

ALUMINUM COMPANY OF CANADA, LIMITED

1952

FINANCIAL STATEMENTS



ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Balance Sheet
31st December 1952

A S S E T S

	31st December 1952	31st December 1951
Current Assets:		
Cash	\$ 12,017,157	\$ 12,324,899
Canadian and United States Government securities	15,008,758	21,786,028
<small>(quoted value \$15,017,246)</small>		
Receivables, less provision for doubtful accounts	9,383,046	10,899,820
Receivable from affiliated companies	18,694,443	10,728,057
Inventories of aluminum, materials and supplies (note 2)	53,341,353	49,625,043
<small>(at cost or under, which is not in excess of market)</small>		
	108,444,757	105,363,847
Prepaid expense and deferred charges	9,425,406	7,859,872
Indemnity, surety and other deposits	584,815	604,902
Advances to an affiliated company	9,487,382	—
Investment in shares of a 50% owned company	16,750	16,750
Lands, plants, riparian rights, and facilities, at cost (note 3)	622,581,523	457,371,657
Less: Amount thereof charged to operations (note 3)	296,611,852	264,188,791
	325,969,671	193,182,866
	\$453,928,781	\$307,028,237

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Balance Sheet

31st December 1952

LIABILITIES

	31st December 1952	31st December 1951
Current Liabilities:		
Payables, including accrued liabilities	\$ 29,310,929	\$ 28,479,171
Payable to affiliated companies	828,111	375,975
Preferred dividend payable 1st March 1953	129,815	132,741
Income and other taxes	17,968,690	14,491,223
Other debt payable within one year (note 4)	3,198,000	1,258,000
	51,435,545	44,737,110
Debt not maturing within one year (note 4)	185,854,947	96,407,382
Debt contingent on volume of operations (note 4)	93,692,500	75,928,750
Operating reserves and deferred credits	1,079,829	1,684,585
	185,627,276	174,748,027
Capital Stock and Surplus:		
4% Cumulative redeemable sinking fund preferred shares --- par \$25 --- 519,256 shares outstanding (529,244 shares at 31st December 1951)	12,981,400	13,231,100
Common shares --- without nominal or par value--- 6,000,000 shares outstanding (including 3,000,000 shares issued for cash in 1952)	60,000,000	30,000,000
Capital surplus	2,018,600	1,768,900
Earned surplus (note 5)	46,865,960	43,270,410
	121,865,960	88,270,410
	\$453,928,781	\$307,028,237

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 1952

	1952	1951
Sales	\$243,072,336	\$203,980,798
(including \$30,799,311 operating revenues — \$25,770,715 in 1951)		
Cost of sales	145,287,987	114,549,920
(including \$26,810,760 operating expenses — \$19,014,793 in 1951)		
Selling, general and administrative expenses	97,784,349	89,430,878
	9,721,300	8,501,355
Interest on marketable securities, etc.	88,063,049	80,929,523
Gain on disposal of surplus equipment	555,605	1,092,286
	239,145	82,951
	88,857,799	82,104,760
Interest on contingent and other debt not maturing within one year	7,783,742	4,720,627
Other interest	79,816	75,207
Loss on sale of marketable securities	134,409	—
Expense in connection with retirement of bonds and other debt	—	117,216
Debenture issue expense, less premium	1,320,353	—
(including exchange loss of \$1,171,045)		
	9,318,320	4,913,050
	79,539,479	77,191,710
Capital cost allowances in respect of lands, plants and facilities	33,098,497	23,267,262
(see footnote and note 3)		
	46,440,982	53,924,448
Provision for income taxes	27,322,130	29,416,051
(including \$25,594,611 Canadian taxes — \$27,993,648 in 1951)		
Profit carried to earned surplus	\$ 19,118,852	\$ 24,508,397

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

Normal allowances on facilities in operation	\$12,104,698	\$10,549,979
*Other allowances, including \$18,215,808 (1951—\$12,717,283) on facilities prior to completion	20,993,799	12,717,283
	\$33,098,497	\$23,267,262
*Other allowances had the effect of reducing profit carried to earned surplus by	\$11,159,454	\$ 6,918,202

Legal fees for 1952 amounted to \$176,541, executive salaries (parent and subsidiaries) \$337,434.

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Statement of Surplus
For the Year Ending 31st December 1952

EARNED SURPLUS

Earned surplus — 31st December 1951.....		\$ 43,270,410
Profit for the year.....		<u>19,118,852</u>
		<u>62,389,262</u>
Dividends:		
Preferred, including dividend payable 1st March 1953.....	\$ 523,302	
Common.....	<u>15,000,000</u>	<u>15,523,302</u>
Earned surplus — 31st December 1952.....		<u>\$ 46,865,960</u>

CAPITAL SURPLUS

Capital surplus — 31st December 1951.....		\$ 1,768,900
Par value of 9,988 preferred shares purchased for cancellation..... <small>(purchased out of 1951 appropriations)</small>		<u>249,700</u>
Capital surplus — 31st December 1952.....		<u>\$ 2,018,600</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 1952 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 1952 to provide for capital cost allowances in accordance with Canadian income tax regulations which permit the deduction of allowances on facilities under construction (as well as facilities in use) provided that these allowances are recorded in the books of the companies. In our opinion, the practice of providing for capital cost allowances on facilities under construction has become recognized in Canada by reason of the income tax regulations although it is not in accordance with generally accepted accounting principles in the United States.

With the foregoing exception, 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 1952 and the results of their combined operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Pricewaterhouse Co.

Chartered Accountants.

Montreal, 16th March 1953.

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 1952, except that (a) fixed assets and their related reserves are at rates determined at dates of acquisition, and (b) debt not maturing within one year is at rates prevailing at dates of issue except that the first mortgage 3½% sinking fund bonds, due 1974, payable in U.S. dollars, are stated on a dollar for dollar basis.

2. Inventories of Aluminum, Materials and Supplies:

	1952	1951
Aluminum.....	\$ 7,314,678	\$ 7,317,750
Raw materials.....	34,944,732	33,115,431
Supplies.....	11,081,943	9,191,862
	\$ 53,341,353	\$ 49,625,043

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

	1952	1951
Land and water rights.....	\$ 20,795,963	\$ 20,613,661
Mineral properties, rights and development.....	2,841,780	2,839,951
Buildings, machinery and equipment.....	404,900,630	331,372,743
	428,538,373	354,826,355
Construction work in progress.....	194,043,150	102,545,302
	\$622,581,523	\$457,371,657

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 under construction 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 under construction 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. In 1952, the aggregate capital cost allowances charged by the Company were equivalent to 2¾ cents per pound of aluminum sales during the first six months and 3¼ cents per pound of aluminum sales during the last six months (as compared with 2 4/10 cents per pound in 1951) and 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 each of the years 1953-1955 inclusive 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 provides for depreciation under the straight-line method with variations only where climatic or other operating conditions may accelerate the rate of wear and tear. In 1952, however, certain additional allowances aggregating \$621,886 were provided by this subsidiary as permitted by the tax regulations in the country in which it operates.

4. Debt not maturing within one year:

	1952	1951
Aluminum Company of Canada, Limited:		
First mortgage 3½% sinking fund bonds, due 1974:		
Series "A"	\$ 10,733,000	\$ 11,083,000
Series "B" (U.S. \$21,429,000)	21,429,000	22,286,000
Commutation value of contractual obligation for annual payments secured by second hypothec — (Can. \$4,946,411; U.S. \$4,946,411)	9,892,822	10,300,132
3½% Sinking fund debentures, due 1971	50,000,000	50,000,000
3⅞% Sinking fund debentures due 1970 (U.S. \$90,000,000)	88,565,625	—
Redeemable notes, due 1971 — payable to the British 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 (a)	5,495,000	2,747,500
3½% Notes (b)	2,497,500	1,248,750
3½% Redeemable notes, due 1974 — payable to the British Government	440,000	—
	189,052,947	97,665,382
Less: Debt payable within one year in accordance with terms of the above obligations, included in current liabilities	3,198,000	1,258,000
	\$185,854,947	\$ 96,407,382

Debt contingent on volume of operations:

Aluminum Company of Canada, Limited:

Redeemable notes — payable to the British 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)	\$ 49,455,000	\$ 52,202,500
3½% Notes, due 1971 (b)	22,477,500	23,726,250
*3½% Notes, due 1974 (c)	20,000,000	—
3½% Notes, due 1974 (magnesium) (d)	1,760,000	—
	\$ 93,692,500	\$ 75,928,750

*Advances received pursuant to an agreement under which additional advances of \$20,000,000 will be received in 1953.

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	Amount of principal abatable per ton	Maximum amount of principal abatable in any year	Entire interest is abatable if production is less than
(a)	\$39,600,000	3%	172,500 m.t.	\$24.00	\$1,980,000	90,000 m.t.
(a)	15,350,000	3%	197,500 m.t.	30.70	767,500	172,500 m.t.
(b)	24,975,000	3½%	400,000 m.t.	13.50	1,248,750	307,500 m.t.
(c)	40,000,000**	3½%	450,000 m.t.	40.00	2,000,000	400,000 m.t.
(d)	1,760,000**	3½%	4,000 m.t.	33.33	88,000	1,360 m.t.

**Abatability commences 1st January 1954.

5. Earned Surplus:

The surplus of the non-Canadian subsidiary, 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.

6. Commitments:

The Company is engaged in a programme of capital expenditures and other investments, presently estimated to cost \$400,000,000 during the period 1951 to 1954 inclusive, of which \$282,000,000 has been recorded in the accounts up to 31st December 1952.

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

DIRECTORS

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JAMES A. DULLEA
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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*
N. E. RUSSELL, *Vice-President*
L. P. LEDUC, *Secretary*

