

ANNUAL REPORT
OF THE
BOARD OF DIRECTORS



FOR THE FISCAL YEAR ENDING
NOVEMBER 30, 1946

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CANADA CEMENT COMPANY LIMITED

Annual Report of the Board of Directors

TO THE SHAREHOLDERS:

Your Directors beg to present herewith the nineteenth Annual Statement of the affairs and financial position of your Company as at November 30, 1946.

Net Earnings, after providing for depreciation and Federal Government taxes, amounted to \$2,178,522.82 as compared with \$1,080,146.11 in the preceding year, or equal to \$2.17 per share on the subdivided Preference Shares. Preference dividends paid during the year were at the rate of $6\frac{1}{2}\%$ per annum.

The year 1946 was a very active one in the building industry. According to published statistical information, the dollar value of building contracts awarded was higher than in any previous year. While a good deal of this work was not finished during the year, there was an enormous amount of building completed. The demand for cement was keen throughout the year and your Company's shipments were the highest on record with the exception of the year 1929. There were some delays in making deliveries but by the end of the year practically all orders on hand had been taken care of. The territory where the largest increase in demand took place was in the Province of Alberta. In the hope that the average consumption in Alberta will improve over pre-war years, an addition is being made to the producing capacity at your Exshaw, Alberta, plant which it is expected will be effective in 1947. An addition is also being made to the plant at Montreal East which is scheduled to be in operation early in 1947.

The balance of the outstanding $4\frac{1}{4}\%$ bonds due in 1951 amounting to \$8,500,000.00 was redeemed during the year. A new issue of \$3,500,000.00 $2\frac{1}{8}\%$ five-year serial bonds, maturing to the extent of \$700,000.00 per year for five years, was sold.

Reference is made in notes on this Balance Sheet to the subdivision of the Preference Shares of the Company, for which a Special General Meeting of Shareholders was held on Wednesday, August 21, 1946. These notes deal with this matter in some detail.

Manufacturing costs continued to increase during the year and reached their highest point at the year's end. The average production cost, therefore, for 1947 will be materially higher than the average cost for 1946. It is expected that the demand for your Company's product in the coming year will be very good. There is a great deal of new building projected and the demand for building materials should keep the industry busy.

Your Company has suffered a severe loss during the year in the deaths of two of its Directors—Mr. Morris W. Wilson and Mr. Gordon C. Edwards.

Respectfully submitted on behalf of the Board of Directors.

J. D. JOHNSON,

President.

CANADA CEMENT COMPANY LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet, November 30, 1946

ASSETS

CURRENT ASSETS:

Inventories of cement, materials and supplies as determined and certified by the Management and valued at or below cost, which is below market.....	\$ 1,844,446.18	
Accounts receivable (less bad debts reserve)—		
Customers.....	\$ 1,200,393.47	
Other.....	161,635.65	1,362,029.12
Government bonds (Market value \$15,693.75).....		15,000.00
Cash in banks and on hand.....	1,902,996.42	\$ 5,124,471.72

PREFERENCE DIVIDEND MAINTENANCE FUND (represented by cash in banks)...		800,000.00
REFUNDABLE PORTION OF EXCESS PROFITS TAX.....		340,671.10
UNEXPIRED INSURANCE, PREPAID TAXES AND OTHER PREPAID EXPENSES		78,809.60

PROPERTY ACCOUNT:

Land, buildings, plant and equipment, etc. (as appraised by Messrs. Ford, Bacon & Davis, Inc. on the basis of commercial value at September 30, 1927, \$38,267,500) and the Canada Cement Building at cost; with subsequent additions at cost and after crediting amounts realized from plant disposals.....	\$60,035,807.11	
Less: Reserves for depreciation.....	28,849,702.81	31,186,104.30

\$37,530,056.72

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....	\$ 835,870.24	
Bond interest accrued.....	5,689.18	
Preference dividend payable December 20, 1946.....	326,402.89	
Income, excess profits and other taxes.....	441,374.17	\$ 1,609,336.48

MORTGAGE ON CANADA CEMENT BUILDING:

Repayable in semi-annual instalments and balance due in 1948.....		295,000.00
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FIRST MORTGAGE BONDS:

Authorized.....	\$20,000,000.00	
Series "A" issued and redeemed.....	\$16,500,000.00	
2½% serial bonds 1946 Series due \$700,000 annually 1947 to 1951—Issued.....	\$ 3,500,000.00	
Less: Redeemed.....	10,000.00	3,490,000.00

RESERVES:

Fire insurance.....	\$ 500,000.00	
Extraordinary repairs and renewals.....	350,000.00	850,000.00

CAPITAL STOCK:

Cumulative Redeemable Preference Shares of \$20 par value each, carrying annual dividends at the rate of \$1.30 per share (Note 1)—		
Authorized (of which \$21,000,000 have been issued).....	\$25,000,000.00	
Outstanding—1,004,345 shares.....	\$20,086,900.00	
Common Shares—		
600,000 shares of no par value out of an authorized issue of 750,000 shares.....	6,403,904.75	26,490,804.75

SURPLUS: (Note 2)

Earned Surplus, per statement attached.....	\$ 3,654,244.39	
Deferred Surplus—refundable portion of excess profits tax.....	340,671.10	
Appropriated for Preference Dividend Maintenance Fund.....	800,000.00	4,794,915.49

\$37,530,056.72

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have made an examination of the books and accounts of Canada Cement Company Limited and its Subsidiary Companies for the year ending November 30, 1946, and have obtained all the information and explanations which we have required, and we report that, in our opinion, the above Balance Sheet, supplemented by the notes appended hereto, is properly drawn up so as to exhibit a true and correct view of the affairs of Canada Cement Company Limited and its Subsidiary Companies at November 30, 1946, and that the Statement of Profit and Loss and Earned Surplus correctly sets forth the result of their combined operations, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

PRICE, WATERHOUSE & CO.,
Auditors.

APPROVED ON BEHALF OF THE BOARD:

J. D. JOHNSON, Director.
F. B. KILBOURN, Director.

MONTREAL, January 10, 1947.

CANADA CEMENT COMPANY LIMITED
AND SUBSIDIARY COMPANIES

**Consolidated Statement of Profit and Loss and Earned Surplus
for the year ending November 30, 1946**

Profit from operations after providing \$2,225,000.00 for depreciation, but before taking into account the undernoted items.....			\$ 4,832,635.19
Executive remuneration.....	\$ 98,424.96		
Directors' fees.....	11,480.00		
Legal expenses.....	2,201.80	112,106.76	
			\$ 4,720,528.43
Add:			
Income from investments.....	\$ 62,216.23		
Profit on sale of investments.....	97,704.75	159,920.98	
			\$ 4,880,449.41
Deduct:			
Bond interest (net).....	\$ 333,626.59		
Mortgage interest.....	13,300.00		
Contribution to pension fund.....	100,000.00		
Proportion of 1936 Bond refunding expense.....	100,000.00		
Provision for income and excess profits taxes (of which the refundable portion of excess profits tax is \$10,400.00).....	2,155,000.00	2,701,926.59	
			\$ 2,178,522.82
Net profit for year, after income and excess profits taxes.....			800,000.00
Deduct: Appropriation to Preference Dividend Maintenance Fund.....			\$ 1,378,522.82
Balance of profits.....			\$ 3,485,081.08
Earned surplus, November 30, 1945.....	\$ 3,485,081.08		
Add: Transfers from reserves—			
6½% Preference share redemption.....	\$ 55,900.00		
Fire insurance.....	250,000.00		
Industrial accidents.....	56,800.00		
Contingent.....	400,000.00	762,700.00	4,247,781.08
			\$ 5,626,303.90
Deduct:			
Balance of 1936 Bond refunding expense.....	\$ 560,000.00		
Premium and expenses of 1946 Bond refunding, and expenses of compromise or arrangement with shareholders.....	106,410.89	666,410.89	
			\$ 4,959,893.01
Dividends on Preference shares.....			1,305,648.62
			\$ 3,654,244.39
Earned surplus, November 30, 1946.....			\$ 3,654,244.39

Notes to Consolidated Balance Sheet:

(1) Under the Compromise or Arrangement sanctioned at the Special General Meeting of Shareholders on August 21, 1946, and confirmed by Supplementary Letters Patent dated September 23, 1946, each of the 6½% Sinking Fund Cumulative Preference shares of the par value of \$100 each was subdivided into five Cumulative Redeemable Preference shares of the par value of \$20 each, and the arrears of dividends, amounting to \$40.25 per share, were extinguished.

The Preference shares may be called for redemption at \$30 per share but the Company shall not be entitled to redeem upon call any of the Preference shares prior to October 1, 1951, and thereafter shall not be entitled to redeem, either upon call or by purchase, any of the Preference shares to such extent that the aggregate par value of the outstanding Preference shares shall thereby be reduced to less than \$15,000,000 prior to October 1, 1956, nor to less than \$10,000,000 prior to October 1, 1961.

(2) So long as any Preference shares are outstanding, no dividend shall be paid upon the Common shares when the Preference Dividend Maintenance Fund shall amount to less than \$2.60 per share then outstanding; also neither \$875,000 of the amount of the Earned Surplus as at November 30, 1945, nor any part of \$330,271 of the amount of the Deferred Surplus as of said date shall be used or applied in payment of any dividend on the Common shares.