With a stable and unfluctuating tariff, therefore, the relation of working expenses to gross earnings must be subject to change, but there is no reason to regard the increases of last year as anything but exceptional, or to doubt that, as wages and prices are again on the decline, we shall recur to the average rates of working expenses in past years, especially as the reconstruction of Rolling Stock (now in prime condition) is complete.

4. The expenditure upon works of extension in buildings, rolling stock and general equipment, ordinarily charged to capital, has amounted to $186,092 02 (£38,238 2s. 8d. stg.) of which $114,800 47 (£23,589 2s. 9d. stg.) has been charged against 1873, and $71,291 55 (£14,648 18s. 10d. stg.) has been carried forward to 1874.

Amongst the most important of the works included in these accounts are the Breakwater of the Harbour, a brick Passenger Station, and extension of the Wharf, all at Collingwood; a new Engine Stable for eight engines, at Toronto, and 7.60 miles of new Sidings distributed throughout the Line, and to the mills adjoining it. The additions to the Locomotive and Car Stock of the Company have included three new engines, 2 passenger cars, 25 box freight cars, 4 conductor's cars, and other important and necessary items. Upon these services the outlay has been exceptionally large, and (as above stated) has resulted in a forward charge against the revenues of next year. But your Directors had to consider whether with facilities quite inadequate to the traffic, they should permit the trade of the District to be further embarrassed, or whether they were justified in an effort (however insufficient) to relieve it; and they felt it their duty to adopt a policy dictated by public interest, even, although involving to the Company some risk of temporary financial pressure. Such a policy, however, cannot be safely continued, and works of this class must now be suspended, and must await such remedial measures as may give freedom to the Company to re-enter upon such an expenditure of capital as may be requisite, and may be prudently engaged in, as the trade and development of the country advances.

5. The Net Revenue carried to the account of interest on the Company's Debentures (see account No. 2), has amounted to $196,987 16 (£40,476 16s. 3d. stg.), which, with balance brought forward from last year, &c., made an available sum of