

\$200,573 55, (£41,213 14s. 10d. stg.) of which \$199,466 47, (£40,986 5s. 4d. stg.) was appropriated to payment of all dividends accruing due, leaving a balance of \$1,107 08, (£227 9s. 6d. stg.) to be carried forward to 1874.

6. The Leased Lines of the Northern Extension Railways Company now in traffic operation, represent a mileage of 56 miles, viz: from Collingwood to Meaford 20.50 miles, and from Barrie to Washago 35.50 miles. The traffic upon these lines has sensibly increased, while their contributions in freight and passengers to the Main Line have been very satisfactory, notwithstanding that the system is yet incomplete, and the objective and most valuable point (Gravenhurst), 16 miles from Washago, has yet to be reached; and, notwithstanding also, that as Lessee, this Company has been unable to afford to the Branches such a supply of rolling stock and train service as their traffic requires. Upon this point your Directors have received very pressing and earnest appeals from the Directors of the Extensions Company, for as, under the terms of the Lease, they have a direct financial interest in the earnings of their lines, (thirty-five per cent. of which belong to them,) they urge that the inability of the Northern fully to stock and run their lines necessarily results in loss of revenue to the proprietors, a condition of things which they declare to be an infraction of the terms of the Lease, and for which, if it continues, they intimate a claim.

Under the powers of Act 35 Vic. cap. 66, and with a view to expediting the completion of the Line to Gravenhurst, this Company has recently enlarged its guarantee of interest upon the authorized issue of Debentures made on the security of the Extension Lines, and the works between Washago and Gravenhurst (a length of 16 miles) are now in progress. The importance of carrying Railway service to a connection with the waters of Muskoka District, and thus with its great timber territory, cannot be over-estimated, whether in relation to the development and settlement of that District, to the commerce of the country, or to the interests of this Railway. Your Directors accordingly learn with regret that the present resources of the Extensions Company are not such as ensure an early completion of the Division in question, although there seems to be no doubt that the road-bed will be ready for track-laying during the ensuing season. It is, however, at present beyond both the legal and financial powers of this Company to extend