

year have been \$186,530.41 (38,328l. 3s. 3d.) 55 83 per cent. on the gross receipts, as against \$221,685.67 (45,551l. 17s. 0d.) for 1879, being a decrease of \$35,155.26 (7,223l. 13s. 8d.)

The net revenue for the year amounted to \$147,554.14, (30,319l. 6s. 11d.) This after payment of municipal liens and interest on the 1st of November, 1880, and after reserving \$54,750.00, (£11,300) for payment of coupons due on the 1st of May, 1881, was appropriated as per statement No. 3a.

It afforded your directors no inconsiderable amount of pleasure to commence the application of net revenue to its legitimate purpose—the payment of dividends—and to do so, not only feeling assured that they would be able to continue that course, but with every confidence that the net earnings of the company for the future will be quite sufficient to meet all its interest obligations.

At a special general meeting of the proprietors, held in London in December last, at which the president and Mr. Jaffray had the pleasure of being present, a proposal was cordially agreed to by the bondholders to exchange the overdue coupons, amounting to 6½ per cent., for deferred interest certificates, payable on the 31st December, 1885, with interest in the meantime at 5 per cent per annum, payable half yearly. This, with the payment of interest that was made on the 1st of November last, cancels all arrears of interest up to that date. The total amount of deferred interest certificates issued for that purpose is only 28,683l. 15s. The company reserves the right to retire them at any time during the five years, and fully anticipate being able to do so from surplus net revenue after payment of all interest as it matures.

The 2½ per cent. coupon due on the 1st prox. was provided for by a deposit on the 1st instant with Messrs. Glyn, Mills, Currie & Co., of the necessary funds to meet the full amount due, and no fears are entertained of being able in future to promptly meet our liabilities as they mature.

Reference was made in a previous report to the fact that our predecessors in office, by their effort to complete the extension of the line out of revenue instead of providing additional capital for that purpose, had allowed the bonds of the company to become in default; had accumulated a large floating debt, which was being carried at exorbitant rates of interest and commission, and had permitted the line and its equipment to become very much out of repair. This not only largely increased the working expenses, but from want of confidence upon the part of shippers in the ability of the company to move their products, had prevented the extension and development of business along the line. During the past year these difficulties have happily been removed. The necessary legislation was obtained in February, and a special general meeting of the bond and shareholders, held in London in May, 1880, consented to the issue of £150,000 of preference bonds.

An advance obtained at a low rate of interest by the hypothecation of these bonds has enabled your directors to effect a most satisfactory consolidation of the floating debt, with which they found the operations of the company seriously retarded upon their acceptance of office.

It has also enabled them to effect most important improvements upon the line and its equipment, \$129,134.92 (26,534l. 11s. 5d.) has been expended upon capital account during the year in the purchase of steel rails and other improvements upon the permanent way, and \$133,100.98 (27,849l. 10s. 3d.) in the acquisition of new rolling stock, making a total expenditure of \$262,235.90, (53,884l. 1s. 9d.) under these heads.

By reference to the engineer's report it will be seen that during the year 21½ miles of the line have been ballasted, 54 miles have been newly relaid with new sleepers, 31½ miles of new

steel rails have been laid, 4 new station buildings, 3½ miles of additional siding accommodation, and 18½ miles of new fencing have been constructed, besides many other less important improvements.

The superintendent's report shows an addition to our rolling stock of one new locomotive, 107 platform cars, 63 box cars, 2 passenger coaches, and 2 smoking, mail and express cars.

Notwithstanding the extensive improvements that have been carried out during the last two years; the low state of repair into which the line had previously drifted, combined with the increased and constantly increasing business of the company, still urgently demand very considerable expenditure upon the improvement of the roadway and the acquisition of additional rolling stock. Steps have been taken to meet these requirements by entering into contracts for the purchase of 4 new locomotives, 80 new platform cars, and 28 miles of steel rails, besides extensive preparations for ballasting and otherwise improving the line.

It is satisfactory to be able to state that the £75,000 of consolidated, and the £150,000 of preference bonds, still held by the company, will not only pay the amount for which they have been hypothecated, but will provide for the improvements and additional rolling stock referred to in the foregoing paragraph, and still leave a very considerable sum available for capital expenditure.

By reference to the general traffic agent's report it will be seen that we continue to maintain the most friendly relations with all connecting lines, and that we enter upon the year 1881 with the most hopeful anticipations of a large increase over the very satisfactory business of last year.

Your directors have kept carefully before them the importance of our route as the shortest line from the west to the east, and work has steadily progressed with the object of establishing a through trade. At Port Hope a substantial elevator, having a capacity of 120,000 bushels, and completed with all the latest improvements, has been erected, and is now being used for local trade, in which respect alone it is of very valuable assistance to this company. We have also made considerable progress towards the erection of an elevator, together with the necessary wharves, at Midland, but the large amount of work that had to be done at this point, together with the size of the elevator being erected, viz., 250,000 bushels capacity, has taken up a considerable amount of time, and it is doubtful whether we shall be prepared to go thoroughly into the through business before next Spring. We are pleased, however, to be able to report that by that time, if not this Fall, our facilities for through trade will not be excelled by any line in the country, and negotiations which we have held with vessel owners are of such a nature that we expect to be able to bring to our service lines of steam barges and vessels on both the upper and lower lakes without any immediate outlay of capital or subsidy, the vessel owners being apparently quite willing to form the connecting links in our through route on the ordinary basis of division of rates.

A very satisfactory arrangement was made with a joint stock company for the erection of the Port Hope elevator, thus leaving more capital available for the additional equipment that will be required to meet the demands of our increasing traffic, and the propriety of having the same company assume the Midland elevator is having the careful and earnest consideration of your directors.

During the past year the Grand Junction Ry. has been completed from Belleville (the head of river navigation) to Peterborough. This, and the not improbable construction at an early date of the Toronto and Ottawa, which will also pass through Peterborough, placing it on a direct line

between the Provincial and Dominion capitals, rendered it advisable to obtain the necessary power, to build from there direct to Omemece, a point on our main line, distant 14 miles. The company's Act, passed at the recent session of the Ontario Legislature, confers this power and also authorises the issue of £100,000 of preference stock, subject to the approval of the present stockholders. It is not proposed at present, however, to take the special vote necessary to utilize these powers.

The Canadian directors have great pleasure in acknowledging the hearty and zealous support and co-operation of their co-directors in London, and of the officers and employees of the company in promoting the general prosperity of the line, and in congratulating the proprietors not only upon the largely increased earnings but also upon the greatly improved position of their property, and its very encouraging future.

Respectfully submitted.

GEO. A. COX,

President.

In moving the adoption and reception of the report, the chairman said:—

I have pleasure in moving the adoption of the report that has just been read. Such a satisfactory statement could not, I think, at any time be otherwise than agreeable to the proprietors of the Company, but when contrasted with the first report which the present directors were obliged to present at the close of 1878, it must, I think, be particularly satisfactory to them. At that time, the difficulties with which we had to contend appeared almost insurmountable, while the report presented to-day indicates substantial improvement to the property, increased revenue, general prosperity and a very encouraging future. The large increase in the receipts of \$74,857.78 over those of last year, and the still larger increase that we anticipate this year arises entirely from the improvement and extension of business along the line. We have not yet participated in any of the through grain trade, and shall not, I fear, be able to do so to any extent this year. Large expenditures have been made in the erection of elevators and other terminal facilities at Port Hope and Midland, in preparation for this business, but the nature and extent of those improvements are such that we shall not have them fully completed before August or September—too late for this summer's trade. More strenuous efforts would be made to have them completed earlier, but it is already quite evident that our local trade will tax our rolling stock to its utmost capacity, notwithstanding the large additions that have been, and are being made to it. By another year, however, we shall add still further to our equipments so as to meet not only the increased local traffic, but also to meet the requirements of the through traffic, the importance of which is daily becoming more apparent, and with the large lumber business developed on the Georgian Bay district, shows very conclusively that our predecessors were quite correct in locating the terminus of the road where they did. There does not appear to be any reason to doubt the ability of the company from their local trade alone to earn sufficient net revenue to pay the interest on all its debentures, while our hopes as to the through grain trade appear to be well grounded, and if even partially realized will place that beyond any question. In December last Mr. Jaffray and myself had the pleasure of attending a meeting of the proprietors in London, England. The cordial manner in which they consented to the consolidation of the overdue coupons, their evident appreciation of the improved position of the property, and their confidence in its future, was very gratifying to ourselves and to our co-directors. This, with the zealous and cheerful support of our officers and employees, and the general prosperity of business have all combined to make the year under review an exceedingly