

1 9 5 9

THE BRITISH GUIANA RICE DEVELOPMENT COMPANY, LIMITEDREPORT OF THE DIRECTORS

and

STATEMENT OF ACCOUNTSfor the year ended 31st August, 1959

Notice is hereby given that the Seventh Annual General Meeting of the Company will be held at the Office of the Company, 142 Regent Street, Georgetown, on Friday 22nd April, 1960 at 2:00 p.m.

By Order of the Board.

H. F. Stevenson
Secretary.A G E N D A

1. Directors' Report and Balance Sheet at 31st August, 1959.
2. Election of Auditors.
3. Remuneration of Auditors.

142, Regent Street,
Lacytown,
Georgetown,
British Guiana.

1st April, 1960.

THE BRITISH GUIANA RICE DEVELOPMENT COMPANY, LIMITED

(Incorporated the 27th day of December, 1952)

Note: The Company has been established in accord with the special provisions of the Rice Marketing Ordinance, Chapter 249, Section 22 and functions in terms of the Agreement approved by Resolution of The Legislative Council dated 19th December, 1952 entered into between the Government and the Company on 2nd January, 1953.

CHAIRMAN

Sir Frank McDavid, C.M.G., C.B.E.

DIRECTORS

John Buchanan
John Durey, M.B.E.
Gavin Bonston Kennard
Samuel Mahabali Latchmansingh
Deonandan Oodit
Ramoutar
Dhanockdharry Ramlakhan
Walter Roberts, General Manager.

SECRETARY

Harold Forrest Stevenson, A.C.C.S.

AUDITORS

Fitzpatrick, Graham & Co., Chartered Accountants
The Demerara Life Buildings, Georgetown, British Guiana.

REGISTERED OFFICE

142 Regent Street, Lacytown, Georgetown, British Guiana.

THE BRITISH GUIANA RICE DEVELOPMENT COMPANY, LIMITED

Statement by the Chairman, Sir Frank McDavid, C.M.G., C.B.E.,
made at the Seventh Annual General Meeting held on
22nd April, 1960.

In presenting the Directors' Report and appended financial statements relating to the Company's accounting year ended 31st August, 1959 I shall confine my observations to the general situation and an expression of my personal view on the urgent and important questions of policy with regard to the future of this undertaking that require consideration and decision by the Government and the Rice Marketing Board.

The question of the closure of small rice mills no longer has any relevance to the operations of the Mahaicony and Anna Regina central factories. In any case, the disappearance of outmoded and inefficient small mills (through which the industry loses so much) whether it is brought about by compulsion, inducement, or economic pressures, is certain.

An adequate annual supply of paddy for the economic operation of the Mahaicony factory is now assured. In fact, early consideration must be given to expanding and improving the capacity of the ancillary equipment to ensure that the still increasing production of farmers' paddy in the riverain area can be effectively dealt with. The factory should become still more profitable as its operations expand and become continuous.

There has been a substantial increase in the paddy intake of the Anna Regina factory but it is still well below the minimum necessary for economic operation. Nevertheless, the existence of this factory, now in its third year, is a most important element in the rice production of the Essequibo Coast and it will be vital when the Tapacuma water control project comes into being. As I said last year, my view is that the Anna Regina factory should be regarded as being still in its "fructification" stage and that any loss during this initial period should be treated as development expenditure.

Both factories already make a great contribution to the economy of the rice industry. They can play an increasingly valuable part in preserving existing and extending export markets through uniformity and quality of bulk production.

2.

The 1959 crop return of the Mahaicony-Abary Rice Cultivation resulted in a profit and prospects for this year appear promising.

I should like to digress for a moment to say a few words about grading. Volume of paddy intake is, of course, the essential requirement for profitable milling operation but the quality of the paddy is of the utmost importance. It does not seem to be generally appreciated how great is the influence of the grading of both the paddy and rice on the results obtained. This undertaking is subjected to severe strains and pressures at both ends. The factory management, particularly at Anna Regina, is harried and bullied to pay more for farmers' paddy than is reasonable or proper having regard to its quality or rather lack of quality. At the same time, at the other extreme, the rice produced when delivered to the Rice Marketing Board, appears to be valued with an inflexible determination to pay the Company as little as possible.

The factory cost accounts for last month (March) provide a good illustration of the unfavourable results of poor quality paddy and unbalanced grading. Cost of production was about the same at both Mahaicony and Anna Regina. The cost of paddy milled was however greater at Anna Regina than at Mahaicony. Yet the value of the rice produced was \$17.95 per bag at Mahaicony and only \$16.88 at Anna Regina. The difference in results between the two factories was due almost wholly to the poor quality of the paddy purchased at Anna Regina in relation to the price paid and to the quality of rice produced, as graded by the Rice Marketing Board.

There have been many suggestions, recommendations and proposals with respect to the institution of an authoritative system and procedure for grading paddy and rice. I hope that action will be taken in the near future to set up a grading authority, not only because it will assist the operations at Mahaicony and Anna Regina and improve relations between the factory managements and farmers, but because it will be for the good of the industry as a whole.

I referred a moment or two ago to the attitude of the management of the Rice Marketing Board to the Company with respect to payments. This is well illustrated by the episode of the requisition on the Company to supply paddy to the Board for export. As I said at the last general meeting, although the arrangement by the Rice Marketing Board to sell and export to Venezuela a large quantity of paddy was in the circumstances a justifiable step in the interest of the rice

3.

industry as a whole, its disadvantageous reactions fell almost wholly on this undertaking. Let me repeat part of what I said:

". Of the 142,857 bags shipped to Venezuela, 116,998 bags, i.e. 82% came from the Mahaicony factory. This paddy was supplied by the Company at the request of the Rice Marketing Board to whom our Board of Directors and Management had pledged full co-operation in carrying out the transaction and without which the contract of sale to Venezuela could not have been fulfilled.

". As regards price, the basic purchase price of \$9.00 per bag offered by the Rice Marketing Board to farmers and small millers is just sufficient to cover the purchase cost of the paddy and bare milling profit at the rate which was being earned by the Mahaicony factory but not the return from by-products. The Rice Marketing Board very properly undertook, as a condition of the transaction, to make good the difference to the Company together with expenses incurred on its behalf in skipping into new bags and on transport. On the whole, therefore, the financial results of these developments are not likely to be detrimental to the Company."

The Company's account for reimbursement has however been disputed by the management of the Rice Marketing Board with the result that an amount of \$74,998 remains unpaid and stands in the Balance Sheet as a debt due by the Rice Marketing Board. One of several spurious arguments used in challenging the Company's account is that the Company is entitled to recover only the bare purchase price on about one-quarter of the paddy delivered to the Board because (so it is claimed) the Mahaicony factory would not have been able to complete milling the whole of its intake before the new crop came in! It is not clear how or by what means payment of this debt can be enforced against the Board.

I turn now to an important matter of policy. It was not possible to give effect to the specific recommendations of the Governor's Rice Committee (subsequently approved by the Government) designed to bring the Company under co-operative ownership and direction for the benefit of rice farmers. I had been personally

4.

charged with the duty of initiating action but the proposition proved to be impracticable.

In the course of my statement at the last annual general meeting I said this:

"The idea of a public company has long ago been abandoned; the conflict of interests entailed would, in any case, have been an insuperable difficulty. Now that it has been agreed to finance the Company's capital requirements wholly by borrowing as part of the plan leading to the development of a co-operative organisation, it is more important than ever that we should secure conversion of the existing matured and maturing five-year debenture loan instalments into a medium-term loan on as favourable repayment and interest terms as possible. The Company's application to the Corporation in this respect has been supported by the Government and I very much hope that it will be possible to resume and conclude negotiations before long."

These negotiations, conducted by the Government at the highest level, failed. A moratorium to 31st December, 1962 has, however, been granted with respect to the repayment of the total debenture loan of \$5,000,000 with a promised review of the situation at that time. The position as regards the Company's future capitalisation is therefore obscure. An application, again supported by the Government, requesting the Corporation (which in terms of the Loan Agreement holds, besides the Government guarantee, a floating charge on the Company's assets) to provide increased working capital advances to meet increased paddy purchases also did not succeed. Moreover, because the Corporation has so far withheld consent, action to give effect to the first step - the reduction of the Company's issued share capital and for its agreed redistribution (with write-off of accumulated loss) could not be completed. In the light of these developments and of the fact that the profitability of the Anna Regina factory cannot be assured for some time, the proposition that the undertaking should be converted into a farmers' co-operative has proved to be not only impracticable, but illusory.

It is, I think, necessary at this point for me to recall the

5.

reasons which influenced the Company's founders in providing the form of constitution under which it has been established and operates.

The underlying aim was to induce the Colonial Development Corporation to invest capital in the rice industry and to participate in a comprehensive development project based initially on the Mahaicony-Abary Rice Development Scheme (which had been started by Government as a war-time emergency measure) and extending later to Anna Regina and the Corentyne. The monopoly and control powers of the Rice Marketing Board were an obstacle to large-scale private investment and, in order to surmount this, special provisions were inserted in the Rice Marketing Ordinance by the enactment of an amending Ordinance, No. 25 of 1950. This amendment authorises the Governor to establish a company for the development of the industry and the expansion of its export trade, and to arrange for external financial participation (meaning the Colonial Development Corporation) such company to be outside the provisions of the Rice Marketing Ordinance and to be governed by the terms of an Agreement between the Government and the Company approved by the Legislature.

The amending section of the Ordinance specifically enacts that the Agreement should contain provisions as may be necessary for the purpose of arranging the marketing for domestic consumption and export of paddy and rice produced in the Colony and the fixing of grades and prices in relation thereto in collaboration between the Company and the Board.

The Colonial Development Corporation sent out to British Guiana an investigating mission of high calibre which reported that a development undertaking on the lines contemplated had only a marginal chance of financial success. Although the Corporation did not agree to carry out the project themselves they acceded to the Governor's plea that they should nevertheless finance it by Government guaranteed loan and, possibly at a later stage, consider participation directly on an equity basis. Thus, in 1953, the Company was formed with this possibility in mind.

To satisfy local susceptibilities and still provide safeguards for an external investor the terms of the Statutory Agreement between the Government and the Company approved by the Legislature brings the Company back within the scope of the Rice Marketing Board but subject to certain specified stipulations and conditions designed to protect the Company's interests. In order to comply with the amending Ordinance provision is made for the setting up of a joint marketing committee comprising representatives of the Board and the Company, and it is

6.

stipulated that prices of paddy and rice fixed by the Board must take account of milling costs and yield a reasonable return on capital investment. If the Board fails to honour these conditions the Company would be free to ignore the restrictions of the Rice Marketing Ordinance and to sell and export its rice production as it deemed fit.

I have outlined at some length the background to the formation of the Company so as to show how far removed from the original concept is the situation today and to emphasise the need for a complete and fundamental change.

In the first place, the close co-operation between the two organisations - the Board and the Company - contemplated by the Ordinance does not exist and there is instead a great deal of disharmony. A joint marketing committee, as provided by the Statutory Agreement, was indeed appointed but it has been ignored by the Board. The Regional Rice Agreement between British Guiana and the West Indies has moreover removed any possibility of the exercise of independent marketing action by the Company as a "sanction" against abuse by the Board of its powers to the Company's detriment. The safeguards written into the Statutory Agreement have proved to be illusory. Even if this were not so, there is no possibility of participation in the Company on an equity basis by the Colonial Development Corporation or by any other large scale investor and, as I have already mentioned, the idea of a public company has been abandoned.

Under the Statutory Agreement the Company was obligated to undertake as immediate objectives (a) to take over, improve and operate the rice factory and farm at Mahaicony-Abary, the latter to be a testing ground for mechanised agricultural processes; (b) to erect and operate a new rice factory at Anna Regina; and (c) to erect a rice factory for the Corentyne area. These undertakings have been carried out except for the last which still awaits final decisions by the Government. But the main statutory objectives of the Company, in the words of the governing Ordinance, are "the development of the rice industry and the extension of the export trade in the said industry". Here then, is the crux of the matter. This concept of a comprehensive, semi-independent undertaking, largely financed with external capital, engaged in the development of the rice industry and the extension of its export trade operating in collaboration with the Rice Marketing Board is no longer realistic.

This is a time for decision for another reason also - that is, executive staff. Last year, I had to announce the retirement through

7.

illness of Mr. C. Gonsalves, the Company's first Secretary. Mr. Walter Roberts, who succeeded the late Mr. Harold Gadd, the Company's first General Manager, left for England on pre-retirement leave on 17th March. Mr. E. Giglioli, the Agricultural Manager, who did so much valuable work on experimental research, accepted a transfer to Kenya and left in September last. Mr. J. Smith, the Agricultural Engineer (and now Agricultural Manager as well) has just notified his intention to leave the Company's service at the end of June in order to manage his own farm in England. Mr. J.A. Blaquiere, Factories Manager, was succeeded in 1957 by Mr. J.R. Haddock, who resigned last year. It is fortunate that in Mr. A.C. Chan, who has been appointed Factories Manager, the Company has a local official of great ability and experience in the sphere of both engineering and rice milling. It is also fortunate that the Company has in Mr. H.F. Stevenson (who succeeded Mr. Gonsalves as Secretary) a capable and hard-working official. Mr. Stevenson has the unenviable task of carrying on the administration of the Company pending the appointment of a new Manager who, in accord with the Company's Articles of Association, must also be a Director of the Company. It is evident that urgent consideration must be given to executive staffing.

Having outlined the problem, I should now like to present my solution. I have heard from time to time the suggestion that the Rice Marketing Board should "take over" the Company. But, it seems that those who have this idea have considered neither its full implications nor the means by which it could be given effect.

My recommendation is that there should be a complete integration of the Board and the Company into a single organisation which would be accorded all the present functions and control powers of the Board (save one only, to which I shall refer later) as well as the added function of itself undertaking milling and cultivation where and to the extent considered necessary in the general interest of the industry. The organisation would thus have two main divisions - marketing and production. I think that it would be preferable to enact a new Ordinance rather than to amend the existing Rice Marketing Ordinance, and I would strongly recommend that the new organisation be given a new style, e.g. "The British Guiana Rice Authority". The new Ordinance would provide for the taking over of the assets and liabilities of the Board and the Company.

The exception I referred to a moment ago is this: In my view the power of the Rice Marketing Board to fix the price at which it will sell rice for local consumption (even with the consent of the

8.

Governor) should be removed. This is a relict of the war-time emergency procedure. This power should obviously be vested in and be exercised by the appropriate Minister, having regard to the export price secured by the Colony, but nevertheless so as to ensure, as far as possible, reasonable remuneration to producers. This change would remove the main objection to permitting the rice producers to be the dominant voice in a representative Board as the governing body of the Authority functioning through an Executive Committee of Management with a General Manager and two Divisional Managers.

One last word is this: The British Guiana Rice Development Company, and its predecessor the Mahaicony-Abary Rice Development Scheme, have made a tremendous contribution to the fortunes of the rice industry. "MARDS", or to use its popular name, "BURMA" has done much for rice producers. Every tractor, combine harvester, or other agricultural machine that now rolls across the paddy fields of this country will in imagination have started on its journey from "MARDS". There, were sown the first seeds of mechanised agriculture for the rice industry and it developed and succeeded, in spite of predicted failure and much discouragement, until it has now become the mainstay of the industry. There, too, was first demonstrated the advantages of multi-stage milling and the value of recovered by-products.

A final personal word: Last year, I accepted re-appointment as a Director and Chairman of the Company on the mutual understanding that I would wish to relinquish the office after one year (and not two years). I shall therefore be tendering my resignation to the Governor with effect from 30th April. I have no false modesty. I am glad that I was able to play the leading part in the setting up of the Rice Marketing Board, the Mahaicony-Abary Scheme, and this Company, and in the formulation of the Regional Rice Agreement. I shall always have an abiding interest in the rice industry and I offer my best wishes for the prosperity of all engaged in it.

THE BRITISH GUIANA RICE DEVELOPMENT COMPANY, LIMITED

- REPORT OF THE DIRECTORS -

The Directors submit their report for the year ended 31st August, 1959.

Balance Sheet: 31st August, 1959

The issued share capital remained at \$2,000,000 and the Capital Debentures issued in favour of the Colonial Development Corporation at \$5,001,600 (£1,042,000).

Capital expenditure incurred during the year amounted to \$147,310 and the cost of assets retired amounted to \$116,830 making the net capital expenditure for the year \$30,480. \$174,151 was credited to the depreciation reserve during the year and after deducting \$89,719 in respect of depreciation on assets retired, the net increase was \$84,432 bringing the total reserve to \$1,259,993.

The book value of the fixed assets now stands at \$4,114,701. Details of the fixed assets and depreciation reserve are given in Appendix D.

Operating Results for Year

Mahaicony Rice Factory

The factory accounts showed a gross operating profit of \$211,132 for the year. After writing off a loss of \$736 on the sale of fixed assets, \$5,500 contributed to the Paddy and Rice Storage Investigations, and providing \$68,258 for depreciation, a net profit of \$136,638 remained.

Anna Regina Rice Factory

A gross profit of \$43,039 was realised on the operation of the factory for the year. After writing off a loss of \$4,562 on the sale of fixed assets, \$5,500 contributed to the Paddy and Rice Storage Investigations, and charging \$69,326 for depreciation, a net operating loss of \$36,349 resulted.

Mahaicony/Abary Rice Cultivation

The excess of income over expenditure in respect of the rice cultivation was \$40,630. After providing \$34,476 for depreciation, a net profit of \$6,154 remained.

- 2 -

Profit and Loss Account for Year

After setting off the loss on the Anna Regina Factory against the profits of the Mahaicony Factory and Cultivation the net operating profit was \$106,443 from which had to be deducted general charges for remittance costs and directors' fees amounting to \$14,590 leaving a balance of \$91,853. After meeting interest charges of \$316,434 (comprising Interest on Colonial Development Corporation Debentures and Working Capital Advances - \$305,308 and Other Interest - \$11,126) there was a net deficiency of \$224,581 for the year.

The accumulated deficit at 31st August, 1958 shown on the Balance Sheet is made up as follows:

Net Loss (1953-1958)

Loss - Old Anna Regina Rice Mill	\$391,110		
New Anna Regina Rice Factory	<u>60,669</u>		
	451,779		
Profit - Mahaicony Rice Factory	<u>34,041</u>	\$417,738	
Loss - Mahaicony/Abary Rice Cultivation		<u>234,894</u>	\$ 652,632
<u>Add:</u>			
Preliminary Expenses		8,627	
Colonial Development Corporation:			
Interest on Debentures	728,033		
Interest on Working Capital Advances	<u>99,097</u>	827,130	
Remittance Costs		21,736	
Directors' Fees		19,099	
Income Tax		<u>13,872</u>	
		\$890,464	
<u>Less:</u>			
Other Interest - Received	25,385		
" " - Paid	<u>1,662</u>		
	23,723		
Over-provision for Depreciation	<u>9,973</u>	<u>33,696</u>	<u>856,768</u>
			\$1,509,400
<u>Deduct:</u>			
Operational loss and interest costs on Mahaicony/Abary Rice Cultivation charged to Government			<u>467,462</u>
			<u>\$1,041,938</u>

- 3 -

The accumulated loss at 31st August, 1959 shown on the Balance Sheet is \$1,440,905 and is made up as follows:

Accumulated Deficit at 31st August, 1958	\$1,041,938
Operational loss and interest costs on Mahaicony/ Abary Rice Cultivation for the years 1957 and 1958 written back to Profit and Loss Account	174,386
Deficit for the year ended 31st August, 1959	<u>224,581</u>
	<u>\$1,440,905</u>

In accord with the operational policy previously accepted and approved by the Government, the apportioned net deficiency on the Mahaicony/Abary Rice Cultivation was charged to the Government and so shown on the Balance Sheet at 31st August, 1958. However, having regard to the reservation in the Auditors' Certificate on the accounts for that year to the effect that Government had taken for notification the contingent liability with respect to the net deficiency to 31st August, 1956 only, it was decided to write back the net losses for the two years 1957 and 1958 amounting to \$174,386 as shown above.

Reference is made later in this Report to the projected write-off of the accumulated deficit to 31st August, 1958 against a reduction of issued share capital approved by Special Resolution passed at the Extraordinary General Meeting held on 8th June, 1959.

A statement (Appendix E) is attached showing an analysis of the net results from the inception of the Company's operations (1st January, 1953) to the date of the Balance Sheet.

Mahaicony Rice Factory

13,993 tons (223,890 bags of 140 lb.net) of paddy were milled during the year under review, producing 9,048 tons (112,594 bags of 180 lb. gross) of rice and 1,412 tons of by-products, compared with 9,489 tons (151,837 bags of 140 lb. net) of paddy milled during the previous year, producing 6,211 tons (77,302 bags of 180 lb. gross) of rice and 1,065 tons of by-products. Of the paddy milled during the year under review 195,653 bags were purchased from farmers and the balance of 28,237 bags were produced by the Company's Mahaicony/Abary Rice Cultivation.

The paddy milled during the year under review was approximately 47.45% more than the quantity milled during the previous year or just 74.63% of the quantity which is considered the minimum intake for effective economic operation of the factory. This increase resulted

- 4 -

in a decrease of milling costs (excluding depreciation and interest) from \$4.01 to \$3.33 per bag rice. The gross return per bag of rice produced in relation to the cost of the paddy milled increased from \$2.92 to \$3.69 in the year under review. Due to the decreased milling costs there was a net operating profit of .36¢ per bag of rice compared with an operating loss of \$1.09 in the previous year. The total quantity of paddy purchased and available for milling was 352,588 bags of 140 lb. net, but during the year the Company was committed to release 116,998 bags of 154 lb. net (128,698 bags of 140 lb. net) of paddy to the Rice Marketing Board for shipment to Venezuela, thus causing the factory to be idle for over four months. In requisitioning this paddy for export the Board undertook to reimburse the Company the cost of the paddy together with milling profit. The Company's claim in this respect (supported by the operational results of the year) has not yet been admitted by the Board and there remains an unpaid balance of \$74,998 with respect to this transaction which stands in the Balance Sheet as a debt due by the Rice Marketing Board.

The following table shows the comparative operating results for the previous year and the year under review -

<u>Mahaicony Rice Factory</u>		
<u>Operating Results per bag rice of 180 lb. gross</u>		
	Year to <u>31.8.58</u>	Year to <u>31.8.59</u>
Value of rice produced	\$ 16.72	\$ 17.93
Cost of paddy milled	<u>13.80</u>	<u>14.24</u>
Gross Return	2.92	3.69
Operating Costs	<u>4.01</u>	<u>3.33</u>
Operating Profit/Loss (before providing for depreciation and interest)
	Loss: \$ <u>1.09</u>	Profit: \$ <u>.36¢</u>

In anticipation of an even larger intake of paddy from the 1959 Autumn crop, a paddy storage bond was erected within the factory compound, with a holding capacity of 90,000 bags, at a total cost of approximately \$66,000.

- 5 -

Anna Regina Rice Factory

9,580 tons (153,282 bags of 140 lb. net) of paddy were milled during the year under review, producing 6,016 tons (74,866 bags of 180 lb. gross) of rice and 918 tons of by-products as compared with 3,763 tons (60,205 bags of 140 lb. net) of paddy milled during the previous year, producing 2,466 tons (30,689 bags of 180 lb. gross) of rice and 356 tons of by-products.

The factory operated for 171 days as compared with 76 days during the previous year. Purchasing through agents continued for the 1959 autumn crop, and an amount of over 191,000 bags of 140 lb. net of paddy was secured for the factory. 12.65% of the total purchases came from the Essequibo Islands. This increase in paddy intake was due primarily to more lands being taken up for rice cultivation. Harvesting was carried out during the rainy season, resulting in paddy being received at the factory with a high moisture content; apart from this, the percentage of insect infestation was alarming. This will have an adverse effect on the grades of rice produced in relation to the prices paid for the paddy.

Due to the loss of the 1959 Spring Crop on the Essequibo Coast which resulted in farmers being unable to obtain rice for domestic consumption, the Company voluntarily undertook to loan approximately 5,000 bags of rice to farmers for this purpose, to be repaid out of the proceeds of their 1959 Autumn crop.

Projected Corentyne Rice Factory

The report of the Mission sent out to the Colony by the Colonial Development Corporation to investigate and make recommendations for the erection of a mill or mills in the Black Bush Polder area of the Corentyne was received in June, 1959. On the recommendation of the Mission, the Colonial Development Corporation was prepared to finance, construct, and operate a medium-sized mill subject to certain conditions as set out in their letter and report dated 9th June, 1959 addressed to His Excellency the Governor. The Management of this Company has taken part in certain discussions with representatives of the Government and the Rice Marketing Board but there have so far been no developments leading to the provision of a rice factory for the Corentyne.

Mahaicony/Abary Rice Cultivation

2,730.9 acres were under cultivation during 1959 and were reaped under good harvesting conditions. The yield of 30,608 bags of paddy was equivalent to 11.21 bags per acre compared with 10.73 bags per acre in 1958. The average price at which this paddy was purchased by the factory was \$6.90 per bag of 140 lb. net. The comprehensive report by Mr. Giglioli, Agricultural Manager of the Company, on the research and experimental work carried out over the last eight years mentioned in the previous year's report was completed and is now being printed.

- 6 -

Capital Reorganisation

Action to give effect to the reduction of the issued share capital from \$2,000,000 to \$500,000 and for its re-distribution in accord with the terms of the Agreement between the shareholders (the Government and the Rice Marketing Board) executed on 28th May, 1959 and approved at the Extraordinary General Meeting on 8th June, 1959 has not been completed. Proceedings to obtain the sanction of the Court await notification of consent by the Colonial Development Corporation which has so far not been received. The write-off of the accumulated net deficiency as at 31st August, 1958 (against the capital reserve of \$1,500,000 to be so created) as contemplated by the Agreement and the Special Resolution has therefore not yet been effected.

Finance

As stated in the Directors' Report for 1958, the Colonial Development Corporation have not acceded to the request by the Government and the Company to re-finance the existing short-term Government guaranteed capital debenture loans. The Corporation has however granted, subject to certain specified conditions, a moratorium of repayment of all the instalments until 31st December, 1962 when the Corporation would be willing to review the situation. The total amount required to finance Company purchases of farmers' paddy from the 1959 Autumn crop was approximately \$4,500,000, involving borrowing of some \$3,000,000. Working capital Advances were obtained to the maximum of \$1,200,000 but the Corporation did not accede to the Company's request, supported by Government, to increase this limit (as contemplated by the Loan Agreement) in order to meet the full requirements of financing crop purchases. As the Loan Agreement provides a floating charge on all the Company's assets in favour of the Colonial Development Corporation the additional sum required was met by Treasury advances to a maximum of \$2,000,000. In anticipation of and pending the issue of Colonial Development Corporation and Treasury advances, overdraft facilities to the extent of \$1,500,000 had been provided by the local Banks.

Operational Policy and ProspectsCultivation

In accord with a policy decision by the Government the function of the Company with respect to experiments and research in connection with the operations at the Mahaicony/Abary rice cultivation have been taken over by the Department of Agriculture. The rice cultivation

- 7 -

will be carried on by the Company on a commercial basis although it will continue to be a testing ground for the commercial application of any new developments in mechanization or agricultural processes. A small area has been released to Government for distribution to farmers.

Factories

The Company has been able to secure from the 1959 Autumn crop over 482,000 bags of paddy of 140 lb. net (including the Company's cultivation) for the Mahaicony factory, equivalent to an increase of 129,412 bags over the intake of the previous year. This increase was primarily due to the large area of additional riverain land taken in for cultivation and took place notwithstanding that paddy grown on much of the frontlands was lost owing to heavy insect infestation and inadequate water control and drainage. Harvesting was later than in previous years due to the prolonged dry weather in the early stages of sowing and, indeed, it was feared that most of the crop would have been lost. However, the weather changed just in time to save it.

As regards Anna Regina factory, over 191,000 bags of farmers' paddy were purchased from the 1959 Autumn crop, an excess over the previous year's purchases of 37,718 bags. In addition, it is anticipated that Anna Regina factory will receive about 8,000 bags of paddy from the 1960 Spring crop.

It has been decided to rationalize milling operations by transferring from the Mahaicony to the Anna Regina factory some 50,000 bags of paddy. The addition of Spring crop paddy will enable both factories to continue in operation until nearly the end of August, 1960.

Staff

Mr. E. G. Giglioli, Agricultural Manager, left British Guiana in September, 1959 on vacation leave prior to taking up an appointment with the Government of Kenya. The Board records its appreciation of the valuable services rendered by Mr. Giglioli to the Company and to the Rice Industry.

Mr. J.H. Smith, Agricultural Engineer, has been appointed Agricultural Manager and Engineer. As previously stated, scientific research will be carried out by an officer of the Department of Agriculture stationed at the Mahaicony/Abary cultivation.

- 8 -

Mr. A. C. Chan, Engineer, was appointed Factories Manager vice Mr. J.R. Haddock who resigned in July, 1959. Mr. Chan will continue to carry out the duties of Engineer.

Board of Directors

The following Directors are due to retire at this Annual General Meeting under the provisions of Article 23 of the Company's Articles of Association:

Mr. J. Durey, M.B.E.
Mr. G. B. Kennard (Director of Agriculture)
Mr. W. Roberts (General Manager)
Mr. D. Oodit.

Mr. Roberts has left British Guiana on vacation leave prior to retirement and will take up permanent residence in England. The Board wish to record their appreciation of the valuable services rendered to the Company by Mr. Roberts and to extend their good wishes to him for a pleasant holiday and many happy years of retirement.

Auditors

The Auditors, Messrs. Fitzpatrick, Graham & Co. have signified their willingness to accept reappointment.

By Order of the Board

H. F. STEVENSON
Secretary.

142 Regent Street,
Lacytown,
Georgetown,
British Guiana.
1st April, 1960.

31.8.58

LIABILITIESAUTHORISED SHARE CAPITAL

<u>\$10,000,000.00</u>	100,000 Shares of \$100 each	<u>\$10,000,000.00</u>
------------------------	------------------------------	------------------------

ISSUED SHARE CAPITAL

\$ 2,000,000.00	20,000 Shares of \$100 each fully paid	2,000,000.00
-----------------	--	--------------

DEBENTURES

5,001,600.00	Issued in favour of Colonial Development Corporation	5,001,600.00
--------------	--	--------------

NOTES:

1. In terms of an Agreement dated 28th May, 1959, between Govt., Rice Marketing Board and the Company, reduction of Share Capital and its redistribution have been approved at an Extraordinary General Meeting held on 8th June, 1959. The Company's Solicitors have been instructed to apply to the Court for sanction.

2. The reduction of Share Capital and appropriation are to be as follows:

Reduction of Share Capital \$1,500,000.00

Appropriated for -

Land & Buildings transferred to Government of British Guiana

150,000.00

\$1,350,000.00

Accumulated Deficit -

As at 31st August, 1957, including Mahaicony Cultivation \$756,181.92

Year ended 31st

August, 1958

including

Mahaicony Cult. 458,008.63 1,214,190.55

Balance to be carried

to Capital Reserve

\$ 135,809.45

\$ 7,001,600.00

Forward :-

\$ 7,001,600.00

DEVELOPMENT COMPANY, LIMITEDAPPENDIX "A"

AT 31ST AUGUST, 1959

31.8.58ASSETSFIXED ASSETSCostDepreciation

Freehold & Leasehold Lands,
Buildings and Structures
Plant and Machinery
Agricultural Equipment
Sea Punts and Other Vessels
Motor Lorries and Other
Transport Equipment
Furniture and Equipment -
Offices, Stores and Houses

\$2,366,938.78	\$ 213,075.78	\$2,153,863.00
2,163,770.16	587,356.98	1,576,413.18
473,786.37	313,609.95	160,176.42
42,720.79	21,771.07	20,949.72
157,403.29	103,181.40	54,221.89
69,951.36	20,998.08	48,953.28

\$4,005,485.42

\$5,274,570.75

163,166.85

Work-in-Progress

100,123.06\$4,168,652.27\$5,374,693.81GOVERNMENT OF BRITISH GUIANAMahaicony-Abary Rice Cultivation

\$ 467,461.84

Deficit as at 31st August, 1956

\$ 293,076.19

Onverwagt Property - Agreed
value of Assets transferred to
Land Settlement & Drainage &
Irrigation Departments -

100,391.21100,391.21

\$ 567,853.05

\$ 393,467.40

B. G. RICE MARKETING BOARD

\$ 227,595.36

Rice

\$ -

Paddy

74,998.27

\$ 227,595.36

74,998.27

ADVANCE EXPENDITURE

\$ 119,829.30

1959 Mahaicony Autumn Crop

72,117.31

CURRENT ASSETS

\$ 11,058.67

Prepaid Expenses

\$ 10,691.59

254,487.72

Stocks - Paddy at Cost

\$ 12,396.52

Rice & By-products
estimated to realise

44,412.80

33,797.87

Bags and Twine

85,753.48

94,312.16

Spares and Sundry Stores

360,154.15

361,376.53

Livestock25,570.00

21,245.00

528,286.95

54,386.24

Sundry Debtors (Less Reserve)

129,377.12

100,591.78

Cash Deposited at Treasury

\$ 351,294.51

107,347.59Cash in Hand and at Banks65,317.84416,612.35

\$1,038,603.56

\$1,084,968.01

CURRENT LIABILITIES

162,871.77

Sundry Creditors (incl. Accrued Interest)

179,556.45

\$ 875,731.79

NET CURRENT ASSETS

905,411.56

\$5,959,661.77

Forward :-

\$5,560,695.09

31.8.58

\$7,001,600.00

Forward :-

\$7,001,600.00

NOTES - contd.

3. Agreed Distribution of reduced Share Capital -

Government	80%	\$400,000	
B.G.Rice Producers' Association	12%	60,000	
B.G.Rice Marketing Board	8%	<u>40,000</u>	\$500,000

4. No provision has been made for Rice Marketing Board Rice Profits.

5. Redemption dates of Debentures are as follows:

30th September, 1959	\$1,200,000	
30th September, 1959	950,400	
1st April, 1960	950,400	
1st April, 1961	950,400	
1st May, 1962	<u>950,400</u>	\$5,001,600

Colonial Development Corporation has postponed all repayment dates to 31st December, 1962.

\$7,001,600.00

\$7,001,600.00

E.F. McDAVID Chairman

J. DUREY Director

H.F. STEVENSON Secretary

DEVELOPMENT COMPANY, LIMITED31.8.58

\$5,959,661.77

Forward :-

\$5,560,695.09

PROFIT AND LOSS ACCOUNT

1,041,938.23

Balance as at 31st August, 1958

\$1,041,938.23

Accumulated Deficit to be written
off on Capital Reduction

\$1,214,190.55

Less:Deficit as at 31st August
1958 as above1,041,938.23

\$ 172,252.32

Add:Depreciation adjustment
at 31st August, 19582,133.33Mahaicony Cultivation Deficit
for years 1957 and 1958 written back174,385.65

\$1,216,323.88

Net Deficit for the year as per
Profit and Loss Account224,581.03

1,440,904.91

\$7,001,600.00\$7,001,600.00

THE BRITISH GUIANA

GENERAL PROFIT AND LOSS ACCOUNT

To Remittance Costs		\$ 10,159.98
Directors' Fees		4,430.36
Surplus carried down		91,852.65
		<hr/>
		<u>\$106,442.99</u>
To Colonial Development Corporation:	Interest on	
	Debentures	\$279,366.00
" " "	Int. on Working	
	Capital Advances	<u>25,941.38</u>
		\$305,307.38
Other Interest - net		<u>11,126.30</u>
		<u>\$316,433.68</u>

THE BRITISH GUIANA RICE

MAHAICONY/ABARY
PROFIT & LOSS ACCOUNT FOR

To Depreciation	\$ 34,475.97
Operating Profit carried to General Profit & Loss A/c	6,153.66

\$40,629.63

MAHAICONY RICE
PROFIT & LOSS ACCOUNT FOR

To Contribution to Paddy & Rice Storage Investigation	\$ 5,500.00
Loss on Sale of Assets	736.38
Depreciation	68,258.02
Operating Profit carried to General Profit & Loss A/c	<u>136,638.12</u>
	<u>\$211,132.52</u>

ANNA REGINA
PROFIT & LOSS ACCOUNT FOR

To Contribution to Paddy & Rice Storage Investigation	\$ 5,500.00
Loss on Sale of Assets	4,562.13
Depreciation	<u>69,326.09</u>
	<u>\$79,388.22</u>

DEVELOPMENT COMPANY, LIMITEDAPPENDIX CRICE CULTIVATIONTHE YEAR ENDED 31ST AUGUST, 1959

By Operating Profit			
1958 Autumn Crop		\$	22,861.76
Mechanical Equipment - Revenue	\$ 52,991.67		
- Maintenance	<u>33,005.03</u>		19,986.64
Profit on Sale of Assets			<u>33,940.12</u>
			76,788.52
<u>Less: Loss on the following -</u>			
1959 Spring Crop	6,921.45		
Hire Service	2,004.24		
Experimental Station Expenses	15,481.24		
Operation of Workshop	10,501.01		
Livestock Expenses	<u>1,250.95</u>	<u>36,158.89</u>	\$ <u>40,629.63</u>
			\$ <u>40,629.63</u>

FACTORYTHE YEAR ENDED 31ST AUGUST, 1959

By Operating Profit for year		\$211,132.52
		<u>211,132.52</u>

RICE FACTORYTHE YEAR ENDED 31ST AUGUST, 1959

By Operating Profit for year	\$ 43,039.43
Operating Loss carried to General Profit & Loss Account	36,348.79
	<u>79,388.22</u>

THE BRITISH GUIANA RICE

PARTICULARS OF FIXED ASSETS

	Original Cost as at 31. 8. 58	Additions during year	Retirements (at cost)
<u>Mahaicony/Abary Cultivation</u>			
Freehold and Leasehold Lands,			
Buildings and Structures ..	642,932.66	13,046.56	-
Plant and Machinery ..	65,719.06	-	-
Agricultural Machinery ..	558,033.46	624.65	(84,871.74)
Water Transport Equipment ..	24,500.48	-	(6,894.90)
Other Transport Equipment ..	76,418.02	10,171.01	(434.00)
Work-in-Progress ..	3,204.84	(3,204.84)	-
	<u>\$1,370,808.52</u>	<u>\$ 20,637.38</u>	<u>\$ (92,200.64)</u>
<u>Mahaicony Rice Factory</u>			
Freehold and Leasehold Lands,			
Buildings and Structures ..	507,760.04	-	-
Plant and Machinery ..	1,095,697.46	(17.40)	(5,771.94)
Transport Equipment ..	33,529.72	-	(7,150.20)
Work-in-Progress ..	-	100,110.74	-
	<u>\$1,636,987.22</u>	<u>\$ 100,093.34</u>	<u>\$ (12,922.14)</u>
<u>Staff Houses and Offices,</u> <u>Mahaicony/Abary/Onverwagt/Georgetown</u>			
Land, Buildings and Structures ..	249,560.27	-	-
Furniture and Equipment ..	52,212.38	207.42	-
	<u>\$ 301,772.65</u>	<u>\$ 207.42</u>	<u>-</u>
<u>Anna Regina Rice Factory</u>			
Land, Buildings and Structures ..	774,974.54	-	(23.50)
Plant and Machinery ..	1,008,142.98	-	-
Furniture and Equipment ..	17,531.56	-	-
Water Transport ..	29,165.21	7,633.39	(11,683.39)
Other Transport Equipment ..	44,868.74	-	-
Work-in-Progress ..	-	12.32	-
	<u>\$1,874,683.03</u>	<u>\$ 7,645.71</u>	<u>\$ (11,706.89)</u>
<u>Corentyne Rice Factory</u> ..	<u>\$ 159,962.01</u>	<u>\$ 18,726.20</u>	<u>-</u>
<u>T O T A L</u> ..	<u>\$5,344,213.43</u>	<u>\$ 147,310.05</u>	<u>\$ (116,829.67)</u>

DEVELOPMENT COMPANY, LIMITED

APPENDIX D

AS AT 31ST AUGUST, 1959

Original Cost as at 31. 8. 59	Depreciation as at 31. 8. 58	Depreciation for year	Depreciation on assets Retired	Total Depreciation as at 31.8.59	Book Value as at 31. 8. 59
655,979.22	19,971.78	3,315.08	-	23,286.86	632,692.36
65,719.06	35,933.95	3,833.86	-	39,767.81	25,951.25
473,786.37	364,996.23	22,016.21	(73,402.49)	313,609.95	160,176.42
17,605.58	23,194.31	120.74	(6,243.67)	17,071.38	534.20
86,155.03	61,372.28	4,135.48	(390.60)	65,117.16	21,037.87
-	-	-	-	-	-
<u>\$1,299,245.26</u>	<u>\$ 505,468.55</u>	<u>\$ 33,421.37</u>	<u>\$ (80,036.76)</u>	<u>\$ 458,853.16</u>	<u>\$ 840,392.10</u>
507,760.04	99,379.83	8,679.74	-	108,059.57	399,700.47
1,089,908.12	368,428.40	53,295.33	(2,914.64)	418,809.09	671,099.03
26,379.52	25,035.82	3,137.55	(5,586.12)	22,587.25	3,792.27
100,110.74	-	-	-	-	100,110.74
<u>\$1,724,158.42</u>	<u>\$ 492,844.05</u>	<u>\$ 65,112.62</u>	<u>\$ (8,500.76)</u>	<u>\$ 549,455.91</u>	<u>\$1,174,702.51</u>
249,560.27	38,629.20	4,447.58	-	43,076.78	206,483.49
52,419.80	15,859.53	1,843.22	-	17,702.75	34,717.05
<u>\$ 301,980.07</u>	<u>\$ 54,488.73</u>	<u>\$ 6,290.80</u>	<u>-</u>	<u>\$ 60,779.53</u>	<u>\$ 241,200.54</u>
774,951.04	23,114.57	15,538.00	-	38,652.57	736,298.47
1,008,142.98	82,458.81	46,321.27	-	128,780.08	879,362.90
17,531.56	2,491.37	803.96	-	3,295.33	14,236.23
25,115.21	4,547.81	1,333.14	(1,181.26)	4,699.69	20,415.52
44,868.74	10,147.27	5,329.72	-	15,476.99	29,391.75
12.32	-	-	-	-	12.32
<u>\$1,870,621.85</u>	<u>\$ 122,759.83</u>	<u>\$ 69,326.09</u>	<u>\$ (1,181.26)</u>	<u>\$ 190,904.66</u>	<u>\$1,679,717.19</u>
<u>\$ 178,688.21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 178,688.21</u>
<u>\$5,374,693.81</u>	<u>\$1,175,561.16</u>	<u>\$ 174,150.88</u>	<u>\$ (89,718.78)</u>	<u>\$1,259,993.26</u>	<u>\$4,114,700.55</u>

THE BRITISH GUIANA RICE

- STATEMENT OF ANNUAL OPERATING RESULTS AND ACCUM-

	<u>Mahaicony Rice Factory</u>	<u>Old Anna Regina Rice Mill</u>
<u>8 months to 31.8.53</u> - Net Operating Profit	15,526.07	-
Loss	-	8,565.99
<u>Year to 31.8.54</u> - Net Operating Profit	112,535.18	9,690.29
Loss	-	-
<u>Total to 31.8.54</u> -Profit	128,061.25	1,124.30
<u>Year to 31.8.55</u> - Net Operating Profit	86,535.45	-
Loss	-	103,495.70
<u>Total to 31.8.55</u> -Profit	214,596.70	-
Loss	-	102,371.40
<u>Year to 31.8.56</u> - Net Operating Profit	-	-
Loss	21,316.12	* 288,738.42
<u>Total to 31.8.56</u> -Profit	193,280.58	-
Loss	-	391,109.82
<u>Year to 31.8.57</u> - Net Operating Profit	84.44	-
Loss	-	-
<u>Total to 31.8.57</u> -Profit	193,365.02	-
Loss	-	391,109.82
<u>Year to 31.8.58</u> - Net Operating Loss	159,323.91	-
<u>Total to 31.8.58</u> -Profit	34,041.11	-
Loss	-	391,109.82
<u>Year to 31.8.59</u> - Net Operating Profit	136,638.12	-
Loss	-	-
<u>Total to 31.8.59</u> -Profit	170,679.23	-
Loss	-	391,109.82

NOTE:

* Ceased operating February, 1956.
 † Operated 6 months to 31.8.56.

DEVELOPMENT COMPANY, LIMITED

APPENDIX E

RELATED DEFICIT FROM 1st JANU. TO 31st AUGUST, 1959 -

<u>New Anna Regina Rice Factory</u>	<u>Total Rice Factories</u>	<u>M/A Rice Cultivation</u>	<u>Accumulated Surplus/Deficit</u>
-	6,960.08	36,140.16	43,100.24
-	-	-	-
-	122,225.47	-	97,381.71
-	-	24,843.76	-
-	129,185.55	11,296.40	140,481.95
-	-	-	-
-	16,960.25	96,824.63	113,784.88
-	112,225.30	-	26,697.07
-	-	85,528.23	-
✓ 25,602.51	-	-	-
-	284,452.03	84,256.46	368,708.49
25,602.51	-	-	-
-	172,226.73	169,784.69	342,011.42
-	-	-	-
40,279.57	40,195.13	42,010.09	82,205.22
-	-	-	-
14,677.06	212,421.86	211,794.78	424,216.64
45,991.72	205,315.63	23,099.30	228,414.93
-	-	-	-
60,668.78	417,737.49	234,894.08	652,631.57
-	100,289.33	6,153.66	106,442.99
36,348.79	-	-	-
-	-	-	-
97,017.57	317,448.16	228,740.42	546,188.58

Preliminary Expenses including Debenture Issue Expenses ..	8,627.29	
Debenture Interest ..	1,007,398.87	
Other Interest ..	112,441.56	
Remittance Costs ..	31,896.09	
Directors' Fees ..	23,529.82	
Income Tax ..	13,871.69	
	<u>1,197,765.32</u>	
Less: Overprovision for depreciation on Onverwagt Assets..	9,972.80	1,187,792.52
		<u>1,733,981.10</u>
Less: Accumulated Deficit M/A Rice Cultivation shown in Balance Sheet as a charge to Govt.		293,076.19
Accumulated Deficit as per Balance Sheet		<u>\$ 1,440,904.91</u>