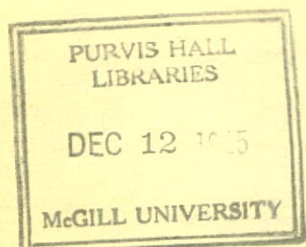


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ALUMINIUM LIMITED
(Incorporated under the Companies Act of the Dominion of Canada)
and Fully Owned Subsidiary Companies

FINANCIAL STATEMENTS

31st December, 1939



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

Consolidated Balance Sheet

31st December, 1939

In Canadian Dollars

ASSETS

Land, Plants and Facilities, at cost	\$66,409,806.20	
Less: Provision for Depreciation and Depletion	23,501,229.34	
		\$42,908,576.86
Patents and Trademarks, at cost	\$ 302,745.96	
Less: Provision for Amortization	68,724.55	
		234,021.41
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	\$ 8,722,957.77	
Advances	1,192,191.07	
		9,915,148.84
Less: Reserves resulting from adjustments of the values of the above investments and advances	456,292.80	
		9,458,856.04
Investments in Shares of Other Allied Companies, at cost		6,603,879.75
(Capital Stock not more than 50% owned)		
Unamortized Bond Discount and Expense		308,788.83
Indemnity and Surety Deposits		156,538.84
Prepaid Expenses and Deferred Charges to Operations		1,000,339.31
Investments and Other Assets in Enemy Territory, stated at the nominal value of		1.00
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	\$12,529,950.73	
Accounts and Notes Receivable, less reserves	17,183,757.48	
Marketable Securities, at cost (Quoted value \$624,837.00)	575,193.41	
Cash in Banks and on Hand	6,898,508.44	
		37,187,410.06
		<u>\$98,158,412.10</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, 1939

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

676,737 Shares outstanding at 31st December, 1938	\$30,720,717.39
67,673 Shares issued as a Stock Dividend	3,214,467.50
744,410 Shares presently outstanding	33,935,184.89

Funded Debt:

Aluminum Company of Canada, Ltd. 3 $\frac{3}{4}$ % Debentures, due 1954	\$ 9,200,000.00
Bonds of Fully Owned Foreign Subsidiary Companies	940,056.90
	10,140,056.90

Accounts Payable to Subsidiary Companies not consolidated	272,379.85
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Current Liabilities:

Accounts Payable	\$ 5,359,808.65
Bank Loans	1,087,400.69
Accrued Items	644,820.00
Reserves for Income and Other Taxes	8,792,795.64
	15,884,824.98

Operating Reserves and Deferred Credits	491,979.81
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Unrealized Profit on Exchange	1,046,579.31
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Capital Surplus	540,000.00
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Earned Surplus	27,947,806.36
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\$98,158,412.10

NOTES: Contingent Liability in respect of customers' notes discounted—\$21,294.90.

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, 1939, except that Fixed Assets and Funded Debt are at rates determined at dates of acquisition and issue.

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, 1939 In Canadian Dollars

Net Profit for the year ending 31st December, 1939, after provision for Depreciation and Depletion (see footnote) but before taking into account the items shown below		\$22,406,052.77
Add:		
Income from Investments	\$ 1,021,734.78	
Interest on Advances, etc.	34,225.97	
Gain from Purchase and Redemption of Bonds	5,805.19	
Gain from Sale of Investments	7,735.71	
		<u>1,069,501.65</u>
Deduct:		\$23,475,554.42
Interest on Indebtedness not maturing within one year	\$558,846.89	
Other Interest	78,128.24	
		<u>\$ 636,975.13</u>
Executive Salaries	434,343.48	
(Parent and fully owned subsidiary companies)		
Legal Fees	121,153.28	
Directors' Fees	18,088.38	
Amortization of Patents	15,848.42	
Premium on Bonds retired and Amortization of expense in connection with Issues of Bonds	333,356.62	
Provision for Canadian Income Taxes	3,659,750.75	
Investment in Allied Company written off	174,495.58	
Reserved for Investments and Other Assets in Enemy Territory	2,281,615.51	
		<u>7,675,627.15</u>
Profit for the year carried to Earned Surplus		<u>\$15,799,927.27</u>

NOTES: Provision for Depreciation and Depletion for the year amounted to \$3,300,229.70 of which \$2,606,808.43 was charged to Cost of Production and \$693,421.27 directly against Profits.

The undistributed portion of 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, 1939, and that portion of the earnings of such subsidiary companies received in Canada as dividends are taken into account at exchange rates ruling on the date of receipt.

Consolidated Statement of Earned Surplus For the Year Ending 31st December, 1939

Earned Surplus—31st December, 1938		\$18,996,329.30
Profit for the year as above		<u>15,799,927.27</u>
		\$34,796,256.57
Dividends Paid:		
Preferred, including Exchange Premium	\$ 487,158.46	
Common—Cash	\$ 3,146,824.25	
—Stock	3,214,467.50	
		<u>6,361,291.75</u>
		6,848,450.21
Earned Surplus—31st December, 1939		<u>\$27,947,806.36</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, 1939, and the relative consolidated statements of profit and loss and surplus. In connection therewith we examined or tested accounting records of Aluminium Limited and its Canadian subsidiaries and have been furnished with financial statements as at 31st December, 1939, of subsidiary companies operating outside of Canada whose books and accounts have been examined by independent auditors to varying dates within the year, 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 their market value at 31st December, 1939, and that the inventories of materials and supplies are stated at the lower of cost or market. Intercompany profits have been excluded from inventories.

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. Full provision has been made for the investments and other assets in enemy territory.

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 except Aluminum Power Company, Ltd. as at 31st December, 1939, 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 their combined operations for the year ending 31st December, 1939.

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 for the year exceeded the amount of such dividends. At 31st December, 1939, 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 \$2,057,759.41, excluding the accumulated deficit of one subsidiary company, the investment in which was previously written off.

PRICE, WATERHOUSE & CO.,
Auditors.

18th March, 1940

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

Balance Sheet
31st December, 1939
In Canadian Dollars

ASSETS

Land, Water Rights, Plant and Equipment.....	\$34,997,203.03	
Less: Amount allocated as a portion of the value of the unutilized Waterpowers.....	7,437,500.00	\$27,559,703.03
Unamortized Expenses in connection with acquisition of Properties.....		73,183.50
Prepaid Taxes.....		18,578.16
Current Assets:		
Inventories of Materials and Supplies, at cost.....	\$ 5,460.00	
Accounts Receivable.....	275,804.23	
Cash in Banks and on Hand.....	1,302,168.64	1,583,432.87
		<u>\$29,234,897.56</u>

LIABILITIES

Capital Stock:		
Common Shares—No Par Value		
20,000 Shares outstanding at 31st December, 1938.....	\$ 100,000.00	
40,000 Shares issued for a consideration of.....	200,000.00	
60,000 Shares presently outstanding		\$ 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 2—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
(4% from 2nd January, 1940)		
Bonds to be redeemed 2nd January, 1940.....	\$ 1,000,000.00	
Exchange Premium thereon.....	50,000.00	1,050,000.00
Current Liabilities:		
Accounts Payable.....	\$ 56,346.89	
Reserves for Income and Other Taxes.....	109,433.14	165,780.03
Reserve for Depreciation.....		942,852.15
Earned Surplus.....		213,765.38
		<u>\$29,234,897.56</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, 1939 In Canadian Dollars

Net Profit for the year ending 31st December, 1939, after provision for Depreciation
of \$471,696.09 but before taking into account the items shown below..... \$ 900,547.54

Deduct:

Interest on Bonds.....	\$ 400,000.00	
Exchange Premium on Bond Interest	7,177.09	
Amortization of Expenses in connection with acquisition of Properties....	2,613.60	
Provision for Canadian Income Taxes.....	94,300.39	
Exchange Premium on Bonds to be redeemed 2nd January, 1940.....	50,000.00	
		<u>554,091.08</u>

Profit for the year carried to Earned Surplus..... \$ 346,456.46

NOTE: Approximately 85%, by value, of the power sales was to a fully owned subsidiary company
of Aluminium Limited.

Earned Surplus

Earned Surplus—31st December, 1938.....	\$ 167,308.92
Profit for the year as above.....	<u>346,456.46</u>
	\$ 513,765.38
Dividend Paid.....	<u>300,000.00</u>
Earned Surplus—31st December, 1939.....	<u>\$ 213,765.38</u>

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, 1939, 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, 1939, 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.

18th March, 1940

ALUMINIUM LIMITED

Montreal, Que., Canada

DIRECTORS

EDWARD K. DAVIS, President

J. H. ALGER, Secretary

E. BLOUGH

President, Aluminium Laboratories Limited,
Montreal, Que., Canada

AIMÉ GEOFFRION, K.C.

Geoffrion & Prud'homme,
Montreal, Que., Canada

E. G. MacDOWELL

President, Aluminium Union Limited,
Montreal, Que., Canada

LEIGHTON McCARTHY, K.C.

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

GEORGE O. MORGAN

President, Aluminium Securities Limited,
Montreal, Que., Canada

R. E. POWELL

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

J. F. VAN-LANE

McCarthy & McCarthy, Toronto, Ont., Canada

J. W. McKEE Treasurer

J. A. DULLEA Assistant Secretary

M. B. de SOUSA PERNES Assistant Secretary