~~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 1969

B C SUGAR REFINERY, LIMITED

VANCOUVER, B.C. SEPTEMBER 30, 1969

DIRECTORS

F. ROGERS*	Vancouver, B. C.
I. ANGUS*	Vancouver, B. C.
P. A. CHERNIAVSKY*	Vancouver, B. C.
H. A. DUNLOP*	Vancouver, B. C.
A. C. LAW	Vancouver, B. C.
J. W. PITTS	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
P. A. CHERNIAVSKY	Vice-President and General Superintendent
IAN ANGUS	Vice-President
H. A. DUNLOP	Vice-President and Secretary
H. A. JOHNSTONE	General Sales Manager
K. B. ALEXANDER	Comptroller
W. R. CRAIG	Chief Engineer
DR. F. H. PETO	Director, Agricultural Research
J. W. HALL	General Agriculturist
J. M. REID	General 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
G. M. GUCCIONE	Agricultural Superintendent, The Manitoba Sugar Company Limited

PRESIDENT'S REPORT

The company's operations for the year ending September 30, 1969, resulted in increased profits over the preceding year. This was brought about by an increased volume of sales of sugar and by-products and an improvement in sugar prices.

At the beginning of the year under review, world sugar prices remained depressed. However on January 1, 1969, the International Sugar Agreement came into effect, and as a result, world market prices advanced. The price increases were not large and, in fact, hardly achieved the lower limit of prices sought by the agreement. Nevertheless, the agreement had a healthy effect on our beet sugar operations—a situation it is hoped will continue to prevail. It would be rash, however, to assume complacently that the International Sugar Agreement will be effective forever. There have been numerous efforts in the past to achieve such an agreement but they eventually failed. One is encouraged to think that the present agreement may not suffer the same fate since great care was taken in drawing up the terms in an attempt to avoid previous pitfalls.

At the end of our fiscal year, a ban on the use of cyclamates for the artificial sweetening of beverages, foods and drugs was proclaimed in the United States and a similar ban has been announced in many other countries, including Canada. The news caused a slight upward movement in world sugar prices since certain quarters assumed that the volume of sugar consumption would increase, but it remains to be seen if this will be the case or whether some other form of artificial sweetener acceptable to the authorities will be developed.

As far as your company is concerned, it did not appear that our volume of sales was adversely affected when cyclamates were introduced. Conversely, it is not expected that the ban will result in any noticeable increase in sales.

★ ★ ★ ★

During the year your company completed arrangements for disposing of its interest in World Seeds, Inc., to our former American partners. Your directors are naturally disappointed that this course of action had to be taken as they had hoped that this would prove to be an interesting and profitable diversification for the company; however, it became abundantly clear that Canadian governmental regulations would make it difficult, if not impossible, to accomplish our objectives within Canada, and consequently there was no longer any purpose in retaining our interest in the American company.

Your directors have continued to explore the possibility of diversification of the company's activities, but to date no acquisition that would be beneficial to our shareholders has been found.

★ ★ ★ ★

In July of this year we received notice from the Tariff Board that they had been instructed by the Minister of Finance to make a study of all tariffs relating to sugar.

Your company has prepared a brief for submission to the board and will have representatives at the public hearings which are to take place in Ottawa in January.

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In the spring of this year, contracts with the Unions representing our employees in each province were concluded. Agreements were made for two years and are not due to expire until 1971.

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This year's crop of sugar beets in Manitoba and Alberta is turning out to be somewhat larger than expected and comes on top of the good production of the previous year. We may be obliged to reduce acreage in 1970 while we dispose of the surplus production of the past two years.

★ ★ ★ ★

A. M. ROBERTSON

We regret to report the death on March 17, 1969 of A. M. Robertson, Vice-President and Secretary of the company. Mr. Robertson joined the company in 1941 as Sales Manager and was active in all facets of the business until his untimely death.

In June of this year Dr. H. F. Angus retired after serving as a director for twenty-nine years. His contribution to company affairs over this long period of time has been greatly appreciated. To take his place, Mr. J. W. Pitts was appointed a director. He has been active in the manufacturing field in British Columbia for the past twenty years. Mr. I. Angus was appointed a director to fill the vacancy caused by the death of Mr. Robertson.

There were 12 retirements from the overall company this year representing 384 man years of employment, with one employee having been employed for 50 years. The lifetime of service by these people is hereby gratefully acknowledged by the company. At the present time there are 131 employees on pension.

In the following pages we are publishing some information regarding sugar prices and sales volume which we hope will be of interest to our readers.

Forrest Rogers

December 4, 1969 President

REFINED SUGAR PRICES IN CANADA

Refined sugar prices in Canada are essentially based on the cost of raw cane sugar traded on the London Terminal Sugar Market and the New York Coffee and Sugar Exchange. Of the world production of approximately 70 million tons, only about 8 million tons are sold through the 'World' markets, the balance being consumed in the countries of origin, or sold under bilateral trade agreements at usually remunerative prices. The world market therefore becomes a 'dump' market for surplus sugars, and prices are usually depressed except for odd occasions when some crisis arises causing prices to climb rapidly.

The object of the International Sugar Agreement is to endeavour to control world sugar prices within reasonable limits.

The price range of 100 pounds of refined sugar in Vancouver over the past 40 years is illustrated in the following table:

Year	
1928	\$5.80 - \$ 6.60
1933	4.30 - 4.70
1938	4.00 - 4.30
1943	5.65 - 6.15
1948	8.15 - 8.15
1953	7.80 - 8.70
1958	7.65 - 8.55
1963	9.40 - 17.50 (Cuban crisis)
1968	6.25 - 7.85
1969	7.85 - 9.05

From the above it is quite apparent that sugar remains one of the few commodities selling at approximately 1948 prices.

SALES VOLUME

The per capita consumption of sugar in the world varies with the standard of living in each country. For the world as a whole, the average consumption is 43 pounds per person per year. However, there is a wide variance between countries, the lowest is about 4 pounds per person and the highest 120 pounds.

Canadian consumption reached a level of approximately 100 pounds per person many years ago, and indeed this is the level attained by nearly all developed countries.

Our volume of sales is dependent on the population of the area of Canada which we serve, and since the population has been steadily increasing, so too has the consumption of sugar.

Using 1948 as a base, your company's sales over the past 20 years have increased as follows:

1948	—	100%
1953	—	107%
*1958	—	138%
1963	—	146%
1969	—	163%

*Note that The Manitoba Sugar Company Limited was acquired in 1955, which accounts for the large increase between 1953 and 1958.

We anticipate that this trend in sales volume will continue with the population growth in Western Canada.

B C 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, 1969

B C SUGAR RE

FIVE-YEAR HIST

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 years earnings
Capital expenditures
Provision for depreciation
Working capital
Preferred share redemptions

FINERY, LIMITED

ORICAL REVIEW

1969	1968	1967	1966	1965
$45,785,000	$39,970,000	$38,550,000	$36,137,000	$37,396,000
7,892,000	6,532,000	6,855,000	4,914,000	3,775,000
4,039,000	3,271,000	3,373,000	2,455,000	1,249,000
3,853,000	3,261,000	3,482,000	2,459,000	2,526,000
196,250	200,000	297,500	300,000	325,000
3,656,750	3,061,000	3,184,500	2,159,000	2,201,000
1.52	1.28	1.33	.90	.91
.73	.67	.50	.47	.33
.17	.23	.12	.25	.50
.90	.90	.62	.72	.83
1,330,000	1,241,000	899,000	663,000	1,028,000
1,232,000	1,212,000	1,230,000	1,245,000	2,235,000
10,347,000	9,146,000	8,984,000	9,601,000	11,214,000
300,000	—	2,000,000	—	2,000,000

B C SUGAR REFINERY, LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS AND REINVESTED EARNINGS FOR THE YEAR ENDED SEPTEMBER 30, 1969

(WITH COMPARATIVE FIGURES FOR 1968)

	1969	1968
Income:		
Sales	$45,784,890	$39,969,550
Investment income (Note 2)	131,822	103,683
	45,916,712	40,073,233
Expenses:		
Cost of sales, selling and administrative expenses (Note 3)	36,553,161	32,148,567
Depreciation (Note 4)	1,232,000	1,212,000
Interest on term bank loan	240,000	180,493
	38,025,161	33,541,060
	7,891,551	6,532,173
Income taxes (Note 5)	4,039,000	3,271,000
Earnings for the year ($1.52 per common share; 1968 $1.28)	3,852,551	3,261,173
Reinvested earnings		
Balance at beginning of year	8,838,442	7,937,269
	12,690,993	11,198,442
Dividends		
Preferred shares	196,250	200,000
Common shares	2,160,000	2,160,000
	2,356,250	2,360,000
Balance at end of year (Note 6)	$10,334,743	$ 8,838,442

B C SUGAR REFINERY, LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 1969

(WITH COMPARATIVE FIGURES FOR 1968)

Source of Funds:	**1969**	**1968**
Current Operations		
Earnings before deducting depreciation	$ 5,084,551	$ 4,473,173
Deferred income taxes (Note 5)	415,000	—
	4,669,551	4,473,173
Disposal of investment in World Seeds, Inc. (Note 7)	1,021,159	—
	5,690,710	4,473,173
Application of Funds:		
Investment in fixed assets	1,329,966	1,240,759
Increase in non-current accounts receivable	503,028	12,179
Redemption of preferred shares	300,000	—
Investment in World Seeds, Inc.	—	698,696
Payment of dividends	2,356,250	2,360,000
	4,489,244	4,311,634
Increase in net current assets	$1,201,466	$ 161,539

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CONSOLIDATED BALANCE SHE

(WITH COMPARATIVE

ASSETS

Current Assets:	1969	1968 (reclassified)
Cash and short term deposits	$ 3,937,689	$ 2,948,107
Accounts receivable	4,928,995	4,527,253
Inventories (Note 5)	7,357,167	5,496,686
Prepaid expenses	283,330	195,148
	16,507,181	13,167,194
Fixed Assets at Cost:		
Land	336,628	337,508
Buildings, plant, machinery and equipment	38,930,896	37,651,344
	39,267,524	37,988,852
Less accumulated depreciation	29,875,386	28,694,680
	9,392,138	9,294,172
Other Assets:		
Non-current accounts receivable (Note 7)	880,230	377,202
Investment in World Seeds, Inc. (Note 7)	—	1,021,159
Deferred income tax charges (Note 5)	415,000	—
	1,295,230	1,398,361
	$27,194,549	$23,859,727

Approved on behalf of the Board:

F. Rogers, Director
P. A. Cherniavsky, Director

FINERY, LIMITED

RY COMPANIES

ET AS AT SEPTEMBER 30, 1969

FIGURES FOR 1968)

LIABILITIES

Current Liabilities:	1969	1968 (reclassified)
Accounts payable	$ 1,943,694	$ 1,736,378
Amounts due to beet growers	1,894,954	816,975
Dividends payable	526,250	450,000
Income taxes payable	1,794,908	1,017,932
	6,159,806	4,021,285
Term Bank Loan, maturing 13 months after fiscal year end	3,000,000	3,000,000

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:		
185,000 Preferred Shares (15,000 redeemed during 1969)	3,700,000	4,000,000
2,400,000 Common Shares (800,000 shares in 1968 before 3 for 1 stock split in 1969)	4,000,000	4,000,000
Earnings Reinvested in the Business (Note 6)	10,334,743	8,838,442
	18,034,743	16,838,442
	$27,194,549	$23,859,727

B C SUGAR REFINERY, LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

1. The consolidated financial statements include the accounts of all subsidiary companies.

   To provide for improved comparison, the statements at September 30, 1968 have been reclassified:

   (a) To include marketable securities in accounts receivable due to their relative insignificance and,

   (b) To include as part of earnings reinvested in the business the capital surplus appropriated on the redemption of preferred shares.

2. In 1969 investment income includes a gain of $33,600 on redemption of preferred shares purchased on the open market.

3. Administrative expenses include remuneration of $374,196 (1968 - $344,924) received by directors in their capacity as directors and officers of the Company.

4. As in the preceding year depreciation has been computed in amounts approximately equal to maximum allowances at normal rates under The Income Tax Act.

5. Cane sugar has been valued at lower of LIFO (last-in, first-out) cost and replacement; beet sugar, other saleable products and materials and operating supplies have been valued at the lower of actual cost and replacement.

   The Company's method of calculating cost of cane sugar on hand is not currently allowable for income tax purposes, and as a result the income for the current year on a taxation basis is greater than that shown in the accounts. The provision for income taxes reflects the taxes payable on the income shown in the accounts, and the taxes payable on the excess of taxable income over reported income are reflected in the balance sheet as "Deferred Income Tax Charges".

6. Reinvested earnings includes capital surplus of $2,300,000 at September 30, 1969 ($2,000,000 at September 30, 1968) appropriated on the redemption of preferred shares.

7. During the year the Company disposed of its interest in World Seeds, Inc. at book value. An amount of $649,731, representing the non-current portion of the balance owing under the sale agreement, is included in non-current accounts receivable.

AUDITORS' REPORT

TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of B C Sugar Refinery, Limited and its subsidiaries at September 30, 1969 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, 1969 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 19, 1969