While a portion of the surplus can frequently be used temporarily to great advantage and profit in carrying on the operations of the Company, the Directors, recognizing the desirability of keeping a large portion of the surplus earnings at all times in cash, and having made favorable arrangements as regards interest, have decided that $4,-000,000 be placed on special deposit with the Company's bankers to meet any possible deficiency at any time in maintaining dividends at 5 per cent. on the ordinary stock.

As it may be of interest to shareholders to know something of the methods adopted by the Company in regard to its fixed charges, rentals and dividends, and its expenditures of capital, the Directors beg leave to state that for the past five years all interest charges and rentals have been deposited every day with your bankers in a special fund which is available for no other purpose, and since the payment of supplementary dividends was commenced, daily deposits to cover these have likewise been made. From the beginning of the next half year these special deposits will include each day's proportion of the full dividend on the capital stock of the Company. For the past five years all expenditures on Capital Account have been made on special estimates and appropriations passed upon by the Board, and no item can be charged to Capital which has not been duly approved.

The litigation in which the Company has been involved for the past seven years with certain contractors, growing out of the construction of the Lake Superior section of the Railway, is now at an end, the last case having been determined.

Lands.

At the beginning of last year the Directors made a considerable reduction in the price of the Company's