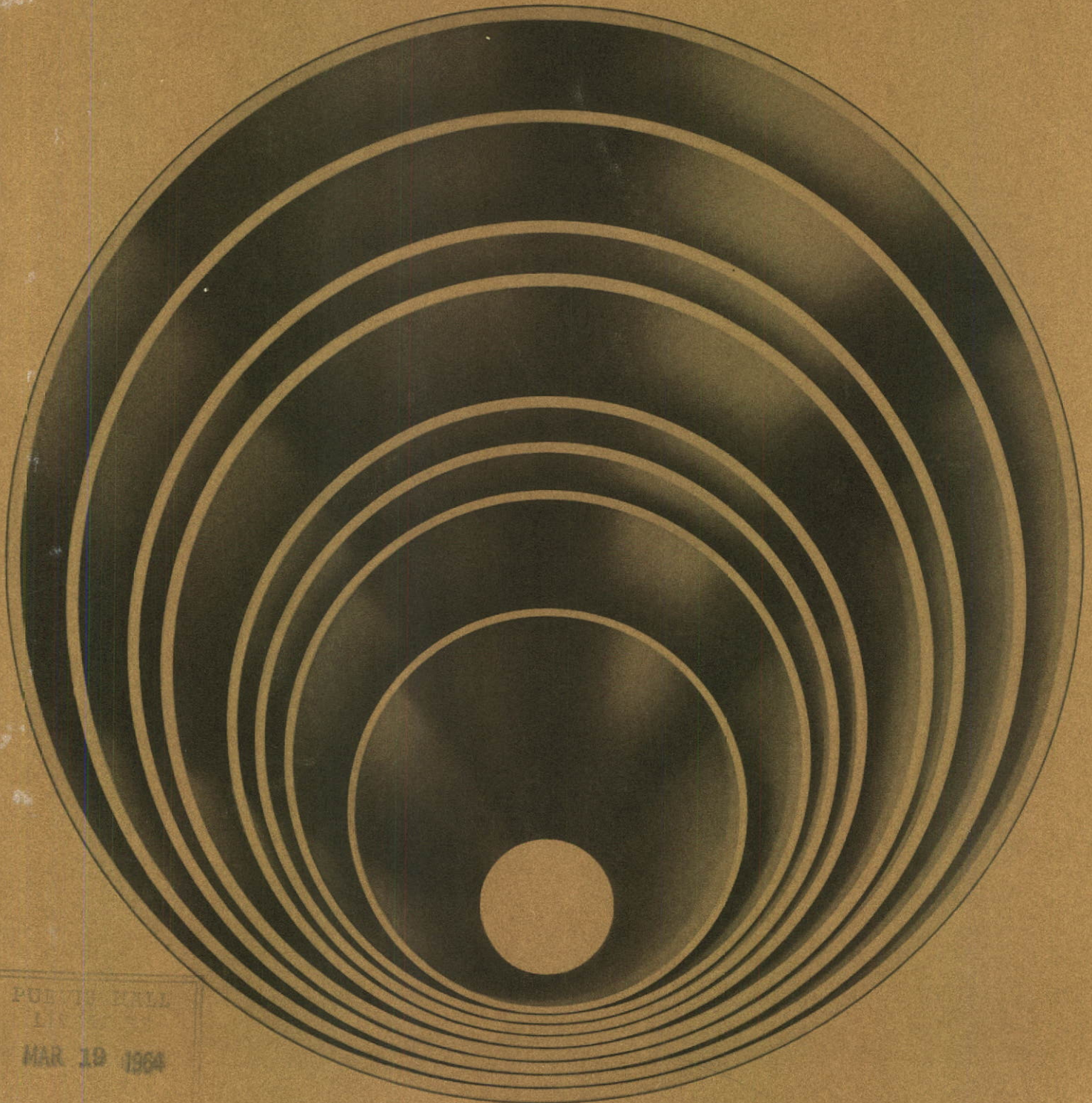
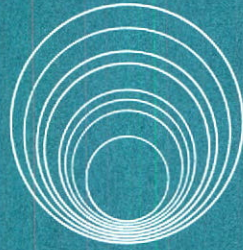


INTERPROVINCIAL PIPE LINE COMPANY ANNUAL REPORT 1963

C



PUBLIC HALL
L
MAR 19 1964
MICHIGAN STATE UNIVERSITY



The cover design represents the various sizes of pipe used in the Interprovincial system. A total of 3,428 miles, varying in diameter from 12 inches to 34 inches, and in wall thickness from $\frac{1}{4}$ -inch to $\frac{13}{16}$ -inch, is currently installed.

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>Executive Vice-President*</i>	- - - - -	J. F. Fairlie
<i>Vice-President</i>	- - - - -	D. R. Walker
<i>Vice-President</i>	- - - - -	C. E. Carson
<i>General Manager</i>	- - - - -	R. E. Trammell
<i>Secretary-Treasurer*</i>	- - - - -	J. Blight

Head Office

10830 Jasper Avenue - - - - - EDMONTON, ALBERTA

Executive Office

7 King Street East - - - - - 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

*Effective March 1, 1964

HIGHLIGHTS

FINANCIAL

	1963	1962
Gross Income - - - -	\$ 69,998,723	\$ 66,570,518
Earnings for the year - -	17,779,602	17,679,185
Earnings per share - -	3.50	3.48
Dividends paid - - -	15,755,207	15,491,088
Dividends paid per share -	3.10	3.05
Capital additions to carrier system - - - - -	23,452,727	12,349,565
Long term Debt - - -	100,072,822	108,378,203
Number of shares outstanding - - - -	5,082,982	5,080,482

OPERATING AND CONSTRUCTION

Deliveries increased 8.8% over 1962.

Highest daily average pumping achieved over a thirty-day period—in excess of 500,000 barrels.

126 miles of loop line using 34-inch diameter pipe installed.

Extension to Buffalo, New York completed.

PRESIDENT'S LETTER

The volume of crude petroleum transported through the Interprovincial system continued to increase during 1963. A total of 171.8 million barrels was carried at an average rate of over 470,000 barrels per day. This steady growth of business was in line with forecasts made over the past several years in conjunction with the company's long-range program for expansion of its facilities. As contemplated in this planned expansion, capital expenditures during the year amounted to \$23.5 million which was the largest cash outlay made by the company since 1954. On a reduced scale the company's looping program will be continued during 1964 thus providing additional pipe line capacity for anticipated 1965 volumes of crude. About \$7.5 million are expected to be added to plant account in 1964.

With throughputs increased by over 8% in 1963 it would be natural to expect earnings to bear some relatively close relationship. However, with the reduction in tariffs made early in the year, your company's profit was only slightly higher than in 1962. Net earnings amounted to \$17,780,000 equivalent to \$3.50 per share on the outstanding stock. This compares with \$3.48 for the previous year.

Over the years it has been Interprovincial's policy to reduce its transportation charges whenever economic conditions rendered such action feasible. There have been several such reductions and since your company has been in operation the cost of moving crude through our system has been reduced 41.8%. Today it is possible to transport a barrel of crude over 1,900 miles through the Interprovincial/Lakehead system at a cost of .027¢ per mile.

President's Letter (cont'd)

As is generally the case in our economy today, taxes occupied a prominent part in our financial picture. Interprovincial's total tax bill in 1963 was in excess of \$25 million which was equivalent to \$4.94 per share on the outstanding stock. Taxes were greater by 41 % than the company's net earnings for the year. In the past five years taxes have increased percentage-wise at approximately twice the rate of the company's earnings.

The continued success of your company is due in no small part to the efforts of the employees. It is a pleasure for Management to have this opportunity to express its thanks.



President

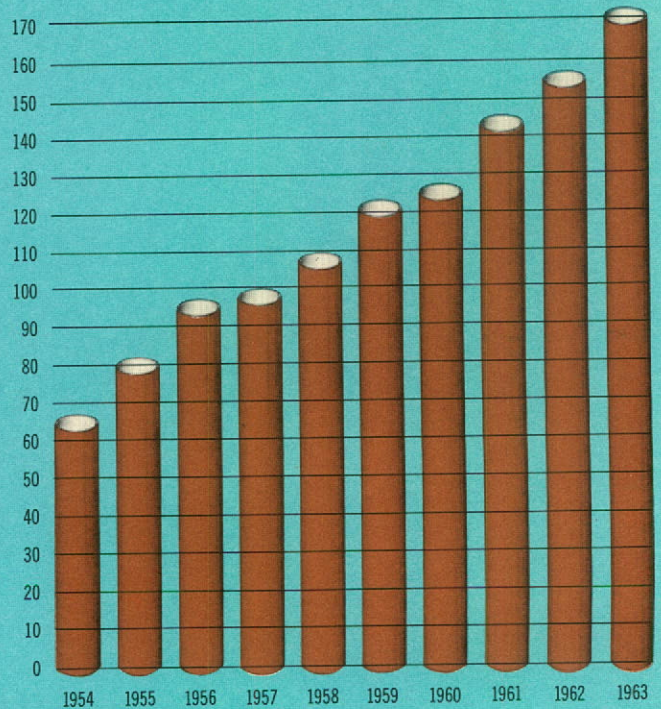
OPERATIONS

Receipts of crude oil in 1963 amounting to 174 million barrels, represent an increase of 9.8% over 1962, which up to that time had been Interprovincial's peak year. Alberta and Saskatchewan each provided approximately 45% of the increase with the balance being North Dakota crude. Receipts from Manitoba declined slightly—3% lower than the previous year.

Deliveries, totalling 171.8 million barrels, were 8.8% above 1962. The increase in demand for western Canada oil by existing refiners and the completion of the new Shell refinery resulted in deliveries to Ontario accounting for 84% of the additional volumes transported. The completion of the Interprovincial/Lakehead extension to Buffalo caused a reduction in deliveries to Port Huron, Michigan, when the two Buffalo refineries commenced receiving oil directly through the Interprovincial system. This change, however, did not materially affect over-all deliveries of Canadian crude to the United States which during the year showed a slight increase of approximately 3%.

North Dakota crude was received for the first time on a year-'round basis from the Portal pipe line at Clearbrook,

CRUDE OIL DELIVERIES
millions of barrels



Minnesota, and all deliveries were to refiners in Minnesota and Wisconsin.

The operation of the pipe line system continued to become more complex as the shippers' requirements for a specific type or grade of oil continued to grow. During the year, receipts from twenty connected pipe lines were transported through the Interprovincial trunk system as twenty three different streams. Natural gas liquids, in the form of condensate and butane, represented approximately 3% of the total volume received for transportation—up slightly from 1962.

The following table sets out deliveries by areas in 1963 as compared with 1962:

DELIVERIES OF CRUDE OIL
(Millions of Barrels)

	1963	1962
Western Canada - - - - -	32.2	32.7
United States - - - - -	41.8	39.0
Ontario - - - - -	97.8	86.1
	<u>171.8</u>	<u>157.8</u>

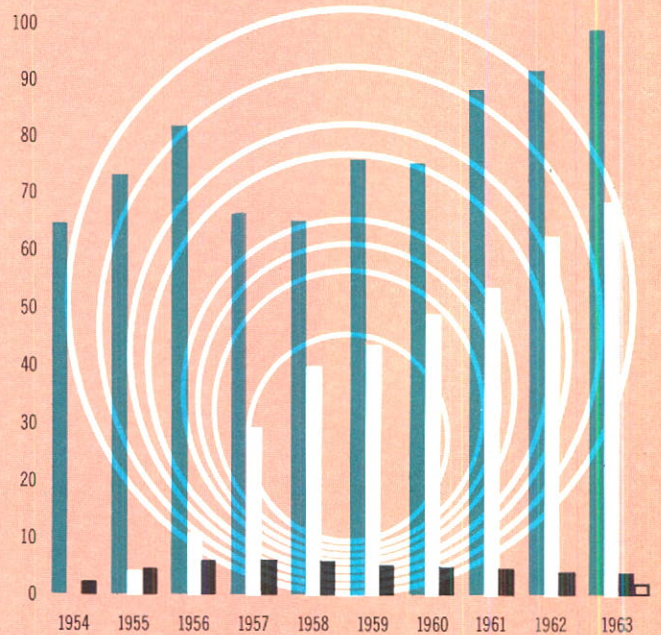
The application of specialized equipment both in the field and office made it possible to deliver the increased volumes of crude oil without an increase in the number of employees. The total number of personnel employed (598) as of the year-end represents a slight decrease over the previous year.

CONSTRUCTION

Major construction completed in 1963 provided capacity increases in four of the seven existing sections of the system. The new 95 mile section—Westover, Ontario—to Buffalo, New York, was also completed. Total capital expenditures amounted to \$23.5 million.

The program, initiated in 1962, of installing loops of 34-inch diameter pipe in the Cromer-Superior section of the line, continued in 1963. Four loops totalling 40.6 miles, were installed west of Gretna, Manitoba, and eight loops totalling 125.8 miles, were constructed in the United States between Gretna and Superior, Wisconsin. The Buffalo extension, delayed by severe winter weather conditions, was not completed until late spring with the first

SOURCE OF CRUDE OIL RECEIPTS—millions of barrels



delivery of Canadian crude being made in May. Work is currently under way to increase the capacity of this section by the installation of a 500 H.P. electrically driven pumping unit at Westover, Ontario. The capacity of the Sarnia-Port Credit section of the line was increased by the construction of two temporary stations each with a single 690 H.P. diesel unit. These units are locally operated and will be used until such time as throughputs warrant the installation of permanent, remotely controlled, electric stations.

An underwater inspection of the two 20-inch lines crossing the Mackinac Straits was carried out during the summer of the year. Due to the extreme depth of water (a maximum of 250 feet) highly trained, deep-sea divers were used. These men carrying a television camera, made a visual inspection of all exposed pipe. The pictures from this camera were filmed at the surface, enabling a detailed examination of the pipe and at the same time will provide a permanent record of the inspection. After ten years of operation and the successful transit of many million barrels of oil both lines were found to be in good condition.

In 1964 it is proposed to increase the capacity of the system by continuing the construction program of installing 34-inch diameter loops and adding additional pumping units. In Canada, application has been made to the National Energy Board to construct four loops, totalling 53 miles between Cromer and Gretna, Manitoba, and to add one 2,500 H.P. electric pumping unit to the existing Gretna station. In the United States it is proposed to add 2,000 H.P. diesel units to the stations at Viking and Clearbrook, Minnesota. The total cost of this program and other minor additions is estimated at \$7.5 million.

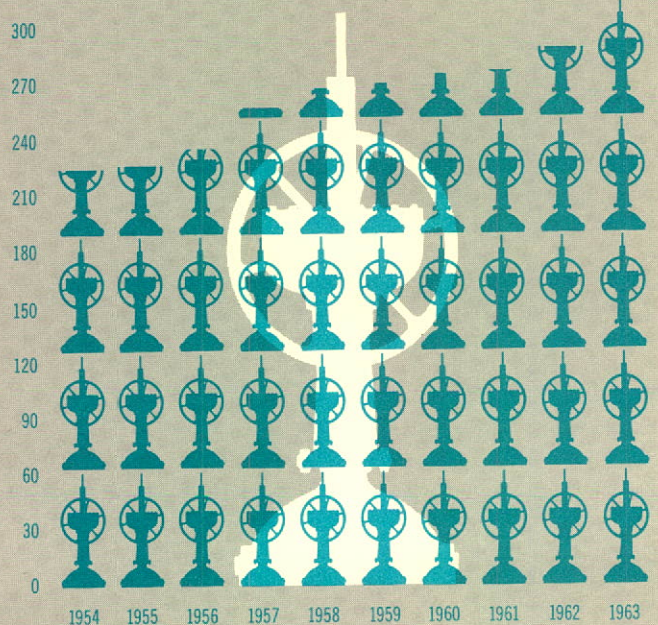
Upon completion of the 1964 construction program, the capacity of the various sections of the system will be:

Edmonton-Regina	- - - - -	363,000 <i>bbls. per day</i>
Regina-Cromer	- - - - -	363,000 <i>bbls. per day</i>
Cromer-Gretna	- - - - -	538,000 <i>bbls. per day</i>
Gretna-Clearbrook	- - - - -	490,000 <i>bbls. per day</i>
Clearbrook-Superior-	- - - - -	496,000 <i>bbls. per day</i>
Superior-Sarnia	- - - - -	416,000 <i>bbls. per day</i>
Sarnia-Port Credit	- - - - -	193,000 <i>bbls. per day</i>
Westover-Buffalo	- - - - -	36,000 <i>bbls. per day</i>

EARNINGS - *millions of dollars*



INVESTMENT - *plant and equipment, millions of dollars*



TARIFFS

The Company reduced its rates for the transportation of crude petroleum effective February 1, 1963. The lower charges resulted in a decrease in the laid down price of Canadian crude.

Rate reductions of 2¢ per barrel on the movement from Edmonton to Sarnia and 3¢ per barrel from Edmonton to Toronto were made with lesser reductions for the medium haul movements. The rates for the short haul movements were not adjusted. The Company further reduced its transportation charges by relinquishing half of the allowance oil normally charged in pipe line operations for handling and evaporation losses. This represented about 1¼¢ per barrel cost reduction to all shippers.

FINANCIAL

The Consolidated Financial Statements included in this report are the results of the Company's operations in Canada and the United States during 1963. 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

Net earnings for 1963 were \$17,779,602 equivalent to \$3.50 per share on the capital stock outstanding at year end. Comparable figures for 1962 were \$17,679,185 and \$3.48 per share.

INCOME AND EXPENSES

Operating revenue of \$69,636,283 in 1963 was 6% more than the \$65,709,308 earned in 1962. This increased revenue was due to the additional 8.8% deliveries of crude petroleum, partially offset by the February 1, 1963 tariff reductions mentioned earlier in this report.

Investment and other income of \$362,440 is a substantial decrease from the \$861,210 earned in 1962. This is the result of cash funds being required for capital construction program and not being available for short term investments to the extent of prior years.

Operating expenses of \$12,955,301 were \$2,240,992 greater than the previous year, caused for the most part by higher electric power costs necessary to transport the larger volumes of crude petroleum.

TAXES

Taxes, other than income taxes, amounted to \$3,884,605 and were 11.6% higher than 1962. This item which is principally property taxes reflects the assessment of capital additions, increased property values for assessment purposes and higher mill rates imposed by many of the municipalities through which our pipe line passes in both Canada and the United States.

DIVIDENDS

During the year \$15.8 million was paid out in dividends to shareholders. This represents 88.6% of the year's earnings. In 1962 \$15.5 million or 87.6% of 1962 earnings was distributed.

Regular quarterly dividends were at the rate of 75¢ per share for the first half of 1963 and at 80¢ per share for the latter half of the year, for a total of \$3.10 per share. This compares with \$3.05 per share in 1962.

CAPITAL EXPENDITURES AND FIXED ASSETS

A total of \$23,452,727 was expended during the year on capital additions to the carrier system. This included 166 miles of 34-inch line loop, the completion of the pipe line extension to Buffalo and expansion of other facilities.

Investment in Fixed Assets at the end of 1963 and 1962 was as follows:

	1963	1962
Land - - - - -	\$ 722,430	\$ 663,057
Right-of-way - - - - -	3,899,156	3,239,636
Crude oil pipe line - - -	231,324,619	207,238,005
Pumping equipment, buildings and tanks - -	76,247,765	69,597,155
Incomplete construction -	476,020	8,726,758
	<u>\$312,669,990</u>	<u>\$289,464,611</u>

For 1964, capital expenditures are now estimated to be \$7.5 million of which \$5.7 million will be for the continuation of the 34-inch looping program in Manitoba.

CRUDE OIL DELIVERIES

millions of barrels



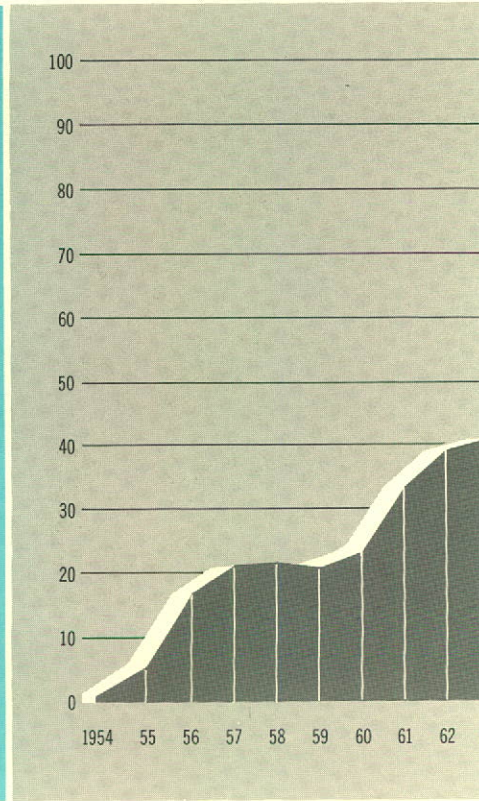
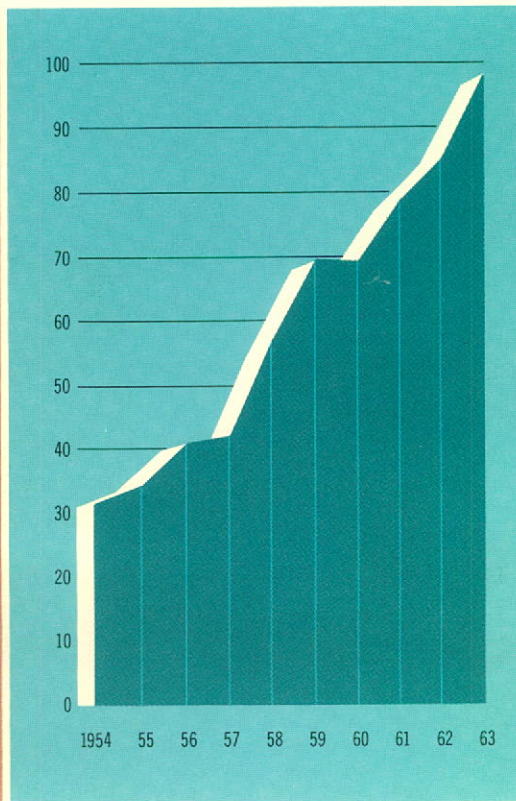
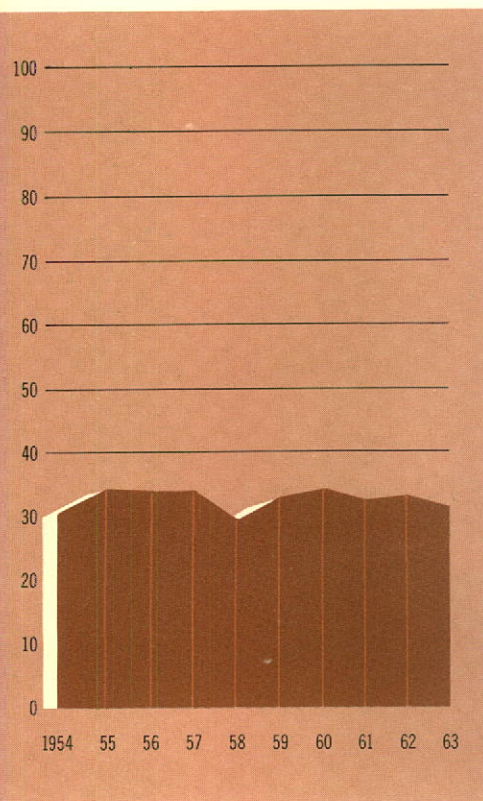
WESTERN CANADA



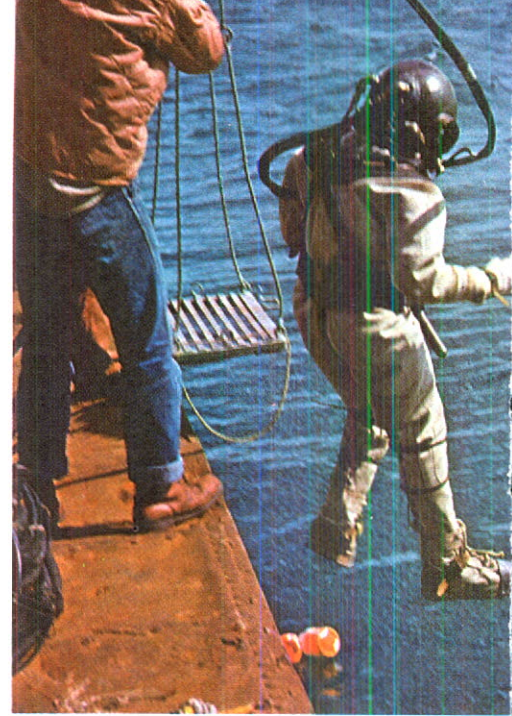
ONTARIO



UNITED STATES

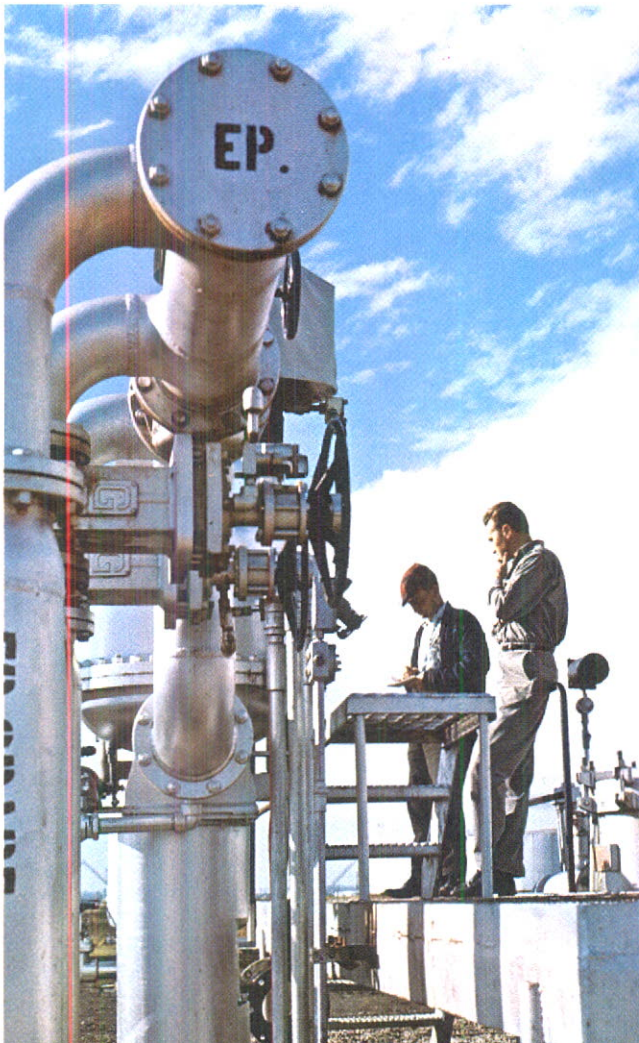


Laying 34-inch diameter pipe in Manitoba.



Diver entering the Straits of Mackinac to inspect

Manifold—Edmonton.



Crossing a small river in Minnesota.



pipe.



Booster Pumps—Edmonton.



The Buffalo extension crosses the West Niagara River.



INTERPROVINCIAL PIPE LINE COMPANY *and subsidiary companies*

SOURCE AND APPLICATION OF FUNDS

The comparative statement opposite is an analysis of source and uses of funds during 1963 and 1962.

The deficit working capital is due to the extensive capital additions to the carrier system in 1963 which were financed internally from the Company's cash resources. No long term financing is planned in the immediate future and it is contemplated that the Company will be able to finance the 1964 capital construction program and other cash requirements from the cash resources generated by the Company and if necessary by short term borrowings.

	1963	1962
	(\$000)	(\$000)
<i>Working capital—January 1</i> - - - - -	\$ 689	\$ 6,821
<i>Source of Funds:</i>		
From operations—		
Net earnings for the year - - - - -	17,780	17,679
Add: Charges to earnings not requiring cash outlay		
Depreciation - - - - -	9,548	8,974
Deferred income taxes - - - - -	3,075	1,857
Other - - - - -	40	42
	<u>30,443</u>	<u>28,552</u>
Capital stock issued - - - - -	123	274
Other transactions—net - - - - -	201	(156)
	<u>30,767</u>	<u>28,670</u>
<i>Application of Funds:</i>		
Dividends paid - - - - -	15,755	15,491
Additions to carrier system - - - - -	23,453	12,350
Reduction in long term debt - - - - -	8,305	6,961
	<u>47,513</u>	<u>34,802</u>
<i>Working capital December 31 (deficit)</i> - - - - -	<u>\$(16,057)</u>	<u>\$ 689</u>

CAPITAL STOCK

Under the terms of the Employees Incentive Stock Option Plan 2,500 shares of capital stock were issued during the year for \$122,575. The following table shows the number of shareholders and shares held at the end of 1963 compared to 1962:

	1963			1962		
	Shareholders	Shares	%	Shareholders	Shares	%
Canada - - - - -	11,167	4,410,889	87	10,891	4,351,621	86
United States - - - - -	1,429	616,870	12	1,529	672,951	13
Other Countries - - - - -	161	55,223	1	162	55,910	1
Total - - - - -	<u>12,757</u>	<u>5,082,982</u>	<u>100</u>	<u>12,582</u>	<u>5,080,482</u>	<u>100</u>

INTERPROVINCIAL PIPE LINE COMPANY *and subsidiary companies*

CONSOLIDATED STATEMENT OF EARNINGS

(expressed in Canadian currency)

	<i>For the Years Ended December 31</i>	
	1963	1962
<i>Income:</i>		
Operating revenue - - - - -	\$69,636,283	\$65,709,308
Investment and other income - - - - -	362,440	861,210
	<u>69,998,723</u>	<u>66,570,518</u>
<i>Expenses:</i>		
Operating and administrative expenses - - - - -	12,955,301	10,714,309
Taxes, other than income taxes - - - - -	3,884,605	3,481,809
Provision for depreciation - - - - -	9,547,620	8,974,073
Interest on long term debt - - - - -	4,253,002	4,381,976
Loss on foreign exchange - - - - -	372,593	362,166
	<u>31,013,121</u>	<u>27,914,333</u>
<i>Earnings before income taxes</i> - - - - -	38,985,602	38,656,185
<i>Provision for income taxes:</i>		
Canada - - - - -	10,557,000	10,424,000
United States - - - - -	10,649,000	10,553,000
	<u>21,206,000</u>	<u>20,977,000</u>
<i>Net earnings for the year</i> - - - - -	<u>\$17,779,602</u>	<u>\$17,679,185</u>
<i>Net earnings per share</i> - - - - -	<u>\$3.50</u>	<u>\$3.48</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(expressed in Canadian currency)



	<i>For the Years Ended December 31</i>	
	1963	1962
<i>Balance at January 1</i> - - - - -	\$37,825,828	\$35,637,731
Net earnings for the year - - - - -	17,779,602	17,679,185
	55,605,430	53,316,916
Dividends - - - - -	15,755,207	15,491,088
<i>Balance at December 31</i> - - - - -	<u>\$39,850,223</u>	<u>\$37,825,828</u>

The accompanying notes are part of the financial statements.

ASSETS

	<i>As at December 31</i>	
	1963	1962
<i>Current Assets:</i>		
Cash - - - - -	\$ 983,392	\$ 660,613
Deposits with bondholders' trustees and banks for interest and sinking fund payments - - - - -	795,159	823,158
Government securities and other short term investments, at lower of cost or market, plus accrued interest - - - - -	500,000	10,325,182
Accounts receivable—		
Transportation charges - - - - -	3,876,451	4,890,546
Claims and other accounts receivable - - - - -	155,205	259,499
Inventories—		
Crude oil from pipe line allowance, at quoted market price - - - - -	77,674	350,396
Materials and supplies, at cost - - - - -	1,103,480	992,799
Prepaid expenses - - - - -	281,111	325,198
	<u>7,772,472</u>	<u>18,627,391</u>
<i>Other Assets and Deferred Charges:</i>		
Mortgages receivable - - - - -	54,593	55,711
Unamortized premium and expense on long-term debt (net) - - - - -	173,833	197,744
Operating oil supply - - - - -	—	163,646
Deposits for acquisition of properties - - - - -	33,836	121,172
Other - - - - -	270,215	184,989
	<u>532,477</u>	<u>723,262</u>
<i>Fixed Assets:</i>		
Carrier system and other physical properties, at cost - - - - -	312,669,990	289,464,611
Less—Accumulated depreciation - - - - -	85,994,416	76,659,889
	<u>226,675,574</u>	<u>212,804,722</u>
	<u>\$234,980,523</u>	<u>\$232,155,375</u>

LIABILITIES

	<i>As at December 31</i>	
	1963	1962
<i>Current Liabilities:</i>		
Accounts payable - - - - -	\$ 1,749,614	\$ 2,331,601
Bond interest payable - - - - -	1,426,642	1,433,156
Accrued income and other taxes - - - - -	12,538,875	13,904,994
Bond sinking fund payments due within one year - - - - -	8,114,736	268,375
	<u>23,829,867</u>	<u>17,938,126</u>
<i>Long Term Debt</i> - - - - -	100,072,822	108,378,203
<i>Provision for Employee Retirement Benefits</i> - - - - -	198,187	181,369
<i>Deferred Income Taxes</i> - - - - -	25,745,000	22,670,000
<i>Shareholders' Equity:</i>		
Capital stock—		
Authorized—\$200,000,000 divided into 40,000,000 shares, par value \$5 each		
Issued—1963—5,082,982 - - - - -	25,414,910	
1962—5,080,482 - - - - -		25,402,410
Premium on shares - - - - -	19,869,514	19,759,439
Retained earnings, per accompanying statement - - - - -	39,850,223	37,825,828
	<u>85,134,647</u>	<u>82,987,677</u>
<i>Signed on Behalf of the Board:</i>		
 Director		
 Director		
<i>The accompanying notes are part of the financial statements.</i>	<u>\$234,980,523</u>	<u>\$232,155,375</u>

INTERPROVINCIAL PIPE LINE COMPANY *and subsidiary companies*

NOTES TO FINANCIAL STATEMENTS

Long Term Debt:

Long term debt of \$100,072,822 at December 31, 1963 comprises First Mortgage and Collateral Trust Bonds of Inter-provincial 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 - - - - -	16,444,000	15,556,000	15,999,000	6,666,000	
Bonds outstanding - - - - -	<u>20,556,000</u>	<u>19,444,000</u>	<u>44,001,000</u>	<u>23,334,000</u>	
<i>Less:</i>					
Bonds purchased and held for sinking fund - - - - -	1,000	17,000	2,000	484,000	
Other sinking fund payments due within one year - - - - -	2,055,000	1,927,000	2,831,000	848,000	
	<u>2,056,000</u>	<u>1,944,000</u>	<u>2,833,000</u>	<u>1,332,000</u>	
Amount due after 1964 - - - - -	<u>\$18,500,000</u>	<u>17,500,000</u>	<u>41,168,000</u>	<u>22,002,000</u>	
Amount due after 1964 in terms of Canadian dollars at historical rates of exchange - - - - -	<u>\$18,500,000</u>	<u>19,337,500</u>	<u>40,663,049</u>	<u>21,572,273</u>	<u>100,072,822</u>

Bond sinking fund requirements for 1965 to 1968 are as follows:

	Series A	Series B	Series C	Series D
	(Canadian dollars)		(United States dollars)	
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
1968 - - - - -	2,312,000	2,188,000	3,542,000	1,668,000

Provision for Income Taxes:

Bond interest paid to the Company by the United States subsidiary is subject to a 15% withholding tax which the Company claims as a foreign tax credit for Canadian income tax purposes. During 1963 the Canadian income tax authorities issued assessments for 1960 and 1961 which disallowed the greater part of the foreign tax credit claimed in respect of such withholding tax. The additional taxes demanded of \$657,000 were paid under protest.

Counsel has advised that the assessments are ill founded in law and the Company has raised objection thereto and proposes launching an appeal therefrom. Pending determination of the issue it was considered prudent to make full provision for the income taxes involved to December 31, 1963 totalling \$1,243,000 of which \$259,000 was provided in 1963.

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 after January 1, 1962. 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 1963 will amount to \$18,131,000 whereas \$21,206,000 was charged to earnings. The difference of \$3,075,000 (of which \$1,334,000 arises from the investment tax credit referred to in the preceding paragraph) 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, 1963 at the market price on the date of option. During 1963 options on 2,500 shares were exercised which, together with options on 40,650 shares exercised in prior years, leaves a balance of 6,600 shares under option at the year-end. All options expire on April 1, 1964, the termination date of the plan.

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 \$135,350 in 1963. In addition fees paid to certain non-salaried directors amounted to \$5,900 for the year.

TEN YEAR REVIEW

FINANCIAL *(In thousands of dollars)*

Gross income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net earnings per share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid per share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Working capital (deficit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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Capital additions to carrier system	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in carrier system (cost)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in carrier system (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Long term debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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Number of shares outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Number of shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

OPERATING

RECEIPTS OF CRUDE OIL *(In thousands of barrels)*

Alberta	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Saskatchewan and Manitoba	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
United States	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

DELIVERIES OF CRUDE OIL *(In thousands of barrels)*

Western Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
United States	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tanker loadings for Ontario	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ontario	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

BARREL MILES <i>(millions)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954
\$ 69,999	66,570	59,227	55,162	56,097	49,910	41,930	42,569	34,402	29,583	
\$ 31,013	27,914	25,729	24,347	24,059	23,970	22,370	22,745	20,433	17,981	
\$ 21,206	20,977	17,402	15,335	16,434	12,844	9,596	9,650	6,938	5,550	
\$ 17,780	17,679	16,096	15,480	15,604	13,096	9,964	10,174	7,031	6,052	
\$ 3.50	3.48	3.17	3.05	3.08	2.59	1.97	2.01	1.40	1.20	
\$ 15,755	15,491	14,705	14,184	11,389	9,103	7,075	5,548	3,528	2,268	
\$ 3.10	3.05	2.90	2.80	2.25	1.80	1.40	1.10	.70	.45	
\$(16,057)	689	6,821	6,921	7,997	276	1,329	15,780	14,296	7,418	
\$ 23,453	12,350	3,057	5,440	2,667	11,200	22,853	9,580	2,872	50,617	
\$312,670	289,465	277,382	274,560	269,626	267,270	256,966	234,561	226,561	223,936	
\$226,676	212,805	209,461	215,324	218,665	224,700	222,573	207,684	206,786	210,883	
\$100,073	108,378	115,339	123,758	130,926	137,479	143,716	149,154	154,281	157,627	
5,082,982	5,080,482	5,072,493	5,068,343	5,063,313	5,057,813	5,056,533	5,050,343	5,039,832	5,039,832	
12,757	12,582	12,353	11,834	11,901	12,129	11,966	10,969	8,699	8,002	
99,138	91,693	88,226	74,823	75,411	65,088	66,063	81,565	72,899	64,706	
73,426	66,739	58,232	53,681	48,165	45,488	35,408	16,719	8,049	2,089	
1,525	45	—	—	—	—	—	—	—	—	
<u>174,089</u>	<u>158,477</u>	<u>146,458</u>	<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>	
32,184	32,715	32,257	34,236	32,705	29,512	33,751	33,733	34,306	30,137	
41,794	39,040	33,303	23,018	20,353	21,327	20,664	16,868	5,270	1,638	
939	1,259	1,220	923	—	1,748	4,119	5,662	7,044	2,943	
96,845	84,843	79,153	69,729	69,864	56,912	41,362	40,479	33,948	31,324	
<u>171,762</u>	<u>157,857</u>	<u>145,933</u>	<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>	
207,724	186,562	170,468	137,483	135,569	113,997	94,994	100,486	81,041	69,946	

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, 1963 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, 1963 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.

EDMONTON, February 7, 1964.

Price Waterhouse & Co.

Chartered Accountants

