PROFIT AND LOSS ACCOUNT—

Consolidated Credit as at 30th June, 1919		$ 2,368,222.72	
Add Net Profit for the Year		2,202,069.52	
		$ 4,570,292.24	
Less Preferred Stock Dividend, representing accumulated Dividend on 7% Preferred Stock from 1st July, 1913, to date, and share thereof (10%), payable to Bondholders	$2,871,493.41		
Transferred to Bond Sinking Fund Reserve	638,000.00		
		3,509,493.41	
			$ 1,060,798.83
Contingent Liabilities	$ 60,937.00		
Total Liabilities			$37,348,390.26

We have audited the books and accounts of The Spanish River Pulp & Paper Mills, Limited, and of its subsidiary, the Lake Superior Paper Company, Limited, for the year ending 30th June, 1920, and certify that the above Consolidated Balance Sheet is properly drawn up and shows a true and correct view of the state of the combined Companies' affairs and the results of the operations for the year as shown by the books, and according to the best of our knowledge and the explanations given us.

All our requirements as Auditors have been complied with.

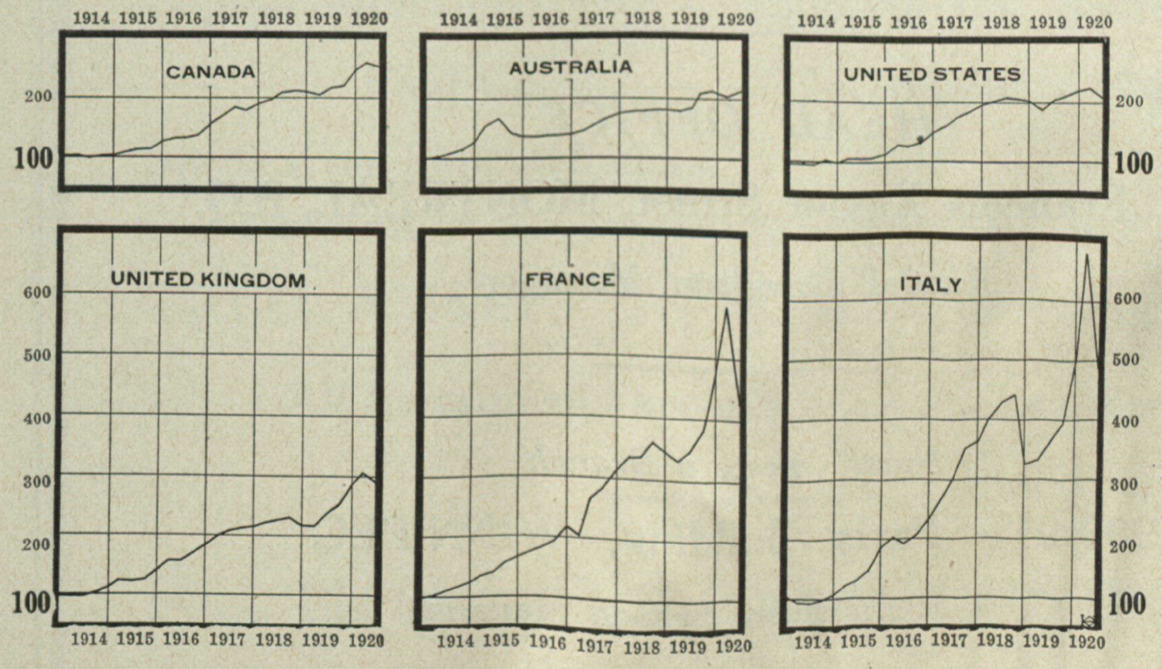
PRICE, WATERHOUSE & CO.,
27th August, 1920. Chartered Accountants.
250

MOVEMENT OF WHOLESALE PRICES

"Wholesale prices continue to decline," says the Bank of Commerce Letter for September, "but in Canada, the changes recorded are slight. Food prices remain firm, and those for manufactured necessities, such as clothing, while slightly lower, are not expected to recede to any great extent. Increasing labor, transportation and other costs largely offset the decrease in the price of wool, hides and other raw materials. At present, industry is more settled than has been the case for some time, and the labor supply has improved. These are conditions which conduce materially to efficiency, but as yet the volume of production is not such as to cause much change in the present scale of prices. Changes to conform with the general movement towards credit deflation are desirable, but precipitate declines would create business dislocation."

The accompanying graphs indicate wholesale price movements in various parts of the world during the last seven years.

WHOLESALE PRICES.



The base line (or 100) represents the index number of wholesale prices for the year 1913 in each country named. The quarterly index numbers for the period January 1914 to June 1920 are plotted as percentages of this base.

Canada: Department of Labour. Australia: Bureau of Census and Statistics. United States: Bradstreet. United Kingdom: Economist. France: Statistique Generale. Italy: Bacchi.