

National Sea Products Limited



Annual Report 1986

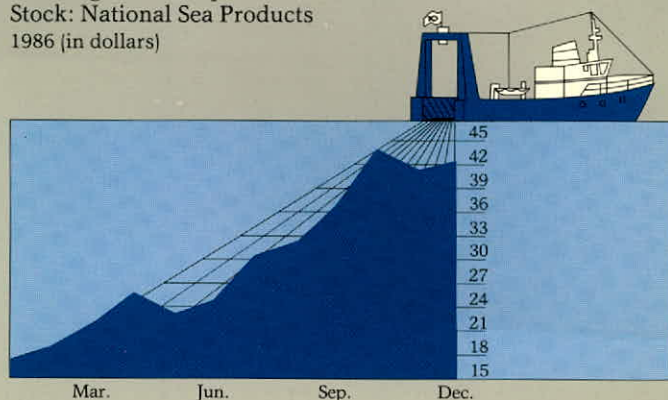
The Year's Highlights

	53 weeks to January 3 1987	52 weeks to December 28 1985
<i>All amounts in thousands except as indicated +</i>		
Net sales	\$ 516,415	454,708
Income before extraordinary items	\$ 21,764	7,239
Basic earnings per common share		
Before extraordinary items	+ \$ 1.36	0.42
After extraordinary items	+ \$ 2.30	0.61
Total Assets	\$ 288,411	252,098
Common shareholders' equity	\$ 60,716	26,590

All per share amounts are after giving retroactive effect to the subdivision of one Common Share into one Common and one Non-Voting Equity Share effective August 15, 1986.

Non-voting equity earnings per share are \$0.10 greater than per common share

**Toronto Stock Exchange
Trading Summary**
Stock: National Sea Products
1986 (in dollars)



Represents the aggregate market value of the Common and Non-Voting Equity Shares.

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Directors' Report to Shareholders

Your Company experienced a much more satisfactory year in 1986. It was a period during which primary emphasis moved beyond the successful process of recovery, to addressing the emerging role of National Sea Products in a changing world food market.

Clearly, expanding opportunities lie ahead for food companies which are pre-eminent in seafood sourcing, processing and marketing. Your Company's priorities now centre on building the organization and expanding its international contacts to ensure it benefits fully from the markets it now participates in, as well as in the development of new markets worldwide. Significant steps in this direction include the opening of offices in both Lisbon and Tokyo, and a high level of performance by our Sea-Seald trading division which is quickly developing effective sourcing contacts in such countries as the United States, United Kingdom, Denmark, Japan, Korea, Taiwan and Argentina.

Demographics, changing lifestyles and increased health awareness have contributed to recent increases in seafood consumption in the United States, the largest market for Canadian fish. The United States Department of Commerce reports an increase in annual per capita consumption of fish from 12.3 pounds in 1983 to 14.5 pounds in 1985. We expect 1986 to show consumption exceeding 15 pounds per capita.



W.O. Morrow,
Chairman of the Board and
Gordon E.M. Cummings,
President and Chief Executive
Officer.

There is more fish consumption because of the increased availability of fresh fish, the proliferation of ready-to-cook fish dinners and the increase in consumer sensitivity to quality and convenience. National Sea is developing and marketing products to take advantage of these changing consumer trends. Its strategy is to continue to shift emphasis from the low growth "commodity" type products to the higher margin fresh fish and faster growing, higher value added products, such as retail products for the growing single serving segment, microwave users and calorie conscious customers.

Your Company's sales and other revenues reached \$516,415,000 in 1986, a 14 percent improvement over the 1985 figure of \$454,708,000. Net income amounted to \$36,124,000 compared with \$10,122,000 last year.

Net income before extraordinary items was \$21,764,000 in 1986, versus \$7,239,000 a year ago; an increase of \$14,525,000.

Income per common share was \$2.30 (\$1.36 before extraordinary items) as compared to figures of \$0.61 and \$0.42 the previous year.

Your Company is achieving a more reasonable level of return on sales dollars and assets. The 1986 income from operations before income taxes and extraordinary items amounted to 8.6 percent on sales, a great improvement over the 2 percent figure of 1985. Extraordinary items accounted for \$14.4 million during fiscal 1986, almost all of it attributable to the recovery of income taxes on the use of the last of our outstanding loss carry-forwards. As a result the Company now expects to pay income taxes for 1987.

The efforts of the Company to operate in a market driven manner, and to improve quality proved to be of great benefit in 1986, as did the considerable capital expenditure on profit improvement and quality enhancement projects. Lower fuel prices and the return to 1980 levels of several European currencies also worked in the Company's favour.

In spite of the favourable disposition of consumers towards seafood, it is the challenge of National Sea Products to ensure that products are available to customers which will ultimately result in an enjoyable eating experience. The year 1986 saw many market driven achievements. We launched five new entrées during the year in the Canadian retail market to complement the three already established. By year end seafood entrées accounted for 12 percent of total entrée sales in Canada, up from 7 percent a year earlier. Your Company's HighLiner brand has a prominent share of this growing market.

Fisheries management in our primary harvesting areas was of growing importance during the year. Canadian quotas will be reduced by about 6 percent overall in 1987 in accordance with government conservation measures. The Canadian Minister of Fisheries and Oceans consulted closely with all participants and reductions are to be shared by both the inshore and offshore sectors of the Canadian North Atlantic fishery. These two sectors have developed greater understanding and co-operation in the face of threats to the resource created by overfishing.

January 1, 1987 marked the 10th anniversary of Canada's declaration of the 200 mile economic zone. The resultant management of the Atlantic Canadian groundfishery has been most beneficial. Groundfish landings by the overall Atlantic Canadian fishery in 1986 were double those of 1976, the last year before the 200 mile zone was declared. These increases are a result of the close

co-operation between the industry and governments (in particular the Canadian Department of Fisheries and Oceans) in matters of allowable catches and resource conservation.

Proposed imposition of countervailing duties against certain species of fresh fish entering the United States from Canada was met with united industry and government representations before the International Trade Commission in Washington. National Sea personnel played key roles in this action. The tariff was limited to 5.82 percent, and is only on products which are not among our important exports.

The Company has declared its firm commitment to the reinvestment of a high percentage of its profits in keeping with long term goals of stability and profitable growth.

The Company's factory freezer trawler (FFT), "Cape North", performed well during her first year of operation. The vessel had a profitable year and has come under the command of permanent Company crewmen since the year's end; much sooner than anticipated. Turnover rates of processing crews have been lower than expected, as our crew members are adapting well to long voyages and unfamiliar shift patterns. The high quality product of the FFT is highly sought after by many of the Company's major accounts.

The fleet extended its long, relatively trouble-free record during the year. December, 1986 marked the completion of the lengthening and conversion of the Company's nine Fox class trawlers to full containerization, a quality-driven program that will be extended in the forthcoming year to other trawler classes.

National Sea's Operating Committee. (L-R), J.B. Morrow, Executive Vice President; R.A. McCulloch, Senior Vice President-Finance and Administration; H.E. Demone, Vice President-International Marketing; A.J. Roche, Senior Vice President-Canadian Operations; J.P. McNeil, Senior Vice President-Marketing, National Sea Products Incorporated; L.R. Shaw, Vice President; G.D. Southwood, Senior Vice President-Operations, National Sea Products Incorporated; E.H. Demone, Vice President-Fleet.



Containerization has proven to be most effective and is an important step in your Company's drive for the high quality product which is in such growing demand around the world. The premiums offered officers and crews under the Company's dockside grading system are reflected in rising percentages of top-quality landed product.

The successful conversion of two groundfish side trawlers to scallop draggers was completed during the year at the Company's own Lunenburg, Nova Scotia shipyard. Our Rockland, Maine shipyard continued to be profitable, working to full capacity almost the entire year wholly on the basis of outside contracts.

The activities of the Company's wholly-owned subsidiary, Fisheries Resource Development Limited (FRD), were strongly directed towards product development, efficiencies offered by new types of oceanographic equipment and the opportunities to be found in underutilized fish species and new processes. The fast-growing science of aquaculture also demands an increasing amount of FRD's attention.

In the United States our marketing approach has been redirected towards working more closely with our larger customers and those who share our long

term objectives in expanding seafood consumption. Two major United States brands were added to the Company retail line during the year with the acquisition of the Booth and Fisher Boy labels.

Our Australian affiliate, International Sea Products (Pty.) Limited, was not quite as profitable last year as in 1985 due in part to a weak Australian dollar and a higher cost of raw material. However, Astra Pesquerias Uruguayas S.A., in which the Company has an interest, has returned to profitable operations. The Company's participation with Astra will provide National Sea with valuable sourcing of the South American species, Whiting, as it gains popularity with consumers.

Principal changes in executive responsibilities within the Company were the elevation of former Vice Chairman and Chief Executive Officer W.O. Morrow to the post of Chairman and the appointment of former President and Chief Operating Officer Gordon E.M. Cummings to the office of President and Chief Executive Officer.

Senior executives who joined National Sea during the year were Roderick A. (Rod) McCulloch, Senior Vice President-Finance and Administration, L. Robbie Shaw, Vice President and L. Blair Campbell, Vice President-Canadian Sales/Marketing. Ronald G. Whynacht was promoted to Vice President-Product Development.

During the year, the number of participants in the Employees' Savings and Profit Sharing Retirement Plan rose from 2,233 to 2,605 and contributions, including the Company's share of \$4,942,000, rose from \$2,354,000 to \$6,668,000. These figures indicate a stronger degree of employee support and commitment.

National Sea Products acknowledges a growing sense of responsiveness and mutual understanding between the industry and all levels of government in Canada during the past year. This improved level of co-operation should result in Atlantic Canada's fisheries producing higher income levels for all participants.

The past year was a trying one as all National Sea people adjusted to lower quotas. We would like to acknowledge the extremely high level of co-operation, commitment and enthusiasm of all of our employees and trawlermen which made our adjustment to change so successful. The 8,000 people of National Sea Products are a key Company asset, even though they do not appear on the balance sheet.

We would also like to thank our shareholders for their support, and the customers and suppliers world-wide whose loyalty has been so instrumental in developing the expanding prospects to which the Company now looks forward.



W.O. Morrow
Chairman of the Board



Gordon E.M. Cummings
President and Chief Executive Officer

Summary of Quarterly Data

Summaries of the Company's 1986 and 1985 unaudited results on a quarterly basis follow:

All per share amounts are after giving retroactive effect to the subdivision of one Common Share into one Common and one Non-Voting Equity Share effective August 15, 1986.

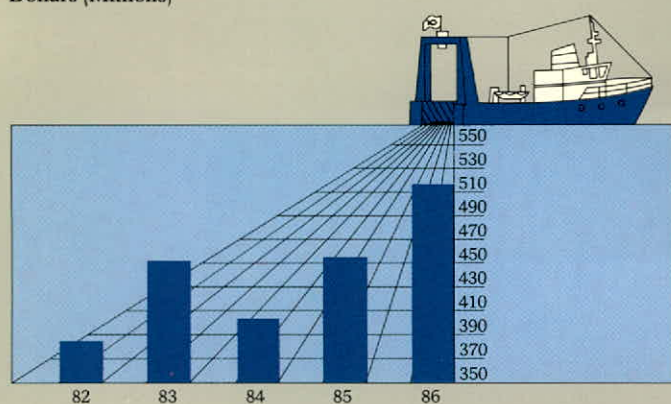
Fiscal 1986	First Quarter	Second Quarter	Third Quarter	Fourth Quarter (1)	Full Year
<i>(in thousands except where indicated with +)</i>					
Net sales	\$ 128,548	\$ 118,411	\$ 132,372	\$ 137,084	\$ 516,415
Income before extraordinary items	5,380	3,229	6,309	6,846	21,764
Per common share	+ .338	.196	.397	.432	1.363
Per non-voting equity share	+ .363	.221	.422	.457	1.463
Net income	9,959	6,453	12,082	7,630	36,124
Fish landings (000's) kilos	36,201	43,077	45,404	34,428	159,110
Dividend per common share	-	-	-	.10	.10
Dividend per non-voting equity share	+ -	-	.10	.10	.20
Common share price range	+ 6 ¹ / ₂ -11	10-13 ¹ / ₂	12 ¹ / ₄ -20	17-23 ³ / ₄	6 ¹ / ₂ -23 ³ / ₄
Non-voting equity share price range	+ N/A	N/A	14 ¹ / ₂ -17 ⁷ / ₈	17-22 ¹ / ₄	14 ¹ / ₂ -22 ¹ / ₄

Fiscal 1985	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Net sales	\$ 123,765	\$ 114,206	\$ 109,169	\$ 107,568	\$ 454,708
Income before extraordinary items	3,777	8	68	3,386	7,239
Per common share	+ .233	(.014)	(.010)	.207	.417
Per non-voting equity share	+ .258	.011	.015	.233	.517
Net income (loss)	4,927	2,263	(344)	3,276	10,122
Fish landings (000's) kilos	40,713	44,221	48,829	35,397	169,160
Dividend per common share	+ -	-	-	.10	.10
Common share price range	+ 2 ¹ / ₂ -4	3 ³ / ₈ -4 ¹ / ₄	4-4	4-6 ⁷ / ₈	2 ¹ / ₂ -6 ⁷ / ₈

(1) Fourteen weeks

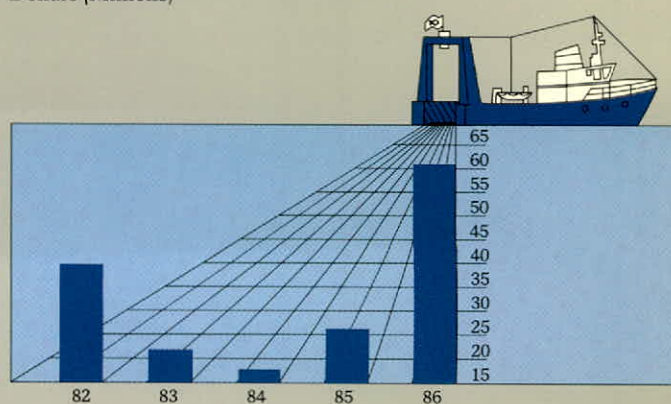
Net Sales

Dollars (Millions)



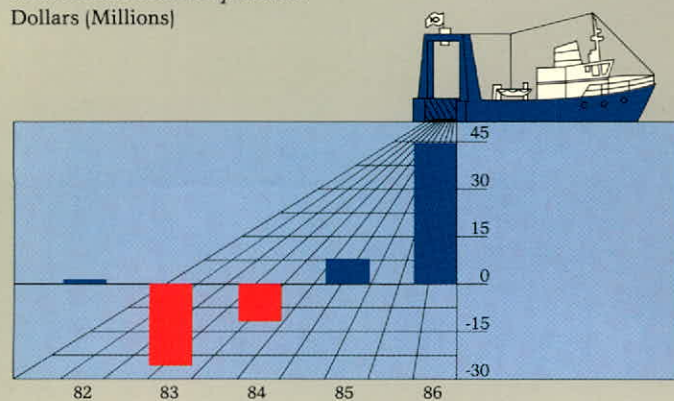
Common Shareholders' Equity

Dollars (Millions)



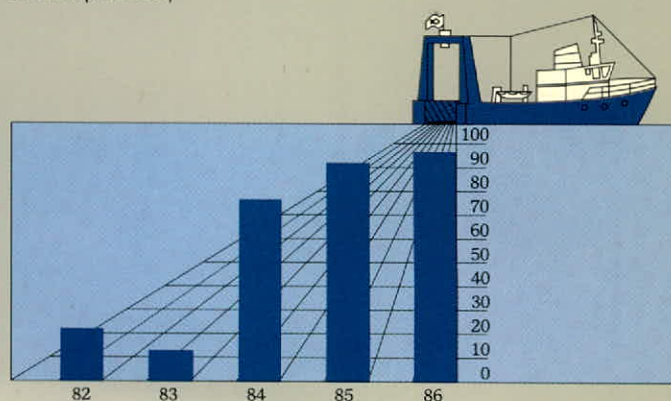
Income Before Income Taxes And Extraordinary Items

Dollars (Millions)



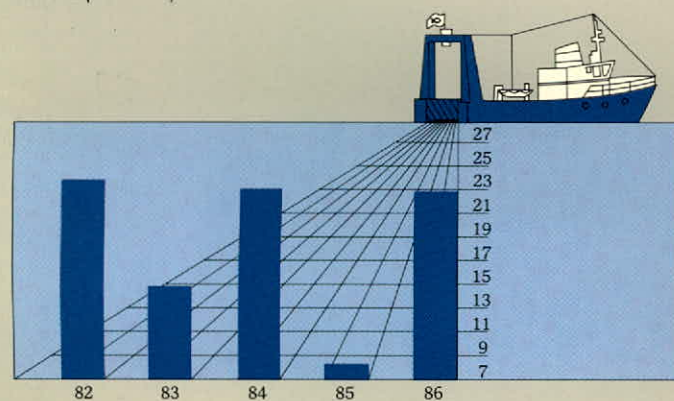
Working Capital

Dollars (Millions)



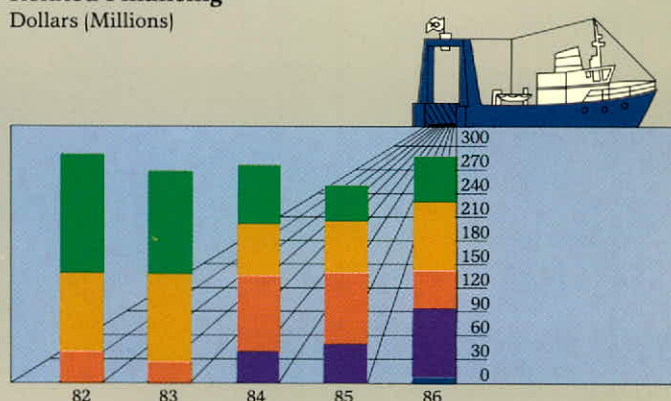
Capital Additions

Dollars (Millions)



Total Assets and Related Financing

Dollars (Millions)



- Current
- Long Term Debt
- Preference Shares
- Shareholders' Equity
- Deferred Income Taxes

World Horizons for National Sea



National Sea Products has a new goal, one toward which the first decisive steps were taken in 1986. That objective is greater performance in world markets, leading ultimately to a dominant position in any of the markets we serve.

The drive towards greater world market share is only part of the picture. The reality of a finite Northwest Atlantic fisheries resource has placed an ever greater importance on sourcing in other parts of the globe, and National Sea is developing important contacts in dozens of countries offering a potential as major suppliers.

Opportunities, unlike fish stocks, are almost unlimited. Even in the face of the very strong prices of late 1986, consumer demand continued on a healthy, rising curve.

National Sea, in realizing its mission as a fully market-driven organization, has been quickly expanding its presence outside the Americas from both sales and sourcing perspectives.

In addition to an interest in International Sea Products (Pty.) Limited of Australia, the Company now has a sales office in Tokyo. Company executives have been travelling throughout the Pacific Rim establishing effective contacts of many kinds: sourcing in Taiwan and Korea, Perch and Capelin markets in Japan, preliminary negotiations with Chinese aquaculture and trade officials.

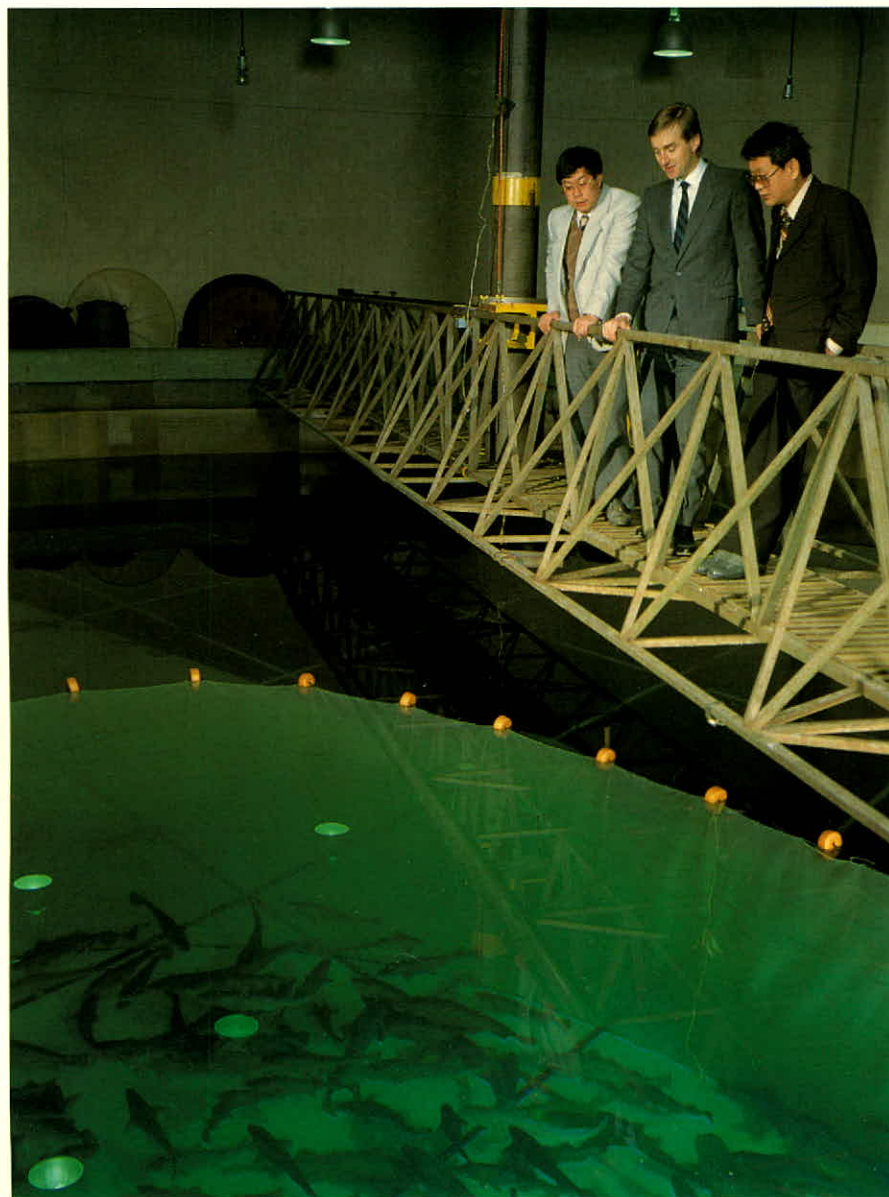


The reality of a finite Northwest Atlantic fisheries resource has placed an ever greater importance on sourcing in other parts of the globe, and National Sea executives, such as Henry Demone, Vice President-International Marketing, are developing important contacts in dozens of countries with major marketing or sourcing potential.

Far Eastern brokers and consumers are particularly demanding of high quality, and National Sea's top-graded product is already commanding premium prices in such competitive arenas as the Japanese Ocean Perch market.

Europe is seen less as a source of supply than as a rich market for an expanding number of processed species. Monkfish tails, Ocean Catfish and Skate wings, gourmet staples on continental menus, are among catches once ignored in the Northwest Atlantic fishery and now, due to our knowledgeable marketing are yielding good profits as by-catches.

Key National Sea executives have been given the opportunity to develop first-hand cultural knowledge of southern Europe in particular. There is now an active National Sea Products sales and marketing office in Lisbon, Portugal. Close research on changing trends in French consumer outlets indicates good opportunities opening for companies with strong backgrounds in North American marketing and delivery systems.



West Germany and the Scandinavian countries are of continuing interest to both plant and fleet officers of the Company. Close monitoring of fishing gear and new processing technology being developed in those countries is important to maintenance of National Sea's position as a leading-edge player in an increasingly sophisticated field. West Africa and the USSR have become additional promising sources of supply to our Sea-Seald division, National Sea's international trading arm.



National Sea Products recognizes the urgent need for conservation and proper management of all the fisheries of the world, and is firmly committed to that principle.

There are three prime solutions to a limited natural resource. One is greater efficiency and less waste in harvesting and processing practice. Another is the development of markets for under-utilized species. The third is the creation of the ability to produce controlled harvests in accordance with demand. Aquaculture has already become one of the world's fastest-growing food sciences, and in the future sea farming will enhance nature's capacity to grow fishstocks world markets prefer.



The organization has established priorities and procedures with a "beginning to end" approach. The process starts by determining the market needs, generating and screening ideas. It culminates in National Sea's growing international market share.

Company executives, including President & CEO Gordon E.M. Cummings and Vice President L. Robbie Shaw are frequently on the move around the globe in developing the expanding prospects for the Company.

In addition to an interest in International Sea Products (Pty.) Limited, Australia, National Sea Products has established a new subsidiary operation in Japan, National Sea Products (Japan) Limited, Tokyo.

National Sea Products is actively pursuing all these avenues to success. Our fleet, our gear and our fishing crews repeatedly achieve catch rates and upgrade percentages unexcelled in the industry.

The long-term strategic plans of our marketing and product development people are designed not only to capitalize on growing acceptance of seafood, particularly in North America, but to create further consumer response. Our subsidiary company, Fisheries Resource Development Limited, works closely with Company divisions toward improvement in both areas. FRD is also playing a key role in providing National Sea with effective access to aquaculture and oceanographic expertise from sources around the world.

National Sea's strong base will remain in North America, but the Company's objective is to open every door, develop every opportunity and serve profitable markets that once lay beyond North American horizons.

Our efforts will bring rewards on a global scale.



World Fisheries: The Challenge and the Reward

The fishery, along with agriculture, mining, forestry and fossil fuels, is one of the five traditional resource industries of the world. The fishing industry, no less than the others, is facing a challenge of historic proportions. Such resource-based economies as that of Canada have become aware that without excellent management, ever-increasing technical strides and stronger contention in world markets, the opportunities once taken for granted will inevitably diminish.

The time has arrived for the major participants in the ocean-based food industries to declare themselves as committed to keen research and greater efficiencies. Not only survival, but a high level of prosperity will become eminently possible for those companies with the motivation and the expertise to contend with a changing resource on competitive terms.

Although there is no doubt that the world will continue to demand fish products, competition is keen; many of the developing countries are rich in both resources and cheap labor. The importance of protected stocks, government assistance and other recently-adopted advantages to the long-term viability of the Western fishing nations is great, but even greater is the importance of planning now for the revolution that lies ahead.

The emerging global economic order will not be based on resource utilization or manufactured goods, but rather on information and innovation. Industrialized countries are aware that this new knowledge, produced by our greatest minds, holds the key to future successful economic competition.

This information component will dramatically alter the market share of fish-based food companies, depending on the extent to which they commit to it. Fishing is not the only industry which will find rewards in major re-orientations away from traditional pursuits and toward high technology such as microelectronics, biotechnology and advanced materials.



Seafood: the Healthiest Consumer Market

In the minds of consumers, health, fitness and fish have become part of the same concept. Part of the steep rise in per capita consumption, particularly in North America, is due to recognition of the proven dietary benefits of fish and seafood. Omega-3, a component of some fish species, has been identified as an effective agent in reducing blood cholesterol levels. High in protein, low in fat, fish is

increasingly the nutrient of choice among health-conscious people.

Research indicates an even more important reason for the all-time high in the popularity of fish: the fact that it's a tasty food which can be conveniently prepared in an almost infinite variety of ways.

There are some fifty species of seafood selling regularly at North American fresh fish counters. Virtually all of



them adapt to more modes of preparation than any other source of protein. Grilled, sauteed, baked, steamed or batter-fried, fish is equally appealing. Seafood goes with pasta, rice, dairy products and the full range of cooked and raw vegetables. Soups, casseroles, salads, entrees, souffles, sauces, appetizers and hors d'oeuvres can all be prepared with fish and seafood.

Restaurant menus act as the most effective form

Dr. Robert O. Fournier is currently Assistant Vice President (Research) and Professor in the Department of Oceanography at Dalhousie University in Halifax, Nova Scotia, Canada. A native of Providence, Rhode Island, Dr. Fournier received his Doctorate in Biological Oceanography from the University of Rhode Island, Kingston, Rhode Island, USA. He has held post-doctoral fellowships and teaching positions in locales ranging from Honolulu, Hawaii to Oslo, Norway. A former oceanographic advisor to the Smithsonian Institute, Washington, D.C., Dr. Fournier has also lectured in Japan, Sri Lanka, the United Kingdom and the Soviet Union. He is also internationally known for literally hundreds of radio and television appearances and magazine articles dealing with an eclectic range of scientific topics including his principal area of expertise, marine and oceanographic research. He has recently been appointed to the Canadian Prime Minister's National Advisory Board on Science and Technology.

To carry on as before, simply refining an old approach, will produce short-term gains leading inevitably to reduced flexibility and narrowed choices. On the other hand, incredible opportunities await the proper marriage of high technology and traditional resource industries.

The solution is not to totally reject the accepted bases of resource harvesting, but to realize and apply new information as it becomes available. One result of an informed approach will be to add value to existing products.

Catching, processing and selling of fish and seafood will, of course, continue. But in new, imaginative production techniques, extraction procedures and totally new uses will be found the strength and the success that will accrue to progressive and determined participants and be lost to the others.

There are clear signs that efforts which combine the wealth of the natural resource with that of the human resource are underway. Attempts to utilize fish with greater efficiency or produce controlled harvests are important positive steps. However, a major commitment to the generation of new ideas and approaches requires that a significant financial component be earmarked for research and development. It requires less complacency about today's balance sheet and more concern for that five years down the road. It requires stronger linkages between the industrial sector and the universities which are the source of so many new ideas. But, most of all, it requires a new mind set and the will to make it work.

The message is clear. It has been read and understood by many, including, I am convinced, National Sea Products Limited in its entry into the now and future world fisheries area.

The message is this: to meet the challenge, the new information society must merge with the old resource economy to turn a possible sunset into a bright new sunrise.

Robert O. Fournier

of introduction to the adventure of new and exciting fish dishes, developing consumer tastes that are reflected in home preparation and supermarket freezer sections.

Whatever the reason, eating patterns are changing around the world. For instance, a recent United States Department of Agriculture study indicated that American women between 19 and 50 years of age are

consuming 45 per cent less meat served as a separate dish than ten years ago. By the same criteria and among the same group, fish and shellfish consumption was up by a rate of 18 per cent. Retirement communities are beginning to provide a large, affluent market for delicate, sophisticated and healthy foods. North American-style fast foods are gaining popularity in Europe and the Orient.

National Sea Products is

positioned to take fullest advantage of the new seafood trends and demographics in several ways. The Company is one of North America's leading suppliers of fresh fish, active in frozen pre-cooked product development, a major supplier to the food service industry, a private label packer and an organization experienced in international trading.

These strengths, along with our commitment to aquaculture, our efforts to

encourage greater consumer demand for as yet under-utilized species and our rapidly growing global sourcing network, assure an ever-improving consumer base.

Good taste and good health: in that winning combination lies a world of profitable growth for National Sea Products.

National Sea: Meeting the Changing Market

New Directions

A fundamental change in the allocation of offshore Northwest Atlantic fish stocks by the Canadian government several years ago permitted National Sea Products to reverse its historically resource-driven organization and adopt a market-driven approach to operations throughout the entire Company.

With the advantage of long-term allocation of access to various species, the Company is now able to approach the market with a sense of creativity and innovation. Providing products the consumer wants is the over-riding objective that motivates every level of National Sea.

Product development functions as a catalyst, one that bears on virtually every aspect of the business. Consumer analysts, market researchers, marketing managers, food scientists, fleet, plant, trading and corporate personnel are brought together in the course of product development to serve the strategic plan that now dominates National Sea's direction.

The organization has established priorities and procedures with a "beginning to end" approach. The process starts by determining the market needs, generating and screening ideas. It culminates in National Sea's growing international market share among food companies with a fish and seafood foundation.

Extending the Product Base

National Sea is a food company with a successful base in fish and seafood production and marketing. Building on that base, the Company is now gaining experience and expertise in other food items, either alone or in combination with our principal product.

Frozen pre-formed chicken is now a successful companion product to the Company's HighLiner brand of fresh fish and frozen seafood portions and

Product development functions as a catalyst, one that bears on virtually every aspect of our business. A variety of company personnel and independent analysts are brought together in the course of product development to serve the strategic plan that dominates National Sea's direction.



Loyalty to National Sea's labels is high, and remains so when new foods are added to our lines.



entrées in Canada. Cheese, milk products, flour, whole grains, butter, vegetables, fruits and a wide range of seasonings occupy an important place in product development and in the daily routine of our test kitchens and production lines. Our portions and entrées are designed for today's tastes and today's methods, from boil-in-bag to microwave cookery.

Loyalty to National Sea's HighLiner brand, and to the Booth and Fisher Boy labels in the United States is high, and remains so when new foods, including non-fish items, are added to our lines.

Proven Strengths

As a vertically integrated company and an experienced harvester of fish and shellfish, National Sea has an advantage that supports our market-driven operations. Our own well-maintained fleet of 59 vessels is our primary source of product. Plant and fleet officials are continuously acquiring (and in many cases co-developing) processing equipment and fishing gear that keeps the Company in the technological forefront.

Just as the Company was a pioneer in the use of many of the electronic instruments now in use in the commercial fishery, it now is experimenting with the first digital recording thermographic equipment to be used by North American fishing fleets. These installations are already favorably affecting catch-rates of trawlers so equipped. Quality of landed fish is continuing to respond to our containerization and dockside grading programs.

There are now some fifty species of seafood selling regularly at North American fresh fish counters. National Sea researches the consumer market to monitor public preference in fish and seafood.



The Company also has a long record of activity in international trading to satisfy such demands as may exceed our own annual quotas and available species. This expertise is allowing us to prepare to capitalize on market opportunities provided by such hitherto unfamiliar species as Orange Roughie from New Zealand, which is now recognized as a phenomenally successful new item in North America.

In addition to creating a strong trading capability, we are also investigating further harvesting opportunities in several areas of the world well outside our traditional areas of operation.

National Sea's market research and product development teams are finding rewarding market niches for more underutilized species. Trained specialists in the new field of seafood engineering, consulting closely with corporate customers, are now providing strong new directions and better margins in our U.S. and Canadian Food Service Divisions. Fresh fish remains our market-leading mainstay in the United States, reflecting our recognized leadership in harvesting, handling and delivery systems.

National Sea Products is a company with a determination to lead, rather than follow; to act, rather than react; to create rather than imitate.

We have the people to do it. In the context of a sound structure and firm financial support, they are doing it.



Restaurant menus act as the most effective form of introduction to the adventure of new and exciting fish dishes, developing consumer tastes that are reflected in home preparation and supermarket freezer sections.

National Sea Products has an advantage that supports our market-driven operations; our well-maintained fleet of 59 vessels is our primary source of product.

National Sea Products Limited

National Sea Products is a North American-based food company of 8,000 employees, with fresh, frozen and pre-cooked fish and seafood as its principal products. The Company owns and operates a fleet of 59 vessels, dedicated to processing plants located along the Atlantic seaboard of Canada and the United States. In addition to its wholly-owned facilities, National Sea Products has corporate affiliations with companies in Uruguay and Australia. The Company maintains sales offices in Japan and Portugal, and operates a procurement and trading division which operates world-wide. National Sea Products' shares are traded publicly on the Montreal and Toronto stock exchanges.

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National Sea Products Limited

Consolidated Financial Statements

For the fifty-three weeks ended January 3, 1987
(With Comparative Figures for the Fifty-Two Weeks Ended
December 28, 1985)



Consolidated Statement of Income

For the fifty-three weeks
ended January 3, 1987
(with comparative figures for the
fifty-two weeks ended December 28, 1985)

	1986	1985
<i>in thousands of dollars</i>		
Net sales	\$ 516,415	\$ 454,708
Cost of sales	393,639	375,170
	122,776	79,538
Selling, general and administrative expenses	49,746	43,012
Interest expense (revenue)		
— short-term	(1,716)	918
— long-term	7,598	7,485
Depreciation and amortization	13,098	14,013
	68,726	65,428
Income from operations before the following	54,050	14,110
Share of affiliated companies' net earnings	347	204
Dividends on preference shares of subsidiary companies	(4,977)	(5,932)
	49,420	8,382
Profit sharing contribution (note 12b)	(4,942)	(838)
Income from operations before income taxes and extraordinary items	44,478	7,544
Income taxes (note 7b)		
Current	848	305
Deferred	21,866	—
	22,714	305
Income before extraordinary items	21,764	7,239
Extraordinary items (note 8)	14,360	2,883
Net income	\$ 36,124	\$ 10,122
<i>Earnings per share (note 9)</i>		

Consolidated Statement of Retained Earnings

For the fifty-three weeks
ended January 3, 1987
(with comparative figures for the
fifty-two weeks ended December 28, 1985)

	1986	1985
<i>in thousands of dollars</i>		
Balance, beginning of period	\$ 5,326	\$ (3,926)
Net income for period	36,124	10,122
Dividends:		
C and D Preference Shares	(106)	(106)
Common Shares and Non-Voting Equity Shares	(2,302)	(764)
Balance, end of period	\$ 39,042	\$ 5,326

See accompanying notes

Consolidated Statement of Changes in Financial Position

For the fifty-three weeks
ended January 3, 1987
(with comparative figures for the
fifty-two weeks ended December 28, 1985)

	1986	1985
<i>in thousands of dollars</i>		
Cash provided by (used for):		
(a) Operations (note 10)	\$ 67,266	\$ 63,795
(b) Financing	(34,846)	(17,793)
(c) Investments	(31,055)	(3,315)
Increase in cash position during the period	1,365	42,687
Cash position, beginning of period	7,670	(35,017)
Cash position, end of period	\$ 9,035	\$ 7,670
(a) Operations (note 10)		
Cash receipts from customers	\$ 513,536	\$ 458,896
Payments for operating, selling and administrative expenses	(447,986)	(394,183)
Cash flow from operations before interest	65,550	64,713
Short-term interest (expense) revenue	1,716	(918)
	\$ 67,266	\$ 63,795
(b) Financing		
Mortgage proceeds and other long-term debt	\$ 31,276	—
Repayments of long-term debt	(5,235)	\$ (3,959)
Interest paid on long-term debt	(7,598)	(7,485)
Dividends paid on C and D Preference Shares	(106)	(106)
Issue of Common and Non-Voting Equity Shares	501	—
Dividends paid on Common Shares and Non-Voting Equity Shares	(2,302)	(764)
Dividends paid on preference shares of subsidiary companies	(6,048)	(5,067)
Redemption of preference shares of subsidiary companies	(45,334)	—
Extraordinary losses	—	(412)
	\$ (34,846)	\$ (17,793)
(c) Investments		
Purchase of plant and equipment, net of investment tax credits	\$ (22,986)	\$ (8,299)
Purchase of goodwill	(5,196)	—
Proceeds on sale of assets	263	5,373
Decrease (Increase) in other assets	(3,136)	10
Extraordinary losses	—	(399)
	\$ (31,055)	\$ (3,315)
Cash position is composed of:		
Cash and marketable securities	\$ 13,644	\$ 11,550
Bank indebtedness	(4,609)	(3,880)
	\$ 9,035	\$ 7,670

See accompanying notes

Consolidated Balance Sheet

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

January 3
1987

December 28
1985

in thousands of dollars

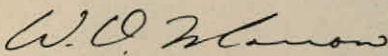
Assets		
Current:		
Cash and marketable securities	\$ 13,644	\$ 11,550
Accounts receivable - trade	36,559	33,026
Accounts receivable - fishermen and other	5,382	5,152
Inventories of marketable products and supplies	94,794	83,192
Prepaid expenses	4,736	1,673
Total current assets	155,115	134,593
Fixed (note 3)	117,403	109,505
Other:		
Investments in affiliates	2,995	2,457
Goodwill	4,937	—
Sundry investments and other	7,961	5,543
	15,893	8,000
	\$ 288,411	\$ 252,098

Liabilities and Shareholders' Equity

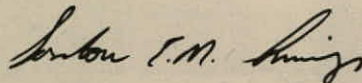
Current:		
Bank indebtedness (note 4)	\$ 4,609	\$ 3,880
Accounts payable and accrued charges	45,680	35,085
Income taxes payable	845	—
Current instalments on long-term debt	7,189	3,990
Total current liabilities	58,323	42,955
Long-term debt (note 4)	87,637	65,261
Deferred income taxes	9,806	29
Preference shares of subsidiary companies (note 5)	50,000	95,334
Shareholders' equity:		
Share capital (note 6)	44,369	43,869
Retained earnings	39,042	5,326
Deferred foreign currency translation losses	(766)	(676)
	82,645	48,519
	\$ 288,411	\$ 252,098

See accompanying notes

On behalf of the Board:



W.O. Morrow, Director



Gordon E.M. Cummings, Director

23
2.1
5.4 2.7 = B-
4.0
9.4 ÷ 3 = 3.13 = B

Notes to Consolidated Financial Statements

January 3, 1987

1. Significant accounting policies

The accompanying 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.

(b) 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.

(c) Foreign currency

Assets and liabilities of self-sustaining foreign investments 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)".

Assets and liabilities of integrated foreign subsidiary operations and 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. The revenues and expenses, except depreciation and amortization, are converted at average exchange rates for the year. Depreciation and amortization are converted at the same rate as the related assets. 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.

(d) Fixed assets

Fixed assets are carried at cost with depreciation being provided on the straight-line basis at the following rates per annum:

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

The above rates represent a change from previous years based on a review of the estimated useful lives of the Company's fixed assets during 1985. The Company changed the depreciation rates on buildings and trawlers effective December 29, 1985, with the major change being on trawlers where the useful life was increased from fifteen years to twenty years. If depreciation had remained unchanged in 1986, depreciation expense for the year would have been higher by approximately \$2,000,000.

(e) Investments in shares of affiliates

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

(f) Sundry investments

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

(g) Goodwill

Goodwill has been recorded on the acquisition of product brands and is being amortized on a straight-line basis over 10 years.

2. Business Acquisitions

Effective June 16, 1986, the Company purchased the United States retail seafood marketing business of Booth Seafood Sales Corporation. The principal assets acquired were the trade names "Booth" and "Fisher Boy" (subject to certain license agreements) and the related inventories of seafood products.

This transaction has been accounted for by the purchase method, with the operating results from the date of acquisition included in these financial statements. The net assets acquired with consideration given is as follows:

<i>in thousands of dollars</i>	
Net assets acquired:	
Inventories	\$ 4,279
Goodwill	5,196
Fixed assets	37
	\$ 9,512
Consideration:	
Cash	\$ 5,362
Long-term debt	4,150
	\$ 9,512

3. Fixed assets	January 3, 1987	December 28, 1985
<i>in thousands of dollars</i>		
Land	\$ 1,086	\$ 986
Buildings, wharves and equipment	122,261	115,639
Trawlers	104,460	88,632
	227,807	205,257
Less accumulated depreciation:		
Buildings, wharves and equipment	61,844	53,561
Trawlers	48,560	42,191
	110,404	95,752
	\$ 117,403	\$ 109,505

4. Debt

January 3, 1987 December 28, 1985

in thousands of dollars

Current:

Bank indebtedness **\$ 4,609** \$ 3,880

Long-term:

Bank indebtedness at bank prime plus 1/2%	—	\$ 366
Bank indebtedness - trawler mortgage loans, interest rates averaging 8.0%, due to 1994 (U.S. \$11,430)	\$ 15,754	14,966
Trawler mortgage loans, interest rates averaging 8.2%, due to 2004	26,366	21,923
Mortgage loans on land, buildings, wharves and equipment, interest rates averaging 10.1% (10.8% after April, 1987), due to 2004	18,287	19,629
Special Purpose Revenue Bonds, interest rate at one-half of a United States bank's prime plus 1/2%, due to 2005 (U.S. \$2,881)	3,971	4,247
Industrial Development Revenue Bonds with a property mortgage as collateral, interest rates averaging 10.2% (6.6% after 1988), due to 1998 (U.S. \$5,777)	7,962	8,120
Other indebtedness related to acquisition of Booth/Fisher Boy, without interest, repayable to 1989 (U.S. \$2,593)	3,574	—
Unsecured note payable bearing interest at 6% (8.5% after April 1989) due to 2009	18,912	—
	94,826	69,251
Less current instalments	7,189	3,990
	\$ 87,637	\$ 65,261

The Company has pledged as collateral for its bank indebtedness a general assignment of accounts receivable, inventories and a \$250,000,000 demand debenture providing a fixed charge over certain assets and a floating charge over all other assets of the Company (note 5).

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

in thousands of dollars

1987	\$ 7,189
1988	7,080
1989	7,095
1990	6,814
1991	6,870

5. Preference shares of subsidiary companies

The preference shares of subsidiary companies consist of the following:

	January 3, 1987	December 28, 1985
<i>in thousands of dollars</i>		
500,000 (1985 - 750,000) Cumulative Preference Shares at par value of \$100 each	\$ 50,000	\$ 75,000
Nil (1985 - 20,334) Non-Voting, Redeemable, Non-Cumulative Preference Shares at par value of \$1,000 each	—	20,334
	\$ 50,000	\$ 95,334

The 500,000 Cumulative Preference Shares bear a dividend entitlement of 1/2 a chartered bank's prime lending rate plus 1 1/4%. In the event of the default of the subsidiary on the dividend or redemption requirements of these shares, the parent's obligations relating thereto are secured by the collateral disclosed in note 4 in relation to bank indebtedness which ranks equally with bank indebtedness in all respects. Redemption is required in 1987 through 1989 at \$25,000,000 annually. The first instalment of \$25,000,000, due January 31, 1987, was paid prior to year end.

Effective December 29, 1985, the Non-Cumulative Preference Shares were redeemed and replaced by unsecured debt (see Note 4).

6. Share capital

The share capital of the Company at the end of the indicated fiscal periods is as follows:

Authorized	January 3, 1987	December 28, 1985
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	10,000,000	10,000,000
Subordinated redeemable preference shares of the par value of \$1 each, redeemable at par	1,025,542	1,025,542
Non-Voting Equity Shares without par value	25,000,000	25,000,000
Common shares without nominal or par value	25,000,000	25,000,000

Issued	January 3, 1987	December 28, 1985
<i>in thousands of dollars</i>		
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
Non-Voting Equity Shares	7,677,216 11,220	7,635,216 10,970
Common shares	7,677,216 11,220	7,635,216 10,970
	\$ 44,369	\$ 43,869

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.

On or before March 31, 1989, the Second Preference Shares are entitled to receive a stock dividend of two Common Shares and two Non-Voting Equity Shares for each Second Preference Share. Any redemptions prior to payment of the stock dividend require the Company to redeem these shares at their par value plus the issuance of the stock dividend.

After March 31, 1989, the Second Preference Shares are redeemable at their par value plus accrued and unpaid dividends. No cash dividends will accumulate on the Second Preference Shares until March 31, 1990, at which time dividends will commence, payable quarterly, at one-half the bank prime lending rate plus 3 percent. On March 31, 1990, the Company is required to redeem that portion of these shares having an aggregate par value plus accrued and unpaid dividends equal to the net proceeds received by the Company from the sale of certain assets as agreed upon by the Company and its bankers. The Class C and Class D Preference Shares and the Second Preference Shares will be redeemable in full in the event of any redemption, retraction or purchase for cancellation of any shares of the Company.

The Company has a common share option plan for designated directors, officers and certain managers of the Company and of subsidiary companies with a maximum of 10 percent of the issued Common Shares and Non-Voting Equity Shares reserved to meet potential rights under the plan. To date, options totalling 218,400 Common Shares and 221,400 Non-Voting Equity Shares have been granted, at various prices and times, to be exercised at any time during the three years after the option becomes exercisable. During the year, 42,000 Common Shares and 42,000 Non-Voting Equity Shares were issued under these options for proceeds of \$500,790.

On July 14, 1986 the shareholders approved, and on July 30, 1986, confirmed a special resolution effecting the subdivision of the Common Shares of the Company into voting Common Shares and Non-Voting Equity Shares on the basis of one Common Share and one Non-Voting Equity Share for each Common Share outstanding. The Non-Voting Equity Shares are entitled to a preferential dividend of ten cents per annum and then share equally with the Common Shares in all further dividends. The Common Shares are convertible at any time to Non-Voting Equity Shares.

The Non-Voting Equity Shares contain provisions that if a non-exempt take over offer, as defined in the conditions, is made to buy Common Shares, then they are deemed to be converted to Common Shares for the purpose only of being tendered under the offer.

7. Income taxes

(a) Unrecorded investment tax credits of approximately \$4,800,000 are available to offset future income tax liabilities and expire as follows:

1987	\$ 2,200,000
1988	\$ 500,000
1989 and later	\$ 2,100,000

These credits, all arising prior to 1986, have not been reflected in these financial statements due to the uncertainty as to the amount that will finally be realized.

(b) The Company's provision for income taxes is different from the amount that would be obtained by using the customary corporate rate of 48%. This is due to the effect of amounts deductible for taxes that are not components of accounting income having a tax effect of approximately \$1,000,000 (1985, \$6,200,000), net of the tax effect of the non-deductibility of the dividends on the preference shares of subsidiary companies of approximately \$2,500,000 (1985, \$2,800,000).

8. Extraordinary items

	Fiscal 1986	Fiscal 1985
<i>in thousands of dollars</i>		
Write-down of net book value on discontinued operations (less tax recovery of \$510,000)	\$ (594)	—
Gain on sale of assets	—	\$ 2,569
Write-down of investments	—	(962)
Recovery of income taxes on application of prior years' losses	\$ 14,954	\$ 1,276
	\$ 14,360	\$ 2,883

9. Earnings per share

	Fiscal 1986	Fiscal 1985
Per Common Share:		
Basic earnings		
Income before extraordinary items	\$ 1.36	\$ 0.42
Net income	\$ 2.30	\$ 0.61
Fully diluted:		
Income before extraordinary items	\$ 1.27	\$ 0.40
Net income	\$ 2.14	\$ 0.57
Per Non-Voting Equity Share:		
Basic earnings		
Income before extraordinary items	\$ 1.46	\$ 0.52
Net income	\$ 2.40	\$ 0.71
Fully diluted:		
Income before extraordinary items	\$ 1.37	\$ 0.50
Net income	\$ 2.24	\$ 0.67

All calculations of earnings per share are after giving retroactive effect to the subdivision of one Common Share into one Common and one Non-Voting Equity Share effective August 15, 1986 (see Note 6). Earnings per share on the Common Shares is calculated after taking into effect the preferential ten cent annual dividend on the Non-Voting Equity Shares. Fully diluted earnings per share is calculated after giving effect to the Common Shares and Non-Voting Equity Shares to be issued as stock dividends pursuant to the terms of the Second Preference Shares and under the Company's Stock Option Plan (Note 6).

10. Cash from operations

	Fiscal 1986	Fiscal 1985
<i>in thousands of dollars</i>		
Income before extraordinary items:	\$ 21,764	\$ 7,239
Charges (credits) to income not involving cash from operations:		
Dividends on preference shares of subsidiary companies	4,977	5,932
Depreciation and amortization	13,098	14,731
Loss on sale of fixed assets	882	409
Non-cash income taxes	21,866	305
Share of affiliated companies' net earnings	(297)	(204)
	62,290	28,412
Interest on long-term debt	7,598	7,485
Net change in non-cash working capital balances related to operations:		
Inventories	(11,602)	23,588
Accounts receivable, payable and other	8,980	4,310
	\$ 67,266	\$ 63,795

11. Segmented information

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

	Fiscal 1986	Fiscal 1985
<i>in thousands of dollars</i>		
Net sales		
Canadian operations:		
To Canadian markets	\$ 154,573	\$ 139,353
To International markets	50,953	40,387
To United States markets	69,522	55,775
Inter-segment	111,421	95,853
United States operations:		
To United States markets	241,367	219,193
Inter-segment	7,344	4,360
	635,180	554,921
Less inter-segment	118,765	100,213
Consolidated net sales	\$ 516,415	\$ 454,708
Segment contribution to income:		
Canadian operations	\$ 51,960	\$ 11,537
United States operations	7,351	1,234
	59,311	12,771
Add (deduct) inter-segment	(5,261)	1,339
	54,050	14,110
Share of affiliated companies' net earnings	347	204
Dividends on preference shares of subsidiary companies	(4,977)	(5,932)
Profit sharing contribution	(4,942)	(838)
Income tax expense	(22,714)	(305)
Extraordinary items	14,360	2,883
Net income	\$ 36,124	\$ 10,122
Assets:		
Canadian operations	\$ 199,870	\$ 181,702
United States operations	88,541	70,396
	\$ 288,411	\$ 252,098

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

12. Commitments and Contingent Liabilities

(a) Based on the most recent actuarial review an unfunded liability of \$415,000 for an executive and management pension plan is being funded and amortized by the Company in equal amounts to 1990.

(b) Employees of the Company meeting specified eligibility requirements may participate in an Employees' Savings and Profit Sharing Retirement Fund covering employees of the Company and its subsidiaries. Participation in the Plan requires a contribution from the employee. The Company contributes an amount equal to 10% of its consolidated income from operations before income taxes but after inclusion of its share of affiliated companies' net earnings and deduction of dividends on preference shares of subsidiary companies.

(c) Operating lease commitments approximate \$1,200,000 per year over each of the next five years and result principally from leases for office premises.

(d) The Company has been named as one of eleven defendants in an action by Cambridge Reinsurance Limited ("Cambridge"), through its liquidator. Cambridge is a former affiliate of the Company in Bermuda. The action alleges that the Company was a party to certain actions that damaged Cambridge. Management believes the action is without merit and accordingly no provision has been made for any possible damages that may be awarded.

In addition, the Company is involved in litigation on various other matters, none of which is considered by management as likely to result in any significant losses to the Company.

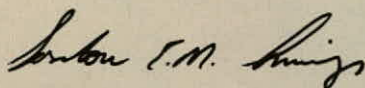
Report of Management Responsibilities

Auditors' Report

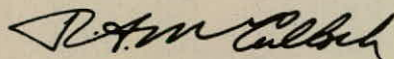
The management of National Sea Products Limited includes corporate executives, operating and financial managers and other personnel working full-time on Company business. The statements have been prepared in accordance with generally accepted accounting principles consistently applied, using management's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

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

The Audit Committee of the Board of Directors is composed of 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.



G.E.M. Cummings
President and Chief Executive Officer

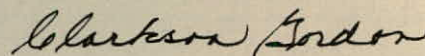


R.A. McCulloch
Senior Vice President - Finance and Administration

To the Shareholders of
National Sea Products Limited:

We have examined the consolidated balance sheet of National Sea Products Limited as at January 3, 1987 and the consolidated statements of income, retained earnings and changes in financial position for the fifty-three weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at January 3, 1987 and the results of its operations and the changes in its financial position for the fifty-three weeks then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.



Halifax, Canada
February 12, 1987

Chartered Accountants

Comparative Financial Information 1982 - 1986

	1986	1985	1984	1983	1982
Net sales	\$ 516,415	454,708	404,964	452,158	386,231
Income (loss) before income taxes and extraordinary items	\$ 44,478	7,544	(11,485)	(25,568)	1,020
Income (loss) before extraordinary items	\$ 21,764	7,239	(9,529)	(20,278)	937
Net income (loss)	\$ 36,124	10,122	(18,994)	(17,353)	1,030
Capital additions	\$ 22,986	8,299	23,033	14,891	23,819
Basic earnings per common share:					
Before extraordinary items	+ \$ 1.36	0.42	(0.72)	(2.25)	0.04
After extraordinary items	+ \$ 2.30	0.61	(1.37)	(1.93)	0.05
Basic earnings per non-voting equity share:					
Before extraordinary items	+ \$ 1.46	0.52	(0.62)	(2.15)	0.14
After extraordinary items	+ \$ 2.40	0.71	(1.27)	(1.83)	0.15
Working capital	\$ 96,792	91,638	76,788	13,285	22,321
Cash position	\$ 9,035	7,670	(35,017)	(92,519)	(94,669)
Ratio of current assets to current liabilities	+ 2.66	3.13	2.06	1.10	1.16
Fixed assets after depreciation	\$ 117,403	109,505	118,568	112,556	111,174
Total assets	\$ 288,411	252,098	276,450	270,857	291,250
Long-term debt	\$ 87,637	65,261	67,767	112,174	100,805
Preference shares of subsidiary companies	\$ 50,000	95,334	95,334	-	-
Common shareholders' equity	\$ 60,716	26,590	17,644	22,114	39,573
Total shareholders' equity	\$ 82,645	48,519	39,573	24,043	41,502
Dividends on C&D preference shares	\$ 106	106	106	106	106
Dividends on common and non-voting equity shares	\$ 2,302	764	-	-	-
Dividends paid per common share	+ \$ 0.10	0.10	-	-	-
Dividends paid per non-voting equity share	+ \$ 0.20	-	-	-	-
Number of common shares outstanding at period end	7,677	7,635	7,635	4,635	4,635
Number of non-voting equity shares outstanding at period end	7,677	-	-	-	-
Fish landings (000 kilos)	159,000	169,000	158,000	143,000	161,000

(All amounts in thousands except as indicated +)

All per share amounts are after giving retroactive effect to the subdivision of one Common Share into one Common and one Non-Voting Equity Share effective August, 15, 1986.

Corporate Directory

Directors

Mrs. K.L. Campbell 2
Toronto, Ont.

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

G.E.M. Cummings 2
Bedford, N.S.

F.J. Dickson, Q.C. 1,2
Truro, N.S.

D.J. Hennigar 1
Bedford, N.S.

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

W.O. Morrow 1
Halifax, N.S.

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

D.E. Read 1
Halifax, N.S.

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

F.W. Russell, C.M. 1,2
St. John's, Nfld.

R.E. Shea 2
Boston, Mass.

D.R. Sobey 1,2
Stellarton, N.S.

1. Member, Executive
Committee
2. Member, Audit Committee

Honorary Directors

H.P. Connor
F.M. Covert, Q.C.
J.B. Estey
C.R. MacFadden
C.J. Morrow
Honorable H.J. Robichaud
R.G. Smith
W.W. Smith

Officers and Senior Management

W.O. Morrow
Chairman of the Board

D.J. Hennigar
Vice Chairman

G.E.M. Cummings
President and Chief
Executive Officer

J.B. Morrow
Executive Vice President

R.A. McCulloch 2
Senior Vice President-
Finance and Administration

J.P. McNeil
Senior Vice President-
Marketing, National Sea
Products Incorporated

A.J. Roche
Senior Vice President-
Canadian Operations

E.H. Demone
Vice President-Fleet

G.D. Southwood
Senior Vice President-
Operations, National Sea
Products Incorporated

H.E. Demone
Vice President-International
Marketing

L.R. Shaw
Vice President

R.E. Nickerson
Vice President

L.B. Campbell
Vice President-Canadian
Sales/Marketing

C.J. Gower
Vice President-Canadian
Sales

A.R. Kenney
Vice President-Quality
Management

I.H. Langlands
Vice President

M.L. Pitman
Vice President-Treasurer

B.C. Smith
Vice President-Engineering

I.R. Whitman
Vice President-Corporate
Sales

R.G. Whynacht
Vice President-Corporate
Product Development

F.D. McGee
Secretary and Company
Solicitor

S.J. Campbell
Assistant Secretary

K.L. Nelson
Corporate Comptroller

J.F. Maloney
President, Fisheries Resource
Development Limited

D.J. Mosher
President, Scotia Trawler
Equipment Limited

K.H. Ritcey
President, National Sea
Products Incorporated

Canadian Operations

Nova Scotia
Canso
Lockeport
Louisbourg
Lunenburg
North Sydney

New Brunswick
Shediac
Shippegan

Newfoundland
Arnold's Cove
Burgeo
Lark Harbour
LaScie
St. John's

Prince Edward Island
Charlottetown
Morell

United States Operations

National Sea Products
Incorporated
New Hampshire
Portsmouth

Maine
Rockland - Plant
- Shipyard

Florida
Tampa

Subsidiary Companies

National Sea Products
Incorporated
Canso Sea Products Limited
Fisheries Resource
Development Limited
National Sea Products (Japan)
Limited
Scotia Trawler Equipment
Limited

Affiliated Companies

International Sea Products
(Pty.) Limited
Bathurst, N.S.W., Australia

Astra Pesqueras Uruguayas
S.A.
Montevideo, Uruguay

Representative Office

National Sea Products
Limited
Lisbon, Portugal

Auditors

Clarkson Gordon
Chartered Accountants

Transfer Agents

Common Shares
Montreal Trust Company

Preference Shares
The Company
Secretary's Office
P.O. Box 2130, Halifax, N.S.
B3J 3B7

Bankers

The Royal Bank of Canada
The Toronto-Dominion Bank

