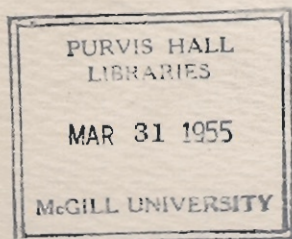




Annual Report  
1954



Twenty-seventh

# Annual Report

*for the year ending 31st December*

# 1954



**ALUMINIUM LIMITED**

*Montreal, Canada*



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### **ALUMINIUM LIMITED**

Head Office — 1155 Metcalfe Street  
Montreal, Canada  
Mail: P.O. Box 6090

#### *Transfer Agents*

National Trust Company Ltd.  
Montreal, Toronto and Vancouver  
Mellon National Bank and Trust Company  
Pittsburgh  
The National City Bank of New York  
New York City  
Morgan, Grenfell & Co. Ltd.  
London, England

#### *Registrars*

The Royal Trust Company  
Montreal, Toronto, Vancouver, London, Eng.  
Fidelity Trust Company  
Pittsburgh  
The Hanover Bank  
New York City

## Directors

DANA T. BARTHOLOMEW

DR. DONALD K. DAVID

NATHANAEEL V. DAVIS

JAMES A. DULLEA

DR. E. C. HARDER

N. BAXTER JACKSON

PAUL LAROCHE

F. G. MACDOWELL

EDWIN J. MEJIA

R. E. POWELL

H. H. RICHARDSON

JOHN L. SULLIVAN

## Officers

NATHANAEEL V. DAVIS, *President*

R. E. POWELL, *Senior Vice President and Director of Operations*

JAMES A. DULLEA, *Senior Vice President, Secretary and Chief Secretarial Officer*

DANA T. BARTHOLOMEW, *Vice President and Chief Financial Officer*

E. G. MACDOWELL, *Vice President and Chief Sales Management Officer*

EDWIN J. MEJIA, *Vice President and Chief Public & Employee Relations Officer*

H. H. RICHARDSON, *Vice President and Chief Technical Officer*

J. F. EVANS, *Treasurer*

PAUL LAROCHE, *Ass't. Secretary and Ass't. Treasurer*

K. C. BATA, *Assistant Secretary*

A. A. BRUNEAU, *Assistant Secretary*

D. CASSELMAN ROSS, *Assistant Secretary*

O. E. COLLING, *Assistant Treasurer*

D. M. KERTLAND, *Assistant Treasurer*





**EDWARD KIRK DAVIS**

*Died 9th March, 1955*

*First president of Aluminium Limited from the formation of the Company  
in 1928 until his retirement in 1947.*

... "Mr. Davis brought to his task wide experience in the international aluminum industry and outstanding administrative capacity and has, by his wise leadership, sound judgment, organizing ability and courageous decisions so directed the far-flung interests of Aluminium Limited that the organization has passed from insecure beginnings through the years of world depression, litigation, rapid expansion and wartime disruptions to its present strong position with firm foundations for future growth."

—Extract from a resolution of the Board of Directors of Aluminium Limited on 25th November, 1947 on the occasion of his retirement.

# Report

shareholders

## **ALUMINIUM LIMITED**

The 27th Annual Report of Aluminium Limited covering the affairs and the financial results of the Company for the year 1954 is submitted herewith on behalf of the Board of Directors. Forming a part of this report are the financial statements of Aluminium Limited and its consolidated subsidiaries for the year ended 31st December 1954, together with the report thereon by the auditors, Price Waterhouse and Co.

### SUMMARY OF RESULTS

Production of primary aluminum in 1954 was a little above the levels of 1953 and previous years. Ingot production found ready markets but a slightly lower tonnage was available for sale after meeting increased inventory requirements abroad.

Net income for the year 1954, after "straight-line" depreciation, was \$34,970,025 or the equivalent of \$3.87 per share on the 9,036,382 shares outstanding at the end of the year. For the year 1953, with depreciation on a comparable basis, net income would have been \$38,178,053 or the equivalent of \$4.24 per share on the 9,013,994 shares outstanding at the end of that year.

The reduction in net income reflects the higher costs of metal produced during the breaking-in period of a new smelter. It is estimated that in 1954, starting-up costs at Kitimat, British Columbia, burdened net income by approximately \$3 million.

In 1954 the Canadian Income Tax Regulations were amended to remove the former requirement whereby capital cost allowances (depreciation) deductible for tax purposes were restricted to amounts recorded in the corporate accounts. In view of this amendment, and with

the approval of the Company's auditors, the consolidated subsidiary companies reverted to the policy followed prior to 1950 of providing in their accounts only for "straight-line" depreciation whereunder assets are written off by equal annual amounts over their estimated useful life. Accordingly, as of 1st January 1954 they reduced the amount of accumulated depreciation carried on their books to the figure at which it would have stood if the straight-line method of calculating depreciation had been in effect throughout the years 1950 to 1953. Reserves for future income taxes have been set aside and will continue to be set aside whenever depreciation taken for tax purposes is in excess of depreciation recorded in the accounts. The reduction in accumulated depreciation as of 1st January 1954 amounted to \$75,917,931, causing an increase of \$42,119,573 in earned surplus after reserving \$33,798,358 for future income taxes.

In 1954 quarterly dividend payments were maintained at the rate of 50 cents per share (U.S. currency). Total dividend disbursements were the equivalent of \$17,632,896 in Canadian funds, compared to \$17,307,846 (Canadian) in 1953, the increased amount resulting from the higher average number of shares outstanding in 1954.

Capital expenditures of \$48 million were made during 1954, bringing total capital outlays to \$483 million for the plant expansion programme which has added one million horse-power of hydroelectric capacity and 163,000 tons of new primary aluminum capacity to the Company's facilities since 1950.

#### GENERAL

In 1954 the aluminum industry as a whole again increased its primary smelting facilities and a greater volume of aluminum was produced than ever before. During the year the major expansion programmes which had been under way in several countries since 1950 were completed. World demand for primary aluminum nevertheless remained strong. All of the Company's available output was marketed and in the latter months of the year the Company was unable to satisfy all the demands made upon it.

The year marked the start of production at the Company's Kitimat-Kemano project in the Province of British Columbia. In August, following three and one-half years of construction, this new centre of aluminum production, having an ultimate potential of 550,000 tons per annum, commenced operations.

With the increase in production of primary aluminum in North America as well as in many other countries, there was a greater availability of the metal for commercial uses. Applications

in the major fields of consumption — transportation, construction, electrical uses, household supplies and packaging — continued to grow. Immediate defence demands appear to have been relaxed further during the year although government stockpiling in the United States was, we believe, an important factor affecting demand.

The Company's fabricating plants, broadly speaking, faced keen competition during most of the year with moderate but rising levels of operations and profits. In the closing months of the year there were further substantial increases in demand, particularly in the United Kingdom resulting in improved operations and profits carrying into 1955.

#### OPERATIONS

**BAUXITE AND ALUMINA** The Company's mining subsidiaries continued to produce bauxite at close to maximum capacity in 1954, with 2,201,000 tons of all grades of bauxite being produced in British Guiana and 495,000 tons in French West Africa. Nearly 20% of the bauxite required for the Company's Quebec smelters is now being drawn from the French West African source.

In Jamaica the new alumina plant using local bauxite was brought up to the level of 230,000 tons of annual capacity in 1954. The plant started its pioneer operations in 1953 but the year just passed saw the tempo of production greatly increased. Shipments of alumina were made from Jamaica to the Company's European customers during the preceding year, and with the start of smelting at Kitimat the first alumina shipments to British Columbia via the Panama Canal were made in the month of May, 1954. Further augmentation of the plant is now being undertaken as detailed below under "Expansion Programme."

**ALUMINUM INGOT and POWER** All aluminum smelting facilities of the Company's principal subsidiary, Aluminum Company of Canada, Ltd. were operated at maximum levels in 1954 and produced 560,900 tons of primary aluminum, 20,500 tons of which were produced in the new Kitimat smelter. Canadian production was 3% greater than the 545,800 tons in 1953 and 12% greater than the 499,800 tons in 1952. Further additions to the Kitimat smelter and hydroelectric capacity have been authorized as noted under "Expansion Programme."

In Italy, India, Brazil, Japan, Norway and Sweden production by subsidiaries and affiliates was likewise maintained at maximum levels in 1954. In India expansion doubling the smelter capacity was completed. In Brazil and Italy further steps were taken to increase the power available for smelting. In Brazil a new ferro alloy furnace is being installed which will double this subsidiary's ferro alloy capacity.



# ALUMINIUM LIMITED

**ALUMINUM FABRICATING** In the latter part of 1954 with the return of a vigorous demand for fabricated products in overseas markets, the Company's fabricating facilities, almost without exception, stepped up their operations to a high level of capacity. During the year additions to the rolling mills in India were completed. In the United Kingdom a comprehensive scheme was commenced for the modernization of the sheet rolling mill at Banbury, Oxfordshire. The first extrusion equipment is being installed in the Company's South African plant, while modernization of fabricating plants in Canada, Switzerland, Germany, Brazil and Japan was continued as part of a long-term programme.

Sales of aluminum in all forms and from all sources by consolidated subsidiaries of Aluminium Limited amounted to 592,318 short tons, compared to 597,779 tons in 1953. The tonnage decrease, despite increased primary production, reflected higher total requirements for inventories to sustain the relatively larger volume of fabricating operations and higher ingot sales in overseas markets where stocks must be carried. The dollar value of all aluminum sales in 1954 was \$280,792,887 compared to \$286,477,122 in 1953.

Prices for the Company's aluminum ingot in major markets were relatively steady throughout the year. Increases of about 4% occurred in the United Kingdom in January 1954, in the United States in August and in Canada and all overseas markets at the year-end. In January 1955 the U.S. producers increased their domestic price by one cent per pound and the Company made a similar increase in its U.S. price.

Again in 1954 the Company's principal markets continued to be in the United Kingdom, the U.S.A. and Canada, but there was also an increase over 1953 in shipments of Canadian aluminum to other markets. Relative to 1953, sales to the United Kingdom increased as a result of an upsurge in demand in that market where the Company has large contractual commitments.

Shipments of Canadian aluminum in ingot form in the past six years have been as follows, in short tons:

|                    | 1949    | 1950    | 1951    | 1952    | 1953    | 1954    |
|--------------------|---------|---------|---------|---------|---------|---------|
| United Kingdom     | 161,500 | 146,300 | 199,750 | 257,750 | 184,600 | 221,800 |
| U.S.A. . . . . .   | 73,700  | 162,250 | 103,100 | 114,500 | 237,000 | 192,560 |
| Canada . . . . .   | 57,900  | 66,000  | 86,350  | 88,550  | 90,200  | 80,000  |
| All Others . . . . | 53,000  | 41,600  | 53,800  | 39,150  | 37,900  | 60,840  |
|                    | 346,100 | 416,150 | 443,000 | 499,950 | 549,700 | 555,200 |

The Company's sales in the period 1949-1954 have been as follows:—

|           | Ingot and Ingot Products<br>Short Tons | \$'000  | Semi-Fabricated Products<br>Short Tons | \$'000  | All Other Products<br>\$'000 | Operating Revenues<br>\$'000 | Total<br>\$'000 |
|-----------|--|---------|--|---------|------------------------------|------------------------------|-----------------|
| 1949..... | 235,651                                | 75,377  | 134,860                                | 98,560  | 9,864                        | 15,605                       | 199,406         |
| 1950..... | 316,498                                | 107,078 | 125,522                                | 90,838  | 10,005                       | 18,690                       | 226,611         |
| 1951..... | 323,264                                | 113,872 | 154,969                                | 121,429 | 14,152                       | 34,526                       | 283,979         |
| 1952..... | 375,098                                | 138,244 | 163,126                                | 136,906 | 17,351                       | 40,493                       | 332,994         |
| 1953..... | 451,819                                | 167,839 | 145,960                                | 118,638 | 18,922                       | 30,289                       | 335,688         |
| 1954..... | 435,238                                | 159,957 | 157,080                                | 120,836 | 17,290                       | 29,565                       | 327,648         |

An increasing proportion of primary metal sales is being made in the form of tolling or extrusion ingots to customers' specifications for size and alloy composition. Since these special ingots are produced in the smelter from aluminum in its primary molten state, the customers are supplied with their material at a lower cost than would be the case if they did their own remelting and alloying. Additionally, in many instances the Company gives technical advice to customers using the fabricating ingot to help improve their techniques and ensure high quality standards. To meet this growing demand the Company's capacity to supply ingot in these forms is being greatly increased.

MARKETS

Approximately 74% of the Company's shipments of Canadian aluminum in 1954 were made against long-term commitments to customers mainly in the United Kingdom and the United States.

These contracts may be classified as follows:

- (a) A commitment to supply the United Kingdom market on a "first call" basis with up to 275,600 tons of aluminum ingot in each year until the end of 1970, except for the years 1958-60 in which the first call has been increased to 303,100 tons by reason of various delivery adjustments. These contracts were made in return for abatable loans from the United Kingdom Government aggregating some \$120 million since 1939 to aid the Company in expanding its aluminum production in Canada;
- (b) Contracts made with independent fabricators in the United States in 1952 and 1953 covering the sale of a total of about 239,000 tons of aluminum ingot during 1955-1959. Because it was recognized that not all independent fabricators would be willing to assume long-term commitments, the Company announced in May 1953 that it would reserve for the next seven years an amount of 110,000 tons of primary

aluminum per year for independent fabricators in the United States. The Company's announced plan to make such deliveries was carried out in 1954 and will be followed in 1955 and succeeding years;

- (c) Contracts made in May 1953 with two of the American producer-fabricators, Aluminum Company of America and Kaiser Aluminum and Chemical Corporation, for the delivery of a total of 600,000 and 186,000 tons respectively of primary aluminum over the period 1953 through 1958.

All the foregoing long-term contracts were made by the Company to support its large expansion programme between 1951 and 1954 and to ensure, as far as the Company might, a future supply of primary aluminum for those who required it. While no new long-term sales contracts were signed in 1954, the Company's commitments described above, together with the probable demand of other markets and customers of long standing, have recently grown to sufficient magnitude to require further examination of the Company's plant expansion plans.

#### EXPANSION PROGRAM

The major expansion programme which has been in progress since 1951 was successfully completed in 1954 and the new facilities are all in production. These comprise the two new hydroelectric stations with total generating capacity of 540,000 h.p. and smelters of 71,500 tons capacity in the Province of Quebec, and the first stage of the Kemano-Kitimat project in the Province of British Columbia, with related alumina facilities in Jamaica.

At Kitimat the first potline in the new aluminum smelter went into production in August and the second in September. The rated capacity of these units is 91,500 tons of primary aluminum per year, or about one-sixth of the eventual planned capacity of 550,000 tons. For the past several months shipments of aluminum have been going forward to customers in North America and abroad, both by ship from Kitimat's own port and by the new rail line which now links the city with the transcontinental railway system. Although the pioneering atmosphere still prevails at Kitimat, good progress has been made in establishing the first 500 permanent homes and a self-governing municipality.

In October of 1954 the Company announced that the capacity of the Kitimat smelter would be immediately expanded to produce an additional 60,000 tons of aluminum ingot per year to meet the then estimated increase in the near-term demand for the Company's aluminum. This involves the installation of a fourth generator of 150,000 h.p. capacity in the Kemano powerhouse and the construction of additional potlines at Kitimat on which work is now proceeding. The expanded capacity is expected to come into operation early in 1956 at a capital cost of approximately \$45 million.

## Source and Application of Funds

IN MILLIONS OF CANADIAN DOLLARS

|   | 1954         | 1951<br>to<br>1954<br>Inclusive |
|---|--------------|---------------------------------|
| CASH AND MARKETABLE SECURITIES (beginning of period) . . .  | \$ 53        | \$ 74*                          |
| <b>SOURCE OF FUNDS:</b>   |              |                                 |
| Net income . . . . .  | 35           | 146                             |
| Straight-line depreciation . . . . .  | 23           | 66                              |
| Reserve for future income taxes . . . . .   | 15           | 48                              |
| <i>Sales of securities:</i>   |              |                                 |
| Aluminium Limited shares** . . . . .  | 1            | 53                              |
| Aluminum Company of Canada, Ltd. preferred shares . . . . .   | —            | 30                              |
| Aluminum Company of Canada, Ltd. abatable notes . . . . .   | —            | 67                              |
| Aluminum Company of Canada, Ltd. fixed debt . . . . .   | 50           | 189                             |
| Other fixed debt . . . . .  | —            | 21                              |
| Net increase in short-term bank loans . . . . .   | —            | 7                               |
| Other . . . . .   | 1            | 9                               |
|   | <u>125</u>   | <u>636</u>                      |
|   | <u>\$178</u> | <u>\$710</u>                    |
| <b>APPLICATION OF FUNDS:</b>  |              |                                 |
| New plant . . . . .   | \$ 48        | \$483                           |
| New investments . . . . .   | 2            | 6                               |
| Redemption of debt and preferred shares . . . . .   | 15           | 37                              |
| Net decrease in short-term bank loans . . . . .   | 21           | —                               |
| Dividends paid on common shares . . . . .   | 18           | 65                              |
| Increase in working capital (excluding cash, marketable securities,<br>short-term bank loans and funded debt payable within one year) . . | 22           | 67                              |
|   | <u>126</u>   | <u>658</u>                      |
| CASH AND MARKETABLE SECURITIES (end of period) . . . . .  | 52           | 52                              |
|   | <u>\$178</u> | <u>\$710</u>                    |

\*Excluding proceeds of \$50 million Aluminum Company of Canada, Ltd. debentures underwritten in December 1950 but issued on 3rd January 1951, included under "Sales of securities."

\*\*A further amount of \$41.5 million was subscribed under the rights offering in January 1955.

ALUMINIUM LIMITED  
and Consolidated Subsidiaries

To supply some of the additional alumina required, the capacity of the Company's plant in Jamaica is now being raised from 230,000 tons to 300,000 tons of alumina per year. The capital expenditures for this expansion, including additions to railway rolling stock and to storage capacity at the Company's Jamaica seaport are estimated at \$11,000,000. The present programme in Jamaica will also lay the foundation for further extension of the plant to a capacity of more than 500,000 tons of alumina per annum.

*For information on further expansion announced on 16th March 1955, see page 32.*

FINANCING

Of the new capital investment of \$483 million during 1951-54, \$125 million was required for the Quebec expansion and \$287 million was required in British Columbia including certain initial expenditures in anticipation of the decision announced in October to add 60,000 tons of capacity. The balance amounting to \$71 million was spent on bauxite and alumina facilities and other subsidiary operations.

The principal sources of funds to finance this expansion and the related increase in working capital requirements were the proceeds of the issue of new securities of \$360 millions (\$277 million in debt securities, \$30 million in preferred shares and \$53 million in common shares), and retained cash income aggregating \$195 million (\$55 million in 1954). Of the new money, \$50 million was obtained in 1954 from an issue in Canada of 4½% sinking fund debentures by Aluminum Company of Canada, Ltd.

The following table shows the relative size of various balance sheet items before and after the 1951-54 programme, in millions of dollars:

|   | 31st December 1954 |             | 31st December 1950   |             |
|---|--------------------|-------------|----------------------|-------------|
| Debt not maturing within one year . . . .                         | \$ 265             | 24%         | \$111 <sup>(1)</sup> | 19%         |
| Debt contingent on volume of operations                           | 104                | 10%         | 31                   | 5%          |
| Reserve for future income taxes . . . . .                         | 49                 | 5%          | —                    | —           |
| Accumulated amortization, depreciation<br>and depletion . . . . . | 332                | 30%         | 275                  | 46%         |
| Preferred shares of consolidated<br>subsidiaries . . . . .        | 48                 | 4%          | 18                   | 3%          |
| Capital stock . . . . .   | 87 <sup>(2)</sup>  | 8%          | 34                   | 6%          |
| Surplus . . . . .   | 213                | 19%         | 126                  | 21%         |
|   | <u>\$1098</u>      | <u>100%</u> | <u>\$595</u>         | <u>100%</u> |

(1) Excludes \$50 million of debentures underwritten in December 1950 but issued 3rd January 1951.

(2) Excludes shares issued under January 1955 rights offering — \$41.5 million.

## GOLD COAST ALUMINUM PROJECT

During the year, continuing study was given to the projected establishment of an integrated aluminum development based on the waterpower of the Volta River in the Gold Coast, West Africa. This development known as the Volta River Project, has a potential capacity of 230,000 short tons of primary aluminum per year and is under the joint consideration of the Governments of the Gold Coast and the United Kingdom, the British Aluminium Company, Ltd., and Aluminium Limited. In 1954 the Company's engineers and planning staffs examined various phases of the project in detail and its geologists made further confirmation of the bauxite reserves available in proximity to the proposed smelter site. Implementation of the project will be further discussed and negotiated after the reports of the Preparatory Commission, appointed by the two Governments to study all aspects of the undertaking, are completed probably around the end of 1955.

## RESEARCH AND DEVELOPMENT

During 1954 an extension to the Company's research facilities at Banbury, England was completed. This extension is enabling the Company to carry on a broad programme of fundamental research in the field of light alloys, together with much experimental work in support of process and product development. The results are applicable to many of the Company's markets but particularly to the United Kingdom where 80% of the aluminum consumed is supplied from the Company's smelters in Canada. A somewhat different programme of work in the metal field is being conducted at the Company's research laboratory at Kingston, Ontario.

Two developments which have been furthered by work at these laboratories are the use of aluminum in transmission line towers and in the canning of food products. Experimental work in support of technical assistance to customers has been intensified during the year, notably in the United States.

The Company's research organization at Arvida, Quebec, has been engaged throughout the year in process investigations in support of present operations and those involved in the Company's expansion programme. It has also pursued its studies of alternative processes for smelting and bauxite refining.

## EXPLORATION

Exploration for new sources of bauxite and fluorspar and the proving-up of deposits previously acquired have been carried on throughout the year. This activity has extended to a number of countries and areas and the results obtained have reinforced the already strong

ALUMINIUM LIMITED  
and Consolidated Subsidiaries

position of the Company with respect to these essential raw materials. The Company's bauxite reserves in British Guiana, Jamaica, and French West Africa are estimated to be adequate to supply its four smelters in Quebec, and also the new smelter in British Columbia at its full potential capacity, for at least 50 years.

\* \* \*

The Board of Directors and Management desire to express their gratitude for the loyal and efficient services during 1954 of all of the 40,000 employees of the Company and its subsidiaries, and in particular those employees who have been concerned in the realization of the expansion goals in British Columbia, Jamaica and elsewhere.

Respectfully submitted,

NATHANAEL V. DAVIS,

President.

Montreal, P.Q.

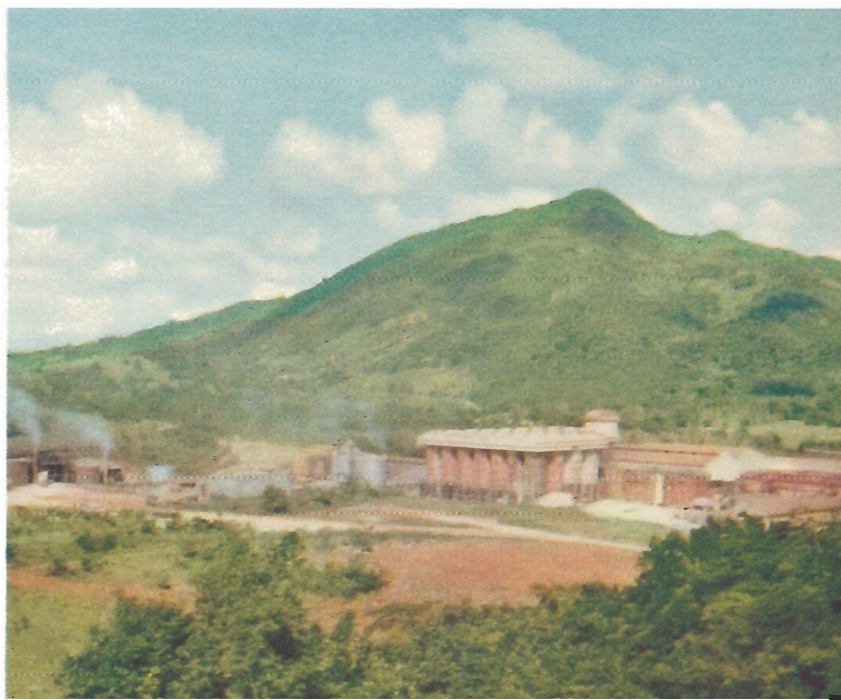
16th March 1955.



The Kitimat aluminum smelter in British Columbia began operations in August 1954 and is now being expanded. At right foreground is the plant's seaport.

THESE FOUR PAGES SHOW  
SOME OF THE ACHIEVEMENTS  
OF ALUMINIUM LIMITED'S  
1951-54 EXPANSION PROGRAM  
IN BRITISH COLUMBIA,  
QUEBEC AND JAMAICA, WEST INDIES.

Alumina is extracted from locally-mined bauxite in this new plant in Jamaica for shipment to Kitimat and other world markets.







Kemano — hydroelectric power center of the aluminum development in British Columbia.



(Right) Aluminum transmission line tower on Kildala Pass being serviced by helicopter.

(Far right) Parallel lines of aluminum and steel transmission towers carry the power cable over Kildala Pass to Kitimat.

These first three generators in the Kemano powerhouse are a quarter of a mile inside the mountain shown above. The full development will employ sixteen generators, each of 150,000 h.p. capacity.



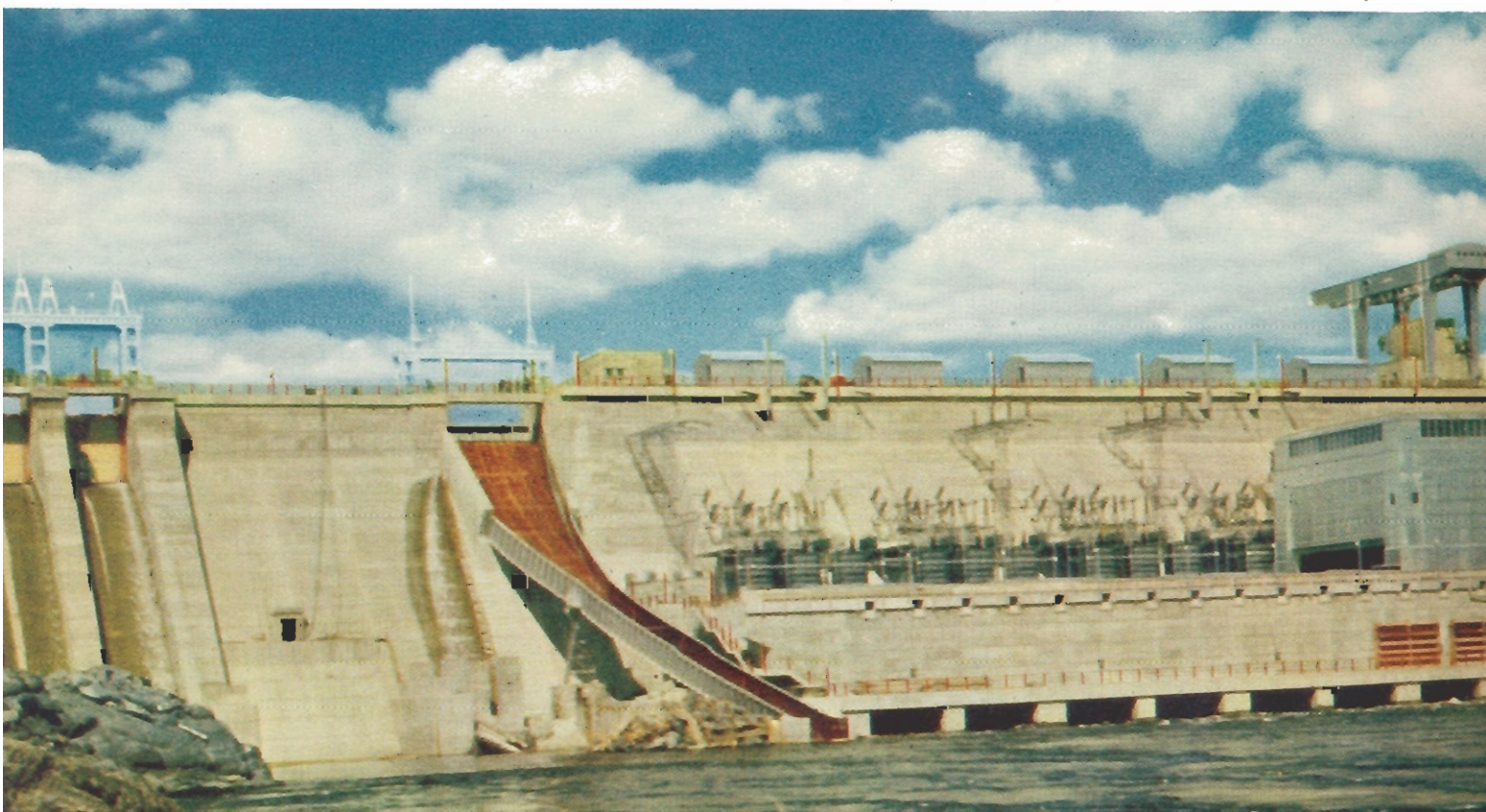
Aluminum conductor cables being strung on a steel transmission tower high above the Kemano River valley.





Kenney Dam at the east end of the 350 square-mile reservoir, tapped at the west end by a ten-mile tunnel which drops the water half a mile to the Kemano turbines.

One of the two new hydroelectric developments on the Peribonka River with a combined installed capacity of 340,000 h.p. for aluminum smelters in Quebec.



LUMINIUM LIMITED  
and Consolidated Subsidiaries

Comparative Financial Statistics (as adjusted)

| Year                         | Total Assets before Reserves | Sales and Operating Revenues | Net Income before Depreciation and Income Taxes | Current Income Taxes | "Cash Income"     | Number of Common Shares <sup>(1)</sup> | Per Common Share          |            |                      |
|------------------------------|------------------------------|------------------------------|---|----------------------|-------------------|--|---------------------------|------------|----------------------|
|                              |                              |                              |   |                      |                   |  | Capital Stock and Surplus | Net Income | Cash Dividends       |
|                              |                              |                              |   |                      |                   |  | Canadian Dollars          |            |                      |
| Millions of Canadian Dollars |                              |                              |   |                      |                   | Millions                               | Canadian Dollars          |            |                      |
| 1928                         | \$ 71                        | \$ 12                        | \$ 1  | \$ 0                 | \$ 1              | 6.3                                    | \$ 4                      | \$ .05     | \$ 0                 |
| 1929                         | 75                           | 30                           | 4   | 0                    | 4                 | 6.3                                    | 4                         | .38        | 0                    |
| 1930                         | 75                           | 26                           | 3   | 1                    | 2                 | 6.3                                    | 4                         | .08        | 0                    |
| 1931                         | 81                           | 22                           | 1   | 1                    | 0                 | 6.5                                    | 4                         | -.25       | 0                    |
| 1932                         | 81                           | 13                           | 1   | 0                    | 1                 | 6.5                                    | 4                         | -.25       | 0                    |
| 1933                         | 84                           | 14                           | 2   | 0                    | 2                 | 6.5                                    | 4                         | -.14       | 0                    |
| 1934                         | 83                           | 21                           | 2   | 0                    | 2                 | 6.5                                    | 4                         | -.06       | 0                    |
| 1935                         | 84                           | 26                           | 2   | 0                    | 2                 | 6.5                                    | 4                         | .02        | 0                    |
| 1936                         | 88                           | 32                           | 4   | 0                    | 4                 | 6.9                                    | 4                         | .26        | 0                    |
| 1937                         | 98                           | 49                           | 13  | 2                    | 11                | 7.4                                    | 5                         | 1.07       | 0                    |
| 1938                         | 144                          | 66                           | 20  | 5                    | 15                | 7.4                                    | 7                         | 1.47       | 0                    |
| 1939                         | 158                          | 92                           | 28  | 8                    | 20                | 7.4                                    | 8                         | 2.07       | .42½                 |
| 1940                         | 209                          | 82                           | 38  | 22                   | 16                | 7.4                                    | 9                         | 1.47       | .80                  |
| 1941                         | 324                          | 132                          | 53  | 15                   | 38                | 7.4                                    | 10                        | 1.96       | 1.00                 |
| 1942                         | 446                          | 198                          | 75  | 12                   | 63                | 7.4                                    | 11                        | 2.06       | 1.00                 |
| 1943                         | 528                          | 290                          | 96  | 14                   | 82                | 7.4                                    | 11                        | 1.55       | 1.00                 |
| 1944                         | 523                          | 259                          | 81  | 11                   | 70                | 7.4                                    | 12                        | 1.48       | .80                  |
| 1945                         | 480                          | 114                          | 26  | 8                    | 18                | 7.4                                    | 13                        | 1.55       | .80                  |
| 1946                         | 490                          | 111                          | 28  | 10                   | 18                | 7.4                                    | 14                        | 1.61       | .90                  |
| 1947                         | 514                          | 153                          | 38  | 15                   | 23                | 7.4                                    | 15                        | 2.15       | 1.00                 |
| 1948                         | 587                          | 209                          | 56  | 20                   | 36                | 7.4                                    | 17                        | 3.67       | 1.32½                |
| 1949                         | 612                          | 199                          | 57  | 20                   | 37                | 7.4                                    | 18                        | 3.63       | 1.30                 |
| 1950                         | 698                          | 227                          | 73  | 26                   | 47 <sup>(2)</sup> | 7.4                                    | 22                        | 4.67       | 1.72½ <sup>(3)</sup> |
| 1951                         | 809                          | 284                          | 92  | 36                   | 56 <sup>(2)</sup> | 8.2                                    | 26                        | 4.54       | 1.77½ <sup>(3)</sup> |
| 1952                         | 972                          | 333                          | 95  | 35                   | 60 <sup>(2)</sup> | 8.2                                    | 28                        | 4.31       | 2.00 <sup>(3)</sup>  |
| 1953                         | 1,124                        | 336                          | 96  | 26                   | 70 <sup>(2)</sup> | 9.0                                    | 31                        | 4.24       | 2.00 <sup>(3)</sup>  |
| 1954                         | 1,180                        | 328                          | 94  | 21                   | 73 <sup>(2)</sup> | 9.0                                    | 33                        | 3.87       | 2.00 <sup>(3)</sup>  |

(1) Outstanding at end of each year, adjusted for stock dividend in 1939 and stock splits in 1948 and 1952.

(2) Before reserve for future income taxes — see note 5 to financial statements.

(3) Dividend payments in U.S. dollars after 5th September 1950, including U.S. \$.75 in 1950.

## Consolidated Balance Sheet - Assets

31st December 1954

(based on straight-line depreciation — with 1953 figures on the same basis for purpose of comparison)

IN CANADIAN DOLLARS

|  | 31st December<br>1954 | 31st December<br>1953 |
|--|-----------------------|-----------------------|
| Current Assets:  |                       |                       |
| Cash . . . . .   | \$ 32,111,494         | \$ 33,660,830         |
| Government of Canada bonds (quoted value \$20,486,438) . . . . .                 | 20,389,719            | 19,492,232            |
| Receivables, less provision for doubtful accounts . . . . .                      | 55,456,425            | 55,933,855            |
| Inventories of aluminum, materials and supplies (note 3) . . . . .               | 100,926,187           | 87,804,245            |
| (lower of cost or market)  | <u>208,883,825</u>    | <u>196,891,162</u>    |
| Prepaid expense and deferred charges . . . . .                                   | 14,684,177            | 13,786,624            |
| Investments:   |                       |                       |
| Subsidiaries not consolidated (note 1) . . . . .                                 | 4,036,751             | 4,001,006             |
| Other allied companies — not more than 50% owned . . . . .                       | 9,730,952             | 8,308,568             |
|  | <u>13,767,703</u>     | <u>12,309,574</u>     |
| Lands, plants, riparian rights, and facilities, at cost (note 4) . . . . .       | 942,817,909           | 900,912,276           |
| Less: Accumulated amortization, depreciation and<br>depletion (note 5) . . . . . | 332,274,987           | 314,500,762           |
|  | <u>610,542,922</u>    | <u>586,411,514</u>    |
|  | <u>\$847,878,627</u>  | <u>\$809,398,874</u>  |

## Consolidated Balance Sheet - Liabilities

31st December 1954

(Used on straight-line depreciation - with 1953 figures on the same basis for purpose of comparison)

IN CANADIAN DOLLARS

|  | 31st December<br>1954 | 31st December<br>1953 |
|--|-----------------------|-----------------------|
| Current Liabilities:   |                       |                       |
| Payables, including accrued liabilities . . . . .                | \$ 34,901,391         | \$ 36,886,392         |
| Bank loans, principally in foreign currencies . . . . .          | 12,968,384            | 33,522,621            |
| Income and other taxes . . . . .                                 | 12,263,068            | 18,730,850            |
| Other debt payable within one year (note 6) . . . . .            | 17,117,010            | 5,047,581             |
|  | <u>77,249,853</u>     | <u>94,187,444</u>     |
| Debt not maturing within one year (note 6) . . . . .             | 265,233,551           | 236,595,325           |
| Debt contingent on volume of operations (note 6) . . . . .       | 103,612,000           | 109,696,250           |
| Operating reserves and deferred credits . . . . .                | 2,642,843             | 3,290,236             |
| Reserve for future income taxes (note 5) . . . . .               | 49,298,378            | 33,798,358            |
| Preferred shares of consolidated subsidiaries (note 7) . . . . . | 47,577,375            | 47,798,050            |
| Minority interest in consolidated subsidiaries . . . . .         | 2,644,297             | 2,633,646             |
| Capital Stock and Surplus:                                       |                       |                       |
| Shares without nominal or par value (note 8):                    |                       |                       |
| 9,036,382 shares outstanding . . . . .                           | 86,754,803            | 85,865,599            |
| Capital surplus . . . . .  | 3,612,579             | 3,396,905             |
| Earned surplus (notes 5 and 9) . . . . .                         | 209,252,948           | 192,137,061           |
|  | <u>299,620,330</u>    | <u>281,399,565</u>    |
|  | <u>\$847,878,627</u>  | <u>\$809,398,874</u>  |

Signed on behalf of the Board,  
NATHANAEL V. DAVIS, Director  
DANA T. BARTHOLOMEW, Director

# Consolidated Statement of Income

For the Year Ending 31st December 1954

(based on straight-line depreciation — with 1953 figures on the same basis for purpose of comparison)

IN CANADIAN DOLLARS

|  | 1954                 | 1953                 |
|--|----------------------|----------------------|
| Sales and Revenues:  |                      |                      |
| Sales . . . . .  | \$298,083,109        | \$305,399,220        |
| Operating revenues (transportation services, etc.) . . . . .                 | 29,564,439           | 30,288,714           |
| Interest on marketable securities . . . . .                                  | 1,297,247            | 832,131              |
| Income from investments . . . . .  | 646,359              | 534,772              |
| Other income . . . . .   | 304,904              | 392,963              |
|  | <u>329,896,058</u>   | <u>337,447,800</u>   |
| Costs and Expenses:  |                      |                      |
| Cost of sales . . . . .  | 168,388,174          | 177,020,158          |
| Operating expenses (transportation services, etc.) . . . . .                 | 21,464,496           | 23,676,898           |
| Provision for depreciation and depletion (note 5) . . . . .                  | 22,716,593           | 17,663,027           |
| Selling, general and administrative expenses . . . . .                       | 27,932,011           | 25,041,076           |
| Interest on contingent and other debt not maturing within one year . . . . . | 13,505,929           | 11,440,863           |
| Other interest . . . . .   | 1,006,041            | 729,036              |
| Financing expenses . . . . .   | 1,199,235            | 1,341,918            |
| Exchange adjustment arising in consolidation . . . . .                       | 207,876              | 161,828              |
|  | <u>256,420,355</u>   | <u>257,074,804</u>   |
| Income before income taxes . . . . .   | 73,475,703           | 80,372,996           |
| Provision for current income taxes . . . . .                                 | 20,658,857           | 25,671,381           |
| (including \$16,079,249 Canadian taxes; \$22,535,970 in 1953)                |                      |                      |
| Reserve for future income taxes (note 5) . . . . .                           | 15,500,020           | 14,315,428           |
|  | <u>36,158,877</u>    | <u>39,986,809</u>    |
| Income after income taxes . . . . .  | 37,316,826           | 40,386,187           |
| Dividends on preferred shares of consolidated subsidiaries . . . . .         | 2,266,091            | 2,133,072            |
| Minority interest in profit of consolidated subsidiaries . . . . .           | 80,710               | 75,062               |
|  | <u>2,346,801</u>     | <u>2,208,134</u>     |
| Net income . . . . .   | <u>\$ 34,970,025</u> | <u>\$ 38,178,053</u> |

## Consolidated Statement of Surplus

For the Year Ending 31st December 1954

IN CANADIAN DOLLARS

### EARNED SURPLUS

|   |               |                      |
|---|---------------|----------------------|
| Earned surplus — 31st December 1953 . . . . .   | \$150,017,488 |                      |
| Add: Adjustment as of 1st January 1954 resulting from change in depreciation policy (note 5) . . . . .      | 42,119,573    | \$192,137,061        |
| Net income for the year . . . . .   |               | <u>34,970,025</u>    |
|   |               | 227,107,086          |
| Aluminium Limited dividends (1953 — \$17,307,846) . . . . .   | 17,632,896    |                      |
| Appropriations for the purchase for cancellation of preferred shares of consolidated subsidiaries . . . . . | 221,242       | <u>17,854,138</u>    |
| Earned surplus — 31st December 1954 . . . . .   |               | <u>\$209,252,948</u> |

### CAPITAL SURPLUS

|   |                     |
|---|---------------------|
| Capital surplus — 31st December 1953 . . . . .  | \$ 3,396,905        |
| Par value of preferred shares of consolidated subsidiaries purchased for cancellation . . . . . | <u>215,674</u>      |
| Capital surplus — 31st December 1954 . . . . .  | <u>\$ 3,612,579</u> |



## Notes to Financial Statements

### 1. Principles of Consolidation:

The consolidated financial statements include the accounts of all fully owned subsidiaries and the accounts of three partially owned subsidiaries, in which Aluminium Limited's interest exceeds 85%, but exclude the accounts of the other three partially owned subsidiaries, in which Aluminium Limited's interest is less than 61%.

All intercompany items and transactions, including profits in inventories, have been eliminated. Intercompany profits on sales to subsidiaries not consolidated are insignificant.

### 2. Foreign Exchange:

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 1954, except that (a) investments, fixed assets and related reserves are at rates current at dates of acquisition, and (b) funded debts are at rates current at dates of issue except that the Aluminum Company of Canada, Ltd. first mortgage 3½% sinking fund bonds, due 1974, payable in United States currency, are stated on a dollar for dollar basis.

### 3. Inventories of Aluminum, Materials and Supplies:

|                         | 1954                 | 1953                 |
|-------------------------|----------------------|----------------------|
| Aluminum . . . . .      | \$ 38,073,585        | \$ 28,960,371        |
| Raw materials . . . . . | 45,326,240           | 41,283,298           |
| Supplies . . . . .      | 17,526,362           | 17,560,576           |
|                         | <u>\$100,926,187</u> | <u>\$ 87,804,245</u> |

### 4. Lands, Plants, Riparian Rights, and Facilities:

|  | 1954                 | 1953                 |
|--|----------------------|----------------------|
| Land and water rights . . . . .                      | \$ 47,280,558        | \$ 43,765,620        |
| Mineral properties, rights and development . . . . . | 8,593,646            | 8,376,979            |
| Buildings, machinery and equipment . . . . .         | 870,435,959          | 572,698,028          |
|  | <u>926,310,163</u>   | <u>624,840,627</u>   |
| Construction work in progress . . . . .              | 16,507,746           | 276,071,649          |
|  | <u>\$942,817,909</u> | <u>\$900,912,276</u> |

### 5. Change in Depreciation Policy:

#### *Canadian Income Tax Regulations*

Until amended in 1954, Canadian Income Tax Regulations specified that the amount of depreciation deducted for tax purposes could not exceed the amount recorded in the books of account and reflected in the financial statements of the corporate taxpayer. Whereas prior to 1949 the method for determining maximum permissible deductions was the straight-line method whereunder assets are written off by equal annual amounts over their estimated useful life, an amendment in that year substituted the diminishing balance method at rates whereby the amount of permissible deductions would, during the early years of an asset's life, exceed those under the previous straight-line method. A further amendment in 1951 provided for additional capital cost allowances on property in respect of which certificates have been obtained from the Minister of Defence Production. These additional allowances (for which Aluminum Company of Canada, Ltd. qualified to the extent of some \$123,000,000 deductible in the years 1951 to 1957), as well as the diminishing balance allowances apply to facilities prior to completion as well as to facilities in use.

5. Change in Depreciation Policy — continued

Accounting Policy

Pursuant to the above-mentioned regulations, Canadian subsidiaries commencing with 1950 have taken the maximum capital cost allowances under the diminishing balance method together with certain additional allowances under the above certificates. Non-Canadian subsidiaries have for the most part provided for depreciation in their accounts under the straight-line method but certain additional allowances were also taken by some of these subsidiaries as permitted by the tax regulations in the countries in which they operate. Consolidated profits previously reported for 1950 and subsequent periods accordingly reflected aggregate capital cost allowances which substantially exceeded straight-line depreciation on facilities in operation.

In view of the 1954 amendment to Canadian regulations repealing the former requirement whereby capital cost allowances deductible for tax purposes were restricted to amounts recorded in the accounts, all subsidiaries reverted in 1954 to the depreciation policy in effect prior to 1950 of recording in the accounts only straight-line depreciation on facilities in operation and reduced, as of 1st January 1954, the amount of accumulated depreciation carried as of that date on their books to the figure at which it would have stood if the straight-line method of calculating depreciation had been in effect throughout the years 1950 to 1953. Inasmuch as depreciation allowable for tax purposes in later years on existing assets will consequently fall correspondingly short of the amount which will be recorded in the accounts for such years, reserves have been set aside for application against taxes payable in those later years. These reserves are equivalent in amount to the reduction in each year's taxes resulting from taking capital cost allowances in excess of straight-line depreciation on facilities in operation. The 1st January 1954 reduction in accumulated depreciation amounted to \$75,917,931, resulting in an increase of \$42,119,573 in earned surplus after reserving \$33,798,358 for future income taxes.

The table below shows the effect straight-line depreciation would have had on the profits previously reported for the years 1950 to 1953.

|   | Year                      |          |          |          | Total     |
|---|---------------------------|----------|----------|----------|-----------|
|   | 1950                      | 1951     | 1952     | 1953     |           |
|   | (in thousands of dollars) |          |          |          |           |
| Aggregate capital cost allowances as recorded . . . . . | \$14,277                  | \$27,581 | \$37,578 | \$50,681 | \$130,117 |
| Straight-line depreciation . . . . .                    | 11,018                    | 12,198   | 13,320   | 17,663   | 54,199    |
| Excess . . . . .  | 3,259                     | 15,383   | 24,258   | 33,018   | 75,918    |
| Reserve for future income taxes . . . . .               | 1,126                     | 6,996    | 11,361   | 14,315   | 33,798    |
| Increase in profits . . . . .                           | \$ 2,133                  | \$ 8,387 | \$12,897 | \$18,703 | \$ 42,120 |

For purpose of comparison with the 1954 statements, the cumulative effect that straight-line depreciation for the period 1950-1953 would have had for those years has been reflected in the accompanying 1953 balance sheet figures and the effect that straight-line depreciation would have had on 1953 profits has been reflected in the accompanying income statement figures for that year.

Capital cost allowances taken in calculating the 1954 provision for current income taxes exceeded straight-line depreciation on facilities in operation by \$35,782,942 and accordingly \$15,500,020 has been reserved for future income taxes.

**6. Debt not maturing within one year:**

|  | 1954          | 1953          |
|--|---------------|---------------|
| Aluminum Company of Canada, Ltd.:  |               |               |
| First mortgage 3½% sinking fund bonds, due 1974:   |               |               |
| Series "A" .....   | \$ 10,149,000 | \$ 10,488,000 |
| Series "B" (U.S. \$19,589,000) .....   | 19,589,000    | 20,523,000    |
| Commutation value of contractual obligation for annual payments secured by second hypothec (payable in Canadian currency and in United States currency in equal parts) .....   | 9,125,191     | 9,501,103     |
| 3½% Sinking fund debentures, due 1971 .....  | 45,055,000    | 47,795,000    |
| 3⅞% Sinking fund debentures, due 1970 (U.S. \$82,500,000) .....  | 81,185,156    | 88,565,625    |
| 4½% Sinking fund debentures, due 1973 .....  | 50,000,000    | --            |
| Redeemable notes -- payable to the U.K. Government:<br>(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 .....   | 10,990,000    | 8,242,500     |
| 3½% Notes, due 1971 .....  | 4,995,000     | 3,746,250     |
| 3½% Notes, due 1974 .....  | 2,000,000     | --            |
| 3½% Note, due 1974 (magnesium) .....   | 88,000        | --            |
| 3½% Redeemable note, due 1974 -- payable to the U.K. Government .....  | 440,000       | 440,000       |
| Saguenay Power Company, Ltd.:  |               |               |
| First mortgage 3% sinking fund bonds, due 1971 (U.S. \$19,595,000) .....   | 19,595,000    | 21,400,000    |
| Aluminium Union Limited:   |               |               |
| 4% Redeemable note, due 1955 -- payable to the U.K. Government (£4,918,540) .....  | 13,766,010    | 13,766,010    |
| Northern Aluminium Company, Ltd.:  |               |               |
| 3⅞% Debentures, due 1957/1961 (£1,250,000) .....   | 5,025,000     | 5,025,000     |
| 3⅞% Debentures, due 1962/1964 (£ 750,000) .....  | 2,304,375     | 2,304,375     |
| Alumina Jamaica Limited:   |               |               |
| 4% Loan, due 1957/1958 -- payable to the U.S. Government Foreign Operations Administration (U.S. \$4,643,593) .....  | 4,785,829     | 5,613,043     |
| Other debt .....   | 4,310,000     | 4,475,000     |
|  | 283,402,561   | 241,884,906   |
| Less: Bonds and debentures held by a consolidated subsidiary and debt of \$17,117,010 payable within one year including the above Aluminium Union Limited 4% redeemable note for £4,918,540.                         | 18,169,010    | 5,289,581     |
|  | \$265,233,551 | \$236,595,325 |

**Debt Contingent on Volume of Operations:**

|  |               |               |
|--|---------------|---------------|
| Aluminum Company of Canada, Ltd.:  |               |               |
| Redeemable notes -- payable to the U.K. Government:<br>(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 .....   | \$ 43,960,000 | \$ 46,707,500 |
| 3½% Notes, due 1971 .....  | 19,980,000    | 21,228,750    |
| 3½% Notes, due 1974 .....  | 38,000,000    | 40,000,000    |
| 3½% Note, due 1974 (magnesium) .....   | 1,672,000     | 1,760,000     |
|  | \$103,612,000 | \$109,696,250 |

**6. Debt—continued**

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<br>(metric tons) | Amount of principal abatable per ton | Maximum amount of principal abatable in any year | Entire interest is abatable if production* is less than<br>(metric tons) |
|--------------------------|------------------|--|--------------------------------------|--|--|
| (a) \$39,600,000         | 3%               | 172,500  | \$24.00                              | \$1,980,000                                      | 90,000   |
| (b) 15,350,000           | 3%               | 197,500  | 30.70                                | 767,500  | 172,500  |
| (c) 24,975,000           | 3½%              | 400,000  | 13.50                                | 1,248,750  | 307,500  |
| (d) 40,000,000           | 3½%              | 450,000  | 40.00                                | 2,000,000  | 400,000  |
| (d) 1,760,000            | 3½%              | 4,000  | 33.33                                | 88,000   | 1,360  |

\*1954 aluminum production — 509,000 metric tons.

**7. Preferred Shares of Consolidated Subsidiaries:**

|  | 1954                 | 1953                 |
|--|----------------------|----------------------|
| Cumulative Redeemable Preferred Shares:                        |                      |                      |
| Aluminum Company of Canada, Ltd.:                              |                      |                      |
| 4% Sinking fund first preferred shares . . . . .               | \$ 12,514,675        | \$ 12,663,050        |
| 5¼% Sinking fund second preferred shares . . . . .             | 30,000,000           | 30,000,000           |
| Saguenay Power Company, Ltd. 4¼% Sinking fund preferred shares | 3,733,500            | 3,805,800            |
| Indian Aluminium Company, Ltd. 5% Preferred shares . . . . .   | 1,329,200            | 1,329,200            |
|  | <u>\$ 47,577,375</u> | <u>\$ 47,798,050</u> |

**8. Capital Stock:**

Under the Employee Share Purchase and Share Option Plans, approved by the shareholders in 1953, 700,000 shares were reserved for employees of the Company and its subsidiaries.

An initial offering of shares was made in 1953 under the Share Purchase Plan at a price of \$37.00 per share, being 85% of the then market price. As at 31st December 1954, 27,919 of such shares had been fully paid and issued (16,593 shares in 1954) and 3,632 additional shares were still being paid for under this initial offering.

Options for 187,000 shares were granted in 1953 under the Share Option Plan to 75 officers and key employees at the then market price of \$47.50 per share. Options for 5,795 shares were exercised during 1954.

In November 1954 the authorized capital stock of Aluminium Limited was increased from 10,000,000 to 20,000,000 shares without nominal or par value. In January 1955, the Company offered to its shareholders the right to subscribe for a total of 904,314 shares on the basis of one additional share for each ten shares held. 902,312 shares were subscribed for a total consideration of \$41,547,077.

**9. Earned Surplus:**

The surpluses of the individual non-Canadian subsidiaries forming part of the consolidated earned surplus at 31st December 1954 aggregated \$9,926,000 (\$9,401,395 in 1953).

**10. Geographical Distribution of Consolidated Assets, Liabilities, etc.:**

A condensed analysis of the consolidated balance sheet at 31st December 1954, according to the domicile of the constituent companies and their branches, follows:

|   | Canada       | Other Western<br>Hemisphere | Other British<br>Commonwealth | All Other   | Total        |
|---|--------------|-----------------------------|-------------------------------|-------------|--------------|
| (in millions of dollars)                  |              |                             |                               |             |              |
| <b>ASSETS</b>                             |              |                             |                               |             |              |
| Current assets . . . . .                  | 126.7        | 25.1                        | 45.4                          | 11.7        | 208.9        |
| Investments . . . . .                     | 13.7         | -                           | —                             | .1          | 13.8         |
| Fixed assets . . . . .                    | 800.0        | 76.5                        | 43.0                          | 23.3        | 942.8        |
| <i>Less: Depreciation, etc.</i> . . . . . | (282.2)      | (24.2)                      | (18.7)                        | (7.2)       | (332.3)      |
| Other assets . . . . .                    | 12.2         | 1.9                         | .3                            | .3          | 14.7         |
|   | <u>670.4</u> | <u>79.3</u>                 | <u>70.0</u>                   | <u>28.2</u> | <u>847.9</u> |
| <b>LIABILITIES</b>                        |              |                             |                               |             |              |
| Current liabilities . . . . .             | 38.3         | 7.0                         | 27.0                          | 4.9         | 77.2         |
| Funded debt . . . . .                     | 355.9        | 4.8                         | 8.2                           | -           | 368.9        |
| Preferred shares . . . . .                | 46.3         | -                           | 1.3                           | -           | 47.6         |
| Other liabilities . . . . .               | 3.9          | .5                          | .7                            | .2          | 5.3          |
| Reserve for future income taxes . . . . . | 48.6         | .7                          | -                             | ---         | 49.3         |
|   | <u>493.0</u> | <u>13.0</u>                 | <u>37.2</u>                   | <u>5.1</u>  | <u>548.3</u> |
| Common shareholders' equity . . . . .     | <u>177.4</u> | <u>66.3</u>                 | <u>32.8</u>                   | <u>23.1</u> | <u>299.6</u> |

**11. Executive Salaries, etc. (parent and consolidated subsidiaries):**

The following amounts have been charged to income in 1954: executive salaries \$2,091,557; legal fees \$221,351; directors' fees \$14,012.

# Auditors' Report

**PRICE WATERHOUSE & CO.**

**215 ST. JAMES STREET WEST**

**MONTREAL 1**

15th March 1955

## TO THE SHAREHOLDERS OF ALUMINIUM LIMITED

We have examined the consolidated balance sheet of Aluminium Limited and consolidated subsidiaries as at 31st December 1954 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.

As explained in Note 3 to the financial statements, the consolidated subsidiaries, in accordance with our recommendation, have discontinued the practice of providing in their accounts for capital cost allowances in excess of normal depreciation; with our approval, these subsidiaries reverted in 1954 to the straight-line method of providing depreciation and, as of 1st January 1954, reduced accumulated depreciation to the amount which would then have been carried in their accounts if the straight-line method of depreciation had been in effect throughout the years 1950 to 1953.

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 Aluminium Limited and consolidated subsidiaries as at 31st December 1954 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 save for the change in depreciation policy (which we approve) referred to in the preceding paragraph.

Pursuant to section 118 of The Companies Act, 1934, we report that the interest of Aluminium Limited in the profits for the year of the non-consolidated subsidiaries exceeded dividends from such subsidiaries included in consolidated income.

*Price Waterhouse & Co.*

Chartered Accountants

# Subsidiary Operating Companies

*(Consolidated)*

|  |  |
|--|--|
| ALUMINUM COMPANY OF CANADA, LTD.— CANADA                     | DEMERARA BAUXITE COMPANY, LTD.— BRITISH GUIANA       |
| ALMA & JONQUIERES RAILWAY COMPANY (THE) — CANADA             | ELETRO-QUIMICA BRASILEIRA S.A.— BRAZIL               |
| ALUMINA JAMAICA LIMITED — JAMAICA                            | INDIAN ALUMINIUM COMPANY, LTD.— INDIA                |
| ALUMINIO DO BRASIL, S.A.— BRAZIL                             | NEWFOUNDLAND FLUORSPAR LIMITED — CANADA              |
| ALUMINIUM COMPANY OF SOUTH AFRICA (PTY.) LTD. — SOUTH AFRICA | NORTHERN ALUMINIUM COMPANY, LTD.— GREAT BRITAIN      |
| ALUMINIUMWERKE A.-G. RORSCHACH — SWITZERLAND                 | ROBERVAL AND SAGUENAY RAILWAY COMPANY (THE) — CANADA |
| ALUMINIUMWERKE GOETTINGEN G.m.b.H.— GERMANY                  | SAGUENAY TERMINALS LIMITED — CANADA                  |
| ALUMINIUMWERKE NUERNBERG G.m.b.H.— GERMANY                   | SAGUENAY ELECTRIC COMPANY — CANADA                   |
| ALUMINUM GOODS LIMITED — CANADA                              | SAGUENAY POWER COMPANY, LTD.— CANADA                 |
| ALUMINIUM MERIDIONAL — FRANCE                                | SAGUENAY TRANSMISSION COMPANY, LTD.— CANADA          |
| BAUXITES DU MIDI — FRANCE                                    | SOCIETA DELL'ALLUMINIO ITALIANO — ITALY              |
| CHAGUARAMAS TERMINALS LIMITED — TRINIDAD                     | SPROSTONS, LIMITED — BRITISH GUIANA                  |

# International Distributing Companies

|   |                                       |
|---|---------------------------------------|
| ALUMINIUM UNION LIMITED   | L'ALUMINIUM COMMERCIAL S.A.           |
| ALUMINIUM LIMITED SALES, INC.<br>(Formerly Aluminum Import Corporation) | INTERNATIONAL ALUMINIUM COMPANY, LTD. |

of the Aluminium Limited Group of Companies

ALUMINIUM LIMITED, INCORPORATED  
(formerly Stand Corporation)  
Boston and New York correspondent

ALUMINIUM (CANADA) LIMITED  
(formerly Stand Limited)  
London correspondent

ALUMINIUM LIMITED (CANADA) S.A.  
(formerly Stand S.A.)  
Geneva correspondent

*Other Subsidiary and*

*(Not Consolidated)*

ALUMINIO IBERICO, S.A.—SPAIN

NEDERLANDSCHE ALUMINIUM MAATSCHAPPIJ (N.V.)—HOLLAND

ALUMINIO INDUSTRIAL MEXICANO, S.A.—MEXICO

NORDISKE ALUMINIUMINDUSTRI (A/S)—NORWAY

AUSTRALIAN ALUMINIUM COMPANY PROPRIETARY LTD.—AUSTRALIA

NORSK ALUMINIUM COMPANY (A/S)—NORWAY

DANSK ALUMINIUM INDUSTRI (A/S)—DENMARK

SVENSKA ALUMINIUMKOMPANIET (AB)—SWEDEN

DET NORSKE NITRIDARTIESELSKAP—NORWAY

TOYO ALUMINIUM K.K.—JAPAN

NIPPON LIGHT METAL COMPANY, LTD.—JAPAN

WEST AFRICAN ALUMINIUM LIMITED—GOLD COAST

NOTE: The companies listed on the previous page are the principal consolidated operating subsidiaries of Aluminium Limited; the operating companies on this page are the principal ones carried on the books as investments.



## Additional Expansion

On 16th March 1955 the Company announced a programme to expand the annual capacity of the aluminum smelter at Kitimat by an additional 180,000 tons. The cost of the programme, as currently estimated, including some further expansion of alumina facilities in Jamaica, will be \$190 millions. It is expected that the financing of the successive stages of the programme can be largely or entirely met by the Company's own generation of funds. The construction schedule may be revised as the programme is reviewed periodically in the light of market and financial conditions.

As of 16th March, the status of development of the aluminum smelter at Kitimat may be summarized as follows:

|                            |                      |
|----------------------------|----------------------|
| Present installed capacity | 91,500 tons per year |
| Under construction         | 60,000 " " "         |
| New programme              | <u>180,000</u> " " " |
|                            | 331,500 " " "        |

Of the capacity under construction or scheduled, 90,000 tons will be in operation by the end of 1956 and the balance will come into operation in stages to be completed in 1959.

