I M P E R I A L  O I L  L I M I T E D

HEAD OFFICE: SARNIA, ONTARIO • EXECUTIVE OFFICES: TORONTO, ONTARIO

directors
C. E. CARSON  J. A. COGAN  J. W. HAMILTON  J. K. JAMIESON
W. D. C. MACKENZIE  G. L. MACPHERSON  T. F. MOORE
E. S. NEAL  W. O. TWAITS  J. R. WHITE

officers
J. R. WHITE, President  W. O. TWAITS, Executive Vice-President
Vice-President: J. K. JAMIESON  T. F. MOORE
COLIN D. CRITCHTON, General Secretary  J. H. SPENCE, Comptroller  D. W. McGIBBON, Treasurer

J. F. BAILLIE, General Counsel

transfer offices
IMPERIAL OIL LIMITED, M. L. HUBBARD HOUSE, EDMONTON, ALBERTA
MONTREAL TRUST COMPANY, 35 PLACE D'ARMES, MONTREAL, QUEBEC
BANKERS TRUST COMPANY, 40 WALL STREET, NEW YORK, N.Y.

exploration and production
Western Regional Office:
CALGARY, ALBERTA
Division Offices:
EDMONTON, ALBERTA  REGINA, SASKATCHEWAN  LONDON, ONTARIO

manufacturing
Refineries:
ROO, BRITISH COLUMBIA  CALGARY, ALBERTA  EDMONTON, ALBERTA
REGINA, SASKATCHEWAN  WINNIPEG, MANITOBA  SARNIA, ONTARIO
MONTREAL EAST, QUEBEC  HALIFAX, NOVA SCOTIA
NORMAN WELLS, NORTHWEST TERRITORIES

marketing
Divisional Marketing Head Offices:
VANCOUVER, BRITISH COLUMBIA  EDMONTON, ALBERTA  REGINA, SASKATCHEWAN
WINNIPEG, MANITOBA  LEAMISIDE, ONTARIO  MONTREAL, QUEBEC
HALIFAX, NOVA SCOTIA  ST. JOHN'S, NEWFOUNDLAND

MARKETING BRANCHES THROUGHOUT CANADA

annual report for the fiscal year ended December 31, 1955
**Imperial's 1955 Performance**

<table>
<thead>
<tr>
<th>Description</th>
<th>Millions</th>
<th>Increase Over 1954</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROSS INCOME from operations</td>
<td>5700</td>
<td>14%</td>
</tr>
<tr>
<td>NET EARNINGS after all charges</td>
<td>$62</td>
<td>25%</td>
</tr>
<tr>
<td>DIVIDENDS paid shareholders—98¢ per share</td>
<td>$28</td>
<td>3¢ per share</td>
</tr>
<tr>
<td>SALES OF PETROLEUM PRODUCTS</td>
<td>91</td>
<td>13%</td>
</tr>
<tr>
<td>CRUDE OIL RUN THROUGH REFINERIES Bbls. (239,000 Bbls. per day)</td>
<td>87</td>
<td>12%</td>
</tr>
<tr>
<td>CRUDE OIL PRODUCED—Gross. Bbls. (108,000 Bbls. per day)</td>
<td>39</td>
<td>12%</td>
</tr>
<tr>
<td>—Net to Imperial, Bbls.</td>
<td>34</td>
<td>12%</td>
</tr>
<tr>
<td>TAXES charged against income</td>
<td>$73</td>
<td>$50</td>
</tr>
<tr>
<td>(Exclusive of $87 millions collected and remitted to Provincial Governments for road taxes levied by them at rates ranging from 9 to 17 cents per gallon)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAPITALIZED EXPENDITURES for replacements and expansion. (totalling $350 millions in the last five years)</td>
<td>$80</td>
<td>$6</td>
</tr>
<tr>
<td>PROVISIONS FOR DEPRECIATION of plants and equipment</td>
<td>$34</td>
<td>$4</td>
</tr>
</tbody>
</table>

**Annual Report to the Shareholders**

1955 was the best year in the history of the Canadian oil industry, and Imperial Oil Limited, maintaining its leadership, set new records in all phases of its business. Production, transportation, refining and sales were all at new high levels and resulted in earnings of $82,145,140, the highest income the Company has ever had.

1. The year was favorable in practically all respects. In the first quarter, business was gradually recovering from the mild recession of 1954. Then the economy picked up with extraordinary rapidity and by year-end was operating at near-capacity levels. National production of goods and services increased by 10 per cent. This was the largest year-to-year gain in the post-war period and raised the total national production to $76.6 billions.

2. The record prosperity was reflected in the demands for petroleum products. Requirements of industry for transportation and production, and of the consumer for travel and for his home, increased by 22,000,000 barrels, or 11 per cent, to an average of 620,000 barrels daily. This was the biggest increase ever recorded.

3. New petroleum consuming units contributed principally to this increase. More motor cars and oil furnaces were added to those already in use than in any other year. Although truck and tractor sales did not establish records they were considerably greater than in 1954. Demands for other types of petroleum consuming units reflected in varying degree the general economic growth.

4. It is to be remembered that practically all of the new units that went into use had only a partial year of operation, and so their full impact on consumption will not be felt until this year.

5. Almost all the increased demand for oil products was supplied from Canadian refineries whose capacity rose by 75,000 barrels daily. There was little change in the volume of imports.

6. Total crude oil production rose to an average of 355,000 barrels daily, an increase of 34,000,000 barrels over last year. This was equivalent to 57 per
percent of the total Canadian demand, as compared with 47 percent of the smaller requirements in the previous year. For the first time, exports to refineries in northwest and north-central United States were an important factor in Canadian crude production, representing nearly half of the production increase.

Transportation problems continued to engage attention as efforts went on to extend the markets for Canadian oil and gas. Additional facilities for the gathering and trunk-line movements of crude were provided and further expansions were planned for this year.

A new market for oil was reached with construction of a line branching from the Interprovincial pipe line at Clavellbrook, Sask., to the Minneapolis-St. Paul area. British Columbia refineries and two United States refineries in the Puget Sound area were processing western Canadian crude delivered through the Trans Mountain line from Edmonton. Construction of additional refineries on Puget Sound is reported to be under consideration.

Important progress in establishing markets for natural gas was made with the final approval of the Northwest Transmission pipe line which will carry gas to the lower mainland of British Columbia and on to the northwest Pacific States.

To maintain and strengthen its position in the industry Imperial Oil during the past five years has spent $485,000,000 for exploration and for plant and equipment. The cumulative effects of these outlays, and of the Company’s program for managerial and personnel development, are now being more fully reflected in increasing sales and larger earnings.

The anticipated demand for oil products will require continuing large expenditures of this kind. The Company plans to spend over $115,000,000 in 1956, about 10 percent more than in 1955.

Of considerable importance in the forward program is Imperial’s entry into the petrochemical field. The first step in this important and rapidly growing industry will be construction of a plant at Sarnia to make detergent alkylate, which is the principal basic ingredient of household and industrial detergents. The plant will be completed in 1957. It will be capable of supplying all the requirements of Canadian soap manufacturers.

Reviews of some of the Company’s principal departmental activities follow, beginning on page 13. The financial review and the usual financial statements, together with the auditors’ certificate, are presented on pages 22 to 31. A five-year summary of operating and financial results appears on page 32.

The directors appreciate the continued interest and support of the shareholders who numbered almost 44,000 at year-end. The loyal and effective work of the Company’s employees — more than 13,500 in number — is again a subject for grateful comment.

By Order of the Board,

Toronto, Ontario,
March 26, 1956

President.
"The Company's exploration program was again extensive and very successful." The picture shows helicopters operating on the Liard River in northwest British Columbia.

"A large construction program was completed at Montreal East refinery and brought the capacity of that plant to 65,000 barrels daily."
"Sarnia, Imperial's largest refinery.

"Employee training in the operation of new units."

"Construction of two additional units at Sarnia refinery was completed."

"A lubricating oil plant, the first in western Canada, was completed at Edmonton refinery."

"At Halifax, good progress was made in the major modernization program which will be completed by mid-year."
"A new engineering building" at Sarnia.

"All Imperial Oil pipe lines operate at substantially higher levels."

"There was continued progress in developing new products and processes, and improving existing ones."

An "electronic brain" at Calgary.
The Company produced 38,453,641 barrels of crude oil, an average of 108,091 barrels per day. This was an increase of 12 per cent over 1954 production. Net production after payment of royalties was 34,061,565 barrels.

Total sales of natural gas from eastern and western Canada operations were approximately 18 billion cubic feet. In addition, approximately 600,000 barrels of natural gas liquids were sold from conservation operations in the Leduc area of Alberta.

Development drilling was conducted throughout the Prairie Provinces and in Ontario. At the end of the year, the Company had 1,853 oil wells and 152 gas wells capable of production. They are located in eighty-two fields in western Canada and Ontario. During the year, 164 wells were drilled, resulting in 139 oil wells, eleven gas wells and fourteen dry holes. The principal areas under development were Penn-Big Valley, Acheson, Joffre, Red Deer and Buck Creek in Alberta; Eureka, Alida, Nottingham, Hastings and Steele in Saskatchewan; and Virden-Dalv in Manitoba.

At Leduc, the Company took a major part in organizing and effecting a water-injection project in the D-3 reservoir. It is designed to increase the producing rate of the wells and ultimate recovery of crude oil from the field.

Expenditures for Exploration and Development

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>50</td>
</tr>
<tr>
<td>1952</td>
<td>55</td>
</tr>
<tr>
<td>1953</td>
<td>60</td>
</tr>
<tr>
<td>1954</td>
<td>65</td>
</tr>
<tr>
<td>1955</td>
<td>55</td>
</tr>
</tbody>
</table>

"An important phase of the program to keep pace with the rapidly expanding retail markets is the standardization of design of retail outlets."

"Distribution facilities were further extended and improved."

New packaging plant at Sunrise.
A decision was reached to build a conservation plant in the Redwater field which will process natural gas released from the crude oil. A similar plant has been in operation in the Leduc area since 1956. The new plant is scheduled for completion late in 1956 after which dry gas and natural gas liquids such as propane and butane will be produced.

The Company's exploration program was again extensive and very successful. In western Canada, work was done in all four provinces. In eastern Canada, work continued actively in Ontario and in the St. Lawrence lowlands of Quebec. In addition, an exploration permit was obtained in Prince Edward Island where some exploratory work was done towards the end of the year. The Company land holdings by means of reservations, permits, options and leases were about 33,000,000 acres at the end of the year.

A large program of exploratory drilling was carried out. In western Canada, fifty-one net exploratory holes were drilled, and thirty-seven relatively shallow holes were drilled in Ontario. In December, two wells, scheduled for 12,000-foot depths, were spudded in the Fort St. John area of British Columbia on lands in which an interest is being earned from Pacific Petroleum and Associates. A large amount of seismic work preceded this drilling.

In western Canada, nine new oil fields and one gas field were found; in Ontario, one new gas field. In addition, the Company expects to benefit from more than twenty oil and/or gas discoveries made by others in close proximity to its leases. In central Alberta, the Company made light oil discoveries at Burbank, Clive North and Anchen. The Burbank discoveries may be a long extension of the Joffre-Red Deer field, the oil is in the Viking sand of Cretaceous age at a depth of about 5,100 feet. In northeastern British Columbia, gas discoveries were made in partnership with others at Dog River and Paddy. There were numerous successes in southeastern Saskatchewan. In addition to several field extensions, important oil discoveries were made at Hastings and Ingoldby.

In transportation:

All Imperial Oil pipeline interests operated at substantially higher levels. Average daily barrels delivered through wholly-owned systems were as follows:

<table>
<thead>
<tr>
<th></th>
<th>1955</th>
<th>1954</th>
<th>Per cent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imperial Pipe Line (gathering system)</td>
<td>145,361</td>
<td>134,728</td>
<td>8</td>
</tr>
<tr>
<td>Winnipeg Pipe Line (crude trunk line)</td>
<td>18,284</td>
<td>16,276</td>
<td>12</td>
</tr>
<tr>
<td>Sarnia Products Pipe Line (crude trunk line)</td>
<td>42,258</td>
<td>36,241</td>
<td>17</td>
</tr>
</tbody>
</table>

The following figures of deliveries have been provided by systems in which Imperial has minority interests:

<table>
<thead>
<tr>
<th></th>
<th>1955</th>
<th>1954</th>
<th>Per cent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portland-Montreal pipe line system (crude trunk line)</td>
<td>185,455</td>
<td>166,962</td>
<td>10</td>
</tr>
<tr>
<td>Interprovincial Lightolene pipe line system (crude trunk line)</td>
<td>720,730</td>
<td>185,400</td>
<td>14</td>
</tr>
<tr>
<td>Trans Mountain Oil Pipe Line (crude trunk line)</td>
<td>83,482</td>
<td>39,787</td>
<td>111</td>
</tr>
</tbody>
</table>

While no major expansion projects were undertaken by the Company's pipe line interests, there were a number of capacity increases and extensions of plant facilities.

The Imperial Pipe Line gathering system was extended thirteen miles to serve the Fairview and Peavy fields north of Edmonton. Winnipeg Pipe Line raised its capacity from 24,000 barrels daily to 29,000 barrels daily by installing additional pumping capacity at the Gretna station. Sarnia Products Pipe Line built a second delivery terminal in the Toronto area.

The capacity of the Portland-Montreal pipe line system was increased from 189,000 to 209,000 barrels daily by addition of four intermediate pump stations on the 12-inch line. Trans Mountain pipe line added 36.5 miles of 20-inch and 16-inch pipe to their spur line into the State of Washington, and in August began delivery of Canadian crude to a new refinery at Anacortes.

Imperial Oil Limited participated with other crude oil producing companies in establishing two gathering systems in western Canada.
In June the Peace River Oil Pipe Line Company Limited began construction of a 37-mile gathering system and a 107-mile, 16-inch and 12-inch trunk line to the Trans Mountain station at Edson. The system will go into operation this year.

The Westport Pipe Line Company was organized to construct a gathering system in various southeastern Saskatchewan oil fields, and to link it by a 100-mile, 12-inch trunk line with the Interprovincial station at Cramar. Construction of the trunk line was begun early in November but because of severe winter conditions was postponed until this spring.

Marine

During the year the Company moved 88,000,000 barrels of crude oil and products in its own and chartered vessels.

Of this, 61,000,000 barrels were carried in ocean transportation, and 67 per cent was moved in vessels owned or long-time chartered by Imperial.

On the Great Lakes 15,500,000 barrels were moved, 80 per cent in the Company’s owned tonnage. In East and West Coast trade a total of 11,465,000 barrels was moved.

In June Imperial sold a tanker of 26,900 deadweight tons. To replace it an order has been placed in Japan for a supertanker of 35,550 deadweight tons which is to be delivered early in 1957.

At year-end the Company owned fourteen lake and coastal ships with an aggregate tonnage of 28,780 deadweight tons, and two ocean vessels totalling 32,965 deadweight tons.

Rail Transport

Tank car movements of crude oil and products totalled 41,415,630 barrels. They involved 197,308 carload shipments and railroad freight charges of $37,701,807.

New peak requirements for tank cars were reached in September when 6,274 cars were in operation. In July six tank cars were moved by boat to Seven Islands and have since been in use on the Quebec North Shore and Labrador Railroad, serving primarily the new mining area at Kish Lake.

The arranging of Agreed Charges has been simplified by new legislation under the Transport Act. This followed a study and report by The Honorable Mr. W. F. A. Tague who was appointed a Royal Commissioner and held hearings throughout Canada at which representations were made by railroads, trucking interests, Chambers of Commerce, Boards of Trade and shippers.

Manufacturing

The Company’s nine refineries processed 37,284,968 barrels of crude oil during 1955. This was equivalent to 239,137 barrels daily and established a new record, being 12 per cent more than in 1954. The Canadian crude content averaged 160,002 barrels daily or 47 per cent of the total.

Programs for expansion of facilities and construction of new units were actively pursued at several of the refineries. At Matlock good progress was made in the major modernization program which will be completed by mid-year.

A large construction program was completed at Montreal East refinery in March and brought the capacity of that plant to 65,000 barrels daily. Plans were completed for construction of catalytic reformer at a further cost of $5,000,000. Its construction will begin this summer and completion is expected early in 1957.

Construction was begun at Sarmia, Imperial’s largest refinery, of catalytic reformer with a daily capacity of 13,500 barrels. It will displace thermal reforming units of 10,000-barrel capacity and is scheduled for completion this fall. A new engineering building and a new inspection laboratory were built and are now in service.

A new plant which will cost approximately $4,500,000 will be built to produce, in addition to a full line of commercial waxes, a new kind of petroleum wax that has been developed by the Company after several years of research. This plant is scheduled for completion early in 1957.

A lubricating oil plant, the first in western Canada, was completed at Edmonton refinery and began operations in November. It will be able to supply the bulk of western Canada requirements for lubricating oils.

Construction of two additional units at Leduc refinery was completed. These are a catalytic polymerization unit which converts gases to high-grade gasoline, and a naphtha fractionating unit which affords maximum flexibility to meet West Coast requirements.

Refinery Throughput

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Crude</th>
<th>Canadian Crude</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>70,000</td>
<td>50,000</td>
</tr>
<tr>
<td>1952</td>
<td>75,000</td>
<td>60,000</td>
</tr>
<tr>
<td>1953</td>
<td>80,000</td>
<td>65,000</td>
</tr>
<tr>
<td>1954</td>
<td>85,000</td>
<td>70,000</td>
</tr>
<tr>
<td>1955</td>
<td>90,000</td>
<td>75,000</td>
</tr>
</tbody>
</table>

16
The rapid increase in Canadian consumption of petroleum products has attracted a great deal of new capital to the industry, but despite more intense competition Imperial has maintained its position and its 1955 sales were 13 per cent above the previous record level of 1954.

Distribution facilities were further extended and improved. A new bulk plant was built at Burnaby, B.C., and will be supplied by a products pipe line from the refinery. The line is six miles long. It runs for 4,000 feet under Burrard Inlet at the end of Vancouver Harbour.

Further substantial progress was made in establishing new bulk plant facilities to provide improved service to farming communities in western Canada.

Major rehabilitation projects were undertaken at three of the larger marine terminals: Charlottetown, P.E.I., Walee Cove, P.Q., and Curling, N.B.

An important phase of the program to keep pace with the rapidly expanding retail markets is the standardization of design of retail outlets. Dealers are encouraged, through financing, to develop their own premises in conformity with an established pattern so that they may be readily recognizable as part of Imperial's nation-wide distribution system.

There was continued research work in the field of product development. A new lubricating oil, Minterube, was introduced to meet requirements for a high-quality non-detergent oil. The quality of Minterube was further improved in conformity with military specifications and Exxube was further developed to meet the exacting heavy-duty requirements of industrial and diesel engine use. Several new industrial lubricants were introduced. These included a crankcase oil for diesel engines and a multi-purpose grease.

The anti-fouling gasoline Etsa Extra which was developed to prevent carburetor icing and gasoline freezing was further improved.

A program of studies of distribution and buying habits was continued, and new work on marketing research was undertaken, including a retail research study. By means of these projects, Imperial hopes to find even better ways to serve the motoring public.

A new program for training of marketing employees was launched. It will help to meet the increasing demand for trained manpower arising from the Company's growth in a highly competitive business.

The Company's research staff of approximately 150, and their facilities, are the largest in the Canadian oil industry, and 1955 was another very active year for their vital work. There was continued progress in developing new products and processes, and improving existing ones. As usual, a number of the projects were concerned with problems arising from conditions peculiar to Canada such, for instance, as wide climatic variations.
A new research laboratory was opened at Calgary in June. It is devoted to the exploration and production phases of Imperial's operations, and has such facilities as electronic calculation and a unique electronic reservoir analyser which predicts long-term behaviour of oil pools under various operating conditions. Both in the laboratory and in field operations, further study was made of "air drilling". In this new technique compressed air replaces mud as a circulating medium for carrying drill cuttings to the surface. Appreciable reductions in drilling costs are the objective of this work.

After several years of experiment, the Company's research laboratories at Sarnia succeeded in developing a petroleum wax with special qualities that are expected to promote new uses, as well as making it more effective in various established uses.

For several months, a convoy of nineteen identical motor cars was operated under careful scrutiny to secure practical data in connection with tentative and established specifications of motor fuels, oils and greases. The first full-scale test of its kind in Canada, it supplements the work carried on in the Research Department's engine laboratories.

Work progressed in developing satisfactory road and roofing asphalts from western Canadian crude, and there were a number of other instances of effective research.

**Employee Relations**

The purpose of the Company's employee relations program is to maintain a competent work force and high morale. To this end the various plans and programs affecting personnel are under continuous study in their relations to economic, technical and social developments, and are revised as changing conditions warrant. In this process the Joint Council system of employee representation continued to prove its worth. By agreements with employee representatives, and in line with prevailing trends, salaries and wages were again adjusted and these adjustments increased the payroll by approximately $2,000,000 yearly.

The Company's various benefit plans continued to assist employees and their dependents in meeting contingencies. These plans include Company-paid accident, sickness and survivor benefit schedules, Group life insurance, hospitalization and surgical benefit plans, and annuity and thrift plans were also provided with the Company sharing the cost with the employees.

Approximately 99 per cent of the employees participate in the annuity and thrift plans. These plans provide pensions based on earnings and years of service, and the thrift feature provides also for systematic savings which are supplemented by

**Executive Changes**

For reasons of health, Mr. F. G. Hall, Vice-President and Director, did not stand for re-election at the last annual meeting of shareholders and retired under the Company's annuity plan after 42 years of service. A new member of the Board was elected in the person of Mr. W. D. C. Mackenzie. Mr. Mackenzie has been with the Company for more than 20 years and has had an important role in the Western Canada oil developments.

At year-end Mr. G. L. Stewart, Chairman of the Board and Director, retired under the Company's annuity provisions after 32 years with the Company.

On January 3rd last, Mr. W. G. Twats, Vice-President, was appointed to the office of Executive Vice-President, and Mr. J. A. Cogan was elected to the Board of Directors.

Mr. Twats has been with Imperial since 1933. He has had wide experience in the manufacturing, producing and co-ordination and economics departments. He was elected a Director in 1950 and a Vice-President in 1952. Mr. Cogan, who is an authority on refining and on the economics of the oil industry, joined the Company in 1954 as an Assistant Manager in the manufacturing department.
FINANCIAL STATEMENTS for the year, with certain explanatory notes and the
auditors' report to shareholders, appear on pages 20 to 31. They include the
accounts of subsidiary companies, all of which are wholly-owned, and thus
reflect operations on a consolidated basis. Inventories are carried at costs
calculated on the first-in first-out method, with estimated unrealized profits
between the companies within the consolidated group being eliminated for this
purpose and in determining earnings for the year. The net inventory values are
materially lower than the aggregate of related current market values.

Earnings in 1955 reached a new record total of $62,145,140, equal to
$2.98 per share of outstanding capital stock, after providing for all charges including
government for depreciation of plants and equipment at the Company's normal
rates, and for estimated income taxes. These earnings compare with $49,382,385 or
$1.86 per share in 1954 and represent an increase of 25 per cent.

DIVIDENDS to shareholders were increased 5 cents per share to 95 cents with
the total disbursements amounting to $26,365,687.

INCOME AND EXPENSES compare with the previous year as follows:

\[
\begin{array}{c|cc}
\text{1955 Income} & \text{1954 Income} & \text{Increase (\%)} \\
\hline
\text{Income} & 570,572,343 & 564,349,468 & 14 \\
\text{Expenses, including depreciation} & 395,899,630 & 396,666,996 & 12 \\
\text{Earnings, before income taxes} & 174,672,713 & 167,682,472 & 23 \\
\text{Provisions for estimated income taxes} & 44,230,873 & 36,900,002 & 20 \\
\text{Earnings, after income taxes} & 130,441,840 & 130,782,470 & 25 \\
\end{array}
\]

The substantially higher Income and Expenses reflect increased operating
activities. Sales of Products at 91,280,933 barrels were up 15 per cent; net crude
oil production at 34,061,565 barrels was up 12 per cent, and crude oil processed
at Company refineries at 87,104,968 barrels was up 12 per cent.

DEPRECIATION provisions included in expenses charged against 1955 income
have been calculated, as has been the practice, at the Company's annual straight-line
rate on production basis rates which are estimated to be adequate to amortize
the costs over the useful life of the plants and equipment. Current provisions
totaling $33,074,046, up $3,920,687 over 1954, are in keeping with the continuing
heavy expenditures for new and advanced design plants and equipment.

Additional depreciation, estimated at $15,366,790, will be taken as capital cost
allowance in filing the 1955 Federal income tax return; such additional depreciation,
as explained in the "Notes to the Financial Statements", has not been included in
determining 1955 earnings.

TAXES provided and charged against 1955 income totalled $73,523,981,
comparing with 1954 as follows:

\[
\begin{array}{c|cc}
\text{1955} & \text{1954} \\
\hline
\text{Operating and sales taxes} & 55,205,398 & 52,671,875 \\
\text{Taxes on income} & 44,328,572 & 36,900,002 \\
\text{Total} & 99,533,970 & 89,571,877 \\
\end{array}
\]

The total tax bill for 1955 equals $2.46 per share of outstanding capital stock.

In addition, the Company collected and remitted to Provincial Governments
a total of $87,372,007 for road taxes levied by them at rates ranging from 9 to
17 cents per gallon.
ACCUMULATED INCOME TAX REDUCTIONS APPLICABLE TO FUTURE YEARS stand at $20,115,190 up $6,720,043 from 1934. The increase represents the deferral of tax related to further depreciation to be taken as capital cost allowance above the provision charged against income in filing 1935 Federal income tax returns.

SHAREHOLDERS' INVESTMENT increased from $14.37 per share of capital stock to $15.53 per share, and totals $463,865,230. The increase of $54,738,261 was composed of the portion of 1935 earnings that was retained for use in the business, plus the proceeds from the sales of 14,415 shares to employees under the Company's Stock Option Plan.

THE COMPANY USED FUNDS TO PAY FOR:

- Capital expenditures
- All taxes, except federal taxes collected for provinces
- Interest on and repayment of long-term debts
- Dividends to shareholders
- Addition to working funds

$511,247,151

THESE FUNDS CAME FROM:

- Sales of products and services
- Sales of investments
- Debentures issued
- Capital stock issued

$751,001,315

SALES OF PETROLEUM PRODUCTS
### Imperial Oil Limited and Subsidiary Companies
#### Consolidated Balance Sheet

<table>
<thead>
<tr>
<th>Assets</th>
<th>As at December 31</th>
<th>1955</th>
<th>1954</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT FUNDS AND INVENTORIES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash on hand and in banks</td>
<td>$ 7,328,982</td>
<td>$ 16,804,307</td>
<td></td>
</tr>
<tr>
<td>Government securities at the lower cost or market</td>
<td>28,703,281</td>
<td>4,033,318</td>
<td></td>
</tr>
<tr>
<td>Other marketable securities, at cost which is approximately market</td>
<td>28,445,376</td>
<td>965,093</td>
<td></td>
</tr>
<tr>
<td>Trade accounts receivable, less provision for doubtful accounts</td>
<td>64,075,391</td>
<td>70,924,454</td>
<td></td>
</tr>
<tr>
<td>Other accounts receivable</td>
<td>2,973,843</td>
<td>3,900,875</td>
<td></td>
</tr>
<tr>
<td>Prepaid taxes, insurance and rentals</td>
<td>2,642,443</td>
<td>2,591,023</td>
<td></td>
</tr>
<tr>
<td>Inventories, on basis of cost which was less than market</td>
<td>124,466,690</td>
<td>109,663,657</td>
<td></td>
</tr>
<tr>
<td>Crude oil and refined products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other merchantable</td>
<td>6,454,647</td>
<td>4,576,725</td>
<td></td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>(3,240,601)</td>
<td>12,730,491</td>
<td></td>
</tr>
<tr>
<td>Deferred funds</td>
<td>299,309,254</td>
<td>225,459,963</td>
<td></td>
</tr>
<tr>
<td>Mortgages and other deferred accounts receivable, less provision for doubtful accounts</td>
<td>8,152,155</td>
<td>9,809,833</td>
<td></td>
</tr>
<tr>
<td>INVESTMENT IN OTHER COMPANIES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and shares—without quoted market value</td>
<td>15,533,750</td>
<td>15,833,755</td>
<td></td>
</tr>
<tr>
<td>1954—$55,207,500</td>
<td>2,542,807</td>
<td>2,268,161</td>
<td></td>
</tr>
<tr>
<td>SPECIAL DEPOSITS (including deposits with provincial governments on petroleum acreage reservations)</td>
<td>968,911</td>
<td>1,521,322</td>
<td></td>
</tr>
<tr>
<td>Securities at the lower cost or market</td>
<td>176,735</td>
<td>269,901</td>
<td></td>
</tr>
<tr>
<td>INVESTMENT IN PLANT AND EQUIPMENT:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land, leases, wells, buildings, plant, transportation and other equipment, at cost</td>
<td>587,697,645</td>
<td>524,362,250</td>
<td></td>
</tr>
<tr>
<td>Less—accumulated depreciation, depletion and amortization</td>
<td>315,176,137</td>
<td>192,468,660</td>
<td></td>
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<tr>
<td>DEFERRED CHARGES:</td>
<td>372,521,508</td>
<td>331,893,590</td>
<td></td>
</tr>
<tr>
<td>Unamortized debt discount and expense</td>
<td>928,306</td>
<td>846,428</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>63,638</td>
<td>713,797</td>
<td></td>
</tr>
<tr>
<td>Approved on behalf of the Board:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Signature</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Name:</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Notes to the Financial Statements on pages 30 and 31 are an integral part of this statement.
IMPERIAL OIL LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31
1953 1954

INCOME:
From operations ........................................... $606,529,165 $611,427,381
From investment and other sources ....................... 3,746,178 3,122,232
700,275,343 614,549,613

EXPENSES:
Cost of crude oil, petroleum products and other merchandise purchased, including freight ........................................ 373,494,593 321,486,175
Exploration, operating and administrative expenses ........... 153,570,274 147,587,168
Taxes, other than income taxes .................................. 28,283,388 26,971,875
Depreciation, depletion and amortization ....................... 33,674,046 29,753,859
Interest and discount on long-term debts ...................... 3,160,886 1,595,493
Other interest charges ......................................... 880,443 972,426
593,809,630 528,066,996

EARNINGS before income taxes .................................. 106,465,713 86,482,617
Provision for estimated income taxes thereon .................. 44,120,574 36,900,032
EARNINGS after income taxes ................................... $ 62,345,139 $ 49,582,585

Per share ......................................................... $ 2.66 $ 1.66

CONSOLIDATED STATEMENT OF EARNINGS RETAINED AND USED IN THE BUSINESS
FOR THE YEAR ENDED DECEMBER 31, 1954

Balance at January 1 ............................................ $201,050,811
Add: Earnings after income taxes—$2.08 per share .................. 62,145,140
From sale of investments ....................................... 477,251
Deduct: Dividends paid—$ .95 per share .......................... 263,673,200
Balance at December 31 ....................................... $255,307,515

The Notes to the Financial Statements on pages 30 and 31 are an integral part of these statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders of
IMPERIAL OIL LIMITED:

We have examined the Consolidated Balance Sheet of Imperial Oil Limited and its subsidiary companies as at December 31, 1953 and the Consolidated Statements of Earnings and Earnings Retained and Used in the Business for the year ended on that date, and have obtained all the information and explanations which we required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying Consolidated Balance Sheet and related Consolidated Statements of Earnings and Earnings Retained and Used in the Business are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1953 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.

Price Waterhouse Co.
Chartered Accountants

TORONTO, March 13, 1956.
NOTES TO THE FINANCIAL STATEMENTS

CONTINGENCIES AND COMMITMENTS

Imperial Oil Limited has a throughput agreement with Interprovincial Pipe Line Company which extends until December 31, 1970. By the terms of another agreement provision is made that in the event Interprovincial is unable to meet, when due, the principal and interest requirements on its Series A and B first mortgage bonds outstanding at December 31, 1955 in the amounts of Canadian $33,710,000 and U.S. $32,236,000, Imperial is obligated to purchase from Interprovincial, at face value, unsecured subordinated promissory notes in an amount sufficient to provide the funds to meet its obligations, under the indenture instruments securing such bonds, as and when they become due. Imperial and four non-affiliated oil companies have arrangements of a similar nature with respect to the Portland-Montreal pipe line system, the commitment of Imperial extending to 36 per cent of certain obligations of such system which were outstanding at December 31, 1955 in the amounts of Canadian $625,000 and U.S. $9,799,833.

Imperial and five non-affiliated oil companies have each subscribed to deficiency agreements which provide that, should Trans Mountain Oil Pipe Line Company at any time have insufficient funds to meet its obligations in respect of principal and interest requirements on its Series A and B first mortgage bonds outstanding at December 31, 1955 in the amounts of Canadian $29,750,000 and U.S. $34,750,000 or for other corporate purposes, each of the oil companies is to provide an agreed-upon portion of the funds required. Imperial has also entered into similar agreements in respect of Series C first mortgage bonds of Trans Mountain outstanding at December 31, 1955 in the amount of U.S.$5,958,000. These agreements expire when the relative bonds have been paid in full and all applicable deficiency credits have been repaid. Imperial's portions of the commitments at December 31, 1955 are 43,510 per cent in respect of Series A and B bonds, and 50,876 per cent in respect of Series C bonds, but these will vary during the life of the agreements. Trans Mountain has advised that no deficiency existed as of December 31, 1955.

Rentals payable by the companies under agreements expiring more than three years from December 31, 1955 aggregate less than $750,000 annually.

There are outstanding guarantees of principal and interest on borrowings of other amounts to $6,142,000, chiefly for service stations and, to a lesser extent, employee housing.

Commitments of approximately $40,400,000 are outstanding against programmed capital expenditures for 1956 and subsequent years.

While Imperial Oil Limited and subsidiary companies are involved in litigation incident to the nature of their business, it is impossible to ascertain what, if any, payments will have to be made in respect of such litigation. However, such payments, if any, will not be materially important in relation to the total assets of the companies.

NOTES TO THE FINANCIAL STATEMENTS

LONG-TERM DOLTS

The Long-Term Debts of Imperial Oil Shipping Company Limited shown on the Consolidated Balance Sheet and totalling Canadian $2,128,338 represent Serial Notes maturing periodically February 1, 1957 to May 1, 1969. The notes are payable in U.S. dollars to a total of $2,151,135.

CAPITAL STOCK

Under the Incentive Stock Option Plan, options have been granted and are outstanding at December 31, 1955 for 219,736 shares at the market prices on the dates of option. At December 31, 1955 a total of 18,464 shares has been issued under the Plan.

DEPRECIATION, DEPLETION AND AMORTIZATION

CAPITAL COST ALLOWANCE

PROVISION FOR INCOME AND OTHER TAXES

It is the policy of the companies to provide for depreciation, depletion and amortization of investment in plant and equipment by charges to income over the estimated life of such assets by either the unit of production or straight-line method. The amount of income taxes charged in the Consolidated Statement of Earnings is based on the provisions for depreciation included therein without reference to additional capital cost allowances referred to below.

Regulations under the Federal Income Tax Act permit greater deductions for capital cost allowance in periods of heavy plant investment than the companies' normal depreciation provisions and these deductions result in substantial tax reductions in such periods.

The companies are taking advantage of the maximum deductions permitted for tax purposes and as a result income taxes payable in respect of the year 1955 are estimated at $37,600,510 whereas $46,320,573 was charged to income. The difference of $6,720,063 in taxes is applicable to future periods when capital cost allowances deductible for tax purposes will be less than the depreciation recorded in the accounts and is accordingly included in the Consolidated Balance Sheet under the heading "Accumulated income tax reductions applicable to future years". The accumulation for the years 1953 to 1955 inclusive amounts to $20,115,199.

In 1955 the Supreme Court of Canada ruled in favour of an appeal by an oil producing company as regards the method of calculating the allowances for depletion under the Income Tax Act and this decision indicates that Imperial Oil Limited is eligible for certain further allowances for depletion commencing with the year 1949. The year affected and the amounts involved have not yet been determined but it is expected that some rebate of tax will accrue to the Company in this connection.

SALARIES OF EXECUTIVE OFFICERS AND COUNSEL FEES

The total amount deducted in the Consolidated Statement of Earnings in respect of salaries and other remuneration paid to counsel, solicitors and executive officers, including all salaried directors, was $750,410 for 1955.
**IMPERIAL OIL LIMITED AND SUBSIDIARY COMPANIES**

**OPERATING AND FINANCIAL RESULTS — FIVE-YEAR SUMMARY**

<table>
<thead>
<tr>
<th></th>
<th>1955</th>
<th>1954</th>
<th>1953</th>
<th>1952</th>
<th>1951</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross* crude oil production</td>
<td>108,091</td>
<td>96,531</td>
<td>90,063</td>
<td>75,725</td>
<td>62,106</td>
</tr>
<tr>
<td>Net* crude oil production</td>
<td>93,319</td>
<td>83,634</td>
<td>77,831</td>
<td>65,345</td>
<td>54,798</td>
</tr>
<tr>
<td>Crude oil processed at refineries</td>
<td>239,137</td>
<td>214,383</td>
<td>204,320</td>
<td>191,412</td>
<td>184,522</td>
</tr>
<tr>
<td>Canadian crude processed, as a percentage of total</td>
<td>67</td>
<td>68</td>
<td>56</td>
<td>50</td>
<td>44</td>
</tr>
<tr>
<td>Crude oil and product importations</td>
<td>107,929</td>
<td>88,268</td>
<td>120,660</td>
<td>126,662</td>
<td>129,457</td>
</tr>
<tr>
<td>Product sales</td>
<td>250,085</td>
<td>217,932</td>
<td>212,224</td>
<td>206,891</td>
<td>196,648</td>
</tr>
<tr>
<td>Number of regular employees at year-end</td>
<td>13,696</td>
<td>13,370</td>
<td>13,564</td>
<td>13,543</td>
<td>13,276</td>
</tr>
</tbody>
</table>

**FINANCIAL:**

<table>
<thead>
<tr>
<th></th>
<th>1955</th>
<th>1954</th>
<th>1953</th>
<th>1952</th>
<th>1951</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross income</td>
<td>$700,275,343</td>
<td>614,549,613</td>
<td>605,594,275</td>
<td>551,555,447</td>
<td>504,786,955</td>
</tr>
<tr>
<td>Expenses</td>
<td>$593,809,630</td>
<td>526,066,996</td>
<td>523,712,849</td>
<td>479,816,379</td>
<td>440,260,198</td>
</tr>
<tr>
<td>Income taxes on earnings</td>
<td>$44,320,733</td>
<td>36,900,032</td>
<td>33,806,911</td>
<td>30,522,609</td>
<td>28,575,604</td>
</tr>
<tr>
<td>Earnings after income taxes</td>
<td>$ 62,145,140</td>
<td>49,582,585</td>
<td>47,344,515</td>
<td>41,196,499</td>
<td>35,951,153</td>
</tr>
<tr>
<td>Per share</td>
<td>$ 2.08</td>
<td>1.66</td>
<td>1.60</td>
<td>1.38</td>
<td>1.20</td>
</tr>
<tr>
<td>Percentage of earnings to gross income</td>
<td>8.87</td>
<td>8.07</td>
<td>7.92</td>
<td>7.47</td>
<td>7.12</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>$ 28,365,687</td>
<td>26,862,774</td>
<td>23,875,782</td>
<td>22,385,420</td>
<td>17,636,998</td>
</tr>
<tr>
<td>Per share</td>
<td>$ 0.95</td>
<td>0.90</td>
<td>0.80</td>
<td>0.75</td>
<td>0.65</td>
</tr>
<tr>
<td>Current funds and inventories</td>
<td>$399,309,254</td>
<td>225,459,963</td>
<td>234,118,936</td>
<td>232,967,973</td>
<td>232,874,923</td>
</tr>
<tr>
<td>Current debts</td>
<td>$ 91,696,836</td>
<td>67,682,008</td>
<td>67,950,571</td>
<td>65,036,935</td>
<td>55,265,960</td>
</tr>
<tr>
<td>Net current working funds and inventories</td>
<td>$207,612,418</td>
<td>157,777,865</td>
<td>166,168,365</td>
<td>167,930,038</td>
<td>170,608,963</td>
</tr>
<tr>
<td>Ratio of current funds and inventories to current debts</td>
<td>3.3</td>
<td>3.3</td>
<td>3.4</td>
<td>3.8</td>
<td>4.9</td>
</tr>
<tr>
<td>Property, plant and equipment less accumulated depreciation, depletion and amortization</td>
<td>$372,519,598</td>
<td>331,932,590</td>
<td>291,904,008</td>
<td>258,440,433</td>
<td>209,593,207</td>
</tr>
<tr>
<td>Capitalized expenditures for property, plant and equipment</td>
<td>$ 80,073,874</td>
<td>74,235,530</td>
<td>67,852,460</td>
<td>71,137,910</td>
<td>57,208,751</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>$ 96,628,338</td>
<td>48,986,227</td>
<td>50,919,099</td>
<td>53,422,878</td>
<td>55,808,725</td>
</tr>
<tr>
<td>Number of shares issued and outstanding</td>
<td>29,865,691</td>
<td>29,851,276</td>
<td>29,847,227</td>
<td>29,847,227</td>
<td>29,847,227</td>
</tr>
<tr>
<td>Number of shareholders</td>
<td>43,614</td>
<td>44,714</td>
<td>46,796</td>
<td>44,958</td>
<td>36,830</td>
</tr>
<tr>
<td>Shareholders' investment (book value)</td>
<td>$463,865,230</td>
<td>429,126,069</td>
<td>395,778,538</td>
<td>382,184,734</td>
<td>365,064,491</td>
</tr>
<tr>
<td>Per share</td>
<td>$ 15.53</td>
<td>14.37</td>
<td>12.26</td>
<td>12.80</td>
<td>12.23</td>
</tr>
</tbody>
</table>

*Gross Production includes, and Net Production excludes, royalties and all payments due others on Company’s share of production.