During 1946 your Company manufactured and sold more products than in any preceding year and made substantial progress in its large program for new facilities and equipment and for expansion and modernization of existing facilities. Considerable progress was made in disposing of an accumulation of maintenance work that had been deferred during the war because of the need to concentrate manpower and materials on production for the war effort. Satisfaction was derived also from the fact that the reinstatement of employees returning from the armed forces was practically completed in line with the five-point program announced early in 1945.

The bigger volume of sales was reflected by improved earnings. The large capital outlays for new facilities, plant extensions and modernization resulted in a reduction of cash and bonds with a corresponding increase in fixed assets. This was in line with the policy announced in your directors' annual report for 1944 and for 1945 and calling for acquisition of the most modern units to meet anticipated demands for greater volume, for improved product quality and for the most effective operation.

During the year the investment income was considerably reduced by a reduction of dividends paid by the International Petroleum Company Limited, but this deficiency was more than offset by the increased income from the substantially enlarged sales of your Company's products and the better returns per barrel processed. This better realization resulted from an increased demand for the lighter and higher-value products of petroleum, including power fuels, lubricants, etc. and decreased demand for heavy fuels which was at abnormally high levels during the war years when naval activities were at a peak. As a result of this larger volume and this better realization the gross value of sales for 1946 was $195,872,830 as compared with $174,101,796 in 1945.

Anticipating the increased requirements that would arise with the return of peacetime conditions and removal of war restrictions your Company made all practicable plans to handle an enlarged volume. However, the increase in consumption, particularly in domestic heating oils, exceeded the best available estimates. Difficulties were experienced in procuring adequate supplies of construction materials, such as steel for additional tankage, etc., together with transport facilities such as ships and rolling stock. While your Company was able to meet its commitments to supply products this was done in the face of unusual difficulties which, in some cases, resulted in abnormal costs. Had materials and equipment been freely available sales would have been even larger than the record established.
The prices of petroleum products in Canada continued at substantially pre-war levels but expenditures for plants and equipment were necessarily on the basis of the higher 1946 costs, a matter of continuing concern because it imposes abnormal demands upon the resources of cash and other liquid assets.

Construction of the first fluid catalytic cracking unit to be built in Canada was begun about mid-year at the Montreal East Refinery and notwithstanding short supplies of steel and other construction materials the progress achieved was considered satisfactory. The most notable addition to equipment was the purchase of five modern ocean-going tankers at a total cost of $8,490,486. This large investment will replace ships lost and worn out in wartime service and will give the Company greater dependability and flexibility of supply. Furthermore, with year-round accessibility to Montreal East through the Portland-Montreal pipe line your Company is in a position to operate its vessels on its own account throughout the year rather than depend on their use in chartered markets during the winter months.

Your Company carried on its research activities in various phases of the petroleum industry. These researches were directed principally towards further improvements of products, development of new products, new ways of making products and new uses for products, but studies were devoted also to other departments of the business with the objective of continuously advancing all administrative and operating techniques for maximum economy and efficiency. During the year further progress was made in these respects with benefit to the Company and to consumers of petroleum products in general.
A "pilot" plant—a miniature catalytic cracking unit—was completed and put into operation at Sarnia. This plant enables operations on the minute scale of two barrels per day, but under conditions similar to those encountered in large commercial units. It proved a very valuable experimental and testing facility.

Since 1939 your Company has been carrying on an extensive and costly program of exploration for oil, principally in the West. This was continued with improved hopes for success, and, in addition, further test drilling was carried on in Western Ontario with encouraging results.

In short, the year was one of wide and varied activities and of substantial achievements and progress despite many difficult problems.

The Balance Sheet and Statements of Surplus and of Profit and Loss, and the Auditors' Report to the Shareholders, together with further details of some of the principal phases of the Company's activities during the year, are contained in the following pages.

**EXPLORATION AND PRODUCTION**

Exploratory geophysical and geological work was carried on in the central plains area of Alberta, west and northwest of Edmonton. The latest developments in seismic technique were used and in November Imperial Leduc No. 1 was spudded in on a seismic anomaly approximately 20 miles south and west of Edmonton.*

The Producing Department continued delineation of the Viking-Kinsella gas area, southeast of Edmonton, by drilling 21 more wells. Drilling in this area began in 1945 and by the end of 1946 the productive limits of the area were essentially defined. The Company discovered

** * * *

*This well was completed at 5,000 feet on February 13th, 1947, with very satisfactory production. Further drilling will be necessary before it can be determined whether this is the discovery well in a field of real importance.
another gas reserve while drilling for oil near Provost, about 75 miles southeast of Viking-Kinsella. Seven wells were completed in this area, four of which were successful gas producers.

The Imperial—Shell Stobberg No. 1 well in the foothills west of Red Deer was drilled to 13,747 feet, the deepest well in Western Canada, without commercial results. However, the Company and associates are continuing efforts to discover a field in the foothills similar to the Turner Valley Field. This important undertaking is being made on the "Muskog Structure", north of Jasper. Approximately 70 miles of road is being cut through the rough, wooded, muskog-covered terrain of the northwestern foothills to reach the chosen drilling site.

The Company and its subsidiaries completed seven commercial wells in Turner Valley, one of which was on a partnership basis. Through a subsidiary, the Foothills Oil and Gas Company, the northeastward extension of the productive area of Turner Valley was slightly enlarged by the drilling of Foothills No. 24. The total footage drilled by your Company and associates in the Valley was 46,103 feet.

In the unproven areas of Alberta, 117,819 feet of hole were drilled.

In Saskatchewan your Company drilled 5,005 feet and completed its second deep test on the Davidson structure. The Company has withdrawn almost completely from Saskatchewan to concentrate its efforts on more promising areas.

Your Company discovered a gas field of importance near Wallaceburg, Ontario. It also encountered promising showings of oil which on further development may lead to a substantial increase in the Ontario production. There were 56 completions in Ontario with a total footage of 74,905 feet. Of these completions, eight were oil wells and eight were gas wells.

The total production of crude oil, separator naphtha and absorption plant products by Imperial Oil Limited and its subsidiaries was 2,293,520 barrels as compared with a net owned production of 2,093,625 barrels in 1945. The Company purchased 3,007,619 barrels of Canadian crude oil and naphtha as compared with 3,618,441 barrels during 1945.

The demand for oil and products by the mining industry in the Northwest Territories showed an increase in 1946 over 1945.

At the end of the year the Company and its subsidiaries owned or had a participating interest in 184 oil and gas wells in Turner Valley, 19 gas wells elsewhere in Alberta, 63 oil wells at Norman Wells and 16 oil and gas wells in Ontario.

MANUFACTURING AND MARKETING

Daily average throughout of crude oil in your Company's seven refineries was 110,700 barrels as compared with 104,700 barrels in 1945, an increase of approximately 6 per cent.

Adequate supplies of crude oil and products were difficult to secure and some rearrangements of supply sources were made by your Company in order to obtain the largest possible volume. Decline in production from the usual sources in Illinois and the mid-Continent areas resulted in establishing a movement of Venezuelan crude by pipe line from New York Harbour to Sarnia. By the end of the year this movement had reached a volume of 12,000 barrels per day and it is planned, by use of an additional line, to increase the movement to 18,000 barrels or approximately 42 per cent of the daily delivery into Sarnia refinery.
The supply of Turner Valley crude declined to a point where there were practically no shipments of that crude available for Regina and consequently the refinery was almost entirely dependent upon United States sources.

The pipeline facilities from Cygnet, Ohio, to the international boundary near Samia were increased by laying approximately 85 miles of 8-inch line. There are now two 6-inch and one 8-inch lines serving Samia refinery and the total daily capacity of these is 49,000 barrels, an increase of 12,000 barrels above the figure for 1945. In addition your Company completed negotiations for purchase of a 45 per cent interest in the Portland-Montréal pipe line which serves its refinery at Montreal East.

There were three general advances in prices of imported crude oil—10 cents per barrel in April, 25 cents in July and 10 cents in November. So far as your Company was concerned the first two of these advances were substantially offset by reductions in tanker rates, removal of the war exchange tax, and the reduction in exchange on U.S. funds. The price of Turner Valley crude oil also advanced by 45 cents per barrel, effective January 1, 1946.

As already noted, satisfactory progress, in view of material shortages, was made in the construction program at Montreal East which provides for an 11,000 barrel per day fluid catalytic cracking unit, catalytic polymerization and light ends unit, and an additional pipe mill. It is hoped that this program will be near completion at the end of 1946. Because of shortages of building materials it was not possible to proceed with additions to the research laboratory at Samia and construction of a refinery laboratory at Calgary was also of necessity deferred. A plant for regeneration of synthetic catalyst is planned for construction at Samia in 1947.

New asphalt manufacturing facilities are being constructed for Regina refinery and study is being made of the use for crude oil from the Lloydminster area for production of asphalt.

In order to meet the rapidly increasing requirements of trans-Atlantic air services your Company greatly enlarged its marine storage facilities at Lewisporte, Newfoundland, from which Gander airport is supplied by tank car. The new facilities include a dock capable of accommodating large ocean tankers and sufficient storage to provide for the season of closed navigation. Improved living quarters for refuelling crews and a new aircraft refuelling system were installed at Gander.

In line with your Company’s policy of developing new outlets for petroleum products, plans were completed to market bottled propane gas in selected districts in Ontario in 1947. Propane has proved an excellent fuel for household use and a great convenience in areas where the usual domestic supplies of gas are not available. Initially propane will be distributed from plants at Carleton Place, Maple and Stratford.

A substantial part of your Company’s motor equipment fleet was in need of replacement at the end of the war but it has been possible to obtain only a portion of the requirements. Accordingly, many vehicles which normally would have been replaced were continued in service. It is hoped that the supply situation will improve in 1947 and permit substantial progress in this replacement program.
MARINE DEPARTMENT

During 1946 slightly more than 24,000,000 barrels of crude oil and products were carried for your Company in ocean vessels. This was approximately 750,000 barrels less than in 1945. Because of delay in securing the four "T-2" type vessels of which purchase was indicated in the 1945 report, approximately 83 per cent of the ocean movement was in chartered ships.

On the Great Lakes approximately 16,800,000 barrels of crude oil and products were moved during 1946. This was an increase of more than 4,500,000 barrels over 1945 and was the largest volume ever moved on the Lakes for your Company. Sixty-six per cent of this movement was in Imperial's own ships. In addition to the ocean and Great Lakes movements approximately 6,000,000 barrels of products were moved on the East and West coasts making a total crude oil and product movement of approximately 47,000,000 barrels.

In March the "EMPIRE MALDON" was purchased from the British Ministry of War Transport. This vessel has a capacity of approximately 43,000 barrels and a speed of 12½ knots. She was renamed the "IMPERIAL HALIFAX" and placed in service in May. The four new "T-3" tankers already referred to will also be renamed in honour of provincial capitals. These vessels have over-all lengths of approximately 525 feet and beams of 68 feet. Their capacity is approximately 145,000 barrels and their deadweight tonnage 16,750. They have a speed of about 14½ knots and are of the most modern design.

Contracts were entered into with the Collingwood Shipyard Limited for construction of these new tankers. Two of these will be of canal size with a capacity of 94,000 barrels each.
and the third, with a capacity of approximately 55,000 barrels, will be the largest Canadian-owned tanker on the Great Lakes. It is expected that the two canal-size tankers will be completed about October, 1947, and the larger vessel will be operating in 1948.

Because they had reached a point where future operation was not considered advisable, three of your Company’s ocean-going tankers, the “VANCOLITE”, “ALBERTOLITE”, and “TRONTOLITE” were scrapped. Their total deadweight tonnage was 36,000.

Your Company’s lake vessels were tied up in the early summer for a period of approximately two weeks as an indirect result of a strike of Great Lakes seamen. The Company’s employees were not a party to the strike, but it was considered inadvisable to expose them to possible injury and the ships to damage in the face of disorders prevailing at some points on the inland waterways.

EMPLOYEES

The continued loyal and efficient services of more than 10,000 employees are again gratefully recorded and your directors were gratified by the splendid way in which the returning veterans readjusted themselves to civil occupations. Many of these veterans are now using, to their own and the Company’s benefit, new skills and knowledge acquired during the war.

Total enlistments of Imperial Oil employees in World War II were 2,249 and of these 76 gave up their lives. When the year ended
1,791 or 82 per cent of the remaining 2,173 employees had resumed work with the Company and only 98 remained to be reinstated. Of the 354 employees who did not exercise their reinstatement rights 63 per cent had been with the Company for less than one year prior to enlistment.

Your Company's five-point program for reinstatement of returning veterans was developed on terms more liberal than required by the Reinstatement in Civil Employment Act, 1942. It provided, in addition to reinstatement, rehabilitation as far as possible of physically handicapped veterans, education and training to facilitate readjustments to civil life, retention in so far as possible of employees engaged during the war and provision of employment to veterans who were not former employees. In addition to its own veterans the Company has employed 1,337 veterans who were not in its employ before the war. Of 10,579 employees of your Company and its Canadian subsidiaries, 2,589, or nearly one in every four, are veterans of World War II.

Continued progress was made in the development of employee representation plans and fifteen new Joint Councils of management and employees were established, bringing the total of these Joint Councils to 62. A number of Councils were set up on the lake vessels of the Marine Department.

With the certification in August of the United Oil Workers, Local No. 3, as the
**Comparison of Earnings**

<table>
<thead>
<tr>
<th></th>
<th>1945</th>
<th>1946</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>Per Share</td>
<td>Earnings</td>
</tr>
<tr>
<td>Operating Income (after income taxes) - From producing, transportation, refining and marketing operations of Imperial Oil Limited</td>
<td>$10,359,287.13</td>
<td>$10,947,107.04</td>
</tr>
<tr>
<td>Dividends (after income taxes) from Canadian subsidiaries, and income from miscellaneous sources</td>
<td>$28,260.28</td>
<td>5,936.57</td>
</tr>
<tr>
<td>Total operating and other Canadian income</td>
<td>$11,030,549.41</td>
<td>$11,233,043.61</td>
</tr>
<tr>
<td>Dividends (after income taxes) from subsidiary International Petroleum Company Limited</td>
<td>$3,556,036.48</td>
<td>$9,321,019.80</td>
</tr>
<tr>
<td>Total Net Profit after providing for all taxes</td>
<td>$15,586,585.89</td>
<td>$17,554,063.41</td>
</tr>
<tr>
<td>Provision for Depreciation and Depletion and for Canadian Taxes</td>
<td>$3,783,077.65</td>
<td>$4,325,715.84</td>
</tr>
</tbody>
</table>

**Footnotes:**
- Provisions for depreciation and depletion
  - Amount: $3,783,077.65
  - Per Share: $14.03
- Provision for taxes on income
  - Amount: $9,601,248.38
  - Per Share: $35.83

**Notes:**
- The overall length is 223 feet and the capacity approximately 145,000 barrels.
- "IMPERIAL QUEBEC" was the first of four "T-2" tankers purchased in 1946.

**Text:**

bargaining agency of 938 employees of Loco refinery, the Loco refinery joint Industrial Council dissolved and a contract was negotiated with the union representatives.

Several revisions of policy in respect of employee relations were affected during the year. Longer vacations with pay were negotiated with the Joint Councils through their representatives. A policy was established, effective January 1, 1947, granting to regular employees with one year of service two weeks' vacation with pay and to regular employees with 15 years of service three weeks' vacation with pay. This policy was liberalization of the previously prevailing policy whereby plant employees received one week's vacation with pay after one year of service and two weeks after three years. A policy was established whereby overtime pay was extended to certain salaried employees as had long been the practice for wage earners.

Through the various employee representation groups adjustments of wages and salaries of occupational employees were developed and put into effect and there were upward revisions of salary schedules. Salaries for supervisory personnel were also adjusted.

A training plan for occupational and supervisory employees was further developed.

Revisions of the Annuity and Thrift Plans, approved at the last annual meeting of shareholders, were well received by the employees. Approximately 98 per cent of all eligible employees are now participants in these plans. The increased benefits provided by the revisions were reflected by pensions paid to 113 employees who retired during the year. The total number of annuitants at the end of the year was 858.

An upward revision of the hospitalization plan to assist employees in meeting increasing costs.
costs of hospital care, and liberalization of the sickness and accident benefits plan were approved to become effective January 1st, 1947.

In November, Mr. K. A. Henderson, formerly Securities Advisor to the Bank of Canada, was appointed to the position of treasurer of your Company and was elected to the office of vice-president. Mr. Henderson has had long experience in investment banking and made an important contribution to the success of Canada's Victory Loans as executive chairman of the National War Finance Committee.

EARNINGS AND DIVIDENDS

After providing for all taxes on earnings and adjustment of inventory and contingent reserves, the income of your Company during 1946 was as follows:

From Canadian operations: 
$14,533,091.61 53.89¢ per share

Dividends received from International Petroleum Company Limited: 
2,793,020.80 10.36¢ per share

Total . . . $17,326,112.41 64.35¢ per share

During the war your Company set aside reserves for post-war contingencies. Included in these were reserves for fluctuations in inventory values, for post-war rehabilitation of employees in the armed services and for repairs to equipment which had been deferred because of shortages of labour and materials. As already noted, reinstatement of employees returning from the war was practically completed and progress was made in the deferred maintenance program as materials became available. Consequently, reserves for inventories and other contingencies were reduced by $1,476,309.74 and this amount was added to 1946 earnings.

During 1946, the sales volume increased by 9,599,066 barrels over 1945, and total sales of all products amounted to 39,497,780 barrels. Because of the larger sales of gasoline and other light products, the average realization for all products, after deducting freight and sales tax, was approximately one-half cent per gallon higher than in 1945.

While increased prices for crude oil were offset to some extent by reductions in transportation rates and exchange, the average cost of raw material was higher by 98/100 of one cent per gallon.

Operating expenses and taxes were increased by 9/100 of one cent per gallon and the net profit on all products rose from 80/100 of one cent per gallon in 1945 to 94/100 of one cent per gallon, an increase of 14/100 of one cent.

Charts of operating data will be found on Pages 4, 8, 9 and 10.

Dividends from the International Petroleum Company Limited were reduced from $1,00 per share to 50 cents per share. The chart on Page 6 indicates the ratio of International Petroleum dividends to your Company's total earnings during the past 15 years.

Your Company paid dividends of 95 cents per share on June 1st and December 31st, a total of 50 cents per share. The same amount was paid the previous year.
The financial position of your Company as of December 31, 1945, showed an increase in net working capital of $615,927.98, resulting in a net profit after tax of $733,537.92, a decrease of $152,827.99.

It was indicated in the annual report for the year 1945 that capital expenditures in the post-war years would be large and that the investment in plant would continue to increase in the years ahead. In 1946, the Company expended $3,500,000 in capital improvements, a substantial portion of which was required for the replacement of existing plant and equipment. This expenditure was a continuation of the policy of the Company to maintain and improve its facilities in order to meet the demands of the expanding economy.

An actuarial survey was completed of the life insurance business of the Company, and it was estimated that the Company's own resources were sufficient to meet all future liabilities without recourse.

In conclusion, the Company's financial position is strong and its future prospects are bright. The Company is well-positioned to meet the challenges of the post-war economy and is well-equipped to continue to grow and prosper.

Saskatoon, April 15, 1947.

H. H. Hewes, President.
ASSETS

CURRENT ASSETS:
Cash on hand and in banks: $9,269,039.92
Demand of Canada and other bonds at cost including accrued interest:
- Dominion of Canada bonds: $10,542,410.59
- Other bonds: 1,146,647.92 (Market Value $10,723,936.00)
Trade accounts and bills receivable (less reserves): 18,015,867.83
Other accounts receivable, including accrued interest on miscellaneous investments: 1,814,000.49
Inventories, determined and certified as to quantities and condition by responsible officers of the Company:
- Crude oil and refined products (on basis of cost, which was approximately the same as replacement value): $40,005,459.74
- Materials and supplies (at cost)... 5,300,436.47 45,305,896.21

MISCELLANEOUS, INVESTMENTS, DEFERRED ACCOUNTS RECEIVABLE, ETC.

Shares of other companies (at quoted market value $2,141,039.92): $1,998,681.98
Shares of other companies (at quoted market value), Deferred accounts receivable, mortgage and miscellaneous loans and advances (less reserves): 1,770,359.36

INVESTMENT IN SUBSIDIARY COMPANIES:

Investment in shares (less reserves): $45,005,048.15
Indebtedness of subsidiary companies: 1,976,499.35
Less amount in trade accounts and bills receivable 2,050,098.05

DEFERRED AND PREPAID CHARGES: 46,081,547.70

GOODWILL, PATENTS, COPYRIGHTS, TRADE MARKS AND LICENSES: 933,093.95

CAPITAL ASSETS:

Land, leases and wells, buildings, plant, transportation and other equipment (at cost): $148,874,181.57
Less: Reserve for depreciation and depletion: 94,012,537.52

$124,661,644.05

NOTE (1) The figures in all of the investment in shares of subsidiary companies are based on the above because these figures have not been affected by any reduction in the market values of the investments, which are based on the market quotations of such securities, except insofar as applicable to their losses.

LIABILITIES

CURRENT LIABILITIES:
Accounts payable: $16,032,928.77
Amount owing to subsidiary companies: 5,198,097.85
Reserve for taxes on income and other accrued taxes in Canada: 2,813,721.46
Less: Amount paid in the account of 1946 taxes on income: 4,500,000.00
5,313,721.46

$ 23,544,748.08

RESERVES:
For fire, marine and other insurance: $9,809,660.38
For employees' annuities: 7,765,352.55
For future shrinkage of inventory values: 6,702,000.00
For other contingencies: 1,302,988.47 22,571,461.40

CAPITAL AND SURPLUS:

Capital Stock:
Authorized—30,000,000 shares of no par value
Issued and outstanding: 26,766,028 shares $77,074,860.86
Capital Surplus:
Arising from revaluations (in 1915 and 1920) of investment in subsidiary company: 15,844,192.26
Earned Surplus, as per statement attached: 50,864,956.62 143,504,009.74

Approved on behalf of the Board:
H. H. Hewetson, Director
G. L. Stewart, Director

$192,660,288.72

NOTE (2) As at December 31, 1946, the Company had outstanding 280,000 debentures aggregating $10,000,000.
NOTE (3) The auditors' report is the shareholders' report on page 20 thereof.
### Imperial Oil Limited

**Statement of Surplus**

For the Year Ended December 31, 1946

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>Earned Surplus</th>
<th>Capital Surplus</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances at January 1, 1946</td>
<td>$44,039,789.06</td>
<td>$15,804,192.06</td>
<td>$59,880,981.94</td>
</tr>
<tr>
<td>Add—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount transferred from Reserve for replacement of tankers and credits applicable to prior years' taxes on income, less adjustment in respect of reserves for employees' annuities</td>
<td>2,418,563.53</td>
<td></td>
<td>2,418,563.53</td>
</tr>
<tr>
<td></td>
<td>$46,451,352.21</td>
<td>$15,804,192.06</td>
<td>$61,255,545.47</td>
</tr>
<tr>
<td>Add—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Profit for the year ended December 31, 1946</td>
<td>17,305,119.41</td>
<td></td>
<td>17,305,119.41</td>
</tr>
<tr>
<td></td>
<td>$63,767,665.60</td>
<td>$15,804,192.06</td>
<td>$79,571,857.89</td>
</tr>
<tr>
<td>Deduct—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>13,482,539.00</td>
<td></td>
<td>13,482,539.00</td>
</tr>
<tr>
<td></td>
<td>$50,284,985.69</td>
<td>$15,804,192.06</td>
<td>$66,089,177.88</td>
</tr>
<tr>
<td>Balance at December 31, 1946, carried to Balance Sheet</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PARTICULARS OF INCOME</th>
<th>Before Provision for Canadian Taxes on Income</th>
<th>Provision for Canadian Taxes on Income</th>
<th>Net Income</th>
<th>Cents per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income from producing, transporting, refining and marketing operations of Imperial Oil Limited, after deducting all selling, administrative and general expenses and after adding the amount of $1,476,569.74 by which the reserves for post-war contingencies and future shrinkage of inventory values were reduced during the year</td>
<td>$25,501,110.07</td>
<td></td>
<td>$21,165,394.23</td>
<td>$8,215,715.87</td>
</tr>
<tr>
<td>Less: Provision for depreciation and depletion</td>
<td>4,335,719.84</td>
<td></td>
<td>$8,215,715.87</td>
<td>48.01¢</td>
</tr>
<tr>
<td>Other Income: Dividends from Canadian subsidiaries, and other companies, interest on bonds, and other miscellaneous income</td>
<td>2,437,746.84</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Provision for losses of Canadian subsidiaries, interest on annuity reserves and other miscellaneous interest and charges</td>
<td>774,016.41</td>
<td></td>
<td>1,845,988.43</td>
<td></td>
</tr>
<tr>
<td>Other Dividends: From subsidiary, International Petroleum Company Limited</td>
<td>4,364,995.00</td>
<td></td>
<td>4,539,011.61</td>
<td>53.89¢</td>
</tr>
<tr>
<td></td>
<td>$57,193,219.66</td>
<td></td>
<td>$9,867,107.25</td>
<td></td>
</tr>
</tbody>
</table>

**Net Profit for the Year Carried to Earned Surplus**

$17,305,119.41 64.00¢

**NOTE**: The total items disclosed in the above statement are in respect of principal and executive officers, including officers paid in Canada, $4,864,156.33, in addition, officer's pay received, $1,151.11, was charged to General Accounting for the year 1946.

**NOTE**: The company's assessment of the aggregate net profits of subsidiaries for the year 1946 resulted in a dividends received tax of $1,858,924.57. The other dividends, $1,845,988.43, were charged to General Accounting for the year 1946.
AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders
of Imperial Oil Limited:

We have examined the balance sheet of Imperial Oil Limited as at December 31, 1946, and the related statements of profit and loss and surplus for the fiscal year then ended, and have obtained all the information and explanations which were necessary. Whilst we did not make a detailed audit of the transactions for the year, our examination was carried out in accordance with generally accepted auditing standards applicable in the circumstances, and included such tests of the accounting records and of other supporting evidence and such other procedures as we considered necessary.

In accordance with section 114 of The Companies Act, we report that in the case of such subsidiary companies as incurred losses up to December 31, 1946, 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, the Company’s proportion of the aggregate net profits of such subsidiary companies for the year 1946, exceeded the dividends received in 1946 by $1,294,085 39 after deducting from such excess the income taxes (at present rates) which would be payable by Imperial Oil Limited at distribution.

We report that, in our opinion, the attached balance sheet and statements of profit and loss and surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of Imperial Oil Limited as at December 31, 1946, and the results of operations for the year ending that date, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

PRICE, WATERHOUSE & CO.
Chartered Accountants.

Toronto, Ont.
March 27, 1947.
A GEOLOGICAL PARTY EXPLORING IN THE FOOTHILLS OF ALBERTA

“IMPERIAL HALIFAX” FIRST OF FIVE NEW TANKERS ACQUIRED IN 1946