishery. These recommendations, directed primarily to the groundfishery, encompass both the inshore and

the offshore sectors, and extend over a wide range of matters from harvesting to marketing. While we do not agree with all of these recommendations, we think that, taken as a whole, they constitute a constructive approach to solving the industry's problems and we are anxious that they be implemented without delay.

Without making any specific recommendations on the point, the report envisions that "a large injection of new equity capital" in "several major processors" is required, that such "new capital may have to be provided by governments . . . as attracting equity capital from the Canadian private sector at this time will be difficult in light of the recent performance of the industry", and that some mergers may be "essential".

Currently, the federal government is convening meetings of representatives from the major processors, the financial institutions, the unions and the provincial governments to consider how and on what terms these processors should be restructured and refinanced. Your Company is, of course, included in these meetings, but as none have been held at the time of this writing, it is too early to forecast how we may be affected.

The excellent profile of the industry contained in the report of the Task Force should make a valuable and much needed contribution to the development of enlightened public opinion on the various issues.

### Financial and Operating Results

Sales and other revenue increased 23.2% in 1982, from \$313,567,000 to \$386,231,000. Part of this increase is attributable to the agreement to market most of the production of H.B. Nickerson & Sons Limited which your Company entered into on June 5th.

Throughout the year highly competitive markets, exchange rates, tariff barriers, inflation, interest rates and static consumption trends all had a negative effect on margins.

Net income for the year end was \$1,030,000, compared to 1981's loss of \$829,000, or 20¢ per common share, compared to a loss of 20¢ per common share in 1981. Income from fish operations was \$860,000 (after reflecting government grants of \$2,031,000), compared to a loss of \$7,869,000 in 1981 (after reflecting government grants of \$1,160,000). Funds provided from operations were \$2.57 per common

share, compared to 24¢ per common share in 1981.

Interest on short term loans declined slightly to \$12,150,000, despite higher volume and higher inventories and receivables.

Regular dividends were paid throughout the year on the Company's preference shares, but no dividends were paid on common shares.

Fixed asset additions during the year aggregated \$28,965,000, compared to \$19,063,000 in 1981, and included \$4.5 million for new trawler construction, \$8.2 million for completion of the Lockport plant and \$10 million for the purchase of the Burgeo plant.

### Acquisitions

In February your Company purchased the fifty percent interest of the Government of Newfoundland in the plant at Burgeo (until then jointly owned by the Government and your Company, and operated by your Company). We feel confident that it will prove an efficient and profitable addition to our processing capacity.

Also in February, your Company purchased the fifty percent interest of H.B. Nickerson & Sons Limited in Fisheries Resource Development Limited (until that time jointly owned by your Company and Nickerson). FRD, a multi-disciplined research and development firm, has been working on a number of projects, including the new line of high quality seafood soups recently introduced by your Company in the United States market (and slated for introduction in Canada in 1983), energy conservation programs for our fleet, and processing technology innovations for our plants.

In December your Company purchased the lobster related assets of H.B. Nickerson & Sons Limited; the processing plant at North Sydney, four longliners and a number of buying stations. These assets have been successfully integrated with your Company's lobster operations and the North Sydney Division.

In November your Company announced that it was discussing with H.B. Nickerson & Sons Limited the possible purchase of substantially all of Nickerson's groundfish and scallop assets in Nova Scotia, including trawlers, draggers and processing plants. To assist management in settling the terms of this transaction, your Company appointed an



independent committee of its Board of Directors and engaged the services of Merrill Lynch White Weld Capital Markets Group. Negotiations are still continuing and will now likely be incorporated into the larger negotiations for the restructuring of the entire offshore industry currently being discussed with the federal government.

In February 1983 your Company concluded an agreement with Booth Fisheries, Inc., a subsidiary of Consolidated Foods Inc. of Chicago, to purchase its processing plant at Portsmouth for a price of US \$4.8 million, to enter into a co-packing arrangement for the Booth line of fishery products and to have Booth process in their Mexico plant some High Liner® shrimp products. The Portsmouth plant, a modern structure of approximately 185,000 sq. ft., has the capacity to process all the retail product which your Company and Booth require for the United States market. Its acquisition will enable your Company to consolidate all its food service production at our Rockland facility and to dispose of the older and smaller facilities at Lowell and Westford which are being operated under the provisions of our marketing agreement with H.B. Nickerson & Sons Limited.

#### Other Fixed Asset Additions

The sixth and last of the Fame Class trawlers was delivered in June and has since been fishing successfully along with the other vessels of this class. Her delivery completed your Company's current fleet replacement program.

The new Lockeport plant, replacing the one destroyed by fire in August, 1980, opened in November. This facility is now operating at full capacity and employs over 250 people from the Lockeport area.

#### Affiliated Companies

The results for the year from our Bermudian insurance companies were disappointing because underwriting reserves year end were higher than anticipated. Owing to the high investment income which could be earned from premiums, insurance rates have been very competitive and underwriting results poor in recent years. We expect these rates to firm as interest rates decline.

Our joint venture in Australia was profitable last year in spite of a highly competitive market, and future prospects are encouraging.

#### Investments

Your Company has a minority interest in Astra Pesqueras Uruguayas, S.A., an integrated fish catching, processing and marketing company operating from LaPaloma in Uruguay, South America. The fish processing facility was completed and commenced operations in November, 1981.

Capital cost overruns, the extremely low margins earned on fish products and the need to inventory some of the production combined to cause a working capital deficiency in May 1982 which necessitated stopping operations until a solution could be found.

Your Company assisted the local sponsors and the International Finance Corporation in finding new equity partners and, after arranging a satisfactory rescheduling of its long term repayments, Astra resumed operations in January, 1983. The J. Lauritzen Holding Company and the Danish Industrialization Fund for Developing Countries became the new shareholders. The International Finance Corporation and the local partners increased their equity participation. Your Company converted into equity a subordinated loan and some of our accounts receivable. This recapitalization reduced our equity from 20 to 9.9 percent.

Astra's plant is one of the finest seafood processing facilities in South America.

#### Directors

Mr. H.B. Rhude, Q.C. tendered his resignation as Chairman of the Board following the Annual Meeting of Shareholders on March 31, 1982. He remains as a Director, a position he has held since 1974. Mr. J.E.A. Nickerson, Chairman of the Board of H.B. Nickerson & Sons Limited, succeeded him as Chairman of the Board. Mr. Nickerson has been a Director since 1977.

In 1982 seven new Directors were elected to the Board, which now numbers eighteen. They are: Mr. J.W. Burns, President, Power Corporation of Canada; Mr. J.F. Fraser, President and Chief Executive Officer, Federal Industries Ltd.; Mr. G.A. MacDonald, President, V.M. Automotive Warehousing Limited; Mr. J.R. MacDonald, Executive Vice-President, Nabisco Brands Ltd.; Mr. B. Rasmussen, Managing Director, Viking Supply Ships Group; Mr. E.L. Schibler,

Vice-President, Finance, H.B. Nickerson & Sons Limited; Mr. R.E. Shea, Chairman and President, Shea Associates, Inc.

We take this opportunity to thank Mr. Rhude for his contribution as Chairman of the Board and to welcome our new Chairman and our new Directors.

#### Employees' Savings and Profit Sharing Retirement Fund

This is the 20th year of the Employees' Savings and Profit Sharing Retirement Fund and after two years without a contribution we are pleased that we have sufficient profits to add a modest amount this year. At the close of the year the membership totalled 1873 employees.

#### Outlook

For the reasons alluded to at the beginning of this report, the outlook for the current year is, if anything, more difficult than usual to forecast. We are encouraged by the general tone of the report of the Kirby Task Force and, if its recommendations are implemented, and if the restructuring of the offshore industry is carried out on terms which are not prejudicial to your Company, we, along with the rest of the industry, will be in a position to do better planning and become more efficient than was possible in the past. Also, even though the signs are not yet in evidence, we are looking for improvements in the overall economy and are budgeting for somewhat better results than we achieved in 1982.

#### In Appreciation

The Directors wish to express their appreciation of the extra effort made by our many employees and fishermen to help your Company cope with a very difficult year. The understanding of our shareholders and the continued loyalty of our many customers is also much appreciated.



W.O. Morrow  
President and Chief  
Executive Officer



# MARKETING IS THE KEY

At National Sea, our business is the harvesting, processing and marketing of fish and seafood. It sounds simple... yet in its very simplicity lies the strength of the integrated company.

Because we have our own fleet, we can catch the species the market wants and assure the quality level it demands. Because we have our own plants, we can process and package what the consumer wishes to buy. Because we have our own Canadian, United States, International and Head Office marketing divisions, we're tuned in to fish and seafood markets all over the world. And we're diversified... by geography, by species, by product. We operate plants in the five Atlantic provinces in Canada and in Maine, New Hampshire, Massachusetts and Florida in the United States. We catch groundfish, pelagic species such as herring and mackerel, molluscs (mostly scallops and squid) and crustaceans (mainly lobster). We market our fish and shellfish in fresh, frozen, canned, smoked, dried and salted form.

Everything at National Sea is focussed on the final marketplace. Our fishing plan is market-directed. Company trawlers catch, within the confines of a highly government regulated harvesting environment, the species and quantities that our marketing departments tell us consumers want to buy. Company plants are filled with the most modern machinery so that quality product is processed and packed according to customer preferences. NSP's research and development facilities are dedicated to the creation of new products and the development and application of innovative technologies. Our marketing people monitor trends and Captain High Liner® is a single part of a comprehensive advertising

program. All elements of the Company work together to accomplish one goal - the sale of top quality fish and seafood to an ever-increasing number of customers around the world.

## CANADIAN MARKETING

Although fish consumption in Canada is basically static, and has been for the past few years, we have reason to be enthusiastic about our domestic market. National Sea's Canadian Marketing Division recorded another successful year in terms of sales volume, improved profitability through the margin improvement program and increased share penetration of all market segments, especially the Retail Foods Division.

hopefully encouraging more repeat consumption.

In the Food Service segment, the managing of margins was a major strategy. National Sea did not participate in commodity price wars, which was expensive in gross sales terms, but resulted in a more stable franchise base for the Company's key food service product lines.

New product programs included the introduction of Diamond Fry portions in two species. This line of minced fish products is marketed under the 40 Fathom® brand mark and sold to high volume eating establishments where portion price economy is the key.

Year-round trade advertising was initiated in all major food service publications to maintain a consistently high product



Highlights of the 1982 Retail Division included the addition of three 250 gram Single Serving Fillets in Sauce to complement the successful 14 ounce family size line, the conversion of fish sticks from 28 grams to 25 grams in compliance with the new size regulations and the metrification (and subsequent downsizing) of all fish sticks, battercrisp sticks and fish fries.

Late 1982 saw the successful introduction of Seafresh®, a new line of cooked fish products made from minced North Atlantic fillets, a more abundant and lower cost raw material than whole fillet blocks. The Seafresh® line provides price-conscious consumers with a less expensive product and meets the demand of retail "box" stores and "barn" operations. Heavy television and print advertising will provide strong support for the Seafresh® line through 1983.

The Family Pack of individually wrapped fillets was launched in a new 700 gram size, bringing the customer greater economy and

awareness with the Company's distributive trade, and consumer advertising in the retail segment continued to focus on Captain High Liner®, with the introduction of a sequel to the now famous "Have you ever been to sea, Billy?" commercial.

Canadian Marketing instituted a number of organizational changes in 1982, including the move to more efficient offices in Toronto, the appointment of a National Sales Manager and the creation of a Sales Manager position for the new canned seafoods program.

## U.S. MARKETING -

United States sales expanded significantly in 1982, due in part to the

National Sea, H.B. Nickerson & Sons Limited marketing agreement which became effective in June. Sales were up 35% over the year before.

Ninety-eight percent of the product sold through US Marketing is frozen, with two-thirds of that





going to food service and institutional customers (the restaurant trade, hospitals and school lunch programs, for example). The other third is roughly divided between private label retail packs (those packed by National Sea for other companies) and branded retail packs (those carrying the National Sea brand names).

During 1982, the US Marketing Division introduced a new price-value range of products under the Commodore® brand mark. Three lines of processed seafood – the box line, the exact-weight tray wrap line and the bulk pack line, encompass 37 variations in species and pack, and are aimed at the budget conscious consumer.

The introduction of the Commodore® line responds to the consumer's increased awareness of price related to quality, and also allows the US Marketing Division to position the High Liner® brand as the premium National Sea name.

This premium quality position was enhanced recently as National Sea's High Liner® brand of P&D Shrimp, Breaded Shrimp and Cooked Shrimp packs were awarded the United States Grade A Shield of Quality Excellence, a first for a large packer for the US retail market. National Sea's US marketing people are currently working on the first retail US fillet to bear the Grade A mark. This product is slated for introduction in early summer.

The introduction, in early 1982, of Fish 'n Cheese, a battered and breaded product made from cod or haddock topped with a slice of American processed cheese, has made National Sea an innovator in the US school lunch program. The product meets the rigid nutritional standards set down by the US government, the institutional buyers like the price and the kids love the product!

Following the marketing agreement between National Sea and H.B. Nickerson & Sons, the US Marketing Division merged the American sales and marketing staffs of both companies, relocated later in the year to larger, more convenient office facilities in Tampa, and merged the Nickerson/National Sea broker organization in the United States. The Division now has 65 retail brokers and 66 food service brokers operating nation wide.

National Sea Products (U.S.) Corp. Limited, the Company's US subsidiary headquartered in Tampa, Florida, directs the US marketing

functions and the activities of the Tampa processing plant. The other US subsidiary, National Sea Products Inc., directs Company plants in Rockland, Maine; Westford, Massachusetts; and Portsmouth, New Hampshire. The Portsmouth plant is a recent acquisition and one of the most modern seafood plants in the industry. The 185,000 square foot facility produces mostly pre-cooked and breaded product for the retail market. The acquisition of this plant places the US Marketing Division in an even stronger position to service growing US market needs.

## INTERNATIONAL MARKETING –

Despite the recessionary business cycle, currency variations that were not favourable to the Canadian dollar and tariff barriers that kept our products out of some of our traditional markets, National Sea's International Marketing Division had higher sales volume than last year.

During 1982, National Sea continued to work at developing different product forms of the same species to satisfy customer demands in different markets. International Marketing people combined market identification with selective product mixing to fully service National Sea's traditional markets and successfully penetrate new ones, notably the countries of the Iberian Peninsula.

A major competitive problem during 1982 was the strengthening of the Canadian dollar against most of the other major currencies. This essentially meant that our customers were paying more for our product in their money and we were receiving the same or less value for it in our currency. This was coupled with the fact that major competitors like Norway, Iceland and Denmark entered our traditional EEC markets duty-free or with very low tariffs, an advantage which we, as Canadians, did not share. Given these constraints, it is easy to see that successful international marketing needs the raw material availability, product diversity and people experience of an integrated company like National Sea.

## HEAD OFFICE MARKETING SERVICES –

Head Office Marketing Services, as its name suggests, provides the billing,

transportation and production planning infrastructure to the other marketing divisions. HOMS is made up of four segments – Production Planning, Transportation Services, Head Office Sales and Marketing Development.

Production Planning is a relatively new segment that attempts to smooth out the natural peaks and valleys of Company raw material supply and market demand. The department uses catch forecasts and marketing sector forecasts to plan production in the Canadian plants of both National Sea and H.B. Nickerson & Sons Limited. (The introduction in 1982 of separate quotas enabled the Company to do better production planning.)



Transportation Services deals with getting National Sea's product to markets at home and around the world. The department aims for lower cost transportation with no sacrifice of service, and uses refrigerated trucks, air transport and National Sea's jointly-owned reefer vessel, *MV Norcan*, to accomplish its goals.

Head Office Sales is responsible for direct sales to a group of large accounts in the United States which, by virtue of their special needs, require Head Office attention. The department also has order entry and inventory management responsibilities.

The Marketing Development segment of HOMS was created in late 1982. The Manager of Market Development, with a solid understanding of fish species and uses in the food sector, acts as an education officer to National Sea salesmen and brokers, advising them on how to identify opportunities in the marketplace they might otherwise miss.



**FRESH FISH DIVISION** – A major marketing thrust was the creation of a new Company division to concentrate solely on the marketing of fresh fish. This division, which came into being in June, was a response to the tremendous customer demand, both retail and food service, for top quality fresh product.

The division relies heavily on the existence of the Company's market directed fishing plan. At the beginning of the year, the Fleet Department, on a weekly basis, maps out its fishing plan within the constraints of the seasonal availability of species and government quota regulations. The marketing divisions project their sales by species and forecast their needs. Then, the Fleet Department and the marketing divisions get together to devise a harvesting strategy that best suits the needs of the market and the restraints of the fishing plan. Landings that will fill the demands of Fresh Fish Division customers are planned in this way.

As well as selling fresh fish, the division also functions as a trading operation, buying top quality fresh fish from other Canadian companies and importing whole fish, such as salmon, from various European countries.

Although this division has concentrated its efforts on the North American market, the possibility does exist of extending the marketing of fresh fish overseas. At the present time, the division uses refrigerated trucks for the shorter distance runs and air freight for far-away markets like Los Angeles, California.



## CANNED SEAFOOD DIVISION

– A Company decision to focus on the growing canned seafood market resulted in the creation in 1982 of the Canned Seafood Division and the hiring of a sales manager to carry out an ongoing program of market development.

The Company's proposed line of high quality seafood soups and chowders quickly became the new division's number one priority, and work was begun with the staff of Fisheries Resource Development Limited, who had been working on a canned soup project for some months.

The High Liner® Gold Line™ of Seafood Soups and Chowders was designed to give the consumer premium quality and exciting variety. The line features six flavours – New England Clam Chowder, Fish and Vegetable Maritime Chowder, Seafood Chowder, Cream of Lobster Soup, Cream of Shrimp Soup and Cream of Scallop Soup.

In-home testing was carried out at three stages in the soup's development. Final product testing, carried out in the Chicago area, was tremendously successful, and the projected share potential of the huge US seafood market is most interesting.

Introduction into the US market began in January of 1983, with introduction into the Canadian market slated for the Spring. The soups are being produced at National Sea's Charlottetown Division, on Prince Edward Island.

## RESEARCH AND DEVELOPMENT

– One key to successful marketing is the ongoing, behind-the-scenes work of research and development. Fisheries Resource Development Limited, National Sea's R & D company, has been working on a variety of exciting product and process development ideas, all designed to maximize the yield and value-added potential of National Sea's raw materials.

A major project during 1982 was solving the problem of how to make the same-size, natural shape fish portions needed by National Sea's large institutional and food service customers. An adaptation of technology used in the meat industry proved to be the answer and National Sea is now utilizing this technology to form fillets to the uniform size of the customer specification.

Another important project that utilized meat industry process technology was the development of a breaded and battered finger food – squid rings. A unique process was developed which allowed National Sea to bring squid into the North American marketplace in a consumer-acceptable format, and the rings are now being processed at the Company's Tampa, Florida, plant.

Perhaps the biggest story of 1982 was FRD's involvement with National Sea's new line of fish and seafood soups, a project that pulled together National's raw material, technical and people resources. FRD worked on the actual development of the soups themselves, doing much of the early work at the pilot plant facility at Agriculture Canada's research station in Kentville.

Later, FRD staff worked closely with the newly created Canned Seafood Division to perfect the line of soups and chowders. The key to the superb taste of the products is that National Sea is able to control the quality of the raw materials that go into them. This, coupled with the fact that the soup base is real fish stock, means excellent quality product for the eager US and Canadian markets.



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## HE YEAR'S HIGHLIGHTS

(All amounts in thousands, except as indicated +)	52 weeks to January 1 1983	52 weeks to January 2 1982
Net Sales	\$ 386,231	\$ 313,567
Net Income (Loss)	\$ 1,030	\$ (829)
Earnings (Loss) per Common Share		
Before extraordinary item	+ \$ 0.18	+ \$ (0.32)
After extraordinary item	+ \$ 0.20	+ \$ (0.20)
Funds Provided from Operations	\$ 11,997	\$ 1,198
Funds Provided from Operations per Common Share	+ \$ 2.57	+ \$ 0.24
Working Capital	\$ 22,321	\$ 606
Ratio of Current Assets to Current Liabilities	+ 1.16	+ 1.01
Fixed Assets, net of Depreciation	\$ 111,174	\$ 97,909
Common Shareholders' Equity	\$ 39,573	\$ 38,649

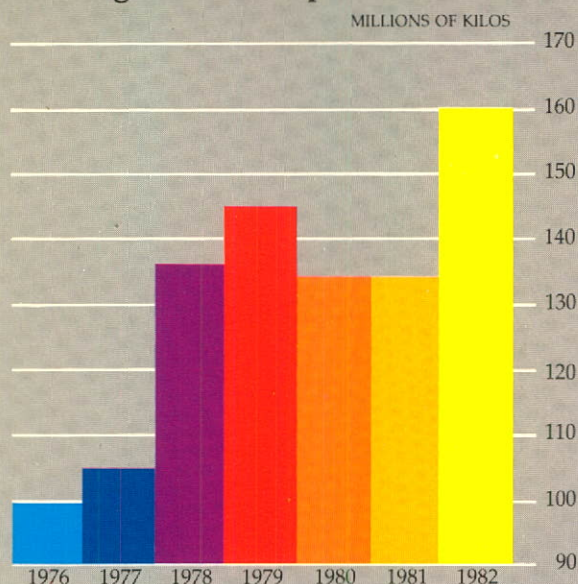
National Sea Products Limited  
Head Office, Duke Street Tower  
Scotia Square, Halifax, Nova Scotia

Valuation Day Price (December 22, 1971)  
Common Shares \$3.17  
Preference Shares (5½%) \$3.25



# Operating Results

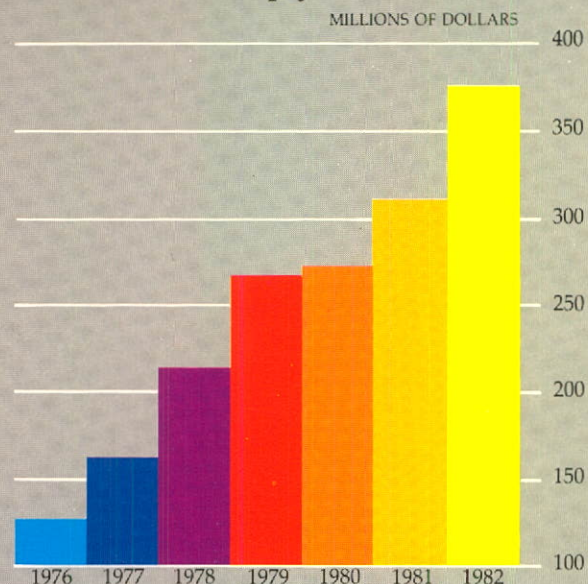
## Landings Resume Upward Trend



### Fish Landings

1982 was the first year of full operation for all trawler ports since 1979. Delivery of the final Fame class vessel further enhanced productivity.

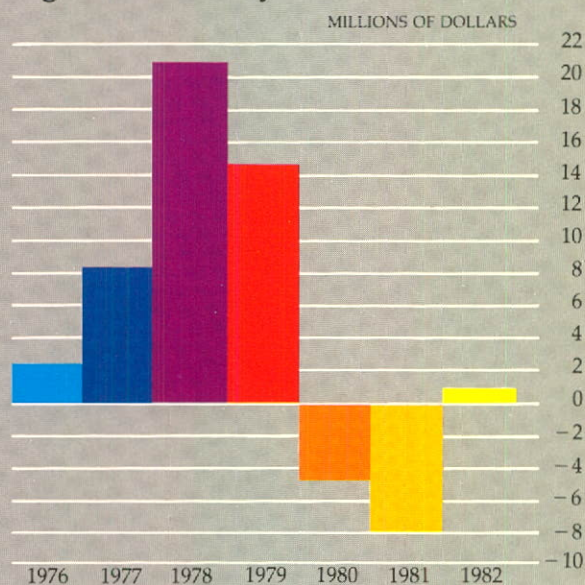
## Sales Climb Sharply



### Net Sales

Sales in 1982 increased by 23.2% over 1981. This reflected the marketing arrangement with H.B. Nickerson & Sons Limited, greater activity in National Sea plants and the strengthening of the United States dollar.

## Signs of Recovery



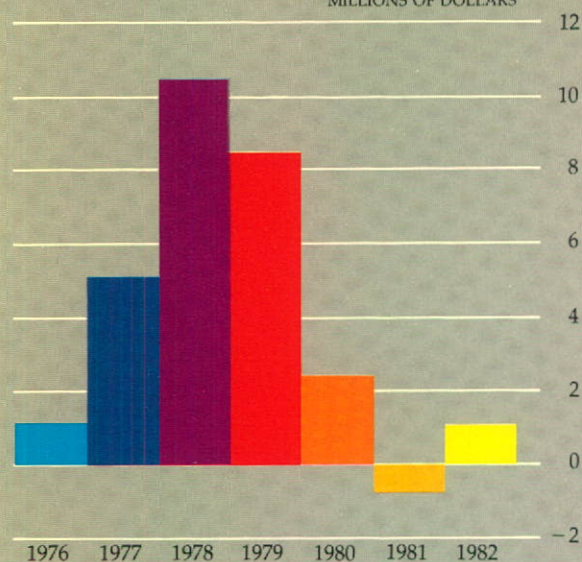
### Income from Operations

Seafood operations recovered strongly in 1982 from the industry downturn experienced in the previous two years. This reflects conscientious attention to productivity, efficiency and gross sales margins.



## Net Income of \$1 Million

MILLIONS OF DOLLARS

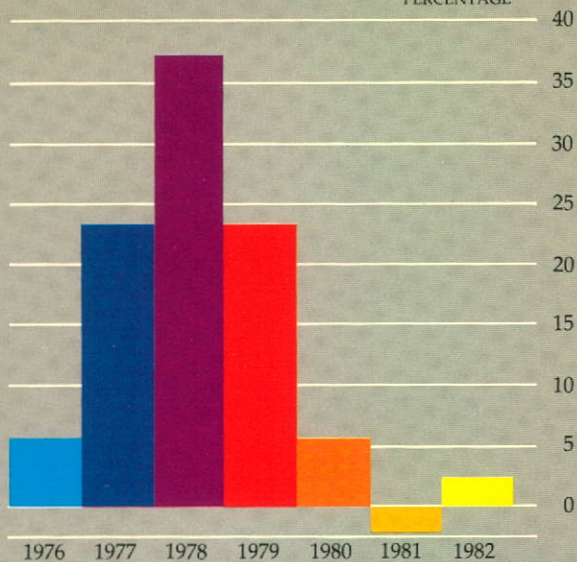


### Net Income

Despite the small contribution to income provided from earnings of affiliates, the Company returned to profitability in 1982.

## The Cycle Turns Upward

PERCENTAGE

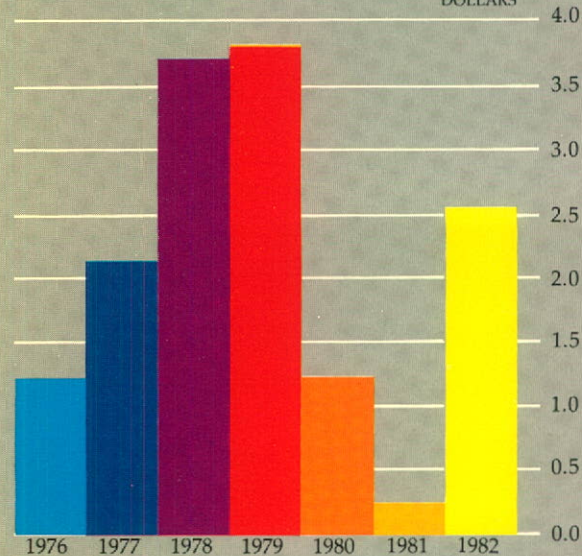


### Return on Average Common Shareholders' Equity

Although the return of 2.4% is small, the industry cycle has turned upward after three years of decline. The challenge ahead is to achieve full recovery and to better control against the cyclical nature of the fishing industry.

## Funds Provided From Operations

DOLLARS



### Funds Provided From Operations per Common Share

Working capital was enhanced in 1982 by funds provided from operations sufficient to provide for long term debt retirement and maintenance and expansion of productive capacity.



# Consolidated Statement of Income

For the fifty-two  
weeks ended  
January 1, 1983  
(with comparative  
figures for the  
fifty-two weeks ended  
January 2, 1982)

(in thousands of dollars)	1982	1981
Net sales	\$ 386,231	\$ 313,567
Cost of sales (note 8)	<u>323,967</u>	<u>267,870</u>
	<u>62,264</u>	<u>45,697</u>
Selling, general and administrative expenses	29,466	25,145
Interest – on short-term debt	12,150	12,715
– on long-term debt	9,453	7,558
Depreciation	<u>10,335</u>	<u>8,148</u>
	<u>61,404</u>	<u>53,566</u>
Income (loss) from operations before the following	860	(7,869)
Share of affiliated companies' net earnings	<u>128</u>	<u>2,198</u>
	<u>988</u>	<u>(5,671)</u>
Contribution to Employees' Savings and Profit Sharing Retirement Fund (note 12)	<u>99</u>	<u>–</u>
	<u>889</u>	<u>(5,671)</u>
Provision for (recovery of) income taxes	<u>83</u>	<u>(3,941)</u>
Income (loss) from operations	806	(1,730)
Excess of proceeds over net book value on disposal of assets, net of income taxes of \$80 (1981 - \$136)	<u>131</u>	<u>350</u>
Income (loss) before extraordinary item	937	(1,380)
Extraordinary item: Recovery of income taxes upon application of prior periods' losses	<u>93</u>	<u>551</u>
Net income (loss) for period	<u>\$ 1,030</u>	<u>\$ (829)</u>
Earnings (loss) per common share:		
Income (loss) before extraordinary item	<u>\$ 0.18</u>	<u>\$ (0.32)</u>
Net income (loss) for period	<u>\$ 0.20</u>	<u>\$ (0.20)</u>
See accompanying notes		

# Consolidated Statement of Retained Earnings

(in thousands of dollars)	1982	1981
Balance, beginning of period	\$ 29,973	\$ 30,908
Add net income (loss) for period	<u>1,030</u>	<u>(829)</u>
	<u>31,003</u>	<u>30,079</u>
Less dividends on preference shares	<u>106</u>	<u>106</u>
Balance, end of period	<u>\$ 30,897</u>	<u>\$ 29,973</u>
See accompanying notes		



(in thousands of dollars)	1982	1981	<b>Consolidated Statement of Changes in Financial Position</b>
<b>Source of Funds</b>			
Income (loss) from operations	\$ 806	\$ (1,730)	For the fifty-two weeks ended January 1, 1983 (with comparative figures for the fifty-two weeks ended January 2, 1982)
Add charges not represented by cash outlay during the period:			
Depreciation	10,335	8,148	
Portion of tax provision applicable to future periods	697	(3,515)	
	<u>11,838</u>	<u>2,903</u>	
Deduct:			
Increase in equity in undistributed income of affiliated companies	128	2,198	
Total funds provided from operations	<u>11,710</u>	<u>705</u>	
Net proceeds on disposal of assets less income taxes of \$80 (1981 - \$136)	287	493	
Total funds provided from operations and unusual items	11,997	1,198	
Proceeds from long-term debt	19,500	—	
Acquisition of subsidiaries	30	—	
Disposal of fixed assets	219	76	
Total funds provided	<u>31,746</u>	<u>1,274</u>	
<b>Application of Funds</b>			
Additions to fixed assets:			
Trawlers	5,110	6,533	
Land, buildings, wharves and equipment	23,855	12,530	
	<u>28,965</u>	<u>19,063</u>	
Less government grants of \$5,146 (1981 - \$1,463) and mortgage proceeds	25,359	10,706	
	3,606	8,357	
Reduction in long-term debt	5,362	5,096	
Advances to affiliates	357	42	
Increase in other assets	600	282	
Dividends paid	106	106	
Total funds applied	<u>10,031</u>	<u>13,883</u>	
Increase (decrease) in working capital	21,715	(12,609)	
Working capital, beginning of period	606	13,215	
Working capital, end of period	<u>\$ 22,321</u>	<u>\$ 606</u>	
See accompanying notes			



# Consolidated Balance Sheet

National Sea  
Products Limited  
(Incorporated under  
the laws of the  
Province of Nova  
Scotia)

(in thousands of dollars)

January 1,  
1983

January 2,  
1982

## Assets

### Current:

Cash

\$ 223

\$ 221

Accounts receivable – trade

35,964

24,361

Accounts receivable – fishermen  
and other

9,278

9,414

Income taxes recoverable

764

676

Inventories of marketable products  
and supplies

114,531

60,867

Prepaid expenses

1,992

1,543

Total current assets

162,752

97,082

Fixed (note 3)

111,174

97,909

Other:

Investments in and advances to affiliates (note 4)

13,885

13,400

Sundry investments and other assets

3,439

2,839

17,324

16,239

\$ 291,250

\$ 211,230

On behalf of the Board:

J.E.A. Nickerson, Director

W.O. Morrow, Director





	January 1, 1983	January 2, 1982	January 1, 1983
<b>Liabilities and Shareholders' Equity</b>			
Current:			
Bank indebtedness (note 5)	\$ 94,892	\$ 71,806	
Accounts payable and accrued charges	32,263	19,454	
Accounts payable – affiliated companies	6,946	–	
Income taxes payable	138	27	
Current instalments on long-term debt	6,192	5,189	
Total current liabilities	140,431	96,476	
Long-term debt (note 5)	100,805	66,454	
Deferred income taxes	8,512	7,722	
Shareholders' equity:			
Share capital (note 6)	8,869	8,869	
Contributed surplus	1,736	1,736	
Retained earnings	30,897	29,973	
	41,502	40,578	
Contingency (note 13)			
	\$ 291,250	\$ 211,230	

See accompanying notes





# Notes to Consolidated Financial Statements

## 1. Significant accounting policies

### (a) Basis of consolidation

The accompanying financial statements consolidate the accounts of the Company and all its subsidiaries.

### (b) Foreign exchange translation

Balances denominated in foreign currencies have been translated into Canadian dollars. Current assets, current liabilities and long-term debt are translated at exchange rates prevailing at the end of the period; non-current assets and depreciation provisions are translated on the basis of rates in effect at the date of acquisition. Income and expenses (other than depreciation provisions) are translated at average exchange rates prevailing during the period with unrealized gains or losses related to long-term debt being deferred and amortized over the life of the debt.

### (c) Inventory valuation

Inventories are valued at the lower of cost and net realizable value with cost determined principally on a FIFO (first-in first-out) basis.

### (d) Fixed assets

Fixed assets are carried at cost, net of related government assistance. Depreciation of fixed assets is provided on the straight-line basis at the following rates per annum:

Brick buildings	4%
Wooden buildings and wharves	5%
Machinery and equipment	5% and 10%
Trawlers	8% for 5 years and 6% for next 10 years

### (e) Investments in shares of affiliates

These investments represent companies over which National Sea Products Limited has significant influence and are carried at the Company's equity in their net assets; current income is recognized on the basis of the Company's share of their net earnings as reported.

### (f) Sundry investments

Sundry investments are carried at cost. Income from these investments is included in income for the period only to the extent of dividends received.

### (g) Recognition of investment tax credits

Investment tax credits are used to reduce the provision for income taxes in the year in which the tax liability is reduced.

## 2. Business acquisitions

- (a) Effective February 27, 1982 the Company purchased the remaining 50% interest in Burgeo Seafoods Limited from the Government of Newfoundland and Labrador for consideration of \$1. As a result of this acquisition, Burgeo Seafoods Limited became a wholly-owned subsidiary of the Company; on August 31, 1982 it was wound-up and its operations continue as the Burgeo Division of the Company. Burgeo Seafoods Limited operated trawlers and a fish processing plant in Burgeo, Newfoundland.

This acquisition has been accounted for by the purchase method, with the operating results from the date of acquisition included in these financial statements. The Company's previous 50% interest in Burgeo Seafoods Limited was carried at a nominal value, and accordingly, this transaction has been accounted for as acquiring a 100% interest. The effect of this transaction on the Company's balance sheet at February 27, 1982 was as follows:

Net assets acquired at values assigned:

Current assets	\$ 2,767,228
Fixed assets	10,133,978
	<u>12,901,206</u>
Current liabilities	2,713,826
Long-term debt	10,187,379
	<u>12,901,205</u>
Cash consideration given	<u>\$ 1</u>

- (b) Effective December 31, 1982 the Company purchased from its parent, H.B. Nickerson & Sons Limited, several lobster buying stations and related facilities, associated fishermen's accounts receivable and supplies inventories, a wetfish processing facility in North Sydney, Nova Scotia and four longliners. The operation of these assets continue as divisions of the Company.

This transaction has been accounted for by the purchase method and its effect on the Company's balance sheet at December 31, 1982 was as follows:

Net assets acquired at values assigned:

Current assets	\$ 1,291,000
Fixed assets	1,957,000
	<u>3,248,000</u>
Long-term debt assumed	93,000
Cash consideration given	<u>\$ 3,155,000</u>

This transaction has been financed by a long-term loan of \$2,800,000, repayable in quarterly instalments to December 31, 1989.



- (c) During the period, the Company purchased from its parent, H.B. Nickerson & Sons Limited, the remaining 50% interest in each of Fisheries Resource Development Limited (a research and development company), Harbinger Offshore Services Limited (a management company) and Interocean Limited (a management company), a 100% interest in Nickerson Seafoods A/S (a European marketing company) and a further 20% partnership interest in a refrigeration cargo vessel, the M.V. Norcan.

These transactions have been accounted for by the purchase method with the operating results from the dates of acquisition included in these financial statements. Details of the acquisitions are as follows:

Net assets acquired at values assigned:

Total assets	\$ 1,162,000
Total liabilities	650,000
	<u>\$ 512,000</u>

Consideration given:

Cash	\$ 112,000
Term-debt assumed	400,000
	<u>\$ 512,000</u>

### 3. Fixed assets

	1982	1981
Land	\$ 1,631,000	\$ 1,642,000
Buildings, wharves and equipment	101,319,000	79,186,000
Trawlers	74,041,000	64,974,000
	<u>176,991,000</u>	<u>145,802,000</u>
Less accumulated depreciation:		
Buildings, wharves and equipment	37,025,000	32,101,000
Trawlers	28,792,000	23,930,000
	<u>65,817,000</u>	<u>56,031,000</u>
Assets under construction	-	8,138,000
	<u>\$ 111,174,000</u>	<u>\$ 97,909,000</u>

### 4. Investments in and advances to affiliates

Investments in and advances to affiliates consists principally of the Company's interest in Hamilton Insurance Brokers Limited and its subsidiaries, a group of companies which primarily participates in the international reinsurance market through proportional and excess of loss treaties, with risks spread throughout the world.

### 5. Debt

	1982	1981
Current		
Bank indebtedness	<u>\$ 94,892,000</u>	<u>\$ 71,806,000</u>
Long-term		
Bank indebtedness at interest rates averaging $\frac{3}{4}$ of 1% above the bank prime lending rate, due 1983 to 1997	\$ 31,080,000	\$ 6,410,000
Bank indebtedness - trawler mortgage loan, interest rate at $14\frac{7}{8}\%$ , due 1983 to 1994 (U.S. \$14,470,000)	17,789,000	17,995,000
Trawler mortgage loan, interest rate at $7\frac{1}{2}\%$ , due 1983 to 1997	17,756,000	12,074,000
Trawler mortgage loans, interest rates averaging 9.4%, maturity dates from 1983 to 1992	6,996,000	8,039,000
Interim new trawler financing	-	2,153,000
Mortgage loans on land, buildings, wharves and equipment, interest rates averaging 8.5%, maturity dates from 1984 to 1996	24,580,000	15,961,000
Mortgage, interest rate escalating from bank prime to $1\frac{1}{4}\%$ premium above the bank prime lending rate, due quarterly to 1994	4,493,000	4,860,000
Special Purpose Revenue Bonds, interest rate at one-half of the bank prime plus $\frac{1}{2}\%$ , due 1983 to 2006 (U.S. \$3,500,000)	4,303,000	4,151,000
	<u>106,997,000</u>	<u>71,643,000</u>
Less current instalments	<u>6,192,000</u>	<u>5,189,000</u>
	<u>\$ 100,805,000</u>	<u>\$ 66,454,000</u>



## 5. Debt (continued)

The Company has given as security for bank indebtedness a general assignment of accounts receivable, a pledge of inventories and a \$250,000,000 demand debenture providing a fixed charge over certain assets and a floating charge over all other assets of the Company.

Principal payments required on long-term debt in each of the next five fiscal periods:

1983	\$6,200,000
1984	5,900,000
1985	5,800,000
1986	6,000,000
1987	6,100,000

## 6. Share capital

	Authorized Shares	Issued and Outstanding Shares	\$
5½% Class C and 5½% Class D cumulative redeemable convertible preference shares of the par value of \$5 each, redeemable at par	600,000 400,000		
		385,875	\$1,929,375
Subordinated redeemable preference shares of the par value of \$1 each, redeemable at par	1,025,542	—	—
Class A and Class B convertible common shares without nominal or par value	9,000,000 9,000,000		
		4,635,216	6,939,523
			<u>\$8,868,898</u>

The Class A and Class B convertible common shares are inter-convertible at the option of the shareholder on a one-for-one basis and rank equally with respect to dividends and in all other respects. Similarly, the Class C and Class D convertible preference shares are inter-convertible at the option of the shareholder on a one-for-one basis and rank equally with respect to dividends and in all other respects.

## 7. Income taxes

- (a) The Company has potential income tax benefits resulting from non-capital losses of \$15,740,000 for income tax purposes acquired upon the wind-up of Burgeo Seafoods Limited (note 2(a)). These losses are available to reduce income taxes otherwise payable in future years and expire as follows:

1983	\$3,168,000
1984	2,959,000
1985	3,947,000
1986	4,888,000
1987	778,000

Any reductions in future income taxes resulting from the utilization of these losses will be reflected in the financial statements as extraordinary items when realized.

- (b) The provision for (recovery of) income taxes includes \$480,000 (1981 - \$528,000) resulting from application of the 3% inventory allowance under the Income Tax Act.
- (c) Investment tax credits of approximately \$7,678,000 are available to offset future income tax liabilities and expire as follows:

1983	\$ 539,000
1984	1,445,000
1985	1,482,000
1986	2,081,000
1987 and later	2,131,000

## 8. Cost of sales

During the period \$2,031,000 (1981) - \$1,160,000) was credited to cost of sales from various government assistance received by the Company primarily related to the recovery of certain operating costs. Of the amount received in the current period \$1,753,000 is in respect of an assistance program, which program continues until February 28, 1985.

## 9. Research and development costs

All expenditures for research and development are charged against income as incurred. These expenditures amounted to \$688,000 in 1982 (1981 - \$451,000).



## 10. Segmented information

The Company is primarily engaged in one line of business. This relates to the seafood processing industry and principally involves purchasing or harvesting, processing and marketing of seafood. The investment in and earnings from affiliated companies is principally associated with the insurance business as described in note 4. Operations and identifiable assets by geographic region for the period ended January 1, 1983 are as follows:

	Canada	U.S.	Total After Eliminations
Net sales to customers			\$386,231,000
- domestic	\$134,640,000	\$166,511,000	
- international	85,080,000	-	
Inter-segment sales	88,182,000	4,734,000	
Total net sales	<u>\$307,902,000</u>	<u>\$171,245,000</u>	<u>\$386,231,000</u>
Segment contribution to income	<u>\$ 27,223,000</u>	<u>\$ 1,580,000</u>	<u>\$ 28,572,000</u>
Other expenses not precisely allocable			(27,811,000)
Share of affiliated companies' net earnings			128,000
Provision for income taxes			(83,000)
Recovery of income taxes upon application of prior periods' losses			93,000
Excess of proceeds over net book value on disposal of assets			131,000
Net income for the period			<u>\$ 1,030,000</u>
Assets	<u>\$207,246,000</u>	<u>\$ 84,004,000</u>	<u>\$291,250,000</u>
Period ended January 2, 1982:			
Net sales to customers			\$313,567,000
- domestic	\$134,547,000	\$123,198,000	
- international	55,822,000	-	
Inter-segment sales	52,180,000	4,581,000	
Total net sales	<u>\$242,549,000</u>	<u>\$127,779,000</u>	<u>\$313,567,000</u>
Segment contribution to income	<u>\$ 14,180,000</u>	<u>\$ 3,392,000</u>	<u>\$ 17,684,000</u>
Other expenses not precisely allocable			(25,553,000)
Share of affiliated companies' net earnings			2,198,000
Recovery of income taxes			3,941,000
Recovery of income taxes upon application of prior periods' losses			551,000
Excess of proceeds over net book value on disposal of assets			350,000
Net (loss) for period			<u>\$ (829,000)</u>
Assets	<u>\$167,693,000</u>	<u>\$ 43,537,000</u>	<u>\$211,230,000</u>

## 11. Operating transactions with related parties

Effective June 5, 1982, the Company entered into a marketing agreement with its parent, H.B. Nickerson & Sons Limited, and certain of its affiliates. Pursuant to this agreement the Company purchased, according to a mutually agreed plan, finished seafood products to be sold through its worldwide marketing organization. The purchases were made at wholesale market prices and in 1982 amounted to \$45,485,000. In addition, the Company leased during the period cold storage and fish processing facilities in Westford and Lowell, Massachusetts from H.B. Nickerson & Sons Limited and certain of its affiliates for an amount of \$464,000, excluding certain operating expenses.

In 1981 purchases of product from affiliates amounted to \$7,800,000.

## 12. Commitments

- Based on the most recent actuarial review an unfunded liability of \$470,000 for an executive and management pension plan is being funded and amortized by the Company in equal annual amounts to 1990.
- Employees of the Company meeting specified eligibility requirements may participate in an Employees' Savings and Profit Sharing Retirement Fund covering employees of the Company and its subsidiaries. Participation in the Plan requires a contribution from the employee. The Company contributes an amount equal to 10% of its consolidated income before non-operating income and income taxes.
- Operating lease commitments approximate \$1,200,000 per year over each of the next five years and result principally from leases for office premises. The Company's lease covering its head office premises expires in 1985 and the above figure includes a provision for rental payments on head office premises after that date.



### 13. Contingency

The Company has an investment of approximately \$2,000,000 representing a minority interest in an integrated fish harvesting, processing and marketing company operating in Uruguay, South America. The fish processing facility was completed and commenced operations in November 1981. During the year a working capital crisis necessitated the cessation of operations. Prior to the end of the year the Company was restructured and it resumed operations in January 1983.

As a result of the restructuring the Company's equity interest was reduced from 20.3% to 9.9%. However, as it is not determinable that the potential decline in value of this investment is other than temporary, no write down in this investment has been recognized in these financial statements, and the investment continues to be carried at cost.

### 14. Events subsequent to period-end

On February 5, 1983 the Company acquired a seafood processing facility in Portsmouth, New Hampshire, at a cost, including inventories, of approximately \$7,000,000 (U.S. \$5,700,000). Financing for this transaction has been arranged and consists of an issue of Industrial Development Revenue Bonds in the amount of approximately \$5,900,000 (U.S. \$4,800,000), repayable in equal semi-annual instalments from 1988 through 1998.

In addition, the Company has agreed to exercise on or before April 30, 1983 a share purchase option whereby it will acquire for a nominal value all of the outstanding shares of the companies comprising the seafood processing and marketing interests of H.B. Nickerson & Sons Limited in the United States. The companies being acquired have losses for income tax purposes of approximately \$3,000,000 (U.S. \$2,400,000) available to reduce income taxes otherwise payable in future years. The Company intends to dispose of the underlying fixed assets as the additional production volume acquired as a result of this transaction will be transferred to the processing facility in Portsmouth, New Hampshire.


## Auditors' Report

To the Shareholders of  
National Sea Products Limited:

We have examined the consolidated balance sheet of National Sea Products Limited as at January 1, 1983 and the consolidated statements of income, retained earnings and changes in financial position for the fifty-two weeks 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 January 1, 1983 and the results of its operations and the changes in its financial position for the fifty-two weeks then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Halifax, Canada  
February 17, 1983

  
Chartered Accountants


## Report of Management Responsibilities


The management of National Sea Products Limited includes corporate executives, operating and financial managers and other personnel working full-time on Company business. Such management is responsible for the fairness and accuracy of the consolidated financial statements of the Company. The statements have been prepared in accordance with generally accepted accounting principles consistently applied, using management's best estimates and judgements, where appropriate. The financial information elsewhere in this report is consistent with the statements.

Management has established a system of internal control which it believes provides reasonable assurance that, in all material respects, assets are maintained and accounted for in accordance with management's authorizations and transactions are recorded accurately on the Company's books and records. The Company's internal audit program is designed for constant evaluation of the adequacy and effectiveness of the internal controls. Audits measure adherence to established policies and procedures.

The Audit Committee of the Board of Directors is composed of four outside directors. The committee meets periodically with management, internal auditors and independent chartered accountants to review the work of each and to satisfy itself that the respective parties are properly discharging their responsibilities. The independent chartered accountants and the internal auditors have full and free access to the Audit Committee at any time. In addition, the Audit Committee reports its findings to the Board of Directors which reviews and approves the consolidated financial statements.

Clarkson Gordon, independent chartered accountants, are retained to examine the consolidated financial statements and their report is included herein.

  
W.O. Morrow  
President and Chief Executive Officer

  
M.L. Pitman  
Vice President-Finance



Although generally regarded as a year of severe economic restraint, 1982 meant business as usual for National Sea. The following capsule review of some of the activities during the year highlights the Company's vitality.

**JANUARY**... the start of the new year and the beginning of the new fishing season. On January 1, the federal Department of Fisheries and Oceans implemented, on a trial basis, a new system called "enterprise allocations" or "company quotas". Simply put, this system eliminated competitive free fishing among the offshore trawler companies by assigning each entity a share of the total amount of fish available to be caught by the offshore sector.

Because National Sea knew in advance how much of each species it was entitled to catch, planning was greatly improved, with the emphasis placed on a market-driven fishing strategy, quality improvement and a better species mix. An interesting side effect of the enterprise allocation system was a better relationship with the Department of Fisheries and Oceans and greater co-operation among offshore trawler companies.

National Sea's trawler captains responded admirably to the new fishing plan, and the emphasis on quality resulted in a significantly higher percentage of trawler landed fish being suitable for fresh or premium frozen packs.

January also put National Sea in the forefront of the training and upgrading trend with the ongoing implementation of its upgrading program for captains and mates of Company vessels. The first of several groups of men took classes

in navigation, radar and marine emergency training at the Fisheries Training School in Pictou, the Halifax Nautical Institute, Halifax, and the College of Fisheries, St. John's.

Safety on board is always a primary concern, and January saw the implementation of an updated safety program at all Company fleet locations. Comprehensive standing orders for masters and watch-keeping officers were developed, and these cover all aspects of safety at sea in daily vessel operation. In addition, a complete reorganization of muster stations focussed on emergencies like firefighting, man overboard and abandon ship situations. Regular exercising and drilling of vessel crews assures familiarity with the new procedures.

**FEBRUARY** saw National Sea trawlers catching northern cod and redfish in the icy waters off

Newfoundland. Captain Alex Green and his crew had taken the *Cape Fame* out from Lunenburg to fish off the coast of Labrador. After a day's fishing, high winds and foul weather forced them to haul their gear on deck. A short time later, Captain Green, listening to the VHF radio, heard a conversation between two vessels... the *Newfoundland Eagle* and the *Delores T. Janda*, the latter in trouble and taking on water. The *Eagle* went to help the *Janda*, and since he was close, Captain Green decided to take the *Cape Fame* over and see if he could be of any help. Seven men of the *Janda* owe their lives to that decision. The stern dragger sank, and the crew abandoned ship in two life rafts. The *Eagle* picked up one; the other was lost to sight in the storm. Finally, Captain Green and his crew managed to spot a small light in the waves, and within minutes, the seven men of the *Janda* had scrambled to safety aboard the *Cape Fame*. The following day, they were transferred to another Newfoundland vessel, and Captain Green went back to fishing.

International Marketing was busy trying to penetrate new markets in the Iberian Peninsula and having good results. February's traditional markets, the countries of the EEC, were virtually closed to us because of tariff barriers, currency fluctuations and other restraints.

The performance management system, in its infancy in 1981, was gradually getting off the ground. The system provided management

with mechanisms to set realizable production goals, and provided employees with the positive reinforcement needed to sustain such goals. During 1982, the system led to the breaking of all production records at Lunenburg Division, where it was first introduced.

**MARCH** was a record breaking month for National Sea trawlers. They caught more fish, 31,836,753 pounds of it, than had ever been caught in a single month in the Company's history. Captain Jim Green and the crew of the *Cape Bauld* made history too. Early in the month, they rescued the Lake Group's trawler *Fame V* from destruction on the rocks off Cape Race, Newfoundland. This dangerous manoeuvre was accomplished in four fathoms of water, with high seas and freezing spray complicating the matter. The *Fame V* had broken down and was about to founder on the rocks. The *Cape Bauld's* initial attempts to throw a line to the vessel failed, and the crew of the *Fame V* was seriously thinking of abandoning ship. Captain Green and his crew, knowing the men would never survive the rough seas, talked them into staying on board for one more try, and this time, it was successful. The *Cape Bauld* towed the *Fame V* out of harm's way and into Fermeuse Harbour. Although the rescue had taken all night, both the vessel and the 10 man crew of the *Fame V* had come through the ordeal in good condition.

March of 1982 marked the first time that the annual Profit Sharing dinner and the Energy Conservation Awards ceremony shared the same occasion, and the function was very successful. The Company's profit sharing plan, now in its 20th year, is unique to the industry. National Sea contributes 10% of the annual consolidated net profit from operations (before taxes) to the fund. Employees belonging to the plan contribute 2, 3, 4 or 5% of their salary (whichever they choose) to a maximum of \$1,500 yearly (\$1,750 beginning in 1983). The money goes into a trust fund which belongs to the employees, and is invested for them by an independent investment management company. The plan is run from Head Office with the help of administrators from each Company division.

## 1982 in Review





Energy conservation is highly important to National Sea, and the Energy Conservation Awards are a way of highlighting this concern. Each division has its own energy co-ordinator, responsible for finding ways and means of saving energy (and, therefore, money). Each co-ordinator submits monthly consumption and production reports so that Head Office can keep track of energy usage and costs. Plant managers submit nominations for two annual awards... Energy Conservationist of the Year and Best Energy Conservation Suggestion by an NSP employee. Head Office decides the winners of those two awards, as well as Best Overall Energy Saving Performance by a Division.

In 1982, the awards for the 1981 year were given to Lawrence Wood, Charlottetown Division, Energy Conservationist of the Year, and Don Heckman, Lunenburg Division, for Best Energy Conservation Suggestion. North Sydney Division won the trophy for the best overall energy saving performance by a division.

National Sea's annual shareholders' meeting was also held in March, and 1982 saw the appointment of Mr. J.E.A. Nickerson as Chairman of the Board of National Sea and the election of four new Directors. The number of Board members now stands at eighteen.

**A**PRIL marked the retirement of Clayton Wentzell, a 51 year veteran of National Sea's Lunenburg Division, and, in 1982, the retiree with the longest term of employment with the Company. National Sea awards certificates to employees who have completed 25 years of continuous service with the Company and predecessor Companies, and a retirement plaque to employees who, on retirement, have more than 10 years continuous service with the Company. In addition, a gift of money, based on length of service, is given on the occasion of the employee's retirement.

Fisheries Resource Development Limited (FRD), having recently become a wholly-owned subsidiary of National Sea Products, was busy working on existing projects and initiating new ones. The multi-disciplinary group of people at FRD concentrates on research and development projects in support of National Sea's major operating groups - fleet, production

and marketing. In an industry as capital intensive as the fishery, small changes in the utilization of energy and raw material can mean big differences in cost reduction. The development of a new filleting board, now on trial at Lunenburg Division, can mean greater fillet yield per fish, hence, less waste. Experiments with fuel conservation onboard Company trawlers, started in 1982, will hopefully lead to a reduction in energy consumption. FRD's important work in new product development was continued during the year and is described more fully in the marketing section of this report.



**M**AY... and the annual meeting of the Fisheries Council of Canada, the industry's national association, was held in Halifax. National Sea Products Vice President Ian Langlands was appointed Chairman of the FCC for the 1982/83 year, a position demanding a good deal of time and energy. During 1982, National Sea continued to support the industry associations to which it belonged... the Fisheries Council, the Seafood Producers Association of Nova Scotia, the Atlantic Fishermen's Record Book Plan, the Atlantic Fishing Vessel Association, the Canadian Association of Fish Exporters, the Canadian Manufacturers' Association and the Atlantic Queen Crab Association, to name some. Because it has plants in other provinces, National Sea also belongs to the Prince Edward Island Seafood Producers Association, the New Brunswick Fish Packers Association and the Fisheries Association of Newfoundland and Labrador. The Company believes that membership in these associations is beneficial to National Sea, and a lot of time, money and management commitment goes into participation. In addition, the Company encourages professional staff to participate in their professional associations.

A major marketing thrust in May was the formation of the Canned Seafood Division and the added

emphasis on the development and marketing of canned seafood products. Most of the Division's work in 1982 concentrated on the new line of seafood soups - High Liner® Gold Label® soups - launched into the US market in early '83 and described in more detail in the marketing section.

**J**UNE meant a major change in National Sea's sales and marketing structure with the announcement that National Sea and H.B. Nickerson & Sons Limited (HBN), a major shareholder, had combined their total sales and marketing activities. In addition, National Sea took over operation of the HBN fish processing plants in the United States. The marketing agreement meant that all fish and seafood products produced by HBN in North America would, with minor exceptions, be marketed by National Sea. HBN and National Sea sales and marketing operations in Canada were combined, as were sales, marketing and processing operations in the United States. The marketing agreement also merged international sales to Europe, the Far East and other countries, through the facilities of National Sea.

Another major marketing initiative was the creation of the Fresh Fish Division and the appointment of Mr. R.E. Nickerson as Vice President. The new division was charged with the responsibility of expanding the market for fresh fish, but initially concentrated on servicing regular customers in Canada and the United States with top quality product.

Availability of additional groundfish was helped in part by the delivery of the *Cape Fourchu*. Costing over seven million dollars, she was the last of the Fame class trawlers ordered from Halifax Industries Limited as part of the fleet replacement program.

Energy conservation received a "shot in the arm" in June when the incinerator at Lunenburg Division was completed. Now garbage, instead of being expensively hauled away, is burned in the incinerator and the resultant steam is used to supplement the boiler system for space and water heating.

Another move to save energy was the final full automation of the entire refrigeration system at Lunenburg Division. Use of microprocessors control energy consumption and have resulted in substantial savings. The same



system was put into place in the new Lockeport plant in November of 1982.

June marked the sixth month that the Kirby Task Force on the Atlantic Fisheries had been conducting its investigations. National Sea, together with H.B. Nickerson & Sons Limited, submitted a brief to the Task Force called "Blueprint for the Future Development of the East Coast Fishery". This brief, over 100 pages long, outlined for the Kirby Task Force the issues facing the fishery and the solutions recommended by the companies.

**J**ULY made a difference at North Sydney Division as National Sea introduced a new incentive system for the grading, sizing and trimming functions. These functions were assigned certain work values, and microprocessors were used to calculate the bonuses due to employees. The system was developed by the Company's Production Services, Systems and EDP departments. The introduction of this incentive system saw productivity at the North Sydney Division improve significantly, and the same system was introduced during the rest of 1982 at Company divisions at Halifax, Lunenburg, Lockeport, St. John's and Burgeo.

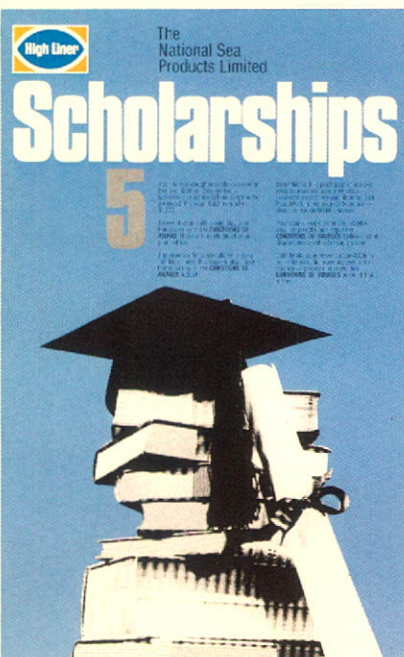
All through 1982, management information systems were being upgraded. The introduction of a new computer, IBM System 38, meant that information became easier to access from an expanded common information source. With this new system, National Sea is moving toward an information centre concept, which will essentially mean that facts and figures will be available upon specific request as well as from regularly scheduled reports.

**A**UGUST.... and National Sea trawlers were fishing off Northern Newfoundland and the Scotian Shelf for redfish, cod and flounder. The fleet department was able to record all the pertinent information about those trips on the newly computerized fleet information system that had just been completed. This system provided the fleet department with up-to-date statistics on catches, landings by species and detailed weekly, monthly and yearly reports for each division. A significant savings in time and a more detailed response to queries are just two of

the benefits of the new system.

In July, the Kirby Task Force released an interim paper on issues and options facing the East Coast fishery, and in August, National Sea wrote a response to that paper. The National Sea brief dealt with such topics as harvesting capacity, restructuring of the offshore fleet, utilization of the northern cod stock, quality, marketing, unemployment insurance and other issues of vital importance to the fishery.

National Sea's 1982 Scholarship Awards were announced in August, with five children of Company employees each receiving a \$1,500 entrance scholarship to their chosen university. The winners were Russell Stewart, Lunenburg, Nova Scotia; Cheryl Robinson, Digby, Nova Scotia; Joshua Young Jr., Burgeo, Newfoundland; and Doreen Peddle and Brenda Williams, both of Arnold's Cove, Newfoundland. The scholarship awards, instituted by National Sea in 1979, are administered by the Association of Universities and Colleges of Canada.



Burgeo Seafoods Limited became the Burgeo Division of National Sea this month, although the initial decision to purchase the shares of the company owned by the Province of Newfoundland and Labrador was made in March. Previously, National Sea had jointly owned the Burgeo facility with the Province, and operated the plant on a management contract basis. Burgeo became the fourth National Sea division in Newfoundland, following St. John's, Arnold's Cove and LaScie.

**S**EPTEMBER saw National Sea Products the winner of the top three productivity awards at the annual Nova Scotia Fisheries Exhibition and Fishermens' Reunion. First place went to Captain Alex Green and the crew of the *Cape Fame*; they landed 11,025,000 pounds of fish. Second place was captured by Captain Morris Nowe and the crew of the *Cape Beaver*, landing just over 11 million pounds. The third place award went to Captain Donnie Weagle and the crew of the *Cape Lance*, who landed 9,563,000 pounds. All three vessels were new Fame class trawlers sailing out of Lunenburg.

For the first time in the history of the Exhibition, a bravery award was presented, and the recipients were Captain Jim Green and the crew of the *Cape Bauld*, whose rescue of the Lake Group trawler *Fame V* took place in March. The award was donated by Mayor Snook and the townspeople of Grand Bank, Newfoundland, the home of the *Fame V*.

As part of the ongoing training and upgrading program, another group of National Sea captains and mates went to the Fisheries Training School in Pictou and the College of Fisheries, St. John's, for courses in navigation, radar and marine emergency training.

**O**CTOBER brought the move of National Sea's US subsidiary, National Sea Products (U.S.) Corp. Limited, to a larger, more efficient location in its home town of Tampa, Florida.

Company technical resource personnel provided a course for the staff of Lockeport Division and that was followed up with a three-day seminar concentrating on management and supervisory skills.

The benefits program at National Sea continued to be one of the few flexible benefit plans available to employees of any Canadian company. National Sea contributes an amount equal to a certain percentage of an employee's salary to pay for benefits. The employee can then choose the benefits most useful, based on individual or family needs. If the benefit total exceeds the Company contribution, the employee pays the difference. National Sea's plan is unique because the Company's contribution is not a fixed amount. As a percentage of the amount of



the employee's salary, it keeps pace with inflation. The Company is proud to be in the forefront of this tailor-made approach to benefits and National Sea employees are enthusiastic about the program.



**N**OVEMBER brought employment back to the town of Lockeport, Nova Scotia, when the National Sea plant, destroyed by fire in July of 1980, was reopened at a special community ceremony. The plant, located on the site of the original facility, is serviced by local area inshore fishermen and independent fish draggers operating out of Lockeport. It also receives fish purchased from other processors on the South Shore and from trawlers of the Company fleet diverted from other ports.

The Lockeport plant is equipped with the most modern, efficient machinery available. It can process and pack fresh and frozen product, split and salt cod, hake, pollock and fish meal.

Energy conservation is a prime concern at Lockeport, and the compressor, condenser and evaporator operations are controlled by a microprocessor which automatically regulates the refrigeration system for the most efficient energy use. A heat wheel removes warmth from exhaust air and transfers it to incoming air and meters on major use points help detect abnormal usage of steam. A little conservation saves a lot of money in an energy-intensive industry like the fishery!

Another energy savings move practiced by National Sea was the complete winterizing of seasonal

divisions at Shediac, Summerside, Shippegan and LaScie. This meant substantial fuel and power savings during the off season.

International Marketing was busy in November staffing the National Sea booth at SIAL, the international food show held in Paris, France, and the second largest food show in the world. The visibility enjoyed by the Company and its products at shows of this kind is an invaluable aid to marketing and a tremendous on-the-job training experience for National Sea's marketing people.

The training of people required special skills at Lockeport, as several people employed there are deaf. Head Office corporate training conducted its first deaf workshop at the end of the month, the objective being to help deaf employees and their supervisors to work well together. The necessary signs in Ameslan, the language of the deaf, were taught to the supervisors and all agreed that the workshop had been a great success.

**D**ECEMBER... the end of another year, and the beginning of another enterprise as

National Sea purchased the lobster assets of H.B. Nickerson & Sons Limited and that company's processing plant in North Sydney. The purchase included HBN's lobster tankhouse facilities at Auld's Cove, Nova Scotia, the lobster pound, tankhouse and related facilities at Deer Island, New Brunswick, and a number of buying stations in Nova Scotia, Prince Edward Island and Newfoundland. National Sea also purchased four longliners, based at North Sydney.

A major two-day managers' meeting was held in December, with the division managers and production managers from the Canadian divisions getting together to discuss Company policies, raw material buying practices, safety, fish quality, resource management, marketing, equipment and systems for the 80's, production improvement and cost reduction techniques, performance management, training and financial services. National Sea captains also held a professional development seminar during the month.

In an ongoing effort to utilize the best technology for the job, National Sea submitted yet another proposal to the federal Department of Fisheries and Oceans for a license for a freezer trawler. Previous license requests for freezer and factory freezer trawlers have been denied by the Department.

A scheduled Directors' meeting was held in Lunenburg, and was of particular interest to those new Directors who had not had a chance to visit Lunenburg Division, one of the largest fish plants in the world.

Martin MacDonald, one of five management trainees in the production training program, was appointed Divisional Manager at St. John's... a fitting comment on the success of the management trainee program. That program, like so many other initiatives at National Sea Products, is aimed at building the strength of the integrated Company.



(all amounts are expressed in thousands except as indicated +)		1982	1981	1980	1979	1978	Comparative Financial Information 1978-1982
Working Capital	\$	22,321	606	13,215	20,834	17,462	
Plant, Equipment, Trawlers and other Fixed Assets after Depreciation	\$	111,174	97,909	88,676	68,500	42,066	
Total Assets	\$	291,250	211,230	208,915	181,179	122,876	
Accumulated Deferred Income Taxes	\$	8,512	7,722	11,788	14,391	9,763	
Long-term Debt	\$	100,805	66,454	62,307	44,605	23,865	
Shareholders' Equity:							
Preference Shares	\$	1,929	1,929	1,929	1,929	1,929	
Common Shares	\$	6,940	6,940	6,940	6,940	6,940*	
Contributed Surplus	\$	1,736	1,736	1,736	1,736	1,736	
Retained Earnings	\$	30,897	29,973	30,908	30,384	23,841	
Total Shareholders' Equity	\$	41,502	40,578	41,513	40,989	34,446	
Additions to Plant, Equipment, Trawlers and other Fixed Assets during the Period	\$	28,965	19,063	29,007	34,163	10,296	
Fish Landings (kilos)		161,000	134,000	134,000	145,000	137,000	
Net Sales	\$	386,231	313,567	274,447	268,057	217,481	
Depreciation	\$	10,335	8,148	6,283	5,000	4,489	
Income Taxes	\$	83	(3,941)	(2,353)	5,358	7,796	
Net Income (Loss)	\$	1030	(829)	2,484	8,503	10,623	
Dividends on Preference Shares	\$	106	106	106	106	106	
Dividends on Common Shares	\$	—	—	1,854	1,854	3,608 *	
Earnings Retained in Business for Expansion	\$	924	(935)	524	6,543	6,909	
Earnings per Common Share:							
Before extraordinary items	+\$	0.18	(0.32)	0.51	1.72	2.34	
After extraordinary items	+\$	0.20	(0.20)	0.51	1.81	2.34	
Common Dividends paid per share – Class A +		—	—	40.0c	40.0c	79.3c*	
Common Dividends paid per share – Class B +		—	—	40.0c	40.0c	74.4c*	
Earnings as a Percentage of Sales	+	0.3 %	(0.3 %)	0.9 %	3.2 %	4.9 %	
Funds Provided from Operations per Average Number of Common Shares Outstanding	+\$	2.57	0.24	1.24	3.85	3.74	
Number of Common Shares Outstanding at Period End	+	4,635,216	4,635,216	4,635,216	4,635,216	4,635,216	
*46.7c per share (\$2,094,000) of the common dividends paid was reinvested in additional common shares through a rights offering.							



## Corporate Directory

National Sea Products Limited and its subsidiary companies

### Board of Directors

J.W. Burns <sup>4</sup>  
H.P. Connor <sup>3</sup>  
F.M. Covert, Q.C. <sup>2</sup>  
J.F. Fraser <sup>2,3</sup>  
G.A. MacDonald <sup>3</sup>  
J.R. MacDonald  
J.W.E. Mingo, Q.C. <sup>1,3,4</sup>  
J.B. Morrow <sup>1,5</sup>  
W.O. Morrow <sup>1,2,3</sup>  
H.B. Nickerson <sup>1</sup>  
J.E.A. Nickerson <sup>1</sup>  
C.C. Pratt <sup>5</sup>  
B. Rasmussen  
H.B. Rhude, Q.C. <sup>4</sup>  
Hon. H.J. Robichaud, P.C.  
F.W. Russell, C.M. <sup>2,3</sup>  
E.L. Schibler <sup>2</sup>  
R.E. Shea <sup>5</sup>

### Officers and Senior Management

J.E.A. Nickerson  
*Chairman of the Board*  
W.O. Morrow  
*President and Chief Executive Officer*  
J.B. Morrow  
*Senior Vice President*  
I.H. Langlands  
*Vice President*  
J.A. Tupper  
*Vice President*  
M.L. Pitman <sup>2</sup>  
*Vice President – Finance*  
E.H. Demone  
*Vice President – Fleet*  
J.P. MacNeil  
*Vice President – Marketing, Canada*  
A.J. Roche  
*Vice President*  
F.C. Hart  
*Vice President – International Marketing*  
B.C. Smith  
*Vice President – Engineering*  
R.E. Nickerson  
*Vice President*  
F.D. McGee <sup>5</sup>  
*Secretary and Company Solicitor*  
S.J. Campbell  
*Assistant Secretary*  
O.P. O'Rourke  
*Treasurer*  
I.R. Whitman  
*Marketing Services Manager*  
G.D. Southwood  
*Corporate Comptroller*  
I.C. McDermaid  
*President, McDermaid Agencies Limited*  
D.J. Mosher  
*President, Scotia Trawler Equipment Limited*  
F.F. Smiley  
*Chairman of the Board and Chief Executive Officer*  
*National Sea Products (U.S.) Corp. Limited and National Sea Products Inc.*  
K.H. Ritcey  
*President and Chief Operating Officer*  
*National Sea Products (U.S.) Corp. Limited and National Sea Products Inc.*  
G.M. de P. Tardif  
*President and Managing Director*  
*Hamilton Insurance Brokers Limited and Subsidiary Companies*

### Subsidiary Companies

National Sea Products (U.S.) Corp. Limited  
*Tampa, Fla.*  
National Sea Products Inc.  
*Rockland, Me.*  
McDermaid Agencies Limited  
*Halifax, N.S.*  
Scotia Trawler Equipment Limited  
*Lunenburg, N.S.*  
Fisheries Resource Development Limited  
*Dartmouth, N.S.*  
Harbinger Offshore Services Limited  
*Halifax, N.S.*  
National Sea Products (Norway) A/S  
*Kristiansand S., Norway*

### Affiliated Companies

Hamilton Insurance Brokers Limited  
Cambridge Reinsurance Limited  
Canadian International Insurance (Management) Limited  
*Hamilton, Bermuda*  
International Sea Products Pty. Limited  
*Bathurst, N.S.W., Australia*

### Auditors

Clarkson Gordon  
*Chartered Accountants*

### Transfer Agents

Common Shares  
Montreal Trust Company  
Preference Shares  
The Company, Secretary's Office  
P.O. Box 2130, Halifax, N.S.

### Bankers

The Bank of Nova Scotia  
The Royal Bank of Canada  
The Toronto-Dominion Bank

<sup>1</sup> Executive Committee  
<sup>2</sup> Audit Committee  
<sup>3</sup> Acquisition Committee  
<sup>4</sup> Compensation Committee  
<sup>5</sup> Pension Committee



## Plant Locations

### **Digby Division**

Nova Scotia

### **Lockeport Division**

Nova Scotia

### **Lunenburg Division**

Nova Scotia

### **Halifax Division**

Nova Scotia

### **Louisbourg Division**

Nova Scotia

### **North Sydney Division**

Nova Scotia

### **Pictou Division**

Nova Scotia

### **Shediac Division**

Shediac, New Brunswick

Deer Island, New Brunswick

Auld's Cove, Nova Scotia

### **Shippegan Division**

New Brunswick

### **Charlottetown Division**

Prince Edward Island

### **Summerside Division**

Summerside, Prince Edward Island

Morell, Prince Edward Island

### **Magdalen Islands Division**

Havre-Aubert, Québec

Grande-Entrée, Québec

### **St. John's Division**

Newfoundland

### **Arnold's Cove Division**

Arnold's Cove, Newfoundland

Lark Harbour, Newfoundland

Piccadilly, Newfoundland

### **LaScie Division**

Newfoundland

### **Burgeo Division**

Newfoundland

### **Scotia Trawler Equipment Limited**

Lunenburg, Nova Scotia

### **National Sea Products Inc.**

Rockland, Maine

Westford, Massachusetts

Portsmouth, New Hampshire

### **National Sea Products (U.S.) Corp.**

Tampa, Florida



