

IMPERIAL OIL LIMITED ANNUAL REPORT

FOR THE FISCAL
YEAR ENDING
DECEMBER 31ST 1944



A "wildcat" well in the coastal area of Peru.

IMPERIAL OIL LIMITED

HEAD OFFICE, SARNIA, ONT.

DIRECTORS

G. HARRISON SMITH R. V. LeSUEUR H. H. HEWETSON
G. L. STEWART F. W. PIERCE A. E. HALVERSON

OFFICERS

G. HARRISON SMITH, *Chairman of the Board*
R. V. LeSUEUR, *President*

Vice-Presidents

C. A. EAMES H. H. HEWETSON G. L. STEWART
O. B. HOPKINS

JAMES McGRATH, *Comptroller* J. A. NEW, *General Secretary*

Transfer Office

56 CHURCH STREET, TORONTO, CANADA

CRUDE OIL RESOURCES

Crude Oil Reserves of Company and Subsidiary Companies in:

CANADA • COLOMBIA, S.A. • PERU, S.A. • VENEZUELA, S.A.

REFINERIES

IOCO, BRITISH COLUMBIA SARNIA, ONTARIO
CALGARY, ALBERTA MONTREAL EAST, QUEBEC
REGINA, SASKATCHEWAN IMPEROYAL, NOVA SCOTIA
NORMAN WELLS, NORTHWEST TERRITORIES

Refineries Operated by Subsidiary Companies at:

BARRANCA BERMEJA, COLOMBIA, S.A. • TALARA, PERU, S.A.

MARKETING DIVISIONS

Divisional Marketing Head Offices in Canada and Newfoundland at:

VANCOUVER, BRITISH COLUMBIA TORONTO, ONTARIO
EDMONTON, ALBERTA MONTREAL, QUEBEC
REGINA, SASKATCHEWAN HALIFAX, NOVA SCOTIA
WINNIPEG, MANITOBA ST. JOHN'S, NEWFOUNDLAND
MARKETING BRANCHES THROUGHOUT CANADA AND NEWFOUNDLAND

Marketing Operations of Subsidiary Companies in:

COLOMBIA, S.A. • PERU, S.A.

1880-1944



The "business" end of a rotary drill. Drilling bits such as these are used to penetrate hard formations. Sometimes the going is so hard that a bit is worn out after cutting through only two or three feet.

ANNUAL REPORT, 1944



Sarnia, Ont., April 14th, 1945

TO THE SHAREHOLDERS OF IMPERIAL OIL LIMITED

IN this annual report you will find a presentation of the financial position of your Company and of its earnings during 1944 as well as a discussion of some of its more important activities during the past year and of its future plans. These are presented as they affect you as shareholders; they are of interest also to employees and customers and will likewise interest the public because they relate to the Canadian economy and must be conducted with full regard for the national well-being.

The year under review was another year in which the ingenuity, courage and resources of the United Nations have been strained to preserve individual liberty and the democratic way of life. As the peace-loving nations have amassed armaments and taken the offensive in the principal theatres of war the role of petroleum in all phases of the war effort, both on the fighting fronts and the production fronts, has been further enlarged. In brief, it has been a story of enormous demands for crude oil and products, of vast movements of oil and products over great distances, of adaptation of products to new uses and of development of new products for special requirements of navies, armies and

air forces as well as for war industries and other essential purposes.

Despite difficulties it can be said that in Canada again in 1944, no convoy was delayed, no troop movement impeded, no airfield closed in and no production of munitions, food or other essential products curtailed because of a failure of petroleum supply. This was not an easy achievement for Canada's oil industry and it would have been impossible without the splendid co-operative work of government agencies here and in other countries.

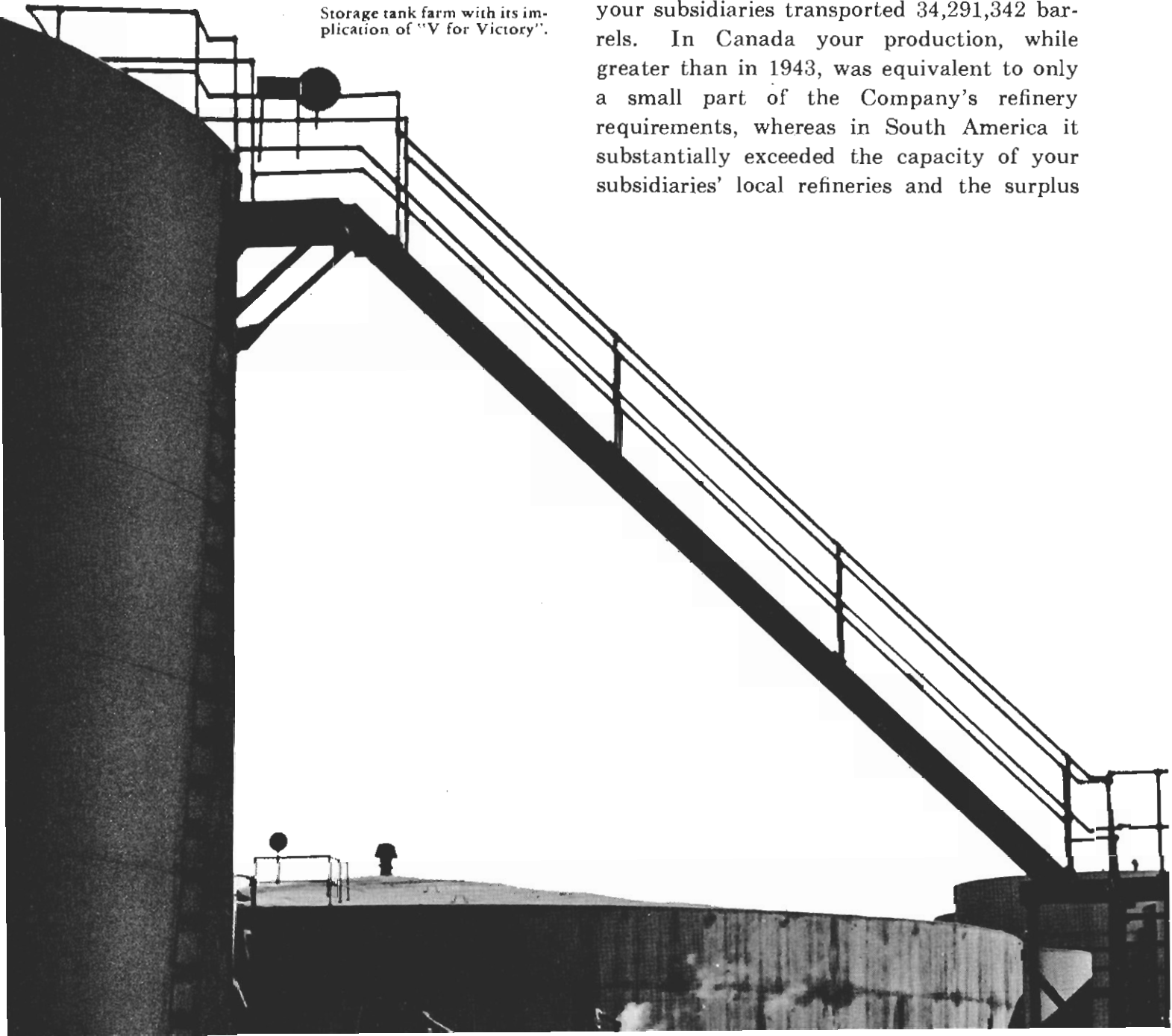
Operations under war conditions and to meet war needs again gave rise to problems in practically all phases of your Company's activities. A keylog to many of these problems was transport. A great deal of petroleum and its products moves in specialized equipment such as tankers, pipe lines and tank cars. None of these was available to the full extent that it could have been employed, nor could the available equipment at all times be most effectively employed. Particularly was this true of tankers which could not maintain the schedules of peacetime when they move at will without thought for submarines and mines. Unpredictable tanker

movements, unexpected delays in their loadings and unloadings, upset other schedules such as those of the refineries and this at times resulted also in other abnormal operations such, for instance, as at one period when large quantities of fuel oil had to be moved by rail all the way from Sarnia to the Atlantic seaboard, an operation that could be justified only by great emergency.

In all the tasks imposed by war, your Company has played its part to a degree that

has required the fullest use of its producing, transporting, manufacturing, distributing and research facilities and the zealous application of its thousands of employees. Both in Canada and South America, operations have been expanded to meet this increased demand. During 1944 your Company and its subsidiaries produced 43,559,948 barrels of crude oil as against 32,048,634 barrels in 1943; your Canadian and South American refineries processed 58,178,125 barrels of crude oil in 1944 as against 53,951,827 barrels in 1943. Your transportation department, in its own and in chartered ships, moved 49,020,672 barrels of crude oil and products and the pipe lines of your subsidiaries transported 34,291,342 barrels. In Canada your production, while greater than in 1943, was equivalent to only a small part of the Company's refinery requirements, whereas in South America it substantially exceeded the capacity of your subsidiaries' local refineries and the surplus

Storage tank farm with its implication of "V for Victory".

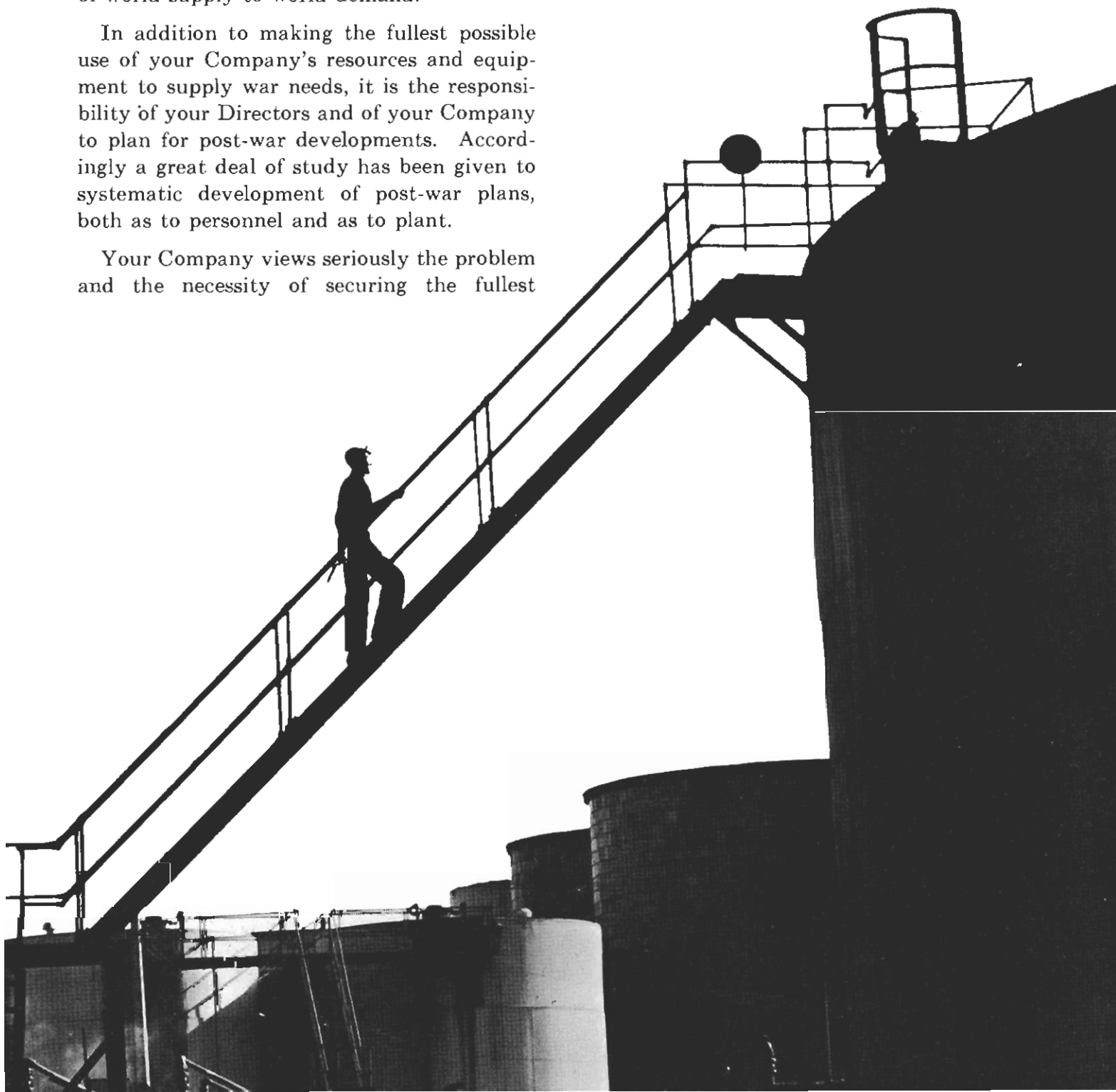


moved into consumption in other countries, largely for production of war materials, and into various theatres of war. Only a small part of this excess South American production was moved to Canada for processing in your Canadian refineries but it was all a contribution to the general pool of oil available to the United Nations and consequently Canada benefited proportionately because the supplies of oil to meet our own large national deficiencies are today determined by the relationship of world supply to world demand.

In addition to making the fullest possible use of your Company's resources and equipment to supply war needs, it is the responsibility of your Directors and of your Company to plan for post-war developments. Accordingly a great deal of study has been given to systematic development of post-war plans, both as to personnel and as to plant.

Your Company views seriously the problem and the necessity of securing the fullest

possible employment in the post-war period and is not only assuring its returning service people of their jobs and seeking to make advantageous use wherever possible of experience and training acquired by employees while in the services but also will endeavour to retain in its employ to the utmost extent possible those employees who were engaged during the war. Care for the welfare of the employee is not only right but is in the interests



of the Company and its shareholders, and also of the public. Every employee in the armed forces has been asked to report fully on his experience and training and to indicate the kind of work he feels best qualified to undertake on his discharge. The response has been excellent and has been very helpful and encouraging, and while it may be impossible to meet every wish or to use advantageously some kinds of training and experience acquired, there is no doubt that in the aggregate this project will be of great benefit to the personnel and to the Company.

Also contributing indirectly to the solution of the employment problem are your Company's plans for rehabilitation of equipment, replacement of plants, and for the use of the most advanced technological developments, all of which have been carefully developed. The plant replacement program under consideration is a large one and contemplates the most recent progress in the technology of petroleum refining such as polymerization and advanced catalytic cracking. The program has been planned to meet anticipated demands for increased quantities of specialized products and to provide notable quality improvements particularly in motor fuels and lubricants. It will enable your Company to carry on its policy of continuously improving quality of products while at the same time reducing costs as much as a proper regard for working conditions and wage levels will permit.

Approximately 11,470 men and women were in the employ of your Company and its subsidiaries in Canada during the year. Their loyalty has been of the highest order, and their effective work often under abnormally difficult circumstances, merits hearty and grateful commendation. They have served the war effort not only by devotion to their regular duties but by giving generously of their time and earnings for war services and charities and by full participation in war finance activities.

Fuelling a trans-continental air transport. High octane fuels are supplied along Canada's main air travel routes, in remote northern areas, and in Newfoundland and Labrador. ➡







Tank car loading rack at a western refinery. Imperial Oil uses approximately 2850 railway tank cars in its Canadian operations.

Your Directors and the staff have been continuously mindful of fellow workers serving in the armed forces and again in 1944 were saddened by news of further sacrifices of precious lives in various theatres of war.

★ ★ ●

EXPLORATION AND PRODUCTION

Production of crude oil by your Company's subsidiaries in Canada and South America averaged 119,016 barrels daily, a total of 43,559,948 as compared with 87,804 barrels daily and a total of 32,048,634 barrels in 1943.

This represents an increase of 36%. The total production of your Company and its subsidiaries in Canada during 1944 was 3,841,041 barrels or approximately 38% of the total Canadian production.

In normal times, Canada ranks second only to the United States in per capita consumption of petroleum and your Company recognizes the outstanding importance of discovering large supplies of crude oil in Canada. Accordingly, it regards a vigorous exploration program as a priority obligation. Because of









the vast areas involved this program will probably extend over a considerable period and it must be conducted in an orderly way with the different areas being systematically tested to determine their possibilities because sporadic effort from time to time in one area or another is both inconclusive and uneconomical. During 1944, your Company continued its search for oil and extensive programs of exploration were conducted in Saskatchewan, on the plains and in the foothills of Alberta, and in the Northwest Territories. A geological reconnaissance study was made of large areas in New Brunswick and Nova Scotia.

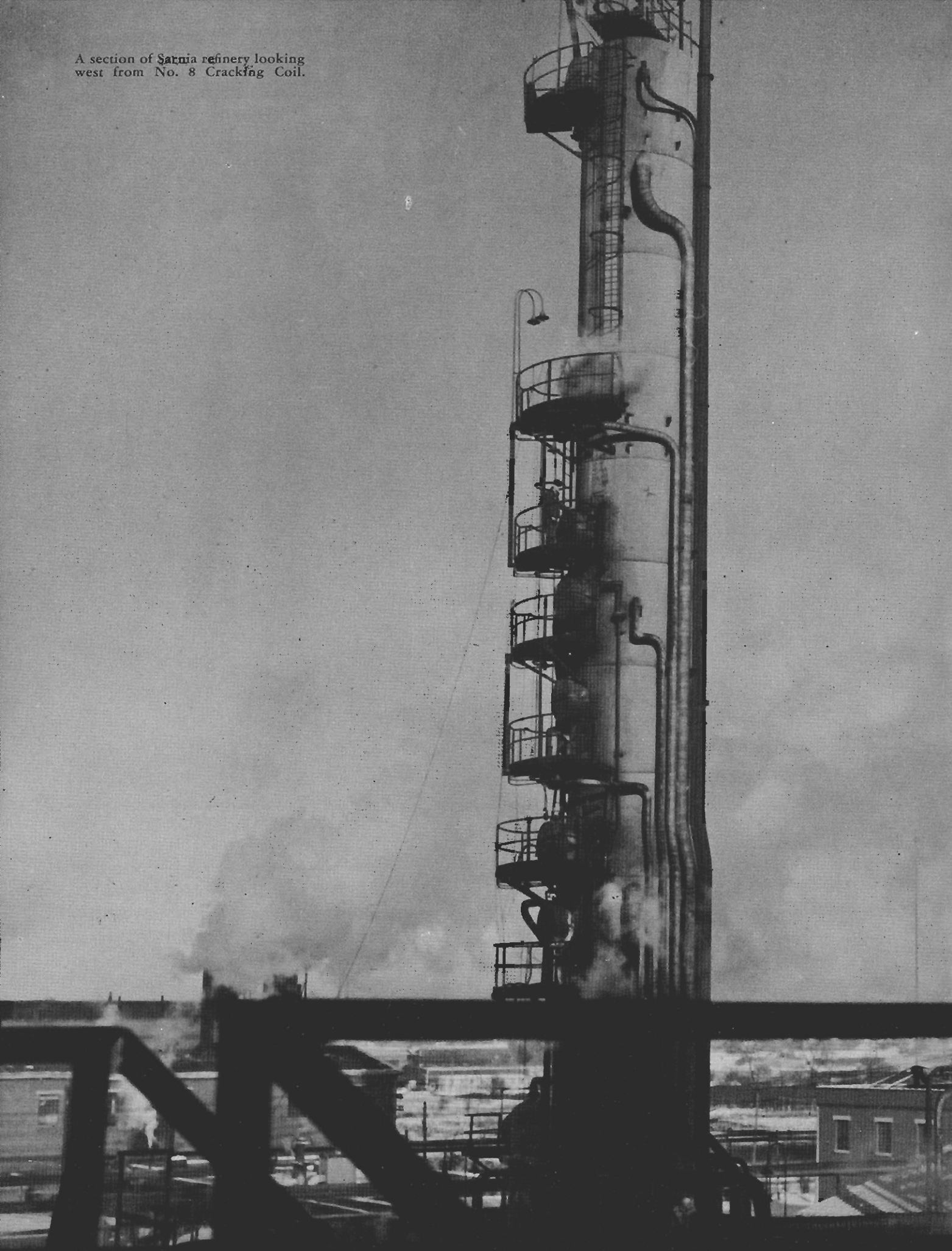
In Saskatchewan, geophysical surveys were made over an area of 1,847,000 acres, and six exploratory wells were completed. The total footage drilled in that province was 34,850 feet.

In Alberta your Company undertook jointly with other interests an aerial photographic survey of approximately 14,000 square miles in the foothills. Core drilling operations and other research work were carried on with a view to determining the possibilities of developing production in the Athabaska tar sands. Geological and geophysical surveys were made in several other parts of the province and 15 exploratory wells were completed, one in the foothills area and 14 in the

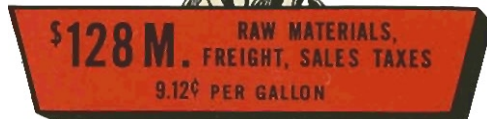
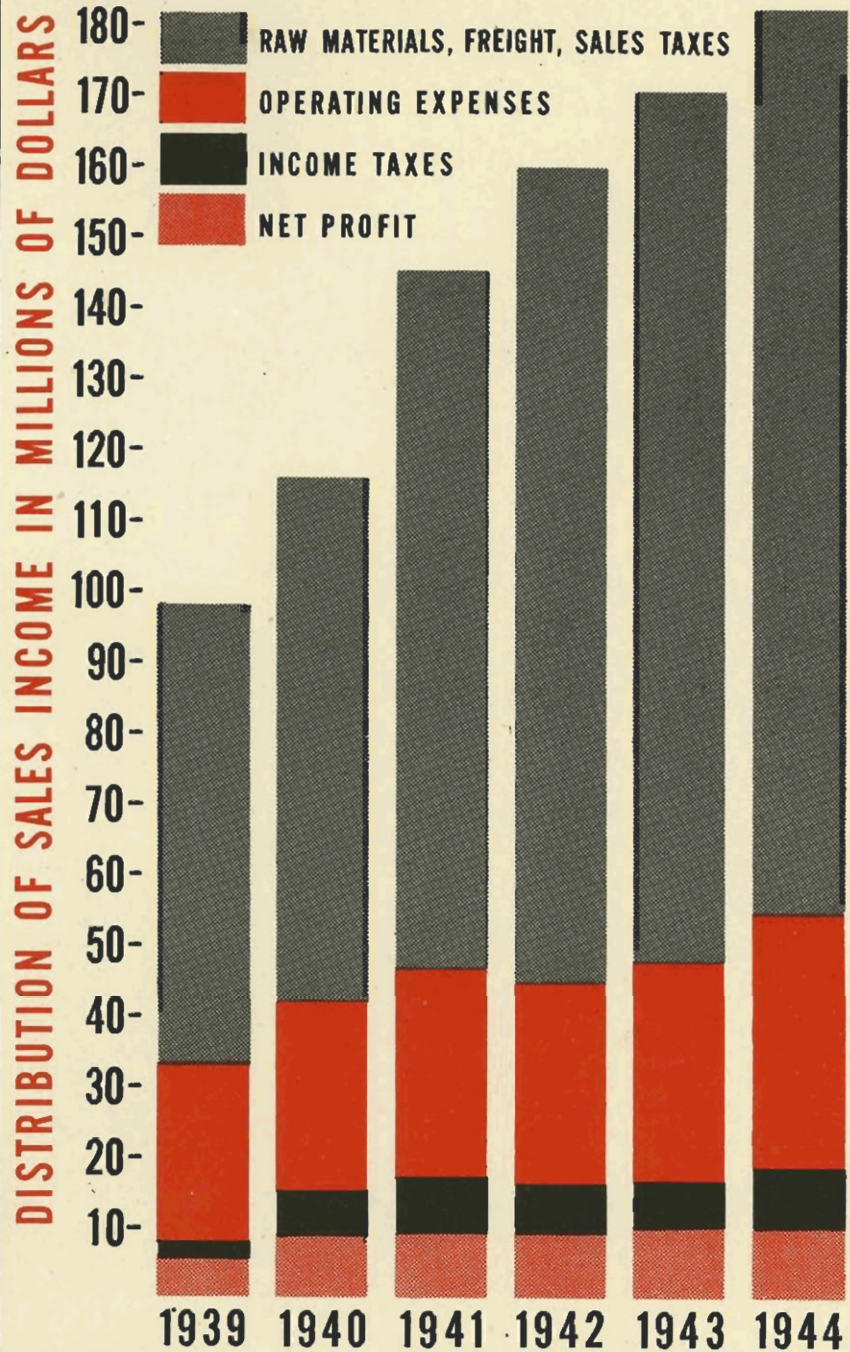
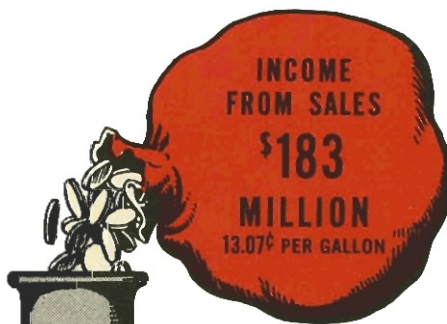
Comparison of Company's sales volume 1939-1944. A comparison of sales income is charted on page 12.

1939	1940	1941	1942	1943	1944
					
950,000,000 IMPERIAL GALLONS	1,080,000,000 IMPERIAL GALLONS	1,260,000,000 IMPERIAL GALLONS	1,258,000,000 IMPERIAL GALLONS	1,297,000,000 IMPERIAL GALLONS	1,397,000,000 IMPERIAL GALLONS

A section of Sarnia refinery looking
west from No. 8 Cracking Coil.







plains area. The total footage of exploratory wells was 61,452 feet.

In Turner Valley, 15 wells were completed by your Company's subsidiaries and 12 of these were productive. Total footage drilled in the Valley was 112,559 feet. At the end of the year your Company and its

subsidiaries owned or had a participating interest in 184 oil and gas wells in the Turner Valley. The total owned production accruing to the Company and its subsidiaries was 3,841,041 barrels compared with 3,135,977 barrels for 1943. In addition to this production the Company purchased during 1944 a total of 3,746,504 barrels of Alberta crude.



In port and afloat! What happened a tanker in an encounter with the enemy is shown here. Although the ship was blown in two the after part was saved to sail the seas again with a new fore part.

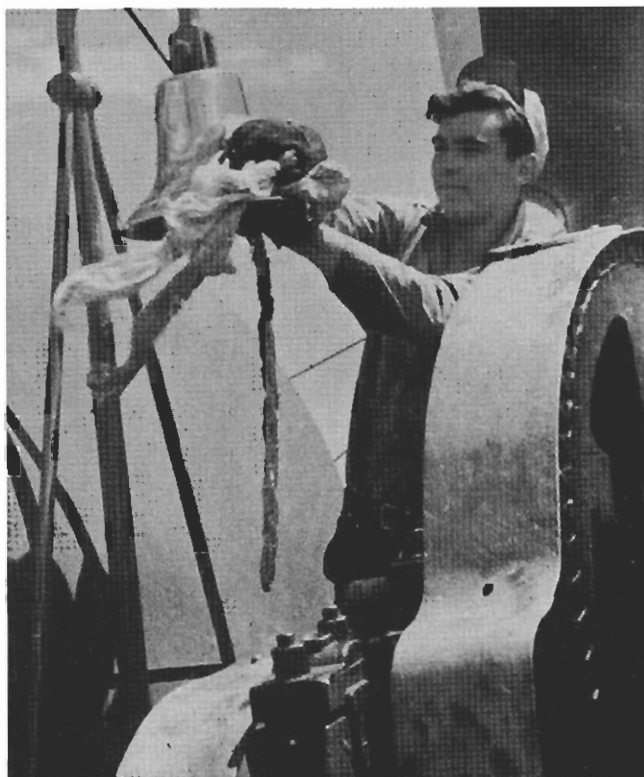
R.C.N. Photo—Copyright



In the Norman Wells field your Company drilled 29 wells, all of which were productive. The total footage was 52,855 feet. At the end of the year there were 67 producing wells in this field and the year's production amounted to 1,229,310 barrels.

A new arrangement was entered into by the Canadian and United States governments and your Company regarding exploration and production of oil in the Mackenzie River Basin. Early in the year the United States government decided that its requirements did not call for immediate discovery and development of new oil producing areas in the Canadian north-west. The original project of the United States government, known as the Canol project, entailed an expenditure of more than 100 million dollars for a road and pipe line from Norman Wells to Whitehorse, for a refinery at Whitehorse, and for distributing lines from Whitehorse to Fairbanks, Skagway and Watson Lake as well as for exploration and for drilling in the area already proven at Norman Wells. Your Company did not participate either in the construction or operation of the roads, pipe lines and refinery projects but was engaged only in the exploration and drilling. In this connection it spent on the account of the government of the United States approximately \$6,000,000 in addition to what it had previously spent on its own account in the area.

It was agreed with the United States government that in consideration of its outlay for exploration and development it should receive from your Company an option to purchase for its own use after the war 10% of the oil obtained from the proven area at Norman Wells, but not to exceed 30 million barrels, and 10% of any oil obtained from fields discovered outside the proven area until a total of 60 million barrels was reached. The Canadian government was agreeable to this arrangement and in order to encourage ex-



Shining up at the beginning of a day on one of Imperial's inland water tankers.

ploration on a wide scale and by any parties who wished to risk capital opened up 100 million acres for exploration but limited any one company or individual to exploration permits for not more than approximately two million acres. Within six years this must be reduced by one-half, and of the remainder the permit holder may take up for development under lease a maximum of 350 thousand acres. These new regulations were established in July and your Company has taken up the maximum permitted area for exploration. In addition it has old leases and permits, partly in the proven area, for 140 thousand acres.*

The arrangement between the Canadian government and your Company is that after

*In March, 1945, the United States War Department announced that it would withdraw from the Canol project, and withdrawal from the producing activities of this project was effective as of March 9th last. This will not affect your Company's exploratory program in the Mackenzie River Basin, and production and refining of oil at Norman Wells to serve local needs will continue. Overall production will be curtailed because the pipe line demand will cease and further drilling in the proven area will not be necessary for some time to come.



HOW IMPERIAL OIL
REFINERIES WERE SUPPLIED
AND THE TERRITORIES
THEY SERVED 1944



the original agreement with the United States expires, the government gets one-third of the oil from the proven area (less one-third of the cost of production and a 10% management fee) and 5% royalty on the other two-thirds of the production from the proven area. From the 140 thousand acres outside of the proven area the Canadian government is to get 10% of any profit earned by your Company and in addition 7½% royalty on production during the first five years, 10% during the next five years and 12½% thereafter. The same royalties apply to the reserves for two million acres which your Company has taken out under the new regulations, and in addition to royalties there is provision for rentals at one dollar per acre per year on new leases as they are taken up, but these rentals may be offset in part by credits for exploratory work.

Before the Norman area can become a low-cost source of oil so as to compete with other sources of supply, enough oil must be proved up to warrant construction of a pipe line to move oil in large quantities to markets. Your Company is carrying on a sizeable exploratory drilling program in the hope of accomplishing this, but it is a program that will require time and on which it is not yet possible to venture any prediction.

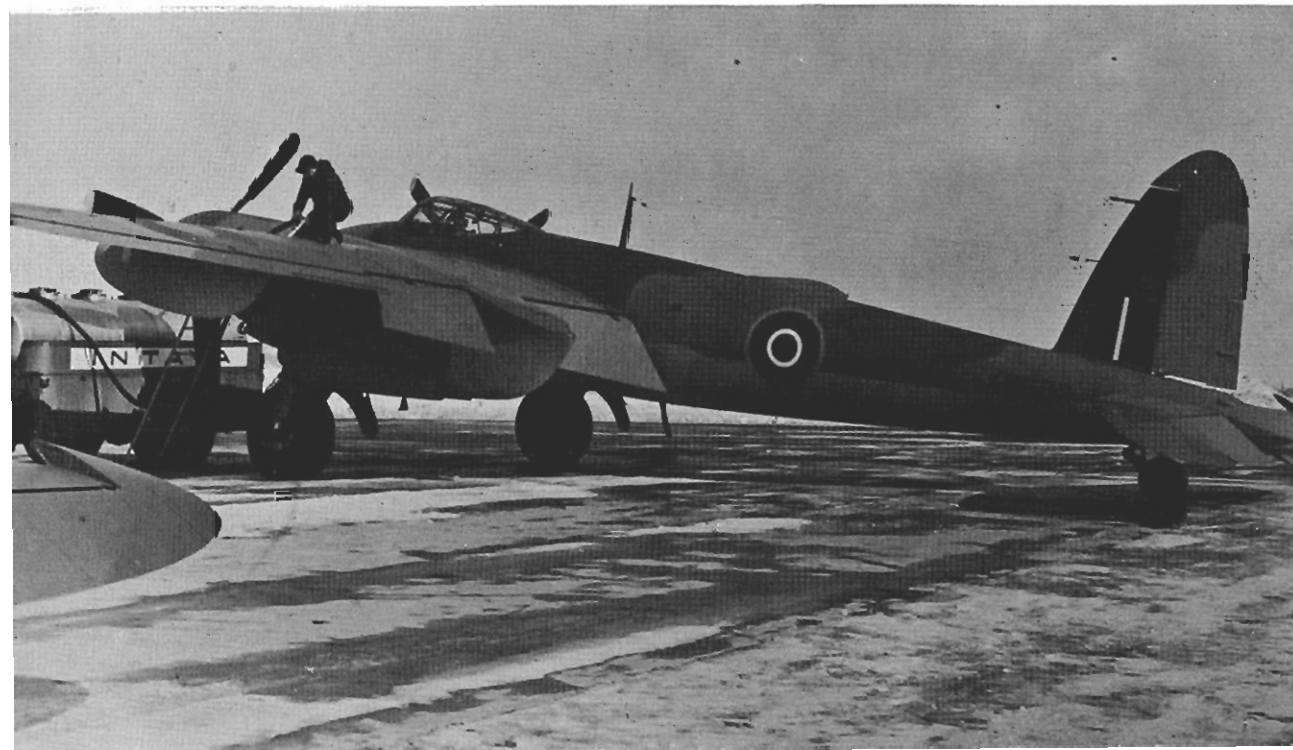
In South America, your subsidiaries have been aggressive both in production and exploration; their properties have been efficiently handled and well maintained, and they contemplate an expanded program as soon as materials and supplies are available.

★ ★ ★

REFINING AND MARKETING OPERATIONS

The crude oil charges at your Company's refineries in Canada and the refineries of its subsidiaries operating in South America averaged 158,957 barrels per day as compared with 147,813 barrels in 1943. The most important development in your refinery practices during the year was the operation of the new

En route to Berlin. A Mosquito bomber-fighter fills its tanks before taking off on its journey to a flying base in Britain.





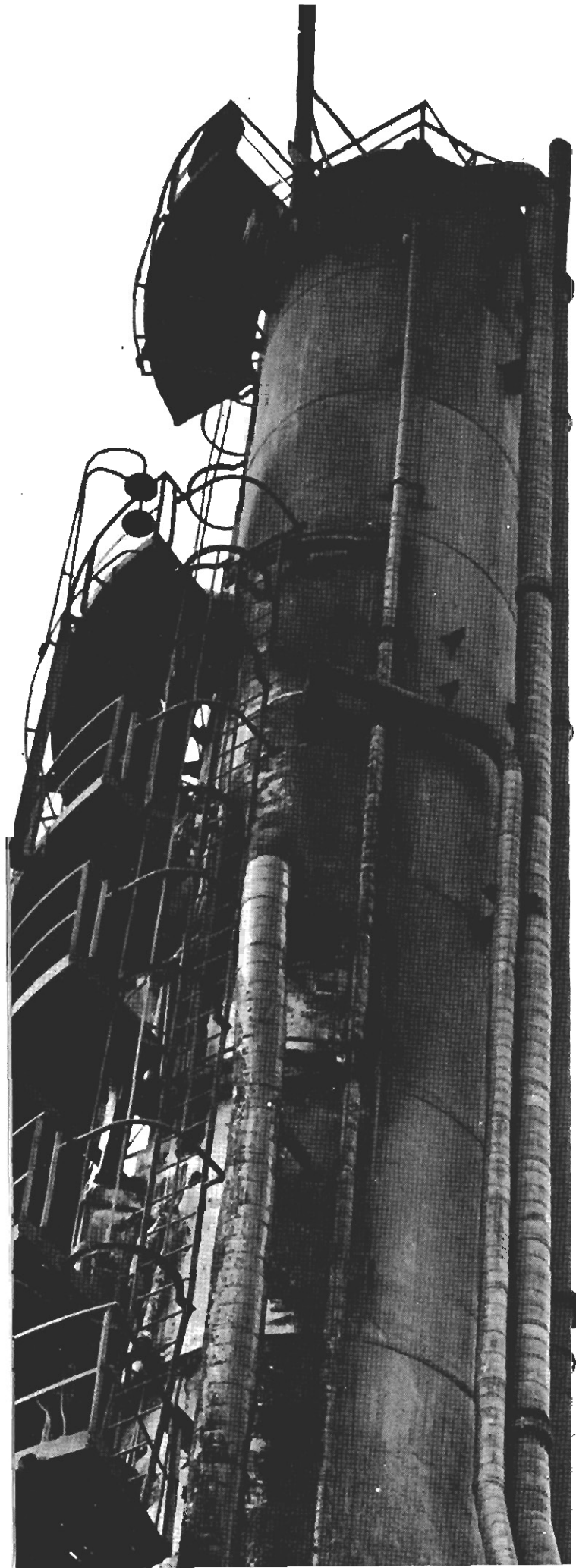
Fuel for the Navy. Imperial Oil coastal tanker alongside a fighting ship at an eastern port. The Navy's fuel oil requirements for convoy and patrol work have been very large.

super-suspensoid cracking unit at Sarnia and operation of the new cracking unit of the Polymer Corporation Limited there for the selection of special petroleum fractions out of which synthetic rubber is manufactured. During the year these units produced 723,936 barrels of polymer feed stocks.

While the overall production of petroleum products was increased, largely because of war demands and other essential needs, the production of aviation gasoline was decreased

owing to the reduced air training activities in Canada.

Ioco refinery, which is situated in British Columbia, has been supplied in the past from California, but increasing military needs in the United States have been straining the supply of California crude and have made necessary an arrangement, into which several allied and friendly nations entered, whereby crude oil and the tankers to carry it could be made available to Ioco from South America. Because



of declining production in Turner Valley it has been necessary also to import larger quantities of crude oil for the Regina refinery and these must be brought from United States fields and involve much longer rail hauls.

Marketing activities were carried on in all parts of Canada and in Labrador and Newfoundland. Your directors derive satisfaction from the fact that in spite of wartime difficulties your Company's widespread distributing system was able to maintain a high standard of service in all parts of the extensive territory in which the Company operates.

* * *

MARINE DEPARTMENT

It is permitted to record in this report that since the outbreak of war your Company has lost by enemy action four of its large ocean-going tankers. These were the *Canadolite*, the *Montrolite*, the *Victolite*, and the *Calgarolite*. The *Canadolite* was captured by an enemy raider off the South African coast and was taken by a prize crew to Bordeaux. She was later destroyed by allied bombers. Her crew was interned in Germany. The *Montrolite* was torpedoed while en route from South America, and the *Victolite* suffered a similar fate. Your directors mourn the loss of twenty-eight men of the *Montrolite* and the entire crew of forty-six of the *Victolite*. The *Calgarolite* was also torpedoed but fortunately the entire crew was saved.

Your directors note with pleasure that nine officers and men of the Imperial Oil fleet have been cited for devotion to duty and honoured by His Majesty the King. They are proud of this distinction which is taken as a recognition of the bravery and determination of all those who serve in the hazardous work of shipping oil in the war zones.

The task of maintaining your Company's ships in the most efficient state has been difficult because the shortage of tankers requires all available equipment in continuous use and consequently it is not possible to provide for the lay-overs for overhauls that used to be made in peacetime. In a large measure maintenance work that used to be

COMPARISON OF EARNINGS

	1944		1943	
	Earnings	Per Share	Earnings	Per Share
Operating Income (after Income Taxes) . . . (From producing, transportation, refining and marketing operations of Imperial Oil Limited).	\$ 9,934,021.76	36.84¢	\$ 9,362,369.43	34.72¢
Net Dividends (after Income Taxes) from Canadian and foreign subsidiary companies (including \$5,586,036.48 from International Petroleum Co. Ltd.) and income from mis- cellaneous sources	6,258,648.49	23.21¢	6,186,503.86	22.94¢
Total Net Income (after providing for depreciation and depletion and all taxes) . .	\$16,192,670.25	60.05¢	\$15,548,873.29	57.66¢

Provisions for depreciation and depletion and for Canadian taxes on income for 1944, as compared with 1943, were as follows:

	1944		1943	
	Amount	Per Share	Amount	Per Share
Provisions for depreciation and depletion . . .	4,702,638.41	17.44¢	\$ 5,540,270.31	20.55¢
Provision for taxes on income	11,077,419.99	41.08¢	10,389,484.29	38.53¢

done in port must now be carried on while the vessels are at sea.

All marine property losses incurred were covered by war risk insurance.

* * *

EARNINGS AND DIVIDENDS

After providing for all taxes on earnings and for reserves, the income of your Company from all sources during 1944 was \$16,192,670.25 or 60.05¢ per share as compared with \$15,548,873.28, or 57.66¢ per share in 1943. This income was derived from the Company's own Canadian producing activities and its Canadian transportation, refining and marketing operations, and also from dividends paid by your subsidiaries operating in South America and Canada.

It is difficult to foresee the economic disturbances which may result from the war, or to determine accurately the amounts which ultimately may be required to take care of

contingencies in the transition to peacetime economy. However, it is apparent that there is need for a prudent policy and the maintenance of a strong liquid position and so further provisions have been made out of 1944 earnings for future shrinkage of inventory values and for post-war emergencies and rehabilitation requirements.

At the termination of hostilities hundreds of former employees now in the armed forces will return to the Company. Some of these have been on war service for as long as five years and in many cases there will be periods of training before they are readjusted to civilian occupation. This will entail some abnormal operating costs. Because of government regulations and shortages of material, it has been impossible during the war to maintain some types of equipment at the best standards. When restrictions have been relaxed and materials and labour are available, reconditioning work and maintenance work



Section of a dispensary in one of the Company's hospitals at a producing camp in Peru.

which have been deferred, will have to be carried out. Normally the costs of this work would have been part of current operating costs.

Your Company's reserves set aside for shrinkage of inventory values and for other post-war contingencies now stand at \$10,147,-784.61.

Elsewhere in this report, charts indicate the trend of sales values and the margin, between costs and sales income of your Com-

pany year by year since 1939. These charts indicate the magnitude of the business and the narrow margin between the laid down cost of raw materials and sales revenue out of which the Company has to meet operating expenses and earn a profit. Although your Company's sales have greatly increased during the war, there has not been a proportionate increase in earnings and it will be noted that the net income has been fairly consistent during the war period.

A comparison as between 1944 and 1943 of the Canadian operating earnings, the dividends from subsidiary companies and other miscellaneous income as well as the total net earnings of the Company are shown in the table appearing on page 21.

During the year 1944 your Company paid a dividend of 25¢ per share on June 1st and December 1st, making a total of 50¢ per share. The same amounts of dividends were paid the previous year.

* * *

BALANCE SHEET

The financial position of your Company as of December 31st, 1944 is shown on the accompanying balance sheet. Total assets are \$189,799,967.83 as compared with \$183,484,773.55 at the end of 1943. Current assets are \$98,223,540.77 and current liabilities are \$23,520,996.34, resulting in a net working capital of \$74,702,544.43, an increase of \$5,097,822.41 over 1943. This improvement in working capital is due in part to the curtailment of capital expenditures enforced by shortages of manpower and materials.

The maintenance of a strong liquid position is considered essential to provide the substantial sums which will be required for post-war improvements and contingencies.

The reserve for employees' pensions was set up a number of years ago to protect the Company's liability for pensions guaranteed to employees under the retirement plan in force prior to March 1st, 1939. From time to time, additions are made to this reserve in line with actuarial requirements. This reserve is being transferred gradually to a Trust Fund, known as Imperial Oil Pension Fund Society.

* * *

IN CONCLUSION

It is generally recognized that a high level of employment is an essential requirement for a prosperous post-war Canada and for the well-being of all those participating in the Canadian economy. To attain this objective three things are considered necessary:



Many trades and crafts are employed by Imperial Oil. Above a welder joining two sections of pipe line. Modern welding practices greatly speed pipe line construction.

Below, shaping a replacement part for a pressure valve.



1. A wide and active domestic market for consumer goods;

2. Large outlays of private and corporate savings for expansion of industrial plants and building of many new plants, as well as large government expenditures for other capital equipment such as schools, parks and playgrounds, irrigation and reforestation projects, etc., and

3. Flourishing export and import trades.

With regard to the first of these your Company proposes to pursue its established policy of continuous improvement of product quality and pricing at the lowest levels consistent with dependable service throughout

the country and proper regard for wage levels. With regard to the second, your Company, as previously noted, has in mind large projects for plant improvement and technological developments which will require heavy capital expenditures. With regard to the third, the operations of your Company's subsidiaries in South America appear capable of further expansion and we trust will play a part in maintaining active foreign trade.

Various measures adopted or advocated by the Canadian government during the past year indicate that while it proposes to take practicable measures within its powers to ensure post-war prosperity, it considers that a great part of the effort must be in the

Night view of refinery at Barranca Bermeja, Colombia, S.A.





Extracting core from core barrel at an exploratory well in Ecuador. This core was cut at a depth of 6,030 ft. and provided the geologists with a sample of the formation penetrated at that depth.

hands of private enterprise—producers, labour, management and investors. These, working together in a spirit of goodwill engendered by mutual regard for each other's duties and rights, can accomplish a great part of the task of post-war reconstruction and rehabilitation, and your Company believes that its shareholders, its management and its workers are all aware of this and will do their full

share to maintain a prosperous Canada through and beyond the difficult and challenging period of readjustment.

By order of the Board,

R. V. LESUEUR,

President.

IMPERIAL

BALANCE SHEET

A S S E T S

CURRENT ASSETS:

Cash on hand and in banks	\$25,836,007.06	
Dominion of Canada and other bonds valued on the basis of market quotations which was less than cost—plus accrued interest:		
Dominion of Canada bonds	\$8,613,843.74	
Other bonds	126,190.42	8,740,034.16
Trade accounts and bills receivable (less reserves)		17,182,098.44
Other accounts receivable, including accrued interest on miscellaneous investments		5,077,642.45
Inventories, determined and certified as to quantities and condition by responsible officers of the company:		
Crude oil and refined products (on basis of cost, which was approximately the same as replacement value)	\$37,213,630.01	
Materials and supplies (at cost)	4,174,128.65	41,387,758.66
		<u>\$98,223,540.77</u>

DEFERRED ACCOUNTS RECEIVABLE, MORTGAGES AND MISCELLANEOUS LOANS AND ADVANCES (LESS RESERVES)

917,578.95

MISCELLANEOUS INVESTMENTS:

Bonds and debentures of other companies	\$3,110,613.44	
Shares of other companies (quoted market value \$2,098,000.00) ..	1,300,633.23	
Shares of other companies (no quoted market value)	172,766.92	4,584,013.59

INVESTMENT IN SUBSIDIARY COMPANIES:

Investment in shares (less reserves)	\$43,830,966.43	
Indebtedness of subsidiary companies	2,879,075.01	46,710,041.44

DEFERRED AND PREPAID CHARGES

484,687.05

GOODWILL, PATENTS, COPYRIGHTS, TRADE MARKS AND LICENCES

277.00

CAPITAL ASSETS:

Land, leases and wells, buildings, plant, transportation and other equipment (at cost)	\$130,312,508.46	
Less—Reserves for depreciation and depletion	91,432,679.43	38,879,829.03
		<u>\$189,799,967.83</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 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, 1944

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....	\$14,030,914.27	
Amounts owing to subsidiary companies.....	3,498,840.71	
Reserve for taxes on income and other accrued taxes in Canada.....	\$11,091,241.36	
Less—Amount paid on account of 1944 taxes on income.....	5,100,000.00	5,991,241.36
		<u>23,520,996.34</u>

RESERVES:

For fire, marine and other insurance.....	\$13,948,646.38	
For employees' annuities.....	4,766,011.68	
For future shrinkage of inventory values and other post-war contingencies.....	10,147,784.61	28,862,442.67
		<u>28,862,442.67</u>

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.....	44,177,376.20	137,416,528.82
		<u>137,416,528.82</u>

Approved on behalf of the Board:

R. V. LESUEUR, *Director.*

H. H. HEWETSON, *Director.*

\$189,799,967.83

NOTE (2)—At December 31, 1944, the Company had outstanding contingent liabilities aggregating \$2,297,000.00.
NOTE (3)—The auditors' report to the shareholders appears on page 30 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, 1944

<u>PARTICULARS</u>	<u>EARNED SURPLUS</u>	<u>CAPITAL SURPLUS</u>	<u>TOTAL</u>
Balances at January 1, 1944	\$41,081,116.23	\$15,264,192.26	\$56,345,308.49
<i>Add—</i>			
Credits applicable to prior years re Canadian taxes on income	386,128.72	—————	386,128.72
	<u>41,467,244.95</u>	<u>15,264,192.26</u>	<u>56,731,437.21</u>
<i>Add—</i>			
Net Profit for the year ending December 31, 1944	16,192,670.25	—————	16,192,670.25
	<u>57,659,915.20</u>	<u>15,264,192.26</u>	<u>72,924,107.46</u>
<i>Deduct—</i>			
Dividends paid	13,482,539.00	—————	13,482,539.00
Balances at December 31, 1944, carried to Balance Sheet	<u>\$44,177,376.20</u>	<u>\$15,264,192.26</u>	<u>\$59,441,568.46</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, 1944

<u>PARTICULARS OF INCOME</u>	<u>BEFORE PROVIDING FOR CANADIAN TAXES ON INCOME</u>	<u>PROVISION FOR CANADIAN TAXES ON INCOME</u>	<u>NET INCOME</u>
<u>OPERATING INCOME</u> from producing, transportation, refining and market- ing operations of Imperial Oil Lim- ited, after deducting all selling, ad- ministrative and general expenses, and after providing \$1,840,809.19 as an addition to the reserve for future shrinkage of inventory values and other post-war contingencies.....	\$22,943,435.12		
Less—Provision for depreciation and depletion.....	4,702,638.41	\$18,240,796.71	\$ 8,306,774.95
			\$ 9,934,021.76
<u>OTHER INCOME:</u>			
Dividends from subsidiary companies, including subsidiary companies whose activities are carried on out- side of Canada, less losses of sub- sidiary companies in 1944.....		9,005,292.10	2,829,666.16
			6,175,625.94
Dividends and interest on miscel- laneous investments, and other miscellaneous income.....	\$ 487,018.08		
Less—Interest on annuity reserves and other miscellaneous interest and charges.....	463,016.65	24,001.43	59,021.12
		\$27,270,090.24	\$11,077,419.99✓
<u>NET PROFIT FOR THE YEAR, CAR- RIED TO EARNED SURPLUS.....</u>			<u>\$16,192,670.25</u>

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 \$282,769.88.

NOTE (2)—The Company's proportion of the aggregate net profits of subsidiary companies for the year 1944 exceeded the dividends received from subsidiary companies, included in the above statement, by \$3,032,308.18, after deducting from such excess the income taxes (at present rates) which would be payable by Imperial Oil Limited on distribution.

AUDITORS' REPORT TO THE SHAREHOLDERS

*To the Shareholders
of Imperial Oil Limited:*

We have examined the balance sheet of Imperial Oil Limited as at December 31, 1944, and the related statements of profit and loss and surplus for the fiscal year then ended, and have obtained all the information and explanations which we required. Whilst we did not make a detailed audit of the transactions for the year, our examination was carried out in accordance with generally accepted auditing standards applicable in the circumstances, and included such tests of the accounting records and of other supporting evidence and such other procedures as we considered necessary.

In accordance with section 114 of the Companies Act, we report that in the case of such subsidiary companies as incurred losses up to December 31, 1944, 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; the Company's proportion of the aggregate net profits of such subsidiary companies for the year 1944 exceeded the dividends received in 1944 by \$3,032,308.18 after deducting from such excess the income taxes (at present rates) which would be payable by Imperial Oil Limited on distribution.

We report that, in our opinion, the attached balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of Imperial Oil Limited as at December 31, 1944, 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.

Toronto, Ont.
March 31, 1945.

Unloading lines at a marine bulk terminal on the Great Lakes. The heavy hose is coiled with rope to prevent wear.



IMPERIAL OIL LIMITED

Manufacturer and Marketer of more than

570

Individual Petroleum Necessities, Consisting of the Following

GASES

Domestic Fuel Gas Industrial Fuel Gas

LIGHT HYDROCARBONS

For synthetic rubber production

AVIATION GASOLINE BLENDING AGENTS

GASOLINES AND MOTOR FUELS

Aviation Gasolines Motor Gasolines Tractor Fuels

SOLVENTS AND NAPHTHAS

for

Dry Cleaning Floor Polishes Lacquers Paints
Varnishes Rubber Cements and Miscellaneous

ILLUMINATING OILS

INCUBATOR OILS

HEATING OILS

Domestic Heating Oils Industrial Heating Oils

FUEL OILS

Diesel Fuel Oils Industrial Fuel Oils
Marine and Naval Fuel Oils

GAS OILS

for

Production of lighting gas Production of heating gas

PETROLEUM WAXES

Refined Waxes Semi-refined Waxes
Crude Scale Waxes

AVIATION LUBRICATING OILS AND GREASES

AUTOMOTIVE LUBRICATING OILS AND GREASES

MARINE LUBRICATING OILS AND GREASES

RAILROAD LUBRICATING OILS AND GREASES

INDUSTRIAL LUBRICATING OILS AND GREASES

for

Canneries Ceramic Industry Chemical Industries
Construction Equipment Dairies
Distilleries and Breweries Farm Machinery
Gas Factories Lumber Industry Machinery Industry
Meat Packing Industry Mining Industry
Milling, Grain Elevators, Bakeries and Cereal Plants
Metal Industries and Foundries
Metal Cutting and Grinding
Prime Movers and General Machinery
Pulp and Paper Industry Refrigerating Equipment
Shipbuilding Yards Steel Mills Sugar Refineries
Specialties Textile Industry Tobacco Industry
Miscellaneous Purposes

ELECTRICAL INSULATING OILS

PROCESS OILS

Cordage Oils Cosmetic Bases Coal Treating Oils
Glass Moulding Oils Leather Treating Oils
Printing Ink Oils Rust Preventives Textile Oils
Wood Preserving Oils

CANDLES

ASPHALTS

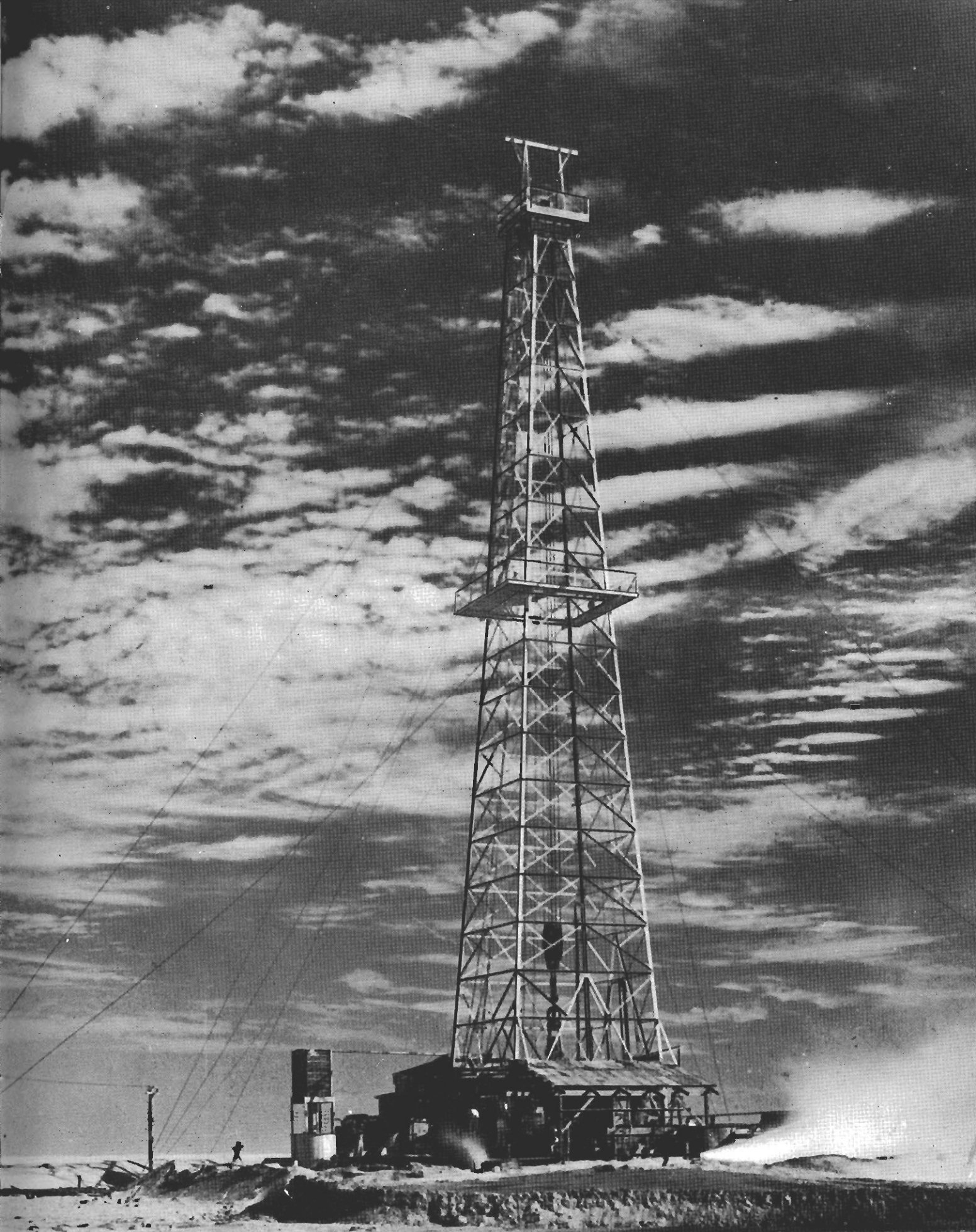
Liquid Paving Asphalts Solid Paving Asphalts
Powdered Asphalts Insulating Asphalts
Roofing Asphalts Industrial Asphalts

PETROLEUM COKE

Coke Fuel Metallurgical Coke Electrode Coke
Coke for Abrasives

MISCELLANEOUS

Fruit Spray Oils Tree Spray Oils
Cattle Spray Oils Insecticide Oils
Naphthenic Acid



Modern heavy duty drilling rig used
for very deep drilling operations.

