

A physical inventory of Material and Supplies was taken by the Railway as at 30th September, 1955, and in connection therewith we have received certificates from the responsible officers to the effect:

- (a) That the quantities were determined by actual count, weight or measurement or by a conservative estimate where such actual basis was impracticable, and
- (b) That the inventory pricing was laid down cost based on weighted average cost for ties, rails and fuel and on latest invoice prices for new materials in General Stores, and on estimated utility or sales value for usable second-hand, obsolete and scrap materials after making reasonable allowances for condition thereof.

The physical inventory valuation exceeded the ledger balances, and the latter were brought into agreement with the physical inventory through a credit to railway operating expenses.

Investments in Affiliated Companies Not Consolidated

These investments are represented by capital stocks, bonds and obligations for advances of companies affiliated with but not forming a part of the National System. Apart from the Trans-Canada Air Lines, these investments have been made, in association with other railways, primarily to secure the benefits of traffic interchange and terminal facilities. The basis of the balance sheet figure is cost or, in respect of certain United States securities, less than the special valuations approved by the Interstate Commerce Commission.

Property Investment

Against the Corporate portion of the property investment brought into the National System accounts at 1st January, 1923, there have been properly applied the reductions authorized by the Canadian National Railways Capital Revision Act, 1937, but no similar reductions were authorized at that time covering the Crown property investments in the Canadian Government Railways. Since 1st January, 1923, the additions and betterments less retirements of the System have been shown on the basis of cost. During the year under review the additions and betterments, less retirements, amounted to \$48,081,000 as compared with \$147,462,000 in the previous year.

Other Assets and Deferred Charges

Investments under this heading consist mainly of Government of Canada Bonds valued at cost and include unlisted securities of miscellaneous nature held primarily for purposes of traffic benefit valued at or below cost.

Deferred Charges consist principally of deferred payments under agreement; sundry deferred accounts receivable; the ledger value of inactive properties pending dismantlement or disposal; the estimated salvage value of equipment and property retired; the unamortized cost of opening ballast pits which will be written off on the basis of yardage used; the estimated salvage value of non-perishable material in ballast pits and other temporary tracks; accepted interline freight claims paid in advance of investigation with other carriers, and miscellaneous debit items not otherwise provided for or which cannot be disposed of until additional information is received.

Temporary Cash Investments, Pension and Insurance Funds

Included in the above were System securities aggregating \$42,449,000 valued at par and securities of the Federal Government and those of or guaranteed by Provincial Governments amounting to \$117,928,000 carried at cost. The year-end market value of the Government securities was 2.49% less than cost.