

# United Fuel Investments

Limited

and

## Subsidiary Companies



## Fifteenth Annual Report

31st March, 1943

PURVIS HALL  
LIBRARIES

MAR 13 1946

MCGILL UNIVERSITY

FIFTEENTH ANNUAL REPORT  
OF THE DIRECTORS OF  
UNITED FUEL INVESTMENTS LIMITED  
FOR THE YEAR ENDED 31st MARCH, 1943

Hamilton, Ontario, 29th May, 1943.

TO THE SHAREHOLDERS:

Your Directors present herewith the Fifteenth Annual Report of your Company covering the operations for the fiscal year ended 31st March, 1943. Incorporated in the report is the Consolidated Balance Sheet of the Company and its subsidiaries as at 31st March, 1943, with the related Profit and Loss and Surplus Accounts showing the comparative figures for the corresponding period last year and the Auditors' Report to the Shareholders.

OPERATIONS

Consolidated Net Profits of your Company and its wholly owned subsidiaries for the year, as compared with the previous year, are as follows:

	Year ended 31st March			
	1943		1942	
Net profit for the year before provision for depreciation, reserve for inventory and taxes on income . . . . .		\$1,058,860		\$1,254,343
<i>Less:</i> Provision for regular depreciation on plant and equipment . . . . .	\$253,047		\$ 250,409	
Amortization of plants erected for war requirements . . . . .	147,708	400,755	147,417	397,826
Net profit before providing for inventory reserve and taxes on income . . . . .		\$ 658,105		\$ 856,517
<i>Less:</i> Provision for income and excess profits taxes . . . . .	298,000		385,000	
Provision for future price decline in inventory values . . . . .	50,000	348,000	50,000	435,000
Net profit for the year. . . . .		\$310,105		\$421,517

The decrease in consolidated profits before taxes on income was attributable mainly to decreased gross profit from the sale of coke and gas as the result of increased coal costs, and a substantial increase in the quantity of oil and propane liquid used in the auxiliary gas manufacturing plants constructed to meet the increased demands for gas by war industries. General production costs, including labour, materials and supplies, were also higher. These increased costs were offset in part by increased gross revenues derived from a larger volume of coke and gas sales at slightly higher average selling prices.

The total volume of gas sold increased approximately 5%. While the volume of sales to industries was 13% greater and sales of domestic gas for other than house heating purposes increased 6%, there were substantial decreases in the volume of gas sold for domestic house heating and commercial purposes. This larger volume of total sales, together with a small increase in the average rate received for all

## UNITED FUEL INVESTMENTS LIMITED

gas sold resulted in gross revenue from the sale of gas being 5% greater than for last year.

There were substantial reductions in total general, administrative and gas and coke selling expenses, while gas distribution expenses were approximately the same as for last year.

Inventories have been priced at the lower of cost or market and the total value as thus determined has been reduced by the appropriation from earnings of \$50,000 as a reserve against future decline in values, thus increasing to \$150,000 the reserve now being carried against this contingency.

Provision for regular depreciation for the year amounted to \$253,047, an increase of \$2,638 over last year. In addition, an amount of \$147,708 has been provided from this year's earnings for depreciation and amortization of plants purchased for war production, as compared with \$147,417 provided for this purpose last year.

### CONSOLIDATED FINANCIAL POSITION

At 31st March, 1943, the net working capital of your Company amounted to \$1,710,042 as compared with \$1,475,422 at 31st March, 1942, an increase of \$234,620. The following statement shows in summarized form the cash income from profits during the past year and the disposition made of these funds.

Net earnings for the year before providing for inventory reserve and taxes on income		\$658,105	
<i>Less:</i> Provision for income and excess profits taxes	\$298,000		
Provision for future price decline in inventory values	50,000	348,000	\$310,105
<i>Add:</i> Charges against earnings which do not represent cash disbursements:			
Depreciation		253,047	
Amortization of plants purchased for war production		147,708	
Amortization of bond discount		21,155	
		\$421,910	
Adjustments <i>re</i> prior year's operations credited direct to Surplus Account		39,424	461,334
			\$771,439
<b>DISPOSITION OF FUNDS:</b>			
Dividends on capital stock paid or provided for		\$270,000	
Cost of \$178,500 par value of Companies' bonds purchased for sinking funds		183,421	
Cost of 8404 Class "B" Preferred shares purchased for cancellation		30,954	
Increase in inventory of stores and spare equipment		28,519	
Cost of additions to fixed assets (net)		24,089	
		\$536,983	
Sundry items (net)		164	536,819
Net increase in working capital			\$234,620

The net increase in fixed assets after deducting plant replaced and written off amounted to \$10,844. Expenditures on plant construction during the year were substantially less than during the previous year, as expansion of the gas distribution system of the Company has been restricted by Government order and no further gas production facilities were constructed during the year. The increase in reserve for depreciation and renewals amounted to \$388,468.

## UNITED FUEL INVESTMENTS LIMITED

Funded debt has been reduced \$178,500 by retirements through sinking funds and bonds purchased in anticipation of sinking fund requirements, as follows:

COKE COMPANY:	
First mortgage bonds . . . . .	\$105,000
General mortgage bonds. . . . .	39,500
UNITED GAS COMPANY:	
First mortgage bonds . . . . .	34,000
	\$178,500

Dividends of \$270,000 were paid during the year, being four quarterly dividends of 75 cents each per share, or a total of \$3.00 per share, on the 6% Cumulative Preferred Class "A" shares.

During the year an additional 8404 Class "B" Non-Cumulative Preferred Shares of your Company were purchased for cancellation.

### GENERAL

The cost of coal purchased throughout the year increased materially due to higher costs at the mines and increased shipping rates, and the laid down cost per ton of coal delivered at your Company's plant during the current fiscal year will be even greater than last year. In view of the serious effect of these increased costs of coal upon the Company's earnings and financial position, your Company has been authorized to increase, effective 1st April, 1943, the selling price of industrial coke by an amount considered to be sufficient to cover these increased costs, based on current coal prices.

For the purpose of making as large a supply of gas as possible available to war industries, the Power Controller for Canada during the year ordered the removal of all convertible gas fired central house heating equipment from the lines of your Company. While the loss of this business resulted in a substantial decrease in the volume of gas sold for domestic house heating purposes, the volume of gas made available for industries was correspondingly increased.

Your Directors, in their report for the year ended 31st March, 1942, stated that in order to meet the anticipated demands for gas by war industries the Dominion Government had begun the construction of a plant to produce gas and coke on property adjacent to your Company's present coke oven plant. Construction work at this plant is still proceeding and one section thereof, comprising about one-third of the projected plant capacity, came into production late in the fiscal year ended 31st March, 1943, and it is expected that the entire plant will be completed before the end of this summer. Its products are presently being marketed by your Company and negotiations are continuing in connection with the proposal that your Company operate this plant for the Dominion Government.

We are pleased to report that 68 employees of your Company have joined the armed forces of Canada for active service and have been granted leave of absence. Many other employees are serving in the reserve army or are engaged in various wartime activities.

Your Directors again express their appreciation of the loyal and efficient service of the employees of the Company during the past year.

On behalf of the Board of Directors.

DAVID P. ROGERS,  
*President.*

**UNITED FUEL INVESTMENTS LIMITED**  
AND ITS SUBSIDIARIES

HAMILTON BY PRODUCT COKE OVENS LIMITED, UNITED GAS AND FUEL COMPANY  
OF HAMILTON LIMITED (and its subsidiary The Wentworth Gas Company  
Limited) and THE UNITED SUBURBAN GAS COMPANY LIMITED

*Consolidated Statement of Profit and Loss*  
*for the Year ended 31st March 1943*

(With comparative figures for the year 1942)

	<u>1943</u>	<u>1942</u>
Profit from operations before charging bond interest, depreciation, etc. . . . .	\$1,389,105.74	\$1,592,202.87
<i>Deduct:</i>		
Interest on bonds including premium on United States funds . . . . .	\$302,795.18	\$311,804.37
Bond discount absorbed and premium on bonds redeemed for sinking fund . . . . .	27,451.17	26,055.84
	<u>330,246.35</u>	<u>337,860.21</u>
	\$1,058,859.39	\$1,254,342.66
Provision for depreciation on the bases approved by companies' consulting engineer . . . . .	\$253,046.91	\$250,408.98
Amortization of plants erected for war requirements . . . . .	147,707.73	147,417.17
	<u>400,754.64</u>	<u>397,826.15</u>
Net profit before providing for inventory reserve and taxes on income . . . . .	\$ 658,104.75	\$ 856,516.51
Provision for income and excess profits taxes . . . . .	\$ 300,000.00	\$ 385,000.00
<i>Less:</i> Refundable portion thereof . . . . .	2,000.00	
	<u>\$ 298,000.00</u>	
Provision for future price decline in inventory values . . . . .	50,000.00	50,000.00
	<u>348,000.00</u>	<u>435,000.00</u>
	<u>\$ 310,104.75</u>	<u>\$ 421,516.51</u>

*Note.*—The expenses of the companies for the year ended 31st March, 1943, include:  
Remuneration of Directors (not including executive officers) \$ 2,400.00  
Payments to counsel, solicitors, and legal advisers . . . . . 6,222.79  
Remuneration of executive officers . . . . . 19,883.31

*Consolidated Earned Surplus Account*

	<u>1943</u>	<u>1942</u>
Balance at beginning of year. . . . .	\$1,187,679.05	\$1,017,300.44
<i>Add:</i>		
Net profit for the year as above . . . . .	310,104.75	421,516.51
Coal overage <i>vs</i> prior years . . . . .	\$ 46,177.07	\$ 31,436.84
<i>Less</i> provision for income and excess profits taxes thereon . . . . .	18,470.83	12,574.74
Refund of Provincial corporation taxes for 1941 . . . . .	11,717.41	
	<u>1,537,207.45</u>	<u>1,457,679.05</u>
<i>Deduct:</i> Dividends on 6% preferred shares . . . . .	270,000.00	270,000.00
Balance at end of year . . . . .	<u>\$1,267,207.45</u>	<u>\$1,187,679.05</u>

# UNITED FUEL INV

AND ITS

HAMILTON BY PRODUCT COKE OVENS LIMITED,  
LIMITED (and its subsidiary The Wentworth Gas Company Limited)

*Consolidated*

31st

PROPERTY:	ASSETS	<u>31st March 1943</u>	<u>31st March 1942</u>
Comprising gas and coke manufacturing plant, transmission lines, distribution systems, real estate, buildings, automobiles, fixtures, franchises, rights, organization expenses, interest during construction, etc. . . . .		\$11,736,225.90	\$11,725,381.66
<i>Deduct</i> reserve for depreciation and renewals . . . . .		4,539,599.44	4,151,131.17
		<u>\$ 7,196,626.46</u>	<u>\$ 7,574,250.49</u>
<i>The above assets are shown at their book value.</i>			
PREMIUMS:			
Paid on acquisition of subsidiary companies . . . . .		4,079,954.68	4,079,954.68
		<u>\$11,276,581.14</u>	<u>\$11,654,205.17</u>
CURRENT ASSETS:			
Cash on hand and in banks . . . . .		\$ 800,981.69	\$ 507,038.10
Investment in marketable securities at cost and accrued interest:			
Dominion of Canada 3% Victory Loan bonds . . . . .		126,541.10	251,642.74
City of Hamilton treasury bills . . . . .		149,856.39	
Accounts receivable less reserve . . . . .		684,532.52	715,706.98
Inventories as determined and certified by the management from book records and valued at the lower of cost or market, less reserve of \$150,000 in 1943 and \$100,000 in 1942 for future price decline in inventories . . . . .		754,484.64	1,035,357.36
		<u>\$ 2,516,396.34</u>	<u>\$ 2,509,745.18</u>
DEFERRED AND OTHER ASSETS:			
Bond discount . . . . .		\$ 190,526.98	\$ 211,681.90
Deferred charges and prepaid expenses . . . . .		152,525.60	148,811.35
Stores and spare equipment . . . . .		142,091.46	113,572.14
Post-war refund under the Excess Profits Tax Act . . . . .		2,000.00	
		<u>\$ 487,144.04</u>	<u>\$ 474,065.39</u>
		<u><u>\$14,280,121.52</u></u>	<u><u>\$14,638,015.74</u></u>

AUDITORS' REPORT TO

We have examined the consolidated balance sheet of United Fuel Investments Limited and its subsidiaries, Hamilton By Product Coke United Suburban Gas Company Limited, as at 31st March, 1943, and the statements of consolidated profit and loss and earned surplus for the and examined or tested accounting records but we did not make a detailed audit of the transactions. We have obtained all the information and

Depreciation of capital assets has been provided for on the bases approved by the consulting engineer of the companies in 1942 with the years respectively. Subject thereto we report that in our opinion, based upon our examination, the above consolidated balance sheet and the of the companies' affairs at 31st March, 1943, and of the consolidated results of their operations for the year ended on that date, according to

# ESTMENTS LIMITED

## SUBSIDIARIES

UNITED GAS AND FUEL COMPANY OF HAMILTON  
AND THE UNITED SUBURBAN GAS COMPANY LIMITED

### Balance Sheet

March 1943

	LIABILITIES	
CAPITAL AND SURPLUS:	<u>31st March 1943</u>	<u>31st March 1942</u>
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	\$ 4,500,000.00	\$ 4,500,000.00
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 at 31st March, 1942 . . . . . 86,816 shares		2,170,400.00
Less redeemed during the year ended 31st March, 1943 . . . . . 8,404 shares		
Authorized and outstanding at 31st March, 1943 . . . . . 78,412 shares	1,960,300.00	
Common shares of no par value:		
Authorized and issued . . . . . 90,000 shares	50,000.00	50,000.00
Capital surplus arising from discount on redemption of Class "B" preferred shares . . . . .	246,759.50	67,613.80
Consolidated earned surplus . . . . .	1,267,207.45	1,187,679.05
	<u>\$ 8,024,266.95</u>	<u>\$ 7,975,692.85</u>
FUNDED DEBT:		
General mortgage 6½% bonds due 1st July, 1956 . . . . .	\$ 450,000.00	\$ 450,000.00
HAMILTON BY PRODUCT COKE OVENS LIMITED:		
First mortgage 5% bonds due 1st November, 1955 (Series A) . . . . .	2,119,500.00	2,224,500.00
General mortgage 6% bonds due 1st April, 1956 . . . . .	587,000.00	626,500.00
UNITED GAS AND FUEL COMPANY OF HAMILTON LIMITED:		
First mortgage 5½% bonds due 1st July, 1948 (payable as to principal and interest in United States funds) . . . . .	1,293,000.00	1,327,000.00
Second mortgage 5% bonds due 1st April, 1959 (guaranteed by Hamilton By Product Coke Ovens Limited) . . . . .	1,000,000.00	1,000,000.00
	<u>\$ 5,449,500.00</u>	<u>\$ 5,628,000.00</u>
CURRENT LIABILITIES:		
Accounts payable and accrued charges including meter deposits . . . . .	\$ 364,530.83	\$ 310,454.78
Accrued interest on bonds . . . . .	113,365.95	117,449.95
Reserve for income, excess profits and other taxes . . . . .	260,957.79	538,918.16
Dividend payable . . . . .	67,500.00	67,500.00
	<u>\$ 806,354.57</u>	<u>\$ 1,034,322.89</u>
	<u>\$14,280,121.52</u>	<u>\$14,638,015.74</u>

Approved on behalf of the Board.

DAVID P. ROGERS, *Director.*

S. B. SEVERSON, *Director.*

### THE SHAREHOLDERS

Ovens Limited, United Gas and Fuel Company of Hamilton Limited (and its subsidiary, The Wentworth Gas Company Limited) and The year ended on that date. In connection therewith we reviewed the system of internal control and the accounting procedures of the companies explanations we required.

exception of plants erected for war requirements during the fiscal years 1941 and 1942 which are being amortized over periods of three and four attached statements of consolidated profit and loss and earned surplus have been drawn up so as to exhibit a true and correct view of the state the best of our information, the explanations given us and as shown by the books of the companies.

HAMILTON, CANADA, 26th May, 1943.

CLARKSON, GORDON, DILWORTH AND NASH, *Chartered Accountants.*

# UNITED FUEL INVESTMENTS LIMITED



## *Officers*

D. P. ROGERS . . . . . *President*  
S. B. SEVERSON . . . . . *Vice-President*  
T. P. PINCKARD . . . . . *General Manager of Subsidiaries*  
F. PALIN, C.A. . . . . *Comptroller, Secretary and Treasurer*

## *Directors*

H. D. HANCOCK	D. P. ROGERS
S. B. IRELAN	S. B. SEVERSON
R. L. O'BRIAN	T. WEIR

---

## SUBSIDIARY COMPANIES

### HAMILTON BY PRODUCT COKE OVENS LIMITED—

Manufacturing coke, gas and by-products in Hamilton, Ontario.

### THE UNITED SUBURBAN GAS COMPANY LIMITED—

Distributing manufactured gas in Oakville, Bronte, Port Nelson and Burlington Beach, Ontario.

### UNITED GAS AND FUEL COMPANY OF HAMILTON LIMITED—

Distributing manufactured and natural gas in Hamilton, Ontario, and its wholly owned subsidiary:

### THE WENTWORTH GAS COMPANY LIMITED—

Distributing natural gas in Dundas, Waterdown, Burlington and other territory adjacent to Hamilton, Ontario.