

large bonus is yearly added to the Policies with profits, exceeding that of several of the English Companies. Looking to the magnitude of the Company's transactions in Mortgages and real estate during the period of inflation, it could scarcely be expected that all their operations would have a satisfactory result, when heavy losses on similar investments were sustained by every institution in the Province. At the same time, your Auditors must say that, in some cases of importance, a great want of business caution has been manifested; for example, the purchase of a Mortgage representing \$20,000, on a farm of eighty acres in the vicinity of Hamilton, on which a probable loss of 50 per cent may be estimated; also the purchase of a Mortgage on a certain Mill property, amounting to nearly \$12,000, which will entail a loss of about 80 per cent; these, with many smaller sums, swell the total loss to a considerable amount. The fact of Mortgages made for large sums and sold to pay an exorbitant interest, should have suggested the strictest enquiry into the value of the property, as well as the means of the nominal owner to redeem it, previous to its purchase by the Company. In justice to the present management, it should be stated that these investments were all made previous to their appointment. The law affecting loans by Assurance Companies has lately been amended, so that direct Mortgages may now be taken, enabling them to make more advantageous investments than formerly; a circumstance largely availed of by the present Board of Directors, to the permanent advantage of the Company. With these prefatory remarks, your Auditors would Report:

1. That they have carefully examined the Balance Sheet, the various items whereof have been fully and satisfactorily explained - they have compared it with the several accounts in the Ledger and find them to correspond.
2. They have examined the Vouchers for Income and Expenditure of the last year and find them correct.
3. They have examined the securities held by the Company, compared them, and find them as represented in the Balance Sheet and specified as follows:

Municipal and Corporation Debentures, taken at their purchased value.....	\$265,173.00
Mortgages on Farms, Real Estate &c.....	425,547.00
Loans on Policies, Gas Stock and Bills.....	20,642.00
Presenting a total sum of.....	\$711,362.00

The Debentures include \$30,716 of the City of Hamilton, the Interest on which is now reduced to 3 pr. ct. in the books of the Company, consequently their present par value would only represent one-half of that sum, which in ordinary cases would be their real worth; but as there is a surplus of other Debentures over and above their par value of 6 pr. ct. amounting to \$30,000 (gained from being purchased below par) this excess is relied on as amply sufficient to cover any loss which may occur under this head.

Your Auditors would recommend a reduction on the Mortgages and Real Estate of \$68,087.00, being 16 per cent. on the gross amount to be placed in suspense and written off as the losses are ascertained, it is also suggested that 10 pr. ct. be written off the cost of the Company's premises, and that they be subsequently reduced 2 pr. ct. per annum, until brought to a 6 pr. ct. investment. On Loans, on Policies, Bills, &c. no reduction is considered necessary; so that the first and last class of securities would stand as in the Company's books, leaving the whole loss to be borne by Mortgages and Real Estate as follows:

On Mortgages 16 pr. ct. discount.....	\$68,087.00
On Office premises 10 pr. ct. ditto.....	7,000.00
Making a total deduction of.....	\$75,087.00

While the amount to be written off or held in suspense, will absorb a considerable portion of the balance accrued in favor of the Company, the deductions being made as recommended, would still leave the most ample means to meet all the Company's liabilities, as per general abstract of the Balance Sheet.

The division of profits on the Mutual Branch has hitherto been in the ratio of one-fourth to the Shareholders, and three-fourths to the Policy Holders; this your Auditors think a fair and just proportion to both parties. It is gratifying to observe that the business for the year just ended has resulted so favorably to the interests of the Company, which has acquired a steadily increasing income, placing it beyond the disturbing influence of any ordinary contingency.

THE SAVINGS BANK.

YOUR AUDITORS have examined carefully the conditions of the transfer of the Gore District Savings Bank to the Company in 1856, and feel satisfied the transfer was made in good faith, under an impression that the Bank had abundant assets to meet the claims of depositors.

It appears however that two mistakes occurred in this arrangement; first in not requiring the personal liability of the Trustees for any deficiency in case such should occur; secondly, in permitting the actuary to continue the business of the Bank in his own office after the transfer had been made to the Company. The question how far the connection of the Bank with the Company has been beneficial or otherwise, would seem to rest in some measure on whether investments made on behalf of the Bank proved good or bad. When the transfer was made, the Company, received from the Trustees, Debentures and Bank Stock at a rate to pay them 8 pr. ct., when at the same time they only allowed 5 pr. ct., to depositors; thus leaving a fair margin for profit after paying expenses. In this connection it should be mentioned that neither loss nor gain