THE WHITE PASS AND YUKON CORPORATION LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31st, 1953

DIRECTORS

Ralph D. Baker
Vancouver, B.C.

Frank H. Brown, C.B.E.
Vancouver, B.C.

Ivor J. Crosthwaite, D.S.O.
London, England

Norman F. W. H. D'Arcy
London, England

Herbert L. Faulkner
Juneau, Alaska

Sidney Hogg
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

REPORT OF THE PRESIDENT

The Balance Sheet and Profit and Loss Statements of the Corporation and its four wholly-owned operating Companies in consolidated form as at 31st December, 1953, are embodied herein.

Earnings:

The consolidated net profit for the year amounted to $169,607.00 after provision for taxes on income of $219,338.00. Adjustments applicable to previous years and a capital profit on the purchase of 4½% First Debenture stock brought the balance transferable to earned surplus for the year to $200,952.00. Earnings in 1952 without such adjustments amounted to $239,323.00.

The total tonnage carried over the railway in 1953 showed an increase of 15% over that of the previous year. There was a substantial increase in outbound tonnage on which exceptionally low development rates have always been granted, whereas the profitable inbound tonnage declined considerably. That decline was due to the concentration in one year of a series of untoward developments such as an epidemic of poliomyelitis, floods, changes in government purchasing, etc. Our program of improved maintenance of track and structures also had the effect of reducing the net earnings of the subsidiary companies, although the benefits should show up in future years.

All Canadian railways face the same problem of low earnings through the high cost of running long distances through sparsely settled country. The only possible answer is modernization and mechanization to the fullest practicable extent and a firm determination that each subsection of the operations shall pay its own way.

These have been the policies of your Board from the outset. Some considerable progress has been made which should reflect itself in a positive way in our financial statements in due course.

Balance Sheet:

Our financial position remains strong, with a working capital of $1,408,379.00 as compared with $1,458,927.00 last year—this notwithstanding capital expenditures on plant and equipment of $277,355.00, other capital outlays of $54,769.00 and the purchase of $57,000.00 of the 4½% First Debenture stock at a cost of $48,946.

Debenture Stock liabilities were lower than at the end of 1952 by $172,600.00, of which $57,000.00 represented the above mentioned purchase of 4½% Debenture Stock and $115,600.00 came as a result of conversion of 5% Convertible Debenture Stock. This latter was reflected in an increase in the number of Common Shares issued of 34,680. Further conversions have been made since the end of the year, so that at 31st March 1954 the amount outstanding on the 5% Convertible Debenture Stock was $1,192,200.00 and the outstanding Common Shares number 652,340.

Rail Division:

Our program of improvement included the rebuilding of the station and offices at Whitehorse, the re-laying of 10 miles of track, important improvements in the wharf at Skagway, the streamlining of our shops at the same place and a general rehabilitation of buildings and permanent structures.

We expect to take delivery of the first 2 of our new Diesel engines in the next sixty days. They have been specially designed to meet our extraordinary operating conditions and will be tested fully in actual service for some months, after which additional locomotives will be ordered. We have recently taken delivery of a number of all steel flatcars and petroleum tank cars of modern design, which will add greatly to the economy of our operations. We expect to add further to our rolling stock next year.

River Division:

Because the Yukon River and lakes are frozen for over seven months of the year, their transportation value to mineral development of the country is limited and cost of vessel operation is high. The year round highway development in the Yukon has in great measure taken its place but there are large and important areas not yet served by roads. Your Board is endeavoring to keep the River Division alive on a rigidly break even cost basis so that it may be prepared to function in initial stages of developments that can and may occur on the waterways and distant from the highways.

Highway Division:

Our fleet of heavy trucks, trailers, oil tankers and buses has now been almost completely modernized but will now require to be enlarged.

Petroleum Division:

During the year we expanded our services and now have retail outlets at strategic points on all the highways of the Territory. In addition it was felt advisable to install storage at several places, the principal of which is where the military road running from Haines on the Alaskan coast cuts into the Alaska Highway, 100 miles north-west of Whitehorse.

We have recently been able to work out with the Standard Oil Company of California a new contract under which we are now offering petroleum products for sale at posted prices which will mean important savings to the community.

Mining Developments:

While no new mines were actually opened up in 1953, there was unprecedented activity in exploration and a number of new discoveries of nickel, copper, lead, zinc, asbestos and fluorspar were made, some of which appear to be of major importance. However, it will probably take most of 1954 and possibly a part of 1955 for the mining companies to do enough work to prove the grade and extent of their claims. In most cases large and strongly-financed concerns are at work. The atmosphere is optimistic. Your company is organized to collaborate with mining companies even in large transportation projects.

Your Board felt warranted in initiating on the Company's account a geological reconnaisance of the areas adjacent to the rail line between Whitehorse and Skagway. A nickel and copper showing was located on which it was felt advisable as a precaution to file a series of claims. It is far too early yet to form any judgment of the importance of this discovery.

Since it is not deemed advisable that your Company should engage directly in mining or mineral developments, a separate company, entitled British Yukon Exploration Company Ltd., was formed, with Mr. F. V. C. Hewett, a consulting mining engineer formerly Metals Controller at Ottawa, as the President. This Company will carry on the work initiated by your Company. A public offering of the stock may be made in due course.

Hydro Electric Power Developments:

Frobisher Limited, an important mining company, enjoys from the Government of Canada the right to examine the hydro-electric power potentialities of the Yukon Territory and its engineers have been active in this survey all through the open season of 1953. There is no question that the power which could be developed in this area is literally enormous—it is one of the largest single sources of electric power yet available on the North American Continent. No announcement has been made by Frobisher as to its exact program, but this is to be expected fairly soon.

Apart from Frobisher, the Aluminum Company of America is anxious to obtain the right to develop a large block of this power and establish an aluminum smelter on United States territory near Skagway. So far the Government of Canada has felt obliged to take the position that it cannot allow the alienation of so important a natural resource.

Route Development Program:

It is very difficult at this time to form a firm judgment as to where your Company will go in its future development. The potentialities are great indeed. Distances are measured in hundreds of miles and efficient transportation is vital.

We remain convinced that the most efficient, as well as the lowest cost, route for the handling of freight in and out of the Yukon Territory is by sea between Vancouver and Skagway and thence by rail to and from Whitehorse, providing the smaller items are bulked in containers of van-body size or fastened solidly in lots of two tons or more to pallet boards or other trays. This involves on our part the installation of cranes and other handling devices at Skagway and Whitehorse, as well as the provision of containers. It necessitates the introduction by shipping companies of ocean transport facilities capable of handling these larger bulk lots. It would appear that 2000 to 3000 ton barges, preferably self-propelled, are the appropriate kind of equipment. Although we have experienced some delays, we have no doubt that some such plan will be put into effect.

When completed in all its phases our program of modernization is likely to cost upwards of $3,000,000.00, although we are taking every possible step to keep the outlays below that figure.

Unsecured Loan Stock:

To assist in financing this program, a new class of obligation was authorized by the Board in the form of $1,500,000.00 of 5½% Unsecured Loan Stock maturing in 1979 and carrying with it rights to subscribe for 3 shares of the Common Stock of the Company for each $100 of the new issue at rates ranging from $16 to $20 per share according to the date on which the subscription is made. $1,100,000 of the stock was privately placed in England.

At the special general meeting of shareholders held on 21st July 1953, provision was made for increasing the Board from six to eight. Under this authority, Mr. Sidney Hogg, a successful engineer, President of Western Bridge and Steel Fabricators Limited in Vancouver, was elected to the Board. His counsel has already proven of much value. The other vacancy has not yet been filled.

The capable staffs of the operating and controlling companies have continued to perform arduous and difficult tasks with praiseworthy loyalty and interest.

Respectfully submitted,
on behalf of the Board,

FRANK H. BROWN,
President.

May 7, 1954.

THE WHITE PASS AND YUK

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Consolidated Balance Shee

(with comparative figures

ASSETS

		December 31 1953	December 31 1952
FIXED ASSETS:			
Original railway and river property (Note 2 and 3)		**$ 8,880,912**	$ 8,880,912
Additions and improvements:			
Land at cost		**34,960**	34,659
Trackage at cost (Note 3)		**148,511**	123,834
		$ 9,064,383	$ 9,039,405
Moveable railway equipment, steamers, motor vehicles, buildings and other equipment (including $704,737 on which no depreciation was provided prior to January 1, 1953) at cost (Note 3)		**3,742,109**	3,489,731
Less depreciation accumulated by subsidiary operating companies		*1,864,761*	*1,717,518*
		$10,941,731	$10,811,618
INVESTMENT IN SHARES OF PARTLY OWNED SUBSIDIARY COMPANY		**$ 15,000**	$ —
MORTGAGES RECEIVABLE		**$ 97,690**	$ 57,920
CURRENT ASSETS:			
Cash on hand, in transit and in banks		**$ 311,041**	$ 447,265
Bonds of and guaranteed by the Government of Canada at cost (market value $225,072)		**233,981**	233,981
Accounts receivable (less allowance for doubtful accounts $10,000)		**959,476**	1,055,587
Inventories as determined and certified by the management and valued at the lower of cost or market—			
Petroleum products	$471,730		
Materials and supplies	516,517	**988,247**	1,043,353
Prepaid insurance and rentals		**61,624**	28,218
		$ 2,554,369	$ 2,808,404
ORGANIZATION AND DEBENTURE STOCK ISSUE AND CONVERSION EXPENSES (Note 4)		**$ 235,960**	$ 249,486
		$13,844,750	$13,927,428

The notes attached hereto are an integral part of the above

ON CORPORATION LIMITED

Companies Act, Canada)

BSIDIARES

as at December 31, 1953

s at December 31, 1952)

LIABILITIES

		December 31 1953	December 31 1952
CAPITAL:			
Authorized:			
800,000 common shares of no par value			
Issued and fully paid:			
649,310 common shares (Note 5)		**$ 1,497,700**	$ 1,382,100
CONSOLIDATED EARNED SURPLUS		**427,934**	226,982
		$ 1,925,634	$ 1,609,082
RESERVES:			
Excess of the value of assets as carried in the books of the subsidiary operating companies over the effective cost to the parent company		**$ 7,836,017**	$ 7,836,017
Excess of par value of 4½% First Debenture Stock 1961/76 purchased and held over purchase price thereof		**60,035**	66,452
		$ 7,896,052	$ 7,902,469
DEBENTURE STOCK:			
Authorized and issued:			
4½% First Debenture Stock 1961/76	$2,000,000		
Less purchased to date (including $60,800 transferred to sinking fund and cancelled)	308,500	**$ 1,691,500**	$ 1,748,500
5% Convertible Debenture Stock 1961/76	$1,700,000		
Less converted to capital stock	497,700	**1,202,300**	1,317,900
		$ 2,893,800	$ 3,066,400
CURRENT LIABILITIES:			
Accounts payable and accrued charges		**$ 737,814**	$ 915,635
Accrued salaries and wages		**64,052**	65,101
Sundry taxes due and accrued		**35,043**	52,357
Accrued interest on debenture stock		**34,058**	36,144
Due to partly owned subsidiary company		**102**	—
Income taxes payable		**258,195**	280,240
		$ 1,129,264	$ 1,349,477
		$13,844,750	$13,927,428

Approved on behalf of the Board,

FRANK H. BROWN, Director

CLIFFORD J. ROGERS, Director

balance sheet and should be read in conjunction therewith.

THE WHITE PASS AND YUKON CORPORATION LIMITED

(Incorporated under the Companies Act, Canada)

AND ITS SUBSIDIARIES

Statement of Consolidated Profit and Loss
For The Year Ended December 31, 1953

(With comparative figures for the year ended December 31, 1952)

	Dec. 31 1953	Dec. 31 1952
Combined earnings of subsidiary companies from operations, rentals and investment income before depreciation, interest on mortgage bonds and taxes on income	**$733,612**	$909,075
Provision for depreciation (Note 3)	**$183,624**	$170,422
Less capital gains	**31,324**	7,148
	$152,300	$163,274
	$581,312	$745,801
Provision for taxes on income of subsidiary companies	**213,838**	313,000
Balance of earnings of subsidiary companies available to parent company	**$367,474**	$432,801
Interest on debenture stock	**$138,820**	$164,240
General expenses of parent company	**44,994**	24,738
Amortization of expenses of debenture stock issues	**7,553**	—
	$191,367	$188,978
Consolidated net profit before provision for taxes on income	**$176,107**	$243,823
Provision for taxes on income	**6,500**	4,500
Consolidated net profit	**$169,607**	$239,323
Add adjustments re prior years	**20,236**	
Net profit on purchase of 4½% First Debenture Stock 1961/76 transferred to sinking fund and cancelled less applicable debenture stock issue expense	**11,109**	
Balance transferred to earned surplus	**$200,952**	$239,323

The following charges were incurred during 1953:

Fees and remuneration to directors, exclusive of those holding salaried employment	**$ 6,000**	
Remuneration of executive officer and legal fees	**18,895**	

Statement of Consolidated Earned Surplus
For The Year Ended December 31, 1953

(With comparative figures for the year ended December 31, 1952)

	Dec. 31 1953	Dec. 31 1952
Consolidated earned surplus (deficit) at beginning of year	**$226,982**	*$ 12,341*
Balance transferred from statement of consolidated profit and loss	**200,952**	239,323
Consolidated earned surplus at end of year	**$427,934**	$226,982

The notes herewith are an integral part of the above statements of consolidated profit and loss and earned surplus and should be read in conjunction therewith.

Notes

1. Current assets and liabilities originating in United States funds are included at the rate of exchange prevailing at December 31, 1953. The Companies have no current assets or liabilities (other than internal indebtedness) originating in any other foreign currency.

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

3. In accordance with the Companies' usual accounting practice, (which until recent years was the customary practice with railroads in Canada and the United States) no depreciation has been provided on the original railway and river properties ($8,880,912) nor the trackage ($148,511), and the cost of replacements and renewals has been charged against profit and loss.

   Prior to January 1, 1953 a similar accounting practice was followed with respect to certain equipment, buildings, etc., carried at a cost of $704,737. In the year ended December 31, 1953 this policy was changed and depreciation of $18,914 was provided on these assets.

   The White Pass and Yukon Corporation Limited acquired the mortgage bonds and shares of the subsidiary companies at a cost of $7,836,017 less than the book value of the net assets of these companies and this amount is considered to provide an ample reserve in the consolidated statements against the aforementioned non-depreciable assets.

4. Debenture stock issue expenses (which amounted to $206,001) are being amortized over twenty-five years which is the life of the debenture stock.

5. 34,680 shares of no par value were issued during the year under the conversion privileges attached to the 5% Convertible Debenture Stock 1961/76 wherein 50% of the original Stock is convertible on the basis of 15 shares of no par stock per $50 debenture.

6. The companies have outstanding commitments in the purchase of diesel locomotives of U.S. $170,000.

7. Under an agreement dated February 11, 1954 the company sold $1,100,000 of 5½% Unsecured Loan Stock 1963/78. Neither the proceeds nor the expenses of this sale are reflected in the above statements.

Auditors' Report

To the Shareholders

THE WHITE PASS AND YUKON CORPORATION
LIMITED AND ITS SUBSIDIARIES

We have examined the consolidated balance sheet of the White Pass and Yukon Corporation Limited and its subsidiaries as at December 31, 1953 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 have considered necessary in the circumstances.

In accordance with Section 118 of The Companies Act, Canada, we report that the partly owned subsidiary had no profit or loss to December 31, 1953.

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, 1953 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.

Vancouver, Canada,
April 7, 1954.

CLARKSON, GORDON & CO.,
Chartered Accountants

SERVICES OF THE WHITE PASS AND YUKON ROUTE

OCEAN AND RAIL FREIGHT

A through service jointly with the Canadian Pacific Railway is provided between Vancouver, B.C., and Whitehorse, Y.T.

The first thousand miles by sea from Vancouver to Skagway, Alaska, inside the long chain of islands off the British Columbian and Alaskan Coasts is traversed in ships of the C.P.R. or controlled companies. From Skagway to Whitehorse the route follows a difficult but spectacular piece of mountain country. In the summer a place of beauty, it is subject for more than half the year to extremes of cold, wind, snow and ice. Winds of 100 miles an hour or more and snow drifts twenty-five or more feet deep are experienced at some time almost every year.

A daily rail service for passengers as well as freight is provided in each direction in all seasons of the year.

HIGHWAY

The Route offers a comprehensive and modern trucking and bus service on a regular schedule all over the highways fanning out from Whitehorse. Mining machinery, equipment, petroleum products and supplies are transported into the mines and metal concentrates and asbestos handled on the reverse movement.

The service extends from Dawson Creek in British Columbia all the way along the Alaska Highway to Fairbanks, over distances in the summer, when all the roads are open, of approximately 2,000 miles one way.

PASSENGER

The scenic majesty of the rail route is world famous. Trains of observation cars meet incoming steamers to afford tourists excellent opportunities for sightseeing and photography. They connect at Carcross with the Route's S.S. "Tutshi" affording comfortable overnight accommodation on quiet mountain lakes to the lovely flower gardens at Ben-My-Chree within sight of perpetual mountain glaciers.

From Whitehorse a modernized stern-wheeler provides an extraordinary tourist trip four hundred miles down river to Dawson City and return through scenery of unique beauty, with stops for fishing, picnics, etc. A wide variety of recreational activities is provided.

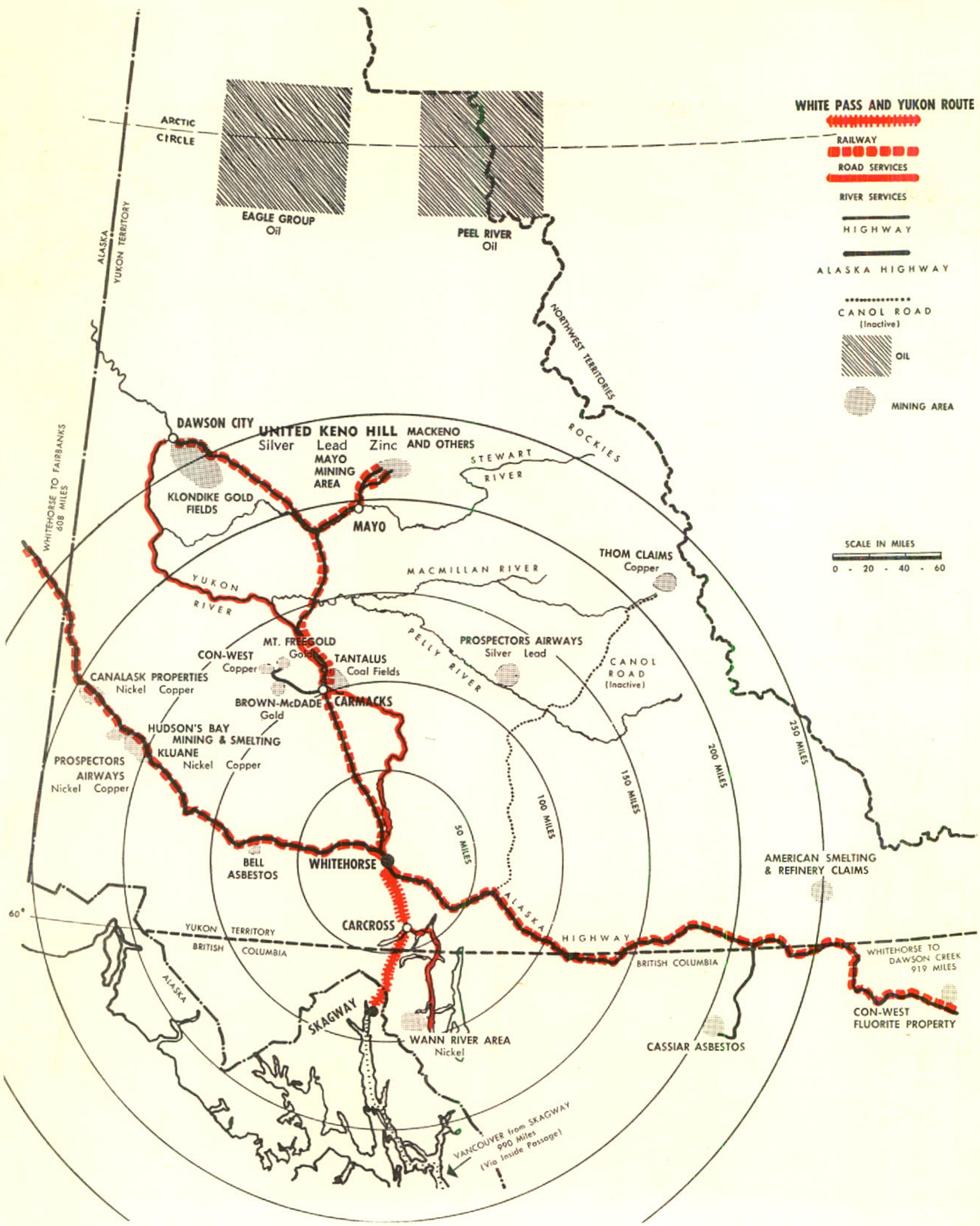
PETROLEUM DISTRIBUTION

Through a leased pipeline from Skagway to Whitehorse and by tank cars over the rail line, the Route imports aviation and motor gasolines, fuel oils, Diesel oils, lubricants, etc. on a large scale. It operates a tank farm at Whitehorse, storage tanks at other points and its tank trucks deliver gasoline and Diesel oils several hundred miles in various directions throughout the Yukon Territory. It serves in full degree every phase of the economy of the Yukon—heating, power and transportation—and is equipped to keep pace step by step with all the growth of the area.

RATES

It is obvious that operating in a far northern territory in rough and mountainous terrain under exceptionally difficult conditions in the winter is costly but it has been the objective of the company to quote rates which are strictly competitive.

Map of Yukon Territory and bordering area



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