

THE FIRST ANNUAL REPORT OF THE
COMPANY
FOR THE YEAR ENDED 31st MARCH 1937

United Fuel Investments Limited

and

Controlled Companies



Ninth Annual Report

March 31, 1937

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NINTH ANNUAL REPORT
OF THE DIRECTORS OF
UNITED FUEL INVESTMENTS LIMITED
FOR THE YEAR ENDED MARCH 31st, 1937

Hamilton, Ontario,
October 13th, 1937.

TO THE SHAREHOLDERS:

Your Directors present herewith the Ninth Annual Report of your Company covering the operations for the fiscal year ended March 31, 1937. Included in the report is the Consolidated Balance Sheet of the Company and its Subsidiaries as at March 31, 1937, with the related Profit and Loss and Surplus Accounts showing the comparative figures for the corresponding period last year, and the Report of your Auditors.

Consolidated Net Profit for the year, after deducting interest and depreciation charges but before Dominion Income Taxes, was \$522,873.24 as compared with \$274,196.56 in the preceding fiscal year. After provision for Dominion Income Taxes Consolidated Net Profit was \$436,656.58 as compared with \$213,571.30 in the preceding year.

OPERATIONS

The improvement in net profits as compared with the previous year has resulted from increased revenues from gas and coke sales and reductions in operating expenses and interest charges.

The volume of coke produced was approximately 6% more than in the previous year. The quantity sold during the year 1936-37 was approximately 13% less than in the previous year.

Gas sales increased approximately 4% in volume and in value, there being practically no change in the average price.

Revenues from the sale of other products of the Coke Plant such as tar, ammonium sulphate, light oils and distillates therefrom (which are over 10% of the total gross revenues) were practically the same as in the previous year.

UNITED FUEL INVESTMENTS LIMITED

Annual General Meeting 1937

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of United Fuel Investments Limited will be held in Room No. 9 in the Royal York Hotel, Front Street West, Toronto, Ontario, on Friday, Twenty-ninth Day of October, 1937, at 11 o'clock in the forenoon, to receive the Annual Statement of Accounts, the Auditor's Report thereon, and the Report of the Directors; for the election of Directors, the appointment of Auditors and the transaction of such business as may come before the meeting.

By Order of the Board,

T. WEIR,
Secretary.

Hamilton, Ontario,
October 13, 1937.

PROXY

The undersigned, a Shareholder of United Fuel Investments Limited, hereby appoints S. A. MORSE and failing him, ARTHUR F. WHITE, and failing him, T. P. PINCKARD as proxy of the undersigned to attend and represent the undersigned at the Annual General Meeting of the Shareholders of the said Company to be held in the City of Toronto, on Friday, the Twenth-ninth Day of October, 1937, and at any adjournment thereof, and to vote thereat on behalf of the undersigned as fully and effectually as the undersigned might do if personally present at such meeting, or any such adjourned meeting.

Dated at _____ this _____ day of October, 1937.

WITNESS

Signature of Shareholder.



UNITED FUEL INVESTMENTS LIMITED

The cost of coal entering into production during the past year showed no material change from that of the previous year. However, recent legislation enacted in the United States, relative to the fixing of prices for bituminous coal, is of serious import to your Company as is evidenced by material increases in the cost of coal now being purchased for the operations of the current year.

Total operating expenses were again lower than in the preceding year and interest charges also show a reduction. Due to changes in the Ontario Corporations Tax Act your Company was required to pay during the year extra Corporation Taxes of \$25,008.92 which were charged to the Surplus Account of the Company as they applied to prior periods. The total direct taxes (Municipal, Provincial and Dominion) charged against profits in this fiscal year amounted to \$165,413.98.

FINANCIAL POSITION

During the early part of the fiscal year under review the Coke Company repurchased from Union Gas Company of Canada, Limited and retired \$250,000 principal amount of its 6½% General Mortgage Bonds and also retired the remaining \$750,000 of these 6½% General Mortgage Bonds by giving in exchange therefor \$750,000 of new General Mortgage 6% Sinking Fund Bonds dated April 1st, 1936, and maturing April 1st, 1956.

Other reductions in funded debt were made during the year in accordance with or in anticipation of the requirements of the Sinking Fund provisions of the respective issues, as follows:

United Gas and Fuel Company of Hamilton, Limited,	
First Mortgage 5½% Bonds.....	\$ 41,500
Hamilton By-Product Coke Ovens, Limited,	
First Mortgage 5% Bonds.....	50,000
General Mortgage 6% Bonds.....	18,500
	\$110,000

The alterations and reductions in the funded debt of your Company's Subsidiaries during the past two years have resulted in a substantial reduction in interest charges as may be noted from the Profit and Loss statement attached.

Gross additions to fixed assets during the year amounted to \$71,436. After writing off to reserve for depreciation the book value of old plant retired or disposed of, the net additions to fixed assets amounted to \$44,011.

UNITED FUEL INVESTMENTS LIMITED

Working Capital of the Consolidated Companies at March 31, 1937, amounted to \$1,502,673.44, an increase of \$235,478.86 during the fiscal year.

To comply with statutory requirements there is included with this report a Consolidated Balance Sheet of the Company and its Subsidiaries as at June 30th, 1937, with the Profit and Loss and Surplus Accounts for the three months' period ending on that date and the Report of the Auditors thereon.

On August 16th, 1937, a dividend of \$3.00 per share was paid on account of arrears of dividends on the Preference shares of the Company and your Directors on October 8, 1937, have declared a further dividend of \$1 per share on the same account payable December 15, 1937, to shareholders of record at the close of business on November 30, 1937.

Your Directors deferred calling the Annual Meeting in the hope that they would at such time be in a position to announce the plan of reorganization. Negotiations in this connection were unavoidably delayed during the summer months but are now proceeding and it is indicated that they will be brought to a conclusion within the comparatively near future. It has, however, been necessary to call the Annual Meeting in the meantime to comply with the requirements of the Companies Act.

Your Directors again wish to record their appreciation of the loyal cooperation of the Officers and Employees of the Company.

On behalf of the Board of Directors,

S. A. MORSE,
President.

UNITED FUEL INVESTMENTS LIMITED

(Incorporated under the Dominion Companies Act)

AND ITS SUBSIDIARIES

HAMILTON BY-PRODUCT COKE OVENS LIMITED, UNITED GAS AND FUEL COMPANY
OF HAMILTON LIMITED, THE UNITED SUBURBAN GAS COMPANY LIMITED

Consolidated Statement of Profit and Loss for Year ended 31st March, 1937

	<u>31st March, 1937</u>	<u>31st March, 1936</u>
Profit from operations before charging Depreciation or Bond Interest	\$1,048,681.01	\$875,110.10
<i>Deduct:</i>		
Interest on Bonds	\$284,944.35	\$351,313.35
Bond and Loan Expenses and Discount absorbed	19,157.32	22,156.09
Organization Expenses written off	<u>304,101.67</u>	<u>7,180.96</u>
	\$744,579.34	\$494,459.70
Provision for Depreciation on basis recommended by Companies' Con- sulting Engineer	<u>221,706.10</u>	<u>220,263.14</u>
Combined profits, less losses for all Companies for year before pro- vision for Dominion of Canada Income Taxes	<u>\$522,873.24</u>	<u>\$274,196.56</u>

Note.—The expenses of the Companies for the year ending 31st March, 1937, include:

Remuneration of Directors (not including Executive Officers)	\$ 2,975.00
Payments to Counsel, Solicitors and Legal Advisers	4,384.70
Remuneration of Executive Officers	34,299.84

Consolidated Earned Surplus Account

Balance at 1st April, 1936		\$ 641,519.84
<i>Less:</i> Balance of Discount written off on 6½% General Mortgage Bonds of Hamilton By-Product Coke Ovens Limited redeemed during year		\$ 42,691.20
Issue Expenses on 6% General Mortgage Bonds of Hamilton By-Product Coke Ovens Limited		4,491.87
Adjustments applying to prior years (net)		<u>16,811.93</u>
		\$ 577,524.84
Combined profits less losses for all Companies for year as above	\$522,873.24	
<i>Less:</i> Provision for Dominion Income Taxes	86,216.66	436,656.58
Balance at 31st March, 1937		<u>\$1,014,181.42</u>

UNITED FUEL INV

(Incorporated under the

AND ITS

HAMILTON BY-PRODUCT COKE OVENS
OF HAMILTON LIMITED, THE UNITED

Consolidated

31st

ASSETS	1937	1936
	<u>31st March</u>	<u>31st March</u>
PROPERTY:		
Comprising Gas and Coke Manufacturing Plant, Transmission Lines, Distribution Systems, Real Estate, Buildings, Automobiles, Fixtures, Franchises, Rights, Organization Expenses, Interest during Construction, etc.	\$ 9,828,025.40	\$ 9,784,014.23
Premiums paid on acquisition of Subsidiary Companies, etc.	6,378,954.68	6,378,954.68
	<u>\$16,206,980.08</u>	<u>\$16,162,968.91</u>
<i>Note.—The above assets are shown at their book values.</i>		
CURRENT AND WORKING ASSETS:		
Cash on hand and in Banks	\$830,062.13	\$757,729.69
Accounts Receivable, less Reserve	468,655.14	384,697.57
Inventories—Coke and by-products valued at estimated cost and other inventories at the lower of cost or market as determined and certified by the management	605,808.02	468,851.94
	<u>\$ 1,904,525.29</u>	<u>\$ 1,611,279.20</u>
Cash on deposit with Trustees for Sinking Funds	\$ 65.43	\$ 65.43
Bond Discount	\$ 325,306.94	\$ 407,615.37
Deferred Charges and Prepaid Expenses	83,605.27	85,021.00
Stores and Spare Equipment	65,781.48	47,942.43
	<u>\$ 474,693.69</u>	<u>\$ 540,578.80</u>
	<u><u>\$18,586,264.49</u></u>	<u><u>\$18,314,892.34</u></u>

AUDITORS' REPORT

We have audited the accounts of United Fuel Investments Limited and its of Hamilton Limited and The United Suburban Gas Company Limited for the year ended required. Depreciation provided is on a basis which has been approved by the Consolidated Balance Sheet and Statements of Consolidated Profit and Loss and Companies' affairs at 31st March, 1937, and of the Consolidated results from operations us and as shown by the books of the Companies.

TORONTO, 29th May, 1937.

ESTMENTS LIMITED

Dominion Companies Act)

SUBSIDIARIES

LIMITED, UNITED GAS AND FUEL COMPANY
SUBURBAN GAS COMPANY LIMITED

Balance Sheet

March, 1937

LIABILITIES	1937 <u>31st March</u>	1936 <u>31st March</u>
CAPITAL:		
Authorized:		
250,000 6% Cumulative Preferred Shares of \$100 each redeemable at the option of the Company by call at \$110 per share	\$25,000,000	
250,000 Common Shares of No Par Value		
Issued:		
90,000 6% Cumulative Redeemable Preferred Shares of \$100 each	\$ 9,000,000.00	\$ 9,000,000.00
100,000 Common Shares of No Par Value	100,000.00	100,000.00
	<u>\$ 9,100,000.00</u>	<u>\$ 9,100,000.00</u>
Consolidated Earned Surplus	1,014,181.42	641,519.84
	<u>\$ 10,114,181.42</u>	<u>\$ 9,741,519.84</u>
Reserve for Sinking Fund	\$ 11,210.00	\$ 12,395.49
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")	2,450,000.00	2,500,000.00
General Mortgage 6½% Bonds due 1st July, 1956	—	1,000,000.00
General Mortgage 6% Bonds due 1st April, 1956	731,500.00	—
United Gas and Fuel Company of Hamilton Limited First Mortgage 5½% Bonds due 1st July, 1948	1,569,000.00	1,610,500.00
	<u>\$ 5,200,500.00</u>	<u>\$ 5,560,500.00</u>
CURRENT LIABILITIES:		
Accounts Payable and Sundry Accrued Charges	\$ 167,450.01	\$ 182,979.50
Union Gas Company of Canada Limited	8,121.45	3,778.32
Meter Deposits	13,179.08	13,483.95
Accrued Interest on Bonds	101,301.31	74,206.62
Reserve for Dominion of Canada Income Tax and other Taxes	111,800.00	69,636.23
	<u>\$ 401,851.85</u>	<u>\$ 344,084.62</u>
RESERVE FOR DEPRECIATION AND RENEWALS	<u>\$ 2,858,521.22</u>	<u>\$ 2,656,392.39</u>
	<u>\$ 18,586,264.49</u>	<u>\$ 18,314,892.34</u>

Note.—Preferred Dividends are in arrears to the extent of 34½%.

Approved on behalf of the Board.

S. A. MORSE, *Director.*
T. P. PINCKARD, *Director.*

TO THE SHAREHOLDERS

Subsidiaries, Hamilton By-Product Coke Ovens Limited, United Gas and Fuel Company 31st March, 1937, and have received all the information and explanations we have Consulting Engineer of the Companies. We report that in our opinion the attached Surplus Accounts correctly set forth a true and correct view of the state of the for the year, according to the best of our information and the explanations given

CLARKSON, GORDON, DILWORTH AND NASH,
Chartered Accountants.

UNITED FUEL INVESTMENTS LIMITED

(Incorporated under the Dominion Companies Act)

AND ITS SUBSIDIARIES

HAMILTON BY-PRODUCT COKE OVENS LIMITED, UNITED GAS AND FUEL COMPANY
OF HAMILTON LIMITED, THE UNITED SUBURBAN GAS COMPANY LIMITED

Consolidated Statement of Profit and Loss for the Three Months ended 30th June, 1937

Profit from operations before charging Depreciation or Bond Interest		\$223,293.73
<i>Deduct:</i>		
Interest on Bonds	\$70,431.63	
Bond and Loan Expenses and Discount absorbed	9,651.75	
Premium paid for Bonds purchased for Sinking Fund	1,255.00	81,338.38
		\$141,955.35
Provision for Depreciation on basis recommended by Companies' Consulting Engineer		54,768.06
		\$ 87,187.29
		\$ 87,187.29

Note.—The expenses of the Companies for the three months ending 30th June, 1937, include:

Remuneration of Directors (not including Executive Officers)	\$ 750.00	
Payments to Counsel, Solicitors and Legal Advisers	901.55	
Remuneration of Executive Officers	8,574.96	

Consolidated Earned Surplus Account

Balance at 1st April, 1937		\$ 1,014,181.42
Combined Profits less losses for all Companies for three months to 30th June, 1937, as above	\$87,187.29	
<i>Less</i> provision for Dominion Income Taxes	18,926.55	68,260.74
Adjustment applying to prior period		786.41
		\$ 1,083,228.57
		\$ 1,083,228.57

UNITED FUEL INV
(Incorporated under the
AND ITS
 HAMILTON BY-PRODUCT COKE OVENS
 OF HAMILTON LIMITED, THE UNITED
Consolidated
 30th

ASSETS

PROPERTY:

Comprising Gas and Coke Manufacturing Plant, Transmission Lines, Distribution Systems, Real Estate, Buildings, Automobiles, Fixtures, Franchises, Rights, Organization Expenses, Interest during Construction, etc. \$ 9,840,269.26

Premiums paid on acquisition of Subsidiary Companies, etc. 6,378,954.68

\$16,219,223.94

Note.—The above assets are shown at their book values.

CURRENT AND WORKING ASSETS:

Cash on hand and in banks \$848,785.27

Accounts Receivable, less Reserve 481,807.45

Inventories—Coke and by-products valued at estimated cost and other inventories at the lower of cost or market as determined and certified by the management 830,396.95

\$ 2,160,989.67

Cash on deposit with Trustees for Sinking Funds \$ 315.43

Bond Discount \$ 315,655.19

Deferred Charges and Prepaid Expenses 70,906.19

Stores and Spare Equipment 69,551.62

\$ 456,113.00

\$18,836,642.04

AUDITORS' REPORT

We have audited the accounts of United Fuel Investments Limited and its Company of Hamilton Limited and The United Suburban Gas Company Limited for explanations we have required. Depreciation provided is on a basis which has been the attached consolidated balance sheet and statements of consolidated profit and loss Companies' affairs at 30th June, 1937, and of the consolidated results from operation the explanations given us and as shown by the books of the Companies.

TORONTO, CANADA, 23rd August, 1937.

ESTMENTS LIMITED

Dominion Companies Act)

SUBSIDIARIES

LIMITED, UNITED GAS AND FUEL COMPANY
SUBURBAN GAS COMPANY LIMITED

Balance Sheet

June, 1937

LIABILITIES

CAPITAL:

Authorized:

250,000 6% Cumulative Preferred Shares of \$100 each redeemable
at the option of the Company by call at \$110 per share
\$25,000,000

250,000 Common Shares of No Par Value

Issued:

90,000 6% Cumulative Redeemable Preferred Shares of \$100 each \$ 9,000,000.00
100,000 Common Shares of No Par Value 100,000.00
\$ 9,100,000.00

Consolidated Earned Surplus 1,083,228.57
\$10,183,228.57

Reserve for Sinking Fund \$ 11,210.00

General Mortgage 6½% Bonds due 1st July, 1956 \$ 450,000.00

Hamilton By-Product Coke Ovens Limited

First Mortgage 5% Bonds due 1st November, 1955 (Series "A") . \$ 2,450,000.00
General Mortgage 6% Bonds due 1st April, 1956 731,500.00

United Gas and Fuel Company of Hamilton Limited

First Mortgage 5½% Bonds due 1st July, 1948 1,569,000.00
\$ 5,200,500.00

CURRENT LIABILITIES:

Accounts Payable and Sundry Accrued Charges \$ 336,499.59
Union Gas Company of Canada Limited 5,108.68
Meter Deposits 14,466.78
Accrued Interest on Bonds 45,390.44
Reserve for Dominion of Canada Income Tax and other Taxes 127,547.62
\$ 529,013.11

RESERVE FOR DEPRECIATION AND RENEWALS \$ 2,912,690.36

Note.—Preferred Dividends are in arrears to the extent of 36% reduced to 33% by the declaration of a 3% dividend in July.

\$18,836,642.04

Approved on behalf of the Board.

S. A. MORSE, *Director.*

T. P. PINCKARD, *Director.*

TO THE SHAREHOLDERS

subsiidiaries, Hamilton By-Product Coke Ovens Limited, United Gas and Fuel the three months ended 30th June, 1937, and have received all the information and approved by the consulting engineer of the companies. We report that in our opinion and surplus accounts correctly set forth a true and correct view of the state of the for three months ending on that date according to the best of our information and

CLARKSON, GORDON, DILWORTH AND NASH,
Chartered Accountants.

United Fuel Investments Limited

BOARD OF DIRECTORS

S. A. MORSE, *President*

ARTHUR F. WHITE, *Vice-President*

J. A. FRASER

J. M. PIGOTT

A. L. PAGE

T. P. PINCKARD

R. L. O'BRIAN

Hamilton By-Product Coke Ovens Limited

BOARD OF DIRECTORS

S. A. MORSE, *President*

T. P. PINCKARD

Vice-President and General Manager

A. V. YOUNG

N. S. BRADEN

W. L. DUFFIELD

Vice-President

J. P. BELL

W. H. LOVERING

United Gas and Fuel Company of Hamilton Limited

BOARD OF DIRECTORS

S. A. MORSE, *President*

JUDGE J. G. GAULD

Vice-President and Advisory Counsel

W. L. DUFFIELD, *Vice-President*

W. I. S. HENDRIE

T. P. PINCKARD

Vice-President and General Manager

A. L. PAGE

DR. W. G. THOMPSON

The United Suburban Gas Company Limited

BOARD OF DIRECTORS

S. A. MORSE, *President*

T. P. PINCKARD

JUDGE J. G. GAULD