

5. The Auditors' Report for the year bears testimony to the correctness of the returns now made, and to the accuracy with which the accounts of the Company are kept.

At the close of the year, however, the Directors being of opinion that a still closer control of the outlying departments might, with advantage, be exercised by the Head Office, instituted a detailed enquiry into the system, with a view to possible improvement, and they have authorized, from the 1st January of this year, a continuous Audit and Monthly Report, by one of the Company's Auditors, of the books of the respective stations, in order that that officer may be enabled to trace and verify every revenue transaction of the Company, from its opening upon the Line to its closing in the books at the Head Office, and by the general audit.

6. The Directors are happy to report that the long-pending question relating to the access of the Company's Line to the eastern portion of this city, is now in process of adjustment. Great difficulties had arisen between the neighbouring Companies in relation to this matter, resulting in a tedious and costly litigation between them, which threatened an indefinite postponement of any practical solution. Your Directors availed themselves of the position of neutrality they had always occupied, during these discussions, to promote an amicable settlement of them, and they believe that the agreement now arrived at, and only awaiting the assent of the Corporation, will be found beneficial to each of the Companies, and highly advantageous to the commercial interests of Toronto.

7. All matters in dispute between the Company and the Corporation of Barrie having been adjusted, and the Corporation having duly fulfilled its engagements by providing the conveyance of a free right of way and Station-lands, your Directors proceeded to construct the Branch (one mile and a quarter) into that town, and it is their intention that the same shall be completed and in running order early in June, and within the period prescribed by the Act.

8. The Directors having been notified that it was the intention of the inhabitants of the County of Grey to obtain power, during the present session of Parliament, for the construction of a Railway from some point on the Northern Railway to the