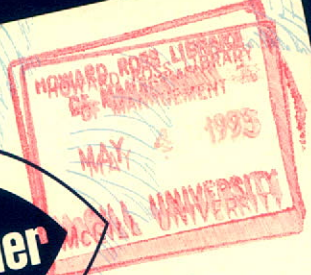


PREPARED  
WITHOUT FRYING\*



NATIONAL SEA PRODUCTS LIMITED  
1992 ANNUAL REPORT

# HEALTHY BAKE™

12  
BREADED  
FISH FILLETS

Serving Suggestion

63% LESS FAT†

ONLY 5.3 g FAT / 164 CALORIES / 303 mg SODIUM  
35 mg CHOLESTEROL / 29% CALORIES FROM FAT / PER 100 g SERVING

†63% less fat than our regular Fish in Batter

600 g

NO PRESERVATIVES



## IN MEMORIAM

ON JANUARY 30, 1993, National Sea Products, Scotia Trawler, Lunenburg County and the families of Captain Albert Eisner, Charles Hancock, Carmen Laffin, Kenneth Purdy and Philip Smeltzer, suffered a tragic loss when these men lost their lives in the sinking of the scallop dragger Cape Aspy.

The memory of these brave men was most eloquently summarized by the Reverend Fred Hiltz, Lunenburg, Nova Scotia, during a community memorial service, "While it is true to say that the days of wooden ships are for the most part gone, the days of iron men are not and nor shall they ever be, so long as men brave the elements and endure the dangers of the deep to reap the harvest of the sea."

The employees of National Sea Products and Scotia Trawler extend their deepest sympathies to the families of the men lost on the Cape Aspy.

## PROFILE AND HIGHLIGHTS

### Profile

National Sea Products Limited is a publicly-traded Canadian company in business as a harvester, procurer, processor and marketer of superior quality fish and seafood. With operations concentrated in North America, National Sea is a leader in the research and development of innovative strategies and technologies to meet the needs of its customers. Throughout all aspects of its operations — from ocean harvesting to new product development — National Sea Products ensures the highest standards for quality and customer service, while maintaining a commitment to the protection of the resource on which it depends. To meet these standards, the Company relies heavily on the skills and commitment of its employees, and continues to provide the highest levels possible of quality employment.

### This Year's Highlights

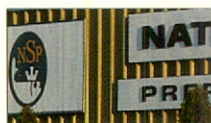
<i>(in thousands of dollars except as indicated+)</i>	<b>53 weeks to Jan. 2, 1993</b>	<b>52 weeks to Dec. 28, 1991</b>
Sales	\$ 351,298	369,292
Loss from continuing operations before asset disposals, write downs joint ventures and taxes	\$ (3,714)	(6,868)
Loss from continuing operations	\$ (10,673)	(4,110)
Loss for the period	\$ (32,525)	(35,873)
Basic earnings per Common Share		
Loss from continuing operations	+\$ (0.41)	(0.27)
Loss for the period	+\$ (1.16)	(1.70)
Total assets	\$ 193,597	246,827
Common shareholders' equity	\$ 28,795	59,153

*Loss from continuing operations represents the after tax earnings of the Company prior to the deduction of the operating losses and estimated loss on disposal of discontinued operations.*

## CONTENTS



CANADIAN OPERATIONS National Sea's High Liner brand enjoyed an excellent year, building upon its dominant market position by growing market share, despite an overall decline in volume in the frozen seafood category. 4



U.S. OPERATIONS During 1992, Fisher Boy made significant inroads in major U.S. markets, growing its market share and volume. 6

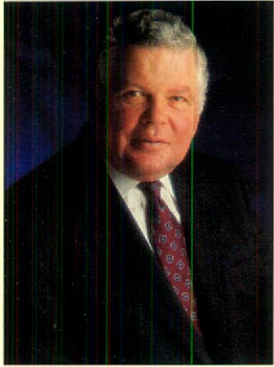
CONTINUOUS IMPROVEMENT 8

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## DIRECTORS' REPORT

ACCORDING TO CHARLES DARWIN, BECAUSE OF various environmental factors, the struggle for existence is constant, and only those best adapted to



*W. O. Morrow*

**W. O. Morrow**  
Chairman of the Board

the environment survive and grow. Darwin's 'survival of the fittest' theory is often applied beyond the world of nature, and in the '90s, business survival has been about adapting to a rapidly changing global economic environment.

Since 1988, National Sea Products, confronted by rapid change in resource availability, lost over 250 million pounds of fish quota. However, we have met this challenge through successful strategic management of our resources, both capital and fish. In short, National Sea has successfully adapted to an

unpredicted, declining resource and positioned itself for profitable, future growth.

The past year was an exceptionally difficult one in the history of Atlantic Canada's fishery.

By the end of 1991, Atlantic Canadian fish quotas were expected to remain relatively stable for the first time since

1988. The only exception was the Northern cod fishery where the outlook remained uncertain because of increasingly poor catch rates. During the first quarter of 1992, traditionally the most profitable period, the industry's experience was consistent with the findings of fisheries scientists, confirming the need for a cautious approach to stock management. The federal government introduced a Catch Ceiling of 120,000 tons of Northern cod down from 185,000 tons, in effect placing a moratorium on the offshore fishery.

In adjustment to having 45 million pounds less cod to harvest, process and market, National Sea re-evaluated its business strategies, resulting in a corporate restructuring. Our competitive advantage in the U.S. food service business was based upon a consistent supply of high quality cod fillets from the Arnold's Cove, Newfoundland plant. Without Northern cod, U.S. food service became a business of reduced strategic value to the Company. Therefore, the Company sold this business by mid-year for proceeds including working capital, of \$25.1 million.

The sale had three immediate impacts on National Sea. First, it meant the closure of the Treasure Isle shrimp processing plant in Dover, Florida, which

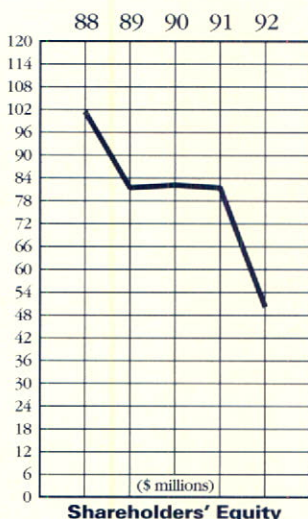
previously served the U.S. food service business; second, it improved the





## DIRECTORS' REPORT

Company's balance sheet, further reducing debt to \$100 million; and third, it clarified the Company's

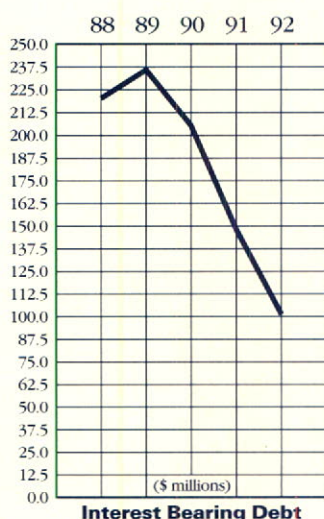


business strategy. Having less fish meant allocating existing resources to our North American retail businesses and Canadian food service business, which historically generated the greatest returns.

Despite the sale of U.S. Food Service, National Sea remains the largest retail

seafood producer in Canada and an important participant in the U.S. retail market.

The Federal Government's mid-year



Debt numbers are as originally reported, prior to the re-statement for discontinued operations.

reduction over the past few years made the situation manageable (see graph at left).

The Company also announced consolidation

of its head office operations in Lunenburg, Nova Scotia, from its downtown Halifax location.

Our Canadian retail business is built upon the marketplace success of High Liner, the most recognized frozen seafood brand among Canadian consumers. High Liner continued to improve upon its dominant market share, despite an overall decline in category volume from 1991. Designation as the official seafood of the National Hockey League (NHL) and a High Liner NHL card promotion captured consumer interest and created added excitement in Canadian grocery stores.

The sale of the food service business and the closure of the Treasure Isle shrimp plant created a challenging year in U.S. operations, and allowed the division to focus entirely upon its retail business, growing both market share and profitability of its Fisher Boy brand, and the private label business. The formula for success in U.S. retail has focussed upon selling customers on guaranteed quality performance, not just in terms of products, but by measurable service commitments such as on-time delivery and order fill rate. National Sea's U.S. retail business has successfully positioned itself as a medium-sized seafood specialist meeting customer needs and providing great service.

The Canadian food service business enjoyed a successful year in 1992, despite the lack of cod and the continued recession. Cod has been replaced on



## DIRECTORS' REPORT

many restaurant menus by species such as Alaskan pollock. However, we were successful in converting many former cod customers over to the upgraded ocean perch product being marketed as Atlantic rosefish.

Quota reductions in the Gulf of St. Lawrence and on the Scotian Shelf resulted in the closure of the Company's Louisbourg and North Sydney, Nova Scotia divisions. The scientific advice for 1993 on nearly every stock in the region is negative with the possible exception of George's and Brown's Banks. Nonetheless, we believe the measures taken to conserve and restore the resource remain in the long-term best interest of the region's fishing industry and National Sea Products.

National Sea's immediate priority is focussed upon stabilizing operations in Canada and the U.S. following a tumultuous year. Stabilization will be achieved by continued allocation of resources to core businesses, generating positive cash flow and profitability. To this end, we will focus on value-added secondary processing and innovative marketing, finding more ways to encourage consumers to enjoy seafood. This strategy is not a move away from the traditional harvesting and primary processing of fish from Atlantic Canada. However, National Sea does not wholly rely upon fish from the region to produce value-added products such as fish sticks, seafood entrées and fish portions. Fish for these products will

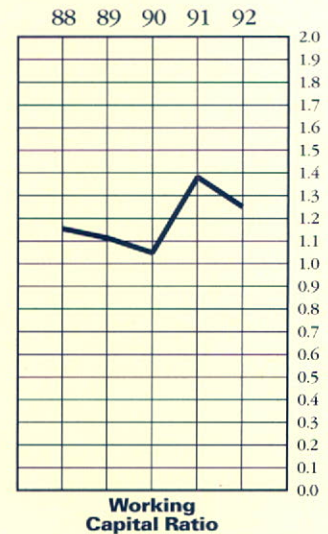
be procured from quality sources worldwide for both Canadian and U.S. operations.

On behalf of the Company's board of directors and management team, we thank all employees for their efforts in

successfully meeting the challenges of 1992. In particular, we thank those employees who were negatively affected by the restructuring of the Company during this past year for their understanding of that situation.

Additionally, we wish to welcome two new members to the Company's board of directors, Mr. Rob Dexter, Halifax, Nova Scotia and Mr. George Bishop, Hantsport, Nova Scotia.

It is with sadness that we note the passing in 1992 of Mr. Ronald G. Smith, former president of National Sea Products, from 1965 to 1969. Mr. Smith retired from the Company in 1969 following a 41 year career with Lunenburg Sea Products, Ocean Fisheries Limited and, upon their merger, National Sea. The Company also extends its deepest condolences to the families of the five crewmen lost at sea upon the sinking of the Scotia Trawler scallop dragger Cape Aspy on January 30, 1993.





## CANADIAN OPERATIONS



THE DECLARATION OF A TWO YEAR MORATORIUM on the Northern cod fishery and substantial quota reductions in the Gulf of St. Lawrence and Scotian Shelf resulted in the closure of all the Company's processing plants in Atlantic Canada during 1992, with the exception of National Sea's Lunenburg, Nova Scotia, and Arnold's Cove, Newfoundland divisions.

Lunenburg continues to be National Sea's centre of excellence for research and development, as well as value-added, secondary processing.

However, National Sea is not wholly dependent upon the Atlantic Canadian

resource for its production of fish sticks, portions and entrées for the Canadian retail and food service markets. Raw material for these profitable core businesses is procured from high quality sources worldwide.

National Sea's High Liner brand enjoyed an excellent year, building upon its dominant market position by growing market share, despite an overall decline in volume in the frozen seafood

category. An outstanding marketing initiative,

which saw High Liner named the official seafood of the National Hockey League (NHL) and





## CANADIAN OPERATIONS



*Lunenburg Division*

a High Liner branded NHL card promotion, generated further brand momentum.

Additionally, new product introductions such as Value Bay fish sticks and portions; Healthy Catch and Captain's Table entrées; as well as aggressive, innovative marketing, contributed to a strong, profitable year in Canadian retail.

Despite the continuing recession and the replacement of cod on restaurant menus by alternative species like Alaskan pollock, due to reduced availability, National Sea succeeded in improving both its volume and profitability in Canadian food service.

Fresh fish sales to Canadian and U.S.

markets also remained stable. The Canadian export business enjoyed another strong year, particularly in the marketing of salt cod and clams. However, overall the salt cod market diminished somewhat and is not expected to recover fully in 1993.

The future status of the Atlantic Canadian resource remains a concern to the Company. Nonetheless, National Sea's well-established ability to procure high quality fish globally allows the Lunenburg division to maintain industry leadership in the production of value-added and specialized seafood products for its core businesses in Canada and for specialized market segments internationally and in the U.S.



## U.S. OPERATIONS



THE SALE OF ITS FOOD SERVICE DIVISION AND closure of the Treasure Isle shrimp plant allowed U.S. operations to become a very focussed business in 1992.

With the declaration of the two year moratorium on Northern cod stocks, there were insufficient cod fillets available for the U.S. food service business. Without these, the business was no longer viable. At the same time, there was tremendous overcapacity in the U.S. shrimp business, leaving the Company's shrimp processing facility with no long-term future.

Getting out of the food service business

allowed U.S. operations to focus on increasing the profitability of its most important retail brand, Fisher Boy. During 1992, Fisher Boy made significant inroads in major U.S. markets, growing its market share and volume.

Fisher Boy is a brand that is ideally positioned for the '90s. National Sea's Portsmouth, New Hampshire plant produces Fisher Boy at low cost and that saving is passed along to consumers; yet, it is nutritionally as good or better than any

competing brands.

In short, Fisher Boy represents great food value at low cost, ideal for today's budget conscious consumer.





## U.S. OPERATIONS



*Portsmouth Division*

The selling strategy behind Fisher Boy has been simple: it is sold to National Sea's customers on the basis of service quality. U.S. operations are exceptionally lean; only three management levels separate the plant floor from the chief executive officer and every employee is empowered to make decisions that enhance service quality. The Company has been positioned as having a clear vision, committed to its corporate values of Quality, Integrity and Involvement; and sold as a quality company, whose products and service consistently surpass customer expectations, each and every time.

While the private label business represents less than 10 percent of the total volume in the U.S.

retail market, National Sea enjoys a dominant share of the category. Frozen seafood represents a low interest category for American consumers, consequently they demonstrate little brand loyalty. However, private label's share in most categories is growing in the U.S. These factors combine to create substantial growth potential for private label seafood.

The demand for the highest value available for food dollars among U.S. consumers will only increase. National Sea's strategy is steadfast: remain the industry leader in low cost production of the highest quality products supported by the best customer service.



## CONTINUOUS IMPROVEMENT



GRADUAL, CONTINUOUS IMPROVEMENT IS THE principle objective of National Sea's internal "Good Ideas!" program. Currently being introduced to all employees in 1993, its goal is to improve the quality of products and services National Sea provides its customers.

Employees and work teams are encouraged to review their "Good Idea" with their supervisor or manager to ensure it complies with Company regulations and good manufacturing practices. Consultation with other areas and departments is also encouraged to determine potential effects. "Good

Ideas" are then implemented by either individuals or employee teams.

"Good Ideas" have already been implemented throughout the Company contributing to improvements in workplace safety, customer service, systems and procedures, as well as cost and waste reduction.

The "Good Ideas" program is considered an essential component of the Company's commitment to industry leadership in customer satisfaction, and an awards program has been established to encourage employees to bring their "Good Ideas" forward for review and implementation.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THIS DISCUSSION AND ANALYSIS SHOULD BE READ IN conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report.

During the year, the Company announced its reaction to significant reductions in the quotas available to it for 1992 and 1993. National Sea's quotas have been reduced by 70 percent since 1988, including the most recent reduction from 1992 to 1993 of 43 percent. The major reductions have been in cod, the most profitable specie for the Company. In September, in reaction to the Northern cod moratorium, the Company changed its strategic direction to concentrate on its Canadian Retail, Canadian Food Service and U.S. Retail businesses. The Company's U.S. Food Service business was highly dependent upon Northern cod for its sales strategy and profitability and without this supply of product the remaining business, significantly being shrimp processing, was no longer viable. As a consequence of this, the Company sold its U.S. Food Service business and permanently closed its shrimp processing plant in Dover, Florida. Also as a result of the Northern cod moratorium, the Company indefinitely closed its primary processing plant in La Scie and reduced the operations of its Arnold's Cove plant, both in Newfoundland.

In December, in conjunction with the Federal Government's advice that the quotas off Nova Scotia would be dramatically reduced, the Company announced the indefinite closure of its North Sydney and Louisbourg plants in Cape Breton and the further reduction of operations in the Company's primary processing facility in Lunenburg, Nova Scotia.

As a result of the sale of its U.S. Food Service business, and as recommended by Generally Accepted

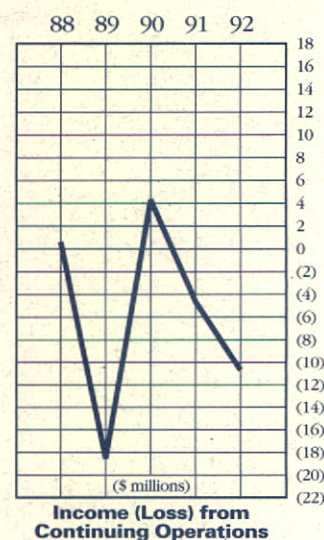
Accounting Principles, the Company restated its balance sheet and statement of operations for the five years included in this Annual Report to remove the detailed information of its U.S. Food Service division and related shrimp processing business. These operations now appear as discontinued operations with assets and liabilities netted as a one line investment on the Company's balance sheet and the results of operations netted as a one line loss on the statement of operations.

### Results of Continuing Operations

On this restated basis, the loss from continuing operations before income taxes for the year amounted to \$10.0 million as compared to a loss of \$3.8 million in 1991. Included in the 1992 loss is \$6.5 million related to a reserve for write-downs of certain Atlantic Canadian fishing assets and another \$1.0 million in severance payments. By comparison, in 1991 a \$3.0 million gain was recorded on the sale of the Company's Lockeport plant. Adjusting for these items the Company's pre-tax income from continuing operations for 1992 was a loss of \$2.5 million compared to a loss of \$6.8 million in 1991, an improvement of \$4.3 million.

The reduction in Northern cod fishing in February followed by a full moratorium in July reduced Company sales from \$369 million in 1991 to \$351 million in 1992, a 5 percent decrease.

The decrease in supply of groundfish products from Atlantic Canada did not have the expected result on market prices. Substitution by other species from around





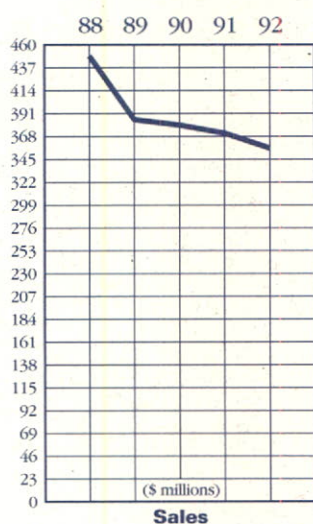
the world, as well as increases in cod quotas in Norway, limited price increases which might have accompanied the reduction in supply from Atlantic Canada. In fact, overall commodity prices of groundfish product sold by the Company decreased slightly over the year.

In spite of the problems experienced by the industry, the Company has been able to increase its gross profit margin from 17.7 percent in 1991 to 18.4 percent in 1992. The increase represents both the Company's quick reaction and flexibility to large decreases in its raw material supply, as well as the fact that the Company is now more reliant upon secondary processing which traditionally has higher margins than primary processing.

In line with the Company's continued efforts on cost control, and the more recent need to reduce fixed costs, the Company's selling, general and

administrative expenses are slightly under those recorded in 1991. This is in spite of an increase in marketing expenses in Canadian Retail in 1992 to maintain market share. It is expected that the reduction in fixed costs will be greater in 1993 as a result of major cost savings measures not taking effect until late in 1992.

Interest expense continues to decrease as the Company takes every opportunity to reduce its debt. Total interest expense reduced by \$3.9 million or 26 percent in 1992 compared to 1991, due to a reduction in interest bearing debt of \$25.0 million (excluding debt in discontinued operations). Also generally lower interest rates in 1992 assisted with the reduction in interest expense.



## Discontinued Operations

In 1992, as a result of the significant reduction in quotas off Atlantic Canada available to the Company, management made the decision to change its strategic plan and exit the U.S. food service market. As a result of this, it was also appropriate to exit the shrimp processing business as the majority of shrimp produced at the Company's plant in Dover, Florida was destined for the U.S. food service market. The revenues, expenses and net assets of these businesses are disclosed separately in the financial statements. The net assets of these operations were written down to proceeds received on their sale, with the exception of the Company's plant in Dover, Florida which was reduced to its estimated net realizable value at the anticipated date of disposal. This has resulted in a net loss to the Company of \$12 million representing the write-down of the Dover plant, related inventories and severance payments less proceeds received on the sale of the business.

During 1991, the Company reclassified its investments in Argentina, Australia, France and Portugal and a controlling interest in an aquaculture business on Canada's West Coast as discontinued operations. In 1992, the Australian and Portuguese investments were disposed of and buyers are still being sought for the French and aquaculture operations. A further write-down of the European subsidiaries in the amount of \$7.8 million has been included in the loss on disposal of discontinued operations for 1992.

The loss of discontinued operations includes \$2.1 million in 1992 versus \$2.9 million in 1991 from the U.S. Food Service marketing business and the shrimp processing business located in the United States and disposed of during the year. The 1991 amount also includes operating losses on other investments



classified as discontinued in 1991 in the amount of \$1.9 million.

### Liquidity and Capital Resources

The Company's cash position remained tight throughout the year. Cash flow from operations before changes in working capital was a positive \$9.4 million in 1992 compared to \$3.6 million in 1991, an increase of \$5.8 million.

As a result of lower quotas, both inventories and accounts receivable were lower at the end of 1992 than in 1991. In general, trade receivables remain at less than 30 days of sales and the Company's experience in collecting its receivables remains good in spite of the recessionary climate. The Company was able to generate \$10.7 million of cash on reducing its level of receivables and inventories on its ongoing business as well as \$22.8 million on the sale of inventory and receivables of discontinued operations. These proceeds have been used to reduce current borrowings.

Capital expenditures were maintained at a low level, at \$2.9 million in 1992 versus \$5.6 million in 1991. There were no major additions during the year and the capital invested represents maintenance projects. Due to the indefinite closures of several plants and the Company's objective of reducing its debt, it is expected that capital expenditures will be less than depreciation expense for the next two years.

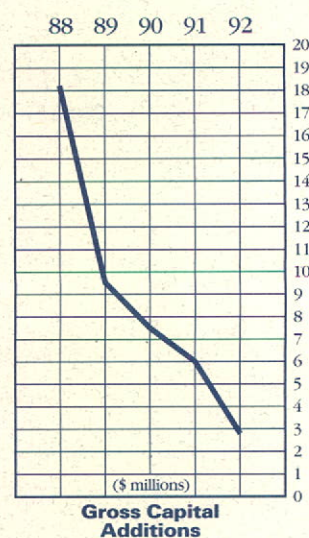
The Company's Canadian and U.S. operations are independently financed, although the Canadian parent has guaranteed the obligations of its U.S. subsidiary. Any transfer of funds between the two companies must have the approval of the respective banks. The Company's Canadian banking arrangements require that 75 percent of the proceeds from the sale of certain non-current assets be applied to reduce long-

term debt above the regularly scheduled payments of \$11 million. The Company requires the approval of its U.S. banker to repatriate funds from its U.S. subsidiary.

During 1992, the Company reduced its interest bearing debt by \$51.0 million (including the debt reduction associated with discontinued operations). This reduction is a result of the sale of the Company's Australian investment, the sale of its investment in the Northern shrimp harvesting business and the sale of the U.S. Food Service division, as well as lower levels of inventory and receivables.

Dividends on the Company's Class C and D Preference Shares continue to be paid in full. Dividends accumulated on the Second Preference Shares after June 20, 1991 have not been paid and are in arrears at year end in the amount of \$2.1 million.

Due to operating losses incurred in 1992, the Company did not meet the interest coverage test at year end as required by the Credit Agreement with its Canadian banks. In addition, due to the write-down of discontinued operations, the Company did not meet its debt to equity ratio or its working capital ratio as at year end. The Canadian banking syndicate agreed to waive the non-compliance of these financial covenants and the Company has negotiated new financial covenants for 1993 that reflect the changed situation in the Atlantic fishery and the smaller size of the Company. Banking arrangements for the Company's U.S. operations were renewed in January of 1993 for another year.





## Outlook for 1993

The Company will have less fish available for harvesting in 1993 than it did in 1992 by approximately 29 million round pounds. This represents a loss of approximately \$30 million of sales and \$5.5 million of net income. Due to the sale of its U.S. Food Service division and several other actions taken in 1992 aimed at reducing overall fixed costs, as well as a renewed emphasis on the secondary processing side of its business, the Company expects to be able to maintain a positive cash flow throughout 1993. The Company expects that its core marketing businesses will continue to be profitable, but that the costs of holding excess capacity in the fishing division of the Company will offset these positive results. Procurement of finished product and raw material from external sources continues to be a priority in order to help the Company continue to satisfy its customers. The Company does not foresee any difficulty in obtaining the raw materials necessary for its secondary processing operations, at reasonable prices.

The Company's strategies for 1993 include looking for alternate sources of raw material that can be profitably processed in its primary processing plants at Lunenburg and Arnold's Cove to assist it in satisfying its customers, as well as strengthening its core markets.

The North American seafood marketplace has been in decline, as seafood is not perceived by consumers as being good value when compared to other proteins. The Company was successful in strengthening its Canadian Retail and Food Service, U.S. Retail market position, stimulating demand and increasing market share during 1992. Plans are under way to strengthen this even further in 1993. The Company looks to its fresh fish and international

markets as opportunities to maximize profit on the remaining Atlantic Canadian raw materials.

Market prices at the beginning of 1993 for fresh products have been strong and it is anticipated they will stay strong throughout the Lenten period in the U.S. Market prices for frozen commodity products have decreased slightly in the first quarter and are not expected to increase significantly during the year. As a result of the Company's shift in emphasis to secondary processing and its retail markets, with their price stability, these decreased commodity prices will result in improved operating margins.

It is anticipated that interest rates will rise slightly during 1993. Each 1 percent change in interest rates affects the Company's pre-tax income by approximately \$0.6 million.

National Sea's exposure to foreign currency has been reduced dramatically by the reduction in quotas. The Company's sales into the U.S. market decrease the most as a result of quota reductions. As well, the Company is procuring a larger quantity of its raw material from world markets in U.S. dollars. The Company estimates that it has a net U.S. dollar cash flow into Canada of approximately \$15 million U.S., which results in a \$0.01 change in the exchange rate affecting pre-tax income by approximately \$250,000. The Company protects itself from adverse U.S. exchange rate fluctuations and has hedged a certain portion of its expected 1993 U.S. dollar transactions.

The Company is currently negotiating with its Nova Scotia trawler and scallop crews and expects these contracts to be negotiated in the normal course. Union contracts in Newfoundland have been extended indefinitely, by agreement with the union, due to the Northern cod moratorium. Nova Scotia plant contracts expire at the end of 1994.

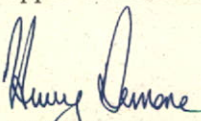


## MANAGEMENT'S RESPONSIBILITY

THE MANAGEMENT OF NATIONAL SEA PRODUCTS Limited includes corporate executives, operating and financial managers and other personnel working full time on Company business. The statements have been prepared in accordance with generally accepted accounting principles consistently applied, using Management's best estimates and judgments, 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 a reasonable assurance that, in all material respects, assets are maintained and accounted for in accordance with Management's authorization 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 five 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.



H.E. DEMONE  
President and Chief Executive Officer



K.L. NELSON  
Vice President - Finance and Administration

March 30, 1993

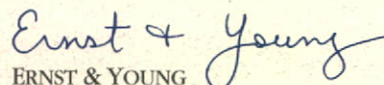
## AUDITORS' REPORT

TO THE SHAREHOLDERS OF  
NATIONAL SEA PRODUCTS LIMITED:

We have audited the consolidated balance sheets of National Sea Products Limited as at January 2, 1993 and December 28, 1991 and the consolidated statements of income, retained earnings (deficit) and cash flows for the periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 2, 1993 and December 28, 1991 and the results of its operations and the changes in its financial position for the periods then ended in accordance with generally accepted accounting principles.



ERNST & YOUNG  
Chartered Accountants

Halifax, Canada  
March 30, 1993



## CONSOLIDATED BALANCE SHEETS

*National Sea Products Limited (Incorporated under the laws of the Province of Nova Scotia)*  
(in thousands of dollars)

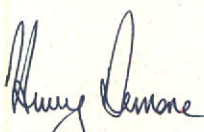
	January 2 1993	December 28 1991*
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 1,850	\$ 984
Accounts receivable (Note 2a)	25,126	26,099
Inventories (Note 2b)	50,261	62,629
Income taxes recoverable	387	1,367
Prepaid expenses	1,043	1,305
Net assets of discontinued operations (Note 3)	—	25,236
<b>Total current assets</b>	<b>78,667</b>	<b>117,620</b>
<b>Net assets of discontinued operations</b> (Note 3)	<b>16,686</b>	<b>19,018</b>
<b>Fixed</b> (Note 4)	<b>87,907</b>	<b>99,607</b>
<b>Other</b>		
Goodwill and deferred charges	6,006	6,914
Sundry investments (Note 5)	4,331	3,668
	<b>10,337</b>	<b>10,582</b>
	<b>\$ 193,597</b>	<b>\$ 246,827</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness (Note 6)	\$ 9,965	\$ 16,844
Accounts payable and accrued charges	42,087	43,296
Current installments on long-term debt	11,049	24,471
<b>Total current liabilities</b>	<b>63,101</b>	<b>84,611</b>
<b>Long-term debt</b> (Note 6)	<b>79,772</b>	<b>81,134</b>
<b>Shareholders' equity</b>		
Share capital (Note 7)	116,617	116,502
Deficit (Note 7)	(66,344)	(33,713)
Deferred foreign currency translation gains (losses)	451	(1,707)
	<b>50,724</b>	<b>81,082</b>
	<b>\$ 193,597</b>	<b>\$ 246,827</b>

Contingent liabilities (Note 14)

\*Restated - See Notes 1a and b

See accompanying notes

On behalf of the Board:



H.E. Demone  
Director



W.O. Morrow  
Director



## CONSOLIDATED STATEMENTS OF INCOME

<i>(in thousands of dollars)</i>	53 weeks ended January 2, 1993	52 weeks ended December 28, 1991*
<b>Sales</b>	\$ 351,298	\$ 369,292
Cost of sales	286,670	304,109
	64,628	65,183
Selling, general and administrative expenses	46,238	46,859
Interest expense		
- short-term	361	3,317
- long-term	10,528	11,435
Depreciation and amortization	10,551	10,157
Foreign exchange losses	664	283
	68,342	72,051
<b>Loss from continuing operations before the following</b>	(3,714)	(6,868)
Share of joint venture net earnings	—	323
Other gain on asset disposals	194	2,746
Write down of assets in continuing operations	(6,500)	—
<b>Loss from continuing operations before income taxes</b>	(10,020)	(3,799)
<b>Income taxes</b> (Note 8)		
Current	374	185
Deferred	279	126
	653	311
<b>Loss from continuing operations</b>	(10,673)	(4,110)
<b>Discontinued operations</b> (Note 3)		
Loss for the period, net of income taxes of nil (1991; recovery of \$51)	(2,067)	(4,814)
Estimated loss on disposal	(19,785)	(26,949)
	(21,852)	(31,763)
<b>Loss for the period</b>	\$ (32,525)	\$ (35,873)
Earnings per share (Note 9)		
*Restated - See Note 1a		
See accompanying notes		

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

<i>(in thousands of dollars)</i>	53 weeks ended January 2, 1993	52 weeks ended December 28, 1991
<b>Balance, beginning of period</b>	\$ (33,713)	\$ 6,255
Loss for the period	(32,525)	(35,873)
Share issue expenses	—	(1,612)
Dividends		
Class C and D Preference Shares	(106)	(106)
Second Preference Shares	—	(2,377)
<b>Balance, end of period</b>	\$ (66,344)	\$ (33,713)

See accompanying notes



# CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands of dollars)</i>	53 weeks ended January 2, 1993	52 weeks ended December 28, 1991*
<b>Cash provided by (used in) continuing operations</b>		
Loss from continuing operations	\$ (10,673)	\$ (4,110)
Charges (credits) to income not involving cash from operations		
Depreciation and amortization	12,407	11,021
Loss (gain) on asset disposals	182	(2,801)
Write down of assets	6,500	—
Deferred income taxes	981	(260)
Other non-cash items	—	(282)
Cash flow from continuing operations before changes in non-cash working capital	9,397	3,568
Net change in non-cash working capital balances related to continuing operations	10,656	(4,848)
Net change in non-cash working capital balances related to discontinued operations (Note 3)	22,728	2,668
	42,781	1,388
<b>Cash provided by (used in) financing activities</b>		
Long-term debt proceeds	777	72,714
Repayments of long-term debt	(17,998)	(83,330)
Loans repaid in discontinued operations of subsidiaries (Note 3)	(25,976)	(1,530)
Dividends paid	(106)	(2,483)
Issue of equity shares (Note 7)	115	38,828
Share issue expenses	—	(1,612)
	(43,188)	22,587
<b>Cash provided by (used in) investing activities</b>		
Purchase of fixed assets	(2,913)	(5,649)
Proceeds on disposal of discontinued operations	12,499	1,268
Proceeds on disposal of assets	1,037	3,000
Increase in other assets	(2,471)	(2,683)
	8,152	(4,064)
Increase in cash position during the period	7,745	19,911
<b>Cash position at beginning of period</b>	(15,860)	(35,771)
<b>Cash position at end of period (Note 10)</b>	\$ (8,115)	\$ (15,860)

\*Restated - See Notes 1a and b

See accompanying notes



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Significant accounting policies

The accompanying consolidated financial statements have been prepared on the historical cost basis in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards.

### (a) Basis of consolidation

The accompanying financial statements consolidate the accounts of the Company and all its subsidiary companies, except for those subsidiary companies and divisions which have been classified as discontinued operations. During 1991, the Company announced its intention to dispose of its investments outside North America, including those in Argentina, Australia, Portugal and France, together with its controlling interest in an aquaculture business on Canada's West Coast. In September 1992, the Company closed its U.S. shrimp processing plant and sold its U.S. Food Service division. In accordance with generally accepted accounting principles, revenues, expenses and cash flows of these discontinued operations are disclosed separately in these financial statements, as are the net assets of those businesses remaining to be sold at January 2, 1993. Net assets have been written down to estimated net realizable value at the anticipated date of disposal with the corresponding provision presented as a component of discontinued operations.

### (b) Change in accounting policy

During the year, the Company changed its method of accounting for its operating credit line whereby the non-revolving portion of \$12 million has been reclassified, on a retroactive basis, as long-term in these consolidated financial statements. This reclassification reflects the fact that the operating credit line is part of, and similar in terms and conditions to, the Company's long-term credit facility and is repayable in full on maturity in 1995. The impact of this change on the balance sheet is to decrease current liabilities, increase long-term debt, and correspondingly increase working capital, by \$12 million as at January 2, 1993 and December 28, 1991. In addition, \$12 million of debt has been removed from the definition of cash on the statement of cash flows for both years.

### (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) Foreign currency

Assets and liabilities of the U.S. subsidiary operation which is financially and operationally independent of the parent are translated at exchange rates prevailing at the balance sheet date. The revenues and expenses are translated at average exchange rates prevailing during the year. The

gains and losses on translation are deferred and included as a separate component of shareholders' equity titled "deferred foreign currency translation gains (losses)" until there is a realized reduction in the net investment.

Foreign currency denominated assets and liabilities of Canadian operations are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Gains or losses on translation are expensed except for the exchange gains or losses on long-term monetary items which are deferred and amortized over the remaining terms of the related items.

Foreign exchange contracts are valued at rates prevailing at the balance sheet date. The resulting gains and losses on contracts acquired to hedge foreign currency denominated monetary assets are offset by the gains and losses on the translation of those monetary assets. The resulting gains and losses on contracts acquired to hedge future foreign currency cash flows are deferred until the hedged cash flows are realized.

### (e) Fixed assets

Fixed assets are carried at the lower of cost net of accumulated depreciation and net recoverable amount with depreciation principally being provided on the straight-line basis at the following rates per annum:

Brick buildings	2 1/2%
Other buildings	2 1/2% to 5%
Machinery and equipment	5% and 10%
Vessels	6% for 5 years, 5% for the next 10 years, and 4% for the last 5 years

### (f) Net assets of discontinued operations

These investments represent the carrying value of certain business divisions, subsidiary companies and joint ventures of which the Company announced its intention to dispose.

### (g) Goodwill and deferred charges

Goodwill has been recorded on the acquisition of product brands. Goodwill is being amortized on a straight-line basis over ten years. Deferred charges represent costs incurred on new business ventures which are being written off over their expected life and bank financing costs which are written off over the term of the loans. Goodwill and deferred charges are stated at cost net of accumulated amortization. Amortization expense during the year amounted to \$2,749,000 (1991; \$1,247,000).

### (h) Sundry investments

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



(i) *Pension plans*

The Company accounts for pension costs and obligations using the accrued benefit method and values its pension plan assets at current market values. Management's best estimate assumptions are used in valuing pension obligations. Experience gains and losses and any transitional surpluses are amortized over the expected average remaining service life of plan participants.

(j) *Income taxes*

The Company follows the deferral method of tax allocation accounting in providing for income taxes. Income taxes are recorded on the current timing differences between the recognition of income or expenses for income tax and accounting purposes. Long-term deferred income tax liabilities arise principally on the difference between recorded depreciation for accounting purposes versus capital cost allowance claimed for income tax purposes.

Investment tax credits are recorded as an asset when the capital assets are purchased, with an offsetting reduction in the recorded value of fixed assets. Future depreciation on the related fixed assets is accordingly reduced.

**2. Current assets**

	January 2	December 28
(in thousands of dollars)	1993	1991
(a) <i>Accounts receivable</i>		
Trade	\$ 21,420	\$ 19,512
Affiliates	434	871
Other	3,272	5,716
	\$ 25,126	\$ 26,099
(b) <i>Inventories</i>		
Finished goods	\$ 30,877	\$ 40,448
Raw and semi-finished material	6,176	7,915
Retail stores	753	1,025
Supplies and repair parts	12,455	13,241
	\$ 50,261	\$ 62,629

**3. Discontinued operations**

In April 1991, the Company announced its intention to change its future direction and focus on its core business in North America. The investments outside North America, including those in Argentina, Australia, Portugal and France, were listed for sale together with the aquaculture business on Canada's West Coast.

In September 1992, the Company's shrimp processing plant located in Dover, Florida was closed and its U.S. Food Service division sold. The estimated net realizable value of the remaining assets has been included in discontinued operations.

Net assets of discontinued operations consist of the following:

	January 2	December 28
(in thousands of dollars)	1993	1991
Working capital, including		
bank loans	\$ 8,295	\$ 26,743
Fixed assets	6,688	19,425
Investments	1,703	6,668
Liabilities	—	(6,190)
Minority interest	—	(2,392)
	16,686	44,254
Current portion	—	25,236
	\$ 16,686	\$ 19,018

Revenue of discontinued operations, after eliminating inter-company transactions, for the fifty-three weeks ended January 2, 1993 was \$180,464,000 (1991; \$241,701,000).

Cash provided by (used in) discontinued operations consists of the following:

	Fiscal	Fiscal
(in thousands of dollars)	1992	1991
Loss from discontinued operations	\$ (21,852)	\$ (31,763)
Charges (credits) to income not involving cash from discontinued operations	21,725	30,625
Cash flow from discontinued operations before change in non-cash working capital balance	(127)	(1,138)
Cash proceeds on sale of trademarks and other intangibles	3,375	—
Net change in working capital related to discontinued operations	22,728	2,668
Loans repaid in discontinued operations of subsidiaries	\$ (25,976)	\$ (1,530)

**4. Fixed assets**

	January 2	December 28
(in thousands of dollars)	1993	1991
Land	\$ 416	\$ 443
Buildings and equipment	103,184	106,154
Vessels	90,746	90,184
Accrued investment tax credits	14,318	14,318
	208,664	211,099
Less accumulated depreciation:		
Buildings and equipment	61,824	56,844
Vessels	58,933	54,648
	120,757	111,492
	\$ 87,907	\$ 99,607



## 5. Sundry investments

Sundry investments include long-term receivables from employees of \$2,071,000 (1991; \$2,071,000) which are non-interest bearing, non-recourse loans due at various times through the year 2001 advanced under the Company's share purchase plan.

## 6. Debt

<i>(in thousands of dollars)</i>	January 2 1993	December 28 1991
Bank indebtedness		
Outstanding cheques	\$ 2,314	\$ 3,596
Bank loans (1)	7,651	13,248
	<b>\$ 9,965</b>	<b>\$ 16,844</b>
Long-term indebtedness		
Bank indebtedness (1)		
Not exceeding prime plus 0.75% due to 1995 (2)	\$ 25,350	\$ 72,000
Not exceeding U.S. base rate plus 0.75% due to 1995 (U.S. \$27,720)	35,235	—
At U.S. Prime plus 2.0% due to 1994 (U.S. \$3,797)	4,826	4,766
Property and trawler mortgages		
Average of 9.4% due to 2004	18,706	20,901
At prime plus 1% due to 1994	2,600	4,300
Capital leases at 10.4% due to 1997 (U.S. \$589)	748	18
Industrial Development Revenue Bond at 7% due to 1998 (U.S. \$2,640)	3,356	3,620
	<b>90,821</b>	<b>105,605</b>
Less current installments	11,049	24,471
	<b>\$ 79,772</b>	<b>\$ 81,134</b>

(1) The Company has pledged as collateral for its current and long-term bank indebtedness a general assignment of accounts receivable and inventories along with a fixed charge on certain vessels and plants together with a floating charge over all other assets of the Company.

(2) The Company has entered into various interest rate swap agreements to fix the interest rate on \$18,000,000 at an average of 9.53 percent to March 1997.

The Company was in technical default of its debt to equity, working capital and interest coverage tests at year end under its Canadian banking agreement. Subsequent to year end, compliance with these covenants was waived.

The principal payments required on long-term debt in each of the next five fiscal periods are as follows:  
*(in thousands of dollars)*

1993	\$11,049
1994	\$16,412
1995	\$49,586
1996	\$ 2,027
1997	\$ 1,909

It is the Company's intention to refinance the balloon payments of U.S. \$3.5 million and CDN \$46.6 million due in 1994 and 1995 respectively.

## 7. Share capital

The share capital of the Company was as follows:

	Jan 2 1993	Dec 28 1991		
<i>Authorized</i>				
Cumulative Redeemable Convertible				
Preference Shares of the par value of \$5 each, redeemable at par				
5 1/2% Class C	600,000	600,000		
5 1/2% Class D	400,000	400,000		
Cumulative Redeemable Second Preference				
Shares of the par value of \$100 each	200,000	200,000		
Preference Shares of the par value of \$25 each, issuable in series	9,999,994	9,999,994		
Subordinated redeemable preference shares of the par value of \$1 each, redeemable at par	1,025,542	1,025,542		
Common Shares without nominal or par value	44,765,220	44,765,220		
<i>Issued</i>				
	Shares Jan 2/93	( '000) Amount	Shares Dec 28/91	( '000) Amount
Class C and D				
Preference Shares	385,875	\$ 1,929	385,875	\$ 1,929
Second Preference Shares	200,000	20,000	200,000	20,000
Common Shares	29,404,071	94,688	29,346,721	94,573
		\$116,617		\$116,502

Common shares issued at January 2, 1993 and December 28, 1991 are shown net of 133,500 shares in the amount of \$487,000 which are owned by a subsidiary company.

### Preference Shares

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.

The Second Preference Shares are redeemable at their par value plus accrued and unpaid dividends. Cumulative dividends are payable quarterly at one-half the bank prime lending rate plus 3 percent. Dividends are in arrears at January 2, 1993 in the cumulative amount of \$2,140,000 (1991; \$796,000).

The Class C and Class D Preference Shares and the Second Preference Shares will be redeemable in full in the event of any redemption or purchase for cancellation of any shares of the Company.

### Common Shares

Pursuant to a shareholders' resolution in June 1991, the Non-Voting Equity Shares were reclassified and converted into Common Shares on a 1:1 basis effective June 19, 1991. All references to Common Shares prior to that date in these notes give retroactive effect to this reclassification.



### *Share Option and Share Purchase Plans*

The Company has a common share option plan for designated directors, officers and certain managers of the Company and of subsidiary companies, with outstanding options not to exceed 10 percent of the issued Common Shares. Options totalling 741,400 (1991; 715,200) Common Shares have been granted and are still outstanding at year end, at prices of \$3.80 (1991; \$3.80) to \$19.75 (1991; \$20.375), to be exercised at various times through the year 2000.

The Company has an employee and crew member share purchase plan whereby the Company will sell treasury Common Shares to the participants at market price. The Company is committed to purchase on the stock exchange, for the benefit of participants, shares of the Company in the amount of \$2 for each \$10 of treasury shares issued. During the year, 57,350 (1991; 40,243) shares were issued for \$115,000 (1991; \$177,000).

The Company has a share purchase plan which provides that the Company loan funds, interest free, to designated officers to purchase Common Shares in the Company. The shares are held by a trustee for the officers until the loan is repaid. There were no Common Shares issued under the Plan during 1992 (1991; 90,500 Common Shares issued for \$385,000) (Note 5). During 1991, 133,500 of the Common Shares issued under this Plan were purchased by a subsidiary company at their original cost.

### *Share Purchase Warrants Issue*

During 1990, in connection with funds raised on the issue of subordinated debt, the Company issued 125,000 Common Share purchase warrants with an exercise price of \$6.75 per share and 125,000 Common Share purchase warrants with an exercise price of \$5.25 per share. These warrants expire in May 1995.

During 1991, the Company issued 9,563,614 purchase warrants at a price of \$4 per warrant for total consideration of \$38,255,000, convertible on a one-for-one basis to Common Shares in the Company. All warrants were converted into Common Shares during 1991.

### *Shares Issued*

The following share transactions occurred during the year:

	Fiscal 1992		Fiscal 1991	
	Shares	Amount ('000)	Shares	Amount ('000)
<i>Common</i>				
Share option and purchase plans	57,350	\$ 115	131,443	\$ 564
Shares issued on conversion of non-voting equity shares	—	—	11,476,702	38,548
Shares issued on conversion of subordinated debt and accrued interest at market	—	—	2,500,205	10,001
Shares issued for cash at market	—	—	7,063,409	28,254
	57,350	\$ 115	21,171,759	\$ 77,367
<i>Non-voting equity</i>				
Share option plan	—	—	2,644	\$ 9
Converted into common shares	—	—	(11,476,702)	(38,548)
	—	—	(11,474,058)	\$ (38,539)

### **8. Income taxes**

The Company has provided for income taxes in 1992 and 1991 due to the requirement to pay minimum taxes in North America regardless of income.

The Company has unrecorded potential income tax benefits resulting from non-capital losses of approximately \$40 million and income tax values of depreciable and other assets exceeding corresponding net book values by approximately \$19 million. These amounts are available to reduce future income for tax purposes, with the losses expiring from 1997 through 2007. Any reduction in future income taxes resulting from the utilization of these amounts will be reflected as a reduction to the income tax expense of the year when these benefits are realized.

The Company has investment tax credit carryforwards of approximately \$16 million available to reduce Canadian federal income taxes, with these credits expiring from 1998 through 2002.

### **9. Earnings per share**

	Fiscal 1992	Fiscal 1991
<i>Earnings per Common Share</i>		
Basic		
Loss from continuing operations	\$ (0.41)	\$ (0.27)
Loss for the period	\$ (1.16)	\$ (1.70)

Loss from continuing operations represents the after tax earnings of the Company prior to the deduction of the loss and estimated loss on disposal of discontinued operations.



Earnings available to Common shareholders has been reduced by dividends in arrears on Second Preference Shares of \$1,344,000 in 1992 and by dividends paid or in arrears on these shares of \$1,647,000 in 1991.

The weighted average number of shares outstanding for the year for basic earnings per share calculations are 29,349,100 (1991; 22,119,000), Common Shares.

#### 10. Cash position

<i>(in thousands of dollars)</i>	January 2 1993	December 28 1991
<i>Cash position is composed of</i>		
Cash	\$ 1,850	\$ 984
Bank indebtedness	(9,965)	(16,844)
	<b>\$ (8,115)</b>	<b>\$ (15,860)</b>

#### 11. Segmented information

The Company is primarily engaged in the seafood industry in North America which involves the purchasing or harvesting, processing and marketing of seafood. Operations and identifiable assets by geographic region for the periods indicated are as follows:

<i>(in thousands of dollars)</i>	Fiscal 1992	Fiscal 1991
<i>Segmented Sales</i>		
Canada		
Domestic	\$ 123,074	\$ 127,911
Export		
United States	68,151	99,705
Europe and Pacific Rim	50,842	54,112
Inter-segment		
United States	14,691	25,668
	<b>256,758</b>	<b>307,396</b>
United States		
Domestic	109,231	87,564
Inter-segment		
Canada	7,321	6,468
	<b>116,552</b>	<b>94,032</b>
	<b>373,310</b>	<b>401,428</b>
Less inter-segment sales	22,012	32,136
<i>Consolidated Sales</i>	<b>\$ 351,298</b>	<b>\$ 369,292</b>
<i>Segment contribution to income (loss)</i>		
Canada	\$ (12,390)	\$ (7,241)
United States	1,717	3,131
	<b>(10,673)</b>	<b>(4,110)</b>
Loss from and estimated loss on disposal of discontinued operations	(21,852)	(31,763)
<i>Loss for the period</i>	<b>\$ (32,525)</b>	<b>\$ (35,873)</b>
<i>Identifiable assets</i>		
Canada	\$ 138,164	\$ 157,746
United States	38,747	44,827
	<b>176,911</b>	<b>202,573</b>
Net assets of discontinued operations	16,686	44,254
<i>Total assets</i>	<b>\$ 193,597</b>	<b>\$ 246,827</b>

Inter-segment sales are valued at market prices reduced by selling costs.

#### 12. Pension plans

The Company maintains a defined benefit pension plan for management employees, as well as other plans for salaried and non-salaried employees which provide benefits on a money purchase basis for the employees' contributions, with the Company providing a defined benefit based on years of membership in the plan.

The total market value of pension plan assets at January 2, 1993 is \$11.2 million (1991; \$11.0 million). This represents a surplus in the various plans of approximately \$1.9 million, in excess of the actuarial present value of accrued pension benefits attributed to services rendered. This surplus will be used to reduce the Company's contributions in future years in accordance with accounting policy 1(i).

#### 13. Commitments

The Company has four vessel operating leases with annual lease payments totalling approximately \$3.6 million for the next year, \$3.4 million for each of the next four years, \$3.0 million in the sixth year and \$1.9 million in the seventh year.

Other operating lease commitments are less than \$3.5 million in 1993, \$3.0 million in 1994 and \$2.3 million in the following three years. They result principally from leases for office equipment, premises and production and fleet equipment.

#### 14. Contingent liabilities

The Company has guaranteed the payment of principal and interest on current bank and other long-term indebtedness of certain discontinued operations to the extent of \$3.4 million. The Company's contingent liability under these guarantees amounted to \$2.9 million at January 2, 1993.



## SELECTED CONSOLIDATED FINANCIAL DATA

### FIVE YEAR FINANCIAL DATA

(All amounts in thousands  
except as indicated +)

	1992	1991	1990	1989	1988
<b>Sales</b>	<b>\$ 351,298</b>	369,292	380,577	387,090	454,666
Gross margins	64,628	65,183	77,890	63,754	80,519
Selling & administration	(46,238)	(46,859)	(50,219)	(55,992)	(55,465)
Depreciation and amortization	(10,551)	(10,157)	(12,470)	(12,435)	(11,693)
Income (loss) from joint ventures	—	323	(230)	126	533
Interest expense	(10,889)	(14,752)	(18,145)	(16,446)	(12,965)
Exchange losses	(664)	(283)	(218)	(896)	(1,117)
<b>Loss from continuing operations before undernoted items</b>	<b>(3,714)</b>	(6,545)	(3,392)	(21,889)	(188)
Gain on loss of vessel	—	—	—	6,482	—
Gain (loss) on rationalization	—	—	6,817	(15,945)	—
Other gain on assets disposal	194	2,746	1,526	58	13
Writedown of assets in continuing operations	(6,500)	—	—	—	—
<b>Income (loss) from continuing operations before income taxes</b>	<b>(10,020)</b>	(3,799)	4,951	(31,294)	(175)
Income tax recovery (expense)	(653)	(311)	(786)	12,819	586
<b>Income (loss) from continuing operations</b>	<b>(10,673)</b>	(4,110)	4,165	(18,475)	411
Income (loss) of and estimated loss on disposal of discontinued operations	(21,852)	(31,763)	(6,366)	(13,915)	(6,257)
<b>Loss for the period</b>	<b>\$ (32,525)</b>	(35,873)	(2,201)	(32,390)	(5,846)
<b>Basic earnings per Common Share (2)</b>					
From continuing operations	+\$ (0.41)	(0.27)	0.11	(1.17)	(0.08)
Loss for the period	+\$ (1.16)	(1.70)	(0.22)	(1.97)	(0.47)
<b>Average number of Common Shares outstanding during the period</b>	<b>29,349</b>	22,119	18,972	17,297	16,261
<b>C &amp; D Preference Shares</b>					
Dividends declared and paid	\$ 106	106	106	106	106
Dividend per share	+\$ 0.275	0.275	0.275	0.275	0.275
<b>Second Preference Shares</b>					
Dividend declared and paid	\$ —	2,377	—	—	—
Dividend per share	+\$ —	11.88	—	—	—
<b>Common Shares</b>					
Dividends declared and paid	\$ —	—	—	2,201	2,459
Dividend per share	+\$ —	—	—	0.127	0.151



## SELECTED CONSOLIDATED FINANCIAL DATA

### FIVE YEAR FINANCIAL DATA

(All amounts in thousands  
except as indicated +)

	1992	1991	1990	1989	1988
Current assets	\$ 78,667	117,620	87,028	116,173	115,301
Property, plant & equipment	87,907	99,607	103,604	115,746	115,819
Net assets of discontinued operations	16,686	19,018	73,113	78,324	98,814
Intangibles	6,006	6,914	6,295	6,443	5,440
Other assets	4,331	3,668	2,897	1,078	4,536
<b>Total assets</b>	<b>\$ 193,597</b>	<b>246,827</b>	<b>272,937</b>	<b>317,764</b>	<b>339,910</b>
Current liabilities	\$ 63,101	84,611	82,056	104,860	99,445
Long-term debt	79,772	81,134	108,712	130,651	124,686
Deferred income taxes	—	—	—	1,143	14,620
Preference shares	21,929	21,929	21,929	21,929	21,929
Common shareholders' equity	28,795	59,153	60,240	59,181	79,230
<b>Total liabilities and shareholders' equity</b>	<b>\$ 193,597</b>	<b>246,827</b>	<b>272,937</b>	<b>317,764</b>	<b>339,910</b>
<b>Book value per common share</b>	<b>+\$ 0.91</b>	<b>1.99</b>	<b>3.05</b>	<b>3.14</b>	<b>4.79</b>
<b>Ratio of current assets to current liabilities</b>	<b>+ 1.25:1</b>	<b>1.39:1</b>	<b>1.06:1</b>	<b>1.11:1</b>	<b>1.16:1</b>
<b>Ratio of long-term debt to equity</b>	<b>+ 1.57:1</b>	<b>1.00:1</b>	<b>1.32:1</b>	<b>1.61:1</b>	<b>1.23:1</b>

- (1) All historical information has been restated to give retroactive effect to the deconsolidation of discontinued operations and changes in accounting policies.
- (2) Per Common Share information is provided after giving retroactive effect to the reclassification in June 1991 of all Non-Voting Equity Shares as Common Shares. This created a single class of voting Common Shares.

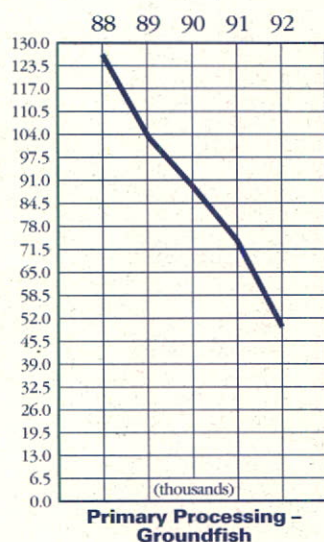


## FIVE YEAR OPERATING STATISTICS

<i>Tonnage (Metric Tonnes)</i>	1992	1991	1990	1989	1988
Groundfish fleet landings	43,058	59,750	73,990	85,963	103,969
Primary processing — groundfish	48,056	73,510	89,681	103,464	126,176
Secondary processing — groundfish	33,388	29,186	28,766	28,177	28,181
Total production	81,444	102,696	118,447	131,641	154,357
% of secondary processing to total production	41.0%	28.4%	24.3%	21.4%	18.3%
Number of employees	2,507	4,478	4,758	6,022	6,330
Gross capital expenditures (\$000)	2,913	5,987	7,484	9,621	18,243

Note 1: The above statistics include continuing operations only.

Note 2: 1 metric tonne = 2,204.6 lbs.



## QUARTERLY FINANCIAL DATA

(All amounts in thousands except as indicated+)

*Fiscal 1992*

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Sales	\$ 117,011	88,208	71,904	74,175	351,298
Income (loss) from continuing operations	\$ 1,316	1,698	(9,125)	(4,562)	(10,673)
Net income (loss)	\$ 2,308	193	(30,602)	(4,424)	(32,525)
Basic earnings per Common Share (1)					
Income (loss) from continuing operations	+\$ 0.03	0.05	(0.32)	(0.17)	(0.41)
Net income (loss)	+\$ 0.07	(0.01)	(1.05)	(0.17)	(1.16)

*Fiscal 1991*

Sales	\$ 115,120	93,270	82,571	78,331	369,292
Income (loss) from continuing operations	\$ 6,039	2,452	(7,662)	(4,939)	(4,110)
Net income (loss)	\$ 4,409	(26,447)	(8,797)	(5,038)	(35,873)
Basic earnings per Common Share (1)					
Income (loss) from continuing operations	+\$ 0.25	0.09	(0.37)	(0.24)	(0.27)
Net income (loss)	+\$ 0.18	(1.21)	(0.42)	(0.25)	(1.70)

(1) Per Common Share information is provided after giving retroactive effect to the reclassification in June 1991 of all Non-Voting Equity Shares as Common Shares. This created a single class of voting Common Shares. Quarterly per Common Share information is calculated using the weighted average number of Common Shares outstanding for the year, and may differ from earnings per share reported in each quarter.



# CORPORATE DIRECTORY

## Directors

C.R. Bell  
*St. John's, Nfld.*

G.E. Bishop  
*Hantsport, N.S.*

M.L. Campbell <sup>2</sup>  
*Toronto, Ont.*

K.V. Cox  
*Saint John, N.B.*

H.E. Demone <sup>1</sup>  
*Halifax, N.S.*

R.P. Dexter  
*Halifax, N.S.*

F.J. Dickson Q.C.<sup>1,2</sup>  
*Truro, N.S.*

D.J. Hennigar<sup>1</sup>  
*Bedford, N.S.*

J.T. MacQuarrie, Q.C.  
*Halifax, N.S.*

W.O. Morrow <sup>1</sup>  
*Halifax, N.S.*

C.C. Pratt  
*St. John's, Nfld.*

D.E. Read <sup>1</sup>  
*Halifax, N.S.*

M.J. Regan <sup>2</sup>  
*Toronto, Ont.*

W.A. Rix  
*Charlottetown, P.E.I.*

R.E. Shea <sup>2</sup>  
*Boston, Mass.*

D.R. Sobey <sup>1,2</sup>  
*Stellarton, N.S.*

## Honorary Directors

H.P. Connor

J.B. Estey

C.R. MacFadden

J.B. Morrow

Honorable H.J. Robichaud

F.W. Russell

## Officers

NATIONAL SEA  
PRODUCTS LIMITED

W.O. Morrow <sup>3</sup>  
*Chairman of the Board*

D.J. Hennigar  
*Vice Chairman*

H.E. Demone <sup>3</sup>  
*President and  
Chief Executive Officer*

K.L. Nelson <sup>3</sup>  
*Vice President  
Finance &  
Administration*

L.A. Pettersson <sup>3</sup>  
*Vice President  
U.S. Operations*

H.H. Oakes  
*Vice President  
Nova Scotia Operations*

A. B. Wareham  
*Vice President  
Newfoundland  
Operations*

M. A. Yeadon  
*Vice President  
Government Relations*

F.D. McGee, Q.C.  
*Corporate Secretary*

D.M. Hoffman  
*Corporate Controller*

J.M. Sao Miguel  
*Treasurer*

## Plants

Nova Scotia  
*Lunenburg  
Louisbourg  
North Sydney*

Newfoundland  
*Arnold's Cove  
Lark Harbour  
La Scie*

New Hampshire  
*Portsmouth*

## Subsidiary Companies

National Sea Products  
Incorporated

Scotia Trawler  
Equipment Limited

Fisheries Resource  
Development  
(1988) Limited

Deep Sea Clam  
Company Limited

National Sea S.A.

Pacific Aqua Foods Ltd.

## Auditors

Ernst & Young  
Chartered Accountants

## Transfer Agent

Montreal Trust Company

## Bankers

The Royal Bank  
of Canada

Barclays Bank of Canada

Credit Lyonnais Canada

Dresdner Bank Canada

Congress Financial  
Corporation

<sup>1</sup> Member, Executive Committee

<sup>2</sup> Member, Audit Committee

<sup>3</sup> Member, Policy Development Committee





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