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

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B.C. Sugar

Refinery, Ltd.

B.C. SUGAR
Rogers
TRADE MARK REGISTERED
REFINERY

CANADIAN
SUGAR
FACTORIES

PURE
GRANULATED
SUGAR
PRODUCT OF
MANITOBA

Annual Report 1971

B C SUGAR REFINERY,
LIMITED

VANCOUVER, B.C. SEPTEMBER 30, 1971

DIRECTORS

F. ROGERS*	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

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.

As will be seen from the statements, earnings per share for the year were $1.53 compared with $1.40 for the previous year. This was the first year in which the Company's share of earnings in Belkin Packaging Ltd. was for a full twelve months. Of the earnings per share reported above, 15c per share was contributed by the Belkin operations.

The profits of Belkin Packaging Ltd. and its subsidiary, Belkin Paperboard, were as forecast. Earnings were affected by the one-month shutdown of the No. 4 paper machine to install the Ultra Former wet-end section. The installation was made within estimates of budgeted capital cost, and on schedule. The quality and output of the No. 4 machine have now been favourably improved and production goals for the coming year should be attained. Demand for the products of the Burnaby Mill, Folding Cartons and Corrugated Containers remains strong.

Shareholders will be interested to know that the measures announced by President Nixon last August have almost no direct effect on the Company's operations. Under the Sugar Act of the United States all sugar imports into that country are controlled by a system of quotas. No quota has been allotted to Canada for many years, so the new measures did not change the situation.

The International Sugar Agreement, in its second full year of operation, continued to exert its influence on world sugar markets and, as a result, sugar prices fluctuated within fairly close limits. It appears that under the rules of the Agreement, an orderly market can be maintained as long as sugar is in a reasonable oversupply position throughout the world. It remains to be seen how effective the Agreement may be, if, or when, the supply and demand situation becomes reversed, and whether the International Sugar Agreement would survive under such conditions.

It should be remembered that in the last 100 years there have been six attempts made to establish a workable International Sugar Agreement, but all predecessors to the current Agreement failed for various reasons. The most recent abortive attempt was made in 1958.

Under these circumstances it would be foolhardy in the extreme to consider complacently that the present Agreement is here to stay.

During the past year, new high-speed packaging equipment was installed at the Vancouver Refinery for "Rogers' Golden Syrup" and "Rogers' Golden Pancake Syrup".

Modern sugar packaging machinery was put in service in both Vancouver and Manitoba in order to meet the increased demand for small packaged products.

Additional beet receiving equipment was also put in service in Manitoba.

At the Alberta plants, installation of machinery was made to eliminate certain objectionable components from our sewage effluent in line with requirements for pollution control.

Sugar beet acreage on the Prairies was curtailed in the 1970-71 crop year in order to reduce excess inventories of sugar. This was successfully carried out and acreage for the current year returned to normal. However, as a result of very favourable growing conditions both in Alberta and Manitoba a record crop was harvested in 1971. For the first time production exceeded 1,000,000 tons of beets, and the acreage to be planted will again have to be curtailed.

In the Interim Report to Shareholders issued for the six-month period ended March 31, mention was made of a two-year agreement with the union at the Vancouver Refinery, which, in line with the current trend in British Columbia, resulted in very large wage increases compared to prior years.

Since that time contracts have been negotiated with the Unions in Alberta and Manitoba, and in both provinces pay increases were substantial. It is to be hoped that this trend of larger increases can be curtailed in future. Wage increases cannot be absorbed directly by price increases for the Company's products, and our volume of business is not expanding at as fast a pace as wage rates.

As reported a year ago, representatives of the Company appeared at a hearing before the Tariff Board in Ottawa in January of 1970.

At that time it was expected the recommendations of the Board would be made known early in 1971. For reasons unknown to us, publication of the report was delayed several times, and was eventually released on November 10. This report is currently being studied by management.

Due to the length and complexity of the report it would be premature to comment on its contents until a full study has been made.

During the past year Mr. W. R. C. Patrick was elected to the Board of Directors of the Company. Mr. Patrick was formerly a senior partner in the chartered accounting firm of Thorne, Gunn, Helliwell & Christenson.

In July of this year we were honoured with a visit to the refinery by the Prime Minister of Fiji, Ratu Sir Kamisese Mara, K.B.E., and Lady Mara. Fiji recently gained its independence within the Commonwealth and this was the first time the Prime Minister had visited Canada.

For many years the Company has secured much of its supply of raw sugar from Fiji, and we have had very cordial relations with the producers at all times.

At a meeting of the Board of Directors held on November 24th, the regular quarterly dividend on the Common Stock of 20c per share, plus an extra dividend of 20c per share, was declared payable January 31st, 1972 to shareholders of record on January 7th, 1972.

Forrest Rogers

President

An aerial view of the Company's
head office operation and refining
facilities in Vancouver.

The visit of Prime Minister
Ratu Sir Kamisese Mara, K.B.E.
and Lady Mara of Fiji to our
Vancouver operation was a highlight
of July, 1971.

B C SUGAR REFINERY, LIMITED
AND SUBSIDIARY COMPANIES

FIVE-YEAR HISTORICAL REVIEW

Sales

Earnings before income taxes

Provision for income taxes

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, 1971

1971	1970 (Restated)	1969	1968	1967
$71,408,000	$54,587,000	$45,785,000	$39,970,000	$38,550,000
8,408,000	7,460,000	7,892,000	6,532,000	6,855,000
4,200,000	3,827,000	4,039,000	3,271,000	3,373,000
3,854,000	3,533,000	3,853,000	3,261,000	3,482,000
173,750	182,500	196,250	200,000	297,500
3,680,250	3,350,500	3,656,750	3,061,000	3,184,500
1.53	1.40*	1.52	1.28	1.33
.80	.80	.73	.67	.50
.20	.20	.17	.23	.12
1.00	1.00	.90	.90	.62
2,642,000	1,411,000	1,330,000	1,241,000	899,000
1,707,000	1,333,000	1,232,000	1,212,000	1,230,000
11,608,000	10,374,000	10,762,000	9,146,000	8,984,000
100,000	200,000	300,000	—	2,000,000

B C SUGAR REFINERY, LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS AND REINVESTED EARNINGS FOR THE YEAR ENDED SEPTEMBER 30, 1971

(WITH COMPARATIVE FIGURES FOR 1970)

	1971	1970 Restated (Note 1)
Income		
Sales	$71,408,331	$54,587,453
Investment income	29,844	94,269
	71,438,175	54,681,722
Expenses		
Cost of sales, selling and administrative expenses (Note 4)	60,325,921	45,426,584
Depreciation	1,706,590	1,333,036
Interest on long-term debt	997,562	462,053
	63,030,073	47,221,673
	8,408,102	7,460,049
Income taxes	4,199,500	3,826,552
	4,208,602	3,633,497
Minority interest in earnings	354,661	100,421
Earnings before extraordinary item ($1.53 per common share; 1970 $1.40)	3,853,941	3,533,076
Extraordinary item	—	550,000
Earnings for the year ($1.53 per common share; 1970 $1.17)	3,853,941	2,983,076
Reinvested earnings		
Balance at beginning of year	10,735,319	10,334,743
	14,589,260	13,317,819
Dividends		
Preferred shares	173,750	182,500
Common shares	2,400,000	2,400,000
	2,573,750	2,582,500
Balance at end of year	$12,015,510	$10,735,319

B C SUGAR REFINERY, LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 1971

(WITH COMPARATIVE FIGURES FOR 1970)

	1971	1970 Restated (Note 1)
Source of Funds		
Current Operations		
Earnings for the year	$ 3,853,941	$ 2,983,076
Depreciation	1,706,590	1,333,036
Deferred income taxes	728,007	463,314
Minority interest in earnings	354,661	100,421
	6,643,199	4,879,847
Proceeds of First Mortgage Bonds	—	9,167,014
	6,643,199	14,046,861
Application of Funds		
Investment in fixed assets	2,642,207	1,410,914
Payment of dividends	2,573,750	2,582,500
Redemption of preferred shares	100,000	200,000
Increase (decrease) in other assets	58,089	(503,867)
Reduction in non-current portion of long-term debt	34,728	35,484
Acquisition of interest in partly-owned subsidiary company less working capital at date of acquisition	—	7,710,624
Repayment of term bank loan	—	3,000,000
	5,408,774	14,435,655
Increase (decrease) in net current assets	$ 1,234,425	$ (388,794)

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CONSOLIDATED BALANCE SHE

(WITH COMPARATIVE

	1971	1970 Restated (Note 1)
Current Assets		
Short term deposits	$ 3,075,000	$ 450,000
Accounts receivable	7,764,539	7,020,183
Inventories (Note 2)	9,478,726	12,698,409
Deferred income tax charges (Note 2)	696,555	632,000
Prepaid expenses	477,952	486,926
	21,492,772	21,287,518
Fixed Assets at Cost		
Land	502,922	494,653
Buildings, plant and equipment	54,118,937	51,616,815
	54,621,859	52,111,468
Less accumulated depreciation	33,810,543	32,235,769
	20,811,316	19,875,699
Other Assets		
Non-current accounts receivable	291,651	346,032
Deferred lease payments	238,207	111,212
Unamortized bond discount and expense	318,461	332,986
Excess of cost of shares in subsidiary company over book value at date of acquisition	867,295	867,295
	1,715,614	1,657,525
	$44,019,702	$42,820,742

Approved by the Board:

F. Rogers, Director

P. A. Cherniavsky, Director

FINERY, LIMITED
RY COMPANIES
ET AS AT SEPTEMBER 30, 1971
FIGURES FOR 1970)

	1971	1970 Restated (Note 1)
Current Liabilities		
Bank advances - secured	$ 2,442,082	$ 2,945,146
Accounts payable	5,043,334	4,844,861
Accrued liability to beet growers	1,450,850	2,389,844
Dividends payable	522,500	523,750
Principal due within one year on long-term debt	426,000	210,336
	9,884,766	10,913,937
Long-Term Debt (Note 5)	10,520,209	10,554,937
Deferred Income Taxes (Note 3)	2,088,771	1,360,764
Interest of minority shareholders in Subsidiary Company	2,110,446	1,755,785
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		
170,000 Preferred shares (5,000 redeemed during 1971)	3,400,000	3,500,000
2,400,000 Common shares	4,000,000	4,000,000
Earnings Reinvested in the Business (Note 6)	12,015,510	10,735,319
	19,415,510	18,235,319
	$44,019,702	$42,820,742

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. for the first time. In 1971 Belkin Packaging Ltd. contributed 24% of consolidated sales.

   The statements for 1970, which were prepared on an equity basis insofar as Belkin Packaging Ltd. was concerned, have been restated to include the assets and liabilities of Belkin Packaging Ltd. and its subsidiary, at September 30, 1970 and their income and expenses from June 30, 1970, the date of acquisition, to September 30, 1970.

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 $64,555 in 1971 ($217,000 - 1970) applicable to the resulting excess of taxable income over reported income are included with current assets as "Deferred Income Tax Charges".

3. 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 $728,007 for 1971 ($463,314 - 1970). The accumulated total of such income tax deferments appears on the balance sheet as "Deferred Income Taxes".

4. During 1971 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 $10,025 and to its four officers, who are also directors, was $360,989.

5. Long-Term Debt

	1971	1970
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	980,000	1,148,000
Other secured debt	466,209	117,273
	10,946,209	10,765,273
Less principal included in current liabilities	426,000	210,336
	$10,520,209	$10,554,937

The trust deed relating to the above 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, 1971 earnings and working capital were in excess of such requirements.

6. Reinvested earnings include capital surplus of $2,600,000 at September 30, 1971 ($2,500,000 at September 30, 1970) appropriated on the redemption of preferred shares.

7. Annual payments under leases in effect at September 30, 1971 are approximately $206,000.

AUDITORS' REPORT

TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of B C Sugar Refinery, Limited and its subsidiaries at September 30, 1971 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, 1971 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, HELLIWELL & CHRISTENSON
Chartered Accountants

Vancouver, B.C.
November 15, 1971