SCOTIA FINANCING.

New Bond Issue—Present Arrangements Will Obviate Necessity of Further Financing for Several Years.

With all the capital required for some time on hand, unissued securities in the treasury sufficient to realize all the money that will be needed for many years, and a saving effected in fixed charges equivalent to a dividend of one and one half per cent. on the common stock, the financial position of the Nova Scotia Steel and Coal Company has been immensely improved by its recent re-financing operations.

At a recent meeting of the bondholders in Halifax, they approved of proposals of the directors making £300,000 of the bonds payable in even sterling currency. These are the bonds recently sold by the company in London. The bonds will be listed on the London Exchange by the purchasers.

Redemption of Bonds

The main feature of the re-financing was the redemption of the outstanding issues of bonds and the issue of new bonds and debenture stock at lower rates of interest to replace the old bonds and furnish new money. This has been successfully concluded within the past year, and from an authoritative source The Monetary Times has secured the following details, showing exactly what has been accomplished.

The company has sold and disposed of $4,960,000 bonds (including the £300,000 recently disposed of in London) and $1,000,000 of debenture stock. These securities, aggregating $5,960,000, were sold at an average of a little over 93½, and netted the company $5,572,849. There are still in the treasury unsold $1,040,000 of the 5 per cent. bonds and the company has power to issue $6,030,000 further debenture stock, so that the future wants of the company are amply provided for.

Of the $5,572,849 secured by the issue of these new securities already sold, $3,884,100 was paid to redeem the outstanding issues of bonds, leaving a balance of $1,688,749 new money. The result shows a great saving in fixed charges.

Six Per Cent. on Debentures

The new bonds are five per cent., 50-year, with one half of one per cent. sinking fund; the yearly charge for interest and sinking fund being $272,800. On the one million dollars of debenture stock, the company pays six per cent. or $60,000, making the total yearly fixed charges on bonds and debenture stock issued $332,800. Formerly, with only $3,531,000 of bonds outstanding, the company paid eight per cent. on $4,000,000 of bonds (based on 6 per cent. interest and 2 per cent. sinking fund on the original mortgage) a total of $320,000 annually. The company has therefore secured $1,688,749 additional capital, and has only increased its fixed charges by $12,800 per annum. If this additional $1,688,749 had been borrowed at the rate previously paid the banks, the interest on it would have amounted to $101,324.94, so that under the new financial arrangements, the company really saves in fixed charges per year $88,524.94.

The improved financial position of the company is shown by the fact that in 1904, the company sold its consolidated six per cent. bonds at 87⅜, making the interest charge 6.86 per cent. for its money. Now, its five per cent. have been sold at 93½, making the interest rate 5.35 per cent., or, a saving in interest of over 1½ per cent. per annum. This showing reflects great credit on the president and directors; and it is safe to say that few, if any, industrial companies in Canada have ever made better financial arrangements than those secured by the Nova Scotia Steel Company.

Saved for Common Stockholders

In making this statement, the fact is not overlooked that the company had to pay a premium of 10 per cent. on the bonds redeemed, but the saving in fixed charges of $88,524.94 per year will pay off this amount, as well as the discount on the new securities in five to six years. Thereafter, the $88,524.94 will be saved for the holders of common stock. The whole premium of ten per cent. paid to redeem the old bonds cannot, however, properly speaking, be considered as a loss, because as a matter of fact the company always had to pay from 105 to 109 for its first mortgage bonds for sinking fund purposes, and also had to pay some premium on its consolidated bonds, and if these bonds had not been called, the company would, no doubt, have been obliged in the near future to pay something very near 110 for all the bonds required for sinking fund purposes.

An alternative plan suggested to, but rejected by, the directors, was to allow the two old issues of bonds to remain outstanding, and secure the money required by an issue of six per cent. debenture stock at 90. Had this plan been followed the fixed charges would have been as follows:

$4,000,000 @ 8 per cent.	$320,000	
$1,876,388 (the sum required to be sold at 90 to produce $1,688,749) @ 6 per cent.	112,583	
		$432,583

Under the plan adopted, the fixed charges are:—

$4,960,000 @ 5½ per cent.	$272,800	
$1,000,000 @ 6 per cent.	60,000	
		332,800
A saving in fixed charges of		$ 99,783

Third Mortgage Security

This yearly saving in fixed charges of $99,783 is equal to more than 1½ per cent. dividend on the common stock of the company.

Even assuming that this debenture stock would have realized 93½, the saving in the plan adopted would still be over 1½ per cent. per annum. Considering that with two issues of bonds outstanding, it would be but a third mortgage security, it is doubtful if more than 90 would have been realized for it. When the plan was considered, 90 was mentioned as the best price which could be obtained.

The saving of practically $100,000 per year has greatly improved the position of the holders of common stock and has greatly enhanced its value.

No Further Financing Yet

Another strong and perhaps a more important feature in favor of the plan adopted over that proposed, of allowing the old bonds to stand and issuing debenture stock, is that the company would have had practically no securities in the treasury to raise capital for future requirements, and further financing would have been necessary in a few years. By the plan followed, the company has $1,040,000 of bonds in the treasury and can issue $6,030,000 further debenture stock as the needs of the company demand, so that the company will require no further financing for many years. By thus providing for the future, the directors have shown good judgment.

The failure of the company to pay dividends in the past, it is claimed, has been due to the fact that no means were available for meeting necessary capital expenditure. The average earnings in the past eight years have been 8 per cent. on its capital, but as the company had to spend a considerable portion of its earnings on capital account, the directors could not also pay dividends. Now that provision has been made for raising money for all the capital expenditure which may reasonably be expected for many years, the net earnings of the company, after providing for reasonable reserve requirements, may be used to pay dividends.

The plan adopted unanimously by the board and carried out so successfully, was that proposed by President Harris, and he and his co-directors are certainly entitled to the thanks of the shareholders for the very satisfactory results achieved.

LONDON AND LANCASHIRE FIRE INSURANCE COMPANY.

That the directors of the London and Lancashire Fire Insurance Company have decided to increase the interim dividend, payable in November next, by 2 s. per share, is shown in the report of Mr. F. W. P. Rutter, general manager and secretary, as presented to the shareholders at the annual meeting, held in Liverpool, England, on April 27 last. The surplus available for distribution by the London and Lancashire at end of year was £479,930, this including £252,661 brought forward from 1908. Out of this was paid dividends amounting to £84,520, or 16 s. per share, while £10,000 was transferred to the staff pension fund, and the remaining balance of £417,105 carried forward to next year. The financial position of this company is in every way satisfactory there being a reserve fund of £750,000, while the paid-up capital amounts to only £264,125.

The different funds are shown to be in a healthy state, there being £595,000 standing at credit of the fire fund, while the accident fund amounts to £205,000, and the marine fund to £134,025. Other liabilities include £246,444 for losses in course of adjustment, and balance of reinsurance accounts with other companies, £242,615, and the foreign balances and sundry creditors to £258,901. The principal asset of the London and Lancashire is railway bonds, there being £767,303 invested in these securities, while United States Government, State and municipal bonds are held to the extent of $258,986, the total assets amounting to £3,244,731. The above figures are the outcome of a satisfactory year's business, and with the intended increase in dividend, coupled with the conservative and careful financial handling of the company's affairs, the shareholders have reason to be satisfied. Mr. Alfred Wright is the well-known Canadian manager of the company.

By the aid of a first class map of Winnipeg Messrs. Oldfield, Kirby & Gardner, of that city, have succeeded in bringing to public notice the real estate held by them for sale. The map is one of McPhillips' regulation publications, and is well marked, being of great commercial value to those interested in the Western metropolis.