~~British Columbia Sugar Refining Co. Ltd.~~

# B.C. Sugar

Refinery, Ltd.

B.C. SUGAR
Rogers.
TRADE MARK REGISTERED
REFINERY

CANADIAN SUGAR FACTORIES

PURE GRANULATED SUGAR
PRODUCT OF MANITOBA

## Annual Report 1972

# B C SUGAR REFINERY,
LIMITED

VANCOUVER, B.C. SEPTEMBER 30, 1972

## DIRECTORS

| | |
|---|---|
| F. ROGERS* President | Vancouver, B.C. |
| I. ANGUS* | Vancouver, B.C. |
| P. A. CHERNIAVSKY* | Vancouver, B.C. |
| H. A. DUNLOP* | Vancouver, B.C. |
| W. R. C. PATRICK, F.C.A. | Vancouver, B.C. |
| J. W. PITTS | Vancouver, B.C. |
| R. H. TUPPER† | Vancouver, B.C. |
| H. R. WHITTALL | Vancouver, B.C. |
| F. C. WILKINSON | 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

†Deceased.

# PRESIDENT'S REPORT

On behalf of the Board of Directors I am pleased to provide the shareholders with a review of the Company's activities for the past year.

This has been a most interesting year in the world of sugar. After about two years, during which time market prices fluctuated within rather narrow margins, forces came into play which resulted in very marked and at times violent upswings in world sugar values.

The chief factors contributing to this changed situation included a poor sugar beet crop in Russia a year ago, lower production from Cuba and other Caribbean countries and the ever-increasing demand for sugar which results from natural population growth and improvement in living standards in many countries of the world.

Owing to the lack of meaningful data from Iron Curtain countries, it was rather a surprise when in December of 1971 it became clear that Russia was purchasing large blocks of sugar, chiefly from Brazil. This was an unusual time of the year for Russia to enter the world market for sugar, and the large quantities involved emphasized the reduction in the visible supplies of world sugar to minimal proportions.

The balance of supply and demand became critical, and prices in the free world market rose dramatically. Values of raw sugar on the London Terminal Market increased from £48 per long ton on November 30 to £80 by January 31 and reached a high of £90 in mid-March.

Fortunately, Canadian consumers were protected against much of the rise in prices. Under the International Sugar Agreement, importing member countries are entitled to purchase specific quantities from their traditional suppliers at a ceiling price, (described in the Agreement as the "Supply Commitment Price"), even when world market prices are at much higher levels. Although Canadian domestic prices rose, the top limit was much lower than that of countries which are not signatory to the Agreement.

During the spring of 1972, world prices declined quite substantially, but advanced again when discouraging estimates of the coming European beet sugar crop were published.

To refer particularly to your Company's sugar operations, the marked fluctuations in world prices made it most difficult to purchase raw cane sugar with any degree of confidence. As refined prices generally follow raw sugar prices up and down, the higher level of prices did not result in increased profits for our Vancouver refinery. The Company's beet sugar operations did benefit and this resulted in increased returns for both the Company and the growers. Consolidated net earnings for the year under review amounted to $1.83 per common share, of which $1.57 was attributable to sugar operations. This compares with 1971 figures of $1.53 and $1.38 respectively.

Elsewhere in this report comparative sales figures for the past five years are recorded. It should be noted that the increase over last year's figures is mainly a reflection of higher sugar prices. However, the volume of sales also showed a marked improvement.

The demand within Western Canada for the by-products of the sugar beet industry—dried pulp and molasses—was such that there was little difficulty in marketing these products at reasonable prices. This has been brought about by the growth in the livestock feeding industry in Western Canada. In order to service our customers in this important industry, your Company has invested substantial sums to augment our storage facilities for pulp and molasses. These products, which are manufactured on a seasonal basis, can therefore be made available to buyers year round.

It was stated a year ago in our annual report that acreage sown to sugar beets would have to be curtailed, owing to two successive years of better than expected production. Fortunately it was not found necessary to reduce plantings, since markets for our surplus sugar became available, which in normal circumstances would have been difficult if not impossible to enter. As a result, full acreage was planted in both Manitoba and Alberta this spring. Prospects for the harvest of the 1972 crop are good in Manitoba, though adverse weather in Alberta has reduced the quality of beets. Sugar production should be adequate to satisfy the markets.

In Manitoba this year, your Company completed its program of converting the transport of beets from rail to truck haul. This was prompted by the deterioration of rail service, and required substantial investment by the Company in new beet receiving equipment and by the growers in larger trucking equipment. The change has already proved to be right, as the harvest in

Manitoba this fall has proceeded with a minimum of trouble and delays both to the Company and growers.

Apart from this change, orders have already been placed for new equipment for our Alberta factories and the Vancouver refinery. This move reflects the management's policy of keeping all manufacturing divisions in the Company as modern and efficient as possible.

The Report by the Canadian Tariff Board on Sugar was released in November 1971. The Board went to considerable lengths to examine the raw and refined cane sugar trade as it affects Canada, but it unwittingly committed errors in fact and judgment.

There was an almost total absence in the Report of the part played in agriculture by the sugar beet industry in Southern Alberta and Manitoba. The livelihood of many communities depends to a great extent on the sugar beet crop. Comparisons were made of the Canadian refining business and its counterparts in the United Kingdom and Eastern U.S.A. (New York) but no such attempt was made for beet sugar.

Your Company has filed a rebuttal to the Board's report with the Minister of Finance and Company officials have been in direct contact with other interested Departments of Government. We believe it would be unwise for the Government to take action now, as Britain's entry into the E.E.C. and the curtailment of the Commonwealth Sugar Agreement will create a change in pattern of the world sugar trade. In addition, the Governments concerned in the International Sugar Agreement will be renegotiating that Agreement in 1973. It is worth noting that as a direct result of the Preferential Tariff system, Canada has at the moment some very reliable sources of supply which, in our view should not be jeopardized.

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Your Company's investment in Belkin Packaging Ltd. again proved its worth, since sales and profits increased substantially.

During the year the decision was made to construct a new building in the Vancouver area and acquire new machinery to care for the expanding market in corrugated box containers. These new facilities, while delayed by the construction industry strike, are expected to be in operation early in 1973.

At the same time, machinery was purchased for the production of milk cartons, a new product for the Company. Manufacturing is expected to commence in 1973.

While earnings of Belkin Packaging Ltd. have contributed in no small measure to the consolidated earnings of your Company (26¢ per share in 1972 versus 15¢ per share in 1971), it should be pointed out to shareholders that as yet no cash dividends have been received from this source.

It is expected that dividends will be received from this operation during the coming year.

The management of your Company is very pleased with the results shown by this diversification to date and is confident that the future of this operation will continue to be rewarding.

In line with the policy adopted two years ago, a Directors' Meeting was held in Vancouver shortly after results for the fiscal year became known, at which time the regular quarterly dividend was increased from 20¢ to 25¢ per share and an extra dividend of 25¢ was also declared. These dividends were declared payable January 31, 1973 to shareholders of record on January 12, 1973.

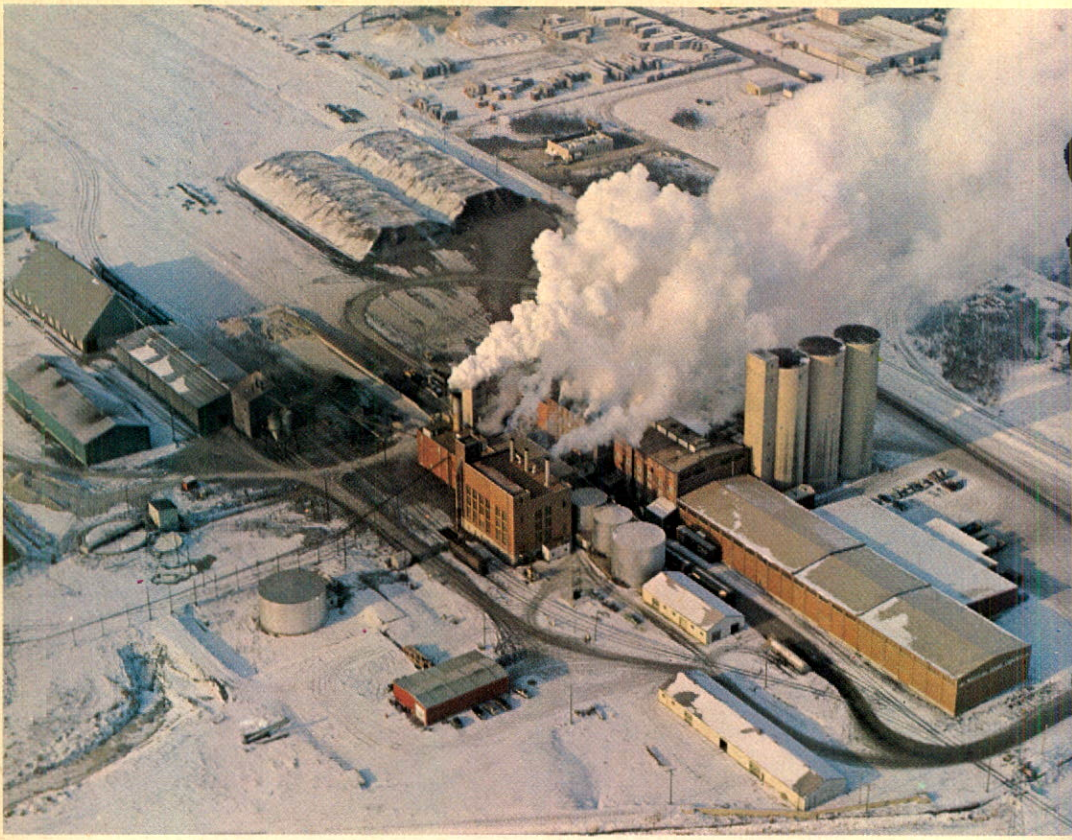
**R. H. TUPPER**

With great regret we record the death of Mr. R. H. Tupper, a director of the Company since 1951. Mr. Tupper also acted as legal counsel for the Company.

Mr. Tupper's advice and interest in the progress of the Company will long be remembered, especially by those who had the privilege of serving on the Board with him.

Forrest Rogers

President



Top left:
Sugar manufacturing facilities at Fort Garry, Winnipeg, Manitoba. Capacity of 3,100 tons of sugar beets per day.

Bottom left:
The Taber, Alberta operation with a daily capacity of 4,400 tons.

Top right:
The Picture Butte, Alberta operation with a daily capacity of 2,600 tons.

# B C SUGAR REFINERY, LIMITED

## AND SUBSIDIARY COMPANIES

### FIVE-YEAR HISTORICAL REVIEW

Sales

Earnings before income taxes

Provision for income taxes

Per common share

Consolidated net earnings

Preferred share dividend requirements

Net earnings on common stock

Per common share

Dividends declared on common stock

Per share — regular

— extra from previous year's earnings

Capital expenditures

Provision for depreciation

Working capital

Preferred share redemptions

*Before providing for an extraordinary charge of 23c per share.

THE BRITISH COLUMBIA SUGAR REFINING COMPANY, LIMITED

CANADIAN SUGAR FACTORIES LIMITED

THE MANITOBA SUGAR COMPANY LIMITED

BELKIN PACKAGING LTD.

CONSOLIDATED ACCOUNTS FOR THE YEAR ENDING SEPTEMBER 30, 1972

| 1972 | 1971 | 1970 (Restated) | 1969 | 1968 |
|---|---|---|---|---|
| $87,123,000 | $71,408,000 | $54,587,000 | $45,785,000 | $39,970,000 |
| 9,828,000 | 8,408,000 | 7,460,000 | 7,892,000 | 6,532,000 |
| 4,673,000 | 4,200,000 | 3,827,000 | 4,039,000 | 3,271,000 |
| 1.95 | 1.75 | 1.59 | 1.68 | 1.36 |
| 4,550,000 | 3,854,000 | 3,533,000 | 3,853,000 | 3,261,000 |
| 168,333 | 173,750 | 182,500 | 196,250 | 200,000 |
| 4,381,667 | 3,680,250 | 3,350,500 | 3,656,750 | 3,061,000 |
| 1.83 | 1.53 | 1.40* | 1.52 | 1.28 |
| .80 | .80 | .80 | .73 | .67 |
| .20 | .20 | .20 | .17 | .23 |
| 1.00 | 1.00 | 1.00 | .90 | .90 |
| 3,435,000 | 2,642,000 | 1,411,000 | 1,330,000 | 1,241,000 |
| 1,750,000 | 1,707,000 | 1,333,000 | 1,232,000 | 1,212,000 |
| 12,543,000 | 11,608,000 | 10,374,000 | 10,762,000 | 9,146,000 |
| 33,340 | 100,000 | 200,000 | 300,000 | — |

# B C SUGAR REFINERY, LIMITED

AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF EARNINGS AND REINVESTED EARNINGS FOR THE YEAR ENDED SEPTEMBER 30, 1972

(WITH COMPARATIVE FIGURES FOR 1971)

| | 1972 | 1971 |
|---|---|---|
| **Income** | | |
| Sales | $87,123,300 | $71,408,331 |
| Investment income | 20,476 | 29,844 |
| | 87,143,776 | 71,438,175 |
| **Expenses** | | |
| Cost of sales, selling and administrative expenses (Note 4) | 74,562,051 | 60,325,921 |
| Depreciation | 1,750,404 | 1,706,590 |
| Interest on long-term debt | 1,002,914 | 997,562 |
| | 77,315,369 | 63,030,073 |
| | 9,828,407 | 8,408,102 |
| **Income taxes** | 4,672,722 | 4,199,500 |
| | 5,155,685 | 4,208,602 |
| Minority interest in earnings | 605,492 | 354,661 |
| **Earnings** for the year ($1.83 per common share; 1971 $1.53) | 4,550,193 | 3,853,941 |
| **Reinvested earnings** | | |
| Balance at beginning of year | 12,015,510 | 10,735,319 |
| | 16,565,703 | 14,589,260 |
| Dividends | | |
| Preferred shares | 168,333 | 173,750 |
| Common shares | 2,400,000 | 2,400,000 |
| | 2,568,333 | 2,573,750 |
| Balance at end of year | $13,997,370 | $12,015,510 |

# B C SUGAR REFINERY, LIMITED

AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 1972

(WITH COMPARATIVE FIGURES FOR 1971)

| | 1972 | 1971 |
|---|---|---|
| **Source of funds** | | |
| Current Operations | | |
| Earnings for the year | $ 4,550,193 | $ 3,853,941 |
| Depreciation | 1,750,404 | 1,706,590 |
| Deferred credit (Note 3) | 1,022,681 | 728,007 |
| Minority interest in earnings | 605,492 | 354,661 |
| | 7,928,770 | 6,643,199 |
| Decrease (increase) in other assets | 111,876 | (58,089) |
| | 8,040,646 | 6,585,110 |
| **Application of Funds** | | |
| Investment in fixed assets | 3,434,702 | 2,642,207 |
| Payment of dividends | 2,568,333 | 2,573,750 |
| Redemption of preferred shares | 33,340 | 100,000 |
| Reduction in non-current portion of long-term debt | 1,006,679 | 34,728 |
| | 7,043,054 | 5,350,685 |
| Increase in net current assets | $ 997,592 | $ 1,234,425 |

# B C SUGAR RE

## AND SUBSIDIA

### CONSOLIDATED BALANCE SHE

(WITH COMPARATIVE

| | 1972 | 1971 |
|---|---|---|
| **Current Assets** | | |
| Short term deposits | $ 1,425,000 | $ 3,075,000 |
| Accounts receivable | 7,954,235 | 7,764,539 |
| Inventories (Note 2) | 14,251,692 | 9,478,726 |
| Prepaid expenses including income taxes (Note 2) | 1,929,391 | 1,174,507 |
| | 25,560,318 | 21,492,772 |
| **Fixed Assets at Cost** | | |
| Land | 512,509 | 502,922 |
| Buildings, plant and equipment | 57,213,865 | 54,118,937 |
| | 57,726,374 | 54,621,859 |
| Less accumulated depreciation | 35,230,760 | 33,810,543 |
| | 22,495,614 | 20,811,316 |
| **Other Assets** | | |
| Non-current accounts receivable | 143,095 | 291,651 |
| Deferred lease payments | 294,791 | 238,207 |
| Unamortized bond discount and expense | 298,557 | 318,461 |
| Excess of cost of shares in subsidiary company over book value at date of acquisition | 867,295 | 867,295 |
| | 1,603,738 | 1,715,614 |
| | $49,659,670 | $44,019,702 |

**Approved by the Board:**

F. Rogers, Director

P. A. Cherniavsky, Director

FINERY, LIMITED

RY COMPANIES

ET AS AT SEPTEMBER 30, 1972

FIGURES FOR 1971)

| | 1972 | 1971 |
|---|---|---|
| **Current Liabilities** | | |
| Bank advances - secured | $ 1,977,593 | $ 2,442,082 |
| Accounts payable | 5,336,686 | 5,043,334 |
| Accrued liability to beet growers | 3,032,780 | 1,450,850 |
| Dividends payable | 522,083 | 522,500 |
| Income taxes payable | 1,118,482 | — |
| Principal due within one year on long-term debt | 967,096 | 426,000 |
| | 12,954,720 | 9,884,766 |
| **Long-Term Debt (Note 5)** | 9,513,530 | 10,520,209 |
| **Deferred Credit (Note 3)** | 3,111,452 | 2,088,771 |
| Interest of minority shareholders in Subsidiary Company | 2,715,938 | 2,110,446 |
| **SHAREHOLDERS' EQUITY** | | |
| **Capital** | | |
| Authorized | | |
| 300,000 Five percent cumulative preferred shares redeemable at par value of $20.00 | | |
| 6,000,000 Common shares of no par value | | |
| Issued | | |
| 168,333 Preferred shares (1,667 redeemed during 1972) | 3,366,660 | 3,400,000 |
| 2,400,000 Common shares | 4,000,000 | 4,000,000 |
| **Earnings Reinvested in the Business** (Note 6) | 13,997,370 | 12,015,510 |
| | 21,364,030 | 19,415,510 |
| | $49,659,670 | $44,019,702 |

# B C SUGAR REFINERY, LIMITED

AND SUBSIDIARY COMPANIES

## NOTES TO FINANCIAL STATEMENTS

1. The consolidated financial statements include the accounts of all wholly-owned subsidiary companies, namely The British Columbia Sugar Refining Company, Limited, Canadian Sugar Factories Limited, and The Manitoba Sugar Company Limited. The statements also include the consolidated accounts of the partly-owned subsidiary Belkin Packaging Ltd. In 1972 Belkin Packaging Ltd. contributed 23% of consolidated sales.

2. Inventories other than raw and refined cane sugar have been valued at the lower of average cost and replacement. In valuing inventories of cane sugar the Company has followed the practice of using the lower of replacement cost and cost on a LIFO (last-in, first-out) basis in respect of normal quantities.

   The Company's method of calculating cost of cane sugar on hand is not currently allowable for income tax purposes and the taxes amounting to $791,588 in 1972 ($64,555 - 1971) applicable to the resulting excess of taxable income over reported income are included with current assets as "Prepaid Expenses".

3. The Company proposes to claim depreciation for income tax purposes on the basis of maximum rates established and rates proposed to be established under the Income Tax Act. The effect of claiming depreciation for tax purposes in excess of the amounts provided in the accounts has been to reduce income taxes otherwise payable by $1,022,681 for 1972

($728,007 - 1971). The accumulated total of such income tax deferments appears on the balance sheet as "Deferred Credit".

4. During 1972 no remuneration was paid by the Company to any of its directors or officers. However, the aggregate directors' remuneration paid by a subsidiary to the nine directors of the Company as directors was $15,825 and to its four officers, who are also directors, was $410,314, which includes payments of $52,676 to cover the current accrual of pension liability and to fund the cost of past service deficiencies.

| 5. Long-Term Debt | 1972 | 1971 |
|---|---|---|
| 9½% First Mortgage Sinking Fund Bonds, Series "A", repayable $635,000 annually 1973 to 1986 and $610,000 in 1987 (not redeemable until after 1980) | $ 9,500,000 | $ 9,500,000 |
| 7.9% mortgage loan repayable $168,000 annually plus interest | 812,000 | 980,000 |
| Other secured debt | 168,626 | 466,209 |
| | 10,480,626 | 10,946,209 |
| Less principal included in current liabilities | 967,096 | 426,000 |
| | $ 9,513,530 | $10,520,209 |

The trust deed relating to the First Mortgage bonds contains provision whereby dividends may be paid provided earnings and working capital for trust deed purposes are maintained at certain levels. At September 30, 1972 earnings and working capital were in excess of such requirements.

6. Reinvested earnings include capital surplus of $2,633,340 at September 30, 1972 ($2,600,000 at September 30, 1971) appropriated on the redemption of preferred shares.

7. Annual payments under leases in effect at September 30, 1972 are approximately $311,000.

## AUDITORS' REPORT

### TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of B C Sugar Refinery, Limited and its subsidiaries at September 30, 1972 and the consolidated statements of earnings and reinvested earnings and source and application of funds for the year then ended. 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 these consolidated financial statements present fairly the financial position of the companies as at September 30, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE GUNN & CO.
Chartered Accountants

Vancouver, B.C.
December 15, 1972