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ALUMINIUM LIMITED

(Incorporated under the Companies Act of the Dominion of Canada)

and Fully Owned Subsidiary Companies

FINANCIAL STATEMENTS

31st December, 1942

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ALUMINIUM LIMITED
and Fully Owned Subsidiary Companies

Consolidated Balance Sheet

31st December, 1942

In Canadian Dollars

ASSETS

Land, Plants and Facilities, at cost, of which approximately \$121,900,000 represents War Facilities to be amortized by special deduction from income.....	\$274,799,785	
Less: Reserves for Depreciation and Depletion, including \$59,050,298 special deduction from income.....	94,397,165	
		\$180,402,620
Patents, at cost, less Reserve for Amortization of \$120,110.....		186,418
Investments in Subsidiary Companies:		
(Capital Stock more than 50% owned)		
Investments in Shares carried at.....	7,368,302	
Less: Balance of Reserve resulting from adjustment of the value of investments.....	456,293	
		6,912,009
Investments in Shares of Other Allied Companies, at cost.....		5,228,963
(Capital Stock not more than 50% owned)		
Indemnity and Surety Deposits.....		919,775
Prepaid Expenses and Deferred Charges to Operations.....		5,842,324
Refundable Portion of Canadian Excess Profits Tax (Contra).....		224,422
Current Assets:		
Inventories of Aluminium, Materials and Supplies at cost or under, which is not in excess of market, determined from book and physical inventories and certified by officers of the companies.....	54,536,327	
Accounts and Notes Receivable, less reserves.....	47,890,320	
Marketable Securities, at cost—principally Dominion of Canada Treasury Bills and Bonds (Quoted value \$11,759,767).....	11,725,129	
Cash in Banks and on Hand.....	23,889,384	
		138,041,160*
Net Assets of Fully Owned Subsidiary Companies in enemy territory and Investments in Other Companies similarly located, less reserves.....		337,757,691
		13,220,323
		<u>\$350,978,014</u>

*Of the \$138,041,160 current assets \$44,295,950 is earmarked for construction.

Approved on behalf of the Board,

EDWARD K. DAVIS, Director

GEORGE O. MORGAN, Director

ALUMINIUM LIMITED

and Fully Owned Subsidiary Companies

Consolidated Balance Sheet

31st December, 1942

In Canadian Dollars

LIABILITIES

Capital Stock:	
6% Cumulative Redeemable Preferred Shares—Par \$100—78,996 Shares outstanding.....	\$ 7,899,600
Common Shares—No Par—744,410 Shares outstanding.....	33,935,185
Aluminum Power Company, Ltd. Funded Debt:	
First Mortgage 4% Bonds, due 1968:	
Series "A"—payable in Canadian currency.....	\$ 9,500,000
Series "B"—payable in U.S. currency.....	9,500,000
Second Hypothec, securing Contractual Obligation for annual payments, which may be commuted for.....	14,827,503
	33,827,503
Aluminum Company of Canada, Ltd. Notes Payable:	
3% Redeemable Notes, due 1961, payable to the British Government— principal and interest abatable in certain circumstances as provided in the contracts under which they were issued.....	55,600,000
3% Note (U.S. \$1,000,000) to Export-Import Bank, Washington, D.C.— payable U.S. \$50,000 annually, balance in 1952.....	1,100,000
1¾% Bank Loan, due 1944 (U.S. \$15,000,000)—refundable into Export- Import Bank, Washington, D.C. 10-year 3% Loan payable 5% annually, balance at maturity.....	16,500,000
	73,200,000
Advance Payments on Sales Contracts.....	88,828,865
Accounts Payable to Subsidiary Companies not consolidated.....	442,772
Current Liabilities:	
Accounts Payable.....	23,390,919
Accrued Items.....	4,592,760
Reserves for Income and Excess Profits Taxes, less United Kingdom Tax Cer- tificates of \$11,075,000.....	31,317,244
	59,300,923
Operating Reserves and Deferred Credits.....	1,454,152
Reserve against future depreciation in inventory values.....	6,430,004
Refundable Portion of Canadian Excess Profits Tax (Contra).....	224,422
Capital Surplus.....	540,000
Earned Surplus.....	44,894,588
	<u>\$350,978,014</u>

NOTES: Preferred Dividends are expressed to be payable in U.S. funds and in the event of redemption or liquidation the Preferred Shares are payable in U.S. funds at the option of the shareholder.

The Aluminum Power Company, Ltd. Second Hypothec, and the annual payments secured thereunder, are payable in Canadian currency and in U.S. currency in equal parts.

The accounts of subsidiary companies, other than Canadian companies, included in the consolidated balance sheet and the relative statement of profit and loss are translated into Canadian dollars at official rates of exchange current at 31st December, 1942, except that Fixed Assets are at rates determined at dates of acquisition.

ALUMINIUM LIMITED
and Fully Owned Subsidiary Companies

Consolidated Statement of Profit and Loss
For the Year Ending 31st December, 1942

In Canadian Dollars

Profit for the year ending 31st December, 1942, after provision for Depreciation and Depletion (see footnote) but before taking into account the items shown below			\$48,919,953
Add:			
Income from Investments	\$	734,727	
Interest, etc.		326,644	
			<u>1,061,371</u>
Deduct:			49,981,324
Interest on Indebtedness not maturing within one year	\$	2,647,047	
Other Interest		137,161	
			<u>2,784,208</u>
Executive Salaries		677,713	
(Parent and fully owned subsidiary companies)			
Legal Fees		96,092	
Directors' Fees		11,101	
Amortization of Patents		20,551	
Provision for Income and Excess Profits Taxes		31,387,388	
(Including \$9,789,560 Canadian Taxes)			
Reserved for Net Current Assets in Enemy Territory		76,149	
			<u>35,053,202</u>
Profit for the year carried to Earned Surplus			<u>\$14,928,122</u>

NOTE: Provision for Depreciation and Depletion for the year amounted to \$46,899,241 of which \$4,266,131 was charged to Cost of Production and \$42,633,110 (including special provision of \$40,571,185 in respect of War Facilities) directly against Profits.

Consolidated Statement of Earned Surplus

Earned Surplus—31st December, 1941			\$39,050,864
Adjustments applicable to prior years:			
Additional provision for depreciation in respect of War Facilities	\$	5,958,896	
Overprovision of Canadian Income and Excess Profits Taxes	\$2,188,091		
Sales adjustments		1,593,802	
			<u>3,781,893</u>
			<u>2,177,003</u>
Earned Surplus (as adjusted)—31st December, 1941			36,873,861
Profit for the year as above		14,928,122	
Excess of insurance received over book value of vessels lost		1,338,308	
			<u>16,266,430</u>
			<u>53,140,291</u>
Dividends Paid:			
Preferred, including Exchange Premium		526,113	
Common		7,444,100	
Appropriation for the purchase of past service retirement annuities under The Retirement Income and Life Assurance Plan		275,490	
			<u>8,245,703</u>
Earned Surplus—31st December, 1942			<u>\$44,894,588</u>

Auditors' Report

To the Shareholders of Aluminium Limited:

We have examined the consolidated balance sheet of Aluminium Limited and its fully owned subsidiary companies as at 31st December, 1942, and the relative consolidated statements of profit and loss and surplus. In connection therewith we have reviewed the system of internal control and the accounting procedures of Aluminium Limited and its Canadian subsidiaries and have examined or tested accounting records of these companies and other supporting evidence, but we did not make a detailed audit. The detail transactions of the Canadian companies were examined by the Companies' internal auditors whose reports were furnished to us. We were furnished by other independent accountants with audited financial statements of those subsidiaries whose records were not examined or tested by us, except for companies in enemy territory. We have received all the information and explanations we have required.

We have satisfied ourselves that the inventories of aluminium and other products are valued at cost, which was below market at 31st December, 1942, and that inventories of materials and supplies are stated at the lower of cost or market. Intercompany profits have been excluded from inventories. The provisions for Income and Excess Profits taxes, considered adequate by the management, are subject to final determination by the appropriate tax authorities.

Net assets of fully owned subsidiary companies in enemy territory and investments in shares of other companies similarly located are segregated in the attached balance sheet. Provision was made in 1942 for current assets in territory that came under enemy control in that year.

The surpluses of the individual companies included in the consolidation are subject to such restrictions as to distribution as may be imposed by exchange regulatory bodies of the countries in which the companies are domiciled.

The Aluminum Power Company, Ltd. Second Hypothec was heretofore stated at \$7,562,500. As a result of the further development of the Company's waterpowers, this obligation was restated during the year at its commutation value of \$15,000,000 with a corresponding increase in Land, Plants and Facilities. Payments against principal during the year reduced the commutation value to \$14,827,503 at 31st December, 1942.

The earned surplus at 31st December, 1941, has been adjusted in respect of provision for depreciation of war facilities and sales and tax adjustments affecting the operations of prior years, which adjustments were agreed subsequent to 31st December, 1941.

On the above basis, we report that the attached consolidated balance sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the combined state of affairs of Aluminium Limited and its fully owned subsidiary companies as at 31st December, 1942, according to the best of our information and the explanations given to us, and as shown by the books of the companies examined by us and the financial statements above referred to; and that the relative consolidated statements of profit and loss and surplus fairly present the results of the combined operations of the Companies, excluding those in enemy territory.

Pursuant to Section 114 of the Companies' Act, 1934, we report that the profit for the year of the one subsidiary company not consolidated and for which financial statements are available has been included in the consolidated accounts only to the extent of dividends declared and that your Company's share of the profit of that subsidiary for the period exceeded the amount of such dividends. In the case of the other subsidiary company not consolidated and for which accounts are not available your Company's share of that subsidiary's earned surplus at 31st December, 1941, exceeded the dividends of \$284,207 received by your Company during the year 1942.

PRICE, WATERHOUSE & CO.,
Auditors.

22nd March, 1943

ALUMINIUM LIMITED

and Fully Owned Subsidiary Companies

In Canadian Dollars

Comparative Condensed Earnings Statement (as adjusted)

	1939	1940	1941	1942
Profit before taking into account the following items.....	\$ 29,950,236	\$ 41,634,782	\$ 70,283,218	\$ 93,290,900
Deduct:				
Provision for Depreciation and Depletion:				
Normal.....	3,771,926	3,613,800	5,534,023	6,328,056
Special (in respect of War Facilities) ..	0	778,604	17,700,509	40,571,185
Provision for Income and Excess Profits Taxes.....	8,050,311	22,147,000	27,918,465	31,387,388
Reserved for Investments and Other Assets in Enemy Territory.....	2,281,615	1,370,853	0	76,149
Reserved against future depreciation in inventory values.....	0	3,062,818	3,367,185	0
Profit for the year carried to Earned Surplus....	<u>\$15,846,384</u>	<u>\$10,661,707</u>	<u>\$15,763,036</u>	<u>\$14,928,122</u>

Comparative Condensed Balance Sheets (as adjusted)

31st December	1939	1940	1941	1942
ASSETS				
Land, Plants and Facilities (net).....	\$ 69,525,428	\$ 85,789,558	\$120,373,202	\$180,402,620
Investments.....	16,062,736	11,774,905	11,907,807	12,140,972
Prepaid Expenses, Deferred Charges, etc.....	1,791,450	2,822,772	4,675,979	7,172,939
Current Assets.....	38,628,387	63,470,016	117,830,018	138,041,160
Net Assets in Enemy Territory (less reserves)...	1	11,682,639	13,152,878	13,220,323
	<u>\$126,008,002</u>	<u>\$175,539,890</u>	<u>\$267,939,884</u>	<u>\$350,978,014</u>
LIABILITIES				
Capital Stock and Surplus.....	\$ 70,536,357	\$ 73,150,230	\$ 79,248,646	\$ 87,269,373
Bonds, Notes, etc.....	36,702,557	66,162,500	82,162,500	107,027,503
Advance Payments on Sales Contracts.....	0	0	56,264,428	88,828,865
Current Liabilities.....	17,230,529	32,905,495	42,828,729	59,743,695
Reserves and Deferred Credits.....	1,538,559	3,321,665	7,435,581	8,108,578
	<u>\$126,008,002</u>	<u>\$175,539,890</u>	<u>\$267,939,884</u>	<u>\$350,978,014</u>

NOTES: The above statements for the years 1940 and 1941 have been adjusted to reflect the adjustment of \$2,177,003 charged to earned surplus in the year 1942.

Prior to 1941 the consolidated statements of Aluminium Limited and Fully Owned Subsidiary Companies did not include Aluminum Power Company, Ltd. The accounts of that company are here consolidated for comparative purpose.

ALUMINIUM LIMITED

Montreal, Que., Canada

DIRECTORS

EDWARD K. DAVIS, President

J. H. ALGER

Vice-President, Aluminum Company of Canada, Ltd.,
Montreal

E. BLOUGH

President, Aluminium Laboratories Limited,
Montreal

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E. G. MacDOWELL

President, Aluminium Union Limited,
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President, Aluminium Securities Limited,
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J. A. DULLEA	Secretary
J. F. EVANS	Treasurer
A. SENCHYNA	Asst. Secretary and Asst. Treasurer
D. CASSELMAN	Asst. Secretary

