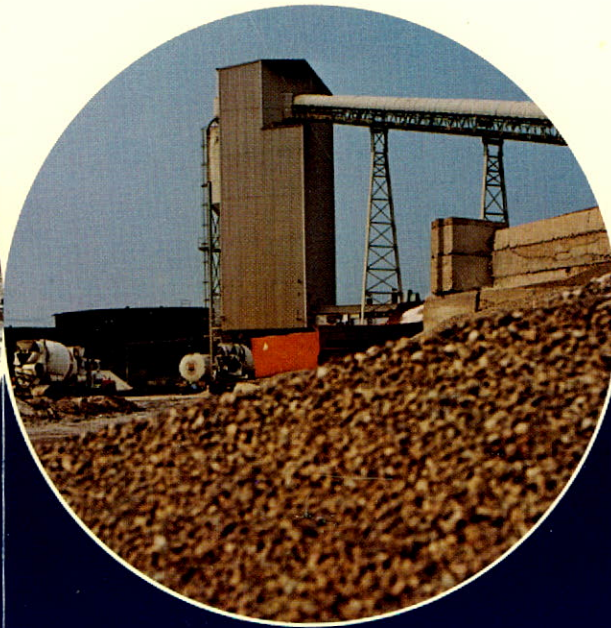
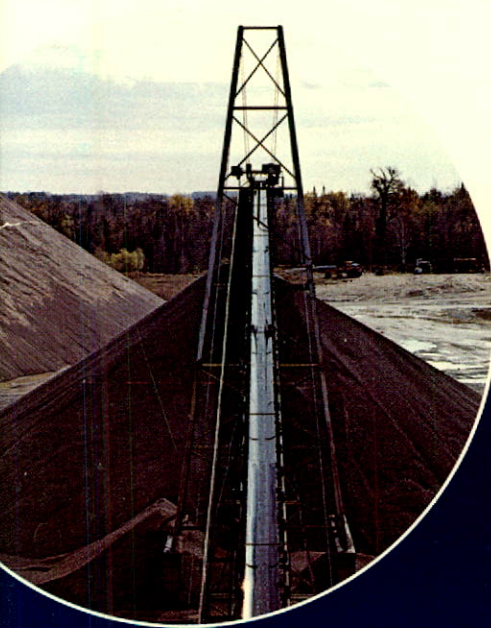


Lake Ontario Cement Limited
and Subsidiary Companies

Annual Report 1973



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The photographs on the cover of the 1973 annual report show important aspects of the Concrete Products Division of Lake Ontario Cement Limited. The sand and gravel operations are represented by a view of a conveying system at the Alton, Ontario pit; the ready-mixed concrete operations are represented by a picture of the Basin Street plant in Toronto and a new ready-mixed concrete delivery truck.

LAKE ONTARIO CEMENT LIMITED

1973 ANNUAL REPORT

financial highlights	Year ended December 31,	
	1973	1972
Sales - - - - -	\$34,882,689	\$27,337,527
Depreciation and depletion - - - - -	\$ 2,292,825	\$ 2,105,205
Interest on borrowed funds - - - - -	\$ 1,110,167	\$ 1,084,063
Investment income (including extraordinary item in 1972) - - - - -	\$ 213,460	\$ 274,072
Net earnings for the year - - - - -	\$ 2,600,203	\$ 1,690,275
Earnings per common share - - - - -	60.4¢	39.5¢
Funds generated from operations - - - - -	\$ 6,019,528	\$ 3,616,047
Capital expenditures - - - - -	\$ 7,102,729	\$ 2,773,871
Working capital - - - - -	\$ 4,518,381	\$ 6,568,170
Long-term debt (including amounts due within one year) - - - - -	\$11,069,644	\$11,308,444
Shareholders' equity - - - - -	\$24,103,496	\$21,912,604
Equity per common share - - - - - (after full provision for deferred income taxes)	\$ 4.69	\$ 4.19
Dividends paid - - - - -	\$ 427,846	—
Dividends per common share - - - - -	10¢	—
Common shares issued - - - - -	4,302,461	4,278,461



Directors

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		
Roderick M. MacDougall	- - - - -	Rochester, New York
President, New England Merchants National Bank		
Harvey J. McFarland (Deceased January 10, 1974)	- - - - -	Picton, Ontario
President, H. J. McFarland Construction Company Limited		
John A. Mullin, Q.C.	- - - - -	- Toronto, Ontario
Partner, Fraser & Beatty		
Charles D. Parmelee	- - - - -	- Toronto, Ontario
Vice-President, Corporate Affairs, Denison Mines Limited		

Officers

W. H. Evans	- - - - -	- Chairman of the Board
W. M. Bateman	- - - - -	- President
J. D. Fowler	- - - - -	- Executive Vice-President
C. D. Parmelee	- - - - -	- Vice-President—Corporate Affairs
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

Auditors - - - - - Coopers & Lybrand, Toronto, Ontario

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

REPORT TO THE SHAREHOLDERS

It gives me a great deal of pleasure to report, on behalf of the Board of Directors, that the Company in 1973 once again achieved record sales and earnings. This strong performance continues the trend of rapid growth and development the Company has experienced in recent years and establishes a sound basis for future growth.

Consolidated earnings, after provision for income taxes, for the year were \$2,600,203, up 54% over the 1972 levels. Consolidated sales were \$34,882,689, up 28% over the previous year's \$27,337,527. Earnings per share increased to 60.4¢ in 1973 from 39.5¢ in 1972. The excellent results for 1973 are attributable to the record volume of shipments of both cement and concrete products throughout all the Company's market areas, optimum utilization of the cement manufacturing facilities and significantly improved performance in the Concrete Products Division.

Cement Division

Shipments of cement to customers in both the Ontario and New York State markets of the Company reached record levels. The heavy demand for cement occurred primarily because of the high level of construction activity in these areas and reflects the key position the Company holds in these markets.

Selling prices for cement did not keep pace in 1973 with significantly increasing costs, particularly of fuel and power. No cement selling price increase was initiated in 1973 in Ontario and only a very small increase was applicable to cement sold in New York State because of Phase IV price controls of the United States government. Your Company has announced a price increase for cement in Ontario, effective January 1, 1974. We are optimistic that price increases may be realized in the U.S.A. because the U.S. government exempted the cement industry from price and wage controls in December, 1973.

Much of this year's success is due to the high level of productivity at the Picton plant which operated at

optimum capacity. In addition to shipping clinker and cement, the movement of stone in commercial quantities by water has been reinstituted and it is anticipated that this operation will continue.

In the last annual report, the Company described in detail the matter of the excavation of sand from the Company's leased property near the Sandbanks Provincial Park in the County of Prince Edward. In 1973, the Ontario Provincial Government expropriated this Crown Lease which action had an adverse cost impact on the Company. The Company is now in negotiation with the Provincial Government for appropriate compensation.

Your company is taking the steps necessary to assure the future security of fuel supply for cement manufacturing needs. At this time, the Company uses both coal and gas in its kilns. It has a long-term contract with Northern and Central Gas Corporation for the supply of gas and carries a substantial inventory of coal. While the Company is concerned about the escalation in fuel costs, it believes that there will not be any significant difficulty in obtaining adequate supplies of fuel for the present plant or the projected expansion referred to below.

Cement Division Expansion

One of the most significant events of the year was the announcement of the decision of the Company to proceed with the installation of an 850,000 tons-per-year kiln system at the Picton cement plant. You will recall that a year ago we reported that in 1973 the Company would install two roller mills as the first stage of an expansion of manufacturing facilities. These mills have in fact now been installed. The new kiln system, which will cost approximately \$15,000,000, is the second and most important stage of this expansion plan which when completed will approximately double the clinker capacity of the existing plant and make it one of the largest cement plants in North America.

Other stages of the expansion plan will be implemented as required to satisfy the demand for our product. The

latest technical developments available in the cement industry are to be built into the new kiln to ensure maximum production at the least operating cost, particularly in terms of fuel and power.

Concrete Products

The Concrete Products Division which consists of ready-mixed concrete operations, concrete block manufacturing, supply of building materials and sand and gravel operations had a record year in terms of volume and profitability. Here, too, the Company is exerting every effort to modernize and expand operations in order to provide more diversification and enhance profitability. The results for the year 1973 are a reflection of this programme.

In Toronto, the long range plan for the division is to establish fewer plants in more strategic locations. A new divisional head office has been built near Dixie Road and Highway 401 which will replace the obsolete facility at Toro Road. This office will consolidate sales, production and technical staff in a facility designed to monitor and control performance in the most efficient manner. In addition, this facility contains an equipment maintenance shop.

A new large capacity batching plant was built in Ottawa and came into operation in the fall of the year. Thus, two plants are now operational in the nation's capital where the Company looks to continued growth.

This division expects further expansion through vigorous marketing policies and acquisitions, and is actively seeking opportunities for growth.

Capital Expenditures

The Company commenced, in 1972, a programme to expand the manufacturing capabilities of both its cement and concrete products divisions and institute a systematic replacement and modernization of its fleet of concrete delivery trucks. Capital expenditures in 1973 were \$7,100,000 compared to \$2,800,000 in

1972 and were at their highest level since the original cement plant was built in 1957-58.

The capital expenditures of the Cement Division totalled \$5,000,000, with completion of the installation of the roller grinding mills at the Picton plant being the major item involved. The Concrete Products Division spent \$2,100,000 in 1973 with the main items being: an office, shop and batch plant in Ottawa; a number of ready-mixed concrete delivery trucks; and the new office and shop in Toronto.

Primeau Argo Block Co. Limited

In 1973 record sales and earnings were achieved by Primeau Argo Block Co. Limited. On an equity accounting basis, Lake Ontario Cement's share of income of this associated company was \$213,460 in 1973 compared to \$274,072 in 1972. The 1972 income included an extraordinary item of \$152,887.

With the high level of construction activity and the anticipated strong demand for concrete blocks, every effort is being made to improve the production capacity and efficiency of Primeau Argo's plants. As part of this programme, new high pressure curing kilns were installed in the Markham plant in 1973.

Financial Position

The financial position of the Company is sound with the 1973 capital expenditure programme being handled from cash flow with an acceptable decrease in working capital. Cash generated from operations was a record at \$6,019,528 in 1973 compared to the 1972 level of \$3,616,047 while working capital at the end of 1973 was \$4,518,381.

Future capital expenditure programmes, including the major expansion at Picton, will be financed out of cash flow along with some new debt financing currently being negotiated. This additional financing involves no dilution of shareholders' equity.

Dividends

In 1973, the directors of the Company declared dividends on the outstanding common shares aggregating 10¢ per share, payable 5¢ on April 16, 1973 and 5¢ on October 15, 1973. These dividends were the first paid on the Company's common shares and reflect the confidence of the management and directors in the long-term profitability and financial strength of the Company.

Outlook for 1974

The year 1974 is a most difficult year to forecast with any degree of certainty because of the severe problems facing the North American economy, including the energy crisis and potential shortages of building materials. We are optimistic that the present problems will not generate an economic recession and expect the year 1974 and those following to be good ones for the cement industry. Housing starts, public works programmes and new plant and equipment investment are expected to continue to grow at a rapid pace thus generating a strong demand for your Company's products. Indeed, the shortages and spiralling costs of such materials as steel, timber and asphalt will naturally enhance the use of cement and concrete.

Directors and Management

A most significant loss to the Company was the unexpected death of Mr. Harvey J. McFarland on January 10, 1974. Mr. McFarland was the chief founder of Lake Ontario Cement Limited and had been associated with the Company since its inception. He had been a director for many years and in the early years of the Company also served as Chairman of the Board and Company President. He was very prominent in business, political and social circles; particularly active in the construction industry in Ontario and diligent in the public interests of the people of the County of Prince Edward. He was the Mayor of Picton at the time of his death and had held this office for many terms. He will be sorely missed by the directors and management of the Company.

Another loss felt most keenly by the directors and management of Lake Ontario Cement Limited was the untimely death of Mr. Peter Barry early in 1973. Mr. Barry was Chairman of the Board of Trustees of the Monroe County Savings Bank, Rochester, New York, at the time of his death and had been a director of Lake Ontario Cement Limited since 1964. Mr. Barry was a valued director and his knowledge of the market areas in which our subsidiary, Rochester Portland Cement Corp., operates was particularly important to the Company.

On June 21, 1973 Mr. R. M. MacDougall was appointed a director of the Company. Mr. MacDougall is prominent in the banking industry in the United States and is President of the New England Merchants National Bank, Boston, Massachusetts. Previously he was President of Marine Midland Bank—Rochester.

On November 9, 1973, the Hon. Michael Starr, P.C. resigned as a director of the Company in order to accept the position of Chairman of the Workmen's Compensation Board of Ontario. Mr. Starr's advice and counsel to the Board of Directors of the Company were extremely valuable and he brought to the Company expert knowledge of both business and governmental affairs. Mr. Starr takes with him the best wishes of the management and directors of the Company.

In December, 1973, Mr. C. D. Parmelee, Vice-President, Corporate Affairs of Lake Ontario Cement Limited was appointed Vice-President, Corporate Affairs of Denison Mines Limited. Mr. Parmelee will continue to work closely with the Company as a director.

The Board of Directors wishes to take this opportunity to express its appreciation of the dedicated efforts of our employees as well as the interest and support of our customers, suppliers and shareholders.

On behalf of the Board of Directors,



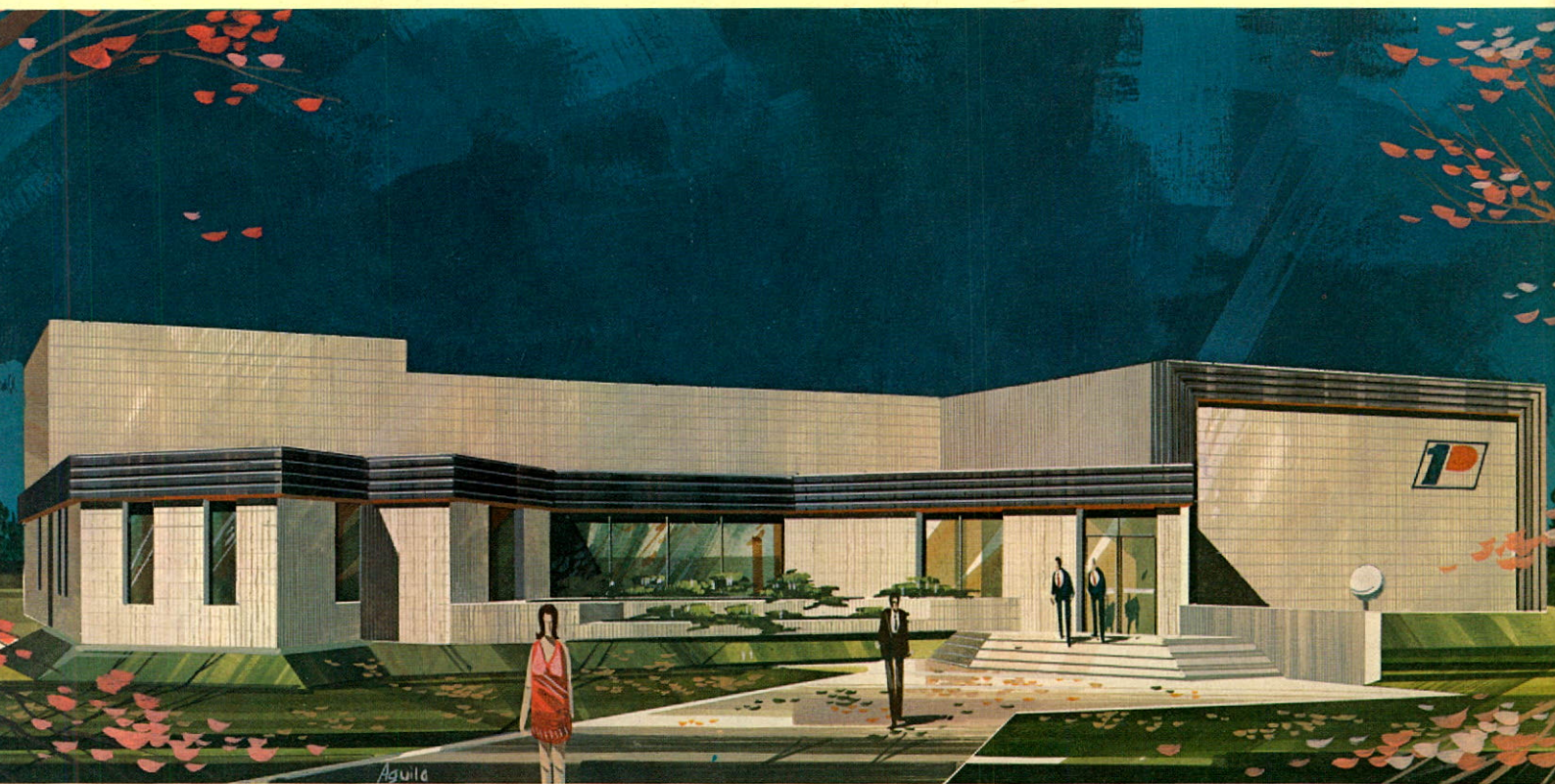
W. M. BATEMAN, *President*.

An essential and growing part of the business of Lake Ontario Cement Limited is the manufacturing and distribution of concrete products. These products are of vital importance to the construction industry and are the major end use of cement—the primary manufactured product of Lake Ontario Cement. Concrete products consist of ready-mixed concrete, concrete block, sand, gravel and crushed stone and are handled by the Company's operating divisions, Premier Concrete Products and Ryancrrete-Sterling Products. Approximately 250 people, 11 plants and 135 trucks are involved in these operations.

Ready-mixed concrete is supplied from single ready-mix batching plants in Windsor, Hamilton and Burlington, four plants in Metropolitan Toronto and two plants in Ottawa. Concrete block is manufactured in Windsor and in addition by our associated company Primeau Argo Block Co. Limited at three plants located in the Metropolitan Toronto region. Sand and gravel are produced at our Alton, Ontario pit.

An extensive expansion and modernization programme has been conducted in this division to ensure there are modern and efficient facilities capable of handling the growing demand for concrete in Ontario. Modern automatic batching equipment has been installed at key plants, new and larger ready-mixed concrete delivery trucks have been purchased, a new plant has been built in Ottawa and a new divisional head office and maintenance shop has been built in Toronto.

The manufacturing and distribution of concrete products is depicted in this report through photographs of plants, mobile equipment and sand and gravel operations.



The new head office of the Concrete Products Division in Toronto is depicted in this architect's drawing.

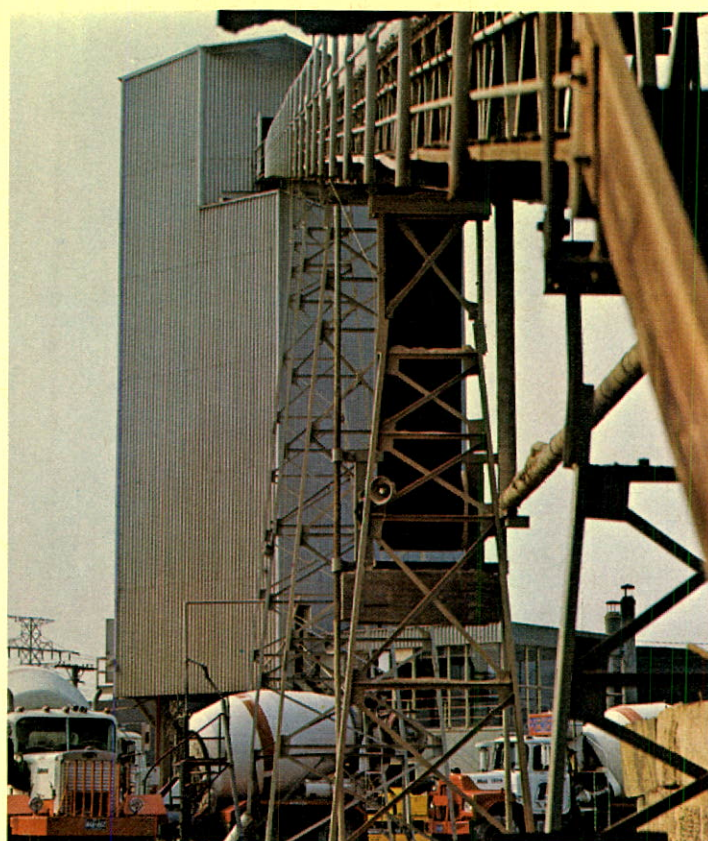


The new ready-mixed concrete plant in Ottawa completed in 1973.

photo credit—foto blohm



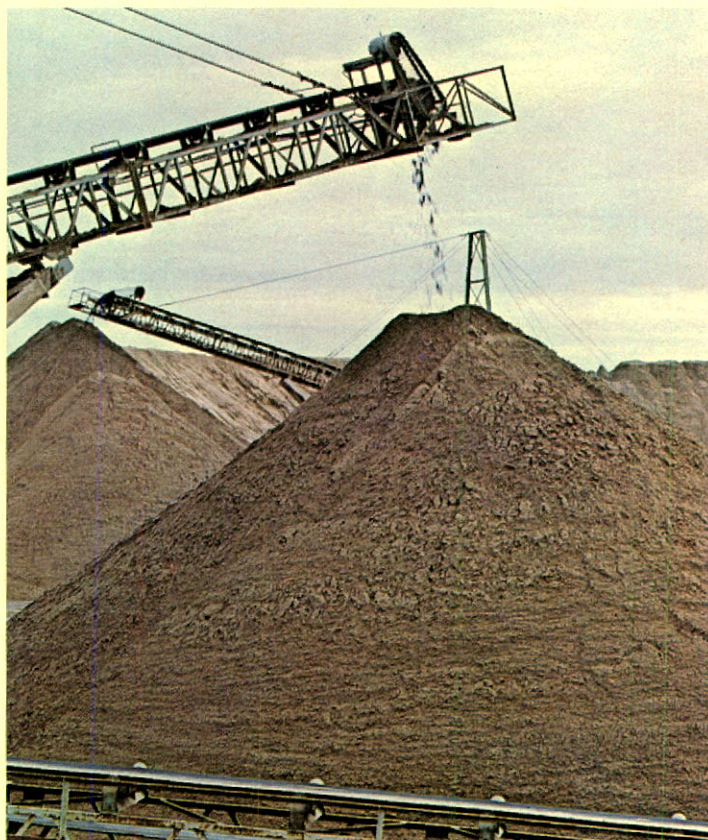
Cement being delivered to the Dixie Road plant—Toronto.



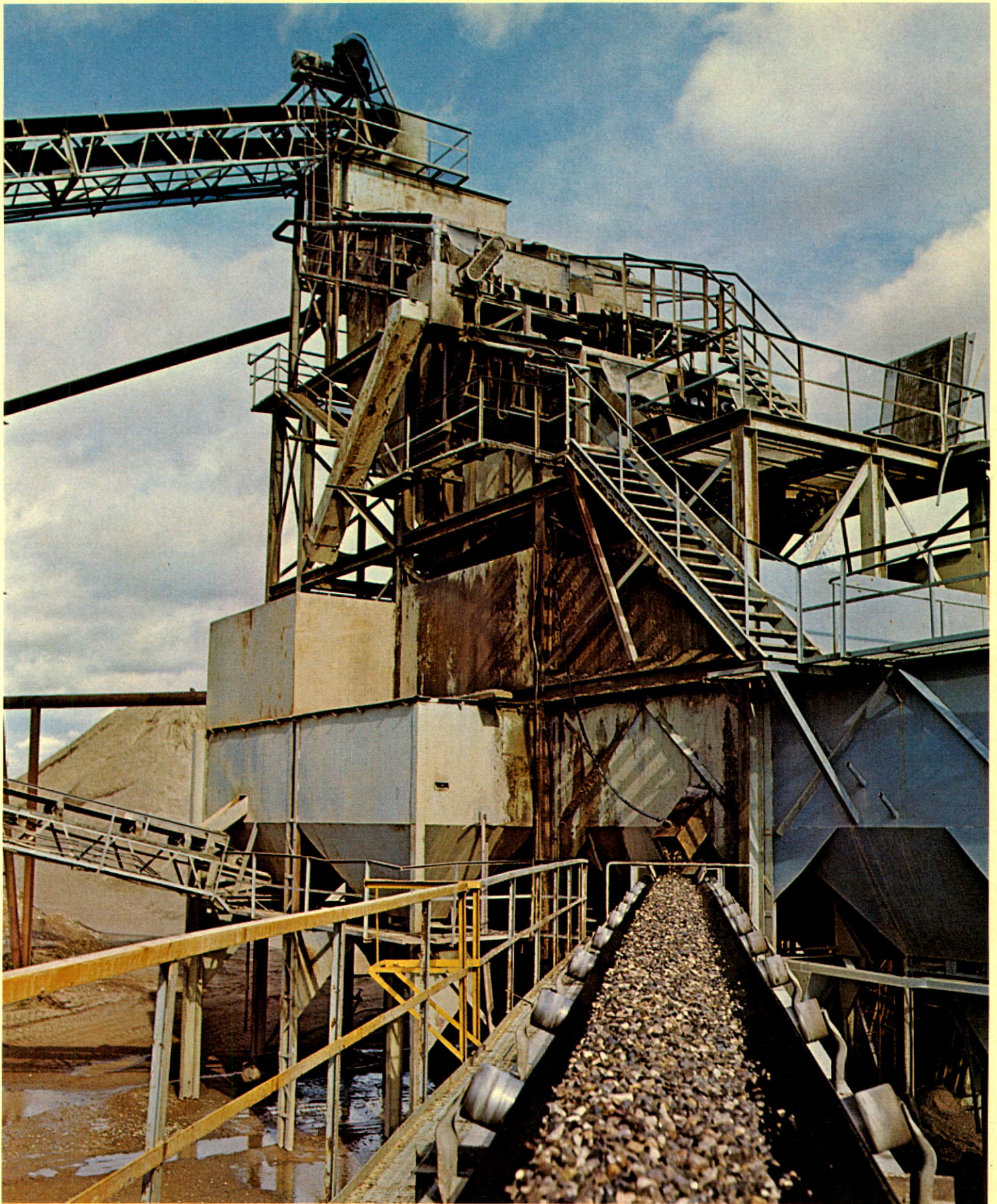
An active delivery day at the Basin Street plant—Toronto.



A waste-concrete pollution control system in operation in Toronto.



Washed sand being stockpiled at the Alton, Ontario pit.



The washing and screening plant for sand and gravel at the Alton, Ontario pit.

LAKE ONTARIO CEMENT LIMITED

and subsidiary companies

CONSOLIDATED BALANCE SHEET

As at December 31

ASSETS

	<u>1973</u>	<u>1972</u>
CURRENT ASSETS		
Cash and short-term deposits - - - - -	\$ 202,890	\$ 1,027,818
Accounts receivable - - - - -	5,320,231	4,561,069
Inventories, at the lower of cost or replacement cost		
Finished and semi-processed products - - - - -	914,076	1,473,923
Raw materials and supplies - - - - -	2,838,896	2,328,838
Prepaid expenses - - - - -	127,293	76,663
	<u>\$ 9,403,386</u>	<u>\$ 9,468,311</u>
NON-CURRENT ACCOUNTS RECEIVABLE AND OTHER ITEMS - - - -	<u>\$ 159,351</u>	<u>\$ 189,268</u>
INVESTMENT (Note 1)		
Primeau Argo Block Co. Limited - - - - -	<u>\$ 1,365,742</u>	<u>\$ 1,170,282</u>
FIXED ASSETS (Note 2)		
Property, plant and equipment—at cost - - - - -	\$51,368,891	\$45,708,796
Less—Accumulated depreciation and depletion - - - - -	19,491,547	18,333,730
	<u>\$31,877,344</u>	<u>\$27,375,066</u>
UNAMORTIZED DEBENTURE EXPENSE - - - - -	\$ 125,522	\$ 139,462
APPROVED ON BEHALF OF THE BOARD		
W. M. Bateman, <i>Director</i>		
E. B. McConkey, <i>Director</i>		
	<u>\$42,931,345</u>	<u>\$38,342,389</u>

LIABILITIES

	<u>1973</u>	<u>1972</u>
CURRENT LIABILITIES		
Bank loan - - - - -	\$ 750,000	\$ —
Accounts payable and accrued liabilities - - - - -	3,428,205	2,185,045
Income taxes payable - - - - -	—	476,296
Long-term debt due within one year - - - - -	706,800	238,800
	<u>\$ 4,885,005</u>	<u>\$ 2,900,141</u>
LONG-TERM DEBT (Note 3)		
Debenture due June 30, 1991—9¼% - - - - -	\$ 9,917,000	\$10,500,000
Notes and mortgages - - - - -	445,844	569,644
	<u>\$10,362,844</u>	<u>\$11,069,644</u>
DEFERRED INCOME TAXES (Note 6) - - - - -	<u>\$ 3,580,000</u>	<u>\$ 2,460,000</u>

SHAREHOLDERS' EQUITY**CAPITAL STOCK (Notes 4 & 5)**

Common shares, par value \$1 each

Authorized—5,000,000 shares

Issued—4,302,461 shares (1972—4,278,461 shares) - - - - - \$ 4,302,461 \$ 4,278,461

CONTRIBUTED SURPLUS (Note 4) - - - - -	4,880,161	4,816,411
	<u>\$ 9,182,622</u>	<u>\$ 9,094,872</u>

LESS—Amounts due under the Share Purchase Plan (Notes 4 & 5) - - -	200,998	131,783
	<u>\$ 8,981,624</u>	<u>\$ 8,963,089</u>

RETAINED EARNINGS (Note 6) - - - - -	15,121,872	12,949,515
	<u>\$24,103,496</u>	<u>\$21,912,604</u>
	<u><u>\$42,931,345</u></u>	<u><u>\$38,342,389</u></u>

LAKE ONTARIO CEMENT LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended December 31

	1973	1972
Sales - - - - -	\$34,882,689	\$27,337,527
Cost of sales - - - - -	<u>26,710,617</u>	<u>21,125,594</u>
Gross profit - - - - -	<u>\$ 8,172,072</u>	<u>\$ 6,211,933</u>
Selling, general and administrative expenses - - - - -	\$ 2,758,202	\$ 2,347,727
Net loss on disposal of fixed assets (Note 2) - - - - -	188,020	—
Interest on long-term debt - - - - -	1,075,020	1,067,531
Interest on bank loan - - - - -	35,147	16,532
Amortization of debenture expense - - - - -	<u>13,940</u>	<u>13,940</u>
	<u>\$ 4,070,329</u>	<u>\$ 3,445,730</u>
OPERATING PROFIT - - - - -	<u>\$ 4,101,743</u>	<u>\$ 2,766,203</u>
Provision for income taxes (Note 6)—Current - - - - -	\$ 595,000	\$ 1,260,000
—Deferred - - - - -	<u>1,120,000</u>	<u>90,000</u>
	<u>\$ 1,715,000</u>	<u>\$ 1,350,000</u>
Net earnings before investment income - - - - -	<u>\$ 2,386,743</u>	<u>\$ 1,416,203</u>
Share of net income of Primeau Argo Block Co. Limited (Note 1)		
Income before extraordinary item - - - - -	\$ 213,460	\$ 121,185
Extraordinary item—gain on sale of land - - - - -	<u>—</u>	<u>152,887</u>
Share of net income for the year - - - - -	<u>\$ 213,460</u>	<u>\$ 274,072</u>
NET EARNINGS FOR THE YEAR - - - - -	<u><u>\$ 2,600,203</u></u>	<u><u>\$ 1,690,275</u></u>
NET EARNINGS PER COMMON SHARE BEFORE EXTRAORDINARY ITEM	<u>60.4¢</u>	<u>35.9¢</u>
NET EARNINGS PER COMMON SHARE - - - - -	<u><u>60.4¢</u></u>	<u><u>39.5¢</u></u>

LAKE ONTARIO CEMENT LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31

	1973	1972
Retained earnings at beginning of year - - - - -	\$12,949,515	\$11,259,240
Net earnings for the year - - - - -	2,600,203	1,690,275
	<u>\$15,549,718</u>	<u>\$12,949,515</u>
Dividends paid - - - - -	427,846	—
Retained earnings at end of year - - - - -	<u>\$15,121,872</u>	<u>\$12,949,515</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended December 31

	1973	1972
SOURCE OF FUNDS		
Current operations		
Net earnings before investment income - - - - -	\$ 2,386,743	\$ 1,416,203
Depreciation and depletion - - - - -	2,292,825	2,105,205
Net loss/(gain) on disposal of fixed assets (Note 2) - - - - -	-188,020	(9,301)
Income taxes, deferred - - - - -	1,120,000	90,000
Dividend received - - - - -	18,000	—
Amortization of debenture expense - - - - -	13,940	13,940
	<u>\$ 6,019,528</u>	<u>\$ 3,616,047</u>
Proceeds on disposal of fixed assets - - - - -	119,606	15,382
Proceeds from mortgages - - - - -	—	353,444
Non-current accounts receivable and other items - - - - -	29,917	24,037
Issue of common shares (Notes 4 & 5) - - - - -	18,535	2,467
	<u>\$ 6,187,586</u>	<u>\$ 4,011,377</u>
APPLICATION OF FUNDS		
Additions to fixed assets - - - - -	\$ 7,102,729	\$ 2,773,871
Current portion of long-term debt - - - - -	706,800	238,800
Dividends paid - - - - -	427,846	—
	<u>\$ 8,237,375</u>	<u>\$ 3,012,671</u>
INCREASE/(DECREASE) IN WORKING CAPITAL - - - - -	<u>\$(2,049,789)</u>	<u>\$ 998,706</u>
WORKING CAPITAL AT BEGINNING OF YEAR - - - - -	6,568,170	5,569,464
WORKING CAPITAL AT END OF YEAR - - - - -	<u>\$ 4,518,381</u>	<u>\$ 6,568,170</u>

LAKE ONTARIO CEMENT LIMITED

and subsidiary companies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1973

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.

The accounts of an American subsidiary maintained in United States funds have been converted to Canadian funds at appropriate rates of exchange.

The Company owns 50% of the equity of Primeau Argo Block Co. Limited and accounts for its share of income from this investment using the equity method. At the time of acquisition, the cost to the Company of its investment exceeded the related share of the net book value of the assets by \$129,419. This amount has been charged against the Company's share of earnings in equal annual amounts over the ten year period ended in 1973.

2. FIXED ASSETS

Fixed assets are comprised of the following amounts:

	Property, Plant and Equipment	
	1973	1972
Cost - - - - -	\$51,368,891	\$45,708,796
Accumulated depreciation - -	(18,983,255)	(17,895,380)
Accumulated depletion - - -	(508,292)	(438,350)
	<u>\$31,877,344</u>	<u>\$27,375,066</u>

Depreciation and depletion deducted in the determination of net earnings are as follows:

	1973	1972
Depreciation - - -	\$2,222,883	\$2,057,352
Depletion - - -	69,942	47,853
	<u>\$2,292,825</u>	<u>\$2,105,205</u>

During the year, as part of a programme of alterations and expansion at the Picton plant, certain buildings and equipment were dismantled. The net book value of these assets less proceeds from disposal and from use of salvaged materials amounted to \$226,684. This item is included in the income statement under the caption "net loss on disposal of fixed assets", along with the net gains of \$38,664 arising from other disposals during the year.

3. LONG-TERM DEBT

The 9% 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 Rochester Portland Cement Corp. 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 payments of any such dividends. Consolidated net tangible assets amounted to \$19,855,974 at December 31, 1973.

Notes and mortgages are comprised of the following amounts:

	1973	1972
8% secured notes payable \$200,000 on January 31, 1973 and \$85,000 on Jan- uary 31, 1974-5-6 - - -	\$255,000	\$455,000
9% mortgage due August 29, 1977 payable on due date	143,444	143,444
8% mortgage due November 15, 1977 payable \$8,400 semi-annually - - - -	83,200	100,000
9% mortgage due December 29, 1977 payable \$5,500 quarterly - - - - -	88,000	110,000
	<u>\$569,644</u>	<u>\$808,444</u>
Payable within one year - -	123,800	238,800
	<u>\$445,844</u>	<u>\$569,644</u>

4. CAPITAL STOCK

During the year 21,000 common shares were allotted and issued under the Share Purchase Plan (note 5). Of the total subscription price for these shares of \$78,750, \$21,000 was allocated to share capital and \$57,750 to contributed surplus. At December 31, 1973 no instalment payments were in arrears on subscriptions under the Share Purchase Plan.

At December 31, 1973, 15,500 common shares were reserved in connection with the Incentive Stock Option Plan and the Other Option referred to in note 5.

An option, granted under the Incentive Stock Option Plan, to purchase 3,000 shares at \$3.00 per share was exercised during the year for cash.

5. 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 at the time of allotment. As at December 31, 1973, 76,000 shares had been allotted and issued as partly paid shares of which 25,000 shares at a price of \$2.25 per share and 15,000 shares at a price of \$3.75 per share were allotted to an officer who is also a director and 10,000 shares at a price of \$2.60 per share and 2,000 shares at a price of \$3.75 per share were allotted to each of three other officers, one of whom is also a director.

Incentive Stock Option Plan:

Under the terms of the Incentive Stock Option Plan, there were outstanding and exercisable as at December 31, 1973 options to purchase 11,500 shares at \$5.00 per share. In all cases, the option price was not less than 95% of the fair market value at date of grant. Of these outstanding options 3,000 shares at \$5.00 per share were granted to officers of the Company. These options expire as to 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 Option:

An option, which was granted in 1969 to an officer who is not a director of the Company, to purchase 4,000 shares at \$5.00 per share, was outstanding and exercisable as at December 31, 1973. This option expires in 1979.

6. INCOME TAXES

The total deferred income taxes to December 31, 1973 amounted to \$7,702,000 of which \$4,122,000 was 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 were \$3,580,000 which amount appears on the consolidated balance sheet.

7. REMUNERATION OF DIRECTORS AND OFFICERS

During the year ended December 31, 1973 thirteen directors received aggregate remuneration of \$25,979 as directors and seven officers, as defined in the Canada Corporation Act, four of whom are also directors, received aggregate remuneration of \$223,267 as officers.

Aggregate remuneration of directors and senior officers, as defined in the Ontario Securities Act, totalled \$261,646 during 1973.

8. LEASE AGREEMENTS

The Company has existing agreements to lease land, buildings, equipment and shipping facilities, the minimum annual aggregate rentals for which total approximately \$800,000.

9. CAPITAL COMMITMENTS

Commitments for capital expenditures of approximately \$3,700,000 have been entered into at year-end as part of an expansion programme expected to cost approximately \$15,000,000. The term debt being arranged to finance this expansion programme does not envisage any dilution of equity.

10. PENSION PLANS

Based on the most recent actuarial reports, unfunded past service liabilities which amounted to \$506,040 at December 31, 1973 are required to be funded over the next 17 years.

The total charge against operations in 1973 with respect to past service liabilities amounted to \$46,361 including interest.

AUDITORS' REPORT

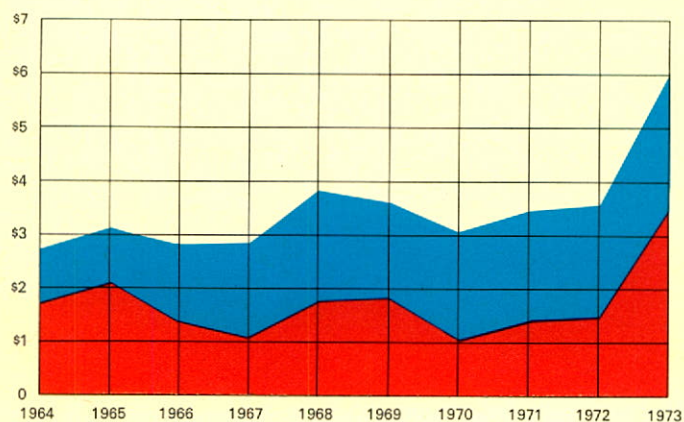
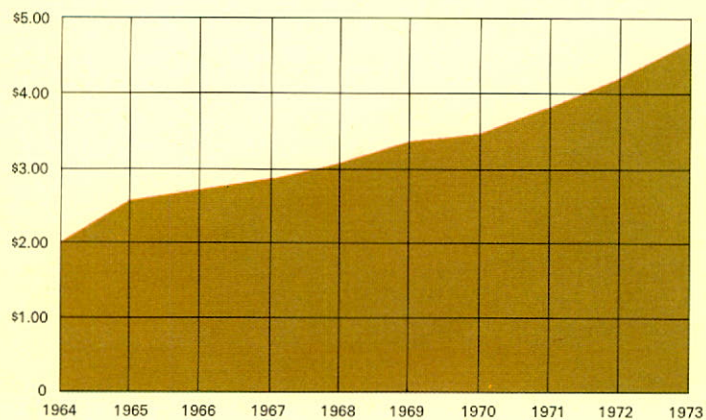
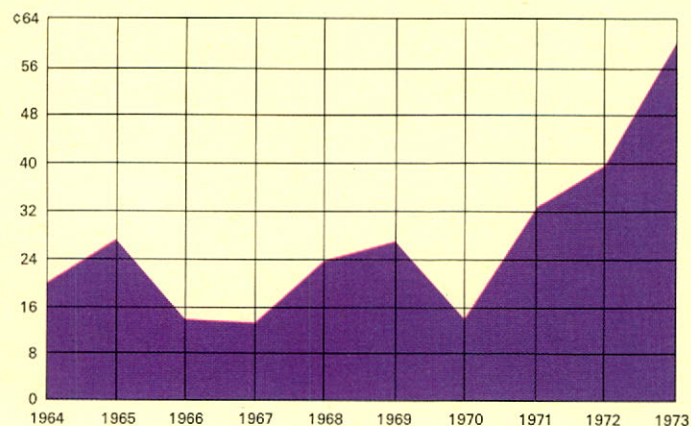
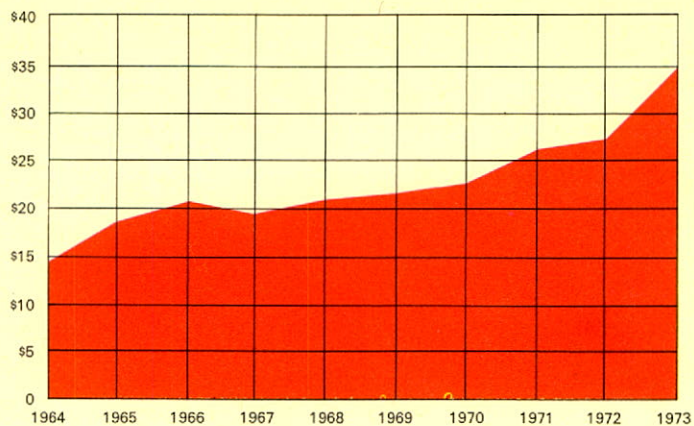
To the Shareholders of Lake Ontario Cement Limited

We have examined the consolidated balance sheet of Lake Ontario Cement Limited and its subsidiary companies as at December 31, 1973 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. 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, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
January 10, 1974

COOPERS & LYBRAND
Chartered Accountants



LAKE ONTARIO CEMENT LIMITED

and subsidiary companies

TEN YEAR FINANCIAL SUMMARY

Figures in thousands, except amounts per share

	1964	1965	1966
Sales - - - - -	\$14,783	\$18,844	\$20,839
Cost of sales - - - - -	<u>10,936</u>	<u>14,265</u>	<u>16,825</u>
	\$ 3,847	\$ 4,579	\$ 4,014
Selling, general and administrative expenses - - - - -	\$ 1,342	\$ 1,707	\$ 1,819
Net loss/(gain) on disposal of fixed assets - - - - -			
Interest on borrowed funds - - - - -	739	728	714
Amortization of debenture discount and expense - - - - -	<u>44</u>	<u>40</u>	<u>40</u>
	\$ 2,125	\$ 2,475	\$ 2,573
Operating profit - - - - -	\$ 1,722	\$ 2,104	\$ 1,441
Full provision for current and deferred income taxes - - - - -	<u>987</u>	<u>1,074</u>	<u>988</u>
Net earnings before investment income - - - - -	\$ 735	\$ 1,030	\$ 453
Investment income on equity basis—before extraordinary item - -		94	139
—extraordinary item - - - - -			
Net earnings for the year - - - - -	<u>\$ 735</u>	<u>\$ 1,124</u>	<u>\$ 592</u>
Number of common shares outstanding - - - - -	3,249	4,154	4,192
Earnings per common share - - - - -	19.7¢	27.1¢	14.1¢
Equity per common share (after full provision for deferred income taxes)	\$ 2.00	\$ 2.55	\$ 2.71
Source of funds			
Net earnings before investment income - - - - -	\$ 735	\$ 1,030	\$ 453
Income taxes, deferred - - - - -	987	1,074	988
Depreciation and other non-cash outlay charges - - - - -	<u>1,054</u>	<u>1,082</u>	<u>1,406</u>
	\$ 2,776	\$ 3,186	\$ 2,847
Dividend received - - - - -			
Proceeds from long-term debt - - - - -			
Issue of common shares - - - - -	<u>1</u>	<u>1,119</u>	<u>168</u>
	\$ 2,777	\$ 4,305	\$ 3,015
Application of funds			
Additions to property, plant and equipment (net) - - - - -	\$ 4,059	\$ 4,895	\$ 4,265
Reduction in long-term debt - - - - -	280	1,052	1,652
Investment in Primeau Argo Block Co. Limited - - - - -	110		
Non-current accounts receivable and other items - - - - -			74
Dividends paid on common shares - - - - -			
Dividends paid on preferred shares - - - - -	282	4	
Redemption of preferred shares - - - - -		46	
	\$ 4,731	\$ 5,997	\$ 5,991
Increase/(Decrease) in working capital - - - - -	<u>(\$ 1,954)</u>	<u>(\$ 1,692)</u>	<u>(\$ 2,976)</u>
Working capital - - - - -	<u>\$ 640</u>	<u>(\$ 1,052)</u>	<u>(\$ 4,028)</u>

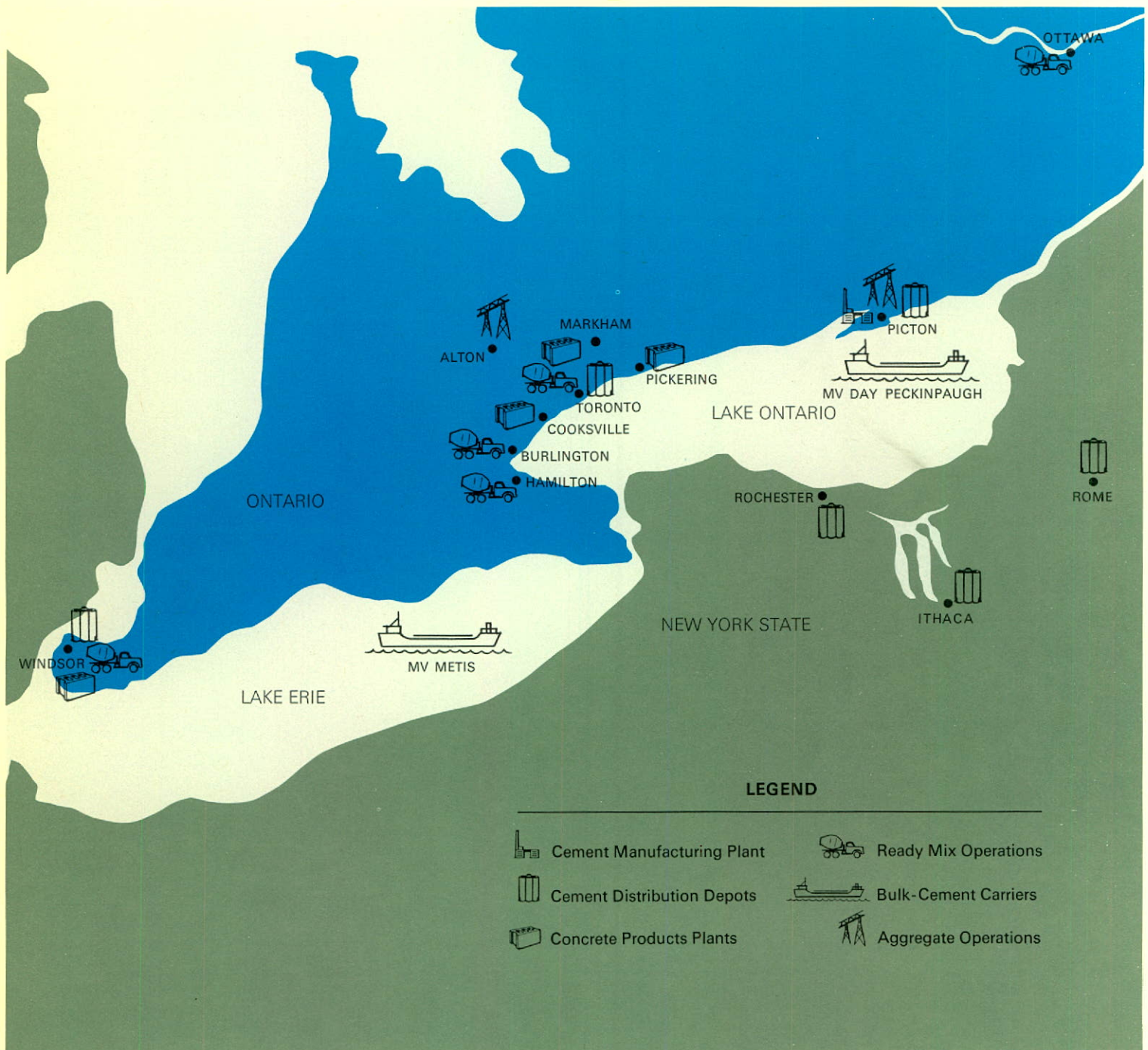
<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
\$19,542	\$20,931	\$21,736	\$22,617	\$26,443	\$27,338	\$34,883
<u>15,298</u>	<u>15,674</u>	<u>16,651</u>	<u>18,246</u>	<u>20,658</u>	<u>21,126</u>	<u>26,711</u>
\$ 4,244	\$ 5,257	\$ 5,085	\$ 4,371	\$ 5,785	\$ 6,212	\$ 8,172
\$ 1,981	\$ 2,071	\$ 2,164	\$ 2,198	\$ 2,273	\$ 2,348	\$ 2,758
	217	(87)				188
1,109	1,169	1,134	1,044	960	1,084	1,110
<u>40</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>27</u>	<u>14</u>	<u>14</u>
\$ 3,130	\$ 3,497	\$ 3,251	\$ 3,282	\$ 3,260	\$ 3,446	\$ 4,070
\$ 1,114	\$ 1,760	\$ 1,834	\$ 1,089	\$ 2,525	\$ 2,766	\$ 4,102
<u>621</u>	<u>845</u>	<u>805</u>	<u>555</u>	<u>1,255</u>	<u>1,350</u>	<u>1,715</u>
\$ 493	\$ 915	\$ 1,029	\$ 534	\$ 1,270	\$ 1,416	\$ 2,387
69	95	112	34	109	121	213
					153	
<u>\$ 562</u>	<u>\$ 1,010</u>	<u>\$ 1,141</u>	<u>\$ 568</u>	<u>\$ 1,379</u>	<u>\$ 1,690</u>	<u>\$ 2,600</u>
4,213	4,223	4,223	4,223	4,223	4,278	4,302
13.4¢	23.9¢	27.0¢	13.5¢	32.7¢	39.5¢	60.4¢
\$ 2.84	\$ 3.08	\$ 3.35	\$ 3.48	\$ 3.81	\$ 4.19	\$ 4.69
\$ 493	\$ 915	\$ 1,029	\$ 534	\$ 1,270	\$ 1,416	\$ 2,387
621	845	805	555	169	90	1,120
<u>1,773</u>	<u>2,123</u>	<u>1,854</u>	<u>2,040</u>	<u>2,080</u>	<u>2,110</u>	<u>2,495</u>
\$ 2,887	\$ 3,883	\$ 3,688	\$ 3,129	\$ 3,519	\$ 3,616	\$ 6,002
						18
230			625	10,340	353	
<u>64</u>	<u>31</u>				<u>2</u>	<u>18</u>
\$ 3,181	\$ 3,914	\$ 3,688	\$ 3,754	\$13,859	\$ 3,971	\$ 6,038
\$ 2,179	\$ 1,330	\$ 1,957	\$ 1,206	\$ 1,381	\$ 2,758	\$ 6,983
1,909	1,897	98	98	6,600	239	707
(30)	336	(36)	(58)	(69)	(24)	(30)
						428
<u>\$ 4,058</u>	<u>\$ 3,563</u>	<u>\$ 2,019</u>	<u>\$ 1,246</u>	<u>\$ 7,912</u>	<u>\$ 2,973</u>	<u>\$ 8,088</u>
(<u>\$ 877</u>)	(<u>\$ 351</u>)	(<u>\$ 1,669</u>)	(<u>\$ 2,508</u>)	(<u>\$ 5,947</u>)	(<u>\$ 998</u>)	(<u>\$ 2,050</u>)
(<u>\$ 4,905</u>)	(<u>\$ 4,554</u>)	(<u>\$ 2,885</u>)	(<u>\$ 377</u>)	(<u>\$ 5,570</u>)	(<u>\$ 6,568</u>)	(<u>\$ 4,518</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*

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 - - - - - *Area Manager*

Ottawa area

1815 Bantree Street, Ottawa, Ontario

W. H. North - - - - - *Area Manager*

RYANCRETE-STERLING PRODUCTS—

Windsor Area

5115 E. C. Row Avenue, Windsor, Ontario

R. K. Post - - - - - *Area 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

