



The Royal Trust Company

ANNUAL REPORT

for the year ended 31st December

1945

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THE ROYAL TRUST COMPANY

Pres. Dr. Beach.

Mar 12, 1946.

46th ANNUAL REPORT ★ 1945



Head Office:

105 ST. JAMES STREET, W., MONTREAL

Branches:

CALGARY	EDMONTON	HALIFAX
HAMILTON	OTTAWA	QUEBEC
SAINT JOHN	TORONTO	VANCOUVER
VICTORIA	WINNIPEG	
ST. JOHNS, NEWFOUNDLAND		
LONDON, ENGLAND		

Board of Directors

*HUNTLY R. DRUMMOND

Honorary President

*ROBERT P. JELLETT

President

*GEORGE W. SPINNEY, C.M.G.

Vice-President

*ROSS CLARKSON

Vice-President

THE HON. C. C. BALLANTYNE, P.C.

LAMONTE J. BELNAP

GEORGE A. CAMPBELL, K.C.

D'ALTON C. COLEMAN

NORMAN J. DAWES

JACKSON DODDS, C.B.E.

THE HON. CHARLES A. DUNNING, P.C.

*JAMES A. ECCLES

GEORGE W. HUGGETT

JOSEPH A. KILPATRICK

R. S. McLAUGHLIN

ROSS H. McMASTER

THE HON. S. C. MEWBURN, K.C.

HERBERT W. MOLSON

THE HON. ALPHONSE RAYMOND, LL.D., M.L.C.

CHARLES F. SISE

WALTER M. STEWART

THE HON. L. A. TASCHEREAU, K.C., LL.D.

** Members of Executive Committee*

E S T A B L I S H E D 1 8 9 9

Executive Officers

ROBERT P. JELLETT

President

ROSS CLARKSON

Vice-President and General Manager

J. F. WILKES

Assistant General Manager

G. T. BOGERT

Superintendent of Branches

Montreal Manager

C. W. ISMAY

CAPITAL, RESERVES AND SURPLUS

\$8,100,000

ASSETS UNDER ADMINISTRATION

\$882,000,000

The Forty-Sixth Annual General Meeting

OF SHAREHOLDERS WAS HELD AT THE HEAD OFFICE, MONTREAL,
ON TUESDAY THE TWELFTH OF FEBRUARY, NINETEEN FORTY-SIX

The President's Remarks

IT is now seven years since we met in a peacetime atmosphere. We have every reason to be happy in the complete and final victory achieved by the allied nations through the courage and determination of their armed forces, the skill of their leaders, and the support they received in the production of munitions and in all other ways from the peoples at home.

We mourn the loss of thirteen members of our staff, whose sacrifice has saddened us and whose memory we hold dear. We welcome back to our service those who have survived. We have found places for them in which they can develop their talents and help us to carry out our duties efficiently.

Throughout the course of the war, those officers and members of the staff who have carried on the business of the Company so successfully under such trying conditions deserve great credit. Their's has been no easy task and they have done remarkably well. The past year was no exception for hard work and difficulties to be surmounted, and I wish to congratulate them on their fine achievement.

Profits

Profits for the year at \$498,000 were \$53,000 better than in the previous year. The figures of the Profit and Loss Account, as well as those of the Balance Sheet, will be reviewed by the General Manager.

Reserve

The improvement in our business and in the value and marketability of real estate which enabled us a year ago to transfer \$500,000 from reserves not then required, to a Reserve for Contingencies, has continued through 1945. In consequence we decided to transfer another \$500,000 to our Reserve, increasing it from \$4,000,000 to \$4,500,000 and leaving the \$500,000 at credit of Reserve for Contingencies.

Valuation of Shares

Our By-laws provide that the shareholders shall establish the value of the shares of the Company for the ensuing year, and an appropriate resolution

will be submitted to you for this purpose. In view of the satisfactory earnings and the assets behind the shares, the Directors think that the value of the shares of the Company's Stock, which was set at \$80 per share at the last Annual Meeting, should be increased by \$5 to \$85 per share. At the present dividend rate of \$3.20, disregarding the bonus of 60 cents paid on the 1st February, the shares at the new price would yield 3.76%, and with the bonus, 4.47%, which is favourable in comparison with the yield of other investments of similar calibre.

Advisory Boards

The following new appointments have been made to Branch Advisory Boards.—H. T. Malcolmson at Hamilton; R. W. Mayhew, M.P., and J. N. Taylor at Victoria, the latter succeeding G. H. Harman as Chairman; A. M. J. English at Vancouver upon his retirement as Manager, also John MacRae who was appointed Chairman of the Vancouver Board to replace W. McDonnell upon his retirement, and A. E. Dal Grauer and M. E. Nichols. I am glad to report that A. C. M. Thomson, K.C., resumed his place on the Quebec Board in November, after having been a prisoner of war in Hong Kong since December, 1941.

London Branch

One of the purposes of my recent visit to London was to look into the prospects for our London Branch. F. Stanley Long was Manager of the London Office from its opening in July 1929 until April 1938, when he became Supervisor of British and European business and a member of the London Advisory Board, and Arthur H. Montgomery was appointed Manager. When Mr. Montgomery went on Active Service in September 1939, Mr. Long accepted increased responsibilities for overseeing the London Office during the temporary managership of C. E. Foreman, the Assistant Manager, and was named Chairman of the London Board in June, 1943.

Mr. Montgomery, now Brigadier Montgomery, has been released from the War Office and the arrangement under which Mr. Long had carried on during his absence was terminated on the 31st of December. Mr. Long, having retired on pension, now reverts to the Chairmanship of the London Advisory Board, but he will devote as much of his time as necessary to help in maintaining our connections in London and to provide continuity in the carrying on of certain special matters in which he has played a prominent part.

We have regained possession of our St. James's Square premises and a great improvement in the efficiency and economical operation of the office should result.

We have a large staff in London officered by men of good scholarship and specialized training, but the future of the business is problematical as British investments in Canadian securities have diminished sharply owing to requisitioning by the British Government and the prohibition of the purchase of foreign investments. As it seems unlikely that Great Britain will be in a position to permit lifting of the bars against the purchase of foreign exchange for investment purposes for some years to come, the business of managing Canadian investments for clients in England, which has already been sharply curtailed, will diminish as further investments in Canada are realized upon to pay death duties in England, and for other purposes. This means that the Canadian Securities end of the London business will not provide as large a field for our operations as in the past. Our hope is that this may be offset by the development of new business in England of the various classes which we are authorized to undertake. We shall have to depend on the hope that the possession of a highly skilled staff in a great city like London, will lead to the acquisition of business in sufficient amount to cover the cost of operating.

Regarding the future of the office, the only conclusion that I could come to was that we should give the staff in London, with those who have returned to duty from active service, a chance to settle down, and look into the situation again in a year's time.

England After War

As I was in London, as a member of a delegation from The Canadian Chamber of Commerce to a conference of the Federation of Chambers of Commerce of the British Empire to consider such recommendations as the representatives of the various empire countries could make to government for the development of empire trade, it is, perhaps, opportune that I should say something of the impressions I gained of conditions there. The transition from a national wartime government to a Labour government was the absorbing fact that dominated the general situation. On every side there was evident a determination to give the new government the benefit of a public opinion willing to support, and indeed to applaud, all measures brought forward which might aid in the reconstruction of the peacetime economy of the country, but this was naturally coupled with the fear on the part of the business community that a ruling party deeply committed to socialistic measures would make some drastic changes which

would not work out well, and which by their nature might be impossible to correct at a later date.

The taking over of the Bank of England and the nationalization of the coal mines contained no element of surprise, and would in all probability have been carried through by any party returned to power. The intention to take over the efficiently managed Cable and Wireless, Limited, was a much more debatable proceeding. It was a straight replacement of an outstanding example of successful management and development under private initiative, by state ownership, and the announced precursor of more to follow. In the same direction the monopolization of commercial flying in the hands of the government was felt by many to be likely to result in a curtailment of the development of that potentially great field of business from what could reasonably have been expected had it been left to the dynamic force of free enterprise and competition. We in Canada can still sympathize with the latter view even though we too have to face the extension of the operations of government in business in the same sphere.

No observer can fail to realize the very serious financial position of Great Britain, nor to recognize that it was brought about largely by long, and sometimes lone, carrying of the war effort, which, however it started out, and however it developed at one time, did become the joint and common cause of all the allied nations, nor to know that she cannot work out the most pressing of her debts, and her requirements for re-establishment, without loans from Canada and the United States. With these facts in mind it is little less than heartbreaking to see this great country forced into a humiliating position in which circumstances compel her to plead for terms, and to recite her own extraordinary contributions to the successful outcome of the war. The people of the Old Country have suffered beyond what anyone who has not been there can appreciate, and they are as yet far from through with their discomforts, if not their sufferings. In spite of all this we heard many say that if they had to, they would still further tighten their belts, and worry through somehow without the loans. This was not the best informed opinion, but I mention it as evidence, even though unneeded, of the unconquerable spirit of the nation.

I wish that it were possible to bring home to the people on this side of the ocean a realization of what Great Britain did in sustaining the war, and, as sympathy for persons is more easily evoked than for countries, I think that attention should be drawn to the fact that the population is and will be cold—there is a piteous shortage of coal for the heating of houses—and, if not definitely hungry, at least forced to live on food that to us is unat-

tractive, lacks variety, and is scarce and high in price. I shall go further and say that the people in the streets are shabbily dressed, and that there is a great scarcity of clothing. It isn't right, and it is only through want of understanding, that a proud race like the British, having fought a great fight for the civilized world, should not be willingly rendered such financial assistance by her more happily situated allies as will bring her back into something of her former prosperity, and on acceptable terms. Her degree of prosperity affects that of numerous other nations so that a well balanced world economy is scarcely possible until she is again on her feet financially.

There is in England a grim determination to cut her coat to suit her cloth, and to conserve any foreign funds that she may be able to get by using them to buy abroad only such supplies as she has to have, and to buy them in their cheapest and most rudimentary form. The reasons for this are that by doing at home as much as possible of the converting into more finished products she can buy more basic products with her limited means, and that thus she can also provide employment for her working population to the fullest possible extent. She is going much further than this in that she is determined to manufacture for export, and build up her foreign trade, so that she can pay for her needs from outside the country, and reduce the balances due by her abroad, in the only feasible manner,—that is with goods and services.

If I am right in this view of her intentions, Canada will find it exceedingly difficult to maintain her exports to Great Britain, and get paid for them so that she can, as in the past, balance her foreign exchange position by paying the United States for her necessary surplus of imports from that country with the proceeds of sales to Britain. To lend to Great Britain the money which she would require to pay Canada for imports from us is from an economic standpoint certainly not better than a doubtful and temporary expedient, because it means paying producers here money which they must in due course expend in their normal yearly operations, but which is added to the debt of the country, or taken by way of heavy taxation. In either case it is a paying of some sections of the community with the money of other sections, and this won't work over any extended period because it would completely distort the country's economy. No matter how large a demand there may be in the near future within Canada for goods made here, the prosperity so induced cannot meet the requirements of the country as a whole, because, for instance, we cannot consume all our wheat, and our financial history proves that the degree of prosperity within Canada follows regularly, and year by year, the ups and downs of our foreign trade.

The hope of widespread prosperity must consequently be based for us and for other nations on the development of multilateral trade through the use of the facilities to be supplied under such arrangements as those contemplated by the Bretton Woods agreements, and, in a broader sense, by the successful operations of the United Nations organization.

Canadian Economy

I think most Canadians agree that our Minister of Finance and his associates have done a splendid job in raising the funds necessary for Canada to play her full part in the war. The people as a whole have gladly accepted the burdens of high taxation, and the moral obligation to practise rigid economy, so that every dollar they could spare might be used to ensure the success of our Victory Loans.

But the sacrifices and deprivations which people must endure in time of war will not be accepted by them without question in time of peace. This fact will, no doubt, hold an important place in the deliberations of the Dominion-Provincial Conference on the revamping of the country's taxation structure. Spending by governments should be sharply curtailed and full employment sought by the encouragement of production under our Free Enterprise system in order to develop our natural resources and manufactures, keeping always in view the necessity of increasing our exports.

Government employment of labour on artificially created projects and the payment of "Social Security" doles may prove to be necessary under some circumstances and within reasonable limits, but they are not healthy substitutes for the provision of productive employment arising from natural demand, under free competitive conditions. Less government spending, and a return to taxation on a scale that will permit the accumulation of venture capital for new industries, and for the development of natural resources, would appear to be essential to the establishment of a sound economy.

No manipulation of our economy would enable people to live without labour, and enjoy the benefits of government spending without paying for them. Nor can they escape indefinitely the consequences of extravagance and waste in any quarter. It cannot be said too often that Canada's present financial position demands the fullest realization and application of these basic principles.

The Directors' Report

To the Shareholders of

THE ROYAL TRUST COMPANY:

The directors have pleasure in submitting the forty-sixth annual report of the Company showing the results of its operations for the year ended 31st December, 1945, accompanied by the General Financial Statement, in which is incorporated the Balance Sheet of the Company as at that date.

Profit for year ended 31st December, 1945, after deducting management and all other expenses and providing for all contingencies.....	\$ 791,045.37
Less—Provision for taxes.....	293,002.45
Net Profit.....	\$ 498,042.92
Less—Special Contribution to Staff	
Pension Fund.....	\$ 75,000.00
Reserve for Bonus to Shareholders..	60,000.00
Dividends.....	320,000.00
	<u>455,000.00</u>
Surplus.....	\$ 43,042.92
Balance at credit of Profit and Loss Account, 31st Decem- ber, 1944.....	1,094,154.36
Balance carried forward.....	<u>\$1,137,197.28</u>

There has been transferred to Profit and Loss Account from reserves, no longer required, the sum of \$500,000.00; this amount has been re-allocated to Reserve.

Under the charter and by-laws of the Company the real value of the Company's shares is to be estimated and established by resolution at each annual general meeting of the shareholders, and your directors recommend that the value of the shares, which have a par value of \$20.00 each, should be established at \$85.00 per share, which is \$5.00 per share more than the valuation placed on the shares a year ago.

Respectfully submitted,

ROBERT P. JELLETT,

President

MONTREAL, 12th February, 1946

BALANCE SHEET AS AT

Assets

READILY REALIZABLE ASSETS (less Reserves)	1945	1944
Bonds—Dominion and Provincial.....	\$11,315,766.30	\$11,301,709.56
Other Bonds.....	1,783,181.43	2,337,435.21
Stocks..... (Not exceeding market values)	633,554.36	573,020.35
	<u>13,732,502.09</u>	<u>14,212,165.12</u>
Cash.....	76,378.39	18,622.07
Loans.....	6,674,323.04	5,507,382.55
Sundry Accounts.....	23,049.03	56,966.42
Readily realizable assets.....	<u>\$20,506,252.55</u>	<u>\$19,795,136.16</u>
 OTHER ASSETS (less Reserves)		
Mortgages.....	1,156,832.81	1,236,229.20
Stocks of subsidiary companies.....	190,003.00	190,003.00
Premises.....	920,851.25	942,657.09
Real Estate held for sale.....	1.00	1.00
 Total assets.....	<u><u>\$22,773,940.61</u></u>	<u><u>\$22,164,026.45</u></u>

On behalf of the Board:

(Signed) HUNTLY R. DRUMMOND }
(Signed) ROBERT P. JELLETT } *Directors.*

MONTREAL, 22nd January, 1946.

Verified as per our report of this date.

(Signed) JOHN PATERSON, C.A. }
(Signed) C. GORDON WALLACE, C.A. } *Auditors.*

Assets Under Administration

At 31st December

	1945	1944
Funds and Investments of Estates, Trusts and Agency Accounts under administration—at nominal values.....	\$859,820,026.18	\$795,793,059.83
Company's Own and Guaranteed Account Assets..	22,773,940.61	22,164,026.45
Security held against Contingent Liability.....	34,832.52	36,132.52
	<u><u>\$882,628,799.31</u></u>	<u><u>\$817,993,218.80</u></u>

A copy of the Balance Sheet, in more detail, may be obtained upon request.

31st DECEMBER, 1945

Liabilities and Capital

LIABILITIES	1945	1944
Accounts due and accrued.....	\$ 191,738.72	\$ 253,381.18
Reserve for Bonus to Shareholders.....	60,000.00	40,000.00
Bank loans—secured by pledge of securities....	7,446,167.88	7,075,064.01
Funds for Guaranteed Investment.....	6,938,836.73	7,201,426.90
Liabilities.....	<u>\$14,636,743.33</u>	<u>\$14,569,872.09</u>
 CAPITAL		
Capital Stock—100,000 Shares fully paid—\$20.00 par value.....	2,000,000.00	2,000,000.00
Reserve.....	4,500,000.00	4,000,000.00
Reserve for Contingencies.....	500,000.00	500,000.00
Undivided Profits.....	1,137,197.28	1,094,154.36
	<u>8,137,197.28</u>	<u>7,594,154.36</u>
Contingent Liability—Indemnity, Surety and Guarantee Bonds—secured.....	<u>\$34,832.52</u>	
Total liabilities and capital.....	<u>\$22,773,940.61</u>	<u>\$22,164,026.45</u>

Profit and Loss Account

For year ended 31st December, 1945

		Comparative figures for previous year
Profit for year ended 31st December, 1945, after deducting management and all other expenses and providing for all contingencies.....	\$ 791,045.37	\$ 718,539.46
Less—Provision for taxes.....	293,002.45	273,588.42
Net Profit.....	<u>\$ 498,042.92</u>	<u>\$ 444,951.04</u>
Less—Special Contribution to Staff Pension Fund	75,000.00	50,000.00
Reserve for Bonus to Shareholders.....	60,000.00	40,000.00
Dividends.....	320,000.00	320,000.00
Surplus.....	<u>\$ 43,042.92</u>	<u>\$ 34,951.04</u>
Balance at credit of Profit and Loss Account, 31st December, 1944.....	1,094,154.36	1,059,203.32
Balance carried forward.....	<u>\$ 1,137,197.28</u>	<u>\$1,094,154.36</u>

NOTE:—There has been transferred to Profit and Loss Account from reserves, not now required, the sum of \$500,000.00; this amount has been re-allocated to Reserve.

Auditors' Report

We have audited the books and accounts of The Royal Trust Company at Montreal, Charlottetown, Ottawa, Toronto, Hamilton, Winnipeg, Calgary, Edmonton, Vancouver, and Victoria, for the year ended 31st December, 1945, and we have seen accounts for the same period certified by independent auditors of the Company's Branches at Quebec, Saint John, N.B., Halifax, St. John's, Nfld., and London, England.

We have obtained all the information and explanations we have required and we report that all transactions of the Company that have come within our notice have been within the powers of the Company.

Cash, bank balances, and securities held by the Company for Guaranteed and Trust Accounts and in any other capacity are kept separate from the Company's own funds and securities and are so earmarked on the books of the Company as to show the accounts to which they belong. All cash, bank balances, and securities have been verified.

In our opinion, the foregoing Balance Sheet as at 31st December, 1945, verified by us, is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.

(Signed) JOHN PATERSON, c.a.	} Auditors
(Signed) C. GORDON WALLACE, c.a.	

MONTREAL, 22nd January, 1946

The General Manager's Remarks

I WISH to thank the President sincerely for his commendation of the officers and staff and to express my own appreciation of the splendid co-operation which I have received from all of them in carrying out my duties as General Manager,—without this full measure of assistance and support the Company could not have achieved the results presented to you to-day. I also wish to add my welcome to our returning war veterans. It is an inspiration to meet again and talk with these splendid men and women and to sense the broadening of mind and greater confidence which their travels and experiences, however harrowing, have given them. They will add much to the strength of our organization.

Earnings and Balance Sheet

The Profit and Loss Statement and Balance Sheet which accompany the Directors' Report already in your hands will, I trust, be found satisfactory. Gross Revenue was up \$196,000, at \$3,157,000, an all-time high, while Charges, before taxes, were up \$124,000, at \$2,366,000. Gross Profit amounted to \$791,000, of which \$293,000 was taken for taxes, leaving a Net Profit of \$498,000. This is higher by \$53,000, than in the previous year. A special contribution of \$75,000 was made to the Pension Fund as compared with \$50,000 a year ago, and \$60,000 was set aside to pay a bonus of 3% to Shareholders on the 1st February, 1946. Last year the bonus was 2% and amounted to \$40,000. The balance of Profit and Loss Account carried forward is up \$43,000 at \$1,137,000.

The Balance Sheet, which is in condensed form again this year, shows Own and Guaranteed Account assets of \$22,773,000, which is \$8,137,000 in excess of liabilities. Assets under Administration, including Own and Guaranteed Accounts, amount, at conservative valuations, to \$882,628,000, a record figure, and up \$64,635,000 from last year. Copies of the Balance Sheet in greater detail, as prescribed by governments, are available to any who want them.

Pension Fund

The assets of the Pension Fund now amount to \$1,970,000. It is a great satisfaction to the staff, as well as to the management, to see it increasing to such substantial figures but the Fund is still short of being sufficient to provide adequate pensions, and it will be some few years before the sums standing at the credit of each employee under our pension scheme will be large enough at time of retirement to meet minimum pension requirements. In the meantime, the Company, in addition to its monthly payments equalling those of the staff, is making special contributions to the Fund in good years and is augmenting current pensions, from income.

Staff

Our staff problems, which have been acute during the war, are now diminishing. Many of our employees have already returned from Active Service, and I am glad to say there are more to come. Some of our services which we were obliged to curtail, because of staff shortages in wartime, are being resumed in full, while others will be extended and improved.

Branch Managers

Two changes in Branch Managers took place during the year. G. O. Vale was transferred from Winnipeg to Vancouver to replace A. M. J. English upon his retirement as Manager of that Branch, and R. K. Berry, Assistant Superintendent of Branches at Head Office, replaced Mr. Vale at Winnipeg. D. L. Evans was appointed Assistant Manager at that office.

Estates and Trusts

Our principal business, that of administering estates and trusts, shows substantial growth and new appointments continue to come to us in satisfactory volume. Administration difficulties, however, are many, with the numerous governmental controls, and with succession duties and income taxes remaining high, while interest rates decline.

The reciprocal succession duty agreements, now in effect in Canada, are a good beginning towards the elimination of the injustice of multiple taxation

on the same assets, and it is to be hoped that these agreements may soon be followed by further agreements between other provinces and with other countries, especially the United Kingdom.

Management and Safe-Custody

The management and safe-custody of securities and of other assets of living persons, or of their holding companies, is a most important part of our business and is growing yearly. Many new clients come to us without solicitation, while others are beneficiaries of estates which we have administered and who wish us to continue the management of their inheritance. This usually leads in turn to our appointment as executor under their Wills and so the continuity of sound administration is often maintained over many years.

The making of gifts within the limitation of income tax regulations continues to be a popular means of establishing trusts, particularly for children of the donors, and some clients make additional donations each year.

Pension Fund Trusts for which we act as trustee or depositary under Pension Fund Agreements between companies and their employees are showing satisfactory increase and the outlook for further such appointments is encouraging.

Real Estate and Mortgages

The demand for real estate of all kinds was active throughout the year and prices are still rising. The Rental Control Regulations affecting both occupancy and revenue, while hindering the making of sales in some cases, tend to place a premium on properties where prompt occupancy can be arranged. The great demand for revenue-producing real estate is due in part to the low yield obtainable from other types of high-grade investments and its potentialities as a hedge against inflation.

While the volume of sales for the year was particularly good, our rental roll and listings have not been greatly reduced, as additional properties are constantly coming into our hands for management or sale. We look forward to another active year in real estate.

Mortgages under our management are in better shape than they have been for years. Arrears of interest and taxes are negligible and principal repayments are heavier than we would wish. As a result, our total mort-

gages are considerably below what we would like them to be and very few applications for new loans are being received.

Investments

In the field of investments, the problem of keeping funds employed at satisfactory rates increases with the seeming trend towards even lower interest rates and the consequent calling of securities, and investors are having great difficulty in finding suitable investments and reinvestments. Low yield government bonds and high taxation cause hardship for many who must have security. Government pressure on interest rates also tends to discourage thrift when the return on invested savings is so small.

To those who have sought a higher income by the purchase of common stocks, the risk of holding this class of investment must be accepted, and investors would do well to remember that, judging from past experience, stocks do not go up in price indefinitely.

Corporate Trusts

In the corporate trust department, our stock transfer agency business showed reasonable expansion, but there was little activity in the field of new financing by way of bond issues—the trend being more towards the redemption of bonds and preferred stocks, or their refunding at lower rates, sometimes by private arrangement rather than by public issue, which, of course, is not pleasing to the holders of the called securities.

Appointments as transfer agent or registrar were received for a number of new stock issues, while several issues, formerly privately owned, became active through the offering of shares to the public. More companies too are broadening the transfer facilities for their shares by opening registers at additional points, as well as making use of our dividend disbursing facilities which relieve them of much bother at small cost.

Greater activity in the stock markets added considerably to the volume of transfers handled and further expansion in this direction seems probable.

Taxation

It is gratifying that the recommendations of the "Ives Commission" contained in its report to the Minister of Finance, were largely adopted in

the last amendments to the Income War Tax Act. The changes of greatest interest to our clients are the exemption from income tax of annuities received under the provisions of a Will or Trust, except any portion paid out of income, and a more reasonable formula for taxing the distribution of earned surplus of private companies.

The fact that the Government has also reduced income and profit taxes to some extent gives a measure of satisfaction to the companies and persons who bore such a heavy share of the burden of financing the war. No one questions the seriousness of the problem facing the Government in rearranging the country's finances, but it is opportune to point out some further relief from taxation which should, we think, receive consideration.

Reduction of the highest rate of tax on corporation profits to 60% does not equal the cuts which have been made by the United States Government in that country's taxes, and while Canada's financial problem is its own, and differs from that of the United States, it is obviously a hardship to our people, living chiefly along our extended border line, to be subjected to higher taxation than their neighbours to the south.

The reduction of the maximum tax on corporation profits to 60% gives relief only to such companies as were able to make higher profits in recent years. Other companies deserving of some relief from war taxation are those which were never able to make higher profits and which still have to bear the same heavy burden of a 40% profit tax. We think that they should share in any future tax reduction.

The 4% surtax on income derived from investments as opposed to so-called earned income is unfairly discriminatory and should be done away with. It ignores the fact that many people unable for various reasons to earn an income are dependent on income from investments. Generally speaking, they are more defenceless than those earning wages or salaries because, while the latter can demand increases in pay, the former have no recourse except in risking their capital by going into more speculative investments—a course which, incidentally, they are apt to be induced to take because of the Government's low interest policy.

Before the war, the income of personal holding companies formed in Canada and owned by non-residents bore a maximum tax of 7½% and the owners were quite willing to pay this rate even on the income from United States and United Kingdom securities which would have suffered no Canadian tax in the hands of an individual non-resident of Canada. As a war measure, the average rate was increased to 17½% and while the owners of these companies were undoubtedly willing to bear a share of Canada's

war costs, even though they themselves lived in other countries, I am sure they now feel that when it is possible to reduce taxes in Canada they should, in all justice, be given a share in the relief afforded to taxpayers generally. By adjusting our taxes so as to retain and attract such companies, Canada should be the gainer in the long run.

Security and Service

The Company means security and freedom from financial worry to an increasing number of families and individuals who make use of its many branches across Canada. This is a source of real satisfaction to our officers engaged in the difficult and delicate management of personal affairs and family businesses. There are, of course, some criticisms, and they serve the useful purpose of keeping us humble.

In choosing a trust company, one naturally looks for strength and stability. The next most important attribute is quality of service, and I think it is fair to say that a trust company is not much, if any, better than the calibre of its officers and staff. It is our constant aim to maintain a high standard in personnel and to serve our clients efficiently.

While it is difficult to make net profits in the trust business—unlike most businesses the percentage of profits does not increase with larger volume—we look forward to continued growth as the whole idea of trust companies becomes more widely known and appreciated by the public.

The Report of the Directors was adopted and the value of the shares of the Company's Capital Stock was established at \$85. per share.

Statement regarding Stock of The Royal Trust Company

IT may interest you to know where the ownership of the Company lies. It is now divided among 769 shareholders. The Company has the right to acquire, at the price fixed from year to year by the shareholders, shares of its stock that are offered for sale or transmission. The policy of the Company is to take advantage of this power when dealing, for instance, with shares offered for transmission on the death of a shareholder, by taking over all or part of them, and selling them to people whose interest would be valuable to the Company. As a result of this practice, and the fact that the shares are re-sold in small lots only, the size of shareholdings is being continuously broken down. The only original shareholder is McGill University, and its holding, while now much the largest, is less than 4% of the outstanding shares. With the exception of some small lots of shares which have been sold to life insurance companies, or are owned by personal holding companies, no shares have been sold to, or have ever been owned by, any bank, investment trust, or any company, or corporation. Apart from McGill, there is now no single holding of shares greater than 2.1% of the issued capital of the Company, and only a few over $\frac{1}{2}$ of 1%.

*Montreal,
12th February, 1946*

R. P. JELLETT,
President

Branch Advisory Boards and Managers

CALGARY

C. G. DUNNING, *Chairman*

SIDNEY KIDD

ALICK C. NEWTON

FRED. E. OSBORNE

FREDERICK STAPELLS

A. R. DINGMAN, *Manager*

EDMONTON

THOMAS DICKSON, *Chairman*

CLAUDE GALLINGER

E. N. KENNEDY

C. F. NEWELL, K.C.

S. H. SMITH

R. STEELE, *Manager*

HALIFAX

G. B. HOWARD, *Chairman*

J. NORWOOD DUFFUS

G. MACGREGOR MITCHELL

A. HANDFIELD WHITMAN

W. ARCHER, *Manager*

HAMILTON

JAMES GARROW, *Chairman*

W. D. BLACK

THE HON. S. C. MEWBURN, K.C.

H. T. MALCOLMSON

H. H. CHAMP

C. B. McNAIR, *Manager*

LONDON, ENG.

F. S. LONG, *Chairman*

G. C. CASSELS

A. H. MONTGOMERY, *Manager*

OTTAWA

W. R. CREIGHTON, *Chairman*

C. JACKSON BOOTH

P. D. ROSS

FREDERIC E. BRONSON

GEORGE L. DEAN, *Manager*

QUEBEC

H. D. SUCKLING, *Chairman*

L. T. DES RIVIERES R. P. KERNAN A. C. PICARD
W. Q. STOBO A. C. M. THOMSON, K.C.

RENE C. DE LERY, *Manager*

SAINT JOHN, N.B.

G. LAWSON, *Chairman*

G. E. BARBOUR WILLIAM E. GOLDING
FRANK J. LIKELY COLIN MACKAY

E. B. HARLEY, *Manager*

ST. JOHN'S, NFLD.

C. H. BUTTERWORTH, *Chairman and Sole Member*

M. J. PRATT, *Manager*

TORONTO

W. T. A. MACFADYEN, *Chairman*

G. F. PEARSON GORDON F. PERRY

R. L. CROMBIE, *Manager*

VANCOUVER

JOHN MACRAE, *Chairman*

CHRIS. SPENCER AUSTIN C. TAYLOR
A. M. J. ENGLISH M. E. NICHOLS A. E. DAL GRAUER

GEORGE O. VALE, *Manager*

VICTORIA

JAMES N. TAYLOR, *Chairman*

THE HON. GEORGE H. BARNARD, K.C. A. T. GOWARD

THE HON. ROBERT F. GREEN

J. W. SPENCER R. W. MAYHEW, M.P.

F. E. WINSLOW, *Manager*

WINNIPEG

ANGUS MACPHERSON, *Chairman*

S. W. CAMPBELL JOSEPH HARRIS N. L. LEACH
W. A. MATHER H. E. SELLERS

R. K. BERRY, *Manager*

Vote of Thanks

BRIGADIER A. HAMILTON GAULT, D.S.O.,
in moving a vote of thanks, seconded by Mr. David Wanklyn, said:—

“May I on the successful conclusion of the Global War in which the whole world has been engaged, directly or indirectly, pay tribute to our Honorary President and the real President—both of them real men be it said—the Vice-Presidents, the Directorate, including the Executive and Advisory Committees, the management and, by no means least, the Staff for the admirable policy, direction and effort which have brought us through these last difficult years of war so successfully. It is no mean accomplishment that our Company has achieved and I feel confident that I am voicing the sentiments and feelings of our shareholders and clients in expressing our sincere and very grateful thanks to all those who have contributed to bring about the excellent results which have been laid before us at this 46th Annual Meeting.

Sir, in these days of dwindling estates and world wide impoverishment, the direct consequences of a crazed world and six years of war, let us hope that our Trust Companies will find an ever expanding outlet for their further activities in standing as champions for the thrift of the Little Man without which, according to my early financial upbringing—from which I have not yet been persuaded to recede—there cannot be any real material progress for mankind.

There is another point that I would like to emphasize today and that is that in the army, however good the leadership may be, it still requires the “man in the line”—I should say the “men and women in the line”—to carry out the work and win the battles that have been planned by higher authority, and so in the resolution before you the very special thanks of the shareholders are tendered to the management and staff of The Royal Trust Company.

Roll of Honour

*Members of our Staff who gave their lives
in the war of 1939-1945*



Sgt/Pilot RICHARD W. JENKINS

L/Cpl. CECIL D. HARDING

P/O DOUGLAS M. WALDON

Major DAVID F. MITCHELL

Sgt. DAVID H. BIRD

Capt. G. W. ROY DILLON

F/O L. WARWICK JONES

Capt. ROBERT W. HARCOURT

Lieut. JAMES C. BUTLER

Pte. ROBERT GARRETT

Capt. CARLETON ALLEN

Lieut. BASIL W. HINGSTON

Lieut. GORDON SHACKELL



THE ROYAL TRUST COMPANY

BALANCE SHEET

31st December, 1945

(In detail)

Head Office
MONTREAL

CALGARY	CHARLOTTETOWN	EDMONTON	HALIFAX	HAMILTON
LONDON, ENG.	MONTREAL	OTTAWA	QUEBEC	SAINT JOHN, N.B.
ST. JOHN'S, Nfld.	TORONTO	VANCOUVER	VICTORIA	WINNIPEG

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THE ROYAL TR

Balance Sheet as at

(In a

ASSETS OWNED BY THE COMPANY

	1945	1944
Office Premises, less Depreciation:		
Freeholds at Calgary, Edmonton, Halifax, Ottawa, Vancouver, Victoria and Winnipeg.....	\$ 620,851.25	\$ 637,657.09
Interest in Royal Trust Building, Montreal.....	300,000.00	305,000.00
	<hr/>	<hr/>
Real Estate held for sale.....	\$ 920,851.25 1.00	\$ 942,657.09 1.00
Mortgages and agreements for sale:		
Principal, less Reserves.....	\$ 1,146,921.37	1,225,031.19
Interest due and accrued.....	9,911.44	11,198.01
	<hr/>	<hr/>
Bonds and Stocks, less Reserves:	1,156,832.81	1,236,229.20
Dom. and Prov. Govt. Bonds....	\$ 5,340,617.80	5,723,389.05
Municipal and School Bonds.....	66,578.53	409,335.30
Other Bonds and Debentures....	994,084.85	1,377,208.67
Stocks.....	633,554.36	573,020.35
Stocks of Subsidiary Companies..	190,003.00	190,003.00
Interest accrued.....	57,526.18	66,415.98
	<hr/>	<hr/>
Loans, less Reserves:	7,282,364.72	8,339,372.35
Secured by Bonds, Stocks, etc....	\$ 4,478,354.90	2,904,943.12
Interest due and accrued.....	2,937.86	2,062.39
Advances to Estates and Trusts under Administration.....	1,967,762.77	1,475,695.10
	<hr/>	<hr/>
Balances in Sundry Accounts, including Com- missions, Fees, etc. due and Charges paid in advance, less Reserves.....	6,449,055.53	4,382,700.61
Cash on hand.....	23,049.03 2,949.54	56,966.42 4,672.88
	<hr/>	<hr/>
	15,835,103.88	14,962,599.55

GUARANTEED ACCOUNT

Dominion and Provincial Govern- ment Bonds.....	\$ 5,903,942.24	5,509,672.07
Municipal and School Bonds.....	440,191.62	310,867.63
Other Bonds and Debentures.....	252,461.62	203,840.16
Interest accrued.....	43,544.89	38,415.91
	<hr/>	<hr/>
Loans on Bonds, Stocks, etc.....	\$ 224,678.47	6,640,140.37
Interest due and accrued.....	589.04	6,062,795.77
	<hr/>	<hr/>
Cash in Bank.....	225,267.51	1,123,894.79
Security against Indemnity, Surety and Guarantee Bonds.....	73,428.85	787.15
	<hr/>	<hr/>
	34,832.52	1,124,681.94
	<hr/>	<hr/>
	6,973,669.25	13,949.19
	<hr/>	<hr/>
		36,132.52
		<hr/>
		7,237,559.42

ESTATES, TRUSTS AND AGENCY ACCOUNTS

Investments, Cash in Chartered Banks and Mis- cellaneous Assets of Estates, Trusts and Agency Accounts.....	859,820,026.18	795,793,059.83
	<hr/>	<hr/>
	\$882,628,799.31	\$817,993,218.80
	<hr/>	<hr/>

UST COMPANY

1st December, 1945

(tail)

CAPITAL AND LIABILITIES OF THE COMPANY

1945

1944

Capital Stock Authorized.....	\$ 5,000,000.00		
Capital Stock paid up,			
100,000 Shares of \$20.00 each....	\$ 2,000,000.00		\$ 2,000,000.00
Reserve.....	4,500,000.00		4,000,000.00
Reserve for Contingencies.....	500,000.00		500,000.00
Undivided Profits.....	1,137,197.28		1,094,154.36

\$ 8,137,197.28 \$ 7,594,154.36

Bank Loans			
(Secured by pledge of Securities).....	7,446,167.88		7,075,064.01
Accounts due and accrued.....	191,738.72		253,381.18
Reserve for Bonus to Shareholders.....	60,000.00		40,000.00

15,835,103.88 14,962,599.55

GUARANTEED ACCOUNT

Trust Funds for Investment.....	6,938,836.73		7,201,426.90
Indemnity, Surety and Guarantee Bonds.....	34,832.52		36,132.52

6,973,669.25 7,237,559.42

ESTATES, TRUSTS AND AGENCY ACCOUNTS 859,820,026.18 795,793,059.83

\$882,628,799.31 \$817,993,218.80

PROFIT AND LOSS ACCOUNT

For year ended 31st December, 1945

		Comparative figures for previous year
Profit for year ended 31st December, 1945, after deducting management and all other expenses and providing for all contingencies.....	\$ 791,045.37	\$ 718,539.46
Less—Provision for taxes (except taxes on real estate).....	293,002.45	273,588.42
Net Profit.....	\$ 498,042.92	\$ 444,951.04
Less—Special Contribution to Staff		
Pension Fund.....	\$ 75,000.00	50,000.00
Reserve for Bonus to Shareholders.....	60,000.00	40,000.00
Dividends.....	320,000.00	320,000.00
Surplus.....	\$ 43,042.92	\$ 34,951.04
Balance at credit of Profit and Loss Account, 31st December, 1944.....	1,094,154.36	1,059,203.32
Balance carried forward.....	<u>\$1,137,197.28</u>	<u>\$1,094,154.36</u>

NOTE:—There has been transferred to Profit and Loss Account from reserves, not now required, the sum of \$500,000.00; this amount has been reallocated to Reserve.

