

British Columbia Packers, Limited

SEVENTH ANNUAL REPORT

For Fiscal Period Ended

December 31st, 1934

BOARD OF DIRECTORS

H. R. MacMILLAN, President
STANLEY BURKE, Vice-President
C. C. THOMAS, Managing Director
F. E. BURKE
GORDON FARRELL
J. H. GUNDY
GEORGE KIDD
J. P. D. MALKIN
AUSTIN C. TAYLOR
A. H. WILLIAMSON

REGISTRAR AND TRANSFER AGENT:
The London & Western Trusts Company,
Limited, Vancouver, B.C.

CO-TRANSFER AGENT:
The London & Western Trusts Company,
and Executor Company,
Montreal, P.Q.

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British Columbia Packers, Limited

Seventh Annual Report

To the Shareholders

BRITISH COLUMBIA PACKERS LIMITED

Your Directors submit herewith the certified Balance Sheet and Deficit and Profit and Loss Account of the Company for the fiscal period ended December 31st, 1934.

For greater convenience in operation, the fiscal year has been changed to terminate December 31st instead of February 28th, consequently the year under review covers only ten months, which has affected the operating results favorably, as the accounts show the benefits of a full year's pack against which there has been charged only ten months' operating expenses.

There is no important change to record regarding the volume of pack by this Company in 1934.

The inventory is conservatively valued and is in satisfactory condition.

The Profit and Loss Account shows that although the loss is smaller than in recent years, the Company has for the fifth year in succession suffered an operating loss after making allowance for depreciation. You will observe that the unpaid cumulative preferred dividends, accumulating at the rate of \$275,835.00 per year, have now reached a total of \$1,172,298.75, which, with the capital of the outstanding preference shares, constitutes a total charge of \$5,112,798.75 ranking prior to the common shares. This situation, together with the growing deficit account, now standing at \$3,801,534.42, renders advisable the consideration of some form of capital reconstruction to bring the constitution of the Company in more balanced relationship with its assets and its probable earning power. This matter is now receiving the attention of the Directors.

It is advisable to emphasize to the Shareholders and to the public of British Columbia the relative position in the world, of the British Columbia salmon canning industry.

The world pack of red salmon in 1933 and 1934 was—

	1933		1934	
	Pack	% of Total	Pack	% of Total
Alaska	2,183,000 cases	69.5	2,600,000 cases	57.1
Japan and Siberia	576,000 cases	18.3	1,226,000 cases	26.9
British Columbia	258,000 cases	8.2	378,000 cases	8.3
Puget Sound	126,000 cases	4.0	350,000 cases	7.7
	3,143,000 cases		4,554,000 cases	

The world pack in 1933 was normal whereas the 1934 world pack, about 45% greater than normal, produced a surplus which will require months to liquidate and will inevitably depress the price to be received for the export packs produced in British Columbia in 1934 and 1935. The British Columbia pack is too small a factor in the world red salmon supply to influence world market prices.

The cost of obtaining the raw fish has been steadily rising in British Columbia until the cost in this province is apparently double or more what it is in the great producing competitive areas. Unfortunately, the low-cost product of the very large packs in Alaska and Asia sets the sale price in the export markets where considerably over half the British Columbia pack must always be sold.

It is necessary that all connected with the industry realize that the salmon industry is an export industry exposed to very low-cost competition, and that all must co-operate in reducing costs to meet falling sale prices caused by that unavoidable competition, otherwise there is great danger of "killing the goose that lays the golden egg".

The British Columbia salmon industry, which sells over 98% of its product outside British Columbia and over 50% outside Canada, is peculiarly exposed to any form of provincialism or nationalism that tends to restrict markets.

The officers of the Company have steadily pursued the policy of eliminating avoidable and reducing controllable costs and simplifying the structure of the Company. To this end, during the past year, the following subsidiaries were placed in liquidation and the physical assets transferred to this Company: British Columbia Fishing and Packing Co., Ltd., Gosse Packing Company, Limited, Millerd Packing Company, Limited, Wallace Fisheries Limited, Skeena River Packing Company, Limited.

The 6% First Mortgage Debentures of Wallace Fisheries Limited which would have become due January 10th, 1936, were, by arrangement with the Debentureholders, exchanged for a like amount of this Company's 6% First Mortgage Sinking Fund Debentures payable in twenty equal semi-annual instalments terminating in 1944. The Debentures issued by certain of the subsidiary companies to the amount of \$2,752,615.57 and held by the Company's bankers were withdrawn and this Company's non-interest bearing Second Mortgage Debentures to the amount of \$1,050,000.00 issued in their place. For purposes of economy the shares of the Company were removed from the Montreal and Toronto Stock Exchanges and listed on the Montreal Curb and Vancouver Stock Exchange.

Since the last Annual Meeting, Messrs. Austin C. Taylor, President of Bralorne Mines Limited, and Gordon Farrell, President of the British Columbia Telephone Company, have joined your Board, filling existing vacancies.

On behalf of the Board of Directors and Shareholders, I wish to thank the officers and employees of the Company who very loyally and effectively, often under conditions of great difficulty, and over hundreds of miles of stormy and rocky coast, have maintained the property of the Company, improved the operating efficiency and harvested a quality crop.

Respectfully submitted,

H. R. MacMILLAN,
President.

British Columbia Packers, Limited

and Subsidiary Companies

Consolidated Deficit and Profit and Loss Account For the Ten Months Ended December 31, 1934

Balance being Deficit as at February 28, 1934		\$3,380,541.90
Add—		
Items written off:		
Goodwill arising from acquisition of Assets of Skeena River Packing Co. Ltd. (In Voluntary Liquidation)	\$ 74,987.90	
Premium on Leases now cancelled.....	160,936.64	
Fire and Marine Losses less sundry realizations	36,958.96	
Organization Expenses and Underwriting Commissions incurred prior to 1931	135,482.08	
	\$408,365.58	
Less—		
Credits arising from acquisition of interest of Minority Shareholders in Subsidiary Companies	5,560.15	
	402,805.43	
		\$3,783,347.33
Add—		
Loss for the period:		
Profit on operations for the ten months ended December 31, 1934, before Depreciation, Interest on Funded Debt, etc.	\$225,959.49	
Deduct—		
Depreciation	\$221,857.55	
Interest on Debentures.....	14,937.80	
Directors' Remuneration	6,643.26	
Provision for Provincial Taxes	707.97	
	244,146.58	
		18,187.09
Balance being Deficit as at December 31, 1934		\$3,801,534.42

Auditors' Certificate

To the Shareholders of the British Columbia Packers Limited:

We have examined the Books and Accounts of the British Columbia Packers Limited as at December 31, 1934, including its Subsidiary Companies, some of which are in process of voluntary liquidation, and have obtained all the information and explanations which we have required.

Effect has been given in the attached Balance Sheet to the transfer of the assets and the assumption of the liabilities of Subsidiary Companies now in process of voluntary liquidation.

No provision has been made for depreciation or replacement of properties of Subsidiary Companies now acquired by the British Columbia Packers Limited, for the period July 1, 1928, to February 29, 1932, except the sum of \$43,321.56.

Depreciation amounting to \$221,857.55, calculated at the rate of five per cent per annum on the Buildings, Plant and Machinery, etc., at replacement values as appraised in 1929 by the Canadian General Appraisal Co., Ltd., plus the cost of subsequent additions, and at 7½ per cent on book values of Floating Equipment, has been provided during the period under review.

Subject to the foregoing, we report that, in our opinion, the attached Consolidated Balance Sheet is properly drawn up, on the basis indicated therein, so as to exhibit a true and correct view of the state of the combined affairs of the British Columbia Packers Limited and its Subsidiary Companies, according to the best of our information and the explanations given to us and as shown by the books of these Companies.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

Vancouver, B.C.,
January 29, 1935.

British Columbia Packers, Limited

and Subsidiary Companies

Consolidated Balance Sheet as at December 31st, 1934

<u>ASSETS</u>	<u>LIABILITIES</u>
Current and Working Assets:	Current Liabilities:
Inventories as determined and certified to by a responsible official of the Company—	Bank Loans and Overdraft—Secured under Section 88 of the Bank Act and by second charge on \$1,050,000.00 Second Mortgage Debentures \$978,962.97
Canned Salmon, Pilchards, Dry Salt Herring, etc., on hand valued on the basis of proportion sold under firm contracts at net selling value and balance at cost or market value, whichever is the lower . . . \$1,499,308.13	Bills Payable—Secured by first charge on \$1,050,000.00 Second Mortgage Debentures 720,000.00
Store Merchandise, New Nets, Labels and Supplies—at cost or market, whichever is the lower 100,414.17	Sundry Creditors including Accrued Interest, etc. 93,893.11
	Reserve for Provincial Taxes 1,397.09
	<u>\$1,794,253.17</u>
Expended on 1935 Pack \$1,599,722.30	Six Per Cent First Mortgage Sinking Fund Debentures maturing January 10, 1944:
Sundry Debtors—	Exchangeable for \$297,000.00 6% First Mortgage Debenture Stock of Wallace Fisheries Limited to be cancelled upon surrender.
Trade Bills and Accounts Receivable, Advances to Fishermen and Others, secured and unsecured, less Reserve 158,454.61	Authorized and Issued 297,000.00
Cash on hand 2,043.48	Note:
	Deposits of \$30,000.00 per annum are hereafter required to be made to the Sinking Fund for semi-annual redemption of a like amount of Debentures.
<u>\$1,788,084.31</u>	Second Mortgage Debentures maturing December 31, 1960 \$1,050,000.00
Cash in Hands of Trustee for 6% Debentures:	Issued upon cancellation of \$2,752,615.57 Debentures secured on assets of Subsidiary Companies now in process of liquidation and held as security for repayment of liabilities as shown above.
For redemption of Debentures to be drawn by lot on January 6, 1935 . . . \$14,000.00	
For replacement of Capital Assets . . . 7,100.00	
21,100.00	
Investment in Allied Company—less amount written off 5,000.00	
Capital Assets:	Capital Liabilities:
Buildings, Plant, Machinery, etc., at replacement values as appraised in 1929 by the Canadian General Appraisal Co., Ltd., plus the cost of subsequent additions \$4,477,776.54	Share Capital—
Floating Equipment at book values . . . 513,818.58	Authorized:
	50,000—7% Cumulative Redeemable Preference Shares of \$100.00 each \$5,000,000.00
<u>\$4,991,595.12</u>	500,000—Common Shares—No par value.
Less—	Issued:
Reserve for Depreciation 2,339,649.05	39,405—7% Cumulative Redeemable Preference Shares of \$100.00 each \$3,940,500.00
	277,662—Common Shares without nominal or par value 3,731,844.22
<u>\$2,651,946.07</u>	<u>7,672,344.22</u>
Nets and Fishing Equipment as valued by the Management 220,974.65	
Land, Leases, Licenses, etc., at book values 1,274,957.94	
<u>4,147,878.66</u>	
Note:	Contingent Liability:
The above Capital Asset values are derived from appraisal or book figures and do not purport to be realizable or present replacement values.	Bills under Discount, etc. \$303,602.88
	<u>£5,002.0.0.</u>
	Note:
Total Assets \$5,962,062.97	Dividends accrued on 7% Cumulative Preference Shares from October 1st, 1930, amount to \$1,172,298.75 or \$29.75 per share.
Deficit—per statement attached 3,801,534.42	
<u>\$9,763,597.39</u>	<u>\$9,763,597.39</u>

Approved on behalf of the Board:
H. R. MacMILLAN, Director.
C. C. THOMAS, Director.

Submitted with our Report dated January 29, 1935.
PRICE, WATERHOUSE & CO.,
Chartered Accountants