ANNUAL REPORT 1990

BC Sugar

Financial Highlights

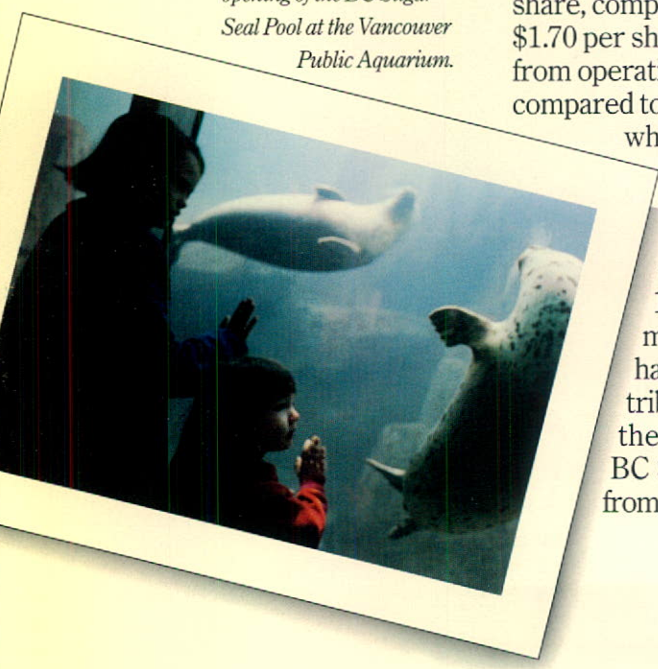
(000's omitted, except per share amounts)

Years Ended September 30	1990	1989	1988
Revenues	**$290,184**	$289,040	$262,086
Earnings before extraordinary items	**$ 11,603**	$ 23,417	$ 23,563
Extraordinary items	**–**	–	$ 13,295
Net earnings	**$ 11,603**	$ 23,417	$ 36,858
Average net shares outstanding	**14,131**	13,773	12,664
Per Common Share (after giving retroactive effect to the 2-for-1 stock split in March, 1989)			
Earnings before extraordinary items	**$ .82**	$ 1.70	$ 1.86
Extraordinary items	**–**	–	1.05
Net earnings	**$ .82**	$ 1.70	$ 2.91
Dividends	**$ .80**	$ .80	$ .70

To BC Sugar Shareholders

President & C.E.O., Bill Brown (left) with BC Sugar Chairman, Peter Cherniavsky.

June 6, 1990 marked the opening of the BC Sugar Seal Pool at the Vancouver Public Aquarium.



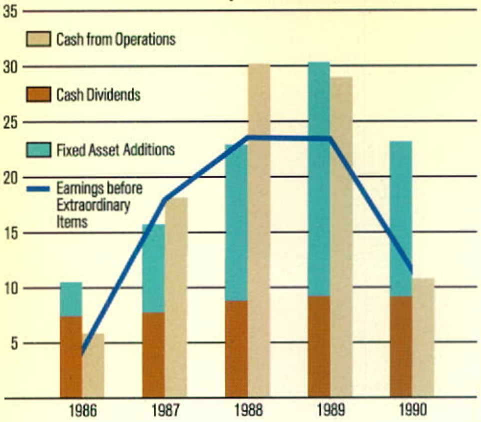
Net earnings for 1990 amounted to $11.6 million, or 82 cents per share, compared to $23.4 million and $1.70 per share in 1989. Cash flow from operations totalled $10.8 million compared to $29 million last year, while the annual dividend rate remained at 80 cents per common share.

Earnings from sugar remained stable during 1990, however reduced margins on phenol sales have resulted in a lower contribution to earnings from the chemicals business. BC Sugar's share of earnings from Anderson Exploration Ltd. showed an improvement over the performance recorded in 1989.

The 1990 Annual Report includes, for the first time, a section entitled "Management's Discussion and Analysis," and shareholders may refer to this section of the Report for a more detailed review of corporate financial performance. In keeping with prior practice, however, a separate section of the 1990 Annual Report is devoted to each of sugar, specialty chemicals and oil and gas.

In July of this year, BC Sugar entered into an agreement to purchase 50 percent of the shares of Lantic Sugar Limited from Jannock Limited for $110 million. The transaction is expected to close in early 1991, with

Cash from Operations $(millions)



an effective date of December 31, 1990. A shareholders' agreement between Jannock and BC Sugar contains the right of Jannock to sell its remaining shares in Lantic to BC Sugar after December 31, 1991 and the right of BC Sugar to purchase all of Jannock's remaining shares in Lantic after December 31, 1993. The price paid by BC Sugar for Jannock's remaining 50 percent interest will be determined under a formula predicated upon the financial performance of Lantic.

Purchase of the initial 50 percent interest in Lantic will be financed by bank debt secured against existing BC Sugar assets. Financing costs are expected to be about offset by BC Sugar's share of earnings from Lantic. Methods employed in financing the second 50 percent interest will depend upon the timing of the transaction.

The Canadian operations of Lantic are represented by cane refineries in Saint John, New Brunswick and in Montreal, Quebec and the U.S. operations by the Refined Sugars, Inc. (RSI) refinery in Yonkers, New York. With a wider geographic and sales volume base, BC Sugar will be strategically better placed in the highly competitive North American sugar industry.

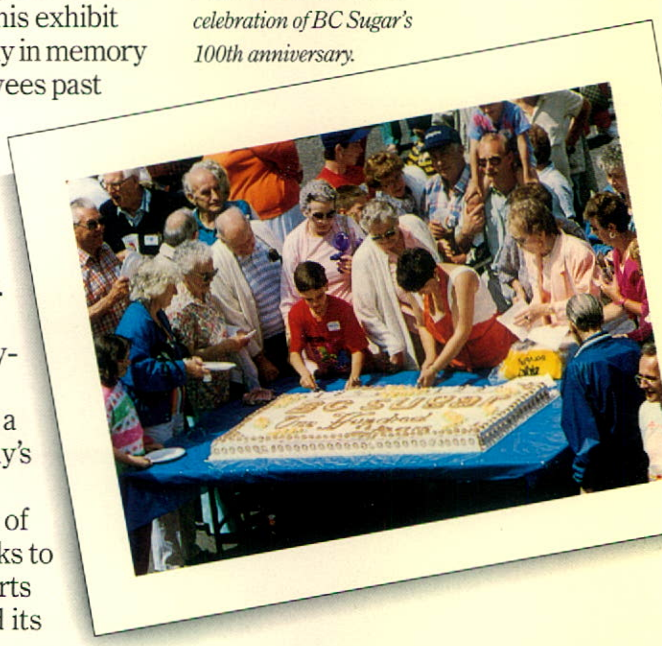
In May of 1990, the Board of Directors announced the appointment of William C. Brown, formerly President and Chief Operating Officer of the Company, to the position of President and Chief Executive Officer, upon the retirement of Peter A. Cherniavsky from the position of Chief Executive Officer. Mr. Cherniavsky, a grandson of the founder of BC Sugar and an employee since 1948, continues as Chairman of the Board of Directors.

On June 6, 1990, the BC Sugar Seal Pool at the Vancouver Public Aquarium in Stanley Park was opened to the public. With 1990 marking the 100th anniversary of BC Sugar, this exhibit was donated by the Company in memory and appreciation of employees past and present.

Also in June, a picnic commemorating the centenary of the Company was held on the grounds of the Vancouver refinery. Attended by over 1,500 current and retired employees and their guests and families, the occasion was a fitting close to the Company's first century.

Once again, the Board of Directors extends its thanks to all employees for their efforts on behalf of BC Sugar and its shareholders.

Picnic guests share in the celebration of BC Sugar's 100th anniversary.



On behalf of the Board

Peter A. Cherniavsky

Chairman

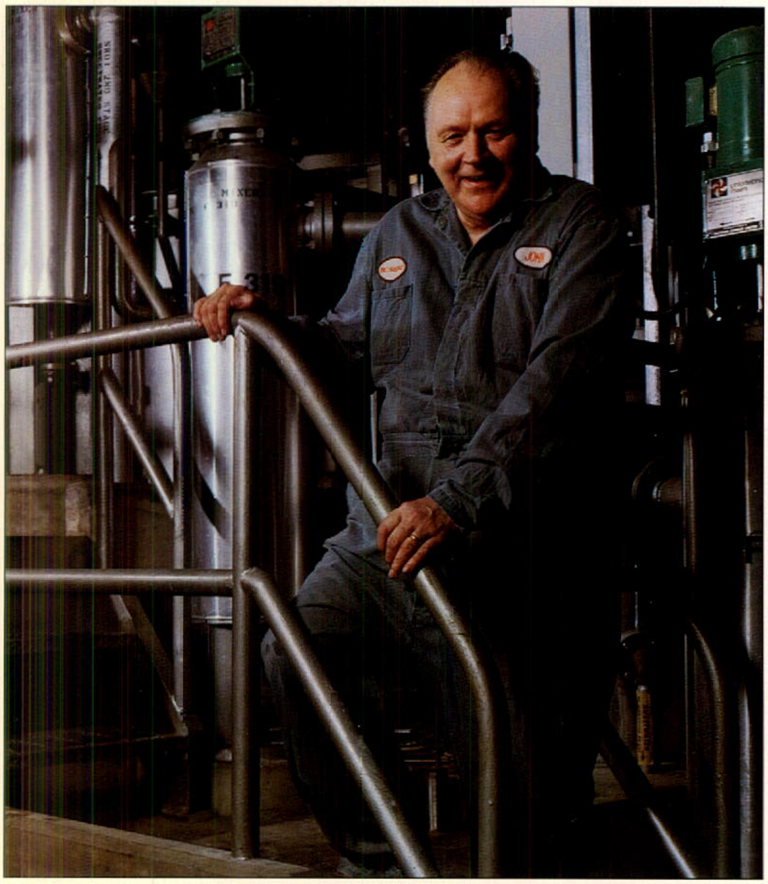
President and Chief Executive Officer

December 14, 1990
Vancouver, B.C.

Sugar

Linda Palmer, Station Operator, has been with BC Sugar for 14 years.

John Shaw, BC Sugar's Clarification System Operator has 41 years with the Company.



World market raw sugar prices experienced a degree of volatility during 1990. The trend toward rising prices reported in 1989 continued through March of 1990, topping 15 cents U.S. per pound, but subsequently fell to current levels of approximately 10 cents per pound. Factors contributing to the price decline include an anticipated large European beet crop, which would bring forecast world production close to projected consumption, and generally weakened import demand as developing nations become more self-sufficient.

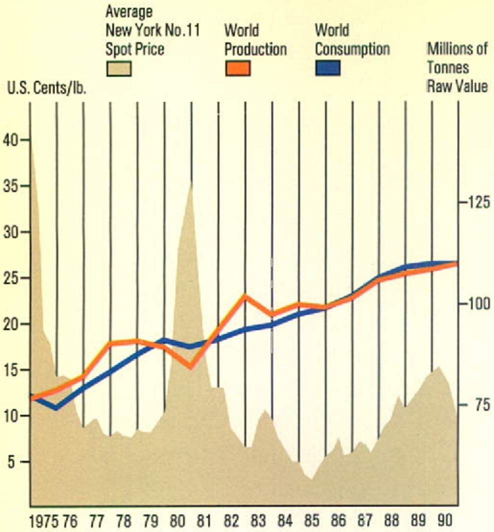
In Alberta and in Manitoba, excellent sugar yields are projected from the current crop of sugar beets. At Alberta Sugar, the tare laboratory constructed in 1989 will result in payments to individual growers on the basis of the quality characteristics of sugar beets delivered. This development has encouraged the adoption of improved agronomic practices with attendant improvements in sugar beet quality, now the best in Company history. In November of 1990, a new three year labour agreement was reached with the Alberta union. Negotiations with the Manitoba union are scheduled for the spring of 1991.

On the first day of the Free Trade Agreement, the United States summarily cut off U.S. market access for Canadian sugar/dextrose blends. In September of 1990, despite a ruling by an independent arbitrator that the U.S. had violated Canada's rights under the General Agreement on Trade and Tariffs, the Canadian Government deferred for the eighth time a decision regarding the withdrawal of tariff concessions in retaliation for failing to restore this market.

In the three years preceding the January 1, 1989 refusal of the United States to accept entry of sugar/dextrose blends from Canada, the average annual value of such shipments was $23 million. Repeated delays in exercising Canada's rights under GATT, or in pursuing the dispute under the Free Trade Agreement, is a matter of concern, not only to Canadian sugar exporters, but also to Canadian industry and trade generally. Dependable access to the United States is essential to the Canadian economy and must be supported by the implementation of effective rules to ensure that access. When trade agreements are violated, Canadian industry must not be discouraged from seeking full recourse—indeed, in this instance, the concept of the Free Trade Agreement is placed in jeopardy.

In October of 1989, Manitoba Sugar celebrated the harvest of its 50th sugar beet crop. Company employees

World Sugar Prices, Production and Consumption



and sugar beet growers participated in a number of special events in recognition of this occasion.

In May, BC Sugar hosted 150 delegates from 15 different countries to the 1990 Annual Meeting of Sugar Industry Technologists (SIT). Established in 1941, SIT provides a worldwide forum for the exchange of scientific information and other technical aspects of sugar processing.

Also in May, the Annual General Meeting of the World Sugar Research Organization (WSRO) was held in Vancouver, and William C. Brown, President and Chief Executive Officer of BC Sugar, was elected to the position of chairman of this international organization. The WSRO monitors and collects current research information, organizes symposia and scientific meetings and assists in disseminating the results of research on sugar. The efforts of the WSRO have become increasingly important as a means of counteracting public misconceptions concerning sugar which are often based on limited or misinterpreted scientific data.

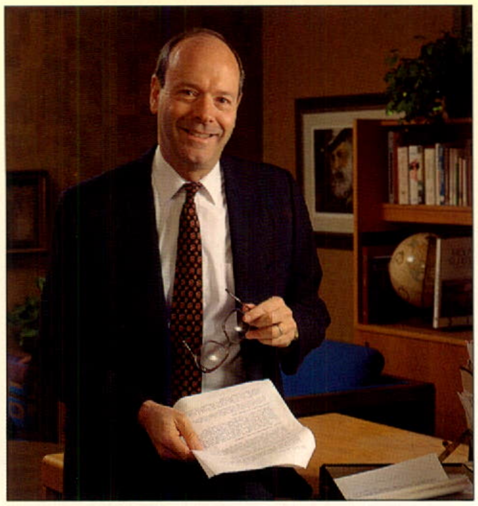
The Canadian Sugar Institute also continues in its efforts to dispel the many myths surrounding the role of sugar in our daily diet. One of a series of informative advertisements published by the Canadian Sugar Institute is reproduced on the final page of this Report.

Doug Reurink, Draftsman, has been with Alberta Sugar for the past two years.

Bob Ford is a Fork Truck Operator with 23 years of service at BC Sugar.

Jon and Ian Forrester are third generation Manitoba sugar beet growers.

Specialty Chemicals



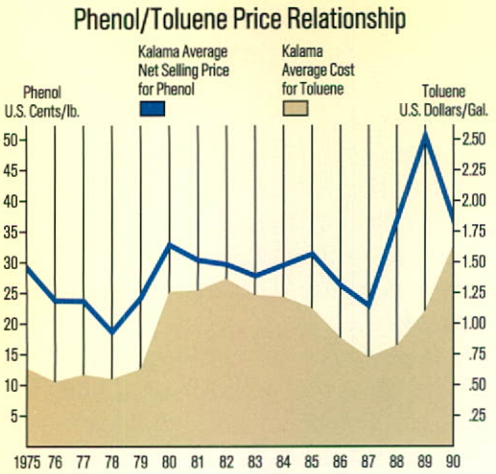
Bob Kirchner, President of the BC Sugar Chemicals Division.

In 1990, commodity-based prices were adversely affected by the slowing world economy. The main reason for the erosion of earnings of the chemicals division was the decline in world prices for phenol which has persisted throughout the fiscal year. Prices for toluene, the petroleum-based feedstock for phenol production at each of the Kalama and Chatterton plants, have increased, with the result that phenol sales margins have been substantially eroded.

In 1990, phenol sales accounted for approximately 50 percent of the chemicals division revenues. The principal uses of phenol derivatives are in the manufacture of wood products and in the automotive industry, and decreased demand from these key sectors has resulted in decreased demand and reduced profitability for BC Sugar's chemicals division. At present, the inevitable turnaround for phenol prices is not in sight. In order to offset the cyclical nature of world phenol prices, the strategy of BC Sugar's chemical interests has been to continue to diversify into new higher margin products for which demand and prices are less affected by unmanageable economic events.

To this end, benzoic acid and benzoic derivatives capacity has been substantially increased at the Kalama plant. A new facility to produce benzaldehyde derivatives for the fragrance industry has been completed and is running well. Debottlenecking of production facilities for salicylic acid has been completed at the Garfield, New Jersey plant. Other Garfield pro-

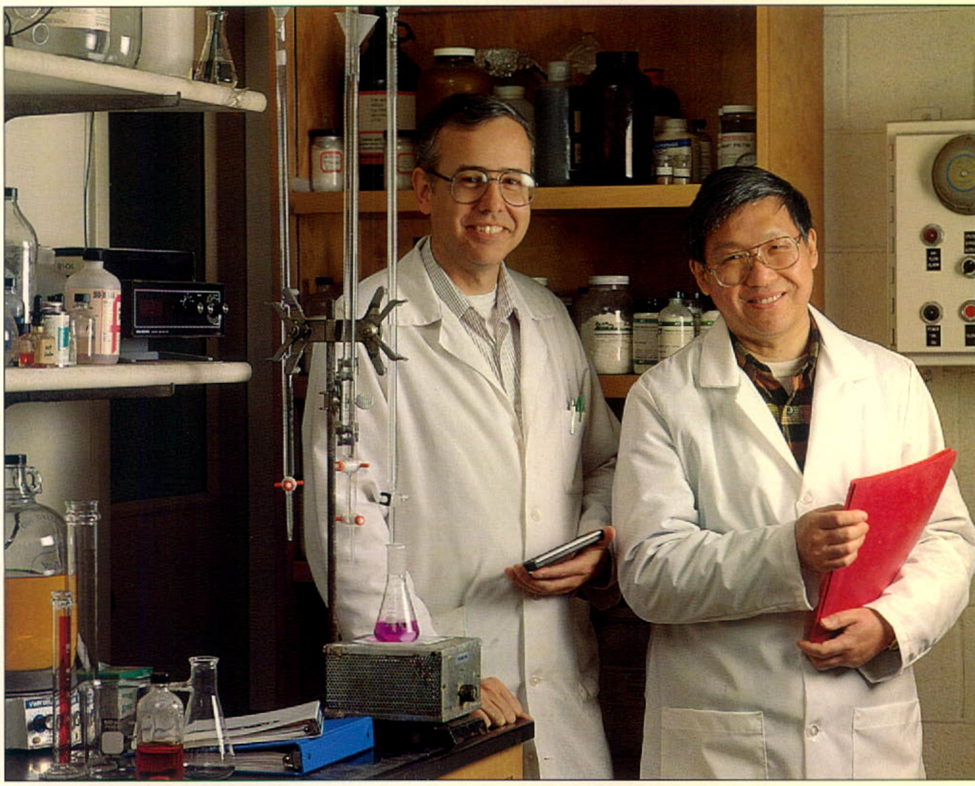
Left to right: Fred Shelton, Executive Vice President – Research and Development. Bruce Levelton, Executive Vice President – Chatterton. Bill Ashman, Vice President – Commercial Operations.



duction departments have also increased output and improved yields during the year. At Chatterton, process line additions have resulted in increased production of meta toluic acid and other specialty items. In the coming year, efforts will continue to increase efficiencies and reduce dependency on phenol as the major revenue source for the chemicals division.

Environmental considerations play an important role in both day-to-day operations and strategic developments in the chemicals industry. At each of the Kalama, Chatterton and Garfield plants, environmental issues are monitored on a continuous basis and are the subject of priority review. Significant expenditures have been made at each location to keep pace with ever-changing regulations and will continue to be made as a necessary adjunct to the specialty chemicals business.

In January of 1990, BC Sugar acquired the remaining 25 percent minority interest in Kalama Chemical, Inc. Since May, Kalama and Chatterton Petrochemical Corporation, each now owned 100 percent by BC Sugar, have operated as a single business unit known as the BC Sugar Chemicals Division. Robert A. Kirchner has been appointed President of the Division. Dr. Bruce H. Levelton, Executive Vice-President, is the senior executive at Chatterton, and Frederic J. Shelton, Executive Vice-President, Research and Business Development, is responsible for directing all divisional research activities as well as new product and process development.



Ed Brown (left) and Jason Liang, Research Chemists at the Kalama Chemical laboratory.

Peter Rutherford, Process Engineer.

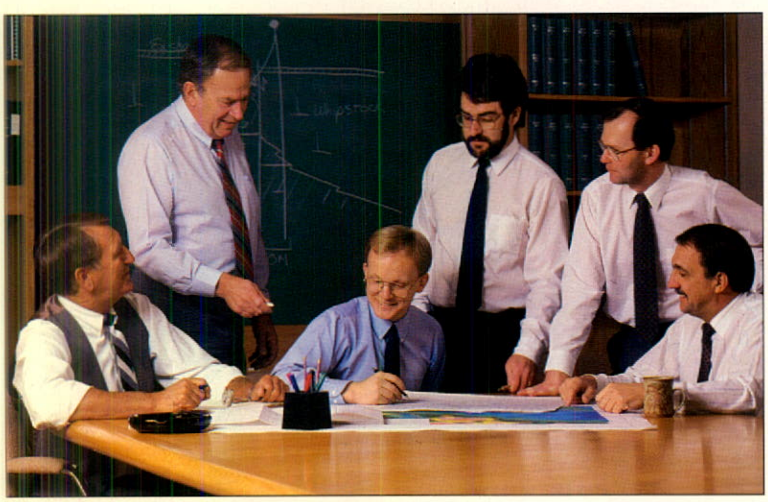
Oil and Gas

In 1990, cash flow and earnings reported by Anderson Exploration Ltd. exceeded the record levels established in 1989. Crude oil production increased 134 percent over 1989 to 3,821 barrels per day as a result of successful oil exploration. Oil and natural gas liquids totalled 4,983 barrels per day, up from 2,791 barrels per day in 1989. Subsequent to Anderson's year end, new gas production was placed on stream at 16 million cubic feet per day through a plant and gathering system in the Wildmere area of east-central Alberta, owned 100 percent by Anderson. As a result, gas production should increase substantially in 1991.

In July, Anderson entered into a flow-through share agreement under which $4.4 million of common shares will be issued. The proceeds are being directed toward Anderson's exploration program. In August, 2,000,000 units entitling the holder of each unit to one common share and half a share purchase warrant were sold at $18.25 for proceeds of $36.5 million. Each full common share purchase warrant will entitle the holder to purchase one additional common share at a price of $19.50 for a period expiring on July 2, 1991. Proceeds of this issue will be used to finance Anderson's capital expenditure program and to reduce long-term debt. BC Sugar did not participate in either of these two equity issues and BC Sugar's ownership of Anderson currently stands at 18.1 percent.

Recent events in the Middle East, while resulting in substantial increases in world oil prices, have not been reflected in increased market prices for oil and gas stocks on the Toronto Stock Exchange. Approximately 4.5 million barrels per day, or about 7.5 percent, has been taken out of the supply side of the daily world oil equation. This amount has been easily replaced by increased production in other countries, predominantly Saudi Arabia. The current fundamentals of supply and demand, therefore, do not support the price spike resulting from the invasion of Kuwait by Iraq. However, these events do illustrate the fragility of the supply of imported oil to the consuming regions of the world, particularly North America.

HIGHLIGHTS	1990	1989
Financial (in Thousands of Dollars)		
Revenues (net of royalties)	**$ 66,300**	$ 51,000
Net earnings	**13,200**	11,000
Cash flow	**43,600**	34,000
Capital expenditures	**74,500**	34,800
Long-term debt	**75,000**	80,000
Shareholders' equity	**182,700**	131,000
Reserves		
Natural gas (billions of cubic feet)		
–proven	**575**	556
–proven plus probable	**872**	810
Oil and natural gas liquids (millions of barrels)		
–proven	**16.4**	15.3
–proven plus probable	**24.0**	23.8
Production		
Natural gas (millions of cubic feet per day)	**66**	71
Oil and natural gas liquids (barrels per day)	**4,983**	2,791



President and Chairman J. C. Anderson (standing, left) with the Anderson Exploration executive team: Phil Evans, Ken McCagherty, Kim O'Donnell, David Scobie and Art Williamson.

Management's Discussion and Analysis

BC Sugar Refinery, Limited

Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto. All information is based on BC Sugar's fiscal year.

Comparison of 1990 and 1989 Earnings

In 1990, BC Sugar recorded net earnings of $11.6 million. This compares to 1989 net earnings of $23.4 million. On a per common share basis, net earnings decreased from $1.70 per common share in 1989 to $0.82 per common share in 1990.

1990 consolidated revenues increased $1.1 million over 1989 consolidated revenues. The increase is comprised of a $21.3 million increase in the revenues of the sugar industry segment of the business and a $20.2 million decrease in the revenues of the specialty chemicals industry segment.

Contributions to consolidated revenues and cost of sales by each industry segment are as follows:

	1990	1989
Revenues		
Sugar	$184,261	$162,922
Specialty Chemicals	105,923	126,118
	$290,184	$289,040
Cost of Sales		
Sugar	$134,275	$111,332
Specialty Chemicals	94,513	95,739
	$228,788	$207,071
Gross Margin		
Sugar	27%	32%
Specialty Chemicals	11%	24%

Sugar revenues rose in 1990 as a result of higher world prices and slightly increased sales volumes. World raw sugar prices increased from an average 12 cents U.S. per pound in 1989 to an average 14 cents U.S. per pound in 1990. Under the Company's agreement with sugar beet growers in Alberta and Manitoba, the growers' share of net returns increases as higher sugar prices are realized. As revenues have increased with higher volumes and prices, the gross margin from beet sugar operations has been affected by increased payments to the growers.

In response to increasing competition from offshore suppliers and alternate sweeteners, the Company, in 1989, implemented certain incentive programs to help stimulate sales. As 1990 is the first full year of operation for these programs, selling expenses have increased over 1989.

Specialty chemicals results for 1990 were affected primarily by world market factors, largely beyond the Company's control. Prices for phenol, this segment's primary product, decreased dramatically during the year, while the price of the main raw material component, toluene, increased slightly. The Company is attempting to compensate for these trends by diversifying its product line, particularly towards products which have historically higher gross margins. Continued diversification and expansion will reduce dependence on phenol operations and lessen the impact of these fluctuations on the Company's earnings.

Management's Discussion and Analysis

BC Sugar Refinery, Limited

During 1990, the Company spent $2.7 million to remove a tar pile from its Kalama, Washington facility. This cost was included in cost of sales and has thus adversely affected segment gross margin.

Environmental control costs and claims for product and general liability are considered routine to the nature of the business of the specialty chemicals segment. Based upon currently available information, it is management's opinion that the outcome of such litigation and environmental matters will not be materially adverse to the Company's financial condition or operating results.

Comparison of 1989 and 1988 Earnings

In 1989, BC Sugar recorded net earnings of $23.4 million. This compares to the record 1988 net earnings of $36.9 million, which includes an extraordinary gain of $16.2 million realized on the distribution to shareholders of shares of Anderson Exploration Ltd. on the basis of one share of Anderson for each two shares of BC Sugar then held. On a per common share basis, net earnings decreased from $2.91 per common share (including $1.05 per common share relating to the extraordinary gain) in 1988 to $1.70 per common share in 1989.

In 1988, BC Sugar wrote off the balance of its investment in Methane Technologies. The writeoff of $2.9 million is recorded as an extraordinary loss in the 1988 financial statements.

1989 consolidated revenues increased $27.0 million over 1988 consolidated revenues. This increase is comprised of a $10.1 million increase in the revenues of the sugar industry segment of the business and a $16.9 million increase in the revenues of the specialty chemicals industry segment.

Contributions to consolidated revenues and cost of sales by each industry segment are as follows:

	1989	1988
Revenues		
Sugar	$162,922	$152,787
Specialty Chemicals	126,118	109,299
	$289,040	$262,086
Cost of Sales		
Sugar	$111,332	$101,298
Specialty Chemicals	95,739	77,442
	$207,071	$178,740
Gross Margin		
Sugar	32%	34%
Specialty Chemicals	24%	29%

Sugar revenues rose in 1989 as a result of higher world sugar prices, partially offset by slightly decreased sales volumes. World sugar prices increased from an average 10 cents U.S. per pound in 1988 to an average 12 cents U.S. per pound in 1989. Higher sugar prices in 1989 encouraged some customers to switch to alternate sweeteners. The domestic marketplace was also affected by refined sugar from the United States, Korea, and the European Economic Community, which was sold at prices lower than those in the country of origin. Sales margins were reduced to compete with these suppliers, resulting in a decrease in the gross margin on sugar sales from 34 percent in 1988 to 32 percent in 1989. The Company implemented incentive programs to stimulate sales in 1989, resulting in an increase in selling, general and administrative expenses over 1988.

The increase in revenues in the specialty chemicals segment was the result of a number of factors. Prices for phenol, the Company's major chemical product, increased on the world market. Sodium benzoate production capacity at the Kalama plant was also substantially increased, and equipment was added to produce an extruded dust free product. Two new products, meta toluic and ortho toluic acid, were launched at the Delta plant towards the end of the year. A fire at the Delta plant in June, 1989 was covered by insurance and did not significantly affect financial performance.

Effects of Changing Prices

The Company believes its business is not affected by inflation to an extent greater than the general economy. The Company monitors the impact of inflation and attempts to adjust prices where market conditions permit. Sales levels during fiscal 1990 and 1989 were not significantly affected by inflation.

Liquidity and Capital Resources

Cash requirements for working capital and the majority of capital expenditures have historically been met with funds generated from operations. Management believes that cash generated by operations and changes in working capital, together with bank credit lines, will be sufficient to meet its working capital and capital expenditure requirements for 1991. Short-term cash requirements resulting from differences in the timing of purchases and sales are met by Canadian $58.3 million and U.S. $7.0 million revolving demand loan facilities arranged with a number of Canadian and U.S. banks. The Company is required to maintain a positive working capital position as a condition of these facilities.

Estimated fixed asset expenditures for 1991 are $8.0 million compared with actual fixed asset expenditures of $14.0 million in 1990. There were no material commitments for fixed asset expenditures at September 30, 1990.

The Company's acquisition of its subsidiary companies and its investment in Anderson Exploration Ltd. have been financed from cash flows and by a Canadian $30 million 1-year revolving term loan facility. A $5.0 million facility to finance capital expenditures has been arranged by one of the Company's subsidiaries. Both facilities require, subject to the option of the Company to extend the revolving periods, that the loans be converted to term loans to be repaid over a five year period. The revolving loan periods have currently been extended to January 31, 1992 and November 30, 1991, respectively. The Company is required to maintain certain financial ratios which reflect normal bank requirements.

Management's Discussion and Analysis

BC Sugar Refinery, Limited

One of the Company's subsidiaries has a capital loan of $2.4 million from the Province of British Columbia, to be repaid in three annual instalments commencing in 1991. Under the terms of this loan, the subsidiary company is restricted from making dividend payments or redeeming shares without the consent of the Province of British Columbia.

The Company has entered into an agreement to purchase 50 percent of the shares of Lantic Sugar Limited from Jannock Limited for $110 million. The transaction is expected to close in early 1991. A shareholders' agreement between Jannock and BC Sugar contains the right of Jannock to sell all its remaining shares in Lantic after December 31, 1991 and the right of BC Sugar to purchase all of Jannock's remaining shares in Lantic after December 31, 1993. The price paid by BC Sugar for Jannock's remaining 50 percent interest will be determined pursuant to a formula on exercise of the right. The Company has received a bank letter of commitment for financing of $140 million, which represents $110 million required for the initial purchase of Lantic shares and a renegotiation of the existing $30 million facility.

Funds generated by operations in 1990 amounted to $10.8 million (1989 – $29.0 million), of which $1.6 million (1989 – $19.8 million) remained for capital expenditures after payment of common and preferred share cash dividends of $9.2 million (1989 – $9.2 million). The Company financed its actual capital expenditures and investment activities with an increase in short-term debt of $21.9 million (1989 – $9.5 million). The statement of changes in financial position provides details of the expenditures.

Future Results

World sugar prices have declined somewhat since the end of 1989; however as world prices affect both the cost of raw sugar and the selling price of refined sugar, the decrease will have little effect on the Company's gross margin from cane operations in the coming year. Other than changes to raw sugar prices, management feels that there should be no other major competitive issues in the next year and that earnings from both beet and cane sugar operations should remain relatively stable.

World market factors, which are beyond the control of the Company, are the primary determinant of earnings in the specialty chemicals segment. Fluctuations in the price of raw material components (most of which are tied to world oil prices and final products) are uncertain, thus management is unable to reasonably assess their impact on the future earnings of this segment.

The planned acquisition of 50 percent of the shares of Lantic will be accounted for in the financial statements of BC Sugar under the equity method. The investment is to be financed with bank debt, and management expects that this acquisition will have no major effect on earnings over the next year but will be a positive factor over the longer term.

The proposed Goods and Services Tax (GST) is expected to have little impact on the Company's business. Sugar is a zero-rated product for purposes of the GST and is effectively relieved of all tax collected throughout the value-added chain. Chemicals segment products sold in Canada are either destined for export or are sold to domestic customers. In either case, GST paid will be recovered through the claiming of input tax credits.

Five-Year Review

(000's omitted, except per share amounts)

Financial	**1990**	1989	1988	1987	1986
Revenues	**$290,184**	$289,040	$262,086	$211,215	$137,769
Earnings before extraordinary items	**$ 11,603**	$ 23,417	$ 23,563	$ 17,969	$ 4,290
Extraordinary items	**–**	–	13,295	–	(40,934)
Net earnings (loss)	**$ 11,603**	$ 23,417	$ 36,858	$ 17,969	$ (36,644)
Cash from operations	**$ 10,798**	$ 29,000	$ 30,114	$ 18,130	$ 5,880
Dividends	**$ 11,306**	$ 10,698	$ 8,786	$ 7,740	$ 7,422
Special dividend	**–**	–	$ 36,612	–	–
Working capital	**$ 17,810**	$ 33,975	$ 39,091	$ 19,791	$ 5,155
Long-term debt	**$ 32,122**	$ 32,142	$ 32,411	$ 35,097	$ 21,919
Shareholders' equity	**$ 93,682**	$ 88,745	$ 73,543	$ 64,692	$ 54,336
Per common share (after giving retroactive effect to the 2-for-1 stock split in March, 1989)					
Earnings before extraordinary items	**$ .82**	$ 1.70	$ 1.86	$ 1.47	$ .35
Extraordinary items	**–**	–	1.05	–	(3.34)
Net earnings (loss)	**$ .82**	$ 1.70	$ 2.91	$ 1.47	$ (2.99)
Other Information					
Average net shares outstanding (000's omitted)	**14,131**	13,773	12,664	12,278	12,258
Degree of Canadian registration of common shares	**96%**	96%	97%	96%	96%

Statement of Earnings

BC Sugar Refinery, Limited and Subsidiary Companies, Years ended September 30

(In Thousands of Dollars)	1990	1989
Revenues	**$290,184**	$289,040
Costs and expenses		
Cost of sales	**228,788**	207,071
Selling, general and administrative	**29,466**	27,800
Depreciation	**8,150**	7,340
Long-term debt interest	**4,217**	3,666
Other interest	**4,329**	1,676
Total costs and expenses	**274,950**	247,553
	15,234	41,487
Income taxes (Note 6)	**5,119**	16,695
Earnings before undernoted items	**10,115**	24,792
Income from oil and gas (Note 2(a))	**1,764**	1,294
Minority interests in earnings of subsidiary company (Note 8)	**(276)**	(2,669)
Net earnings	**$ 11,603**	$ 23,417
Net earnings per common share (Note 11)	**$ .82**	$ 1.70

Statement of Retained Earnings

	1990	1989
Balance, beginning of year	**$ 33,171**	$ 20,452
Net earnings	**11,603**	23,417
	44,774	43,869
Dividends	**11,306**	10,698
Balance, end of year	**$ 33,468**	$ 33,171

Balance Sheet

BC Sugar Refinery, Limited and Subsidiary Companies, September 30

(In Thousands of Dollars)	**1990**	1989
ASSETS		
Current Assets		
Accounts receivable	**$ 35,005**	$ 37,257
Inventories	**39,966**	40,791
Total current assets	**74,971**	78,048
Investment in Anderson Exploration Ltd. (Note 2)	**31,847**	28,169
Other Investments (Note 3)	**8,834**	8,805
Fixed Assets		
Property, plant and equipment	**168,426**	151,992
Less accumulated depreciation	**90,610**	82,581
Total fixed assets	**77,816**	69,411
	$193,468	$184,433
LIABILITIES		
Current Liabilities		
Bank loans, secured	**$ 32,157**	$ 10,251
Accounts payable and accrued liabilities	**25,004**	33,822
Total current liabilities	**57,161**	44,073
Long-Term Debt (Note 4)	**32,122**	32,142
Deferred Income Taxes	**10,503**	11,774
Minority Interests	**–**	7,699
Total	**99,786**	95,688
SHAREHOLDERS' EQUITY		
Share Capital (Note 5)		
Common shares	**60,004**	56,268
Preferred shares	**1,570**	1,570
	61,574	57,838
Retained Earnings	**33,468**	33,171
	95,042	91,009
Common shares held by Anderson Exploration Ltd. (Note 2(b))	**–**	(1,346)
Foreign exchange adjustment	**(1,360)**	(918)
Total shareholders' equity	**93,682**	88,745
	$193,468	$184,433

Approved by the Board
Peter A. Cherniavsky, Director
John W. Pitts, Director

Contingent liabilities – Note 9
Commitment – Note 10

Statement of Changes in Financial Position

BC Sugar Refinery, Limited and Subsidiary Companies, Years ended September 30

(In Thousands of Dollars)	**1990**	1989
Cash provided by (used for)		
Operations		
Funds provided from operations (below)	**$ 16,813**	$ 34,070
Changes in non-cash working capital	**(6,015)**	(5,070)
Cash from operations	**10,798**	29,000
Cash dividends paid	**(9,154)**	(9,217)
	1,644	19,783
Financing		
Issue of common shares	**3,193**	1,638
Dividends reinvested in common shares	**(2,178)**	(1,638)
Increase (decrease) in long-term debt	**(20)**	39
	995	39
Investments		
Additions to fixed assets	**(14,025)**	(21,157)
Investment in Kalama Chemical, Inc.	**(10,624)**	(7,507)
Other investments	**104**	(670)
	(24,545)	(29,334)
Increase in current bank loans	**(21,906)**	(9,512)
Current bank loans at beginning of year	**10,251**	739
Current bank loans at end of year	**$ 32,157**	$ 10,251

Funds Provided from Operations

	1990	1989
Net earnings	**$ 11,603**	$ 23,417
Items not involving cash		
Depreciation	**8,150**	7,340
Minority interests in earnings, net of dividends	**169**	1,835
Deferred income taxes	**(1,211)**	3,295
Income from oil and gas	**(1,764)**	(1,294)
Income from investments	**(364)**	(579)
Depletion of oil and gas property	**188**	195
Other	**42**	(139)
	5,210	10,653
Funds provided from operations	**$ 16,813**	$ 34,070

Notes to Financial Statements

BC Sugar Refinery, Limited and Subsidiary Companies, September 30, 1990

1. Significant accounting policies

a) Basis of presentation

The consolidated financial statements include the accounts of the wholly owned subsidiary companies, The British Columbia Sugar Refining Company, Limited, Chatterton Petrochemical Corporation and Kalama Chemical, Inc. (Note 8).

The Company's 20.1 percent interest (1989 – 20.3 percent) in Anderson Exploration Ltd. ("Anderson") has been accounted for on the equity basis (Note 2(a)).

b) Inventories

A normal quantity of 35,000 tonnes of cane sugar is valued at $85 per tonne, which is less than replacement value. Any quantities of cane sugar in excess of this amount and all beet sugar inventories are valued at the lower of average and replacement cost. All other inventories are valued at the lower of average cost and net realizable value.

c) Depletion

The Company and Anderson follow the full cost method of accounting whereby all costs related to the exploration and development of oil and gas properties, whether productive or non-productive, are capitalized and depleted on the unit-of-production method based on estimated proven reserves. A ceiling test is applied to capitalized costs to ensure that such costs do not exceed the estimated future net revenues from production of proven reserves, at prices and operating costs in effect at the year end, plus the estimated fair market value of unevaluated properties.

d) Fixed assets

Fixed assets are stated at cost. Depreciation is provided over the estimated useful lives of the assets. Assets of the Canadian operations are depreciated on the diminishing-balance basis at rates varying from four percent to thirty percent per annum. Assets of the specialty chemical operations in the United States are depreciated on the straight-line basis at rates varying from five percent to ten percent.

e) Income taxes

Deferred income taxes are provided on timing differences which result primarily from claiming capital cost allowances in excess of depreciation provided and from the difference between the Company's basis of valuing its sugar inventories and that permitted for income tax purposes.

f) Foreign currency translation

Assets and liabilities of foreign operations, which are self-sustaining, are translated at the year-end rate of exchange. Income statement items are translated at average exchange rates. Gains and losses from translation of foreign operations are included in the foreign exchange adjustment component of shareholders' equity.

g) Pension expense and obligation

Assets of the Canadian defined benefits pension plan are recorded at values which are adjusted to market over a period of five years. Assets of the United States defined benefits pension plan are recorded at market values. Any experience gains and losses are amortized on a straight-line basis over the expected average remaining service life of the plan participants.

Notes to Financial Statements

BC Sugar Refinery, Limited and Subsidiary Companies, September 30, 1990

2. Anderson Exploration Ltd. ("Anderson")

a) BC Sugar's share of income reported by Anderson has been determined as follows:

(In Thousands of Dollars)	1990	1989
Net income reported by Anderson	$ 13,209	$ 10,988
BC Sugar's share of Anderson's income	$ 2,646	$ 2,267
Eliminations:		
Anderson's gain on sale of BC Sugar shares net of income taxes	(856)	(816)
Intercompany dividends	(26)	(157)
Income from oil and gas reported by BC Sugar	$ 1,764	$ 1,294

b) During the year, Anderson disposed of its remaining holding of 607,000 shares of BC Sugar. As a result, BC Sugar's portion of Anderson's gain on the sale of its BC Sugar shareholding, net of income taxes, amounting to $543,000 (1989 – $605,000 on 377,000 shares) has been included in the value of the Company's share capital.

In 1989, to reflect Anderson's ownership of 607,000 shares of BC Sugar, shareholders' equity was reduced by the Company's share of the cost of the BC Sugar shares held by Anderson.

c) In August of 1990, pursuant to an underwriting agreement, Anderson issued an aggregate of 2,000,000 Special Warrants, each of which entitled the holder to one unit consisting of one common share and one half of one common share purchase warrant, for net proceeds of $35,413,000.

Subsequent to September 30, 1990, Anderson issued the 2,000,000 units in exchange for all of the Special Warrants. BC Sugar's interest in Anderson has been reduced from 20.1 percent to 18.1 percent.

3. Other investments

(In Thousands of Dollars)	1990	1989
Real estate development properties	$ 2,636	$ 2,832
Oil and gas properties	2,802	2,838
Other	3,396	3,135
	$ 8,834	$ 8,805

4. Long-term debt

(In Thousands of Dollars)	1990	1989
The British Columbia Sugar Refining Company, Limited		
Bank loan bearing interest at bank prime, convertible into a term loan at the Company's option with interest at prime plus ¼%	$ 30,000	$ 30,000
Chatterton Petrochemical Corporation		
Secured loan repayable by 1992	2,378	2,378
Other	62	82
	32,440	32,460
Less current portion included in accounts payable	318	318
	$ 32,122	$ 32,142

4. Long-term debt—*continued*

Required principal payments on long-term debt in each of the next five years are as follows:

1991	$ 318
1992	318
1993	1,797
1994	7
1995	–

5. Share capital	1990	1989
Common shares outstanding at September 30:		
Class A	12,871,763	12,565,026
Class B	1,304,250	1,407,845
	14,176,013	13,972,871
Preferred shares, carrying a cumulative dividend entitlement of $1.00 per share and redeemable at $20.00 per share	78,500	78,500

a) Class A and Class B shares have equal voting rights, rank equally with respect to dividends and are convertible into one another on a share for share basis.

During 1990, 143,142 shares (1989–103,495 shares) were issued as stock dividends to shareholders who elected to reinvest their dividends. The value attributed to these shares was $2,178,000 (1989–$1,638,000).

In January, 1990, the Company issued 60,000 common shares with a value of $1,015,000 as part of the arrangement to acquire the remaining 25.3 percent interest in Kalama Chemical, Inc. (Note 8).

In March, 1989, the Company subdivided its common shares on a two-for-one basis and all figures for common shares reflect this subdivision.

b) In May, 1990, subject to confirmation by the shareholders at the Company's next annual general meeting, the Company's Board of Directors approved a shareholders' rights plan.

Under the plan, one share purchase right is issued in respect of each Class A and Class B common share outstanding as at May 24, 1990 and each common share issued thereafter.

Should any person or group, other than a bidder making a bid that satisfies the requirement of a "permitted bid" set forth in the plan, acquire or announce an intention to acquire, 20 percent or more of the total of the Company's Class A and Class B common shares, the rights, after a ten-day waiting period, will separate from the shares. The rights will then entitle each holder of common shares (other than the bidder) to acquire Class A common treasury shares of the Company, or, in certain circumstances common shares of the bidder, at a 50 percent discount from the then prevailing market price.

Any person or group owning more than 5 percent but less than 20 percent of the outstanding common shares as at May 24, 1990 will be grandfathered under the plan so that they may make a permitted bid, provided not more than a further 2 percent of the outstanding shares are acquired, other than through a permitted bid acquisition or other approved acquisition under the plan. Similarly, any person or group owning 20 percent or more of the outstanding common shares as at May 24, 1990 is grandfathered so that the plan will not be activated unless such shareholding is increased by more than 2 percent.

The rights will remain outstanding until May, 2000 unless redeemed earlier by the Board of Directors. The plan is subject to reconfirmation by shareholders every five years.

Notes to Financial Statements

BC Sugar Refinery, Limited and Subsidiary Companies, September 30, 1990

5. Share capital – *continued*

The requirements of a "permitted bid" include the following:

- the bid must be made for all outstanding common shares to all holders thereof;
- the bidder must not own more than 5 percent of the outstanding common shares, unless he did so at the time the plan was adopted;
- the bid must remain outstanding for 90 days; and
- not less than 50 percent of the outstanding common shares held by persons other than the bidder or related parties must be tendered to the bid.

c) During 1990, the Company established a share option plan for key employees. To date, options have been granted to acquire 30,000 Class A common shares at a price of $17.25 per common share. The options are exercisable beginning in December, 1989 and expire in December, 1999. At September 30, 1990, 250,000 Class A common shares were reserved for possible issuance pursuant to the plan.

6. Income taxes

The Company's effective income tax rate comprises the following:

	1990	1989
Combined basic Canadian federal and provincial income tax rate	42.1%	42.2%
Manufacturing and processing profits deduction	(3.1)	(2.3)
Non-taxable adjustments and other	(5.4)	0.3
Effective income tax rate	33.6%	40.2%
Actual provision for income taxes	$ 5,119,000	$16,695,000

7. Pension plans

The Company maintains defined benefit pension plans for its employees. Actuarial valuations of these pension plans are carried out periodically and provide estimates of present value of accrued pension benefits at a point in time, calculated on the basis of various assumptions with respect to pension plan costs and rates of return on investments.

As at September 30, 1990 the present value of accrued benefits amounts to $26,728,000 (1989 – $25,488,000). Pension fund assets as at September 30, 1990 were $25,616,000 (1989 – $24,105,000).

The Company will fully amortize the unfunded accrued benefits over the expected average remaining service life of the plan participants. This amortization period is currently fourteen years.

8. Kalama Chemical, Inc. ("Kalama")

In December of 1986, the Company acquired all of the convertible debt and a 49.98 percent interest in the common shares of Kalama.

In December 1988, the Company converted the debt into a 4.07 percent interest in the common shares of Kalama and, in February 1989, pursuant to a share purchase agreement, acquired an additional 20.69 percent interest for cash consideration of $7,507,000. The excess purchase price of $1,355,000 arising on these two transactions has been attributed to fixed assets. As at September 30, 1989, the Company had a 74.74 percent interest in Kalama.

In January, 1990, the Company acquired the remaining 25.26 percent interest in Kalama for cash consideration of $9,609,000 and the issuance of 60,000 common shares with a value of $1,015,000. The excess purchase price of $2,879,000 has been attributed to fixed assets.

9. Contingent liabilities

a) The Company, through Kalama, is involved in certain personal injury litigation and cleanup efforts in the United Sates which are considered routine to the nature of its business. In the opinion of management, it is unlikely that the outcome of such litigation and environmental matters will have a material effect on the Company's financial position.

b) In 1989, Kalama posted a U.S. $3,000,000 letter of credit as security for the cleanup of its Garfield facility to a level deemed satisfactory to the State of New Jersey. It is anticipated that a portion of the cleanup costs will be borne by the previous owner of the site. It is not possible at this time to estimate the costs associated with the cleanup, nor determine the degree of cost participation by Kalama, if any, in such cleanup.

c) In 1990, Kalama entered into an agreement to guarantee the collection of certain accounts receivable of an affiliate in order for the affiliate to secure a bank line of credit in the amount of U.S. $5,000,000.

10. Commitment

In July, 1990, the Company entered into an agreement to purchase 50 percent of the shares of Lantic Sugar Limited ("Lantic") from Jannock Limited ("Jannock") for $110 million. The transaction is expected to close in early 1991. A shareholders' agreement between Jannock and the Company contains the right of Jannock to sell all its remaining shares in Lantic to BC Sugar after December 31, 1991 and the right of the Company to purchase all of Jannock's remaining shares in Lantic after December 31, 1993. The price paid by the Company for Jannock's remaining 50 percent interest will be determined pursuant to a formula on exercise of the right.

11. Net earnings per common share

Earnings per common share for 1989 are calculated after adjusting for the shares of the Company held by Anderson.

The possible issuance of common shares by the Company under the key employee share option plan and the shareholders' rights plan do not have materially dilutive effects on the Company's earnings per share.

In addition, the issuance of common shares by Anderson on the exchange of Special Warrants and the possible exercising of common share purchase warrants do not have materially dilutive effects on the Company's earnings per share.

Notes to Financial Statements

BC Sugar Refinery, Limited and Subsidiary Companies, September 30, 1990

12. Segmented information

The Company and its subsidiaries operate in Canada and the United States in two industry segments, sugar and specialty chemicals. The sugar segment includes the refining, packaging and marketing of cane and beet sugar in Western Canada. The specialty chemicals segment consists of the development and production of products in Canada and the United States.

a) Industry segments

(In Thousands of Dollars)	Sugar		Specialty Chemicals		Consolidated	
	1990	1989	1990	1989	1990	1989
Revenues	$184,261	$162,922	$105,923	$126,118	$290,184	$289,040
Operating earnings (loss)	$ 25,403	$ 28,373	$ (1,623)	$ 18,456	$ 23,780	$ 46,829
Interest expense					8,546	5,342
Income taxes					5,119	16,695
Income from oil and gas					(1,764)	(1,294)
Minority interests in earnings of subsidiary company					276	2,669
					12,177	23,412
Net earnings					$ 11,603	$ 23,417
Identifiable assets	$ 59,171	$ 56,265	$ 93,616	$ 91,194	$152,787	$147,459
Investments					40,681	36,974
					$193,468	$184,433
Depreciation	$ 3,432	$ 3,442	$ 4,718	$ 3,898	$ 8,150	$ 7,340
Purchase of fixed assets	$ 3,169	$ 4,202	$ 10,856	$ 16,955	$ 14,025	$ 21,157

Directors

J. C. Anderson
President and Chief Executive Officer of Anderson Exploration Ltd.

R. Stuart Angus
Partner, Smith, Lyons, Torrance, Stevenson & Mayer

William C. Brown
President and Chief Executive Officer of the Company

Hon. Pat Carney, P.C.
Senate of Canada

Peter A. Cherniavsky
Chairman of the Company

John W. Pitts
President and Chief Executive Officer of MacDonald Dettwiler and Associates Ltd.

H. Richard Whittall
Corporate Director

F. Cameron Wilkinson
Corporate Director

Officers

Peter A. Cherniavsky
Chairman

William C. Brown
President and Chief Executive Officer

David M. S. Elliott
Vice-President

James W. Hudson
Vice-President, Finance and Secretary

Brian A. Rogers
General Sales Manager

G. M. Guccione
General Manager, Alberta Sugar

J. G. Zednai
Manager, Manitoba Sugar

Head Office

Location:
Rogers Street, Vancouver, B.C.

Postal address:
Box 2150, Vancouver, B.C. V6B 3V2

Stock Listing

Toronto Stock Exchange

Transfer Agents

National Trust Company

Annual Meeting

The Annual Meeting of Shareholders will be held on Wednesday, February 20, 1991 at 3:00 p.m. in the British Room of **The Hotel Vancouver,** Vancouver, British Columbia.

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BC Sugar

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