

Pension Expense

The cost for the year amounted to \$20,070,000, an increase of \$7,473,000 over the previous year. This increase results mainly from the introductory cost arising through the revision of The Canadian National Railways Pension Plan effective the 1st January, 1952, by which increased benefits were provided.

CONSOLIDATED BALANCE SHEET

Assets

Against the Corporate portion of the property investment brought into the National System accounts at the 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 the 1st. January, 1923, the additions and betterments less retirements of the System have been shown on the general basis of cost.

The several special funds including Capital and Other Reserve Funds, Insurance Fund and Pension Fund, amounting in total to \$90,376,000 are represented by investments in the securities of the Government of Canada, the National System and securities of or guaranteed by the provinces, together with cash and sundry current assets. At the year end, System securities included in these special funds aggregated \$15,551,000 of which par value \$11,573,000 is covered by the guarantee of the Government of Canada. These securities were valued at par. Securities of the Federal Government and those of or guaranteed by the Provincial Governments amounting to \$69,417,000 were based on cost which exceeded the market value by 7.05 per cent.

Investments in Affiliated Companies are represented by the 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. The amount appearing on the Balance Sheet under this heading is after deduction of deposits with the Railway by the Trans-Canada Air Lines totalling \$13,500,000. The Financial Statements issued by the Companies representing the larger investments other than the Trans-Canada Air Lines indicated that profits aggregated some \$1,595,000 and losses some \$145,000 for the year 1952.

Other Investments are comprised partly of unlisted investments of a miscellaneous nature including those in hotel and grain elevator companies held primarily for purposes of traffic benefit and are valued at or below cost. The balance is represented by securities of the Government of Canada and the National System (Government Guaranteed), the book figure of which is based on cost for Government bonds and par for securities of the National System. The cost of the securities of the Government of Canada included therein exceeded the market value by 5.74 per cent.

Accounts Receivable and Payable of all classifications have been tested by us with the subsidiary and controlling records, cash and other transactions subsequent to the year end, departmental files and general supporting information but such Accounts have not been verified by direct communication with the individual debtors and creditors.

No physical inventory of Material and Supplies was taken by the Railway during the year. These inventories at the 31st. December, 1952, as represented by the ledger balances, are carried on the basis of laid down cost for new material and estimated utility or sales value for usable second-hand, obsolete