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UNITED FUEL INVESTMENTS, LIMITED

ANNUAL REPORT

For the Fiscal Year ended March 31, 1961

UNITED FUEL INVESTMENTS, LIMITED

HEAD OFFICE, HAMILTON, ONTARIO

BOARD OF DIRECTORS

R. L. O'BRIAN

F. PALIN, F.C.A.

J. M. PIGOTT

DAVID P. ROGERS

R. L. WARREN

T. WEIR, F.C.A.

OFFICERS

DAVID P. ROGERS, *President*

R. L. O'BRIAN, *Vice-President*

T. P. PINCKARD, *General Manager*

F. PALIN, F.C.A., *Comptroller, Secretary and Treasurer*

W. M. COMMON, *Assistant Secretary and Assistant Treasurer*

V. M. WAGAR, C.A., *Assistant Comptroller and Assistant Treasurer*

* * *

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.

REPORT OF THE BOARD OF DIRECTORS OF

UNITED FUEL INVESTMENTS, LIMITED

ON OPERATIONS FOR THE FISCAL YEAR ENDED MARCH 31, 1961

Hamilton, Ontario
May 9, 1961

To the Shareholders:

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 your Directors for the fiscal year ended March 31, 1961. 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, 1961 with comparative figures for the previous fiscal year, together with the report of your auditors.

As of April 1, 1959 United Gas Limited acquired all of the assets and undertaking of its former wholly-owned subsidiary United Suburban Gas Company, Limited and since that date all gas distribution operations have been carried on in the name of, and are reflected in the operating results of, United Gas Limited. On December 15, 1959 United Fuel Investments, Limited sold its entire holdings of capital stock of Hamilton By Product Coke Ovens, Limited and under the terms of the agreement for sale the profits of the Coke Company after October 31, 1959 were for the account of the purchaser. Thus the revenue and expenses of the Coke Company for the seven months period ended October 31, 1959 are reflected in the comparative figures in this report for the fiscal year ended March 31, 1960.

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.

The net operating results of United Fuel and its subsidiaries, as separate entities and consolidated, for the past two years are summarized as follows:

	Profit for Fiscal Year ended March 31		Increase or *decrease* (−) in
	1961	1960	Profit for 1961
United Fuel Investments, Limited (exclusive of dividends received from subsidiaries)	$ 64,177	$ 30,077	$34,100
United Gas Limited	265,404	214,971	50,433
Hamilton By Product Coke Ovens, Limited	—	30,509*	(−) *30,509*
Consolidated Companies	$329,581	$275,557	$54,024

*Seven months to October 31, 1959

OPERATING RESULTS

Consolidated operating results of the Company for the fiscal year ended March 31, 1961 as compared with the previous fiscal year were as follows:

	Fiscal year ended March 31 1961	1960	Increase or *decrease* (–) for 1961
Gross revenue from sales:			
Gas	$7,730,501	$6,669,922	$1,060,579
Coke and by-products	—	1,655,900	(–) *1,655,900*
Other income	205,080	181,538	23,542
	$7,935,581	$8,507,360	(–)$ *571,779*
Operating and maintenance costs, exclusive of items shown separately below	$6,428,557	$7,015,208	(–)$ *586,651*
Depreciation	374,043	413,251	(–) *39,208*
Amortization of natural gas conversion costs	103,200	103,200	—
Interest on bonds and bank loans and other funded debt charges	348,200	364,144	(–) *15,944*
Total costs and expenses exclusive of income taxes	$7,254,000	$7,895,803	(–)$ *641,803*
Profit before income taxes	$ 681,581	$ 611,557	$ 70,024
Income taxes	352,000	336,000	16,000
Net profit for the year	$ 329,581	$ 275,557	$ 54,024

Gas Sales

Sales of 7.0 billion cubic feet of gas during the fiscal year ended March 31, 1961 reflected an increase of 1.2 billion cubic feet, or approximately 21.4%, over the previous year. As a result of this greater volume, gross revenues from gas sales rose to $7,730,501, an increase of $1,060,579, or 15.9%, over the previous year. The following summary indicates that substantial increases were attained in the volume and value of all classifications of gas sales:

	Volume of gas sales in MCF*			Gross revenue in dollars		
	Year to March 31 1961	% of total	% over previous year	Year to March 31 1961	% of total	% over previous year
Class of customers						
Residential	2,966,745	42.4	13.8	$4,318,321	55.9	11.7
Commercial	992,382	14.2	31.5	1,177,085	15.2	30.8
Industrial	3,044,185	43.4	26.5	2,235,095	28.9	17.5
Total	7,003,312	100.0	21.4	$7,730,501	100.0	15.9

*MCF means thousand cubic feet

The average prices received per MCF of gas sold during the past three years were as follows:

	Fiscal year ended March 31		
	1961	1960	1959
Residential —average price per MCF	$1.46	$1.48	$1.51
Commercial—average price per MCF	1.19	1.19	1.22
Industrial —average price per MCF	.73	.79	.88
Total —average price per MCF	$1.10	$1.16	$1.26

At March 31, 1961 there were 46,551 customers being served, or 841 more than at the close of the previous year.

During the heating season of the fiscal year ended March 31, 1961 the average temperatures prevailing in the service area of the Company were approximately 6% above normal as compared with some 3.4% above normal during the previous fiscal year. When it is considered that approximately 63% of the total volume of residential and commercial gas sales is for space heating purposes, it is quite evident that any significant change from normal in average temperatures has a substantial effect on gross revenues.

Despite the adverse effect of the above normal temperatures on total sales, the larger number of customers using gas for space heating purposes resulted in the following average consumptions per meter being attained:

	Fiscal year ended March 31		
	1961	1960	1959
MCF per residential meter	70.4	62.2	55.8
MCF per commercial meter	268.6	254.3	222.5

These increases in average consumption per meter and the attachment of the additional customers to the lines lessened the adverse effects of the milder weather.

EXPENSES

Total expenses of the Company, exclusive of income taxes, for the fiscal year ended March 31, 1961 amounted to $7,254,000, or $641,803 less than the previous year. This decrease in costs occurred as follows:

Cost of products sold decreased $715,672.

Cost of products sold for the fiscal year ended March 31, 1960 included coke and by-products of the former coking operations valued at $1,347,209. Those products realized $1,655,900 on sale. With the sale of the Coke Company in 1959 no similar costs or revenues are reflected in operations for the fiscal year ended March 31, 1961.

Cost of natural gas purchased for re-sale was higher by $631,537 because of the larger volumes purchased to meet the increased sales demand. Gross revenue from gas sales, however, was higher by $1,060,579.

Distribution, Selling, General and Administrative Expenses increased $129,021.

For the fiscal year ended March 31, 1960 such costs included $117,205 applicable to the Coke Company. Thus for the Company this class of expense increased $246,226 in the fiscal year ended March 31, 1961 as compared with the prior year.

Costs of operating and maintaining the expanded gas plant and extensive rehabilitation costs required on existing plant facilities as the result of the introduction of natural gas; higher labour costs and increased staff required to operate more extensive plant facilities; the necessity to introduce expanded and more aggressive sales and promotional activities to combat greatly intensified efforts in the sales of competitive fuels; rising municipal property tax costs because of higher mill rates and taxes levied on additions to plant, and constantly increasing general costs of doing business all contributed to these increased expenses.

Depreciation decreased $39,208.

Included in depreciation charges for the prior fiscal year was $81,976 applicable to the Coke Company. While this charge was eliminated in the fiscal year ended March 31, 1961, depreciation provided on the properties of United Gas Limited increased $42,768. Provisions for depreciation of the gas properties were made on the same bases as during the prior year, the increased charge arising from the necessity to provide for depreciation on Property Account additions made during the year.

Interest on Bonds and Bank Loans and other Funded Debt Charges decreased $15,944.

Costs for the fiscal year ended March 31, 1960 included $7,673 interest charges on Coke Company bonds. Funded debt retirements, the elimination of bank loans and the charge of $1,491 of interest to construction further reduced interest charges during the 1961 year by $8,271.

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, 1961 being the same as that for the prior year. The unamortized balance carried forward at March 31, 1961 to be written off in future years was $683,933.

Income Taxes.

While income taxes charged against income for the year amounted to $352,000 (as compared with $336,000 for the prior year) the amount of taxes payable in respect of the year ended March 31, 1961 amounts to $125,000. The difference of $227,000 results from claiming for tax purposes total 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, together with similar tax reductions for prior years amounting to $745,700, 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 amounts which may be claimed for tax purposes. Accordingly, the accumulated difference of $972,700 is shown on the balance sheet in the item "Accumulated tax reductions applicable to future years".

CONSOLIDATED FINANCIAL POSITION

At March 31, 1961 consolidated working capital of the Company was $708,719 as compared with $3,190,238 at March 31, 1960. The following summary indicates the receipts and disbursements of working capital during the fiscal year ended March 31, 1961:

Receipts of Working Capital:		
Net earnings for the year as shown on statement of consolidated profit and loss	$ 329,581	
Amounts charged to earnings for depreciation and amortization which do not represent cash outlay	587,783	
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	227,000	$1,144,364
Decrease in prepaid expenses and deferred charges		58,734
Total working capital made available		$1,203,098
Disbursements of Working Capital:		
Gross expenditures on Property Account, less salvage	$3,145,682	
Dividends on Class "A" Preference Shares paid or provided for	270,000	
Retirement of funded debt	146,000	
Advances on mortgages receivable, less repayments	120,164	
Deposit with trustee for bondholders	2,771	$3,684,617
Resulting in a decrease in consolidated working capital during the year of		$2,481,519
Consolidated working capital at beginning of year		3,190,238
Consolidated working capital at end of year		$ 708,719

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

Additions to and extensions of property	$1,985,809	
Replacements and renewals of property	1,159,873	
Total expenditures		$3,145,682

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 $2,724,347 to a total of $17,489,108.

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, 1960, October 1, 1960, January 2, 1961 and April 1, 1961, being a total of $3.00 per share and representing an aggregate declaration of $270,000 on the 90,000 outstanding shares.

PERSONNEL

There was a total of 474 regular employees on the payrolls of the Company at March 31, 1961, an increase of 17 during the year. Wage and salary payments made to employees, including those engaged on a temporary basis during the construction season, totalled $2,112,506 for the year ended March 31, 1961, or $265,278 in excess of the total for the prior year. In addition, the Company contributed $105,052 to the pension and group insurance plans maintained for regular employees and to which the employees also contribute.

The need to carry out their duties with safety and efficiency constantly in mind is impressed on all employees of the Company. In conjunction with this policy the Company has continuing plans for carefully training employees in proper operating, appliance installation and service methods. Employees also participate actively in safety programmes designed to keep them informed on methods of effectively combatting hazards which they may encounter in performing their duties.

FUTURE OF UNITED FUEL INVESTMENTS, LIMITED

In the Annual Report to Shareholders of the Company for the fiscal year ended March 31, 1960 it was pointed out that with the conversion of the entire gas service area to the use of natural gas, the sale of Hamilton By Product Coke Ovens, Limited and the reduction of the function of United Fuel to the point where it is a holding company owning all of the outstanding shares of only one subsidiary, namely, United Gas Limited, it was considered that the main reason for the continued existence of United Fuel no longer existed.

That Annual Report also disclosed the fact that Union Gas Company of Canada, Limited, engaged in the distribution and other phases of the natural gas business, owns all except 93 of the 90,000 outstanding Common Shares (the voting shares) of United Fuel, and that because of the change in status of United Fuel your Directors and Management were discussing with the Directors of Union

Gas ways and means of integrating the operations of Union Gas and United Gas Limited with a view to improving the over-all efficiency. The status of holders of the various classes of stock of United Fuel in the event that such discussions and negotiations should lead to the voluntary liquidation or dissolution of United Fuel was also reviewed in that Report.

At the annual general meeting of shareholders of United Fuel held on July 12, 1960 the Chairman referred to the above-mentioned sections of the 1960 Annual Report and stated that the Directors had re-affirmed their views that because of the facts contained therein the main reason for the continued existence of United Fuel no longer existed. Accordingly, they had concluded that steps should be taken to bring about its dissolution.

That annual meeting was also advised by the Chairman of the recent receipt by United Fuel of notice that Union Gas was about to make offers to all holders of Class "A" and Class "B" Preference Shares of United Fuel to acquire such shares. The Chairman then advised the meeting that following receipt of this notice the Directors decided that commencement of steps for dissolution of United Fuel should be delayed in order to give the Class "A" and Class "B" shareholders of United Fuel a full opportunity to consider and, if they saw fit, to accept the offers to be made to them by Union Gas.

Such offers were made and the records of United Fuel disclose that as a result Union Gas now owns shares of United Fuel as follows:

CLASS OF SHARE OF UNITED FUEL	NUMBER OF SHARES OUTSTANDING	NUMBER OF SHARES OWNED BY UNION GAS	
		TOTAL	% OF SHARES OUTSTANDING
Class "A" 6% Cumulative Preference	90,000	86,814	96.5
Class "B" Non-Cumulative Preference	69,689	47,222	67.8
Common Shares (the voting shares)	90,000	89,907	99.9

At a special general meeting of shareholders of United Fuel duly called for the purpose and held on November 8, 1960, the following resolution was passed by the majority of the votes cast on a poll by the holders of Common Shares (the voting shares) present or represented by proxy at the meeting:

"Be it Resolved that United Fuel Investments, Limited be and it is hereby required to be wound up under the provisions of the Winding-Up Act of Canada."

The Company filed in the Supreme Court of Ontario a petition for a declaration that United Fuel ought to be wound up under the provisions of the Winding-Up Act and for an Order directing the Company to be wound up under the provisions of that Act.

The application of United Fuel was opposed by a group of holders of its Class "B" Preference Shares. Counsel for United Fuel and for the opposing shareholders presented argument to the Court. This argument lasted approximately three days and was concluded on March 1, 1961. Judgement was reserved and is still pending.

GENERAL

The presently contemplated plant extension, improvement and replacement programme of United Gas Limited during the fiscal year commenced April 1, 1961 will require the expenditure of approximately $3,300,000. Pending completion of permanent financing it is planned that these expenditures will be financed from working capital available and to be made available from operations, from bank borrowings and advances from Union Gas Company of Canada, Limited.

Arrangements were recently completed under which during the months of April to October inclusive, 1961, United Gas Limited will make available to one of its customers large volumes of gas for experimental purposes in blast furnace operations. The successful completion of these experiments could result in that company obtaining a market for the sale of large additional volumes of gas. Due to the competitive situation, however, less than the normal unit profit margin would be derived from such sales.

United Gas Limited has continued its plant expansion and renovation programme commenced with the introduction of natural gas a few years ago and, while no new markets were added to the system during the fiscal year ended March 31, 1961, the extension of lines and attachment of additional customers in existing markets resulted in increased volumes of sales as compared with the prior year. However, because it usually takes a few years on a progressive basis before new pipeline facilities contribute fully to the earnings, the full sales volume potential of the new facilities added during recent years has not yet been reached. On the other hand, practically the full amount of expenses (operating, maintenance, interest, depreciation, taxes, etc.) incidental to such facilities accrue from the date they are put into service. The full impact of this plant expansion programme has therefore not as yet been reflected in earnings.

The appreciation of the Board of Directors is expressed to all employees who through their continued loyalty and efficiency throughout the year contributed materially to the maintenance of excellent service to all customers.

On behalf of the Board of Directors,

DAVID P. ROGERS,
President

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, 1961 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, 1961 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 5, 1961.

UNITED FUEL INVESTMENTS, LIMITED
(Incorporated under the laws of Canada)
AND ITS WHOLLY-OWNED SUBSIDIARY

CONSOLIDATED BALANCE

ASSETS

	March 31, 1961	March 31, 1960
PROPERTIES:		
Distribution systems, transmission lines, land, buildings, equipment, franchises, rights, etc.—at cost	$17,489,108	$14,764,761
Less accumulated depreciation	2,712,569	2,658,442
	$14,776,539	$12,106,319
Premium paid on acquisition of subsidiary company	1,255,831	1,255,831
	$16,032,370	$13,362,150
CURRENT:		
Cash	$ 500,772	$ 376,342
Government of Canada bonds and treasury bills at amortized cost which approximates market value, plus accrued interest	—	2,381,195
Accounts receivable less allowance for doubtful accounts	1,307,064	1,163,863
Inventories valued at the lower of cost or market	375,565	558,845
	$ 2,183,401	$ 4,480,245
DEFERRED AND OTHER ASSETS:		
Mortgages receivable	$ 120,164	$ —
Funds on deposit with trustee for bondholders	88,409	85,638
Prepaid expenses and deferred charges	53,317	112,051
Balances to be amortized in future years:		
Natural gas conversion costs	683,933	787,134
Discount and expenses on issue of funded debt	151,320	160,440
	$ 1,097,143	$ 1,145,263
	$19,312,914	$18,987,658

On behalf of the Board:

DAVID P. ROGERS, *Director*
ROLAND L. O'BRIAN, *Director*

SHEET MARCH 31, 1961

(with comparative figures at March 31, 1960)

LIABILITIES

	March 31, 1961	March 31, 1960
Shareholders' Equity:		
Capital stock (note 3)—		
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	3,806,087	3,746,506
	$10,515,532	$10,455,951
Funded Debt:		
5¼% first mortgage sinking fund bonds of United Gas Limited due October 1, 1977—		
Originally authorized and issued—$6,500,000		
Outstanding	$ 6,350,000	$ 6,496,000
Deferred:		
Accumulated income tax reductions applicable to future years (note 4)	$ 972,700	$ 745,700
Current Liabilities:		
Accounts payable and accrued charges	$ 1,077,072	$ 1,014,812
Accrued interest on bonds	166,688	170,520
Income and other taxes payable	163,422	37,175
Dividend payable	67,500	67,500
	$ 1,474,682	$ 1,290,007
	$19,312,914	$18,987,658

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 Year Ended March 31, 1961
(with comparative figures for 1960)

	Year ended March 31 1961	Year ended March 31 1960
PROFIT AND LOSS		
OPERATING REVENUE AND OTHER INCOME:		
Gross revenue from gas sales	$7,730,501	$6,669,922
Coke and by-product sales	—	1,655,900
Other operating income	152,411	145,787
Investment income	52,669	35,751
	$7,935,581	$8,507,360
OPERATING EXPENSES AND INTEREST:		
Operating and maintenance costs exclusive of items shown separately below	$6,428,557	$7,015,208
Depreciation (note 7)	374,043	413,251
Amortization of natural gas conversion costs	103,200	103,200
Bond and other interest including bond discount and expense amortized	348,200	364,144
	$7,254,000	$7,895,803
PROFIT BEFORE INCOME TAXES	$ 681,581	$ 611,557
INCOME TAXES (Note 4)	352,000	336,000
NET PROFIT FOR YEAR (Note 1)	$ 329,581	$ 275,557
ACCUMULATED EARNINGS RETAINED FOR USE IN THE BUSINESS		
Balance at beginning of year	$3,746,506	$4,240,925
Add net profit for year	329,581	275,557
	$4,076,087	$4,516,482
Deduct:		
Dividends declared—		
Class "A" 6% preference shares	$ 270,000	$ 270,000
Class "B" preference shares	—	69,689
Common shares	—	90,000
	$ 270,000	$ 429,689
Deductions resulting from sale of subsidiary	—	340,287
	$ 270,000	$ 769,976
Balance at end of year	$3,806,087	$3,746,506

UNITED FUEL INVESTMENTS, LIMITED

Notes to Consolidated Financial Statements
March 31, 1961

(1) Sale of subsidiary—

On December 15, 1959 the parent company sold all of the outstanding shares of its wholly-owned subsidiary, Hamilton By Product Coke Ovens, Limited. Under the terms of the agreement, the profits of the subsidiary after October 31, 1959 were for the account of the purchaser. The accompanying statement of consolidated profit and loss for the year ended March 31, 1960 included for comparative purposes reflects the profits of the former subsidiary for the seven months ended October 31, 1959.

(2) Winding up of company—

At a special general meeting held on November 8, 1960, the shareholders passed a resolution requiring United Fuel Investments, Limited to be wound up under the provisions of the Winding-Up Act of Canada. The application for winding up has been heard but judgement has been reserved and is still pending.

(3) 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.

Notes to Consolidated Financial Statements
March 31, 1961

(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.

(4) 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 $227,000 ($224,000 in 1960), and accordingly this amount is included in the balance sheet in the item "Accumulated income tax reductions applicable to future years".

(5) 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 7.25 billion cubic feet in the calendar year 1961 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 pay for a minimum of 75% of the stipulated volume for each contract year.

(6) Capital expenditures—

Capital expenditures of approximately $3,300,000 for United Gas Limited have been authorized by the directors for the fiscal year ending March 31, 1962.

(7) Provision for depreciation—

Total depreciation provided for the year ended March 31, 1961 amounted to $478,752 ($471,858 in 1960). Of this amount, $374,043 was charged directly as an operating expense and the remainder of $104,709 was allocated partly to sundry expense accounts and partly to property accounts.

(8) Remuneration of directors, officers and legal advisers—

The expenditures of the year ended March 31, 1961 include remuneration of directors (other than executive officers) $5,975, payments to legal advisers, $18,965, and remuneration of executive officers, $37,325.

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