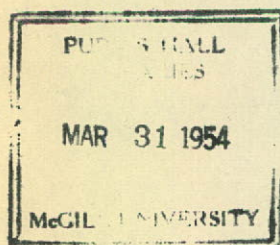


ALUMINUM COMPANY OF CANADA, LIMITED
AND SUBSIDIARY COMPANIES

1953

FINANCIAL STATEMENTS

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ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Balance Sheet

31st December 1953

A S S E T S

	<u>31st December 1953</u>	<u>31st December 1952</u>
Current Assets:		
Cash.....	\$ 16,474,985	\$ 12,017,157
Government of Canada bonds..... (quoted value \$12,155,883)	12,089,347	15,008,758
Receivables, less provision for doubtful accounts.....	8,505,792	9,383,046
Receivable from affiliated companies.....	28,833,069	18,694,443
Inventories of aluminum, materials and supplies (note 2)..... (at cost or under, which is not in excess of market)	54,368,101	53,341,353
	<u>120,271,294</u>	<u>108,444,757</u>
Prepaid expense and deferred charges.....	9,018,330	10,026,971
Advances to an affiliated company.....	—	9,487,382
Lands, plants, riparian rights, and facilities, at cost (note 3).....	733,851,685	622,581,523
Less: Amount thereof charged to operations (note 3).....	340,166,723	296,611,852
	<u>393,684,962</u>	<u>325,969,671</u>
	<u>\$522,974,586</u>	<u>\$453,928,781</u>

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ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Balance Sheet

31st December 1953

LIABILITIES

	<u>31st December 1953</u>	<u>31st December 1952</u>
Current Liabilities:		
Payables, including accrued liabilities	\$ 25,339,008	\$ 29,310,929
Bank loans (note 4)	25,692,800	—
Payable to affiliated companies	678,270	828,111
Preferred dividends payable 1st March 1954	520,619	129,815
Income and other taxes	14,490,496	17,968,690
Other debt payable within one year (note 5)	4,360,078	3,198,000
	<u>71,081,271</u>	<u>51,435,545</u>
Debt not maturing within one year (note 5)	<u>184,941,400</u>	<u>185,854,947</u>
Debt contingent on volume of operations (note 5)	<u>109,696,250</u>	<u>93,692,500</u>
Operating reserves and deferred credits	<u>1,676,872</u>	<u>1,079,829</u>
Capital Stock and Surplus:		
4% Cumulative redeemable sinking fund first preferred shares — par \$25 — 506,522 shares outstanding (519,256 shares at 31st December 1952)	12,663,050	12,981,400
5¼% Cumulative redeemable sinking fund second preferred shares — par \$100 — 300,000 shares outstanding (issued for cash in 1953)	30,000,000	—
Common shares — without nominal or par value: 6,000,000 shares outstanding	60,000,000	60,000,000
Capital surplus	2,336,950	2,018,600
Earned surplus (note 7)	50,578,793	46,865,960
	<u>155,578,793</u>	<u>121,865,960</u>
	<u>\$522,974,586</u>	<u>\$453,928,781</u>

Signed on behalf of the Board,
R. E. POWELL, Director
DANA T. BARTHOLOMEW, Director

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Statement of Profit and Loss
For the Year Ending 31st December 1953

	1953	1952
Sales	\$258,378,494	\$243,072,336
(including \$20,681,928 operating revenues; \$30,799,311 in 1952)		
Cost of sales	148,785,768	145,287,987
(including \$18,501,057 operating expenses; \$26,810,760 in 1952)		
Selling, general and administrative expenses	109,592,726	97,784,349
	10,364,388	9,721,300
Interest on marketable securities, etc.	99,228,338	88,063,049
Interest on marketable securities, etc.	279,383	555,605
Profit on sale of marketable securities (loss in 1952)	70,302	(134,409)
Gain on disposal of surplus equipment	404,525	239,145
	99,982,548	88,723,390
Interest on contingent and other debt not maturing within one year	10,325,623	7,783,742
Other interest	276,271	79,816
Second preferred share issue expense	966,271	—
Debenture issue expense, less premium	—	1,320,353
(including exchange loss of \$1,171,045)		
	11,568,165	9,183,911
Capital cost allowances in respect of lands, plants and facilities	88,414,383	79,539,479
(see footnote and note 3)	44,431,772	33,098,497
	43,982,611	46,440,982
Provision for income taxes	23,073,496	27,322,130
(including \$20,750,377 Canadian taxes; \$25,594,611 in 1952)		
Profit carried to earned surplus	\$ 20,909,115	\$ 19,118,852

NOTES: Aggregate capital cost allowances (see note 3) consist of the following:

Normal allowances on facilities in operation	\$15,724,867	\$12,104,698
*Other allowances, including \$24,324,569 (1952 — \$18,215,808) on facilities prior to completion	28,706,905	20,993,799
	\$44,431,772	\$33,098,497
*Other allowances had the effect of reducing profit carried to earned surplus by	\$16,256,942	\$11,159,454

Legal fees for 1953 amounted to \$97,695, executive salaries (parent and subsidiaries) \$343,694.

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Statement of Surplus
For the Year Ending 31st December 1953

EARNED SURPLUS

Earned surplus — 31st December 1952.....		\$ 46,865,960
Profit for the year.....		20,909,115
		<u>67,775,075</u>
Dividends:		
Preferred (including dividends payable 1st March 1954):		
4% first preferred shares.....	\$ 513,279	
5¼% second preferred shares.....	1,383,000	
Common.....	15,000,000	16,896,279
Appropriations for the purchase for cancellation of 4% first preferred shares.....		300,003
		<u>17,196,282</u>
Earned surplus — 31st December 1953 (note 7).....		<u>\$ 50,578,793</u>

CAPITAL SURPLUS

Capital surplus — 31st December 1952.....		\$ 2,018,600
Par value of 12,734 4% first preferred shares purchased for cancellation		318,350
Capital surplus — 31st December 1953.....		<u>\$ 2,336,950</u>

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 1953 and the related statements of profit and loss 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.

As indicated in a footnote to the consolidated statement of profit and loss, the Canadian companies have continued in 1953 to provide for capital cost allowances in accordance with Canadian income tax regulations which permit the deduction of allowances on facilities prior to completion (as well as facilities in operation) provided that these allowances are recorded in the books of the companies. In our opinion, although generally accepted accounting principles do not require the provision of capital cost allowances until facilities are completed, the practice of providing such allowances on facilities prior to completion has become recognized in Canada by reason of the income tax regulations.

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 profit and loss and surplus, supplemented by the notes appended 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 1953 and the results of their combined operations for the year then ended, in conformity with generally accepted accounting principles (except as noted in the preceding paragraph) which were applied on a basis consistent with that of the preceding year.

Pricewaterhouse & Co.

Chartered Accountants.

Montreal, 15th March 1954.

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Notes to Financial Statements

1. Foreign Exchange:

Accounts, other than Canadian currency accounts, included in the consolidated balance sheet are translated into Canadian dollars at rates of exchange current at 31st December 1953, 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 prevailing at dates of issue except that the first mortgage 3½% sinking fund bonds, due 1974, payable in U.S. currency, are stated on a dollar for dollar basis.

2. Inventories of Aluminum, Materials and Supplies:

	1953	1952
Aluminum	\$ 6,177,974	\$ 7,314,678
Raw materials	37,305,858	34,944,732
Supplies	10,884,269	11,081,943
	\$ 54,368,101	\$ 53,341,353

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

	1953	1952
Land and water rights	\$ 20,804,378	\$ 20,795,963
Mineral properties, rights and development	2,868,878	2,841,780
Buildings, machinery and equipment	453,146,828	404,900,630
	476,820,084	428,538,373
Construction work in progress	257,031,601	194,043,150
	\$733,851,685	\$622,581,523

Policies re Capital Cost Allowances:

The Company and its Canadian subsidiaries take capital cost allowances on the diminishing balance method in the maximum amount allowable for income tax purposes. These diminishing balance allowances apply to facilities prior to completion as well as to facilities in operation.

In addition to capital cost allowances determined on the diminishing balance method, Canadian income tax regulations provide for additional allowances on property for which certificates have been obtained from the Minister of Defence Production; these additional allowances likewise apply to facilities prior to completion as well as to facilities in operation. Under Canadian regulations the amount of capital cost allowances deducted for tax purposes may not exceed the amount recorded in the books of account and reflected in the financial statements.

The Company has been granted certificates that entitle it to apply against profits of the years 1951-1957 additional allowances up to an aggregate of approximately \$123,000,000 on the basis of construction cost estimates submitted to the Minister. Aggregate capital cost allowances charged by the Company were equivalent to 3¾ cents per pound of aluminum sales in 1953 as compared with averages approximately equivalent to 2-4/10 cents per pound and 3 cents per pound of aluminum sales in the years 1951 and 1952 respectively. It is the present intention of the Company to take such amount of additional allowances permitted under the above certificates as will bring its total capital cost allowances in the years 1954 and 1955 to an amount equivalent to 3½ to 4 cents per pound of aluminum sales and in the years 1956 and 1957 to an amount equivalent to 3 to 3½ cents per pound of aluminum sales.

The non-Canadian subsidiary, Demerara Bauxite Company, Limited, provides for depreciation under the straight-line method with variations from normal rates only where climatic or other operating conditions may accelerate the rate of wear and tear. In 1952 and 1953, however, certain additional allowances aggregating \$621,886 and \$614,257 respectively, were provided by this subsidiary as permitted by the tax regulations of the country in which it operates.

4. Bank Loans:

Bank loans of \$25,692,800, payable to Canadian and United States banks, have since been repaid by the application of part of the proceeds from \$50,000,000 4½% sinking fund debentures, due 1973, issued by the Company in March 1954.

5. Debt not maturing within one year:

	1953	1952
Aluminum Company of Canada, Limited:		
First mortgage 3½% sinking fund bonds, due 1974:		
Series "A"	\$ 10,488,000	\$ 10,733,000
Series "B" (U.S. \$20,523,000)	20,523,000	21,429,000
Commutation value of contractual obligation for annual payments secured by second hypothec (payable in Canadian currency and in United States currency in equal parts)	9,501,103	9,892,822
3½% Sinking fund debentures, due 1971	47,795,000	50,000,000
3⅞% Sinking fund debentures, due 1970 (U.S. \$90,000,000)	88,565,625	88,565,625
Redeemable notes, due 1971 — payable to the U.K. Government: (interest payable only if and to the extent aluminum production is maintained at rates specified in the respective notes during the term thereof)		
3% Notes	8,242,500	5,495,000
3½% Notes	3,746,250	2,497,500
3½% Redeemable notes, due 1974 — payable to the U.K. Government	440,000	440,000
	189,301,478	189,052,947
Less: Debt payable within one year in accordance with terms of the above obligations, included in current liabilities	4,360,078	3,198,000
	\$184,941,400	\$185,854,947

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)

3% Notes, due 1971	(a) \$ 46,707,500	\$ 49,455,000
3½% Notes, due 1971	(b) 21,228,750	22,477,500
3½% Notes, due 1974	(c) 40,000,000	20,000,000
3½% Notes, due 1974 (magnesium)	(d) 1,760,000	1,760,000
	\$109,696,250	\$ 93,692,500

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 (metric tons)	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)
(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) 1,760,000	3½%	4,000	33.33	88,000	1,360

6. Commitments:

The Company is engaged in a programme of capital expenditures presently estimated to cost \$410,000,000 during the period 1951 to 1954 inclusive, of which \$384,000,000 has been recorded in the accounts up to 31st December 1953.

7. Earned Surplus:

The surplus of the non-Canadian subsidiary, Demerara Bauxite Company, Limited, relatively unimportant in amount, is subject to such restrictions as to distribution as may be imposed by regulatory bodies of the country in which the company is carrying on operations.

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

DIRECTORS

R. E. POWELL

President of the Company
Montreal

DANA T. BARTHOLOMEW
President, Aluminium Securities Limited
Montreal

NATHANAEL V. DAVIS
President, Aluminium Limited
Montreal

JAMES A. DULLEA
President, Aluminium Secretariat Limited
Montreal

PAUL LaROQUE
Vice-President, Aluminium Secretariat Limited
Montreal

E. G. MacDOWELL
President, Aluminium Union Limited
Montreal

EDWIN J. MEJIA
President, Aluminium Fiduciaries Limited
Montreal

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

H. H. RICHARDSON
President, Aluminium Laboratories Limited
Montreal

OFFICERS

R. E. POWELL, *President*

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

A. W. WHITAKER, JR., *Vice-President and General Manager*

PAUL S. WHITE, *Vice-President and General Sales Manager*

J. B. WHITE, *Vice-President and Director of Personnel*

PAUL LEMAN, *Vice-President and Treasurer*

McNEELY DuBOSE, *Vice-President*

L. P. LEDUC, *Secretary*