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**ALUMINUM COMPANY OF CANADA, LTD**  
**and Subsidiary Companies**



**1970**

**Financial Statements**

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ALUMINUM COMPANY OF CANADA, LTD  
and Subsidiary Companies

**CONSOLIDATED STATEMENT OF INCOME**

year ending 31 December 1970

	in thousands of United States dollars	
	1970	1969*
<b>REVENUES</b>		
Sales	\$846,160	\$828,967
Operating revenues	66,695	60,447
Other income (note 10)	6,324	9,303
	<u>919,179</u>	<u>898,717</u>
<b>COSTS AND EXPENSES</b>		
Cost of sales and operating expenses	648,239	618,059
Depreciation and depletion (note 3)	67,388	63,384
Selling, research and administrative expenses	63,134	60,019
Interest on debt not maturing within one year	33,804	28,948
Other interest	3,537	5,130
Other expenses	2,522	2,146
	<u>818,624</u>	<u>777,686</u>
<b>INCOME BEFORE FOLLOWING ITEMS</b>	<b>100,555</b>	<b>121,031</b>
Income taxes		
Current	43,597	60,174
Deferred (note 3)	1,993	(778)
	<u>45,590</u>	<u>59,396</u>
<b>INCOME BEFORE EXTRAORDINARY ITEM</b>	<b>54,965</b>	<b>61,635</b>
Profit from exchange revaluation of Canadian working capital (note 2)	9,395	—
<b>NET INCOME</b>	<b><u>\$ 64,360</u></b>	<b><u>\$ 61,635</u></b>

\*Restated in United States dollars for comparative purposes (note 2).

ALUMINUM COMPANY OF CANADA, LTD  
and Subsidiary Companies

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

year ending 31 December 1970

	in thousands of United States dollars	
	1970	1969*
Working capital — beginning of year	<b>\$242,664</b>	<b>\$224,737</b>
<b>SOURCE OF FUNDS</b>		
Net income	64,360	61,635
Depreciation and depletion	67,388	63,384
Deferred income taxes	1,993	(778)
Cash generation from operations	<b>133,741</b>	<b>124,241</b>
New debt	<b>96,656</b>	<b>30,930</b>
Repayment of advances to affiliated companies	<b>6,656</b>	<b>5,124</b>
Capital contributions by parent company	—	<b>17,645</b>
Other	<b>1,778</b>	<b>11,862</b>
	<b>238,831</b>	<b>189,802</b>
<b>APPLICATION OF FUNDS</b>		
Plant, equipment and investments	68,223	85,802
Debt repayments	42,404	36,400
Advances to affiliates and parent	2,092	6,217
Redemption of preferred shares (par value)	1,779	2,346
Preferred dividends	2,085	2,105
Common dividends	61,000	39,005
	<b>177,583</b>	<b>171,875</b>
Increase in working capital	<b>61,248</b>	<b>17,927</b>
	<b>238,831</b>	<b>189,802</b>
Working capital — end of year	<b>\$303,912</b>	<b>\$242,664</b>

\*Restated in United States dollars for comparative purposes (note 2).

ALUMINUM COMPANY OF CANADA, LTD  
and Subsidiary Companies

**CONSOLIDATED BALANCE SHEET — ASSETS**

31 December 1970

	in thousands of United States dollars	
	1970	1969*
Current assets		
Cash	\$ 34,708	\$ 37,353
Time deposits	28,587	37,662
Receivables	124,199	102,066
Receivable from affiliated companies	49,336	55,286
Inventories of aluminum and other materials (note 5)	253,397	230,219
	<u>490,227</u>	<u>462,586</u>
Deferred receivables	8,789	7,228
Deferred charges	7,025	7,061
Advances to affiliated companies	5,264	9,828
Advances to parent company	6,217	6,217
Investments in companies not more than 50% owned, at cost	4,821	3,618
Property, plant and equipment (note 6)	1,810,751	1,756,570
Less: Accumulated depreciation and depletion (note 3)	957,608	899,243
	<u>853,143</u>	<u>857,327</u>
	<u><u>\$1,375,486</u></u>	<u><u>\$1,353,865</u></u>

\*Restated in United States dollars for comparative purposes (note 2).

ALUMINUM COMPANY OF CANADA, LTD  
and Subsidiary Companies

**CONSOLIDATED BALANCE SHEET — LIABILITIES**

31 December 1970

	in thousands of United States dollars	
	1970	1969*
Current liabilities		
Payables	\$ 94,931	\$ 78,794
Short-term bank borrowings	11,557	75,653
Advances from parent company	15,000	—
Payable to affiliated companies	4,914	2,112
Income and other taxes	22,950	31,572
Debt maturing within one year (note 4)	36,963	31,791
	<b>186,315</b>	<b>219,922</b>
Debt not maturing within one year (note 4)	<b>566,574</b>	<b>512,322</b>
Deferred income taxes (note 3)	<b>138,427</b>	<b>136,947</b>
Capital stock and retained earnings		
Cumulative redeemable sinking fund preferred shares (note 7)		
4% First preferred — par Can. \$25		
Authorized — 600,000 shares		
Outstanding — 259,313 shares (1969 — 283,354)	5,893	6,440
4½% Second preferred — par Can. \$50		
Authorized — 1,200,000 shares		
Outstanding — 842,763 shares (1969 — 867,029)	42,780	44,012
Common shares — without nominal or par value		
Authorized — 10,000,000 shares		
Outstanding — 9,000,000 shares	189,172	189,172
Retained earnings (note 8)	246,325	245,050
	<b>484,170</b>	<b>484,674</b>
	<b>\$1,375,486</b>	<b>\$1,353,865</b>

Approved by the Board: PAUL H. LEMAN, Director

JOHN H. HALE, Director

**ALUMINUM COMPANY OF CANADA, LTD**  
and Subsidiary Companies

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**—year ending 31 December 1970

	in thousands of United States dollars	
	1970	1969*
RETAINED EARNINGS — beginning of year	\$245,050	\$224,525
Net income	64,360	61,635
	<u>309,410</u>	<u>286,160</u>
Dividends		
4% First preferred	253	268
4½% Second preferred	1,832	1,837
Common	61,000	39,005
	<u>63,085</u>	<u>41,110</u>
RETAINED EARNINGS — end of year (note 8)	<u>\$246,325</u>	<u>\$245,050</u>

\*Restated in United States dollars for comparative purposes (note 2).

**NOTES TO FINANCIAL STATEMENTS** — in thousands of United States dollars

**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.

**2. TRANSLATION OF ACCOUNTS INTO UNITED STATES DOLLARS**

Prior to 1970, the Company and its parent, Alcan Aluminium Limited, presented their respective consolidated financial statements in Canadian dollars. However, when the foreign exchange value of the Canadian dollar was allowed to "float" in June 1970, the Board of Directors decided that the consolidated results would be expressed more accurately and consistently in United States dollars. This decision to adopt United States dollar reporting also recognized that a significant part of the Company's consolidated sales revenues and net income originate in United States dollars and that about one-third of its assets are located outside of Canada. Accordingly, the consolidated financial statements for 1969 have been restated in United States dollars for comparative purposes.

Accounts, other than United States dollar accounts, included in the consolidated balance sheet are translated at rates of exchange current at year-end, except that (a) inventories, advances and investments, fixed assets and accumulated depreciation and depletion are at rates current at dates of acquisition, (b) debts not maturing within one year are at rates current at dates of original borrowing and (c) deferred income taxes are at rates current at dates of origin. Accounts included in the consolidated statement of income, except depreciation and depletion, are translated at average rates of exchange prevailing during the year. The foregoing accounting principles are unchanged from those used in the past for the translation into Canadian dollars of accounts in other currencies.

The increase in the exchange value of the Canadian dollar since 1 June 1970 resulted in a profit on the revaluation of the Canadian working capital, which has been included in the consolidated statement of income as an extraordinary item.

If the Company had continued to keep its financial results in Canadian dollars, net income for 1970 is estimated to have been Can. \$58 million before deducting a loss of Can. \$8 million on working capital arising from the exchange revaluation of the Canadian dollar, compared with Can. \$66 million in 1969.

**NOTES TO FINANCIAL STATEMENTS** — in thousands of United States dollars

**3. DEPRECIATION POLICY AND DEFERRED INCOME TAXES**

Depreciation, as recorded in the accounts, is calculated on the straight-line method using 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 the allowances so utilized fall short of straight-line depreciation, resulting in higher current income taxes than would otherwise be payable, an appropriate portion of the amount previously deferred is transferred back to income.

	in thousands of U.S. dollars	
4. DEBT NOT MATURING WITHIN ONE YEAR	1970	1969
Aluminum Company of Canada, Ltd		
Bank loans under \$160 million revolving credit agreement, due 1974/1978	\$160,000*	\$160,000
3½ % Sinking fund debentures, due 1971 (Can. \$17 million)	15,585	15,744
4½ % Sinking fund debentures, due 1973 (Can. \$19 million)	19,557	22,771
4½ % Sinking fund debentures, due 1980	60,540	63,643
9½ % Sinking fund debentures, due 1995	91,685†	—
5.10 % Notes, due 1971/1992	94,000	96,000
3½ % Note, due 1974 (Can. \$40 million)	37,999	37,999
Other debt	15,675	41,083
Alcan Aluminum Corporation		
4¾ % Notes, due 1971/1984	38,799	40,000
Non-interest bearing notes, due 1971/1975	14,193	17,031
Other debt	7,114	3,630
Alcan (Bermuda) Limited		
7⅝ % Notes, due 1971/1978 (Lire 12 billion)	19,174	19,174
Other companies		
Bank loans	11,592	10,983
Debt	15,955	16,411
	601,868	544,469
Less: Debt maturing within one year included in current liabilities (equivalent to \$37 million at year-end rates of exchange)	35,294	32,147
	\$566,574	\$512,322

After allowing for prepayments, sinking fund and other requirements over the next five years amount to approximately \$35.3 million in 1971, \$31.2 in 1972, \$39.7 in 1973, \$88.8 in 1974 and \$55.2 in 1975.

\*In January 1971, the Company issued Can. \$60 million of 9¾ % sinking fund debentures, due 1991. The proceeds were used to reduce these bank loans.

†In January 1971, a further \$8 million was issued under Delayed Delivery Contracts of March 1970.

**ALUMINUM COMPANY OF CANADA, LTD**  
and Subsidiary Companies

**NOTES TO FINANCIAL STATEMENTS** — in thousands of United States dollars

**5. INVENTORIES OF ALUMINUM AND OTHER MATERIALS**

Inventories, as summarized below, are stated at cost (determined for the most part on the monthly average method) or net realizable value, whichever is the lower.

	1970	1969
Aluminum	<u>\$110,115</u>	<u>\$105,237</u>
Raw materials	77,913	69,417
Other	65,369	55,565
	<u><u>\$253,397</u></u>	<u><u>\$230,219</u></u>

**6. PROPERTY, PLANT AND EQUIPMENT (at cost)**

	1970	1969
Land and water rights	<u>\$ 50,173</u>	<u>\$ 50,100</u>
Mineral properties, rights and development	14,311	13,930
Buildings, machinery and equipment	1,702,553	1,619,814
	<u>1,767,037</u>	<u>1,683,844</u>
Construction work in progress	43,714	72,726
	<u><u>\$1,810,751</u></u>	<u><u>\$1,756,570</u></u>

Capital projects are expected to involve the expenditure of some \$50 million during 1971.

**7. 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 Can. \$26.375 per share.

4½% Second preferred shares — on thirty days' notice (a) for other than sinking fund purposes at Can. \$52.25 per share to 30 November 1973, at Can. \$52.00 per share to 30 November 1976, and thereafter at Can. \$51.75 per share, and (b) for sinking fund purposes, at Can. \$51.50 per share.

Maximum annual sinking fund requirements for the retirement of the First and Second preferred shares amount to the equivalent of Can. \$2.7 million per annum. The 1971 requirements have been met.

**8. DIVIDEND RESTRICTIONS**

Instruments creating various debt issues contain restrictions on distributions on the common shares of the Company. The Trust Indenture covering the most recent issue has the effect of restricting distributions to U.S. \$100 million plus undistributed consolidated net income subsequent to 31 December 1969.

**9. COMMITMENTS**

The Company has entered into purchase agreements, tolling arrangements and long term leases, including commitments for the charter hire of ships amounting to \$9.5 million in 1971 (\$9.8 million paid in 1970), \$7.7 million in 1972, \$6.1 in 1973 and lesser annual amounts up to 1978.

See also reference to capital expenditures in note 6 and debt repayments in note 4.



**NOTES TO FINANCIAL STATEMENTS** — in thousands of United States dollars

**10. OTHER INCOME**

	1970	1969
Income from time deposits	\$3,746	\$3,800
Gain on disposal of fixed assets	—	2,032
Gain on redemption of debt	1,762	2,128
Other	816	1,343
	<u>\$6,324</u>	<u>\$9,303</u>

**11. PENSION PLANS**

The Company and its subsidiaries have established pension plans in the countries where they operate, for the greater part contributory and generally open to all employees. With respect to these plans, the Company and its subsidiaries incurred a pension expense of \$5.9 million in 1970 (\$8.5 in 1969). Assets in the pension funds are virtually in balance with the liabilities for pension benefits accrued to 31 December 1970.

**12. STATUTORY INFORMATION**

Total remuneration received by the directors of the Company (including the salaries of officers who are directors) amounted to \$344,359 in 1970 (\$212,494 in 1969).

**AUDITORS' REPORT**

PRICE WATERHOUSE & Co.  
5 PLACE VILLE MARIE, MONTREAL 113

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 31 December 1970 and the consolidated statements of income, retained earnings, and source and application of funds 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. We have also examined the consolidated financial statements for 1969 which have been restated in United States dollars for comparative purposes as explained in Note 2 to the accompanying financial statements.

In our opinion these financial statements present fairly the consolidated financial position of the companies in United States dollars as at 31 December 1970 and 1969 and the results of their operations and the source and application of their funds for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

*Price Waterhouse & Co.*  
Chartered Accountants

Montreal, 9 February 1971

## DIRECTORS

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J. W. CAMERON — Vice President

N. S. CRERAR — Vice President

DAVID M. CULVER — Executive Vice President, Fabricating and Sales, Alcan Aluminium Limited

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

NATHANAEL V. DAVIS — President, Alcan Aluminium Limited

JOHN H. HALE — Executive Vice President, Finance, Alcan Aluminium Limited

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

PAUL LAROQUE — Secretary and Chief Legal Officer, Alcan Aluminium Limited

PAUL H. LEMAN — President

D. D. MACKAY — Executive Vice President, Raw Materials, Alcan Aluminium Limited

R. E. POWELL — Honorary Chairman

WILLIAM J. REID — Vice President

## OFFICERS

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PAUL H. LEMAN — President

CLAUDE P. BEAUBIEN — Vice President, Public Relations and Advertising

J. W. CAMERON — Vice President, Smelters

N. S. CRERAR — Vice President, Power

D. W. EVANS — Vice President, Chemicals

H. S. LADD — Vice President, Personnel

M. WILLIAMSON — Vice President, Canadian Fabricating and Sales

F. C. WINSER — Vice President, Export Sales

WILLIAM J. REID — Vice President and Treasurer

T. L. BROCK — Secretary



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**ALUMINUM COMPANY OF CANADA, LTD**  
Montreal, Quebec, Canada