United Fuel Investments,
Limited

and

Subsidiary Companies

Twenty-Fourth Annual Report
For the Fiscal Year Ended
March 31, 1952

TWENTY-FOURTH ANNUAL REPORT

OF THE DIRECTORS OF

UNITED FUEL INVESTMENTS, LIMITED

FOR THE FISCAL YEAR ENDED MARCH 31, 1952

Hamilton, Ontario,
June 23, 1952.

To the Shareholders:

In this Report 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, 1952, 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 for your Company and its wholly-owned Subsidiaries for the fiscal year ended March 31, 1952, with comparative figures for the previous fiscal year, together with the Report of your Auditors.

OPERATING RESULTS

A condensed summary of the consolidated operating results for the fiscal year ended March 31, 1952, compared with the previous fiscal year, is as follows:

	Fiscal Year Ended March 31		Increase or *Decrease*
	1952	1951	for 1952
Gross revenue from sales	$ 9,930,673	$8,783,354	$1,147,319
Other income	101,803	103,452	*1,649*
Total income	$10,032,476	$8,886,806	$1,145,670
Cost of products sold	$ 6,466,265	$5,560,331	$ 905,934
Distribution, selling, general and administrative expenses	986,700	890,111	96,589
Provision for depreciation	331,967	346,259	*14,292*
Interest and other funded debt charges	153,632	153,583	49
Amortization of manufactured gas change-over costs	14,601	14,800	*199*
Total costs and expenses, exclusive of taxes on income	$ 7,953,165	$6,965,084	$ 988,081
Profit before taxes on income	$ 2,079,311	$1,921,722	$ 157,589
Provision for taxes on income	1,120,000	916,000	204,000
Net profit transferred to Consolidated Earned Surplus Account	$ 959,311	$1,005,722	*$ 46,411*

REVENUES

Gross revenue from sales totalled $9,930,673, an increase of $1,147,319, or 13.0%, as compared with the previous fiscal year. This increase in gross revenue was derived as follows:

	Gross revenue from sales for fiscal year ended March 31, 1952	Increase compared with previous fiscal year
Coke Sales:		
Company production	$5,285,185	$ 469,439
Purchased for resale	938,437	540,410
Total	$6,223,622	$1,009,849
Gas Sales	2,941,471	35,366
Tar and other residuals sales	765,580	102,104
Total Sales	$9,930,673	$1,147,319

The increase of $469,439, or 9.7%, in gross revenue received from sales of coke produced by your Company was due to an increase of $1.69 in the average selling price per ton, although there was a slight decrease in volume of sales. The increase of $540,410 in gross revenue from sales of coke purchased from other producers for resale resulted from an increase of 70% in volume of such sales at a higher average price per ton.

Throughout the greater part of the past fiscal year a very large proportion of total coke sales was again diverted from domestic to industrial uses as a result of the general increase in industrial activity arising from the national defence programme. However, with increasing volumes of coke becoming available from other sources, competitive conditions in the solid fuels market are resulting in a trend towards lower average coke selling prices and larger volumes of coke being available for the domestic market.

The total volume of gas sales was approximately the same as for the previous fiscal year, a slight reduction in the volume of sales for commercial uses being a little more than offset by increased sales of gas to residential and industrial customers. The average rate received for all gas sold was the same as for the previous fiscal year. Although gas distribution, selling, general and administrative expenses have continued to increase over the past several years, it is now almost four years since any change has been made in the rates charged for gas sold.

The increase of $102,104 in gross revenues derived from sales of tar and other residuals as compared with the previous fiscal year was due mainly to higher unit prices realized on sales of all such products.

Other Income of $101,803 was $1,649 less than for the previous fiscal year, a reduction in profit from handling coal over your Company's dock for other coal importers being only partially offset by increased interest earnings and sundry income.

EXPENSES

There was an increase of $988,081 in total expenses of your Company, exclusive of taxes on income, for the fiscal year ended March 31, 1952, as compared with the previous fiscal year. This increase is attributed mainly to the following:

Cost of products sold increased $905,934, of which $551,465 consisted of increased costs of the larger volumes of coke purchased from other producers and resold by your Company. There was an increase of $260,964 in cost of coke produced in the ovens of your Company and sold, due mainly to increased labour and other manufacturing costs and higher expenditures on plant maintenance. Increases in the unit prices of gas purchased for resale and the necessity to produce larger volumes of higher cost auxiliary gases to supplement the available supplies of coke oven gas, resulted in an increase of $102,649 in cost of gas sold. There was a net reduction of $9,144 in cost of all other products sold.

Total distribution, selling, general and administrative expenses increased $96,589. Gas distribution expenses and general clerical costs in all departments were higher because of increased costs of labour, material and supplies. Municipal taxes and liability insurance premium costs were also substantially greater. Coke and gas sales departments expenses, net of profit realized on sales of gas appliances, were higher due mainly to a reduction in gross profit realized on sales of appliances. Appliance sales amounted to $279,391, a reduction of 14% compared with the previous fiscal year.

Provision for depreciation was $14,292 less than for the previous fiscal year. Depreciation was provided at the same rates applied in the same manner 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.

A reduction in interest on bonds outstanding due to debt retirement was offset by call premium payments on bonds retired late in the fiscal year.

Profits before provision for taxes on income were greater by $157,589. However, the higher earnings and increased tax rates in effect made necessary the provision of $204,000 more for taxes on income during the fiscal year ended March 31, 1952, than for the previous fiscal year and as a result, profits after income taxes were $46,411 less than for the fiscal year ended March 31, 1951.

CONSOLIDATED FINANCIAL POSITION

Consolidated working capital of your Company as at March 31, 1952, amounted to $3,086,623, an increase of $233,177 during the year. The following tabulation shows the changes in consolidated working capital position of your Company which have taken place during the past fiscal year.

Net earnings for the year after all charges except provision for taxes on income		$2,079,311	
Less: Provision for taxes on income		1,120,000	$ 959,311
Add: Amounts charged to earnings which do not represent cash disbursements:			
Provision for depreciation		$ 331,967	
Amortization of manufactured gas changeover cost		14,601	
Amortization of bond discount and bond issue expenses		9,876	356,444
Decrease in deferred charges and prepaid expenses			75,476
Decrease in funds on deposit with trustee for bondholders			39,126
Net reduction in sundry deferred items			4,417
Total funds made available			$1,434,774
Accounted for as follows:			
First Collateral Mortgage Serial Bonds, Series "B", maturing December 1, 1952 to 1954 inclusive, retired prior to maturity		$ 600,000	
Dividends on capital stock paid or provided for		429,689	
Gross expenditures on property	$ 144,083		
Less: Realized from sales of property and net value of salvage	42,659	101,424	
Increase in stores and spare equipment		58,101	
United States premium on bond redemptions charged to Reserve		12,383	1,201,597
Resulting in an increase in net current assets of			$ 233,177
Working capital at beginning of year			2,853,446
Working capital at end of year			$3,086,623

Gross expenditures on Property additions and replacements amounted to $144,083, as follows:

Gas Companies:		
Property additions	$ 61,575	
Property replacements	56,628	$118,203
Coke Company:		
Property additions	$ 20,261	
Property replacements	5,619	25,880
		$144,083

A total of $42,659 was realized on Property items sold or replaced during the year, reducing the expenditures on Property to $101,424 net.

On December 1, 1951, $200,000 par value of First Collateral Mortgage 3¾% Serial Bonds, Series "B" (which Series are payable in Canadian or United States funds at the option of the holder) matured and were retired at par. An additional $600,000 par value of Series "B" bonds, being the serials maturing in the amount of $200,000 on December 1 in each of the years 1952 to 1954 inclusive, were called for redemption and retired on March 3, 1952. The premium on United States funds purchased to effect these redemptions was charged to reserve arising from exchange on sale of Series "B" bonds in the United States and in order to maintain that reserve at an amount equal to 10% of the principal amount of Series "B" bonds outstanding, a total of $67,617 was transferred therefrom to Earned Surplus.

DIVIDENDS

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

Class "A" 6% Cumulative Preferred 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 Preferred Shares—	
Dividend of $1.00 per share paid on June 15, 1951, on 69,689 shares outstanding	69,689
Common Shares—	
Dividend of $1.00 per share paid on June 15, 1951, on 90,000 shares outstanding	90,000
Total dividends paid	$429,689

NATURAL GAS

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 was 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. One of the conditions which was to be satisfied before this contract became operative was that all requisite governmental authorities be obtained to enable Panhandle Eastern Pipe Line Company (a United States corporation) to export natural gas to Canada and Union Gas Company of Canada, Limited to import such gas into Canada under the terms of a contract between Panhandle Company and Union Gas Company dated March 15, 1950, as amended. After a lengthy hearing before the Federal Power Commission of the United States on various matters affecting the Panhandle Company, including the proposal that gas be exported to Canada under the contract of March 15, 1950, between Panhandle Company and Union Gas Company the Federal Power Commission in its decision rendered August 31, 1951, ruled that because of increased demands for natural gas in the United States taxing the capacities of present pipe lines during the winter months, it was "not in the public interest" to allow natural gas to be exported to Canada "on a firm basis at this time". The Federal Power Commission in dismissing the application for export of gas did so "without prejudice" which is interpreted as meaning that the application can be re-opened when the status of the balance between supply and demand for gas on the Panhandle Company's system is clarified.

Your Directors and Management continue to follow all phases of developments which might eventually result in natural gas becoming available in sufficient quantities to warrant its distribution throughout the markets served by your Company. Meanwhile, although the terms of the above-mentioned contract dated September 1, 1950, now permit cancellation by either party at any time, your Directors have deemed it advisable to keep the contract in force pending further developments.

PERSONNEL

At March 31, 1952, there was a total of 424 regular employees on the payrolls. Wages and salaries paid during the year amounted to $1,433,315, an increase of $101,146 over the previous fiscal year. All regular employees are entitled to subscribe to Company plans of group life insurance on their own lives and sickness and accident benefits, together with hospitalization and surgical fee benefit insurance for themselves and dependents, premium costs being borne jointly by the Company and 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.

In concluding this Report, your Directors record their appreciation of the continuing effort of all employees to assure satisfaction to the customers under all conditions, an effort which enhances the importance and prominence of the Company in all communities served.

On behalf of the Board of Directors,

DAVID P. ROGERS,
President.

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, 1952, 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, 1952, 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,
June 10, 1952.

UNITED FUEL INVESTMENTS, LIMITED
AND ITS SUBSIDIARIES

Statement of Consolidated Profit and Loss for Year Ended March 31, 1952

(with comparative figures for the year 1951)

	1952		1951	
Profit from operations before charging bond interest, depreciation, etc.		$2,564,910		$2,421,564
Deduct:				
Interest on bonds including premium on United States funds	$ 134,756		$ 143,707	
Bond discount absorbed and premium on redemption	18,876	153,632	9,876	153,583
		$2,411,278		$2,267,981
Provision for depreciation		331,967		346,259
Net profit before providing for income taxes		$2,079,311		$1,921,722
Provision for income taxes		1,120,000		916,000
Net profit for year		$ 959,311		$1,005,722

Note: The expenses of the companies for the year ended March 31, 1952, include:

Remuneration of directors (not including executive officers)	$ 6,250
Payments to counsel, solicitors and legal advisers	8,650
Remuneration of executive officers	31,860

Statement of Consolidated Earned Surplus for Year Ended March 31, 1952

(with comparative figures for the year 1951)

	1952		1951	
Balance at beginning of year		$3,446,875		$2,711,153
Add:				
Net profit for year as above	$ 959,311		$1,005,722	
Reduction in reserve for United States exchange on Series "B" bonds	67,617	1,026,928		1,005,722
		$4,473,803		$3,716,875
Deduct dividends declared:				
Class "A" 6% preferred shares	$ 270,000		$ 270,000	
Class "B" preferred shares	69,689			
Common shares	90,000	429,689		270,000
Balance at end of year		$4,044,114		$3,446,875

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Consolidated

March 31,

(with comparative figures

ASSETS

	March 31, 1952	March 31, 1951
Property:		
Gas and coke manufacturing plants, transmission lines, distribution systems, land, buildings, franchises, rights, organization expenses, interest during construction, etc.	$12,103,738	$12,057,169
Less: Reserve for depreciation and renewals	6,236,463	5,959,350
	$ 5,867,275	$ 6,097,819
Note: 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 $3,811,287 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
	$ 9,947,230	$10,177,774
Current Assets:		
Cash	$ 2,214,189	$ 1,966,438
Accounts receivable less reserve	923,601	993,686
Inventories as determined and certified by the management and valued at the lower of cost or market	1,184,131	1,350,055
	$ 4,321,921	$ 4,310,179
Deferred and Other Assets:		
Bond discount, commissions and expenses less amounts written off	$ 75,696	$ 85,572
Deferred charges and prepaid expenses	53,990	144,066
Stores and spare equipment	329,227	271,126
Funds on deposit with trustee for bondholders	793	39,919
Refundable portion of taxes on income		4,417
	$ 459,706	$ 545,100
	$14,728,857	$15,033,053

Approved on behalf of the Board:

DAVID P. ROGERS, *Director.*

ROLAND L. O'BRIAN, *Director.*

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Companies Act, Canada)

OWNED SUBSIDIARIES

Balance Sheet

1952

as at March 31, 1951)

LIABILITIES

	March 31, 1952	March 31, 1951
CAPITAL AND SURPLUS:		
Capital:		
Class "A" 6% cumulative preferred 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 preferred 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" preferred shares	417,220	417,220
Consolidated earned surplus	4,044,114	3,446,875
	$10,753,559	$10,156,320
FUNDED DEBT:		
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" due December 1, 1955 and 1956 (payable in Canadian or United States funds at the option of the holder)	400,000	1,000,000
	$ 2,700,000	$ 3,300,000
RESERVE ARISING FROM EXCHANGE ON SALE OF SERIES "B" BONDS IN UNITED STATES FUNDS	$ 40,000	$ 120,000
CURRENT LIABILITIES:		
Accounts payable and accrued charges including meter deposits	$ 461,166	$ 449,002
Accrued interest on bonds	35,375	45,935
Provision for income taxes payable	671,257	694,296
Dividend payable	67,500	67,500
First collateral mortgage serial bonds Series "B" matured December 1, 1951		200,000
	$ 1,235,298	$ 1,456,733
	$14,728,857	$15,033,053

UNITED FUEL INVESTMENTS, LIMITED

AND

SUBSIDIARY COMPANIES

Officers

D. P. Rogers	*President*
R. L. O'Brian	*Vice-President*
T. P. Pinckard	*General Manager of Subsidiaries*
F. Palin, C.A.	*Comptroller, Secretary and Treasurer*
W. M. Common	*Assistant Secretary and Assistant Treasurer*

Directors

R. L. O'Brian	D. P. Rogers
F. Palin	R. L. Warren
J. M. Pigott	T. Weir

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.