

capital. After deducting \$980,037 in partial payment of the securities of the Locomotive & Machine Co., of Montreal, the convertible cash assets amount to \$12,215,720 and the current liabilities to \$2,892,350, leaving a net working capital of \$9,323,370, as compared with \$6,751,714 excess of assets on June 30, 1903, and of \$4,998,916 on June 30, 1902. In order to protect the company's important relations in Canada, control of the Locomotive & Machine Co. of Montreal (Ltd.) was acquired on Mar. 31. The American Locomotive Co. owns the entire capital stock and \$1,000,000 out of a total issue of \$1,500,000 of the first mortgage 4% bonds of that company. This purchase has met with general favor in Canada, where the rapid development of that great territory promises an adequate return upon the investment. It is the intention of the directors to broaden the scope of the company's operations as opportunity may offer for so doing with safety. The sale of this product and of other manufacturing specialties, including rotary snow ploughs, high power dredging machinery, small second-hand engines for mining, plantation and contractors' use, is negotiated by the Atlantic Equipment Co., a new corporation, the entire capital stock of which is owned by the American Locomotive Co. During the past year the mechanical and electrical engineers of the company have been in frequent consultation, not only as to the general problem of the possible future application of electric power to steam surface railways, but also in regard to a specific proposition for an electric locomotive suitable for use in the suburban traffic of one of the great trunk lines. After much study and in co-operation with the General Electric Co. agreements have been entered into for the manufacture of 30 electric locomotives, to be delivered by 1906. The American Locomotive Co. will construct the mechanical parts of the locomotive, the General Electric Co. supplying all the electrical apparatus.

	1903-4	1902-3
Gross earnings.....	\$33,068,751	\$33,106,725
Manufacturing, maintenance and administration expenses	27,404,986	28,052,315
Net earnings.....	\$5,663,765	\$5,053,410
Interest on bonds of constituent companies, bills payable, etc...	238,226	248,157
Profit available for dividend...	\$5,425,539	\$4,805,253
Dividend on preferred stock at 7%	1,750,000	1,750,000
Surplus	\$3,675,539	\$3,055,253
Addition to properties.....		1,142,932
Improvement and betterment fund.....	1,000,000	
Net surplus for year.....	\$2,675,539	\$1,912,21
Surplus brought forward from previous year.....	2,136,556	224,235
Profit and loss surplus.....	\$4,812,095	\$2,136,556

In the general balance sheet the properties and securities are carried at \$60,216,945 against \$60,324,488 at June 30, 1903, the Locomotive and Machine Co. of Montreal being carried at \$980,037. The liabilities are: Preferred stock, \$25,000,000; common stock, \$25,000,000; bonds of constituent companies, \$1,512,500; accounts payable, \$1,804,592; bills payable, \$650,000; unclaimed interest, \$257; dividends payable in July, \$437,500; improvement and betterment fund, \$1,000,000; profit and loss surplus, \$4,812,095.

The Locomotive and Machine Co., of Montreal, has appropriated \$100,000 to build an hotel at its works to accommodate 60 to 75 men, and it will also build several two-family and four-family houses.

C.P.R. ANNUAL REPORT.

Following is the 23rd annual report, addressed to the shareholders, over the signature of the President, Sir Thos. G. Shaughnessy:—

The accounts for the year ended June 30, 1904, show the following results:—

Gross earnings.....	\$46,469,132	24
Working expenses.....	32,256,027	21
Net earnings.....	\$14,213,105	03
Interest on deposits and loans.....	\$380,716	51
Interest due from Duluth, South Shore & Atlantic Ry. Co. on consolidated bonds held by the Co.....	\$604,280	00
Less advanced by the Co.....	422,280	00
Interest from Minneapolis, St. Paul & Sault Ste. Marie Ry. Co. on bonds held by the Co.....	159,720	00
Interest from Mineral Range Rd. Co. on bonds held by the Co.....	50,160	00
Dividends on Minneapolis, St. Paul & Sault Ste. Marie Ry. preferred and ordinary stocks held by the Co.....	918,672	00
	1,691,268	51
Deduct fixed charges.....	\$15,904,373	34
	7,586,096	64
Surplus.....	\$8,318,276	90
Deduct amount applied against cost of steamships and for contribution to Pension Fund.....	230,000	00
	\$8,088,276	90
From this there has been charged a half-yearly dividend on preference stock of 2% paid April 1, 1904.....	\$653,406	65
And a half-yearly dividend on ordinary stock of 3%, paid April 1, 1904.....	2,535,000	10
	3,188,406	65
	\$4,809,870	25
From this there has been declared a second half-yearly dividend on preference stock of 2%, payable Oct. 1, 1904.....	\$698,666	65
And a second half-yearly dividend on ordinary stock of 3%, payable Oct. 1, 1904.....	2,535,000	00

The working expenses for the year were 69.42% of the gross earnings, and the net earnings 30.58%, compared with 63.97 and 36.03% respectively in 1903. The large increase in working expenses over the previous year was due, not only to the additional railway mileage operated, but to the higher prices paid for wages, fuel and supplies, and the unprecedented weather conditions that prevailed during the winter.

Four per cent. consolidated debenture stock to the amount of £3,103,349 was created and sold during the year. The proceeds were applied, in the purchase of 15 Atlantic steamships, in the construction of 260 additional miles of railway, and in the acquisition of bonds of other companies, the interest on which had been guaranteed by your company. Four per cent. preference stock to the amount of £200,000 was also created and sold, and the proceeds applied to purposes for which your authority had already been obtained.

A final, and in the opinion of your directors satisfactory settlement has been reached with the Dominion Government in connection with the selection of the balance of your land grants by the company agreeing to accept lands in what is known as the Irrigation Tract between Medicine Hat and Calgary, to the extent of about 2,900,000 acres, the main condition being that the lands shall be conveyed in a solid block instead of alternate sections as originally contemplated. After careful consideration of the whole matter, and exhaustive reports by expert engineers on the tract referred to, your directors are convinced that it is in the company's interest that the construction of the necessary works for irrigation purposes should be at once commenced, and contracts have been let for portions of the required canals, starting from the Bow

River near Calgary, involving an expenditure of about \$1,000,000.

The land sales for the year were 928,854 acres for \$3,807,248, an average of \$4.10 an acre. There was a considerable decrease in the acreage sold, as compared with the previous year, when large blocks of land were sold to colonization companies, but the price realized was 43c. an acre higher.

A further amount of \$3,000,000 has been deposited with the Dominion Government during the year on account of the \$15,000,000 land bonds mortgage, making a total amount of \$3,500,000 deposited up to the end of the fiscal year. The amount of deferred payments on lands sold is now \$15,252,308, drawing interest at 6%, while the total of the land bonds outstanding is \$11,500,000 at 3½%.

Your directors have arranged to acquire by lease the control of the Tillsonburg, Lake Erie and Pacific Ry., extending from Port Burwell on Lake Ontario, via Tillsonburg, to Ingersoll on your Ontario division, a distance of about 35 miles, the rental payable under the lease to be a sum equal to the interest on bonds which may be issued by the Tillsonburg, Lake Erie and Pacific Ry. Co., with the consent of this company, as more specifically set out in the resolution to be submitted. This line is important as affording a connection by vessel at Port Burwell with the great coal producing districts of Ohio and Pennsylvania.

At the request of your directors, and to meet the present requirements of settlement in the district east of the main line of the Calgary & Edmonton Ry., that company has authorized the construction of two branch lines, each for about 50 miles and extending respectively from Lacombe and Wetaskiwin stations on its main line.

Arrangements have been made, subject to your approval, for the leasing for 999 years, of the line of the Northern Colonization Railway Co., extending from the terminus of the Montreal and Western Ry., leased to your company, to Nominieue, Que., 21 miles, at a rental equal to the interest at the rate of 4% per annum payable on all bonds which the Northern Colonization Ry. Co. may issue with the consent of your company, the aggregate of such bonds not to exceed \$20,000 a mile, the rental to be reduced by the amount of any Government subsidy or annual payment to which the Northern Colonization Ry. Co. may be entitled. A draft of the proposed lease will be submitted for approval.

Arrangements have been completed for a lease for 999 years of the railway of the Guelph and Goderich Ry. Co., now under construction from the terminus of the Guelph Junction Ry. at Guelph, already leased to your company and forming part of the Ontario Division, to Goderich, on Lake Huron, about 80 miles. The rental will be a sum equal to the interest, at the rate of 4% per annum, on bonds issued with the consent of your company to an amount not to exceed \$25,000 a mile. The line will run through well settled and very fertile portions of Ontario at present, to a large extent, without railway facilities. Your approval of the proposed lease will be asked.

During the year the guarantee of your company has been endorsed on consolidated bonds of the Minneapolis, St. Paul and Sault Ste. Marie Ry. Co., to the amount of \$3,572,000, representing the cost of 178½ miles of additional railway acquired and constructed by that company.

The net earnings of your Atlantic Steamship Line amounted to about \$200,000 for the first six months, but this profit was practically absorbed by the shrinkage in net revenue during the last half of the year, due to the demoralized state of the Atlantic trade. Nevertheless the steamship line has, as was anticipated, proved a valuable auxiliary to the railway. The revenue and expenses are not taken into the accounts for the year, but the