IMPERIAL OIL LIMITED
HEAD OFFICE, SARNIA, ONTARIO

President
G. Harrison Smith

Vice-President
C. A. Eames  R. V. LeSueur  L. C. McLoskey  John McNeil

Directors
G. Harrison Smith  C. A. Eames  R. V. LeSueur
L. C. McLoskey  John McNeil  E. E. Halverson

Secretary-Treasurer
F. E. Holdbrook

Transfer Office
56 Church Street, Toronto, Canada

Refineries at:

Sarnia, Ontario
Montreal, East, Quebec
Imperial, Nova Scotia

Divisional Marketing Head Offices at:

Vancouver, British Columbia
Montreal, Quebec

Calgary, Alberta
Saint John, New Brunswick

Edmonton, Alberta
Halifax, Nova Scotia

Regina, Saskatchewan
St. John's, Newfoundland

Saskatoon, Saskatchewan

Winnipeg, Manitoba

Marketing Branches throughout Canada.
YOUR COMPANY refrained from increasing the number of its outlets, preferring to direct its efforts to the development of existing outlets along lines of more effective merchandising.

There were further increases in the rates of provincial gasoline tax during the year and this tax now ranges from 6 cents to 8 cents per gallon whereas your Company's net profit on the gasoline that it made and sold was slightly more than one-half of one cent per gallon. This tax thus represented from 10 to more than 13 times your Company's profit.

During the year your directors authorize surplus adjustments as detailed in the statement submitted herewith. The principal items involved were the adjustment of pension liabilities to the amount determined by last actuarial calculation, expenditures made to explore properties in Western Canada which were found to be non-productive of oil, and a charge against surplus account to adjust the book value of plant and equipment; this latter adjustment results from a reduction in the book value of the capital assets and also a reduction in the depreciation reserve by larger amounts than that charged against the surplus account.

MARINE DEPARTMENT

The Imperial Oil and International Petroleum fleets as of December 31st, 1934, consisted of 35 vessels of 181,205 deadweight tons. During the year they transported 28,644,878 barrels of crude oil and its products, as compared with 25,415,894 barrels in 1933, an increase of 12.7 per cent, which was reflected in the larger earnings from transportation.

WESTERN CANADA

Production by your Company's affiliates in the Turner Valley during 1934 totalled 717,501 barrels. In addition to this there were purchased 253,142 barrels from other producers. A situation which would have resulted in grave restriction of output and particular hardship to the smaller producers was averted by the further extension of the area in which products made from Turner Valley crude naphtha displaced products manufactured from imported crude oils. Your Company's affiliates completed one well and started drilling one new well. They also acquired interests in several wells in the Southern extension of the field and purchased a number of small properties in the older part of the field to permit of further conservation of gas and more economical operation.

The refinery near Fort Norman on the Mackenzie River was operated again during the summer season and manufactured products for local consumption, mainly for mining operations near Great Bear Lake. The two wells drilled more than ten years ago, continued to supply the crude required for this operation.

At the end of the year your Company's affiliates controlled 74 oil and gas wells in Western Canada.

SOUTH AMERICA

Reports from your subsidiaries indicate that during 1934 there was an increase of 45 per cent. in the exports of crude oil and of 10 per cent. in the
exports of refined products from Colombia and Peru. Of the total volume of 24,703,832 barrels of crude oil exported by your subsidiaries from these two countries 29 per cent. was brought to your Company's refineries in the Dominion, and 80 per cent. went to countries other than Canada. Your subsidiaries' refineries at Barranca-Bermeja, Colombia, and at Talara, Peru, processed 7,509,633 barrels of crude oil during the 12-month period.

In Colombia the production of crude oil was 17,340,724 barrels, an average of 47,509 barrels daily. This compared with 13,157,641 barrels or a daily average of 35,648 barrels in 1933. The production of natural gas gasoline was 542,029 barrels as compared with 441,389 barrels in 1933.

In Peru the production of crude oil was 14,130,102 barrels, a daily average of 38,713 barrels. The production for 1933 was 11,205,362 or 30,708 barrels daily average. Production of natural gas gasoline was 1,650,763 barrels as compared with 939,347 barrels in 1933.

AUDITORS

It will have been observed from the notice calling the annual meeting that it is proposed to nominate Messrs. Price, Waterhouse & Co., as auditors of the company for the year 1933. That firm have examined the balance sheet of the company as at December 31, 1934, and the statement of profit and loss and surplus for the year ending on that date, and have appended their signature to the report by the statutory auditor.

GENERAL

Your directors desire to express their appreciation of the loyal and able services rendered throughout the year by the executives and employees of your Company and its affiliates.

An increasing weight of public opinion is demanding reforms to expand employment and generally to improve conditions for workers. Your Company has for years provided for its employees sickness benefits, pensions, death benefits, etc., etc. It has consistently reduced working hours and has always paid wages higher than those generally prevailing. Your Company was prompted to pioneer its policies in this connection by the belief that the interdependence of the basis of our social organization the prosperity of any one group depends upon the well-being of all. It has always welcomed, and will continue to welcome, constructive measures in the interests of the workers. It is the experience of your Company that such measures benefit not only labour but are advantageous to all fair-minded and capably-managed industry as well as to the consumer.

By order of the Board,

G. HARRISON SMITH
President.

AUDITOR'S REPORT TO THE SHAREHOLDERS

To the Shareholders of
Imperial Oil Limited.

I have made an examination of the balance sheet of Imperial Oil Limited as at December 31, 1934, and of the statement of profit and loss and surplus for the year ending on that date. In connection therewith, I examined or tested accounting records of the company and other supporting evidence, and obtained all the information and explanations which I required; I also made a general review of the accounting methods and of the operating and income accounts for the year, but I did not make a detailed audit of the transactions.

In accordance with section 116 of the Companies Act, 1934, I report that in the case of such subsidiary companies as incurred losses up to December 31, 1934, the parent company's proportion of such losses has been fully provided for in the books of Imperial Oil Limited and in the attached balance sheet. In the case of all other subsidiary companies, profits have only been taken credit for in the accounts of Imperial Oil Limited, and in the attached balance sheet, to the extent of dividends received by the parent company from such subsidiary companies; such dividends received in 1934 and included as income in that year exceeded the company's proportion of the aggregate net profits of subsidiary companies for the year 1934 by $8,347,033.14 and to this extent were paid by these companies from surpluses previously earned.

Freights are billed from the transportation department to the refining and marketing departments at competitive market rates for such freight, and as a result there is an inter-departmental profit of approximately $75,000.00 included in the inventory valuation in the attached balance sheet.

In my opinion, based upon such examination, and subject to the remarks above, the attached balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as at December 31, 1934, according to the best of my information and the explanations given to me, and as shown by the books of the company.

C. B. Ware
Auditor.

We have co-operated with Mr. C. B. Ware in the examination referred to in the foregoing report, and we concur in the opinion expressed in such report.

PRICE, WATERHOUSE & CO.
Chartered Accountants.

April 2, 1935.
IMPERIAL OIL LIMITED
BALANCE SHEET DECEMBER 31, 1934

ASSETS

CURRENT ASSETS:
Cash on hand and in banks ................................................... $13,943,636.67
Deposits of Canada bonds and other marketable securities, including accrued interest ................................................. 23,078,931.92
(Market value $22,847,228.42)
Trade accounts and bills receivable (less reserves) .............. 10,081,692.43
Other accounts receivable, including accrued interest on miscellaneous investments .......................................................... 1,423,427.45
Inventories, determined and certified as to quantities and condition by responsible officers of the company:
Crude oil and refined products (in terms of cost or market price of crude oil whichever was lower) ..................................... 25,221,355.24
Materials and supplies (at cost) ................................................ 2,221,961.00
$75,977,014.71

DEFERRED ACCOUNTS RECEIVABLE, MORTGAGES AND MISCELLANEOUS

LOANS AND ADVANCES (LESS RESERVE) ........................................... 5,347,021.23

MISCELLANEOUS INVESTMENTS:
Bonds of other companies .......................................................... $13,107,371.68
Shares of other companies .................................................... 333,801.23
15,460,672.33

INVESTMENT IN SUBSIDIARY COMPANIES:
Investment in shares ............................................................... 40,661,907.41
Indebtedness of subsidiary companies ........................................ 3,535,294.62
44,196,202.03

DEFERRED AND PREPAID CHARGES:
Goodwill, Patents, Copyrights, Trade Marks and Licenses .......... 94,00

CAPITAL ASSETS:
Land, buildings, plant, transportation and other equipment, (at cost) .......................................................... $118,694,697.25
Less—Reserve for depreciation ................................................ 63,174,299.95
155,820,997.35

$199,834,216.68

Note (1)—The figure at which the investment in shares of subsidiary companies is carried in the above balance sheet (after giving effect to revaluation shown under Capital Surplus) is substantially less than the aggregate of the cost share of 26% of the undistributed earnings of such subsidiary companies since acquisition applicable to such shares.

LIABILITIES

CURRENT LIABILITIES:
Accounts payable .............................................................. $2,491,186.61
Accounts owing to subsidiary companies .............................. 1,124,445.25
Reserve for income taxes and other accrued taxes in Canada .... 3,306,164.56
$6,921,796.42

RESERVES:
For fire, marine and other insurance ..................................... 99,852,690.38
For employees' annuities ....................................................... 8,108,000.00
17,920,790.37

CAPITAL AND SURPLUS:
Capital Stock:
Authorized—32,000,000 shares of no par value
Issued and outstanding—26,919,617 shares .................................. 77,203,065.75
Capital Surplus:
Net earnings from revaluations (in 1912 and 1920) of investments in subsidiary company ........................................ 15,284,102.26
Earned Surplus, as per statement attached .............................. 82,414,511.50
174,941,700.51

Approved on behalf of the Board:

C. A. FAMES, Director
R. V. LeSueur, Director

$199,834,216.68

Note (2)—The company has provided $209,816.51 up to December 31, 1934, in accordance with the provisions of the Employees' Cooperative Investment Trust three-year plan expiring June 1935.

Note (3)—The auditor's report to the shareholders appears on page 7 herein.
IMPERIAL OIL LIMITED

STATEMENT OF SURPLUS
FOR THE YEAR ENDING DECEMBER 31, 1934

PARTICULARS
BALANCES AT JANUARY 1, 1934

$95,569,908.90

$95,569,908.90

$15,204,192.26

$110,774,101.16

*Amount transferred to Capital Surplus, arising from realization in 1933 of investment in subsidiary company.

DEDUCT:

Amount transferred to reserve for employees' annuities, to increase that reserve to the amount required as disclosed by last annual calculation

$5,124,022.39

Expenditures prior to January 1, 1934, on exploration of properties in Western Canada found to be non-productive of oil

4,982,606.34

Provisions to be made for plant and equipment, after adjustment of fixed assets and accumulated depreciation reserve, to basis of cost

1,880,943.47

Adjustments in book values of investments in shares of subsidiary companies in respect of dividends received from subsidiaries existing in such companies at dates of acquisition; revaluation of shares of subsidiary to basis of values shown by its balance sheet; and proportion of losses of subsidiary companies in

December 31, 1933

1,004,230.56

Amounts written off miscellaneous investments

388,378.33

Additional reserves provided for accounts receivable

500,000.00

13,876,685.14

$15,324,113.26

$15,324,113.26

$106,786,901.62

ADD:

Net Profit for the Year ending December

31, 1934

33,771,453.69

33,771,453.69

Deficit

$107,293,707.68

$15,204,192.26

$122,598,900.24

DIVIDENDS PAID

$28,999,332.91

$992,790.65

$28,999,332.91

$992,790.65

BALANCES AT DECEMBER 31, 1934, CARRIED TO

$97,116,511.30

$15,204,192.26

$112,320,703.56

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