

LAKE ONTARIO
CEMENT LIMITED

and subsidiary companies

ANNUAL
REPORT
1972



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The photographs on this year's Company report show three of the key elements of the operations of Lake Ontario Cement Limited. The ready-mix concrete division of the Company is represented by a Premier Concrete Products' truck; the cement distribution system by the MV "Metis", one of the Company's lake cement carriers; and the technical equipment and people of the cement division are represented by a picture of the mill control room and a senior technician at our Picton plant.

LAKE ONTARIO CEMENT LIMITED

financial highlights	Year ended December 31,	
	1972	1971 (restated)
Billings to customers, less discounts and taxes - - - - -	\$27,337,527	\$26,443,457
Depreciation and depletion - - - - -	\$ 2,105,205	\$ 2,039,697
Interest on borrowed funds - - - - -	\$ 1,084,063	\$ 959,719
Investment income (including extraordinary item) - - - - -	\$ 274,072	\$ 109,489
Net earnings for the year - - - - -	\$ 1,690,275	\$ 1,379,383
Earnings per common share - - - - -	39.5¢	32.7¢
Funds generated from operations - - -	\$ 3,616,047	\$ 3,518,999
Capital expenditures - - - - -	\$ 2,773,871	\$ 1,427,830
Working capital - - - - -	\$ 6,568,170	\$ 5,569,464
Long-term debt (including amounts due within one year) - - - - -	\$11,308,444	\$11,156,950
Shareholders' equity - - - - -	\$21,912,604	\$20,219,862
Equity per common share (after full provision for income taxes) - - - - -	\$ 4.16	\$ 3.81
Common shares issued - - - - -	4,278,461	4,223,461

Directors

Peter Barry - - - - - Rochester, New York
Chairman of the Board of Trustees, The Monroe County Savings Bank

William M. Bateman - - - - - Toronto, Ontario
President, Lake Ontario Cement Limited

Charles F. W. Burns - - - - - Toronto, Ontario
Chairman, Burns Bros. and Denton Limited

W. Harold Evans - - - - - Toronto, Ontario
Chairman of the Board, Lake Ontario Cement Limited
Former Chairman of the Board of Honeywell Controls Limited

John D. Fowler - - - - - Toronto, Ontario
Executive Vice-President, Lake Ontario Cement Limited

W. Howard Jagels - - - - - Rochester, New York
Retired, former President of Rochester Portland Cement Corp.

E. Bruce McConkey - - - - - Toronto, Ontario
Vice-President, Finance and Treasurer, Denison Mines Limited

Harvey J. McFarland - - - - - Picton, Ontario
President, H. J. McFarland Construction Company Limited

John A. Mullin, Q.C. - - - - - Toronto, Ontario
Partner, Fraser & Beatty

Charles D. Parmelee - - - - - Toronto, Ontario
Executive Assistant to the Chairman of the Board, Denison Mines Limited

Hon. Michael Starr, P.C. - - - - - Oshawa, Ontario
Consultant

Officers

W. H. Evans - - - - - Chairman of the Board

W. M. Bateman - - - - - President

J. D. Fowler - - - - - Executive Vice-President

D. R. T. White - - - - - Vice-President Administration and Finance and Secretary

B. T. Price - - - - - Vice-President—Operations

R. P. Sutherland - - - - - Assistant Secretary and Corporate Controller

C. A. Gibbs - - - - - Assistant Treasurer

Head Office - - - - - 2 Carlton Street, Toronto, Ontario

Subsidiaries - - - - - Rochester Portland Cement Corp., Rochester, New York
Ryan Builders Supplies (Windsor) Limited, Windsor, Ontario

Transfer Agent and
Registrar (Canada) - - - - - Guaranty Trust Company of Canada, Toronto, Ontario

Transfer Agent (U.S.A.) - - - - - First National City Bank, New York, N.Y.

Registrar (U.S.A.) - - - - - Marine Midland Bank—New York, New York, N.Y.

Auditors - - - - - Eddis & Associates, Toronto, Ontario

Solicitors - - - - - Davies, Ward & Beck, Toronto, Ontario

REPORT TO SHAREHOLDERS

It is with a great deal of pleasure that, on behalf of the Board of Directors, I report to you on the Company's results for 1972. Once again, overall results exceed those of any other year. Additionally and for the first time, this report includes the Company's share of the earnings of Primeau Argo Block Co. Limited in which Lake Ontario Cement Limited owns a 50% interest.

Consolidated Earnings after provision for income taxes for the year, including the contribution of Primeau Argo Block Co. Limited, reached \$1,690,275. Consolidated Earnings excluding the earnings of the associated company were \$1,416,203, up 11.5% over the 1971 level, while shipments of cement and concrete products increased by 3.4% to \$27,337,527. Including the share of Primeau Argo Block Co. Limited income, earnings per share were 39.5¢ in 1972 compared to 32.7¢ for restated 1971 results.

The improved Company performance is a result, generally, of record production levels at the Picton plant along with clinker sales and higher Canadian selling prices for cement and was achieved in spite of the adverse effect of the United States dollar exchange rate and decreased profitability in the Concrete Products Division.

Cement Division—Sales

Cement shipments in the Company's Ontario and New York State markets were at approximately the record levels attained in 1971 and quantities of clinker were shipped to the export market for the first time.

Cement selling prices were increased in Canada but constraints imposed in the U.S.A., by the Federal Government wage and price controls program, limited price increases in that market to a minimal level. Increased efficiencies at the Picton cement plant together with a complete year's operation of the new mill installed in late 1971, led to record cement production and provided additional clinker production which found a ready market in the United States.

Cement Division—Manufacturing

Over the last year a significant amount of planning has taken place in order to evaluate the most effective methods of increasing cement production. The Company also has embarked on a feasibility study of various innovative schemes for improving the techniques of manufacturing cement and hence the profitability of the Picton plant. The Canadian Federal Government has participated in this latter study by awarding Lake Ontario Cement Limited a grant under the Program to Enhance

Productivity (PEP) in the amount of \$50,000. The objective of this federal program is to encourage industrial growth and production by supporting studies designed to determine the feasibility of projects for enhancing substantially the productivity or efficiency of companies. An internal report on this program prepared jointly by the Company and its consultants will be completed early in 1973.

It has been determined by management that, prior to the completion of these detailed studies, certain steps should be taken immediately to improve the productivity and capacity of the Cement Division. In particular, a first stage in the expansion of the Company manufacturing facilities at Picton would involve the installation of new milling equipment and, for this reason, two roller mills were purchased late in 1972. These mills are new to the cement industry in North America and will be used to grind raw kiln feed in place of the existing ball mills which will be converted to the finished grinding of cement. This new equipment will result in enhanced plant performance with a concurrent reduction in operating costs. Installation of these mills and delivery of auxiliary equipment will take some time so that the total impact on production will not be felt until 1974.

Cement Division—Materials

The matter of the Company's excavation of sand for the Cement Division, at its leased property in the vicinity of the Sandbanks Provincial Park in the County of Prince Edward, deserves some mention here. Charges have been made by certain environmentalists that the Company has been denuding the Sandbanks Provincial Park and that a lease obtained from the Ontario Provincial Government was obtained at terms very beneficial to the Company and accordingly, this lease should be terminated.

The facts are that Lake Ontario Cement Limited has been excavating sand from a 16 acre plot of leased land outside the 1,800 acre Provincial Park. The Company obtained the lease from the Province of Ontario before any park was even in existence with the specific provision that the Company excavate sand from the leased area, an operation which at that time was considered to be beneficial. An agreement stipulated that Lake Ontario Cement Limited deed to the Province a similar size tract of land with similar characteristics owned by the Company which was subsequently incorporated into the Sandbanks Provincial Park, and pay one dollar per year. A recent law suit brought by a private citizen in respect of this lease was subsequently dismissed by the court as being frivolous and vexatious.

The use of this sand has very definite economic benefits to the Company. It would not be proper, however, to discuss the matter further at this time since the issue is presently being discussed with the Province of Ontario, although high government officials are quoted in the press to the effect that the matter will undoubtedly be resolved to the satisfaction of all concerned. The future of the Company's operation in the County of Prince Edward, the site of our cement manufacturing operation, is well established and we look forward to many years of fruitful operation in the area.

Shareholders may rest assured that Company management intends to safeguard the interests of its shareholders, its employees and the communities in which they work and live, all consistent with the interests of the general public.

Concrete Products Division

The Concrete Products Division consists of ready-mixed concrete operations, a concrete block manufacturing plant and building supply business in Windsor, and a sand and gravel operation in the Caledon area. There are four ready-mix concrete plants in the Toronto area, two in the Hamilton/Burlington area, two in Windsor and one in Ottawa.

Profitability in this Division in 1972 was adversely affected by deteriorating prices in the Metropolitan Toronto market. Further, strikes of certain construction trades at peak periods during the year reduced the volume of shipments. The performance of this segment of the Company's activities has been disappointing and steps are being taken to prune out unprofitable areas and modernize facilities and equipment. Operations are being continually monitored for efficiency and systematically modernized.

It is also the intention of the Company to diversify its ready-mix concrete operations geographically in order to reduce the exposure to strikes and other cyclical influences in the Metropolitan Toronto area. Concrete batching plants will be eliminated where changes in markets and traffic patterns do not show promise for the future. As part of this overall program, a new operation was established in Ottawa in 1972.

A number of large new ready-mix delivery trucks have been purchased and others are on order for delivery in 1973. This new equipment along with more modern batching plants will have the long-term effect of making this Division more efficient and competitive in the ready-mix concrete market. Your Company also is continuing to search for opportunities for growth through this Division by either acquisition or expansion of existing facilities into new and promising market areas.

Primeau Argo Block Co. Limited

Primeau Argo Block Co. Limited has been associated with Lake Ontario Cement Limited since 1964 and for the first time, the Company is incorporating its portion of the earnings of this associated company in its financial statements. The Company has adopted and applied retroactively the equity method of accounting for its 50% investment in Primeau Argo Block Co. Limited and, for comparative purposes, the 1971 financial figures and the ten year financial summary have been restated.

The investment income reported on the Lake Ontario Cement Limited statements for this associated company is \$274,072 in 1972, including an extraordinary item of \$152,887. Both sales and operating profits are approximately 10% over the 1971 levels.

Primeau Argo Block Co. Limited is a well-managed company with a history of profitability. It operates three block plants serving Metropolitan Toronto, one each in Cooksville, Scarborough and Pickering, and is the largest block producer in Ontario. Modernization of production equipment commenced in 1971. It has now been completed and is responsible in no small way for the improvements in 1972. Attention is being constantly given to the improvement and modernization of its plants with a view to maintaining its leading position in the Toronto building scene.

Capital Expenditures

Your Company has continued to reinvest much of its generated funds in capital assets over the years in a continuing plan to improve profitability and to make more effective use of its existing plant and equipment. Capital expenditures in 1972 were at the highest level since 1966 and totalled \$2,773,871 compared to \$1,427,830 in 1971.

Of the total capital expenditures for the year, approximately \$1,500,000 was spent by the Cement Division including \$500,000 alone for anti-pollution equipment. The Picton cement plant now meets the requirements of the Air Management Branch of the Ontario Department of Energy and Resources. Of major significance among other capital expenditures made in 1972 was the purchase of the two roller mills commented on earlier in this report. This modern equipment was obtained under particularly advantageous conditions and will optimize production of the existing plant facilities and enhance any subsequent expansion which it may be found desirable to implement.

Approximately \$1,300,000 was spent by the Concrete Products Division on capital assets in 1972. A site for

a new ready-mix concrete plant was purchased in Ottawa and additional property obtained in Mississauga, adjacent to an existing plant, for the purpose of relocating and centralizing the Toronto area offices, maintenance and dispatch facilities. It is proposed to dispose of certain land holdings in Toronto and Windsor which will become redundant. Other significant additions made during the year were a number of new ready-mix concrete delivery trucks and a sand and gravel property obtained to augment existing reserves.

Labour

During 1972 new two year contracts were signed with the United Cement, Lime and Gypsum Workers International Union representing the hourly-rated employees located at Picton and Toronto.

Two year agreements expiring in April 1974 were signed with the Teamsters Union covering ready-mix employees in Toronto and Hamilton and agreements were also completed with the operating employees for the aggregate plant in Caledon and the Ottawa ready-mix operation.

Particular congratulations are in order for the management and work force at the Picton plant where not one lost time accident occurred within the calendar year. Constant vigilance and attendance to detail made this record possible. Aside from the humanitarian aspects, improved morale on the job and reduced costs are some of the significant benefits derived from such a safety performance.

Financial Position

The balance sheet of the Company continues to reflect an improved financial condition. Working capital totalled \$6,568,170 at the end of 1972 compared with \$5,569,464 for the previous year, and current assets are 3.3 times current liabilities. During the year the Company purchased certain pieces of property and granted mortgages on them in order to have flexibility of financial planning for the future.

During the year a total of 55,000 common shares were allotted and issued as partly-paid shares to key executives who purchased them in accordance with the terms of the Company's Share Purchase Plan. Details of this Plan are set out in notes 3 and 4 on page 16 of this report.

Outlook for 1973

We look for a continued healthy market for Portland cement in both Ontario and New York State. No price

increases in cement are projected for Ontario in 1973, although some increase is anticipated in our New York State markets. Building construction should continue to be strong and commercial activity should increase throughout our general market areas.

In the Concrete Products Division, we anticipate a somewhat larger volume of business particularly in the latter part of the year, although it is doubtful if prices will increase at the same rate as costs.

While we are generally optimistic for the year, there are a large number of construction labour contracts up for renewal in 1973 and the possibility of strikes is a major concern.

Directors and Management

At the Annual Meeting in 1972, a new Director, Mr. C. D. Parmelee, was elected to the Board. Mr. Parmelee is Executive Assistant to the Chairman of the Board, Denison Mines Limited, and has been associated with that company since 1968.

Many Shareholders will be aware of the recent death of the Hon. George A. Drew, who retired from the Board of Lake Ontario Cement Limited in 1971 after serving for a number of years as a Director and Chairman of the Board of Directors. Mr. Drew made a significant contribution to the Company and he is remembered with admiration and gratitude for his outstanding contribution and dedicated service to his country in the many top positions he held in public life.

Two senior organizational changes were made during 1972 with Mr. R. L. Forde being appointed President of Rochester Portland Cement Corp., and Mr. K. Bruce being appointed General Manager of the Concrete Products Division. Mr. Forde was previously Vice-President and General Manager of Rochester Portland Cement Corp. Mr. Bruce has an extensive management background in the concrete products business in Canada.

The Board of Directors wishes to express its thanks to the employees of the Company for their contribution to a successful year.

On behalf of the Board of Directors,



W. M. BATEMAN, *President*

People—the vitality of Lake Ontario Cement

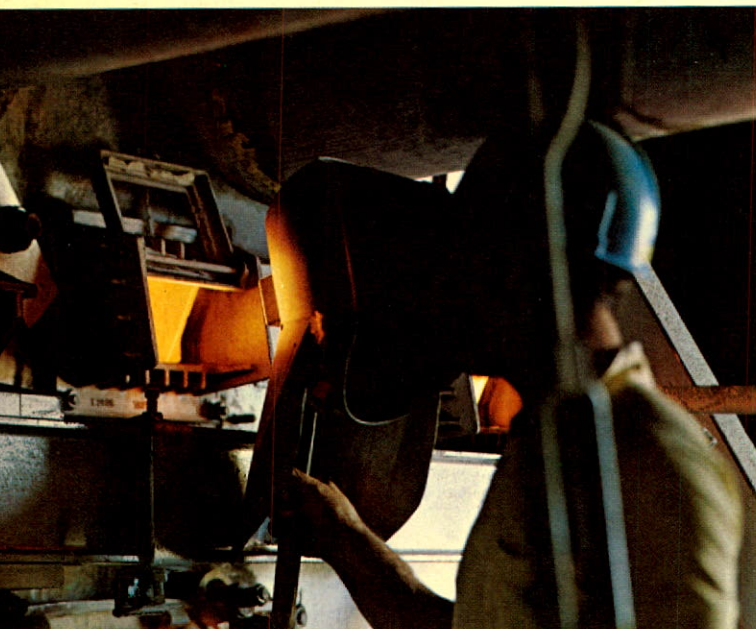
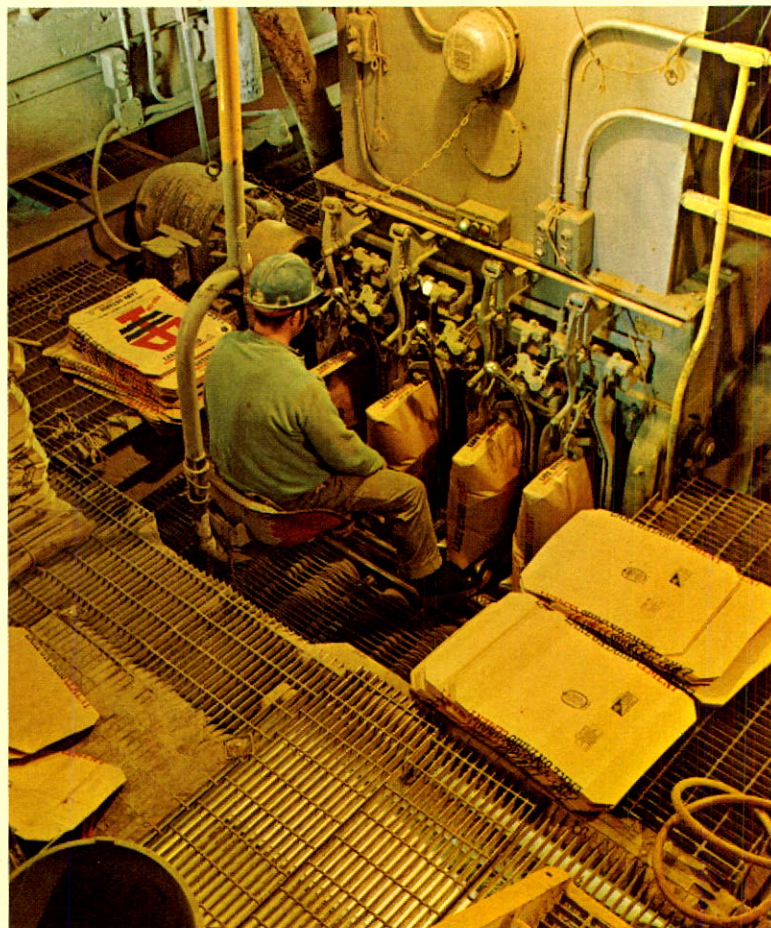
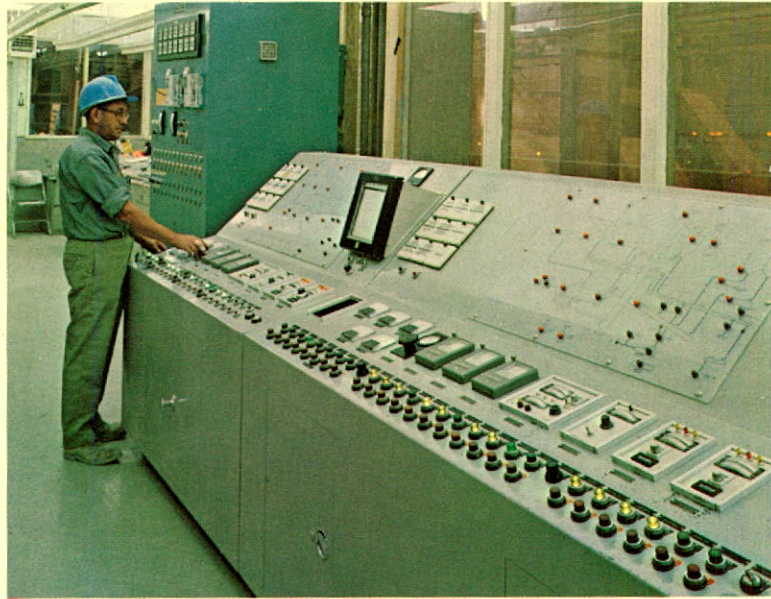
Essential to the composition and success of any industrial organization is its people—with the skills they possess and the enthusiasm they own combining to give the company vitality.

Lake Ontario Cement Limited, with its subsidiaries and associates, consists of some 750 people and their expertise and loyalty is essential in an industry where sophisticated equipment and technical capability is basic to the quality of the product.

Lake Ontario Cement wishes to pay tribute in this report to the men and women who have helped it operate successfully in an industry where most of the Company's competitors have an edge in size and seniority.

The people who make up Lake Ontario Cement are found in a broad international geographical region—two dozen communities in two countries—and the Company is a major economic contributor to many of these communities.

Picton, in eastern Ontario, is the site of the Company's manufacturing plant, and the hub of its production organization. Here, because of the influence of seasonal factors on the cement business, the number of men and women employed may vary through the year;





but at present, there are approximately 200 salaried and hourly-rated employees at the plant.

Another 50 employees operate an essential part of the Company's business—the cement distribution system. Depots are located in Picton, Toronto and Windsor, and, in New York State, in Rochester, Ithaca and Rome. The U.S. operations, sales and service, are through the Company's wholly-owned subsidiary, Rochester Portland Cement Corp.

Closely allied to the cement manufacturing and distribution division of the Company are the surface and water transport services provided by rail, truck and steamship companies. While these companies are separate from Lake Ontario Cement, their activities are an integral part of the cement business and their employees are major contributors to the success of Lake Ontario Cement.

Triad Truckways Limited in Canada and Concrete Delivery Co. Inc. in the U.S., transport cement in bags and bulk directly to customers. The efforts of their many drivers and other employees ensure that satisfactory customer service is achieved.

Two Great Lakes vessels, the MV Metis and the MV Day Peckinpaugh, transport the majority of the



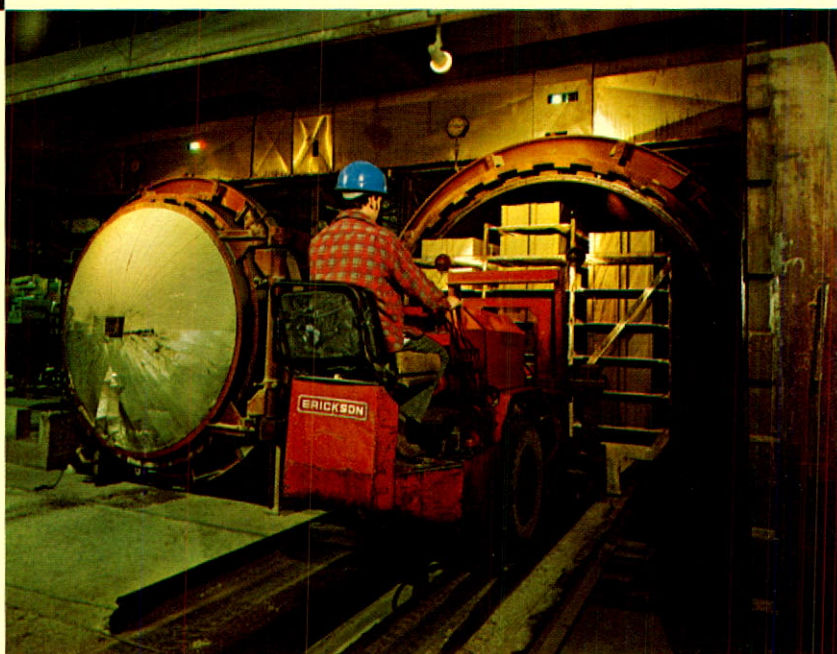


Company's cement to the distribution depots, operating on Lake Ontario, Lake Erie and through the New York State barge canal system. These ships are under contract solely to Lake Ontario Cement and operate with crews of about 35 men.

Through all these processes of supply, manufacture and distribution, the range of human skills involved is as varied as they are essential. There are seamen, drivers, mechanics, quarry workers, kiln operators, yardmen and crane operators, technicians and engineers in mechanical, electrical and chemical functions of production and maintenance, clerks, draftsmen, warehousemen and security personnel—all making valuable contributions to this central operation of the Company's activity.

But they are still only part of the Lake Ontario Cement family.

Ready-mix concrete, aggregate and concrete block manufacturing and sales are increasingly important to the total organization. These activities are the province of the Concrete Products Division and Lake Ontario Cement's associated company, Primeau Argo Block Co. Limited.





Ready-mix concrete sales to the construction industry are from operations in Hamilton, Ottawa, Toronto and Windsor, and aggregates are supplied from the company's plant at Alton. Concrete blocks are manufactured in Windsor and in the three plants of Primeau Argo Block in the metropolitan region of Toronto. More than 350 employees perform the myriad tasks of production and sales that helped this division boost Lake Ontario Cement to a record level of sales in 1972 and Primeau Argo Block to another highly successful year.

Here again, the business is dependent upon people with an array of skills and capabilities—mixing plant operators, yardmen, lab technicians, dispatchers and drivers, teletype operators, maintenance personnel, mechanics and clerks.

Supporting and contributing to all manufacturing divisions of the company is the basic back-up force at the corporate offices in Toronto and Rochester. Their jobs, be they in administration, accounting, sales, computer operation or clerical, dovetail into the whole of the human endeavour that gives Lake Ontario Cement its vitality as a business enterprise.



While the men and women who make up Lake Ontario Cement are essential to its successful operation, their activities also contribute to Canada in a further significant and practical way through the "job-generating" aspects of the Company's various operations and products.

As production increases and cement and concrete products' sales rise, there is the proliferating effect on the volume of material, equipment and services required at the supplier end. At the user end, the company's products are an essential element of the construction industry—one of the most important segments of all business activities in North America. Company cement is used extensively in the highly industrialized southern Ontario and New York State markets and its use generates many jobs, skills and services in residential and industrial construction.

Employment opportunities and scope for advancement are expanded, therefore, for employees of the Company, its suppliers and product users as Lake Ontario Cement grows and prospers.



LAKE ONTARIO CEMENT LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended December 31

	1972	1971 (restated)
Billings to customers, less discounts and taxes - - - - -	\$27,337,527	\$26,443,457
Cost of sales - - - - -	21,125,594	20,658,668
Gross profit on sales - - - - -	\$ 6,211,933	\$ 5,784,789
Selling, general and administrative expenses - - - - -	\$ 2,347,727	\$ 2,273,382
Interest on long-term debt - - - - -	1,067,531	749,210
Interest on bank loan - - - - -	16,532	210,509
Amortization of debenture discount and expense - - - - -	13,940	26,794
	<u>\$ 3,445,730</u>	<u>\$ 3,259,895</u>
OPERATING PROFIT - - - - -	\$ 2,766,203	\$ 2,524,894
Provision for Income Taxes (Note 5)—Current - - - - -	\$ 1,260,000	\$ 1,086,000
—Deferred - - - - -	90,000	169,000
	<u>\$ 1,350,000</u>	<u>\$ 1,255,000</u>
Net earnings before investment income - - - - -	\$ 1,416,203	\$ 1,269,894
Investment income determined on the equity basis (Note 1)		
Income before extraordinary item - - - - -	121,185	109,489
Extraordinary item—gain on sale of land - - - - -	152,887	—
Share of net income for the year - - - - -	\$ 274,072	\$ 109,489
NET EARNINGS FOR THE YEAR - - - - -	<u>\$ 1,690,275</u>	<u>\$ 1,379,383</u>
NET EARNINGS PER COMMON SHARE BEFORE EXTRAORDINARY ITEM	<u>35.9¢</u>	<u>32.7¢</u>
NET EARNINGS PER COMMON SHARE - - - - -	<u>39.5¢</u>	<u>32.7¢</u>

	1972	1971
Depreciation included above.....	\$2,057,352	\$1,982,994
Depletion included above.....	47,853	56,703
Total.....	<u>\$2,105,205</u>	<u>\$2,039,697</u>

LAKE ONTARIO CEMENT LIMITED

and subsidiary companies

CONSOLIDATED BALANCE SHEET

As at December 31, 1972 (with corresponding figures for 1971)

ASSETS

CURRENT ASSETS

	1972	1971 (restated)
Cash and short-term deposits - - - - -	\$ 1,027,818	\$ 1,353,845
Accounts receivable - - - - -	4,561,069	3,573,791
Inventories, at cost		
Finished and semi-processed products - - - - -	1,473,923	1,356,946
Raw materials and supplies - - - - -	2,328,838	2,124,447
Prepaid expenses - - - - -	76,663	79,244
	<u>\$ 9,468,311</u>	<u>\$ 8,488,273</u>

NON CURRENT ACCOUNTS RECEIVABLE AND OTHER ITEMS - - - - -	<u>\$ 189,268</u>	<u>\$ 213,305</u>
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INVESTMENTS (Note 1)

Primeau Argo Block Co. Limited - - - - -	<u>\$ 1,170,282</u>	<u>\$ 896,210</u>
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FIXED ASSETS—AT COST

Property, plant and equipment - - - - -	\$45,708,796	\$43,169,208
Less—Accumulated depreciation and depletion - - - - - (depletion 1972, \$ 438,350; 1971, \$390,497)	18,333,730	16,456,727
	<u>\$27,375,066</u>	<u>\$26,712,481</u>

DEFERRED CHARGES

Unamortized debenture expense - - - - -	\$ 139,462	\$ 153,402
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APPROVED ON BEHALF OF THE BOARD

W. H. Evans, *Director*

W. M. Bateman, *Director*

<u>\$38,342,389</u>	<u>\$36,463,671</u>
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LIABILITIES

	1972	1971 (restated)
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - - - - -	\$ 2,185,045	\$ 1,650,849
Income taxes payable - - - - -	476,296	1,066,010
Long-term debt due within one year - - - - -	238,800	201,950
	<u>\$ 2,900,141</u>	<u>\$ 2,918,809</u>
LONG-TERM DEBT (Note 2)		
Debenture due June 30, 1991—9¼% - - - - -	\$10,500,000	\$10,500,000
Notes due January 31, 1976—8% - - - - -	255,000	455,000
Mortgages due 1977 - - - - -	314,644	—
	<u>\$11,069,644</u>	<u>\$10,955,000</u>
DEFERRED INCOME TAXES (Note 5) - - - - -	<u>\$ 2,460,000</u>	<u>\$ 2,370,000</u>

SHAREHOLDERS' EQUITY**CAPITAL STOCK (Notes 3 & 4)**

Common shares, par value \$1 each

Authorized—5,000,000 shares

Issued— 4,278,461 shares (1971—4,223,461 shares) - - - - - \$ 4,278,461 \$ 4,223,461

CONTRIBUTED SURPLUS (Note 3) - - - - - 4,816,411 4,737,161

\$ 9,094,872 \$ 8,960,622

LESS amounts due under the Share Purchase Plan (Notes 3 & 4) - - - - - 131,783 —

\$ 8,963,089 \$ 8,960,622

RETAINED EARNINGS (Note 5) - - - - - 12,949,515 11,259,240

\$21,912,604 \$20,219,862\$38,342,389 \$36,463,671

LAKE ONTARIO CEMENT LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31

	1972	1971 (restated)
Retained earnings at beginning of year (Note 1)		
As previously reported - - - - -	\$10,605,030	\$ 9,335,136
Adjustment to prior years' earnings (Note 1) - - - - -	654,210	544,721
As restated - - - - -	\$11,259,240	\$ 9,879,857
Net earnings for the year - - - - -	1,690,275	1,379,383
Retained earnings at end of year - - - - -	<u>\$12,949,515</u>	<u>\$11,259,240</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended December 31

	1972	1971 (restated)
SOURCE OF FUNDS		
Current operations		
Net earnings before investment income - - - - -	\$ 1,416,203	\$ 1,269,894
Depreciation and depletion - - - - -	2,105,205	2,039,697
Loss/(Gain) on disposal of fixed assets - - - - -	(9,301)	13,614
Income taxes, deferred - - - - -	90,000	169,000
Amortization of debenture discount and expense - - - - -	13,940	26,794
	<u>\$ 3,616,047</u>	<u>\$ 3,518,999</u>
Proceeds on disposal of fixed assets - - - - -	15,382	46,894
Issue of 9% debenture—less expense - - - - -	—	10,339,628
Proceeds from mortgages - - - - -	353,444	—
Non current accounts receivable and other items - - - - -	24,037	68,896
Issue of common shares (Notes 3 & 4) - - - - -	2,467	—
	<u>\$ 4,011,377</u>	<u>\$13,974,417</u>
APPLICATION OF FUNDS		
Additions to fixed assets - - - - -	\$ 2,773,871	\$ 1,427,830
Reduction in long-term debt - - - - -	238,800	6,599,906
	<u>\$ 3,012,671</u>	<u>\$ 8,027,736</u>
INCREASE IN WORKING CAPITAL - - - - -	\$ 998,706	\$ 5,946,681
WORKING CAPITAL AT BEGINNING OF YEAR - - - - -	5,569,464	(377,217)
WORKING CAPITAL AT END OF YEAR - - - - -	<u>\$ 6,568,170</u>	<u>\$ 5,569,464</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1972

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Lake Ontario Cement Limited and its subsidiary companies, all of which are wholly owned.

Accounts maintained in United States funds have been converted to Canadian funds at appropriate rates of exchange.

In 1972, the Company adopted and applied retroactively the equity method of accounting for its investment in Primeau Argo Block Co. Limited, a 50% owned company. For comparative purposes, 1971 financial statements have been restated to reflect this change which has the effect of increasing retained earnings at December 31, 1971 by \$654,210 and increasing net earnings for the year ended December 31, 1971 by \$109,489 (2.6¢ per share). At time of acquisition, the cost to the Company exceeded its share of the net book value of the assets by \$129,419. This amount is being charged against the Company's share of earnings in equal annual amounts over the ten year period commencing in 1964.

2. LONG-TERM DEBT

The 9½% debenture in the amount of \$10,500,000 matures June 30, 1991 and is repayable in annual instalments of \$583,000 commencing June 30, 1974. This debenture is secured by a first mortgage on the manufacturing facilities in Picton, a first floating charge on substantially all of the Company's assets not subject to the above-mentioned first mortgage and a pledge of the shares of the Company's subsidiaries. The loan agreement providing for the issuance of this debenture restricts the payment of dividends to 50% of post 1970 consolidated net earnings and requires that consolidated net tangible assets shall not be less than \$15,000,000 after the payment of any such dividends.

The 8% notes in the amount of \$455,000 are partially secured by a mortgage of \$420,000. The notes are payable on January 31 of each year as follows: 1973, \$200,000, 1974-5-6, \$85,000 each year.

Certain parcels of land were purchased during the year and the following mortgages granted thereon:

9% due August 29, 1977 repayable on due date - - - - -	\$143,444
8% due November 15, 1977 repayable \$8,400 semi-annually - - - - -	100,000
9% due December 29, 1977 repayable \$5,500 quarterly - - - - -	110,000
	<u>\$353,444</u>
Repayable within one year - - - - -	38,800
	<u>\$314,644</u>

3. CAPITAL STOCK

At December 31, 1972, 20,500 common shares were reserved in connection with the incentive stock option plan and other options referred to in note 4.

During the year 55,000 common shares were allotted and issued under the Share Purchase Plan (note 4). Of the total subscription price for these shares of \$134,250, \$55,000 was allocated to share capital and \$79,250 to contributed surplus. At December 31, 1972 no instalment payments were in arrears on these subscriptions.

4. SHARE PURCHASE PLAN AND STOCK OPTIONS

Share Purchase Plan

Under the terms of the Share Purchase Plan for Key Executives, authorized and unissued common shares of the Company up to, but not exceeding, 200,000 shares in the aggregate may be allotted and issued to key executives. Shares are issued for a subscription price payable by way of a down payment and instalment payments extending over a period of not more than five years. The subscriber waives all voting rights until the shares are fully paid. Shares may be allotted and issued at a price representing a discount of not more than 15% from the market price. As at December 31, 1972, 55,000 shares had been allotted and issued as partly-paid shares of which 25,000 shares were allotted to an officer and director at a price of \$2.25 per share and 10,000 shares were allotted to each of three officers, one of whom is also a director, at a price of \$2.60 per share.

Incentive Stock Option Plan

Under the terms of the incentive stock option plan, there were outstanding and exercisable as at

December 31, 1972 options to purchase 3,000 shares at \$3.00 per share and 11,500 shares at \$5.00 per share. In all cases, the option price was not less than the approximate fair market value at date of grant. Of these outstanding options 3,000 shares at \$3.00 per share were granted to a director and officer of the Company and 3,000 shares at \$5.00 per share were granted to officers of the Company. These options expire as to 3,000 shares at \$3.00 per share in 1974, 1,500 shares at \$5.00 per share in 1975 and 10,000 shares at \$5.00 per share in 1977. No further options may be granted under the plan.

Other Options

Options were granted to employees in 1969 who are not directors of the Company, to purchase 6,000 shares at \$5.00 per share. Of these outstanding options 4,000 shares at \$5.00 per share were granted to an officer of the Company. These options which expire in 1979, are exercisable as to 40% of the shares involved after one year and a further 20% per year after each of the three succeeding years. Options covering 4,800 shares were exercisable at December 31, 1972.

Under the Incentive Stock Option Plan and other options described above, no options were either granted or exercised during the year.

5. INCOME TAXES

Of the \$1,350,000 income taxes charged against earnings, \$90,000 has been deferred because it is the Company's intention to claim capital cost allowances in excess of depreciation charged in the accounts.

The total deferred income taxes to December 31, 1972 are \$6,582,000 of which \$4,122,000 is not

recorded in the accounts. Until December 31, 1967 deferred income taxes were reported by note to the financial statements. On January 1, 1968 the Company changed its method and recorded subsequent deferred income taxes in the accounts. The accumulated deferred income taxes from January 1, 1968 are \$2,460,000 which amount appears on the consolidated balance sheet.

6. REMUNERATION OF DIRECTORS AND OFFICERS

As defined in the Canada Corporations Act, for the year ended December 31, 1972, twelve directors received aggregate remuneration of \$21,000 as directors; six officers, three of whom are also directors, received aggregate remuneration of \$180,633 as officers.

As defined in the Ontario Securities Act, aggregate remuneration of directors and senior officers totalled \$183,083.

7. LEASE AGREEMENTS

The Company has existing agreements to lease land, buildings, equipment and shipping facilities, the minimum annual aggregate rentals for which total approximately \$750,000.

8. PENSION PLANS

Based on the most recent actuarial reports, unfunded past service liabilities which amounted to \$429,180 at December 31, 1972 are required to be funded over the next 18 years.

The total charge against operations in 1972 with respect to these liabilities amounted to \$39,590 including interest.

AUDITORS' REPORT

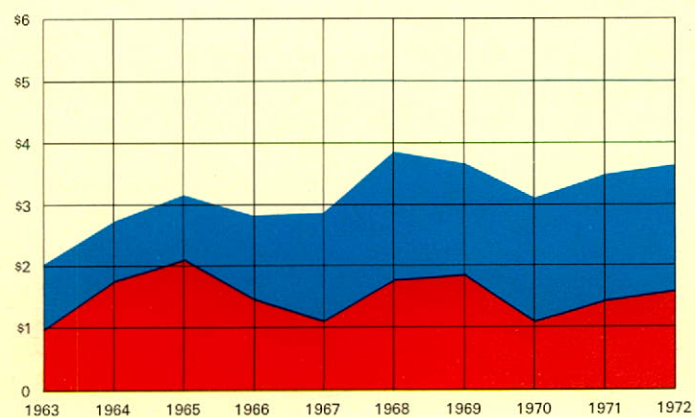
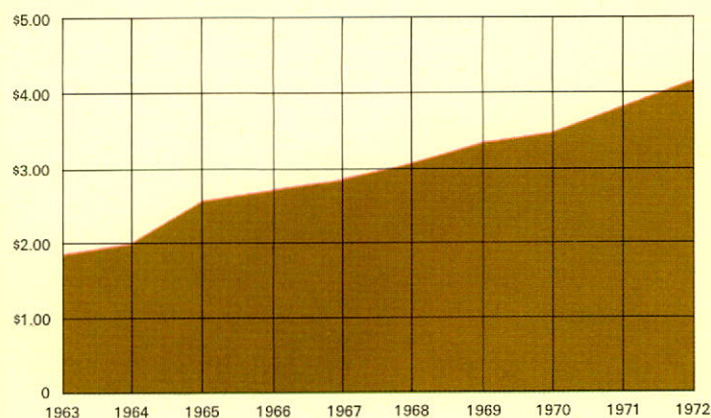
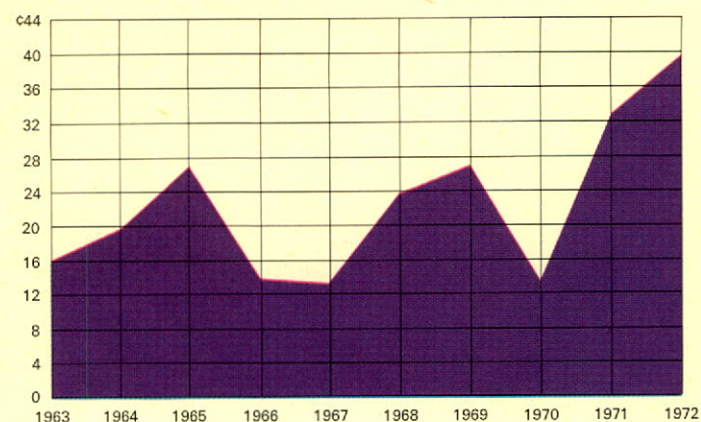
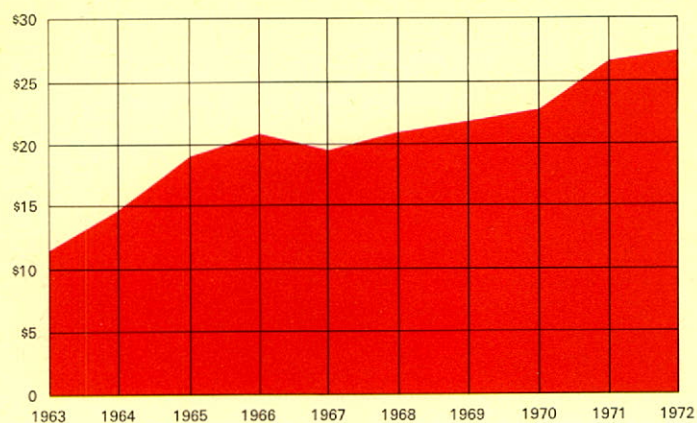
To the Shareholders of Lake Ontario Cement Limited

We have examined the consolidated balance sheet of Lake Ontario Cement Limited and its subsidiary companies as at December 31, 1972 and the consolidated statements of earnings, retained earnings and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Lake Ontario Cement Limited and its subsidiary companies as at December 31, 1972, and the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change to the equity method of accounting referred to in note 1 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Toronto, Ontario
January 10, 1973

EDDIS & ASSOCIATES
Chartered Accountants.



LAKE ONTARIO CEMENT LIMITED

and subsidiary companies

TEN YEAR FINANCIAL SUMMARY

(Restated on the basis described in Note 1)

Figures in thousands, except amounts per share

	1963	1964	1965
Billings to customers, less discounts and taxes - - - - -	\$11,426	\$14,783	\$18,844
Cost of sales - - - - -	8,528	10,936	14,265
	<u>\$ 2,898</u>	<u>\$ 3,847</u>	<u>\$ 4,579</u>
Selling, general and administrative expenses - - - - -	\$ 1,105	\$ 1,342	\$ 1,707
Interest on borrowed funds - - - - -	765	739	728
Amortization of debenture discount and expense - - - - -	40	44	40
	<u>\$ 1,910</u>	<u>\$ 2,125</u>	<u>\$ 2,475</u>
Operating profit - - - - -	\$ 988	\$ 1,722	\$ 2,104
Extraordinary gain/(loss) on disposal of fixed assets (net) - - -			
	<u>\$ 988</u>	<u>\$ 1,722</u>	<u>\$ 2,104</u>
Full provision for current and deferred income taxes - - - - -	374	987	1,074
Net earnings before investment income - - - - -	\$ 614	\$ 735	\$ 1,030
Investment income on equity basis—before extraordinary item - -			94
—extraordinary item - - - - -			
Net earnings for the year - - - - -	<u>\$ 614</u>	<u>\$ 735</u>	<u>\$ 1,124</u>
Number of common shares outstanding - - - - -	3,248	3,249	4,154
Earnings per common share - - - - -	16.0¢	19.7¢	27.1¢
Equity per common share (after full provision for income taxes) - -	\$ 1.86	\$ 2.00	\$ 2.55
Source of funds			
Net earnings before investment income - - - - -	\$ 614	\$ 735	\$ 1,030
Income taxes, deferred - - - - -	374	987	1,074
Depreciation and other non-cash outlay charges - - - - -	1,081	1,054	1,082
	<u>\$ 2,069</u>	<u>\$ 2,776</u>	<u>\$ 3,186</u>
Issue of common shares - - - - -	1,172	1	1,119
Proceeds from long-term debt - - - - -	1,000		
	<u>\$ 4,241</u>	<u>\$ 2,777</u>	<u>\$ 4,305</u>
Application of funds			
Reduction in long-term debt - - - - -	(\$ 678)	\$ 280	\$ 1,052
Additions to property, plant and equipment (net) - - - - -	756	4,059	4,895
Acquisition of Premier Building Materials Limited - - - - -	2,999		
Investment in Primeau Argo Block Co. Limited - - - - -	132	110	
Non current accounts receivable and other items - - - - -			
Dividends paid on preferred shares - - - - -	164	282	4
Redemption of preferred shares - - - - -			46
	<u>\$ 3,373</u>	<u>\$ 4,731</u>	<u>\$ 5,997</u>
Increase/(Decrease) in working capital - - - - -	<u>\$ 868</u>	<u>(\$ 1,954)</u>	<u>(\$ 1,692)</u>
Working capital - - - - -	<u>\$ 2,594</u>	<u>\$ 640</u>	<u>(\$ 1,052)</u>

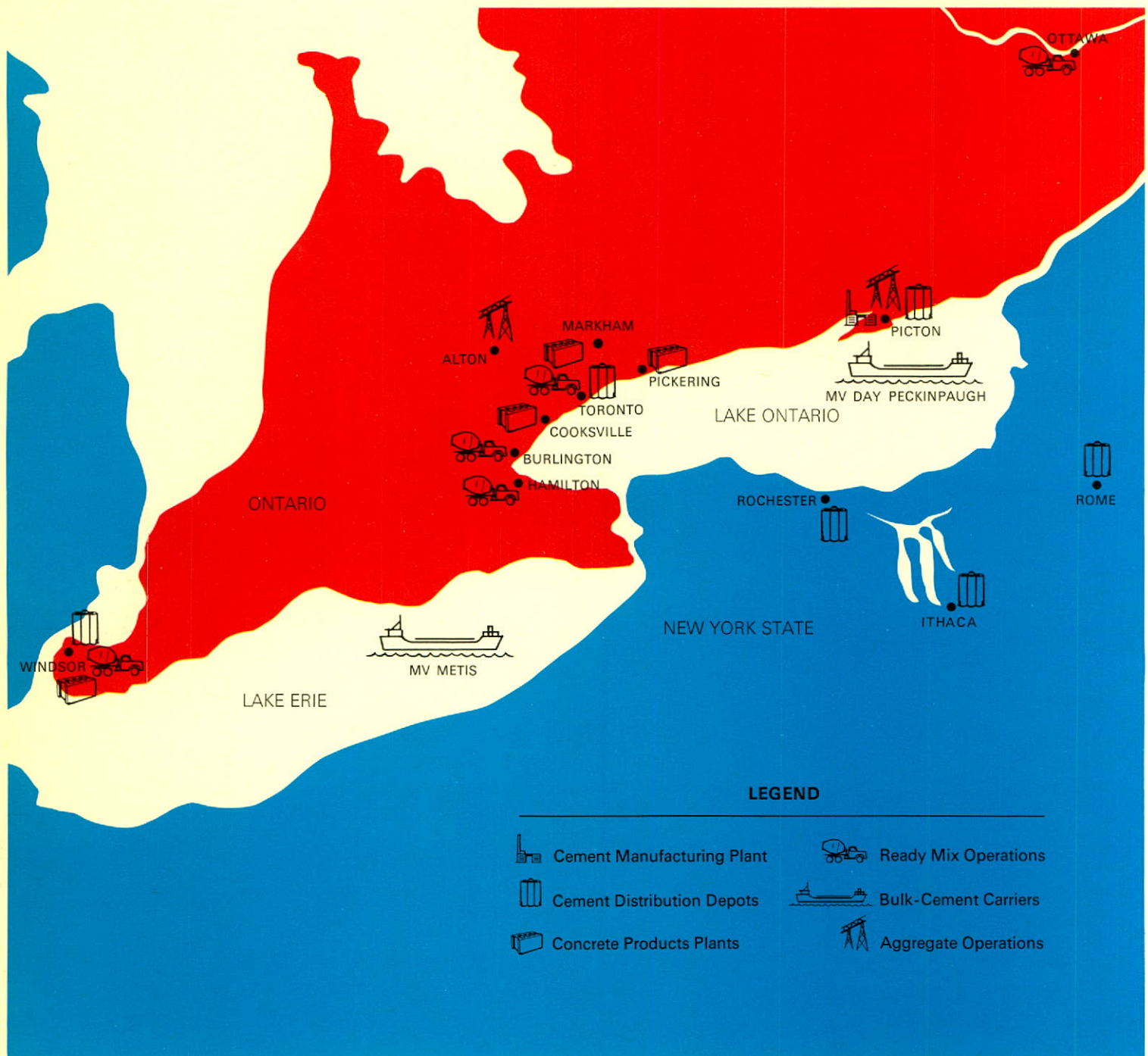
<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
\$20,839	\$19,542	\$20,931	\$21,736	\$22,617	\$26,443	\$27,338
<u>16,825</u>	<u>15,298</u>	<u>15,674</u>	<u>16,651</u>	<u>18,246</u>	<u>20,658</u>	<u>21,126</u>
\$ 4,014	\$ 4,244	\$ 5,257	\$ 5,085	\$ 4,371	\$ 5,785	\$ 6,212
\$ 1,819	\$ 1,981	\$ 2,071	\$ 2,164	\$ 2,198	\$ 2,273	\$ 2,348
714	1,109	1,169	1,134	1,044	960	1,084
<u>40</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>27</u>	<u>14</u>
\$ 2,573	\$ 3,130	\$ 3,280	\$ 3,338	\$ 3,282	\$ 3,260	\$ 3,446
\$ 1,441	\$ 1,114	\$ 1,977	\$ 1,747	\$ 1,089	\$ 2,525	\$ 2,766
		(217)	87			
\$ 1,441	\$ 1,114	\$ 1,760	\$ 1,834	\$ 1,089	\$ 2,525	\$ 2,766
<u>988</u>	<u>621</u>	<u>845</u>	<u>805</u>	<u>555</u>	<u>1,255</u>	<u>1,350</u>
\$ 453	\$ 493	\$ 915	\$ 1,029	\$ 534	\$ 1,270	\$ 1,416
139	69	95	112	34	109	121
						153
<u>\$ 592</u>	<u>\$ 562</u>	<u>\$ 1,010</u>	<u>\$ 1,141</u>	<u>\$ 568</u>	<u>\$ 1,379</u>	<u>\$ 1,690</u>
4,192	4,213	4,223	4,223	4,223	4,223	4,278
14.1¢	13.4¢	23.9¢	27.0¢	13.5¢	32.7¢	39.5¢
\$ 2.71	\$ 2.84	\$ 3.08	\$ 3.35	\$ 3.48	\$ 3.81	\$ 4.16
\$ 453	\$ 493	\$ 915	\$ 1,029	\$ 534	\$ 1,270	\$ 1,416
988	621	845	805	555	169	90
<u>1,406</u>	<u>1,773</u>	<u>2,123</u>	<u>1,854</u>	<u>2,040</u>	<u>2,080</u>	<u>2,110</u>
\$ 2,847	\$ 2,887	\$ 3,883	\$ 3,688	\$ 3,129	\$ 3,519	\$ 3,616
168	64	31				2
	230			625	10,340	353
<u>\$ 3,015</u>	<u>\$ 3,181</u>	<u>\$ 3,914</u>	<u>\$ 3,688</u>	<u>\$ 3,754</u>	<u>\$13,859</u>	<u>\$ 3,971</u>
\$ 1,652	\$ 1,909	\$ 1,897	\$ 98	\$ 98	\$ 6,600	\$ 239
4,265	2,179	1,330	1,957	1,206	1,381	2,758
74	(30)	336	(36)	(58)	(69)	(24)
<u>\$ 5,991</u>	<u>\$ 4,058</u>	<u>\$ 3,563</u>	<u>\$ 2,019</u>	<u>\$ 1,246</u>	<u>\$ 7,912</u>	<u>\$ 2,973</u>
(\$ 2,976)	(\$ 877)	\$ 351	\$ 1,669	\$ 2,508	\$ 5,947	\$ 998
<u>(\$ 4,028)</u>	<u>(\$ 4,905)</u>	<u>(\$ 4,554)</u>	<u>(\$ 2,885)</u>	<u>(\$ 377)</u>	<u>\$ 5,570</u>	<u>\$ 6,568</u>

LAKE ONTARIO CEMENT LIMITED

subsidiary and associated companies

MANUFACTURING AND DISTRIBUTION

FACILITIES



LAKE ONTARIO CEMENT LIMITED

Canadian Cement Division

2 Carlton Street, Toronto, Ontario.

J. D. Fowler - - - - - *Executive Vice-President*

B. T. Price - - - - - *Vice-President—Operations*

R. M. Mitchell - - - - - *Sales Manager*

W. F. Behan - - - - - *General Credit Manager*

Cement Manufacturing Plant:

Highway 49, Picton, Ontario

Sales Office:

2 Carlton Street, Toronto, Ontario

Toronto Distribution Plant:

312 Cherry Street, Toronto, Ontario

Windsor Distribution Plant:

210 Detroit Street, Windsor, Ontario.

Concrete Products Division

2 Carlton Street, Toronto, Ontario.

K. Bruce - - - - - *General Manager*

H. P. Oldham - - - - - *Manager—Marketing*

S. W. Knott - - - - - *Manager—Operations*

PREMIER CONCRETE PRODUCTS—

Toronto area

132 Toro Road, Downsview, Ontario.

A. S. Frayne - - - - - *Sales Manager*

Hamilton area

349 Kenora Ave., Hamilton, Ontario

C. C. Husband - - - - - *Sales Manager*

Ottawa area

Kanata Industrial Plaza, Kanata, Ontario

W. H. North - - - - - *Sales Manager*

RYANCRETE-STERLING PRODUCTS—

Windsor Area

5115 E. C. Row Avenue, Windsor, Ontario

R. K. Post - - - - - *Sales Manager*

Wholly-Owned Subsidiary

ROCHESTER PORTLAND CEMENT CORP.

361 Boxart Street, Rochester, New York 14612

Divisions

Mohawk Valley Cement Company

Cayuga Cement Company

W. H. Evans - - - - - *Chairman of the Board*

R. L. Forde - - - - - *President*

J. D. Fowler - - - - - *Vice-President*

D. R. T. White - - - - - *Vice-President Finance
and Secretary-Treasurer*

A. F. Heindorf - - - - - *Sales Manager*

Associated Company

PRIMEAU ARGO BLOCK CO. LIMITED

170 Brockport Drive, Rexdale, Ontario

A. J. Primeau - - - - - *President*

R. H. Grimm - - - - - *Executive Vice-President
and General Manager*

W. A. Primeau *Vice-President and Operations Manager*

W. C. Coupland - - - - - *Secretary-Treasurer*

LAKE ONTARIO CEMENT



CANADA



PREMIER CONCRETE
PRODUCTS



RYANCRETE-STERLING
PRODUCTS



PRIMEAU ARGO BLOCK

UNITED STATES



ROCHESTER PORTLAND
CEMENT



MOHAWK VALLEY CEMENT



CAYUGA CEMENT

