

The Pension Fund stands at \$128,000,000 having increased by \$25,500,000 during the year.

Other Liabilities and Deferred Credits

The principal items included under the above heading are the outstanding capital value of the workmen's compensation awards by the Provinces of Ontario and Quebec; percentages retained from contractors pending completion of work in progress; deferred payments of principal and interest under agreement; the estimated liability for injuries to persons; the estimated liability for overcharge claims; the estimated portion of prepaid revenues on freight in transit; the excess of actual revenues over year-end estimates carried in suspense; provision for dismantlement or disposal of inactive properties, and miscellaneous items not otherwise provided for or which cannot be disposed of until additional information is received.

Long Term Debt

System securities in the hands of the public of a par value of \$76,606,000 were redeemed during the year. Loans from the Government of Canada increased by \$72,673,000.

Shareholders' Equity

In compliance with Section 6 of the Canadian National Railways Capital Revision Act, the Minister of Finance purchased during the year from the Company at par 20,369,678 four per cent preferred shares of one dollar par value equal to three per cent of the gross operating revenues of the System for the twelve months ended 30th November, 1955. 1,782,234 additional preferred shares were purchased in January, 1956, of a par value equivalent to three per cent of the gross revenues for the month of December.

General

Further extension of machine accounting for accounting and statistical purposes was made during 1955 and early 1956. Additional extensions are contemplated by the summer of 1956.

Where foreign currencies are involved, the balance sheet accounts of the System are converted generally as follows:

- (a) United States Currency—at the dollar par of exchange.
- (b) Sterling Currency—at the former par of \$4.86- $\frac{2}{3}$ to the pound. (Sterling assets represent only approximately .04% of the total assets shown on the consolidated balance sheet.)
- (c) French Currency—at approximately 15 francs to the dollar for the original investment in Hotel Scribe and 359 francs to the dollar for working capital accounts.

Dollar amounts stated in this report are to the nearest thousand.

Yours faithfully,

(Signed) GEORGE A. TOUCHE & CO.