

Texaco Canada Ltd.

Ninth

ANNUAL
REPORT

McCOLL-FRONTENAC
OIL COMPANY LIMITED



For Fiscal Year Ending
JANUARY Thirty-first - 1937

McCOLL-FRONTENAC OIL COMPANY
Limited



Ninth Annual Report

for
Fiscal Year Ending
JANUARY THIRTY-FIRST
1937.

McCOLL-FRONTENAC OIL COMPANY

Limited

TO THE SHAREHOLDERS:

Herewith is submitted the Ninth Annual Report of the McColl-Frontenac Oil Company Limited, together with Balance Sheet as at January 31st, 1937, and Statement of Profit and Loss and Earned Surplus Account for the twelve months period ending on that date, prepared in accordance with the provisions of the Dominion Companies' Act, 1934, and amendments thereto.

Your Company's profits before the deduction of Bond Interest, Income and other Corporation Taxes and Dividends amounted to \$1,999,832.19 last year as compared with \$1,501,740.68 this year, a decrease of \$498,091.51.

After deduction of Bond Interest, Income and other Corporation Taxes and Preferred Stock Dividends, there remains a balance of \$298,621.10, equivalent to 45 cents per share on 660,000 shares of Common Stock outstanding as compared with \$1.16 the previous year.

Total profits from operations and income from investments amounted to \$2,804,760.55 last year as compared with \$2,445,492.94 this year, a decrease of \$359,267.61.

Current Assets amount to \$7,126,133.47, Current Liabilities to \$3,800,008.39, giving a Net Working Capital of \$3,326,125.08.

Net additions to properties in Canada during the year in review amounted to \$606,246.72. These expenditures cover the erection of new service stations at strategic locations throughout Canada, additional tankage at Refineries, at marine terminals and at warehouses, and for the installation of new refining equipment to increase capacity and reduce the cost of producing gasoline. ✓

Although sales, both in gallons and dollars, have shown an increase over the preceding year, profits are lower, as crude oil supplies cost considerably more money and the price received for the finished products averaged less throughout the Dominion of Canada during 1936 as compared with 1935.

Increased taxation also has affected your Company adversely. The oil and gasoline industry in Canada does not pass on to the public the Dominion Government sales tax introduced some years ago, and as the sales tax was increased in the 1936 Budget from 6% to 8%, the absorption of this additional sales tax quite definitely affected the profits this year to the extent of 27 cents per share on the Common Stock outstanding.

The total taxes paid by your Company during the twelve months under review, including Sales Tax, Excise Tax, Provincial and Municipal Taxes, but not including Income Tax, amounted to over \$1,000,000.00, of which an amount in excess of \$700,000.00 is accounted for by the absorption of the total Sales Tax.

The above reasons, namely—the increase in the cost of crude oil, without a corresponding increase in the price received for gasoline sold, and the burden of taking care of increased taxation, accounts for an amount exceeding One dollar per share on the outstanding shares of Common Stock.

As stated in our Eighth Annual Report, your Company acquired oil-producing properties on the Island of Trinidad. The result of the drilling operations in Trinidad during the year 1936 indicate that your Directors' wisdom in acquiring properties there is justified. At the present time these

properties are producing at the rate of over 40,000 barrels of crude oil per month and, since our last report, we have acquired drilling rights on over 35,000 acres of oil lands.

The cost of operating our Trinidad properties has been borne by the parent Company. Operations in Trinidad, combined with capital expenditures and an increase in inventories, accounts largely for a bank loan which, for the first time since the formation of McColl-Frontenac Oil Company Limited, appears in the annual statement. Your Directors have under contemplation the creation of a separate Company to take over the operations in Trinidad, with the control of that Company being held by your Company.

Your Company's physical assets in every respect have been maintained in their customary high state of efficiency.

Your Directors again desire to place on record their thanks to, and appreciation of, the faithful, loyal and efficient service rendered by the staff and employees of your Company.

On Behalf of the Board,

JOHN IRWIN,
President.

AUDITORS' REPORT TO THE SHAREHOLDERS

MONTREAL, March 18, 1937.

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have made an examination of the books and accounts of McColl-Frontenac Oil Company Limited and its wholly owned Canadian Subsidiary Companies for the year ended January 31, 1937, and have received all the information and explanations which we have required and we have satisfied ourselves that proper supervision over the detailed accounting records is being exercised by the Company's internal audit staff. In our opinion, the attached Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs at January 31, 1937, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

In accordance with Section 114 of the Companies' Act, 1934, we report that profits of subsidiary companies not consolidated, for the year ended January 31, 1937, have been included in the accounts of McColl-Frontenac Oil Company Limited only to the extent of the dividends received and receivable. The aggregate profits of three of the subsidiary companies after payment of dividends, but before charging \$13,291.31, being the net book value of certain properties dismantled, exceed the loss of the other subsidiary company, and the profits and loss have been carried forward in the books of their respective companies.

PRICE, WATERHOUSE & CO.,
P. S. ROSS & SONS,

Auditors.

McCOLL-FRONTENAC O AND WHOLLY-OWNED CANAD

CONSOLIDATED BALANCE SH

ASSETS

CURRENT ASSETS:

Cash on Hand and in Bank.....	\$ 288,431.29	
Marketable Securities at Quoted Values.....	87,660.00	
Accounts and Bills Receivable, less Reserve..	1,976,320.11	
Inventories as determined on the Company's usual basis and certified by the Manage- ment; raw materials, supplies and mer- chandise being valued at laid-down cost and finished products at less than market value.	4,773,722.07	\$7,126,133.47

INVESTMENTS IN AND ADVANCES TO OTHER SUBSIDIARY COMPANIES:

Investments.....	\$1,564,981.36	
Advances.....	781,327.41	2,346,308.77

OTHER INVESTMENTS, LOANS AND ADVANCES, less Reserve	702,898.60
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DEPOSIT WITH BOND SINKING FUND TRUSTEES: in respect of Sinking Fund Payment due October 1, 1936.....	128,360.00
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COST OF COMMON SHARES OF COMPANY pur- chased under By-Law "D" for sale to Em- ployees.....	131,733.32
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DEFERRED CHARGES:

Insurance, Taxes and Other Prepaid Ex- penses.....	\$ 373,791.33	
Bond Discount and Stock Issue Expense, less amounts written off.....	555,401.87	929,193.20

COST OF PROPERTIES:

Land, Buildings and Equip- ment at cost.....	\$20,383,594.52	
Less: Reserve for Deprecia- tion.....	4,419,861.28	\$15,963,733.24
Trade Marks, Processes and Goodwill.....	\$ 742,837.66	
Premium paid on purchase of Subsidiary Companies' Cap- ital Stocks.....	6,942,479.21	7,685,316.87
		23,649,050.11

\$35,013,677.47

APPROVED ON BEHALF OF THE BOARD:

J. IRWIN, Director.
A. J. NESBITT, Director.

IL COMPANY LIMITED

AN SUBSIDIARY COMPANIES

HEET - JANUARY 31st, 1937

LIABILITIES

CURRENT LIABILITIES:

Bank Loan—Secured under Section 88 of the Bank Act.....	\$2,185,000.00	
Accounts and Notes Payable and Accrued Liabilities.....	1,051,772.93	
Bond Interest accrued.....	187,200.00	
Reserve for Income, Gasoline and Other Taxes.....	376,035.46	
		\$3,800,008.39

DEFERRED CONTRACT LIABILITIES.....

39,693.11

MORTGAGES PAYABLE.....

217,447.98

FIRST MORTGAGE COLLATERAL TRUST 6% BONDS, DUE 1949 (Authorized Issue \$25,000,000.00).....

\$9,880,000.00

Less: Redeemed and cancelled..... 520,000.00

9,360,000.00

PREFERRED STOCK:

6% Cumulative Sinking Fund Preferred Shares of \$100.00 each.

(Authorized Issue 100,000 Shares).

Issued 84,553 shares of \$100.00 each.....

\$8,455,300.00

Less: Redeemed 6,879 shares of \$100.00 each.....

687,900.00

77,674 shares.....

7969

7,767,400.00

(Redeemable at \$105.00 on any dividend date, on thirty days' notice.)

232

COMMON STOCK AND SURPLUS:

Common Shares:

Authorized—2,500,000 shares of no par value.

(Note—By supplementary Letters Patent, dated June 9, 1936, the authorized common shares were increased by 1,750,000 shares.)

Issued—660,000 shares of no par value..... \$10,710,000.00

11778

CAPITAL SURPLUS:

Representing the par value of Preferred Shares purchased for redemption since January 31, 1934.

Balance, January 31, 1936... \$59,100.00

Add: Purchased during year... 74,300.00

133,400.00

EARNED SURPLUS:

Balance as per Statement attached..... 2,985,727.99

13,829,127.99

NOTE—A dividend of 20 cents per share on the Common Shares has been declared payable March 15, 1937.

\$35,013,677.47

Submitted with our Report, dated March 18, 1937.

PRICE, WATERHOUSE & CO.,
P. S. ROSS & SONS, Auditors.

McCOLL-FRONTENAC OIL COMPANY LIMITED
AND WHOLLY-OWNED CANADIAN SUBSIDIARY
COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND
EARNED SURPLUS, YEAR ENDING
JANUARY 31, 1937

Profit from Operations.....	\$2,594,787.38	
Deduct: Legal Fees.....	\$ 14,762.28	
Executive Officers' Re-		
muneration.....	149,647.40	
Directors' Remunera-		
tion.....	3,932.56	
	<u>168,342.24</u>	
	\$2,426,445.14	
Income from Investments.....	19,047.80	
	<u>\$2,445,492.94</u>	
DEDUCT:		
Provision for Depreciation.....	\$ 818,917.16	
Provision for Doubtful Accounts.....	73,238.08	
Amortization of Bond Discount, etc.....	51,597.02	
	<u>943,752.26</u>	
	\$1,501,740.68	
DEDUCT ALSO: Bond and Mortgage Interest....	571,075.58	
	<u>\$ 930,665.10</u>	
Provision for Income and Other Corporation		
Taxes for year ending January 31, 1937.....	166,000.00	
	<u>\$ 764,665.10</u>	
Net Profit for the year after providing for		
Taxes.....		
ADD:		
Earned Surplus Balance, January 31, 1936...	\$3,363,674.61	
Less: Prior year's Income and Other Corpora-		
tion Taxes.....	71,823.45	
	<u>3,291,851.16</u>	
DEDUCT: Dividends paid—		\$4,056,516.26
On 6% Preferred Shares.....	\$ 466,044.00	
On Common Shares.....	528,000.00	
	<u>994,044.00</u>	
	\$3,062,472.26	
DEDUCT: Cost of Preferred Shares purchased for		
redemption during 1936.....	76,744.27	
	<u>\$2,985,727.99</u>	
Earned Surplus Balance, January 31, 1937...		

McCOLL-FRONTENAC OIL COMPANY LIMITED

1936

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JOHN IRWIN, Montreal
President

P. A. THOMSON, Montreal
Vice-President

J. A. WALES, Montreal
Vice-President in Charge of Operations

J. M. PRITCHARD, Montreal
Vice-President in Charge of Sales

S. S. GRIFFITHS, Toronto
Vice-President in Charge of Central Division Marketing

H. H. BRADBURN, Winnipeg
Vice-President in Charge of Western Division Marketing

AIR VICE-MARSHAL W. A. BISHOP, V.C., D.S.O., M.C., D.F.C.,
Montreal
Vice-President

FRED HUNT, Montreal
Secretary-Treasurer

L. A. BROOKS, C.A., Montreal
Comptroller

Directors

AIR VICE-MARSHAL W. A. BISHOP	GORDON F. PERRY
H. H. BRADBURN	J. M. PRITCHARD
S. S. GRIFFITHS	P. A. THOMSON
JOHN IRWIN	J. A. WALES
A. J. NESBITT	BRIG.-GEN. J. B. WHITE

Fiscal Agents

NESBITT, THOMSON & COMPANY LIMITED

Transfer Agents
MONTREAL TRUST CO.

Registrars
ROYAL TRUST CO.

Auditors

PRICE, WATERHOUSE & COMPANY
P. S. ROSS & SONS

Head Office of the Company
ROYAL BANK BUILDING
MONTREAL - CANADA

765
177
688



*The Symbol of Quality,
Service and Dependability*



