I also enclose, for your information, a trial balance-sheet of the company, from which you will notice that, whereas the average of three years' rates is £4,338, the estimate of the current year is £2,587, based upon the reduced estimate of cost under last session's Bill, and the operation of the clause providing that 30 per cent. of earnings is to be deemed profit.

However, in the interests of the district, I ask that you will take this matter into your consideration and submit it to the Cabinet, as, although the demands of the company are hard, I am sure that the general feeling is that the Government should possess the line, and if that can be done by refunding the company their capital without profit no reasonable objection can be raised.

I will be pleased to do anything further that I can to bring the negotiation to a final conclusion.

I have, &c.,

The Hon. the Minister for Public Works, Wellington. CUTHBERT COWAN.

Enclosure 1 in No. 5.

The SECRETARY, Waimea Plains Railway Company, to Mr. CUTHBERT COWAN, M.H.R.

DEAR SIR,— Dunedin, 23rd December, 1885.

Referring to the interview that took place yesterday between yourself, the Chairman of Directors, and myself, at which we discussed the terms and conditions on which the company was prepared to sell the railway, I am authorized to say that the company is prepared to treat with the Government for the sale of the railway and its equipment (including two locomotives) on the following terms and conditions, viz.:—

1. The purchase-money to be £108,000 (say, one hundred and eight thousand pounds).

2. The Government to purchase the property, subject to the debenture loan, £75,000, and to pay the company the balance, say £33,000, either in cash or in debentures saleable at par.

3. Any proportion of the rates the Government may require the company to forego to be added to the amount of purchase-money.

4. The Government to undertake to place the company in a position to recover the rates should further legislation in that direction be found to be necessary.

5. The company's right to collect the guaranteed interest up to the 31st March, 1886, to be preserved.

6. The Government to pay to the company interest at 7 per cent. per annum on £90,000, from the 31st March, 1886, till date of payment of purchase-money.

The company is prepared to sell the line at a price that will yield the paid-up capital, without interest, and it is reckoned that a sale on the foregoing terms will produce the sum required; but my directors will be prepared to submit the company's accounts for examination by the Government Auditor, and to accept the price that he may certify will be sufficient for the purpose.

As the directors contemplate making financial arrangements shortly, which may preclude a sale of the line, they cannot keep the above offer open beyond a month from this date.

I am, &c.,

Cuthbert Cowan, Esq. R. H. LEARY, Secretary.

Confirmed.—H. DRIVER, Chairman of Directors.

Enclosure 2 in No. 5.

PROFIT AND LOSS ACCOUNT.

				DR. £ s. d.	CR. £ s. d.
1885. 31st March.	To balance			8,811 6 9	..
	By three years' rates ..		£13,016 14 6		
	Less charged	£4,744 17 6			
	Ditto ..	4,867 6 2			
			9,612 3 8		
				..	3,404 10 10
	By Government quota of guaranteed interest			..	2,162 16 0
	To refund of part of ditto			851 7 1	..
	By balance			..	4,095 7 0
				£9,662 13 10	£9,662 13 10
	To balance			4,095 7 0	..
	By estimated profits to 31st March, 1886			..	1,609 1 6
	Guaranteed interest to 31st March, 1886, viz., 7 per cent on £90,000		£6,300 0 0		
	Less profit to 1st August	£1,609 1 6			
	Less 30 per cent. of traffic to 31st March, 1886	1,068 18 0			
			2,677 19 6		
				..	3,622 0 6
	To balance to credit ..			1,135 15 0	
				£5,231 2 0	£5,231 2 0