

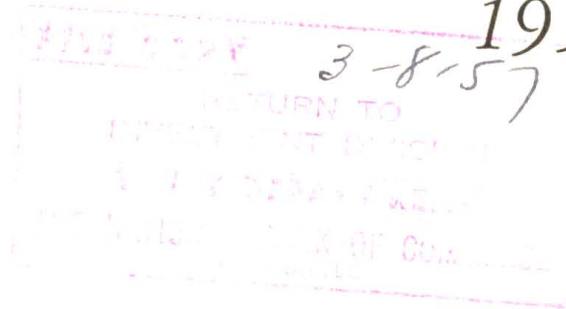
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PACIFIC

Annual Report
for

1956



SUPERIOR PORTLAND CEMENT, INC.

1956 ANNUAL REPORT
SUPERIOR PORTLAND CEMENT, INC.

BOARD OF DIRECTORS

LAWRENCE M. ARNOLD	HAROLD A. MILLER
THOMAS BALMER	NED H. NELSON
JACK H. McGOLDRICK	CHESTER N. REITZE*
JOSEPH A. SWALWELL	

OFFICERS

NED H. NELSON	<i>Executive Vice President</i>
JACK H. McGOLDRICK	<i>Secretary</i>
HAROLD E. THOMPSON	<i>Treasurer</i>
F. W. BAILEY	<i>Assistant Treasurer</i>
C. M. RETALICK	<i>Assistant Secretary</i>

LITTLE, LESOURD, PALMER, SCOTT & SLEMMONS
General Counsel

PEAT, MARWICK, MITCHELL & CO.
Certified Public Accountants

SEATTLE-FIRST NATIONAL BANK Seattle 24, Washington
Transfer Agent, Registrar and Bond Trustee

This annual report and financial statement is presented for the information of stockholders and nothing herein contained is submitted or shall be taken as an inducement to buy, hold or sell any shares or other securities of the Company.

**Deceased*

STAFF

JOHN W. REITZE *Sales Manager*
MYRON MASTERS *Production Manager*
WILLIAM F. SCHULTZ *Procurement*
N. H. PETERSON *Plant Manager at Concrete*
G. R. KINGMA *Plant Manager at Seattle*
FRED W. BAILEY *Auditor*

PROPERTIES

SUPERIOR PLANT Concrete, Washington
(Annual capacity 1,700,000 barrels)
LIMEROCK QUARRY Concrete, Washington
HYDRO-ELECTRIC POWER PLANT . . Concrete, Washington
(Generating 40% of Superior Plant's power)
DIAMOND PLANT Seattle, Washington
(Annual capacity 1,000,000 barrels)
LIMEROCK QUARRY View Cove, Alaska
PORT TERMINAL STORAGE Seward, Alaska
(Capacity 35,000 barrels)
TRANSFER BULK PLANT Anchorage, Alaska

Note: Alaska facilities are principally owned and partly under long term lease. Superior's operations there are carried on by established responsible Alaskan firms.

SUBSIDIARY

BAKER RIVER POWER, LIGHT & WATER CO.
Concrete, Washington

ANNUAL REPORT

TO OUR SHAREHOLDERS:

Figures compiled by the United States Bureau of Mines indicate that use of cement in 1956 in Washington and Oregon was definitely less than in 1955, and trailed behind the nation as a whole. Despite this, 1956 was one of the three best earning years in Superior history.

Total sales amounted to	\$6,663,641
Income before Federal taxes amounted to . . .	1,556,447
Income after Federal taxes amounted to . . .	820,014
Dividends paid to shareholders totalled . . .	421,147

This year's Debenture Bond Sinking Fund had already been met ahead of time through prior retirement.

The cash position of your company continues to be excellent and a five year financial summary is presented by the Treasurer on pages 8 and 9.

REVIEW

We would like to review Superior in two five year periods (1946 through 1950, 1951 through 1955).

Total assets averaged \$7,819,262 in the first five year period, increased to \$9,477,098 in the second five year period, and reached \$10,283,819 in 1956.

Income before Federal taxes averaged \$669,923 annually in the first five year period, increased to \$1,528,359 annually in the second five year period, and reached \$1,556,447 in 1956.

Income after Federal taxes averaged \$388,471 annually in the first five year period, increased to \$742,178 in the second five year period, and reached \$820,014 in 1956.

Dividends paid to shareholders averaged \$135,854 annually in the first five year period, increased to \$244,538 annually in the second five year period, and totalled \$421,147 in 1956.

The above gains were accomplished over and above paying all the increasing costs of our times for everything we used and after paying heavy Federal corporation taxes approximating fifty percent of what the company earned.

These last ten years have seen excellent progress, due to the pioneering effort and hard work of many Superior people.

PRODUCTION, SALES, AND SHIPMENTS

Production costs continued to be a challenging problem because of sharp increases in costs of labor, transporation, and everything needed for the manufacture of cement.

Sales served and retained all of Superior's customers in a stiff competitive year and were successful on two out of three big dam contracts awarded during the year. These will provide an important and substantial backlog for three or four years ahead.

INDUSTRIAL RELATIONS

Negotiations during 1956 resulted in new labor contracts. Operations at both plants were without strike or critical disputes. Grievances were settled in reasonable and fair manner and management-employee relations continued harmonious.

SAFETY

Superior's Seattle plant operated throughout 1956 without lost-time accident and has, in fact, won a safety award for one thousand days (almost three years) of accident-free operation. Our Concrete plant had two disabling accidents in 1956 but has operated for five years without

an accidental death. The Seattle plant has operated eight years without a single fatality. A continuing safety program is constantly under way to reduce hazards and strive to eliminate even the minor accidents.

C. N. REITZE

It is with deep regret that we report to you the death of Mr. C. N. Reitze, retired, who was President of our company until October 1955. The Board of Directors forwarded to his family a resolution expressing profound sorrow and the highest esteem.

LONE STAR PROPOSAL

An agreement has been authorized by Lone Star Cement Corporation and Superior Portland Cement, Inc. and has been approved by a vote of Superior's stockholders, providing for the acquisition of Superior's assets by Lone Star and the exchange of $1\frac{3}{4}$ shares of Lone Star stock for each share of Superior stock. Contemplated closing date is April 1, 1957 (subject to extension by mutual consent).

Lone Star Cement Corporation is the largest cement producer in the United States and is traditionally a great and progressive cement manufacturing company.

FUTURE

The extensive highway network of the United States is obsolete today. A Federal Highway Act of 1956 authorizes the greatest single construction legislation in history to correct it.

Built into this law are two provisions that insure heavy use of Portland cement. Special roads approved by the Federal Government will be 90% paid for by the Federal Government. After these special Federal

aid roads are built, all following maintenance will have to be paid for by individual states, counties, and cities.

Inasmuch as 90% of the cost of these highways is to be initially paid for by the Federal Government and all maintenance costs after that will have to be met by state, county or city, it means that everyone concerned will naturally want to make the new highways durable in the first place. The answer is Portland cement concrete.

This Road Program begins in 1957-1958 and will take ten or twelve years to complete. Everywhere states, counties, and cities will also have auxilliary structures of their own to speed travel, eliminate bottlenecks, and minimize hazards. Safety, accessibility, and military defense of the whole nation will improve enormously, and for the next decade will require heavy shipments from the cement industry generally.

CONCLUSION

Superior has pioneered and built one of Washington State's principal manufacturing companies.

Your company today sells approximately 40% of the cement marketed by five cement companies competing in this area.

Proven raw material reserves are larger than at any time in the company's history. They are being currently expanded by new exploration and claims, and for the future are inexhaustible.

Superior's cements have continued to maintain their traditionally high quality in the Pacific Northwest. Two of your company's products have achieved national recognition. Superior's Hyurly quick-strength cement and Masonry cement are rated among the best in the country.

Superior's good will founded on quality, service, and integrity is con-

sistently reflected in very substantial quantities of repeat business each year.

APPRECIATION

The Directors and Management again wish to express their sincere appreciation for the splendid support and cooperation received from customers, shareholders, and employees.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "N. H. Nelson". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

NED H. NELSON

Executive Vice President

February 1957

Seattle, Washington

FIVE YEAR FINANCIAL SUMMARY

	1956	1955	1954	1953	1952
NET SALES	\$6,663,641	\$7,610,617	\$6,370,511	\$7,280,959	\$6,709,476
Amount Per Share	24.53	28.01	23.45	53.59	48.65
INCOME <i>before</i> FEDERAL TAXES ON INCOME	1,556,447	1,974,932	1,629,130	1,275,848	1,334,038
Amount Per Share	5.73	7.27	6.00	9.39	9.82
PROVISION FOR FEDERAL TAXES ON INCOME	736,433	927,542	714,760	636,770	781,946
Amount Per Share	2.71	3.41	2.63	4.69	5.76
NET INCOME <i>After</i> FEDERAL TAXES ON INCOME	820,014	1,047,390	914,370	639,078	552,092
Amount Per Share	3.02	3.86	3.37	4.70	4.06
TOTAL ASSETS	10,283,819	10,559,580	9,752,179	9,288,166	8,920,228
Amount Per Share	37.85	38.86	35.89	68.37	65.85
WORKING CAPITAL	4,975,879	4,631,074	3,926,099	3,231,898	2,871,799
Amount Per Share	18.31	17.04	14.45	23.79	21.14
5% DEB. BONDS OUTSTANDING—DUE DEC. 31, 1969	2,117,500	2,117,500	2,117,500	2,268,100	2,505,700
Amount Per Share	7.79	7.79	7.79	16.70	18.44
CAPITAL AND SURPLUS (STOCKHOLDERS' EQUITY)	7,658,096	7,259,229	6,619,401	5,976,739	5,233,267
Amount Per Share	28.19	26.72	24.36	43.99	38.52
NUMBER OF SHARES COMMON STOCK OUTSTANDING	271,708	271,708	271,708	135,854	135,854
APPROXIMATE NUMBER OF STOCKHOLDERS	1,248	1,230	1,183	1,173	1,220
APPROXIMATE NUMBER OF BONDHOLDERS	752	775	803	883	953
APPROXIMATE NUMBER OF EMPLOYEES	335	340	335	400	400
DIVIDENDS PAID	421,147	407,562	271,708	203,781	169,818
Amount Per Share	1.55	1.50	1.00	1.50	1.25

By H. E. THOMPSON, *Treasurer*

SUPERIOR PORTLAND CEMENT, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1956 WITH COMPARATIVE FIGURES FOR 1955

<u>ASSETS</u>	December 31 1956	December 31 1955
CURRENT ASSETS:		
Cash	\$ 1,532,753	2,305,850
U. S. Government securities—at cost	1,123,160	826,859
Accounts receivable, less allowance for doubtful accounts and discounts of \$54,872 in 1956 and \$46,569 in 1955	743,227	551,497
Refundable Federal taxes on income	123,705	123,705
Prepaid expenses	30,942	48,755
Inventories, at cost, not in excess of replacement market:		
Cement—finished and in process	709,891	716,577
Raw materials	389,306	409,806
Manufacturing supplies	831,118	830,876
	<u>1,930,315</u>	<u>1,957,259</u>
TOTAL CURRENT ASSETS	5,484,102	5,813,925
Investments in sundry stocks	25,724	28,645
Fixed Assets:		
Lime rock quarries at values as determined by management in 1935, plus subsequent additions at cost, less allowance for depletion of \$1,373,756 in 1956 and \$1,338,538 in 1955	1,179,601	1,214,819
Real Estate and properties—at cost	237,433	219,352
Plant and equipment—at cost:		
Buildings and structures	1,717,362	1,672,448
Machinery and equipment	3,544,414	3,333,470
	<u>5,261,776</u>	<u>5,005,918</u>
Less allowance for depreciation	3,156,905	2,978,396
	<u>2,104,871</u>	<u>2,027,522</u>
Total fixed assets (net)	3,521,905	3,461,693
Potential water rights and franchise, as valued by Board of Directors in 1926	1,210,000	1,210,000
Debenture expense, less amortization	42,088	45,317
	<u>\$10,283,819</u>	<u>10,559,580</u>

<u>LIABILITIES</u>	December 31 1956	December 31 1955
CURRENT LIABILITIES:		
Accounts payable	\$ 55,872	131,692
Accrued expenses	129,628	169,679
Federal taxes on income, estimated, less U. S. Treasury tax anticipation notes of \$299,906 in 1956	322,723	881,480
TOTAL CURRENT LIABILITIES	<u>508,223</u>	<u>1,182,851</u>
5% Debenture bonds (subordinated)—due December 31, 1969 (sinking fund requirements in 1957 \$163,617 and in 1956 \$208,400 met by prior deposits with trustee)	2,117,500	2,117,500
Stockholders' equity:		
Common stock, no par value:		
Authorized 350,000 shares		
Outstanding 271,708 shares	891,981	891,981
Paid-in surplus	154,766	154,766
Earned surplus	6,611,349	6,212,482
	<u>7,658,096</u>	<u>7,259,229</u>
	<u>\$10,283,819</u>	<u>10,559,580</u>

SUPERIOR PORTLAND CEMENT, INC. AND SUBSIDIARY

STATEMENT OF CONSOLIDATED INCOME
Year Ended December 31, 1956 with Comparative Figures for 1955

	1956	1955
Net Sales	\$6,663,641	7,610,617
Cost of sales, selling, administrative and general expenses	4,807,577	5,353,480
Depreciation and depletion	224,970	203,686
	<u>5,032,547</u>	<u>5,557,166</u>
Operating profit	1,631,094	2,053,451
Other income:		
Interest, rents, etc.	34,457	30,585
	<u>1,665,551</u>	<u>2,084,036</u>
Income deductions:		
Interest on 5% debentures	105,875	105,875
Debenture expense amortized	3,229	3,229
	<u>109,104</u>	<u>109,104</u>
Income before Federal taxes on income .	1,556,447	1,974,932
Federal taxes on income, estimated	736,433	927,542
Net income	<u>\$ 820,014</u>	<u>1,047,390</u>

SUPERIOR PORTLAND CEMENT, INC. AND SUBSIDIARY

STATEMENT OF CONSOLIDATED EARNED SURPLUS
Year Ended December 31, 1956 with Comparative Figures for 1955

	1956	1955
Balance at beginning of year	\$6,212,482	5,572,654
Net income for the year	820,014	1,047,390
	<u>7,032,496</u>	<u>6,620,044</u>
Deduct dividends paid (\$1.55 per share for 1956; \$1.50 for 1955)	421,147	407,562
Balance at end of year	<u>\$6,611,349</u>	<u>6,212,482</u>

STATEMENT OF CONSOLIDATED PAID-IN SURPLUS

Amount at December 31, 1956 and December 31, 1955	<u>\$ 154,766</u>	<u>154,766</u>
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PEAT, MARWICK, MITCHELL & Co.

CERTIFIED PUBLIC ACCOUNTANTS

STUART BUILDING

SEATTLE 1, WASHINGTON

NEW YORK
ATLANTA
BALTIMORE
BOSTON
BUFFALO
CHARLOTTE
CHICAGO
CINCINNATI
CLEVELAND
COLUMBUS
DALLAS
DENVER
DETROIT
GREENSBORO
HOUSTON
INDIANAPOLIS
KANSAS CITY
LINCOLN
LOS ANGELES
MEMPHIS
MILWAUKEE
MINNEAPOLIS
NEWARK
NEW ORLEANS
OKLAHOMA CITY
OMAHA
PHILADELPHIA
PITTSBURGH
PORTLAND
ST. LOUIS
SAN FRANCISCO
SAN JOSE
SEATTLE
SHREVEPORT
TERRE HAUTE
TULSA
WASHINGTON
WATERBURY

AFRICA
AUSTRALIA
CANADA
CONTINENTAL EUROPE
CUBA
GREAT BRITAIN
HONG KONG
INDIA
JAPAN
MEXICO
SOUTH AMERICA

ACCOUNTANTS' REPORT

The Board of Directors
Superior Portland Cement, Inc.
Seattle, Washington

We have examined the consolidated balance sheet of Superior Portland Cement, Inc. and its subsidiary as of December 31, 1956 and the related statements of consolidated income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of Superior Portland Cement, Inc. and its subsidiary at December 31, 1956 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Seattle, Washington

January 14, 1957

SUPERIOR PORTLAND CEMENT, INC.

1003 Seaboard Building

Seattle 1, Washington

