

STACK

**ALUMINUM COMPANY OF CANADA, LIMITED
AND SUBSIDIARY COMPANIES**

**1958
FINANCIAL STATEMENTS**

PURVIS HALL
LIBRARIES
JUN 12 1959
MCGILL UNIVERSITY

*On pourra se procurer le texte français de ce rapport, en s'adressant
au secrétariat de la Compagnie, 1700 immeuble Sun Life, à Montréal.*

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Balance Sheet

31st December 1958

A S S E T S

	<u>31st December 1958</u>	<u>31st December 1957</u>
Current Assets:		
Cash	\$ 21,446,016	\$ 24,804,082
Government of Canada securities (quoted value \$3,760,000)	3,758,339	2,479,353
Receivables	17,765,057	16,584,579
Receivable from affiliated companies	60,205,960	42,835,590
Inventories of aluminum, materials and supplies (note 2)	93,907,847	97,325,087
	<u>197,083,219</u>	<u>184,028,691</u>
 Deferred receivables	 7,868,393	 7,898,446
 Prepaid expense and deferred charges	 9,426,726	 11,902,881
 Investments in and advances to affiliated companies	 3,133,293	 —
 Lands, plants, riparian rights, and facilities, at cost (note 3)	 1,195,001,722	 1,026,236,525
Less: Accumulated amortization, depreciation and depletion (note 4)	386,357,524	343,098,156
	<u>808,644,198</u>	<u>683,138,369</u>
	 <u><u>\$1,026,155,829</u></u>	 <u><u>\$ 886,968,387</u></u>

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Balance Sheet

31st December 1958

LIABILITIES

	31st December 1958	31st December 1957
Current Liabilities:		
Payables	\$ 29,526,814	\$ 37,370,254
Payable to Aluminium Limited—Parent Company (note 5)	15,000,000	—
Payable to affiliated companies	1,101,818	1,925,622
Preferred dividends declared	784,005	787,829
Income and other taxes	4,186,037	6,302,760
Other debt payable within one year (note 6)	2,034,000	2,119,000
	52,632,674	48,505,465
 Debt to Aluminium Limited—Parent Company (note 5)	 19,350,000	 —
Debt not maturing within one year (note 6)	438,500,547	359,012,966
Debt contingent on volume of operations (note 6)	79,275,000	85,359,250
Reserve for future income taxes (note 4)	114,899,059	97,121,246
 Capital Stock and Surplus:		
Cumulative redeemable sinking fund preferred shares:		
4% first preferred — par \$25 — 446,975 shares outstanding (462,614 shares at 31st December 1957)	11,174,375	11,565,350
4½% second preferred — par \$50 — 1,198,775 shares outstanding (1,200,000 shares at 31st December 1957)	59,938,750	60,000,000
Common shares — without nominal or par value:		
8,800,000 shares outstanding (8,000,000 shares at 31st December 1957) (note 5)	100,000,000	80,000,000
Capital surplus	3,886,875	3,434,650
Earned surplus (note 7)	146,498,549	141,969,460
	321,498,549	296,969,460
	\$1,026,155,829	\$ 886,968,387

Signed on behalf of the Board,

FRASER W. BRUCE, *Director*

DANA T. BARTHOLOMEW, *Director*

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Statement of Income
For the Year Ending 31st December 1958

	1958*	1957
Sales and Revenues:		
Sales	\$270,826,000	\$290,274,518
Operating revenues (transportation services, etc.)	47,375,308	50,671,082
Interest on marketable securities	49,768	561,888
Gain on disposal of surplus fixed assets	1,182,557	740,598
Other income	895,914	1,419,215
	320,329,547	343,667,301
Costs and Expenses:		
Cost of sales	163,254,790	187,614,799
Operating expenses (transportation services, etc.)	47,802,220	44,113,069
Provision for depreciation and depletion (note 4)	36,170,462	27,587,527
Selling, general and administrative expenses	21,817,625	20,018,592
Interest on contingent and other debt not maturing within one year . .	21,222,113	15,274,206
Other interest	157,300	84,248
	290,424,510	294,692,441
Income before income taxes	29,905,037	48,974,860
Provision for current income taxes	3,878,098	10,062,680
(including \$72,274 Canadian taxes; \$7,649,658 in 1957)		
Reserve for future income taxes (note 4)	5,930,641	12,413,821
	9,808,739	22,476,501
Net income	\$ 20,096,298	\$ 26,498,359

*The inclusion in 1958 of the earnings of the subsidiary acquired as at 1st January 1958 (see note 5) had the effect of increasing net income for the year by \$8,797,505.

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Statement of Surplus
For the Year Ending 31st December 1958

EARNED SURPLUS

Earned surplus — 31st December 1957.....	\$141,969,460
Net income for the year.....	20,096,298
	162,065,758
Dividends:	
4% first preferred.....	\$ 448,880
4½% second preferred.....	2,700,000
Common.....	12,000,000
	15,148,880
Appropriations for the purchase for cancellation of preferred shares.....	418,329
	15,567,209
Earned surplus — 31st December 1958.....	\$146,498,549

CAPITAL SURPLUS

Capital surplus — 31st December 1957.....	\$ 3,434,650
Par value of preferred shares purchased for cancellation.....	452,225
Capital surplus — 31st December 1958.....	\$ 3,886,875

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 1958 and the related consolidated statements of income 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.

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 income and surplus, supplemented by the notes 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 1958 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, 17th March 1959.

ALUMINUM COMPANY OF CANADA, LIMITED

and Subsidiary Companies

Notes to Financial Statements

1. Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries (which are all fully owned) comprising Alumina Jamaica Limited; Chaguaramas Terminals Limited; Demerara Bauxite Company, Limited; Kitimat Terminals Limited; Newfoundland Fluorspar Limited; Saguenay-Kitimat Company; Saguenay Shipping Limited; Saguenay Shipping (U.K.) Limited; Saguenay Terminals Limited and The Roberval and Saguenay Railway Company.

All intercompany items and transactions, including profits in inventories, have been eliminated.

Accounts, other than Canadian currency accounts, included in the consolidated balance sheet are translated into Canadian dollars at rates of exchange at 31st December 1958, 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 current at dates of issue except that the first mortgage 3½% sinking fund bonds, due 1974, payable in United States currency, are stated on a dollar for dollar basis.

2. Inventories of Aluminum, Materials and Supplies:

Inventories, as summarized below, are stated at lower of cost or market.

	1958	1957
Aluminum.....	\$ 30,787,708	\$ 16,826,186
Raw materials.....	57,221,962	68,424,904
Supplies.....	13,191,594	14,353,578
	101,201,264	99,604,668
Less: Partial payments from customers against aluminum held under contracts for future delivery.....	7,293,417	2,279,581
	\$ 93,907,847	\$ 97,325,087

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

	1958	1957
Land and water rights.....	\$ 34,007,224	\$ 31,116,291
Mineral properties, rights and development.....	8,647,368	1,877,590
Buildings, machinery and equipment.....	933,921,298	844,056,419
Uncompleted facilities.....	47,609,149	—
	\$1,024,185,039	877,050,300
Construction work in progress.....	170,816,683	149,186,225
	\$1,195,001,722	\$1,026,236,525

The expenditure for uncompleted facilities represents the cost of certain smelter facilities in British Columbia, the completion of which has been suspended.

Capital projects envisaged for the next few years are presently expected to involve the expenditure of about \$45 million during 1959.

4. Depreciation Policy:

Canadian Income Tax regulations permit the use of the diminishing balance method of calculating capital cost allowances and additional allowances may be claimed on property in respect of which certificates have been obtained from the Minister of Defence Production. These additional allowances (for which, on the basis of present construction plans, the Company is still eligible to the extent of some \$26 million) as well as the diminishing allowances, apply to facilities prior to completion as well as to facilities in use. Certain non-Canadian subsidiaries, too, are permitted by regulations to claim capital cost allowances that exceed straight-line depreciation.

The Company and its subsidiary companies follow the policy of providing only for straight-line depreciation in their accounts. Whenever in respect of any year allowances utilized for determining that year's taxes exceed straight-line depreciation the resulting reduction in current income taxes is charged to income and credited to a Reserve for Future Income Taxes. Whenever in a subsequent year allowances so utilized fall short of straight-line depreciation, an appropriate portion of the reserve is transferred back to income. The reserve is similarly employed in the case of other items of a material nature not charged to income in the same year as utilized for tax purposes.

The amount credited to Reserve for Future Income Taxes in 1958 included a tax refund of \$10.8 million received in 1958 through claiming higher capital cost allowances for 1957 than had been intended when the accounts for that year were closed; as this refund represents only a re-allocation between current taxes and reserve for future taxes, it had no effect on net income for either 1957 or 1958.

Straight-line depreciation, as recorded in the accounts, includes depreciation on all completed facilities and, from 1st August 1958 includes depreciation at full rates on certain facilities in British Columbia (see note 3), the completion of which has been suspended.

5. Acquisition of Alumina Jamaica Limited:

In March 1958 the Company purchased from Aluminium Limited, with effect from 1st January 1958, all the outstanding shares of Alumina Jamaica Limited (Aljam) at a price of \$18,561,015. As consideration for these shares and for the assignment of a sum of \$1,438,985 owing by Aljam to Aluminium Limited, the Company issued 800,000 shares of common stock at an aggregate price of \$20,000,000. A further \$10,000,000 of Aljam's debt to Aluminium Limited was assigned to the Company for cash.

leaving a balance of \$43,486,163 owing by Aljam at 31st March 1958. Aluminium Limited has undertaken not to call for payment of this debt (\$34,350,000 at 31st December 1958) at a rate faster than Aljam's cash generation, presently estimated not to exceed \$15,000,000 in 1959.

6. Debt not maturing within one year:

	1958	1957
Aluminum Company of Canada, Limited:		
Revolving credit loans from banks, under U.S. \$130,000,000 credit agreement, convertible at the Company's option on or before maturity (1st May 1961) into term loans repayable in five equal consecutive annual installments beginning one year from date of conversion (U.S. \$87,000,000)	\$ 84,446,250	\$ 25,245,625
First mortgage 3½% sinking fund bonds, due 1974:		
Series "A"	6,987,000	7,616,000
Series "B" (U.S. \$13,578,000)	13,578,000	14,481,000
Commutation value of contractual obligation for annual payments secured by second hypothec (payable in Canadian currency and in United States currency in equal parts)	7,748,607	8,068,335
3¼% Sinking fund debentures, due 1971	38,427,000	40,396,000
3¼% Sinking fund debentures, due 1970 (U.S. \$70,658,000)	69,531,888	69,531,888
4½% Sinking fund debentures, due 1973	45,400,000	45,500,000
4½% Sinking fund debentures, due 1980 (U.S. \$125,000,000)	120,971,700	113,692,622
Redeemable notes — payable to the U.K. Government:		
(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	21,980,000	19,232,500
3½% Note, due 1971	9,990,000	8,741,250
3½% Note, due 1974	10,000,000	8,000,000
3½% Note, due 1974 (magnesium)	218,482	186,746
3½% Redeemable note, due 1974 — payable to the U.K. Government	440,000	440,000
Alumina Jamaica Limited:		
6% Bank loans, due 1960 (£4,000,000)	10,815,620	—
	440,534,547	361,131,966
Less: Debt payable within one year included in current liabilities (\$7,288,000 less \$5,254,000 already redeemed.)	2,034,000	2,119,000
	<u>\$438,500,547</u>	<u>\$359,012,966</u>

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	\$ 32,970,000	\$ 35,717,500
3½% Note, due 1971	14,985,000	16,233,750
3½% Note, due 1974	30,000,000	32,000,000
3½% Note, due 1974 (magnesium)	1,320,000	1,408,000
	<u>\$ 79,275,000</u>	<u>\$ 85,359,250</u>

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
			(metric tons)			(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)	1,538,482	3½%	4,000†	33.33	88,000	1,360

*1958 aluminum production — 545,000 metric tons.

†1958 magnesium production — 2,310 metric tons.

7. Earned Surplus:

Pursuant to the provisions of the 4½% sinking fund debentures, due 1980, approximately \$133 million of earned surplus at 31st December 1958, subject to certain reservations, is not available for payment of cash dividends on the common stock.

8. Commitments:

A subsidiary company, Saguenay Shipping Limited, has charter hire commitments amounting to approximately \$31.3 million in 1959 (\$33.7 million paid in 1958), \$25.5 million in 1960, \$19.3 million in 1961, \$14.2 million in 1962, \$10.1 million in 1963, \$5.8 million in 1964 and lesser amounts up to 1974.

See also reference to capital expenditure programme in note 3.

9. Executive Salaries, etc. (parent and subsidiaries):

The following amounts have been charged to income in 1958: executive salaries \$660,450; legal fees \$192,150.

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

DIRECTORS

DANA T. BARTHOLOMEW
President, Aluminium Securities Limited

FRASER W. BRUCE
President of the Company

NATHANAEL V. DAVIS
President, Aluminium Limited

JAMES A. DULLEA
President, Aluminium Secretariat Limited

PAUL LAROQUE
Vice President, Aluminium Secretariat Limited

EDWIN J. MEJIA
President, Aluminium Union Limited

R. E. POWELL
Vice President, Aluminium Limited

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

H. H. RICHARDSON
President, Aluminium Laboratories Limited

M. P. WEIGEL
Director of Operations, Aluminium Limited

OFFICERS

FRASER W. BRUCE, *President*

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

J. B. WHITE, *Vice President and General Manager*

PAUL LEMAN, *Vice President and Treasurer*

CLAUDE P. BEAUBIEN, *Vice President*

TAYLOR CORNELIUS, *Vice President*

N. S. CRERAR, *Vice President*

A. K. JORDAN, *Vice President*

RODNEY NORTHEY, *Vice President*

P. E. RADLEY, *Vice President*

L. P. LEDUC, *Secretary*