**Redpath Industries Limited** **Annual Report 1981**

## Financial Highlights

**Redpath Industries Limited**

Redpath Industries Limited is a diversified company with operating divisions, subsidiaries and joint venture investments in the areas of nutritive sweeteners, plastics, aluminum, folding cartons and flexible packaging. The company has 29 offices and plants in Canada, the United States and abroad. Corporate offices are located in Toronto, Ontario.

| | |
|---|---|
| REVENUE | **$465,977,000** |
| INCOME BEFORE EXTRAORDINARY ITEM | **13,595,000** |
| DIVIDENDS PAID | |
| PREFERENCE | **2,217,000** |
| COMMON | **3,820,000** |

Record high levels were established for revenue and income.

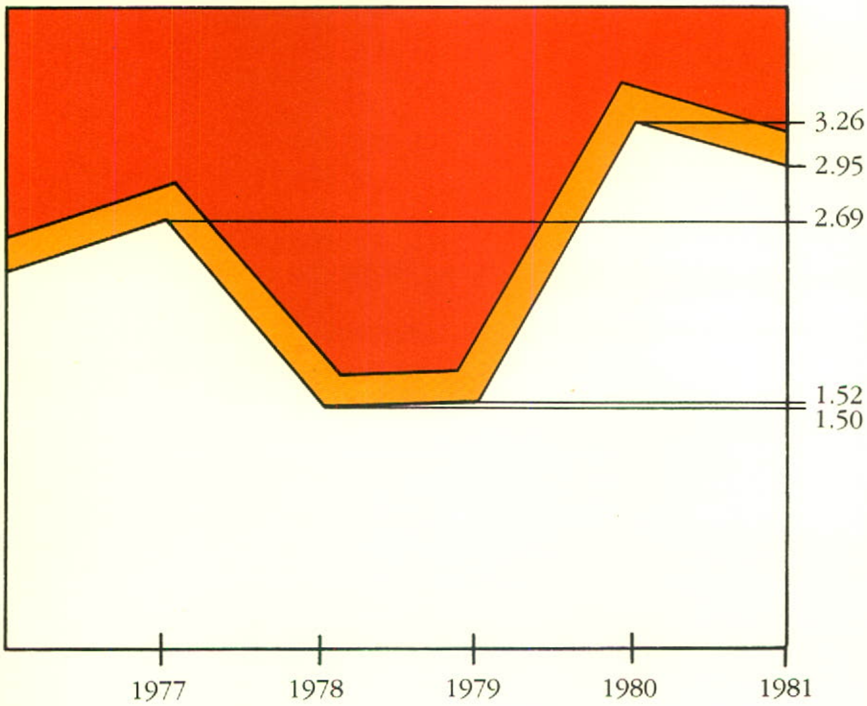
Net income for the year of **$15,495,000** includes the extraordinary item of **$1,900,000** realized from recovery of income taxes on carry forward of losses incurred in prior years and a gain of **$4,700,000** from sales of base stock and investments.

Capital expenditures in the year totalled **$26,237,000.**

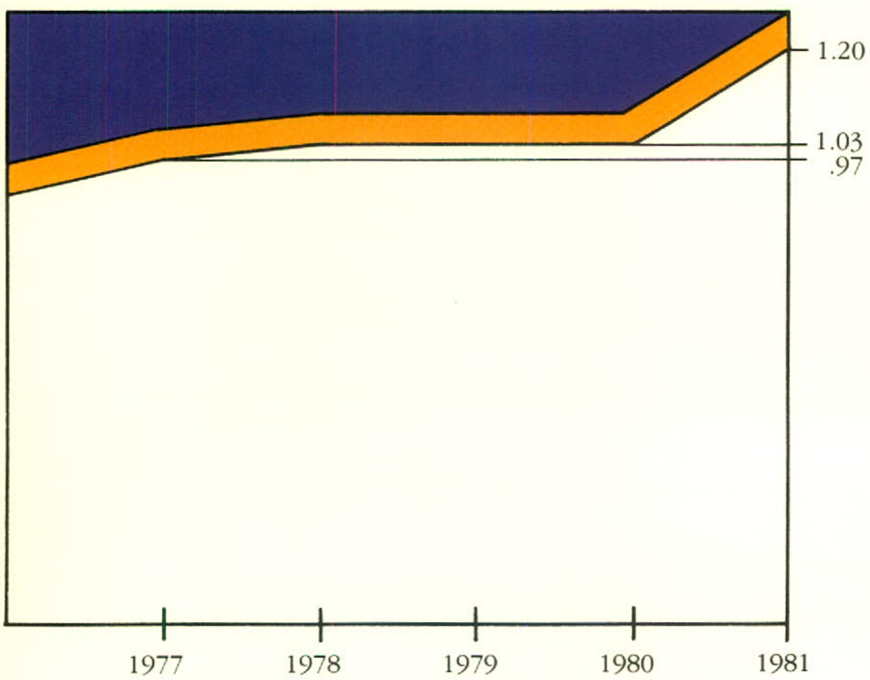
**Shareholders' Annual Meeting**

The annual meeting of shareholders will be held at the Four Seasons Hotel, 21 Avenue Road, Toronto, on March 9, 1982 at 11:30 a.m., E.S.T. Luncheon will be served following the meeting.

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




**Fully diluted earnings per share** *(before extraordinary item)*




**Dividend per common share**

## Directors' Report to Shareholders

*L.R. Wilson joined the Board of Directors of Redpath Industries Limited and was appointed President and Chief Executive Officer of the company in June, 1981.*

Net income for 1981 before an extraordinary item rose by $3.2 million from $10.4 million in 1980 to $13.6 million. After taking into account the increase in the number of shares outstanding as a result of the issue of convertible preference shares in September 1980, fully diluted earnings per share before a $1.9 million extraordinary item were $2.95 against $3.26 in 1980, and $3.36 per share including the extraordinary item compared with $4.11 per share in the previous year.

1981 net income also included $4.7 million of non-recurring profits *($6.1 million in 1980),* comprised of $2.9 million on the sale of base stock and $1.8 million on the sale of investments. The extraordinary item of $1.9 million *($2.7 million in 1980)* reflects reduction in income taxes in Refined Sugars Inc. arising from the carry forward of losses incurred in prior years.

Revenues of $466 million were 21% higher than the $386 million in the previous year. The increase was largely in the sweeteners division, reflecting higher average world sugar prices. Revenues in the construction and packaging materials divisions were 17% higher than in 1980.

During the year capital expenditures of $26.2 million were made, financed largely from the proceeds of the September 1980 preference share issue. Working capital, $3.4 million lower at $66.5 million at year end, included $23.1 million of income taxes recoverable during the current year, mainly representing the impact of the decline since September 1980 in world sugar prices on the company's inventory values for taxation purposes.

Dividends amounting to $1.20 per share were paid on common shares during the company's 1981 year. This marks the fiftieth consecutive year in which dividends have been paid since the incorporation of Canada and Dominion Sugar Company Limited, Redpath Industries' predecessor, in December, 1930.

The 1980 annual report included for the first time supplementary financial information on a current cost basis (inflation accounting) in addition to the regular financial statements. This presentation generated wide interest last year and current cost statements are again presented.

Redpath Sugars division refinery at Toronto, Ontario operated close to capacity throughout the year. Substantial discounting of Canadian refined sugar prices continued in 1981, again restricting profit levels in the division. High fructose sweeteners for industrial use are making increasing inroads into refined sugar markets in Canada. With the rationalization of its production facilities, however, Redpath Sugars is well placed to meet the competitive forces in the marketplace. Raw sugar trading transactions during the year were profitable.

Refined Sugars Inc., the company's joint venture in Yonkers, New York, operated its refinery at high volume during 1981 and enjoyed a sizeable increase in profits. It is now providing a substantial return on the company's investment. Capital spending since the acquisition of RSI has created a modern and efficient refinery positioning RSI to compete effectively.

The first phase of the Zymaize corn sweetener plant in London, Ontario came into production in August 1981. The year's results include an after tax loss for the initial operating month of September of $712,000 and a $916,000 after tax expense in connection with pre-start-up activities. The price of HFCS, Zymaize's principal product, a substitute for liquid sucrose, is significantly affected by international sugar prices. Although with depressed sugar prices expected to persist through much of 1982, Zymaize will be unprofitable in the current year, Redpath continues to view its medium and longer term prospects with optimism. Expansion of plant facilities to produce an enriched HFCS is underway.

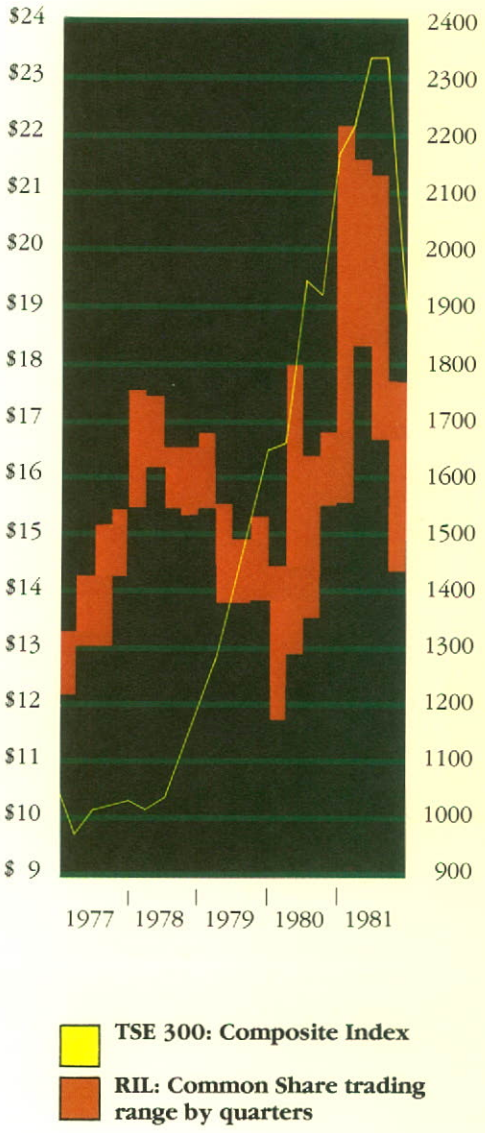
In the construction materials division, Daymond completed a satisfactory year in both its plastics and aluminum operations. Development and expansion of Daymond's vinyl siding division continued during the year and its land drainage division experienced further growth. The aluminum division made additional gains in supplying the automotive market.

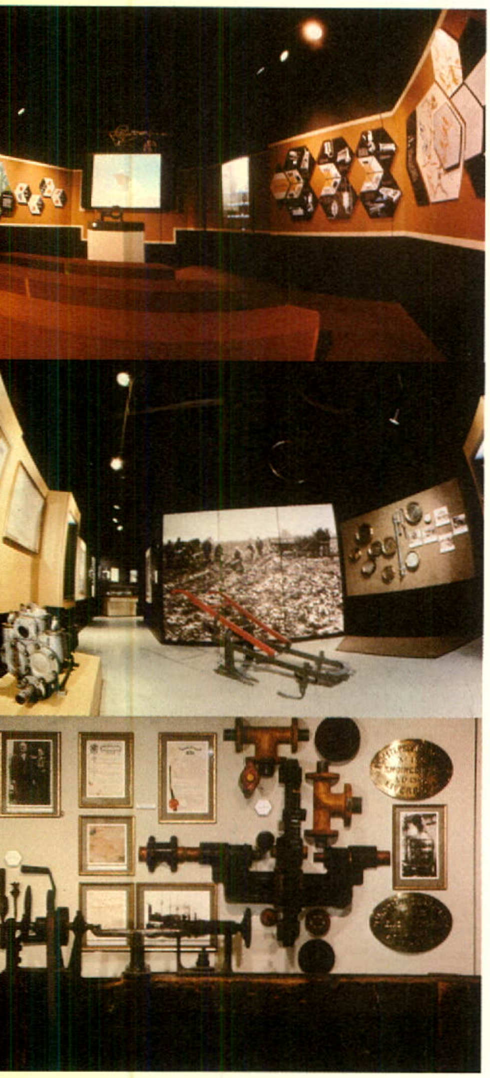
Multi Fittings experienced substantially improved sales in 1981, particularly in its Canadian operations. Competition in the U.S. remains severe as a result of adverse market conditions in the housing construction industry.

Gienow's results in 1981 reflected the downturn in housing construction in Calgary and a contraction of the industrial camp market.

Technological improvements introduced at CB Packaging and Merry Packaging broadened their production capabilities enabling the division to offer a wide range of packaging materials. With these capital improvements, the packaging division is expected to continue to grow in 1982.

During the year, your company continued its participation in oil and gas exploration drilling and related development activities, primarily in the United States. To date, while the program has enjoyed a favourable ratio of wells completed, cash flow has been restricted by constraints on the development of markets for western Canadian gas.





*More than 20,000 guests have visited the Redpath Sugar Museum since it opened in April, 1978. Here you see three areas of the Museum: the theatre (top), part of the sugar beet display (centre) and a lathe used for refinery equipment.*

During the year, Redpath fulfilled its obligations relating to the sugar complex in the Ivory Coast. The overseas consulting and engineering activities are being terminated.

On October 1, 1981 Redpath Industries Limited amalgamated with its principal wholly-owned subsidiaries under the name of Redpath Industries Limited. This amalgamation will permit a rationalization of the company's various business interests through a sweeteners division, a construction materials division and a packaging division. The company had previously amalgamated with its wholly-owned subsidiary, Redpath International Inc. on June 30, 1981.

Over the past five years, your company has completed the most significant capital investment program in its history at Refined Sugars Inc. and Zymaize Company. By virtue of these investments and its 127-year history in the eastern Canadian sugar refining business, the company is firmly established in the North American sweetener industry. These sweetener activities accounted for 74% of RIL's assets and 80% of its revenue in 1981. In addition, the company has successfully established a base position in construction and packaging materials and in oil and gas. Redpath will continue to explore opportunities for further growth and development in Canada and the United States in business fields where new investments can be successfully managed.

Following his appointment as Group Managing Director of Tate & Lyle PLC, Neil M. Shaw resigned as President and Chief Executive Officer of the company. He continues as a director and was appointed Vice Chairman of the Board.

Colin Lyle of London, England resigned from the Board in September 1981 after eleven years of service. Robert G. Brownridge resigned as a director and officer of Redpath Industries Limited in order to accept an appointment as President, Seaway Insurance Company, Bermuda, a wholly-owned subsidiary. He served as a director of RIL from November 1974 and held senior positions in the company for many years. Their contributions to the company over the years are gratefully acknowledged.

L.R. Wilson succeeded Mr. Shaw as President and Chief Executive Officer and was appointed a director in June 1981.

During the year C.R. Sharpe, Chairman and Chief Executive Officer, Simpsons-Sears Ltd., and J.R. Kerr Muir, appointed in July to succeed R.G. Brownridge as Vice-President, Finance and Treasurer of the Company were also appointed to the Board. Their extensive business experience will be of significant benefit to the company.

Murray D. McEwen *(President, Redpath Sugars division)* was appointed Vice-President of Redpath Industries Limited and Jules R. Quenneville joined the company in June as Corporate Controller.

The company continues to recognize the importance of maintaining good employee relations. We are again pleased to report that no work interruptions occurred at any of the company's production facilities during the year.

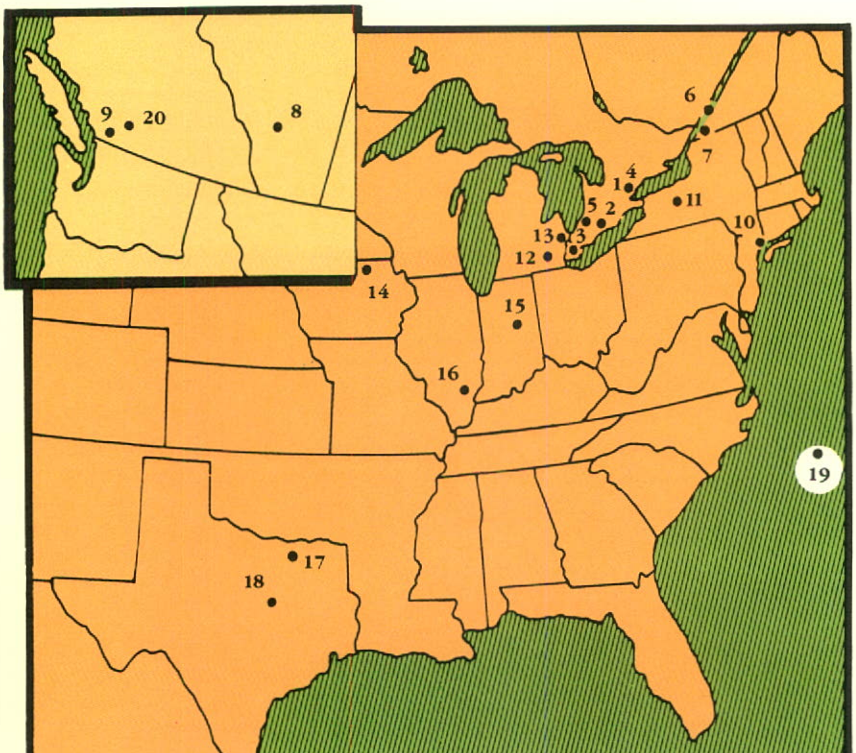
For the ninth consecutive year an ex-gratia increase in pensions was authorized effective January 1, 1982.

We are happy to acknowledge and express our appreciation for the efforts and support of our employees throughout the year. Innovative leadership in the areas of productivity improvement and enhanced efficiency has been crucially important to the sucessful response of Redpath's organization to the challenges of the present difficult times. Continued loyalty and support from all members of the Redpath team allow us to view the future with confidence.

On behalf of the Board

**L.R. Wilson**
*President & Chief Executive Officer*

January 28, 1982




**1. Toronto,** *Ontario*
CB PACKAGING/HOLWAY
MERRY PACKAGING
REDPATH SUGARS
REDPATH INDUSTRIES LIMITED

**2. London,** *Ontario*
MULTI FITTINGS
ZYMAIZE

**3. Chatham,** *Ontario*
REDPATH SUGARS
DAYMOND

**4. Mississauga,** *Ontario*
DAYMOND
MSU DAYMOND CANADA LTD.

**5. Huron Park,** *Ontario*
DAYMOND

**6. Montreal,** *Quebec*
REDPATH SUGARS

**7. Baie d'Urfé,** *Quebec*
DAYMOND

**8. Calgary,** *Alberta*
GIENOW
DAYMOND
MULTI FITTINGS

**9. Langley,** *British Columbia*
MULTI FITTINGS

**10. Yonkers,** *New York*
REFINED SUGARS INC.

**11. Geneva,** *New York*
CERTAIN-TEED/DAYMOND CO.

**12. Ann Arbor,** *Michigan*
CERTAIN-TEED/DAYMOND CO.

**13. St. Clair,** *Michigan*
MULTI FITTINGS (USA) LTD.

**14. Lake Mills,** *Iowa*
CERTAIN-TEED/DAYMOND CO.

**15. Montpelier,** *Indiana*
CERTAIN-TEED/DAYMOND CO.

**16. Lawrenceville,** *Ilinois*
CERTAIN-TEED/DAYMOND CO.

**17. Dallas,** *Texas*
MULTI FITTINGS (USA) LTD.

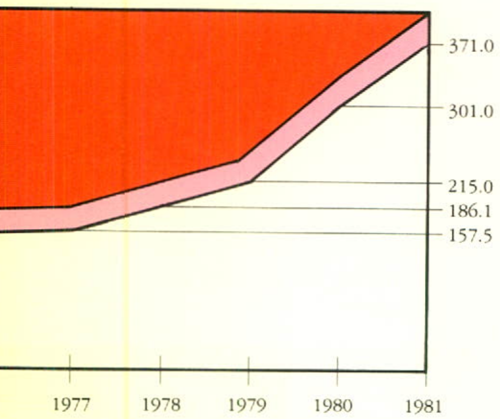
**18. Waco,** *Texas*
MULTI FITTINGS (USA) LTD.

**19. Hamilton,** *Bermuda*
SEAWAY INSURANCE LTD.

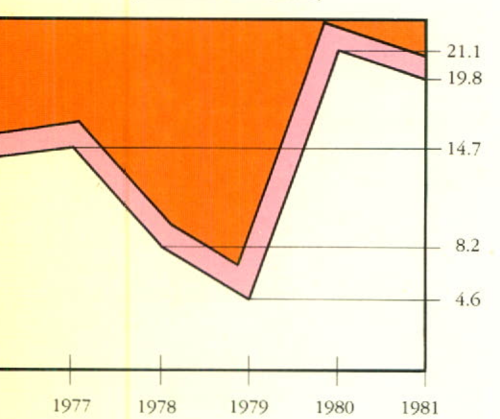
**20. Chilliwack,** *British Columbia*
DAYMOND

## Sweeteners Division

**Revenue**
(millions of dollars)




**Operating Income**
(millions of dollars)




### Redpath Sugars

The domestic refined sugar industry continues to experience extraordinarily competitive conditions, although two eastern Canadian refineries ceased operating in the past two years. Refineries in eastern Canada are continuing to operate close to capacity as a result of contracts for the supply of refined sugar to foreign destinations. Continuing and expanding penetration of high fructose syrup has kept refinery margins below satisfactory levels. With the impact of HFCS, there will continue to be excess refining capacity for the needs of the domestic market.

Even though the division experienced a decrease in its domestic sugar volume in the past year due to increasing HFCS consumption, its relative position in the market was stable and it is expected that position will be maintained in the future. The division is committed to maintaining its refining operations at or near capacity. Over the past year significant reductions in costs have been achieved and it is believed that the company's Toronto refinery is the most efficient in the industry.

As mentioned in the 1980 Annual Report, the division continued its review of inventory and financing costs with regard to the level of base stock of raw sugar for efficient operations at its Toronto refinery. As a result, 7,000 tonnes were sold during the year with a positive effect of $2.9 million on the company's income. The above factors together with raw sugar purchasing and trading activities produced a satisfactory profit in the light of competitive conditions.

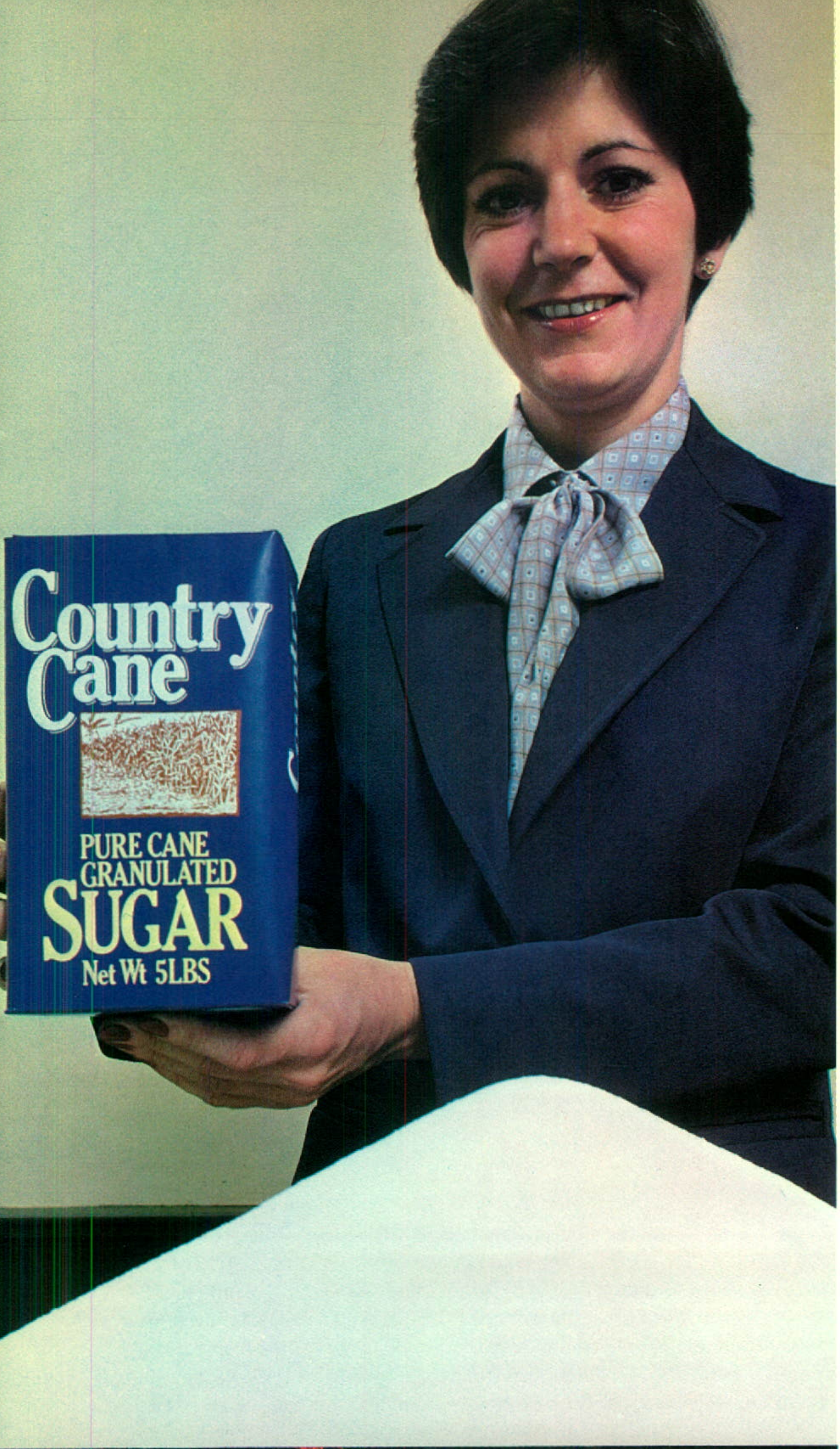
Redpath Sugars has become a major distributor of both glucose and HFCS, as well as blends of these products with liquid sugars. It expects to become the largest distributor of total sweeteners in Canada.

### Refined Sugars Inc.

Refined Sugars Inc. experienced a satisfactory year with increased volume and made an important contribution to earnings. Located in Yonkers, New York, RSI is the second largest supplier of cane sugar to the northeastern United States. It was one of the early pioneers in introducing liquid sugar to the American food and beverage industries. Shortly after RSI was acquired in 1976 a capital program was undertaken to improve refining capabilities and growth prospects. Refinery emphasis was changed from liquid to granulated sugar. In order to reflect the new product mix, the name was changed to Refined Sugars Inc.

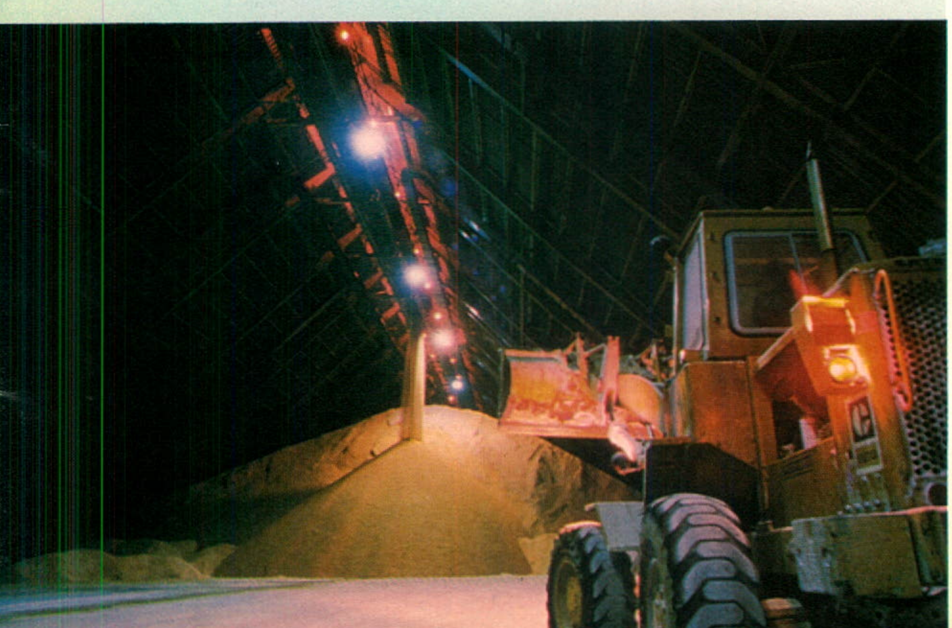
Over 450 people are employed at the refinery which is capable of producing and supplying more than half a million tons of refined sugar annually in both granulated and liquid forms. During 1982 a 5-pound grocery package will be launched, at which time RSI will be supplying all segments of the industrial and consumer sugar consumption markets.

*By late autumn the raw sugar shed is stocked with supplies for the winter.*




*Irene Blassetti proudly displays "Country Cane", the new five-pound package of granulated sugar introduced by Refined Sugars Inc., Yonkers, New York, in 1982.*

*In the centrifuge, a molasses-like coating is spun off of the granulated sugar, leaving the white granules.*



*A reflection of the Zymaize plant in London, Ontario can be seen in the steel body of the special trucks used to deliver HFCS to customers.*

**Zymaize**

Zymaize Company, a joint venture of Redpath Industries and John Labatt Limited, located in London, Ontario, began production of high fructose corn syrup 42% (HFCS) in August, 1981. Plans were approved in June, 1981 for the expansion of overall daily grind capacity from 24,000 to 30,000 bushels of corn and the construction of a facility to produce enriched high fructose corn syrup 55% to meet the requirements of the soft drink industry. Completion of this work is scheduled for early 1983. At Zymaize, corn is first brought by truck or train to the check-in station. A wet milling process is used to extract starch from the corn. The starch is converted to a dextrose syrup, purified and converted to a fructose syrup. Enzymes are used in the conversion process.

The processed corn produces HFCS, glucose, dry starch, and by-products of feed and corn oil. The confectionery and soft drink industries present the largest markets for HFCS.

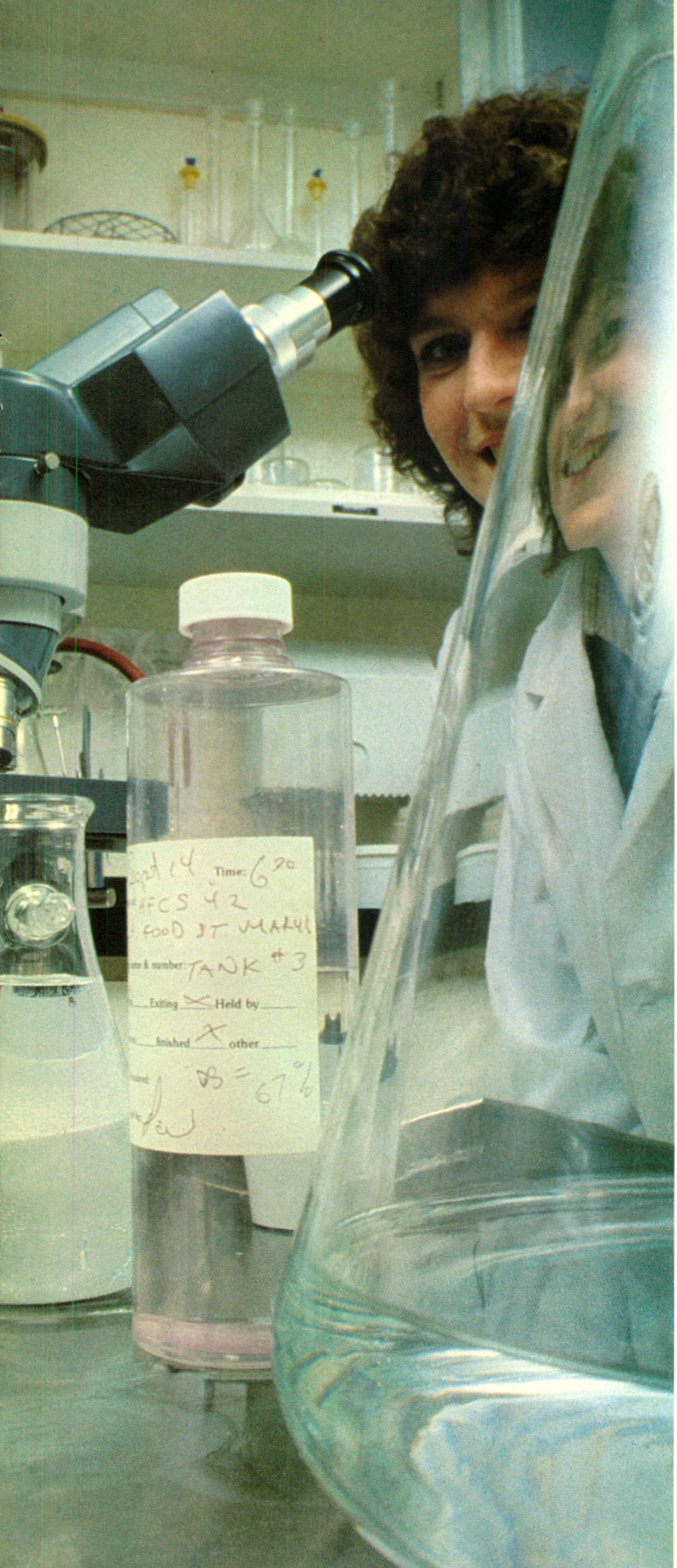
**World Sugar Situation**

High raw sugar values in 1980 and forecasts of supply/demand imbalances stimulated increases in world production during the past year. Accordingly, the anticipated tightness in raw sugar availability did not materialize for any sustained period of time and prices have fallen continuously since the peak achieved in December, 1980.

Recent estimates for 1982 indicate a world sugar production surplus of four million tonnes. World stocks will thus be increased providing an additional supply cushion with a dampening effect on sugar prices.

The International Sugar Agreement has gone through several changes since its renewal in January, 1978 the most important being the raising of the price range from 11 cents and 21 cents to 13 cents and 23 cents U.S. per pound F.O.B. Although the I.S.A. has had many critics, the present agreement, which was due to expire at the end of 1982, will be extended for an additional two years. The European Economic Community remains outside the I.S.A. and will probably not participate under the terms of the existing Agreement. With this in view the E.E.C. will likely continue to export its surplus sugars at subsidized levels.

In December, 1981 the United States government passed a farm bill which includes legislation to support domestic sugar producers. A system of fees and duties will prevent raw sugar from entering the U.S. under $19 per hundred-weight *(increasing to $21 by 1984).* The result will be some increases in competition from domestically produced sugar which otherwise may not have been produced in high cost areas. Overall, this legislation is not expected to substantially affect RSI.

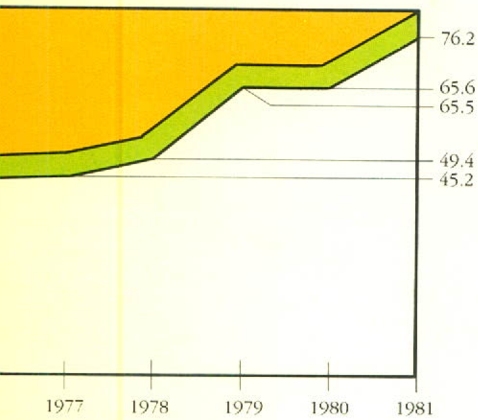



*On any given day, 30,000 bushels of corn may be delivered by truck or train to Zymaize. Here, the corn is being checked upon delivery.*

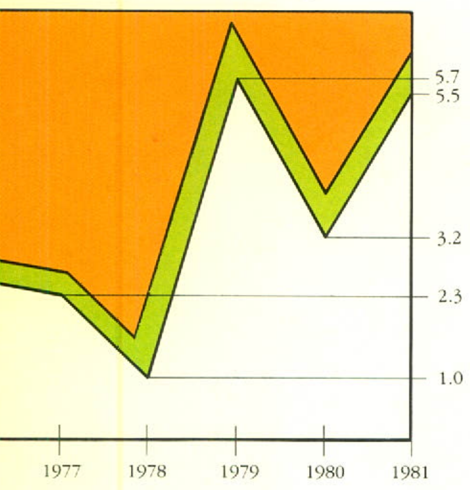
*Software assistant Elaine Orchard examines samples of corn in the laboratory where mircrobiologist Lois Clarke (not shown) checks finished products for bacteria, yeast and mold.*

## Construction Materials Division

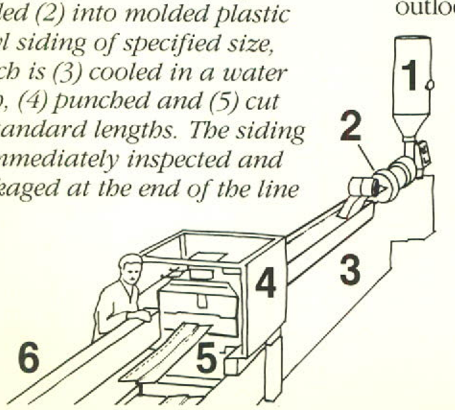
**Revenue**
(millions of dollars)




**Operating Income**
(millions of dollars)




*An overview of the vinyl siding production line appears at right. The accompanying diagram indicates (1) powdered materials being extruded (2) into molded plastic vinyl siding of specified size, which is (3) cooled in a water bath, (4) punched and (5) cut to standard lengths. The siding is immediately inspected and packaged at the end of the line (6).*




### Daymond

The aluminum division operated at full production during the fiscal year. It was successful in increasing its penetration into the automotive market and achieved major increases in custom fabrication of aluminum components to original equipment manufacturers in various other industrial sectors.

The slow-down in housing construction affected sales of housing-related products.

In fiscal 1982 Daymond plans to concentrate on extruded and fabricated products for original equipment manufacturers' accounts and to maintain or expand its market position with its proprietory lines of ladders, weatherseal products and aluminum trims.

Improved vinyl siding product quality resulted from several major technological changes made by Daymond in the production process. Daymond vinyl siding is now recognized in both Canada and the United States as a "premium" product.

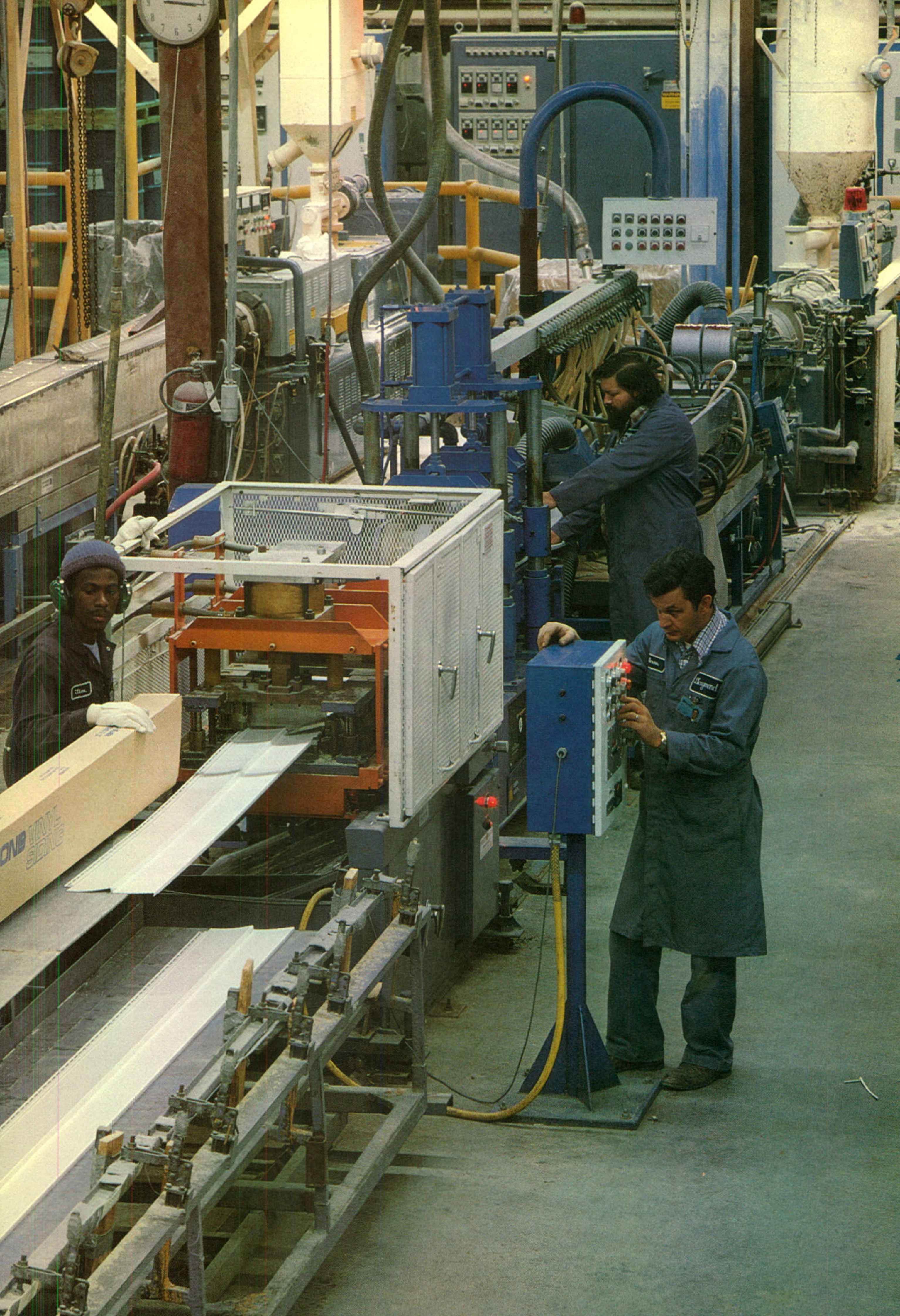
New siding woodgrain patterns and colours were developed during 1981 and will be introduced under the "Dura Vinyl" label for sale to the do-it-yourself and new construction markets.

Australia became a significant export market for sales of Daymond's vinyl siding and accessories during 1981.

Agricultural subsurface drainage pipe sales in western Canada improved over the previous year. In May, 1981 Daymond sponsored several major promotional programs directed at the western Canadian agricultural market and the outlook for the market in the West is encouraging. In addition, drainage products were exported to the northwestern United States where land drainage is becoming an accepted part of farm management. A new plant for the extrusion of plastic drainage and building pipe is being installed at Chilliwack in British Columbia with production starting early in 1982. The plant will serve the British Columbia market and is positioned to take advantage of the developing U.S. market for such products.

Daymond continues to enjoy an increasing share of the Ontario market for land drainage products. New Ontario government programs related particularly to rape seed production are expected to beneficially affect subsurface drainage sales by opening up new farm land areas in the province.

A reduction in farm drainage assistance programs in Quebec resulted in reduced sales of drainage pipe in that province. Pending announcement of a farm drainage assistance program in Quebec the outlook for sales of the product in that area is uncertain.



*The bus contains aluminum parts produced by Daymond at its Chatham plant.*

*Vinyl siding protects, preserves and beautifies a home.*

**Certain-Teed/Daymond Co.**

High interest rates combined with the general recession in the United States hampered sales in the building trade and agricultural drainage markets.

Despite these negative factors, Certain-Teed/Daymond Co. completed the year with a small increase in sales over the previous year. The slow farm economy and housing industry in the U.S. are showing no positive signs at the present time and the outlook for Certain-Teed/Daymond in 1982 therefore, is for only marginal improvement.

**Multi Fittings**

Multi Fittings' sales in fiscal 1981 exceeded those of the previous year by 30% producing a profit as compared with a small loss in the previous year.

The increase in sales in the face of adverse market conditions arose from continued penetration by plastic sewer pipe and fittings of markets supplied by traditional materials such as clay and asbestos cement. Also, Multi Fittings has significantly strengthened its sales and marketing resources over the last two years, particularly in the U.S.A.

The medium-term outlook for Multi Fittings remains encouraging. There is a substantial pent-up demand for housing, particularly in the southern and western areas of the U.S. and extending into western Canada. The penetration of traditional materials in the U.S. market has proceeded less rapidly than in Canada, but the same trends are apparent.

**Gienow**

Gienow was able to maintain sales at the same level as in the previous year although profits were lower. Nevertheless the division's results were satisfactory having regard to the impact of the drastic decline in construction activity.

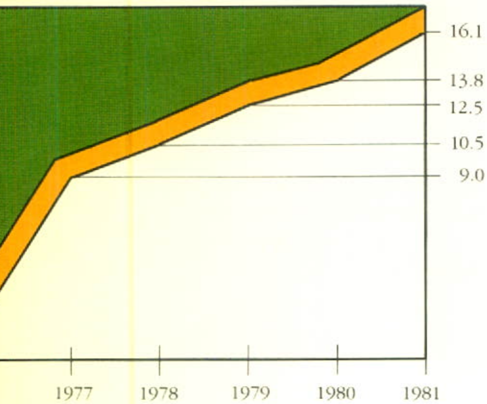
High interest rates were the major cause of the sharp reduction in the new construction and renovation markets, especially in the last half of the year. The industrial camp market, of major importance to Gienow, remains depressed because of the delay in commencing major energy-related projects in northern and western Canada. Improvement in these markets will have a significant effect on Gienow.

*Shown at left is a typical installation of a Multi Fittings gasketed sewer fitting.*

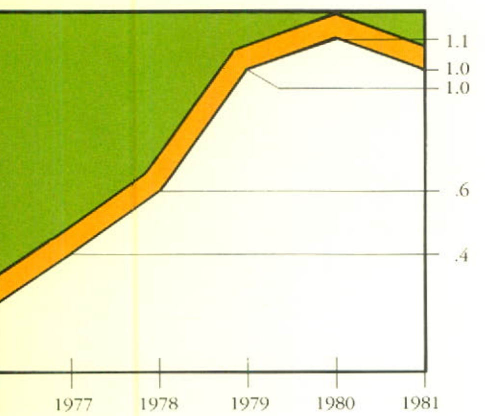
*This gasketed pipe fitting produced by Multi Fittings in London, Ontario, is used for municipal sewer systems.*

## Packaging Divison

**Revenue**
(millions of dollars)




**Operating Income**
(millions of dollars)

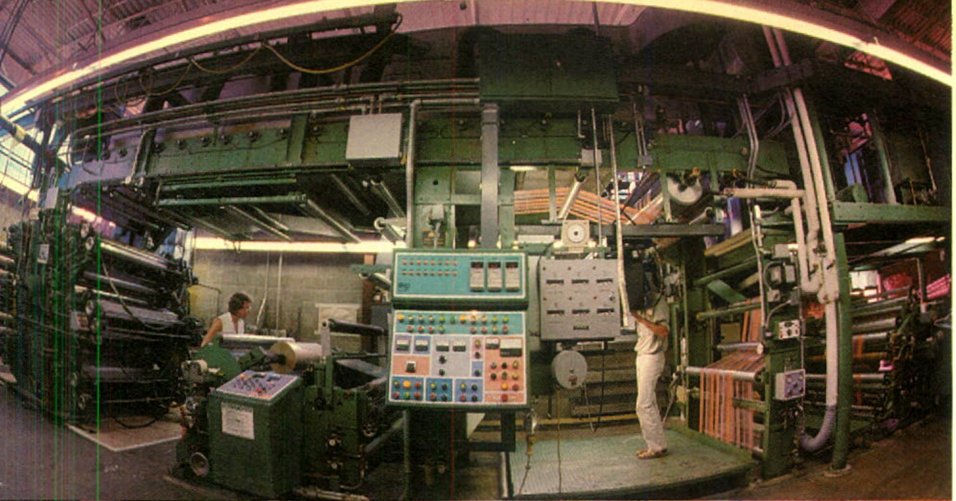



CB Packaging completed the installation of a co-extruder late in the fiscal year giving it the only three layer blown film capability in eastern Canada. Initial reaction from the marketplace has been gratifying. Notwithstanding start-up and capital costs associated with the project, CB showed an increase in both sales and profit over the previous year.

Holway added to its production machinery and plant space during the year and showed a significant increase in sales volume with an improved profit.

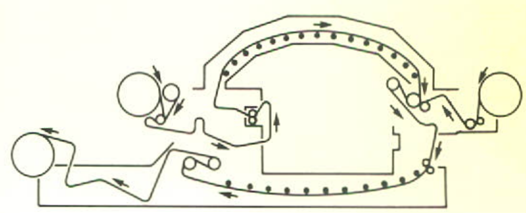
Merry Packaging completed the installation of a large new laminator to complement augmented printing capabilities added two years ago. Sales revenues improved, but production difficulties caused a drop in profitability. Actions to improve the situation have been undertaken. The outlook for the packaging division remains good.

*Holway Packaging received the Packaging Association of Canada's highest award at the national competition in October, 1981.*



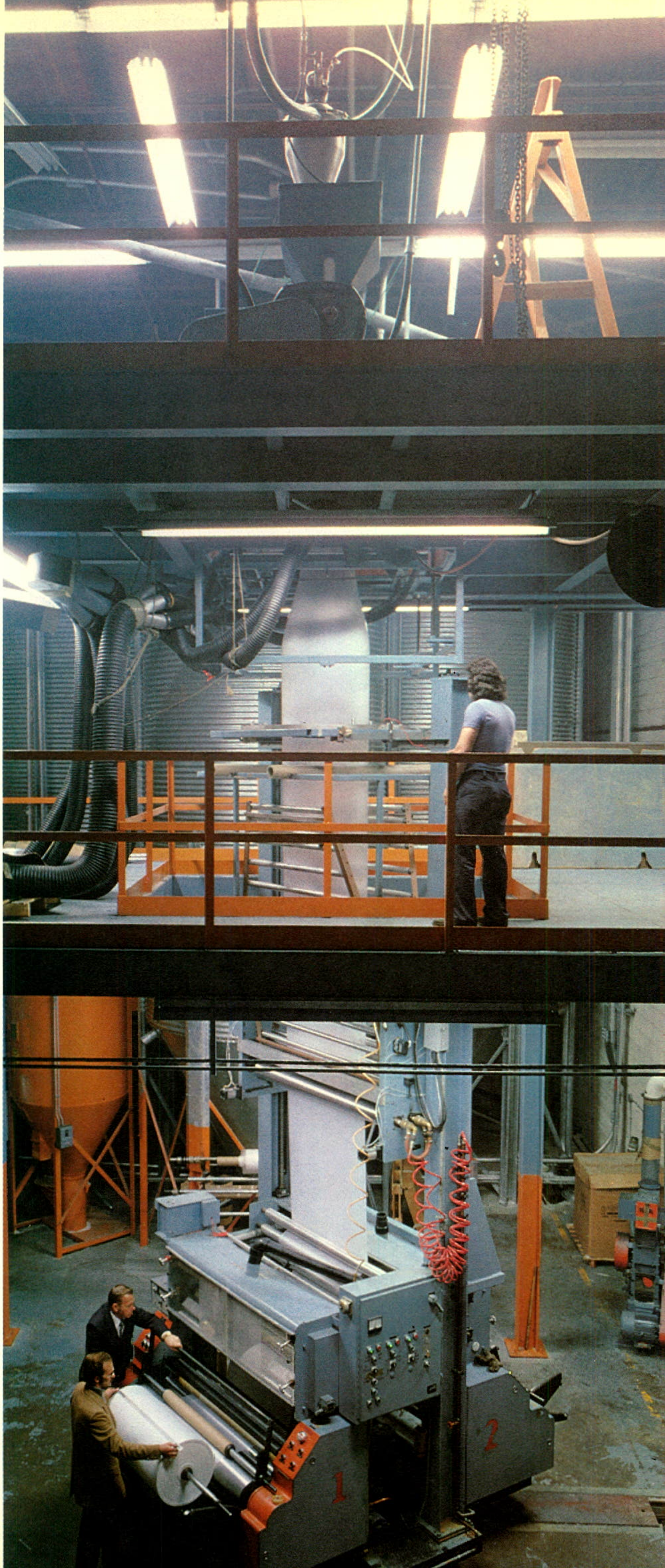
*Merry Packaging's PCMC six-colour flexographic printing press is capable of printing paper, cellophane, polyethylene and plastic films.*

*Shown at left is a close up of the film being fed over the print rollers at a speed of 650ft./min.*

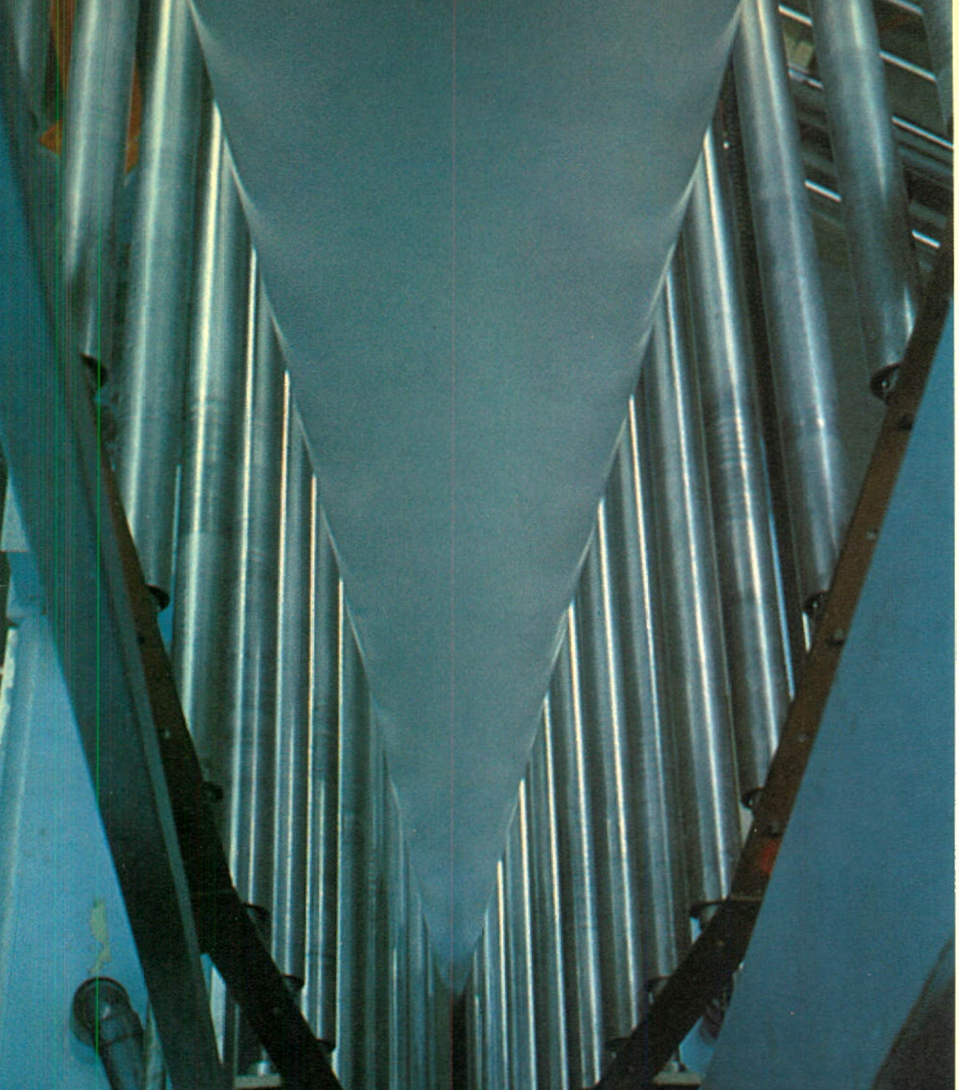


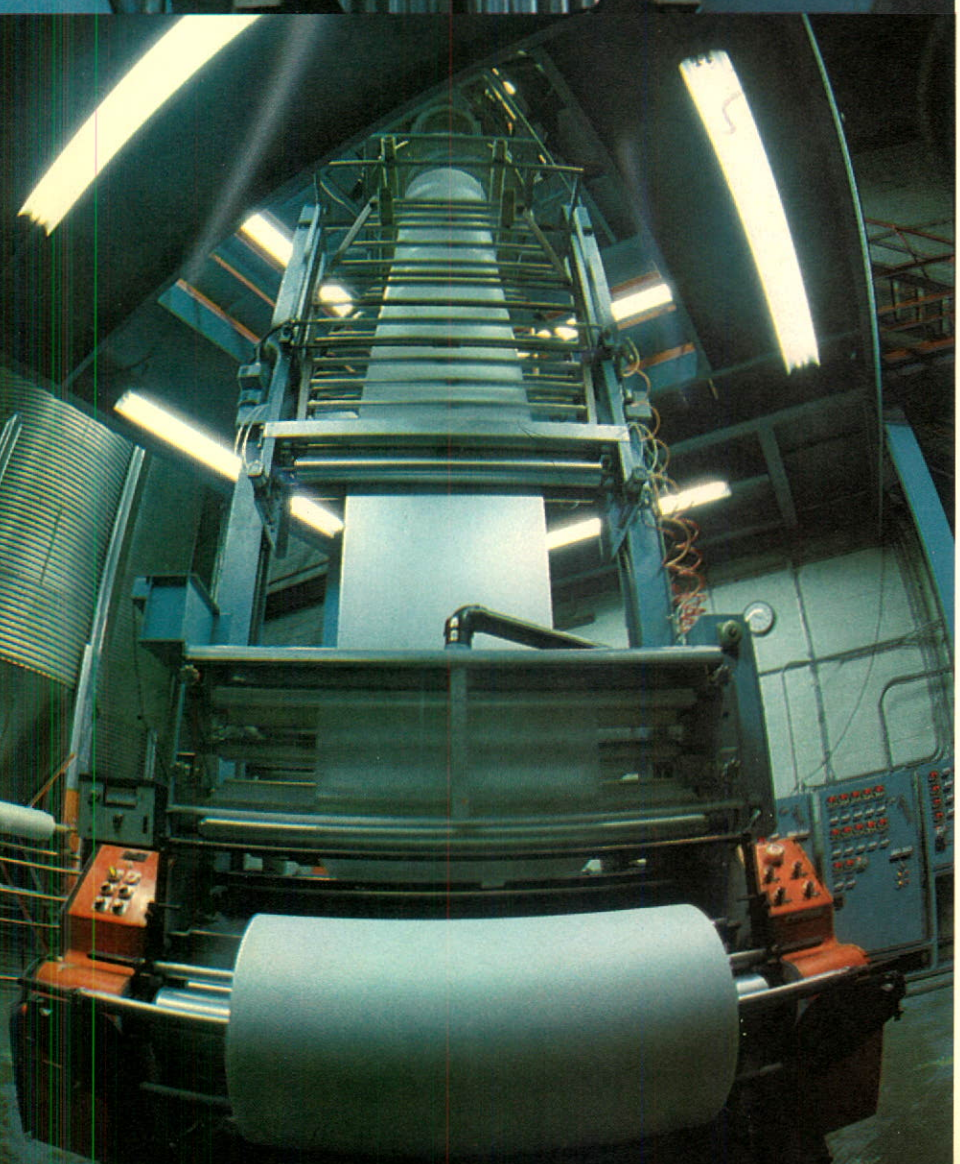
*The printed film is fed through a laminator which joins it to another film to provide strength and protection to the finished product.*

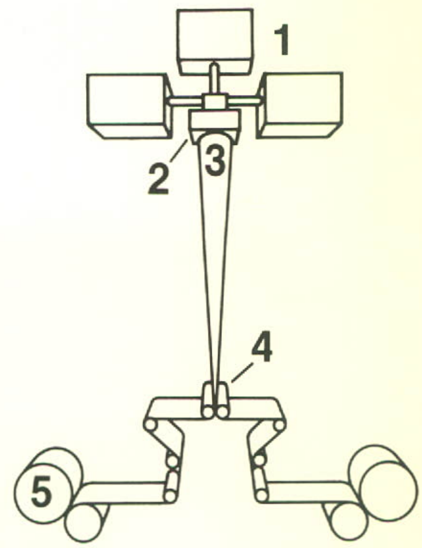
*Mini Chips is just one of the familiar snack foods preserved in Merry's packaging. Food and pharmaceuticals provide large markets for Merry Packaging.*



*The warehouse roof at CB Packaging was raised in order to install the co-extrusion system.*








*The huge co-extrusion system is the height of three stories. At the upper level (1), three layers of polyethylene are extruded from three separate sources and are bonded in the die (2). This forms a three-layer bubble (3). From the top level the bubble is inflated to a required size as specified by the customer. Two rolls of three-layer film are slit continuously from the flattened bubble (4). They reach the final winders (5) and are wound, stored and shipped.*

*Food freshness is sealed in by the three-layer box liner produced at CB Packaging.*

**Distribution of Total Revenues
1981**

| | |
|---|---|
| 68.8% | Supply of Sugar |
| 16.0% | Supply of Other Goods and Services |
| 8.6% | Remuneration |
| .4% | Interest |
| 1.3% | Depreciation and Amortization |
| 1.6% | Income Taxes |
| 1.3% | Distributed (Dividends) |
| 2.0% | Reinvested |
| 100.0 | |

**Redpath Industries Limited**

## 5 Year Review

**(Consolidated)**

| **Operational and Financial Data** (thousands of dollars) | **1981** | 1980 | 1979 | 1978 | 1977 |
|---|---|---|---|---|---|
| Revenue | **465,977** | 386,358 | 348,721 | 284,638 | 271,319 |
| Depreciation and Amortization | **6,034** | 5,771 | 5,751 | 5,275 | 4,559 |
| Income Taxes | **9,400** | 7,850 | 3,100 | 4,277 | 6,567 |
| *Net Income | **13,595** | 10,437 | 4,824 | 4,770 | 8,571 |
| Dividends paid– Preference Shares | **2,217** | — | — | — | — |
| Common Shares | **3,820** | 3,279 | 3,278 | 3,290 | 3,079 |
| Capital Expenditures | **26,237** | 32,165 | 14,910 | 12,060 | 9,180 |
| Working Capital | **66,503** | 69,941 | 36,056 | 39,709 | 43,963 |
| Fixed Assets | **103,510** | 83,290 | 59,202 | 54,498 | 48,778 |
| Investments and Other Assets | **12,213** | 16,875 | 14,441 | 17,605 | 16,465 |
| Capital Employed | **182,226** | 170,106 | 109,699 | 111,812 | 109,206 |
| Long-term Debt | **59,449** | 57,782 | 36,129 | 31,860 | 29,734 |
| Shareholders' Equity | **113,390** | 103,901 | 68,055 | 71,650 | 70,170 |
| **Percentages and Ratios** | | | | | |
| Net Income as % of Revenue | **2.9** | 2.7 | 1.4 | 1.7 | 3.2 |
| Net Income as % of Capital Employed | **7.5** | 6.1 | 4.4 | 4.3 | 7.8 |
| Net Income as % of Shareholders' Equity | **12.0** | 10.0 | 7.1 | 6.7 | 12.2 |
| Long-Term Debt as % of Capital Employed | **32.6** | 34.0 | 32.6 | 28.5 | 27.2 |
| Ratio of Current Assets to Current Liabilities | **1.8:1** | 1.8:1 | 1.7:1 | 1.6:1 | 1.7:1 |
| **Per Share Data** (fully diluted) | | | | | |
| *Net Income | **2.95** | 3.26 | 1.52 | 1.50 | 2.69 |
| Dividends– Preference | **1.55** | — | — | — | — |
| Common | **1.20** | 1.03 | 1.03 | 1.03 | .97 |
| Shareholders' Equity | **24.59** | 22.54 | 21.38 | 22.52 | 22.06 |
| **Statistical Data** | | | | | |
| Number of Employees | **1616** | 1646 | 1841 | 1903 | 2045 |
| Number of Shareholders | **3651** | 3464 | 2553 | 2777 | 2820 |
| *Before Extraordinary Income (Loss) of: | **1,900** | 2,700 | (5,154) | — | — |

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

## Consolidated Balance Sheet

September 30, 1981

**Assets**

| (thousands of dollars) | Notes | 1981 | 1980 |
|---|---|---|---|
| Current: | | | |
| Cash | | **$** | $ 5,308 |
| Short-term investments and call loans at cost which approximates market | | **10,906** | 45,811 |
| Accounts receivable | | **59,951** | 50,733 |
| Income taxes recoverable | | **23,060** | |
| Inventories | 2 | **56,254** | 45,219 |
| Prepaid expenses | | **2,187** | 1,399 |
| Deferred tax on inventories | | | 14,494 |
| Total current assets | | **152,358** | 162,964 |
| Investments | 3 | **7,779** | 12,735 |
| Fixed assets | 4,6 | **103,510** | 83,290 |
| Other assets | 5 | **4,434** | 4,140 |
| | | **$268,081** | $263,129 |

(See accompanying notes)

On behalf of the Board:

C.F. Harrington, Director

L.R. Wilson, Director

| Liabilities | (thousands of dollars) | Notes | 1981 | 1980 |
|---|---|---|---|---|
| | Current: | | | |
| | Short-term notes | | **$ 28,603** | $ 2,023 |
| | Accounts payable | | **44,566** | 74,548 |
| | Income taxes payable | | | 16,452 |
| | Deferred tax on inventories | | **12,686** | |
| | Total current liabilities | | **85,855** | 93,023 |
| | Long-term debt | 6 | **59,449** | 57,782 |
| | Deferred income taxes | | **9,387** | 8,423 |
| **Shareholders' Equity** | Capital stock | 7,11 | **42,106** | 42,075 |
| | Retained earnings | 8 | **71,284** | 61,826 |
| | | | **113,390** | 103,901 |
| | | | **$268,081** | $263,129 |

(See accompanying notes)

**Auditors' Report**

**To the Shareholders of Redpath Industries Limited:**

We have examined the consolidated balance sheet of Redpath Industries Limited as at September 30, 1981 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at September 30, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
November 13, 1981

Clarkson Gordon
Chartered Accountants

**Redpath Industries Limited**

**Consolidated Statements of Income and Retained Earnings**

Year ended September 30, 1981

| | (thousands of dollars) | Notes | 1981 | 1980 |
|---|---|---|---|---|
| **Income** | Revenues | 9 | **$465,977** | $386,358 |
| | Gain on sale of base stock | 2 | **5,838** | 5,346 |
| | | | **471,815** | 391,704 |
| | Expenses: | | | |
| | Cost of sales and other costs exclusive of the following– | | **440,878** | 363,500 |
| | Depreciation | | **5,635** | 5,374 |
| | Amortization | | **399** | 397 |
| | Interest–long-term debt net of interest capitalized of $4,598,000 ($2,377,000 in 1980) | | **4,271** | 3,340 |
| | –other (income) | | **(2,363)** | 806 |
| | | | **448,820** | 373,417 |
| | | | **22,995** | 18,287 |
| | Income taxes | | **9,400** | 7,850 |
| | Income before extraordinary item | | **13,595** | 10,437 |
| | Extraordinary item: | | | |
| | Recovery of income taxes on carry forward of losses of prior years | 10 | **1,900** | 2,700 |
| | Net income | | **$ 15,495** | $ 13,137 |
| | Basic earnings per share: | 12 | | |
| | Before extraordinary item | | **$3.52** | $3.27 |
| | After extraordinary item | | **$4.12** | $4.12 |
| | Fully-diluted earnings per share: | 12 | | |
| | Before extraordinary item | | **$2.95** | $3.26 |
| | After extraordinary item | | **$3.36** | $4.11 |
| **Retained Earnings** | Balance, beginning of year | | **$ 61,826** | $52,368 |
| | Net income | | **15,495** | 13,137 |
| | | | **77,321** | 65,505 |
| | Dividends on–preference shares | | **2,217** | |
| | –common shares | | **3,820** | 3,279 |
| | Share issue expenses, net of income tax recovery of $400,000 | | | 400 |
| | | | **6,037** | 3,679 |
| | Balance, end of year | | **$ 71,284** | $61,826 |

(See accompanying notes)

**Redpath Industries Limited**

**Consolidated Statement of Changes in Financial Position**

Year ended September 30, 1981

| | (thousands of dollars) | Notes | 1981 | 1980 |
|---|---|---|---|---|
| **Source of Working Capital** | Operations– | | | |
| | Income before extraordinary item | | **$ 13,595** | $ 10,437 |
| | Add (deduct) items not affecting working capital: | | | |
| | Depreciation and amortization | | **6,034** | 5,771 |
| | Deferred tax | | **964** | 2,908 |
| | (Gain) loss on sale of fixed assets | | **(432)** | 1,873 |
| | (Gain) on sale of investments | | **(2,311)** | (4,619) |
| | Working capital provided by operations | | **17,850** | 16,370 |
| | Proceeds from– | | | |
| | Issue of shares | 7 | **31** | 25,988 |
| | Disposal of fixed assets | | **814** | 830 |
| | Recovery of income taxes on carry forward of losses of prior years | 10 | **1,900** | 2,700 |
| | Increase in long-term debt | | **14,000** | 29,170 |
| | Disposal of other investments | | **9,339** | 8,952 |
| | Total working capital provided | | **43,934** | 84,010 |
| **Use of Working Capital** | Acquisition of investments | | **2,072** | 6,821 |
| | Additions to fixed assets | | **26,237** | 32,165 |
| | Dividends | | **6,037** | 3,279 |
| | Retirement of long-term debt | | **13,026** | 7,860 |
| | Total working capital used | | **47,372** | 50,125 |
| **Working Capital** | Increase (decrease) during year | | **(3,438)** | 33,885 |
| | Balance, beginning of year | | **69,941** | 36,056 |
| | Balance, end of year | | **$ 66,503** | $ 69,941 |
| | Represented by: | | | |
| | Total current assets | | **$152,358** | $162,964 |
| | Less total current liabilities | | **85,855** | 93,023 |
| | | | **$ 66,503** | $ 69,941 |

(See accompanying notes)

**Redpath Industries Limited**

**Notes to Consolidated Financial Statements**

September 30, 1981

## 1. Significant Accounting Policies

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

**(a) Principles of consolidation–**
These financial statements include the accounts of Redpath Industries Limited, all of its subsidiaries and the proportionate share of the assets, liabilities, revenues and expenses of its joint ventures.
Goodwill resulting from the acquisition of businesses is amortized on a straight-line basis at 2.5% per year.

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

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

**(d) Fixed Assets–**
Fixed assets are stated at cost which includes capitalized interest on debt incurred to finance construction.
Depreciation is provided on plant and equipment on a straight-line basis over the estimated useful lives of the assets at rates varying from 2.5% to 30%.

**(e) Long-term debt expense–**
Issuance expenses and discount on long-term debt are amortized over the life of the related debt on a straight-line basis.

**(f) Share issue expense–**
Expenses incurred and commissions paid on the issue of shares of capital stock of the company are charged to retained earnings in the year of issue.

**(g) Income taxes–**
In accounting for income taxes, the company follows the tax allocation method.
(i) Deferred tax on inventories:
The company's basis of valuation for sugar inventories is not accepted for income tax purposes. Taxes on the difference between this basis of valuation and that used in the calculation of current taxes payable are deferred.
(ii) Deferred income taxes:
Deferred taxes are provided on timing differences which result primarily from claiming capital cost allowances in excess of depreciation provided.
The company follows the flow-through method of accounting for investment tax credits and inventory allowances, whereby the provision for income taxes is reduced for such credits claimed.

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

**(i) Obligations under capital leases–**
Leases which transfer substantially all the risks of ownership to the company have been capitalized.

## 2. Inventories

| (thousands of dollars) | **1981** | 1980 |
|---|---|---|
| Raw materials, work in process and finished goods– | | |
| Sweeteners | **$34,466** | $28,578 |
| Construction materials | **15,780** | 12,585 |
| Packaging materials | **2,552** | 1,834 |
| | **52,798** | 42,997 |
| Manufacturing and maintenance supplies | **3,456** | 2,222 |
| | **$56,254** | $45,219 |

During the year the company sold 7,000 tonnes of base stock resulting in a gain of $5,838,000. The inventory of base stock at September 30, 1981 consists of 52,000 tonnes, valued at an average price of $225 per tonne established in 1974, which is approximately $151 per tonne below replacement cost at September 30, 1981.

## 3. Investments

| (thousands of dollars) | 1981 | 1980 |
|---|---|---|
| Oil and gas properties at cost less depletion | **$ 5,244** | $ 3,841 |
| Other, at the lower of cost and estimated realizable value | **2,535** | 8,894 |
| | **$ 7,779** | $12,735 |

## 4. Fixed Assets

| (thousands of dollars) | 1981 | | | 1980 |
|---|---|---|---|---|
| | **Investment** | **Accumulated depreciation** | **Net investment** | **Net investment** |
| Property | **$ 4,890** | **$** | **$ 4,890** | $ 4,875 |
| Plant | **36,959** | **9,443** | **27,516** | 22,223 |
| Equipment | **103,840** | **32,736** | **71,104** | 56,192 |
| | **$145,689** | **$42,179** | **$103,510** | $83,290 |

## 5. Other Assets

| (thousands of dollars) | 1981 | 1980 |
|---|---|---|
| Goodwill, at cost less amortization | **$ 1,537** | $1,619 |
| Long-term debt expense, at cost less amortization | **745** | 793 |
| Unamortized deferred foreign exchange loss | **2,152** | 1,728 |
| | **$ 4,434** | $4,140 |

## 6. Long-Term Debt

| (thousands of dollars) | 1981 | 1980 |
|---|---|---|
| Floating rate term bank loans of a joint venture currently bearing interest at the Canadian prime rate, repayable in monthly installments over a ten year period. Security for these loans consists of a fixed and floating charge debenture on the property, plant and equipment of the joint venture company | **$26,476** | $23,936 |
| 9% Debentures due September 15, 1989 (U.S. $24,279,000) | **29,103** | 29,185 |
| Floating rate term bank loans of a joint venture bearing interest at the United States prime rate plus one-half percent, repayable in semi-annual installments over a seven year period commencing in 1981. Security for these loans consists of the property and plant of the joint venture company and a guarantee of Redpath Industries Limited (U.S. $3,463,000) | **4,151** | 4,670 |
| Non-interest bearing loan of a joint venture company repayable in equal quarterly installments from 1988 to 1992. Security for these loans consists of the property and plant of the joint venture company and a guarantee of Redpath Industries Limited (U.S. $1,000,000) | **1,199** | 1,167 |
| Obligations under capital leases | **771** | 804 |
| Other | **316** | 795 |
| | **62,016** | 60,557 |
| Less current portion in accounts payable | **2,567** | 2,775 |
| | **$59,449** | $57,782 |

Long-term debt is repayable as follows: **1982**–$2,567,000; **1983**–$2,774,000; **1984**–$3,244,000; **1985**–$3,415,000; **1986**–$3,696,000 and subsequently $46,320,000.

## 7. Capital Stock

| (thousands of dollars) | 1981 | 1980 |
|---|---|---|
| Issued–1,426,361 $1.665 Convertible Voting Preference Shares, Series A | **$26,388** | $26,388 |
| –3,184,500 (3,182,500 in 1980) common shares | **15,718** | 15,687 |
| | **$42,106** | $42,075 |

The Convertible Preference Shares, Series A are entitled to receive fixed cumulative preferential cash dividends, as and when declared by the board of directors, at the rate of $1.665 per share per annum payable in quarterly instalments. They are convertible at the option of the holder into common shares of the company at any time on the basis of one common share for each Convertible Preference Share.
During the year the company issued 2000 common shares for $31,000 cash.

## 8. Contingency

On February 22, 1977 income tax assessments were issued by Revenue Canada, Taxation against the company for its five taxation years ended September 30, 1971 claiming $3,026,859 in taxes plus interest on the taxes alleged to be due for such years and penalties of $756,714 on the grounds that the company should have considered as its own all the income of its non-resident affiliate, Albion Company Limited. In addition, the company was shortly thereafter served with a summons to appear in criminal court on charges that the alleged failure to include the income of Albion Company Limited constituted an offence under paragraph 239(1)(d) of the Income Tax Act (Canada) dealing with wilful evasion of taxes. A corporation guilty of such an offence is liable, in addition to any penalty otherwise provided, to a fine of not less than $25 and not exceeding $10,000 plus, in an appropriate case, an amount not exceeding double the amount of the tax that should have been shown to be payable or that was sought to be evaded. The company filed a Notice of Objection to the assessment and, on advice of counsel, is strongly contesting the Crown's allegations. The trial of the criminal charge commenced January 23, 1978 and both the Crown and the company have completed the presentation of their evidence. Written legal arguments were filed in June and July of 1981 with oral arguments to follow. Given the nature of litigation and the comments set out in this note, it is not possible to determine whether any loss will ultimately result and accordingly no provision has been made in the accounts. Such losses, if incurred, will be accounted for as adjustments of income of the applicable years.

## 9. Segmented Information

The company operates primarily in three industry segments–Sweeteners, Construction Materials and Packaging Materials. The Sweeteners division includes sugar and other nutritive sweetener operations. The Construction Materials division is engaged in the manufacture and sale of plastic and aluminum products designed for use in agriculture and manufacturing, housing and other construction. The Packaging Materials division manufactures flexible packaging materials and folding cartons for the food, secondary manufacturing and retail industries. Inter-segment sales are accounted for at prices comparable to open market prices for similar products. Operations by industry segment and geographic segment are as presented below in millions of dollars:

| **a) Industry Segments** | **Sweeteners** | | **Construction Materials** | | **Packaging Materials** | | **Other** | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue from:** | **1981** | 1980 | **1981** | 1980 | **1981** | 1980 | **1981** | 1980 | **1981** | 1980 |
| Transactions with third parties | **$371.0** | $301.0 | **$76.2** | $65.6 | **$16.1** | $13.8 | **$ 2.7** | $ 6.0 | **$ 466.0** | $ 386.4 |
| Transactions with other segments eliminated | | | **.4** | | **.6** | .3 | **(1.0)** | (.3) | | |
| Total revenue | **371.0** | 301.0 | **76.6** | 65.6 | **16.7** | 14.1 | **1.7** | 5.7 | **466.0** | 386.4 |
| Segment operating income | **19.8** | 21.1 | **5.5** | 3.2 | **1.0** | 1.1 | **(1.4)** | (3.0) | **24.9** | 22.4 |
| Interest expense | | | | | | | | | **(1.9)** | (4.1) |
| Income taxes | | | | | | | | | **(9.4)** | (7.9) |
| Income before extraordinary item | | | | | | | | | **13.6** | 10.4 |
| Net income | | | | | | | | | **15.5** | 13.1 |
| Total assets | **198.6** | 149.0 | **47.4** | 42.5 | **10.1** | 8.1 | **12.0** | 63.5 | **268.1** | 263.1 |
| Capital expenditure | **22.4** | 29.2 | **2.1** | 2.7 | **1.7** | .2 | | .1 | **26.2** | 32.2 |
| Depreciation and amortization | **2.6** | 2.5 | **2.6** | 2.5 | **.4** | .3 | **.4** | .5 | **6.0** | 5.8 |

**b) Geographic Segments**

| Revenue from: | Canada 1981 | Canada 1980 | United States 1981 | United States 1980 | Other 1981 | Other 1980 | Total 1981 | Total 1980 |
|---|---|---|---|---|---|---|---|---|
| Transactions with third parties | **$311.8** | $266.5 | **$153.9** | $119.0 | **$ .3** | $ .9 | **$ 466.0** | $ 386.4 |
| Transactions with other segments eliminated | **2.0** | | | | **(2.0)** | | | |
| Total revenue | **313.8** | 266.5 | **153.9** | 119.0 | **(1.7)** | .9 | **466.0** | 386.4 |
| Segment operating income | **14.7** | 20.3 | **10.0** | 8.2 | **.2** | (6.1) | **24.9** | 22.4 |
| Interest expense | | | | | | | **(1.9)** | (4.1) |
| Income taxes | | | | | | | **(9.4)** | (7.9) |
| Income before extraordinary item | | | | | | | **13.6** | 10.4 |
| Net income | | | | | | | **15.5** | 13.1 |
| Total assets | **189.4** | 203.6 | **77.1** | 57.3 | **1.6** | 2.2 | **268.1** | 263.1 |
| Capital expenditure | **23.0** | 29.7 | **3.2** | 2.5 | | | **26.2** | 32.2 |
| Depreciation and amortization | **4.4** | 4.2 | **1.6** | 1.6 | | | **6.0** | 5.8 |

Canadian operations include export sales of $7,011,000 ($4,666,000 in 1980).

**10. Joint Ventures**

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

| (thousands of dollars) | 1981 | 1980 |
|---|---|---|
| Assets | **$122,891** | $ 79,434 |
| Liabilities | **80,012** | 44,099 |
| Share of net assets | **$ 42,879** | 35,335 |
| Revenues | **$147,713** | $113,108 |
| Expenses | **140,520** | 107,705 |
| Share of net income before income taxes | **$ 7,193** | $ 5,403 |

Long-term debt includes $31.8 million of notes issued by joint ventures which are secured by their property, plant and equipment ($29.8 million at September 30, 1980).

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

**11. Related Party Transactions**

The company sells all of the molasses extracted in its sugar refining process to affiliated companies. Sales in the year ended September 30, 1981 totalled $1,984,000; ($1,951,000 in 1980) which transactions are settled on a current basis.

**12. Earnings per Share**

Earnings per common share have been calculated on the average number of shares outstanding during the year. Fully diluted earnings per share have been calculated assuming full conversion of the $1.665 Convertible Voting Preference Shares, Series A, at the beginning of the year.

**13. Commitments**

(a) The company participates in a contract managed by Tate & Lyle International Limited (Tate & Lyle), an associated company, which is expected to be completed by 1985 for the purchase of raw sugar at prices which differ from world prices. Quantities drawn under the contract are sold directly on world markets and, as such, are not included in the company's basic quantity of sugar held in inventory.
The company's share of profits realized to September 30, 1981 amounts to approximately $730,000. However, if all of the future commitments under the contract could have been drawn down and resold at prices prevailing on September 30, 1981 the contract would have resulted in an overall loss, the company's share being approximately $1,200,000.
Given the nature of the contract, the ultimate gain or loss to the company is dependent upon future sugar prices which, at September 30, 1981, cannot reasonably be estimated nor fully hedged on commodity markets. Accordingly, all profits under the contract to date have been deferred until substantially all quantities committed have been drawn or the open commitment has been hedged.

(b) The company through a joint venture has entered into agreements to construct an extension to its high fructose corn syrup plant in London, Ontario. It is anticipated the total cost of the company's additional investment will be $15.5 million of which $1.1 million had been spent at September 30, 1981 and is included in property, plant and equipment.

(c) Commitments for the acquisition of other property, plant and equipment aggregated approximately $1 million at September 30, 1981 ($3 million at September 30, 1980).

**14. Subsequent Event**

Under Section 179 of the Canada Business Corporations Act by articles of amalgamation dated October 1, 1981 Redpath Industries Limited and certain of its Canadian subsidiaries were amalgamated effective as of the opening of business on that date.

**Redpath Industries Limited**

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

Year ended September 30, 1981

## Introduction

The Company believes it important to report the effects of changing prices and therefore is again including as supplementary information current cost financial statements which illustrate the impact of inflation.

The objective of the current cost method used in these supplementary financial statements is to provide for the maintenance of the *'operating capability'* of the business by reflecting the impact of changing prices on the Company. The method is not a system of accounting for the decline in the general purchasing power of money, but rather for changes in specific prices of assets used in the Company's business.

The operating income of the company on the current cost basis is the profit (*before long-term debt interest and income taxes*) arising from the normal business activities of the Company during the year. It is determined after providing for the impact of price changes on the specific assets used in the business and needed to maintain net operating capability, but does not take into account the manner in which the assets are financed.

Income attributable to shareholders on the current cost basis is the profit after providing for the costs and benefits to shareholders of financing a portion of the productive assets of the Company with borrowed funds and after providing for income taxes. No adjustment has been made to the income tax expense as reported in the historic cost financial statements.

The major impact of inflation on income (*shown as current cost adjustments in the current cost statements*) arises as a result of higher depreciation charges to reflect the increased cost of replacing productive facilities. Changes in the current cost of the Company's base stock of sugar, which varies significantly from year to year, do not affect current income. But to conform with the base stock method of accounting, these changes are reflected in the current cost statements as charges or credits to shareholder's equity.

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

## Consolidated Statement of Income

**Current Cost Basis (unaudited)**

Year Ended September 30, 1981

(with comparative historic cost)

| (millions of dollars) | Notes | Current Cost Basis | Historic Cost Basis |
|---|---|---|---|
| Revenues | | **$466.0** | $466.0 |
| Income before long-term debt interest and income taxes | | **$ 27.3** | $ 27.3 |
| Current cost adjustments | 3 | **(10.8)** | — |
| Operating income | | **16.5** | 27.3 |
| Financing adjustment | 4 | **3.2** | — |
| Interest on long-term debt | | **(4.3)** | (4.3) |
| | | **(1.1)** | (4.3) |
| Income before income taxes and extraordinary item | | **15.4** | 23.0 |
| Income taxes | | **(9.4)** | (9.4) |
| | | **6.0** | 13.6 |
| Extraordinary item | | **1.9** | 1.9 |
| Income attributable to shareholders | | **$ 7.9** | $ 15.5 |
| Earnings per common share (after deduction of dividends paid on preference shares): | | | |
| Before extraordinary item | | **$ 1.15** | $3.52 |
| After extraordinary item | | **$ 1.75** | $4.12 |
| Dividends paid per common share | | **$ 1.20** | $1.20 |

(See accompanying notes)

**Consolidated Balance Sheet**

**Current Cost Basis (unaudited)**

September 30, 1981

(with comparative historic cost)

| (millions of dollars) | Notes | Current Cost Basis | Historic Cost Basis |
|---|---|---|---|
| Inventories | | **$ 65.7** | $ 56.3 |
| Other net current assets | | **10.2** | 10.2 |
| Investments | | **7.8** | 7.8 |
| Fixed assets | | **147.6** | 103.5 |
| Other assets | | **4.4** | 4.4 |
| | | **$235.7** | $182.2 |
| Long-term debt | | **$ 59.4** | $ 59.4 |
| Deferred income taxes | | **9.4** | 9.4 |
| Shareholders' equity | 2 | **166.9** | 113.4 |
| | | **$235.7** | $182.2 |

(See accompanying notes)

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

September 30, 1981

**1. Accounting Policies**

(a) The consolidated current cost financial statements have been prepared substantially in accordance with the general principles proposed in an exposure draft "Current Cost Accounting", issued by the Canadian Institute of Chartered Accountants in December 1979 (referred to as the "CICA Exposure Draft"), except as noted.

(b) In the consolidated balance sheet, prepared on a current cost basis, assets and liabilities are valued as follows:
–**Inventories,** at the lower of current cost and net realizable value.
–**Property,** at fair market value in existing use.
–**Plant and equipment,** generally at current cost of reproducing the asset net of accumulated depreciation, unless there has been a permanent impairment in value, in which case assets are written down to a recoverable amount based on future anticipated cash flows from the asset.
–**Other assets and liabilities,** at historic cost.

(c) The comparative historic amounts have been reclassified to conform with the presentation adopted for the current cost financial statements.

(d) Except as set out above, the accounting policies used in the current cost financial statements are those used in the historic cost financial statements.

**2. Shareholders' Equity**

**Current Cost Basis**

September 30, 1981

| (millions of dollars) | | |
|---|---|---|
| Opening shareholders' equity | | $188.3 |
| Add: prior year adjustments arising from appraisal of fixed assets | | 4.3 |
| Increases (decreases) in amounts required to maintain the operating capability of the company: | | |
| Inventory | (35.3) | |
| Fixed assets | 11.0 | |
| Increase in monetary working capital | 2.1 | |
| Other | (2.2) | |
| | (24.4) | |
| Less financing adjustment | (3.2) | (27.6) |
| | | 165.0 |
| Current cost income attributable to shareholders | | 7.9 |
| | | 172.9 |
| Less dividends | | (6.0) |
| Closing shareholders' equity | | $166.9 |

### 3. Current Cost Adjustments

(millions of dollars)

| | |
|---|---|
| Cost of sales | $ 1.5 |
| Monetary working capital | 2.1 |
| Depreciation | 4.3 |
| Elimination of gain on sale of base stock (net of income tax of $2.9) | 2.9 |
| | $10.8 |

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

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

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

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

### 4. The Financing Adjustment

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

Net borrowings for this purpose consist of long-term debt, deferred income taxes, and current assets and liabilities fixed in monetary terms (not included in monetary working capital). The preference shares (treated as equity) would be included in net borrowings and deferred income taxes would be excluded had the CICA Exposure Draft been followed.

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

### 5. Valuation Methods

(a) **Inventories** have been directly priced using current prices for labour, materials and overheads. The raw sugar component of inventories has been valued based on the London Daily Price for raw sugar at September 30, 1981.

(b) The **cost of sales adjustment** has been computed using an averaging method based upon average price change experienced by the company during the year.

(c) The **monetary working capital adjustment** has been computed using the average change in the price of inventory items, excluding sugar, during the year as an approximation of price changes in monetary working capital for the period.

(d) **Property**–land has been valued by Cooper Appraisals Limited, at fair market value under existing use, as at September 30, 1981.

(e) **Plant and equipment**–buildings have been valued by Cooper Appraisals Limited at the cost of reproducing the facilities, as at September 30, 1981. Equipment has been restated employing appropriate Statistics Canada indices applied to the historic costs.

(f) **Depreciation** on a current cost basis has been computed using the company's existing depreciation policies applied to the average gross current cost of plant and equipment for the period. At this time, existing asset lives are considered to be appropriate for this purpose.

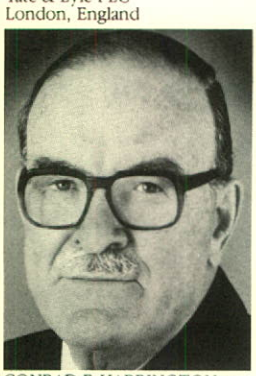
## Directors

* Member of the Audit Committee

MICHAEL J. ATTFIELD
*Director*
Tate & Lyle PLC
London, England

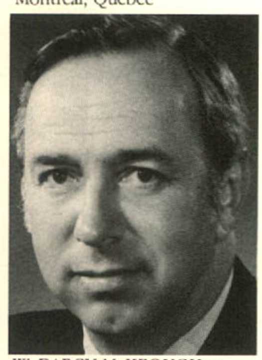
JAMES FORBES
*Director*
Tate & Lyle PLC
London, England

RODERICK L. HENRY *
*President & C.E.O.*
Wire Rope Industries Limited
Montreal, Quebec



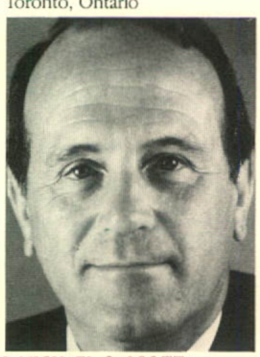
CONRAD F. HARRINGTON *
*Director*
Royal Trustco
Montreal, Quebec

JAMES R. KERR MUIR
*V.-P. Finance and Treasurer*
Redpath Industries Limited
Toronto, Ontario



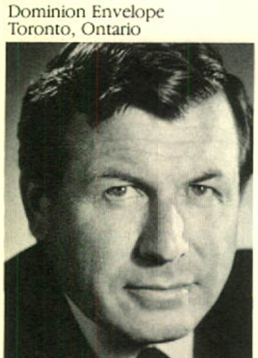
W. DARCY McKEOUGH *
*President & C.E.O.*
Union Gas Limited
Chatham, Ontario

PAUL S. NEWELL
*President & C.E.O.*
Dominion Envelope
Toronto, Ontario



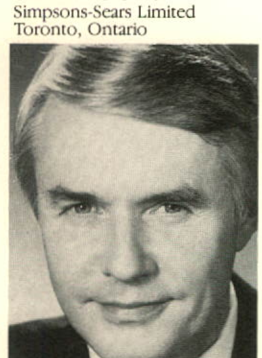
J. MICHAEL G. SCOTT
*Vice-Chairman*
Wood Gundy Limited
Montreal, Quebec

C. RICHARD SHARPE
*Chairman & C.E.O.*
Simpsons-Sears Limited
Toronto, Ontario



NEIL M. SHAW
*Group Managing Director*
Tate & Lyle PLC
London, England

L.R. WILSON
*President & C.E.O.*
Redpath Industries Limited
Toronto, Ontario



JOHN C.W. MITCHELL
*Chairman & C.E.O.*
Refined Sugars Incorporated
Yonkers, New York (and)
*President & C.E.O.*
Tate & Lyle Inc. Yonkers, New York

## Corporate Officers

CONRAD F. HARRINGTON
*Chairman*

NEIL M. SHAW
*Vice-Chairman*

L.R. WILSON
*President and Chief Executive Officer*

JAMES R. KERR MUIR
*Vice-President Finance and Treasurer*

RONALD F. BOOTH
*Vice-President*

JOHN A. SWAN
*Vice-President*

MURRAY D. McEWEN
*Vice-President*

PETER R. BAKER
*Vice-President*

JOHN E. WOOD
*Secretary*

JULES R. QUENNEVILLE
*Controller*

MAUREEN J. SABIA
*General Counsel*

BRUCE C. McCALLUM
*Assistant Secretary*

| Operating Subsidiaries (1), Divisions (2), Joint Ventures (3). | | Investment Held (percent) |
|---|---|---|
| CB PACKAGING/HOLWAY PACKAGING *Toronto, Ontario* | 2 | |
| CERTAIN-TEED/DAYMOND CO. *Ann Arbor, Michigan* | 3 | 50 |
| DAYMOND *Mississauga, Ontario* | 2 | |
| GIENOW *Calgary, Alberta* | 2 | |
| MERRY PACKAGING *Don Mills, Ontario* | 2 | |
| MSU-DAYMOND CANADA LTD. *Mississauga, Ontario* | 1 | 75 |
| MULTI FITTINGS *London, Ontario* | 2 | |
| MULTI FITTINGS (USA) LTD. *Waco, Texas* | 1 | 100 |
| REDPATH SUGARS *Montreal, Quebec* | 2 | |
| REFINED SUGARS INC. *Yonkers, New York* | 3 | 50 |
| SEAWAY INSURANCE LTD. *Hamilton, Bermuda* | 1 | 100 |
| ZYMAIZE COMPANY *London, Ontario* | 3 | 50 |

| | |
|---|---|
| **Transfer Agent and Registrar** | The Royal Trust Company, Montreal, Toronto, Winnipeg, Calgary, Vancouver |
| **Stock Listing** | Toronto Stock Exchange<br>Montreal Stock Exchange<br>Ticker Symbol: RIN |
| **Registered Office** | Suite 2100, South Tower, The Royal Bank Plaza, Toronto, Ontario, Telephone (416) 865-0400 |
| **Mail Address** | Post Office Box 66, The Royal Bank Plaza, Toronto, Ontario M5J 2J2 |

## Sweeteners

The sweetener division activities are concentrated in Redpath Sugars, operating one of the world's most modern sugar refineries, located in Toronto, Ontario; Zymaize Company, in London, Ontario, a fifty percent owned joint venture which operates a corn wet mill and high fructose syrup refinery; and Refined Sugars Inc., in Yonkers, New York, a fifty percent owned sugar refinery serving the northeastern United States.

**Key Employees**

M.D. McEWEN, *President,* Redpath Sugars; E.V. BURGESS, *Senior Vice-President Sales and Marketing;* T.F. CHANDLER, *Vice-President Manufacturing;* E. MAKIN, *Vice-President Raw Sugar Operations;* D.G. PRATT, *Vice-President Distribution;* K. W. BAXTER, *Vice-President and Treasurer*

P. J. MIRSKY, *President,* Refined Sugars Inc.; S. I. EDELMAN, *Executive Vice-President, Secretary and Treasurer;* W.R. DAVIES, *Vice-President Operations;* D.W. GRAHAM, *Vice-President Sales and Marketing;* P.J. HARDING, *Vice-President Raw Sugar Purchasing*

P. E. GEISER, *President,* Zymaize Company; N.R. DAVIS, *Vice-President Finance and Administration*

## Construction Materials

Daymond and Multi Fittings divisions produce extruded and injection molded plastic products for use in the construction, plumbing, agricultural and general manufacturing markets. Daymond also extrudes, fabricates and finishes aluminum for automotive, housing and construction markets. Gienow, of Calgary, manufactures quality doors and windows for the Alberta residential and commercial construction markets.

**Key Employees**

J.A. SWAN, *President,* Daymond; P. A. ASHLEY, *Vice-President and Treasurer;* R.K. CHARI, *Vice-President;* R.A. WEBER, *Vice-President Aluminum;* K. P. BENNETT, *Vice-President Marketing Plastic Pipe;* R. G. ROWLAND, *General Manager Plastics Manufacturing;* S.K. ANDERSON, *Marketing Manager, Vinyl Siding;*

P.R. BAKER, *President,* Gienow; P. A. PAULS, *Vice-President and General Manager;* G. A. GAUTHIER, *Vice-President and Treasurer;* D. PRIEBE, *Production Manager*

P.R. BAKER, *President,* Multi Fittings; D. H. DURHAM, *Vice-President and General Manager;* R. D. TIPLADY, *Vice-President and Treasurer;* L. N. PICKERING, *Manufacturing Manager*

## Packaging

The CB/Holway and Merry Packaging divisions produce flexible packaging and folding cartons.

**Key Employees**

P.R. BAKER, *Chairman,* CB/Holway Packaging; D. B. WELLS, *President;* P. W. ELLIS, *Vice-President and General Manager,* Holway; M. R. BLACKMAN, *President,* Merry Packaging