Annual Report 1979

Brascan
LIMITED

Directors

W. G. Brissenden
Toronto, President
William G. Brissenden Inc.

E. M. Bronfman [4]
Toronto, Chairman
Edper Investments Limited

P. F. Bronfman [4]
Toronto, President
Edper Investments Limited

J. L. Cockwell [1, 2]
Toronto, Senior Vice-President, Planning
Brascan Limited

J. T. Eyton [2, 3]
Toronto, President and Chief Executive Officer
Brascan Limited

A. W. Farmilo [2]
Toronto, Executive Vice-President
Brascan Limited

E. C. Freeman-Attwood [1, 2, 3]
Rio de Janeiro, Brazil
Executive Vice-President
Brascan Limited

J. F. Gallagher
Chicago, Vice-President
International Operations
Sears, Roebuck and Co.

A. Gallotti
Rio de Janeiro
Consultant

J. P. Grace
New York, President and Chief Executive Officer
W. R. Grace & Co.

J. F. Grandy [1]
Ottawa, President
Reisman and Grandy Limited

L. B. Harder
New York
Chairman of the Board
International Mining Corporation

N. E. Hardy [2]
London, Ontario
Vice-Chairman of the Board
John Labatt Limited

P. J. Keenan [1, 2, 3]
Toronto, President and Chief Executive
Patino, N.V.

F. Y. McCutcheon [1, 2]
Toronto, President
Arachnae Management Ltd.

H. P. Milavsky [1]
Calgary, President and Chief Executive Officer
Trizec Corporation Ltd.

J. Ortiz-Patino [4]
Geneva, Deputy-Chairman of the Board
Patino, N.V.

S. Pollock
Montreal, Vice-President
Carena-Bancorp Holdings Inc.

P. N. T. Widdrington
London, Ontario
President and Chief Executive Officer
John Labatt Limited

1 Audit Committee
2 Executive Committee
3 Salary and Organization Committee
4 Ex-officio Member Executive Committee

Officers

P. F. Bronfman
Chairman of the Board

J. Ortiz-Patino
Vice-Chairman of the Board

J. T. Eyton
President and Chief Executive Officer

A. W. Farmilo
Executive Vice-President, Canada

E. C. Freeman-Attwood
Executive Vice-President, Brazil

J. L. Cockwell
Senior Vice-President, Planning

W. R. Miller
Senior Vice-President and Chief Financial Officer

R. A. Dunford
Vice-President and Chief Legal Officer

R. F. Lewarne
Vice-President

D. A. McAlpine
Vice-President, Corporate Affairs

R. R. Sutherland
Assistant Vice-President, Finance

L. A. Allen
Secretary

R. P. Simon
Treasurer

E. C. Kress
Comptroller

W. M. Cecil-Stuart
Director, Public Affairs

F. N. C. Lochan
Director, Internal Audit

R. G. Yeoman
Director, Corporate Development

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Brascan Limited is a holding company with interests in natural resources, consumer products and financial services.

Si vous désirez recevoir un exemplaire en français de ce Rapport, veuillez vous adresser au Secrétaire, Brascan Limited.

Financial Highlights

	Dollar amounts in US$ millions	
	1978*	**1979**
Gross revenues	$ 74.7	**$ 96.5**
Income from continuing operations	8.1	**35.0**
Total assets	947.4	**1,139.4**
Per share		
Dividends paid	$ 1.10	**$ 1.10**
Income from continuing operations	.21	**1.24**
Ordinary shares		
Average outstanding, in millions	26.1	**26.1**
Voting, registered in Canada	69%	**81%**
Registered shareholders	38,715	**27,623**

*Certain 1978 figures have been restated to reflect accounting policies adopted retroactively in 1979.

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Directors' Report

To the Shareholders:

Income before extraordinary items for 1979 was US$35.0 million (US$1.24 per ordinary share). An extraordinary item consisting of a recovery of income taxes of US$14.8 million (US$0.57 per ordinary share) increased net income for the year to US$49.8 (US$1.81 per ordinary share). In 1978 restated income from continuing operations was US$8.1 million (US$0.21 per ordinary share).

Changes were made in two accounting policies which are discussed in detail in the Review of Operations page 4 and in notes 1 and 4 to the audited financial statements page 22. The new accounting policies have been applied retroactively and 1978 results have been restated accordingly.

The year was one of progress with a number of significant events contributing to a change of direction and the establishment of a strong and dynamic program for the new decade.

The sale of the Company's interest in Light-Serviços de Eletricidade S.A. for US$380 million was completed on January 12, 1979. On April 9, 1979 Brascan announced its offer to purchase all of the outstanding common stock of F. W. Woolworth Company of New York. The offer was abandoned on May 29, 1979. During this period Edper Equities Limited became the largest Brascan shareholder and subsequently on June 5, 1979 made an offer to all shareholders pursuant to which it increased its interest to 48%. Edper Equities is a company 66% owned by Edper Resources Limited (a Canadian private corporation, beneficially owned by Edward and Peter Bronfman and their respective families) and 34% by Patino Canada Inc., a wholly-owned subsidiary of Patino, N.V. (a Netherlands public company). At Brascan's annual shareholders' meeting, 10 nominees of Edper Equities were elected to the Board of 19 Directors. Edper Equities and the new Board of Brascan reaffirmed the policy of investing in the areas of natural resources, consumer products and financial services.

An extensive review of Brascan's corporate structure and operations was undertaken during the year. The review recognized the significant impact on the Company of the sale of Light and the transition of Brascan from a company with one dominant investment and substantial operating responsibilities to a holding company with a number of investments comprising autonomous operating units.

The review concluded that Brascan's corporate philosophy should encourage this autonomy on the part of the companies in which it invests, on the understanding that goals are established for financial performance consistent with the overall objectives of Brascan Limited. Assistance from Brascan is available if required for financing, for investment and other related endeavors.

Consistent with this philosophy, a reorganization of the corporate offices in both Toronto and Rio de Janeiro was undertaken. Both staff and overhead costs at the two locations were reduced in total by approximately $5.2 million per annum.

A key area of investment for Brascan is natural resources, one of Canada's greatest strengths and one in which Brascan has developed a strong base. The other key areas are consumer products and financial services at present represented by investments in John Labatt Limited and London Life Insurance Company. Brascan recognizes that natural resource investments, by their very nature, are cyclical. For that reason the Company proposes to increase materially the size of its investments in the consumer products and financial services areas through further major investments in one or two world class corporations based in North America.

Early in the fourth quarter Brascan made a significant investment with its purchase of 14.2 million shares of Noranda Mines Limited, then representing a 16.4% voting interest. Noranda is a major Canadian natural resource company with interests in mining and metallurgy, manufacturing, forest products and paper and oil and gas operations. Brascan's position on this investment and our views on recent actions taken by Noranda are expressed in the fourth quarter report to shareholders dated March 6, 1980.

The Noranda investment adds to Brascan's sound base in the natural resource area. Brascan Resources continued to grow and develop during the year. It had satisfactory results under difficult gas marketing conditions. The continuing indecision of various Canadian and U.S. regulatory bodies is inhibiting the marketing of gas by Brascan Resources which has shut-in reserves of 130 BCF at December 31, 1979.

Western Mines had an excellent year. Strong precious metal prices contributed to a threefold increase in reported profits. Significant discoveries of additional mineralized areas could have the effect of at least doubling reserves at its mine near Campbell River in British Columbia.

The Directors of Western Mines and Brascan Resources are holding discussions concerning the acquisition by Western Mines of all the shares of Brascan Resources. Independent evaluations will be carried out to determine the respective values of the two companies.

In the consumer products area Brascan now has a 26% position in John Labatt Limited. Brascan wishes to increase its position in John Labatt Limited over time and for value. Pursuant to this philosophy, early in 1980 the equivalent of a further 269,150 shares (2.1%) were acquired. P. F. Bronfman and J. T. Eyton joined the Board of Directors of John Labatt Limited on September 7, 1979 and Mr. Eyton also became a member of the Executive Committee.

Our principal investment in the financial services area in North America is in London Life Insurance Company. Brascan's partners in Lonvest Corporation, which controls London Life, are the Jeffery family and the Toronto-Dominion Bank. P. F. Bronfman, J. T. Eyton and P. J. Keenan were appointed Directors of London Life on March 18, 1980 and Mr. Eyton joined the Executive Committee. Through Lonvest and other direct holdings, Brascan has an approximate 30% interest in London Life. Brascan plans to increase its investment in the company over time and for value. During 1979 Brascan purchased 21,678 shares (4.3%) of London Life.

Our results from Brazil for the year were disappointing. Brazil is going through a difficult time in its economic development. Significant increases in the price of oil have created a number of severe economic problems for Brazil. Inflation accelerated and the balance of payments position deteriorated. The Brazilian Government, under the leadership of newly elected President Figueiredo, has taken a series of bold initiatives to improve economic conditions. We continue to believe in the enormous potential of Brazil over the longer term. However as set forth in note 4 to the financial statements we have reduced the carrying value of our investment in Brascan Brazil to approximately US$94 million, reflecting a change in accounting practice. We are of the opinion that our investments in Brazil have a value in excess of this amount. In 1980 Brascan Brazil will establish a solid base for the future with a reduced number of more significant investments.

As indicated elsewhere in the Review of Operations, we have made a number of changes to improve our reporting to shareholders, some of which apply in 1979 and others in 1980. Commencing in 1980 we will report results in Canadian currency. As part of this program, the January 31, 1980 dividend was paid in Canadian funds.

The Board of Directors would like to record its appreciation for the effort, dedication and support shown by all our employees. We would also like to recognize the contribution made by Brascan's past and present Directors and senior Officers, including particularly those who continued to serve through the transition and a most challenging year and who have exhibited at all times great loyalty and enthusiasm.

At the forthcoming Annual Meeting, shareholders will be asked to implement the following changes to the Brascan charter:

The continuance of Brascan under the Canada Business Corporations Act.

The repeal of constraints which could limit, under certain circumstances, the issue and transfer of shares to non-residents.

The introduction of cumulative voting for the election of Directors in order to facilitate representation on the Board of Directors by minority shareholders in their own right.

In order to provide broader shareholder representation on your board, Max Tanenbaum, a major Brascan shareholder and a senior Canadian businessman, will be included on the management slate of Directors for consideration by the shareholders at the Annual Meeting.

Brascan is moving confidently into 1980 with a strong investment portfolio, a well defined investment program and good financial resources. We expect to make several important investments during the year which, with our existing investments, will contribute to the sound growth of Brascan in the years ahead.

J T Eyton

J. T. Eyton
President and
Chief Executive Officer

March 20, 1980

Review of Operations
General

Management Appointments

During 1979 a number of senior officer appointments were announced. J. T. Eyton, formerly a partner in the Toronto law firm of Tory, Tory, Deslauriers & Binnington, was appointed President and Chief Executive Officer. E. C. Freeman-Attwood, formerly President of Brascan, was appointed Executive Vice-President, Brazil, with responsibility for investments in that country. A. W. Farmilo continues as Executive Vice-President, Canada, retaining prime responsibility for Brascan Resources Limited and Western Mines Limited. J. L. Cockwell, formerly Executive Vice-President of Edper Investments Ltd., was appointed Senior Vice-President, Planning. W. R. Miller, formerly Vice-President, Finance, was appointed Senior Vice-President and Chief Financial Officer. In addition, the following promotions were made: R. A. Dunford, Vice-President and Chief Legal Officer; R. P. Simon, Treasurer; E. C. Kress, Comptroller; W. M. Cecil-Stuart, Director, Public Affairs; F. N. C. Lochan, Director, Internal Audit; R. G. Yeoman, Director, Corporate Development.

Areas of Investment

The assets by area of investment at December 31, 1979 and the contribution to income were as follows:

	Can$ millions	
	Assets	Contribution to Income*
Natural resources	$ 516.7	$48.6
Consumer products	73.5	6.6
Financial services	52.5	2.6
Brascan Brazil	95.8	
Cash, short-term investments and other	546.8	57.2
Total	$1,285.3	$115.0

*Before interest on long-term debt, income taxes, general corporate expenses and minority interest.

Dividends

During 1979 the Company paid four quarterly dividends of US$0.25 each on its ordinary shares as well as an extra dividend of US$0.10. Commencing with the dividend paid on January 31, 1980 dividends will be paid in Canadian funds.

Financial Reporting

Historically the Company has reported its consolidated results in United States dollars. Commencing in 1980 Brascan will express its financial statements in Canadian funds. As a part of this change, dollar figures in the Directors' Report and Review of Operations in this report are expressed in Canadian dollars unless otherwise stated. The financial statements on pages 15 to 28 are expressed in US dollars as in the past; however, supplementary information expressed in Canadian dollars has been provided.

Due to the continuing restrictions on the transfer of funds from Brazil with no foreseeable prospect of significant change in the relevant exchange legislation, we have adopted retroactively the practice of accounting for Brascan Brazil by recording only the investment in holding companies which have registered capital under this legislation. This removes from the accounts the investment in a holding company which does not have registered capital. The effect of this change in accounting is outlined in note 4 to the financial statements on page 23.

In addition, we have adopted, on a retroactive basis, the practice of translating foreign currencies using the monetary/non-monetary translation method. All foreign currency assets and liabilities with fixed nominal values are translated at the relevant exchange rates in effect at the end of the period. This means that translation gains and losses on certain long term assets and liabilities (principally debentures and notes as well as long-term debt) are reflected currently in income rather than when realized. The effect of this change in accounting is outlined in note 1 to the financial statements on page 22.

We propose to manage our assets and liabilities so as to minimize any exchange gains or losses. To this end, steps have been taken to hedge the long-term debt denominated in Deutsche marks which, as at December 31, 1979 amounted to the equivalent of US$52 million.

Translation of Currencies

The translation rates used in preparing the financial statements are set out in the following table where the value of one Canadian dollar is expressed in US dollars:

	1978	**1979**
Beginning of the year	$.9142	**$.8435**
End of the year	.8435	**.8570**
Average for the year	.8776	**.8541**

Natural Resources

Brascan Resources Limited: 99%*

Natural resource exploration development and production company with interests in oil, gas and coal properties in Western Canada, Canadian frontier areas and the United States.

Financial Highlights

Dollar amounts in Can$ millions	1978	**1979**
Revenue	$ 27.2	**$ 30.0**
Net income	13.1	**15.7**
Cash flow from operations	21.6	**27.2**
Capital expenditures	15.7	**24.8**
Total assets	105.7	**148.7**
Production		
Gas BCF	14.8	**13.5**
Oil BBLS thousands	322.2	**395.8**
Reserves		
Gas BCF	275.6	**308.8**
Oil BBLS thousands	3,203.1	**3,658.8**

Production

Revenue increased by 10% to $30.0 million in 1979 compared with $27.2 million in 1978. The gain was primarily attributable to higher prices which averaged $1.75 per MCF for natural gas (1978—$1.54) and $13.10 per barrel of oil and condensate (1978—$12.26). Sales volume remained relatively constant for 1979 as oil production increases offset declines in natural gas production.

The price of natural gas used in Canada and sold at the Toronto City Gate increased by $0.30 to $2.15 per MCF during 1979. The price of exported natural gas increased by US$1.29 per MCF to US$3.45 per MCF during 1979. The wellhead price increased by approximately $0.55 per MCF during 1979.

The wellhead price of Canadian crude oil increased to $13.75 per barrel. At this price, it was selling at approximately 45% of international crude oil prices.

Gas Contracts

Gas production in Alberta has been limited due to oversupply and the absence of new export markets.

In December 1979 the Canadian Government authorized new exports of natural gas to the United States. Pan-Alberta Gas Ltd. and Sulpetro Limited are two of the applicants with which Brascan Resources has gas contracts. Both authorizations are awaiting the approval of U.S. regulatory agencies. Should the Sulpetro proposal which will use existing pipeline facilities receive approval, deliveries could begin as early as June 1980.

Construction of the Botha gas plant in Northwestern Alberta in which Brascan Resources has a 25% interest was started in 1979. Scheduled for completion in the spring of 1980, at peak capacity the plant will produce 40 MMCF/D and 3,400 B/D of natural gas liquids.

Canadian approval under the Pan-Alberta proposal has been restricted to transportation through the prebuilt southern sections of the Alaska Highway Natural Gas Pipeline system. Importations into the U.S. have only received conditional approval from Canadian authorities; final authorization must still be given. New and additional National Energy Board hearings on the pre-building were delayed until February 19, 1980. The U.S. Economic Regulatory Administration has temporarily blocked additional imports of Canadian gas because of the high border price.

However, this problem appears likely to be overcome in the near term. In that case, Brascan Resources' Botha plant could be generating a net operating income to the Company in excess of $1.6 million in the second half of 1980.

During 1981 two additional plants would be placed on production, if the additional import approvals are obtained. This, together with the Botha plant, would result in a total increase in annualized net operating income of approximately $9.5 million by the second half of 1981.

*This percentage and the following percentages in the same context refer to Brascan's equity interest as at March 20, 1980.

Capital Expenditures

Capital spending is summarized as follows:

	Can$ millions	
	1978	**1979**
Exploration programs	$11.0	**$16.6**
Development programs	4.6	**7.8**
Other	.1	**.4**
	$15.7	**$24.8**

Brascan Resources' exploration was at a peak in 1979 with exploration expenditures of $16.6 million, up by $5.6 million from 1978. Included are exploratory drilling expenditures which increased by $5.2 million from 1978 to $7.4 million in 1979. Land acquisition expenditures of $5.4 million were the same as in 1978. The remaining $3.8 million included geological and geophysical expenses, overhead, and rentals.

Exploration in Western Canada was highlighted by several discoveries of new prospects. The most significant of these include several commercial heavy oil discoveries in the Lloydminster area (Irish Lindberg, Hazeldine, Altario, Marwayne) and a promising light oil discovery at Youngstown. An active exploration program was conducted in Nebraska, the San Joaquin Basin of Colorado and other areas in the United States.

Through purchase and farm-in arrangements, Brascan Resources further diversified its land interests in Alberta, British Columbia, Saskatchewan, and the United States. In addition, during 1979 oil and natural gas rights owned by the company were selectively reduced to 9.4 million gross acres. Brascan Resources' net interest was 1.8 million acres.

Drilling

During 1979 the Company participated in drilling 105 gross wells which resulted in the completion of 29 oil wells, 47 gas wells and 29 dry holes. Other operators drilled 45 additional wells on Brascan's acreage which resulted in two oil wells, 28 gas wells and 15 dry holes. These wells in which Brascan Resources retained a working interest and/or a gross overriding royalty, did not involve cash outlays by the company.

Brascan Resources, on its own and in participation with Western Mines, drilled 26 wells in the Irish Lindberg area of Alberta during 1979. This successful program resulted in 22 wells capable of producing oil, gas, or both.

During 1979 Brascan Resources participated in the drilling of eight wells (2.25 net wells) in the Peace River Arch area resulting in three gas and one potential dual (oil and gas) discovery. The company's share of proven and probable reserves in this prospective area is estimated to be 10 BCF. An additional 12 wells are contemplated for 1980 on lands already acquired.

Brascan Resources has a 7.43% retained interest in a 12,000 foot well which is to be drilled by Chevron and its partners at no cost to Brascan Resources on its Hopedale property off the East coast of Labrador. In 1978 Chevron made a significant gas and condensate discovery on the company's acreage.

In the Beaufort Sea, the company has an approximate 6% interest in the Ukalerk-Tingmiark project in which gas testing calculated an 85 MMCF/D open flow potential from the Ukalerk 2C-50 well. Future drilling may be undertaken in 1980 or 1981.

In 1980 Brascan Resources will have a small retained interest of 2% and 3% in the drilling of two wells in the Beaufort Sea, Issungnak 0-61 and Kilanak M-76.

Drilling Statistics

	Oil		Gas		Dry		Total	
Wells	1978	**1979**	1978	**1979**	1978	**1979**	1978	**1979**
Gross	22	**29**	30	**47**	54	**29**	106	**105**
Net	16	**20**	15	**29**	19	**12**	50	**61**
Royalty	2	**2**	8	**28**	5	**15**	15	**45**

Reserves

At December 31, 1979 Brascan Resources' proven reserves, before royalty, as determined by independent engineering consultants were as follows:

	Proven Reserves	
	Crude Oil Natural Gas Liquids Million Bbls	Sales Gas BCF
1979	**3.7**	**308.8**
1978	3.2	275.6
1977	2.7	275.5
1976	2.9	253.6

New discoveries in 1979 were estimated at 48.7 BCF of natural gas and 610,000 bbls. of crude oil and natural gas liquids.

As part of its reserves, Brascan Resources has approximately 130 BCF of shut-in gas in Alberta awaiting markets.

Coal and Industrial Minerals

Brascan Resources has coal reserves of various categories in excess of 600 million tons. Some 175 million tons have been proved by drilling; the balance of 425 million tons is probable and possible reserves.

During 1979 a lease to Calgary Power involving approximately 10 million tons was finalized, which will generate revenue over the next 15 years estimated at $15 million to $20 million. Negotiations with Calgary Power are proceeding on leases for up to a further 100 million tons in close proximity to the planned expansion of the Highvale mine south of Lake Wabamun, west of Edmonton.

Western Mines Limited: 51%

Natural resource exploration, development and production company with a precious and base metal mine on Vancouver Island and oil and gas interests in Western Canada.

Financial Highlights

Dollar amounts in Can$ millions

	1978	**1979**
Revenue	$ 19.6	**$ 42.8**
Net income	4.2	**12.5**
Cash flow from operations	5.1	**17.3**
Capital expenditures	0.2	**23.8**
Total assets	28.1	**67.4**
Ore milled thousands of tons	296.6	**294.2**
Proven ore reserves thousands of tons	1,272.9	**1,144.0**

A number of events occurred in 1979 which made it a record year for the company and which will have a significant effect on the future of Western Mines. Four factors were of prime importance: increased metal prices; the successful renegotiation in 1978 of smelter contracts; the acquisition of petroleum and natural gas assets and the discovery of new ore bodies.

Market prices for minerals increased sharply. The renegotiation of smelter contracts in late 1978 also contributed to increasing concentrate revenue to $42.8 million, the highest in the company's history. Net earnings were $12.5 million and cash flow was $17.3 million, both company records.

New ore reserves proven by underground development during 1979 totalled 165,000 tons, chiefly in the 'S' zone of the Lynx mine. Proven reserves at the Myra and Lynx mines at year's end are estimated at 1,144,000 tons.

The exploration task force made two discoveries during the year in the Buttle Lake area adjacent to existing mines. The first discovery was made in July in the Upper Price zone. Two mineralized zones containing copper, lead and zinc sulphides, gold and silver have been traced by diamond drilling covering a distance of 1,650 feet.

The second discovery, now designated the "H-W" ore body, occurred late in the year in the "Creek Zone" lying between the Myra and Lynx mines. Continued drilling into early 1980 has resulted in the identification of four distinct sulphide-bearing horizons. The main H-W ore body is comprised of massive ore sulphides containing varying amounts principally of copper and zinc sulphides in addition to gold and silver. In January 1980 the decision was made to sink a 2,000 foot shaft at a cost of Can$19 million, for development of the ore zone. Shaft sinking and development for initial production is expected to take three years.

The company's exploratory activities, totalling $4.1 million, were at a higher rate of expenditure in 1979 than in 1978. In addition to the $1.5 million spent in the Buttle Lake area, $2.6 million was spent on a number of other exploratory prospects across Canada. A number of these projects yielded encouraging results. The more important of these are the Tournigan option at the former Big Missouri gold mine near Stewart, B.C., the Keystone molybdenum property near Hope, B.C., the Westgate uranium property in Saskatchewan, the Papaskwasati uranium property north of Chibougamau, Quebec, and the Dubawnt uranium properties northwest of Baker Lake, N.W.T. Diamond drilling programs will be undertaken on all five properties during 1980.

Exploration and preliminary feasibility studies continued at the Great Slave Reef property. Project studies completed in late 1979 resulted in a downward revision of estimated undiluted mineral reserves to 3,816,400 tons grading 3.9% lead and 8.77% zinc per ton. Drilling for additional reserves will continue in 1980.

Western Mines' strong financial position enabled it to take advantage of two attractive opportunities to diversify in the petroleum industry. The company earned a 40% working interest in 20 sections of oil and gas rights of Brascan Resources in the Irish Creek (Lindberg) area of east central Alberta. The cost for 1979 was $2.7 million. The program resulted in six potential heavy oil wells, two combined heavy oil and gas wells and nine potential gas wells. Three dry holes were drilled.

On December 1, 1979 Western Mines acquired an 88% interest in a package of producing oil and gas properties in Alberta and Saskatchewan at a price of $20 million. The net proven reserves are estimated at 686,000 barrels of oil and 11.5 BCF of natural gas.

Great Lakes Power Corporation Limited: 99%

Generation and distribution of hydro-electric power in the Sault Ste. Marie area of Northern Ontario.

Financial Highlights

Dollar amounts in Can$ millions

	1978	1979
Revenue	$ 35.6	**$ 38.8**
Operating income	12.2	**11.9**
Cash flow	13.9	**13.6**
Capital expenditures	2.4	**9.5**
Total assets	53.1	**58.6**
Power generation (KWH millions)	1,192	**1,241**
Power sold (KWH millions)	1,971	**2,090**

Operating revenues for 1979 from the electric utility operations of Great Lakes Power at Sault Ste. Marie, Ontario increased 9.0% over 1978 revenues to $38.8 million. The increase in average revenue per kilowatt-hour sold was 3%.

Energy sales were 2,090 million kilowatt-hours, an increase of 6.0% over 1978. Purchased power requirements for 1979 were 8.7% greater than in 1978, with associated costs 20.3% greater. Great Lakes Power generated 56.6% of its power requirements, slightly lower than in 1978.

In 1979 capital expenditures amounted to $9.5 million, of which $8.3 million was spent on the St. Mary's Redevelopment Project. The new station will replace the existing 21-megawatt station built in 1918. The power generated will utilize Canada's full quota of water from the St. Mary's River, allocated for power purposes by the International Joint Commission.

The power station will be installing the first bulb-type generators to be designed and built in Canada, although several hundreds of bulb-type units are in operation in Europe. The project is proceeding on schedule with the cofferdam surrounding the site of the new plant in place. Excavation for the base of the powerhouse is nearly complete and the first stages of construction of the powerhouse will soon begin. Total plant completion is scheduled for the autumn of 1982.

The project is now estimated to cost $110 million. The increase is due to higher interest charges during construction, alterations in the scope of the project and escalated capital costs. Financing for the project has been arranged.

Consumer Products

Noranda Mines Limited: 13%

Natural resource exploration, development and production company with interests in mining and metallurgy, manufacturing, forest products and oil and gas exploration and production.

Financial Highlights

Dollar amounts in Can$ millions	1978	1979*
Revenue	$1,691.1	**$2,481.5**
Net income	135.2	**394.5**
Cash flow	218.3	**615.4**
Capital expenditures	115.1	**294.4**
Earnings per share	1.91	**4.70**
Dividends per share	0.43	**0.85**

*Estimated results reported by Noranda.

In October Brascan purchased a total of 14.2 million shares of Noranda Mines Limited. Noranda has reported estimated 1979 earnings of $394.5 million ($4.70 per share) compared with $135.2 million ($1.91 per share) in 1978. The sharp improvement was attributed to higher prices for its products throughout 1979. Notwithstanding the substantial share dilution which has taken place, if current levels of demand, prices and currency values are maintained in 1980 a further substantial increase in earnings is expected.

The company increased its quarterly dividend, payable on March 14, 1980 to 30 cents per share from 25 cents. The dividend received by Brascan on December 15 is included in 1979 income.

John Labatt Limited: 26%

Broadly based food and beverage company with interests in brewing, wines, consumer foods, food services and secondary agricultural processing.

Financial Highlights

Dollar amounts in Can$ millions, October 31	1978	1979
Revenue	$1,046.3	**$1,235.3**
Net income	29.0	**31.7**
Cash flow	56.3	**56.8**
Capital expenditures	32.8	**45.9**
Total assets	597.0	**657.4**
Earnings per share	2.43	**2.56**
Dividends per share	1.17	**1.21**

Earnings reported by John Labatt Limited for the four quarters ended October 31, 1979 totalled $31.7 million ($2.56 per share). The company's share of Skol-Caracu losses had a significant effect on earnings in the first two quarters.

Canadian brewing earnings improved over the same period last year when results were depressed by work stoppages in Western Canada during the summer of 1978. Labatt's share of the Canadian beer market was also higher but lower than record levels achieved two years ago, a more comparable period. Labatt is dealing aggressively with the increasing competitive environment in the Canadian brewing industry.

In July a major new marketing thrust was placed behind Labatt's export sales to the United States. Results to date in this important market have been encouraging.

The Consumer Products Group earnings improved over the same period last year. Earnings from Catelli advanced significantly while earnings from the wines division, food service operations and Laura Secord increased substantially.

Consumer Products continued

The Agri Products Group earnings continued to show strong gains. Contributions from all three major operations—Ogilvie flour division, the Ault industrial milk processing operation and the starch and gluten operation—increased substantially.

John Labatt continues to emphasize internal growth by improving the earnings power of its current businesses and has made substantial investments in new developments related to the current scope of operations.

In addition, the company has entered into a partnership to construct and operate a $60 million corn wet milling plant in London, Ontario. The principal product of the Zymaize joint venture will be high fructose syrup, a liquid sugar derived from corn. The plant is scheduled to be in full production by January 1981.

In November John Labatt began construction of a $10 million plant near Montreal to produce fresh mushrooms. The demand for fresh mushrooms is increasing and the Canadian market is currently under-supplied. The plant is scheduled to open in late 1980 and will use technology new to Canada to produce superior yields of high quality mushrooms.

Consumers Glass Company Limited: 15%

Manufacture and sale of glass and plastic packaging, containers, closures and filling equipment for the food, beverage, drug and chemical industries.

Financial Highlights

Dollar amounts in Can$ millions

	1978	1979
Revenue	$149.5	**$178.1**
Net income	10.8	**10.4**
Cash flow from operations	17.3	**21.4**
Capital expenditures	13.0	**30.1**
Total assets	118.0	**154.4**
Net income per share	$ 2.10	**$ 2.03**
Dividends per share	0.50	**0.90**

In mid-1978 Brascan acquired a 10% interest in Consumers Glass. Early in 1980 a further 252,400 shares were acquired, increasing Brascan's interest in the company to 15%. Income from this investment is recorded as dividends are received.

Dividends paid by Consumers Glass in 1979 were $0.90 per share compared with $0.50 per share in 1978. Consumers Glass reported earnings of $2.03 per share compared with $2.10 per share in 1978.

Financial Services

London Life Insurance Company: 30%

Canadian life insurance and financial services company providing insurance and other benefit services.

Financial Highlights

Dollar amounts in Can$ millions

	1978	1979
Premium income	$ 472.9	**$ 505.0**
Total assets	3,222.7	**3,513.1**
Rate of return on investments	8.55%	**8.84%**
Life insurance in force	27,403.6	**30,201.6**
Individual policies	18,461.5	**19,827.9**
Group policies	8,942.0	**10,373.7**
Increase in insurance in force	2,856.1	**2,798.0**
Earnings per share	$ 19.10	**$ 23.51**
Dividends per share		
Regular	2.64	**4.75**
Special	10.00	**10.00**

Earnings per share rose from $19.10 per share in 1978 to $23.51 per share in 1979.

During 1979 London Life issued $3.8 billion of new life insurance, a 6.4% increase from 1978. By year end the company provided Canadians with a total of more than $30 billion of life insurance protection, double the amount of six years earlier. Of this total, two-thirds is in the form of individual protection.

Late in 1979 the company announced an improved 1980 dividend scale for individual policy holders, designed to enhance sales of permanent insurance and encourage continuation of existing business. New term insurance rates were also introduced to improve the company's competitiveness.

Group insurance continued its strong growth in 1979. Sales of group life insurance rose 19% to $1.35 billion. In the group health branch, annual premiums in force rose 22% to $103 million.

In the life branch, total new investments amounted during the year to $457 million, an increase of more than 6% from 1978. At year end, total assets of the company surpassed $3.5 billion.

During 1979 the company's management organization was reviewed and changes were made to improve management effectiveness and to emphasize the marketing function. New procedures for planning and monitoring operations were instituted to enable London Life to meet effectively the changing needs of the marketplace during the 1980's while maintaining its reputation for integrity and service to Canadians.

Triarch Corporation Limited: 51%

Merchant banking, investment counselling and other financial services.

Financial Highlights

Dollar amounts in Can$ millions

	1978	1979
Revenue	$ 3.2	**$ 4.3**
Net income	.7	**.9**
Total assets	20.7	**31.8**

For the year ended December 31, 1979 consolidated net income amounted to $872,000 compared with $738,000 in 1978.

During the year Triarch shifted the emphasis of its merchant banking operations to agency activities so as to improve the utilization of its human and financial resources. Term lending operations will continue with Triarch acting as agent for a syndicate of institutional investors. Triarch concentrated its efforts on the reorganization of its investment management activities. Significant progress was also made in revitalizing the investment portfolio of Canadian Venture Capital Corporation, a company managed by Triarch. Triarch has a 20% interest in this company.

Brazil

Brascan Brazil

Banco Brascan de Investimento S.A. and associated companies: 100% Investment bank, equipment leasing and consumer financing, money market operations, investment counselling and insurance brokerage.

Brascan Imobiliária S.A. and associated companies: 100% Real estate development and a 60% interest in the Intercontinental Rio Hotel.

Cervejarias Reunidas Skol-Caracú S.A.: 61% Beer and soft drink production in joint venture with John Labatt Limited.

Companhia de Mineraçâo Jacundá S.A.: 93% Tin mining and natural resource exploration.

Embrasca—Empreendimentos Florestais e Agrícolas Ltda.: 49% Forest development in joint venture with MacMillan Bloedel.

FNV—Fábrica Nacional de Vagões S.A.: 31% Metal fabrication and manufacture of heavy equipment.

Swift-Armour S.A.—Indústria e Comércio: 42% Cattle farming, meat processing and consumer products.

Financial Highlights

Net equity by area of investment:	Dollar amounts in US dollars millions 1978	1979
Natural resources	$ 17.5	**$ 23.1**
Consumer and industrial products	51.3	**67.9**
Financial services	33.8	**26.6**
Real estate development	23.5	**36.0**
Other assets	125.5	**66.1**
Total	$251.6	**$219.7**
Analysis by:		
Registered holding companies	$ 96.4	**$ 93.9**
Non-registered holding company	155.2	**125.8**
	$251.6	**$219.7**

	1978	1979
Income (loss) by segment before unallocated expenses:		
Natural resources	$ 0.1	**$ 5.4**
Consumer and industrial products	(2.3)	**6.4**
Financial services	7.8	**(0.5)**
Real estate development	0.3	**(0.4)**
Other income—net, after deducting related foreign exchange translation losses of $29.4 million in 1978 and $63.0 million in 1979	11.9	**(23.6)**
	17.8	**(12.7)**
Unallocated expenses—		
General administrative	(7.0)	**(7.4)**
Income and withholding taxes	(7.3)	**(5.8)**
Net income (loss)	$ 3.5	**$(25.9)**
Analysis by:		
Registered holding companies	$ 2.2	**$ (1.9)**
Non-registered holding company	1.0	**(24.0)**
	$ 3.2	**$(25.9)**

As indicated in note 4 to the financial statements, the Company has retroactively adopted the practice of not reflecting in its accounts the investment in its Brazilian holding company which does not have capital registered under Brazilian foreign investment legislation regulating remittances of foreign exchange. Accordingly we have provided information above to indicate the assets, equity and net income of the holding companies that have registered capital and the holding company that does not have registered capital.

The above financial information has been compiled from Brascan Brazil's cruzeiro financial statements and translated into US dollars using the same translation methods used by Brascan in its consolidated financial statements. The change in translation method during the year, as outlined in note 1 to the financial statements, had no material effect on the results or financial position of Brascan Brazil.

Had the Brascan Brazil consolidated balance sheet been translated at the December 31, 1979 rate of exchange, equity as stated above would have been reduced to US$181 million including US$68 million in holding companies with registered capital and US$113 million in the holding company without registered capital.

The devaluation of the cruzeiro in 1979, which expressed in terms of the US dollar was 50.8%, was the major factor contributing to the loss of US$25.9 million incurred by Brascan Brazil in 1979.

Consumer and industrial products, as well as natural resources, had strong earnings improvement expressed in dollars. The results of the financial services sector were, however, adversely affected by the devaluation of the cruzeiro.

Economic Review

During 1979 Brazil faced serious problems of inflation and balance of payments deficit. Principally due to the impact of increased oil prices, and despite export earnings being 20% over 1978, the estimated deficit on Brazil's international current account was US$9.9 billion for the year. Continued growth of the economy by approximately 6.5% for the year was achieved at the cost of an estimated 80.1% increase in wholesale prices.

The new government of President Figueiredo, installed in March 1979, acted decisively. Economic policy and control were centralized. In December 1979 and January 1980, a series of far-reaching measures were taken to limit inflation without damaging the country's ability to grow. The results will become evident during 1980.

In summary, the 1979 economic highlights were:

Inflation—	80.1%
Devaluation (expressed in terms of US dollars)	50.8%
Exports—20% over 1978	US$15.2 billion
Imports—31% over 1978	US$18.0 billion
Current account deficit	US$9.9 billion
Growth in Gross Domestic Product	6.5%

Natural Resources

Operations of the natural resources area contributed a profit of US$5.4 million (US$0.1 million in 1978) to Brascan Brazil results.

Jacundá, the alluvial tin mine in Rondonia produced 1,322 metric tons of tin compared to 588 tons in 1978. Exploration activities have successfully located sufficient additional reserves of tin ore to assure the future of the mine and a program to expand and improve the mine infrastructure was begun. Brascan's property in Rondonia adjoins those of the Patino interests, and exploratory studies and discussions are underway which could lead to closer cooperation between the two companies.

A small alluvial diamond mining operation—the Santana mine in Mato Grosso—began production, and exploration for diamonds and gold continues in that region.

Embrasca, the land acquisition, clearing and tree planting joint venture with MacMillan Bloedel Ltd. of Vancouver, Canada, is continuing. A pine forest of approximately 33,000 hectares will provide raw material for future wood product manufacturing. Embrasca currently operates a hardwood sawmill, and a pine sawmill is under construction.

Consumer and Industrial Products

Results from this investment area showed a significant improvement as income increased to US$6.4 million from a loss of US$2.3 million last year.

A serious problem affecting Skol-Caracú's 1979 performance was a lag in government approval of price increases to offset rapidly escalating raw material, labour and other costs. Once approved, the price increases were insufficient and due to rapid inflation and accelerated devaluation, raw material costs increased considerably. Labour settlements, although within controlled limits, were also significant. Sales volumes, although higher than in 1978, were below expectations. This led to periods of high working capital levels which necessitated costly revisions to both production and marketing plans. Beer sales volumes, although 4.5% higher than in 1978, were constrained by abnormally poor summer weather, supply difficulties and a highly competitive marketing environment.

Swift-Armour enjoyed a significant improvement in trading conditions during the year. While export volumes were unchanged, due mainly to the continuing shortage of raw material for processing, improved world market prices for canned corned beef and frozen cooked beef enabled the company to improve its gross operating margins. The domestic market for beef-based canned goods and pork products was particularly good in 1979. Swift-Armour improved volumes and margins and strengthened its position as overall market leader in this sector of the Brazilian food industry. Cattle farm operations benefited from higher cattle prices and generally favourable climatic conditions in the areas where Swift-Armour ranches are located.

Sales of both railway cars and truck chassis frames by FNV—Fábrica Nacional de Vagões S.A. increased satisfactorily in 1979 and exports of steel foundry railway components to the United States increased significantly. Exports of truck trailers to Latin America Free Trade countries show signs of becoming significant in the near future. Cruzeiro net income was satisfactory, but the devaluation of the cruzeiro caused dollar net income to be disappointing.

Financial Services

In spite of changes in governing regulations, Banco Brascan showed increases in revenue from lending operations as well as consumer credit and leasing activities. Net income in 1979 showed considerable gain in cruzeiros (86.4%). However due to the devaluation of the cruzeiro, results in dollars showed a loss.

Money market operations progressed satisfactorily. Significant changes were instituted by government in the trading procedures for treasury bills which curtailed volume but improved security in the overall system. Investment operations increased. An important factor is the performance of the Brascan fiscal incentive mutual fund which has been a consistent performance leader and, as a result of government imposed procedures, benefited from a selection process based on performance.

Real Estate

Since BISA, Brascan's real estate company, was established in 1978 it has successfully launched five projects in Rio de Janeiro. Four of these projects are residential condominiums with a total of 535 apartments. The fifth project is a 20 storey office building containing 305 condominium units. Substantially all units have been sold. Profits on these projects are recognized as construction proceeds. At year end, construction was underway on three of these projects. This should result in a significant contribution to net income in 1980. Operations of the Intercontinental Rio Hotel continued to show steady improvement and are at satisfactory levels.

Responsibility for Financial Statements

Contents

The attached financial statements have been prepared by the management of the Company which is responsible for their integrity and objectivity. To fulfil this responsibility, the Company maintains appropriate systems of internal controls, policies and procedures as well as an internal audit function and ensures that its reporting practices and accounting and administrative procedures are of high quality, consistent with reasonable costs.

Our independent auditors, whose report on their examination of the consolidated financial statements appears on page 28, review our systems of internal control in accordance with generally accepted auditing standards for the purpose of expressing their opinion.

The statements have been further examined by the Board of Directors and its Audit Committee whose members are listed on the inside front cover of this report. This committee meets regularly with the independent auditors and management to review the activities of each and it reports to the Board of Directors. The independent auditors have full and free access to the Audit Committee.

W. R. Miller
Senior Vice-President
and Chief Financial Officer

Summary of Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada and consistently applied (see notes 1 and 4). Reasonable limits of materiality have been applied within the framework of the accounting policies summarized below.

Currency of Reporting

These financial statements are expressed in United States dollars with supplementary financial information in Canadian dollars for 1979. Commencing January 1, 1980 the financial statements will be expressed in Canadian dollars (see note 1).

Accounting for Investments

Consolidated Subsidiaries

The consolidated financial statements include the accounts of the Company and all its majority-owned subsidiaries outside Brazil. The principal subsidiaries consolidated are:

	% owned
Great Lakes Power Corporation Limited	99%
Brascan Resources Limited	99%
Western Mines Limited	51%
Triarch Corporation Limited	63%

The costs of acquiring each subsidiary are allocated to its identifiable net assets on the basis of the lower of cost and estimated fair values at the date of acquisition.

Non-Consolidated Subsidiaries

The accounts of the subsidiaries in Brazil have not been consolidated because of the continuing restrictions on the transfer of funds from that country. The investment in Brascan Brazil in the accompanying consolidated balance sheet represents the Company's investments in those wholly-owned holding companies that have a substantial portion of their capital registered under Brazilian foreign investment legislation. These investments are carried at their equity value at December 31, 1978 plus the cost of subsequent additions. Income from these investments is recognized only when received in dollars (see note 4).

In 1978 the investment in Brascan Brazil reflected the equity carrying value at December 31, 1978 of the Company's investment in a holding company whose capital was not registered under the Brazilian foreign investment legislation referred to above. As indicated in note 4, the Company has retroactively adopted the policy of not reflecting in its accounts the investment in this non-registered holding company.

Corporate Investments

Investments in which significant influence exists and investments in corporate joint ventures are carried on the equity method. The principal investments accounted for by this method are:

	% owned
John Labatt Limited	24%
London Life Insurance Company (London Life)	29%

Under the equity method, investments are carried on the balance sheet at cost plus the related share of reported undistributed earnings. The share of annual net earnings is computed in the same manner as for consolidated subsidiaries (including amortization of any goodwill arising from acquisitions made after April 1, 1974) and is reflected currently in income rather than when realized through dividends. When dividends are received, they are deducted from the carrying value of the investment.

The 14% interest in Noranda Mines Limited and the 10% interest in Consumers Glass Limited are carried at cost.

Other investments are carried at cost less amounts written off.

Currency Translation

Assets, liabilities, revenues and expenses in currencies other than United States dollars have been translated into United States dollars substantially as follows:

Monetary assets and monetary liabilities at the rates of exchange prevailing at the balance sheet date;

Other assets (including inventories) and liabilities at rates prevailing when they were acquired or incurred;

Revenues and expenses at average rates for the period except for depreciation, depletion, and amortization provisions, which are at the rates used for translation of the related assets.

The application of these procedures, which have also been applied in the supplementary Canadian dollar information, gives rise to exchange translation gains and losses, the net amounts of which are included in income.

In prior years, long-term monetary assets and liabilities in currencies other than United States dollars were translated at rates prevailing when they were acquired or incurred. The change in basis of translation of foreign currencies has been given retroactive effect as described in note 1 to the financial statements.

Income Taxes

Income and withholding taxes are accounted for on the tax allocation basis.

Natural Resources

Oil and gas—
The full cost method of accounting is used whereby all costs associated with exploration for and development of oil and gas are capitalized in two cost centres and charged against income as set out below.

These costs include land acquisition, geological and geophysical expenditures, carrying charges of non-producing property, costs of drilling both productive and non-productive wells, and overhead expenses for exploration and development activities. Amortization of costs in the North American cost centre is on the composite unit of production method whereby depletion is provided each year in the proportion that the year's production of oil and gas bears to proven reserves. Expenditures incurred in the Arctic cost centre are being deferred pending the results of exploration still in progress. These costs will be depleted on the composite unit of production method, or written off to income if exploration activities prove unsuccessful and the cost centre is abandoned.

The costs of oil and gas plant and equipment are depreciated on the unit of production basis.

Mining and mineral exploration—
Mineral exploration costs (including acquisition, exploration and development expenditures and related overhead) pertaining to individual mineral prospects (excluding hydro-carbons) are charged to income as incurred until an economic orebody is defined. Until commercial production begins, coal properties are carried at cost, less any amounts written off in recognition of a permanent decline in value.

The costs of mine plant and equipment, together with mineral exploration costs capitalized, are amortized on the unit of production basis.

Mineral concentrate inventories are carried at estimated realizable value.

Hydro electric utility—
Revenue is recognized when billed and earned. Electric rates are established annually based on forecasts of costs, sales volume and return on the rate base (principally net depreciated plant plus an allowance for working capital). These estimates are filed with the regulatory authority, as part of the application for rate revision. New rates come into force after review of the application and approval or modification by the regulatory authority.

Depreciation is provided on the cost of depreciable electric utility plant at an annual rate of 2½% on a straight-line basis. Profits or losses on normal disposals of utility property, plant and equipment are credited or charged to accumulated depreciation. Interest is charged to construction work in progress and credited to income at the rate of return applicable to the rate base.

Financial Services

Life insurance operations—
The accounting policies of London Life are those prescribed or permitted by the Department of Insurance of Canada. The main differences from principles applicable to commercial and industrial organizations are as follows:

> Income or loss from disposals of bonds and debentures is treated as an adjustment to the portfolio yield and amortized over the lesser of the term of the security and 20 years.
>
> Realized and unrealized gains and losses on stocks are deferred and amortized to income on the basis of a legislated formula.

Income on the equity method is based on earnings as reported by London Life.

Statement of Consolidated Income

	US$	US$	Can$
			Expressed in millions of dollars
For the years ended December 31	1978 (notes 1 & 4)	1979	**1979**
Income by segment before unallocated expenses (note 13):			
Natural resources	$ 27.2	$ 41.0	**$ 48.6**
Consumer products	1.9	5.4	**6.6**
Financial services	2.2	2.3	**2.6**
Brascan Brazil (note 4)	2.2		
Interest income	11.9	57.6	**57.2**
	45.4	106.3	**115.0**
Unallocated expenses:			
Interest on long-term debt (note 13)	19.5	21.9	**21.2**
General corporate expenses (note 13)	6.5	13.8	**16.2**
Income taxes—			
Current	.9	16.7	**19.5**
Deferred	8.7	13.1	**14.9**
Minority interest	1.7	5.8	**6.8**
	37.3	71.3	**78.6**
Income from continuing operations	8.1	35.0	**36.4**
Discontinued operations—Light	112.7		
Write off of non-registered investment in Brascan Brazil made in 1978 (note 4)	(38.3)		
Extraordinary items:			
Recovery of income taxes (note 9)		14.8	**17.2**
Loss on disposal of Light	(453.6)		
Net income (loss) for year	$(371.1)	$ 49.8	**$ 53.6**
Earnings per share (after preferred dividends):			
Income from continuing operations	$ .21	$ 1.24	**$ 1.28**
Extraordinary and other items	(14.53)	.57	**.66**
Net income (loss) for year	$(14.32)	$ 1.81	**$ 1.94**

(See accompanying summary of accounting policies and notes)

Statement of Changes in Consolidated Financial Position

For the years ended December 31	US$ 1978 (notes 1 & 4)	US$ 1979	**Can$ 1979**
Funds provided:			
Operations before extraordinary item	$ 36.0	$ 63.7	**$ 68.0**
Extraordinary item— income tax recoveries		14.8	**17.2**
Light sale proceeds	377.7		
Light dividends remitted	27.0		
Note issued		143.6	**168.8**
Reduction in debentures, loans and notes	23.1	11.6	**13.5**
Miscellaneous	(9.0)	2.7	**1.6**
	454.8	236.4	**269.1**
Funds used:			
Dividends	31.2	31.4	**36.7**
Registered investment in Brascan Brazil	3.1	3.7	**4.3**
Corporate investments—			
Noranda Mines Limited		250.1	**293.9**
Other—net	6.4	3.0	**3.6**
Expenditures on property, plant and equipment	16.2	50.1	**58.7**
Reduction in long-term debt	6.9	14.1	**17.7**
	63.8	352.4	**414.9**
Increase (decrease) in net current assets	391.0	(116.0)	**(145.8)**
Net current assets, beginning of year	64.7	455.7	**541.9**
Net current assets, end of year	$ 455.7	$ 339.7	**$ 396.1**

Expressed in millions of dollars

Statement of Consolidated Retained Earnings

For the years ended December 31	US$ 1978 (notes 1 & 4)	US$ 1979	**Can$ 1979**
Balance, beginning of year			
As previously reported	$1,066.1	$ 709.6	**$ 815.2**
Adjustment for changes in accounting policy			
Currency translation (note 1)	(8.6)	(15.0)	**(29.5)**
Investment in Brascan Brazil (note 4)	(115.8)	(155.2)	**(157.7)**
As restated	941.7	539.4	**628.0**
Net income (loss) for year	(371.1)	49.8	**53.6**
	570.6	589.2	**681.6**
Dividends (note 8)	31.2	31.4	**36.7**
Balance, end of year	$ 539.4	$ 557.8	**$ 644.9**

Expressed in millions of dollars

(See accompanying summary of accounting policies and notes)

Consolidated Balance Sheet

December 31	US$ 1978 (notes 1 & 4)	US$ 1979	Can$ 1979
Assets			
Current:			
Cash and short-term investments	$ 82.2	$ 340.8	**$ 397.7**
Proceeds due on sale of Light	377.7		
Accounts receivable	32.6	57.1	**66.4**
Mineral and other inventories	6.4	10.3	**11.9**
	498.9	408.2	**476.0**
Investments:			
Debentures, loans and notes (note 2)	121.8	110.4	**128.8**
Corporate investments (note 3)	87.6	342.6	**389.4**
Brascan Brazil (note 4)	96.4	93.9	**95.8**
	305.8	546.9	**614.0**
Property, plant and equipment:			
Oil and gas properties (note 5)	86.4	125.6	**134.9**
Electric utility plant	91.3	99.7	**101.5**
Mine plant and equipment	15.4	16.3	**16.6**
Coal properties and other	7.2	7.6	**7.6**
Total, at cost	200.3	249.2	**260.6**
Less accumulated depreciation, depletion, and amortization	(57.6)	(64.9)	**(65.3)**
	142.7	184.3	**195.3**
	$947.4	$1,139.4	**$1,285.3**

Expressed in millions of dollars

(See accompanying summary of accounting policies and notes)

December 31	US$ 1978 (notes 1 & 4)	US$ 1979	**Can$ 1979**
Liabilities			
Current:			
Accounts payable and accrued charges	$ 19.2	$ 34.9	**$ 40.7**
Dividends and interest due and accrued	13.2	17.7	**20.7**
Current portion of long-term debt (note 6)	8.1	7.8	**9.1**
Income and other taxes payable	2.7	8.1	**9.4**
	43.2	68.5	**79.9**
Other:			
Long-term debt (note 6)	131.1	263.6	**307.5**
Minority interest	14.4	19.6	**22.4**
Deferred income taxes	7.4	18.0	**19.8**
	152.9	301.2	**349.7**
Shareholders' equity:			
Share capital (note 7)	236.5	236.5	**236.0**
Retained earnings	539.4	557.8	**644.9**
	775.9	794.3	**880.9**
Less shares held by a subsidiary, at cost	(24.6)	(24.6)	**(25.2)**
	751.3	769.7	**855.7**
	$947.4	$1,139.4	**$1,285.3**

Expressed in millions of dollars

On Behalf of the Board:

J. T. Eyton
Director

J. L. Cockwell
Director

(See accompanying summary of accounting policies and notes)

Notes to Consolidated Financial Statements*

1 Currency Translation

As stated in the summary of accounting policies the Company has retroactively adopted the monetary/non-monetary method of translation of foreign currencies. Prior to 1979, the Company employed the current/non-current method.

The major effects of this change and the restatement of the comparative figures for 1978 are as follows:

	Increase (decrease) in millions		
	US$	US$	**Can$**
	1978	1979	**1979**
Long-term debt	$ 17.3	$ 18.7	**$ 38.2**
Corporate investments	4.2	4.6	
Retained earnings, beginning of year	(8.6)	(15.0)	**(29.5)**
Net income (loss) for year	(6.4)	(2.0)	**1.0**
Earnings per share	(.25)	(.08)	**.04**

2 Debentures, Loans and Notes

	millions		
	US$	US$	**Can$**
	1978	1979	**1979**
Amounts denominated in United States dollars:			
Light-Serviços de Eletricidade S.A., 8% debentures and 8¼% loan	$ 74.4	$ 68.4	**$ 79.8**
Brazilian Government-guaranteed notes	43.2	37.0	**43.2**
Amounts denominated in Canadian dollars	16.0	15.9	**18.6**
	133.6	121.3	**141.6**
Less amounts due within one year (included in accounts receivable)	(11.8)	(10.9)	**(12.8)**
	$121.8	$110.4	**$128.8**

The principal and interest due from Light and the Brazilian Government-guaranteed notes are fully registered under the Brazilian foreign exchange control regulations. The amounts due from Light are currently repayable in aggregate installments of $6.0 million per annum. The Brazilian Government-guaranteed notes bear interest at 6% per annum and are repayable in installments of principal and interest of $7.4 million per annum. The Company is obligated to reinvest in Brazil 75% of the principal amount received on the notes.

*Amounts expressed in United States dollars unless otherwise indicated.

3 Corporate Investments

	millions				
	Carrying Value			Quoted Market Value	
	US$	US$	**Can$**	US$	**Can$**
	1978	1979	**1979**	Dec. 31, 1979	
Noranda Mines Limited*		$250.1	**$293.9**	$272.8	**$318.4**
Others	$ 7.8	5.8	**6.5**	8.4	**9.6**
Total, at cost	7.8	255.9	**300.4**	281.2	**328.0**
John Labatt Limited	64.8	67.6	**68.4**	57.1	**66.7**
London Life	15.0	19.1	**20.6**	21.4	**24.9**
Total, on the equity method	79.8	86.7	**89.0**	78.5	**91.6**
	$ 87.6	$342.6	**$389.4**	$359.7	**$419.6**

*During the year, the Company acquired 14.2 million common shares of Noranda Mines Limited, representing, at December 31, 1979, a 14% interest.

4 Investment in Brascan Brazil

The Company's Brazilian operations are held through wholly-owned holding companies incorporated under the laws of Brazil.

Registered Holding Companies

The investment in Brascan Brazil in the accompanying consolidated balance sheet represents the Company's investments in those holding companies that have a substantial portion of their capital registered under Brazilian foreign investment legislation regulating remittances of foreign exchange. These investments are carried at their equity value at December 31, 1978 plus the cost of subsequent additions. As explained in last year's report, income from these investments is now recognized only when received in dollars. Since a loss of $1.9 million was incurred in 1979 by the registered holding companies (1978—profit of $2.2 million), the net dividends received in 1979 of $3.1 million were applied to reduce the carrying value of the investment.

The registered capital of these companies amounted to approximately $60 million at December 31, 1979 (1978—$56 million). Annual dividend payments by these companies, net of withholding tax of 25%, are effectively limited to 12% of registered capital.

Non-registered Holding Company

Part of the Company's investment in Brazil is held through a holding company whose capital is not registered under the Brazilian foreign investment legislation referred to above. At December 31, 1978, this non-registered investment was carried at its equity value at that date. Prior to that date, income was recognized on a consolidated basis. Because of continuing restrictions on the transfer of funds from Brazil, with no foreseeable prospect of significant change, the Company has retroactively adopted the practice of not reflecting in its accounts the investment in its non-registered Brazilian holding company. Under this practice, this investment and income therefrom will be recorded only when converted into dollars. Accordingly, non-registered investments in Brascan Brazil, resulting primarily from non-remittable dividends from the Company's former holding of Light, have been written off in the year of investment.

The major effects of this change in accounting and the restatement of the comparative figures for 1978 are as follows:

	Increase (decrease) in millions		
	US$	US$	**Can$**
	1978	1979	**1979**
Investment in Brascan Brazil, end of year	$(155.2)	$(155.2)	**$(157.7)**
Retained earnings, beginning of year	(115.8)	(155.2)	**(157.7)**
Income from investment in Brascan Brazil	(1.1)		
Net income (loss) for year	(39.4)		

5 Oil and Gas Properties

	US$ millions					
	December 31, 1978			December 31, 1979		
	Cost	Accumulated Depletion	Net	Cost	Accumulated Depletion	Net
Properties						
North America	$68.4	$10.8	$57.6	$105.1	$14.0	$ 91.1
Arctic	8.6		8.6	8.6		8.6
	77.0	10.8	66.2	113.7	14.0	99.7
Plant and equipment	9.4	2.3	7.1	11.9	2.7	9.2
	$86.4	$13.1	$73.3	$125.6	$16.7	$108.9

Proven reserves calculated by the Company are set out on page 7 of this report.

6 Long-Term Debt

	millions US$ 1978	US$ 1979	**Can$ 1979**
Term bank loan	$ 7.6		
Promissory note*		$144.7	**$168.8**
8¼% bonds due annually 1980 to 1987	16.5	15.5	**18.1**
8.3% loan due annually 1982 to 1988	30.0	30.0	**35.0**
8½% bonds due annually 1980 to 1988, in Deutsche marks**	55.1	52.2	**60.9**
9¾% notes due annually 1980 to 1982	30.0	29.0	**33.8**
	139.2	271.4	**316.6**
Less amounts due within one year	(8.1)	(7.8)	**(9.1)**
	$131.1	$263.6	**$307.5**

*The promissory note, denominated in Canadian currency, bears interest based on rates applicable to ninety-day bank deposits (currently 13.9%). It is due at the holder's option on ninety days' notice between October 15, 1981 and October 15, 1989.

**The currency exposure on this loan denominated in Deutsche marks has been hedged through the purchase of Deutsche marks for delivery in 1980.

Maturities and sinking fund requirements during the next five years at year-end exchange rates are as follows:

	millions US$	**Can$**
1980	$ 7.8	**$ 9.1**
1981	7.8	**9.1**
1982	39.4	**45.9**
1983	12.3	**14.4**
1984	12.3	**14.4**

7 Share Capital

	millions		
	US$ 1978	US$ 1979	**Can$ 1979**
Authorized:			
919 6% cumulative convertible voting preference shares of a par value of Can.$100.00 each (1978—924)			
7,997,900 voting preferred shares issuable in Series (1978—7,997,900)			
105,000,000 ordinary shares (Classes A, B, and C) of no par value			
Issued and outstanding:			
919 6% preference shares (1978—924)	$ .1	$ .1	**$ .1**
1,397,900 8½% preferred shares Series A of a par value of Can.$25.00 each (1978—1,397,900)	35.9	35.9	**35.0**
28,354,872* ordinary shares—Classes A, B, and C (1978—28,354,838*)	200.5	200.5	**200.9**
	$236.5	$236.5	**$236.0**

*of which 2,293,522 shares (non-voting) are held by a subsidiary.

Preferred shares

The preferred share capital has an authorized aggregate par value not exceeding Can.$200.0 million, with shares to be issued in one or more series as determined by the directors. The preferred shares of each series rank equally with the preferred shares of every other series, and are entitled to preference over the ordinary shares on the declaration of dividends and on distribution on winding up.

The first series of preferred shares consists of 1,397,900 (1978—1,397,900) 8½% cumulative redeemable Series A preferred shares, with a par value of Can.$25.00 each designated as "8½% Tax-deferred Preferred shares Series A", and the second series of preferred shares consists of 1,400,000 (1978—1,400,000) 10% cumulative redeemable preferred shares, Series B, with a par value of Can.$25.00 each. Each Series A share is convertible after April 15, 1988, into one Series B preferred share. The dividends on the Series A shares will continue to be treated as tax-deferred income in the hands of Canadian shareholders.

The preferred shares are subject to a maximum non-cumulative quarterly purchase obligation totalling 4,667 shares per month at prices up to their par value. After July 15, 1983, the Company may redeem the 8½% Series A preferred shares at a premium of Can.$1.00 per share reducing by Can.$0.25 annually to 1987 and par thereafter.

Ordinary shares

	December 31, 1979	
	Shares Authorized	Shares Issued
Class A convertible	50,000,000	25,185,818
Class B convertible	50,000,000	859,519
Class C convertible (non-voting)	5,000,000	2,309,535
		28,354,872
Less Class A convertible shares held by a subsidiary (non-voting)		2,293,522
		26,061,350

The ordinary shares are without nominal or par value.

The total Class A, B, and C shares issued and outstanding at any one time may not exceed 50,000,000 shares.

The Class A, B, and C ordinary shares rank equally in all respects except for the following:

During 1978 dividends on Class B shares were paid out of certain defined portions of retained earnings resulting in a different Canadian tax treatment when received by shareholders. Amendments to the Income Tax Act (Canada) eliminated this difference in 1979.

Class C shares are non-voting unless the Company has failed to pay any dividend on the shares for two consecutive years.

During the year 36,260 Class C ordinary shares were issued to replace Class A shares held in bearer form. In addition, the following ordinary share conversions took place:

	1978	**1979**
Class B into Class A	209,912	**839,699**
Class C into Class A	57,456	**547,890**

At December 31, 1979 interest-bearing loans to employees under the Company's share purchase plan amounted to $.4 million (1978—$1.3 million) including $.2 million (1978—$.6 million) to directors and officers.

8 Dividends

Cash dividends consisted of the following:

	millions		
	US$	US$	**Can$**
	1978	1979	**1979**
Preferred:			
6% preference shares—Can.$6.00 per share			
Preferred Series A—Can.$2.125 per share	$ 2.6	$ 2.6	**$ 3.0**
Total preferred	2.6	2.6	**3.0**
Ordinary:*			
Classes A, B and C	31.1	31.3	**36.6**
Paid to a subsidiary	(2.5)	(2.5)	**(2.9)**
Total ordinary	28.6	28.8	**33.7**
Total dividends	$31.2	$31.4	**$36.7**

*Dividends recorded in 1979 represent US$.85 per ordinary share and Can$.30 per ordinary share. This latter dividend is payable January 31, 1980 to shareholders of record January 1, 1980. In 1978 dividends recorded were US$1.10 per ordinary share.

9 Income Taxes

In 1979 the Company has utilized a portion of the Canadian tax deductions resulting from Brazilian taxes paid on the sale of Light, together with other losses for tax purposes carried forward from prior years. The resultant reduction in income taxes has been shown as an extraordinary gain of U.S.$14.8 million.

Significant net capital and non-capital losses may be available to reduce such taxable capital gains and taxable income, respectively, as may arise in subsequent years. These cannot be determined accurately at this time.

10 Commitments and Contingencies

Great Lakes Power Corporation Limited is proceeding with the construction of a new hydro-electric generating plant at an estimated cost of Can$110 million. It is expected that a substantial portion of the funds required for this project will be borrowed pursuant to completed financial arrangements.

Other capital commitments outstanding at December 31, 1979 were approximately US$1.8 million (Can$2.1 million). Contingent liabilities under guarantees and other matters at December 31, 1979 were US$8.2 million (Can$9.5 million).

Subsequent to the sale of Light, two legal proceedings were initiated in 1979 in Brasília seeking to reverse the sale of Brascan's holding in Light to Eletrobrás. These proceedings were commenced under a law permitting private citizens to dispute government actions alleged to be against the national interest. The two proceedings were combined and, upon judgement, the action was found to be without cause. The Plaintiff has, however, appealed the judgement. Brascan and Eletrobrás have filed their arguments, supporting the bases of the initial judgement. The case will now be heard by the Federal Appeal Court. Brascan is advised that the grounds on which the proceedings are based are without merit.

Most employees in Canada are covered by retirement plans. Based on the latest actuarial valuations of the various retirement plans, no unfunded obligations for past service costs exist.

11 Comparative Figures

Certain of the prior year's accounts have been reclassified to conform with the 1979 presentation.

12 Remuneration of Directors and Officers

	Directors		Officers		Officers who were also Directors
Paid by:	Number	Thousands	Number	Thousands	Number
The Company	33	$220	22	$1,554	6
One subsidiary			1	33	1
A second subsidiary			2	52	2
A third subsidiary	1	2			

13 Statutory and other Information

	millions		
	US$ 1978	US$ 1979	**Can$ 1979**
Subsidiaries gross operating revenue by segment is as follows:			
Oil and gas	$ 23.7	$ 25.0	**$ 30.0**
Mining	17.2	36.7	**42.8**
Electric utility	31.2	31.7	**38.8**
Financial services	2.6	3.1	**4.3**
	$ 74.7	$ 96.5	**$115.9**
Income (loss) before unallocated expenses has been determined after the following:			
Equity in income of long-term investments	$ 5.4	$ 6.9	**$ 8.3**
Dividend income	0.1	3.4	**4.0**
Expenses*—			
Depreciation, depletion and amortization	6.9	7.4	**7.7**
Foreign exchange losses (gains)—			
Interest income	2.8	(2.4)	**7.4**
Other segments	1.2	.1	
Interest expense* includes foreign exchange losses of:	6.6	3.9	**.7**

*General corporate expenses for 1979 include $5.1 million of expenses associated with the Woolworth offer and $1.9 million associated with the re-organization of the corporate office, and interest expense includes $1.9 million which may be incurred upon a restructuring of debt of the Company.

Auditors' Report

To the Shareholders of Brascan Limited:

We have examined the consolidated balance sheet of Brascan Limited as at December 31, 1979, and the statements of consolidated income, retained earnings and changes in financial position for the year then ended, as expressed in United States dollars. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 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 after giving retroactive effect to the change in translation of foreign currencies explained in note 1 and to the change in accounting for the investment in Brascan Brazil explained in note 4.

We have also examined the supplementary consolidated balance sheet of Brascan Limited as at December 31, 1979, and the supplementary statements of consolidated income, retained earnings and changes in financial position for the year then ended, as expressed in Canadian dollars. In our opinion, this supplementary information presents fairly in Canadian dollars the financial position of the company as at December 31, 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.

Toronto, Canada
February 28, 1980

Clarkson Gordon
Chartered Accountants

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Calgary, Winnipeg and Halifax

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