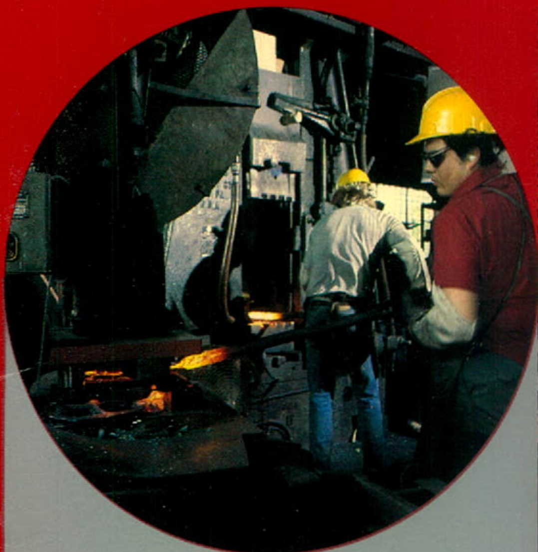
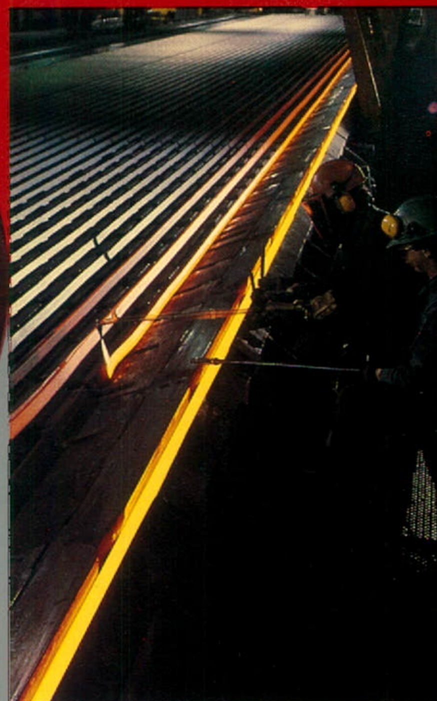
1982





Slater Steel Industries Limited Annual Report

Profile

Slater Steel Industries Limited was incorporated in 1962 and has three operating units; Burlington Steel and SLACAN™ (formerly Slater Products) located in Hamilton, Ontario and Joslyn Stainless Steels in Fort Wayne, Indiana. Slater Steel also holds a 20.2% interest in Interprovincial Steel and Pipe Corporation Ltd. (IPSCO) of Regina, Sask. which, in addition to its steelmaking operations in Regina, has manufacturing facilities in Edmonton, Alberta and Port Moody, B.C.

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.

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

Highlights

$000s except per share data	1982	1981	Change
Net sales	**$177,364**	$113,728	+56%
Net earnings	**12,621**	7,021	+80%
Capital expenditures	**7,809**	4,252	+84%
Depreciation	**4,739**	2,981	+59%
Working capital	**38,962**	35,987	+ 8%
Fixed assets — net	**47,811**	44,741	+ 7%
Per common share data:			
Net earnings	**$ 4.77**	$ 2.60	+83%
Dividends declared	**$ 0.70**	$ 0.80	−13%
Shareholders' equity	**$ 29.15**	$ 25.02	+17%

Sitting, left to right: B.M. Hamilton, President, Slater Steel Industries Limited; J.R. Powers, Vice President-General Manager, Burlington Steel Division; E.E. Hodgess Jr., President, Joslyn Stainless Steels Division; R.T. Haine, Corporate Director, Engineering Services. Standing: W.D. McCraney, Corporate Director, Personnel Industrial & Public Relations; W.H. Rayner, Corporate Vice President-Finance; G.W. Meldrum, Vice President-General Manager, SLACAN Division.

President's Commentary

Fiscal '82 was a period of good performance for Slater Steel Industries Limited. The consolidated net sales of $177,364,000 was the highest in our history. Net income was $12,621,000, an increase of 80% over last year's earnings level. While these results indicate a commendable performance growth for your Company, the consolidated return that was achieved by our operating divisions was still inadequate for our industry considering the need for regular investment that is necessary to provide a viable ongoing business.

We are proud of the fact that in this past year we have graduated from the "Mini Mill" designation to a "Market Mill" concept, as provided by our various operating divisions. We have intentionally evolved this identity as a basis for broadening our market coverage, expanding our product lines and providing particular emphasis to quality, competitiveness and service. Our overall planning is to be a reliable, low cost producer and supplier of an appropriate range of essential products that will set the stage for anti-cyclical growth and support to ongoing market demand.

The general economy during our Fiscal '82 period acted as predicted by showing strong market conditions during the first half and a gradual deterioration in the second. The Canadian economy was reacting to the pressures of high interest rates, growing inflation and a lowering of consumer confidence. While we witnessed certain weaknesses in some segments of the market, the existing pockets of strength gradually diminished, even those markets associated with the oil and gas industries. Thus by our fiscal year end we were seeing a continuous slump in general business conditions with no indication of turnaround showing; the forerunner of a "long hot summer" for 1982.

The overall performance of our two operating steel divisions was commendable in a relatively lacklustre year. There is no question that our Burlington Steel mill benefited from additional bar business arising out of product demands caused by the unfortunate labour strike at Canada's largest steel plant. However, our ongoing planning strategy to increase emphasis on product quality, development, cost reduction and cash management had a major impact on our overall satisfactory results. The Joslyn Stainless Steels mill faced a formidable task in achieving relatively good performance in a year of weakening market conditions, falling prices and significant import penetration. Reasonable sales levels were maintained through our excellent sales relationships with both key accounts and steel service centre outlets where we provided every support in areas of quality, availability and service. Earnings also benefited from specific programs of development and cost reduction which added to improvement in yield and manufacturing efficiencies in specific areas of operation.

The SLACAN pole line hardware division did little better than break even in a period of modest increase in sales. Competitive pricing for standard hardware items and conversion processing for O.E.M. products was unusually severe at a time when a relatively large number of small sized companies were bidding for most of this class of business.

Capital expenditures for our three divisions totalled $7.8 million during Fiscal '82 which is the highest level of spending on facilities in the past several years. These expenditures were directed to modernization and additions to plant facilities and equipment with a view to enhancing safety, manufacturing efficiency and capability as well as product quality and reliability.

Our total number of employees for all these divisions was 1,484 at year end, representing a 3% drop from last year's average people count. Overall employment costs for the year amounted to $55,539,000 (Cdn), or 31.3% of revenue dollars.

It is with particular pride that we can report on the improvement of safety in the workplace for all divisions of our Company. While reference is made to this performance in each of the divisional reports, it is noteworthy that we can attribute our progress and excellent performance in accident prevention to the interest, concern and involvement of all our people.

The labour agreements for the Canadian divisions were successfully negotiated with the United Steel Workers of America for three year terms. The Burlington Steel settlement provided wage and benefit improvements similar to those implemented last year by the basic steel industry. The monetary package that was agreed upon at SLACAN is in line with that provided by settlements reached by comparable manufacturing type industries.

The overall North American economy continues to display a "roller coaster" pattern in which the peaks and valleys seem to grow while the cycles seem to shorten. We are experiencing significant change from the impact of this trend on many businesses which is having an almost devastating effect on some industries that were once looked upon as solid and strong. No longer do the old ground rules apply and it would seem that new approaches and formulae must evolve for many industries if they are to survive and maintain a meaningful place in the Business of Tomorrow. One cannot make any certain business forecasts for the period to be covered by our Fiscal '83 year. In broad terms, we anticipate an end to the present severe economic recession which pervades most areas of business activity. This should occur in the fall months of this year, with some reasonable degree of recovery occurring as a forerunner to the next cycle.

The sales and earnings performance at Interprovincial Steel and Pipe Corporation Ltd. (IPSCO) reached an all time record high over the twelve month period included in our Consolidated Statement of Earnings for Fiscal '82. These results were primarily affected by the significant increase in steel pipe and tube products required for the construction of the Prebuild section of the Alaska Highway Gas Pipe Line Project. This trend began to falter in the last quarter of our Fiscal '82 period due to the decrease in demand for oil and gas well casing and tubing as brought about by the cut-back in drilling activity. IPSCO's $83.0 million expansion program was completed in August 1981 and provides benefits of expanded manufacturing facilities as well as more efficient operating capability and improved product quality and versatility. A $60.0 million Oil Country Tubular Goods Plant in Calgary is currently under construction with completion scheduled for March 1983.

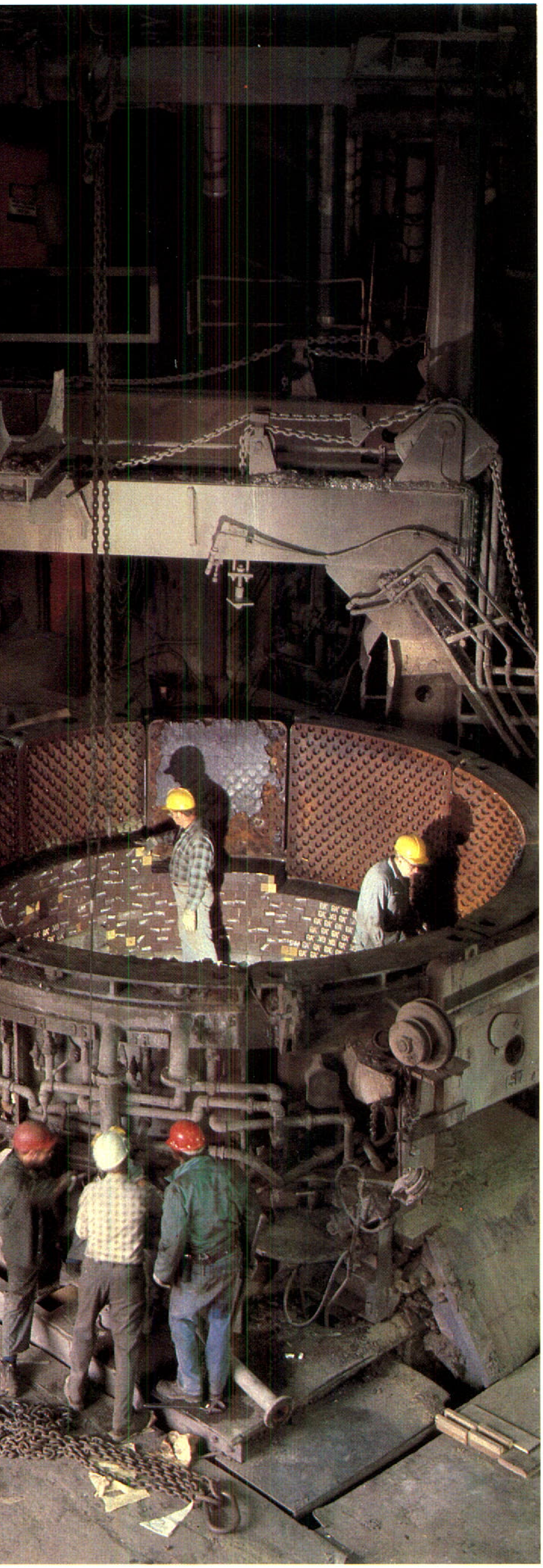
In October 1981, Mr. Gordon W. Meldrum was appointed Vice President-General Manager of the SLACAN Division. Mr. Meldrum has extensive experience and knowledge in the pole line hardware business, having served for thirty-one years in various manufacturing and marketing capacities in the SLACAN Division.

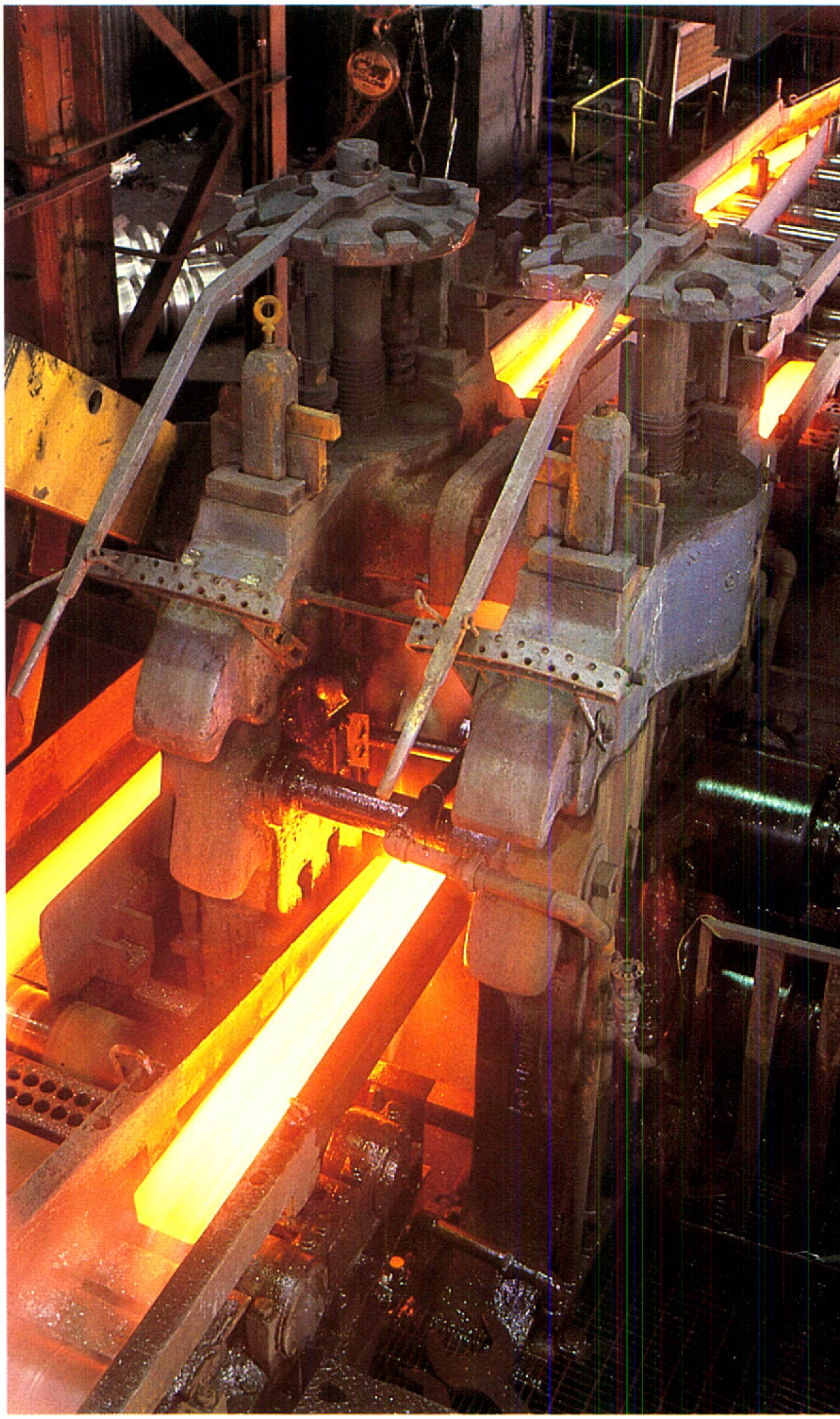
On behalf of the Board of Directors, I would like to express my appreciation to shareholders, suppliers and customers for their confidence and interest in the affairs of our Company over the past year. As I stated at the beginning of this report, Fiscal '82 has been a good year for Slater Steel in a relative sense when one considers the unfavourable business conditions and economic difficulties that occurred during a portion of our fiscal period. Much of our success must be attributed to the input and enthusiasm of our entire workforce, for which we give them both recognition and thanks.

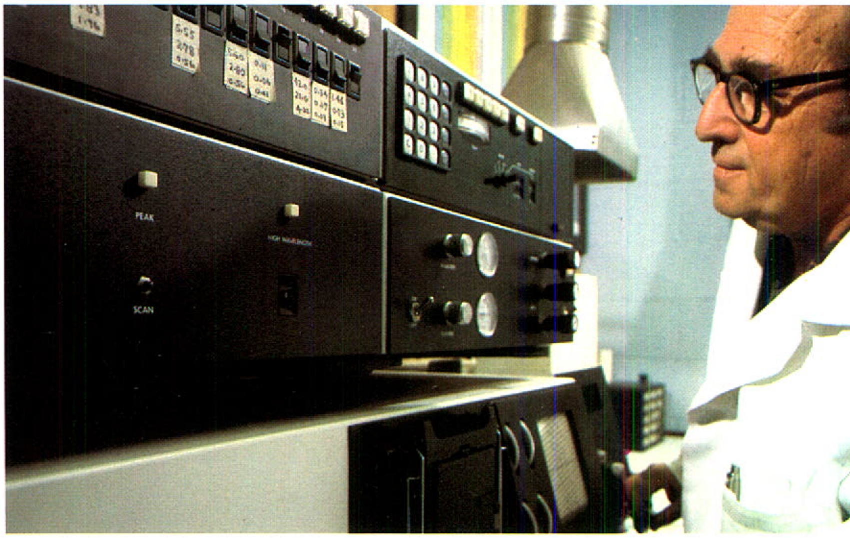
Bruce M Hamilton.

Bruce M. Hamilton, President

Burlington Steel
Lancing tap hole in furnace in preparation for tapping heat into ladle.






PEAK
SCAN

Burlington Steel

Fiscal '82 was an exciting year for Burlington Steel. In the first three quarters our backlog was strong and we obtained improved mix, increased efficiency and reduced costs while, at the same time, attaining all-important quality improvements. During the year we achieved the successful start-up and break-in of our new 30″ Billet Breakdown facility which provided both quality improvements and productivity increases.

The real demand for steel products in the geographic markets traditionally served by Burlington Steel started to soften during the third quarter of Fiscal '82 as a result of deepening downturn in the automotive, farm implement and consumer market segments. Resolution of the unfortunate labour dispute at Canada's largest steel producer, late in this third quarter, also resulted in a drastic reduction of our business to more accurately reflect the true market conditions.

During the last quarter of Fiscal '82 we were faced with a business activity level at approximately 65% of capacity. Of necessity, our priorities changed to stringent cost cutting and cost control measures. Our semi-fixed costs were tuned to the drop in business levels, providing close control of inventory, receivables and all discretionary spending. Throughout Fiscal '82 our Sales/Marketing group worked aggressively toward improving the product mix through expanding our market penetration in leaf spring flats, introducing many new tire rim sections and initiating development work in stabilizer bars and helical springs steels. The above efforts, combined with stringent raw materials management and good operating performance, enabled us to operate profitably throughout the year, including the depressed fourth fiscal quarter.

Successful completion of labour negotiations with the United Steel Workers of America during February 1982 provided a contract for the three calendar years 1982, 1983 and 1984, which is considered fair and equitable as measured against the basic steel package.

The raw steel production in the Melt Shop was reduced from the Fiscal '81 level of 281,500 tons to 240,000 tons largely because of the lower demand in the fourth fiscal quarter and our goal to reduce inventory levels. These same conditions caused a cut-back in our Rolling Mill production to 213,000 tons, slightly less than the previous year.

Capital spending on items vital to employee safety, improved product quality and reduced costs have been highlighted in our planning. Major projects include installation of water-cooled roofs in the melting furnaces, improved ladle steelmaking and teeming practices, expansion of reheat furnace capacity and upgrading of the 21″ mill drive.

Our steel mill continues to experience a good safety record due to a comprehensive accident prevention program and good communications at all levels. Our safety performance, as measured by lost time accident frequency, was an all time record during Fiscal '82.

The overall economic outlook for Fiscal '83 is not good and all sectors of the economy are being affected; we do not see overall demand changing before this fall. It must be noted, however, that a significant number of facilities are dropping out of specific markets, or out of business altogether, with the net result being that the market — whatever it may be — will be served by a small number of survivors. Burlington Steel, due to its unique position of being a low cost producer of Alloy and Special Bar Quality steels, is in an excellent position to take full advantage of the opportunities that will be *presented*.

SLACAN™

Demand for Pole Line Hardware in our domestic geographic markets was soft during Fiscal '82 as a result of the poor economy. Under-utilized plant capacity in the industry had a negative effect on margins resulting in a severe decline in operating earnings for the division, even though sales were 5% higher than last year's levels.

The decline in demand for our major products, supplied to the power and communications markets, was offset by the adoption of an aggressive pricing policy to increase our sales volume and market share. This strategy enabled the division to increase sales of standard hardware, wireformed products and O.E.M. conversion services, particularly foundry sales of quality castings and stampings. Postponement and deferral of some construction programs by the electric power utilities reduced the sales volume of E.H.V. hardware in Fiscal '82 as compared to the previous year.

Distributor sales increased 9% from the previous year as a result of a commitment to establish a national distributor program to market our products throughout Canada.

Export sales increased 116% compared to the previous year, with major sales of wireformed products in the U.S.A. and transmission hardware sales to Kenya highlighting this activity in Fiscal '82.

Our capital spending program supported growth opportunities and improved operating efficiencies. The major priority in expenditures was for wireformed equipment to support the additional sales volume received.

During the last nine months of Fiscal '82 the division experienced only one lost time accident. This surpassed any previous performance and improved the division's standing to the top five of the

Burlington Steel
Left: Relining electric furnace and inspecting water cooled panels.
Top right: Processing billet through recently installed 30″ breakdown mill.
Bottom Right: Analysing composition of slag, using recently purchased plasma spectrometer.

seventy-five companies in metal manufacturing as reported by the Industrial Accident Prevention Association.

Labour negotiations with the United Steel Workers of America were favourably concluded with the signing of a Memorandum of Agreement on March 24, 1982 for a period of three years, expiring January 31, 1985.

Severe problems with the North American economy make it difficult to predict any firm major expansion by the utilities in the short term. As a result, we do not anticipate increased demand for utility hardware during Fiscal '83; however, we will retain emphasis on cost reduction, increased O.E.M. activity and new product development. Our Engineering Department will place major emphasis on design innovation where intimate knowledge and understanding of field requirements for high voltage and extra high voltage hardware qualifies us for consultation on contract opportunities.

The major sector of our business, which is supplying electric utilities, is in the forefront of a growing move toward electrification to offset the increasing cost of fossil fuel energy. In the Provinces of Ontario and Quebec, thousands of homes have already been converted to electric heating and railroad electrification plans are being actively considered. SLACAN will benefit from these programs and will be in a position to supply the hardware required for these applications. Export sales will continue to be actively pursued through our agents and Canadian consulting engineering firms together with participation in federal and provincial government programs to promote this business.

Joslyn Stainless Steels

Fiscal '82 marked Joslyn Stainless Steels' first full year as an operating division of Slater Steel Industries Limited. With a newly elected administration in place in Washington, D.C., we were cognizant of the fact that their conservative policies would adversely affect the American economy for the short term and hamper our efforts to duplicate our record earnings performance of calendar year 1980. Unfortunately, at fiscal year end the U.S.A. was experiencing record levels of unemployment, a huge budget deficit, continued high interest rates and, in a general sense, an economy in deep trouble. The only obvious positive note was the lowest rate of inflation in many years.

Record levels of low priced stainless bar imports during the year only served to compound the problems of all the domestic producers. The recent filing of the Section 301 petition, by the U.S. specialty steel producers, against the subsidized foreign producers may result in some relief within the next six to twelve months; however, failure to obtain the necessary control of these imports could prove disastrous to this most critical segment of the U.S. steel industry.

Despite these problems which occurred throughout most of the year, we are extremely pleased with Joslyn's performance for Fiscal '82. With the average selling price for stainless bar product being somewhat below calendar 1980 we still were able to surpass the earnings forecast of the business plan. The depressed pricing for scrap and raw materials partially offset the lower selling price for our products, while successful implementation of profit improvement activity played a major role in the division's performance for Fiscal '82; most noteworthy being the energy conservation program.

The capital program continued on target throughout the year. Induction heating of the 12″ mill billets has resulted in quality and yield improvements over and above our expectations. Several improvements in the Cold Finishing department were partially or fully completed and proved effective in providing benefits to both quality and performance value for specific products. Certain steelmaking practices were modified in the Melt Shop resulting in improved quality and productivity. The new ESR facility is nearing completion and will be in operation by mid first quarter of Fiscal '83.

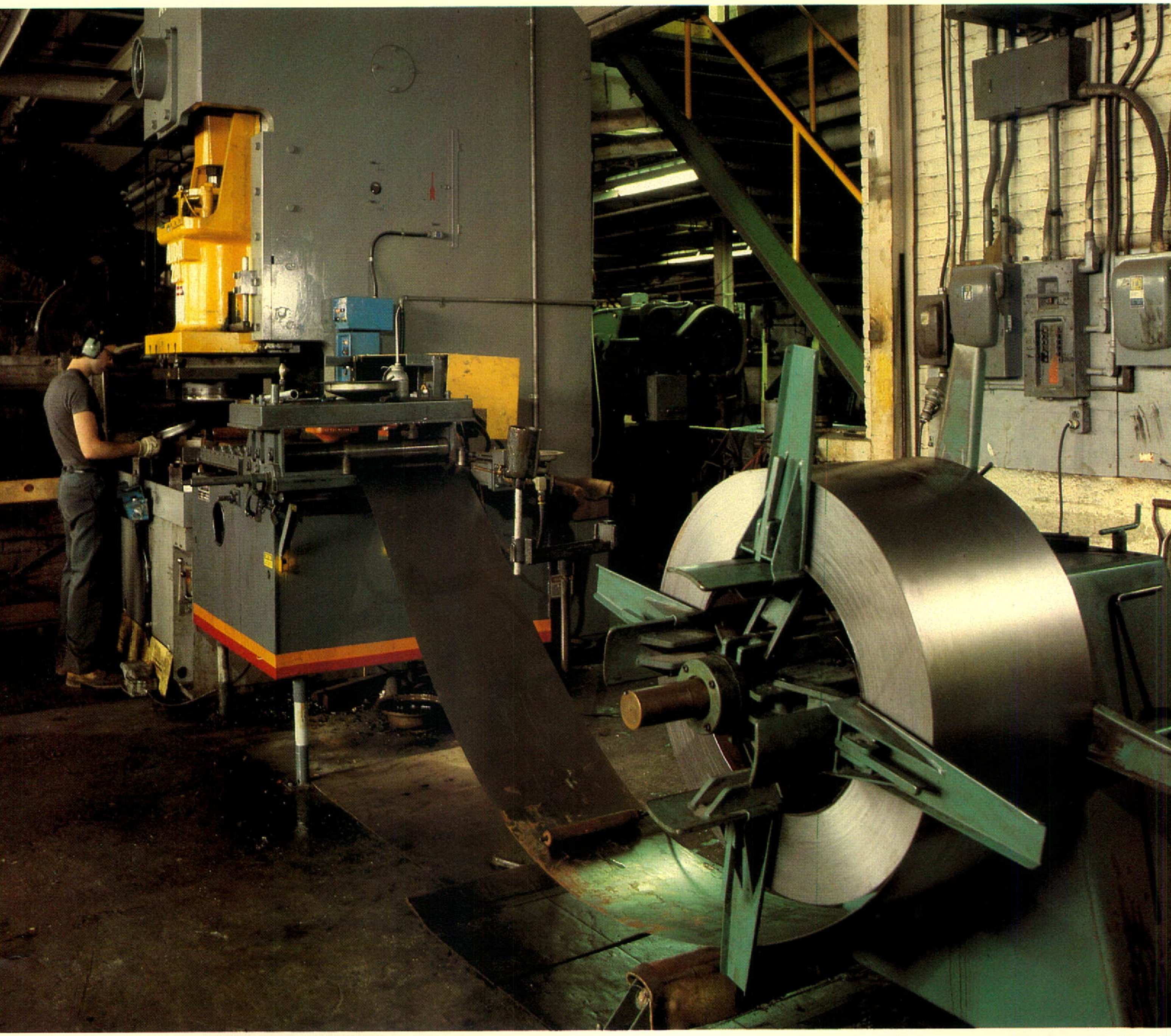
Our safety program continued to improve throughout the year. Monthly housekeeping inspections have contributed immensely to a safety awareness in every department, while regular supervisor-employee safety contact has complemented the entire program.

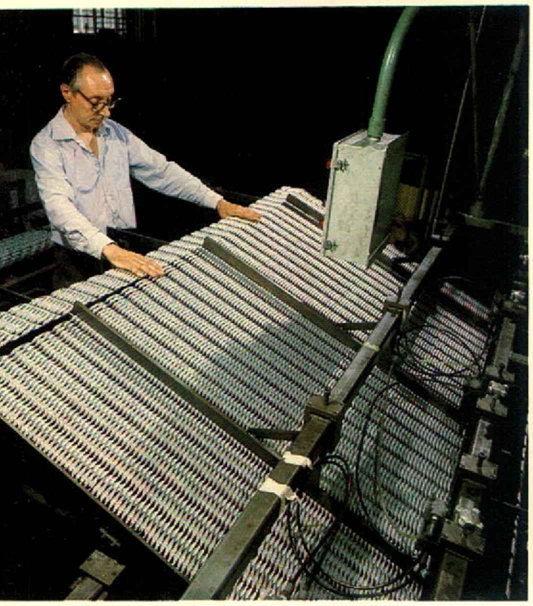
The employee suggestion plan was spearheaded by our "Pride" program. This resulted in a record performance in Fiscal '82 with many outstanding employee suggestions being received from all departments.

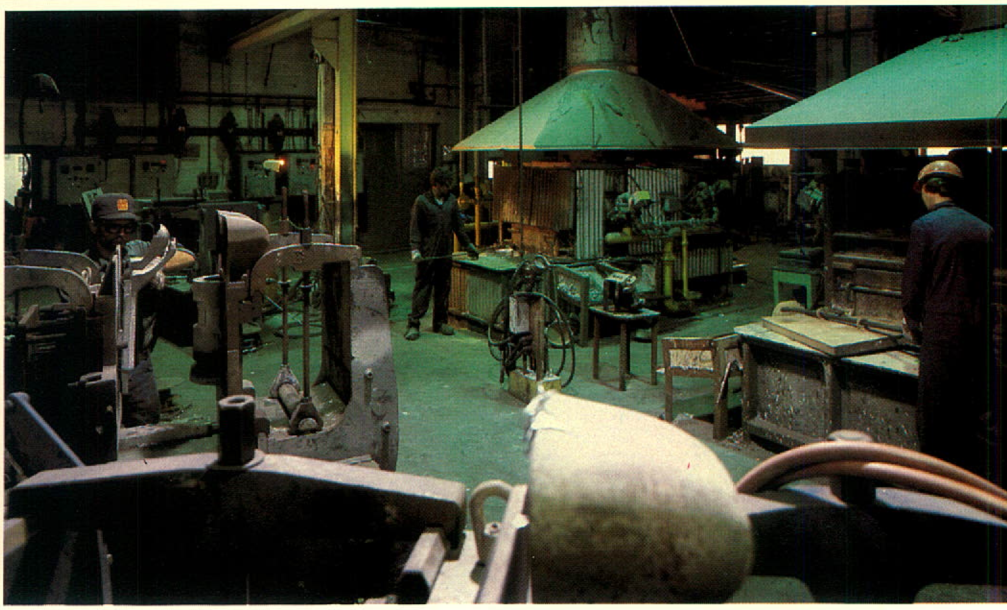
With a record snowfall, freezing rain and extremely cold temperatures, Fort Wayne experienced the worst winter on record this past year. This siege of bad weather culminated on March 14th when a quick thaw, coupled with heavy rains, produced the worst flooding in Fort Wayne since 1913. We were quite fortunate in that the plant received minimal flood damage and, because of an all-out effort by our employees, we were able to return to full production within one week.

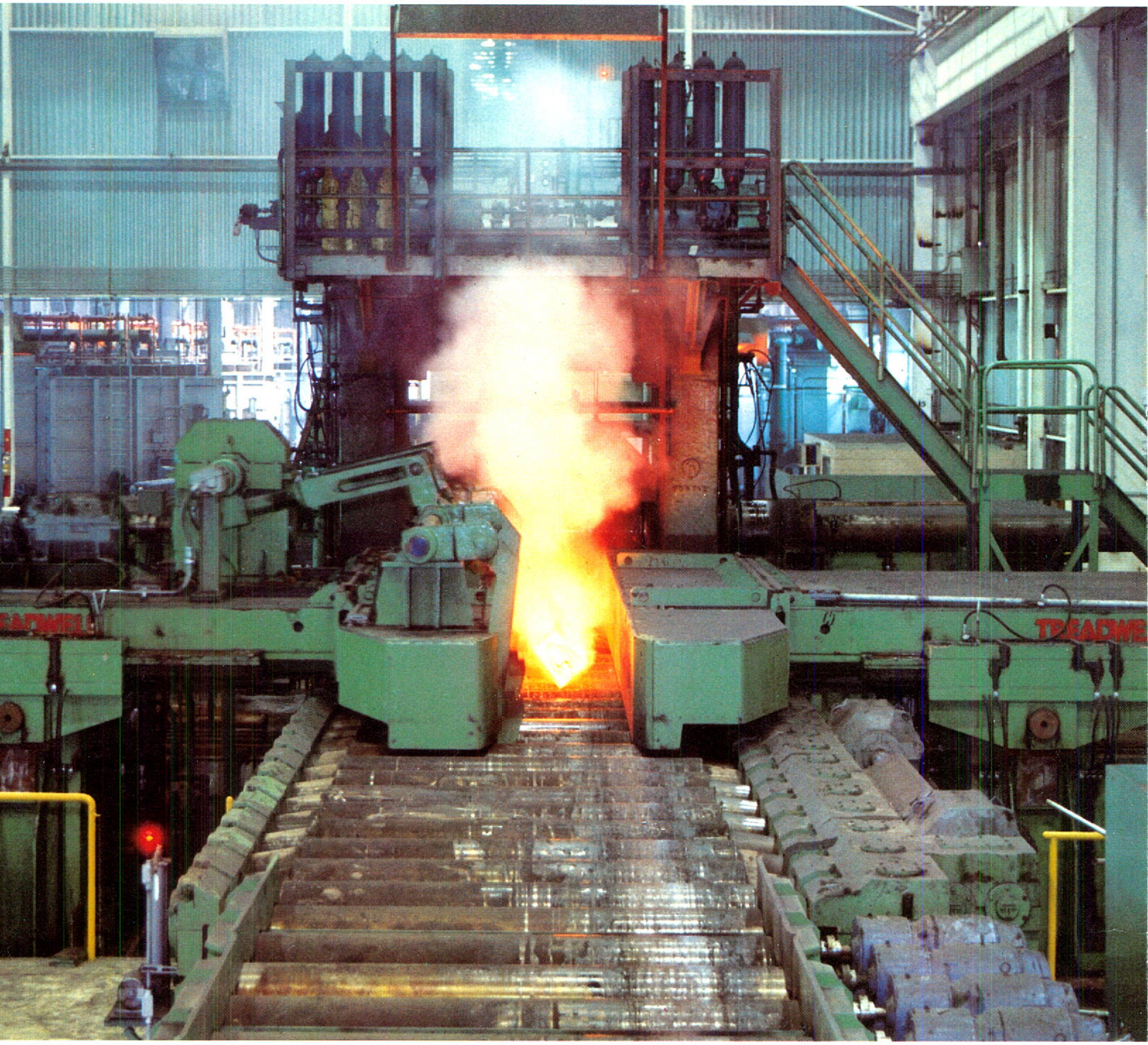
When the many compressive forces at work in the economy and marketplace are considered, Fiscal '83 will be a most difficult year for Joslyn Stainless Steels as well as for the entire U.S. specialty steel industry. We anticipate a very soft market for the first half of the year which will necessitate stringent cost cutting measures and controls in order to provide a profit. The long talked about economic recovery should begin in the second half of Fiscal '83 and, with that, a somewhat more healthy stainless bar market.

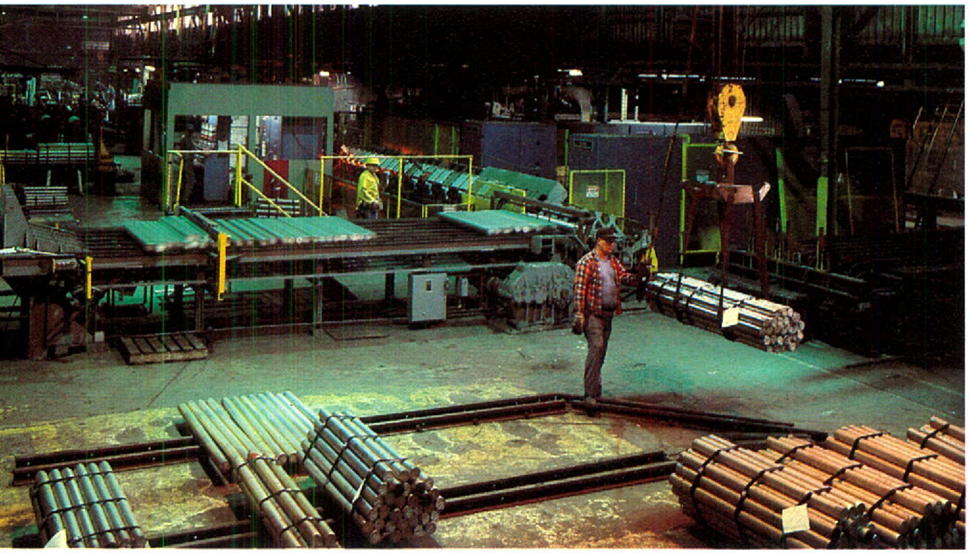
SLACAN
Top: Forming custom parts using modern draw press.
Bottom left: Feeding wire formed products into tunnel gluing machine.
Bottom right: Permanent mould casting section of aluminum foundry.

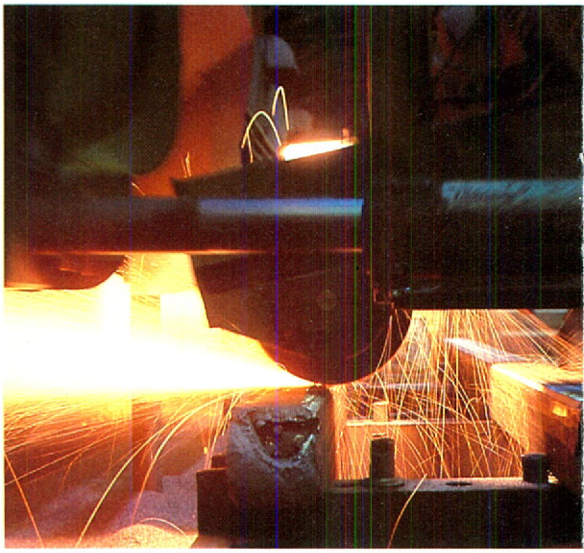












Sales and Earnings

Consolidated net sales for the year ended April 3, 1982 were $177,364,000, an increase of 56% over sales of $113,728,000 in the comparable prior year. The higher sales revenues for the year are primarily due to inclusion of the results of Joslyn Stainless Steels, which was acquired with effect from February 2, 1981. Excluding Joslyn, sales were 9% higher than last year.

Earnings for the year were $12,621,000, or $4.77 per common share, an increase of 80% over the $7,021,000, or $2.60 earned last year. Earnings from integrated operations, before equity in earnings of Interprovincial Steel and Pipe Corporation Ltd. (IPSCO), amounted to $7,553,000 in Fiscal '82, representing a 4.2% return on sales compared to $3,586,000, or 3.1% in the previous year.

Financial Position

Cash generated from operations increased to $14.5 million from $7.6 million last year, reflecting the higher level of earnings for Fiscal '82. After providing for preferred dividends, cash income per share amounted to $5.52 compared to $2.84 last year. Funds were used to purchase plant and equipment for $7.8 million, provide dividends of $2.1 million, retire long-term debt of $1.5 million and increase working capital.

Working capital increased by $2.9 million to $38.9 million at year end while the ratio of current assets to current liabilities improved to 2.6:1 from 2.2:1 a year ago. This improvement is chiefly due to the higher earnings in Fiscal '82 and a reduction of $7.6 million in receivables due to good cash collections in the final quarter of the year.

Long-term debt as a percent of total capital employed declined to 30.4% from 34.3% a year ago, chiefly as a result of the retirement of $1.5 million in long-term debt and an increase of $10.6 million in retained earnings.

Interprovincial Steel and Pipe Corporation Ltd. (IPSCO)

Sales, as reported by IPSCO to its shareholders, for the twelve month period ended February 28, 1982 were $318.4 million, an increase of 20.4% over the previous year. Earnings for the same twelve month period ended February 28, 1982 were $26.1 million compared to $18.0 million for the previous comparable period.

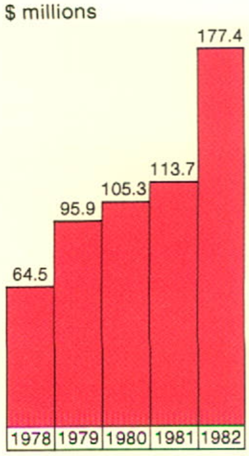
Slater Steel's equity in these earnings, which is shown in the Consolidated Statement of Earnings, amounted to $5,068,000 for Fiscal '82 compared to $3,435,000 last year. Dividends received during the year were $1,070,000 compared to $973,000 in the previous year.

Shareholders

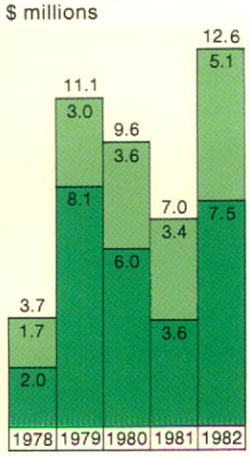
Common shareholders' equity increased to $29.15 per share at year end, an increase of 16.5% from $25.02 at the end of the previous year. As a result of the higher Fiscal '82 earnings, the return on common shareholders' equity improved to 16.4% from 10.4% in the previous year.

As a result of the improved earnings during the year, your Directors increased the quarterly dividend on common shares from 15¢ to 20¢ per share effective with the dividend payment of January 31, 1982. Dividends declared on common shares amounted to 70¢ per share in Fiscal '82 compared to 80¢ in the previous year.

Net sales
$ millions

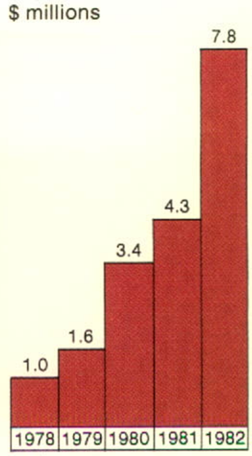


Net earnings
$ millions

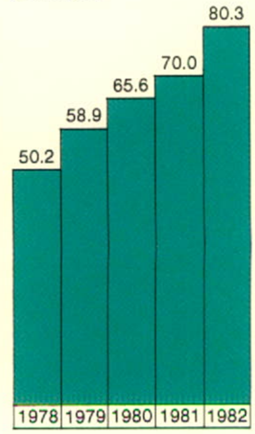


Equity in earnings of IPSCO
Integrated operations

Capital expenditures
$ millions



Shareholders' equity
$ millions



Joslyn
Top: Processing an ingot through the 38" two-hi reversing mill.
Bottom left: Charging end of recently purchased induction heating furnace.
Bottom right: Conditioning stainless steel billets.

Consolidated Statement of Earnings

Thousands of dollars	Year ended April 3, 1982	March 28, 1981
Net sales	**177,364**	113,728
Cost of sales, excluding the following items	**154,296**	102,006
Depreciation	**4,739**	2,981
Interest on long-term debt	**6,873**	1,556
Other interest	**1,695**	675
	167,603	107,218
	9,761	6,510
Income taxes	**2,208**	2,924
Earnings before equity in earnings of IPSCO	**7,553**	3,586
Equity in earnings of IPSCO (Note 4)	**5,068**	3,435
Net earnings for the year	**12,621**	7,021
Earnings per common share	**$4.77**	$2.60

Consolidated Statement of Retained Earnings

Thousands of dollars	Year ended April 3, 1982	March 28, 1981
Balance — beginning of year	**52,172**	47,431
Net earnings for the year	**12,621**	7,021
Surplus realized on retirement of preference shares	**161**	104
	64,954	54,556
Dividends:		
Preference shares	**298**	318
Common shares	**1,807**	2,066
	2,105	2,384
Balance — end of year	**62,849**	52,172

Consolidated Balance Sheet

Thousands of dollars	As at **April 3, 1982**	March 28, 1981
Assets		
Current Assets:		
Accounts receivable	**17,373**	24,961
Inventories (Note 3)	**42,796**	38,528
Short-term investments	**1,587**	—
Other current assets	**885**	1,299
	62,641	64,788
Investment in Interprovincial Steel and Pipe Corporation Ltd. (IPSCO) (Note 4)	**40,150**	36,152
Fixed assets (Note 5)	**47,811**	44,741
Other assets	**147**	180
	150,749	145,861

Liabilities		
Current Liabilities:		
Bank advances	**2,554**	2,202
Accounts payable and accrued charges	**19,566**	22,767
Income taxes payable	**969**	3,367
Dividends payable	**590**	465
	23,679	28,801
Long-term debt (Note 6)	**38,623**	40,123
Deferred income taxes	**8,105**	6,910
Shareholders' Equity		
Preference shares (Note 7)	**5,065**	5,427
Common shares (Note 7)	**12,428**	12,428
Retained earnings	**62,849**	52,172
	80,342	70,027
	150,749	145,861

Signed on behalf of the Board

G. P. Osler, Director

B. M. Hamilton, Director

Consolidated Statement of Changes in Financial Position

Thousands of dollars	Year ended April 3, 1982	March 28, 1981
Source of Working Capital		
Operations:		
Earnings before equity in earnings of IPSCO	**7,553**	3,586
Depreciation	**4,739**	2,981
Deferred income taxes	**1,195**	110
	13,487	6,677
Dividends received	**1,070**	973
Issue of long-term debt	**—**	36,123
Decrease in other assets	**33**	566
	14,590	44,339
Use of Working Capital		
Net additions to fixed assets	**7,809**	4,252
Acquisition of Joslyn Stainless Steels (net of working capital of $14,565)	**—**	20,331
Reduction of long-term debt	**1,500**	1,407
Retirement of preference shares	**201**	202
Dividends	**2,105**	2,384
	11,615	28,576
Increase in working capital	**2,975**	15,763
Working capital — beginning of year	**35,987**	20,224
Working capital — end of year	**38,962**	35,987

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Slater Steel Industries Limited as at April 3, 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 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 April 3, 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.

Coopers & Lybrand, Chartered Accountants
April 26, 1982, Hamilton, Ontario

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 Interprovincial Steel and Pipe Corporation Ltd. (IPSCO) is accounted for by the equity method and includes equity in undistributed earnings to February 28, 1982, based on the latest information available to shareholders.

(b) *Translation of Foreign Currencies*
Foreign currencies have been converted to Canadian dollars on the following basis:
(i) Current assets and current liabilities, at the rate of exchange in effect as at the balance sheet date.
(ii) Property, plant and equipment, at the rate of exchange in effect at the date on which the respective assets were acquired.
(iii) Long-term debt, at the rate of exchange in effect at the date on which the funds were borrowed.
(iv) Revenue and expenses (excluding depreciation and amortization which are translated at the same rate as the related assets), at the average rate of exchange for the year.
(v) Exchange gains and losses on translation of foreign currencies have been taken into income as realized. Unrealized exchange gains and losses have been deferred.

(c) *Inventories*
Inventories are valued at the lower of cost and net realizable value. Inventories of the SLACAN Division are recorded at standard cost and inventories of the Burlington Steel Division are recorded at average cost, both systems based on current material, labour and overhead costs. Inventories of the Joslyn Stainless Steels Division are recorded at last-in, first-out (LIFO) cost.

(d) *Income Taxes*
Income taxes are provided on the tax allocation method in acordance with generally accepted accounting principles. The resultant deferred income taxes have arisen primarily due to claiming capital cost allowance for income tax purposes in excess of depreciation provided in the accounting records. In Canada the statutory 3% inventory allowance is recognized as a reduction in the current income tax provision. Investment tax credits in both Canada and the United States are recognized in the year in which they are claimed for tax purposes by a reduction of income tax expense.

(e) *Fixed Assets*
In 1961, property, plant and equipment of the Burlington Steel Division was restated to reflect depreciated replacement value as appraised by Warnock Hersey Appraisal Company Limited. The appraisal excess has been fully transferred to retained earnings at the same rates as used for the depreciation of buildings and equipment. All other fixed assets, including subsequent additions to the Burlington plant, are recorded at cost. The buildings, machinery and equipment acquired in respect of Joslyn Stainless Steels have been recorded at purchase cost and are being depreciated on a straight line basis at rates of 6⅔% to 20%. In all divisions, depreciation is charged into the accounting records at annual rates which are intended to write off fixed assets over their estimated useful lives.
Depreciation rates for fixed asset additions are:
Burlington Steel and Joslyn Stainless Steels Divisions:
Buildings — 5% to 6⅔% straight line
Machinery and equipment — 5% to 6⅔% straight line

SLACAN Division:
Buildings — 3¾% to 7½% declining balance
Machinery and equipment — 15% declining balance
Automotive and other mobile equipment is depreciated at 30% on a declining balance basis for all divisions.

In accordance with latest published information issued by IPSCO, fixed assets are stated at cost and depreciation is provided at the following rates:
Buildings — 2½% to 4% straight line
Machinery and equipment — 4% to 10% straight line

2. Acquisition of Joslyn Stainless Steels Division

Effective February 2, 1981, the company, through its subsidiaries, acquired the assets and liabilities of Joslyn Stainless Steels, based in Fort Wayne, Indiana, U.S.A., for a total cash consideration of $34,896,000. The acquisition has been accounted for by the purchase method and the results of operations included from the effective date of acquisition.

In October, 1981 the Company obtained an appraisal of the fixed assets purchased from Joslyn Manufacturing and Supply Company. Accordingly, the estimated allocation of the purchase price has been revised and the accompanying financial statements for 1981 have been restated to reflect the effects of the changes in the allocation of the purchase price. The purchase consideration is made up as follows:

Thousands of dollars	
Current assets	23,641
Fixed Assets	20,331
	43,972
Less: Current liabilities	9,076
	34,896

As a result of this re-allocation of values, consolidated current assets as at March 28, 1981, decreased by $3,579,000 to $64,788,000, consolidated fixed assets increased by $3,998,000 to $44,741,000, and working capital decreased by $3,938,000 to $35,987,000, compared to previously reported amounts. There is no change to previously reported consolidated net earnings for the year ended March 28, 1981.

3. Inventories

Thousands of dollars	1982	1981
Raw material and supplies	10,656	10,831
Work in progress	17,004	14,759
Finished goods	15,136	12,938
	42,796	38,528

The method of inventory valuation of the Joslyn Stainless Steels Division has been changed to the last-in, first-out (LIFO) basis. The change has had no material effect on the earnings or financial position of the Company.

4. Investment in Interprovincial Steel and Pipe Corporation Ltd. (IPSCO)

This investment in 1,080,992 common shares of IPSCO represents 20.2% of its issued and outstanding shares. The total excess 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 is being reduced by $214,000 per annum, an amount sufficient to amortize the total excess cost over a period not to exceed forty years. The investment is stated at cost as reduced for amortization of excess cost, plus equity in the undistributed earnings since dates of acquisition.

Certain claims have been asserted against IPSCO, and the Company made aware of a possible claim arising from the supply of allegedly defective pipe. The uninsured portion of these claims is estimated not to exceed $7,700,000. IPSCO denies all liability and is of the opinion that no loss will result from the asserted claims but, because of insufficient information in respect of the possible claim, is unable to determine whether or not any loss will result.

5. Fixed Assets

Thousands of dollars	1982	1981
Land	2,628	2,628
Buildings, machinery and equipment	77,229	69,507
	79,857	72,135
Less: Accumulated depreciation	32,046	27,394
	47,811	44,741

6. Long-Term Debt

Thousands of dollars	1982	1981
Unsecured term bank loan	4,000	5,500
Secured term bank loan (U.S. $29,000,000)	34,623	34,623
	38,623	40,123

The unsecured term bank loan bears interest at the prevailing commercial bank prime rate minus ⅜ths of 1% and is due August 3, 1983.

The secured term bank loan bears interest at London Interbank Offered Rate (LIBOR) plus ½% with rates fixed for the ensuing year at approximately 16½%. The loan is repayable from 1986 to 1996 in equal annual instalments.

7. Capital Stock

Thousands of dollars	1982	1981
(a) *Preference Shares*		
Authorized and outstanding		
$1.10 Series, 5½% cumulative redeemable, par value $20 45,573 shares (1981 – 48,073)	912	961
$1.10 Second Series 5½% cumulative redeemable, par value $20 101,112 shares (1981 – 109,877)	2,022	2,198
$1.20 Series, 6% cumulative redeemable, par value $20 106,570 shares (1981 – 113,420)	2,131	2,268
253,255 Shares (1981 – 271,370)	5,065	5,427

During the year the company purchased for $200,930 the following shares for cancellation:

$1.10 Series	2,500
$1.10 Second Series	8,765
$1.20 Series	6,850
	18,115

The company has met its obligations with respect to preference share purchase fund requirements.

(b) *Common Shares*
Authorized — 4,000,000 shares without par value.
Issued — 2,582,332 shares.

8. Segmented Financial Information

	Steel Production 1982		Steel Production 1981		Other Manufacturing		Consolidated	
					1982	1981	1982	1981
Thousands of dollars	Canada	U.S.	Canada	U.S.	Canada			
Total sales	94,523	66,106	86,049	11,241	17,539	16,637	178,168	113,927
Inter-segment sales	796	—	185	—	8	14	804	199
Net sales to customers	93,727	66,106	85,864	11,241	17,531	16,623	177,364	113,728
Operating profit	9,012	9,472	6,808	1,693	307	1,224	18,791	9,725
General corporate expense							(462)	(984)
Interest expense							(8,568)	(2,231)
Equity in earnings of IPSCO							5,068	3,435
Income taxes							(2,208)	(2,924)
Net earnings	—	—	—	—	—	—	12,621	7,021
Identifiable assets	47,057	50,048	52,065	45,865	11,642	10,872	108,747	108,802
Corporate assets	—	—	—	—	—	—	42,002	37,059
Total assets	47,057	50,048	52,065	45,865	11,642	10,872	150,749	145,861
Capital expenditures	4,858	2,599	2,726	870	352	656	7,809	4,252
Depreciation and amortization	2,434	1,970	2,329	310	335	342	4,739	2,981
Export sales	24,429	—	30,432	—	1,624	809	26,053	31,241

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

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

Operating results of the Joslyn Stainless Steels Division have been included from the date of acquisition (February 2, 1981) and are reflected under the heading "United States" in the above analysis.

9. Pension Plan Liability

The liability for unfunded past service pension costs at April 3, 1982, which is not reflected in the financial statements, amounted to $15,466,000 (1981 — $10,783,000). 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.

Five Year Review

	1982	1981	1980	1979	1978
Sales and Earnings ($000s)					
Net sales	**$177,364**	$113,728	$105,320	$ 95,924	$ 64,520
Income taxes	**2,208**	2,924	3,620	5,849	1,200
Earnings before equity in earnings of associated company (Note A)	**7,553**	3,586	5,987	8,128	2,065
Equity in earnings of IPSCO	**5,068**	3,435	3,646	2,957	1,683
Net earnings (Note A)	**12,621**	7,021	9,633	11,085	3,748
Other Financial Data ($000s)					
Capital expenditures	**7,809**	4,252	3,440	1,624	900
Depreciation	**4,739**	2,981	2,466	2,328	2,216
Cash generated from operations (Note B)	**14,557**	7,650	9,038	10,585	4,612
Year End Position ($000s)					
Working capital	**38,962**	35,987	20,224	17,165	16,865
Fixed assets — net	**47,811**	44,741	23,139	23,201	23,905
Total assets	**150,749**	145,861	97,899	85,897	77,342
Long term debt	**38,623**	40,123	5,407	5,407	9,513
Common shareholders' equity	**75,277**	64,600	59,859	52,947	43,957
Per Common Share Data					
Earnings (Note A)	**$ 4.77**	2.60	3.60	4.16	1.31
Dividends declared	**.70**	.80	.95	.70	.32
Shareholders' equity	**29.15**	25.02	23.18	20.50	17.02
Other Statistics					
Number of employees	**1,484**	1,527	1,121	1,126	1,041
Number of shareholders	**3,387**	3,778	4,237	4,850	5,818

Note A. Earnings shown above are before an extraordinary loss of $429,000, or 17¢ per common share, recorded in 1978 when the cost of the rod mill feasibility study conducted during 1975 and 1976 was charged to operations.

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

Directors and Officers

Directors

Elias M. Doumet
Chief Executive Officer, Candou Industries Ltd.

E. Peter Gush
Chairman, President and Chief Executive Officer, Hudson Bay Mining and Smelting Co., Limited

Bruce M. Hamilton*
President of the Corporation

Douglas C. Marrs*†
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

Eric Walker
Director, Commercial Services, British Steel 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
Wallace H. Rayner, Vice President – Finance and Secretary
Graham L. Desson, Treasurer
Darrold A. Toner, Comptroller
Garry J. Condon, Assistant-Comptroller

Officers of Burlington Steel Division

James R. Powers, Vice President — General Manager
John F. Miles, Vice President — Manufacturing
David W. Albright, Comptroller — Treasurer

Officers of Joslyn Stainless Steels Division

Edwin E. Hodgess, Jr., President
James A. Fuhrman, Controller

Officers of SLACAN Division

Gordon W. Meldrum, Vice President — General Manager
George E. Thompson, Comptroller — Treasurer

Corporate Information

Corporate Offices

Slater Steel Industries Limited
681 King Street West, P.O. Box 271, Hamilton, Ontario L8N 3E7

Divisional Offices

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

Joslyn Stainless Steels
2400 Taylor Street West, Fort Wayne, Indiana 46801

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

Associate Company

Interprovincial Steel and Pipe Corporation Ltd.
P.O. Box 1670, Regina, Saskatchewan S4P 3C7

Registrar & Transfer Agents

Montreal Trust Company
Toronto, Montreal, Vancouver, Winnipeg

Listed

Toronto Stock Exchange

Auditors

Coopers & Lybrand, Chartered Accountants

Annual Meeting
The Annual Meeting of Shareholders will be held at 11:00 a.m. on Tuesday, July 27, 1982 in Meeting Room #1, Hamilton Place (McNab Street Entrance), Hamilton, Ontario.

Slater Steel Industries Limited

Mission

To develop a metal manufacturing corporation with particular emphasis on the low-cost production of specialty steel products and having involvement in related added-value activity to achieve a regular pattern of growth through internal expansion and acquisition in the North American market.

Goals

1. Maintain a work environment conducive to personal innovation and initiative which offers opportunity for individual contribution, ingenuity and development. At the same time, emphasize communication and application in matters pertaining to safety, health and a positive attitude of all employees.

2. Propose and apply manufacturing practices and capital investments that support the concept of low-cost production, compatible with ensuring a standard of quality to meet the end-use requirements of our various customers.

3. Broaden our market base as a means of minimizing the effect of major shifts in demand for specific products, thereby creating a counter-cyclical pattern for our overall business activities.

4. Provide a leadership position in areas of service, delivery, responsiveness and flexibility relative to the supply of quality products.

5. Emphasize our identity as a selective producer of specialty steel products, with particular attention to offering customized service to accommodate the varying requirements of the market.

6. Expand our capability and capacity in metal manufacturing activities as a basis for providing efficient, profitable conversion services and for the production of specialized commodities having growth potential.

7. Targeted operating ROI (pre-interest and tax to capital employed) for each division should be aimed at the level of 25%. Obsolete, modify or expand existing facilities in relation to their ROI performance.

8. Maintain a healthy financial position for the Corporation with the objective of attaining an after-tax return on consolidated capital employed of 14%.

9. Add new ventures that are a logical extension of, or are synergistic with, our existing operations and are compatible with our ROI objectives.

10. 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.

11. Support a position of corporate responsibility to the community, including environmental control, communication to the public and involvement in local public affairs.

Slater Steel Industries Limited
681 King Street West, P.O. Box 271, Hamilton, Ontario L8N 3E7

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