

tions were not favorable to the sale of this security in large amounts without unduly depressing the market price.

In these circumstances your directors decided to create a special investment fund composed of the deferred payments on land sold, and securities in which land funds had been invested, to the amount of \$55,000,000, and to issue against this fund and the company's credit 10 year note certificates to the amount of \$52,000,000, carrying interest at the rate of 6% per annum, to be offered to the shareholders at 80% of their face value, thus providing all the money required for the present purposes of the company, and at the same time giving the shareholders participation in the proceeds of land sales to the amount of about \$10,000,000.

The issue was entirely successful. The note certificates, with interest, will be paid off in instalments without any encroachment on your revenue from traffic, and the 4% consolidated debenture stock can be marketed in such amounts and at such times as may be most advantageous.

Since the close of the last fiscal year first mortgage 5% bonds to the amount of only £64,700 or \$314,873.33 have been taken up and cancelled, because the holders were unwilling to surrender their bonds at a premium satisfactory to your directors. The outstanding bonds, amounting to £2,638,900 or \$12,842,646.67, will mature July 1, 1915, and on or before that date they will be paid off and cancelled with funds set aside for the purpose.

As mentioned in the notice to shareholders, the annual general meeting will be made special for the purpose of authorizing, if approved, an increase of the company's ordinary capital stock by the amount of \$75,000,000, namely, from \$260,000,000 to \$335,000,000, in order to make it accord with the amount for which the company has the sanction of the government. Although with the curtailment of capital expenditure no necessity exists for issuing any additional ordinary stock at this time, and there will be no resumption of works requiring any large amount of money until a decided improvement in business conditions furnishes ample warrant, your directors are convinced of the prudence of making provision at this time for your capital requirements covering a considerable period in the future. No portion of this increased amount will, of course, be issued by the directors until the sanction of the shareholders has been obtained at a special general meeting called for the purpose.

The death in January last of the Right Hon. Lord Strathcona and Mount Royal, G.C.M.G., was a source of sincere sorrow to your directors. Lord Strathcona was one of the prominent founders of the company, and he remained a member of the board of directors until the time of his death.

Your directors report with regret the death, in April, of Sir William Whyte who had occupied a position of importance in the company's affairs for many years. As Vice President in charge of the company's interests west of Lake Superior he proved himself a most capable and useful officer, and on his retirement from active service in 1911 he became a member of the board of directors.

A. M. Nanton of Winnipeg has been elected a director in place of the late Sir William Whyte. The vacancy caused by the death of Lord Strathcona has not as yet been filled.

As foreshadowed at the last annual meeting, the general balance sheet has been recast so as to show in more specific form the active and inactive assets of the company. In the schedule of these assets which ap-

pears in the annual report the estimated value per acre of the unsold agricultural lands has been placed at lower figures than had been mentioned, in order that it might be quite on the safe side, but your directors and the officers of the Land Department are satisfied that your unsold lands will eventually command much higher average prices per acre than those given in the schedule.

The values fixed for the townsites and other lands and properties available for sale are on a conservative basis, and the active assets taken into the schedule at cost could be readily disposed of at figures very much higher than those given.

Some years ago, for the purpose of securing access to the State of Washington and other important territory in the north western United States, the company entered into a working arrangement with the Spokane International Ry. Co., extending from Kingsgate, on the line of your railway in British Columbia, to Spokane, Wash., 141 miles, with branch lines 22 miles in length. The volume of traffic secured to your lines by this connection has become so important that a more permanent arrangement is very desirable. Your directors have not yet decided whether this could be best accomplished by the acquisition of the capital stock of the Spokane International Ry. Co., by a guarantee of interest on its bonds, or by some other means, and therefore they will ask your authority to exercise their decision in carrying out such a transaction for closer and more permanent relations with the Spokane International Ry. Co. as may appear to be most desirable in your interest.

The net revenue of the commercial telegraph system, Pacific Coast steamers, and news department, that in previous years had been incorporated in the revenue of the railway, is deducted from the surplus shown in the revenue statement this year and transferred to special income account.

CONDENSED BALANCE SHEET.

ASSETS.	
Railway	\$338,084,064.89
Rolling stock equipment	153,256,394.79
Ocean, lake, and river steamships	24,171,162.30
Acquired securities (cost)	107,867,740.63
Advances to lines and steamships under construction	35,571,959.97
Advances and investments	12,330,195.22
Deferred payments on lands and townsite sales	4,140,413.83
*Special investment fund:	
Deferred payments on land and townsites	\$42,666,510.87
Government securities	10,088,734.86
Deposited with trustee	3,790,225.53
	56,545,471.26
Working Assets:	
Material and supplies on hand ..	\$17,686,235.53
Agents and conductors balances ..	3,221,350.07
Net traffic balances ..	533,996.70
Miscellaneous accounts receivable ..	10,511,665.82
Cash in hand	36,777,725.02
	68,730,973.14
Other assets	133,022,494.74
	\$933,720,870.77
*Security for issue of note certificates, \$52,000,000.	

LIABILITIES.

Capital stock:	
Ordinary stock ..	\$260,000,000.00
4% preference stock	78,224,673.03
	\$338,224,673.03
4% consolidated debenture stock ..	173,307,470.09
Mortgage Bonds:	
C.P.R. 1st mortgage 5%	\$12,842,646.67
Algoma Branch 1st mortgage 5% ..	3,650,000.00
	16,492,646.67

Note certificates 6% ..	52,000,000.00
Premium on ordinary capital stock sold	45,000,000.00
Audited vouchers ..	\$7,809,598.78
Pay rolls	5,177,754.16
Miscellaneous accounts payable ..	9,048,037.42
	22,035,390.16
Coupons due July 1, and including coupons overdue not presented	\$757,204.17
Rentals of leased lines	189,810.12
	947,015.39
Equipment obligations	14,350,000.00
Less Victoria Rolling Stock and Realty Co. bonds on hand	12,630,000.00
	720,000.00
Reserves and appropriations:	
Equipment replacement	2,491,518.64
Steamship replacement	6,682,063.87
Reserve fund for contingencies ..	2,083,942.12
	11,257,529.63
Net proceeds lands and townsites ..	66,771,271.19
Surplus revenue from operation ..	79,711,091.66
Surplus in other assets	127,253,782.95
	\$933,720,870.77

FIXED CHARGES FOR YEAR.

1st mortgage bonds 5% due July 1, 1915	\$ 642,862.30
St. Lawrence & Ottawa Ry. 4% first mortgage bonds	38,933.34
Man. S. West. Colzn. Ry. 1st mortgage 5% bonds due June 1, 1934 ..	127,200.00
Ontario & Quebec Ry. debenture stock, 5%	975,129.56
Ontario & Quebec Ry. ordinary stock, 6%	120,000.00
Atlantic & North West. Ry. 1st mortgage bonds due Jan. 1, 1937 ..	323,633.34
Algoma Branch 5% 1st mortgage bonds, due July 1, 1937	182,500.00
New Brunswick Southern Ry. 1st mortgage bonds, 3%	15,000.00
Lindsay, Bobcaygeon & Pontypool Ry. 1st mortgage bonds, 4% ..	20,000.00
Shuswap & Okanagan Ry. 1st mortgage bonds, 4%	49,990.40
Rental, Toronto, Grey & Bruce Ry. ..	140,000.00
Rental, Calgary & Edmonton Ry. ..	218,357.60
Rental, Farnham to Brigham Jet. ..	1,400.00
Rental, Mattawamkeag to Vanceboro ..	23,800.00
Rental, New Brunswick Ry. system ..	372,829.74
Rental, Terminals at Toronto	23,221.29
Rental, Terminals at Hamilton	37,258.21
Rental, Hamilton Jet. to Toronto ..	42,191.12
Rental, St. Stephen and Milltown Ry.	2,050.00
Rental, Joliette & Brandon Ry.	5,000.00
Rental, Lachine Canal Branch	939.96
Interest on Montreal & Western Ry.	14,027.75
Interest on equipment obligations ..	45,466.67
4% consolidated debenture stock: Interest from July 1, 1913	\$6,694,741.04
Interest from Jan. 1, 1914	118,778.85
	\$6,813,519.89
Less received from subsidy Northern Colonization Ry. ..	8,000.00
	6,805,519.89
	\$10,227,311.17

EXPENDITURE ON ADDITIONS AND IMPROVEMENTS.

Eastern Lines:	
Additional sidings, buildings, stations and yards	\$ 664,882.11
Permanent bridges and improvements of line	1,164,100.35
Double tracking	4,045,223.88
Right of way	7,127.46
	\$5,881,333.80
Montreal Terminals ..	890,847.90
Windsor St. station extension	391,771.73
Double track bridge over St. Lawrence River	128,923.90
Western Lines:	
Additional sidings, buildings, stations and yards	\$1,329,064.58
Permanent bridges and improvements of line	548,176.83