

CANADA PERMANENT

Loan & Savings Company

THIRTY-SIXTH

ANNUAL REPORT.

DECEMBER 31st, 1890.

Subscribed Capital, - - - - -	\$ 5,000,000
Paid-up Capital, - - - - -	2,600,000
Reserved Funds, - - - - -	1,550,156
Total Assets, - - - - -	11,868,967

Directors:

PRESIDENT & MANAGING DIRECTOR, J. HERBERT MASON
VICE-PRESIDENT, EDWARD HOOPER
S. NORDHEIMER, JUDGE BOYD,
A. M. SMITH, RALPH K. BURGESS,
HENRY CAWTHRA, WM. G. GOODERHAM.

ASSISTANT MANAGER, ALFRED J. MASON,
SUPERINTENDENT, RUFUS S. HUDSON,
SECRETARY, GEORGE H. SMITH.

SOLICITORS, JONES BROS. & MACKENZIE.

Bankers in Canada:

THE BANK OF TORONTO, THE STANDARD BANK,
THE MERCHANTS' BANK, THE ONTARIO BANK,
THE CANADIAN BANK OF COMMERCE.

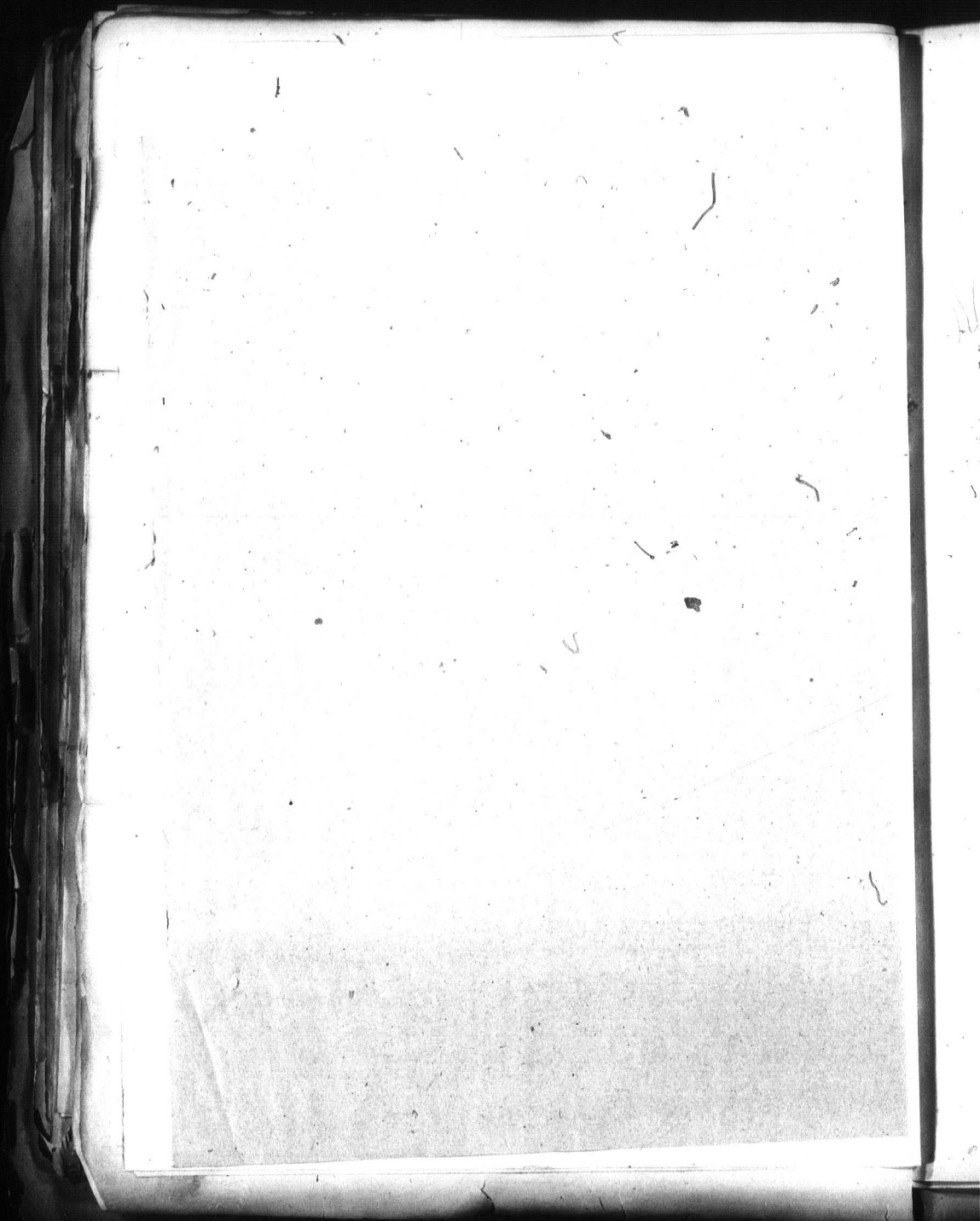
Bankers in Great Britain:

THE CITY BANK LIMITED, LONDON,
THE BRITISH LINES COMPANY BANK, EDINBURGH.

OFFICE:

Company's Buildings, Toronto Street, Toronto

The Copp, Clark Company, Ltd., Printers, Colborne St., Toronto.



REPORT OF THE DIRECTORS
OF THE
CANADA PERMANENT LOAN AND SAVINGS COMPANY,
FOR THE YEAR 1890.

On the occasion of the Thirty-sixth Annual Meeting the Directors present with great satisfaction the accompanying duly audited Balance Sheet and Statements, furnishing as they do indubitable evidence of the continued and increasing prosperity of the Institution.

The total income for the year was \$3,715,789, in addition to the balance of \$119,114 brought over from the previous year. Of this sum, \$2,355,496 were received on account of Mortgages and other securities; a sum which exceeds the receipts of any previous year. The receipts of money for investment amounted to \$1,192,593, of which \$345,522 were received on Deposit, in the Company's Office; \$624,605 on Debentures, and \$222,465 on Debenture Stock, the net increase being \$417,787.

The demand for money throughout the year was active, and Loans to the amount of \$2,115,055 were made.

The Directors found themselves again under the necessity of choosing between making a further issue of Capital Stock, or of refusing profitable business. As the Company had not yet been in a position to reach its legal limit of liabilities to paid up Capital Stock, the Board decided to create \$300,000 additional Stock in shares of \$50 each, upon which \$10 per share were called up. These were allotted to existing shareholders at a premium of fifty-two per cent., of which \$6 per share were called up. These shares were largely taken up by the allottees, and those not so taken were sold at a profit of \$1,945. This issue has increased the Subscribed Stock Capital to \$5,000,000 and the paid up Stock Capital to \$2,600,000.

The Total Assets exhibit an increase from \$11,265,335 to \$11,868,967.

The net earnings for the year amounted to \$347,330. After paying therefrom the customary half-yearly dividends of six per cent each on the Capital Stock, as well as the Municipal Tax thereon, and charging the account with the discount on the Debenture Stock issued, and applying \$2,380 in reduction of the Company's building, the Board was able to add \$35,000 to the Reserve Fund, the remaining sum of \$3,741 being carried to the Contingent Fund. These Reserved Funds now amount to \$1,550,156, equal to 59.62 per cent on the paid up Capital Stock.

A marked improvement has taken place in the general aspect of affairs in Manitoba. The last harvest was abundant, though the quality of the grain was injured by exposure to unfavorable weather. Real Property is gradually acquiring a saleable value which for some years after the inflation and subsequent reaction it seemed to have lost. In Ontario, not much, if any, change in values has taken place. Any properties remaining on the Company's hands have been taken at prices which it is believed can be realised if considered advisable.

All which is respectfully submitted.

J. HERBERT MASON,
President.

FINANCIAL STATEMENT OF The Canada Permanent Loan and Savings Company,

DECEMBER 31ST, 1890.

CASH ACCOUNT FOR THE YEAR 1890.

RECEIPTS.	\$	c	EXPENDITURE.	\$	c
Balance January 1st, 1890	119,114	63	Loans on Real Estate	\$2,028,487	00
Mortgages and other Securities	2,355,496	18	Loans on other Securities	86,568	00
Deposits	\$345,522	83	Municipal Debentures purchased	6,146	90
Debentures	621,605	88	Deposits repaid	381,898	65
Debenture Stock	222,465	03	Debentures repaid	402,165	30
			Interest on Deposits, Debentures, etc	279,670	97
New Capital Stock	1,192,503	74	Dividends on Capital Stock	299,812	80
Rentals	161,945	00	Disbursements chargeable to Mortgagors	4,002	00
Exchange	5,497	57	Municipal Tax on Dividends	79,805	72
	255	95	Repayments for and on account of Mortgagors	1,069	10
			Company's Building	7,427	69
			Charges on Money Borrowed and Lent	23,726	13
			Cost of Management, including Branch Office	58,545	51
			Legal Expenses	213	54
			Balance	175,453	64
	\$3,834,903	07			
				\$3,834,903	07

PROFIT AND LOSS.

60th Dividend	\$150,000	00	Contingent Fund, January 1st, 1890	\$111,415	99
61st Dividend	150,000	00	Net Profits, after providing for interest on Deposits, Debenture Stock, Debentures, Cost of Management, estimated deductions, &c	345,385	14
Municipal Tax on Dividends	4,002	00	Additional Premium on New Stock Sold	1,945	00
Discount on Debenture Stock	2,206	70			
Written off Company's Building	2,380	97			
Reserve Fund, addition thereto	35,400	00			
Contingent Fund, December 31st, 1890	115,156	46			
	\$458,746	13		\$458,746	13

ABSTRACT OF ASSETS AND LIABILITIES.

LIABILITIES TO THE PUBLIC.	\$	c	ASSETS.	\$	c
Deposits and Interest	\$1,122,457	61	Mortgages upon Real Estate	\$11,300,040	00
Debentures (£1,035,042 Sterling) and Interest	5,070,792	39	Mortgages upon other Securities	48,265	32
Debentures — Currency — and Interest	523,244	87	Municipal Debentures	11,348,305	32
Debenture Stock (£168,942 Sterling) and Interest	841,227	83	Company's Building	120,000	00
Sundry Accounts	10,974	69	Accrued Rentals	1,156	00
			Cash on hand	361	63
			Cash in Banks	175,992	01
				175,453	64
LIABILITIES TO SHAREHOLDERS.					
Capital Stock paid up	\$2,000,000	00			
Capital Stock (\$3,000,000, 20 per cent. paid)	600,000	00			
Reserve Fund, last year	\$1,340,000	00			
Premium on new Stock	60,000	00			
From Earnings	35,000	00			
	1,435,000	00			
Contingent Fund	115,156	46			
				1,550,156	46
Dividends unclaimed	\$ 292	80			
61st Dividend declared	150,000	00		150,292	80
	\$11,868,966	65			
				\$11,868,966	65

GEORGE H. SMITH, *Secretary.*

We the undersigned, beg to report that we have made the usual thorough examination of the Books of the CANADA PERMANENT LOAN AND SAVINGS COMPANY for the year ending 31st December, 1890, and hereby certify that the above statements are strictly correct, and in accordance with the same.

Toronto, 6th February, 1891.

J. E. BERKELEY SMITH, } *Auditors.*
JOHN HAGUE, F.R.S.S., }

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 Wood, Messrs. R. K. Burgess, Philip Browne, C. C. Baines, Jacob Bull, Henry Cawthra, Edward Connor, 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 C. H. Gooderham, Henry Gooderham, Herbert Mortimer, Thomas Mortimer, Rev. R. C. Moffatt, D. D., Alfred J. Mason, P. L., Heather, Clarkson Jones, Beverley Jones, F. Marriott, S. Nordheimer, A. Nordheimer, M. O'Donnell, Samuel Risley, John Rawdon, O. F. Rice, A. M. Smith, James Scott, John Stark, Geo. H. Smith, William Spry, G. A. Stinson, William Thompson, Alexander Willis, 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 \$3,741 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. This expenditure represents the cost of a new boiler and of completely furnishing the building with pipes and coils for steam-heating. The erection, by various corporations, of large and expensive buildings, furnishing the building 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 write 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, imported 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, resulting in a number of Manitoba properties being thrown on the hands of the Company, while most of these properties have been produced 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; and on the borrowed that on the Reserved 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 gauging 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 Shares. 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 premiums 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 \$80 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.

The President then read a motion for the adoption of the Report, which was seconded by the Vice-President, E. Hooper, Esq., who said:—

Gentlemen, you have heard the Report read and the very able address delivered by the President, which leaves very little for me to say that will interest you. I sincerely endorse every word that the President has uttered, and I certainly think that the Stockholders have every reason to be well satisfied with the result of the years business. We have loaned a very large amount of money on favorable terms, and when we consider that the loans are not for one year only, but for an average of perhaps five years, I think it shews that our prospects for the future are good. I have much pleasure in seconding the motion for the adoption of the Report.

The motion was unanimously adopted.

It was moved by James Scott, Esq., seconded by Herbert Mortimer, Esq.:—

"That the thanks of this meeting be given to the President, Vice-President and Directors, for the care and attention they have given to the Company's business during the past year, and that the same sum be voted to them as compensation as was voted last year." Carried.

It was moved by S. Nordheimer, Esq., seconded by Henry Cawthra, Esq.:—

"That the thanks of the Shareholders are due, and are hereby presented, to the Managers and Staff of the office, to the Solicitors and Appraisers, and to the Agents of the Company, for their services in the successful management of the Company during the past year." Carried.

The usual vote was passed to the Auditors, who were re-appointed.

The election of Directors was then held and resulted in the unanimous re-election of Messrs. J. Herbert Mason, S. Nordheimer, Henry Cawthra and Judge Boyd.

At a subsequent meeting of the Board Messrs. J. Herbert Mason and Edward Hooper were respectively re-elected to the offices of President and Vice-President.