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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, 1940

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ALUMINIUM LIMITED
and Fully Owned Subsidiary Companies
except Aluminum Power Company, Ltd. which is separately shown

Consolidated Balance Sheet

31st December, 1940

In Canadian Dollars

ASSETS

Land, Plants and Facilities, at cost	\$83,482,203.62	
Less: Provision for Depreciation and Depletion	24,059,248.37	
		\$ 59,422,955.25
Patents and Trademarks, at cost	\$ 303,099.92	
Less: Provision for Amortization	83,917.57	
		219,182.35
Investment in Fully Owned Subsidiary Company not consolidated		300,000.00
Investments in and Advances to Subsidiary Companies: (Capital Stock more than 50% owned)		
Investments in Shares carried at	\$ 7,368,302.15	
Advances	2,138.30	
	7,370,440.45	
Less: Balance of Reserve resulting from adjustment of the value of investments	456,292.80	
		6,914,147.65
Investments in Shares of Other Allied Companies, at cost		4,860,758.32
(Capital Stock not more than 50% owned)		
Indemnity and Surety Deposits		179,133.22
Prepaid Expenses and Deferred Charges to Operations		2,329,023.98
Current Assets:		
Inventories of Aluminium, Materials and Supplies at cost or under, which is not in excess of market, determined from book and physical in- ventories and certified by officers of the companies	\$22,619,095.49	
Accounts and Notes Receivable, less reserves	21,322,868.77	
Marketable Securities, at cost (Quoted value \$3,379,236.58)	3,316,634.71	
Cash in Banks and on Hand	15,371,567.05	
		62,630,166.02
		\$136,855,366.79
Net Assets as at 31st December, 1939, of Fully Owned Subsidiary Companies in territory de- clared in 1940 to be enemy territory and Investments in Shares of Other Companies similarly located		11,682,638.59
		<u>\$148,538,005.38</u>

Approved on behalf of the Board,

EDWARD K. DAVIS, Director

J. H. ALGER, Director

ALUMINIUM LIMITED
and Fully Owned Subsidiary Companies
except Aluminum Power Company, Ltd. which is separately shown

Consolidated Balance Sheet

31st December, 1940

In Canadian Dollars

LIABILITIES

Capital Stock:

6% Cumulative Redeemable Preferred Shares—Par Value \$100.00 78,996 Shares outstanding	\$ 7,899,600.00
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Common Shares—No Par Value 744,410 Shares outstanding	33,935,184.89
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Non-interest bearing Notes—which, on 1st April, 1941, become 20-year 3% redeemable Notes due 1961—principal and interest abatable in certain circumstances as provided in the contracts under which they were issued	39,600,000.00
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Accounts Payable to Subsidiary Companies not consolidated	456,939.61
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Current Liabilities:

Accounts Payable	\$ 7,312,024.03	
Bank Loans	313,713.23	
Accrued Items	1,116,837.55	
Reserves for Income and Excess Profits Taxes	22,278,772.57	
	31,021,347.38	

Operating Reserves and Deferred Credits	258,846.62
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Reserve against future depreciation in inventory values	2,447,033.20
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Capital Surplus	540,000.00
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Earned Surplus	32,379,053.68
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\$148,538,005.38

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 accounts of subsidiary companies, other than Canadian companies, included in the above consolidation are translated into Canadian dollars at official rates of exchange current at 31st December, 1940, except that Fixed Assets are at rates determined at dates of acquisition.

ALUMINIUM LIMITED

and Fully Owned Subsidiary Companies
except Aluminum Power Company, Ltd. which is separately shown

Consolidated Statement of Profit and Loss For the Year Ending 31st December, 1940 In Canadian Dollars

Net Profit for the year ending 31st December, 1940, after provision for Depreciation and Depletion (see footnote) but before taking into account the items shown below		\$37,366,489.92
Add:		
Income from Investments	\$ 847,541.78	
Interest on Advances, etc.	47,784.41	
		<u>895,326.19</u>
Deduct:		\$38,261,816.11
Interest Paid	\$ 130,925.41	
Executive Salaries	493,750.37	
(Parent and fully owned subsidiary companies)		
Legal Fees	131,194.60	
Directors' Fees	13,622.73	
Amortization of Patents	15,819.72	
Premium and Expense on Bonds retired	632,752.56	
Provision for Income and Excess Profits Taxes	20,563,633.11	
(Including \$8,692,309.73 Canadian Taxes)		
Reserved for Canadian companies' Net Current Assets in Enemy Territory	1,370,853.40	
Reserved against future depreciation in inventory values	2,447,033.20	
		<u>25,799,585.10</u>
Profit for the year carried to Earned Surplus		<u>\$12,462,231.01</u>

NOTES: Provision for Depreciation and Depletion for the year amounted to \$3,919,307.36 of which \$2,407,865.61 was charged to Cost of Production and \$1,511,441.75 directly against Profits.

The earnings of subsidiary companies, other than Canadian companies, included in the above consolidation are translated into Canadian dollars at official rates of exchange current at 31st December, 1940.

Consolidated Statement of Earned Surplus For the Year Ending 31st December, 1940

Earned Surplus—31st December, 1939	\$27,947,806.36
Profit for the year as above	<u>12,462,231.01</u>
	\$40,410,037.37
Dividends Paid:	
Preferred, including Exchange Premium	\$ 526,113.36
Common	5,955,280.00
Appropriation for the purchase of past service retirement annuities under The Retirement Income and Life Assurance Plan	<u>1,549,590.33</u>
	8,030,983.69
Earned Surplus—31st December, 1940	<u>\$32,379,053.68</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 except Aluminum Power Company, Ltd. as at 31st December, 1940, and the relative consolidated statements of profit and loss and surplus. In connection therewith we examined or tested accounting records of Aluminium Limited and certain subsidiaries and have been furnished with financial statements as at 31st December, 1940, of other subsidiary companies, excluding those in enemy territory, whose books and accounts have been examined by other independent auditors and have received all the information and explanations we have required.

The detail transactions of the Canadian companies are examined by the companies' internal auditors whose reports are furnished to us. We made a general review of the accounting methods and of the operating and income accounts of those companies for the year, but did not make a detailed audit of the transactions. We have satisfied ourselves that the inventories of aluminium and other products are valued at cost, which was below market value at 31st December, 1940, and that the inventories of materials and supplies are stated at the lower of cost or market. A reserve, \$2,447,033.20, was set up against future depreciation in Canadian inventory values as provided for in Section 6 of the Excess Profits Tax Act, 1940, of the Dominion of Canada. Intercompany profits have been excluded from inventories.

Net Assets as at 31st December, 1939, of fully owned subsidiary companies in territory declared in 1940 to be enemy territory and investments in shares of other companies similarly located have been segregated in the attached Balance Sheet. Such net assets briefly comprise: Fixed Capital Assets \$9,685,378.60 less Reserve for Depreciation \$2,326,408.49; Investments in Subsidiary Companies \$1,524,545.62; Investments in Allied Companies \$3,050,100.25; Net Current and Miscellaneous Assets \$689,079.51; less Funded Debt \$940,056.90. Full provision was made in 1939 for the investments in fully owned subsidiary companies in Germany and in 1939 and 1940 for the Canadian companies' current assets in enemy territory.

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.

On the above basis and subject to the final determination of the liability for excess profits taxes, 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 except Aluminum Power Company, Ltd. as at 31st December, 1940, 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, for the year ending 31st December, 1940.

Pursuant to Section 114 of the Companies Act, 1934, we report that the profits and losses for the year of the subsidiary companies not consolidated have been included in the consolidated accounts only to the extent of dividends declared and that your Company's share of the aggregate of the profits and losses of these subsidiaries, excluding the net operating result of one subsidiary in enemy territory, for the year exceeded the amount of such dividends. At 31st December, 1940, there was, in the aggregate, a net balance at the credit of these subsidiary companies' surplus accounts, of which your Company's share since acquisition was \$2,237,562.25, excluding the accumulated deficit of one subsidiary company the investment in which was previously written off.

PRICE, WATERHOUSE & CO.,
Auditors.

24th March, 1941

ALUMINUM POWER COMPANY, LTD.
(Incorporated under the Companies Act of the Province of Quebec)

Balance Sheet
31st December, 1940
In Canadian Dollars

ASSETS

Land, Water Rights, Plant and Equipment.....	\$35,216,382.76	
Less: Amount allocated as a portion of the value of the unutilized Waterpowers.....	7,437,500.00	
		\$27,778,882.76
Unamortized Expenses in connection with acquisition of Properties.....		70,569.90
Prepaid Expenses and Deferred Charges to Operations.....		24,293.99
Current Assets:		
Inventories of Materials and Supplies, at cost.....	\$ 24,290.53	
Accounts Receivable.....	316,397.31	
Cash in Banks and on Hand.....	784,172.11	
		1,124,859.95
		<u>\$28,998,606.60</u>

LIABILITIES

Capital Stock:		
60,000 Common Shares—No Par Value.....	\$ 300,000.00	
Contractual obligation for certain annual payments, secured by Second Hypothec, which may be commuted for \$15,000,000, stated at.....		7,562,500.00
First Mortgage 4% Bonds, due 1968:		
Series "A"—payable in Canadian currency.....	\$ 9,500,000.00	
Series "B"—payable in U.S. currency.....	9,500,000.00	
		19,000,000.00
Current Liabilities:		
Accounts Payable.....	\$ 140,542.08	
Reserves for Income and Excess Profits Taxes.....	261,015.72	
		401,557.80
Reserve for Depreciation.....		1,412,279.44
Earned Surplus.....		322,269.36
		<u>\$28,998,606.60</u>

Approved on behalf of the Board,
EDWARD K. DAVIS, Director
J. H. ALGER, Director

ALUMINUM POWER COMPANY, LTD.

(Incorporated under the Companies Act of the Province of Quebec)

Statement of Profit and Loss For the Year Ending 31st December, 1940 In Canadian Dollars

Net Profit for the year ending 31st December, 1940, after provision for Depreciation
of \$473,096.61 but before taking into account the items shown below..... \$ 1,503,041.13

Deduct:

Interest on Bonds.....	\$ 760,000.00	
Exchange Premium on Bond Interest.....	41,800.00	
Amortization of Expenses in connection with acquisition of Properties....	2,613.60	
Provision for Canadian Income and Excess Profits Taxes.....	273,273.55	
		<u>1,077,687.15</u>

Profit for the year carried to Earned Surplus..... \$ 425,353.98

NOTE: Approximately 91%, by value, of the power sales was to a fully owned subsidiary company
of Aluminium Limited.

Earned Surplus

Earned Surplus—31st December, 1939.....	\$ 213,765.38
Profit for the year as above.....	425,353.98

\$ 639,119.36

Dividend Paid.....	\$ 300,000.00	
Appropriation for the purchase of past service retirement annuities under The Retirement Income and Life Assurance Plan.....	16,850.00	
		<u>316,850.00</u>

Earned Surplus—31st December, 1940..... \$ 322,269.36

Auditors' Report

To the Shareholders of Aluminum Power Company, Ltd.:

We have examined the books and accounts of Aluminum Power Company, Ltd. for the year ending 31st December, 1940, and have obtained all the information and explanations we have required. We report that the attached balance sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the state of the affairs of Aluminum Power Company, Ltd. as at 31st December, 1940, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

PRICE, WATERHOUSE & CO.,
Auditors.

24th March, 1941

ALUMINIUM LIMITED

Montreal, Que., Canada

DIRECTORS

EDWARD K. DAVIS, President

J. H. ALGER, Secretary

E. BLOUGH

President, Aluminium Laboratories Limited,
Montreal, Canada

AIMÉ GEOFFRION, K.C.

Geoffrion & Prud'homme,
Montreal, Canada

E. G. MacDOWELL

President, Aluminium Union Limited,
Montreal, Canada

HON. LEIGHTON McCARTHY, K.C.

Chairman of the Board
The Canada Life Assurance Company,
Toronto, Canada

EDWIN J. MEJIA

GEORGE O. MORGAN

President, Aluminium Securities Limited,
Montreal, Canada

R. E. POWELL

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

J. F. EVANS Treasurer

J. A. DULLEA Assistant Secretary

M. B. de SOUSA PERNES Assistant Secretary

