

~~British Columbia Sugar Refining Ltd.~~

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B.C. Sugar

Refinery, Ltd.



Annual Report 1967

BC SUGAR REFINERY, LIMITED

VANCOUVER, B.C. SEPTEMBER 30, 1967

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, President and Managing Director
A. M. ROBERTSON	Vice-President and Secretary
P. A. CHERNIAVSKY	Vice-President 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 in Charge of Beet Operations
D. W. PURDY	Manager, Canadian Sugar Factories Limited
J. G. SNOW	Agricultural Superintendent, Canadian Sugar Factories Limited
W. A. WILLISON	Manager, The Manitoba Sugar Company Limited
J. S. McDIARMID, Jr.	Secretary, The Manitoba Sugar Company Limited
J. W. HALL	Agricultural Superintendent, The Manitoba Sugar Company Limited

B C SUGAR REFINERY, LIMITED

HIGHLIGHTS FOR THE YEAR

	1967	1966
Sales	\$38,549,904	\$37,004,865
Net income	3,482,383	2,458,904
Income per common share	3.98	2.70
Dividends paid per common share		
Regular dividend	1.50	1.40
Extra dividend from the prior year's earnings35	.75
	<u>1.85</u>	<u>2.15</u>
Capital expenditure	899,146	663,487
Redemption of preferred shares	2,000,000	—
Repayment of notes payable	400,000	2,600,000
Current assets	15,766,896	13,307,463
Current liabilities	6,805,478	3,706,191
Net current assets	8,961,418	9,601,272

PRESIDENT'S REPORT

Of prime importance to any industry is the price received for its products in the market place, and once again we have to report that the sugar industry has experienced a year of depressed prices. For a brief period, when the Arab-Israeli war broke out and the Suez Canal was closed, world prices strengthened considerably; however, when the market had time to assess the effects of the situation fully, prices reverted to lower levels.

It is anticipated that this year's crop of beet sugar in Europe will be large, but the increased production may be largely offset by advances in consumption. While there seems no possibility of a large upward revision in prices in the coming year, the possibility that production and consumption may be nearer in balance is being suggested by members of the trade, and in this case we may very well witness a moderate upturn in prices.



Your Company's volume of sales of sugar and by-products showed an increase over the previous year, reflecting the population growth in Western Canada. This, in large measure, accounts for the increase in operating profits for the year. Production of beet sugar in both Alberta and Manitoba was satisfactory and amply looked after the requirements of the Prairie provinces. The current production in Alberta is expected to be somewhat less than last year owing to unfavorable weather in the spring, which seriously delayed planting. However, the drop in production is not expected to be serious and can easily be made up from the Vancouver refinery where excess capacity is available for just this sort of eventuality.



From time to time questions have been asked regarding the amount of cash and funds on short-term deposit as shown on the balance sheet. This has been explained in years gone by, but it would appear appropriate to repeat the explanation again. It is always necessary for the Company to accumulate funds at this time, as our contract with the beet growers calls for substantial initial payments to be made for beets delivered to the factories in the fall of the year. Final settlement with the beet growers is not made until all production from the crop has been sold and the net proceeds are known; however, under the contract agreement a major portion of the amount anticipated to

be due to them from the Company is paid out shortly after the beets have been harvested, and it is to cover these payments that funds are accumulated. In addition, funds were required for the redemption of 5% cumulative redeemable preferred shares on October 31, 1967.



A few years ago it was mentioned in these notes that the Company was endeavouring to improve its returns from the sale of by-products (beet pulp and molasses). The important part that these products play in animal nutrition has been well recognized by livestock feeders and dairy operators. As a result we have no difficulty in marketing our entire output of these products, and at times find that demand exceeds supply.



In common with many other corporations, your Company has been alert to the possibilities of increasing its earnings by the diversification of its activities.

In this connection, our beet sugar subsidiary in Alberta has acted for many years as agent for the sale and supply of fertilizer to our beet growers. This activity has now been expanded to include all farming operations in Southern Alberta, and a start has been made on a similar service in Manitoba.

Modern bulk storage centres have been erected in both areas and facilities made available to our customers for "on the farm" bulk storage. In Manitoba we have also introduced facilities for the supply of fertilizer in liquid form to our customers.

These operations are in their initial stages. They are being co-ordinated with other activities of our Agricultural Department and we expect that the business will increase.



In another approach to diversification your Company has been working with a group of agricultural scientists and farm managers in the United States to develop the breeding and commercial production of new strains of cereal grain seed. Operations are conducted under the name "World Seeds, Inc." Already, promising results have been attained and World Seeds, Inc. expects to market its first high yielding certified wheat seed in the next few months. The British Columbia Sugar Refining Company, Limited has made cash advances to World Seeds, Inc. to cover operating expenses during 1967, and in return has an option valid until December 31, 1967 to buy a 50% interest

in the latter company. The advances are included in the item "Non-Current Accounts Receivable" in the balance sheet.

Recognizing the ever-growing problem of supplying food to a hungry world, the Company's objective is to produce seed grains that will substantially increase yields, with selection being made for varieties that will be adaptable to the various conditions that exist in the cereal growing areas throughout the world.

Members of the British Columbia Sugar Refining Company, Limited executive and staff are playing a very active part in the planning and management of World Seeds, Inc. activities and while it is too early to predict the financial results of this endeavour, the outlook appears most promising.

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, 1967

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CONSOLIDATED BALANCE SHE
(WITH COMPARATIVE FIGURES)

ASSETS

Current Assets:	1967	1966
Cash	\$ 52,534	\$ 408,384
Funds on short-term deposit	4,150,000	2,550,000
Marketable securities at cost (market value \$1,326,000; 1966 - \$1,929,000)	1,326,305	1,929,519
Accounts receivable	3,497,385	3,128,497
Sugar and supplies — valued at cost or replacement (Note 3)	6,459,736	4,960,770
Prepaid expenses	280,936	330,293
	<u>15,766,896</u>	<u>13,307,463</u>
Non-Current Accounts Receivable	<u>687,486</u>	<u>277,670</u>
Investments at Cost: (market value \$19,000; 1966 - \$233,000)	22,952	157,177
Fixed Assets at Cost: (Note 2)		
Land	336,758	347,483
Buildings, plant, machinery and equipment	36,486,307	35,625,410
	<u>36,823,065</u>	<u>35,972,893</u>
Less accumulated depreciation	<u>27,557,652</u>	<u>26,376,626</u>
	<u>9,265,413</u>	<u>9,596,267</u>

On Behalf of the Board:

F. ROGERS, Director

A. M. ROBERTSON, Director

<u>\$25,742,747</u>	<u>\$23,338,577</u>
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FINERY, LIMITED

RY COMPANIES

ETAS AT SEPTEMBER 30, 1967

AS AT SEPTEMBER 30, 1966)

LIABILITIES

Current Liabilities:	1967	1966
Accounts payable	\$ 1,465,367	\$ 1,011,205
Balance due beet growers — estimated	1,354,125	743,973
Dividends payable	432,500	355,000
Due October 31, 1967 for the redemption of preferred shares ..	1,800,000	—
Income taxes payable (Note 6)	1,753,486	1,596,013
	<u>6,805,478</u>	<u>3,706,191</u>
Six Percent Notes Payable due October 24, 1968	3,000,000	3,400,000

SHAREHOLDERS' EQUITY

Capital:

Authorized:

300,000 Five percent cumulative redeem- able preferred shares of a par value of \$20 each ..	\$6,000,000
2,000,000 Common shares of no par value	

Issued:

200,000 Preferred shares (100,000 redeemed during 1967)	4,000,000	6,000,000
800,000 Common shares	4,000,000	4,000,000

Capital Surplus:

Created in accordance with the provisions of Section 61 of The Canada Corporations Act on the redemption of preferred shares ..	2,000,000	—
Earnings Reinvested in the Business	5,937,269	6,232,386
	<u>15,937,269</u>	<u>16,232,386</u>
	<u>\$25,742,747</u>	<u>\$23,338,577</u>

B C SUGAR REFINERY, LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED SEPTEMBER 30, 1967

(WITH COMPARATIVE FIGURES FOR
THE YEAR ENDED SEPTEMBER 30, 1966)

	1967	1966
Sales	\$38,549,904	\$37,004,865
Operating expenses (Note 5)	30,542,695	30,685,456
Depreciation (Note 1)	1,230,000	1,245,000
	<u>31,772,695</u>	<u>31,930,456</u>
Operating income	6,777,209	5,074,409
Investment income (Note 4)	258,388	167,054
	<u>7,035,597</u>	<u>5,241,463</u>
Interest on notes payable	180,214	327,559
Income taxes (Note 6)	3,373,000	2,455,000
	<u>3,553,214</u>	<u>2,782,559</u>
Income for the year	<u>\$ 3,482,383</u>	<u>\$ 2,458,904</u>

B C SUGAR REFINERY, LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF REINVESTED EARNINGS FOR THE YEAR ENDED SEPTEMBER 30, 1967

(WITH COMPARATIVE FIGURES FOR
THE YEAR ENDED SEPTEMBER 30, 1966)

	1967	1966
Balance at beginning of year	\$ 6,232,386	\$ 5,793,482
Income for the year	<u>3,482,383</u>	<u>2,458,904</u>
	<u>9,714,769</u>	<u>8,252,386</u>
Dividends:		
Preferred shares	297,500	300,000
Common shares	1,480,000	1,720,000
Transfer to Capital Surplus covering the redemption of 100,000 preferred shares during the year	<u>2,000,000</u>	<u>—</u>
	<u>3,777,500</u>	<u>2,020,000</u>
Balance at end of year	<u>\$ 5,937,269</u>	<u>\$ 6,232,386</u>

BC SUGAR REFINERY, LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 1967

(WITH COMPARATIVE FIGURES FOR
THE YEAR ENDED SEPTEMBER 30, 1966)

	1967	1966
Source of Funds:		
Income for the year	\$ 3,482,383	\$ 2,458,904
Depreciation	1,230,000	1,245,000
Disposal of investments	134,225	—
	<u>4,846,608</u>	<u>3,703,904</u>
Application of Funds:		
Investment in fixed assets	899,146	663,487
Increase in non-current accounts receivable	409,816	33,646
Redemption of preferred shares	2,000,000	—
Repayment of notes payable	400,000	2,600,000
Payment of dividends	1,777,500	2,020,000
	<u>5,486,462</u>	<u>5,317,133</u>
Decrease in net current assets	<u>\$ 639,854</u>	<u>\$ 1,613,229</u>

B C SUGAR REFINERY, LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

1. As in the preceding year, provision has been made for depreciation in an amount approximately equal to the maximum allowance at normal rates under The Income Tax Act.
2. The presentation on the balance sheet of accumulated depreciation has been changed by deducting it from the costs of fixed assets. In prior years depreciation was shown as a separate item on the other side of the balance sheet.
3. Cane sugar on hand has been valued at replacement which was below cost on a LIFO (last-in, first-out) basis. Other sugar and supplies are valued at the lower of current cost or replacement.
4. Investment income includes interest and dividend income of \$159,212. The balance consists of non-recurring gains largely from the disposal of investments.
5. Operating Expenses for 1967 include remuneration of \$357,541 received by directors in their capacity as directors and executive officers of the Company. The corresponding amount was \$311,617 in 1966.
6. 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.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of B C Sugar Refinery, Limited as at September 30, 1967 and the consolidated statements of income, reinvested earnings and source and application of funds 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 consolidated financial statements referred to above present fairly the financial position of the companies as at September 30, 1967 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.

HELLIWELL, MACLACHLAN & CO.,
Chartered Accountants.

Vancouver, B.C.
November 16, 1967

