Mr. COOPER: Yes, absolutely. The amount of interest included is reduced; the amount of depreciation is reduced, and to that extent the profit and loss deficit is reduced.

Mr. GEARY: That means your depreciation reserve is not adequate? You could have taken the whole capital cost out?

Mr. COOPER: No. The book value was $1,151,000, and the depreciation is shown at $336,094.03. We accrued the interest at a rate of 4½ per cent.

Mr. GEARY: Was it destroyed?

Mr. COOPER: It was wrecked, yes.

Mr. GEARY: Any insurance?

Mr. COOPER: Yes, there was a small amount of insurance—$152,000.

Mr. GEARY: You ought to be able to take care of all of your losses, because that is taken as a factor in setting up depreciation.

Mr. COOPER: We would not expect that unless a boat lived twenty-five years, and we accrued depreciation on a 4 per cent basis.

Mr. GEARY: That is set up on a general basis. You may lose a ship at the end of a year, and you take care of that in estimating your depreciation—the same with obsolescence, wearing out and destruction.

Mr. COOPER: This had a book value of $1,151,000, and with that accrued interest for depreciation at the rate of 4½ per cent, the total depreciation accrued to date was $336,094.03.

Hon. Mr. STEVENS: You said that there was $152,000 insurance. Was that insured in your own insurance reserve?

Mr. COOPER: Yes. There would be about eight years' depreciation accrued against this particular ship.

Hon. Mr. DUNNING: Mr. Cooper, to clear it up, you might deal with one of the cases where you sold a vessel.

Mr. COOPER: It is exactly the same thing.

Mr. GEARY: You do not set up a depreciation reserve to take care of accidents?

Mr. COOPER: They are covered by insurance.

Mr. GEARY: You have not insured them up to their value?

Mr. COOPER: No, only on the present day value. These boats are all carried in the investment account.

Sir HENRY THORNTON: If we could insure these ships at their original value, the solution would be simple.

Mr. GEARY: Your present value is approximately your book value, less depreciation?

Mr. COOPER: No, sir.

Mr. GEARY: Why not?

Mr. COOPER: The insurance value is something like $28 a ton. We only collected from the insurance company, with respect to that vessel on the basis of $28 per ton dead weight.

Mr. GEARY: Your present value is presumably your book values less your depreciation?

Mr. COOPER: No, sir.

Mr. GEARY: Why not?

Mr. COOPER: The insured value is something like $28 a ton—we only collect from the insurance company the present worth of that vessel, which is on the basis of $28 per ton.