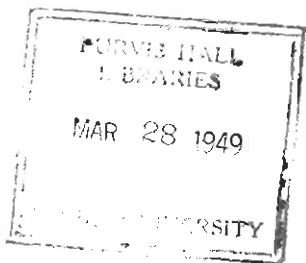


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ALUMINIUM LIMITED

FINANCIAL
STATEMENTS
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INTRODUCTORY NOTE

To the Shareholders of Aluminium Limited:

We call attention to two changes adopted this year in the preparation of the financial statements.

With the acquisition in 1948 of additional shares in the Saguenay Power Company, Ltd. bringing Aluminium Limited's interest in this enterprise to 93.6% of the outstanding common shares, the Saguenay Power group of companies is consolidated in the Aluminium Limited statements for the first time.

Simultaneously, reserves for amortization, depreciation and depletion are carried for the first time on the liability side of the balance sheet.

In our opinion, these changes contribute to a clearer accounting presentation of the financial statements and should better enable you to determine the state of the company's affairs and the position of the business under present-day conditions.

NATHANAEL V. DAVIS
President

ALUMINIUM LIMITED
AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheet
31st December 1948

In Canadian Dollars

ASSETS

Current Assets:

Cash in banks and on hand	\$ 23,293,538	
Marketable securities—principally Dominion of Canada bonds	32,143,183	
(quoted value \$32,431,698)		
Accounts and notes receivable, less reserves	26,439,442	
Inventories of aluminium, materials and supplies	53,087,511	\$134,963,674
(at cost or under, which is not in excess of market, determined from book and physical inventories, certified by officers of the companies)		

Prepaid expense and deferred charges 7,321,320

Unamortized financing expenses of subsidiaries 3,311,424

Indemnity, surety and other deposits 769,996

Investments:

Fully owned subsidiaries not consolidated, including advances of \$3,405,331	10,338,852	
Subsidiaries—more than 50% owned	4,669,775	
Other allied companies—not more than 50% owned	9,133,625	
	24,142,252	
Less: Reserves	7,500,000	16,642,252

Lands, plants, riparian rights, and facilities, at cost 423,608,887

Patents 1

\$586,617,554

ALUMINIUM LIMITED
AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheet
31st December 1948

In Canadian Dollars

LIABILITIES

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 24,745,878	
Bank loans	5,528,106	
Reserves for income and excess profits taxes	<u>16,855,521</u>	\$ 47,129,505
Indebtedness not maturing within one year:		
Aluminum Company of Canada, Ltd.:		
First mortgage 3½% sinking fund bonds, due 1974:		
Series "A"—payable in Canadian currency	13,064,000	
Series "B"—payable in U.S. currency	24,939,000	
Second hypothec, securing contractual obligation for annual payments, which may be commuted for	11,639,553	
3% Redeemable notes, due 1961—payable to the British Government	54,968,185	
(interest and \$36,140,000 of principal abatable in certain circum- stances as provided in the contracts under which they were issued)		
Saguenay Power Company, Ltd.:		
First mortgage 3% sinking fund bonds, due 1971, payable in U.S. currency	23,200,000	
2% Serial debentures, due 1950/1952	2,700,000	
Northern Aluminium Company, Ltd. 3¾% debentures, due 1957/1961, £1,250,000	5,025,000	
Other indebtedness	<u>5,506,583</u>	141,042,321
Preferred Shares (cumulative redeemable sinking fund):		
Aluminum Company of Canada, Ltd. 4% shares	14,137,600	
Saguenay Power Company, Ltd. 4¼% shares	<u>4,566,000</u>	18,703,600
Reserves for amortization, depreciation and depletion of lands, plants and facilities		252,041,188
Operating reserves and deferred credits		2,174,681
Minority interest in Saguenay Power Company, Ltd.		1,694,461
Capital Stock and Surplus:		
Shares without nominal or par value—3,722,050 shares outstanding	33,935,185	
Capital surplus	1,210,664	
Earned surplus	<u>88,685,949</u>	<u>123,831,798</u>
		<u>\$586,617,554</u>

Approved on behalf of the Board,

NATHANAEL V. DAVIS, Director

J. A. DULLEA, Director

ALUMINIUM LIMITED

AND CONSOLIDATED SUBSIDIARIES

Consolidated Statement of Profit and Loss For the Year Ending 31st December 1948

In Canadian Dollars

Sales		\$208,645,068
Cost of sales, including selling, general and administrative expenses (see footnote).		<u>156,558,656</u>
Profit from operations		52,086,412
Add:		
Income from investments	\$ 365,022	
Interest, etc.	993,790	
Gain on disposal of surplus equipment	<u>98,530</u>	<u>1,457,342</u>
		53,543,754
Deduct:		
Interest on indebtedness not maturing within one year	4,110,165	
Other interest	149,896	
Provision for Canadian income taxes	14,745,237	
Provision for foreign income taxes	4,954,152	
Write-down of patents to nominal value of \$1.	357,057	
Purchase of past service retirement annuities	822,594	
Amortization of financing expenses of subsidiaries	<u>182,323</u>	<u>25,321,424</u>
Profit before dividends on preferred shares and provision for minority interest		28,222,330
Dividends on preferred shares	769,013	
Minority interest in profit of Saguenay Power Company, Ltd.	<u>123,675</u>	<u>892,688</u>
Profit carried to earned surplus		<u>\$ 27,329,642</u>

NOTE: Provision for depreciation and depletion for the year amounted to \$8,626,037 of which \$6,274,500 was charged to cost of production. Legal fees amounted to \$71,475, directors' fees \$13,401, executive salaries (parent and consolidated subsidiaries) \$1,159,364.

ALUMINIUM LIMITED
AND CONSOLIDATED SUBSIDIARIES

**Consolidated Statement of Surplus
For the Year Ending 31st December 1948**

In Canadian Dollars

EARNED SURPLUS

Earned surplus—31st December 1947		\$ 72,323,932
Surplus, since acquisition, of subsidiaries not previously consolidated	\$ 2,595,450	
Transfer from capital surplus of par value of Aluminium Limited 6% preferred shares redeemed and cancelled	8,439,600	
Refundable portion of excess profits taxes	666,512	<u>11,701,562</u>
		84,025,494
Write-off in consolidation of power sales contracts of Saguenay Power Company, Ltd.		<u>12,293,057</u>
		71,732,437
Profit for the year		<u>27,329,642</u>
		99,062,079
Aluminium Limited dividends	9,863,432	
Appropriations for the purchase for cancellation of preferred shares of subsidiaries	512,698	<u>10,376,130</u>
Earned surplus—31st December 1948		<u>\$ 88,685,949</u>

CAPITAL SURPLUS

Capital surplus—31st December 1947		\$ 9,022,000
Surplus, since acquisition, of subsidiary not previously consolidated		<u>127,354</u>
		9,149,354
Par value of preferred shares of subsidiaries purchased for cancellation		<u>500,910</u>
		9,650,264
Transfer to earned surplus of par value of Aluminium Limited 6% preferred shares redeemed and cancelled		<u>8,439,600</u>
Capital surplus—31st December 1948		<u>\$ 1,210,664</u>

ALUMINIUM LIMITED

AND CONSOLIDATED SUBSIDIARIES

Notes to Financial Statements

The consolidated financial statements include the accounts of all fully owned subsidiaries, with the exception of those located in enemy and formerly occupied territory which are carried as investments, and also include for the first time the accounts of Saguenay Power Company, Ltd. and its three fully owned subsidiaries in which the equity of Aluminium Limited was increased to 93.6% during 1948.

The assets of Saguenay Power Company, Ltd. include an item of long-term power sales contracts carried in their books at \$19,639,785. In consolidating the accounts of that company the excess of Aluminium Limited's equity in Saguenay Power's net assets at dates of acquisition over its investment in shares of that company, \$7,346,728, has been applied to reduce the value of contracts and the remaining \$12,293,057 has been written off against consolidated earned surplus.

The accounts of subsidiaries, other than Canadian companies, included in the consolidated balance sheet and the related statement of profit and loss are translated into Canadian dollars at official rates of exchange current at 31st December 1948, except that fixed assets are at rates determined at dates of acquisition.

The investments in fully owned subsidiaries not consolidated include \$4,236,564 in companies subject to expropriation proceedings. Reserves provided in prior years and aggregating \$7,500,000, which the management feels should prove adequate, are carried against the combined investments and advances. The net current assets located in enemy and formerly occupied territory—the property of consolidated subsidiaries—\$1,099,125, and the relative 100% reserve provided in prior years are not shown in the attached consolidated balance sheet.

By Supplementary Letters Patent dated 24th March 1948, the authorized capital stock of Aluminium Limited was reduced by the cancellation of the 6% preferred shares, called for redemption in 1946, and each common share was subdivided into five shares, resulting in authorized capital of 5,000,000 shares without nominal or par value of which 3,722,050 are issued and outstanding. Simultaneously, the par value of the 6% preferred shares, previously appropriated from earned surplus, has been restored to earned surplus.

The surpluses of the individual companies included in the consolidation are subject to such restrictions as to distribution as may be imposed by regulatory bodies of the countries in which the companies are carrying on operations. The surpluses of non-Canadian subsidiaries included in the consolidated earned surplus at 31st December 1948 aggregated \$7,945,421.

Consolidated profit for the year 1948 includes net income of \$5,502,040 of consolidated non-Canadian subsidiaries; net dividends paid by that group to their Canadian parent during the year aggregated \$2,449,506.

AUDITORS' REPORT

To the Shareholders of Aluminium Limited:

We have examined the consolidated balance sheet of Aluminium Limited and its consolidated subsidiaries as at 31st December 1948, and the related consolidated statements of profit and loss and surplus. Our examination of Aluminium Limited, its Canadian subsidiaries and certain of its foreign subsidiaries included such tests of the accounting records and other supporting evidence and such other procedures as we deemed appropriate, including a review of the reports of the company's internal auditors. We were furnished by other independent accountants with audited financial statements of those consolidated subsidiaries whose records were not examined by us. We have received all the information and explanations we have required.

On the above basis, we report that, in our opinion, the accompanying consolidated balance sheet supplemented by the notes appended thereto is properly drawn up so as to exhibit a true and correct view of the combined state of affairs of Aluminium Limited and its consolidated subsidiaries as at 31st December 1948, and that the related consolidated statements of profit and loss and surplus present fairly the results of the combined operations of the companies for the year ending on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies examined by us and the audited financial statements furnished by other independent accountants.

Pursuant to section 114 of The Companies Act, 1934 (under which all companies more than 50% owned are classified as subsidiaries) we report that the profits for the year of the non-consolidated "subsidiaries" for which financial statements are available, have been included in the consolidated accounts to the extent of dividends declared and that your company's share of the profits of those subsidiaries for the period exceeded the amount of such dividends. The remaining "subsidiaries" not consolidated are located in enemy and formerly occupied territory and complete accounts of these companies are not available.

PRICE, WATERHOUSE & CO.,

Auditors.

Montreal, 15th March 1949.

ALUMINIUM LIMITED

Montreal
Canada

DIRECTORS

HON. LEIGHTON McCARTHY, P.C., K.C.

E. BLOUGH

GEORGE O. MORGAN

E. G. MacDOWELL
President
Aluminium Union Limited

EDWIN J. MEJIA
President
Aluminium Fiduciaries Limited

J. A. DULLEA
President
Aluminium Secretariat Limited

PAUL LaROQUE
Secretary
Aluminium Secretariat Limited

R. E. POWELL
President
Aluminum Compony of Canada, Ltd.

NATHANAEL V. DAVIS
President
Stand Corporation

NATHANAEL V. DAVIS, President

J. A. DULLEA, Secretary

J. W. McKEE, Treasurer

