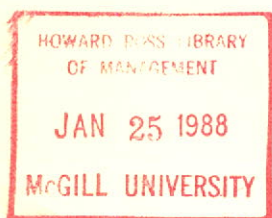
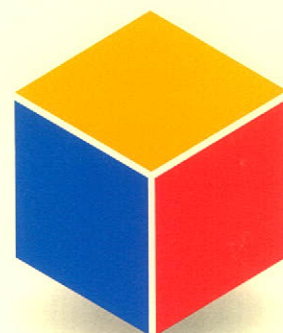


C

BC Sugar

Annual Report
1987



Financial Highlights

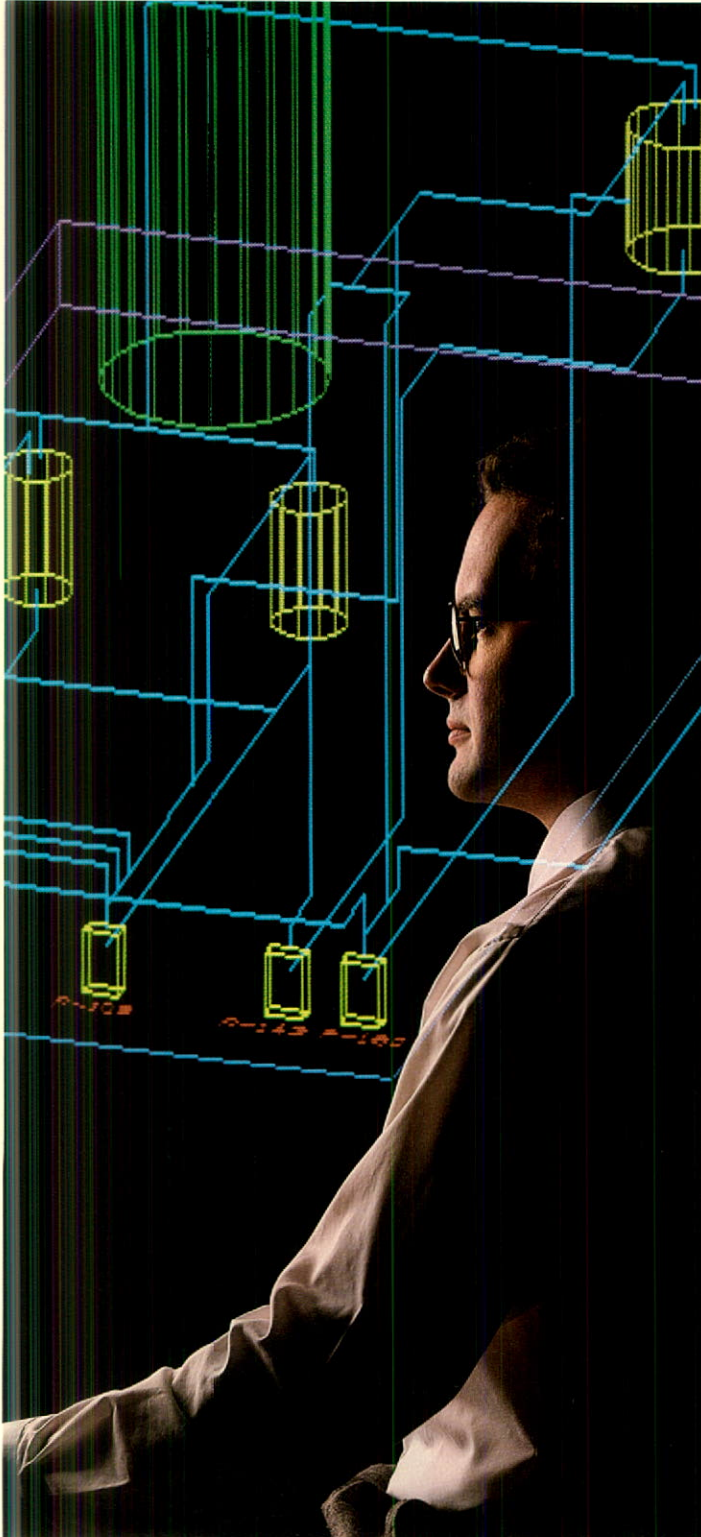
(000's omitted, except per share amounts)

Years Ended September 30	1987	1986	1985
Revenues	\$211,215	\$137,769	\$132,910
Earnings before extraordinary items	\$ 17,969	\$ 4,290	\$ 8,143
Extraordinary items	\$ —	\$ (40,934)	\$ (930)
Net earnings (loss)	\$ 17,969	\$ (36,644)	\$ 7,213
Dividends	\$ 7,740	\$ 7,422	\$ 7,411
Average net shares outstanding	6,139	6,129	6,120

Per Common Share			
Earnings before extraordinary items	\$ 2.93	\$.69	\$ 1.32
Extraordinary items	—	(6.68)	(.15)
Net earnings (loss)	\$ 2.93	\$ (5.99)	\$ 1.17

Dividends	\$ 1.25	\$ 1.20	\$ 1.20
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To BC Sugar Shareholders



Financial Results. Earnings amounted to \$2.93 per share in fiscal 1987, compared to 69 cents per share before extraordinary items in 1986. Results from sugar, specialty chemicals and oil and gas all showed improvement in 1987.

Funds provided from consolidated operations increased from \$7.9 million in 1986 to \$22.5 million in 1987.

Dividends. BC Sugar has paid dividends for ninety-four consecutive years. In August, 1987, the quarterly dividend was increased from 30 cents to 35 cents. The annual rate is now \$1.40 per common share.

Business Activities. Over the last three years, BC Sugar has invested in two specialty chemical companies. BC Sugar now owns 80% of Chatterton Petrochemical Corporation and 49% of Kalama Chemical, Inc. The Company has the right to acquire a further 5% of Kalama.

As a result of these investments, BC Sugar's revenues from specialty chemicals increased from \$10 million in 1986 to \$72 million in 1987 and should reach \$100 million in 1988.

Kalama has a diversified product line, a broad customer base and a strong balance sheet. Chatterton is continuing to expand its product line through the addition of a third process line scheduled to be in operation in 1988.

Computer Aided Design system, used to help design Chatterton expansion.

The North American chemical industry has experienced a strong recovery since the early 1980's. A combination of cheaper hydrocarbon feedstocks, increased capacity utilization and a change in currency values has made this industry globally competitive. Both Chatterton and Kalama are now selling products in a number of Pacific Rim countries and in some European countries.

BC Sugar's interest in oil and gas consists of a 38.7% interest in Anderson Exploration Ltd. as well as a 1% direct ownership in the Dunvegan gas field. Anderson Exploration owns 47.5% of Dunvegan, one of Alberta's premier gas fields.

One of the aims of last November's deregulation of Canadian natural gas prices was to allow Canadian gas to be competitive in U.S. markets. In the northern California market where Anderson's gas is sold, Canadian gas recaptured market share, as evidenced by the 20% rise in Anderson's 1987 volumes. As U.S. demand for Canadian gas increases in the years ahead, Anderson should realize increasing returns from its sizable reserves.

The Company's sugar business is comprised of two distinct manufacturing processes—cane refining in British Columbia and sugar beet processing in the prairie provinces. The production ratio is approximately 50% cane sugar and 50% beet sugar.

People. With great regret, we record the passing of Forrest Rogers in July, 1987. The youngest son of the founder of the Company, Mr. Rogers spent over fifty years in the service of the Company, from which he retired as Chairman in 1982.

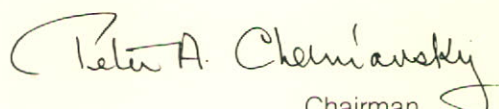
Mr. W. R. Hetherington has reached the retirement age for directors as provided in the Company's by-laws and will be retiring

as a director of BC Sugar. Mr. Hetherington has served the Company for over forty years as an officer and director, and his advice will be missed.

The Company's success in 1987 has been due in large measure to the creativity and hard work of employees in all sectors—sugar, specialty chemicals and oil and gas. The continuing efforts of all employees are vital as the Company adapts to the challenges that lie ahead.

Most BC Sugar employees are shareholders of the Company. BC Sugar's employee share purchase plan has now been in effect for ten years, and during this time employees have purchased shares totalling over 7% of the Company's outstanding shares.

On behalf of the Board



Chairman
BC Sugar

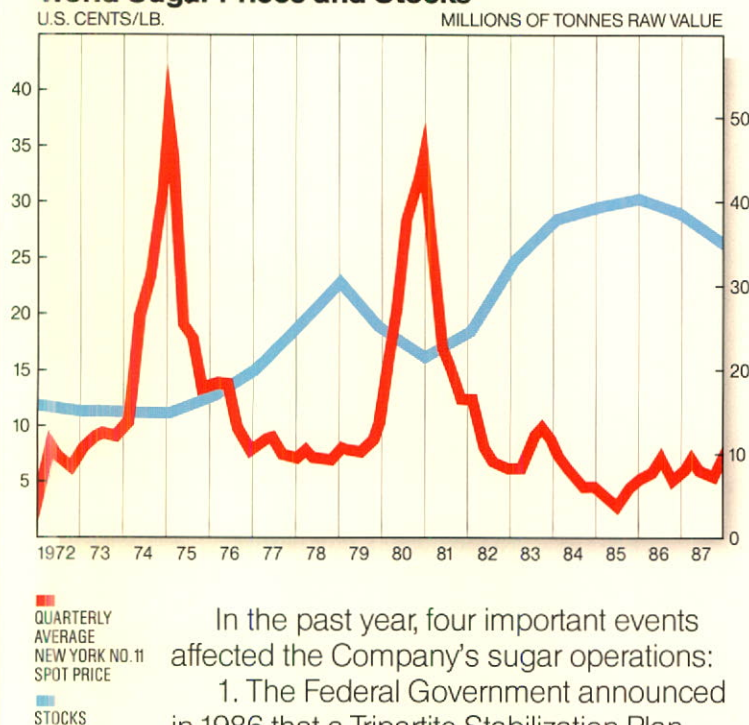
December 22, 1987
Vancouver, B.C.

Sugar

During the year, world raw sugar prices remained at the low levels experienced in recent years, in the range of 5 cents to 8 cents U.S. per pound.

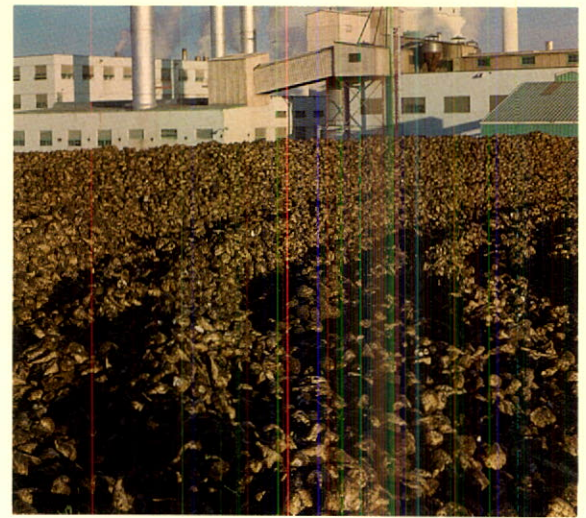
World production in 1987/88 is expected to decline fractionally, while consumption should continue to grow at an annual rate of about two million tonnes. Although prices should strengthen somewhat as a result, world stocks remain sufficiently high to moderate any substantial upward price movement.

World Sugar Prices and Stocks



In the past year, four important events affected the Company's sugar operations:

1. The Federal Government announced in 1986 that a Tripartite Stabilization Plan would be effective for the 1987 sugar beet crop. However, it was not until May, 1987 that an accord was reached between the provinces, growers and the Federal Government. This delay added to the uncertainty as to the future of the beet sugar industry, making planning difficult for the Company and growers alike. The agreement is to be in force for ten years. However, if the plan



is to be effective in future years, somewhat higher market returns are required. This can be achieved by a marginal increase in world market prices and the removal of subsidized U.S. and EEC refined sugar from the Canadian marketplace.

2. A comprehensive Tariff Board report released in May, 1987 listed various options open to the Canadian Government regarding its domestic sweetener policies. The Government has not formally acted on the report, but with the Tripartite Stabilization Plan for sugar beets now in place, it is most unlikely that any other action will be taken.

3. The extensive U.S. Trade Bill presently before Congress contains a number of provisions that appear to violate American international trade obligations. Of immediate concern to Canada is the proposal to extend drawback privileges on fees and duties paid on imported raw sugar back to 1977 and forward to 1991. Such drawback privileges would represent a direct export subsidy to a few cane sugar refiners in the United States and would



Sugar beets arrive at piling grounds.

*Sugar beets
await processing
at the Taber,
Alberta factory.*

wreak certain havoc in an already difficult world sugar market. We will continue to oppose such a scheme—certainly as it affects the Canadian industry.

4. The Free Trade Agreement between Canada and the U.S. has virtually ignored the sugar industry. The U.S. has a highly protective domestic sugar program while Canada's sugar policy is to participate in the free, world market. It is unlikely that either of these two divergent systems will be changed.

Despite very extensive advertising by the artificial sweetener industry, Statistics Canada figures show that domestic sugar consumption for each of the last five years has remained close to one million tonnes. These statistics support the view that artificial substitutes are not markedly replacing sugar as a domestic sweetener but are creating a new and separate market niche.

The Canadian Sugar Institute continues to sponsor an advertising program based on the scientific support for sugar as a safe and natural energy food. A recent survey indicates a positive shift in attitudes concerning the role of sugar in a well-balanced diet, although too many people still incorrectly believe that sugar is a major contributor to obesity. Further industry-sponsored magazine advertisements will appear in the coming year to combat these erroneous perceptions. The most recent advertisement appears on the final page of this Report.

In the coming year, a fairly extensive modernization program will be undertaken at the Company's three sugar plants. While the plants have been well-maintained over the years, it is vital to continue to upgrade the facilities to maximize efficiencies.

The 1987 sugar beet crop is being processed. Yield per acre and sugar extraction are at record levels in both Alberta and Manitoba.



Oil and Gas

In 1987, Anderson Exploration Ltd. recorded increased sales, earnings and cash flow.

	1987	1986
Financial Highlights (in Thousands of Dollars)		
Sales	\$44,747	\$42,200
Earnings (loss)		
before write-down	\$ 6,259	\$ (1,433)
Cash flow	\$23,764	\$17,447

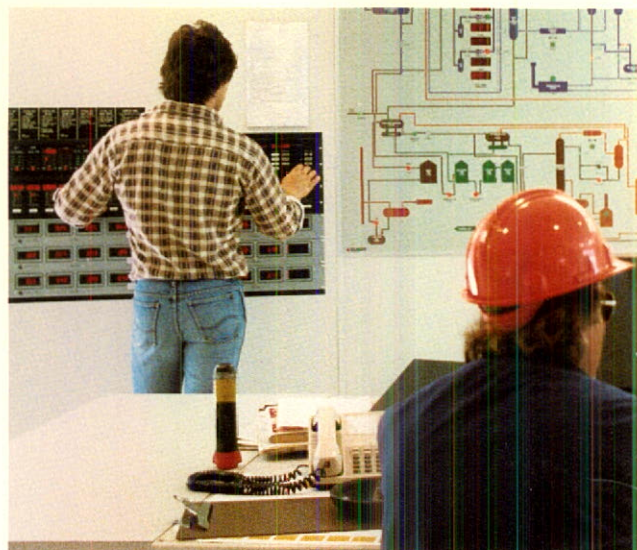
A 20% increase in natural gas sales volume and the elimination of the Petroleum and Gas Revenue Tax effective October 1, 1986 were the main factors contributing to the improved results. Condensed financial statements of Anderson are set out in Note 3 to BC Sugar's financial statements included in this Report.

Reserves. An independent evaluation of Anderson's oil and gas reserves was made as at September 30, 1987. Reserves have increased significantly, as shown in the following table:

	1987	1986
Reserves		
Natural gas (billions of cubic feet)		
—proven	512	431
—proven plus probable	721	621
Oil and natural gas liquids (thousands of barrels)		
—proven	15,430	10,763
—proven plus probable	21,465	17,094

Production. Production volumes for 1987 compared to 1986 were as follows:

	1987	1986
Production		
Natural gas (millions of cubic feet per day)	62.2	51.7
Oil and natural gas liquids (barrels per day)	1,579	1,194

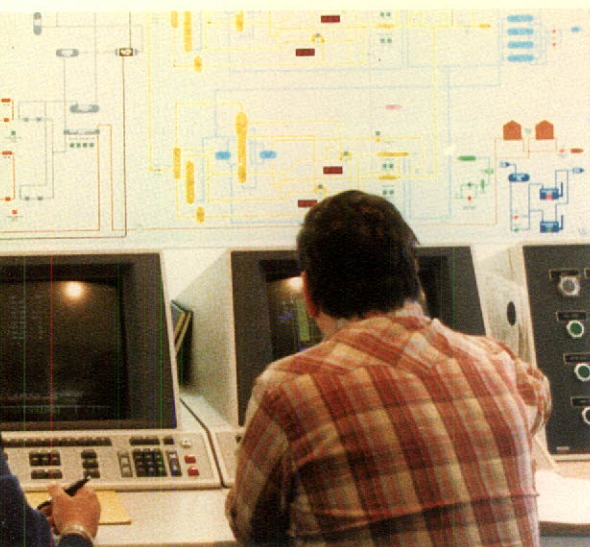


Almost the entire increase in natural gas production may be attributed to the Dunvegan property. Dunvegan produced at near maximum rates in the period from January through April with daily averages approximating 113 million cubic feet per day. With the new Deep Cut Plant in operation, Anderson's liquids production will increase substantially in 1988.

Drilling Activity. During 1987, Anderson participated in thirty-nine working interest wells, while five royalty interest wells were drilled by others on Anderson lands. The Company's average working interest was 45.4%, with twenty-five of these wells being operated by Anderson. The following table summarizes the results of drilling activities:

	1987			1986		
	Working Interest	Royalty Interest	Total	Working Interest	Royalty Interest	Total
Oil	21	3	24	11	6	17
Gas	6	1	7	16	1	17
Dry	12	1	13	23	5	28
Total	39	5	44	50	12	62





Production is monitored in the Dunvegan control room.

The decline in product prices experienced in early 1986 caused Anderson to curtail its exploration program for the balance of that fiscal year. This reduction in exploration activity carried over into early 1987, and, together with demands on cash flow for construction of the Deep Cut Plant, resulted in a less aggressive exploration program in 1987 than would otherwise have been the case. A more active exploration program is anticipated in fiscal 1988.

Land. The following table shows Anderson's year-end land inventory, in acres, for 1986 and 1987:

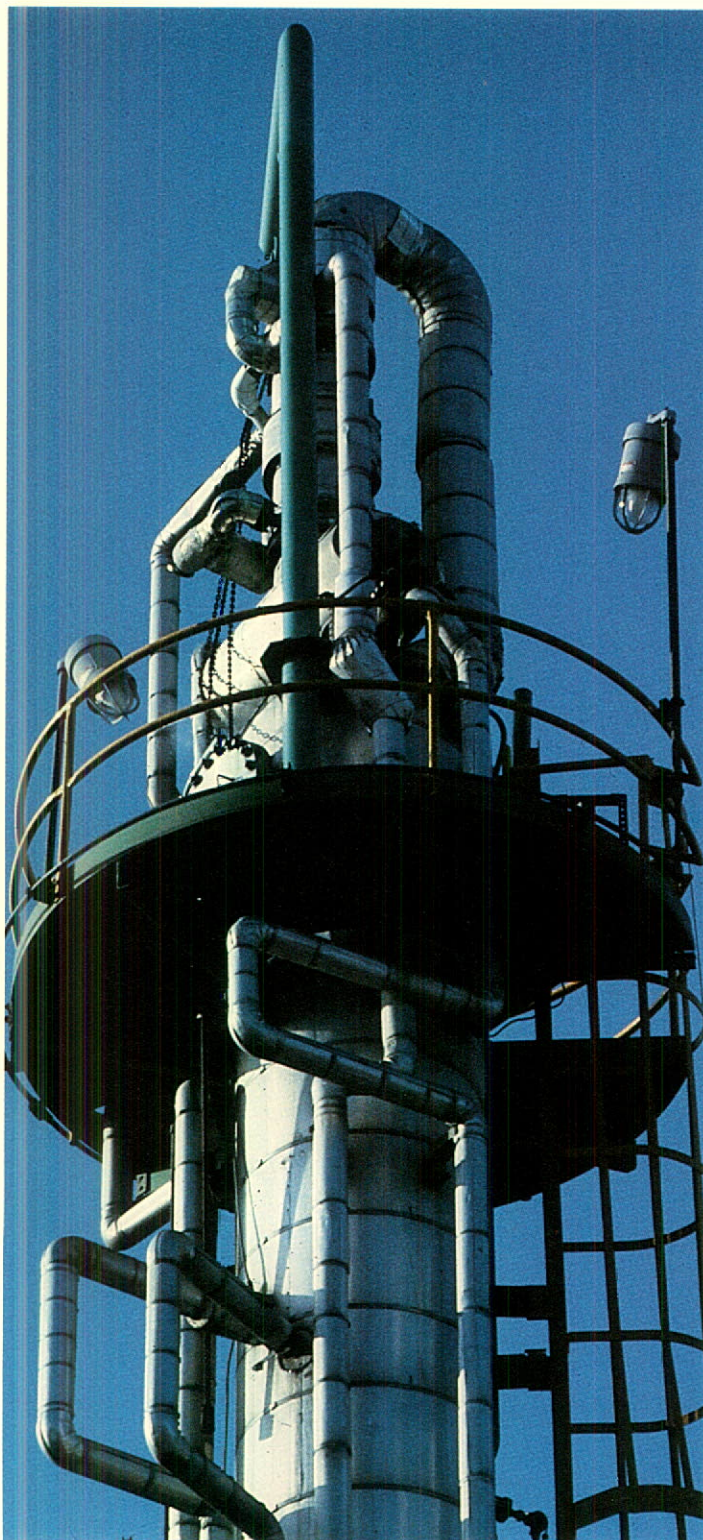
	1987		1986	
	Gross	Net Working Interest	Gross	Net Working Interest
Alberta	1,037,553	593,587	1,148,709	594,539
Other	23,180	15,703	31,602	18,744
Total	1,060,733	609,290	1,180,311	613,283

Outlook. Prospects for the oil and gas industry in Canada remain positive, and the Company is confident of its ability to capitalize on the continuing opportunities to be found in this business sector.



The Dunvegan gas plant located in Alberta's Peace River Arch area.

Specialty Chemicals



Chatterton Petrochemical Corporation achieved improved financial results in 1987. Revenues increased to \$22.3 million in 1987 from \$9.9 million in 1986. The Company became profitable in mid-1987 and ended the fiscal year with net earnings of \$452,000.

For the nine months since acquisition in December, 1986, Kalama Chemical, Inc. had net earnings of \$4 million on revenues of \$50.2 million.

Both companies have benefited from higher margins on phenol and increased export sales of benzoic acid and related products. Continued strong global demand together with a weaker dollar should maintain this profitability on existing products.

Kalama's plants at Kalama, Washington and Garfield, New Jersey and Chatterton's plant at Delta, B.C. are producing at historically high operating rates.

The two companies are accelerating their efforts to produce and market new products. Future growth in revenue and profits will come from development activities now underway.

Kalama is concentrating on aromatic aldehydes and derivatives that are similar





Production facilities at Kalama, Washington.

Phenol being loaded for shipment at Chatterton.

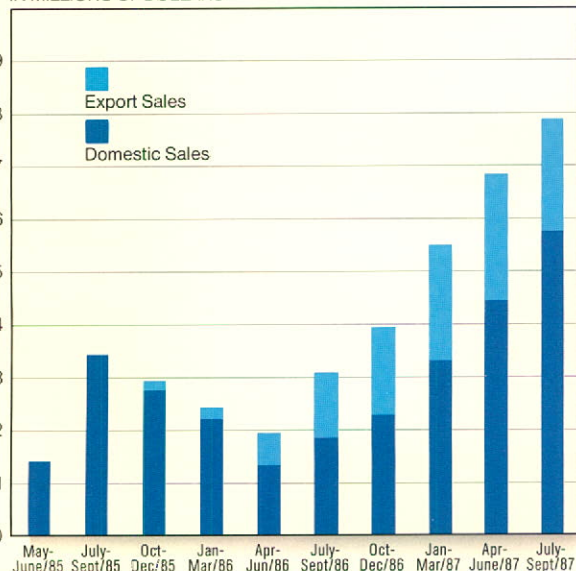


to the Company's existing fine chemical intermediate products. Some of these products can be produced at existing plants with relatively minor capital costs.

Chatterton is in the midst of a significant expansion which will add a third process line to the Delta plant. The first phase of the project has been completed, and all major equipment to complete the project is now at the site.

Chatterton Sales by Quarter

IN MILLIONS OF DOLLARS



The expansion includes extra tankage for raw materials and products, new distillation columns for product purification and systems for pollution control.

The new process line will be used for the production of toluic acids and three cresol isomers. These products will enter the export market. The new distillation complex will also increase plant flexibility and provide capacity for increased production of existing products.

Five-Year Review

(Dollar amounts in thousands except per share amounts)

FINANCIAL	1987	1986	1985	1984	1983
Revenues	\$211,215	\$137,769	\$132,910	\$145,407	\$158,885
Earnings before extraordinary items	17,969	4,290	8,143	6,896	4,584
Extraordinary items	—	(40,934)	(930)	1,435	1,881
Net earnings (loss)	17,969	(36,644)	7,213	8,331	6,465
Dividends	7,740	7,422	7,411	6,499	6,426
Carrying value of investment in Anderson Exploration Ltd.	42,502	40,007	82,576	86,258	61,564
Long-term debt	35,097	21,919	20,939	16,839	17,454
Shareholders' equity	64,692	54,336	98,209	98,178	72,980
Per common share					
Earnings before extraordinary items	\$ 2.93	\$.69	\$ 1.32	\$ 1.26	\$.89
Extraordinary items	—	(6.68)	(.15)	.26	.38
Net earnings (loss)	\$ 2.93	\$ (5.99)	\$ 1.17	\$ 1.52	\$ 1.27
OTHER INFORMATION					
Average net shares outstanding (000's omitted)	6,139	6,129	6,120	5,441	5,037
Degree of Canadian registration of common shares	96%	96%	96%	95%	94%

Statement of Earnings

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

(In Thousands of Dollars)

	1987	1986
Revenues	\$211,215	\$137,769
Costs and expenses		
Cost of sales	146,392	100,889
Selling, general and administrative	23,980	17,123
Depreciation	4,729	3,102
Long-term debt interest	2,858	2,457
Other interest	2,018	1,089
Total costs and expenses	179,977	124,660
	31,238	13,109
Income taxes (Note 7)	13,512	5,542
Earnings before undernoted items	17,726	7,567
Income (loss) from oil and gas (Note 3(a))	2,250	(1,871)
Minority interest in earnings of subsidiary companies	(2,007)	—
Write-down of real estate development properties	—	(1,406)
Earnings before extraordinary items	17,969	4,290
Extraordinary items	—	(40,934)
Net earnings (loss)	\$ 17,969	\$ (36,644)
Per Common Share		
Earnings before extraordinary items	\$ 2.93	\$.69
Extraordinary items	—	(6.68)
Net earnings (loss)	\$ 2.93	\$ (5.99)

Statement of Reinvested Earnings

	1987	1986
Balance, beginning of year	\$ 18,763	\$ 62,829
Net earnings (loss)	17,969	(36,644)
	36,732	26,185
Dividends	7,740	7,422
Balance, end of year	\$ 28,992	\$ 18,763

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

	1987	1986
ASSETS		
Current Assets		
Accounts receivable	\$ 27,443	\$ 15,144
Inventories	31,853	19,145
Total current assets	59,296	34,289
Investment in Anderson Exploration Ltd. (Note 3)	42,502	40,007
Other Investments (Note 4)	11,949	8,785
Fixed Assets		
Property, plant and equipment	114,059	93,573
Less accumulated depreciation	69,467	65,602
Total fixed assets	44,592	27,971
Total	\$158,339	\$111,052

	1987	1986
LIABILITIES		
Current Liabilities		
Bank loans, secured	\$ 15,323	\$ 16,290
Accounts payable and accrued liabilities	24,182	12,844
Total current liabilities	39,505	29,134
Long-Term Debt (Note 5)	35,097	21,919
Deferred Income Taxes	9,365	5,663
Minority Interests	9,680	—
Total	93,647	56,716
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)		
6,328,825 Common shares (1986—6,318,826 shares)	38,373	38,150
78,500 Preferred shares (1986—82,000 shares)	1,570	1,640
	39,943	39,790
Earnings Reinvested in the Business	28,992	18,763
	68,935	58,553
Proportion of shares held by Anderson Exploration Ltd. (Note 3(b))	(4,217)	(4,217)
Foreign exchange adjustment	(26)	—
Total shareholders' equity	64,692	54,336
Total	\$158,339	\$111,052

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

Statement of Changes in Financial Position

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

(In Thousands of Dollars)

	1987	1986
Cash provided by (used for)		
Operations		
Funds provided from operations (below)	\$ 22,476	\$ 7,911
Changes in non-cash working capital	(4,346)	(2,031)
Cash from operations	18,130	5,880
Cash dividends paid	(7,762)	(7,464)
	10,368	(1,584)
Financing		
Increase in long-term debt	10,870	980
	21,238	(604)
Investment		
Investment in Kalama Chemical, Inc.	(11,055)	—
Additions to fixed assets	(7,976)	(3,091)
Investment in Chatterton Petrochemical Corporation	—	(650)
Other investments	(1,240)	(2,022)
	(20,271)	(5,763)
(Increase) decrease in current bank loans	967	(6,367)
Current bank loans at beginning of year	16,290	9,923
Current bank loans at end of year	\$ 15,323	\$ 16,290

FUNDS PROVIDED FROM OPERATIONS

	1987	1986
Earnings before extraordinary items	\$ 17,969	\$ 4,290
Items not involving cash		
Depreciation	4,729	3,102
(Income) loss from oil and gas	(2,250)	1,871
Minority interest in earnings, net of dividends paid	1,467	—
Deferred income taxes (recovery)	509	(4,233)
Depletion of oil and gas property	194	152
Share of (income) loss from investments	(142)	968
Write-down of real estate development properties, before applicable income taxes	—	2,511
Gain on purchase of minority interest in Chatterton Petrochemical Corporation	—	(750)
	4,507	3,621
Funds provided from operations	\$ 22,476	\$ 7,911

Notes to Financial Statements

BC Sugar Refinery, Limited and Subsidiary Companies,
September 30, 1987

1. Significant accounting policies

a) Basis of presentation

The consolidated financial statements include the accounts of the 100 percent-owned subsidiary company, The British Columbia Sugar Refining Company, Limited, the 80 percent-owned subsidiary company, Chatterton Petrochemical Corporation and the 49 percent-owned company, Kalama Chemical, Inc. (see Note 2).

The Company's 38.7 percent interest in Anderson Exploration Ltd. ("Anderson") has been accounted for on the equity basis.

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 relative 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.

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 to eight percent.

e) Income taxes

In accounting for income taxes, the Company follows the tax allocation method. 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) Earnings per common share

Earnings per common share are calculated after adjusting for the reciprocal ownership of shares of the Company held by Anderson. Fully diluted earnings per share, which assume the exercise of warrants described in Note 6, do not differ significantly from reported earnings per share.

g) Foreign currency translation

Monetary assets and liabilities of the Company in foreign currencies, as well as financial statements 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 exchange translations are included in the consolidated Statement of Earnings, with the exception of gains and losses from translation of self-sustaining foreign operations which form the foreign exchange adjustment component of shareholders' equity.

h) Comparative figures

Comparative figures have been reclassified to conform with the current year's presentation.

Notes to Financial Statements

BC Sugar Refinery, Limited and Subsidiary Companies,
September 30, 1987

2. Acquisition of Kalama Chemical, Inc. ("Kalama")

On December 17, 1986, the Company acquired a 49 percent interest in the common shares and all of the convertible debt of Kalama, a privately-held company based in Seattle, Washington. Conversion of the debt will give the Company a 54 percent interest. The debt may be converted at the Company's option.

The investment has been accounted for on a consolidated basis in these financial statements, and the acquisition has been recorded by the purchase method with the results of operations included in these financial statements from the date of acquisition. Details of the acquisition are as follows:

Net assets acquired (in thousands of dollars)

Accounts receivable	\$ 7,621	
Inventory	6,987	
Fixed assets	14,070	
Other investments	2,121	
		\$ 30,799
Current liabilities	5,286	
Long-term debt	2,433	
Deferred income taxes	3,371	
		11,090
		19,709
Less minority interest		8,654
Cash consideration paid		\$ 11,055

The Company has entered into an agreement whereby the other shareholders may require the Company to purchase the remaining shares of Kalama during the period to December 31, 1996, subject to certain annual restrictions, at a price determined by reference to the net book value of Kalama.

3. Anderson Exploration Ltd. ("Anderson")

a) Financial information of Anderson

Years ended September 30

(In Thousands of Dollars) 1987 1986

Statement of earnings

Revenue

Oil and gas (net of royalties)	\$ 44,747	\$ 42,200
Dividends and interest	660	1,561
	45,407	43,761

Expenses

Operating	6,630	6,763
Petroleum and gas revenue tax	—	4,570
Depletion and depreciation	15,300	15,100
General and administrative	2,329	2,221
Interest	7,839	9,341
	32,098	37,995
	13,309	5,766

3. Anderson Exploration Ltd. ("Anderson") (cont'd.)

	Years ended September 30	
	1987	1986
Income taxes		
Current	7,850	5,950
Deferred	2,200	3,750
Alberta royalty tax credit	(3,000)	(2,501)
	7,050	7,199
Income (loss) before write-down of oil and gas properties	6,259	(1,433)
Write-down of oil and gas properties	—	(41,000)
Net income (loss) reported by Anderson	\$ 6,259	\$ (42,433)
BC Sugar's share of Anderson's income (loss) before other items, after elimination of intercompany dividends	\$ 2,250	\$ (807)
Amortization of excess of BC Sugar's purchase price over underlying net book value	—	(1,064)
Income (loss) from oil and gas reported by BC Sugar	\$ 2,250	\$ (1,871)

Changes in financial position

Cash provided by operating activities	\$ 21,640	\$ 14,505
Cash used in investment activities	(17,761)	(13,404)
Cash used in financing activities	(3,276)	(3,000)
(Increase) decrease in current bank indebtedness	603	(1,899)
Current bank indebtedness at beginning of year	(2,833)	(934)
Current bank indebtedness at end of year	\$ (2,230)	\$ (2,833)

Condensed balance sheet

	September 30	
	1987	1986
ASSETS		
Current assets	\$ 8,242	\$ 6,300
Oil and gas properties, plant and equipment (net)	267,549	268,780
Shares of other companies, including 492,000 shares of BC Sugar	11,950	11,950
Other	2,881	3,934
	\$290,622	\$290,964
LIABILITIES		
Current liabilities	\$ 8,376	\$ 9,161
Deferred revenue	33,084	36,776
Deferred income taxes	51,826	49,626
Long-term debt	86,443	89,914
	179,729	185,477
SHAREHOLDERS' EQUITY	110,893	105,487
	\$290,622	\$290,964

b) To reflect Anderson's ownership of 492,000 shares of BC Sugar, shareholders' equity has been reduced by the Company's share of the cost of the BC Sugar shares held by Anderson.

4. Other investments

	1987	1986
Real estate development properties	\$ 3,627,000	\$ 3,396,000
Oil and gas properties	2,906,000	2,890,000
Other	5,416,000	2,499,000
	\$11,949,000	\$ 8,785,000

Notes to Financial Statements

BC Sugar Refinery, Limited and Subsidiary Companies,
September 30, 1987

5. Long-term debt	1987	1986
The British Columbia Sugar Refining Company, Limited		
Secured bank loan, convertible into a term loan with interest at bank prime plus ¼%	\$30,000,000	\$14,314,000
Chatterton Petrochemical Corporation		
Secured bank loan with interest at bank prime plus ¾%	2,467,000	8,000,000
Other, secured, repayable by 1992	1,832,000	518,000
Kalama Chemical, Inc.		
Secured bank loan with interest at 9.3% repayable by December, 1990 (\$1,625,000 U.S.)	2,127,000	—
Other	414,000	—
	36,840,000	22,832,000
Less current portion included in accounts payable	1,743,000	913,000
	\$35,097,000	\$21,919,000

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

1988	\$ 1,743,000
1989	1,661,000
1990	1,682,000
1991	389,000
1992	1,365,000

6. Share capital	1987	1986
Common shares		
Class A	5,576,393	5,510,765
Class B	752,432	808,061
	6,328,825	6,318,826
Preferred shares, carrying a cumulative dividend entitlement of \$1.00 per share and redeemable at \$20.00 per share	78,500	82,000

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 the year, 9,949 shares (1986—9,030 shares) were issued to shareholders who elected to reinvest their dividends.

Outstanding warrants entitle the holders to purchase 499,950 common shares of the Company on or before May 31, 1988 at a price of \$25.00 per share.

7. Income taxes

The Company's effective income tax rate is comprised as follows:

	1987	1986
Combined basic income tax rate	51.5%	51.5%
Manufacturing and processing profits deduction	(6.0)	(6.0)
Inventory allowance	—	(1.4)
Other	(2.2)	(1.8)
Effective income tax rate	43.3%	42.3%
Actual provision for income taxes	\$13,512,000	\$ 5,542,000

8. Segmented information

The Company and its subsidiaries operate in Canada and the United States and in two industry segments, sugar and specialty chemical products. The sugar segment includes the refining, packaging and marketing of cane and beet sugar in western Canada. The specialty chemical products segment consists of the development and production of products in Canada and the United States. Industry and geographic segments information are as follows:

(in Thousands of Dollars)	Sugar		Specialty chemical products			Consolidated	
	Canada		Canada		United States		
	1987	1986	1987	1986	1987*	1987	1986
Revenues	\$138,687	\$127,904	\$22,288	\$ 9,865	\$50,240	\$211,215	\$137,769
Segment operating earnings (loss)	\$ 29,503	\$ 21,509	\$ 1,440	\$ (4,854)	\$ 5,171	\$ 36,114	\$ 16,655
Interest expense						4,876	3,546
Income taxes						13,512	5,542
(Income) loss from oil and gas						(2,250)	1,871
Minority interest in earnings of subsidiary companies						2,007	—
Write-down of real estate development properties						—	1,406
Extraordinary items						—	40,934
						18,145	53,299
Net earnings (loss)						\$ 17,969	\$ (36,644)
Identifiable assets	\$ 46,555	\$ 44,205	\$25,795	\$18,055	\$31,538	\$103,888	\$ 62,260
Investments						54,451	48,792
						\$158,339	\$111,052
Depreciation	\$ 2,418	\$ 2,356	\$ 840	\$ 746	\$ 1,471	\$ 4,729	\$ 3,102
Purchase of fixed assets	\$ 2,731	\$ 1,306	\$ 4,283	\$ 1,785	\$ 962	\$ 7,976	\$ 3,091

*The Company had no specialty chemical operations in the United States in 1986.

Export sales attributed to Canadian operations aggregate less than 10 percent of consolidated revenues.

Auditors' Report

To the Shareholders of BC Sugar Refinery, Limited

We have examined the consolidated balance sheet of BC Sugar Refinery, Limited as at September 30, 1987 and the related consolidated statements of earnings, reinvested earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at September 30, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada
November 12, 1987

THORNE ERNST & WHINNEY
Chartered Accountants



SUGAR BOWL.

Did you know that an apple contains 79% sugar by dry weight (without water)? A grape, 88%? A banana, 71%? It's true. And most other fruits have just as much.

This naturally-occurring sugar is no different from the sugar in the bowl on your table. They're both natural ways of making the foods that are good for you taste good too. And your body can't distinguish between them.

Think about it. You've always felt good about eating fruit. And the fact is, there's no reason to feel differently about the sugar you eat in other foods.

So what's all the fuss about "sugar free" when sugar itself is worry-free?



NOTHING EQUALS SUGAR.

This is the most recent in a series of advertisements being published by the Canadian Sugar Institute.

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Officers

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President of Anderson Exploration Ltd.

William C. Brown
Vice-President of the Company

Peter A. Cherniavsky
Chairman of the Company

John G. Cochrane
Vice-President of the Company

William R. Hetherington
Formerly Vice-President of the Company

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*President of MacDonald Dettwiler
and Associates Ltd.*

H. Richard Whittall
*Vice-Chairman and Director,
Richardson Greenshields of Canada Limited*

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Chairman of Wilkinson Company Limited

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*Vice-President, Finance
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G. M. Guccione
*General Manager,
Alberta Sugar*

David M. S. Elliott
*General Manager,
Manitoba Sugar*

James W. Hudson
Treasurer

Brian A. Rogers
General Sales Manager

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 10, 1988 at 3:00 P.M.
in the Park Ballroom of
The Four Seasons Hotel,
Vancouver, British Columbia.

