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ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies



1966

Financial Statements

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ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET — ASSETS — 31st December 1966

	in Canadian dollars	
	1966	1965
Current Assets:		
Cash	\$ 11,386,559	\$ 12,574,189
Government of Canada securities, at cost	16,208,625	10,087,175
Receivables	30,573,869	27,067,228
Receivable from affiliated companies	107,273,542	125,711,065
Inventories of aluminum, materials and supplies (note 2)	136,392,825	128,831,237
	<u>301,835,420</u>	<u>304,270,894</u>
Deferred receivables	12,776,131	10,120,909
Prepaid expense and deferred charges	9,977,975	5,390,823
Investments in companies less than 50% owned, at cost	1,383,619	953,750
Land, plants, riparian rights, and facilities, at cost (note 3)	1,453,080,208	1,381,125,263
Less: Accumulated depreciation and depletion (note 4)	717,866,646	676,936,054
	<u>735,213,562</u>	<u>704,189,209</u>
	<u><u>\$1,061,186,707</u></u>	<u><u>\$1,024,925,585</u></u>

CONSOLIDATED BALANCE SHEET — LIABILITIES — 31st December 1966

	in Canadian dollars	
	1966	1965
Current Liabilities:		
Payables	\$ 59,104,544	\$ 44,708,488
Payable to affiliated companies	4,580,208	240,048
Income and other taxes	25,004,331	36,827,341
Other debt payable within one year (note 5)	354,008	622,911
	<u>89,043,091</u>	<u>82,398,788</u>
Debt not maturing within one year (note 5)	427,088,977	431,554,243
Deferred income taxes (note 4)	134,909,952	126,321,328
Capital Stock and Surplus:		
Cumulative redeemable sinking fund preferred shares (note 6):		
4% first preferred — par \$25		
Authorized — 600,000 shares		
Outstanding — 330,373 shares (1965 — 345,195 shares)	8,259,325	8,629,875
4½% second preferred — par \$50		
Authorized — 1,200,000 shares		
Outstanding — 984,817 shares (1965 — 1,014,627 shares)	49,240,850	50,731,350
Common shares — without nominal or par value:		
Authorized — 10,000,000 shares		
Outstanding — 8,800,000 shares	100,000,000	100,000,000
Earned surplus (note 7)	252,644,512	225,290,001
	<u>410,144,687</u>	<u>384,651,226</u>
	<u>\$1,061,186,707</u>	<u>\$1,024,925,585</u>

CONSOLIDATED STATEMENT OF INCOME — year ending 31st December 1966

	in Canadian dollars	
	1966	1965
Sales and Revenues:		
Sales	\$505,876,243	\$460,011,739
Operating revenues (transportation services, power sales, etc.)	52,622,538	54,459,912
Other income (note 8)	1,931,995	3,886,146
	<u>560,430,776</u>	<u>518,357,797</u>
Costs and Expenses:		
Cost of sales and operating expenses	347,967,815	307,988,690
Provision for depreciation and depletion (note 4)	48,868,403	48,854,000
Selling, research and administrative expenses	34,122,770	30,266,036
Interest on debt not maturing within one year	19,689,708	20,238,013
Other expenses	213,646	1,710,353
	<u>450,862,342</u>	<u>409,057,092</u>
Income before income taxes	109,568,434	109,300,705
Provision for income taxes:		
Current	38,342,525	49,429,771
Deferred (note 4)	8,588,624	1,718,654
	<u>46,931,149</u>	<u>51,148,425</u>
Net income	<u>\$ 62,637,285*</u>	<u>\$ 58,152,280</u>

*Excluding \$12.3 million gain from sale of copper conductor, credited to earned surplus.

CONSOLIDATED STATEMENT OF EARNED SURPLUS — year ending 31st December 1966

	in Canadian dollars	
Earned surplus — 31st December 1965		\$225,290,001
Net income for the year		62,637,285
Non-recurring capital gain from sale of fixed assets (copper conductor)		12,300,311
		<u>300,227,597</u>
Dividends:		
4 % first preferred	\$ 334,033	
4½ % second preferred	2,249,052	
Common (1965 — \$38,000,000)	45,000,000	47,583,085
Earned surplus — 31st December 1966 (note 7)		<u>\$252,644,512</u>

AUDITORS' REPORT

To the Shareholders of Aluminum Company of Canada, Ltd:

We have examined the consolidated balance sheet of Aluminum Company of Canada, Ltd and subsidiary companies as at 31st December 1966 and the consolidated 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 accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Aluminum Company of Canada, Ltd and subsidiary companies as at 31st December 1966 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Pure Waterhouse & Co.

Montreal, 21st February 1967

Chartered Accountants.

NOTES TO FINANCIAL STATEMENTS

1. Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and all its subsidiaries.

All intercompany items and transactions, including profits in inventories, have been eliminated.

Accounts, other than Canadian currency accounts, included in the consolidated balance sheet are translated into Canadian dollars at rates of exchange current at 31st December 1966, except that (a) certain fixed bank deposits, inventories, investments and fixed assets with related provisions for depreciation and depletion are at rates determined at dates of acquisition and (b) debts not maturing within one year, with a minor exception, are at rates current at dates of original borrowing. Accounts in the consolidated statement of income, except provisions for depreciation and depletion, are translated at average exchange rates prevailing during the year.

2. Inventories of Aluminum, Materials and Supplies:

Inventories, as summarized below, are stated at lower of cost (determined for the most part on the monthly average method) or market:

	1966	1965
Aluminum	\$ 39,797,622	\$ 43,133,374
Raw materials	69,164,068	60,620,858
Supplies	27,431,135	25,077,005
	<u>\$136,392,825</u>	<u>\$128,831,237</u>

NOTES TO FINANCIAL STATEMENTS

3. Land, Plants, Riparian Rights, and Facilities:

	1966	1965
Land and water rights	\$ 33,905,418	\$ 33,928,702
Mineral properties, rights and development	12,752,508	12,500,526
Buildings, machinery and equipment	1,343,160,904	1,291,558,875
	1,389,818,830	1,337,988,103
Construction work in progress	63,261,378	43,137,160
	<u>\$1,453,080,208</u>	<u>\$1,381,125,263</u>

Capital projects are expected to involve the expenditure of some \$75 million during 1967.

4. Depreciation Policy and Deferred Income Taxes:

With minor exceptions, depreciation recorded in the accounts is calculated at straight-line rates based on the estimated useful lives of the respective assets. Depletion, not significant in amount, is calculated on the unit of production basis.

Income tax regulations in Canada, and in certain other countries, permit the use (for the purpose of determining income taxes) of various forms of capital cost allowances which do not coincide with the amount of depreciation recorded in the accounts. These allowances generally exceed straight-line depreciation during the early life of new assets and later fall short of it.

When capital cost allowances utilized for determining income taxes exceed straight-line depreciation, an amount equivalent to the resultant reduction in current income taxes is charged to income and credited to Deferred Income Taxes. When these allowances so utilized fall short of straight-line depreciation, resulting in higher income taxes than would otherwise be payable, an appropriate portion of the amount previously deferred is transferred back to income.

NOTES TO FINANCIAL STATEMENTS

5. Debt Not Maturing Within One Year:

	1966	1965
Aluminum Company of Canada, Ltd:		
Revolving credit loans from banks, under U.S. \$60,000,000 credit agreement, convertible at the Company's option on or before maturity (1st May 1969) into term loans repayable in five equal consecutive annual instalments beginning one year from date of conversion — (U.S. \$36,000,000)	\$ 37,874,446	\$ 26,042,571
First mortgage 3½% sinking fund bonds, due 1974:		
Series "A"	2,692,000	2,692,000
Series "B" (U.S. \$5,466,000)	5,466,000	6,228,000
Commutation value of contractual obligation for annual payments secured by second hypothec — payable in Canadian and United States currencies, in equal parts	5,400,000	5,625,000
3½% Sinking fund debentures, due 1971	21,442,000	23,670,000
3⅞% Sinking fund debentures, due 1970 (U.S. \$18,528,000)	18,232,710	24,753,108
4½% Sinking fund debentures, due 1973	29,115,000	31,176,000
4½% Sinking fund debentures, due 1980 (U.S. \$81,135,000)	78,520,311	83,171,431
5.10% Notes, due 1968/1992 (U.S. \$100,000,000)	97,586,489	97,586,489
Redeemable notes — payable to the U.K. Government — interest and \$29,985,000 of principal abatable in certain circumstances as provided in the contracts under which they were issued:		
3% Notes, due 1971	54,950,000	54,950,000
3½% Notes, due 1971	24,975,000	24,975,000
3½% Notes, due 1974	40,000,000	40,000,000
Alcan Jamaica Limited:		
Bank loans, due 1968 (£4,000,000)	10,815,620	10,815,620
Other debt	363,981	483,497
	427,433,557	432,168,716
Less: Debt payable within one year included in current liabilities (equivalent to \$354,008 at year-end rates of exchange)	344,580	614,473
	<u>\$427,088,977</u>	<u>\$431,554,243</u>

Allowing for payments already made, sinking fund requirements over the next five years against the above debt, other than bank loans, amount to approximately \$.3 million in 1967, \$13.5 million in 1968, \$20.5 million in 1969, \$16.4 million in 1970 and \$110.1 million in 1971.

NOTES TO FINANCIAL STATEMENTS

6. Preferred Shares:

At the option of the Board of Directors, preferred shares may be redeemed in whole or in part, at the following prices:

4% First preferred shares — on twenty days' notice at \$26.37½ per share.

4½% Second preferred shares — on thirty days' notice (a) for other than sinking fund purposes at \$52.75 per share to 30th November 1967, decreasing by 25 cents per share each three years to 30th November 1976, and thereafter at \$51.75 per share, and (b) for sinking fund, at \$51.50 per share.

7. Dividend Restrictions:

Pursuant to the provisions of certain debt issues, approximately \$163 million of earned surplus at 31st December 1966 is not distributable in dividends either in cash or in kind on the common shares.

8. Other Income:

	1966	1965
Gain from sale of fixed assets	\$ 59,394	\$2,903,712
Income from investments	1,504,373	782,983
Other	368,228	199,451
	<u>\$1,931,995</u>	<u>\$3,886,146</u>

9. Pension Plan:

The Company and its subsidiaries, along with other associated companies, participate in a contributory pension plan which is generally open to all employees. In 1966, the Company and its subsidiaries made contributions of \$2,974,000 to this plan which is virtually fully funded.

10. Commitments:

A consolidated subsidiary company, Saguenay Shipping Limited, has charter hire commitments amounting to \$10.3 million in 1967 (\$20.8 million paid in 1966), \$9.1 million in 1968, \$7.4 million in 1969, \$5.2 million in 1970, \$3.1 million in 1971, \$2.5 million in 1972 and lesser amounts up to 1978.

See also reference to capital expenditures in note 3.

11. Statutory Information:

Total remuneration received by the directors of Aluminum Company of Canada, Ltd (including the salaries of officers who are directors) amounted to \$162,500 in 1966.

DIRECTORS

DANA T. BARTHOLOMEW — Chief Financial Officer, Alcan Aluminium Limited

FRASER W. BRUCE — President

DAVID M. CULVER — Chief Sales Officer, Alcan Aluminium Limited

HOLBROOK R. DAVIS — Chief Employee Relations Officer, Alcan Aluminium Limited

NATHANAEL V. DAVIS — President, Alcan Aluminium Limited

J. F. EVANS — Chief Administrative Officer, Alcan Aluminium Limited

J. F. HORWOOD — Chief Technical Officer, Alcan Aluminium Limited

PAUL LAROQUE — Secretary and Legal Officer, Alcan Aluminium Limited

PAUL LEMAN — Executive Vice President

R. E. POWELL — Honorary Chairman

J. ALEX. PRUD'HOMME, Q.C. — of the firm Geoffrion & Prud'homme

M. P. WEIGEL — Chief Operations Officer, Alcan Aluminium Limited

OFFICERS

FRASER W. BRUCE — President

J. ALEX. PRUD'HOMME, Q.C. — Vice President

PAUL LEMAN — Executive Vice President

Vice Presidents in charge of a Division or Department:

CLAUDE P. BEAUBIEN: Public Relations and Advertising

J. W. CAMERON: Smelter

N. S. CRERAR: Power

D. W. EVANS: Chemicals

J. J. GAGNON: Personnel

R. T. HYLAND: Canadian Sales

M. WILLIAMSON: Fabricating

F. C. WINSER: Export Sales

E. H. EBERTS — Vice President and Secretary

WILLIAM J. REID — Vice President and Treasurer



ALUMINUM COMPANY OF CANADA, LTD
Montreal, Quebec, Canada
