

7. *Insurance Reserve*

During the year under review, this reserve was re-established at \$6,000,000 by the appropriation from surplus of \$330,000. No amounts were charged to this reserve during 1958. Provision has been made in the Corporation's accounts for recoveries from other parties or through insurance placed with outside underwriters for major accident claims and expenses incurred prior to December 31st, 1958.

8. *Income Taxes*

No provision for income taxes has been made because, as permitted by regulations under the Income Tax Act, the Corporation intends to claim capital cost allowance (depreciation) sufficient to offset the taxable income.

9. *Working Capital*

During the year under review the working capital, being the excess of current assets over current liabilities, increased by \$266,000. The following summary, expressed to the nearest thousand dollars, shows the factors accounting for this increase:

Working Capital at December 31st, 1957 (before deducting a temporary bank loan repaid from additional loans received in 1958 from Canadian National Railways) .....		\$ 5,811,000
Funds provided:		
Net income for the year .....	\$ 548,000	
Add—Depreciation, not involving an outlay of funds .....	9,911,000	
	<u>\$10,459,000</u>	
Deduct—Overhaul Reserve, used as an offset to major overhaul expenses .....	392,000	10,067,000
		<u>\$15,878,000</u>
Loans received from Canadian National Railways, net ....		24,600,000
Proceeds from the debenture issued to Canadian National Railways .....		6,500,000
		<u>\$46,978,000</u>
Funds applied:		
Expenditures per capital budget .....	\$33,863,000	
Other expenditures and retirements, net .....	1,708,000	
Transfer to Insurance Fund .....	330,000	
Repayment of temporary bank loan .....	5,000,000	40,901,000
		<u>\$ 6,077,000</u>
Working Capital at December 31st, 1958 .....		<u><u>\$ 6,077,000</u></u>