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Aluminum Company of Canada, Limited
and Subsidiary Companies



1964

Financial Statements

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Aluminum Company of Canada, Limited and Subsidiary Companies

Consolidated balance sheet — Assets — 31st December 1964

	in Canadian Dollars	
	1964	1963
Current Assets:		
Cash	\$ 13,899,052	\$ 15,820,145
Time deposits	11,292,861	—
Receivables	23,999,296	22,429,849
Receivable from affiliated companies	97,950,550	91,433,785
Inventories of aluminum, materials and supplies (note 2)	132,124,748	115,726,270
	<u>279,266,507</u>	<u>245,410,049</u>
Deferred receivables	8,527,937	7,847,403
Prepaid expense and deferred charges	6,935,956	8,008,367
Investments in and advances to affiliated companies	2,589,991	2,745,184
Lands, plants, riparian rights, and facilities, at cost (note 3)	1,353,018,916	1,335,219,236
Less: Accumulated depreciation and depletion (note 4)	631,131,425	588,704,882
	<u>721,887,491</u>	<u>746,514,354</u>
	<u>\$1,019,207,882</u>	<u>\$1,010,525,357</u>

Aluminum Company of Canada, Limited and Subsidiary Companies

Consolidated balance sheet — Liabilities — 31st December 1964

	in Canadian Dollars	
	1964	1963
Current Liabilities:		
Payables	\$ 38,943,330	\$ 35,258,388
Payable to affiliated companies	2,125,632	4,022,575
Income and other taxes	32,981,625	12,583,637
Other debt payable within one year (note 5)	2,694,503	1,657,438
	76,745,090	53,522,038
Debt not maturing within one year (note 5)	449,150,621	483,110,177
Reserve for future income taxes (note 4)	124,572,178	123,619,856
Capital Stock and Surplus:		
Cumulative redeemable sinking fund preferred shares:		
4% first preferred — par \$25 — 360,505 shares outstanding (1963 — 371,323 shares)	9,012,625	9,283,075
4½% second preferred — par \$50 — 1,038,963 shares outstanding (1963 — 1,064,710 shares)	51,948,150	53,235,500
Common shares — without nominal or par value: 8,800,000 shares outstanding	100,000,000	100,000,000
Earned surplus (note 6)	207,779,218	187,754,711
	368,739,993	350,273,286
	\$1,019,207,882	\$1,010,525,357

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 — year ending 31st December 1964

	in Canadian Dollars	
	1964	1963
Sales and Revenues:		
Sales	\$394,007,152	\$371,810,611
Operating revenues (transportation services, power sales, etc.)	49,420,022	43,451,233
Other income (note 7)	3,240,912	1,098,074
	446,668,086	416,359,918
Costs and Expenses:		
Cost of sales and operating expenses	269,498,959	279,447,211
Provision for depreciation and depletion (note 4)	49,376,038	46,452,173
Selling, research and administrative expenses	30,101,043	30,101,525
Interest on debt not maturing within one year	20,818,563	22,409,109
Exchange loss on redemption of debt	2,190,609	1,338,514
	371,985,212	379,748,532
Income before income taxes	74,682,874	36,611,386
Provision for current income taxes	31,996,233	12,966,385
Reserve for future income taxes (note 4)	952,322	1,734,454
	32,948,555	14,700,839
Net income	\$ 41,734,319	\$ 21,910,547

Aluminum Company of Canada, Limited and Subsidiary Companies

Consolidated statement of earned surplus — year ending 31st December 1964

	in Canadian Dollars
Earned surplus - 31st December 1963	\$187,754,711
Net income for the year	41,734,319
	<u>229,489,030</u>
Dividends:	
4% First preferred	\$ 364,205
4½% Second preferred	2,345,607
Common	19,000,000
	<u>21,709,812</u>
Earned surplus - 31st December 1964 (note 6)	<u>\$207,779,218</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 1964 and the related consolidated statements of income and earned 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 earned 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 1964 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, 23rd February 1965.

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, Alcan Design Homes Limited, Alcan Jamaica Limited, Almetco Manufacturing Corp. Limited, Chaguaramas Terminals Limited, Demerara Bauxite Company, Limited, Kitimat Terminals Limited, Newfoundland Fluorspar Limited, Roslyn Metal Products 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 current at 31st December 1964, except that (a) certain bank balances, inventories, investments and fixed assets with related reserves are at rates determined at dates of acquisition, and (b) debts not maturing within one year, with a minor exception, are at rates current at dates of original borrowing.

2. Inventories of Aluminum, Materials and Supplies:

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

	1964	1963
Aluminum.....	\$ 55,249,803	\$ 39,688,617
Raw materials.....	59,286,675	60,458,009
Supplies.....	20,434,508	16,957,518
	<u>134,970,986</u>	<u>117,104,144</u>
Deductions for advance payments from customers against aluminum held for future delivery.....	2,846,238	1,377,874
	<u>\$ 132,124,748</u>	<u>\$ 115,726,270</u>

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

	1964	1963
Land and water rights.....	\$ 33,957,895	\$ 34,190,234
Mineral properties, rights and development.....	12,071,329	11,677,281
Buildings, machinery and equipment.....	1,259,634,890	1,234,228,609
Uncompleted facilities.....	11,845,095	31,791,364
	<u>1,317,509,209</u>	<u>1,311,887,488</u>
Construction work in progress.....	35,509,707	23,331,748
	<u>\$1,353,018,916</u>	<u>\$1,335,219,236</u>

The amount shown for uncompleted facilities represents the expenditure for certain smelter facilities in British Columbia the construction of which was suspended in 1957 and has not been resumed.

Capital projects are expected to involve the expenditure of some \$35 million during 1965.

4. Depreciation Policy and Reserve for Future Income Taxes:

With minor exceptions, depreciation recorded in the accounts is calculated on a straight-line basis in respect of all completed facilities and the uncompleted facilities referred to in note 3.

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 Reserve for Future Income Taxes. When these 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 reserve is transferred back to income.

Aluminum Company of Canada, Limited and Subsidiary Companies

Notes to financial statements

5. Debt not Maturing Within One Year:

	1964	1963
Aluminum Company of Canada, Limited:		
Revolving credit loans from banks, under U.S. \$60,000,000 credit agreement, convertible at the Company's option on or before maturity (1st May 1967) into term loans repayable in five equal consecutive annual installments beginning one year from date of conversion (U.S. \$22,000,000).....	\$ 22,308,567	\$ 35,490,903
First mortgage 3½% sinking fund bonds, due 1974:		
Series "A".....	4,130,000	4,132,000
Series "B" (U.S. \$7,228,000).....	7,228,000	8,478,000
Commutation value of contractual obligation for annual payments secured by second hypothec — payable in Canadian currency and in United States currency, in equal parts.....	5,925,000	6,225,000
3½% Sinking fund debentures, due 1971.....	25,010,000	28,446,000
3¾% Sinking fund debentures, due 1970 (U.S. \$35,899,000).....	35,326,860	40,730,347
4½% Sinking fund debentures, due 1973.....	33,771,000	36,145,000
4½% Sinking fund debentures, due 1980 (U.S. \$92,600,000).....	89,615,835	96,769,618
5.10% Notes, due 1968/1992 (U.S. \$100,000,000).....	97,586,489	97,586,489
Redeemable notes — payable to the U.K. Government — interest and \$41,977,500 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.....	40,000,000	40,000,000
Alcan Jamaica Limited:		
Bank loans, due 1968 (£4,000,000).....	10,815,620	10,815,620
	<u>451,642,371</u>	<u>484,743,977</u>
Less: Debt payable within one year included in current liabilities (equivalent to \$2,694,503 at year-end rates of exchange).....	2,491,750	1,633,800
	<u>\$449,150,621</u>	<u>\$483,110,177</u>

Allowing for payments already made, sinking fund requirements over the next five years against the above debt, other than bank loans, amount to approximately \$2.5 million in 1965, \$12.7 million in 1966, \$18.3 million in 1967, \$20.3 million in 1968 and \$20.5 million in 1969.

6. Dividend Restrictions:

Pursuant to the provisions of certain debt issues, approximately \$147 million of earned surplus at 31st December 1964 is not distributable in dividends either in cash or in kind on the common shares.

7. Other Income:

	1964	1963
Gain on disposal of fixed assets.....	\$1,958,609	\$ (45,965)
Income from investments.....	1,148,227	708,034
Other.....	134,076	436,005
	<u>\$3,240,912</u>	<u>\$1,098,074</u>

8. Commitments:

A consolidated subsidiary company, Saguenay Shipping Limited, has charter hire commitments amounting to \$11.0 million in 1965 (\$20.1 million paid in 1964), \$9.0 million in 1966, \$7.2 million in 1967, \$6.2 million in 1968, \$5.0 million in 1969, \$3.9 million in 1970 and lesser amounts up to 1978.

See also reference to capital expenditures in note 3.

9. Statutory Information (parent and subsidiaries):

Executive salaries for the year 1964 were \$879,071, legal fees \$127,752, Canadian income taxes \$22,282,989.

Aluminum Company of Canada, Limited

Montreal, Quebec, Canada

Directors

DANA T. BARTHOLOMEW — President, Aluminium Securities Limited
FRASER W. BRUCE — President of the Company
DAVID M. CULVER — President, Alcan International Limited
HOLBROOK R. DAVIS — President, Aluminium Fiduciaries Limited
NATHANAEL V. DAVIS — President, Aluminium Limited
J. F. EVANS — President, Aluminium Secretariat Limited
PAUL LAROQUE — Secretary, Aluminium Limited
PAUL LEMAN — Executive Vice President of the Company
R. E. POWELL — Honorary Chairman of the Company
J. ALEX. PRUD'HOMME, Q.C. — of the firm of Geoffrion & Prud'homme
H. H. RICHARDSON — President, Aluminium Laboratories Limited
M. P. WEIGEL — President, Aluminium Works Limited

Officers

FRASER W. BRUCE, President
J. ALEX. PRUD'HOMME, Q.C., Vice President
PAUL LEMAN, Executive Vice President
Vice Presidents in charge of a Division or a Department:
CLAUDE P. BEAUBIEN: Public Relations and Advertising
J. W. CAMERON: Smelters
N. S. CRERAR: Power
D. H. FERGUSON: Fabricating
J. J. GAGNON: Personnel
R. T. HYLAND: Canadian Sales
J. S. WOODS: Export Sales
E. H. EBERTS, Vice President and Secretary
R. J. MOYSE, Treasurer