

**THE WHITE PASS AND YUKON
CORPORATION LIMITED**

annual report

FOR THE YEAR ENDED DECEMBER 31st

1956



THE WHITE PASS AND YUKON CORPORATION LIMITED

ANNUAL SHAREHOLDERS' MEETING

We wish to thank our shareholders for their co-operation and interest in the affairs of the company which were displayed by the prompt return of proxies for our last Annual Meeting.

This year's meeting will be held on Thursday, May 9, 1957 at 11:00 a.m. (Pacific Daylight Saving Time) in Room 1312, Standard Building, Vancouver, B.C.

We hope that all who can attend the meeting will do so but if you cannot be present we would appreciate your completing the enclosed proxy form and returning it to us as soon as possible.

THE WHITE PASS AND YUKON CORPORATION
LIMITED



W H I T E H O R S E , Y . T .



DIRECTORS

RALPH D. BAKER
Vancouver, B.C.

GEORGE C. BATEMAN, C.M.G.
Montreal, Quebec

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

MICHAEL H. CRICHTON, O.B.E.
London, England

NORMAN F. W. H. D'ARCY
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

PRESIDENT'S REPORT . . .

TO THE SHAREHOLDERS

On behalf of the Board of Directors, I submit herewith the Annual Report of the Company and its wholly-owned subsidiaries for the year ended December 31, 1956.

FINANCIAL STATEMENTS

The consolidated net profit for the year amounted to \$447,847 which is equivalent to 66c per share and compares with \$401,527 or 59c per share for the year 1955. The steady improvement in earnings of the last few years is due chiefly to the expansion and modernization programme which was undertaken shortly after your Company acquired control of the business in 1951.

Earnings for 1956 would have been better but for engine troubles encountered in the early months of the year in the operation of M/V "Clifford J. Rogers". These difficulties have not recurred and the ship is now operating smoothly in its shuttle service between Vancouver and Skagway.

Depreciation charges in 1956 amounted to \$424,847 compared with \$211,206 in 1955, as a result of major capital additions, notably for M/V "Clifford J. Rogers" and the steel cargo containers. Earnings for the year before depreciation, therefore, amounted to \$872,694 compared with \$612,733 in 1955, an increase of \$259,961.

Working capital at the end of 1956 amounted to \$873,860 compared with \$556,588 at the end of 1955, an increase of \$317,272. Working capital is expected to increase substantially during 1957.

OCEAN DIVISION

We have now had more than a full year's experience with this programme which, incidentally, is unique in the transportation world. It is running fully up to our expectations.

The new service continues to gain the esteem of our customers in the Yukon Territory. Goods are now delivered more promptly, perishables arrive in much better condition than ever before (even better than when shipped in by air) and losses from pilferage and breakage have been reduced to a low point indeed.

RAIL DIVISION

Just before the end of the year, the Company took delivery of additional diesel locomotives. With these units in service, the Company has completed the dieselization of its main line operations except for the operation of snow removal equipment in the winter and a portion of the tourist passenger train service in the summer. We anticipate increased savings in operating and maintenance costs.

Rail operations for the year were affected by unusually high costs for removing snow and ice. Snowfall during the current winter has reached 438½ inches at White Pass. Rail operating expenses were also higher as a result of making some extraordinary repairs. Casual labour was scarce and the cost of operating continued to rise as increases in rates of pay took effect.

Rail operating profits remain low in relation to capital invested, as facilities are operated at what is actually only one-third or less of a quite modest estimate of capacity. The railway could carry a much higher volume of traffic without a proportionate increase in expenses. When substantially higher tonnage is available, further reductions in rates and a more satisfactory level of net earnings will both be possible.

PETROLEUM DIVISION

Earnings of the Petroleum Division were lower in 1956 than in 1955. Gross sales in 1956 were lower and profit margins remain distinctly on the low side compared with the industry elsewhere.

During the last few years we have experienced increased competition in both the transportation and marketing sides of this activity.

There are signs of still greater activity by competitors but active steps are being taken to protect the Company's position.

HIGHWAY DIVISION

Earnings of the Highway Division were substantially less in 1956 than in 1955 due largely to a marked falling off in volume of traffic, as a result of completion of some bridge construction projects. The outlook for 1957 is better.

MINING DEVELOPMENTS

Prospecting continued at a steady pace. The shortness of the season, particularly at levels of 5,000 feet with nine months of snow, inevitably means slow progress by the exploratory companies and few concrete results.

A discovery of asbestos near Dawson gives promise of eventually becoming a producing mine of some significance. It should mean good tonnage for our Rail and Ocean Divisions.

Near the end of the 1956 mining season, disclosure was made of a base metals find 200-odd miles from Whitehorse near the Alaska Highway. It is too early to say how well this discovery will prove up but there is a reasonable likelihood this also will provide tonnage for our Route. Further exploration is to be carried out in 1957.

British Yukon Exploration Company Limited, in which your Company has a substantial interest, continued its work during 1956 under the direction of Dr. D. F. Kidd and Dr. A. E. Aho. Claims were staked on some interesting properties. One is in a nickel-bearing area which has attracted the attention of several important mining companies. Another is a galena deposit. One of the larger Canadian mining companies has expressed an interest in financing further work on this property on a limited scale for 1957. A programme of further exploration is planned for 1957.

OIL EXPLORATION

Following rather intensive geological and geophysical surveys in the Eagle Plain area,

a test well is to be put down in the next year by Peel Plateau Exploration Limited. The drilling will have to go to considerable depth. As such ventures go the outlook seems to be favourable. It has long been recognized that the area of favourable geological structure is one of the largest on the North American continent. Eagle Plain is approximately at the intersection of the Arctic Circle and the Porcupine River. Should a really large flow of oil be discovered it could have incalculably favourable effects on your Company's development.

HYDRO-ELECTRIC POWER DEVELOPMENT

The Frobisher interests continued their engineering studies in 1956, including their scheme for relocation of some 30/40 miles of our right of way. There seems no doubt that their overall plan is practicable and economic. If this should come about an important development of the area will have been effected with permanent increase in traffic for our Route.

DIRECTORATE

The Board was pleased to welcome Mr. Michael H. Crichton, O.B.E., who was elected a Director of the Company at the last Annual Meeting held in July, 1956.

All Directors of the Company are eligible for re-election.

PERSONNEL

Your Directors are especially appreciative of the fine co-operation and loyal support of the Company's personnel during a particularly exacting year. Some of their accomplishments in keeping our trains running day by day in the winter and in maintaining our highway operations in periods of extremely low temperatures were indeed noteworthy.

THE FUTURE

The Yukon Territory is a giant rolling plateau, broken by high mountains, which has an area almost twice that of the British Isles. It has a population of one for every five thousand.

and in the British Isles. For hundreds of miles it is completely empty and almost unknown. Many of its mountain peaks are covered with ice and snow the year round and much of the plateau is permanently frozen a foot or so below the surface. Yet in the summer it is pleasantly warm, particularly in the southern part. It has a real beauty of its own.

The soil is thin and agriculture negligible. The southern part is partly covered with hardy coniferous and deciduous trees of no great size and of little commercial value, at least while the population is so small.

It has great rivers and lakes which provide enormous water power potentials, at present dormant for political reasons and lack of effective demand.



All told, however, it is essentially a mining area in which almost every mineral known to man occurs to some extent. So far, the mines brought into operation have been rich but of no great size. Whether its mining future over the years lies in the discovery and opening up of a number of other relatively small but rich mines or whether some truly large properties of lower grade will be discovered and put into production is the key question to the future of the country.

At the present stage of activity, your Company pursues its course of modest development, constantly trying to improve its efficiency, to lower its costs and to serve the transportation needs of the Territory adequately. But the picture could become one of dynamic change and splendid opportunity for courageous investment on a large scale. In the last may lie the future of your enterprise.

Respectfully submitted,
on behalf of the Board of Directors,

Frank H. Brown

FRANK H. BROWN,
President.

April 2nd, 1957.



THE WHITE PASS AND YUKON

(Incorporated under
AND ITS SU

CONSOLIDATED BALANCE SHEET

(With comparative figures)

ASSETS

	1956	1955
FIXED ASSETS:		
Original railway and river property (Notes 1 and 2)	\$ 8,880,912	\$ 8,880,912
Additions and improvements:		
Land—cost	38,525	35,414
Trackage—cost (Note 2)	197,625	197,625
Moveable railway equipment, ships, freight containers, motor vehicles, buildings and other equipment—cost	6,818,746	6,093,710
	<u>\$15,935,808</u>	<u>\$15,207,661</u>
Less accumulated depreciation	2,376,431	1,997,939
	<u>\$13,559,377</u>	<u>\$13,209,722</u>
CURRENT ASSETS:		
Cash	\$ 23,107	\$ 23,061
Bonds of and guaranteed by the Government of Canada at cost (market value \$205,460)	216,921	216,921
Accounts receivable less allowance for doubtful accounts	1,014,344	1,091,756
Inventories valued at the lower of cost or market—		
Petroleum products	\$731,373	
Materials and supplies	547,056	
	<u>1,278,429</u>	849,462
Prepaid insurance and rentals	168,061	45,625
	<u>\$ 2,700,862</u>	<u>\$ 2,226,825</u>
OTHER ASSETS:		
Investments in bonds and shares, advances to other companies and mortgages receivable	\$ 357,569	\$ 350,899
Funds held in escrow for payment on new vessel		51,248
Discount and issue expense of loan capital less amounts written off ..	314,751	330,286
Organization expense	52,196	52,196
	<u>\$ 724,516</u>	<u>\$ 784,629</u>
	<u>\$16,984,755</u>	<u>\$16,221,176</u>

The notes attached hereto are an integral part of the above

YUKON CORPORATION LIMITED

(Incorporated under the laws of Canada)

SUBSIDIARIES



STATEMENT OF FINANCIAL POSITION, DECEMBER 31, 1956

(Assets as at December 31, 1955)

LIABILITIES

	1956	1955
CAPITAL AND SURPLUS:		
Capital (Notes 4 and 5):		
Authorized:		
1,250,000 common shares of no par value		
Issued and fully paid:		
679,985 common shares	\$ 1,599,950	\$ 1,582,250
Consolidated earned surplus	1,635,411	1,187,564
	<u>\$ 3,235,361</u>	<u>\$ 2,769,814</u>
RESERVES:		
Excess of the value of assets as carried in the books of the subsidiaries over the effective cost to the parent (Note 2)	\$ 7,836,017	\$ 7,836,017
Excess of par value of 4½% first debenture stock 1961/76 purchased and held over purchase price thereof	65,402	60,158
	<u>\$ 7,901,419</u>	<u>\$ 7,896,175</u>
DEFERRED LIABILITIES:		
Loan capital (Note 3)	\$ 3,828,650	\$ 3,884,950
Amounts owing on purchase of diesel locomotives due 1958 to 1961	192,323	-----
	<u>\$ 4,020,973</u>	<u>\$ 3,884,950</u>
CURRENT LIABILITIES:		
Due to bankers	\$ 575,320	\$ 356,315
Accounts payable and accrued charges	928,442	944,231
Accrued interest on loan capital	32,154	32,983
Income and other taxes payable	291,086	336,708
	<u>\$ 1,827,002</u>	<u>\$ 1,670,237</u>
Approved on behalf of the Board:		
● F. H. BROWN, Director.		
● C. J. ROGERS, Director.		
	<u>\$16,984,755</u>	<u>\$16,221,176</u>

This balance sheet and should be read in conjunction therewith.

THE WHITE PASS AND YUKON CORPORATION LIMITED
(Incorporated under the laws of Canada)
 AND ITS SUBSIDIARIES

STATEMENT OF CONSOLIDATED PROFIT AND LOSS
FOR YEAR ENDED DECEMBER 31, 1956

(With comparative figures for year 1955)

	1956	1955
Earnings from operations before the following charges	\$ 1,267,981	\$ 1,042,724
Deduct:		
Depreciation (Note 2)	\$ 424,847	\$ 211,206
Interest on loan capital and amortization of discount and issue expense	204,505	207,222
	\$ 629,352	\$ 418,428
Profit before taxes on income	\$ 638,629	\$ 624,296
Taxes on income (Note 6)	206,500	277,400
Profit from operations	\$ 432,129	\$ 346,896
Capital gains (net)	11,977	49,954
Profit on 4½ % first debenture stock 1961/76 purchased and transferred to sinking fund	3,741	4,677
Net profit for year (Note 6)	\$ 447,847	\$ 401,527
The following charges were incurred during 1956:		
Fees and remuneration to directors exclusive of those holding salaried employment	\$ 7,462	
Remuneration of executive officers and legal fees	49,210	

STATEMENT OF CONSOLIDATED EARNED SURPLUS
FOR YEAR ENDED DECEMBER 31, 1956

(With comparative figures for year 1955)

	1956	1955
Earned surplus at beginning of year	\$ 1,187,564	\$ 767,546
Add:		
Net profit for year	447,847	401,527
Adjustment of prior year	18,491
Earned surplus at end of year	\$ 1,635,411	\$ 1,187,564

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, 1956

1 The original railway and river properties aggregating \$8,880,912 are carried in the accounts of the subsidiaries at their cost which was paid for by the issue at par of shares and mortgage bonds, less retirements at estimated cost or sale price.

2 Until 1956 no depreciation was provided on the original railway and river properties (\$8,880,912) or the trackage (\$197,625) which until recent years was the customary practice with railroads in Canada and the United States. The cost of retirements and replacements was charged against profit and loss.

3 Loan capital comprises:

4½% First debenture stock 1961/76:

Authorized and issued (less transferred to sinking fund and cancelled)		
Less purchased and held by subsidiaries		

	December 31, 1956	December 31, 1955
	\$ 1,894,200	\$ 1,914,200
	265,600	247,000
	\$ 1,628,600	\$ 1,667,200

5% Convertible debenture stock 1961/76:

Authorized and issued	\$1,700,000	
Less converted to common shares	599,950	

	1,100,050	1,117,750
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5½% Unsecured loan stock 1963/78:

Authorized	\$1,500,000	
Issued and outstanding		

	1,100,000	1,100,000
	\$ 3,828,650	\$ 3,884,950

4 5,310 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, 1957 to September 30, 1961.

108,015 common shares are reserved for the possible conversion of or exercise of the rights on the above issues.

Effective January 1, 1956, depreciation (in the amount of \$5,922 in 1956) was provided on the depreciable portion of the original railway property of the United States subsidiary in accordance with the regulations of the Interstate Commerce Commission and replacements in respect of such property were capitalized.

The White Pass and Yukon Corporation Limited acquired the mortgage bonds and shares of the subsidiaries at a cost of \$7,836,017 less than the value of the assets as carried in the books of these companies and this amount is considered to provide an ample reserve in the consolidated statements against the aforementioned undepreciated assets.

5 Supplementary letters patent were granted on December 6, 1956 increasing the authorized share capital to 1,250,000 common shares of no par value.

6 For income tax purposes the company is permitted to claim depreciation in excess of the normal amount provided in its accounts and such excess depreciation in 1956 and 1955 amounted to \$194,000 and \$103,400 respectively. As a result the income taxes otherwise payable for these years have been reduced by \$91,000 and \$48,600 respectively and the net profit has been increased by corresponding amounts.

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

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

Clarkson, Gordon & Co.
Chartered Accountants

510 WEST HASTINGS STREET

Vancouver 2
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, 1956 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, 1956 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.

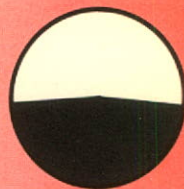
Vancouver, Canada,
March 7, 1957.

WHERE THE GROSS INCOME DOLLAR WENT . . . 1956



Company wharf at Skagway, showing steel cargo containers which have been transferred from M/V "Clifford J. Rogers" to railway flat cars.

PURCHASES OF GOODS AND SERVICES.... \$.49



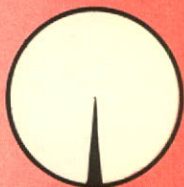
WAGES AND SALARIES..... .30



DEPRECIATION..... .05



INTEREST..... .02



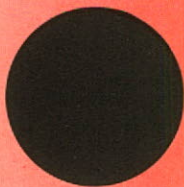
TAXES..... .09

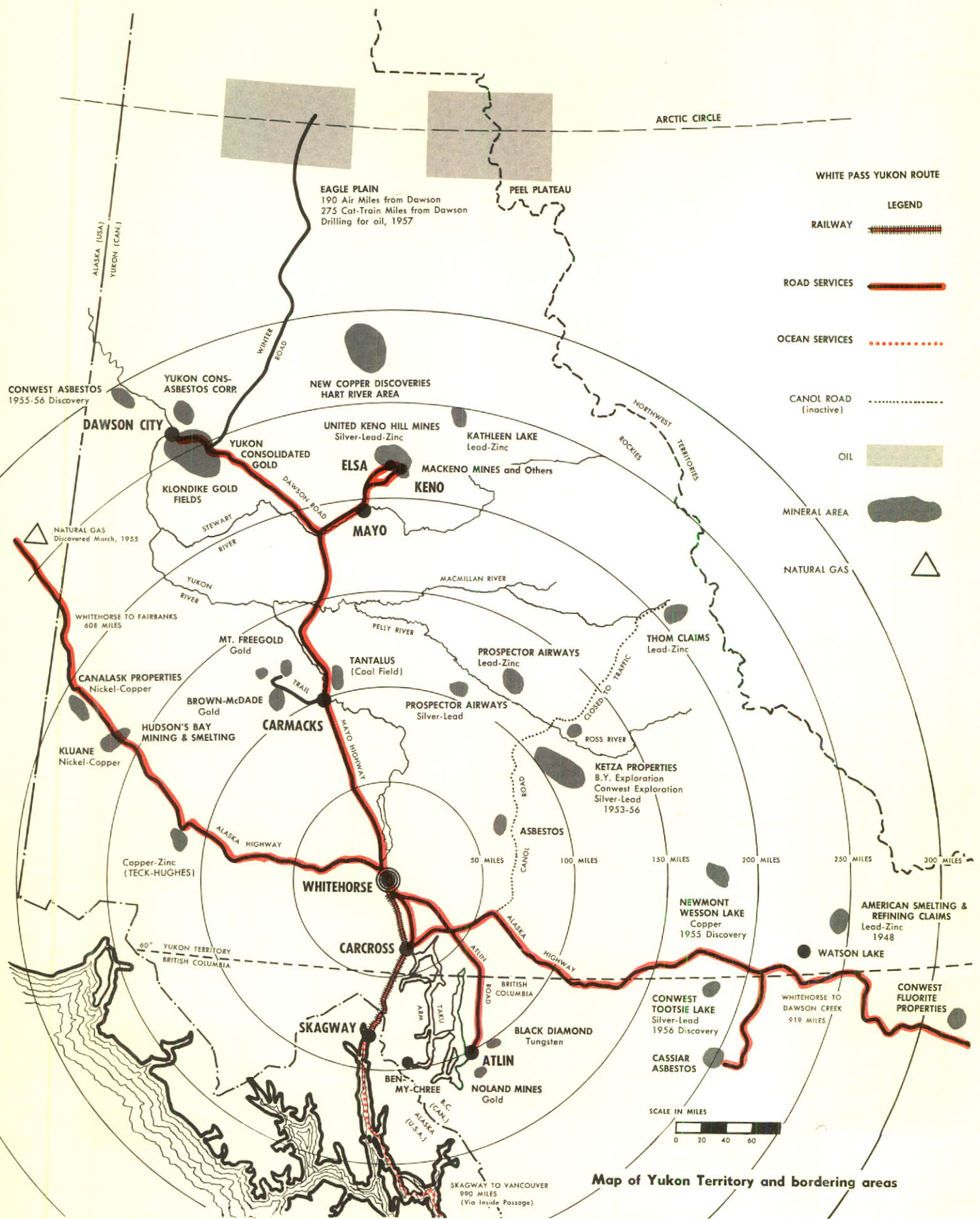


PROFIT RETAINED IN THE BUSINESS.... .05



TOTAL INCOME..... \$1.00





Map of Yukon Territory and bordering areas