

British Columbia Sugar Refining Co. Ltd.

# B.C. Sugar



Annual Report 1963



THE  
BRITISH COLUMBIA SUGAR  
REFINING COMPANY,  
LIMITED

INCLUDING SUBSIDIARY COMPANIES

CANADIAN SUGAR FACTORIES LIMITED

THE MANITOBA SUGAR COMPANY LIMITED

CONSOLIDATED ACCOUNTS AND REPORT FOR  
THE YEAR ENDING SEPTEMBER 30TH, 1963



# B C SUGAR REFINERY, LIMITED

INCLUDING SUBSIDIARY COMPANIES

VANCOUVER, B.C. SEPTEMBER 30, 1963

## DIRECTORS

F. ROGERS (Chairman)	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.
IRENE ROGERS	Vancouver, B. C.
R. H. TUPPER	Vancouver, B. C.



## OFFICERS

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

For many years the value of sugar on world markets has remained at very low levels due to an almost chronic situation of supply exceeding demand. However, about a year ago it became apparent that this situation had changed, and sugar prices started to climb upwards.

The change in the supply and demand came about largely because of the following factors:

1. Increased world population.
2. Improved standard of living in many countries resulting in higher per capita consumption.
3. Severe cold weather in Europe during the winter of 1962/63 which greatly reduced beet sugar production.
4. Gradual reduction in Cuban production since the Castro regime came to power.

When these factors gradually made themselves felt, prices on the world sugar markets surged upwards, and it was not long before speculators entered the market with the result that market conditions became somewhat chaotic.

During the summer, prices declined to levels that would appear to have been satisfactory to all concerned, but in early September the market once more started to advance when it became apparent that crops in the Iron Curtain countries would be far from satisfactory.

On top of this, hurricane "Flora" created havoc with the cane crop in Cuba, and drastically reduced prospects for that country. Thus the market continued to advance in a spectacular manner and at the time of writing this report had reached its

highest point in forty-three years. Though these prices may persist for some time, they must, nevertheless, be considered a temporary condition. Production costs in some of the cane producing areas are such that abnormally high profits are being shown at present market levels. This will tend strongly towards increased plantings of beet and cane, increased supply and, eventually, more normal sugar prices.

In the refined sugar industry, the cost of raw sugar is the major part of the selling price of the product. Until recently the Company based its selling price on world market prices of raw sugar in order to recover from sales sufficient funds to replace the raw material consumed, and valued sugar on hand and in process at the lower of cost or market. This policy worked well during periods of relatively stable raw sugar markets, but when raw sugar prices fluctuate violently the results of the Company's operations can also fluctuate violently both upwards and downwards because of the large quantities of sugar which the Company must always have on hand or in transit. To meet this problem, your Directors have decided, with the concurrence of the auditors, to account for inventories of cane sugar on the LIFO (last in first out) method. This provides that sugar on hand to an amount not exceeding that on hand at the beginning of the past fiscal year, is carried at the costs then prevailing. The effect of this treatment will be that, on a subsequent decline in raw sugar prices to a more normal range, the Company's operations will be cushioned against the adverse effects of the falling market.

Having taken this step and at the same time being faced with yet increasing world market values, the management decided on October 21 of this year to endeavour to hold the line on wholesale prices. This was done with the full concurrence of the beet growers, who share with the Company in the proceeds from the sale of all beet sugar.

We, therefore, abandoned our previous practice of directly following world prices, and "froze" our prices at the level prevailing on October 18. How long we will be able to maintain

this level of price remains to be seen, but in the meantime the Company and growers feel that this voluntary step is in the best interests of all concerned.



In the spring of this year, the Directors of the Company announced that a further 200,000 of the preferred shares of the Company would be called for redemption. There was some delay pending clarification of the provisions of the June 13 Federal Budget; however, the redemption was carried out on October 31 of this year.



Last fall good crops were harvested in Alberta and Manitoba, but the total tonnage of beets in Manitoba was rather disappointing as a very wet spring limited the acreage that could be planted.

At the time of writing this report our beet factories were busy processing this year's crop and all indications point to a record production in Manitoba, while in Alberta, despite adverse weather in the spring, good summer weather has resulted in a crop second only to that harvested in 1958.



Modernization of the Manitoba factory continued during the past year and the major steps in the reconstruction of the plant are now complete. In Alberta, expansion of the Taber and Picture Butte factories continued as it has been decided to combine all our Alberta operations in these two plants.

At the Vancouver refinery some improvements were carried out to put into effect results obtained from research work. Facilities for the production and distribution of liquid sugar to service some of our industrial customers were installed.

**THE BRITISH COLUMBIA SUGAR**  
**INCLUDING SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEET**  
(WITH COMPARATIVE FIGURES)

**ASSETS**

<b>Current Assets:</b>	<b>1963</b>	<b>1962</b>
Cash .....	\$ 3,099,925	\$ 448,394
Funds on short-term deposit .....	6,060,250	2,312,800
Marketable securities (Market value September 30, 1963—\$609,000) .....	608,482	—
Accounts receivable .....	4,087,108	2,879,136
Sugar and supplies—valued at cost or replacement (note 2) .....	7,118,821	6,674,790
Prepaid expense .....	287,467	187,548
	<u>21,262,053</u>	<u>12,502,668</u>
<b>Deferred Accounts Receivable</b> .....	<u>263,338</u>	<u>203,496</u>
<b>Investments at Cost:</b>		
(Market value September 30, 1963— \$162,000) .....	<u>157,177</u>	<u>549,583</u>
<b>Fixed Assets</b> at cost less amounts written off:		
Land .....	354,738	346,152
Buildings, plant, machinery and equipment .....	<u>33,876,518</u>	<u>32,813,382</u>
	<u>34,231,256</u>	<u>33,159,534</u>
	<u>\$55,913,824</u>	<u>\$46,415,281</u>



# REFINING COMPANY, LIMITED COMPANIES

AS AT SEPTEMBER 30, 1963

(AS AT SEPTEMBER 30, 1962)

## LIABILITIES

Current Liabilities:	1963	1962
Accounts payable .....	\$ 3,375,700	\$ 2,029,538
Balance due beet growers— estimated .....	3,102,984	980,919
Dividends payable .....	4,350,000	—
Income taxes payable .....	4,325,208	1,294,663
	<u>15,153,892</u>	<u>4,305,120</u>
 Six Percent Notes Payable due October 27, 1964 .....	 3,000,000	 3,000,000
 Accumulated Depreciation .....	 <u>22,542,750</u>	 <u>20,762,997</u>
 Capital:		
Authorized:		
2,000,000 shares of no par value		
Issued:		
800,000 shares of no par value		
at a stated value of \$5 per share ....	4,000,000	4,000,000
 Earnings Retained in the Business .....	 11,217,182	 14,347,164
	<u>15,217,182</u>	<u>18,347,164</u>
	 <u>\$55,913,824</u>	 <u>\$46,415,281</u>
 On Behalf of the Board:		
Forrest Rogers, Director		
A. M. Robertson, Director		

# THE BRITISH COLUMBIA SUGAR REFINING COMPANY, LIMITED

INCLUDING SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED SEPTEMBER 30, 1963

(WITH COMPARATIVE FIGURES FOR  
THE YEAR ENDED SEPTEMBER 30, 1962)

	1963	1962
Net operating profit before the undernoted items (note 2) .....	\$10,084,271	\$5,670,945
Income from investments .....	170,098	89,178
Profit on disposal of investments .....	93,875	185,800
	<u>10,348,244</u>	<u>5,945,923</u>
<b>Deduct:</b>		
Directors' fees .....	9,925	9,875
Interest on notes payable .....	213,301	124,549
Provision for depreciation (note 1) .....	2,038,000	1,600,000
Provision for income taxes .....	5,307,000	2,023,000
	<u>7,568,226</u>	<u>3,757,424</u>
Net profit for the year .....	<u>\$ 2,780,018</u>	<u>\$2,188,499</u>

# THE BRITISH COLUMBIA SUGAR REFINING COMPANY, LIMITED

INCLUDING SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF EARNINGS RETAINED IN THE BUSINESS FOR THE YEAR ENDED SEPTEMBER 30, 1963

(WITH COMPARATIVE FIGURES FOR  
THE YEAR ENDED SEPTEMBER 30, 1962)

	1963	1962
Balance at beginning of the year .....	\$14,347,164	\$17,538,665
Net profit for the year .....	<u>2,780,018</u>	<u>2,188,499</u>
	17,127,182	19,727,164
Dividends .....	<u>5,910,000</u>	<u>5,380,000</u>
Balance at end of year .....	<u><u>\$11,217,182</u></u>	<u><u>\$14,347,164</u></u>

# THE BRITISH COLUMBIA SUGAR REFINING COMPANY, 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. The policy of the Company in prior years was to provide depreciation at amounts based on approximate normal rates. In the current year the Company has provided depreciation equal to the maximum amount allowable under both normal and special rates. The result of this change is that the charge to operations for the current year is \$360,000 more than if depreciation was provided on the basis used in previous years.

### 2. Sugar and Supplies:

In prior years the cost of the sugar inventories of The British Columbia Sugar Refining Company, Limited was computed on a progressive average cost basis. This policy was changed effective October 1, 1962 to the LIFO (last in first out) basis whereby in effect a fixed tonnage of sugar is valued at the cost at that date. The objective of this change is to insulate the value of the base period stock from the effects of fluctuations in the world price for sugar. Had the basis formerly in use been applied in valuing sugar inventories at September 30, 1963 net profits for the year would have been increased by approximately \$3,300,000. This policy change will enable the Company to absorb inventory losses on the return of world sugar prices to normal levels without unduly affecting inventory values or earnings in the future.

The provision for income taxes for the current year has been determined on the basis that the revised method of valuing inventories will not be applicable for income tax purposes.

### 3. Commitments:

It is estimated that amounts to be spent on construction in 1964 will total approximately \$1,000,000, of which \$400,000 was committed to suppliers at September 30, 1963.



# AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The British Columbia Sugar Refining Company, Limited and subsidiary companies as at September 30, 1963 and the related consolidated statements of earnings and earnings retained in the business for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances, except for one subsidiary company, the accounts of which have been examined and reported on by other chartered accountants.

In our opinion, based on our examination and the report of the other chartered accountants referred to above and according to the best of our information and the explanations given to us and as shown by the books of the companies, the foregoing consolidated balance sheet and related consolidated statements of earnings and earnings retained in the business are properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the company and subsidiary companies as at September 30, 1963 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, except for the changes in accounting practice referred to in Notes 1 and 2, with which changes we concur.

Helliwell, MacLachlan & Co.,  
Chartered Accountants.

Vancouver, B.C., November 18, 1963





