

British Columbia Sugar Refining Co. Ltd.

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B.C. Sugar

Refinery, Ltd.



Annual Report 1965

B C SUGAR REFINERY, LIMITED

VANCOUVER, B.C. SEPTEMBER 30, 1965

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.

OFFICERS OF SUBSIDIARY COMPANIES

The British Columbia Sugar Refining Company, Limited

F. ROGERS

Chairman of the Board
President and Managing Director

A. M. ROBERTSON

Vice-President and
Secretary

P. A. CHERNIAVSKY

Vice-President and
General Superintendent

H. A. DUNLOP

Treasurer and 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

Canadian Sugar Factories Limited

IAN ANGUS

Vice-President and
General Manager

D. W. PURDY

Assistant General Manager

J. G. SNOW

Agricultural Superintendent

The Manitoba Sugar Company Limited

W. R. HETHERINGTON

Vice-President and
General Manager

J. S. McDIARMID, Jr.

Secretary

J. W. HALL

Agricultural Superintendent

PRESIDENT'S REPORT

The financial statements accompanying this report are submitted in a new form. In place of the separate accounts of the holding company and the consolidated accounts of the operating companies, consolidated accounts of the holding company are now rendered with comparative figures for the preceding year.

In spite of a normal increase in tonnage sold, the dollar volume of sales shows a sharp drop. This reflects a decline in raw sugar costs with consequent reduction in domestic sales prices.

Raw sugar prices at the year end were below the base price established in 1963. Therefore, the difference between income on a LIFO (last-in, first-out) basis of accounting and income reported for tax purposes has been included in the current year's earnings without being subject to income tax. These taxes were paid in previous years. The effect of this was to offset the inventory losses inevitable during a period of declining prices, which was the major factor in the world sugar market and, consequently, Canadian sugar values for the past twelve months.

This decline has been brought about by the old bug-bear of the Sugar Industry—world supply exceeding demand—aggravated by the fact that almost 90% of world sugar production is sold in markets where prices are artificially controlled with the surplus dumped on other markets, including Canadian, at whatever price it will bring.

As a result, toward the end of September, 1965, world and Canadian sugar prices reached their lowest point in twenty-five years. When one considers the increase in cost of most food products over this period, the drop in sugar prices appears even more drastic.

Since current prices for world raw sugars are far below the cost of production in any exporting country, interest has been

aroused in an endeavour to work out a new International Sugar Agreement.

To this end, a conference was held in Geneva in October of this year. The previous agreement became inoperative in 1961 when Cuba's demands made it impossible to reach agreement on export quotas.

While the October conference did not result in a new agreement, it opened the way for further talks to be held early in 1966.

Currently, the whole of Canada, and British Columbia in particular, is enjoying great prosperity with many large and small construction projects creating a great demand for labour. This has resulted in rather substantial increases in wage rates for both skilled and unskilled labour.

This "boom" economy does not benefit our companies to any extent since it has no influence on our volume of sales which increase in step with population growth only.

Nevertheless we recognize that our employees must earn wages commensurate with those paid by other industries in the areas where our factories operate, and, for that reason, negotiations this year with our Unions resulted in substantial wage increases. These, inevitably, must have their effect on the profits of the Company's operations, since we are limited in our power to pass on the increased costs to our customers by way of increased prices for our products. Were we to do so we would become more vulnerable than ever to the import of refined sugar from other countries where labour costs have not spiralled upwards in recent years.



Regarding our beet sugar industry, the current low price for sugar, if maintained, will have a profound effect on our profits.

To offset this, income from by-products should increase as there is now a greater demand for beet pulp and molasses close to our factories. Consequently, less of these products need be shipped out of the country where a large portion of the sale price may be absorbed by freight.

Our beet growers are to a great extent protected against low sugar prices through payments made to them under the Agricultural Stabilization Act. However, they also are faced with rising costs of labour and equipment and, possibly more important, a scarcity of farm labour.

The policy of our Company has been to expand our beet sugar production in step with the population growth of the area in which we sell our sugar, but this program could be curtailed if our growers, through lack of farm labour, are unable to increase their plantings.

With this in view, our Company together with our growers and the Department of Agriculture, is exploring every means of reducing the amount of farm labour required. This work includes the production of monogerm seed suitable for our climate, mechanization of cultivation and harvesting procedures, and increased use of modern herbicide techniques.

Gratifying progress has already been made in these matters, and we are sure that there is room for further improvement.

BC SUGAR REFINERY, LIMITED

INCLUDING 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, 1965

B C SUGAR RE
INCLUDING SUBS
CONSOLIDATED BALANCE SH
(WITH COMPARATIVE FIGURES)

ASSETS

Current Assets:	1965	1964
Cash	\$ 1,229,884	\$ 4,309,544
Funds on short-term deposit	1,674,730	3,008,450
Marketable securities at cost (market value \$3,047,000; 1964 - \$203,500)	3,047,360	203,132
Accounts receivable	2,557,020	3,481,793
Sugar and supplies — valued at cost or replacement (Note 2)	5,638,865	6,246,398
Prepaid expenses	199,706	253,296
	<u>14,347,565</u>	<u>17,502,613</u>
Deferred Accounts Receivable	<u>244,024</u>	<u>311,920</u>
Investments at Cost:		
(Market value \$190,000; 1964 - \$196,000)	<u>157,177</u>	<u>157,177</u>
Fixed Assets at Cost:		
Land	355,540	354,927
Buildings, plant, machinery and equipment	<u>34,997,699</u>	<u>34,411,550</u>
	<u>35,353,239</u>	<u>34,766,477</u>
	<u>\$50,102,005</u>	<u>\$52,738,187</u>

FINERY, LIMITED

DIARY COMPANIES

ET AS AT SEPTEMBER 30, 1965

AS AT SEPTEMBER 30, 1964)

LIABILITIES

Current Liabilities:	1965	1964
Accounts payable	\$ 1,923,862	\$ 3,744,687
Balance due beet growers — estimated	605,293	966,537
Dividends payable	275,000	300,000
Income taxes payable (Note 3)	328,909	752,945
	<u>3,133,064</u>	<u>5,764,169</u>
Six Percent Notes Payable due October 27, 1966	6,000,000	6,000,000
Accumulated Depreciation	<u>25,175,459</u>	<u>23,381,950</u>
Capital:		
Authorized:		
300,000 Five percent cumulative redeem- able at par preferred shares of a par value of \$20 each (Note 4)	\$6,000,000	
2,000,000 Shares of no par value	—	
Issued:		
300,000 Preferred shares (100,000 redeemed during 1965)	6,000,000	8,000,000
800,000 Shares of no par value	4,000,000	4,000,000
	<u>10,000,000</u>	<u>12,000,000</u>
Earnings Retained in the Business	5,793,482	5,592,068
	<u>15,793,482</u>	<u>17,592,068</u>
	<u>\$50,102,005</u>	<u>\$52,738,187</u>
On Behalf of the Board:		
FORREST ROGERS, Director		
A. M. ROBERTSON, Director		

B C SUGAR REFINERY, LIMITED

INCLUDING SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED SEPTEMBER 30, 1965

(WITH COMPARATIVE FIGURES FOR
THE YEAR ENDED SEPTEMBER 30, 1964)

	1965	1964
Operating Income:		
Sales	\$37,021,128	\$53,527,326
Miscellaneous, net	375,854	304,754
	<u>37,396,982</u>	<u>53,832,080</u>
Operating Expenses exclusive of undernoted items	30,852,325	44,165,263
Net operating income	6,544,657	9,666,817
Add Investment income	105,120	103,574
	<u>6,649,777</u>	<u>9,770,391</u>
Deduct:		
Directors' fees and remuneration	291,528	328,778
Interest on notes payable	347,835	274,739
Provision for depreciation (Note 1) ..	2,235,000	2,525,000
Provision for income taxes (Note 3) ..	1,249,000	2,267,000
	<u>4,123,363</u>	<u>5,395,517</u>
Net profit for the year	<u>\$ 2,526,414</u>	<u>\$ 4,374,874</u>

B C SUGAR REFINERY, LIMITED

INCLUDING SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS RETAINED IN THE BUSINESS FOR THE YEAR ENDED SEPTEMBER 30, 1965

(WITH COMPARATIVE FIGURES FOR
THE YEAR ENDED SEPTEMBER 30, 1964)

	1965	1964
Balance at beginning of year (Note 5)	\$ 5,592,068	\$ 3,217,194
Net profit for the year	2,526,414	4,374,874
	<u>8,118,482</u>	<u>7,592,068</u>
Dividends:		
Preferred shares	325,000	400,000
Common shares	2,000,000	1,600,000
	<u>2,325,000</u>	<u>2,000,000</u>
Balance at end of year	<u>\$ 5,793,482</u>	<u>\$ 5,592,068</u>

BC SUGAR REFINERY, LIMITED

INCLUDING SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

1. Depreciation:

The Income Tax Act allows depreciation to be claimed at normal rates and various special rates. In the current year, as in 1963 and 1964, the Company has provided depreciation approximately equal to the maximum amount allowable under both normal and special rates. The charge to operations for the current year is \$750,000 more than if depreciation had been provided at normal rates only.

2. Sugar and Supplies:

In accordance with the policy established in 1963, the Company calculates the cost of cane sugar on hand on a LIFO (last-in, first-out) basis. Other sugar and supplies are valued at the lower of current cost or replacement.

3. Income Taxes:

The Company's method of calculating cost of cane sugar on hand referred to in Note 2, is not currently allowable for income tax purposes. As a result the income for the year on a taxation basis is materially less than that shown in the accounts, and the amount provided for income taxes for the year is approximately \$350,000 less than would have been required had taxes been payable on the profits shown in the accounts.

4. Reduction of Capital:

The accounts at September 30, 1965 give effect to a bylaw passed by the shareholders September 30, 1965 approving a

reduction of authorized capital by cancellation of 500,000 five per cent cumulative redeemable preference shares of a par value of \$20 each, which had previously been redeemed. This bylaw was confirmed by Supplementary Letters Patent dated October 5, 1965.

5. Earnings Retained:

The balance at September 30, 1964 consisted of retained earnings of the parent company of \$12 and of subsidiaries of \$13,592,056 and capital surplus of the parent company of \$8,000,000 less a stock dividend in 1961 of \$16,000,000.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of B C Sugar Refinery, Limited as at September 30, 1965 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, 1965 and the results of their combined operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HELLIWELL, MACLACHLAN & CO.,
Chartered Accountants.

Vancouver, B.C.,
November 30, 1965

