# ALGOMA CENTRAL RAILWAY ANNUAL REPORT 1981

**Algoma Central Railway**
*and Principal Subsidiary Companies*

Corporate Head Office
Marine Division
Rail Division
Algocen Mines Limited
Algocen Realty Holdings Limited
Algoma Steamships Limited

289 Bay Street,
Sault Ste. Marie, Ontario, P6A 5P6
(705) 949-2113

Toronto Office
15th Floor, 145 King Street W., Toronto,
Ontario, M5H 2J3 (416) 364-1241

Marine Division Operations
(416) 834-6313
Herb Fraser and Associates Limited
(416) 834-4549
1 Chestnut Street, Port Colborne,
Ontario, L3R 1B3

Algocen Transport Holdings Limited
Thibodeau-Finch Express Limited
Terminals: Detroit, Buffalo, Windsor, Chatham, London, Sarnia, Brantford, Burlington, Toronto and Montreal.
3049 Devon Road, Windsor,
Ontario, N8X 4L3
(519) 966-1222

Transport T.F. Québec Limitée
197 Petit Bois, Varennes,
Quebec, J0L 2P0 (514) 652-2415

Flanagan Warehousing
& Distribution Co. Ltd.
Warehouses:
London, Chatham, Windsor and Sarnia.
1036 Green Valley Road, London,
Ontario N6A 4C2 (519) 681-5100

ACR Delaware, Inc.
Algocen, Florida, Inc.
Suite 1, 555 Colorado Avenue, Stuart,
Florida 33494 (305) 287-2600

**About the Company**

Incorporated in 1899, the Company operated for many years primarily as a wilderness railroad to transport iron ore and forest products out of Northern Ontario. In recent years Algoma Central has become a diversified transportation company moving cargo by water, rail and road. It operates a fleet of thirteen dry-bulk-cargo vessels principally on the Great Lakes and the St. Lawrence Seaway. Its main railway line runs 295 miles north from Sault Ste. Marie and serves the natural resource, manufacturing and tourist industries of the Algoma region of Northern Ontario. Algoma Central's fleet of trucks carries general cargo on routes extending from Detroit, Michigan and Buffalo, New York to Toronto, Ontario and Montreal, Quebec. Algoma Central also has developed commercial real estate complexes in Sault Ste. Marie and Elliot Lake, Ontario. In addition the Company owns approximately 850,000 acres of land, including mineral and timber rights, in the Algoma region.

# Comparative Highlights

| For the Year | 1981 | 1980 |
|---|---|---|
| Revenue | $155,117,000 | $132,474,000 |
| Net income | $ 9,424,000 | $ 10,442,000 |
| Operating expenses to revenue | 80.8% | 79.4% |
| Cash flow | $ 31,842,000 | $ 29,081,000 |
| Fixed asset additions | $ 44,796,000 | $ 37,453,000 |
| Average number of common shares outstanding | 3,431,000 | 3,324,000 |
| Net income per common share | $ 2.75 | $ 3.14 |
| Dividends paid per common share | $ 1.20 | $ 1.10 |
| Cash flow per common share | $ 9.28 | $ 8.75 |
| **At December 31** | | |
| Total assets | $268,362,000 | $232,549,000 |
| Shareholders' equity | $ 86,060,000 | $ 78,370,000 |
| Long-term debt | $ 96,902,000 | $ 80,959,000 |
| Long-term debt to shareholders' equity | 113% | 103% |
| Common shares outstanding | 3,506,000 | 3,377,000 |
| Equity per common share | $ 24.55 | $ 23.21 |
| Working capital | $ 8,918,000 | $ 6,954,000 |

The Annual Meeting of Shareholders will be held Thursday, April 15, 1982 at 11:00 a.m. in the Holiday Inn, Sault Ste. Marie, Ontario.

# To our shareholders

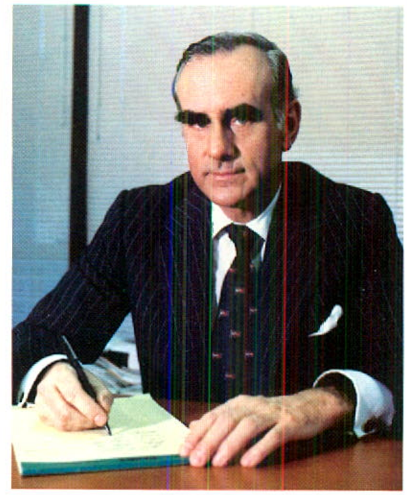
The generally slow economy, which persisted during 1981, made the year a difficult and challenging period for Algoma Central Railway. Shortages of available tonnage in all our transportation Divisions caused increases in expense ratios and, along with high interest payments, reduced the year's net income. In spite of these factors, a concerted effort by employees at all levels of the Company produced overall results that compared favourably with others in our industry.

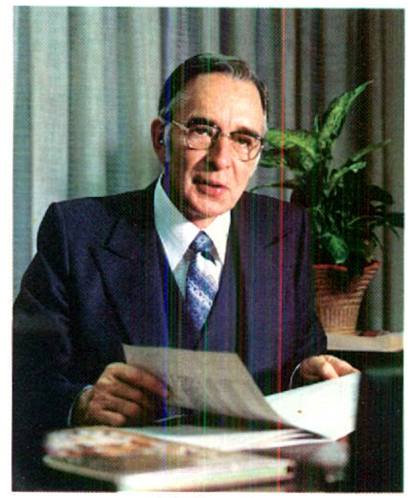
Consolidated revenue for the 12-month period ended December 31, 1981 was $155,117,000, approximately 17% greater than the revenue level of $132,474,000 for the previous year. Although all Divisions set new revenue records, the major increase occurred in the Marine Division as a result of the addition of a new vessel, the *M/V Algowood*, in April of 1981.

Consolidated net income for 1981 declined to $9,424,000 ($2.75 per share) from the $10,442,000 ($3.14 per share) earned in 1980. This decline occurred chiefly as a result of higher interest charges which were more than $5,300,000 greater in 1981 than in the previous year.

Cash flow, a very important factor in our financial health, again reached a record high in 1981 ($31,842,000 vs. $29,081,000 in 1980) thus continuing the pattern of annual increases since 1974. These internally generated funds allowed the Company to invest in excess of $44,700,000, another record, on fixed asset additions to expand capacity, improve productivity and replace older facilities, with little impact on our long-term debt/shareholders' equity ratio. Major expenditures during the year included $22,908,000 as final payments on the *M/V Algowood* and advance payments on the vessel *M/V Algowest* which is scheduled for delivery to us in July of 1982. Approximately $10,100,000 was expended on the railroad primarily to purchase six new locomotives and 23 woodchip cars and to upgrade 10 miles of rail right-of-way to 115-pound rail. Our Real Estate Division paid out almost $5,400,000 to complete Station Mall Phase II which opened in August of 1981. About $2,400,000 was expended by our Trucking Division, with their main acquisition being a 134,000-square foot warehouse building in Windsor, Ontario.

Dividends paid to shareholders in 1981 increased 9% to $1.20 per share from the $1.10 per share paid in 1980. It was gratifying to us that our shareholders reinvested, through the Stock Dividend and Dividend Reinvestment plans which were introduced by the Company in 1980, 61% of the total dividend payout in 1981. This important source of equity capital is very beneficial at this time because of the very large investments currently being made to expand our marine fleet. Shareholders wishing to obtain


H.N.R. Jackman


L.N. Savoie

information on these plans, or to make an election thereunder, are directed to the appropriate address shown on the inside back cover of this Annual Report.

We reported one year ago that the Company made a $1.9 million investment in a real estate joint venture in Florida to build 648 condominium units on a very desirable beach-front site. This project is proceeding on schedule and budget. Construction commenced in 1981 on the first 108-unit building and is scheduled to be completed in early 1983. As of January 1982 more than 60% of these units were pre-sold. The project, named "Island Dunes", is located on Hutchinson Island near Stuart, Florida. When completed, this complex will contain 648 units together with amenities including a nine-hole executive golf course.

The sale of our 50% interest in Viking Helicopters Limited was approved by the Canadian Transport Commission in early 1981. After two years exposure to the helicopter rental business, we concluded that it was not compatible with our other transportation businesses.

Our outlook for 1982, in all of our activities, is clouded with much uncertainty. The direction of the current recession, the future of interest rates and the final outcome of the recent Federal Budget proposals all make forecasting very difficult. The current consensus, including forecasts from many of our larger industrial customers, is that the economy will remain slow during the first half with a turn-around commencing about midyear. The performance of our Rail and Trucking Divisions rely heavily on the economy in general and should follow this scenario.

On the Great Lakes, commodities such as grain, salt and steam coal are very significant to the Marine Division and seem to fluctuate in volume somewhat independently of the general economy. We are therefore confident that, with the contracts we have in place for movement of these materials, our marine fleet will be fully occupied throughout the season. Its overall financial performance will depend on the movement of iron ore and building aggregates which serve in many instances to provide backhauls.

The threat of over 20% interest rates before year end and the budget proposal to reduce first-year capital cost allowances could significantly affect our overall performance in the current year and result in the deferral of future investment decisions until some indication of stability returns.

In October 1981, Charles F.W. Burns, C.M., retired from the Board of Directors after serving for 22 years. We acknowledge his valuable contributions to the affairs of the Company over that period and wish him well in his retirement. Following his departure, the Board was pleased to welcome H. Michael Burns as a new director to carry on the long, Burns family association with the Company.

On behalf of the Board of Directors, we wish to express our appreciation for the dedicated efforts of all employees and to thank our shareholders and customers for their continued support.

H.M.R. Jackman

Chairman of the Board

L.N. Savoie

President

# Marine operations

Marine Division operating results in 1981 improved over the preceding year with gross revenue reaching a record level of $79,791,000, 20% higher than the previous year. Total tonnage moved by our fleet of 13 vessels was 14,308,000 tons, an increase of 5% over 1980.

A major factor contributing to improved revenue was the addition to our fleet of the *M/V Algowood*. This vessel, a maximum Seaway-size self-unloading bulk carrier, went into service immediately after being delivered to us by Canadian Shipbuilding and Engineering Limited, Collingwood, Ontario in early April, and was fully utilized until the end of the 1981 shipping season.

Exclusive of this new vessel, our 1981 results would show decreased tonnage and marginally increased revenue over 1980. This reflects the deteriorating economic climate which developed during 1981. Current signs indicate this will continue to be a factor in 1982. Since lake transportation is highly dependent upon the users of large volumes of bulk raw materials, the present downturn indicated in industries such as steel and construction will have a negative effect on our level of activity in 1982.

At the same time, we anticipate the movement of Canadian grain to continue at a high level in 1982 and the Company is well positioned to take advantage of this situation. In addition to the three bulk vessels already dedicated to the grain trade, the Marine Division will receive delivery of *Hull 226*, our fourth maximum Seaway-size bulk carrier, in July 1982. To be christened the "*M/V Algowest*", this vessel will be under long-term contract to carry grain for the Canadian Wheat Board.

The Company also has a maximum Seaway-size self-unloading bulk carrier on order which is due to be delivered in June 1983. Both of these new vessels are eligible for the Shipbuilding Industry Assistance Program subsidy and will represent a capital investment by us of approximately $72,000,000.

New labour agreements, which will expire May 31, 1984, were negotiated in 1981 with the three marine unions representing our shipboard personnel. In addition, a number of our major customers renegotiated labour contracts in 1981. As a result, we anticipate 1982 will be relatively free from labour-related disruptions to ship movements.

In 1981, the Company embarked on a program to modify its fleet of vessels so that they will conform to current fire-safety and sewage treatment standards as determined by the Canadian Coast Guard. This program will continue for at least another four years and will require a total expenditure in excess of $3,000,000. The safety of our crews and the proper regard for the environment in which they work make these expenditures imperative and will ensure that our fleet remains the newest and most modern on the Great Lakes.

The activities of the Marine Division in 1982 and beyond are viewed with some apprehension. Inflation and high interest rates will have a noticeable impact on our profitability as increases in operating costs outpace the freight-rate levels we are able to obtain. Of equal concern is the number of recent governmental decisions which will have a detrimental effect on the shipping industry. The most significant of these are the reduction in the Shipbuilding Industry Assistance Program subsidy from 20% to 9% for all vessels ordered after July 1, 1980 and the proposal in the Federal Budget of November 12, 1981 to limit the capital cost allowance, in the year an asset is acquired, to one-half the amount otherwise available.

Water transportation is an integral part of the economy of our country. For example, the Canadian fleet of Great Lakes vessels carried in excess of 100 million tons of bulk commodities in 1981. With continually increasing energy costs and with water transport significantly more fuel efficient than other modes of transportation, government initiatives would be better directed to the support of the marine shipping industry rather than to the creation of retrogressive policies which will inhibit the growth of the Canadian fleet.

The activities of Herb Fraser and Associates Limited, our ship repair subsidiary located in Port Colborne, Ontario, continued to provide a valuable service to the Great Lakes fleets, including our own. This company is especially skilled in repairing and maintaining shipboard self-unloading systems. The continuing growth in the number of self-unloading bulk vessels on the Great Lakes portends a very positive future for this facility.

P.R. Cresswell
Vice President and General Manager
Marine Division



| Marine — Net tons carried (thousands) | | | | | |
|---|---|---|---|---|---|
| | Ore | Coal and Coke | Grain | Other | Totals |
| 1981 | 3,688 | 3,212 | 1,478 | 5,930 | 14,308 |
| 1980 | 3,518 | 2,250 | 1,621 | 6,242 | 13,631 |
| 1979 | 4,185 | 2,227 | 1,195 | 7,119 | 14,726 |
| 1978 | 4,040 | 1,297 | 1,185 | 5,944 | 12,466 |
| 1977 | 4,115 | 1,368 | 1,337 | 5,332 | 12,152 |
| 1976 | 3,036 | 1,042 | 1,188 | 5,170 | 10,436 |
| 1975 | 2,999 | 1,078 | 1,413 | 4,854 | 10,344 |
| 1974 | 2,707 | 695 | 1,090 | 3,950 | 8,442 |
| 1973 | 2,950 | 1,233 | 1,590 | 3,858 | 9,631 |
| 1972 | 2,589 | 1,361 | 1,684 | 2,602 | 8,236 |

1 *M/V Algowood* undergoing sea trials.
2 *Hull 226* under construction.

# Rail operations

A record level of passenger travel occurred during 1981 and total freight tonnage remained fairly stable. Expenses increased slightly more than revenue, resulting in a small decline in operating results.

Increases in steel products, woodpulp, paper and by-products contributed to a record level for manufactured tonnage. The proportion of mining tonnage continued to decline as a result of production factors and major maintenance work by our customers. The economic climate has a detrimental effect on forestry traffic resulting in a continuation of the tonnage deterioration experienced since 1978. These trends can be observed in the chart of net tons carried, shown on the next page.

Excellent weather and a combination of the promotional efforts by the Ontario Ministry of Industry and Tourism and ourselves resulted in a record 106,200 people experiencing the Agawa Canyon Train Tour (4% more than 1980 and 2,800 more than the 1979 record). Winter storms on two key weekends and severe temperatures on one weekend prevented us from setting a record for passengers taking the Snow Train Tour. However, the 10,000 who did travel represented the second highest level of passengers on record. Passenger travel on the Tour-of-the-Line, between Sault Ste. Marie and Hearst, was also at the highest level with 2,700 passengers, 17% more than in 1980, taking the trip.

The Government of Canada has finalized payments toward operating losses to the end of 1979 from regular passenger train service, which the Canadian Transport Commission requires that we provide. Allowances for ongoing losses are being received monthly.

Applications for recreational use of our lands have continued at a high level. While interest in mineral exploration continues, inquiries about industrial lands have been somewhat less during the past year. Discussions about a rail-serviced industrial park in Sault Ste. Marie and the multi-use of resource and recreational lands are continuing with regulatory authorities. Although the results of an exploration joint venture, undertaken during 1980, in connection with a gold deposit have not been encouraging, further exploration work is scheduled. Currently, several firms have exploration programs in other areas on our lands.

Employees have continued to work conscientiously toward safe, efficient and quality operations and they are commended for their efforts in this regard. Labour contracts with all nine labour organizations expired on December 31, 1981. Negotiations for new contracts are proceeding satisfactorily in concert with the railway industry and our labour-management relations continue at a high level.

Fixed assets were upgraded during the year as planned. Six GP-38 locomotives were added to the fleet early in the summer. This enabled the Company to retire 12 older units and to reduce the working fleet from 34 to 28 locomotives which in turn offered increased fuel efficiencies. Twenty-three woodchip cars were also put into service. The program to install 115-pound rail on the Soo Subdivision started with 10 miles being upgraded

**S.A. Black**
Vice President, Rail

during 1981 and a further 16 miles scheduled for 1982. Other capital expenditures contributing to the total of $10,100,000 in 1981 went toward modernizing and upgrading equipment and facilities. Investments of $5,700,000 planned for 1982, which include the rail program mentioned above, are similarly oriented to replacement and productivity improvements.

Fuel prices increasing at a greater rate than the general level of inflation, wage levels under negotiation and the general economic climate will present challenges during 1982. Indications are that freight tonnages will weaken but passenger travel will be strong. Competitive pricing action will combine with cost controls to minimize adverse results in the current year.


| Rail — Net tons carried (thousands) | Mining | Manu-facturing | Forestry | Totals |
|---|---|---|---|---|
| 1981 | 1,993 | 1,296 | 455 | 3,744 |
| 1980 | 2,053 | 1,130 | 515 | 3,698 |
| 1979 | 2,383 | 1,139 | 545 | 4,067 |
| 1978 | 2,382 | 984 | 566 | 3,932 |
| 1977 | 2,338 | 832 | 492 | 3,662 |
| 1976 | 2,434 | 831 | 484 | 3,749 |
| 1975 | 1,881 | 683 | 281 | 2,845 |
| 1974 | 3,194 | 1,027 | 474 | 4,695 |
| 1973 | 2,875 | 1,056 | 506 | 4,437 |
| 1972 | 2,561 | 994 | 504 | 4,059 |

1 Railway cars in Sault Ste. Marie marshalling yard.
2 Agawa Canyon Train Tour winding its way through picturesque Algoma country.

# Trucking operations

Reflecting weakness in the economy, trucking operations continued with turbulent patterns in 1981. The current interest rate environment has exerted severe pressure on profits in this industry and has depressed both consumer and business activity. Truckload volume decreased during the year while less-than-truckload volume increased. This resulted in a small decline in total tonnage carried compared with 1980. Revenue growth reflected improved freight mix, positive rate actions and greater emphasis on obtaining more compensatory freight.

Better equipment utilization achieved during the year and a preventive maintenance program that produced savings in equipment repairs, along with a continuing emphasis on productivity improvements and cost controls, resulted in significant expense reductions and higher operating profit in 1981.

During the year, we received the appropriate authorities to operate over the Niagara River Gateway, within the Buffalo, New York commercial zone and to and from the Port Huron, Michigan commercial zone. We now are actively developing traffic to and from the Buffalo area which we expect will generate substantial revenues in the future. These operations are being conducted from terminal premises leased in Tonawanda, New York.

In January 1982, the Interstate Commerce Commission advised that they will extend the Thibodeau-Finch operating authorities within the United States to include New York, Michigan and eight contiguous states. We anticipate this will add significantly to our international hauls.

Warehousing operations exceeded our expectations for revenue and operating income in 1981, reflecting strong demand for public warehouse space in London, Chatham, and particularly Sarnia. During the year, a 134,000-square foot warehouse building in Windsor was purchased bringing total leasable space for the Division to 402,000 square feet.

Collective labour agreements for employees of Thibodeau-Finch in the United States and Ontario will expire March 31, 1982 and October 31, 1982 respectively. As a result of depressed

**L.J. Thibodeau**
President
Thibodeau-Finch Express Limited

industry conditions, the Teamsters Union in the United States has agreed with a management request to begin bargaining at an early date and we expect a new contract will be in effect when the current one expires.

Our outlook for 1982 anticipates continued strength in warehousing operations with improved utilization of the new Windsor warehouse. We are optimistic that trucking operations will improve in 1982 if the expected economic recovery in the last half of the year is realized.


A Thibodeau-Finch tractor and trailer with the Renaissance Center in Detroit shown in the background.

# Real Estate operations

Total revenue from all properties grew by 35% in 1981 to $6,161,000 from $4,550,000 in 1980. This reflects a full year of operation for the Algo Centre which opened during 1980. It also reflects the Phase II expansion to Station Mall which opened in August 1981, as scheduled. Operating income (income before interest expense and income taxes) increased significantly as a result of the higher revenue.

The Algo Centre is a commercial complex located on a 12-acre site in Elliot Lake, Ontario. It consists of a multi-level shopping centre totalling 176,000 square feet of leasable space, 9,900 square feet of office space and an 87-room hotel. The hotel, with lounge and restaurant, is operated by Algocen Realty. As a result of the poor business climate and delays in the construction of new housing in Elliot Lake, the leasing of mall space to date is below our original expectations, although, it is over 85% leased at this time. Five hundred new homes were built at the new town site in 1981 and a total of 1,500 additional homes are planned for construction in 1982 and 1983. The anticipated population growth will add to the retail market available to our merchant tenants. Retail sales per square foot during the last six months of 1981 were an encouraging 29% higher than those during the corresponding 1980 period.

In Sault Ste. Marie, the 126,000-square foot addition to Station Mall opened on schedule in August of 1981 and increased the size of the shopping centre to 364,000 square feet of leasable floor space.

**N.J. Hirt**
Vice President and General Manager
Algocen Realty Holdings Limited

Zellers' department store, with 67,000 square feet, is the anchor. Thirty-three new stores were added, bringing the total number of tenants to eighty-three. The fashion-oriented tenant mix is proving to be strong with sales significantly above the national average. The six-storey office tower, the 102-unit apartment building and the 200-room Holiday Inn, all in Sault Ste. Marie, are fully leased with revenues up to expectations. Further real estate developments are not planned at this time.

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**1** View of Station Mall Phase II and some of our new tenants.
**2** Station Mall fast food eatery which was expanded and redecorated in 1981.

# Financial review

The accompanying consolidated financial statements and notes thereto have been prepared by management. Where estimates or approximations have been used, they were based upon careful judgment and information available up to February 26, 1982. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality.

The second note to the financial statements describes two accounting changes made in 1981. The first, regarding the accounting treatment of certain payments from the Government of Canada, was made because the method to determine these payments was finally established during 1981. The second, dealing with the capitalization of certain interest payments, was made to conform with the generally accepted accounting practice of capitalizing such interest where it is significant. This latter change was not made retroactively as information relating to all prior years is not available.

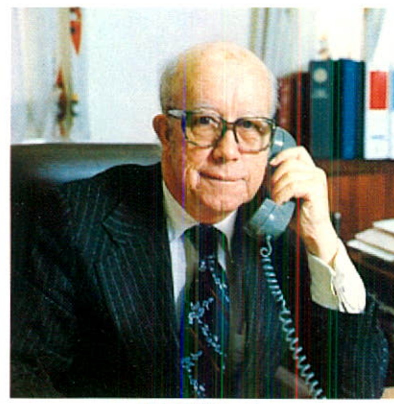
At year end, capital commitments totalling approximately $67,000,000 were outstanding; $58,400,000 for vessels under construction, $4,300,000 for vessel productivity and safety standard improvements, $3,700,000 for railway track upgrading and $600,000 for new highway tractors. Approximately $22,000,000 of the total will be spent in 1982; the balance of $45,000,000 in 1983.

Long-term debt was 113% of shareholders' equity at December 31, 1981 (67% of shareholders' equity plus deferred income taxes). As a general policy, we restrict long-term debt to 100% of shareholders' equity. While this precept was exceeded at year end, our projections, reflecting existing anticipated capital commitments, show that these percentages will decline significantly from this level over the next few years.

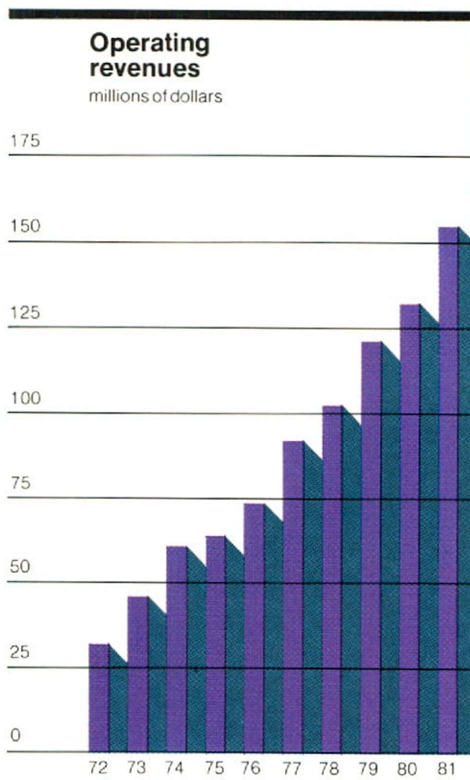
At the same time, volatile interest rates, which are the subject of much discussion in the financial press, are a problem for us. We continue to seek an opportunity to obtain more fixed-rate longer term financing at acceptable rates.

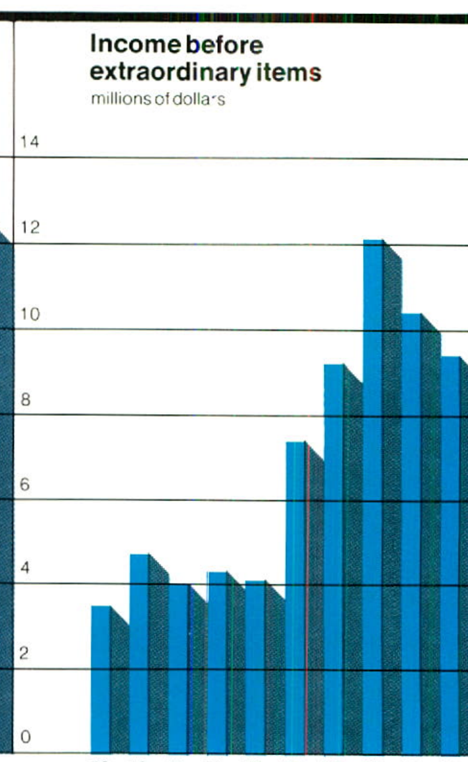
On November 12, 1981, the Minister of Finance announced a number of proposed changes to income tax legislation which would retroactively affect many taxpayers. With regard to the vessel we ordered in 1979 and will receive from the Canadian shipbuilder in 1983, one proposed change alone would reduce our cash flow by $3,700,000 in 1983. We have strongly objected to these retroactive changes which create uncertainty in Canada and play havoc with long-range business plans.

R.G. Topp
Vice President, Finance



T.B. Gillespie
Treasurer and Corporate Development Manager



# Consolidated Statement of Income and Retained Income

| Year ended December 31, 1981 | 1981 | 1980 |
|---|---|---|
| **Revenue** | | |
| Marine | $ 79,791,000 | $ 66,442,000 |
| Rail | 36,562,000 | 32,184,000 |
| Trucking | 32,603,000 | 29,298,000 |
| Real Estate | 6,161,000 | 4,550,000 |
| | 155,117,000 | 132,474,000 |
| **Expenses** | | |
| Operations | 104,396,000 | 86,812,000 |
| Depreciation and amortization | 13,176,000 | 11,079,000 |
| Administrative and general | 7,835,000 | 7,261,000 |
| | 125,407,000 | 105,152,000 |
| **Income from Operations** | 29,710,000 | 27,322,000 |
| **Other Expenses (Income)** | | |
| Equity in earnings of associated companies | (60,000) | (82,000) |
| Other income | (633,000) | (525,000) |
| Interest | 12,812,000 | 7,510,000 |
| | 12,119,000 | 6,903,000 |
| **Income before Income Taxes** | 17,591,000 | 20,419,000 |
| **Income Taxes** | 8,167,000 | 9,977,000 |
| **Net Income** | 9,424,000 | 10,442,000 |
| **Retained Income, Beginning of Year** | | |
| As previously reported | 66,398,000 | 59,754,000 |
| Accounting change — Note 2 | 1,054,000 | 1,014,000 |
| As restated | 67,452,000 | 60,768,000 |
| | 76,876,000 | 71,210,000 |
| **Dividends** | 4,143,000 | 3,758,000 |
| **Retained Income, End of Year** | $ 72,733,000 | $ 67,452,000 |
| **Earnings per Share** | $2.75 | $3.14 |

# Consolidated Balance Sheet

| December 31, 1981 | 1981 | 1980 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash | $ 195,000 | $ 246,000 |
| Accounts receivable | 20,516,000 | 17,463,000 |
| Materials and supplies | 6,285,000 | 7,201,000 |
| Prepaid expenses | 1,395,000 | 1,594,000 |
| Income taxes recoverable | 2,321,000 | — |
| | 30,712,000 | 26,504,000 |
| Accident Compensation Fund | 843,000 | 677,000 |
| Investments — Note 3 | 4,378,000 | 4,700,000 |
| Forest Lands — at nominal value | 1,000 | 1,000 |
| Fixed Assets — Note 4 | 226,931,000 | 195,347,000 |
| Other Assets — Note 5 | 5,497,000 | 5,320,000 |
| | $268,362,000 | $232,549,000 |

Approved by the Board:

H M R Jackman Director

L N Savoie Director

(Incorporated by Special Act of the Parliament of Canada)

| | 1981 | 1980 |
|---|---|---|
| **Liabilities** | | |
| Current Liabilities | | |
| Bank indebtedness | $ 2,665,000 | $ 2,073,000 |
| Accounts payable and accrued charges | 15,807,000 | 13,530,000 |
| Income taxes | — | 198,000 |
| Current portion of long-term debt | 2,131,000 | 2,736,000 |
| Dividend payable | 1,191,000 | 1,013,000 |
| | 21,794,000 | 19,550,000 |
| Provision for Accident Compensation | 843,000 | 677,000 |
| Provision for Vessel Maintenance | 3,946,000 | 2,999,000 |
| Deferred Income Taxes — Note 7 | 58,807,000 | 49,984,000 |
| Long-Term Debt — Note 6 | 96,902,000 | 80,959,000 |
| Minority Interest in Subsidiary Company | 10,000 | 10,000 |
| | 182,302,000 | 154,179,000 |
| **Shareholders' Equity** — Note 8 | | |
| Share Capital | | |
| Authorized | | |
| 170,000 preferred shares, par value $50 each | | |
| 5,000,000 common shares, par value $2 each | | |
| Issued and fully paid | | |
| 3,506,000 common shares (1980 — 3,377,000) | 7,012,000 | 6,753,000 |
| Contributed Surplus | 6,315,000 | 4,165,000 |
| Retained Income | 72,733,000 | 67,452,000 |
| | 86,060,000 | 78,370,000 |
| | $268,362,000 | $232,549,000 |

# Consolidated Statement of Changes in Financial Position

| Year ended December 31, 1981 | 1981 | 1980 |
|---|---|---|
| **Sources of Working Capital** | | |
| Operations | | |
| Net income | $ 9,424,000 | $10,442,000 |
| Items not affecting working capital | | |
| Depreciation and amortization | 13,176,000 | 11,079,000 |
| Deferred income taxes | 8,823,000 | 7,490,000 |
| Provision for vessel maintenance | 947,000 | 433,000 |
| Gain on sale of fixed assets | (468,000) | (281,000) |
| Equity in earnings of associated companies | (60,000) | (82,000) |
| | 31,842,000 | 29,081,000 |
| Increase in long-term debt | 18,729,000 | 14,865,000 |
| Dividends reinvested — Note 8 | 2,409,000 | 2,382,000 |
| Proceeds on sale of fixed assets | 585,000 | 412,000 |
| Investments | 382,000 | — |
| | 53,947,000 | 46,740,000 |
| **Uses of Working Capital** | | |
| Additions to fixed assets | 44,796,000 | 37,453,000 |
| Investments | — | 1,827,000 |
| Repayment of long-term debt | 2,786,000 | 3,114,000 |
| Dividends | 4,143,000 | 3,758,000 |
| Other | 258,000 | 83,000 |
| | 51,983,000 | 46,235,000 |
| **Increase in Working Capital** | 1,964,000 | 505,000 |
| **Working Capital, Beginning of Year** | | |
| As previously reported | 5,900,000 | 5,435,000 |
| Accounting change — Note 2 | 1,054,000 | 1,014,000 |
| As restated | 6,954,000 | 6,449,000 |
| **Working Capital, End of Year** | $ 8,918,000 | $ 6,954,000 |

## Auditors' Report

**Deloitte Haskins+Sells**

To the Shareholders of Algoma Central Railway:

We have examined the consolidated balance sheet of Algoma Central Railway as at December 31, 1981 and the consolidated statements of income and retained income and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the changes in methods of accounting for interest costs during construction and payments receivable from the Government of Canada explained in Note 2, on a basis consistent with that of the preceding year.

Deloitte Haskins Sells

Chartered Accountants
Toronto, Canada
February 26, 1982

# Notes to the Consolidated Financial Statements

## December 31, 1981

### 1. Significant Accounting Policies

The consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in Canada and include the accounts of Algoma Central Railway and its subsidiary companies, reflect the following policies:

*Materials and supplies:*
Materials and supplies are valued at cost determined on a first-in, first-out basis.

*Investments:*
The Company accounts for its investment in the common shares of associated companies and in the real estate joint venture on the equity basis.

*Fixed assets:*
Fixed assets are stated at cost. The depreciation policy of the Company is to write off the cost of fixed assets other than land over their estimated useful lives on a straight-line basis, except for the buildings and site improvements owned by the real estate subsidiary. The cost of these latter assets is written off on the sinking-fund basis over thirty-five years at 5% compounded annually.

*Goodwill:*
Goodwill on the acquisition of subsidiaries is allocated to assets where applicable and any excess is then amortized over periods not exceeding twenty years.

*Deferred exploration and development expenditures:*
Exploration and development expenditures incurred in connection with mining projects are deferred pending a decision as to the commercial viability of a project. Deferred expenditures relating to projects deemed commercially viable will be capitalized as mining properties and mineral rights and subsequently depleted on a unit-of-production method. Deferred expenditures relating to projects abandoned are written off at the time of abandonment.

*Deferred charges:*
Deferred charges are amortized on a straight-line basis over the life of the related asset or liability.

*Earnings per share:*
Earnings per share are calculated using the weighted average number of shares outstanding during the year.

*Foreign currencies:*
Foreign currency amounts are translated to Canadian dollars as follows:
Current assets and current liabilities — at the exchange rate prevailing at the year end.
Income and expenses — at rates approximating the exchange rates prevailing on the dates of the transactions.
Non-current assets, accumulated depreciation and long-term debt — at exchange rates prevailing at the time of acquisition or issue.

### 2. Accounting Changes

*Passenger train revenue — Note 9:*
In 1981 the Company changed, on a retroactive basis, from the cash to the accrual method for recording payments receivable from the Government of Canada in respect of passenger train service between Sault Ste. Marie and Hearst, Ontario. As a result of this change, retained income at December 31, 1980 increased from that originally reported by $1,054,000 net of applicable income taxes. Of the latter amount, $40,000 is applicable to 1980 and has been credited to income of that year; the remaining $1,014,000 is applicable to years prior thereto and has been added to retained income at January 1, 1980. The effect of this change reduced 1981 net income by $869,000. Working capital at the beginning of the year also has been restated as a result of this change.

*Capitalized interest:*
In prior years the Company followed the practice of capitalizing interest on funds borrowed directly to finance real estate projects during the construction period. Commencing in 1981 the Company adopted the practice of capitalizing interest incurred on funds borrowed directly to finance other fixed asset acquisitions during the construction period. As a result of this change, which has not been applied retroactively as information relating to prior years is not available, interest of $1,269,000 has been capitalized to December 31, 1981.

### 3. Investments

| | Share of Ownership | Carrying Value 1981 | Carrying Value 1980 |
|---|---|---|---|
| Associated companies: | | | |
| Viking Helicopters Limited | | $ — | $2,025,000 |
| All Canadian-American Investments Limited | 33.6% | **647,000** | 587,000 |
| Real estate joint venture | 50.0% | **2,001,000** | 1,856,000 |
| Long-term receivables | | **1,563,000** | 43,000 |
| Other | | **167,000** | 189,000 |
| | | **$4,378,000** | $4,700,000 |

During the year the Company disposed of its interest in Viking Helicopters Limited for cash and a secured long-term receivable. There was no significant gain or loss on the transaction.

# Notes continued

## 4. Fixed Assets

| 1981 | | | | |
|---|---|---|---|---|
| | Land | Depreciable Assets | Accumulated Depreciation | Net |
| Marine | $ 55,000 | $193,684,000 | $50,204,000 | $143,535,000 |
| Rail | 608,000 | 63,520,000 | 33,689,000 | 30,439,000 |
| Trucking | 1,768,000 | 29,450,000 | 13,240,000 | 17,978,000 |
| Real Estate | 784,000 | 36,800,000 | 2,605,000 | 34,979,000 |
| | $3,215,000 | $323,454,000 | $99,738,000 | $226,931,000 |

| 1980 | | | | |
|---|---|---|---|---|
| | Land | Depreciable Assets | Accumulated Depreciation | Net |
| Marine | $ 55,000 | $166,877,000 | $41,596,000 | $125,336,000 |
| Rail | 608,000 | 56,822,000 | 35,121,000 | 22,309,000 |
| Trucking | 1,336,000 | 27,713,000 | 11,469,000 | 17,580,000 |
| Real Estate | 784,000 | 31,345,000 | 2,007,000 | 30,122,000 |
| | $2,783,000 | $282,757,000 | $90,193,000 | $195,347,000 |

## 5. Other Assets — at cost less amounts amortized

| | 1981 | 1980 |
|---|---|---|
| Licences and related goodwill | $3,410,000 | $3,350,000 |
| Deferred exploration and development | 1,074,000 | 1,059,000 |
| Deferred charges | 1,013,000 | 911,000 |
| | $5,497,000 | $5,320,000 |

## 6. Long-Term Debt

| | 1981 | 1980 |
|---|---|---|
| Bank loans and acceptances | $65,660,000 | $46,932,000 |
| 8¾% first mortgage sinking fund bonds, Series B, due June 1, 1991 | 5,400,000 | 6,000,000 |
| 9⅞% first mortgage sinking fund bonds, Series C, due October 17, 1997 | 13,400,000 | 13,870,000 |
| 9% blended payment bonds, due January 1, 1999 — secured | 7,175,000 | 7,439,000 |
| 10¼% mortgage, repayable in equal monthly blended payments of $18,000, due November 15, 1982 | 1,881,000 | 1,910,000 |
| 10¼% mortgage, repayable in equal monthly blended payments of $17,000, due June 1, 1988 | 1,905,000 | 1,913,000 |
| 9½% promissory notes, repayable in equal annual instalments of $517,000, due September 30, 1982 — secured | — | 517,000 |
| 11⅜% mortgage, repayable in equal monthly blended payments of $10,000, due May 1, 1995 | 838,000 | 868,000 |
| Transport equipment loans — secured | — | 38,000 |
| Amounts payable in respect of construction in progress which will be converted to long-term debt in subsequent period | 277,000 | 1,050,000 |
| 7½% capitalized leases, expiring by November 30, 1986 | 366,000 | 422,000 |
| | $96,902,000 | $80,959,000 |

Interest on long-term debt amounted to $12,615,000 in 1981 (1980 — $7,372,000). Bond discount amortized amounted to $21,000 in 1981 (1980 — $20,000). Anticipated principal repayments during the next five years are as follows:

| | |
|---|---|
| 1982 | $2,131,000 |
| 1983 | $2,644,000 |
| 1984 | $2,346,000 |
| 1985 | $1,862,000 |
| 1986 | $1,907,000 |

Sinking fund principal requirements are $600,000 annually for the years 1982 to 1990, inclusive, for the Series B bonds and $800,000 annually for the years 1982 to 1996, inclusive, for the Series C bonds. The Company has purchased $585,000 Series B and $426,000 Series C bonds which qualify for application against future sinking fund requirements.

The 9% blended payment bonds are repayable in semi-annual instalments of $412,000 including interest and principal plus annual supplementary principal payments based upon revenue from the collateral property. The supplementary amount due in 1982 is $102,000.

The Company intends to refinance the10¼% mortgage due November 15, 1982 prior to its maturity date and accordingly it has not been included in current liabilities.

The Company arranges bank borrowings with various maturities according to requirements. The amounts shown as long-term debt consist of a series of loans which require repayment commencing in 1983. The weighted average interest rate is 17.4%. As security for certain bank loans, the Company has pledged shares of certain subsidiary companies.

## 7. Income Taxes

Income taxes are accounted for on the tax-allocation basis. Timing differences creating deferred income taxes result primarily from claiming capital cost allowances in excess of depreciation in the accounts.

Investment tax credits are accounted for by the modified flow-through method whereby the reduction in current income taxes payable is applied in part to increase deferred income taxes, $321,000 in 1981 (1980 — $176,000) and in part to reduce income tax expense, $321,000 in 1981 (1980 — $164,000). Unused investment tax credits available to reduce current income taxes in future years amount to $2,739,000.

## 8. Shareholders' Equity

*Share capital and contributed surplus:*

Common shareholders may elect under the dividend reinvestment plan to reinvest cash dividends in common shares or under the stock dividend plan to receive dividends in the form of common shares. During the year, 129,000 shares were issued pursuant to these plans for an aggregate consideration of $2,409,000 of which $259,000 was applied to common share capital and $2,150,000 to contributed surplus.

*Dividend restrictions:*

Dividends on the common shares are restricted pursuant to the second supplemental mortgage trust deed. Consolidated shareholders' equity not subject to this restriction is $46,060,000.

### 9. Passenger Train Service

Pursuant to the Railway Act, the Canadian Transport Commission has ordered the Company to provide passenger train service between Sault Ste. Marie and Hearst, Ontario. Eighty percent of any losses incurred in providing this service is recoverable from the Government of Canada. The amount included in revenue in 1981 is $1,963,000 (1980 — $1,883,000) — Note 2.

### 10. Segmented Information

1981

| | Transportation | Real Estate | Corporate | Total |
|---|---|---|---|---|
| Revenue | $148,956,000 | $ 6,161,000 | $ — | $155,117,000 |
| Income from operations | $ 26,451,000 | $ 3,259,000 | $ — | $ 29,710,000 |
| Deduct (add): | | | | |
| Interest | | | | 12,812,000 |
| Equity earnings | | | | (60,000) |
| Other income | | | | (633,000) |
| Income taxes | | | | 8,167,000 |
| Net income | | | | $ 9,424,000 |
| Assets | $226,573,000 | $36,468,000 | $5,321,000 | $268,362,000 |
| Capital expenditures | $ 39,341,000 | $ 5,455,000 | $ — | $ 44,796,000 |
| Depreciation and amortization | $ 12,506,000 | $ 649,000 | $ 21,000 | $ 13,176,000 |

1980

| | Transportation | Real Estate | Corporate | Total |
|---|---|---|---|---|
| Revenue | $127,924,000 | $ 4,550,000 | $ — | $132,474,000 |
| Income from operations | $ 24,882,000 | $ 2,440,000 | $ — | $ 27,322,000 |
| Deduct (add): | | | | |
| Interest | | | | 7,510,000 |
| Equity earnings | | | | (82,000) |
| Other income | | | | (525,000) |
| Income taxes | | | | 9,977,000 |
| Net income | | | | $ 10,442,000 |
| Assets | $196,162,000 | $31,399,000 | $4,988,000 | $232,549,000 |
| Capital expenditures | $ 29,121,000 | $ 8,332,000 | $ — | $ 37,453,000 |
| Depreciation and amortization | $ 10,543,000 | $ 516,000 | $ 20,000 | $ 11,079,000 |

### 11. Bond Redemption Funds

The unclaimed portion of funds placed with the trustee in 1959 for the redemption of the 5% income debenture stock and/or bonds which matured in that year has been invested and the Company has taken into income the earnings thereon. The balance of funds unclaimed on March 10, 1989 will be returned to the Company. The unclaimed funds held by the trustee amount to $669,000.

### 12. Pension Plans

The Company has unfunded past service pension liabilities of about $3,724,000 which will be funded and charged to operations over the next twelve years by annual payments of approximately $449,000.

### 13. Leases

Capital leases entered into after December 31, 1978 are accounted for as assets and obligations; those prior thereto, as operating leases. The Company is committed to annual rental payments of $1,689,000 for rolling stock under capital leases commencing prior to 1979 and expiring at various dates until 1992. If these leases had been capitalized, the values would be as follows:

| | 1981 | 1980 |
|---|---|---|
| (a) Assets under capital leases | $14,060,000 | $14,437,000 |
| Less accumulated amortization | 5,861,000 | 5,258,000 |
| Net capital lease assets | $ 8,199,000 | $ 9,179,000 |
| (b) Obligations under capital leases | $ 9,791,000 | $10,793,000 |
| Less current portion | 763,000 | 709,000 |
| Long-term capital lease obligations | $ 9,028,000 | $10,084,000 |
| In addition net income would have increased (decreased) by | $ 11,000 | $ (44,000) |

### 14. Capital Commitments

The Company has outstanding capital commitments of approximately $67,000,000 which are due for payment in 1982 — $22,000,000 and 1983 — $45,000,000.

### 15. Guarantee

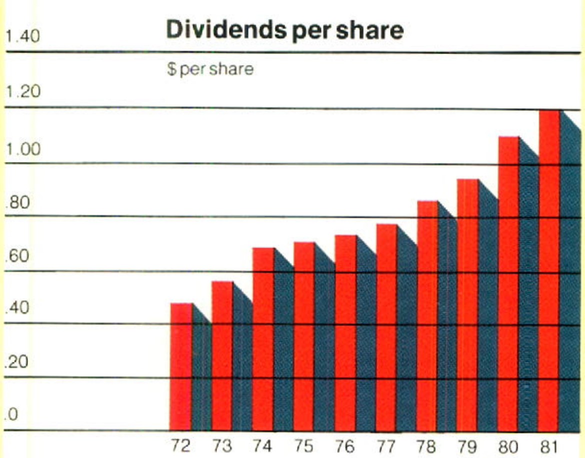
A subsidiary has guaranteed repayment, by the real estate joint venture, of certain bank indebtedness. Liability under this guarantee is about U.S. $1,100,000.

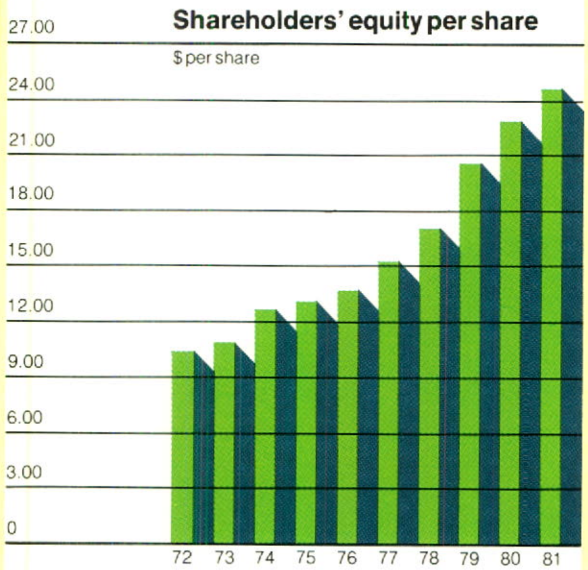
### 16. Comparative Figures

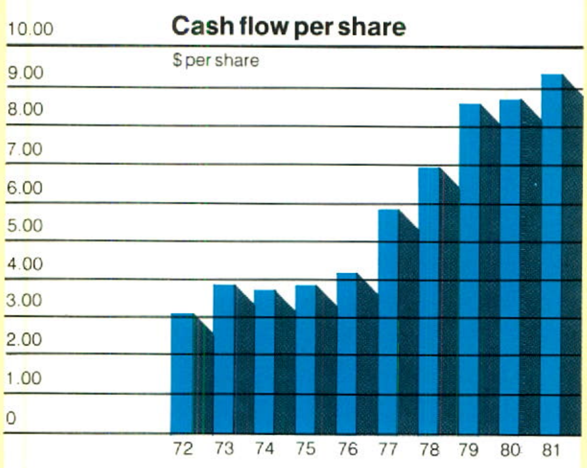
Certain of the 1980 comparative figures have been reclassified to conform to the presentation adopted in 1981.

# Ten Year Summary

(Dollars in thousands except per share data)




| | 1981 |
|---|---|
| Revenue | |
| Marine | $ 79,791 |
| Rail | $ 36,562 |
| Trucking | $ 32,603 |
| Real Estate | $ 6,161 |
| | $155,117 |
| Net income | |
| Before extraordinary items | $ 9,424 |
| After extraordinary items | $ 9,424 |
| Depreciation and amortization | $ 13,176 |
| Cash flow from operations | $ 31,842 |
| Dividends paid | $ 3,965 |
| Capital expenditures | |
| Marine | $ 26,818 |
| Rail | $ 10,094 |
| Trucking | $ 2,429 |
| Real Estate | $ 5,455 |
| | $ 44,796 |
| Net fixed assets | |
| Marine | $143,535 |
| Rail | $ 30,439 |
| Trucking | $ 17,978 |
| Real Estate | $ 34,979 |
| | $226,931 |
| Long-term debt (LTD) | $ 96,902 |
| Shareholders' equity | $ 86,060 |
| LTD as % of net fixed assets | 43% |
| LTD as % of shareholders' equity | 113% |
| Dividends as % of net income (before extraordinary items) | 44% |
| Operating ratio | 80.8% |
| Working capital ratio | 1.41/1 |
| **Common Share Statistics** | |
| Common shares (000)—end of year | 3,506 |
| —average | 3,431 |
| Net income | |
| First Quarter | $ .08 |
| Second Quarter | $ 1.04 |
| Third Quarter | $ .99 |
| Fourth Quarter | $ .64 |
| Total before extraordinary items | $ 2.75 |
| Total after extraordinary items | $ 2.75 |
| Quoted market value | |
| High | $24.25 |
| Low | $15.50 |
| Dividends paid | $ 1.20 |
| Cash flow | $ 9.28 |
| Shareholders' equity | $24.55 |

| 1980 | 1979 | 1978 | 1977 | 1976 | 1975 | 1974 | 1973 | 1972 |
|---|---|---|---|---|---|---|---|---|
| 66,442 | 57,206 | 43,612 | 41,094 | 30,928 | 28,770 | 19,304 | 17,705 | 13,215 |
| 32,184 | 30,439 | 26,822 | 22,957 | 20,208 | 14,063 | 18,285 | 15,905 | 14,540 |
| 29,298 | 31,466 | 30,187 | 25,227 | 19,635 | 18,995 | 22,209 | 11,948 | 4,652 |
| 4,550 | 2,909 | 2,658 | 2,903 | 2,905 | 1,775 | 1,199 | 170 | — |
| 132,474 | 122,020 | 103,279 | 92,181 | 73,676 | 63,603 | 60,997 | 45,728 | 32,407 |
| 10,442 | 12,119 | 9,213 | 7,424 | 4,144 | 4,296 | 4,039 | 4,668 | 3,549 |
| 10,442 | 16,348 | 9,213 | 7,424 | 4,144 | 4,296 | 8,620 | 4,668 | 3,549 |
| 11,079 | 9,744 | 8,146 | 7,778 | 6,028 | 5,810 | 5,245 | 4,359 | 3,742 |
| 29,081 | 28,672 | 23,378 | 19,856 | 13,652 | 12,640 | 12,601 | 12,739 | 10,091 |
| 3,647 | 3,148 | 2,853 | 2,558 | 2,410 | 2,361 | 2,262 | 1,885 | 1,557 |
| 23,754 | 23,796 | 15,559 | 13,381 | 17,576 | 16,528 | 7,689 | 5,830 | 7,045 |
| 3,204 | 3,724 | 3,663 | 1,266 | 1,995 | 487 | 1,231 | 925 | 727 |
| 2,163 | 8,176 | 3,496 | 2,056 | 578 | 1,263 | 2,815 | 4,039 | 4,505 |
| 8,332 | 6,629 | 961 | 1,096 | 30 | 438 | 4,645 | 9,746 | — |
| 37,453 | 42,325 | 23,679 | 17,799 | 20,179 | 18,716 | 16,380 | 20,540 | 12,277 |
| 125,336 | 108,636 | 91,926 | 81,497 | 72,903 | 58,428 | 44,760 | 42,382 | 38,995 |
| 22,309 | 20,814 | 18,709 | 16,458 | 16,891 | 16,495 | 17,452 | 17,972 | 18,300 |
| 17,580 | 17,319 | 11,381 | 9,264 | 8,418 | 9,193 | 9,260 | 7,678 | 4,221 |
| 30,122 | 22,239 | 15,919 | 15,252 | 14,428 | 14,661 | 14,541 | 10,038 | — |
| 195,347 | 169,008 | 137,935 | 122,471 | 112,640 | 98,777 | 86,013 | 78,070 | 61,516 |
| 80,959 | 69,207 | 59,427 | 51,880 | 51,538 | 41,942 | 44,360 | 36,661 | 23,503 |
| 78,370 | 69,305 | 56,220 | 49,958 | 45,140 | 43,455 | 41,381 | 35,243 | 34,218 |
| 41% | 41% | 43% | 42% | 46% | 42% | 52% | 47% | 38% |
| 103% | 100% | 106% | 104% | 114% | 97% | 107% | 104% | 69% |
| 35% | 26% | 31% | 34% | 58% | 55% | 56% | 40% | 44% |
| 79.4% | 76.8% | 79.1% | 80.0% | 83.5% | 83.4% | 81.3% | 76.8% | 75.5% |
| 1.36/1 | 1.30/1 | 1.33/1 | 1.20/1 | 1.35/1 | 1.28/1 | 1.34/1 | 1.18/1 | 1.31/1 |
| 3,377 | 3,279 | 3,279 | 3,279 | 3,279 | 3,279 | 3,279 | 3,279 | 3,279 |
| 3,324 | 3,279 | 3,279 | 3,279 | 3,279 | 3,279 | 3,279 | 3,279 | 3,279 |
| .28 | .31 | .14 | .01 | (.10) | (.02) | .11 | .16 | .05 |
| .89 | .93 | .87 | .66 | .43 | .32 | .42 | .38 | .23 |
| .96 | 1.28 | 1.01 | 1.05 | .56 | .44 | .24 | .50 | .38 |
| 1.01 | 1.18 | .79 | .54 | .37 | .57 | .46 | .38 | .42 |
| 3.14 | 3.70 | 2.81 | 2.26 | 1.26 | 1.31 | 1.23 | 1.42 | 1.08 |
| 3.14 | 4.99 | 2.81 | 2.26 | 1.26 | 1.31 | 2.63 | 1.42 | 1.08 |
| 26.00 | 27.50 | 24.00 | 16.00 | 15.00 | 16.37 | 14.87 | 16.50 | 13.00 |
| 22.00 | 18.75 | 15.62 | 10.25 | 10.75 | 9.62 | 9.00 | 11.50 | 8.50 |
| 1.10 | .96 | .87 | .78 | .735 | .72 | .69 | .575 | .475 |
| 8.75 | 8.74 | 7.13 | 6.06 | 4.18 | 3.85 | 3.84 | 3.89 | 3.08 |
| 23.21 | 21.14 | 17.15 | 15.24 | 13.77 | 13.25 | 12.62 | 10.75 | 10.44 |

# Organization of Algoma Central Railway

### Marine Operations

*Marine Division*
Operates 13 ships of which 11 are owned by the Company.
Supervises the ship repair and maintenance business.

*Algoma Steamships Limited*
Owns 2 ships chartered to and operated by the Company.

*Herb Fraser and Associates Limited*
Performs ship repairs and maintenance.
Fabricates and repairs industrial metal products.
Operations based in Port Colborne.

### Rail Operations

*Rail Division*
Operates the Company's freight and passenger railway system.

*Forest Lands and Minerals*
Supervises use and development of 850,000 acres of land in Algoma region owned by the Company.

*Algocen Mines Limited*
Holds mining lease on silica-kaolin deposit north of Hearst, Ontario.

### Trucking Operations

*Algocen Transport Holdings Limited*
Owns 4 terminals operated by Thibodeau-Finch Express Limited.

*Thibodeau-Finch Express Limited*
Owns 2 terminals and leases 2 terminals.
Owns trucking fleet.
Operates 10 terminals.
Operates trucking routes from Detroit and Buffalo to Toronto and Montreal.

*Transport T.F. Québec Limitée*
Owns trucking fleet.
Operates 1 terminal.
Operates trucking routes between Montreal and St. Jean, Quebec.

*Flanagan Warehousing & Distribution Co. Ltd.*
Conducts warehousing operations from premises owned in London, Chatham, Windsor and Sarnia. Two of these house terminals operated by Thibodeau-Finch Express Limited.
Operates cartage services in southern Ontario.
Owns a fleet of trucks.

### Real Estate Operations

*Algocen Realty Holdings Limited*
Owns a shopping centre-hotel-office tower complex and apartment building in Sault Ste. Marie. Manages the shopping centre, office tower and apartment building.
Owns and manages a shopping centre-hotel complex with office space in Elliot Lake.

### Investment in the United States

*ACR Delaware, Inc.*
Holding company for investments made in the United States.

*Algocen, Florida, Inc.*
Partner in real estate joint venture.

*All subsidiaries are wholly owned with the exception of Algocen Mines Limited which is 90% owned.*

**Directors**

*Douglas A. Berlis, Q.C.
Toronto, Ontario
*Senior Partner, Aird & Berlis*

H. Michael Burns, King, Ontario
*Chairman and Chief Executive Officer, Extendicare Ltd.*

Peter R. Cresswell, P.Eng.
Sault Ste. Marie, Ontario
*Vice President and General Manager, Marine Division, Algoma Central Railway*

George C. Hitchman,
Toronto, Ontario
*Company Director*

†*Henry N. R. Jackman,
Toronto, Ontario
*Chairman of the Board, The Empire Life Insurance Company*

*John J. Jodrey,
Hantsport, Nova Scotia
*President, Minas Basin Pulp and Power Company Limited*

†Arthur J. Little, F.C.A.
Toronto, Ontario
*Company Director*

†W. Darcy McKeough,
Chatham, Ontario
*President and Chief Executive Officer, Union Gas Limited*

*Leonard N. Savoie, P.Eng.
Sault Ste. Marie, Ontario
*President and Chief Executive Officer, Algoma Central Railway*

Leo J. Thibodeau, Windsor, Ontario
*President and Chief Executive Officer, Thibodeau-Finch Express Limited*

James W. Whittall,
Vancouver, B.C.
*Company Director*

*Member of Executive Committee
†Member of Audit Committee

**Officers**

Henry N. R. Jackman,
*Chairman of the Board*

Leonard N. Savoie, P.Eng.
*President and Chief Executive Officer*

Douglas A. Berlis, Q.C.
*Vice President, General Counsel and Secretary*

Stanley A. Black,
*Vice President, Rail*

Peter R. Cresswell, P.Eng.
*Vice President and General Manager, Marine Division*

Robert G. Topp, C.A.
*Vice President, Finance*

Thomas B. Gillespie, C.A.
*Treasurer and Corporate Development Manager*

Herbert A. Fraser,
*Vice President and General Manager, Herb Fraser and Associates Limited*

Nicholas J. Hirt, P.Eng.
*Vice President and General Manager, Algocen Realty Holdings Limited*

Leo J. Thibodeau,
*President and Chief Executive Officer, Thibodeau-Finch Express Limited*

**Transfer Agent**

The Royal Trust Company
Toronto—Halifax—Montreal—Vancouver

*Stock listed on the Toronto Stock Exchange —Symbol "ALC"*

**Banks**

Bank of Nova Scotia
Bank of Montreal
Royal Bank of Canada

**Auditors**

Deloitte Haskins + Sells

**Solicitors**

Aird & Berlis

**Stock Dividend Plan**
**Dividend Reinvestment Plan**

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Algoma Central Railway
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Sault Ste. Marie, Ontario
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