Fill in
Hidden Valley
Mine

California Portland Cement Company

Annual Report 1979

FINANCIAL HIGHLIGHTS

	1979	1978	Change
Total Revenues	$198,815,000	$148,842,000*	+ 34%
Net Income	29,333,000	22,019,000	+ 33%
Per Share	6.95	5.21	
Dividends	7,599,000	6,335,000	+ 20%
Per Share**	1.80	1.50	
Capital Expenditures	17,804,000	10,063,000	
Depreciation	8,646,000	8,274,000	
Taxes (Income, Property, Payroll, and Other)	30,126,000	23,870,000	
Working Capital	41,069,000	24,908,000*	+ 65%
Current Ratio	2.1:1	1.9:1*	
Total Assets	202,792,000	170,904,000	+ 19%
Book Value	150,718,000	129,298,000	+ 17%
Per Share	35.77	30.61	
Number of Shares Outstanding	4,213,814	4,223,814	

*Restated.
**Includes extra dividend of $.30 per share.

California Portland Cement Company's principal business is the manufacture and sale of portland cement and other types of cement in California, Arizona, and Southern Nevada. The Company operates two cement plants in Southern California and one in Arizona, and the three plants have a combined annual capacity of 3,000,000 tons.

The Company also, through various subsidiaries and divisions, mines and sells coal and manufactures and sells a variety of concrete and stone products, including prestressed and precast concrete products, ready-mixed concrete, aggregates, and limestone products. Through another subsidiary, the Company explores for and sells oil and natural gas.

The Company was incorporated in California in 1891. The Company's stock is listed on the American and Pacific stock exchanges and is recognized by the ticker symbol CPO.

The Annual Meeting of California Portland Cement Company shareholders will be held in the auditorium on the second floor, 612 South Flower Street, (downtown) Los Angeles, California, on Tuesday, August 14, 1979, at 10:00 a.m.

TO THE SHAREHOLDERS:

The accompanying financial statements set forth the results of all operations for the fiscal year ended April 30, 1979 and present the financial condition of the Company and its consolidated subsidiaries at year end. Total revenues amounted to a record $199 million in fiscal year 1979, this figure being 34 percent greater than the prior year. Net income also reached a record amount, totaling $29 million, or $6.95 per share, a 33 percent increase over the prior year.

Below is a breakdown of net income per share for the last two fiscal years:

	1979	1978
Cement Division	$6.75	$4.91
Concrete & Stone Products Division	(.64)	(.20)
Other Activities	.84	.50
Total Net Income Per Share	$6.95	$5.21

With the exception of the Concrete and Stone Products Division, these results are certainly encouraging when you consider the fact that the Company is manufacturing and selling all the cement that it possibly can. This condition has existed for almost two years, and the Company is currently allocating cement to its customers based on their prior purchases.

The Cement Division, which accounts for 77 percent of total revenues and 82 percent of total assets, had another record year as a result of the continued high demand for cement in the Company's marketing areas. The Company's shipments of cement in fiscal year 1979 from all three of its manufacturing plants reached an all-time record and included importation from foreign countries of clinker, which was ground into cement at all three plants.

The outlook for the current year is a continued high demand for cement in all of the marketing areas, and only during inclement weather towards the end of calendar year 1979 will the Company be able to build up its inventories.

Construction on the Mojave Plant Modernization Project has only been underway for four months and, while the estimate of $100 million includes a provision for possible escalations and contingencies, it is hoped that the seemingly never-ceasing spiral of inflation will come to a screeching halt so that the project will be one of the few major capital projects of this type in the cement industry to be completed on time and under budget. Needless to say, when the project is completed, the added productive capacity available to the Company's marketing areas will greatly minimize future cement shortages.

The Concrete and Stone Products Division had a troublesome year, but the outlook for the future is much brighter than one might deduce from the financial results of the Division. Two of the four companies which make up this Division, namely, Arizona Sand and Rock Company and Colton Lime and Stone, were profitable, but there were some major decisions made with regard to the two unprofitable companies. It has been decided to wind up and dissolve California Cement Shake Co., Inc. after over 15 years of struggling to perfect a cementitious roofing product. A net reserve in the amount of $1.8 million, or $.42 per share, has been established for the writedown of assets of this subsidiary to estimated realizable value and for anticipated plant shutdown costs. It was also decided to close the unprofitable plant of Pacific Prestressed Products, Inc. located in Northern California, and a net reserve in the amount of $1.2 million, or $.29 per share, was made for the writedown of certain assets to estimated realizable values and for anticipated shutdown costs. The combined effect of these decisions was to reduce net income in the table at left by $.71 per share. Both decisions came after much deliberation but will now enable the Division to deploy all of its personnel, capital, and efforts in more profitable directions.

The major item included in the Other Activities category relates to a land sale in the third quarter of the fiscal year which resulted in an increase in net income of $.30 per share.

Return on investment—often used to evaluate the sensibility or economic justification of a project or business—should also be evaluated each year from a shareholder's standpoint. The year's earnings of $29.3 million amounted to a 21 percent return on shareholders' equity, or investment in the Company. Even the five-year average return on shareholders' equity amounts to 13 percent, a figure that should satisfy most investment parameters or criteria. The 15 percent return on total revenues is one of the highest in the cement industry and proves that the Company's goal to be one of the lowest cost producers in the industry is being achieved.

Cash dividends of $1.80 per share, totaling $7,599,000, were paid to the Company's shareholders in fiscal year 1979, marking the 70th consecutive year cash dividends have been paid. The current quarterly rate of $.50 per share was approved by the Board of Directors on May 8, 1979, which indicates that the annual rate is $2.00 per share. This increased annual cash dividend rate is intended to replace the extra dividends of $.30 per share that were paid in each of the two prior fiscal years. The dividend payout, as a percent of earnings, is a respectable figure, but it is important to remember that earnings have to be reinvested in the business in order to enable the Company to keep pace with new technology, changing market conditions, and investment opportunities. The quarterly dividend rate has doubled in the past two years and indicates that the Directors recognize the needs of the shareholders as well as the needs of the Company.

The Company is concerned, as a corporate citizen, about the current inflation situation and is in compliance with voluntary regulations of the Council on Wage and Price Stability. However, it is frustrating to be the recipient of numerous increases in costs of labor and materials and not be able to do anything about them except absorb them.

The debt-to-equity ratio as of April 30, 1979 is very low compared to most capital intensive businesses. The strong financial posture of the Company places it in an excellent position to generate or obtain the resources required to independently pursue the excellent business opportunities and internal growth that will undoubtedly occur in the years ahead. The cyclicality of the cement business often calls for large amounts of borrowing for specific projects as they are authorized by the Board of Directors. During the next 18 months, the Company may incur as much as $60 million worth of debt in order to finance the Mojave Modernization Program, which is discussed in more detail later in this report. The debt will be a combination of bank loans, tax-exempt bonds, and other types of financing. The Company is very flexible at this point in being able to act quickly or strategically to obtain the necessary funds from the most economical sources.

The antitrust litigation, which involves as defendants the Company, the Portland Cement Association, and almost all cement manufacturers in the United States and which has been noted in recent annual reports and is more fully described later in this report, is still in preliminary stages. The plaintiffs are now apparently asserting that cement has been priced and sold unlawfully in the United States for decades because a standard formula is generally used. The Company believes that the method it uses to establish the price of cement is fully competitive and is a consistently fair method of pricing the product, equally benefiting the seller and the buyer and not violative of the antitrust laws. The issues in an economic sense are very complex, even in the preliminary stages, and the Company does not expect any conclusion for many, many months.

In April 1979 an unsolicited cash offer of $47 per share for all of the shares owned by the Company's largest shareholder was declined by that shareholder.

In reviewing the last two Annual Reports, there were several statements made that should be repeated here because they still apply to 1979 conditions:

From the 1977 Annual Report:

"It is indeed gratifying to have achieved record results during the current fiscal year, but efforts are continually being made to further reduce and control costs and take advantage of any cost-saving or energy-saving capital improvements."

"One of the many reasons for the improved financial results is the fact that Soldier Creek Coal Company operated profitably during the fiscal year and also supplied the cement plants with the most economical fuel available."

"This is a cyclical business; however, the Company has been in business for (86) years, and it will continue to maintain a strong financial condition and be prepared to weather any storm that may arise."

From the 1978 Annual Report:

"The (above) results are most gratifying and only help to prove the theory that a cement manufacturing plant which is properly designed and operated is not plagued with excessive maintenance, breakdown, and labor costs when it operates at 100 percent capacity."

"It is a continuing problem for some people and groups to recognize the need to strike a reasonable balance between the necessity for sound economic growth and the protection of the environment."

"The cement business is cyclical and regional, and, even though some people would say that this year's results are indicative of the future, it is more realistic to assume that the upward curve will peak

out some day and that this business will return to a more normal cyclical pattern."

"The absence of charts and graphs in this record year report is strictly by design. The Company has always tried to deliver the facts to the shareholders and the investment community with a minimum of pages and expense."

In February 1979, Sidney R. Petersen, President of Getty Oil Company, headquartered in Los Angeles, was elected a director. He brings youth, ingenuity, and extensive knowledge of a natural resource business to the Board of Directors and is a welcome addition.

Effective May 1, 1979, A. Frederick Gerstell was promoted to the position of Vice President, Cement Division, with responsibility for all of the Company's cement operations. Replacing him as Vice President of the California cement operation is Ronald J. Van Thyne. David C. Lauritzen was elected Treasurer and William G. Bassett was elected Controller of the Company. The average age of these men is 40 years, and they have been associated with the cement industry for the majority of their working years.

The loyalty and support of the shareholders during the past year is greatly appreciated, and it is a pleasure to welcome any new shareholders who are reading this report for the first time. The dedication of the employees of the Company is also greatly appreciated by the Board of Directors, who take this opportunity to salute them in their entirety.

The Board of Directors and officers express their sincere appreciation to the Company's customers for their continued patronage and to its many friends in the business and financial community for their continued counsel and support.

Submitted on behalf of the Board of Directors,

Michael A. Morphy

Michael A. Morphy
President
June 26, 1979

OPERATIONS REVIEW

CEMENT DIVISION

The Cement Division recorded new highs in both revenues and income for the third successive year. Revenues amounted to $152,378,000 in fiscal year 1979, and the Cement Division contributed income before taxes of $50,897,000, an increase of 39 percent over 1978.

The Company operates cement manufacturing plants at three locations; Colton, California, with an annual capacity of 750,000 tons; Mojave, California, with an annual capacity of 1,100,000 tons; and Rillito, Arizona, with an annual capacity of 1,150,000 tons. The Company is the largest producer of cement in its marketing areas, with a combined annual production capacity of 3,000,000 tons or approximately 25 percent of the industry capacity. In the United States there are 48 cement companies operating a total of 159 plants, and California Portland Cement Company ranks 12th in total capacity with its three plants.

The Company's cement shipments increased 9 percent over the previous fiscal year, and the Company set a new record for cement shipments. This achievement was due in part to importation of cement clinker from foreign sources which enabled the Company to better serve the requirements of its customers. The Company will continue to import clinker as dictated by market conditions.

What were some of the factors that contributed to the Company's record shipments? The Company's first quarter of fiscal 1979 saw the continuation of a strong demand for its products in the residential, commercial and industrial sectors. A strong backlog of construction commitments in these sectors, built up during an unusually inclement winter, sent the demand once again to record levels. This record demand placed the Company in a position of allocating its products to all of its customers, and this allocation is continuing at the present time.

Shipments from the Company's two Northern California distribution terminals, at Redwood City and Stockton, increased due to a strong Northern California construction market. These terminals distribute cement shipped from the Mojave Plant to customers in the San Francisco Bay Area and the Sacramento and central California areas east of San Francisco. The Stockton facility, built by the Company, commenced operation in August 1977. The Company began construction of a new $2.7 million distribution terminal to be located near the San Francisco Bay Area in Fremont, California. The Company will discontinue customer service from the Redwood City Terminal, which is presently leased, and will make the transition in September 1979 to its new terminal in Fremont. This new efficient, modern terminal will have increased storage capacity to better serve the growing Northern California market.

All three cement plants operated at full capacity during the past year and are expected to do so in fiscal year 1980. Record sales and earnings brought with them increased challenges and opportunities in the areas of production and planning. Each plant has projects and engineering feasibility studies in progress which will result in improvements in production, efficiency, and quality of the environment. Budgeted capital expenditures of $8,171,000 for fiscal year 1980, in addition to the Mojave Modernization Project mentioned separately in this report, should continue to make the three cement plants among the most efficient in the cement industry.

Operating costs continue to escalate with energy and labor being the most significant factors. The Soldier Creek Coal division continues to supply coal to all three cement plants. Accordingly, the drastic increase in the cost of petroleum products has not affected the Company's cement manufacturing costs as significantly as those companies who do not own their own fuel supply and, therefore, are partially or totally dependent upon outside sources for their fuel requirements.

Electrical power costs, which represent 16 percent of total manufacturing costs, increased 13 percent per ton of production during the year. Engineering studies are presently underway at the Colton Plant to determine the feasibility of generating electrical power from waste heat now vented into the atmosphere.

Labor relations between the Company and the United Cement, Lime and Gypsum Workers International Union, representing hourly employees at the three cement plants, were favorable during the past year. Wage and benefit increases of approximately 9 percent took effect on May 1, 1979 in accordance with a three-year contract which became effective May 1, 1978.

A new safety incentive program was instituted during the fiscal year. While the Company did not complete the year accident free, the number of lost-time accidents was greatly reduced over recent years. The Company continues in its efforts to eliminate lost-time accidents, primarily because of its concern for the safety and well-being of all employees and also because the Company believes that improved safety results in improved profits.

Based on construction trend indicators, the strong demand for cement in the residential, commercial, and industrial segments in the construction industry will continue within the Company's marketing areas. The Company remains optimistic for fiscal year 1980 and anticipates a strong demand for cement shipments.

MOJAVE CEMENT PLANT MODERNIZATION

On September 19, 1978, the Company's Board of Directors granted final approval for engineering, procurement, and construction of a one million ton addition to the existing 1.1 million ton cement plant in Mojave, California. In October 1978, Kaiser Engineers, Inc., a division of Raymond International, Inc., located in Oakland, California, was awarded the contract to supply engineering, procurement, and construction management services for the project. In January 1979 the United States Environmental Protection Agency and the Kern County Air Pollution Control District granted final authority and approval to construct the plant addition.

Total direct cost of the project is estimated to be $76 million with an additional $24 million budgeted for escalation, contingency, fees, and engineering costs. Through the end of fiscal year 1979, commitments amounting to $21 million have been made on the project. All earth-removal and grading work has been completed, and contracts for concrete, mechanical, and structural steel construction segments are currently being bid. The Company's engineers will monitor the project in each discipline of engineering—mechanical, electrical, and civil. At this early date, the project is on time and under budget. Completion is still expected by December 1980. It is anticipated that construction will not impair operations of the present plant at Mojave and that no production interruptions will be experienced as a result. Every effort is being made to expedite the signing of firm price contracts in all areas of construction in order to avoid as much as possible the effects of inflationary cost increases.

When completed, the new plant will be among the most modern and efficient in North America. The Mojave Project continues the Company's philosophy of maintaining modern, low-cost, energy-efficient, and environmentally-clean cement manufacturing plants.

COAL DIVISION

Soldier Creek Coal Company, a division of the Company, is responsible for the coal operations of the Company. In 1974 the Company acquired the Soldier Creek Mine, an underground coal mine near Price, Utah, approximately 125 miles southeast of Salt Lake City. After completing the rehabilitation of the mine and existing equipment, coal mining operations began in June 1976.

During the year, Soldier Creek mined over 550,000 tons of coal. "Tons of coal per man per day" exceeded set production goals and substantially exceeded the national average for underground coal mines. Safety is first at Soldier Creek. Soldier Creek's philosophy that high levels of production may be maintained without sacrificing safety is supported by the favorable results of frequent Federal and state inspections.

During fiscal year 1979, capital expenditures amounted to $1,290,000, most of which related to completion of facilities outside of the mine. The approved budget for fiscal year 1980 amounts to $2,141,000 and is basically for additional equipment and machinery expenditures required to supply coal to the Company's cement plants and other potential customers.

In January 1978 the Company exercised its option to acquire a long-term coal mining lease covering 960 acres of coal-bearing fee property located about 75 miles south of the existing Utah coal mine. This property, previously referred to as Ivie Creek Coal, is now called the Hidden Valley Mine.

Hidden Valley Mine is presently involved in preliminary engineering planning, and plans are being formulated for the future development of this coal property. Production from this mine is anticipated to be approximately 500,000 tons of coal annually.

Soldier Creek Coal Company, encompassing both the Soldier Creek Mine and the Hidden Valley Mine with estimated recoverable reserves of 30 million tons, continues to be an integral and important part of the Company's operations. Soldier Creek Coal Company has consistently supplied all coal requirements for the cement plants and has scheduled expansion in order to meet future requirements of the Cement Division, as well as having coal available for sale to others, for many years.

CONCRETE AND STONE PRODUCTS DIVISION

Arizona Sand and Rock Company, Pacific Prestressed Products, Inc., and Colton Lime and Stone Company are the entities comprising this Division. Revenues of the three entities during fiscal year 1979 were a record $38,764,000, which is a 70 percent increase from the prior fiscal year that had been the previous record. The Division had a $719,000 profit before income taxes. The results of operations of California Cement Shake Co., Inc., which were previously included in the Concrete and Stone Products Division, have been segregated and presented as a discontinued operation in the accompanying financial statements as a result of a decision to shut down the operation and dissolve the subsidiary as explained below. Accordingly, results of operations for years prior to 1979 have been restated.

Arizona Sand and Rock Company produces and sells sand and rock and ready-mixed concrete from three plants in the Phoenix, Arizona area, and this subsidiary contributed 52 percent of total revenues of the Concrete and Stone Products Division during the fiscal year. Arizona Sand and Rock Company owns or holds long-term leases on extensive rock and sand reserves in and near the Phoenix area. Excellent market conditions and the ability of management to capitalize on these conditions combined to make the fiscal year the best in the history of this subsidiary. Volume of product sold, revenues, and profits were all at record levels. Operations were hampered at the beginning of the fiscal year as this subsidiary recovered from the heavy floods of March 1978 and again in the third quarter as it was greatly affected by severe flooding in the Salt and Agua Fria river basins in the Phoenix area. A very favorable cash flow for the fiscal year made it possible for Arizona Sand and Rock Company to modernize and expand its facilities to better serve its customers and benefit from increased market opportunities in the future.

Pacific Prestressed Products, Inc. manufactures prestressed and precast concrete products at two plants located near Los Angeles and San Francisco, California. Revenues constituted 39 percent of total Division revenues and increased 74 percent from the prior year as the prestressed concrete market improved and Pacific Prestressed Products, Inc. participated in this improvement. A decision was reached in March 1979 to commence a phaseout and shutdown of the Fremont Plant near San Francisco, and, accordingly, provisions for writedown of assets and plant shutdown costs were made in fiscal year 1979. This plant had operated at a loss for many years, and it was deemed economically inadvisable to continue its operation. A comprehensive plan for improvement in the management and operation of this subsidiary commenced in January 1979 and incorporated the decision to concentrate all efforts on the Irwindale Plant in Southern California while continuing to market throughout California from the Irwindale Plant. The positive effects of the restructuring of the subsidiary and its improved management and operation should result in profitability being established during fiscal year 1980. The Company fully approves of and supports the steps being taken to improve the performance of Pacific Prestressed Products, Inc. and has full confidence that this subsidiary's performance will continue to improve in fiscal year 1980 and in years to come. The Company thanks all customers of Pacific Prestressed Products, Inc. for their patience and understanding in the very difficult year just past.

Colton Lime and Stone Company, a division of the Company, produces and sells limestone products from a facility located at the Colton Cement Plant. It contributed 9 percent of total revenues of the Concrete and Stone Products Division during the fiscal year. Record sales and profits were achieved for the third consecutive year. During the fiscal year, construction began on a new limestone products plant near the Auburn Dam site east of Sacramento in Northern California. This facility will increase the productive capacity of Colton Lime and Stone Company by 65 percent. The market for limestone in glass manufacturing and as an industrial filler has experienced unusual growth due to the demands of the flourishing wine, beer, roofing, and fiberglass industries. Emerging uses for the division's products, including control of sulfur dioxide emissions in coal-burning plants, are being reviewed as potential markets for the limestone ore reserves at the Mojave Plant of the Company. Strong sales are expected to continue through fiscal year 1980.

California Cement Shake Co., Inc., a 91 percent owned subsidiary of the Company located in Irwindale, California, produces Cal•Shake®, a lightweight fireproof cement roofing shake. This shake is a composition of portland cement, lightweight aggregates, reinforcing fibers, and coloring to simulate a weathered wood shake. An attempt was made during the fiscal year to sell the subsidiary as it was deemed inappropriate to continue operation with the substantial ongoing losses it was incurring and the inability to market the product in sufficient quantities and at appropriate prices. A six-month search for a purchaser resulted in no candidate who was sufficiently interested to make an offer for the subsidiary. Therefore, the shareholders of California Cement Shake Co., Inc., voted on June 6, 1979 to close down and dissolve the subsidiary, and, accordingly, provisions for writedown of assets and plant shutdown costs were made in fiscal year 1979.

With the actions taken in fiscal year 1979 regarding the unprofitable elements of the Division and the steps taken to improve its management, the Concrete and Stone Products Division has established a strong, firm base which should generate profitability in fiscal year 1980 and years to come. The Division will actively search for acquisitions which will further enhance its profitability and make it a strong and large contributing factor to the continuing success of California Portland Cement Company.

STATEX PETROLEUM, INC.

Statex Petroleum, Inc., an oil and gas exploration and production company which is 52 percent owned by the Company, concentrated its exploratory drilling activities during the year in Oklahoma and Louisiana. Statex participated in drilling 9 exploratory wells and 17 development wells during the year ended October 31, 1978. For the six months ended April 30, 1979, Statex participated in 14 additional wells—1 exploratory and 13 developmental.

For its fiscal year ended October 31, 1978, Statex's revenues increased 44 percent, with net income 20 percent above the prior year. Revenues from sales of oil and gas and royalty income for the 6 months ended April 30, 1979 increased 8 percent over the comparable 6-month period in the prior year, reflecting new production as well as the somewhat higher prices prevailing for newly discovered oil and gas. Statex's 1979 drilling program is underway in Oklahoma, having as its objective 16 exploratory prospects in 5 counties. As in the previous year, Statex will participate as operator together with another independent oil company that will pay two thirds of preparation and drilling costs for a 50 percent interest in the program developed by Statex.

As of December 31, 1978, Statex owned estimated proved developed recoverable reserves of 665,000 barrels of oil and 18.5 billion cubic feet of gas. Statex estimates that 66,000 barrels of oil, 16,500 barrels of condensate, and 2.1 billion cubic feet of gas can be produced from these reserves during the 12-month period ending October 31, 1979, the end of Statex's current fiscal year. The search for and development of new oil and gas production for Statex's account with its own staff have become the keystone of its growth strategy, both now and for the foreseeable future.

The results of operations of Statex are not reported on a consolidated basis by the Company, but 52 percent of Statex's net assets is included in investments on the Company's Balance Sheet. The results of operations of Statex are contained in its annual report, which may be obtained by writing to the Secretary. The common stock of Statex is traded in the over-the-counter market.

FIVE-YEAR SUMMARY OF OPERATIONS

(Thousands—except per share data)

Year ended April 30*	1979	1978	1977	1976	1975
DOLLAR AMOUNTS:					
Continuing Operations:					
Revenues:					
Cement Division	$152,378	$122,816	$ 92,012	$70,565	$58,771
Concrete and Stone Products Division	38,764	22,786	19,391	21,623	22,670
Other Activities	7,673	3,240	800	2,344	1,949
Total	$198,815	$148,842	$112,203	$94,532	$83,390
Costs and Expenses:					
Cost of products sold	$125,328	$ 95,209	$ 78,233	$71,456	$66,157
Selling, general, administrative, and other	18,209	15,088	13,013	11,252	10,624
Interest	136	502	1,405	2,015	2,081
Total	$143,673	$110,799	$ 92,651	$84,723	$78,862
Income (Loss) from Continuing Operations Before Income Taxes and Equity in Conrock Co.:					
Cement Division	$ 50,897	$ 36,671	$ 20,675	$11,217	$ 6,149
Concrete and Stone Products Division	719	92	(1,834)	(1,363)	(1,173)
Other Activities	3,526	1,280	711	(45)	(448)
Total	55,142	38,043	19,552	9,809	4,528
Income Taxes	24,009	16,104	7,723	3,178	577
Income from Continuing Operations Before Equity in Conrock Co.	31,133	21,939	11,829	6,631	3,951
Equity in Undistributed Net Income of Conrock Co. (net of income taxes)	919	836	509	452	502
Income from Continuing Operations	32,052	22,775	12,338	7,083	4,453
Loss from Discontinued Operation (net of income taxes)	(2,719)	(756)	(665)	(407)	(187)
NET INCOME	$ 29,333	$ 22,019	$ 11,673	$ 6,676	$ 4,266
AMOUNTS PER SHARE:					
Continuing Operations:					
Income from Continuing Operations Before Equity in Conrock Co.	$ 7.37	$ 5.19	$ 2.80	$ 1.57	$ .93
Equity in Undistributed Net Income of Conrock Co.	.22	.20	.12	.11	.12
Income from Continuing Operations	7.59	5.39	2.92	1.68	1.05
Loss from Discontinued Operation	(.64)	(.18)	(.16)	(.10)	(.04)
NET INCOME	$ 6.95	$ 5.21	$ 2.76	$ 1.58	$ 1.01
Cash Dividends:					
Regular	$ 1.50	$ 1.20	$ 1.00	$ 1.00	$ 1.00
Extra	.30	.30	—	—	—
Total	$ 1.80	$ 1.50	$ 1.00	$ 1.00	$ 1.00
AVERAGE NUMBER OF SHARES OUTSTANDING	4,222	4,224	4,224	4,224	4,224

*Years ended April 30, 1975 through 1978 have been restated to reflect the cement-based roofing shake business, previously included in the Concrete and Stone Products Division, as a discontinued operation.

MANAGEMENT DISCUSSION AND ANALYSIS OF FIVE-YEAR SUMMARY OF OPERATIONS

1979

Cement Division revenues increased 24 percent from 1978 due to a 9 percent increase in cement shipments and to higher average selling prices which resulted from price increases instituted during the year. The increase in shipments of cement was due to continued strong construction activity in all of the marketing areas served by the Company's three cement plants. Income before income taxes of the Cement Division increased 39 percent due primarily to operating at capacity levels and to increased revenues as noted above.

Revenues from the Concrete and Stone Products Division increased 70 percent from 1978. Increased construction activity in Southern California and the Phoenix, Arizona area, the principal markets served by the subsidiaries included in the Division, resulted in increased demand for the subsidiaries' products, and price increases during the year enabled the subsidiaries to recover increases in operating costs. Income before income taxes from the Division increased substantially due primarily to increased utilization of productive capacity as a result of the increased demand and to the significant increase in revenues, offset in part by provisions amounting to $2,238,000 made by one subsidiary for writedown of assets to estimated realizable values and for anticipated shutdown costs as a result of a decision to close a plant which had experienced continued unprofitable operations. The increase of 21 percent in selling, general, administrative, and other expenses was due primarily to these provisions.

Revenues and income before income taxes arising from Other Activities include a gain of $1,914,000 from a sale of land. Other fluctuations are due to the inherent non-recurring nature of items included in Other Activities, none of which is individually significant.

The substantial increase in loss from discontinued operation was due to continued problems in producing cement-based roofing shakes and to a charge of $1,776,000, net of income tax effect, resulting from provisions for writedown of assets and shutdown costs; see Note 2 to the financial statements for further details.

1978

Revenues from the Cement Division increased 33 percent from 1977 due primarily to a 22 percent increase in cement shipments and to higher average selling prices resulting from price increases instituted during the year. The significant increase in cement shipments was the direct result of strong construction activity in the marketing areas served by the Company's three cement plants. The price increases enabled the Company to more than recover increases in operating costs and, combined with plant operating levels at effective capacity, accounted for substantially all of the 77 percent increase in income before income taxes of the Cement Division.

Revenues from the Concrete and Stone Products Division increased 18 percent from 1977. The Company's Arizona Sand and Rock Company subsidiary accounted for most of the increased revenues due primarily to a significant increase in construction activity in the Phoenix, Arizona area. The Division earned $92,000 before income taxes after incurring a loss of $1,834,000 before related income tax effect in 1977 due primarily to increased utilization of productive capacity and increased volume of the Arizona Sand and Rock Company subsidiary and to the absence of provisions for writedown of assets and idle plant costs which were made by one subsidiary in 1977.

The fluctuations in revenues and income before income taxes from Other Activities are due to the inherent non-recurring nature of the items included under this caption, none of which is individually significant.

The substantial decrease in interest expense was due to a reduction in unsecured notes payable of $13,125,000 and to the absence of any new borrowings during the year.

Loss from discontinued operation increased 14 percent from 1977 due primarily to significant problems encountered in increasing production of cement-based roofing shakes. See Note 2 to the financial statements regarding the discontinuance of this business.

1977

Revenues from the Cement Division increased 30 percent from 1976 due primarily to a 14 percent increase in cement shipments and to higher average selling prices resulting from price increases instituted during the year. These price increases enabled the Company to recover increases in operating costs and, combined with increased utilization of productive capacity due to the increased demand for cement, accounted for substantially all of the 84 percent increase in income before income taxes from the Cement Division.

Revenues from the Concrete and Stone Products Division decreased 10 percent from 1976 due primarily to the extreme competitive conditions which existed in most areas of the Division's operations and to a continued lack of demand for prestressed concrete products. These factors caused certain of the Division's facilities to operate at low levels of capacity and, combined with provisions amounting to $1,330,000 made by one subsidiary for writedown of certain assets to estimated realizable values and for anticipated idle plant costs, resulted in a 35 percent increase in the Division's loss before related income tax effect. The increase of 16 percent in selling, general, administrative, and other expenses was due primarily to the provisions for writedown of certain assets and for anticipated idle plant costs described above.

The fluctuations in revenues and income before income taxes from Other Activities are due to the inherent non-recurring nature of the items included under this caption, none of which is individually significant.

The substantial decrease in interest expense was due to a reduction in long-term notes payable of $9,659,000 and to the absence of any new borrowings during the year.

The provision for income taxes increased substantially due primarily to the increase in income before income taxes of the Cement Division.

1976

Revenues from the Cement Division increased 20 percent from 1975 due to higher average selling prices resulting from price increases instituted during the year and to a one percent increase in shipments. Income before income taxes increased 82 percent due primarily to increased revenues and to a slower rate of escalation in production costs than in 1975.

The Concrete and Stone Products Division's loss before related income tax effect increased 16 percent from 1975. The continued downward trend in construction activity and the resultant extreme competitive conditions which existed in all geographic areas of the Division's operations combined to cause an increase in the loss from operations of the Division.

The provision for income taxes increased substantially due primarily to the increase in income before income taxes from the Cement Division.

CONSOLIDATED BALANCE SHEET

April 30, 1979 and 1978

ASSETS	1979	1978
CURRENT ASSETS:		
Cash	$ 8,213,000	$ 3,396,000
United States Government securities	10,250,000	3,800,000
Receivables (less allowance for doubtful accounts, $491,000 in 1979 and $261,000 in 1978)	25,503,000	20,242,000
Inventories:		
Finished products and products in process	11,853,000	8,658,000
Materials and supplies	16,506,000	13,583,000
Prepaid expenses	5,498,000	2,972,000
Total current assets	77,823,000	52,651,000
INVESTMENTS:		
Conrock Co. (Note 3)	17,974,000	16,594,000
Statex Petroleum, Inc. (Note 4)	4,958,000	4,513,000
Other (at cost; market value $8,616,000 in 1979 and $6,748,000 in 1978)	1,930,000	1,918,000
Total investments	24,862,000	23,025,000
PROPERTY:		
Land and deposits	10,174,000	10,621,000
Buildings, machinery, and equipment	147,892,000	142,755,000
Construction in progress	10,526,000	3,189,000
Total	168,592,000	156,565,000
Less accumulated depreciation and depletion	72,748,000	65,308,000
Property—net	95,844,000	91,257,000
OTHER ASSETS	4,263,000	3,971,000
TOTAL	$202,792,000	$170,904,000

LIABILITIES	1979	1978
CURRENT LIABILITIES:		
Accounts payable and accrued	$ 19,468,000	$ 11,827,000
Federal and state income taxes payable	13,276,000	10,676,000
Real and personal property taxes accrued	3,103,000	4,525,000
Other	907,000	715,000
Total current liabilities	36,754,000	27,743,000
LONG-TERM LIABILITIES:		
Unsecured notes payable (Note 5)	1,970,000	2,145,000
Deferred Federal and state income taxes payable	8,063,000	6,583,000
Total long-term liabilities	10,033,000	8,728,000
DEFERRED INVESTMENT TAX CREDIT (Note 6)	5,287,000	5,135,000
SHAREHOLDERS' EQUITY:		
Common stock—authorized, 6,000,000 shares of $5 par value each; outstanding, 4,213,814 shares in 1979 and 4,223,814 shares in 1978	27,383,000	27,383,000
Retained earnings	123,335,000	101,915,000
Total shareholders' equity	150,718,000	129,298,000
TOTAL	$202,792,000	$170,904,000

See accompanying notes to financial statements.

STATEMENT OF CONSOLIDATED INCOME

For the years ended April 30, 1979 and 1978

	1979	1978
CONTINUING OPERATIONS:		
Revenues:		
Billings to customers (less discounts and allowances)	$191,351,000	$144,625,000
Other income (principally dividends, interest, rent, and royalties)	7,464,000	4,217,000
Total	198,815,000	148,842,000
Costs and Expenses:		
Cost of products sold (including freight on shipments)	125,328,000	95,209,000
Selling, general, and administrative	14,624,000	13,347,000
Interest	136,000	502,000
Other (Note 13)	3,585,000	1,741,000
Total	143,673,000	110,799,000
Income from Continuing Operations Before Income Taxes and Equity in Conrock Co.	55,142,000	38,043,000
Income Taxes (Note 6)	24,009,000	16,104,000
Income from Continuing Operations Before Equity in Conrock Co.	31,133,000	21,939,000
Equity in Undistributed Net Income of Conrock Co. (net of deferred Federal and state income taxes of $461,000 in 1979 and $444,000 in 1978)	919,000	836,000
Income from Continuing Operations	32,052,000	22,775,000
LOSS FROM DISCONTINUED OPERATION—Net of income taxes (Note 2)	(2,719,000)	(756,000)
NET INCOME	$ 29,333,000	$ 22,019,000
PER SHARE—Based on average shares outstanding:		
Continuing Operations:		
Income from continuing operations before equity in Conrock Co.	$7.37	$5.19
Equity in undistributed net income from Conrock Co. (net of deferred income taxes)	.22	.20
Income from continuing operations	7.59	5.39
Loss from Discontinued Operation (net of income taxes)	(.64)	(.18)
Net Income	$6.95	$5.21

See accompanying notes to financial statements.

STATEMENT OF CONSOLIDATED CHANGES IN FINANCIAL POSITION

For the years ended April 30, 1979 and 1978

	1979	1978
SOURCE OF FUNDS:		
Continuing Operations:		
Income before equity in Conrock Co.	$31,133,000	$21,939,000
Add (Deduct):		
Depreciation	8,397,000	8,031,000
Provisions for writedown of assets and plant shutdown costs	2,238,000	—
Other (net)	(324,000)	1,103,000
Funds provided by continuing operations	41,444,000	31,073,000
Discontinued Operation:		
Loss from discontinued operation	(2,719,000)	(756,000)
(Add) Deduct:		
Provisions for writedown of assets and plant shutdown costs	3,288,000	—
Deferred Federal income tax benefit	(1,512,000)	—
Other (net)	222,000	235,000
Funds used by discontinued operation	(721,000)	(521,000)
Funds provided by operations (net)	40,723,000	30,552,000
Disposal of property	1,348,000	1,098,000
Accounts payable and accrued	5,340,000	3,115,000
Federal and state income taxes payable	2,600,000	3,146,000
Total Source of Funds	50,011,000	37,911,000
APPLICATION OF FUNDS:		
Capital expenditures	17,804,000	10,063,000
Payment of cash dividends	7,599,000	6,335,000
Payment of unsecured notes payable	191,000	13,125,000
Inventories	6,118,000	5,422,000
Receivables	5,261,000	1,441,000
Real and personal property taxes accrued	1,422,000	(276,000)
Other (net)	349,000	1,328,000
Total Application of Funds	38,744,000	37,438,000
INCREASE IN CASH AND UNITED STATES GOVERNMENT SECURITIES	$11,267,000	$ 473,000

See accompanying notes to financial statements.

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

For the years ended April 30, 1979 and 1978

	1979	1978
BALANCE AT BEGINNING OF YEAR	$101,915,000	$ 86,231,000
NET INCOME	29,333,000	22,019,000
Total	131,248,000	108,250,000
DEDUCT:		
Cash dividends—$1.80 a share in 1979 and $1.50 a share in 1978	7,599,000	6,335,000
Cost of 10,000 shares of Company's common stock purchased and retired	314,000	—
Total	7,913,000	6,335,000
BALANCE AT END OF YEAR	$123,335,000	$101,915,000

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements include the accounts of the Company and all subsidiaries except Statex Petroleum, Inc. (52 percent owned) and AeroVironment, Inc. (63 percent owned). All significant intercompany transactions have been eliminated. The assets and results of operations of Statex Petroleum, Inc. and AeroVironment, Inc. are not significant in relation to the consolidated financial statements and, accordingly, the Company accounts for these investments using the equity method of accounting. The Company's investment in AeroVironment, Inc. is included in Investments—Other on the consolidated balance sheet. See Note 4 with respect to Statex Petroleum, Inc.

Inventories are carried at the lower of average cost or market. Average cost is a moving average determined monthly.

Property is carried at cost, and depreciation is determined using principally the straight-line method. Significant expenditures which extend the useful lives of existing assets are capitalized. All other maintenance and repair costs are charged to current operations.

Deferred income taxes are provided with respect to timing differences between financial and taxable income. Deferred income taxes are provided at capital gains rates on the undistributed net income of Conrock Co. and unconsolidated subsidiaries. Investment tax credits are deferred and amortized over periods which coincide with the lives of the related property.

The financial statements for the year ended April 30, 1978 have been restated to separately reflect results of operations of a discontinued operation as described in Note 2. In addition, certain minor reclassifications have been made in the financial statements as previously reported for the year ended April 30, 1978 in order to conform to corresponding classifications for the year ended April 30, 1979.

See Note 3 with respect to the method of accounting for the Company's investment in Conrock Co. See Note 7 with respect to the Company's policy for accounting for the cost of retirement plans.

2. DISCONTINUED OPERATION:

The Company's California Cement Shake Co., Inc. subsidiary (91 percent owned) has decided to discontinue its efforts to produce cement-based roofing shakes due primarily to continued production problems and, accordingly, operations will be shut down and the entity will be dissolved during the fiscal year ending April 30, 1980. Accordingly, provisions amounting to $3,288,000 were made in April 1979 for writedown of assets to estimated realizable values and for anticipated plant shutdown costs. Assets and liabilities remaining at April 30, 1979 after applying these provisions are not significant.

As a result of the decision to discontinue the roofing shake business, the Company has restated results of operations previously reported for the year ended April 30, 1978 to reflect this business as a discontinued operation. The restatement does not affect net income as previously reported. Revenues from the discontinued operation amounted to $2,924,000 for the year ended April 30, 1979 and $2,090,000 for the year ended April 30, 1978. The loss from discontinued operation on the statement of consolidated income for the years ended April 30, 1979 and 1978 is comprised of the following (in thousands):

	1979	1978
Loss from operations (net of income tax benefits of $846 in 1979 and $747 in 1978)	$ 943	$ 756
Provisions for writedown of assets and shutdown costs (net of deferred income tax benefit of $1,512)	1,776	—
Loss from discontinued operation	$2,719	$ 756

3. INVESTMENT IN CONROCK CO.:

The consolidated financial statements include an investment of 34 percent in the outstanding capital stock of Conrock Co. The primary business of Conrock Co. is the production and sale of ready-mixed concrete and concrete aggregates in the Southern California area. The investment is carried on the consolidated balance sheet at April 30, 1979 and 1978 at amounts equal to the Company's equity in the net assets of Conrock Co. at December 31, 1978 and 1977, respectively. The Company's equity in the undistributed net income of Conrock Co. for the years ended April 30, 1979 and 1978, which is included on the statement of consolidated income, is based on Conrock Co.'s net income for its fiscal years ended December 31, 1978 and 1977, respectively. Cash dividends received of $635,000 in 1979 and $502,000 in 1978 have been included in other income. The aggregate quoted market value of the investment was $18,228,000 at April 30, 1979 and $11,372,000 at April 30, 1978.

Conrock Co.'s financial statements are summarized as follows (in thousands):

BALANCE SHEET

	December 31	
Assets	**1978**	**1977**
Current assets	$ 21,696	$20,038
Property, plant, and equipment	44,471	39,368
Other	11,992*	11,446*
Total	$ 78,159	$70,852
Liabilities and Shareholders' Equity		
Current liabilities	$ 10,241	$ 9,007
Other liabilities	14,970*	13,893*
Total shareholders' equity	52,948	47,952
Total	$ 78,159	$70,852

INCOME STATEMENT

	Year Ended December 31	
	1978	**1977**
Revenues	$111,684	$97,729
Costs and expenses	105,155	93,507
Net income	$ 6,529	$ 4,222

*Includes deferred condemnation gains amounting to $10,205,000 and related proceeds. Condemnation gains are applied toward the replacement of condemned properties and, therefore, no income will be recognized if proceeds are reinvested by December 31, 1980.

4. INVESTMENT IN STATEX PETROLEUM, INC.:

The consolidated financial statements include an investment of 52 percent in the outstanding common stock of Statex Petroleum, Inc. ("Statex"). The primary business of Statex is exploration for oil and gas and development of oil and gas properties in the United States. The investment in Statex is carried on the consolidated balance sheet at cost plus equity in undistributed net income since the date of acquisition and is $1,168,000 in excess of the Company's equity in the underlying net assets. In the opinion of the Company, no decrease in value of this excess cost is expected to occur, and, accordingly, it is not being amortized. The aggregate quoted market value of the Company's investment (based on "bid" quotations) was $5,228,000 at April 30, 1979 and $4,305,000 at April 30, 1978.

5. UNSECURED NOTES PAYABLE:

Unsecured notes payable at April 30, 1979 and 1978 bear interest at rates ranging from 5½ percent to 8 percent and are due in various installments through 1994. Maturities during the next five fiscal years are as follows: 1980, $175,000 (included in other current liabilities); 1981, $163,000; 1982, $163,000; 1983, $163,000; and 1984, $163,000.

NOTES TO FINANCIAL STATEMENTS (Continued)

6. INCOME TAXES:

The provision for income taxes for the years ended April 30, 1979 and 1978 consists of the following (in thousands):

	1979	1978
Federal:		
Current liability (net of investment tax credit)	$20,759	$13,291
Deferred investment tax credit:		
Reduction in current taxes payable	614	684
Less amortization	498	417
Net increase	116	267
Total	20,875	13,558
Deferred liability (benefit)	(822)	382
Total Federal	20,053	13,940
State	3,956	2,164
Total provision	$24,009	$16,104

Deferred Federal income taxes (tax benefits) are attributable to the following (in thousands):

	1979	1978
Provisions for writedown of certain assets and plant shutdown costs	$ (1,024)	$ 331
Charitable contribution of land	—	506
Other	202	(455)
Total	$ (822)	$ 382

The provision for income taxes for the years ended April 30, 1979 and 1978 reconciles to Federal income taxes calculated at the statutory rate as follows (in thousands):

	1979	1978
Taxes calculated on income from continuing operations before income taxes and equity in Conrock Co.	$26,082	$18,261
Add (Deduct) Federal income tax effect of:		
Percentage depletion	(2,899)	(2,558)
Amortization of deferred investment tax credit	(498)	(417)
Dividends received exclusion	(377)	(306)
State income taxes	(1,871)	(1,039)
Other (net)	(384)	(1)
Total	20,053	13,940
State income taxes	3,956	2,164
Total provision	$24,009	$16,104

7. RETIREMENT PLANS:

The Company and its subsidiaries contribute to various retirement plans covering substantially all of their employees. Retirement plan expense, including a provision for prior service costs, was $2,163,000 for the year ended April 30, 1979 and $1,894,000 for the year ended April 30, 1978. In accordance with its policy, the Company currently funds its accrued retirement plan expense. Unfunded prior service costs, which are amortized over periods of 25 to 40 years, were approximately $11,400,000 at April 30, 1979. The actuarially computed value of vested benefits exceeds the total of the various retirement funds and balance sheet accruals by approximately $2,100,000. The Company's retirement plans are in compliance with current regulations issued pursuant to the Employee Retirement Income Security Act of 1974 (ERISA).

8. LITIGATION AND INVESTIGATION:

On September 23, 1976, the Attorney General of the State of Arizona filed a civil antitrust complaint in the Superior Court of Maricopa County, Arizona, which named as defendants the Company, 4 other cement manufacturers, 13 ready-mixed concrete companies, and 2 industry trade associations. The complaint alleges a conspiracy among the named cement manufacturers and a trade association to fix, maintain, and stabilize prices for cement in violation of the Arizona State Antitrust Act during a period beginning in 1958 and continuing to the present. A conspiracy is also alleged among the defendant ready-mix companies, the Company, and certain named individuals to fix prices for ready-mixed concrete and related products. An injunction and civil penalties are sought in the amount of $50,000 for each alleged violation of the Arizona statute.

A second antitrust complaint was filed by the State of Arizona against all of the same corporate defendants, including the Company, under the Clayton Act in the United States District Court for the District of Arizona, seeking an injunction and an unspecified amount of treble damages on behalf of a class purportedly consisting of governmental and other buyers of cement and concrete products within the State of Arizona. This complaint is similar to the state court action, except that the defendants' conduct also is alleged to violate provisions of the Sherman Act. Complaints based on the same or similar allegations have since been filed in the Federal courts against almost all United States cement manufacturers, including the Company. There are now assertedly at least 25 private plaintiffs, the City of Austin, Texas, and the Attorneys General of California, Colorado, Kansas, Oregon, Nebraska, Utah, New Mexico and Montana. These actions seek unspecified amounts of treble damages on behalf of classes purportedly consisting of governmental and other buyers of cement and, in some cases, cement-containing products, throughout the United States. These cases have been consolidated before a Federal judge in Arizona for coordinated pretrial proceedings. Four of the private plaintiffs have dismissed their complaints without prejudice.

The Company has denied any violation of law and is vigorously contesting all of the actions, which are in preliminary stages. Based on the complexity of the actions and the number of parties involved, the Company expects the duration of the actions to cover a period of years unless the actions against the Company are dismissed or otherwise favorably terminated. The Company's outside legal counsel have stated that they are not aware of any evidence of overt or conspiratorial acts by the Company which they believe would result in liability. However, plaintiffs' counsel have recently postulated a novel theory of liability which calls into question the entire structure by which cement has been priced and sold by virtually all cement manufacturers in the United States over the past several decades. The Company's outside legal counsel are not aware of any case or statutory authority which directly supports plaintiffs' theory. If this theory is accepted by the courts, the fact that the Company has priced and sold cement in the manner it has might itself result in liability. Therefore, it is not possible at present for the Company or its outside legal counsel to predict the outcome or the range of potential loss, if any, which might result from these lawsuits.

The Company and a subsidiary of the Company in the business of selling ready-mixed concrete in the Phoenix, Arizona area have recently been served with subpoenas requesting production of certain records in connection with a Federal Grand Jury investigation of the ready-mixed concrete market in Arizona. The Company and the subsidiary responded. The status of the investigation is not known because Grand Jury proceedings are secret; accordingly, the Company cannot predict the outcome of the investigation, but the Company does not know of any facts that will result in action against it or the subsidiary.

9. BUSINESS SEGMENT INFORMATION:

The Company's principal business segment is the manufacture and sale of portland and other types of cement. The Company also, through various subsidiaries and a division, manufactures and sells a variety of concrete and stone products, including prestressed and precast concrete products, ready-mixed concrete, aggregates, and limestone products. The cement segment in the information below includes amounts related to the Company's coal mining activities. Intersegment billings are made at prices and terms which are similar to those extended to unaffiliated customers. General corporate assets consist of cash, United States Government securities, investments, and other assets not directly identifiable with a business segment.

Business segment information for the years ended April 30, 1979 and 1978 is summarized as follows (income statement amounts previously reported for 1978 have been restated to separately reflect results of operations of a discontinued operation as described in Note 2) (in thousands):

	1979	1978
Billings to Customers (net):		
Cement	$158,923	$126,530
Concrete & Stone Products	38,451	22,208
Intersegment billings of cement (net)	(6,023)	(4,113)
Total	$191,351	$144,625
Profit from continuing operations:		
Cement	$ 56,657	$ 44,266
Concrete & Stone Products	3,646	181
Total	60,303	44,447
Add (Deduct):		
General corporate expenses	(8,904)	(8,378)
Interest expense	(136)	(502)
Other income	7,464	4,217
Other expenses	(3,585)	(1,741)
Income taxes	(24,009)	(16,104)
Income from continuing operations before equity in Conrock Co.	$ 31,133	$ 21,939
Identifiable Assets (as of April 30, 1979 and 1978):		
Cement	$127,571	$113,490
Concrete & Stone Products	23,399	17,383
General corporate	51,822	40,031
Total	$202,792	$170,904
Depreciation:		
Cement	$ 6,808	$ 6,512
Concrete & Stone Products	1,555	1,460
General corporate	283	302
Total	$ 8,646	$ 8,274
Capital Expenditures:		
Cement*	$ 13,038	$ 8,446
Concrete & Stone Products	4,200	1,215
General corporate	566	402
Total	$ 17,804	$ 10,063

*Includes amounts related to coal mining activities of $1,317,000 in 1979 and $3,424,000 in 1978.

NOTES TO FINANCIAL STATEMENTS (Continued)

Approximately 13 percent of consolidated revenues for the years ended April 30, 1979 and 1978 result from cement sales to an affiliate at prices and terms which are similar to those extended to other customers. Other income in 1979 includes a gain of $1,914,000 from a sale of land to an affiliate.

10. COMMITMENTS:

The Company has outstanding commitments at April 30, 1979 aggregating approximately $21 million in connection with the expansion and modernization of its Mojave, California cement plant. Commitments under lease agreements are insignificant.

11. SUBSEQUENT EVENT:

On June 5, 1979 the Company entered into agreements with three government agencies providing for the issuance of $10,800,000 of 30-year, 7 percent tax-exempt pollution control and industrial development revenue bonds. The bond proceeds will be used to finance pollution control facilities to be installed in connection with the Mojave Plant expansion and modernization project (see Note 10) and certain other capital projects of the Company. The agreements require annual sinking fund payments in years 2000 through 2008 ranging from $200,000 to $1,700,000 and a final payment of $6,500,000 in 2009.

12. CURRENT REPLACEMENT COST INFORMATION (UNAUDITED):

The Company, in compliance with regulations issued by the Securities and Exchange Commission, has estimated current replacement cost of its property assets and inventories assuming that a complete replacement of those assets had been made as of April 30, 1979 and at April 30, 1978. In addition, related depreciation expense, accumulated depreciation, and cost of products sold has been calculated for the years ended April 30, 1979 and 1978 using the estimated current replacement cost of property assets and inventories. This information is contained in the Company's Annual Report on Form 10-K to be filed with the Securities and Exchange Commission for the year ended April 30, 1979.

The consolidated financial statements include property assets carried at original acquisition cost and inventories carried at average cost, and related cost of products sold, including depreciation expense, is determined using these amounts. The estimated current replacement cost of property assets would be substantially in excess of the original acquisition cost due primarily to the impact of inflation over the extended number of years since acquisition of a substantial portion of such assets. The estimated current replacement cost of inventories would exceed balance sheet amounts and cost of products sold would increase significantly due primarily to using depreciation expense based upon the estimated current replacement cost of property assets. While improved efficiency and reduced operating costs could result from using the most current technology available in equipment used to produce and manufacture the Company's products, these benefits would be more than offset by substantially increased interest charges on obligations which would be required to finance capital expenditures using estimated current replacement cost. The Company's ability to obtain a reasonable return on such substantial expenditures would be limited by competitive conditions which exist in the marketing areas in which the Company's products are sold.

13. QUARTERLY FINANCIAL DATA (UNAUDITED):

Summarized quarterly financial data for the years ended April 30, 1979 and 1978 is as follows (in thousands except per share data):

	1979				
	Quarter Ended				Full Fiscal Year
	July 31, 1978	Oct. 31, 1978	Jan. 31, 1979	Apr. 30, 1979	
Continuing Operations:					
Total revenues	$47,542	$54,299	$47,351	$49,623	$198,815
Gross profit	19,467	20,735	17,296	15,989	73,487
Income before income taxes	15,354	16,700	13,385	11,083	56,522
Income after taxes	8,519	9,173	8,139	6,221	32,052
Per share	2.02	2.17	1.92	1.48	7.59
Discontinued Operation:					
Total revenues	748	757	491	928	2,924
Gross loss	(298)	(276)	(352)	(481)	(1,407)
Loss before tax effect	(397)	(366)	(456)	(3,858)	(5,077)
Loss after tax effect	(201)	(210)	(232)	(2,076)	(2,719)
Per share	(.05)	(.05)	(.05)	(.49)	(.64)
Net income	8,318	8,963	7,907	4,145	29,333
Per share	1.97	2.12	1.87	.99	6.95

	1978				
	Quarter Ended				Full Fiscal Year
	July 31, 1977	Oct. 31, 1977	Jan. 31, 1978	Apr. 30, 1978	
Continuing Operations:					
Total revenues	$37,469	$41,056	$32,465	$37,852	$148,842
Gross profit	13,851	15,794	11,552	12,436	53,633
Income before income taxes	9,622	12,766	7,914	9,021	39,323
Income after taxes	5,467	7,283	4,681	5,344	22,775
Per share	1.29	1.73	1.11	1.26	5.39
Discontinued Operation:					
Total revenues	466	746	516	362	2,090
Gross loss	(132)	(176)	(381)	(516)	(1,205)
Loss before tax effect	(208)	(233)	(451)	(611)	(1,503)
Loss after tax effect	(103)	(118)	(231)	(304)	(756)
Per share	(.02)	(.03)	(.06)	(.07)	(.18)
Net income	5,364	7,165	4,450	5,040	22,019
Per share	1.27	1.70	1.05	1.19	5.21

Amounts as previously reported for all of the quarters above have been restated to separately reflect results of operations of a discontinued operation as described in Note 2.

Income before income taxes from continuing operations for the fourth quarter ended April 30, 1979 was reduced by $2,238,000 ($1,214,000 net of income tax effect, or $0.29 per share) as a result of provisions made by a subsidiary for writedown of assets to estimated realizable values and for anticipated plant shutdown costs in connection with a decision to close one plant due to continued unprofitable operations. These provisions are included in other expenses on the statement of consolidated income.

Loss after tax effect from the discontinued operation for the fourth quarter ended April 30, 1979 was increased by $1,776,000 ($0.42 per share) as a result of provisions for writedown of assets to estimated realizable values and for anticipated plant shutdown costs which were made as a result of a decision to discontinue the cement-based roofing shake business.

Income after taxes from continuing operations for the third quarter ended January 31, 1978 was reduced by $518,000 ($0.12 per share) as a result of a change in accounting by Statex Petroleum, Inc. (52 percent owned by the Company). In December 1977 the Financial Accounting Standards Board issued an accounting statement affecting oil and gas producing companies, the retroactive effect of which was recognized by Statex in its financial statements for its fiscal years ended prior to and including October 31, 1977. The Company recorded the effect of the change in the current period since the effect on prior periods reported by the Company is not significant.

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Deloitte
Haskins+Sells

ONE WILSHIRE BUILDING
LOS ANGELES 90017

To the Shareholders and
the Board of Directors of
California Portland Cement Company:

We have examined the consolidated balance sheets of California Portland Cement Company and consolidated subsidiaries as of April 30, 1979 and 1978, and the related statements of consolidated income, retained earnings, and changes in financial position for the years then ended. Our examinations were 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.

As discussed in note 8 to financial statements, the Company has been named as a defendant, as are almost all United States cement manufacturers, in actions alleging a conspiracy to fix, maintain and stabilize prices for cement and ready-mixed concrete. The Company has also supplied information to a Federal Grand Jury in connection with an investigation of the ready-mixed concrete industry in Arizona. It is not possible at present for the Company or its outside legal counsel to predict the outcome or the range of potential loss, if any, which might result from these actions; and no provision for any liability that may result has been made in the financial statements. In our report dated June 16, 1978, our opinion on the 1978 financial statements was unqualified; however, in view of the matters referred to above, our present opinion on the 1978 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the matters referred to in the preceding paragraph been known, the above-mentioned financial statements present fairly the financial position of the Company and its consolidated subsidiaries at April 30, 1979 and 1978 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

June 15, 1979

TEN-YEAR SUMMARY

CALIFORNIA PORTLAND CEMENT COMPANY AND CONSOLIDATED SUBSIDIARIES

(Thousands—except per share data)

Year Ended April 30[1]	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Total Revenues	$198,815	$148,842	$112,203	$ 94,532	$ 83,390	$ 83,039	$ 74,755	$ 75,086	$ 64,777	$ 66,732
Income from Continuing Operations before Equity in Conrock Co.	31,133	21,939	11,829	6,631	3,951	7,546	6,580	8,259	9,091	9,449
Equity in Undistributed Net Income of Conrock Co.	919	836	509	452	502	507	467	639	434	425
Income from Continuing Operations	32,052	22,775	12,338	7,083	4,453	8,053	7,047	8,898	9,525	9,874
Loss from Discontinued Operation	(2,719)	(756)	(665)	(407)	(187)	(56)	—	—	—	—
Net Income	29,333	22,019	11,673	6,676	4,266	7,997	7,047	8,898	9,525	9,874
Cash Dividends	7,599[2]	6,335[2]	4,224	4,224	4,224	4,224	4,224	4,224	4,224	3,804
Depreciation and Depletion	8,646	8,274	7,686	6,919	6,366	5,702	5,468	4,776	4,589	4,364
Funds Provided by Operations	40,723	30,552	20,885	14,241	10,324	13,173	13,530	12,468	13,370	13,813
Working Capital	41,069	24,908	19,671	24,046	25,023	21,769	22,583	19,242	23,254	24,063
Current Ratio	2.1:1	1.9:1	1.8:1	2.4:1	2.7:1	2.5:1	3.2:1	3.0:1	4.9:1	5.0:1
Capital Expenditures	17,804	10,063	8,033	7,962	19,744	13,046	12,708	21,291	10,371	8,711
Total Assets	202,792	170,904	161,050	154,532	153,730	137,473	128,389	120,124	104,891	99,481
Long-Term Debt	1,970	2,145	10,177	19,836	25,118	10,568	9,354	6,708	—	475
Shareholders' Equity (Book Value)	150,718	129,298	114,714	107,265	104,813	104,771	100,998	98,175	93,501	88,252
Average Number of Shares Outstanding[3]	4,222	4,224	4,224	4,224	4,224	4,224	4,224	4,224	4,224	4,226
Per Share[3]:										
Income from Continuing Operations before Equity in Conrock Co.	$ 7.37	$ 5.19	$ 2.80	$ 1.57	$ .93	$ 1.78	$ 1.56	$ 1.96	$ 2.15	$ 2.24
Equity in Undistributed Net Income of Conrock Co.	.22	.20	.12	.11	.12	.12	.11	.15	.10	.10
Income from Continuing Operations	7.59	5.39	2.92	1.68	1.05	1.90	1.67	2.11	2.25	2.34
Loss from Discontinued Operation	(.64)	(.18)	(.16)	(.10)	(.04)	(.01)	—	—	—	—
Net Income	6.95	5.21	2.76	1.58	1.01	1.89	1.67	2.11	2.25	2.34
Cash Dividends	1.80[2]	1.50[2]	1.00	1.00	1.00	1.00	1.00	1.00	1.00	.90
Shareholders' Equity (Book Value)	35.77	30.61	27.16	25.40	24.81	24.80	23.91	23.24	22.14	20.88
Market Price:										
Range during the year	26-51	16-29	13-18	9-15	9-13	12-18	18-31	31-41	26-39	21-30
April 30 Close	46	28	16	14	11	13	18	33	39	28

[1] Certain amounts for years ended April 30, 1974 through 1978 have been restated to reflect the cement-based roofing shake business as a discontinued operation and for certain minor reclassifications.
[2] Includes extra cash dividend of $1,267,000, $.30 per share.
[3] The average number of shares outstanding and the related per share data have been restated to reflect a two-for-one stock split in 1971.

OFFICERS:

MICHAEL A. MORPHY
President

J. RANDOLPH ELLIOTT
Vice President and General Counsel;
President, Statex Petroleum, Inc.

N. JOHN REDMOND, JR.
Senior Vice President

DAVID W. MAYHEW
Vice President—Administration

A. FREDERICK GERSTELL
Vice President—Cement Division

RONALD J. VAN THYNE
Vice President—California Cement

D. MILTON WHITLEY
Vice President—Arizona Cement

RONALD E. EVANS
Vice President—Operations

WILBUR B. JAGER
Vice President—California Sales

VAUGHN S. CORLEY
Vice President—Arizona Sales

DAVID P. TSONEFF
Vice President—Concrete and
Stone Products Division

M. DONALD ROSS
Vice President—Coal

ALBERT B. CULVER
Secretary

DAVID C. LAURITZEN
Treasurer

WILLIAM G. BASSETT
Controller and Assistant Treasurer

JOHN L. FROGGE, JR.
Assistant General Counsel and
Assistant Secretary

VIRGINIA R. MAGNESS
Assistant Secretary

JEFFREY E. BEDKE
Assistant Controller

BOARD OF DIRECTORS:

THOMAS FLEMING CALL
Attorney, Partner
Adams, Duque & Hazeltine

GORDON B. CRARY, JR.
Executive Vice President
E. F. Hutton & Company Inc.

RICHARD A. GRANT, JR.
Executive Secretary
California Tomorrow

THOMAS L. LOWE
Retired. Formerly Chairman
The Newhall Land and Farming Company

ARCHIE L. McCALL
Retired. Formerly Executive Vice President
California Portland Cement Company

MICHAEL A. MORPHY
President

STUART T. PEELER
Senior Vice President and General Counsel
Santa Fe International Corporation

SIDNEY R. PETERSEN
President
Getty Oil Company

ROBERT P. STRUB
President
Santa Anita Consolidated, Inc.

COMMON STOCK DATA (Per Share)

The following table shows the high and low prices per share for the Company's common stock as reported in the Wall Street Journal for transactions on the American Stock Exchange and Pacific Stock Exchange and cash dividends per share for the indicated periods:

Fiscal Year 1979	High	Low	Dividend	Fiscal Year 1978	High	Low	Dividend
1st Quarter	$31¼	$26	$0.35	1st Quarter	$20⅝	$16	$0.30
2nd Quarter	41¾	28	0.35	2nd Quarter	26	19⅜	0.30
3rd Quarter	33⅝	27¾	0.70*	3rd Quarter	29¾	23½	0.60*
4th Quarter	51¼	30¾	0.40	4th Quarter	29⅝	23⅜	0.30

*Includes extra cash dividend paid of $0.30 per share.

California Portland Cement Company

CEMENT DIVISION

Sales Offices:
- Southern California
  800 Wilshire Boulevard
  Los Angeles, California
- Northern California
  876 Harbor Boulevard
  Redwood City, California
- Arizona
  222 West Osborn Road
  Phoenix, Arizona

Manufacturing Plants:
- Colton, California
- Mojave, California
- Rillito, Arizona

Distribution Terminals:
- Santa Fe Springs, California
- Redwood City, California
- Stockton, California
- Phoenix, Arizona
- Fremont, California (opening Fall 1979)

CONCRETE AND STONE PRODUCTS DIVISION

Arizona Sand and Rock Company
Phoenix, Arizona

Colton Lime and Stone Company
Colton, California

Pacific Prestressed Products, Inc.
Irwindale, California

COAL DIVISION

Soldier Creek Coal Company
Price, Utah

AUDITORS:
DELOITTE HASKINS & SELLS
Los Angeles, California

TRANSFER AGENT AND REGISTRAR:
SECURITY PACIFIC NATIONAL BANK
Los Angeles, California

File Copy
Hidden Valley
Mine

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended April 30, 1979 — **Commission File Number 01646**

California Portland Cement Company

(Exact name of Registrant as specified in its charter)

California **(State or other jurisdiction of incorporation or organization)**	**95-0597220** **(I.R.S. Employer Identification No.)**
800 Wilshire Boulevard **Los Angeles, California** **(Address of principal executive offices)**	**90017** **(Zip Code)**

Registrant's telephone number, including area code (213) 680-2316

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $5.00 per share	American Stock Exchange, Inc. and Pacific Stock Exchange, Inc.

Outstanding at April 30, 1979

4,213,814 shares

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___ .

ITEM 1. BUSINESS

California Portland Cement Company ("Registrant") has been engaged in the business of producing, manufacturing, and selling cement and limestone products since 1891 and, through wholly owned subsidiaries, in the manufacture and sale of sand and rock and ready-mixed concrete and prestressed and precast concrete products since 1960. Registrant is a California corporation. The production, manufacture, and sale of portland and other types of cement is Registrant's principal business. Registrant presently operates three cement plants, one located at Colton, California (about 50 miles east of Los Angeles, "the Colton Plant"), another 9 miles west of Mojave, California (about 100 miles north of Los Angeles, "the Mojave Plant"), and one at Rillito, Arizona (about 17 miles west of Tucson, "the Rillito Plant"). Registrant manufactures portland and other types of cement at each of the plants. At Colton, Registrant also produces hydrated lime and lime products for the plastering trade, ground limestone, which is used as a fluxing agent in the manufacture of glass (generally called glass sand), and poultry grits.

Cement produced at the Colton Plant has been sold for many years under the brand name "Colton"; that manufactured at the Mojave Plant is sold under the brand name "Mojave"; and cement manufactured at the Rillito Plant is sold under the name "Arizona". The Rillito Plant is operated as a division of Registrant and is known in the trade as Arizona Portland Cement Company. The lime sold by Registrant is sold under the name "Colton Lime".

Registrant sells its cement to buyers located in California, Arizona, and Southern Nevada. Registrant sells its limestone products in California. Registrant's subsidiaries sell prestressed and precast concrete products in California. Registrant's subsidiary sells sand and ready-mixed concrete in Arizona. Most of Registrant's sales of cement occur at Registrant's plants; some sales occur at terminals to which the cement is transported by rail, as has been the practice for several years.

During the past five fiscal years, neither Registrant nor any of its significant subsidiaries has been the subject of any bankruptcy, receivership, or similar proceedings or any other material reclassification, merger, or consolidation, nor has any material amount of assets been acquired or disposed of otherwise than in the ordinary course of business.

There has been no material change in the type of basic cement products produced and sold by Registrant or in the mode of conducting the business of Registrant during the past five fiscal years. The bulk of Registrant's cement is sold generally to buyers located within a 200-mile radius of its cement plants; however, cement is shipped by Registrant by rail from the Mojave Plant to Registrant's two terminals in Northern California, one near San Francisco, 367 miles distant, and one near Stockton, 340 miles distant.

Registrant's principal business segment is the production, manufacture, and sale of portland and other types of cement. Registrant also, through various subsidiaries and a division, manufactures and sells a variety of concrete and stone products, including prestressed and precast concrete products, ready-mixed concrete, aggregates, limestone products, and until recently cement roof shakes. Subsequent to April 30, 1979, the shareholders of California Cement Shake Co., Inc. determined to wind down and dissolve the cement shake manufacturing operation. The cement segment in the information below includes amounts related to Registrant's coal mining activities because the majority of the coal which is mined is used in Registrant's three cement plants. Intersegment billings are made at prices and terms which are similar to those extended to unaffiliated customers. General corporate assets consist of cash, United States Government securities, investments, and other assets not directly identifiable with a business segment. Business segment information for the years ended April 30, 1979, 1978 and 1977 is summarized as follows (in thousands):

	1979	1978	1977
Billings to Customers (net):			
Cement	$158,923	$126,530	$ 92,638
Concrete & Stone Products	38,451	22,208	19,092
Intersegment billings of cement (net)	(6,023)	(4,113)	(3,021)
Total	$191,351	$144,625	$108,709
Profit from continuing Operations:			
Cement	$ 56,657	$ 44,266	$ 26,235
Concrete & Stone Products	3,646	181	(204)
Total	60,303	44,447	26,031
Add (Deduct):			
General corporate expenses	(8,904)	(8,378)	(5,866)
Interest expense	(136)	(502)	(1,405)
Other income	7,464	4,217	3,494
Other expenses	(3,585)	(1,741)	(2,702)
Income taxes	(24,009)	(16,104)	(7,723)
Income before equity in undistributed net income of Conrock Co.	$ 31,133	$ 21,939	$ 11,829
Identifiable Assets (as of April 30, 1979, 1978 and 1977):			
Cement	$127,571	$113,490	$104,225
Concrete & Stone Products	23,399	17,383	18,193
General corporate	51,822	40,031	38,632
Total	$202,792	$170,904	$161,050

Registrant's two principal lines of business are conducted through two divisions, the Cement Division and the Concrete and Stone Products Division.

Information as to total sales and revenues and income (or loss) before income taxes and extraordinary items attributable to each line of business is included under Item 2 following. The principal difference between the business segment information presented above and the line of business information included under Item 2 following is the inclusion of coal mining activities in the cement segment as explained above. Revenues and income before income taxes from coal mining activities, which are not significant, are included in Other Activities in the line of business information. Registrant has no other lines of business which, during either of the last two fiscal years, accounted for 10 percent or more of income before income taxes and extraordinary items computed without deduction of loss resulting from operations, or had a loss that equaled or exceeded 10 percent of the amount of income before income taxes and extraordinary items computed without deduction of loss resulting from operations.

The Cement Division consists of the three cement producing plants, two in Southern California and one at Rillito, Arizona. The principal methods of competition in this division relate to service and product performance, and it is the opinion of Registrant that its cement is regarded in the market as meeting competitive standards. In California, it is believed that cement produced from six plants competes with Registrant's Southern California sales and that production from seven plants competes with Registrant's sales in Northern California. In Arizona, the bulk of the cement sold is produced by two cement plants, one of which is owned by Registrant. It is believed that in Southern Nevada the bulk of the cement sold is produced by six cement plants, two of which are owned by Registrant.

Registrant's sales of cement are predominantly dependent upon construction projects undertaken by others; accordingly, while Registrant generally has in storage a sufficient supply of finished cement to meet an estimated 30 days' demand, Registrant does not have a material backlog of unfilled orders for cement in the ordinary course of business. Approximately 13 percent of consolidated revenues for the year ended April 30, 1979 result from cement sales to Conrock Co., 34 percent owned by Registrant, at prices and terms which are similar to those extended to other customers. Registrant does not believe the loss of this customer would have a material adverse effect on the cement segment. Sources and availability of raw materials used by Registrant's Cement Division are discussed under Item 3 following.

The Concrete and Stone Products Division operates through the following subsidiaries and division of Registrant: Arizona Sand and Rock Company and Pacific Prestressed Products, Inc., wholly owned subsidiaries; Colton Lime and Stone Company, a division; and California Cement Shake Co., Inc., a 91 percent owned subsidiary. Subsequent to April 30, 1979, the shareholders of California Cement Shake Co., Inc. determined to wind down and dissolve the latter subsidiary. The principal methods of competition relate to price, service, warranty, and product performance, and Registrant believes that its products are regarded in the market as meeting competitive standards. Registrant believes that in Arizona there are approximately 15 competitors who produce ready-mixed concrete and related products and approximately five competitors who produce only related products that are produced and sold by Arizona Sand and Rock Company in Arizona. Registrant believes that in California there are approximately six competitors who produce prestressed and precast concrete products that are similar to those produced and sold by Pacific Prestressed Products, Inc. Colton Lime and Stone Company has approximately five competitors in California where it markets its products.

Pacific Prestressed Products, Inc. ("Pacific") manufactures and sells prestressed and precast concrete products through its Spancrete of California subsidiary, which operates one plant in Irwindale, near Los Angeles, California. Subsequent to April 30, 1979, Registrant commenced the closing of its plant in Fremont, near San Francisco, California. During fiscal year 1978, Pacific closed its plant in Phoenix, Arizona, which was operated by its Arizona Prestressed Concrete Company subsidiary. Pacific is a nonexclusive sales agent for Spancrete, a hollow-cored prestressed concrete product of varying thicknesses and length. Pacific's revenues constituted 39 percent of total revenues of the Concrete and Stone Products Division during fiscal year 1979. Sales of products manufactured and sold by Pacific are dependent upon firm orders placed by buyers. As of April 30, 1979, the end of Registrant's fiscal year, the approximate dollar amount of backlog of unfilled orders believed to be firm was $6,200,000. The comparable figure as of April 30, 1978 was approximately $6,000,000.

Arizona Sand and Rock Company ("AS&R") is an Arizona corporation with its principal office in Phoenix, Arizona. In the Phoenix area, AS&R produces and sells sand and rock and ready-mixed concrete from three plants. AS&R's revenues constituted 52 percent of total revenues of the Concrete and Stone Products Division during fiscal year 1979. AS&R's sales of ready-mixed concrete and dry materials are predominantly dependent upon construction projects undertaken by others; accordingly, AS&R does not have a substantial backlog of unfilled orders believed to be firm in the ordinary course of business.

Colton Lime and Stone Company sells limestone products and hydrated lime and lime products. Its revenues constituted 9 percent of total revenues of the Concrete and Stone Products Division during fiscal year 1979. Colton Lime and Stone's dollar amount of backlog of unfilled orders was de minimus as of April 30, 1979 and as of April 30, 1978. This division is about to commence operations at a second limestone products plant in Northern California.

California Cement Shake Co., Inc. did not have any significant backlog of unfilled orders as of April 30, 1979 or as of April 30, 1978.

Registrant's sources of raw materials are set forth in Item 3. Registrant's subsidiaries purchase raw materials used in their operations from Registrant and from others. Sources and availability of raw materials essential to their businesses have not presented any problem of storage.

Compliance with Federal, state, and local provisions which have been enacted or adopted regulating the discharge of materials into the environment or otherwise relating to the protection of the environment will not have a material effect upon the capital expenditures, earnings, or competitive position of Registrant and its subsidiaries.

Registrant and its consolidated subsidiaries employed approximately 1800 full-time employees, including management personnel, as of April 30, 1979.

CALIFORNIA PORTLAND CEMENT COMPANY AND CONSOLIDATED SUBSIDIARIES

SUMMARY OF OPERATIONS FOR THE FIVE YEARS ENDED APRIL 30, 1979
(Thousands - except per share data)

	YEAR ENDED APRIL 30*				
	1979	1978	1977	1976	1975
DOLLAR AMOUNTS:					
Continuing Operations:					
Revenues:					
Cement Division	$152,378	$122,816	$ 92,012	$70,565	$58,771
Concrete and Stone Products Division	38,764	22,786	19,391	21,623	22,670
Other Activities	7,673	3,240	800	2,344	1,949
Total	$198,815	$148,842	$112,203	$94,532	$83,390
Costs and Expenses:					
Cost of products sold	$125,328	$ 95,209	$ 78,233	$71,456	$66,157
Selling, general, administrative, and other	18,209	15,088	13,013	11,252	10,624
Interest	136	502	1,405	2,015	2,081
Total	$143,673	$110,799	$ 92,651	$84,723	$78,862
Income (Loss) from Continuing Operations Before Income Taxes and Equity in Conrock Co.:					
Cement Division	$ 50,897	$ 36,671	$ 20,675	$11,217	$ 6,149
Concrete and Stone Products Division	719	92	(1,834)	(1,363)	(1,173)
Other Activities	3,526	1,280	711	(45)	(448)
Total	55,142	38,043	19,552	9,809	4,528
Income Taxes	24,009	16,104	7,723	3,178	577
Income from Continuing Operations Before Equity in Conrock Co.	31,133	21,939	11,829	6,631	3,951
Equity in Undistributed Net Income of Conrock Co. (net of income taxes)	919	836	509	452	502
Income from Continuing Operations	32,052	22,775	12,338	7,083	4,453
Loss from Discontinued Operation (net of income taxes)	(2,719)	(756)	(665)	(407)	(187)
NET INCOME	$ 29,333	$ 22,019	$ 11,673	$ 6,676	$ 4,266
AMOUNTS PER SHARE:					
Continuing Operations:					
Income from Continuing Operations Before Equity in Conrock Co.	$ 7.37	$ 5.19	$ 2.80	$ 1.57	$ .93
Equity in Undistributed Net Income of Conrock Co.	.22	.20	.12	.11	.12
Income from Continuing Operations	7.59	5.39	2.92	1.68	1.05
Loss from Discontinued Operation	(.64)	(.18)	(.16)	(.10)	(.04)
NET INCOME	$ 6.95	$ 5.21	$ 2.76	$ 1.58	$ 1.01
Cash Dividends:					
Regular	$ 1.50	$ 1.20	$ 1.00	$ 1.00	$ 1.00
Extra	.30	.30	---	---	---
Total	$ 1.80	$ 1.50	$ 1.00	$ 1.00	$ 1.00
AVERAGE NUMBER OF SHARES OUTSTANDING	4,222	4,224	4,224	4,224	4,224

* Years ended April 30, 1975 through 1978 have been restated to reflect the cement-based roofing shake business, previously included in the Concrete and Stone Products Division, as a discontinued operation.

NOTE - Reference should be made to Notes to Financial Statements under Item 13.

CALIFORNIA PORTLAND CEMENT COMPANY
AND CONSOLIDATED SUBSIDIARIES

MANAGEMENT DISCUSSION AND ANALYSIS
OF FIVE-YEAR SUMMARY OF OPERATIONS

1979

Cement Division revenues increased 24 percent from 1978 due to a 9 percent increase in cement shipments and to higher average selling prices which resulted from price increases instituted during the year. The increase in shipments of cement was due to continued strong construction activity in all of the marketing areas served by the Company's three cement plants. Income before income taxes of the Cement Division increased 39 percent due primarily to operating at capacity levels and to increased revenues as noted above.

Revenues from the Concrete and Stone Products Division increased 70 percent from 1978. Increased construction activity in Southern California and the Phoenix, Arizona area, the principal markets served by the subsidiaries included in the Division, resulted in increased demand for the subsidiaries' products, and price increases during the year enabled the subsidiaries to recover increases in operating costs. Income before income taxes from the Division increased substantially due primarily to increased utilization of productive capacity as a result of the increased demand and to the significant increase in revenues, offset in part by provisions amounting to $2,238,000 made by one subsidiary for writedown of assets to estimated realizable values and for anticipated shutdown costs as a result of a decision to close a plant which had experienced continued unprofitable operations. The increase of 21 percent in selling, general, administrative, and other expenses was due primarily to these provisions. See Schedule 12 for further detail of the provisions.

Revenues and income before income taxes arising from Other Activities include a gain of $1,914,000 from a sale of land. Other fluctuations are due to the inherent nonrecurring nature of items included in Other Activities, none of which is individually significant.

The substantial increase in loss from discontinued operation was due to continued problems in producing cement-based roofing shakes and to a charge of $1,776,000, net of income tax effect, resulting from provisions for writedown of assets and shutdown costs; see Note 2 to the financial statements for further details.

1978

Revenues from the Cement Division increased 33 percent from 1977 due primarily to a 22 percent increase in cement shipments and to higher average selling prices resulting from price increases instituted during the year. The significant increase in cement shipments was the direct result of strong construction activity in the marketing areas served by the Company's three cement plants. The price increases enabled the Company to more than recover increases in operating costs and, combined with plant operating levels at effective capacity, accounted for substantially all of the 77 percent increase in income before income taxes of the Cement Division.

Revenues from the Concrete and Stone Products Division increased 18 percent from 1977. The Company's Arizona Sand and Rock Company subsidiary accounted for most of the increased revenues due primarily to a significant increase in construction activity in the Phoenix, Arizona area. The Division earned $92,000 before income taxes after incurring a loss of $1,834,000 before related income tax effect in 1977 due primarily to increased utilization of productive capacity and increased volume of the Arizona Sand and Rock Company subsidiary and to the absence of provisions for writedown of assets and idle plant costs which were made by one subsidiary in 1977.

The fluctuations in revenues and income before income taxes from Other Activities are due to the inherent nonrecurring nature of the items included under this caption, none of which is individually significant.

The substantial decrease in interest expense was due to a reduction in unsecured notes payable of $13,125,000 and to the absence of any new borrowings during the year.

Loss from discontinued operation increased 14 percent from 1977 due primarily to significant problems encountered in increasing production of cement-based roofing shakes. See Note 2 to the financial statements regarding the discontinuance of this business.

1977

Revenues from the Cement Division increased 30 percent from 1976 due primarily to a 14 percent increase in cement shipments and to higher average selling prices resulting from price increases instituted during the year. These price increases enabled the Company to recover increases in operating costs and, combined with increased utilization of productive capacity due to the increased demand for cement, accounted for substantially all of the 84 percent increase in income before income taxes from the Cement Division.

Revenues from the Concrete and Stone Products Division decreased 10 percent from 1976 due primarily to the extreme competitive conditions which existed in most areas of the Division's operations and to a continued lack of demand for prestressed concrete products. These factors caused certain of the Division's facilities to operate at low levels of capacity and, combined with provisions amounting to $1,330,000 made by one subsidiary for writedown of certain assets to estimated realizable value and for anticipated idle plant costs, resulted in a 35 percent increase in the Division's loss before related income tax effect. The increase of 16 percent in selling, general, administrative, and other expenses was due primarily to the provisions for writedown of certain assets and for anticipated idle plant costs described above.

The fluctuations in revenues and income before income taxes from Other Activities are due to the inherent non-recurring nature of the items included under this caption, none of which is individually significant.

The substantial decrease in interest expense was due to a reduction in long-term notes payable of $9,659,000 and to the absence of any new borrowings during the year.

The provision for income taxes increased substantially due primarily to the increase in income before income taxes of the Cement Division.

1976

Revenues from the Cement Division increased 20 percent from 1975 due to higher average selling prices resulting from price increases instituted during the year and to a one percent increase in shipments. Income before income taxes increased 82 percent due primarily to increased revenues and to a slower rate of escalation in production costs than in 1975.

The Concrete and Stone Products Division's loss before related income tax effect increased 16 percent from 1975. The continued downward trend in construction activity and the resultant extreme competitive conditions which existed in all geographic areas of the Division's operations combined to cause an increase in the loss from operations of the Division.

The provision for income taxes increased substantially due primarily to the increase in income before income taxes from the Cement Division.

ITEM 3. PROPERTIES

Registrant's Colton Plant is located adjacent to the city limits of Colton in San Bernardino County, California and adjacent to Slover Mountain, a large limestone deposit owned in fee by Registrant. Because of its surface and subsurface characteristics, this deposit has never been completely drilled; however, drilling and analysis have verified that the deposit does contain sufficient limestone required by this plant when operated at full capacity for at least 50 years. Clays, silica, gypsum, and iron-bearing materials that are used in the manufacturing process are either mined from Registrant's own deposits elsewhere in Southern California or are purchased by Registrant from vendors in Southern California. The Colton Plant was completely modernized between 1961 and 1964. It has a production capacity of 750,000 tons of cement per year. Air pollution control equipment, consisting of baghouse dust collection equipment to reduce stack emissions, was installed during the modernization completed in 1963. The plant currently meets all Federal, state, and local air quality regulations and standards. Registrant owns several hundred acres of land surrounding the Colton Plant which was purchased to act as a buffer to adjoining property.

Registrant's Mojave Plant, in Kern County, California was originally constructed in 1954 and 1955 and commenced production in December 1955 with an annual capacity of 378,000 tons of cement. During 1956 and 1957 it was enlarged and now has a production capacity of 1,100,000 tons of cement per year. Ground was broken on February 7, 1979 at the Mojave Plant to mark the commencement of a $100 million modernization and expansion project. This project is expected to be completed in late calendar year 1980 and will result in the addition of 1,000,000 tons of annual rated productive capacity. The Company owns a high-grade limestone deposit covering more than 1,000 acres adjacent to the plant property. This deposit has never been completely drilled but is presently known to contain more than 100,000,000 tons of limestone useable for the manufacture of portland cement. This deposit contains sufficient proven reserves to operate the Mojave Plant at its current rated capacity for at least 70 years. In addition, the Company has recently received a patent from the Federal government for a nearby high-grade limestone deposit covering tens of millions of tons of limestone in Kern County west of Rosamond, California. The total reserves of both deposits will be sufficient to operate the Mojave Plant, including the contemplated expansion of capacity, for over 50 years.

Registrant's Rillito Plant is located at Rillito in Pima County, Arizona, about 17 miles west of Tucson and about five miles from a limestone mountain owned in fee by Registrant. This plant was originally constructed as a one-kiln plant in 1949; capacity was increased in 1952 and 1956, bringing the plant to an annual capacity of 440,000 tons of cement. A $24,500,000 expansion program at Rillito was completed in fiscal year 1972, and an additional $5,200,000 program was completed in fiscal year 1975. The Rillito Plant now has an annual production capacity of 1,150,000 tons of cement per year. When blended with other materials, the above-referenced Arizona limestone deposit is presently known to contain sufficient limestone required by this plant when operated at full capacity for at least 20 years.

Substantial additional limestone reserves owned or leased by Registrant have not been completely drilled and are therefore not included in the foregoing. The raw materials contained in the above-referenced fee deposit are limestone, shale and silica. Other needed raw materials are purchased from others or mined from the Company's own deposits. The Rillito Plant is currently operated at less than its rated capacity to enable it to comply with existing air quality standards. The Company is in the process of installing baghouse dust collection equipment at the plant to enable it to operate at rated capacity by mid-calendar year 1979 in complete compliance with applicable Federal, state, and local air quality regulations.

Registrant's cement plants operated at approximately full capacity during fiscal year 1979.

Registrant also owns in fee substantial limestone reserves and iron ore deposits in the Cave Canyon area of San Bernardino County, California. Registrant also has other small limestone deposits located in Riverside County, California. Registrant owns in fee a substantial gypsum deposit in Imperial County, California and also has unpatented mining claims adjacent to the deposit. These deposits are not presently mined because Registrant has other sources from which raw materials are presently being purchased at reasonable prices.

Arizona Sand and Rock Company ("AS&R"), a wholly owned subsidiary of Registrant, owns three sand, gravel and ready-mixed concrete plants and a sacked products plant in the Phoenix, Arizona area. AS&R owns approximately 700 acres of sand and gravel deposits adjacent to its plant facilities. AS&R leases approximately 200 acres of sand and gravel deposits from the Salt River Maricopa Pima Indian Tribe adjacent to another of its plants. AS&R owns 140 acres of similar properties at New River, Maricopa County, Arizona. AS&R owns other undeveloped land in Maricopa County.

Registrant's prestressed concrete manufacturing operation is conducted on property owned in fee by Registrant.

Registrant has a coal property consisting of an underground coal mine near Price, Utah, approximately 125 miles from Salt Lake City. This property is being mined pursuant to a Federal lease and includes approximately 1,700 acres. Recoverable reserves are estimated to be in excess of 12 million tons of coal. Registrant mines and ships coal by rail for burning in the kilns at Registrant's three cement plants. A relatively small amount of coal is sold to others.

In January 1978 Registrant exercised an option to acquire a second coal property consisting of a long-term coal-mining lease covering 960 acres of coal-bearing fee property located about 75 miles south of Registrant's coal mine near Price, Utah. The property has not previously been mined; however, extensive tests and analyses indicate recoverable coal reserves of approximately 20 million tons. Additional exploratory work is currently being performed, and plans are being formulated for the future development of this coal property. When combined with Registrant's existing coal mine, Registrant would have the capability of mining and shipping in excess of one million tons of coal per year and thus have a considerable amount of coal available for sale to others while continuing to supply all the kiln fuel requirements of Registrant's cement plants.

ITEM 4. PARENTS AND SUBSIDIARIES

Registrant is a parent and not a subsidiary.

Pacific Prestressed Products, Inc. ("Pacific"), a California corporation, is a wholly owned subsidiary of Registrant. The financial statements of Pacific are consolidated with Registrant's.

Spancrete of California ("Spancrete"), a California corporation, is a wholly owned subsidiary of Registrant through Pacific. The financial statements of Spancrete are consolidated with Registrant's.

Arizona Prestressed Concrete Company ("Arizona Prestressed"), an Arizona corporation, is a wholly owned subsidiary of Registrant through Pacific. The financial statements of Arizona Prestressed are consolidated with Registrant's.

Arizona Sand and Rock Company ("AS&R"), an Arizona corporation, is a wholly owned subsidiary of Registrant. The financial statements of AS&R are consolidated with Registrant's.

California Cement Shake Co., Inc. ("Cal Shake"), a California corporation, is a 91 percent owned subsidiary of Registrant. The financial statements of Cal Shake are consolidated with Registrant's. As reported above, this entity is in the process of being dissolved.

Statex Petroleum, Inc. ("Statex"), a California corporation, has 52 percent of its voting securities owned by Registrant. Statex prepares and files separate financial statements with the Securities and Exchange Commission. Registrant's financial statements reflect Registrant's equity in the undistributed net income or loss of Statex.

As of December 31, 1978, Statex owned estimated proved developed recoverable reserves of 665,000 barrels of oil and 18.5 billion cubic feet of gas. Statex estimates that 66,000 barrels of oil, 16,500 barrels of condensate, and 2.1 billion cubic feet of gas can be produced from these reserves during the 12-month period ending October 31, 1979, the end of Statex's current fiscal year.

AeroVironment, Inc. ("AeroVironment"), a California corporation, has 63 percent of its voting securities owned by Registrant. AeroVironment has only 6 shareholders and, accordingly, is not required to file separate financial statements with the Securities and Exchange Commission. Registrant's financial statements reflect Registrant's equity in the undistributed net income or loss of AeroVironment.

Registrant owns 34 percent of the outstanding voting securities of Conrock Co., a California corporation. Conrock Co. prepares and files separate financial statements with the Securities and Exchange Commission. Registrant's financial statements reflect Registrant's equity in the undistributed net income of Conrock Co.

ITEM 5. LEGAL PROCEEDINGS

On September 23, 1976, the Attorney General of the State of Arizona filed a civil antitrust complaint in the Superior Court of Maricopa County, Arizona, which named as defendants the Company, 4 other cement manufacturers, 13 ready-mixed concrete companies, and 2 industry trade associations. The complaint alleges a conspiracy among the named cement manufacturers and a trade association to fix, maintain, and stabilize prices for cement in violation of the Arizona State Antitrust Act during a period beginning in 1958 and continuing to the present. A conspiracy is also alleged among the defendant ready-mix companies, the Company, and certain named individuals to fix prices for ready-mixed concrete and related products. An injunction and civil penalties are sought in the amount of $50,000 for each alleged violation of the Arizona statute.

A second antitrust complaint was filed by the State of Arizona against all of the same corporate defendants, including the Company, under the Clayton Act in the United States District Court for the District of Arizona, seeking an injunction and an unspecified amount of treble damages on behalf of a class purportedly consisting of governmental and other buyers of cement and concrete products within the State of Arizona. This complaint is similar to the state court action, except that the defendants' conduct also is alleged to violate provisions of the Sherman Act. Complaints based on the same or similar allegations have since been filed in the Federal courts against almost all United States cement manufacturers, including the Company. There are now assertedly at least 25 private plaintiffs, the City of Austin, Texas, and the Attorneys General of California, Colorado, Kansas, Oregon, Nebraska, Utah, New Mexico, and Montana. These actions seek unspecified amounts of treble damages on behalf of classes purportedly consisting of governmental and other buyers of cement and, in some cases, cement-containing products throughout the United States. These cases have been consolidated before a Federal judge in Arizona for coordinated pretrial proceedings. Four of the private plaintiffs have dismissed their complaints without prejudice.

The Company has denied any violation of law and is vigorously contesting all of the actions, which are in preliminary stages. Based on the complexity of the actions and the number or parties involved, the Company expects the duration of the actions to cover a period of years unless the actions against the Company are dismissed or otherwise favorably terminated. The Company's outside legal counsel have stated that they are not aware of any evidence of overt or conspiratorial acts by the Company which they believe would result in liability. However, plaintiffs' counsel have recently postulated a novel theory of liability which calls into question the entire structure by which cement has been priced and sold by virtually all cement manufacturers in the United States over the past several decades. The Company's outside legal counsel are not aware of any case or statutory authority which directly supports plaintiffs' theory. If this theory is accepted by the courts, the fact that the Company has priced and sold cement in the manner it has might itself result in liability. Therefore, it is not possible at present for the Company or its outside legal counsel to predict the outcome or the range of potential loss, if any, which might result from these lawsuits.

The Company and a subsidiary of the Company in the business of selling ready-mixed concrete in the Phoenix, Arizona area have recently been served with subpoenas requesting production of certain records in connection with a Federal Grand Jury investigation of the ready-mixed concrete market in Arizona. The Company and the subsidiary responded. The status of the investigation is not known because Grand Jury proceedings are secret; accordingly, the Company cannot predict the outcome of the investigation, but the Company does not know of any facts that will result in action against it or the subsidiary.

ITEM 6. INCREASES AND DECREASES IN OUTSTANDING SECURITIES AND INDEBTEDNESS

During the fiscal year ended April 30, 1979, the Company purchased 10,000 shares of its common stock which will be offered for sale to qualified employees in accordance with the terms of the Company's Salaried Employee Stock Purchase Plan.

ITEM 7. (NOT APPLICABLE TO REGISTRANT)

ITEM 8. (NOT APPLICABLE TO REGISTRANT)

ITEM 9. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS

Title of Class	Approximate Number of Record Holders as of April 30, 1979
Common Stock, $5.00 par value	1,400

ITEM 10. (NOT APPLICABLE TO REGISTRANT)

ITEM 11. EXECUTIVE OFFICERS OF REGISTRANT

Name	Age as of April 30, 1979	Position and office (*)
Michael A. Morphy	46	President (1971)
J. Randolph Elliott	55	Vice President and General Counsel (1969); President, Statex Petroleum, Inc. (1974)
N. John Redmond, Jr.	57	Senior Vice President (1973)
David W. Mayhew	45	Vice President - Administration (1975)
A. Frederick Gerstell	41	Vice President - Cement Division (1979)
Ronald J. Van Thyne	40	Vice President - California Cement (1979)
D. Milton Whitley	57	Vice President - Arizona Cement (1971)
Ronald E. Evans	41	Vice President - Operations (1978)
Wilbur B. Jager	50	Vice President - California Sales (1970)
Vaughn S. Corley	45	Vice President - Arizona Sales (1974)
David P. Tsoneff	38	Vice President - Concrete and Stone Products Division (1978)
M. Donald Ross	57	Vice President - Coal (1976)
Albert B. Culver	64	Secretary (1975)
David C. Lauritzen	37	Treasurer (1979)
William G. Bassett	42	Controller and Assistant Treasurer (1979)

* Year in which elected to indicated office.

The above-listed executive officers of Registrant have no family relationships with each other by blood, marriage, or adoption.

Michael A. Morphy has been the President of Registrant for more than five years and its Chief Executive Officer since May 1972.

J. Randolph Elliott has been a senior executive of Registrant for more than five years.

N. John Redmond, Jr. has been a senior executive of Registrant for more than five years.

David W. Mayhew is a Certified Public Accountant and was elected Vice President of Registrant in April 1972.

A. Frederick Gerstell is in charge of the Cement Division of Registrant and was elected to his present position in April 1979. Prior to his election he was Vice President - California Division of Registrant, being elected thereto in May 1975. Prior to May 1975 he was Vice President-Marketing for Alpha Portland Cement Company.

Ronald J. Van Thyne, a Certified Public Accountant, is responsible for California cement operations and was elected to his present position in April 1979. Prior to his election he was Vice President - Finance of Registrant for more than five years.

D. Milton Whitley has been responsible for Arizona cement operations for the past five years.

Ronald E. Evans, a Mechanical Engineer, has been involved in engineering and manufacturing operations of the Cement Division since 1961.

Wilbur B. Jager has been responsible for Registrant's sales of cement in California and Nevada since election to his present position in June 1970.

Vaughn S. Corley is a Civil Engineer and has been responsible for Registrant's sales of cement in Arizona for the past five years.

David P. Tsoneff was elected to the position of Vice President - Concrete and Stone Products Division in April 1978. Prior to his election he was president of two subsidiary companies of United States Filter Corporation.

M. Donald Ross, responsible for Registrant's coal production and sales, was elected to his present position in August 1976. Mr. Ross was employed as Vice President of Soldier Creek Coal Company, a wholly owned subsidiary of Registrant, in April 1975. Prior to April 1975 he was Manager of Mines at the Sunnyside, Utah coal mine of Kaiser Steel Corporation.

Albert B. Culver, a Certified Public Accountant, was elected to the position of Secretary of Registrant in May 1975. He has also been a financial executive of Registrant for more than five years.

David C. Lauritzen is a Certified Public Accountant and is Chief Financial Officer of Registrant. Prior to election to his present position in April 1979 he was Controller and Assistant Treasurer of Registrant.

William G. Bassett is a Certified Public Accountant and prior to election to his present position in April 1979 was Assistant Controller of Registrant.

ITEM 12. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company's Bylaw provisions concerning the indemnification of Directors and Officers for acts committed by such persons in their capacities as agents of the Company are consistent with provisions of Section 317 of the California General Corporation Law (hereinafter "GCL"), made effective to California corporations January 1, 1977.

Said Bylaw provisions, consistent with the GCL, provide indemnification for Directors and Officers of the Company and its subsidiaries:

(i) Against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with a proceeding upon a determination that such Director or Officer acted in what he believed to be the best interests of the Company and without cause to believe such actions were unlawful, in the case of actions other than by or in the right of the Company; and,

(ii) Against expenses actually and reasonably incurred in connection with the defense or settlement of a proceeding upon a determination that such person acted in what he believed to be the best interests of the Company, in the case of an action by or in the right of the Company.

In the case of actions by or in the right of the Company, indemnification is unavailable to the extent a Director or Officer has been adjudged liable to the Company or a subsidiary thereof; to any amounts paid in settling such an action; and to expenses incurred in defending such an action.

The provisions concerning Director and Officer indemnification applicable to California corporations may be more fully ascertained by a complete reading of Section 317 of the California GCL, a copy of which is attached hereto as an exhibit.

Registrant has in effect a policy of Directors and Officers Liability Insurance providing coverage up to $10,000,000 with a deductible of $20,000.

ITEM 13. FINANCIAL STATEMENTS, SCHEDULES, AND EXHIBITS

Opinion of Independent Certified Public Accountants

Financial Statements:

Consolidated Balance Sheet, April 30, 1979 and 1978

Statement of Consolidated Income for the Years Ended April 30, 1979 and 1978

Statement of Consolidated Retained Earnings for the Years Ended April 30, 1979 and 1978

Statement of Consolidated Changes in Financial Position for the Years Ended April 30, 1979 and 1978

Notes to Financial Statements

Schedules V, VI, and XII

Exhibits:

Form 11-K Annual Report (included herein)

Conrock Co. - Financial Statements and Supporting Schedules and Report of Independent Certified Public Accountants Comprising Item 12(a) of Annual Report (Form 10-K) for the fiscal year ended December 31, 1978, on file with the Securities and Exchange Commission (0-1162) (incorporated herein by reference).

California General Corporation Law - Section 317 (included herein)

PART II

In accordance with General Instruction H(a) to Form 10-K, items 14 through 18 are omitted. Registrant filed, pursuant to Regulation 14A, a definitive Proxy Statement by letter dated July 16, 1979 and mailed July 16, 1979 by placing said Proxy Statement and letter in mails of the United States postage prepaid, addressed to the Securities and Exchange Commission, Washington, D. C. 20549.

Pursuant to the requirements of the Securities Exchange Act of 1934, Registrant has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

DATED: July 20, 1979

CALIFORNIA PORTLAND CEMENT COMPANY

By /s/ Michael A. Morphy
Michael A. Morphy
President

Deloitte Haskins+Sells

One Wilshire Building
Los Angeles, California 90017
(213) 628-8282
Telex 674922

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

California Portland Cement Company:

We have examined the consolidated financial statements and schedules of California Portland Cement Company and consolidated subsidiaries listed in the accompanying index. Our examinations were 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.

As discussed in Note 8 to financial statements, the Company has been named as a defendant, as are almost all United States cement manufacturers, in actions alleging a conspiracy to fix, maintain, and stabilize prices for cement and ready-mixed concrete. The Company has also supplied information to a Federal Grand Jury in connection with an investigation of the ready-mixed concrete industry in Arizona. It is not possible at present for the Company or its outside legal counsel to predict the outcome or the range of potential loss, if any, which might result from these actions; and no provision for any liability that may result has been made in the financial statements. In our report dated June 16, 1978, our opinion on the 1978 financial statements was unqualified; however, in view of the matters referred to above, our present opinion on the 1978 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the matters referred to in the preceding paragraph been known, the above-mentioned consolidated financial statements present fairly the financial position of the Company and its consolidated subidiaries at April 30, 1979 and 1978 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. Also, in our opinion, the schedules, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

Deloitte Haskins & Sells

June 15, 1979

CALIFORNIA PORTLAND CEMENT COMPANY
AND CONSOLIDATED SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES INCLUDED IN ANNUAL REPORT (FORM 10-K) FOR THE YEAR ENDED APRIL 30, 1979

FINANCIAL STATEMENTS:

SCHEDULES:

FINANCIAL STATEMENTS AND SCHEDULES OMITTED

Financial statements and schedules not listed above are omitted because of the absence of the conditions under which they are required or because the information required by such schedules is set forth in the financial statements or in the notes thereto.

CALIFORNIA PORTLAND CEMENT COMPANY
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET, APRIL 30, 1979 AND 1978

--- ASSETS ---	1979	1978
CURRENT ASSETS:		
Cash	$ 8,213,000	$ 3,396,000
United States Government securities	10,250,000	3,800,000
Receivables (less allowance for doubtful accounts) (Note 11)	25,503,000	20,242,000
Inventories (Notes 1 and 9)	28,359,000	22,241,000
Prepaid expenses	5,498,000	2,972,000
Total current assets	77,823,000	52,651,000
INVESTMENTS:		
Conrock Co. (Note 3)	17,974,000	16,594,000
Statex Petroleum, Inc. (Note 4)	4,958,000	4,513,000
Other (at cost; market value $8,616,000 in 1979 and $6,748,000 in 1978)	1,930,000	1,918,000
Total investments	24,862,000	23,025,000
PROPERTY (Note 1) - Schedule V:		
Land and deposits	10,174,000	10,621,000
Buildings, machinery, and equipment	147,892,000	142,755,000
Construction in progress	10,526,000	3,189,000
Total	168,592,000	156,565,000
Less accumulated depreciation and depletion - Schedule VI	72,748,000	65,308,000
Property - net	95,844,000	91,257,000
OTHER ASSETS	4,263,000	3,971,000
TOTAL	$202,792,000	$170,904,000

--- LIABILITIES ---	1979	1978
CURRENT LIABILITIES:		
Accounts payable and accrued	$ 17,166,000	$ 11,827,000
Federal and state income taxes payable	13,276,000	10,676,000
Real and personal property taxes accrued	3,103,000	4,525,000
Provisions for plant shutdown costs - Schedule XII	2,302,000	---
Other	907,000	715,000
Total current liabilities	36,754,000	27,743,000
LONG-TERM LIABILITIES:		
Unsecured notes payable (Note 5)	1,970,000	2,145,000
Deferred Federal and state income taxes payable	8,063,000	6,583,000
Total long-term liabilities	10,033,000	8,728,000
DEFERRED INVESTMENT TAX CREDIT (Notes 1 and 6)	5,287,000	5,135,000
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 8 and 14)		
SHAREHOLDERS' EQUITY:		
Common stock - authorized, 6,000,000 shares of $5 par value each; outstanding, 4,213,814 shares in 1979 and 4,223,814 shares in 1978 (Note 10)	27,383,000	27,383,000
Retained earnings (Notes 3 and 4)	123,335,000	101,915,000
Total shareholders' equity	150,718,000	129,298,000
TOTAL	$202,792,000	$170,904,000

See accompanying notes to financial statements.

CALIFORNIA PORTLAND CEMENT COMPANY
AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME
FOR THE YEARS ENDED APRIL 30, 1979 AND 1978

	1979	1978
CONTINUING OPERATIONS		
REVENUES:		
Billings to customers (less discounts and allowances)	$191,351,000	$144,625,000
Other income (principally dividends, interest, rent, and royalties) (Note 3)	7,464,000	4,217,000
Total	198,815,000	148,842,000
COSTS AND EXPENSES:		
Cost of products sold (including freight on shipments)	125,328,000	95,209,000
Selling, general, and administrative	14,624,000	13,347,000
Interest	136,000	502,000
Other (Note 17)	3,585,000	1,741,000
Total	143,673,000	110,799,000
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY IN CONROCK CO.	55,142,000	38,043,000
INCOME TAXES (Note 6)	24,009,000	16,104,000
INCOME FROM CONTINUING OPERATIONS BEFORE EQUITY IN CONROCK CO.	31,133,000	21,939,000
EQUITY IN UNDISTRIBUTED NET INCOME OF CONROCK CO. - Net of deferred Federal and state income taxes of $461,000 in 1979 and $444,000 in 1978 (Note 3)	919,000	836,000
INCOME FROM CONTINUING OPERATIONS	32,052,000	22,775,000
LOSS FROM DISCONTINUED OPERATION - Net of income taxes (Note 2)	(2,719,000)	(756,000)
NET INCOME	$ 29,333,000	$ 22,019,000
PER SHARE (Based on average shares outstanding):		
Continuing Operations:		
Income from continuing operations before equity in Conrock Co.	$7.37	$5.19
Equity in undistributed net income of Conrock Co. (net of deferred income taxes)	.22	.20
Income from continuing operations	7.59	5.39
Loss from Discontinued Operation (net of deferred income taxes)	(.64)	(.18)
Net income	$6.95	$5.21
AVERAGE NUMBER OF SHARES OUTSTANDING	4,222,237	4,223,814

See accompanying notes to financial statements.

CALIFORNIA PORTLAND CEMENT COMPANY
AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED RETAINED EARNINGS
FOR THE YEARS ENDED APRIL 30, 1979 and 1978

	1979	1978
BALANCE AT BEGINNING OF YEAR	$101,915,000	$ 86,231,000
NET INCOME	29,333,000	22,019,000
Total	131,248,000	108,250,000
DEDUCT:		
Cash dividends - $1.80 a share in 1979 and $1.50 a share in 1978	7,599,000	6,335,000
Cost of 10,000 shares of Company's common stock purchased and retired	314,000	---
Total	7,913,000	6,335,000
BALANCE AT END OF YEAR	$123,335,000	$101,915,000

See accompanying notes to financial statements.

CALIFORNIA PORTLAND CEMENT COMPANY
AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED APRIL 30, 1979 AND 1978

	1979	1978
SOURCE OF FUNDS:		
Continuing Operations:		
Income before equity in Conrock Co....	$31,133,000	$21,939,000
Add (Deduct):		
Depreciation........................	8,397,000	8,031,000
Provisions for writedown of certain assets and plant shutdown costs...	2,238,000	---
Other (net).........................	(324,000)	1,103,000
Funds provided by continuing operations.................	41,444,000	31,073,000
Discontinued Operation:		
Loss from discontinued operation......	(2,719,000)	(756,000)
(Add) Deduct:		
Provisions for writedown of assets and plant shutdown costs..........	3,288,000	---
Deferred Federal income tax benefit.	(1,512,000)	---
Other (net).........................	222,000	235,000
Funds used by discontinued operation..................	(721,000)	(521,000)
Funds provided by operations (net)............	40,723,000	30,552,000
Disposal of property....................	1,348,000	1,098,000
Accounts payable and accrued............	5,340,000	3,115,000
Federal and state income taxes payable..	2,600,000	3,146,000
Total Source of Funds......	50,011,000	37,911,000
APPLICATION OF FUNDS:		
Capital expenditures....................	17,804,000	10,063,000
Payment of cash dividends...............	7,599,000	6,335,000
Payment of unsecured notes payable......	191,000	13,125,000
Inventories.............................	6,118,000	5,422,000
Receivables.............................	5,261,000	1,441,000
Real and personal property taxes accrued...............................	1,422,000	(276,000)
Other (net).............................	349,000	1,328,000
Total Application of Funds.	38,744,000	37,438,000
INCREASE IN CASH AND UNITED STATES GOVERNMENT SECURITIES..................	$11,267,000	$ 473,000

See accompanying notes to financial statements.

CALIFORNIA PORTLAND CEMENT COMPANY
AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements include the accounts of the Company and all subsidiaries except Statex Petroleum, Inc. (52 percent owned) and AeroVironment, Inc. (63 percent owned). All significant intercompany transactions have been eliminated. The assets and results of operations of Statex Petroleum, Inc. and AeroVironment, Inc. are not significant in relation to the consolidated financial statements and, accordingly, the Company accounts for these investments using the equity method of accounting. The Company's investment in AeroVironment, Inc. is included in Investments - Other on the consolidated balance sheet. See Note 4 with respect to Statex Petroleum, Inc.

Inventories are carried at the lower of average cost or market. Average cost is a moving average determined monthly.

Property is carried at cost, and depreciation is determined using principally the straight-line method. Significant expenditures which extend the useful lives of existing assets are capitalized. All other maintenance and repair costs are charged to current operations.

Deferred income taxes are provided with respect to timing differences between financial and taxable income. Deferred income taxes are provided at capital gains rates on the undistributed net income of Conrock Co. and unconsolidated subsidiaries. Investment tax credits are deferred and amortized over periods which coincide with the lives of the related property.

The financial statements for the year ended April 30, 1978 have been restated to separately reflect results of operations of a discontinued operation as described in Note 2. In addition, certain minor reclassifications have been made in the financial statements as previously reported for the year ended April 30, 1978 in order to conform to corresponding classifications for the year ended April 30, 1979.

See Note 3 with respect to the method of accounting for the Company's investment in Conrock Co. See Note 7 with respect to the Company's policy for accounting for the cost of retirement plans.

2. DISCONTINUED OPERATION:

The Company's California Cement Shake Co., Inc. subsidiary (91 percent owned) has decided to discontinue its efforts to produce cement-based roofing shakes due primarily to continued production problems and, accordingly, operations will be shut down and the entity will be dissolved during the fiscal year ending April 30, 1980. Accordingly, provisions amounting to $3,288,000 were made in April 1979 for writedown of assets to estimated realizable values and for anticipated plant shutdown costs. Assets and liabilities remaining at April 30, 1979 after applying these provisions are not significant.

As a result of the decision to discontinue the roofing shake business, the Company has restated results of operations previously reported for the year ended April 30, 1978 to reflect this business as a discontinued operation. The restatement does not affect net income as previously reported. Revenues from the discontinued operation amounted to $2,924,000 for the year ended April 30, 1979 and $2,090,000 for the year ended April 30, 1978. The loss from discontinued operation on the statement of consolidated income for the years ended April 30, 1979 and 1978 is comprised of the following (in thousands):

	1979	1978
Loss from operations (net of income tax benefits of $846 in 1979 and $747 in 1978)	$ 943	$ 756
Provisions for writedown of assets and shutdown costs (net of deferred income tax benefit of $1,512)	1,776	---
Loss from discontinued operation	$2,719	$ 756

3. INVESTMENT IN CONROCK CO.:

The consolidated financial statements include an investment of 34 percent in the outstanding capital stock of Conrock Co. The primary business of Conrock Co. is the production and sale of ready-mixed concrete and concrete aggregates in the Southern California area. The investment is carried on the consolidated balance sheet at April 30, 1979 and 1978 at amounts equal to the Company's equity in the net assets of Conrock Co. at December 31, 1978 and 1977, respectively. The Company's equity in the undistributed net income of Conrock Co. for the years ended April 30, 1979 and 1978, which is included on the statement of consolidated income, is based on Conrock Co.'s net income for its fiscal years ended December 31, 1978 and 1977, respectively. Cash dividends received of $635,000 in 1979 and $502,000 in 1978 have been included in other income. The aggregate quoted market value of the investment was $18,228,000 at April 30, 1979 and $11,372,000 at April 30, 1978.

The equity in undistributed net income of Conrock Co. (net of deferred Federal and state income taxes) included in retained earnings was $11,017,000 at April 30, 1979 and $10,098,000 at April 30, 1978.

Conrock Co.'s financial statements are summarized as follows (in thousands):

BALANCE SHEET

	December 31	
Assets	1978	1977
Current assets	$21,696	$20,038
Property, plant, and equipment	44,471	39,368
Other	11,992*	11,446*
Total	$78,159	$70,852
Liabilities and Shareholders' Equity		
Current liabilities	$10,241	$ 9,007
Other liabilities	14,970*	13,893*
Total shareholders' equity	52,948	47,952
Total	$78,159	$70,852

INCOME STATEMENT

	Year Ended December 31	
	1978	1977
Revenues	$111,684	$97,729
Costs and expenses	105,155	93,507
Net income	$ 6,529	$ 4,222

* Includes deferred condemnation gains amounting to $10,205,000 and related proceeds. Condemnation gains are applied toward the replacement of condemned properties and, therefore, no income will be recognized if proceeds are reinvested by December 31, 1980.

4. INVESTMENT IN STATEX PETROLEUM, INC.:

The consolidated financial statements include an investment of 52 percent in the outstanding common stock of Statex Petroleum, Inc. ("Statex"). The primary business of Statex is exploration for oil and gas and development of oil and gas properties in the United States. The investment in Statex is carried on the consolidated balance sheet at cost plus equity in undistributed net income since the date of acquisition and is $1,168,000 in excess of the Company's equity in the underlying net assets. In the opinion of the Company, no decrease in value of this excess cost is expected to occur, and, accordingly, it is not being amortized. The equity in undistributed net income of Statex (net of deferred Federal and state income taxes) included in retained earnings was $630,000 at April 30, 1979 and $337,000 at April 30, 1978. The aggregate quoted market value of the Company's investment (based on "bid" quotations) was $5,228,000 at April 30, 1979 and $4,305,000 at April 30, 1978.

5. UNSECURED NOTES PAYABLE:

Unsecured notes payable at April 30, 1979 and 1978 bear interest at rates ranging from 5 1/2 percent to 8 percent and are due in various installments through 1994. Maturities during the next five fiscal years are as follows: 1980, $175,000 (included in other current liabilities); 1981, $163,000; 1982, $163,000; 1983, $163,000; and 1984, $163,000.

6. INCOME TAXES:

The provision for income taxes for the years ended April 30, 1979 and 1978 consists of the following (in thousands):

	1979	1978
Federal:		
Current liability (net of investment tax credit)	$20,759	$13,291
Deferred investment tax credit:		
Reduction in current taxes payable	614	684
Less amortization	498	417
Net increase	116	267
Total	20,875	13,558
Deferred liability (benefit)	(822)	382
Total Federal	20,053	13,940
State	3,956	2,164
Total provision	$24,009	$16,104

Deferred Federal income taxes (tax benefits) are attributable to the following (in thousands):

	1979	1978
Provisions for writedown of certain assets and plant shutdown dosts	$(1,024)	$ 331
Charitable contribution of land	---	506
Other	202	(455)
Total	$ (822)	$ 382

The provision for income taxes for the years ended April 30, 1979 and 1978 reconciles to Federal income taxes calculated at the statutory rate as follows (in thousands):

	1979	1978
Taxes calculated on income from continuing operations before income taxes and equity in Conrock Co.	$26,082	$18,261
Add (Deduct) Federal income tax effect of:		
Percentage depletion	(2,899)	(2,558)
Amortization of deferred investment tax credit	(498)	(417)
Dividends received exclusion	(377)	(306)
State income taxes	(1,871)	(1,039)
Other (net)	(384)	(1)
Total	20,053	13,940
State income taxes	3,956	2,164
Total provision	$24,009	$16,104

7. RETIREMENT PLANS:

The Company and its subsidiaries contribute to various retirement plans covering substantially all of their employees. Retirement plan expense, including a provision for prior service costs, was $2,163,000 for the year ended April 30, 1979 and $1,894,000 for the year ended April 30, 1978. In accordance with its policy, the Company currently funds its accrued retirement plan expense. Unfunded prior service costs, which are amortized over periods of 25 to 40 years, were approximately $11,400,000 at April 30, 1979. The actuarially computed value of vested benefits exceeds the total of the various retirement funds and balance sheet accruals by approximately $2,100,000. The Company's retirement plans are in compliance with current regulations issued pursuant to the Employee Retirement Income Security Act of 1974 (ERISA).

8. LITIGATION AND INVESTIGATION:

On September 23, 1976, the Attorney General of the State of Arizona filed a civil antitrust complaint in the Superior Court of Maricopa County, Arizona, which named as defendants the Company, 4 other cement manufacturers, 13 ready-mixed concrete companies, and 2 industry trade associations. The complaint alleges a conspiracy among the named cement manufacturers and a trade association to fix, maintain, and stabilize prices for cement in violation of the Arizona State Antitrust Act during a period beginning in 1958 and continuing to the present. A conspiracy is also alleged among the defendant ready-mix companies, the Company, and certain named individuals to fix prices for ready-mixed concrete and related products. An injunction and civil penalties are sought in the amount of $50,000 for each alleged violation of the Arizona statute.

A second antitrust complaint was filed by the State of Arizona against all of the same corporate defendants, including the Company, under the Clayton Act in the United States District Court for the District of Arizona, seeking an injunction and an unspecified amount of treble damages on behalf of a class purportedly consisting of governmental and other buyers of cement and concrete products within the State of Arizona. This complaint is similar to the state court action, except that the defendants' conduct also is alleged to violate provisions of the Sherman Act. Complaints based on the same or similar allegations have since been filed in the Federal courts against almost all United States cement manufacturers, including the Company. There are now assertedly at least 25 private plaintiffs, the City of Austin, Texas, and the Attorneys General of California, Colorado, Kansas, Oregon, Nebraska, Utah, New Mexico and Montana. These actions seek unspecified amounts of treble damages on behalf of classes purportedly consisting of governmental and other buyers of cement and, in some cases, cement-containing products, throughout the United States. These cases have been consolidated before a Federal judge in Arizona for coordinated pretrial proceedings. Four of the private plaintiffs have dismissed their complaints without prejudice.

The Company has denied any violation of law and is vigorously contesting all of the actions, which are in preliminary stages. Based on the complexity of the actions and the number of parties involved, the Company expects the duration of the actions to cover a period of years unless the actions against the Company are dismissed or otherwise favorably terminated. The Company's outside legal counsel have stated that they are not aware of any evidence of overt or conspiratorial acts by the Company which they believe would result in liability. However, plaintiffs' counsel have recently postulated a novel theory of liability which calls into question the entire structure by which cement has been priced and sold by virtually all cement manufacturers in the United States over the past several decades. The Company's outside legal counsel are not aware of any case or statutory authority which directly supports plaintiffs' theory. If this theory is accepted by the courts, the fact that the Company has priced and sold cement in the manner it has might itself result in liability. Therefore, it is not possible at present for the Company or its outside legal counsel to predict the outcome or the range of potential loss, if any, which might result from these lawsuits.

The Company and a subsidiary of the Company in the business of selling ready-mixed concrete in the Phoenix, Arizona area have recently been served with subpoenas requesting production of certain records in connection with a Federal Grand Jury investigation of the ready-mixed concrete market in Arizona. The Company and the subsidiary responded. The status of the investigation is not known because Grand Jury proceedings are secret; accordingly, the Company cannot predict the outcome of the investigation, but the Company does not know of any facts that will result in action against it or the subsidiary.

9. INVENTORIES:

Inventories are summarized as follows (in thousands):

	1979	1978
Finished products......................	$ 3,743	$ 4,073
Products in process....................	8,110	4,585
Materials and supplies.................	16,506	13,583
Total.................	$28,359	$22,241

Inventory balances used in determining cost of sales for the years ended April 30, 1979 and 1978 were as follows (in thousands):

April 30, 1977.............	$16,819
April 30, 1978.............	22,241
April 30, 1979.............	28,359

10. COMMON STOCK:

During the fiscal year ended April 30, 1979, the Company purchased 10,000 shares of its common stock which will be offered for sale to qualified employees in accordance with the terms of the Company's Salaried Employee Stock Purchase Plan.

11. ALLOWANCE FOR DOUBTFUL ACCOUNTS (in thousands):

	1979	1978
Balance at beginning of year	$ 261	$ 384
Provision for the year - charged to income	298	164
Total	559	548
Doubtful accounts written off	68	287
Balance at end of year	$ 491	$ 261

12. INCENTIVE COMPENSATION PLAN:

The Company has an Incentive Compensation Plan ("the Plan") applicable to salaried employees. The number of salaried employees eligible for incentive compensation in any fiscal year is limited to 15 percent of the total salaried employees of the Company and its subsidiaries. The Plan provides for amounts to be made available for distribution for each fiscal year as determined by the Compensation Committee of the Board of Directors; however, the amount available for distribution for any fiscal year cannot exceed 7.5 percent of consolidated income before income taxes and accrued Plan expense for the year after deducting an amount equal to 12.5 percent of total shareholders' equity at the beginning of the year. During the year ended April 30, 1979 and 1978, the Company accrued, as a charge to income, $800,000 and $1,080,000 respectively, for distribution pursuant to the Plan.

13. BUSINESS SEGMENT INFORMATION:

The Company's principal business segment is the manufacture and sale of portland and other types of cement. The Company also, through various subsidiaries and a division, manufactures and sells a variety of concrete and stone products, including prestressed and precast concrete products, ready-mixed concrete, aggregates, and limestone products. The cement segment in the information below includes amounts related to the Company's coal mining activities. Intersegment billings are made at prices and terms which are similar to those extended to unaffiliated customers. General corporate assets consist of cash, United States Government securities, investments, and other assets not directly identifiable with a business segment.

Business segment information for the years ended April 30, 1979 and 1978 is summarized as follows (income statement amounts previously reported for 1978 have been restated to separately reflect results of operations of a discontinued operation as described in Note 2)(in thousands):

	1979	1978
Billings to Customers (net):		
Cement	$158,923	$126,530
Concrete & Stone Products	38,451	22,208
Intersegment billings of cement (net)	(6,023)	(4,113)
Total	$191,351	$144,625
Profit from continuing operations:		
Cement	$ 56,657	$ 44,266
Concrete & Stone Products	3,646	181
Total	60,303	44,447
Add (Deduct):		
General corporate expenses	(8,904)	(8,378)
Interest expense	(136)	(502)
Other income	7,464	4,217
Other expenses	(3,585)	(1,741)
Income taxes	(24,009)	(16,104)
Income from continuing operations before equity in Conrock Co.	$ 31,133	$ 21,939
Identifiable Assets (as of April 30, 1979 and 1978):		
Cement	$127,571	$113,490
Concrete & Stone Products	23,399	17,383
General corporate	51,822	40,031
Total	$202,792	$170,904
Depreciation:		
Cement	$ 6,808	$ 6,512
Concrete & Stone Products	1,555	1,460
General corporate	283	302
Total	$ 8,646	$ 8,274
Capital Expenditures:		
Cement *	$ 13,038	$ 8,446
Concrete & Stone Products	4,200	1,215
General corporate	566	402
Total	$ 17,804	$ 10,063

* Includes amounts related to coal mining activities of $1,317,000 in 1979 and $3,424,000 in 1978.

Approximately 13 percent of consolidated revenues for the years ended April 30, 1979 and 1978 result from cement sales to an affiliate at prices and terms which are similar to those extended to other customers. Other income in 1979 includes a gain of $1,914,000 from a sale of land to an affiliate.

14. COMMITMENTS:

The Company has outstanding commitments at April 30, 1979 aggregating approximately $21 million in connection with the expansion and modernization of its Mojave, California cement plant. Commitments under lease agreements are insignificant.

15. SUBSEQUENT EVENT:

On June 5, 1979 the Company entered into agreements with three government agencies providing for the issuance of $10,800,000 of 30-year, 7 percent tax-exempt pollution control and industrial development revenue bonds. The bond proceeds will be used to finance pollution control facilities to be installed in connection with the Mojave Plant expansion and modernization project (see Note 14) and certain other capital projects of the Company. The agreements require annual sinking fund payments in years 2000 through 2008 ranging from $200,000 to $1,700,000 and a final payment of $6,500,000 in 2009.

16. SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

Supplementary profit and loss information for the years ended April 30, 1979 and 1978 is summarized as follows (in thousands):

	1979	1978
Maintenance and repairs	$17,729	$13,824
Depreciation	$ 8,646	$ 8,274
Taxes other than income taxes:		
Property	$ 3,670	$ 4,806
Payroll	2,297	1,809
Sales and use	1,503	1,268
Other	544	186
Total	$ 8,014	$ 8,069
Rents and royalties*	$ 1,758	$ 1,435

*Noncapitalized leases are immaterial.

17. QUARTERLY FINANCIAL DATA (UNAUDITED):

Summarized quarterly financial data for the years ended April 30, 1979 and 1978 is as follows (in thousands except per share data):

	1979				
	Quarter Ended				Full Fiscal Year
	July 31, 1978	Oct. 31, 1978	Jan. 31, 1979	Apr. 30, 1979	
Continuing Operations:					
Total revenues	$47,542	$54,299	$47,351	$49,623	$198,815
Gross profit	19,467	20,735	17,296	15,989	73,487
Income before income taxes	15,354	16,700	13,385	11,083	56,522
Income after taxes	8,519	9,173	8,139	6,221	32,052
Per share	$2.02	$2.17	$1.92	$1.48	$7.59
Discontinued Operation:					
Total revenues	$ 748	$ 757	$ 491	$ 928	$ 2,924
Gross loss	(298)	(276)	(352)	(481)	(1,407)
Loss before tax effect	(397)	(366)	(456)	(3,858)	(5,077)
Loss after tax effect	(201)	(210)	(232)	(2,076)	(2,719)
Per share	$(.05)	$(.05)	$(.05)	$(.49)	$(.64)
Net income	$ 8,318	$ 8,963	$ 7,907	$ 4,145	$ 29,333
Per share	$1.97	$2.12	$1.87	$ .99	$6.95

	1978				
	Quarter Ended				Full Fiscal Year
	July 31, 1977	Oct. 31, 1977	Jan. 31, 1978	Apr. 30, 1978	
Continuing Operations:					
Total revenues	$37,469	$41,056	$32,465	$37,852	$148,842
Gross profit	13,851	15,794	11,552	12,436	53,633
Income before income taxes	9,622	12,766	7,914	9,021	39,323
Income after taxes	5,467	7,283	4,681	5,344	22,775
Per share	$1.29	$1.73	$1.11	$1.26	$5.39
Discontinued Operation:					
Total revenues	$ 466	$ 746	$ 516	$ 362	$ 2,090
Gross loss	(132)	(176)	(381)	(516)	(1,205)
Loss before tax effect	(208)	(233)	(451)	(611)	(1,503)
Loss after tax effect	(103)	(118)	(231)	(304)	(756)
Per share	$(.02)	$(.03)	$(.06)	$(.07)	$(.18)
Net income	$ 5,364	$ 7,165	$ 4,450	$ 5,040	$ 22,019
Per share	$1.27	$1.70	$1.05	$1.19	$5.21

Amounts as previously reported for all of the quarters above have been restated to separately reflect results of operations of a discontinued operation as described in Note 2.

Income before income taxes from continuing operations for the fourth quarter ended April 30, 1979 was reduced by $2,238,000 ($1,214,000 net of income tax effect, or $0.29 per share) as a result of provisions made by a subsidiary for writedown of assets to estimated realizable values and for anticipated plant shutdown costs in connection with a decision to close one plant due to continued unprofitable operations. These provisions are included in other expenses on the statement of consolidated income.

Loss after tax effect from the discontinued operation for the fourth quarter ended April 30, 1979 was increased by $1,776,000 ($0.42 per share) as a result of provisions for writedown of assets to estimated realizable values and for anticipated plant shutdown costs which were made as a result of a decision to discontinue the cement-based roofing shake business.

Income after taxes from continuing operations for the third quarter ended January 31, 1978 was reduced by $518,000 ($0.12 per share) as a result of a change in accounting by Statex Petroleum, Inc. (52 percent owned by the Company). In December 1977 the Financial Accounting Standards Board issued an accounting statement affecting oil and gas producing companies, the retroactive effect of which was recognized by Statex in its financial statements for its fiscal years ended prior to and including October 31, 1977. The Company recorded the effect of the change in the current period since the effect on prior periods reported by the Company is not significant.

18. CURRENT REPLACEMENT COST INFORMATION (UNAUDITED):

The Company has estimated the current replacement cost of its property assets ("productive capacity") and inventories assuming that a complete replacement of those assets set forth in the quantitative information herein had been made as of April 30, 1979 and as of April 30, 1978. In addition, related depreciation expense, accumulated depreciation, and cost of products sold have been calcuated as of April 30, 1979 and as of April 30, 1978 and for the years then ended using the estimated current replacement cost of property assets and inventories.

The replacement cost information is based on the hypothetical assumption that the Company would completely replace its entire productive capacity and inventories as of April 30, 1979 and as of April 30, 1978 (the end of its fiscal years) whether or not the funds to do so were available or such "instant" replacement were physically possible. This assumption requires that management contemplate many actions at the end of each fiscal year that ordinarily would not be addressed all at one time. Accordingly, the information should not be interpreted to indicate that the Company actually has present plans to replace its productive capacity or that actual replacement would or could take place in the manner assumed in estimating the information. In the normal course of business, the Company will replace its productive capacity over an extended period of time. Decisions concerning replacement will be made in the light of economic, regulatory, and competitive conditions existing on the dates such determinations are made and could differ substantially from the assumptions on which the data included herein are based.

The estimated current replacement cost information, which is presented on the following pages, is furnished pursuant to Rule 3-17 of Regulation S-X, which was announced in the Securities and Exchange Commission's Accounting Series Release No. 190. In that Release, the SEC cautioned investors and analysts against "simplistic use" of replacement cost information. In issuing that warning, the SEC stated:

> "...(The Commission) intentionally determined not to require the disclosure of the effect on net income of calculating cost of sales and depreciation on a current replacement cost basis, both because there are substantial theoretical problems in determining an income effect and because it did not believe that users should be encouraged to convert the data into a single revised net income figure. The data are not designed to be a simple road map to the determination of 'true income.' In addition, investors must understand that due to the subjective judgments and the many different specific factual circumstances involved, the data will not be fully comparable among companies and will be subject to errors of estimation."

The Company believes that the limitations due to estimations requiring the subjective judgments and assumptions of management as discussed in the foregoing excerpt from ASR 190 apply specifically to the Company's replacement cost information presented herein. For example, the technology currently available to the Company and related environmental factors are undergoing significant changes, and the effect thereof on the Company's replacement decisions cannot be predicted with precision. The Company's resultant inability to reflect the costs related to such unidentifiable difficulties is illustrative of the inherent imprecision of the information required by Rule 3-17.

The current replacement cost information presented herein is not necessarily representative of the "current value" of existing productive capacity and inventories. Further, the difference between replacement cost and historical cost of productive capacity and inventories does not represent additional book value for the Company's shareholders. The funds for the eventual replacement of the Company's productive capacity may be provided not only by income retained in the business but also by investment tax credits, debt instruments, or issues of equity securities. The determination of the source of funds will be made at the time the funds are required in light of the circumstances at that time.

The estimated current replacement cost of productive capacity of the Company's three cement plants was obtained from, or determined by reference to, information contained in a cement industry study by the U. S. Portland Cement Association ("the study"). The study, which was based on engineering estimates, contemplates the use of the most current technology available in the cement industry. Replacement costs were estimated for each stage of the cement-producing process, and replacement cost matrices were developed for various plant sizes based on clinker-producing capacity. The Company used such replacement cost amounts in developing estimates for its cement-producing capacity, interpolating as required to relate the replacement cost amounts in the study to the clinker-producing capacity of each of the Company's plants. The study covered cement processing and storage facilities only; for other property assets in the Company's cement plants, current replacement costs were estimated by reference to percentage relationships of certain groups of assets to property assets covered by the study, recent purchase quotes from equipment manufacturers, engineering estimates, and indexing. The engineering estimates were developed primarily by aggregating the costs of installation of machinery and equipment and related electrical equipment, construction of supporting structures and storage facilities, and engineering design with recent purchase quotes for items of machinery and equipment, electrical equipment, and structural materials.

The current replacement cost of the Company's property assets other than cement productive capacity was estimated primarily by reference to recent purchase quotes from equipment manufacturers and engineering estimates (developed as described in the preceding paragraph).

Depreciation expense, based on an average of the estimated current replacement cost of productive capacity as of April 30, 1979 and as of April 30, 1978, has been calculated on a straight-line basis utilizing the same estimates of useful life and salvage value used to calculate depreciation on a historical cost basis. No increases in estimated useful lives as a result of using the most current technology were assumed. Estimated replacement cost depreciation expense for additions during the year ended April 30, 1979 is stated at historical cost. Accumulated depreciation related to the estimated current replacement cost of productive capacity was estimated by applying to such cost the relationship of expired useful lives to total useful lives of existing facilities assumed to be replaced.

The Company used the actual costs per unit of production during the last three months of the years ended April 30, 1979 and 1978, adjusted to reflect depreciation expense calculated using the estimated current replacement cost of productive capacity, to determine estimated current replacement cost of a substantial portion of finished products and products in process inventories. Such costs of production as adjusted generally reflect current material, labor, and depreciation charges. A three-month period was used to substantially eliminate the possible effects that fluctuations in volumes of production could have on production costs per unit. Current replacement cost of approximately half of the materials and supplies inventories was determined by reference to percentage relationships, based on cement industry averages, applied to the estimated aggregate cost of machinery and equipment items included in the estimated current replacement cost of productive capacity of the Company's three cement plants. The estimated current replacement cost of the remainder of the materials and supplies inventories was determined primarily by reference to purchase cost during the last few months of the fiscal year.

Replacement cost of products sold was estimated using costs per unit of production during the years ended April 30, 1979 and 1978. Inventories are carried at the lower of average historical cost or market on the consolidated balance sheet, and this method of estimating replacement cost has the effect of eliminating beginning and ending inventories in calculating cost of products sold and generally reflects only material and labor charges incurred throughout the year plus depreciation expense based on average replacement cost of productive capacity.

The estimated replacement cost of products sold presented below does not reflect any operating cost savings which may result from the replacement of existing assets with assets of improved technology. If the Company's productive capacity were to be replaced in the manner assumed in the calculation of replacement cost of existing productive capacity, many costs other than depreciation (for example, direct labor costs, repairs and maintenance, utility and other indirect costs) would be altered. Although these expected cost changes cannot be quantified with any precision, the current level of production costs other than depreciation would be reduced as a result of the technological improvements assumed in the hypothetical replacement. In the opinion of the Company, such production cost efficiencies could be significant; however, these benefits would be more than offset by substantially increased interest charges on obligations which would be required to finance capital expenditures using estimated current replacement cost.

Current replacement cost information required by Rule 3-17 of Regulation S-X as of April 30, 1979 and 1978 and for the years then ended is as follows (in thousands):

	1979		1978	
As of April 30	Current Replacement Cost (Unaudited)	Historical Cost	Current Replacement Cost (Unaudited)	Historical Cost
Property (excluding land and deposits):				
Buildings, machinery, and equipment	$373,000	$140,700	$348,000	$137,544
Less accumulated depreciation	197,000	67,288	173,000	61,716
Net	$176,000	$ 73,412	$175,000	$ 75,828
Inventories:				
Finished products	$ 3,800	$ 3,743	$ 4,500	$ 4,073
Products in process	8,700	8,110	5,000	4,585
Materials and supplies	16,800	16,506	13,900	13,583
Total	$ 29,300	$ 28,359	$ 23,400	$ 22,241
For the Year Ended April 30				
Cost of products sold (including freight on shipments)	$135,000	$125,328	$104,000	$ 95,209
Depreciation expense:				
Included in cost of product sold above	$ 18,000	$ 7,388	$ 16,000	$ 7,156
Other	400	283	400	372
Total	$ 18,400	$ 7,671	$ 16,400	$ 7,528

Historical cost amounts for which current replacement cost information is provided reconcile to amounts shown in the consolidated financial statements as of April 30, 1979 and 1978 and for the years then ended as follows (in thousands):

	1979			1978		
	Property			Property		
As of April 30	Cost	Accumulated Depreciation	Inventories	Cost	Accumulated Depreciation	Inventories
Amounts for which replacement cost information is provided	$140,700	$ 67,288	$ 28,359	$137,544	$ 61,716	$ 22,241
Add:						
Land	3,654	---	---	3,746	---	---
Deposits (mineral resources)	6,520	1,385	---	6,875	1,369	---
Construction in progress	10,526	---	---	3,189	---	---
Other (including assets not to be replaced)	7,192	4,075	---	5,211	2,223	---
Amounts shown on consolidated balance sheet	$168,592	$ 72,748	$ 28,359	$156,565	$ 65,308	$ 22,241

For the Year Ended April 30	1979 Cost of Products Sold	1979 Depreciation Expense	1978 Cost of Products Sold	1978 Depreciation Expense
Amounts for which current replacement cost information is provided	$125,328	$ 7,671	$ 95,209	$ 7,528
Amounts related to assets not to be replaced and other	---	975	---	746
Amounts included in statement of consolidated ncome	$125,328	$ 8,646	$ 95,209	$ 8,274

The estimated current replacement cost information presented above does not reflect all of the effects of inflation and other economic factors on the Company's current costs of operating the business. Rule 3-17 does not require consideration of these effects on assets and liabilities other than inventories and productive capacity. The Company has not attempted to quantify the total impact of inflation and changes in other economic factors on its business because of the many unresolved conceptual problems involved in doing so. Further, the above replacement cost information standing alone does not recognize the customary relationships between cost changes and changes in selling prices. Although the Company will attempt to modify its selling prices to recognize future cost changes, competitive and regulatory conditions may preclude its ability to do so.

CALIFORNIA PORTLAND CEMENT COMPANY
AND CONSOLIDATED SUBSIDIARIES

PROPERTY
FOR THE YEARS ENDED APRIL 30, 1979 AND 1978

	LAND	DEPOSITS	BUILDINGS, MACHINERY, AND EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
Balance, May 1, 1977	$3,949,000	$6,932,000	$136,437,000	$ 1,862,000	$149,180,000
Additions at Cost	173,000	12,000	8,551,000	1,327,000	10,063,000
Retirements or Sales	(376,000)	(69,000)	(2,233,000)		(2,678,000)
Balance, April 30, 1978	3,746,000	6,875,000	142,755,000	3,189,000	156,565,000
Additions at Cost	6,000	392,000	10,069,000	7,337,000	17,804,000
Retirements or Sales	(98,000)	(747,000)	(4,932,000)*		(5,777,000)
Balance, April 30, 1979	$3,654,000	$6,520,000	$147,892,000	$10,526,000	$168,592,000

*Includes provisions for writedown of certain assets amounting to $3,224,000.

NOTES:

1. It is not practicable to state separately the amount representing buildings and the amount representing machinery and equipment.

2. The cost of properties sold or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts at the time of disposal, and any resulting gains or losses are included in income.

CALIFORNIA PORTLAND CEMENT COMPANY
AND CONSOLIDATED SUBSIDIARIES

ACCUMULATED DEPRECIATION AND DEPLETION OF PROPERTY
FOR THE YEARS ENDED APRIL 30, 1979 AND 1978

	DEPOSITS	BUILDINGS, MACHINERY, AND EQUIPMENT	TOTAL
Balance, May 1, 1977..........	$1,203,000	$57,411,000	$58,614,000
Provision charged to income*..	166,000	8,108,000	8,274,000
Retirements or sales..........		(1,580,000)	(1,580,000)
Balance, April 30, 1978.......	1,369,000	63,939,000	65,308,000
Provision charged to income *.	174,000	8,472,000	8,646,000
Retirements or sales..........	(158,000)	(1,048,000)	(1,206,000)
Balance, April 30, 1979.......	$1,385,000	$71,363,000	$72,748,000

*Computed using the following estimated useful lives:

	Years
Buildings....................	5-50
Machinery and equipment......	2-25

NOTE - The cost of properties sold or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts at the time of disposal, and any resulting gains or losses are included in income.

CALIFORNIA PORTLAND CEMENT COMPANY
AND CONSOLIDATED SUBSIDIARIES

PROVISIONS FOR PLANT SHUTDOWN COSTS
FOR THE YEAR ENDED APRIL 30, 1979

DESCRIPTION	BALANCE AT MAY 1, 1978	ADDITIONS (CHARGED TO OTHER EXPENSES)	DEDUCTIONS	BALANCE AT APRIL 30, 1979
Provision for anticipated cost to be incurred during the shutdown period of California Cement Shake Co., Inc.		$ 728,000		$ 728,000
Provision for anticipated cost to be incurred during the shutdown of the Fremont Plant of Pacific Prestressed Products, Inc.		1,574,000		1,574,000
		$2,302,000		$2,302,000

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 11-K

ANNUAL REPORT

Pursuant to Section 15(d) of the
Securities Act of 1934

For the Fiscal Year Ended April 30, 1979

A. Full title of the Plan:

SALARIED EMPLOYEES SAVINGS PLAN OF
CALIFORNIA PORTLAND CEMENT COMPANY

B. Name of issuer of the equity securities held pursuant to the plan and the address of its principal executive office:

California Portland Cement Company
800 Wilshire Boulevard
Los Angeles, California 90017

SALARIED EMPLOYEES SAVINGS PLAN OF CALIFORNIA PORTLAND CEMENT COMPANY

ITEM 1. CHANGES IN THE PLAN

The only changes in the provisions of the Plan during the fiscal year ended April 30, 1979 were to conform it to recent changes in requirements of ERISA and the Internal Revenue Service.

ITEM 2. CHANGES IN INVESTMENT POLICY

There were no changes during the fiscal year ended April 30, 1979, with respect to the kind of securities or other investments in which funds held under the Plan may be invested.

ITEM 3. PARTICIPATING EMPLOYEES

At April 30, 1979, 301 employees were participants in the Plan.

ITEM 4. ADMINISTRATION OF THE PLAN

(a) The following shows the name and address of each member of the Administrative Committee which administers the Plan and all offices held by each such person in the issuer, California Portland Cement Company:

Name	Address	Offices with Issuer
J. Randolph Elliott	800 Wilshire Blvd. Los Angeles, California 90017	Vice President and General Counsel
Albert B. Culver	800 Wilshire Blvd. Los Angeles, California 90017	Secretary
R. E. Davis, Jr.	800 Wilshire Blvd. Los Angeles, California 90017	Technical Director

(b) No administrator of the Plan received any compensation from the Plan for his services in such capacity during the fiscal year ended April 30, 1979.

ITEM 5. CUSTODIAN OF INVESTMENTS

(a) Security Pacific National Bank, 333 S. Hope Street, Los Angeles, California, acts as custodian of the securities and other investments of the Plan.

(b) Security Pacific National Bank received no compensation from the Plan for its services as custodian for the fiscal year ended April 30, 1979. Such compensation is paid by the issuer, California Portland Cement Company.

(c) No special bond has been furnished by the custodian.

ITEM 6. REPORTS TO PARTICIPATING EMPLOYEES

Each new participant of the Plan during the fiscal year was furnished a copy of the most recent Prospectus dated December 1, 1978 which contains information as to the Plan.

On or about May 10, 1979, each participant was furnished with a Statement as to his or her individual account under the Plan as at April 30, 1979. No other general report respecting the Plan was furnished to participants.

Each participant also receives the Annual Report and other reports furnished to shareholders of California Portland Cement Company.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of the Plan:

Statement of Financial Position, April 30, 1979 and 1978.

Statement of Income and Changes in Plan Equity for the years ended April 30, 1979 and 1978.

Notes to Financial Statements.

Opinion of Independent Certified Public Accountants.

(b) Exhibits - None.

SALARIED EMPLOYEES SAVINGS PLAN OF
CALIFORNIA PORTLAND CEMENT COMPANY

STATEMENT OF FINANCIAL POSITION
APRIL 30, 1979 AND 1978

	1979	1978
PLAN ASSETS		
Investment in 135,330 and 133,240 shares of California Portland Cement Company common stock at quoted market value ($46.50 and $28.25 per share) at April 30, 1979 and 1978; cost, $2,671,970 and $2,300,665 at April 30, 1979 and 1978 (Note 1)	$6,292,845	$3,764,030
Cash and other assets	20,910	20,315
Total Plan Assets	$6,313,755	$3,784,345
LIABILITIES AND PLAN EQUITY		
Liability for employee withdrawals	$ 611,396	$ 156,478
Plan equity (including unrealized appreciation of $3,620,875 and $1,463,365 as of April 30, 1979 and 1978 on investment in California Portland Cement Company common stock)	5,702,359	3,627,867
Total Liabilities and Plan Equity	$6,313,755	$3,784,345

See accompanying notes to financial statements.

SALARIED EMPLOYEES SAVINGS PLAN OF CALIFORNIA PORTLAND CEMENT COMPANY

STATEMENT OF INCOME AND CHANGES IN PLAN EQUITY FOR THE YEARS ENDED APRIL 30, 1979 AND 1978

	1979	1978
INVESTMENT INCOME:		
Interest on U. S. Government bonds.........		$ 28
Cash dividends from California Portland Cement Company common stock..............	$ 238,911	191,228
Unrealized appreciation of investment in California Portland Cement Company common stock............................	2,157,510	1,368,122
Realized appreciation on withdrawals of California Portland Cement Company common stock determined on an average cost basis............................	255,590	105,644
Total investment income............	2,652,011	1,665,022
CONTRIBUTIONS:		
Participating employees..................	375,586	313,661
Participating employers (net of forfeitures of $6,073 and $6,709 in 1979 and 1978)...	181,720	150,122
Total contributions...............	557,306	463,783
WITHDRAWALS - Based on quoted market value:		
In cash..................................	(65,735)	(74,529)
In California Portland Cement Company common stock.........................	(457,694)	(246,759)
Unpaid...................................	(611,396)	(156,478)
Total withdrawals.................	(1,134,825)	(477,766)
INCREASE IN PLAN EQUITY.....................	2,074,492	1,651,039
PLAN EQUITY - BEGINNING OF YEAR (including unrealized appreciation of $1,463,365 and $95,243 as of May 1, 1978 and 1977)........	3,627,867	1,976,828
PLAN EQUITY - END OF YEAR (including unrealized appreciation of $3,620,875 and $1,463,365 as of April 30, 1979 and 1978)..	$5,702,359	$3,627,867

See accompanying notes to financial statements.

SALARIED EMPLOYEES SAVINGS PLAN OF CALIFORNIA PORTLAND CEMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

1. INVESTMENT PROGRAMS

Under provisions of the Salaried Employees Savings Plan of California Portland Cement Company ("the Plan"), participating employees prior to July 18, 1979, could elect to have their contributions invested by the Trustees of the Plan in one of the following ways:

a. 100% in debt obligations issued and fully guaranteed by the government of the United States;

b. 100% in the common stock of California Portland Cement Company (the "Company").

Effective July 18, 1979 employee contributions to the Plan will be invested entirely in the Company's common stock.

There were 301 and 285 employees participating in the Plan as of April 30, 1979 and 1978, respectively.

Company contributions are invested in common stock of the Company. Contributions by source for the years ended April 30, 1979 and 1978 are as follows:

	1979		1978	
Company	Employee	Employer	Employee	Employer
California Portland Cement Company	$311,830	$152,557	$249,348	$119,596
Pacific Prestressed Products, Inc.	31,868	15,224	34,018	15,919
Arizona Sand and Rock Company	25,845	12,897	24,295	12,075
California Cement Shake Co., Inc.	6,043	1,042	6,000	2,532
Total	$375,586	$181,720	$313,661	$150,122

2. FEDERAL INCOME TAXES

The trust created pursuant to the Plan is not subject to Federal income taxes since it is a qualified trust which is exempt from such taxes under certain provisions of the Internal Revenue Code of 1954 as amended. Participating employees are not subject to Federal income taxes on the Company's contributions, or on income accruing to their accounts, until they withdraw from the Plan.

3. EXPENSES

Expenses relating to the purchase or sale of investments are added to the cost thereof or deducted from the proceeds thereof, respectively. All other costs and expenses incurred in connection with the administration of the Plan are borne by the Company.

Deloitte Haskins+Sells

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Los Angeles, California 90017
(213) 628-8282
Telex 674922

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Administrative Committee of the Salaried Employees
Savings Plan of California Portland Cement Company:

We have examined the statements of financial position of the Salaried Employees Savings Plan of California Portland Cement Company as of April 30, 1979 and 1978 and the related statements of income and changes in plan equity for the years then ended. Our examinations were 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, including confirmation of securities held in trust at April 30, 1979 and 1978 by correspondence with the trustee.

In our opinion, the above-mentioned financial statements present fairly the financial position of the Salaried Employees Savings Plan of California Portland Cement Company at April 30, 1979 and 1978 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

July 18, 1979

§317. INDEMNIFICATION OF AGENT OF CORPORATION IN PROCEEDINGS OR ACTIONS

(a) For the purposes of this section, "agent" means any person who is or was a director, officer, employee or other agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, or was a director, officer, employee or agent of a foreign or domestic corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation; "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and "expenses" includes without limitation attorneys' fees and any expenses of establishing a right to indemnification under subdivision (d) or paragraph (3) of subsidivision (e).

(b) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the corporation) by reason of the fact that such person is or was an agent of the corporation, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the corporation or that the person had reasonable cause to believe that the person's conduct was unlawful.

(c) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was an agent of the corporation, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith, in a manner such person believed to be in the best interests of the corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. No indemnification shall be made under this subdivision (c):

(1) In respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation in the performance of such person's duty to the corporation, unless and only to the extent that the court in which such action was brought shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses which such court shall determine;

(2) Of amounts paid in settling or otherwise disposing of a threatened or pending action, with or without court approval; or

(3) Of expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval.

(d) To the extent that an agent of a corporation has been successful on the merits in defense of any proceeding referred to in subdivision (b) or (c) or in defense of any claim, issue or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

(e) Except as provided in subdivision (d), any indemnification under this section shall be made by the corporation only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in subdivision (b) or (c), by:

(1) A majority vote of a quorum consisting of directors who are not parties to such proceeding;

(2) Approval of the shareholders (Section 153), with the shares owned by the person to be indemnified not being entitled to vote thereon; or

(3) The court in which such proceeding is or was pending upon application made by the corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney or other person is opposed by the corporation.

(f) Expenses incurred in defending any proceeding may be advanced by the corporation prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this section.

(g) No provision made by a corporation to indemnify its or its subsidiary's directors or officers for the defense of any proceeding, whether contained in the articles, bylaws, a resolution of shareholders or directors, an agreement or otherwise, shall be valid unless consistent with this section. Nothing contained in this section shall affect any right to indemnification to which persons other than such directors and officers may be entitled by contract or otherwise.

(h) No indemnification or advance shall be made under this section, except as provided in subdivision (d) or paragraph (3) of subdivision (e), in any circumstance where it appears:

(1) That it would be inconsistent with a provision of the articles, by laws, a resolution of the shareholders or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(2) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

(i) A corporation shall have power to purchase and maintain insurance on behalf of any agent of the corporation against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such whether or not the corporation would have the power to indemnify the agent against such liability under the provisions of this section.

(j) This section does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent as defined in subdivision (a) of the employer corporation. Nothing contained in this section shall limit any right to indemnification to which such a trustee, investment manager or other fiduciary may be entitled by contract or otherwise, which shall be enforceable to the extent permitted by applicable law other than this section.