

The investments in the fund, consisting of Government bonds and similar securities, had a market value at December 31st, 1958 of approximately \$5,276,000, or 12% below original cost. An actual loss will occur only if it is found necessary to sell the securities prior to their maturity. The interest earnings of the fund totalling \$204,986 have been included in non-operating income.

#### 4. Property and Equipment

During the year under review the net investment in property and equipment increased by \$14,172,000, accounted for as follows:

##### Additions to Assets

Aircraft and component parts—representing 15 Viscounts and 1 Super Constellation .....	\$22,696,000
Ground facilities and components .....	991,000
Buildings .....	1,131,000
	<hr/>
	\$24,818,000
Retirement of Assets .....	3,188,000
	<hr/>
	\$21,630,000
Less: Net increase in accumulate depreciation .....	7,458,000
	<hr/>
	\$14,172,000
	<hr/>

The property and equipment account has been adjusted to reflect the values of 12 DC3's disposed of during the year and 1 Viscount which was destroyed in a ground accident.

The net increase in accumulated depreciation is made up of depreciation provided against operations amounting to \$9,911,000 less charges of \$2,453,000 representing retirements and miscellaneous adjustments.

Provision for depreciation has been made on a straight line basis as follows:

Super Constellation—to reduce to residual values over a period of seven years from date of being put into service.

Viscount —to reduce to residual values over a period of nine years from date of being put into service.

North Star and DC3—reduced to residual values in prior years.

Ground facilities —to amortize over estimated useful life, the period depending on the type of asset.

In accordance with the Corporation policy of not depreciating assets until they are available for service, no depreciation has been provided against the accumulated costs of work under construction for the new Dorval maintenance and overhaul base.

The estimated total cost of construction and equipment for the new Dorval maintenance and overhaul base is \$20,000,000. At December 31st, 1958, construction costs of \$1,246,000 had been incurred and charged to property and equipment account and further construction costs of \$14,000,000 were anticipated.

We are informed that all equipment has been maintained in efficient operating condition.