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United Fuel Investments,  
Limited  
and  
Subsidiary Companies



Twenty - Fifth Annual Report  
For the Fiscal Year Ended  
March 31, 1953

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TWENTY-FIFTH ANNUAL REPORT  
OF THE DIRECTORS OF  
UNITED FUEL INVESTMENTS, LIMITED  
FOR THE FISCAL YEAR ENDED MARCH 31, 1953

Hamilton, Ontario,  
June 4, 1953.

TO THE SHAREHOLDERS:

In this twenty-fifth Annual Report to the Shareholders your Directors summarize matters of interest concerning the operations of United Fuel Investments, Limited and its wholly-owned subsidiaries for the fiscal year ended March 31, 1953, and the financial position of the consolidated Companies as at the close of that fiscal period. Incorporated herein are the Consolidated Balance Sheet and Statements of Consolidated Profit and Loss and Earned Surplus of the Company and its wholly-owned Subsidiaries for the fiscal year ended March 31, 1953, with comparative figures for the previous fiscal year, together with the Report of your Auditors.

OPERATING RESULTS

A condensed comparison of consolidated operating results for the fiscal year ended March 31, 1953, with those of the fiscal year ended March 31, 1952, is as follows:

	Fiscal Year Ended March 31		Increase or <i>Decrease</i> for 1953
	1953	1952	
Gross revenue from sales . . . . .	\$ 8,347,030	\$ 9,930,673	\$ 1,583,643
Other income . . . . .	105,249	101,803	3,446
Total income . . . . .	<u>\$ 8,452,279</u>	<u>\$10,032,476</u>	<u>\$ 1,580,197</u>
Cost of products sold . . . . .	\$ 5,376,843	\$ 6,466,265	\$ 1,089,422
Distribution, selling, general and administrative expenses . . . . .	1,048,883	986,700	62,183
Contribution to employees' pension fund . . . . .	56,250	—	56,250
Provision for depreciation . . . . .	324,211	331,967	7,756
Interest and other funded debt charges . . . . .	119,393	153,632	34,239
Amortization of manufactured gas change-over costs . . . . .	—	14,601	14,601
Total costs and expenses exclusive of income taxes . . . . .	<u>\$ 6,925,580</u>	<u>\$ 7,953,165</u>	<u>\$ 1,027,585</u>
Profit before income taxes . . . . .	\$ 1,526,699	\$ 2,079,311	\$ 552,612
Provision for income taxes . . . . .	790,000	1,120,000	330,000
Net profit transferred to Consolidated Earned Surplus Account . . . . .	<u><u>\$ 736,699</u></u>	<u><u>\$ 959,311</u></u>	<u><u>\$ 222,612</u></u>



# UNITED FUEL INVESTMENTS, LIMITED

## REVENUES

Gross revenue from sales totalled \$8,347,030, a decrease of \$1,583,643, or 15.9%, as compared with the previous fiscal year. This decrease in gross revenue was incurred as follows:

	Gross revenue from sales for fiscal year ended March 31, 1953	Increase or <i>decrease</i> compared with previous fiscal year.	
		Amount	%
Coke Sales:			
Company production . . . . .	\$4,482,750	\$ 802,435	15.2
Purchased for resale . . . . .	167,171	771,266	82.2
Total . . . . .	<u>\$4,649,921</u>	<u>\$ 1,573,701</u>	<u>25.3</u>
Gas sales . . . . .	2,955,423	13,952	.5
Tar and other residuals sales . . . . .	741,686	23,894	3.1
Total sales . . . . .	<u><u>\$8,347,030</u></u>	<u><u>\$ 1,583,643</u></u>	<u><u>15.9</u></u>

The decrease of \$802,435, or 15.2%, in gross revenue received from sales of coke produced by your Company was due to a decrease of 23,330 tons, or 8.3%, in volume of sales and a reduction of \$1.41 per ton in the average price received per ton of coke sold. Although costs per ton of coke produced were higher than for the previous year, lower selling prices per ton of coke were made necessary by competitive conditions in the solid fuels market due mainly to increased volumes of coke becoming available from other sources at reduced prices and to a reduction in demand for coke. Most of the Company's coke production continues to be sold for industrial uses, but with the increase in available supplies of coke from other sources, efforts are being made to regain a larger portion of the residential market.

The volume and value of coke purchased from other producers and resold was sharply reduced. For the past several years in order to meet as fully as possible the demands for coke by industrial users, the Company has purchased from other producers substantial volumes of coke for resale. Only a nominal net profit is realized from such sales, and while the value of sales of purchased coke was greatly reduced as compared with the previous fiscal year, the resultant decrease in net profit was small.

The total volume of gas sales was approximately 1.5% greater than for the previous fiscal year, sales for residential, commercial and industrial uses all being slightly higher. Although gas distribution, selling, general and administrative expenses have continued to increase over the past several years, for a period of almost five years no adjustment had been made in the rates charged for gas sold. However, the accumulated effect of these mounting costs made it necessary for the Company to increase moderately its rates for all classifications of gas sales effective March 1, 1953. The effect of this gas rate increase is reflected for one month only in the accounts for the fiscal year ended March 31, 1953.



## UNITED FUEL INVESTMENTS, LIMITED

A reduction in the demand for and selling price of benzol is the main reason for the decrease of \$23,894 in gross revenues derived from sales of tar and other residuals produced in the coke manufacturing plant.

Other Income of \$105,249 was \$3,446 greater than for the previous fiscal year due mainly to an increase in net profit derived from handling coal over the Company's dock for other coal importers.

### EXPENSES

Total expenses of the Company, exclusive of income taxes, were \$1,027,585 less than for the previous fiscal year. This decrease is attributed mainly to the following:

Cost of products sold decreased \$1,089,422. Due to the substantial decrease in volume of sales of purchased coke, the cost of such sales was \$739,853 less than for the previous fiscal year. Although there was an increase in cost per ton of coke produced in the Company's ovens, a decrease in volume of such production and sales resulted in a reduction of \$180,355 in cost of coke produced and sold. Increased volumes of coke oven gas becoming available to the Company from other sources made possible a substantial reduction in the volume of high cost auxiliary gases required to be produced in the Company's oil gas and butane-propane gas plants, resulting in a reduction of \$153,071 in gross cost of gas produced and purchased. All other production costs decreased \$16,143.

Total distribution, selling, general and administrative expenses increased \$62,183. Increased labor costs are reflected in higher expenses for all departments. Liability and other insurance costs were greater, while expanded gas and coke sales promotion activities resulted in higher selling expenses. Appliance sales amounted to \$364,610, an increase of approximately 30% compared with the previous fiscal year.

A contribution of \$56,250 was made to an employees' pension plan established November 1, 1952. This plan is referred to in the Personnel section of this Report.

Provision for depreciation was \$7,756 less than for the previous fiscal year. Depreciation was provided for at the same rates applied on the same basis as for the previous fiscal year, but the application of these rates to the reducing balance (i.e., cost less accumulated depreciation reserves) of the Property of the Gas Companies resulted in a reduced provision for depreciation.

Interest and other funded debt charges were \$34,239 less than for the previous fiscal year, due to debt retirement and decreased call premium payments on bonds retired.

### CONSOLIDATED FINANCIAL POSITION

Consolidated working capital of the Company and its wholly-owned Subsidiaries as at March 31, 1953 was \$3,211,870, an increase of \$125,247 during the year. The following table of source and application of funds indicates the monies which became available to the Company during the fiscal year ended March 31 1953 and how these funds were utilized:

## UNITED FUEL INVESTMENTS, LIMITED

### SOURCE OF FUNDS:

Net earnings for the year after all charges except provision for income taxes . . . . .	\$1,526,699	
<i>Less:</i> Provision for income taxes . . . . .	790,000	
	\$ 736,699	
 <i>Add:</i> Amounts charged to earnings which do not represent cash disbursements:		
Provision for depreciation . . . . .	324,211	
Amortization of bond discount and bond issue expenses . . . . .	9,876	
	\$1,070,786	
Total funds derived from earnings . . . . .		\$1,070,786
Net decrease in deferred charges and prepaid expenses . . . . .		13,283
Decrease in sundry other assets . . . . .		448
		\$1,084,517

### APPLICATION OF FUNDS:

First Collateral Mortgage Serial Bonds, Series "B", maturing December 1, 1955 and 1956, redeemed prior to maturity . . . . .	\$ 400,000	
Dividends on capital stock paid or provided for . . . . .	429,689	
Gross expenditures on property . . . . .	\$ 139,444	
<i>Less:</i> Net value of salvage . . . . .	9,863	
	129,581	959,270
Resulting in an increase in net current assets during the year of . . . . .		\$ 125,247
Excess of current assets over current liabilities at beginning of year . . . . .		\$3,086,623
		\$3,211,870

### Expenditures on Property Account consisted of the following:

Gas Companies:		
Property additions . . . . .	\$ 50,788	
Property replacements . . . . .	25,921	\$ 76,709
COKE COMPANY:		
Property additions . . . . .	\$ 5,976	
Property replacements . . . . .	56,759	62,735
Gross expenditure on Property additions and replacement . . . . .		\$ 139,444
<i>Less:</i> Amounts realized on Property items sold or replaced . . . . .		9,863
		\$ 129,581

During the year, the remaining \$400,000 par value of United Fuel Investments, Limited 3¾% Serial Bonds series "B" due December 1, 1955 and 1956 (which Series were payable in Canadian or United States funds at the option of the holder) were called for redemption and retired on January 8, 1953. With the retirement of all of the Series "B" bonds, the balance of \$40,000 in reserve arising from exchange on sale of Series "B" bonds in United States funds was no longer required and was transferred to the credit of Earned Surplus.



# UNITED FUEL INVESTMENTS, LIMITED

## DIVIDENDS

Dividends totalling \$429,689 were paid during the year as follows:

Class "A" 6% Cumulative Preference Shares—	
Four quarterly dividends of \$ .75 each per share, or a total of \$3.00 per share, on 90,000 shares outstanding	\$ 270,000
Class "B" Non-Cumulative Preference Shares—	
Dividend of \$1.00 per share paid on July 15, 1952, on 69,689 shares outstanding	69,689
Common Shares—	
Dividend of \$1.00 per share paid on July 15, 1952, on 90,000 shares outstanding	90,000
Total dividends paid	<u>\$ 429,689</u>

The dividend payments for each class of shares outstanding and as set out above, were the same as for the fiscal year ended March 31, 1952.

## NATURAL GAS

Your Directors and Management are following closely the various proposals which might eventually result in natural gas becoming available from the United States or Western Canada in sufficient quantities to warrant its distribution throughout the markets served by the Company. Under the terms of a contract dated September 1, 1950 between your Company and its operating subsidiaries, and Union Gas Company of Canada, Limited, your Company agrees to purchase from Union Gas Company, under certain conditions, annual volumes of natural gas estimated to be sufficient to serve your Company's markets for a period of 20 years. However, Union Gas Company has not as yet been able to meet all of the conditions which must be fulfilled before this contract becomes operative and although the terms of the contract now permit cancellation by either party at any time, your Directors have deemed it advisable to maintain the contract pending further developments.

Plans are also being developed by various other interests to pipe natural gas to Eastern Canada from reserves in the Western Provinces and the United States. The ultimate construction of a pipe line to Eastern Canada under any of these projects will probably result in natural gas being offered to your Company.

## PERSONNEL

There was a total of 437 regular employees on the payrolls of the Company as at March 31, 1953. Wages and salaries paid during the year amounted to \$1,562,965, an increase of \$129,650, or 9%, as compared with the previous fiscal year. There are available to all regular employees Company plans of group life insurance on their own lives, and sickness and accident with hospitalization and surgical fee benefit insurance for themselves and dependents, premium costs being borne by the Company and by the employees. Annual vacations with pay for periods up to three weeks, dependent upon length of service with the Company, are granted to all regular employees.

UNITED FUEL INVESTMENTS, LIMITED

A plan to provide retirement income allowances payable to regular employees after retirement was instituted by the Company on November 1, 1952. The plan is administered by a life insurance company with contributions being made by your Company and by each participating employee. Regular employees beyond the age limit for enrolment in the insured plan will be paid a monthly retirement income allowance by the Company upon retirement. It is estimated that the Company's share of the cost of the plan will be approximately \$135,000 per annum, including provision for past service.

Your Directors record their appreciation of the spirit of loyalty and cooperation which has prevailed amongst the employees throughout the Organization.

On behalf of the Board of Directors,

DAVID P. ROGERS,

*President.*

# UNITED FUEL INVESTMENTS, LIMITED

## AUDITORS' REPORT

To the Shareholders of  
United Fuel Investments, Limited.

We have examined the consolidated balance sheet of United Fuel Investments, Limited and its wholly-owned subsidiaries, Hamilton By Product Coke Ovens, Limited, United Gas and Fuel Company of Hamilton, Limited, The Wentworth Gas Company Limited and The United Suburban Gas Company, Limited, as at March 31, 1953, and the statements of consolidated profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination 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.

In our opinion the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at March 31, 1953 and the results of their operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

CLARKSON, GORDON & CO.,  
*Chartered Accountants.*

Hamilton, Canada,  
May 26, 1953.



**UNITED FUEL INVESTMENTS, LIMITED**  
AND ITS WHOLLY-OWNED SUBSIDIARIES

*Statement of Consolidated Profit and Loss for Year Ended March 31, 1953*  
(with comparative figures for the year 1952)

	<u>1953</u>	<u>1952</u>
Profit from operations before the following charges . . . . .	\$2,026,553	\$2,564,910
<i>Deduct:</i>		
Interest on bonds including premium on United States funds . . . . .	\$ 103,517	\$ 134,756
Bond discount absorbed and premium on redemption . . . . .	15,876	18,876
Contribution to employees' pension plan . . . . .	56,250	175,643
	\$1,850,910	\$2,411,278
Depreciation . . . . .	324,211	331,967
Net profit before income taxes . . . . .	\$1,526,699	\$2,079,311
Income taxes . . . . .	790,000	1,120,000
Net profit for year . . . . .	\$ 736,699	\$ 959,311

*Note:* The expenses of the companies for the year ended March 31, 1953, include:

Remuneration of directors (not including executive officers) . . . . .	\$ 5,950
Payments to counsel, solicitors and legal advisers . . . . .	4,912
Remuneration of executive officers . . . . .	34,317

*Statement of Consolidated Earned Surplus for Year Ended March 31, 1953*  
(with comparative figures for the year 1952)

	<u>1953</u>	<u>1952</u>
Balance at beginning of year . . . . .	\$4,044,114	\$3,446,875
<i>Add:</i>		
Net profit for year as above . . . . .	\$ 736,699	\$ 959,311
Reserve for United States exchange on Series "B" bonds no longer required . . . . .	40,000	776,699
	776,699	67,617
	40,000	1,026,928
	\$4,820,813	\$4,473,803
<i>Deduct dividends declared:</i>		
Class "A" 6% preference shares . . . . .	\$ 270,000	\$ 270,000
Class "B" preference shares . . . . .	69,689	69,689
Common shares . . . . .	90,000	90,000
	429,689	429,689
Balance at end of year . . . . .	\$4,391,124	\$4,044,114

UNITED FUEL INV  
*(Incorporated under the*  
 AND ITS WHOLLY-  
*Consolidated*  
 March 31,  
*(with comparative figures*

ASSETS	<u>March 31, 1953</u>	<u>March 31, 1952</u>
PROPERTY:		
Gas and coke manufacturing plants, transmission lines, distribution systems, land, buildings, franchises, rights, organization expenses, interest during construction, etc. . . . .	\$12,188,876	\$12,103,738
<i>Less:</i> Reserve for depreciation and renewals . . . . .	6,516,231	6,236,463
	<u>\$ 5,672,645</u>	<u>\$ 5,867,275</u>
<i>Note:</i> The above assets are valued at cost with the exception of assets of United Gas and Fuel Company of Hamilton, Limited acquired prior to March 31, 1929 aggregating \$3,804,856 which are included at the values at which they were carried in the books of that company at that date.		
PREMIUMS paid on acquisition of subsidiary companies . . . . .	4,079,955	4,079,955
	<u>\$ 9,752,600</u>	<u>\$ 9,947,230</u>
CURRENT ASSETS:		
Cash . . . . .	\$ 2,029,442	\$ 2,214,189
Accounts receivable less allowance for doubtful accounts . . . . .	860,895	923,601
Inventories as determined and certified by the management and valued at the lower of cost or market . . . . .	1,262,558	1,184,131
	<u>\$ 4,152,895</u>	<u>\$ 4,321,921</u>
DEFERRED AND OTHER ASSETS:		
Bond discount, commissions and expenses less amounts written off . . . . .	\$ 65,820	\$ 75,696
Deferred charges and prepaid expenses . . . . .	40,707	53,990
Stores and spare equipment . . . . .	328,756	329,227
Funds on deposit with trustee for bondholders . . . . .	816	793
	<u>\$ 436,099</u>	<u>\$ 459,706</u>
Approved on behalf of the Board:		
DAVID P. ROGERS, <i>Director.</i>		
ROLAND L. O'BRIAN, <i>Director.</i>		
	<u>\$14,341,594</u>	<u>\$14,728,857</u>



# ESTMENTS, LIMITED

*Companies Act, Canada)*

## OWNED SUBSIDIARIES

### Balance Sheet

1953

as at March 31, 1952)

	LIABILITIES	
	<u>March 31, 1953</u>	<u>March 31, 1952</u>
<b>CAPITAL AND SURPLUS:</b>		
Capital:		
Class "A" 6% cumulative preference shares of \$50 each redeemable at the option of the company or by purchase in the open market for cancellation at a price not exceeding \$60:		
Authorized and issued . . . . .	90,000 shares	\$ 4,500,000
		\$ 4,500,000
Class "B" non-cumulative preference shares of \$25 each purchasable in the open market by the company for cancellation at a price not exceeding \$30:		
Authorized and outstanding . . . . .	69,689 shares	1,742,225
		1,742,225
Common shares of no par value:		
Authorized and issued . . . . .	90,000 shares	50,000
		50,000
Capital surplus arising from discount on redemption of Class "B" preference shares . . . . .	417,220	417,220
Consolidated earned surplus . . . . .	4,391,124	4,044,114
	<u>\$11,100,569</u>	<u>\$10,753,559</u>
 <b>FUNDED DEBT:</b>		
First collateral mortgage serial and sinking fund bonds: Authorized \$5,500,000, whereof originally issued \$4,500,000:		
4% Sinking fund bonds Series "A" due December 1, 1959 . . . . .	\$ 2,300,000	\$ 2,300,000
3¾% Serial bonds Series "B" redeemed in January, 1953 . . . . .		400,000
	<u>\$ 2,300,000</u>	<u>\$ 2,700,000</u>
 <b>RESERVE ARISING FROM EXCHANGE ON SALE OF SERIES "B" BONDS IN UNITED STATES FUNDS . . . . .</b>		
		<u>\$ 40,000</u>
 <b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued charges including meter deposits . . . . .	\$ 330,114	\$ 461,166
Accrued interest on bonds . . . . .	30,330	35,375
Income taxes payable . . . . .	513,081	671,257
Dividend payable . . . . .	67,500	67,500
	<u>\$ 941,025</u>	<u>\$ 1,235,298</u>
	<u>\$14,341,594</u>	<u>\$14,728,857</u>

UNITED FUEL INVESTMENTS, LIMITED  
AND  
SUBSIDIARY COMPANIES



*Officers*

D. P. ROGERS	<i>President</i>
R. L. O'BRIAN	<i>Vice-President</i>
T. P. PINCKARD	<i>General Manager of Subsidiaries</i>
C. M. Sieger	<i>Assistant General Manager of Subsidiaries</i>
F. PALIN, C.A.	<i>Comptroller, Secretary and Treasurer</i>
W. M. COMMON	<i>Assistant Secretary and Assistant Treasurer</i>

*Directors*

R. L. O'BRIAN	D. P. ROGERS
F. PALIN	R. L. WARREN
J. M. PIGOTT	T. WEIR

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SUBSIDIARY COMPANIES

- HAMILTON BY PRODUCT COKE OVENS, LIMITED—  
Manufacturing coke, gas and by-products in Hamilton, Ontario.
- UNITED GAS AND FUEL COMPANY OF HAMILTON, LIMITED—  
Distributing gas in Hamilton, Ontario.
- THE WENTWORTH GAS COMPANY LIMITED—  
Distributing gas in Dundas, Waterdown, Burlington and other territory adjacent to Hamilton, Ontario.
- THE UNITED SUBURBAN GAS COMPANY, LIMITED—  
Distributing gas in Oakville, Bronte, Port Nelson and Burlington Beach, Ontario.