

Interprovincial Pipe Line Limited

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Annual Report 1984



HOWARD ROSS LIBRARY
OF MANAGEMENT
MAR 15 1985
McGILL UNIVERSITY



Financial and statistical highlights

	1984	1983	Increase
Transportation revenue	\$436,982,000	\$405,304,000	8%
Expenses, excluding taxes	251,626,000	230,907,000	9%
Income and other taxes	128,592,000	119,049,000	8%
Earnings	129,608,000	97,006,000	34%
per share	3.47	3.38	3%
Dividends paid	67,098,000	46,746,000	44%
per share	1.70	1.60	6%
Capital expenditures	185,563,000	92,581,000	
Cash provided from operations	164,524,000	141,507,000	
Deliveries (cubic metres per day)	211 601	198 856	6%
Cubic metre kilometres (millions)	181 386	171 221	6%

1 cubic metre (m³) = 6.3 barrels

1 kilometre (km) = 0.6 miles

Annual Meeting

2:30 p.m. Wednesday, April 10, 1985
Upper Canada Room, Royal York Hotel,
100 Front Street West, Toronto.

The Notice of Meeting, Management Proxy Circular and Form of Proxy are being mailed with this report on or about March 15, 1985 to all shareholders of record.

Shareholders are encouraged to complete and sign the enclosed Proxy and to attend the Annual Meeting.

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Leave this page unfolded for easy reference while reading.

Tankage at Edmonton terminal

Management personnel

Gauger at meter manifold

Pipeline construction in Mississauga, Ontario

Crude oil and products transported

Patrolling the right-of-way

Computer Aided Design and Drafting System

Norman Wells financing

Board of Directors

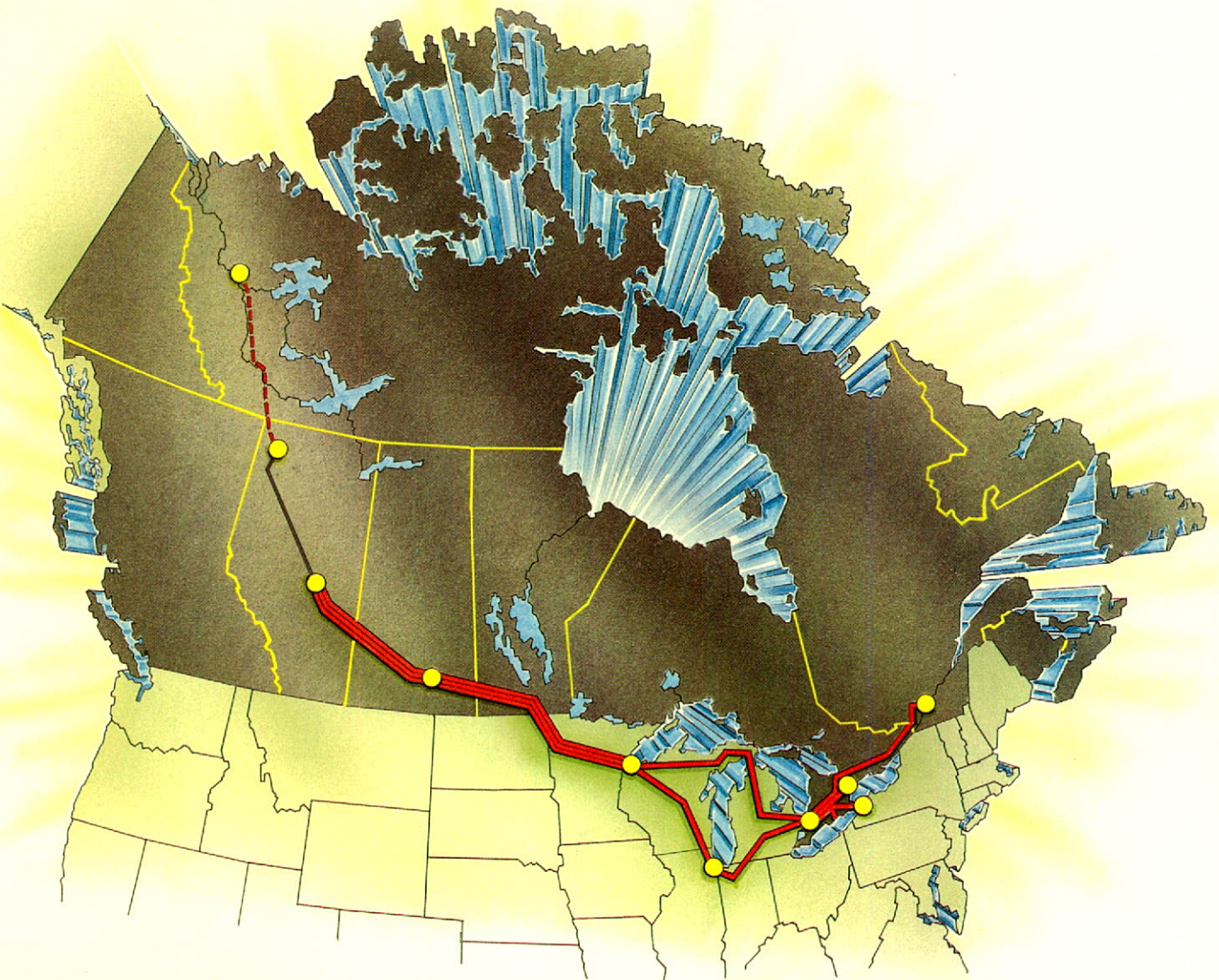
Operating headquarters in Edmonton

Corporate Profile

Interprovincial Pipe Line Limited and its wholly-owned U.S. subsidiary, Lakehead Pipe Line Company, Inc., are engaged in the business of transporting crude oil and other liquid hydrocarbons through a common carrier pipeline system.

The pipeline system presently extends 3 700 kilometres from Edmonton, Alberta, across the Canadian Prairies through the Great Lakes region of the U.S. to Toronto, Ontario and Montreal, Quebec.

Construction is proceeding on the Norman Wells crude oil pipeline which is to extend 866 kilometres from Norman Wells in the Northwest Territories to Zama in northwestern Alberta and is scheduled to be completed by the spring of 1985.



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INTERPROVINCIAL PIPE LINE LIMITED

BOX 48, 1 FIRST CANADIAN PLACE, TORONTO M5X 1A9

R. K. HEULE
President & Chief Executive Officer

March 11, 1985

TO THE SHAREHOLDERS:

The Thirty-sixth Annual Meeting of Shareholders of the Company will be held in the Upper Canada Room of the Royal York Hotel in Toronto on Wednesday, April 10, 1985 at 2:30 p.m.

I hope you will be able to attend in person; however, if you cannot attend, would you please complete and return the enclosed proxy which will assure you of representation at the Meeting.

Yours sincerely,



President

INTERPROVINCIAL PIPE LINE LIMITED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Interprovincial Pipe Line Limited will be held in the Upper Canada Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario, on Wednesday, the 10th day of April, 1985, at 2:30 p.m., Toronto time, for the purpose of:

- (a) Receiving the Directors' Report to Shareholders, the Consolidated Financial Statements and the Report of the Auditors, for the fiscal year ended December 31, 1984;
- (b) electing directors;
- (c) appointing auditors; and
- (d) transacting such other business as may properly be brought before the Meeting.

A proxy to be used at the Meeting must be deposited at the office of the Corporate Secretary of the Company in Toronto or the Toronto office of the Transfer Agent of the Company (The Royal Trust Company, Royal Trust Tower, Toronto-Dominion Centre) at or before the close of business on April 9, 1985.

DATED at Toronto, Ontario, this 11th day of March, 1985.

By Order of the Board,

J. N. ST. JOHN
Corporate Secretary

MANAGEMENT PROXY CIRCULAR

SOLICITATION OF PROXIES

This Management Proxy Circular is furnished in connection with the solicitation of proxies by the Management of Interprovincial Pipe Line Limited (the "Company") to be used at the Annual Meeting of Shareholders of the Company (the "Meeting") which will be held at the time and place and for the purposes set forth in the attached Notice of Meeting. The solicitation of proxies will be by mail, with possible supplemental telephone or other personal solicitation by regular employees of the Company. The cost of solicitation will be borne by the Company.

APPOINTMENT OF PROXY AND DISCRETIONARY AUTHORITY

The enclosed form of proxy confers discretionary authority upon the persons designated therein with respect to amendments to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. As at the date of this Management Proxy Circular, Management is not aware that any such amendments or other matters are to be presented for action at the Meeting.

REVOCABILITY OF PROXY

A shareholder who has given a proxy may revoke it, by instrument in writing executed by the shareholder or by his or her attorney authorized in writing, and deposited either at the Toronto office of the Company at any time up to and including the last business day preceding the day of the Meeting, or an adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting, or on the day of an adjournment thereof, or in any other manner permitted by law.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As of March 8, 1985, the Company had issued and outstanding 39,500,588 common shares. The Board of Directors has fixed Friday, March 15, 1985 as the record date for determining shareholders entitled to notice of the Meeting. The persons entitled to vote at the Meeting are all shareholders of record at the close of business on March 15, 1985 (except for any shareholder selling his shares after that date whose transferee makes a request to the Corporate Secretary of the Company by the close of business on March 29, 1985 to be included on the list of shareholders entitled to vote at the Meeting). On all matters to come before the Meeting each shareholder is entitled to one vote for each common share standing in his name on the securities register of the Company.

The following table sets forth as of March 8, 1985 certain information with respect to the share ownership of all persons known to the Company to be beneficial owners of more than 5% of the Company's outstanding common shares and as to all directors and officers of the Company as a group.

	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Hiram Walker Resources Ltd. ("HWR") Suite 600 1 First Canadian Place Toronto, Ontario M5X 1A9	13,600,000 shares	34.4%
Imperial Oil Limited ("Imperial") 111 St. Clair Avenue W. Toronto, Ontario M5W 1K3	8,597,000 shares	21.8%
Gulf Canada Limited 130 Adelaide St. W. Toronto, Ontario M5H 3R6	2,550,000 shares	6.5%
All directors and officers as a group (22 persons)	22,703 shares(2)	Less than 1%

(1) Each holder has indicated it has sole voting and investment power for the beneficially owned shares. In the case of HWR and Imperial this is subject to the Shareholders' Agreement referred to below under which the HWR and Imperial shares are deposited with The Royal Trust Company, to be voted for the election of directors as provided in that Agreement and otherwise as HWR and Imperial may each direct with respect to the shares deposited by it.

(2) Includes 5,000 authorized but unissued shares subject to currently exercisable options.

ELECTION OF DIRECTORS

The Articles of the Company provide that the Board of Directors shall consist of 15 members. The Company does not have a Nominating Committee as the Shareholders' Agreement between Imperial and HWR provides that the 15 directors shall consist of 7 persons (who shall be independent of each of HWR and Imperial) nominated by the Independent Directors Selection Committee, 5 persons nominated by HWR and 3 by Imperial. HWR and Imperial have agreed in the Shareholders' Agreement to vote the shares held by them (aggregating 56% of the outstanding shares) for the election of the directors so nominated. The Independent Directors Selection Committee consists of three individuals, one appointed by HWR, one by Imperial and one by the first two appointees. Each member serves a three year term and is a person who is required to be independent of each of HWR and Imperial.

The Independent Directors Selection Committee has nominated for election as directors D. G. Campbell, W. A. Dimma, F. W. Fitzpatrick, R. K. Heule, H. G. MacNeill, P. A. Nadeau and E. H. Orser. HWR has nominated for election as directors M. Bregazzi, A. E. Downing, W. D. H. Gardiner, R. F. Haskayne and A. R. McCallum. Imperial has nominated for election as directors R. B. Peterson, G. H. Thomson and W. J. Young.

Each director elected will hold office until the close of the next Annual Meeting of Shareholders or until his successor is duly elected unless his office is earlier vacated.

Unless otherwise specified in the proxy, that the shares represented by the proxy shall be withheld from voting for the election of one or more directors, it is the intention of the persons designated in the enclosed form of proxy to vote for the election of the nominees listed above.

If between the date of this Management Proxy Circular and the date of the Meeting any nominee so proposed becomes unable or unwilling to serve as a director, the persons designated in the form of proxy will exercise their discretionary authority to vote for another nominee.

The following are the names of the persons proposed to be nominated for election as directors, their ages, other positions and offices with the Company presently held by them, their present principal occupations and their principal occupations during the five preceding years, the year in which they were elected directors and the approximate number of common shares of the Company beneficially owned, or over which control or direction is exercised, by each of them as of February 20, 1985.

<u>Name, Age and Principal Occupation or Employment (1)</u>	<u>Elected a Director</u>	<u>Common Shares (2)</u>
Michael Bregazzi, 47, Vice-President, Planning and Development, Gulf Canada Limited (integrated oil company).	1984	50
Donald G. Campbell, 59, Chairman and Chief Executive Officer, Maclean Hunter Limited (communications).	1984	5,000
William A. Dimma, 56, President and Chief Executive Officer, Royal LePage Limited (real estate) since 1984 and prior thereto President, A. E. LePage Limited (real estate) for more than 5 years.	1984	100
Alfred E. Downing, 61, Chairman, President and Chief Executive Officer, Hiram Walker Resources Ltd. (distilled spirits, natural resources and gas distribution).	1983	50
F. William Fitzpatrick, 52, Chairman, President and Chief Executive Officer, Bralorne Resources Limited (oil and natural gas and services to the energy industry).	1984	500

<u>Name, Age and Principal Occupation or Employment (1)</u>	<u>Elected a Director</u>	<u>Common Shares(2)</u>
W. Douglas H. Gardiner, 67, President, W.D.H.G. Financial Associates Ltd. (financial consultants) since 1980 and prior thereto Vice-Chairman, The Royal Bank of Canada.	1980	128
Richard F. Haskayne, 50, Director and Executive Vice President, Hiram Walker Resources Ltd. and President, Home Oil Company Limited (oil and gas exploration) a subsidiary of Hiram Walker Resources Ltd. since 1982. President of Hudson's Bay Oil and Gas Company Limited 1980-1982.	1983	100
Robert K. Heule, 59, President and Chief Executive Officer of the Company.	1975	10,404(3)
H. Gordon MacNeill, 59, President and Chief Executive Officer, Jannock Limited (steel and brick products, electrical components).	1984	200
Archibald R. McCallum, 54, Senior Vice President and Chief Financial Officer, Hiram Walker Resources Ltd.	1983	50
Pierre A. Nadeau, 59, Chairman of the Board, Tioxide Canada Inc. (chemical manufacturer) since 1983. Special consultant to Cemp Investments Ltd. 1981-1982 and prior thereto Chairman of the Board, Chief Executive Officer and President of Petrofina Canada Inc.	1984	500
Earl H. Orser, 56, President and Chief Executive Officer, London Life Insurance Company.	1984	700
Robert B. Peterson, 47, President and Chief Executive Officer, Esso Resources Canada Limited (subsidiary of Imperial Oil Limited, integrated oil company).	1983	100
Gordon H. Thomson, 43, President, Esso Petroleum Canada (division of Imperial Oil Limited).	1982	50
William J. Young, 57, Director and Senior Vice-President Imperial Oil Limited.	1983	500

- (1) Each of the persons named was elected a director of the Company by a vote of shareholders at the Annual Meeting of the Company held on April 12, 1984. Except as otherwise indicated, there has been no change in principal occupation or employment during the past five years.
- (2) Each director has advised that he has sole voting and investment power as to shares beneficially owned. Information as to shares beneficially owned, or over which control or direction is exercised, not being within the knowledge of the Company, has been furnished by the respective persons individually. No director beneficially owns as much as 1% of the outstanding common shares.
- (3) Includes 5,000 authorized but unissued shares subject to currently exercisable option.

None of the directors listed above holds directorships in any company with a class of securities registered pursuant to Section 12 of the United States Securities Exchange Act of 1934 or which is subject to the

requirements of Section 15(d) of such Act or which is registered as an investment company under the United States Investment Company Act of 1940, except as follows:

<u>Name of Director</u>	<u>Name of Companies in which such Directorship held</u>
A. E. Downing	Hiram Walker Resources Ltd.
F. W. Fitzpatrick	Mark Products, Inc. Bralorne Resources Limited
W. D. H. Gardiner	Hiram Walker Resources Ltd. Ni-Cal Developments Ltd.
R. F. Haskayne	Hiram Walker Resources Ltd. Scurry-Rainbow Oil Limited
P. A. Nadeau	Bell Canada
R. B. Peterson	Imperial Oil Limited
W. J. Young	Imperial Oil Limited

BOARD AND COMMITTEES

The Audit Committee, presently comprising W. A. Dimma, W. D. H. Gardiner and E. H. Orser, held three meetings during 1984. The principal function of the Audit Committee is to review the Company's annual financial statements and recommend their approval or otherwise to the Board.

The Finance and Investment Committee, presently comprising R. K. Heule, H. G. MacNeill, A. R. McCallum and G. H. Thomson, held four meetings during 1984. The principal function of the Finance and Investment Committee is to establish objectives and policies for the Company's investment program and to review and make recommendations on other matters relating to the financial position and requirements of the Company.

The Compensation Committee, presently comprising D. G. Campbell, A. E. Downing and W. J. Young, held five meetings during 1984. The principal functions of the Compensation Committee are to review the Company's compensation policies and management succession plans and make recommendations concerning the same to the Board.

The Acquisition Committee, presently comprising W. D. H. Gardiner, R. F. Haskayne, R. K. Heule, H. G. MacNeill, A. R. McCallum, R. B. Peterson and W. J. Young, held two meetings during 1984. The function of the Acquisition Committee is to review Management's proposals regarding corporate acquisition candidates and make recommendations concerning such matters to the Board.

There were nine meetings of the Board during 1984. All members of the Board, with the exception of W. A. Dimma and F. W. Fitzpatrick, attended at least 75 percent of the total of all meetings of the Board and all Committees of which they were members during the year.

APPOINTMENT OF AUDITORS

Price Waterhouse have been auditors of the Company since 1949. Unless otherwise specified in a proxy that the common shares represented by the proxy shall be withheld from voting for, or voted against, the appointment of auditors, the persons designated in the enclosed form of proxy intend to vote the proxy for re-appointment of Price Waterhouse as auditors of the Company to hold office until the next Annual Meeting of Shareholders. Representatives of Price Waterhouse are expected to be present at the Meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

REMUNERATION OF MANAGEMENT

	Directors' Fees	Salaries	Bonuses	Totals
REMUNERATION OF DIRECTORS				
AS DIRECTORS (1)				
Number of Directors: 22 15 current and 7 former directors	\$172,000	—	—	\$172,000
Body Corporate incurring the expense: <i>Interprovincial Pipe Line Limited</i>				
REMUNERATION OF OFFICERS				
AS OFFICERS (2)				
Number of Officers: 8 Body Corporate incurring the expense: <i>Interprovincial Pipe Line Limited</i>	—	\$980,000	—	\$980,000
TOTALS	\$172,000	\$980,000	—	\$1,152,000

- (1) Directors' fees are paid only to directors who are not officers. Each such director is paid an annual fee of \$7,000 for service as a director, plus fees of \$500 for each directors' and committee meeting attended.
- (2) Compensation, other than as indicated in the above table or under Option And Other Remuneration Plans below paid or distributed with respect to all officers as a group during 1984 was less than the lesser of \$25,000 times the number of persons in the group and 10% of the total remuneration reported for such officers. All such officers are considered executive officers.

The following table sets forth the compensation paid or distributed to the Company's five highest paid officers for services rendered to the Company and its subsidiaries during 1984.

Name	Capacities in which served	Cash Compensation (1)
R. K. Heule	President and Chief Executive Officer	\$205,000
G. A. Cole	Vice-President and General Manager	\$150,000
D. R. Martin	Vice-President—Resources	\$137,000
E. G. Sheasby	Vice-President and General Counsel	\$126,000
L. W. Blaine	Vice-President and Treasurer	\$111,000

(1) Consists solely of salaries.

OPTION AND OTHER REMUNERATION PLANS

Stock Option Plans

Options to purchase common shares of the Company are outstanding under the Company's Incentive Stock Option Plan (1969). The Plan authorized the Board of Directors to grant options, with terms of up to ten years, to key employees of the Company and its subsidiaries. As at March 8, 1985, options to acquire 14,500 unissued common shares were outstanding and held by 5 employees. As provided in the Plan, the exercise price for each option is not less than 90% of the fair market value on the date of grant. No additional shares are available for granting under the 1969 Plan. With respect to the 1969 Plan, the net value realized (market value of the shares purchased less the option price) upon exercise of options in 1984 by any of the officers named in the table on page 6 was as follows: Mr. Heule, \$65,625; Mr. Cole, \$65,625; and by all officers as a group, \$131,250.

An Incentive Stock Option Plan (1984) was adopted in 1984 which authorizes options with respect to a maximum of 400,000 common shares. The Board's Compensation Committee is authorized, subject to Board approval, to designate key employees of the Company and its subsidiaries to whom options or other rights under the Plan may be granted. The options may have terms of up to ten years, become exercisable only after one year following the date of grant and in such installments as the Committee determines. Options may have exercise prices not less than 90% of the fair market value on the date of grant payable in cash, the Company's securities or a combination of both, at the Committee's discretion. The options may include incentive stock options under Section 422A of the U.S. Internal Revenue Code, in which case the exercise price will not be less than 100% of fair market value on the date of grant. The Plan also authorizes the grant of stock appreciation rights permitting the surrender of exercisable options in exchange for a payment equal to the excess of the fair market value of the shares covered by the surrendered option over the exercise price (not to exceed 100% of such exercise price), payable in the form of shares of the Company, cash or a combination of both. In addition, the Plan authorizes the grant of dividend equivalent rights, having a maximum life of five years, under which the Company credits to the option holder's account, on each dividend payment date, an amount equal to the dividend that would be payable on a number of shares equal to the number of rights held (not exceeding the number of shares subject to the related option), to be paid to the option holder when the option or related stock appreciation right is exercised, or is exercisable and expires (subject to a maximum payment of 50% of the option exercise price). The Plan contains provisions for payments in liquidation of options and stock appreciation rights, whether or not then exercisable, in certain cases of mergers or reorganizations of the Company.

With respect to the 1984 Plan, options to purchase 44,400 unissued common shares were granted on June 7, 1984 to 22 employees of the Company and its subsidiaries. These options, not exercisable until after June 7, 1985, were granted at \$27.00 per share, which was 100% of the fair market value of a share of the Company on June 7, 1984, and were all outstanding as at March 8, 1985. Each option carried with it a dividend equivalent right and certain employees received options carrying with them stock appreciation rights. The officers named in the above table were granted options on the following numbers of shares: Mr. Heule, 8,000; Mr. Cole, 4,000; Mr. Martin, 4,000; Mr. Sheasby, 4,000; Mr. Blaine, 4,000 and all officers as a group 28,000 shares. Each of these options carried with it stock appreciation rights as well as a number of dividend equivalent rights equal to the shares covered by the option.

Pension Plan

The Company has a trustee non-contributory pension plan covering all full time employees. Each retiring participant receives an annuity, payable monthly, equal to 1.6% of the average of the participant's highest annual

basic compensation during three consecutive years out of the last ten consecutive years of credited service, multiplied by the number of years of credited service. The retirement benefit under the Plan is subject to a maximum pension of \$60,000 per year but, to the extent this limitation applies in any case, the Company presently intends to pay a supplemental retirement allowance sufficient to provide the portion of the annuity to which the participant would be entitled absent the limitation. The estimated aggregate cost to the Company in 1984 of all pension benefits proposed to be paid by the Company to directors and officers under its pension plan in the event of retirement at normal retirement age was \$80,722. The estimated annual benefits (including both Plan and supplemental retirement allowance payments) upon retirement at normal retirement age (65) for each of the officers named in the table on page 7 are as follows: Mr. Heule, \$129,422; Mr. Cole, \$86,275; Mr. Martin, \$57,409; Mr. Sheasby, \$44,803; and Mr. Blaine, \$39,583.

Employees' Savings Plan

Under the Company's Employees' Savings Plan, each employee eligible under the Company's pension plan may participate by authorizing payroll deductions in maximums ranging from 1% (where credited service is less than two years) to 5% (where it is five years or more) of current earnings. Concurrently with each such participant contribution, the Company is required to contribute out of profits a matching amount, which is vested when contributed. The participant and Company contributions are paid to trustees to be held for the accounts of the participants, subject to the participants' instructions for investment. The amounts in the participants' accounts are to be distributed upon termination of service subject to certain provisions regarding limited prior withdrawals. The contributions by the Company in 1984 under the Plan for the account of each officer named in the table on page 7 were as follows: Mr. Heule, \$10,250; Mr. Cole, \$7,500; Mr. Martin, \$6,850; Mr. Sheasby, \$6,300; Mr. Blaine, \$5,550; and for all officers as a group, \$45,150.

DIRECTORS' AND OFFICERS' INSURANCE

The Company maintains insurance for the benefit of the Company and its directors and officers as a group, in respect of the performance by them of the duties of their office. The amount of insurance purchased is \$25,000,000 with a \$7,500 deductible in respect of each claim. The premium for such insurance for the 12-month period ended December 31, 1984 was \$13,284. The premium is paid without distinction as to directors as a group or officers as a group and the total cost of the insurance is paid by the Company.

FINANCIAL STATEMENTS

The directors will place before the Meeting the Directors' Report to Shareholders and the Consolidated Financial Statements and Auditors' Report for the fiscal year ended December 31, 1984. The 1984 Annual Report to Shareholders which contains Consolidated Financial Statements and Auditors' Report accompanies this Circular and additional copies are available at the office of the Corporate Secretary of the Company or the Toronto office of the Transfer Agent of the Company.

1986 ANNUAL MEETING OF SHAREHOLDERS

The Canada Business Corporations Act, which governs the Company, provides that shareholder proposals must be received by January 10, 1986 to be considered for inclusion in the Management Proxy Circular and form of proxy for the 1986 Annual Meeting of Shareholders, which is expected to be held on April 9, 1986.

DATED at Toronto, Ontario as of the 8th day of March, 1985.

The contents and sending of this Management Proxy Circular have been approved by the directors of the Company.



J . N. ST. JOHN
Corporate Secretary

Directors' report to shareholders

IPL achieved record earnings of \$130 million in 1984. This increase of \$33 million over 1983 resulted from both the full year's earnings performance of Hiram Walker Resources Ltd. (HWR) and the continued improvement in our pipeline business. Earnings per share amounted to \$3.47, up from \$3.38 in 1983. This is viewed as a substantial achievement. The potential diluting effect of the acquisition of an equity interest in HWR has been fully offset by the improved profits of HWR, increased throughput in the mainline system and higher profits from financial sources. The positive effect of broadening the Company's asset base and the resulting earnings provides future growth potential and a solid financial base to support major expansions of the pipeline business and other promising investment opportunities.

Our current major growth project is construction of the Norman Wells pipeline. Pump station construction is complete and construction on the mainline resumed early in 1985 with completion scheduled for the second quarter. We expect the project to be in service ahead of schedule and under budget. The pipeline has been constructed without serious environmental problems and with minimum social impact on the north. The successful completion of the Norman Wells pipeline places the Company in an excellent strategic position to participate in any future transportation system from the Beaufort Sea when crude oil discoveries are sufficient to meet threshold volumes.

After a period of relatively stable throughput and substantial reserve capacity, the Company's crude oil pipeline system in Western Canada is now entering a new expansion phase which will require significant capital investment. This opportunity results from a marked change in the relative mix of light and heavy crude oils transported. A combination of a rapid increase in the forecast volumes of heavy crude oil and the continuation of current levels of light crude oil production from Western Canada will place a significant capacity constraint on the pipeline system. The increase in throughput is in part a result of Provincial and Federal Government production incentives which have encouraged expanded exploration and development expenditures for conventional and non conventional oil production. Marketing programs which allow for the sale of surplus crude oil to the export market in the United States have also had a positive effect on throughput. We view these production and marketing incentives as a precursor to significant changes in Canada's energy strategy, currently being negotiated between the Federal and Provincial Governments.

The deregulation of crude oil prices in Canada, expected to be in place in the second quarter of 1985, could have some impact on the delivery patterns of crude oil transported by IPL. However, we do not anticipate any significant effect on total pipeline throughput. Further, price deregulation may well create other business opportunities which we intend to explore. With a growing cash flow, new capacity expansion in the main pipeline system underway and completion of the Norman Wells line, the Company has the financial strength to aggressively seek further investments.



Interprovincial pursued diversification activities during 1984 by searching for an appropriate investment in the upstream oil and gas business. While deteriorating and unstable world oil prices precluded a sensible acquisition during 1984, the Company remains interested in and continues to evaluate business opportunities that will complement the pipeline base.

Finally, it has been the dedication, skill and experience of our employees that have enabled the Company to maintain a high level of performance. The directors and management take this opportunity to record our appreciation and respect for their continued achievement and support.

A handwritten signature in dark ink, appearing to read "R. K. Heule".

R. K. Heule, President
& Chief Executive Officer



Operations review

Deliveries

System deliveries of crude oil and other liquid hydrocarbons averaged 212 000 cubic metres per day (m³/d) during 1984. This represents an increase of 6% over 1983.

Deliveries into Ontario were up by some 5 000 m³/d. In contrast to the inventory reductions occurring in 1983, Ontario refiners maintained or increased their 1984 inventory levels. In addition, there was an increase in Ontario demand for refined products, in product exports to the United States and in product shipments into Quebec due to refinery closures in Montreal.

The Federal Government continued its program to subsidize the transportation costs of refiners shipping light crude oil from Montreal to Quebec City and Atlantic region refineries.

System deliveries of Canadian crude oil to U.S. refiners were up 29% over 1983. Competitive export pricing of Canadian heavy crude oil as well as the continued export of significant volumes of Canadian light crude oil contributed to the improved export deliveries.

September 1984 receipts were reduced by the shutdown of a synthetic crude oil plant in Alberta. In subsequent months additional conventional light crude oil production compensated for reduced synthetic crude oil production. The plant resumed full operations in mid-December.

The new 13 km pipeline connecting Gulf Canada's refinery in Mississauga, Ontario with the Sarnia-Montreal pipeline was completed in September.

Small volumes have been shipped in the southern portion of the Company's new Norman Wells pipeline since August. The remainder of the line will be completed and placed in service in the second quarter of 1985.

The Frontier pipeline, which runs from the Wyoming-Utah Overthrust Belt to Casper, Wyoming, satisfactorily completed its first year of operations with deliveries of 2 500 m³/d. The Company holds a 35% partnership interest in Frontier.

Deliveries

(in thousands of m³/d)

	1984	1983	1982
Prairies			
Light Oil	9 480	10 832	12 968
Medium & Heavy Oil	340	709	737
Refined Products	14 430	11 043	7 994
	24 250	22 584	21 699
United States			
Light Oil	26 627	19 816	16 713
Medium & Heavy Oil	34 853	32 382	25 013
	61 480	52 198	41 726
Eastern Canada			
Light Oil	103 090	105 891	104 468
Medium & Heavy Oil	12 181	8 946	12 505
Natural Gas Liquids	10 600	9 237	10 533
	125 871	124 074	127 506
Total Deliveries	211 601	198 856	190 931



Norman Wells Pipeline Project

During the winter of 1983/84, approximately two-thirds of the pipeline was installed between Norman Wells, Northwest Territories and Zama, Alberta, leaving 281 km to be completed during the 1984/85 winter. This work is presently underway.

During the summer and fall, two major river crossings were completed. Both the Great Bear and the Mackenzie Rivers were crossed using conventional techniques. The three pump stations with diesel engine drivers and associated control systems were built and commissioned in 1984. Two of the three remote maintenance bases were finished and the third is almost complete.

There have been no significant cost overruns in the work to date. This, together with fixed price contract procedures and a competitive market, has permitted a reduction in the overall cost forecast to \$400 million.

Although the line will be in service this spring, further clean up and restoration work will continue through next winter.

Capital Expenditures

1984 Review

Capital expenditures on the existing system totalled \$28 million in 1984. In addition to the completion of the pipeline from Mississauga, Ontario to the Sarnia-Montreal pipeline, other projects included additional injection facilities for heavy crude oil at Hardisty, Alberta, pipeline control upgrade for the refined products line and the start of construction on a new office building in Superior, Wisconsin for Lakehead Pipe Line.

1985 Forecast

Capital expenditures on the existing system for 1985 are estimated at \$130 million. This includes \$11 million to complete projects commenced in 1984 or earlier.

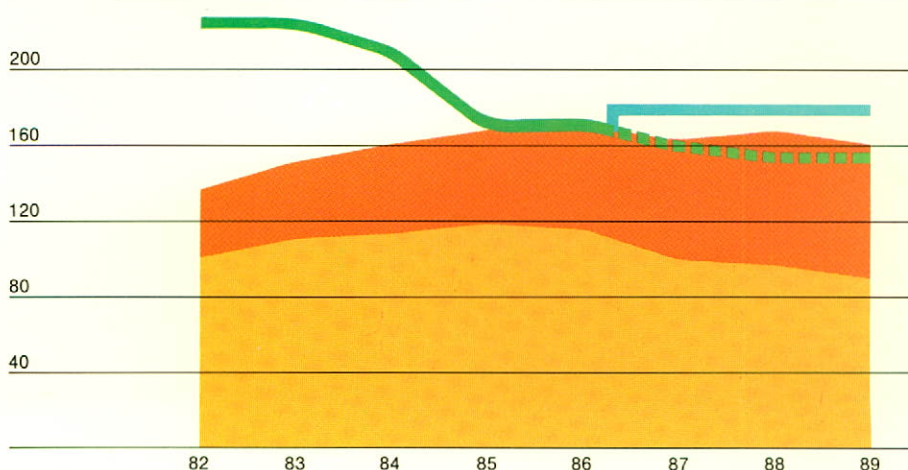
The Company has started a major expansion of the Edmonton to Superior section of its system. The expansion, expected to cost \$115 million, will increase the capacity of Lines 2 and 3 by 12 000 m³/d by the fourth quarter of 1985 and by an additional 25 000 m³/d by the end of 1986. It will consist of the construction of new pumping facilities, modifications and additions to existing pumping stations and modifications to the mainline piping configuration.

The additional capacity is necessary to meet the growing crude oil transportation requirements resulting from the sustained level of Western Canadian light crude oil production and the increasing amount of heavy crude oil entering the system, particularly in the form of bitumen from the Cold Lake area of Alberta.

The expansion program over the two year period is expected to be financed with a \$50-\$75 million debt issue and the balance with internal funds.

Crude Oil Capacity vs Throughput—Western Canada
(in thousands of m³/d)

Capacity: Existing facilities
Planned facilities
Throughput: Medium & Heavy Oil
Light Oil





Tariffs and Rate Regulation

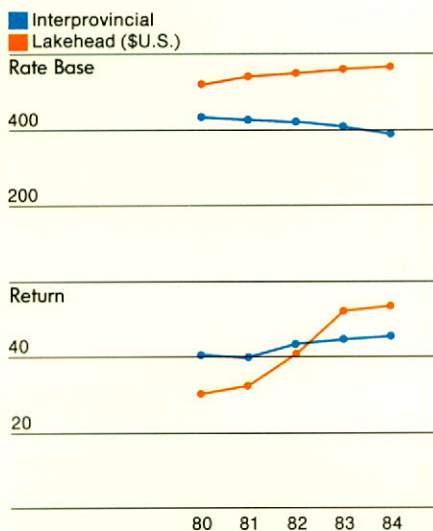
Early in 1984, the National Energy Board's decision on Interprovincial's rates authorized the continuation of a 15.25% equity rate of return and an equity ratio of 42.5%. Consequently, new tolls incorporating an average increase of 1.3% were put in place. An average decrease in rates of 4.4% was implemented by the Company effective September 1 in response to the higher volumes expected for the balance of the year.

In the United States, the 1982 Federal Energy Regulatory Commission decision in the Williams Pipe Line Company case was remanded by the United States Court of Appeals for the District of Columbia Circuit to the Commission for re-examination

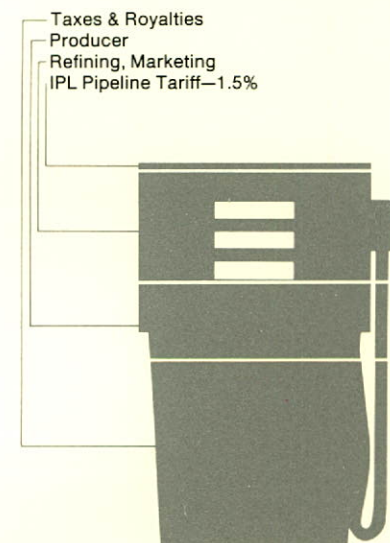
of the regulatory methodology to be applied to oil pipelines. It is anticipated FERC will announce a decision in 1985. Until that decision is announced, any changes in the method of regulation and the impact on Lakehead's rates, if any, cannot be determined.

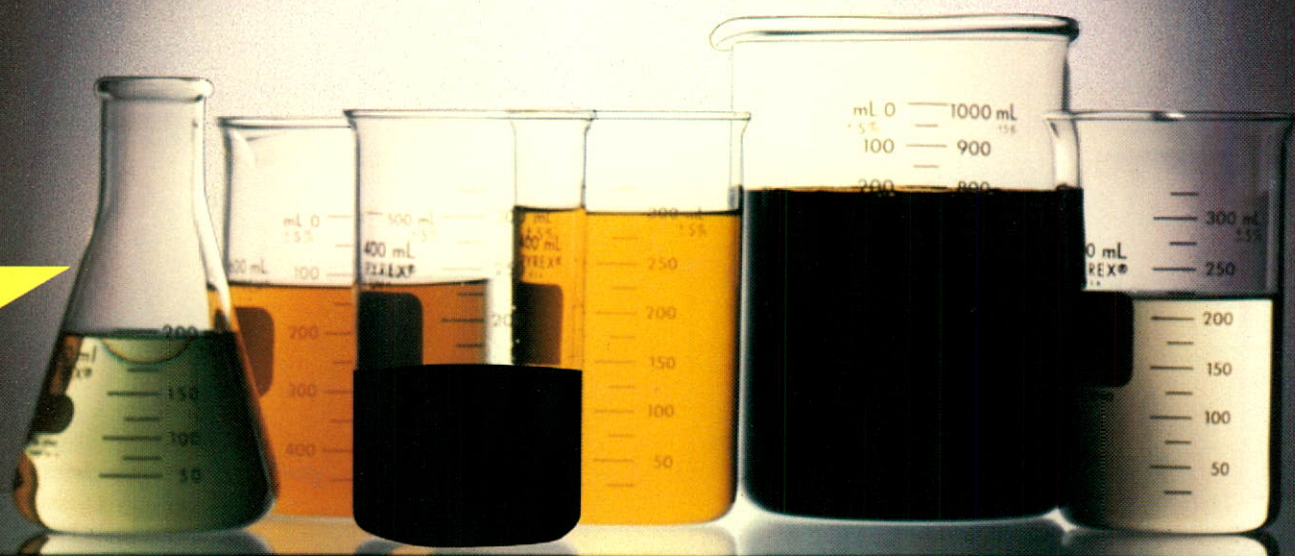
As a result of tariff filings in 1984, rates in Canadian funds for representative shipments of light crude oil from Edmonton to Sarnia and Edmonton to Montreal are \$6.59/m³ and \$7.95/m³ respectively. The rates for heavier crude oil, natural gas liquids and refined products are slightly higher.

Interprovincial and Lakehead
Rate Base & Return on Rate Base
(in millions of dollars)



Where your gasoline dollar goes





Financial review

Earnings and Cash Flow

Earnings in 1984 were \$130 million or \$3.47 per share compared with \$97 million or \$3.38 per share in 1983 and \$75 million or \$2.90 per share in 1982. As a result of the share exchange with HWR in the fourth quarter of 1983, average shares outstanding increased from 25.8 million in 1982 to 28.7 million in 1983 and 37.3 million in 1984.

Although most aspects of the Company's operations contributed to the 34% increase in dollar earnings in 1984, almost half of the increase resulted from the inclusion of Interprovincial's share of the earnings of HWR for a full year in 1984 versus three months in 1983. Other major factors were the increased deliveries of Canadian production exported to the U.S. and higher profits from financial sources such as the U.S. dollar exchange rate, short term investment income and a lower U.S. withholding tax on Lakehead's dividends.

The increase in 1983 over 1982 earnings was largely attributable to increased crude oil exports to the United States, as well as higher average tariffs throughout the year.

The IPL system transports over 50 different types of liquid hydrocarbons including from left, unleaded premium gasoline, diesel fuel, light crude oil, synthetic crude oil, heavy crude oil and jet fuel.

Consolidated earnings for the three years can be analyzed as follows:

	1984	1983	1982
(in millions of dollars)			
Canadian pipeline operations	\$ 19	\$ 20	\$ 20
U.S. pipeline operations (U.S. dollars)	53	50	40
Foreign exchange	16	11	11
Withholding taxes	(8)	(9)	(8)
Norman Wells pipeline project	9	6	2
Investment and other income	16	10	10
	105	88	75
Equity in HWR	25	9	—
	\$130	\$ 97	\$ 75

Canadian pipeline earnings have remained stable over the three year period as a result of a relatively constant investment base and equity return. Volume increases of 6% and 4% have occurred in 1984 and 1983 respectively but have been offset by higher operating and financial costs and, in some cases, by lower average tariffs.

U.S. pipeline earnings rose marginally in 1984 compared with 1983 due to increased throughputs and the inclusion of Frontier pipeline earnings. The improvement in 1983 was attributable to both higher volumes and higher average tariffs.

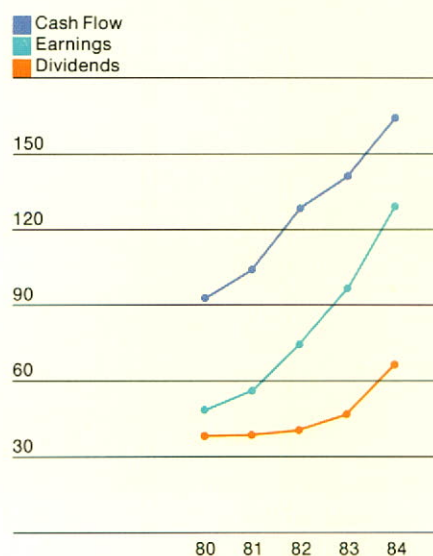
The increase in investment and other income in 1984 resulted from a combination of higher investment yields, larger cash balances and gains on repurchase of Company debt.

Cash provided from operations grew from \$129 million in 1982 to \$142 million in 1983 and \$165 million in 1984. This was primarily due to the increases in operating earnings and the receipt of dividends from HWR for a full year in 1984 and one quarter in 1983.

After providing for long term debt retirements and dividend payments, operating cash flows in the three years were sufficient to finance additions to the existing pipeline system and provide equity funds for the Norman Wells project.

The substantial increase in dividends paid in 1984 reflected the larger number of shares outstanding throughout the year and an increase of 5¢ per share in the quarterly dividend rate effective September 1, 1984.

Earnings, Dividends and Cash Flow
(in millions of dollars)





External Financing

During 1984 Interprovincial Pipe Line (NW) Ltd. sold two 20 year debenture issues to provide long term financing for the Norman Wells pipeline project. In April, \$100 million 13.40% Debentures, Series A were sold to the Canadian public, followed by a similar sale of \$75 million 12.70% Debentures, Series B in November. Both of these issues represent non-recourse project financing for the Company. Further costs of the project are being financed by commercial paper or interim bank loans and a final long term debt issue may be expected in 1985 depending on market conditions.

In 1983, \$50 million 12¼% debt maturing May 1, 1993 was issued by Interprovincial in the European capital market. These funds were used to finance additions to the pipeline system as well as to provide for working capital needs.

Financial Position

The Company's growing cash flow from operations and its ability to obtain appropriate external financing resulted in cash and net short term investments increasing from \$171 million at the end of 1983 to \$176 million at December 31, 1984.

The ratio of long term debt to long term debt plus equity was 41.0% at the end of 1984, up from 38.2% in 1983 due to debt issued to finance the Norman Wells project. Earnings coverage of interest was 7.5 times compared with 6.3 times in 1983.

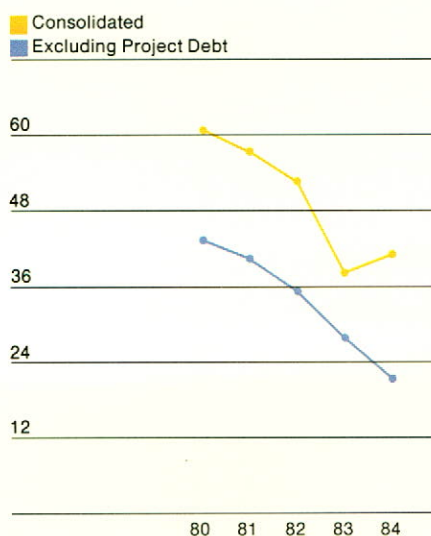
The financial strength of the Company is more appropriately reflected by excluding the \$175 million non-recourse Norman Wells debt and the \$138 million debt used to finance the Sarnia to Montreal pipeline. Under the terms of the Norman Wells Pipeline Agreement, debt repayment has been secured by Imperial Oil Limited. Also, under the terms of a

Deficiency Agreement, the Government of Canada has similar obligations with respect to the Montreal Extension debt. Excluding these debt issues, the proportion of debt to debt plus equity would decline to 21.4% from 28.0% and the coverage of interest expense would improve to 12.9 times from 11.3 times. This strong financial position provides a firm base to support the Company's expansion plans.

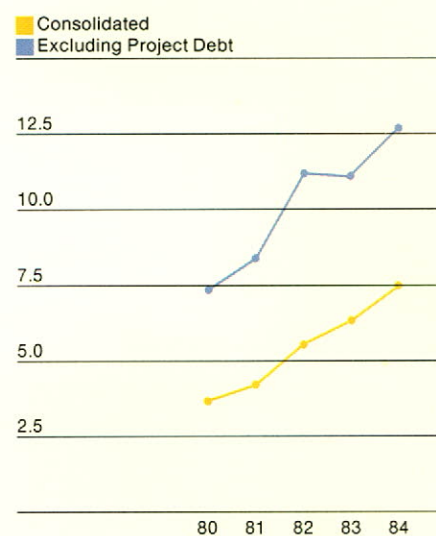
Reporting the Effects of Changing Prices

The Canadian Institute of Chartered Accountants has recommended that certain large public companies report the effects of changing prices on their operations on an unaudited basis. The Company has reviewed these recommendations and has determined that such information would not appropriately reflect the economics of its pipeline operations.

Long Term Debt/Long Term Debt & Equity
(percent)



Earnings Coverage of Interest
(times)





ROPL

Advanced Graphics Workstation

Under regulations in Canada, only historical costs of the pipeline system are recoverable in revenue; the excess of current cost over historical cost and the related increased depreciation charge are not recoverable and therefore current cost information would be misleading. However, based on past regulatory practices both in Canada and in the United States, the Company believes that it will be allowed to earn a fair return on investors' capital when replacement of facilities actually occurs in the future. This position is also supported by other rate regulated companies who have expressed the same concerns about the significance and relevance of current cost accounting for rate regulated enterprises.

Hiram Walker Resources Ltd.

The Company owns a 15.7% equity interest in Hiram Walker Resources Ltd., which operates in three principal businesses. It produces and markets a full range of distilled spirits throughout the world, is one of the largest Canadian explorers for and producers of oil and gas and, through an 88% interest in Consumers' Gas Company Ltd., owns one of Canada's largest natural gas distribution utilities.

HWR's earnings for the year ended September 30, 1984 were \$245 million, an increase of 32% over the previous year's earnings of \$186 million. Of this increase, \$30 million was applicable to HWR's equity earnings in IPL with all three principal businesses of HWR contributing to the balance of the improvement.

In the distilled spirits segment, HWR strengthened its market share in most major spirits and added several new products. Natural resource earnings benefited from significantly lower depletion charges as well as administrative cost efficiencies in U.S. operations. Additional customers, colder weather and improved industrial demand contributed to higher earnings for Consumers Gas.

An increase in HWR's quarterly dividend from 33¢ to 35¢ per share was declared payable January 1, 1985.

Hiram Walker Resources Ltd.

Financial Highlights

(in millions of dollars except per share amounts)	Three months ended December 31,		Year ended September 30,	
	1984	1983	1984	1983
	(unaudited)			
Revenue	\$1,060	\$1,008	\$3,676	\$3,403
Net income	108	79	245	186
Net income per share	1.19	0.85	2.51	2.03
Dividends per share	0.35	0.33	1.32	1.32
Total assets	5,542	5,284	5,331	4,840

Interprovincial Pipe Line (NW) Ltd.
and
TRUST COMPANY OF CANADA
as Trustee

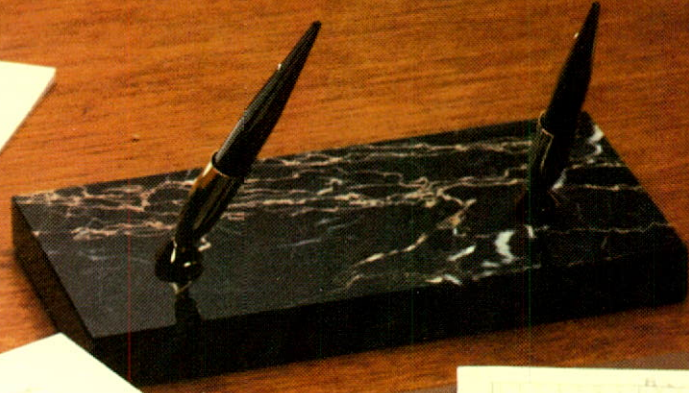
Supplemental Memorandum
Trust Agreement

Interprovincial Pipe Line (NW) Ltd.
\$25,000
12.70%

Interprovincial Pipe Line (NW) Ltd.
and
TRUST COMPANY OF CANADA
as Trustee

Under the terms of the Company's prospectus referred to in the offering circular, the following information is being provided to you for your information only. It is not intended to constitute an offer of securities. The offering circular and the prospectus are the only documents you should rely on in making your investment decision.

We are providing this information to you for your information only. It is not intended to constitute an offer of securities. The offering circular and the prospectus are the only documents you should rely on in making your investment decision.



Interprovincial Pipe Line (NW) Ltd.
A wholly owned subsidiary of Interprovincial Pipe Line (Limited)
filiale en propriété exclusive de Pipelinc Interprovincial (unitee)

No. CA100000

DEBENTURE, SERIES A
DUE APRIL 1, 2004

13.40% DEBENTURE, SERIES A
DUE APRIL 1, 2004

CUSTIP 46039 AA 9

ONE HUNDRED THOUSAND DOLLARS (\$100,000)

DEBENTURE, SERIES A
DUE APRIL 1, 2004

13.40% DEBENTURE, SERIES A
DUE APRIL 1, 2004

ONE HUNDRED THOUSAND DOLLARS (100 000\$)

INTERPROVINCIAL PIPE LINE (NW) LTD.
By: *[Signature]* Secretary
By: *[Signature]* President

Consolidated statement of earnings

For the year ended
December 31

(In thousands of
dollars except per
share amounts)

	1984	1983	1982
Income:			
Transportation revenue	\$436,982	\$405,304	\$358,604
Montreal Extension Deficiency Agreement (<i>Note 2</i>)	7,430	7,369	7,410
Interest and other income	30,830	19,128	18,014
Allowance for equity funds used during construction	9,641	6,478	2,695
	484,883	438,279	386,723
Expenses:			
Power	100,725	79,862	65,512
Operating and administrative	68,720	68,794	68,494
Property and other taxes	24,277	22,230	20,507
Depreciation and amortization	45,937	45,470	44,050
Interest on long term debt	36,244	36,781	33,531
	275,903	253,137	232,094
Earnings before the undernoted	208,980	185,142	154,629
Income taxes (<i>Note 9</i>)	104,315	96,819	79,887
	104,665	88,323	74,742
Equity in earnings of Hiram Walker Resources Ltd.	24,943	8,683	
Earnings for the year	\$129,608	\$ 97,006	\$ 74,742
Earnings per share	\$ 3.47	\$ 3.38	\$ 2.90
Dividends per share	\$ 1.70	\$ 1.60	\$ 1.60

Consolidated statement of retained earnings

For the year ended
December 31

(In thousands of
dollars)

	1984	1983	1982
Balance at beginning of year	\$300,734	\$249,596	\$216,067
Earnings for the year	129,608	97,006	74,742
	430,342	346,602	290,809
Dividends	63,421	45,868	41,213
Balance at end of year	\$366,921	\$300,734	\$249,596

Interprovincial Pipe Line Limited

and subsidiary companies

Consolidated balance sheet

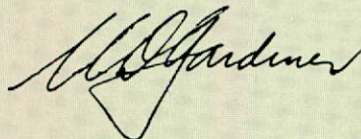
As at December 31
(In thousands of
dollars)

	1984	1983
Assets		
Current Assets:		
Cash, including bank term deposits	\$ 138,472	\$ 120,540
Short term investments, at lower of cost and market	72,751	78,117
Accounts receivable—		
Transportation charges	30,450	26,523
Other	8,163	6,752
Materials and supplies, at cost	3,881	3,453
Prepaid expenses	558	553
	254,275	235,938
Deferred Charges and Other Assets (Note 3)	29,067	15,978
Investment in Hiram Walker Resources Ltd. (Note 4)	313,612	301,629
Pipeline Transportation System, at cost (Note 5)	1,608,261	1,381,022
Less—Accumulated depreciation and amortization	647,832	588,063
	960,429	792,959
	\$1,557,383	\$1,346,504

The financial statements have been approved by the Board:



Director



Director

	1984	1983
Liabilities		
Current Liabilities:		
Short term borrowings	\$ 35,695	\$ 27,500
Accounts payable	22,773	26,489
Interest accrued	16,124	12,850
Income and other taxes	18,205	14,002
Current portion of long term debt	7,811	8,812
	100,608	89,653
Long Term Debt (Note 6)	515,071	409,589
Deferred Income Taxes	182,537	164,548
Deferred Investment Tax Credits	19,448	19,350
Shareholders' Equity		
Capital Stock (Note 7)	384,238	383,116
Contributed Surplus	23,265	23,265
Retained Earnings	366,921	300,734
Foreign Currency Translation Adjustments	20,752	13,293
Reciprocal Shareholding (Note 4)	(55,457)	(57,044)
	739,719	663,364
	\$1,557,383	\$1,346,504

Auditors' Report

To the Shareholders of
Interprovincial Pipe Line Limited:

We have examined the consolidated balance sheets of Interprovincial Pipe Line Limited as at December 31, 1984 and 1983 and the consolidated statements of earnings, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1984 and 1983 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1984 in accordance with generally accepted accounting principles in Canada which, except for the change in 1983 in accounting for foreign currency translation as referred to in the summary of significant accounting policies, have been applied on a basis consistent with that of the preceding year.

Edmonton, Alberta
February 1, 1985

Price Waterhouse
Chartered Accountants

Interprovincial Pipe Line Limited

and subsidiary companies

Consolidated statement of changes in financial position

For the year ended
December 31

(In thousands of
dollars)

	1984	1983	1982
Cash generated internally:			
Earnings for the year	\$129,608	\$ 97,006	\$ 74,742
Charges (credits) to earnings not affecting cash—			
Depreciation and amortization	45,937	45,470	44,050
Deferred income taxes	11,369	6,294	6,920
Deferred investment tax credits	(1,083)	853	4,970
Equity in undistributed earnings of Hiram Walker Resources Ltd.	(6,719)	(4,195)	
Allowance for equity funds used during construction	(9,641)	(6,478)	(2,695)
Other	(4,947)	2,557	1,416
Provided from operations	164,524	141,507	129,403
Decrease (increase) in non-cash working capital	(2,010)	1,672	5,222
	162,514	143,179	134,625
Cash required:			
Dividends—			
Regular	63,421	45,868	41,213
Reciprocal shareholding	3,677	878	
Long term debt retirements	42,667	26,757	21,727
	109,765	73,503	62,940
Net cash generated internally	52,749	69,676	71,685
Cash invested:			
Pipeline transportation system	185,563	92,581	19,634
Shares of Hiram Walker Resources Ltd.		353,600	
Other	16,263	2,323	13,081
	201,826	448,504	32,715
Net cash excess (deficiency)	(149,077)	(378,828)	38,970
External financing:			
Norman Wells pipeline project financing	148,913	38,126	
Debentures issued		50,000	
Capital stock issued to—			
Hiram Walker Resources Ltd.		353,600	
Others	1,122	1,246	1,028
	150,035	442,972	1,028
Increase in cash before the undernoted	958	64,144	39,998
Effect of exchange rate changes	3,413	976	
Increase in cash	4,371	65,120	39,998
Cash at beginning of year	171,157	106,037	66,039
Cash at end of year	\$175,528	\$171,157	\$106,037

For purposes of this statement cash is defined as cash and short term investments less short term borrowings.

Notes to consolidated financial statements**1. Summary of Significant Accounting Policies:**

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with the historical cost accounting standards of the International Accounting Standards Committee. A reconciliation to United States generally accepted accounting principles is provided in Note 14.

Principles of consolidation

The consolidated financial statements include the accounts of Interprovincial Pipe Line Limited ("Interprovincial") and its wholly-owned subsidiaries, Interprovincial Pipe Line (NW) Ltd. and Interprovincial Pipe Line (Alberta) Ltd. in Canada and Lakehead Pipe Line Company, Inc. ("Lakehead") and its wholly-owned subsidiary, LPL Investments, Inc., in the United States.

Equity accounting

Interprovincial's investment in Hiram Walker Resources Ltd. ("HWR") is accounted for by the equity method. Under this method the investment is carried at cost plus the equity in undistributed earnings less amortization of the excess of purchase price over net book value of the HWR shares acquired at the acquisition date. This excess is being charged to earnings on the straight-line basis over a period of 40 years.

Interprovincial also has a 50% interest in IPL Tower, an unincorporated joint venture, and through LPL Investments, Inc. is a 35% partner in Frontier Pipeline Company. The company accounts for both of these investments on the equity basis.

Regulation

Interprovincial and Lakehead own and operate a pipeline system for the transportation of crude oil and other liquid hydrocarbons.

Construction, operations, accounting and rates in Canada are under the regulatory authority of the National Energy Board. Rates, accounting and other practices in the United States are under the regulatory authority of the Federal Energy Regulatory Commission.

Translation of United States funds

Prior to 1983 the company followed the current/non-current method of accounting for the assets and liabilities of its U.S. subsidiary. The current rate method has been applied prospectively commencing in 1983.

Under the current rate method the accounts of Interprovincial's U.S. subsidiary are translated into Canadian dollars in accordance with procedures recommended for self-sustaining foreign operations. Revenue and expense items, including depreciation and amortization, are translated at monthly rates of exchange. Assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Foreign currency translation adjustments are included as a separate component of Shareholders' Equity.

Discount and expense on long term debt

The balance of unamortized discount and expense is being amortized on the straight-line basis over the life of the debt.

Pipeline transportation system, depreciation and amortization

Expenditures for system expansion and major renewals and betterments are capitalized whereas maintenance and repair costs are charged to operating expenses as incurred.

The Canadian companies follow the accounting practice of capitalizing, at rates authorized by the National Energy Board, an allowance for debt and equity funds required to finance construction in Canada.

Lakehead capitalizes an allowance for interest incurred on external borrowings in accordance with the Financial Accounting Standards statement Capitalization of Interest Cost.

The company provides for depreciation of fixed assets, excluding the Montreal Extension, on the straight-line basis at rates that average approximately 3%.

In accordance with terms of the Deficiency Agreement with the Canadian Government, Interprovincial is providing for depreciation of all Montreal Extension depreciable facilities on a 20-year straight-line basis.

When fixed assets are retired or otherwise disposed of, the cost less net salvage is charged to accumulated depreciation, except for unusual disposals for which the profit or loss is included in earnings as directed by regulatory authorities.

Deferred income and withholding taxes

The company follows the tax allocation basis of accounting. Under income tax regulations, depreciation and other costs deducted for tax purposes may differ from the amounts recorded in the accounts. The company claims deductions permitted for tax purposes which result in maximum benefits and deferral of taxes to years when amounts deductible are less than amounts recorded in the accounts.

Earnings of Lakehead are subject to a 10% U.S. withholding tax when paid as dividends to Interprovincial. It has not been considered necessary to provide for this tax on retained earnings of \$85,632,000 U.S. of Lakehead at December 31, 1984 because they have been reinvested in that company.

Deferred investment tax credits

The United States subsidiary companies are allowed credits against income taxes payable of a specified percentage of the cost of most depreciable assets acquired and placed into service. These credits have been deferred and are being taken into earnings over the life of the related assets.

Earnings per share

Earnings per share are computed on the weighted average number of shares outstanding of 37,304,538, 28,671,674 and 25,761,534 in 1984, 1983 and 1982 respectively. There would have been no material dilution of earnings per share if outstanding stock options had been exercised during the year. The weighted average number of shares outstanding has been reduced by Interprovincial's pro rata interest in its own shares resulting from the investment in HWR.

2. Montreal Extension Deficiency Agreement:

Interprovincial and the Canadian Government are parties to a Deficiency Agreement whereby the Government will pay the deficiency if operating revenue in respect of the Extension is not sufficient to meet the fixed and variable costs of the Extension. Under the Agreement the Government has an option to purchase the Extension

at its capital cost less depreciation, plus related expenses. Tariffs prescribed by the National Energy Board in respect of the Montreal Extension do not produce sufficient operating revenue to meet the fixed and variable costs of the Extension.

3. Deferred Charges and Other Assets:

Deferred Charges and Other Assets at December 31 were as follows:

(in thousands of dollars)	1984	1983
Investment in IPL Tower joint venture	\$14,807	\$ 2,404
Purchased tax benefits	6,414	6,606
Unamortized discount and expense on long term debt	5,775	3,948
Other	2,071	3,020
	\$29,067	\$15,978

Purchased tax benefits

United States tax legislation permitted the transfer of tax benefits (investment tax credits and accelerated depreciation deductions) from one entity to another through transactions structured as leases for tax purposes. LPL Investments, Inc. entered into such a transaction in 1982. The purchased tax benefits are expected to be realized through the deferral of taxes during the first five years of the 11-year life of the lease. Acquisition costs of purchased tax benefits are being amortized over the term of the lease.

4. Investment in Hiram Walker Resources Ltd.:

Interprovincial, through a share exchange with HWR, has a 15.7% equity interest in HWR and HWR owns 34.4% of the company's issued common shares. As a result, Interprovincial has a pro rata interest of 5.4% in its own shares. Accordingly, both the investment in HWR and Shareholders' Equity have been reduced by the reciprocal shareholding of \$55,457,000 at December 31, 1984 (1983—\$57,044,000). The investment in HWR includes

the unamortized excess of purchase price over net book value in the amount of \$108,784,000 at December 31, 1984 (1983—\$115,124,000).

The issue of additional HWR common shares during 1984 resulted in a dilution of Interprovincial's interest in HWR and the pro rata interest in its own shares. This resulted in a charge of \$2,475,000 which was netted against Interprovincial's equity in earnings of HWR.

5. Pipeline Transportation System: Accumulated Depreciation and Amortization:

The Pipeline Transportation System and Accumulated depreciation and amortization by major classes at December 31 were as follows:

(in thousands of dollars)	1984		1983	
	Cost	Accumulated depreciation & amortization	Net	Net
Land	\$ 3,749		\$ 3,749	\$ 3,584
Rights-of-way	18,528	\$ 9,464	9,064	8,716
Pipeline	697,761	385,172	312,589	310,997
Pumping equipment, buildings and tanks	342,865	121,550	221,315	211,259
Montreal Extension	249,502	106,662	142,840	155,223
Assets Specially Classified	24,984	24,984		
Construction in progress—				
Norman Wells pipeline project	265,348		265,348	98,942
Other	5,524		5,524	4,238
	\$1,608,261	\$647,832	\$960,429	\$792,959

It is estimated that 1985 capital expenditures, excluding the Norman Wells pipeline project, will amount to approximately \$130,000,000.

Norman Wells pipeline project

The National Energy Board has issued a Certificate of Public Convenience and Necessity to Interprovincial Pipe Line (NW) Ltd. authorizing construction of a 324 mm diameter pipeline 866 km in length from Norman Wells in the Northwest Territories to Zama in northern Alberta. Construction commenced in 1983 with completion

scheduled for the spring of 1985. The pipeline is designed to transport crude oil and other liquid hydrocarbons from expanded production facilities at Norman Wells. Interprovincial Pipe Line (NW) Ltd. will finance the project, currently estimated to cost \$400,000,000, on the basis of 75% debt and 25% equity. The Norman Wells Pipeline Agreement entered into with Imperial Oil Limited provides the financial support to the project.

6. Long Term Debt:

Long Term Debt outstanding at December 31 was as follows:

(in thousands of dollars)	1984	1983
Interprovincial Pipe Line Limited		
Sinking Fund Debentures (unsecured)—		
Series A—6½% due November 1, 1986	\$ 12,055	\$ 14,647
B—9½% due December 1, 1990	35,581	37,887
C—8% due May 1, 1993	31,944	33,907
D—10% due July 15, 1996	57,159	62,710
E—11% due February 1, 1996	54,052	59,638
F—10% due May 1, 1996	31,880	34,540
Debentures (unsecured)—		
Series G—12¼% due May 1, 1993	50,000	50,000
Interprovincial Pipe Line (NW) Ltd.		
Sinking Fund Debentures (secured by an assignment of the Norman Wells Pipeline Agreement and a first mortgage)—		
Series A—13.40% due April 1, 2004	100,000	
B—12.70% due November 15, 2004	75,000	
Project financing—at various interest rates approximating bank prime rates	12,039	38,126
Lakehead Pipe Line Company, Inc.		
Sinking Fund Debentures (guaranteed by Interprovincial)—		
Series A—6½% due August 1, 1992 (1984—\$8,622 U.S.; 1983—\$10,478 U.S.)	11,393	13,039
B—7½% due April 15, 1993 (1984—\$18,320 U.S.; 1983—\$36,912 U.S.)	24,208	45,933
C—7.60% due June 15, 1997 (1984—\$20,865 U.S.; 1983—\$22,480 U.S.)	27,571	27,974
	522,882	418,401
Less—Current portion	7,811	8,812
	\$515,071	\$409,589

In order to provide initial financing for the Norman Wells pipeline project the company entered into a Bank Loan Agreement that provides for the anticipated requirements of \$300,000,000 plus an overrun facility of up to \$75,000,000. Funds available under the Agreement are reduced by the amount of other long term fixed rate indebtedness incurred to finance the pipeline project. Loans provided under the Agreement are repayable over a 10-year term commencing with the completion of the project and may be repaid at any time without penalty. Minimum quarterly payments of principal are required to be the greater of 1% of the loans outstanding at the time of completion or an amount based on depreciation expense of the pipeline project.

Principal repayments required on Long Term Debt, excluding Project financing, for the years ended December 31, 1985 through 1989 are \$7,811,000, \$30,291,000, \$26,335,000, \$28,421,000 and \$31,222,000 respectively.

Interest on Long Term Debt for the year ended December 31, 1984 amounted to \$53,174,000 (1983—\$37,406,000, 1982—\$33,580,000) of which \$16,930,000 (1983—\$625,000, 1982—\$49,000) has been capitalized as part of the pipeline transportation system.

7. Capital Stock:

Interprovincial is authorized to issue 42,000,000 common shares and an unlimited number of non-voting preferred shares. No preferred shares have been issued.

	Common Shares	
	Number	Amount (000's)
Balance at December 31, 1981	25,733,653	\$ 27,242
Exercise of stock options	7,000	103
Stock dividends	54,089	925
Balance at December 31, 1982	25,794,742	28,270
Exercise of stock options	14,000	207
Stock dividends	39,732	1,039
Issue of common shares to HWR	13,600,000	353,600
Purchase and cancellation of common shares	(58)	
Balance at December 31, 1983	39,448,416	383,116
Exercise of stock options	15,000	221
Stock dividends	30,475	901
Balance at December 31, 1984	39,493,891	\$384,238

8. Stock Options:

Stock options outstanding at December 31 were as follows:

	1984	1983	1982
Shares under option, beginning of year	29,500	43,500	50,500
Options granted	44,400		
Options exercised	(15,000)	(14,000)	(7,000)
Shares under option, end of year	58,900	29,500	43,500

At December 31, 1984 options granted under the Employee Incentive Stock Option Plan (1969), were outstanding for 14,500 shares at a price of \$14.75 per share exercisable until December 1988.

An Incentive Stock Option Plan (1984) authorizing the issue of a maximum of 400,000 shares of capital stock of Interprovincial was approved in 1984. Under the Plan full-time key employees of the company may be granted options until December 31, 1988 to purchase unissued shares of capital stock at not less than 90% of the fair market value of the shares on the day of the grant (100% for employees of Lakehead). At December 31, 1984, options were outstanding on a total of 44,400 shares at \$27.00 per share.

9. Income Taxes:

The geographic components of Earnings before income taxes and equity interest and Income taxes for the years ended December 31 were as follows:

(in thousands of dollars)	1984	1983	1982
Earnings before income taxes and equity interest			
Canada	\$ 61,530	\$ 57,965	\$ 53,845
United States	147,450	127,177	100,784
	\$208,980	\$185,142	\$154,629
Current income taxes			
Canada	\$ 23,508	\$ 28,932	\$ 24,213
United States	63,012	51,853	36,186
United States withholding taxes	7,509	8,887	7,598
	94,029	89,672	67,997
Deferred taxes and investment tax credits			
Canada	1,398	(3,508)	524
United States	8,888	10,655	11,366
	10,286	7,147	11,890
Total Income tax expense	\$104,315	\$ 96,819	\$ 79,887

The provision for deferred taxes results from timing differences in the recognition of items for tax and financial statement purposes. The types of these differences and the tax effect of each for the years ended December 31 were as follows:

(in thousands of dollars)	1984	1983	1982
Excess of tax over book depreciation	\$ 3,015	\$ 2,182	\$ 743
Purchased tax benefits	5,010	5,450	3,825
Other	3,344	(1,338)	2,352
	\$ 11,369	\$ 6,294	\$ 6,920

The income tax provision exceeds amounts computed by applying the Canadian statutory federal income tax rate to earnings before taxes. The differences for the years ended December 31 were as follows:

(in thousands of dollars)	1984	1983	1982
Canadian federal income tax rate before abatement for provincial taxes	46.0%	46.9%	47.8%
Computed income tax provision	\$ 96,131	\$ 86,832	\$ 73,913
Provincial and state income taxes	7,055	6,347	5,281
U.S. withholding tax on Lakehead dividends	7,509	8,887	7,598
Other	(6,380)	(5,247)	(6,905)
Actual income tax provision	\$104,315	\$ 96,819	\$ 79,887
Actual income tax provision as a percentage of earnings before taxes	49.9%	52.3%	51.7%

10. Pension Plans:

Interprovincial and Lakehead have pension plans which cover substantially all employees. The principal amount of the unfunded liability for past service benefits, including experience deficiencies, was approximately \$939,000 at December 31, 1983, the date of the last actuarial valuation. This amount, together with interest, will be charged to earnings in varying annual installments to 1997. The companies fund accrued pension costs. For the years ended December 31, 1984, 1983 and 1982 total costs of the plans amounted to \$3,264,000, \$3,240,000 and \$3,521,000 respectively, of which \$767,000, \$846,000 and \$1,247,000 were applicable to past service benefits.

Accumulated plan benefit information and net plan assets at December 31, as estimated by consulting actuaries, were as follows:

(in thousands of dollars)	1983	1982
Actuarial present value of accumulated plan benefits—		
Vested	\$46,507	\$40,551
Nonvested	1,149	1,020
	\$47,656	\$41,571
Market value of net assets available for benefits	\$62,915	\$52,049

11. Related Party Transactions:

At December 31, 1984 and 1983 Imperial Oil Limited owned approximately 21.8% (1982—33.3%) of the outstanding capital stock of Interprovincial. During the years ended December 31, 1984, 1983 and 1982 shipments through the pipeline system by Imperial Oil under published pipeline tariff terms accounted for

approximately 13%, 14% and 13% of consolidated transportation revenue. At year end 1984, 1983 and 1982 transportation revenue receivable from Imperial Oil amounted to \$2,242,000, \$2,553,000 and \$2,499,000 respectively.

12. Segmented Information:

The company is engaged in the business of transporting crude oil and other liquid hydrocarbons through a common carrier pipeline system in Canada and the United States. Information by geographic segment at December 31 was as follows:

(in thousands of dollars)	1984	1983	1982
Transportation revenue			
Canada	\$ 176,160	\$ 172,519	\$ 162,180
United States	260,822	232,785	196,424
	<u>\$ 436,982</u>	<u>\$ 405,304</u>	<u>\$ 358,604</u>
Contribution to earnings			
Canada	\$ 61,567	\$ 41,224	\$ 29,108
United States	68,041	55,782	45,634
	<u>\$ 129,608</u>	<u>\$ 97,006</u>	<u>\$ 74,742</u>
Identifiable assets			
Canada	\$1,180,503	\$ 979,046	\$ 542,551
United States	376,880	367,458	314,853
	<u>\$1,557,383</u>	<u>\$1,346,504</u>	<u>\$ 857,404</u>

13. Commitment and Contingency:

Interprovincial has signed a cash deficiency agreement with respect to Frontier Pipeline Company and is committed to support, to the extent of LPL Investments, Inc.'s partnership interest, the financial obligations of the partnership. Interprovincial is also con-

tingently liable for all obligations of the IPL Tower joint venture; however, if called upon to meet these obligations, Interprovincial would have recourse to the assets of the joint venture to recover such amounts.

14. Reconciliation to United States generally accepted accounting principles:

The effect on consolidated earnings for the years ended December 31 which would result from the application of accounting principles generally accepted in the United States is summarized below:

(in thousands of dollars)	1984	1983	1982
Earnings for the year before reconciling items	\$129,608	\$97,006	\$74,742
Reconciling items:			
Translation of Lakehead's U.S. dollar financial statements in accordance with Financial Accounting Standards Board Statement Number 8.			(3,246)
Capitalization of interest cost in accordance with Financial Accounting Standards Board Statement Number 34.	(1,700)	(500)	(1,000)
Earnings for the year	<u>\$127,908</u>	<u>\$96,506</u>	<u>\$70,496</u>

Summarized Quarterly Information (unaudited)

	1984				1983			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Financial (in thousands of dollars except per share amounts)								
Transportation revenue	\$106,964	\$109,434	\$109,098	\$111,486	\$103,788	\$ 90,835	\$100,469	\$110,212
Earnings per share	34,743	27,148	30,118	37,599	22,804*	19,195*	22,409*	32,598*
	0.93	0.73	0.81	1.00	0.88*	0.75*	0.87*	0.88*
Dividends** per share	15,779	15,784	17,765	17,770	10,318	10,324	10,329	15,775
	0.40	0.40	0.45	0.45	0.40	0.40	0.40	0.40
Share trading***								
High	33½	29%	33	35½	28¼	29%	31½	34½
Low	26¾	25½	28½	30½	21¼	26¼	25¾	28¾
Volume (in thousands)	790	553	849	1,086	1,208	961	961	743

*1983 quarterly results have been restated to reflect the adoption in the fourth quarter, effective January 1, 1983, of the current rate method of foreign currency translation recommended for self-sustaining foreign operations.

**Cash dividends paid to shareholders resident in most countries with which Canada has a tax convention, including the United States, are generally subject to Canadian withholding tax at a rate of 15%. Cash dividends paid to other non-residents of Canada are usually subject to withholding tax at a maximum rate of 25%.

***The Company's stock is traded on the Toronto and Montreal stock exchanges in Canada and on a limited basis in the over-the-counter market in the United States. Prices and volumes shown are for the Toronto Stock Exchange.

Five year review

Financial (in thousands of dollars except per share amounts)	1984	1983	1982	1981	1980
Operations:					
Income —Transportation revenue	\$436,982	\$405,304	\$358,604	\$302,097	\$302,028
—Deficiency Agreement	7,430	7,369	7,410	7,747	6,760
—Interest and other income	30,830	19,128	18,014	15,257	11,776
—Allowance for equity funds	9,641	6,478	2,695	2,335	494
Expenses—Power	100,725	79,862	65,512	63,033	75,044
—Operating and administrative	68,720	68,794	68,494	54,625	47,614
—Property and other taxes	24,277	22,230	20,507	19,055	18,169
—Depreciation and amortization	45,937	45,470	44,050	42,959	42,091
—Interest	36,244	36,781	33,531	34,937	37,275
Income taxes	104,315	96,819	79,887	56,467	52,161
Equity in earnings of HWR	24,943	8,683			
Earnings for the year	129,608	97,006	74,742	56,360	48,704
Dividends paid	67,098	46,746	41,213	38,544	38,459
Dividend payout	52%	48%	55%	68%	79%
Cash provided from operations	164,524	141,507	129,403	105,041	93,546
Net internal cash generated	52,749	69,676	71,685	40,131	36,723
Per Share:					
Earnings	3.47	3.38	2.90	2.19	1.90
Dividends	1.70	1.60	1.60	1.50	1.50
Assets:					
Working capital	153,667	146,285	81,845	51,613	54,674
Pipeline transportation system, at cost					
less accumulated depreciation and amortization	960,429	792,959	694,391	716,032	710,693
Total assets	1,557,383	1,346,504	857,404	823,026	828,267
Capitalization:					
Long term debt	515,071	409,589	332,592	358,863	379,985
Deferred taxes and credits	201,985	183,898	160,665	152,600	146,127
Shareholders' equity	739,719	663,364	301,133	266,576	247,860
Total capital employed	1,456,775	1,256,851	794,390	778,039	773,972
Ratios:					
Long term debt to long term debt plus equity	41.0%	38.2%	52.5%	57.4%	60.5%
Earnings coverage of interest	7.5x	6.3x	5.6x	4.2x	3.7x
Return on average capital employed	10.9%	12.6%	11.6%	9.5%	8.6%
Return on average shareholders' equity	18.5%	25.0%	26.3%	21.9%	20.1%

Statistical	1984	1983	1982	1981	1980
Shares outstanding at year end (thousands)	39,494	39,448	25,795	25,734	25,673
Percentage of shares registered in Canada	97%	97%	96%	96%	95%
Shareholders at year end	14,392	15,879	17,912	20,158	21,598
Number of employees at year end	825	798	782	801	809
Receipts (m ³ /d)—Alberta	162 617	153 266	141 176	141 909	157 251
—Saskatchewan	29 906	25 879	22 505	19 878	24 119
—Manitoba	2 414	2 159	1 712	1 622	1 678
—Ontario	1 222	518	651	273	510
—United States	15 728	17 063	25 446	34 935	39 951
	211 887	198 885	191 490	198 617	223 509
Deliveries (m ³ /d)					
Canada					
Canadian Production					
Prairie Provinces	24 250	22 584	21 699	21 693	22 270
Ontario	87 426	82 258	78 497	90 164	93 782
Quebec	35 902	39 181	39 832	33 736	43 838
	147 578	144 023	140 028	145 593	159 890
U.S. and offshore production					
Ontario	2 287	2 275	6 373	6 679	8 942
Quebec	256	360	2 804	3 337	5 180
	2 543	2 635	9 177	10 016	14 122
Total Canadian deliveries	150 121	146 658	149 205	155 609	174 012
United States					
Canadian production	48 452	37 424	24 982	18 501	23 300
U.S. and offshore production	13 028	14 774	16 744	24 946	25 618
Total U.S. deliveries	61 480	52 198	41 726	43 447	48 918
	211 601	198 856	190 931	199 056	222 930
Cubic metre kilometres (millions)	181 386	171 221	159 739	163 757	187 127
Average haul (kilometres)	2 342	2 359	2 292	2 254	2 293
Average transportation revenue (including Deficiency Agreement)					
—per cubic metre	\$5.74	\$5.69	\$5.25	\$4.26	\$3.78
—per 100 cubic metre kilometres	24.5¢	24.1¢	22.9¢	18.9¢	16.5¢

Corporate Directory

Officers

ROBERT K. HEULE
President & Chief Executive
Officer

GORDON A. COLE
Vice-President & General
Manager

E. GORDON SHEASBY
Vice-President & General
Counsel

LAWRENCE W. BLAINE
Vice-President & Treasurer

R. GLEN CAUGHEY
Vice-President—Projects

DOUGLAS R. MARTIN
Vice-President—Resources

DEREK P. TRUSWELL
Controller

FREDERICK B. NEWTON
Assistant Treasurer

EDWARD V. REESER
Assistant Treasurer

J. NEIL ST. JOHN
Corporate Secretary

Directors

MICHAEL BREGAZZI
Vice-President,
Gulf Canada Limited

DONALD G. CAMPBELL³
Chairman & Chief
Executive Officer,
Maclean Hunter Limited

WILLIAM A. DIMMA¹
President & Chief
Executive Officer,
Royal LePage Limited

ALFRED E. DOWNING³
Chairman, President &
Chief Executive Officer,
Hiram Walker Resources Ltd.

F. WILLIAM FITZPATRICK
Chairman, President &
Chief Executive Officer,
Bralorne Resources Limited

W. DOUGLAS H. GARDINER¹
President, W. D. H. G. Financial
Associates Ltd.

RICHARD F. HASKAYNE
Executive Vice-President,
Hiram Walker Resources Ltd.
President,
Home Oil Company Limited

ROBERT K. HEULE²
President & Chief
Executive Officer,
Interprovincial Pipe Line Limited

H. GORDON MACNEILL²
President & Chief
Executive Officer,
Jannock Limited

ARCHIBALD R. McCALLUM²
Senior Vice-President &
Chief Financial Officer,
Hiram Walker Resources Ltd.

PIERRE A. NADEAU
Chairman,
Tioxide Canada Inc.

EARL H. ORSER¹
President &
Chief Executive Officer,
London Life Insurance
Company

ROBERT B. PETERSON
President &
Chief Executive Officer,
Esso Resources Canada
Limited

GORDON H. THOMSON²
President,
Esso Petroleum Canada

WILLIAM J. YOUNG³
Senior Vice-President,
Imperial Oil Limited

Member of:

1. Audit Committee
2. Finance & Investment Committee
3. Compensation Committee



Corporate Information

REGISTERED AND EXECUTIVE OFFICE
37th Floor, 1 First Canadian Place
P.O. Box 48, Toronto, Ontario M5X 1A9

OPERATING HEADQUARTERS
IPL Tower
10201 Jasper Avenue
Edmonton, Alberta T5J 3N7

STOCK TRANSFER AGENTS
The Royal Trust Company
Halifax, Montreal, Toronto, Winnipeg,
Regina, Edmonton, Vancouver

Chemical Bank, New York

*(Change of address should be sent to the closest
branch of the Transfer Agent)*

STOCK REGISTRARS
Montreal Trust Company
Halifax, Montreal, Toronto, Winnipeg,
Regina, Edmonton, Vancouver

Bank of Montreal Trust Company,
New York

DIVIDEND DISBURSING AGENT
The Royal Trust Company
P.O. Box 7500, Postal Station "A"
Toronto, Ontario M5W 1P9

DIVIDEND PAYMENT
Quarterly dividend cheques are mailed
out several days prior to the payable
dates which are the first day of March,
June, September and December.

STOCK DIVIDEND PROGRAM
Interprovincial has a Stock Dividend
Program which enables shareholders to
receive dividends in the form of Com-
pany shares rather than cash. Details
may be obtained by contacting:
The Royal Trust Company
Corporate Trust Services
P.O. Box 7500, Postal Station "A"
Toronto, Ontario M5W 1P9

STOCK LISTED
Toronto and Montreal Stock Exchanges
Stock market symbol—IPL

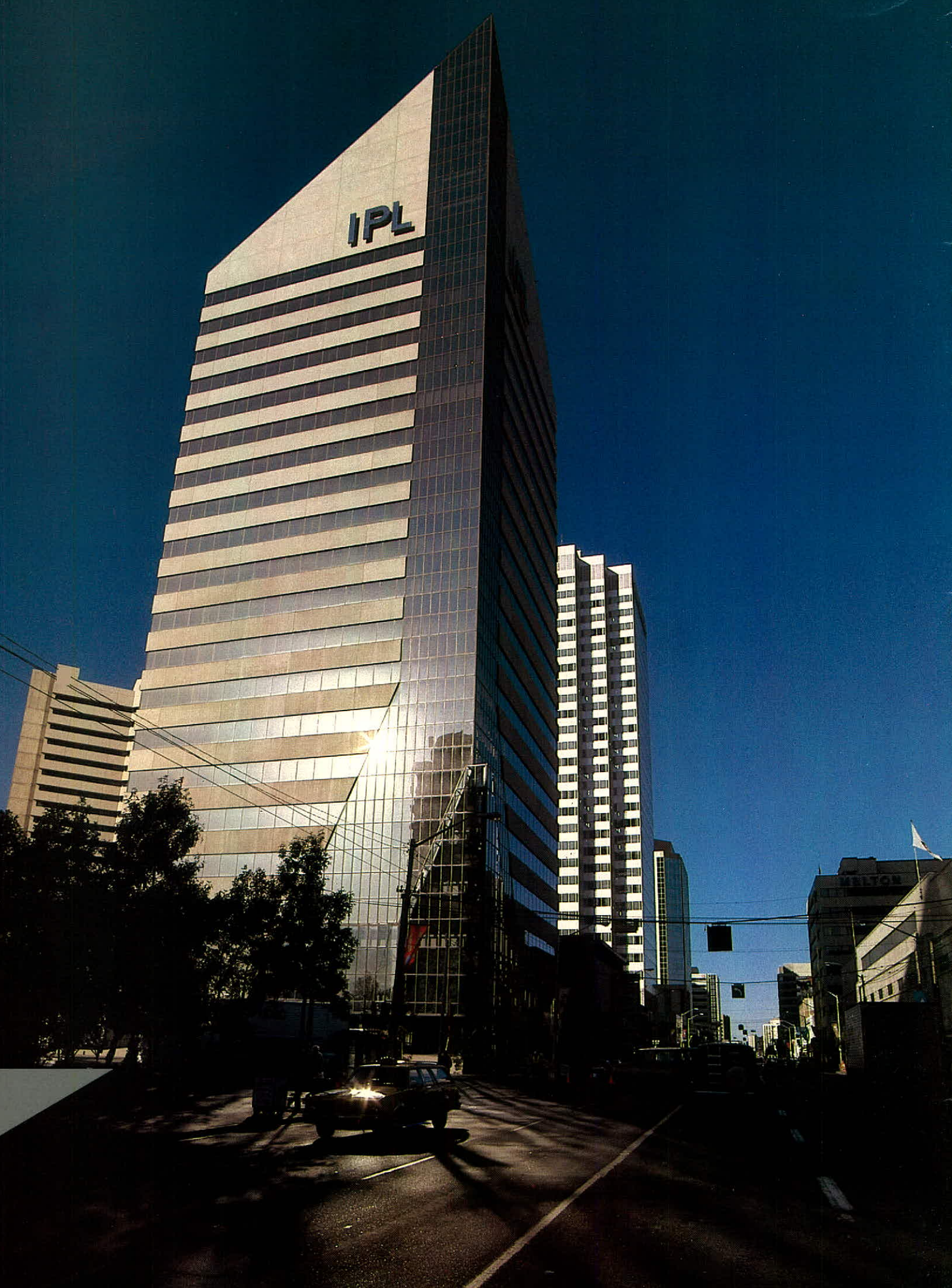
FORM 10-K
A Form 10-K Annual Report is filed with
the United States Securities and
Exchange Commission. This report will
be made available upon written request
to the Corporate Secretary of the
Company.

TRUSTEE AND REGISTRAR FOR FIRST
MORTGAGE AND COLLATERAL TRUST BONDS
The Royal Trust Company
Toronto and Montreal

TRUSTEE AND REGISTRAR
FOR DEBENTURES
Montreal Trust Company
Montreal, Toronto, Winnipeg,
Edmonton and Vancouver

AUDITORS
Price Waterhouse
Edmonton, Alberta

Members of the Board of Directors are from left: W. A. Dimma, A. R. McCallum,
G. H. Thomson, H. G. MacNeill, A. E. Downing, W. D. H. Gardiner, W. J. Young,
D. G. Campbell, R. F. Haskayne, E. H. Orser, R. K. Heule, P. A. Nadeau,
R. B. Peterson, M. Bregazzi, F. W. Fitzpatrick



IPL

MELTON

Interprovincial Pipe Line Limited

