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ALUMINUM COMPANY OF CANADA, LIMITED
AND SUBSIDIARY COMPANIES

1957
FINANCIAL STATEMENTS

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MAR 29 1958

McGILL UNIVERSITY

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au secrétariat de la Compagnie, 1700 immeuble Sun Life, à Montréal.*

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Balance Sheet

31st December 1957

ASSETS

| | 31st December 1957 | 31st December 1956 |
|--|---------------------------------|---------------------------------|
| Current Assets: | | |
| Cash..... | \$ 24,804,082 | \$ 16,661,792 |
| Government of Canada securities (quoted value \$2,480,000)..... | 2,479,353 | 26,209,643 |
| Receivables..... | 16,584,579 | 18,582,571 |
| Receivable from affiliated companies..... | 40,556,009 | 39,363,953 |
| Inventories of aluminum, materials and supplies (note 3)..... (lower of cost or market) | 99,604,668 | 85,826,669 |
| | <u>184,028,691</u> | <u>186,644,628</u> |
| Deferred receivables..... | 7,898,446 | 6,776,303 |
| Prepaid expense and deferred charges..... | 11,902,881 | 13,373,507 |
| Lands, plants, riparian rights and facilities, at cost (note 4) | 1,026,236,525 | 901,490,113 |
| Less: Accumulated amortization, depreciation and depletion (note 5) .. | 343,098,156 | 316,720,921 |
| | <u>683,138,369</u> | <u>584,769,192</u> |
| | <u><u>\$886,968,387</u></u> | <u><u>\$791,563,630</u></u> |

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Balance Sheet

31st December 1957

LIABILITIES

| | 31st December 1957 | 31st December 1956 |
|--|-----------------------------|-----------------------------|
| Current Liabilities: | | |
| Payables..... | \$ 37,370,254 | \$ 31,060,420 |
| Payable to affiliated companies..... | 1,925,622 | 2,401,158 |
| Preferred dividends declared..... | 787,829 | 790,652 |
| Income and other taxes..... | 6,302,760 | 12,417,858 |
| Other debt payable within one year (note 6)..... | 2,119,000 | 2,798,000 |
| | <u>48,505,465</u> | <u>49,468,088</u> |
| Debt not maturing within one year (note 6)..... | 359,012,966 | 268,047,099 |
| Debt contingent on volume of operations (note 6)..... | 85,359,250 | 91,443,500 |
| Reserve for future income taxes (note 5)..... | 97,121,246 | 84,707,425 |
| Capital Stock and Surplus: | | |
| Cumulative redeemable sinking fund preferred shares: | | |
| 4% first preferred — par \$25 — 462,614 shares outstanding (474,266 shares at 31st December 1956)..... | 11,565,350 | 11,856,650 |
| 4½% second preferred — par \$50 — 1,200,000 shares outstanding.. | 60,000,000 | 60,000,000 |
| Common shares — without nominal or par value: | | |
| 8,000,000 shares outstanding (note 2)..... | 80,000,000 | 80,000,000 |
| Capital surplus..... | 3,434,650 | 3,143,350 |
| Earned surplus (note 8)..... | 141,969,460 | 142,897,518 |
| | <u>296,969,460</u> | <u>297,897,518</u> |
| | <u><u>\$886,968,387</u></u> | <u><u>\$791,563,630</u></u> |

Signed on behalf of the Board,

FRASER W. BRUCE, *Director*

DANA T. BARTHOLOMEW, *Director*

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Statement of Income
For the Year Ending 31st December 1957

| | <u>1957</u> | <u>1956</u> |
|---|----------------------|----------------------|
| Sales and Revenues: | | |
| Sales | \$290,274,518 | \$309,214,629 |
| Operating revenues (transportation services, etc.) | 50,671,082 | 46,338,173 |
| Interest on marketable securities | 561,888 | 509,853 |
| Gain on disposal of surplus fixed assets | 740,598 | 1,106,266 |
| Other income (note 7) | 1,419,215 | 267,048 |
| | <u>343,667,301</u> | <u>357,435,969</u> |
| Costs and Expenses: | | |
| Cost of sales | 187,614,799 | 177,442,777 |
| Operating expenses (transportation services, etc.) | 44,113,069 | 37,910,727 |
| Provision for depreciation and depletion (note 5) | 27,587,527 | 24,421,533 |
| Selling, general and administrative expenses | 20,018,592 | 19,364,059 |
| Interest on contingent and other debt not maturing within one year .. | 15,274,206 | 12,126,580 |
| Other interest | 84,248 | 58,923 |
| Cost of establishing supplementary pension fund | — | 1,335,595 |
| | <u>294,692,441</u> | <u>272,660,194</u> |
| Income before income taxes | 48,974,860 | 84,775,775 |
| Provision for current income taxes | 10,062,680 | 21,503,733 |
| (including \$7,649,658 Canadian taxes; \$18,509,456 in 1956) | | |
| Reserve for future income taxes (note 5) | 12,413,821 | 17,950,960 |
| | <u>22,476,501</u> | <u>39,454,693</u> |
| Net income | <u>\$ 26,498,359</u> | <u>\$ 45,321,082</u> |

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Statement of Surplus
For the Year Ending 31st December 1957

EARNED SURPLUS

| | | |
|--|-------------------|-----------------------------|
| Earned surplus — 31st December 1956..... | | \$142,897,518 |
| Net income for the year..... | | <u>26,498,359</u> |
| | | 169,395,877 |
| Dividends: | | |
| 4% first preferred..... | \$ 466,213 | |
| 4½% second preferred..... | 2,700,000 | |
| Common..... | <u>24,000,000</u> | 27,166,213 |
| Appropriations for the purchase for cancellation of 4% first preferred shares..... | | <u>260,204</u> |
| | | 27,426,417 |
| Earned surplus — 31st December 1957..... | | <u><u>\$141,969,460</u></u> |

CAPITAL SURPLUS

| | |
|---|----------------------------|
| Capital surplus — 31st December 1956..... | \$ 3,143,350 |
| Par value of 11,652 4% first preferred shares purchased for cancellation..... | <u>291,300</u> |
| Capital surplus — 31st December 1957..... | <u><u>\$ 3,434,650</u></u> |

PRICE WATERHOUSE & Co.

CANADA CEMENT BUILDING
PHILLIPS SQUARE
MONTREAL 2

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ALUMINUM COMPANY OF CANADA, LIMITED:

We have examined the consolidated balance sheet of Aluminum Company of Canada, Limited and subsidiary companies as at 31st December 1957 and the related consolidated statements of income and surplus for the year then ended and have obtained all the information and explanations which we have required. 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.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and related consolidated statements of income and surplus, supplemented by the notes thereto, are properly drawn up so as to exhibit a true and correct view of the combined state of affairs of Aluminum Company of Canada, Limited and subsidiary companies as at 31st December 1957 and the results of their combined operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.
Chartered Accountants.

Montreal, 14th March 1958.

ALUMINUM COMPANY OF CANADA, LIMITED

and Subsidiary Companies

Notes to Financial Statements

1. Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries (which are all fully owned) comprising Chaguaramas Terminals Limited; Demerara Bauxite Company, Limited; Kitimat Terminals Limited; Newfoundland Fluorspar Limited; Saguenay-Kitimat Company; Saguenay Shipping Limited; Saguenay Shipping (U.K.) Limited; Saguenay Terminals Limited and The Roberval and Saguenay Railway Company.

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 at 31st December 1957, except that (a) fixed assets and related reserves are at rates determined at dates of acquisition, and (b) debts not maturing within one year are at rates current at dates of issue except that the first mortgage 3½% sinking fund bonds, due 1974, payable in United States currency, are stated on a dollar for dollar basis.

2. Acquisition of Alumina Jamaica Limited subsequent to date of Balance Sheet:

The Company has purchased from Aluminium Limited, parent company, with effect from 1st January 1958, all the outstanding shares of Alumina Jamaica Limited (Aljam) at a price of \$18.6 million, being the value of these shares as represented by Aljam's net assets in the consolidated balance sheet of Aluminium Limited at 31st December 1957. In consideration for these shares and for the assignment of a sum of \$1.4 million owing by Aljam to Aluminium Limited, the Company has issued 800,000 shares of common stock at an aggregate price of \$20 million. A further \$10 million of Aljam's debt was assigned to the Company against an equivalent sum payable in cash, thus reducing Aljam's debt to Aluminium Limited to \$44.1 million, of which \$15 million is expected to be paid in 1958 and the balance over the course of the following two years.

The initial effect of this acquisition is indicated by the following condensation of the Consolidated Balance Sheet of the Company at 31st December 1957 (in millions of dollars) in comparison with a Pro-forma Balance Sheet, giving effect to the acquisition and consolidation of Aljam.

| ASSETS | | | LIABILITIES | | |
|----------------------------------|-------------------|-----------------|--------------------------------|-------------------|----------------|
| | 31st Dec. 1957 | Pro- Forma | | 31st Dec. 1957 | Pro- Forma |
| Current Assets..... | \$ 184.1 | \$ 180.0 | Current Liabilities..... | \$ 48.5 | \$ 52.7 |
| Fixed Assets..... | 1,026.2 | 1,120.3 | Debt to Aluminium Limited..... | — | 44.1 |
| Less: Depreciation reserves..... | (343.1) | (353.4) | Other debt — long term..... | 444.4 | 455.2 |
| Other Assets..... | 19.8 | 20.3 | Reserve for future taxes..... | 97.1 | 98.2 |
| | | | Capital and Surplus..... | 297.0 | 317.0 |
| | <u>\$ 887.0</u> | <u>\$ 967.2</u> | | <u>\$887.0</u> | <u>\$967.2</u> |

The earnings of Aljam will be included in the consolidated income of the Company from 1st January 1958. Inclusion of Aljam's earnings in 1957, after allowing for interest on indebtedness to Aluminium Limited and after adjustments for certain non-recurring items, would have increased the Company's consolidated net income in that year by some \$8 million.

3. Inventories of Aluminum, Materials and Supplies:

| | 1957 | 1956 |
|--------------------|----------------------|----------------------|
| Aluminum..... | \$ 16,826,186 | \$ 15,826,510 |
| Raw materials..... | 68,424,904 | 56,356,351 |
| Supplies..... | 14,353,578 | 13,643,808 |
| | <u>\$ 99,604,668</u> | <u>\$ 85,826,669</u> |

4. Lands, Plants, Riparian Rights, and Facilities:

| | 1957 | 1956 |
|---|------------------------|----------------------|
| Land and water rights..... | \$ 31,116,291 | \$ 28,309,913 |
| Mineral properties, rights and development..... | 1,877,590 | 1,701,103 |
| Buildings, machinery and equipment..... | 844,056,419 | 820,360,153 |
| | 877,050,300 | 850,371,169 |
| Construction work in progress..... | 149,186,225 | 51,118,944 |
| | <u>\$1,026,236,525</u> | <u>\$901,490,113</u> |

Capital projects envisaged for the next two years are presently expected to involve the expenditure of about \$100 million during 1958.

5. Depreciation Policy:

Canadian Income Tax regulations permit the use of the diminishing balance method of calculating capital cost allowances and additional allowances may be claimed on property in respect of which certificates have been obtained from the Minister of Defence Production. These additional allowances (for which, on the basis of present construction plans, the Company is eligible to the extent of some \$55 million deductible over the next few years) as well as the diminishing allowances, apply to facilities prior to completion as well as to facilities in use.

The Company and its subsidiary companies, while claiming tax allowances as permitted by regulation, follow the policy of providing in their accounts only for straight-line depreciation on facilities in use. Inasmuch as capital cost allowances for tax purposes in later years on existing assets will consequently fall correspondingly short of the amount of depreciation which will be recorded in the accounts for such years, reserves have been set aside for application against taxes payable in those later years. The amounts set aside each year are calculated at tax rates prevailing in that year and are thus equivalent to the reduction in each year's taxes resulting from taking capital cost allowances in excess of straight-line depreciation on facilities in operation.

6. Debt not maturing within one year:

| | 1957 | 1956 |
|--|----------------------|----------------------|
| Aluminum Company of Canada, Limited: | | |
| Revolving credit loans from banks, under U.S. \$130,000,000 credit agreement, convertible at the Company's option on or before maturity (1st May 1960) into term loans repayable in five equal consecutive annual installments beginning one year from date of conversion (U.S. \$26,000,000)..... | \$ 25,245,625 | \$ 46,954,375 |
| First mortgage 3½% sinking fund bonds, due 1974: | | |
| Series "A"..... | 7,616,000 | 8,290,000 |
| Series "B" (U.S. \$14,481,000)..... | 14,481,000 | 15,543,000 |
| Commutation value of contractual obligation for annual payments secured by second hypothec (payable in Canadian currency and in United States currency in equal parts) | 8,068,335 | 8,400,000 |
| 3½% Sinking fund debentures, due 1971..... | 40,396,000 | 42,400,000 |
| 3⅞% Sinking fund debentures, due 1970 (U.S. \$70,658,000)..... | 69,531,888 | 71,903,478 |
| 4½% Sinking fund debentures, due 1973..... | 45,500,000 | 46,750,000 |
| 4½% Sinking fund debentures, due 1980..... | 113,692,622 | — |
| (U.S. \$117,570,000 — excluding U.S. \$7,430,000, sold in 1957 for delivery 4th March 1958) | | |
| Redeemable notes — payable to the U.K. Government: | | |
| (interest payable only if and to the extent aluminum (magnesium) production is maintained at rates specified in the respective notes during the term thereof) | | |
| 3% Notes, due 1971.....(a) | 19,232,500 | 16,485,000 |
| 3½% Note, due 1971.....(b) | 8,741,250 | 7,492,500 |
| 3½% Note, due 1974.....(c) | 8,000,000 | 6,000,000 |
| 3½% Note, due 1974 (magnesium).....(d) | 186,746 | 186,746 |
| 3½% Redeemable note, due 1974 — payable to the U.K. Government..... | 440,000 | 440,000 |
| | <u>361,131,966</u> | <u>270,845,099</u> |
| Less: Debt payable within one year included in current liabilities..... | <u>2,119,000</u> | <u>2,798,000</u> |
| | <u>\$359,012,966</u> | <u>\$268,047,099</u> |

Debt contingent on volume of operations:

Aluminum Company of Canada, Limited:

Redeemable notes — payable to the U.K. Government:

(principal and interest payable only if and to the extent aluminum (magnesium) production is maintained at rates specified in the respective notes during the term thereof)

| | 1957 | 1956 |
|--|----------------------|----------------------|
| 3% Notes, due 1971.....(a) | \$ 35,717,500 | \$ 38,465,000 |
| 3½% Note, due 1971.....(b) | 16,233,750 | 17,482,500 |
| 3½% Note, due 1974.....(c) | 32,000,000 | 34,000,000 |
| 3½% Note, due 1974 (magnesium).....(d) | 1,408,000 | 1,496,000 |
| | <u>\$ 85,359,250</u> | <u>\$ 91,443,500</u> |

The formulae for abatement of the several notes in any year are summarized below:

| Principal amount of note | Rate of interest | Principal and interest are abatable if production is less than | Amount of principal abatable per ton | Maximum amount of principal abatable in any year | Entire interest is abatable if production is less than |
|--------------------------------|---------------------|--|---|--|--|
| | | (metric tons) | | | (metric tons) |
| (a) \$39,600,000 | 3% | 172,500* | \$24.00 | \$1,980,000 | 90,000 |
| (a) 15,350,000 | 3% | 197,500* | 30.70 | 767,500 | 172,500 |
| (b) 24,975,000 | 3½% | 400,000* | 13.50 | 1,248,750 | 307,500 |
| (c) 40,000,000 | 3½% | 450,000* | 40.00 | 2,000,000 | 400,000 |
| (d) 1,594,746 | 3½% | 4,000† | 33.33 | 88,000 | 1,360 |

*1957 aluminum production — 505,000 metric tons.

†1957 magnesium production — 1,340 metric tons.

7. Other Income:

In 1957 other income includes discounts of \$507,518 on bonds and debentures purchased for redemption and a net premium of \$512,444 (after all issue expenses) on the 4½% sinking fund debentures, due 1980, issued by the Company in 1957.

8. Earned Surplus:

Pursuant to the provisions of the 4½% sinking fund debentures, due 1980, approximately \$133 million of earned surplus at 31st December 1957, subject to certain reservations, is not available for payment of cash dividends on the common stock.

9. Executive Salaries, etc. (parent and subsidiaries):

The following amounts have been charged to income in 1957: executive salaries \$428,877; legal fees \$182,089.

ALUMINUM COMPANY OF CANADA, LIMITED
MONTREAL, QUE., CANADA

DIRECTORS

DANA T. BARTHOLOMEW
President, Aluminium Securities Limited

FRASER W. BRUCE
President of the Company

NATHANAEL V. DAVIS
President, Aluminium Limited

JAMES A. DULLEA
President, Aluminium Secretariat Limited

PAUL LaROQUE
Vice President, Aluminium Secretariat Limited

E. G. MacDOWELL
President, Aluminium Union Limited

EDWIN J. MEJIA
President, Aluminium Fiduciaries Limited

R. E. POWELL
Vice President, Aluminium Limited

J. ALEX. PRUD'HOMME, Q.C.
Geoffrion & Prud'homme

H. H. RICHARDSON
President, Aluminium Laboratories Limited

OFFICERS

FRASER W. BRUCE, *President*

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

J. B. WHITE, *Vice President and General Manager*

P. E. RADLEY, *Vice President*

PAUL LEMAN, *Vice President and Treasurer*

A. K. JORDAN, *General Sales Manager*

L. P. LEDUC, *Secretary*

