THE WHITE PASS AND YUKON CORPORATION LIMITED

annual report

FOR THE YEAR ENDED DECEMBER 31ST

1957

WHITE PASS & YUKON ROUTE

GATEWAY TO THE YUKON

THE WHITE PASS AND YUKON

DIRECTORS

RALPH D. BAKER
Vancouver, B.C.

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Montreal, Quebec

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Vancouver, B.C.

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London, England

HERBERT L. FAULKNER
Juneau, Alaska

SIDNEY HOGG
Vancouver, B.C.

E. M. C. MCLORG
Vancouver, B.C.

CLIFFORD J. ROGERS
Vancouver, B.C.

OFFICERS

FRANK H. BROWN, C.B.E.
President

CLIFFORD J. ROGERS
Managing Director

ALBERT P. FRIESEN, C.A.
Secretary

REGISTRAR AND TRANSFER AGENT

(COMMON STOCK)

THE ROYAL TRUST COMPANY,
Vancouver and Toronto

Front cover—
Train of Steel Cargo containers at Bennett, B.C., en route to Whitehorse, Y.T.

President's Report . . .

To the shareholders:

On behalf of the Board of Directors, I am pleased to present herewith the Annual Report of the Company, and its wholly owned subsidiaries, for the year ended December 31, 1957.

EARNINGS

The consolidated net profit for the year amounted to $434,605, which is equivalent to 63c per share. The comparable net profit for the year 1956 was $447,847, equivalent to 66c per share on a somewhat smaller number of shares.

The volume of business was slightly larger than in the preceding year, and gross revenues were correspondingly better. These higher gross revenues were more than offset, however, by increased costs, mainly in the category of employee remuneration and benefits, and the result is a small decrease in net profit.

BALANCE SHEET

Working capital at the end of the year stood at $1,448,155, compared with $873,860 at the end of 1956. This substantial improvement follows completion of the major part of the Company's capital expansion programme. It is expected that working capital will increase further during the year 1958.

Capital expenditures during the year amounted to $499,935, of which the larger items were additional trucks for the Highway Division, additional steel cargo containers and numerous improvements in our retail petroleum dealers' premises.

OPERATING DIVISIONS

Net earnings of the important Rail Division were in general maintained during the year but, as already indicated, the benefits of larger volume were more than counterbalanced by increases in costs. In line with the general trend in Canada and the United States of America, labour rates have again risen during the year. Moreover, the rates paid by the Company are generally higher, by reason of the remote location, than those prevailing elsewhere in Canada and in the United States. It is difficult to make any sort of showing when everything done to improve efficiency and the benefits accruing from increased volume are eaten up in meeting wage demands.

The Company's rail relay programme was continued during the year, approximately 8 miles of track being rebuilt with heavier rail. Just after the end of the year, the Company contracted to purchase an additional 15 miles of replacement rail to be laid in 1958, and subsequent years.

The gross revenue of the Highway Division also held up well. During the latter half of the year, however, one of the base metal mines in the Mayo area was shut down and this affected the tonnage volume available to the Highway Division, although the full effect will not be felt until 1958.

The Company's petroleum distribution operations have continued to meet new competition. So far, this has made little impression upon the volume of our business. A number of changes have been made to strengthen the Company's competitive position and, while it is to be expected that some inroads will be made, we fully anticipate that our petroleum operation will continue to form an important and satisfactory part of our aggregate business in the Territory.

The results of the operation of M.V. "CLIFFORD J. ROGERS" were more satisfactory than in the preceding year. This was due largely to the fact that mechanical difficulties did not hamper the operation to the same extent. However, the operation of the main propulsion machinery has not been entirely satisfactory, and efforts are still being made to ensure that major difficulties do not recur.

ROAD DEVELOPMENT

The Canadian Government has announced its intention of undertaking a major road building programme for the North, including Yukon Territory. There will be a long road right up to the Arctic. In addition, emphasis will be placed on providing access roads to areas that hold promise of early development of mineral resources. This is one of the most significant developments in years and may well lead the Yukon Territory into a new and brighter life.

OIL EXPLORATION

During the year a deep test "wild cat" drill hole was put down in the Eagle Plain area by Peel Plateau Exploration Ltd. It did not run into oil but the geological knowledge gained was sufficiently encouraging to lead to further drilling operations during 1958. It is generally recognized that the area has important possibilities.

MINING

Development work was continued during the year by Cassiar Asbestos Corporation in connection with the asbestos discovery near Dawson, and it is expected that further work will be carried out during 1958. Another promising asbestos showing was restaked at a location close to Whitehorse. The grade of fibre is lower but the expected recovery per ton of rock mined should be higher. Further development work will be carried out during 1958.

The work carried out by British Yukon Exploration Company Limited in 1957 was not as successful as had been hoped, but the Company will continue a limited programme in 1958.

GENERAL

The year 1957 marks the end of six years' management of the White Pass group of Companies, following the financial reorganization of 1951. In some respects, it marks the completion of a cycle. At the end of 1957, working capital stood at approximately the same figure as at the end of 1951, and the total of fixed debt also was comparable, due partly to conversions of some of 5% Convertible Debenture Stock and to purchases of 4½ % First Debenture Stock. In the intervening years, the Company's operations have been virtually transformed. We have our own modern motor ship for the 1,000 mile sea trip between Vancouver and Skagway, instead of being dependent on others. We have introduced a "lift on-lift off" through cargo service between Vancouver and Whitehorse and return. We have dieselized our rail operation and brought in much modern rolling stock. Our depot at Whitehorse has been rebuilt. Our Highway Division has been completely made over. The total amount of our capital expenditures has been $4,817,957. We have mechanized our accounting. We have straightened out some serious taxation problems, and cleared up major defects in the title to our properties. We have made numerous administrative improvements. Above all, we have built an organization—a strong team of young men working with keenness and enthusiasm.

Your Company should be in a good position to move along with new growth in the Territory. To take care of any real increase in traffic, the Company will face further substantial capital expenditures, but the total amount of these should not approach the amounts expended over the last six years. The principal item should be the construction of an additional vessel for the sea trip between Vancouver and Skagway, and a substantial addition to the inventory of containers.

In line with the general conditions, there has been a slackening in the pace of the economy in the Territory, and it is expected that this will continue into 1958, with an inevitable effect on the gross earnings of the Company. In the longer term, however, the outlook continues favourable.

PERSONNEL

Once more it affords us pleasure to thank our personnel for their untiring and devoted services. Operating in a Northern land, often under most severe conditions, takes men of high courage and resource.

DIRECTORS

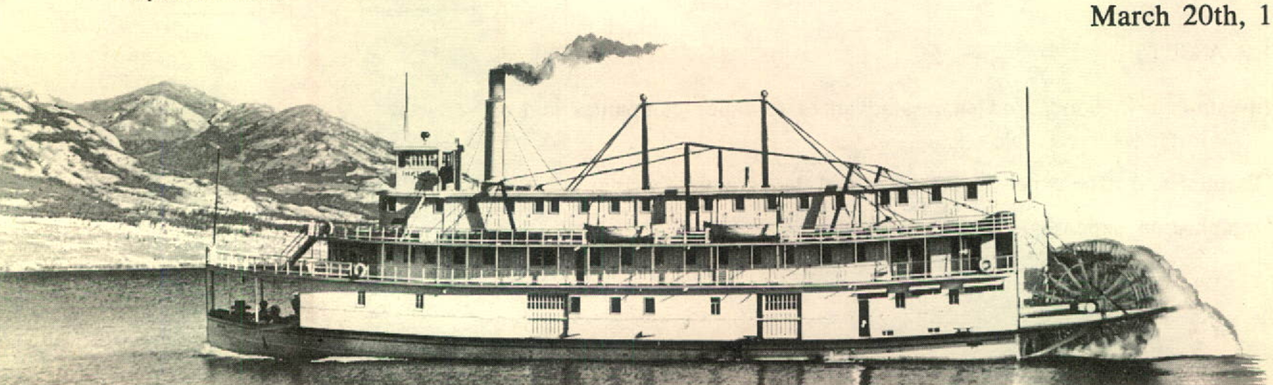
With one exception, all the North American directors visited the actual operations at least once in the year. All directors are eligible for re-election.

Respectfully submitted,
on behalf of the Board of Directors,

Frank H. Brown

FRANK H. BROWN,
President.

March 20th, 1958.



A flashback into history—one of the last of the old sternwheeler passenger boats operated by the company until September 1955.

THE WHITE PASS AND YUKON CORPO

(Incorporated under the laws of Canad

CONSOLIDATED BALANCE S

(WITH COMPARATIVE FIGURES

ASSETS		1957	1956
FIXED ASSETS—at cost: (Note 1)			
Rail property and equipment		$11,478,523	$10,939,618
Ships, freight containers, motor vehicles, buildings and other equipment		4,526,085	4,996,190
		$16,004,608	$15,935,808
Less accumulated depreciation		3,454,587	2,376,431
		$12,550,021	$13,559,377
CURRENT ASSETS:			
Cash		$ 20,647	$ 23,107
Bonds of and guaranteed by the Government of Canada at cost (market value $211,216)		216,921	216,921
Accounts receivable, less allowance for doubtful accounts		1,076,771	1,014,344
Inventories valued at the lower of cost or market—			
Petroleum products	$703,051		
Materials and supplies	506,993		
		1,210,044	1,278,429
Prepaid insurance and rentals		123,370	168,061
		$ 2,647,753	$ 2,700,862
OTHER ASSETS:			
Investments in bonds and shares, advances to other companies and mortgages receivable		$ 343,372	$ 357,569
Discount and issue expense of loan capital, less amounts written off		298,614	314,751
Organization expense		52,196	52,196
		$ 694,182	$ 724,516
		$15,891,956	$16,984,755

The notes attached hereto are an integral part of the above

RATION LIMITED
AND ITS SUBSIDIARIES
HEET, DECEMBER 31, 1957
S AT DECEMBER 31, 1956)

LIABILITIES

	1957	1956
CAPITAL AND SURPLUS:		
Capital (Note 3)—		
Authorized:		
1,250,000 common shares of no par value		
Issued and fully paid:		
685,100 common shares	**$ 1,617,000**	$ 1,599,950
Consolidated earned surplus	**2,070,016**	1,635,411
	$ 3,687,016	$ 3,235,361
RESERVES:		
Excess of the value of assets as carried in the books of the subsidiaries over the effective cost to the parent (Note 1)	**$ 6,894,118**	$ 7,836,017
Excess of par value of 4½ % first debenture stock 1961/76 purchased and held over purchase price thereof	**58,846**	65,402
Tax equalization reserve (Note 4)	**96,000**	
	$ 7,048,964	$ 7,901,419
DEFERRED LIABILITIES:		
Loan capital (Note 2)	**$ 3,808,600**	$ 3,828,650
Amounts owing on purchase of diesel locomotives due 1959 to 1961	**147,778**	192,323
	$ 3,956,378	$ 4,020,973
CURRENT LIABILITIES:		
Due to bankers	**$ 36,328**	$ 575,320
Accounts payable and accrued charges	**775,081**	928,442
Accrued interest on loan capital	**31,826**	32,154
Income and other taxes payable	**356,363**	291,086
	$ 1,199,598	$ 1,827,002
	$15,891,956	$16,984,755

On behalf of the Board:

F. H. BROWN, Director

C. J. ROGERS, Director

balance sheet and should be read in conjunction therewith.

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

FOR YEAR ENDED DECEMBER 31, 1957
(WITH COMPARATIVE FIGURES FOR YEAR 1956)

	1957	1956
Earnings from operations before the following charges	$ 1,484,618	$ 1,267,981
Deduct:		
Depreciation (Note 1)	$ 533,997	$ 424,847
Interest on loan capital and amortization of discount and issue expense	202,737	204,505
	$ 736,734	$ 629,352
Profit before taxes on income	$ 747,884	$ 638,629
Taxes on income (Note 4)	323,500	206,500
Profit from operations	$ 424,384	$ 432,129
Capital gains (net)	4,422	11,977
Profit on 4½% first debenture stock 1961/76 purchased and transferred to sinking fund	5,799	3,741
Net profit for year (Note 4)	$ 434,605	$ 447,847
The following charges were incurred during 1957:		
Fees and remuneration to directors exclusive of those holding salaried employment	$ 8,000	
Remuneration of executive officers and legal fees	58,508	

STATEMENT OF CONSOLIDATED EARNED SURPLUS

FOR YEAR ENDED DECEMBER 31, 1957
(WITH COMPARATIVE FIGURES FOR YEAR 1956)

	1957	1956
Earned surplus at beginning of year	$ 1,635,411	$ 1,187,564
Add net profit for year	434,605	447,847
Earned surplus at end of year	$ 2,070,016	$ 1,635,411

The notes attached hereto are an integral part of the above statements and should be read in conjunction therewith.

NOTES TO FINANCIAL STATEMENTS
AT DECEMBER 31, 1957

1 Fixed Assets:

Canadian rail property—In prior years replacement accounting has been applied to track structures. In 1957 depreciation accounting has been applied to all physical property, except land, in conformity with the new accounting regulations of the Board of Transport Commissioners for Canada. In addition, certain track elements, heretofore recorded at cost of property when first installed, have been restated to cost of property in service, the resulting increase of $499,438 being credited to accumulated depreciation.

U.S. rail property—In 1957, as in prior years, replacement accounting has been applied to track structures. In conformity with the regulations of the Interstate Commerce Commission, depreciation accounting was applied, commencing in 1957, to road structures (other than track structures) formerly subject to retirement accounting. As a result of this change and in accordance with the requirements of the Commission, the company has, during the year 1957, increased its accumulated depreciation by an amount of $214,002 (such amount being sufficient to bring the accumulated depreciation in respect thereof to 30% of the cost of property in service). This amount has been charged to accumulated

(1 Cont'd.)

earnings of the subsidiary companies and is considered to be applicable to the period prior to November 1, 1951. Accordingly, in the consolidated balance sheet, this charge is reflected as a reduction in the excess of the value of assets carried in the books of the subsidiaries over the effective cost to the parent.

Original river property—This property, consisting largely of old river steamers which have not been in operation for several years and which was previously carried in the accounts at a value of $727,897, has, in 1957, been written off against the accumulated earnings of the subsidiary companies and the charge is considered to be applicable to the period prior to November 1, 1951. Accordingly, in the consolidated balance sheet, this charge is reflected as a reduction of the excess of the value of assets carried in the books of the subsidiaries over the effective cost to the parent.

All property—Depreciation accounting is now applied to all the company's fixed assets, except track structures in the United States and land. The adoption of depreciation accounting has not had a material effect on the net operating results for the year 1957.

2 Loan capital comprises:

		December 31, 1957	December 31, 1956
4½% First debenture stock 1961/76:			
Authorized and issued (less transferred to sinking fund and cancelled)		$ 1,863,200	$ 1,894,200
Less purchased and held by subsidiaries		237,600	265,600
		$ 1,625,600	$ 1,628,600
5% Convertible debenture stock 1961/76:			
Authorized and issued	$1,700,000		
Less converted to common shares	617,000	1,083,000	1,100,050
5½% Unsecured loan stock 1963/78:			
Authorized	$1,500,000		
Issued and outstanding		1,100,000	1,100,000
		$ 3,808,600	$ 3,828,650

3 5,115 common shares were issued during the year under the conversion privileges attaching to the 5% convertible debenture stock 1961/76 wherein 50% of the original stock is convertible on the basis of 15 common shares per $50 debenture.

The 5½% unsecured loan stock 1963/78 carries the right to subscribe to three common shares for each $100 of loan stock at prices varying from $18 to $20 per share over the period January 1, 1958 to September 30, 1961. 102,900 common shares are reserved for the possible conversion of or exercise of the rights on the above issues.

4 For income tax purposes the company is permitted to claim depreciation in excess of the normal amounts provided in its accounts. The tax reduction resulting from such additional depreciation has been treated in the accounts as follows:

Canadian rail properties—Tax reductions amounting to $96,000 have been included in taxes on income for the year, and credited to tax equalization reserve. This treatment is in accordance with the requirements of the Board of Transport Commissioners for Canada.

Other properties—Tax reductions amounting to $91,000 for the year are reflected in the provision for taxes for the year. The accumulated amount of such tax reductions for the years to date is $230,600.

AUDITORS' REPORT

ARTHUR YOUNG, CLARKSON, GORDON & CO.
ACCOUNTANTS AND AUDITORS
OFFICES IN PRINCIPAL CITIES OF U.S.A.

MONTREAL, TORONTO, HAMILTON
LONDON, WINNIPEG, REGINA
CALGARY, EDMONTON, VANCOUVER

Clarkson, Gordon & Co.
Chartered Accountants
1030 WEST GEORGIA STREET
Vancouver 5
CANADA

AUDITORS' REPORT

To the Shareholders of
The White Pass and Yukon Corporation Limited.

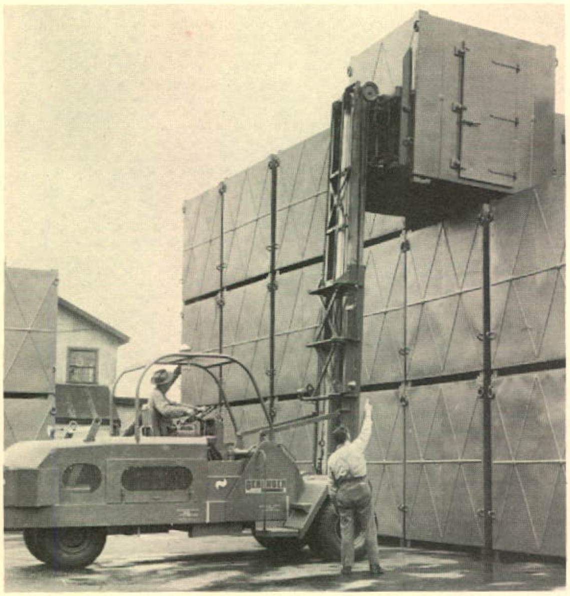
We have examined the consolidated balance sheet of The White Pass and Yukon Corporation Limited and its subsidiaries as at December 31, 1957 and the statements of consolidated profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1957 and the results of their operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

Clarkson, Gordon & Co.
Chartered Accountants.

Vancouver, Canada,
March 4, 1958.

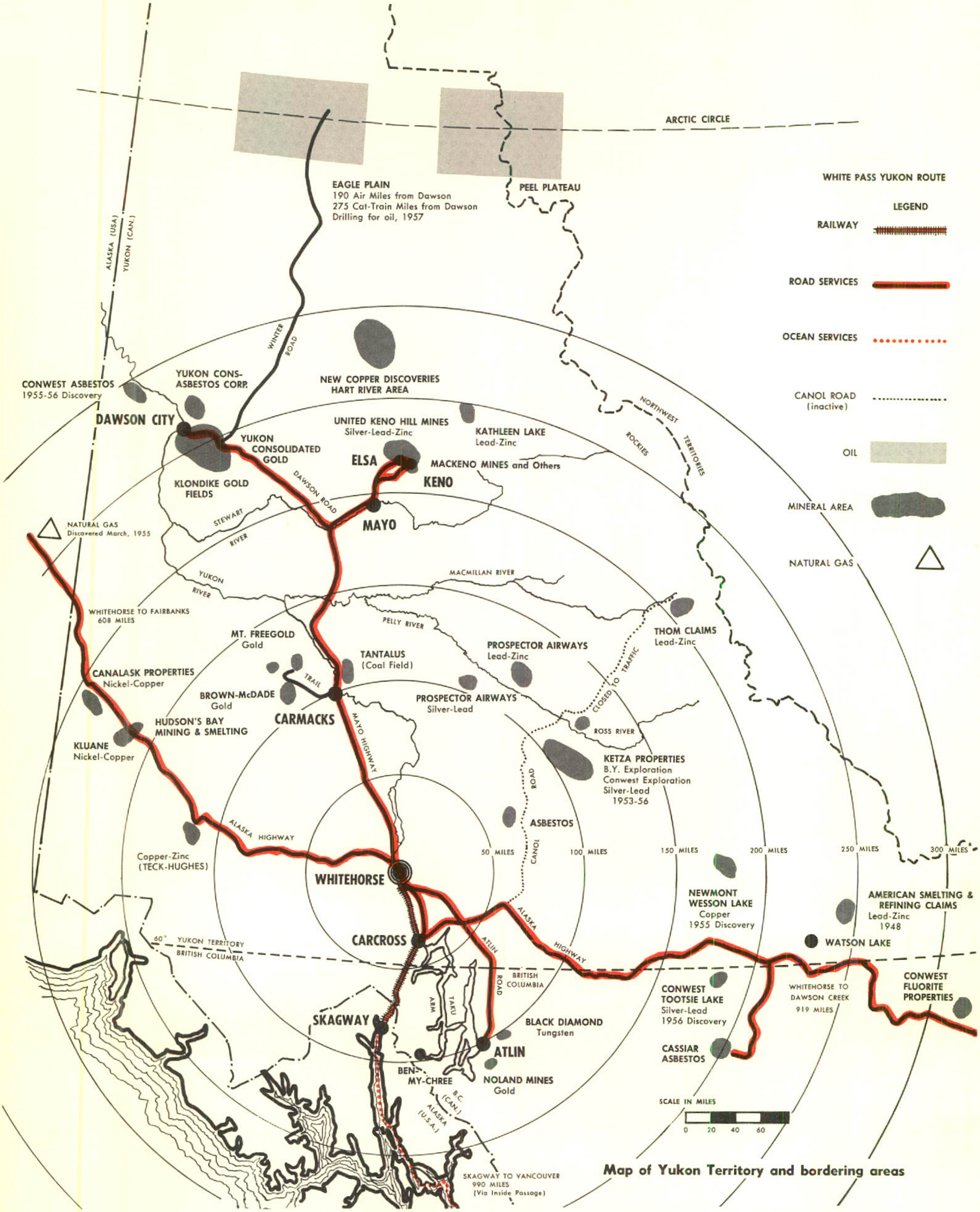
SOME VIEWS OF STEEL CARGO CONTAINERS



Company's loading area at North Vancouver, showing heavy duty lift truck stacking steel cargo containers before loading.

Stowing steel cargo containers in hold of M.V. "Clifford J. Rogers". Vessel is designed to accommodate 168 containers.

Steel cargo containers loaded on flat bed truck for delivery to consignee at Whitehorse—Company railway station in background.



Map of Yukon Territory and bordering areas

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