



## Profile

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Slater Steel Industries Limited was incorporated in 1962 and now has four operating units; Burlington Steel and SLACAN® located in Hamilton, Ontario, Joslyn Stainless Steels in Fort Wayne, Indiana and Crucan in Sorel, Quebec. Slater Steel also holds a 20.2% interest in Interprovincial Steel and Pipe Corporation Ltd. (IPSCO) of Regina, Saskatchewan which, in addition to its steelmaking operations in Regina, has manufacturing facilities in Calgary and Edmonton, Alberta and Port Moody, British Columbia.

Burlington Steel is a specialty mill producing several grades of carbon and alloy bar products in various shapes and sizes for the automotive, agricultural, construction and utility markets in Canada and the United States.

SLACAN is the largest pole line hardware manufacturer in Canada, manufacturing more than 3,000 different items for the electrical transmission and communications markets, predominantly in North America.

Joslyn is a stainless steel mill which produces a broad range of stainless and high temperature alloy grades in bar and billet form with end uses in the aircraft, energy, forging and service centre markets in the United States.

Crucan is a specialty forge shop, with its own steel-making facility, which produces tool and mould die steels and the larger class of carbon, alloy and stainless steel forgings weighing as much as 50,000 lbs. Its markets include capital goods requirements for shipbuilding, plant machinery, aircraft and nuclear and hydro-electric power plants as well as for moulds used in the forming of plastics and metals for automotive and consumer goods.

IPSCO manufactures tubular pipe products which include high pressure line pipe for oil and gas transmission, waterpipe line, oil-well casing and tubing and hot rolled sheet for commercial application.

## Annual Meeting

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The Annual Meeting of Shareholders will be held at 11:00 a.m. on Friday, July 27, 1984 in the Connaught Square, Royal Connaught Hotel, 112 King Street East, Hamilton, Ontario.

## Cover Photograph

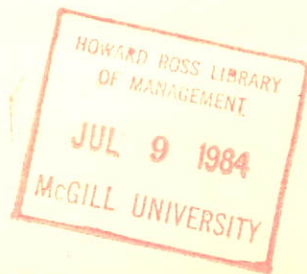
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Inspection of a stainless steel forging to be used in the propulsion unit of the reactor on a nuclear submarine.



Bruce M. Hamilton  
President & C.E.O.

# President's Commentary



## Highlights

\$000s except per share data	1984	1983	Change
Net sales	\$163,834	\$130,622	+25%
Net earnings	5,023	3,111	+61%
Capital expenditures	5,570	5,019	+11%
Depreciation and amortization	6,286	5,287	+19%
Working capital	40,104	36,589	+10%
Fixed assets — net	53,345	52,546	+2%
Per common share data:			
Net earnings	\$ 0.92	\$ 0.55	+67%
Dividends declared	\$ 0.25	\$ 0.40	-38%
Shareholders' equity	\$ 15.87	\$ 14.72	+8%

In overview, we have experienced a gradual improvement in the North American economy during Fiscal '84 which has provided a positive input to our operations, especially the specialty steel group. Considering the low point of business activity that occurred in Fiscal '83, we do not classify this strengthening trend as robust. While the order book increased, competition remained severe thus dampening the level of earnings improvement normally expected with this amount of increase in sales. The last quarter of Fiscal '84 was the strongest period that we have experienced in some time and should be the forerunner of a comparable performance during Fiscal '85. This optimistic view is also based upon the gains we have achieved in market share of traditional products, the addition of new products and markets, and our strong competitive capability. While government deficits, interest rates and exchange levels can sometimes be harbingers of recession, we take the more positive attitude that the improving business conditions will prevail and that the current level of activity in our operations will be sustained.

During this past year, extensive improvements and changes have been implemented in our operating divisions. Programs to achieve specific cost reductions and productivity increases as well as astute cash management have resulted in significant benefits to financial performance. Our business planning commitment, and related personal goals of our people, have provided a major contribution to better operating efficiencies and a growing sales presence in the marketplace. Capital spending amounted to \$5,570,000 for the year and was primarily used to upgrade equipment and processes that contributed to improved operating reliability and cost effectiveness.

As reported in January 1984, our Company had reached a tentative agreement for the sale of the SLACAN Division to Pre-

formed Line Products Company of Cleveland, Ohio. The discussions covering this proposal were terminated in mid-April 1984 since we were unable to reach a settlement that was acceptable to both parties.

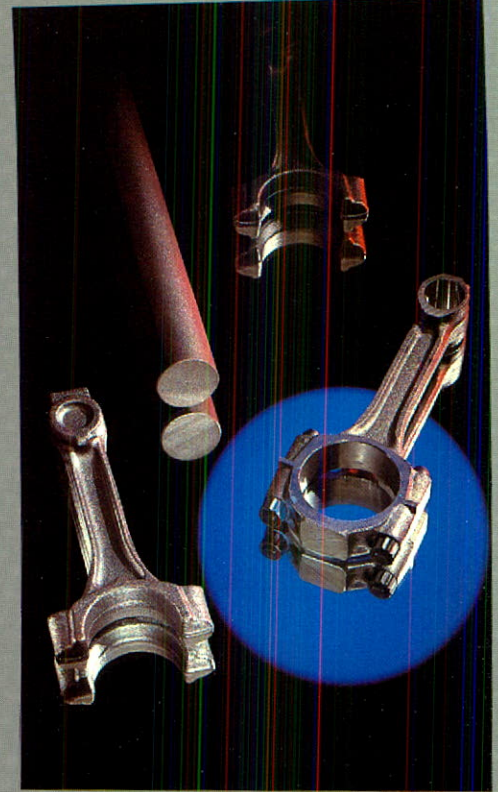
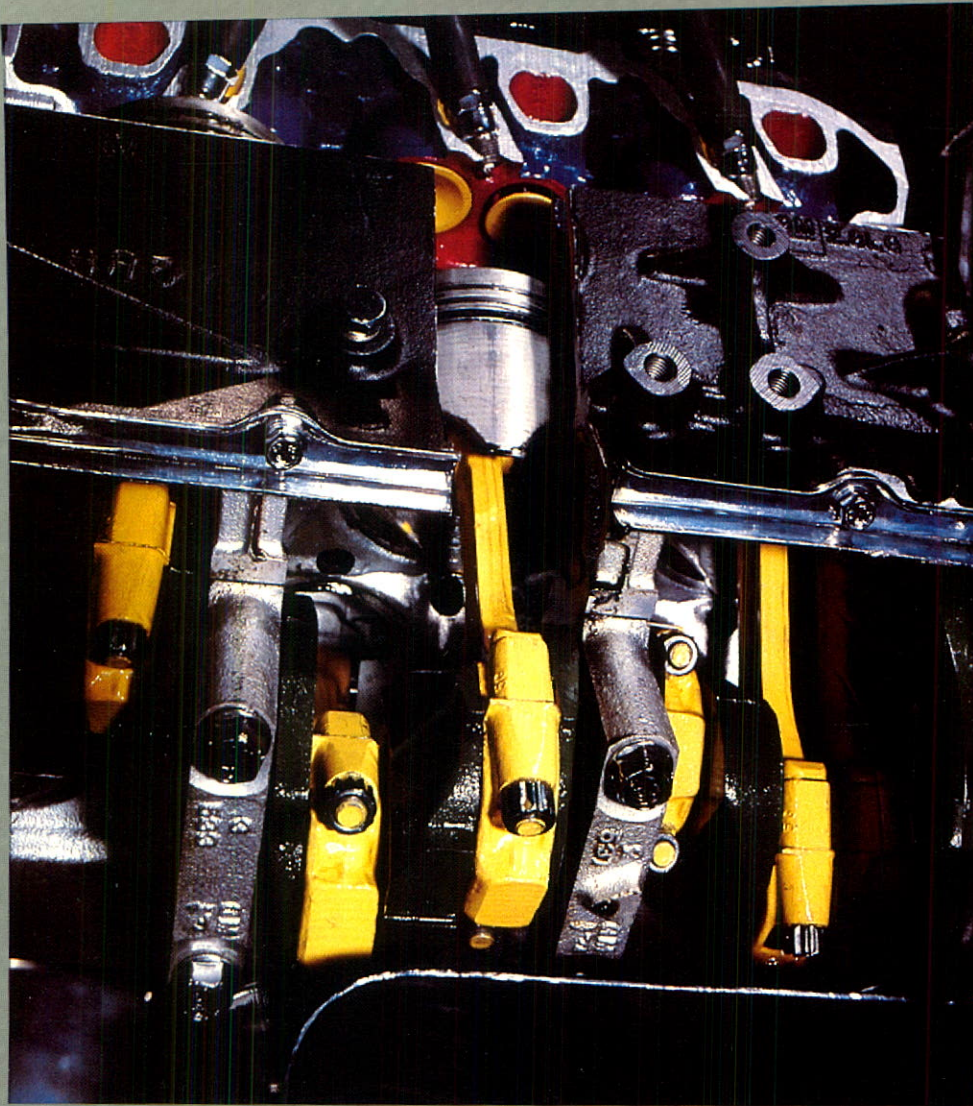
Our initial year with the Crucan Division in Sorel, P.Q., was most difficult due to the combination of a 21-week labour dispute and the necessity for a major overhaul of the 5000-ton press, a key operating facility. The attendant losses were offset to some extent by sales from the division's Brampton Warehouse which was operated as a service centre to maintain sales support to our key accounts.

Sales of IPSCO INC. remained at the depressed level of the previous year although the earnings improved somewhat, which was especially commendable in view of the continuing soft market conditions for their principal products. Several operating efficiency improvements were achieved, with productivity records being established in steelmaking. Emphasis on product development and broadening of their market base brought new sales opportunities to the company from which future order volumes will be sought. Toward our fiscal yearend, signs of strengthening in the oil country goods market in both Canada and the United States were in evidence, which should form the basis of a gradual improvement in sales in the coming year.

Your Board of Directors has recommended a name change for the Company to *Slater Steels Corporation*. This change of identity is being presented to the shareholders for their approval at the annual meeting to be held on July 27, 1984. Specific details of the nature of this name change and the new corporate logo appear on the second last page of this report. We trust this change in name will meet with your approval.

In this year's annual report we are showing pictures of items made from some of our products which demonstrate the broad diversification of our various steel grades. In expanding our involvement in the specialty steel industry, we have sought participation in many markets where applications require specialized high quality materials and the availability of customized service and product reliability. It is our commitment to tailor our products and services to the needs of our customers as defined in the outline of our Corporate Business Principles on the last page of this report.

It was with regret that we accepted the resignation from our Board of Directors of Mr. Peter Gush on May 15, 1984. Mr. Gush



Finished bar product of SBQ grade from the Burlington Steel mill and — in its final form — connecting rods for an automobile engine.

View of internal workings of an automobile engine showing parts made from Burlington Steel Alloy and SBQ Steels.

served as a director of Slater Steel for six years and provided invaluable advice and guidance in the direction of the affairs of the Company.

This vacancy has been filled by Mr. William H. Harper who was appointed to the Board of Directors on May 16, 1984. Mr. Harper brings many years of business experience in managing various corporations as well as directorships in several other companies.

On July 29, 1983 Mr. Wallace Rayner, our Corporate Vice President of Finance, was elected to the Board of Directors to fill the vacancy created by the resignation of Mr. Eli Doumet. Mr. Rayner joined Slater Steel Industries in 1979 as the chief financial officer and since then has contributed effectively to the overall management of the Company.

On behalf of the Board of Directors I extend appreciation to

our shareholders, customers and suppliers for their support and interest in the activities and changes in the Company during Fiscal '84. I would especially thank the many people who work for Slater Steel for maintaining and showing confidence in the Company; their skills, enthusiasm and industry have been the prime reasons for our successes in Fiscal '84.

**Burlington Steel:** Fiscal '84 has seen a gradual improving trend at this division in both sales and earnings performance. Total shipments exceeded the previous year by 35%, providing better utilization of facilities and an increase in employment levels. The strengthening of the transportation markets, especially automotive, was the prime reason for this favourable trend although pricing levels remained unchanged due to a highly competitive marketplace.

Sales of Special Bar Quality (SBQ) and Alloy grades of steel continued to increase during the year as a result of the better demand for these products. With our ever-increasing emphasis on quality excellence, a Statistical Process Control (SPC) program was implemented throughout all key mill operations. This program involved extensive education and training of both supervision and the entire workforce. SPC has become an effective process control tool for Burlington Steel, enabling the detection of influence from various operating variables and ensuring consistency of quality in shipped product.

The earnings results of this division improved during the year despite average selling prices being at Fiscal '81 levels and scrap prices being up by almost 20% at yearend. While higher volumes contributed to the better profits, the major factor in the improved performance was the existence of effective cost reduction programs which included enhancement of productivity, more effective scheduling and better processing methods.

In commenting upon the results of this division, the part played by all of our people cannot be discounted. They worked as a well-knit team having the common objective of achieving a successful outcome for the year. Sales, Operations and all staff groups worked together effectively and by regular open communications resolved problems cooperatively rather than through conflict.

Burlington Steel has been able to carve a niche for itself in the specialty steel markets by providing first class service and quality. The division intends to build upon these values by tailoring its capital spending program to enhance flexibility and reliability of operations. At the same time, the division's organization will continue to be structured to support the stated goals of the corporation, especially that of being a preferred source for those SBQ and alloy bar products that are within its manufacturing capability.

We anticipate ongoing improvements in performance in the coming year by achieving a better market share of specific product lines and emphasizing the efficiencies of operating practices. It is recognized that there may be some softening in automotive demand; however, the division is now capable of producing an even broader product line which will enable it to participate in an ever-increasing range of markets.

**Joslyn Stainless Steels:** Our U.S. division attained a major improvement in both sales and earnings, especially in the second half of our fiscal year. The stronger performance can be attributed to

improvements in market share, the control of imports of specialty steels, better business conditions and the addition of incremental business from new and existing customers for new and existing products.

While the main sales thrust was with stainless bars and billets, the division achieved a growing participation in various high temperature alloys in both the aerospace and nuclear industries. Approvals to meet these requirements placed additional workloads on the newly installed ESR (Electro Slag Remelt) unit which was operating around the clock by yearend.

Although operations were only working at 45% of capacity at the beginning of Fiscal '84, increased activity occurred in the second half, to reach almost 80% of capacity at yearend. Gains were achieved in mill productivity with production records being made and remade in several of the operating departments. The production scheduling system was streamlined resulting in improved inventory levels as well as in the standard and reliability of delivery commitments. Cost reduction programs provided significant savings for the year, and the many projects that were completed resulted in upgrading of practices and gains in efficiencies.

In September 1983, Mr. Douglas Pinner was appointed President of this division. Doug has an excellent track record in the specialty steel industry and brings many years of technical and managerial experience to the Fort Wayne division. At the same time, various adjustments were made in the management organization to strengthen the calibre and value of the supervisory group.

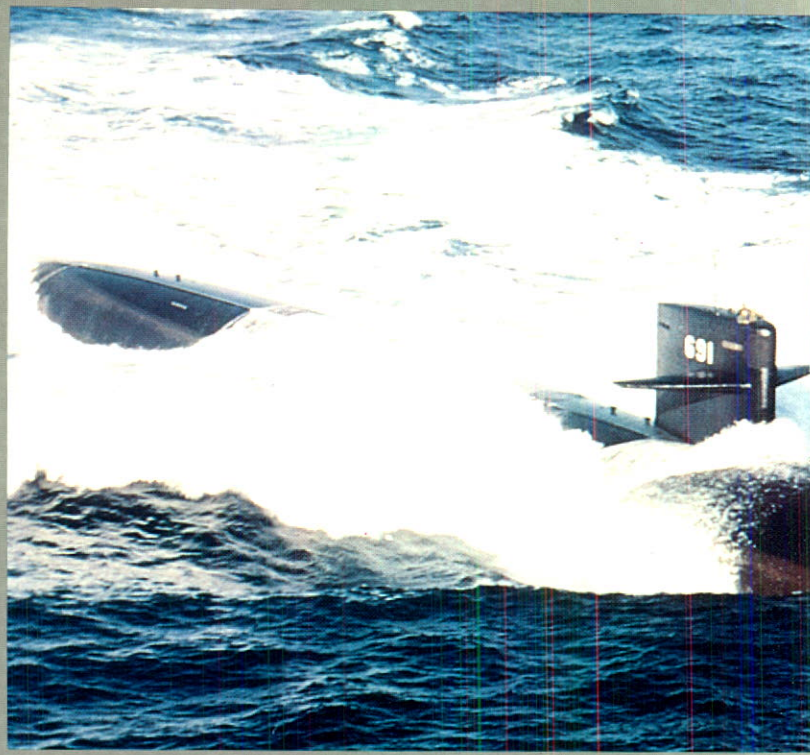
In the early part of the year, an agreement was ratified with our Local of the United Steelworkers for a 40-month contract renewal which provided a package patterned after 'Big Steel'. With the general increase in mill activity during the latter part of the fiscal year, many of the operations were placed on a 3-turn basis resulting in the return to work of the entire hourly group and the addition of 50 new people from the community.

This favourable trend at Joslyn has provided the basis for a renewed sense of enthusiasm amongst our people. Particular attention has been given to communications in order to evolve a sense of understanding and recognition of all participants. Delegation is a key factor and our people are responding with interest and contribution.

We anticipate a continuance of the active business cycle that has appeared in the second half of Fiscal '84. Market demand for our product lines should remain firm for the next twelve months,



Stainless steel forging at McGuinness forge from ESR Stainless Type 348 produced by the Joslyn Stainless Steels division.



Joslyn produces diverse grades of stainless steels and high temperature alloys that are used in the nuclear energy, defence, aircraft, forging and service centre markets. A U.S. navy submarine would contain various components that are produced by specialty manufacturers using these alloy materials supplied by Joslyn.

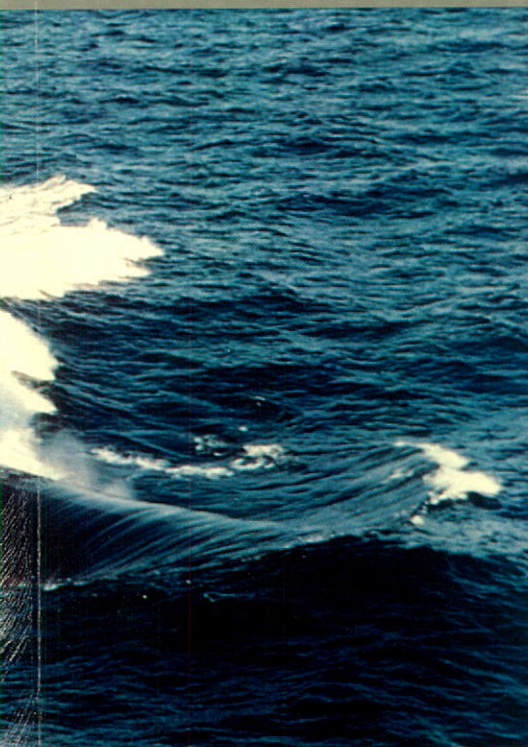
and we intend to supplement our activity in the marketplace by the addition of new products, including alloy bar, and by expanding participation in certain markets where we have played a limited role in the past.

**Crucan:** The failure to achieve planned budget and the resultant loss for the year at this division were due to the 21-week labour dispute and the breakdown of the 5000-ton press.

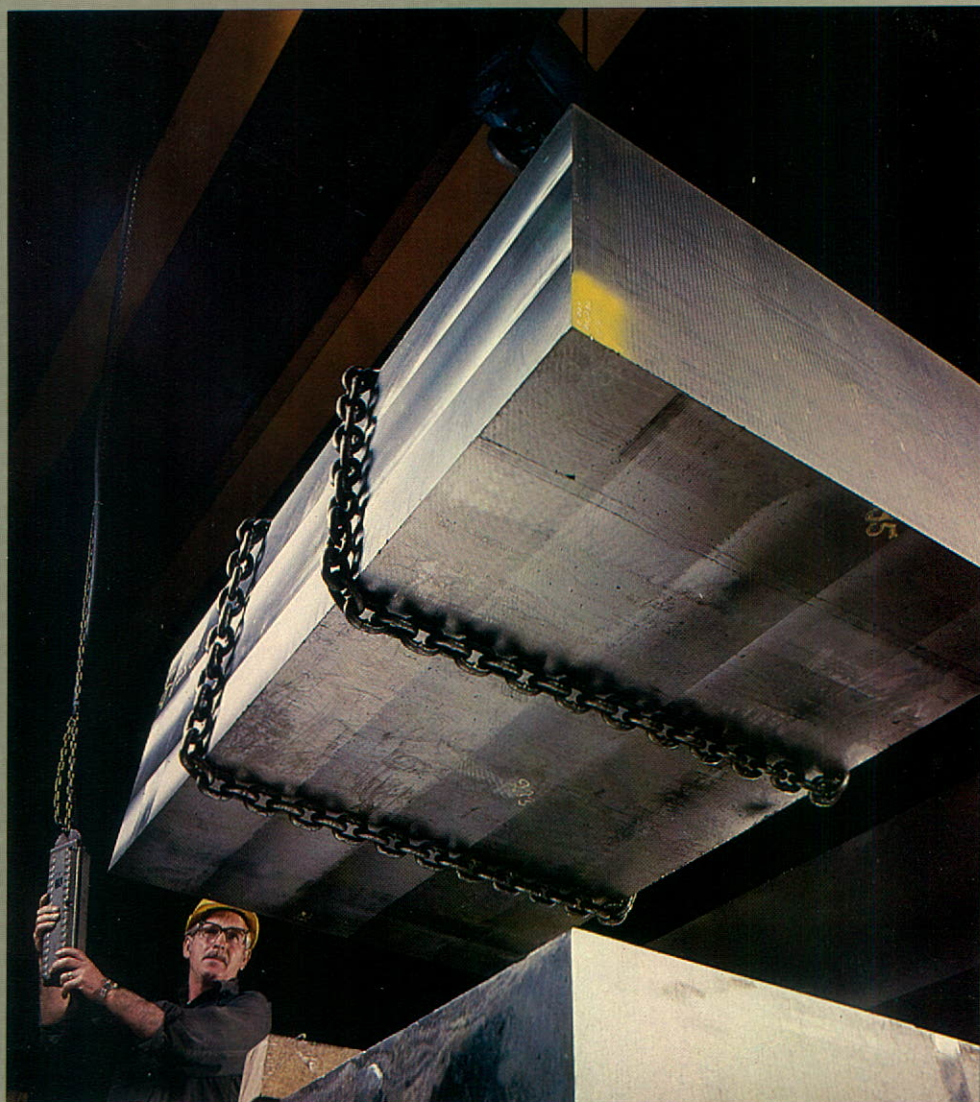
The strike of the unionized workforce was resolved on October 10, 1983 and we have since worked diligently to determine the source of aggravation and misunderstandings that brought about this unfortunate dispute. There are areas of concern and neglect which are being rectified and we have taken steps to upgrade communications with the Union Executive in order to address and correct problems and disagreements as quickly as possible.

The 5000-ton press is the major conversion unit at Crucan and its failure due to a fatigue break in one of the main columns was a major crisis. This required several months of repair work which could only be commenced after the settlement of the labour problem and was only completed at fiscal yearend. We were thus required to produce all forgings on the smaller 2000-ton press which, with its lesser capacity, could not process the large mould steel blocks and heavy commercial forgings that are a main portion of our traditional business. In spite of this difficulty, we were still able to make many of our regular forging lines and to provide additional products in order to maintain a reasonable work volume in the shop during the latter five months of the fiscal year, thereby achieving a profitable final quarter in Fiscal '84.

At yearend we announced the appointment of Mr. Raymond Pallen as President of Crucan. Ray has a solid operating back-



Mould steel block weighing about 16,000 lbs. produced at Crucan's plant in Sorel and cut to size at the Brampton warehouse. This block will be machined into a large die for manufacturing plastic parts for automobiles, such as dashboards and door panels.



ground in both the steel and aluminum industries and brings the necessary management experience to this division.

We anticipate a much improved performance in the coming year. The backlog of business is returning to a normal level and we plan to pursue additional product lines as a basis of increasing the volume of workload. Programs are under way to find means of increasing productivity and gaining major cost reductions. This work will require some outside consultation and a program of capital improvement to upgrade equipment, optimize the use of our facilities, and enhance operating practices.

**SLACAN®:** The Sales from this division fell to the lowest level that has been experienced in several years. This trend occurred during Fiscal '84 as a result of the economic malaise existing with the domestic utilities during our Fiscal '83. During that time, the

utilities market shrank by more than 30% from the preceding year due to the significant reductions in construction work and the heavy financial constraints that were placed upon all utilities for their normal pattern of day-to-day spending.

It should be pointed out that since most of our hardware sales are based on contractual arrangements, product shipments may have a delay factor of nine to twelve months from order input. As a result of this pattern, there is a substantial time lag before SLACAN's business levels reflect trends that are more rapidly felt at our steel divisions.

In spite of the extreme softening of our business, we were able to maintain the traditional market share for our various products and, in fact, increase participation in some areas. The weak market conditions resulted in some suppliers vacating the utility business altogether while those that remained established ex-



Slacan spacer dampers installed on a hydro-electric transmission line.

tremely competitive conditions as a means of obtaining their anticipated market share.

SLACAN has an excellent reputation and a capability for innovation and supplying high quality utility hardware. We have unique strengths in certain areas and it is to these components of our business that the future direction of the division will be tailored. It is our intention to examine the need and efficiency of each operating unit as a basis for making future "make or buy" decisions. The aluminum foundry, for example, was shut down at yearend and our future casting requirements will be purchased from an efficient outside source. We do not have to be 100% self-sufficient and will assess other "in house" operations in the same manner so long as it does not cause an unfavourable impact on our ability to service our accounts.

We anticipate a better business year for SLACAN in Fiscal '85.

We will be actively pursuing domestic sales for those requirements of electrical and communications hardware that fit our capability to engineer, build and service. Our approach to the export market will be selective and confined to those product lines in which we have competitive advantage or unique value.

Bruce M. Hamilton, President



**Sales and Earnings.** Consolidated net sales for the year ended March 31, 1984 were \$163,834,000, an increase of 25% over sales of \$130,622,000 in the comparable prior year. The higher sales revenues for the year are due to substantially increased shipments at Burlington Steel and Joslyn Stainless Steels. Earnings for the year after allowance for tax recoveries, were \$4,825,000, or 88¢ per share, an increase of 29% over the \$3,723,000 or 67¢ per share earned last year. Included in earnings for the year is an amount of \$2.3 million representing an overfunding in prior years to certain pension funds which was returned to the Company during the year. An extraordinary item reflecting the Company's equity in the gain on the sale of assets of an associated company of IPSCO INC. increased net earnings for the year to \$5,023,000, or 92¢ per share. In the previous year an extraordinary item reflecting the Company's equity in a write-off of idle machinery and equipment at IPSCO INC., reduced net earnings for the year to \$3,111,000, or 55¢ per share. Earnings from integrated operations before equity in earnings of IPSCO INC. amounted to \$3,179,000 in Fiscal '84 representing a 2% return on sales compared to \$1,669,000, or 1.3% in the previous year.

**Financial Position.** Cash generated from operations increased to \$10.5 million from \$6.3 million last year, reflecting the higher level of earnings for Fiscal '84. After providing for preferred dividends, cash income per share amounted to \$1.99 compared to \$1.16 last year. Funds were used to purchase plant and equipment for \$5.6 million, provide dividends of \$1.6 million, retire long-term debt of \$0.9 million and increase working capital.

Working capital increased by \$3.5 million to \$40.1 million at year-end while the ratio of current assets to current liabilities declined marginally to 2.3:1 from 2.4:1 a year ago. The increase in working capital is chiefly due to the higher earnings in Fiscal '84 and the change in the Company's method of translating the financial statements of its foreign subsidiaries in accordance with recently released CICA regulations. The unrealized foreign exchange gain relating to the translation of working capital items, which was previously deferred as a part of working capital, is now recorded as a component of shareholder's equity. This had the effect of increasing working capital in Fiscal '84 by \$1.2 million.

Long-term debt as a percent of total capital employed declined to 31.9% from 33.7% a year ago as a result of the retirement of \$0.9 million in long-term debt, an increase of \$3.6 million in retained earnings and cumulative currency translation adjustments of \$2.4 million included as a component of shareholder's equity.

**IPSCO INC.** Sales, as reported by IPSCO INC. to its shareholders, for the twelve month period ended February 29, 1984, were \$220.8 million a decrease of 4% from the previous year. Earnings for the same twelve month period ended February 29, 1984, net of an extraordinary item,

were \$10.2 million compared to \$8.2 million net of an extraordinary item for the previous comparable period.

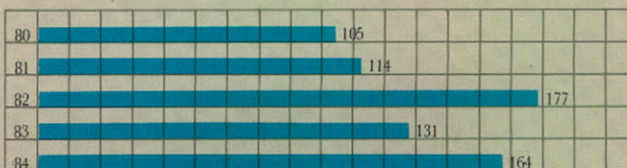
Slater Steel's equity in these earnings, which is shown in the consolidated statement of earnings, amounted to \$1,844,000 for Fiscal '84 net of the extraordinary item, compared to \$1,442,000 net of an extraordinary item last year. Dividends received during the year were \$995,000, the same as in the previous year.

**Shareholders.** In this commentary all per share data gives retroactive effect to the January 5, 1984 shareholder approval to split each common share of the Company into one Class A Voting Share and one Class B Non-Voting Share. The attributes of the new shares are summarized in Note 8 to the financial statements.

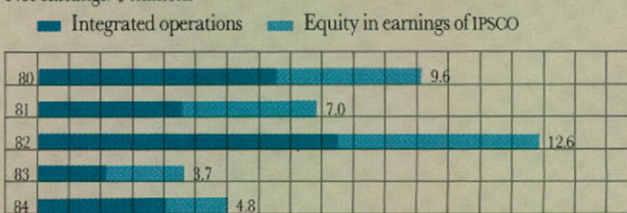
Common shareholders' equity increased to \$15.87 per share at year-end, an increase of 7.8% from \$14.72 at the end of the previous year. As a result of the higher Fiscal '84 earnings, the return on common shareholders' equity improved marginally to 5.8% from 3.7% in the previous year.

As a result of lower earnings during the first half of the year, your Directors reduced the quarterly dividend on common shares from 10¢ to 5¢ per share effective with the dividend payment at October 31, 1983. Dividends declared on common shares amounted to 25¢ per share in Fiscal '84 compared to 40¢ in the previous year.

Net sales/\$ millions



Net earnings/\$ millions



Shareholders' equity/\$ millions



## Consolidated Statement of Earnings

Thousands of dollars	Year ended	
	March 31, 1984	April 2, 1983
Net sales	\$163,834	\$130,622
Earnings before the following items	15,222	9,901
Depreciation and Amortization	6,286	5,287
Interest on long-term debt	5,641	5,911
Other interest	452	822
	2,843	(2,119)
Income taxes	(336)	(3,788)
Earnings before equity in earnings of IPSCO INC. (Note 9)	3,179	1,669
Equity in earnings of IPSCO INC. (Note 5)	1,646	2,054
Earnings before extraordinary item	4,825	3,723
Extraordinary item — IPSCO INC. (Note 11)	198	(612)
Net earnings for the year	5,023	3,111
Earnings per common share:		
Before extraordinary item (Note 8)	\$0.88	\$0.67
Net earnings (Note 8)	\$0.92	\$0.55

## Consolidated Statement of Retained Earnings

Thousands of dollars	Year ended	
	March 31, 1984	April 2, 1983
Balance — beginning of year as previously reported	63,762	62,849
Settlement of claim (Note 12)	191	191
As restated	63,571	62,658
Net earnings for the year	5,023	3,111
Surplus realized on retirement of preference shares	101	146
	68,695	65,915
Dividends:		
Preference shares	262	278
Common shares	1,290	2,066
	1,552	2,344
Balance — end of year	67,143	63,571

## Consolidated Balance Sheet

Thousands of dollars	March 31, 1984	As at April 2, 1983
<b>Assets</b>		
<b>Current Assets</b>		
Cash .....	349	910
Accounts receivable .....	26,252	16,156
Inventories (Note 4) .....	42,109	41,498
Income taxes recoverable .....	1,666	2,888
Other current assets .....	757	637
	<u>71,133</u>	<u>62,089</u>
Investment in IPSCO INC. (Note 5) .....	41,256	40,406
Fixed assets (Note 6) .....	53,345	52,546
Proprietary rights and technical know-how .....	3,750	3,950
Other assets .....	243	267
	<u>169,727</u>	<u>159,258</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Bank advances .....	—	3,604
Accounts payable and accrued charges .....	29,714	20,787
Dividends payable .....	374	638
Current portion of long-term debt .....	941	471
	<u>31,029</u>	<u>25,500</u>
Long-term debt (Note 7) .....	44,336	45,152
Deferred income taxes .....	7,945	7,871
<b>Shareholders' Equity</b>		
Preference shares (Note 8) .....	4,453	4,736
Common shares (Note 8) .....	12,428	12,428
Cumulative currency translation adjustments (Note 2) .....	2,393	—
Retained earnings .....	67,143	63,571
	<u>86,417</u>	<u>80,735</u>
	<u>169,727</u>	<u>159,258</u>

## Consolidated Statement of Changes in Financial Position

Thousands of dollars	Year ended	
	March 31, 1984	April 2, 1983
<b>Source of Working Capital</b>		
Operations:		
Earnings before equity in earnings of IPSCO INC. and extraordinary item .....	3,179	1,669
Depreciation and amortization .....	6,286	5,287
Deferred income taxes .....	74	(1,678)
	9,539	5,278
Dividends received .....	995	995
Issue of long-term debt .....	—	11,000
(Increase) decrease in other assets .....	18	(120)
Increase in working capital arising from currency translation adjustments .....	1,208	—
	11,760	17,153
<b>Use of Working Capital</b>		
Net additions to fixed assets .....	5,570	5,019
Acquisition of shares of Colt Canada Inc. (net of working capital of \$19,581) .....	—	3,509
Purchase of proprietary rights and technical know-how .....	—	4,000
Reduction of long-term debt .....	941	4,471
Retirement of preference shares .....	182	183
Dividends .....	1,552	2,344
	8,245	19,526
Increase (decrease) in working capital .....	3,515	(2,373)
Working capital — beginning of year .....	36,589	38,962
Working capital — end of year .....	40,104	36,589

# Notes to Consolidated Financial Statements

## 1. Summary of Accounting Policies

### (a) Principles of Consolidation

The consolidated financial statements include the accounts of Slater Steel Industries Limited and its subsidiaries, all of which are wholly-owned. The investment in IPSCO INC. is accounted for by the equity method and includes equity in undistributed earnings to February 29, 1984, based on the latest information available to shareholders.

### (b) Translation of Foreign Currencies (Also see Note 2)

Assets and liabilities in foreign currencies have been translated into Canadian dollars at the exchange rate in effect at the year-end. Related gains and losses are charged to income, except for unrealized exchange differences on long-term debt which are being amortized to income over the remaining life of such debt. Revenue and expenses in foreign currencies are translated at the exchange rate in effect at the transaction date. Unrealized exchange differences arising on the translation of the financial statements of foreign subsidiaries are reported in the Balance Sheet as a component of Shareholders' Equity.

### (c) Inventories

Inventories are valued at the lower of cost and net realizable value. Inventories of the Crucan and SLACAN Divisions are recorded at first-in, first-out (FIFO) cost, Burlington Steel Division at average cost, and Joslyn Stainless Steels Division at last-in, first-out (LIFO) cost.

### (d) Income Taxes

Income taxes are provided on the tax allocation method. The resultant deferred income taxes have arisen primarily due to claiming capital cost allowance for income tax purposes in excess of depreciation and amortization provided in the accounting records. The Canadian statutory 3% inventory allowance is recognized as a reduction in the current income tax provision. Investment tax credits are recognized in the year in which they are claimed for tax purposes by a reduction of income tax expense. At March 31, 1984, the Company had available unused Canadian investment tax credits of approximately \$1,000,000, which if not utilized, will expire over the period 1986 to 1991.

### (e) Fixed Assets

Fixed Assets, including expenditures which significantly improve the usefulness or prolong the useful lives of assets, are recorded at cost. Fixed assets obtained through acquisitions are recorded at purchase cost or assigned value as of the date of acquisition.

Depreciation is charged at annual rates intended to write-off fixed assets over their estimated useful lives. The straight line method of depreciation is used on all assets, except for automotive and mobile equipment where the declining balance method is used. Depreciation rates are as follows:

Buildings — 2½% to 6¾%

Machinery and equipment — 4% to 10%

Automotive and mobile equipment — 30%

### (f) Proprietary Rights and Technical Know-how

Proprietary Rights and Technical Know-how, which include trade secrets, processes, patents, and other technical know-how, were acquired at a cost of \$4,000,000. This amount is being amortized to earnings on a straight line basis over a period of twenty years.

## 2. Accounting Change — Translation of Foreign Currencies

In June 1983, the Canadian Institute of Chartered Accountants published revised recommendations related to the translation of foreign currency transactions and the financial statements of self-sustaining subsidiary companies denominated in foreign currencies. The Company has complied with the recommendations for the year ended March 31, 1984. Since the recommendations have been applied on a prospective basis, comparative figures for the year ended April 2, 1983, have not been adjusted from those previously reported. Had the recommendations been applied retroactively, consolidated earnings would not have been materially altered as unrealized currency exchange gains and losses on translation under the revised method are deferred, consistent with previous Company policy. The cumulative currency translation adjustments shown on the Balance Sheet as a component of Shareholders' Equity would have been approximately \$1.0 million as at April 2, 1983, if the recommendations had been applied on a retroactive basis.

## 3. Colt Canada Inc.

Effective April 4, 1983, Colt Canada Inc. was wound-up and the business renamed the Crucan Division of Slater Steel Industries Limited. The comparative consolidated statement of earnings includes the results of operations from November 1, 1982, the effective date of the acquisition of Colt Canada Inc.

## 4. Inventories

Thousands of dollars	1984	1983
Raw material and supplies	10,303	9,463
Work in progress	17,039	17,143
Finished goods	14,767	14,892
	<u>42,109</u>	<u>41,498</u>

## 5. Investment in IPSCO INC. (Also see Note 12)

This investment in 1,080,992 common shares of IPSCO INC. represents 20.2% of its issued and outstanding shares. The excess of cost of shares over the underlying net book value of the investment at the dates of acquisition was \$8,559,000. The equity in earnings of IPSCO INC. is being reduced by \$214,000 per annum, an amount sufficient to amortize the excess cost over a period of forty years. The investment is stated at cost less amortization of excess cost, plus equity in the undistributed earnings since dates of acquisition.

Certain claims have been made against IPSCO INC. resulting from the supply of allegedly defective pipe. The uninsured portion of these claims (excluding the claim referred to in Note 12) is estimated by IPSCO INC. not to exceed \$5,400,000. IPSCO INC. denies all liability and is unable at this time to estimate the amount of loss, if any, which may result from these claims.

## 6. Fixed Assets

Thousands of dollars	1984	1983
Land	2,941	2,926
Buildings, machinery and equipment	103,567	96,632
	106,508	99,558
Less: Accumulated depreciation	53,163	47,012
	53,345	52,546

## 7. Long-Term Debt

Thousands of dollars	1984	1983
Secured term bank loans (U.S. \$29,000)	34,748	34,623
Unsecured term bank loan	7,000	7,000
Unsecured note payable	3,529	4,000
	45,277	45,623
Less: Current portion	941	471
	44,336	45,152

The secured term bank loan bears interest at the London Interbank Offered Rate (LIBOR) plus  $\frac{1}{2}\%$ , which rate may be fixed for certain periods. For U.S. \$20.0 million, interest rates are fixed for the ensuing year at between 11.1% and 15.8%. Rates are fixed at 16.8% until November 6, 1984 on a further \$5.0 million while the remaining \$4.0 million is at a floating rate which, at March 31, 1984, amounted to 10.4%. The loan is repayable from 1986 to 1996 in equal annual instalments and secured by the Company's shares in IPSCO INC.

The unsecured term bank loan bears interest at Canadian prime rate and is repayable in instalments of \$1.0 million per annum commencing in 1986 with a final payment of \$3.0 million in 1990.

The unsecured note payable bears interest at the lower of Citibank prime or  $13\frac{1}{2}\%$  and is payable in seventeen equal quarterly instalments beginning December 30, 1983 and ending December 30, 1987.

The amount of long-term debt required to be repaid in each of the next five years ending March 31 is:

Thousands of dollars					
1985	941	1987	5,090	1989	4,148
1986	5,090	1988	4,851		

## 8. Capital Stock

Thousands of dollars	1984	1983
<i>(a) Preference Shares</i>		
Authorized and outstanding:		
\$1.10 Series, cumulative redeemable, 40,439 shares (1983 — 43,555)	809	871
\$1.10 Second Series, cumulative redeemable, 89,737 shares (1983 — 95,302)	1,794	1,906
\$1.20 Series, cumulative redeemable, 92,488 shares (1983 — 97,952)	1,850	1,959
222,664 Shares (1983 — 236,809)	4,453	4,736

During the year the company purchased for \$182,156 the following shares for cancellation:

\$1.10 Series	3,116
\$1.10 Second Series	5,565
\$1.20 Series	5,464
	14,145

### *(b) Common Shares*

Authorized:

1983 — 4,000,000 shares

1984 — Class A Voting — unlimited number of shares

— Class B Non-Voting — unlimited number of shares

Outstanding:

Thousands of dollars	1984	1983
2,582,332 shares	—	12,428
Class A Voting — 2,582,332 shares	6,214	—
Class B Non-Voting — 2,582,332 shares	6,214	—
	12,428	12,428

On January 27, 1984, the Company received a certificate of amendment under the Business Corporations Act, 1982 (Ontario) which increased the authorized capital by the creation of an unlimited number of Class A Voting and Class B Non-Voting shares, and changed each Common share, whether issued or unissued, into one Class A Voting share and one Class B Non-Voting share. The two new classes of shares rank equally with each other except that the Class A shares carry one vote per share whereas Class B shares are non-voting except in the event of certain fundamental changes, including an amalgamation or a sale of all or substantially all the assets of the Corporation, and on changes which affect the rights of the Class B Non-Voting Shares as a class. Class A Voting Shares may be converted into an equal number of Class B Non-Voting Shares at any time. Class B Non-Voting Shares are convertible into Class A Voting Shares, on a one-for-one basis, in the event an acquisition offer is made to holders of Class A Voting shares and at least 50% of the Class A Voting shares are tendered in acceptance of the offer.

Except for the two-for-one split in common shares outlined above, no new common shares were issued during the year.

### *(c) Shares with par value*

Under the provisions of the Business Corporations Act, 1982 (Ontario) which came into force on July 29, 1983, any shares with par value were deemed to have become shares without par value on that date. The description of the Company's shares has been amended accordingly.

## 9. Pension Plan Liability

The liability for unfunded past service pension costs at March 31, 1984, which is not reflected in the financial statements, amounted to \$9,990,000 (1983 — \$13,683,000). This liability is being funded by special monthly payments to trustees of the plans, and is being charged to operations over periods of fifteen to twenty years on the basis of reports of independent actuaries.

As a result of overfunding by the Company in prior years to certain pension plans, an amount of \$2.3 million, after income taxes, was returned during the year. This amount has been included in earnings.

## 10. Segmented Financial Information

Thousands of dollars 1984	Steel Production		Other	Con- solidated
	Canada	U.S.	Manufacturing Canada	
Total sales	91,582	59,408	13,478	164,468
Inter-segment sales	536	77	21	634
Net sales to customers	91,046	59,331	13,457	163,834
Operating profit	1,979	5,372	(1,391)	5,960
General corporate income (expense)	—	—	—	2,976
Interest expense	—	—	—	(6,093)
Equity in earnings of IPSCO	—	—	—	1,844
Income taxes	—	—	—	336
Net earnings	—	—	—	5,023
Identifiable assets	64,995	47,904	9,267	122,166
Corporate assets	—	—	—	47,561
Total assets	64,995	47,904	9,267	169,727
Capital expenditures	4,020	1,534	16	5,570
Depreciation and amortization	3,668	2,345	273	6,286
Export sales	26,516	—	2,080	28,596
<b>1983</b>				
Total sales	68,729	45,664	16,816	131,209
Inter-segment sales	580	—	7	587
Net sales to customers	68,149	45,664	16,809	130,622
Operating profit	2,650	2,183	414	5,247
General corporate income (expense)	—	—	—	(633)
Interest expense	—	—	—	(6,733)
Equity in earnings of IPSCO	—	—	—	1,442
Income taxes	—	—	—	3,788
Net earnings	—	—	—	3,111
Identifiable assets	56,974	44,199	9,493	110,666
Corporate assets	—	—	—	48,592
Total assets	56,974	44,199	9,493	159,258
Capital expenditures	3,217	1,576	226	5,019
Depreciation and amortization	2,867	2,127	293	5,287
Export sales	18,711	—	1,747	20,458

The "steel" segment consists of the manufacture and sale of stainless, carbon and low alloy steels, special bar quality steel shapes, tool and die steels and custom steel forgings.

The "other manufacturing" segment consists of the manufacture and sale of standard poleline and communications hardware and extra high voltage electrical transmission hardware.

## 11. Extraordinary Item — IPSCO INC.

The Company's equity in the extraordinary items reported by IPSCO INC. is as follows:

Thousands of dollars	1984	1983
Gain on the sale of the assets of Wescan Pipe Protection Ltd.	198	—
Loss on the write-off of idle machinery and equipment.	—	(612)
	198	(612)

## 12. Prior Period Adjustment

Subsequent to the company's year-end, IPSCO INC. settled a claim arising from the sale of pipe in 1978. The cost of the settlement amounting to \$945,000, after tax, will be treated as a prior period adjustment and charged to retained earnings by IPSCO INC. The equity of Slater Steel Industries Limited in this settlement, amounting to \$191,000, has been recorded as a prior period adjustment in the current year.

## Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Slater Steel Industries Limited as at March 31, 1984 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 of accounting records 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 March 31, 1984 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, except for the change in foreign currency translation as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

Coopers & Lybrand, Chartered Accountants  
Hamilton, Ontario  
April 27, 1984 (May 10, 1984 for Note 12)

## Five Year Review

	1984	1983	1982	1981	1980
<b>Sales and Earnings (\$000s)</b>					
Net sales	\$163,834	\$130,622	\$177,364	\$113,728	\$105,320
Income taxes	(336)	(3,788)	2,208	2,924	3,620
Earnings before equity in earnings of associated company	3,179	1,669	7,553	3,586	5,987
Equity in earnings of IPSCO INC. (Note A)	1,646	2,054	5,068	3,435	3,646
Net earnings (Note A)	4,825	3,723	12,621	7,021	9,633
<b>Other Financial Data (\$000s)</b>					
Capital expenditures	5,570	5,019	7,809	4,252	3,440
Depreciation and amortization	6,286	5,287	4,739	2,981	2,466
Cash generated from operations (Note B)	10,534	6,273	14,557	7,650	9,038
<b>Year End Position (\$000s)</b>					
Working capital	40,104	36,589	38,962	35,987	20,224
Fixed assets — net	53,345	52,546	47,811	44,741	23,139
Total assets	169,727	159,258	150,558	145,670	97,708
Long-term debt	44,336	45,152	38,623	40,123	5,407
Common shareholders' equity	81,964	75,999	75,086	64,409	59,668
<b>Per Common Share Data (Note C)</b>					
Earnings (Note A)	\$ 0.88	\$ 0.67	\$ 2.39	\$ 1.30	\$ 1.80
Dividends declared	.25	.40	.35	.40	.48
Shareholders' equity	15.87	14.72	14.54	12.47	11.55
<b>Other Statistics</b>					
Number of employees	1,640	1,350	1,484	1,527	1,121
Number of shareholders	3,548	3,193	3,387	3,778	4,237

Note A: Equity in the earnings of IPSCO INC. and net earnings shown above are before the following extraordinary items:

- 1) A gain of \$198,000, or \$0.04 per common share, recorded in 1984 related to the sale of the assets of Wescan Pipe Protection Ltd. by IPSCO INC.
- 2) A loss of \$612,000, or \$0.12 per common share, recorded in 1983 related to the write-off of idle machinery and equipment at IPSCO INC.

Note B: Cash generated from operations consists of earnings before equity in the earnings of IPSCO INC. and extraordinary gains and losses, including dividends received, plus depreciation and amortization and deferred income taxes.

Note C: The per common share data shown above has been restated to give effect to the 2 for 1 common share split approved by shareholders on January 5, 1984.



## Directors

Michael D. Bayne

*Manager, Overseas Investments, British Steel Corporation*

Bruce M. Hamilton\*

*President of the Corporation*

William H. Harper

*Chairman, W. H. Harper Inc.*

Douglas C. Marrs\*†

*Former Chairman, Westinghouse Canada Inc.*

Richard C. Meech, Q.C.\*†

*Partner, Borden & Elliot*

Gordon P. Osler\*

*Chairman, Stanton Pipes Limited; Chairman of the Corporation*

W. Cedric R. Penry

*Executive Director, British Steel Corporation (Overseas Services) Limited*

Norman B. Preece\*†

*President, Stanton Pipes Limited*

Wallace H. Rayner

*Vice President – Finance & Secretary of the Corporation*

\*Member of Executive Committee of the Corporation

†Member of Audit Committee of the Corporation

## Officers

Gordon P. Osler, *Chairman of the Board*

Bruce M. Hamilton, *President & C.E.O.*

Wallace H. Rayner, *Vice President – Finance and Secretary*

James R. Powers, *Vice President – Operations and Marketing*

Wayne D. McCraney, *Vice President – Personnel, Industrial and Public Relations*

Graham L. Desson, *Treasurer*

Darrold A. Toner, *Comptroller*

Garry J. Condon, *Assistant-Comptroller*

### *Burlington Steel Division*

James R. Powers, *President*

John F. Miles, *Vice President – Manufacturing*

Brian E. Naber, *Vice President – Sales & Marketing*

David W. Albright, *Comptroller-Treasurer*

### *Joslyn Stainless Steels Division*

Douglas K. Pinner, *President*

Wayne K. Fair, *Director of Finance*

James A. Fuhrman, *Controller*

### *Crucan Division*

Raymond Pallen, *President*

Jean-Louis Gendron, *Vice President – Sales*

N. Reginald Plante, *Vice President – Finance*

### *SLACAN Division*

Gordon W. Meldrum, *President*

George E. Thompson, *Comptroller-Treasurer*

## Corporate Information

### *Corporate Offices*

Slater Steel Industries Limited  
681 King Street West, P.O. Box 310  
Hamilton, Ontario L8N 3C8

### *Divisional Offices*

Burlington Steel  
319 Sherman Avenue North, P.O. Box 943  
Hamilton, Ontario L8N 3P9

Joslyn Stainless Steels  
2400 Taylor Street West, P.O. Box 630  
Fort Wayne, Indiana 46801

### *Crucan*

201 Montcalm Street, C.P. 520  
Sorel, Quebec J3P 5P2

### *SLACAN*

681 King Street West, P.O. Box 271  
Hamilton, Ontario L8N 3E7

### *Associate Company*

IPSCO INC. P.O. Box 1670  
Regina, Saskatchewan S4P 3C7

### *Registrar & Transfer Agents*

Montreal Trust Company  
Toronto, Montreal, Vancouver, Winnipeg,  
Calgary

### *Listed*

Toronto Stock Exchange

### *Auditors*

Coopers & Lybrand, Chartered Accountants

# A Proposed New Identity for the Corporation

On the opposite page we have outlined a statement of “Corporate Purpose & Business Principles” which defines the nature of our business interests and direction. Generally, the growth and development of our Company has been guided by these goals.

We have also recognized that change is a part of personal and business life and that such goals need to be reviewed and modified on a regular basis. It was such a review that prompted our corporate name and identity program.

In expanding our business activities, we have sought opportunities for growth and “synergy” in the manufacture of specialty steel products through market diversification and insistence upon excellence of quality and service. We have also emphasized and implemented improvement of facilities, increase of productivity and acquisition of selected complementary businesses.

To some people *Slater Steel Industries Limited* is a familiar name; to others our history, products and services may be less well known. In a move designed to strengthen our position with both of these groups — and with employees, customers, and the community-at-large — we are introducing a new look to go along with our new name.

We wanted an image that was distinctive and modern; one that would reflect the strength and diversity of our organization.

We believe we have found such an image.

We have selected a corporate name for the Company that maintains an existing recognition in the marketplace — as a quality supplier and innovative developer in the industry — and that allows each of our divisions to use the name within the markets they serve. We believe this new name clearly states: “Who we are” and “What we do”.

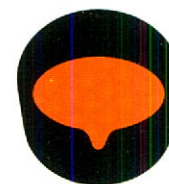
The name **Slater Steels Corporation** has been chosen and will be used by both the Corporation and the Divisions, thereby identifying our overall business activities. The divisions (except SLACAN) will be singled out by geographic location and by main product emphasis. Because SLACAN reflects both the identification of the division and a registered trade mark for its products, as well as the fact that this unit has been through name changes in recent years, it was decided that a further change would be inappropriate at this time.

Burlington Steel will become  
**Hamilton Specialty Bar Division**

Joslyn Stainless Steels will become  
**Fort Wayne Specialty Alloys Division**

Crucan (Colt Canada) will become  
**Sorel Forge Division** or, in French,  
**Compagnie Aciers Slater, Division les  
Forges de Sorel**

Subject to approval by the Shareholders of the Company at the Annual General Meeting to be held on July 27, 1984, these name changes will become effective thereafter.



**SLATER  
STEELS**

## Our New Look

The purpose of a corporate identity program is to establish a strong, memorable visual image in the minds of customers, the community-at-large, and ourselves. A logo (or corporate symbol) often anchors such a program. Our logo which is a symbolic ladle of molten steel has been designed to reflect the Corporation — and create a modern, dynamic and professional image.

The “symbolic ladle of molten steel” is representative of our industry. Yet it is unique and individual to our organization. We believe the impact of this image will be as powerful today as it will twenty years from now.

You will soon begin to see, hear and recognize the new image of **Slater Steels** on business cards, letterheads, on the telephone, and on vehicles, signs and catalogues.

It is an exciting and significant moment for our organization; and it reinforces our commitment to excellence of product and service.

## **Statement of Corporate Purpose**

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Our Corporation is a metal manufacturing company with facilities located in Canada and the United States. Our operations focus on the production of quality specialty steels and other related added-value activities. We are committed to a long term, regular pattern of growth through internal expansion and acquisitions in the North American market. Our Corporation will concentrate its activities in the steel and metal products industry, and is not expected to acquire interests outside of this classification.

## **Corporate Business Principles**

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### **General**

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1. We will strive to maintain a work environment which encourages innovation and initiative. We will seek contribution and involvement from our people in the planning for each division's growth and progress. At the same time, we will conduct the operations of the Corporation with the utmost respect for employee safety, health and fulfillment.
2. As a Corporation, we will develop a "team approach" in conducting our normal business activities, building strength in skills at all levels, and ensuring effective career development for our employees. We will expect a high level of performance, individual expertise and complete support of company goals from all of our people.
3. Communications with our people will be given priority as a basis of maintaining appreciation and understanding of the actions, values and policies of the Corporation.
4. The Corporation accepts its responsibility to be a good corporate citizen, and to that end will be sensitive to its neighbours and the community-at-large, particularly in environmental controls and involvement in local public affairs.

### **Operational**

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1. We will build our Corporation to a leadership position as a selective producer of specialty steels by offering customized services to our customers and providing responsiveness and flexibility in the supply of quality products at competitive prices. We will emphasize our appreciation and knowledge of the end-use

requirements of the market and, thereby, qualify our Corporation as a preferential source of supply.

2. The Corporation will propose and apply manufacturing practices and capital investments that support the concept of low-cost production. At the same time, priority will be directed to achieving high operating efficiencies and consistent superior quality in all products.
3. As a basis of attaining optimum operating efficiencies we will expand, modify or obsolete existing equipment in relation to its performance contribution and capability.
4. We will broaden our market base as a means of minimizing the effect of major shifts in demand for specific products and, thereby, create a counter-cyclical pattern for our overall business endeavours. In addition, we will add new ventures that do not necessarily duplicate existing operations but are a logical extension of, or synergistic with, our present divisions and are compatible with our Return on Investment (ROI) objectives.

### **Financial**

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1. We will aim for growth in earnings and will target the operating Return on Investment (ROI) (pre-interest and pre-tax to capital employed) for the Corporation and each of its divisions at the level of 25%.
2. We will apply a cash dividend policy that is geared to an average payout, based upon a two-year moving average, of 30% of after-tax consolidated earnings from all integrated operations and including cash dividend payments from investments.

# Slater Steel Industries Limited

681 King Street West, P.O. Box 310, Hamilton, Ontario L8N 3C8