

United Fuel Investments,  
Limited

and

Subsidiary Companies



Twenty-Sixth Annual Report  
For the Fiscal Year Ended  
March 31, 1954

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TWENTY-SIXTH ANNUAL REPORT  
 OF THE DIRECTORS OF  
 UNITED FUEL INVESTMENTS, LIMITED  
 FOR THE FISCAL YEAR ENDED MARCH 31, 1954

Hamilton, Ontario  
 June 1, 1954.

TO THE SHAREHOLDERS:

Information concerning the operations of United Fuel Investments, Limited and its wholly-owned subsidiaries for the fiscal year ended March 31, 1954 is submitted in this, the twenty-sixth Annual Report of your Directors. 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, 1954, 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, 1954, with those for the fiscal year ended March 31, 1953, is as follows:

	Fiscal Year ended March 31		Increase or <i>Decrease</i> for 1954
	1954	1953	
Gross revenue from sales . . . . .	\$ 7,612,062	\$ 8,347,030	\$ 734,968
Other income . . . . .	120,917	105,249	15,668
Total income . . . . .	<u>\$ 7,732,979</u>	<u>\$ 8,452,279</u>	<u>\$ 719,300</u>
Cost of products sold . . . . .	\$ 4,921,968	\$ 5,376,985	\$ 455,017
Distribution, selling, general and administration expenses . . . . .	1,076,396	1,048,741	27,655
Contribution to employees' pension fund . . . . .	124,000	56,250	67,750
Provision for depreciation . . . . .	317,540	324,211	6,671
Interest and other funded debt charges . . . . .	101,876	119,393	17,517
Total costs and expenses exclusive of income taxes . . . . .	<u>\$ 6,541,780</u>	<u>\$ 6,925,580</u>	<u>\$ 383,800</u>
Profit before income taxes . . . . .	\$ 1,191,199	\$ 1,526,699	\$ 335,500
Provision for income taxes . . . . .	595,000	790,000	195,000
Net profit transferred to Consolidated Earned Surplus Account . . . . .	<u>\$ 596,199</u>	<u>\$ 736,699</u>	<u>\$ 140,500</u>

# UNITED FUEL INVESTMENTS, LIMITED

## REVENUES

Gross revenue from sales totalled \$7,612,062, a decrease of \$734,968, or 8.8%, 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, 1954	Increase or <i>decrease</i> compared with previous fiscal year.	%
	Amount		
Coke sales:			
Company production . . . . .	\$3,791,170	\$ 691,580	15.4
Purchased for resale . . . . .	700	166,471	99.6
Total . . . . .	\$3,791,870	\$ 858,051	18.5
Gas sales . . . . .	3,129,353	173,930	5.9
Tar and other residual sales . . . . .	690,839	50,847	6.8
Total sales . . . . .	\$7,612,062	\$ 734,968	8.8

The decrease of \$691,580, or 15.4%, in gross revenue received from the sale of coke produced by your Company was due to a decrease of 39,978 tons, or 15.5%, in volume of sales as compared with the previous fiscal year.

Prior to the outbreak of World War II a substantial portion of the coke produced by your Company was sold for residential heating purposes with the balance being purchased by industrial and commercial users. Throughout the war years, the immediate post-war period and the recent years of defence production, practically the entire coke production of the Company was diverted for use in industrial plants.

During recent months, because of a general slackening of activity in certain industrial plants using coke in their production operations, the coke requirements of industrial users have diminished. At the same time, large quantities of coke produced in excess of immediate requirements at near-by points in the United States commenced to be marketed at distress prices. As there is no duty payable or other restrictions on coke importations, a considerable tonnage of this foreign coke is available to industrial plants in Canada which for many years had purchased their coke requirements from this Company.

The combination of decreased demand for coke for industrial purposes, the inroads into the Canadian market of foreign coke selling at less than production cost and the inability of your Company as yet to regain any appreciable portion of the residential heating market which was lost to competitive fuels when coke was diverted to industrial use, has a very adverse effect on the marketing of the coke production of the Company.

For the fiscal year ended March 31, 1954, total coke production, plus coke inventory carry-over from the previous fiscal year, was 261,484 tons while sales totalled 216,907 tons, resulting in an inventory carry-over of 44,577 tons as at March 31, 1954. Although the average selling price received per ton of coke sold

## UNITED FUEL INVESTMENTS, LIMITED

during the year was approximately the same as for the previous fiscal year, production costs per ton of coke produced increased substantially due to increased costs per ton of coal used in manufacturing coke and higher operating and maintenance costs.

Subsequent to March 31, 1954, it was found necessary to reduce the selling price per ton and the volume of production of coke due to the competitive conditions in the market and the reduced demands for coke.

The practice of purchasing coke for resale was discontinued during the year when all supplies of such coke on hand were disposed of. While only a nominal net profit was being realized from such sales, the Company had for the past several years purchased substantial volumes of coke for resale to industrial customers when the demands for coke by such users were in excess of the production capacity of the Company's ovens.

The total volume of gas sales was approximately 1.2% greater than for the previous fiscal year, sales for residential, commercial and industrial uses all being slightly higher. The increase of 5.9% in gross revenue received from gas sales reflects this increased volume of sales and the effect for a full year's operations of an adjustment in rates in the last month of the previous fiscal year made necessary by the cumulative effect of steadily increasing operating and maintenance costs.

The decrease of \$50,847 in gross revenues derived from the sale of tar and other residuals produced in the coke manufacturing plant is attributed to a reduction in demand for such products with a consequent decrease in volume of production and sales.

Other income increased \$15,668 due mainly to greater profits derived from handling a larger tonnage of coal over the Company's dock for other coal importers and to increased sundry interest income.

### EXPENSES

There was a decrease of \$383,800 in total expenses of your Company, exclusive of taxes on income, for the fiscal year ended March 31, 1954, as compared with the previous fiscal year. This decrease is attributable mainly to the following:

Cost of coke produced in the ovens of your Company and sold, before allowance for reduction in inventory valuations, decreased \$478,222, or 11.8%. However, reductions in valuations required to price the inventories at March 31, 1954 at the lower of cost or market, due mainly to decreased coal prices and reduced selling prices for coke which became effective after March 31, 1954, reduced to \$144,267, or 3.5%, the amount by which cost of coke produced and sold was lower than for the previous fiscal year. There was a decrease of \$691,580, or 15.4%, in gross revenue derived from the sale of coke produced in the Company's ovens. The discontinuance of the practice of selling coke purchased for resale resulted in a reduction of \$158,694 in cost of products sold and a reduction of \$7,778 in gross profits as compared with the previous year. There was a reduction of \$122,861 in cost of gas produced and purchased for resale, while the cost of all other residuals sold decreased \$29,195. As a result, the net cost of products sold decreased \$455,017.

## UNITED FUEL INVESTMENTS, LIMITED

Total distribution, selling, general and administrative expenses increased \$27,655 due mainly to increased labor and sundry material costs and higher maintenance expenses on the gas distribution properties. Appliance sales amounted to \$341,147, a decrease of approximately 6% compared with the previous fiscal year.

A contribution of \$124,000 was made to the employees' contributory retirement income plan established on November 1, 1952. This contribution for the entire fiscal year represents an increase of \$67,750 over the amount contributed to the plan by the Company during the five months for which the plan was in effect in the previous fiscal year.

Provision for depreciation was \$6,671 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.

Funded debt retirements effected during the fiscal year ended March 31, 1953, resulted in a reduction of \$17,517 in interest and other funded debt charges for the year ended March 31, 1954, as compared with the previous fiscal year.

### CONSOLIDATED FINANCIAL POSITION

Consolidated working capital of the Company and its wholly-owned subsidiaries as at March 31, 1954 was \$3,593,261, an increase of \$381,391 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, 1954 and how these funds were utilized:

<b>SOURCE OF FUNDS:</b>			
Net earnings for the year . . . . .	\$	596,199	
<i>Add back:</i> Amounts charged to earnings which do not represent cash disbursements:			
Provision for depreciation . . . . .		317,540	
Amortization of bond discount and bond issue expenses . . . . .		9,876	
Total funds realized from earnings . . . . .			\$ 923,615
Reduction in inventory of stores and spare equipment . . . . .			34,147
Total funds made available . . . . .			\$ 957,762
 <b>APPLICATION OF FUNDS:</b>			
Dividends on capital stock paid or provided for . . . . .	\$	429,689	
Increase in deferred charges, prepaid expenses, etc. . . . .		78,121	
Gross expenditures on property . . . . .	\$	80,696	
<i>Less:</i> Net value of salvage . . . . .		12,135	
		68,561	576,371
Resulting in an increase in net current assets during the year of . . . . .			\$ 381,391
Excess of current assets over current liabilities at beginning of year . . . . .			3,211,870
Excess of current assets over current liabilities at end of year . . . . .			<u>\$3,593,261</u>

## UNITED FUEL INVESTMENTS, LIMITED

Expenditures on Property account consisted of the following:

Gas Companies:		
Property additions . . . . .	\$ 20,599	
Property replacements . . . . .	24,112	\$ 44,711
COKE COMPANY:		
Property additions . . . . .	\$ 263	
Property replacements . . . . .	35,722	35,985
Gross expenditure on Property additions and replacements.		\$ 80,696
<i>Less:</i> Amounts realized on Property items sold or replaced .		12,135
Net expenditure on Property account . . . . .		\$ 68,561

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 Preference Shares—		
Dividend of \$1.00 per share paid on July 2, 1953, on 69,689 shares outstanding . . . . .		69,689
Common Shares—		
Dividend of \$1.00 per share paid on July 2, 1953, on 90,000 shares outstanding . . . . .		90,000
Total Dividends paid . . . . .		\$ 429,689

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, 1953.

### PERSONNEL

As at March 31, 1954, there were 433 regular employees on the payrolls of the Company, a decrease of 4 during the year. Wages and salaries paid during the year amounted to \$1,622,276, an increase of \$59,311 over the previous fiscal year.

All regular employees are entitled to participate in a plan of group life insurance on their own lives, and sickness and accident insurance for their own benefit, with hospitalization and surgical benefit insurance for themselves and their dependents. The premium costs of these benefits are 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.

A plan to provide retirement income allowances for employees as they reach retirement age was made effective on November 1, 1952. The plan is administered by a life insurance company with contributions being made by the 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 on retirement.

## UNITED FUEL INVESTMENTS, LIMITED

The Company reserves the right to amend the retirement income allowance plans at any time, after reasonable notice to the employees, if in the opinion of the Company any change in the plan is warranted or necessary.

### NATURAL GAS

Under the terms of an agreement 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. This agreement was to become operative only after all requisite governmental authorizations were 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 an agreement between Panhandle Company and Union Gas Company dated March 15, 1950. However, the Panhandle Company had not been successful in obtaining the necessary governmental approvals for the export of gas to Canada under the terms of the agreement with Union Gas Company dated March 15, 1950 and consequently that agreement between the Panhandle Company and Union Gas Company was cancelled. Thereupon Union Gas Company exercised the right which either your Company or Union Gas Company had under the agreement of September 1, 1950 in the event that regular deliveries of gas could not be commenced within a reasonable time and declared the agreement of September 1, 1950, cancelled.

Developments which might result in natural gas becoming available in the near future in sufficient quantities to warrant its distribution throughout the markets served by your Company continue to receive active consideration by your Directors and Management. The following happenings are of particular importance as providing a possible long-term source of natural gas supply for distribution by your Company:

(a) Substantial progress has taken place on proposals to pipe natural gas from Western Canada to Ontario and Quebec. Completion of this project will make available to your Company a potential source of natural gas supply.

(b) Union Gas Company of Canada, Limited has advised your Company that an agreement had been completed with Panhandle Eastern Pipe Line Company on April 21, 1954, for the delivery and sale by Panhandle Company to Union Gas Company of sufficient annual volumes of gas to permit Union Gas Company to make available to your Company from this source sufficient natural gas to meet the estimated market requirements for a period of 20 years. Deliveries of gas under the agreement between the Panhandle and Union Gas Companies will commence upon receipt of such licenses and permits as may be required from governmental authorities having jurisdiction but in the event that natural gas from Western Canada is made available to Union Gas Company prior to November 1, 1960, Union Gas Company has the right to discontinue receipt of gas under its contract with Panhandle Company.

While no commitments have been entered into by your Company to acquire natural gas from either of the above mentioned sources, economic and operating studies are being completed and negotiations are being carried on with a view to



UNITED FUEL INVESTMENTS, LIMITED

purchasing natural gas for resale in the markets served by your Company at the earliest possible date.

GENERAL

In concluding this Report, your Directors record their appreciation of the sincere effort of all employees to maintain operations at a high level of efficiency and to assure adequate service to the customers under all conditions.

On behalf of the Board of Directors,

DAVID P. ROGERS,

*President.*



# UNITED FUEL INVESTMENTS, LIMITED

## AUDITOR'S 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, 1954 and the statement 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 statement 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, 1954 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 12, 1954.

UNITED FUEL INV  
*(Incorporated under the*  
 AND ITS WHOLLY-  
*Consolidated*  
 MARCH  
*(with comparative*

ASSETS	March 31, 1954	March 31, 1953
<b>PROPERTY:</b>		
Gas and coke manufacturing plants, transmission lines, distribution systems, land, buildings, franchises, rights, organization expenses, interest during construction, etc. . . . .	\$12,211,716	\$12,188,876
<i>Less:</i> Reserve for depreciation and renewals . . . . .	6,788,050	6,516,231
	<u>\$ 5,423,666</u>	<u>\$ 5,672,645</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 \$3,795,489 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>\$ 9,503,621</u>	<u>\$ 9,752,600</u>
<b>CURRENT ASSETS:</b>		
Cash . . . . .	\$ 1,938,579	\$ 2,029,442
Accounts receivable less allowance for doubtful accounts . . . . .	698,759	860,895
Inventories as determined and certified by the management and valued at the lower of cost or market . . . . .	1,744,079	1,262,558
	<u>\$ 4,381,417</u>	<u>\$ 4,152,895</u>
<b>DEFERRED AND OTHER ASSETS:</b>		
Bond discount, commissions and expenses less amounts written off . . . . .	\$ 55,944	\$ 65,820
Deferred charges and prepaid expenses . . . . .	118,811	40,707
Stores and spare equipment . . . . .	294,609	328,756
Funds on deposit with trustee for bondholders . . . . .	833	816
	<u>\$ 470,197</u>	<u>\$ 436,099</u>
Approved on behalf of the Board:		
DAVID P. ROGERS, <i>Director.</i>		
ROLAND L. O'BRIAN, <i>Director.</i>		
	<u>\$14,355,235</u>	<u>\$14,341,594</u>

# ESTMENTS, LIMITED

*Companies Act, Canada)*

## OWNED SUBSIDIARIES

### Balance Sheet

31, 1954

*(figures for 1953)*

### LIABILITIES

	<u>March 31, 1954</u>	<u>March 31, 1953</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 . . . . .	4,557,634	4,391,124
	<u>\$11,267,079</u>	<u>\$11,100,569</u>
<b>FUNDED DEBT:</b>		
First collateral mortgage serial and sinking fund bonds—		
Authorized \$5,500,000, whereof originally issued \$4,500,000:		
Outstanding—		
4% Sinking fund bonds Series "A" due December 1, 1959 . . . . .	\$ 2,300,000	\$ 2,300,000
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued charges including meter deposits	\$ 346,407	\$ 330,114
Accrued interest on bonds . . . . .	30,330	30,330
Income taxes payable . . . . .	343,919	513,081
Dividend payable . . . . .	67,500	67,500
	<u>\$ 788,156</u>	<u>\$ 941,025</u>
	<u><u>\$14,355,235</u></u>	<u><u>\$14,341,594</u></u>

UNITED FUEL INVESTMENTS, LIMITED  
AND ITS WHOLLY-OWNED SUBSIDIARIES

*Statement of Consolidated Profit and Loss and Earned Surplus  
for Year Ended March 31, 1954  
(with comparative figures for 1953)*

PROFIT AND LOSS	<u>1954</u>	<u>1953</u>
OPERATING REVENUE AND OTHER INCOME:		
Gross revenue from sales . . . . .	\$7,612,062	\$8,347,030
Other income . . . . .	120,917	105,249
	<u>\$7,732,979</u>	<u>\$8,452,279</u>
OPERATING EXPENSES AND INTEREST:		
Cost of products sold . . . . .	\$4,921,968	\$5,376,985
Distribution, selling, general and administrative expenses . . . . .	1,076,396	1,048,741
Contribution to employees' pension fund . . . . .	124,000	56,250
Depreciation . . . . .	317,540	324,211
Interest on bonds . . . . .	92,000	103,517
Bond discount absorbed (including premium on redemption in 1953)	9,876	15,876
	<u>\$6,541,780</u>	<u>\$6,925,580</u>
PROFIT BEFORE INCOME TAXES . . . . .	\$1,191,199	\$1,526,699
INCOME TAXES . . . . .	595,000	790,000
NET PROFIT FOR YEAR . . . . .	<u>\$ 596,199</u>	<u>\$ 736,699</u>

*Note:* The expenses of the companies for the year ended March 31, 1954 include:

Remuneration of directors (not including executive officers) . . . . .	\$ 6,600
Payments to counsel, solicitors and legal advisers . . . . .	4,950
Remuneration of executive officers . . . . .	36,130

EARNED SURPLUS	<u>1954</u>	<u>1953</u>
Balance at beginning of year . . . . .	\$4,391,124	\$4,044,114
<i>Add:</i>		
Net profit for year as above . . . . .	\$ 596,199	\$ 736,699
Reserve for United States exchange on Series "B" bonds no longer required . . . . .	596,199	40,000
	<u>\$4,987,323</u>	<u>\$4,820,813</u>
<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
	<u>429,689</u>	<u>429,689</u>
Balance at end of year . . . . .	<u>\$4,557,634</u>	<u>\$4,391,124</u>

# UNITED FUEL INVESTMENTS, LIMITED

AND

## SUBSIDIARY COMPANIES



### *Board of Directors*

R. L. O'BRIAN

DAVID P. ROGERS

F. PALIN

R. L. WARREN

J. M. PIGOTT

T. WEIR

### *Officers*

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

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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.

