

BC Sugar Refinery, Limited

Directors

(All residents of Vancouver, British Columbia)

lan Angu

Vice-President of the Company

Peter A. Cherniavsky

President and Chief Executive Officer of the Company

H. Allan Dunlop

Formerly 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

Head Office

Location:

Rogers Street, Vancouver, B.C.

Postal address:

Box 2150, Vancouver, B.C. V6B 3V2

Stock Listings

Toronto and Vancouver Stock Exchanges

Transfer Agents

National Trust Company, Limited Vancouver and Toronto

Annual Meeting

The Annual Meeting of Shareholders will be held on Tuesday, January 29, 1980 at 3:00 P.M. in the Arbutus Room of The Four Seasons Hotel, Vancouver, British Columbia.

In Brief

	1979	1978	1977
Revenues	\$275,843,000	\$232,118,000	\$198,671,000
Net earnings	\$ 8,769,000	\$ 7,076,000	\$ 6,904,000
Net earnings per share	\$3.60	\$2.89	\$2.82
Dividends per share	\$2.20	\$2.00	\$2.00

To BC Sugar Shareholders

Financial results for the 1979 fiscal year were satisfactory, with earnings per share increasing from \$2.89 in 1978 to \$3.60 in 1979. Net earnings in 1979 included an extraordinary gain of 54 cents per share relating to the Company's new land development project.

Dividends were increased to \$2.20 per common share, an increase of 10% over the previous year. A yearend extra dividend was not declared this year as quarterly dividends were increased during the year to incorporate the year-end extra.

Sugar

Earnings from sugar operations were virtually unchanged from the previous year reflecting the absence of any major swing in the world price of sugar over the period. However, in recent months the price of sugar has begun to firm as world inventories are being reduced. The spot price of raw sugar in London has risen from £109 per tonne on September 1st, 1979 to £153 on November 20, 1979.

The recent strength in the world price of sugar could also have been due to indications that the United States may finally become a signatory to the International Sugar Agreement. The 1977 accord, which has yet to be ratified by the United States, was designed to limit shipments in years

when stocks were high, and to release surplus stocks in years when production failed to meet consumption requirements. With this mechanism, it is hoped that both runaway prices, such as those experienced in 1974 and 1975, and unduly depressed price levels, which have occurred since 1975, would be eliminated.

Under the International Sugar Agreement, world sugar prices are designed to rise to levels which would cover the cost of production for primary producers. To this end the quota restrictions are beginning to be successful, and your Company envisions enhanced price levels in 1980.

Improved price levels, however, have their risks as the competitive position of corn sweeteners and artificial substitutes is enhanced. In the last few years, depressed sugar price levels have sharply reduced the ability of these products to develop significant volume in Canada. With a higher world sugar price, increased competition from corn sweeteners is anticipated and some sugar volume may be lost.

A new artificial sweetener is currently being studied by Canadian government health authorities. The market for specific diet drinks and foods for which an artificial sweetener is particularly suited, however, is quite distinct from that normally served by sugar. The impact on volume of sugar sales is hence expected to be minimal, if the artificial substitute is approved.

In order to remain competitive, the Company has endeavoured to keep its three sugar facilities fully modern and efficient. Substantial capital investment is planned in energy-saving equipment over the next two or three years. With continuing increases in fuel prices, not only is such a program essential, but also the resultant savings will be correspondingly large. In addition to our own technical staff, European consultants have been engaged to assist in development of the program.

Sugar sales volume increased by 4.5% in 1979, with the largest increase occurring in the Province of Alberta. This increase is a direct result of Alberta's buoyant economy which has generated growth in population and attracted some food processing facilities to the West.



Sugar moves to market from this modern warehouse of the Manitoba Sugar Company.

Paper and Packaging

Earnings from paper and packaging amounted to 18 cents per share in 1979, the same amount as in 1978.

The Belkin and Somerville companies began the year on a strong note with earnings up significantly in the first half of the fiscal year. However, a strike at two of Somerville's eastern plants that lasted from May to October, coupled with higher interest costs, all but eliminated earnings in the second half of the fiscal year.

With paper and packaging operations now reasonably well integrated, and with facilities located across Canada, the Belkin group is well positioned to realize greatly improved earnings in the years ahead.

Oil and gas

Energy now plays an important role on the world stage, and governments of most nations are placing increasing emphasis on this essential factor of production. Canada relies on oil and gas as its primary energy source, and with the volatility of foreign oil supplies, it is essential that Canada pursue its stated goal of energy self-sufficiency. In the decade ahead, it seems likely that growth in the energy field will outperform other sectors of the Canadian economy, and the Company is therefore looking to expand the

activities of its oil and gas subsidiary,

Land Development

Fairweather Gas Ltd.

During the year, the Company entered into a joint venture for development of a parcel of land in Winnipeg, Manitoba. The development is part of a new suburban community to be named Whyte Ridge located approximately four miles south of the city centre. The Company contributed an 80-acre block of land, which had become surplus to its needs, in exchange for a 20% interest in a 400-acre assembly. Improvement of the property and sale of serviced lots will take place over a period of several years.

Employees

For some years it has been the Company's intention to establish a share purchase plan for employees. Such a plan was instituted in 1979. Shares were purchased on the open market and sold to employees under terms designed to encourage their investment and involvement in the Company. Participation in the plan was most encouraging with over 82% of eligible employees purchasing shares. The Board of Directors has approved continuation of the plan in 1980.

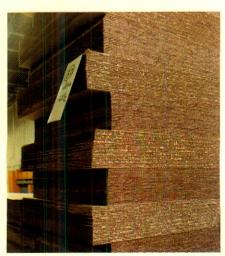
The success of a company is dependent on the skill and dedication of all of its employees. I would like to extend my sincere appreciation and thanks to all those who contributed so much to our operations in the past year.

On behalf of the Board

Telm A. Chemianoley

President BC Sugar

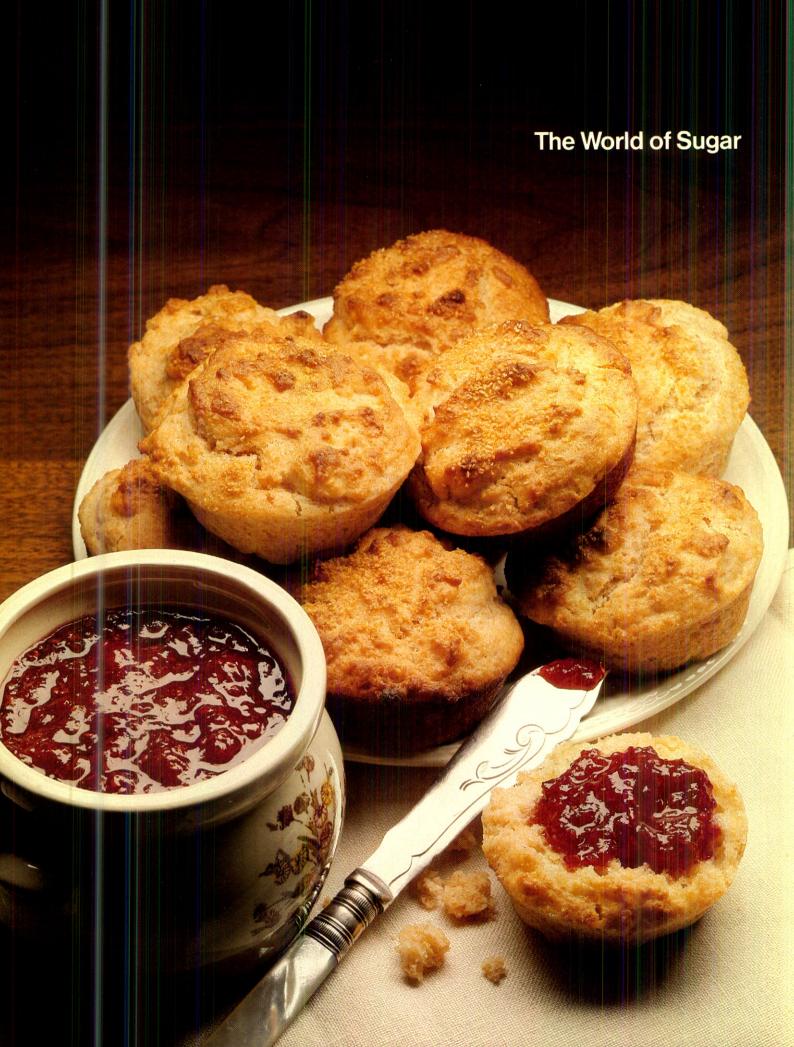
November 20, 1979 Vancouver, B.C.



Demand for corrugated sheets keeps Belkin's Edmonton factory humming.



A producing well is identified by this wellhead device called a "christmas tree".



Man has always had a "sweet tooth", a throw-back perhaps to the belief during early civilization that sweet substances were safe to eat while those that were bitter might be poisonous. Sugar cane is believed to have been known some 8,000 years ago in the South Pacific, and the Egyptians utilized the sweet juice from a sugar beet-like vegetable before the beginning of the Christian era.

Commercial production of sugar from sugar cane began in earnest during the sixteenth century. The blockade of Europe during the Napoleonic Wars prevented raw cane sugar from being shipped from the West Indies and led to the formation of a major beet sugar industry in Europe.

Today the world produces over 90 million tonnes of sugar per year. Sixty percent of this quantity is derived from sugar cane which is grown in almost every tropical country around the globe. Sugar beets, grown in over thirty countries in the world's temperate zones, account for the remaining forty percent of world sugar production.

About three-quarters of the world's sugar production is consumed in the country of origin, leaving approximately 25 million tonnes per year for export. A substantial portion of this international trade moves under special long-term trading arrangements such as the agricultural policies of the European Economic Community (EEC) and the Cuba-Communist

Europe Agreement. The price of sugar traded under these special arrangements is generally higher than the world market.

The balance available for export of approximately 17 million tonnes represents the so-called "free-market". Countries such as Japan and Canada obtain almost all of their supplies from this market, and other countries look to it from time to time to augment their requirements. For many exporters, too, the free market is the outlet for their sugar. Because the free market is a residual one, there can be large year-to-year changes in the volume of sugar offered or sought in it, with resulting sharp fluctuations in prices.

Major sugar producing countries— 1978

Cane	Millions of metric	tonnes
	CUBA	7.7
	BRAZIL	7.9
YVI	INDIA	7.1
ABBE	CHINA	3.0
	AUSTRALIA	3.0
	MEXICO	3.1
	U.S.A.	2.3
	PHILIPPINES	2.7
	SOUTH AFRICA	2.3
	THAILAND	1.7
	OTHERS	15.2
	Total cane	56.0

Beet

	EEC	12.2
	U.S.S.R.	9.3
(Alexanda)	U.S.A.	2.8
	OTHERS	12.0
	Total beet	36.3
0.000	885 (82)	00000 0000

Total world sugar production

92.3



Antique tools at the BC Sugar museum bring to mind early ways of breaking up refined sugar.

For example, following three consecutive years in the early 1970's in which world production failed to match world consumption, prices rocketed in 1974 and 1975 in a mad scramble of speculation. Then, influenced by these higher prices, production increased by almost 17 million tonnes between 1975 and 1978 and prices sank to the low levels that have prevailed to mid-1979.

The 1977 International Sugar Agreement, negotiated by the governments of most of the world's major sugar exporters and importers (excluding the EEC), is designed to help level out sugar price fluctuations. The system of export quotas restricts excessive production, which often results in exporters having to sell at prices below cost. Special reserve stocks are also provided for under the Agreement for release during times of production shortages.

The Canadian Sugar Industry

Approximately 90% of the refined sugar produced in Canada is derived from imported raw cane sugar, the balance from domestically grown sugar beets. Total sugar consumed in Canada is approximately one million tonnes.

Six cane refineries are located in eastern Canada. In addition, the Quebec government operates a small beet sugar factory which produces an unfinished product for further processing by a Montreal refiner. About one-fifth of the Canadian sugar-producing business is carried out by BC Sugar, with a cane refinery

in Vancouver and beet sugar processing factories in Winnipeg, Manitoba and Taber, Alberta.

BC Sugar

BC Sugar was founded by B. T. Rogers in 1890, and a refinery to produce 100 barrels of sugar per day began operating on January 16, 1891. A highlight of the first quarter century of sugar refining by this Company was the development in 1913 of Rogers' Golden Syrup, still a popular staple in Canadian homes three generations later.

To secure a source of raw cane sugar, the Vancouver-Fiji Sugar Company was formed by BC Sugar in 1905 and operated for 20 years. Cane milling was again undertaken in 1944 in the Dominican Republic, when the Ozama Sugar Company was acquired. This last venture was carried on for eleven years.

Sugar beets await processing at the Manitoba Sugar Company plant in Winnipeg.

International free market sugar trade-1978

Major net exporters		Millions of metric tonnes	Major n	et importers
EEC	0.0		CANADA	.9
EEC	3.3		U.S.A.	4.2
CUBA	2.0			
DOMINICAN REP.	.9		CHINA	.9
ARGENTINA	.4		145441	
BRAZIL	1.9		JAPAN	2.4
PHILIPPINES	1.1		IRAN	.9
THAILAND	1.0			
SOUTH AFRICA	.7		AFRICAN COUN	TRIES 2.9
AUSTRALIA	2.0	1/X3 -Y -Y -		
OTHERS	4.1		OTHERS	5.2
World total	17.4		World total	17.4



Bright, modern packaging, glistening sugar cubes offer sophisticated convenience for today's consumer.



The beet sugar industry made several unsuccessful attempts to establish itself in southwestern Alberta in the early part of the twentieth century. A small factory was built by American interests in Raymond in 1925. This factory was subsequently sold to BC Sugar in 1931. Five years later a factory was constructed by BC Sugar at Picture Butte, to be followed by a third, at Taber, in 1950. The former two operations have since been closed and the beet sugar industry in western Canada is now consolidated at Taber, Alberta and at Fort Garry, Manitoba. The latter operation, Manitoba Sugar Company, was acquired by BC Sugar in 1955. Since that date, the factory has been modernized and production doubled.

Sugar beets are grown in Alberta and Manitoba by approximately 1,250 farmers. Fifty-four thousand acres were harvested in 1979, yielding a below-average crop of approximately 750,000 tonnes of beets. A sharing arrangement exists between the growers and the Company whereby

each receives a percentage of the net return from sales of beet sugar and by-products. Beet sugar in western Canada must compete with cane sugar. When world price levels are low, the return to farmer and processor are accordingly reduced.

The Vancouver cane refinery produces a variety of white granulated sugars, in addition to cubes, liquid sugars, yellow, brown and Demerara sugars, as well as Rogers' Golden Syrup and Rogers' Pancake Syrup. Although few sugar export opportunities exist from western Canada, a small trade is carried out in the Pacific Islands. The Vancouver refinery operates below capacity and is well suited to meet the market demands of the Eighties.

Alberta Sugar Company and Manitoba Sugar Company produce white granulated sugar, icing sugar and liquid sugars. A valuable adjunct to the beet sugar business is the production of beet pulp and molasses. These products are utilized primarily as a high-quality nutritious cattle feed, and molasses is also used in substantial quantities for yeast production.



Pancakes and Rogers' Syrup, the timehonoured team that means hearty enjoyment in western Canadian homes.

In western industrial nations, per capita sugar consumption ranges between 95 and 105 pounds per year. Canada's annual per capita consumption has changed little in the last 40 years, stabilizing at about the 100-pound level. It is quite a different story in the less developed nations where per capita consumption can be as low as 10 pounds per year.

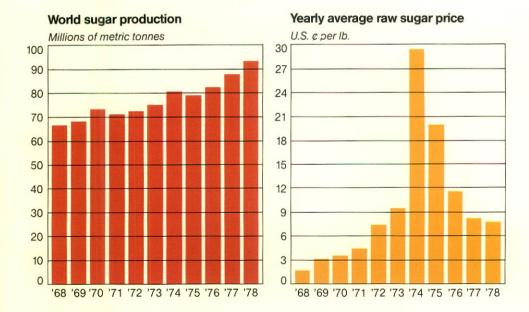
At the end of the nineteenth century, sugar was a costly luxury; in North America, it cost more per pound than round steak. Since then, world production has grown sixfold, and today sugar is one of the lower cost, high quality foods available to the Canadian consumer.

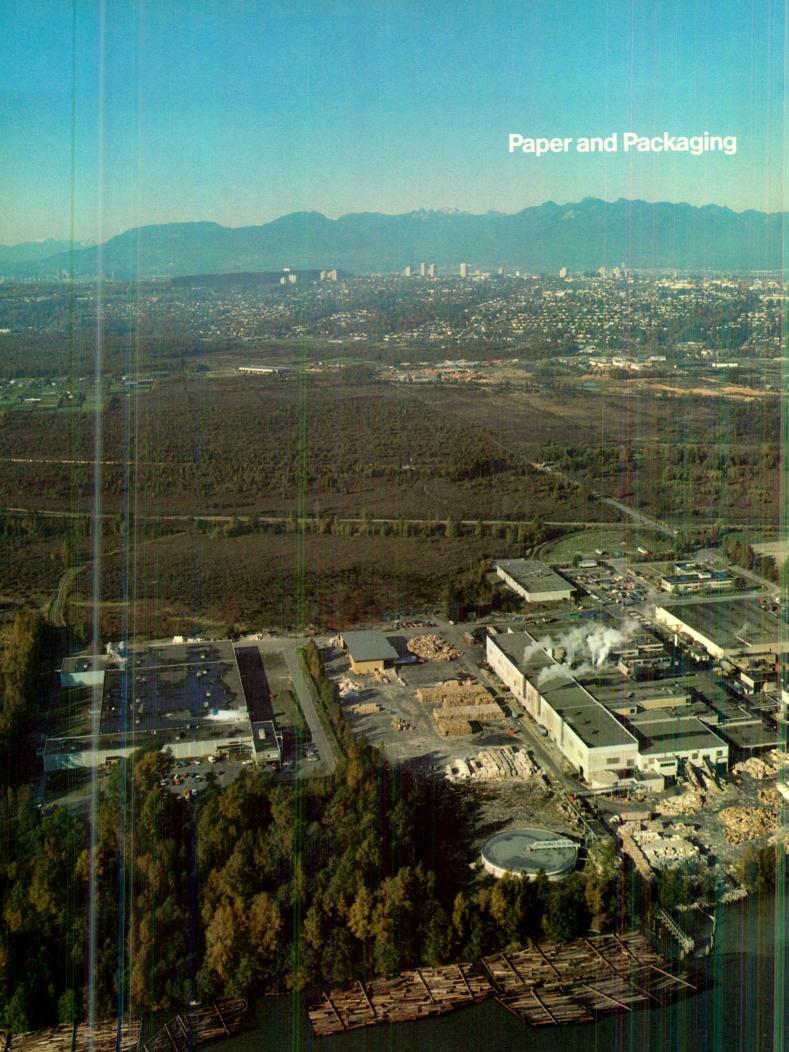
Despite some adverse publicity given sugar in recent years, we do not foresee any significant reduction in per capita consumption. A great amount of scientific research conducted during the sixties and seventies has shown that sucrose is definitely not the cause of coronary heart disease, diabetes, hyperglycemia, or, of itself, obesity.

Another use for sugar is gaining momentum. Many of the tropical countries that grow sugar cane have little or no reserves of petroleum.

Some of these countries are now seeking to convert the carbohydrate energy of sugar cane into fuel. To reduce the country's dependence on foreign oil imports, Brazil is embarking on a program to produce ethyl alcohol from sugar cane as a substitute for gasoline. Because of government action already taken, cars in Brazil run on a mixture of gasoline and alcohol. This year the Brazilian auto industry is preparing to produce 100,000 cars that will operate on alcohol alone.

While alcohol is now being produced using sugar as a raw material, to date the economics have not been sound. However, with oil becoming scarce, alcohol made from sucrose could become competitive if for no other reason than it is annually renewable.





1979 was a significant year of growth for Belkin Packaging Ltd. Gross revenues exceeded \$156 million, an increase of 21% over the previous vear. Cash flow from operations increased from \$5,579,000 to \$7,626,000 and earnings increased slightly from \$1,021,000 to \$1,033,000. Earnings failed to meet projections due mainly to a five and a half-month labour strike at two of the eastern Canadian packaging plants. High interest rates and intense competition in packaging markets also depressed earnings.

The productivity and profitability of the Burnaby paperboard division improved during the year. Total mill production amounted to 150,000 short tons, an increase of 15% over last year. Modifications to the new paper machine were completed in May

1979, resulting in significant improvements in the performance of the mill. Product demand remains strong and the division continues to operate at capacity. Increasing raw material costs and availability of supply remain the division's major concern.

Sales for the Company's two corrugated container plants increased 28% over 1978 due to a stronger position in a growing western Canadian market. Despite continued depressed earnings at the Edmonton plant, total operating profits for the corrugated division showed substantial improvement.

Revenues for Somerville Belkin Industries Limited increased 19% for the year despite the impact of the labour strike. On May 4, 1979 members of the Graphic Arts International Union struck Somerville and several other folding carton manufacturers in eastern Canada. The Montreal packaging plant, one of our largest facilities, and the printing department of the London plant, were both shut down. The strike was settled in October, 1979.

The Brockville, Ontario packaging plant, which was built in 1977, experienced a successful year with a significant improvement in profitability. At the Toronto plant, a six-colour offset press was recently installed. This equipment is the latest and fastest available.

On April 30, 1979 Somerville Belkin acquired the Burnaby, B.C. folding carton division of MacMillan Bloedel. This division, now operating as National Paper Box, services the western Canadian folding carton, Pure Pak and set-up box markets. The Company has also announced its intention to build a milk carton packaging plant in Edmonton, Alberta which should be in production in early 1980.

Earnings for the special products division increased during the year, with the most significant improvement occurring in the automotive division. However, demand for reinforced plastic panels and parts for automobiles weakened somewhat in the last quarter of the fiscal year.

While net earnings for the last year were somewhat disappointing, we are looking forward to next year with cautious optimism.

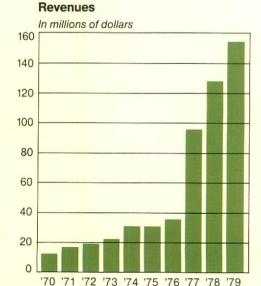
On behalf of the Board

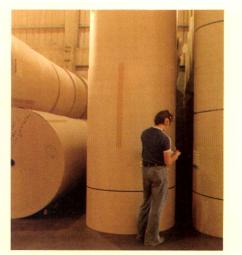
Morris Bel

Belkin Packaging Ltd.

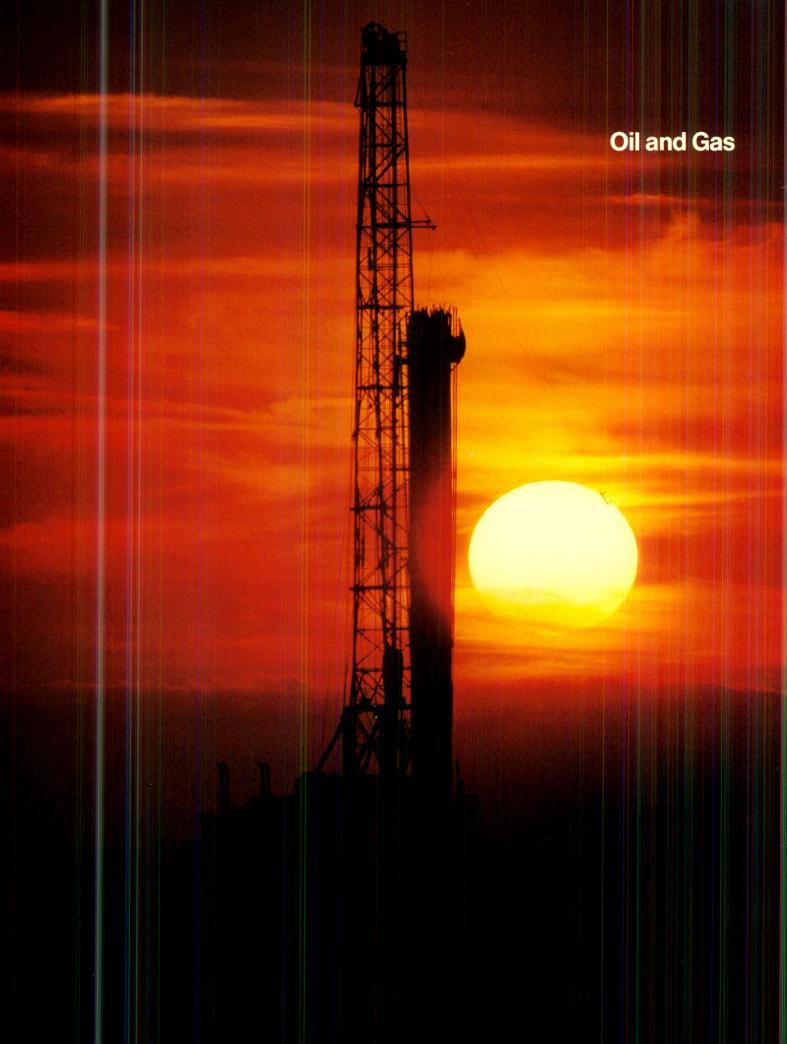
November 20, 1979 Vancouver, B.C.

An aerial view of the Belkin paperboard mill and National Paper Box plant on the Fraser River, Burnaby, B.C.





Rolls of kraft are made from secondary fibre in the Belkin Burnaby plant.



Exploration and Development

Fairweather Gas Ltd. participated in the drilling of 54 wells during the year, all in Alberta. Of the total, 39 wells were classified as exploratory and 15 were development wells with the following results:

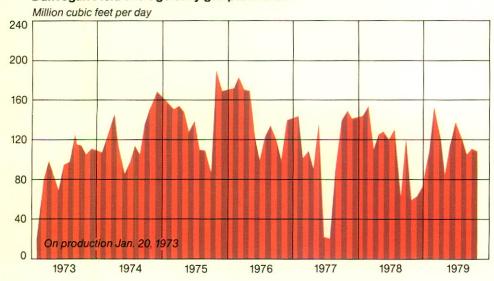
	EXPLORATORY	DEVELOPMENT	TOTAL
Gas Wells	17	3	20
Oil Wells	4	11	15
Total Producers	21	14	35
Dry Holes	18	1	19
Total	39	15	54

Most of the oil wells completed were in the Lloydminster heavy oil area in eastern Alberta where operating costs are high in relation to present crude oil prices. Two of the oil wells are located in a remote winter drilling area of northern Alberta and the economic significance of these finds will not be determined until the current winter season. All of the exploratory gas wells completed are shut-in due to lack of markets.

In the first three years and three months of its existence, Fairweather has participated in the drilling of 243 wells resulting in 172 apparent producers and 71 dry holes, for an overall success ratio of 71%. As a result of this program, substantial reserves of gas and oil (primarily heavy oil) have been discovered. When markets for shut-in gas develop and prices for heavy oil improve, Fairweather has a substantial backlog of development work to be pursued.

Drilling rig signifies the ongoing search for oil and gas in our energy-hungry economy.

Dunvegan Field average daily gas production



The previously announced farm-out by Fairweather and its joint venture partners to a major company was completed during the year. Of the 52 wells contemplated, 49 were actually drilled resulting in 27 apparent producers and 22 dry holes. The wells were drilled at substantially no cost to Fairweather and the funding company earned a one-third interest in the lands involved.

Production

Fairweather's production revenue, net of royalties, remained essentially constant at \$2.2 million when compared to 1978. Fairweather's main source of production, the Dunvegan field, again suffered from restricted gas markets. The situation at Dunvegan should improve in 1980 and beyond. Steps are being taken to increase field deliverability in anticipation of improved market conditions.

Substantial expenditures will be made to drill and connect new development wells and to install field gas compression facilities. Increases in Fairweather's production revenue in the future depend on new gas markets for shut-in gas reserves primarily through authorization of additional exports to the United States.

Gas Sales Prospects

Since the formation of Fairweather Gas, we have been reporting on gas sales problems due to lack of markets. Unfortunately, the government regulatory process in Canada and the United States moves slowly. However, we may now be seeing some progress. In 1978 the National Energy Board (NEB) held gas supply hearings throughout the country and did render a decision in 1979 that Canada does in fact have an exportable surplus of natural gas. The NEB also conducted hearings, which ended in August, 1979, which considered the applications of gas purchasers who have requested permission to export Canadian gas. The industry is now awaiting a decision on this matter, which is expected before the end of 1979.

Financial

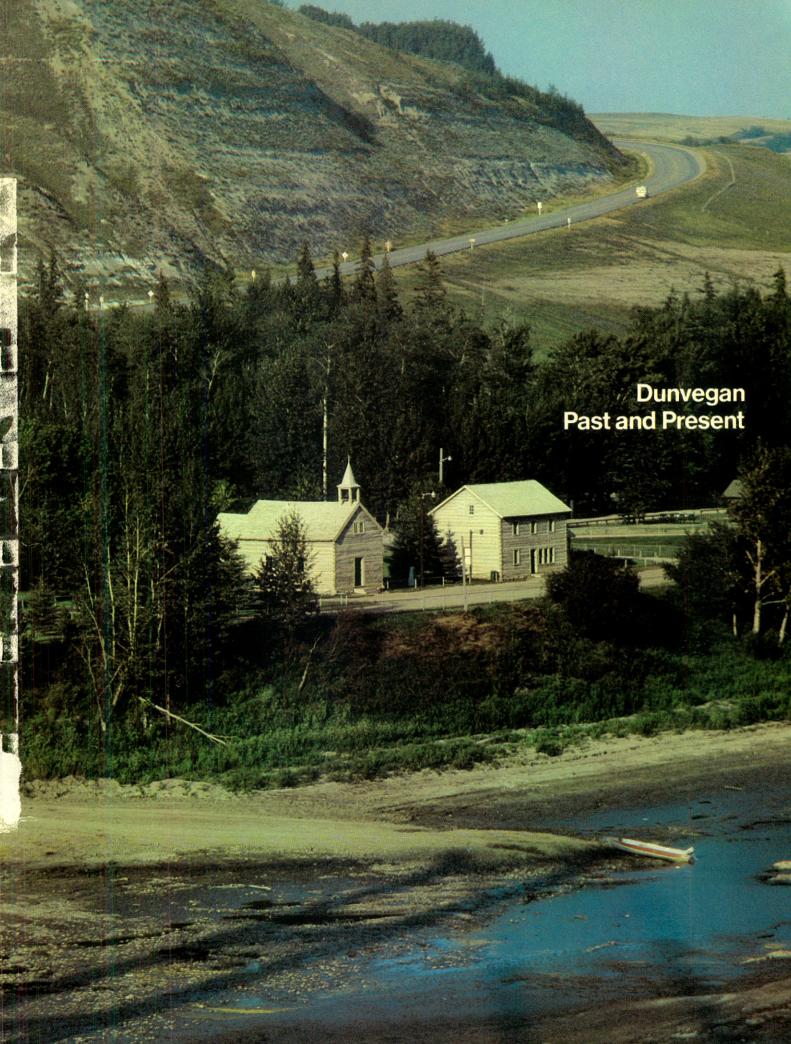
Fairweather's net income after tax was \$785,000 versus \$639,000 in 1978 and \$293,000 in 1977. The company remains debt-free and has working capital of \$1.6 million.

BC Sugar's remaining commitment to Fairweather is \$4.5 million which will be spent on exploration and development or contributed to Fairweather for future exploration and development by 1980 fiscal year-end.

On behalf of the Board

President Fairweather Gas Ltd.

November 20, 1979 Calgary, Alberta



In the autumn of 1792, Alexander Mackenzie began his epic journey to the Pacific. He was destined to become the first white man to cross the North American continent anywhere north of Mexico. In October, 1792, Mackenzie wrote,

Having made every necessary preparation, I left Fort Chipewyan, to proceed up the Peace River.

Mackenzie and his party travelled nearly 500 miles up the Peace before wintering at the site of Fort Fork at the confluence of the Peace and Smoky rivers in northwestern Alberta. When the ice went out in the spring, the group continued westward along the winding course of the mighty Peace.

Around each bend of the river, marvellous sights came into view. At some points the river valley broadened into a great basin, and the gradually ascending banks were dotted with groves of spruce and poplar. At other points the valley narrowed into a gorge, and the river ran 1000 feet below the rim of Alberta's alluvial plain.

Fifty miles upstream from Fort Fork, Mackenzie paused on a bench of the Peace to survey the beauty of the scene, and he wrote in his diary on May 10, 1793,

This magnificent theatre of nature has all the decorations which the trees and animals of the country can afford; the groves of poplar in every shape vary the scene, and their intervals are enlivened with vast herds of elk and buffalo. The whole country displays an exuberant verdure: the trees that bear a blossom are advancing fast to that delightful appearance, and the velvet rind of their branches reflect the oblique rays of a rising or setting sun, adding a splendid gaiety to the scene which no expressions of mine are qualified to describe.

Twelve years later, on that same bench of the Peace, another Scotsman arrived, this time to build a trading post. Archibald Norman Macleod of the North West Company erected log buildings, bastions and pallisades on the site in the spring of 1806. He named the place Fort Dunvegan in honor of his ancestral home on the Isle of Skye. (To this day, Dunvegan Castle remains a prominent tourist attraction on Skye.)

For about 50 years, Fort Dunvegan was the center of the fur trade in that part of the Peace River country. To this outpost came the furs of the Crees, the Chipewyans and the



Sir Alexander Mackenzie, first explorer to cross the North American continent anywhere north of Mexico.



In 1793, Mackenzie and his party travelled 500 miles up the Peace.

Beavers. From hundreds of miles around, the native trappers came to Fort Dunvegan bringing the treasure of the north. Down the many water-courses of this northern wilderness came the canoe people. From a land magnificent and beautiful, from a land of silences, from a land of great forests and willow-fringed streams came the Indians with their prized pelts.

But the trappers and traders who met at Fort Dunvegan could never have known that a treasure greater than furs lay at their feet. At their doorstep was a treasure that was unseen, unimaginable and of a new dimension.

Millions of years before, the central plain of North America had been covered by a vast sea rich in marine

life. The sea receded and countless tiny sea creatures became encrusted on the sea floor. Time and again the sea advanced and receded, building up layer upon layer of sediments. As millenia passed, the higher layers compressed the lower ones and transformed the constituent elements into hydrocarbons.

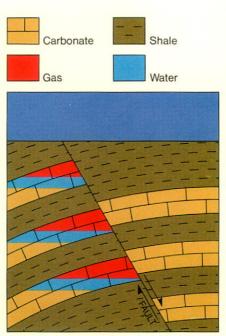
In September, 1970, about eight miles northeast of Fort Dunvegan, a drill bit penetrated a geological structure where many of those tiny sea creatures had been compressed. When the zone was tested, gas flared at the drill stem outlet. A step-out well was drilled two miles away, and again the needle of the detecting instrument shot up the scale. More step-out wells were drilled, and gasbearing zones were found to extend over an area of approximately 40 square miles. The Dunvegan field

was ultimately found to contain a trillion cubic feet of natural gas, about 2% of Alberta's then known reserves.

The Canadian north has yielded many treasures but many more wait to be found.



Drilling for oil and gas is a 24-hour operation.



Cross section reveals hidden source of gas in rock formations.



A brief flow and flame test is used to evaluate potential production at a natural gas discovery well.

Statement of Earnings

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

(In Thousands of Dollars)

	1979	1978
Revenues Sales	\$275,431	\$231,707
Other	412	411
Total revenues	275,843	232,118
Costs and expenses	210,010	202,110
Cost of sales	214,468	179,394
Selling, general and administrative	26,376	24,519
Depreciation, depletion and amortization	8,200	6,833
Long-term debt interest	7,806	5,556
Other interest	4,231	2,648
Total costs and expenses	261,081	218,950
	14,762	13,168
Income taxes	6,402	5,252
	8,360	7,916
Minority interest in earnings of subsidiary companies	896	840
	7,464	7,076
Extraordinary itemgain on exchange of land (Note 4)	1,305	_
Net earnings	\$ 8,769	\$ 7,076
Per common share Earnings before extraordinary item	\$3.06	\$2.89
Extraordinary item	.54	_
Net earnings	\$3.60	\$2.89
Statement of Reinvested Earnings		
	1979	1978
Balance, beginning of year	\$ 30,131	\$ 27,984
Net earnings	8,769	7,076
	38,900	35,060
Dividends (Note 8)	5,404	4,929
Balance, end of year	\$ 33,496	\$ 30,131

Statement of Changes in Financial Position

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

(In Thousands of Dollars)

	1979	1978
Funds Were Provided By		
Operations		
Net earnings before extraordinary item	\$ 7,464	\$ 7,076
Add charges not requiring an outlay of funds		
Depreciation, depletion and amortization	8,200	6,833
Income taxes provided not currently payable	3,498	1,995
Minority interest in earnings of subsidiary companies	896	840
Other	(19)	(134)
Funds provided from operations	20,039	16,610
Exchange of land	1,305	_
Issue of preferred shares of subsidiary company held by minority interest	_	2,895
Total	21,344	19,505
Funds Were Used For		
Investment in fixed assets	8,238	10,791
Acquisition of folding-carton facilities, net of working capital	5,250	_
Payment of dividends		
Shareholders of the company	5,404	4,929
Minority shareholders of subsidiary companies	432	3,250
Decrease in long-term debt	472	3,521
Increase in deferred charges	257	345
Stated value of preferred shares purchased in the open market	- 4	240
Increase in other assets	2,043	774
Total	22,096	23,850
Decrease in working capital	752	4,345
Working capital at beginning of year	\$ 21,290	\$ 25,635
Working capital at end of year	\$ 20,538	\$ 21,290

Balance Sheet

BC Sugar Refinery, Limited and Consolidated Subsidiaries, September 30

(In Thousands of Dollars)

(In Thousands of Dollars)	1979	1978
ASSETS		2
Current Assets	\$ 1,190	\$ 2,632
Cash and short-term deposits		
Accounts receivable	37,908	32,172
Inventories (Note 3)	56,270	55,720
Prepaid expenses	1,810	1,824
Total current assets	97,178	92,348
Investments and Other Assets (Note 4)	7,387	5,325
Fixed Assets (Note 5) Property, buildings and equipment	159,470	146,121
Less accumulated depreciation and depletion	61,241	53,949
Total fixed assets	98,229	92,172
Deferred Charges Unallocated purchase price of shares in subsidiary	3,725	3,825
Deferred preproduction costs	965	1,233
Deferred lease payments	829	645
Bond discount and financing expenses	341	374
Total deferred charges	5,860	6,077
Total	\$208,654	\$195,922

	1979	1978
LIABILITIES		
Current Liabilities Bank loans, secured	\$ 34,208	\$ 33,586
Accounts payable and accrued liabilities	34,344	31,870
Income taxes payable	3,413	896
Dividends payable		801
Current portion of long-term debt	4,675	3,905
Total current liabilities	76,640	71,058
Long-Term Debt (Note 6)	60,578	61,050
Income Taxes Provided not Currently Payable (Note 7) 20,361		16,863
Minority Interest in Subsidiary Companies 11,099		10,340
Total	168,678	159,311
SHAREHOLDERS' EQUITY		
Share Capital (Note 8) 2,400,000 Common shares 124,000 Preferred shares	4,000 2,480	4,000 2,480
	6,480	6,480
Earnings Reinvested in the Business	33,496	30,131
Total shareholders' equity	39,976	36,611
Total	\$208,654	\$195,922

Commitments (Note 11)

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, 1979

1. Significant accounting policies

a) Basis of presentation

The financial statements include the accounts of the wholly-owned subsidiary company, The British Columbia Sugar Refining Company, Limited and the partly-owned subsidiary companies, Belkin Packaging Ltd., Fairweather Gas Ltd. and Somerville Belkin Industries Limited ("Somerville"). The earnings of Somerville include its share of the earnings of its 50%-owned company, Mastico Industries Limited, which is accounted for on the equity basis.

b) Inventories

Inventories of beet sugar, paper and packaging products, 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 quantitities are hedged and are not at market risk. Earnings are charged with unrealized net losses related to open positions in the futures market, but unrealized net gains are not reflected in earnings.

The Company's basis of valuing cane sugar is not allowable for income tax purposes, and accumulated income taxes of \$3,054,000 (1978—\$2,238,000), 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 valued at cost which, for major expansions of the paper and packaging operations, includes interest on funds borrowed during construction.

d) Depreciation

Assets used in sugar operations are depreciated on the diminishing balance basis using rates approximately equal to maximum allowances at normal rates under the Income Tax Act. Assets used in paper and packaging operations are depreciated on a straight-line basis which reflects estimates of their expected useful lives.

e) Depletion

The Company follows the full cost method of accounting whereby all costs relative to the exploration and development of oil and gas properties, whether productive or non-productive, are capitalized and depleted on the composite unit of production method based on estimated proven reserves.

f) Deferred charges

Deferred charges are valued at cost less amortization on a straight-line basis over periods ranging from 5 to 40 years.

g) Translation of foreign currencies

Current assets and current liabilities in foreign currencies are translated into Canadian dollars at current rates. Other assets and liabilities are translated at historical rates.

2. Business acquisition

On April 30, 1979, Belkin Packaging Ltd. purchased a folding-carton plant in Burnaby, B.C. This transaction has been accounted for by the purchase method with the results of operations included in these financial statements from the date of acquisition. The purchase price was \$8,250,000 of which \$3,000,000 represented working capital items and \$5,250,000 represented the cost of fixed assets.

3. Inventories	1979	1978
Sugar	\$22,379,000	\$28,392,000
Paper and packaging products	28,606,000	22,662,000
	50,985,000	51,054,000
Supplies	5,285,000	4,666,000
	\$56,270,000	\$55,720,000
4. Investments and other assets	1979	1978
Investment in Mastico Industries Limited	\$ 4,570,000	\$ 4,551,000
Land held for development	1,621,000	_
Claim receivable	1,196,000	774,000
	\$ 7,387,000	\$ 5,325,000

a) Land held for development

During the year, the Company exchanged a portion of its Manitoba land for an interest in a 400-acre development in the same area. The value of the Company's interest in the land acquired is included in "Investments and other assets" and the gain on exchange, net of applicable income taxes of \$276,000, is shown as an extraordinary item on the Statement of Earnings.

b) Claim receivable

The claim receivable arises out of the acquisition by Belkin Packaging Ltd. of a paperboard machine which has not performed in accordance with the contractual requirements under which it was supplied. Pending resolution of the matter, the claim receivable represents the net of accumulated interest and direct costs totalling \$5,888,000 less the unpaid balance of \$4,692,000 owing on purchase of the machine. A court decision in November, 1979 ruled that part of this unpaid balance, represented by promissory notes, is to be paid. However, legal counsel has advised that in their opinion there are good grounds for establishing liability against the supplier and for an appeal against the judgement on the notes. Part of the unpaid balance owing on purchase of the machine is payable in Pounds Sterling and is recorded at historic exchange rates. The Canadian dollar equivalent at September 30, 1979 was \$1,476,000 higher than the recorded amount.

5. Fixed assets Gross investment			Accumu	ation	Net Investment			
	at o		deplet		197	9	1978	3
Land Oil and gas prop-	\$ 3,56	64,000	\$	_	\$ 3,56	4,000	\$ 2,982	2,000
erties Buildings and equip-		26,000	1,606	5,000	12,82	0,000	10,898	3,000
ment	141,48	30,000	59,635	5,000	81,84	5,000	78,292	,000
	\$159,4	70,000	\$61,241	,000	\$98,22	9,000	\$92,172	,000

6. Long-term debt	1979	1978
The British Columbia Sugar Refining Company, Limited 9½% First Mortgage Sinking Fund Bonds repayable to 1987	\$ 4,345,000	\$ 5,054,000
Belkin Packaging Ltd. Term bank loans (secured by a debenture and chattel mortgages) at interest rates varying between 11/4% and 13/4% above the prime lending rate repayable to 1989; \$20,000,000 of debt (included at par) is repay-		
able in U.S. dollars Income debenture at an interest rate of 2½% plus 50% of the prime	28,269,000	29,419,000
lending rate repayable to 1989 Promissory note (unsecured) at an interest rate of 10% repayable from	13,600,000	15,200,000
1980 to 1987	4,857,000	4,857,000
Somerville Belkin Industries Limited 8½% Sinking Fund Debentures Series "A" due in 1993 Term bank loan (secured) at an inter-	7,320,000	7,500,000
est rate of 1¼% above the prime lending rate repayable to 1989	4,112,000	2,925,000
Promissory note (secured) at an interest rate of 11½% repayable in 1980	2,750,000	
111 1980	65,253,000	64,955,000
Less current portion	4,675,000	3,905,000
	\$60,578,000	\$61,050,000
Principal instalments on long-term debt di years are approximately:	ue in each of the	e next five
1980	\$4,675,000	

1980	\$4,675,000
1981	5,317,000
1982	6,862,000
1983	6,861,000
1984	7,079,000

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 and exploration and development costs in excess of the amounts provided for depreciation and depletion in the accounts. Income taxes provided in the Statement of Earnings include \$3,498,000 (1978—\$1,995,000) not currently payable.

8. Share capital

In May, 1979 the Company received a Certificate of Continuance under the Canada Business Corporations Act. Under this Act the Company has no limitation on the amount of its authorized share capital. At September 30, 1979, share capital comprised:

Common shares Class A Class B	1,958,406 441,594
	2,400,000
Preferred shares, carrying a cumulative dividend entitlement of \$1.00 per share and redeemable at \$20.00 per share	124,000

8. Share capital (continued)

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 respects. Changes in the Income Tax Act precluded the payment of "tax-deferred" dividends on Class B shares after December 31, 1978. During the year the following dividends were declared:

Common shares	
Class A-	
\$2.20 per share	\$4,304,260
Class B—	
\$2.20 per share including 15% tax on dividends	
of \$.95 paid prior to December 31, 1978	975,740
	5,280,000
Preferred shares—\$1.00 per share	124,000
	\$5,404,000

9. Employee Retirement Plans

The Company has a number of pension plans based on length of service and earnings, participation in which is available to substantially all employees. With respect to pension plans covering employees in sugar operations, at September 30, 1979 pension plan assets were estimated to be adequate to fund pension benefits. With respect to pension plans covering employees in paper and packaging operations, recent actuarial estimates of the unfunded liability for past services amount to \$650,000 which is being funded by additional annual contributions to 1993.

10. Business segments	6	1979	
	Revenues	Funds Provided From Operations	Contribution To Earnings*
Sugar Paper and packaging Oil and gas	\$116,952,000 156,529,000 2,362,000	\$11,266,000 7,626,000 1,147,000	\$ 6,725,000 430,000 309,000
	\$275,843,000	\$20,039,000	\$ 7,464,000
*before extraordinary item			
		1978	
	Revenues	Funds Provided From Operations	Contribution To Earnings
Sugar Paper and packaging Oil and gas	\$100,570,000 129,347,000 2,201,000	\$10,230,000 5,579,000 801,000	\$ 6,429,000 424,000 223,000
	\$232,118,000	\$16,610,000	\$ 7,076,000

11. Commitments

The Company is committed to expend \$4.5 million next year on oil and gas exploration and development. Annual payments under leases in effect at September 30, 1979 are approximately \$2.2 million. The terms of the leases vary from five to thirty years.

Auditors' Report

To the Shareholders

We have examined the balance sheet of BC Sugar Refinery, Limited and consolidated subsidiaries as at September 30, 1979 and the related 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, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada November 23, 1979 THORNE RIDDELL Chartered Accountants.

Five-Year Review

(Dollar amounts in thousands except per share figures)

1979 \$275,843 240,844 12,037 8,200 261,081 6,402	1978 \$232,118 203,913 8,204 6,833 218,950	1977 \$198,671 176,181 4,487 5,031	1976 \$125,005 108,761 2,145 3,102	1975 \$162,526 141,322 1,611 2,712
240,844 12,037 8,200 261,081	203,913 8,204 6,833	176,181 4,487 5,031	108,761 2,145	141,322 1,611
12,037 8,200 261,081	8,204 6,833	4,487 5,031	2,145	1,611
8,200 261,081	6,833	5,031		
261,081			3,102	2712
	218,950			2,112
6.402		185,699	114,008	145,645
0,10=	5,252	5,267	4,595	7,004
896	840	801	1,262	698
7,464	7,076	6,904	5,140	9,179
1,305				_
\$ 8,769	\$ 7,076	\$ 6,904	\$ 5,140	\$ 9,179
\$3.06	\$2.89	\$2.82	\$2.08	\$3.76
.54				_
3.60	2.89	2.82	2.08	3.76
\$2.20	\$2.00	\$2.00	\$2.00	\$2.00
\$ 20,039	\$ 16,610	\$ 15,330	\$ 12,774	\$ 13,967
8,238	10,791	8,057	29,708	11,565
20,538	21,290	25,635	21,921	24,045
\$ 60,578	\$ 61,050	\$ 64,571	\$ 37,572	\$ 15,920
3,120	3,064	3,074	1,495	1,468
3,975	3,710	3,695	3,549	3,668
91%	90%	90%	90%	90%
	7,464 1,305 \$ 8,769 \$3.06 .54 3.60 \$2.20 \$ 20,039 8,238 20,538 \$ 60,578 3,120 3,975	6,402 5,252 896 840 7,464 7,076 1,305 — \$ 8,769 \$ 7,076 \$3.06 \$2.89 .54 — 3.60 2.89 \$2.20 \$2.00 \$ 20,039 \$ 16,610 8,238 10,791 20,538 21,290 \$ 60,578 \$ 61,050 3,120 3,064 3,975 3,710	6,402 5,252 5,267 896 840 801 7,464 7,076 6,904 1,305 — — \$ 8,769 \$ 7,076 \$ 6,904 \$3.06 \$2.89 \$2.82 .54 — — 3.60 2.89 2.82 \$2.20 \$2.00 \$2.00 \$ 20,039 \$ 16,610 \$ 15,330 8,238 10,791 8,057 20,538 21,290 25,635 \$ 60,578 \$ 61,050 \$ 64,571 3,120 3,064 3,074 3,975 3,710 3,695	6,402 5,252 5,267 4,595 896 840 801 1,262 7,464 7,076 6,904 5,140 1,305 — — — \$ 8,769 \$ 7,076 \$ 6,904 \$ 5,140 \$3.06 \$2.89 \$2.82 \$2.08 .54 — — — 3.60 2.89 2.82 2.08 \$2.20 \$2.00 \$2.00 \$2.00 \$ 20,039 \$ 16,610 \$ 15,330 \$ 12,774 8,238 10,791 8,057 29,708 20,538 21,290 25,635 21,921 \$ 60,578 \$ 61,050 \$ 64,571 \$ 37,572 3,120 3,064 3,074 1,495 3,975 3,710 3,695 3,549

Subsidiary and Affiliated Companies

The British Columbia Sugar Refining Company, Limited 100%-owned	Belkin Packaging Ltd. 50%-owned	Somerville Belkin Industries Limited 50%-owned	Fairweather Gas Ltd. 60%-owned
Directors lan Angus Peter A. Cherniavsky H. Allan Dunlop William R. Hetherington John W. Pitts Forrest Rogers H. Richard Whittall F. Cameron Wilkinson	Morris Belkin Helen M. E. Belkin Peter A. Cherniavsky John G. Cochrane Douglas J. McKinnon Forrest Rogers	Morris Belkin Peter A. Cherniavsky David Gordon Robert F. Krause lan A. MacDonald Douglas J. McKinnon Forrest Rogers	J. C. Anderson W. Gordon Brown Peter A. Cherniavsky John G. Cochrane William A. Willison
Forrest Rogers Chairman of the Board Peter A. Cherniavsky President and Chief Executive Officer Ian Angus Vice-President 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. Mac. Roxburgh Technical Services Manager David M. S. Elliott Treasurer G. M. Guccione General Manager, Alberta Sugar John W. Hall	Morris Belkin Chairman of the Board, President and Chief Executive Officer Douglas J. McKinnon Vice-President of Finance and Secretary-Treasurer Douglas G. Gallop Vice-President, Corrugated Containers Ronald C. Morgan General Manager, Paperboard Division	Morris Belkin Chairman of the Board Robert F. Krause President and Chief Executive Officer Leslie A. Biddie Group Vice-President, Packaging East Patrick B. McGarry Group Vice-President, Packaging West James C. Bacon Group Vice-President, Special Products Divisions Thomas E. White Vice-President, Industrial Relations	J. C. Anderson President Philip C. Evans Vice-President, Land Harold R. Hegland Land Manager James F. Strayhan Jr. Controller Robert J. Sumner Vice-President, Drilling and Producing Operations

Head Office

Location Rogers Street, Vancouver, B.C.

General Manager, Manitoba Sugar

Postal Address P.O. Box 2150, Vancouver, B.C. V6B 3V2 Location 8255 Wiggins Street, Burnaby, B.C. Postal Address

Postal Address P.O. Box 8930, Vancouver, B.C. V6B 4P5 Location and
Postal Address
2000 Argentia Road,
Plaza 5,
Mississauga, Ontario
L5N 2R7

Location and
Postal Address
Calgary House,
550–Sixth Ave. S.W.,
Calgary, Alberta
T2P 0S2

