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# ***B.C. Sugar***



*Annual Report 1966*



# B C SUGAR REFINERY, LIMITED

VANCOUVER, B.C. SEPTEMBER 30, 1966

## DIRECTORS

|                    |                  |
|--------------------|------------------|
| F. ROGERS*         | Vancouver, B. C. |
| H. F. ANGUS        | Vancouver, B. C. |
| P. A. CHERNIAVSKY* | Vancouver, B. C. |
| H. A. DUNLOP*      | Vancouver, B. C. |
| A. C. LAW          | Vancouver, B. C. |
| A. M. ROBERTSON*   | Vancouver, B. C. |
| R. H. TUPPER       | Vancouver, B. C. |
| H. R. WHITTALL     | Vancouver, B. C. |

\*Officers of the Company.

Head Office: Ft. Rogers St.,  
Vancouver 6, B.C.

Registrar and Transfer Agent:  
National Trust Company, Limited,  
Vancouver and Toronto



## OFFICERS AND OFFICIALS OF SUBSIDIARY COMPANIES

|                      |  |
|----------------------|--|
| F. ROGERS            | Chairman of the Board,<br>President and Managing Director          |
| A. M. ROBERTSON      | Vice-President and Secretary                                       |
| P. A. CHERNIAVSKY    | Vice-President<br>and General Superintendent                       |
| IAN ANGUS            | Vice-President   |
| H. A. DUNLOP         | Treasurer  |
| K. B. ALEXANDER      | Comptroller  |
| W. R. CRAIG          | Chief Engineer   |
| DR. F. H. PETO       | Dir. Agricultural Research   |
| J. M. REID           | Purchasing Agent   |
| R. P. CLARK          | Personnel Manager  |
| W. W. BLANKENBACH    | General Chemist  |
| R. E. HEWITT         | Office Manager, Vancouver  |
| W. R. HETHERINGTON   | Vice-President<br>in Charge of Beet Operations                     |
| D. W. PURDY          | Manager,<br>Canadian Sugar Factories Limited                       |
| J. G. SNOW           | Agricultural Superintendent,<br>Canadian Sugar Factories Limited   |
| W. A. WILLISON       | Manager,<br>The Manitoba Sugar Company Limited                     |
| J. S. McDIARMID, Jr. | Secretary,<br>The Manitoba Sugar Company Limited                   |
| J. W. HALL           | Agricultural Superintendent,<br>The Manitoba Sugar Company Limited |



## PRESIDENT'S REPORT

January, 1966, marked the seventy-fifth anniversary of the operation of the Company's refinery in Vancouver. Over the years there have been many and diverse problems to overcome, but underlying all these has been the steady increase in production in pace with the growing population of Western Canada.

Thus, in the first year of its operation, the Company marketed 7,900,000 pounds of sugar while in the year just past the refinery, together with its beet sugar factories, sold 404,870,000 pounds.

A comparison of prices, however, produces a very different picture. Back in 1891 the refinery sold sugar in barrels at 5c per pound wholesale f.o.b. Vancouver. Packages have changed with the times and barrels have not been used for many years; however, by comparison, granulated sugar in 100-pound paper bags currently sells in Vancouver at 6¼c per pound wholesale. In the same period the prices of other basic foods, such as bread, milk, butter, eggs, etc., have at least doubled and in many cases risen over four times in value.

Of course, over the years there have been occasions when sugar prices have spiralled upwards for short periods, for the world sugar market can become very volatile. However, such occasions have been exceptions to the rule, and the Canadian consumer usually enjoys one of the lowest prices for sugar in the world.



The current low price for sugar has been brought about by over-production throughout the sugar-producing countries of the world. High prices in 1963 encouraged new plantings in the mistaken expectation that drastically low prices such as prevail today would never return. At the same time, some countries, in their desperate search for hard currency, have increased sugar production for export purposes, regardless of the fact that this can only be accomplished with the help of heavy internal subsidies or bounties.

With the return to lower prices further expansion has been curtailed, but meanwhile an unwieldy surplus of sugar stocks has been built up. On top of this, estimates from Europe indicate that high yields are expected from the current beet sugar crop.



In the overall picture there seems to be no factor in sight in the immediate future which will turn the price tide.

In the long run, it can only be hoped that as the standard of living in the so-called "emerging" countries improves, so also will their per capita consumption of sugar. This, together with an expanding world population, may eventually bring demand for sugar nearer to supply and world prices up to the true cost of production.

One other possibility of an improvement in world prices would be through the implementation of a workable International Sugar Agreement; however, there seems little hope of this since a conflict of interests between the participating countries has so far nullified all attempts to establish such an agreement.

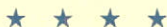


Low Canadian prices do not have any marked effect on our cane refining operations, since they simply reflect the low cost of our raw material; however, profits from our beet sugar operations must inevitably suffer since the price at which beet sugar is sold must follow cane sugar prices. According to the terms of our contract with the beet growers, the proceeds from the sales of beet sugar are divided roughly 60% to the growers and 40% to the Company, so that with low prices the returns to both are reduced.

Fortunately, the growers are protected by deficiency payments made to them by the Federal Government under the terms of the Agricultural Stabilization Act, but no such aid is available to the Company.

The beet sugar industry is of great importance to the areas of Canada where this crop is grown. Apart from providing the farmers with a profitable cash crop, it forms the nucleus for large cattle feeding operations where our by-products, beet pulp and molasses, find a readily available market. Other benefits brought about by the industry include employment in the factory, and money spent for the purchase of fuel and other operating supplies.

In most countries where beet sugar is produced, some form of national sugar policy has been adopted to insure that the industry remains in a healthy state. In the face of rising costs of labour and material in Canada, it may prove necessary for the beet sugar industry to seek similar arrangements in this country.





In recent years the Company has made fairly heavy capital expenditures for reconstruction and expansion of both its cane refining and beet sugar operations. While it is always the policy of management to keep up with the latest technological improvements, capital expenditures of a major nature should not be required in the immediate future.



In 1961 the Company issued 800,000 5% cumulative redeemable preferred shares. Of this issue a total of 500,000 shares has since been redeemed, leaving 300,000 shares outstanding. In view of the general current financial situation in Canada, your directors have decided not to redeem any further preferred shares at the present time.



# BC SUGAR REFINERY, LIMITED

AND SUBSIDIARY COMPANIES

THE BRITISH COLUMBIA SUGAR REFINING  
COMPANY, LIMITED

CANADIAN SUGAR FACTORIES LIMITED

THE MANITOBA SUGAR COMPANY LIMITED

CONSOLIDATED ACCOUNTS FOR THE  
YEAR ENDING SEPTEMBER 30TH, 1966

**B C SUGAR RE**  
**AND SUBSIDIA**  
**CONSOLIDATED BALANCE SHE**  
(WITH COMPARATIVE FIGURES)

## ASSETS

| <b>Current Assets:</b>   | <b>1966</b>         | <b>1965</b>         |
|--|---------------------|---------------------|
| Cash .....   | \$ 408,384          | \$ 1,229,884        |
| Funds on short-term deposit .....  | 2,550,000           | 1,674,730           |
| Marketable securities at cost<br>(market value \$1,929,000; 1965 -<br>\$3,047,000) ..... | 1,929,519           | 3,047,360           |
| Accounts receivable .....  | 3,128,497           | 2,557,020           |
| Sugar and supplies — valued at<br>cost or replacement (Note 2) .....                     | 4,960,770           | 5,638,865           |
| Prepaid expenses .....   | 330,293             | 199,706             |
|  | <u>13,307,463</u>   | <u>14,347,565</u>   |
| <b>Deferred Accounts Receivable</b> .....  | <u>277,670</u>      | <u>244,024</u>      |
| <b>Investments at Cost:</b>  |                     |                     |
| (Market value \$233,000;<br>1965 - \$190,000) .....                                      | <u>157,177</u>      | <u>157,177</u>      |
| <b>Fixed Assets at Cost:</b>   |                     |                     |
| Land .....   | 347,483             | 355,540             |
| Buildings, plant, machinery and<br>equipment .....                                       | 35,625,410          | 34,997,699          |
|  | <u>35,972,893</u>   | <u>35,353,239</u>   |
|  | <u>\$49,715,203</u> | <u>\$50,102,005</u> |

# FINERY, LIMITED

## RY COMPANIES

ET AS AT SEPTEMBER 30, 1966

AS AT SEPTEMBER 30, 1965)

### LIABILITIES

| Current Liabilities:  | 1966                | 1965                |
|---|---------------------|---------------------|
| Accounts payable .....  | \$ 1,011,205        | \$ 1,923,862        |
| Balance due beet growers —<br>estimated .....   | 743,973             | 605,293             |
| Dividends payable .....   | 355,000             | 275,000             |
| Income taxes payable (Note 3) .....   | 1,596,013           | 328,909             |
|   | <u>3,706,191</u>    | <u>3,133,064</u>    |
| <b>Six Percent Notes Payable due<br/>October 24, 1967 .....</b>   | <b>3,400,000</b>    | <b>6,000,000</b>    |
| <b>Accumulated Depreciation .....</b>   | <b>26,376,626</b>   | <b>25,175,459</b>   |
| <b>Capital:</b>   |                     |                     |
| Authorized:   |                     |                     |
| 300,000 Five percent<br>cumulative redeem-<br>able at par preferred<br>shares of a par<br>value of \$20 each .. | \$6,000,000         |                     |
| 2,000,000 Shares of no<br>par value .....   | —                   |                     |
| Issued:   |                     |                     |
| 300,000 preferred shares .....  | 6,000,000           | 6,000,000           |
| 800,000 shares of no par value ....   | 4,000,000           | 4,000,000           |
|   | <u>10,000,000</u>   | <u>10,000,000</u>   |
| <b>Earnings Retained in the Business .....</b>  | <b>6,232,386</b>    | <b>5,793,482</b>    |
|   | <u>16,232,386</u>   | <u>15,793,482</u>   |
|   | <u>\$49,715,203</u> | <u>\$50,102,005</u> |

#### On Behalf of the Board:

FORREST ROGERS, Director

A. M. ROBERTSON, Director

# B C SUGAR REFINERY, LIMITED

AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED SEPTEMBER 30, 1966

(WITH COMPARATIVE FIGURES FOR  
THE YEAR ENDED SEPTEMBER 30, 1965)

|  | 1966                | 1965                |
|--|---------------------|---------------------|
| <b>Operating Income:</b>   |                     |                     |
| Sales .....  | \$35,779,758        | \$37,021,128        |
| Miscellaneous, net .....   | 357,492             | 375,854             |
|  | <u>36,137,250</u>   | <u>37,396,982</u>   |
| <b>Operating Expenses</b> exclusive of<br>undernoted items ..... | 29,506,224          | 30,852,325          |
| <b>Net operating income</b> .....                                | 6,631,026           | 6,544,657           |
| <b>Add</b> Investment income .....                               | 167,054             | 105,120             |
|  | <u>6,798,080</u>    | <u>6,649,777</u>    |
| <b>Deduct:</b>   |                     |                     |
| Directors' fees and remuneration ....                            | 311,617             | 291,528             |
| Interest on notes payable .....                                  | 327,559             | 347,835             |
| Provision for depreciation (Note 1) ..                           | 1,245,000           | 2,235,000           |
| Provision for income taxes (Note 3) ..                           | 2,455,000           | 1,249,000           |
|  | <u>4,339,176</u>    | <u>4,123,363</u>    |
| <b>Net profit for the year</b> .....                             | <u>\$ 2,458,904</u> | <u>\$ 2,526,414</u> |



# B C SUGAR REFINERY, LIMITED

AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF EARNINGS RETAINED IN THE BUSINESS FOR THE YEAR ENDED SEPTEMBER 30, 1966

(WITH COMPARATIVE FIGURES FOR  
THE YEAR ENDED SEPTEMBER 30, 1965)

|                                    | 1966                      | 1965                      |
|------------------------------------|---------------------------|---------------------------|
| Balance at beginning of year ..... | \$5,793,482               | \$5,592,068               |
| Net profit for the year .....      | <u>2,458,904</u>          | <u>2,526,414</u>          |
|                                    | <u>8,252,386</u>          | <u>8,118,482</u>          |
| <b>Dividends:</b>                  |                           |                           |
| Preferred shares .....             | 300,000                   | 325,000                   |
| Common shares .....                | <u>1,720,000</u>          | <u>2,000,000</u>          |
|                                    | <u>2,020,000</u>          | <u>2,325,000</u>          |
| Balance at end of year .....       | <u><u>\$6,232,386</u></u> | <u><u>\$5,793,482</u></u> |

# BC SUGAR REFINERY, LIMITED

## AND SUBSIDIARY COMPANIES

### NOTES TO FINANCIAL STATEMENTS

#### 1. Depreciation:

Provision has been made for depreciation in an amount approximately equal to the maximum allowance at normal rates under The Income Tax Act. In the three previous years the provision made has been approximately equal to the maximum amount allowable under both normal and various special rates. The effect of this change in principle has been to reduce the charge for depreciation as compared with the charge which would have been made on the principle followed in prior years and to increase the net profit for the year by approximately \$400,000.

#### 2. Sugar and Supplies:

Cane sugar on hand has been valued at replacement which was below cost on the LIFO (last-in, first-out) basis for the year under review. Other sugar and supplies are valued at the lower of current cost or replacement.

#### 3. Income Taxes:

As there was no material difference between the income for the year on a taxation basis and that shown by the accounts, the amount provided for income taxes for the year was normal for the profits shown in the accounts. In the preceding year, due to the method of valuing cane sugar, the amount provided for income taxes was approximately \$350,000 less than the taxes normally payable on the profits shown in the accounts, and the net profit for that year was increased correspondingly.

# AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of B C Sugar Refinery, Limited as at September 30, 1966 and the consolidated statements of earnings and earnings retained in the business for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and consolidated statements of earnings and earnings retained in the business present fairly the combined financial position of the company and subsidiary companies as at September 30, 1966 and the results of their combined operations for the year ended on that date, in accordance with generally accepted accounting principles which, except for the modification (which we approve) in accounting for depreciation described in Note 1 of the notes to the financial statements, have been applied on a basis consistent with that of the preceding year.

HELLIWELL, MACLACHLAN & CO.,  
Chartered Accountants.

Vancouver, B.C.  
November 30, 1966





