Box 43

Annual Report 1980

Canadian Pacific **Enterprises** Limited

Legal deposit–
1st quarter 1981

1981 Annual Meeting

The Annual Meeting of Shareholders will be held at the Royal York Hotel, Toronto, on Thursday, April 30, 1981 at 11:00 a.m. (daylight saving time, if operative).

Summarized Statement of Net Income

(in millions)	*1980*	*1979*	*Increase or (Decrease)*
Oil and Gas	**$ 210.2**	$ 144.4	$ 65.8
Mines and Minerals	**98.6**	129.7	(31.1)
Forest Products	**45.6**	47.7	(2.1)
Iron and Steel	**61.2**	60.2	1.0
Real Estate	**21.0**	19.2	1.8
Agriproducts	**9.7**	4.9	4.8
Other Businesses	**11.8**	4.1	7.7
Financial	**33.2**	10.1	23.1
Net income	**$ 491.3**	$ 420.3	$ 71.0
Per common share:			
Net income	**$ 3.63**	$ 3.36	$ 0.27
Dividends	**1.005**	0.725	0.28

Canadian Pacific Enterprises Limited has six major core areas–oil and gas, mines and minerals, forest products, iron and steel, real estate and agriproducts. Each is depicted graphically at the beginning of this report in a series of double-page still life photographs.

To the Shareholders

In 1980 Canadian Pacific Enterprises Limited had its most successful year so far. This is a particularly noteworthy achievement in a year when the Canadian and U.S. economies were experiencing recession. Consolidated net income rose to $491.3 million, or $3.63 per common share, an increase over 1979 of $71.0 million, or $0.27 per share.

Dividends and Shares

The net earnings of the Corporation excluding the equity in income retained by subsidiaries amounted to $195.5 million, or $1.44 per common share, compared with $135.4 million, or $1.08 per share, in 1979. Out of these earnings the Corporation declared dividends of $1.005 per common share in 1980, up from $0.725 in 1979. In 1980 the Corporation began paying dividends on a quarterly basis. The common stock was also divided on a two for one basis.

During the year the Corporation sold two new issues of common stock – one in the United States, of 6,500,000 shares, and the other outside North America, of 1,200,000 shares. In addition, the Corporation instituted a shareholder dividend reinvestment and share purchase plan. Total net proceeds from these issues amounted to $216 million. As a result of these and other transactions, the weighted average number of common shares outstanding was 135 million compared with 125 million in 1979. All the outstanding preferred shares of the Corporation were redeemed in 1980 at a price of $20 per share, plus accrued dividends.

In July 1980 the common shares of the Corporation were listed and began trading on the New York Stock Exchange.

Sector Results

While the Corporation's overall earnings were at a record level, there were significant variations in the performance of the different sectors. Some sectors benefited from particularly favourable market conditions or special situations, while others were more vulnerable to the impact of the recession.

The sectors showing the largest increases over 1979 were oil and gas, financial operations, pulp and paper, agriproducts and other businesses. Income from PanCanadian Petroleum was up $65.8 million. The financial sector showed an increase of $23.1 million, of which $13 million was the net gain on sale of the Corporation's interest in MacMillan Bloedel Limited, with the balance due mainly to higher interest income. Earnings from Great Lakes Forest Products rose $17.1 million, as a result of favourable markets for kraft pulp and newsprint as well as the contribution from the Dryden operations acquired at the end of 1979. Most of the increase of $4.8 million in income from agriproducts resulted from the acquisition of Maple Leaf Mills Limited in July 1980. The increase of $7.7 million in income from Other Businesses was largely attributable to Hotels, which profited from improved room rates and higher occupancy levels.

There were partially offsetting decreases in mines and minerals and log and lumber operations. Income from Cominco declined \$22.7 million, mainly reflecting depressed markets for lead. Income from Steep Rock Iron Mines was down \$7.4 million as a result of the termination of production in 1979. Earnings of Pacific Forest Products Limited, formerly Pacific Logging Company Limited, declined \$19.3 million. This was due to reduced demand and lower prices for logs and lumber and to increased costs.

Expansion and Modernization Programs

The policy of strengthening the Corporation through expansion and modernization programs continued to be vigorously pursued throughout 1980. Evidence of this is to be found in virtually every sector.

During the year PanCanadian Petroleum continued its active exploration and development drilling program for oil and gas, mainly in Western Canada but also in areas outside Canada. Highlights of its exploratory program included drilling of a number of discovery wells in southern Alberta east of Calgary. Elsewhere in Alberta, several oil and gas discoveries were made. Drilling in northeastern British Columbia resulted in one oil well and four gas wells. On the east coast of Canada, PanCanadian earned an interest in a large acreage offshore Labrador and, through its ownership interest in Panarctic Oils Ltd., is participating in the ongoing exploration in the Arctic Islands. Internationally, the company participated in exploration activity in the United States, the People's Republic of China, Australia and in the North Sea.

Cominco progressed with the major expansion and modernization of its metallurgical plants at Trail, B.C. and Sullivan mine at Kimberley, B.C. Development work went ahead on the Polaris zinc-lead ore deposit located in the Canadian High Arctic. Capacity at Cominco's potash mine in Saskatchewan is being increased; Cominco is also expanding its fertilizer production. During the year Cominco purchased additional shares in Bethlehem Copper Corporation, increasing its holding in that company to 64%; additional share purchases early in 1981 increased Cominco's ownership to 93%.

Fording Coal has in hand a program to increase production capability at its mine in southeastern British Columbia from three to five million tons per year. Higher production was achieved in 1980.

Great Lakes Forest Products is proceeding, on schedule, with the modernization and expansion of its Dryden pulp mill, acquired at the end of 1979, and plans are under way to modernize the Dryden fine paper operations.

Pacific Forest Products Limited acquired Victoria Plywood Ltd. during 1980. In addition to its plywood production facilities, Victoria owns timber lands and has Crown cutting rights on Vancouver Island. The consideration paid for the Victoria shares was the equivalent of \$18 million. The acquisition was accomplished by an exchange of 829,111 common shares of Enterprises for all the common shares of Victoria.

Algoma Steel announced plans during the year to build a new seamless tube mill, at an estimated cost of $300 million. Completion is set for 1984. In 1980 Dominion Bridge purchased the Koehring Company, an international manufacturer of specialized equipment and machinery for the construction and natural resource industries.

Marathon Realty completed construction of new office buildings in Toronto, Edmonton, Burnaby B.C., and Portland Ore., and a shopping centre in downtown Kitchener. Projects under construction, for completion in 1981 and 1982, include a new shopping centre in Ottawa, office buildings in Toronto, Calgary and Atlanta Ga., and four industrial buildings.

Maple Leaf Mills Limited, whose results are included in the agriproducts sector, was acquired in 1980 when a U.S. subsidiary of Enterprises purchased Norin Corp. of Miami, Florida. Maple Leaf is engaged in the processing, distribution and marketing of a variety of food and agricultural products in Canada.

CP Hotels, now included in Other Businesses, made its entry into the United States market last fall, when the Franklin Plaza Hotel in Philadelphia opened under CP Hotels management.

On December 15, 1980 a U.S. subsidiary of Enterprises offered to buy not less than 52% of the outstanding common shares of Hobart Corporation of Troy, Ohio, at U.S. $32.50 per share. A competing offer was subsequently made at a price of U.S. $40.00 per share. The Enterprises subsidiary announced that it would not match the other offer nor exceed it, but would keep its offer open.

Outlook

Economic prospects for 1981 are far from promising. Most forecasts are for a negligible rate of growth in Canada's gross national product, reflecting economic weaknesses of the country's major trading partners, high interest rates and accelerating inflation.

In addition, there is uncertainty as to the impact the Federal Government's announced energy policy will have.

Labour contracts at Cominco, Fording, Pacific Forest Products and Algoma Steel will be coming up for renegotiation during 1981.

Officers and Employees

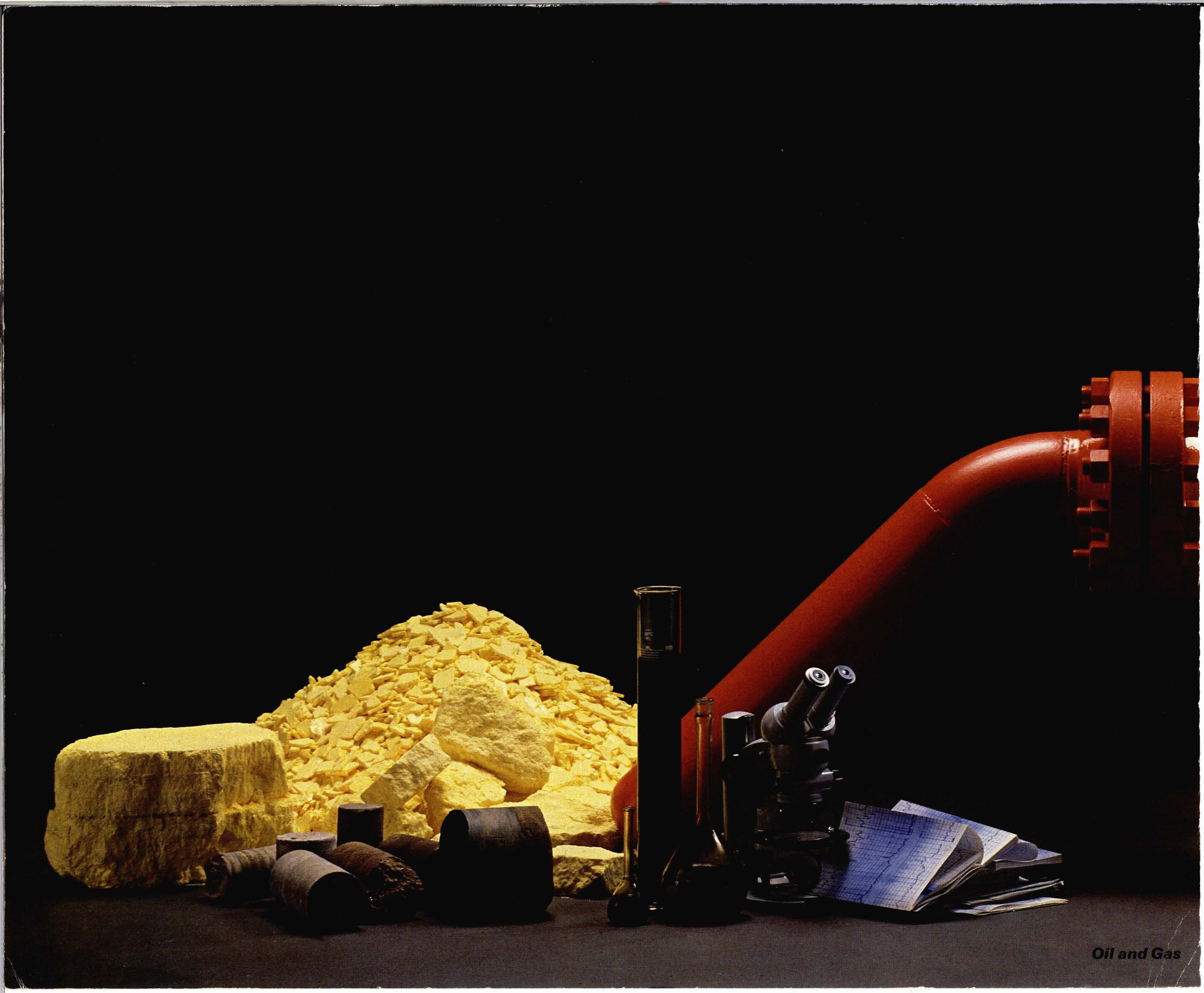
The Corporation owes much of its progress to the skill and hard work of the officers and employees in all the companies making up Canadian Pacific Enterprises. In acknowledging this, and expressing appreciation, the Directors also express their confidence that the same high level of service can be counted on for the future.

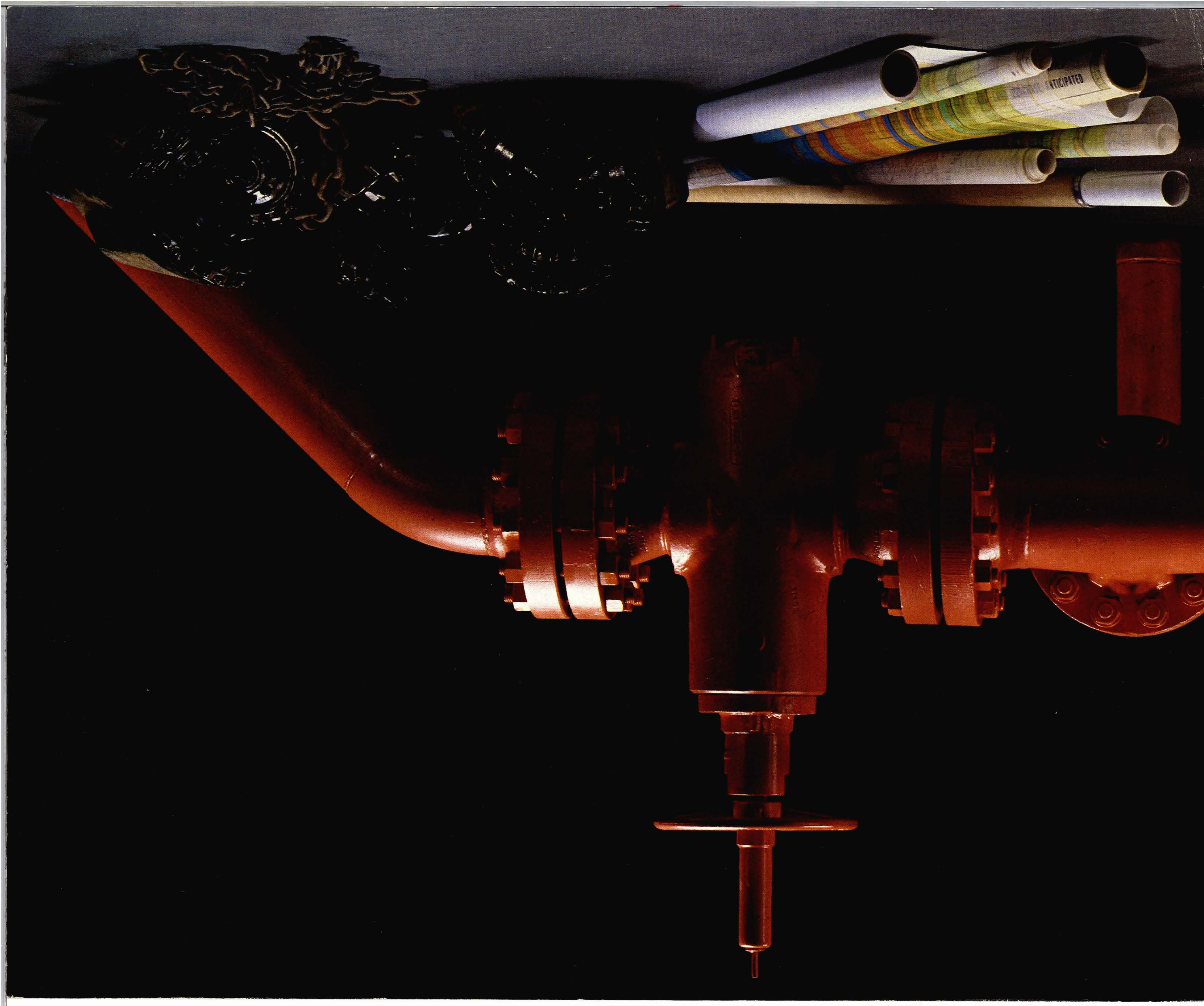
For the Directors,

Vice-Chairman

Chairman and Chief Executive Officer

Montreal, March 6, 1981


Oil and Gas



Financial Review

A review of the major changes in the Corporation's consolidated financial position over the past three years shows that the period was one of healthy growth. Assets increased by $4.1 billion – from $4.4 billion at the end of 1977 to $8.5 billion at the end of 1980. Much of this increase was financed out of funds from operations, which grew from $742 million in 1978 to $1,087 million in 1979, and to $1,220 million in 1980. In 1979 and 1980 the parent company issued $383 million of new common stock for cash and in the years 1978 to 1980 the subsidiaries issued $218 million, of which $82 million was taken up by Enterprises. Consolidated long term debt increased by $713 million from 1977 to 1980. Interest coverage on total long term debt, which was 5.6 times in 1978, rose to 7.6 times in 1979 and 7.7 times in 1980.

The policy of the Corporation is to strengthen its future earning capability by encouraging and assisting subsidiaries to expand and by acquiring new businesses. In 1980, all the common stock of Norin Corp., owner of Maple Leaf Mills Limited, was acquired at a cost of $122 million.

On December 15, 1980 a U.S. subsidiary of Enterprises made an offer to acquire not less than 52% of the outstanding common shares of Hobart Corporation of Troy, Ohio, at a price of U.S. $32.50 per share for a total cost of approximately U.S. $380 million. The offer was vigorously opposed by Hobart and on February 17, 1981 a competing offer was made by Dart & Kraft, Inc. at a price of U.S. $40.00 per share. On February 23, 1981 the Enterprises subsidiary announced that based on information then available, it did not intend to match or exceed the Dart & Kraft offer, although its previously announced offer of U.S. $32.50 per share would remain open. Of the funds required for the Hobart purchase, some U.S. $100 million would be provided out of available cash on hand and the balance by bank borrowings at rates related to prime or to "LIBOR".

Also in 1980, Pacific Forest Products acquired Victoria Plywood Ltd., at a cost of $18 million. This was financed by an exchange of common shares of Enterprises for all the common shares of Victoria Plywood. Dominion Bridge acquired Koehring Company at a cost of $161 million. Financing was principally out of cash, with some bank borrowing. Cominco purchased additional shares of Bethlehem Copper Corporation which raised its 39% equity interest to approximately 64%. The cost of the additional shares was $61 million, which was financed by a long term loan.

At the end of 1980 commitments for capital expenditures totalled $647 million. These cover a wide range of projects, some just getting under way and others well advanced.

They include Cominco's modernization and expansion of its Trail metallurgical plant and Sullivan mine in British Columbia and development of the Polaris zinc-lead ore body in the Canadian High Arctic. Costs of close to $300 million are to be financed from internally generated cash flow and short term financing facilities. The Polaris project is being financed by a long term loan of $140 million.

Also included is Great Lakes' modernization and expansion of its Dryden operations, as well as some environmental improvement for both its Thunder Bay and Dryden mills. The total cost of this work, expected to be completed by 1984, is estimated at $430 million. Financing of the program thus far has been from the company's cash resources, supplemented by a $43 million rights issue of common shares and a government grant. The balance is expected to be financed largely out of funds from operations, supplemented by additional grant money and the company's bank lines of credit or other financing that may be preferable.

Algoma Steel is not only making major expenditures on existing facilities to round out capacity and improve profitability, but also is building a new seamless tube mill to meet growing demand for this product. The new mill will take approximately three years to build and equip. The estimated cost is $300 million, which is to be financed by construction loans, convertible to term loans, and by funds from the common stock rights issue in 1980 that raised $77 million.

Marathon Realty's capital expenditure commitments for office, shopping centre and industrial buildings under construction totalled $115 million at the end of 1980. Arrangements have been made for financing construction through lines of credit and long term mortgage commitments to retire such loans.

Debt financing for the Enterprises companies is arranged not only with outside financial institutions, but also through Canadian Pacific Securities Limited, a wholly-owned subsidiary of Enterprises, which raises monies by way of bank loans, short term promissory notes and medium and long term debt.

At the end of 1980 total unused commitments for long term financing, including bank borrowing for the Hobart acquisition, amounted to $1,483 million, at interest rates ranging from prime to prime plus 1¼%, with commitment fees on $962 million ranging from ¼% to 1%. Unused lines of credit for short term financing, subject to customary reviews at any time, amounted to $925 million. In February 1981, Cominco announced its intention to offer common shareholders rights to subscribe to additional common shares to raise funds for general corporate purposes. This issue is expected to raise some $100 million.

Most of the Corporation's subsidiaries have ongoing programs for replacing and modernizing productive capacity as well as for expanding. As a result of inflation, the costs of such programs have increased and the current trend of inflation indicates that further rises in costs can be expected. Financial strength to provide for future needs derives ultimately from earning power. The following review of operations therefore analyzes recent past performance of the Corporation's various operating sectors and touches on both the opportunities and the problems that are likely to affect future performance.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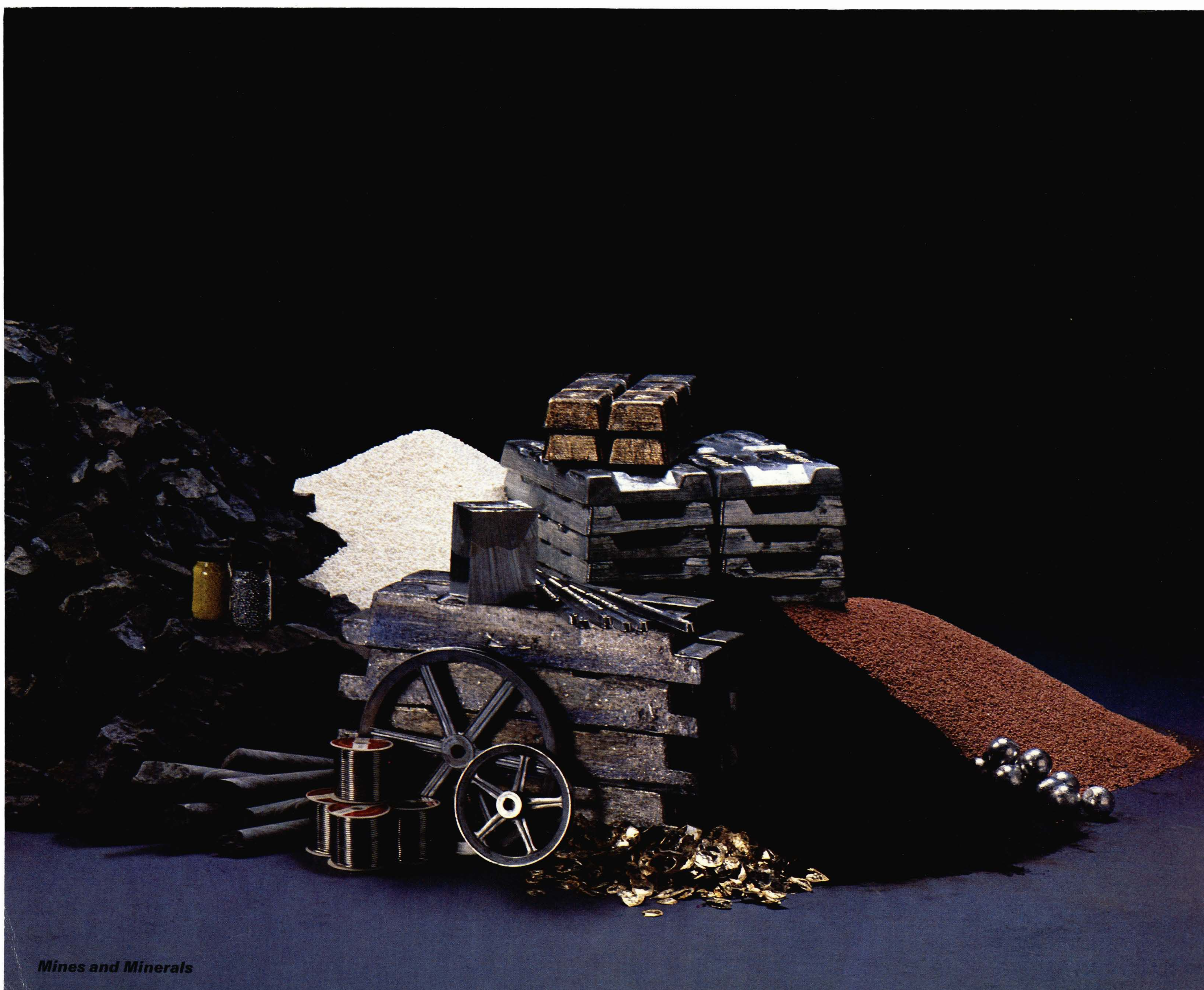
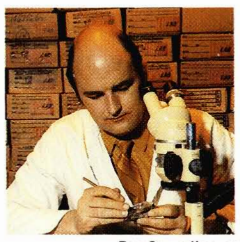

Mines and Minerals

Review of Operations

Weyburn Unit waterflood plant in Saskatchewan enhances oil recovery.



PanCanadian geologist examining a piece of core to determine reservoir characteristics.

Oil and Gas

The Corporation's net income from PanCanadian Petroleum, representing an 87.1% interest, amounted to $210.2 million in 1980. This was an increase of $65.8 million over 1979 and $74.4 million over 1978.

PanCanadian's total revenues were $575 million in 1980, up from $424 million in 1979 and $333 million in 1978. Increases in revenue in 1980 were due to higher prices for natural gas, crude oil and other products and a full year of commercial production from the Syncrude oil sands plant. In 1979, price rises accounted for about half the revenue growth and the rest was due to greater production, primarily of oil.

Rises in the price received for oil reflect the gradual escalation of Canadian crude oil prices as permitted by the regulatory authorities. Higher natural gas prices were primarily from an increase in the price of natural gas exported to the United States.

Total expenses of $333 million in 1980 compared with $258 million in 1979 and $177 million in 1978. In addition to the effects of inflation on costs, the additional expenses in 1980 reflected mainly the Syncrude operation and the impact on income taxes of the 5% surcharge on corporate income imposed by the Federal Government. In 1979 expenses were also affected by inflation, by an increase in conventional oil production and also by a substantial increase in income taxes compared with 1978, when earned depletion allowances were high because of the initial investment in the Syncrude project.

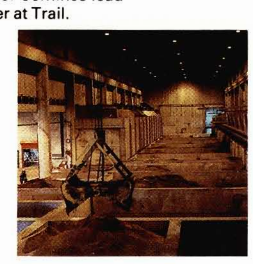
On October 28, 1980, the Government of Canada revealed its new "National Energy Program". The Program includes proposals that will, if implemented, have far-reaching effects on the oil and gas industry in Canada. One of these effects is already being felt as a result of the imposition, as of January 1, 1981, of a tax on producers amounting to 8% of net operating revenues related to the production of oil and gas, including royalty revenues.

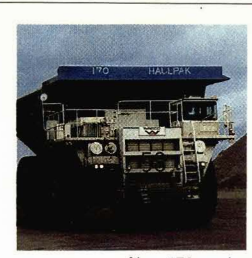
Under the Program, domestic prices for crude oil and natural gas are scheduled to increase in stages through to 1990. The increases provided in the early years are very modest and become larger only later in the decade. Although the schedule has not yet been adopted in full, the first increase, amounting to $1.00 per barrel for crude oil, was made effective at the beginning of 1981.

The Program also included a system of Petroleum Incentive Payments which will be related to a company's Canadian Ownership Rate. These incentive grants will offset, to a degree, the negative impact caused by the elimination of certain income tax incentives although, in general, the National Energy Program will have an adverse impact on PanCanadian's cash flow and net income. PanCanadian will be eligible for grants obtainable under the Program, but until the final rules relating to the measurement of Canadian ownership rates are announced, the level of such grants cannot be determined.

Jumbo drill with three 20-foot booms in Sullivan Mine.

Storage bins in new feed plant for Cominco lead smelter at Trail.





New 170-ton hauler acquired as part of Fording expansion program.

Mines and Minerals

Cominco Ltd.

Net income from Cominco, owned 53.6% by Enterprises, amounted to $86.4 million in 1980. This was a decrease of $22.7 million compared with 1979 and an increase of $56.2 million over 1978.

Total revenues reported by Cominco were $1,481 million in 1980, up from $1,310 million in 1979 and $930 million in 1978. Included in revenue is income from Cominco's 40% share of the earnings of Fording Coal. The 1980 increase was due principally to higher prices for gold, silver, potash, chemicals and chemical fertilizers. Reflecting the downturn in the U.S. economy, lead prices were down by an average U.S. 10¢ per pound, or close to 20%. Sales volumes of refined lead and lead concentrates were also lower. In the case of refined lead, this was partly due to temporary production difficulties at the Trail smelter. In 1979 the increase in revenue was primarily the result of higher prices for all products, principally lead, zinc, silver and gold. These increases in prices reflected greater market demand, which first became evident in the second half of 1978 and continued into 1979.

Early in 1981, zinc prices were relatively firm as zinc concentrate inventories were in short supply, and supply and demand for refined zinc were in balance. Weakening world demand for lead resulted in declining prices. In addition, prices for gold and silver declined significantly. Strengthening demand and higher prices are indicated for potash, chemicals and chemical fertilizers.

Total expenses of $1,297 million in 1980 compared with $1,077 million in 1979 and $862 million in 1978. The major portion of the expense increases was attributable to higher costs of raw materials. During 1981 all major labour contracts expire and new agreements have to be negotiated.

Fording Coal Limited

Fording, owned 60% by Enterprises and 40% by Cominco, had net income of $14.7 million in 1980. This was an increase of $500,000 over 1979, but $4.8 million lower than in 1978. In addition to its direct share of these earnings and its equity in Cominco's share, Enterprises receives ownership payments from Fording of some $2.5 million per year.

Total revenue of Fording was $215 million in 1980, up from $179 million in 1979 and $167 million in 1978. The increase in 1980 reflected a 5% increase in the average sale price of coal, a 14% increase in sales volume and higher royalty income from coal and potash mines operated by others. In 1979 the revenue increase was attributable almost wholly to increased sales volumes.

Total expenses of $200 million in 1980 compared with $165 million


Forest Products

Pacific Forest Products tree faller on Vancouver Island.

Great Lakes kraft pulp gets quality control check.

Forest Products

in 1979 and $147 million in 1978. Increased salary and wage costs accounted for most of the increase in expenses in both 1980 and 1979. The labour force rose 10% in 1979 and wage rates were up 22%; in 1980 the number of employees rose a further 16%, and labour rates were up another 8%. Distribution costs rose as a result of the increased sales volumes and higher rail freight rates.

Steep Rock Iron Mines Limited

Steep Rock, which is owned 77.3% by Enterprises, terminated mining and pelletizing operations at its property in Atikokan, Ontario in 1979. As a result, income from Steep Rock declined to $2.2 million in 1980, from $9.6 million in 1979 and $5.4 million in 1978. Income in 1979 included gains on disposal of fixed assets. During 1980, the company's income was derived mainly from the investment of its funds. The major portion of these funds is being maintained by Steep Rock to enable it to participate in the development of certain other mineral properties as it becomes economically feasible to do so.

At the end of 1980, Steep Rock acquired the assets of the Perth Division of the William R. Barnes Co. Limited, at a cost of $10 million. This acquisition gives entry into the field of industrial minerals.

Great Lakes Forest Products Limited

Income from Great Lakes Forest Products, representing a 54.3% interest, amounted to $43.9 million in 1980. This was an increase of $17.1 million over 1979 and of $32.6 million over 1978.

Revenues of Great Lakes were $545 million in 1980, up from $342 million in 1979 and $278 million in 1978. About 70% of the 1980 increase was due to increased sales volumes, mostly as a result of operation of the Dryden mills purchased in December 1979. The remainder of the increase came from price increases, principally for pulp and newsprint products. Of the 1979 increase, a little more than half was attributable to selling price increases for pulp and newsprint, slightly more than a third to increased sales volumes of all products and the rest to the higher rate of exchange premium on the U.S. dollar.

Total expenses of $465 million in 1980 compared with $293 million in 1979 and $258 million in 1978. Of the 1980 increase, about three-quarters represented additional expenses due to the Dryden operation and the remainder was attributable to escalation in the cost of labour, energy and supplies. The 1979 increase is accounted for almost equally by volume increases and cost escalation.

Approximately 87% of sales in 1980 and 95% in 1979 were made in U.S. dollars. The increase in the rate of exchange premium on U.S. dollars in the last few years has added substantially to Great Lakes' revenue.


Seamless tubes being inspected on cooling bed.

Algoma steelworker pours test sample of molten iron.


Iron and Steel

When the major program for modernizing and expanding production facilities of Dryden is completed, productivity as well as the volume of production is expected to increase over the next several years.

Pacific Forest Products Limited

Pacific Forest Products earned $1.3 million in 1980. This was a decrease of $19.3 million compared with 1979 and of $6.0 million compared with 1978. Earnings in 1980 included a net gain of $1.2 million on a sale of land; earnings in 1979 included a net gain of $3.3 million on the sale of an interest in a lumber company, and 1978 earnings included a net gain of $1.5 million on a similar sale.

The sharp reduction in earnings in 1980 was the result of the world-wide depression in the market for lumber, combined with rising costs. In 1979, increases in costs were overtaken by growth in revenues due to improvement in prices for logs and lumber and increased production.

There is little likelihood of a revival in world demand for lumber until well into 1981.

The Algoma Steel Corporation, Limited

Net income from Algoma Steel, representing a 56.8% interest, amounted to $55.3 million in 1980, up $971,000 over 1979, and $18.5 million over 1978.

Total revenue of Algoma was $1,180 million in 1980, compared with $1,110 million in 1979, and $887 million in 1978. Included in revenue is income from Algoma's 42.8% share of the earnings of Dominion Bridge Company, Limited. The increase in revenue in 1980 was due to higher selling prices and a more favourable product mix, as volume was lower. Demand for the company's major product lines remained reasonably strong, with the exception of hot and cold rolled sheet which declined as a result of the effects of high interest rates and depressed auto sales. Of the revenue increase in 1979, about 60% was attributable to higher selling prices, another 30% was provided by greater shipments, and the balance came mostly from a more favourable product mix.

Total expenses were $1,071 million in 1980, compared with $1,000 million in 1979, and $810 million in 1978. The increase in 1980 was the net result of general inflation of costs and a decrease due to lower volume. The increase in 1979 was due principally to escalation of costs, primarily of labour, coal, iron ore, alloy additions and energy, and to higher volumes.

Demand in 1981 for Algoma's tubular, structural, rail and plate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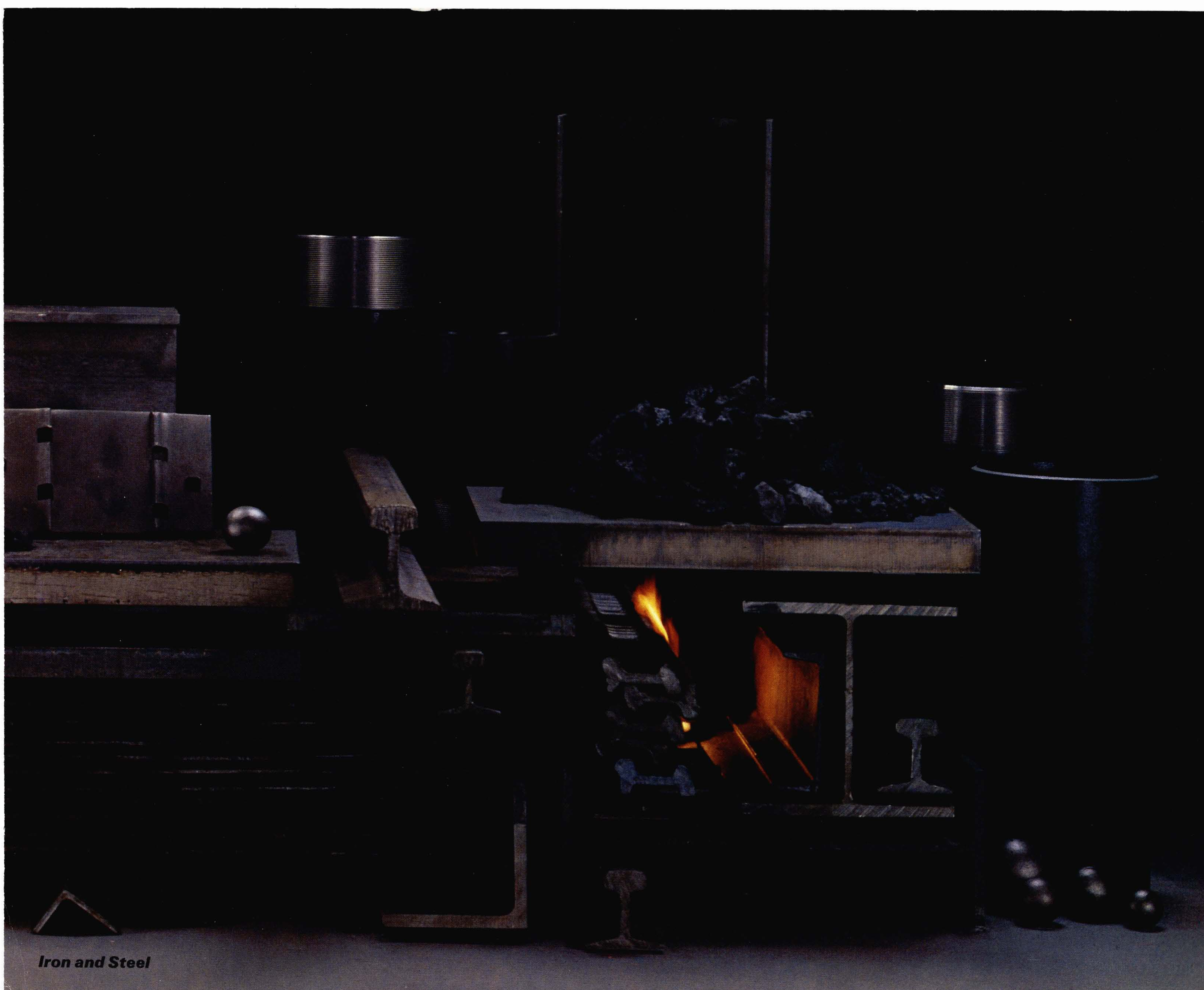
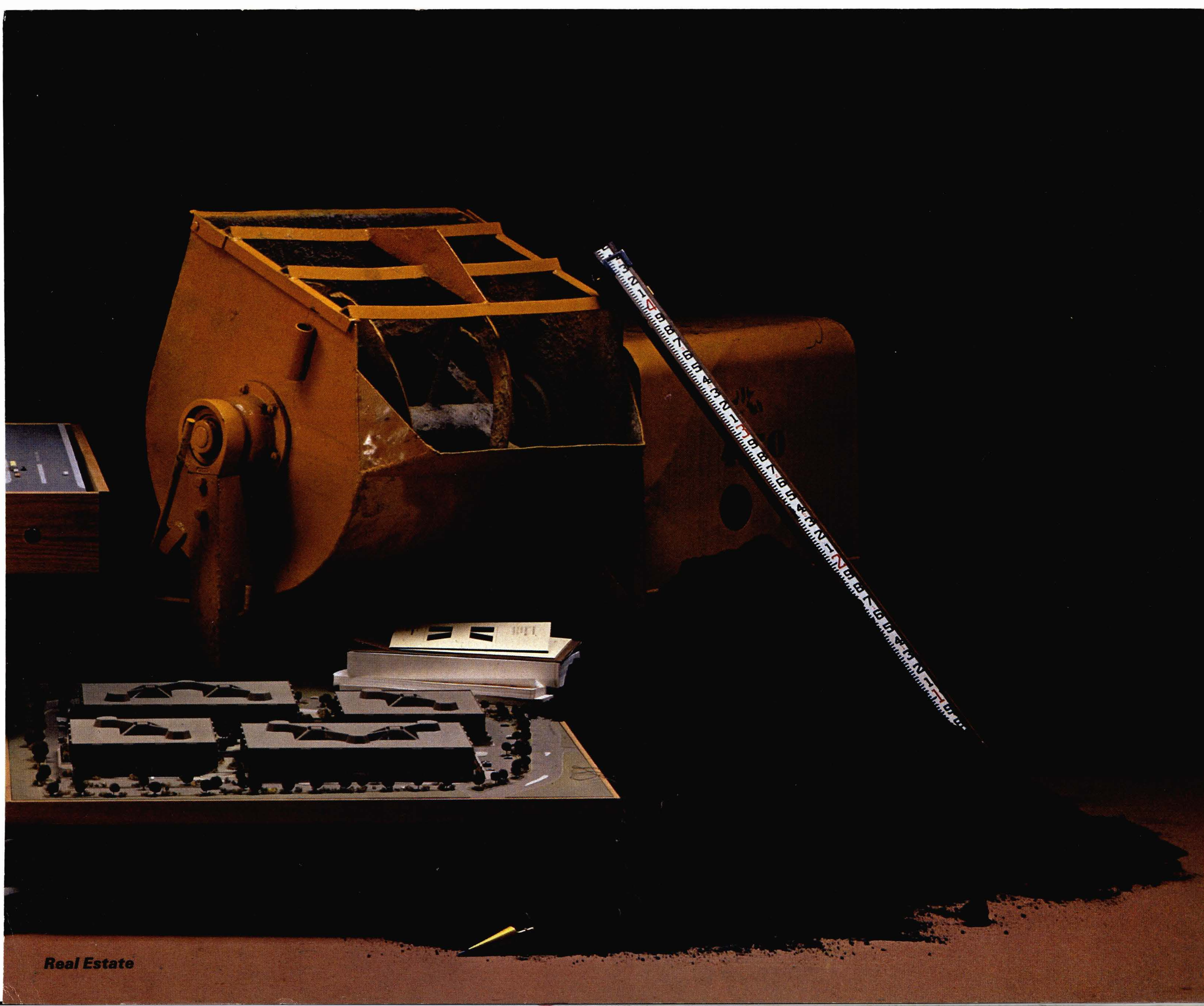


Iron and Steel



Real Estate

Koehring heavy duty excavator.

Dominion Bridge-built module for vehicular tunnel beneath Baltimore harbour.

Marathon office tower in Portland, Ore.

products is expected to remain reasonably strong throughout the year. The outlook for hot and cold rolled sheet is less clear because of uncertainty regarding the automotive market. Labour contracts at Algoma's coal mining operations in the U.S. and at its steel manufacturing and iron ore mining operations in Canada expire during 1981.

Dominion Bridge Company, Limited

In addition to its interest in Algoma's share in Dominion Bridge, Enterprises has a 9.4% direct holding which contributed $5.9 million of income in 1980. This income was approximately the same as in 1979. An increase in 1979 of $1.3 million over 1978 was mainly attributable to Bridge's higher earnings, but also to purchases during 1979 of additional Bridge shares by Enterprises.

Revenues of Dominion Bridge totalled $1,274 million in 1980, $1,137 million in 1979 and $1,013 million in 1978. The acquisition of Koehring Company in 1980 and normal price increases on continuing operations accounted for the revenue increase in 1980. The inclusion of Koehring for the full year in 1981, in contrast to only four months in 1980, will result in substantially higher revenues. The revenue increase in 1979 reflected higher activity in the Canadian steel production and warehousing operations, as well as gains on the divestiture of several operating units.

Total expenses of Dominion Bridge were $1,211 million in 1980, $1,080 million in 1979, and $960 million in 1978. The level of expenses over the three-year period reflects acquisitions and disposals of operating units as well as normal cost increases. In no instance did margins decrease substantially due to a change in the relationship between costs and selling prices.

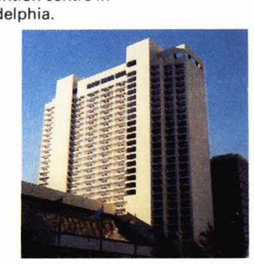
Real Estate

Net income from Marathon Realty Company Limited in 1980 amounted to $21.0 million. This was an increase of $1.8 million over 1979 and of $5.7 million over 1978.

Total revenue was $194 million in 1980, up from $130 million in 1979 and $128 million in 1978. Approximately two-thirds of the increase in revenue in 1980 was attributable to the acquisition of Canadian Freehold Properties in December 1979 and the real estate interests of Norin Corp. in July 1980. Another 20% came from new buildings that became operational during 1980, and the balance was due to increased rentals from existing buildings and a higher level of property sales. The increase in 1979 revenues was only marginal because of the disposal of the company's remaining inventory of condominiums in 1978. Excluding those sales, revenues increased 13% over 1978.

Landscaped interior of Atria North office park in Toronto.

Making bread dough at Maple Leaf Mills plant.



Franklin Plaza hotel and convention centre in Philadelphia.

Total expenses of $173 million in 1980 compared with $111 million in 1979 and $113 million in 1978. The acquisition of the Canadian Freehold and Norin properties accounted for about three-quarters of the 1980 increase in expenses, with the remainder due equally to new buildings that became operational, increased cost of property sales and increased operating expenses of existing buildings. In 1979, expenses reflected the disposition during 1978 of the condominium operation. Exclusive of that reduction, expenses increased 8%.

If interest rates were to continue at their present high level for an extended time, Marathon's new development program would have to be slowed down.

Agriproducts

Maple Leaf Mills Limited

Maple Leaf Mills Limited was acquired in July 1980 with the purchase of Norin Corp. of Miami, Florida. Maple Leaf is engaged in the processing, distribution and marketing of a variety of food and agricultural products in Canada.

Early in 1981, Rothsay Concentrates Co. Limited, a rendering company, and Midland Simcoe Elevator Limited, a grain elevator company, both based in Ontario and wholly-owned by Enterprises, were merged into Maple Leaf Mills.

Income from Maple Leaf for the six months of 1980 amounted to $5.3 million. Income from Rothsay in 1980 amounted to $1.0 million, compared with $542,000 in 1979 and $956,000 in 1978. The dip in Rothsay's income in 1979 was due to a fourteen-week strike at its rendering plant.

CanPac AgriProducts Limited

The earnings of CanPac AgriProducts Limited are derived principally from the operations of Baker Commodities, Inc., and a fruit products company acquired in 1979.

Income from CanPac in 1980 amounted to $3.2 million, compared with $4.3 million in 1979, and $4.9 million in 1978. The decrease in 1980 reflected the embargo on tallow shipments to the Soviet Union, and lower product prices. The company deals primarily in commodities whose prices are determined by world market conditions.

Other Businesses

Canadian Pacific Hotels Limited

Net income of CP Hotels in 1980 was $6.9 million. This compared with income of $868,000 in 1979 and a loss of $15.0 million in 1978.

Total revenue amounted to $232 million in 1980, compared with $211 million in 1979 and $182 million in 1978. Of the increase in 1980, about three-quarters was attributable to higher room rates and increased food prices, and the remainder to increased volume of business. The upturn in the Canadian hospitality industry that began in 1979 carried through 1980. Sales were particularly buoyant at the Banff Springs Hotel and the Royal York. Approximately half of the 1979 increase was due to higher rates and prices, and the other half mainly to greater volume.

Financial

Total expenses were $225 million in 1980, up from $210 million in 1979 and $197 million in 1978. The increases reflect mostly inflation. Expenses in 1979 included substantially smaller write-offs than in 1978 relating to development projects undertaken previously.

CP Hotels began managing the new Franklin Plaza Hotel in Philadelphia when that hotel opened in the fall of 1980. Also in 1980 CP Hotels sold the Hotel Saskatchewan in Regina, and terminated contracts to operate hotels in Sherbrooke, Quebec and in the Bahamas. Modernization programs are underway at several of the Canadian city and resort hotels.

Syracuse China Corporation

Net income of Syracuse China was $3.0 million in 1980, compared with $2.3 million in 1979 and $2.8 million in 1978. The increase in 1980 was due mainly to an increase in selling prices. In 1979 Syracuse encountered a downturn in demand for chinaware in the U.S. food service industry.

Processed Minerals Incorporated

Net income of $1.9 million was $1.0 million higher than in 1979.

Processed Minerals was incorporated in August 1979, hence the increase reflects a full year's results in 1980, compared with five months in 1979.

This company has two divisions – Carey Salt, based in Kansas, which produces and markets salt for a variety of uses and NYCO, located in New York state, which mines, processes and markets wollastonite.

Chateau Insurance Company

Chateau Insurance, which is owned 99.96% by Enterprises, incurred losses of $933,000 in 1980 and $1.1 million in 1979, compared with a profit of $1.6 million in 1978.

In spite of inflationary pressures and very competitive market conditions, the results in 1980 benefited from an improvement in commercial insurance profitability which was partly offset by poor loss experience on personal lines.

The Canadian insurance industry will show substantial underwriting losses in 1980 reflecting the overall inadequacy of rates. Rate increases in 1981 are expected to give some relief to margins. Early in 1981 Chateau signed an agreement to assume the general insurance business of Hartford Fire Insurance Co. in Quebec.

Canadian Pacific Securities Limited

Earnings of Canadian Pacific Securities amounted to $1.2 million in 1980, unchanged from 1979 and up slightly from $1.1 million in 1978. The marginal increase in 1979 was the result of increased contributions from money market operations, which more than compensated for a reduction in earnings from lending activities.

Canadian Pacific Enterprises Limited (Corporate)

Income amounted to $29.6 million in 1980, which was $20.7 million more than 1979 and $271,000 above 1978.

Of the increase in 1980, $13 million represented the net gain on the sale of Enterprises' 13.4% interest in MacMillan Bloedel

Limited; the balance was attributable mainly to higher interest income. In 1978 this income included a net gain of $23.8 million on the sale of Enterprises' 12% interest in TransCanada PipeLines Limited.

Effects of Changing Prices and Inflation

It is evident from the Review of Operations that the different businesses of Canadian Pacific Enterprises are affected differently by inflation. In metal mining, where prices of the products are determined by conditions of supply and demand in world markets, price rises in metals may exceed or fall below the general inflation rate. In oil and gas, prices are set by the Federal and Provincial governments, and while they have been increasing steadily in recent years, they are substantially below world oil prices. In the case of coal, the spot market price reflects current world supply and demand, but the price paid for most of the coal now being mined by the Corporation's coal company is negotiated periodically, under a long-term contract with Japanese steel producers. In 1980 and 1981 the price increase is not covering increases in costs. In the forest products group, lumber is another of the products whose price may fluctuate widely in response to world market conditions; last year, lumber markets were depressed as a result of a substantial decline in housing starts. Demand for newsprint and pulp has been strong in recent years and this has led to price increases which have exceeded cost increases. Similarly, current cost increases of the major steel products manufactured by the Corporation's subsidiaries in that industry have been offset by the combination of productivity improvements and price increases. Real estate and hotel operations may be affected by specific local conditions as well as general market trends.

The effect of inflation that is by far the most serious, and one felt by all businesses requiring substantial capital investment, is the effect on replacement of plant, equipment and resource properties. A major problem here is taxation of business profits without sufficient allowance for the replacement cost of the capital consumed. The consequences of this are an eventual reduction in productive capacity – evident initially to the individual business, but ultimately of serious concern for the economy as a whole. The most desirable solution is to bring down the rate of inflation. But aside from that, taxation policies are needed that will maintain capital investment and encourage its growth.

Summary of Significant Accounting Policies

General

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant differences between Canadian and United States generally accepted accounting principles, insofar as they apply to the Corporation, are described under Supplementary Data. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

Consolidation

The financial statements of all subsidiary companies are consolidated in the financial statements of Canadian Pacific Enterprises Limited (Enterprises) except those of a finance company, which is accounted for on an equity basis. The Directors have determined the classes of business of Enterprises at a meeting of the Directors and have recorded them in the minutes of the meeting. The classes of business are based upon the major activities of significant subsidiaries, and the principal companies included in each class are as follows:

Percentage Ownership, December 31		*1980*	*1979*	*1978*
Oil and Gas	PanCanadian Petroleum Limited	**87.08%**	87.08%	87.10%
Mines and Minerals	Cominco Ltd.	**53.64%**	53.75%	53.91%
	Fording Coal Limited:			
	Enterprises	**60%**	60%	60%
	Cominco	**40%**	40%	40%
	Steep Rock Iron Mines Limited	**77.28%**	77.11%	70.33%
Forest Products	Pacific Forest Products Limited*	**100%**	100%	100%
	Great Lakes Forest Products Limited	**54.28%**	54.01%	55.69%
	Commandant Properties, Limited	**100%**	100%	100%
Iron and Steel	The Algoma Steel Corporation, Limited	**56.77%**	54.97%	54.40%
	Dominion Bridge Company, Limited:			
	Enterprises	**9.38%**	9.46%	8.68%
	Algoma	**42.80%**	43.15%	43.10%
Real Estate	Marathon Realty Company Limited	**100%**	100%	100%
Agriproducts	Maple Leaf Mills Limited	**100%**	—	—
	CanPac AgriProducts Limited	**100%**	100%	100%
	Rothsay Concentrates Co. Limited	**100%**	100%	100%
Other Businesses	Canadian Pacific Hotels Limited	**100%**	100%	100%
	Syracuse China Corporation	**100%**	100%	100%
	Processed Minerals Incorporated	**100%**	100%	—
Financial	Canadian Pacific Enterprises Limited (Corporate)			
	Canadian Pacific Securities Limited	**100%**	100%	100%
	Chateau Insurance Company	**99.96%**	99.96%	99.96%
	Canadian Pacific Enterprises (International) B.V.†	**100%**	100%	100%
	Canadian Pacific Enterprises (U.S.) Inc.	**100%**	100%	100%
	Canellus Finance N.V.	**100%**	100%	100%

**Prior to January 1, 1981, the name of this company was Pacific Logging Company Limited.*

†Prior to February 26, 1981, the name of this company was Canellus International B.V.

Consolidation continued

Algoma Steel supplies structural steel and plate to Dominion Bridge. In reporting the results of Iron and Steel operations in the statement of consolidated income, the following amounts have been eliminated from sales and operating revenue and from expenses: 1980, $44,380,000; 1979, $36,712,000; 1978, $24,019,000. Until the cessation of its mining and pelletizing operation in 1979, Steep Rock supplied iron ore pellets to Algoma, amounting to $35,208,000 in 1979 and $39,901,000 in 1978. These amounts have not been eliminated in the statement of consolidated income in order to present fairly the results by activity. In addition, inter-company interest charges, amounting to $25,243,000 in 1980, $22,149,000 in 1979 and $27,051,000 in 1978, have not been eliminated in the statement of consolidated income. Enterprises' net income is not affected by this practice. There are no other significant inter-company charges within the Enterprises group of companies.

Foreign exchange

Current assets and current liabilities have been translated from foreign currencies into Canadian dollars at current rates. Fixed assets, related depreciation, depletion and amortization and long term debt (excluding the current portion) have been translated at historical rates. Revenues and expenses (except depreciation, depletion and amortization, which are translated at historical rates) have been translated at average rates in effect during the year. Gains or losses on exchange are included in income.

Inventories

Products, work in progress and raw materials of mining operations are valued generally at the lower of cost (determined on the monthly average method) and net realizable value. Supplies are valued at cost less appropriate allowances for obsolescence.

Finished products of Iron and Steel and work in progress related to steel making operations are valued at the lower of cost and net realizable value. Work in progress related to construction contracts is stated at accumulated production costs less amounts charged to income based on the percentage of completion of individual contracts. Raw materials and supplies are valued at the lower of cost and replacement cost.

Other inventories (principally related to Forest Products and Agriproducts) are valued at the lower of cost (generally average cost) and net realizable value.

Accounting for oil and gas properties

The full cost method of accounting is followed for oil and gas properties, whereby all costs related to the exploration for and the development of oil and gas reserves are capitalized. Such costs are depleted by the unit of production method based on estimated proven oil and gas reserves.

Accounting for mining properties

Expenditures on general mineral exploration are charged against earnings as incurred. Expenditures to investigate identified properties and to develop new mines are capitalized as mineral properties and development. Because of the uncertainty of the final outcome, expenditures on investigation, together with the cost of certain investments in mineral companies, are amortized against earnings by charges for depletion. Abandoned properties are written off in the year of abandonment. Depletion on operating mines is provided on a unit of production or on a time basis based on the mineral reserves position.

Summary of Significant Accounting Policies

Accounting for iron and steel properties

Depreciation of manufacturing plant and equipment is provided on the straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives. Mining equipment and mine development are either depreciated on a straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives or are amortized on a unit of production basis over the estimated recoverable raw material reserves.

Expenditures on exploration for, investigation of, and holding, raw material properties, and costs of research and start-up of new production facilities, are charged to earnings as incurred.

Interest incurred on funds borrowed directly to finance the development of new raw material properties is capitalized during the period of construction and initial development. Such interest is included in the charge to earnings for depreciation and amortization when production commences in commercial quantities.

Accounting for real estate properties

All operating and carrying costs net of rental revenues are capitalized for all income producing properties until a satisfactory level of occupancy is obtained, subject to a reasonable maximum period of time.

Land under development and held for development is carried at cost, including carrying costs, principally real estate taxes and interest. Buildings and construction in progress are carried at cost including real estate taxes, interest and initial leasing costs.

The sinking fund method of providing depreciation is used for the majority of buildings. This method will write off the cost of the buildings over a maximum period of 40 years in a series of annual instalments increasing at the rate of 5% compounded annually.

Accounting for other properties

Depreciation and amortization of other properties are charged to earnings, generally on the straight-line basis, over the estimated economic lives of the facilities involved.

Interest on debt incurred to finance major expansion programs under Forest Products and Other Businesses is capitalized during the construction period.

Pensions

In addition to current service costs, charges to income include annual payments on account of past service liabilities. Such liabilities are being funded over varying periods to 1995.

Earnings per share

Earnings per common share are calculated using the weighted average number of shares outstanding during the year.

Statement of Consolidated Income

For the Year ended December 31

	(in thousands)	1980	1979	1978
Oil and Gas	Gross operating revenue	**$ 574,687**	$ 423,905	$ 332,881
	Expenses including income taxes	**333,320**	258,075	176,998
		241,367	165,830	155,883
	Interest of outside shareholders	**31,185**	21,425	20,109
	Net income	**210,182**	144,405	135,774
Mines and Minerals	Gross operating revenue	**1,698,480**	1,532,277	1,139,365
	Expenses including income taxes	**1,502,288**	1,275,907	1,050,315
		196,192	256,370	89,050
	Interest of outside shareholders	**97,554**	126,658	39,528
	Net income	**98,638**	129,712	49,522
Forest Products	Sales and operating revenue	**674,914**	470,438	361,254
	Expenses including income taxes	**593,311**	399,886	333,786
		81,603	70,552	27,468
	Interest of outside shareholders	**36,034**	22,875	9,166
	Net income	**45,569**	47,677	18,302
Iron and Steel	Sales and operating revenue	**2,382,210**	2,185,316	1,854,106
	Expenses including income taxes	**2,237,273**	2,043,679	1,747,008
		144,937	141,637	107,098
	Interest of outside shareholders	**83,731**	81,414	65,768
	Net income	**61,206**	60,223	41,330
Real Estate	Gross rentals and other income	**193,988**	130,495	128,690
	Expenses including income taxes	**172,809**	111,079	113,164
		21,179	19,416	15,526
	Interest of outside shareholders	**188**	175	211
	Net income	**20,991**	19,241	15,315
Agriproducts	Gross operating revenue	**715,587**	254,856	176,895
	Expenses including income taxes	**705,337**	249,964	171,012
		10,250	4,892	5,883
	Interest of outside shareholders	**576**	—	—
	Net income	**9,674**	4,892	5,883
Other Businesses	Gross operating revenue	**302,366**	262,148	212,833
	Expenses including income taxes	**290,564**	258,102	224,997
	Net income	**11,802**	4,046	(12,164)
Financial	Gross operating revenue	**142,261**	95,817	108,301
	Expenses including income taxes	**109,066**	85,684	77,489
	Net income	**33,195**	10,133	30,812
Net Income		**$ 491,257**	$ 420,329	$ 284,774
Earnings per Common Share		**$ 3.63**	$ 3.36	$ 2.35

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Statement of Consolidated Retained Income

For the Year ended December 31

(in thousands)	1980	1979	1978
Balance, January 1	**$ 1,234,964**	$ 910,678	$ 674,047
Net income	**491,257**	420,329	284,774
	1,726,221	1,331,007	958,821
Underwriters' commission and expenses in connection with the issue of common shares (net of income tax of $4,970,000; 1979 – $3,495,000)	**4,756**	3,787	—
Commission and expense relating to issuance of preference shares by subsidiary companies	**—**	—	147
Dividends			
4¾% Preferred shares	**22**	35	40
Common shares (per share – 1980 – $1.005; 1979 – 72.5¢; 1978 – 39.5¢)	**137,973**	92,221	47,956
Total dividends	**137,995**	92,256	47,996
Balance, December 31	**$ 1,583,470**	$ 1,234,964	$ 910,678

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Statement of Changes in Consolidated Financial Position

For the Year ended December 31

	(in thousands)	1980	1979	1978
Source of Funds	Net income	**$ 491,257**	$ 420,329	$ 284,774
	Depreciation, depletion and amortization	**290,736**	258,880	233,071
	Deferred income taxes	**188,678**	155,141	89,604
	Outside shareholders' interest in income of subsidiaries	**249,268**	252,547	134,782
	Funds from operations	**1,219,939**	1,086,897	742,231
	Issuance of common shares	**243,936**	157,500	—
	Sales of investments	**87,304**	12,820	63,517
	Issuance of long term debt	**268,426**	326,414	417,175
	Issuance of shares by subsidiaries	**53,531**	45,283	50,000
	Proceeds from disposal of properties	**59,078**	109,366	41,768
	Working capital of subsidiaries acquired and consolidated	**289,016**	14,872	127,093
		$ 2,221,230	$ 1,753,152	$ 1,441,784
Application of Funds	Additions to properties	**$ 982,684**	$ 727,508	$ 661,053
	Additions to investments	**11,878**	33,747	29,622
	Investment in subsidiaries acquired and consolidated	**361,852**	112,357	24,367
	Reduction in long term debt	**223,170**	285,294	226,387
	Reduction of outside shareholders' interest in subsidiaries	**8,559**	8,144	11,227
	Dividends declared	**137,995**	92,256	47,996
	Dividends paid outside shareholders of subsidiaries	**107,494**	96,842	52,286
	Sundries, net	**(2,871)**	26,488	2,580
	Working capital deficit of subsidiary acquired and consolidated	**—**	58,931	—
	Increase in working capital	**390,469**	311,585	386,266
		$ 2,221,230	$ 1,753,152	$ 1,441,784
Changes in Consolidated Working Capital	Current Assets			
	Cash and temporary investments	**$ 81,501**	$ 392,588	$ 216,875
	Demand loans	**7**	(98,291)	8,540
	Accounts receivable	**140,468**	137,467	365,333
	Inventories	**376,244**	212,041	187,359
	Prepaid expenses	**8,479**	(4,378)	9,155
		606,699	639,427	787,262
	Current Liabilities			
	Bank loans	**8,796**	12,243	4,612
	Accounts payable and accrued charges	**209,982**	159,740	278,123
	Notes and accrued interest payable	**(75,109)**	98,677	18,184
	Income and other taxes payable	**9,887**	96,166	49,799
	Dividends payable	**(13,232)**	27,045	5,180
	Long term debt maturing within one year	**75,906**	(66,029)	45,098
		216,230	327,842	400,996
	Increase in Working Capital	**$ 390,469**	$ 311,585	$ 386,266

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

December 31

Assets

		(in thousands) 1980	1979
Current Assets	Cash and temporary investments, at cost (approximates market)	**$ 943,153**	$ 861,652
	Demand loans (interest bearing) – Canadian Pacific Limited and subsidiaries	**43,481**	43,474
	Accounts receivable	**976,110**	835,642
	Inventories	**1,267,749**	891,505
	Prepaid expenses	**33,138**	24,659
		3,263,631	2,656,932
Investments	Portfolio (market value $108,282,000; 1979 – $169,223,000)	**69,201**	152,502
	Other	**262,581**	233,066
		331,782	385,568
Properties, at cost	Oil and gas	**1,464,405**	1,200,562
	Mines and minerals	**1,657,601**	1,274,312
	Forest products	**716,295**	642,314
	Iron and steel	**1,433,148**	1,229,285
	Real estate	**936,813**	825,155
	Agriproducts	**219,887**	42,355
	Other businesses	**269,227**	257,034
	Financial	**1,319**	1,194
		6,698,695	5,472,211
	Less: Accumulated depreciation, depletion and amortization	**1,997,403**	1,686,530
		4,701,292	3,785,681
Other Assets and Deferred Charges		**199,441**	181,686
		$ 8,496,146	$ 7,009,867

Auditors' Report

To the Shareholders of Canadian Pacific Enterprises Limited

We have examined the consolidated balance sheets of Canadian Pacific Enterprises Limited as at December 31, 1980 and 1979 and the statements of consolidated income, consolidated retained income and changes in consolidated financial position for each of the three years in the period ended December 31, 1980. Our examinations of the financial statements of Canadian Pacific Enterprises Limited and those subsidiaries of which we are the auditors were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied upon the reports of the auditors who have examined the financial statements of the other subsidiaries, which include The Algoma Steel Corporation, Limited, Cominco Ltd., Dominion Bridge Company, Limited, Great Lakes Forest Products Limited and Steep Rock Iron Mines Limited.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1980 and 1979 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, 1980 in accordance with generally accepted accounting principles in Canada consistently applied.

Price Waterhouse & Co.,
Chartered Accountants,
Montreal, Quebec,
March 5, 1981

Liabilities

	(in thousands)	1980	1979
Current Liabilities	Bank loans	**$ 70,670**	$ 61,874
	Accounts payable	**488,963**	371,622
	Accrued charges	**515,560**	422,919
	Notes and accrued interest payable	**331,647**	406,756
	Income and other taxes payable	**233,363**	223,476
	Dividends payable	**40,711**	53,943
	Long term debt maturing within one year	**195,732**	119,826
		1,876,646	1,660,416
Deferred Liabilities		**93,435**	56,796
Long Term Debt		**1,831,381**	1,625,030
Outside Shareholders' Interest in Subsidiary Companies		**1,377,625**	1,150,535
Deferred Income Taxes		**818,497**	610,282
Shareholders' Equity	Preferred shares		
	Authorized – 12,500,000 shares		
	Issued – Nil (1979 – 34,690) 4¾% Cumulative Redeemable Voting, Series A	**—**	694
	Common shares		
	Authorized – Unlimited		
	Issued – 140,661,215 (1979 – 131,908,236) shares	**833,246**	589,310
	Paid-in surplus	**81,846**	81,840
	Retained income	**1,583,470**	1,234,964
		2,498,562	1,906,808
		$ 8,496,146	$ 7,009,867

Approved by the Board:
Ian D. Sinclair, Director
Paul A. Nepveu, Director

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Expenses Including Income Taxes

	(in thousands)	1980	1979	1978
Oil and Gas	Cost of goods sold	**$ 107,030**	$ 86,098	$ 63,432
	Selling, general and administrative	**15,967**	13,353	10,823
	Depreciation, depletion and amortization	**65,380**	54,030	40,749
	Interest	**25,373**	30,239	12,260
	Income taxes	**119,570**	74,355	49,734
		333,320	258,075	176,998
Mines and Minerals	Cost of goods sold	**990,074**	798,833	667,033
	Distribution, selling, general and administrative	**257,028**	220,461	206,218
	Depreciation, depletion and amortization	**84,966**	83,640	80,304
	Interest	**36,334**	30,584	31,490
	Income taxes	**133,886**	142,389	65,270
		1,502,288	1,275,907	1,050,315
Forest Products	Cost of goods sold	**461,155**	299,352	253,789
	Selling, general and administrative	**14,250**	10,936	12,731
	Depreciation, depletion and amortization	**40,788**	29,606	25,641
	Interest	**14,221**	13,345	16,039
	Income taxes	**62,897**	46,647	25,586
		593,311	399,886	333,786
Iron and Steel	Cost of goods sold	**1,839,811**	1,693,010	1,460,323
	Selling, general and administrative	**198,634**	162,009	139,951
	Depreciation, depletion and amortization	**68,916**	67,114	63,490
	Interest	**60,132**	48,546	44,102
	Income taxes	**69,780**	73,000	39,142
		2,237,273	2,043,679	1,747,008
Real Estate	Operating expenses and cost of sales	**100,806**	56,423	69,389
	Depreciation	**8,788**	6,610	5,555
	Interest	**48,464**	34,749	29,477
	Income taxes	**14,751**	13,297	8,743
		172,809	111,079	113,164
Agriproducts	Cost of goods sold	**604,548**	230,909	157,105
	Selling, general and administrative	**74,601**	8,857	6,085
	Depreciation and amortization	**9,066**	3,600	2,263
	Interest	**9,625**	2,275	1,114
	Income taxes	**7,497**	4,323	4,445
		705,337	249,964	171,012

	(in thousands)	1980	1979	1978
1. Expenses Including Income Taxes continued				
Other Businesses	Operating expenses and cost of goods sold	**$ 217,442**	$ 190,503	$ 164,416
	Selling, general and administrative	**40,962**	37,439	36,297
	Depreciation and amortization	**12,425**	14,158	14,922
	Interest	**11,458**	10,635	11,139
	Income taxes	**8,277**	5,367	(1,777)
		290,564	258,102	224,997
Financial	General and administrative	**32,852**	26,801	22,149
	Depreciation and amortization	**407**	122	147
	Interest	**74,624**	66,446	46,730
	Income taxes	**1,183**	(7,685)	8,463
		109,066	85,684	77,489
		$ 5,943,968	$ 4,682,376	$ 3,894,769

	(in thousands)	1980	1979	1978
2. Interest Expense	Interest on long term debt	**$ 171,951**	$ 156,306	$ 134,123
	Interest on short term debt	**83,037**	58,364	31,177
		$ 254,988	$ 214,670	$ 165,300
	Interest capitalized on funds borrowed to finance capital projects	**$ 22,723**	$ 12,596	$ 8,589

	(in thousands)	1980	1979	1978
3. Income Taxes	The deferred income tax provision arose as follows:			
	Capital cost allowances	**$ 122,129**	$ 104,196	$ 68,810
	Exploration and development allowances	**57,793**	45,584	17,358
	Other	**8,756**	5,361	3,436
		$ 188,678	$ 155,141	$ 89,604
	Income tax at the statutory tax rate may be reconciled to the effective tax as follows:			
	Income tax at the statutory rate	**$ 554,584**	$ 488,719	$ 297,445
	Depletion and resource allowances	**(115,297)**	(114,132)	(101,738)
	Provincial mining and resource taxes	**26,483**	29,652	19,773
	Royalties and mineral reserve tax	**22,894**	16,942	15,474
	Other	**(70,823)**	(69,488)	(31,348)
	Income tax as charged to income	**$ 417,841**	$ 351,693	$ 199,606

Notes to Consolidated Financial Statements

4. Geographic Areas

1980 *(in thousands)*	*Canada*	*United States*	*Other*	*Eliminations*	*Total*
Gross operating revenue	$ 4,814,310	$ 1,582,038	$ 288,145	$ 25,243	$ 6,659,250
Inter-area transfers	234,696	231,435	13,548	479,679	—
	5,049,006	1,813,473	301,693	504,922	6,659,250
Expenses	4,072,309	1,680,982	252,515	504,922	5,500,884
Net income before taxes	976,697	132,491	49,178	—	1,158,366
Income taxes – current	181,128	31,541	16,494	—	229,163
– deferred	177,955	8,927	1,796	—	188,678
	359,083	40,468	18,290	—	417,841
	617,614	92,023	30,888	—	740,525
Interest of outside shareholders	193,757	39,066	16,445	—	249,268
Net income	$ 423,857	$ 52,957	$ 14,443	$ —	$ 491,257
Identifiable Assets	$ 6,791,418	$ 1,451,953	$ 498,840	$ 246,065	$ 8,496,146

1979					
Gross operating revenue	$ 3,758,693	$ 1,334,536	$ 262,023	$ 57,357	$ 5,297,895
Inter-area transfers	156,594	194,738	19,750	371,082	—
	3,915,287	1,529,274	281,773	428,439	5,297,895
Expenses	3,034,132	1,435,815	231,818	428,439	4,273,326
Net income before taxes	881,155	93,459	49,955	—	1,024,569
Income taxes – current	161,273	29,370	5,909	—	196,552
– deferred	145,096	7,552	2,493	—	155,141
	306,369	36,922	8,402	—	351,693
	574,786	56,537	41,553	—	672,876
Interest of outside shareholders	199,746	27,173	25,628	—	252,547
Net income	$ 375,040	$ 29,364	$ 15,925	$ —	$ 420,329
Identifiable Assets	$ 5,707,656	$ 1,091,458	$ 421,664	$ 210,911	$ 7,009,867

4. Geographic Areas continued

1978 (in thousands)	Canada	United States	Other	Eliminations	Total
Gross operating revenue	$ 3,061,877	$ 1,039,935	$ 212,513	$ 66,952	$ 4,247,373
Inter-area transfers	149,478	123,098	18,725	291,301	—
	3,211,355	1,163,033	231,238	358,253	4,247,373
Expenses	2,695,742	1,082,556	208,166	358,253	3,628,211
Net income before taxes	515,613	80,477	23,072	—	619,162
Income taxes – current	76,076	18,915	15,011	—	110,002
– deferred	74,348	18,635	(3,379)	—	89,604
	150,424	37,550	11,632	—	199,606
	365,189	42,927	11,440	—	419,556
Interest of outside shareholders	104,397	20,568	9,817	—	134,782
Net income	$ 260,792	$ 22,359	$ 1,623	$ —	$ 284,774
Identifiable Assets	$ 4,802,145	$ 884,694	$ 285,263	$ 285,871	$ 5,686,231

Export Sales *(in thousands)*		*1980*	*1979*	*1978*
Included under the Canada caption above	United States	**$ 1,129,616**	$ 949,465	$ 719,747
	Other	**515,895**	332,112	265,664
		$ 1,645,511	$ 1,281,577	$ 985,411

Transfers between geographic segments are accounted for at prices comparable to market prices for similar products. The income account eliminations relate to inter-company interest as well as inter-area transfers, while the identifiable asset eliminations are in respect of inter-company loans.

5. Inventories

(in thousands)	1980	1979
Raw materials	**$ 482,848**	$ 347,327
Work in progress	**270,161**	181,603
Finished goods	**360,296**	239,748
Stores and materials	**154,444**	122,827
	$ 1,267,749	$ 891,505

6. Investment Portfolio

(in thousands)	1980			1979	
	Percentage of outstanding voting shares	*Cost*	*Approximate market value*	*Cost*	*Approximate market value*
Common Shares					
MacMillan Bloedel Limited	—	$ —	$ —	$ 82,560	$ 76,939
MICC Investments Limited	5.66	2,293	5,162	2,293	4,454
Norcen Energy Resources Limited	0.99	3,804	8,423	3,804	8,662
Rio Algom Limited	9.37	30,823	46,619	30,823	42,463
Union Carbide Canada Limited	8.24	18,375	34,044	18,375	22,489
Other		4,220	6,444	4,220	5,666
		59,515	100,692	142,075	160,673
Preferred Shares		7,488	5,658	8,229	6,649
Bonds, Debentures and Notes		2,198	1,932	2,198	1,901
		$ 69,201	$ 108,282	$ 152,502	$ 169,223

7. Other Investments

(in thousands)	1980	1979
Koehring Financial Corporation, accounted for on the equity basis	**$ 39,710**	$ —
Others, at cost		
Tara Exploration and Development Company Limited	**26,903**	26,903
Bethlehem Copper Corporation (consolidated November 1, 1980)	**—**	41,313
Panarctic Oils Ltd.	**40,637**	40,483
Tilden Iron Ore Partnership	**41,304**	41,890
Other	**114,027**	82,477
	$ 262,581	$ 233,066

8. Properties and Accumulated Depreciation, Depletion and Amortization

(in thousands)		1980 Cost	1980 Accumulated depreciation, depletion and amortization	1980 Net	1979 Net
Oil and Gas	Equipment	$ 397,833	$ 102,465	$ 295,368	$ 271,807
	Petroleum, natural gas and mineral properties	1,066,572	251,077	815,495	635,408
		1,464,405	353,542	1,110,863	907,215
Mines and Minerals	Land, buildings and equipment	1,357,086	493,611	863,475	612,289
	Mining properties and development	300,515	83,440	217,075	153,752
		1,657,601	577,051	1,080,550	766,041
Forest Products	Land and improvements	14,092	—	14,092	11,932
	Buildings and equipment	604,169	254,927	349,242	326,702
	Timberlands, leases and licences	98,034	18,067	79,967	70,546
		716,295	272,994	443,301	409,180
Iron and Steel	Manufacturing plants	1,256,011	524,555	731,456	598,698
	Raw material properties	177,137	84,828	92,309	82,213
		1,433,148	609,383	823,765	680,911
Real Estate	Land	269,113	—	269,113	242,729
	Buildings	563,457	39,983	523,474	420,566
	Construction in progress	104,243	—	104,243	123,984
		936,813	39,983	896,830	787,279
Agriproducts	Land and improvements	14,853	—	14,853	6,040
	Buildings and equipment	205,034	83,176	121,858	27,420
		219,887	83,176	136,711	33,460
Other Businesses	Land	11,006	—	11,006	8,572
	Buildings and equipment	258,221	60,688	197,533	192,172
		269,227	60,688	208,539	200,744
Financial	Land and buildings	1,319	586	733	851
		$ 6,698,695	$ 1,997,403	$ 4,701,292	$ 3,785,681

9. Capital Expenditures

(in thousands)	1980	1979	1978
Oil and Gas	**$ 269,806**	$ 213,827	$ 339,781
Mines and Minerals	**341,625**	170,843	101,889
Forest Products	**63,684**	115,915	20,064
Iron and Steel	**140,961**	104,474	59,905
Real Estate	**133,223**	98,652	116,162
Agriproducts	**12,622**	4,810	4,007
Other Businesses	**20,606**	18,686	19,228
Financial	**157**	301	17
	$ 982,684	$ 727,508	$ 661,053

10. Identifiable Assets

(in thousands)	1980	1979	1978
Oil and Gas	**$ 1,284,770**	$ 1,080,244	$ 985,518
Mines and Minerals	**1,737,745**	1,529,125	1,263,419
Forest Products	**724,902**	557,789	460,747
Iron and Steel	**2,249,706**	1,861,814	1,614,641
Real Estate	**952,757**	833,966	565,457
Agriproducts	**384,497**	87,967	48,911
Other Businesses	**268,151**	257,024	220,544
Financial	**1,139,683**	1,012,849	812,865
Eliminations (in respect of inter-company loans)	**(246,065)**	(210,911)	(285,871)
	$ 8,496,146	$ 7,009,867	$ 5,686,231

11. Long Term Debt

	(in thousands)	1980	1979
PanCanadian Petroleum Limited	Bank loans due 1981-1985	**$ 123,140**	$ 129,355
	8⅛% – 9¾% Debentures due 1983-1992	**80,500**	81,775
Cominco Ltd.	Bank loans due 1981-1994	**136,150**	29,612
	8½% – 10⅞% Sinking Fund Debentures due 1991-1995	**106,577**	114,486
	Notes due 1982-1996	**49,224**	49,224
	Subsidiaries of Cominco Ltd.	**44,508**	41,426
Great Lakes Forest Products Limited	8% – 11¼% Sinking Fund Bonds due 1989-1995	**44,706**	45,762
	8¾% Debentures due 1984	**19,248**	19,603
	Sundry – due 1981-1989	**5,988**	7,727
The Algoma Steel Corporation, Limited	7⅜% – 11% Sinking Fund Debentures due 1987-1995	**151,854**	159,912
	Floating Rate Income Debentures due 1994-1999	**106,880**	106,880
	8½% Series A notes due 1991	**—**	20,500
	9.65% Notes due 2000	**35,000**	—
	Sundry – due 1981	**—**	11,333
Dominion Bridge Company, Limited	Bank loans due 1981-1988	**45,877**	20,682
	6½% – 10¼% Debentures due 1984-1986	**64,650**	67,612
	Other notes payable 1981-1997	**92,027**	47,707
Marathon Realty Company Limited	Bank loans due 1981-1993	**163,057**	94,949
	6½% – 11½% Sinking Fund Bonds due 1987-1998	**76,324**	79,502
	Mortgages due 1981-2009	**245,110**	232,895
	Sundry – due 1981-1991	**90,122**	97,773
Maple Leaf Mills Limited	Bank loans due 1985-1990	**24,000**	—
	5¾% – 11⅝% Sinking Fund Debentures due 1981-1998	**54,335**	—
	Sundry – due 1981-1985	**3,361**	—
CanPac AgriProducts Limited	Sundry – due 1981-1990	**25,165**	25,942
Canadian Pacific Hotels Limited	8⅝% – 11⅜% First Mortgage Sinking Fund Bonds due 1992-1995	**45,100**	47,300
	Sundry – due 1981-1988	**5,400**	6,491
Canadian Pacific Enterprises Limited	5⅛% – 5¼% Income Debentures due 1980	**—**	13,000
Canadian Pacific Securities Limited	Bank loan due 1983-1985	**3,210**	3,210
	8¼% – 10½% Debentures due 1984-1993	**96,050**	98,750
	9¼% – 9¾% Notes due 1981-1983	**70,000**	75,000
Other companies		**19,550**	16,448
		2,027,113	1,744,856
	Less: Long term debt maturing within one year	**195,732**	119,826
		$ 1,831,381	$ 1,625,030

Of the aggregate bank loans of $520,964,000 included above, approximately $418,108,000 bear interest at rates which fluctuate (in certain cases within defined limits) with the lender's prime commercial rate.

At December 31, 1980, foreign currency long term debt translated at current rates would be $627,291,000, which is $44,681,000 more than the amount at which it is carried above.

Annual maturities and sinking fund requirements for each of the five years following 1980 are: 1981, $195,732,000; 1982, $145,228,000; 1983, $236,495,000; 1984, $195,081,000; 1985, $103,115,000.

12. Outside Shareholders' Interest in Subsidiary Companies

(in thousands)	1980	1979
PanCanadian Petroleum Limited	**$ 90,888**	$ 72,612
Cominco Ltd.		
$2.00 Tax deferred exchangeable preferred shares, series A	**48,473**	49,929
Floating rate preferred shares, series C	**50,000**	50,000
Common share equity	**396,938**	320,359
Steep Rock Iron Mines Limited	**13,076**	12,531
Great Lakes Forest Products Limited	**121,151**	69,160
The Algoma Steel Corporation, Limited		
8% Tax deferred preference shares, series A	**56,530**	59,813
Floating rate preference shares	**80,000**	80,000
Common share equity	**320,348**	260,604
Dominion Bridge Company, Limited	**189,377**	171,378
Other	**10,844**	4,149
	$ 1,377,625	$ 1,150,535

13. Capital Stock

(in thousands)

	1980		1979		1978	
	Number	Amount	Number	Amount	Number	Amount
Preferred Shares						
Balance, January 1	**35**	**$ 694**	40	$ 793	47	$ 934
Purchased at market	**2**	**39**	5	99	7	141
Redeemed for cash	**33**	**655**	—	—	—	—
Balance, December 31	**Nil**	**$ Nil**	35	$ 694	40	$ 793
Common Shares						
Balance, January 1	**131,908**	**$ 589,310**	121,408	$ 431,810	121,408	$ 431,810
Issued for cash	**7,924**	**225,936**	10,500	157,500	—	—
Exchanged for all the common shares of Victoria Plywood	**829**	**18,000**	—	—	—	—
Balance, December 31	**140,661**	**$ 833,246**	131,908	$ 589,310	121,408	$ 431,810

Effective May 30, 1980 the common shares of Enterprises were divided on a two for one basis. Share information of prior years has been revised to reflect such division.

14. Pensions

At December 31, 1980 there were unfunded liabilities, determined by actuarial evaluations, of $191,000,000 (1979-$204,000,000) which is being funded by a series of equal annual payments ending from 1981 to 1995.

Pension expense, including current service costs and payments on account of unfunded liabilities, was $68,000,000 (1979-$65,000,000; 1978-$43,000,000).

15. Commitments

At December 31, 1980 commitments for capital expenditures amounted to $647,000,000 and minimum payments under operating leases were estimated at $506,000,000 in the aggregate, with annual payments in each of the five years following 1980 of:
1981, $46,000,000; 1982, $41,000,000; 1983, $37,000,000; 1984, $30,000,000; 1985, $27,000,000.

At December 31, 1980, unused commitments for long term financing amounted to $1,483,000,000 at interest rates varying from prime to prime plus 1¼%, with commitment fees on $962,000,000 ranging from ¼% to 1%.

Unused lines of credit for short term financing, subject to customary right of review at any time, repayable on demand and at various maturities up to 365 days, with interest averaging 18.75% amounted to $925,000,000 including $685,000,000 on which interest varies with Canadian prime.

16. Acquisitions

On December 15, 1980, a U.S. subsidiary of Enterprises made an offer to acquire not less than 52% of the outstanding common shares of Hobart Corporation of Ohio at a price of U.S. $32.50 per share. If all the outstanding shares were tendered, the total cost would be approximately U.S. $380,000,000, U.S. $100,000,000 of which would be provided out of available cash on hand and the balance by bank borrowings. A competing offer has since been made at a price of U.S. $40 per share. The Enterprises subsidiary announced that it would not match nor exceed the other offer but would keep its offer open.

In July 1980, a subsidiary of Enterprises acquired all the common stock of Norin Corp. Norin's principal operating entity is Maple Leaf Mills Limited, which is engaged in the processing, distribution and marketing of a variety of food and agricultural products in Canada. In the same month, Pacific Forest Products acquired Victoria Plywood Ltd. The acquisition was accomplished by an exchange of common shares of Enterprises for all the common shares of Victoria Plywood. In September 1980, Dominion Bridge, directly and through its U.S. subsidiary, AMCA International, acquired Koehring Company, an international manufacturer of specialized equipment and machinery for the construction and natural resource industries. In October 1980, Cominco purchased a block of shares of Bethlehem Copper Corporation which raised its 39.2% equity interest to 64.4%.

These acquisitions were accounted for as purchases and consolidated from the dates of acquisition. They have no material effect upon the consolidated financial position or consolidated net income of the Corporation. In addition, if they had been consolidated as of January 1, 1979, the acquisitions would have had no material effect.

Summary of the assets acquired and the consideration given

(in thousands)

	Norin Corp.	*Victoria Plywood*	*Koehring*	*Bethlehem Copper*
Net assets acquired at values assigned thereto:				
Assets	$ 289,764	$ 20,213	$ 441,324	$ 154,884
Liabilities	168,195	2,213	280,054	52,558
	$ 121,569	$ 18,000	$ 161,270	$ 102,326
Consideration given:				
Cominco's investment at December 31, 1979	$ —	$ —	$ —	$ 41,313
Acquired for cash (Victoria Plywood, for shares) in 1980	121,569	18,000	161,270	61,013
	$ 121,569	$ 18,000	$ 161,270	$ 102,326

During 1979 Canadian Freehold Properties Ltd. was acquired for $66,173,000, the operations of Processed Minerals Incorporated for $30,601,000 and Corenco Corporation for $15,583,000. The purchase consideration in each case was cash, which approximated the values assigned to the net assets acquired. In January 1978 Enterprises acquired for cash additional shares of Dominion Bridge Company, Limited at a cost of $2,309,000 giving the Corporation a direct holding of 6.91% at a cost of $15,904,000, which, together with Algoma Steel's holding of 43.22% at that date,

16. Acquisitions continued

brought the total holding to 50.13% for a total investment of $98,281,000. Prior to the purchase of the additional shares, the investment in Dominion Bridge had been accounted for on the equity basis. Syracuse China Corporation was also acquired in 1978 for a cash consideration of $22,058,000. The fair value of the net assets acquired in 1978 amounted to $216,955,000 including goodwill of $67,602,000 and interest of outside shareholders of $96,616,000. All these acquisitions were accounted for as purchases and consolidated from the dates of acquisition, and they had no material effect upon the consolidated financial position or consolidated net income of the Corporation.

17. Supplementary Data

The discussion of Canadian and United States Accounting Principles and the tables relating to Oil and Gas Production, Exploration and Development included in Supplementary Data are an integral part of these financial statements.

18. Restatement

Certain of the Corporation's classes of business have been revised and prior years' figures have been restated to conform with the presentation adopted for 1980.

Steep Rock Iron Mines Limited has been transferred from Iron and Steel to Mines and Minerals. A new class of business, Agriproducts, has been introduced, which comprises Maple Leaf Mills Limited, Rothsay Concentrates Co. Limited, and the United States based CanPac AgriProducts Limited group consisting of Baker Commodities, Inc., Corenco Corporation and Theresa Friedman & Sons, Inc. Other Businesses includes Syracuse China Corporation and Processed Minerals Incorporated as well as Canadian Pacific Hotels Limited. The caption, Financial, encompasses the corporate operations of Enterprises as well as Canadian Pacific Securities Limited, Chateau Insurance Company, Canadian Pacific Enterprises (International) B.V., Canadian Pacific Enterprises (U.S.) Inc. and Canellus Finance N.V.

19. Subsequent Events

In February 1981, Cominco Ltd. purchased additional shares of Bethlehem Copper Corporation for $74,000,000, increasing its holding to 93.3%.

Cominco Ltd. announced in February 1981 that its directors have approved in principle an offering to its common shareholders of rights to subscribe for common shares expected to raise about $100,000,000. Enterprises will subscribe fully to its rights and will purchase all shares not subscribed for by others.

Supplementary Data

The following data are provided to comply with certain disclosure requirements of the Securities and Exchange Commission (SEC) of the United States.

Canadian and United States Accounting Principles

The consolidated financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada, as promulgated by the Canadian Institute of Chartered Accountants. Over the years, a number of differences have developed between the accounting principles generally accepted in Canada and in the United States. For the information of the Corporation's United States shareholders, the major differences are described below and their effect on the Corporation's net income is summarized, their effect on the balance sheet not being significant.

The full cost method of accounting for Oil and Gas as promulgated by the SEC differs from the method followed by the Corporation in a number of respects. The primary differences are that Canadian GAAP permits capitalization of overhead which the SEC requires to be expensed and that Canadian GAAP permits the use of a world-wide full cost pool whereas the SEC requires that the full cost pool be established on a country-by-country basis.

The method of recording income from land sales and gains on sale of income properties in proportion to proceeds realized and the sinking fund method of providing depreciation followed by the Real Estate segment in accordance with Canadian GAAP are not acceptable methods under United States GAAP. If United States accounting principles had been followed, income from land sales and gains on sale of income properties would have been recorded in total in the years that the transactions occurred and the straight-line method of depreciation would have been used.

Enterprises follows the Canadian practice of translating foreign currency denominated long term debt (excluding the current portion) at historic exchange rates, while United States GAAP requires such debt to be translated at current rates.

(in thousands)	*1980*	*1979*	*1978*
Net Income – Canadian GAAP	**$ 491,257**	$ 420,329	$ 284,774
Increased or (decreased) by:			
Oil and Gas	**(4,900)**	(9,000)	(14,700)
Real Estate	**(2,500)**	(2,700)	800
Foreign Exchange	**(7,800)**	4,975	(11,106)
	(15,200)	(6,725)	(25,006)
Net Income – United States GAAP	**$ 476,057**	$ 413,604	$ 259,768
Earnings per Common Share:			
Canadian GAAP	**$ 3.63**	$ 3.36	$ 2.35
United States GAAP	**3.52**	3.30	2.14

Oil and Gas Production, Exploration and Development

(in thousands)

Revenues (net after royalties and lifting costs)

	1980	1979	1978
Oil	$ 158,031	$ 135,784	$ 106,613
Natural gas	212,105	150,596	130,921
Natural gas liquids	13,605	10,495	8,754
Sulphur	6,946	2,309	1,298
	$ 390,687	$ 299,184	$ 247,586

Approximately 3% (1979 and 1978-1%) of Oil and Gas revenues were produced in the United States.

(in thousands)

Capitalized Costs

Country	Petroleum and Natural Gas Properties	Accumulated Depletion	Plant Production and Other Equipment	Accumulated Depreciation	Net Total
1980					
Canada	$ 865,468	$ (207,535)	$ 391,927	$ (101,158)	$ 948,702
United States	160,769	(30,972)	5,619	(1,147)	134,269
Other	40,335	(12,570)	287	(160)	27,892
	$ 1,066,572	$ (251,077)	$ 397,833	$ (102,465)	$ 1,110,863
1979					
Canada	$ 678,243	$ (176,404)	$ 349,087	$ (80,587)	$ 770,339
United States	134,939	(24,286)	3,951	(782)	113,822
Other	34,055	(11,139)	287	(149)	23,054
	$ 847,237	$ (211,829)	$ 353,325	$ (81,518)	$ 907,215

Consolidated depletion was allocated yearly on a prorated basis applying the ratio of current year area of interest expenditures to total consolidated expenditures during the year.

(in thousands)

Costs Incurred in Producing Activities

Country	Property Acquisition	Exploration	Development	Lifting Costs	Depreciation, Depletion and Amortization
1980					
Canada	$ 23,085	$ 106,339	$ 74,670	$ 47,942	$ 48,974
United States	11,961	10,167	3,428	1,526	15,722
Other	3,507	2,639	—	—	(6,901)
	$ 38,553	$ 119,145	$ 78,098	$ 49,468	$ 57,795
1979					
Canada	$ 33,561	$ 66,925	$ 40,467	$ 39,491	$ 40,564
United States	16,223	14,648	1,977	1,192	9,749
Other	4	3,288	—	—	(619)
	$ 49,788	$ 84,861	$ 42,444	$ 40,683	$ 49,694
1978					
Canada	$ 28,140	$ 48,096	$ 41,727	$ 33,817	$ 30,852
United States	14,008	23,391	1,556	821	10,071
Other	3	2,792	—	—	(1,499)
	$ 42,151	$ 74,279	$ 43,283	$ 34,638	$ 39,424

Reserve Recognition Accounting Data (Unaudited)

The following information was prepared in accordance with Securities and Exchange Commission regulations providing for presentation of a summary statement of oil and gas producing activities on the basis of reserve recognition accounting and has been included in accordance with the requirements of that Commission. Reserve recognition accounting statements are not prepared in accordance with generally accepted accounting principles in Canada or the United States and thus are not prepared on the same basis as the financial statements or notes to consolidated financial statements. Inclusion of reserve recognition accounting information is not intended to express an opinion of Enterprises that oil and gas prices or production and development costs will remain constant or will change at the same rates or that existing economic conditions will continue, all of which are assumed in preparing such statements. Their inclusion should not be interpreted as indicating that Enterprises believes that valid inferences as to Enterprises' probable future net revenues or pre-tax earnings can be derived therefrom.

Under the reserve recognition accounting method, proved reserves of oil and gas are recorded as "assets" upon discovery. The valuation of these assets is based on the present value of future net revenues to be derived from producing the reserves. Current year additions to proved reserves, and revisions to the valuation of the reserves are reflected in the reserve recognition accounting "income statement" along with all costs associated with finding, developing and producing new reserves.

For the purposes of reserve recognition accounting valuation, PanCanadian has used proved reserve estimates as determined by McDaniel Consultants (1965) Ltd.

Enterprises' estimated future net revenues from proved oil and gas reserves for 1981 through 1983 and all remaining years based on estimated reserves at December 31, 1980 and the present value of estimated reserves at December 31, 1980 and 1979 are set forth below:

(in thousands)

	1981	*1982*	*1983*	*All Remaining Years*	*Total*
Estimated future net revenues from proved reserves (not discounted)	$ 364,478	$ 325,122	$ 343,538	$ 4,620,355	$ 5,653,493

Estimated future net revenues from proved reserves were obtained by multiplying year-end prices by estimated future production for the periods indicated, and deducting constant dollar year-end estimates of production costs, royalties and allowances for the cost of drilling additional wells.

The present value of estimated future net revenues from proved reserves discounted at 10% was $2,627,506,000 (1979-$1,936,500,000).

Reserve Recognition Accounting Data (Unaudited) continued

The following table is a summary of oil and gas producing activities in 1980 and 1979 on the basis of reserve recognition accounting.

(in thousands)	*1980*	*1979*
Present value of gross additions to proved reserves	$ 63,158	$ 98,725
Revisions to estimates of reserves proved in prior periods:		
Changes in price	721,161	533,598
Changes in operating expense forecasts for proved reserves	41,885	(249,264)
Changes in production timing and engineering review of proved reserve quantities	(7,718)	157,571
Accretion of discount	193,650	151,797
	1,012,136	692,427
Acquisition, exploration, development and production costs:		
Costs incurred, including impairments	157,698	134,649
Present value of estimated future development and production costs	8,541	17,147
	166,239	151,796
Additions and revisions to proved reserves over related costs*	845,897	540,631
Provision for income taxes (at historical effective rate)	284,136	172,948
Results of oil and gas producing activities on the basis of reserve recognition accounting	$ 561,761	$ 367,683

The corresponding pre-tax profit contribution reported in the historical financial statement is $333,652,000 (1979-$249,490,000).

The following table summarizes the changes in the present value of estimated future net revenues from proved reserves during 1980 and 1979. All amounts included in this table are prior to income taxes.

(in thousands)	*1980*	*1979*
Balance, January 1	$ 1,936,500	$ 1,517,960
Additions and revisions less related estimated future development and production costs of $8,541,000 (1979-$17,147,000)	1,003,595	675,280
Expenditures that reduced estimated future development costs	78,098	42,444
	1,081,693	717,724
Less: Sales and transfers of oil and gas, net of production costs and mineral reserve taxes of $49,468,000 (1979-$40,683,000)	390,687	299,184
	691,006	418,540
Balance, December 31	$ 2,627,506	$ 1,936,500

Oil and Gas Reserves (Unaudited)

A report dated February 6, 1981 has been prepared by McDaniel Consultants (1965) Ltd., Calgary, Alberta, independent oil and gas reserve evaluators, estimating PanCanadian's net share of remaining proved crude oil, natural gas and natural gas liquids reserves in Canada. Net reserves shown by the report are included in the table which follows. Also included is PanCanadian's net share of remaining proved crude oil, natural gas liquids, and natural gas reserves in the United States, as estimated by PanCanadian's engineers. "Net" reserves are the gross reserves underlying the properties in which PanCanadian has either a working interest or a royalty interest, less all royalties and interests owned by others.

	Oil (including natural gas liquids) (thousands of barrels)			*Natural Gas (MMcf)*		
	Canada	*United States*	*Total*	*Canada*	*United States*	*Total*
Net proved reserves:						
December 31, 1980	95,922	996	96,918	2,205,046	24,073	2,229,119
December 31, 1979	104,564	787	105,351	2,054,531	15,143	2,069,674

Changes in net proved reserves of oil (including natural gas liquids) and natural gas during the years ended December 31, 1980 and 1979 were as follows:

	Oil (including natural gas liquids) (thousands of barrels)	*Natural Gas (MMcf)*
Net reserves – December 31, 1978	112,579	1,899,575
Revisions of previous estimates	4,180	135,848
Extension, discovery and other additions	1,908	140,048
1979 Production	(13,316)	(105,797)
Net reserves – December 31, 1979	105,351	2,069,674
Revisions of previous estimates	4,222	193,478
Extension, discovery and other additions	387	68,942
1980 Production	(13,042)	(102,975)
Net reserves – December 31, 1980	96,918	2,229,119

Oil and Gas Reserves (Unaudited) continued

Proved reserves are considered to be those reserves which geological and engineering data demonstrate with reasonable certainty to be recoverable in the future at commercial production rates under present depletion methods and current operating conditions, prices and costs. Essentially all of PanCanadian's proved crude oil reserves are considered to be developed and recoverable through existing wells with existing facilities. In the case of PanCanadian's proved natural gas and associated liquids reserves, sufficient wells exist in most instances to meet required initial withdrawal rates from the respective reservoirs. As a result, the natural gas and natural gas liquids reserves are considered to be developed even though additional drilling will be required in certain cases to drain effectively the respective reservoirs in a desirable length of time.

At December 31, 1980, PanCanadian had estimated proved reserves, before royalty, of 43,827,000 barrels of crude oil attributable to the Syncrude Project which are not included in the above table.

Taxation of United States Shareholders

Under present Canadian tax law and the United States-Canada tax convention, taxable dividends paid to United States resident shareholders of Enterprises (other than tax exempt organizations) are subject to a Canadian withholding tax of 10%.

Generally, capital gains on the disposition by non-residents of securities issued by Enterprises are exempt from Canadian tax unless the securities are held in the conduct of a Canadian business.

Supplementary Data

Quarterly Financial Information (Unaudited)	*For the Three Months ended*	*March 31*	*(in thousands)* *June 30*	*September 30*	**1980** *December 31*
Oil and Gas	Gross operating revenue	$ 143,839	$ 141,299	$ 131,148	$ 158,401
	Expenses including income taxes	84,317	81,009	72,113	95,881
		59,522	60,290	59,035	62,520
	Interest of outside shareholders	7,690	7,790	7,627	8,078
	Net income	51,832	52,500	51,408	54,442
Mines and Minerals	Gross operating revenue	397,889	432,823	405,635	462,133
	Expenses including income taxes	332,399	392,108	367,789	409,992
		65,490	40,715	37,846	52,141
	Interest of outside shareholders	31,995	19,818	19,649	26,092
	Net income	33,495	20,897	18,197	26,049
Forest Products	Sales and operating revenue	167,005	169,294	171,771	166,844
	Expenses including income taxes	144,181	148,848	151,350	148,932
		22,824	20,446	20,421	17,912
	Interest of outside shareholders	9,188	8,759	9,476	8,611
	Net income	13,636	11,687	10,945	9,301
Iron and Steel	Sales and operating revenue	528,766	557,444	495,543	800,457
	Expenses including income taxes	494,496	525,660	473,136	743,981
		34,270	31,784	22,407	56,476
	Interest of outside shareholders	20,635	17,433	14,117	31,546
	Net income	13,635	14,351	8,290	24,930
Real Estate	Gross rentals and other income	49,937	46,284	41,013	56,754
	Expenses including income taxes	44,715	41,318	37,029	49,747
		5,222	4,966	3,984	7,007
	Interest of outside shareholders	45	49	53	41
	Net income	5,177	4,917	3,931	6,966
Agriproducts	Gross operating revenue	62,792	66,243	268,087	318,465
	Expenses including income taxes	62,721	65,668	263,210	313,738
		71	575	4,877	4,727
	Interest of outside shareholders	—	—	241	335
	Net income	71	575	4,636	4,392
Other Businesses	Gross operating revenue	63,886	76,565	87,061	74,854
	Expenses including income taxes	63,527	74,011	79,946	73,080
	Net income	359	2,554	7,115	1,774
Financial	Gross operating revenue	43,504	34,972	29,720	34,065
	Expenses including income taxes	25,440	30,076	25,283	28,267
	Net income	18,064	4,896	4,437	5,798
Net Income		$ 136,269	$ 112,377	$ 108,959	$ 133,652
Earnings per Common Share		$ 1.03	$ 0.85	$ 0.80	$ 0.95

Quarterly Financial Information (Unaudited)

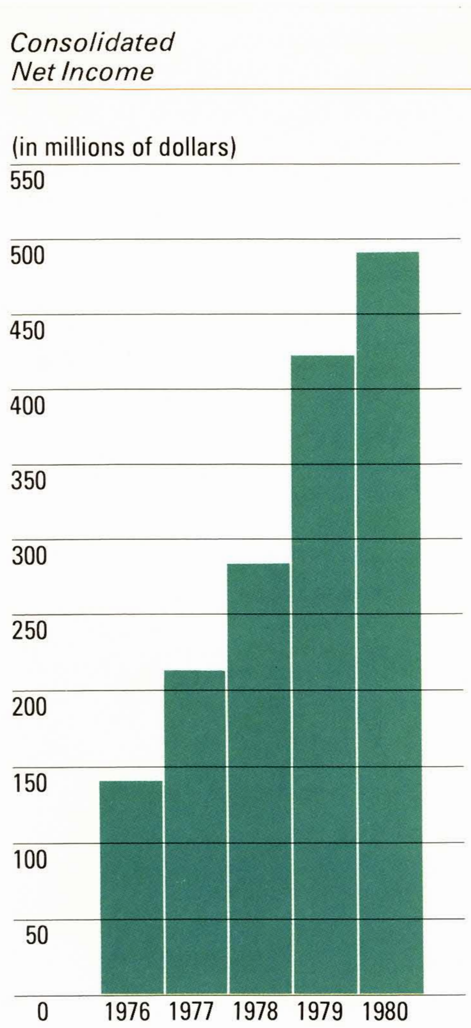
(in thousands)

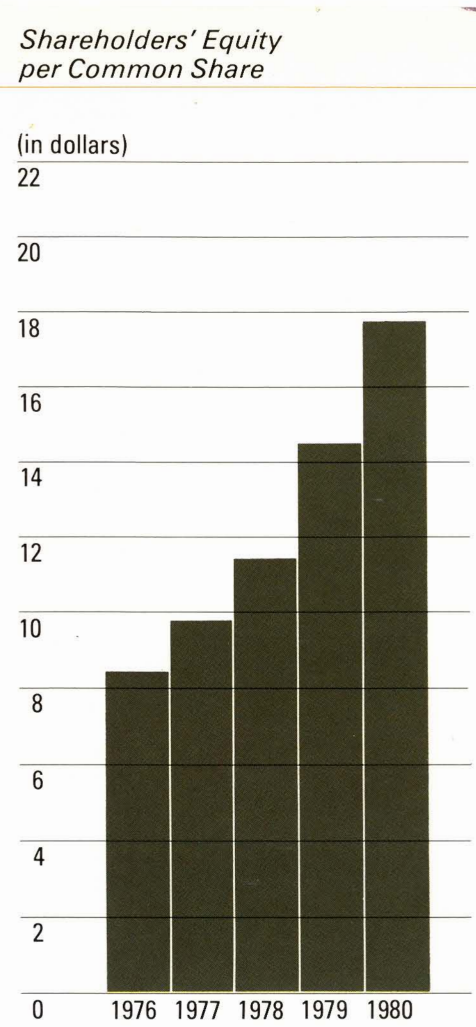
	For the Three Months ended	March 31	June 30	September 30	1979 December 31
Oil and Gas	Gross operating revenue	$ 100,709	$ 96,094	$ 98,206	$ 128,896
	Expenses including income taxes	60,123	57,700	63,288	76,964
		40,586	38,394	34,918	51,932
	Interest of outside shareholders	5,236	4,968	4,512	6,709
	Net income	35,350	33,426	30,406	45,223
Mines and Minerals	Gross operating revenue	340,006	429,325	329,001	433,945
	Expenses including income taxes	294,315	359,645	275,331	346,616
		45,691	69,680	53,670	87,329
	Interest of outside shareholders	23,104	35,300	24,820	43,434
	Net income	22,587	34,380	28,850	43,895
Forest Products	Sales and operating revenue	106,436	116,681	126,047	121,274
	Expenses including income taxes	93,563	100,948	104,074	101,301
		12,873	15,733	21,973	19,973
	Interest of outside shareholders	3,772	5,227	6,511	7,365
	Net income	9,101	10,506	15,462	12,608
Iron and Steel	Sales and operating revenue	472,787	543,260	489,055	680,214
	Expenses including income taxes	448,035	507,637	453,743	634,264
		24,752	35,623	35,312	45,950
	Interest of outside shareholders	14,380	19,809	20,470	26,755
	Net income	10,372	15,814	14,842	19,195
Real Estate	Gross rentals and other income	34,040	29,523	33,846	33,086
	Expenses including income taxes	26,757	25,681	27,437	31,204
		7,283	3,842	6,409	1,882
	Interest of outside shareholders	40	44	51	40
	Net income	7,243	3,798	6,358	1,842
Agriproducts	Gross operating revenue	65,346	60,285	64,279	64,946
	Expenses including income taxes	64,233	59,301	62,560	63,870
	Net income	1,113	984	1,719	1,076
Other Businesses	Gross operating revenue	53,595	62,976	77,051	68,526
	Expenses including income taxes	55,766	60,816	73,181	68,339
	Net income	(2,171)	2,160	3,870	187
Financial	Gross operating revenue	18,648	21,158	24,266	31,745
	Expenses including income taxes	18,281	19,118	22,486	25,799
	Net income	367	2,040	1,780	5,946
Net Income		$ 83,962	$ 103,108	$ 103,287	$ 129,972
Earnings per Common Share		$ 0.69	$ 0.85	$ 0.82	$ 1.00

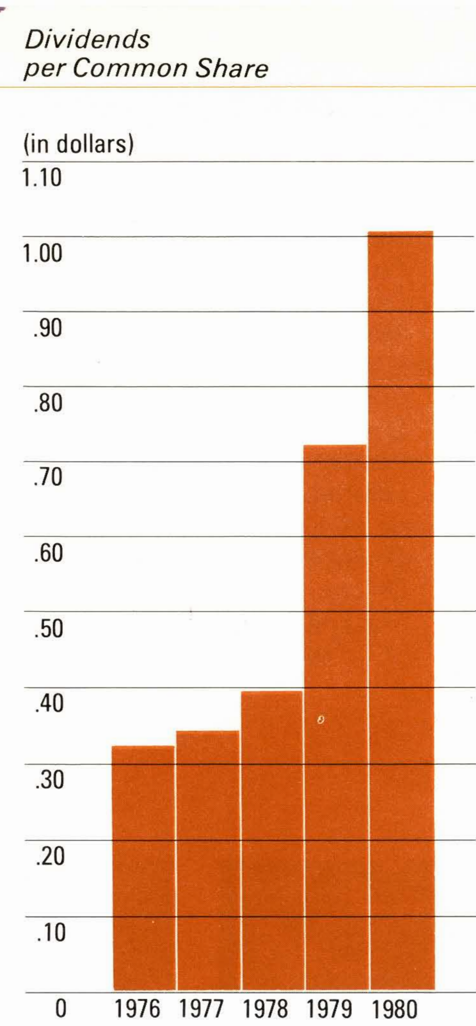
Five-Year Summary

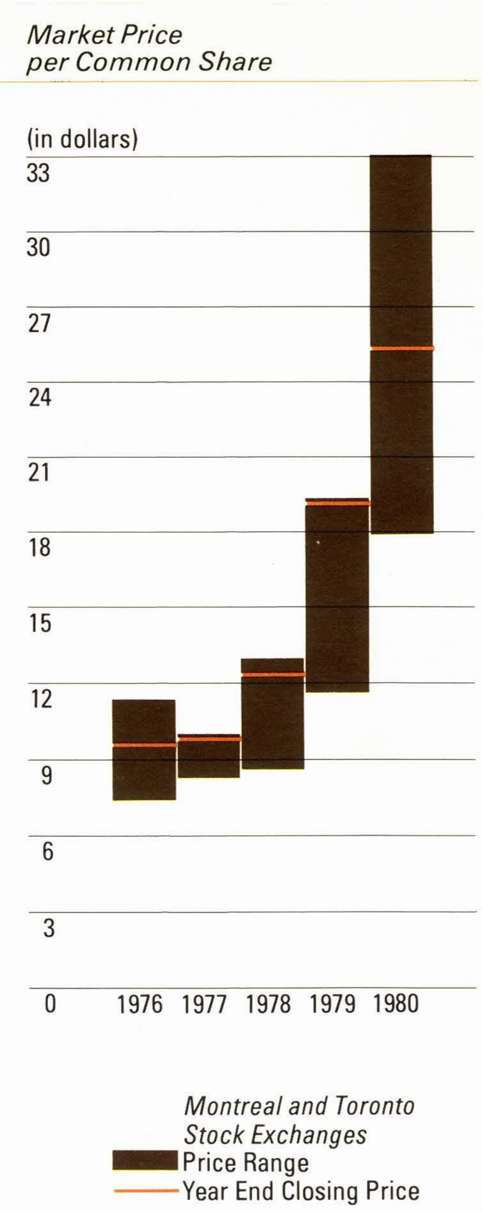
Figures in thousands, except amounts per share

	1980	1979	1978	1977	1976
Revenues	**$ 6,659,250**	$ 5,297,895	$ 4,247,373	$ 2,696,944	$ 2,069,587
Consolidated income					
Oil and gas	**$ 210,182**	$ 144,405	$ 135,774	$ 110,222	$ 74,064
Mines and minerals	**98,638**	129,712	49,522	46,020	34,842
Forest products	**45,569**	47,677	18,302	10,137	5,200
Iron and steel	**61,206**	60,223	41,330	18,032	10,985
Real estate	**20,991**	19,241	15,315	11,569	10,423
Agriproducts	**9,674**	4,892	5,883	4,426	837
Other businesses	**11,802**	4,046	(12,164)	(4,696)	10
Financial	**33,195**	10,133	30,812	8,972	3,820
Income before extraordinary item	**491,257**	420,329	284,774	204,682	140,181
Extraordinary item	**—**	—	—	8,542	—
Net Income	**$ 491,257**	$ 420,329	$ 284,774	$ 213,224	$ 140,181
Total assets	**$ 8,496,146**	$ 7,009,867	$ 5,686,231	$ 4,409,311	$ 4,082,539
Total long term debt	**$ 2,027,113**	$ 1,744,856	$ 1,664,684	$ 1,314,088	$ 1,314,851
Outside shareholders' interest in subsidiary companies	**1,377,625**	1,150,535	944,198	733,635	609,535
Shareholders' equity	**2,498,562**	1,906,808	1,425,106	1,188,591	1,017,601
Total capitalization	**$ 5,903,300**	$ 4,802,199	$ 4,033,988	$ 3,236,314	$ 2,941,987
Dividends					
Preferred Shares	**$ 22**	$ 35	$ 40	$ 432	$ 809
Common Shares	**$ 137,973**	$ 92,221	$ 47,956	$ 41,690	$ 38,270
Number of Shares Outstanding					
Common – actual	**140,661**	131,908	121,408	121,408	118,983
– average	**135,335**	125,205	121,408	119,954	118,175
Preferred – actual	**Nil**	35	40	47	653
Per Common Share					
Income before extraordinary item	**$ 3.63**	$ 3.36	$ 2.35	$ 1.70	$ 1.18
Net income	**$ 3.63**	$ 3.36	$ 2.35	$ 1.77	$ 1.18
Dividends – paid quarterly; semi-annual prior to 1980	**$ 1.005**	72.5¢	39.5¢	34.5¢	32.25¢


Consolidated
Net Income
(in millions of dollars)
550
500
450
400
350
300
250
200
150
100
50
0
1976 1977 1978 1979 1980


Shareholders' Equity
per Common Share
(in dollars)
22
20
18
16
14
12
10
8
6
4
2
0
1976 1977 1978 1979 1980


Dividends
per Common Share
(in dollars)
1.10
1.00
.90
.80
.70
.60
.50
.40
.30
.20
.10
0
1976 1977 1978 1979 1980


Market Price
per Common Share
(in dollars)
33
30
27
24
21
18
15
12
9
6
3
0
1976 1977 1978 1979 1980
Montreal and Toronto
Stock Exchanges
Price Range
Year End Closing Price

Directors

M. Norman Anderson,
Chairman and Chief Executive Officer,
Cominco Ltd., Vancouver

*F. S. Burbidge,**
President,
Canadian Pacific Limited,
Montreal

Robert W. Campbell,
Chairman of the Board and Chief Executive Officer,
PanCanadian Petroleum Limited, Calgary

Thomas M. Galt,
Chairman and Chief Executive Officer,
Sun Life Assurance Company of Canada, Toronto

John Macnamara,
President and Chief Executive Officer,
The Algoma Steel Corporation, Limited, Sault Ste. Marie

Angus A. MacNaughton,†
Vice Chairman and Chief Executive Officer,
Genstar Limited, San Francisco

*W. Earle McLaughlin,†**
Corporate Director,
Montreal

*Paul A. Nepveu,**
Vice-Chairman,
Canadian Pacific Enterprises Limited, Montreal

S. E. Nixon,†*
Corporate Director,
Montreal

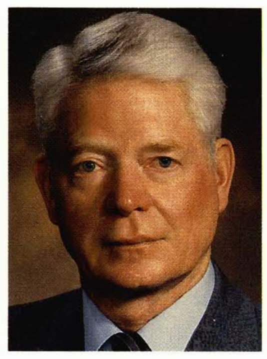
*Paul L. Paré,**
Chairman and Chief Executive Officer,
Imasco Limited, Montreal

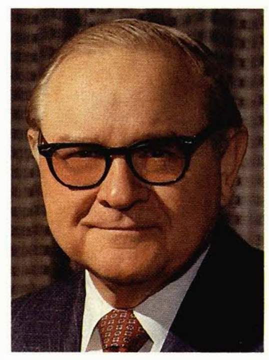
Neil F. Phillips, Q.C.,†
Partner,
Phillips & Vineberg, Montreal

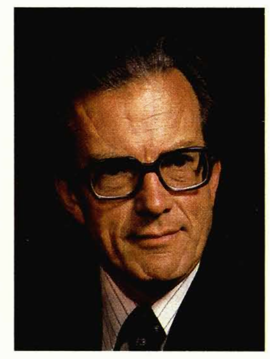
*C. Douglas Reekie,**
President and Chief Executive Officer,
CAE Industries Ltd., Toronto

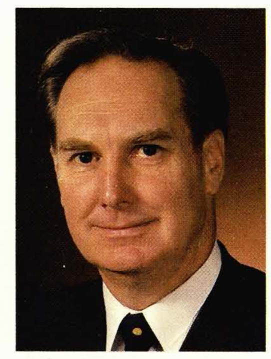
*Ian D. Sinclair,**
Chairman and Chief Executive Officer,
Canadian Pacific Limited,
Montreal

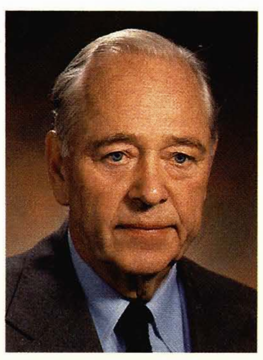

M. Norman Anderson

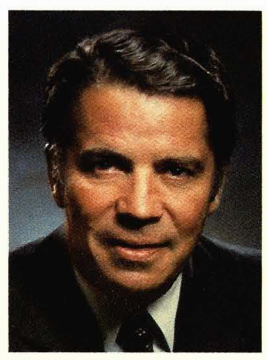

F. S. Burbidge

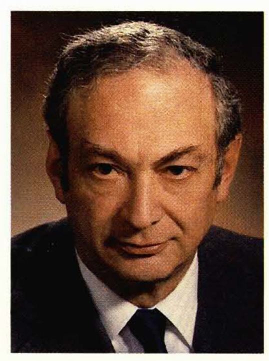

Robert W. Campbell

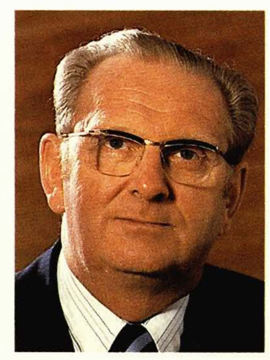

Thomas M. Galt

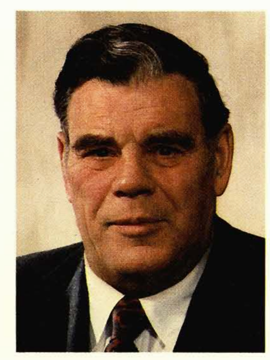

John Macnamara


S. E. Nixon


Paul L. Paré


Neil F. Phillips, Q.C.


C. Douglas Reekie


Ian D. Sinclair

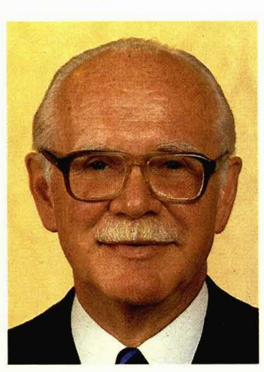
R. D. Southern,
President and Chief Executive Officer,
ATCO Ltd., Calgary

W. J. Stenason,
President,
Canadian Pacific Enterprises Limited, Montreal

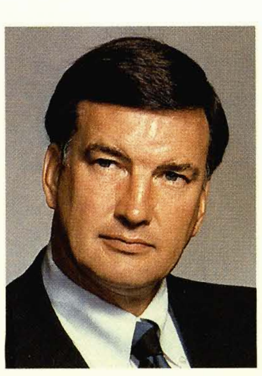
W. Maurice Young,
Chairman of the Board and Chief Executive Officer,
Finning Tractor & Equipment Company Limited, Vancouver

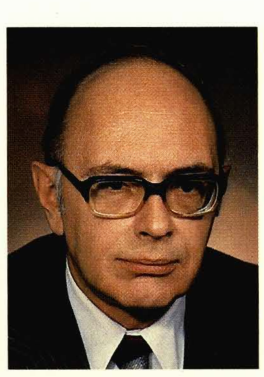
*Member of Executive Committee
†Member of Audit Committee


Angus A. MacNaughton


W. Earle McLaughlin


Paul A. Nepveu


R. D. Southern


W. J. Stenason


W. Maurice Young

Officers

Ian D. Sinclair,
Chairman and Chief Executive Officer, Montreal

Paul A. Nepveu,
Vice-Chairman,
Montreal

W. J. Stenason,
President,
Montreal

R. S. DeMone,
Vice-President Finance and Accounting, Toronto

G. S. MacLean,
General Manager, Administration and Corporate Secretary,
Montreal

J. D. Kenny,
Comptroller,
Montreal

B. J. Zafirian,
Treasurer,
Toronto

Directorate

At the Annual Meeting of Shareholders held on May 5, 1980, Messrs. W. A. Arbuckle, F. E. Burnet and A. M. Campbell retired as Directors of the Corporation. The Board of Directors desires to record its appreciation of the notable contribution made to the affairs of the Corporation by Mr. Arbuckle, Mr. Burnet and Mr. Campbell during their service on the Board. To fill the vacancies created by these retirements, Messrs. M. Norman Anderson, Thomas M. Galt and W. Maurice Young were elected as Directors.

Principal Subsidiary Companies

Canadian Pacific Enterprises Limited
Suite 1900, Place du Canada
Montreal, Quebec
H3B 2N2

*PanCanadian Petroleum Limited**
Robert W. Campbell, Chairman
2000, One Palliser Square
P.O. Box 2850
Calgary, Alberta
T2P 2S5

*Cominco Ltd.**
M. N. Anderson, Chairman
200 Granville Square
Vancouver, British Columbia
V6C 2R2

Fording Coal Limited
J. H. Morrish, President
Natural Resources Building
205-9th Avenue S.E.
Calgary, Alberta
T2G 0R4

*Steep Rock Iron Mines Limited**
L. J. Lamb, Chairman and President
40 University Avenue
Toronto, Ontario
M5J 2G5

Pacific Forest Products Limited
W. M. Sloan, President
P.O. Box 10
468 Belleville Street
Victoria, British Columbia
V8W 2M3

*Great Lakes Forest Products Limited**
C. J. Carter, Chairman and President
P.O. Box 430
Thunder Bay, Ontario
P7C 4W3

*The Algoma Steel Corporation, Limited**
John Macnamara, President
503 Queen Street East
Sault Ste. Marie, Ontario
P6A 5P2

*Dominion Bridge Company, Limited**
K. S. Barclay, Chairman
1155 Dorchester Boulevard West
Montreal, Quebec
H3B 4C7

*Marathon Realty Company Limited**
S. E. Eagles, Chairman and President
Toronto-Dominion Centre
P.O. Box 375
Toronto, Ontario
M5K 1K8

*Maple Leaf Mills Limited**
R. G. Dale, Chairman and President
P.O. Box 710
Station "K"
Toronto, Ontario
M4P 2X5

Baker Commodities, Inc.
J. M. Andreoli, President
4020 Bandini Boulevard
Los Angeles, California 90023
U.S.A.

Canadian Pacific Hotels Limited
A. G. Cardy, President
The Royal York Hotel
100 Front Street West
Toronto, Ontario
M5J 1E3

Canadian Pacific Enterprises (U.S.) Inc.
R. J. Theis, President
Suite 1550, One Lincoln Centre
Syracuse, New York 13221
U.S.A.

Syracuse China Corporation
C. D. Amond, President
2900 Court Street
P.O. Box 4820
Syracuse, New York 13221
U.S.A.

Processed Minerals Incorporated
Jon J. Rhine, President
One North Main Street
P.O. Box 459
Hutchinson, Kansas 67501
U.S.A.

*Canadian Pacific Securities Limited**
R. S. DeMone, Chairman and President
20 King Street West
Toronto, Ontario
M5H 1C4

Chateau Insurance Company
R. T. Riley, Chairman
Suite 3000
2300 Yonge Street
Toronto, Ontario
M4P 2X3

*A copy of the 1980 annual report of this company can be obtained by writing to its Secretary at the address above.

Geographic Distribution of Net Property Investment

At December 31, 1980

		Properties at Cost, less Depreciation (millions)	Percent of Total
Canada	Atlantic Provinces	$ 64	1%
	Quebec	194	4
	Ontario	1,282	27
	Prairies	1,319	28
	B.C.	862	19
	N.W.T., Yukon and Offshore	183	4
		3,904	83
Outside Canada	United States	705	15
	Other	92	2
		797	17
Total		$ 4,701	100%

Common Share Market Prices

	Montreal and Toronto Stock Exchanges				New York Stock Exchange	
	1980		1979		1980	
	High	Low	High	Low	High	Low
First Quarter	**$ 24¾**	**$ 17⅞**	$ 14⅛	$ 11⅝	**—**	**—**
Second Quarter	**22⅞**	**18⅜**	16⅞	13¾	**—**	**—**
Third Quarter	**33**	**21⅝**	18¼	14½	**U.S.$ 28¼**	**U.S.$ 20½**
Fourth Quarter	**30⅞**	**23⅜**	19⅛	14¼	**26¼**	**19½**
Year	**33**	**17⅞**	19⅛	11⅝	**28¼**	**19½**

This table reflects the two for one common share division effective May 30, 1980. The common shares were listed on the New York Stock Exchange July 22, 1980.

Common Share Listings

Canada–
Montreal, Toronto and Vancouver Stock Exchanges
United States–
New York Stock Exchange
Europe–
London, England and Amsterdam, The Netherlands

Transfer Agents and Registrars

Montreal Trust Company,
Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.
Morgan Guaranty Trust Company of New York,
New York, New York.
The Royal Trust Company,
London, England.

Common Share Holdings – December 31, 1980

Common shares outstanding 140,661,215, of which 100,000,000 were owned by Canadian Pacific Limited and the remainder by 26,603 shareholders, of whom 93.8% were Canadian Registrants.

Form 10-K

A copy of the Corporation's Form 10-K filed with the Securities and Exchange Commission will be provided without charge on written application to the General Manager, Administration and Corporate Secretary, Suite 1900, Place du Canada, Montreal, Quebec H3B 2N2.

Version française

Si vous désirez vous procurer la version française du présent rapport, veuillez vous adresser au secrétaire, Les Entreprises Canadien Pacifique Limitée, bureau 1900, Place du Canada, Montréal, Québec H3B 2N2

Printed in Canada