with the steamers of the Canadian Development Co., with which Co. an advantageous through-traffic agreement has been made.

I do not wish to go into great detail, but there are one or two points to which I must allude. I should wish to express our sincere thanks to the Pacific Contract Co. for the excellent manner, as well as the expedition, with which their work has been carried out, as certified by our Chief Engineer, to whom was entrusted by the contractors the arrangement of all details of construction, & the work was carried out under his supervision & to his specification. I should also be neglecting my duty if I did not place on record the high appreciation we feel—& I am sure you will endorse this—for the services of all our staff, & to express our sincere gratitude for the zeal & devotion they have shown, often under circumstances of very great difficulty. I should wish, also, to congratulate the shareholders upon—may I say the undoubted success of the enterprise in which we are interested. The indications that are before us seem clearly to demonstrate that it must result in a great success, both financially & commercially. And it must be a satisfaction to feel that we have opened out a route through what was a wild & inhospitable country, after surmounting almost unparalleled difficulties, to a nearly unknown region, doubtless not favorable to regular settlement, but teeming with mineral wealth of all descriptions, which, when gained, must conduce, if not to the happiness, at any rate to the prosperity of the community. It is equally satisfactory to feel how much this route has mitigated the sufferings & privations that previously had to be undergone by those who sought to traverse these desolate passes & dreary regions, & I am sure you will agree with this—for all Englishmen are fond of horses—that it is also a pleasure to feel that it has spared the lives & reduced the terrible sufferings of many of those noble animals which are man's allies in so many arduous undertakings. Therefore, from many points of view we may regard our enterprise with pride & satisfaction as a monument of scientific progress & engineering skill. I should now like to call your attention to the balance-sheet which is laid before you. You will notice that the accounts of the local companies are brought down to the close of 1899, & our own Co.'s accounts are made to a date six months later. This produces a discrepancy which, possibly, some of you may have remarked, but which is easily explained. In the body of our report the profits are put down as £117,411, whereas in the profit & loss account they appear as £125,523. The difference between these figures is due to the fact that a further six months' interest in local companies' bonds is brought into our accounts. I think in all probability when we present another account we shall put these as a separate item, because it is a little confusing. Now, with regard to the debentures you will remark that there are three issues of debentures made by the company, all carrying interest at the rate of 6%. We have successfully arranged to convert these three issues into one consolidated issue of 5% debenture stock, affording us a considerable saving in interest. Holders of £435,000 out of £469,000 of securities actually issued have so far signified their intention of exchanging from the 6% to the 5%. A public issue of this consolidated stock will be made in a few days, &, considering the very large margin of profit in excess of the amount required to pay the interest on the debenture stock, we anticipate it will be well taken up. The bills payable & sundry creditors are bills, etc., on account of the net earnings, & are being repaid out of such earnings as they are received. The balance of profit & loss account is £83,315, sufficient to have paid a satisfactory dividend, but this, in accordance with the sanction of the meeting last year, has been expended in the further construction of the railway.

Turning to the credit side, the shares & debentures & mortgages of the local companies are all held & controlled by the Railway Share Trust & Agency Co., who are the trustees for the debenture-stock holders. The local companies are actually controlled by this Co., & if the management is unsatisfactory to our shareholders we can order a complete change. With regard to the next item, about £28,000 was paid to the contractors on account of the construction of the second portion. The rest has been spent in acquiring further rights & concessions as stated in the balance-sheet entry. The contract price for the construction of the second portion was £6,000 a mile, payable as to £300,000 in debenture stock, & as to the balance in cash out of the net earnings. Of the £300,000 of debenture stock £119,830 had been issued at the date of the balance sheet, & the remainder was issued against engineers' certificates received subsequently to that date. The only other point I think I need remind you of is that the charges in the profit & loss account are for two years less one month, & there will naturally be a considerable reduction in these items in our next accounts. During last year we published in the English papers particulars of the weekly traffic earnings as they were cabled to us from the other side ; but after very careful consideration it was decided that it was not desirable, in the interests of the shareholders or of the public, to continue the practice this year, because any such publication must of necessity be misleading. For one thing, the contractors had an interest under their contract in the net earnings of the second portion of the line until it was completed & accepted from them on behalf of the local companies, &, consequently, the weekly earnings that could be published would not give a fair indication of the benefit that their company would derive from such earnings. And another thing, our railway is peculiarly circumstanced. The earnings during the months of open navigation on the Yukon are very large compared with those for the period during which navigation is closed, & to publish the traffic during the busy months would, to the uninitiated, give a totally false impression of the earning capacity of the enterprise for the whole year, & any one buying shares in ignorance of the fact that the traffic returns drop off almost entirely during the winter months might well have cause to complain of not being warned. It is proposed also during the winter months to overhaul & revise the traffic rates in time for the heavy work that we anticipate in the summer. When the railway has run for some little time, & it becomes a well-known fact that the traffic returns for the very few busy months in the summer are not to be taken as an average for the whole year, we may revert by publishing the traffic returns. I am glad to say that the earnings have been very satisfactory, & I will go further, & say that I believe that when the accounts of the local companies come to be made up at the end of the year, it will be found that the net earnings of this year, after deducting all charges for operating & maintenance, have exceeded £200,000. It must not be supposed, however, that this amount is now available for dividends ; for the net profit of last year & practically all the surplus cash collected this year have been applied in acquiring further concessions & properties tending to the consolidation of the enterprise & in payment for the construction of the second portion of the line.

A considerable amount out of the earnings of this year may not be collected until next spring ; for the earnings on through freight are not collected until the consignees at Daw-