Stack

Corp

United Fuel Investments,
Limited

and

Subsidiary Companies

Twenty-Third Annual Report
For the Fiscal Year Ended
March 31, 1951

TWENTY-THIRD ANNUAL REPORT

OF THE DIRECTORS OF

UNITED FUEL INVESTMENTS, LIMITED

FOR THE FISCAL YEAR ENDED MARCH 31, 1951

Hamilton, Ontario,
June 6, 1951.

TO THE SHAREHOLDERS:

Information concerning the operations of United Fuel Investments, Limited, and its wholly-owned Subsidiaries for the fiscal year ended March 31, 1951, is submitted in this Report of your Board of Directors. Incorporated herein are the Consolidated Balance Sheet and Statements of Consolidated Profit and Loss and Surplus of your Company and its wholly-owned Subsidiaries for the fiscal year ended March 31, 1951, 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, 1951, compared with the results for the previous fiscal year, is as follows:

	Fiscal Year Ended March 31 1951	1950	Increase or *Decrease* for 1951
Gross revenue from sales	$8,783,354	$7,644,637	$1,138,717
Other income	103,452	83,405	20,047
Total income	$8,886,806	$7,728,042	$1,158,764
Cost of products sold	$5,560,331	$5,252,678	$ 307,653
Distribution, selling, general and administrative expenses	890,111	892,783	*2,672*
Provision for depreciation	346,259	288,031	58,228
Interest and other funded debt charges	153,583	160,857	*7,274*
Amortization of manufactured gas change-over costs	14,800	14,800	—
Total costs and expenses, exclusive of taxes on income	$6,965,084	$6,609,149	$ 355,935
Profit before taxes on income	$1,921,722	$1,118,893	$ 802,829
Provision for taxes on income	916,000	444,100	471,900
Net profit transferred to Consolidated Earned Surplus Account	$1,005,722	$ 674,793	$ 330,929

REVENUES

Gross revenue from sales for the fiscal year ended March 31, 1951, increased $1,138,717 as compared with the previous fiscal year as follows:

	Gross revenue from sales for fiscal year ended March 31, 1951	Increase compared with previous fiscal year
Coke Sales:		
Company production	$4,815,746	$ 609,771
Purchased for resale	398,027	337,984
Total	$5,213,773	$ 947,755
Gas Sales	2,906,105	17,133
Tar and other residuals sales	663,476	173,829
Total Sales	$8,783,354	$1,138,717

The increase of $609,771, or 14.5%, in gross revenue received from sales of coke produced by your Company was due to an increase of $2.32 in the average selling price per ton, although there was a slight decrease in volume of sales. There was a substantial increase in the volume of coke purchased from other producers and resold by your Company and as a result gross revenues from such sales were $337,984 greater. The average price received per ton of all coke sold in each of the past three fiscal years was as follows:

Fiscal year ended March 31, 1951	$16.73 per ton
" " 31, 1950	14.83 "
" " 31, 1949	15.65 "

As a result of the general increase in industrial activity arising from the national defense programme, a very large proportion of total coke sales is again being diverted from domestic to industrial uses.

The total volume of gas sales was slightly less than for the previous fiscal year, a reduction of approximately 9% in volume of gas sales for industrial uses being substantially offset by increases of approximately 5% in volumes of residential and commercial gas sales. The increase of $17,133 in gross revenue from gas sales was due to the increased volume of sales to residential and commercial customers and a moderate increase in the average rate received for industrial gas sales, although the average rate received for residential gas sales was slightly less than for the previous fiscal year.

An increase in volume of tar and other residuals sales and higher unit prices realized on sales of certain of these by-products resulted in an increase of $173,829, or 35%, in gross revenue from such sales as compared with the previous fiscal year.

The increase of $20,047 in other income was due mainly to a greater volume of coal handled over your Company's dock for other coal importers on a tonnage price basis.

EXPENSES

Total expenses of your Company, including cost of products sold but exclusive of taxes on income, were $355,935 higher than in the previous fiscal year. This increase is attributed mainly to the following:

Cost of products sold increased $307,653. Due to the substantial increase in volume of sales of purchased coke the cost of such sales was $288,240 greater than for the previous fiscal year. There was a reduction of $17,196 in cost of gas purchased for resale as the volume of such purchases was approximately 5% less than for the previous fiscal year, although the average unit cost was slightly higher. Auxiliary gas production costs were reduced by $59,239 due to reductions in volumes of oil gas and propane gas production, while all other production costs increased $95,848.

Total distribution, selling, general and administrative expenses decreased $2,672. While gas distribution expenses and general clerical costs were higher due to increased maintenance and labor costs, there were substantial reductions in coke selling expenses and in interest on temporary bank loans of the Coke Company required to finance seasonal purchases of coal and other raw materials.

Net appliance sales of $325,454 were 14% in excess of the previous fiscal year. However, increased advertising and other selling expenses resulted in a reduction in the net profit of the appliance sales department to $5,032, or $4,452 less than for the previous fiscal year.

Provision for depreciation was greater by $58,228 as the result of plant additions and because depreciation write-offs were increased to the maximum amounts permitted for income tax purposes under the recently revised regulations of the Department of National Revenue.

Interest and other funded debt charges were less by $7,274 due to debt retirement.

CONSOLIDATED FINANCIAL POSITION

Consolidated working capital of your Company as at March 31, 1951, after deducting $200,000 par value of First Collateral Mortgage Serial Bonds, Series "B", due December 1, 1951, amounted to $2,853,446, an increase of $775,404 during the year. The following statement shows in summarized form the income from profits during the year and the allocation made of these funds.

Net earnings for the year after all charges except provision for taxes on income		$1,921,722	
Less: Provision for taxes on income		916,000	$1,005,722
Add: Amounts charged to earnings which do not represent cash disbursements:			
Depreciation		$ 346,259	
Amortization of manufactured gas change-over cost		14,800	
Amortization of bond discount and bond issue expenses		9,876	370,935
Total funds made available			$1,376,657
Accounted for as follows:			
Dividends on capital stock paid or provided for		$ 270,000	
Gross expenditures on property	$ 142,297		
Less: Net value of salvage	15,500	126,797	
Net increase in sundry deferred items		4,456	
		$ 401,253	
First Collateral Mortgage Serial Bonds, Series "B", maturing December 1, 1951		200,000	601,253
Resulting in an increase in net current assets of			$ 775,404
Working capital at beginning of year			2,078,042
Working capital at end of year			$2,853,446

Gross expenditures on Property Account additions and replacements amounted to $142,297, as follows:

Gas Companies:		
Property additions	$32,515	
Property replacements	38,722	$71,237
Coke Company:		
Property additions	$ 37,095	
Property replacements	33,965	$71,060
		$142,297

Total salvage of $15,500 was realized on the disposal of items in Property Account with a gross book value of $65,643, before allowance for depreciation, replaced or abandoned during the year, thus reducing the expenditures on Property Account to $126,797 net. After allowing for these additions and reductions, Property Account was increased by $76,654 and Reserve for Depreciation and Renewals Account was increased $296,116 resulting in a decrease of $219,462 in the net book value of Property Account.

On December 1, 1950, $200,000 par value of First Collateral Mortgage 3% Serial Bonds, Series "A", matured and were retired at par.

DIVIDENDS

Dividends of $270,000 were paid during the year, being four quarterly dividends of 75c. per share, or a total of $3.00 per share, on the Class "A" 6% Cumulative Preferred Shares. On May 2, 1951, in addition to the regular quarterly dividend on the Class "A" 6% Cumulative Preferred Shares payable July 3, 1951, your Directors declared a dividend of $1.00 per share on the outstanding 90,000 shares of Common Stock and on the outstanding 69,689 Class "B" Non-Cumulative Preferred Shares. The dividends on the Common Stock and on the Class "B" Non-Cumulative Preferred Shares, totalling $159,689, are payable June 15, 1951, to shareholders of record May 25, 1951, and will be reflected in operations for the fiscal year commenced April 1, 1951. The Class "B" Non-Cumulative Preferred Shares rate equally with the Common Stock in all dividends paid and the dividends declared on May 2, 1951, represent the only dividend declarations to date on these classes of capital stock.

NATURAL GAS

During the year your Directors and Management gave further consideration to the proposal that natural gas be distributed in the markets served by your Company and after careful study of the operating and economic problems involved in converting the gas facilities for distribution of natural gas, a contract was entered into on September 1, 1950, between your Company and its operating subsidiaries, and Union Gas Company of Canada, Limited, for the purchase by your Company from Union Gas Company of annual volumes of natural gas estimated to be sufficient to serve your Company's markets for a period of 20 years. This contract becomes operative only after the happening of the following events:

(a) Final approval by the Federal Power Commission of the United States or any governmental authority having jurisdiction and the issuance by such Commission or authority of all export licenses or permits of any nature which are requisite to the performance of a contract dated March 15, 1950, as amended, between Panhandle Eastern Pipe Line Company (a United States Corporation) and Union Gas Company of Canada, Limited, for the sale and delivery from the United States by Panhandle Company to Union Gas Company of certain volumes of natural gas annually for a period of 20 years from the date deliveries of gas commence. It is from the operation under its contract with Panhandle Company that Union Gas Company will receive sufficient natural gas to meet the requirements of your Company.

(b) The acceptance by both parties to the contract dated March 15, 1950, as amended, between Panhandle Eastern Pipe Line Company and Union Gas Company of Canada, Limited, of any conditions imposed by the Federal Power Commission or any other governmental authority on the performance of the contract.

(c) The acceptance by your Company and its subsidiaries of any conditions imposed by the Federal Power Commission or any other governmental authority on the performance of the contract between Panhandle Company and Union Gas Company.

(d) The furnishing to Union Gas Company by your Company and its subsidiaries of satisfactory evidence that all franchises and other requisite authorities have been obtained to permit the distribution of natural gas throughout your Company's system on an economically sound basis.

A lengthy hearing on various matters including the proposal to export gas to Canada under the terms of the contract dated March 15, 1950, as amended, between Panhandle Company and Union Gas Company was recently completed before the Federal Power Commission at Washington, D.C. Your Company was granted permission to intervene in those proceedings, attended at the hearing and filed evidence with the Federal Power Commission in support of its contention that a supply of natural gas should be made available to your Company through ratification of the contract between Panhandle Company and Union Gas Company. The Federal Power Commission has not as yet rendered its decision.

PERSONNEL

The number of regular employees on the payrolls of your Company as at March 31, 1951, totalled 440. All regular employees receive annual vacations with pay for various periods dependent upon length of service.

There is available to all regular employees, Company plans of group life insurance on their own lives, and sickness and accident with hospitalization and surgical fee benefit insurance for themselves and dependents, premium costs being borne by the Company and the employees.

In concluding this Report your Directors record their appreciation of the cooperative spirit which has prevailed between all employees and departments in a sincere effort to assure satisfaction to the customers under all conditions and to maintain operations at a high level of efficiency.

On behalf of the Board of Directors,

DAVID P. ROGERS,
President.

AUDITORS' REPORT TO THE SHAREHOLDERS

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, 1951, and the related statements of consolidated profit and loss and earned surplus for the year ended on that date. In connection therewith we made a general review of the accounting methods and, without making a detailed audit of the transactions, examined or tested accounting records of the companies. We have obtained all the information and explanations we required.

We report that in our opinion the accompanying consolidated balance sheet and 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 of the companies' affairs at March 31, 1951, and of the results of their operations for the year ended on that date, according to the best of our information, the explanations given us and as shown by the books of the companies.

CLARKSON, GORDON & CO.
Chartered Accountants.

Hamilton, Canada,
May 23, 1951.

UNITED FUEL INVESTMENTS, LIMITED
AND ITS SUBSIDIARIES

Statement of Consolidated Profit and Loss for Year Ended March 31, 1951
(with comparative figures for the year 1950)

	1951		1950	
Profit from operations before charging bond interest, depreciation, etc.		$2,421,564		$1,567,781
Deduct:				
Interest on bonds including premium on United States funds	$ 143,707		$150,981	
Bond discount absorbed	9,876	153,583	9,876	160,857
		$2,267,981		$1,406,924
Provision for depreciation		346,259		288,031
Net profit before providing for income taxes		$1,921,722		$1,118,893
Provision for income taxes		916,000		444,100
Net profit for year		$1,005,722		$ 674,793

Note: The expenses of the companies for the year ended March 31, 1951, include:

Remuneration of directors (not including executive officers)	$ 3,675
Payments to counsel, solicitors and legal advisers	8,275
Remuneration of executive officers	27,525

Statement of Consolidated Earned Surplus for Year Ended March 31, 1951
(with comparative figures for the year 1950)

	1951	1950
Balance at beginning of year	$2,711,153	$2,106,360
Add:		
Net profit for year as above	1,005,722	674,793
Reserve for taxes on income *re* prior years no longer required		100,000
Reserve for contingencies no longer required		100,000
	$3,716,875	$2,981,153
Deduct: Dividends on 6% preferred shares	270,000	270,000
Balance at end of year	$3,446,875	$2,711,153

UNITED FUEL INV

(Incorporated under the

AND ITS WHOLLY-

Consolidated

March 31,

(with comparative figures

ASSETS

	March 31, 1951	March 31, 1950
PROPERTY:		
Comprising gas and coke manufacturing plants, transmission lines, distribution system, real estate, buildings, automobiles, fixtures, franchises, rights, organization expenses, interest during construction, etc.	$12,057,169	$11,980,515
Less: Reserve for depreciation and renewals	5,959,350	5,663,234
	$6,097,819	$ 6,317,281
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 $3,897,338 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
	$10,177,774	$10,397,236
CURRENT ASSETS:		
Cash on hand and in banks	$ 1,966,438	$ 1,581,887
Accounts receivable less reserve	993,686	767,771
Inventories as determined and certified by the management and valued at the lower of cost or market	1,350,055	614,263
	$ 4,310,179	$ 2,963,921
DEFERRED AND OTHER ASSETS:		
Bond discount, commissions and expenses less amounts written off	$ 85,572	$ 95,448
Deferred charges and prepaid expenses	144,066	156,054
Stores and spare equipment	271,126	269,244
Funds on deposit with trustee for bondholders	39,919	38,822
Refundable portion of taxes on income	4,417	5,752
	$ 545,100	$ 565,320
	$15,033,053	$13,926,477

Approved on behalf of the Board.

DAVID P. ROGERS, *Director.*

ROLAND L. O'BRIAN, *Director.*

ESTMENTS, LIMITED

Companies Act, Canada)

OWNED SUBSIDIARIES

Balance Sheet

1951

as at March 31, 1950)

LIABILITIES

		March 31, 1951	March 31, 1950
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		3,446,875	2,711,153
		$10,156,320	$ 9,420,598
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, 1952, to 1956 (payable in Canadian or United States funds at the option of the holder)		1,000,000	1,200,000
		$ 3,300,000	$ 3,500,000
RESERVE ARISING FROM EXCHANGE ON SALE OF SERIES "B" BONDS IN UNITED STATES FUNDS		$ 120,000	$ 120,000
CURRENT LIABILITIES:			
Accounts payable and accrued charges including meter deposits		$ 449,002	$ 285,677
Accrued interest on bonds		45,935	48,701
Reserve for income taxes		694,296	284,001
Dividend payable		67,500	67,500
First collateral mortgage serial bonds:			
Series "B"—due December 1, 1951		200,000	
Series "A"—matured December 1, 1950			200,000
		$ 1,456,733	$ 885,879
		$15,033,053	$13,926,477

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.