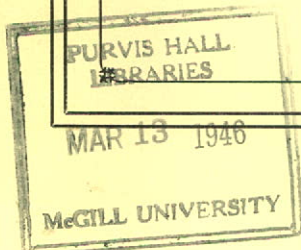


United Fuel Investments
Limited
and
Controlled Companies



Seventh Annual Report

March 31, 1935



SEVENTH ANNUAL REPORT
OF THE DIRECTORS OF
UNITED FUEL INVESTMENTS LIMITED
FOR THE YEAR ENDED 31st MARCH, 1935

Hamilton, Ontario,
May 31, 1935.

TO THE SHAREHOLDERS:

Your Directors present herewith the Seventh Annual Report of United Fuel Investments, Limited, covering the operations for the fiscal year ended March 31, 1935. The report includes the Consolidated Balance Sheet and the Profit and Loss and Surplus Accounts together with comparative figures for the corresponding period last year and the report of your Auditors.

OPERATIONS

Consolidated Net Profit for the year after deducting interest and depreciation charges amounted to \$261,779 as compared with \$296,861 in the preceding fiscal year.

The decrease in earnings is due to the large burden imposed upon your Company as a result of a substantial increase in the cost of bituminous coal purchased in the United States. The increase is due in part to the operation of the coal code under the National Recovery Administration. To this has been added a further major increase in cost due to the action of the Dominion Government in reducing the drawback of duty on coal manufactured into coke from 99% to 50% unless 35% of the coal used is of Canadian origin. Your Company is so located in relation to Canadian coal mines that it has not been able to economically use any Canadian coal. The very substantial burden of these increased costs has been met in the only possible way; that is, by increasing the selling price of coke. However, increases in selling price have allowed imported coke and other fuels to compete more closely and this factor together with milder weather conditions in the heating season have resulted in a considerable reduction in the volume of coke sold and your Company did not market all of its coke production with a resulting detrimental effect on earnings.

UNITED FUEL INVESTMENTS LIMITED

Volume of gas sales again showed a gain over the previous year. This increase amounting to over 20% is largely in sales to large volume industrial consumers. It is gratifying to note, however, that sales for domestic and commercial use are also higher than the preceding year and that the number of active consumers at March 31st was 800 greater than a year ago. An additional indication of the improvement in the conditions relative to the sale of gas is the increase in the value of sales of ranges, water heaters and other gas appliances which totalled \$83,079 in the past year compared with \$54,368 in the previous year. Because of the lower rates received from the large volume consumption, the average rate was lower than last year, but nevertheless revenues from gas sold show a substantial increase. Revenues from the sale of by-products increased slightly from those of the previous year.

The coke plant operated at its maximum productivity and improvements in operating methods have materially aided in offsetting the increased cost of coal. All expenses were kept at a minimum consistent with proper and efficient operation of the Company's properties. Interest charges were reduced by over \$30,000 due to the retirements of funded debt and to lower rates on bank borrowings.

FINANCIAL POSITION

Working Capital of the Company as shown by the Consolidated Balance Sheet amounted to \$1,086,301—an increase of \$307,336 over the corresponding period a year ago. The increase is accounted for as follows:

Net earnings for the year		\$261,779
Surplus adjustment for items relating to prior periods.		10,828
Provision for depreciation and other reserves which are retained within the Company		212,843
		\$485,450
<i>Less:</i> Appropriation for Dominion Income Tax		47,227
		\$438,223
<i>Add:</i> Reduction in Bond Discount and Deferred Charges		65,211
		\$503,434
<i>Less:</i> Net Additions to Plant and Equipment amounting to	\$33,294	
Par Value of Bonds redeemed amounting to	158,200	
Net Increase in Sinking Fund Accounts	4,604	
		196,098
Improvement in Working Capital		\$307,336

UNITED FUEL INVESTMENTS LIMITED

The consolidated funded debt was reduced \$158,200 during the past fiscal year, in accordance with the requirements of the Sinking Fund provisions of the respective issues. The retirements by issues were as follows: United Gas and Fuel Company First Mortgage 5½% Bonds, \$36,500; Hamilton By-Product Coke Ovens, Limited, First Mortgage 7% Bonds, \$94,900; and Hamilton By-Product Coke Ovens, Limited, General Mortgage 6½% Bonds, \$26,800.

Additions to Fixed Assets during the year amounting to \$33,294 were restricted to gas service extensions and improvements to the Coke Company properties. The gas distribution system and manufacturing plants of your Company have been maintained in first-class condition and in accordance with your Company's policy, current repairs have been charged to Operations.

Arrears of dividends on the preferred stock have now accumulated to the extent of 22½%. Because of the many uncertain factors relating to business conditions generally and thus affecting your Company your directors have not deemed it advisable to declare any dividend, but rather to maintain the present excellent working capital position until they feel that the future can be more definitely forecast. The same considerations have faced your directors when deliberating from time to time upon the nature and scope of a reconstruction of the financial position of your Company.

Your Directors regret to report the resignation in November last from the Board of Directors of Mr. G. H. Cassels, K.C., and Mr. G. R. Cottrelle and wish to advise that Mr. Joseph M. Piggot of Hamilton has been appointed to the Board to fill one vacancy.

Your Directors take this opportunity of expressing their appreciation of the loyal and efficient services of the Officers and Employees of your Company.

On behalf of the Board of Directors,

S. A. MORSE,
President.

UNITED FUEL INVESTMENTS LIMITED

AND ITS SUBSIDIARIES

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

Consolidated Statement of Profit and Loss for Year ended 31st March, 1935

	31st March, 1935	31st March, 1934
Profit from Operations before charging Depreciation, Interest or Directors' Fees	\$852,914.95	\$913,592.85
<i>Deduct:</i>		
Interest on Bonds	\$358,811.48	\$388,550.21
Interest on Bank Loans, etc.	1,827.31	2,602.79
Bond and Loan Expenses and Discount absorbed	20,042.13	23,138.78
Directors' Fees	2,650.00	3,175.00
	383,330.92	417,466.78
	\$469,584.03	\$496,126.07
Provision for Depreciation on basis recommended by Companies' Con- sulting Engineer	207,805.12	199,264.28
	\$261,778.91	\$296,861.79
Combined profits, less <i>losses</i> for all Com- panies for year	\$261,778.91	\$296,861.79

Consolidated Earned Surplus Account

Balance at beginning of period	\$362,626.81	\$101,483.68
<i>Add:</i> Adjustments applying to prior years (net)	10,827.93	15,831.34
	\$373,454.74	\$117,315.02
Combined profits, less <i>losses</i> for all Com- panies for year as above	\$261,778.91	\$296,861.79
<i>Less:</i> Provision for Dominion of Canada Income Taxes	47,226.84	245,311.79
	214,552.07	51,550.00
Balance at end of period	\$588,006.81	\$362,626.81

UNITED FUEL INV

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AND ITS

HAMILTON BY-PRODUCT COKE OVENS
OF HAMILTON LIMITED, UNITED

Consolidated

ASSETS	1935 31st March	1934 31st March	31st
PROPERTY:			
Comprising Gas and Coke Manufacturing Plant, Transmission Lines, Distribution Systems, Real Estate, Buildings, Automobiles, Fixtures, Franchises, Rights, Organization Expenses, Interest during Construction, etc	\$ 9,764,588.25	\$ 9,731,293.85	
Premiums paid on acquisition of Subsidiary Companies, etc.	6,378,954.68	6,378,954.68	
	\$16,143,542.93	\$16,110,248.53	
<i>Note.—The above assets are shown at their book values.</i>			
CURRENT AND WORKING ASSETS:			
Cash on hand and in Banks	\$191,264.53	\$229,194.74	
Accounts Receivable, less Reserve	400,292.79	379,618.88	
Instalment Accounts Receivable	43,065.49	14,403.84	
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	730,575.13	443,923.71	
	\$ 1,365,197.94	\$ 1,067,141.17	
Cash on deposit with trustees for sinking funds	\$ 1,303.58	\$ 382.09	
Bond Discount	\$ 395,022.30	\$424,637.13	
Organization Expenses	7,180.96	8,976.20	
Deferred Charges and Prepaid Expenses	107,190.81	140,992.17	
	\$ 509,394.07	\$ 574,605.50	
	\$18,019,438.52	\$17,752,377.29	

AUDITORS' REPORT

We have audited the accounts of United Fuel Investments Limited and its of Hamilton Limited and United Suburban Gas Company Limited for the year ended required. Depreciation provided is on basis which has been approved. The Balance Sheet correctly sets forth the combined position of the Companies at 31st us and as shown by the books of the Companies.

TORONTO, May 30th, 1935.

ESTMENTS LIMITED

Dominion Companies Act)

SUBSIDIARIES

LIMITED, UNITED GAS AND FUEL COMPANY
SUBURBAN GAS COMPANY LIMITED

Balance Sheet

March, 1935

LIABILITIES	1935 31st March	1934 31st March
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	588,006.81	362,626.81
	<u>\$ 9,688,006.81</u>	<u>\$ 9,462,626.81</u>
Reserve for Sinking Fund	\$ 15,130.00	\$ 18,812.28
General Mortgage 6½% Bonds due 1st July, 1956	\$ 450,000.00	\$ 450,000.00
Hamilton By-Product Coke Ovens Limited First Mortgage 7% Bonds due 1st February, 1943	1,187,400.00	1,282,300.00
Hamilton By-Product Coke Ovens Limited General Mortgage 6½% Bonds due 1st July, 1956	2,298,200.00	2,325,000.00
United Gas and Fuel Company of Hamilton Limited First Mortgage 5½% Bonds due 1st July, 1948	1,662,000.00	1,698,500.00
	<u>\$ 5,597,600.00</u>	<u>\$ 5,755,800.00</u>
CURRENT LIABILITIES:		
Accounts Payable and Sundry Accrued Charges	\$ 159,404.34	\$ 168,286.61
Union Gas Company of Canada Limited.	8,751.23	11,352.84
Meter Deposits	10,461.75	8,359.45
Accrued Interest on Bonds including Provision for U.S. Exchange	37,001.25	38,725.11
Reserve for Dominion of Canada Income and other Taxes	63,277.74	61,452.23
	<u>\$ 278,896.31</u>	<u>\$ 288,176.24</u>
RESERVE FOR DEPRECIATION AND RENEWALS	\$ 2,439,805.40	\$ 2,226,961.96
	<u>\$18,019,438.52</u>	<u>\$17,752,377.29</u>

Preferred Dividends are in arrears to the extent of 22½%.

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, 1935, and have received all the information and explanations we have Consulting Engineer of the Companies. We report that in our opinion the above March 1935, according to the best of our information and the explanations given

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

United Fuel Investments Limited

BOARD OF DIRECTORS

S. A. MORSE, *President*

ARTHUR F. WHITE, *Vice-President*

T. P. PINCKARD

JUDGE J. G. GAULD

J. M. PIGGOT

J. A. FRASER

Hamilton By-Product Coke Ovens Limited

BOARD OF DIRECTORS

S. A. MORSE, *President*

T. P. PINCKARD

W. L. DUFFIELD

Vice-President and General Manager

Vice-President

A. V. YOUNG

J. P. BELL

N. S. BRADEN

W. H. LOVERING

United Gas and Fuel Company of Hamilton Limited

BOARD OF DIRECTORS

S. A. MORSE, *President*

JUDGE J. G. GAULD

T. P. PINCKARD

Vice-President and Advisory Counsel

Vice-President and General Manager

W. L. DUFFIELD, *Vice-President*

A. L. PAGE

W. I. S. HENDRIE

DR. W. G. THOMPSON

United Suburban Gas Company Limited

BOARD OF DIRECTORS

S. A. MORSE, *President*

T. P. PINCKARD

JUDGE J. G. GAULD