

Consolidated Financial Statements

BRITISH COLUMBIA RAILWAY COMPANY

December 31, 2004 and 2003



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AUDITORS' REPORT

To the Lieutenant Governor in Council
Province of British Columbia

We have audited the consolidated balance sheet of British Columbia Railway Company as at December 31, 2004 and the consolidated statement of income and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style.

Chartered Accountants

Vancouver, Canada
February 16, 2005

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED BALANCE SHEET
(in thousands of dollars)

December 31	2004	2003
		<i>Restated - Note 1</i>
ASSETS		
Current		
Cash and cash equivalents	\$ 75,844	\$ 44,782
Accounts receivable	24,542	53,761
Inventories and other items	5,315	26,678
Investment in preferred shares - Note 2 (a)	112,000	-
	217,701	125,221
Assets available for sale - Note 2 (b)	14,612	-
Property and equipment - Note 4	351,342	925,792
Other assets - Note 5	77,212	93,233
	\$ 660,867	\$ 1,144,246
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 42,038	\$ 99,955
Current obligations on long-term debt - Note 7	-	4,585
Short-term loan - Note 2 (a)	112,000	-
	154,038	104,540
Deferred lease revenue	282,195	-
Other liabilities - Note 6	121,484	158,442
Long-term debt - Note 7	-	489,187
	557,717	752,169
Shareholder's equity		
Share capital - Note 8	257,688	257,688
Contributed surplus	277,547	277,547
Deficit	(432,085)	(143,158)
	103,150	392,077
	\$ 660,867	\$ 1,144,246

Commitments - Note 9
Contingent liabilities - Note 10

See accompanying notes to the consolidated financial statements.

On behalf of the Board

ORIGINAL SIGNED BY J.McLERNON

Director

ORIGINAL SIGNED BY B.KENNING

Director

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED STATEMENT OF INCOME AND DEFICIT
(in thousands of dollars)

For the years ended December 31	2004	2003
		<i>Restated - Note 1</i>
Revenues	\$ 242,272	\$ 364,005
Expenses		
Labour costs	67,905	107,091
Amortization of property and equipment	31,528	45,312
Purchased services and other	33,456	35,761
Environmental costs	33,005	26,681
Lease expense	14,653	25,397
Materials and supplies	13,709	19,095
Fuel	15,411	26,371
Operating and other taxes	4,797	5,337
Asset impairment write-down - Note 4	14,029	-
Other	9,529	(5,307)
	238,022	285,738
Operating income	4,250	78,267
Other income (expenses)		
Income tax recovery from prior years	5,565	-
Gain on CN Transaction - Note 2	198,635	-
Net interest expense - Note 11	(13,143)	(39,399)
Income before discontinued CSCL operations	195,307	38,868
Income from discontinued CSCL operations - Note 3	-	24,960
Net income	195,307	63,828
Deficit, beginning of year	(143,158)	(199,917)
Asset retirement obligation	-	(7,069)
Cost of debt settlement - Note 7 (a)	(40,779)	-
Dividend	(443,455)	-
Deficit, end of year	\$ (432,085)	\$ (143,158)

See accompanying notes to the consolidated financial statements.

BRITISH COLUMBIA RAILWAY COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands of dollars)

For the years ended December 31	2004	2003
		<i>Restated - Note 1</i>
Operating activities		
Income before discontinued CSCL operations	\$ 195,307	\$ 38,868
Adjustment for items not involving cash		
Gain on CN Transaction - Note 2	(198,635)	-
Amortization of property and equipment	31,528	45,312
Amortization of other assets and liabilities	149	(3,016)
Pension and post employment benefit income and contributions - Note 12	(7,146)	(4,602)
Income tax recovery from prior years	(5,565)	-
Accretion of asset retirement obligation	1,787	1,694
Asset impairment write-down - Note 4	14,029	-
Net change in non-cash working capital - Note 13 (a)	(10,833)	(17,454)
Change in other liabilities - Note 13 (b)	30,147	11,134
Cash provided by operating activities	50,768	71,936
Investing activities		
Purchase of property and equipment	(31,596)	(35,077)
Net proceeds on sale of property and equipment	7,670	4,082
Net proceeds from the CN Transaction - Note 2	969,921	-
Proceeds from the sale of Canadian Stevedoring Company Limited - Note 3	-	105,051
Deferred property transfer tax - Note 5	(9,007)	-
Changes in other assets	(523)	(6,644)
Cash provided by investing activities	936,465	67,412
Financing activities		
Short-term notes repaid to the Province	-	(41,517)
Payments and interest earned on sinking funds	(4,360)	(5,322)
Sinking fund retirements - Note 7 (a)	28,369	11,608
Repayment of long-term debt - Note 7 (a)	(536,725)	(71,202)
Dividend	(443,455)	-
Cash used in financing activities	(956,171)	(106,433)
Increase in cash and cash equivalents from continuing operations	31,062	32,915
Cash used in discontinued CSCL operations	-	(9,179)
Cash and cash equivalents, beginning of year	44,782	21,046
Cash and cash equivalents, end of year	\$ 75,844	\$ 44,782

See accompanying notes to the consolidated financial statements.

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004
(tabular amounts in thousands of dollars)

British Columbia Railway Company ("BCRC") is owned by the Province of British Columbia (the "Province") and was incorporated under the *British Columbia Railway Act*.

BCRC and its subsidiaries (collectively the "Company") own and lease railway right-of-way, railbed and track infrastructure in British Columbia, provide bulk terminal services through Vancouver Wharves Limited Partnership ("Vancouver Wharves"), operate the railway running into the Roberts Bank port terminal and owns and manage a portfolio of real estate property within British Columbia.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Basis of consolidation

These consolidated financial statements include the accounts of BCRC and all of its subsidiaries. In these notes, "Company" refers to BCRC, its subsidiaries and partnerships. All significant inter-company transactions have been eliminated.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of net recoverable value of assets, useful lives for amortization and provisions for post employment benefits, contingencies, restructuring and environmental matters. Actual amounts may ultimately differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash and those short-term money market instruments with initial terms to maturity of three months or less.

Inventories

Inventories of material and supplies are valued at the lower of average cost and net realizable value.

Property and equipment

Road property is recorded at cost, net of government grants. Abandoned or relocated sections are removed at average unit costs. Track materials installed during planned programs are recorded at cost. Repairs and non-programmed replacements of track structure are charged against current operations. Betterments and major track relocations are capitalized.

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004
(tabular amounts in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and equipment is amortized on a straight-line basis over the estimated useful lives of the assets. The Company previously expensed all labour costs and deferred all gains or losses on disposals in accordance with the generally accepted accounting practices of railways ("Railway GAAP"). Effective January 1, 2004, in accordance with the requirements of CICA Handbook Section 1100, the Company ceased to apply Railway GAAP and prospectively changed its accounting policies to capitalize labour costs on capital projects and recognize in income any gain or loss on assets retired or disposed.

The original cost of assets less estimated salvage value is amortized over the following number of years:

	Number of Years
Road and buildings:	
Tunnels	150
Grade	100
Bridges	30 - 80
Rail, ties and ballast	25 - 35
Wharves and buildings	10 - 40
Equipment:	
Locomotives	25
Freight cars	15 - 33
Handling and other equipment	3 - 20

Equipment under capital lease is amortized over its lease term. Leasehold improvements are amortized over the term of the related lease.

Deferred revenue

A portion of the Company's long-term lease of its railway right-of-way, railbed and track infrastructure, has been treated as an operating lease. The operating lease payments have been prepaid, therefore the amount has been included in deferred revenue and is being amortized to income over 990 years.

Revenue recognition

Rail freight revenues and associated movement costs are recognized as the service is performed. Terminal revenues are recognized when services have been substantially completed. Rental income is recognized as earned. All revenue is recognized when the collectibility is reasonably assured.

Foreign exchange

Transactions denominated in a foreign currency are translated at exchange rates prevailing on the date of transactions. Assets and liabilities denominated in a foreign currency at the balance sheet date are translated to equivalent Canadian amounts at the exchange rate in effect on that date.

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004
(tabular amounts in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Post employment benefits

The Company accrues its obligations under employee benefit plans and the related costs as benefits are earned, net of returns on plan assets. The Company's policies are as follows:

- i) The cost of retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- ii) The expected interest cost on any prior service obligation is calculated using management's estimate for the long-term rate of return.
- iii) The expected return on plan assets is calculated at a market-related value for the assets.
- iv) Past service costs from plan amendments are amortized on a straight-line basis over the expected average remaining service period of active employees. Experience gains and losses and any changes in assumptions in excess of 10% of the greater of the accrued benefit obligation and the market value of plan assets are amortized over the expected average remaining service period of active employees. The amortization of past service costs, experience gains and losses and any changes in assumptions are included in the pension expense for the year.
- v) The supplementary plan is amortized over the expected remaining life expectancy of plan members.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, changes in future tax asset and liability balances are included in income. These balances are determined using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. As at December 31, 2004, the remaining entities are tax exempt.

Derivative financial instruments

Derivative financial instruments were utilized by the Company to manage its exposure to market risks relating to fuel prices and manage foreign exchange risks related to debt denominated in foreign currencies (Note 7). During fiscal 2003, the instruments were accounted for as hedges and gains and losses were deferred and recognized in income in the period that the hedged exposure is recognized in income, which is the same period the instrument is settled. On January 1, 2004, the Company adopted Accounting Guideline 13 – Hedging relationships, which had no impact on the financial statements. The fuel contracts were assumed by CN as part of the CN Transaction described in Note 2 and the foreign currency instrument was settled as described in Note 7.

Environmental expenditures and liabilities

Environmental expenditures that relate to current operations are expensed as part of operating activities or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which are not expected to contribute to current or future operations are expensed. Environmental liabilities related to environmental assessment and/or remedial efforts are accrued when the expenditures are considered likely and the costs can be reasonably estimated.

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004
(tabular amounts in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Asset retirement obligations

On January 1, 2004, the Company adopted the new provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3110 regarding asset retirement obligations in relation to a related party lease. Under this standard, future costs to retire an asset including dismantling, remediation and ongoing treatment and monitoring of the site are recognized and recorded as a liability at fair value, assuming a credit adjusted risk-free discount rate of 5.5% and an inflation factor of 2.5%. The liability is accreted over time through periodic charges to earnings. In addition, the asset retirement cost is capitalized as part of the assets' carrying value and amortized over the assets' useful life. This change in accounting policy was adopted retroactively and resulted in an increase in long-term liabilities of \$32.5 million, an increase in property and equipment of \$22.9 million as at January 1, 2004, an increase in amortization expense of \$0.8 million and interest expense of \$1.7 million in 2003 and a decrease to opening retained earnings for 2004 of \$7.1 million.

Although the ultimate amount to be incurred is uncertain, the liability for retirement and remediation on an undiscounted basis before applying an inflation factor of 2.5% is estimated to be approximately \$73.7 million.

2. DISPOSAL OF ASSETS

The Province has instructed the Company to continue to wind down or dispose of its remaining business units, assets and non-railway related real estate. On completion of the plan, there will be no significant continuing operations. Accordingly, the Company has not adopted discontinued operations reporting as it is not considered meaningful to the users of the financial statements for the current and future fiscal years as the remainder of the plan is completed.

(a) CN Transaction

On July 14, 2004, BCRC and BCR Properties Ltd. completed a transaction with Canadian National Railway Company (CN) pursuant to an agreement signed between the parties on November 25, 2003 (the "CN Transaction"). Under the terms of the agreement, CN assumed the Company's industrial freight railway business by purchasing the shares of BC Rail Ltd., the partnership interests of BC Rail Partnership and railcars from a related entity (collectively "BC Rail") for cash proceeds of \$1.0 billion. The gain on the CN Transaction included in the financial statements is \$198.6 million, calculated as follows:

Proceeds	\$ 1,000,000
Disposition costs	(18,973)
Cash assumed by CN	(11,106)
	969,921
Net assets of BC Rail	(771,286)
Gain on CN Transaction	\$ 198,635

The proceeds from the CN Transaction were used to repay all outstanding debt due to the Province at a cost of \$509.5 million, to pay a \$443 million dividend to the Province and the balance was retained to pay transaction costs and fund future corporate requirements.

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004
(tabular amounts in thousands of dollars)

2. DISPOSAL OF ASSETS (cont'd)

Prior to the CN Transaction, BCRC and BC Rail Partnership entered into a Revitalization Agreement, under which BC Rail Partnership leased the railbed and related infrastructure from BCRC under a long-term lease. BC Rail Partnership prepaid all lease payments under the Revitalization Agreement. The lease of certain items included in railbed assets is being accounted for as an operating lease (Note 4). The lease of the remaining railbed assets and track infrastructure has been treated as a capital lease. CN assumed responsibility for the Revitalization Agreement as part of the CN Transaction.

As part of the CN Transaction, the Company acquired 112,000,000 redeemable and retractable preferred shares of a subsidiary of CN and borrowed \$112 million from CN. The loan matures in March 2005 and is non-interest bearing. The proceeds from the redemption of the preferred share investment will be used to repay this loan.

The Company's share of BC Rail's net assets and net operating income for the 196 days ending July 14, 2004 and the year ending December 31, 2003 is as follows:

	July 14 2004	December 31 2003
Working capital (excluding cash)	\$ 7,540	\$ (22,941)
Prepaid operating lease	282,326	-
Capital assets and other	572,459	834,761
Other liabilities	(91,039)	(82,977)
Net assets	\$ 771,286	\$ 728,843

	For the 196 days ending July 14 2004	For the year ending December 31 2003
Operating revenues	\$ 165,080	\$ 296,093
Expenses		
Labour costs	48,866	86,510
Amortization of property and equipment	22,412	37,437
Purchased services and other	17,785	23,041
Environmental costs	22	487
Lease expense	10,657	21,011
Materials and supplies	11,234	15,261
Fuel	14,597	25,394
Operating and other taxes	1,067	2,161
Net operating income	\$ 38,440	\$ 84,791

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004
(tabular amounts in thousands of dollars)

2. DISPOSAL OF ASSETS (cont'd)

The Province and BCRC have provided commercial indemnities to CN with respect to the CN Transaction and indemnities related to income tax attributes of BC Rail at closing. The maximum present value (calculated at 9%) of amounts payable under the tax indemnities related to income tax attributes (excluding any reimbursement of professional fees, tax arrears, interest or taxes payable, if any, on indemnity payments) is \$366 million. These indemnities remain in effect until 90 days after the last date on which a tax assessment or reassessment can be issued in respect of the income tax attributes. Management believes it is unlikely that the Province or BCRC will ultimately be held liable for any amounts under the commercial and tax indemnities.

(b) Assets available for sale

As at the end of the year, the Company held real estate assets with a book value of \$14.6 million as available for sale. The remaining assets are being prepared for sale, but do not meet the requirements under CICA Handbook Section 3475 and therefore have not been classified as available for sale.

3. DISCONTINUED CSCL OPERATIONS

On February 25, 2003, the Company sold the assets of Canadian Stevedoring Company Limited ("CSCL", which includes the operations of Casco Terminals and Canadian Stevedoring) to P&O Ports Canada Inc. for proceeds of \$105.1 million. The Company realized a net gain of \$37.1 million on the sale, of which \$27.7 million was recognized in 2003. The proceeds were used to repay long-term and short-term debt.

The Company's share of the revenues and expenses of CSCL for the year ended December 31, 2003 is as follows:

	2003
Revenues	\$ 11,007
Expenses	(13,770)
Gain on sale	27,723
	\$ 24,960

4. PROPERTY AND EQUIPMENT

	2004			2003 <i>Restated - Note 1</i>		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land, roads and buildings	\$ 760,395	\$ 427,356	\$ 333,039	\$ 1,682,769	\$ 1,019,734	\$ 663,035
Equipment	17,557	3,481	14,076	366,419	114,119	252,300
Equipment under capital lease	48	12	36	12,651	6,917	5,734
Construction in progress	4,191	-	4,191	4,723	-	4,723
	\$ 782,191	\$ 430,849	\$ 351,342	\$ 2,066,562	\$ 1,140,770	\$ 925,792

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004
(tabular amounts in thousands of dollars)

4. PROPERTY AND EQUIPMENT (cont'd)

As part of the CN Transaction described in Note 2, the Company leased assets with a book value of \$523.4 million to CN. Of these assets, \$239.9 million have been accounted for as an operating lease and continue to be recorded in the financial statements of the Company. Assets under operating lease include land, grade, ballast and track laying and surfacing.

At December 31, 2004 the recoverable amount of the Company's equipment has been written down to its estimated fair value. Consequently, an impairment charge of \$14 million was recognized.

During the year, the Company donated land with a value of \$8.1 million as directed by the Province.

Interest of \$NIL (2003 - \$280,000) was capitalized during the year.

5. OTHER ASSETS

	2004	2003
Insurance deposits	\$ 35,497	\$ 33,349
Accrued pension benefit asset - Note 12 (a)	16,561	39,985
Mortgages receivable	9,278	109
Deferred property transfer tax	9,003	-
Long-term notes receivable from BC Rail	5,132	-
Foreign currency contract - Note 7 (c)	-	8,085
Long-term debt discounts	-	5,780
Other	1,741	5,925
	\$ 77,212	\$ 93,233

Insurance deposits are funds required to be put on deposit as part of the Company's self-insurance program, calculated as the excess of the premiums paid over the actual losses incurred, plus investment income. The amounts are invested in pooled funds of short-term Canadian debt instruments.

Mortgages receivable include mortgages provided to certain purchasers as part of a sale or property from the Company's real estate portfolio. The mortgage bears interest at prime plus 2% and is repayable over 3 years.

Deferred property transfer tax arose as part of the CN Transaction described in Note 2. The cost is being amortized over the lease term of 990 years.

Intercompany debt which was previously owed by BC Rail Ltd. and BC Rail Partnership to related entities was restructured and assumed by CN. The face value of the debt is \$823.6 million. At the time of the restructuring, the fair value of the debt was \$5 million. The Company recorded a debt receivable from BC Rail at the fair value. The debt receivable is non-interest bearing and is due on July 12, 2094 and will be accreted each year to its ultimate face value.

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004
(tabular amounts in thousands of dollars)

6. OTHER LIABILITIES

	2004	2003 <i>Restated-Note 1</i>
Environmental liability accrual - Note 10	\$ 74,087	\$ 46,529
Accrued non-pension benefit obligation - Note 12 (a)	1,162	49,959
Asset retirement obligation	34,285	32,498
Deferred gain on sale of real estate	9,168	-
Restructuring costs	-	9,566
Worker's compensation actuarial liability	-	12,883
Other	2,782	7,007
	\$ 121,484	\$ 158,442

The restructuring costs, worker's compensation actuarial liability, and non-pension benefits of BC Rail were included in the CN Transaction described in Note 2.

7. LONG-TERM DEBT

- (a) On July 19, 2004, the Company and the Province entered into an agreement to allow the Company to repay all of its outstanding debt owing to the Province. Debt with a book value, including accrued interest, of \$505.6 million was repaid on July 22, 2004 at its fair market value of \$509.5 million. Related sinking fund investments of \$28.4 million and the foreign currency hedge contract with a carrying value of \$8.5 million were also assumed by the Province. Under the related party transaction rules, the difference between the book value and fair value of the debt of \$40.8 million has been recorded as a charge to the retained earnings of the Company.
- (b) Long-term debt outstanding, less current maturities, consists of the following:

	2004	2003
Sinking fund bonds, notes and debentures payable to the Province of British Columbia:		
6.00% due June 2008	\$ -	\$ 50,000
5.875% due July 2009	-	158,085
8.00% due June 2026	-	50,000
6.15% due November 2027	-	25,000
5.70% due June 2029	-	175,000
5.75% due January 2039	-	50,000
	-	508,085
Other long-term debt	-	279
Capital lease obligations	-	9,417
	-	517,781
Less:		
Sinking funds	-	24,009
Current portion	-	4,585
	-	489,187
Foreign currency contract	-	(8,085)
Net long-term debt outstanding after hedging	\$ -	\$ 481,102

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004
(tabular amounts in thousands of dollars)

7. LONG-TERM DEBT (cont'd)

- (c) The 5.875% note is a French franc 636,959,470 note subject to swap agreements which hedged the Company against foreign exchange changes arranged by the Company's fiscal agent on the Company's behalf. The value of the foreign currency contract is included in other assets (Note 5). This swap was assumed as part of the debt settled above.
- (d) In March 2003, \$68.5 million of outstanding long-term debt, together with related sinking fund investments of \$11.6 million, was removed from the Company's balance sheet under a defeasance agreement with the Province. The Province has unconditionally relieved the Company of any further obligations regarding these securities. The loss on the debt defeasance of \$8.6 million is included in interest expense (Note 11).

8. SHARE CAPITAL

Authorized: 10,000,000 common shares with a par value of \$100 each.

Issued and outstanding: 2,576,885 common shares held by the Province.

As all of the issued and outstanding common shares of the Company are held by the Province, earnings per share data has not been provided.

9. COMMITMENTS

The following is a schedule of future minimum payments at December 31, 2004, required under non-cancelable operating leases:

2005	\$	821
2006		145
2007		73
	\$	1,039

At December 31, 2004, the Company had outstanding commitments to acquire material and equipment amounting to \$0.7 million (2003 - \$5.4 million).

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004
(tabular amounts in thousands of dollars)

10. CONTINGENT LIABILITIES

- (a) The Company is contingently liable with respect to pending litigation and claims arising in the normal course of business. In the opinion of management, any liability that may arise would not have a material adverse effect on future income as sufficient provisions have been made.
- (b) The Company leases a portion of its property used in its operations in North Vancouver from Canada Lands Company Limited ("CLCL"). The Company received a notice of default on its lease from CLCL on February 6, 2003. The current lease with CLCL expired April 11, 2004 and CLCL has advised the Company that based on the alleged defaults under the lease, it had no right to renew the lease. The Attorney General of Canada and CLCL filed a Petition on August 6, 2004 seeking a writ of possession of the leased lands. Vancouver Wharves Ltd. and BCRC carrying on business as VWLP and VWLP, and BC Rail Ltd. are named as respondents in the Petition. It is expected that the Petition will proceed to a hearing in late 2005. In the event that the lease is not renewed, the Company is reviewing plans to reconfigure the site and continue operations.
- (c) On June 14, 2002, the Attorney General of Canada commenced legal proceedings in the B.C. Supreme Court against Vancouver Wharves Ltd. (formerly BCR Marine Ltd.), BC Rail Ltd., BCR Properties Ltd., British Columbia Wharves Ltd., and Vancouver Wharves Ltd. (formerly BCR Marine Ltd.), CSCL and BCRC carrying on business as Vancouver Wharves Limited Partnership ("VWLP") and VWLP alleging that those entities are responsible for soil and groundwater contamination on a site adjacent to the VWLP operation and in Burrard Inlet adjacent to that property as included in the lease described in (b) above. The Attorney General has not filed a Statement of Claim or quantified the damages claimed. The Company has been advised that approximately \$18 million has been spent to date by the landlord in remediating the site. The parties are currently carrying out further investigations to determine the extent of further remediation required. In the opinion of management, any liability that may arise would not have a material adverse effect on future income as sufficient provisions have been made.
- (d) The risk of environmental liability is inherent in the operation of the Company's business with respect to both current and past operations. As a result, the Company incurs costs, on an ongoing basis, associated with environmental regulatory compliance and clean-up requirements.

The Company accrues for both anticipated expenditures on existing environmental remediation programs and contingent liabilities in relation to specific sites where the expected costs can be reasonably estimated.

The Company believes it has identified the costs likely to be incurred over the next several years, based on known information. However, ongoing efforts to identify potential environmental concerns associated with the Company's properties may lead to future environmental investigations, which may result in the identification of additional environmental costs and liabilities, the magnitude of which cannot be reasonably estimated.

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004
(tabular amounts in thousands of dollars)

11. NET INTEREST EXPENSE

	2004	2003
Interest on long-term debt and short-term notes owing to the Province	\$ 17,080	\$ 32,749
Interest on capital lease obligations	499	932
Other interest expense	2,014	2,026
Loss on debt defeasance - Note 7 (d)	-	8,633
	19,593	44,340
Less:		
Sinking fund earnings	718	1,457
Interest earned on temporary investments	5,732	1,643
Interest capitalized	-	280
Interest allocated to discontinued CSCL operations	-	1,561
	6,450	4,941
	\$ 13,143	\$ 39,399

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004
(tabular amounts in thousands of dollars)

12. EMPLOYEE BENEFITS

- (a) The Company has defined benefit and defined contribution pension plans and other retirement and post employment benefit plans which cover most of its employees. The amounts presented in this note are actuarially determined projections.

	Pension Plans		Other Plans	
	2004	2003	2004	2003
Reconciliation of accrued benefit obligation				
Opening balance	\$ (469,701)	\$ (415,511)	\$ (73,623)	\$ (53,377)
Current service cost	(9,005)	(10,728)	(878)	(1,464)
Benefits paid	24,472	36,009	1,354	1,858
Interest cost	(22,763)	(29,203)	(2,620)	(4,762)
Disposition of BC Rail	460,401	-	75,090	-
Settlements	-	167	-	-
Curtailments	-	47	-	349
Actuarial losses	(2,621)	(50,482)	(89)	(16,227)
Ending balance	(19,217)	(469,701)	(766)	(73,623)
Reconciliation of plan assets				
Opening balance	557,279	536,058	-	-
Actual return on plan assets	64,466	53,580	-	-
Employer contributions	7,776	3,899	1,354	1,858
Employee contributions	7	14	-	-
Disposition of BC Rail	(579,257)	-	-	-
Settlements	-	(263)	-	-
Benefits	(24,472)	(36,009)	(1,354)	(1,858)
Ending balance	25,799	557,279	-	-
Fund status - surplus (deficit)	6,582	87,578	(766)	(73,623)
Employer contributions during period from measurement date to fiscal year end	(461)	219	-	-
Unamortized past service costs	2,220	2,422	-	-
Unamortized transitional obligation	995	(83,313)	-	-
Unamortized net actuarial loss (gain)	7,225	33,079	(396)	23,664
Accrued benefit asset (liability)	\$ 16,561	\$ 39,985	\$ (1,162)	\$ (49,959)

The BC Rail Ltd. Pension Plan and the majority of its post-employment non-pension benefit plans were included in the CN Transaction described in Note 2.

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004
(tabular amounts in thousands of dollars)

12. EMPLOYEE BENEFITS (cont'd)

- (b) Significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows as of December 31:

	Pension Plans		Other Plans	
	2004	2003	2004	2003
Discount rate for liabilities	6.00% / 6.50%	6.50%	6.00%	6.50%
Expected long-term rate of return on plan assets	7.00% / 3.50%	7.00%	-	-
Salary escalation rate	3.50% / N/A	0% to and including 2005; 3.5% from 2006	-	-

The weighted average rate of increase in the per capita cost of future covered health care benefits was assumed to be 8.80% grading down to 4.60% in 2010.

The plan asset portfolio currently comprises equity investments and debt. Equity investments are 30%-70% of the portfolio and include Canadian, International, and Real Estate investments. Debt is 20%-40% of the portfolio and comprises short-term debt, bonds and mortgages. Asset mix is reviewed periodically and may vary in the future.

- (c) The Company's net benefit plan expense (income) is as follows:

	Pension Plans		Other Plans	
	2004	2003	2004	2003
Current service cost	\$ 6,494	\$ 10,714	\$ 878	\$ 1,464
Interest cost	16,436	29,203	2,620	4,762
Expected return on plan assets	(20,375)	(35,951)	-	-
Amortization of transitional asset	(5,201)	(10,104)	-	1,102
Settlement loss (gain)	-	137	-	(568)
Plan amendments	202	202	-	-
Net actuarial loss (gain)	257	220	673	(25)
	\$ (2,187)	\$ (5,579)	\$ 4,171	\$ 6,735

- (d) VWLP is a member of the British Columbia Maritime Employers Association ("BCMEA") and the Waterfront Foremen Employers Association ("WFEA"). Both organizations have unfunded liabilities for pensions and/or retiring allowances (BCMEA - approximately \$19.3 million; WFEA - approximately \$7.5 million). Due to the transient work force, it is not practical to allocate these liabilities to the individual companies but rather, the organizations will recover required funding based on hours worked. In 2004, VWLP's share of the total paid by the Waterfront Employers of BC in longshore and foreman wages was approximately 3.5%.

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004
(tabular amounts in thousands of dollars)

13. STATEMENT OF CASH FLOWS – SUPPLEMENTAL INFORMATION

- (a) The components of changes in non-cash working capital balances relating to operations are as follows:

	2004	2003
Accounts receivable	\$ (14,703)	\$ 1,073
Inventories and other items	5,441	(2,617)
Accounts payable and accrued liabilities	(1,571)	(15,910)
	\$ (10,833)	\$ (17,454)

- (b) The components of change in other liabilities are as follows:

	2004	2003
Restructuring costs	\$ (425)	\$ (14,895)
Environmental liability accrual	30,572	26,029
	\$ 30,147	\$ 11,134

- (c) The following interest was paid (received) in the current year:

	2004	2003
Interest paid to third parties	\$ 17,863	\$ 44,721
Interest received from third parties	(6,450)	(3,109)
	\$ 11,413	\$ 41,612

BRITISH COLUMBIA RAILWAY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004
(tabular amounts in thousands of dollars)

14. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and cash equivalents, accounts receivable, investment in preferred shares, accounts payable and accrued liabilities, short-term loan, long-term debt, and foreign currency contracts. The carrying amounts approximate fair value due to their immediate or short-term maturity, except as disclosed in the following table:

	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bonds, notes and debentures	\$ -	\$ -	\$ (508,085)	\$ (540,270)
Sinking funds	-	-	24,009	25,815
Foreign currency contracts	-	-	8,085	8,546

15. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's financial statement presentation.

British Columbia Railway Company
Employee Remuneration (including Taxable Benefits) and Expenses
For Individuals Whose Remuneration Exceeds \$75,000
January 1, 2004 to December 31, 2004

Last Name	First Name	Remuneration	Expenses
Allen	Douglas	110,064.89	2,087.41
Allen	Steven	84,160.01	5,502.59
Angelozzi	C.	135,648.28	949.53
Ayling	Timothy	116,640.93	8,564.14
Bandy	David	97,438.61	8,416.77
Becker	G.	205,552.19	24,415.62
Boesen	C.	79,826.56	-
Brent	Paul	270,698.51	21,344.31
Brodie	John	125,548.65	2,646.56
Bryce	John	84,818.24	-
Bulgin	Mark (Jay)	79,848.12	-
Burleigh	Peter	78,899.56	4,219.31
Carabetta	Douglas	103,279.42	303.57
Carter	Daniel	80,522.12	8,687.06
Carter	Greg	83,299.27	-
Colquhoun	Robert	86,812.42	-
Cooper	Lynda	83,681.19	955.29
Correia	Fernando	76,977.87	1,849.15
Cote	Claire	117,517.36	7,771.38
D'Andrea	Albert	86,945.52	1,311.15
Dawson	Christopher	90,832.58	11,437.78
Dermody	Garry	75,123.59	6,238.95
Derouin	Richard	97,719.73	-
Dever	Alan	163,977.14	8,160.82
Dudley	Darrell	75,972.95	9,682.84
Eisel	A.	91,809.44	591.31
Few	Donald	78,946.43	-
Fisher	R.	91,809.44	159.53
Fletcher	J.	105,744.88	1,833.99
Forbes	S.	84,660.88	7,646.10
Fortino	Tony	82,200.57	4,769.23
Goble	Anneli	130,105.74	1,259.51
Goforth	Kim	145,501.05	10,694.14
Goold	A.	151,404.13	8,250.12
Gordon	Whitney	119,511.70	2,112.18
Guenther	Levor	264,643.55	13,388.35
Helgeson	Gordon	102,399.33	21,896.71
Hodges	R.	154,259.60	4,569.52
Holland	Lawrence	81,685.31	1,142.41
Hooper	Norman	279,497.41	10,871.37
Hrycyk	Peter	173,416.74	1,309.63
Huber	Donald	87,067.40	445.51
Kaye	M.	171,494.73	24,178.15
Klitch	D.	151,869.79	7,140.75
Laureles	Eleanore	90,530.13	-
Leighton	John	294,809.11	3,678.05
Lim	N.	79,711.48	-
Little	Heather	131,172.29	9,240.76
Lusney	John	290,814.07	17,689.68

British Columbia Railway Company
Employee Remuneration (including Taxable Benefits) and Expenses
For Individuals Whose Remuneration Exceeds \$75,000
January 1, 2004 to December 31, 2004

Last Name	First Name	Remuneration	Expenses
Lypka	Dennis	279,552.41	24,985.06
MacMillan	Rodney	150,084.50	12,077.95
Mahoney	Kevin	797,104.76	46,074.58
Marining	Dante	132,332.77	8,495.77
McMillan	Tim	124,885.90	9,229.82
Meyer	R.	97,729.32	4,892.82
Miller	James	109,137.06	726.60
Munro	Christine	92,214.36	157.54
Myhill-Jones	Richard	210,035.95	50,874.77
Pasowicz	Joseph	82,529.82	8,742.58
Patrick	Gregory	84,331.27	-
Pearson	John	82,557.61	2,650.87
Pennock	John	83,554.96	5,850.50
Perry	Kenneth	82,045.74	24,729.54
Phillips	Bob	498,887.75	42,452.32
Piszar	Janos	78,008.09	-
Raynard	Grant	83,454.84	-
Rebagliati	Peter	124,832.48	14,363.05
Redmann	R.	85,691.44	5,505.62
Rivers	Leonie	120,622.15	12,324.22
Ronnie	S.	135,648.28	658.54
Roy	Denis	95,555.52	717.29
Salmon	Rodney	76,817.97	15,569.93
Simoes	Antonio	79,807.26	4,338.88
Solley	Jennifer	79,127.68	1,213.94
Straszak	Paul	160,006.98	5,387.78
Tait	Judith	100,207.24	930.90
Thorne	Jason	76,117.77	8,061.43
Tseung	T.	90,558.76	809.07
Van Hattem	Arnie	155,823.89	18,084.81
Wahl	R.	89,293.88	1,026.14
Webb	Richard	79,109.60	-
Westlake	G.	142,228.28	4,682.56
Weymark	B.	350,446.03	61,763.82
Winter	A.	139,497.20	6,920.29
Winters	Tom	84,979.59	5,656.05
Yaremko	Cheryl	393,487.47	14,679.86
Yargeau	Donaldson	90,552.51	-
Young	Grant	107,698.73	1,521.67
Younger	Gordon	103,072.18	3,840.67
Total over \$75k		12,156,500.91	717,408.47
Total under \$75k		44,715,550.69	1,325,448.75
Safety Wear		-	128,305.00
		56,872,051.60	2,171,162.22

British Columbia Railway Company
Schedule Showing Total Remuneration and Expenses
In Respect of Each Board Member
January 1, 2004 to December 31, 2004

**Elected Officials, Employees appointed by
Cabinet, and Members of the Board of Directors:**

Name	Position	Remuneration	Expenses
McLernon, John	Chair	51,650.00	30,781.41
Kenning, Brian	Member, Board	41,500.00	-
Briscoe, Bev	Member, Board	33,100.00	-
Offet, Gerald	Member, Board	29,700.00	3,031.35
Rorison, Patrick	Member, Board	20,670.00	19,621.42
Shepard, James	Member, Board	20,320.00	-
Phillips, Bob	Member, Board	9,750.00	-
Marchand, Len	Member, Board	26,750.00	2,921.64
Stewart, Anne	Member, Board	19,570.00	-
Yeates, Jim	Member, Board	35,417.00	-

British Columbia Railway Company
Schedule of Payments to Corporations and Individuals for Supplies and Services Rendered
Amounts Aggregating over \$25,000
January 1, 2004 to December 31, 2004

(RATEL), C/O Pyx Financial Group Inc.	67,349.29	City of Fort St. John	28,771.99
658975 BC Ltd.	57,135.46	City Of North Vancouver	346,890.12
ABB Inc.	45,781.79	City of Prince George	276,559.70
Abitibi Consolidated Forest	336,625.00	City of Quesnel	28,808.57
Access Consultants	47,944.60	City of Surrey	98,625.90
Acklands-Grainger Inc	576,046.90	City Of Vancouver	41,629.40
Active Chemicals Ltd.	99,682.66	City of Williams Lake	175,423.22
Admiral Roofing	84,147.48	Clark Filter Inc.	27,201.87
AD-PRO Direct Services Inc.	43,589.12	Clean Harbors Canada, Inc.	35,425.35
Agresso Americas	25,438.52	Cleveland Track Material Inc.	53,934.66
Agricore Cooperative Ltd.	87,800.00	CNC Global Limited	40,436.37
Aikins, Macaulay & Thorvaldson LLP	29,539.51	Coastal Range Systems Inc.	115,759.94
Allied Blower & Sheet Metal Ltd.	306,809.29	Cognos Incorporated	32,097.70
Allstar Window & Pressure	25,243.97	Compass Management	31,265.67
ALS Environmental	30,263.35	Computer Associates Canada Ltd.	40,075.00
AlSCO Uniform & Linen Service Ltd.	66,049.91	Concept Business Finishings Ltd.	39,917.91
Amber Ventures Ltd.	30,915.00	Consolequip Inc	57,655.59
American Reinsurance Co.	9,986,990.70	Corporate Express Canada Inc.	152,213.82
Amsted Canada Inc	1,303,360.54	Corporation District of North Vancouver	2,317,901.71
Anchor Brake Shoe Company	181,092.48	Corporation District of West Vancouver	35,992.07
Angus One Ltd	39,920.37	Corporation Of Delta	290,212.86
Anixter Canada Inc.	34,680.71	Council Of Trade Unions On BCR	31,339.57
Aquaritech Solutions	26,626.97	Cummins Western Canada	27,448.57
Auto Magic	40,696.41	Cunningham & Rivard Appraisals	26,507.05
Automaster Autobody	38,787.99	Custom Plate & Profiles	52,254.41
AWK Enterprises Ltd.	41,404.65	Dan Weir Contracting Ltd.	148,000.00
B.C. Master Blasters Inc.	116,793.82	Danella Rental Systems Inc.	98,610.64
Babcock & Brown Rail Funding LLC	242,329.60	Daniels Electronics	71,752.41
Babcock & Brown Rail Leasing	1,962,537.06	Davanac Inc.	33,638.90
Barry N. Wilson, BCom, CA	47,936.00	David Clark Company Inc.	77,940.73
BC Bearing Engineers Ltd.	52,454.45	David K. Arnott	164,264.32
BC Buildings Corporation	187,250.00	Deines Micro-Film Services Ltd.	39,464.69
BC Hydro & Power Authority	1,507,911.02	DHL Express (Canada), Ltd.	50,334.57
BC Maritime Employers Association	380,221.03	District of Mackenzie	28,043.03
BC Scale Co. Ltd.	55,889.97	District Of North Vancouver	101,267.03
Bearing & Transmission	25,371.93	District Of Squamish	382,129.96
Belterra	125,961.16	Douglas Greenman	31,083.50
Binning Janitor Services Ltd.	117,324.95	DTM Systems Corporation	68,578.86
Blake, Cassels & Graydon LLP	52,219.50	Dynamex Canada Corp	29,895.92
Bombardier Capital Rail Inc.	275,491.65	Dynamic Engineering Inc.	30,997.44
Bombardier Finance Inc.	46,962.52	Dywidag Systems International	27,898.51
Borden Ladner Gervais LLP	6,798,292.50	Esso Petroleum Canada	4,176,069.52
Brandt Tractor Ltd.	46,152.40	Evan Symons	46,266.80
Brenntag Canada Inc.	39,846.77	Fairfield Consulting Group Inc.	27,607.39
Brentwood Enterprises Limited	196,360.71	Family Maintenance Enforcement	93,286.57
Brian Chromko	37,000.00	Fasken Martineau DuMoulin LLP	922,244.75
Broda Construction Inc.	298,483.03	Finning (Canada)	66,825.69
Brown's Likely Enterprises Ltd.	30,036.00	Finning International Inc.	268,317.31
Bull Housser & Tupper	79,141.08	Finning Ltd.	1,622,532.56
Bullmoose Operating Corporation	915,075.32	First Union Rail	711,487.68
Bunbury & Associates	26,712.53	Flexmaster Canada Ltd.	36,644.24
Business Objects	29,807.72	FM Industries Inc.	63,450.63
Byfleet Logistics	73,558.68	Forum Capital Partners	189,600.00
Canac Inc	1,005,565.43	Fraser Milner CasGrain LLP	172,527.50
Canadian Forest Products Ltd.	73,680.60	Fraser River Pile & Dredging Ltd.	35,606.47
Canadian Freightways Limited	257,809.04	Freightliner	65,023.32
Canadian National Railway	1,565,177.07	Frontline Software Corp.	112,535.65
Canadian Pacific Limited	31,183.26	Fuchs Lubricants Canada Ltd.	63,800.38
Canadian Pacific Railway Company	93,927.25	G & F Financial Group	111,693.50
Canuck Truck Rental Ltd.	154,928.35	GATX Rail Canada	1,407,675.51
Capstone Medical Services Inc.	26,575.89	GE Capital Rail Services Corporation	139,111.36
Carcat ULC	58,123.21	GE Railcar Services	1,054,218.26
Cardwell Westinghouse	30,289.26	GE Transportation Parts, LLC	821,706.10
Carefree Greenery Ltd.	28,272.73	GE Transportation Systems	34,054.33
Cariboo Chrome & Hydraulics Ltd.	36,735.69	GE Transportation Systems Global	145,825.45
Cariboo Regional District	185,028.23	General Electric Canada Inc	2,774,294.89
Cars-sen Holdings Ltd.	41,543.82	GensCorp IT Inc.	338,109.46
CAW Canada Local 102	54,280.49	George Cruwys	27,035.00
CAW Canada Local 110	83,381.47	Goldcap Motor Inn	67,784.20
Central Coupler Reclaim	25,577.28	Golder & Associates	43,383.38
Chetwynd Petroleum Ltd.	443,599.93	Gordon Russell Ltd.	25,733.28
Chevron Canada Ltd.	3,378,989.03	Great-West Life Assurance Company	189,205.01
Chevron Texaco Global Lubricants	30,389.55	Greenbrier Leasing Corporation	517,946.97
CIBC World Markets	6,156,757.22	Groen Environmental System Inc.	31,576.40
CIT Group/Capital Finance Inc	1,344,473.35	Guillevin International Inc.	34,089.19
Citicapital Limited	34,853.80	Gunderson Wheel Services Inc.	491,393.80

British Columbia Railway Company
Schedule of Payments to Corporations and Individuals for Supplies and Services Rendered
Amounts Aggregating over \$25,000
January 1, 2004 to December 31, 2004

Hadady Corporation	54,008.17	Minister of Finance - Insurance Premium Tax	1,005,335.00
Harsco Track Technologies	80,750.50	Minister of Finance - Land Title Registration Fees	179,585.25
Hatch & Kirk Inc.	26,123.10	Minister of Finance - MoCAWS Fees	435,368.80
Helm Financial Corporation	196,551.90	Minister of Finance - Property Transfer Tax	20,799,506.31
Hemmera Envirochem Inc.	34,034.99	Minister of Finance - PST	2,964,120.44
Hewlett-Packard (Canada) Co.	187,444.29	Minister of Finance - re Charles River and Assoc.	300,130.60
Hobbs & Leigh	92,568.27	Minister of Finance - Other	166,942.24
Hobbs, Winter & Macdonald	43,161.66	Minister of Finance, Prov of B.C.	38,437.50
Hoffmans Building Maintenance	139,662.46	Ministry of Provincial Revenue	30,355.66
Husky Oil Marketing Company	8,750,351.43	Mini-Tankers Canada	40,890.53
Hypower Systems Inc.	49,852.07	Mitchell Equipment Corporation	38,647.12
Hypower Systems Ltd.	35,863.13	Morrow Environmental Consultants	596,691.72
Imperial Oil	51,162.50	Mountview Dodge Chrysler	395,880.44
Independent Machine Company	183,306.28	MRO Software (Canada) Ltd.	26,035.24
Inform Solutions Inc.	31,123.64	MSD Transportation Ltd.	77,691.34
Inteqna	70,687.45	Napa Auto Parts	81,159.50
Interior Warehousing Ltd.	46,749.97	National	193,074.93
Inter-Pacific Services (1996) Ltd.	32,408.84	Navigata Communications Inc.	799,318.75
InterVISTAS Consulting Inc.	49,637.15	Nec Canada Inc.	209,458.51
Iron Mountain	28,419.87	Nedco Ltd.	28,846.36
ISS-Wonderware Canada C3160	41,115.81	Nestle Waters Canada	39,342.24
IWA Canada - Local 1-424	147,805.03	NewWest Enterprise Property Group	57,690.54
J. B. Brodie	25,335.11	NexInnovations Inc.	39,126.27
John Hunter Co Ltd.	237,151.10	Norcan Fluid Power Ltd.	147,646.71
Kal Tire	143,436.72	Nordco Inc.	62,668.54
Karen MacWilliam	103,582.59	North American Pipe & Steel	126,166.14
Kelsan Technologies Corp	34,958.74	North Country Appraisals (1985) Ltd.	182,257.81
Kerschbaumer Coatings Inc.	37,563.42	Northern Metallic Sales	30,722.74
Kershaw Manufacturing Co Inc.	28,775.45	Northland Automotive	32,046.62
Kinecor - Prince George	38,085.44	Northland Plymouth Chrysler Ltd.	157,446.39
King Chapman & Broussard, Inc.	130,601.34	Nucurve Consulting Ltd.	61,974.57
Klein & Sons Ltd.	130,360.24	Nuline Design	88,370.90
Knorr Brake Limited	26,390.89	Orang-Utan Innovations Inc.	68,121.55
Knowledgegetech Consulting Inc.	134,181.62	Owen Bird, Barristers & Solicitors	103,446.27
Komatsu	96,152.94	P & O Ports Canada Inc.	1,465,990.85
Komatsu Rents	35,460.69	Pacific Blue Cross	33,250.84
KPMG	787,385.12	Pacific Chemicals Inc.	45,116.32
KWH Constructors Ltd.	168,828.74	Pacific Northern Rail Contractors Inc.	437,893.29
L & A Innovative Technologies	81,867.50	Pacific Plumbing Management Corp	35,259.39
L & M Engineering Limited	114,262.76	Pacific Risk Management Corp.	54,007.67
LA Fence n' Gate	63,424.43	Pacific Weed Services	61,850.60
Lake Mechanical Ltd.	26,563.85	Pacific Western Helicopters Ltd.	38,179.62
Lawson Lundell	153,104.02	Pacific Wire Rope Ltd.	110,701.95
Leavitt Machinery	605,963.35	Paddy Gunderson Contracting	35,534.70
Lee-Ann Robertson	40,566.38	Pagliari Construction Ltd.	283,463.64
Leong & Associates	77,340.95	Paladin Security Group Ltd.	69,554.28
Lethbridge Iron Works Ltd	256,553.73	Pandrol Canada Ltd.	276,226.69
Linda Shute	108,794.97	Parrish & Heimbecker Ltd.	103,197.65
Little Prairie Cabs	29,936.94	Peace River Regional District	131,212.49
Livingston International Inc.	310,562.51	Pellet Flame	30,950.00
Logitech Consultants Inc.	139,784.80	Pemberton Valley Nurseries	41,386.16
Loram Rail Equipment LLC	71,613.68	Perma Engineered Sales	31,793.03
Lori Jean Perry	69,320.00	Petro Canada Products	249,018.07
Louis Dreyfus Canada Ltd.	371,161.87	Petro-Canada Inc.	461,979.33
LP Corp.	42,331.10	PG Mill Supplies Ltd.	36,420.52
M&T Credit Corp	584,559.32	PHH Vehicle Management	779,774.53
MacCaferri Canada Ltd.	57,250.00	Pipe and Piling Supplies (BC) Ltd.	50,007.80
Magna IV Engineering Ltd.	187,763.60	Piteau Associates	125,660.14
Magnum Fabricators Ltd.	96,529.00	Pitney Bowes Leasing	26,973.55
Mainland Machinery Ltd.	135,789.50	Pitney Bowes Of Canada	58,082.41
Manulife Financial	146,557.50	Plm Equipment Growth Fund	175,619.88
MARcom Technologies Inc.	45,182.10	Polar Battery Vancouver Ltd.	54,024.99
Maritime Steel & Foundries Ltd.	26,044.54	Polycrete Restorations Ltd.	93,263.73
Marsh Canada Limited	426,475.00	Portec Rail Products Ltd.	497,437.10
Mason Lift Ltd.	222,649.63	Portec Rail RMP Division	65,367.03
McCarthy Tetraault LLP	41,804.79	Powerscreen Rentals of Western Canada Ltd.	31,255.50
McConway & Torley Group	103,822.00	Praxair Products Inc.	34,067.76
McElhanney Associates	31,651.78	Predator Pest Bird Clearance	67,949.28
MCI Industries Ltd.	40,322.17	Prime Railway Services	28,564.73
McReas Sewer & Drain Cleaning Ltd.	56,260.16	Prince George Motors Ltd.	162,671.04
MDE Electrical Mechanical	32,463.63	Prince George Taxi Holdings	43,586.88
Medical Services Plan of BC	1,202,762.61	Procor Alberta Inc.	642,448.16
Mercer Human Resource Consulting	347,044.78	Procor LP	1,852,226.64
Metal Trades Division	57,153.07	Progress Rail Transcanada Corp	129,972.19
Microsoft Services	37,396.50	Progressive Holdings Ltd.	46,288.20
Mike Dennington	71,643.25	Q.C.A. Systems Ltd.	586,005.62

British Columbia Railway Company
Schedule of Payments to Corporations and Individuals for Supplies and Services Rendered
Amounts Aggregating over \$25,000
January 1, 2004 to December 31, 2004

Quantum Remediation Inc.	2,247,859.13	Terasen Gas Inc	619,100.92
Quick As A Wink	92,830.52	Terratech Equipment Ltd.	72,203.48
R & Berndston/Tanton Mitchell, Inc.	45,528.42	Testforce Systems Inc.	71,876.18
R Cox Consulting Ltd	1,509,642.99	The BC Corps of Commissionaires	215,689.41
R.B. Brown Land Surveying Ltd.	49,525.83	THE Burlington Northern & Sante Fe Railway	26,449.91
R.E. Wedding Consultants	61,472.37	The CIT Group	424,484.56
R.L. Johns Land Surveying Ltd.	81,082.51	The Clearwater Partnership LLP	183,173.06
Rafna Industries Limited	187,405.72	The Corp. of the City of North Vancouver	75,092.84
Railcar Ltd	57,878.91	The District of North Vancouver	182,459.62
Railinc Corporation	244,262.83	The Gear Centre	36,534.50
Railroad Friction Products	39,196.53	The Progressive Group	33,063.00
Railway Association Of Canada	53,667.00	The RSC Group	111,179.76
Raines Janitorial Ltd.	32,153.50	Top Group Industries Ltd.	25,388.36
RBC Dominion Securities	136,000.00	Total Solutions Inc.	41,088.00
RCR Tec Ltd.	48,700.10	Town Taxi (1987) Ltd.	64,383.98
RE/MAX Crest Realty	35,201.12	Toya Pumps North Americal Corporation	58,399.35
Receiver General - Source Deductions	20,249,430.13	Transwest Mining Systems	82,384.74
Receiver General For Canada - Canadian Grain Commission	354,725.00	TRI Technology Resource Inc.	39,476.71
Receiver General For Canada - GST	10,300,500.51	Triple K Taxis & Charters	39,565.21
Receiver General For Canada - Radio Licenses	95,790.40	Tri-R Road Services	43,901.93
Receiver General For Canada - SERP Contributions	3,660,200.00	Triton Auto & Industrial Ltd. (0388)	149,896.14
Receiver General Of Canada - Non Resident Withholding Tax	160,646.59	Triton Environmental Consultants Ltd.	44,656.84
Red Carpet Food Service	55,286.06	Tut Enterprises Ltd.	65,237.90
Red River Air Brake Inc.	90,467.90	Twin Rivers Development	405,431.74
Regional District of Buckley-Nechako	118,079.99	Ulster Transport Inc.	102,475.00
Regional District of Fort Nelson-Liard	62,366.47	Ultra-Tech Cleaning Systems Ltd.	177,295.18
Regional District of Fraser-Fort George	105,242.97	Unicco Facility Services	228,301.10
Revenue Services of British Columbia	37,291.20	Union Pacific Railroad	28,580.50
Right Management Consultants	71,504.86	Unisource Canada Inc.	51,773.78
Ripple Road Consulting Ltd.	78,457.75	Unit Rail Anchor Co. Inc.	95,343.92
River Spring Enterprises	51,343.77	United Gear & Machine Works Ltd.	173,612.85
Riverside Forest Products Ltd.	192,472.71	United Rentals	74,229.96
Riverside Forest Products WI Ltd.	406,930.00	United Savings Credit Union	417,405.00
Rob Thurrott	59,275.53	United Steel And Fasteners Inc.	40,437.94
Ronsco Supply Co Ltd.	594,235.21	United Transportation Union	139,706.32
Ross Morrison Electrical Ltd.	106,334.90	United Way	71,947.84
Royal Bank of Canada	47,762.00	Universal Dynamics Ltd.	39,302.55
Royal LePage Relocation Services	41,846.61	VAE Nortrak Ltd.	159,231.63
Royal Printers & Stationers Ltd.	35,110.34	Valon Kone Brunette Ltd.	69,829.95
Royal Trust	3,660,200.00	Vancouver Canucks	72,276.68
Rudolf Zita	57,538.87	Vancouver Port Authority	299,464.23
Ruskin Construction Ltd.	184,623.32	Vibratec Management Inc.	30,084.39
Safetran Systems Corporation	33,075.74	W. S. Leasing Ltd.	167,696.07
SAP Canada Inc.	176,935.15	Wabco	82,706.05
Sasco Automotive	29,091.53	Wabtec Transportation Technologies	36,759.70
Seton Lake Indian Band	33,726.02	Wajax Industries Ltd.	100,689.57
Sheldan Wood Creative Associates	47,682.40	Waterfront Employers of BC	13,155,600.82
Sil Industrial Minerals Inc.	39,196.62	Westburne Electric Supply BC	81,465.79
SimplexGrinnell	95,023.73	Western Canada Rail Contractors	147,322.44
SMAG GMBH	42,104.49	Western Equipment Ltd.	42,065.88
Sodexo	108,926.81	Western Scale Co. Ltd.	41,872.94
Softrail	98,658.23	Western System Controls Ltd.	36,646.93
Southern Railway of BC	264,275.77	Westmar Consultants Inc.	431,282.93
Squamish Indian Band	85,061.16	Westminster Auto Leasing	34,257.36
Squamish-Lilloet Regional District	102,196.36	Wiles & Cindric Surveying	57,286.43
Standard & Poor's CVC	363,303.93	Workers' Compensation Board of BC	1,594,677.25
Standard Life	216,531.94	Xerox Canada Ltd.	35,906.37
Stella-Jones Inc.	1,669,550.41	YMCA Association Services	25,000.00
Steptoe & Johnson LLP	37,557.21		
Sumitomo Canada Limited	1,127,916.61	Total payments over \$25,000	200,496,559.08
Sun Life Financial	457,767.31		
Sun Life of Canada	2,883,135.22	Total payments under \$25,000	9,011,489.06
Sunshine Cabs Ltd.	26,397.67		
Superior Propane Inc.	74,514.03	Grand Total	209,508,048.14
Superior Welding Supplies	28,423.79		
Swiss Re	250,000.00		
Syscom Consulting Inc.	563,394.63		
T.J. Tyron Land Surveying Ltd.	34,763.77		
TD Canada Trust	83,000.00		
TD Micronic Inc.	52,876.48		
TD Securities Inc.	219,446.90		
Teco Taxi Ltd.	32,257.40		
Telesoft Corporation	28,703.89		
Telesphere Communications Corp	90,954.67		
Telus Communications (BC) Inc.	160,562.45		
Telus Mobility	172,670.39		



Statement of Severance Agreements

There were 4 severance agreements made between British Columbia Railway Company and its non-unionized employees during 2004. These agreements represent from 6 to 16 months compensation and include those where payments are made as salary continuance.

As required in the Financial Information Act Guidance Package, payments made under these severance agreements are excluded from the Scheduled of Employee Remuneration.