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ALUMINUM COMPANY OF CANADA, LIMITED
AND SUBSIDIARY COMPANIES



1959

FINANCIAL STATEMENTS

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ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Balance Sheet

31st December 1959

LIABILITIES

	31st December 1959	31st December 1958
Current Liabilities:		
Payables.....	\$ 30,211,720	\$ 29,526,814
Payable to Aluminium Limited—Parent Company (note 5).....	15,000,000	15,000,000
Payable to affiliated companies.....	2,201,746	1,101,818
Preferred dividends declared.....	764,488	784,005
Income and other taxes.....	4,762,788	4,186,037
Other debt payable within one year (note 6).....	300,000	2,034,000
	53,240,742	52,632,674
Debt to Aluminium Limited—Parent Company (note 5).....	8,880,000	19,350,000
Debt not maturing within one year (note 6).....	532,139,768	517,775,547
Reserve for future income taxes (note 4).....	121,397,987	114,899,059
Capital Stock and Surplus:		
Cumulative redeemable sinking fund preferred shares:		
4% first preferred — par \$25 — 428,312 shares outstanding (446,975 shares at 31st December 1958).....	10,707,800	11,174,375
4½% second preferred — par \$50 — 1,170,182 shares outstanding (1,198,775 shares at 31st December 1958).....	58,509,100	59,938,750
Common shares — without nominal or par value:		
8,800,000 shares outstanding.....	100,000,000	100,000,000
Capital surplus.....	5,783,100	3,886,875
Earned surplus (note 7).....	153,112,359	146,498,549
	328,112,359	321,498,549
	\$1,043,770,856	\$1,026,155,829

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 1959

	1959	1958
Sales and Revenues:		
Sales	\$282,124,348	\$270,826,000
Operating revenues (transportation services, power sales, etc., note 8)	38,933,496	47,375,308
Income from marketable securities	450,867	49,768
Gain on disposal of surplus fixed assets	627,779	1,182,557
Other income	1,582,433	895,914
	323,718,923	320,329,547
 Costs and Expenses:		
Cost of sales and operating expenses	213,824,271	211,057,010
Provision for depreciation and depletion (note 4)	39,533,750	36,170,462
Selling, general and administrative expenses	19,754,282	21,817,625
Interest on debt not maturing within one year	22,566,269	21,222,113
Other interest	355,947	157,300
	296,034,519	290,424,510
 Income before income taxes	27,684,404	29,905,037
 Provision for current income taxes (\$1,931,856 Canadian taxes; \$72,274 in 1958)	5,825,948	3,878,098
Reserve for future income taxes (note 4)	6,498,928	5,930,641
	12,324,876	9,808,739
 Net income	\$ 15,359,528	\$ 20,096,298

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Statement of Surplus
For the Year Ending 31st December 1959

EARNED SURPLUS

Earned surplus — 31st December 1958.....	\$146,498,549
Net income for the year.....	15,359,528
	161,858,077
Dividends:	
4% First preferred.....	\$ 434,849
4½% Second preferred.....	2,652,930
Common.....	4,000,000
	7,087,779
Appropriations for the purchase for cancellation of preferred shares.....	1,657,939
	8,745,718
Earned surplus — 31st December 1959.....	\$153,112,359

CAPITAL SURPLUS

Capital surplus — 31st December 1958.....	\$ 3,886,875
Par value of preferred shares purchased for cancellation.....	1,896,225
Capital surplus — 31st December 1959.....	\$ 5,783,100

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 1959 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 1959 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, 14th March 1960.

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 1959, except that (a) inventories, investments, 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.

	1959	1958
Aluminum.....	\$ 22,858,895	\$ 30,787,708
Raw materials.....	54,906,343	57,221,962
Supplies.....	12,042,047	13,191,594
	89,807,285	101,201,264
Less: Partial payments against aluminum under contracts for delivery at customer's option	14,621,123	7,293,417
	\$ 75,186,162	\$ 93,907,847

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

	1959	1958
Land and water rights.....	\$ 34,388,802	\$ 34,007,224
Mineral properties, rights and development.....	9,450,340	8,647,368
Buildings, machinery and equipment.....	1,115,992,153	933,921,298
Uncompleted facilities.....	46,286,807	47,609,149
	1,206,118,102	1,024,185,039
Construction work in progress.....	28,240,644	170,816,683
	\$1,234,358,746	\$1,195,001,722

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 1960.

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, of which some \$14 million remains available to the Company, 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.

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. Debt to Aluminium Limited — Parent Company:

The remaining indebtedness to Aluminium Limited of Alumina Jamaica Limited, a subsidiary acquired from Aluminium Limited in 1958, of \$23,880,000 is payable at a rate no faster than Alumina Jamaica Limited's cash generation, presently estimated at \$15,000,000 in 1960.

6. Debt not maturing within one year:

	1959	1958
Aluminum Company of Canada, Limited:		
Revolving credit loans from banks, under U.S. \$160,000,000 credit agreement, convertible at the Company's option on or before maturity (1st May 1962) into term loans repayable in five equal consecutive annual installments beginning one year from date of conversion (U.S. \$115,000,000)	\$111,512,578	\$ 84,446,250
First mortgage 3½% sinking fund bonds, due 1974:		
Series "A"	5,948,000	6,987,000
Series "B" (U.S. \$11,978,000)	11,978,000	13,578,000
Commutation value of contractual obligation for annual payments secured by second hypothec (payable in Canadian currency and in United States currency in equal parts)	7,425,000	7,748,607
3½% Sinking fund debentures, due 1971	34,493,000	38,427,000
3⅞% Sinking fund debentures, due 1970 (U.S. \$70,100,000)	68,982,781	69,531,888
4½% Sinking fund debentures, due 1973	44,438,000	45,400,000
4½% Sinking fund debentures, due 1980 (U.S. \$118,836,000)	115,006,343	120,971,700
Redeemable notes — payable to the U.K. Government — interest and \$73,190,750 of principal abatable in certain circumstances as provided in the contracts under which they were issued:		
3% Notes, due 1971	54,950,000	54,950,000
3½% Notes, due 1971	24,975,000	24,975,000
3½% Notes, due 1974	41,915,446	41,978,482
Alumina Jamaica Limited:		
6% Bank loans, due 1962 (£4,000,000)	10,815,620	10,815,620
	532,439,768	519,809,547
Less: Debt payable within one year included in current liabilities (\$14,539,180 less \$14,239,180 already redeemed)	300,000	2,034,000
	\$532,139,768	\$517,775,547

Allowing for payments already made, sinking fund payments over the next 5 years against the above debt, other than bank loans, will amount to approximately \$0.3 million in 1960 (appearing under Current Liabilities), \$12.7 million in 1961, \$17.7 million in 1962, \$17.9 million in 1963 and \$17.9 million in 1964.

7. Earned Surplus:

Pursuant to the provisions of the 4½% sinking fund debentures, due 1980, approximately \$133 million of earned surplus at 31st December 1959, subject to certain reservations, is not available for payment of cash dividends on the common stock.

8. Operating Revenues:

In 1959, operating revenues were increased by the inclusion of power sales amounting to \$4 million, whereas in prior years, power sales were deducted from cost of sales.

9. Commitments:

A subsidiary company, Saguenay Shipping Limited, has charter hire commitments amounting to \$25.7 million in 1960 (\$30.3 million paid in 1959), \$21.2 million in 1961, \$16.3 million in 1962, \$10.7 million in 1963, \$6.2 million in 1964, \$4.2 million in 1965 and lesser amounts up to 1974.

See also reference to capital expenditure program in note 3.

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

The following amounts have been paid in 1959: executive salaries \$694,735; legal fees \$118,023.

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, Alcan International 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*

N. S. CRERAR, *Vice President*

A. K. JORDAN, *Vice President*

RODNEY NORTHEY, *Vice President*

P. E. RADLEY, *Vice President*

L. P. LEDUC, *Secretary*

