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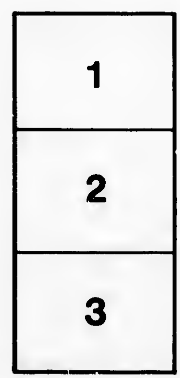

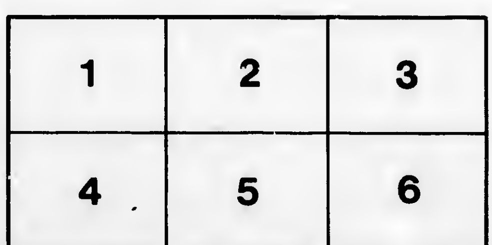

IV

REPORT

OF

MICHAEL SAWARD, ESQ.,

(Actuary of the Promoter Life Assurance Company,)

ON THE

OBJECTS AND PRACTICAL WORKING

OF

THE TRUST AND LOAN COMPANY OF UPPER CANADA.

LONDON:

PRINTED BY J. RIDER, 14, BARTHOLOMEW CLOSE.

1846.

4/-

REPORT.

I HAVE perused the printed statement of the objects and practical working of the scheme of the Trust and Loan Company of Upper Canada, and also the Canada Act, the Deed of Settlement, and the Royal Charter, under which the Company is instituted and empowered. I am of opinion that the scheme presents a legitimate, extensive, and safe opportunity for the employment of the surplus capital of this country, and that, with common prudence, the plan cannot fail not only to prove highly useful and beneficial to the Colony in which its operations are intended to be carried on, but to yield a considerable profit to the Company: That the Canada Act and Royal Charter give the Company ample powers to raise the necessary capital, and to carry on its operations with safety and effect: That the interests of the shareholders are fully set forth, protected, and defined, and their responsibility strictly limited to the amount of their respective subscriptions; That the bond holders and other obligees have an easy and effectual remedy against the fund of the Company in case of need, and they have the opportunity of knowing the state and condition of its affairs at all times by having the right to inspect the books and balance sheet of the Company.

With respect to the mode of investing the Company's funds, I am of opinion that it will be by far the wiser and more prudent course for them to be invested in safe and unquestionable securities, such as mortgages, at the legal interest of the Colony; than that securities of a hazardous nature should be taken, or that speculations, however safe they may appear, should be entered into, in order that a higher rate of interest may be obtained; indeed, I am satisfied that the success of the undertaking will mainly depend on the adoption of this prudent course, for it must be borne in mind that a great part of the Company's profits will arise from borrowing money in England at a low rate of interest, and lending it out in Canada at a higher, and that that operation cannot be successfully carried on unless the English capitalist is inspired with confidence; and it will be precisely in proportion to the nature of the security which the Company has to offer, and the prudence with which its affairs are conducted, that that confidence will be secured, and loans obtained by the Company. It appears to me to be conclusive that the Company cannot expect to borrow on the best terms in England, unless it can be shown that it deals only with undoubted securities in Canada. Hence it follows, I am opposed to the investment of any portion of the Company's funds in the stock of the chartered banks of Canada; and my impression is, that even were that mode of investment deemed advisable, the Company is prevented adopting it by the 82nd section of the Royal Charter. I would, however, strongly urge the Company to use all its influence to obtain a repeal of the Canada usury laws, as the profits of the Company must be considerably curtailed whilst those laws remain in force; and I have no doubt that the reason why so little British capital has hitherto been invested in those Colonies, and why a Canada Trust and Loan Company has now, for the first time, been called into existence, can be traced to the operations of those laws.

I have appended three statements, giving several examples of the operations of the Company, on the assumption that a given amount of capital has been subscribed and paid up, and that money is borrowed in England, at 3, 3½, and 4 per cent., and invested in Canada at 6 per cent. The results are very favourable for so secure a mode for the employment of capital; but it is highly necessary that a wise economy should be exercised in the office expenses, and that great care should be taken that the estimated amount should not be exceeded, at all events in the infancy of the undertaking.

I have likewise given, as desired, the value of the Company's stock at the several periods, upon the supposition that the dividend shown by the results had accrued and been realized.

I do not consider that the power of reserving part of the profits, or of anticipating the calls on the shares, requires particular observation.

I have revised the prospectus, as requested, in accordance with my view of the subject.

M. SAWARD, *Actuary.*

9, *Chatham Place, London;*
February 10, 1845.

Examples of the Operations of the Company, supposing Money to be borrowed in England at 3 per cent. and invested in Canada at 6 per cent.; giving also the relative value of the Stock at the several periods, upon the assumption that the Shares in the Company were taken originally to pay 5 per cent. on the Investment.

SHARES £20—AND £5 PAID UP THEREON.

			£.
Paid up capital........	£125,000	Invested at 6 per cent. =	7,500
		Expenses..............	3,120
		Nett........	4,380

Gives about $3\frac{1}{2}$ per cent. on capital.

Capital..............	£125,000			
Borrowed at 3 per cent.	125,000			
	250,000	Invested at 6 per cent. =		15,000
Expenses..............................			£3,120	
Interest on borrowed money at 3 per cent.			3,750	
				6,870
		Nett........		8,130

Gives $6\frac{1}{2}$ per cent. on capital.

Value of stock at this period, 6*l.* 10*s.* per share.

Capital..............	£125,000			
Borrowed at 3 per cent.	250,000			
	375,000	Invested at 6 per cent. =		22,500
Expenses..............................			£3,120	
Interest on borrowed money at 3 per cent.			7,500	
				10,620
		Nett........		11,880

Gives $9\frac{1}{2}$ per cent. on capital.

Value of this stock at the period, 9*l.* 10*s.* per share.

Capital	£125,000			
Borrowed money.......	375,000			
				£.
	500,000	Invested at 6 per cent. =		30,000
Expenses			£ 3,120	
Interest on borrowed money at 3 per cent.			11,250	
				14,370
		Nett		15,630

Gives $12\frac{1}{2}$ per cent. on capital.

Value of the stock at this period, 12*l.* 10*s.* per share.

Capital paid up	£125,000			
Borrowed at 3 per cent.	500,000			
	625,000	Invested at 6 per cent. =		37,500
Expenses			£ 3,120	
Interest on borrowed money			15,000	
				18,120
		Nett		19,380

Gives $15\frac{1}{2}$ per cent. on capital.

Value of the stock at this period, 15*l.* 10*s.* per share.

Shares £20—£10 per share paid up.

Capital paid up	£250,000	Invested at 6 per cent. =	15,000
		Expenses	3,120
		Nett	11,880

Gives $4\frac{3}{4}$ per cent. on capital.

Capital............ ..	£250,000			
Borrowed at 3 per cent.	125,000			
	375,000	Invested at 6 per cent. =		22,500
Expenses			£3,120	
Interest on borrowed money at 3 per cent.			3,750	
				6,870
		Nett		15,630

Gives $6\frac{1}{4}$ per cent. on capital.

Value of the stock at this period, 12*l.* 10*s.* per share.

Capital..............	£250,000			
Borrowed at 3 per cent.	250,000			
				£.
	500,000	Invested at 6 per cent. =		30,000
Expenses			£3,120	
Interest on borrowed money			7,500	
				10,620
		Nett		19,380

Gives $7\frac{3}{4}$ per cent. on capital.

Value of the stock at this period, 15*l.* 10*s.* per share.

Capital	£250,000			
Borrowed at 3 per cent.	375,000			
	625,000	Invested at 6 per cent. =		37,500
Expenses			£ 3,120	
Interest on borrowed money			11,250	
				14,370
		Nett		23,130

Gives $9\frac{1}{4}$ per cent. on capital.

Value of the stock at this period, 18*l.* 10*s.* per share.

Capital	£250,000			
Borrowed	500,000			
	750,000	Invested at 6 per cent. =		45,000
Expenses			£3,120	
Interest on borrowed money at 3 per cent.			15,000	
				18,120
		Nett		26,880

Gives $10\frac{3}{4}$ per cent. on capital.

Value of the stock at this period, 21*l.* 10*s.* per share.

Examples of the Operations of the Company, supposing Money to be borrowed in England at 3½ per cent., and invested in Canada at 6 per cent.; giving also the relative value of the Stock at the several periods upon the assumption that the Shares in the Company were taken originally to pay 5 per cent. on the investment.

SHARES £20—AND £5 PAID THEREON.

			£.
Capital paid up	£125,000	Invested at 6 per cent. =	7,500
		Expenses	3,120
		Nett............	4,380

Gives 3½ per cent. on capital.

Capital..............	£125,000			
Borrowed money	125,000			
	250,000	Invested at 6 per cent. =		15,000
Expenses			£3,120	
Interest on borrowed money at 3½ per cent.			4,375	
				7,495
		Nett............		7,505

Gives 6 per cent. on capital.

Value of the stock at this period, 6*l.* per share.

Capital..............	£125,000			
Borrowed money	250,000			
	375,000	Invested at 6 per cent. =		22,500
Expenses			£ 3,120	
Interest on borrowed money			8,750	
				11,870
		Nett............		10,630

Gives 8½ per cent. on capital.

Value of the stock at this period, 8*l.* 10*s.* per share.

Capital	£125,000		
Borrowed money	375,000		
			£.
	500,000	Invested at 6 per cent. =	30,000
Expenses		£ 3,120	
Interest on borrowed money		13,125	
			16,245
Nett			13,755

Gives 11 per cent. on capital paid up.

Value of the stock at this period, 11*l.* per share.

Capital paid up	£125,000		
Borrowed at $3\frac{1}{2}$ per cent.	500,000		
	625,000	Invested at 6 per cent. =	37,500
Expenses		£ 3,120	
Interest on borrowed money		17,500	
			20,620
Nett			16,880

Gives $13\frac{1}{2}$ per cent. on capital.

Value of the stock at this period, 13*l.* 10*s.* per share.

Shares £20—and £10 paid up thereon.

Capital	£250,000	Invested at 6 per cent. =	15,000
		Expenses	3,120
Nett			11,880

Gives $4\frac{3}{4}$ per cent. on capital.

Capital	£250,000		
Borrowed at $3\frac{1}{2}$ per cent.	125,000		
	375,000	Invested at 6 per cent. =	22,500
Expenses		£3,120	
Interest on borrowed money		4,375	
			7,495
Nett			15,005

Gives 6 per cent. on capital.

Value of the stock at this period, 12*l.* per share.

Capital	£250,000		
Borrowed money	250,000		
			£.
	500,000 Invested at 6 per cent. =		30,000
Expenses		£3,120	
Interest on borrowed money, at $3\frac{1}{2}$ per cent.		8,750	
			11,870
Nett..........			18,130

Gives $7\frac{1}{4}$ per cent. on capital.

Value of the stock at this period, 14*l.* 10*s.* per share.

Capital	£250,000		
Borrowed money	375,000		
	625,000 Invested at 6 per cent. =		37,500
Expenses		£ 3,120	
Interest on borrowed money, at $3\frac{1}{2}$ per cent.		13,125	
			16,245
Nett..........			21,255

Gives $8\frac{1}{2}$ per cent. on capital.

Value of the stock at this period, 17*l.* per share.

Capital	£250,000		
Borrowed money	500,000		
	750,000 Invested at 6 per cent. =		45,000
Expenses		£ 3,120	
Interest on borrowed money, at $3\frac{1}{2}$ per cent.		17,500	
			20,620
Nett..........			24,380

Gives $9\frac{3}{4}$ per cent. on capital.

Value of the stock at this period, 19*l.* 15*s.* per share.

Examples of the Operations of the Company where Money is borrowed in England at 4 per cent. and invested in Canada at 6 per cent.

SHARES £20—AND PAID UP THEREON £5.

£.			£.
125,000	capital paid up invested at 6 per cent.	=	7,500
	Expenses..............		3,120
	Nett		4,380

Gives about $3\frac{1}{2}$ per cent. on capital paid up.

125,000 capital paid up.
125,000 borrowed at 4 per cent.

250,000	invested at 6 per cent.	=	15,000
	Expenses	£3,120	
	Interest on borrowed money .	5,000	
			8,120
	Nett...........		6,880

Gives $5\frac{1}{2}$ per cent. interest on capital.
Value of the stock at this period 5*l.* 10*s.* per share.

125,000 capital paid up.
250,000 borrowed at 4 per cent.

370,000	invested at 6 per cent.	=	22,500
	Expenses..............	£ 3,120	
	Interest on borrowed money	10,000	
			13,120
	Nett..........		9,380

Gives $7\frac{1}{2}$ per cent. interest on capital.
Value of the stock at this period 7*l.* 10*s.* per share.

£.			£.
125,000 capital paid up.			
375,000 borrowed at 4 per cent.			
500,000 invested at 6 per cent.		=	30,000
Expenses	£ 3,120		
Interest on borrowed money	15,000		
			18,120
Nett			11,880

Gives $9\frac{1}{2}$ per cent on capital.

Value of the stock at this period 9*l.* 10*s.* per share.

125,000 capital paid up.			
500,000 borrowed at 4 per cent.			
625,000 invested at 6 per cent.		=	37,500
Expenses	£ 3,120		
Interest on borrowed money	20,000		
			23,120
Nett			14,380

Gives $11\frac{1}{2}$ per cent. on capital.

Value of the stock at this period 11*l.* 10*s.* per share.

Examples—Money borrowed at 4 per cent. in England and lent in Canada at 6 per cent.

SHARES £20—£10 PAID UP.

Capital paid up......	£250,000		£.
		Invested at 6 per cent. =	15,000
		Expenses..............	3,120
		Nett	11,880

Gives $4\frac{3}{4}$ per cent. on capital.

Paid up capital......	£250,000		
Borrowed at 4 per cent.	125,000		
	375,000	Invested at 6 per cent. =	22,500
Expenses..............................		£3,120	
Interest on borrowed money		5,000	
			8,120
		Nett........	14,380

Gives $5\frac{3}{4}$ per cent. interest on paid up capital.

Value of the stock at this period 11*l*. 10*s*. per share.

Paid up capital......	£250,000		
Borrowed at 4 per cent.	250,000		
	500,000	Invested at 6 per cent. =	30,000
Expenses............................		£ 3,120	
Interest on borrowed money		10,000	
			13,120
		Nett........	16,880

Gives $6\frac{3}{4}$ per cent. interest on capital.

Value of the stock at this period 13*l*. 10*s*. per share.

Paid up capital	£250,000			
Borrowed at 4 per cent.	375,000			
				£.
	625,000	Invested at 6 per cent. =		37,500
Expenses			£ 3,120	
Interest on borrowed money			15,000	
				18,120
		Nett		19,380

Gives 7$\frac{3}{4}$ per cent. interest on paid up capital.

Value of the stock at this period 15*l.* 10*s.* per share.

Paid up capital	£250,000			
Borrowed at 4 per cent.	500,000			
	750,000	Invested at 6 per cent. =		45,000
Expenses			£ 3,120	
Interest on borrowed money			20,000	
				23,120
		Nett		21,880

Gives 8$\frac{3}{4}$ per cent. interest on capital.

Value of the stock at this period 17*l.* 10*s.* per share.

I have given examples of one quarter and one half of the subscribed capital being paid up, and the operations of the Company being confined to the employment of that money alone ; I will now give the result on three quarters and the whole being paid up :—

Paid up capital .	£375,000	Invested at 6 per cent. =	22,500
		Expenses .... =	3,120
Gives 5$\frac{1}{6}$ per cent. on capital		....	19,380

Paid up capital .	£500,000	Invested at 6 per cent. =	30,000
		Expenses .... =	3,120
		Nett	26,880

Gives 5*l.* 7*s.* 6*d.* per cent. on capital.

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