

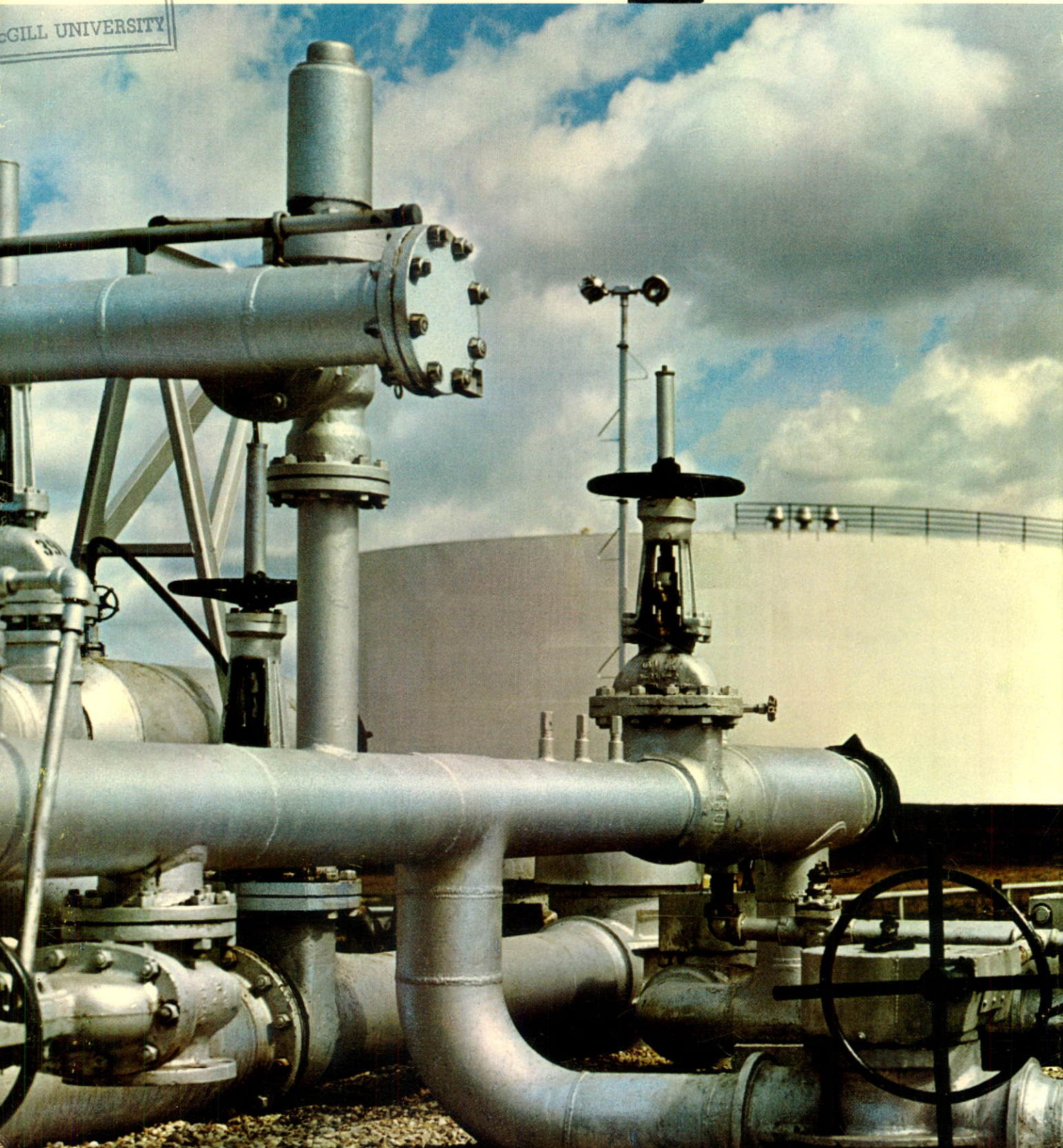
C. Stark

INTERPROVINCIAL PIPE LINE COMPANY

ANNUAL REPORT 1962



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INTERPROVINCIAL PIPE LINE COMPANY

Directors

C. E. Carson	J. W. Hamilton
T. S. Johnston	E. D. Loughney
T. F. Moore	R. D. Parker
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>Treasurer</i>	- - - - -	J. Blight
<i>Secretary</i>	- - - - -	W. A. Hare

Head Office

10830 Jasper Avenue - - - - - EDMONTON, ALBERTA

Executive Office

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

Transfer Agents

<i>The Royal Trust Company</i>	- - TORONTO, MONTREAL, HALIFAX WINNIPEG, EDMONTON, VANCOUVER
<i>Chemical Bank New York Trust Company</i>	- - NEW YORK

Registrars

<i>Montreal Trust Company</i>	- - TORONTO, MONTREAL, HALIFAX WINNIPEG, EDMONTON, VANCOUVER
<i>Bank of Montreal Trust Company</i>	- - - - - NEW YORK

HIGHLIGHTS

<i>Financial</i>	1962	1961
Gross Income	\$ 66,570,518	\$ 59,227,458
Earnings for the year	17,679,185	16,096,299
Earnings per share	3.48	3.17
Dividends paid	15,491,088	14,704,845
Dividends paid per share	3.05	2.90
Capital additions to carrier system	12,349,565	3,057,414
Long Term Debt	108,378,203	115,338,814
Number of shares outstanding	5,080,482	5,072,493
<i>Operating</i>		
Deliveries of crude oil—barrels	157,857,112	145,932,807
<i>Construction</i>		
	<p>Installation of 38.7 miles of loop line using for the first time 34" diameter pipe.</p> <p>Building of seven remotely controlled electric pumping stations.</p> <p>Extension of the pipe line system to Buffalo, New York under way.</p>	

PRESIDENT'S LETTER

Forecasts made at the start of 1962 indicated that in the ensuing twelve months the quantity of Canadian crude expected to be used in the Ontario refineries would increase over the previous year. It was also expected that the exports to the United States would be somewhat higher than in 1961. These early forecasts proved to be quite accurate. The quantity of crude received into the system reached an all-time high of 158.5 million barrels—an average of 434,000 barrels per day. The daily average crude receipts in the previous year were 401,000 barrels. As a result of the greater volume of crude transported, Interprovincial's net profit of \$17.7 million for 1962 was higher by \$1.6 million than in 1961. The favorable financial results of the year made it possible to increase dividends on the common stock from \$2.90 to \$3.05 per share.

Recognizing that there would be need for additional capacity in certain sections of the pipe line system to meet the 1963 demand, a construction program of \$12.3 million was undertaken in 1962. A relatively short section of 34" diameter loop line was installed and seven remotely controlled electric pump stations were constructed. Additional horsepower was also added at some of the existing stations. The 34" diameter pipe mentioned above is the largest ever used by your Company. It constitutes part of a long-range plan which contemplates additions to the system, from time to time, to ensure the availability of facilities sufficiently adequate to supply the crude demand at the refining centres serviced by Interprovincial's trunk line system. A further step in this long-range expansion program is planned for 1963.

PRESIDENT'S LETTER *(cont'd)*

It was disappointing to encounter further delays on the construction of the proposed extension of the Inter-provincial system into Buffalo, New York area. The necessary permits for this building program were not received until October. Your Management then had the alternative of undertaking the work during the following winter months or delaying the entire project until spring 1963. The former course was decided upon and work is now proceeding with completion expected by June 1963.

Late in the year an announcement was made that your Company would reduce its tariffs effective in February 1963. This reduction in transportation charges will make Canadian crude more attractive at the refining locations and should further assist in achieving the goal set under the National Oil Policy.

Mr. F. C. Lantz, a member of Interprovincial's Board of Directors since 1953, resigned prior to the Annual Meeting in April 1962. In his place Mr. Ralph D. Parker was elected. Mr. Parker brings to our Board many years of business experience which has been of great assistance to the Management.

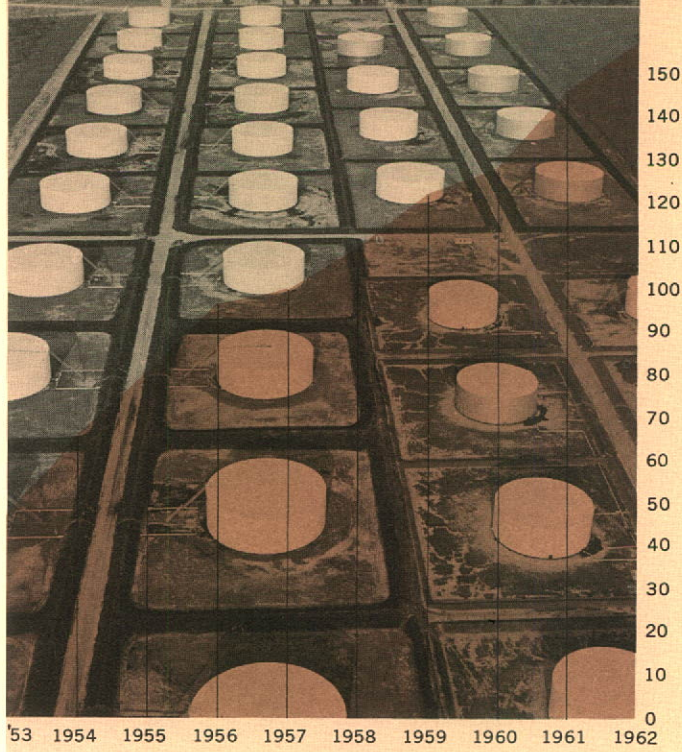
The accomplishments described in this report have been achieved by a loyal group of employees. Management is again glad of the opportunity to express its sincere appreciation and thanks for their efforts in making 1962 a successful year.



President

CRUDE OIL DELIVERIES

millions of barrels



OPERATIONS

The total volume of crude oil received for transportation in 1962 reached a new high. Compared with 1961, receipts rose 8% to 158.5 million barrels. The greater part of the increase—75% originated in Saskatchewan, Alberta increased slightly, and Manitoba continued to decline.

Deliveries for the year were 157.8 million barrels, 8% above 1961. Requirements of connected refineries in the Prairie Provinces increased slightly, while crude transported to Ontario increased 7% over 1961. The demand at all locations served by Interprovincial in the United States was higher, with the largest increase in the lower Great Lakes area where deliveries were made to Buffalo, New York, via connecting lines and tanker, for the first time on a year-round basis.

A connection was made with the Portal Pipe Line Company at Clearbrook, Minnesota, to deliver North Dakota crude to points on the Lakehead system. The first delivery was made in December to Superior, Wisconsin.

During the year fifteen different grades of crude oil were transported through the pipe line system. In addition, the movement of natural gas liquids in the form of condensates increased substantially as compared to 1961. The

necessity of maintaining the individual characteristics of each stream has added to the complexity of the operation and has been possible only by the maximum utilization of all facilities.

The following table sets out deliveries by areas in 1962 as compared with 1961:

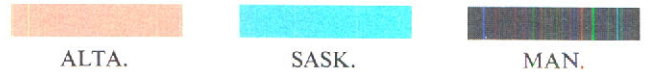
DELIVERIES OF CRUDE OIL (Millions of Barrels)		
	1962	1961
Western Canada - - - - -	32.7	32.3
United States - - - - -	39.0	33.3
Ontario - - - - -	86.1	80.3
	<u>157.8</u>	<u>145.9</u>

CONSTRUCTION

The major construction program undertaken in 1962 will increase the capacity in five of the seven existing sections of the system and add a new section—the extension to Buffalo. Additional pumping units have been added at four stations in Western Canada; six new

SOURCE OF CRUDE OIL RECEIPTS

millions of barrels



stations, unattended and remotely controlled, have been constructed on the Superior-Sarnia section and a new electric station built on the Sarnia-Port Credit line. In all, 49,300 H.P. are being installed, the additions being electrically driven and of a type which has permitted their installation out of doors without the necessity of new, or additions to, existing buildings. The capacity of the Clearbrook-Superior section of the system was increased by the construction of two loops of 34" diameter pipe totalling 38.7 miles in length.

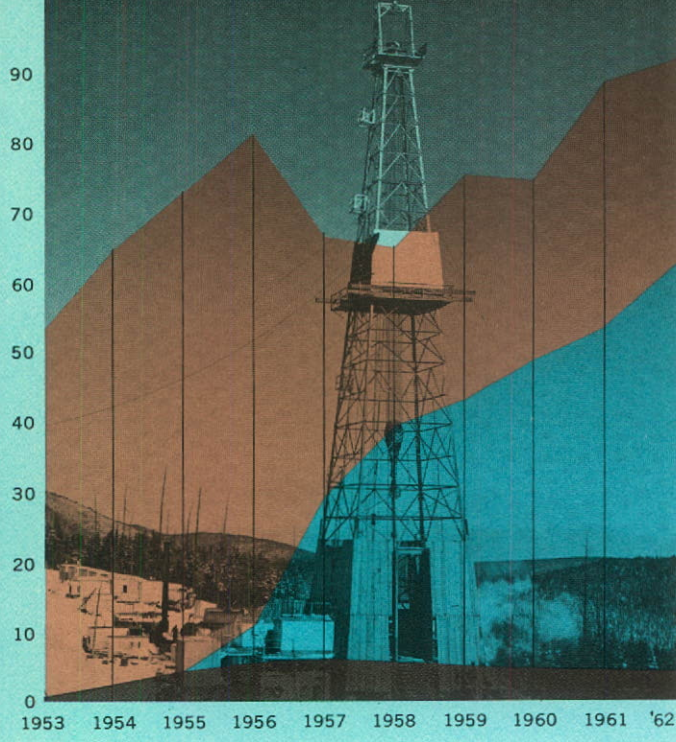
Work commenced in December on the 93-mile, 12" extension to Buffalo, New York from Westover, a point on the existing Sarnia-Port Credit line near Hamilton, Ontario. The location of the project in highly developed areas necessitated routing the line through terrain varying from farm land to built-up urban districts and across three major waterways, the East and West Niagara rivers and the Welland Canal. While normal cross-country construction methods have been possible in Ontario, the last twenty miles of the extension in New York is being laid on congested right-of-way in built-up areas of Buffalo and its adjoining suburbs, requiring special construction techniques which are expensive and time consuming. As was expected, winter weather conditions have created additional problems which have materially affected progress, particularly in the City of Buffalo and on the crossings of the Niagara rivers. It is, however, expected that

the first deliveries of oil will be made to Buffalo in June of 1963.

To meet forecast demands, it is proposed to further increase the capacity of the system in certain critical sections in 1963 by installing additional loops. Between Cromer and Glenboro, Manitoba, 41 miles of 34" diameter pipe will be laid and in the United States 126 miles of similar size line will be added between the International border and Superior at an estimated cost of \$20,500,000. Application has been made to the National Energy Board for a permit for the Canadian portion of the construction.

Upon completion of the 1963 construction program the capacity in the various sections of the system will be as follows:

Edmonton-Regina	- - - - -	360,500 <i>bbls. per day</i>
Regina-Cromer	- - - - -	370,000 <i>bbls. per day</i>
Cromer-Gretna	- - - - -	494,000 <i>bbls. per day</i>
Gretna-Clearbrook	- - - - -	458,000 <i>bbls. per day</i>
Clearbrook-Superior	- - - - -	462,000 <i>bbls. per day</i>
Superior-Sarnia	- - - - -	416,000 <i>bbls. per day</i>
Sarnia-Port Credit	- - - - -	170,000 <i>bbls. per day</i>
Westover-Buffalo	- - - - -	20,000 <i>bbls. per day</i>



The 1963 construction program is a further step in the Company's long-range program for updating its facilities in line with the indicated demand for crude transportation.

FINANCIAL

This review and the financial statements of this report deal with the results of the Company's operations in Canada and the United States for the year 1962. They include the accounts of Interprovincial Pipe Line Company and its wholly owned subsidiaries, Interprovincial Pipe Line Patrol Company Limited in Canada and Lakehead Pipe Line Company, Inc. and Lakehead's subsidiary, Pipe Line Service Company, Inc. in the United States.

EARNINGS

The Company's net earnings for 1962 were \$17,679,185 an increase of \$1,582,886 or 9.8% over 1961. On capital stock outstanding at year-end earnings were equivalent to \$3.48 per share compared with \$3.17 per share in 1961.

During the year there was no final decision by the Canadian income tax authorities as to the Company's right to claim as a foreign tax credit the 15% United States tax withheld at source on interest payments from its United States subsidiary. Recently the Company has been advised that the Minister of National Revenue is

not prepared to allow the Company's claim. As more fully explained in the Notes to Financial Statements the full amount that may be in default has been provided for in each year's income tax provisions.

DIVIDENDS

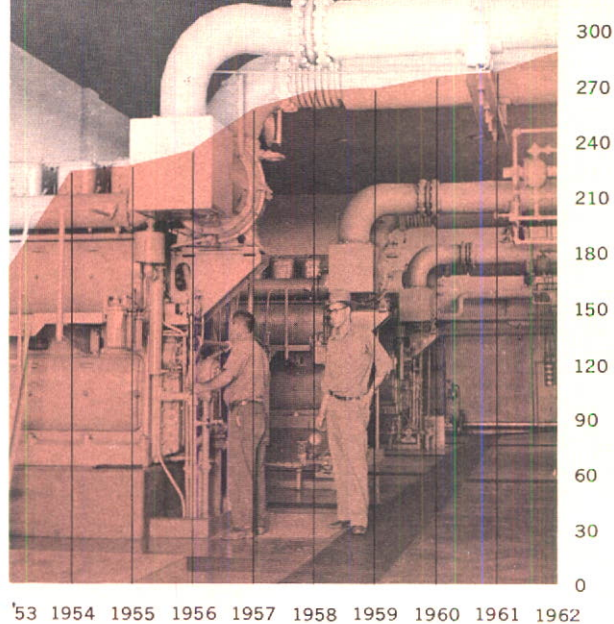
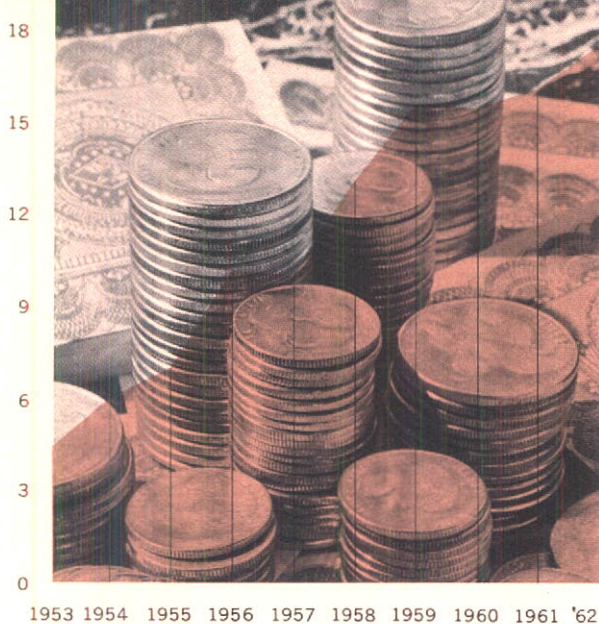
Regular quarterly dividends were paid at the rate of 70¢ per share on March 1, 75¢ per share on June 1, September 1, and December 1, plus an extra of 10¢ per share on December 1, for a total of \$3.05 per share. Total dividends paid amounted to \$15.5 million, which compares with \$2.90 per share and \$14.7 million in 1961.

INCOME AND EXPENSES

Operating revenue was at a new high of \$65,709,308 in 1962. The 12.5% increase over 1961 was the result of the larger quantity of crude oil transported. The volume carried on a long haul basis showed a material increase over the previous year which had a particularly beneficial effect on the Company's revenue.

Operating expenses at \$10,714,309 increased 15.3% the result of increased pumping station costs in handling the greater volume of crude oil through the system. Fuel and power costs were higher in 1962 by \$715,000.

The recent devaluation of the Canadian dollar in relation to the U.S. dollar has had very little effect on the Com-



EARNINGS *millions of dollars*

INVESTMENT *plant & equipment, millions of dollars*

pany's earnings. Operating revenue increased since half our tariff tolls, other than to delivery points in Western Canada, are collectable in U.S. dollars. However, offsetting this additional income has been the increased equivalent Canadian dollar cost of the expenses of our U.S. subsidiary, as well as the cost of redemption and interest of the U.S. pay long term bonds. Further details on Foreign Exchange are described in the Notes to Financial Statements.

Taxes, other than income taxes, of \$3,481,809 increased \$259,113 (8%) as a result of higher mill rates imposed by many municipalities in Canada and the United States. To some extent assessments of capital additions also tended to increase property taxes.

The increase of \$3,575,000 or 20.5% in the provision for income taxes is directly attributable to the higher earnings in 1962. While income taxes charged against earnings for the year amounted to \$20,977,000, taxes payable in respect of the year amounted to \$19,120,000. As explained in the Notes to Financial Statements the difference of \$1,857,000 results from claiming for tax purposes, depreciation and investment tax credit in amounts greater than that recorded in the accounts. This difference, together with similar amounts provided in prior years, is carried on the Balance Sheet as "Deferred Income Taxes" and now totals \$22,670,000.

CAPITAL EXPENDITURES AND FIXED ASSETS

Capital additions to the Company's carrier system totaled \$12,350,000 for the year. With the exception of the line looping, the remaining projects are not expected to be completed until early 1963 and therefore, the 1962 expenditures are being carried in "Incomplete Construction" as indicated in the table below:

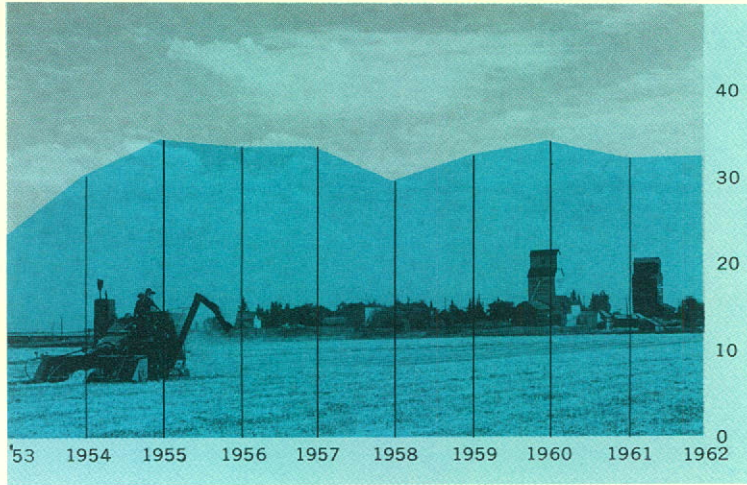
	1962	1961
Land - - - - -	\$ 663,057	\$ 615,392
Right-of-Way - - - -	3,239,635	3,223,101
Crude Oil Pipe Line - -	207,238,005	202,649,134
Buildings, Tanks and Equipment - - - - -	69,597,155	68,483,076
Incomplete Construction -	8,726,758	2,411,020
	\$289,464,610	\$277,381,723

Capital expenditures in 1963 are now estimated at \$25,900,000. Of this amount \$20.5 million will be expended for the 1963 line looping program and \$400,000 for miscellaneous construction. Also \$5.0 million will be required for the completion of the 1962 construction program including the extension of the pipe line system to Buffalo, New York.

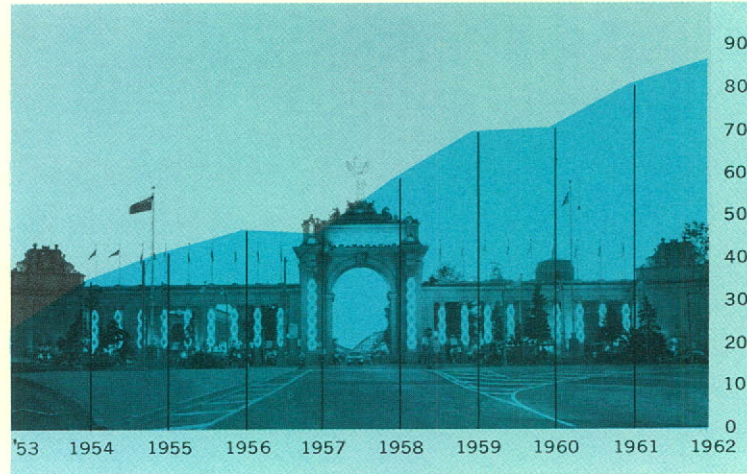
CRUDE OIL DELIVERIES *millions of barrels*



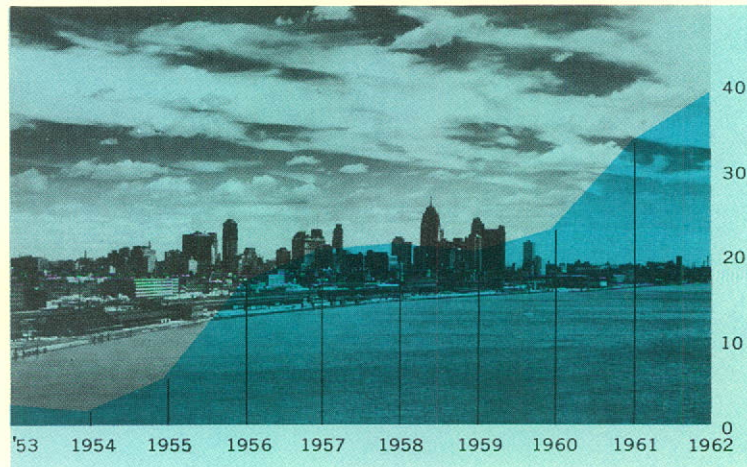
WESTERN CANADA



ONTARIO



UNITED STATES





ALBERTA

SASKATCHEWAN

MANITOBA

MONTANA

NORTH DAKOTA

MINN

INTERPROVINCIAL LAKEHEAD PIPELINE SYSTEM

LEGEND

- Pumping Station
- ▲ Connected Refinery



ONTARIO

QUEBEC

SOTA

WISCONSIN

MICHIGAN

OHIO

PENNSYLVANIA

NEW YORK

INTERPROVINCIAL PIPE LINE COMPANY *and subsidiary companies*

SOURCE AND DISPOSITION OF FUNDS

	1962	1961
	(\$000)	(\$000)
<i>Source of Funds</i>		
Net earnings for the year - - - - -	\$17,679	\$16,096
Add back—Depreciation - - - - -	8,974	8,903
Deferred Income Taxes - - - - -	1,857	952
Capital stock issued - - - - -	274	163
	<u>28,784</u>	<u>26,114</u>
<i>Disposition of Funds</i>		
Dividends paid to shareholders - - - - -	\$15,491	\$14,705
Reduction in long term debt - - - - -	6,961	8,419
Capital additions to carrier system - - - - -	12,350	3,057
Other transactions—net - - - - -	114	33
	<u>34,916</u>	<u>26,214</u>
<i>Decrease in Working Capital - - - - -</i>	6,132	100
<i>Working Capital January 1 - - - - -</i>	6,821	6,921
<i>Working Capital December 31 - - - - -</i>	\$ 689	\$ 6,821

The statement appearing opposite shows an analysis of the funds received during the year and their disposition together with comparative figures for 1961. The decrease of \$6.8 million in working capital is due to the extensive capital additions to the carrier system, which were financed internally from the Company's cash resources.

CAPITAL STOCK

Capital stock issues were made during the year, totalling 7,989 shares for \$274,354. These were issued under the terms of the Employees' Incentive Stock Option Plan. The number of shareholders and shares held at the end of 1962 compared with 1961 is detailed in the accompanying statement.

	1962		1961	
	<i>Shareholders</i>	<i>Shares</i>	<i>Shareholders</i>	<i>Shares</i>
Canada - - - - -	10,891	4,351,621	10,599	4,260,295
United States - - -	1,529	672,951	1,591	752,264
Other Countries - -	162	55,910	163	59,934
	<u>12,582</u>	<u>5,080,482</u>	<u>12,353</u>	<u>5,072,493</u>

CONSOLIDATED STATEMENT OF EARNINGS

(expressed in Canadian currency)

	<i>For the years ended December 31</i>	
	1962	1961
<i>Income:</i>		
Operating revenue - - - - -	\$65,709,308	\$58,418,728
Investment and other income - - - - -	861,210	808,730
	<u>66,570,518</u>	<u>59,227,458</u>
<i>Expenses:</i>		
Operating expenses, other than below - - - - -	10,714,309	9,293,183
Taxes, other than income taxes - - - - -	3,481,809	3,222,696
Provision for depreciation - - - - -	8,974,073	8,902,851
Interest on long term debt - - - - -	4,381,976	4,421,964
Loss on foreign exchange - - - - -	362,166	(111,535)
	<u>27,914,333</u>	<u>25,729,159</u>
<i>Earnings before income taxes</i> - - - - -	<u>38,656,185</u>	<u>33,498,299</u>
<i>Provision for income taxes:</i>		
Canada - - - - -	10,424,000	9,002,000
United States - - - - -	10,553,000	8,400,000
	<u>20,977,000</u>	<u>17,402,000</u>
<i>Net earnings for the year</i> - - - - -	<u>\$17,679,185</u>	<u>\$16,096,299</u>
<i>Net earnings per share</i> - - - - -	<u>\$3.48</u>	<u>\$3.17</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(expressed in Canadian currency)

	<i>For the years ended December 31</i>	
	1962	1961
<i>Balance at January 1</i> - - - - -	\$35,637,731	\$34,246,277
Net earnings for the year - - - - -	17,679,185	16,096,299
	53,316,916	50,342,576
Dividends - - - - -	15,491,088	14,704,845
<i>Balance at December 31</i> - - - - -	<u>\$37,825,828</u>	<u>\$35,637,731</u>

The accompanying notes are part of the financial statements.



INTERPROVINCIAL PIPE LINE COMPANY *and subsidiary companies*

ASSETS

	<i>As at December 31</i>	
	1962	1961
<i>Current Assets:</i>		
Cash - - - - -	\$ 660,613	\$ 556,898
Deposits with bondholders' trustees and banks for interest and sinking fund payments - - - - -	823,158	876,717
Government securities and other short term investments, at lower of cost or market, plus accrued interest - - - - -	10,325,182	13,379,133
Accounts receivable—		
Transportation charges - - - - -	4,890,546	4,543,800
Claims and other accounts receivable - - - - -	259,499	274,078
Inventories—		
Crude oil from pipe line allowance, at quoted market price - - -	350,396	484,434
Materials and supplies, at cost - - - - -	992,799	1,010,713
Prepaid expenses - - - - -	325,198	235,983
	<u>18,627,391</u>	<u>21,361,756</u>
<i>Other Assets and Deferred Charges:</i>		
Mortgages receivable - - - - -	55,711	51,239
Unamortized premium and expense on long term debt (net) - - -	197,744	224,616
Operating oil supply - - - - -	163,646	146,642
Deposits for acquisition of properties - - - - -	121,172	—
Other - - - - -	184,989	138,116
	<u>723,262</u>	<u>560,613</u>
<i>Fixed Assets:</i>		
Carrier system and other physical properties, at cost - - - - -	289,464,611	277,381,723
<i>Less—Accumulated depreciation</i> - - - - -	76,659,889	67,920,495
	<u>212,804,722</u>	<u>209,461,228</u>
	<u>\$232,155,375</u>	<u>\$231,383,597</u>

CONSOLIDATED BALANCE SHEET (expressed in Canadian currency)

LIABILITIES

	<i>As at December 31</i>	
	1962	1961
<i>Current Liabilities:</i>		
Accounts payable - - - - -	\$ 2,331,601	\$ 984,813
Bond interest payable - - - - -	1,433,156	1,488,638
Accrued income and other taxes - - - - -	13,904,994	11,894,031
Bond sinking fund payments due within one year - - - - -	268,375	173,159
	<u>17,938,126</u>	<u>14,540,641</u>
 <i>Long Term Debt</i> - - - - -	 <u>108,378,203</u>	 <u>115,338,814</u>
 <i>Provision for Employee Retirement Benefits</i> - - - - -	 <u>181,369</u>	 <u>165,916</u>
 <i>Deferred Income Taxes</i> - - - - -	 <u>22,670,000</u>	 <u>20,813,000</u>
 <i>Shareholders' Equity:</i>		
Capital stock—		
Authorized—\$200,000,000 divided into 40,000,000 shares, par value \$5 each		
Issued—1962—5,080,482 - - - - -	25,402,410	
1961—5,072,493 - - - - -		25,362,465
Premium on shares - - - - -	19,759,439	19,525,030
Retained earnings, per accompanying statement - - - - -	37,825,828	35,637,731
	<u>82,987,677</u>	<u>80,525,226</u>
 <i>Signed on Behalf of the Board:</i>		
	Director	
	Director	
 <i>The accompanying notes are part of the financial statements.</i>	 <u>\$232,155,375</u>	 <u>\$231,383,597</u>

INTERPROVINCIAL PIPE LINE COMPANY *and subsidiary companies*

NOTES TO FINANCIAL STATEMENTS

LONG TERM DEBT

Long term debt of \$108,378,203 at December 31, 1962 comprises 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 - - - - -	15,416,000	14,584,000	14,666,000	6,000,000	
Bonds outstanding - - - - -	21,584,000	20,416,000	45,334,000	24,000,000	
<i>Less:</i>					
Bonds purchased and held for sinking fund - - - - -	1,029,000	739,000	1,335,000	650,000	
Other sinking fund payments due within one year - - - - -	—	233,000	—	16,000	
	<u>1,029,000</u>	<u>972,000</u>	<u>1,335,000</u>	<u>666,000</u>	
Amount due after 1963 - - - - -	<u>\$20,555,000</u>	<u>19,444,000</u>	<u>43,999,000</u>	<u>23,334,000</u>	
Amount due after 1963 in terms of Canadian dollars at historical rates of exchange - - - - -	<u>\$20,555,000</u>	<u>21,485,620</u>	<u>43,459,325</u>	<u>22,878,258</u>	<u>108,378,203</u>

The Company provided for most of the 1963 sinking fund requirements by purchase of its bonds at a discount of \$218,161. Bond sinking fund requirements for 1964 to 1967 are as follows:

	Series A (Canadian dollars)	Series B	Series C	Series D
		(United States dollars)		
1964 - - - - -	\$2,055,000	1,944,000	2,831,000	1,332,000
1965 - - - - -	2,312,000	2,188,000	3,000,000	1,416,000
1966 - - - - -	2,312,000	2,188,000	3,167,000	1,500,000
1967 - - - - -	2,312,000	2,188,000	3,334,000	1,584,000

PROVISION FOR INCOME TAXES

Bond interest paid by the United States subsidiary to the Company is subject to a 15% withholding tax which the Company claims as a foreign tax credit for Canadian income tax purposes. Counsel has advised the Company that notwithstanding 1960 amendments to the Income Tax Act it is entitled to claim such withholding tax as a foreign tax credit. Although the Company has not received a final assessment of either its 1960 or 1961 income tax returns it is anticipated that the 1960 assessment will be received shortly and will disallow this foreign tax credit. If and when such an assessment is received the Company proposes to launch an appeal therefrom. Pending determination of the issue it was considered

prudent to make provision for additional income taxes of \$310,000 in 1962 which, together with \$674,000 provided in 1960 and 1961, covers the full amount of United States tax withheld from bond interest payments during the years 1960 to 1962 inclusive.

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 in the accounts of the companies. The companies are taking advantage of the maximum deductions permitted for tax purposes which results in a deferment of taxes to future years when amounts deductible for tax purposes will be less than the depreciation recorded in the accounts.

The United States subsidiary companies are allowed a credit against income taxes payable of a specified percentage of the cost of certain depreciable assets acquired and placed into service subsequent to December 31, 1961. The assets have been recorded at cost while the investment tax credit, which reduces the value of the property acquired for determining depreciation for tax purposes, has been deferred and will be taken into income over the life of the related assets.

As a result of these two matters, income taxes payable in respect of 1962 will amount to \$19,120,000 whereas \$20,977,000 was charged to earnings. The difference of \$1,857,000 is applicable to future years when taxes payable will be greater than the charge to earnings and is 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 49,750 shares have been granted to December 31, 1962 at the market price on the date of option. During 1962 options on 7,989 shares were exercised which, together with options for 32,661 shares exercised in prior years, leaves a balance of 9,100 shares under option at the year end.

FOREIGN EXCHANGE

United States dollar amounts included in the consolidated financial statements have been expressed in Canadian dollars on the following bases:

Current assets and liabilities, at the rate of exchange at December 31;

Other assets and liabilities, at historical rates of exchange except for accumulated depreciation which is translated on the basis of equivalent Canadian dollar cost of the related fixed assets;

Income and expenses, at monthly rates of exchange, except provision for depreciation which is translated on the same basis as the related fixed assets.

Losses less gains arising from the foregoing methods are shown on the Consolidated Statement of Earnings as Loss on Foreign Exchange.

SALARIES OF EXECUTIVE OFFICERS, COUNSEL FEES AND DIRECTORS' FEES

The total amount deducted on the Consolidated Statement of Earnings in respect of salaries and other remuneration paid or payable to counsel, solicitors and executive officers, including a salaried director, was \$137,894 in 1962. In addition fees paid to certain non-salaried directors amounted to \$6,700 for the year.

TEN YEAR REVIEW

	1962	1961
FINANCIAL (In thousands of dollars)		
Gross Income - - - - -	\$ 66,570	59,227
Expenses - - - - -	\$ 27,914	25,729
Income Taxes - - - - -	\$ 20,977	17,402
Net Earnings - - - - -	\$ 17,679	16,096
Net earnings per share - - - - -	\$ 3.48	3.17
Dividends paid - - - - -	\$ 15,491	14,705
Dividends paid per share - - - - -	\$ 3.05	2.90
Working Capital - - - - -	\$ 689	6,821
Capital additions to carrier system - - - - -	\$ 12,350	3,057
Investment in carrier system (cost) - - - - -	\$289,465	277,382
Investment in carrier system (net) - - - - -	\$212,805	209,461
Long Term Debt - - - - -	\$108,378	115,339
Number of shares outstanding - - - - -	5,080,482	5,072,493
Number of shareholders - - - - -	12,582	12,353

OPERATING

RECEIPTS OF CRUDE OIL (In thousands of barrels)

Alberta - - - - -	91,693	88,226
Saskatchewan and Manitoba - - - - -	66,739	58,232
United States - - - - -	45	—
Total - - - - -	<u>158,477</u>	<u>146,458</u>

DELIVERIES OF CRUDE OIL (In thousands of barrels)

Western Canada - - - - -	32,715	32,257
United States - - - - -	39,040	33,303
Tanker loadings for Ontario - - - - -	1,259	1,220
Ontario - - - - -	84,843	79,153
Total - - - - -	<u>157,857</u>	<u>145,933</u>

BARREL MILES (Millions) - - - - -	186,562	170,468
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INTERPROVINCIAL PIPE LINE COMPANY *and subsidiary companies*

1960	1959	1958	1957	1956	1955	1954	1953
55,162	56,097	49,910	41,930	42,569	34,402	29,583	18,945
24,347	24,059	23,970	22,370	22,745	20,433	17,981	11,084
15,335	16,434	12,844	9,596	9,650	6,938	5,550	3,427
15,480	15,604	13,096	9,964	10,174	7,031	6,052	4,434
3.05	3.08	2.59	1.97	2.01	1.40	1.20	.88
14,184	11,389	9,103	7,075	5,548	3,528	2,268	756
2.80	2.25	1.80	1.40	1.10	.70	.45	.15
6,921	7,997	276	1,329	15,780	14,296	7,418	17,971
5,440	2,667	11,200	22,853	9,580	2,872	50,617	81,166
274,560	269,626	267,270	256,966	234,561	226,561	223,936	173,578
215,324	218,665	224,700	222,573	207,684	206,786	210,883	165,993
123,758	130,926	137,479	143,716	149,154	154,281	157,627	130,735
5,068,343	5,063,313	5,057,813	5,056,533	5,050,343	5,039,832	5,039,832	5,039,832
11,834	11,901	12,129	11,966	10,969	8,699	8,002	7,177
74,823	75,411	65,088	66,063	81,565	72,899	64,706	53,593
53,681	48,165	45,488	35,408	16,719	8,049	2,089	629
—	—	—	—	—	—	—	—
<u>128,504</u>	<u>123,576</u>	<u>110,576</u>	<u>101,471</u>	<u>98,284</u>	<u>80,948</u>	<u>66,795</u>	<u>54,222</u>
34,236	32,705	29,512	33,751	33,733	34,306	30,137	23,045
23,018	20,353	21,327	20,664	16,868	5,270	1,638	2,550
923	—	1,748	4,119	5,662	7,044	2,943	22,558
69,729	69,864	56,912	41,362	40,479	33,948	31,324	—
<u>127,906</u>	<u>122,922</u>	<u>109,499</u>	<u>99,896</u>	<u>96,742</u>	<u>80,568</u>	<u>66,042</u>	<u>48,153</u>
137,483	135,569	113,997	94,994	100,486	81,041	69,946	38,398

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, 1962 and the consolidated statements of earnings 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 consolidated statements of earnings 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, 1962 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.

EDMONTON, February 8, 1963.

Chartered Accountants.



