

# BC Sugar

Annual Report 1980

Our 90th Year







### **1890–1980 BC Sugar 90th Anniversary Year**

BC Sugar was founded by Benjamin Tingley Rogers in 1890. The original refinery, located at the present site, was designed for an output of 100 barrels of sugar per day. The first refined sugar was produced on January 16, 1891. The Annual Meeting on January 16, 1981 commemorates exactly ninety years to the day of operations.

Products of BC Sugar became staple food items throughout western Canada, and plant facilities were steadily expanded as population of the west increased. A highlight of the first quarter century was the develop-

ment in 1913 of Rogers' Golden Syrup, a favourite of Canadian homes three generations later. In 1931, BC Sugar entered the prairie market through the purchase of a beet sugar factory at Raymond, Alberta. Today one factory at Taber processes all Alberta-grown sugar beets. The Company's beet sugar facilities were further expanded in 1956 with the purchase of the Manitoba Sugar Company.

In recent years, the Company has diversified its operations through a controlling interest in Fairweather Gas Ltd. BC Sugar today has over 3,900 shareholders, 92% of whom are Canadian. About 600 permanent employees and about 300 seasonal workers are involved in the Company's sugar operations.

### **Visit the BC Sugar Museum . . .**

With its operations commencing just five years after the official founding of the City of Vancouver in 1886, BC Sugar is closely linked with the growth of this metropolis, the Province of British Columbia and of western Canada.

Of interest to shareholders and their families is the BC Sugar Museum, located on the refinery premises on Rogers Street in Vancouver. Here the visitor will discover a corner of B.C. history, not only in the displays showing the development of sugar refining, but also in visual and printed references to the life and times of our pioneers.

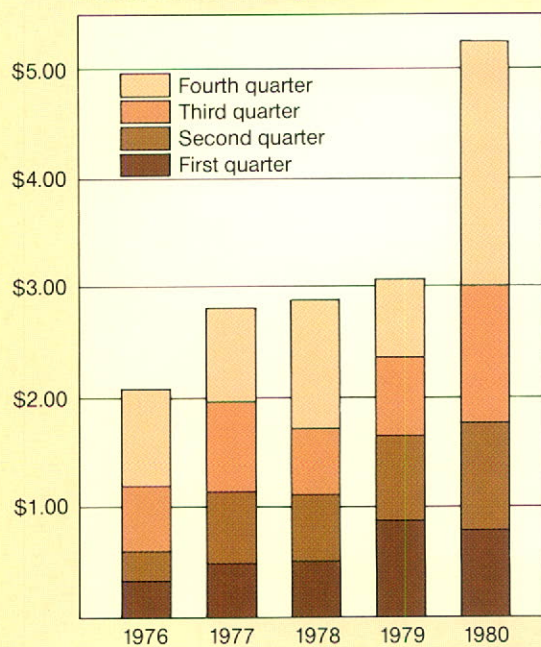
Displays of old sugar-making equipment, some dating back to 1715, are complemented by displays of past Company operations in Fiji and the Dominican Republic, and historical displays tracing the growth of the beet sugar industry on the prairies.

Individuals and groups are welcome to tour the BC Sugar Museum. Tours can be arranged through the Vancouver office. Telephone 253-1131.

## In Brief

	1980	1979	1978
Revenues	<b>\$204,010,000</b>	\$119,314,000	\$102,770,000
Earnings before extraordinary items	<b>\$ 12,708,000</b>	\$ 7,464,000	\$ 7,076,000
Per common share			
Earnings before extraordinary items	<b>\$5.25</b>	\$3.06	\$2.89
Dividends	<b>\$2.25</b>	\$2.20	\$2.00

**Quarterly Earnings Per Share  
Before Extraordinary Items**









# To BC Sugar Shareholders

Earnings before extraordinary items were \$5.25 per common share in 1980 compared to \$3.06 in 1979. A major part of the increase was due to a sharp rise in the world sugar price which brought about significantly improved results from beet sugar operations.

Non-recurring gains resulting from the sale of the Company's interest in Belkin Packaging Ltd. and the transfer of land to a joint venture brought the total of extraordinary items to \$4.94 per common share in 1980.

The Company continues to place importance on providing shareholders with an appropriate cash return on their investment. In each of the last two years, the dividend rate has been increased. The August, 1980 increase in the quarterly dividend to 60 cents per share brought the annual dividend rate to \$2.40 per common share.

On November 20, 1980 the Directors passed a By-Law authorizing a split of the common shares on the basis of one additional share for each share currently outstanding. This two-for-one split is subject to shareholders' approval at the Annual General Meeting on January 16, 1981.

After three consecutive years of overproduction, 1980 has been marked by world sugar consumption exceeding production. World stocks are now being drawn down from an undesirably high level of 35% of annual consumption, reached in 1978, to a critically low level of about 20%, estimated for 1981.

This decline in world stocks caused world raw sugar prices to rise during the last quarter of 1979, and the effect became more pronounced during the

first nine months of 1980. More specifically, sugar prices quoted on the London and New York markets, on which BC Sugar buys its raws, quadrupled over the last year. Reports of Russian and Chinese purchases of large quantities of sugar, coupled with poor crops in many producing countries, contributed significantly to the rise. The accompanying graphs illustrate world prices, production, and consumption data for the last 20 years.

While today's price level may appear high to Canadian consumers, the low prices of previous years were a hardship for producers. In the last few years, many producers selling on the world market incurred substantial losses, and production cutbacks were not uncommon.

Approximately 20% of global production is traded on the world market, with most of the balance subject to various controls in countries which are net exporters. In years of surplus, and hence depressed world prices, these countries generally appear to have high domestic prices, but in deficit years, such as 1980, many exporting countries maintain internal prices lower than world market levels. This is usually achieved through various governmental price control mechanisms.

The previous major sugar price advance occurred in 1974, with the subsequent market drop more dramatic than the rise. The present price level may last considerably longer because of the following factors that did not exist six years ago.

(a) The capital cost of building a new plant, whether cane or beet, has more than doubled.

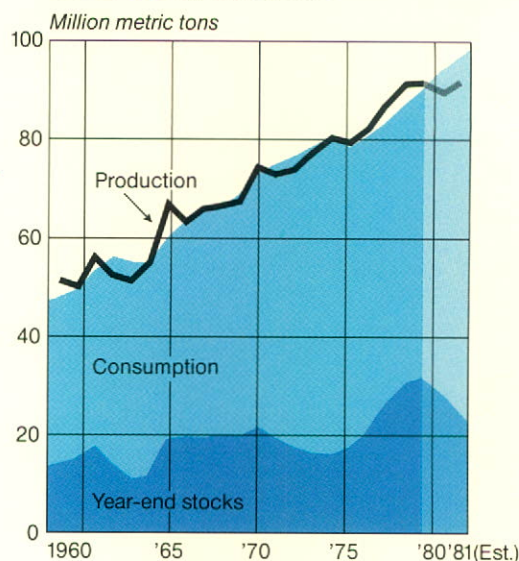
(b) Some of the decline in world production has occurred in countries where the agricultural infrastructure does not allow for a quick recovery.

(c) Brazil has converted a substantial portion of its production to gasohol. Due to a shortage of petroleum resources, Brazil is unlikely to reconvert to sugar production.

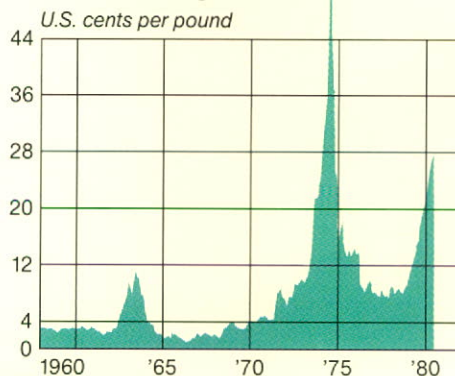
(d) Production costs, particularly fuel, have increased rapidly. Fuel is a major cost component in the beet sugar industry.

High sugar prices allow alternative sweeteners to make inroads into sugar's normal markets. This is particularly true in North America

**World Sugar Production Consumption and Stocks**



**World Raw Sugar Price**



*Aerial photo shows the strategic position of BC Sugar's cane refinery on Vancouver's Burrard Inlet.*



where corn sweeteners may ultimately capture up to 20% of the sugar market. Corn sweetener substitution is most likely to occur in food processing, wine and soft drink production. The effect on BC Sugar is mitigated to some extent because in Canada fewer food processing plants are situated in the western provinces. However, in order to continue with our traditional standard of good service to our customers, the Company has recently installed equipment at all three plants to receive and blend corn sweeteners with sugar.

High sugar prices erode margins of cane refiners, as high inventory costs require larger lines of credit. In addition, hedging operations often necessitate significant margin requirements. The Company's beet sugar operations, on the other hand, do exceptionally well when prices are at current levels, because the Company and the growers have a sharing contract under which both benefit from high prices. Of course both suffer from lower returns in those years when prices are depressed. The Company realizes 37% of the net return from sale of sugar and the growers 63%.

By-products consisting of dried beet pulp and feed molasses remain an important adjunct to the beet sugar business, and in recent years, the demand for these products has exceeded our ability to supply.

Costs in the beet sugar industry continue to escalate both for the growers and the Company. One area of significance is fuel. For example, six years ago the daily cost of fuel for the Winnipeg plant was \$3,000. Today the cost per day for that same fuel usage would be \$16,000. However, major capital improvements to reduce fuel consumption were





undertaken during 1980 so that a 25% reduction in fuel consumption is expected. In spite of the rigorous Manitoba climate, we believe that from a thermal efficiency standpoint, the Winnipeg plant will be superior to any North American beet factory.

At the Taber, Alberta plant, additional sugar bins were completed during the year, and packing and shipping facilities were enlarged. Amongst other economies, this expansion avoids the use of commercial warehouses in the major centres in Alberta and Saskatchewan and provides better delivery and

service to all our customers. The system has worked extremely well and is another example of a large capital expenditure being made to reduce operating costs. Similar warehousing and shipping facilities were completed the year before at the Vancouver refinery.

Planting of the 1980 crop in Manitoba was delayed by an extreme drought in the spring and early summer. A below average crop was harvested, but it is sufficient to satisfy the local market. The Alberta crop also developed slowly, but excellent growing weather in September materially improved the outlook, and production will be adequate to meet market requirements.

The Company is involved in two land development projects in southwestern Winnipeg. In 1979, the Company exchanged 80 acres of surplus land for an interest in a 400-acre residential development. Due to slack housing demand, development of this property will not commence before 1982.

During 1980, the Company exchanged another 42 acres of its surplus Winnipeg land for an interest in a 203-acre industrial development, named Whyte Ridge Industrial Park. Subdivision and zoning approvals were obtained during the year, and the first phase of development commenced in August, 1980. Market reaction has been good, and to date 61 acres have been sold for delivery in early 1981.

In July, 1980 the Company sold its interest in Belkin Packaging Ltd. to Keycorp Industries Ltd. of Vancouver.

BC Sugar became a part-owner of Belkin Packaging in 1970 when that company owned a single plant producing folding cartons and corrugated boxes. Over the 10-year period to 1980, Belkin Packaging bought and

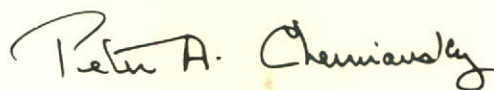
expanded a paperboard mill, built two corrugated container plants, and purchased a large packaging firm in eastern Canada.

On sale of its investment in Belkin Packaging, BC Sugar realized approximately \$15 million cash and \$3 million in preferred shares, redeemable in five annual instalments commencing in June, 1982. Funds provided by the sale will be invested in other endeavours that possess the potential for above-average return.

The success of any organization is dependent upon the calibre of its employees. The Company believes that employee participation in direct ownership is an important facet in the future success of the enterprise. A Company-administered share purchase plan was instituted in 1978. Participation by eligible employees has exceeded 80% for both years of its operation. The plan will be continued next year.

To all employees whose efforts have contributed to the Company's success, I would like to extend my appreciation and thanks.

On behalf of the Board



President  
BC Sugar

November 20, 1980  
Vancouver, B.C.



*Harvesting sugar beets  
near Lethbridge, Alberta.*







# BC Sugar's products come in a variety of tastes and textures

*"A world without some sweetness would be a sour place to live."*

Sugar is the world's natural sweetener. It is the name given to sucrose, obtained from sugar cane and sugar beets. Today, sugar's role as a fundamental part of everyday living creates a constant demand for BC Sugar's products in a wide variety of different forms.

Bulk sales to the food, beverage and other key industries are a vital part of our Company's operations. The growth of the fast food industry and the increasing Canadian trend towards "eating out" make restaurant supply another important factor.

For homemakers, the convenience and advantages of sugar's unique attributes run the gamut—from a sprinkle on breakfast grapefruit to a festive Christmas cake, from enhancing morning cereals to the goodness of fresh-baked bread and muffins. And, of course, sugar as a preservative enables Canadians to enjoy delicious fruits the year 'round.

To meet the demands of industry, institutions and households, BC Sugar manufactures the broadest range of products of any Canadian sugar company.

## White Granulated Sugar

This refined sugar is the most common product used in households and in commerce. BC Sugar provides it in three distinct forms:

**Medium:** Used by confectioners and bakers to make candy and cookies.

**Fine:** The most popular type of sugar for preserving, canning, home baking and table use.

**Berry:** The smallest grain sugar of the granulated type. For household use in sprinkling or powdering on fruit, pies or donuts.

## Soft Sugar

Produced in cane sugar refineries, soft sugars are finer grained than white granulated, hence they're called soft. The syrup adhering to the crystals gives soft sugars their distinctive colour and flavour:

**Golden Yellow:** Made from a specially selected syrup, filtered and boiled to produce a soft texture. Gives a delicate cane sugar flavour to cookies, sauces, candies and cereals. For home and industrial use.

**Best Brown:** Used when a stronger, cane-molasses flavour and more distinctive colour than Golden Yellow is required. Perfect for fruit cake, baked apples, gingerbread. For home and industrial use.

## Liquid Sugar and Syrup

BC Sugar meets the requirements of industrial customers through the manufacture of liquid sugars:

**Liquid Sucrose:** A water solution of pure sucrose, used by beverage and food manufacturers.

**Liquid Invert:** When water and sugar are heated in the presence of a weak acid solution, the sucrose breaks up into sweeteners of simpler chemical structure: dextrose (glucose) and levulose (fructose). Slightly sweeter than Liquid Sucrose, Invert Sugar is most popular with soft drink bottlers.

**Rogers' Golden Syrup:** Made from 100% pure cane sugar. No additives. Blended, purified, filtered and thickened by boiling under vacuum. Western Canada's great favourite for pancakes and ideal for making bread, cakes, puddings, candy. Stores well for long periods.

**Rogers' Pancake Syrup:** Similar to Rogers' Golden Syrup but of a thinner, faster-pouring consistency. Delicious on waffles, French toast, ice cream.

## Special Items

**Icing Sugar:** A milled or powdered sugar, used to make frostings, fondants and uncooked cake icings and cake decorations. For home and industrial use.

**Cube Sugar:** Granulated white sugar grains are pressed into small cube shapes on special machines. Convenient and attractive for home and restaurant use.

**Individual Envelopes:** Four-gram envelopes of granulated white sugar for institutional, restaurant, airline use.

**Demerara:** A coarse brown sugar, used for sweetening coffee and in recipes where its molasses flavour is desired. For home and industrial use.





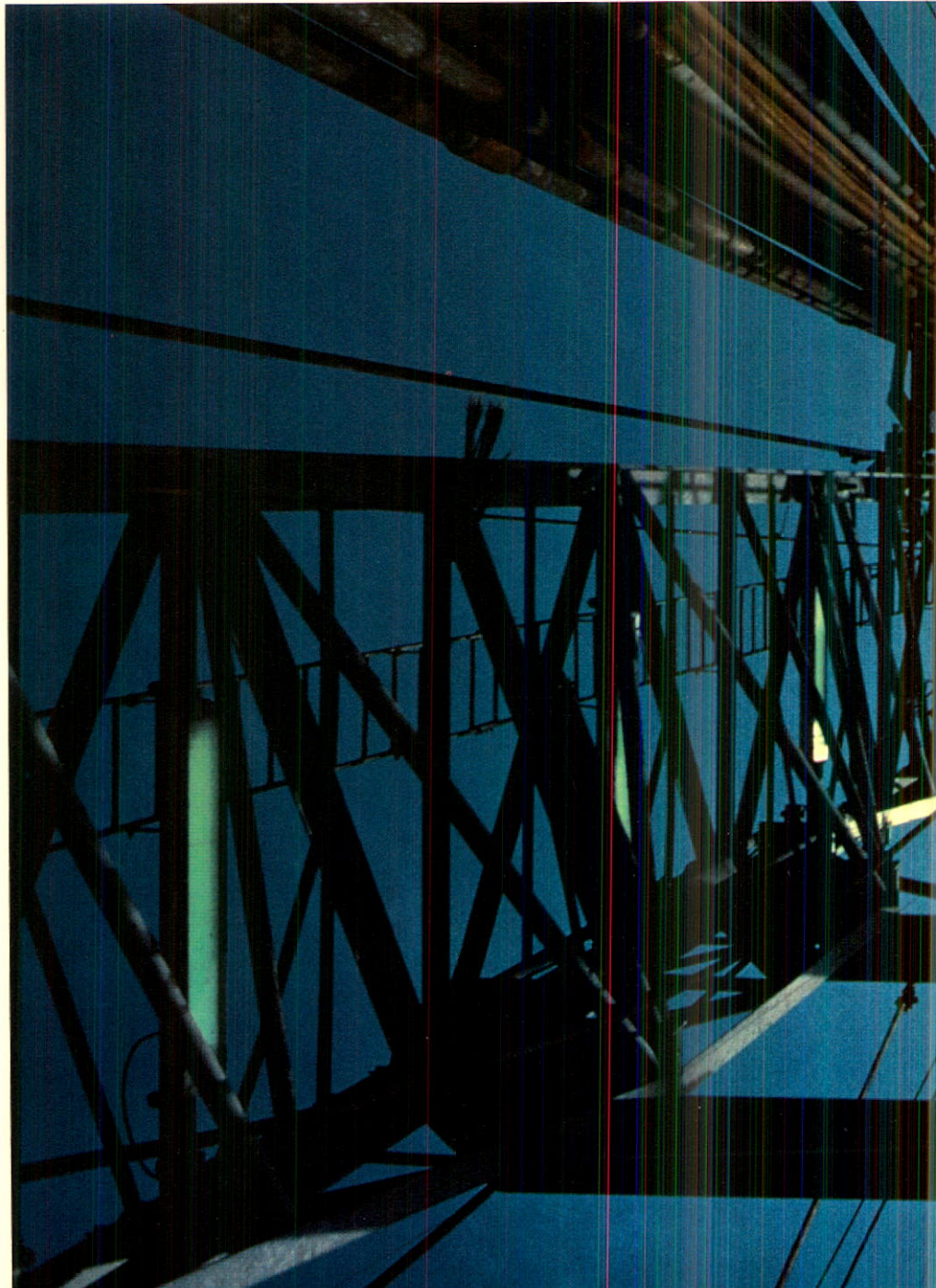
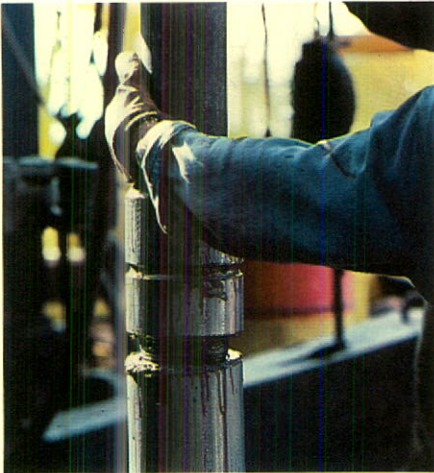
## Oil and Gas

### Exploration and Development

Fairweather Gas Ltd. experienced another active year in exploration and development drilling by participating in the drilling of 84 wells, all in Alberta. The program resulted in 8 oil wells and 50 gas wells, for an apparent success ratio of 69%. The remaining 26 wells were dry and abandoned. Fourteen of the gas wells were drilled in a development program in the

Dunvegan gas field and these wells have been connected for production. Most of the remaining gas wells are shut-in due to lack of markets.

In an area of central eastern Alberta west of the Company's main concentration of acreage, 15 wells were drilled on a number of small scattered parcels. Fourteen of these wells were drilled under farmout arrangements at no cost to Fairweather. The farm-



*Looking skyward  
through the centre  
of a drill rig tower.*



outs were made to other companies that have area-type gas contracts which will result in early sales from successful wells. Eleven of the wells proved successful in finding gas. These wells will contribute to Fairweather's income in the immediate future. While the revenue stream will not be large, the cost to Fairweather has been minimal.

Subsequent to its fiscal year-end, Fairweather participated in drilling

3 successful wells on prospects which were generated in fiscal 1980. On open-hole drill stem tests, the wells tested at rates of 1.2, 2.0, and 3.9 million cubic feet per day. Two of the prospects also have some possible oil potential. Adjacent to two of the prospects, Fairweather participated in the purchase of petroleum and natural gas licences comprising a total of 10,240 acres at a gross cost of over \$3.3 million. The Fairweather share of these land costs was \$541,000.

Fairweather has the capability of generating numerous attractive exploration prospects. The Company would like to conduct an even more active program in 1981 and beyond. However, the level of activity must be dictated by the availability of markets and a reasonable set of fiscal and operating rules agreed to by the provincial and federal governments.





### Dunvegan Field Development

The Dunvegan field is the flagship of Fairweather's fleet of presently producing properties. A major expansion program was completed during the year at Dunvegan to increase gas deliverability. The program involved drilling and connecting development wells at a gross cost of about \$9 million and additions to field facilities at a cost of \$4.5 million, for a total gross expenditure of \$13.5 million for the field. Fairweather's interest in the field is 3.8%. This work has substantially increased the field's gas delivery capability.

However, the field still suffers from gas marketing problems. Fairweather has received a total of \$900,000 under take-or-pay contracts and will be required to make up this gas at a later date.

### Corporate and Financial

Fairweather's joint venture agreement with Anderson Exploration Ltd. expired at September 30, 1980. At that date, BC Sugar had a remaining commitment of \$2.7 million of the original \$10 million exploration and development commitment. On an interim basis, Anderson and Fairweather have agreed to continue the joint venture on essentially the same terms. During the next year, it is expected that the future course of the Company will be determined.

Fairweather's net income after tax during 1980 was \$918,000 compared to \$785,000 in 1979. Cash flow from operations increased to \$1,834,000 in 1980 from \$1,147,000 in 1979.

Although encouraging, the increase in net income is not indicative of Fairweather's success during the term of the joint venture. The initial producing properties have continually

suffered from depressed gas sales, and few new properties have been connected due to lack of markets.

When income from all of the 230 successful wells drilled in the joint venture program is generated, and the full potential from presently producing properties is realized, Fairweather's income will improve severalfold.

Fairweather Gas Ltd. remains debt-free with \$2.2 million in working capital.

On behalf of the Board



President  
Fairweather Gas Ltd.

November 20, 1980  
Calgary, Alberta



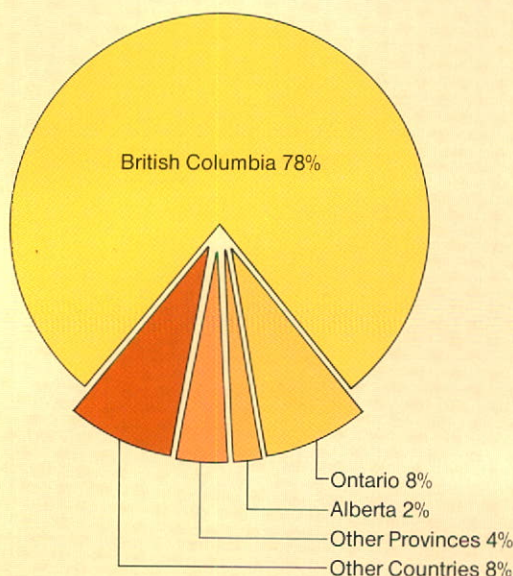
# Five-Year Review

(Dollar amounts in thousands except per share figures)

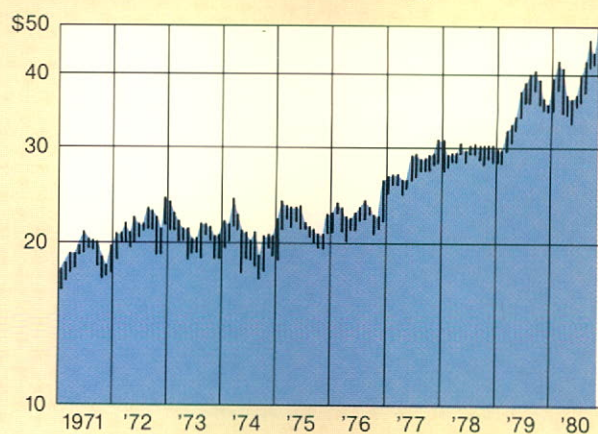
Certain of the figures presented for 1976 to 1979 have been restated to account for the investment in Belkin Packaging Ltd. on the equity basis.

FINANCIAL	1980	1979	1978	1977	1976
Revenues	<b>\$204,010</b>	\$119,314	\$102,770	\$102,186	\$88,250
<b>Earnings before extraordinary items</b>	<b>12,708</b>	7,464	7,076	6,904	5,140
Extraordinary items	<b>11,856</b>	1,305	—	—	—
Net earnings	<b>24,564</b>	8,769	7,076	6,904	5,140
Funds provided from operations	<b>18,010</b>	12,541	11,031	11,476	8,361
Capital expenditures	<b>5,908</b>	5,318	8,630	5,857	9,386
Working capital	<b>33,726</b>	13,402	12,779	16,303	16,715
Long-term debt	<b>3,666</b>	4,186	4,875	5,426	6,106
Per common share					
<b>Earnings before extraordinary items</b>	<b>\$ 5.25</b>	\$3.06	\$2.89	\$2.82	\$2.08
Extraordinary items	<b>4.94</b>	.54	—	—	—
Net earnings	<b>10.19</b>	3.60	2.89	2.82	2.08
Dividends	<b>2.25</b>	2.20	2.00	2.00	2.00
OTHER INFORMATION					
Number of employees	<b>602</b>	619	677	670	677
Number of common shareholders	<b>3,945</b>	3,975	3,710	3,695	3,668
Degree of Canadian registration of common shares	<b>92%</b>	91%	90%	90%	90%

**Geographic Distribution of Shareholders**



**Share Price (Toronto Stock Exchange)**





# Statement of Earnings

BC Sugar Refinery, Limited and Consolidated Subsidiaries, Years ended September 30

(In Thousands of Dollars)

	1980	1979
<b>Revenues</b>		(restated—Note 2)
Sales	\$203,180	\$119,121
Other	830	193
<b>Total revenues</b>	<b>204,010</b>	<b>119,314</b>
<b>Costs and expenses</b>		
Cost of sales	161,749	87,373
Selling, general and administrative	13,790	13,500
Depreciation and depletion	3,832	3,855
Long-term debt interest	415	480
Other interest	1,395	1,969
<b>Total costs and expenses</b>	<b>181,181</b>	<b>107,177</b>
	<b>22,829</b>	<b>12,137</b>
<b>Equity in earnings of Belkin Packaging Ltd.</b>	<b>457</b>	<b>430</b>
	<b>23,286</b>	<b>12,567</b>
<b>Income taxes</b>	<b>10,226</b>	<b>4,806</b>
	<b>13,060</b>	<b>7,761</b>
<b>Minority interest in earnings of Fairweather Gas Ltd.</b>	<b>352</b>	<b>297</b>
<b>Earnings before extraordinary items</b>	<b>12,708</b>	<b>7,464</b>
<b>Extraordinary items</b>		
Gain on disposal of interest in Belkin Packaging Ltd. (Note 2)	11,063	—
Gain on exchange of land (Note 4)	793	1,305
	<b>11,856</b>	<b>1,305</b>
<b>Net earnings</b>	<b>\$ 24,564</b>	<b>\$ 8,769</b>
<b>Per common share</b>		
Earnings before extraordinary items	\$ 5.25	\$3.06
Extraordinary items	4.94	.54
Net earnings	<b>\$10.19</b>	<b>\$3.60</b>

## Statement of Reinvested Earnings

	1980	1979
<b>Balance, beginning of year</b>	<b>\$ 33,496</b>	<b>\$ 30,131</b>
<b>Net earnings</b>	<b>24,564</b>	<b>8,769</b>
	<b>58,060</b>	<b>38,900</b>
<b>Dividends (Note 8)</b>	<b>5,520</b>	<b>5,404</b>
<b>Balance, end of year</b>	<b>\$ 52,540</b>	<b>\$ 33,496</b>



# Statement of Changes in Financial Position

BC Sugar Refinery, Limited and Consolidated Subsidiaries, Years ended September 30

(In Thousands of Dollars)

	1980	1979
<b>Funds Were Provided By</b>		(restated—Note 2)
Operations		
Earnings before extraordinary items	\$ 12,708	\$ 7,464
Items not requiring current funds		
Depreciation and depletion	3,832	3,855
Income taxes provided not currently payable	1,575	1,227
Equity in earnings of Belkin Packaging Ltd, net of dividends	(457)	(302)
Minority interest in earnings of Fairweather Gas Ltd.	352	297
<b>Funds provided from operations</b>	<b>18,010</b>	<b>12,541</b>
Disposal of interest in Belkin Packaging Ltd.	15,145	—
Exchange of land	793	1,305
<b>Total</b>	<b>33,948</b>	<b>13,846</b>
<b>Funds Were Used For</b>		
Investment in fixed assets	5,908	5,318
Investment in land held for development	1,080	1,621
Purchase of preferred shares in the open market	360	—
Payment of dividends		
Shareholders of the company	5,520	5,404
Minority shareholders of subsidiary company	236	191
Decrease in long-term debt	520	689
<b>Total</b>	<b>13,624</b>	<b>13,223</b>
<b>Increase in working capital</b>	<b>20,324</b>	<b>623</b>
<b>Working capital at beginning of year</b>	<b>\$ 13,402</b>	<b>\$ 12,779</b>
<b>Working capital at end of year</b>	<b>\$ 33,726</b>	<b>\$ 13,402</b>



# Balance Sheet

BC Sugar Refinery, Limited and Consolidated Subsidiaries, September 30

(In Thousands of Dollars)

	1980	1979
<b>ASSETS</b>		<i>(restated—Note 2)</i>
<b>Current Assets</b>		
Cash and short-term deposits	\$ 16,591	\$ 1,190
Accounts receivable	20,693	12,340
Inventories (Note 3)	39,725	24,657
Prepaid expenses	408	358
<b>Total current assets</b>	<b>77,417</b>	<b>38,545</b>
<b>Other Assets</b> (Note 4)	<b>5,596</b>	<b>8,141</b>
<b>Fixed Assets</b> (Note 5)		
Property, buildings and equipment	85,207	79,612
Less accumulated depreciation and depletion	49,244	46,193
<b>Total fixed assets</b>	<b>35,963</b>	<b>33,419</b>
 <b>Total</b>	 <b>\$118,976</b>	 <b>\$ 80,105</b>



	1980	1979
<b>LIABILITIES</b>		(restated—Note 2)
<b>Current Liabilities</b>		
Bank loans, secured	\$ 1,774	\$ 5,488
Accounts payable and accrued liabilities	30,066	15,979
Income taxes payable	11,851	3,676
<b>Total current liabilities</b>	<b>43,691</b>	<b>25,143</b>
<b>Long-Term Debt</b> (Note 6)	<b>3,666</b>	<b>4,186</b>
<b>Income Taxes Provided not Currently Payable</b> (Note 7)	<b>8,780</b>	<b>7,205</b>
<b>Minority Interest in Fairweather Gas Ltd.</b>	<b>4,179</b>	<b>3,595</b>
<b>Total</b>	<b>60,316</b>	<b>40,129</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 8)		
2,400,000 Common shares	4,000	4,000
106,000 Preferred shares (1979–124,000 shares)	2,120	2,480
	<b>6,120</b>	<b>6,480</b>
<b>Earnings Reinvested in the Business</b>	<b>52,540</b>	<b>33,496</b>
<b>Total shareholders' equity</b>	<b>58,660</b>	<b>39,976</b>
<b>Total</b>	<b>\$118,976</b>	<b>\$80,105</b>

**Commitments** (Note 11)

Approved on behalf of the Board  
Forrest Rogers, *Director*.  
Peter A. Cherniavsky, *Director*.



# Notes to Financial Statements

BC Sugar Refinery, Limited and Consolidated Subsidiaries, September 30, 1980

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## 1. Significant accounting policies

### *a) Basis of presentation*

The financial statements include the accounts of the wholly-owned subsidiary company, The British Columbia Sugar Refining Company, Limited and the sixty percent-owned subsidiary company, Fairweather Gas Ltd.

### *b) Inventories*

Inventories of beet sugar and supplies are valued at the lower of average and replacement cost. A normal quantity of 35,000 tonnes of cane sugar is valued at \$85 per tonne, which is less than replacement value. Any quantities of cane sugar in excess of this amount are valued at the lower of average and replacement cost. Such excess quantities are hedged and are not at market risk. Earnings are charged with unrealized net losses related to open positions in the futures market, but unrealized net gains are not reflected in earnings.

The Company's basis of valuing cane sugar is not allowable for income tax purposes, and accumulated income taxes of \$10,768,000 (1979-\$3,054,000), applicable to the difference between the Company's basis of valuation and that required for income tax purposes, are added to inventory values.

### *c) Fixed assets*

Fixed assets are stated at cost. Depreciation is computed on the diminishing balance basis at rates varying from four percent to thirty percent per annum.

### *d) Depletion*

The Company follows the full cost method of accounting whereby all costs relative to the exploration and development of oil and gas properties, whether productive or non-productive, are capitalized and depleted on the composite unit of production method based on estimated proven reserves.

## 2. Disposal of interest in Belkin Packaging Ltd.

In July, 1980 the Company realized \$18,040,000 for its interest in Belkin Packaging Ltd., of which \$15,145,000 was received in cash and the balance of \$2,895,000 in preferred shares. The preferred shares are to be redeemed in five equal annual instalments commencing June, 1982. The net gain on the sale of this investment, amounting to \$11,063,000, has been reflected as an extraordinary item in the Statement of Earnings.

In order to provide comparative financial statements portraying continuing operations only, 1979 amounts have been restated to account for the investment in Belkin Packaging Ltd. on the equity basis. The restatement has had no effect on net earnings.



<b>3. Inventories</b>	1980	1979
Sugar	\$36,225,000	\$21,371,000
Supplies	3,500,000	3,286,000
	<u>\$39,725,000</u>	<u>\$24,657,000</u>

<b>4. Other assets</b>	1980	1979
Investment in Belkin Packaging Ltd. (Note 2)	\$2,895,000	\$6,520,000
Land held for development	2,701,000	1,621,000
	<u>\$5,596,000</u>	<u>\$8,141,000</u>

*Land held for development*

During the year, the Company exchanged a portion of its Manitoba land for an interest in a 203-acre development in the same area. The gain on this exchange, net of applicable income taxes of \$267,000, has been reflected as an extraordinary item in the Statement of Earnings.

**5. Fixed assets**

	Gross investment at cost	Accumulated depreciation and depletion	Net Investment	
			1980	1979
Land	\$ 310,000	\$ —	\$ 310,000	\$ 333,000
Oil and gas properties	17,884,000	2,134,000	15,750,000	12,820,000
Buildings and equipment	67,013,000	47,110,000	19,903,000	20,266,000
	<u>\$85,207,000</u>	<u>\$49,244,000</u>	<u>\$35,963,000</u>	<u>\$33,419,000</u>

**6. Long-term debt**

Long-term debt consists of 9½% First Mortgage Sinking Fund Bonds, repayable \$309,000 in 1981, \$635,000 annually from 1982 to 1986 and \$610,000 in 1987.

**7. Income taxes**

The Company follows the tax allocation method of accounting whereby the income tax provision is based on earnings reported in the accounts. Accordingly, the Company makes full provision for income taxes not currently payable as a result of claiming capital cost allowances and exploration and development costs in excess of the amounts provided for depreciation and depletion in the accounts. Income taxes provided in the Statement of Earnings include \$1,575,000 (1979—\$1,227,000) not currently payable.



# Notes to Financial Statements

BC Sugar Refinery, Limited and Consolidated Subsidiaries, September 30, 1980

## 8. Share capital

At September 30, 1980, share capital comprised:

Common shares	
Class A	2,017,730
Class B	382,270
	<u>2,400,000</u>
Preferred shares, carrying a cumulative dividend entitlement of \$1.00 per share and redeemable at \$20.00 per share	106,000

Class A and Class B shares are voting, convertible into one another on a share for share basis and rank equally with respect to dividends and in all other respects.

During the year the following dividends were declared:

Common shares—\$2.25 per share	\$5,400,000
Preferred shares—\$1.00 per share	120,000
	<u>\$5,520,000</u>

## 9. Employee retirement plans

Company pension plan participation is available to substantially all employees and is based on length of service and earnings. Recent actuarial estimates of the unfunded liability for past services amount to \$560,000 which amount is being funded by additional annual contributions to 1994.

## 10. Business segments

	1980		
	Sugar	Oil and Gas	Consolidated
Revenues	\$201,506,000	\$ 2,504,000	\$204,010,000
Funds provided from operations	\$ 16,176,000	\$ 1,834,000	\$ 18,010,000
Contribution to earnings before extraordinary items	\$ 12,299,000	\$ 409,000	\$ 12,708,000
Total assets	\$100,756,000	\$18,220,000	\$118,976,000
Capital expenditures	\$ 2,919,000	\$ 2,989,000	\$ 5,908,000
Depreciation and depletion	\$ 3,304,000	\$ 528,000	\$ 3,832,000
	1979		
Revenues	\$116,952,000	\$ 2,362,000	\$119,314,000
Funds provided from operations	\$ 11,394,000	\$ 1,147,000	\$ 12,541,000
Contribution to earnings before extraordinary items	\$ 7,155,000	\$ 309,000	\$ 7,464,000
Total assets	\$ 65,595,000	\$14,510,000	\$ 80,105,000
Capital expenditures	\$ 3,178,000	\$ 2,140,000	\$ 5,318,000
Depreciation and depletion	\$ 3,342,000	\$ 513,000	\$ 3,855,000

## 11. Commitments

In 1976 the Company agreed to spend \$10 million on oil and gas exploration and development. Of this amount, \$2.7 million had not been spent at September 30, 1980.



# Auditors' Report

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## To the Shareholders

We have examined the balance sheet of BC Sugar Refinery, Limited and consolidated subsidiaries as at September 30, 1980 and the related statements of earnings, reinvested 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 financial statements present fairly the financial position of the company as at September 30, 1980 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, after giving retroactive effect to the change to the equity method of accounting as described in Note 2, on a basis consistent with that of the preceding year.

Vancouver, Canada  
November 18, 1980

THORNE RIDDELL  
Chartered Accountants



## Directors of BC Sugar Refinery, Limited

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Ian Angus  
*Vice-President of the Company*

Peter A. Cherniavsky  
*President and Chief Executive Officer of the Company*

H. Allan Dunlop  
*Formerly Vice-President of the Company*

William R. Hetherington  
*Formerly Vice-President of the Company*

John W. Pitts  
*President of Okanagan Helicopters Ltd.*

Forrest Rogers  
*Chairman of the Board of the Company*

H. Richard Whittall  
*Deputy Managing Partner,  
Richardson Securities of Canada*

F. Cameron Wilkinson  
*President of Wilkinson Company Limited*

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## Officers of Operating Companies

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### **The British Columbia Sugar Refining Company, Limited**

Forrest Rogers  
*Chairman of the Board*

Peter A. Cherniavsky  
*President and  
Chief Executive Officer*

Ian Angus  
*Vice-President*

William C. Brown  
*Vice-President*

John G. Cochrane  
*Vice-President, Finance  
and Secretary*

William A. Willison  
*Vice-President*

William A. Davies  
*General Sales Manager*

Stanley E. George  
*General Manager, Operations*

J. M. Roxburgh  
*Technical Services Manager*

James W. Hudson  
*Treasurer*

G. M. Guccione  
*General Manager,  
Alberta Sugar*

John W. Hall  
*General Manager,  
Manitoba Sugar*

### **Fairweather Gas Ltd.**

J. C. Anderson  
*President*

Phillip C. Evans  
*Vice-President, Land*

John McNamara  
*Land Manager*

James F. Strayhan Jr.  
*Controller*

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### **Head Office**

Location:  
Rogers Street, Vancouver, B.C.

Postal address:  
Box 2150, Vancouver, B.C. V6B 3V2

### **Stock Listings**

Toronto and Vancouver Stock Exchanges

### **Transfer Agents**

National Trust Company, Limited  
Toronto and Vancouver

### **Annual Meeting**

The Annual Meeting of Shareholders will be held on Friday, January 16, 1981 at 3:00 P.M. in the Arbutus Room of The Four Seasons Hotel, Vancouver, British Columbia.







