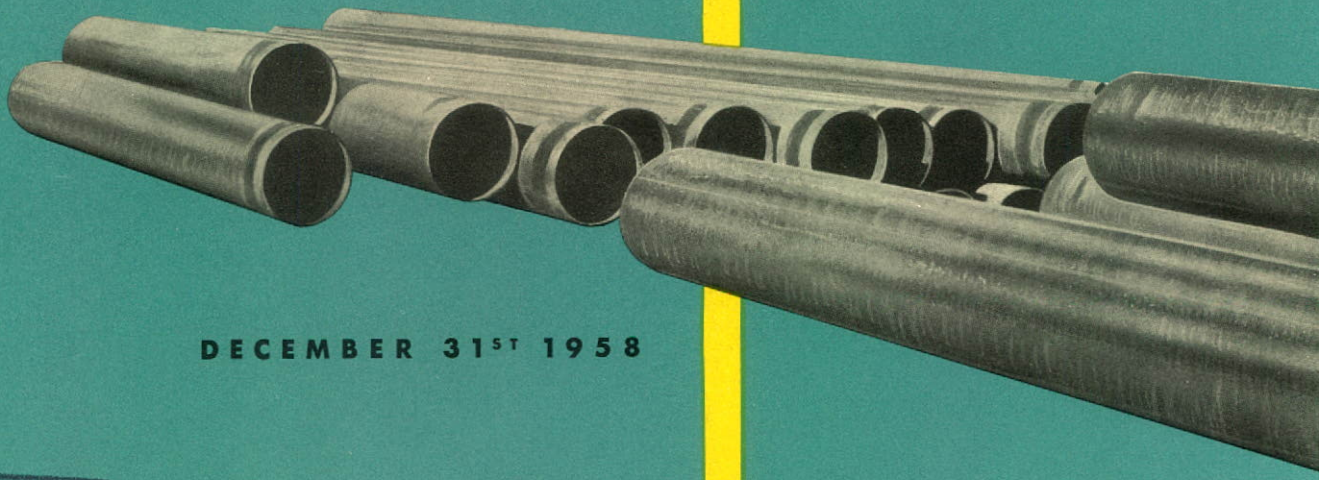


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Interprovincial Pipe Line Company

Annual  
report



DECEMBER 31<sup>ST</sup> 1958

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Interprovincial Pipe Line Company

# Interprovincial Pipe Line Company

## directors

C. E. Carson	J. W. Hamilton
T. S. Johnston	F. C. Lantz
E. D. Loughney	T. F. Moore
W. Harold Rea	R. H. Reid
D. R. Walker	

## officers

T. S. Johnston	- - - - -	President
D. R. Walker	- - - - -	Vice-President
C. E. Carson	- - - - -	Vice-President
W. A. Hare	- - - - -	Secretary
D. G. Waldon	- - - - -	Treasurer
J. M. Copeland	- - - - -	Comptroller and Assistant Secretary

## head office

10049 Jasper Avenue - - - - - EDMONTON, ALBERTA

## executive office

25 Adelaide Street West - - - - - TORONTO, ONTARIO

## transfer agents

The Royal Trust Company - - - - TORONTO, MONTREAL, HALIFAX, WINNIPEG,  
EDMONTON AND VANCOUVER

Chemical Corn Exchange Bank - - - - - NEW YORK

## registrars

Montreal Trust Company - - - - TORONTO, MONTREAL, HALIFAX, WINNIPEG,  
EDMONTON AND VANCOUVER

Bank of Montreal Trust Company - - - - - NEW YORK

# President's Letter

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1958 was Interprovincial's most successful year from the standpoint of earnings and crude oil transported. Net profit of \$12,688,000 was an increase of about \$3,000,000 over 1957 and for the first time in any twelve-month period in the Company's history more than one hundred million barrels of crude oil moved through the system. The planned pipe line and pump station construction program was carried out on schedule at a cost of \$11,200,000, all of which was derived from your Company's cash resources.

About 82 miles of large-diameter pipe were added to the system thus completing a double line from Edmonton to Superior, Wisconsin. Additional horsepower was added through the construction of two electric, remote-controlled pump stations and additional pumps and engines were installed at four of the existing diesel pump stations. The Sun Oil Company refinery at Sarnia and the new Cities Service refinery at Trafalgar, near Toronto, were connected to the system—thus transportation facilities now provide for larger quantities of Canadian crude moving into Ontario.

Your Company was vitally interested in and devoted considerable time to the Royal Commission on Energy which held public hearings in Calgary and Toronto, among other places. Particularly prominent in these hearings was the proposal that Canadian crude be made available in the Montreal market which historically has been served by foreign crude. Interprovincial submitted two Briefs to the Commission in which it took the position that if a pipe line were to be built, Interprovincial, as a pipe line transportation company, could construct such facilities at a lower cost and in a shorter time than any totally new or "grass roots" company. The ultimate cost was estimated to be over \$300 million.

For a project of this magnitude, additional financing would be necessary and could be satisfactorily arranged only on the basis of guaranteed throughputs from the shippers. Because Canadian crude is not competitive at Montreal with the laid-down price of foreign crude, the Montreal refiners quite naturally have expressed reluctance to assume any such obliga-

tion. These points were made abundantly clear at the Commission hearings.

The first report issued by the Commission which did not deal with the Montreal proposal, was received with considerable disappointment by the petroleum industry. The recommendations put forth were for the most part surprising, and if implemented by subsequent legislation, could place the industry under substantial bureaucratic control.

The Commission's report has several features which your Management feels are not only undesirable but completely unnecessary. It is our belief that the Board of Transport Commissioners for Canada has adequate powers to deal with the question of pipe line tariffs on a fair and equitable basis. It seems that the imposition of further burdens upon this group can only result in confused and cumbersome handling of very basic problems.

The question of a "fair return" as defined by the Commission we find to be vague and certainly misleading. To limit pipe lines to an undefined return on equity capital as contrasted to a return on total investment would go far in precluding public participation in future financing, so very vital for further expansion of pipe lines in Canada. It is to be hoped that when the recommendations made by the Borden Commission come before the Parliament of Canada, most

serious consideration will be given by that body to the unfavorable public reaction raised by the Commission's first report.

It is understood that the Commission's second report to be made public this Spring will deal with the problem of making Canadian crude available in Montreal.

The long-awaited decision of the Exchequer Court on your Company's income tax suit was received in late December. The Court found in favor of the Government on all counts. This decision was, of course, a great disappointment, however, your Management believes the Court erred on at least one basic point. The case is being appealed to the Supreme Court of Canada.

Interprovincial has modest construction plans for 1959. We believe there is need of additional horsepower at points along the pipe line system for which capital expenditures will be made in the order of \$3.7 million. The planned, stepwise expansion program which has been carried out over the past years has proved to be a most satisfactory method of providing transportation to a growing market, thus avoiding construction of facilities in advance of their need.

Management is glad of this opportunity to express its appreciation of the full and enthusiastic support given by all its employees throughout the year.

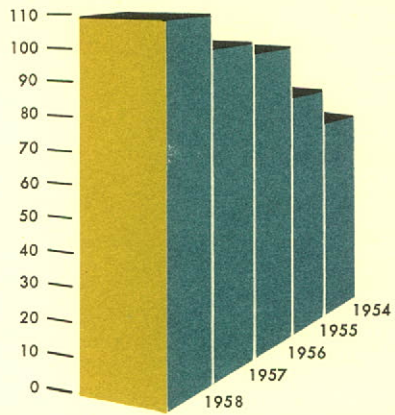


*President*



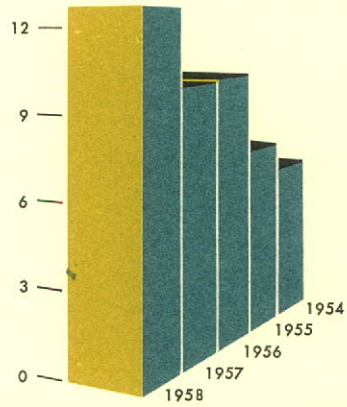
## CRUDE OIL DELIVERIES

MILLIONS OF BARRELS



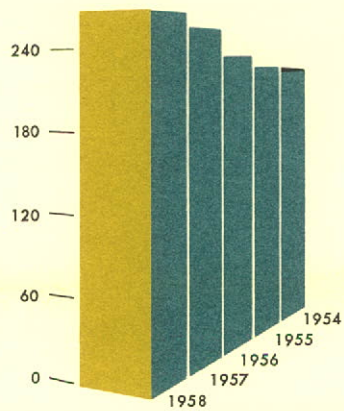
## EARNINGS

MILLIONS



## INVESTMENT

Plant & Equipment  
MILLIONS OF DOLLARS



## OPERATIONS

1958 provided the first full year of operation for the 156 mile extension from Sarnia to the Toronto area. Deliveries via the extension contributed materially to the record throughputs achieved during the year.

Approximately 9% more oil was received for transportation in 1958 than in 1957. In terms of barrel-miles, throughputs increased from 95 billion to 114 billion. The additional pipe line movement to refineries in the Toronto area more than offset the shorter haul on some movements resulting from increased receipts at Cromer, Manitoba. Approximately 41% of the oil tendered to Interprovincial in 1958 was produced in Saskatchewan and Manitoba as compared to 35% in 1957.

The first delivery through the newly constructed delivery line to the Sun Oil Company refinery at Sarnia was made in August 1958. Deliveries to the new Cities Service Oil Company Limited refinery in the Toronto area commenced in October. Deliveries by areas are shown below.

### DELIVERIES OF CRUDE OIL—MILLIONS OF BARRELS

	1958	1957
Western Canada - - -	29.5	33.7
Clearbrook, Minn. (for St. Paul) - - -	14.8	13.6
Superior area - - - -	5.2	5.4
For tankers at Superior	1.8	4.1
Michigan - - - - -	1.3	1.7
Sarnia - - - - -	41.4	37.9
Toronto - - - - -	15.5	3.5
	109.5	99.9

The completion of the second line between Edmonton and Superior has in many ways greatly facilitated pipe line operations. Eight different types of crude oil are currently being transported in the system.

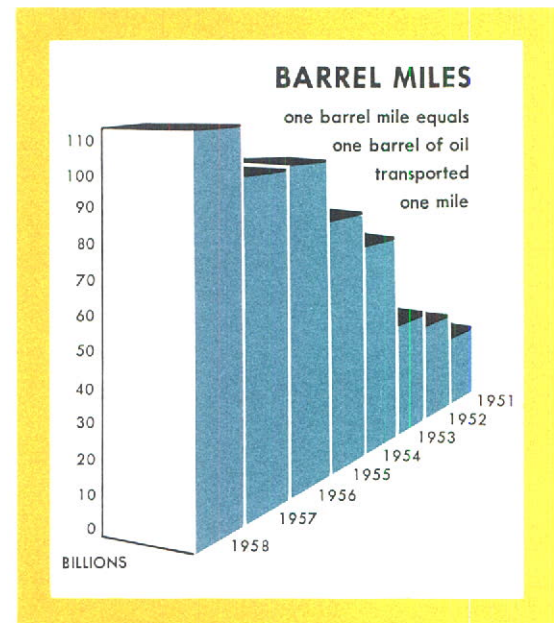
Greater volumes of medium gravity crude oils (under 30° gravity) are now being transported which, because of their more viscous characteristics, reduce the effective capacity of the system.

## CONSTRUCTION

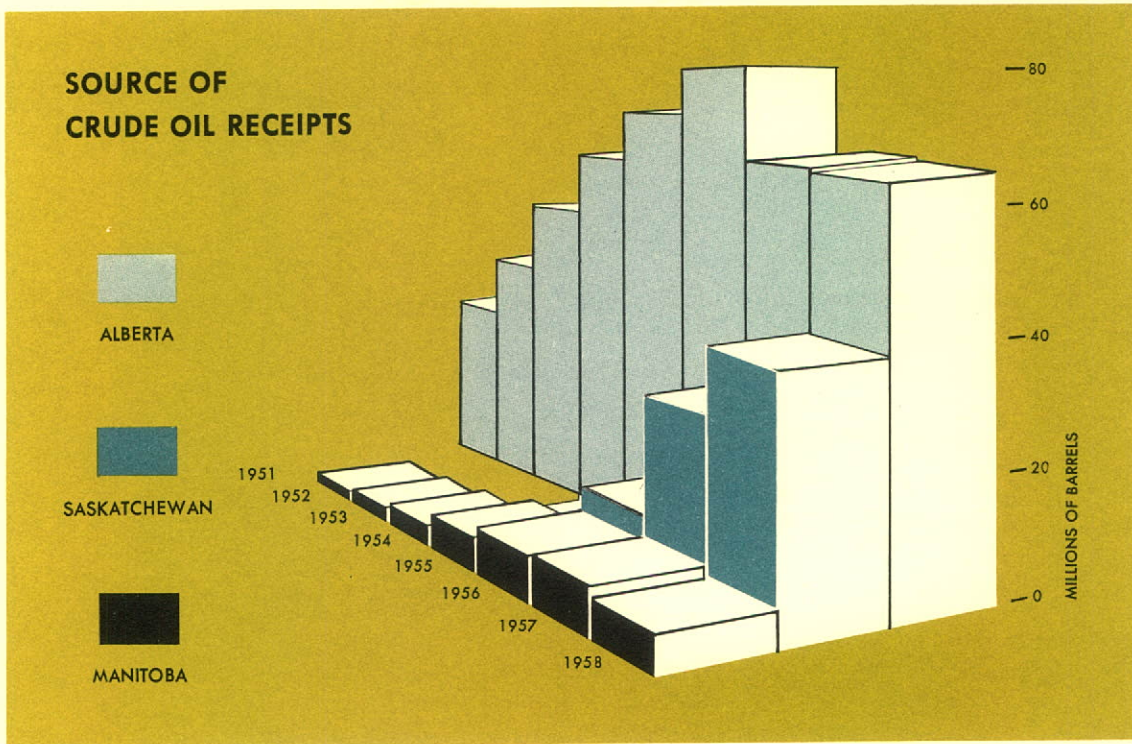
Between Edmonton and Regina, 82 miles of 24-inch diameter pipe were installed in four loops. This construction completed the second major diameter line which parallels the first pipe line between Edmonton and Superior.

Additional power was installed at four pump stations between Regina and Gretna. At each of these locations one 2,040 horsepower diesel pumping unit was added. Stations located at Regina, Cromer and Glenboro are now fully expanded, each having 11,760 installed horsepower. Glenavon station, also on the Regina-Gretna line section, was expanded to 9,720 horsepower. Provisions have been made to further expand this station when the need arises.

On the 30-inch diameter pipe line between Superior and Sarnia, two pump stations were completed. The Gould City station, which has







4,400 installed horsepower, was accepted as ready for operation during September. The pump station at Bay City was successfully tested during December. At this latter site, four pumping units totalling 6,150 horsepower have been installed. Both Gould City and Bay City are remotely controlled electric pumping stations. Personnel at Superior, Wisconsin will start and stop the equipment at these distant locations in accordance with the daily operational requirements.

At Sarnia, the Sun Oil Company refinery was connected to our system by the installation of 1.2 miles of 24-inch diameter pipe. Construction of this delivery line was completed during August. In the Clarkson-Port Credit area, 2.2 miles of 16-inch diameter pipe were laid from the 20-inch main line to Cities Service Oil Company's new refinery at Trafalgar.

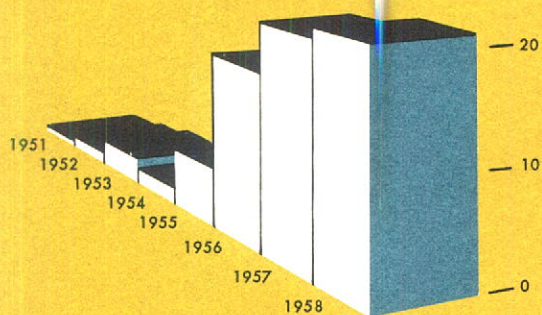
To measure the volume of crude oil received from other pipe lines that deliver oil to Interpro-

vincial at Cromer, positive displacement meters have been installed at the Cromer tank farm. The installation was completed late in the year and the work of calibrating and proving meter accuracy is now in progress. When the installation is accepted as operational—estimated to be early in 1959—the cost of transferring custody of crude oil will be reduced. Although present manual tank gauging work will be decreased, the major saving will be in the form of better utilization of existing crude oil storage tanks and ultimately a saving in the number of necessary storage tanks. Additional meter installations are planned at other tank farm locations as soon as the need arises.

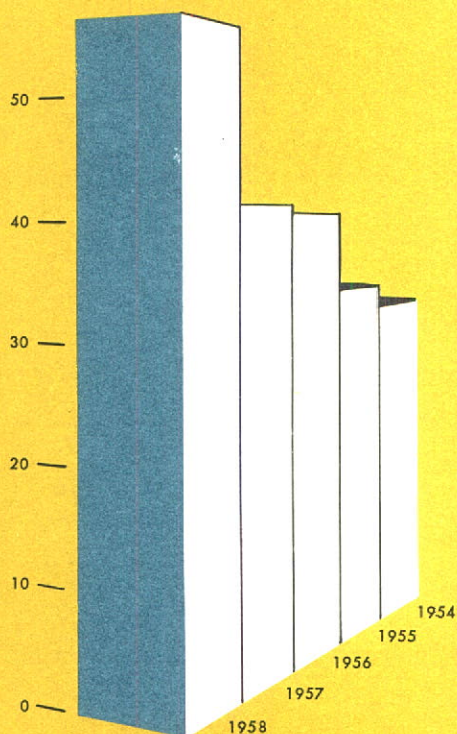
Construction in past years has provided ample cross-country pipe line facilities to meet forecasted requirements through 1960. Capital expenditures during 1959 therefore will be modest and utilized mainly for increasing station pumping power. The total 1959 physical capital budget

# CRUDE OIL DELIVERIES

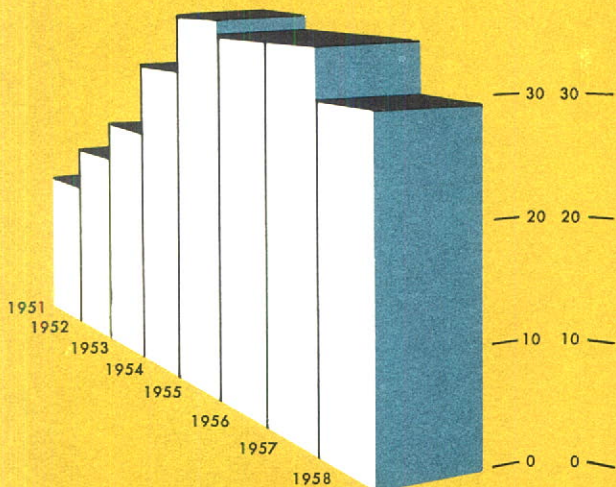
MILLIONS OF BARRELS



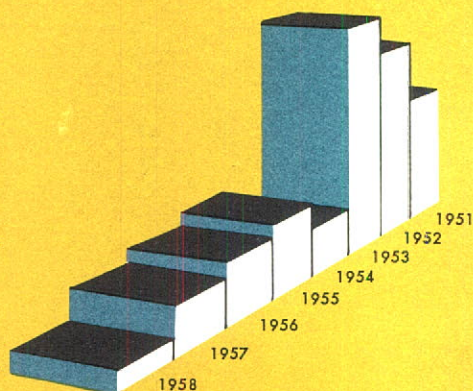
UNITED STATES



EASTERN CANADA



WESTERN CANADA



FOR TANKERS

is expected to amount to about \$3,682,000, the major item being the construction of one new pump station at Iron River, Michigan, similar to other remotely controlled electric pump stations on the Superior-Sarnia section of the system. When completed, the station will further increase capacity between Superior and Sarnia from 258,000 barrels per day to approximately 300,000 barrels per day. It is also planned to enlarge the Edmonton station by installing electric pumping units. The additions will increase the Edmonton-Regina capacity from 275,000 to 290,000 barrels per day.

## FINANCIAL

The financial statements that follow include the accounts of Interprovincial Pipe Line Company and its wholly owned subsidiary, Lakehead Pipe Line Company, Inc. Interprovincial owns and operates the pipe line facilities located in Canada with Lakehead owning and operating the facilities in the United States. Both companies are engaged exclusively in the transportation of crude petroleum at established tariffs. Tariffs remained unchanged during 1958.

### EARNINGS AND DIVIDENDS

After deducting all expenses, providing for normal income taxes and appropriating \$408,000 to cover income taxes that are in dispute, consolidated net income for 1958 amounted to \$12,687,749 equivalent to \$2.51 per share. The corresponding figure for 1957 was \$9,544,661 or \$1.89 per share.

The income taxes in dispute are the additional taxes that the Company will be required to pay if the Supreme Court of Canada, upon appeal, upholds assessments handed down by the Canadian income tax authorities.

Dividends totalling \$1.80 per share were paid in 1958 at the rate of 70¢ per share on March 1 and

September 2 and an extra dividend of 40¢ per share on December 1. With the payment of the extra dividend, the Company announced its intention of commencing quarterly dividend payments in 1959.

### INCOME AND EXPENSES

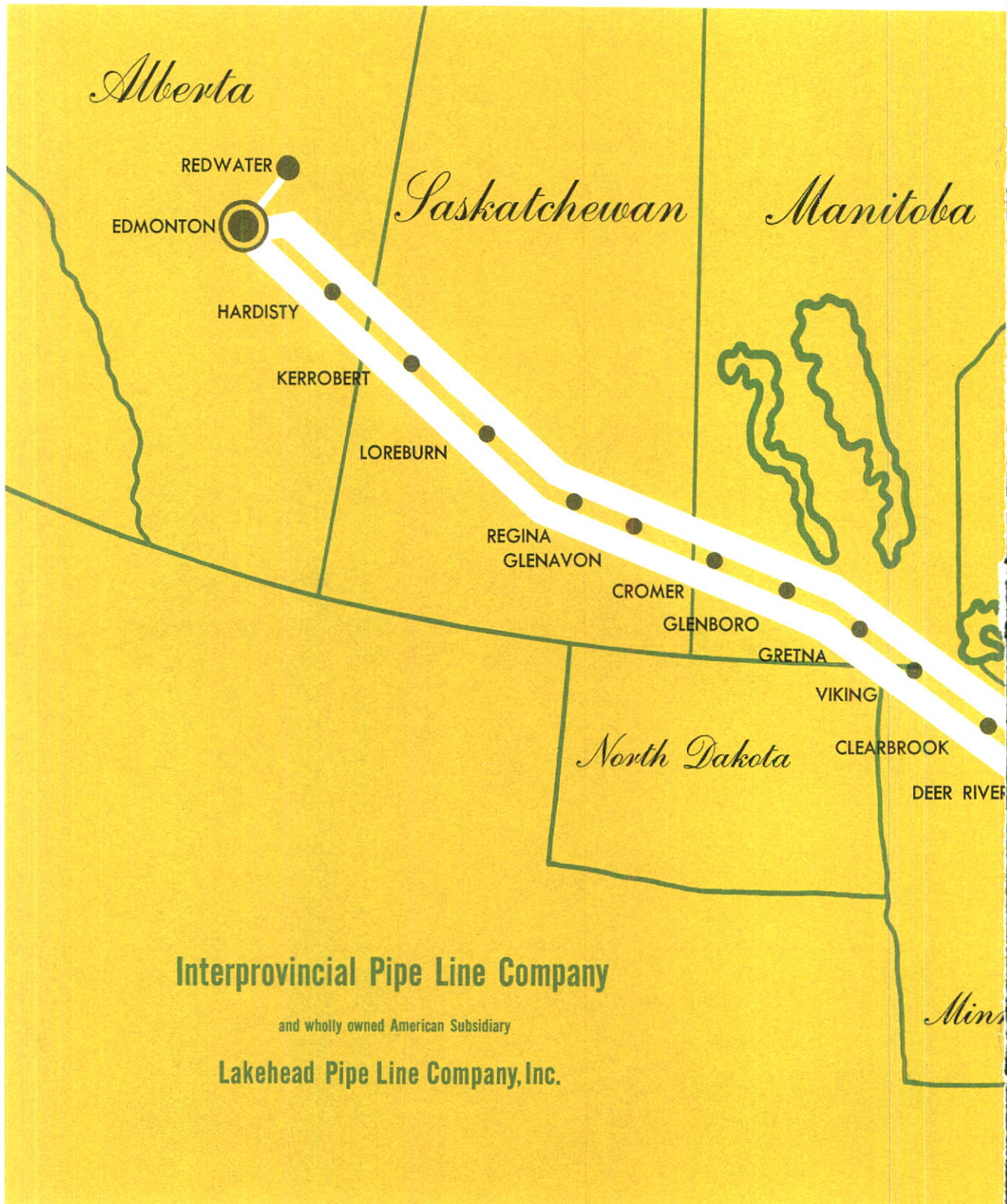
Operating revenue reached a new high of \$49,196,458 in 1958. The 20% increase over 1957 was due in part to the larger quantity of oil tendered for transportation and partly to additional revenue earned on long-haul shipments to the Toronto area. The extension from Sarnia to Port Credit, Ontario was in operation only during the last quarter of 1957.

Operating expenses during 1958, on the other hand, at \$7,401,053 increased only 5% over the previous year. An additional \$505,497 was charged to 1958 income, however, to cover the loss incurred on the sale of three crude oil storage tanks at Superior. The remaining seventeen tanks at Superior will be required in the companies' operations.

### CAPITAL EXPENDITURES AND FIXED ASSETS

A total of \$11,200,311 was expended during the year for completion of the second line between Edmonton and Superior and expansion of other facilities. At the year end, investment in fixed assets compared with 1957 as follows:

	1958	1957
Land - - - - \$	613,950	\$ 551,117
Rights-of-way - -	3,127,587	2,982,819
Crude oil pipe line	209,013,885	202,209,171
Buildings, tanks and equipment -	53,114,559	50,700,075
Incomplete construction -	1,399,663	523,142
	<u>\$267,269,644</u>	<u>\$256,966,324</u>



*Alberta*

*Saskatchewan*

*Manitoba*

REDWATER

EDMONTON

HARDISTY

KERROBERT

LOREBURN

REGINA

GLENAVON

CROMER

GLENBORO

GREтна

VIKING

CLEARBROOK

DEER RIVER

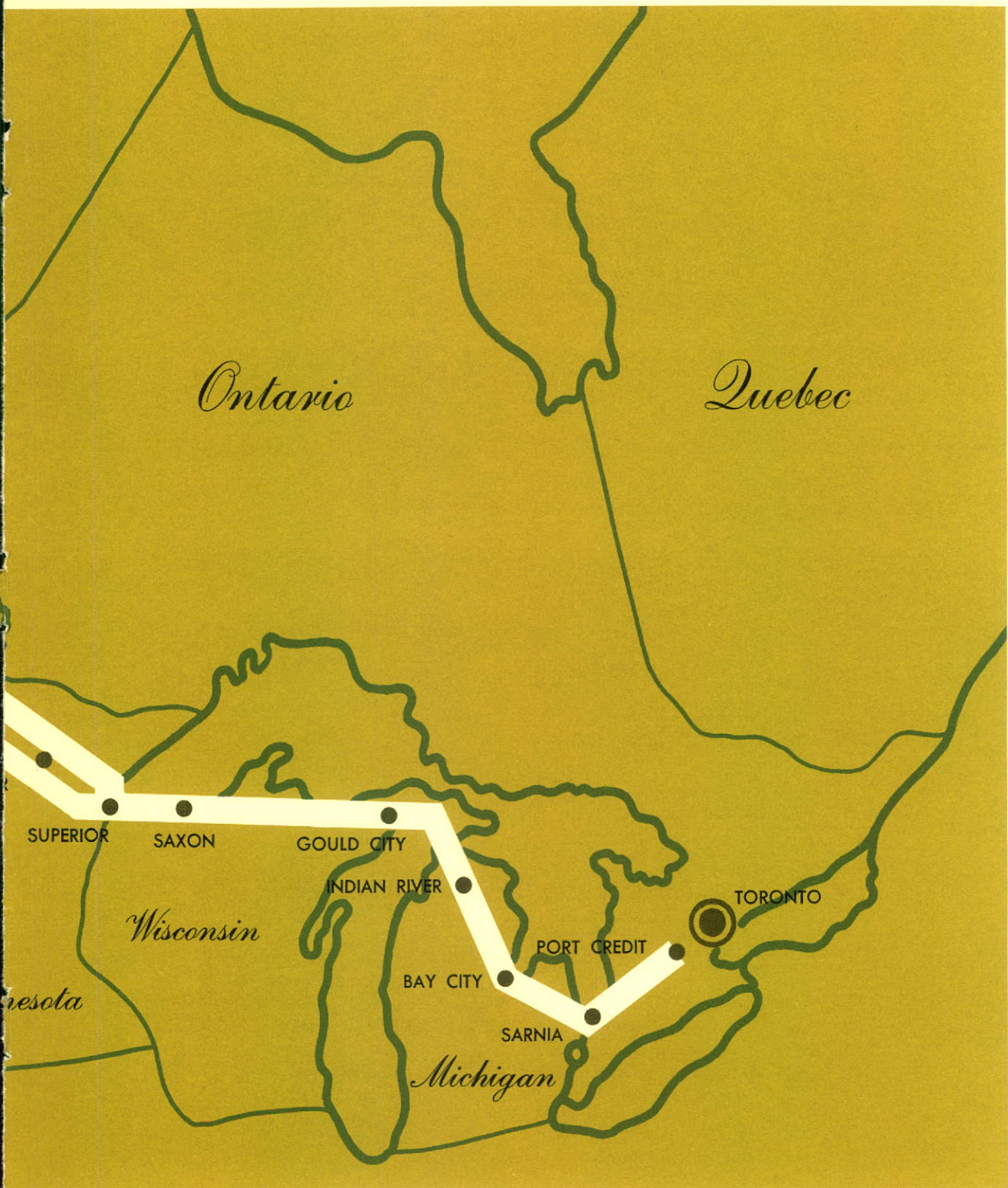
*North Dakota*

*Minnesota*

**Interprovincial Pipe Line Company**

and wholly owned American Subsidiary

**Lakehead Pipe Line Company, Inc.**



*Ontario*

*Quebec*

*Wisconsin*

*Michigan*

*Minnesota*

SUPERIOR

SAXON

GOULD CITY

INDIAN RIVER

BAY CITY

SARNIA

PORT CREDIT

TORONTO

## SOURCE AND DISPOSITION OF FUNDS

	1958		1957	
Working Capital—January 1 - - - - -		\$ 1,329,479		\$15,779,892
SOURCE:				
Net income, before appropriation - - -	\$13,095,749		\$ 9,963,661	
Depreciation - - - - -	8,394,066		7,814,455	
Deferred income taxes - - - - -	3,118,000		3,411,000	
Capital stock issued - - - - -	36,439		169,629	
Reduction in operating oil supply - - -	107,953		—	
Other transactions (net) - - - - -	734,790	25,486,997	122,385	21,481,130
		<u>\$26,816,476</u>		<u>\$37,261,022</u>
DISPOSITION:				
Additions to carrier system - - - - -	\$11,200,311		\$22,853,274	
Bond sinking fund requirements - - - -	6,236,958		5,437,895	
Dividends - - - - -	9,102,796		7,074,649	
Disputed income taxes paid under protest -	—		268,554	
Operating oil supply - - - - -	—	26,540,065	297,171	35,931,543
Working Capital—December 31 - - - - -		<u>\$ 276,411</u>		<u>\$ 1,329,479</u>

## CAPITAL STOCK

A further 1,280 shares of capital stock were issued for cash during 1958 under the terms of the Incentive Stock Option Plan. As at December 31 the outstanding shares of the Company were held as follows:

	1958		1957	
	Shareholders	Shares	Shareholders	Shares
Canada - - - - -	10,171	4,054,044	9,938	3,981,098
United States - - - - -	1,823	936,711	1,888	1,008,373
Other countries - - - - -	135	67,058	140	67,062
Total - - - - -	<u>12,129</u>	<u>5,057,813</u>	<u>11,966</u>	<u>5,056,533</u>

## AUDITORS' REPORT

*To the Shareholders of*

INTERPROVINCIAL PIPE LINE COMPANY:

We have examined the consolidated balance sheet of Interprovincial Pipe Line Company and subsidiary companies as at December 31, 1958 and the statements of consolidated income and retained earnings for the year ended on that date and have obtained all the information and explanations we have 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 statements of consolidated income and retained earnings 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, 1958 and the results of their operations for the year ended on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Price Waterhouse Co.*  
Chartered Accountants.

EDMONTON, February 10, 1959.

# Interprovincial Pipe Line Company

AND SUBSIDIARY COMPANIES

## assets


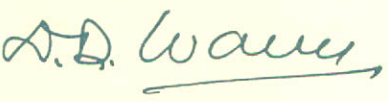
CURRENT ASSETS:	As at December 31	
	1958	1957
Cash - - - - -	\$ 693,899	\$ 280,786
Deposits with bondholders' trustees and banks for interest and sinking fund payments - - - - -	1,382,660	1,434,769
Government securities, at lower of cost or market value, plus accrued interest - - - - -	8,046,382	5,490,219
Accounts receivable—		
Transportation charges - - - - -	3,996,483	3,068,850
Claims and other accounts receivable - - - - -	215,783	336,095
Inventories—		
Crude oil (from pipe line allowance), at quoted market price - -	365,551	516,299
Materials and supplies, at cost - - - - -	991,644	1,042,635
Prepaid expenses - - - - -	281,555	237,653
	<u>\$ 15,973,957</u>	<u>\$ 12,407,306</u>
OTHER ASSETS AND DEFERRED CHARGES:		
Mortgages receivable - - - - -	\$ 73,068	\$ 69,379
Unamortized premium and expense on long term debts (net) - -	372,473	410,718
Operating oil supply - - - - -	189,218	297,171
Deposits for acquisition of properties - - - - -	96,656	90,406
Other deferred charges - - - - -	38,589	47,861
	<u>\$ 770,004</u>	<u>\$ 915,535</u>
FIXED ASSETS: (Note 1)		
Carrier system and other physical properties, at cost - - - - -	\$267,269,644	\$256,966,324
Less—Accumulated depreciation - - - - -	42,569,928	34,393,336
	<u>\$224,699,716</u>	<u>\$222,572,988</u>
	<u>\$241,443,677</u>	<u>\$235,895,829</u>



# CONSOLIDATED BALANCE SHEET

(Expressed in Canadian currency)

## liabilities

	As at December 31	
	1958	1957
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued - - - - -	\$ 866,623	\$ 906,497
Bond interest payable and accrued - - - - -	1,769,081	1,856,967
Accrued income and other taxes - - - - -	8,274,160	4,765,862
Bond sinking fund payments due within one year - - - - -	4,787,682	3,548,501
	<u>\$ 15,697,546</u>	<u>\$ 11,077,827</u>
LONG TERM DEBTS: (Note 2) - - - - -	<u>\$137,478,677</u>	<u>\$143,715,635</u>
<b>PROVISIONS:</b>		
For employee retirement benefits - - - - -	\$ 102,814	\$ 85,119
For disputed income taxes totalling \$2,881,000 less \$2,047,595 paid under protest (Note 3) - - - - -	833,405	425,405
	<u>\$ 936,219</u>	<u>\$ 510,524</u>
DEFERRED INCOME TAXES: (Note 1) - - - - -	<u>\$ 17,079,000</u>	<u>\$ 13,961,000</u>
<b>CAPITAL STOCK AND RETAINED EARNINGS:</b>		
Capital stock—(Note 4)		
Authorized—\$200,000,000 divided into 40,000,000 shares, par value \$5 each		
Issued—1958—5,057,813 shares;		
1957—5,056,533 shares - - - - -	\$ 25,289,065	\$ 25,282,665
Premium on shares - - - - -	19,109,885	19,079,846
Retained earnings, per statement attached - - - - -	25,853,285	22,268,332
	<u>\$ 70,252,235</u>	<u>\$ 66,630,843</u>
SIGNED ON BEHALF OF THE BOARD:		
 Director		
 Director		
	<u>\$241,443,677</u>	<u>\$235,895,829</u>

# Interprovincial Pipe Line Company

AND SUBSIDIARY COMPANIES

## STATEMENT OF CONSOLIDATED INCOME

(Expressed in Canadian currency)

	For the years ended December 31	
	1958	1957
INCOME:		
Operating revenue - - - - -	\$ 49,196,458	\$ 41,128,761
Income from Government and other marketable securities - - -	193,445	444,058
Profit on foreign exchange (Note 5) - - - - -	290,995	141,702
Sundry income - - - - -	229,320	215,692
	<u>\$ 49,910,218</u>	<u>\$ 41,930,213</u>
CHARGES:		
Operating expenses, other than below - - - - -	\$ 7,401,053	\$ 7,081,516
Taxes, other than income taxes - - - - -	2,454,244	2,157,839
Provision for depreciation (Note 1) - - - - -	8,394,066	7,814,455
Interest on long term debts - - - - -	5,215,609	5,316,742
Loss on sale of storage tanks - - - - -	505,497	—
	<u>\$ 23,970,469</u>	<u>\$ 22,370,552</u>
BALANCE BEFORE INCOME TAXES - - - - -	\$ 25,939,749	\$ 19,559,661
PROVISION FOR TAXES ON INCOME: (Note 1)		
Canada - - - - -	\$ 6,540,000	\$ 5,396,000
United States - - - - -	6,304,000	4,200,000
	<u>\$ 12,844,000</u>	<u>\$ 9,596,000</u>
NET INCOME FOR THE YEAR BEFORE APPROPRIATION - - - - -	\$ 13,095,749	\$ 9,963,661
APPROPRIATION FOR DISPUTED INCOME TAXES (Note 3) - - - - -	408,000	419,000
NET INCOME FOR THE YEAR AFTER APPROPRIATION - - - - -	<u>\$ 12,687,749</u>	<u>\$ 9,544,661</u>

## STATEMENT OF CONSOLIDATED RETAINED EARNINGS

(Expressed in Canadian currency)

	For the years ended December 31	
	1958	1957
BALANCE AT JANUARY 1 - - - - -	\$ 22,268,332	\$ 19,798,320
Add—Net income for the year after appropriation - - - - -	12,687,749	9,544,661
	<u>\$ 34,956,081</u>	<u>\$ 29,342,981</u>
Deduct—Dividends (Note 7) - - - - -	9,102,796	7,074,649
BALANCE AT DECEMBER 31 - - - - -	<u>\$ 25,853,285</u>	<u>\$ 22,268,332</u>

## NOTES TO FINANCIAL STATEMENTS

### 1. FIXED ASSETS

#### PROVISION FOR DEPRECIATION

#### PROVISION FOR TAXES ON INCOME

During 1958 \$11,200,311 was spent on completing the second pipe line between Edmonton and Superior and expansion of other facilities. It is estimated that capital expenditures in 1959 will amount to approximately \$3,682,000. Three crude oil storage tanks no longer required at Superior were sold in 1958 at a loss of \$505,497; the remaining seventeen tanks will be required in the companies' operations.

The companies' policy is to provide for depreciation of the Carrier System and Other Physical Properties on the straight line method at annual rates which will amortize the cost of depreciable properties over their estimated service lives after taking into account possible salvage values. The income tax provision charged to income is based on the amount of depreciation recorded on the books of the companies without reference to additional deductions permitted for income tax purposes referred to below.

The United States subsidiary has obtained Certificates of Necessity entitling it to amortize for income tax purposes over a five-year period a portion of the cost of certain physical properties constructed in 1953 and 1954. Also, under Canadian and United States income tax regulations greater deductions are permitted for tax purposes in respect of depreciable property than the Provision for Depreciation recorded on the books of the companies. The companies are taking advantage of the maximum deductions permitted for tax purposes and as a result income taxes payable in respect of 1958 will amount to \$9,726,000 whereas \$12,844,000 was charged to income. The difference of \$3,118,000 is applicable to future years when amounts deductible for tax purposes will be less than the depreciation recorded in the accounts and is accordingly carried on the Consolidated Balance Sheet, together with similar amounts in respect of prior years, under the heading Deferred Income Taxes.

### 2. LONG TERM DEBTS

Long term debts of \$137,478,677 at December 31, 1958 comprise First Mortgage and Collateral Trust Bonds of Interprovincial Pipe Line Company, authorized with no fixed limitation, issued and outstanding as follows:

	Series A 3½% due January 1, 1970	Series B 3½% due January 1, 1970	Series C 4% due April 1, 1973	Series D 3⅝% due April 1, 1974	
	(Canadian dollars)	(United States dollars)			
Issued - - - - -	\$37,000,000	35,000,000	60,000,000	30,000,000	
Redeemed - - - - -	7,400,000	6,713,000	5,332,000	1,750,000	
Bonds outstanding - - - - -	\$29,600,000	28,287,000	54,668,000	28,250,000	
Less—					
Bonds called for redemption - - - - -	\$ —	355,000	—	—	
Sinking fund payments due within one year -	1,644,000	1,488,000	1,000,000	414,000	
	\$ 1,644,000	1,843,000	1,000,000	414,000	
Amount due after 1959 - - - - -	\$27,956,000	26,444,000	53,668,000	27,836,000	
Amount due after 1959 in terms of Canadian dollars (Note 5) - - - - -	\$27,956,000	29,220,620	53,009,729	27,292,328	137,478,677

Bond sinking fund payments due within one year are shown under Current Liabilities on the Consolidated Balance Sheet at \$4,787,682 Canadian currency (Note 5). Bond sinking fund payments required from 1960 to 1963 are as follows:

	Series A	Series B	Series C	Series D
	<i>(Canadian dollars)</i>		<i>(United States dollars)</i>	
1960 - - - - -	\$1,644,000	1,556,000	2,167,000	1,000,000
1961 - - - - -	1,850,000	1,750,000	2,334,000	1,084,000
1962 - - - - -	1,850,000	1,750,000	2,500,000	1,168,000
1963 - - - - -	2,056,000	1,944,000	2,666,000	1,250,000

### 3. PROVISION FOR DISPUTED INCOME TAXES

The note and bond interest paid by the United States subsidiary to the company is subject to a 15% withholding tax. The company is claiming this tax as a foreign tax credit. On assessment for the years 1950 to 1954, which are the only assessments received to date, the Canadian income tax authorities disallowed the greater part of the claim and also refused to allow the withholding tax as a deduction from income. The company appealed the assessments to the Exchequer Court of Canada. By a judgment dated December 22, 1958 that Court confirmed the assessments and dismissed the appeal. On advice of counsel the company has appealed this judgment to the Supreme Court of Canada.

Although the company does not admit any liability it has been considered prudent to provide for the maximum taxes that may be levied for the periods under appeal and for subsequent years. Accordingly, \$408,000 has been appropriated from 1958 income and added to the sum of \$2,473,000 appropriated for this purpose in prior years.

In order to reduce possible interest penalties, and to meet demands for payments of taxes assessed, \$2,047,595 of the total amount appropriated has been paid under protest and the balance, namely \$833,405, is shown on the Consolidated Balance Sheet under the heading Provision for Disputed Income Taxes.

### 4. INCENTIVE STOCK OPTION PLAN

Under the company's Incentive Stock Option Plan, options on 47,950 shares have been granted to December 31, 1958 at the market price on the date of option. During 1958 options on 1,280 shares were exercised which together with options for 16,701 shares exercised in prior years leaves a balance of 29,969 shares under option at the year end.

### 5. FOREIGN EXCHANGE

The Series B, C and D Bonds of Interprovincial, payable in United States dollars, are stated in Canadian currency at the rate of exchange prevailing when the debts were incurred, except for the amount payable within one year which has been translated at the exchange rate in effect at December 31, 1958. The year-end rate was also used for United States cash held by the company and for amounts receivable and payable in United States funds.

The accounts of the United States subsidiary company have been translated into Canadian dollars on the following bases:

- Fixed assets, deferred charges and deferred income taxes, at historical rates of exchange;
- Current and other assets, and current liabilities, at the rate in effect at December 31, 1958;
- Accumulated depreciation, on the basis of equivalent Canadian dollar cost of the related fixed assets;

Income and expense accounts, except depreciation, loss on sale of storage tanks and amortization of expense on long term debts, at the rate of exchange prevailing at the end of each month.

Profits and losses on foreign exchange arising from the foregoing methods are shown as Profit on Foreign Exchange on the Statement of Consolidated Income.

6. SALARIES OF EXECUTIVE OFFICERS,  
COUNSEL FEES AND DIRECTORS' FEES

The total amount deducted on the Statement of Consolidated Income in respect of salaries and other remuneration paid to counsel, solicitors and executive officers, including a salaried director, was \$121,357 in 1958. In addition fees paid to certain non-salaried directors amounted to \$3,400 for the year.

7. DIVIDENDS

During the two years ended December 31, 1958 the company declared and paid cash dividends which were charged to Retained Earnings as follows:

	Per share	1958	1957
March 1, 1957 - - - - -	70¢	\$ —	\$3,536,318
September 3, 1957 - - - - -	70¢	—	3,538,331
March 1, 1958 - - - - -	70¢	3,539,615	—
September 2, 1958 - - - - -	70¢	3,540,056	—
December 1, 1958 - - - - -	40¢	2,023,125	—
		<u>\$9,102,796</u>	<u>\$7,074,649</u>

Commencing in March 1959, the company proposes to pay dividends quarterly.



*Inside front cover picture*

*Laying 24" pipe into Edmonton Station, 1958.*

*Inside back cover picture*

*Field construction between Edmonton and Hardisty, 1958.*



