

2. The net revenue for the year has amounted to \$47,592.04, leaving, after payment of interest on bonds, the sum of \$35,257.97 available for dividend, from which the Directors have declared an interim dividend of 3 per cent. for the half-year ending the 30th June, and a further dividend of 2½ per cent. for the closing half-year ending the 31st December; making for the year a total dividend of 5½ per cent., and leaving at the credit of profit and loss account a balance of \$1,891.47.

3. The Directors have to congratulate the Shareholders on the completion of their connecting lines in the Maritime Provinces, and feel warranted in assuming that the extension now consummated will prove a valuable boon to the public and a profitable acquisition to the Company. The Dominion is now the only Telegraph Company transmitting public business over its own wires, between the Upper Provinces of Ontario and Quebec and the Lower Provinces of New Brunswick and Nova Scotia. Its lines, moreover, form the shortest, as well as the only direct communication with the Atlantic Cable, connecting Canada with Great Britain, thus affording to Canadians the independent national telegraphic communication with the Mother Country so long desired. The Directors confidently hope the public will not fail to appreciate the advantages and facilities thus possessed by the Dominion Company, especially when it is known that the transmission of telegraphic business between the Maritime and Upper Provinces and between Canada and England and the whole of Europe, by any other line than the Dominion, involves its transfer to a foreign corporation. Such an objection does not exist against the Dominion Telegraph Company. Moreover, all Cable traffic from Canada by any other route involves its transfer and repetition to an intermediate Telegraph Company in New Brunswick, over whose lines it has to be re-transmitted to Cape Breton, where a further re-transmission has to be made by cable to Newfoundland, before it is finally despatched by the main cable. In the case of the Dominion line no transfer to an intermediate Company is involved, as the main Atlantic cable is reached directly by their own wires at Torbay.

4. Since the last report was submitted the pole mileage of the Company has been increased to 4,618 miles, and the wire mileage to 8,882 miles, and the number of offices now open is 492.

5. A conference having been proposed by the Montreal Telegraph Company to the Dominion Company, through Captain Mayne, R.N., C.B., to discuss the subject of a division of the Gross Earnings of the two companies, with a view to enable them to reduce their expenses and minimize the effects of the diminished traffic caused by the general and serious depression in commerce, which unhappily continues to exist, your Directors consented to enter into negotiations for the accomplishment of so desirable an object; it being first distinctly stipulated that both Companies should maintain their independent organization, and that the public should have continued to them the option of using whichever line they preferred. Under this arrangement it was proposed to establish joint offices at all those places where one telegraph office would amply suffice, but where duplicate offices are now maintained at heavy cost to both Companies. The agents at these joint offices were to be equally the servants of both Companies, acting under the instructions of a joint committee and not under separate authority, except in matters appertaining to the routine business of each company.

While this arrangement would have continued to the public a first-class and independent service by either Company's line, as the use thereof might be chosen, it would have saved to both Companies the expense of many superfluous offices, which have been the natural offspring of a keen rivalry.

The business of both Companies having fallen off, and there being little prospect of a speedy re-action, your Directors deemed it proper and wise to try the means which appeared to them

to be most practicable and effective to conserve all interests. It seemed to them that, in the case of Telegraph Companies, as in the case of Railway Companies, these means mainly existed in the ability possessed by the Companies to bring about by agreement with each other the largest possible reduction of expenses and so keep up the net earnings; while any attempt made to maintain or increase earnings by raising rates, in the present depressed state of business, would be strongly opposed to popular feeling, and productive of little, if any, benefit to the Companies themselves.

The Directors under the circumstances felt it their bounden duty to take the whole matter into consideration, and decided to recommend their shareholders to accept of the division of gross earnings which both parties had agreed upon, with such an administration for the management of the joint offices as they believed would be greatly beneficial to the interests of both companies, and fraught with the least possible inconvenience to the public.

A difference having arisen between the parties, it was mutually arranged to refer the matter to the arbitration of Capt. Mayne, whose decision it was agreed should be binding on both companies, subject to the approval of the shareholders. The Directors, however, regret to have to announce that the negotiations were eventually terminated by the Montreal Company declining to carry out Capt. Mayne's award.

6. During the past season the company's entire system of lines has been thoroughly overhauled by repairing and renewal gangs, and put in condition to make transmission of business reliable, and to afford every facility and promptness of despatch.

7. The Directors trust that by these measures and by the addition of such important Provinces as New Brunswick and Nova Scotia to their system, whereby the resources of the company have been much augmented, they will be enabled to afford such commodious service for domestic, commercial and press business generally, as will ensure to the shareholders permanently satisfactory results, more particularly when trade revives and public confidence is restored.

8. The Directors find it desirable to obtain some amendments to their charter, and will submit for the shareholders' approval the Bill they propose to introduce to Parliament.

9. The following is a general statement shewing the liabilities and assets of the company on the 31st December last:

GENERAL FINANCIAL STATEMENT, 31st DEC., 1878.	
<i>Liabilities.</i>	
Share Capital authorized.....	\$1,000,000
Share Capital paid-up.....	\$711,709 50
First Mortgage Bonds issued.....	292,000 00
Advance on acct. and Bills payable.....	74,273 32
Due connecting Lines, unpaid Dividends, &c.....	25,263 88
Dividend now payable for six months ending 31st Dec., 1878, at 2½ p.c.....	17,700 17
Balance at credit of Profit and Loss Ac....	1,891 47
	\$1,122,838 34
<i>Assets.</i>	
Capital Expenditure Account.....	\$1,020,324 33
Plant and Stock on hand.....	63,186 48
Accounts due from Railways, Governments, connecting Lines, Agencies, &c.....	28,954 88
Cash on hand and in Bank.....	10,272 65
	\$1,122,838 34

Respectfully submitted,

THOS. N. GIBBS, *President.*

THOS. SWINYARD, *Managing Director.*

F. ROPER, *Secretary.*

TORONTO, 12th February, 1879.

Toronto, 11th February, 1879.

To the President and Directors of the Dominion Telegraph Company:

GENTLEMEN.—I hereby certify that I have made a detailed audit of all the books of account for the year ending 31st December, 1878, and of vouchers and documents relating to the same; and the several statements of revenues, profit and loss, and liabilities and assets, herewith submitted, have been examined, and agree with the ledger balances.

The balance of the cash book agrees with the banker's balance after deducting the outstanding cheques. The stock register has also been examined and the several transfers duly recorded, and its balances agree with the stock list now presented.

JAMES SYDNEY CROCKER,

*Auditor.*

In moving the adoption of the report, the president remarked that the continued depression in all branches of industry had had the effect of reducing telegraph, as well as other business, generally, and as a result, the gross returns of the Dominion Company showed a decrease of about \$7,000. As would be seen by the report, however, notwithstanding the cost of extending their territory and opening new offices, the working expenses were some \$2,000 less than the previous year. The greater part of the decrease in earnings was attributable to the arrangement entered into between the Western Union and the Atlantic and Pacific Telegraph Companies, by which a large number of offices in the United States had been closed by the latter company. It was satisfactory, however, to him to state that the Canadian traffic proper showed a small aggregate increase.

He then dwelt at some length on the unsatisfactory result of the interviews which had taken place with the President of the Montreal Telegraph Company, who had made overtures as to pooling receipts. The latter Company had been fairly met in the matter, and an agreed basis had been arrived at, but the Montreal Company, after deliberation, considered they should have better terms, and proposed, in fact, an absolute amalgamation of the two companies on a stock basis. This proposition, he considered it unnecessary to state, received a point blank refusal from him and his co-directors.

In conclusion, he alluded to the prospects of a revival in trade in the not distant future, which would bring with it increased business for the Dominion Company, especially now that the Company had completed its extensions to the Maritime Provinces. He was pleased to be able to affirm that this Company was not a sufferer to so great a degree as the older established Company, which showed that the directors had looked well after the interests of their shareholders. (Applause.)

In answer to a shareholder, the managing director, Mr. Swinyard, said that, notwithstanding a break existed, for the time being, in the Direct Company's cable, the general business of the Company for the first month in the new year exhibited a very gratifying increase.

Some enquiries were then made as to the expenditures of the Company, all of which were satisfactorily answered by the president, who paid a high compliment to the abilities of their managing director, and the untiring zeal displayed by him in the promotion of the Company's welfare.

On motion of the president, seconded by Mr. John I. McKenzie, vice-president, the report was adopted.

Moved by Mr. A. T. Todd, and seconded by Mr. A. T. Fulton,

That the report now presented by the directors be circulated amongst the shareholders of the company. Carried.

The managing director then read a draft bill, proposed to be submitted to Parliament, asking for an extension of powers to the Dominion Telegraph Company, etc., and the following resolution, referring thereto, was unanimously adopted:—