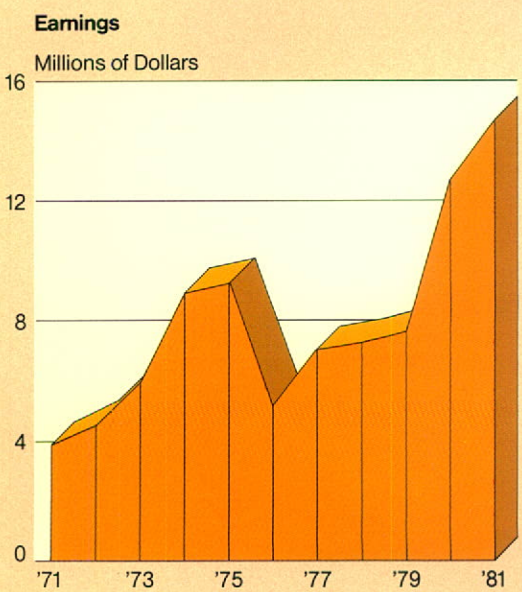
BC Sugar
Annual Report 1981

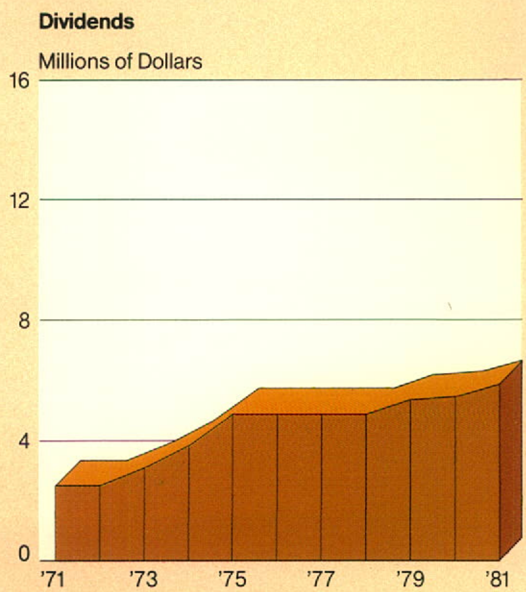
With its thick, golden goodness and unique, pure cane sugar flavour, Rogers' Syrup has been the favourite of western Canadians for nearly four generations. Its smooth-blending qualities make it a choice baking and cooking ingredient in many household recipes.

For pancakes and as superb toppings, Rogers' Golden Syrup and its partner product, Rogers' Pancake Syrup enjoy a special place on family tables throughout the West.

In Brief

	1981	1980	1979
Revenues	**$213,788,000**	$201,505,000	$116,952,000
Earnings before extraordinary items	**$ 14,680,000**	$ 12,708,000	$ 7,464,000
Per common share Earnings before extraordinary items	**$3.00**	$2.63	$1.53
Dividends	**$1.20**	$1.12	$1.10





SUGAR
CUBE SUGAR
FINE GRANULATED SUGAR
PURE MANITOBA SUGAR
SUGAR 4 kg
SUGAR 10 kg
BC SUGAR Rogers REFINERY
Golden Yellow Sugar Cassonade dorée
MANITOBA SUGAR COMPANY
ALBERTA SUGAR
ROGERS' GOLDEN SYRUP SIROP DORÉ
WIN A LITTON MOFFAT MICROWAVE

To BC Sugar Shareholders

Earnings in 1981 reached a record level of $14,680,000, up from $12,708,000 in 1980. The increase was largely attributable to two factors—enhanced earnings from beet sugar operations during the early part of the fiscal year, and favourable interest earnings resulting from a surplus cash position maintained until late in the fiscal year.

With respect to the Company's sugar operations, the fiscal year began in the midst of a runaway sugar market. The New York world spot price reached a peak of 43 cents (U.S.) per pound in November, 1980 and then headed downward for 9 months until it reached the very low range of 11 cents to 13 cents, where it has since remained.

World sugar production in the 1981–82 crop year is expected to reach record levels because of increased plantings and good growing conditions in many parts of the world, particularly western Europe. Output is expected to reach 96 million tonnes, 10% above the 87 million-tonne level of the 1980–81 crop year (see Table at the back of this year's Annual Report).

World sugar consumption is expected to increase by approximately 3% to 92 million tonnes in the 1981–82 crop year, due mainly to an expanding population in non-industrialized countries. However, in North America and Japan, high fructose corn syrup continues to make inroads into traditional sucrose markets.

In 1981, the European Economic Community increased sugar beet sowing by some 10%, mostly in France, so that it is highly probable that the EEC export availability in 1982 will be 6 million tonnes. The Community will then have the capacity to capture 30% of the estimated free world market, compared to only 18% three years ago. The disturbing feature is that the EEC continues to encourage excess production through a subsidy which is greater than today's world price. The cost to the European taxpayer for such action amounts to many hundreds of millions of dollars. Some cane producing countries have finally taken the EEC to the GATT Council suggesting that, "The Community's system for granting refunds on exports contributed to depressed prices thereby causing serious injury."

The 1977–82 International Sugar Agreement has recently been extended for two years. When next negotiated, it is hoped that the EEC will become a member. If this occurs, the world market should become more stable.

Sugar's role as a fundamental part of everyday living creates a constant demand for the Company's products in a wide variety of tastes and textures.

A new synthetic sweetener, Aspartame, was approved for use in Canada this year. The primary use of this product will be in diet soft drinks. It is anticipated that Aspartame will have little impact on sugar sales in western Canada.

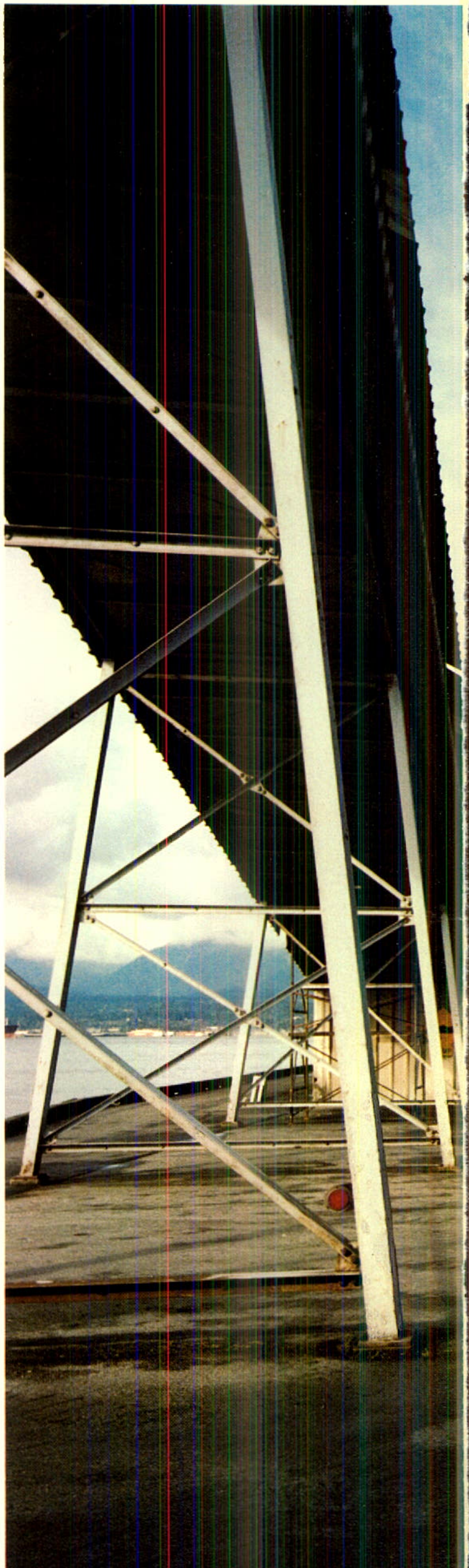
The sugar beet crops harvested in Alberta and Manitoba were below average in 1980, but in 1981 Alberta had an exceptionally large tonnage, although of lower quality than normal. Manitoba, where climatic conditions are more variable, appeared to be heading toward a record tonnage, but again the quality was below expectations. The lower quality, coupled with very difficult harvesting conditions, has reduced the expected yield so that only average sugar production will be achieved.

During fiscal 1981, storage and blending facilities for high fructose corn syrups were installed in Vancouver, Taber and Winnipeg. These facilities will be expanded in 1982 to provide handling capabilities for other corn syrups. BC Sugar will then be able to offer a range of liquid nutritive sweeteners to the western industrial market.

Further capital investments were undertaken to reduce energy consumption at both beet factories. The extra equipment installed has resulted in a substantial reduction of unit costs. Work will also be done at the Vancouver refinery to reduce fuel usage, but because the refinery is less energy intensive, the savings will not be as significant. The Company is continuing to upgrade packing equipment and other areas in the manufacturing process at all three sugar production locations. Increases in operating costs both for material and labour continue at a high rate.

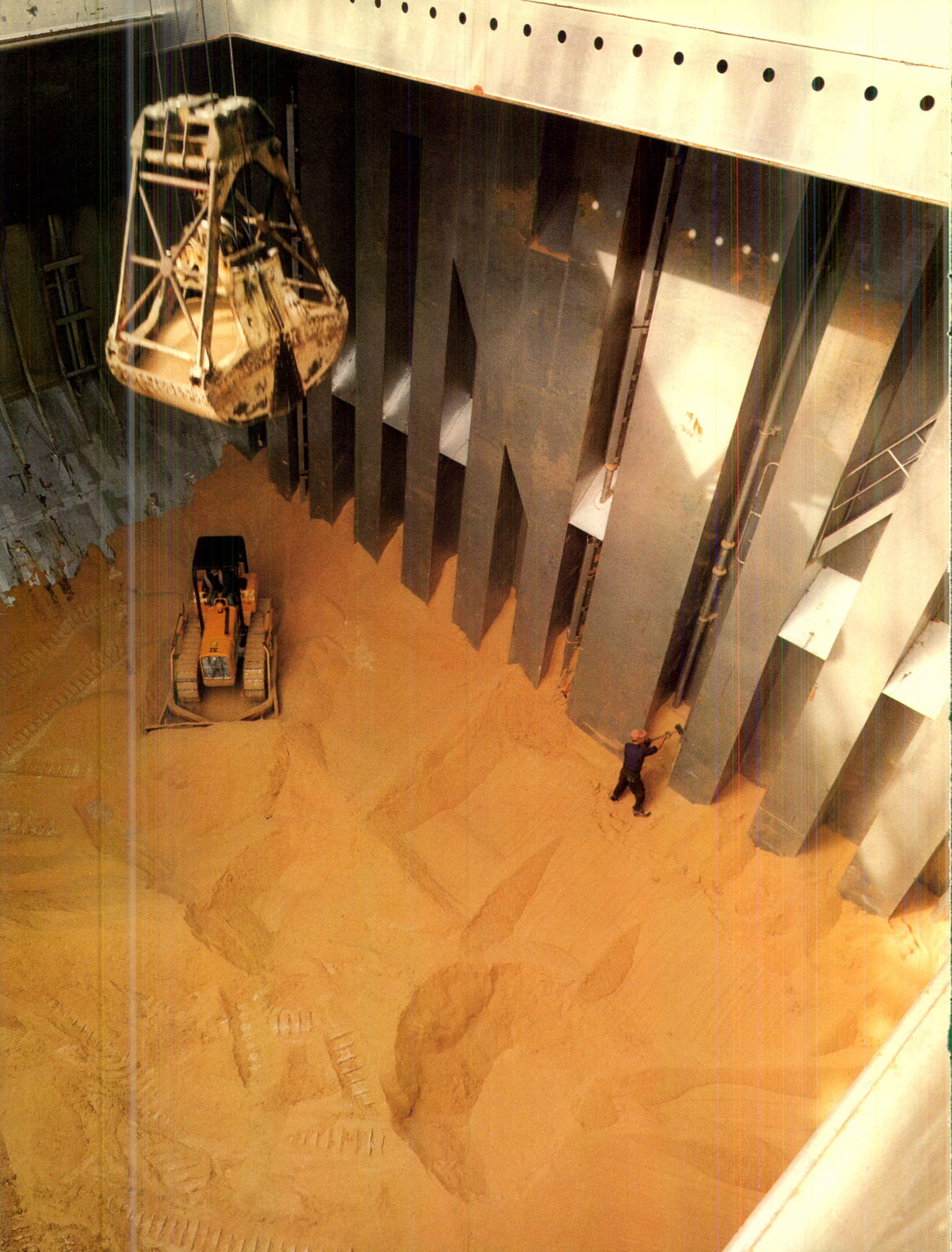
In 1981, BC Sugar significantly expanded its interest in the Canadian oil and gas industry.

Effective July 1, 1981, Fairweather Gas Ltd. (60%–owned) puchased all of the outstanding shares of Alamo Petroleum Ltd. and AMAX Petroleum of Canada Limited for approximately $209 million. Over 65% of the gas reserves of Alamo and AMAX Petroleum are contracted and on production.



Unloading raw cane sugar at BC Sugar's dockside refinery in Vancouver.


코리안 피-스
KOREAN PEACE



On August 12, 1981, BC Sugar purchased 24% of Anderson Oil & Gas Ltd. for $17.2 million cash and 455,000 treasury shares of BC Sugar. Subsequent to the year-end, BC Sugar acquired a further 27% of Anderson Oil & Gas Ltd. for approximately $31 million, payable $10 million cash in 1982 and $21 million in notes due in three equal annual amounts commencing in January, 1983.

Substantially all of the oil and gas reserves of Alamo Petroleum and Anderson Oil & Gas were discovered and developed in a joint venture program operated by Anderson Exploration Ltd. of Calgary. In a subsequent section of this Report, a brief description of some of the major properties of the group of companies is presented.

Plans are now underway to combine the operations of Fairweather, Alamo, AMAX Petroleum and Anderson Oil & Gas with the goal of building a substantial oil and gas enterprise for pursuit of opportunities in Canada, the United States and abroad.

During the year, BC Sugar acquired a 50% interest in a 260-acre residential land development in Okotoks, Alberta, 12 miles south of Calgary. The development, named Hunters Glen, is situated on the south bank of the Sheep River. The purchase price of $2,600,000 was largely financed by assumption of 50% of the related land mortgages and development loans. In 1981, approximately 30 acres were developed and 102 single-family lots were offered for sale. To September 30, 1981, 67 lots had been sold. The development will be phased over the next three to four years.

The Company's employee share purchase plan has now been in operation for 4 years. In 1981, 77% of eligible employees participated in the plan, down slightly from the level of 83% in earlier years. Since commencement of the plan, employees have purchased 145,000 shares, representing close to 3% of the Company's issued shares.

Economic conditions remain unpredictable, but through the continued effort of a well-knit and committed group of employees, BC Sugar should be able to move ahead despite the uncertainties of the future.

On behalf of the Board

Peter A. Cherniavsky

President
BC Sugar

November 27, 1981
Vancouver, B.C.

Huge scoops take sugar from ships' holds to modern conveyor system.

Oil and Gas

The accompanying maps and descriptive comments provide information about some of the major properties owned by the various oil and gas companies in which BC Sugar has an interest (hereinafter referred to as "the Group"). The Group includes Fairweather Gas Ltd., Anderson Oil & Gas Ltd., Alamo Petroleum Ltd. and AMAX Petroleum of Canada Limited.

At December 31, 1980, the Group's proven and probable reserves before deduction of royalties were estimated to be 708 billion cubic feet (BCF) of natural gas and 6.727 million barrels of crude oil and natural gas liquids. At December 31, 1980, the Group also had an interest in 1,514,000 gross acres (859,000 net acres) of petroleum and natural gas lands, primarily in the Province of Alberta.

"Roughnecks" is a well-earned name for those who meet the tough challenge of working on the rigs.

Oil & Gas Properties

1. DUNVEGAN

The Dunvegan gas field is situated approximately 55 miles north of Grande Prairie, Alberta. It was discovered in September, 1970 with the drilling of the discovery well, Anderson et al Dunvegan 6-29-80-3 W6M. The field was ultimately found to contain more than a trillion cubic feet of natural gas reserves.

The Group has a 46.1% working interest in the field and is the operator of the field, plant and production facilities. Production commenced in January, 1973 and is projected to continue for at least another 20 years. The field is currently capable of producing 190 million cubic feet of gas per day (MMCFD).

The field has 83 producing gas wells in an area of approximately 40 square miles. Gas and liquids are separated at 6 satellite facilities and transported to a central gas processing plant for final processing prior to sale.

Gas production from Dunvegan is marketed to Alberta and Southern Gas Co. Ltd. and exported to the United States where it is ultimately consumed in California.

2. BELLOY

The Belloy gas field is located about 20 miles southeast of the Dunvegan field. The Peace River runs between the two fields. The Group operates the field and gas plant and has working interests varying from 50% to 75% in 29,500 acres. The Group has interests in 17 gas wells in the field.

Current field production averages 7 MMCFD, with proven plus probable reserves of the Group of 26 BCF in several different reservoirs. Additional development potential exists, and 15,500 acres of undeveloped petroleum and natural gas rights have exploration potential.

3. BELLIS

The Group has a 30.6% working interest in Bellis Gas Unit No. 2, situated approximately 65 miles northeast of Edmonton in the Smoky Lake area.

Trans Canada Pipelines purchases the gas. The daily contract quantity is approximately 10 MMCFD, but due to soft markets this amount has been reduced to 8 MMCFD.

Since early 1978, 10 successful wells have been drilled by the Group outside the Unit. The Group holds various working interests varying from 33% to 100% in these exploratory wells. One non-unit well has recently been connected for production.

4. BRUCE

The Group has a 70% working interest in 7,860 acres in the Bruce area, located approximately 60 miles southeast of Edmonton.

The Group's working interest proven reserves have been estimated at 7.5 BCF.

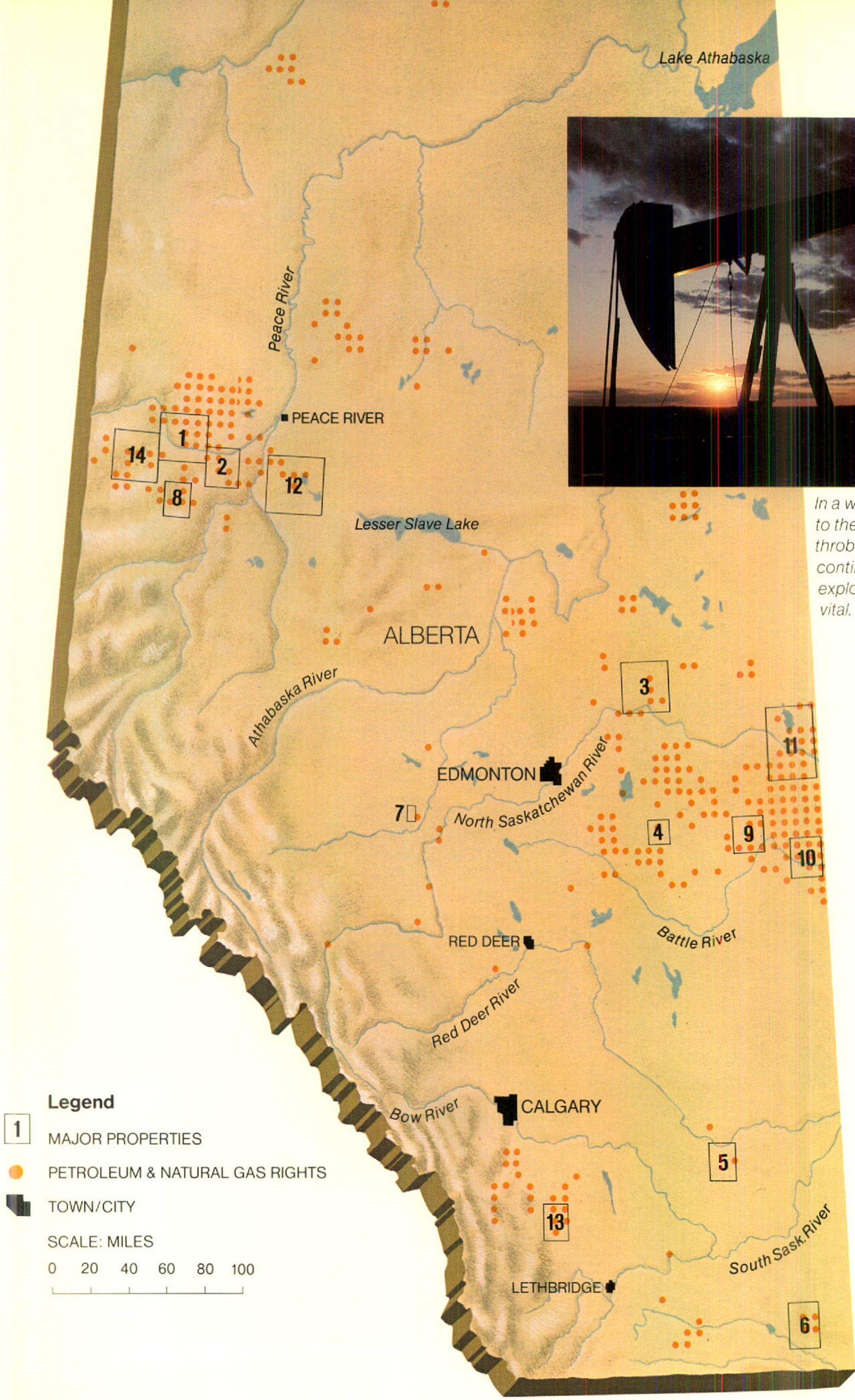
Production is sold to Trans Canada Pipelines at a rate of 2.5 MMCFD.

5. PRINCESS

The Group has an average 64% working interest in 33 producing wells in the Princess area of southeastern Alberta, about 120 miles east of Calgary. All wells are multi-zone completions from the Milk River, Medicine Hat or Second White Specks zones. The gas is contracted to Trans Canada at a rate of 2.5 MMCFD.

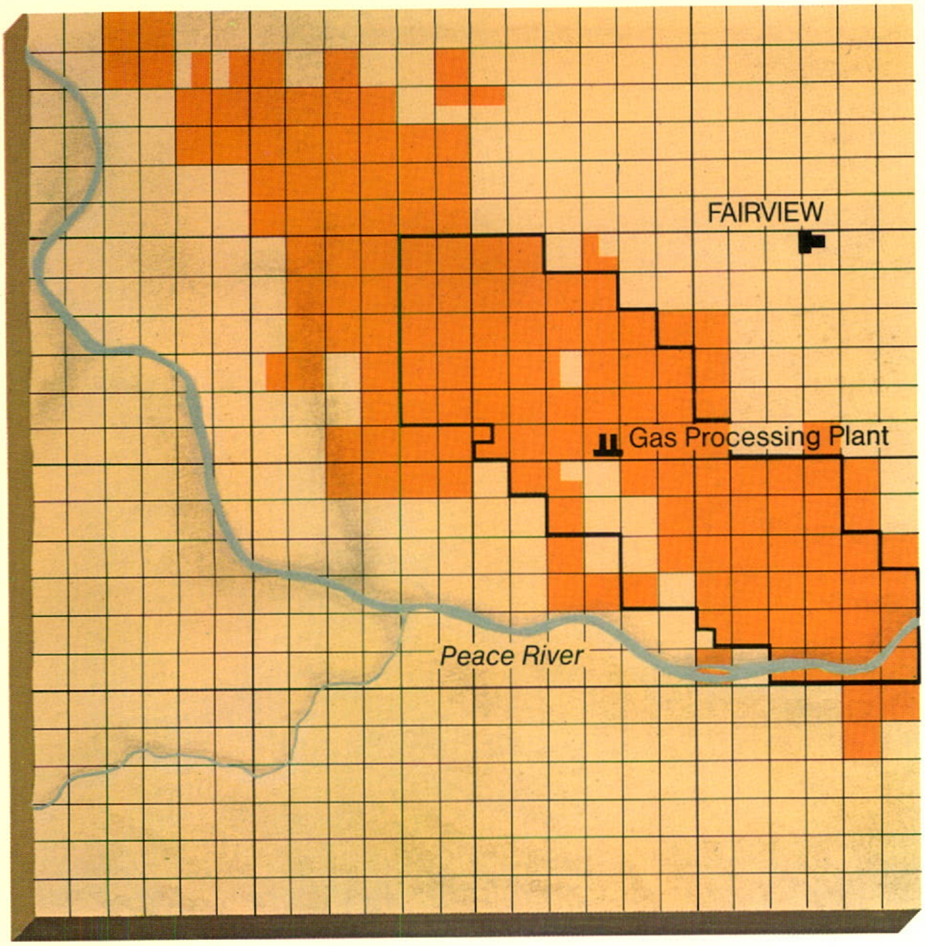
The Group's working interest proven reserves have been estimated at 17.5 BCF. There is no undeveloped acreage in this area except for deeper potential under existing production.

The never-ending search for oil and gas is reflected in a northern sunset.



In a world tuned to the steady throb of oil pumps, continuing exploration is vital.

Oil & Gas Properties (cont'd.)



1. Dunvegan

6. MANYBERRIES

In the Manyberries area of south-eastern Alberta, about 100 miles east of Lethbridge, the Group has a 28% interest in 14 oil wells, producing or capable of production. The main producing zones are the Cretaceous Sunburst and Jurassic Swift formations. Seven oil pools have been identified in the area.

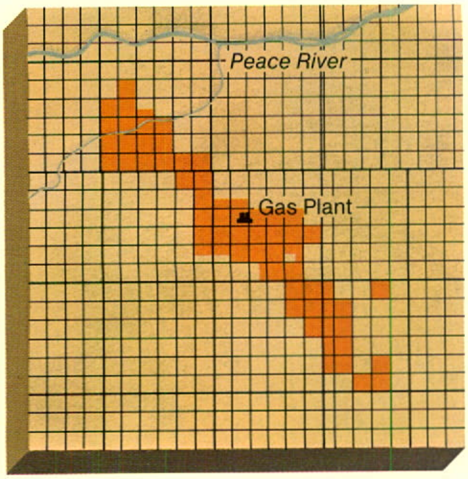
The Group's proven plus probable reserves are estimated at 752,000 barrels. In addition to oil producing lands, the Group has a working interest in 3 shut-in gas wells and 13,600 acres of undeveloped lands which have exploration potential.

In 1980, the Group drilled 5 development wells, 4 of which were completed as oil wells.

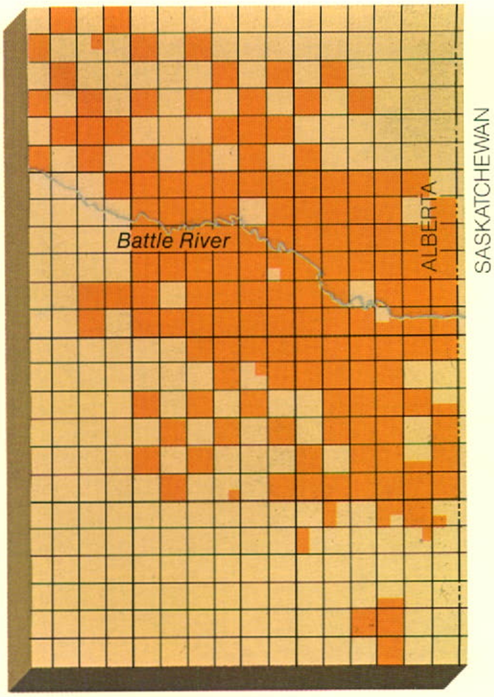
7. PEMBINA CARDIUM *(Unit No. 4)*

The Group has a 20% working interest in this Unit which produces oil and casinghead gas from the Cretaceous Cardium Sands.

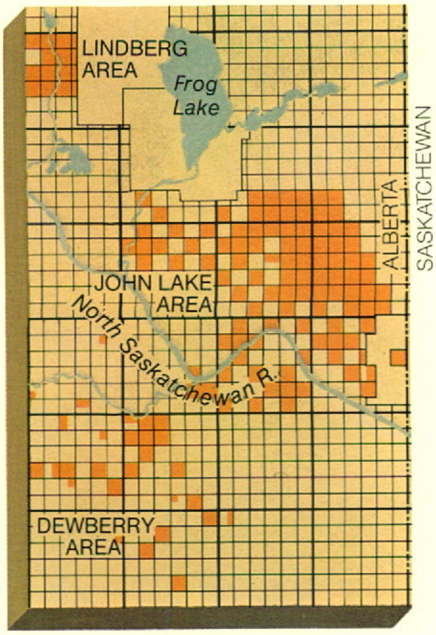
Remaining working interest reserves of the Group are estimated at 621,000 barrels.



2. Belloy



10. Ribstone



11. John Lake

8. WOKING

The Group has a 50% interest in 20,600 acres in the Woking area, about 25 miles north of Grande Prairie. Reserves have been developed in 8 separate zones with the proven plus probable reserves of the Group estimated at 12 BCF.

The Group operates the properties and has contracted production from one well to the Grande Prairie Transmission Company. The remaining reserves have been contracted to Pan Alberta Gas Limited with deliveries scheduled to commence in early 1982 through the prebuild of the western leg of the Alaska Gas Pipeline. The daily contract quantity under the Pan Alberta contract will be 3.5 MMCFD. The Group is spending $500,000 to construct production facilities to deliver gas to Pan Alberta.

9. CUMMINGS

In recent years, an active exploration program has been carried out in the Cummings area, located approximately 10 miles north of the town of Wainwright in east central Alberta, where the Group has working interests in 23,160 acres containing 20 presently shut-in gas wells. Twelve of the wells are in gas contract areas where initial deliveries are expected to begin in mid-1982. These deliveries will be to Pan Alberta and will be marketed through the prebuild of the eastern leg of the Alaska Pipeline. As the operator of 2 gas contract areas, the Group will be constructing a gas plant and 13 miles of gas gathering systems.

The Group's proven plus probable reserves have been estimated at 24 BCF. Additional exploration potential exists in the area.

10. RIBSTONE

In this area, located approximately 10 miles north of the town of Chauvin in east central Alberta, the Group has an average working interest of 62% in 102,000 acres.

During the past 5 years, 36 wells have been drilled in this area, resulting in 30 shut-in gas wells and 2 shut-in heavy oil wells. Gas has been discovered in 5 horizons all at depths less than 2,400 feet.

Current working interest proven plus probable reserves of the Group have been estimated at 64 BCF.

11. JOHN LAKE

The Group has interests varying from 33% to 100% in 67,300 acres in the John Lake area of eastern Alberta, approximately 35 miles north of the city of Lloydminster.

A total of 28 wells have been drilled during the past 5 years, and all have been cased as potential gas wells. Although all wells have not been tested, 9 separate gas zones have been tested above a depth of 2,000 feet.

The drilling has also discovered substantial heavy oil accumulations in the McMurray and Sparky reservoirs. It is doubtful that exploitation of these reservoirs is economic under existing conditions, however, 4 enhanced recovery pilot projects involving thermal techniques are being conducted by others within a 25-mile radius of the John Lake area.

The Group's current working interest proven plus probable gas reserves have been estimated at 14.3 BCF. There is substantial potential for gas reserve increases with additional testing of present wells and new drilling.

12. DONNELLY

In the past few years, the Group has carried out an active exploration program in the Donnelly area, 80 miles northeast of Grande Prairie. To date, the program has resulted in the acquisition of 73,920 gross acres and 43,720 net acres for an average working interest of 59%.

The Group has an interest in 6 shut-in gas wells and has drilled 7 dry holes to date.

13. CLARESHOLM

The Group holds various working interests in 37,920 acres in the Claresholm area, 60 miles south of Calgary. Drilling has identified reserves in 5 different geologic formations.

The Group's proven plus probable reserves in this area are estimated at 4 BCF. Two previously shut-in gas wells are currently undergoing testing prior to being put on production to service an industrial contract. Considerable undeveloped acreage exists in this area, and additional exploration is being considered.

14. GORDONDALE

The Group holds working interests varying from 12.5% to 75% in a developing oil and gas play in the Gordondale area, 50 miles northwest of Grande Prairie. Released data from several recent wells adjacent to the Group's acreage indicate potential for development of significant oil and gas reserves on the Group's acreage.

Five-Year Review

(Dollar amounts in thousands except per share figures)

Certain of the figures presented for 1977 to 1980 have been restated to account for the investments in Fairweather Gas Ltd. and Belkin Packaging Ltd. on the equity basis.

FINANCIAL	**1981**	1980	1979	1978	1977
Revenues	**$213,788**	$201,505	$116,952	$100,570	$100,827
Earnings before extraordinary items	**14,680**	12,708	7,464	7,076	6,904
Extraordinary items	—	11,856	1,305	—	—
Net earnings	**14,680**	24,564	8,769	7,076	6,904
Funds provided by operations	**19,467**	16,375	11,581	10,401	10,985
Capital expenditures	**3,824**	2,919	3,179	7,997	3,427
Working capital	**20,181**	32,259	12,151	11,296	15,925
Long-term debt	**4,338**	3,666	4,186	4,875	5,426
Per common share (after giving retroactive effect to the 2 for 1 stock split in 1981)					
Earnings before extraordinary items	**$ 3.00**	$2.63	$1.53	$1.45	$1.41
Extraordinary items	—	2.47	.27	—	—
Net earnings	**3.00**	5.10	1.80	1.45	1.41
Dividends	**1.20**	1.12	1.10	1.00	1.00
OTHER INFORMATION					
Number of employees	**575**	570	589	647	640
Number of common shareholders	**4,064**	3,945	3,975	3,710	3,695
Degree of Canadian registration of common shares	**94%**	92%	91%	90%	90%

Statement of Earnings

BC Sugar Refinery, Limited and Consolidated Subsidiaries, Years ended September 30

(In Thousands of Dollars)

	1981	1980
Revenues		*restated—Note 1(a)*
Sales	**$212,417**	$200,852
Other	**1,371**	653
Total revenues	**213,788**	201,505
Costs and expenses		
Cost of sales	**167,026**	161,404
Selling, general and administrative	**15,449**	13,523
Depreciation	**3,564**	3,304
Long-term debt interest	**383**	415
Other interest	**498**	1,395
Total costs and expenses	**186,920**	180,041
	26,868	21,464
Equity in earnings of oil and gas companies	**318**	409
Share of loss from real estate operations	**(330)**	—
Equity in earnings of Belkin Packaging Ltd.	**—**	457
Earnings before income taxes and extraordinary items	**26,856**	22,330
Income taxes	**12,176**	9,622
Earnings before extraordinary items	**14,680**	12,708
Extraordinary items	**—**	11,856
Net earnings	**$ 14,680**	$ 24,564
Per common share		
Earnings before extraordinary items	**$3.00**	$2.63
Extraordinary items	**—**	2.47
Net earnings	**$3.00**	$5.10

Statement of Reinvested Earnings

	1981	1980
Balance, beginning of year	**$ 52,540**	$ 33,496
Net earnings	**14,680**	24,564
	67,220	58,060
Dividends (Note 8)	**5,864**	5,520
Balance, end of year	**$ 61,356**	$ 52,540

Statement of Changes in Financial Position

BC Sugar Refinery, Limited and Consolidated Subsidiaries, Years ended September 30

(In Thousands of Dollars)

	1981	1980
Funds Were Provided By		*restated—Note 1(a)*
Operations		
Earnings before extraordinary items	**$ 14,680**	$ 12,708
Items not requiring current funds		
Depreciation	**3,564**	3,304
Income taxes provided not currently payable	**693**	1,030
Equity in earnings of oil and gas companies, net of dividends	**200**	(210)
Share of loss from real estate operations	**330**	—
Other	**—**	(457)
Funds provided from operations	**19,467**	16,375
Increase in long-term debt	**672**	—
Realization of investment in Belkin Packaging Ltd.	**579**	15,145
Exchange of land	**—**	793
Total	**20,718**	32,313
Funds Were Used For		
Payment of dividends	**5,864**	5,520
Purchase of fixed assets	**3,824**	2,919
Investment in oil and gas companies, net of common shares valued at $10,010,000 issued in 1981	**19,912**	1,806
Acquisition of real estate development properties	**3,076**	1,080
Purchase of preferred shares in the open market	**120**	360
Decrease in long-term debt	**—**	520
Total	**32,796**	12,205
Increase (decrease) in working capital	**(12,078)**	20,108
Working capital at beginning of year	**$ 32,259**	$ 12,151
Working capital at end of year	**$ 20,181**	$ 32,259

Balance Sheet

BC Sugar Refinery, Limited and Consolidated Subsidiaries, September 30

(In Thousands of Dollars)

	1981	1980
ASSETS		*restated—Note 1(a)*
Current Assets		
Cash and short-term deposits	**$ —**	$ 14,871
Accounts receivable	**20,363**	20,924
Inventories (Note 2)	**21,638**	39,725
Total current assets	**42,001**	75,520
Investment in Oil and Gas Companies (Note 3)	**39,895**	12,608
Other Assets (Note 4)	**7,763**	5,596
Fixed Assets (Note 5)		
Property, plant and equipment	**70,948**	67,323
Less accumulated depreciation	**50,475**	47,110
Total fixed assets	**20,473**	20,213
Total	**$110,132**	$113,937

	1981	1980
LIABILITIES		*restated—Note 1(a)*
Current Liabilities		
Bank loans, secured	**$ 2,571**	$ 1,775
Accounts payable and accrued liabilities	**19,249**	29,062
Income taxes payable	**—**	12,424
Total current liabilities	**21,820**	43,261
Long-Term Debt (Note 6)	**4,338**	3,666
Income Taxes Provided not Currently Payable (Note 7)	**9,043**	8,350
Total	**35,201**	55,277
SHAREHOLDERS' EQUITY		
Share Capital (Note 8)		
5,255,000 Common shares (1980—4,800,000 shares)	**14,010**	4,000
100,000 Preferred shares (1980–106,000 shares)	**2,000**	2,120
	16,010	6,120
Earnings Reinvested in the Business	**61,356**	52,540
	77,366	58,660
Proportion of Company's shares held by Anderson Oil & Gas Ltd. (Note 3)	**(2,435)**	—
Total shareholders' equity	**74,931**	58,660
Total	**$110,132**	$113,937

Subsequent event (Note 3)

Approved on behalf of the Board
Forrest Rogers, *Director.*
Peter A. Cherniavsky, *Director.*

Notes to Financial Statements

BC Sugar Refinery, Limited and Consolidated Subsidiaries, September 30, 1981

1. Significant accounting policies

a) Basis of presentation

The consolidated financial statements include the accounts of all wholly-owned subsidiary companies.

Through investments in Fairweather Gas Ltd. ("Fairweather") and Anderson Oil & Gas Ltd. ("Anderson") (see Note 3), the Company has a significant interest in the oil and gas business which it plans to convert into a minority interest in a large new oil and gas company. Since it is not intended to maintain majority control of Fairweather (presently 60%-owned), that company is accounted for on the equity basis in these financial statements, and the figures for 1980 have been restated to be comparable. This restatement has no effect on net earnings. Anderson is also accounted for on the equity basis. The excess of the purchase price of the shares of Fairweather and Anderson over their underlying net book value has been attributed to oil and gas properties and is being amortized on the basis of estimated proven reserves.

Condensed financial information is given for both Fairweather and Anderson (Note 3).

b) Inventories

Inventories of beet sugar and supplies are valued at the lower of average and replacement cost. 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 are valued at the lower of average and replacement cost. Such excess quantities are hedged and are not at market risk. Earnings are charged with unrealized net losses related to open positions in the futures market, but net gains are not reflected in earnings until realized.

The Company's basis of valuing cane sugar is not allowable for income tax purposes, and accumulated income taxes of $5,165,000 (1980—$10,768,000), applicable to the difference between the Company's basis of valuation and that required for income tax purposes, are added to inventory values.

c) Fixed assets

Fixed assets are stated at cost. Depreciation is computed on the diminishing balance basis at rates varying from four percent to thirty percent per annum.

d) Earnings per common share

Earnings per common share are calculated using the weighted average number of shares outstanding during the year adjusted for the reciprocal ownership of shares of the Company held by Anderson.

2. Inventories	1981	1980
Sugar	$17,022,000	$36,225,000
Supplies	4,616,000	3,500,000
	$21,638,000	$39,725,000

3. Investment in Oil and Gas Companies	1981	1980
Fairweather Gas Ltd.	$15,120,000	$12,608,000
Anderson Oil & Gas Ltd.	24,775,000	—
	$39,895,000	$12,608,000

a) Fairweather Gas Ltd. ("Fairweather")

Effective July 1, 1981, Fairweather purchased all the outstanding shares of Alamo Petroleum Ltd. ("Alamo") and AMAX Petroleum of Canada Ltd. ("Amax Petroleum") for approximately $209,000,000. The assets of these companies consist principally of oil and gas properties. The purchase is being financed by bank borrowings repayable over eight years commencing October, 1983 at an interest rate of prime plus ¼% to ⅝%. Fairweather plans to reduce these borrowings by the proceeds of sale on a private basis of all or a portion of the shares of Alamo and Amax Petroleum. Recognizing the intention to recover its outlays, Fairweather, to September 30, 1981, has added $1,200,000 to the cost of its investment in Alamo and Amax Petroleum, representing carrying costs of $5,200,000 less dividends received from Alamo of $4,000,000.

b) Anderson Oil & Gas Ltd. ("Anderson")

On August 12, 1981, the Company purchased approximately 24% of Anderson, the assets of which consist principally of oil and gas properties. The investment in Anderson is comprised as follows:

Shares acquired for cash	$17,200,000
Shares acquired for 455,000 treasury shares of BC Sugar	10,010,000
	27,210,000
Deduct proportion of BC Sugar's shares held by Anderson	2,435,000
	$24,775,000

To reflect Anderson's ownership of 455,000 shares of BC Sugar, both the Company's investment in Anderson and the Company's shareholders' equity have been reduced by 24% of the cost of the BC Sugar shares held by Anderson.

Subsequent to September 30, 1981, the Company purchased a further 27% of Anderson for approximately $31,000,000, payable $10,000,000 cash in 1982 and $21,000,000 in notes due in three equal annual amounts commencing in January, 1983 at an interest rate which is the average of the prime lending rate and the one-year term deposit rate.

The following is condensed financial information for Fairweather and Anderson:

	(in thousands)		
	Fairweather		Anderson
	1981	1980	**1981**
Results of operations for the years ended September 30			
Revenues	**$ 3,450**	$ 2,504	**$ 5,042**
Costs and expenses	**1,483**	982	**2,918**
Income before income taxes	**1,967**	1,522	**2,124**
Income taxes	**1,167**	604	**1,145**
Net income	**$ 800**	$ 918	**$ 979**
Financial position at September 30			
Working capital (deficiency)	**$ 5,371**	$ 2,246	**$(11,294)**
Oil and gas properties, plant and equipment (net)	**11,037**	10,039	**42,399**
Investment in Alamo Petroleum Ltd. and AMAX Petroleum of Canada Ltd.	**210,522**	—	**—**
Other investments, including 455,000 shares of BC Sugar at a cost of $10,010,000	**—**	—	**14,643**
	226,930	12,285	**45,748**
Deferred revenue	**1,330**	903	**2,560**
Deferred income taxes	**2,713**	430	**4,624**
Debt not maturing within one year	**210,055**	—	**—**
	214,098	1,333	**7,184**
Net assets	**$ 12,832**	$10,952	**$38,564**

Notes to Financial Statements

BC Sugar Refinery, Limited and Consolidated Subsidiaries, September 30, 1981

4. Other assets

	1981	1980
Real estate development properties	$5,447,000	$2,701,000
Preferred shares in Belkin Packaging Ltd., redeemable $579,000 annually, net of current portion	2,316,000	2,895,000
	$7,763,000	$5,596,000

5. Fixed assets

	Cost	Accumulated depreciation	Net Investment 1981	Net Investment 1980
Land	$ 310,000	$ —	$ 310,000	$ 310,000
Plant and equipment	70,638,000	50,475,000	20,163,000	19,903,000
	$70,948,000	$50,475,000	$20,473,000	$20,213,000

6. Long-term debt

	1981	1980
9½% First Mortgage Sinking Fund Bonds repayable $635,000 annually to 1986 and $610,000 in 1987, net of sinking fund purchases in advance	$3,018,000	$3,975,000
Loans for real estate development	1,320,000	—
	$4,338,000	$3,975,000
Less current portion	—	309,000
	$4,338,000	$3,666,000

7. Income taxes

The Company follows the tax allocation method of accounting whereby the income tax provision is based on earnings reported in the accounts. Accordingly, the Company makes full provision for income taxes not currently payable as a result of claiming capital cost allowances in excess of the amounts provided for depreciation in the accounts. Income taxes provided in the Statement of Earnings include $693,000 (1980—$1,030,000) not currently payable.

8. Share capital

	1981	1980
Common shares		
Class A	4,494,331	4,035,460
Class B	760,669	764,540
	5,255,000	4,800,000

	1981	1980
Preferred shares, carrying a cumulative dividend entitlement of $1.00 per share and redeemable at $20.00 per share	100,000	106,000

Class A and Class B shares are voting, convertible into one another on a share for share basis and rank equally with respect to dividends and in all other substantial respects.

In January, 1981, the Company subdivided its Common shares on a two-for-one basis and all figures for common shares reflect this subdivision. Also, as set out in Note 3 to the financial statements, 455,000 common shares were issued during the year as partial consideration for the Company's purchase of an interest in Anderson Oil & Gas Ltd.

The following dividends were declared:

	1981	1980
Common shares—$1.20 per share (1980—$1.125 per share)	$5,760,000	$5,400,000
Preferred shares—$1.00 per share	104,000	120,000
	$5,864,000	$5,520,000

9. Employee retirement plans

The Company has retirement plans covering substantially all employees. These plans are fully funded in respect of past and current services.

Auditors' Report

To the Shareholders

We have examined the consolidated balance sheet of BC Sugar Refinery, Limited as at September 30, 1981 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 financial statements present fairly the financial position of the company as at September 30, 1981 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, after giving retroactive effect to the change to the equity method of accounting as described in Note 1(a), on a basis consistent with that of the preceding year.

Vancouver, Canada
November 27, 1981

THORNE RIDDELL
Chartered Accountants

Directors of BC Sugar Refinery, Limited

Ian Angus
Formerly Vice-President of the Company

William C. Brown
Vice-President of the Company

Peter A. Cherniavsky
President of the Company

John G. Cochrane
Vice-President of the Company

William R. Hetherington
Formerly Vice-President of the Company

John W. Pitts
President of Okanagan Helicopters Ltd.

Forrest Rogers
Chairman of the Board of the Company

H. Richard Whittall
Deputy Managing Partner,
Richardson Securities of Canada

F. Cameron Wilkinson
President of Wilkinson Company Limited

Officers of Operating Companies

The British Columbia Sugar Refining Company, Limited

Forrest Rogers
Chairman of the Board

Peter A. Cherniavsky
President and
Chief Executive Officer

William C. Brown
Vice-President

John G. Cochrane
Vice-President, Finance
and Secretary

William A. Willison
Vice-President

William A. Davies
General Sales Manager

Stanley E. George
General Manager, Operations

J. M. Roxburgh
Technical Services Manager

James W. Hudson
Treasurer

G. M. Guccione
General Manager,
Alberta Sugar

John W. Hall
General Manager,
Manitoba Sugar

Fairweather Gas Ltd. and Anderson Oil & Gas Ltd.

J. C. Anderson
President

Phillip C. Evans
Vice-President, Land

John McNamara
Land Manager

James F. Strayhan Jr.
Controller

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, Limited
Toronto and Vancouver

Annual Meeting

The Annual Meeting of Shareholders will be held on Tuesday, February 16, 1982 at 3:00 P.M. in the Park Ballroom of The Four Seasons Hotel, Vancouver, British Columbia.

World sugar crops (thousands of tonnes, raw value 96°)

Cane	1980/81	%
Argentina	1,716	3.1
Brazil	8,500	15.6
Colombia	1,175	2.2
Cuba	7,300	13.4
Dominican Republic	1,160	2.1
Ecuador	366	0.7
Guatemala	448	0.8
Guyana	330	0.6
Hawaii	930	1.7
Jamaica	205	0.4
Mexico	2,575	4.7
Peru	480	0.9
Puerto Rico	137	0.2
USA (Mainland)	1,555	2.9
Venezuela	253	0.5
Other	1,810	3.3
Total Americas	28,940	53.1
Egypt	680	1.3
Kenya	440	0.8
Mauritius	504	0.9
Malawi	156	0.3
Mozambique	177	0.3
Reunion	242	0.4
South Africa	1,737	3.2
Sudan	234	0.4
Swaziland	327	0.6
Zimbabwe	358	0.7
Other Africa	1,025	1.9
Total Africa	5,880	10.8
China	2,500	4.6
India	5,575	10.2
Indonesia	1,440	2.6
Japan	233	0.4
Pakistan	893	1.6
Philippines	2,395	4.4
Taiwan	767	1.4
Thailand	1,641	3.0
Other	395	0.8
Total Asia	15,839	29.0
Australia	3,419	6.3
Fiji	411	0.8
Total Cane	54,489	100.0

Beet	1980/81	%
Austria	456	1.4
Belgium	856	2.6
Czechoslovakia	830	2.5
Denmark	464	1.4
France	4,253	12.9
Germany (East)	730	2.2
Germany (West)	2,982	9.0
Greece	189	0.6
Hungary	480	1.5
Italy	1,932	5.9
Netherlands	951	2.9
Poland	1,130	3.4
Romania	575	1.7
Spain	965	2.9
Sweden	327	1.0
Turkey	935	2.8
USSR	7,150	21.7
UK	1,202	3.6
Other	1,385	4.2
Total Europe	27,792	84.2
Canada	106	0.3
China	800	2.4
Iran	150	0.5
Japan	582	1.8
Morocco	325	1.0
USA	2,798	8.5
Other	442	1.3
Total Other	5,203	15.8
Total Beet	32,995	100.0

Total Cane	**54,489**
Total Beet	**32,995**
Total Cane and Beet	**87,484**

Source: C. Czarnikow Ltd., London, England.

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