

ANNUAL REPORT
OF THE
BOARD OF DIRECTORS



FOR THE FISCAL YEAR ENDING
NOVEMBER 30, 1936

PURVIS HALL
LIBRARIES

DEC 8 1936

McGILL UNIVERSITY

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, 1936.

The general improvement in business conditions in Canada during 1936 was reflected to some degree in the building industry, resulting in an increase in cement consumption over 1935. It may be stated, however, that the building industry is still far from normal for this country. Building and Engineering permits for 1936 were only 43½% of 1926, and 28% of 1929. There is encouragement in the fact that a perceptible upturn took place in private building, the first real sign of a revival in private construction since the commencement of the depression. Canada still lags far behind nearly every other country in the world in building activity, but a gradual improvement is looked for in this connection.

The statement presented herewith is in consolidated form, including all subsidiaries. The results of the year's operations reflect the improvement in cement consumption during the year. Net earnings improved by \$625,548.24. Depreciation Reserve set up amounts to \$1,027,828.80, and included in this is an item of \$27,828.80 reserve for depreciation of Canada Cement Building which is owned by the St. Lawrence Land Company, for the first time included in the consolidated statement. You will note also that the Reserve for Extraordinary Repairs and Renewals has been increased from last year's figure of \$175,000.00 to \$325,000.00. This increase is also accounted for by the consolidation of the St. Lawrence Land Company accounts. Owing to the fact that shipments of your Company's product are now made largely in paper sacks, the amount previously standing in Cloth Sack Reserve Account amounting to \$150,000.00 has been transferred to Contingent Reserve, bringing this reserve up to \$400,000.00.

At a Special General Meeting of Shareholders held on September 25, 1936, you authorized a new issue of bonds to replace the then outstanding \$17,059,000.00 of 5½% Gold Bonds. This operation has been carried out. Of the new issue of \$20,000,000.00 authorized \$16,500,000.00 were sold—\$3,000,000.00 bearing 3% interest, \$3,000,000.00 bearing 3½% interest, and \$10,500,000.00 bearing 4¼% interest.

The difference between the amount of bonds previously outstanding of \$17,059,000.00 and the amount now outstanding of \$16,500,000.00, plus the bond refunding expense (consisting of the redemption premium on the old bonds, the exchange premium on the old bonds, and the discount on the new bonds), has all been taken care of out of the cash resources of the Company. The bond refunding expense has, however, not been written off but has been carried forward on the books of the Company and will be amortized over future years.

The issue of the new bonds will result in considerable saving of interest to the Company and a relief from exchange fluctuations which proved a somewhat burdensome item on the old bonds as they were payable both as to principal and interest in three currencies at the option of the holder. The new bonds are payable in Canadian Funds only.

Dividends accrued during the year on the Preference Stock. Owing to the improvement that has already taken place in the business of the Company and the prospects for its continuance, your Directors have declared a dividend of \$1.00 per share on the Preference Stock, payable March 20th to Shareholders of record February 28, 1937. Future declarations will depend upon conditions at the time they come up for consideration.

Respectfully submitted on behalf of the Board of Directors.

J. D. JOHNSON,
President.

CANADA CEMENT COMPANY LIMITED

Consolidated Balance Sheet, November 30, 1936

ASSETS

CURRENT ASSETS:

Inventories as determined and certified to by the Management and valued at or below cost which is below market		\$ 1,562,038.69	
Accounts Receivable (less Bad Debt Reserve):			
Customers' Accounts	\$ 311,065.35		
Other Accounts	64,486.31	375,551.66	
Loans to Employees for purpose of purchase of Company's shares		1,616.41	
Deposits on Tenders		13,686.42	
Securities deposited with Workmen's Compensation Commission		5,000.00	
Government and Public Utility Bonds (Market value \$1,048,315.00)		998,215.63	
Cash		929,160.85	\$ 3,885,269.66

OTHER INVESTMENTS:

Miscellaneous Investments at cost, less amounts written off		60,034.50	
---	--	-----------	--

UNEXPIRED INSURANCE, PREPAID TAXES AND OTHER PREPAID EXPENSES

81,802.51

BOND REFUNDING EXPENSE:

Premium and exchange on bonds redeemed and discount on new bonds issued		1,652,154.58	
---	--	--------------	--

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 \$12,809,702.81		42,092,384.39	
--	--	---------------	--

\$ 47,771,645.64

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable	\$ 335,121.41		
Bond Interest Accrued	53,437.50		
Mortgage Interest Accrued	20,500.00		
Provision for Dominion, Provincial and other Taxes	247,254.55	\$ 656,313.46	

FIRST MORTGAGE BONDS:

Authorized	\$20,000,000.00		
Issued (on November 1, 1936) Series "A"—			
3% Serial Bonds due 1937 to 1940	\$ 3,000,000.00		
3½% Serial Bonds due 1941 to 1944	3,000,000.00		
4¼% Sinking Fund Bonds due 1951	10,500,000.00	16,500,000.00	

MORTGAGE ON CANADA CEMENT BUILDING:

Balance bearing interest at 5% per annum due in 1948, repayable after June 1, 1938, at Company's option		820,000.00	
---	--	------------	--

RESERVES:

Fire Insurance	\$ 750,000.00		
Extraordinary Repairs and Renewals	325,000.00		
Industrial Accidents	58,600.00		
Contingent Reserve (after transfer of Cloth Sack Reserve of \$150,000.00)	400,000.00	1,533,600.00	

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: No dividend has been paid since May 31, 1932.

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, 1936:			
Profit from Operations	\$ 2,830,906.87		
Income from Investments	82,953.41		
Profit on Sale of Investments	26,320.00		
Deduct:		\$ 2,940,180.28	
Bond Interest and Exchange thereon	\$ 929,435.24		
Mortgage Interest	41,250.00		
Depreciation Provision	1,027,828.80		
Executive Remuneration	67,229.80		
Directors' Fees	9,870.00		
Legal Expenses	659.25		
Legal and other Bond Conversion Expenses	54,665.64		
Provision for Dominion and Provincial Income Taxes	146,000.00	2,276,938.73	
		\$ 663,241.55	
Earned Surplus, November 30, 1935	\$1,035,646.95		
Adjustments in respect of prior years	16,138.93	1,051,785.88	1,715,027.43
			<u>\$ 47,771,645.64</u>

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, 1936, 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, 1936, and that the Profit and Loss Account correctly sets forth the result of their combined operations before making full provision for Depreciation of Plant and Equipment, 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, January 6, 1937.

CANADA CEMENT COMPANY LIMITED

Consolidated Balance Sheet November 30, 1938

ASSETS

	Current assets Cash and bank balances Accounts receivable and bills receivable Prepaid expenses Other receivables Inventories Total current assets	Fixed assets Land and buildings Plant and machinery Investments Total fixed assets
Total assets	\$ 1,150,000	\$ 1,150,000

LIABILITIES

	Current liabilities Accounts payable Accrued liabilities Other liabilities Total current liabilities	Long-term liabilities Mortgage bonds Debentures Total long-term liabilities
Total liabilities	\$ 1,150,000	\$ 1,150,000

This balance sheet is prepared in accordance with the provisions of the Companies Act, 1929, and the regulations thereunder. The figures shown are those shown in the consolidated financial statements of the company and its subsidiaries for the year ended November 30, 1938.

