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UNITED FUEL  
INVESTMENTS, LIMITED  
ANNUAL REPORT  
For the fiscal year ended  
March 31, 1963

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UNITED FUEL INVESTMENTS, LIMITED  
Head Office, Hamilton, Ontario

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DIRECTORS

R. L. O'BRIAN  
F. R. PALIN, F.C.A.  
J. M. PIGOTT  
DAVID P. ROGERS  
R. L. WARREN  
T. WEIR, F.C.A.

OFFICERS

DAVID P. ROGERS, *President*  
F. R. PALIN, F.C.A., *Executive Vice-President and Treasurer*  
R. L. O'BRIAN, *Vice-President*  
W. L. DUTTON, *General Manager, United Gas Limited*  
W. M. COMMON, *Secretary and Assistant Treasurer*  
V. M. WAGAR, C.A., *Comptroller, Assistant Secretary and Assistant Treasurer*

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United Fuel Investments, Limited is a holding company owning all of the outstanding shares of:

United Gas Limited, distributing natural gas in the City of Hamilton, the Towns of Oakville, Burlington, Dundas, Milton, Georgetown and Acton, the Village of Waterdown and other areas adjacent to these municipalities in the Counties of Halton and Wentworth in the Province of Ontario.

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Report of the Board of Directors of  
**UNITED FUEL INVESTMENTS, LIMITED**  
on operations for the fiscal year ended March 31, 1963.

**TO THE SHAREHOLDERS:**

Hamilton, Ontario, May 9, 1963.

Information concerning the operations of United Fuel Investments, Limited consolidated with its wholly-owned subsidiary, United Gas Limited, is submitted in this Annual Report of the Directors for the fiscal year ended March 31, 1963. Incorporated herein are the consolidated balance sheet and statement of consolidated profit and loss and accumulated earnings retained for use in the business for the fiscal year ended March 31, 1963, with comparative figures for the previous fiscal year, together with the report of your auditors.

In this report the expression "the Company" refers to United Fuel Investments, Limited consolidated with United Gas Limited, while "United Fuel" refers to United Fuel Investments, Limited as a separate entity.

During the year ended March 31, 1963 the Company received a refund from one of its former suppliers on gas purchased during the years 1957 and 1958. This refund, including interest accrued thereon applicable to prior years, less income taxes, amounted to \$59,919 and has been added to the net profit for the year ended March 31, 1963 as a special credit.

**OPERATING RESULTS**

Consolidated operating results of the Company for the fiscal year ended March 31, 1963 as compared with the previous fiscal year were as follows:

	Fiscal year ended March 31		Increase or decrease (-) for 1963
	1963	1962	
<b>OPERATING REVENUE AND OTHER INCOME:</b>			
Gross revenue from gas sales . . . . .	\$11,474,394	\$ 9,684,291	\$ 1,790,103
Other income . . . . .	238,933	198,329	40,604
Profit on sale of land . . . . .	—	36,501	(-) 36,501
	<u>\$11,713,327</u>	<u>\$ 9,919,121</u>	<u>\$ 1,794,206</u>
<b>OPERATING EXPENSES AND INTEREST:</b>			
Operating and maintenance costs, exclusive of items shown separately below . . . . .	\$ 9,402,862	\$ 8,003,607	\$ 1,399,255
Taxes other than income taxes . . . . .	168,791	141,148	27,643
Depreciation . . . . .	505,742	447,226	58,516
Amortization of natural gas conversion costs . . . . .	103,200	103,200	—
Interest on bonds, bank and other loans and other funded debt charges . . . . .	581,096	422,499	158,597
	<u>\$10,761,691</u>	<u>\$ 9,117,680</u>	<u>\$ 1,644,011</u>
<b>PROFIT BEFORE INCOME TAXES . . . . .</b>	<b>\$ 951,636</b>	<b>\$ 801,441</b>	<b>\$ 150,195</b>
<b>INCOME TAXES . . . . .</b>	<b>509,000</b>	<b>396,500</b>	<b>112,500</b>
<b>NET PROFIT FOR THE YEAR . . . . .</b>	<b>\$ 442,636</b>	<b>\$ 404,941</b>	<b>\$ 37,695</b>
<b>SPECIAL CREDIT:</b>			
Rebate on cost of gas purchased in prior years, less applicable income taxes . . . . .	59,919	—	59,919
<b>NET PROFIT FOR THE YEAR AND SPECIAL CREDIT . . . . .</b>	<b><u>\$ 502,555</u></b>	<b><u>\$ 404,941</u></b>	<b><u>\$ 97,614</u></b>

# UNITED FUEL INVESTMENTS, LIMITED

## Gas Sales

In the fiscal year ended March 31, 1963 total volume of gas sales to all customers—residential, commercial and industrial—amounted to 12.7 billion cubic feet, an increase of 2.7 billion cubic feet, or 27.0%, over the prior year. Gross revenue from gas sales rose to \$11,474,394, an increase of \$1,790,103, or 18.5%, for the year. The following summary indicates that all classifications of sales contributed to these improvements.

CLASS OF CUSTOMERS	Volume of gas sales in MCF*			Gross revenue in dollars		
	Year to March 31 1963	% of total	% over previous year	Year to March 31 1963	% of total	% over previous year
Residential . . . . .	4,040,838	31.8	14.9	\$ 5,604,577	48.9	13.2
Commercial . . . . .	1,329,566	10.5	12.5	1,542,539	13.4	11.3
Industrial . . . . .	7,346,866	57.7	38.4	4,327,278	37.7	29.2
Total . . . . .	<u>12,717,270</u>	<u>100.0</u>	<u>27.0</u>	<u>\$11,474,394</u>	<u>100.0</u>	<u>18.5</u>

\*MCF means thousand cubic feet

The average prices received per MCF of gas sold during recent years were as follows:

	Fiscal year ended March 31		
	1963	1962	1959†
Residential—average price per MCF . . . . .	\$1.39	\$1.41	\$1.51
Commercial—average price per MCF . . . . .	1.16	1.17	1.22
Industrial—average price per MCF . . . . .	.59	.63	.88
Total—average price per MCF . . . . .	\$ .90	\$ .97	\$1.26

†First year of complete natural gas operations.

Total number of customers on the lines at March 31, 1963 was 50,329, or 1,982 more than at March 31, 1962. In the prior year the number of customers increased by 1,796.

Since about 67% of the gas consumed by residential and commercial customers is for space heating purposes, weather conditions have a material effect on the volume of gas sales. During the heating seasons of the fiscal year ended March 31, 1963 the average temperature in the service area of the Company was approximately 6% lower than for the corresponding period of the prior year. Mainly because of the prevailing cooler weather and an increase in the number of customers using gas for space heating purposes there was an increase in the average consumption per residential and commercial meter.

The average consumption per residential and commercial meter during recent years was as follows:

	Fiscal year ended March 31		
	1963	1962	1959
MCF per residential meter . . . . .	89.6	81.2	55.8
MCF per commercial meter . . . . .	348.7	310.5	222.5

# UNITED FUEL INVESTMENTS, LIMITED

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## EXPENSES

For the fiscal year ended March 31, 1963 total expenses of the Company, exclusive of income taxes, amounted to \$10,761,691, a net increase of \$1,644,011 over the previous year. This increase in costs occurred as follows:

**Cost of gas purchased increased \$1,318,165.**

Although there was a slight reduction in the average cost per MCF of gas purchased for re-sale, this greater over-all cost is attributed to the purchase of larger volumes of gas required to meet the increased sales demand. Gross revenue from gas sales, however, was higher by \$1,790,103.

**Distribution, Selling, General and Administrative Expenses increased \$81,090.**

This greater cost is attributed mainly to increased selling and promotional expenses necessary to introduce and expand aggressive sales and promotional activities to combat greatly intensified efforts in the sale of competitive fuels. Constantly increasing general costs of doing business also contributed to these higher expenses.

**Taxes Other Than Income Taxes increased \$27,643.**

Municipal taxes on properties were greater in the fiscal year ended March 31, 1963 due largely to assessment of additions to Property Account, increased values for assessment purposes and higher mill rates imposed by some municipalities. As a result taxes, other than income taxes, amounted to \$168,791, or \$27,643 (19.6%) more than for the previous year.

**Depreciation increased \$58,516.**

Depreciation has been provided in the fiscal year ended March 31, 1963 in a manner consistent with the bases as applied in the previous year and in accordance with the recommendations of the Company's consulting engineers. The total amount of depreciation provided in the 1963 fiscal year by direct charge to Profit and Loss Account was \$505,742, or \$58,516 in excess of the provision in the prior year. This increased charge results from providing depreciation on additions to property placed in service during the year.

**Interest on Bonds, Bank and Other Loans and Other Funded Debt Charges increased \$158,597.**

The increase in such costs was incurred through payment of interest on necessary borrowings from Union Gas Company of Canada, Limited, offset in part by a reduction in interest on funded debt due to retirement of bonds through sinking fund.

**Amortization of Natural Gas Conversion Costs.**

A total of \$1,018,533 was expended during the years 1955 to 1959 to complete the conversion to natural gas of appliances on customers' premises previously using manufactured gas. These costs are being carried forward as a deferred expense to be amortized over approximately 10 years, the pro rata charge of \$103,200 to Profit and Loss Account for this purpose during the fiscal year ended March 31, 1963 being the same as that for the prior year. The unamortized balance carried forward at March 31, 1963 to be written off in future years was \$477,533.

# UNITED FUEL INVESTMENTS, LIMITED

## Income Taxes

While income taxes charged against profits for the year (exclusive of taxes applicable to rebate on gas purchased in prior years) amounted to \$509,000, taxes payable in respect of the year amount to \$257,000 only. The difference of \$252,000 results from claiming for tax purposes capital cost allowances and amortization of natural gas conversion costs in an amount greater than the charges for these purposes for the year recorded in the accounts. This difference, and a further reduction of \$33,500 in income taxes otherwise payable arising from additional depreciation claimed for 1962 under income tax incentive legislation, together with similar tax reductions for prior years amounting to \$1,186,200, is applicable to those future periods when the total depreciation and amortization of natural gas conversion costs recorded in the accounts will be greater than the amounts which may be claimed for tax purposes. The accumulated difference of \$1,471,700 is carried forward on the balance sheet under the caption "Accumulated income tax reductions applicable to future years".

## CONSOLIDATED FINANCIAL POSITION

At March 31, 1963 current liabilities of the Company were \$3,974,221 in excess of current assets. The following summary indicates the receipts and disbursements of working capital during the fiscal year ended March 31, 1963:

### RECEIPTS OF WORKING CAPITAL:

Net earnings for the year and special credit as shown on consolidated statement of profit and loss . . . . .	\$ 502,555	
Amounts charged to earnings for depreciation and amortization which do not represent cash outlay . . . . .	823,883	
Reduction in income taxes payable resulting from claiming for tax purposes capital cost allowances and natural gas conversion costs in an amount greater than the depreciation and amortization recorded in the accounts . . . . .	285,500	\$1,611,938
Decrease in prepaid expenses and deferred charges . . . . .		8,240
Total working capital made available . . . . .		<u>\$1,620,178</u>

### DISBURSEMENTS OF WORKING CAPITAL:

Gross expenditures on Property Account, less salvage . . . . .	\$3,040,223	
Dividends on Class "A" Preference Shares paid or provided for . . . . .	270,000	
Retirement of funded debt . . . . .	193,000	
Net increase in mortgages receivable . . . . .	93,614	
Increase in deposit with trustee for bondholders . . . . .	41,715	3,638,552
Resulting in disbursements of working capital exceeding receipts of working capital by . . .		<u>\$2,018,374</u>
Excess of current liabilities over current assets at beginning of year . . . . .		1,955,847
Excess of current liabilities over current assets at end of year . . . . .		<u><u>\$3,974,221</u></u>

# UNITED FUEL INVESTMENTS, LIMITED

Property Account expenditures during the year, net of salvage, consisted of:

Additions to and extensions of property . . . . .	\$1,680,434	
Replacements and renewals of property . . . . .	<u>1,359,789</u>	
Total expenditures . . . . .		<u>\$3,040,223</u>

The Property Account charges referred to above and after allowing for retirements and disposals, resulted in the gross book value of Property Account increasing during the year by \$2,515,981 to a total of \$22,881,993.

Total expenditure on Property Account, net of salvage, for the prior fiscal year ended March 31, 1962 was \$3,430,885.

During the year, four quarterly dividends of 75 cents per share on the Class "A" 6% Cumulative Preference Shares were declared payable on July 2, 1962, October 1, 1962, January 2, 1963 and April 1, 1963, being a total of \$3.00 per share and representing an aggregate declaration of \$270,000 on the 90,000 outstanding shares.

## PERSONNEL

At March 31, 1963 the Company had a staff of 465 regular employees, a decrease of 34 as compared with the previous year. In addition, throughout the year there were varying numbers of temporary employees on staff to assist mainly with construction work. For all these employees, wage and salary payments during the 1963 fiscal year totalled \$2,370,815, or \$68,137 over the prior fiscal year. The Company's contributions to the contributory pension and group insurance plans totalled \$121,789 in the 1963 fiscal year.

On-the-job employee training programs were continued throughout the year. These programs enable employees to improve their technical skills and keep abreast of the latest industry techniques, thus permitting them to better perform their tasks and assisting them to qualify for positions of greater responsibility. This training also impresses on the employees the necessity to carry out their duties at all times in a safe, efficient and courteous manner.

## FUTURE OF UNITED FUEL INVESTMENTS, LIMITED

In the Annual Report of the Company for the fiscal year ended March 31, 1961 the Shareholders were advised that there had been filed by United Fuel in the Supreme Court of Ontario a petition for an order directing that United Fuel be wound up under the provisions of the Winding-Up Act of Canada. In July 1961 the Court dismissed the petition.

United Fuel appealed to the Court of Appeal of Ontario and on December 14, 1961 that Court unanimously allowed the appeal and directed that United Fuel be wound up. The Clarkson Company Limited was appointed as provisional liquidator.

Subsequently two holders of Class "B" Preference Shares obtained leave to appeal to the Supreme Court of Canada. United Fuel then instructed its solicitors to move to quash the proposed appeal on the ground of lack of jurisdiction of the Supreme Court of Canada, but such motion was denied by that Court.

Consequently the appeal was heard on the merits by the Supreme Court of Canada at the 1962 Fall Sittings. Judgment on the appeal was reserved and is still pending.



# UNITED FUEL INVESTMENTS, LIMITED

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## GENERAL

It is with deepest sorrow that we record the death on November 22, 1962 of Mr. Thomas Pates Pinckard, General Manager of United Gas Limited for the past 30 years and also of United Fuel Investments, Limited in recent years. A highly respected citizen of the City of Hamilton and long active in public affairs, the late Mr. Pinckard served on various governmental committees at the federal as well as the local municipal level, and was a past president of The Canadian Gas Association and of the Hamilton Chamber of Commerce. His many constructive contributions to the Company and the gas industry, his counsel and experience will long be remembered.

Property Account expenditures for the fiscal year commenced April 1, 1963 as presently contemplated are estimated to cost \$2,600,000. Pending completion of permanent financing it is planned that these expenditures will be financed from working capital to be made available from operations and from additional advances to be received from Union Gas Company of Canada, Limited.

The Ontario Energy Board, among other things, is charged with the responsibility of determining that rates of charges for gas distribution in Ontario are fair and equitable. Over the past several months, and on direction of the Ontario Energy Board, the rates being charged by United Gas Limited for gas supplied throughout its entire service area have been the subject of a public hearing before that Board to determine whether or not they meet the fair and equitable requirement. The hearing was completed in April 1963 and the decision of the Board is still pending.

Your Directors record their thanks for the continued effective contribution of all employees to the maintenance of excellent service to all customers.

On behalf of the Board of Directors,

DAVID P. ROGERS,  
*President*

United Fuel Investments, Limited  
(Incorporated under the laws of Canada)  
and its wholly-owned subsidiary

CONSOLIDATED BALANCE SHEET MARCH 31, 1963  
(with comparative figures at March 31, 1962)

ASSETS	March 31, 1963	March 31, 1962
PROPERTIES:		
Distribution systems, transmission lines, land, buildings, equipment, franchises, rights, etc.—at cost . . . . .	\$22,881,993	\$20,366,012
Less accumulated depreciation . . . . .	2,947,432	2,763,711
	<u>\$19,934,561</u>	<u>\$17,602,301</u>
Premium paid on acquisition of subsidiary company . . . . .	1,255,831	1,255,831
	<u>\$21,190,392</u>	<u>\$18,858,132</u>
CURRENT:		
Cash . . . . .	\$ 310,849	\$ 68,313
Accounts receivable . . . . .	2,380,025	1,834,742
Inventories of merchandise and stores valued at the lower of cost or market . . . . .	483,709	522,305
	<u>\$ 3,174,583</u>	<u>\$ 2,425,360</u>
DEFERRED AND OTHER ASSETS:		
Funds on deposit with trustee for bondholders . . . . .	\$ 133,242	\$ 91,527
Mortgages receivable . . . . .	360,624	267,010
Prepaid expenses and deferred charges . . . . .	45,178	53,418
Balances to be amortized in future years:		
Natural gas conversion costs . . . . .	477,533	580,733
Discount and expenses on issue of funded debt . . . . .	121,980	134,700
	<u>\$ 1,138,557</u>	<u>\$ 1,127,388</u>
On behalf of the Board:		
DAVID P. ROGERS, <i>Director</i>		
ROLAND L. O'BRIAN, <i>Director</i>		
	<u>\$25,503,532</u>	<u>\$22,410,880</u>

LIABILITIES	March 31, 1963	March 31, 1962
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock (note 2)—		
Class "A" 6% cumulative preference shares of \$50 each—		
Authorized and issued—90,000 shares . . . . .	\$ 4,500,000	\$ 4,500,000
Class "B" non-cumulative preference shares of \$25 each—		
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
Contributed surplus arising from discount on redemption of Class "B" preference shares	417,220	417,220
Accumulated earnings retained for use in the business . . . . .	4,173,583	3,941,028
	<u>\$10,883,028</u>	<u>\$10,650,473</u>
<b>FUNDED DEBT:</b>		
5¼% first mortgage sinking fund bonds of United Gas Limited due October 1, 1977—		
Originally authorized and issued—\$6,500,000		
Outstanding . . . . .	\$ 6,000,000	\$ 6,193,000
<b>DEFERRED:</b>		
Accumulated income tax reductions applicable to future years (note 3) . . . . .	\$ 1,471,700	\$ 1,186,200
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued charges . . . . .	\$ 1,388,650	\$ 1,247,800
Dividend payable . . . . .	67,500	67,500
Income and other taxes payable . . . . .	295,197	174,570
Accrued interest on bonds . . . . .	157,500	162,566
	<u>\$ 1,908,847</u>	<u>\$ 1,652,436</u>
Owing to Union Gas Company of Canada, Limited . . . . .	5,239,957	2,728,771
	<u>\$ 7,148,804</u>	<u>\$ 4,381,207</u>
	<u>\$25,503,532</u>	<u>\$22,410,880</u>

United Fuel Investments, Limited and its wholly-owned subsidiary  
**STATEMENT OF CONSOLIDATED PROFIT AND LOSS**  
**AND ACCUMULATED EARNINGS RETAINED FOR USE IN THE BUSINESS**  
**FOR THE YEAR ENDED MARCH 31, 1963**  
*(with comparative figures for 1962)*

	Year ended March 31	
	<u>1963</u>	<u>1962</u>
<b>OPERATING REVENUE AND OTHER INCOME:</b>		
Gross revenue from gas sales . . . . .	\$11,474,394	\$ 9,684,291
Other operating income . . . . .	225,873	191,931
Investment income . . . . .	13,060	6,398
Profit on sale of land . . . . .	—	36,501
	<u>\$11,713,327</u>	<u>\$ 9,919,121</u>
<b>OPERATING EXPENSES AND INTEREST:</b>		
Operating and maintenance costs exclusive of items shown separately below . . . . .	\$ 9,571,653	\$ 8,144,755
Depreciation (note 6) . . . . .	505,742	447,226
Amortization of natural gas conversion costs . . . . .	103,200	103,200
Bond and other interest including bond discount and expense amortized . . . . .	581,096	422,499
	<u>\$10,761,691</u>	<u>\$ 9,117,680</u>
PROFIT BEFORE INCOME TAXES . . . . .	\$ 951,636	\$ 801,441
INCOME TAXES (note 3) . . . . .	509,000	396,500
NET PROFIT FOR YEAR . . . . .	<u>\$ 442,636</u>	<u>\$ 404,941</u>
<b>SPECIAL CREDIT:</b>		
Rebate on cost of gas purchased in prior years . . . . .	\$ 119,919	
Income taxes thereon . . . . .	60,000	
	<u>\$ 59,919</u>	—
NET PROFIT FOR YEAR AND SPECIAL CREDIT . . . . .	\$ 502,555	\$ 404,941
ACCUMULATED EARNINGS RETAINED FOR USE IN THE BUSINESS AT BEGINNING OF YEAR . . . . .	3,941,028	3,806,087
	\$ 4,443,583	\$ 4,211,028
Deduct dividends declared on Class "A" 6% preference shares . . . . .	270,000	270,000
ACCUMULATED EARNINGS RETAINED FOR USE IN THE BUSINESS AT END OF YEAR . . . . .	<u>\$ 4,173,583</u>	<u>\$ 3,941,028</u>

United Fuel Investments, Limited  
NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS MARCH 31, 1963

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(1) Winding-up of company—

At a special general meeting held on November 8, 1960, the shareholders of the company entitled to vote passed a resolution requiring United Fuel Investments, Limited to be wound up under the provisions of the Winding-Up Act of Canada. The application to the Supreme Court of Ontario in the first instance was dismissed but a subsequent appeal by the company to the Court of Appeal of Ontario was allowed and on December 14, 1961 a provisional liquidator was appointed. Subsequently two holders of Class "B" preference shares appealed this decision to the Supreme Court of Canada. Judgment was reserved and is still pending.

(2) Capital stock—

(a) Class "A" preference shares:

- (i) The Class "A" shares are entitled to a fixed cumulative preferential cash dividend at the rate of 6% per annum. No dividends are in arrears.
- (ii) The company may at any time purchase in the market any Class "A" shares outstanding at a price not exceeding \$60 per share and unpaid dividends and cost of purchase.
- (iii) The company pursuant to resolution of its Board of Directors may on any dividend payment date redeem the whole or any part of the then outstanding Class "A" shares for the sum of \$60 per share together with unpaid dividends.
- (iv) On a voluntary liquidation, dissolution, winding-up or distribution of the assets of the company the holders of the Class "A" shares shall receive the amount paid up on the shares (\$50 per share) together with unpaid dividends and an additional amount of \$10 per share before the holders of any Class "B" shares or common shares shall be entitled to any repayment, but shall not have the right to any further participation in the assets of the company.

(b) Class "B" preference shares:

- (i) Subject to the rights of the holders of Class "A" shares, the moneys of the company which the directors may properly determine to distribute in any year by way of dividend shall be distributed among the holders of Class "B" shares and common shares pro rata according to the number of shares held.
- (ii) The company may at any time purchase in the market any Class "B" shares outstanding at a price not exceeding \$30 per share and cost of purchase.
- (iii) On a voluntary liquidation, dissolution, winding-up or distribution of the assets of the company the holders of the Class "B" shares shall receive the amount paid up on the shares (\$25 per share) and an additional amount of \$5 per share before the holders of any common shares shall be entitled to any repayment, but shall not have the right to any further participation in the assets of the company.

(c) Common shares:

The common shares are the only voting shares of the company except that in the event of the dividends on the Class "A" shares being in arrears to the extent of eight quarterly dividends, then the holders of such Class "A" shares shall be entitled to vote as a class to elect two directors of the company. This event has never occurred.

(3) Accumulated income tax reductions—

As a result of claiming allowances for income tax purposes in excess of the recorded depreciation and amortization of natural gas conversion costs, income taxes payable will be less than the current year's provisions by \$252,000 (\$213,500 in 1962). This amount and a further reduction of \$33,500 in income taxes otherwise payable arising from

United Fuel Investments, Limited  
NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS MARCH 31, 1963

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additional depreciation claimed for 1962 under income tax incentive legislation, are included in the balance sheet in the item "Accumulated income tax reductions applicable to future years".

(4) Principal natural gas contract—

By contract dated December 2, 1957, United Gas Limited, a wholly-owned subsidiary company, has agreed to purchase from Ontario Natural Gas Storage and Pipelines Limited annual amounts of natural gas ranging from 9.5 billion cubic feet in the calendar year 1963 to 14.5 billion cubic feet in the calendar year 1970 and subsequent years. United Gas Limited is obliged to take or in any event to pay for a minimum of 75% of the stipulated volume for each contract year.

(5) Capital expenditures—

Capital expenditures of approximately \$2,600,000 for United Gas Limited have been authorized by the directors for the fiscal year ending March 31, 1964.

(6) Depreciation—

Total depreciation provided for the year ended March 31, 1963 amounted to \$720,886 (\$612,938 in 1962). Of this amount, \$505,742 was charged directly as an operating expense and the remainder of \$215,144 was allocated partly to sundry expense accounts and partly to property accounts.

(7) Statutory information—

The expenditures of the year ended March 31, 1963 include remuneration of directors (other than executive officers) \$6,050, payments to legal advisers, \$45,238, and remuneration of executive officers, \$37,344.

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**AUDITORS' 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 subsidiary as at March 31, 1963 and the statement of consolidated profit and loss and accumulated earnings retained for use in the business 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 and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and statement of consolidated profit and loss and accumulated earnings retained for use in the business 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, 1963 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.  
*Chartered Accountants.*

Hamilton, Canada,  
May 9, 1963.



