

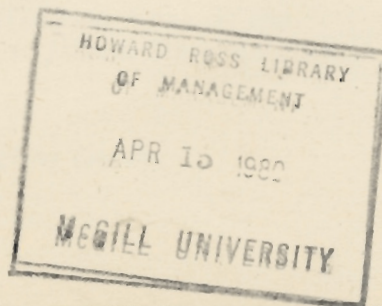
# ANNUAL REPORT

## IMPERIAL OIL LIMITED



*for the fiscal year ended*

**DECEMBER 31st, 1935**





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

HEAD OFFICE, SARNIA, ONTARIO

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## *President*

G. HARRISON SMITH

•

## *Vice-Presidents*

C. A. EAMES      R. V. LeSUEUR      L. C. McCLOSKEY      JOHN McNEIL

•

## *Directors*

G. HARRISON SMITH      C. A. EAMES      R. V. LeSUEUR  
L. C. McCLOSKEY      JOHN McNEIL      A. E. HALVERSON

•

## *Secretary-Treasurer*

F. E. HOLBROOK

•

## *Transfer Office*

56 CHURCH STREET, TORONTO, CANADA

•

## *Refineries at:*

IACO, BRITISH COLUMBIA	SARNIA, ONTARIO
CALGARY, ALBERTA	MONTREAL EAST, QUEBEC
REGINA, SASKATCHEWAN	IMPEROYAL, NOVA SCOTIA
FORT NORMAN, NORTH WEST TERRITORIES	

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## *Divisional Marketing Head Offices at:*

VANCOUVER, BRITISH COLUMBIA	HAMILTON, ONTARIO
CALGARY, ALBERTA	TORONTO, ONTARIO
EDMONTON, ALBERTA	MONTREAL, QUEBEC
REGINA, SASKATCHEWAN	SAINT JOHN, NEW BRUNSWICK
SASKATOON, SASKATCHEWAN	HALIFAX, NOVA SCOTIA
WINNIPEG, MANITOBA	ST. JOHN'S, NEWFOUNDLAND

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*Marketing Branches throughout Canada.*

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

SARNIA, ONT., APRIL 11TH, 1936.

## *To the Shareholders of Imperial Oil Limited:*

The balance sheet as of December 31st, 1935, and statements of surplus and of profit and loss for the year ending on that date are submitted herewith by your directors.

This report shows the wide ramifications of your Company's operations through its ownership of world transport facilities and also that by far the greater part of its petroleum business is conducted in world trade outside of Canada through the operation of various subsidiary companies in which there are large minority interests. Of the total production of crude oil by your Company's foreign subsidiaries only 19% was brought to Canada. The balance of 81% was sold to Europe, the United States, South America and other foreign countries.

Rates and prices paid to your Company's own marine department, to affiliated and to subsidiary companies for transportation services and for supplies of crude oil and other materials were the rates and prices established by free competition in world markets.

## E A R N I N G S

Of the total net income for 1935 the amount derived from Canadian refining and marketing operations was 11.49%, or \$2,899,578.81 (after provision for income taxes), being equivalent to 10.75 cents per share. This compares with \$3,023,400.12, or 11.23 cents per share during 1934.

The balance of the total net income for 1935 of 88.51%, or \$22,330,271.65 (after provision for income taxes) was equivalent to 82.81 cents per share. It was derived from transportation, from dividends paid by subsidiary companies, including dividends from subsidiaries operating outside of Canada and from miscellaneous income.

Total net earnings of your Company during 1935 from all sources (after provision for income taxes) were \$25,229,850.46, or 93.56 cents per share, as compared with \$25,771,653.69, or 95.73 cents per share in 1934.

## C A N A D I A N R E F I N I N G A N D M A R K E T I N G

Notwithstanding a larger demand for petroleum products in Canada during 1935, in the supplying of which your Company shared, there was a

continued contraction in the spread between the cost of crude oil and the Canadian prices of the principal products of petroleum. The net earnings derived from Canadian refining and marketing operations were \$123,821.31 less than in 1934. Further operating economies amounting to \$298,195.73 were made in 1935, notwithstanding an upward adjustment of wage scales in the refineries effective January 1st, 1935. These economies were largely offset by an increase in income taxes, provincial, corporate, municipal and school taxes applying to Canadian operations, which totalled \$242,829.77 more in 1935 than in 1934.

Since it began to do business in 1880 your Company has endeavored to serve all parts of Canada. Such a character of service naturally involves certain costs not entailed in supplying limited areas.

## WESTERN CANADA PRODUCING

Your Company's subsidiaries completed one well and began drilling another well in the Turner Valley field during 1935. They also acquired an interest in a well in the southern extension of the field and completed the purchase of small properties in the older part of the field with a view to further conservation of gas and more economical operation.

Production by your Company's subsidiaries in the Turner Valley totalled 633,955 barrels as compared with 717,501 barrels during 1934. A new absorption plant was completed in the south end of the field during the year and by its operation the ratio of recovered naphtha to gas production was increased. Notwithstanding this higher ratio of recovery, the total production of naphtha by your subsidiaries was 83,546 barrels less in 1935 than in 1934. This was in line with your Company's policy of prolonging the life of the Turner Valley field. Purchases from other producers in the field amounted to 252,712 barrels as compared with 253,142 barrels in 1934.

Geological and geophysical work was carried on and resulted in the selection of two areas in Alberta on which drilling may later be begun.

At the end of the year your Company's subsidiaries controlled 82 oil and gas wells in Western Canada.

## MARINE DEPARTMENT

A total of 29,012,696 barrels of crude oil and petroleum products was transported by the Imperial Oil and International Petroleum fleets during the year 1935 as compared with 28,644,878 barrels in 1934, an increase of 1.28%. These fleets comprised 25 vessels with an aggregate of 181,205 deadweight tons.

## SOUTH AMERICA

During 1935 exports by your Company's subsidiaries of crude oil and refined products from Colombia and Peru were 29,201,284 barrels.

The refineries at Barranca-Bermeja, Colombia, and at Talara, Peru, processed 7,536,248 barrels of crude oil during the twelve month period.

Crude oil production in Colombia was 17,597,654 barrels, an average of 48,213 barrels daily, as compared with 17,340,724 barrels, or a daily average of 47,509 barrels in 1934. Natural gas gasoline produced in Colombia in 1935 was 546,508 barrels against 542,029 barrels in 1934.

In Peru 14,756,914 barrels of crude oil was produced, or 40,430 barrels daily, as compared with a production for 1934 of 14,130,102 barrels, or 38,713 barrels daily average. Natural gas gasoline produced in Peru was 1,036,221 barrels as compared with 1,050,763 barrels in 1934.

## GENERAL

Throughout the year your directors enjoyed loyal and able co-operation from all ranks of the personnel. Your directors' experience has always been that the special provisions made for the well-being of employees redound not only to the advantage of those employees but to the benefit of the consumer and to the advancement of the shareholders' interests.

Following an application by the executive of the Co-operative Trading Association of Saskatchewan for revision of the rates of Customs duties on crude petroleum and its derivatives the Tariff Board held an extensive inquiry into the Canadian petroleum industry. Concurrently there was an inquiry by Royal Commission in British Columbia into the economic relationship between the coal and oil industries in that province. At this date no reports have been published in connection with these inquiries. In these, as in previous inquiries, your Company's executives had to carry the burden of most of the work necessary to provide the vast amount of data required with regard to the operation of the petroleum industry in Canada.

In the conduct of an industry it is most desirable that plans for the future be formulated with reasonable confidence. This is exceedingly difficult to do at a time when judgment must defer to the many uncertainties arising out of a general instability in conditions which your Company must face in the operation of its business. Caution has always played a large part in the direction of your Company's affairs and its importance in this perplexing period must not be under-estimated.

By order of the Board,

G. HARRISON SMITH,

*President.*

## AUDITORS' REPORT TO THE SHAREHOLDERS

*To the Shareholders of  
Imperial Oil Limited:*

We have made an examination of the balance sheet of Imperial Oil Limited as at December 31, 1935, and of the statement of profit and loss and surplus for the year ending on that date. In connection therewith, we examined or tested accounting records of the company and other supporting evidence, and obtained all the information and explanations which we required; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In accordance with section 114 of the Companies Act, 1934, we report that in the case of such subsidiary companies as incurred losses up to December 31, 1935, the parent company's proportion of such losses has been fully provided for in the books of Imperial Oil Limited and in the attached balance sheet. In the case of all other subsidiary companies, profits have only been taken credit for in the accounts of Imperial Oil Limited, and in the attached balance sheet, to the extent of dividends received by the parent company from such subsidiary companies; such dividends received in 1935 and included as income in that year exceeded the company's proportion of the aggregate net profits of subsidiary companies for the year 1935 by \$8,828,897.86 and to this extent were paid by these companies from surpluses previously earned.

Freights are billed from the transportation department to the refining and marketing departments at competitive market rates for such freights, and as a result there is an inter-departmental profit of approximately \$435,000.00 included in the inventory valuation in the attached balance sheet.

In our opinion, based upon such examination, and subject to the remarks above, the attached balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as at December 31, 1935, according to the best of our information and the explanations given to us, and as shown by the books of the company.

PRICE, WATERHOUSE & CO.

*Chartered Accountants.*

March 31, 1936.

BALANCE SHEETASSETSCURRENT ASSETS:

Cash on hand and in banks .....	\$12,454,544.14	
Dominion of Canada bonds and other marketable securities, including accrued interest .....	27,450,045.62	
(Market value \$27,763,077.72)		
Trade accounts and bills receivable (less reserves) .....	11,431,110.23	
Other accounts receivable, including accrued interest on mis- cellaneous investments .....	662,634.01	
Inventories, determined and certified as to quantities and condition by responsible officers of the company:		
Crude oil and refined products (on basis of cost or market price of crude oil, whichever was lower) .....	\$25,915,120.62	
Materials and supplies (at cost) .....	2,003,337.01	27,918,457.63
		<u>\$79,916,791.63</u>

DEFERRED ACCOUNTS RECEIVABLE, MORTGAGES AND MISCELLANEOUS

<u>LOANS AND ADVANCES (LESS RESERVES)</u> .....	3,141,940.00
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MISCELLANEOUS INVESTMENTS:

Bonds and debentures of other companies .....	\$11,939,853.58	
Shares of other companies .....	278,178.25	
		<u>12,218,031.83</u>

INVESTMENT IN SUBSIDIARY COMPANIES:

Investment in shares .....	\$39,474,790.10	
Indebtedness of subsidiary companies .....	3,894,364.05	
		<u>43,369,154.15</u>
<u>DEFERRED AND PREPAID CHARGES:</u> .....		346,188.82

<u>GOODWILL, PATENTS, COPYRIGHTS, TRADE MARKS AND LICENCES:</u> .....	213.00
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CAPITAL ASSETS:

Land, buildings, plant, transportation and other equipment, (at cost) .....	\$120,005,544.13	
Less—Reserve for depreciation .....	66,433,122.67	
		<u>53,572,421.46</u>
		<u>\$192,564,740.89</u>

NOTE (1)—The figure at which the investment in shares of subsidiary companies is carried in the above balance sheet (after giving effect to revaluations shown under Capital Surplus) is substantially less than the aggregate of the cost thereof plus the proportion of the undistributed earnings of such subsidiary companies since acquisition applicable to such shares.



# OIL LIMITED

DECEMBER 31, 1935

## LIABILITIES

### CURRENT LIABILITIES:

Accounts payable .....	\$2,075,165.49	
Amounts owing to subsidiary companies .....	1,508,295.83	
Reserve for income taxes and other accrued taxes in Canada ...	3,726,176.21	
		\$7,309,637.53

### RESERVES:

For fire, marine and other insurance .....	\$9,795,794.93	
For employees' annuities .....	8,273,071.35	
		18,068,866.28

### CAPITAL AND SURPLUS:

#### Capital Stock:

Authorized—32,000,000 shares of no par value

Issued and outstanding—26,965,078 shares ..... \$77,974,960.36

#### Capital Surplus:

Arising from revaluations (in 1915 and 1920) of investment  
in subsidiary company ..... 15,264,192.26

Earned Surplus, as per statement attached ..... 73,947,084.46

167,186,237.08

*Approved on behalf of the Board:*

C. A. EAMES, *Director*

R. V. LESUEUR, *Director*

\$192,564,740.89

NOTE (2)—At December 31, 1935, the Company had outstanding contractual and contingent liabilities aggregating \$3,410,957.63.

NOTE (3)—The company provided \$574,102.64 up to June 30, 1935, in accordance with the provisions of the Employees' Co-operative Investment Trust three-year plan which expired June 30, 1935.

NOTE (4)—The auditors' report to the shareholders appears on page 7 hereof.

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

## STATEMENT OF SURPLUS FOR THE YEAR ENDING DECEMBER 31, 1935

<u>PARTICULARS</u>	<u>EARNED SURPLUS</u>	<u>CAPITAL SURPLUS</u>	<u>TOTAL</u>
Balances at January 1, 1935.....	\$82,414,511.50	\$15,264,192.26	\$97,678,703.76
<i>Add—</i>			
<u>NET PROFIT FOR THE YEAR ENDING DECEMBER</u>			
<u>31, 1935.....</u>	<u>25,229,850.46</u>	<u>—</u>	<u>25,229,850.46</u>
	\$107,644,361.96	\$15,264,192.26	\$122,908,554.22
<i>Deduct—</i>			
<u>DIVIDENDS PAID.....</u>	<u>33,697,277.50</u>	<u>—</u>	<u>33,697,277.50</u>
 <u>BALANCES AT DECEMBER 31, 1935, CARRIED TO</u>			
<u>BALANCE SHEET.....</u>	<u><u>\$73,947,084.46</u></u>	<u><u>\$15,264,192.26</u></u>	<u><u>\$89,211,276.72</u></u>

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

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1935

<u>PARTICULARS OF INCOME</u>	<u>BEFORE PROVIDING FOR CANADIAN INCOME TAXES</u>	<u>PROVISION FOR CANADIAN INCOME TAXES</u>	<u>NET INCOME AFTER PROVIDING FOR ALL INCOME TAXES</u>
<b><u>FROM CANADIAN REFINING AND MARKETING OPERATIONS, after providing for all selling, administrative and general expenses.....</u></b>	<b><u>\$10,192,719.47</u></b>		
<i>Less</i> —Provision for depreciation.....	<u>6,484,189.27</u>		
	<b>\$3,708,530.20</b>	<b>\$808,951.39</b>	<b>\$2,899,578.81</b>
<b><u>FROM TRANSPORTATION, after providing for all administrative and general expenses.....</u></b>	<b><u>\$2,022,232.80</u></b>		
<i>Less</i> —Provision for depreciation.....	<u>753,951.97</u>		
	1,263,280.83	221,271.70	1,042,009.13
<b><u>OTHER INCOME:</u></b>			
Dividends from subsidiary companies, including dividends from subsidiaries whose activities are carried on outside of Canada, less losses of subsidiary companies for the year 1935.....	22,036,105.76	2,689,752.79	19,346,352.97
Interest on investments in bonds, loans, mortgages, etc., and other miscellaneous revenue, including rentals after deducting \$46,106.48 for depreciation.....	1,280,046.23	79,291.06	1,200,755.17
Profit on sale of investment securities.....	741,761.88	607.50	741,154.38
	<u>\$29,029,724.90</u>	<u>\$3,799,874.44</u>	
<b><u>NET PROFIT FOR THE YEAR, CARRIED TO EARNED SURPLUS.....</u></b>			<b><u>\$25,229,850.46</u></b>

NOTE (1)—The total amount deducted in the above statement in respect of counsel and solicitors' fees and salaries of executive officers, including all salaried directors, is \$210,385.84.

NOTE (2)—Dividends received from subsidiary companies, included in the above statement, exceeded the company's proportion of the aggregate net profits of subsidiary companies for the year 1935 by \$8,828,897.86.

