



Texaco Canada Limited

1954

ANNUAL REPORT

Mc COLL-FRONTENAC

Oil Company Limited and Subsidiary Companies



The cover picture shows a night view of Edmonton Refinery.



Architect's drawing of the new McColl-Frontenac Building located at 1425 Mountain Street, Montreal. Scheduled for occupancy April 1, 1955, this building will house the Company's Executive Offices as well as Eastern Division sales and accounting staff.

1954 Annual Report

McCOLL-FRONTENAC **Oil Company Limited and Subsidiary Companies**

Manufacturers and Distributors in Canada
of Texaco Petroleum Products



HIGHLIGHTS

	1954	1953
Net income for the year	\$ 7,940,283	\$ 7,319,484
Net income per common share	\$ 2.95	\$ 2.71
Cash dividends paid per common share	\$ 1.00	\$ 1.00
Net crude oil production (barrels):		
In Canada	1,303,953	1,137,419
In Trinidad	1,149,301	1,072,058
Sales of petroleum products (barrels)	14,450,528	13,667,263
Additions to property, plant and equipment	\$12,638,473	\$ 7,638,640

*board of
directors*

J. M. PRITCHARD, *Chairman*

R. F. BAKER

E. P. TAYLOR, C.M.G.

C. B. BARRETT

G. R. TAYLOR

H. H. BRADBURN

H. W. THORP

R. FISHER

T. C. TWYMAN

A. A. MAGEE, C.B.E., Q.C.

L. O. P. WALSH

THE HON. E.-L. PATENAUDE, P.C., Q.C.

W. ZIMMERMAN, Q.C.

A. A. MAGEE, C.B.E., Q.C., *Chairman*

R. FISHER

T. C. TWYMAN

J. M. PRITCHARD

L. O. P. WALSH

G. R. TAYLOR

W. ZIMMERMAN, Q.C.

*executive
committee*

*principal
officers*

T. C. TWYMAN *President*

G. R. TAYLOR *Executive Vice-President*

T. V. ANDERSON *Vice-President and Treasurer*

C. C. DUNN *Vice-President*

A. G. FARQUHARSON *Vice-President*

FRED HUNT *Secretary*

Transfer Agent:

MONTREAL TRUST COMPANY, Montreal, Toronto, Winnipeg and Vancouver

Registrar:

ROYAL TRUST COMPANY, Montreal, Toronto, Winnipeg and Vancouver

Transfer Agent and Registrar in the United States:

THE ROYAL BANK OF CANADA TRUST COMPANY, 68 William Street, New York, N.Y.

MCCOLL-FRONTENAC OIL COMPANY LIMITED

MONTREAL, QUEBEC

March 18, 1955

To the Shareholders:

The Company's sales volume and earnings in 1954 established new highs. Consolidated net income in 1954 amounted to \$7,940,283 equal, after preferred dividends, to \$2.95 per common share as compared with \$2.71 per share the previous year. A review of the Company's activities is set out on the following pages of this report.

The oil industry's search for crude in Western Canada continued to broaden out over an ever wider area. Highlighted by the discovery of the Pembina field, activity in Alberta remained at a high rate and substantial developments took place also in Saskatchewan and Manitoba. Approximately half of Canada's crude oil requirements are now supplied from domestic sources. The Company's crude oil production showed increases, both in Canada and in Trinidad.

The year was one of continued expansion of the refining capacity of the oil industry across the country, with special emphasis on the installation of new cracking and reforming facilities. However, the slower growth of consumption in 1954, coupled with the additional refining capacity, resulted in an increased intensity in competitive conditions. Indications point to a continuation of this intensified competition in 1955. This will be met by a continuation of additional investments in marketing facilities as well as additional expenditures for advertising and sales promotion. These steps, together with the most modern of refining facilities, greater sales efforts, and the high quality of Texaco Petroleum Products, should enable the Company to look forward to another successful year in 1955.

Your Directors thank all of the employees of the Company for their loyalty and enterprise, and also express to all shareholders their appreciation of valued and continued support.

On behalf of the Board,



President.

Review of 1954

FINANCIAL

In 1954 consolidated net income was \$7,940,283 which, after preferred dividends, was equal to \$2.95 per common share. This compares with \$7,319,484 or \$2.71 per common share in 1953.

Cash dividends paid on common stock amounted to \$2,607,963 or \$1.00 per share, the same as the previous year. The remainder of the year's earnings on common stock was reinvested in the business.

In January 1955 a quarterly dividend of \$0.30 per common share was declared, payable February 28, 1955 to shareholders of record January 31, 1955.

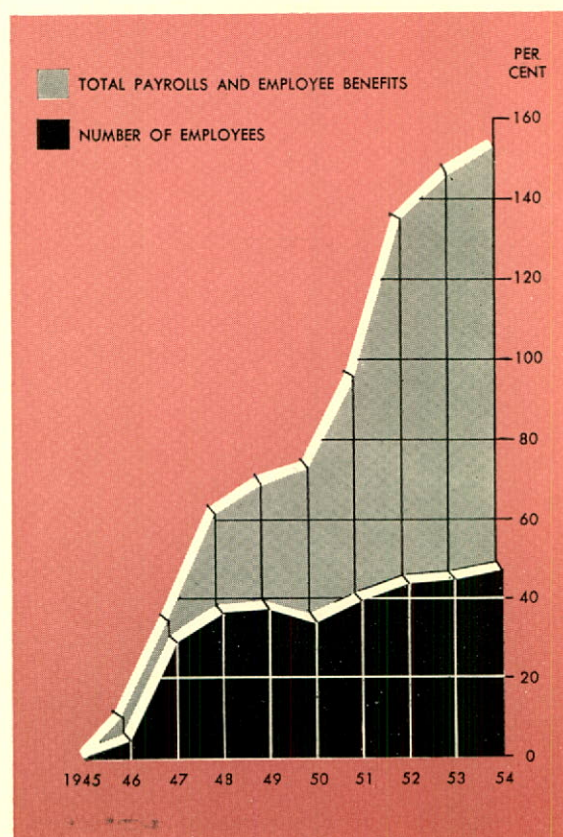
Expenditures for additional property, plant and equipment totalled \$12,638,473, compared with \$7,638,640 in 1953. During the last five years, 1950-1954, such expenditures amounted to \$50,302,944 whereas long-term debt increased by only \$4,832,000. At the same time working capital was increased by \$4,274,511.

It is also worth noting that provision for depreciation, depletion and amortization during the last five years amounted to \$29,464,373, which is nearly 60% of the cost of property additions during the same period.

Total income and general taxes were \$12,218,227 equivalent to \$4.68 per common share, and a further amount of \$28,486,097 was collected by the Company in taxes on the sale of petroleum products and remitted to various taxing authorities. The combined tax burden for 1954 amounted to \$40,704,324, which was \$1,152,480 more than the previous year.

A ten-year summary of financial and operating data is presented on pages 14 and 15 of this report.

Payroll and Number of Employees
Percentage increase since 1945



SOURCE AND USE OF WORKING CAPITAL

	1954	1953	5-Years 1950-54
	(IN THOUSANDS OF DOLLARS)		
Working Capital—Beginning of Period	\$25,617	\$24,202	\$18,502
ADD:			
Net income for the period	7,940	7,319	33,743
Net gain on sale of Pakowki Lake gas property	—	—	3,846
Depreciation, depletion and amortization (not requiring the use of working capital)	6,224	6,015	29,464
Long-term borrowings	—	—	10,000
Other—net	(122)	519	1,250
Total	\$39,659	\$38,055	\$96,805
DEDUCT:			
*Additions to property, plant and equipment	\$12,638	\$ 7,639	\$50,303
Investments and long-term receivables—net	229	784	4,708
Reduction in long-term debt	1,167	1,167	5,168
Cash dividends—preferred stock	240	240	1,200
—common stock	2,608	2,608	12,649
Total deductions	\$16,882	\$12,438	\$74,028
Working Capital—End of Period	\$22,777	\$25,617	\$22,777
*Additions to property, plant and equipment			
Producing	\$ 4,236	\$ 1,808	\$12,348
Manufacturing	4,555	1,751	21,021
Marine	—	—	76
Marketing	3,814	4,049	16,676
Other	33	31	182
Total	\$12,638	\$ 7,639	\$50,303

() Indicates deduction

PRODUCING

WESTERN CANADA: Net production in 1954 amounted to 1,303,953 barrels, an increase of 166,534 barrels over 1953. At the end of the year the Company had royalty interest in the production from 146 wells and a working interest in 26.02 net wells (i.e., the Company's working interest, at various percentages, in a number of wells was equivalent to a 100% interest in 26.02 wells).

For several years prior to 1954 the Company's producing activities had been a participation in properties acquired and operated jointly with Texaco Exploration Company, a wholly-owned subsidiary of The Texas Company. As mentioned in last year's annual report a separate Producing Department with headquarters in Calgary was established in January 1954 and since then additional attractive holdings of oil land have been acquired for the

Company's own account. Among these holdings are crown leases covering 640 acres in the Pembina-Cardium field, on which at the end of the year 4 oil wells had been completed.

In 1954 the Company invested a total of \$2,748,770 in the acquisition of petroleum reservations and mineral rights, both for its own account and in participation with Texaco Exploration Company.

TRINIDAD: Net production increased from 1,072,058 barrels in 1953 to 1,149,301 barrels in 1954.

On the Brighton leases all development work was carried out by directional drilling under the Gulf of Paria from shore locations with satisfactory results.

Farther south, similar deflected drilling under the sea from the Pointe Ligoure leases met with some mechanical difficulties, which now appear to have been overcome by a change in drilling technique.

To the north of Brighton, in the Oropouche area, substantial acreage is held under lease and in 1954 two initial test wells both proved productive. Possibilities for future production in this area appear encouraging.

In the south-eastern part of Trinidad, other large leases at Trinity are scheduled to be tested in 1955. A seismograph survey over this area, which began in 1953, was completed last year.

A total of 12 wells was drilled in 1954, of

One of the Company's many modern service stations, located on Cote de Liesse Road in Montreal. In the (left) background can be seen the famed St. Joseph's Shrine.



which 8 proved productive and 4 were dry holes.

At the end of the year the Company's crude oil reserves in Western Canada and Trinidad were estimated at approximately 49 million barrels.

REFINING

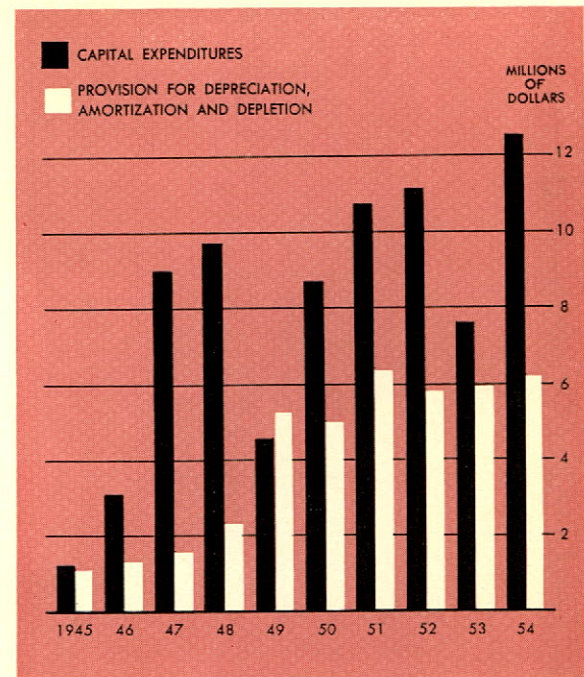
Refining activities in 1954 reached a new high with runs to stills totalling 14,948,734 barrels, an increase of 932,685 barrels over the previous year.

At Montreal Refinery the construction of a catalytic reforming unit was begun in May 1954 and completion is expected by the middle of 1955. This new unit will produce approximately 11,000 barrels per day of high octane gasoline and will enable the Company to maintain its leadership in gasoline quality.

At Edmonton Refinery the construction of a new thermal cracking unit which began in April 1954 is expected to be completed by July 1955, which month should also see the completion of an expansion to 11,000 barrels per day of the crude stilling unit.

With the purchase of additional land in 1954, the two refinery sites now cover 285 acres and 393 acres at Montreal and Edmonton respectively.

Capital Expenditures and Provision for Depreciation, Amortization and Depletion



TRANSPORTATION

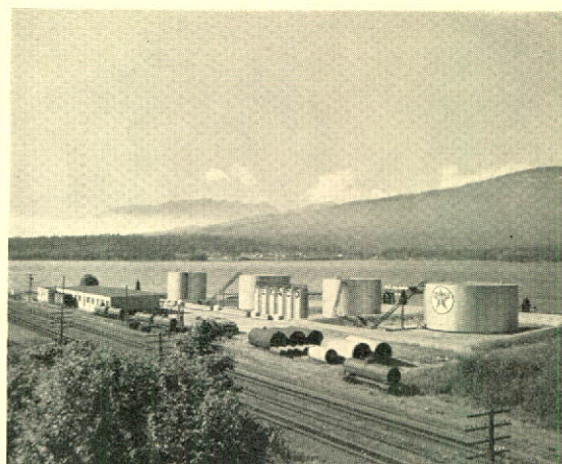
The expansion of facilities of the Montreal-Portland pipe line system, in which the Company has a 20% interest, was completed in 1954, increasing the daily throughput to 190,000 barrels of crude oil.

The Company's transportation facilities of trucks, tank cars, and tankers, as well as crude and products pipe lines owned jointly with others, operated efficiently throughout the year.

Satisfactory progress was made in improvements to the Company's distribution system for the purpose of reducing marketing costs.

MARKETING

The highlight of the Company's 1954 marketing operations was the introduction, early in the year, of the new petroleum derivative Petrox, which was developed in The Texas Company's laboratories and is used exclusively in Texaco Sky Chief gasoline. The public's increasing recognition and acceptance of Sky Chief, super-charged with Petrox, assures the Company's leadership in the field of top quality gasolines. Petrox is an additive derived entirely from petroleum. It burns completely, leaving no harmful engine deposits, thus reducing engine wear.



Marine Terminal near Vancouver, B.C.

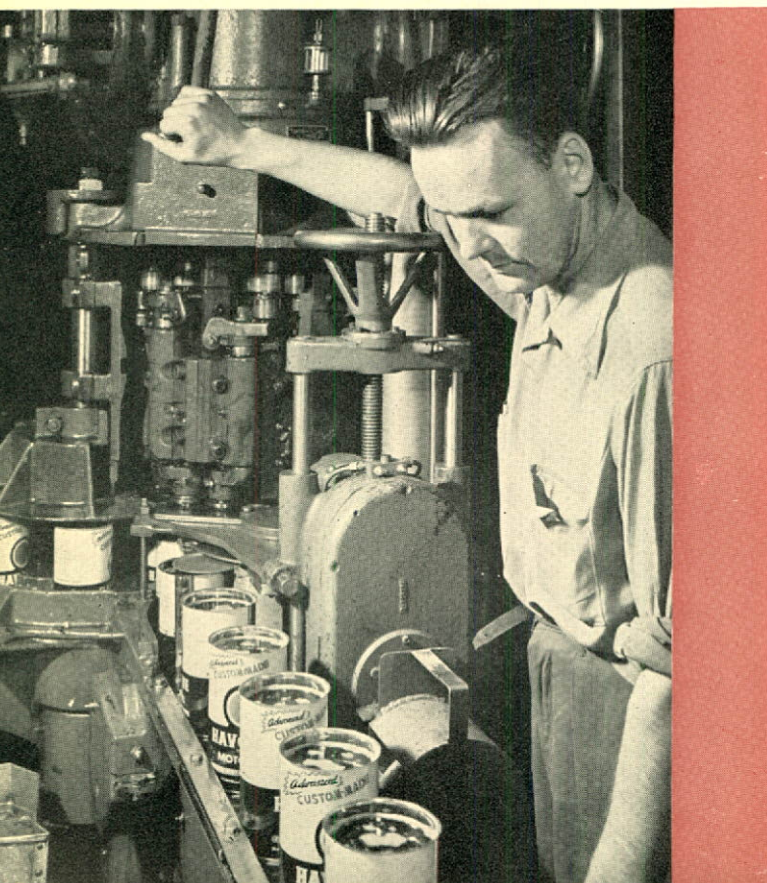
Sales of the Company's premium gasoline have shown a gratifying increase since the introduction of the revolutionary Petrox additive.

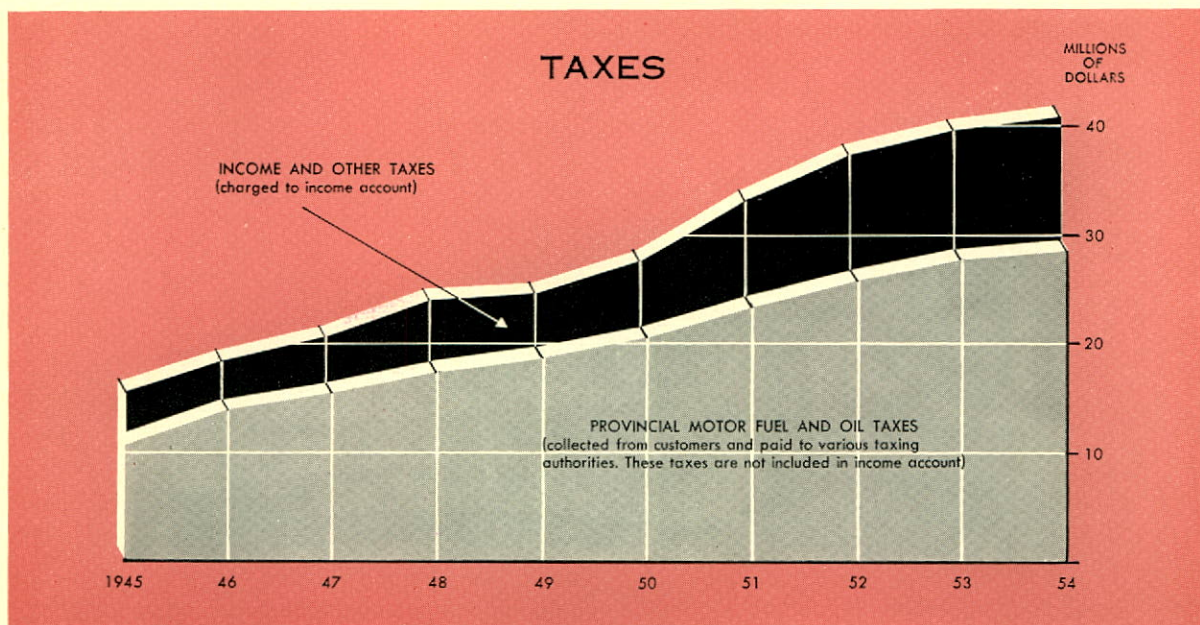
Market conditions became increasingly competitive during the year and reductions in wholesale gasoline prices were general across the country.

To meet the intensified competition, the Company's long-term service station construction programme was accelerated and a number of new resale outlets was completed during the year. The Company also continued its programme of rehabilitating older service stations, thus improving sales volume and income from these outlets.

The introduction of Texaco Sky Chief, super-charged with Petrox, was accompanied by an extensive advertising pro-

Canning Advanced Custom-Made Havoline, which delivers performance no other motor oil can match.





gramme which included the use of television and radio as well as newspapers and other media. During the year increasing emphasis was also put on personnel training and other sales promotion efforts.

Sales of petroleum products in 1954 amounted to 14,450,528 barrels, an increase of 783,265 barrels over 1953. Revenue did not increase proportionally because of generally lower sales realization.

GENERAL

Throughout the year the Company's activities were ably handled by all its employees. At the end of the year there

were 1,764 employees in Canada and 445 employees in Trinidad, B.W.I.

At the year-end there were of record 1,586 holders of preferred shares and 6,363 holders of common shares.

On April 1, 1955, the Executive Offices of the Company will move from present quarters in the Royal Bank Building to a new office building nearing completion at 1425 Mountain Street. This new building, the McColl-Frontenac Building, will also house the employees of the Eastern Division sales and accounting organizations. A new sales division office building in Toronto was occupied in May 1954.

McCOLL-FRONTENAC

AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

ASSETS

	1954	1953
CURRENT ASSETS:		
Cash	\$ 6,703,589	\$ 6,950,302
Accounts receivable, less allowance for doubtful accounts	11,764,258	12,084,415
Inventories		
Crude and refined oil products and merchandise, valued on monthly average cost basis which in the aggregate was lower than market	16,063,912	19,032,864
Materials and supplies, at or below cost	2,274,968	2,640,411
Total current assets	<u>\$36,806,727</u>	<u>\$40,707,992</u>
INVESTMENTS AND LONG-TERM RECEIVABLES:		
Investment in non-subsiary pipe line companies	\$ 1,303,513	\$ 1,303,513
Receivable re sale of Pakowki Lake gas property	2,482,429	2,626,200
Other receivables, secured by mortgages, etc.	4,563,839	4,190,570
Total investments and long-term receivables	<u>\$ 8,349,781</u>	<u>\$ 8,120,283</u>
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Producing	\$17,714,504	\$13,597,179
Manufacturing	40,570,038	36,236,731
Marine	1,028,116	1,028,116
Marketing	31,272,269	28,567,438
Other	243,036	233,639
	<u>\$90,827,963</u>	<u>\$79,663,103</u>
Less: Depreciation, depletion and amortization (Note 1)	46,825,802	41,549,306
Net property, plant and equipment	<u>\$44,002,161</u>	<u>\$38,113,797</u>
DEFERRED CHARGES:		
Insurance, taxes and other deferred charges	\$ 1,430,731	\$ 764,751
Unamortized discount and expense on long-term debt	253,429	271,531
Total deferred charges	<u>1,684,160</u>	<u>1,036,282</u>
	<u><u>\$90,842,829</u></u>	<u><u>\$87,978,354</u></u>

See accompanying notes to

Signed on behalf of the Board,
J. M. PRITCHARD, *Director*
T. C. TWYMAN, *Director*

OIL COMPANY LIMITED

COMPANIES

— DECEMBER 31, 1954 AND 1953

	LIABILITIES	
	1954	1953
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 6,813,687	\$ 8,514,626
Sales, motor fuel and sundry taxes	2,221,648	2,101,457
Income taxes	3,767,637	3,247,734
Bonds and debentures due within one year	1,167,000	1,167,000
Preferred dividend payable	60,000	60,000
Total current liabilities	<u>\$14,029,972</u>	<u>\$15,090,817</u>
LONG-TERM DEBT:		
First mortgage bonds (<i>Authorized and issued \$20,000,000</i>)		
3% Serial bonds, 1946 series, due October 1, 1956-1958	\$ 1,500,000	\$ 2,000,000
3% Sinking fund bonds, 1946 series, due October 1, 1971	6,500,000	6,500,000
3¼% Sinking fund bonds, 1947 series, due October 1, 1972	7,500,000	7,500,000
Debentures (<i>Issued: \$10,000,000</i>)		
3¼% Debentures, series A, due January 2, 1956-1966	7,332,000	7,999,000
Total long-term debt	<u>\$22,832,000</u>	<u>\$23,999,000</u>
PREFERRED STOCK:		
4% Cumulative redeemable preferred shares of \$100 par value (Redeemable at \$102.50 on thirty days' notice)		
Authorized 100,000 shares		
Issued 60,000 shares	\$ 6,000,000	\$ 6,000,000
COMMON STOCK AND SURPLUS:		
Common shares of no par value		
Authorized 4,975,526 shares		
Issued 2,607,963 shares	\$19,133,534	\$19,133,534
Earned surplus	28,847,323	23,755,003
Total common stock and surplus	<u>\$47,980,857</u>	<u>\$42,888,537</u>
	<u><u>\$90,842,829</u></u>	<u><u>\$87,978,354</u></u>

consolidated financial statements.

Submitted with our Report to the Shareholders dated February 11, 1955.

RIDDELL, STEAD, GRAHAM & HUTCHISON,

Chartered Accountants.

McCOLL-FRONTENAC

AND SUBSIDIARY

STATEMENT OF CONSOLIDATED INCOME ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 1954 AND 1953

	1954	1953
GROSS INCOME:		
Sales and services	\$101,275,089	\$100,545,127
Interest and other income	549,133	592,502
	<u>\$101,824,222</u>	<u>\$101,137,629</u>
OPERATING CHARGES:		
*Costs, operating, selling and general expenses	\$ 73,928,025	\$ 74,636,129
**Taxes (other than income taxes)	6,025,227	6,096,334
Dry hole costs	683,073	486,937
Amortization of intangible development costs (Note 1)	617,613	833,186
Depletion and leases surrendered	262,538	214,655
Depreciation	5,386,394	4,968,137
	<u>\$ 86,902,870</u>	<u>\$ 87,235,378</u>
	\$ 14,921,352	\$ 13,902,251
INTEREST CHARGES:		
Interest and amortization of discount and expense on long-term debt	788,069	825,767
	<u>\$ 14,133,283</u>	<u>\$ 13,076,484</u>
PROVISION FOR INCOME TAXES	6,193,000	5,757,000
NET INCOME FOR THE YEAR	<u>\$ 7,940,283</u>	<u>\$ 7,319,484</u>

*Operating charges for 1954 include counsel and solicitors' fees \$71,735, directors' fees \$12,550 and remuneration to executive officers and salaried directors \$250,897.

**In addition, provincial motor fuel and oil taxes were paid or accrued in the amount of \$28,486,097 during 1954 and \$27,698,510 during 1953.

See accompanying notes to consolidated financial statements.

OIL COMPANY LIMITED

COMPANIES

STATEMENT OF CONSOLIDATED EARNED SURPLUS ACCOUNT FOR THE YEARS ENDED DECEMBER 31, 1954 AND 1953

	1954	1953
EARNED SURPLUS AT BEGINNING OF YEAR	\$23,755,003	\$19,283,482
NET INCOME FOR THE YEAR	7,940,283	7,319,484
	<u>\$31,695,286</u>	<u>\$26,602,966</u>
DIVIDENDS—preferred stock	\$ 240,000	\$ 240,000
—common stock	2,607,963	2,607,963
	<u>\$ 2,847,963</u>	<u>\$ 2,847,963</u>
EARNED SURPLUS AT END OF YEAR	<u>\$28,847,323</u>	<u>\$23,755,003</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Prior to 1954, the Company amortized on its books all drilling costs in Canada in the year incurred, as permitted under Canadian income tax regulations.

Beginning in 1954, the Company has adopted a policy of: (1) amortizing drilling costs on producing wells in Canada on a straight-line method at 8% per annum on its books, while continuing to claim full amortization for income tax purposes, and, (2) providing in addition special amortization of drilling costs in an amount equivalent to the reduction in taxes applicable to the excess of amortization for income tax purposes. This change had no significant effect on earnings in 1954.

NOTE 2. The Company has certain contingent liabilities, including pipe line throughput agreements, long-term leases, etc., which are not considered material in relation to total consolidated assets.

FINANCIAL

	1954	1953	1952
Gross income	\$101,824,222	\$101,137,629	\$100,652,141
Net income before provision for income taxes	\$ 14,133,283	\$ 13,076,484	\$ 12,591,795
Net income for the year	\$ 7,940,283	\$ 7,319,484	\$ 5,922,795
Cash dividends declared on preferred stock	\$ 240,000	\$ 240,000	\$ 240,000
Net income on common stock	\$ 7,700,283	\$ 7,079,484	\$ 5,682,795
Net income per common share	\$ 2.95	\$ 2.71	\$ 2.18
Cash dividends declared on common stock	\$ 2,607,963	\$ 2,607,963	\$ 2,607,963
Cash dividends declared per common share	\$ 1.00	\$ 1.00	\$ 1.00
Additions to property, plant and equipment	\$ 12,638,473	\$ 7,638,640	\$ 11,101,787
Provision for depreciation, depletion and amortization	\$ 6,223,845	\$ 6,014,657	\$ 5,796,252
At end of year—			
Working capital (current assets less current liabilities)	\$ 22,776,755	\$ 25,617,175	\$ 24,202,293
Ratio current assets to current liabilities	2.62	2.70	2.79
Property, plant and equipment (gross)	\$ 90,827,963	\$ 79,663,103	\$ 73,887,698
Property, plant and equipment (net)	\$ 44,002,161	\$ 38,113,797	\$ 37,047,822
Total assets	\$ 90,842,829	\$ 87,978,354	\$ 83,115,843
Long-term debt	\$ 22,832,000	\$ 23,999,000	\$ 25,166,000
Number of outstanding common shares (of no par value)	2,607,963	2,607,963	2,607,963
Number of common shareholders	6,363	6,771	6,878
Number of outstanding preferred shares (\$100 par value)	60,000	60,000	60,000
Number of preferred shareholders	1,586	1,631	1,662

OPERATING

NOTE: Net income for the years 1945-49 reflects applicable surplus

Gross crude oil production (barrels):			
In Canada	1,411,842	1,246,372	740,056
In Trinidad	1,275,595	1,190,008	670,248
Net crude oil production (barrels):			
In Canada	1,303,953	1,137,419	660,694
In Trinidad	1,149,301	1,072,058	632,539
Crude oil purchases, less sales (barrels)	12,319,328	11,799,596	11,835,070
Sales of petroleum products (barrels)	14,450,528	13,667,263	13,067,937
Refinery runs to stills (barrels)—for own account	14,948,734	14,016,049	12,820,553
—for others	—	—	—
Total payrolls and employee benefits	\$ 8,676,836	\$ 8,457,598	\$ 8,043,939
Number of employees (end of year)	2,209	2,165	2,155

review of our business

1951	1950	1949	1948	1947	1946	1945
\$92,647,206	\$82,474,250	\$77,993,237	\$75,005,785	\$56,125,091	\$43,910,018	\$41,352,151
\$11,975,682	\$10,682,296	\$ 5,764,229	\$ 8,160,901	\$ 4,989,951	\$ 5,813,650	\$ 3,863,263
\$ 5,899,682	\$ 6,661,296	\$ 4,351,542	\$ 5,590,476	\$ 2,961,277	\$ 3,134,181	\$ 1,357,628
\$ 240,000	\$ 240,000	\$ 240,000	\$ 240,000	\$ 240,000	\$ 346,193	\$ 456,654
\$ 5,659,682	\$ 6,421,296	\$ 4,111,542	\$ 5,350,476	\$ 2,721,277	\$ 2,787,988	\$ 900,974
\$ 2.17	\$ 2.46	\$ 1.58	\$ 2.05	\$ 1.51	\$ 1.55	\$ 0.50
\$ 2,607,963	\$ 2,216,769	\$ 1,303,982	\$ 1,303,982	\$ 900,000	\$ 450,000	\$ 675,000
\$ 1.00	\$ 0.85	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.25	\$ 0.375
\$10,666,151	\$ 8,257,893	\$ 4,375,088	\$ 9,824,321	\$ 8,994,645	\$ 3,067,973	\$ 1,225,677
\$ 6,441,446	\$ 4,988,173	\$ 5,203,049	\$ 2,345,939	\$ 1,622,713	\$ 1,253,833	\$ 1,106,846
\$26,384,272	\$29,369,121	\$18,502,244	\$14,483,357	\$10,380,468	\$ 9,306,294	\$ 9,706,465
3.22	3.78	2.81	2.02	2.02	2.45	2.38
\$64,634,149	\$55,112,419	\$47,713,831	\$45,888,068	\$37,795,194	\$30,368,205	\$29,283,441
\$32,213,386	\$28,365,355	\$25,336,507	\$26,790,730	\$19,705,995	\$13,061,729	\$11,673,003
\$75,729,881	\$76,468,197	\$63,432,371	\$65,607,803	\$51,636,583	\$39,300,216	\$38,409,064
\$26,333,000	\$27,500,000	\$18,000,000	\$18,500,000	\$19,000,000	\$12,000,000	\$10,100,000
2,607,963	2,607,963	2,607,963	2,607,963	1,800,000	900,000	900,000
6,645	6,819	6,685	6,538	5,622	5,831	6,382
60,000	60,000	60,000	60,000	60,000	60,000	76,110
1,653	1,713	1,773	1,794	1,752	1,796	3,236
adjustments, and net income and dividends per common share for 1946 and 1945 have been adjusted to reflect the 2 for 1 split of common shares in 1947						
446,971	287,912	57,639	—	—	—	—
602,851	578,936	635,019	587,694	602,341	538,893	304,102
389,640	253,191	50,435	—	—	—	—
550,073	524,190	573,547	530,657	545,355	486,779	262,117
11,833,577	10,764,412	9,691,014	10,256,449	8,304,946	7,769,829	6,733,494
12,408,109	11,183,652	11,124,917	10,479,945	9,835,454	8,426,124	8,004,294
12,879,634	11,152,853	10,759,346	10,390,300	9,081,055	8,309,740	7,161,963
—	238,728	1,997,727	—	—	—	—
\$ 6,719,049	\$ 5,925,559	\$ 5,789,082	\$ 5,540,303	\$ 4,594,738	\$ 3,782,746	\$ 3,422,452
2,094	2,001	2,050	2,044	1,944	1,567	1,497

TO THE SHAREHOLDERS OF

McCOLL-FRONTENAC OIL COMPANY LIMITED:

We have examined the consolidated balance sheet of McColl-Frontenac Oil Company Limited and its subsidiary companies as at December 31, 1954 and the related consolidated statements of income and earned surplus for the year then ended. Our examination was made in accordance 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.

We have obtained all the information and explanations we have required and, in our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the companies as at December 31, 1954 and the results of their operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the companies.

RIDDELL, STEAD, GRAHAM & HUTCHISON,
Chartered Accountants.

February 11, 1955.

MONTREAL, QUEBEC.

