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1959

INTERPROVINCIAL PIPE LINE COMPANY

annual report



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Interprovincial Pipe Line Company

annual report 1959



# 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

<i>President</i>	- - - - -	T. S. Johnston
<i>Vice-President</i>	- - - - -	D. R. Walker
<i>Vice-President</i>	- - - - -	C. E. Carson
<i>General Manager</i>	- - - - -	R. E. Trammell
<i>Assistant General Manager and Treasurer</i>	- - - - -	D. G. Waldon
<i>Secretary</i>	- - - - -	W. A. Hare
<i>Comptroller and Assistant Secretary</i>	- - - - -	J. M. Copeland

## head office

10049 Jasper Avenue - - - - - EDMONTON, ALBERTA

## executive office

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

## transfer agents

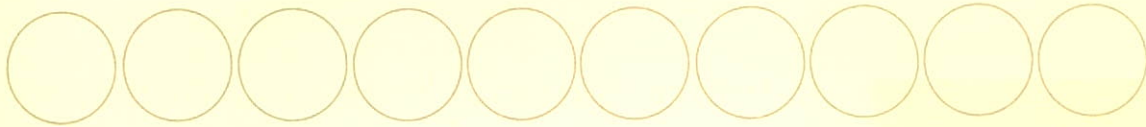
*The Royal Trust Company* - - - TORONTO, MONTREAL, HALIFAX, WINNIPEG,  
EDMONTON, VANCOUVER

*Chemical Bank New York Trust Company* - - - - - NEW YORK

## registrars

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

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



## President's Letter

Ten years ago Interprovincial Pipe Line Company commenced the first eastward pipe line transportation from the newly discovered oil fields of Alberta. Over this relatively short period your Company has grown not only at a rapid rate but at the same time in a progressive and stepwise manner. At all times it has kept pace with the increased crude oil reserves and the constantly expanding market for Canadian oil.

At the end of 1959 investment in plant and facilities had reached almost 270 million dollars. The pipeline system had provided economic and efficient transportation for about 700 million barrels of Canadian crude. Total income taxes paid in Canada and the United States during this period amounted to \$73 million.

1959 was from many standpoints Interprovincial's most outstanding year of operation. Total throughput reached a new high—122,900,000

barrels, up 12% over 1958—and net earnings were in excess of \$15 million. This was an increase of \$2,900,000 over the previous year. The earnings per share in 1959 amounted to \$3.08 compared with \$2.51 in 1958.

Towards the end of the first quarter of 1959 your Company made reductions in its established pipe line tariffs to all delivery points east of Superior, Wisconsin. This action on the part of Interprovincial was of material assistance to western producers of Canadian crude in their efforts to maintain the competitive position of Canadian crude in the Ontario markets. While the reduction in tariffs quite naturally had some effect on your Company's revenue, the move was part of an overall effort of the Canadian petroleum industry to retain and improve the markets for the country's crude oil.

The second report of the Royal Commission on Energy (Borden Commission) was issued in August, 1959. Two points in the report were significant as far as Interprovincial was concerned—the establishment of a National Energy Board and the strong recommendation that a greater quantity of Canadian crude be processed in Ontario refineries.

The National Energy Board will now supplant the Board of Transport Commissioners with whom your Company has dealt on matters pertaining to tariffs, construction, etc. While it is expected that the regulations of the new Energy Board will be somewhat different than those of the Board of Transport Commissioners, it is not anticipated that they will cause any serious modification in our overall dealings at governmental level.

It is gratifying to be able to report to our shareholders that the Company's withholding tax case, which for the past several years has been dis-

cussed in our Annual Reports, is now behind us. The favorable decision handed down by the Supreme Court of Canada was a complete reversal of an earlier ruling by a lower Court, thus confirming the Company's stand on this important and basic tax matter. More specific details on this decision are covered elsewhere in this report.

The construction which Interprovincial undertook in 1959 was of a modest nature. Additional horsepower was added to the system. This work was carried out as planned and within estimated costs. In brief, the construction was a continuation of the Company's long-range planning to always provide facilities capable of meeting the crude oil demands of refiners.

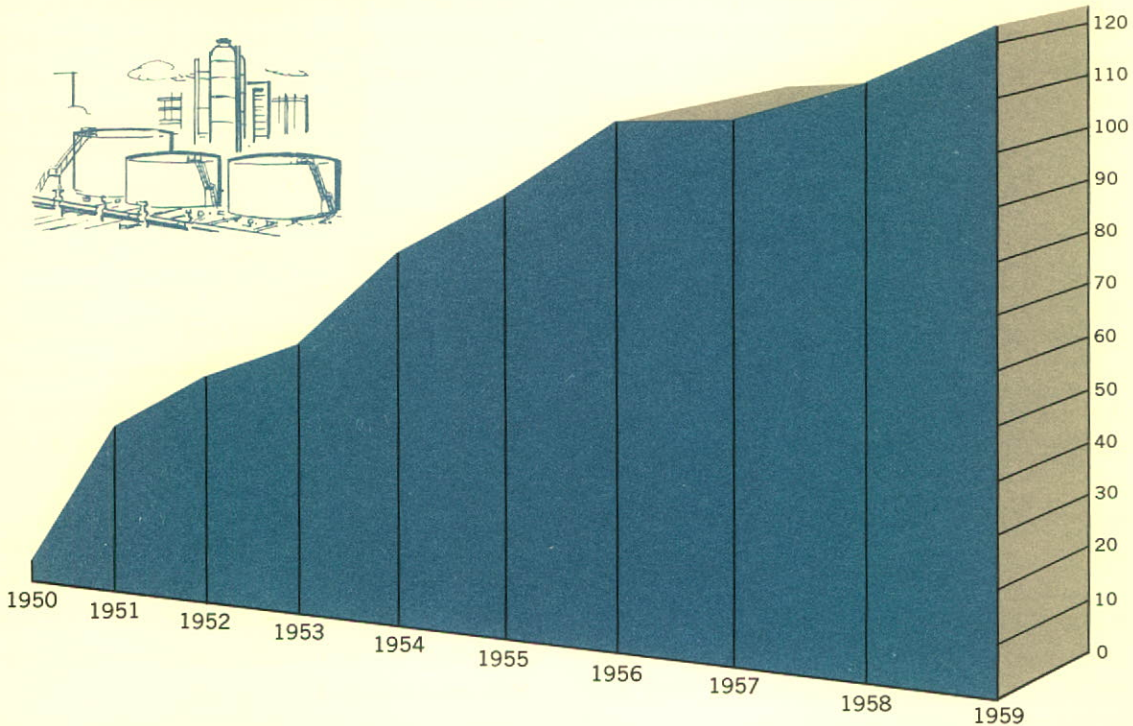
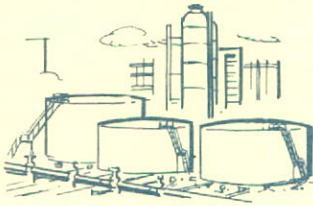
The assistance and wholehearted cooperation which has been furnished your Management by employees in both the Canadian and American companies of the overall system, is most gratefully acknowledged.



*President*

# CRUDE OIL DELIVERIES

MILLIONS OF BARRELS



## Operations

The total volume of oil (123.6 million barrels) received for transportation during 1959 increased 13 million barrels over 1958. Receipts in Alberta and Saskatchewan increased by 15.9% and 8.7% respectively, while receipts from Manitoba during the year continued to decline—down 13.3%.

The crude oil requirements of refineries served by Interprovincial in both Western Canada and Ontario increased in 1959. During the year pipe line deliveries to Ontario rose from 56.9 to 69.9 million barrels, an increase of almost 23%. Part of this increased demand for Canadian produced crude oil was the result of transporting special types of crude to Ontario, where previously refineries had been dependent on foreign supplies for their refineries. Up to 1959 there had been, in diminishing quantities, a tanker movement of crude oil from Superior eastward. There were no such tanker movements, however, in 1959; consequently Interprovincial benefited by the in-

creased pipe line movement, particularly to the Toronto area. Crude oil deliveries in Western Canada increased from 29.5 to 32.7 million barrels.

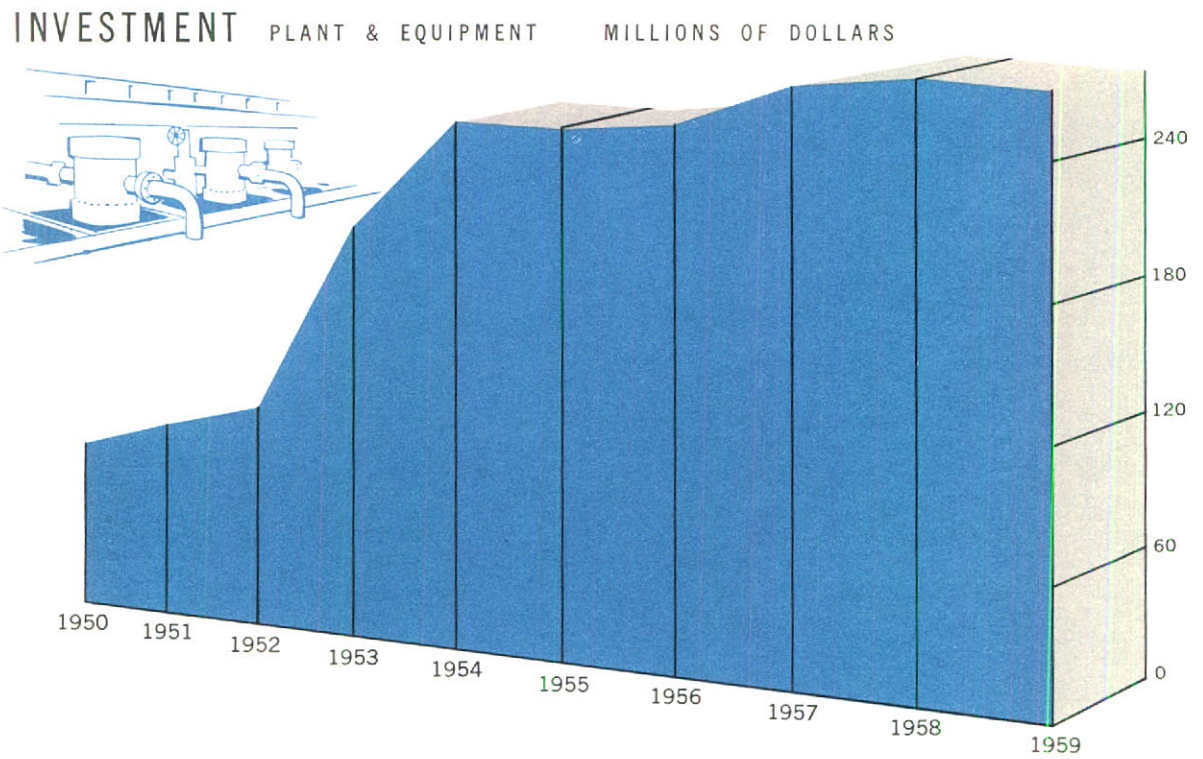
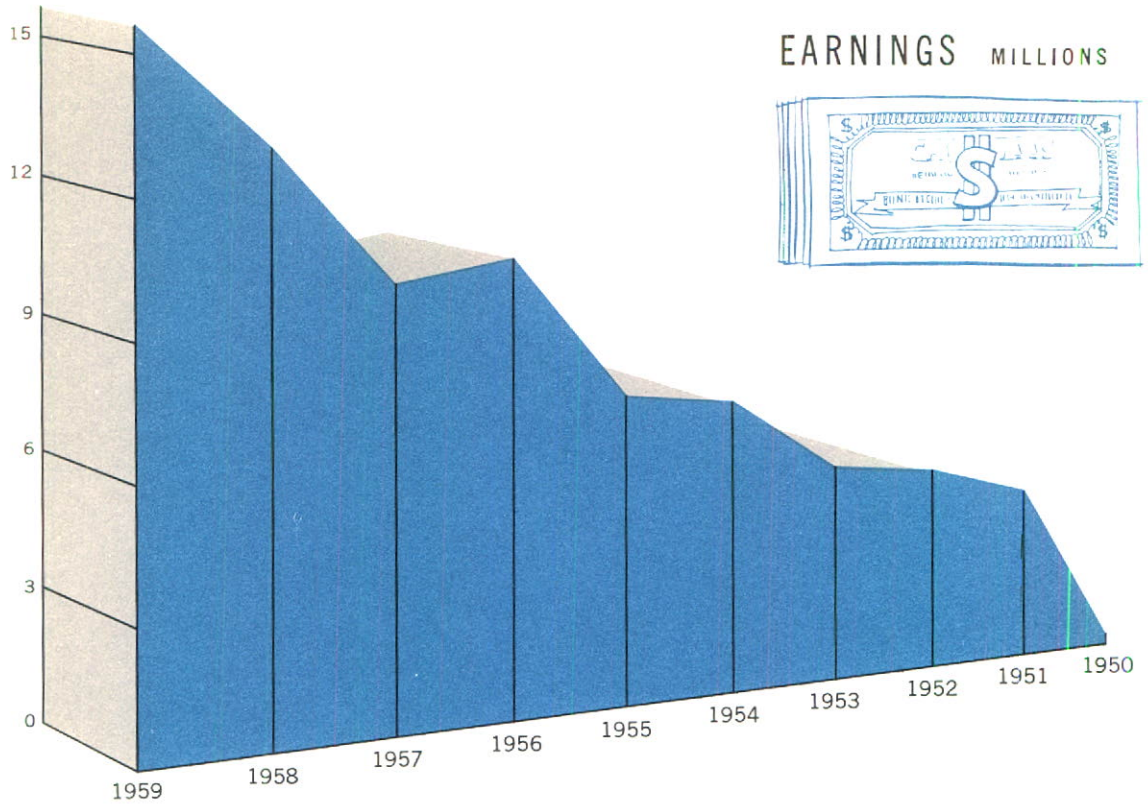
The following table compares 1959 deliveries with those of the preceding year:

DELIVERIES OF CRUDE OIL—MILLIONS OF BARRELS

	1959	1958
Western Canada - -	32.7	29.5
U.S. Mid-West - -	20.3	21.3
Superior for Tankers -	Nil	1.8
Ontario - - - - -	69.9	56.9
	<u>122.9</u>	<u>109.5</u>

Throughput in terms of barrel miles increased 18.8% to 135,569 million.

On December 31, 1959 personnel employed by Interprovincial totalled 407, an increase of only three during the year, while the number of employees at Lakehead Pipe Line Company, Inc. increased by one to 171. Labour saving devices,





such as remotely controlled stations and positive displacement meters, which were installed in past years and often referred to as "automation" played a major role in permitting the Company to transport increased volumes of oil without significantly increasing line or staff personnel.

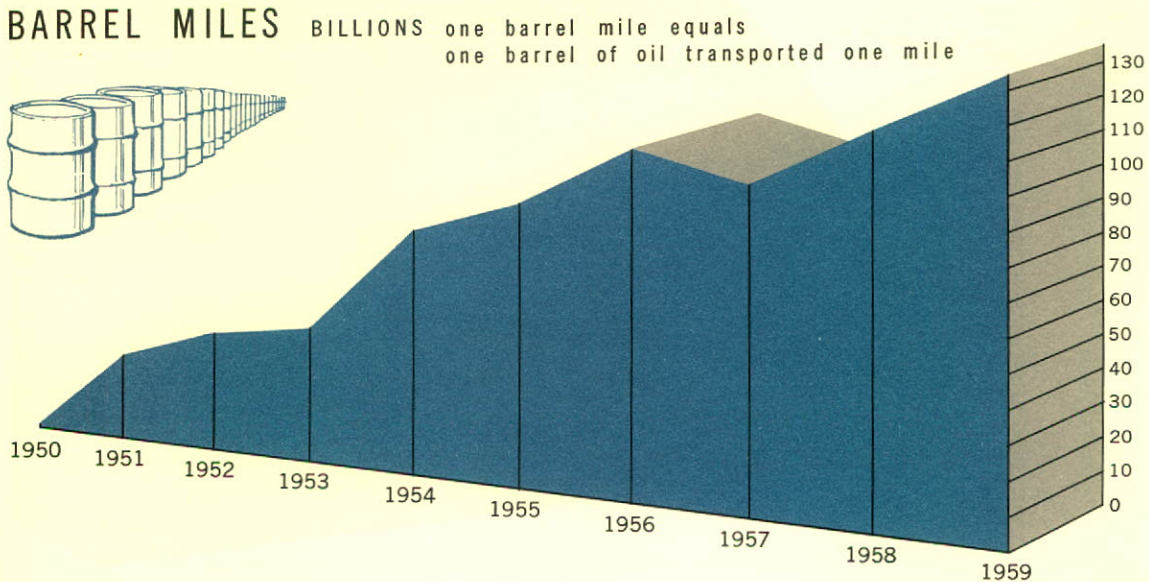
## Construction

Construction during the year added 11,000 H.P. to the 134,000 H.P. installed in pumping stations prior to the 1959 construction season. In Canada, the pumping station in Edmonton was augmented by the installation of two 2,000 and one 1,000 H.P. electrically driven pumping units. These additions were the first all electric, "push button", operated pumping units to be installed by Inter-provincial Pipe Line Company in Western Canada. In the United States the fourth pumping station to be remotely controlled from Superior, Wisconsin, was completed at Iron River, Michigan. The success attained with remotely controlled stations during the past three years has demonstrated that this type of equipment has a definite economic advantage. Wherever economically feasible, remotely controlled equipment will be considered to further improve the Company's competitive position.

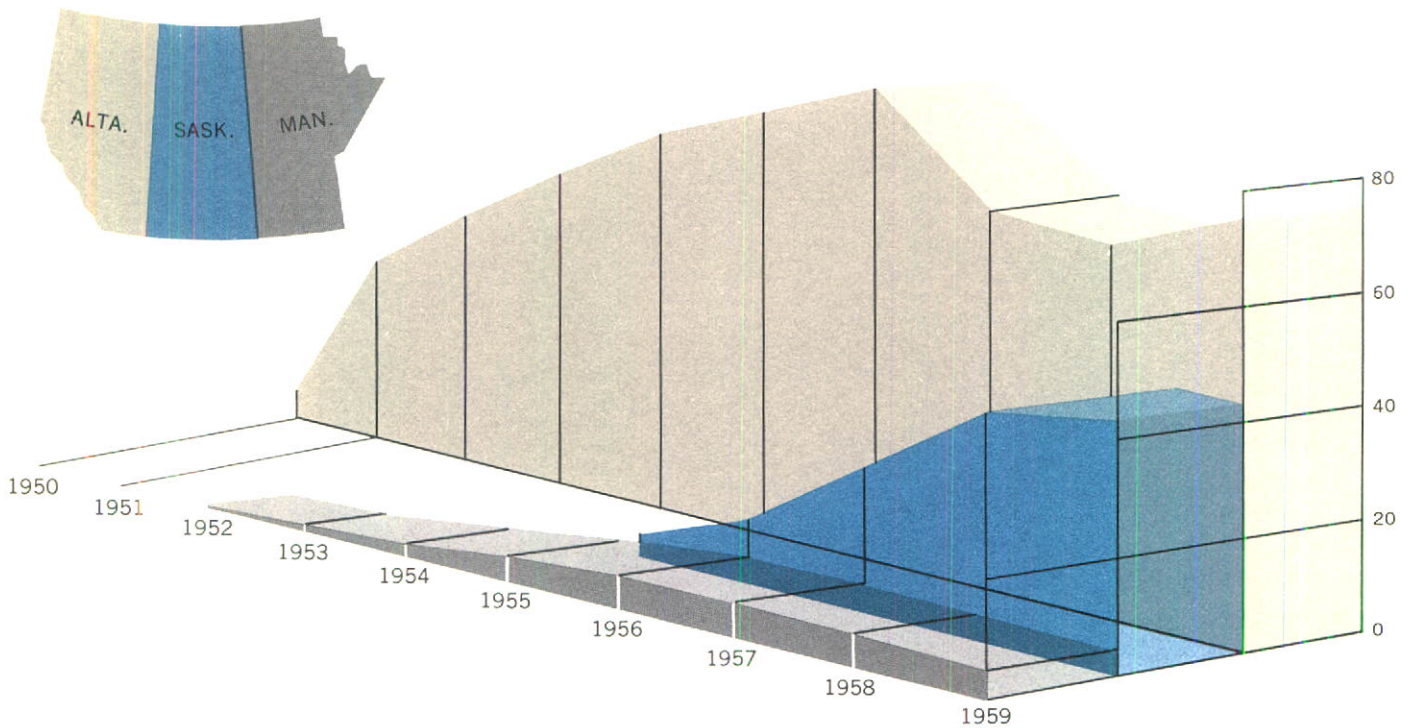
The mechanical measurement of crude oil, a program initiated at Cromer pump station in 1958, was continued and extended in 1959. The success of these positive displacement meters has warranted their installation at other locations where oil is either received or delivered. A major portion of the oil to be received at the Edmonton tank farm during 1960 will now be determined by meter readings. Deliveries to refiners in the Regina, Saskatchewan, area as well as deliveries made at the Bay City, Michigan, station will also be handled by positive displacement meters.

To accommodate the special types of crude now being transported to Ontario, a 56,000 barrel tank was erected at Kerrobert station.

Construction planned for 1960 will further increase pumping capacity in all sections of the system between Edmonton and Toronto. The method deemed most economical to attain the necessary additional pipe line capacity is the utilization of more pumping power. Kerrobert pump station will be enlarged to accommodate three additional pumping units. Installation of this new electrically powered pumping equipment is another step in the planned pump station expansion which will increase the capacity in the



## SOURCE OF CRUDE OIL RECEIPTS MILLIONS OF BARRELS



pipe line between Edmonton and Regina. Stations at Glenavon, Saskatchewan, Superior and Saxon, Wisconsin, Gould City, Michigan and Sarnia, Ontario, will be expanded by adding a pumping unit at each location. Upon completion of this work all stations east of Regina, except Indian River, will be powered to the extent originally contemplated in 1953 when the Company's first long range expansion plan was adopted in principle. In addition to the pump stations originally planned in 1953, intermediate stations located near Manitou and Souris, Manitoba, and Donaldson and Plummer, Minnesota, are now planned for 1960 construction. These stations will be electrically powered and remotely controlled from adjacent diesel pumping stations.

Capital expenditures during 1960 are now estimated to be \$7,750,000. These funds will be used primarily to provide the facilities noted above which will increase the capacity of the pipe line system. The tabulation below sets forth the

capacity of the various sections of the system after completion of the 1960 planned expansion program:

Edmonton-Regina	- -	328,500 barrels per day
Regina-Cromer	- - -	367,000 barrels per day
Cromer-Gretna	- - -	428,000 barrels per day
Gretna-Clearbrook	- -	434,000 barrels per day
Clearbrook-Superior	-	376,000 barrels per day
Superior-Sarnia	- - -	333,500 barrels per day
Sarnia-Toronto	- - -	121,000 barrels per day

### Tariffs

With the reduction in wellhead price of foreign crude and the completion of the St. Lawrence Seaway, it became apparent that crude from foreign sources could move into Ontario markets at prices attractive to Canadian refiners. To assist producers in Western Canada to meet this threat of competition from foreign crude oil,

Interprovincial reduced its established tariffs on March 23, 1959 to Sarnia and Toronto. Tariffs to points in Michigan were also reduced while rates between Edmonton and Superior remained unchanged. The revisions in tariffs shown in cents per barrel are tabulated below.

FROM	TO			
	Sarnia, Ontario		Toronto, Ontario	
	New	Old	New	Old
Redwater, Alberta	58¢	66¢	62¢	74¢
Edmonton, Alberta	56	64	60	72
Hardisty, Alberta	54	61	58	69
Kerrobot, Saskatchewan	51	58	55	66
Regina, Saskatchewan	46	52	50	60
Cromer, Saskatchewan	43	48	47	56

The above rates apply to light gravity crude petroleum only and an additional charge is made for heavier (more viscous) crudes.

The full effect of the tariff reductions on 1959 earnings was not felt until mid-year as the reductions were applicable only to crude oil received into the pipe line system after March 23.

## Financial

The financial statements forming part of this report include the accounts of Interprovincial Pipe Line Company and its wholly owned American subsidiary, Lakehead Pipe Line Company, Inc., which owns and operates the pipe line facilities in the United States.

### EARNINGS AND DIVIDENDS

Net income for 1959 was \$15,604,321 equal to \$3.08 per share. This was \$2,916,572 higher than in 1958 when net income was \$12,687,749 equal to \$2.51 per share.

The withholding tax issue which has been under discussion and before the Courts for some six years, was finally settled in the Company's favor by a judgment handed down October 6, 1959, by the Supreme Court of Canada. As a result of this important decision, appropriations of

\$2,881,000 made in prior years for disputed income taxes are no longer required and have been transferred to Retained Earnings. All monies paid under protest were refunded by the Department of National Revenue before the end of the year together with interest of \$306,848. The interest has been taken up in 1959 income.

Regular quarterly dividends totalling \$2.00 per share were paid in 1959, compared with total dividends in 1958 of \$1.80 per share. In addition a special dividend of 25¢ per share was paid in December, 1959, by reason of the favorable Supreme Court judgment referred to above. The quarterly dividends in 1959 were paid at the rate of 45¢ per share in March; 50¢ per share in June and September; and 55¢ per share in December.

### REVENUE AND EXPENSES

Operating revenue in 1959 was \$54,220,364, a gain of 10% over 1958. The increase was almost entirely due to greater deliveries of crude oil to the Toronto area, offset to some extent by the tariff reductions mentioned elsewhere in this report.

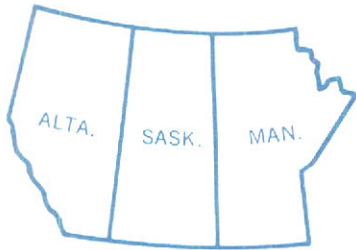
Operating expenses at \$7,978,014 were 8% higher than in 1958 principally the result of increased pumping station costs brought about by the greater volume of oil handled through the system.

### CAPITAL EXPENDITURES AND FIXED ASSETS

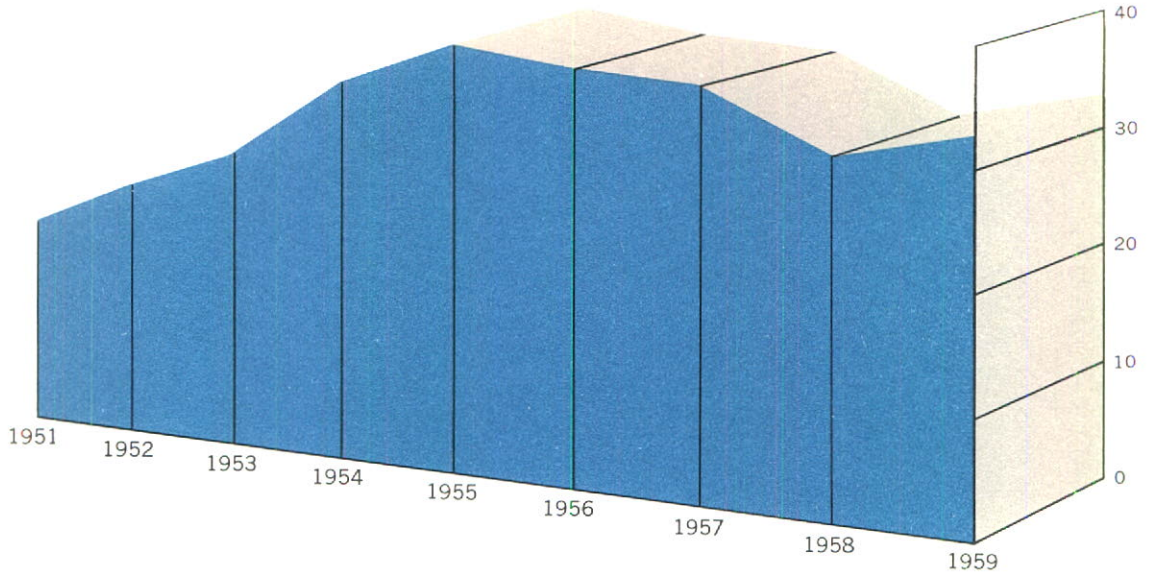
In 1959, \$2,667,141 was expended for two electric pumping stations and for expansion of other facilities. At the year end, investment in fixed assets compared with 1958 as follows:

	1959	1958
Land	\$ 618,077	\$ 613,950
Rights-of-way	3,216,973	3,127,587
Crude oil pipe line	209,332,608	209,013,885
Buildings, tanks and equipment	55,030,052	53,114,559
Incomplete construction	1,428,089	1,399,663
	<u>\$269,625,799</u>	<u>\$267,269,644</u>

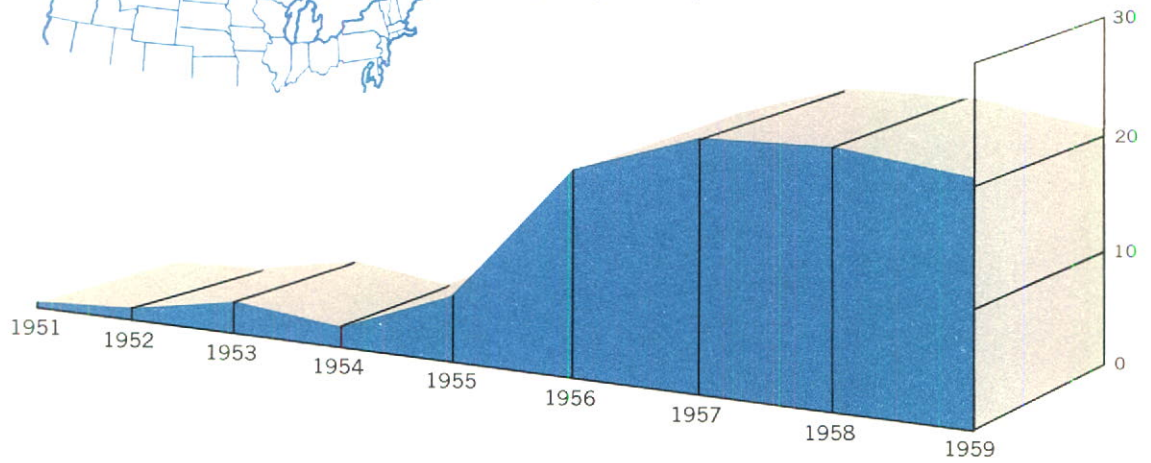
# CRUDE OIL DELIVERIES MILLIONS OF BARRELS

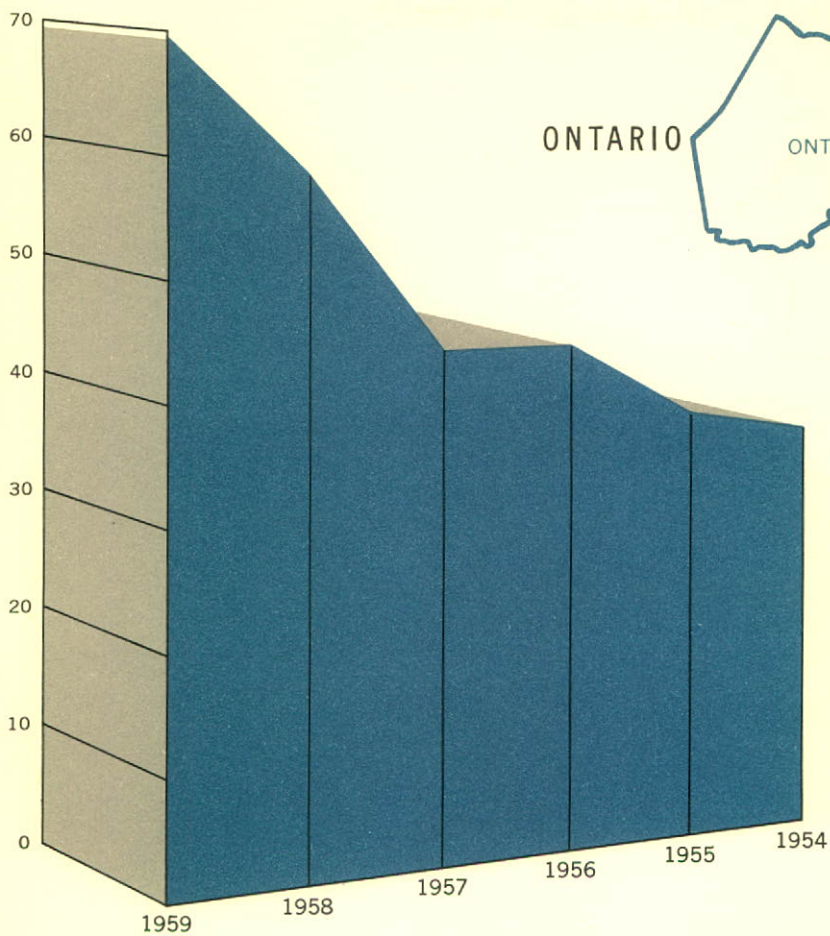


## WESTERN CANADA

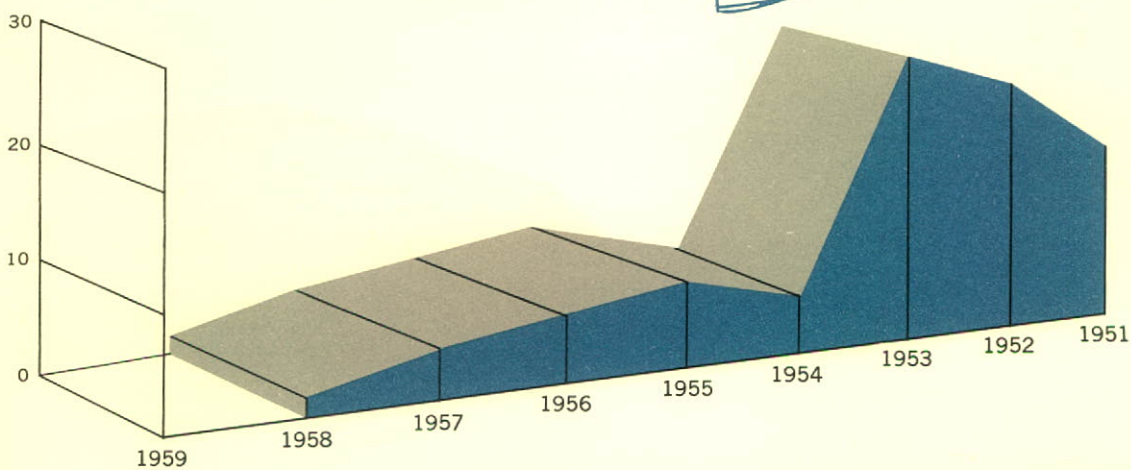
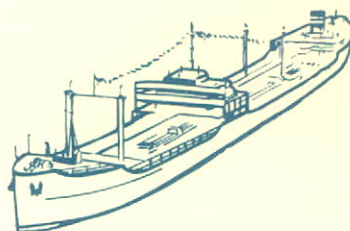


## UNITED STATES





FOR TANKERS



## Source and Disposition of Funds

SOURCE:	1959	1958
Net income (before appropriation for disputed income taxes in 1958)	\$ 15,604,321	\$ 13,095,749
Depreciation - - - - -	8,684,365	8,394,066
Deferred income taxes - - - - -	1,633,000	3,118,000
Capital stock issued - - - - -	166,375	36,439
Reduction in operating oil supply - - - - -	30,369	107,953
Refund of disputed income taxes paid in prior years - - - - -	2,047,595	—
Other transactions (net) - - - - -	162,544	734,790
	<u>\$ 28,328,569</u>	<u>\$ 25,486,997</u>
DISPOSITION:		
Additions to carrier system - - - - -	\$ 2,667,141	\$ 11,200,311
Bond sinking fund requirements - - - - -	6,552,309	6,236,958
Dividends - - - - -	11,388,747	9,102,796
	<u>\$ 20,608,197</u>	<u>\$ 26,540,065</u>
Increase (Decrease) in Working Capital for year - - - - -	\$ 7,720,372	\$ (1,053,068)
Working Capital January 1 - - - - -	276,411	1,329,479
Working Capital December 31 - - - - -	<u>\$ 7,996,783</u>	<u>\$ 276,411</u>

## Capital Stock

A further 5,500 shares of capital stock were issued for cash during 1959 under the terms of the employees' Incentive Stock Option Plan. As of the end of the year outstanding capital stock was held as follows:

	Shareholders	Shares
Canada - - - - -	9,927	4,175,862
United States - - - - -	1,833	818,065
Other Countries - - - - -	141	69,386
Total - - - - -	<u>11,901</u>	<u>5,063,313</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, 1959 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 conformity 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, 1959 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Price Waterhouse Co.*  
*Chartered Accountants.*

EDMONTON, February 8, 1960.

# Interprovincial Pipe Line Company

*and Subsidiary Companies*

## ASSETS

CURRENT ASSETS:	As at December 31	
	1959	1958
Cash - - - - -	\$ 463,220	\$ 693,899
Deposits with bondholders' trustees and banks for interest and sinking fund payments - - - - -	1,341,080	1,382,660
Government and other marketable securities, at lower of cost or market value, plus accrued interest - - - - -	16,097,229	8,046,382
Accounts receivable—		
Transportation charges - - - - -	3,139,499	3,996,483
Claims and other accounts receivable - - - - -	146,885	215,783
Inventories—		
Crude oil (from pipe line allowance), at quoted market price - -	433,883	365,551
Materials and supplies, at cost - - - - -	944,164	991,644
Prepaid expenses - - - - -	262,162	281,555
	<u>\$ 22,828,122</u>	<u>\$ 15,973,957</u>
 OTHER ASSETS AND DEFERRED CHARGES:		
Mortgages receivable - - - - -	\$ 59,930	\$ 73,068
Unamortized premium and expense on long term debts (net) - -	331,673	372,473
Operating oil supply - - - - -	158,849	189,218
Deposits for acquisition of properties - - - - -	38,856	96,656
Other deferred charges - - - - -	25,627	38,589
	<u>\$ 614,935</u>	<u>\$ 770,004</u>
 FIXED ASSETS:		
Carrier system and other physical properties, at cost - - - - -	\$269,625,799	\$267,269,644
Less—Accumulated depreciation - - - - -	50,960,341	42,569,928
	<u>\$218,665,458</u>	<u>\$224,699,716</u>
	<u>\$242,108,515</u>	<u>\$241,443,677</u>





# Consolidated Balance Sheet *(Expressed in Canadian Currency)*

## LIABILITIES

	As at December 31	
	1959	1958
<b>CURRENT LIABILITIES:</b>		
Accounts payable - - - - -	\$ 556,821	\$ 866,623
Bond interest payable - - - - -	1,623,689	1,769,081
Accrued income and other taxes - - - - -	11,485,473	8,274,160
Bond sinking fund payments due within one year - - - - -	1,165,356	4,787,682
	<u>\$ 14,831,339</u>	<u>\$ 15,697,546</u>
<b>LONG TERM DEBTS - - - - -</b>	<u>\$130,926,368</u>	<u>\$137,478,677</u>
<b>PROVISIONS:</b>		
For employee retirement benefits - - - - -	\$ 123,624	\$ 102,814
For disputed income taxes - - - - -	—	833,405
	<u>\$ 123,624</u>	<u>\$ 936,219</u>
<b>DEFERRED INCOME TAXES - - - - -</b>	<u>\$ 18,712,000</u>	<u>\$ 17,079,000</u>
<b>CAPITAL STOCK AND RETAINED EARNINGS:</b>		
Capital Stock—		
Authorized—\$200,000,000 divided into 40,000,000 shares, par value \$5 each		
Issued—1959—5,063,313 shares		
—1958—5,057,813 shares - - - - -	\$ 25,316,565	\$ 25,289,065
Premium on shares - - - - -	19,248,760	19,109,885
Retained earnings, per statement attached - - - - -	32,949,859	25,853,285
	<u>\$ 77,515,184</u>	<u>\$ 70,252,235</u>

SIGNED ON BEHALF OF THE BOARD:

 Director  
 Director

*The accompanying notes are part of the financial statements*

\$242,108,515

\$241,443,677

# Interprovincial Pipe Line Company

and Subsidiary Companies

## Statement of Consolidated Income

(Expressed in Canadian Currency)

	For the years ended December 31	
	1959	1958
<b>INCOME:</b>		
Operating revenue - - - - -	\$ 54,220,364	\$ 49,196,458
Income from government and other marketable securities - - -	547,157	193,445
Profit on company bonds purchased for sinking fund - - - - -	665,138	142,119
Interest on income tax refund - - - - -	306,848	—
Profit on foreign exchange - - - - -	297,134	290,995
Sundry income - - - - -	61,039	87,201
	<u>\$ 56,097,680</u>	<u>\$ 49,910,218</u>
<b>CHARGES:</b>		
Operating expenses, other than below - - - - -	\$ 7,978,014	\$ 7,401,053
Taxes, other than income taxes - - - - -	2,545,666	2,454,244
Provision for depreciation - - - - -	8,684,365	8,394,066
Interest on long term debts - - - - -	4,851,314	5,215,609
Loss on sale of storage tanks - - - - -	—	505,497
	<u>\$ 24,059,359</u>	<u>\$ 23,970,469</u>
<b>BALANCE BEFORE INCOME TAXES - - - - -</b>	<u>\$ 32,038,321</u>	<u>\$ 25,939,749</u>
<b>PROVISION FOR TAXES ON INCOME:</b>		
Canada - - - - -	\$ 9,209,000	\$ 6,540,000
United States - - - - -	7,225,000	6,304,000
	<u>\$ 16,434,000</u>	<u>\$ 12,844,000</u>
<b>NET INCOME FOR THE YEAR BEFORE APPROPRIATION - - - - -</b>	<u>\$ 15,604,321</u>	<u>\$ 13,095,749</u>
<b>APPROPRIATION FOR DISPUTED INCOME TAXES - - - - -</b>	<u>—</u>	<u>408,000</u>
<b>NET INCOME FOR THE YEAR (after appropriation in 1958) - - - - -</b>	<u>\$ 15,604,321</u>	<u>\$ 12,687,749</u>

## Statement of Consolidated Retained Earnings

(Expressed in Canadian Currency)

	For the years ended December 31	
	1959	1958
<b>BALANCE AT JANUARY 1 - - - - -</b>	<u>\$ 25,853,285</u>	<u>\$ 22,268,332</u>
<i>Add</i> —Net income for the year (after appropriation in 1958) - - -	15,604,321	12,687,749
—Provision for disputed income taxes no longer required - - -	2,881,000	—
	<u>\$ 44,338,606</u>	<u>\$ 34,956,081</u>
<i>Deduct</i> —Dividends - - - - -	11,388,747	9,102,796
<b>BALANCE AT DECEMBER 31 - - - - -</b>	<u>\$ 32,949,859</u>	<u>\$ 25,853,285</u>

The accompanying notes are part of the financial statements

## Notes to Financial Statements

### Long Term Debts:

Long term debts of \$130,926,368 at December 31, 1959 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 - - - - -	10,700,000	8,521,000	7,532,000	2,664,000	
Bonds outstanding - - - - -	<u>\$26,300,000</u>	<u>26,479,000</u>	<u>52,468,000</u>	<u>27,336,000</u>	
Less —					
Bonds purchased and held for sinking fund - -	—	365,000	988,000	536,000	
Bonds called for redemption - - - - -	—	407,000	—	—	
Other sinking fund payments due within one year - - - - -	—	819,000	—	—	
	<u>\$ —</u>	<u>1,591,000</u>	<u>988,000</u>	<u>536,000</u>	
Amount due after 1960 - - - - -	<u>\$26,300,000</u>	<u>24,888,000</u>	<u>51,480,000</u>	<u>26,800,000</u>	
Amount due after 1960 in terms of Canadian dol- lars at historical rates of exchange - - - - -	<u>\$26,300,000</u>	<u>27,501,240</u>	<u>50,848,566</u>	<u>26,276,562</u>	<u>130,926,368</u>

The company provided for most of the 1960 sinking fund requirements in 1959 by the purchase of its bonds at a discount of \$665,138. The balance of bond sinking fund payments due within one year is shown under Current Liabilities on the Consolidated Balance Sheet at \$1,165,356 Canadian currency. Bond sinking fund requirements for 1961 to 1964 are as follows:

	Series A (Canadian dollars)	Series B	Series C (United States dollars)	Series D
1961 - - - - -	\$1,838,000	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
1964 - - - - -	2,056,000	1,944,000	2,833,000	1,332,000

### Provision for Disputed Income Taxes:

Note and bond interest paid by the United States subsidiary to the company is subject to a 15% withholding tax which the company has claimed as a foreign tax credit for Canadian income tax purposes.

The Canadian income tax authorities disallowed the deduction and the company appealed to the courts. In October 1959 the company's claim was upheld by the Supreme Court of Canada. As a result of this decision appropriations of \$2,881,000 made in prior years for disputed income taxes are no longer required and have been transferred to Retained Earnings. Payments previously made under protest have been refunded together with interest of \$306,848.

#### Deferred Income Taxes:

The companies' policy is to provide for depreciation of Fixed Assets on the straight line method at annual rates which will amortize the cost of depreciable properties over their estimated service lives. Under Canadian and United States income tax regulations more depreciation may be deducted for tax purposes than the provision 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 1959 will amount to \$14,801,000 whereas \$16,434,000 was charged to income. The difference of \$1,633,000 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.

#### Incentive Stock Option Plan:

Under the company's Incentive Stock Option Plan, options on 47,950 shares have been granted to December 31, 1959 at the market price on the date of option. During 1959 options on 5,500 shares were exercised which together with options for 17,981 shares exercised in prior years leaves a balance of 24,469 shares under option at the year-end.

#### Foreign Exchange:

The Series B, C and D Bonds of Interprovincial are payable in United States dollars, and have been stated in Canadian currency at the rate of exchange prevailing when the debts were incurred, except for amounts payable within one year which have been translated at the exchange rate in effect at December 31, 1959. 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 assets and liabilities, at the rate in effect at December 31, 1959;

Accumulated depreciation, on the basis of equivalent Canadian dollar cost of the related fixed assets;

Income and expenses, except depreciation and amortization of expense on long term debts, at the rate of exchange prevailing at the end of each month.

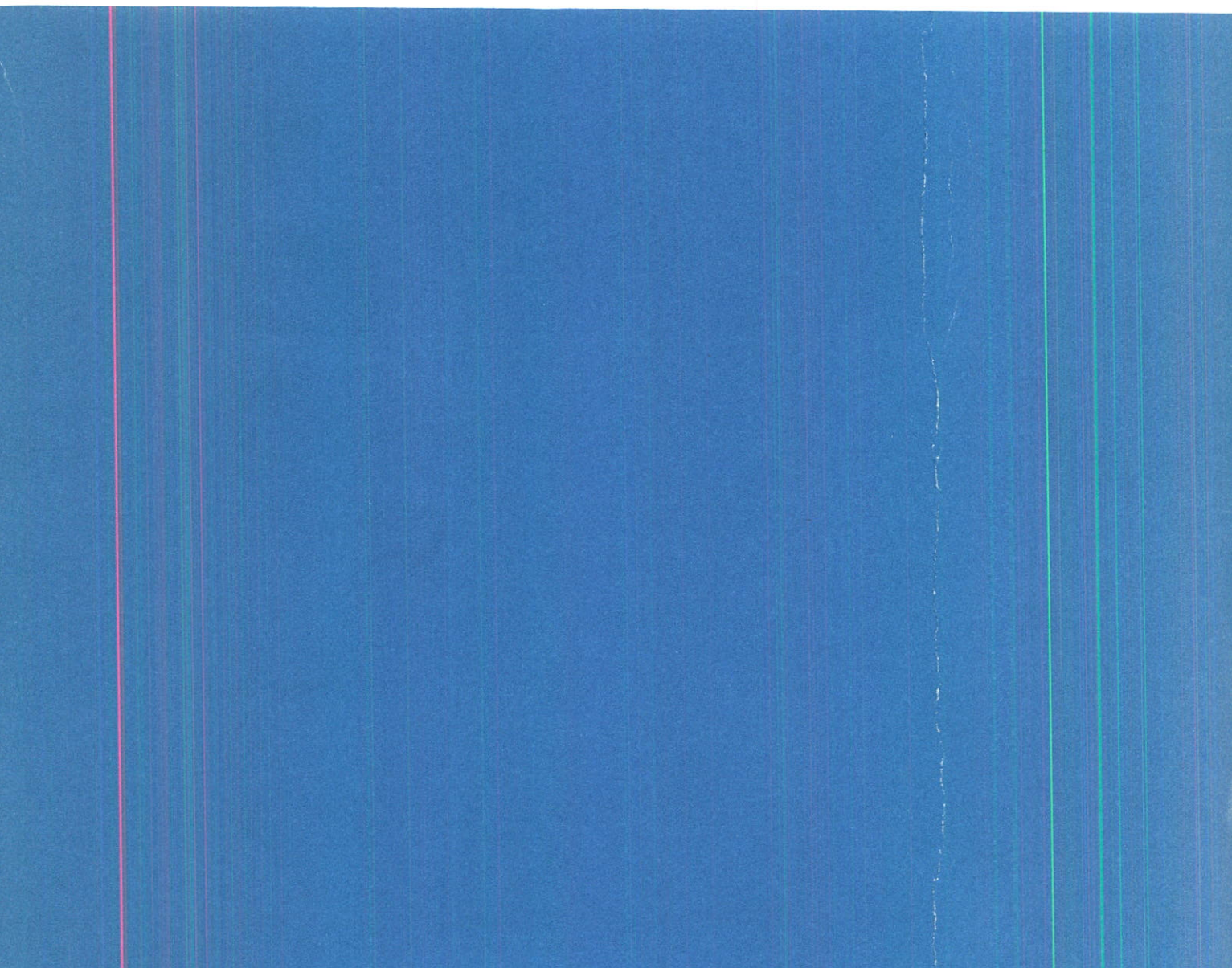
Profits and losses arising from the foregoing methods are shown on the Statement of Consolidated Income as Profit on Foreign Exchange.

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 or payable to counsel, solicitors and executive officers, including a salaried director, was \$177,003 in 1959. In addition fees paid to certain non-salaried directors amounted to \$3,700 for the year.







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