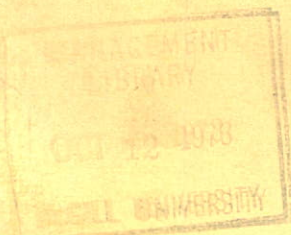
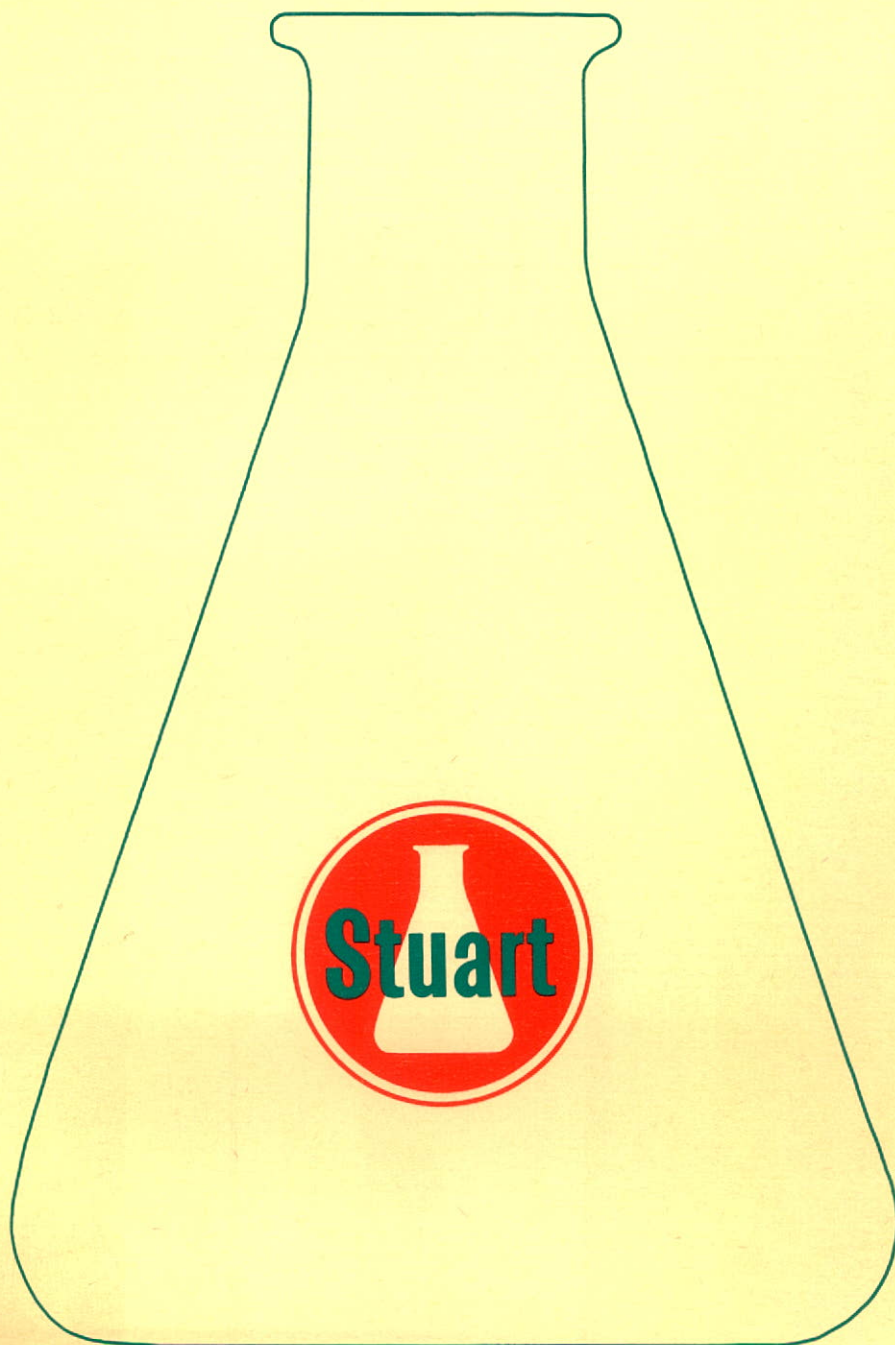


D. A. STUART OIL CO., LIMITED



ANNUAL REPORT, 1973



D.A. STUART OIL CO., LIMITED

DIRECTORS and OFFICERS

Directors

M. CLIFFORD DEANS
ROBERT F. GASVODA
DANIEL GIANNINI, M.B.E.
GORDON McMILLAN
STEPHEN P. OGRYZLO, Ph.D.
HERBERT W. SALTHOUSE
GEORGE G. SPEHN
JOHN C. STRADWICK, Sr.

Officers of the Company

Chairman of the Board and Chief Executive Officer
DANIEL GIANNINI, M.B.E.

President and General Manager
GEORGE G. SPEHN

Vice-President — Manufacturing
ROBERT F. GASVODA

Treasurer and Assistant Secretary
HENRY E. PERKINS

Secretary and Assistant Treasurer
HERBERT W. SALTHOUSE

General Sales Manager
LUTHER P. BEGLEY

Transfer Agents and Registrars

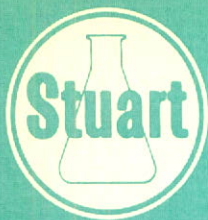
NATIONAL TRUST COMPANY, LIMITED
21 KING STREET EAST
TORONTO, ONTARIO, M5C 1B3
D. A. STUART OIL CO., LIMITED
2727 S. TROY STREET
CHICAGO, ILLINOIS 60623

General Office:

2727 S. TROY STREET
CHICAGO, ILLINOIS 60623

Canadian and Head Office:

43 UPTON ROAD, SCARBOROUGH,
ONTARIO, CANADA



REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS:

Your directors submit herewith the Annual Report of your company including the financial statements for the fiscal year ended May 31, 1973.

The consolidated sales of your company for the fiscal year just ended were U.S.\$13.3 million compared with U.S.\$12.6 million for the previous year. Profit for the year ended May 31, 1973, has increased to U.S.\$324 thousand as compared with U.S.\$31 thousand for 1972. The improvement in earnings is due in part to the increased demand for our products. Equally important is the effective performance by the sales and operating divisions.

NORTH AMERICA

United States — The operations of your company in the United States resulted in increased sales and profits.

Previous reports to the Shareholders advised of action instituted by the company in the United States Federal Court for the Eastern District of Michigan to recover damages from and obtain injunctive relief against former executives and employees of the company. The aforesaid Court handed down its judgment in March of this year with respect to the injunctive relief sought and, while the company was successful in some areas, an appeal has been entered against the judgment as your company considered it was not granted the full relief to which it is entitled. Judgment in the main action for damages is still pending.

Canada — Your company's wholly owned subsidiary, Canadian D. A. Stuart Oil Co. Limited, for 1973 repeated its past performance in increased growth and development.

D. A. STUART OIL CO. LIMITED (England)

100% owned

The results of this company, sales and profit wise, are higher than those achieved in the preceding year. This company continues to indicate fine growth potential.

D. A. STUART OIL CO. (ARG.) S.A.I.C.

100% owned

This is the most profitable twelve months the company has had since its inception in 1968.

D. A. STUART OIL ITALIA S.p.A.

100% owned

As reported to you in our Annual Report of last year, the proposed plan to close down this company has been carried through. The surrender of the charter of this company is expected to be completed shortly.

Your company has entered into a licensing agreement with Wulken S.TH s.a.s. of Genoa, Italy. Wulken S.TH will handle the sale of Stuart products throughout Italy. It is an aggressive organization and this working arrangement should prove advantageous.

D. A. STUART OIL CO., LIMITED

Serving the metal working industry for over 100 years

D. A. STUART OIL GmbH

50% owned

In our Annual Report of 1972 we reported that this 50% owned subsidiary would be reduced to a sales agency. However, because of increased sales and the results obtained, there has been no change in the operation. While the results are improved over those of last year the reducing of this company to a sales agency is still under consideration.

D. A. STUART OIL FRANCE S.A.

50% owned

In our Annual Report of a year ago it was proposed this company be closed and this has now been completed. Stuart customers in France will be serviced through the company's subsidiary in England or from other sources when necessary.

CURRENT OPERATIONS

Through the Environmental Control Division of your company all facilities are being utilized in the recycling of waste oils for use in the production of certain products.

Your company continues in its program of service to the metal working and related industries with new and improved products suitable to the expanding requirements of modern technology.

With the improved results for the fiscal year ended May 31, 1973, and the solving of a number of the problems with which the company was faced, your directors have cause to be most optimistic and look forward to strong growth and development for your company.

EMPLOYEES

Your directors wish to express their sincere appreciation for the efforts and cooperation of all the company's employees to whom the results of the past year are attributable.

On behalf of the Board of Directors

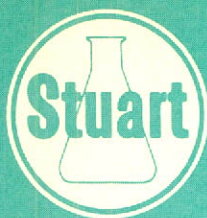
D. GIANNINI

Chairman and Chief Executive Officer

GEORGE G. SPEHN

President and General Manager

Toronto, Canada
September 21, 1973



D. A. STUART OIL CO., LIMITED
(Incorporated under the laws of Ontario)
AND ITS WHOLLY OWNED SUBSIDIARIES

ASSETS

Current assets	1973	1972
Cash	\$ 338,562	\$ 232,331
Accounts receivable (note 2)	1,990,792	1,723,259
Inventories, at lower of cost and market	1,552,383	1,559,165
Drums, other containers and supplies	135,335	147,741
Advances and prepaid expenses	165,117	137,213
	<u>4,182,189</u>	<u>3,799,709</u>
Marketable securities (quoted market value 1973, \$11,917; 1972, \$13,300)	<u>34,308</u>	<u>34,308</u>
Other investments (note 3)	<u>202,973</u>	<u>179,280</u>
Life insurance , cash surrender value	<u>42,938</u>	<u>35,605</u>
Fixed assets , at depreciated values as appraised by the American Appraisal Company as at June 1, 1952 with subsequent additions at cost (note 4)		
Land, buildings and equipment	3,369,284	3,396,166
Less accumulated depreciation since date of appraisal	<u>1,826,149</u>	<u>1,747,072</u>
	<u>1,543,135</u>	<u>1,649,094</u>
	<u>\$6,005,543</u>	<u>\$5,697,996</u>

Approved by the Board:

D. GIANNINI, Director.

GEORGE G. SPEHN, Director.

CONSOLIDATED BALANCE SHEET — MAY 31, 1973

(with comparative figures at May 31, 1972)

Expressed in United States currency

LIABILITIES

Current liabilities

	<u>1973</u>	<u>1972</u>
Bank advances	\$ 94,196	\$ 62,253
Accounts payable and accrued expenses	1,133,174	1,074,204
Income taxes payable	183,622	115,394
Other taxes payable	105,603	65,049
Dividend payable	22,916	23,182
Liability for returnable containers	63,515	60,561
Principal due within one year on long-term debt	128,039	117,398
	<u>1,731,065</u>	<u>1,518,041</u>

Long-term debt (note 5)	<u>495,000</u>	<u>642,693</u>
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Deferred income taxes (note 6)	<u>15,700</u>	<u>5,568</u>
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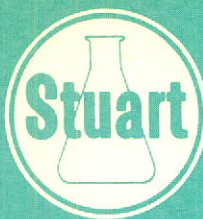
SHAREHOLDERS' EQUITY

Capital stock

Authorized — 800,000 common shares of no par value		
Issued — 456,256 shares	424,608	424,608

Retained earnings (note 7)	3,339,170	3,107,086
	<u>3,763,778</u>	<u>3,531,694</u>
	<u>\$6,005,543</u>	<u>\$5,697,996</u>

Contingent liabilities (note 10)



D. A. STUART OIL CO., LIMITED
AND ITS WHOLLY OWNED SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

Year ended May 31, 1973

(with comparative figures for 1972)

Expressed in United States currency

	1973	1972
Sales	\$13,263,875	\$12,572,479
Cost of sales	9,668,808	9,271,093
Gross margin	3,595,067	3,301,386
Selling and administrative expenses	2,536,462	2,640,714
Interest on long-term debt	53,114	12,007
	2,589,576	2,652,721
	1,005,491	648,665
Allowance for share of losses of 50% owned companies	75,000	136,500
Income before income taxes and extraordinary items	930,491	512,165
Income taxes		
Current	569,777	360,225
Deferred	10,132	4,573
	579,909	364,798
Income before extraordinary items	350,582	147,367
Extraordinary items		
Loss on devaluation of Argentine peso		97,678
Loss on disposal and abandonment of fixed assets in Italy	26,380	18,608
	26,380	116,286
Net income for the year (note 8)	\$ 324,202	\$ 31,081
Earnings (loss) per share		
Before extraordinary items	\$.77	\$.32
Extraordinary items	\$ (.06)	\$ (.25)
Net income	\$.71	\$.07

AUDITORS' REPORT

To the Shareholders of
D. A. Stuart Oil Co., Limited

We have examined the consolidated balance sheet of D. A. Stuart Oil Co., Limited and its wholly owned subsidiaries as at May 31, 1973 and the consolidated statements of income, retained earnings and source and use of funds for the year then ended. Our examination of D. A. Stuart Oil Co., Limited and the subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For two of the subsidiary companies of which we are not the auditors we have carried out such enquiries and examinations as we considered necessary in order to rely on the reports of the other auditors for purposes of consolidation. For another subsidiary, D. A. Stuart Oil Italia S.p.A. of which we are not the auditors, we have relied on the financial statements produced by the company. The company is in the process of disposing of its assets and winding up its operations and the assets of this subsidiary represent only 1.2% of total consolidated assets and sales were only 1.2% of total consolidated sales.

In our opinion, subject to any adjustment to the financial statements which may result on final determination of the outcome of matters referred to in note 10(a), these consolidated financial statements present fairly the financial position of the companies as at May 31, 1973 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have previously examined and reported on the consolidated financial statements for the year ended May 31, 1972. Our opinion on such consolidated financial statements was qualified "for the effect, if any, of any adjustments which might have been required had the auditors of D. A. Stuart Oil Italia S.p.A. been able to carry out certain auditing tests and procedures which they deemed necessary to satisfy themselves as to opening balances insofar as they affected results of operations and changes in financial position for the current year (year ended May 31, 1972)".

Toronto, Canada
August 7, 1973.

THORNE GUNN & CO.
Chartered Accountants.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended May 31, 1973

(with comparative figures for 1972)
Expressed in United States currency

	1973	1972
Balance at beginning of year	\$3,107,086	\$3,166,727
Net income for the year	324,202	31,081
	<u>3,431,288</u>	<u>3,197,808</u>
Dividends* (20¢ per share in 1973, 20¢ per share in 1972)	92,118	90,722
Balance at end of year	<u>\$3,339,170</u>	<u>\$3,107,086</u>

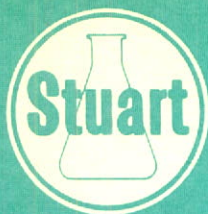
*Dividends were declared in Canadian funds 1973, 20¢ per share and 1972, 20¢ per share. Amounts shown above are stated in U.S. funds.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

Year ended May 31, 1973

(with comparative figures for 1972)
Expressed in United States currency

Source of funds	1973	1972
Net income for the year	\$ 324,202	\$ 31,081
Items not involving current funds		
Depreciation	150,925	173,024
Loss on disposal and abandonment of fixed assets in Italy	26,380	18,608
Deferred income taxes	10,132	4,573
Allowances for share of losses of 50% owned companies	75,000	136,500
	<u>586,639</u>	<u>363,786</u>
Term bank loan		725,000
Decrease in advances to other companies	36,055	
Sale of fixed assets	9,019	4,112
Term financing contract assumed on purchase of fixed assets		7,575
	<u>631,713</u>	<u>1,100,473</u>
Use of funds		
Dividends	92,118	90,722
Additions to fixed assets	80,365	189,729
Decrease in non-current portion of long-term debt	147,693	120,122
Increase in investment in and advances to 50% owned companies (in 1972 less \$49,737 provided in current liabilities in 1971)	134,748	262,117
Increase in advances to other companies		3,159
Life insurance, cash surrender value	7,333	6,910
	<u>462,257</u>	<u>672,759</u>
Increase in working capital	169,456	427,714
Working capital at beginning of year	2,281,668	1,853,954
Working capital at end of year	<u>\$2,451,124</u>	<u>\$2,281,668</u>



D. A. STUART OIL CO., LIMITED
AND ITS WHOLLY OWNED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended May 31, 1973

1. BASIS OF CONSOLIDATION

The company operates principally in the United States and the accompanying financial statements are expressed in United States currency. The accounts of the company's subsidiaries, D. A. Stuart Oil Italia S.p.A., Canadian D. A. Stuart Oil Co. Limited, D. A. Stuart Oil Co. Limited (English subsidiary), D. A. Stuart Oil Co. (Argentina) S.A.I.C. and D. A. Stuart Oil Co., S.R.L. (Argentina subsidiary) have been consolidated with the accounts of the company and have been translated on the following basis:

Current assets and liabilities, at exchange rates prevailing at May 31, 1973;
Fixed assets, capital stock and earnings accumulated prior to June 1, 1964 on the basis of U.S. \$1 = Canadian \$1 and U.S. \$2.80 = £1;
Income and expenses and additions to fixed assets at average rates in effect annually during the years since June 1, 1964 except for the accounts of the Italian and Argentina subsidiaries which are translated at exchange rates prevailing at the year end.

2. ACCOUNTS RECEIVABLE

Included in accounts receivable are advances to employees who are also shareholders in the amount of \$9,702.

3. OTHER INVESTMENTS

	1973	1972
Investment in and advances to 50% owned companies		
Shares, at cost	\$ 84,868	\$ 46,226
Advances	605,797	509,691
	<u>690,665</u>	<u>555,917</u>
Advances to other companies	17,608	53,663
	<u>708,273</u>	<u>609,580</u>
Allowance for share of losses of 50% owned companies	505,300	430,300
	<u>\$ 202,973</u>	<u>\$ 179,280</u>

4. FIXED ASSETS

	1973		1972
	Asset value	Accumulated depreciation	Net
Land	\$ 210,090		\$ 210,090
Buildings and railway siding	1,328,557	\$ 432,157	896,400
Factory equipment	1,419,555	1,070,514	349,041
Office and laboratory equipment	292,461	234,773	57,688
Automotive equipment	118,621	88,705	29,916
	<u>\$3,369,284</u>	<u>\$1,826,149</u>	<u>\$1,543,135</u>

5. LONG-TERM DEBT

	1973	1972
6½% Note, payable \$3,240 principal plus interest quarterly, balance due July 1, 1972		\$ 3,240
8½% Mortgage, payable \$5,000 principal plus interest quarterly, balance due October 1, 1973	\$ 7,000	27,000
Term financing contract, payable \$346 monthly, maturing August 1, 1973	1,039	4,851
Term bank loan, interest at 1% over the prime rate, payable \$30,000 principal quarterly, balance due June 30, 1978	615,000	725,000
	<u>623,039</u>	<u>760,091</u>
Less principal included in current liabilities	128,039	117,398
	<u>\$ 495,000</u>	<u>\$ 642,693</u>

The agreement for the term bank loan contains certain restrictions and covenants including requirements for the maintenance of working capital, and restrictions on dividends and expenditures for fixed assets.

6. DEFERRED INCOME TAXES

Deferred income taxes are comprised of the following:

	<u>1973</u>	<u>1972</u>
Deferred income taxes to May 31 applicable to the company and certain subsidiary companies	\$ 15,700	\$ 24,919
Income tax benefits to be realized in future years by applying the 1968 loss-carry-forward to reduce future taxable income of the Argentina subsidiary		19,351
	<u>\$ 15,700</u>	<u>\$ 5,568</u>

7. RETAINED EARNINGS

Dividends from the English subsidiary are subject to exchange control authorization, which is usually granted, and withholding taxes at time of payment.

8. NET INCOME

In determining consolidated net income the following losses and allowances have been taken into account:

	<u>1973</u>	<u>1972</u>
Loss of Italian subsidiary	\$ 130,841	\$ 134,324
Loss of Argentina subsidiary (including devaluation loss 1972, \$97,678)		83,149
Allowance for share of losses of 50% owned companies	75,000	136,500

In the current year the Argentina subsidiary had a profit. No deferred tax adjustment has been provided in connection with the above losses.

9. OTHER STATUTORY INFORMATION

The following are reflected in net income for the year:

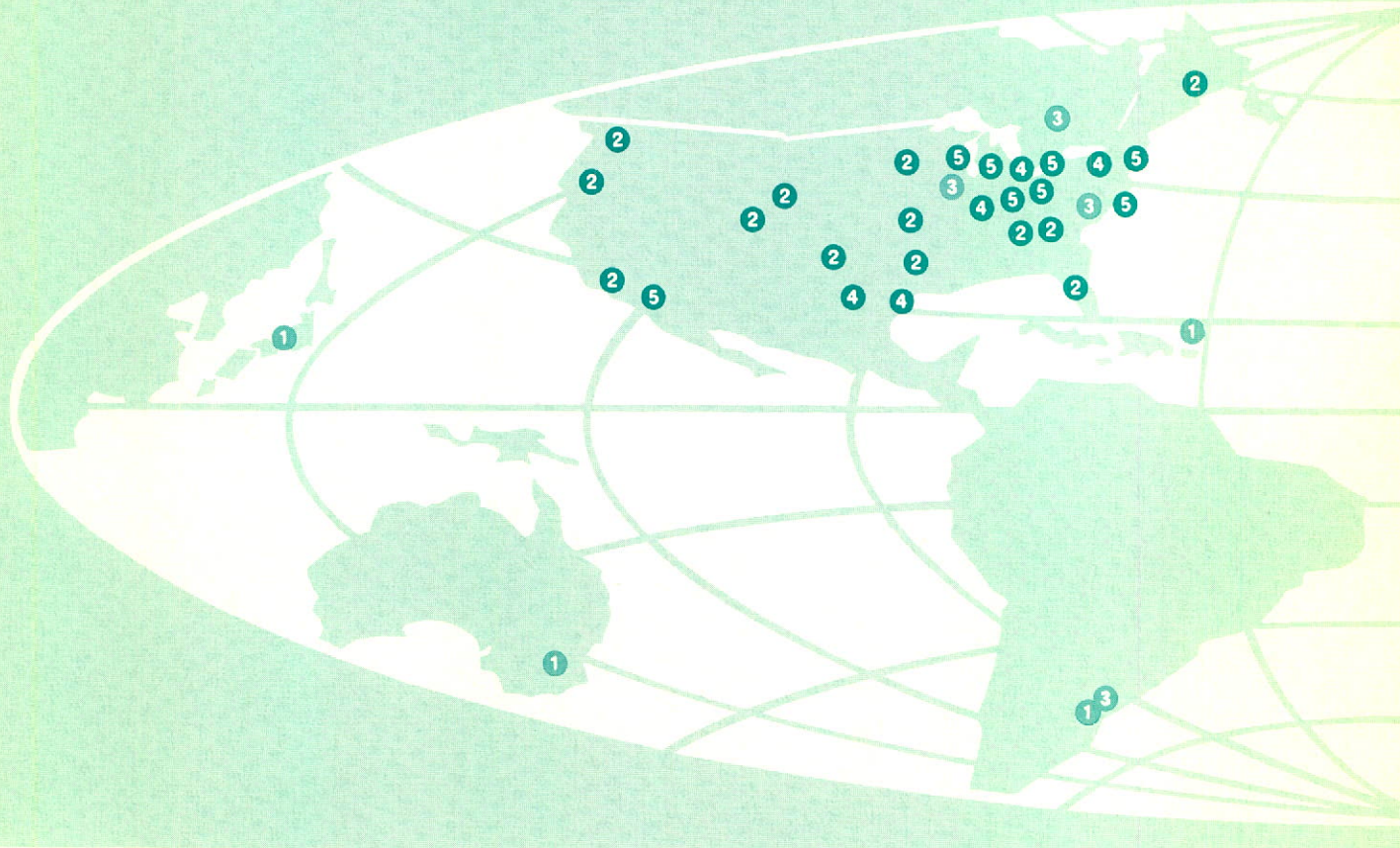
	<u>1973</u>	<u>1972</u>
Depreciation	\$ 150,925	\$ 173,024
Remuneration of directors and senior officers (as defined by The Business Corporations Act)		
Directors and officers	\$ 177,039	\$ 189,583
Other employees	115,451	110,746
	<u>\$ 292,490</u>	<u>\$ 300,329</u>

10. CONTINGENT LIABILITIES

(a) The company has been assessed certain penalties by the United States Bureau of Customs for providing inaccurate information in connection with certain import transactions for the period from January 11, 1968 to January 28, 1970. Petitions have been filed for cancellation of these penalties but at present the likely outcome of such proceedings is unknown. It is not felt at this time that the contingent liability can be realistically quantified hence the nature of the liability as being substantial or minor and its possible effect cannot be stated.

(b) The company has provided guarantees to a maximum of \$204,050 for bank loans and long term mortgage loans made to a 50% owned company, D. A. Stuart Oil GmbH. As at May 31, 1973 the loans were fully drawn.

UNITED STATES AND INTERNATIONAL OPERATIONS



1

INTERNATIONAL

ARGENTINA, Buenos Aires
D. A. Stuart Oil Co. (Arg.) S.A.I.C.
AUSTRALIA, Sydney
Ampol Petroleum Ltd.
ENGLAND, Wolverhampton
D. A. Stuart Oil Co. Limited
GERMANY, Langenselbold
D. A. Stuart Oil GmbH
ITALY, Genoa
Wulken S.T.H. s.a.s.
JAPAN, Tokyo
Takata & Co. Ltd.
SOUTH AFRICA
Jet Oil and Chemical Company
(Pty.) Limited, Johannesburg
Petrocol Ltd. BPK
Alberton, Transvaal
SWEDEN, Goteborg
D. A. Stuart Oil Nordiska AB

2

DISTRIBUTORS

ATLANTA, Ga.
Cowan Supply Company
BIRMINGHAM 2, Ala.
Young & Vann Supply
DENVER, Colo.
Union Supply Co.
GREENVILLE, Miss.
KANSAS CITY, Mo.
Dens-Oil Lubricant Company
MINNEAPOLIS, Minn.
The Satterlee Company
OKLAHOMA CITY, Okla.
Hart Industrial Supply
PORTLAND, Maine
Loren Dyer Co., Inc.
PORTLAND, Oregon
Davis Industrial Products
SAN MATEO, California
Bay City Oil Company
SEATTLE, Washington
Seaport Supply Company
TAMPA, Florida
Tool & Die Supply Company
TULSA, Oklahoma
Krisman Industrial Supply

3

MANUFACTURING

CHICAGO, Illinois
D. A. Stuart Oil Co., Limited
INDIANAPOLIS, Indiana
D. A. Stuart Oil Co., Limited
NORTHVILLE, Michigan
D. A. Stuart Oil Co., Limited
SOMERVILLE, New Jersey
D. A. Stuart Oil Co., Limited
SCARBOROUGH, Ontario, Canada
Canadian D. A. Stuart Oil Co., Limited
ARGENTINA, Buenos Aires
D. A. Stuart Oil Co. (Arg.) S.A.I.C.
ENGLAND, Wolverhampton
D. A. Stuart Oil Co., Limited
GERMANY, Langenselbold
D. A. Stuart Oil GmbH

4

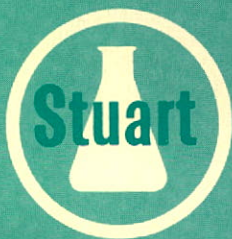
WAREHOUSES

DALLAS, Texas
Blue Chip Delivery, Inc.
DAYTON, Ohio
Lewis & Michael Inc.
HOUSTON, Texas
Palmer Whse. & Trans. Co.
INDIANAPOLIS, Indiana
Merchandise Warehouse
Company
SYRACUSE, New York
Robert M. Haley Warehouse

5

BLENDED & SERVICE CENTRES

BROOK PARK, Ohio
CHICAGO, Illinois
INDIANAPOLIS, Indiana
LIVONIA, Michigan
LOS ANGELES, California
NORTHVILLE, Michigan
SOMERVILLE, New Jersey
SOUTH WINDSOR, Connecticut



EUROPEAN DISTRIBUTORS

YUGOSLAVIA, Krusevac
Fabrica Ulja i Maziva

