CDC
canada
development
corporation

# 1981 ANNUAL REPORT

10 years working together to build a stronger Canada.

CANTERRA ENERGY LTD.
fourth largest Canadian-owned oil and gas company and
a world leader in sulphur production

KIDD CREEK MINES LTD.
a major producer of zinc, copper, silver and potash
and a prominent minerals exploration company

POLYSAR LIMITED
one of Canada's most successful multinational companies,
manufacturing rubber and plastic products

AES DATA LTD.
a world-class manufacturer of word-processing systems

SENTROL SYSTEMS LTD.
developing a Canadian leadership position
in industrial automation

FISHERY PRODUCTS LIMITED
the second largest integrated fishing company
in Atlantic Canada and a major exporter
of Canadian seafood products

CDC LIFE SCIENCES INC.
a developing force in biotechnology, toxicological
testing and human biological products

CDC VENTURES INC.
Canada's largest pool of venture capital searching
for tomorrow's high technology products and industries

# 1981 annual report

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**Version française**

Pour obtenir la version française du présent rapport,
on est prié d'écrire au secrétaire
Corporation de développement du Canada
Suite 2272, 200 rue Granville,
Vancouver, Colombie-Britannique,
V6C 1S4.

# canada development corporation
# highlights

| | 1981 | 1980 | % Change |
|---|---|---|---|
| | | (millions of dollars) | |
| Total revenue | **$3,136.4** | $2,359.2 | +32.9 |
| Net income | **85.1** | 189.1 | –55.0 |
| Cash flow from operations | **318.7** | 331.3 | –3.8 |
| Working capital | **784.1** | 616.9 | +27.1 |
| Total assets | **7,093.2** | 3,446.3 | +105.8 |
| Shareholders' equity | **1,270.1** | 1,319.0 | –3.7 |
| Research & development expenditures | **58.2** | 46.2 | +26.0 |
| Fully diluted earnings per common share | **$1.25** | $3.52 | –64.5 |
| Earnings per common share | **$1.46** | $5.13 | –71.5 |
| Return on common equity | **6.2%** | 24.1% | –72.2 |

Total assets more than double as a result of record level of new investments (Page 6)

•

CDC enters new technology field of industrial automation and process controls (Page 7)

•

Net income declines as a result of reduced styrenics margins, lower metals prices and higher interest charges (Page 6)

•

Capital expenditures by CDC Group of companies increases 145% to $565 million during 1981 (Page 7)

•

Canterra Group spends $245 million on a successful oil and gas exploration program (Page 13)

•

Kidd Creek Mines completes construction of a 59,000 tonne a year copper smelter and refinery (Page 19)

•

Polysar's $250 million butyl rubber plant and related facilities continue on schedule and within budget (Page 24)

•

AES Data successfully introduces the Superplus and the Alphaplus word processors (Page 29)

•

Sales revenue of Fishery Products increases 33% to $175.3 million (Page 35)

•

Facilities for Allelix Inc., CDC's joint venture in biotechnology, under construction in Toronto (Page 33)

# our mandate and philosophy, ten years later

When CDC was created in 1971 it was given a unique and challenging mandate by Parliament: To develop and maintain strong Canadian-controlled and managed companies in the private sector; to widen the investment opportunities open to Canadians; and to operate profitably, and in the best interests of the shareholders.

The end of our first 10 years is an appropriate time to ask how well we have done in fulfilling our mission, and to look at the ways we have carried out the operating philosophy set out by our Directors in our early years.

We have developed and maintained strong Canadian companies in areas where investment opportunities for Canadians had been limited. The Government's initial (and only) investment of $322 million in seed money has now grown into a Company with assets of $7.1 billion.

We have widened the investment opportunities open to Canadians through successful share offerings in 1975 and 1980. Today our shares are listed on all Canadian stock exchanges, and more than 35,000 Canadian individual and institutional shareholders are helping us build a stronger Canada.

Each of our ten years has been profitable. A strong, independent Board of Directors comprised of bright, dedicated men and women from across Canada assures our shareholders that the Company will always be operated in the best interests of all shareholders.

**Putting the Operating Philosophy to Work**

In 1972, our Directors agreed upon a set of investment guidelines that have served as an operating philosophy for management. This philosophy has been repeatedly enunciated by our senior management, over the years. Below are its main features, with added comments on how we have put this philosophy to work during the last ten years.

1. **We shall be an equity investor, converting the investments of Canadians, who alone can own voting shares, into controlling positions in underlying companies. By maintaining effective control of the companies in which it invests, CDC can take the necessary measures to protect and increase the value of its holdings.**

We have adhered to that undertaking. Most of our major investments are wholly-owned. In others we retain effective control.

2. **We shall concentrate on investments in a relatively few selected growth areas which we believe will significantly outpace the expansion of the Gross National Product.**

This we have done. We now have investments in eight broad areas, all of which have exciting growth potential. These are oil & gas, mining, petrochemicals, information processing, fishing, life sciences, industrial automation and venture and expansion capital. We are now close to our ultimate level of diversification.

3. **Specifically, we shall put special emphasis on large, development projects, particularly those involving upgrading of resources, a high technological base, or strong potential for building a Canadian-controlled presence in international markets. We believe this reflects both the strength of the Canadian economy and our view that the enterprises in which we invest must be world-competitive and leaders in their industries.**

CDC has established significant positions in oil and gas, mining and petrochemicals. We plan to invest almost $2 billion over the next five years in exploring for oil and gas with special emphasis on the Canadian frontier. Further investments are being made in mining and petrochemicals where opportunities exist to further upgrade Canada's natural resources. In fisheries, we have invested in Canada's second largest fishing company operating in the Atlantic offshore.

CDC also utilizes Canadian skills to manufacture a number of high technology products, including word processing equipment, industrial automation systems, and human and animal vaccines. Our investments in venture and expansion capital are designed to find and develop those industries and products with significant future potential.

We are especially proud of the international reputation Canada has achieved for a number of goods and services produced by CDC companies. These include Polysar's rubber and plastics products, AES' word processing equipment, Connaught's vaccines and Bio-Research's contract toxicological testing services. CDC is taking Canada to the world!

4. **We shall be willing to focus on longer term, higher risk ventures, believing that this is where the highest return for our shareholders ultimately will be.**

Many investors—knowing that meaningful profitability for major resource development or high technology products often lies several years in the future—lack the resources and the will to tackle such projects. We have proven, through our faith in the potential of such giant undertakings as our oil & gas and petrochemical investments, that Canadians can play a profitable role in developing our country's natural resources. In 1978, we acquired AES Data. It lost $5 million that year, but has since become a world leader in the manufacture of stand-alone word processing equipment. In 1981 we bought Sentrol Systems, a leading manufacturer of industrial automation systems because of the exciting potential of the industry. One of our joint ventures in high technology involves the development and production of a low-cost high-speed non-impact printer with applications in word and data processing. In another joint venture, we are developing industrial products and processes based on biotechnology for Canadian industries, such as petrochemicals, energy and food. This joint venture will not contribute to our earnings for many years, but we believe it will ultimately make a strong contribution to our future.

5. **We believe that the encouragement and development of managerial, technical and research talents of superior quality will provide interesting work for skilled and creative Canadians and help Canada achieve its full potential.**

Perhaps Canada's greatest strength is the skill and creativity of its people and the innovative resourcefulness of its managers and entrepreneurs. CDC actively encourages such talents. In 1981, for example, our companies spent $58.2 million for research and development, determined that CDC people will play a key role in diversifying and enriching Canada's industrial base.

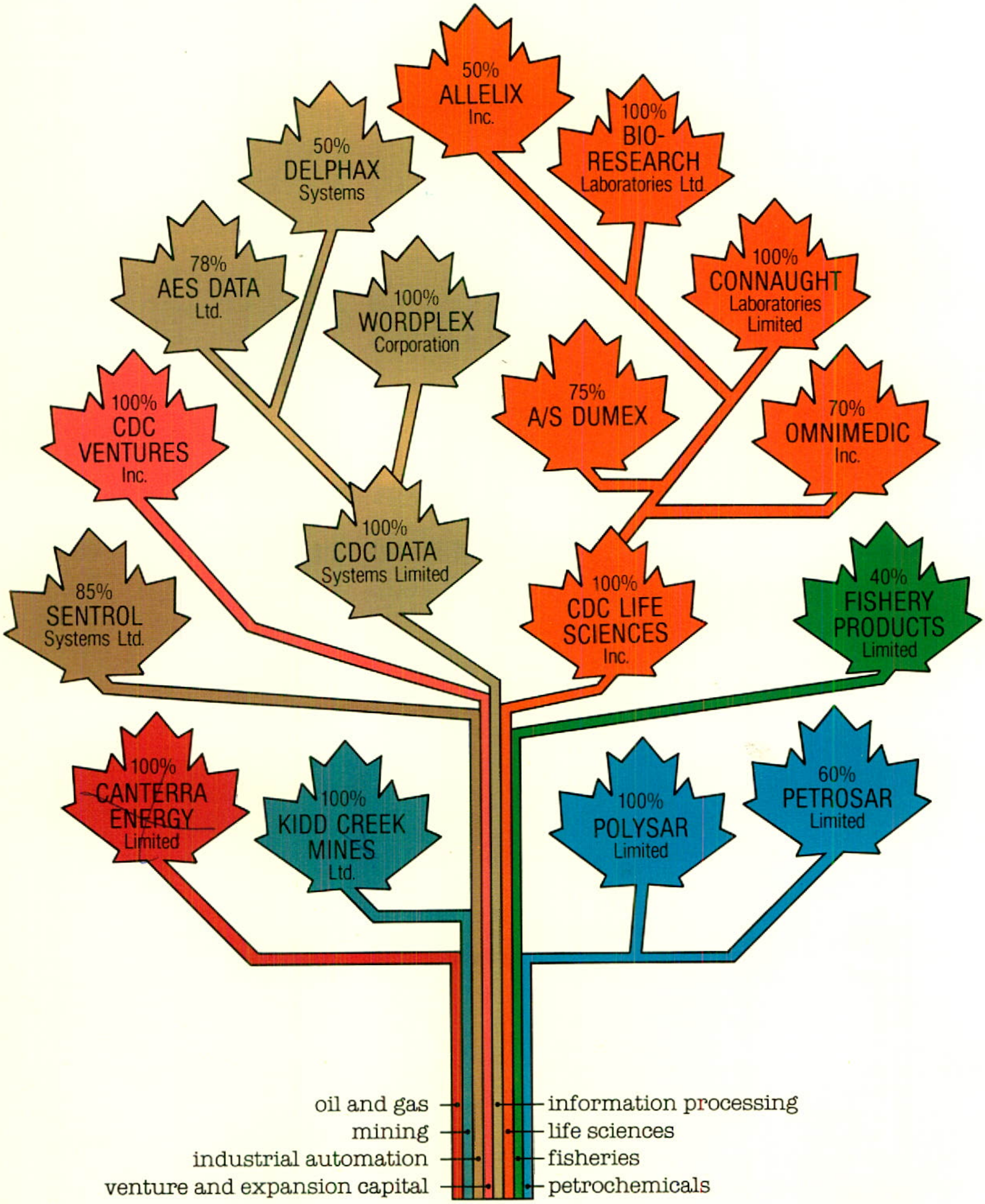
6. **We shall operate CDC with a relatively small, energetic and entrepreneurial staff, relying on skilled management in each of our associated companies to produce the day-to-day results we seek.**

Despite the fact that there are some 20,000 employees in the CDC family of companies, CDC itself operates with a lean staff of less than 60 in our combined Toronto and Vancouver offices.

7. **In our relations with our associated companies we shall concentrate on growth strategy, financial controls, management development and innovation in its broadest sense. We shall operate in decentralized fashion, pushing responsibility down and trying to be a source of stimulus and support, a promoter of imagination and effort, rather than a centre that discourages innovation and ideas.**

To be successful itself, CDC has never hesitated to take full responsibility for the policies and major operating decisions of the companies it controls. Only in this way can we operate in the best interests of our shareholders. There must be, however, a delicate balance between control from the top and the freedom to assume responsibility and be innovative at the individual company level. Initiative and imagination must be encouraged. We are prepared to recognize and accept some differences in management styles, providing that a high overall level of accomplishment is maintained. At least one CDC Director and/or a member of CDC Senior Management serves on the Board of each of our major companies. Their job is primarily to participate in setting goals and growth strategies, to ensure that effective financial controls are in place, and to see to it that company management is strong and capable. Beyond that, each company is free to conduct its own day-to-day operations without interference from CDC.

# major investments at a glance



# a look at CDC's total assets

## by industrial sector

| INDUSTRIAL SECTOR | Total Assets* | % of Total |
|---|---|---|
| Oil & Gas | $2,639.0 | 37.6 |
| Mining | 1,650.6 | 23.5 |
| Petrochemicals | 2,244.0 | 32.0 |
| Information Processing | 233.2 | 3.3 |
| Life Sciences | 150.0 | 2.2 |
| Fishing | 30.3 | .4 |
| Industrial Automation | 43.5 | .6 |
| Venture and Expansion Capital | 29.0 | .4 |

*Millions of dollars

## here's what each CDC share owns*

| NATURAL RESOURCE | Volume per share |
|---|---|
| Crude Oil and Natural Gas | 0.28 cubic metres |
| Natural Gas | 1,300 cubic metres |
| Sulphur | 0.28 tonnes |
| Silver | 2.63 ounces |
| Copper | 78.6 pounds |
| Lead | 4.7 pounds |
| Zinc | 135.2 pounds |
| Potash | 1.02 tonnes |

*A composite investment for each share was created by dividing the fully diluted number of common shares outstanding at December 31, 1981 into the relevant reserve data for each material. The total value of these natural resources was approximately $475.

## how to convert from metric

| METRIC | | Liquid/Linear |
|---|---|---|
| 1 cubic metre of liquids ($m^3$) | = | 6.29 barrels |
| 1 thousand cubic metres of natural gas ($m^3$) | = | 35.49 thousand cubic feet |
| 1 tonne | = | 0.98 long tons (2,204.6 lbs.) |
| 1 hectare | = | 2.50 acres |
| 1 kilometre | = | 0.62 miles |
| 1 metre | = | 3.28 feet |

# report of directors

CDC completed 10 full years of operations at the end of 1981. The year 1981 was one of many triumphs, but was not without its setbacks; we made progress on many fronts, but slipped on others. Yet there is no doubt that we came out of 1981 immensely stronger, and with increased confidence in our capacity to build profitable and vital enterprises which will benefit all Canadians—not just those who invest and work with us.

Among last year's accomplishments were the two major resource acquisitions, Aquitaine Company of Canada Ltd., now Canterra Energy Ltd., and the Canadian assets of Texasgulf Inc., now renamed Kidd Creek Mines Ltd. CDC also staked out a major position in the industrial automation and process control industry through the purchase of Sentrol Systems Ltd. Our older holdings showed continued growth, and we raised a record sum from an international banking group.

As a result of this activity, our cash flow before interest in 1982 should approach $1 billion and should grow well beyond that level in the more vigorous economic climate we see in the years ahead. In 1981, our assets more than doubled to $7.1 billion from $3.5 billion and we increased our consolidated working capital 27.1% to $784.1 million.

The setbacks last year included the tragic loss of our friends and colleagues in the Texasgulf aircraft accident which we mentioned in the 1980 Annual Report; difficulties in our relations with the Federal Government that now happily seem to have taken a more constructive course than when they first arose in the month preceding our 1981 Annual Meeting; and a deterioration in our earnings which became especially sharp in the latter part of the year as Canada and its major trading partners entered the grip of a serious and deepening recession.

Thus, net income—which had set a record in 1980 and looked as if it might set new highs in the buoyant atmosphere characterizing the first few months of 1981—in fact turned out to be sharply lower than the previous year at $85.1 million or $1.46 per share ($1.25 per share fully diluted), compared with $189.1 million or $5.13 per share ($3.52 per share fully diluted). Our return on common equity fell from the more than satisfactory 24.1% level achieved in 1980 to the disappointing—and, to us, unacceptable—level of 6.2%.

The main factors responsible for this decline are explained elsewhere in this Report. In general, the weakness stemmed from low metal prices—particularly for copper—reduced petrochemical margins—especially in styrenics where overcapacity exists throughout the world—high interest costs, and the decision by many of our customers to reduce inventory levels.

**Acquisition and Investment Activities**

In June, we agreed to acquire 75% of the outstanding shares of Aquitaine Company of Canada Ltd. from Société Nationale Elf Aquitaine of France. A subsequent offer for 25% of the shares held by the public resulted in CDC obtaining 100% ownership. This acquisition, for a total cost of $1.6 billion, brought to CDC a Company with significant producing oil and gas and sulphur assets, as well as a major position in Canadian frontier exploration. These new interests together with the Canadian oil and gas and sulphur assets of Texasgulf, CDC Oil & Gas Limited, held by us since 1975, now form the Canterra Energy Group, which is the fourth largest Canadian-owned producing enterprise, eleventh overall in Canada and the fourth largest in terms of frontier exploration acreage.

As a result of careful planning and the full co-operation of all concerned, the purchase went very smoothly. We were fortunate in retaining virtually the entire executive group of all the predecessor units, including Bernard F. Isautier, former President of Aquitaine, who has been appointed President and Chief Executive Officer of Canterra, as well as Jack O'Brien, formerly President of CDC Oil & Gas, who was appointed Chairman.

Our other major resource acquisition last year, which was an even more complex one, resulted in CDC giving up its 35% equity interest in Texasgulf, plus $536.7 million in cash for the Canadian operations and assets of that Company. These assets included certain oil and gas and sulphur properties in Western Canada, potash interests in Saskatchewan and—most important of all—the Kidd Creek mine near Timmins, which is the world's most significant base metals orebody and a large source of copper, zinc and silver. Reserves at Kidd Creek are low-cost and will last well into the next century, providing CDC with a valuable asset and superior longer-term growth potential. The executives and management of the new Company, headed by Ray Clarke, Chairman and Chief Executive Officer, and George Mannard, President and Chief Operating Officer, were all long-term employees of the Texasgulf organization.

During the year, CDC also acquired 85% of Sentrol Systems Ltd. for $20.9 million, with a provision to purchase the remaining shares from management over a period of time. Sentrol is the largest Canadian company in the industrial and process control industry, an industry that has been cited by the U.S. Department of Commerce as the fourth fastest growing in the world. This Company, with its focus on serving the pulp and paper, steel and petroleum sectors, should make a major contribution to CDC in future years.

A fourth major acquisition activity of 1981—although in fact actual closing did not take place until the first quarter of 1982—was the purchase for U.S. $75 million of 57% of the voting equity of Savin Corporation of Valhalla, New York. Savin is the second largest supplier of photocopier equipment in North America, a vigorous innovator and—with its 51 branches and 600 dealers—a potential source of distribution for new office products. We expect there will be growing opportunities for Savin and the other companies in our office products group to work together to build a dynamic and effective international group which is essential to compete successfully in this challenging and rapidly evolving market.

Our growing size should not cause us to forget the importance of backing smaller-scale but aggressive ventures which may be the source of major new Canadian enterprises tomorrow. Thus, CDC Ventures remained very active in 1981 and established two new venture capital funds, Atlantis Corporation in St. John's to focus on opportunities in Atlantic Canada, and The VASE Fund Inc. in Toronto to identify further opportunities in high technology.

Despite being overshadowed by our vigorous and varied acquisition program, our existing companies continued their long-term expansion last year. They invested $565.3 million in capital improvements, an increase of 144% over 1980, and spent $58.2 million on research and development, an increase of 26% in this equally important form of investment in the future.

Among the larger expansion projects, Polysar's $250 million butyl rubber plant, isobutylene extraction unit and related facilities continued on schedule and within budget. Start-up and commercial production is scheduled for late 1982. In addition, Polysar made four acquisitions during the year that expanded capacity and added new lines. Petrosar completed facilities to produce, store and convert feedstocks heavier than naptha in order to reduce residual fuel oil output and improve upgrading capabilities. At Kidd Creek, the construction of the new copper smelter and refinery was completed; production at these facilities commenced during 1981 and full commercial operation should be achieved around mid 1982.

Oil and gas expenditures, mainly for exploration, were $245 million and led to a number of important successes. AES Data doubled its production capacity for word processing equipment following the successful launching of two new products—the Superplus and the Alphaplus. Fishery Products—despite the severe problems facing the fishing industry—increased its sales 33% and further modernized its facilities and catching fleet, taking delivery of an ultra-modern trawler built in Canada. In the Life Sciences area, new facilities for Allelix, CDC's joint venture in biotechnology with the Government of Ontario and John Labatt Limited, are nearing completion.

No less important than acquisitions and investments are divestitures of enterprises which have met our targets or which, for other reasons, no longer fit our strategic interests. It was an important year on this front with the sale of Ventek Limited, a U.K. distributor of data processing equipment acquired with our word processing companies three years earlier. We also sold our interests in two venture capital companies, Venturetek International Limited of Toronto and Ventures West Capital Ltd. of Vancouver. In recognition of the need to focus our investments in Life Sciences more sharply and to improve the flow of new products to our small Canadian pharmaceutical company, we sold Raylo Chemicals Limited of Edmonton and encouraged Marion Laboratories Inc. of Kansas City to join the Caisse de dépôt et placement and ourselves as an investor in Omnimedic Inc. of Laval, Québec.

**Financing**

Our acquisition program in 1981 was financed by a U.S. $2.1 billion syndicated loan from a group of 32 Canadian and foreign banks. This 10-year credit facility, with no principal repayment for five years, was available to us on favourable terms and reflects the high reputation and strong financial and resource position of the Corporation.

The time-consuming acquisition and expansion program, the radical changes in the Corporation's size and structure, and the state of financial markets in the latter part of the year meant that we did not do any equity financing. The current year may well offer us an opportunity to return to the equity markets, but much will depend on the pattern of economic recovery and interest rates.

We are in the fortunate position of having a sizeable free cash flow—the sum available from operations after paying all interest, taxes and dividends—unused borrowing capacity and a comfortable margin of maneuverability under our financing arangements. Moreover, we plan no significant acquisitions for the next two or three years. Thus we have no immediate need to tap equity markets, although we would like to do so when more favourable terms are available to us.

**Outlook and Investment Strategy**

There is sharp and growing division of opinion about the kind of world we face over the coming months and years. A minority believes that present U.S. monetary and fiscal policies—which have led to a sizeable short-run reduction in inflation—are likely to bring about a longer-term decrease in inflationary pressures as well. This disinflationary tendency would act to reduce interest rates and stimulate real economic growth, although not without causing serious difficulties for those with a vested interest in continually rising prices. To support their contention, believers in disinflation point to declining world oil and commodity prices, more realistic wage and price behaviour in the United States and generally reduced expectations of future inflation.

On the other hand, there are many who are convinced that nothing but more of the same unhappy experiences of the 1970's lie ahead—

*The Canterra Group has sulphur reserves of 18.9 million tonnes. The world's largest stockpile of sulphur is located adjacent to Canterra's Ram River natural gas processing plant in the Alberta Foothills.*

stop-go economic patterns, low or non-existent rates of growth and productivity, rising prices and interest rates, and continuing business and social turmoil. They do not believe that labour bargaining patterns, worldwide government policies and the expectations of the public at large will be easily changed.

Whatever the future, general economic conditions in the next few years are not going to make it easy for us to achieve our growth objectives and improve the value of our shareholders' investment. Nevertheless, we believe that we can achieve these goals through a policy which concentrates on careful management of costs, economizes on asset use and focuses everyone's efforts on productivity improvements. This should enable us to cope very effectively with the difficult and disinflationary environment we see ahead.

We have a strong low-cost resource base, good market positions and excellent and entrepreneurial people who are willing to take sensible risks in the longer term. But we are not prepared to gamble on inflation turning marginal or dubious prospects into sound ones. As a group whose companies must compete in world markets if they are to attain their potential, we are perhaps more conscious than most Canadians of the importance of remaining competitive. Other countries do not feel any obligation to buy Canadian resources or manufactured products if we do not meet the price and quality standards which more realistic competitors now offer.

Despite progress in recent months, Canadians are going to have to learn to face up to this need to compete. There is a tendency for many Canadians to spend too much and save and invest too little. Without enough saving and investment, and more attention to improving productivity, an unnecessarily prolonged period of low output and high unemployment will occur in this country, and our ultimate recovery will be slower and weaker than that of other nations.

We believe that the next few months will continue to be particularly difficult ones and that it will be some time before buoyant economic conditions return. Nevertheless, as we have already noted, your Company has the capacity to generate cash flow before interest approaching $1 billion in 1982. Net income is likely to remain unsatisfactorily low. Vigorous economic growth or materially lower interest rates—though by no means impossible—are not events on which we would want to base business decisions for the rest of this year.

In the longer term, we remain convinced that if Canada can contain inflation, which is the source of both high unemployment and high interest rates, we at CDC can achieve the return on shareholder equity that we recorded in 1980. There are many opportunities to develop world markets for Canadian resources, resource-based manufacturing and high technology industries. This longer-term potential will be achieved only if management improves costs and efficiency in the shorter term. This, however, does not mean improving today's profits at the expense of developing the people, products and research effort needed to succeed tomorrow. Nor does it mean being obsessed with growth; sheer size will not necessarily enable us to respond well to a rapidly changing world—it is more important to be lean, flexible and quick in our reaction time.

**A Note About People**

We are very sorry to record that Jack N. Turvey, a director who had served the Corporation with gusto and shrewd good sense for almost 10 years since its inception in 1971, had to retire last year because of the Corporation's age limit of 70. John P. Gallagher, a member of our Executive Committee and Board since our beginning, felt that our major oil and gas acquisition could lead to possible future conflicts of interest and tendered his resignation, which the Board accepted with great regret in view of the enthusiasm, dedication and wise counsel that he had always brought to our affairs.

Robert Johnstone, Deputy Minister of Industry, Trade and Commerce, one of our ex-officio directors, ceased to hold that position early in 1982, upon assuming the responsibilities of Deputy Minister for International Trade. We thank Mr. Johnstone for his support and encouragement, wish him continuing success and extend a warm welcome to his successor, Robert C. Montreuil.

We must say farewell also to the many thousands of Texasgulf people outside of Canada. There is no finer group anywhere that we know of in business; competent, loyal, courteous and hard working, they taught us a lot about ourselves and about the important contribution that people make to the success of any organization.

The people of CDC—at the executive offices and all of the companies—played a major role in the many accomplishments of last year. The central staff is small, but it is a strong, cohesive and competent group whose loyalty and dedication was even further strengthened by events in 1981. The 20,000 employees in all of our companies also performed with admirable enthusiasm, dedication and ingenuity in a year that got more difficult as it went along. To each, we extend our special thanks.

As always, we leave the job of thanking our shareholders until the end. We hope you know by now that this does not mean any lack of appreciation on our part. To the contrary, we are extremely grateful to you for your wholehearted support in a turbulent and difficult year. Your loyalty to the concepts this Corporation has stood for was appreciated by each one of the directors.

We intend to work closely with the Government's new shareholder representative, Senator Jack Austin, to resolve any outstanding problems for the benefit of the Corporation and all its shareholders. In the difficult times Canada now faces, consultation and goodwill are more important than ever, and the building of better links between government and the private sector is crucial to the achievement of our Country's potential.

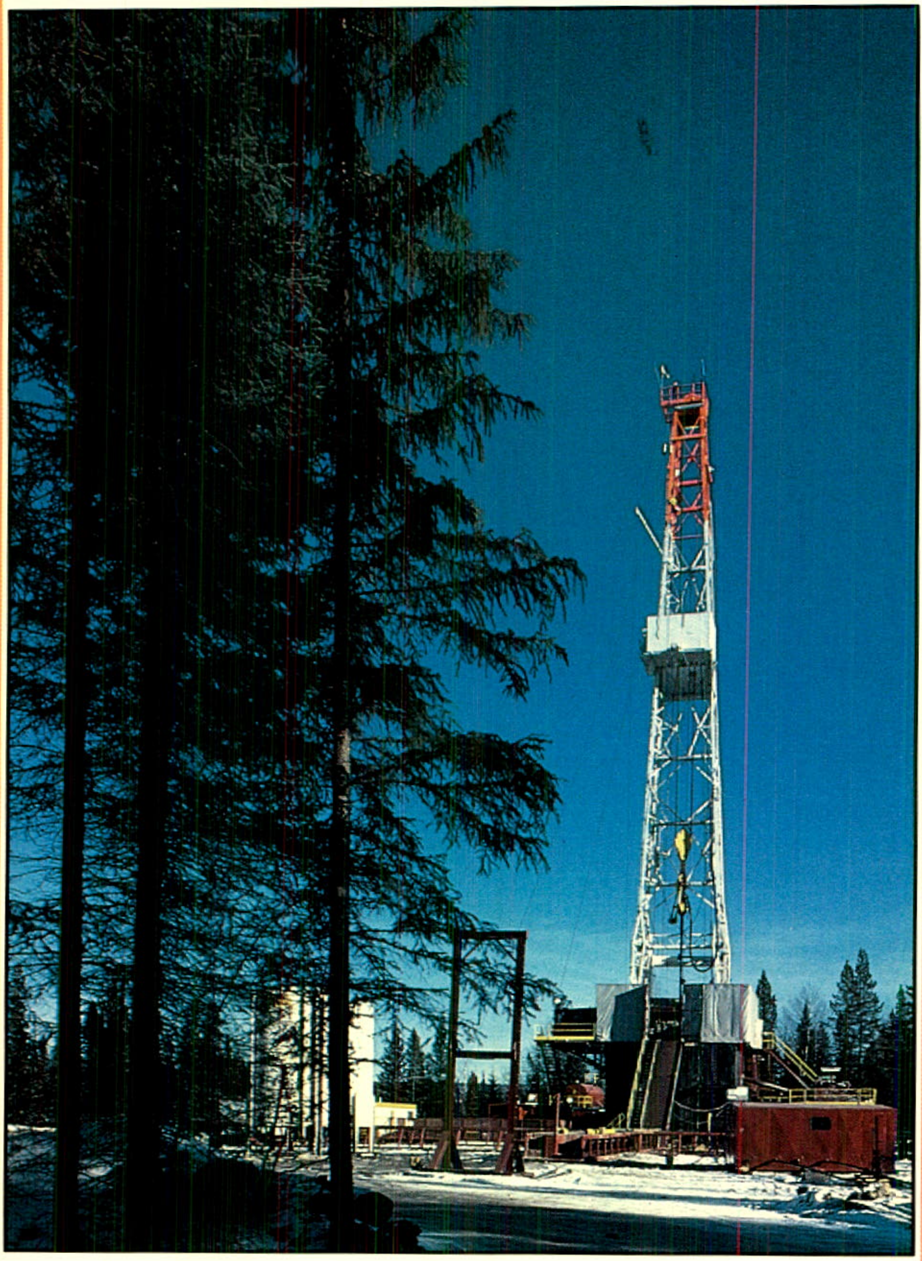
Respectfully submitted on behalf of the Board,

Frederick W. Sellers
Chairman of the Board

H. Anthony Hampson
President and Chief Executive Officer

Vancouver, March 31, 1982

# oil and gas



The Canterra Group invested $245 million in exploration during 1981. Because of Canterra's 100% Canadian ownership, it qualifies for maximum exploration incentives under Federal Government programs to find new oil and gas in both Western Canada and frontier areas.

CDC is actively involved in the Canadian oil and gas sector through the Canterra Energy Group. Canterra has producing properties and extensive exploration landholdings in Western Canada. It is the fourth largest holder of exploration acreage in the Canadian frontier, including the Beaufort Sea, Labrador Shelf and Scotian Slope, as well as being one of the most active enterprises in exploring for oil and natural gas. Canterra is the largest sulphur producer in Canada and directly or indirectly is responsible for 20% of international trade in sulphur.

## CANTERRA ENERGY LTD.

(100% CDC owned)

The Canterra Energy Group of companies consists of CDC Oil and Gas Limited, a wholly owned CDC subsidiary since 1975, and the oil and gas and sulphur assets obtained through two major acquisitions completed during the year.

In 1981, CDC purchased 75% of Aquitaine Company of Canada Ltd. from Société Nationale Elf Aquitaine and a subsequent tender offer was made for the remaining publicly held shares for a total cost of $1.6 billion. Significant oil and gas and sulphur properties were also acquired along with the Canadian assets of Texasgulf.

Canterra, with $2.7 billion in assets, is in a unique position of strength in this important sector of the Canadian economy and should show extraordinary growth over the longer term.

### Strong Leadership Position

During the period 1975-1981, CDC Oil & Gas had embarked on an aggressive investment program aimed at discovering oil and gas in Western Canada, the Canadian frontier and the United States. CDC Oil & Gas also developed a pilot tar sands production capability through the operation of an in-situ pilot project in the Athabasca region of Northern Alberta.

Aquitaine was well known in the industry as a low cost and highly productive producer of conventional oil and gas, as well as sulphur, from two major fields in Alberta—Rainbow and Ram River. Over the years, Aquitaine had acquired a substantial land position in the major frontier areas.

Texasgulf produced oil and gas and sulphur from a number of medium-sized pools, located mainly in Alberta, as well as experimenting with heavy oil production techniques in the North Battleford area of Saskatchewan. The Company held a strong position in the sulphur market supplied from Western Canada.

Canterra brings together valuable oil and gas production, significant technical skills in all facets of the business and valuable exploration acreage. Assets managed by the Canterra Group make it the eleventh largest producing oil and gas enterprise in Canada and the fourth largest Canadian-owned. Its clear goal is to build strength in all aspects of the oil and gas business—conventional and enhanced recovery, sour gas, heavy oil and tar sands.

Over the next five years and beyond, the Canterra Group will make substantial investments in exploration in Western Canada, the Beaufort Sea, Labrador Shelf, and the Scotian Slope. Total spending in these areas over the next five years could well exceed $1.7 billion. Canterra also plans to develop technical competence in frontier production techniques in order to assume the role of operator in selected development projects.

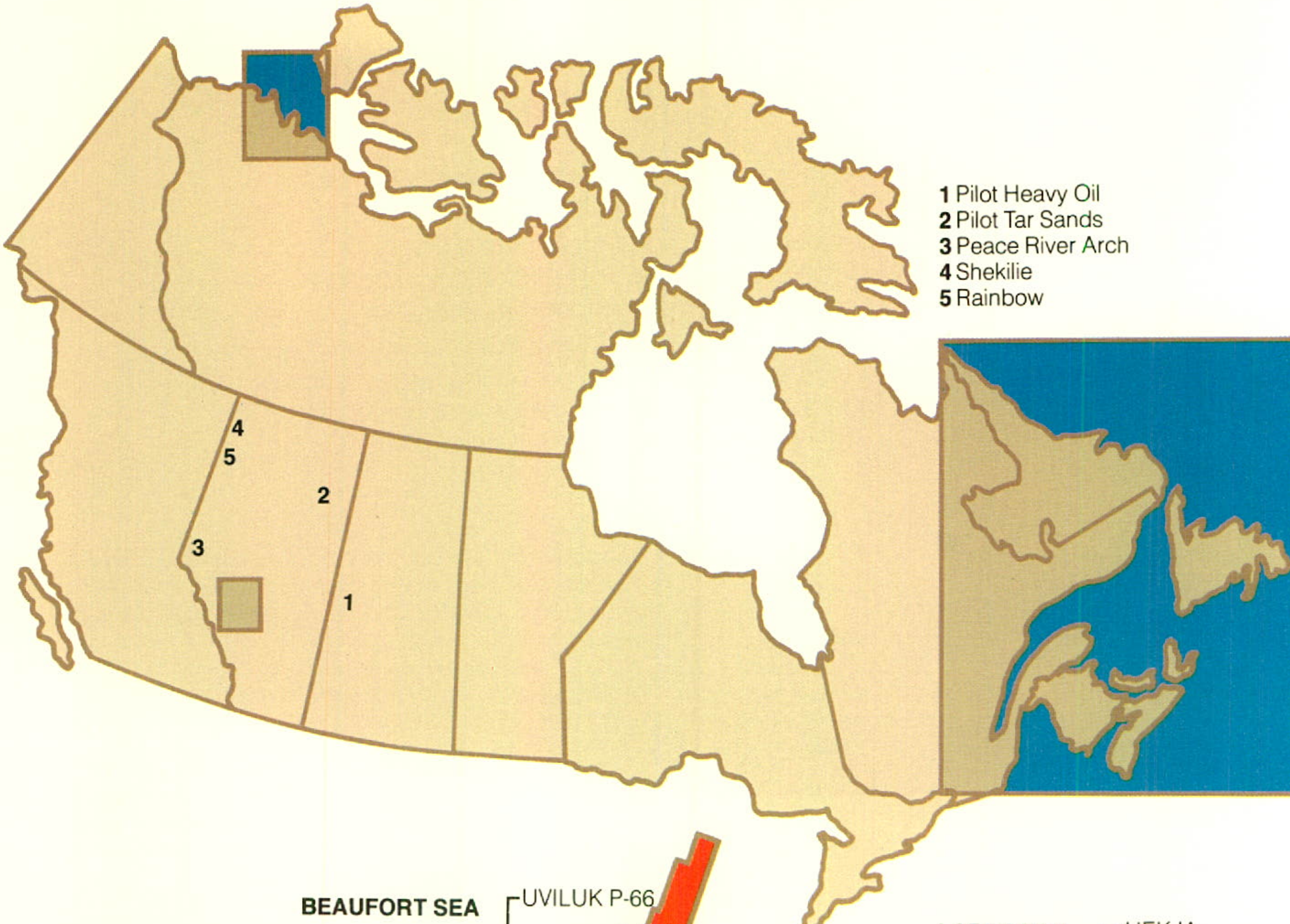
### 1981 Exploration Program

During 1981, the companies comprising the Canterra Group invested $245 million in exploration. Approximately 62% of the exploration budget went into Western Canada, mainly Alberta, while another 21% was invested in the frontier areas. The remainder was spent in the United States.

Canterra drilled and completed 142 exploratory wells during 1981, with 59% being successful. Despite this success ratio, additions to the Group's reserve base will not be substantial, although proven reserve additions in terms of oil equivalents should approximately equal production. Of the six wells drilled in the frontier, three found significant quantities of oil and gas, but the pools require further exploration before the feasibility of commercial production can be determined.

### Western Canada

Canterra has excellent acreage and exploration prospects in Western Canada, ranking seventh in the industry in terms of land held. During 1981, exploration was concentrated in the Shekilie-Amber Basin (oil), the Peace River Arch area (oil), the Pembina-Brazeau area (gas) and the Deep Basin and Foothills (gas). A total of 101 wells were drilled of which 17 were completed as oil discoveries and 46 were natural gas discoveries.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2 Pilot Tar Sands
3 Peace River Arch
4 Shekilie
5 Rainbow
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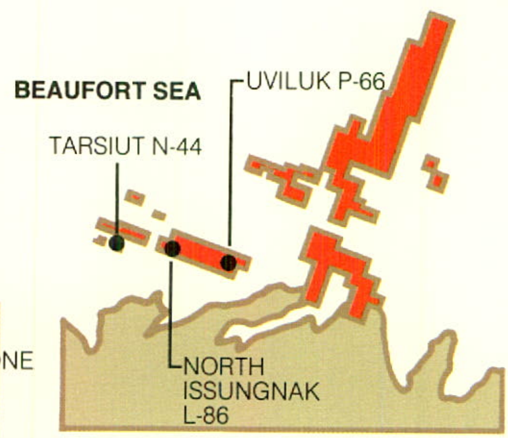
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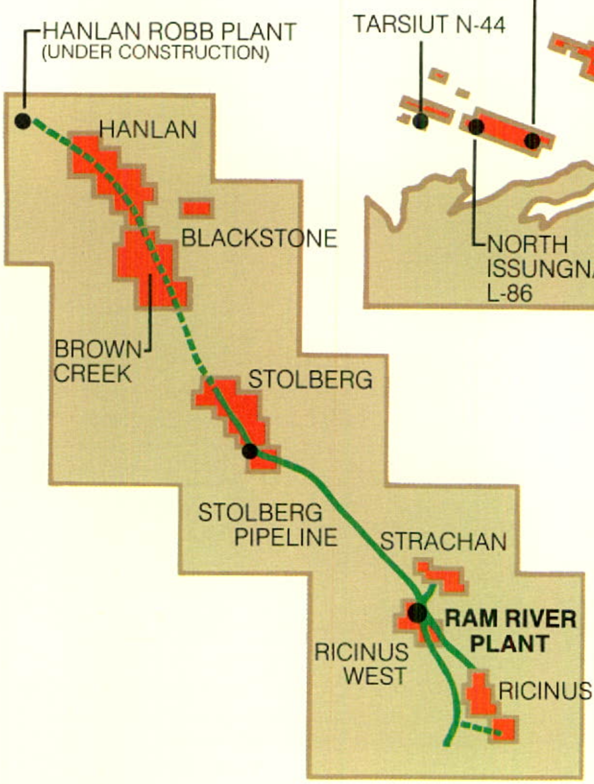
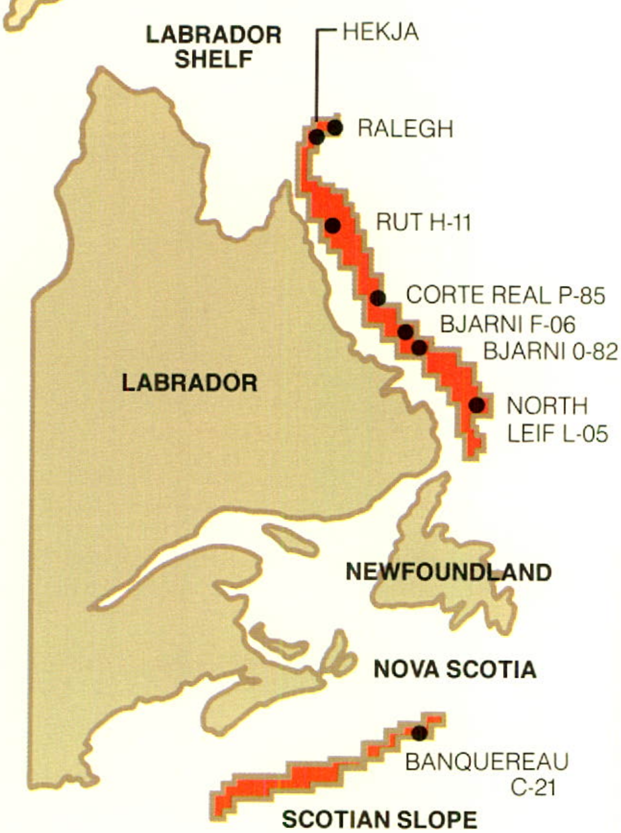
TARSIUT N-44
NORTH ISSUNGNAK L-86


HANLAN ROBB PLANT
(UNDER CONSTRUCTION)
HANLAN
BLACKSTONE
BROWN CREEK
STOLBERG
STOLBERG PIPELINE
STRACHAN
RAM RIVER PLANT
RICINUS WEST
RICINUS


LABRADOR SHELF
HEKJA
RALEGH
RUT H-11
CORTE REAL P-85
BJARNI F-06
BJARNI 0-82
NORTH LEIF L-05
LABRADOR
NEWFOUNDLAND
NOVA SCOTIA
BANQUEREAU C-21
SCOTIAN SLOPE

### Beaufort Sea

A second well, in which Canterra holds a 15.15% interest, was drilled from Issungnak Island during 1981. Before abandonment, the well tested 1,030 cubic metres of oil per day and 1.4 million cubic metres of natural gas adding to reserves established by the discovery well drilled in 1980.

A wildcat well drilled at North Issungnak was suspended at a total depth of 4,771 metres without any significant indication of hydrocarbons. The Kilannak A-77 well, operated by Dome under a farm-out arrangement with Canterra, was taken to a total depth of 2,996 metres and abandoned as a dry hole.

Canterra entered into a farm-in agreement with Mobil Oil to acquire a 3% interest in the Tarsiut N-44 well and surrounding acreage. This well is a step-out six kilometres east from the Tarsiut A-25 oil discovery.

### Labrador Shelf

During 1981, three drillships were under contract to the Labrador Group, in which Canterra holds a 16.5% interest. The Bjarni 0-82 gas well, drilled in 1979, tested 560,000 cubic metres of gas per day and 123 cubic metres of condensate per day. The North Bjarni F-06 is an indicated gas discovery, which could substantially add to gas reserves in the area.

The Rut H-11 exploratory test well was suspended in late September due to poor weather and mechanical problems. A start was made on the Corte Real P-85 well on acreage pooled with Petro Canada. The North Leif L-05 well was abandoned in October at a total depth of 2,513 metres. Although not a commercial discovery, North Leif provided encouragement because it represented the first free oil to be recovered from any exploration well on the Labrador Shelf.

### Scotian Slope

During 1981, seismic, environmental and site specific surveys were carried out in preparation of the first well (Banquereau C-21) to be drilled on the Scotian Slope in 1982. Canterra and another Canadian oil company will fund Shell Explorer's share of seismic work and four wells to earn a half interest in Shell Explorer's acreage in a block 200 kilometres south of Halifax.

### United States

Canterra drilled and completed 36 exploratory wells in the Montana/North Dakota portion of the Williston Basin during 1981. The program resulted in 17 oil wells, two gas wells and 17 abandonments. Another 27 carried interest wells, drilled at no cost to Canterra, resulted in 10 oil wells and one gas well. Exploration activity was also carried out elsewhere in Montana (Cedar Creek, Morgan Creek), North Dakota (MacKenzie County, Crooked Creek), Texas (Ellwood Ranch, Clayton-Johnson Ranch), and Louisiana (Mecom Ranch).

### Tar Sands and Heavy Oil

During 1981, Canterra completed construction of a $40 million in-situ pilot plant in the Athabasca oil sands region of Northeastern Alberta. The pilot plant, in which Canterra has a 51% interest, is capable of producing 400 cubic metres of bitumen a day. Steam injection commenced late in the year and bitumen production is expected in early 1982.

Canterra holds heavy oil acreage in the North Battleford area of Saskatchewan. A pilot heavy oil extraction plant has been operating since 1975. Cumulative oil production since inception of the plant has been over 16,000 cubic metres. During 1982, an additional three wells will be drilled and a start will be made on an enhanced recovery feasibility study.

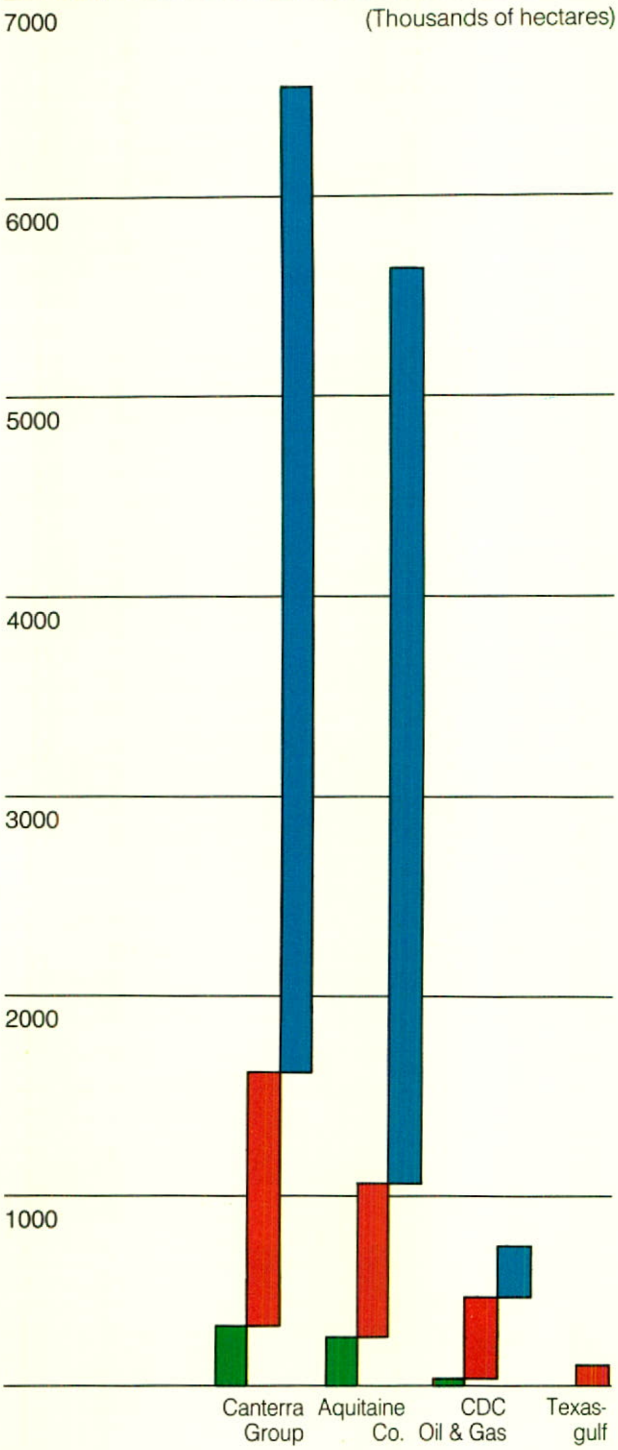
**GROSS PROVEN RESERVES AT DECEMBER 31, 1981**

| | Oil and Gas Liquids Canada | Gas Canada | Sulphur Canada | Oil and Gas Liquids U.S.A. | Gas U.S.A. |
|---|---|---|---|---|---|
| | (millions of cubic metres) | (billions of cubic metres) | (millions of tonnes) | (millions of cubic metres) | (billions of cubic metres) |
| CDC Oil & Gas | 4.1 | 10.5 | 0.3 | | 0.9 |
| Texasgulf | 0.3 | 2.5 | 7.5 | | |
| Aquitaine | 14.3 | 73.6 | 11.1** | 0.4 | |
| Composite Total | 18.7 | 86.6 | 18.9* | 0.4 | 0.9 |
| Geographic Split: | | | | | |
| Frontier (offshore) | 0.9 | 45.8 | | | |
| Conventional (Western Canada + U.S.A.) | 17.8 | 40.8 | 18.9 | 0.4 | 0.9 |

*Includes reserves committed by contractual agreement
**Including 3.3 million tonnes in the Ram River block inventory

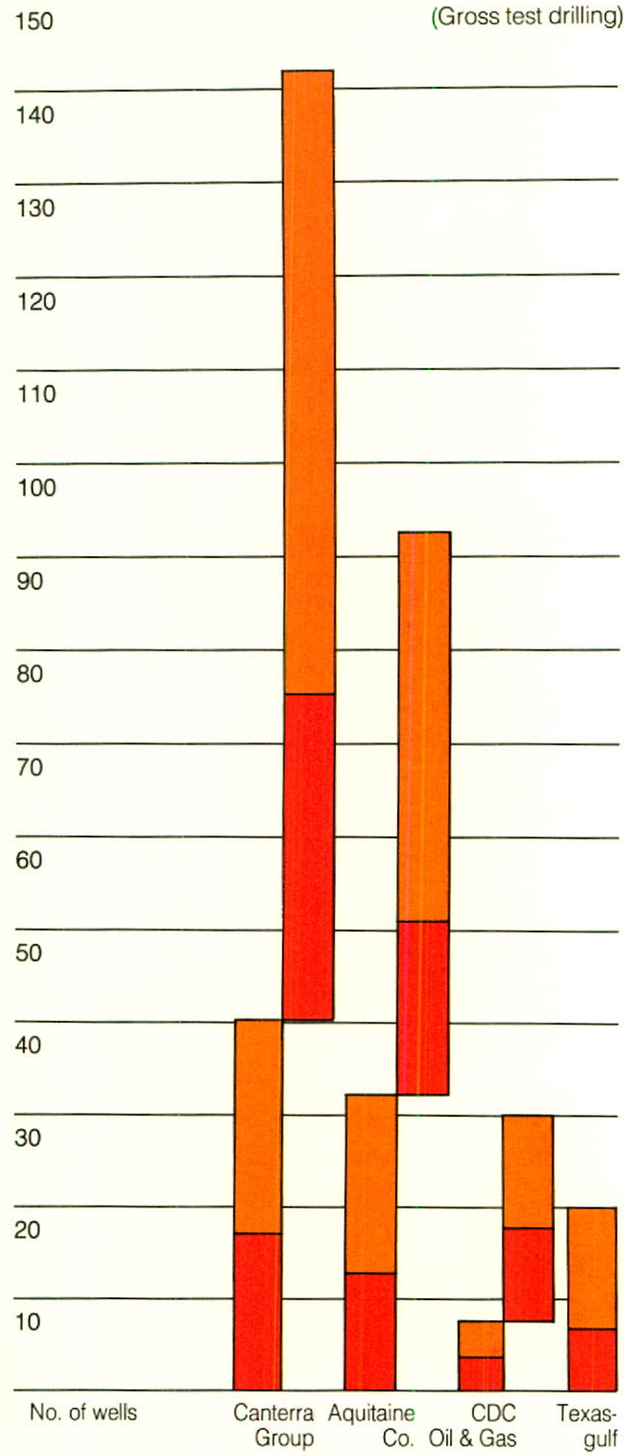
| | To Convert From | To | Multiply by |
|---|---|---|---|
| Oil and Gas Liquids | Cubic metres ($m^3$) | Barrels (bbls) | 6.29 |
| Gas | Cubic metres ($m^3$) | Thousands of cubic feet (mcf) | 0.035494 |
| Sulphur | Tonnes (t) | Long tons | 0.9842 |

## 1981 NET LAND HOLDINGS




| | Canterra Group | Aquitaine Co. | CDC Oil & Gas | Texasgulf |
|---|---|---|---|---|
| Frontier | 4,928 | 4,628 | 246 | |
| W. Canada | 1,320 | 779 | 452 | 89 |
| U.S.A | 316 | 295 | 21 | |

## 1981 EXPLORATORY DRILLING




| | Canterra Group U.S. | Canterra Group Can. | Aquitaine Co. U.S. | Aquitaine Co. Can. | CDC Oil & Gas U.S. | CDC Oil & Gas Can. | Texasgulf U.S. | Texasgulf Can. |
|---|---|---|---|---|---|---|---|---|
| Successful | 23 | 67 | 19 | 43 | 4 | 11 | | 13 |
| Unsuccessful | 17 | 35 | 13 | 18 | 4 | 10 | | 7 |
| Success ratio % | 58 | 66 | | | | | | |

## 1981 Operation Review

For 1981, the companies comprising the Canterra Group achieved a net profit from operations of $0.1 million after accounting for interest on debt to acquire Aquitaine. Canterra produced 1.1 million cubic metres of oil and gas liquids, 1.4 billion cubic metres of natural gas and sold 2.1 million tonnes of sulphur. The Pennsylvania coal mine produced 1.3 million tonnes of coal and operated at a break-even level.

Canterra's profitability during 1981 was constrained by low netbacks on some of its established oil and gas production in Western Canada, a direct result of the terms of fiscal arrangements imposed by the Federal and Alberta governments. There is a general oversupply of conventional natural gas and limited marketing opportunities in the short term, although Canterra was successful in negotiating a number of new gas contracts during the year.

The Canterra Group's net proven reserves before royalties at year end were 19.1 million cubic metres of oil and natural gas liquids, 87.5 billion cubic metres of natural gas, 18.9 million tonnes of sulphur and 62 million tonnes of coal. Its frontier land holdings of 4.9 million net hectares make it the sixth largest in the industry and fourth largest among Canadian companies. Western land holdings total 1.3 million net hectares.

## 1982 Outlook

Because Canterra is 100% Canadian owned, it qualifies for maximum exploration incentives under the Federal Government's Petroleum Incentives Program (PIP).

Through wide area farm-ins and the formation of joint exploration companies with oil companies not eligible for maximum incentives, Canterra intends to capitalize on its Canadian ownership advantage. The Group plans to increase the proportion of its Canadian exploration budget directed to frontier areas.

In the Beaufort, it will participate in two wells, Tarsiut and Uviluk. In the East Coast offshore area, Canterra will participate in four wells on the Labrador Shelf and one on the Scotian Slope, as well as act as operator for another well in the Davis Strait.

Western Canada represents the most active area of exploratory activity for Canterra in terms of wells drilled. Two areas—Shekilie and Peace River Arch—will receive the most attention in the search for oil in Alberta. Gas exploration activities will continue in the Hanlan-Blackstone-Pembina-Brazeau-Ram River area. Gas discovered in this general area can be easily transported through a network of pipelines—either existing or under construction—for processing at the Ram River plant. Exploration will also be directed toward finding additional supplies of sour gas in the Ram River area.

Aggressive exploitation of the Group's shut-in natural gas reserves will use two thirds of the production capital budget during 1982. A new $55 million facility to gather sour gas from the Blackstone, South Hanlan and Brazeau fields for processing at the Ram River plant will have an initial capacity of 5.3 million cubic metres per day. First sales of natural gas are scheduled for 1983.

Additional miscible flooding and infill drilling in the Rainbow field have been approved by the Alberta Government. When preparatory work is completed, oil recovery in the field will increase to 70% of reserves. Secondary recovery projects are under consideration in other oil fields in which Canterra has an interest.

| **FINANCIAL REVIEW** | **1981*** | 1980 | 1979 | 1978 | 1977 |
|---|---|---|---|---|---|
| | | (CDC OIL & GAS LIMITED) | | | |
| | | (millions of dollars) | | | |
| **Income Summary** | | | | | |
| Revenues | **$ 260.8** | $64.3 | $51.3 | $43.2 | $35.3 |
| Operating costs and depletion | **130.4** | 21.7 | 16.5 | 13.4 | 10.7 |
| Administration | **17.2** | 3.1 | 1.7 | 0.9 | 0.7 |
| Interest | **99.9** | | 0.3 | 0.8 | 0.7 |
| Taxes, minority interest, other | **13.2** | 12.4 | 12.5 | 10.4 | 8.5 |
| Net income | **0.1** | 27.1 | 20.3 | 17.7 | 14.7 |
| Cash flow | **74.6** | 54.2 | 41.9 | 34.0 | 29.4 |
| **Balance Sheet Summary** | | | | | |
| Working capital | **$ 93.5** | $ 11.4 | $ 13.5 | $ 3.1 | $ 4.6 |
| Fixed assets (net) | **2,276.6** | 305.1 | 227.6 | 182.8 | 148.2 |
| Total assets | **2,654.7** | 348.1 | 250.1 | 194.4 | 157.6 |
| Long-term debt | **2,197.7** | 117.3 | 77.5 | 78.3 | 69.3 |
| Shareholders' equity | **142.0** | 131.1 | 110.2 | 69.3 | 56.0 |

*1981–6 month results for Canterra Energy Ltd. and 12 month results for CDC Oil & Gas Limited
1977-1980–Results for CDC Oil & Gas Limited only

# mining

Kidd Creek's new copper smelter and refinery–part of its giant metallurgical complex near Timmins–will allow the Company to increase metals recoveries and reduce operating costs. A major exploration program is underway to discover new mineral deposits in Canada.

CDC continues to play a leading role in the development of Canada's mineral resources. Kidd Creek Mines Ltd., CDC's operating company in the mining sector, produces zinc, copper, silver, lead, tin and cadmium in the form of concentrates and metals. CDC owns a large minority interest in a producing potash mine in Saskatchewan. In 1982, Kidd Creek expects to begin producing gold concentrate from a newly opened mine in Northern Ontario. Planned spending on exploration will place the Company among the top ten explorers for minerals in Canada.

## KIDD CREEK MINES LTD.

(100% CDC owned)

Kidd Creek Mines, formerly part of Texasgulf Inc. of Stamford, Connecticut, is recognized as one of Canada's leading, fully-integrated mining companies. CDC purchased a 30% interest in Texasgulf in 1973, subsequently adding another 5%. In a transaction during 1981, CDC exchanged this equity interest in Texasgulf plus $536.7 million cash for Texasgulf's Canadian mining, oil and gas and sulphur assets.

The cornerstone of Kidd Creek Mines is the vast zinc-copper-silver deposit near Timmins, Ontario. The Kidd Creek mine is one of the world's most significant base metals orebodies. Ore is hauled 30 kilometres by rail to the concentrator at a Company-owned metallurgical site.

Approximately two thirds of the mined zinc is refined into pure zinc metal. The Company's electrolytic zinc plant is now being expanded from 109,000 tonnes annual capacity to 127,000 tonnes. When completed during 1982, approximately 75% of the mine's zinc output will be refined, while the remainder will continue to be sold in concentrate form.

Construction of an ultra-modern 59,000 tonnes-a-year copper smelter and refinery complex was completed during 1981. Production at of this new facility began during the year and full commercial levels are expected to be reached during 1982. The Company will convert two-thirds of its copper concentrates to finished metal. The remaining one third will be toll smelted and refined for Kidd Creek. Present plans call for further expansion of these facilities during the next five years to 91,000 tonnes a year, enabling the Company to refine its entire copper output.

The Kidd Creek mine also produces substantial amounts of silver, as well as lesser amounts of lead, tin and cadmium. The mine has proven ore reserves that will last over 20 years at current production rates.

The Company has a 40% interest in the Allan potash mine in Saskatchewan. It has a 35% net profits interest in the Nanisivik lead-zinc mine on Baffin Island. As well, a number of known mineral properties elsewhere in Canada are currently being assessed for potential development.

### Metals Operations

From an operations standpoint, 1981 was an outstanding year for the Kidd Creek mine. The amount of ore sent to the concentrator increased 4.5% to 4.1 million tonnes during 1981.

Zinc concentrate production declined 12.3% during 1981, although the electrolytic zinc plant surpassed its rated capacity for the first time in its 10-year life. Demand for zinc was weak during 1981. Unlike other recessionary periods, zinc prices remained strong because there was no significant buildup of inventories. Sales of zinc metal totalled 99,800 tonnes, down

**ORE RESERVES AT DECEMBER 31, 1981**

| | $K_2O$ % | Zinc % | Copper % | Silver oz/ton | Lead % | Years of Production at Current Rates |
|---|---|---|---|---|---|---|
| **Kidd Creek Mine**<br>85.4 million tonnes<br>(proven & probable) | | 4.85 | 2.82 | 1.89 | 0.17 | 19 |
| **Allan Potash** | | | | | | |
| A ZONE—78 million tonnes | 27.3 | | | | | |
| B ZONE—94 million tonnes | 21.0 | | | | | |
| Total Recoverable<br>172 million tonnes | 23.9 | | | | | 126 |

10% from 1980. Revenue from zinc metal sales increased to $115.3 million from $106.2 million in 1980.

Copper sales in 1981 increased 22% over 1980, although revenue rose only marginally to $155.9 million because of a serious erosion in the market price. Inventories of copper remain at modest levels despite reduced demand resulting from the general economic slowdown. As economic conditions improve, the price of copper is expected to strengthen fairly quickly.

Production of silver, the other major metal produced at the Kidd Creek mine, declined from 1980 levels due to a decrease in the silver content of the ore mined. Both volumes and revenues were down, reflecting reduced industrial demand and a lack of speculative interest in precious metals.

The Company has a gold mine under development at Owl Creek near Timmins. This mine will contribute to earnings in 1982 after the first batch of ore is processed in the Kidd Creek concentrator. The gold content of ore stockpiled for milling has achieved expectations.

### Potash

The capacity of the Allan potash mine was recently expanded to 1.4 million tonnes of annual output from 1.1 million tonnes. CDC's share of production during 1981 was 487,000 tonnes, of which 435,000 tonnes were sold during the year. The Allan mine provides a relatively stable stream of earnings. The mine has large reserves of potash and capacity could be expanded.

### Exploration

During 1981, Kidd Creek Mines carried out an exploration program costing $9.8 million and involving 43 projects throughout Canada. Efforts were concentrated in searching for base and precious metals and the alloy metals, molybdenum and tungsten. During 1982, the Company projects exploration spending of $15.3 million, placing it among the top 10 exploration companies in Canada. This increase largely reflects the minerals exploration activities of the former Aquitaine Company of Canada Ltd., CDC Oil & Gas Limited and Kidd Creek Mines. Kidd Creek's 40 geologists and geophysicists work out of six offices throughout Canada with another to be added during 1982 in the Province of Québec.

Two massive sulfide prospects containing base and precious metals were found in the North West Territories during the year. A mineral discovery was made in 1981 near Hood River NWT, where a copper-zinc-silver deposit was located near other reserves owned by Kidd Creek Mines. At Sisson Brook, in New Brunswick, tungsten and copper deposits were uncovered. Several small but encouraging gold and silver showings were discovered in the Toodoggone River area, 300 kilometres from Smithers, British Columbia.

| **SALES** (Volumes & Values) | **1981** | 1980 | 1979 | 1978 | 1977 |
|---|---|---|---|---|---|
| Zinc Concentrates | **148,000** | 143,000 | 176,400 | 283,500 | 225,600 |
| Value ($ millions) | **48.3** | 35.7 | 42.9 | 45.9 | 35.9 |
| Zinc Metal | **99,800** | 110,900 | 101,500 | 111,000 | 75,000 |
| Value ($ millions) | **115.3** | 106.2 | 95.8 | 82.8 | 58.5 |
| Copper Metal | **71,800** | 59,000 | 60,200 | 64,100 | 52,200 |
| Value ($ millions) | **155.9** | 153.8 | 139.1 | 102.4 | 77.1 |
| Silver (kilograms) | **141,500** | 160,100 | 155,500 | 164,500 | 184,200 |
| Value ($ millions) | **59.9** | 126.9 | 58.1 | 32.1 | 29.0 |
| Cadmium | **340** | 367 | 522 | 436 | 269 |
| Value ($ millions) | **1.6** | 2.4 | 3.3 | 2.3 | 1.7 |
| Lead Concentrate | **16,000** | 27,800 | 12,600 | 18,800 | 27,700 |
| Value ($ millions) | **5.9** | 25.0 | 9.0 | 4.6 | 6.9 |
| Other Sales ($ millions) | **1.4** | 1.9 | 1.6 | 1.2 | 1.5 |
| Total Sales ($ millions) | **$388.3** | $451.9 | $349.8 | $271.3 | $210.6 |

(All volumes in metric tonnes except silver–all values Canadian dollars)

| **PRODUCTION** | **1981** | 1980 | 1979 | 1978 | 1977 |
|---|---|---|---|---|---|
| Ore Milled | **4,076,400** | 3,899,700 | 3,680,900 | 3,002,200 | 3,298,500 |
| Zinc Concentrates | **118,600** | 135,200 | 102,000 | 148,500 | 215,500 |
| Zinc | **109,200** | 101,600 | 106,700 | 72,800 | 82,600 |
| Copper | **60,400** | 61,700 | 61,800 | 48,100 | 51,800 |
| Silver (kilograms) | **114,900** | 170,800 | 152,700 | 166,400 | 165,800 |
| Cadmium | **483** | 466 | 493 | 318 | 359 |
| Lead Concentrates | **16,100** | 27,800 | 12,400 | 18,800 | 27,800 |

(All volumes in metric tonnes except silver)

Other efforts were directed towards evaluating known mineral deposits. The Hoyle Pond gold project is being evaluated for possible production, and exploration will continue at Hood River and Izok Lake in the Northwest Territories. Further exploration work has been suspended at Millet Brook, in Nova Scotia, pending a judicial enquiry into uranium exploration in the Province, which is expected to last at least one year.

**Financial Results**

In 1981, revenue and operating income of Kidd Creek Mines were down from the record levels achieved in 1980. The decline resulted from reduced demand for many products and the rapid erosion in metals prices—particularly copper—that occurred during the year. Higher mining costs accounted for the increase in expenses.

Operations of Kidd Creek Mines have been consolidated with those of CDC for only the last quarter of 1981, reflecting the completion of arrangements to purchase the Canadian assets of Texasgulf. Texasgulf's net income for the nine months ended September 30, 1981, decreased 27.2% to U.S. $178 million of which CDC's share was $69.8 million. Profit for this period included a gain of $18.6 million resulting from the sale of certain iron ore properties in Australia. Higher raw material, energy and labour costs reduced operating margins during the period. During the 1981 fourth quarter, Kidd Creek Mines operated at reduced profit, due principally to lower metals prices. After interest expense on funds used to finance the acquisition of Texasgulf's Canadian assets, Kidd Creek Mines operated at near break-even levels.

**Outlook for 1982**

The Company expects an increase in the amount of ore mined and milled, in total concentrate production and in sales. Costs will increase substantially due to a number of factors. The Kidd Creek Mine will reach capacity production in its Number Two mine, which has relatively high underground mining costs due to its depth. The Company's total energy bill will rise 80% to $42 million as a result of increased fuel and electricity needs and higher energy prices. The successful commercialization of the copper smelter and refinery will help to offset these cost increases by reducing tolling charges and increasing metal recoveries.

Kidd Creek's markets are highly cyclical. With the mine producing at its optimal rate, efforts will shift to improving throughput and recoveries at metallurgical plants. The Company will continue to exploit its comparative advantage through the development of known orebodies and a thorough search for others in the Timmins area. Exploration efforts will be expanded in other areas of the country.

**Employees**

One of the great strengths of Texasgulf is its approach to employee relations. Texasgulf strives to provide steady and rewarding jobs in a friendly and co-operative environment. Both CDC and Kidd Creek feel a sense of challenge in maintaining and enhancing this corporate attitude, particularly at the Timmins operation.

| | KIDD CREEK MINES LTD. | TEXASGULF | | | | |
|---|---|---|---|---|---|---|
| **FINANCIAL REVIEW** | **Oct. 1-Dec. 31 1981*** | **Jan. 1-Sept. 30 1981** | 1980 | 1979 | 1978 | 1977 |
| | (millions of Cdn. dollars) | | | (millions of U.S. dollars) | | |
| **Income Summary** | | | | | | |
| Revenues | **$ 116.9** | **$ 849.0** | $1,132.0 | $ 801.6 | $ 608.9 | $ 491.1 |
| Operating costs and exploration | **91.4** | **561.4** | 663.0 | 544.5 | 481.3 | 375.8 |
| Selling and administration | **5.1** | **36.9** | 45.5 | 34.1 | 24.9 | 24.0 |
| Interest | **24.8** | — | 2.2 | 14.5 | 35.0 | 27.0 |
| Income taxes (recovery) | **(2.2)** | **72.7** | 134.8 | 71.6 | 17.6 | 18.0 |
| Other** | — | — | 39.1 | — | — | — |
| Net income (loss) | **(2.2)** | **178.0** | 325.6 | 136.9 | 50.1 | 46.3 |
| Cash flow from operations | **9.8** | **234.0** | 360.3 | 205.0 | 107.2 | 84.8 |
| **Balance Sheet Summary** | | | | | | |
| Working capital | **$ 114.9** | **$ 228.4** | $ 292.3 | $ 266.6 | $ 233.0 | $ 249.8 |
| Fixed assets | **1,266.0** | **1,617.7** | 1,415.6 | 1,127.0 | 1,031.4 | 997.5 |
| Total assets | **1,650.6** | **2,244.6** | 2,010.4 | 1,648.1 | 1,513.8 | 1,477.9 |
| Long-term debt | **757.0** | **301.2** | 344.5 | 351.2 | 357.4 | 366.6 |
| Shareholders' equity | **552.9** | **1,316.9** | 1,167.6 | 870.5 | 766.4 | 752.1 |

*Final Quarter—Kidd Creek Mines Ltd.
**Cumulative effect of change to flow-through method of accounting for investment tax credits.

# petrochemicals

Polysar expects to complete construction during 1982 of a $250 million butyl rubber plant at its Sarnia facilities. This new plant will provide additional capacity for a number of rubber products which are highly profitable.

Through two petrochemical subsidiary companies, CDC upgrades petroleum resources into higher value-added rubber and plastic products. Petrosar Limited, based in Sarnia, Ontario, is Canada's only world-scale integrated petrochemical refinery, providing primary petrochemicals and other products to a variety of customers. Polysar Limited, whose head office is also Sarnia, is a major Petrosar customer and further upgrades these primary petrochemicals into synthetic rubbers, latices, styrene, polystyrene resins and finished plastic products.

## POLYSAR LIMITED

(100% CDC owned)

Polysar is one of the largest and most successful Canadian multinational companies and is now the world's largest producer of synthetic rubber. With 7,100 employees and 21 plants in six countries, its products are used in a wide variety of applications. During 1981, 56% of its Canadian production, worth $330 million, was exported to other countries.

Since purchase in 1972 by CDC, Polysar's sales growth has averaged 23% a year, which is substantially higher than the industry average. Polysar has provided an excellent return on CDC's investment over the last 10 years. Excluding costs and benefits of Petrosar, the return has averaged 19% annually, although it has varied over the business cycle. During that period, the Company achieved significant increases in worldwide market share for its major specialty products.

Unlike most petrochemical companies, Polysar participates in a relatively narrow segment of the total industry. Its broad strategy is to develop industry leadership positions in selected products in order to achieve sustained, rapid and profitable growth. It seeks out opportunities to upgrade its product mix and develop technically advanced and higher value-added lines. Polysar is also seeking longer-term diversification opportunities, in particular specialty products that can be derived from natural gas-based feedstocks.

### 1981 Financial Results

The market conditions that developed during the last half of 1980 worsened during 1981—well beyond expectations. Two critical North American industries—housing and automobiles—continued to operate at depressed levels during the year, significantly reducing demand for some of Polysar's rubber, latex and polystyrene products.

Polysar took aggressive marketing actions to maintain sales volumes and improve market positions in this adverse environment. Sales revenue increased 14.1% over 1980 levels to $1.3 billion and a number of key acquisitions made in 1980 and 1981 helped increase actual sales volumes by 8.7%. During the year, Polysar's profit declined to $22 million from $73.4 million in 1980 and cash flow from operations declined to $69.2 million, compared with $130.0 million in 1980. Prices for commodity petrochemicals—especially styrene—declined in response to weak markets, the oversupply of crude oil on world markets and excess refining capacity. Margins were generally maintained for products in which Polysar has a significant market share or proprietary technology. The worsened financial performance was also attributable to unfavourable foreign currency adjustments and higher interest rates.

### Review of 1981 Operations

Despite poor operating results attributable to the current recessionary environment, Polysar recorded a number of achievements. Most important among them

| SALES BY PRODUCT | 1981 | 1980 | % Change |
|---|---|---|---|
| | | (millions of dollars) | |
| Rubber | **$ 725** | $ 652 | +11.2 |
| Latex | **244** | 173 | +41.0 |
| Plastics & Chemicals | **367** | 346 | +6.1 |
| Total Sales | **$1,336** | $1,171 | +14.1 |

| GEOGRAPHIC DISTRIBUTION OF SALES | 1981 | 1980 | % Change |
|---|---|---|---|
| | | (millions of dollars) | |
| Canada | **$ 366** | $ 315 | +16.2 |
| U.S.A. | **419** | 314 | +33.4 |
| Europe and other | **551** | 542 | +1.7 |
| Total | **$1,336** | $1,171 | +14.1 |

## POLYSAR LIMITED MANUFACTURING FACILITIES:

### RUBBERS & LATICES

| | CAPACITY (metric tonnes) |
|---|---|
| Sarnia, Canada–*General purpose rubbers/Specialty rubbers/Latices* | 280,000 |
| La Wantzenau, France–*General purpose rubbers/Specialty rubbers/Latices* | 160,000 |
| Antwerp, Belgium–*Specialty rubbers* | 85,000 |
| Arnhem, Netherlands–*Specialty rubbers/Latices* | 40,000 |
| Chattanooga, U.S.A.–*Latices* | 70,000 |
| Orange, U.S.A.–*Specialty and general purpose rubber* | 88,000 |
| Monaca, U.S.A.–*Latices* | 22,000 |
| Altamira, Mexico (40% interest)–*Specialty and general purpose rubbers* | 73,000 |

### STYRENICS

| | CAPACITY (metric tonnes) |
|---|---|
| Sarnia, Canada–*Styrene monomer* | 385,000 |
| Cambridge, Canada–*Polystyrene resin* | 33,000 |
| Montreal, Canada–*Polystyrene resin* | 38,000 |
| Copley, U.S.A.–*Polystyrene resin* | 60,000 |
| Leominster, U.S.A.–*Polystyrene resin* | 50,000 |
| Forest City, U.S.A.–*Polystyrene resin* | 18,000 |

### FORMED PRODUCTS

Alf, Deizisau–West Germany (Bellaplast GmbH)–*Formed plastic products for food packaging and horticultural product*

Kleve, West Germany (Wolf GmbH)–*Formed plastic products for food packaging and commercial signs*

### CUSTOM RUBBER COMPOUNDING

Barberton, U.S.A.–*General and specialty rubber compounds*

Akron, U.S.A.–*Silicone rubber compounds*

East Brunswick, U.S.A.–*General and speciality rubber compounds*

Canada | U.S.A. | Europe | Mexico

were steps to consolidate its product leadership position in rubbers and latices, and laying the groundwork for diversification into new related product areas.

During 1981, Polysar made four significant acquisitions. As part of a broad strategy to explore opportunities in petrochemicals derived from natural gas-based feedstocks, the Company entered the ethylene propylene rubber business—the only major rubber product not manufactured by Polysar—with the purchase of a plant located in Orange, Texas. To advance this strategy, Polysar opened an office in Calgary, Alberta, to develop complementary projects using gas-based feedstocks.

Polysar expanded its nitrile rubber and latex business by purchasing a division of Produits Chimiques Ugine Kuhlmann in France and CIAGO B.V. of the Netherlands. Rubber and latex now account for 72% of Polysar's net revenues. The Company has achieved an important market position in both businesses, which it will continue to strengthen and consolidate in coming years.

Polysar acquired Finachem's polystyrene plant at Pointe-aux-Trembles in Québec. This move enhances Polysar's Canadian polystyrene position, although its position in the United States market requires further strengthening. Strategies to improve this segment of the business include expanding market share and upgrading product lines—both of which pose a greater challenge to Polysar than it faces in its rubber and latex businesses.

Progress continued on Polysar's ambitious five-year capital spending program. The $250 million butyl rubber and isobutylene plants in Sarnia continued on schedule and within budget. These new facilities will provide additional capacity for a number of upgraded rubber products which are highly profitable. Completion and commercial production are expected during 1982. The Company's technology strategy focusses its research and development efforts into those areas with the most promising returns, particularly in petrochemical products with substantial potential for upgrading.

**Looking Ahead**

Emphasis by management during 1982 will be in coping with recessionary conditions. A plan is in place to reduce working capital requirements and to defer discretionary capital and operating expenses in order to improve the Company's financial position, which has been adversely affected by market conditions. In an effort to better balance production with demand, the Sarnia facilities will operate at less than full capacity during early 1982. Strong emphasis will be placed on cost control in order to preserve or enhance margins on existing product lines. Despite management actions in the short term, improved product demand and profitability will be heavily influenced by the timing and strength of the recovery in economic conditions.

Some capital spending will be deferred during 1982, although planned expenditures of $200 million, largely for construction in progress, is up slightly from $199 million in 1981.

All of Polysar's Canadian and European production is based on crude oil feedstocks. With major manufacturing facilities in Canada, Europe and the United States, Polysar enjoys excellent access to feedstocks at internationally competitive prices. The Company is not directly affected by changes in the relative economics between natural gas and oil-based petrochemical production. Present Canadian energy policies may, however, adversely affect the future competitive pricing of petrochemical feedstocks and Polysar will be working with government to ensure that this does not occur.

Polysar's strategy of developing market leadership positions in selected products with longer-term growth opportunities, its emphasis on technology and innovation in the petrochemical business and the uniqueness of many existing products will provide CDC with continued high returns and growth from the petrochemicals industry in future years.

| **FINANCIAL REVIEW** | **1981** | 1980 | 1979 | 1978 | 1977 |
|---|---|---|---|---|---|
| | | | (millions of dollars) | | |
| **Income Summary** | | | | | |
| Revenues | **$1,347.4** | $1,180.6 | $1,066.9 | $ 807.3 | $ 609.4 |
| Cost of sales | **1,142.9** | 957.7 | 823.5 | 671.8 | 513.7 |
| Selling, administration and research | **99.8** | 80.0 | 72.8 | 72.4 | 58.2 |
| Interest | **50.2** | 37.1 | 31.5 | 28.3 | 21.0 |
| Taxes, minority interest, other | **32.5** | 32.4 | 65.1 | 16.3 | 2.1 |
| Net income | **22.0** | 73.4 | 74.0 | 18.5 | 14.4 |
| Cash flow | **69.2** | 130.0 | 141.0 | 64.1 | 41.6 |
| **Balance Sheet Summary** | | | | | |
| Working capital | **$ 232.4** | $ 270.0 | $ 250.5 | $ 200.8 | $ 99.1 |
| Fixed assets (net) | **564.0** | 320.9 | 243.9 | 216.3 | 222.8 |
| Total assets | **1,402.5** | 1,044.1 | 909.9 | 766.1 | 646.4 |
| Long-term debt | **427.0** | 228.7 | 302.1 | 205.1 | 191.8 |
| Shareholders' equity | **391.3** | 380.7 | 317.9 | 262.3 | 255.9 |

## PETROSAR LIMITED
(60% CDC owned)

Petrosar facilities near Sarnia process crude oil and condensate into primary petrochemicals such as ethylene, benzene, butadiene, isobutylene, and other olefins and aromatics for its shareholder-customers—Polysar, Du Pont Canada Inc. and Union Carbide Canada Limited. Propylene is also produced for a variety of other customers. Other products include fuel oils, gasoline components and fuel gases.

The original purpose of Petrosar's shareholders in building the plant was to obtain long-term supplies of feedstock at prices which would enable them to compete with Gulf Coast refiners. That goal has been achieved and, in the process, the customer-shareholders' reputations as reliable suppliers of petrochemical products have been enhanced.

### Operating Highlights

There were two significant highlights during 1981. The first was the physical performance of Petrosar's facilities, which achieved new levels of operating efficiency. The olefins plant operated with an on-stream production factor of 99% of rated capacity, compared with 94% during 1980. The second was the acceptance of Petrosar as an approved purchaser of Alberta Crown oil, an achievement that came after five years of discussions with government. Petrosar now purchases one half of its crude oil needs from the Alberta Petroleum Marketing Commission, with the remainder coming from freehold sources.

Operating margins, however, were down during 1981, resulting from lower volumes due to depressed economic conditions, the early effects of the National Energy Program and high interest rates.

Cash flow from operations was $93 million, down from $110.2 million in 1980. After preferred dividends, net cash flow was $48.3 million. Preferred dividends increased from $37.5 million to $44.7 million due to higher interest rates, in spite of redemption by Petrosar of $40 million in Preferred A Shares during 1981.

Net income before preferred dividends was $37.6 million, down $9.1 million from 1980. After preferred dividends, Petrosar had a loss of $7.1 million. A term loan of $100 million was used to finance higher inventory levels and for capital improvements to reduce the output of heavy fuel oil. Interest charges on debt increased to $19.0 million, up from $12.3 million in 1980.

The $24 million capital expenditure program to achieve maximum plant reliability has been largely completed. During the year, Petrosar completed facilities to produce, store and convert heavier than naptha feedstocks. These facilities are important in that they allow the Company to upgrade a significantly greater portion of a barrel of oil, thereby reducing residual fuel oil output.

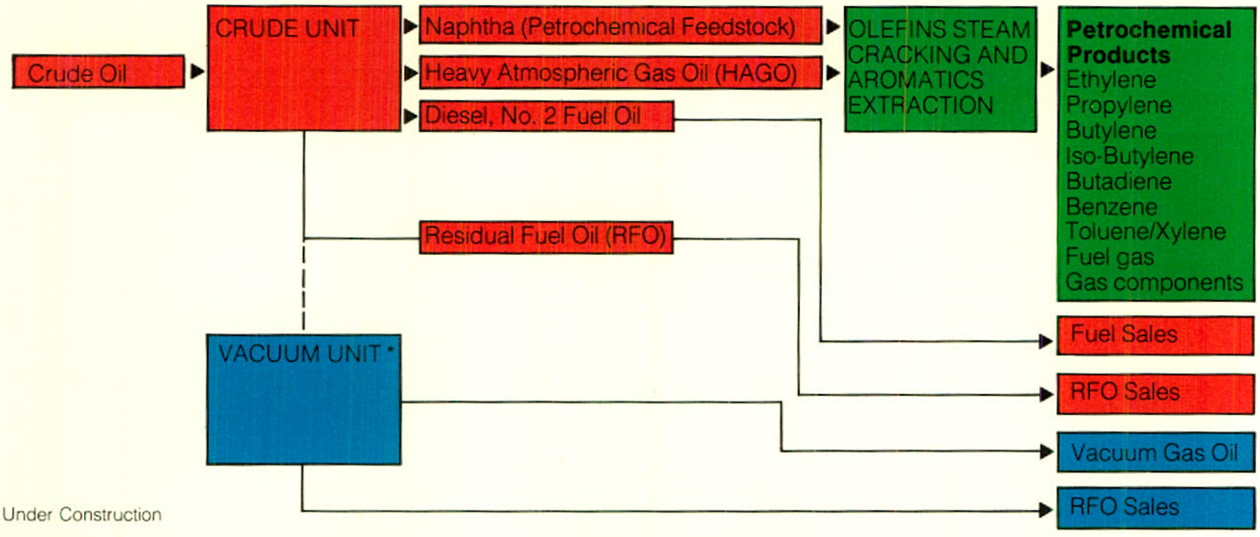
### Eastern Canada Refining Industry

The Federal Government's National Energy Program and the subsequent energy pricing agreement with the Province of Alberta during 1981 had significant short and long-term impacts on Petrosar, as well as other refinery operators in Eastern Canada.

The Alberta Government's cutbacks in oil production during 1981, resulting from its dispute over energy pricing with the Federal Government, affected the quality of available crude supplies. Crude oil not affected by the cutbacks had a generally higher sulphur level. In order to meet sulphur specifications, Petrosar's operating costs increased $9 million.

The closer relationship of Canadian crude prices to world prices had the additional effect of lowering margins on products sold into world markets. For

### PETROSAR PLANT PROCESS




*Under Construction

example, the effect of lower margins for propylene was $4 million.

The pricing of natural gas at 65% of the crude oil price in Canada will present additional problems for Petrosar and other Eastern refiners. Lower-priced natural gas has provided increased competition for Petrosar's output of heavy oil and home heating oil. Residual fuel oil prices, prior to the NEP and the Alberta-Ottawa energy-pricing agreement, were $2 a barrel below the cost of a barrel of crude oil. Following the actions of the two governments, the price of residual fuel oil plunged to $10 below the price of a barrel of crude oil. The lower price of natural gas also means that ethylene can be produced at less cost in Western Canada than from crude oil in Eastern Canada.

**Petrosar Actions**

As part of an earlier understanding with the Federal Government, Petrosar undertook to design additional plant facilities to reduce the output of heavy fuel oil. From this work, a heavy fuel oil upgrader (HFOU) was proposed at a cost of $530 million in 1982 dollars. The most significant and expensive element of the HFOU project was a hydrocracker.

The effect of any upgrading scheme is to either conserve crude oil or to upgrade heavy refinery ends back to the equivalent of crude oil. The economics of such a venture are similar to finding new sources of crude oil in Western Canada. Although the HFOU project continued to be desirable from a technical standpoint, the much faster than foreseen equalization of Canadian with international oil prices, the larger than envisaged differential between natural gas and oil prices, the weak business environment and high financing costs combined to make the project uneconomic.

Early in 1982, Petrosar announced the suspension of work on the upgrader. Under a revised plan, only the vacuum distillation unit of the project will proceed at a present cost of about $50 million. When completed in early 1983, vacuum gas oil will be produced for sale or trade as a feedstock for other cracking facilities. Heavy fuel oil production following completion of the vacuum distillate cracking process unit will be about the same as if the complete upgrading unit had been constructed.

Petrosar is now reviewing alternative courses of action. If economic conditions warrant, the hydrocracking unit of the upgrader could be built. Alternatively, Petrosar could enter into product exchange agreements with other refiners in the Sarnia area. Petrosar will make further modifications to its existing plant to expand the range of feedstocks that can be utilized and to reduce the output of fuel products. The common element for each alternative is the vacuum distillation unit, which led to the decision to proceed with its construction. Petrosar and other Eastern Canada refiners will be continuing discussions with the Federal Government in order to create an appropriate environment for continued growth and profitability.

**Outlook for 1982**

Petrosar has been operated as a joint venture by its customer-shareholders. This arrangement was instrumental in getting Petrosar launched and allowing it to become an efficient producer of primary petrochemicals. However, the present arrangement is no longer considered appropriate in view of business conditions.

During 1982, it is anticipated that the commercial relationship between Petrosar and its shareholders will be altered. These new arrangements will increase Petrosar's flexibility by making it more responsive to market conditions.

Demand for all petrochemical products as well as for fuel products will be weak in 1982, resulting in below-capacity operations. Petrosar will take advantage of this environment to further improve plant operations and to develop new process and hardware options to better meet the changing energy environment.

| FINANCIAL REVIEW | 1981 | 1980 | 1979 | 1978* (9 mos.) |
|---|---|---|---|---|
| | | (millions of dollars) | | |
| **Income Summary** | | | | |
| Revenues | **$1,183.5** | $865.7 | $687.2 | $401.1 |
| Cost of sales | **1,081.7** | 751.4 | 633.6 | 389.3 |
| Selling and administration | **25.3** | 19.8 | 16.2 | 9.0 |
| Interest | **19.0** | 12.3 | 9.0 | 6.0 |
| Taxes, minority interest, other | **19.9** | 35.5 | 11.3 | (2.4) |
| Net income | **37.6** | 46.7 | 17.1 | (0.8) |
| Cash flow from operations | **93.0** | 110.2 | 53.8 | 9.5 |
| Preferred dividends (Class A) | **44.7** | 37.5 | 34.8 | 21.6 |
| **Balance Sheet Summary** | | | | |
| Working capital | **$ 60.9** | $ 18.5 | $ 7.0 | $ 3.9 |
| Fixed assets (net) | **614.4** | 574.7 | 574.6 | 587.5 |
| Total assets | **956.4** | 828.7 | 804.5 | 817.4 |
| Partner's equity | **203.3** | 210.4 | 195.2 | 201.9 |
| Class A preference shares | **350.0** | 390.0 | 425.0 | 445.0 |
| Total Shareholders' equity | **$ 553.3** | $600.4 | $620.2 | $646.9 |

*Petrosar commenced commercial operations April 1, 1978

# information processing

AES Data doubled its manufacturing capacity during 1981 to meet the growing demand for its word processing products. The Alphaplus, which was introduced during 1981, is the first electronic word processor to combine all components–video display screen, keyboard and printer–into a single piece of equipment.

CDC is building a Canadian-controlled position of leadership in the manufacture and distribution of information processing equipment throughout the world. Information processing has emerged as a major growth industry. An increasingly complex world requires improvements in the flow of information in order to increase management effectiveness and the operating efficiency of the modern office. Companies in the information processing industry are successful if they are able to capitalize upon rapid advances in electronic technology to design and manufacture effective products which can be marketed internationally. CDC's participation in this exciting industry provides an outlet for Canadian skills to world markets.

**CDC DATA SYSTEMS LIMITED**
(100% CDC owned)

CDC's investments in information processing are held through its 100% owned subsidiary company, CDC Data Systems Limited. Total revenue has grown from $44.6 million in 1978 to $218.5 million in 1981. These years were marked by efforts to build a solid product base and marketing strength in the worldwide information processing industry. The Company expects that the coming period will bring significant advances in market share, revenues and profitability as the strategy begins to yield further results.

CDC Data Systems started in 1978 with two word processing companies, AES Data Ltd. and Wordplex International Inc., purchased from venture capital affiliates of CDC. Since 1978, CDC Data Systems has expanded its product and market coverage with a number of acquisitions.

In 1979, CDC Data Systems entered into a joint venture with Dennison Manufacturing Co. of the United States to form Delphax Systems and develop a low cost, high-speed non-impact printer with widespread applications in word and data processing.

Through a subordinated debenture, CDC Data Systems acquired in 1980 the equivalent of a 7.8% interest in the fully diluted common equity of Lanier Business Products Inc. of Atlanta, the U.S. distributor of AES products as well as a minority shareholder in AES.

In early 1981, CDC Data Systems through AES acquired Daisy Systems of Holland, a small Company that develops and manufactures a line of printers similar to those used in AES' word processing systems. This purchase provides CDC with a manufacturing base to design and build high-quality impact printers for its own requirements, as well as for sale to other manufacturers.

In January 1982, CDC announced its intention to purchase a controlling interest in Savin Corporation of Valhalla, New York. Savin is the second largest supplier of photocopier equipment in North America. The purchase provides CDC with a prominent position in the photocopier market, as well as providing other companies in the CDC Data Systems group with potential marketing and technology benefits.

**AES DATA LTD.**
(78% CDC owned)

AES has successfully positioned itself as one of the top three suppliers in the growing world market for video-based word processing equipment. Over the past four years, sales have increased from $50 million to $172.8 million. The Company has moved from a loss position in 1979 to major profit increases in 1980 and 1981.

The Company increased its shipments by 50% during 1981 and, in the process, increased its world market share. AES continues to seek ways to provide its customers with higher quality products at lower prices. Two new products—the Superplus and the Alphaplus—were successfully launched during the year.

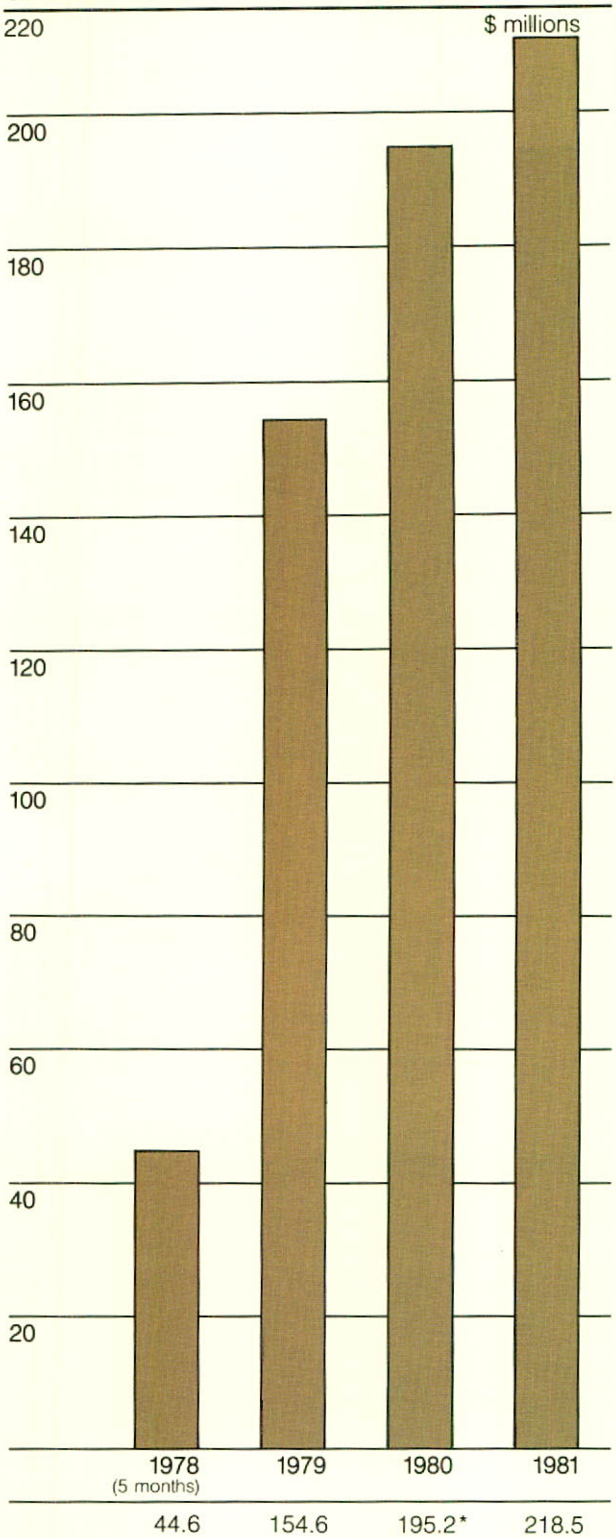
The Superplus offers enhanced word processing and memory capabilities, which are required by highly sophisticated users of stand-alone equipment. This product received exceptional market acceptance, resulting in demand exceeding supply during 1981.

The Alphaplus is the first word processor to integrate all components—video display screen, keyboard and printer—into a single piece of equipment that requires the same amount of space as a traditional typewriter. Alphaplus sales exceeded expectations during the year and continued at a strong rate in early 1982.

Manufacturing facilities at AES were expanded in 1981 to allow the Company to double its production during 1982. Management of product groups was strengthened during the year. A new communications product group was established to strengthen the Company's ability to meet the needs of major customers who utilize word processing units to communicate information electronically throughout their organizations.

The purchase of Daisy Systems during 1981 provides AES with an ability to efficiently integrate printer

**CDC DATA SYSTEMS LIMITED SALES**




*Results of CDC Data Systems includes revenues of Ventek Ltd. ($38.2 million in 1980, $29.0 in 1979 and $8.2 in 1978). Ventek was sold in 1981.

technology into its word processing products. Daisy Systems provides AES with a European manufacturing base to more effectively serve customers outside North America.

During 1982, AES plans to introduce a number of new products. Its spending on research and development during the year will total $18 million.

**WORDPLEX INTERNATIONAL INC.**
(100% CDC owned)

Prior to 1981, Wordplex was operated as a subsidiary of AES. During the year, it was established as a separate CDC operating company to manufacture and sell a complete line of word processing equipment. The Company holds a significant share of the market in the United Kingdom, Europe and Australia.

Wordplex's management was strengthened during the year. Efforts were concentrated on broadening the products offered and improving distribution in North America.

The Company successfully introduced the new and more cost-effective Wordplex 80 series of word processors. These initiatives will start producing increased revenues in 1982 and significantly improve the Company's profitability. Wordplex continues to enjoy a reputation of having one of the best integrated and compatible product lines in the industry.

**DELPHAX SYSTEMS**
(50% CDC owned)

Delphax continued the development of its high-speed, non-impact printer during 1981. In June, the Company introduced its first product, the Delphax 2460. The first evaluation units were shipped to original equipment manufacturers late in the year. Production of the Delphax 2460 should commence during 1982 at facilities in Mississauga, Ontario. Delphax technology has considerable potential for applications in the word and data processing industry. The Company will continue to spend heavily on research and development.

**SAVIN CORPORATION**
(57% CDC owned)

The Company started operations in 1959 and pioneered the development of the liquid toner plain paper copier. Although developed by Savin, the copiers were licensed for manufacture by Ricoh of Japan. The arrangement has allowed Savin to become the leading North American supplier of low-speed copiers.

Because the licensing arrangement with Ricoh expires in 1986, Savin has embarked on an ambitious plan to become a manufacturer of copier equipment as well as a designer and distributor. The start-up cost of developing a manufacturing capability has severely affected Savin's short-term profitability.

The Company possesses unique technology. The Landa Process is a new liquid toner development which will allow Savin to maintain its leadership in the low-speed copier market, as well as apply its technology to the lucrative high-speed market. CDC's investment in Savin will provide mutual benefits for both companies in a number of areas, including complementary technology with AES and Delphax. It also offers CDC a very widespread distribution network through which future office products could be marketed effectively.

## LANIER BUSINESS PRODUCTS INC.
(7.8% CDC owned)

Lanier is an international distributor of office products. It holds a leading position in the sale and servicing of word processing and dictation equipment in the United States and is one of 3M's largest distributors of copiers and microfilm equipment. During 1981, Lanier introduced a number of new office products, including a small business computer and a line of telephone answering equipment.

Lanier owns 22% of the fully diluted shares of AES and has played a significant role as an exclusive distributor of its products in the vital U.S. market.

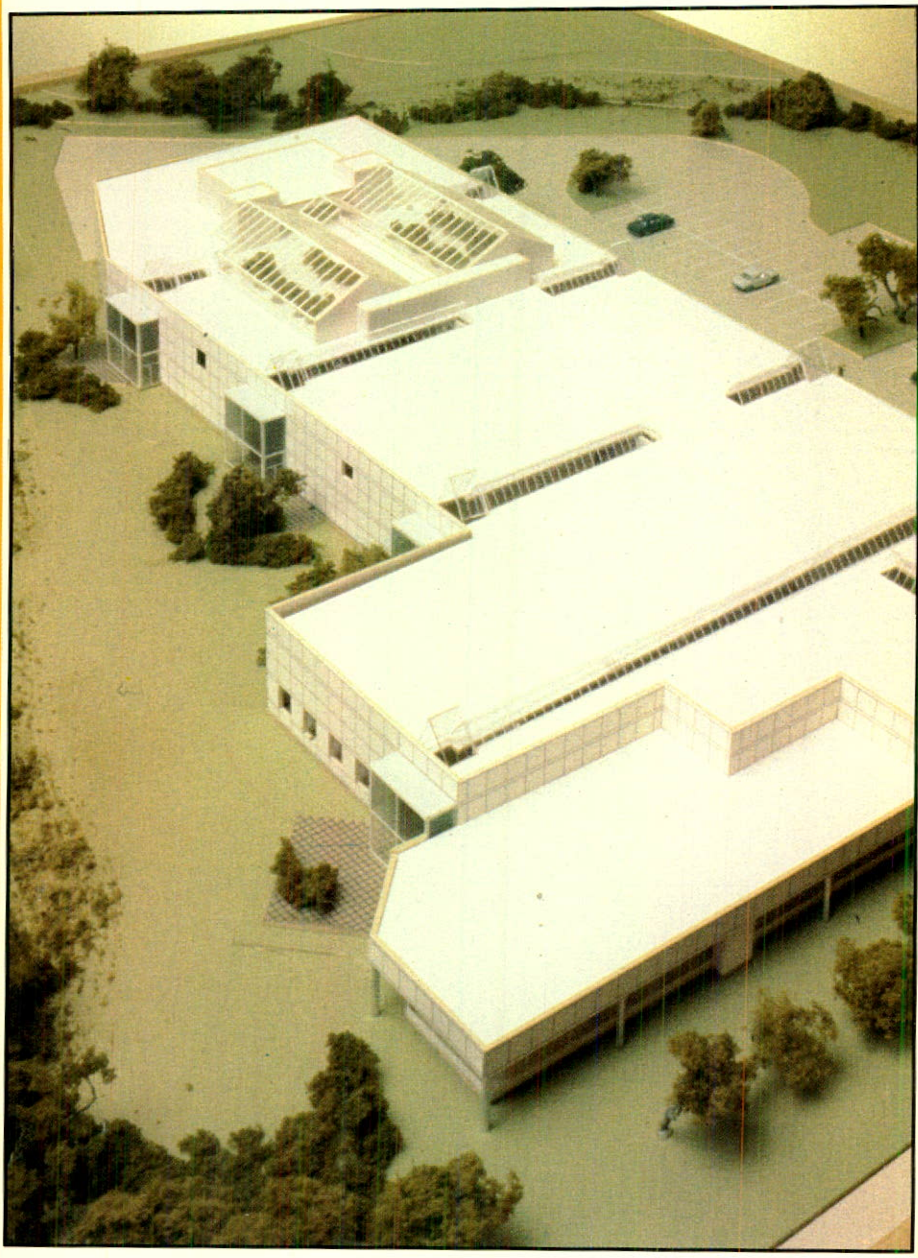
### Future Prospects
CDC Data Systems is well positioned to capitalize on the high-growth potential for information processing products. Investments have been made in companies with strong product reputations and marketing strength in major world markets.

During the next five years, emphasis will be placed on developing new products to meet expanding needs to process and communicate information. Present and potential customers want products that are cost effective, technologically innovative and easy to use.

| FINANCIAL REVIEW | 1981 | 1980* | 1979 | 1978 (5 months) |
|---|---|---|---|---|
| | | (millions of dollars) | | |
| **Income Summary** | | | | |
| Revenues | **$218.5** | $195.2 | $154.6 | $ 44.6 |
| Cost of sales | **121.5** | 94.9 | 84.0 | 21.8 |
| Selling and administration | **70.0** | 73.0 | 55.7 | 16.7 |
| Research and development | **16.9** | 14.6 | 10.8 | 2.5 |
| Interest | **6.2** | 6.6 | 4.4 | 1.1 |
| Taxes, minority interest, other | **7.0** | 6.0 | (1.9) | 1.2 |
| Gain on sale of Ventek | **12.0** | | | |
| Net income | **8.9** | 0.1 | 1.6 | 1.3 |
| Cash flow | **25.5** | 16.8 | 21.8 | 16.2 |
| **Balance Sheet Summary** | | | | |
| Working capital | **$ 28.7** | $ 45.4 | $ 38.0 | $ 20.7 |
| Fixed assets (net) | **28.9** | 23.7 | 15.6 | 9.1 |
| Total assets | **236.2** | 225.8 | 180.5 | 128.4 |
| Long-term debt | **2.0** | 29.3 | 18.8 | 17.7 |
| Shareholders' investment | **143.8** | 121.2 | 39.3 | 40.6 |

*Results of 1978-80 include Ventek Limited

# life sciences



During 1981, Allelix started construction of new administration offices, laboratories and pilot plant facilities in Mississauga, Ontario. Key management and scientific personnel will be appointed during 1982 for this exciting venture in the field of biotechnology.

CDC Life Sciences Inc., a wholly owned CDC subsidiary, is the largest Canadian-controlled firm in the Life Sciences industry. It controls a number of internationally active companies participating in four main areas: biologicals, pharmaceuticals, life sciences contracting and biotechnology.

### CDC LIFE SCIENCES INC.

(100% CDC owned)

Revenues of companies in the Life Sciences Group showed no growth from the previous year because of the devaluation of the Danish kroner, which reduced net income for the Group by $2.1 million.

CDC has decided not to pursue major growth in its pharmaceutical investments. In order to be successful, Canadian-controlled companies must compete internationally with major multinational companies with the very large research capabilities that large sales permit. CDC's focus in the Life Sciences area will be on biologicals, sophisticated testing services and biotechnology.

The process of restructuring existing pharmaceutical investments began during 1981 with the sale of Raylo Chemicals Limited. In early 1982, CDC announced its intention to form a joint venture with Marion Laboratories Inc. to operate Omnimedic Inc. The proposed joint venture will provide Omnimedic with access to a continuing flow of new products and to a full range of pharmaceutical marketing and management expertise. Omnimedic recorded a good profit in 1981 after a number of difficult years. CDC plans to dispose of its investment in A/S Dumex provided satisfactory terms can be arranged. In 1981, Dumex showed a 17% increase in net income in Danish kroner, but the contribution to CDC was below 1980, after the effects of currency translation.

### ALLELIX INC.

(50% CDC owned)

During the year, CDC announced the formation of this new biotechnology venture which will have significant industrial growth potential. CDC and its partners, John Labatt Limited and the Government of Ontario, have committed a minimum of $100 million to this venture even though it is not expected to contribute to earnings for many years.

### CONNAUGHT LABORATORIES LIMITED

(100% CDC owned)

Connaught is one of Canada's best known companies and a leading world manufacturer of biologicals. Sales increased by 25% due to strong sales of human vaccines in Canada, the United States and internationally. Insulin and plasma fraction products maintained their market position, while exports of animal vaccines showed significant growth. The Vicogen calf scours vaccine did not achieve expected sales levels in both the U.S. and Canada. Despite the sales increases, income declined from the previous year due to increased spending for R&D, as well as higher marketing and financing costs.

### BIO-RESEARCH LABORATORIES LIMITED

(100% CDC owned)

Over the past three years Bio-Research has developed an excellent international reputation in contract toxicology testing and is now one of the world's leading companies in this area. Close to 90% of the Company's business originates outside Canada from a broad list of prestigious clients, primarily pharmaceutical companies.

Overall economic conditions, reductions in client research appropriations, and excess capacity in the industry produced a heavy downward pressure on prices. As a result, revenue growth was less than expected and the Company fell short of its profit objective. During the year, Bio-Research widened its range of scientific services and by year end was actively involved in various forms of chemical, environmental, food and clinical testing.

| **FINANCIAL REVIEW** | **1981** | 1980 | 1979 | 1978 | 1977 |
|---|---|---|---|---|---|
| | | | (millions of dollars) | | |
| **Income Summary** | | | | | |
| Revenues | **$170.0** | $171.8 | $137.8 | $139.8 | $109.2 |
| Cost of sales | **79.2** | 81.8 | 63.4 | 66.6 | 56.1 |
| Selling and administration | **62.6** | 64.6 | 55.8 | 51.7 | 38.4 |
| Research and development | **15.9** | 12.0 | 8.8 | 8.7 | 6.8 |
| Interest | **4.3** | 4.8 | 4.3 | 6.2 | 4.4 |
| Taxes, minority interest other | **6.1** | 5.8 | 1.4 | 2.6 | 4.9 |
| Net income | **1.9** | 2.8 | 4.1 | 4.0 | (1.4) |
| Cash flow | **11.3** | 11.2 | 13.5 | 10.7 | 5.7 |
| **Balance Sheet Summary** | | | | | |
| Working capital | **$ 48.5** | $ 43.5 | $ 39.6 | $ 38.8 | $ 12.7 |
| Fixed assets (net) | **56.8** | 56.3 | 54.8 | 51.0 | 40.1 |
| Total assets | **148.3** | 153.3 | 154.2 | 152.8 | 108.7 |
| Long-term debt | **19.4** | 20.0 | 19.8 | 18.0 | 16.1 |
| Shareholders' investment | **54.4** | 47.6 | 44.8 | 44.3 | 38.3 |

# fisheries

Fishery Products processes its catch into a variety of finished frozen products for both food service and retail markets. The Company is a major exporter of seafood products to Europe and the United States.

CDC, through its 40.8% ownership of Fishery Products Limited of St. John's, Newfoundland, harvests, processes and markets various fish species from the Grand Banks and Labrador fishing grounds. The Company's primary products are flatfish (sole and flounder) and cod, as well as other groundfish and shellfish. Although serious problems continued to plague the industry during 1981, CDC believes that the fishing industry continues to hold significant longer-term growth potential.

## FISHERY PRODUCTS LIMITED

(40.8% CDC owned)

Fishery Products Limited is a vertically integrated fish harvesting, processing and marketing company, which started operations in 1941. The Company's fleet of 42 offshore trawlers, representing more than half of the 78 licensed by the Federal Government to operate from Newfoundland, supplies about 80% of the volume for its processing plants located throughout the province. Fishery Products employs over 5,000 people, making it the largest year-round private sector employer in Newfoundland.

There are two broad sectors in the East Coast fishing industry. The offshore fishery is essentially comprised of companies like Fishery Products which operate deep-sea trawlers on a year-round basis. The inshore fishery comprises independent fishermen operating on a seasonal basis. Fishery Products is the second largest of four major companies operating in the offshore sector in the Atlantic Provinces; two of these companies are based in Nova Scotia, while the other two—including Fishery Products—operate out of Newfoundland.

The Company processes its catch into a variety of finished frozen products for both food service and retail markets. About 80% of its output is exported to the United States and Europe. Secondary processing for the United States is carried out at a plant in Danvers, Massachusetts, and at Burin, Newfoundland, for Canada and Europe. The Company is increasing its emphasis on the production of value-added products.

### Financial and Operating Highlights

Poor conditions which plagued the fishing industry during 1980 continued and worsened during 1981. Fishery Products, like other East Coast companies, experienced high inventories of groundfish, depressed prices and heavy financing costs. The failure of the inshore fishery caused further problems by reducing the supply of fish to seasonal plants.

Despite these difficulties, Fishery Products was successful in doubling sales in Europe over 1980, and increasing sales by 17% in the U.S. market, and by 35% in Canada. To further reduce groundfish inventories, the Company delayed trawler sailings and plant openings until mid-February.

The year marked the beginning of an aggressive effort to improve retail distribution. The Company purchased the Maripac retail brand name in the United States and launched a number of new product lines in Canada. European marketing efforts were intensified, focussing on those countries in the European Economic Community with a high level of fish consumption. Further efforts to increase retail distribution will continue during 1982.

Extensive capital investments designed to improve processing efficiency were made at various plants in Newfoundland. A modern stern trawler, costing $7 million, was added to the Fishery Products' fleet. Delivery of another new trawler took place in early 1982.

The problems that hampered harvesting operations during 1981 have been reduced by the implementation of a new quota system by the Federal Government. Each offshore fishing company received a corporate allocation. The new system will allow Fishery Products to plan its fishing operations to a much greater extent than before, matching its harvesting effort with market demands and processing capabilities.

| FINANCIAL REVIEW | 1981 | 1980* (4 months) |
|---|---|---|
| | (millions of dollars) | |
| **Income Summary** | | |
| Sales | **$175.3** | $ 27.2 |
| Cost of sales | **163.5** | 24.3 |
| Selling and administration | **10.2** | 1.7 |
| Interest | **9.6** | 1.4 |
| Taxes, minority interest, other | **0.9** | (0.5) |
| Net income (loss) | **(8.9)** | 0.3 |
| Cash flow | **(6.8)** | 0.6 |
| **Balance Sheet** | | |
| Fixed assets | **$ 67.5** | $ 45.9 |
| Total assets | **155.9** | 101.2 |
| Long term debt | **32.5** | 23.7 |
| Shareholders' equity | **18.0** | 26.9 |
| CDC's investment | **30.2** | 34.8 |

*CDC's 40.8% interest acquired September, 1980

# industrial automation


A Sentrol automated system allows manufacturers to make the most efficient use of raw materials and energy in their production processes. The field of industrial automation is one of the fastest growing in the world. There are about 400 computer-based Sentrol systems installed around the world.

The manufacturing technology used by many industries is undergoing fundamental change. Computer-based control systems, which include the promising field of robotics, offer manufacturers the opportunity to make the most efficient use of raw materials and energy, as well as to obtain optimal product quality and output. CDC designs, manufactures, installs and services control systems to selected industry segments through a subsidiary company, Sentrol Systems Ltd.

## SENTROL SYSTEMS LTD.

(85% CDC owned)

In 1981, CDC purchased Sentrol Systems from Innocan Investments Ltd., a venture capital company in which CDC holds a minority interest. Sentrol is the largest Canadian supplier of process-control systems.

From 1977-80, Sentrol's sales grew at an annual compound rate of 44%, with an average return on equity each year of 25%. Despite a slowdown during 1981, the Company is poised to continue its rapid growth. Sentrol is developing new products, as well as a greater sales presence in important markets.

About 400 Sentrol systems have been installed around the world in a number of industries, including pulp and paper, steel, pipelines, chemicals and cement, as well as in large building complexes. Although emphasis is being placed on expanding its customer base, a large portion of Sentrol's business comes from repeat orders and add-on equipment as customers' facilities increase in size.

The Company employs about 500 people with significant technical skills. During 1981, Sentrol invested $5 million in research and development. Its R&D strategy is to maintain a leading edge in technology in an industry where product life can be five years or less.

### 1981 Results

The business recession during 1981 resulted in many potential Sentrol customers deferring planned purchases. The integrated forest products companies reduced their capital spending because of losses in their lines of building products. Flat-rolled steel suffered from depressed sales of appliances and automobiles. Canadian energy projects were delayed because of the length of time it took for the Federal and Alberta Governments to resolve their energy-pricing dispute.

Net bookings were less than projected and, for the first time, Sentrol suffered order cancellations. At the same time, the Company committed substantial resources to new product development, better market penetration and adding management depth. These actions increased short-term costs but are essential if the Company is to achieve rapid and profitable growth in the future.

While this strategy is directed toward longer-term growth, it is beginning to show dramatic results: 73% of orders received during 1981 came in the second half after this new strategy was implemented. Sentrol entered 1982 with a substantial order backlog despite continuing poor economic conditions.

| FINANCIAL REVIEW | 1981* (6 months) |
|---|---|
| | (millions of dollars) |
| **Income Summary** | |
| Sales | **$15.1** |
| Cost of sales | **14.6** |
| Selling, administration and research | **7.4** |
| Interest | **0.7** |
| Net income | **(7.6)** |
| Cash flow | **(8.2)** |
| **Balance Sheet Summary** | |
| Working capital | **$5.9** |
| Fixed assets (net) | **3.5** |
| Total assets | **29.3** |
| Long-term debt | **0.3** |
| CDC's investment | **31.0** |

*CDC acquired an 85% interest July 1981

# venture and expansion capital

CDC Ventures invests in a number of companies in the search for highly innovative products and processes. One of CDC Ventures' investments is in a reverse osmosis pump which allows the user to desalinate water.

Through a wholly-owned subsidiary, CDC operates Canada's largest pool of venture and expansion capital. CDC invests equity funds in small business ventures at the conceptual or early developmental stages. Some of these ventures may become eventual candidates for acquisition by CDC. CDC also participates in CanWest Capital Corporation of Winnipeg, an expansion capital organization. CanWest acquires and participates in the management of medium-sized companies—either to reorganize them and improve their profits with the intention of resale or to hold for long-term growth and development.

**CDC VENTURES INC.**
(100% CDC owned)

CDC Ventures is the Corporation's holding Company for its investments in seven venture and expansion capital companies. To date, CDC Ventures has invested more than $50 million in many high-risk and technologically innovative ventures. After dividends and proceeds from sales of shares, the book value of CDC Ventures' investments is $29 million.

CDC Ventures' affiliated companies have investments in approximately 25 separate operations—18 of which can be classified as commercial enterprises, with the balance being primarily research and development efforts. The 18 commercial enterprises are involved in 13 distinct industries.

During 1981, CDC Ventures made two divestitures: Venturetek International Limited of Toronto and Ventures West Capital Ltd. of Vancouver. CDC Ventures first invested in both companies in 1972.

During the year, CDC Ventures started two new funds. Atlantis Corporation of St. John's, Newfoundland, was established to seek out business opportunities in Atlantic Canada. The VASE Fund Inc. of Toronto makes venture capital investments in chemical processing and pollution control devices.

CDC Ventures increased its investment in existing venture capital funds by $10.1 million, which included $7.9 million to CanWest Capital. It has future commitments of $10.6 million.

**ATLANTIS CORPORATION**
(33% CDC owned)

Established during 1981, Atlantis will focus primarily on service and technology investments in the developing oil and gas sector in the Atlantic offshore, although it will investigate other special situations. In early 1982, Atlantis invested in a small crab plant at Conception Bay. The plant, which had been closed, will be operated in co-operation with local fishermen.

**INNOCAN INVESTMENTS LTD.**
(25% CDC owned)

Innocan is one of CDC's better known and established venture capital companies. It provides equity capital to new and expanding businesses.

During the year, Innocan's interest in Sentrol Systems Ltd. was sold to CDC, resulting in a distribution of $12 million to shareholders. Air Canada invested $4.5 million in Innotech Aviation Limited, 53% owned by Innocan. Innocan purchased Digital Video Systems Inc., whose products include digital time-based correctors, frame stores and syncronizers, which are major components of television production between the camera stage and the distribution of signals.

**ALBERTA VENTURES FUND**
(14% CDC owned)

AVF, based in Alberta, commenced operations in 1980. It seeks out investments in the oil and gas and mineral sectors, particularly opportunities in advanced exploration or recovery techniques, as well as service and supply ventures in the energy and resource sectors which emphasize technological innovations. AVF is exploring a number of promising opportunities.

**MERCHANT BANCORP**
(50% CDC owned)

Merchant Bancorp was formed during 1980 to bridge the gap that exists between venture capital and normal business financing. The Company will arrange financing and provide support services such as marketing and strategic planning for small and medium-sized businesses with superior growth prospects. The Company has taken a significant position in a highly innovative welding process.

**TDC TECHNOLOGY DEVELOPMENT CORPORATION**
(50% CDC owned)

TDC, a joint venture with Vancouver-based Teck Research Corporation, invests in innovations and advances in technology that require financing and management assistance to achieve commercial success. Investments are normally made at the research and development stages.

TDC holds a controlling interest in Moli Energy Limited which is developing an advanced electric battery for use by the automobile industry. Other investments include a reverse osmosis pump to desalinate water and a product utilizing nuclear magnetic resonance for whole body imaging.

### THE VASE FUND INC.

(100% CDC owned)

Started in 1981, The VASE Fund makes venture capital investments in unique chemical processing and pollution devices. It holds a 100% interest in HSA Reactors Limited, which has developed proprietary technology in electrochemistry using carbon fibre electrodes.

### CANWEST CAPITAL CORPORATION

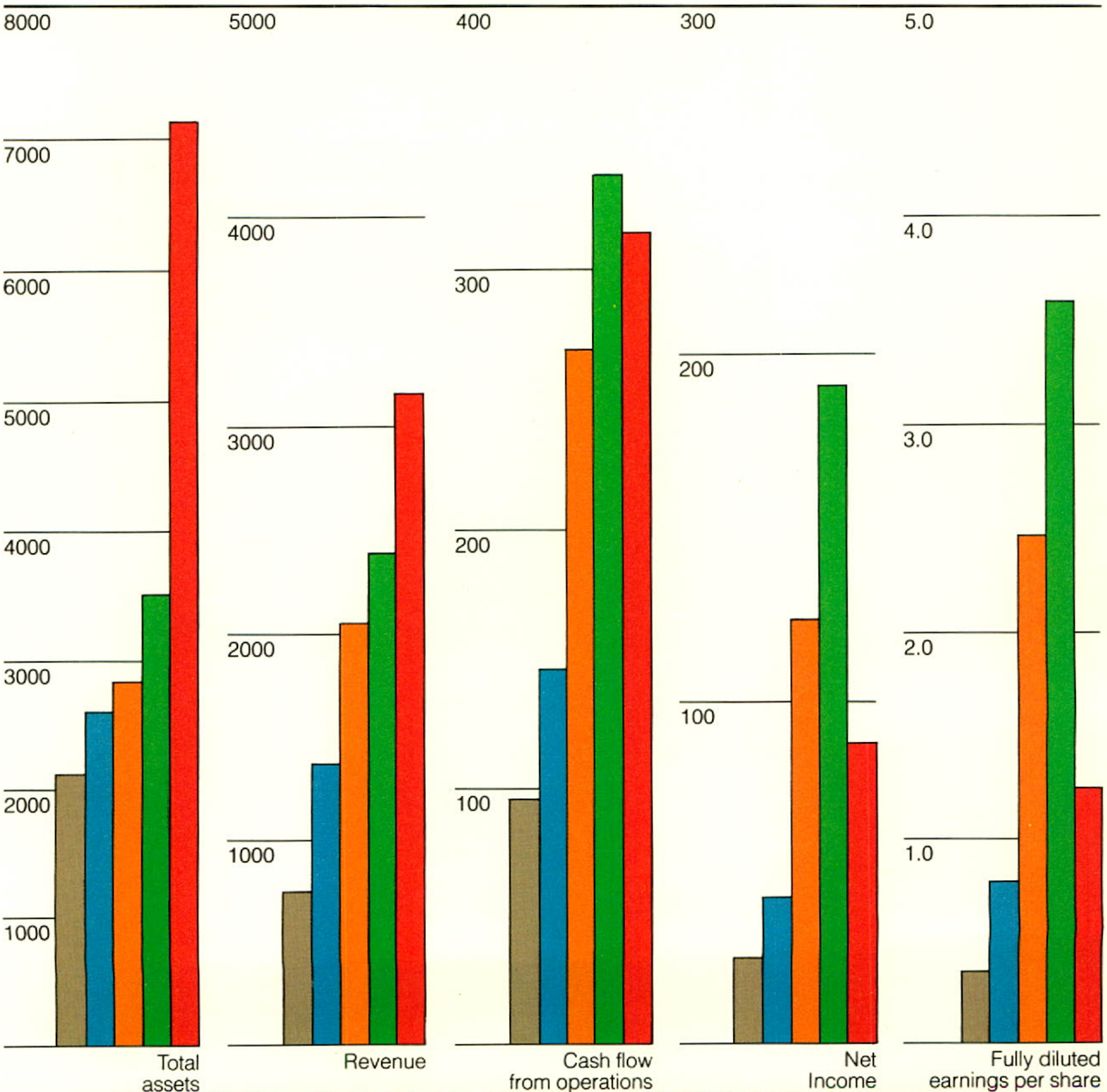
(46% CDC owned)

CanWest is CDC Ventures' largest investment. In the financial sector, it holds 100% of Monarch Life Assurance Company, 54% of Crown Trust Company, and 51% of Aristar Inc., a Florida-based financial and life insurance holding company. Other investments include 86% of Na-Churs Plant Food Company and 43% of Macleod Stedman.

During 1981, CanWest sold its interests in pay television in the United States and the Toronto Blizzard soccer team. Early in 1982 the Company increased its holding to 60% in Global Ventures Western Limited, which operates the Global Television Network and acquired 63% of CKND-TV of Winnipeg. Both of these investments are subject to approval by the Canadian Radio-Television & Telecommunications Commission.

# five-year financial highlights

(millions of dollars except earnings per share)




| | Total assets | Revenue | Cash flow from operations | Net Income | Fully diluted earnings per share |
|---|---|---|---|---|---|
| 1977 | $2,078.3 | $ 756.5 | $ 94.3 | $ 28.8 | $0.37 |
| 1978 | 2,559.3 | 1,365.5 | 142.2 | 43.3 | 0.78 |
| 1979 | 2,803.8 | 2,014.9 | 267.3 | 123.4 | 2.45 |
| 1980 | 3,446.3 | 2,359.2 | 331.3 | 189.1 | 3.52 |
| 1981 | 7,093.2 | 3,136.4 | 318.7 | 85.1 | 1.25 |

# management's discussion and analysis

The Company's auditors provide an independent review of Management's financial control and reporting systems, and through the "Auditors' Report" express their opinion on the Company's financial statements. Also, the Audit Committee of the Board of Directors reviews these systems and statements.

**Consolidated Financial Review**

In our previous annual reports, we consistently noted that our financial strengths—based on healthy cash flows from operations, unused borrowing capabilities and high levels of working capital—left us positioned for further growth, either through acquisitions or further expansion by our existing holdings.

To this end, during 1981, we invested $2.9 billion to acquire two major resource assets—Aquitaine Company of Canada Ltd. and the Canadian assets of Texasgulf Inc. of Stamford, Connecticut —as well as to add another industry—industrial automation and process controls—to our holdings. A further $563.3 million, up 143% from 1980, was invested by CDC companies for resource exploration in oil and gas and additions to property, plant and equipment.

**Assets by Industry**

At December 31, 1981, the resource investments accounted for 88% of all assets. The breakdown of assets by industry category is as follows:

| | December 31 | |
|---|---|---|
| | **1981** | 1980 |
| | (millions of dollars) | |
| **Resource** | | |
| Oil & Gas | **$2,639.0** | $ 377.5 |
| Mining | **1,650.6** | 565.2 |
| Petrochemicals | **2,244.0** | 1,752.1 |
| **Non-resource** | | |
| Information Processing | **233.2** | 230.2 |
| Industrial automation | **43.5** | |
| Fisheries | **30.3** | 34.7 |
| Life Sciences | **150.0** | 153.3 |
| Venture and Expansion Capital | **29.0** | 17.0 |
| **Corporate Assets** | **73.5** | 316.3 |
| **Total Assets** | **$7,093.1** | $3,446.3 |

**Consolidated Revenue by Industry Sector**

Consolidated revenues grew 32.9% to $3.1 billion during 1981. Included in the consolidated revenues for 1981 are:

- Canterra Energy Ltd.—formerly Aquitaine Company of Canada—for the six months ended December 31, 1981;
- Kidd Creek Mines Ltd.—the Canadian assets of Texasgulf—for the three months ended December 31, 1981; and
- Sentrol Systems Ltd. for the six months ended December 31, 1981.

Volumes in the oil and gas sector declined during the year because of a general oversupply of petroleum products, particularly natural gas. At Kidd Creek, the volume of copper sales was higher than in 1980, while zinc and silver sales were down 10% and 12% respectively. Weak prices for copper and silver contributed to lower-than-expected revenues. In petrochemicals, revenues were up 21.6% during 1981 due to aggressive marketing steps and four acquisitions completed by Polysar.

Revenues from our continuing information processing investments increased 38.4% due to the strength of sales at AES Data. Revenue for Wordplex showed no appreciable growth during the year, reflecting marketing and distribution problems in the United States. The high speed non-impact printer being developed by Delphax Systems has not achieved commercial production, resulting in no contribution to revenues.

Government price controls, increased competition and exchange adjustments at Dumex largely accounted for the flat revenue in the Life Sciences Group. At Bio-Research, recessionary conditions reduced orders for toxicological research.

Interest on short-term investments was $49.7 million up 80% from 1980, while other income rose 42.9%.

| | 1981 | 1980 | % Change |
|---|---|---|---|
| | (millions of dollars) | | |
| Oil & Gas | **$ 247.9** | $ 63.7 | 289.1 |
| Mining | **116.2** | | |
| Petrochemicals | **2,293.0** | 1,886.0 | 21.6 |
| Information Processing | **214.9** | 193.5 | 11.1 |
| Life Sciences | **162.6** | 162.5 | |
| Industrial & Process Controls | **15.1** | | |
| Interest Income | **49.7** | 27.6 | 80.1 |
| Other Income | **37.0** | 25.9 | 42.9 |
| Total Revenue | **$3,136.4** | $2,359.2 | 32.9 |

*Includes Ventek Limited which was sold in 1981.

**Contribution to Net Income**

Net Income declined 55% to $85.1 million during 1981. In general, weak metals prices, lower styrenics margins and higher interest costs accounted for the greatest proportion of the decrease in profits. Profit contribution by company was as follows:

| | 1981 | 1980 |
|---|---|---|
| | (millions of dollars) | |
| Canterra Energy (CDC Oil & Gas) | **$ 0.1** | $ 24.9 |
| Kidd Creek Mines (Texasgulf Inc.) | **67.6** | 108.1 |
| Polysar | **19.0** | 68.6 |
| Petrosar | **(4.3)** | 5.5 |
| CDC Data Systems | **8.9** | |
| CDC Life Sciences | **1.9** | 2.8 |
| Sentrol Systems | **(7.2)** | |
| Fishery Products | **(1.6)** | 0.7 |
| CDC Ventures | **(3.2)** | (7.7) |
| CDC | **3.9** | (13.8) |
| Total Net Income | **$85.1** | $189.1 |

Canterra's contribution to net income is after absorbing the costs of financing the purchase of Aquitaine. Low netbacks on "old" oil and gas further depressed earnings. In mining, CDC's share of Texasgulf's earnings for the nine months ended September 30, 1981, was $69.8 million. For the fourth quarter, Kidd Creek operated at near break-even levels after payment of interest on the acquisition debt for the Canadian assets of Texasgulf. A currency translation loss of $14 million reduced Polysar's earnings. The National Energy Program, high interest costs and reduced product demand resulted in a loss at Petrosar for 1981.

Profit at AES Data more than doubled to $7.5 million in 1981 from $3.1 million in 1980. Wordplex operated at a loss during the year while Delphax made a negative contribution to CDC due to its heavy research and development expenditures. High product development expenses were incurred at Sentrol to position the Company for future opportunities in the industrial automation and process control industry, resulting in a loss of $7.2 million. High inventory levels and the associated financing costs, as well as increased catching costs, also resulted in a negative contribution to CDC from its 40.8% interest in Fishery Products.

After payment of preferred dividends, net income per common share was $1.46 ($1.25 fully diluted), compared with $5.13 per share ($3.52 fully diluted) in 1980. Return on common equity declined to 6.2% from the record 24.1% earned in 1980.

Consolidated retained earnings increased to $500.7 million at the end of 1981 after dividends of $34.8 million on preferred shares and amortization of share issue expenses of $1.2 million. Retained earnings were $451.6 million a year earlier. A decline in shareholders' equity reflects the redemption of the Class A non-voting shares during 1981.

**Changes in Financial Position**

While net income declined substantially, cash flow from operations decreased only 4% to $318.7 million while cash flow before interest payments totalled $543.2 million during 1981.

A major portion of the $2.7 billion in long-term debt issued during the year was used to finance the two major acquisitions. A credit of U.S. $2.1 billion was arranged through 32 Canadian and foreign banks of which $1.8 billion had been drawn down as of December 31, 1981.

This credit bears interest at a rate of one-half of 1% over the London Interbank Offered Rate (LIBOR) for the first five years and five-eighths of 1% over LIBOR for the remaining five years. This credit is secured by the pledge of shares and notes in CDC's oil and gas subsidiaries. Principal repayment commences after the fifth year in five equal annual instalments.

Of the remaining long-term debt issued during the year, Polysar raised $247.5 million to finance additions to fixed assets and Petrosar borrowed $100 million for plant improvements and additions to working capital. During the year, $68.7 million in long-term debt was repaid by subsidiary companies.

For CDC as a whole, working capital increased 27% to $784.1 million.

**Financial Position at December 31, 1981**

CDC ended 1981 with a strong working capital position, assets totalling $7.1 billion and cash flow from operations large enough to meet debt obligations and an aggressive capital expenditure program. We confidently expect a vigorous economic recovery to begin during the last half of 1982 in the United States, possibly somewhat later in Canada. A large part of management's effort in the short-term will be on improving earnings through cost controls and productivity improvements.

# glossary of financial terms

**Amortization** Spreading a large expenditure proportionately over a fixed period of time.

**Asset** Anything of value owned by a company or individual.

**Balance sheet** Statement of the financial worth of a business or organization which is divided into three parts—assets, liabilities and ownership (equity).

**Capital** 1. What is owned by a company or individual minus what is owed at a specific time. 2. Total investments of owners (shareholders) of a business at a given time, which may be calculated by subtracting from the total assets all the liabilities of those other than the owners.

**Capital asset** Assets of either a tangible or intangible nature which are expected to be used or held over several fiscal periods (not including stock for sale).

**Capital expenditure*** An expenditure to acquire or add to a capital asset; an expenditure yielding enduring benefits.

**Cash flow*** The figure resulting from adding back to income items that do not affect working capital, such as depreciation and amortization.

**Consolidation** A parent plus one or more subsidiary companies which present financial reports for the group as a whole, not as separate entities. CDC consolidates the results of all companies in which it holds at least a 50% interest.

**Corporation** Legal entity or corporate person with authority to operate under provincial or federal statutes, usually formed to make a profit. Owners are liable for the debts only up to the amount of their investment.

**Current liability*** A liability whose regular and ordinary liquidation is expected to occur within one year or within the normal operating cycle where that is longer than a year.

**Deferred income taxes*** The accumulated amounts by which income taxes charged in the accounts have been increased (accumulated tax allocation credit) or decreased (accumulated tax allocation debit) as a result of timing differences.

**Depletion** Gradual using up of consumption of a natural resource, recorded in the accounts.

**Depreciation** Gradual reduction of the cost of a fixed asset and gradual application of this cost to the expense of a business over the useful life of the asset.

**Dividend** Distribution to shareholders of a portion of the profits of the company.

**Dividend coverage ratio*** The ratio of the net income to dividends.

**Earnings per share*** The portion of income for a period attributable to a share of issued capital of a corporation. The calculation of earnings per share is relevant only with respect to shares whose rights to participate in the earnings have no upper limit.

**Equity** 1. A right or claim to the assets of a company. Both the owners and creditors have equity in a business. 2. Amount that a business is worth beyond what it owes.

**Expenditure** 1. Spending. 2. Incurring a liability.

**Fixed asset** Property or equipment of a tangible nature owned by a business for use in its operations (not for sale), which is expected to have a useful life of several fiscal periods.

**Fully diluted earnings per share**** CDC has issued two types of preferred shares—the Class B and 1980 preferred shares—that are convertible into common shares. Fully diluted earnings per share are calculated by assuming that all convertible shares are converted into common shares.

**Free cash flow**** Cash flow after all interest, minority dividends and preferred dividend payments.

**Income** Difference between total revenue and total expense of a business for a given period.

**Inventory** Detailed list of items and their values owned at a specific point in time.

**Investment** Funds committed to something tangible or intangible in order to receive a return either in income or use.

**Liability** 1. An amount owed to another, not necessarily due to be paid immediately. 2. An obligation to remit money or services at a future date.

**Long-term liability*** A liability which, in the ordinary course of business, will not be liquidated within one year or within the normal operating cycle where that is longer than a year.

**Minority interest*** 1. The equity of the shareholders who do not hold controlling interest in a controlled company. 2. In consolidated financial statements, the equity in subsidiaries that is applicable to shares that are not owned by the parent company or by a consolidated subsidiary company.

**Par value*** The nominal or face value of a security.

**Profit** Total revenue less total expenditures for a period of time calculated in accordance with generally accepted accounting principles.

**Redemption*** The purchase of securities by the issuer at a time and price stipulated in the terms of the securities.

**Retained earnings** Portion of a company's aggregate income since incorporation which remains invested in the operation after distribution of dividends to shareholders.

**Revenue** Inflow of cash or receivables from customers or clients in return for goods, services, or interest on investments.

**Subsidiary** Company which is controlled by another company usually through its ownership of the majority of shares.

**Working capital*** The excess of current assets over current liabilities.

**Write-off** *(verb)* To transfer an item which was considered an asset to an expense account; for example, to transfer an uncollectible account receivable to bad debts expense. *(noun)* The item or amount reduced or cancelled.

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# canada development corporation
# consolidated financial statements

Year ended December 31, 1981

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the significant accounting policies of Canada Development Corporation and its subsidiaries is presented to assist the reader of the financial statements. These accounting policies are in conformity with accounting principles generally accepted in Canada which are also in conformity with the historical cost accounting standards of the International Accounting Standards Committee.

**Principles of Consolidation**
The consolidated financial statements incorporate the financial position, operating results and changes in financial position of the Corporation and its subsidiary companies, which are listed in note 11.

**Foreign Currency Translation**
Non-Canadian current assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. All other assets and liabilities are translated at the rates prevailing when the assets were acquired or the liabilities incurred. Revenue and expenses, except depreciation, depletion and amortization, are translated at rates in effect during the year. Gains or losses resulting from such translation practices are reflected in the consolidated statement of income.

**Short-Term Investments**
Short-term investments are valued at cost which approximates market value.

**Inventories**
Inventories are valued at the lower of cost and net realizable value.

**Long-Term Investments**
The Corporation accounts for investments in companies over which it has significant influence on an equity basis. Other long-term investments are accounted for by the cost method.

**Property, Plant and Equipment**
(a) **Cost**
Property, plant and equipment are recorded at cost. Fixed asset additions include related interest costs incurred during major plant construction.

The Corporation follows the full cost method of accounting for oil, gas and sulphur operations, whereby all costs of acquiring properties, exploring for and developing oil, gas and sulphur and related reserves are capitalized in various cost centres. Such costs include land acquisition, drilling both productive and non-productive wells, overhead expenses and financing costs.

Expenditures on mining exploration projects are capitalized pending determination of commercially recoverable reserves. Those determined to be commercially unsuccessful are expensed.

(b) **Depreciation, Depletion and Amortization**
Depreciation of plant and equipment is based on the estimated useful life of the assets from commencement of production and is calculated on the straight-line, diminishing balance or unit-of-production basis as considered most appropriate.

For oil, gas and sulphur operations, depletion of cost centres with producing oil and gas properties is provided by the unit-of-production basis based on the estimated proven recoverable reserves of each cost centre as determined by the Corporation. Costs of non-producing properties in producing cost centres are amortized on a straight-line basis over the anticipated period of exploration to each cost centre; if exploration proves to be successful, amortization is suspended and the unamortized balance is depleted on the unit-of-production basis.

For mining properties, depletion is provided on the unit-of-production basis based on the proven recoverable reserves as estimated by the Corporation.

**Pre-Production Expenditures**
Pre-production expenditures incurred in connection with major new production facilities are deferred and amortized from commencement of production on the straight-line basis over a period generally not exceeding ten years.

**Goodwill**
Goodwill arising on acquisitions is being amortized over the expected period of benefit, not to exceed forty years. If it becomes apparent that the expected value will not be realized, or if the value of the goodwill is reduced or deteriorates, it will be appropriately written down.

# consolidated balance sheet

| ASSETS | December 31 1981 | 1980 |
|---|---|---|
| | (thousands of dollars) | |
| **Current Assets** | | |
| Cash | **$ 54,767** | $ 21,425 |
| Short-term investments | **254,727** | 348,423 |
| Accounts receivable | **739,399** | 470,293 |
| Inventories (note 1) | **826,444** | 438,653 |
| Other current assets | **14,135** | 7,653 |
| | **1,889,472** | 1,286,447 |
| **Long-Term Investments** (note 2) | **154,575** | 686,679 |
| **Property, Plant and Equipment** (note 3) | **4,839,933** | 1,311,883 |
| **Other Assets** (note 4) | **209,182** | 161,333 |
| | **$7,093,162** | $3,446,342 |

| LIABILITIES | 1981 | 1980 |
|---|---|---|
| **Current Liabilities** | | |
| Short-term loans | **$ 352,513** | $ 330,046 |
| Accounts payable and accrued liabilities | **663,838** | 308,429 |
| Dividends payable | **6,463** | 8,931 |
| Income and other taxes payable | **8,782** | 7,763 |
| Long-term debt due within one year | **73,750** | 14,406 |
| | **1,105,346** | 669,575 |
| **Long-Term Debt** (note 5) | **3,862,001** | 609,340 |
| **Deferred Income Taxes** | **220,947** | 174,464 |
| **Interests of Minority Shareholders** (note 6) | **634,753** | 673,984 |
| | **5,823,047** | 2,127,363 |
| **SHAREHOLDERS' EQUITY** | | |
| **Capital Stock** (note 7) | **769,425** | 867,366 |
| **Retained Earnings** | **500,690** | 451,613 |
| | **1,270,115** | 1,318,979 |
| | **$7,093,162** | $3,446,342 |

Approved on behalf of the Board,

Director

Director

A glossary of financial terms appears on Page 44.

# consolidated statement of income

| | Year ended December 31 1981 | 1980 |
|---|---|---|
| | (thousands of dollars) | |
| **Revenue** | **$3,136,351** | $2,359,220 |
| **Expenses** | | |
| Cost of sales | **2,452,809** | 1,792,869 |
| Selling, administration and research | **329,216** | 271,164 |
| Interest on long-term debt | **164,848** | 39,086 |
| Other interest | **59,651** | 38,750 |
| | **3,006,524** | 2,141,869 |
| | **129,827** | 217,351 |
| Equity in earnings of other companies | **70,587** | 102,256 |
| Income before the undernoted | **200,414** | 319,607 |
| Translation (gains) losses | **15,323** | (9,074) |
| Income taxes | **47,218** | 81,818 |
| Minority interest | **65,365** | 57,795 |
| Gain on sale of investments | **(12,595)** | |
| | **115,311** | 130,539 |
| **Net Income** | **$ 85,103** | $ 189,068 |
| **Earnings per common share** after preferred share dividends | **$1.46** | $5.13 |
| **Fully diluted earnings per common share** | **$1.25** | $3.52 |

# consolidated statement of retained earnings

| | Year ended December 31 1981 | 1980 |
|---|---|---|
| | (thousands of dollars) | |
| **Retained Earnings at Beginning of Year** | **$ 451,613** | $ 285,523 |
| Net income | **85,103** | 189,068 |
| | **536,716** | 474,591 |
| Dividends on preferred shares | **34,826** | 21,795 |
| Amortization of cost of preferred share issues | **1,200** | 1,183 |
| | **36,026** | 22,978 |
| **Retained Earnings at End of Year** | **$ 500,690** | $ 451,613 |

A glossary of financial terms appears on Page 44.

# consolidated statement of changes in financial position

| | Year ended December 31 1981 | 1980 |
|---|---|---|
| | (thousands of dollars) | |
| **Working Capital Derived From** | | |
| Operations | | |
| Net income | **$ 85,103** | $189,068 |
| Items not involving working capital | | |
| Depreciation and depletion | **131,437** | 69,555 |
| Amortization | **33,215** | 18,416 |
| Increase in equity in other companies | **(42,004)** | (76,143) |
| Deferred income taxes | **45,594** | 72,619 |
| Minority interest | **65,365** | 57,795 |
| Cash flow from operations | **318,710** | 331,310 |
| Issues of long-term debt | **2,668,035** | 179,807 |
| Issues of capital stock | **2,059** | 300,556 |
| | **2,988,804** | 811,673 |
| **Working Capital Applied To** | | |
| Acquisition of subsidiaries, net of working capital acquired of $395,962 (note 8) | **1,890,703** | |
| Additions to property, plant and equipment | **565,319** | 232,209 |
| Investment in other companies | **37,512** | 113,346 |
| Dividends on preferred shares | **34,826** | 21,795 |
| Reduction of long-term debt | **68,660** | 110,307 |
| Redemption of capital stock | **100,000** | |
| Additions to other assets | **16,987** | 41,668 |
| Net decrease in investment by minority shareholders | **45,722** | 54,486 |
| Dividends to minority shareholders | **61,821** | 51,675 |
| | **2,821,550** | 625,486 |
| **Increase in Working Capital** | **167,254** | 186,187 |
| **Working Capital at Beginning of Year** | **616,872** | 430,685 |
| **Working Capital At End of Year** | **$ 784,126** | $616,872 |

A glossary of financial terms appears on Page 44.

# notes to consolidated financial statements

Year ended December 31, 1981

## 1. Inventories

| | 1981 | 1980 |
|---|---|---|
| | (thousands of dollars) | |
| Finished goods | **$386,600** | $233,869 |
| Raw materials and work in progress | **339,868** | 166,875 |
| Operating and maintenance supplies | **99,976** | 37,909 |
| | **$826,444** | $438,653 |

## 2. Long-Term Investments

| | 1981 | 1980 |
|---|---|---|
| | (thousands of dollars) | |
| Mining (Texasgulf Inc.) | | $565,209 |
| Venture and expansion capital | **$ 28,992** | 16,971 |
| Petrochemicals | **28,620** | 23,646 |
| Electronics | **35,164** | 38,254 |
| Fishing | **30,248** | 34,755 |
| Oil and gas | **26,351** | 4,107 |
| Life sciences | **5,200** | 3,737 |
| | **$154,575** | $686,679 |

## 3. Property, Plant and Equipment

| | 1981 | | | 1980 |
|---|---|---|---|---|
| | (thousands of dollars) | | | |
| | Cost | Accumulated depreciation and depletion | Net | Net |
| Resource | | | | |
| Petrochemicals | **$1,602,965** | **$425,150** | **$1,177,815** | $ 895,121 |
| Mining | **1,270,863** | **4,832** | **1,266,031** | |
| Oil and gas | **2,428,270** | **124,473** | **2,303,797** | 334,522 |
| | **5,302,098** | **554,455** | **4,747,643** | 1,229,643 |
| Non-resource | **143,247** | **50,957** | **92,290** | 82,240 |
| | **$5,445,345** | **$605,412** | **$4,839,933** | $1,311,883 |

## 4. Other Assets

| | 1981 | 1980 |
|---|---|---|
| | (thousands of dollars) | |
| Pre-production and deferred expenses | **$ 58,557** | $ 62,510 |
| Goodwill | **86,864** | 76,633 |
| Cost of long-term financings | **17,843** | 9,792 |
| Long-term receivables | **45,918** | 12,398 |
| | **$209,182** | $161,333 |

During the next five fiscal years, pre-production and deferred expenses and goodwill are expected to be amortized to income at the rate of $21.9 million annually.

## 5. Long-Term Debt

| | 1981 | 1980 |
|---|---|---|
| | (thousands of dollars) | |
| **Canada Development Corporation** | | |
| Floating rate syndicated term loan, secured repayable in equal instalments 1987 through 1991 (U.S. dollars) | **$2,251,089** | |
| Income debentures, due 1984 (U.S. dollars) | **61,350** | $ 61,350 |
| 4.375% Notes, due 1985 (Swiss francs) | **153,988** | 153,988 |
| Convertible subordinated debentures, due 1990 | **2,170** | 2,170 |
| | **2,468,597** | 217,508 |
| **CDC Data Systems Limited** | | |
| 11.75% Mortgage, due 1989 | **1,376** | 1,388 |
| Floating rate bank loan, secured | | 15,000 |
| Floating rate lease finance loan, due 1982 | | 1,444 |
| Other | **1,412** | 960 |
| | **2,788** | 18,792 |
| **CDC Life Sciences Inc.** | | |
| 8% Mortgages, repayable through 1997 (U.S. dollars) | **4,261** | 4,461 |
| 3.875% Bank loan, due 1986 (Swiss francs) | **8,527** | 8,527 |
| 9.25% Mortgage, repayable through 1985 (U.S. dollars) | **2,707** | 2,827 |
| 6% to 10% Mortgages, repayable through 1985 (Danish kroner) | **1,710** | 1,707 |
| Floating rate bank loan (U.S. dollars) | **1,248** | |
| Floating rate note, due 1982 | **2,733** | |
| Floating rate loans, due 1981 | | 2,542 |
| Other | **2,030** | 3,638 |
| | **23,216** | 23,702 |
| **Canterra Energy Ltd.** | | |
| Floating rate bank loans, due 1987 to 1991 (U.S. dollars) | **196,284** | |
| Floating rate bank loans, due 1991 (Canadian dollars) | **16,821** | |
| 11.25% Notes, due 1985 (U.S. dollars) | **36,015** | |
| Floating rate notes, due 1991 | **50,000** | |
| 10.25% Mortgage due 1995 | **13,837** | |
| Floating rate multi-currency revolving line of credit | **122,123** | 79,541 |
| 5.75% Notes, due 1986 (Swiss francs) | **36,115** | 36,115 |
| Customer prepayments | **12,559** | 10,800 |
| Other | **4,330** | 1,607 |
| | **488,084** | 128,063 |
| **Kidd Creek Mines Ltd.** | | |
| Floating rate bank loans, due 1983 | **330,000** | |
| 9.25% Notes, due 1982 | **25,000** | |
| 10% Debentures, due 1986 | **16,289** | |
| 5.75% Notes, due 1986 (U.S. dollars) | **8,850** | |
| Other | **3,559** | |
| | **383,698** | |
| **Petrosar Limited** | | |
| Floating rate bank loans, due 1983 | **100,000** | |
| **Polysar Limited** | | |
| Floating rate term loan, due 1986 through 1995 | **20,000** | |
| 7.5% Sinking fund debentures, repayable through 1987 | **6,479** | 6,979 |
| 9% Sinking fund debentures, repayable through 1993 | **28,304** | 29,470 |
| In United States dollars | | |
| 10% Debentures, due 1982 | **34,257** | 28,959 |
| 9.5% Debentures, due 1986 | **50,613** | 50,613 |
| Floating rate term loans, repayable 1982 through 1987 | **108,950** | 52,933 |
| 6.83% average rate, Notes and mortgages, repayable through 2003 | **11,545** | 12,016 |
| Capitalized lease obligations, expiring through 1985 | **5,112** | 6,080 |
| In other currencies | | |
| Floating rate term loan, due 1984 through 1988 (French francs) | **18,500** | |
| 2.5% to 10.75% Loans, repayable through 1999 (German marks) | **6,603** | 7,747 |
| Floating rate multi-currency term loan, due 1986 through 1993 | **148,182** | 17,743 |
| 13.5% Loan, due 1987 through 1991 (Dutch guilders) | **14,190** | |
| Capitalized lease obligations, expiring through 1988 (German marks) | **2,457** | 2,409 |
| Other | **14,176** | 20,732 |
| | **469,368** | 235,681 |
| | **3,935,751** | 623,746 |
| Less principal due within one year | **73,750** | 14,406 |
| | **$3,862,001** | $609,340 |

(i) The Corporation's secured floating rate syndicated term loan was arranged in July of 1981 to finance the purchase of all the outstanding shares of Aquitaine Company of Canada Ltd. and the Canadian assets of Texasgulf Inc. The total credit facility arranged was U.S. $2,100 million. At December 31, 1981, U.S. $1,862 million has been drawn against this facility.

The loan bears interest at a rate of one-half of one percent over the London Interbank Offered Rate (LIBOR) for the first five years and five-eighths of one percent over LIBOR for the remaining five years. It is secured by shares and notes of the Corporation's oil and gas subsidiaries.

The agreement relating to this loan requires the Corporation to maintain certain financial ratios and absolute amounts of working capital and tangible net worth. As at December 31, 1981, the Corporation was in compliance with all of these requirements.

(ii) Long-term debt payable in foreign currency if converted into Canadian dollars on the basis of exchange rates prevailing at December 31, 1981 would decrease by approximately $14.1 million.

(iii) The total sinking fund requirements and long-term debt due in each of the next five fiscal years are as follows:
1982 $73.7 million; 1983 $447.5 million; 1984 $88.0 million; 1985 $220.2 million: 1986 $166.6 million.

## 6. Interests Of Minority Shareholders

| | 1981 | 1980 |
|---|---|---|
| | (thousands of dollars) | |
| Preferred equity | | |
| Petrosar | | |
| Class A | **$350,000** | $390,000 |
| Class B | **26,000** | 26,000 |
| Class C | **69,629** | 69,629 |
| Polysar | | |
| First Preferred | **50,000** | 50,000 |
| Polysar Holdings (a subsidiary) | **85,000** | 85,000 |
| CDC Life Sciences | | |
| Preferred Class A | **5,000** | |
| Connaught Laboratories (a subsidiary) | **27,000** | 30,000 |
| | **612,629** | 650,629 |
| Common equity | **22,124** | 23,355 |
| | **$634,753** | $673,984 |

(i) Petrosar's Class A redeemable preference shares bear a cumulative dividend at an annual rate of 1.35% plus 52% of the Canadian bank prime rate. Of these shares $50 million are redeemable in 1982 then $60 million per annum through 1987.

Petrosar's 260,000 Class B preference shares are redeemable at their par value of $1 each only after dividends have been paid aggregating $100 per share plus 60 cents for each month that the shares have been outstanding.

The Class B shares are issued pursuant to an agreement whereby certain shareholders, including Polysar, have agreed to provide Petrosar with sufficient funds to enable it to pay the dividend on the Class A preference shares if Petrosar is unable to pay such dividends and to purchase these shares if not redeemed as scheduled. Polysar's portion of such obligation is 48%. The Corporation has guaranteed certain of Polysar's obligations under the financing arrangements; the amount guaranteed may vary but is limited to a maximum of $30 million.

Petrosar's Class C shares are redeemable at their par value of $100 per share. Dividends on these shares have been waived indefinitely.

(ii) Polysar has outstanding $50 million 8.4% cumulative redeemable first preferred shares. Polysar is required during the 30-day period ending March 1, 1982, to invite tenders at the par value of $25 per share from the holders of these shares and to purchase on April 1, 1982 the shares so tendered. At a special meeting of first preferred shareholders, the shareholders approved an increase in the dividend rate on these shares to 15.5% and provision of a further retraction privilege on July 1, 1987.

Polysar Holdings' $85 million redeemable preferred shares bear a cumulative dividend of 1.25% plus one-half the prime rate of a Canadian bank. Redemptions are required to be made in equal annual amounts from 1986 through 1988 inclusive.

(iii) CDC Life Sciences' $5 million Class A preferred shares bear a dividend of 2%, plus one-half the prime rate of a Canadian bank. The shares are redeemable at $25 per share after July 31, 1983 and not later than September 30, 1991.

Connaught Laboratories' $27 million redeemable preferred shares bear a cumulative dividend of 1% plus one-half the prime rate of a Canadian bank. These shares are redeemable in equal annual amounts of $3 million from 1981 through 1986 inclusive, with the balance redeemable in 1987.

## 7. Capital Stock

(i) Authorized
Preferred
$1,000,000,000 divided into shares with a par value in any multiple of $5 not exceeding $1,000 each.
Common
200,000,000 shares without par value

| | 1981 | 1980 |
|---|---|---|
| | (thousands of dollars) | |
| (ii) Issued | | |
| Preferred | | |
| Nil 5.75% Cumulative, redeemable, non-voting Class A preferred shares of $10 each (1980, 10,000,000 shares) | | $100,000 |
| 1,325,787 8% Cumulative, redeemable, convertible, voting Class B preferred shares of $100 each (1980, 1,381,914 shares) | **$132,579** | 138,191 |
| 15,000,000 7.60% Cumulative, redeemable, convertible, voting 1980 preferred shares of $20 each | **300,000** | 300,000 |
| Common | | |
| 35,036,918 Shares (1980, 32,929,400 shares) | **336,846** | 329,175 |
| | **$769,425** | $867,366 |

The Class B preferred shares are redeemable at par at the option of the holder from October 2, 1985 through October 1, 1986. They have been redeemable at the option of the Corporation since October 2, 1981 at $104 per share, reducing by $1 per year until October 2, 1985 when they become redeemable at $100 per share. Each Class B preferred share may be converted at any time at the option of the holder into ten common shares.

The 1980 preferred shares are not redeemable before October 15, 1983. From October 15, 1983 to October 14, 1985 they are redeemable, at the option of the Corporation at $21.20 per share, if the common shares trade for a specified period at not less than 125% of the conversion price of $15.75. From October 15, 1985 they are redeemable at the option of the Corporation at $21.20 per share reducing by 20¢ per year until October 15, 1990 when they become redeemable at $20 per share. Each 1980 preferred share may be converted at any time at the option of the holder into 1.27 common shares.

At meetings of shareholders, holders of Class B preferred shares are entitled to ten votes per share and holders of the 1980 preferred and the common shares are entitled to one vote per share.

(iii) Issued and redeemed during the year

The Corporation issued 1,380,828 common shares as a result of an early distribution of the second bonus common share attached to the Class B preferred shares to their holders of record on February 27, 1981.

On March 5, 1981 all outstanding Class A preferred shares were redeemed at their par value.

562,356 common shares were issued upon conversion of Class B preferred shares. 164,334 common shares were issued for an aggregate consideration of $2,059,011 under the Shareholder Dividend Reinvestment and Share Purchase Plan.

(iv) Common shares reserved

At December 31, 1981, common shares were reserved for issuance as follows:

| | |
|---|---|
| Conversion of Class B preferred shares | 13,257,870 |
| Conversion of 1980 preferred shares | 19,050,000 |
| Shareholder Dividend Reinvestment and Share Purchase Plan | 1,791,006 |
| Convertible Subordinated Debentures | 176,428 |
| | 34,275,304 |

**8. Acquisitions**

During the year, the Corporation and certain of its subsidiaries made the following acquisitions which have been accounted for by the purchase method:

(a) **Oil and Gas**

On June 26, 1981 the Corporation agreed to acquire 74.8% of Aquitaine Company of Canada Ltd., now Canterra Energy Ltd. (Canterra), from its controlling shareholder, Société Nationale Elf Aquitaine (SNEA), for $1,208.1 million. The remaining 25.2% of Canterra was acquired in October 1981 for $407.4 million for a total cost of $1,621.5 million.

Results of operations are included in these financial statements, according to the Corporation's percentage ownership, from June 30, 1981.

Canterra is mainly engaged in the exploration for and production of oil and gas in Canada and the United States.

(b) **Mining**

As at December 31, 1980 the Corporation owned 34.9% of Texasgulf Inc. During the year, the Corporation, through dividend reinvestment, increased its ownership to 35.1%.

On June 26, 1981, the Corporation entered into an agreement with SNEA to exchange its common shares of Texasgulf plus an amount of cash for all the Canadian assets of Texasgulf subject to the success of a tender offer made by SNEA for all the common shares of Texasgulf (other than those held by the Corporation). The SNEA tender offer was successful and on September 26, 1981 the Corporation paid $536.7 million and exchanged its shares.

Results of operations of Texasgulf Inc. have been included in these financial statements on the equity basis of accounting to September 30, 1981. Results of the Canadian operations have been consolidated from October 1, 1981.

The operations acquired include the Kidd Creek mine in Timmins, Ontario, a 40% interest in the Allan potash mine in Saskatchewan, a 35% net profits interest in a lead-zinc mine on Baffin Island and various oil and gas properties.

(c) **Petrochemicals**

Through its subsidiary, Polysar Limited, the Corporation acquired a number of petrochemical businesses with results of operations consolidated from dates of acquisition as follows;

| **Business** | **Location** | **Product** | **Date of Acquisition** |
|---|---|---|---|
| Produits Chimiques Ugine Kuhlmann | France | Nitrile rubber | March 30 |
| CIAGO B.V. | The Netherlands | Synthetic latex and oil resistant rubber products | July 30 |
| Finachem Canada Inc. | Québec | Polystyrene | November 17 |
| B.F. Goodrich Division | Texas | EPDM and cis-polybut adiene rubbers | December 31 |

(d) **Industrial Automation**

In June 1981, the Corporation acquired 85% of Sentrol Systems Limited (Sentrol) for $20.9 million.

Results of operations are included in these financial statements from June 30, 1981.

Sentrol was acquired from an affiliated venture capital company. The Corporation's share of the affiliate's realized gain has not been included in income, but has been treated as a reduction of the purchase price.

The Corporation has entered into an agreement with various employees of Sentrol to purchase the remaining common shares of Sentrol from them at certain dates from 1982 to 1986 at prices based on Sentrol's future earnings.

Sentrol manufactures, sells and services process control equipment and measuring equipment to the pulp and paper, steel and petroleum industries.

| | **Oil and Gas** | **Mining** | **Petro-chemicals** | **Industrial Automation** | **Total** |
|---|---|---|---|---|---|
| | | | (thousands of dollars) | | |
| Net assets acquired at value assigned thereto: | | | | | |
| Net Working Capital | $ 98,391 | $ 262,909 | $ 27,915 | $ 6,747 | $ 395,962 |
| Property, plant and equipment | 1,781,610 | 1,240,269 | 68,595 | 3,694 | 3,094,168 |
| Other non-current assets | 33,505 | 24,251 | 7,267 | 84 | 65,107 |
| Goodwill | | | 6,779 | 15,646 | 22,425 |
| | 1,913,506 | 1,527,429 | 110,556 | 26,171 | 3,577,662 |
| Non-current liabilities | 292,034 | 356,844 | 2,976 | 2,321 | 654,175 |
| Minority interest | | | | 2,947 | 2,947 |
| | 292,034 | 356,844 | 2,976 | 5,268 | 657,122 |
| | 1,621,472 | 1,170,585 | 107,580 | 20,903 | 2,920,540 |
| Consideration given: | | | | | |
| Cash | 1,621,472 | 536,710 | 107,580 | 20,903 | 2,286,665 |
| Book value of assets surrendered | | 633,875 | | | 633,875 |
| | $1,621,472 | $1,170,585 | $107,580 | $20,903 | $2,920,540 |

## 9. Segmented Information

### (i) Industry segments

The Corporation operates in the following industry segments:

| | Petrochemicals | | Oil and Gas | | Mining | |
|---|---|---|---|---|---|---|
| | 1981 | 1980 | 1981(A) | 1980 | 1981 | 1980 |
| | | | (millions of dollars) | | | |
| Sale of products and services | $2293.0 | $1886.0 | $ 247.9 | $ 63.7 | $ 116.2(B) | |
| Interest and other income | | | | | | |
| Total Revenue | | | | | | |
| Segment operating profit (loss) | $ 153.6 | $ 203.0 | $ 100.2 | $ 38.9 | $ 19.6 | |
| Corporate expenses | | | | | | |
| Interest expense | | | | | | |
| Equity in earnings (losses) of other companies | $ 5.0 | $ 2.4 | $ 0.7 | | $ 69.8 | $108.1 |
| Interest and other income | | | | | | |
| Translation gains (losses) | | | | | | |
| Income taxes | | | | | | |
| Minority interest | | | | | | |
| Gain on sale of investments | | | | | | |
| Net income | | | | | | |
| Identifiable assets | $2244.0 | $1752.1 | $2639.0 | $377.5 | $1650.6 | $565.2 |
| Corporate assets | | | | | | |
| Total Assets | | | | | | |
| Capital Expenditures | $ 270.7 | $ 123.8 | $ 244.8 | $ 90.5 | $ 30.6 | |
| Depreciation, Depletion and Amortization | $ 81.0 | $ 57.3 | $ 57.3 | $ 15.4 | $ 4.8 | |

(A) Includes results of operations of Canterra Energy Ltd. from June 30, 1981
(B) Represents results of operations of Kidd Creek Mines Ltd. from September 30, 1981

### (ii) Geographic segments

The Corporation considers its three geographic segments to be Canada, the United States, and Europe and the rest of the world. Financial information with respect to these segments is as follows:

| | Canada | | United States | | Europe and rest of world | |
|---|---|---|---|---|---|---|
| | 1981 | 1980 | 1981 | 1980 | 1981 | 1980 |
| | | | (millions of dollars) | | | |
| Sale of products and services | $1830.6 | $1222.2 | $ 502.0 | $ 335.2 | $ 717.1 | $ 748.3 |
| Transfers between geographic segments | 342.4 | 301.4 | 20.4 | 27.0 | 23.6 | 13.2 |
| Interest and other income | | | | | | |
| Total Revenue | $2173.0 | $1523.6 | $ 522.4 | $ 362.2 | $ 740.7 | $ 761.5 |
| Segment Operating Profit | $ 227.9 | $ 194.4 | $ 10.1 | $ 6.7 | $ 34.7 | $ 60.8 |
| Corporate expenses | | | | | | |
| Interest expense | | | | | | |
| Equity in earnings of other companies | | | | | | |
| Interest and other income | | | | | | |
| Translation gains (losses) | | | | | | |
| Income taxes | | | | | | |
| Minority interest | | | | | | |
| Gain on sale of investments | | | | | | |
| Net Income | | | | | | |
| Identifiable assets | $5776.5 | $1793.6 | $ 670.5 | $ 254.3 | $ 539.8 | $ 480.4 |
| Investments in other companies | | | | | | |
| Corporate assets | | | | | | |
| Total Assets | | | | | | |

Transfers between geographic segments are accounted for at prices comparable to open market prices. Canadian operations include export sales of $320.4 million (1980, $227.7 million).

### (iii) Research and development

Research and development expenditures charged to income amounted to $58.2 million (1980, $46.2 million).

| Information Processing | | Life Sciences | | Industrial Automation | | Fishing | | Venture Capital | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **1981** | 1980 | **1981** | 1980 | **1981** | 1980 (millions of dollars) | **1981** | 1980 | **1981** | 1980 | **1981** | 1980 |
| **$214.9** | $193.5 | **$162.6** | $162.5 | **$15.1** | | | | | | **$3049.7** | $2305.7 |
| | | | | | | | | | | **86.7** | 53.5 |
| | | | | | | | | | | **$3136.4** | $2359.2 |
| **$ 3.8** | $ 10.7 | **$ 5.0** | $ 4.4 | **$(7.7)** | | | | | | **$ 274.5** | $ 257.0 |
| | | | | | | | | | | **(6.9)** | (15.3) |
| | | | | | | | | | | **(224.5)** | (77.8) |
| **$ 0.5** | $ (2.0) | **$ (0.1)** | | | | **$ (1.6)** | $ 0.7 | **$ (3.7)** | $ (7.0) | **70.6** | 102.2 |
| | | | | | | | | | | **86.7** | 53.5 |
| | | | | | | | | | | **(15.3)** | 9.1 |
| | | | | | | | | | | **(47.2)** | (81.8) |
| | | | | | | | | | | **(65.4)** | (57.8) |
| | | | | | | | | | | **12.6** | |
| | | | | | | | | | | **$ 85.1** | $ 189.1 |
| **$233.2** | $230.2 | **$150.0** | $153.3 | **$43.5** | | **$30.3** | $34.7 | **$29.0** | $17.0 | **$7019.6** | $3130.0 |
| | | | | | | | | | | **73.5** | 316.3 |
| | | | | | | | | | | **$7093.1** | $3446.3 |
| **$ 11.3** | $ 11.8 | **$ 5.9** | $ 5.3 | **$ 0.7** | | | | | | **$ 564.0** | $ 231.4 |
| **$ 13.5** | $ 11.1 | **$ 5.6** | $ 3.9 | **$ 1.1** | | | | | | **$ 163.3** | $ 87.7 |

| Eliminations | | Consolidated | |
|---|---|---|---|
| **1981** | 1980 (millions of dollars) | **1981** | 1980 |
| | | **$3049.7** | $2305.7 |
| **$ (386.4)** | $ (341.6) | | |
| | | **86.7** | 53.5 |
| **$ (386.4)** | $ (341.6) | **$3136.4** | $2359.2 |
| **$ 1.8** | $ (4.9) | **$ 274.5** | $ 257.0 |
| | | **(6.9)** | (15.3) |
| | | **(224.5)** | (77.8) |
| | | **70.6** | 102.2 |
| | | **86.7** | 53.5 |
| | | **(15.3)** | 9.1 |
| | | **(47.2)** | (81.8) |
| | | **(65.4)** | (57.8) |
| | | **12.6** | |
| | | **$ 85.1** | $ 189.1 |
| **$ (121.8)** | $ (85.0) | **$6865.0** | $2443.3 |
| | | **154.6** | 686.7 |
| | | **7019.6** | 3130.0 |
| | | **73.5** | 316.3 |
| | | **$7093.1** | $3446.3 |

### 10. Subsequent Event

On January 22, 1982, the Corporation entered into an agreement to purchase shares from treasury representing a 57.1% interest in Savin Corporation of Valhalla, New York, for U.S. $40 million cash and a U.S. $35 million promissory note payable on demand between January 1, 1983 and April 30, 1983. This transaction is subject to approval by the company's present shareholders and certain regulatory authorities in the United States.

### 11. Consolidated Subsidiary Companies

**CDC Data Systems Limited**
AES Data Ltd.
AES Belgium S.A.
AES Data Inc.
AES Data (U.K.) Ltd.
AES Europe S.A.
AES GmbH
AES Holdings UK Ltd.
International AES N.V.
AES Leasing Limited
AES Nederland B.V.
AES (Schweiz) A.G.
AMW Associates
Daisy Systems B.V.
Daisy Systems Verkoop

**CDC Energy & Metals Limited**
Exploration Minière Kidd Creek Ltée.
Kahulu Creek Mining Company Limited
Kidd Creek Europe Ltd.
Kidd Creek Mines Ltd.
Kidd Creek Potash Company
Land and Timber Company
Texasgulf Newfoundland Limited
TG Hydrocarbons Limited

**CDC Life Sciences Inc.**
Bio-Research Laboratories Ltd.
Bio Resources Inc.
Canada Pharmacal Co. (1975) Limited
Comex Nederland B.V.
Comprator A.G.
Connaught Biologics Limited
Connaught Laboratories Inc.
Connaught Laboratories Limited
Connaught Laboratories (Export) Inc.
Connaught Laboratories (Ireland) Limited
Connaught do Brasil Industria e Comercio Limitada
OY Dumex AB
Dumex B.V.
A/S Dumex, Denmark
Dumex GmbH
Dumex Lakemedel AB
A/S Dumex, Norway
Dumex (Pty.) Ltd.
Laboratories Nordic Inc.
Omnimedic Inc.
Steele Chemicals Co. Ltd.

**CDC Petroleum (1982) Inc.**
Canterra Energy Ltd.
CDC Oil & Gas Limited
CDC Minerals Limited
CDC Oil & Gas International B.V.
CDC Oil & Gas (UK) Limited
CDC Producing Company
Al Aquitaine Exploration, Ltd.
Aquitaine Pennsylvania, Inc.
Canterbury Coal Company
K & J Coal Co., Inc.
Penmore S.A.
Universal Gas Co. Ltd.
Westacc B.V.

**CDC Ventures Inc.**
CapVest Limited
Silver Lynx Investments Limited

**CDC Wordplex Limited**
Wordplex Corporation
Wordplex Europe Limited
Wordplex International Inc.
Wordplex Ireland Limited
Wordplex Leasing Limited
Wordplex Limited

**Petrosar Limited**

**Polysar Limited**
Bellaplast GmbH
Bellaplast Nederland B.V.
Bellaplast (UK) Limited
Comshare Limited
Nippon Polymers Company Limited
Polysar Australia Pty. Ltd.
Polysar Belgium N.V.
Polysar Cayman Limited
Polysar de Venezuela S.A.
Polysar Deutschland GmbH
Polysar do Brasil Produtos Quimicos Ltda.
Polysar Europa S.A.
Polysar France S.A.
Polysar GmbH
Polysar Handelmaatschappij B.V.
Polysar Holdings Limited
Polysar Incorporated
Polysar Insurance Services Limited
Polysar International S.A.
Polysar Investment Nederland B.V.
Polysar Italiana S.P.A.
Polysar Nederland B.V.
Polysar Skandinaviska A.B.
Polysar Technical Service Centre N.V.
Polysar (U.K.) Limited
Société Française Polysar
Synthetic Elastomers Development S.A.
Wolf GmbH

**Sentrol Systems Ltd.**
Nucleonic Data Systems, Inc.
Sensors Controls Pty. Ltd.
Sentrol Systems, Inc.

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# auditors' report

To the Shareholders of

CANADA DEVELOPMENT CORPORATION

We have examined the consolidated balance sheet of Canada Development Corporation as at December 31, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada
March 19, 1982

THORNE RIDDELL
Chartered Accountants

# corporate information

Honorary Chairman and Director Emeritus
A. John Ellis
Vancouver, British Columbia

## directors

Robert K. Andras
Senior Vice President, Teck Corporation,
Vancouver, British Columbia

Philippe de Gaspé Beaubien
Chairman of the Board and Chief Executive Officer
Télémedia Communications Ltée, Montreal, Québec

Laurent Beaudoin*
Chairman and Chief Executive Officer
Bombardier Inc., Montreal, Québec

John Bruk
President and Chief Executive Officer
Cyrus Anvil Mining Corporation, Vancouver, British Columbia

Pierre Côté*
Chairman of the Board
Celanese Canada Inc., Montreal, Québec

H. Anthony Hampson*
President and Chief Executive Officer
Canada Development Corporation, Toronto, Ontario

Gordon F. Hughes
President and General Manager
Ocean Company Limited, Windsor, Nova Scotia

Douglas N. Kendall*
Chairman, Enterprise Development Board
Department of Industry, Trade and Commerce, Toronto, Ontario

Murray B. Koffler
Chairman
Koffler Stores Limited, Willowdale, Ontario

Mrs. Mary Lamontagne**
Corporate Director
Québec City, Québec

Sydney Maislin**
Vice Chairman and Chief Executive Officer
Maislin Industries Ltd., LaSalle, Québec

Paul E. Martin
President and Chief Executive Officer
The CSL Group Ltd., Montreal, Québec

John R. McCaig
Chairman and Chief Executive Officer
Trimac Limited, Calgary, Alberta

William C. Y. McGregor**
National President, Brotherhood of Railway,
Airline and Steamship Clerks, Montreal, Québec

J. William E. Mingo Q.C.**
Stewart,
McKeen & Covert, Halifax, Nova Scotia

Maurice J. Moreau**
Executive Vice President and Chief Operating Officer
Eldorado Nuclear Limited, Ottawa, Ontario

Frederick W. Sellers*
Chairman
Spiroll Kipp Kelly Limited, Winnipeg, Manitoba

John G. Sheppard
Executive Vice President, Financial
Dofasco Inc., Hamilton, Ontario

Maurice F. Strong*
Chairman
International Energy Development Corporation
Geneva, Switzerland

Dr. Catherine Wallace
Chairman,
Maritime Provinces Higher Education Commission
Fredericton, New Brunswick

Alan F. Waters*
President and General Manager
CHUM Limited, Toronto, Ontario

Robert C. Montreuil (ex-officio)
Deputy Minister, Department of Regional Industrial Expansion
Ottawa, Ontario

Ian A. Stewart (ex-officio)*
Deputy Minister
Department of Finance, Ottawa, Ontario

*Member of the Executive Committee **Member of the Audit Committee

## officers

Frederick W. Sellers
Chairman of the Board

Pierre Côté
Vice Chairman of the Board

H. Anthony Hampson
President and Chief Executive Officer

Serge Gouin
Executive Vice President

John B. Hague
Executive Vice President

Jack O'Brien
Executive Vice President

Claude R. Marchand
Senior Vice President and Secretary

Gerald T. McGoey
Senior Vice President and Chief Financial Officer

Jerry W. Bliley
Vice President

James D. Ellis
Vice President

Nigel G. D. Gray
Vice President and General Counsel

Brian M. King
Vice President

Norma Michael
Vice President, Business Development & Planning

James M. O'Reilly
Vice President and Treasurer

# ten year finan

## net income

| | | 1981 | 1980 | 1979 |
|---|---|---|---|---|
| **Revenues** | Sales of products and services | **$3,049,691** | $2,305,710 | $1,965,914 |
| | Other Income | **86,660** | 53,510 | 48,998 |
| | | **3,136,351** | 2,359,220 | 2,014,912 |
| **Expenses** | Cost of sales | **2,452,809** | 1,792,869 | 1,529,040 |
| | Selling, administration and research | **329,216** | 271,164 | 225,792 |
| | Interest on long-term debt | **164,848** | 39,086 | 37,563 |
| | Other interest | **59,651** | 38,750 | 19,519 |
| | | **3,006,524** | 2,141,869 | 1,811,914 |
| | | **129,827** | 217,351 | 202,998 |
| Equity in earnings of other companies | | **70,587** | 102,256 | 43,372 |
| Income before income taxes and other items | | **200,414** | 319,607 | 246,370 |
| Translation (gains) losses | | **15,323** | (9,074) | 18,739 |
| Income taxes | | **47,218** | 81,818 | 63,693 |
| Minority interest in income of subsidiary companies | | **65,365** | 57,795 | 40,568 |
| | | **127,906** | 130,539 | 123,000 |
| | | **72,508** | 189,068 | 123,370 |
| Unusual items | | **(12,595)** | | |
| **Net income** | | **$ 85,103** | $ 189,068 | $ 123,370 |

## financial position

| | | 1981 | 1980 | 1979 |
|---|---|---|---|---|
| **Assets** | Working capital | **$ 784,126** | $ 616,872 | $ 430,685 |
| | Fixed assets (net) | **4,839,933** | 1,311,883 | 1,149,229 |
| | Long-term investments | **154,575** | 686,679 | 509,268 |
| | Other assets | **209,182** | 161,333 | 139,264 |
| | | **5,987,816** | 2,776,767 | 2,228,446 |
| **Liabilities** | Long-term debt | **3,862,001** | 609,340 | 539,840 |
| | Deferred taxes | **220,947** | 174,464 | 101,845 |
| | Interests of minority shareholders | **634,753** | 673,984 | 734,428 |
| | | **4,717,701** | 1,457,788 | 1,376,113 |
| **Shareholders' Equity** | Preferred equity | **432,579** | 538,191 | 244,768 |
| | Common equity | **837,536** | 780,788 | 607,565 |
| | | **$1,270,115** | $1,318,979 | $ 852,333 |

## changes in financial position

| | | 1981 | 1980 | 1979 |
|---|---|---|---|---|
| **Derived from** | Cash flow from operations | **$ 318,710** | $331,310 | $267,334 |
| | Other sources of funds | **2,670,094** | 480,363 | 114,442 |
| | | **2,988,804** | 811,673 | 381,776 |
| **Applied to** | Investments | **1,928,215** | 113,346 | 56,169 |
| | Capital expenditures | **565,319** | 232,209 | 132,774 |
| | Dividends on preferred shares | **34,826** | 21,795 | 17,332 |
| | Dividends to minority shareholders | **61,821** | 51,675 | 51,831 |
| | Other uses of funds | **231,369** | 206,461 | 105,583 |
| | Changes in working capital | **167,254** | 186,187 | 18,087 |
| | | **$2,988,804** | $811,673 | $381,776 |

## statistics

| | | 1981 | 1980 | 1979 |
|---|---|---|---|---|
| **Per common share** | Earnings | **$1.46** | $5.13 | $3.42 |
| | Fully diluted earnings | **$1.25** | $3.52 | $2.45 |
| | Cash flow from operations | **$8.24** | $9.51 | $8.05 |
| | Fully diluted cash flow from operations | **$4.72** | $6.25 | $5.44 |
| **Ratios** | Return on common equity | **6.2%** | 24.1% | 19.1% |
| | Working capital ratio | **1.7:1** | 1.9:1 | 1.7:1 |
| | Debt/equity ratio | **3.0:1** | 0.5:1 | 0.6:1 |
| **Other** | Common shares outstanding at year-end | **35,036,918** | 32,929,400 | 32,161,336 |

# cial summary

('000)

| 1978 | 1977 | 1976 | 1975 | 1974 | 1973 | 1972 |
|---|---|---|---|---|---|---|
| $1,342,129 | $741,236 | $595,557 | $469,605 | $454,204 | $285,029 | $92,333 |
| 23,343 | 15,278 | 13,755 | 13,055 | 9,610 | 11,651 | 3,974 |
| 1,365,472 | 756,514 | 609,312 | 482,660 | 463,814 | 296,680 | 96,307 |
| 1,087,451 | 579,966 | 471,751 | 373,170 | 336,701 | 220,846 | 79,490 |
| 164,576 | 107,514 | 88,016 | 81,002 | 69,209 | 40,909 | 12,031 |
| 29,937 | 17,402 | 9,657 | 10,255 | 10,994 | 4,835 | 1,614 |
| 16,731 | 10,056 | 8,533 | 7,789 | 5,576 | 5,441 | 492 |
| 1,298,695 | 714,938 | 577,957 | 472,216 | 422,480 | 272,031 | 93,627 |
| 66,777 | 41,576 | 31,355 | 10,444 | 41,334 | 24,649 | 2,680 |
| 14,353 | 13,371 | 14,067 | 27,474 | 40,210 | 6,757 | |
| 81,130 | 54,947 | 45,422 | 37,918 | 81,544 | 31,406 | 2,680 |
| (10,455) | (6,825) | 4,428 | (344) | 1,536 | (625) | |
| 22,117 | 19,197 | 12,054 | 8,358 | 8,472 | 6,601 | 925 |
| 26,179 | 6,006 | 4,610 | 3,285 | 175 | 30 | (318) |
| 37,841 | 18,378 | 21,092 | 11,299 | 10,183 | 6,006 | 607 |
| 43,289 | 36,569 | 24,330 | 26,619 | 71,361 | 25,400 | 2,073 |
| | 7,773 | (320) | 1,525 | 13,702 | 6,728 | |
| $ 43,289 | $ 28,796 | $ 24,650 | $ 25,094 | $ 57,659 | $ 18,672 | $ 2,073 |

| | | | | | | |
|---|---|---|---|---|---|---|
| $ 412,598 | $ 69,422 | $ 89,459 | $157,140 | $128,891 | $ (23,588) | $106,970 |
| 1,081,603 | 1,031,955 | 766,349 | 502,792 | 216,271 | 169,263 | 128,040 |
| 420,926 | 404,584 | 403,769 | 352,257 | 330,986 | 296,194 | 10,042 |
| 130,381 | 91,150 | 57,678 | 41,734 | 29,155 | 37,534 | 8,686 |
| 2,045,508 | 1,597,111 | 1,317,255 | 1,053,923 | 705,303 | 479,403 | 253,738 |
| 500,511 | 687,322 | 471,850 | 253,703 | 137,439 | 122,803 | 48,195 |
| 51,452 | 39,399 | 29,132 | 21,492 | 9,744 | 7,166 | 4,153 |
| 745,690 | 146,932 | 102,719 | 73,218 | 11,172 | 5,060 | 688 |
| 1,297,653 | 873,653 | 603,701 | 348,413 | 158,355 | 135,029 | 53,036 |
| 244,780 | 244,780 | 244,781 | 242,534 | 100,000 | | |
| 503,075 | 478,678 | 468,773 | 462,976 | 446,948 | 344,374 | 200,702 |
| $ 747,855 | $ 723,458 | $ 713,554 | $ 705,510 | $546,948 | $344,374 | $200,702 |

| | | | | | | |
|---|---|---|---|---|---|---|
| $142,158 | $ 94,305 | $ 65,408 | $ 38,730 | $ 58,130 | $ 35,187 | $ 10,269 |
| 854,321 | 271,139 | 272,383 | 327,965 | 191,676 | 196,172 | 113,885 |
| 996,479 | 365,444 | 337,791 | 366,695 | 249,806 | 231,359 | 124,154 |
| 18,654 | 7,404 | 47,621 | 107,821 | 1,989 | 310,683 | 28,889 |
| 102,207 | 305,096 | 294,540 | 192,658 | 74,268 | 30,814 | 8,125 |
| 17,332 | 17,332 | 17,296 | 8,592 | 4,750 | | |
| 29,591 | 4,335 | 4,322 | 3,206 | | | |
| 485,519 | 51,314 | 41,693 | 25,669 | 16,320 | 20,420 | 5,212 |
| 343,176 | (20,037) | (67,681) | 28,749 | 152,479 | (130,558) | 81,928 |
| $996,479 | $365,444 | $337,791 | $366,695 | $249,806 | $231,359 | $124,154 |

| | | | | | | |
|---|---|---|---|---|---|---|
| $0.84 | $0.37 | $0.24 | $0.54 | $1.84 | $0.88 | $0.31 |
| $0.78 | | | | | | |
| $4.06 | $2.50 | $1.59 | $0.99 | $1.86 | $1.66 | $1.54 |
| $2.84 | $1.84 | $1.24 | $0.69 | $1.45 | $1.66 | $1.54 |
| 5.3% | 2.4% | 1.6% | 3.6% | 12.9% | 6.3% | 2.1% |
| 1.8:1 | 1.1:1 | 1.3:1 | 1.7:1 | 1.7:1 | 0.9:1 | 2.7:1 |
| 0.7:1 | 1.0:1 | 0.7:1 | 0.4:1 | 0.3:1 | 0.4:1 | 0.2:1 |
| 30,712,170 | 30,712,158 | 30,712,038 | 30,712,038 | 29,756,989 | 25,677,009 | 13,594,114 |

# basic information for CDC shareholders

## shareholder investment program

Through its SHAREHOLDER INVESTMENT PROGRAM, the Corporation offers shareholders three convenient plans for obtaining additional CDC Common Shares.

**Dividend Reinvestment Plan:**

Acquire Common Shares with REINVESTED CASH DIVIDENDS, paid on 1980 Preferred and Class B Preferred Shares.

**Stock Dividend Plan:**

Acquire Common Shares as STOCK DIVIDENDS issued in lieu of cash dividends declared on 1980 Preferred and Class B Preferred Shares.

**Share Purchase Plan:**

Acquire Common Shares with OPTIONAL CASH CONTRIBUTIONS.

Advantages of the Program are that: (a) the purchase of shares on your behalf is automatic and requires no action on your part; (b) you do not pay brokerage commissions or administration fees; and (c) under the Dividend Reinvestment Plan, you purchase Common Shares at 95% of the average market price.

Each plan has different income tax consequences. For the best advice on which plan is most suitable, you are advised to obtain professional counsel.

The Program has been well received by CDC shareholders. During 1981, 164,334 common shares were purchased by existing shareholders who paid more than $2 million. More than 17% of all preferred shareholders were participating at year end.

**If you would like further information,** please contact:

Shareholder Services
Canada Development Corporation
Suite 2272 — 200 Granville Street
Vancouver, B.C. V6C 1S4
Telephone: (604) 682-0441

## how we communicate with you

CDC wants its shareholders to be fully informed about their Company's activities. To this end, we send shareholders regular information through the mails. In the latter half of February or early March, we usually send you a bulletin summarizing fourth quarter and year-end financial results. The Annual Report is mailed to shareholders in late April. Quarterly reports are also issued about seven weeks after the end of the first quarter (March 31), the second quarter (June 30) and the third quarter (September 30). Additional news is disseminated to shareholders through special mailings, press announcements and advertisements in daily newspapers.

**The Annual General Meeting** is usually on the third or fourth Thursday in May. At these meetings, shareholders elect directors to manage the affairs of their Corporation, appoint auditors and conduct any other business that is properly brought before the meeting. CDC shareholders live in many parts of Canada. To facilitate their participation in the affairs of the Corporation, we hold annual meetings in a different city each year so that over time all shareholders will have an opportunity to attend. The 1982 Annual General Meeting will be held in the Calgary Convention Centre on Thursday, May 27 at 11:45 a.m. In 1983 and 1984, our meetings will be in Montreal and Halifax respectively.

**Notice of Meeting, Information Circular, Proxy Card**—Registered shareholders receive additional material at least three weeks before the date of the Annual General Meeting.

**The Notice of Meeting** provides the exact time and place of the Annual Meeting.

**The Information Circular** outlines business to be discussed at the meeting. It includes brief notes on the business associations of all directors standing for election, gives details of their CDC share ownership, and provides other information on the remuneration of officers and directors.

**The Proxy Card** entitles you to record your vote on key issues to be decided upon by shareholders at the meeting, even though you are unable to attend. We urge you to exercise that vote, regardless of how small your shareholding may be.

In some cases, your investment dealer will hold your shares in their name on your behalf. Normally, the notice, information circular and proxy will be forwarded to you. If this material has not been sent, you can call and remind your investment dealer to have it mailed. Or you can have your shares registered in your name with your personal address to ensure timely receipt of all communications.

## how you may communicate with us:

**If you wish to notify us of a change of address**—Use the convenient change-of-address form that accompanies each dividend cheque. If you don't have one, write to the above address, giving your old address, exactly as it appears on our mailings to you, and your new address.

**If you lose your share certificate or dividend cheque**—Write to the above address, providing your name and/or initials exactly as they appear on your stock certificate or cheques. If you can also provide us with your stock certificate number or account number it will help us, although it is not absolutely necessary.

**To eliminate mail duplication**—Are you receiving two or more copies of our mailings, such as quarterly reports? One cause of this may be that you have purchased CDC Shares on two or more separate occasions, using a minor variation in your name (ie John J. Smith the first time and J. J. Smith the second time) or a different address. In such a case, we could be treating this as two separate accounts. In order to save money, we would like to eliminate such duplication. If you receive duplicate mailings, please send us the address portion from each envelope, indicating which is the preferred version of your name or address. We shall then consolidate your accounts into one.

**If you wish to change or alter the name on your share certificate write directly to the trust company office noted below**—You may wish to change the way your shares are registered if you change your name through marriage, if the name on the certificate is not the name you prefer to use, or if you decide to give or sell your shares to someone else. In such cases, be sure to complete the reverse side of your share certificate first, then send it by registered mail to: Transfer Department, National Trust Company, in whichever of the following cities is in your province: Montreal, Toronto, Winnipeg, Regina, Calgary, Vancouver. **In the Maritimes,** send it to: Transfer Department, Royal Trust Company, in whichever of the following cities is in your province: St. John's, Charlottetown, Halifax, Saint John.

**Extra Annual Reports Available**—Our Annual Report is much more than a report on the financial position of CDC. It is meant to provide a general overview of what CDC is and how it operates. If you wish additional copies, we shall be pleased to send them on request.

**Other Annual Reports**—Some companies in the CDC group publish their own annual reports. If you would like to receive annual reports of Canterra Energy Ltd., Polysar Limited, Petrosar Limited, Kidd Creek Mines Ltd. or AES Data Ltd., please write Director, Public Affairs and Communications, Canada Development Corporation, 200 Yonge Street, Toronto, Ontario M5B 2H4.

**Speakers Available**—CDC senior staff frequently travel on business. Given plenty of advance notice and preferably a choice of dates we can usually supply a speaker for groups of 25 or more. If your club or other group would like to have a CDC speaker, write to the address listed above.

# CDC shares on the stock market

**Common Shares**
(Ticker symbol: CDC)

At the end of 1981, 35,036,918 CDC common shares were outstanding of which 4,324,928 were registered in the name of 17,399 Canadian citizens or residents, according to the following distribution:

| Location | Shareholders Number | % | Shares Number | % |
|---|---|---|---|---|
| British Columbia | 2,617 | 15.0 | 484,023 | 11.2 |
| Alberta | 1,514 | 8.7 | 352,652 | 8.2 |
| Saskatchewan | 775 | 4.6 | 71,490 | 1.7 |
| Manitoba | 651 | 3.7 | 293,461 | 6.7 |
| Ontario | 8,998 | 51.7 | 2,420,955 | 56.0 |
| Quebec | 1,770 | 10.2 | 579,543 | 13.4 |
| New Brunswick | 354 | 2.0 | 28,461 | 0.7 |
| Nova Scotia | 488 | 2.8 | 67,517 | 1.6 |
| Prince Edward Island | 80 | 0.5 | 4,885 | 0.1 |
| Newfoundland | 61 | 0.4 | 15,722 | 0.3 |
| Territories | 24 | 0.2 | 2,869 | 0.1 |
| Outside Canada | 67 | 0.2 | 3,350 | |
| Total | **17,399** | **100.0** | **4,324,928** | **100.0** |

The Government of Canada owns 30,711,990 common shares. This holding represents 87.7% of the common shares outstanding and carries 48.5% of the votes at shareholder meetings.

During 1981 the number of common shares available for trading increased by 2,107,518 or 95% resulting from the distribution of 1,380,820 common shares as a bonus to the holders of Class B preferred shares, purchases through CDC's dividend reinvestment plan and conversion of Class B preferred shares.

During the year, 3,247,852 common shares were traded on the stock exhanges with prices on the Toronto Stock Exchange fluctuating as follows:

| | High | Low | Close |
|---|---|---|---|
| 4th quarter 1981 | 11⅝ | 8 | 9½ |
| 3rd quarter 1981 | 15⅜ | 9⅞ | 11⅜ |
| 2nd quarter 1981 | 16⅜ | 11⅝ | 14⅜ |
| 1st quarter 1981 | 16 | 12½ | 15⅝ |
| Full year 1980 | 16 | 9⅛ | 13¼ |

CDC has not paid dividends on its common shares since issue.

**Class B Preferred Shares**
(Ticker symbol: CDC PrB)

At the end of 1981, 1,325,787 Class B preferred shares were registered in the name of 12,220 Canadian citizens or residents according to the following distribution:

| Location | Shareholders Number | % | Shares Number | % |
|---|---|---|---|---|
| British Columbia | 1,844 | 15.1 | 107,077 | 8.0 |
| Alberta | 985 | 8.1 | 100,158 | 7.6 |
| Saskatchewan | 553 | 4.5 | 28,831 | 2.2 |
| Manitoba | 425 | 3.5 | 123,300 | 9.3 |
| Ontario | 6,599 | 54.0 | 841,578 | 63.5 |
| Quebec | 1,099 | 9.0 | 98,234 | 7.4 |
| New Brunswick | 227 | 1.9 | 7,686 | 0.6 |
| Nova Scotia | 316 | 2.6 | 11,919 | 0.9 |
| Prince Edward Island | 52 | 0.4 | 1,676 | 0.1 |
| Newfoundland | 50 | 0.4 | 3,791 | 0.3 |
| Territories | 6 | 0.1 | 50 | |
| Outside Canada | 64 | 0.4 | 1,487 | 0.1 |
| Total | **12,220** | **100.0** | **1,325,787** | **100.0** |

Each Class B preferred share is convertible into 10 common shares. During the year, 430,830 Class B preferred shares were traded on the stock exchanges with prices on the Toronto Stock Exchange fluctuating as follows:

| | High | Low | Close |
|---|---|---|---|
| 4th quarter 1981 | 126 | 93 | 99 |
| 3rd quarter 1981 | 152 | 89¾ | 102 |
| 2nd quarter 1981 | 161 | 121½ | 143 |
| 1st quarter 1981 | 164 | 127 | 154 |
| Full year 1980 | 169½ | 121½ | 152 |

A dividend of $2.00 per Class B preferred share is payable on the first of January, April, July, and October. Each share may be converted at any time at the holder's option into ten common shares. Class B preferred shares are redeemable at the option of the holder at the original issue price of $100 each from October 2, 1985 to October 1, 1986 or at the option of CDC at a price of $104 per share reducing by $1 per share on the second day of October in each year until October 2, 1985 when they become redeemable at $100 per share.

### 1980 Preferred Shares

(Ticker symbol: CDC 1980)

At the end of 1981, 15,000,000 CDC 1980 preferred shares were registered in the name of 20,606 Canadian citizens or residents according to the following distribution:

| Location | Shareholders Number | % | Shares Number | % |
|---|---|---|---|---|
| British Columbia | 4,191 | 20.3 | 2,032,606 | 13.6 |
| Alberta | 1,606 | 7.8 | 837,047 | 5.6 |
| Saskatchewan | 651 | 3.2 | 243,815 | 1.6 |
| Manitoba | 812 | 3.9 | 937,145 | 6.2 |
| Ontario | 9,545 | 46.3 | 8,566,824 | 57.1 |
| Quebec | 2,351 | 11.4 | 1,725,873 | 11.5 |
| New Brunswick | 593 | 2.9 | 309,385 | 2.1 |
| Nova Scotia | 709 | 3.5 | 272,495 | 1.8 |
| Prince Edward Island | 60 | 0.3 | 20,600 | 0.1 |
| Newfoundland | 62 | 0.3 | 19,160 | 0.1 |
| Territories | 8 | | 28,800 | 0.2 |
| Outside Canada | 18 | 0.1 | 8,250 | 0.1 |
| Total | **20,606** | **100.0** | **15,000,000** | **100.0** |

During the year, 5,084,839 1980 preferred shares were traded on the stock exchanges with prices on the Toronto Stock Exchange fluctuating as follows:

| | High | Low | Close |
|---|---|---|---|
| 4th quarter 1981 | 16⅞ | 13⅛ | 14⅝ |
| 3rd quarter 1981 | 21⅜ | 15 | 16 |
| 2nd quarter 1981 | 23⅞ | 18 | 19¾ |
| 1st quarter 1981 | 23⅞ | 20¼ | 23⅛ |
| 2 months 1980 | 21 | 20 | 20½ |

A dividend of 38¢ for each 1980 preferred share is payable on the first of February, May, August and November. 1980 preferred shares are convertible at the option of the holder into CDC common shares until October 15, 1990 on the basis of 1.27 common shares for each 1980 preferred share converted; the effective conversion price is thus $15.75 per common share. 1980 preferred shares are redeemable at the option of CDC from October 15, 1985 at a price beginning at $21.20 per share and declining by 20¢ on the 15th day of each October until October 15, 1990 and thereafter when they are redeemable at par. Between October 15, 1983 and October 14, 1985, CDC has the right to redeem the 1980 preferred shares at $21.20 per share provided the current market price of the common shares is not less than $19.69 on the day that notice of such redemption is first given.

### Listing and Transfer Agent

CDC common and preferred shares are listed on all Canadian stock exchanges. The transfer agent is National Trust Company Limited at its principal offices in Vancouver, Calgary, Winnipeg, Toronto and Montreal, and its agent, The Royal Trust Company, at its principal offices in Regina, Saint John, Charlottetown, Halifax and St. John's.

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