Proceedings of the Thirty-sixth Annual Meeting.

The Thirty-sixth Annual Meeting was held in the Company's Building on the 21st February, 1891, at 12 o'clock noon.

The President, J. Herbert Mason, Esq., occupied the chair, and the following Stockholders were present :—Judge Boyd, Messrs. R. K. Burgess, Philip Browne, C. C. Baines, Jacob Bull, Henry Cawthra, Edward Cornor, Joseph Carnaghan, B. Dean, W. G. Gooderham, C. H. Gooderham, Henry Gooderham, C. S. Gzowski, Jr., Robert Gilmor, Edward Hooper, Charles E. Hooper, R. S. Hudson, Richard Heather, Clarkson Jones, Beverley Jones, Herbert Mortimer, Thomas Mortimer, Rev. R. C. Moffatt, D.D., Alfred J. Mason, P. L. Mason, G. W. Monk, M.P.P., Alfred Myers, F. Marriott, S. Nordheimer, A. Nordheimer, M. O'Donnell, Samuel Risley, John Ramsden, O. F. Rice, A. M. Smith, James Scott, John Stark, Geo. H. Smith, William Spry, G. A. Stimson, William Thompson, Alexander Wills, A. G. Watson.

The Secretary read the Report of the Directors and Financial Statements for 1890.

The President said :

The Report and Financial Statement for 1890 reveals little that calls for explanation or extended remarks. The usual Dividend of twelve per cent. on the Stock Capital was earned, and in addition we wrote something off our office building and added $38,741 to the Reserved Funds. I speak of the "Contingent Fund" as a "Reserved Fund," for such it really is. It has been maintained for many years at a sum about equal to one per cent. on the mortgages held, and is set aside as a precautionary measure, to provide for a possible depreciation which could not well be met out of the profits of any year. It has never yet been drawn upon for that purpose, and in view of the stable character of the securities the Company lends upon, and the proportionate amount advanced on them, it is not probable that it will be. Last year was one of steady progress and healthy activity, which with the foregoing gratifying results are not exceptional, but are characteristic features of nearly all the thirty-five preceding annual exhibits. It may be noticed that several thousand dollars were expended upon the Company's building, wherein we now meet. That expenditure represents the cost of a new boiler and of completely refitting the building with pipes and coils for steam-heating. The erection, by various corporations, of large and expensive buildings, furnished with the most modern appliances and conveniences, compelled the Directors to make these improvements or risk the loss of tenants. It is satisfactory to know that the large portion of our building not required for the Company's use is all let, and that although we wrote off between two and three thousand dollars to reduce the amount it stands at in our books to the even sum of $120,000, the marketable value of the property, as an investment, is a great deal more than that sum.

Last autumn I made a rather extended tour through the Province of Manitoba and the Territories of Assiniboia, Alberta and Saskatchewan. The improvement in that vast country, referred to in the report, of which there was unmistakable evidence, would have been more pronounced had the farmers been able to save the wonderfully abundant crop of grain last year grown. Through the limited supply of labour and harvesting machinery, incidental to a new country, much of it was injured, as I sorrowfully witnessed, by exposure to unsettled weather, which unfortunately set in much earlier than usual. The almost unprecedented reaction in real-estate values, following the inflation of 1882 and 1883, resulted in a number of Manitoba properties being thrown on the hands of the Company. While most of these properties have been producing rentals, the burden of caring for them, collecting rentals, etc., has taxed the energies of the Company's officers. In the past year a number of sales were made, at prices above the sums they stood at in the Company's books, and since the beginning of this year further satisfactory sales have been made. All the remainder have been written down to actual present values, and it is expected that a large proportion of them will be disposed of during the coming year.

Last year is noticeable as being the date when, by the increase of its Subscribed Stock, the Company became entitled to use its borrowing power to the full extent allowed by its Act of Incorporation, which is after all a very limited one. The ratio of liabilities to paid-up Stock cannot even now exceed three times—that is, less than double the Shareholders' Capital in Stock and Reserved Funds. This limit may now be reached, and when reached will add somewhat further to the profit-earning power of the Company.

The total invested Funds, or working Capital, of the Company now amount to about $11,700,000. Of this sum $4,150,156 represents the Shareholders' Capital—$2,600,000 of this being in the shape of Stock, and $1,550,156 ~~in the shape~~ of Reserved Funds. In declaring dividends to Shareholders no account is taken of these Reserved Funds, although they form part of the invested Capital just the same as the Stock. The dividend of twelve per cent. being computed on the Stock only, the Shareholders receive on their actual capital less than seven and one-half per cent. The remainder of the invested Capital, amounting to about $7,500,000, represents the sums intrusted to the Company, here ~~and in Great~~ Britain, for investment, costing the Company about 4 per cent. per annum. So, gentlemen, you will see that on the Reserved Funds, or about thirteen per cent. of the invested Capital, no dividend or interest is computed ; on the borrowed Funds, or about sixty-five per cent. of the invested Capital, four per cent. is paid ; and on the Stock, or about twenty-two per cent. of the invested Capital, twelve per cent. is paid. The borrowed Capital and the Reserved Funds, being carefully invested, become sources of profitable revenue. Did these sources of profit not exist the Shareholders could not receive on their Stock or Shares any higher rate of interest than that yielded by the mortgages and other securities the Company holds, after deducting expenses and making provision for depreciation and other contingencies ; or say, more than one-half of the dividends now declared. In guaging the revenue-earning power of the Company, I have reason to believe that the small proportion of the invested Capital entitled to share in profits, and upon which the dividend is declared, is frequently overlooked.

The question is sometimes asked, "Is not the premium usually quoted on the Company's Stock abnormally high?" The subject is one that, personally, I do not take much interest in, and prefer to express no opinion upon. It is the duty of the Managers of a financial or other joint stock company to look after the intrinsic value, not the market value, of its Stock. This is the province and the prerogative of the investing public. Obviously it is neither the duty nor the interest of the management to encourage unduly high prices being paid for it. Their sympathies are and should be with the buyer, not with the seller. The purchaser becomes the Shareholder to whom the management have to submit their annual statements, and whose interests it is their duty to protect. While, however, this is the case, there are certain facts which all Shareholders should be aware of and should understand. Some of these I propose now to bring before you.

The original and nominal par value of a Share of the Company's paid-up Stock is $50 and $10 respectively, the former being paid in full and the latter being a share of $50 with twenty per cent. paid. But the present and actual par value of these Shares, on the books of the Company, is within a small fraction of $80 and $16 respectively, or sixty per cent. additional. As already stated, the Reserved Funds are so much additional capital. Much of this capital has been paid in cash by the Shareholders who, from time to time, have taken up their allotments of new issues of Stock, the premium on which has generally been fixed by the Directors so as not to disturb the relative proportions previously existing between Stock and Reserve. For the last thirty years no new Shares have been issued at the original par value. The premiums paid are always carried to the Reserve Fund. Sixty thousand dollars were contributed in this way last year. When, therefore, the Stock is quoted at 200 it means a premium of twenty-five per cent. on the actual par value of $80 and $16 per Share respectively ; or of one hundred per cent. on the original and nominal par value of $50 and $10 per Share. The purchaser of a fully paid-up Share not only acquires an interest to the extent of $50 in the Stock Capital, but also an interest to the extent of $30 in the Shareholder's Reserved Capital ; as well as becoming entitled at once to participate in the current business of an established dividend-paying concern, including the revenue derived from a large amount of cheap Capital, all charges on the procuring and investing of which have been paid. Another consideration in estimating the value of an investment is the interest yielded on the price paid, compared with other investments of equal safety and convertibility. Speaking for myself and the other members of the Board, I may say that we see no reason to doubt the ability of the Company to continue to earn for the Shareholders the same dividends paid during the past thirty-six years ; and also from time to time, if not every year, to add something to the Reserved Funds ; although some may think that these funds are already sufficiently large for all practical purposes.

The foregoing facts and considerations may appear trite to many, but are submitted for the information of Shareholders who are not accustomed to analysing balance sheets, or to the critical examination of financial statements.

If any Shareholder present desires any further information in my power or that of the Board to supply it will be gladly furnished.