


Harris
Steel
Group
Inc.



ANNUAL REPORT

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DESCRIPTION OF THE BUSINESS

The Harris Steel Group fabricates and distributes steel to the heavy construction industry and manufactures wire products and cold finished bars for general industrial use. Harris also performs as a contractor and supplier for major steel construction projects providing a full range of materials, equipment and services through its various subsidiaries.

The company serves all of Canada, the north eastern and central United States and participates in international projects.

Since becoming a public company in 1967, Harris sales and earnings have grown at a compound rate of 24%. Harris has paid dividends since 1973.

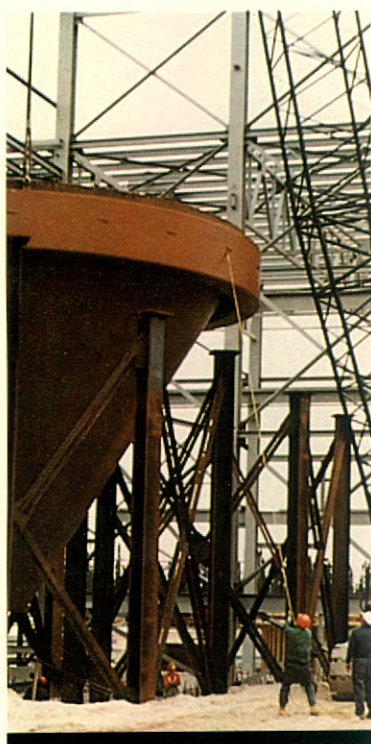
Annual meeting

All shareholders are cordially invited to attend the annual meeting on June 14, 1983, 3:00 p.m. in the Gold Room of the Park Plaza Hotel, 4 Avenue Road, Toronto.

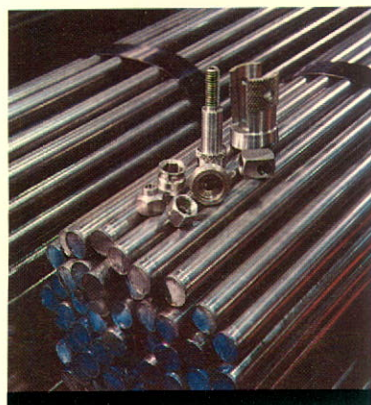


33-storey Medical Mutual of Cleveland Building. Frankel Steel completed fabrication and erection of 5,500 tons of structural steel for this building in 1982.

FINANCIAL HIGHLIGHTS



Frankel Steel supplied and erected 3,000 tons of structural steel and steel plate work for the Campbell Redlake gold mine at Detour Lake, Ontario. Adam Clark supplied and installed the sprinkler system and Secord Manufacturing supplied vertical lift and rolling steel industrial doors to this project.



Precision fasteners and automotive and agricultural components manufactured from cold finished free machining bars produced by Laurel Steel Products.

Years ending December 31

(Dollars in thousands except per share amounts)

	1982	1981
Operating results		
Sales	\$ 188,362	\$ 176,373
Earnings before taxes and extraordinary items	7,303	8,686
Earnings before extraordinary items	4,212	4,938
Return on sales	2.2%	2.8%
Return on average equity	14.8%	19.7%
Per share		
Earnings before extraordinary items	\$.87	\$ 1.05
Dividends	.28	.27
Shareholders' equity	6.15	5.74
Average shares outstanding	4,846,440	4,714,163
At year end		
Total assets	\$ 97,768	\$ 103,121
Long-term debt	8,851	9,745
Shareholders' equity	29,785	27,064
Long-term debt/Total capital	22.9%	26.5%
Current ratio	1.3:1	1.2:1
Number of employees	1,445	1,530
Number of shareholders – Class A	532	528
– Class B	348	357

REPORT TO SHAREHOLDERS



1982 has been a year of business contraction not seen since the 1930's.

The experience of business leaders in the Western World since World War II has been with a growing economy, or the expectation of growth in the future. The depth of the present recession has caused us to question all of these growth assumptions. The precipitous reduction in demand has been an exacting test of the corporate strategies of all of the companies in the steel and construction industries.

The reduction in demand brought in its wake all of the usual market consequences: idle production capacity in our industry, destructive pricing of products below cost to keep people and facilities working, a continuous scramble to reduce inventories to match steadily-reducing markets, reluctance to finance capital expansion because of reduced cash flows and low plant utilization, and imports at prices far below cost from countries desperately attempting to export their own unemployment.

These factors created a general market environment that caused large losses to be sustained by most of the companies – both large and small – in our industry. The U.S. steel

industry lost almost Three Billion Dollars last year. Canadian steel producers along with the secondary steel industry suffered aggregate losses for the first time since the Great Depression of the Thirties.

We are immensely proud that we were able to earn reasonable profits in this adverse environment. We now believe that we have positioned our Group of Companies to earn three to four times our 1982 profit in a normal economy. Our on-going strategic objective to diversify and expand our earnings base allowed us to withstand these highly negative forces in 1982 and show an operating profit only 15% below 1981.

Part of our success has been due to our organizational style. Each of our six Company Groups is responsible for its own operations, and market decisions are made as close to the marketplace as possible. This decentralized structure makes all of our operations very market-sensitive. Profit planning and profit sharing are at the individual company level and make for intensely motivated and aggressive management teams. Our small central corporate organization acts as a management resource for all of our companies, manages cash flows and financial reporting and controls, and co-ordinates supplier relations. This style of management organization has allowed us to outperform our industry competition for every one of the past several years.

1982's outstanding achievement has been a result of our dedicated and highly-skilled management and staff and on behalf of our Shareholders and Board of Directors, I want to thank them all.

In 1982 Quecor, our steel warehouse operation in Quebec, was sold. We reached the conclusion that a projected further two years of losses could not be justified, taking into account the resources which would have to be applied to bring Quecor to a reasonable return on investment. We believe that our most valuable resource, management energy, must be carefully budgeted like any other resource. Our philosophy of resource allocation is to reinforce strength, not weakness and to use our management and financial strength to exploit opportunities in markets with a potential for outstanding returns.

1983 Outlook

It is our expectation that the first half of 1983 will be an even more difficult environment than

1982. There will be a much smaller carry-over of construction projects and we do not see a turnaround before the end of the year.

The problem of underutilization of production capacity has been especially evident in the manufacturing sector which is employment intensive. It follows that the worst-hit construction markets are in Ontario. Our wide geographic market coverage has enabled us to partially overcome this weakness in the centre of our market.

Some improvement in steel demand began in the middle of the first quarter, but this has centred on a restricted product range, primarily flat rolled sheet and bar related to the automotive industry. However, this increase in demand has not resulted in any significant stiffening of prices in the marketplace. One of the main factors dampening down a firming of price was the highly unfavourable agreement negotiated by the U.S. Administration with the European Economic Community in the fall of 1982. This imposed quotas related to market percentage on a wide range of steel products but removed the floor on prices, causing prices to further spiral downwards.

Some products with \$550 per ton list prices were discounted up to \$200 to \$250 per ton. At these price levels it was highly unlikely that U.S. mills could recover their direct variable costs.

We believe that there will be a substantial recovery in steel prices late in the third quarter. This will be caused by increased demand which will lengthen suppliers' delivery periods and trigger the long-awaited replenishment of inventories. The impact of import quota ceilings will enable U.S. producers to raise prices to the levels needed to recover their costs.

We expect a stronger year for our steel-based operations and, in particular, Laurel Steel.

Strategy

The recession has spread weakness far and wide in the steel industry. It is our belief that the critical stage in the struggle for survival of many companies will come after the recovery begins, when an upsurge in demand will cause an increased requirement for financing of rising receivables and inventory. Our company will be one of the few in our industry to emerge from the recession with a strengthened balance sheet and we anticipate many excellent opportunities to continue to build our earnings base at favourable prices.

Our objective is to widen and deepen our market coverage for existing entities in the Group.

Examples of our strategy are the two acquisitions we have made so far this year.

Nedsco Inc. was a Cold Finished Bar Manufacturer in South-East Massachusetts, right in the heart of the largest cold-finished bar market in the world. Laurel was already very active in that market. We needed an American manufacturer and distributor to give us a base to accommodate the rising "Buy American" sentiment in the giant U.S. market. Because of the depressed state of the bar market we were able to purchase the plant and equipment at bargain basement prices. This acquisition has allowed us to rapidly penetrate new markets at a substantial cost saving. We have changed the name of Nedsco Inc. to Laurel Steel of New England, Inc. and the total operation has been integrated with Laurel. The result has been a considerable increase in volume of bar sales in that crucial market.

The purchase by circular offer of G&H Steel Industries has brought in 97.6% of the total shares outstanding. We have begun proceedings to acquire the balance of the shares in accordance with the provisions of the Canada Business Corporations Act. Through the G&H purchase we have acquired an excellent backlog, a very good market position in Western Canada and a highly competent management and field staff. We are proceeding to integrate their three locations in Vancouver, Calgary and Edmonton with our Western operations.

Conclusion

We are confident that our organizational style, the calibre of our management, our financial strength, and our market position will ensure that the Harris Steel Group will continue to overcome the negative economic forces and outperform the rest of our industry, as we have for many years. When the economic recovery does take place we are positioned to be first in the leap to a new level of earnings.

A handwritten signature in black ink, reading 'M. Harris'.

Milton E. Harris
Chairman of the Board and President

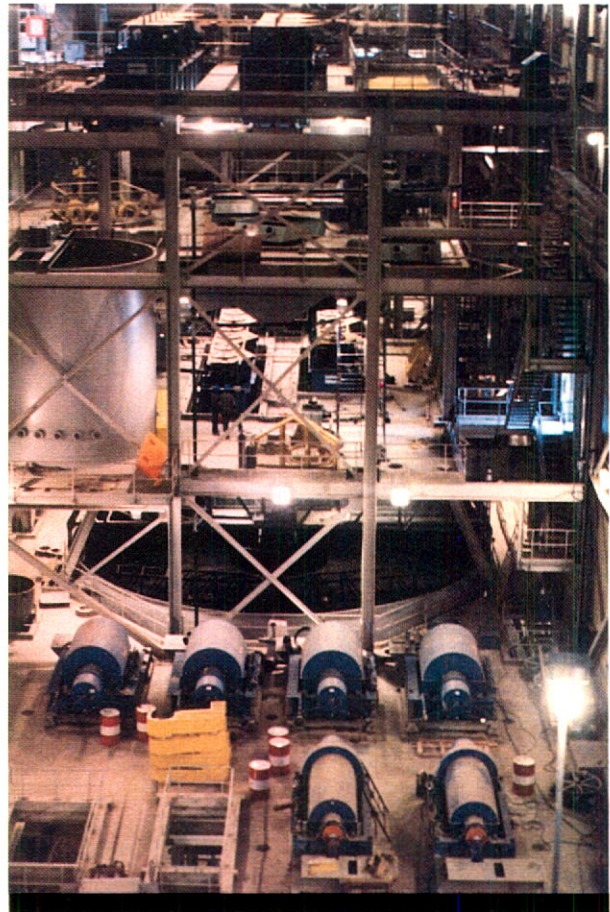
Toronto, Ontario, April 21, 1983.

CORPORATE OVERVIEW

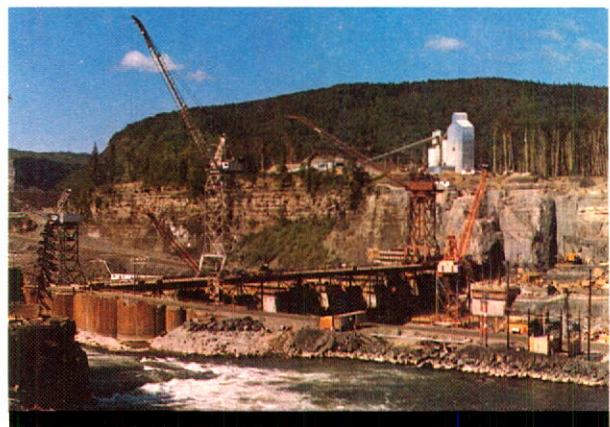
Harris Steel Group consists of six independent operating groups which collectively manufacture, fabricate, warehouse and distribute reinforcing and structural steel, low carbon wire, cold finished bars and related steel products, as well as heavy overhead cranes, industrial doors, sprinkler systems, mechanical, electrical and piping installations to a wide variety of markets. While day-to-day operations are highly decentralized, each subsidiary complements the Group's total activities through the following:

1. Improves the company's buying position with major steel suppliers. The company is a large, important steel buyer assured of access in periods of tight supply. To this end steel purchases are made on a Group basis.
2. Sells into a common market. The wider variety of products and services offered on both a horizontal and vertical basis, the better Harris can serve its markets.
3. Enhances the Group's ability to provide a total service package for large scale steel construction projects where Harris provides the materials, equipment and the application know-how. This has moved Harris toward high technology fabrication and installation and has added stability to the company's earnings base.

The Group's principal objectives are to expand the business, both internally and through acquisitions and gradually diversify and expand the earnings base. The criteria outlined above apply to all future expansionary moves.



Heavy industrial installation for a potash processing facility in New Brunswick completed by Adam Clark.



G&H Steel, Harris' most recent acquisition, supplied and placed 7,000 tons of reinforcing steel to this B.C. Hydro Dam in northern British Columbia.

BUSINESS OPERATIONS REVIEW



Frankel Steel/Central Fabricators

Frankel Steel Limited and its subsidiary Central Fabricators Ltd. of Edmonton supply, fabricate and erect structural steel.

Frankel's main fabrication facility is in Milton, Ontario. The company leads the structural steel industry in quality, productivity and technology. Its specialized engineering skills and experience in managing large scale structural steel construction projects have resulted in many successful contracts in Canada, the United States and in the Caribbean islands. A major part of Frankel's 1983 order backlog comprises high-rise development projects in New York and Boston.

Although margins came under considerable pressure during the year and utilization was below capacity, Frankel's 1982 performance met their Profit Plan forecasts. The contribution of Central Fabricators, acquired by Frankel in October of 1981, made a significant contribution to these results.

Harris/VSL

Harris/VSL supplies, fabricates and erects reinforcing steel bars, post tensioning systems and epoxy coated reinforcing steel bars under the trade name "Epoxicote". Harris' epoxy coating process, which has gained wide acceptance, prevents deterioration caused by salt and extends the life of concrete bridge decks and parking slabs from an average of 3-18 years to 50 years or more.

Through its main plant in Stoney Creek, Ontario and its eight branches in London, Windsor, Thunder Bay, Halifax, St. John's, Calgary, Edmonton and Vancouver, Harris/VSL serves the construction market across Canada.

Harris/VSL reinforcing steel operations were very successful in 1982.

By taking large jobs outside the major market areas and expanding operations in Alberta and British Columbia, the company was able to maintain overall sales volume at the same level as the previous year.

Profitability improved in 1982 as a result of an assiduous effort to reduce costs.

Demand for "Epoxicote" continues strong with further growth expected. The company installed epoxy coating equipment in Montreal in March 1983 which is now in full production.



Rodmen install green coloured epoxy-coated reinforcing bars above regular black bars on the Burlington Street extension in Hamilton. Harris/VSL was also responsible for all post tensioning required in this elevated roadway.

Harris/VSL entered into an agreement to purchase a controlling interest in G&H Steel Industries of Delta, British Columbia on February 24, 1983. The company will benefit from G&H's market position in British Columbia and its expertise in fabrication and field performance. The acquisition of G&H's organization and its backlog of well-priced work ensures profitable Western operations in 1983 and provides an excellent market position for the future, particularly through the merging of the highly capable field crews of Harris and G&H.

Laurel Steel Products Limited

Laurel Steel manufactures low carbon wire, shaped wire, welded wire mesh, reinforcing steel bar supports and cold finished bars for general industrial use.

Despite the fall off in selling prices of steel products in the last half of the year, Laurel's sales and operating earnings did not decrease in 1982.

Laurel maintained sales levels by enlarging further its network of U.S. distributors. Laurel's market share has grown because it has consistently demonstrated the ability to shorten delivery times – and thereby allow its customers to reduce their inventory investment.

In January 1983 we acquired NedSCO Inc. located in Mansfield, Massachusetts, (subsequently named Laurel Steel of New England, Inc.). This has been a most significant development. Laurel now has an important presence in the heart of the American wire and bar market.

Any upturn in business demand will have an immediate positive impact on Laurel's 1983 sales volume. Signs of improvement have begun to appear. Record tonnages of wire and cold finished bar were shipped in the months of February and March.

1983 should be the most successful year in Laurel's history.

Fisher & Ludlow

Fisher & Ludlow manufactures and fabricates heavy steel grating for non-residential construction.

1982 sales volumes were unchanged from 1981. Earnings fell 33% as a result of stiff price competition in all market areas.

In 1982 Fisher & Ludlow broadened its market coverage by maintaining inventories at Harris and Frankel branch locations in Canada and by increasing its sales efforts in the United States.

A third steel grating machine was added in 1982. The company is now the only grating manufacturer with the capability to respond immediately to customer requirements for special sizes.

The company's stringent cost-reduction program, expanded production capability and aggressive marketing will ensure its continued profitability in 1983.

Quecor Steel

Quecor discontinued its steel warehousing operations in the second quarter of 1982. The division's inventory and business were subsequently sold. Losses on discontinuance amounted to \$1,000,370 (net of income tax recovery of \$565,024) including the write-off of \$255,100 of goodwill.

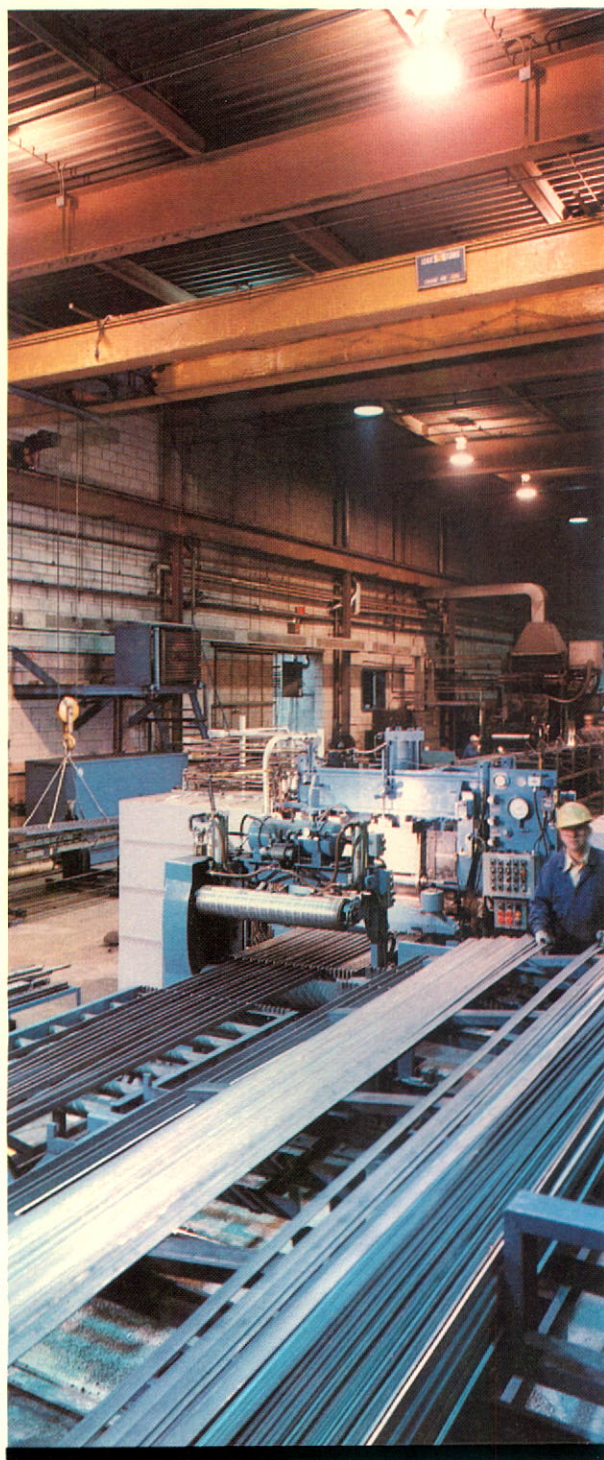
Thomsson Steel Company, Incorporated

Thomsson primarily markets Frankel Steel's structural steel fabrication expertise in the United States. Current projects include high-rise developments in New York and Boston.

On January 19, 1983 Thomsson acquired NedSCO Inc. a cold finish bar manufacturer located in Mansfield, Massachusetts. NedSCO's name was subsequently changed to Laurel Steel of New England, Inc. Its operations are being co-ordinated with those of Laurel Steel Products Limited.



Welded wire fabric sheets manufactured by Laurel Steel Products for applications such as mine screening, concrete reinforcing and pipe fabric.



In 1982 Fisher & Ludlow installed a third machine to produce resistance welded grating. The new machine gives F & L greater production flexibility and enables it to be more responsive to customer needs.

Secord Manufacturing

Secord custom designs, manufactures and installs overhead cranes and industrial doors for Canada's major heavy industries and utilities.

In 1982 Secord completed major contracts for steel mill and other heavy industrial cranes. The company also supplied doors to Ontario Hydro and to coal development projects in British Columbia.

1982 operations were profitable. Although the company is examining new products and has increased marketing efforts in the United States, satisfactory 1983 results will depend upon a rapid strengthening of capital construction markets. We are currently forecasting a difficult year for Secord in 1983.

Adam Clark Company (1982) Inc.

Adam Clark, founded in 1877, is a Hamilton based industrial process contractor to major industries securing multi-trade work consisting of millwrighting, ironwork and rigging, process piping and industrial electrical installations. Its fire protection division designs, fabricates and installs systems for commercial, industrial and institutional buildings.

Adam Clark met its sales objectives in 1982. Cost overruns on two major contracts, however, caused an overall loss for the year.

Contract cost controls have been tightened and several changes have been made in operations management.

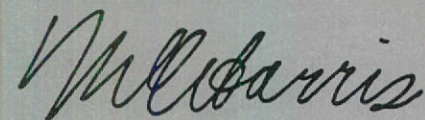
In 1983 market activity in Central and Eastern Canada is expected to be below 1982's level. The Western market which Adam Clark first entered last year, shows favourable signs. The company is encouraged by Western bidding activity and the contract awards generated by its new Edmonton office.

CONSOLIDATED BALANCE SHEET

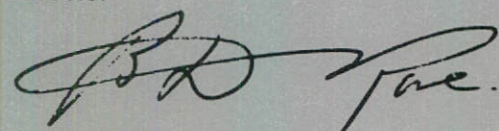
As at December 31, 1982

Assets	1982	1981
Current Assets		
Accounts receivable	\$ 39,476,647	\$ 41,097,316
Inventories (note 4)	20,761,587	29,053,962
Unbilled contract costs	9,839,073	7,836,250
Prepaid expenses and deposits	278,744	505,229
	70,356,051	78,492,757
Fixed Assets (note 5)	25,840,226	23,360,510
Goodwill - at amortized cost	1,571,609	1,267,266
	\$ 97,767,886	\$ 103,120,533
Liabilities		
Current Liabilities		
Bank indebtedness (inventories and accounts receivable pledged as security)	\$ 25,376,372	\$ 24,800,304
Accounts payable and accrued liabilities	20,672,048	24,418,933
Income and other taxes payable	1,990,678	2,449,528
Deferred income taxes	6,017,207	5,113,665
Current portion of long-term debt (note 6)	414,506	1,963,767
Unearned revenue and contract advances	1,233,296	5,201,320
	55,704,107	63,947,517
Long-Term Debt - less current portion (note 6)	8,851,227	9,745,072
Deferred Income Taxes	3,428,000	2,364,000
	67,983,334	76,056,589
Shareholders' Equity		
Capital Stock (note 7)	3,520,374	2,605,280
Retained Earnings	26,264,178	24,458,664
	29,784,552	27,063,944
	\$ 97,767,886	\$ 103,120,533

SIGNED ON BEHALF OF THE BOARD



Director



Director

CONSOLIDATED STATEMENT OF EARNINGS

For the Year Ended December 31, 1982



	1982	1981
Sales and Construction Revenue	\$ 188,361,692	\$ 176,372,702
Cost of Sales and Contract Costs	161,044,516	148,898,883
Gross Operating Profit	27,317,176	27,473,819
Expenses		
Selling and administrative (note 1(b))	12,783,670	11,970,808
Interest (note 6)	5,055,858	5,160,686
Depreciation	2,105,794	1,524,381
Amortization of goodwill	69,155	131,350
	20,014,477	18,787,225
Earnings Before Income Taxes and Extraordinary Items	7,302,699	8,686,594
Provision for Income Taxes (note 8)	3,091,049	3,748,142
Earnings Before Extraordinary Items	4,211,650	4,938,452
Extraordinary Items		
Loss on discontinuance of operations of Quecor Steel Division (net of income tax recovery of \$565,024), including the write-off of \$255,100 of goodwill	1,000,370	
Gain on redemption of shares in other companies		221,500
Net Earnings For the Year	\$ 3,211,280	\$ 5,159,952
Earnings Per Share		
Before extraordinary items87	1.05
After extraordinary items66	1.09

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Year Ended December 31, 1982

	1982	1981
Balance – Beginning of Year	\$ 24,458,664	\$ 20,642,610
Excess of the purchase price over the paid-up value of the company's shares purchased (note 7)	41,203	71,481
	24,417,461	20,571,129
Net earnings for the year	3,211,280	5,159,952
	27,628,741	25,731,081
Dividends (note 7)	1,364,563	1,272,417
Balance – End of Year	\$ 26,264,178	\$ 24,458,664

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1982

	1982	1981
Source of Working Capital		
Earnings before extraordinary items	\$ 4,211,650	\$ 4,938,452
Items not affecting working capital –		
Depreciation and amortization	2,174,949	1,655,731
Deferred income taxes	1,629,023	1,073,120
Loss (gain) on disposal of fixed assets	19,315	(7,652)
Provided from operations	8,034,937	7,659,651
Proceeds from long-term debt	1,109,514	4,000,000
Proceeds from sale of fixed assets	295,353	35,452
Proceeds from the issuance of shares		13,000
Proceeds from redemption of shares in other companies		250,000
	9,439,804	11,958,103
Use of Working Capital		
Acquisition of subsidiary companies less working capital of \$855,495 (1981 acquisitions included working capital deficiency of \$791,912) assumed at the date of acquisition	958,349	2,878,116
Less: Value of Class A non-voting shares issued as partial consideration	920,000	127,706
	38,349	2,750,410
Additions to fixed assets	4,837,082	5,965,646
Dividends	1,364,563	1,272,417
Reduction of long-term debt	2,003,359	1,964,802
Purchase of shares of the company	46,109	80,470
Reduction in working capital arising from discontinuance of operations of Quecor Steel Division	1,043,638	
	9,333,100	12,033,745
Increase (Decrease) in Working Capital	106,704	(75,642)
Working Capital – Beginning of Year	14,545,240	14,620,882
Working Capital – End of Year	\$ 14,651,944	\$ 14,545,240

AUDITORS' REPORT

We have examined the consolidated balance sheet of Harris Steel Group Inc. as at December 31, 1982 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The December 31, 1981 consolidated financial statements, which are included for comparative purposes, were reported on by the previous auditors.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 1982



1. Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the company and all its subsidiaries.

Joint ventures, both incorporated and unincorporated, are accounted for under the proportionate consolidation method. This method reflects the company's share of the joint ventures' assets, liabilities, revenues and expenses in the financial statements as indicated in note 2.

(b) Foreign exchange

Assets, liabilities, revenues and expenses stated in other currencies together with the accounts of the company's U.S. subsidiary are translated as follows:

Monetary assets and liabilities – at the year-end rate of \$1 U.S. = \$1.2288 Cdn.;

Non-monetary assets and depreciation expense – at historic rates;

Revenues and expenses, other than depreciation – at average exchange rates for the year.

Foreign exchange gains and losses on transactions during the year and on the year-end translation of the accounts are reflected in income. Included in 1982 "selling and administrative expenses" is a loss on foreign exchange futures contracts of \$717,550.

(c) Inventories

The company values its inventory at the lower of cost and market. Cost is determined on a weighted average basis for structural steel and steel warehouse inventories and on a first-in, first-out basis for all other inventories. Market is defined as replacement cost for new materials and net realizable value for work-in-process and finished goods.

(d) Unbilled contract costs

Unbilled contract costs represent contracts in progress valued on the percentage-of-completion basis. Under the percentage-of-completion method, profit is accrued as the work is performed, and provision is made for anticipated losses to the completion of the contract. Although the company uses its best engineering estimates, the final results of jobs in progress will necessarily be dependent upon future costs and revenues. Claims for additional compensation are included in income only when approved by the owner.

(e) Fixed assets and depreciation

Fixed assets are recorded at historical cost. The company depreciates its buildings, machinery and equipment on a straight-line

basis and its mobile equipment on a declining balance basis at the following rates:

Buildings	–	2-1/2%
Machinery and equipment	–	7-1/2%
Mobile equipment	–	30%

Gain or loss on disposal of individual assets is recognized in income in the year of disposal.

(f) Goodwill

Goodwill represents the excess of the cost of investments in shares of subsidiaries over the fair values of their underlying net assets at the date of acquisition. Goodwill is being amortized on a straight-line basis over periods ranging from five to forty years determined on an acquisition-by-acquisition basis.

(g) Income taxes

The company follows the income tax allocation method of accounting for income taxes. Deferred income taxes included in current liabilities relate to contracts in progress, investment in joint ventures and holdbacks receivable. The non-current portion of deferred income taxes relating to fixed assets has been reduced by future income tax recoveries relating to losses carried forward for tax purposes.

Investment tax credits relating to fixed asset purchases are accounted for as a reduction in the current year's tax provision net of the deferred income taxes. This treatment is commonly referred to as the "flow-through" method.

(h) Earnings per share –

Earnings per share are calculated on the weighted average number of shares outstanding during the year.

2. Accounting For Joint Ventures

A summary of the company's pro rata share of joint venture operations is set out below:

	1982	1981
	\$	\$
Assets	2,928,503	2,913,863
Liabilities	149,106	955,952
Revenues	2,047,928	3,788,570
Expenses	1,926,584	3,171,570

3. Acquisition of Subsidiary

On February 26, 1982, the company acquired for cash of \$893,844 and 160,000 Class A non-voting shares valued at \$5.75 each all of the outstanding shares of Adam Clark Company (1982) Inc., an industrial process contractor. The acquisition was accounted for

as a purchase with the acquired company's operating results being included in the consolidated results of the company from the effective acquisition date.

Net assets were as follows:

	\$
Working capital	855,495
Machinery and equipment	329,751
Goodwill	628,598
Purchase price	<u>1,813,844</u>

4. Inventories

	1982 \$	1981 \$
Raw materials and work-in-process	17,389,773	26,038,990
Finished goods	3,371,814	3,014,972
	<u>20,761,587</u>	<u>29,053,962</u>

5. Fixed Assets - at cost

	1982 \$	1981 \$
Land	1,868,111	1,651,331
Buildings	9,732,933	8,685,387
Machinery and equipment	22,737,343	19,396,880
Mobile equipment	3,906,423	3,412,682
	<u>38,244,810</u>	<u>33,146,280</u>
Less: Accumulated depreciation	12,404,584	9,785,770
	<u>25,840,226</u>	<u>23,360,510</u>

6. Long-Term Debt

	1982 \$	1981 \$
Loan payable to Manufacturers Hanover Leasing Canada Limited at 13.25%, repayable in blended monthly instalments of principal and interest of \$67,112 with the balance due November 1, 1988	3,317,041	3,667,737
Term bank loans due in annual instalments of \$1,600,000	5,800,000	8,000,000
Other	148,692	41,102
	<u>9,265,733</u>	<u>11,708,839</u>
Less: Current portion	414,506	1,963,767
	<u>8,851,227</u>	<u>9,745,072</u>

The term bank loans bear interest at 3/8% above bank prime lending rate. Although they are subject to call on demand, arrangements have been made for their repayment in annual instalments of \$1,600,000. The 1983 instalment was prepaid during the company's 1982 fiscal year.

Specific fixed assets are pledged against each of the above loans.

Interest incurred on long-term debt for the year amounted to \$1,509,146 (1981-\$1,329,525).

Principal repayments during the next five fiscal years are as follows:

1983 - \$415,000; 1984 - \$2,079,000; 1985 - \$2,142,000; 1986 - \$2,245,000; 1987 - \$1,685,000.

7. Capital Stock and Dividends

	1982 \$	1981 \$
Capital stock (without par value) -		
Authorized -		
25,000,000 Class A non-voting shares		
10,000,000 Class B shares		
100 common shares		
Issued and fully paid -		
3,317,499 Class A non-voting shares (1981 - 3,159,699 shares)	2,728,631	1,809,891
1,552,766 Class B shares (1981 - 1,559,916 shares)	791,743	795,389
	<u>3,520,374</u>	<u>2,605,280</u>

Voting rights

Class A non-voting shares are not entitled to vote unless the company has failed to pay dividends totalling 5¢ per Class A non-voting share for eight consecutive fiscal quarters. Thereafter, Class A non-voting shares are entitled to one vote until, in any fiscal quarter, a dividend of 5¢ per Class A non-voting share has been paid or declared and set aside for payment.

Class B shares are entitled to one vote at all meetings of the shareholders.

Dividends

Class A non-voting shares are eligible to receive a preferential, non-cumulative, quarterly dividend of 5¢ per share.

Class B shares are not eligible to receive a dividend in any quarter until a dividend of 5¢ per share has been paid on the Class A non-voting shares. Thereafter, Class B shares are eligible for a dividend of up to 5¢ per share in any quarter.

Dividends in excess of 5¢ per share in any quarter will be paid equally on the Class A non-voting shares and Class B shares.

During 1982, the company paid dividends of 28¢ per issued Class A non-voting and Class B share.

Share capital transactions

During the year the company purchased 2,200 Class A non-voting and 7,150 Class B shares on the open market for a cash consideration of \$46,109. The excess of the purchase price over the paid-up value of the shares purchased, which totalled \$41,203 was charged to retained earnings.

160,000 Class A non-voting shares were issued for \$920,000 as partial consideration for the purchase of Adam Clark Company (1982) Inc.

8. Income Taxes

The provision for income taxes has been reduced by the 3% inventory allowance and the investment tax credits utilized during the year.

9. Lease Commitments

The company is required to make aggregate future minimum lease payments of \$5,181,000 under operating leases that have non-cancellable lease terms in excess of one year at December 31, 1982. Annual lease payments during the next five fiscal years are as follows:

1983 - \$1,195,000; 1984 - \$1,022,000;
1985 - \$860,000; 1986 - \$784,000;
1987 - \$769,000.

10. Contingent Liabilities

- (a) During 1978, a judgment for \$532,000 plus costs was awarded against a subsidiary of the company and another defendant relating to allegedly defective structural work completed in 1967. The judgment, as well as the allocation of the award among the defendants, is under appeal. Any ultimate liability, when settled, will be reflected in the financial statements for that year as a prior period adjustment.
- (b) The company and its subsidiaries have operations throughout the United States and Canada and in the normal course, are named as defendants in various legal actions. Based on the advice of its counsel, the company is of the opinion that the actions outstanding at the year-end, in the aggregate, will not result in material detriment to the company.

11. Segmented Information and Export Sales

The Harris Steel Group Inc. operates predominantly within the steel industry in Canada. In 1982 revenue from customers in foreign countries, primarily the United States, accounted for 15 percent (1981 - 21 percent) of the company's sales and construction revenue.

12. Subsequent Events

- (a) On January 19, 1983 the company acquired all the outstanding shares and notes of Nedsco Inc. for cash of \$919,400.
 - (b) On February 24, 1983 the company entered into an agreement to purchase a controlling interest in G&H Steel Industries Limited and to tender for the remaining shares, all at \$5.75 per share. Such a tender offer was mailed to all shareholders of G&H Steel Industries Limited on March 18, 1983. As of March 30, 1983 the company had taken up and paid for 1,092,060 shares or 80% of the 1,370,000 shares outstanding. The offer is open for acceptance until April 18, 1983 unless extended.
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FINANCIAL SUMMARY

	1982	1981	1980	1979	1978
<i>(Dollars in thousands except per share amounts)</i>					
Operating results					
Sales	\$ 188,362	\$ 176,373	\$ 142,484	\$ 118,668	\$ 64,427
Earnings before taxes and extraordinary items	7,303	8,686	7,892	5,089	121
Income taxes	3,091	3,748	3,345	2,040	(33)
Earnings before extraordinary items	4,212	4,938	4,547	3,049	154
Return on sales	2.2%	2.8%	3.2%	2.6%	0.2%
Return on average equity	14.8%	19.7%	21.3%	16.5%	0.8%
Per Share					
Earnings before extraordinary items	\$.87	\$ 1.05	\$.97	\$.65	\$.03
Dividends	.28	.27	.23	.17	.16
Shareholders' equity	6.15	5.74	4.92	4.18	3.70
Average shares outstanding	4,846,440	4,714,163	4,703,048	4,701,648	4,699,777
At year-end					
Total assets	\$ 97,768	\$ 103,121	\$ 64,555	\$ 75,824	\$ 55,684
Current assets	70,356	78,493	47,178	58,638	42,799
Current liabilities	55,704	63,948	32,557	47,329	36,212
Working capital	14,652	14,545	14,621	11,309	6,587
Current ratio	1.3:1	1.2:1	1.4:1	1.2:1	1.2:1
Fixed assets, less depreciation	\$ 25,840	\$ 23,361	\$ 16,873	\$ 16,621	\$ 11,844
Investments and goodwill	1,572	1,267	505	565	641
Deferred income taxes	3,428	2,364	1,200	270	(400)
Long-term debt	8,851	9,745	7,682	8,573	2,085
Shareholders' equity	29,785	27,064	23,116	19,652	17,387
Long-term debt/Total capital	22.9%	26.5%	24.9%	30.4%	10.7%

QUARTERLY FINANCIAL DATA (unaudited)

	First quarter	Second quarter	Third quarter	Fourth quarter	year
<i>(Dollars in thousands except per share amounts)</i>					
1982					
Sales	\$40,895	\$50,030	\$46,006	\$51,431	\$188,362
Earnings before taxes and extraordinary items	421	1,940	3,133	1,809	7,303
Earnings before extraordinary items	295	1,103	1,607	1,207	4,212
Earnings per share	.06	.22	.34	.25	.87
1981					
Sales	\$28,212	\$43,737	\$51,506	\$52,918	\$176,373
Earnings before taxes and extraordinary items	1,062	2,658	2,197	2,769	8,686
Earnings before extraordinary items	447	1,674	1,232	1,585	4,938
Earnings per share	.13	.32	.26	.34	1.05

Harris Steel Group Inc.**Head Office:**

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Telex: 06-217789

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Ontario L8E 2M2
Telephone: (416) 561-5611

Frankel Steel Limited

220 Attwell Drive, Unit No. 1, Rexdale,
Ontario M9W 5B2
Telephone: (416) 675-1722

Laurel Steel Products Ltd.

5400 Fairview Street, Burlington,
Ontario L7L 5N5
Telephone: (416) 632-5141

Fisher & Ludlow

750 Appleby Line, P.O. Box 5025,
Burlington, Ontario L7R 3Y8
Telephone: (416) 632-2121

Thomsson Steel Company Inc.

7101 Wisconsin Ave., Suite 600,
Bethesda, Maryland 20814
Telephone: (301) 656-8237

Secord Manufacturing

P.O. Box 3185 Station C, Hamilton,
Ontario L8H 7K6
Telephone: (416) 560-3611

Adam Clark Company (1982) Inc.

P.O. Box 5040, Station E, 1605 Main
Street West, Hamilton, Ontario
L8S 4L1
Telephone: (416) 525-2090

Laurel Steel of New England Inc.

P.O. Box 168, 137 High Street,
Mansfield, Massachusetts 02048
Telephone: (617) 339-8971

G&H Steel Industries Limited

7690 Vantage Way, Delta, British
Columbia V4G 1A7
Telephone: (604) 946-1231

Investor information**Registrar and transfer agent**

National Trust Company Ltd., 21 King
Street East, Toronto, Ontario
M5C 1B3

Counsel

Goodman & Goodman

Auditors

Coopers & Lybrand

Bankers

Royal Bank of Canada
Toronto Dominion Bank

Corporate officers**Milton E. Harris**

Chairman of the Board and President

Geoffrey J. Jackson

Vice President

James Wilson

Vice President – Marketing

Glenn Riddell

Vice President – Manufacturing

Bruce Timmerman, C.A.

Vice President – Finance

Albert Baradziej

Vice President – Reinforcing
Marketing

John Prosser, P.Eng.

Vice President – Reinforcing
Engineering

John Harris, M.B.A.

General Manager – Western Rebar
Operations

Lorie Waisberg, Q.C.

Secretary

Board of directors**Milton E. Harris**

Chairman of the Board and
President
Harris Steel Group Inc.
Director since 1953

**The Honourable
J. Judd Buchanan**

Chairman and Chief Executive
Officer
CNG Fuel Systems Ltd.
Director since 1981

Cecil H. Franklin

Chairman and Chief Executive
Officer
Algonquin Mercantile Corporation;
Chairman of the Board
Hardee Farms International
Director since 1973

Neil B. Ivory

President of Pembroke
Management Ltd.
President and Chief Executive
Officer of GBC Capital Ltd.
Director since 1977

Geoffrey J. Jackson

President
Frankel Steel Limited
Director since 1976

James W. Leech

Executive Vice-President
Unicorp Canada Corporation
Director since 1982

Barrie D. Rose, C.A.

Chairman and Chief Executive
Officer
Androck Inc.
Director since 1973

Audit Committee

Milton E. Harris
Cecil H. Franklin
Neil B. Ivory
Barrie D. Rose, C.A.

STOCK MARKET TRADING INFORMATION

The company's shares are listed on The Toronto Stock Exchange as Harris A (HSG.A) and Harris B (HSG.B).

Class A shares 1982

	High	Low	Close	Shares traded	Dividend
First quarter	6	4.75	5-1/8	18,200	\$.07
Second quarter	5-1/4	3.50	3.75	50,588	.07
Third quarter	4.50	3.05	4	22,025	.07
Fourth quarter	5	4	4.50	23,500	.07
Year	6	3.05	4.50	114,313	.28
Year 1981	9-1/2	4.40	6	463,958	.27

Class B shares 1982

	High	Low	Close	Shares traded	Dividend
First quarter	6	4.75	5	12,955	\$.07
Second quarter	5	3.50	3.60	31,719	.07
Third quarter	4.25	3.00	4.25	12,850	.07
Fourth quarter	5	4.15	4.60	3,675	.07
Year	6	3.00	4.60	61,199	.28
Year 1981	8-1/4	4.50	5-1/4	146,103	.27



80-ton girder, 140 feet long, part of two 30-ton cranes manufactured by Secord Manufacturing being transported to Algoma Steel in Sault Ste. Marie.

Specially designed to handle steel plate, the cranes have Secord's patented Locked Rope Reeving System which stabilizes the load in all horizontal directions.

