C

STACK

United Fuel Investments,

Limited

and

Subsidiary Companies

Thirty-First Annual Report

For the Fiscal Year Ended
March 31, 1959

UNITED FUEL INVESTMENTS, LIMITED

AND

SUBSIDIARY COMPANIES

✣ ✣ ✣

Board of Directors

R. L. O'Brian	David P. Rogers
F. Palin, F.C.A.	R. L. Warren
J. M. Pigott	T. Weir, F.C.A.

Officers

David P. Rogers	*President*
R. L. O'Brian	*Vice-President*
T. P. Pinckard	*General Manager of Subsidiaries*
F. Palin, F.C.A.	*Comptroller, Secretary and Treasurer*
K. J. Burnett	*Assistant General Manager of Subsidiaries*
W. M. Common	*Assistant Secretary and Assistant Treasurer*
V. M. Wagar, C.A.	*Assistant Comptroller and Assistant Treasurer*

SUBSIDIARY COMPANIES

United Gas Limited (formerly United Gas and Fuel Company of Hamilton, Limited):
Distributing natural gas in Hamilton, Ontario and through its subsidiary, United Suburban Gas Company, Limited, in Oakville, Burlington, Dundas, Milton, Georgetown, Acton, Waterdown and other territory adjacent to Hamilton, Ontario.

Hamilton By Product Coke Ovens, Limited:
Manufacturing coke and related by-products in Hamilton, Ontario.

As of April 1, 1959 all the assets and undertaking of United Suburban Gas Company, Limited are being acquired by United Gas Limited. Application for surrender of the charter of United Suburban Gas Company, Limited will be made in due course.

Res. - United Fuel Investments, Ltd - Jun. 27 '60

THIRTY-FIRST ANNUAL REPORT

OF THE DIRECTORS OF

UNITED FUEL INVESTMENTS, LIMITED

FOR THE FISCAL YEAR ENDED MARCH 31, 1959

Hamilton, Ontario
June 12, 1959.

To the Shareholders:

During the month of April, 1958 the program commenced in the autumn of 1955 to convert the Company's entire gas distribution system from manufactured to natural gas was completed. Thus operations for the fiscal year ended March 31, 1959 reflect almost an entire year of distribution of only natural gas and the discontinuance of the sale of manufactured gas produced in the coke manufacturing operation.

These major changes in operations resulted in a substantial decrease in consolidated net earnings for the 1959 fiscal year as compared with earnings of recent years, the reduction being approximately as anticipated for the first year of entirely natural gas distribution.

Consolidated net earnings for the fiscal year ended March 31, 1959 were $137,376 as compared with $415,829 for the prior fiscal year, a reduction of $278,453.

The following summary shows the net operating results of United Fuel Investments, Limited, as a separate entity, and of each of its subsidiaries for the past two years.

	Profit or *loss* (−) for fiscal year ended March 31		Increase or *decrease* (−) in profit
	1959	1958	1959 over 1958
United Fuel Investments, Limited (exclusive of dividends received from subsidiaries) . . .	(−) $ *14,929*	(−) $ *52*	(−) $ *14,877*
United Gas Limited and its subsidiary United Suburban Gas Company, Limited	144,064	126,616	17,448
Hamilton By Product Coke Ovens, Limited . .	8,241	289,265	(−) *281,024*
	$137,376	$415,829	(−) $ *278,453*

Since the program of conversion to natural gas commenced, the gas distributing subsidiaries have expended approximately $7,500,000 on Property Account additions and betterments, mainly for construction of feeder lines and extensions of gas distribution pipelines and facilities into areas not previously served with gas. It should be pointed out that the actual volume of new business already attained through such extensions compares quite favorably with the estimates (as published in the prospectus of United Gas Limited dated March 24, 1958) and it is confidently expected that these additional facilities, and further facilities to be installed during the current and future years, will make possible continuing expansion in the volume of gas sales and will result in the attainment over the next few years of additional annual net earnings commensurate with the cost of the new and expanded facilities. In addition, the annual volume of gas sales will be increased through the utilization of larger volumes of gas by existing customers.

Incorporated with this report are the annual financial statements of the Company consolidated with its wholly-owned subsidiaries for the fiscal year ended March 31, 1959, with comparisons for the prior fiscal year and also the Auditors' report thereon.

OPERATING RESULTS

The following summary shows the consolidated results of operations of your Company and its subsidiaries for the fiscal year ended March 31, 1959 as compared with the previous year:

	Fiscal year ended March 31 1959	1958	Increase or *decrease* (−) for 1959
Gross revenue from sales	$8,879,951	$8,329,919	$ 550,032
Other income	95,376	155,267	(−) *59,891*
	$8,975,327	$8,485,186	$ 490,141
Cost of products sold	$5,485,010	$5,312,576	$ 172,434
Distribution, selling, general and administrative expenses	2,100,728	1,692,032	408,696
Depreciation	511,263	430,895	80,368
Amortization of natural gas conversion costs	99,300	20,800	78,500
Interest on bonds and bank loans and other funded debt charges	375,850	113,054	262,796
Total costs and expenses exclusive of income taxes	$8,572,151	$7,569,357	$1,002,794
Profit before income taxes	$ 403,176	$ 915,829	(−) $ *512,653*
Income taxes	265,800	500,000	(−) *234,200*
Net profit for the year	$ 137,376	$ 415,829	(−) $ *278,453*

REVENUES

The following is an analysis of sales by principal products:

	Gross revenue from sales for fiscal year ended March 31, 1959	Increase or *decrease* (−) compared with prior fiscal year Amount	%
Gas sales	$5,401,886	$1,270,170	30.7
Coke sales	3,126,867	(−) *641,596*	(−) *17.0*
Tar and other residuals sales	351,198	(−) *78,542*	(−) *18.3*
	$8,879,951	$ 550,032	6.6

Gas Sales

At March 31, 1959 a total of 44,690 customers were being served, an increase of 2,779 during the year.

With the exception of a relatively small volume of manufactured gas sold in April, 1958, natural gas comprised the total volume of gas sales for the fiscal year ended March 31, 1959. During the previous fiscal year however, considerable volumes of manufactured gas were sold in several markets prior to their conversion to natural gas. The heat content per cubic foot of natural gas is approximately twice that of manufactured gas and in order to obtain more accurate sales volume comparisons of these two products it is necessary to make allowance for this difference in heat content. Accordingly, for the purposes of the following tabulation the volumes of manufactured gas included have been reduced by one-half to place them on a basis comparative with natural gas.

	Volume of gas sales in thousands of cubic feet (natural gas)			Gross revenue in dollars		
	Year to March 31 1959	% of Total	% over previous year	Year to March 31 1959	% of Total	% over previous year
Class of Customers						
Residential .	2,274,731	53.3	60.0	$3,460,086	64.1	44.7
Commercial .	555,473	13.0	35.0	675,630	12.5	11.3
Industrial . .	1,437,008	33.7	39.4	1,266,170	23.4	11.8
	4,267,212	100.0	49.0	$5,401,886	100.0	30.7

The average consumption per residential meter during the fiscal year to March 31, 1959 was 55.8 M.C.F., (thousand cubic feet) compared with 36.6 M.C.F. (natural gas equivalent) for the prior year.

Coke Sales

Because of the limited demand for the standard grades of coke formerly produced in large quantities, the Company continued and expanded its policy commenced a few years ago of producing high quality coke for foundry and metallurgical purposes, with additional ovens being dedicated to such production during the past year. The production time per ton of such coke produced is considerably longer than that required to produce standard quality coke and mainly for this reason coke production for the year was 41,375 tons less than for the prior year. While this high grade coke is readily marketable and demands a premium price over the prices obtainable for standard quality coke, the reduction in volume of coke sales because of the reduced production resulted in gross revenue from coke sales being $641,596, or 17.0%, less than for the previous year.

Residuals Sales

The reduction in tonnage of coke produced decreased the volume of tar and other residuals available for sale. As a result, and because of lower unit sales prices received, gross revenue from sales of such products was reduced by $78,542, or 18.3%.

EXPENSES

Total expenses of the Company, exclusive of income taxes, during the fiscal year ended March 31, 1959 were $8,572,151, an increase of $1,002,794, or 13.2%, over the previous year. This increase in costs occurred as follows:

Cost of products sold increased $172,434.

Cost of natural gas purchased for resale, (including cost of a small volume of manufactured gas produced and sold) was higher by $756,415 because of the larger volumes of gas purchased to meet the sales demand. Gross revenue from gas sales however was higher by $1,270,170.

Cost of coke produced in the Company's ovens and sold decreased $580,431 due to the decreased tonnage produced and sold although, because of the decreased volume of production, the average cost per ton of coke produced was somewhat greater. The cost of all other residuals sold decreased $3,550.

Distribution, Selling, General and Administrative Expenses increased $408,696.

Costs of operating and maintaining the additional gas plant facilities constructed during the past few years and extensive plant rehabilitation costs incurred on existing facilities consequent upon the introduction of natural gas; costs incidental to the increased clerical and administrative staff required to serve adequately the increasing number of customers in a constantly expanding service area; the necessity to effect expanded and more aggressive sales and promotional activities to combat greatly intensified efforts in the sales of competitive fuels, and constantly increasing general costs of doing business, all contributed to these increased expenses.

Depreciation increased $80,368.

Provisions for depreciation were made on the same basis as during the prior year, but because of the substantial Property Account additions made during the year by the Gas Companies, the charge to Profit and Loss Account for this purpose increased $80,368.

Amortization of Natural Gas Conversion Costs increased $78,500.

To complete the conversion to natural gas of appliances in customers' premises previously using manufactured gas, a further amount of $297,034 was spent during the year, thus increasing to $1,020-824 the total amount expended for this purpose since conversion to natural gas was commenced in 1955. These costs are being carried forward as a deferred expense to be amortized over approximately 10 years. The pro rata charge of $99,300 to Profit and Loss Account for this purpose during the fiscal year ended March 31, 1959 was $78,500 greater than for the previous year.

Interest on Bonds and Bank Loans and other Funded Debt Charges increased $262,796.

Interest costs reflect interest accrued on $6,500,000 par value United Gas Limited 5¼% First Mortgage Bonds issued on April 11, 1958, offset in part by reductions in interest costs due to the retirement on the same date of $1,990,000 par value of United Fuel Investments, Limited 4% bonds due December 1, 1959 and reduced bank borrowings. As a result, and after charging $11,051 to Property Account for interest during construction as compared with $25,786 for this purpose during the previous year, the charge to Profit and Loss Account for interest on borrowings and other funded debt costs for the year ended March 31, 1959 was $262,796 greater than for the prior year.

CONSOLIDATED FINANCIAL POSITION

At March 31, 1959 consolidated working capital of the Company was $1,865,579 as compared with an excess of current liabilities over current assets at March 31, 1958 of $380,474. The following summary indicates the receipts and disbursements of working capital during the fiscal year ended March 31, 1959:

Receipts of Working Capital:		
Gross proceeds from sale by United Gas Limited of 5¼% First Mortgage Bonds		$6,500,000
Net earnings for the year as shown on statement of Profit and Loss	$ 137,376	
Add back: Amounts charged to Profit and Loss for depreciation and amortization which did not represent cash outlay	637,854	
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	142,000	917,230
Reduction in amount of funds on deposit with trustee for bondholders		418,564
Reduction in provision for prior years' taxes on income of Coke Company resulting from assessments		70,000
Reduction in inventory of stores and spare equipment		34,119
Total working capital made available		$7,939,913
Disbursements of Working Capital:		
Gross expenditures on Property Account, less salvage	$2,706,733	
Retirement of remaining outstanding First Collateral Mortgage Bonds of United Fuel Investments, Limited	1,990,000	
Dividends on capital stock paid or provided for	429,689	
Natural gas conversion costs	297,034	
Bond issue expenses	159,261	
Increase in prepaid expenses and deferred charges	111,143	5,693,860
Resulting in an increase in consolidated working capital during the year of		$2,246,053
Excess of current liabilities over current assets at beginning of year		380,474
Consolidated working capital at end of year		$1,865,579

To finance Property Account expenditures of the past year, to liquidate bank loans arising from the property expansion program of the previous year, and to provide additional working capital, in April, 1958 United Gas Limited sold $6,500,000 par value 5¼% First Mortgage Sinking Fund Bonds maturing on October 1, 1977. At the same time the then outstanding $1,990,000 par value 4% First Collateral Mortgage Bonds, due December 1, 1959 of United Fuel Investments, Limited were retired and that Company sold its holdings of $500,000 par value 4¼% First Mortgage Bonds, due December 1, 1959 of Hamilton By Product Coke Ovens, Limited. As a result of these transactions the funded debt of United Fuel Investments, Limited and its subsidiaries as at March 31, 1959 was $7,000,000 of which amount $500,000 matures within 12 months of that date and is carried on the consolidated balance sheet as a current liability.

Property Account expenditures during the year were as follows:

Gas Companies:		
Property additions	$2,457,366	
Property replacements	262,599	$2,719,965
Coke Company:		
Property additions	$ 19,751	
Property replacements	12,409	32,160
Gross expenditures on Property Account additions and replacements		$2,752,125
Less: Amounts realized on Property Account items sold or replaced		45,392
Net expenditure on Property Account		$2,706,733

The Property Account expenditures of the Gas Companies were incurred principally on additions to distribution mains, service laterals and meters to make gas available to additional customers throughout the service area. Also, a new Service Centre was constructed to provide urgently needed shop and warehousing space from which service requests of customers, as well as construction projects and merchandising activities, may be handled in a prompt and efficient manner.

Dividends totalling $429,689 were paid on the capital stock of the Company during the year as follows:

Class "A" Cumulative Preference 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 July 2, 1958 on 69,689 shares outstanding	69,689
Common Shares—	
Dividend of $1.00 per share paid July 2, 1958 on 90,000 shares outstanding	90,000
	$429,689

PERSONNEL

The continued expansion of gas distribution facilities required a further increase in the number of regular employees of the Gas Companies, although the revised production schedules of the Coke Company resulted in a substantial reduction in the number of employees of that Company. At March 31, 1959 there were 557 regular employees on the combined payrolls, a decrease of 35 during the year. Wage and salary payments made during the year to all employees, including those employed on a temporary basis during the construction season, totalled $2,254,018 an increase of $212,518 over the previous year. In addition, the Company contributed $169,587 to the pension and group insurance plans maintained for regular employees and to which the employees also contribute.

In conjunction with the Company's consultants, Stone and Webster Canada Limited, a study was recently completed of the organizational structure of the Company and the manner in which it might be improved in the light of the rapid expansion which has been taking place in the Company's operations. Steps have been taken to implement recommendations arising from the study with a view to maximum efficiency in conducting the affairs of the Company and in the development and utilization of managerial and supervisory staff.

GAS SUPPLY

Under the terms of a contract dated November 4, 1955 United Suburban Gas Company, Limited purchased gas from Niagara Gas Transmission Limited for distribution in its own service area as well as in a portion of the area served by United Gas Limited. Deliveries of gas by Niagara Gas Transmission under this contract were to cease when Western Canada natural gas became available in the area.

With the completion on October 27, 1958 of the facilities of Trans-Canada Pipe Lines Limited and their inter-connection with the facilities of Ontario Natural Gas Storage and Pipelines Limited (a wholly-owned subsidiary of Union Gas Company of Canada, Limited) an agreement entered into on December 2, 1957 between Ontario Natural Gas Storage Company and United Gas Limited became operative and on that date deliveries of gas under the Niagara Gas Transmission Agreement ceased. With the exception of a relatively small volume of gas obtained from local production, the entire gas requirements of the Company are now obtained under the contract with Ontario Natural Gas Storage and Pipelines Limited on terms and under conditions more favorable to United Gas Limited than could be obtained from any other source, to meet the requirements of its present and future customers for many years to come.

GENERAL

In the interests of economy of operation and administration, as of April 1, 1959 the assets and undertaking of United Suburban Gas Company, Limited, a wholly-owned subsidiary of United Gas Limited formerly distributing natural gas in such municipalities as Oakville, Georgetown, Milton, Acton, Burlington, Dundas, Stoney Creek and adjacent townships, are being acquired by United Gas Limited and henceforth operations in the territories previously served by United Suburban Gas Company, Limited will be carried on in the name of United Gas Limited. Application for surrender of the charter of United Suburban Gas Company, Limited will be made in due course.

With adequate supplies of natural gas now available to the Company over a long-term period, it is anticipated that during the current fiscal year, and for several years to come, the Company will continue its plant expansion program and make gas available in as many additional sections of its franchise areas as warranted. The presently contemplated plant extension and improvement program of United Gas Limited for the fiscal year commenced April 1, 1959 will require the expenditure of approximately $3,000,000. Methods of financing such expenditures are currently under review.

The need to make expenditures on plant facilities a considerable length of time before the ultimate revenues can be derived therefrom although operating, maintenance and finance costs accrue thereon from the date of installation; the necessity to spend larger sums on the maintenance and repair of pipeline facilities, particularly those which have been in service for a great many years, in order that they may function in a safe and adequate manner as the volume of gas throughput increases; the need to increase promotional expenditures to counteract the aggressive sales efforts of competitive fuels, and constantly increasing costs of labour, materials, money and taxation all will affect the current and future earnings of the Company. However, your Directors are confident that the demands for natural gas throughout the area served by the Company will continue to increase at least to the extent contemplated prior to conversion to natural gas and that such increasing sales will be reflected in improved earnings of the Company.

The Company is continuing to operate the coke manufacturing facilities to produce high quality foundry and metallurgical coke, although it is anticipated that such operations will return only a limited portion of future net earnings of the Company.

The appreciation of the Board of Directors is expressed to all employees of the Company who through their continued loyalty and efficiency during another year of major expansion of facilities 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 subsidiaries as at March 31, 1959 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 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, 1959 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 25, 1959.

UNITED FUEL INV

(*Incorporated under th*

AND ITS WHOLLY

Consolidated

MARCH

(*with comparativ*

ASSETS

	March 31, 1959	March 31, 1958
PROPERTY (note 1):		
Distribution systems, transmission lines, land, buildings, franchises, rights, coke and gas manufacturing plants, etc.—at cost	$18,945,678	$16,509,435
Less accumulated depreciation	8,272,856	8,032,083
	$10,672,822	$ 8,477,352
Premium paid on acquisition of subsidiary companies	4,079,955	4,079,955
	$14,752,777	$12,557,307
CURRENT:		
Cash	$ 1,119,427	$ 145,293
Accounts receivable less allowance for doubtful accounts	1,177,206	929,533
Inventories valued at the lower of cost or market	1,198,050	828,724
Income taxes recoverable	17,419	296,817
	$ 3,512,102	$ 2,200,367
DEFERRED AND OTHER ASSETS:		
Stores and spare equipment	$ 130,441	$ 164,560
Funds on deposit with trustee for bondholders		418,564
Prepaid expenses and deferred charges	161,329	50,186
Balances to be amortized in future years:		
Natural gas conversion costs	892,624	694,890
Discount and expenses on issue of funded debt	169,320	37,350
	$ 1,353,714	$ 1,365,550
	$19,618,593	$16,123,224

Approved on behalf of the Board:

DAVID P. ROGERS, *Director*

ROLAND L. O'BRIAN, *Director*

ESTMENTS, LIMITED

aws of Canada)

OWNED SUBSIDIARIES

Balance Sheet

1, 1959

gures for 1958)

LIABILITIES

	March 31, 1959	March 31, 1958
SHAREHOLDERS' EQUITY:		
Capital (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	4,240,925	4,463,238
	$10,950,370	$11,172,683
FUNDED DEBT (note 3)	$ 6,500,000	$ 1,990,000
DEFERRED:		
Accumulated tax reductions applicable to future years (note 4)	$ 521,700	$ 379,700
CURRENT LIABILITIES:		
Bank indebtedness		$ 1,548,131
Accounts payable and accrued charges	$ 824,752	643,956
Accrued interest on bonds	177,705	26,170
Income and other taxes payable	76,566	295,084
Dividend payable	67,500	67,500
Funded debt of subsidiary maturing December 1, 1959 (note 3).	500,000	
	$ 1,646,523	$ 2,580,841
	$19,618,593	$16,123,224

UNITED FUEL INVESTMENTS, LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARIES

Statement of Consolidated Profit and Loss and Accumulated Earnings Retained for use in the Business

for Year Ended March 31, 1959
(with comparative figures for 1958)

PROFIT AND LOSS

	1959	1958
OPERATING REVENUE AND OTHER INCOME:		
Gross revenue from sales	$8,879,951	$8,329,919
Other income	95,376	155,267
	$8,975,327	$8,485,186
OPERATING EXPENSES AND INTEREST:		
Cost of products sold	$5,485,010	$5,312,576
Distribution, selling, general and administrative expenses	2,100,728	1,692,032
Depreciation	511,263	430,895
Amortization of natural gas conversion costs	99,300	20,800
Bond and other interest including bond discount and expense amortized (less interest charged to construction in 1959, $11,051; in 1958, $25,786)	375,850	113,054
	$8,572,151	$7,569,357
PROFIT BEFORE INCOME TAXES	$ 403,176	$ 915,829
INCOME TAXES (note 4)	265,800	500,000
NET PROFIT FOR YEAR	$ 137,376	$ 415,829

ACCUMULATED EARNINGS RETAINED FOR USE IN THE BUSINESS

	1959	1958
Balance at beginning of year	$4,463,238	$4,477,098
Net profit for year	137,376	415,829
Provision for taxes on income in prior years, no longer required	70,000	
	$4,670,614	$4,892,927
Dividends declared—		
Class "A" 6% preference shares	$ 270,000	$ 270,000
Class "B" preference shares	69,689	69,689
Common shares	90,000	90,000
	$ 429,689	$ 429,689
Balance at end of year	$4,240,925	$4,463,238

UNITED FUEL INVESTMENTS, LIMITED

Notes to Consolidated Financial Statements
March 31, 1959

(1) Capital expenditures—

Capital expenditures of approximately $3,000,000 are presently contemplated for the fiscal year ending March 31, 1960.

(2) Capital stock—

The Class "A" preference shares are redeemable at the option of the company or by purchase in the open market for cancellation at a price not exceeding $60.

The Class "B" preference shares are non-voting and have a preference only on winding up. They participate pro-rata with the common shares in any payment of dividends over and above the cumulative preferential dividends payable on the Class "A" preference shares. The Class "B" preference shares are redeemable only through purchase for cancellation by the company in the open market at a price not exceeding $30.

(3) Funded debt—

At March 31, 1959—

5¼% first mortgage sinking fund bonds of United Gas Limited, due October 1, 1977, authorized and issued during the year .	$6,500,000
4¼% first mortgage bonds of Hamilton By Product Coke Ovens, Limited due December 1, 1959 (sold by United Fuel Investments, Limited during year ended March 31, 1959 to a subsidiary of Union Gas Company of Canada, Limited) . .	$ 500,000

At March 31, 1958—

First collateral mortgage 4% sinking fund bonds Series "A" due December 1, 1959 (redeemed during year ended March 31, 1959)	$1,990,000

(4) Accumulated tax reductions—

While income taxes are provided in the accounts in the amount of $265,800 ($500,000 in 1958) the taxes actually payable are less than this amount by $142,000 ($314,000 in 1958). This results from claiming allowances for tax purposes in excess of the depreciation of fixed assets and amortization of natural gas conversion costs recorded in the accounts. These amounts and similar reductions of previous years, aggregating $521,700, will be restored to income in those future years when the relative amounts recorded in the accounts will be greater than the amounts which may be claimed for tax purposes and are included in the balance sheet in the item "Accumulated tax reductions applicable to future years."

(5) 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 5 billion cubic feet in the calendar year 1959 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) Remuneration of directors, officers and legal advisers—

The expenditures of the year ended March 31, 1959 include remuneration of directors (other than executive officers) $8,800, payments to legal advisers, $12,984, and remuneration of executive officers, $42,300.