B.C. Sugar Refinery Ltd.   C

BC Sugar

ANNUAL REPORT 1992

BC Sugar

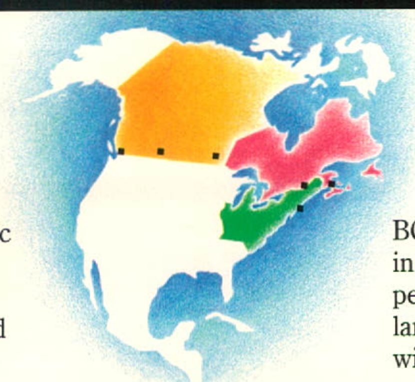
FINANCIAL HIGHLIGHTS

(Restated. See Note 1(a) for basis of accounting for acquired and discontinued operations.)

(000's omitted, except per share amounts)

Years Ended September 30	**1992**	1991	1990
Revenues	**$281,445**	$161,187	$184,261
Earnings from continuing operations	**$ 10,055**	$ 9,675	$ 11,733
Net earnings (loss)	**$ 11,694**	$ (8,554)	$ 11,603
Average net shares outstanding	**16,557**	14,271	14,131
Per Common Share			
Earnings from continuing operations	**$ .61**	$ .68	$ .83
Net earnings (loss)	**$ .71**	$ (.60)	$ .82
Dividends	**$ .60**	$ .80	$ .80

MANUFACTURING AND SERVICE TO A MARKETPLACE OF 75 MILLION PEOPLE



BC Sugar, with the consolidation of Lantic Sugar and its U.S. subsidiary, Refined Sugars Inc., serves a market of over 75 million people throughout Canada and the northeastern United States.

BC Sugar is the largest sugar company in Canada, serving approximately 70 percent of the market, and the third largest sugar company in North America, with operations in six locations.

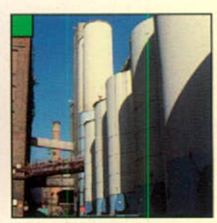
Vancouver, British Columbia

Taber, Alberta

Winnipeg, Manitoba

Montreal, Quebec

Saint John, New Brunswick



Yonkers, New York

TO BC SUGAR SHAREHOLDERS

The Company entered the 1992 fiscal year with a plan to enhance its position as a major participant in North America in our core sugar business, and we are pleased to report that we are accomplishing that objective in an orderly fashion.

Today, in terms of sugar production, BC Sugar is five times its former size. It is the third largest sugar company in

"When you have a product so basic to human needs as sugar, you can plan and focus the Company's resources with a great deal of confidence."

North America. Our three regional divisions supply over two-thirds of the Canadian market and over one-quarter of the market in the northeastern United States.

Because the results of the final step in the Lantic Sugar acquisition are consolidated from the last quarter of fiscal 1992, shareholders will only see the full impact on revenues in our 1993 reports. As an indication of the magnitude of this increase, revenues for the fourth quarter of fiscal 1992 are $165.2 million compared to $40.6 million for the same period in fiscal 1991.

The major repositioning program on which the Company embarked at the start of the year was designed to address the realities for success in the nineties and could only be achieved with some short-term pain. To improve the Company's cash flow, a reduction in the quarterly dividend rate from 20 cents to 10 cents per share was made, effective with the second quarter dividend. We also determined that, to accomplish

our goal of being a major North American participant in our core business, we should divest our interests in the specialty chemicals industry. Thus, in January, it was decided to discontinue the operations of Chatterton Petrochemical Corporation, where profits had been, at best, erratic, and to find a buyer for Kalama Chemical, Inc. With those decisions made, the Company is able to focus on stable growth in the business we know best, sugar.

A successful $75 million public share issue in June, together with the $33.5 million net proceeds from the sale of the Company's 17.9 percent interest in Anderson Exploration Ltd. and a $15.8 million increase in long-term debt, provided the funds to acquire the second half of Lantic Sugar, effective June 30, 1992. The Lantic Sugar acquisition, made in two 50 percent purchases for a total cost of $230 million, is an historic accomplishment for the Company. It represents the cornerstone of two years of achievements for our Company, during which there has been more change than in our first 100 years.

With 1992 production of more than 900,000 tonnes of sugar from Lantic's Montreal, Saint John and New York refineries added to BC Sugar's western Canada production of approximately 240,000 tonnes, the Company has gained the critical mass it needs to compete with the best and the biggest in the sugar business. BC Sugar now serves a market of some 75 million people stretching across Canada and through the northeastern United States.

While recognizing the diversities in those marketplaces, we have identified substantial opportunities for income improvement by building on the synergies inherent in the consolidation of three separate sugar businesses. To ensure that we pool the best of the operating and marketing experience available to us in our three regional divisions, we completed a management realignment in September and structured an Executive Management team

William C. Brown
President and Chief Executive Officer

of six to lead our continued transition.

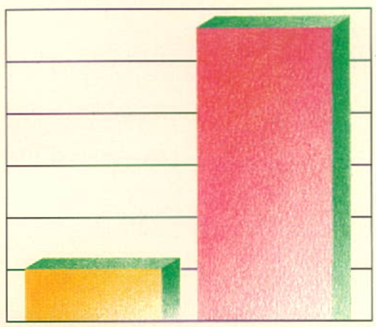
The more competitive realities of the nineties mean that we must continue to look beyond our size and volume. In order to achieve results that meet, in a balanced way, the expectations of shareholders, customers and employees, we must sharpen our focus on quality and on how we can do things better. We are concentrating on making the most of the economies of scale. This philosophy is being implemented across our three regional operations in everything from improved purchases of raw sugar to expanded programs of total quality reponse to customers.

The financial management of the Company is focused on reducing the level of debt, which is high, but manageable. The recent equity issue and the sale of our oil and gas interests, combined with the planned disposition of our specialty chemicals business, will reduce debt obligations to a level compatible with cash flow.

The Company's ability to generate earnings in 1992 was limited by competitive pressures on refined sugar prices, both in the U.S. market where there was a record sugar beet crop, and in Canada, because of the presence of dumped imported refined sugar from numerous countries. It is worth noting that Canada is one of the very few countries that has only a minor tariff, and no other restrictions, on imports of refined sugar. We believe, however, that our efficiency of production can overcome such foreign competition in our markets.

An ongoing challenge for our government relations efforts is that Canadian access to sugar markets in the United States is restrained by a quota system. Any refined sugar shipped from Canada into the United States must be produced from Canadian-grown sugar beets rather than from imported raw cane sugar. We continue to seek remedies for this and other hindrances to fair and equitable trade in sugar products, bolstering our arguments with the longer-term spirit of both the Canada-U.S. Free Trade Agreement and the North American Free Trade Agreement.

Five Times Increase in Volume



Looking at our overall financial results for the past fiscal year, a number of factors, many of them one-time charges, resulted in net earnings of $11.7 million. A full discussion of these factors will be found in the Management's Discussion and Analysis section. While our 1992 earnings were favorable compared to a loss of $8.6 million in 1991, both sets of figures should be read with the knowledge that neither year was normal nor typical for BC Sugar. We should begin to see the beneficial impact of our consolidated operations in fiscal 1993.

"We have faced the challenge of integrating three large operations. It is very encouraging to feel management and employee energy being directed to making our combined resources serve our customers better."

Positive factors include strong consumer product franchises for our regional brands (Rogers', Lantic and Jack Frost), an ability to improve the bottom line through consolidated materials and services purchases and operating efficiencies, and a Western Canadian beet sugar operation from which we can maintain an entry to U.S. markets.

Also significant is renewed consumer acceptance of sugar as a healthy food staple. This was most recently underlined in the federal government's release of its authoritative Canada's Food Guide To Healthy Eating, in which sugar received no negative comments. Canadian consumption continues to be about 40 kg per person each year. The comparable figure in the United States is 29 kg, largely because many industrial users of liquid sweeteners have replaced sugar with high fructose corn syrup. This is due to the large price differences between sugar and HFCS in the U.S.

We expect 1993 to be a continuing mix of opportunities and challenges, and we are organized to deal with them using our new, combined work-force of more than 1,400. Many of our employees are sugar people through several generations, and we count on their pride in themselves and in their products to ensure that we meet, or exceed, our customers' expectations.

The Board of Directors appreciates the efforts of employees, shareholders and customers in seeing us successfully through the past year of major transition for BC Sugar.

On behalf of the Board

William C. Brown
President and Chief Executive Officer
December 15, 1992


Fruit Powdered Sugar
Lantic
NATURAL
super fine
SUGAR
ROGERS'
SINCE 1890
Natural
EXTRA FINE GRANULATED
Berry
Sugar
1kg
LIGHT
BROWN
PURE CANE
Lantic
NATURAL
old fashioned brown
SUGAR
ROGERS'
GOLDEN
SYRUP
SIROP DORÉ
750 ml
BC SUGAR
REFINERY
ROGERS'
SINCE 1890
Golden Yellow Sugar
Cassonade Dorée
Lantic
NATUREL
SUCRE
en cubes
RIEN N'ÉGALE
LE SUCRE
CONFECTIONERS
POWDERED
DARK
BROWN
ROGERS'
SINCE 1890
Natural
FINE GRANULATED
Sugar
4kg
BC SUGAR
REFINERY
MANITOBA
SUGAR
GRANULATED
PURE CANE
JACK
FROST
SUGAR
NET WT. 5 LBS. (2.27 kg)
CONFECTIONERS
POWDERED
JACK FROST
Lantic
SUCRE
granulé
NATUREL
2kg
Lantic
NATURAL
granulated
SUGAR
1kg
NET WT. 16 OZ. (1 LB.)
JACK FROST SUGAR

Sugar

A COMPANY-WIDE COMMITMENT TO SERVICE

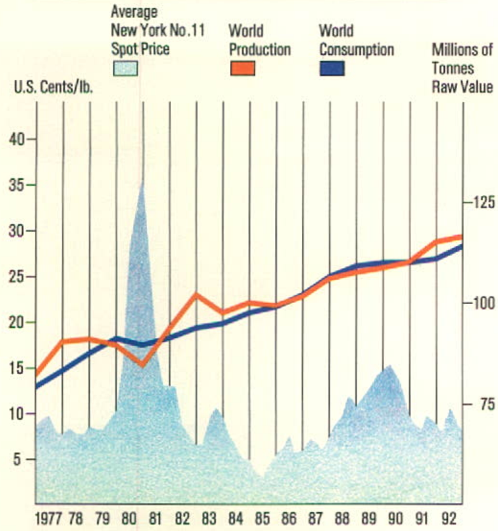
To satisfy diverse markets, we offer 136 varieties or sizes of our basic product.

The combined western, eastern and U.S. operations make BC Sugar a major North American participant in the sugar business, able to provide consistent product quality to North American customers who operate on both sides of the border.

A shared pride in a product that is both a staple ingredient of our everyday diet and of the many foods and beverages which we enjoy, brings the employees of the Company together in a commitment to quality and service.

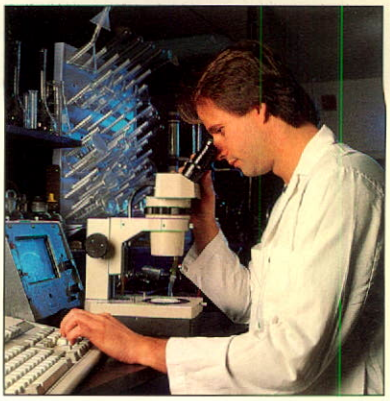
"Think of the customer first and other decisions fall into place."

World Sugar Prices, Production and Consumption



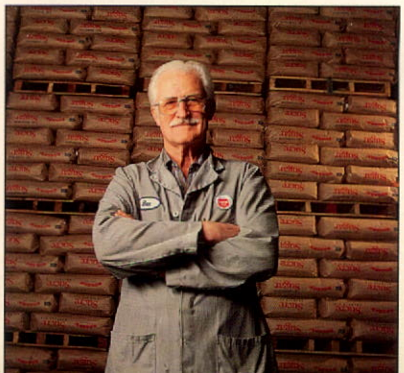
The Company markets its products under the Rogers', Lantic and Jack Frost brand names.

Product quality gets another check from Albert Erzen at the Montreal refinery.

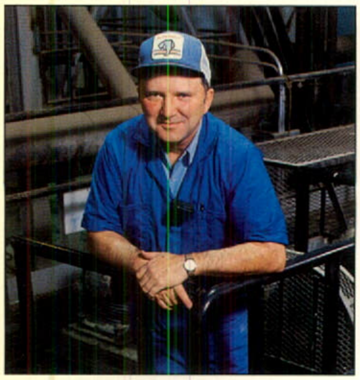


Jolanta Filak, RSI silo attendant, supervises flow of last year's refined sugar production of more than 450,000 tonnes from the Yonkers refinery.

Ben Hiebert, maintenance superintendent at the Winnipeg factory, has 44 years' service with the Company.

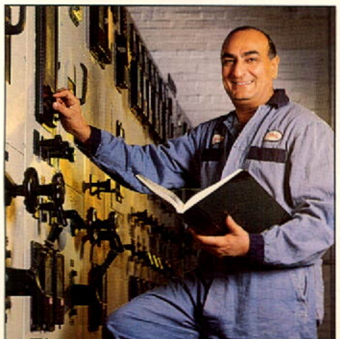


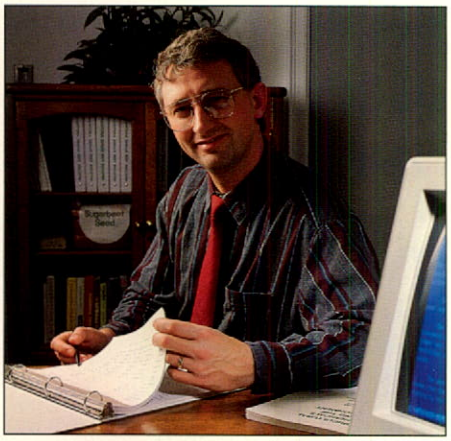
The Company's head office and western refinery is in Vancouver, a dynamic North American gateway city.



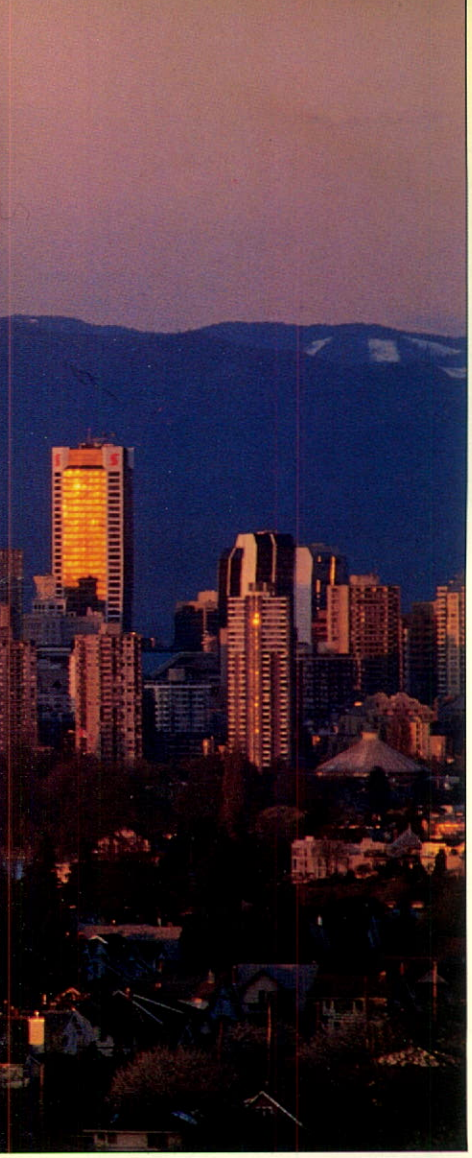
Shift superintendent William Wright at the Taber factory.

Nirmal Singha, power house engineer, Vancouver.





Agricultural superintendent Donald Petkau is a familiar face to sugar beet farmers supplying the Winnipeg factory.



THE FOUNDATIONS OF THE NEW BC SUGAR

BC Sugar was founded by Benjamin Tingley Rogers in 1890. The original cane sugar refinery in Vancouver continues to operate, along with beet sugar factories in Taber, Alberta and Winnipeg, Manitoba. In Vancouver, raw sugar is supplied from offshore, while in the prairies, farmers provide sugar beets to the Company under a sharing arrangement.

Our domestic marketplace extends from Vancouver Island to northwestern Ontario. Sales of over 200,000 tonnes per year represent more than 80 percent of western market share. Approximately half of this amount is sold under the Rogers' brand name to the grocery trade. The beet sugar operations also produce beet pulp and molasses, which are used primarily for animal feed. In addition, some beet sugar is shipped into the United States.

In 1992, despite increased competition in the Canadian sugar industry, sales volumes for the western operations improved slightly over 1991 levels.

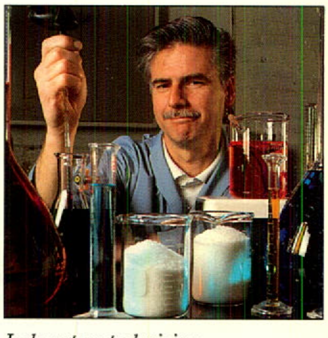
Company executives David Elliott and Andre Bergeron at a major retail outlet where flats of freshly baked muffins are a customer favorite.

Western Canada sugar beets are an important contributor to the agricultural economies of southern Alberta and Manitoba.

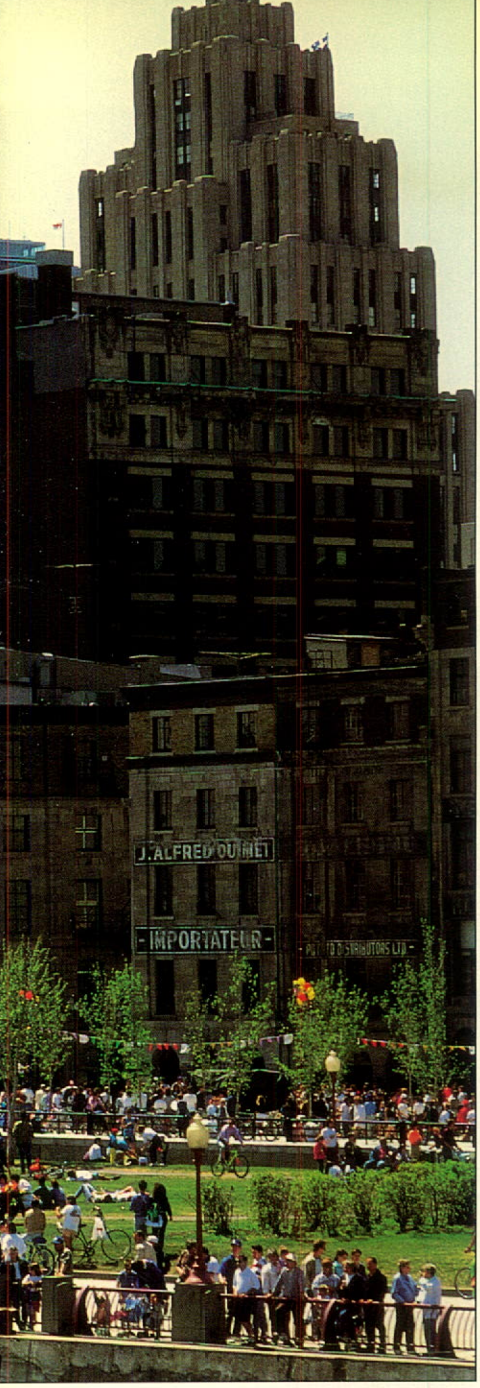
Cosmopolitan Montreal is
the home of one of the Company's
six sugar production facilities
and a major market for both consumer
and industrial sugar use.

Package machine operator Helen Macleod helps produce Lantic brand products in Saint John.

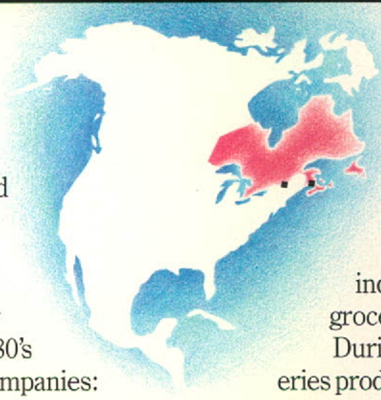
Georgia Apostolopoulos in Lantic's Montreal office.



Laboratory technician Ernest Taylor is part of the commitment to quality at the Saint John Refinery.



MAJOR GROWTH FROM EASTERN CANADA



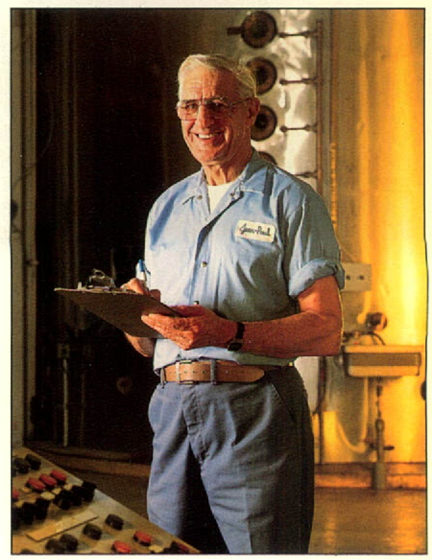
Lantic Sugar commenced operations in the Maritimes in 1915, and grew substantially during the Canadian sugar industry rationalization of the 1980's when it acquired four companies: Cartier Sugar, Westcane Sugar, St. Lawrence Sugar, and Raffinerie de sucre du Quebec. Three of those operations were closed, while the former St. Lawrence refinery in Montreal continues to operate, along with the Lantic Sugar refinery in Saint John,

"The world is our marketplace, as far as tastes and trends are concerned. We need all our talents to keep pace."

New Brunswick. The Company also has a major distribution centre in Toronto.

The market for Lantic brand products extends from Thunder Bay, Ontario to Newfoundland, and absorbs about 65 percent of eastern Canadian domestic sugar shipments. Unlike the even split between industrial and grocery business sales in the west, the eastern Canadian product mix is approximately 75 percent industrial and 25 percent grocery business.

During 1992, Lantic's two refineries produced about 475,000 tonnes of sugar, well above a nominal capacity of 440,000 tonnes. Quality and cost improvement programs have produced very positive results and productivity advances continue to be emphasized.



Jean-Paul Fontaine is one of more than 1,400 Company employees who share a special pride in sugar as a product that everyone uses.

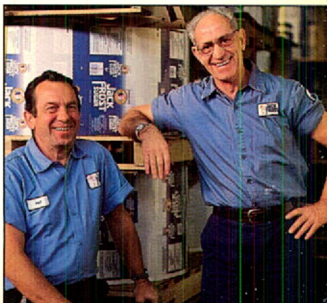
Lantic products are front and centre when Company executives Claudio Bussandri (left) and Jim Hudson meet over breakfast in Montreal.

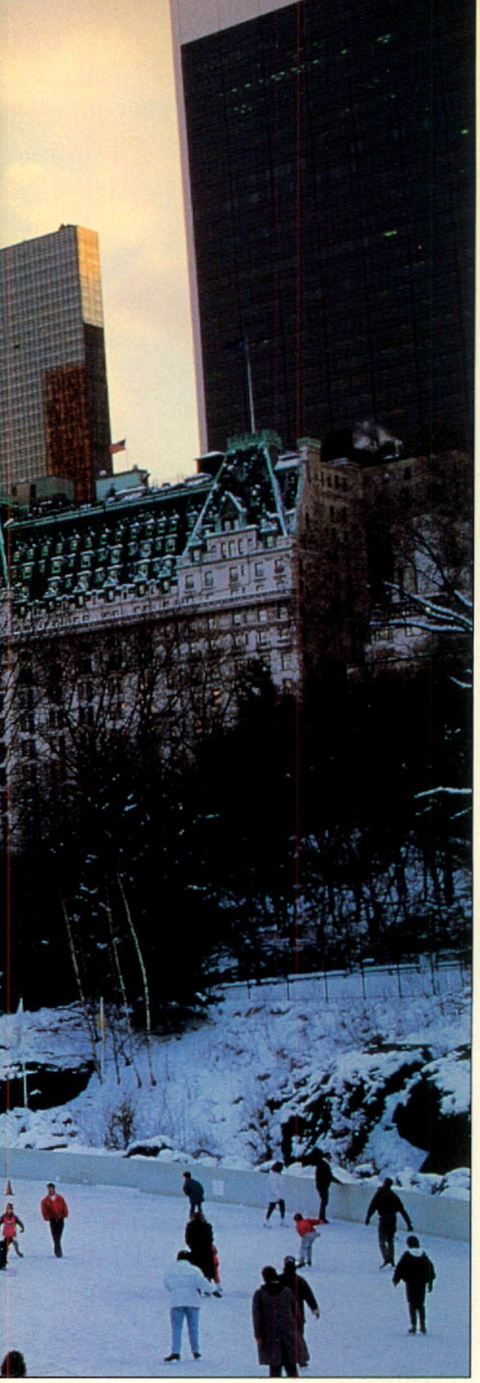
New York is the centre of the marketplace for sugar products from the Company's plant in nearby Yonkers.

Wendy Lee is a quality assurance supervisor at RSI.

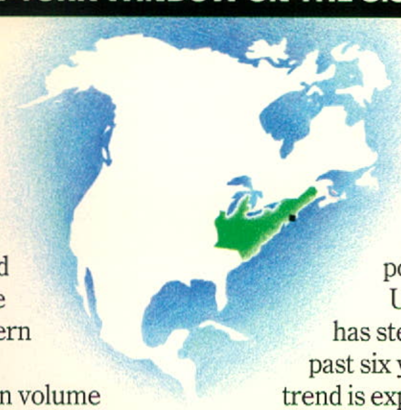
A customer's truck is loaded with a final check from Russ McCann, Grocery Products Sales Manager.

Pat Dintrone (left) and Nick Dobransky have 70 years' combined service experience to put behind deliveries from the Yonkers plant.





A NEW YORK WINDOW ON THE U.S. MARKET



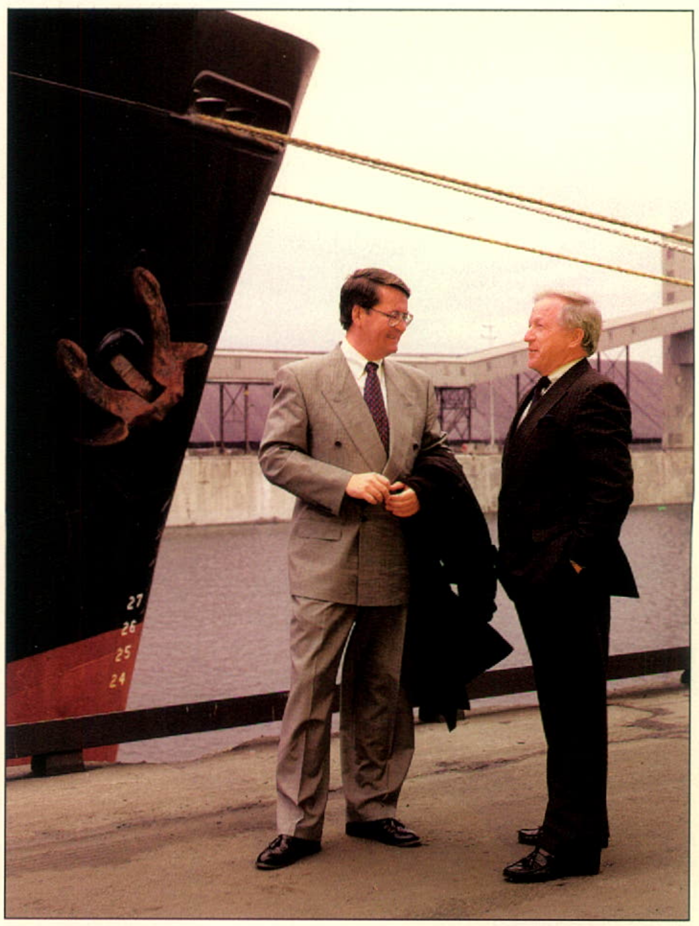
Refined Sugars, Inc., located in Yonkers, New York, is the second largest supplier of cane sugar to the northeastern United States.

The 1992 production volume of over 450,000 tonnes at the New York refinery is similar in size to annual production for the eastern Canadian market. A concentration on greater efficiency and cost reduction over the past two years has lowered RSI's production costs, enhancing the Company's position in the marketplace.

U.S. sugar consumption has steadily increased for the past six years, and this continuing trend is expected to improve capacity utilization for the cane refining industry.

Over the last three years, Jack Frost has emerged as a force in the branded grocery marketplace. Programs are in place to maintain that position in the value-added segment of the business.

Raw cane sugar awaits refining.



The global nature of the sugar industry is never far from the minds of Company executives Greg Hoskins (left) and Bill Brown.

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.

The operations of BC Sugar Refinery, Limited include The British Columbia Sugar Refining Company, Limited, a wholly owned subsidiary company operating in western Canada ("Western Operations") and the operations of Lantic Sugar Limited ("Lantic Sugar"), which operates cane refineries in Saint John, New Brunswick, Montreal, Quebec and Yonkers, New York.

Comparison of 1992 and 1991 Earnings

The investment in Lantic Sugar has been accounted for in the consolidated financial statements of BC Sugar under the equity method from January 1, 1991 to June 29, 1992 and under the consolidation method from June 30, 1992 to September 30, 1992. Under the consolidation method of accounting, the revenues and expenses and the assets and liabilities of Lantic Sugar are only consolidated with those of the Company for the last three months of the 1992 fiscal year. The consolidated financial results are therefore not truly comparative since the 1991 amounts only include Lantic Sugar's results on a net basis and only for 9 months.

Revenues and earnings of Western Operations and BC Sugar's share of revenues and earnings of Lantic Sugar as recorded in the consolidated financial statements are as follows:

(In Thousands of Dollars)	1992	1991
Western Operations		
Revenues	$160,020	$161,187
Earnings	4,858	5,645
Lantic Sugar		
Revenues	$121,425	$ –
Earnings	5,197	4,030
Consolidated earnings from continuing operations	$ 10,055	$ 9,675

Charts A and B below demonstrate the close relationship between world sugar prices as reflected in sales, cost of sales and gross margin. If the accounts of Lantic Sugar had been consolidated in the periods before June 30, 1992, the sales and cost of sales pattern would match that of Western Operations.

The two right hand columns of Chart A show the results of operations in 1992. The first of these two columns is without Lantic Sugar and the second is after consolidating its results for the final quarter of 1992.

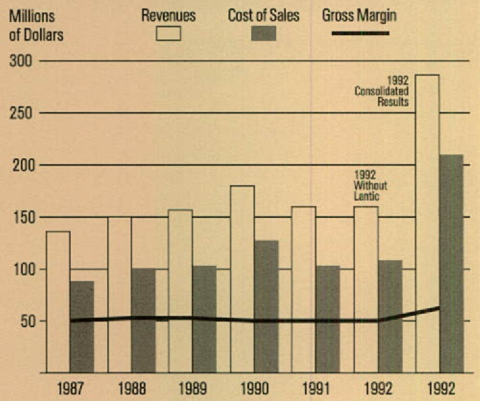
World raw sugar prices are determined primarily by global supply and demand; in times of oversupply, the price per tonne falls. A refining margin is added to the raw sugar price to set a base selling price for refined sugar.

These principles also apply to the U.S. operations of the Company except that in the U.S. a Market Stabilization Price of approximately 22 cents U.S. per pound keeps the price of raw sugar significantly above the world market price.

Consolidated revenues have increased by $120 million. As can be seen in Chart A, the increase is primarily attributable to the consolidation of the revenues of Lantic Sugar from June 30, 1992 to September 30, 1992.

Chart A

Sugar Revenues, Cost of Sales and Gross Margin



If Lantic Sugar's revenues had been consolidated for the entire year, the increase would have been approximately $494 million.

Revenues from Western Operations have decreased by $1 million. The decrease is caused by lower refined sugar prices as a result of increased competition in the Canadian sugar industry.

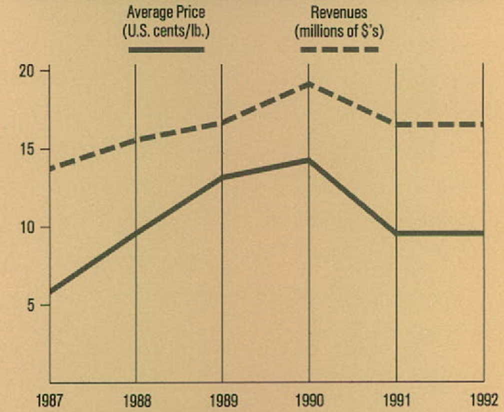
The acquisition of Lantic Sugar has added approximately 1 million tonnes in capacity to the Company's refining operations. The Lantic Sugar refineries operated at capacity during the year and there was no significant change in sales volumes of Western Operations.

Consolidated earnings from continuing operations have increased by $380,000. The increase is due to an increase in earnings from Lantic Sugar of $1,167,000 offset by a decrease in earnings from Western Operations of $787,000.

The decrease in earnings from Western Operations is primarily due to the net impact of the following factors:

Chart B

Average World Sugar Prices and Corresponding Trend in Revenues



(Revenues exclude Lantic)

- Margins per tonne have decreased as a result of increased competition in the Canadian sugar industry. Refining costs have remained relatively stable.
- Selling, general and administrative expenses have decreased by $2.1 million. The decrease was achieved by a number of factors, but primarily by the elimination of one-time promotional expenses incurred in 1991.
- Interest expense on long-term debt and other interest declined by $600,000. The net decrease is due to the decline in interest rates during 1992, proceeds on the disposal of the investment in Anderson Exploration Ltd. and receipt of proceeds from the equity issue, all of which offset the purchase of the remaining 50 percent of Lantic Sugar.
- A reduction in income tax expense of $2.4 million. The reduction is due primarily to the Company adjusting for tax rates in foreign jurisdictions and to other non-taxable adjustments.

Earnings from Lantic Sugar in 1992 include earnings under the equity method from October 1, 1991 to June 29, 1992 of $532,000 and earnings under the consolidation method from June 30, 1992 to September 30, 1992 of $4,665,000. Earnings from Lantic Sugar in 1991 include earnings under the equity method from January 1, 1991 to September 30, 1991.

Discontinued Operations

Income (loss) from Discontinued Operations (000's)	1992	1991
Income from Anderson Exploration Ltd.	$2,106	$2,350
Write-down of Oil and Gas Property	(467)	–
Loss from Specialty Chemicals	–	(20,579)
	$1,639	$(18,229)

As a result of the Company's strategic decision to focus on the sugar business, the Company, in 1992, sold its 17.9 percent investment in Anderson Exploration Ltd. ("Anderson") for net proceeds of $33.5 million. A net gain of $2 million was recognized on the sale.

Income from discontinued operations is $1.6 million. Included in income from discontinued operations is the net gain of $2 million from the sale of Anderson, equity income of $105,000 earned from the investment in Anderson prior to the sale, and a write-down of $467,000 to the Company's investment in an oil and gas property. The oil and gas property has been sold subsequent to year end for $2.3 million, which resulted in the write-down shown above.

BC Sugar Refinery, Limited

Income from discontinued operations in 1992 is positive, compared to the loss of $20.6 million recognized in 1991 on the investment in Specialty Chemicals. The loss included an equity loss of $4.2 million to March 31, 1991, the date the Company commenced accounting for the investment in Specialty Chemicals as a discontinued operation, and a loss of $16.4 million recognized on the write-down of Specialty Chemicals to estimated net realizable value at September 30, 1991.

No income or loss has been recognized on the investment in Specialty Chemicals for the year ended September 30, 1992 as the estimated net realizable value of the investment exceeds its carrying value at September 30, 1992. Any gain will be recorded at the time of the sale of these assets.

The $3.9 million loss incurred during the shut-down year of Chatterton Petrochemical Corporation was offset by operating income of Kalama Chemical, Inc. in the amount of $4.3 million. The resultant net operating income of Specialty Chemicals in 1992 was $409,000. Management expects the positive results of Kalama to continue.

The Company is in active discussions with potential purchasers of the Specialty Chemical assets and a sale is expected in the fiscal year ending September 30, 1993.

Net Earnings

In 1992, BC Sugar recorded net earnings of $11.7 million. This compares to a 1991 net loss of $8.6 million. On a per common share basis, net earnings increased from a net loss of $0.60 per common share in 1991 to net earnings of $0.71 per common share in 1992. The main factors contributing to this increase are those discussed above.

External and Industry Factors Impacting Operating Results

BC Sugar's products are marketed in western Canada by The British Columbia Sugar Refining Company, Limited, in eastern Canada by Lantic Sugar Limited and in the eastern U.S. by Refined Sugars, Inc. The sales volume and pricing of these products are not significantly affected by adverse changes in the economy.

Management does not foresee any major changes to the pricing of and access to raw sugar in world or U.S. markets over the next fiscal year that would affect the results from operations in any material fashion.

The Company faces competition from high fructose corn syrup, particularly when world sugar prices rise, and from refined sugar imported from the U.S., the Far East and the European Economic Community. Canada does not impose import quotas or meaningful tariffs on sugar or other sweeteners. The Company has met the influx of sugar imports with ongoing incentive programs to help counter these competitive factors and to stimulate sales. The result has been sales volume increases, but at the expense of lower sales prices for a net decline in revenues. Management will continue to offer incentive programs and concentrate on reducing costs to mitigate the effects of imported sugar.

Export access to U.S. markets is restrained by a quota system, and any refined sugar shipped from Canada into the U.S. must be produced from domestically grown sugar beets rather than from imported raw cane sugar. BC Sugar is the only producer of beet sugar in Canada.

Direct access to the U.S. market has been established through the purchase of Lantic Sugar and its wholly owned U.S. subsidiary, Refined Sugars, Inc.

Acquisition of the Remaining 50 percent of Lantic Sugar Limited

The acquisition of the remaining 50 percent of the common shares of Lantic Sugar from Jannock Limited was accomplished effective June 30, 1992 for cash consideration of $120 million.

The acquisition was financed from proceeds of a common share issuance in the amount of $75 million, proceeds from the disposition of the Company's 17.9 percent interest in Anderson in the amount of $33.5 million and an increase in long-term debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BC Sugar Refinery, Limited

Effects of Changing Prices

The Company does not believe its business is affected by inflation to a greater extent than the general economy. The Company monitors the impact of inflation and attempts to adjust prices where market conditions permit. Inflation did not have a significant effect on sales levels during fiscal 1992 or 1991.

The Company protects itself against fluctuations in raw sugar prices by entering into commodities futures contracts and options on regulated futures markets for the purpose of hedging sugar inventories and related purchase and sale commitments.

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 has reviewed projected cash flows and compared these to ongoing requirements for dividends, capital improvements, interest and debt repayments and is of the opinion that all these cash requirements will be met by funds generated from operations.

The Company issued 8,450,800 Class A common shares for net cash proceeds of $72 million after share issue costs. Additional funds were generated by net cash proceeds of $33.5 million from the sale of Anderson shares and an increase in long-term debt of $15.8 million. As indicated these funds were used to purchase the remaining 50 percent of the shares of Lantic Sugar for $120 million.

Except for normal maintenance and capital improvements which will be financed out of operating income, the Company has no plans which would require additional capital resources.

At September 30, 1992, the Company had cash and operating lines of credit of $137.8 million of which $46.9 million of the lines were utilized. Subsequent to the year end, the Company issued $35 million of 20-year bonds at an average interest rate of 9.72 percent. The proceeds of this issue were used to reduce revolving and current bank loans.

Future Results

The results of operations for the year ended September 30, 1992 were affected by the Company's continued strategic decision to focus on the sugar business. The purchase of Lantic Sugar was completed and management will be focusing on realizing the benefits of the synergies offered by this acquisition.

The Company is continuing negotiations for the sale of its investment in Specialty Chemicals, and management expects the investment to be sold in 1993 for proceeds in excess of its carrying value. The proceeds from the sale of these assets will be used to reduce existing bank debt.

Management does not expect any significant changes in supply and demand or pricing of raw or refined sugar in the world or U.S. markets over the foreseeable future.

Management will continue to focus on ways of reducing refining costs and costs of delivery of its products to its customers and expects a positive impact on operating results from these cost reductions.

STATEMENT OF EARNINGS

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

(In Thousands of Dollars)	1992	1991 (restated– Note 1(a))
Revenues (Note 1(a))	**$281,445**	$161,187
Costs and expenses		
Cost of sales	**218,570**	110,217
Selling, general and administrative	**25,794**	21,884
Depreciation and amortization	**6,811**	3,517
Long-term debt interest	**15,188**	12,115
Other interest	**2,395**	3,877
Total costs and expenses	**268,758**	151,610
	12,687	9,577
Income taxes (Note 10)	**3,164**	3,932
Earnings before undernoted items	**9,523**	5,645
Income from Lantic Sugar Limited (Note 2(b))	**532**	4,030
Earnings from continuing operations	**10,055**	9,675
Income (loss) from discontinued operations (Note 11)	**1,639**	(18,229)
Net earnings (loss)	**$ 11,694**	$ (8,554)
Basic earnings per common share (Note 15(a))		
Earnings from continuing operations	**$ .61**	$ .68
Income (loss) from discontinued operations	**.10**	(1.28)
Net earnings (loss)	**$ .71**	$ (.60)

STATEMENT OF RETAINED EARNINGS

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

(In Thousands of Dollars)	1992	1991
Balance, beginning of year	**$ 13,446**	$ 33,468
Net earnings (loss)	**11,694**	(8,554)
	25,140	24,914
Less:		
Share issue expenses, net of deferred income taxes of $1,474	**2,122**	–
Dividends	**9,486**	11,468
Balance, end of year	**$ 13,532**	$ 13,446

BALANCE SHEET

BC Sugar Refinery, Limited and Subsidiary Companies, as at September 30

(In Thousands of Dollars)	1992	1991 (restated–Note 1(a))
ASSETS		
Current assets		
Cash	**$ 27,779**	$ –
Accounts receivable	**70,529**	18,573
Inventories	**70,898**	18,283
Prepaid expenses	**3,346**	351
Deferred income taxes	**3,067**	3,037
Investment in Specialty Chemicals (Note 3)	**53,135**	51,135
Total current assets	**228,754**	91,379
Investments and other assets (Note 4)	**2,768**	152,537
Fixed assets (Note 5)	**140,030**	18,007
Goodwill, net of accumulated amortization (Note 5)	**158,695**	–
	$530,247	$261,923
LIABILITIES		
Current liabilities		
Bank loans (Note 6)	**$ 46,909**	$ 31,118
Accounts payable and accrued liabilities	**53,352**	12,104
Current portion of long-term debt (Note 7)	**8,179**	–
Total current liabilities	**108,440**	43,222
Long-term debt (Note 7)	**247,902**	140,000
Deferred employee benefits (Note 8)	**8,881**	–
Deferred income taxes	**10,621**	3,221
Total liabilities	**375,844**	186,443
SHAREHOLDERS' EQUITY		
Share capital (Note 9)		
Common shares	**136,363**	61,362
Preferred shares	**1,570**	1,570
	137,933	62,932
Retained earnings	**13,532**	13,446
	151,465	76,378
Foreign exchange adjustment	**2,938**	(898)
Total shareholders' equity	**154,403**	75,480
	$530,247	$261,923

Approved by the Board
William C. Brown, Director
John W. Pitts, Director

Contingent liabilities–Note 14

STATEMENT OF CHANGES IN FINANCIAL POSITION

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

(In Thousands of Dollars)	1992	1991 (restated– Note 1(a))
Cash provided by (used for)		
Operations		
Funds provided from operations (below)	$ 16,009	$ 9,450
Changes in non-cash working capital	2,585	918
Cash from operations	18,594	10,368
Cash dividends paid	(9,486)	(10,110)
	9,108	258
Financing		
Increase in long-term debt	15,788	110,000
Issue of common shares	75,001	1,358
Share issue costs	(3,596)	–
Decrease in long-term debt	(553)	–
Dividends reinvested in common shares	–	(1,358)
	86,640	110,000
Investments		
Investment in Lantic Sugar Limited	(120,500)	(110,790)
Investment in Specialty Chemicals	(2,000)	(9,000)
Proceeds from sale of Anderson Exploration Ltd.	33,483	–
Additions to fixed assets	(4,332)	(3,425)
Dividends from Lantic Sugar Limited to June 30, 1992	1,093	1,472
Other investments	(437)	150
	(92,693)	(121,593)
Increase (decrease) in cash	3,055	(11,335)
Cash of Lantic Sugar Limited at commencement of consolidation accounting (Note 1(a))	8,933	–
Net current bank loans, beginning of year	31,118	19,783
Net current bank loans, end of year	$ 19,130	$ 31,118

Net current bank loans is defined as current bank loans less cash.

Funds Provided from Operations

	1992	1991
Earnings from continuing operations	$ 10,055	$ 9,675
Deferred income taxes	975	–
Depreciation and amortization	6,811	3,517
Income from Lantic Sugar Limited	(532)	(4,030)
Loss from investments	558	96
Pension	(276)	–
Other	(1,582)	192
	5,954	(225)
Funds provided from operations	$ 16,009	$ 9,450

NOTES TO FINANCIAL STATEMENTS

BC Sugar Refinery, Limited and Subsidiary Companies, Years ended September 30, 1992 and 1991

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, Lantic Sugar Limited ("Lantic Sugar") and Refined Sugars, Inc. ("RSI"), a wholly owned subsidiary of Lantic Sugar.

These accounts reflect the consolidation of the accounts of Lantic Sugar commencing on June 30, 1992 and include the revenues and expenses of this subsidiary for the three month period ended September 30, 1992 (Note 2).

BC Sugar Refinery, Limited ("BC Sugar") has accounted for its 17.9 percent interest (1991–17.9 percent) in Anderson Exploration Ltd. ("Anderson") on the equity basis up to February 29, 1992 when a majority of this interest was disposed of. The remaining interest was accounted for on the cost basis to May, 1992 when the balance of the shares were sold. These consolidated financial statements have been restated to reflect the income from Anderson as income from discontinued operations. In addition, certain other comparative figures presented for 1991 have been restated to conform to the financial statement presentation adopted for 1992.

The Company's investment in Specialty Chemicals, which is comprised of the wholly owned subsidiaries Kalama Chemical, Inc. ("Kalama") and Chatterton Petrochemical Corporation ("Chatterton"), has been recorded at a value not exceeding its estimated net realizable value as a result of the adoption of a formal plan to dispose of Specialty Chemicals (Note 3).

(b) Inventories

Cane sugar inventory is valued at the lower of cost, as determined on the first-in, first-out basis, and market value. The British Columbia Sugar Refining Company, Limited values a normal quantity of 35,000 tonnes of cane sugar at $85 per tonne, which is less than market value. Hedging gains and losses on purchase and sale commitments are deferred and included in inventories.

Beet sugar inventory and all other inventories are valued at the lower of net realizable value and average cost or cost determined on the first-in, first-out basis.

The British Columbia Sugar Refining Company, Limited has previously determined cost on the average cost basis. The change to the first-in, first-out basis does not have a material effect on these consolidated financial statements.

(c) Futures transactions

The Company, in the normal course of business, enters into commodities futures contracts and options on regulated futures markets for the purpose of hedging sugar inventories and related purchase and sale commitments. Any gain or loss on unhedged commitments is recognized currently.

(d) 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.

(e) Fixed assets and goodwill

Fixed assets are stated at cost. Depreciation is provided over the estimated useful lives of the assets. Assets are depreciated by The British Columbia Sugar Refining Company, Limited on the diminishing balance basis and by Lantic Sugar on the straight-line basis as follows:

Assets	Rate (percent)
Buildings and improvements	2–25
Plant and equipment	5–30
Furniture and fixtures	20–30

Goodwill arising from the acquisition of Lantic Sugar is amortized on a straight-line basis at 2.5 percent per annum. Current year's amortization of goodwill is $2,266,000 of which $1,408,000 was applied against the Company's equity in the earnings of Lantic Sugar for the nine months ended June 30, 1992 (nine months ended September 30, 1991 – $1,296,000) and $858,000, representing the charge for the three months ended September 30, 1992, has been recorded as amortization in the statement of earnings.

(f) Income taxes

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

1. Significant accounting policies –*continued*

(g) Foreign currency translation

The operations of RSI, the wholly owned United States subsidiary of Lantic Sugar, are considered self-sustaining. Assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Statement of earnings items are translated at average exchange rates. Gains and losses on translation of these foreign operations are included in the foreign exchange adjustment component of Shareholders' Equity.

The temporal method is used to translate the transactions and balances of the Company that are denominated in foreign currencies. Under this method, monetary assets and liabilities, and non-monetary items carried at market values, are translated at exchange rates in effect at the balance sheet date. Other non-monetary items are translated at their historical exchange rates. Statement of earnings items are translated at weighted average exchange rates. Exchange gains or losses are recognized currently in earnings.

(h) Pension expense and obligation

Assets of defined benefits pension plans are recorded at values which are adjusted to market over a period of five years. Pension expense includes amortization of past service costs, experience gains and losses and the difference between pension fund assets and the actuarial value of accrued pension benefits. These amounts are amortized on a straight-line basis over the expected average remaining service life of the plan participants.

2. Lantic Sugar Limited ("Lantic Sugar")

(a) Acquisition of Lantic Sugar

Effective December 31, 1990, the Company acquired 50 percent of the outstanding common shares of Lantic Sugar from Jannock Limited ("Jannock") for cash consideration of $110,000,000. Lantic Sugar owns all of the outstanding shares of Refined Sugars, Inc. The purchase price in excess of identifiable assets and liabilities, in the amount of $76,158,000, has been attributed to goodwill.

Effective June 30, 1992, the Company acquired the remaining 50 percent interest in Lantic Sugar from Jannock for cash consideration of $120,000,000. The purchase price in excess of identifiable assets and liabilities of the remaining 50 percent, in the amount of $86,099,000, has been attributed to goodwill.

These acquisitions have been accounted for by the purchase method and are summarized as follows:

(In Thousands of Dollars)	Initial 50 percent interest	Remaining 50 percent interest
Net assets acquired:		
Current assets	$ 77,638	$ 67,839
Fixed assets	55,588	60,498
Goodwill	76,158	86,099
Other assets	439	2,150
	$209,823	$216,586
Liabilities assumed:		
Current liabilities	$ 39,179	$ 34,497
Long-term debt	50,806	49,585
Other long-term liabilities	6,045	6,344
Deferred income taxes	2,640	5,660
	98,670	96,086
Cash consideration and acquisition expenses	$111,153	$120,500

The Company has accounted for the initial 50 percent interest in Lantic Sugar on the equity basis up to June 29, 1992. Commencing June 30, 1992, the Company has accounted for the 100 percent interest in Lantic Sugar on the consolidated basis.

2. Lantic Sugar Limited ("Lantic Sugar") *–continued*

(b) Condensed financial information of Lantic Sugar

STATEMENT OF EARNINGS (In Thousands of Dollars)	October 1, 1991 to June 29, 1992	Nine months ended September 30, 1991
Sales	$384,696	$376,349
Costs and expenses	380,508	360,716
	4,188	15,633
Income taxes	308	4,981
Net earnings for the period reported by Lantic Sugar	$ 3,880	$ 10,652
BC Sugar's share of Lantic Sugar's income	$ 1,940	$ 5,326
Amortization of goodwill	1,408	1,296
Income from Lantic Sugar reported by BC Sugar on the equity basis	$ 532	$ 4,030

(c) Pro forma statement of earnings:

The summarized pro forma statement of earnings of the Company for the year ended September 30, 1992, assuming the acquisition of the remaining 50 percent interest in Lantic Sugar had occurred on October 1, 1991 financed by a common share issuance of $75 million and long-term debt of $45 million, is as follows:

(In Thousands of Dollars)	
Revenues	$653,622
Costs and expenses:	
Cost of sales	549,591
Selling, general and administrative	51,208
Depreciation and amortization	16,927
Long-term debt interest	27,160
Other interest	392
Total costs and expenses	645,278
	8,344
Income taxes	1,972
Earnings from continuing operations	6,372
Income from discontinued operations	1,639
Net earnings	$ 8,011

3. Investment in Specialty Chemicals

(In Thousands of Dollars)	1992	1991
Investment in Specialty Chemicals	$ 53,135	$ 51,135

Effective March 31, 1991, the Company adopted a formal plan to dispose of its investment in Specialty Chemicals. The Company engaged an investment firm to assist on the divestiture and expected to dispose of this investment within the 1992 fiscal year. Accordingly, this investment had been accounted for as a discontinued operation and was classified as a current asset in the 1991 consolidated financial statements.

Although the Specialty Chemicals operations remain unsold as at September 30, 1992, interest in the purchase of these operations has renewed and the Company now expects that these operations will be sold within the next fiscal year. Consequently, this investment has been classified as a current asset in the 1992 consolidated financial statements.

3. Investment in Specialty Chemicals—*continued*

Summarized combined balance sheets of Specialty Chemicals Companies:

ASSETS

(In Thousands of Dollars)	As at September 30 1992	1991
Current assets	$ 26,667	$ 35,282
Investments	2,633	2,358
Fixed assets	28,489	52,413
	$ 57,789	$ 90,053

LIABILITIES AND SHAREHOLDERS' EQUITY

(In Thousands of Dollars)	As at September 30 1992	1991
Current liabilities	$ 29,600	$ 36,443
Long-term debt and liabilities	6,227	8,432
Deferred income taxes	2,613	2,531
Shareholders' equity	19,349	42,647
	$ 57,789	$ 90,053

Geographic information for Specialty Chemicals is summarized as follows:

(In Thousands of Dollars)	Canada		United States		Consolidated	
	1992	1991	1992	1991	1992	1991
Revenues	$15,798	$23,555	$82,123	$70,003	$97,921	$ 93,558
Operating income (loss)	$ (3,897)	$ (9,862)	$ 4,306	$ (8,080)	$ 409	$ (17,942)
Identifiable assets	$ 8,210	$44,635	$55,095	$51,389	$63,305	$ 96,024
Depreciation	$ 1,346	$ 2,401	$ 3,114	$ 2,825	$ 4,460	$ 5,226
Purchase of fixed assets	$ 198	$ 1,605	$ 3,878	$ 2,759	$ 4,076	$ 4,364

Loss from Specialty Chemicals for the six months ended March 31, 1991, net of income tax, amounted to $4,158,000.

4. Investments and other assets

(In Thousands of Dollars)	1992	1991
Investment in Lantic Sugar Limited (Note 2)	$ –	$112,813
Investment in Anderson Exploration Ltd. (Note 12)	–	34,197
Other investments and assets		
Real estate development properties	2,183	2,267
Oil and gas properties	–	2,806
Other	585	454
	$ 2,768	$152,537

BC Sugar Refinery, Limited and Subsidiary Companies, Years ended September 30, 1992 and 1991

5. Fixed assets and goodwill

(In Thousands of Dollars)	Cost		Accumulated depreciation and amortization		Net book value	
	1992	1991	1992	1991	1992	1991
Land	$ 5,302	$ 394	$ –	$ –	$ 5,302	$ 394
Buildings and improvements	35,494	17,281	11,474	10,908	24,020	6,373
Plant and equipment, furniture and fixtures	184,306	80,481	74,795	69,241	109,511	11,240
Leasehold improvements	401	–	9	–	392	–
Capital assets held for resale	891	–	86	–	805	–
Total fixed assets	$226,394	$ 98,156	$ 86,364	$ 80,149	$140,030	$ 18,007
Goodwill	$162,257	$ –	$ 3,562	$ –	$158,695	$ –

Capital assets held for resale are recorded at the lower of depreciated cost and estimated realizable value.

6. Bank loans

(In Thousands of Dollars)	1992	1991
The British Columbia Sugar Refining Company, Limited		
Bank loans, secured by assets of The British Columbia Sugar Refining Company, Limited	$ 28,992	$ 31,118
Lantic Sugar Limited		
Bank loans	8,684	–
Refined Sugars, Inc.		
Bank loans, secured by accounts receivable and inventories	9,233	–
	$ 46,909	$ 31,118

7. Long-term debt

(In Thousands of Dollars)	1992	1991
The British Columbia Sugar Refining Company, Limited		
Revolving bank loan bearing interest at bank prime plus ¼%, convertible into a term loan at the Company's option	$ 70,000	$ 70,000
Term loan bearing interest at bank prime plus ¼%, maturing December 31, 2002	85,788	70,000
Lantic Sugar Limited		
12½% Series "A" first mortgage bonds	23,173	–
12⅛% Series "B" first mortgage bonds	22,815	–
11¾% Series "C" first mortgage bonds	14,305	–
8½% Promissory note	40,000	–
	256,081	140,000
Less: Current portion of long-term debt	8,179	–
	$247,902	$140,000

7. Long-term debt—*continued*

The British Columbia Sugar Refining Company, Limited

The Company has entered into an interest swap arrangement which matures March 31, 1998. Under the arrangement, interest is fixed at 10.13 percent per annum on an amount of $70,000,000.

The long-term debt is secured by a share pledge of all the common shares of Lantic Sugar, a general security agreement and a floating charge over the assets of The British Columbia Sugar Refining Company, Limited. Repayment of the term loan commences March 31, 1993, in forty quarterly repayments.

Lantic Sugar Limited

The Series "A" first mortgage bonds are repayable in semi-annual blended instalments of $1,708,485 beginning June 1, 1988 with a final instalment of $14,176,819 due December 1, 2002.

The Series "B" first mortgage bonds are repayable in semi-annual blended instalments of $1,828,385 beginning January 1, 1990 and maturing July 1, 2004.

The Series "C" first mortgage bonds are repayable in semi-annual blended instalments of $981,261 beginning January 1, 1990 with a final instalment of $8,246,391 due July 1, 2004.

The 8½ percent promissory note is repayable in 20 quarterly instalments of $1,250,000 beginning December, 1993, followed by four quarterly instalments of $3,750,000.

The interest in certain leases of Lantic Sugar and a Deed of Trust and Mortgage carrying a specific charge on certain capital assets not otherwise pledged by Lantic Sugar have been pledged as security for the Series "A", Series "B" and Series "C" first mortgage bonds. The Deed also contains certain restrictions and covenants relating to the creation of additional long-term debt and distribution to shareholders.

A subordinated hypothecary guarantee covering the land and buildings of a sugar refinery owned by Lantic Sugar has been pledged as security for the 8½ percent promissory note.

Subsequent to year end, the Company issued additional first mortgage bonds totalling $35,000,000 at an average interest rate of 9.72 percent. The Company applied the proceeds to reduce The British Columbia Sugar Refining Company, Limited's revolving and current bank loans.

The specific repayment schedule for the additional first mortgage bonds borrowings has not been established. However, the additional borrowings are repayable over 20 years.

Required principal payments, under the existing long-term debt repayment schedule, in each of the next five years are as follows:

	(In Thousands of Dollars)
1993	$ 8,179
1994	15,543
1995	15,789
1996	16,065
1997	16,379

8. Deferred employee benefits

The Company's subsidiary company, Refined Sugars, Inc., provides certain health care benefits for substantially all of its retired employees and life insurance benefits for all retired hourly paid employees. These benefits are recognized by the Company as deferred employee benefits liability as the benefits are earned.

9. Share capital

	1992	1991
Common shares outstanding at September 30:		
Class A	21,475,289	12,975,356
Class B	1,246,625	1,295,758
	22,721,914	14,271,114
Preferred shares carrying a cumulative dividend entitlement of $1.00 per share and redeemable at $20.00 per share	78,500	78,500

9. Share capital–*continued*

(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 1992, the Company issued 8,450,800 Class A common shares for cash proceeds of $75,000,850 pursuant to a public offering.

During 1991, 95,101 shares were issued as stock dividends to shareholders who elected to reinvest their dividends. The value attributed to these shares was $1,358,000. The Dividend Reinvestment Plan was terminated following payment of the February, 1991 dividend.

(b) At the Company's February, 1991 annual general meeting, the Company's shareholders confirmed the adoption of the Company's 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 investment fund managers under certain circumstances or 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.

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) The Company has a share option plan for key employees. To date, options have been granted to acquire 130,000 (1991–80,000) Class A common shares at prices from $15.00 to $17.25 per common share.

The Company has reserved 120,000 Class A common shares for possible future issuance under this plan.

10. Income taxes

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

	1992	1991
Combined basic Canadian federal and provincial income tax rate	43.2%	43.8%
Manufacturing and processing profits deduction	(4.3)	(4.3)
Lower effective tax rate on losses of foreign subsidiary	(3.2)	–
Non-taxable adjustments and other	(10.8)	1.5
Effective income tax rate	24.9%	41.0%
Actual provision for income taxes		
Current	$2,189,000	$3,932,000
Deferred	975,000	–
	$3,164,000	$3,932,000

11. Income (loss) from discontinued operations

(In Thousands of Dollars)	1992	1991
Income from Anderson Exploration Ltd. (Note 12(c))	$ 2,106	$ 2,350
Write-down of Oil and Gas Property	(467)	–
Loss from Specialty Chemicals (below)	–	(20,579)
	$ 1,639	$ (18,229)

Selected financial information of Specialty Chemicals:

(In Thousands of Dollars)	1992	1991
Loss from discontinued operations	$ –	$ 26,942
Income tax recovery	–	6,363
Loss from discontinued operations reported by BC Sugar	$ –	$ 20,579

12. Anderson Exploration Ltd. ("Anderson")

(a) During 1992, the Company sold its investment in Anderson for net proceeds of $33,483,000 resulting in a gain of $2,001,000. Income from Anderson of $105,000 was recorded under the equity method to February 29, 1992, the effective date on which the Company ceased to exercise significant influence over Anderson.

(b) During 1991, Anderson issued 2,000,000 common shares from treasury on the exercise of 2,000,000 Special Warrants. The Company's interest in Anderson was reduced from 20.1 percent to 17.9 percent as a result of this issuance. A gain of $1,241,000 was realized by the Company because of the excess purchase price paid over net book value on the exercise of the Special Warrants.

(c) Income from Anderson reported by BC Sugar has been determined as follows:

(In Thousands of Dollars)	October 1, 1991 to February 29, 1992	Year ended September 30, 1991
Net income reported by Anderson	$ 588	$ 5,971
BC Sugar's share of Anderson's income	105	1,109
Gain on disposal of Anderson	2,001	–
Gain on issue of treasury shares by Anderson	–	1,241
Income from Anderson reported by BC Sugar	$ 2,106	$ 2,350

13. 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 the 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.

The funded status of the plans is as follows:

	The British Columbia Sugar Refining Company, Limited		Lantic Sugar
	September 30		September 30
(In Thousands of Dollars)	1992	1991	1992
Present value of accrued benefits	$ 25,415	$ 24,577	$ 59,556
Pension fund assets	$ 23,164	$ 22,174	$ 70,900

The British Columbia Sugar Refining Company, Limited and Lantic Sugar amortize the difference between pension fund assets and accrued benefits over the expected average remaining service life of the plan participants. The amortization period is currently fourteen years for The British Columbia Sugar Refining Company, Limited and eighteen years for Lantic Sugar.

14. Contingent liabilities

(a) In May, 1992, a former 50 percent shareholder of Lantic Sugar ("former shareholder") filed an action demanding payment from Jannock for the sum of $15,400,000 plus $2,240,000 in interest and expenses in respect of the sale by Jannock to BC Sugar of the initial 50 percent interest in Lantic Sugar. The former shareholder alleges that Jannock sold to BC Sugar the shares that Jannock acquired from the former shareholder at a price or consideration greater than the price per share paid by Jannock to the former shareholder under an earlier agreement between it and Jannock and the former shareholder asserts that it is entitled to 90 percent of alleged additional consideration. Under an indemnification clause in the purchase agreement between BC Sugar and Jannock, Jannock could seek to be indemnified by BC Sugar for liability, if any, in excess of $250,000 incurred by Jannock relating to this action.

The Company and its counsel are of the view that the correct interpretation of the purchase agreement is that no amount is owing to the former shareholder and consequently nothing will be owing to Jannock under the indemnification clause.

In addition, the former shareholder has claimed that any payment made by BC Sugar to Jannock pursuant to the indemnification clause is part of the "consideration" for the shares of Lantic Sugar to which the former shareholder is entitled. The former shareholder asserts that it has a right to claim 90 percent of any payments made pursuant to the indemnity. In a demand letter dated April 24, 1992, the former shareholder has asserted that if Jannock continues to claim indemnification for each payment it is required to make to the former shareholder, and if the payments are repeated successively, a total of $154,140,000 would become payable to the former shareholder.

The Company and its counsel are of the view that the former shareholder's claim for 90 percent of any payment under the indemnity clause is entirely without merit.

(b) The Company, through Kalama, is involved in certain environmental, product liability and general liability litigation in the United States which is considered routine to the nature of the Specialty Chemicals business.

Additionally, Kalama is involved in specific environmental site investigation and cleanup activities at its Kalama and Garfield plants, a former manufacturing location and several Superfund sites. The cost of site investigations and remedial actions could be significant, however management believes these costs will be mitigated by insurance and an indemnity provided by the previous owners of the Garfield plant. Kalama has commenced actions against its insurers and the former owner of the Garfield site in order to mitigate the costs associated with these activities.

In the opinion of management, it is unlikely that the net outcome of such litigation and environmental matters will have a material effect on the Company's financial position.

(c) Kalama has guaranteed 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.

(d) As a result of the ceasing of production at Chatterton's Delta, B.C. plant, governmental agencies have investigated cleanup efforts at this production facility site. The Company has engaged a consulting firm to perform a detailed environmental assessment and define mitigation options that eventually must be approved by the government agencies. It is not possible at this time to estimate precisely the costs of investigation and cleanup. The Company has held ongoing discussions with the previous owner of the production facility regarding the indemnification of these cleanup costs. It is not possible at this time to estimate the Company's eventual recovery.

(e) The Company is involved in various other legal matters arising in the normal course of business. After taking into consideration legal counsel's evaluation of such actions, management is of the opinion that their outcome will not have a material effect on the Company's consolidated financial statements.

15. Net earnings (loss) per common share

(a) Basic earnings (loss) per share

Basic earnings per share has been calculated using the weighted average number of common shares outstanding during the year.

(b) Fully diluted earnings (loss) per share

Fully diluted earnings per share assuming the issuance of common shares by the Company under the key employee share option plan and the shareholders' rights plan are calculated at $0.46 per share for 1992. The possible issuance of common shares under the above-mentioned plans has an anti-dilutive effect on the Company's 1991 loss per share.

Net earnings for the current year's calculation of fully diluted earnings per share have been increased by $6,256,000, being the after-tax effect of the reduced interest charge upon exercising of the share options and purchase rights mentioned in Note 9, and assuming that the exercise occurred at the beginning of the year.

Although the issuance of common shares under the shareholders' rights plan, as disclosed in Note 9, has a dilutive effect on the current year's earnings per share, such issuance of common shares is unlikely under the terms of this plan. The possible issuance of common shares under the share option plan does not have a material effect on the current year's earnings per share.

NOTES TO FINANCIAL STATEMENTS

BC Sugar Refinery, Limited and Subsidiary Companies, Years ended September 30, 1992 and 1991

16. Segmented information

The Company, through its subsidiaries, The British Columbia Sugar Refining Company, Limited, Lantic Sugar and Refined Sugars, Inc., operates primarily in the sugar industry which includes the refining, packaging and marketing of cane and beet sugar in Canada and the United States.

Geographic information for the Company's sugar operations is summarized as follows:

(In Thousands of Dollars)	Canada		United States		Consolidated	
	1992	1991	1992	1991	1992	1991
Revenues	$220,539	$161,187	$ 60,906	$ –	$281,445	$161,187
Operating earnings	$ 29,620	$ 25,569	$ 650	$ –	$ 30,270	$ 25,569
Income from Lantic Sugar	532	4,030	–	–	532	4,030
					30,802	29,599
Interest expense	(15,644)	(15,992)	(1,939)	–	(17,583)	(15,992)
Income taxes	(3,147)	(3,932)	(17)	–	(3,164)	(3,932)
Income (loss) from discontinued operations	1,639	(18,229)	–	–	1,639	(18,229)
Net earnings (loss)	$ 13,000	$ (8,554)	$ (1,306)	$ –	$ 11,694	$ (8,554)
Identifiable assets	$193,366	$ 58,251	$122,283	$ –	$315,649	$ 58,251
Investment in Lantic Sugar	–	112,813	–	–	–	112,813
					315,649	171,064
Other investments	55,903	90,859	–	–	55,903	90,859
Goodwill	158,695	–	–	–	158,695	–
	$407,964	$261,923	$122,283	$ –	$530,247	$261,923
Depreciation and amortization	$ 5,375	$ 3,517	$ 1,436	$ –	$ 6,811	$ 3,517
Purchase of fixed assets	$ 3,343	$ 3,425	$ 989	$ –	$ 4,332	$ 3,425

The accounts of Lantic Sugar and Refined Sugars, Inc. have been included in the geographic information on the equity basis up to June 29, 1992 and on the consolidated basis commencing June 30, 1992.

AUDITORS' REPORT

To the Shareholders of BC Sugar Refinery, Limited

We have audited the consolidated balance sheets of BC Sugar Refinery, Limited as at September 30, 1992 and 1991 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurances whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 1992 and 1991 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Vancouver, Canada
November 13, 1992

PEAT MARWICK THORNE
Chartered Accountants

*4g fat provides 36 calories.

Sugar Is An Excellent Dietary Source Of Pleasure

And at just 16 calories a teaspoon (4 g), what's wrong with that?

Pleasure is an important part of a healthy balanced diet.

Real sugar enhances the taste of whatever we put it on or in.

It can raise simple porridge to almost romantic heights.

Real sugar's ability to satisfy is curiously powerful.

Yet it has less than half the calories of an equal amount of fat.*

And in spite of a flood of artificial sweeteners, we enjoy the same amount of sugar per person today as we did 50 years ago.

We've always been moderate with real sugar.

And now that over 1000 research studies have attested to the safety of sugar in the diet, we have one more thing to look forward to in this new age of healthy eating.

REAL SUGAR

CANADIAN SUGAR INSTITUTE

CANADA'S NUTRITION RECOMMENDATIONS (1990) SUPPORT THE VIEW THAT CURRENT SUGAR INTAKES ARE IN KEEPING WITH A HEALTHY DIET. THE U.S. FDA REVIEW (1986) OF OVER 1,000 SCIENTIFIC STUDIES CONCLUDED THAT EXCEPT FOR DENTAL CARIES, SUGAR IN MODERATION IS NOT LINKED TO CURRENT HEALTH CONCERNS.

BC Sugar is a partner with the Canadian Sugar Institute in providing consumers with current product news through public information advertising.

OPERATING COMPANY MANAGEMENT

WESTERN OPERATIONS

The British Columbia Sugar Refining Company, Limited
123 Rogers Street
Vancouver, B.C. V6A 3N2
(604) 253-1131

W.C. Brown
President and Chief Executive Officer

D.M.S. Elliott
Executive Vice President and Chief Operating Officer

J.W. Hudson
Vice President, Finance and Secretary

H.M. Hayward
Vice President, Technical Operations

D.N. Hurl
Vice President, Sales and Marketing

Vancouver Refinery
123 Rogers Street
Vancouver, B.C. V6A 3N2
(604) 253-1131

D.E. Webster
Refinery Operations Manager

Taber Factory
Alberta Sugar Company
P.O. Box 1209
Taber, Alberta T0K 2G0
(403) 223-3535

G.M. Guccione
General Manager

Winnipeg Factory
Manitoba Sugar Company
555 Hervo Street
Winnipeg, Manitoba R3T 3L6
(204) 452-2911

J.G. Zednai
General Manager

EASTERN OPERATIONS

Lantic Sugar Limited
1 Westmount Square
Westmount, Quebec H3Z 2P9
(514) 939-3939

W.C. Brown
Chairman and Chief Executive Officer

C.F. Bussandri
President and Chief Operating Officer

A.O. Bergeron
Executive Vice President and Secretary

C.R. Brown
Vice President, Quality Assurance

J. Dussault
Vice President, Human Resources

A.A. Ferrier
Vice President, Sales and Marketing

J.J. Hughes
Vice President, Purchasing and Raw Sugar

D.L. Lafrance
Vice President, Finance

J.B. Wheatley
Vice President, Production and Refinery Manager

Saint John Refinery
330 Charlotte Street
Saint John, New Brunswick E2L 4L4
(506) 632-2481

J.B. Wheatley
Vice President, Production and Refinery Manager

Montreal Refinery
4026 Notre Dame E.
Montreal, Quebec H1W 2K3
(514) 527-8681

J. Gareau
Refinery Manager

Toronto Distribution Centre
198 New Toronto Street
Toronto, Ontario M8V 2E8
(416) 252-9431

S.P. Richardson
Manager

U.S. OPERATIONS

Refined Sugars, Inc.
One Federal Street
Yonkers, New York 10702
(914) 963-2400

W.C. Brown
Chairman and Chief Executive Officer

G.J. Hoskins
President and Chief Operating Officer

E.D. Stephenson
Senior Vice President, Production

A.J. Perrone
Vice President, Sales and Marketing

J.F. Preston
Vice President, Raw Sugar

Yonkers Refinery
One Federal Street
Yonkers, New York 10702
(914) 963-2400

E.D. Stephenson
Senior Vice President, Production

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

** Member of Audit Committe*

OFFICERS OF THE COMPANY

Peter A. Cherniavsky
Chairman

William C. Brown
President and Chief Executive Officer

Andre O. Bergeron
Vice President

Claudio F. Bussandri
Vice President

David M.S. Elliott
Vice President

Gregory J. Hoskins
Vice President

James W. Hudson
Vice President Finance, Secretary and Chief Financial Officer

Ian D. Maitland
Controller

Roy E. Spires
Treasurer

EXECUTIVE MANAGEMENT

Standing: *Andre O. Bergeron* *William C. Brown* *Gregory J. Hoskins* *Claudio F. Bussandri*
Seated: *David M.S. Elliott* *James W. Hudson*

CORPORATE INFORMATION

Head Office

Location:
123 Rogers Street, Vancouver, B.C.

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

Stock Listing

Toronto Stock Exchange

Transfer Agents

The R-M Trust Company

Annual Meeting

The Annual Meeting of Shareholders will be held on Wednesday, February 24, 1993 at 3:00 p.m. in the British Room of **The Hotel Vancouver,** Vancouver, British Columbia.

BC Sugar

NOTHING EQUALS SUGAR.

PRINTED ON RECYCLED STOCK

PRINTED IN CANADA