ANNUAL REPORT

OF THE

BOARD OF DIRECTORS

FOR THE FISCAL YEAR ENDING

NOVEMBER 30, 1938

CANADA CEMENT COMPANY LIMITED

Annual Report of the Board of Directors

TO THE SHAREHOLDERS:

Your Directors present herewith a statement of the affairs and financial position of your Company for the fiscal year ending November 30, 1938.

During the year the demand for cement was considerably less than in 1937 and earnings consequently were affected adversely. The falling off was particularly marked during the early months of the building season. A more vigorous demand developed during the late Fall months, so that in the last quarter of the fiscal year volume was more nearly on a par with that which obtained in the corresponding period of the previous year.

Net earnings for the year amounted to $1,124,511.65 after providing for depreciation and making provision for Provincial and Dominion Income Taxes. This compares with $1,477,831.47 in the previous year, a decline of $353,319.82. Net working capital shows a decline of $314,685.19. This decline in working capital, however, is more than accounted for by the fact that the holdings of the Company's own bonds increased from $16,915.00 in 1937 to $557,000.00 in 1938. Short-term serial bonds retired during the year amounted to $750,000.00. The mortgage on the Canada Cement Building was reduced by $50,000.00.

Capital expenditures made during the year were comparatively small and were used for the betterment of packing facilities, installation of coal pulverizers, and a variety of small items at the different plants to keep them up to date with recent developments in the industry. The mechanical operation of your plants is very satisfactory. The great difficulty from an operating standpoint is the lack of sufficient volume of business to operate the plants to normal capacity.

A special dividend of $2.00 per share on the Preference stock, declared in December, 1937, as mentioned in last year's report, was paid on March 20th. In addition, two dividends of $1.25 each and two dividends of $1.00 each were declared during the year.

Great credit is due the Accident Prevention Committees and the employees generally for their vigilance in accident prevention. Throughout the year, four of your plants had no lost-time accidents; the others reduced their lost-time accidents almost to the vanishing point, with no fatality at any plant. An all-time record was established for the Company in accident prevention.

The outlook for the coming year is more promising. If present prospects materialize, there should be a better volume of business for your Company during 1939.

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, 1938

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		$ 1,539,632.36	
Accounts Receivable (less Bad Debts Reserve)—			
Customers' Accounts	$ 548,478.63		
Other Accounts	88,384.17	636,862.80	
Loans to Employees for the purpose of purchase of Company's shares		3,540.92	
Deposits on Tenders		4,883.29	
Government and Public Utility Bonds (Market value $1,125,906.88)		1,060,537.27	
Cash		1,421,207.92	$ 4,666,664.56
INVESTMENT IN COMPANY'S OWN BONDS, AT PAR			557,000.00
UNEXPIRED INSURANCE, PREPAID TAXES AND OTHER PREPAID EXPENSES			127,954.03
BOND REFUNDING EXPENSE (less amounts written off)			1,430,000.00
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—$38,267,500.00) and the Canada Cement Building at cost; with subsequent additions and acquisitions at cost, less Depreciation Reserves of $15,309,702.81			39,925,522.22
			$46,707,140.81

LIABILITIES

CURRENT LIABILITIES:			
Accounts Payable		$ 176,409.90	
Bond Interest Accrued		49,687.50	
Preference Dividend declared, payable December 20, 1938		200,869.00	
Provision for Dominion, Provincial and other Taxes		372,658.11	$ 799,624.51
FIRST MORTGAGE BONDS:			
Authorized		$20,000,000.00	
Issued Series "A"		$16,500,000.00	
Outstanding—			
3% Serial Bonds due 1939 and 1940		$ 1,500,000.00	
3½% Serial Bonds due 1941 to 1944		3,000,000.00	
4¼% Sinking Fund Bonds due 1951		10,500,000.00	15,000,000.00
MORTGAGE ON CANADA CEMENT BUILDING:			
Repayable in semi-annual instalments and balance due in 1948			695,000.00
RESERVES:			
Fire Insurance		$ 750,000.00	
Extraordinary Repairs and Renewals		350,000.00	
Industrial Accidents		58,000.00	
Contingent Reserve		400,000.00	1,558,000.00
PREFERENCE SHARES REDEMPTION RESERVE			55,900.00
PREFERENCE SHARES—6½% SINKING FUND CUMULATIVE SHARES OF $100.00 EACH, REDEEMABLE ON SIXTY DAYS' NOTICE:			
Authorized (of which $21,000,000.00 has been issued)		$25,000,000.00	
Outstanding			20,086,900.00
NOTE: Dividends are in arrears $31.25 per share.			
COMMON SHARES:			
600,000 Shares of No Par Value out of an authorized issue of 750,000 Shares			6,403,904.75
EARNED SURPLUS:			
Profit and Loss Account for the year ending November 30, 1938—			
Profit from Operations, before deduction of the undernoted items	$ 3,505,012.42		
Income from Investments	46,983.51	$ 3,551,995.93	
Deduct:			
Bond Interest	$ 616,881.90		
Mortgage Interest	36,625.00		
Depreciation Provision	1,250,000.00		
Reserve for Extraordinary Repairs and Renewals	40,000.00		
Executive Remuneration	74,013.34		
Directors' Fees	12,140.00		
Legal Expenses	1,824.04		
Proportion of Bond Refunding Expense	110,000.00		
Provision for Dominion and Provincial Income Taxes	286,000.00	2,427,484.28	
		$ 1,124,511.65	
Earned Surplus, November 30, 1937		2,288,948.40	
		$ 3,413,460.05	
Deduct: Dividends on Preference Shares		1,305,648.50	2,107,811.55
			$46,707,140.81

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, 1938, and have obtained all the information and explanations which we have required; and we report that, in our opinion, the above Balance Sheet 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, 1938, and that the Profit and Loss Account 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.

APPROVED ON BEHALF OF THE BOARD:

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

PRICE, WATERHOUSE & CO.,
Auditors.
Montreal, December 19, 1938.

PRINTED IN CANADA