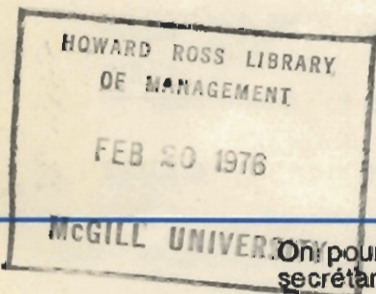


**Aluminum Company of Canada, Ltd**  
**and Subsidiary Companies**



**1975**

**Financial Statements**



On pourra se procurer le texte français de ce rapport en s'adressant au  
secrétariat de la Compagnie, case postale 6090, Montréal, Canada, H3C 3H2

**Aluminum Company of Canada, Ltd**  
**and Subsidiary Companies**

**CONSOLIDATED STATEMENT OF INCOME**

year ending 31 December 1975

	in thousands of U.S. dollars	
	1975	1974
<b>REVENUES</b>		
Sales	\$1,407,019	\$1,429,280
Operating revenues	72,945	80,995
Other income (note 8)	6,700	9,170
	<u>1,486,664</u>	<u>1,519,445</u>
<b>COSTS AND EXPENSES</b>		
Cost of sales and operating expenses	1,251,133	1,200,867
Depreciation and depletion	65,212	60,250
Selling, research and administrative expenses	97,264	91,355
Interest on debt not maturing within one year	56,336	50,161
Other interest	10,606	16,230
Other expenses	4,767	6,475
	<u>1,485,318</u>	<u>1,425,338</u>
<b>INCOME BEFORE INCOME TAXES AND EQUITY INCOME</b>	<b>1,346</b>	<b>94,107</b>
Income taxes (note 9)		
Current	88	11,699
Deferred	2,249	19,435
	<u>2,337</u>	<u>31,134</u>
<b>INCOME BEFORE EQUITY INCOME</b>	<b>(991)</b>	<b>62,973</b>
Equity in net income of companies 20-50% owned (note 1)	1,535	819
<b>NET INCOME</b>	<b>\$ 544</b>	<b>\$ 63,792</b>

**Aluminum Company of Canada, Ltd**  
and Subsidiary Companies

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

year ending 31 December 1975

	in thousands of U.S. dollars	
	1975	1974
<b>SOURCE OF FUNDS</b>		
Net income	\$ 544	\$ 63,792
Depreciation and depletion	65,212	60,250
Deferred income taxes	2,249	19,435
Other	(763)	(249)
From operations	<u>67,242</u>	<u>143,228</u>
New debt	36,858	180,885
Preferred shares	49,235	—
Common shares	9,847	50,585
Disposals of plant and equipment	10,797	5,046
Other	29,359	(2,201)
	<u>203,338</u>	<u>377,543</u>
<b>APPLICATION OF FUNDS</b>		
Plant and equipment	112,642	150,722
Investments	2,064	17,618
Debt repayments	52,396	30,685
Redemption of preferred shares (par value)	1,817	4,275
Dividends	12,247	36,435
	<u>181,166</u>	<u>239,735</u>
<b>INCREASE IN WORKING CAPITAL (note 11)</b>	<b>22,172</b>	<b>137,808</b>
Working capital — beginning of year	<u>375,977</u>	<u>238,169</u>
<b>WORKING CAPITAL — END OF YEAR</b>	<b>\$398,149</b>	<b>\$375,977</b>

**Aluminum Company of Canada, Ltd**  
**and Subsidiary Companies**

**CONSOLIDATED BALANCE SHEET -- ASSETS**

31 December 1975

	in thousands of U.S. dollars	
	1975	1974
Current assets		
Cash and time deposits	\$ 27,441	\$ 29,221
Receivables	168,214	164,549
Receivable from affiliated companies	81,570	106,930
Aluminum	186,750	205,596
Raw materials and other supplies	262,827	242,454
	<u>726,802</u>	<u>748,750</u>
Deferred charges	20,661	20,506
Deferred receivables (note 2)	56,216	56,254
Investments in companies owned 50% or less (note 1)	27,226	27,676
Property, plant and equipment (note 3)	2,013,053	1,934,092
Less: Accumulated depreciation and depletion	1,146,807	1,104,448
	<u>866,246</u>	<u>829,644</u>
TOTAL ASSETS	<b>\$1,697,151</b>	<b>\$1,682,830</b>

**Aluminum Company of Canada, Ltd**  
and Subsidiary Companies

**CONSOLIDATED BALANCE SHEET — LIABILITIES AND SHAREHOLDERS' EQUITY**

31 December 1975

	in thousands of U.S. dollars	
	1975	1974
<b>Current liabilities</b>		
Payables	\$ 165,284	\$ 213,592
Short-term borrowings	68,077	104,959
Payable to affiliated companies	13,792	2,645
Payable to parent company	53,595	714
Income and other taxes	3,111	24,716
Debt maturing within one year (note 4)	24,794	26,147
	<b>328,653</b>	<b>372,773</b>
Debt not maturing within one year (note 4)	<b>620,670</b>	<b>636,208</b>
Deferred credits (note 5)	<b>40,199</b>	<b>12,748</b>
Deferred income taxes	<b>122,693</b>	<b>120,396</b>
<b>Shareholders' equity</b>		
Cumulative redeemable preferred shares (note 7)		
4% First preferred sinking fund — par Can. \$25		
Authorized — 158,526 shares (1974 — 600,000)		
Outstanding — 157,076 shares (1974 — 167,346)	3,570	3,803
4½% Second preferred sinking fund — par Can. \$50		
Authorized — 503,508 shares (1974 — 1,200,000)		
Outstanding — 498,077 shares (1974 — 529,294)	25,283	26,867
Third preferred — par Can. \$25		
Authorized — 4,000,000 shares		
Outstanding — 2,000,000 shares	49,235	—
Common shares — without nominal or par value (note 7)		
Authorized — 20,000,000 shares		
Outstanding — 10,200,000 shares (1974 — 10,000,000)	249,604	239,757
Retained earnings (note 6)	257,244	270,278
	<b>584,936</b>	<b>540,705</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$1,697,151</b>	<b>\$1,682,830</b>

Approved by the Board:

PAUL H. LEMAN, Director

JOHN H. HALE, Director

**Aluminum Company of Canada, Ltd**  
and Subsidiary Companies

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS — year ending 31 December 1975**

	in thousands of U.S. dollars	
	1975	1974
RETAINED EARNINGS — beginning of year	\$ 270,278	\$242,921
Net income	544	63,792
	<u>270,822</u>	<u>306,713</u>
Underwriting commission and expense of issue (net of tax) of \$2.00 Tax deferred retractable preferred shares (note 7)	1,331	—
Dividends		
4% First preferred	155	173
4½% Second preferred	1,109	1,262
\$2.00 Tax deferred retractable preferred	983	—
Common	10,000	35,000
	<u>12,247</u>	<u>36,435</u>
RETAINED EARNINGS — end of year (note 6)	\$ 257,244	\$270,278

**NOTES TO FINANCIAL STATEMENTS — in thousands of U.S. dollars**

**1. SUMMARY OF ACCOUNTING POLICIES**

**PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of all companies more than 50% owned. In addition, the equity accounting principle was adopted in 1975 for all companies 20%-50% owned and the investments in these companies have been increased by the Company's share of their undistributed net income since acquisition. This change had an insignificant effect on consolidated retained earnings at 31 December 1974.

When the cost of an investment exceeds the book value of the Company's equity therein at date of acquisition, the excess is amortized over the estimated useful life of the related fixed assets. Intercompany items and transactions between consolidated companies, including profits in inventories, are eliminated.

**TRANSLATION OF ACCOUNTS INTO UNITED STATES DOLLARS**

The consolidated financial statements are expressed in U.S. dollars since this is the principal currency of international trade in which the Company's business is mainly involved.

Accounts included in the consolidated statement of income, except depreciation and depletion, are translated at average rates of exchange prevailing during the year. Accounts included in the consolidated balance sheet are translated at rates of exchange at year end except that (a) inventories, investments, fixed assets and accumulated depreciation and depletion are at rates at dates of acquisition, (b) deferred income taxes are at rates at dates of origin and (c) debts not maturing within one year are at rates at dates of issue. Translation adjustments, not significant in amount, are included in income.

In October 1975 the Financial Accounting Standards Board in the United States issued Statement No. 8 which requires that companies reporting to investors in the United States adopt the practice of translating long-term debt at current rates of exchange. However, as the Company's borrowings in currencies other than U.S. dollars have been invested for the most part in the country of the borrowing and will be repaid out of funds generated in the same currency, it could be misleading and cause violent fluctuations in reported earnings to recognize immediately translation gains or losses which arise from changes in exchange rates. Accordingly, the Company has not adopted the current rate method for 1975 but has continued to follow the policy of translating such debt at historic rates, an accounting practice which is generally accepted in Canada. The following table compares reported net income with the net income that would have been reported using the FASB current rate method, and also shows the cumulative effect on retained earnings.

**Aluminum Company of Canada, Ltd**  
and Subsidiary Companies

**NOTES TO FINANCIAL STATEMENTS**    In thousands of U.S. dollars

	1975		1974	
	As Reported	Current Rate Method	As Reported	Current Rate Method
Consolidated net income				
First quarter (unaudited)	\$ (556)	\$ 1,257	\$ 12,150	\$ 7,583
Second quarter (unaudited)	(574)	4,056	25,364	26,001
Third quarter (unaudited)	5,171	7,431	21,530	23,788
Fourth quarter (unaudited)	(3,497)	(7,052)	4,748	5,126
	544	5,692	63,792	62,498
Consolidated retained earnings				
Beginning of year	\$270,278	\$269,296	\$242,921	\$243,233
End of year	257,244	261,410	270,278	269,296

**DEFERRED INCOME TAXES**

Income tax regulations in Canada and certain other countries permit the deduction from taxable income of certain items (principally depreciation) in amounts which do not coincide with those charged for financial reporting purposes. The effect of such timing differences on income taxes otherwise payable is recognized as deferred income taxes.

**INVENTORIES**

Aluminum, raw materials and other supplies are stated at cost or net realizable value, whichever is the lower. The cost of inventories other than those in the United States is determined for the most part on the monthly average method. The cost of inventories of a subsidiary in the United States amounting to \$107 million is determined by the last-in first-out method, which is permitted for income tax purposes. Had such inventories been valued on the monthly average method, the value would have been \$41 million higher.

**OTHER**

Property, plant and equipment includes the cost of renewals and betterments. Repairs and maintenance are charged against income as incurred.

Depreciation is calculated on the straight-line method using rates based on the estimated useful lives of the respective assets. Depletion, not significant in amount, is calculated on the unit of production basis.

**2. DEFERRED RECEIVABLES**

Deferred receivables include \$46 million due from the Government of Guyana over the period 1977 to 1991 in respect of the nationalization in 1971 of Alcan's bauxite and alumina assets in that country. This amount bears interest at 6% per annum.

**3. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accum. Deprec.	Net 1975	Net 1974
Land, and water rights	\$ 48,798	\$ 313	\$ 48,485	\$ 49,338
Mineral properties, rights and development	15,160	5,889	9,271	9,585
Raw material, power and other facilities	867,921	546,812	321,109	328,346
Smelting facilities	710,974	429,576	281,398	248,721
Fabricating facilities	370,200	164,217	205,983	193,654
	\$2,013,053	\$1,146,807	\$ 866,246	\$ 829,644

Expenditures in 1976 are expected to be approximately \$125 million.

# Aluminum Company of Canada, Ltd

## and Subsidiary Companies

### NOTES TO FINANCIAL STATEMENTS — In thousands of U.S. dollars

#### 4. DEBT NOT MATURING WITHIN ONE YEAR

	1975	1974
Aluminum Company of Canada, Ltd.		
*Bank loans under \$200 million revolving credit agreement, due 1979/1983	\$120,000	\$145,000
4½% Sinking fund debentures, due 1980	25,168	29,955
9½% Sinking fund debentures, due 1995	100,000	100,000
9¾% Sinking fund debentures, due 1991 (Can. \$60 million)	59,406	59,406
10¾% Sinking fund debentures, due 1994 (Can. \$75 million)	76,500	76,500
7½% Serial debentures, due 1976/1979 (Can. \$40 million)	39,800	39,800
5.10% Notes, due 1976/1992	76,500	81,000
Other debt, due 1976/1998	8,871	10,027
Alcan Aluminum Corporation (U.S.A.)		
4¾% Notes, due 1976/1984	30,600	34,000
9½% Notes, due 1980/1994	45,000	31,250
Other debt, due 1976/1990	4,381	8,123
Alcan (Bermuda) Limited		
7¾% Notes, due 1976/1978 (Lire 9 billion)	14,375	15,975
Alcan Jamaica Limited		
*Bank loans, due 1978/1980	44,400	32,983
Sundry debt of other subsidiaries	531	18
	<u>645,532</u>	<u>664,037</u>
Less: Debt maturing within one year included in current liabilities (equivalent to \$24.8 million and \$26.1 million, respectively, at year-end rates of exchange)	24,862	27,829
	<u>\$620,670</u>	<u>\$636,208</u>

\*Interest fluctuates with lender's prime commercial rate.

If translated into United States dollars at year-end rates of exchange, debt not maturing within one year would decrease by \$4.2 million and, if there were no further change in exchange rates, this amount would be credited to income as the debt matures.

After allowing for prepayments, sinking fund and other requirements over the next five years amount to \$24.9 million in 1976, \$30.9 in 1977, \$52.5 in 1978, \$49.2 in 1979 and \$55.7 in 1980.

#### 5. DEFERRED CREDITS

Deferred credits include \$20 million prepayment by an associated company under an alumina tolling arrangement and \$14 million gross profit arising from the sale of metal under special arrangements to an affiliated company.

#### 6. DIVIDEND RESTRICTIONS

Pursuant to the provisions of certain debt issues, \$83 million of retained earnings at 31 December 1975 is not distributable as dividends either in cash or in kind on the common shares of the Company.



**Aluminum Company of Canada, Ltd**  
and Subsidiary Companies

**NOTES TO FINANCIAL STATEMENTS** --- In thousands of U.S. dollars

**7. PREFERRED AND COMMON SHARES**

The authorized number of preferred shares at 31 December 1974 was reduced in 1975 as follows:

	Previously authorized	Presently authorized
4% First preferred	600,000	158,526
4½% Second preferred	1,200,000	503,508

The authorized capital was increased on 5 November 1975 by the creation of 4,000,000 cumulative redeemable third preferred shares of the par value of Can. \$25 each and 2,000,000 of such shares were designated as \$2.00 Tax deferred retractable preferred shares. On 1 December 1975 the Company issued all of such \$2.00 Tax deferred retractable preferred shares for a total consideration of Can. \$48,340,000 after payment of an underwriting commission of Can. \$1,660,000.

Maximum annual sinking fund requirements for the retirement of the first and second preferred shares amount to the equivalent of Can. \$2.7 million per annum. The 1976 sinking fund requirements have been met by purchases in the open market.

The preferred shares also may be called for redemption at the option of the Board of directors at the following prices:

4% First preferred shares — on twenty days' notice at Can. \$26.375 per share

4½% Second preferred shares — on thirty days' notice (a) for other than sinking fund purposes at Can. \$52.00 per share to 30 November 1976 and thereafter at Can. \$51.75 per share, and (b) for sinking fund purposes, at Can. \$51.50 per share.

\$2.00 Tax deferred retractable preferred shares — on thirty days' notice at Can. \$27.00 per share during the twelve months beginning 1 December 1980, Can. \$26.80 during the succeeding twelve months and reducing by Can. \$0.30 per share in each of the succeeding twelve-month periods until 30 November 1987 after which the shares will be redeemable at Can. \$25.00 per share.

Any partial redemption must be made on a pro rata basis or by lot.

On 29 December 1975, the Company issued 200,000 Common Shares to Alcan Aluminium Limited, the parent company, for a cash consideration of Can. \$10 million.

**8. OTHER INCOME**

	1975	1974
Interest	\$4,891	\$5,518
Gain on redemption of debt	485	2,004
Other	1,324	1,648
	\$6,700	\$9,170

**9. INCOME TAXES**

The difference between the effective tax rate and prevailing tax rates in Canada results primarily from losses sustained by a subsidiary company in Jamaica, for which no future income tax benefit is anticipated, offset in part by the effect of investment allowances available to the Company in Canada.

**10. COMMITMENTS**

The Company has entered into purchase agreements and tolling arrangements involving fixed commitments of \$78.5 million in 1976, \$63.7 in 1977, \$69.0 in 1978, \$74.0 in 1979 and \$75.8 in 1980.

Minimum rental commitments under long-term leases, including charter hire of ships, amount to \$24.7 million in 1976, \$15.7 in 1977, \$8.4 in 1978, \$7.1 in 1979, \$6.7 in 1980 and lesser annual amounts thereafter. Total rental expense amounted to \$51.7 million for 1975 (1974 — \$58.3).

See also reference to capital expenditures in note 3 and debt repayments in note 4.

# Aluminum Company of Canada, Ltd

## and Subsidiary Companies

### NOTES TO FINANCIAL STATEMENTS — In thousands of U.S. dollars

#### 11. CHANGES IN WORKING CAPITAL

	1975	1974
Current assets		
Cash and time deposits	\$ (1,780)	\$ (6,393)
Receivables	3,665	20,129
Receivable from affiliated companies	(25,360)	41,153
Aluminum, raw materials and other supplies	1,527	153,674
	(21,948)	208,563
Current liabilities		
Payables and short-term borrowings	(85,190)	133,007
Payable to affiliated companies	11,147	(3,602)
Payable to parent company	52,881	(43,086)
Income and other taxes	(21,605)	10,747
Debt maturing within one year	(1,353)	(26,311)
	(44,120)	70,755
Net increase	\$ 22,172	\$137,808

#### 12. PENSION PLANS

The Company and its subsidiaries have established pension plans in the principal countries where they operate, for the greater part contributory and generally open to all employees. The total pension expense for 1975 was \$22.6 million (1974 — \$18.8) which includes, as to certain of the plans, amortization of unfunded actuarial liabilities which the Company and its subsidiaries are funding. Based on the most recent actuarial reports, the unfunded actuarial liability for all plans amounted to \$66 million, which for the most part is being funded over a period of 15 years. However, assets now in the pension funds are sufficient to cover currently vested benefits.

#### 13. REMUNERATION OF DIRECTORS AND OFFICERS

The Company has 12 directors who receive no remuneration as such. There are 12 officers, five of whom are directors of the Company. The aggregate remuneration received from the Company by these officers and by past officers amounted to \$943,792 in 1975 (\$1,087,525 in 1974).

#### 14. ANTI-INFLATION PROGRAM IN CANADA

The Company and its Canadian subsidiaries are subject to the anti-inflation legislation recently enacted in Canada with effect from 14 October 1975, which provides for restraint of prices, profit margins, dividends and employee compensation. The legislation is supported by complex regulations, the full impact of which cannot be determined at this time.

### AUDITORS' REPORT

To the Shareholders of Aluminum Company of Canada, Ltd

We have examined the consolidated balance sheets of Aluminum Company of Canada, Ltd and subsidiary companies as at 31 December 1975 and 1974 and the related consolidated statements of income, retained earnings, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at 31 December 1975 and 1974 and the results of their operations and the changes in their financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

PRICE WATERHOUSE & Co.  
Chartered Accountants

Montréal, Canada  
28 January 1976