

*Texas Canada Ltd.*

*Tenth*

ANNUAL  
REPORT

**McCOLL-FRONTENAC**  
OIL COMPANY LIMITED



*For Fiscal Year Ending*  
**JANUARY Thirty-first - 1938**





McCOLL-FRONTENAC OIL COMPANY  
Limited



Tenth Annual Report

for  
Fiscal Year Ending  
JANUARY THIRTY-FIRST  
1938

# McCOLL-FRONTENAC OIL COMPANY LIMITED

1937

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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  
H. H. BRADBURN  
S. S. GRIFFITHS  
JOHN IRWIN  
A. J. NESBITT

GORDON F. PERRY  
J. M. PRITCHARD  
P. A. THOMSON  
J. A. WALES  
BRIG.-GEN. J. B. WHITE,  
D.S.O., E.D.

## *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

# McCOLL-FRONTENAC OIL COMPANY

## Limited

### TO THE SHAREHOLDERS:—

Your Directors have pleasure in submitting herewith your Company's Tenth Annual Report, together with Consolidated Balance Sheet of your Company and all of its Subsidiary Companies as at January 31st, 1938, and Consolidated Statements of Profit and Loss and Surplus for the twelve months' period ending on that date.

Consolidated profit from operations and income from investments amounted to \$3,505,084.45, and Consolidated Earnings before the deduction of Interest, Income and other Corporation Taxes and Dividends amounted to \$2,321,580.24.

After deduction of Interest, Income and other Corporation Taxes and Preferred Stock Dividends, there remains a balance of \$790,311.47, equivalent to \$1.19 per share on 660,000 shares of Common Stock outstanding on February 1st, 1937, or \$1.03 per share on 766,783 shares of Common Stock presently outstanding as compared with 45 cents per share on 660,000 shares of Common Stock outstanding at the end of the last fiscal year.

Current Assets amount to \$8,780,477.27, Current Liabilities to \$5,227,395.96, giving a Net Working Capital of \$3,553,081.31.

Net additions to properties in Canada during the year in review, including additions to Capital Assets of Perfection Petroleum Company Limited, amounted to \$597,662.90. These are chiefly for the erection of Service Stations and for equipment and tankage at the refineries.

Sales, both in gallons and dollars, have shown an increase over the preceding year, and the price received for finished products throughout the Dominion of Canada averaged somewhat better than the preceding year.

In 1929, your Company acquired the controlling interest in the Common Stock of Perfection Petroleum Company Limited of Toronto and subsequently obtained all of the outstanding common shares. In November, 1937, your Directors received, and subsequently accepted, an offer from the Preferred Shareholders of Perfection Petroleum Company Limited to exchange their holdings for Preferred Shares of your Company on a basis of four shares of Perfection for one of McColl-Frontenac. The



dividend of \$1.50 paid on Perfection shares is equivalent to the 6% payable on the new shares issued by your Company under this exchange.

Perfection Petroleum Company Limited has 35 Stations, of which 24 are in the City of Toronto. These stations are now under the control of McColl-Frontenac Oil Company Limited.

The above mentioned exchange of stock accounts for an increase of 2,322 in the number of shares of your Company's Preferred Stock, bringing the total outstanding (after the redemption of 304 shares) to 79,692 shares as against the amount outstanding in the preceding year of 77,674 shares.

The development of the Trinidad properties, which was begun in 1936, is carried on by a Company incorporated in Trinidad known as Antilles Petroleum Company (Trinidad) Limited, all of the shares of the Antilles Company, except Directors' qualifying shares, being held by your Company.

Production for the year amounted to 499,722 barrels, giving an average daily production of 1,369 barrels and an average monthly production of 41,643 barrels. Average gravity of the oil produced was approximately 18° A.P.I. Owing to the heavy gravity of the oil produced none of it has been brought to our Montreal Refinery. The Company has not secured light crude oil to date as anticipated. The policy of the Company, therefore, has been to produce and sell the heavy crude oil found, in order to help carry the development expense while endeavouring to find oil suitable for the Company's requirements.

Under the circumstances your Board considers that, while the investment in Trinidad is still in the development stage, the Consolidated Accounts now being presented should reflect the provisions made for amortization of capital expenditure recorded on the books of Antilles Petroleum Company (Trinidad) Limited. This has been included in the charge of \$303,094.95 in the Surplus Account, of which amount \$255,084.01 was recorded in the year under review.

Antilles Petroleum Company (Trinidad) Limited now controls over 38,000 acres, or rather more than 60 square miles of land, in Trinidad. In October, 1937, arrangements were made with Mr. E. H. Cunningham Craig, B.A., F.R.S.E., F.G.S., M.Inst. P.T., Consulting Geologist of London, England, formerly Government Geologist of Trinidad and Tobago, to pay a visit to Trinidad and report on the lands acquired by your Company. His report indicates that the Company should have little difficulty in maintaining a profitable production from the Brighton-Vessigny field (one of our Trinidad holdings) for many years to come.

The labour disturbances last June disorganized all industrial enterprises in the island and the oilfields were brought to a complete standstill. The Company's operations were greatly handicapped for some time, but its physical properties escaped serious damage largely due to the splendid services rendered by the staff. A number of wells, however, which were shut down by reason of the strike, have not yet been restored to their previous production.

Perfection Petroleum Company Limited, McColl Brothers Inc. (Buffalo) and Frontenac Pipeline Company (Texas) all operated separately and in past years have been reflected in the reports only to the extent of the dividends they have declared and paid. This year it was decided to consolidate all of the subsidiary companies and thus present a picture of your Company's complete activities; therefore, the consolidation of these companies has altered the Fixed Asset, Depreciation and Goodwill items to the extent cited below:

Fixed Assets have increased by \$4,137,725.40 to a total of \$24,521,319.92; Depreciation and Depletion Reserves show an increase over last year of \$1,369,281.38 and now stand at \$5,789,142.66; Trade Marks, Processes and Goodwill increased by \$88,200.00 to \$831,037.66, and Premium paid on purchase of Subsidiary Companies' Capital Stocks has risen from \$6,942,479.21 to \$7,478,537.48.

In October, 1937, shareholders were offered the right to subscribe to additional Common Stock in the ratio of one share for each five shares held by them at a price of \$10.00 per share. This Stock was not all subscribed for by the shareholders. Of 132,000 shares offered 25,217 shares remain in the treasury of your Company. Proceeds from the sale of the 106,783 shares of Stock were not received until December; therefore the Treasury only had the use of the funds for a period of approximately eight weeks before the year under review closed.

Your Company's refineries, service stations, tankers, warehouses, rolling stock and other equipment have been maintained in their customary high state of efficiency.

Your Directors again desire to express their appreciation of the faithful and efficient service rendered by the staff and employees of your Company.

On behalf of the Board,

J. IRWIN,  
*President.*

Montreal, April 26, 1938.



# MCCOLL-FRONTENAC CO.

## AND ALL OF ITS SUBSIDIARIES

### CONSOLIDATED BALANCE SHEET

ASSETS	
<b>CURRENT ASSETS:</b>	
Cash on Hand and in Bank . . . . .	\$ 333,467.55
Marketable Securities at quoted values . . . . .	47,728.63
Accounts and Bills Receivable, less reserve . . . . .	2,417,714.50
Inventories as determined on the Company's usual basis and certified by the management; raw materials, supplies, merchandise in process and finished products being valued at departmental costs which are not in excess of market values . . . . .	5,981,566.59
	\$8,780,477.27
<b>INVESTMENTS, LOANS AND ADVANCES, less Reserve . . . . .</b>	753,816.47
<b>SINKING FUND CASH in Hand of Bond Trustees in respect of Sinking Fund payment due October 1, 1937 . . . . .</b>	186,663.10
<b>COST OF COMMON SHARES of the Company purchased under By-Law "D" for sale to employees . . . . .</b>	139,827.22
<b>DEFERRED CHARGES:</b>	
Insurance, Taxes and other Prepaid Expense . . . . .	\$ 515,378.26
Bond Discount and Stock Issue Expense, less amounts written off . . . . .	503,503.91
	1,018,882.17
<b>COST OF PROPERTIES:</b>	
Oil Wells and Leases, Field and Drilling Equipment, etc. (Trinidad) at cost . . . . .	\$2,694,695.48
Less: Reserve for Depreciation and Depletion . . . . .	608,868.56
	\$ 2,085,826.92
Land, Buildings and Equipment at cost . . . . .	\$21,826,624.44
Less: Reserve for Depreciation . . . . .	5,180,274.10
	16,646,350.34
Trade Marks, Processes and Goodwill . . . . .	831,037.66
Premium paid on purchase of Subsidiary Companies' Capital Stocks . . . . .	7,478,537.48
	27,041,752.40
	\$37,921,418.63

Approved on behalf of the Board:

J. IRWIN, Director.

P. A. THOMSON, Director.



# IL COMPANY LIMITED

## SIDIARY COMPANIES

HEET - JANUARY 31, 1938

### LIABILITIES

#### CURRENT LIABILITIES:

Bank Loan—Secured under Section 88 of the Bank Act.....	\$3,400,000.00	
Accounts and Notes Payable and Accrued Liabilities.....	1,120,119.33	
Bond Interest Accrued.....	184,840.27	
Provision for Income, Gasoline and Other Taxes....	522,436.36	
		\$5,227,395.96

DEFERRED CONTRACT LIABILITIES..... 28,979.33

MORTGAGES PAYABLE..... 302,058.07

#### FIRST MORTGAGE COLLATERAL TRUST 6% BONDS:

Due 1949 (Authorized Issue \$25,000,000.00).....	\$9,880,000.00	
Less: Redeemed and Cancelled.....	640,500.00	
		9,239,500.00

#### PREFERRED STOCK:

6% Cumulative Sinking Fund Preferred Shares of \$100.00 each (Authorized Issue—93,121 Shares)—		
Outstanding January 31, 1937.....	77,674 Shs.	\$7,767,400.00
Issued during year.....	2,322 "	232,200.00
	79,996 "	\$7,999,600.00
Deduct: Redeemed.....	304 "	30,400.00
	79,692 "	7,969,200.00

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

#### COMMON STOCK AND SURPLUS:

Common Shares—		
Authorized—2,500,000 Shares of no par value		
Issued to January 31, 1937.....	660,000 Shs.	\$10,710,000.00
Issued during year.....	106,783 "	1,067,830.00
Total Issued—January 31, 1938.....	766,783 "	\$11,777,830.00

CAPITAL SURPLUS..... 30,400.00

EARNED SURPLUS..... 3,346,055.27

15,154,285.27  
\$37,921,418.63

NOTE: A dividend of 10 cents per share on the Common Shares has been declared payable March 16, 1938.

Submitted with our report dated April 5, 1938.

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

McCOLL-FRONTENAC  
AND ALL OF ITS

CONSOLIDATED STATEMENT OF SURPLUS  
JANUARY 31, 1938

**EARNED SURPLUS:**

Balance January 31, 1937.....	\$2,985,727.99	
<i>Add:</i> Earned Surplus balances of Subsidiary Companies not previously consolidated.....	124,394.76	
Amount released from Capital Surplus in respect of cancellation of Preferred Shares redeemed under Supplementary Letters Patent reducing the authorized Preferred Shares.....	133,400.00	
	<u>\$3,243,522.75</u>	
<i>Deduct:</i> Prior Year's Income and other Corporation Tax adjustments.....	24,763.50	\$3,218,759.25
Net Profit for the year ending January 31, 1938, as per statement attached.....		<u>1,268,544.37</u>
		\$4,487,303.62
<i>Deduct:</i> Dividends Paid:		
On Preferred Shares of Subsidiary Company.....	\$ 10,487.90	
On 6% Preferred Shares.....	467,745.00	
On Common Shares.....	<u>330,000.00</u>	
		808,232.90
		<u>\$3,679,070.72</u>
<i>Deduct also:</i>		
Cost of Preferred Shares purchased for redemption during 1937.....	\$ 29,920.50	
Excess of amortization provisions, development expenditures, etc., charged against Trinidad properties, over the revenue produced therefrom; of which \$255,084.01 was recorded in the year ending January 31, 1938.....	<u>303,094.95</u>	
		333,015.45
Earned Surplus Balance January 31, 1938.....		<u><u>\$3,346,055.27</u></u>

**CAPITAL SURPLUS:**

Balance January 31, 1937.....	\$ 133,400.00	
Representing the par value of Preferred Shares purchased for redemption since January 31, 1934		
<i>Deduct:</i> Transfer to Earned Surplus as above.....	<u>133,400.00</u>	—
<i>Add:</i> Par Value of Preferred Shares purchased for redemption in 1937.....		<u>30,400.00</u>
Capital Surplus Balance January 31, 1938.....		<u><u>\$ 30,400.00</u></u>

# OIL COMPANY LIMITED

## SUBSIDIARY COMPANIES

### CONSOLIDATED STATEMENT OF PROFIT AND LOSS YEAR ENDING JANUARY 31, 1938

PROFIT FROM OPERATIONS.....	\$3,455,343.65	
INCOME FROM INVESTMENTS.....	49,740.80	\$3,505,084.45
<i>Deduct:</i>		
Provision for the undernoted items—		
Depreciation.....	\$ 961,543.40	
Doubtful Accounts.....	68,804.29	
Contingencies.....	97,678.87	
Amortization of Bond Discount, etc.....	55,477.65	
		1,183,504.21
		\$2,321,580.24
<i>Deduct also:</i>		
Bond and Mortgage Interest.....	\$ 570,823.00	
Bank and Other Interest.....	165,833.44	
		736,656.44
		\$1,584,923.80
Provision for Income and Other Corporation Taxes.....		316,379.43
NET PROFIT FOR THE YEAR.....		<u>\$1,268,544.37</u>

NOTE: The year's operations have been charged with an amount of \$299,543.94 in respect of counsel and solicitors' fees and executive officers' and directors' remuneration.

#### AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the books and accounts of McColl-Frontenac Oil Company Limited and certain of its Subsidiary Companies and have been furnished with certified audited statements of the other Subsidiary Companies not examined by us. We 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 combined affairs of the Company and its subsidiaries as at January 31, 1938, according to the best of our information and the explanations given to us and as shown by the books of the Companies examined by us and by the audited statements which we have received.

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

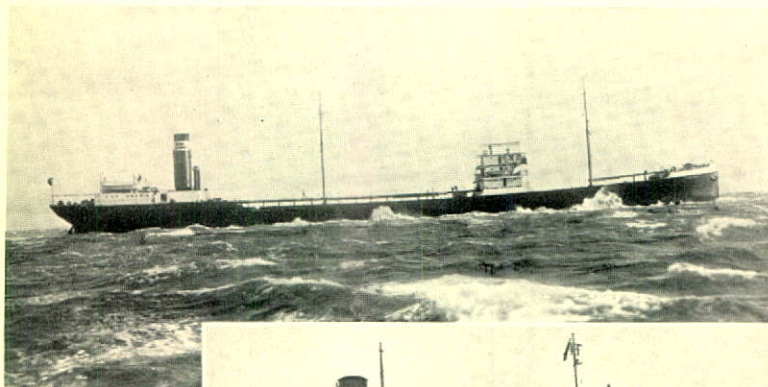
*Auditors.*

Montreal, April 5, 1938.

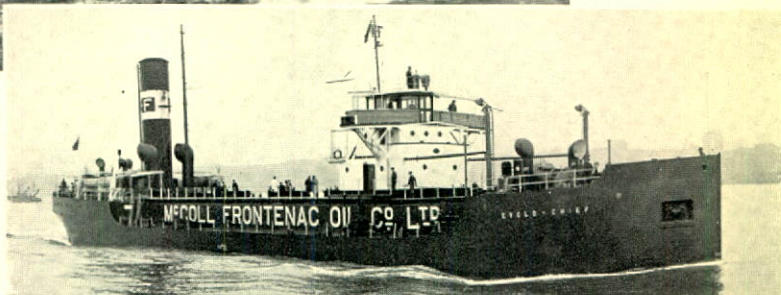
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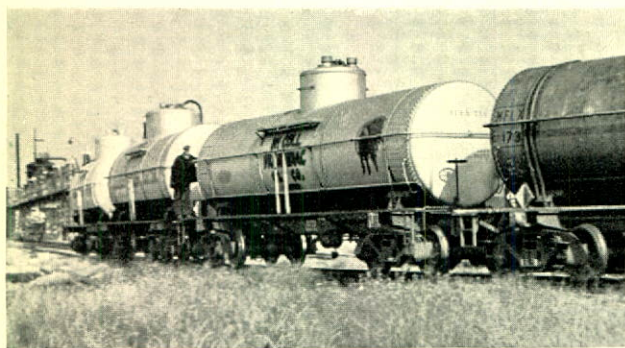
# TRANSPORTATION



*S.S. Frontenac*, one of a fleet of five ocean tankers — capacity 82,000 barrels.

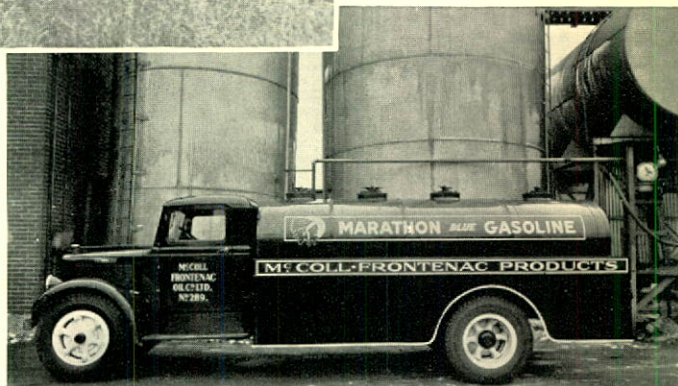


*S.S. Cyclo-Chief*, one of a fleet of three lake tankers — capacity 26,000 barrels.



200 of these tank cars are in operation throughout Canada.

175 of these tank trucks deliver gasoline and oils to approximately 4,000 dealers and service stations.

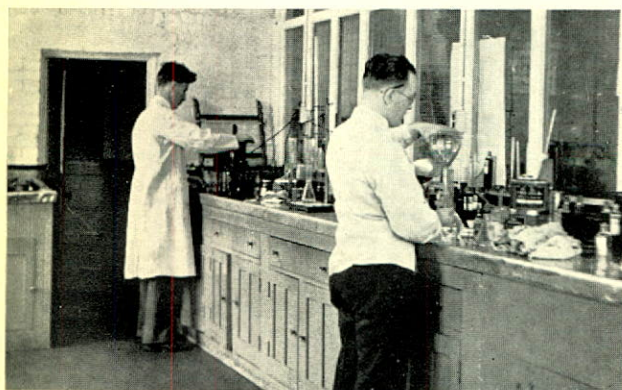
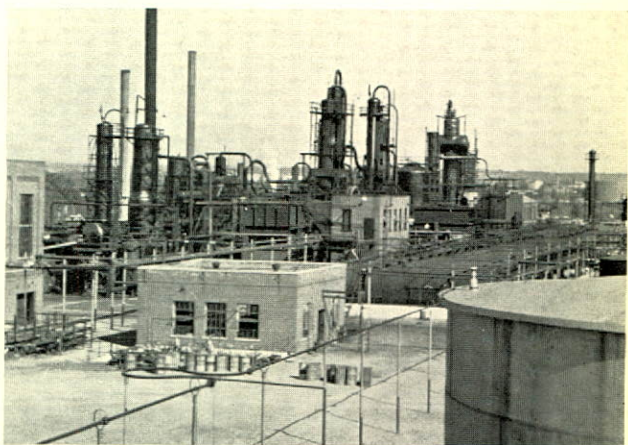


# REFINERIES



A portion of the Montreal East refinery.

A section of the Toronto refinery, taken from the top of an 80,000 barrel storage tank.



Quality control.



# TO SERVE THE PUBLIC



At Toronto



At Montreal



At Galt, Ont.





The Symbol of Quality,  
Service and Dependability





