

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.	=	\$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.