

CANADA PERMANENT LOAN & SAVINGS COMPANY.

TWENTY-FIFTH

ANNUAL REPORT,

DECEMBER 31ST, 1878.

<i>Paid-up Capital,</i>	\$2,000,000
<i>Reserve Fund,</i>	900,000
<i>Total Assets,</i>	6,089,809

Directors:

JOSEPH D. RIDOLT, President.
PETER PATERSON, Vice-President.
J. G. WORTS, EDWARD HOOPER,
S. NORDHEIMER, JOSEPH RICHMOND,
A. M. SMITH, S. H. SMITH,
J. HERBERT-MASON, Manager.
JONES BROS. & MACKENZIE, Solicitors.

Bankers in Canada:

BANK OF TORONTO
MERCHANTS BANK
BANK OF MONTREAL
FEDERAL BANK

Bankers in Great Britain:

THE CITY BANK, LONDON.
THE BRITISH LINEN COMPANY BANK, EDINBURGH.
THE DEYON & CORNWALL BANK, BRISTOL.

OFFICE:

COMPANY'S BUILDINGS, TORONTO STREET, TORONTO.

Geo. Clark & Co., General Printers, Colborne Street, Toronto.

REPORT OF THE DIRECTORS

OF THE

Canada Permanent Loan & Savings Company

FOR THE YEAR 1879.

The Twenty-fifth year of the Company's history having terminated, it becomes the duty of the Directors to lay before their fellow Shareholders a report of the business done and of the present condition of the Company. These will be found clearly set forth in the accompanying duly audited Statements, and afford evidence of continued progress and increased strength which cannot fail to be satisfactory.

The total amount of Mortgage Investments held at the close of the year was \$6,495,473, being an increase of \$189,167 on the same account at the previous year. The repayments from borrowers have on the whole been satisfactory. In the small percentage of cases where it became necessary to bring to sale the property Mortgaged, it was sometimes found extremely difficult to find purchasers even at prices much more favourable to the buyer than were readily obtainable a few years ago. Any properties not sold have been estimated at their present depreciated value, though with the return of prosperity and an improved demand, more may in some cases be realized. The advantage of having an ample Contingent Fund to guard against the results of possible errors in valuation, and of the temporary extremes of inflation and depression to which Real Estate is liable, was never more clearly illustrated than at the present time.

The Savings Branch continues to furnish a desideratum to those who seek a permanently safe repository for their funds. The number of depositors and the amount held remain about the same as at the date of the previous report.

Last year the first considerable amount of the Company's Sterling Debentures became payable. With the exception of \$26,253, they were all renewed on terms more advantageous to the Company than the original issue, while new Debentures to the amount of \$285,539 were applied for and placed on similarly favourable terms.

Notwithstanding the ever increasing competition among lenders and their numerous agents throughout Ontario, referred to in last report, the funds of the Company have been kept fully employed throughout the year.

The customary ratio of profit has been earned. After providing for interest due to Bondholders and Depositors, as well as all expenses and charges on the business, and after writing off all anticipated as well as known losses, and making provision for future contingencies, the Directors have been enabled to pay two half-yearly Dividends of six per cent. each on the Capital Stock, and to add to the Reserved Fund or Rest the sum of Fifty Thousand Dollars. The Reserved Fund now, therefore, stands at \$900,000, and the Contingent Fund at \$68,247.

In surrendering their trust at the close of the last year of the Company's first quarter of a century, the Board cannot refrain from taking a brief retrospective glance back to the origin of the Association. The view presented is one on which the Shareholders may well be congratulated. So continuous a record of steady progress, uninterrupted success, large volume of business transacted with the minimum of loss or anxiety, in what was then a comparatively new and much disparaged mode of investment, taken together with the Dividends paid and present position of the Company, is believed to be without parallel in the history of Canadian Finance, and could scarcely have been anticipated by the most sanguine of those who planned and laid the foundations of the Institution.

All which is respectfully submitted,

J. HERBERT MASON,
Manager.

JOSEPH D. RIDOUT,
President.

Proceedings of the Twenty-fifth Annual Meeting.

The Twenty-fifth Annual Meeting was held at the Company's Office on the 11th February, 1880, at three o'clock p.m.

The Chair was occupied by the President, Joseph D. Ridout, Esq., and the following Stockholders were present:— Messrs. J. G. Worts, Clarkson Jones, S. B. Smith, Joseph Robinson, G. R. R. Cockburn, E. C. Jones, A. M. Smith, James Browne, Peter Paterson, S. Nordheimer, George Gooderham, R. J. Gooderham, S. Whitt, John Wickson, A. Crumpton, Herbert Mortimer, R. Heather, Matthew Betley, Rev. H. Cheesborough, John Carter, G. W. Strathy, Mus. Doc., James Scott, Robert Gilmor, J. Eastwood, C. E. Hooper, A. T. Crombie, A. J. Mason, G. R. Hamilton. The Manager, Mr. J. Herbert Mason, acted as Secretary, and read the minutes of the previous meeting.

After reading the Directors' Report, the President said:

GENTLEMEN,—I feel that I must offer you a few words of congratulation upon the continually improving condition of your Company, and the safe arrival of it at its twenty-fifth year's station, without a single noticeable mishap or disappointment in regard to either of the objects proposed at its formation, and without having had at any time to grope in darkness and uncertainty; as well as upon the pith and substance of the statements that have just been laid before you, and by which it is shown that, notwithstanding the diminished ability of our people generally for financial engagements through the last year, and the comparative unproductiveness of real estate when coercively brought to sale, your Directors have come to meet you, surrounded with the considerable credit of having accomplished for you, during an unpropitious season, the very satisfactory profit of 14½ per cent. upon your capital, and of having placed your Company within a step or two of the most advanced line of prosperity which has ever been expected for it under the most favourable of supposable circumstances; and also upon the large progress which we have made towards the time when our Reserve Fund may be regarded as complete, and our subsequent profits all prudently distributed in Dividends, the now apparently near approach of which must at all events steady, if it do not more than that, beneficially influence the marketable value of our property; and I think I ought to remind you of the important advantage which we possess from our participation in the large profit of this Company, free from the double or quadruple liabilities attaching to some other investments. I have therefore much pleasure in moving, seconded by the Vice-President, Mr. Paterson, "That the Report of the Directors for the year 1879 be received and adopted, and that it be printed, together with the Company's Financial Statement, for distribution to the Shareholders." I may add that I shall be happy to answer any question which may be put to me.

Mr. Mortimer—I would like to ask what amount of unsold property the Company has on its hands, and if it is rented.

The President—The amount of unsold property on the Company's hands is something over \$200,000 (the exact figures are \$250,297). During last year the actual loss the Company sustained was \$6,945, as against which we made \$5,145 previously estimated had; but in addition to this, and to the provision in our Contingent Fund, we wrote off \$31,338 for anticipated loss on properties now held for sale.

The Manager—As to renting, the major part of the properties held for sale are farms, the rentals derivable from which are very small. It is not the Company's policy to keep property for rental or to grant long leases, but to sell at the earliest possible moment, having the property properly cared for in the meantime, and getting such rentals as may be had for a temporary occupancy. We expect to dispose of a large proportion of the properties held during the coming spring and summer.

Mr. Mortimer—The answer is very satisfactory. From the general depression I expected to find a much larger amount of unsold property.

It was moved by E. C. JONES, Esq., and seconded by HERBERT MORTIMER, Esq., "That the thanks of this meeting be given to the President and Directors for their services during the past year; that the sum of four thousand dollars be paid to the President; and also that the sum of six dollars each be paid to the Directors for each meeting they have respectively attended."—Carried.

It was moved by the REV. H. CHEESBOROUGH, and seconded by JOHN WICKSON, Esq., "That the thanks of the Stockholders are due and are hereby tendered to the Manager and his Assistants, to the Solicitors, to the Appraisers, and to the Agents of the Company in Great Britain, for their services in carrying on the business of the Company during the past year."—Carried.

MR. MASON returned thanks for himself and the other Officers, and spoke in terms of sympathy and regret of the late Mr. James Mylne, recently deceased, the head of the firm who have so worthily represented the Company in Edinburgh. He said that as the Report alluded to the past career of the Company, it might be interesting to the Shareholders to see how it had reached its present position. A table had been prepared, which was now before him, shewing how step by step the paid-up Capital had increased from \$31,327 in 1855 to \$2,000,000 in 1879, and the Assets from \$68,798 to \$6,669,809. The Dividend paid to Stockholders during that time averaged 11.88 per cent. per annum. Many persons were at a loss to account for so large a rate of dividend being paid, except on the assumption that, by some occult process, that rate was paid by the borrower. Such persons overlook the fact that this large dividend is paid on the Stock Capital only, which constitutes only a portion, at present less than one-third, of the funds invested; the other two-thirds being really a source of profit from which a large portion of the dividend is derived. The position of the Company may be roughly illustrated by a familiar example. Suppose the

case of an individual with \$1,000 of his own capital who borrows \$1,750 at 5 per cent., and has \$450 additional which he calls "Reserve" and does not compute interest on, and that he lends the whole \$3,200 at 8 per cent. At the end of the year the account will stand as follows:

Interest at 8 per cent. on \$3,200	=	\$256 00
Less Interest paid at 5 per cent. on 1,750	=	87 50
Balance, being gain	\$168 50

which is equal to 16.85 per cent. on his capital of \$1,000. Out of this he has to provide for any expense or loss he may have to meet, and the balance will be his net profit.

The borrower in this case has paid only 8 per cent. The lender makes it up to 16 by making 3 per cent. profit on his borrowed capital, and by computing no interest on his Reserve Fund (although that is as much a portion of his capital as any other part of the \$3,200 lent) thus:

Interest on \$1,000 at 8 per cent.	=	7	\$80 00
" " 1,750 at 3 " "	=	52	50
" " 450 at 8 " "	=	36	00
Total profit to the lender		\$168 50

Assuming, therefore, that a Loaning Company's Investments are carefully made, and its affairs prudently and intelligently managed, its profit-making power may be estimated from the following data:

- 1st. The interest it obtains on its invested funds.
- 2nd. The extent to which its borrowing powers are exercised, and the rate it pays to its Bondholders and Depositors for its borrowed Capital.
- 3rd. The proportion of its Reserved Funds to its Capital.
- 4th. The proportion of expenses and losses to the amount of its investments.

To this may be added the proportion of its funds from time to time lying idle, or locked up in unproductive property, which may cause a serious diminution of its profits.

Mr. Mortimer—Does not the system the Company lends on afford great advantages to borrowers by enabling them to pay off their loans by small instalments?

Mr. Mason—Unquestionably. The Sinking Fund System for the redemption of debt, if computed at a moderate rate of interest, may be regarded as the best ever yet devised for that purpose. With the average borrower it is very difficult, if not impossible, to raise a large amount in one sum. Those who borrow, and have to pay interest only, seldom redeem their Mortgages, except by selling the property or obtaining a loan elsewhere. Any annual surplus they may have, a ter paying interest, is not safely deposited to meet the principal when due, but is too often frittered away, and the Mortgage debt remains as large as ever; whereas by paying a small sum annually into a Sinking Fund, bearing compound interest, the debt is gradually and surely extinguished. The Company may fairly claim credit also for contributing more than any other single cause to equalizing the rate of interest throughout the Province, by furnishing capital to farmers in the remoter counties at the same rates which are obtained in Toronto, the monetary centre.

He supposed it unlikely that many who were here to-day would be present at the end of the next quarter of a century, to celebrate the Company's Jubilee year, but ventured to say that if the Manager of that year should be able to present as good a statement as had been submitted to-day, it would only be by the exercise of unceasing, untiring vigilance.

MR. CLARKSON JONES returned thanks on behalf of the Solicitors.

MR. COCKBURN—I think the information furnished by the Manager very interesting, and would suggest that it be printed with the Annual Report.

It was moved by G. R. R. COCKBURN, Esq., and seconded by C. E. HOOPER, Esq., "That the thanks of the Shareholders be given to the Auditors, and that they be paid the sum of three hundred dollars each for their services during the past year; and that Messrs. W. B. Phipps and J. E. B. Smith be appointed to audit the books and accounts of the Company for the current year."—*Carried.*

The election of Directors was then proceeded with, the retiring Directors, Messrs. J. G. Worts, Edward Hooper, A. M. Smith and S. B. Smith, being unanimously re-elected.

At a subsequent meeting of the Board, Joseph D. Ridout, Esq., was re-elected President, and Peter Paterson, Esq., Vice-President.

The Financial Progress of the Company, and its position at the end of each year, may be seen from the following Table:

YEAR.	PAID UP CAPITAL.	LIABILITIES.	ASSETS.
1855	31,327 07	33,455 75	68,798 46
1856	73,612 41	50,902 73	134,821 17
1857	115,005 03	50,555 03	186,423 15
1858	157,002 41	63,808 30	269,189 38
1859	225,184 17	69,171 81	375,452 05
1860	321,218 14	100,730 10	535,250 03
1861	446,220 36	152,257 12	718,526 26
1862	537,519 79	183,757 39	849,939 13
1863	664,428 85	228,776 46	1,034,258 90
1864	796,643 80	324,790 90	1,284,218 56
1865	961,981 21	337,172 68	1,491,628 40
1866	990,349 17	318,116 95	1,534,182 95
1867	1,013,545 15	426,428 34	1,684,656 58
1868	1,026,603 92	567,157 49	1,865,223 82
1869	1,029,281 30	770,312 73	2,053,444 86
1870	1,244,409 21	747,163 15	2,284,813 98
1871	1,334,948 54	940,736 49	2,610,792 70
1872	1,402,790 87	1,082,446 68	2,879,833 77
1873	1,460,692 55	1,056,415 20	3,003,309 75
1874	1,500,000 00	1,337,120 19	3,415,482 94
1875	1,578,328 94	1,570,540 26	3,780,126 95
1876	1,750,000 00	2,358,748 91	4,883,473 91
1877	1,999,527 00	2,934,354 66	5,500,930 10
1878	2,000,000 00	3,323,062 27	6,355,342 67
1879	2,000,000 00	3,581,406 81	6,069,809 99

Average Dividend paid to Stockholders, 11.88 per cent. per annum.

Total number of Loans made, 20,381. Total number of Loans now on the Books, 7,800.

Total amount Loaned.....	\$ 16,280,472
Total amount of Loans now on the Books	6,405,473