

**C.P.R. ANNUAL REPORT.**

Following is the 21st annual report, addressed to the shareholders:

The result of the Co.'s operations during the fiscal year, ended June 30th, 1902, was as follows:—

Gross earnings.....	\$37,503,053 78
Working expenses.....	23,417,141 37
<b>Net earnings.....</b>	<b>\$14,085,912 41</b>
Interest earned on deposits and loans.....	\$271,424 12
Interest due from Duluth, South Shore and Atlantic Ry. on consolidated bonds held by C. P. R. Co. against debenture stock issued.....	\$604,280 00
Less advanced by C.P.R. Co.....	108,280 00
<b>Interest from Minneapolis, St. Paul &amp; Sault Ste. Marie Ry. Co. on bonds held by C.P.R. Co. against debenture stock issued.....</b>	<b>496,000 00</b>
Interest from Mineral Range Ry. Co. on bonds held by C. P. R. Co. against debenture stock issued.....	159,720 00
<b>Interest from Minneapolis, St. Paul &amp; Sault Ste. Marie Ry. Co. on bonds held by C. P. R. Co. against debenture stock issued.....</b>	<b>31,882 52</b>
	958,826 64
Deduct fixed charges accrued during the year, including interest on land bonds ..	\$15,044,739 05
Surplus for the year.....	\$ 7,709,913 96
Deduct amount applied against cost of steamships.....	150,000 00
	\$ 7,559,913 96
From this there has been charged off the 1/2-yearly dividend on preference stock of 2%, paid April 1, 1902.....	\$ 623,420 00
And 1/2-yearly dividend on ordinary stock of 2 1/2%, paid April 1, 1902.....	1,625,000 00
	2,248,420 00
	\$ 5,311,493 96
From this there has been declared a second 1/2-yearly dividend on preference stock of 2%, payable Oct. 1, 1902.....	\$ 623,420 00
And a second 1/2-yearly dividend on ordinary stock of 2 1/2%, payable Oct. 1, 1902.....	1,625,000 00

The working expenses were 62.44% of the gross earnings, and the net earnings were 37.56%, compared with 60.75 and 39.25% respectively in 1901. The earnings per passenger per mile were 1.75 cents, and per ton of freight per mile 0.75 cents, as against 1.93 and 0.79 cents respectively in 1901.

Four per cent. consolidated debenture stock to the amount of £650,000 was created and sold on account of the construction of branch lines authorized, and for the purpose of acquiring first mortgage bonds, on which the interest is guaranteed by your Co., of the Mineral Range Rd. Co., the Columbia and Western Ry. Co., and the British Columbia Southern Ry. Co.

The sales of the Co.'s lands during the year amounted to 1,362,852 acres for \$4,442,136, being an average price of \$3.26 an acre, and the cash receipts enabled your directors to redeem and cancel 5% land grant bonds to the face value of \$1,401,000, leaving in the hands of the public at the end of the fiscal year \$1,430,000 of these bonds, all of which have since been called for redemption and cancellation.

For the purpose of improving the Co.'s position in the city of Ottawa and adjacent territory, and with a view to the ultimate shortening of the line between Montreal and Pembroke, your directors entered into an agreement for the control of the Ottawa Northern and Western, the Pontiac Pacific Junction and the Hull Electric Railway Companies, owning 151 miles of railway and the Interprovincial bridge across the Ottawa

river. The terms of the arrangement will be fully set out in the proposed agreement of lease, which will be submitted for your approval.

An agreement has been made for an extension of the Montreal and Western Ry., one of your acquired lines in the Province of Quebec, a distance of 22 miles, on a basis that will involve the payment of practically no interest or rental for a period of 12 years.

A branch line, 105 miles in length, from Kirkella, on your main line west of Brandon, to serve the country north of the Qu'Appelle river, and an extension of the Manitoba and Northwestern Ry., 40 miles in length, are now under construction with a view to their completion before winter sets in.

Four hundred and eighty miles of 80-lb. rails are being laid in the main line this season, and before the end of 1904 your directors hope to have the lighter rails replaced on all the main lines of your system.

Among the more important works completed during the year were, a diversion of the line, about seven miles in length, between Field and Ottertail on the Pacific division, and the construction of a tunnel 894 ft. long at the loop on the Crow's Nest line, for the purpose of improving gradients and alignment. Two steel grain elevators of an aggregate capacity of 3,700,000 bush. are being built at Fort William. When these are completed there will be storage at that point for 9,000,000 bush.

During the fiscal year your Co. endorsed its guarantee of interest at 4% per annum, on bonds of the Minneapolis, St. Paul and Sault Ste. Marie Ry. Co. to the amount of \$500,000, representing the cost of additional mileage constructed.

Pursuant to the resolutions adopted at the special general meeting of shareholders on March 27 last, 195,000 shares being \$19,500,000 of the common stock of the Co., were offered to the shareholders of record at par and were accepted by them with the exception of rights to the face value of \$368,000, which are being sold for account of the Co. in open market by order of your directors. The proceeds of the issue are being expended in accordance with the terms of the order-in-council of the Dominion Government granting the necessary legal authority, and of the resolution of the shareholders authorizing it.

In these busy days it is very difficult to secure additional locomotives and cars to keep pace with the growth of your traffic; contracts were made, however, for all that could be delivered during the current year. On the completion of your large locomotive and car shops at Montreal, now in course of erection, you will be able to provide these facilities more rapidly and economically.

The earnings of the Duluth, South Shore and Atlantic Ry. show some improvement, and the increase in the net revenue of the Minneapolis, St. Paul and Sault Ste. Marie Ry. is very striking, the net surplus, after the payment of all charges for the year, being \$1,286,501. A conservative and prudent policy on the part of the directors of the latter Co. will, beyond doubt, have your approval and commendation, but, with this large income, it is reasonable to expect that dividends on the shares in that Co., held in your interest, will be forthcoming in the near future.

There will be submitted for your approval an amendment of the existing by-law relating to the election of directors, providing for the retirement of only a limited number of directors at the end of each year hereafter, instead of the whole board, as was the practice heretofore. Your Co. sustained a serious loss by the death, in July last, of J. W. McKay, who had been a member of your board since 1890, and whose advice and co-operation were particularly valuable in connection with your telegraph interests.

**CONDENSED BALANCE SHEET, JUNE 30, 1902.**

Cost of railway and equipment.....	\$30,072,641 33
Ocean, lake and river steamships.....	\$5,814,602 58
Less amount applied against cost of construction.....	1,818,224 69
Acquired securities held (cost).....	3,996,377 89
Hotels, buildings and properties held in trust for the Co.....	39,818,943 45
Deferred payments on land sales.....	1,785,411 99
Deferred payments on town site sales.....	7,025,254 28
Advances:	195,680 97
To Montreal & Atlantic Ry., secured by \$500,000 first mortgage bonds.....	424,144 80
To Duluth, South Shore & Atlantic Ry., car trusts, etc.....	236,213 19
Advances to new lines under construction.....	2,154,473 31
Material and supplies on hand.....	4,450,526 98
Station and traffic balances, accounts receivable.....	3,207,939 97
Miscellaneous securities and advances.....	1,678,182 14
Imperial and Dominion Governments accounts due for mail transportation.....	230,758 93
Cash in hand.....	15,227,691 47
	<b>\$310,504,240 70</b>

In addition to the above assets the Co. owns 14,680,101 acres of land in Manitoba and the Territories (average sales past year \$3.29 per acre) and 3,922,922 acres in British Columbia.

Capital stock.....	\$ 65,000,000 00
Payments on subscription to new issue capital stock—\$10,500,000 00 ..	7,624,162 00
Four Per Cent. Preference stock.....	31,171,000 00
Four Per Cent. Consolidated Debenture Stock.....	63,532,415 86
Mortgage bonds:	
1st Mortgage Bonds 5%.....	\$34,998,633 33
Canada Central Ry. 6%.....	973,333 33
Due Province of Quebec on Q.M.O. & O. & North Shore Ry.....	7,000,000 00
Algoma Branch, 1st mortgage.....	3,650,000 00
North Shore Ry. 1st mortgage.....	616,119 67
	47,238,086 33

Land grant bonds:	
1st mortgage—Amount of issue.....	\$25,000,000 00
Less—	
Amount redeemed, surrendered and cancelled.....	\$23,570,000 00
3 1/2% land bonds.....	1,430,000 00
	15,000,000 00

Current accounts, pay-rolls and traffic balances	16,430,000 00
Interest on funded debt and rental of leased lines:	
Coupons due July 1, 1902, including coupons overdue, not presented.....	1,478,946 76
Accrued to date, not due.....	301,618 95
	1,780,565 71

Cash subsidies from dominion and provincial government and municipalities.....	29,969,688 07
Land grant: net proceeds of sales of land.....	27,660,988 13
Surplus earnings account.....	14,185,634 88

**\$310,504,240 70**

**FIXED CHARGES FOR YEAR ENDED JUNE 30, 1902.**

1st mortgage bonds 5% due July 1, 1915.....	\$1,749,931 66
Province of Quebec, 4 1/2%.....	283,500 00
North Shore Ry. 1st mortgage 5% bonds due April 20th, 1904.....	267 66
Canada Central Ry. 2nd mortgage 6% bonds due Nov. 1, 1910.....	58,400 00
St. Lawrence and Ottawa Ry. 4% 1st mortgage bonds due June 15, 1910.....	38,933 34
Man. South Western Colonization Ry. 1st mortgage 5% bonds due June 1, 1934.....	127,200 00
Toronto, Grey and Bruce Ry. rental.....	140,000 00
Ontario and Quebec Ry. debenture stock 5%.....	975,129 56
Ontario and Quebec Ry. (ordinary stock) 6%.....	120,000 00
Atlantic & North West Ry. 1st mortgage bonds (less Government proportion) due Jan. 1, 1937.....	136,333 34
Algoma Branch 5% 1st mortgage bonds due July 1, 1937.....	182,500 00
Rental, Farnham to Brigham Jct.....	1,400 00
Rental, Mattawamkeag to Vanceboro.....	23,800 00
Rental, New Brunswick Ry. system.....	372,829 74
Rental of terminals at Toronto.....	32,270 29
Rental of terminals at Hamilton.....	32,781 33
Rental, Hamilton Jct. to Toronto.....	40,000 00
Rental, St. Stephen and Milltown.....	2,050 00
Interest on Montreal and Western Ry. purchase.....	20,497 76
Interest on equipment leases.....	107,478 95