Canada Cement Lafarge Ltd.

Annual Report 1982

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General Shareholders Meeting
A meeting of all Shareholders is expected to be held in Montreal in the second half of June, 1983. Shareholders will be advised of the exact date, time and location of the meeting.

Transfer Agent
Montreal Trust Company
Montreal, Toronto, Halifax, Winnipeg, Calgary & Vancouver

Company shares
are listed on the Montreal and Toronto Stock Exchanges.

Registrar
The Royal Trust Company

Auditors
Price Waterhouse

Version française
On pourra se procurer le texte français de ce rapport annuel en s'adressant au Secrétaire de la Société, B.P. 490, Succ. "B", Montréal, Qué. H3B 3K3.

This year's cover design highlights locations of the Company's facilities in North America.

Corporate profile

Canada Cement Lafarge Ltd. has the largest cement production and marketing network in North America with operations across Canada and throughout much of the United States.

The Company operates nine cement plants in Canada, and is the only national producer serving principal markets from coast to coast. It is also a leading producer of ready-mixed concrete and a wide range of concrete-related products and materials.

In 1981, Canada Cement Lafarge acquired General Portland Inc., the third largest cement producer in the U.S. General Portland operates ten plants, seven of them in the historically high-growth Sunbelt area. Besides cement, this company markets construction aggregates, flyash, and ready-mixed concrete. Its Dallas and Fort Worth, Texas plants are major producers of oilwell cements serving the exploration and development needs of the energy industry.

Canada Cement Lafarge and General Portland represent the amalgamation of several companies over the years. A consistent aspect of growth has been a commitment to the cement industry and concrete-related products. Corporate objectives are to maintain industry leadership, to enhance capabilities as a low-cost producer of quality cement, and to develop new and better products for the construction industry.

Under a proposed reorganization announced in February 1983, a U.S. company, Lafarge Corporation, will become the parent of the two operating subsidiaries, Canada Cement Lafarge and General Portland. The business and management of the CCL Group will remain unchanged and its operations will continue as before.

Lafarge Coppée, a large French industrial company with a long history in the cement industry, owns in total approximately fifty-seven percent of the Common, Series A, and Series B shares of Canada Cement Lafarge. If the reorganization is completed as contemplated, Lafarge Coppée will own approximately fifty-four percent of the Lafarge Corporation common shares on a fully-diluted basis. The remaining shares are held primarily by Canadian and European investors.

Financial highlights

(in millions of Canadian dollars, except per share amounts)

	1982	1981	%
Sales	$1,110.9	$ 916.3	21
Net earnings (loss) before extraordinary items	$ (12.0)	$ 34.2	—
Funds generated from operations	$ 44.5	$ 93.7	(53)
Working capital	$ 230.0	$ 236.1	(3)
Long term debt	$ 564.7	$ 561.0	1
Shareholders' equity	$ 537.3	$ 551.1	(3)
Common shares outstanding	29,019,717	28,472,228	2
Number of common shareholders	5,944	6,060	(2)
Per Common Share			
Net earnings (loss) before extraordinary items	$ (.70)	$ 1.32	—
Extraordinary items	(.09)	.07	—
Net earnings (loss)	$ (.79)	$ 1.39	—
Funds generated from operations	$ 1.27	$ 4.39	(71)
Dividends paid	$ .30	$ .80	(63)
Shareholders' equity	$ 13.51	$ 14.26	(5)
Return on common shareholders' equity	(5.0)%	8.6%	—

Valuation day values of the Corporation's common and first preference shares were as follows:

Common shares: $11.66 First Preference shares: $19.75

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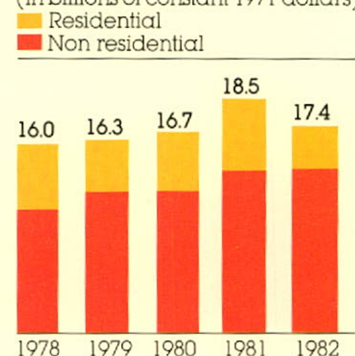
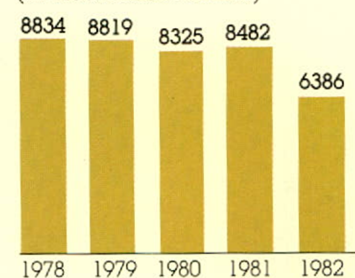
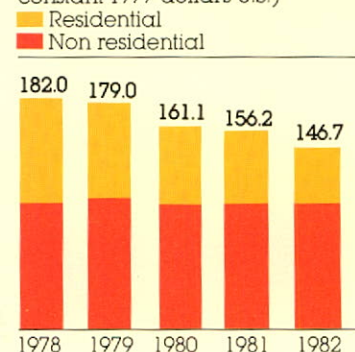
Construction Expenditures in Canada
(excluding repairs)
(in billions of constant 1971 dollars)



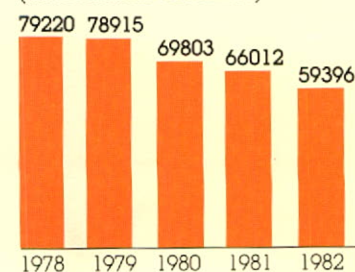
Total Cement Consumption in Canada
(in thousands of tonnes)



New Construction Activity in the United States
(Value put in place, billions of constant 1977 dollars U.S.)



Total Cement Consumption in the United States
(in thousands of tonnes)



Report to shareholders

Peter M. McEntyre, Chairman of the Board and John D. Redfern, President and Chief Executive Officer.

Your Company, as North America's leading manufacturer of cement and concrete products, was severely affected by the precipitous drop in economic activity in 1982—the steepest since the Depression. The financial results were disappointing, but we take satisfaction in having withstood the dismal economic conditions without sacrificing our major long-term goals.

Sales exceeded a billion dollars for the first time, reaching $1,111 million compared with $916 million in 1981. This does not reflect a growth in sales but rather the inclusion of General Portland's operations, which were acquired in November 1981. If 1981 sales figures were revised to include General Portland for the full year, 1982 total sales would have decreased by twelve percent. Operations resulted in a net loss for 1982 of $12.0 million compared with net earnings of $34.2 million in 1981. These results do not include a $2.8 million extraordinary loss in 1982 and a $1.3 million extraordinary gain in 1981 on disposal of assets.

The reduced operating results can be attributed to the severe weakness in all segments of the construction industry and highly competitive pricing. In previous recessions, geographic diversity allowed the Company to enjoy relative prosperity in some markets, while others suffered through cyclical troughs. However, this recession has proven to be all-pervasive with cement demand down in every region of Canada and the United States.

Despite the operating loss of $12 million, the Company generated sufficient cash to cover all capital outlays and dividend payments. The flow of funds from operations amounted to $44 million and an additional $25 million was raised from the sale of assets.

Corporate reorganization

The demand we foresee for cement and the capital-intensive nature of our business will require substantial debt and equity financing in the eighties. To provide financial flexibility and improved access to the U.S. capital markets, the Company proposed a major corporate reorganization in February 1983. Under the proposed structure (described on page 22), a U.S. company, Lafarge Corporation, will become the parent of the two operating subsidiaries, Canada Cement Lafarge and General Portland. The business and management of the CCL Group will remain unchanged and its operations will continue as before. Shareholders will continue to participate in the development of the total North American operations, while remaining shareholders of a Canadian corporation.

1982 accomplishments

In analyzing our activities in 1982, there were a number of accomplishments which have strengthened the Company. General Portland and Canada Cement Lafarge were successfully integrated during the year. Through the interrelationship of the two companies, we continued to refine and improve our capabilities as a low-cost producer of quality cement products and to take advantage of an expanded distribution network. General Portland's extensive research on the use of waste fuels enhanced Canada Cement Lafarge's efforts to cut fuel costs in Canadian plants. Technical assistance from Canada Cement Lafarge and Lafarge Coppée helped General Portland to reduce operating costs at several of its wet-process plants.

The ability to improve control over production costs during periods of economic decline was particularly important in 1982. Fortunately, the capital invested during the 1970's to upgrade and add modern facilities gave us the flexibility to serve our markets in the most efficient way. As orders declined in 1982, we were able to supply our customers from fewer locations using the most efficient plants while shutting down other kilns.

As part of its approval of the General Portland acquisition, the U.S. Federal Trade Commission required the Company to sell the General Portland plant in Chattanooga, Tennessee or the much newer Citadel plant in Demopolis, Alabama. With the sale of the Chattanooga plant in August, the Company can now implement appropriate long-term strategies in the key Southeastern section of the United States.

Financial condition

With the pessimistic economic outlook that prevailed throughout 1982, and no clear indication of a recovery, the Board decided dividend reductions were prudent. The quarterly dividend on the common shares was reduced from $0.20 to $0.10 per share in the first quarter and then to $0.05 in the third quarter. These reductons also applied to the Series "B" Convertible Second Preference shares which are entitled to the same dividend as the common. These Series B shares are all held by a subsidiary of Lafarge Coppée.

After a decade of major capital expenditures and acquisitions totalling close to one billion dollars culminating in the acquisition of General Portland, capital outlays in 1982 were only $49 million. Spending was restricted mainly to projects necessary to improve operating efficiency and to upgrade older facilities.

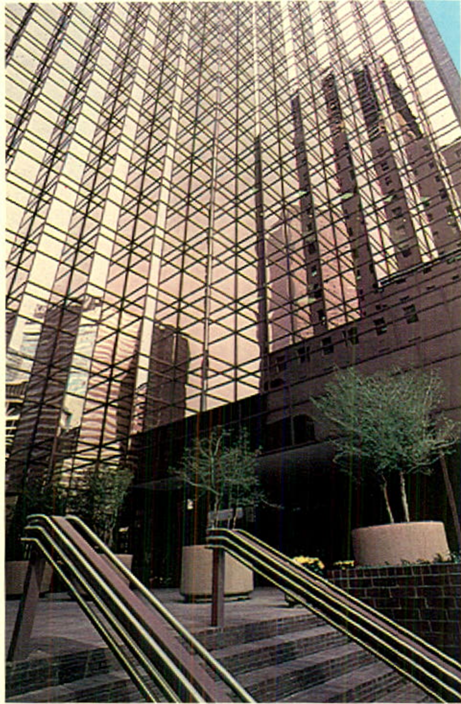
Careful management of cash resources has allowed the Company to maintain a sound financial position. Working capital declined by a modest $6 million to a level of $230 million and reductions of long-term debt exceeded new long-term borrowings by $5 million.

Strategic and financial objectives

Canada Cement Lafarge's operating philosophy recognizes the changes that have taken place in the cement industry. In an industry that requires economies of scale to operate most efficiently and profitably, many North American companies have become part of large international organizations. To compete effectively and to capitalize on our strengths as part of the Lafarge Coppée Group, the Company's two principal strategic objectives are:

- to retain our share of any growth in the Canadian market, to improve our performance in serving our existing customers and to search actively for export opportunities;
- to increase market penetration in the United States, capitalizing on the excellent position General Portland has in the historical growth areas of the South.

Corporate offices of Canada Cement Lafarge Ltd., Montreal, Quebec.



Pacific Place in the centre of Dallas.

While markets continue to be depressed in the short term, much of the Company's efforts will concentrate on upgrading the efficiency and productivity of existing plants and on careful management of its financial resources. But, in preparation for when the economy recovers, Canada Cement Lafarge has clearcut operating strategies in place to spearhead its development in the eighties:

- Through the integration of the Canadian and U.S. operations by sharing technical expertise and distribution networks, the Company will be able to deliver competitively-priced cement products in all its sales areas.
- The Company will continue to broaden its production mandate from portland cement to include other cementitious products such as slag and fly-ash.
- Opportunities for further geographic expansion will be considered as they develop particularly, in the U.S., although there are presently no specific plans for such expansion. At present, the Company has extensive operations in the Sunbelt from Florida through the Gulf Coast area to Southern California. It also serves the popular Northeast as well as several states in the Midwest.
- A strategy that is already well in place and that will be continued is an increased emphasis on employee relations and participation in the production process. An ongoing program to improve the quality of work life gives greater authority and responsibility to those directly on the line, creating a more interesting work environment and a more efficient plant operation.

The Company's financial objectives are in keeping with its operating strategies. As the market for cement recovers, the Company expects to see an earnings recovery; to increase dividend payments consistent with earnings and capital needs; and to reduce debt to a more conservative level.

Our continuing dedication to these objectives will enhance the Company's ability to successfully compete in the eighties and beyond.

Directors and officers

Mr. F. C. Wilkinson, Chairman and Chief Executive Officer of Wilkinson Company Ltd., Vancouver, B.C., was elected to the Board of Directors at the Annual Meeting of Shareholders, May 7, 1982, replacing Mr. J. E. Richardson who retired from the Board. Mr. Richardson's years of service to the Company are appreciated and his wise counsel and good humour will be missed.

Mr. R. W. Murdoch, who had been on assignment in Dallas to assist in the integration of General Portland and Canada Cement Lafarge, was appointed Executive Vice-President, Operations as of March 1, 1983, succeeding Mr. G.H. Liduena who was appointed Directeur-général of Ciments Lafarge France.

On August 7, 1982, Mr. H. Lavigne, formerly Cement Division Manager, Quebec Region, was appointed Vice-President and General Manager, Quebec Region, succeeding Mr. M. L'Anglais who was transferred to France to assume responsibilities with the Lafarge Coppée Group.

At the same time, Mr. C. Rivoire, previously General Manager of the Rio de Janeiro Region of the Group's Brazilian Operations, Companhia Nacional de Cimento Portland, was appointed Vice-President, Corporate Technical Services. He replaced Mr. D. Beylich who, in turn, became President, Lafarge Consultants Ltd., succeeding Mr. J.L. Nicolas who returned to other duties with the Lafarge Coppée Group in France.

Effective January 1, 1983, Mr. R.G. Gentles, Manager, Cement Operations, Atlantic Region, who returned recently from Paris where he had been on assignment with Ciments Lafarge France, was appointed Vice-President and General Manager, Atlantic Region. He replaced Mr. D.F.G. Lovett who will be assigned other senior duties with the Company following completion of a senior management program at the Harvard Business School.

Mr. A. Fredette, Manager, Corporate Administration & Legal Services, was appointed Assistant Secretary following the retirement of Mr. G.T. Frew after thirty-five years of service with the Company.

Outlook

We are optimistic that the North American economy is beginning to make a recovery, but we believe that any major improvement in economic activity will be delayed until late 1983 or early 1984. Until there is a clear consensus on the direction of the economy, recovery will be slow.

The cement industry is significantly affected by construction activity which is dependent on the investment decisions of others: people buying homes, companies adding new production capacity, and government spending on infrastructure. These decisions have been made extremely difficult by divergent and conflicting economic forecasts. However, recent signs have appeared —declining interest rates, an improvement in housing starts and inventory levels and, importantly, an improvement in public confidence—suggesting that the first phase of an economic recovery in the United States may be underway with a more general upturn in 1984 and 1985 as expansion gains momentum.

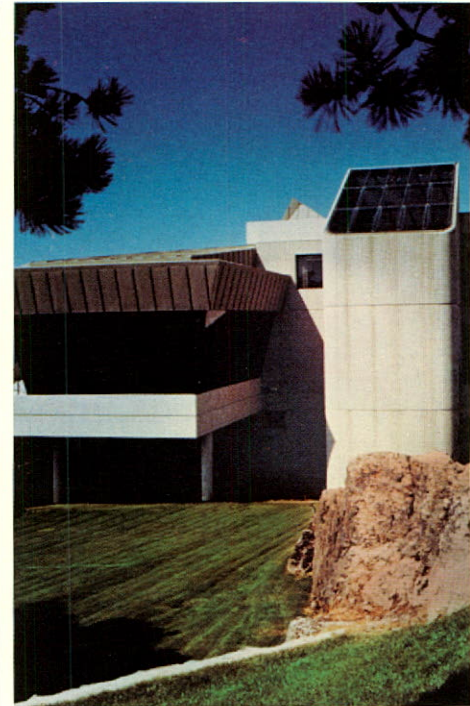
We expect the Canadian recovery to lag that of the U.S. by six to twelve months and accordingly, with more than half the Company assets in Canada, it is difficult to be optimistic about our results in 1983. However, we are encouraged by the prospects for 1984 and beyond. The resources that helped us to maintain our financial strength and competitive position in 1982 will contribute to the Company's performance in an improved economic environment. Our dedicated employees have responded well to the difficult times and for that we express our sincere appreciation.

ON BEHALF OF THE BOARD:

John D. Redfern
President and Chief Executive Officer

Peter M. McEntyre
Chairman of the Board

Montreal, Quebec, March 29, 1983.



The Junior Ranks Club of the Department of National Defence, Victoria, B.C.

The Dalplex Sports Centre is part of the major construction project completed during 1982 at Dalhousie University in Nova Scotia. Canada Cement Lafarge was the sole supplier of the 2,500 tonnes of cement needed, and the building's inflatable roof structure was the first of its kind.

Cyclical trends

The construction industry is a vital part of the economies of Canada and the United States and one of the most sensitive to economic swings. Since cement is the most widely used of all construction materials, demand for cement corresponds directly with construction activity.

This fact has been particularly apparent in the last two years as North America endures its worst postwar recession. Construction activity has plunged and the cement industry is operating far below capacity and at the lowest production levels in nineteen years. However, the industry must be viewed in a broader historical context of economic cycles rather than on a one- or two-year basis. As the accompanying chart shows, the cement industry reached cyclical peaks in 1969, 1973 and 1978-79. In each case, a period of decline followed the peak activity until a trough was reached and the next upturn in demand began.

North American cement consumption was 65.8 million tonnes in 1982, down 11.7 percent from 1981 and 29.2 percent below the peak level of 1973. High interest rates, declining industrial output, and rising unemployment through the latest recession have affected all sectors of construction—residential, commercial, industrial, and public works.

While there is no question of the seriousness of the present economic situation, the prospects for 1983 are beginning to show positive signs. Interest rates have fallen greatly to more reasonable levels and the inflation outlook is considerably better. The outlook for housing starts is significantly improved, especially in the U.S. where starts are expected to increase thirty percent to 1.4 million this year.

Demand side

As the economy strengthens in the latter part of 1983, there are several reasons for optimism about growth in demand for cement. Because of sharp increases in construction costs, governments and businesses deferred programs to maintain and upgrade the North American infrastructure. Construction expenditures in the U.S averaged ten percent of GNP during the 1960s. In recent years, expenditures dropped to seven percent, creating a backlog of projects which should stimulate demand for cement.

At year-end, the U.S. passed legislation raising the gasoline tax to help finance the rebuilding of the country's bridges, highways, and mass transit systems. According to the Portland Cement Association, the increased funding could generate demand for an additional 3.0 to 3.5 million tonnes of cement annually.

Through extensive improvements in cement and concrete technology that have shortened concrete setting times and increased final strength, many new and less costly applications have been developed. Column and beam sizes for use in high rise construction are smaller, thus reducing the "dead" load. The net result is a cheaper and less energy-intensive building material,expanding the market for concrete in the construction of high rise buildings. Concrete also has become more competitive with alternate construction materials. For example, asphalt roads, which use large quantities of petroleum-based product, now cost as much as more durable concrete roads. These technological advances and market trends should increase concrete's share of construction spending.

Supply side

North American plant capacity grew each year from before World War II to a peak of 103 million tonnes in 1975. Since then, industry capacity has levelled off as plant expansions have been offset by the closing of many older plants which were costly to maintain and energy inefficient.

If the current recession lingers, financial problems will spur further closings of inefficient plants in 1983. Only a limited amount of new capacity to replace these obsolete facilities is under construction. The cost of new cement capacity is high, averaging $160 to $175 per tonne, and the investment can only be justified if the

new plant operates at high levels of capacity utilization. Thus, until demand for cement rises and profitability improves, most new plant decisions will be delayed. When the next cyclical peak is reached, demand may actually exceed capacity in the United States with excess production in Canada and other countries being imported to fill the gap.

This points to a stronger outlook for the industry. In particular, cement companies which are well-positioned with efficient plants in traditional growth areas, such as Western Canada and the Southern United States, should operate more profitably near capacity. Also, cement companies with a good distribution system capable of moving product between regions will be able to take advantage of regional imbalances in supply and demand.

Industry perspective

The cement industry is structured on a regional basis because transportation costs limit the competitive marketing radius of cement plants. These costs can be minimized by developing a network of cement distribution terminals which receive finished cement by rail or water transportation and provide ready access to major markets.

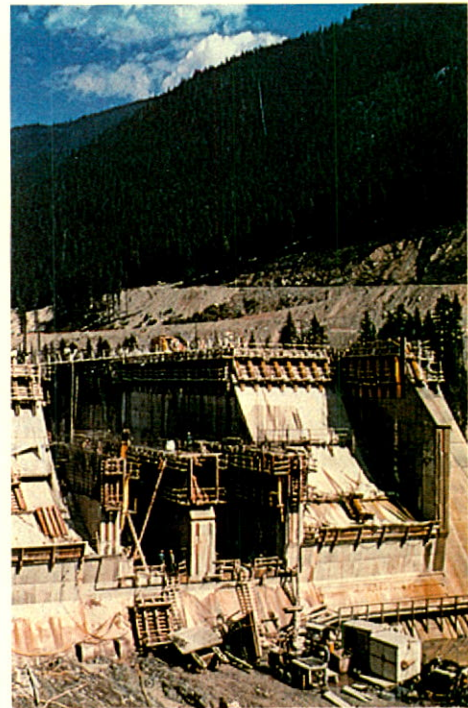
Today, cement plants serve all major regions of North America and the industry is highly competitive. In most large markets, there are at least four producers vying for a share of the market, and in some major U.S. markets, there may be as many as ten suppliers. Altogether, the North American industry is composed of nine Canadian and more than forty U.S. cement companies.

Company perspective

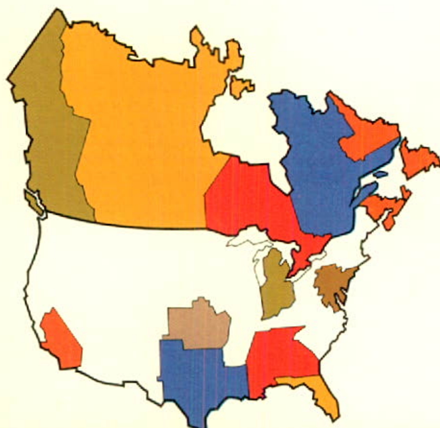
Despite the difficulties of coping with the economic problems of the last two years, Canada Cement Lafarge continued to make progress in a number of ways. The Company consolidated its position, improved the efficiency of existing plants, and opened new operations in principal cement markets. Complementing the Company's long-standing strengths in Canada, General Portland provides a widespread base of operations in the U.S. More and more, the synergy of the two companies becomes apparent.

- Many Company plants have access to ocean and river transportation which strengthens the Company's ability to deliver competitively-priced cement products throughout its sales areas, particularly in the Gulf Coast areas from the Florida peninsula to Texas. This broadened distribution network adds production flexibility, permitting efficient response to market needs by transferring cement from one sales area to another. For example, Canada Cement Lafarge plants in Eastern Canada are producing significant quantities of oilwell cement supplementing General Portland's production capabilities for this product.
- The ability of the two companies to support each other's product needs could be particularly advantageous if a capacity squeeze develops in the U.S. Canadian producers are expected to have excess capacity and will benefit from increased exports to the U.S.
- By sharing technical expertise in the last year, both companies have benefited greatly. With strong technical assistance from Canada Cement Lafarge, a comprehensive plant improvement program was instituted to substantially increase operating efficiency, productivity, and cost performance at General Portland's older facilities. In recent years, General Portland has made steady progress in controlling fuel and power costs and is a pioneer in the utilization of industrial waste materials for use as supplemental fuels in manufacturing cement. General Portland's waste fuel technology is being incorporated into Canada Cement Lafarge's operations.

Overall, Canada Cement Lafarge is well prepared to participate in the expected industry recovery.



Canada Cement Lafarge's Kamloops Plant is a major supplier of cement for B.C. Hydro's huge Revelstoke Hydroelectric Project on the Columbia River. By its completion date in the spring of 1984, over 1,910,000 cubic metres of concrete will have been poured in the 2,700 Mw project.



Canada Cement Lafarge's Corporate management. Seated from l to r: R.W. Murdoch, Executive Vice-President, Operations (as of March 1, 1983); J.D. Redfern, President and Chief Executive Officer; and P.M. McEntyre, Chairman of the Board. Standing, from l to r, are: D.C. Hildebrand, Vice-President, Corporate Development; P. Bavière, Vice-President, Finance; and P. Jongeneel, Senior Vice-President, Financial Control of Lafarge Coppée, North America.

Standing in this group of General Portland Inc.'s senior management are, from l to r: H.C. Boecker, Senior Vice-President; D.S. Fields, Corporate Comptroller; B.S. Dryburgh, Vice-President & Treasurer; and W.D. Jones III, Vice-President – Operations. Seated are L.G. Munin, Senior Vice-President & Chief Financial Officer; J.B. Lendrum, Chairman, President and Chief Executive Officer; and F.W. Koester, Senior Vice-President – Operations. (Missing: T.W. Tatum, Vice-President, Employee Relations)

Introduction

Canada Cement Lafarge's position in 1982 as the leading cement company in North America is the culmination of seventy-four years of growth, progressive management, and a commitment to the cement industry. To expand its position and market penetration, the Company has taken a long-term strategic approach to growth which includes internal development and carefully selected acquisitions.

Before reviewing the performance and outlook for the Canadian and U.S. operations, it is helpful to understand the company's development, markets, and facilities and how they interrelate.

Development

The Company traces its origins in Canada to the merger of twelve operation companies to form the Canada Cement Company in 1909. Operations continued to grow and expand, and by the late sixties, Canada Cement had productive capacity in excess of four million tonnes annually, about forty-three percent of Canadian capacity at the time.

The Lafarge Group began business in Canada in 1956, opening a cement plant near Vancouver, B.C. With the success of this initial plant, Lafarge expanded its Western Canadian operations and also built a plant in St. Constant, Quebec near Montreal.

Canada Cement Company and Lafarge Canada merged on May 1, 1970 to create Canada Cement Lafarge, the only nationwide cement company in Canada. The merged company, with forty percent of the Canadian market, continued a policy of acquisition and growth, and looked for new opportunities in the U.S.

The first U.S. investment was a joint venture in Citadel Cement Corporation. This venture was terminated in 1977 and the assets divided. Canada Cement Lafarge maintained the Citadel name and two plants in Alabama. The Birmingham plant has since become a storage facility. The highly-efficient new plant in Demopolis, continues to serve Alabama, Georgia, Louisiana, and Mississippi.

Clearly, the Company's biggest step was the $400 million acquisition of General Portland in 1981 which doubled cement production capacity of the Company.

Innovation

By identifying new uses for cement and developing many new products, the Company has demonstrated its innovative ability. Its engineers have pioneered ways to reduce costs and improve productivity. Like the new products, many of the process improvements have become the industry standard. Canada Cement Lafarge has two major research and development facilities in Canada and access to one of the world's largest cement research facilities operated by Lafarge Coppée in France.

Markets

Cement is the principal ingredient in concrete and as a result is used extensively in all types of construction. In North America, approximately thirty-eight percent of cement consumption is accounted for by public works, roads, sewers, dams, and similar projects; thirty-three percent by residential construction; and twenty-nine percent by commercial and industrial building.

The regional sales areas served by Canada Cement Lafarge are illustrated on the accompanying map. In 1982, fifty-nine percent of revenues came from Canadian operations and forty-one percent from the U.S. While the Company's cement capacity is practically the same in both countries, the greater percentage of revenues in Canada comes from more extensive

vertical integration into concrete operations. As the Company takes advantage of anticipated opportunities for expansion in the U.S., this ratio may shift gradually.

In Canada, the Company's markets include almost every city and town from coast to coast. Rapid growth in the western provinces over the past decade has altered the mix of business to the point that cement shipments west of Ontario now represent about half the Company's sales volume.

General Portland's sales regions are traditional areas of long-term growth. From 1950 to 1980, cement consumption in General Portland's sales areas grew ninety-seven percent to thirty-eight million tonnes, compared with a fifty-four percent increase in cement consumption elsewhere in the country. The Company operates throughout most of the Sunbelt region from Florida through the Gulf Coast area and in Southern California. It also serves the populous markets of the Northeast—now an area of increasing renovation and rebuilding—as well as Ohio, Michigan, Indiana, Kansas, and Missouri.

Products

Normal portland cement used for general construction purposes is the Company's most important product. In addition, special purpose cements are produced for use in applications where extraordinarily high or low temperatures must be withstood, in underwater and underground applications, and in drilling and servicing oilwells. General Portland is also a leading U.S. producer of masonry cement.

In many regions, especially in Canada, forward integration has brought the Company into the production of aggregates, ready-mixed concrete, and concrete products such as precast and prestressed concrete, blocks, and pipe.

Facilities

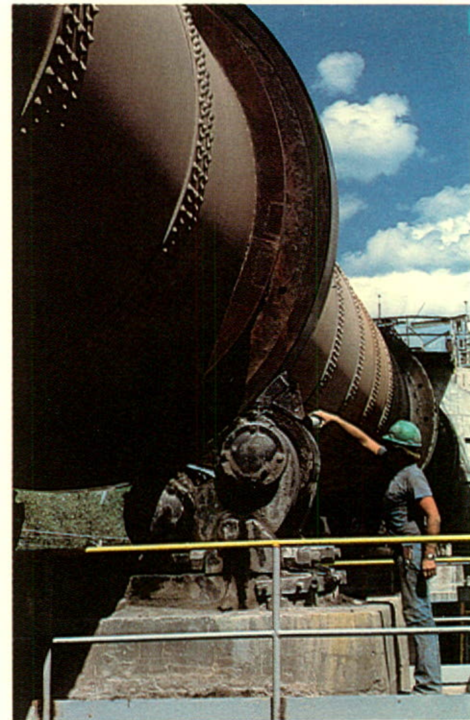
Canada Cement Lafarge's cement and concrete plants are among the most efficient in North America, making the Company a leader in the industry. (The chart on Page 12 provides key data for each of the Company's major facilities.) Some sixty-two percent of the Company's 11.7 million tonne cement capacity uses the more fuel-efficient "dry process" of manufacture, whereas only slightly more than fifty percent of total North American industry capacity uses this process.

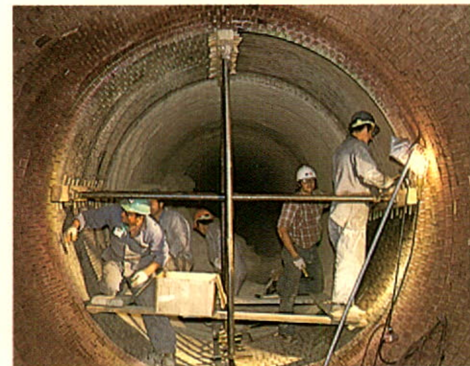
All General Portland plants have been equipped to burn coal as the primary fuel because of its lower cost. Recently, petroleum coke also has been attractively priced and a number of General Portland's plants are now using this fuel. In addition, four of the Company's U.S. plants used industrial waste products to supplement fuel requirements during 1982. This new technology not only reduces costs but also helps resolve a serious ecological problem of how to dispose of industrial waste materials.

In Canada, the availability of less expensive natural gas, especially in the West, has made conversion to other fuels a lower priority. Nevertheless, the Company is testing and developing the use of waste fuels in several Canadian plants as well, and expects to make more substantial use of them in 1983.

Subsidiary concrete facilities include eighty-nine ready-mixed concrete plants, forty aggregate sites, twenty-one asphalt plants, six precast and prestressed facilities, eight block and seven pipe plants. In addition, the company operates a fleet of approximately 1,100 ready-mixed concrete trucks.

Canada Cement Lafarge and General Portland have invested more than $700 million to expand and modernize physical assets in Canada and the U.S. over the last ten years.





An Oiler working on a rotary kiln at General Portland's Fredonia Plant, Kansas.

Maintenance work being carried out inside a kiln.

British Columbia Place under construction in Vancouver. Our subsidiary Lafarge Concrete Ltd. has supplied 49,684 cubic metres of ready-mix concrete for the project.

People

The employees of the Company constitute the essential element in building expertise and in maintaining a leadership position in the industry. The Company's technical leadership comes from a highly-trained workforce which reached a maximum of approximately 9,000 during 1982, 4,000 engaged in cement operations and 5,000 in concrete and construction. As a result of seasonality and continuing adverse economic conditions, the number of employees was reduced to approximately 6,600 at year end.

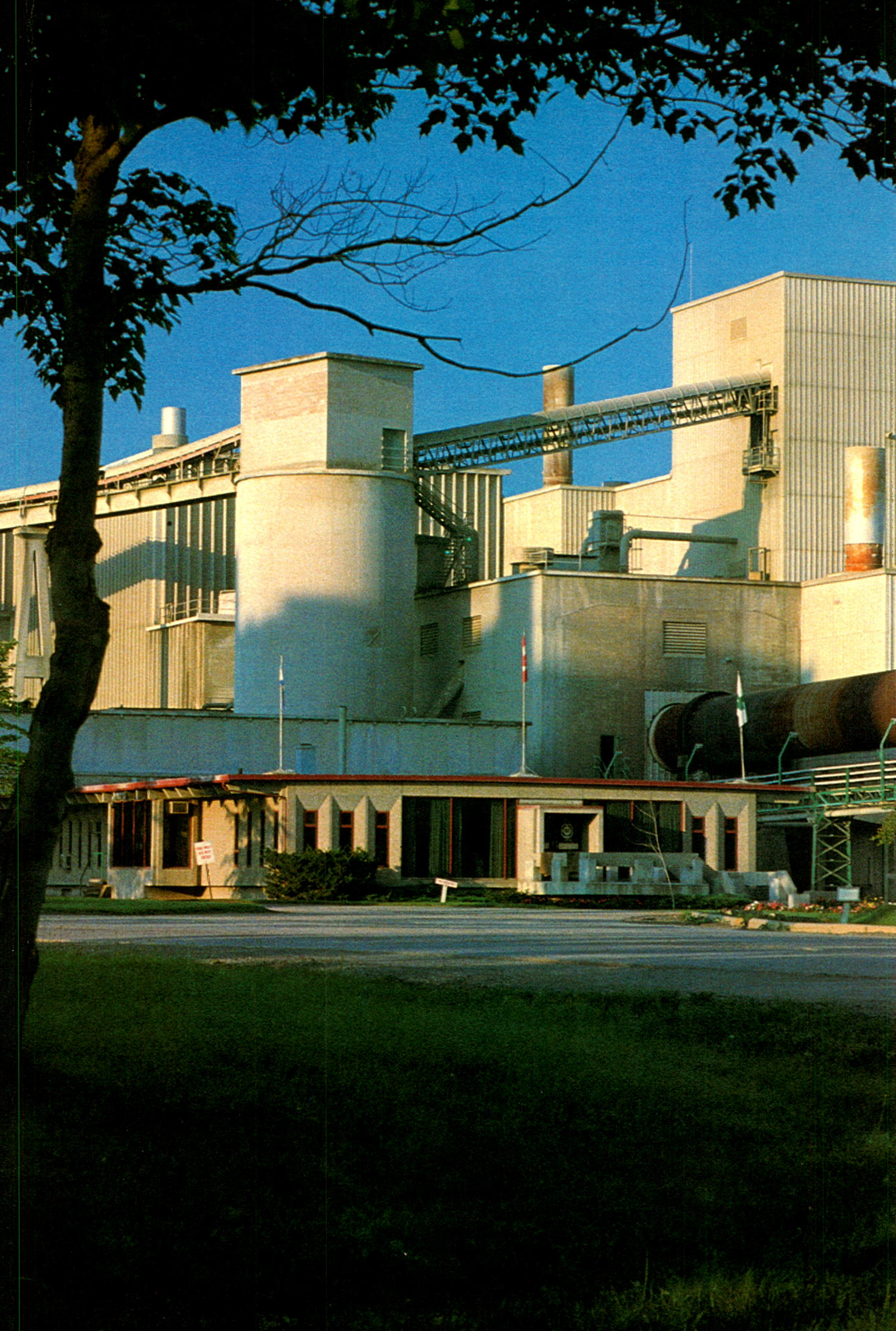
Through the decentralization of its personnel management, the Company is striving to maintain productive union/management relations at all its plants. For example, the Quality of Working Life Program is in its second successful year at the Exshaw Plant and in its fourth year at the Paulding Plant. Union and management have made significant strides in improving communications and involvement of all employees in overall plant performance. Our Richmond and Los Robles plants are currently studying the feasibility of launching a similar program. As the Company gains experience in this area, the program will be expanded to still other plants.

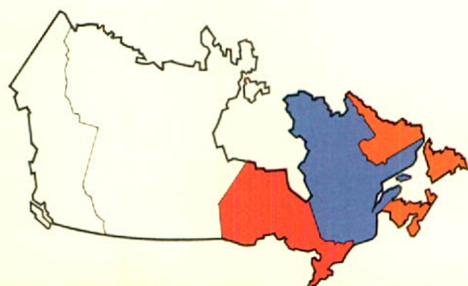
Operational objectives, employee development, and participation in the Company's growth increasingly are being made the focus of employee performance appraisals. The development of well-qualified personnel is essential to the achievement of the Company's long-term strategic goals. To ensure the availability of the right people, comprehensive training programs have been designed to stress the importance of a high level of technical expertise, labour relations, productivity improvements, and communications skills.

Assuring a safe working environment for all employees is a continuing priority. During 1982 the frequency of lost-time accidents decreased eighteen percent and six plants operated free of such injuries. Outstanding performance in accident prevention continued at the Steep Rock, Manitoba quarry which has not incurred a lost-time injury since June 1957. At the Saskatoon grinding plant and at the Fredonia, Tampa and Kamloops cement plants, accident-free records of 4,186 days, 948 days, 801 days and 796 days were achieved at year-end.

The sharing of personnel skills and experience between Canada Cement Lafarge and General Portland, which began in 1982, provides both organizations with a depth of talent and manpower not previously available. The result will be continued improvements in plant productivity, operating efficiency, and mutually-beneficial cooperation.

The Brookfield Plant, Nova Scotia.





The management of the Atlantic Region (l to r): M.T.R. Burgess, Comptroller & Administrator; D.L. King, Brookfield Plant Manager; R.G. Gentles, Vice-President & General Manager; H. Bartlett, Havelock Plant Manager; and R.W. Jones, Marketing Manager.

Canadian operations

The impact of a severe reduction in construction activity was felt in each of the five Canadian regions, requiring decisive management action to retain market share and contain operating costs. Production at all cement plants was reduced for at least part of the year and plant efficiencies were aggressively sought.

Rationalization of concrete and construction operations, including major reorganizations in Quebec and the Western Region, also will result in substantial savings. These operations are now carried out almost entirely by the several divisions of wholly-owned Canfarge Ltd., and seventy-three percent-owned Standard Industries Ltd.

Overall results of Canadian operations included a 28 percent reduction in overall production to 2,876,000 tonnes versus 1981 and a twenty-one percent decline in sales to $220 million.

Atlantic Region

Regional Office:
Halifax, Nova Scotia
Cement Plants:
Brookfield, Nova Scotia,
Havelock, New Brunswick
Cement Terminals:
Chatham, New Brunswick and Albany, Prince Edward Island
Concrete and Construction Operations:
Permanent Concrete, a division of Canfarge Ltd.; Standard Paving Maritime Ltd.; Cement Cartage Company Ltd. and Albany Cartage Company Ltd.

Over the past two years, the Region has been active in the development of oilwell cements in order to meet the growing demand from the developing energy sector in Eastern Canada. With the only two cement plants located in the Maritime Provinces, Canada Cement Lafarge produces and markets portland, masonry, and oilwell cements under the trademark "Maritime Cement".

Sales within local markets were depressed in 1982 due to cutbacks in heavy construction, highway work, and housing. However, the Region did benefit from the expansion of the Saint John Drydock, Market Square development, and potash mines in the Province of New Brunswick. In Nova Scotia major projects included the Fundy Tidal Project at Annapolis Royal, expansion of the Lingan

	Cement Plants	Rated Capacity (000 tonnes)	Process	Principal Fuel	Number of kilns
Canada	Brookfield, N.S.	485	D	C	2
	Havelock, N.B.	315	D	C	2
	St. Constant, Que.	955	D	G	2
	Bath, Ont.	1,000	D	G	1
	Woodstock, Ont.	535	W	C	2
	Ft. Whyte, Man.	565	W	G	2
	Exshaw, Alta.	590	D	G	2
		640	FC	G	1
	Kamloops	190	D	G	1
	Richmond, B.C.	555	W	G	2
		5,830			
United States	Cementon, Pa.	726	PH	C	3
	Miami, Fla.	479	W	C	2
	Tampa, Fla.	590	W	C	1
	Demopolis, Ala.	680	PH	C	1
	Paulding, Ohio	503	W	C	2
	Fredonia, Kan.	369	W	C	2
	Dallas, Tex.	431	W	C	2
	Ft. Worth, Tex.	663	W	C	3
	New Braunfels, Tex.	839	FC	C	1
	Los Robles, Calif.	553	D	C	1
		5,833			
Total North American capacity		11,663			

PH—Pre-heater W—Wet-process
FC—Pre-calciner D—Dry-process

Thermal Plant, and the Ship Repair Unit in Halifax. On Prince Edward Island, the New Convention Center was started in Charlottetown and a number of highways were upgraded with the use of soil cement.

Construction activity is expected to start recovering in the second half of 1983. Based on current interest rates, housing starts throughout the region are expected to increase considerably. Nova Scotia should benefit from offshore energy development. In New Brunswick, a new federal penitentiary at Renous, continued potash development, and completion of the Saint John Drydock and Market Square projects should aid in the recovery of the construction industry. On Prince Edward Island, major expansion of the Charlottetown Airport will assist in a slow recovery.

Over the longer term, the Atlantic Provinces expect a recovery to be spurred by stimulus from major offshore energy development. The Company's strong position in this market will assure that Canada Cement Lafarge shares in the growth of the region.

Considerable effort and continued capital expenditures in the plants have resulted in the additional cost efficiencies required to remain competitive in the domestic and export markets.

Quebec Region

Regional Office:
Montreal, Quebec
Cement Plant:
St. Constant, Quebec
Cement Terminals:
Montreal East, Quebec
East Cambridge, Massachusetts
Concrete and Construction Operations:
Lafarge Béton Ltée;
Béton Canfarge Inc.;
Francon and Béton St-Paul, divisions of Canfarge Ltd.

Traditionally a very competitive cement market in Canada, this region was particularly hard hit by the recessionary economy of 1982. Local cement consumption totalled 1.3 million tonnes, down twenty-five percent from 1981, and representing only thirty-three percent of the Region's four million tonnes of productive capacity. Export markets, which normally consume most or all of Quebec's surplus cement, were unable to do so in 1982. Thus the St. Constant plant, as well as competitor plants, were forced to reduce production.

Concrete operations were down significantly throughout the province with some areas having declined by as much as forty percent. Construction, which has been quite active in Metropolitan Montreal, is slowing rapidly. Most major projects are nearing completion and will bring three million square feet of office space onto the market.

Because of financial constraints, Quebec's provincial government has been unable to proceed with a massive program of water pollution control. These same restraints forced a slowdown of new contracts for the expansion of Montreal's subway system for 1982. Similarly, due to lower than expected demand for electric power, several major Hydro Quebec projects have been deferred.

Residential construction of 22,500 units in 1982 was down twenty-seven percent from 1981 and only half an average year's volume of 45,000 units. However, unlike the commercial, industrial and public sectors, residential construction began responding to lower interest rates in the fourth quarter.

A major priority in 1982 was the reduction of accidents at the plant. To this end, an elaborate program was established to attain long-term regional safety objectives.

The outlook for 1983 is for sales to remain at 1982 levels with a modest recovery in residential construction being offset by further declines in the commercial sector. New concrete products such as Resistyl (epoxy-coated concrete) will be marketed by Béton Canfarge Inc., a subsidiary in Quebec City. Results should benefit from the savings associated with the use of waste fuels and from the export of oilwell cement.

The management of the Quebec Region, from l to r: G.L. Blanchet, President & General Manager; Béton St-Paul, M. St-Marseille, Personnel Manager; H. Lavigne, Vice-President & General Manager; B. Ciccone, President & General Manager, Francon, Division of Canfarge Ltd.; and P.A. Mineau, Vice-President, Finance, Francon, Division of Canfarge Ltd.

The St. Constant Plant, Quebec.

The towers of the SunLife Project rise in the centre of Toronto, Ontario. Our subsidiary, McCord Ready-Mix, supplied 65,000 cubic metres of concrete for the project.

The management of the Ontario Region, from l to r: S. Stankiewicz, President & General Manager, Richvale Block & Ready Mix Division; P. Lysak, President & General Manager, Permanent Concrete Division; K.N. Bayne, Vice-President & General Manager; A.W. Cadotte, General Manager, Cement Division; G. Petta, Personnel & Industrial Relations Manager; and W.M. Wilson, Comptroller.

Ontario Region

Regional Office:
Toronto, Ontario.
Cement Plants:
Bath, Woodstock, Ontario.
Cement Terminals:
Toronto, Whitefish River, Ontario; Oswego, New York
Concrete and Construction Operations:
Permanent Concrete, Richvale Block and Ready-Mix, divisions of Canfarge Ltd.; and Standard Industries Ltd.

Ontario cement shipments were lower than in 1981 and the Company's two plants operated at slightly more than fifty percent of capacity. Construction activity in the Province was limited with only a few major projects underway, such as the completion of the Ontario Hydro project at Atikokan, a new mine complex at Detour Lake, and a few large office towers in Toronto.

Concrete and related product operations also were affected by the economic recession. However, by actively controlling costs, increasing operating efficiencies, and concentrating on profitable lines, these subsidiaries reported generally satisfactory results.

With projections for 1983 suggesting only a modest improvement in sales levels and capacity utilization, continued priority is being given to identifying cost savings. Substantial research is underway at the Woodstock plant near London and the Bath cement plant near Kingston to develop alternate fuels for the clinker burning process. More productive use of manpower, less costly sources of raw materials, and electric power conservation also are being pursued to build the most efficient operation possible.

Western Region

Regional Office:
Calgary, Alberta
Cement Plants:
Exshaw, Alberta;
Fort Whyte, Manitoba
Cement Terminals:
Regina and Saskatoon, Saskatchewan;
Calgary and Edmonton, Alberta
Concrete and Construction Operations:
Alberta Concrete Products; Supercrete; Crown Paving; Lethbridge Concrete Products, Canada Concrete and Conmac Western Industries; all divisions of Canfarge Ltd.

The economic climate in this region is highly dependent on the oil and gas industry. In recent years, more than thirty percent of construction expenditures were generated by oil and gas projects.

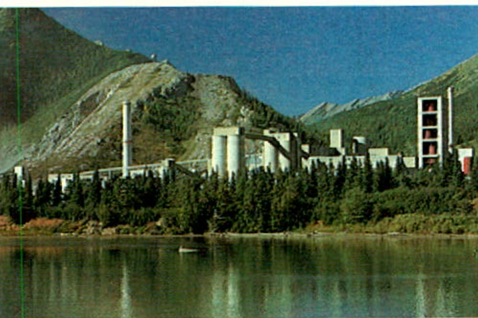
High interest rates, the worldwide oil glut, and Canada's National Energy Policy all contributed to a downturn in 1982 with major commercial and industrial growth literally stalled overnight.

The cement market declined by twenty-five percent in 1982, and a further decline is expected in 1983 before any recovery occurs. Not only domestic demand was down, but sales and prices were cut due to shipments of cement from plants in the northern United States which normally do not sell significant quantities of cement beyond the immediate border area.

With capacity utilization at sixty percent in 1982 and forecast to be less than fifty percent in 1983, Winnipeg production facilities were closed temporarily and the Saskatoon grinding plant was converted to a cement terminal in October. These moves, plus cutbacks at the Exshaw cement plant, resulted in layoffs of 160 personnel. The Western Region also implemented a number of additional cost reduction programs to reduce working capital requirements and to improve plant efficiencies.

Concrete and construction operations also underwent changes in 1982. Alberta Concrete Products Ltd. became a wholly-owned subsidiary and subsequently all subsidiaries in the Western Region were merged under the Canfarge name with divisions established on a geographic basis rather than along product lines.

In November 1982, Supercrete was awarded a contract worth $42 million to build precast beams for the Advanced Light Rapid Transit project in Vancouver.



The management of the Western Region, from l to r: M.J. Smith, Financial Manager; J.A. Hemstock, Manager, Marketing; B. Bonneau, Manager, Manufacturing; J.R. Maze, Vice-President & General Manager; A. Rendle, Personnel Manager; and D. Guy, President & General Manager, Concrete & Construction.

The Exshaw Plant in the Canadian Rockies.

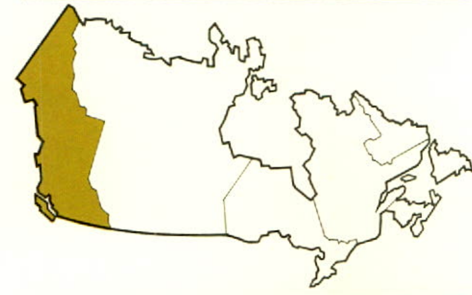
Pacific Region

Regional Office:
Vancouver, British Columbia
Cement Plants:
Richmond and Kamloops, British Columbia
Cement Terminals:
Fort Nelson, Fort St. John, Prince Rupert, Prince George, Comox, Victoria, British Columbia
Concrete and Construction Operations:
Lafarge Concrete Ltd., Island Ready-Mix Ltd., Friday Harbour Sand and Gravel Co., and Van Isle Construction Materials Ltd.

The British Columbia market was the last to feel the impact of the declining economy. Construction activity was brisk early in the year but slowed gradually, forcing production cutbacks at the Richmond and Kamloops plants later in 1982.

The severe recession in the forest products and mining industries has reduced commercial and industrial construction in British Columbia and has forced cutbacks in provincial spending on public works. However, ongoing major projects at B.C. Hydro's Revelstoke Dam, a new deep-sea port at Roberts Bank including a coal port and other harbour facilities, Vancouver's new Advanced Light Rapid Transit System, and various projects in the Tumbler Ridge mining area will assure a certain level of continuing activity in 1983.

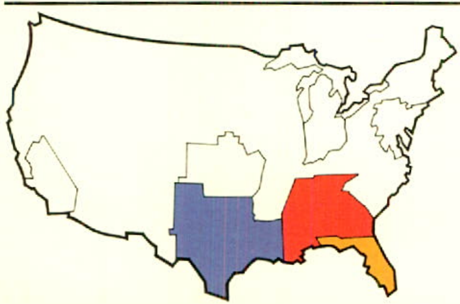
Additional construction projects planned for the future include a Trade and Convention Centre with a 500-room hotel, the Canadian Imperial Bank of Commerce Building, and many construction projects being prepared for Expo '86.



The distinctive roof of British Columbia Place stands out against its Vancouver backdrop.

The management of the Pacific Region, seated from l to r: G. Schotch, Vice-President & General Manager, R.A. Dunsworth, Vice-President & General Manager, Lafarge Concrete Ltd. Standing from l to r: E.W. Hutchinson, Cement Manufacturing Manager, I.A. Buckwold, Financial & Administration Manager; and J.F. Paine, Manager of Marketing, Cement.

Dragline quarrying operations at Miami, Florida.



The management of the Florida Division (l to r): W.A. Nelson, Dade County Plant Manager; H.R. Faulk, Assistant to General Manager and Division Comptroller; K.D. Simmons, Vice-President & General Manager; C.E. Hedrick, Vice-President & Assistant to the General Manager; R.D. Auten, Tampa Plant Manager; and R.T. Lusk, General Sales & Marketing Manager.

The Citadel Division's management, from l to r: S.R. Locke, General Sales Manager; F.P. McNamara, Demopolis Plant Manager; and R.D. Anderegg, Vice-President & General Manager.

★ U.S. operations

Construction activity in the United States was sluggish throughout 1982 causing total U.S. cement consumption to decline for the fourth consecutive year, falling another ten percent. Compounding the impact of reduced sales, intensive competition prevented the implementation of price increases necessary to offset inflationary cost increases. In fact, General Portland's average selling price for cement declined four percent during the year.

General Portland's decentralized and customer service-oriented marketing approach proved sound in this competitive environment. On the basis of sales regions served for comparable twelve-month periods, Company cement shipments declined only six percent from 1981. Total shipments in 1982 were 4.6 million tonnes.

Reflecting reduced demand and careful monitoring of inventory levels, production at General Portland plants totaled 4.4 million tonnes, about seventy-two percent of capacity.

Florida Division

Division Office:
Tampa, Florida
Cement Plants:
Tampa and Miami, Florida
Cement Terminal:
Deep-water terminal at Tampa, Florida

Florida is a highly-competitive region for cement due to its attractive climate, strong growth, and accessibility to imports. Through its Florida Division, General Portland is the largest cement supplier in Florida. With the Tampa terminal, the Division is able to supplement the production of the Tampa and Miami plants by importing cement from CCL facilities.

Florida's cement consumption held up well through most of 1981. However, in 1982 the recession took hold, causing a twenty-two percent decrease in consumption and a similar decline in the Division's sales. Resumption of Florida's strong growth is expected with economic recovery.

The consolidation of the Tampa plant's operations, which began in July, 1981 with the shutdown of two older kilns, continued during 1982. Operations during the year benefited significantly from the phasing out of older portions of the plant and greater use of more efficient facilities. Work began on conversion of a finish mill to a raw mill. This will further consolidate operations and make the plant even more cost-efficient.

A current capital program at the Miami plant will modify the clinker-cooler dust collection system, thereby allowing both kilns to operate at higher production rates.

Citadel Division

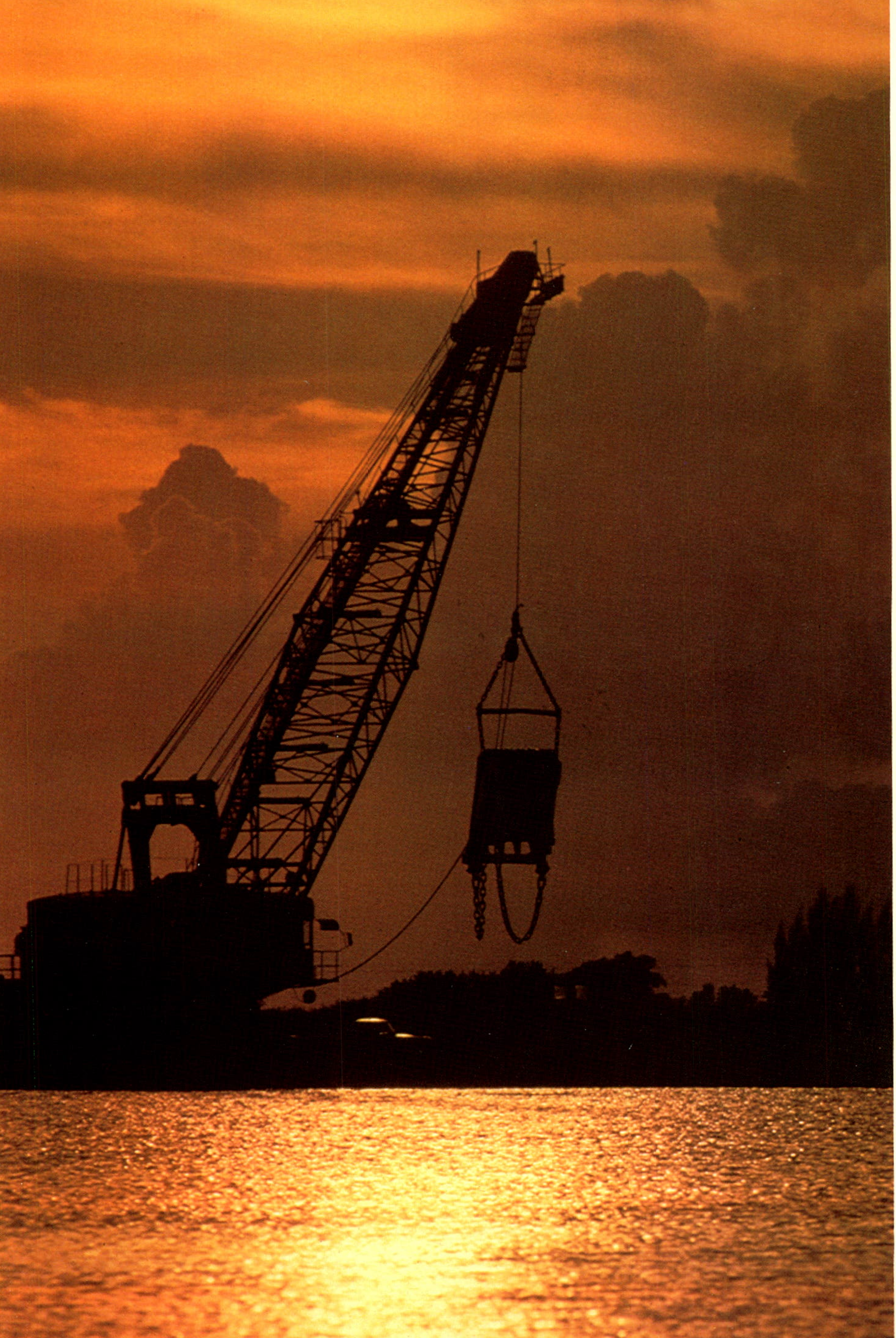
Division Office:
Atlanta, Georgia
Cement Plant:
Demopolis, Alabama
Cement Terminals:
New Orleans, Louisiana (deep water); Birmingham and Mobile, Alabama; Atlanta and Bainbridge, Georgia.

Citadel became part of General Portland at the beginning of the year, having operated as a subsidiary of Canada Cement Lafarge prior to the acquisition of General Portland. Pursuant to an agreement reached with the Federal Trade Commission at the time of the acquisition, the General Portland plant in Chatanooga, Tennessee was sold in August. This sale leaves the Citadel Division as the focal point for Company operations in the Southeastern United States outside of Florida.

Cement consumption in the region was down eight percent in 1982, but an aggressive selling effort permitted the Division to increase market penetration, especially in Louisiana.

The Division operates a modern preheater cement plant in Demopolis, Alabama and an extensive network of distribution terminals. Strong cost controls at the Demopolis plant permitted a year-to-year reduction in unit costs despite inflationary pressures.

Citadel Division's water transportation network is at the heart of the Company's overall strategy to improve flexibility in moving cement from



The management of the Trinity South Division, from l to r: C.W. Trieste, General Sales Manager, J.T. West, Division Comptroller, L.D. Smith, Vice-President & General Manager, J.C. Hampton, Houston Terminal Manager, C.W. Price, Manager of Louisiana Operations.

The management of the Trinity Metroplex Division, seated from l to r: M.F. Oelschlaeger, Aggregates Operations Manager, J.R. Beasley, General Manager, T.J. Eilerson, General Sales Manager. Standing, l to r: R.S. Arnold, General Manager, Ready-Mix Operations, C.L. Wenzel, Manager Fly Ash Operations, L.J. Waisanen, Division Comptroller.

The management of the Trinity North Division, l to r: D.E. Reysa, Distribution Director, R.C. Garcia, Dallas Plant Manager, J.W. Collier, Vice-President & General Manager, M.A. Warborg, Division Comptroller, W.E. Smith, Fort Worth Plant Manager, W.E. Greene Jr., Oil Field Sales Manager.

one area to another. During 1982, the New Orleans terminal was modified to permit receiving, storing, and shipping of additional oilwell cement. Much of the oilwell cement sold through the New Orleans terminal will be produced in Canadian plants and shipped to New Orleans to supplement existing General Portland production, thereby facilitating increased market coverage in Louisiana and Mississippi.

Trinity Divisions

Division Offices:
Dallas, Houston, Texas
Cement Plants:
Dallas, Fort Worth
and New Braunfels, Texas
Cement Terminals:
Amarillo, Corpus Christi,
Houston, and Tyler, Texas;
Lake Charles, Louisiana

The Company's activities in the southwest are organized into three divisions. Trinity North Division operates the three Texas cement plants which supply portland and masonry cements to the other Texas Divisions and sells only specialty oilwell cements. Trinity Metroplex Division is responsible for the sale of portland and masonry cements in North Texas, Northwestern Louisiana and Southern Oklahoma, and for the production and sale of ready-mixed concrete in Dallas/Fort Worth and construction aggregates in North Texas. Metroplex also produces high quality processed flyash which can be mixed with cement (up to twenty-five percent) to reduce the cost of concrete and improve its performance in certain applications. Trinity South Division markets normal portland and masonry cements in South Texas and Southwestern Louisiana, and produces aggregates in Southwestern Louisana.

The Balcones Plant located in New Braunfels is the Company's newest cement plant and its first preheater/precalciner operation. Capacity utilization at this facility has increased steadily since its completion in late 1980. The plant has experienced few of the problems normally associated with new plants, thus operating at better than projected costs. In 1982, production increased twenty-seven percent to 668,000 tonnes, or eighty percent of rated capacity.

Production at the Dallas and Fort Worth plants was lower in 1982 primarily due to a sharp decline in demand for oilwell cements. Sales to the drilling industry had increased rapidly in recent years as drilling activity surged. However, the market for these cements began to founder in early 1982, and by October, the number of active drilling rigs had declined by forty-seven percent. Thus, despite an aggressive marketing effort, sales of specialty oilwell cements were twenty-one percent lower in 1982.

Even with diminished drilling activity, the Texas economy has demonstrated more vitality than most other regions of the U.S. Total cement consumption declined only marginally from record levels in 1981. Sales of ready-mixed concrete, aggregates, and flyash all increased reflecting particularly strong activity in the Dallas/Fort Worth area.

In 1983, Trinity Metroplex Division will supply almost 120,000 tonnes of cement and 620,000 tonnes of aggregates for expansion of the Dallas/Fort Worth Airport, believed to be the largest contract for concrete materials awarded in the Dallas/Fort Worth area in 1982.

With this project, the Trinity Divisions are expected to continue adding significantly to overall results, even if drilling activity remains depressed throughout the year.

When economic recovery brings a revival of growth, the Trinity Divisions will benefit from an expanded distribution network. The acquisition in June of a distribution terminal in Tyler, Texas has improved the Company's ability to serve customers in Northeastern Texas, and a new terminal in Corpus Christi will facilitate sales in the South Texas region. Likewise, when drilling activity picks up, sales of oilwell cements in Louisiana and Mississippi will be enhanced by the use of the Citadel Division's New Orleans terminal.

Whitehall Division

Division Office:
Whitehall, Pennsylvania
Cement Plant:
Whitehall, Pennsylvania

Whitehall was acquired by General Portland in June 1981. The Division's cement plant employs modern, preheater technology and supplies the populous eastern seaboard from Maryland to Connecticut.

Cement consumption in Whitehall's sales region is significantly below the area's 1973 peak level due to both demographic changes and recession. Pricing has been depressed for several years, as production capacity was slow in adjusting to the reduced demand. However, these negative trends are being reversed.

While most areas of the U.S. experienced sharp reductions in cement consumption in 1982 compared with 1981, Whitehall's declined only four percent. Cement consumption in Delaware and Connecticut increased for the first time in several years and Metropolitan New York experienced the second consecutive year of increased cement consumption.

At the same time as urban renovation and rebuilding projects are beginning to revitalize demand for cement in the Northeast, the supply side is also being brought closer in line with market requirements. Since 1980, a number of inefficient older plants in the area have been closed, and the lost capacity has not been replaced. As economic recovery becomes widespread, the remaining cost-competitive plants should enjoy substantially improved capacity utilization.

A new 19,950-tonne clinker storage building was added to the Whitehall Plant during 1982. This major capital investment will create a smoother production flow and will allow for additional winter production.

Peninsular Division

Division Office:
Fort Wayne, Indiana
Cement Plant:
Paulding, Ohio
Cement Terminals:
Fort Wayne and Elkhart, Indiana; Lansing, Michigan

The Peninsular Division is located in the industrial Midwest, the area hit hardest by the current recession. While the recession reduced cement consumption by sixteen percent in 1982, consumption has fallen even further from the 1973 peak year. This reflects not only the demographic changes which have taken place in the U.S., but also the impact of foreign competition on the many heavy industries prevalent in this area.

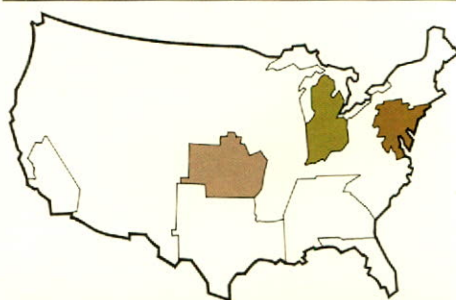
The wet-process cement plant in Paulding, Ohio remains competitive through effective cost controls. After a major capital investment, it now includes a first-class, environmentally-sound facility to consume industrial wastes as supplemental kiln fuel. In addition to utilizing a far less expensive source of fuel, the facility safely and responsibly disposes of certain industrial wastes that otherwise might contaminate the ground and water. Indeed, the project won an award of recognition from the Ohio Environmental Protection Agency.

The plant's excellent safety record was extended. Not only were there no lost time accidents during the year, there were no doctor-treated injuries of any kind.

Victor Division

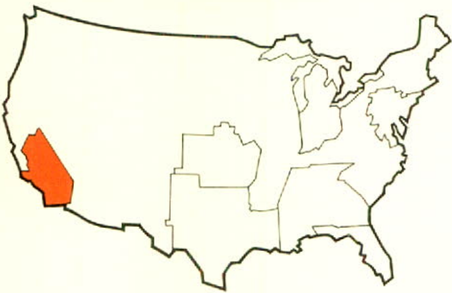
Division Office:
Wichita, Kansas
Cement Plant:
Fredonia, Kansas
Cement Terminals:
Edmond, Oklahoma; Olathe and Iola, Kansas

The Victor Division serves a diverse area which includes the predominantly agricultural economy of Kansas, the



The management of the Whitehall Division, from l to r: F.L. Kleinhenz, Division Comptroller, W.S. Hoffman, Whitehall Plant Manager, R.H. Foster, Vice-President & General Manager, R.F. Schifko, General Sales Manager.

Managers of the Peninsular Division, from l to r: O.H. Mueller, Technical Services Engineer, R.J. Snyder, Division Comptroller, E.C. Weatherhead, Paulding Plant Manager, J.A. Perdue, General Sales Manager, J.C. Poole, Vice-President & General Manager.



The management of the Victor Division, from l to r: W.H. Johnson, Marketing Manager, T.L. McKenney, Division Comptroller, J.E. Scott, Vice-President & General Manager, J.W. Henderson, Fredonia Plant Manager, J.L. Kemp, General Sales Manager.

Managers of the California Division, from l to r: T.T. Puckett, Assistant to General Manager, J.L. Hurt, Vice-President & General Manager, A.G. Sears, General Sales Manager, E.F. Bouse, Los Robles Plant Manager, J. Porter, Division Comptroller.

growth areas of Tulsa and Oklahoma City, the heavy industry of Kansas City, and the oil and gas patch in Oklahoma. Downturns in farming and heavy industry eroded cement consumption in the Division's sales regions by six percent in 1982, but by year-end, encouraging signs of an upturn began to appear, especially in the very depressed Kansas City area.

The Division benefits from a strong customer service-oriented program which allowed the Division to increase market share despite the recession. The efficient operation of the Fredonia plant, which continues to be cost-competitive despite its age, added to the Division's solid performance in 1982. Last year also was another safe year with no lost time accidents.

After a successful test of waste fuels, application was made to permit the construction of a permanent building at the plant site. Until the necessary environmental permits are received, the smaller temporary facility will continue to augment fuel supplies.

California Division

Division Office:
Los Angeles, California
Cement Plant:
Lebec, California

The dry-process Los Robles Plant at Lebec, California serves the cement needs of the volatile Southern California sales region. Extremely strong growth in the 1970s attracted significant expansion of cement production capacity in California, much of which came on line as the current recession began to deepen. Cement consumption in 1982 was eighteen percent below the 1981 level, and price competition became intense. Consequently, the Division's results were unsatisfactory.

As part of an ongoing plant improvement program, a new 7,250-tonne clinker storage facility was completed during the year. This facility will permit a better production flow while assuring more consistent product quality and improved environmental controls.

Another significant project during 1982 was the successful conclusion of a test run using waste fuels in the kiln. The success of this test project has spurred the decision to build a permanent waste fuels facility at the Los Robles Plant similar to the highly successful facility at the Paulding Plant.

With operations being strengthened and an expectation of a resumption in Southern California's growth, the California Division is expected to regain momentum.

Thanksgiving Square, Dallas, Texas.

Corporate reorganization

During 1982, the management of Canada Cement Lafarge evaluated various alternatives to better assure the availability of capital to modernize its plants and to expand its business activities in the eighties. After consultations with financial advisors, management decided that improved access to U.S. capital markets was an essential step towards providing the necessary funding for this capital-intensive business. It was further determined that this could best be achieved by altering the Company's structure to one consisting of a U.S. parent with two major operating subsidiaries, Canada Cement Lafarge in Canada and General Portland in the United States.

On February 11, 1983, the Board of Directors approved a plan of reorganization which is intended to be attractive both to Canadian shareholders and to prospective investors in the United States. Canadian shareholders would continue to participate in the development of the total North American operation, while retaining the tax advantages applicable to shares of Canadian corporations. Potential U.S. investors would have a means of investing in the CCL Group through a U.S. parent company, Lafarge Corporation. The business and management of the Group would remain unchanged, and operations would continue as before.

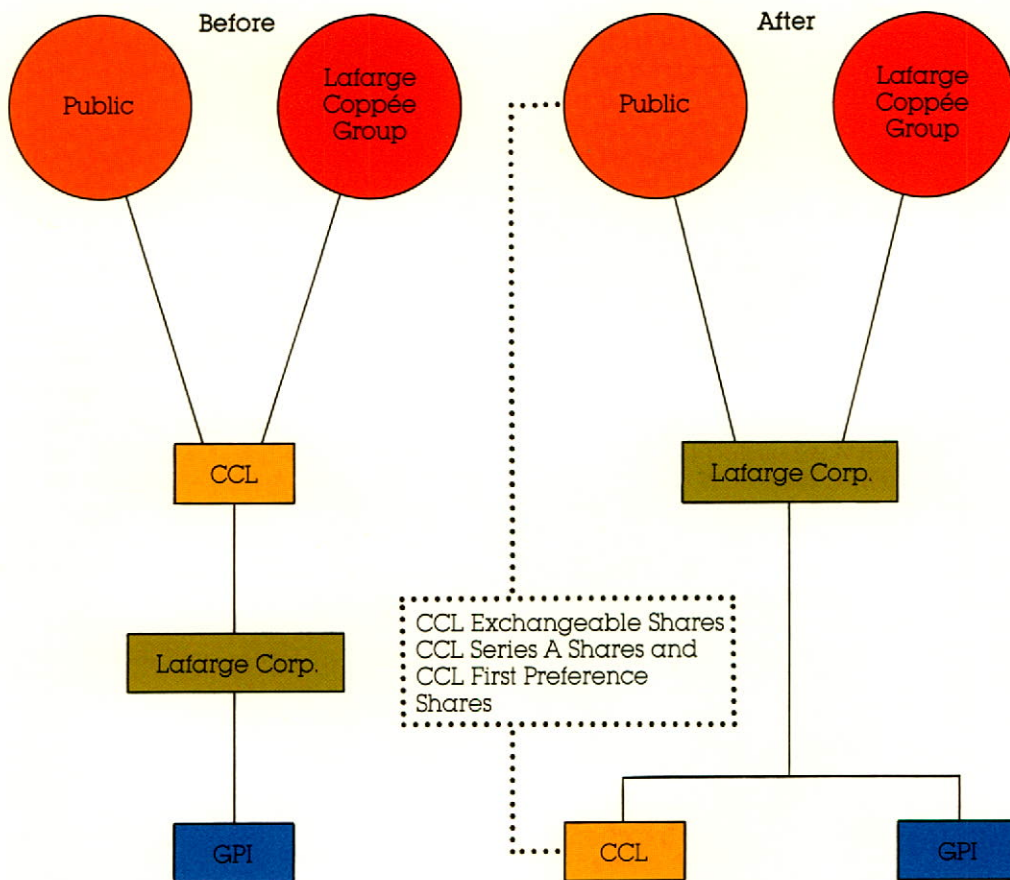
Summary of the reorganization plan
The proposed reorganization is to be implemented in three distinct transactions, subject to any required approvals and final decision by the Board of Directors of CCL.

1. At a special meeting of shareholders on March 8, 1983, a motion was approved to amend CCL's Articles to, among other things, change each common share into 1.05 Exchangeable Preference Shares, and subdivide each $1.17 Series A Second Preference Share into 1.05 $1.17 Series A Preference Shares. These amendments are expected to become effective some time in May 1983 shortly after a Registration Statement filed by Lafarge Corporation on March 21, 1983 with the U.S. Securities and Exchange Commission to cover certain of its securities, becomes effective.
The Exchangeable Preference shares will:
a) be exchangeable at any time, into the same number of Lafarge Corporation common shares following completion of the reorganization;
b) have a voting right in Lafarge Corporation; and
c) be entitled to receive dividends in Canadian currency at the same time and in an amount equivalent to any dividends declared on the common shares of Lafarge Corporation.
The Series A Second Preference Shares will become convertible into Exchangeable Preference Shares on the same basis as if they had been convertible into common shares.
2. Prior to the effective date of the amendments, Lafarge Corporation will be established as the parent company. CCL will in effect transfer the equity of its U.S. operations to Lafarge Corporation at its fair market value, and Lafarge Coppée S.A.

and five French Bank shareholders will exchange their CCL common shares for Lafarge Corporation common shares.

3. After the effective date of the amendments, in order to expand the public ownership for its common shares and thereby facilitate the creation of a public market for their trading, Lafarge Corporation will offer to exchange 2 million shares of its common stock for 1.6 million CCL Exchangeable Preference Shares. If more than 1.6 million shares are tendered, the shares will be taken by Lafarge Corporation on a pro rata basis.

The simplified structure of the CCL Group, excluding certain inter-company shareholdings, before and after the reorganization, is illustrated in the following chart:



CCL Exchangeable Shares=CCL Exchangeable Preference Shares.
CCL Series A Shares=CCL Series A Second Preference Shares.
GPI=General Portland Inc.
CCL=Canada Cement Lafarge Ltd.
Lafarge Corp.=Lafarge Corporation.

Supercrete of Winnipeg, Manitoba, turn their ready-mix trucks into moving public service billboards.

Management discussion and analysis of financial condition and operating results

Background and current position

The following discussion and analysis relates to factors which have affected the consolidated financial condition and operating results of the Company during the three years ended December 31, 1982. Reference should also be made to the eleven-year financial summary which provides a longer term perspective, to the detailed disclosure in the consolidated financial statements and the notes to the consolidated financial statements and to the other supplementary financial information provided in this annual report, some of which is specifically referenced in this section.

The Company follows Canadian generally accepted accounting principles, and the financial statements are prepared in Canadian currency. Following the acquisition of General Portland Inc. (GPI) in November 1981, nearly 50 percent of the Company's assets are now located in the United States. Management has been evaluating various alternatives for better assuring the availability of capital to modernize its plant and expand its business activities. As described on page 22, the Board of Directors approved a plan of reorganization that would modify the corporate and financial structure to improve access to U.S. capital markets and increase financing flexibility. Accordingly, the financial statements have been modified to more closely conform to the United States reporting standards. Note 15 to the financial statements reconciles the main differences between Canadian and United States generally accepted accounting principles. Additional information including pro forma financial statements giving effect to the reorganization will be made available to shareholders in due time as the reorganization progresses.

Operating results

The following table summarizes the consolidated operating results of the Company:

	For the years ended December 31 (in millions of Canadian dollars):		
	1982	1981	1980
Sales	**$1,111**	$916	$711
Operating costs and expenses	**1,060**	822	649
Income from operations	**51**	94	62
Interest expense	**82**	34	17
Income taxes (benefit)	**(21)**	24	20
Earnings (loss) before undernoted items	**(10)**	36	25
Equity income (loss) and minority interest	**(2)**	(2)	(2)
Net earnings (loss) before extraordinary items	**(12)**	34	23
Extraordinary items	**(3)**	1	(3)
Net earnings (loss)	**$ (15)**	$ 35	$ 20

1982 as compared to 1981

Total sales increased 21% in 1982 to $1,111 million, primarily as a result of a $212 million, or 56% increase in cement sales. The improvement in cement sales was due to the inclusion of GPI cement shipments for all of 1982, whereas GPI cement shipments were included in operating results for less than two months in 1981. This increase was partially offset by the effect on sales volume of a significant reduction in cement consumption in both Canada and the United States during 1982. If 1981 sales figures were revised to include GPI for the full year, 1982 total sales would have decreased 12%.

Canadian cement consumption decreased 25% during 1982 and was at the lowest level recorded in 19 years. In the United States, construction activity was very weak throughout 1982, which in turn, caused cement consumption to decline 10%, resulting in the fourth consecutive year of reduced consumption. Total cement consumption in the United States during 1982 was at the lowest level recorded in 20 years.

In Canada, sales from cement operations decreased by $60 million, or 21%, to $220 million. This decrease resulted from a 26% reduction in cement shipments, partially offset by price increases. Domestic shipments in Canada decreased 27%, reflecting the depressed levels of construction activity throughout 1982, while cement exports from Canada to the United States, decreased 20% as a result of the adverse economic conditions in the United States. Sales of concrete and related products were comparable with 1981 sales, because price increases offset the effect of reduced sales volume.

Cement sales from operations in the United States increased $272 million in 1982 due to the inclusion of GPI cement shipments for a full year. Total cement shipments within the United States (including GPI for a full year in 1981) decreased 6% in 1982. As a result of severe competitive market conditions, GPI's average price of cement in the United States declined during the year. Sales volumes of GPI's concrete and related products in the United States would have increased slightly, if 1981 sales figures were revised to include GPI for a full year. In 1982, ready-mixed concrete prices decreased, and prices of other products increased slightly.

In the construction segment, with activities only in Canada, sales decreased by 33%, or $63 million, to $131 million, reflecting adverse economic conditions, which resulted in the cancellation or delay of many projects scheduled to start in 1982.

Operating costs and expenses increased in 1982, primarily as a result of the inclusion of GPI results for a full year and the continuing adverse effects of inflation. Partially offsetting these factors were cost savings resulting from production curtailments and reduced discretionary spending. Cement production in 1982 decreased from the prior year by 28% in Canada and 7% in the United States (including GPI for a full year in 1981).

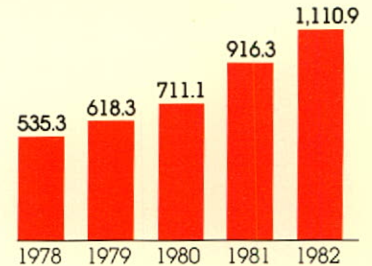
Interest expense in 1982 was $82 million, a $49 million increase over 1981, due mainly to the higher debt levels resulting from the acquisition of GPI as well as the inclusion of GPI's own interest costs for a full year. See Note 11 of the notes to the consolidated financial statements for additional information on interest expense.

In 1982, the Company recorded a tax benefit of $21 million, or 67% of the pre-tax loss, compared with a tax expense of $24 million, or 40% of the pre-tax earnings in 1981. The tax benefit in 1982 reflected the taxation of income of a foreign subsidiary at reduced rates. This factor was partially offset by amortization expenses related to the GPI acquisition, which were not deductible for tax purposes. Note 12 of the notes to the consolidated financial statements provides further information on income taxes.

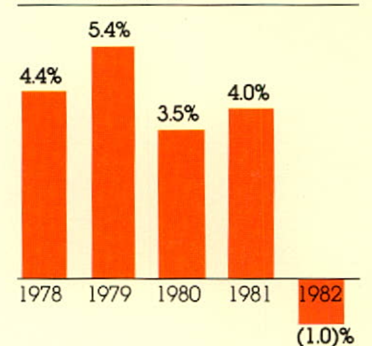
Excluding extraordinary items, the consolidated loss for the year 1982 was $12 million, or $0.70 per share, compared with prior year earnings of $34 million, or $1.32 per share. The extraordinary items, a $2.8 million loss in 1982 and a $1.3

Consolidated Sales

(in millions of dollars)

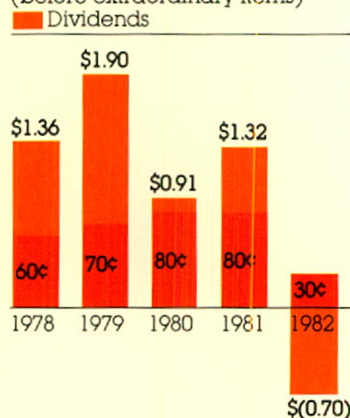


Return on Sales

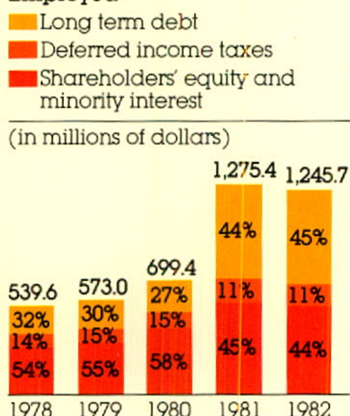


Return on sales is based on earnings before equity income, minority interest and extraordinary items.

Net Earnings (loss) per Common Share
(before extraordinary items)



Composition of Capital Employed



Capital employed represents the total assets of the Corporation (at net book value) minus current liabilities.

million gain in 1981, related to dispositions of assets in those years.

1981 as compared to 1980

Total sales were $916 million in 1981, compared with $711 million in 1980, an increase of $205 million, or 29%.

Cement sales increased by $90 million, or 31%, during 1981. Sales from Canadian operations, increased by $40 million, with higher prices accounting for most of the improvement. GPI's sales since its acquisition in November 1981 amounted to $50 million and were included in the consolidated sales total.

Sales of concrete and related products increased by $99 million, or 40% while sales from the construction segment increased by $16 million, or 9%. The increase in both segments was attributable to volume and price improvements, the inclusion in 1981 of full year operating results of Standard Industries Ltd. ("Standard"), which became a subsidiary in April 1980, and of partial year operating results of GPI and Supercrete Incorporated ("Supercrete") which became a subsidiary in November 1981.

Operating costs and expenses were 27% higher in 1981 than in 1980 due to higher shipment levels, the continuing effects of inflation, the full year inclusion of Standard and the partial year inclusion of GPI and Supercrete.

In 1981, cement production was adversely affected by production curtailments caused by labor disputes at six plants during most of the first quarter. At one of the plants (St. Constant, Quebec), labor disputes continued through the second quarter, and production was not resumed until July. On the positive side, production increased at the expanded Exshaw, Alberta cement plant, thereby reducing the need for high-cost transfers from other plants.

Interest expense in 1981 increased by $17 million to $34 million, due mainly to the financing of the GPI acquisition, higher interest rates and the start-up of operation of the new kiln at Exshaw, for which interest had previously been capitalized during the construction period.

Income taxes in 1981 amounted to $24 million, or 40% of pre-tax earnings, compared to $20 million, or 45% of pre-tax earnings in 1980. As outlined in Note 12 of the notes to the consolidated financial statements, the effective tax rate decreased in 1981, primarily as a result of foreign subsidiary income which was taxed at reduced rates.

1980 as compared to 1979

Total sales increased by 15% to $711 million in 1980, primarily due to the consolidation of Standard, which became a subsidiary in April 1980. Shipments of cement and clinker from Canadian plants in 1980 decreased 11% from the previous year, while sales volume of ready-mixed concrete was comparable with 1979 levels. Operating results were also adversely affected by the disruptive effect of lengthy strikes at several Canadian cement plants. In the United States, sales volume declined, reflecting decreased construction activity.

Cement production decreased in 1980, due to work stoppages at some Canadian cement plants in the last quarter. Operating costs and expenses increased 20% primarily as a result of inflation and the inclusion of Standard.

Income taxes in 1980 amounted to $20 million, 45% of pre-tax earnings, compared to $25 million, or 43% of pre-tax earnings in 1979.

Equity income decreased considerably in 1980 as a result of the consolidation of Standard and a decrease in earnings from other associated companies.

Net earnings before extraordinary items were $23 million, of $0.91 per share, in 1980 compared to $37 million, or $1.90 per share, in 1979. A $4.1 million extraordinary provision for loss on the closure of a cement plant at Birmingham, Alabama was recorded in 1980, offset by a $1.3 million gain arising from an insurance settlement on the involuntary disposal of leased assets.

Liquidity and capital resources
The consolidated working capital amounted to $230 million at December 31, 1982, compared with $236 million and $99 million at the end of 1981 and 1980, respectively. The ratio of current assets to current liabilities was 2.3 to 1 at December 31, 1982, compared with 2.0 to 1 and 1.6 to 1 at the end of 1981 and 1980, respectively.

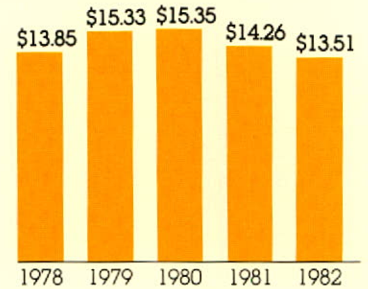
In 1982, despite an operating loss of $12 million, the flow of funds from operations amounted to $44 million which, together with asset sales of $25 million, provided sufficient funds to cover capital outlays and dividend payments (net of $5 million received under Stock Dividend and Dividend Reinvestment Plan). Repayments of long-term debt during 1982 exceeded new long-term borrowings by $5 million.

During 1981, working capital increased by $137 million, due primarily to the fact that issues of capital stock ($156 million) and long-term debt ($320 million) exceeded the purchase cost of GPI (net of its own working capital) by about $141 million.

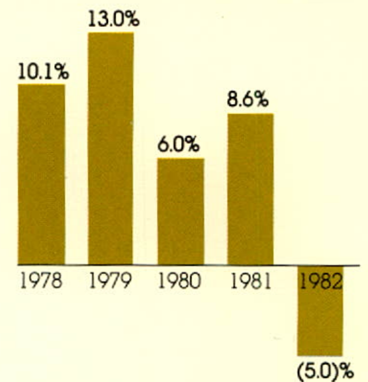
In 1980, working capital increased by $12 million. The major sources of funds were $65 million from operations and $74 million from the issuance of convertible preference shares. Principal outlays were for capital expenditures and dividend payments.

Long-term debt at December 31, 1982 represented 45% of total invested capital, compared with 44% and 27% at December 31, 1981 and 1980, respectively. The increase in 1981 was primarily attributable to the debt incurred in connection with the acquisition of GPI. Approximately 65% of long-term debt at December 31, 1982 was of a floating rate nature.

Book Value per Common Share



Return on Common Shareholders' Equity



The return on common shareholders equity is based on consolidated net earnings before extraordinary items.

The following table indicates, by currency denomination, the fixed and floating rate debt at December 31, 1982 and the 1982 average prime bank lending rate.

	Cdn. Dollar Denominated Debt	U.S. Dollar Denominated Debt
	(in thousands of Canadian dollars)	
At December 31, 1982:		
Fixed rate debt	$ 97,503	$107,288
Floating rate debt	241,221	174,682
Total debt	$338,724	$281,970
1982 weighted average prime lending rate	16%	15%

The flow of funds from operations is expected to provide the principal source of capital in 1983. Other sources may include proceeds from expected sales of assets which are not essential to the primary operations in Canada and the U.S.

As a result of current economic conditions and recent operating performance, the quarterly dividend on the common shares was reduced to $0.10 effective February 1982 and $0.05 effective August 1982. If the equivalent of a $0.05 quarterly rate is maintained throughout 1983, total dividend payments will amount to $14 million, of which approximately $6 million is expected to be reinvested by Lafarge Coppée through the Stock Dividend and Dividend Reinvestment Plan of the Company.

Capital expenditures in 1983 are not expected to exceed $55 million. These expenditures may be partially offset by proceeds from the disposition of assets. Long-term debt repayments are expected to amount to $12 million. At December 31, 1982, the Company had $97 million of available bank term credit and had no material capital commitments except for the leases described in Note 17 of the consolidated financial statements.

Management responsibility for financial reports

The management of the Corporation has prepared and is responsible for the Consolidated Financial Statements and all other information included in this Annual Report. These statements have been prepared in accordance with generally accepted accounting principles, applied on a consistent basis and they necessarily include amounts which are based on estimates and judgements made with due consideration to materiality.

Management maintains a system of internal accounting controls which it believes provides reasonable assurance that Corporation policies and procedures are complied with, assets are safeguarded, and transactions are executed in accordance with appropriate corporate authorization and recorded in a manner which permits management to meet its responsibility for the preparation of financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board. The committee meets with management, the external auditors and the internal auditors at least twice a year to satisfy itself that responsibilities are properly discharged and to review the financial statements.

The external auditors, Price Waterhouse, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Corporation's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board.

John D. Redfern
President &
Chief Executive Officer

Patrick Bavière
Vice-President,
Finance

Jean N. Poirier
Comptroller

Auditors' report

To the shareholders of
Canada Cement Lafarge Ltd.:

We have examined the consolidated balance sheets of Canada Cement Lafarge Ltd. as at December 31, 1982 and 1981 and the consolidated statements of earnings, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 and 1981 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1982 in accordance with generally accepted accounting principles applied on a consistent basis.

Price Waterhouse
Chartered Accountants

Montréal, Québec
March 8, 1983

Consolidated statement of earnings

for the year ended December 31
(in thousands of Canadian dollars, except per share amounts)

	1982	1981	1980
Sales	$1,110,920	$916,312	$711,136
Costs and expenses:			
Cost of sales and other operating expenses	885,308	701,305	557,970
Selling and administrative	107,238	76,295	57,108
Depreciation and depletion	67,097	45,092	33,905
	1,059,643	822,692	648,983
Income from operations	51,277	93,620	62,153
Interest expense (Note 11)	82,272	33,514	17,043
Earnings (loss) before the undernoted items	(30,995)	60,106	45,110
Income taxes (Note 12)	(20,754)	23,852	20,368
	(10,241)	36,254	24,742
Equity in earnings (loss) of associated companies	(1,115)	711	54
	(11,356)	36,965	24,796
Minority interest	(688)	(2,815)	(2,145)
Net earnings (loss) before extraordinary items	(12,044)	34,150	22,651
Extraordinary items (Note 13)	(2,759)	1,281	(2,752)
Net earnings (loss)	$ (14,803)	$ 35,431	$ 19,899
Net earnings (loss) per common share (Note 10 d)			
Basic:			
Before extraordinary items	$ (0.70)	$ 1.32	$ 0.91
After extraordinary items	$ (0.79)	$ 1.39	$ 0.77
Fully diluted:			
Before extraordinary items		$ 1.23	
After extraordinary items		$ 1.28	

Consolidated balance sheet

as at December 31
(in thousands of Canadian dollars)

Assets

	1982	1981
Current assets:		
Cash and short-term investments (Note 3)	$ 47,461	$ 73,135
Accounts receivable (Note 4)	166,150	214,865
Inventories (Note 5)	181,325	188,484
Prepaid expenses	5,885	5,041
	400,821	481,525
Investments and other assets:		
Long-term receivables	27,439	23,974
Marketable securities held in Preference Dividend Maintenance Fund, at cost (Note 6)	2,340	2,340
Investments in associated companies	6,011	5,755
	35,790	32,069
Fixed assets (Note 7)	926,749	957,750
Deferred charges and intangible assets:		
Unamortized debt financing expense	2,065	2,290
Excess of cost of investment in subsidiaries over net tangible assets at dates of acquisition	51,079	47,228
	53,144	49,518
	$1,416,504	$1,520,862

On behalf of the Board:
J.D. Redfern, President & Chief Executive Officer
P.M. McEntyre, Chairman of the Board

Liabilities and shareholders' equity

	1982	1981
Current liabilities:		
Bank indebtedness and short-term borrowings	$ 43,795	$ 54,406
Accounts payable and accrued liabilities (Note 8)	109,946	159,936
Income and other taxes payable	4,929	19,928
Current portion of long-term debt	12,178	11,149
	170,848	245,419
Long-term debt (Note 9)	564,724	561,037
Deferred income taxes	128,254	142,149
Minority interest	15,386	21,153
Commitments and contingent liabilities (Note 17)		
Shareholders' equity (Note 10):		
Capital Stock—		
First preference shares	18,000	18,000
Second preference shares—Series A	74,937	74,937
Second preference shares—Series B	42,702	42,702
Common shares	207,547	202,643
	343,186	338,282
Retained earnings	178,833	210,111
Cumulative translation adjustments	15,273	2,711
	537,292	551,104
	$1,416,504	$1,520,862

Consolidated statement of changes in financial position

for the year ended December 31
(in thousands of Canadian dollars)

	1982	1981	1980
Financial resources were provided by:			
Net earnings (loss) before extraordinary items	$(12,044)	$ 34,150	$ 22,651
Depreciation and depletion	67,097	45,092	33,905
Deferred income taxes	(14,401)	12,197	4,858
Other	3,818	2,279	3,425
Funds generated from operations	44,470	93,718	64,839
Net proceeds from issues of shares	4,904	156,012	73,757
Proceeds from issues of long-term debt	34,042	319,618	16,566
Sale of fixed assets	24,613	18,779	2,258
Extraordinary items (as affecting working capital)	1,419	1,281	(181)
	109,448	589,408	157,239
Financial resources were applied to:			
Additions to fixed assets	48,849	52,185	103,283
Reduction in long-term debt	39,173	26,952	16,160
Acquisition of General Portland Inc., less working capital acquired of $61,213 (Note 14)	—	334,660	—
Investments in subsidiaries, less working capital acquired of $1,534 in 1981 and $11,284 in 1980	—	8,233	241
Decrease in minority interest	5,623	—	—
Increase in long-term receivables	3,174	5,886	5,938
Dividends—Preference shares	7,899	8,467	5,169
—Common shares	8,576	14,869	14,866
Other	2,287	1,346	(69)
	115,581	452,598	145,588
Increase (decrease) in working capital	(6,133)	136,810	11,651
Working capital at beginning of year	236,106	99,296	87,645
Working capital at end of year	$229,973	$236,106	$ 99,296
Changes in components of working capital			
Current assets—increase (decrease)			
Cash and short-term investments	$(25,674)	$ 61,981	$ 5,179
Accounts receivable	(48,715)	85,738	23,719
Inventories	(7,159)	69,376	25,920
Prepaid expenses	844	100	1,210
	(80,704)	217,195	56,028
Current liabilities—increase (decrease)			
Bank indebtedness and short-term borrowings	(10,611)	(10,388)	42,833
Accounts payable and accrued liabilities	(49,990)	80,928	3,411
Income and other taxes payable	(14,999)	8,672	(6,944)
Current portion of long-term debt	1,029	1,173	5,077
	(74,571)	80,385	44,377
Increase (decrease) in working capital	$ (6,133)	$136,810	$ 11,651

Consolidated statement of retained earnings

for the year ended December 31
(in thousands of Canadian dollars)

	1982	1981	1980
Balance at beginning of year	$210,111	$198,388	$199,767
Net earnings (loss)	(14,803)	35,431	19,899
	195,308	233,819	219,666
Dividends—			
First preference shares	1,170	1,170	1,170
Second preference shares—Series A	5,844	5,846	3,999
Second preference shares—Series B	885	1,451	—
Common shares	8,576	14,869	14,866
Expenses related to issues of shares (net of income taxes of $292 in 1981 and $823 in 1980)	—	372	1,243
	16,475	23,708	21,278
Balance at end of year	$178,833	$210,111	$198,388

Notes to consolidated financial statements

as at December 31, 1982
(in thousands of Canadian dollars unless otherwise noted)

Note 1—Summary of principal accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The main differences between Canadian and United States generally accepted accounting principles as they affect the Corporation and its subsidiaries are described in Note 15.

Principles of consolidation
The consolidated financial statements include the accounts of the Corporation and all subsidiary companies. The Corporation accounts for share interests of between 20% and 49% in various associated companies by the equity method.

All acquisitions of subsidiary companies have been accounted for by the purchase method. The cost of the Corporation's investments in subsidiary companies is allocated in accordance with the fair value of the underlying assets as at the dates of investment. The excess of the cost of investments over the fair value of the assets on acquisitions made after March 31, 1974, is amortized on a straight-line basis over periods not exceeding 40 years. On acquisitions made prior to April 1, 1974, this excess is carried at cost until such time as there may be evidence of diminution in value. Amortization of $1,264 was charged to earnings in 1982 ($168 in 1981 and nil in 1980).

Foreign currency translation
The accounts of foreign subsidiaries included in the consolidated financial statements are translated to Canadian dollars using the current-rate method. Under this method, assets and liabilities are translated at the exchange rate in effect at the balance sheet date and the statement of earnings is translated at the weighted average rate for the year. Gains or losses on translation are not included in the consolidated statement of earnings but are shown as a separate item in the shareholders' equity. Gains or losses on foreign currency transactions that are designated as hedges of a net investment in a foreign entity are reported in the same manner as translation adjustments.

Revenue recognition
Revenue from sales of cement, ready-mixed concrete, concrete blocks and pipes, aggregates and miscellaneous products is recorded at the time the products are shipped to customers. Revenue from highway and street construction contracts is taken up on the basis of units of work completed. Revenue from indivisible lump-sum contracts is taken up on the percentage of completion method. Losses, if any, are provided for in full as soon as they become evident.

Debt financing expenses
Costs incurred in issuing long-term debt are amortized over the terms of the debt issues to which they relate.

Income taxes
Income taxes are recorded on a tax allocation basis. Accordingly, deferred income tax provisions (or reductions) are recorded in the statement of earnings in appropriate amounts to reflect the income tax effects of timing differences arising each year. The balance sheet provision for deferred income taxes reflects the cumulative effect of all such deferments, which arise principally from the excess of depreciation claimed for tax purposes over the depreciation recorded in the accounts.

Investment tax credits are reflected in earnings in the year during which the related expenditures are made, except when timing for the realization of the benefit is not determinable.

Inventories
Inventories, which consist mainly of cement, raw materials, supplies and repair parts, are carried at the lower of cost (generally average cost) and net realizable value.

Fixed assets
Fixed assets are carried at cost, which, in the case of major manufacturing plants, includes interest incurred during construction. Assets are depreciated over their estimated useful lives basically on the straight-line method, adjusted for certain categories in accordance with established criteria to reflect variations from normal utilization. Basic rates range from 2½% on certain buildings to 25% on light mobile equipment. Land includes depletable raw material reserves on which depletion is recorded on a unit of production basis. Profits and losses on the sale of fixed assets are charged to operations unless of an extraordinary nature.

Note 2—Change in accounting policy

In 1981, the Corporation changed its method of accounting for foreign currency translation to the current-rate method, whereby gains or losses on translation of foreign currency financial statements are shown in shareholders' equity rather than in a combination of the consolidated statement of earnings and the consolidated balance sheet as in prior years. This change has been applied retroactively to January 1, 1979. Had the previous method been applied, consolidated net earnings would have been $0.06 per common share lower in 1981 and $0.05 per common share higher in 1980.

Note 3—Cash and short-term investments

	1982	1981
Cash	$ 8,808	$ 4,609
Term deposits and other short-term investments (at cost which approximates market)	36,891	43,224
Term deposits reserved for the purchase of the balance of the shares of General Portland Inc. (Note 14)	1,762	25,302
	$ 47,461	$ 73,135

Note 4—Accounts receivable

	1982	1981
Trade receivables	$167,369	$209,796
Holdbacks	9,477	12,966
Allowance for doubtful accounts	(10,696)	(7,897)
	$166,150	$214,865

Note 5—Inventories

	1982	1981
Repair parts and supplies	$ 58,728	$ 62,673
Raw materials	27,690	39,012
Work in process	30,561	24,686
Finished goods	64,346	62,113
	$181,325	$188,484

Note 6—Marketable securities held in Preference Dividend Maintenance Fund

The provisions of the first preference shares require that a reserve of not less than $2.60 per outstanding first preference share be maintained in a Preference Dividend Maintenance Fund before dividends may be paid on second preference shares and common shares. At December 31, 1982 marketable securities in the fund had a cost of $3,417 (1981—$4,167) and market value of $3,313 (1981—$3,388). Securities having an aggregate cost in excess of the minimum requirements of $2,340 for the fund are included under cash and short-term investments.

Note 7—Fixed assets

1982	Land and Mineral Deposits	Buildings, Plants and Equipment	Construction in Progress	Total
Cost	**$134,447**	**$1,210,244**	**$8,148**	**$1,352,839**
Accumulated depreciation and depletion	**8,231**	**417,859**	**—**	**426,090**
Net book value	**$126,216**	**$ 792,385**	**$8,148**	**$ 926,749**
1981				
Cost	$131,545	$1,201,988	$4,792	$1,338,325
Accumulated depreciation and depletion	7,971	372,604	—	380,575
Net book value	$123,574	$ 829,384	$4,792	$ 957,750

Note 8—Accounts payable and accrued liabilities

	1982	1981
Trade accounts payable	**$ 48,680**	$ 69,745
Accrued payroll expense	**14,559**	14,195
Accrued interest expense	**8,312**	7,115
Other accrued expenses	**36,633**	35,609
Liabilities for the purchase of the balance of the shares of General Portland and other accrued acquisition costs	**1,762**	33,272
	$109,946	$159,936

Note 9—Long-term debt

	1982	1981
Canada Cement Lafarge Ltd.—		
Sinking Fund Debentures:		
6¼%, Series A, maturing in 1986	**$ 5,024**	$ 5,776
9½%, Series B, maturing in 1990	**14,107**	14,738
8¾%, Series C, maturing in 1992	**23,764**	25,182
11¼%, Series D, maturing in 1995	**11,773**	12,919
9¾%, Series E, maturing in 1997	**35,968**	36,847
7½%, Series F, maturing in 1988	**5,223**	5,318
Term bank loans under revolving credit facilities totalling $300 million including $84.8 million in U.S. funds, repayable between 1985 and 1993, bearing interest at varying rates up to ⅜% over prime	**270,153**	257,802
Term bank loans under revolving credit facilities, including $15 million in U.S. funds, repayable in 1984, bearing interest up to a maximum of prime	**53,441**	58,718
General Portland Inc.—		
U.S. $26 million, 9.125% notes maturing in equal annual instalments of U.S. $2 million from 1983 to 1995	**31,964**	33,205
U.S. $17.7 million secured industrial revenue bonds maturing in various amounts between 1998 and 2010, bearing interest at varying rates up to a maximum of 9.875%, with sinking fund requirements beginning in 1989	**21,791**	21,020
U.S. $13.2 million, 7.8% sinking fund debentures maturing in 1996	**16,228**	15,654
U.S. $24.4 million, 9.375% notes maturing in equal annual instalments of U.S. $1.9 million from 1983 to 1995	**29,967**	31,130
Other debt (of which $8.3 million is secured by assets)	**57,499**	53,877
	576,902	572,186
Less: portion due within one year included in current liabilities	**12,178**	11,149
	$564,724	$561,037

Note 9—Long-term debt (continued)

(a) The Corporation has available under the $300 million credit facilities, $49.3 million which can be borrowed in Canadian or U.S. dollars, and of which, if borrowed in 1983, $19.3 million would be repayable between 1985 and 1993 and $30 million would be repayable in 1984. In addition, General Portland Inc. has available a U.S. $30 million line of credit which can be borrowed in U.S. dollars maturing from 1985 to 1989, with interest payable at a maximum of 108½% of prime.

(b) Payment requirements during the next five years, after the exclusion of bank loans for which refinancing is available, are as follows:

Year ending December 31				
1983	1984	1985	1986	1987
$12,178	$63,024	$23,573	$41,790	$56,427

(c) In addition to the long-term credit facilities outlined above, the Corporation has operating lines of credit totalling $240 million, including an option to issue commercial paper up to a maximum value of $50 million. As at December 31, 1982, the unused portion of these lines of credit amounted to $203 million.

(d) Under the terms of various long-term debt agreements, General Portland must maintain a certain level of working capital and is restricted, among other things, as to payment of cash dividends and reacquisition of its capital stock. At December 31, 1982, under the most restrictive of the loan agreements, working capital was approximately U.S. $20 million in excess of the level required, and restricted payments including dividends were limited to U.S. $6 million.

Note 10—Shareholders' equity and earnings per share

(a) As at December 31, the capital structure of the Corporation was as follows:

		Outstanding		
	Authorized	**1982**	1981	1980
Preference shares	900,000	**900,000**	900,000	900,000
Second preference shares issuable in series	Unlimited			
Series A	4,995,800	**4,995,800**	4,995,800	4,999,200
Series B	2,951,100	**2,951,100**	2,951,100	—
Common shares	42,000,000	**29,019,717**	28,472,228	18,583,462

The Preference shares (the "first preference shares") are entitled to a cumulative dividend of $1.30 per share per annum and are redeemable at the option of the Corporation at $30 per share.

The Series A second preference shares are entitled to a cumulative dividend of $1.17 per annum. They are convertible at the option of the holder into common shares of the Corporation any time prior to August 31, 1990 on the basis of 1.01 common shares for each Series A share (but subject to conversion rate adjustments under certain conditions) and thereafter on the basis of 0.909 of a common share for each Series A share. Prior to November 7, 1981, they were convertible on the basis of 1 common share for each Series A share. They are redeemable at the option of the Corporation at $15.75 per share after August 31, 1985 and at reducing amounts thereafter to $15.00 per share after August 31, 1990.

The Series B second preference shares are entitled to a non-cumulative dividend equal to that paid on common shares of the Corporation and are redeemable at the option of the Corporation at $14.47 per share. They are convertible into common shares of the Corporation on a one for one basis although up to November 30, 1981, this conversion ratio was subject to adjustment in the event of a public issue or rights offering of common shares of the Corporation. The entire issue of Series B shares was acquired by a subsidiary of Lafarge Coppée on August 20, 1981. It has been agreed that the conversion right will only be exercised to the extent necessary for Lafarge Coppée to maintain 54.8% ownership of voting shares of the Corporation. Following a rights issue, on November 27, 1981, 4,468,184 common shares were issued at a price of $11.50 per share, and up to November 30, 1981 the Lafarge Coppée subsidiary converted a total of 4,305,292 Series B preference shares into 5,417,179 common shares of the Corporation.

Note 10—Shareholders' equity and earnings per share (continued)

On April 2, 1982, the Directors approved the creation of the Stock Dividend and Dividend Reinvestment Plan. Under the plan, holders of common shares, of Series A and Series B second preference shares who elect to participate in the plan, have the option of either receiving their dividends in common shares of the Corporation or applying their cash dividends to the purchase of common shares of the Corporation. Under both options, the new common shares are valued at 95% of the average market price for the five days preceding the dividend payment date.

As at December 31, 1982, common shares reserved for possible issuance were as follows:

For conversion of Series A and Series B second preference shares	6,835,010
For options under the Stock Dividend and Dividend Reinvestment Plan	352,511
	7,187,521

Additional common shares can be reserved by Board authorization if there is a need to increase the number of shares reserved for the Stock Dividend and Dividend Reinvestment Plan and for the possible conversion of the Series A and Series B second preference shares.

(b) The details of share transactions were as follows:

	1982		1981		1980	
Second preference shares—Series A	**Shares**	**Amount**	Shares	Amount	Shares	Amount
Balance at beginning of year	**4,995,800**	**$ 74,937**	4,999,200	$ 74,988	—	$ —
Issued on March 25, 1980 for $15.00 per share	—	—	—	—	5,000,000	75,000
Converted into common shares	—	—	(3,400)	(51)	(800)	(12)
Balance at end of year	**4,995,800**	**$ 74,937**	4,995,800	$ 74,937	4,999,200	$74,988
Second preference shares—Series B						
Balance at beginning of year	**2,951,100**	**$ 42,702**	—	$ —		
Issued on August 20, 1981 for $14.47 per share	—	—	7,256,392	105,000		
Converted into common shares	—	—	(4,305,292)	(62,298)		
Balance at end of year	**2,951,100**	**$ 42,702**	2,951,100	$ 42,702		
Common Shares						
Balance at beginning of year	**28,472,228**	**$202,643**	18,583,462	$ 88,910	18,582,662	$88,898
Issued on November 27, 1981 for $11.50 per share	—	—	4,468,184	51,384	—	—
Conversion of Series A shares	—	—	3,403	51	800	12
Conversion of Series B shares	—	—	5,417,179	62,298	—	—
Issued under the Stock Dividend and Dividend Reinvestment Plan	**547,489**	**4,904**	—	—	—	—
Balance at end of year	**29,019,717**	**$207,547**	28,472,228	$202,643	18,583,462	$88,910

(c) Retained earnings include a reserve for Preference Dividend Maintenance Fund of $2,340.

Note 10—Shareholders' equity and earnings per share (continued)

(d) Net earnings per common share:

	1982	1981	1980
Computation of earnings per common share			
Basic			
Net earnings (loss) before extraordinary items	**$(12,044)**	$34,150	$22,651
Deduct: Dividends on preference shares	**7,899**	8,467	5,657
Net earnings (loss) applicable to common shareholders before extraordinary items	**(19,943)**	25,683	16,994
Extraordinary items	**(2,759)**	1,281	(2,752)
Net earnings (loss) applicable to common shareholders	**$(22,702)**	$26,964	$14,242
Weighted average number of common shares outstanding (in thousands)	**28,689**	19,426	18,583
Net earnings (loss) per common share:			
Before extraordinary items	**$ (0.70)**	$ 1.32	$ 0.91
After extraordinary items	**$ (0.79)**	$ 1.39	$ 0.77

Fully diluted

Fully diluted earnings per common share show the effect on net earnings per common share which would result if the convertible preference shares outstanding at the end of the year had been converted into common shares at the beginning of the year or at the time of issuance. Net earnings used in determining fully diluted earnings per share in 1981 were increased by $7,297, being the amount of dividends declared on the convertible preference shares and the adjusted weighted average number of common shares outstanding amounted to 26,740,000. The assumed conversion of shares had no dilutive effect in 1982 and 1980.

(e) Cumulative foreign currency translation adjustments (Note 2):

The cumulative foreign currency translation adjustments represent the effect of exchange rate changes upon the translation of the financial statements of foreign subsidiaries, partly offset by the effect of exchange rate changes on the translation of foreign currency borrowings that are an economic hedge of such investments in foreign subsidiaries.

	1982	1981	1980
Balance at beginning of year	**$ 2,711**	$ 7,440	$ 5,242
Effect of exchange rate changes on the translation of foreign subsidiary financial statements	**18,604**	(6,042)	2,198
Effect of exchange rate changes on borrowings which are economic hedges	**(6,042)**	1,313	—
Balance at end of year	**$ 15,273**	$ 2,711	$ 7,440

Note 11—Interest expense

	1982	1981	1980
Interest on long-term debt	**$ 77,372**	$30,399	$17,524
Less: Amount capitalized	**—**	2,576	3,926
	77,372	27,823	13,598
Other interest expense	**8,565**	14,902	6,977
Less: Amount capitalized	**—**	2,778	2,268
	8,565	12,124	4,709
Investment income	**3,665**	6,433	1,264
Interest expense—net	**$ 82,272**	$33,514	$17,043

Note 12—Income taxes

Net earnings (loss) before income taxes:	1982	1981	1980
Canada	$(17,534)	$62,848	$50,429
United States and other	(13,461)	(2,742)	(5,319)
	$(30,995)	$60,106	$45,110

The components of the provision for income taxes are as follows:	1982	1981	1980
Current			
Canadian—Federal	$ (1,208)	$ 7,985	$ 9,361
—Provincial	(1,309)	5,485	5,972
United States and other	(3,836)	(1,815)	177
	(6,353)	11,655	15,510
Deferred			
Canadian—Federal	(2,460)	12,504	3,767
—Provincial	(139)	3,514	2,441
United States and other	(11,802)	(3,821)	(1,350)
	(14,401)	12,197	4,858
	$(20,754)	$23,852	$20,368

The deferred income tax provision arises from:	1982	1981	1980
Excess depreciation for tax purposes	$ 4,241	$ 9,502	$ 8,941
Business losses recoverable	(19,624)	(2,655)	(3,150)
Canadian investment tax credits	(2,791)	3,190	1,188
Other items	3,773	2,160	(2,121)
	$(14,401)	$12,197	$ 4,858

A reconciliation of the Corporation's effective income tax rate is as follows:	1982	1981	1980
Canadian and United States federal income tax rates	(46.0)%	46.0%	46.0%
Canadian tax incentives for manufacturing and processing	3.6	(4.1)	(4.7)
Provincial income taxes, net of federal abatement and state income taxes	(0.3)	4.3	4.6
Foreign subsidiary income taxed at reduced rates	(30.0)	(3.8)	—
Canadian and U.S. investment tax credits	(3.5)	(2.5)	(3.4)
Canadian inventory allowance	(3.2)	(1.3)	(1.7)
Canadian surtax	—	1.5	1.6
Non-deductible items related to fair value acquisition adjustments	11.6	—	—
Other items	0.8	(0.4)	2.8
	(67.0)%	39.7%	45.2%

Note 12—Income taxes (continued)

A U.S. subsidiary of the Corporation has, as at December 31, 1982, approximately $9.3 million of operating losses and $7.9 million of investment tax credits, for which the tax benefits have not been recognized in the financial statements. The expiry dates of these tax benefits are as follows:

Expiring in	Operating losses	Investment tax credits
1992	$1,300	$7,000
1993	100	300
1994	1,300	500
1995	6,600	100
	$9,300	$7,900

Note 13—Extraordinary items

	1982	1981	1980
Loss on sale of a division of a Canadian subsidiary (net of income taxes of $250)	$ (2,759)	$ —	$ —
Gain on expropriation of land (net of income taxes of $400)	—	1,281	—
Loss on the closure of a cement plant at Birmingham, Alabama (net of income taxes of $1,350)	—	—	(4,079)
Gain arising from an insurance settlement on the involuntary disposal of leased assets (net of income taxes of $450)	—	—	1,327
	$ (2,759)	$ 1,281	$(2,752)

Note 14—Investments in subsidiary companies

(a) Acquisition of General Portland Inc.

As of November 13, 1981, the Corporation acquired a majority of the voting shares of General Portland Inc., a company engaged primarily in the manufacture and sale of cement in the United States. The acquisition was accounted for by the purchase method and the assets and liabilities have been consolidated as if the Corporation owned 100% on December 31, 1981. At that date, the Corporation owned 93.5% of the shares. The purchase was fully completed on January 4, 1982 with assets of $25,302 being set aside in short-term investments as of December 31, 1981 to cover the cost of the remaining shares and the offsetting liability therefor being reflected in accounts payable.

Details of the acquisition were as follows:

Working capital	$ 61,213
Fixed assets	379,515
Other assets	9,148
Long-term debt	(71,923)
Deferred income taxes	(23,259)
Fair value of net assets acquired	354,694
Excess of cost over fair value of assets	41,179
	$395,873
Cost of shares tendered in 1981	$370,571
Minority interest acquired in 1982	25,302
Total cash outlay	$395,873

In 1982, goodwill related to the acquisition of General Portland was adjusted by $6,515 to reflect more accurately the fair value of assets acquired and certain additional costs. The total cash outlay was therefore $396,639 and the fair value of assets acquired $348,945.

Note 14—Investments in subsidiary companies (continued)

The inclusion of General Portland's earnings from November 13, 1981, did not have a material effect on the net earnings in the year ended December 31, 1981.

Assuming the purchase had taken place on January 1, 1980, at the same excess of cost over fair value of assets and financed by the same ratio of convertible preference shares, common shares and by bank borrowings at the Corporation's effective interest rate for 1981 and 1980 which averaged 19% and 14% respectively, pro forma consolidated earnings of the Corporation would have been as follows:

	Year ended December 31	
	1981	1980
Sales	$1,261,516	$1,076,453
Costs and expenses:		
Cost of sales and other operating expenses	974,602	838,935
Selling and administrative	98,357	80,764
Depreciation and depletion	64,411	50,328
	1,137,370	970,027
Income from operations	124,146	106,426
Interest expense	80,717	42,390
Earnings before the undernoted items	43,429	64,036
Income taxes	13,081	18,282
	30,348	45,754
Equity in earnings of associated companies	711	54
	31,059	45,808
Minority interest	(2,815)	(2,145)
Net earnings before extraordinary items	28,244	43,663
Extraordinary items	2,481	(595)
Net earnings	$ 30,725	$ 43,068
Net earnings per common share:		
Basic:		
Before extraordinary items	$ 0.66	$ 1.20
After extraordinary items	$ 0.75	$ 1.19
Fully diluted:		
Before extraordinary items		$ 1.17
After extraordinary items		$ 1.16

(b) Other acquisitions:

During 1981, the Corporation increased its ownership to 100% in two associated companies and purchased a 100% interest in another company. These acquisitions included Supercrete Incorporated, a major producer of ready-mixed concrete, concrete products and aggregates. Total outlays, after deducting working capital acquired of $1,534 amounted to $8,233.

During 1980, the Corporation increased its interest in Standard Industries Ltd. from 49.99% to 73.63% by acquiring 1,498,852 common shares for a cash outlay of $11,241 which approximated the working capital of the subsidiary introduced in the consolidation. Operating results of this subsidiary have been included in the consolidated statement of earnings from May 1, 1980; previously, they were accounted for by the equity method.

Note 15—United States accounting principles

The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles. A summary of the principal accounting policies is set forth in Note 1. The accounting principles in Canada affecting the Corporation are substantially the same as those in the United States with the following major exceptions:

Note 15—United States accounting principles (continued)

(a) Excess of cost of investments over fair value of assets

The accounting treatment for this excess is similar under both Canadian and U.S. accounting principles except that under Canadian practice, retroactive application was not mandatory to amounts already recorded in the accounts as of March 31, 1974. In the United States amortization was required for any excess acquired subsequent to November 1, 1970.

(b) Leases

The accounting treatment for leases is similar under both Canadian and U.S. accounting principles except that under Canadian practice, capitalization of certain types of leases as capital leases was not mandatory for leases entered into on or before December 31, 1978.

(c) Investment tax credits

Under Canadian accounting principles investment tax credits are recognized if realization is virtually certain; however, under U.S. accounting principles investment tax credit carry forwards are not recorded as an asset regardless of whether their ultimate realization is assured beyond reasonable doubt.

(d) Extraordinary items

The items classified in the statement of earnings as "extraordinary" would not be so classified under U.S. accounting principles. Details of the extraordinary items and the related tax effects are shown in Note 13.

(e) Tax benefit of operating losses and depreciation expense

Under U.S. accounting principles the deferred tax amounts of an acquired company are not recorded in the financial statements of the acquirer whereas in Canada they are recognized; hence, in Canada deferred tax credits of an acquired company would be available for release against operating losses of the acquired company subsequent to acquisition.

U.S. principles do permit certain adjustments in determining the fair values to which the purchase price is allocated which means, in this case, that in Canada, the purchase price allocated to fixed assets and the corresponding depreciation expense are greater.

(f) Net earnings per share

The difference between the basic net earnings per common share required by Canadian practice and the primary net earnings per common share used in the U.S. is that certain types of convertible preference shares would be considered common share equivalents in the U.S.

(g) Investments in subsidiary companies

Since the deferred tax credits of an acquired company are not recognized under U.S. accounting principles, the fair value of General Portland's fixed assets acquired in November 1981 would amount to $356,256 instead of the $379,515 calculated under generally accepted accounting principles in Canada (see Note 14).

In the consolidated pro forma statement of earnings, the extraordinary items would not be classified as such under U.S. accounting principles.

(h) Segmented information

The difference between segment operating income as calculated under Canadian and United States accounting principles is that under U.S. principles, the extraordinary items would be included in the segment operating income.

A reconciliation of net earnings (loss) as reported with net earnings (loss) determined in accordance with generally accepted accounting principles in the United States is set forth below:

	1982	1981	1980
Net earnings (loss) as reported	**$(14,803)**	$35,431	$19,899
Amortization of the excess of cost of investments over fair value of assets	**(98)**	(149)	(149)
Effect of lease capitalization	**86**	24	199
Reversal of investment tax credits earned but not yet realized	**—**	(829)	—
Reversal of tax benefits of operating losses	**(11,097)**	—	—
Adjustment to depreciation expense	**1,780**	—	—
Net earnings (loss) in accordance with generally accepted accounting principles in the United States	**$(24,132)**	$34,477	$19,949
Primary net earnings (loss) per common share in accordance with generally accepted accounting principles in the United States (see (f) above)	**$ (1.12)**	$ 1.25	$ 0.77

Note 16—Related party transactions

The Corporation's transactions with its associated companies carried out in the ordinary course of business consist mainly of the sale of cement and the purchase of engineering and transportation services and concrete products. During 1982, sales and purchases amounted to $5,000 and $6,000 respectively ($15,000 and $9,000 respectively in 1981 and $16,000 and $11,000 respectively in 1980).

The Corporation's transactions with its major shareholder, Lafarge Coppée, consist of the exchange of technical and management know-how and the purchase of various services. The net cost to the Corporation in 1982 amounted to $2,541 ($897 in 1981 and $949 in 1980).

During 1981, the Corporation paid interest of $3,439 to Lafarge Coppée with respect to a $105,000 advance received in anticipation of an issue of shares. On August 20, 1981, the Corporation applied this advance in payment of the entire issue of the Series B second preference shares. Details of this transaction are explained in Note 10 (a).

Note 17—Commitments and contingent liabilities

(a) Payments under long-term property, plant and equipment leases amounted to $7,161 in 1982, $5,070 in 1981 and $5,257 in 1980.

Future minimum annual payment requirements during the next five years, under leases in existence as at December 31, 1982, are as follows:

Year ending December 31

1983	1984	1985	1986	1987
$5,747	$5,173	$3,579	$2,465	$1,307

The Corporation has not given retroactive effect in its financial statements to capital leases entered into on or before December 31, 1978. Had retroactive effect been given, there would have been no material effects on the financial statements.

(b) The Corporation is party to several antitrust suits in the United States. These suits, certified as class actions, allege that the Portland Cement Association and substantially all United States cement producers, including Citadel Cement Corporation and General Portland Inc., conspired to fix, maintain and stabilize cement prices and seek unstated treble damages and injunctive relief. The Corporation has denied all the allegations against it and intends to vigorously defend these suits.

Note 18—Pension plans

The Corporation and its subsidiaries have several pension plans covering substantially all of their employees. The total pension expense for 1982, 1981 and 1980 was $16,955, $8,551 and $7,149 respectively, including a charge for past service costs, which are being amortized over periods ranging from 15 to 30 years. The Corporation makes annual contributions to the plans equal to the amounts accrued for pension expense.

Accumulated plan benefits as estimated by consulting actuaries at the beginning of each year are as follows:

	1982	1981
Actuarial present value of accumulated plan benefits		
Vested	**$155,900**	$116,400
Non-vested	**15,200**	10,500
	$171,100	$126,900
Net assets available for benefits (at market value)	**$169,300**	$141,800

The weighted average assumed rate of return used in determining the actuarial present value was 8% for both 1982 and 1981.

Note 19—Segmented information

Since operations of the Corporation are closely integrated, industry segmentation is somewhat arbitrary. For purposes of this note, these operations have been divided into two segments: 1) cement, concrete and related products and 2) construction.

With the scope of the U.S. operations having been expanded during 1981, the Corporation now conducts its operations in two significant geographic segments: Canada and the United States.

It should be noted that while "identifiable assets" include in 1981 all assets of General Portland as at December 31, 1981, operating results attributable to General Portland are included only from November 13, 1981, the effective date of acquisition.

It should also be noted that the "identifiable assets" located in the United States more closely reflect replacement cost than do the assets of the Canadian operations carried at their historical cost.

(a) Industry segments

The cement, concrete and related products segment includes the manufacture of all types of cement, the production of ready-mixed concrete, precast and prestressed concrete components, concrete blocks and pipes, and stone aggregates. The construction segment consists of road construction, production and sale of asphalt, and sale and placement of reinforcing steel. Transfers of product between segments are generally accounted for on a basis that results in a fair profit being earned by each segment.

	1982	1981	1980
Sales			
Cement, concrete and related products	**$ 989,771**	$ 735,937	$548,423
Construction	**130,552**	193,582	177,720
Inter-segment	**(9,403)**	(13,207)	(15,007)
	$1,110,920	$ 916,312	$711,136
Operating results			
Cement, concrete and related products	**$ 72,007**	$ 102,359	$ 70,797
Construction	**151**	12,692	9,117
Segment operating income	**72,158**	115,051	79,914
Unallocated operating expenses	**(20,881)**	(21,431)	(17,761)
Income from operations	**51,277**	93,620	62,153
Interest expense	**(82,272)**	(33,514)	(17,043)
Income (loss) before income taxes	**$ (30,995)**	$ 60,106	$ 45,110
Identifiable assets			
Cement, concrete and related products	**$1,345,505**	$1,424,195	$771,121
Construction	**50,398**	83,723	80,497
Corporate and other	**20,601**	12,944	12,856
	$1,416,504	$1,520,862	$864,474
Capital expenditures—net			
Cement, concrete and related products	**$ 27,409**	$ 31,127	$ 92,614
Construction	**(6,262)**	2,779	8,309
Corporate and other	**75**	(500)	102
	$ 21,222	$ 33,406	$101,025
Depreciation expense			
Cement, concrete and related products	**$ 64,410**	$ 40,816	$ 30,076
Construction	**2,576**	4,182	3,696
Corporate and other	**111**	94	133
	$ 67,097	$ 45,092	$ 33,905

Note 19—Segmented information (continued)

(b) Geographic segments

	1982	1981	1980
Sales			
Canada	$ 668,001	$ 786,839	$648,088
United States	456,459	143,114	74,624
Inter-segment (at market value)	(13,540)	(13,641)	(11,576)
	$1,110,920	$ 916,312	$711,136
Operating results			
Canada	$ 54,327	$ 91,809	$ 62,606
United States	(3,050)	1,811	(453)
Income from operations	51,277	93,620	62,153
Interest expense	(82,272)	(33,514)	(17,043)
Income (loss) before income taxes	$ (30,995)	$ 60,106	$ 45,110
Identifiable assets			
Canada	$ 747,792	$ 784,292	$707,669
United States	668,712	736,570	156,805
	$1,416,504	$1,520,862	$864,474

Note 20—Subsequent events

On February 11, 1983 the directors of the Corporation approved certain initial steps in a corporate reorganization which were approved by the shareholders on March 8, 1983 and will result in Lafarge Corporation, presently a wholly-owned U.S. subsidiary, becoming the parent company of the Corporation. This reorganization will be accomplished through modifications to the capitalization structure of both Lafarge Corporation and the Corporation. Immediately following the reorganization, the overall consolidated balance sheet will remain virtually unchanged apart from its capitalization and the fact that it will become the consolidated balance sheet of Lafarge Corporation expressed in U.S. dollars and conforming to U.S. generally accepted accounting principles. Future consolidated financial statements of the Corporation will include only the Corporation and its subsidiaries which will be substantially Canadian.

Canada

Sales Offices

Halifax, N.S.
Moncton, N.B.
Quebec, Que.
Montreal, Que.
Ottawa, Ont.
Sudbury, Ont.
Toronto, Ont.
Winnipeg, Man.
Regina, Sask.
Saskatoon, Sask.
Calgary, Alta.
Edmonton, Alta.
Vancouver, B.C.
Kamloops, B.C.

Producing and Finishing Plants

Brookfield, N.S.
Havelock, N.B.
St. Constant, Que.
Bath, Ont.
Woodstock, Ont.
Fort Whyte, Man.
Saskatoon, Sask.
Edmonton, Alta.
Exshaw, Alta.
Kamloops, B.C.
Richmond, B.C.

Storage and Distribution Terminals

Albany, P.E.I.
Chatham, N.B.
Quebec, Que.
Montreal, Que.
Ottawa, Ont.
Toronto, Ont.
Whitefish River, Ont.
Sudbury, Ont.
Regina, Sask.
Calgary, Alta.
Fort St. John, B.C.
Fort Nelson, B.C.
Comox, B.C.
Victoria, B.C.
North Vancouver, B.C.
Prince George, B.C.
Prince Rupert, B.C.

United States

Sales Offices

Dallas, TX
Houston, TX
Miami, FL
Tampa, FL
Los Angeles, CA
Fort Wayne, IN
Witchita, KS
Whitehall, PA
Atlanta, GA
Mobile, AL
New Orleans, LA
Buffalo, NY

Producing and Finishing Plants

New Braunfels, TX
Fort Worth, TX
Dallas, TX
Tampa, FL
Miami, FL
Los Robles, CA
Paulding, OH
Fredonia, KS
Cementon, PA
Demopolis, AL

Storage and Distribution Terminals

Amarillo, TX
Corpus Christi, TX
Houston, TX
Tyler, TX
Oswego, NY
Grand Forks, ND
Edmond, OK
Iola, KS
Olathe, KS
Lake Charles, LA
New Orleans, LA
Atlanta, GA
Bainbridge, GA
Mobile, AL
Birmingham, AL
Fort Wayne, IN
Elkhart, IN
Tampa, FL
East Cambridge, MA
Lansing, MI

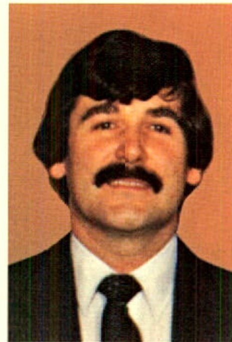
Eleven year financial summary

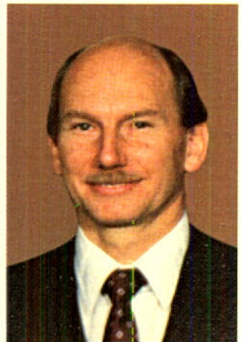
(in thousands of Canadian dollars)
Fiscal year ended December 31

	1982	1981	1980	1979
Operating results				
Sales	$1,110,920	$ 916,312	$711,136	$618,297
Costs and expenses:				
Cost of sales and operating, selling, and administrative	992,546	777,600	615,078	512,748
Depreciation and depletion	67,097	45,092	33,905	29,369
	1,059,643	822,692	648,983	542,117
Income from operations	51,277	93,620	62,153	76,180
Interest on long-term debt	77,372	27,823	13,598	15,867
Other interest expense, net of investment income	4,900	5,691	3,445	2,427
Earnings (loss) before the undernoted items	(30,995)	60,106	45,110	57,886
Income taxes	(20,754)	23,852	20,368	24,633
	(10,241)	36,254	24,742	33,253
Equity Income (loss)	(1,115)	711	54	4,119
	(11,356)	36,965	24,796	37,372
Minority interest	(688)	(2,815)	(2,145)	(851)
Earnings (loss) before extraordinary items	(12,044)	34,150	22,651	36,521
Extraordinary items	(2,759)	1,281	(2,752)	—
Net earnings (loss)	$ (14,803)	$ 35,431	$ 19,899	$ 36,521
Balance sheet				
Working capital	$ 229,973	$ 236,106	$ 99,296	$ 87,645
Investments in associated companies	6,011	5,755	10,908	38,202
Fixed assets	926,749	957,750	569,516	433,356
Other assets	82,923	75,832	19,720	13,773
	$1,245,656	$1,275,443	$699,440	$572,976
Long-term debt	$ 564,724	$ 561,037	$186,730	$169,395
Deferred income taxes	128,254	142,149	105,803	85,861
Minority interest	15,386	21,153	19,181	5,782
Shareholders' equity	537,292	551,104	387,726	311,938
	$1,245,656	$1,275,443	$699,440	$572,976
Other information				
Funds generated from operations	$ 44,470	$ 93,718	$ 64,839	$ 75,378
Additions to fixed assets	48,849	52,185	103,283	74,509
Investments in associated companies	1,852	349	25	1,611
Dividends—Preference shares	7,899	8,467	5,169	1,170
Dividends—Common shares	8,576	14,869	14,866	13,008
Return on sales	(1.0)%	4.0%	3.5%	5.4%
Return on common shareholders' equity	(5.0)%	8.6%	6.0%	13.0%
Per common share				
Earnings (loss) before extraordinary items	$ (0.70)	$ 1.32	$ 0.91	$ 1.90
Net earnings (loss)	(0.79)	1.39	0.77	1.90
Funds generated from operations	1.27	4.39	3.18	3.99
Dividends	0.30	0.80	0.80	0.70
Shareholders' equity at end of year	13.51	14.26	15.35	15.33
Range of market price during the year	8–13	10⅝–16½	10⅝–15	10–14⅜
Average number of shares outstanding (in thousands)	28,689	19,426	18,583	18,583

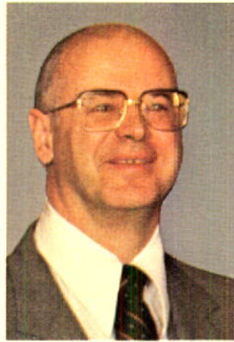
1978	1977	1976	1975	1974	1973	1972
$535,337	$439,686	$384,799	$398,919	$330,734	$292,815	$237,631
453,370	372,129	318,979	335,796	272,400	237,885	192,266
24,567	21,186	19,265	17,631	16,967	14,802	13,364
477,937	393,315	338,244	353,427	289,367	252,687	205,630
57,400	46,371	46,555	45,492	41,367	40,128	32,001
13,849	10,032	10,337	8,652	5,744	5,111	5,034
2,671	2,704	1,465	444	839	(684)	(1,488)
40,880	33,635	34,753	36,396	34,784	35,701	28,455
17,515	14,320	15,124	16,702	15,692	16,602	13,757
23,365	19,315	19,629	19,694	19,092	19,099	14,698
3,570	3,403	3,799	5,274	4,522	2,513	2,103
26,935	22,718	23,428	24,968	23,614	21,612	16,801
(474)	(275)	(251)	(631)	(357)	(323)	—
26,461	22,443	23,177	24,337	23,257	21,289	16,801
—	—	—	—	—	1,415	423
$ 26,461	$ 22,443	$ 23,177	$ 24,337	$ 23,257	$ 22,704	$ 17,224
$109,044	$ 83,839	$ 54,391	$ 56,760	$ 43,797	$ 51,229	$ 51,404
34,884	32,931	71,644	66,302	60,806	51,970	23,033
378,057	378,479	293,246	287,149	276,726	240,037	207,552
17,570	16,231	14,106	14,743	15,540	17,351	9,976
$539,555	$511,480	$433,387	$424,954	$396,869	$360,587	$291,965
$175,169	$168,404	$109,667	$115,946	$103,654	$ 89,959	$ 95,115
75,100	68,372	59,488	55,855	52,677	41,373	23,439
4,965	4,524	4,175	3,953	3,355	3,009	—
284,321	270,180	260,057	249,200	237,183	226,246	173,411
$539,555	$511,480	$433,387	$424,954	$396,869	$360,587	$291,965
$ 57,321	$ 49,542	$ 43,687	$ 41,556	$ 48,321	$ 51,996	$ 29,575
26,885	30,840	32,174	30,212	55,387	44,386	36,299
—	5,487	2,614	1,203	5,166	30,568	295
1,170	1,170	1,170	1,170	1,170	1,147	682
11,150	11,150	11,150	11,150	11,150	7,356	4,646
4.4%	4.4%	5.1%	4.9%	5.8%	6.5%	6.2%
10.1%	8.9%	9.7%	10.7%	10.8%	13.0%	10.8%
$ 1.36	$ 1.14	$ 1.18	$ 1.25	$ 1.19	$ 1.29	$ 1.03
1.36	1.14	1.18	1.25	1.19	1.38	1.05
3.02	2.60	2.29	2.17	2.54	3.25	1.85
0.60	0.60	0.60	0.60	0.60	0.47½	0.40
13.85	13.09	12.55	11.97	11.32	10.73	9.45
9–13¼	7⅝–9⅜	7¼–11⅝	8–12	8½–14⅞	10⅞–16¼	11¼–15
18,583	18,583	18,583	18,583	18,583	15,625	15,485

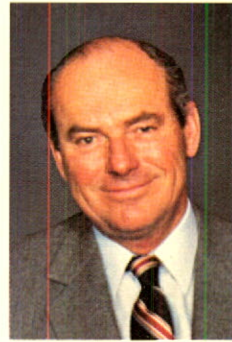
Canadian Management

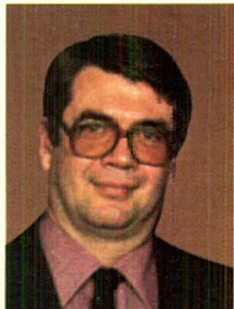




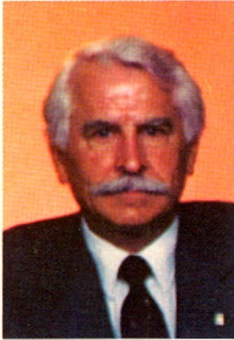
(From left to right) P.M. McEntyre, Chairman of the Board; G.H. Liduena, Executive Vice-President, Operations (Directeur-général of Ciments Lafarge France as of March 1, 1983); R.W. Murdoch, Executive Vice-President, Operations (as of March 1, 1983); P. Jongeneel, Senior Vice-President, Financial Control of Lafarge Coppée, North America; D.C. Hildebrand, Vice-President, Corporate Development; J.D. Redfern, President & Chief Executive Officer; P. Bavière, Vice-President, Finance; P. Messier, Vice-President, Secretary & General Counsel; D.S. McRae, Vice-President & Treasurer; D. Beylich, Vice-President, Technical Services (until August 6, 1982); C. Rivoire, Vice-President, Corporate Technical Services (as of August 6, 1982); W.H.J. Cameron, Vice-President, Personnel; D.J. Costantini, Vice-President, Concrete & Construction Services; G.F. Masson, Vice-President, Corporate Marketing; J.N. Poirier, Comptroller; G. Schotch, Vice-President & General Manager, Pacific Region; J.R. Maze, Vice-President & General Manager, Western Region; K.N. Bayne, Vice-President & General Manager, Ontario Region; M. L'Anglais, Vice-President & General Manager, Quebec Region (until August 6, 1982); H. Lavigne, Vice-President & General Manager, Quebec Region (as of August 6, 1982); D.F.G. Lovett, Vice-President & General Manager, Atlantic Region (until January 1, 1983); R.G. Gentles, Vice-President & General Manager, Atlantic Region (as of January 1, 1983).

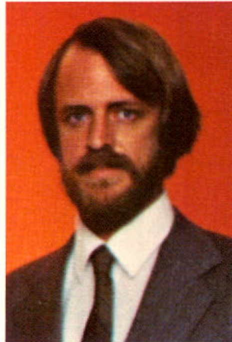






U.S. Management





(From left to right) J.B. Lendrum, Chairman, President and Chief Executive Officer; H.C. Boecker, Senior Vice-President; W.D. Jones III, Senior Vice-President; F.W. Koester, Senior Vice-President, Operations; L.G. Munin, Senior Vice-President and Chief Financial Officer; B.S. Dryburgh, Vice-President and Treasurer; D.S. Fields, Comptroller; J.W. Collier, Vice-President and General Manager, Trinity North Division; L.D. Smith, Jr., Vice-President and General Manager, Trinity South Division; J.E. Scott, Vice-President and General Manager, Victor Division; J.L. Hurt, Vice-President and General Manager, California Division; K.D. Simmons, Vice-President and General Manager, Florida Division; J.C. Poole, Vice-President and General Manager, Peninsular Division; R.D. Anderegg, Vice-President and General Manager, Citadel Division. (Missing: T.W. Tatum, Vice-President, Employee Relations; J.R. Beasley, General Manager, Trinity Metroplex Division; R.H. Foster, Vice-President and General Manager, Whitehall Division;)

Directors and Officers

Directors

Thomas J. Bell*
Chairman, Abitibi-Price Inc., Toronto, Ont.

R. Fraser Elliott, Q.C.
Senior Partner; Stikeman, Elliott, Robarts & Bowman, Toronto, Ont.

Edward M.S. Fisher
President & General Manager, The Enterprise Foundry Company Limited, Sackville, N.B.

Jean François*
Vice-Chairman and Chief Operating Officer, Lafarge Coppée, Paris, France

J. Taylor Kennedy
Montreal, Que.

Samuel M. Kinney, Jr.
Counsel to Hannoch, Weisman, Stern, Besser, Berkowitz & Kinney, Newark, NJ

Olivier Lecerf
Vice-Chairman and Chief Operating Officer, Lafarge Coppée, Paris, France

James B. Lendrum
Chairman, President and Chief Executive Officer, General Portland Inc., Dallas, TX

Peter M. McEntyre*
President, Comtrust Holdings Inc., Montreal, Que.

David E. Mitchell
President and Chief Executive Officer, Alberta Energy Company Ltd., Calgary, Alta.

André Monast, Q.C.
Partner, Létourneau, Stein & Amyot, Quebec, Que.

Jerry E.A. Nickerson
Chairman, H.B. Nickerson & Sons Ltd., North Sydney, N.S.

Patrick Nodé-Langlois*
Executive Vice-President, Lafarge Coppée, Paris, France

John D. Redfern*
President & Chief Executive Officer, Canada Cement Lafarge Ltd., Montreal, Que.

Patrick J.J. Rich
President and Chief Executive Officer, Alcan Aluminium (Europe), S.A. Geneva, Switzerland

J. Ernest Richardson
Vancouver, B.C. (retired May 7, 1982)

Ronald D. Southern*
President, Atco Ltd., Calgary, Alta.

H. Richard Whittall*
Vice-President and Director of Richardson Greenshields of Canada Limited, Vancouver, B.C.

F. Cameron Wilkinson
Chairman & Chief Executive Officer of Wilkinson Company Ltd. Vancouver, B.C. (elected May 7, 1982)

*Member of the Executive Committee

Officers & Corporate Management

Peter M. McEntyre
Chairman of the Board

H. Richard Whittall
Deputy Chairman of the Board

John D. Redfern
President and Chief Executive Officer

Gilbert H. Liduena
Executive Vice-President, Operations until March 1, 1983 when he was appointed Directeur-général, Ciments Lafarge France, Paris, France

Robert W. Murdoch
Executive Vice-President, Operations, (as of March 1, 1983)

Douglas C. Hildebrand
Vice-President, Corporate Development

Patrick Bavière
Vice-President, Finance

Pierre Messier
Vice-President, Secretary & General Counsel

Donald S. McRae
Vice-President & Treasurer

Daniel Beylich
Vice-President, Technical Services (until August 6, 1982 when he became President of Lafarge Consultants Ltd.)

Claude Rivoire
Vice-President, Technical Services (as of August 6, 1982)

William H.J. Cameron
Vice-President, Personnel

Dominic J. Costantini
Vice-President, Concrete & Construction Services

Gordon F. Masson
Vice-President, Corporate Marketing

Jean N. Poirier
Comptroller

George T. Frew
Assistant Secretary (retired August 6, 1982)

Alain Fredette
Assistant Secretary (as of August 6, 1982)

Clement J. Leslie
Assistant Treasurer

Regional Management

George Schotch
Vice-President & General Manager, Pacific Region

J. Richard Maze
Vice-President & General Manager, Western Region

Kenneth N. Bayne
Vice-President & General Manager, Ontario Region

Marc L'Anglais
Vice-President & General Manager, Quebec Region until August 6, 1982 when he assumed new functions with Lafarge Coppée

Hubert Lavigne
Vice-President & General Manager, Quebec Region (as of August 6, 1982)

David F.G. Lovett
Vice-President & General Manager, Atlantic Region until January 1, 1983, when he became Vice-President

R. Gary Gentles
Vice-President & General Manager, Atlantic Region (as of January 1, 1983)

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