

C.P.R. ANNUAL REPORT.

Following is the 22nd annual report, addressed to the shareholders:—

The accounts of the company for the year ended June 30, 1903, show the following results:—

Gross earnings	\$4,957,373
Working expenses	28,120,527
Net earnings	\$15,836,845
Interest on deposits and loans	\$ 614,932
Interest due from the Duluth, South Shore & Atlantic Ry. Co. on Consolidated bonds held by the company, \$604,280—less advanced by the company, \$142,280	462,000
Interest from Minneapolis, St. Paul and Sault Ste. Marie Ry. Co. on bonds held by the company	159,720
Interest from Mineral Range Rd. Co. on bonds held by the company	50,160
	1,286,812
	\$17,123,658
Deduct fixed charges	7,052,197
Surplus	\$10,071,460
Deduct amount applied against cost of steamships	150,000
	\$9,921,460
From this there has been charged a half-yearly dividend on Preference Stock of 2% paid April 1, 1903	\$650,000
And a half-yearly dividend on Ordinary Stock of 2½%, paid April 1, 1903	2,112,500
	2,762,500
	\$ 7,158,960
From this there has been declared a second ½-yearly dividend on Preference Stock of 2%, payable October 1, 1903	\$ 650,000
And a second ½-yearly dividend on Ordinary Stock of 3%, payable October 1, 1903	2,535,000

The working expenses for the year amounted to 63.97% of the gross earnings, and the net earnings to 36.03%, as compared with 62.44 and 37.56%, respectively, in 1902.

Your directors deemed it desirable to acquire for your company control of the Kingston & Pembroke Ry., extending from Renfrew, on your main line, to Kingston, on Lake Ontario, a distance of 104 miles. It has been arranged that this be done at a cost of \$848,744, and you will be asked to approve the expenditure—22,602 shares of the preferred stock, and 35,182 shares of the common stock, constituting about 83 per cent. of the whole capital of the Kingston & Pembroke Ry. Co. will be deposited with your treasury securities. The line is now being operated under working arrangements with that company, pending the execution of a formal lease which will be submitted for your approval.

For several years past your company has been operating the Calgary & Edmonton Ry., for account of the owners, receiving in return the benefit of all the traffic in either direction between points on the Calgary & Edmonton line, and points reached by your system. The country along the line has been settled with considerable rapidity, and the contributed traffic has grown to large proportions. Under these circumstances, your directors thought it wise to prevent the possibility of the railway passing into unfriendly hands, and, therefore, they entered into an agreement to lease the line, extending from Macleod to Edmonton, in Alberta, a distance of 296 miles, for a period of ninety-nine years, guaranteeing by way of rental 4% per annum on the Calgary and Edmonton Ry. Co.'s consolidated debenture stock, amounting to \$1,121,700. To insure the complete control of the property and its franchises, your directors contracted to purchase for your company all of the capital stock of the Calgary and Edmonton Ry. Co., for the sum of \$500,000. You will be asked to formally sanction their action and to approve the lease.

An agreement has been made with the Lindsay, Bobcaygeon and Pontypool Ry. Co. for the lease, on its completion of that company's line from Burketon, on the main line

of your Ontario and Quebec section, to Lindsay and Bobcaygeon, a distance of about 40 miles. The rental to be paid is 40% of the gross earnings, but not less than \$20,000 per annum, with the option to your company of acquiring the full ownership of the property at any time within twelve years, by undertaking to pay an increased rental not exceeding in all \$28,000 per annum. The agreement will be submitted for your approval.

The residue of the issue of preference stock previously authorized by you for the purposes of the company, amounting to £273,082, was created and sold during the year. 4% consolidated debenture stock to the amount of £764,350 was also created and sold, and the proceeds were used to cover the cost of the Pacific coast steamships, and for the acquisition of the bonds of other companies whose lines constitute a portion of your system, the interest on which had, with your authority, been guaranteed by your company.

The land sales for the year amounted to 2,639,617 acres for the price of \$9,695,673, being an average of \$3.67 per acre.

During the year the guarantee of your company as to interest was endorsed on consolidated bonds of the Minneapolis, St. Paul and Sault Ste. Marie Ry. Co. to the amount of \$2,454,000, representing the cost of 122 7-10th miles of additional railway constructed by that company.

To meet the pressing requirements of settlers, many of whom came into the country during the past two years, your directors authorized the construction of a railway between Regina, on the main line, and Arcola, the present terminus of the Pipestone branch, a distance of about 113 miles; and an arrangement has been made whereby the Manitoba and North-Western Ry. will be extended an additional distance of 33 miles. You will be asked to approve the construction of these lines and to authorize the creation and sale of sufficient 4% consolidated debenture stock for the purpose.

The original \$25,000,000 of 5% land grant bonds having been satisfied, the mortgage securing them has been cancelled. There remain outstanding \$15,000,000 land bonds bearing interest at the rate of 3½% per annum guaranteed by the Dominion Government. The proceeds of the sales of lands covered by the mortgage securing these bonds will be deposited with the Dominion Government in accordance with the terms of the statute; \$500,000 has been thus deposited during the past year, and the amount due on deferred payments will go far toward liquidating the whole amount in the next few years, when the residue of your lands will be relieved of the mortgage and the bonds will become a Government obligation; in the meantime the Government pays interest on the deposits at the rate of 3½%.

Under the authority of the resolution passed at the last annual meeting, your directors purchased from the Elder-Dempster Co. fifteen steamships, constituting that company's Canadian-Atlantic fleet, the purchase price of the vessels and of the goodwill of the sellers being £1,417,500 sterling. This amount has been temporarily advanced from your surplus earnings pending the issue and sale of 4% consolidated debenture stock to a like amount, which you will be asked to authorize at this meeting. An unfortunate accident resulted in the loss of one of the freight steamers. The amount required in excess of the insurance to replace the vessel will, of course, be charged against revenue.

Of the proceeds of the sale of \$19,500,000 ordinary shares, there had been expended to the end of the fiscal year \$17,228,953, and there were orders outstanding for cars and locomotives undelivered amounting to \$4,221,865. Since then additional orders have been placed to the amount of \$1,351,000, and it is

proposed to continue the policy of increasing the rolling stock equipment as rapidly as circumstances will permit, until the company is well ahead of its immediate requirements. When these contracts have been filled, the proceeds of the issue of common shares, as well as the amount of \$3,000,000 appropriated from surplus earnings, will have been absorbed. The cost of cars and locomotives purchased during the last couple of years has been substantially increased, because of the necessity for getting so many of them outside of Canada, and paying the Canadian duty on their importation. In the near future, when your own shops have been completed, it is expected that you will be able to build yourselves most of the cars and locomotives required, thus saving the manufacturers' profit and the duty. Your directors will ask authority to expend \$5,000,000 during the next year on various classes of equipment in addition to all orders that have been placed up to this time.

Many of the new works on which capital has been expended are being carried out on a more comprehensive scale than was originally contemplated, and the increase of nearly 50% within three years in the tonnage moved annually has made it imperative that you should, for the convenience of the public and your own financial advantage, provide forthwith many additional facilities, calculated to assist in promoting promptness and economy in the handling of your traffic, that under ordinary conditions might have been spread over a number of years. Notwithstanding your large outlay in the past for lands, tracks, buildings and other works at your more important terminals like St. John, Montreal, Toronto, Ottawa and Winnipeg, the facilities at most of these points are quite inadequate for present demands, and as a result there is frequent congestion, resulting in inconvenience and expense to everybody concerned. With a view to remedying these conditions, and in order that the work of bringing your property to a high standard of efficiency may be continued without cessation, you will be asked to authorize the directors to expend capital for these general purposes to an amount not exceeding \$4,500,000.

CONDENSED BALANCE SHEET, JUNE 30, 1903.

Cost of railway and equipment	\$242,769,210
Ocean, lake and river steamships	\$ 5,803,444
Less amount applied in reduction of cost	1,968,224
	3,835,199
Pacific coast steamships	956,150
Atlantic steamships	6,979,783
Acquired securities held (cost) ..	43,470,868
Hotels, buildings and properties held in trust for the company ..	2,266,634
Deferred payments on lands and town site sales	13,914,480
Advances:—	
To Montreal & Atlantic Ry., secured by \$500,000 first mortgage bonds	424,144
To Duluth, South Shore & Atlantic Ry., car trusts, etc.	236,213
Advances to new lines under construction	2,412,903
Material and supplies on hand ..	5,498,788
Station and traffic balances, accounts receivable	4,918,698
Miscellaneous securities and advances	1,606,902
Imperial and Dominion Government:—	
Accounts due for mail transportation	236,687
Cash in hand	19,145,168
Less amount temporarily advanced for purchase Atlantic steamships pending issue of securities	6,972,556
	12,172,612
	\$341,699,276

In addition to the above assets, the company owns 12,081,776 acres of land in Manitoba and the Territories (average sales past year \$3.67 an acre), and 3,759,418 acres in British Columbia

Capital stock	\$84,500,000
4% preference stock	32,500,000
4% consolidated debenture stock ..	67,252,252