ASSETS.

Nine steamers	$912,478 28
Buildings and plant	11,106 57
Merchandise and fuel	10,558 20
Insurance unexpired	7,691 65
Accounts receivable	30,307 03
Underwriters re SS. Atlantic	24,326 00
	$997,467 73

PROFIT AND LOSS ACCOUNT.

Balance on hand 1902		$15,725 69
Dividend Merchants Dock stock		30 00
Balance Owen Sound agency		25 03
Net earnings Lake Superior division		29,456 87
Net earnings Georgian Bay division		359 98
		$45,597 57
Accounts written off—		
T. Wilcox	$ 177 10	
S. T. Bowker	56 12	
Algoma Central and H.B. Ry	1,102 12	
Stocks as per inventory	663 40	
Merchandise as per inventory	1,475 54	
		3,474 28
		$42,123 29
Half-yearly dividend July 2, 1903, on 8,400 shares at 5%		42,000 00
		$ 123 29

CLARKSON & CROSS' REPORT.

E. B. Osler read Clarkson & Cross' report, from which the following is extracted, it being impossible to find room for the tables of figures accompanying it. "For the year the gross earnings of both divisions was $508,222; expenditure, $478,350; bad debts, Georgian Bay division, written off, $3,474; net earnings, $26,397. Profit and loss—Balance from 1902, $15,725; net earnings 1903, $26,397; total, $42,123. Deduct 5% dividend, $42,000. Carried forward $123. We are afraid that adjustments involving several thousand dollars in the Sarnia division have not been made with their western connections, and when made the balance will probably be on the other side. The gross revenue of the Company exceeded that of 1902 to the extent of over $30,000. The operating expenses in both divisions have greatly exceeded those of the previous or any other year. During the past five years the worst losses in the Georgian Bay division were due to a series of marine accidents. As the Company has been free from all such losses during the preceding four years we cannot accept the explanation that these were uncontrollable. In the Sarnia division a very large volume of freight was carried eastward in order to obtain the same money in comparison with the volume of business, and the cost of handling was, of course, very much greater. A large part was certainly uncontrollable, but the line expenses rose from $21,955 in 1902 to $35,035 in 1903. A considerable part of this was, in our judgment, due to bad management. The appointment of a General Manager entirely untrained has proved a very costly experiment. In the Georgian Bay division the method of purchasing and paying for supplies is open to grave objection, and part of the loss during the past season may be attributed to this cause. The need of the moment is capable business management. We believe the earning powers of the Company to be as great as they have ever been. Many economies should be effected which would add to the efficiency of the service. We draw attention to the fact that no working capital has been provided at any time for the Company, and an addition to the present capital sufficient to discharge the present overdraft and provide funds for the equipment of the fleet would be a distinct advantage at the present moment. Through freight in both divisions is at a fixed rate, which is unalterable. This is mainly westbound. As to the bulk of east-bound freight, there can be no fixed tariff rate. It varies from time to time with competition and other conditions. In the Georgian Bay division local freights form a large proportion of the whole, the ports of call are many, and competitors by rail and by water cannot be disregarded in dealing with freight rates. A printed tariff of rates is issued each year for local freight, and is adhered to unless some competitor at a given point is prepared to offer better terms. Whenever such competition has to be met, every one is treated exactly alike, no director obtaining, either directly or indirectly, any advantage. In connection with the Collingwood drydock, a large quantity of cement was needed. About one-half, some 6,000 barrels, was obtained from Owen Sound. It was carried at ten cents a barrel. It was carried by east-bound boats returning light; it was profitable, and this Company would be wise in making a similar rate to any one under like circumstances. Moreover, the remainder, all-rail cement, we are informed, cost no more laid down. We find that two concerns in Collingwood with which directors of this Company are concerned, are very large shippers. The great bulk of this freight is carried at strictly tariff rates. Omitting the Majestic, the shrinkage in Georgian Bay tonnage is serious, and were freight the mainstay of this division it would be alarming. It is quite plain that the freight situation requires skilful management in the Company's interest. We have carefully examined various specific statements and rumors as to special favors to officers of the Company during the year 1902-1903. In our opinion, it would be unfair to detail items, facts and circumstances, but we have not found any arrangement made which does not seem to us to be in the best interest of the Company. The charge having been made that passes have been issued improperly, we have asked B. W. Folger to thoroughly examine this feature for the past two years. We find that the charges have no foundation; in fact, the passes issued have been upon the most conservative basis on both divisions. No traveller or other agent of any director or of any firm or company with which he is connected has been granted free transportation."

After reading the report, Mr. Osler stated that there were one or two points in it requiring some explanation, and perhaps correction before it was printed and circulated, particularly the statement that the gross revenue exceeded that of 1902. Having pointed out some of these, Mr. Osler said that the report showed that the position of the Company was due to unfortunate management. There was friction between the Manager and the Assistant Managers, and with the superior sailing staff, and where that is the case everything else will go to pieces. The appointment of Manager was made by the President, to whom the power was given by the directors, and C. T. Long was appointed in the belief that he would be able to discharge the duties of the position.

QUESTIONS BY SHAREHOLDERS.

Replying to Jas. Henderson, the President said that at a meeting of the directors held that morning, those present decided, in view of the unfortunate condition of affairs, to forego any claim for fees or other compensation.

Acton Burrows asked what repairs, etc., had been authorized by the board to be made to the steamers during this winter, and what was the amount estimated to be expended on each of such steamers, also whether any report had been received by the board or any member of it as to any other repairs, etc., which might be necessary to these or any other steamers of the fleet, and what was the estimated amount of outlay required for each of such steamers? W. J. Sheppard replied that there was certain work on the Majestic which would cost about $3,000; there was work on the United Empire which might cost $7,000, $8,000 or $10,000, as it was impossible to say what might develop as the work was in progress; there was an estimate for work on the Huronic for $450, and about $2,000 for boilers for the Germanic, besides small amounts for other steamers.

Acton Burrows asked what amounts were in dispute between the C.P.R. Co., the Canadian Northern Ry. Co. and this Company on account of claims made by the two railways mentioned for unloading charges, etc., at Port Arthur and Fort William? What amount had been retained by the two railways respectively in this connection; what was the present position of these claims, and were these amounts included in the figures given for accounts receivable in the assets, or had they been deducted? The President said he could not state the amount claimed by the C.P.R., and preferred to say nothing about it. Being pressed he admitted that the claim might be over $5,000, but he did not think it was $10,000. The Canadian Northern Ry. had retained out of joint freights sufficient to cover its claim, the amount of which, he said, he was unable to tell, asserting that the figures were at Sarnia. Jas. Henderson emphasized Mr. Burrows' point, and said it was important to know whether the amounts represented in these claims should be deducted from the accounts receivable, but no further information was given.

Acton Burrows asked at what valuation was the steamer Atlantic included in the statement of assets presented at the last annual meeting; for what sum was she insured; had the insurance been paid; if so, what amount, and if not what was the position of the claim? The President declined to answer the first portion of this question, and said the amount of the insurance which had not been paid was included in the annual report. E. B. Osler contended that the steamers were not overvalued in the assets.

PRESIDENT LONG'S DEFENCE.

J. J. Long then proceeded to read the following statement:—"In moving the adoption of the directors' report, statement, etc., for the past year, I feel it to be my duty to make reference to statements and allegations of a damaging nature made in the Toronto Daily Star of Jan. 5, copied from The Railway and Shipping World, and to place the facts before the shareholders. In the publication mentioned is an article headed 'Reason of the N.N. Stock Panic.—Long Bros. accused of reducing their holding from almost $200,000 to less than $10,000 now.'"

Acton Burrows.—"Those headings did not appear in The Railway and Shipping World."

J. J. Long.—"I am willing to admit that. It is not true that the joint holdings of stock by T. and J. J. Long at any time amounted to almost $200,000, nor has it been at any time less than $10,000, and while it is admitted that the Messrs. Long and certain other directors have reduced their holdings of stock in the Company, which they had a perfect right to do, it is only fair to the Messrs. Long to say that they have invested largely in a new elevator which they, together with some friends having no interest in the N.N. Co., have succeeded in erecting at Point Edward, solely, so far as the Messrs. Long are concerned, for the use and advantage of the N.N. Co., without any aid either from the company or their co-directors. If their investment in the elevator were added to their present holding of stock in the N.N. Co., and in fairness to them it should be when criticizing this matter, it would be found that their individual holding would be more than 50% greater than, and that their joint holding would be more than three times that of any other shareholder. On more than one occasion the necessity for the elevator was made known to the board, and the financial assistance of the members of the board individually requested to provide the necessary funds, but on each occasion they declined to do so. This statement is not made in a complaining spirit, but only that the fact