

the earning power of the capital which has been contributed to them by stockholders and has at all times been available for the protection of policyholders. In affording that protection a good deal of this capital has been lost; a good deal more of it has secured only the most nominal of returns and on a thorough analysis it would probably be found that only a minor part of it has achieved returns anything like commensurate with the great risks taken. In any case, capital employed in a legitimate business enterprise is entitled to expect from that enterprise a fair return, and it cannot be said of fire insurance in Canada that it has given to those engaged in it more than the legitimate return to which they are duly entitled. The companies which have been conducted with discretion have reaped the fruits of that discretion, although sometimes owing to unexpected blows from the conflagration hazard to a considerably lesser extent than they deserved. Those conducted without discretion have suffered accordingly. But on the whole, it is a fair statement of the case to say that capital invested in fire insurance in Canada has yielded very modest returns.

SPANISH RIVER'S REPORT.

An Uninspiring Document—Preferred Dividend not Earned—Change in Personnel of Board.

The long-awaited and eagerly anticipated Spanish River report for the year ended June 30, 1913, is not a cheerful document. After carrying forward intact and treating as assets a very considerable amount of deferred charges, and without making provision for depreciation, or for the expenses of financing, the Company on July 1, had as net profits from operations for the year an amount of \$190,754. A surplus of \$6,280 remained from the previous year's operations—making the total amount available for preferred dividend \$197,035, which, after allowance for the preferred dividend, left a balance of just \$160.24. So that in fact the preferred dividend was not fully earned during the last 12 months. The originating cause of the present condition of affairs, however, appears to be the poor experience of the six months, December 31, 1911, to June 30, 1912. Upon December 31, 1911, the reserve and surplus account amounted to \$91,551. Although the manufacturing profits for the six months intervening and ending June 30, 1912, were only \$54,645, making \$146,196 in all available, the Company paid in preferred dividends \$70,000 in addition to bond interest and other charges amounting to \$69,916, or \$139,916. The surplus therefore appears upon successive dates as follows:—December 31, 1911, \$91,551; June 30, 1912, \$6,280; June 30, 1913, \$160.

HEAVY LIABILITIES.

The Company's liabilities as shown in the balance sheet, are very heavy. They include an advance of \$357,000 from the Royal Bank, the collateral consisting of the inventories, notes and accounts receivable, the latter appearing in the statement at \$338,000. There is also a loan of \$605,000 from the Dominion Bond Company, which with accrued interest amounts to \$617,000, and accounts payable of \$509,000. On the assets side the shareholders will find these items: commissions, discounts and expenses in connection

with issues of securities, \$412,345; other deferred charges, \$99,621, a total of \$511,966. That is to say, no provision has been made this year for cost of financing. The step has been deferred until times are more prosperous and meantime that cost is carried as an asset. Likewise, no provision has been made for depreciation. But the President, Mr. Watson, in a preliminary note, records the opinion of the directors that the annual charge of 3 per cent. for the redemption of the bonds of both the Spanish River, and Ontario Pulp Companies (a sinking fund estimated sufficient to retire these issues in about seventeen years), is ample provision as against depreciation. Mr. Watson also takes the view that as the successful operation of paper mills requires the highest state of efficiency, the cost of maintaining this standard, charged as it is against operating cost, should be sufficient reserve against a shading in value of plant.

Assets, including the deferred charges above mentioned, aggregate \$11,607,191, the surplus over liabilities being as noted above \$160.24.

THE OUTLOOK.

Mr. Watson, who was vice-president and general manager at the close of the Company's fiscal year, in explaining the rather dubious showing made, recalls the delays of six months in the operation of the first two paper machines at the Espanola plant, and the subsequent curtailment in the output of these machines and the two at the Sturgeon Falls plant owing to defects in construction, which reduced the total production from a normal capacity of 45,000 tons on the four machines to 35,000 tons. These machines, he states, as well as two additional machines which have been installed at the Espanola plant, the latter having a daily capacity of 60 tons, are now all in successful operation, and Mr. Watson estimates the probable production of the six machines for the current fiscal year at 63,000 tons as against 35,000 tons for the preceding year. Confidence is expressed upon behalf of the directors that the results of the current year's operations will prove satisfactory to shareholders.

It is also announced that arrangements have been made for a London financial group to take an issue of £300,000 term notes at 95. At the annual meeting which is fixed for October 30, a new board will be elected consisting entirely of representatives of the Lake Superior interests with the exception of Mr. Watson, the president. The old Spanish River interests are retiring.

THE LIFE ADVERTISING MOVEMENT.

The movement for concerted advertising of life insurance, which is being pushed forward in the United States and was reported some time ago to have collapsed, has now, it appears, taken a new form. The companies having proved adamant to the appeals to put their hands in their pocket for this object, an appeal is to be made to agents to find the wherewithal for the campaign. At the Atlantic City Convention of the National Association of Life Underwriters, Warren M. Horner, chairman of the committee on publicity, education and conservation, suggested the amount asked for from agents should be five cents per \$1,000 on the basis of individual production and five cents per thousand on the basis of agency production.