



FLYING TIGER LINE

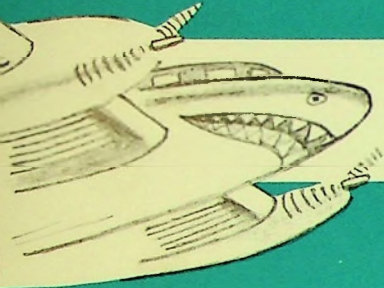


Annual Report

The Flying Tiger Line Inc.

for the year ended June 30 1955

Annual Report



The Flying Tiger Line Inc.

for the year ended June 30



highlights of the year's operations

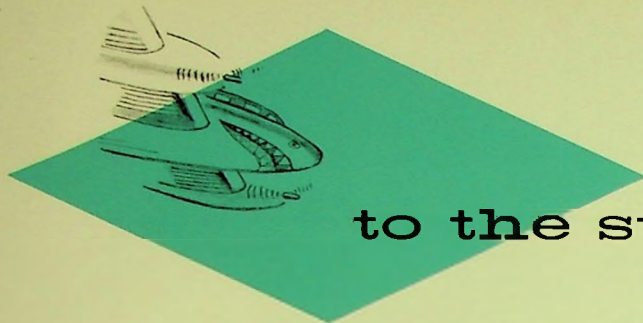
The Company completed the 1955 fiscal year with net income and special credits of \$400,188, as compared with a loss of \$424,545 for the previous fiscal year. This result of operations is particularly significant inasmuch as the Company gross operating revenue decreased \$3,279,630 during the 1955 fiscal year.

A comparison of highlights for the fiscal year follows:

	1955	1954
Gross operating revenue.....	\$15,363,289	\$18,642,919
Domestic freight revenues.....	\$ 6,028,516	\$ 6,703,786
Net income or (loss) and special items.....	\$ 400,188	\$ (424,545)
Net worth per common share.....	\$6.93	\$6.49
Ton miles domestic airfreight.....	36,890,469	45,152,383
Total Assets.....	\$17,382,258	\$15,566,110

financial summary

we received from customers		\$15,363,289
we paid out or set aside funds for:		
Employees' salaries and wages.....	\$5,494,323	
Employees' travel and per diem.....	685,914	
Aircraft fuels.....	2,947,657	
Passenger supplies and expense.....	182,864	
Other supplies.....	675,069	
Depreciation.....	2,061,283	
Maintenance of equipment.....	678,544	
Rentals.....	642,810	
Insurance.....	392,361	
Communications.....	291,326	
Taxes.....	237,842	
Interest.....	421,770	
Advertising.....	78,387	
All other items.....	393,726	15,183,876
leaving		\$ 179,413
Profit on sales of equipment, special items, etc.		356,403
total before federal income taxes...		\$ 535,816
Federal income taxes.....		135,628
net gain, including special items		\$ 400,188



to the stockholders

We are pleased to report that your company concluded the 1955 fiscal year with a profit, overcoming heavy losses in the early part of the year and sharply reversing the record of the previous year. The earnings record of the latter quarters of the fiscal year indicate the company has returned to the upward profit trend of the years 1951-1953.

Net income and special items for the year totalled \$400,188 in sharp contrast to the loss of \$424,545 in 1954. This was achieved despite the drop in gross operating income from \$18,642,919 in 1954 to \$15,363,289 in 1955.

This past fiscal year witnessed a major readjustment of the company's affairs. In September, 1954 the projected merger with Slick Airways, Inc., our only all-cargo competitor over our certificated airfreight route, was abandoned. After considering various alternatives your Board of Directors decided to continue independently to operate as an airfreight carrier and in collateral contract and charter activities. A severe retrenchment to adjust to the then current operating conditions was followed by an aggressive expansion program. Substantial success crowned our efforts. A heavy loss incurred in the early part of the year, while the fate of the merger was still undetermined, was off-set by high earnings in the last quarter. The company is again operating at profit levels in keeping with its record of growth before the ill-fated merger attempt.

The beginning of the year was a period of high stress. As set forth in our last Annual Report the merger with Slick foundered because the order of the Civil Aeronautics Board approving the merger imposed labor protective provisions which in our case created contingent liabilities which could not be sustained. Employee organizations were adamant and the Board would take no summary action to amend its order to set limits to the merged company's liability. Consequently in November the merger attempt was abandoned.

Details as to actions, decisions and the reasons therefor were presented in a special letter to stockholders on November 10, 1954, and need not be retold here. Basically, two decisions were made. First the merger was abandoned. Secondly, although serious consideration was given to withdrawing from the common carriage airfreight business to concentrate on other business of the company, it was decided to maintain and expand the airfreight operations. Your Board of Directors in its consideration of the problem gave great weight to strong representations made by many stockholders and employees.

All employees of the company voluntarily took substantial reductions in wages effective December 1, 1954 with the exception of the maintenance and cargo handling personnel. We felt that many in the latter group were willing to make a similar sacrifice in the common effort but were prevented from doing so by their local union leadership.

Upon the break-away from cooperative activity with Slick your management was faced with difficult equipment problems. The company had available only one DC-6A airplane; and large, modern aircraft such as the DC-6A are the backbone of today's airfreight industry. With only one DC-6A available we were unable to maintain a consistent pattern of service and were compelled to carry the bulk of our airfreight in equipment slower in speed and more expensive to operate on long hauls. Despite the cutback in costs our losses continued to mount.

However, by February, 1955, we obtained delivery on two new DC-6As which had long been on order. With three DC-6As we installed a service second to none—nightly service each way coast-to-coast and a daily round trip between the West Coast and Chicago-Detroit in DC-6As, supplemented by service in four engine DC-4 and two engine C-46 aircraft for the short hauls and for second sections. We quickly became the leading all-cargo carrier of the world. Meanwhile our drive for new contract and charter business both from the military and from civilian customers also bore fruit.

By March of 1955 we had cut our losses to a negligible amount. In April, May and June we were able to recoup all losses for the previous nine months and to end the year with the indicated annual profit.

In view of our recovery the company promptly restored all wage cuts on May 1, 1955. The company is and always shall be grateful for the full measure of cooperation of its loyal employees.

Your management is looking forward with confidence to the future. It is apparent that the developmental work in airfreight over the past ten years has been successful and we are on the brink of a great growth of the industry. Expansion is the order of the day; new equipment is essential. We must acquire—and finance—additional modern aircraft.

The primary problem in this respect is the long lead time in purchasing new aircraft. As of today it takes slightly more than two years from the date of order to get delivery on a modern airplane. This is due to the large back-log of orders facing the manufacturers, primarily because of military orders.

We have presented the dilemma of the airfreight industry to the military authorities. The need for a strong civilian airfreight industry in the interest of national defense has long been recognized and has received official notice in the recent report of the President's Air Coordinating Committee.

The first results of several proposals made to the military have been the short-term lease of two DC-6A aircraft to civilian operators by the United States Navy. Your company obtained one of these aircraft in August, 1955. This equipment, excess to immediate military needs but essential for any emergency, has been made temporarily available until such time as lessees can order and receive delivery of replacements.

We have, I believe now solved our equipment problem. After careful research and investigation for more than a year, we have decided to modernize and standardize our fleet by replacing all but a small feeder fleet of C-46 aircraft with a large fleet of Super-Constellation 1049 H aircraft. The Super-Constellation 1049 H is the largest, fastest and newest airfreight aircraft now made. As this Annual Report goes to press we are announcing the purchase of ten Super-Constellations. As soon as the details of the new acquisition and its financing are completed a Stockholders' Letter will be sent to you setting forth a complete report on our new equipment.

There have been two other noteworthy developments during the past year which have important future implications. We have begun to carry the mail on a very limited basis and the renewal and amendment of our certificate are now pending before the Civil Aeronautics Board.



On May 2, 1955, Flying Tigers along with two other all-cargo carriers, Slick Airways and Riddle Airlines, was granted an exemption by the Civil Aeronautics Board to participate in the 3c mail-by-air experiment being conducted by the Post Office. This mail is carried on a space-available basis at rates approximating our present airfreight tariff, and during the experiment only on certain designated routes. We are participating in this movement on the New York-Chicago route. It is hoped, of course, that as this experiment proves successful it will be expanded country wide.

Our participation at this stage is not great enough to be economically important to the company. What is important is that we have been given some recognition by the Civil Aeronautics Board as a potential mail carrier and as an integral part of the air transport industry of the United States.

Our application to renew our certificate of public convenience and necessity and to amend it to cover the carriage of air mail and air express as well as airfreight is now before the Civil Aeronautics Board. Hearings have been held, briefs have been filed, and a preliminary report by the Examiner is pending. Our permanent status as a common carrier of airfreight and mail should be determined in the coming year.

At the close of the year we experienced the first labor difficulty since the inception of the company. Our maintenance personnel after making demands for wage increases and numerous other contract adjustments called a strike in June 1955. None of our other employees supported the strike action and many maintenance personnel themselves have not supported the strike. We have continued to operate and maintain our aircraft to full capacity without any but minor delays but we have not taken on any additional outside maintenance work. Prolonged negotiations have apparently eliminated most issues such as the demand for increased wages but as of this date no settlement has been achieved. We are hopeful that a settlement will be forthcoming shortly so that with the air cleared we can reestablish the warm working relationship with our mechanics which has marked the relationship between the company and all of its other employees.

We regret to announce the death of Mr. Thomas J. Sullivan, one of our directors. Mr. Sullivan, a prominent resident of Pasadena, California, was one of the original investors in the company and was an active director from the founding of the company.

Respectfully submitted,

Robert W. Prescott
President

September 20, 1955



the airfreight trend

The end of the 1954-55 fiscal year saw The Flying Tiger Line in the top ranking position as the world's largest freight and contract airline. In the six months ended June 30, 1955 the company carried 20,348,307 ton miles of domestic airfreight, which was substantially in excess of the second largest all cargo airline. The ton miles carried by the company during the six months in the 1955 fiscal year compared very favorably with the 12,773,972 ton miles carried during the same months in the 1954 fiscal year. This represents a 59% increase in volume.

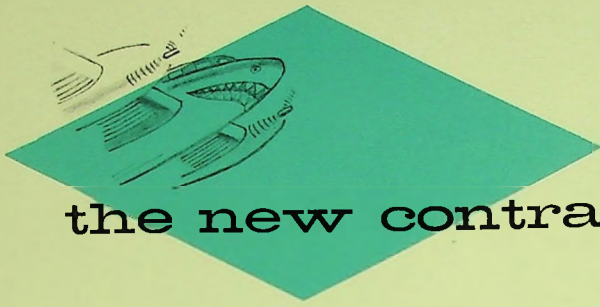
The introduction of the DC-6A fleet into the Company's operating pattern, providing the first true overnight coast-to-coast service, plus the establishment of intensive short-haul feeder schedules with C-46 equipment was primarily responsible for these gains.

The Company's freight schedules achieved new highs in on-time performance through the establishment of a day-to-day survey of operating results. This was achieved by the creation of an operating staff composed of the heads of the traffic, sales, maintenance and executive departments. The staff meets daily and studies the entire operation of the Company for the preceding day for the purpose of making on-the-spot decisions to improve operating procedures. The effectiveness of the staff meetings was dynamically revealed in a study of over-all schedule delays, which showed that delays were fifty per cent fewer in June than in the months before staff meetings were inaugurated. This was achieved in spite of the fact that the traffic department simultaneously cut scheduled ground-time on all C-46 short-haul or feeder flights to 30 minutes from the one-hour period previously allowed.

The resulting speed-up in freight movements provided shippers with a new efficiency in the movement of their goods. Public acceptance of the program was illustrated by the increase in freight volume and the steady month-to-month gain in plane load-factors during the latter part of the fiscal year. Starting in January, when the over-all system load factor was 53 per cent, an improvement was shown consistently through June, when the load factor averaged 66 per cent.

Another important contribution to the development of business was the creation of a commission plan for salesmen, replacing the straight salary program heretofore used by all carriers. Under the commission program salesmen draw base salaries and receive additional compensation based upon the amount of freight generated on the system over and above the revenues needed to pay base salaries.

The commission plan has created an intensified effort by the sales force to develop business. One dramatic result of this program occurred late in the year, when the Company began moving a substantial number of racing horses by air. In June alone, twenty-five horses were shipped. The Company has experienced many other equally important gains in various types of freight, as a result of the commission plan.



the new contract division

The last half of the year saw a record-breaking performance in the newly-created contract division, which handles the movement of military troops within the United States and all foreign and over-seas operations of the Company, both in passengers and freight.

From a monthly volume of less than \$400,000 in January, the contract division more than tripled the volume of monthly business at the close of June. From April through June, contract operations reported monthly revenues averaging in excess of \$1,200,000.

Operating a fleet of nineteen aircraft assigned to this division, the Company flew more than 12,000 passengers and nearly 8,000,000 pounds of freight over a distance in excess of 2,000,000 miles, in the three months ended June 30, 1955.

Operations extended to all parts of the world. Labor flights were flown from the Caribbean area to England. The Company made the largest single contribution of any carrier to the vast Canadian Dew-Line Project, the building of the North American radar fence in the Arctic Circle. The performance of flight crews and ground personnel, under true pioneering conditions, was exceptional and resulted in the Company's moving the largest freight volume of any operator engaged in this project. Almost five and a half million pounds of freight were carried, and miles flown exceeded 700,000.

Additionally, the Company was a major participant in the newly-developed Air Force Engine Lift from the United States to England, France and North Africa and engaged extensively in the air movement across the North Atlantic of thousands of military dependents, displaced immigrants and religious, college and youth tourist groups. Another major operation involved the movement of military personnel from the Orient to the United States.

An entirely new opportunity in the low-cost movement of Europe-bound tourist and study groups was opened during the year by a revision of Civil Aeronautics Board policy on overseas passenger charters. Under the new policy, the airline gained the opportunity of contracting with organizations to move homogenous groups at low-cost tourist rates, averaging one-third the cost of tourist fares on scheduled airlines. The decision came too late to enable the Company to apply it fully to summer operations of 1955, but extensive plans are being made for the development of this traffic in the coming year.



French Boy Scouts, one of the many passenger groups flown across the Atlantic.

There is adequate space for the relaxation of service men on military flights.



Flying Tiger Line plays an important role in transporting vital supplies to remote points on Dew-Line.

Farm laborers board aircraft at Puerto Rico for trip to foreign fields. The Flying Tiger Line flies thousands of passengers monthly, including military personnel, displaced persons, tourist groups and farm laborers.



Food and beverages are served by courteous and efficient hostesses on all Flying Tiger passenger flights.



seven year financial fiscal year

financial data	1955	1954
Transportation revenues	\$13,598,000	\$15,308,000
Maintenance rental revenues	1,765,000	3,335,000
Total revenues	\$15,363,000	\$18,643,000
Operating expenses	14,762,000	19,447,000
Operating profit (loss*)	\$ 601,000	(\$ 804,000)
Other income and deductions	340,000*	304,000*
Profit (loss*) before income taxes and special income	\$ 261,000	\$ 1,108,000
Income taxes (refund credit*)	136,000	684,000*
Net operating income (loss*)	\$ 125,000	\$ 424,000*
Special income—profit on sale of equipment, less income taxes thereon, and other tax adjustments	275,000	—
Total net income (loss*) and special items	\$ 400,000	\$ 424,000*
operating data		
Miles flown	10,202,151	13,704,308
Average daily aircraft utilization (hours) C-46	3.2	5.0
“ “ “ “ “ C-47	—	—
“ “ “ “ “ C-54	7.4	7.8
“ “ “ “ “ DC-6	10.0	8.3
Hours flown	54,163	75,726
Ton miles of domestic freight carried	36,890,469	45,152,383
Revenue per ton mile (cents) for domestic freight	18.84	18.11
Load factors (per cent) of domestic freight	63.1	76.3
*—Donates red figures		

and operating summary

ended June 30

1953	1952	1951	1950	1949
\$25,070,000	\$21,109,000	\$14,513,000	\$3,276,000	\$2,722,000
666,000	728,000	1,069,000	1,688,000	424,000
\$25,736,000	\$21,837,000	\$15,582,000	\$4,964,000	\$3,146,000
24,237,000	20,326,000	13,175,000	4,573,000	3,011,000
\$ 1,499,000	\$ 1,511,000	\$ 2,407,000	\$ 391,000	\$ 135,000
51,000*	70,000*	26,000	16,000	7,000*
\$ 1,448,000	\$ 1,441,000	\$ 2,433,000	\$ 407,000	\$ 128,000
748,000	784,000	1,408,000	7,000	4,000
\$ 700,000	\$ 657,000	\$ 1,025,000	\$ 400,000	\$ 124,000
1,153,000	905,000	375,000	100,000	—
\$ 1,853,000	\$ 1,562,000	\$ 1,400,000	\$ 500,000	\$ 124,000
20,238,634	18,035,813	13,543,368	5,237,512	3,198,796
6.9	6.3	7.2	6.4	—
—	—	3.0	3.4	2.4
11.9	11.0	9.9	7.0	7.3
—	—	—	—	—
111,171	99,495	74,672	29,040	17,942
51,324,134	31,788,962	28,137,979	15,672,689	12,292,511
16.75	15.81	14.82	15.23	16.25
79.0	80.7	83.4	71.5	70.8

balance sheets

The Flying Tiger Line Inc.

assets	1955	1954
current assets		
Cash	\$ 944,061	\$ 507,876
Receivables—		
Freight customers	416,333	278,941
United States Government—		
Charters, freight, service sales, etc.	1,682,012	1,328,065
Claim for refund of income taxes	—	409,000
Other—charters, service sales, current installments of long-term notes receivable, etc.	1,981,327	1,180,587
Reserve for bad debt losses	(40,000)	(20,000)
Inventories of materials and supplies, at cost not in excess of market	531,021	765,184
Prepaid insurance, deposits, etc.	244,127	195,882
Total current assets	<u>\$ 5,758,881</u>	<u>\$ 4,645,535</u>
investments and other assets		
Long-term notes and interest receivable, secured by chattel mortgage on aircraft sold	\$ —	\$ 218,333
Subsidiary companies, at cost less reserve	62,500	62,500
Debt discount and expense, being amortized	144,691	160,383
Other	100,087	30,000
	<u>\$ 307,278</u>	<u>\$ 471,216</u>
property and equipment		
(see long-term debt for items pledged)—Note 1		
Cost—		
Aircraft, engines, and other flight equipment	\$16,030,462	\$13,316,690
Other equipment	793,522	790,835
Land and buildings	523,461	486,562
	<u>\$17,347,445</u>	<u>\$14,594,087</u>
Less—Reserves for depreciation and amortization	6,031,346	4,144,728
	<u>\$11,316,099</u>	<u>\$10,449,359</u>
	<u>\$17,382,258</u>	<u>\$15,566,110</u>

() Denotes red figure.

June 30, 1955 and 1954

liabilities	1955	1954
current liabilities		
Current installments of long-term debt—		
Bank loans	\$ 1,395,877	\$ 545,580
Purchase contracts	85,120	127,400
Accounts payable	1,521,014	1,494,649
Accrued payroll and vacations	455,459	494,582
Other accrued liabilities	284,532	284,961
Total current liabilities	<u>\$ 3,742,002</u>	<u>\$ 2,947,172</u>
advance charter deposits, etc.	<u>\$ 218,144</u>	<u>\$ —</u>
long-term debt — Note 2:		
5½% debentures due 1967 (subordinate)	\$ 2,746,000	\$ 2,746,000
Bank loans—payable in monthly installments of varying amounts to 1961; interest rate 5%; secured by pledge of all aircraft, engines and propellers owned, and a lease covering four DC-6A aircraft rented to others; less current installments	4,204,123	3,784,420
Purchase of aircraft, land, and other contracts, secured by pledge of related assets; less current installments	41,128	8,289
	<u>\$ 6,991,251</u>	<u>\$ 6,538,709</u>
capital stock and surplus		
Preferred stock—		
Authorized, 500,000 shares of \$10 par value		
Issued and outstanding, 99,112 shares designated as Series A—entitled to 5% cumulative dividends, redeemable at and entitled in liquidation to par plus unpaid dividends	\$ 991,120	\$ 991,120
Common stock—		
Authorized, 1,500,000 shares of \$1 par value, of which 292,907 shares are reserved for conversion of debentures		
Issued and outstanding, 784,452 shares	784,452	784,452
Capital surplus (no change during the two years)	1,732,398	1,732,398
Earned surplus (see Note 2 regarding dividend restrictions)—per accompanying statement	2,922,891	2,572,259
	<u>\$ 6,430,861</u>	<u>\$ 6,080,229</u>
	<u>\$17,382,258</u>	<u>\$15,566,110</u>

statements of income
for the years ended June 30, 1955 and 1954

	1955	1954
operating revenues		
Common carriage freight	\$ 5,104,790	\$ 4,557,660
Rentals, charters and service sales (net)	9,214,503	9,395,807
Pacific airlift	1,043,996	4,689,452
Total	<u>\$15,363,289</u>	<u>\$18,642,919</u>
operating expenses		
Flying operations	\$ 6,074,085	\$ 8,022,094
Ground operations	1,702,376	2,021,382
Maintenance	3,113,768	5,005,664
Traffic, sales, advertising, and publicity	628,190	735,988
General and administrative	1,182,404	1,529,636
Depreciation and amortization—Note 1	2,061,283	2,132,249
Total	<u>\$14,762,106</u>	<u>\$19,447,013</u>
Net income or (loss) from operations	<u>\$ 601,183</u>	<u>\$ (804,094)</u>
other income and (expense)		
Profit or (loss) on sales of aircraft	\$ 62,934	\$ (17,232)
Interest on long-term debt	(411,976)	(298,446)
Amortization of debt discount and expense	(15,691)	(15,691)
Miscellaneous (net)	24,373	27,318
Total	<u>\$ (340,360)</u>	<u>\$ (304,051)</u>
Net income or (loss) before income taxes	<u>\$ 260,823</u>	<u>\$ (1,108,145)</u>
federal income taxes		
Provision for current year—Note 1	135,628	—
Special credit, arising from carry-back of operating loss to prior years	—	(683,600)
Net income or (loss)	<u>\$ 125,195</u>	<u>\$ (424,545)</u>
special items		
Federal income tax reduction for current year, resulting from accelerated amortization of emergency facilities—Note 1	\$ 182,098	\$ —
Excess of insurance proceeds over book value of aircraft destroyed, net of applicable Federal income taxes	42,895	—
Reduction of prior years' provisions for taxes based on income	50,000	—
Total	<u>\$ 274,993</u>	<u>\$ —</u>
Net income or (loss) and special items	<u>\$ 400,188</u>	<u>\$ (424,545)</u>

() Denotes red figure.

The accompanying notes are an integral part of these statements.

statement of earned surplus
for the years ended June 30, 1955 and 1954

	1955	1954
balance at beginning of year	\$ 2,572,259	\$ 3,046,360
add		
From accompanying statement—		
Net income or (loss)	125,195	(424,545)
Special items	274,993	—
	\$ 2,972,447	\$ 2,621,815
deduct		
Cash dividends on preferred stock, Series A—50 cents per share in each year	49,556	49,556
balance at end of year		
(see Note 2 regarding dividend restrictions)	\$ 2,922,891	\$ 2,572,259

() Denotes red figure.

The accompanying notes are an integral part of this statement.

notes to financial statements

(1) aircraft:

At June 30, 1955, the company had a fleet of 37 aircraft as follows:

Type	Owmed	Leased	Total
C-46.....	23	—	23
C-54.....	6	1	7
DC-6A.....	7	—	7
	<u>36</u>	<u>1</u>	<u>37</u>

The lease for the C-54 aircraft expires April 10, 1956. Four of the DC-6A aircraft owned by the company, which have been converted to DC-6B type aircraft, are leased for seven-year periods ending in 1960 and 1961.

As of July 1, 1954, the company revised the depreciation rates, calculated on a straight-line basis, applicable to its C-46 and C-54 aircraft by reducing the residual values and extending the estimated useful lives of such aircraft. As a result, depreciation expense for the year ended June 30, 1955, was approximately \$233,000 less than it would have been if rates in effect during prior years had been continued.

The company has obtained certificates of necessity permitting it to amortize for income tax purposes over a 60-month period 80 per cent of the cost of its DC-6A aircraft. In its accounts, the company is recording depreciation of such aircraft on a straight-line basis using an estimated useful life in excess of five years. As a result of the excess of amortization for tax purposes over the depreciation recorded in the financial statements, there will be no Federal income tax liability due for the year ended June 30, 1955. However, in order to reflect properly the net income for the year, the statement of income includes charges for Federal income taxes that would have been payable without the benefit of accelerated amortization for tax purposes; such charges have been restored to earned surplus at June 30, 1955, as a special item.

(2) long-term debt:

The 5½% debentures due 1967 (subordinate) are subordinate to "superior indebtedness," as defined, which at June 30, 1955, consisted of the bank loans referred to below. The debentures are redeemable at varying premiums to July 1, 1966, and if not so redeemed, a minimum of \$275,000 principal amount is redeemable at par annually on July 1 from 1960 to 1966 through the operation of a sinking fund. The debentures are convertible into common stock until July 1, 1962; the effective conversion price at June 30, 1955, was \$9.375 principal amount of debentures for each share of common stock. Surplus restrictions under the debenture indenture are less restrictive than terms of the credit agreement referred to below.

The company has borrowed \$5,500,000 as of June 30, 1955, from certain banks under the terms of a credit agreement. This agreement provides that the company will not pay dividends (other than on preferred stock up to an annual amount of \$50,000) or make any other distribution (other than stock dividends) on any stock of the company which, together with preferred dividends, would exceed 40% of the net earnings of the company from June 30, 1952, or which would reduce working capital below a defined amount. Under this provision, substantially all of the earned surplus balance at June 30, 1955, is restricted against any distributions on capital stock, other than the preferred stock dividends of \$50,000 mentioned above. The credit agreement also sets forth minimum amounts of working capital and net worth, as defined, which the company has agreed to maintain and places restrictions on additional borrowings, capital expenditures, acquisitions of capital stock, and leasing of mortgaged property.

(3) certificate of public convenience and necessity:

On February 4, 1954, the company filed with the Civil Aeronautics Board an application for reissuance of its temporary certificate of public convenience and necessity (expiration date August 12, 1954) as a permanent certificate. Pending issuance of an order by the Board on this application, the company is operating under its temporary certificate as provided for in the Civil Aeronautics Act of 1938, as amended.

ARTHUR ANDERSEN & CO.
ACCOUNTANTS AND AUDITORS

612 SOUTH FLOWER STREET
LOS ANGELES 17

To the Stockholders,
The Flying Tiger Line Inc.:

We have examined the balance sheet of THE FLYING TIGER LINE INC. (a Delaware corporation) as of June 30, 1955, and the related statements of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm accounts receivable from the United States Government totaling \$1,459,010 at June 30, 1955, but we satisfied ourselves by other auditing procedures with respect thereto. We had made a similar examination for the year ended June 30, 1954.

As indicated in Note 1, the company has claimed accelerated amortization for income tax purposes on certain of its aircraft. The treatment accorded the resulting tax benefit in the accompanying statements has the effect of including in earned surplus the amount of such tax benefit (approximately \$274,250 at June 30, 1955). In our opinion, this amount, in accordance with generally accepted accounting principles, should have been deferred as a reserve to be taken into income in the years following the 60-month special amortization period.

Except for the effect on the balance sheet and statement of earned surplus of the matter discussed in the preceding paragraph, in our opinion, the accompanying balance sheet and statements of income and earned surplus present fairly the financial position of The Flying Tiger Line Inc. as of June 30, 1955, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Los Angeles, California,
August 26, 1955.

sales offices

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- ALBANY, N. Y.
127 Water Street
Telephone—Albany 4-8223
- BINGHAMTON, N. Y.
Box 457
Broome County Airport
Telephone—Binghamton 9-1591
- BOSTON, Mass.
Logan International Airport
Telephone—East Boston 7-6161
- BUFFALO, N. Y.
Hangar 6, Municipal Airport
Telephone—Plaza 3071
- CANTON, Ohio
P.O. Box 282
Akron-Canton Airport
Telephone—Hyacinth 9-2568
- CHICAGO, Ill.
5833 S. Central Avenue
Telephone—Portsmouth 7-8200
- CLEVELAND, Ohio
Hangar 0
Cleveland Hopkins Airport
Telephone—Winton 1-5777
- DETROIT, Mich.
Detroit Wayne-Major Airport
Inkster, Mich.
Telephone—Logan 2-9520
- GRAND RAPIDS, Mich.
525 Burton Street, S.W.
Telephone—Cherry 1-2221
- HARTFORD, Conn.
Box 302
Bradley Field
Windsor Locks
Telephone—Jackson 2-3145
- LONG BEACH, Calif.
2751 E. Waldlow Rd.
Telephone—Nevada 6-2687
- LOS ANGELES, Calif.
Lockheed Air Terminal
Telephone—Stanley 7-3411
- MILWAUKEE, Wis.
Mitchell Field
Telephone—Humboldt 3-5000
- MINNEAPOLIS, Minn.
Minneapolis-St. Paul Intl. Airport
Telephone—Parkway 4-2425
- NEW YORK, N. Y.
Hangar 6
Newark Airport
Newark, N. J.
Telephone—Market 4-3700
- OAKLAND, Calif.
Box 36
International Airport
Telephone—Lockhaven 2-1871
- PHILADELPHIA, Pa.
International Airport
Telephone—Belgrade 2-7100
- PORTLAND, Oregon
6200 N.E. Marine Drive
International Airport
Telephone—Atlantic 1-1158
- PROVIDENCE, R. I.
577 S. Main St.
Telephone—Elmhurst 1-8500
- ROCHESTER, N. Y.
344 Puritan Rd.
Towawanda, N. Y.
Telephone—Amherst 0480
- SACRAMENTO, Calif.
2320 Second St.
Telephone—Enterprise 1-2011
- ST. PAUL, Minn.
Minneapolis-St. Paul Intl. Airport
Telephone—Parkway 4-2425
- SAN DIEGO, Calif.
2351 Airline
Telephone—Cypress 6-6273
- SAN FRANCISCO, Calif.
International Airport
Telephone—Plaza 5-9406
- SEATTLE, Wash.
Box 5, Boeing Field
Telephone—Lander 5916
- SOUTH BEND, Ind.
412 E. Tull Street
Telephone—Atlantic 9-2437
- SPRINGFIELD, Mass.
Bradley Field
Windsor Locks, Conn.
Telephone—Republic 4-5675
- TACOMA, Wash.
1821 Dock Street
Telephone—Market 2167
- TOLEDO, Ohio
618 Broadway
Telephone—Garfield 4276
- WASHINGTON, D. C.
1201 Shoreham Bldg.
Telephone—Sterling 3-5959

