

The Insurance Investment Fund, which increased by \$47,000 during the year, is composed of investments in the securities of the Government of Canada, the Canadian National Railways (Guaranteed by the Government of Canada), the Provinces of Quebec and Ontario and securities guaranteed by the Province of Ontario together with cash and sundry current assets. The year-end market value of these securities was 3.92% less than cost.

The Vessel Replacement Fund was liquidated during the year and the proceeds of \$5,800,000, together with \$3,600,000 provided by the Government of Canada through a loan of \$2,000,000 bearing interest at the rate of 2½% per annum repayable in semi-annual instalments and the purchase of \$1,600,000 of capital stock, were utilized in redeeming the Company's bond issue of \$9,400,000 maturing on 1st March, 1955. As a result of this refinancing, net interest expense was reduced by \$208,000, and a profit of \$54,000 was realized on the sale of Vessel Replacement Fund securities.

Investment in vessels is carried on the general basis of cost less accrued depreciation. Provision for depreciation during the year was made on bases consistent with that of the previous year, namely:

- (a) The three diesel powered and refrigerated vessels—5%;
- (b) The five non-refrigerated vessels—3%.

We have received a certificate from the responsible officers that all equipment has been maintained in a proper state of repair and in an efficient operating condition during the year.

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

- (a) United States Currency—at the dollar par of exchange.
- (b) Other Foreign Currencies—at the current rates.

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

Yours faithfully,

(Signed) GEORGE A. TOUCHE & CO.

The CHAIRMAN: Any questions on this report?

Mr. BELL: Mr. Chairman, one question, to show some interest in this report. I notice that the market value of the securities held in the insurance investment fund was nearly four per cent less than cost, whereas in the previous year it was equal to cost. I was just wondering, as a point of information, what securities had dropped that much in these days of rising markets?

Mr. TURVILLE: Government bonds, for example, are lower, and provincial bonds are lower. The Canadian National bonds are lower in 1955 than at the end of 1954. That is not out of line with general conditions. It does not mean they pay too much for them.

Mr. BELL: Those are bonds?

Mr. TURVILLE: All bonds.

Mr. HAMILTON: (York West): Mr. Turville, in your fourth paragraph of this account in connection with verification of accounts, is this the general procedure? You say that you have tested them; but I assume you have not asked for the written slip back from the debtor or creditor?