1981 Annual Report

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 mini-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

$ thousands except per share data	1981	1980	Change
Net sales	$113,728	$105,320	+ 8%
Net earnings	7,021	9,633	− 27%
Capital expenditures	4,252	3,440	+ 24%
Depreciation	2,936	2,466	+ 19%
Working capital	39,925	20,224	+ 97%
Fixed assets — net	40,743	23,139	+ 76%
Per common share data:			
Net earnings	$ 2.60	$ 3.60	− 28%
Dividends declared	$ 0.80	$ 0.95	− 16%
Shareholders' equity	$25.02	$23.18	+ 8%

President's Commentary

Fiscal 1981 has proven to be another significant step in the growth of Slater Steel Industries Limited despite the depressed economic climate and the attendant effect on the various markets for the products and services supplied by our operating divisions. Consolidated net sales reached a record high of $113,728,000 which has generally resulted from better volume and enriched product mix. Net income was $7,021,000, down 27% from the previous year.

As forecast, the soft conditions prevailing in most markets for durable commodities caused our sales volume to decrease somewhat during the first half of the year against the pattern established during the comparable period of the previous year. At the same time, earnings fell to almost half the level experienced in the first six months of Fiscal 1980. A pronounced turnaround occurred in the second half of the year, which seemed to result from a generally more optimistic business attitude and refurbishing of inventories in several sectors of the industries we supply. Our sales increased by 19% compared to the same period in Fiscal 1980, while earnings improved by 15%. This favourable trend at our year end appears to be continuing and should provide a sound position in both activity and performance for at least the first half of the coming fiscal year.

Uncertainty still pervades the North American economy, and it is almost impossible to predict the level of business activity that we can anticipate in the latter half of Fiscal 1982. We are confident, however, that the demand for those products that we manufacture will continue and anticipate that our strategy to diversify our overall product lines and to emphasize markets with strong growth potential will maintain a favourable trend in both sales and earnings on the longer range basis.

On February 2, 1981 our Company acquired the assets of the Stainless Steels Division of Joslyn Mfg. and Supply Co. of Chicago through our wholly owned subsidiary, Slater Steel, Inc. Joslyn Stainless Steels is a specialty steel mill facility located in Fort Wayne, Indiana which manufactures a wide range of bar products in stainless steel and high temperature alloy grades. The Joslyn mill is recognized and known for its pioneering work in the development of the A.O.D. steelmaking practice, a process that is currently applied by most manufacturers of stainless steel as a basis for attaining both efficiency and quality. Acquisition of this operation complements our long range commitment to be an effective low cost producer of specialty steel bar products. The Joslyn operation will enable Slater Steel to broaden and diversify its market base by continuing with the supply of stainless steels and adding a capability for the manufacture of large bar sizes and billets in both Alloy and SBQ grades of steel.

Interprovincial Steel and Pipe Corporation Ltd. continued to increase its sales through the on-going strong markets for pipe products and the initiation of large diameter spiral weld pipe production for the prebuild portion of the Alaska Highway Gas Pipeline project. While earnings in the first half of our fiscal year were almost 60% ahead of the same period last year, there was a considerable drop in profit performance in the second half of our year. This resulted from a four week shutdown of all steelmaking operations due to a breakdown of the main rolling mill, the start-up problems associated with initial production of the sophisticated prebuild pipe, and the manufacturing interruptions associated with the on-going expansion program of production facilities. These problems seem to have been corrected and will lead to improvements in both sales and earnings in the coming year.

On May 27, 1980, Dr. Arthur N. Bourns resigned as a Director of the Company. Dr. Bourns was elected to our Board on September 5, 1975 and during this period provided considerable interest and advice in the affairs of the Company.

On February 12, 1981, Mr. J. Michael Edwards resigned as a Director of the Company. Mr. Edwards was actively involved in the purchase of British Steel Corporation's interest in Slater Steel Industries Limited in December 1971 and he was the first Director appointed by British Steel Corporation at that time. During his term of almost ten years on the Board, Mr. Edwards gave considerable help to our Company through his liaison with British Steel as well as his own counsel and guidance.

On July 25, 1980 at the Annual Meeting of our Company, Mr. Elias M. Doumet, Chief Executive Officer of Candou Industries Ltd., Vancouver, B.C. was elected a Director.

On behalf of the Board of Directors I wish to thank our shareholders, suppliers and customers for their continuing support. At the same time, the success that we have achieved in Fiscal 1981 has involved a genuine effort and contribution from our employees for which we are most appreciative.

Bruce M. Hamilton

Bruce M. Hamilton,
President.

Burlington Steel

Demand for steel products in the geographic markets traditionally served by Burlington Steel was reduced substantially during the first half of Fiscal 1981. This was the result of automotive and truck production cutbacks, a relatively poor construction season and a general lessening of purchases in almost all other steel consumer industries.

Orders were, however, successfully obtained for billets and for construction grade steels in the off-shore world markets. While both of these products are characterized by low profit margins, they were instrumental in allowing us to maintain operations at capacity throughout the fiscal year. Both sales and earnings strengthened considerably in the second half concurrent with a much improved product mix. This improvement was related to increased activity in some segments of industry as well as an attendant inventory buildup. Our ability to respond to these changing requirements with both rapid delivery and service enabled us to capitalize on this cyclical business trend.

Raw steel production in the Melt Shop was reduced slightly from Fiscal 1980's record of 285,000 tons to 281,500 tons in Fiscal 1981. The Rolling Mill operated at capacity, sustained by new special sections and previously mentioned off-shore export business. Production totalled 217,000 tons, down from the Fiscal 1980 level of 247,000 tons, primarily due to the increased number of sections and sizes being rolled. The Mill operations continued to run full-out at year end with product mix and productivity improving.

Manufacturing costs, particularly those related to energy, have escalated dramatically throughout the year. However, improved Melt Shop performance, effective cost reduction programs and judicious use of raw materials have dramatically assisted in reducing the impact of our escalating costs.

Prices for scrap, our basic raw material, were volatile throughout the year ending at an historically high level.

Capital spending on items vital to cost or product quality improvement continued. Major projects included water-cooled wall panels on the largest of our three electric arc melting furnaces, the erection of a car bottom annealing furnace, the installation of a round bar straightening and non-destructive testing line, the erection of a rolling mill bar quality inspection facility, and the addition of a two-high 30″ mill stand to our rolling mill. The latter four projects will all be operational during the second quarter of Fiscal 1982.

Our steel mill continues to experience a good safety record due to a comprehensive program and strong emphasis on accident prevention. All Burlington Steel employees have contributed to this achievement through their individual safety efforts and are to be congratulated.

The outlook for Fiscal 1982 is for gradually increasing activity in our traditional marketplace. Our long term plan for increasing participation in the Alloy and Special Bar Quality product markets has been enhanced by the introduction of several new plowshare and wheel rim sections. Our expertise in the special section market is established and well known. The skills we have developed in making Alloy and Special Bar Quality products and providing superior service to our customers will continue to support our ability to grow with the increasing needs of North American steel bar product users.

J.R. Powers
Vice President-General Manager

Product line

Burlington Steel manufactures Bar Products in Alloy, Special Bar Quality, Carbon and Merchant grades. While 35 ton heat lots can be supplied in most of the conventional AISI designated analyses, our standard grades include:

Carbon steels (Special bar quality)
Series 1000; 1100; 1500
.08/.13% sulphur.

Alloy steels
Series 1300; 4000; 4100; 5100; 8600.

Merchant bar
Series 1000 to standard Merchant Bar Specifications.

Bar products are supplied in the hot rolled condition, annealed or stress relieved, as required, in the following sizes and forms:

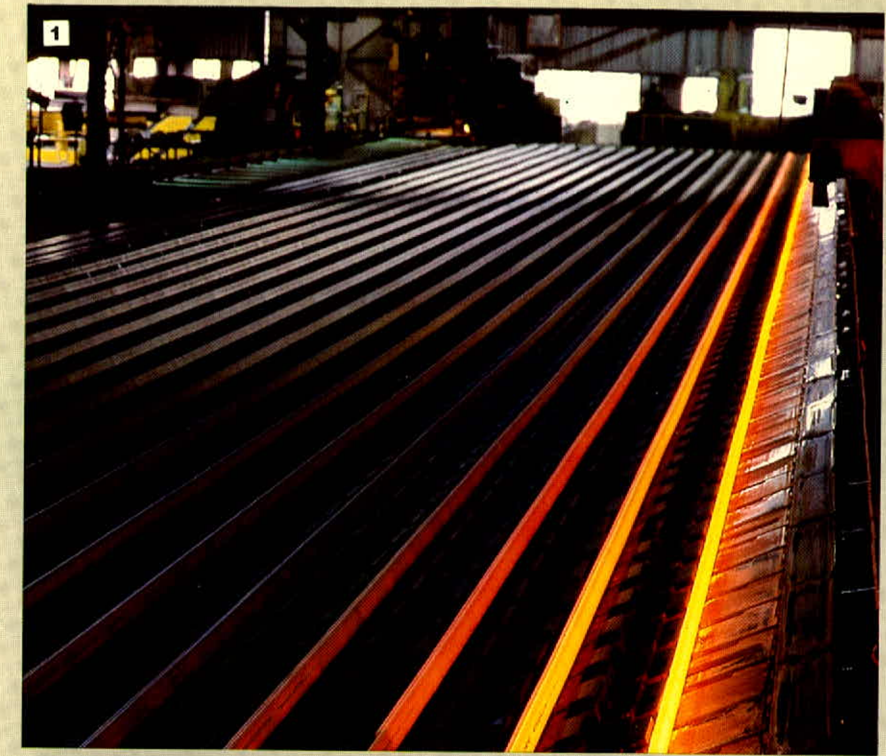
Flats (Square edge or round edge)
Thickness—¼″ to 1½″ in ⅛″ increments.
Width—1½″ to 6″ for thickness under 1″.
2″ to 5″ for thickness 1″ and over.

Rounds
¾″ diameter to 2½″ diameter in 1/16″ increments.

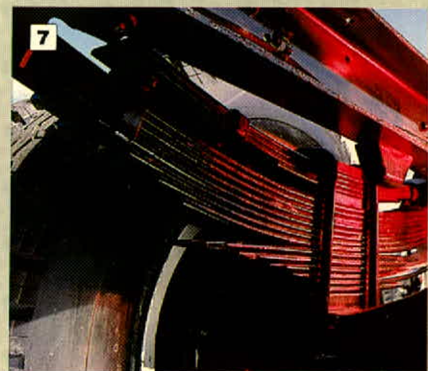
Special sections
A variety of special shapes can be rolled such as tire rings, bevel flats, sign posts, plowshares, etc. which are within the general dimensional parameters of our flat bars and up to a cross sectional area of 7.5 sq. inches.

Concrete reinforcing bars (Deformed)
Reinforcing Bar is available in straight lengths in metric sizes from 10M section to 35M section in 5M increments and in size 45M.

Forged steel grinding balls
Grinding Balls are produced for the crushing media in ore milling as fully hardened product in sizes ranging from 1″ diameter to 2″ diameter.



1. Hot rolled flat bars on our walking beam cooling bed (awaiting transfer to shearing).
2. Deformed concrete reinforcing bars in one of the new metric sizes now standard in Canada.
3. Burlington's forged steel grinding balls on conveyor to quenching tank.
4. Cold finished bars manufactured from our mill's hot rolled bars by a major Canadian producer.
5. Tire ring section in our warehouse ready for shipment to customer.
6. Fully assembled truck wheel and tire demonstrating end use of tire rings.
7. Truck suspension system showing the round edged leaf spring flat, a large market for our alloy bar products.



SLACAN™

During the first fiscal quarter the Slater Products Division changed its name to the SLACAN™ Division of Slater Steel Industries Limited in order to avoid a conflict in the use of the "Slater" name on sales of certain products in the United States.

The generally poor business conditions in the North American economy took its toll on the overall performance of the SLACAN Division in Fiscal 1981. Both curtailment and deferment of construction projects by the electrical utilities reduced the overall volume of market activity for our proprietary E.H.V. hardware and, at the same time, a general retrenchment also occurred in the communications industry. The combination of these conditions, along with lower sales of standard hardware and O.E.M. conversion work, reduced our shipments by 18% from the previous year, and operating earnings declined by 55%, reflecting highly competitive conditions in the depressed business climate.

During the year we established a distributor program to market our SLACAN wire formed products in the United States. These products include a variety of forms used for guying, splicing, supporting and spacing transmission and distribution lines for the electrical and communications systems. The additional export sales we anticipate should significantly increase our output of wire formed products in the coming year and the necessary additional manufacturing equipment has been put into place.

We have made extensive improvements in our Aluminum Foundry to enhance both productivity and quality of castings. This will provide the capacity and capability to support potential requirements for our various E.H.V. components and ensure our capability of handling O.E.M. work effectively on an on-going basis.

Our Engineering group has developed patented E.H.V. spacer damper components utilizing a unique vibration absorber concept for both single and multi-conductor lines. Our "Apex-up" conductor configuration has received field acceptance and is now being applied to one of the newest Canadian E.H.V. transmission programs.

The depressed consumer market resulted in a disappointing performance from our lawn and garden ware product lines, and at year end, we elected to dispose of this segment of our business. The Marine Hardware line was sold and we are currently negotiating for the sale of our product patents and rights from the Great Outdoors segment of our business.

We do not anticipate any major increase in demand for utility hardware in the near term future and, therefore, our principal attention and concern in Fiscal 1982 will be directed to areas of cost reduction, product development and O.E.M. activity. There are indications of a growing emphasis toward electrification to offset the concerns connected with the shortage of fossil fuel energy. Plans are underway in this country to expand the concept of electric home heating, utilize railroad electrification and increase the application of induction heating for industrial requirements. Business planning for SLACAN will ensure our being prepared to supply the particular hardware components required in these new applications as a basis for future growth and progress.

J.H. Taylor
Vice President-General Manager

Product line

SLACAN specializes in the manufacture of quality Pole Line Hardware and is the largest producer in Canada serving the electric power and telephone industry.

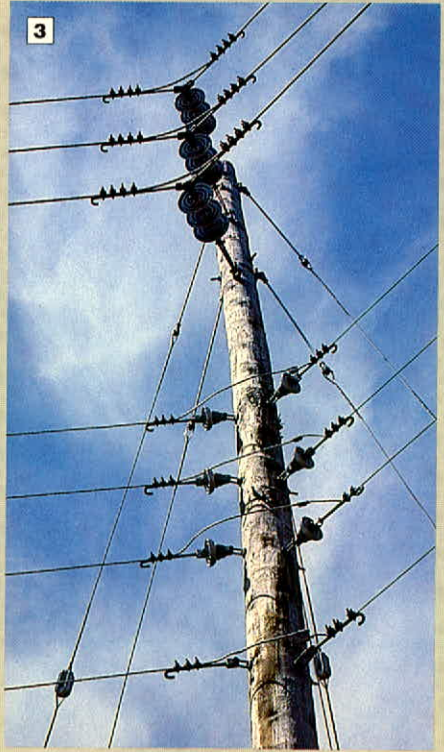
Pole Line Hardware is a general product category for commodities such as anchors, guying devices, pins, racks and support hardware used in the construction of electric power and telephone lines.

E.H.V. Hardware is a designated class of hardware used in the construction of transmission lines with voltages of 500KV and higher. Spacer dampers, suspension and dead end assemblies are typical of the product used in these applications.

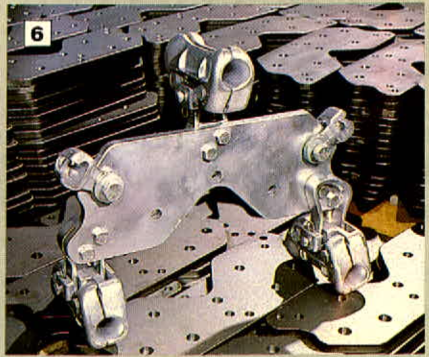
Wire Formed products are helically formed rods which can be applied without installation tools and are manufactured to accommodate conductors and wire strand used by utilities for outside plant construction. These products include such items as guying dead ends, bundled spacers, armoured ties and splices.

Nicopress compression sleeves are used to dead end and splice wires and conductors.

In addition, the SLACAN Division offers conversion services including metal stamping, forging, galvanizing and aluminum casting (permanent mould and sand casting).



1. Armoured Suspension unit used for supporting transmission line conductors; reduces conductor stress, abrasion and arc-over at the support point.
2. Armoured Ties used to secure the conductor to the insulator and prevent conductor damage due to abrasion.
3. Typical primary distribution angle pole illustrating standard pole line hardware such as strain clamps, guying dead ends and guy hooks.
4. Hot forged shackle used in transmission line construction.
5. Aluminum cast suspension clamp components for support of transmission line conductors.
6. Another example of SLACAN's innovative engineering; Apex-up suspension assembly ready for shipment and subsequent installation on a 500KV transmission line.
7. An illustration of conversion services available from our Aluminum Foundry — gyrators and gas BBQ components.



Joslyn Stainless Steels

While only February and March 1981 financial results are included in the consolidated figures for Slater Steel Industries Limited, it should be pointed out that calendar 1980 was a record sales and earnings year for the Joslyn Stainless Steels Division. This was achieved through an all-time high sales revenue associated with a stable pricing climate and strong product mix.

Joslyn entered 1980 with a sputtering U.S. economy, high interest rates and a sluggish, uncertain market for stainless steel bar products. Our diversification of product line, including specific niches relative to shapes and large bar sizes, enabled us to maintain a strong order book in the first half of the year, and contributed to efficient manpower and facility utilization as well as excellent performance and profitablility. While the order backlog softened in the latter half of the year, on-going business held up reflecting both our ability to meet short demand commitments from stock, as well as maintain the excellent customer relations that existed due to strong sales liaison, superior service and excellent quality.

During the year capital expenditures were directed to equipment layout or replacement to enchance both operating efficiencies and quality. A program to improve product handling and processing in the Cold Finishing Department, which included several different operations, was initiated, while induction heating facilities for the 12″ Bar Mill were installed to replace an inadequate walking beam gas fired heating furnace. Immediately following purchase of this operation, the Board approved the installation of a $2.5 Million E.S.R. facility which will be used to support our participation in a strong growth market for high quality stainless steels and super alloy grades supplied to the aircraft and nuclear industries.

Joslyn has been involved in the supply of E.S.R. materials on a conversion basis, which we can readily roll on our highly efficient primary mill. Having our own remelt unit is essential to secure our committed position as a supplier of these critical grades of vital material.

In September 1980, a three year labour contract was signed with the United Steelworkers of America on a basis similar to that established earlier in the year for "big steel". This provided a stable work base with the employees at the time of acquisition.

We anticipate some softening of performance in the coming year simply on the basis of the many uncertainties that lie ahead under the constraints that will be applied to the business sector by the new Reagan Administration. At the same time, we will be actively pursuing a program to add production volume to the 38″ primary mill through the manufacture of large Alloy and S.B.Q. grade bars. Joslyn has a unique capability for producing large bar sections, and it will be our objective to capitalize on this strength in the manufacture of both stainless steel as well as alloy and carbon grades of steel.

E.E. Hodgess Jr.
President

Product line

Joslyn Stainless Steels manufactures a broad range of the conventional stainless steel grades in bar and billet form.

Products are usually supplied in the hot rolled, annealed condition, with additional surface processing as required to enhance further processing, corrosion resistance, or appearance. Products can be supplied in the following size ranges and forms:

Round bars
⅝″ diameter to 1″ diameter in 1/32″ increments

Over 1″ diameter to under 2″ diameter in 1/16″ increments

2″ diameter to 6″ diameter in ⅛″ increments

Round bars can be supplied in the following conditions:
Hot rolled and descaled
Rough machined (large sizes)
Centerless ground or polished

Square bars
⅝″ to 1″ in ⅛″ increments
1″ to 2″ in ¼″ increments
Square bars are usually supplied as cold drawn finish.

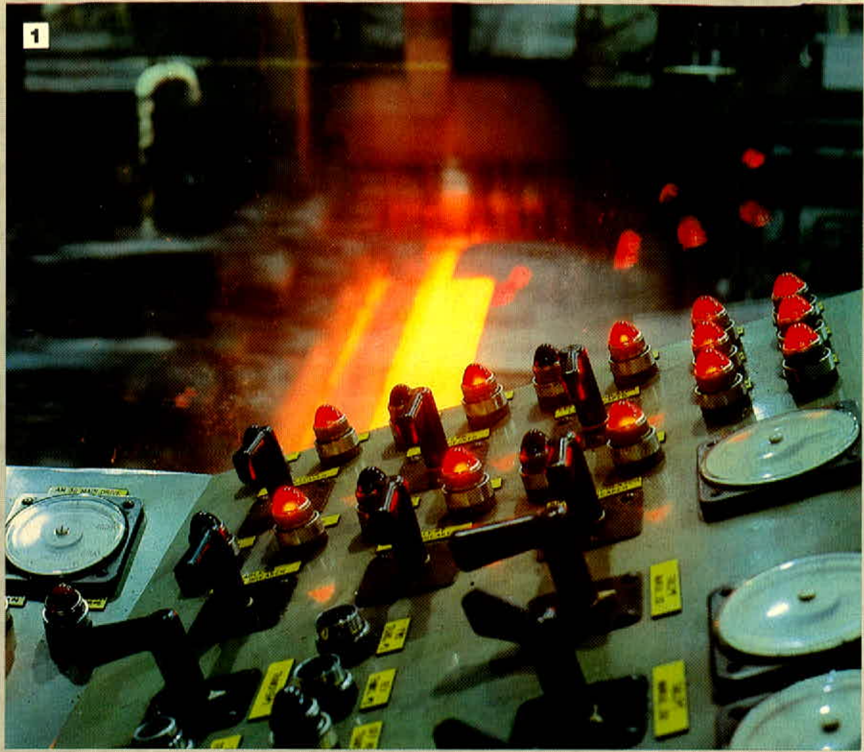
Hexagon bars
⅝″ to 3″. Actual size produced to order. Hexagon bars are usually supplied as Cold drawn finish

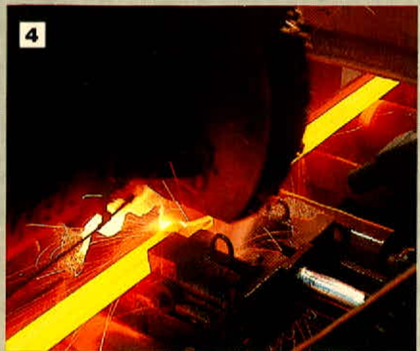
Angle bars
Supplied as an equal leg section in the following sizes:
¾″ x ¾″ x ⅛″ to 2″ x 2″ x ⅛″ in ¼″ increments and heavier thicknesses of 3/16″ and ¼″.

2″ x 2″ x ¼″ to 3″ x 3″ x ¼″ in ½″ increments and heavier thicknesses of 5/16″ and ⅜″.

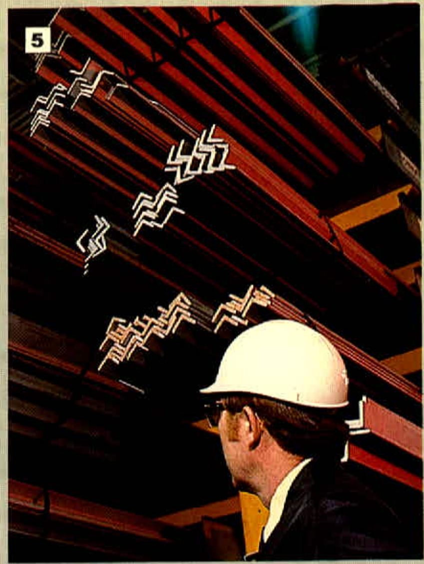
All angles are supplied in hot rolled and descaled surface condition.

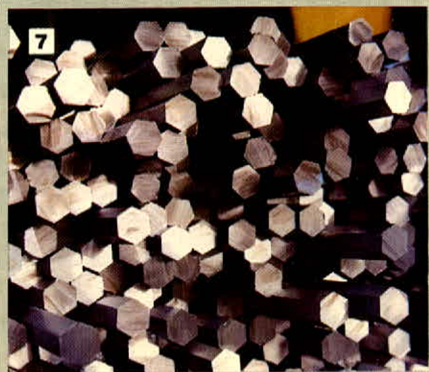
Billets
This product is supplied as a hot rolled square section of 4″, 4½″, 5″, 6″ and up to 18″ in 2″ increments.





1. Breaking down billets from 8″ x 8″ to 4″ x 4″ in the 24″ mill, of the Primary Mill. Picture is taken from the operator's pulpit.
2. Inspecting round cornered square customer billets in the Billet Conditioning Department prior to shipping.
3. Some end uses for our steels. Kris Poinsette holds a flange; other items displayed are threaded parts and rough forged and machined hydraulic fittings.
4. Cutting hot rolled product to length on #2 hot cutting saw in the Primary Mill.
5. Finished angles, in the warehouse, are being examined prior to shipment to steel service centres.
6. Bars being rough turned (peeled) on a lathe prior to final finishing on a centreless grinder.
7. Finished hexagon bars in the warehouse. These bars will most likely be machined into hydraulic fittings.





Personnel

W.D. McCraney
Corporate Director Personnel
Industrial & Public Relations

With the acquisition of the Joslyn Stainless Steels Division, the total number of employees increased to 1,527 at year end. Combined wages and salaries paid for hours worked amounted to $26,425,250 and an additional $2,372,145 was paid for vacation pay and holidays. A total of $1,200,215 was paid for Group Insurance premiums and the Company contributions to retirement plans was $2,339,665. Payments to government agencies in Canada and the United States for various social benefit schemes totalled $1,788,883. Therefore, for each $1.00 paid on a direct basis for wages and salaries, a further 29¢ was paid for the benefit of employees.

We entered the third and final year of our labour contracts at our Burlington Steel and SLACAN™ Divisions. The Burlington Steel agreement expires December 31, 1981 and at the SLACAN Division on January 31, 1982. As was mentioned previously, the labour contract for the Joslyn Stainless Steels Division was settled effective September 1, 1980 and this agreement will remain in force for a three-year term.

The Corporate Donations Committee met several times throughout the year to consider the many requests for assistance received from non-profit groups both locally and across the country. Financial support was provided to many academic, charitable, cultural, medical and service organizations in accordance with the corporate donations policy.

Engineering Services

R.T. Haine
Corporate Director Engineering Services and Procurement

Substantial improvements to plant facilities were undertaken at each of the operating divisions during Fiscal 1981 which consisted of modifications or additions to machinery and equipment to upgrade product quality and/or productivity. In addition, obsolete equipment was replaced where necessary and certain improvements in employee working conditions effected.

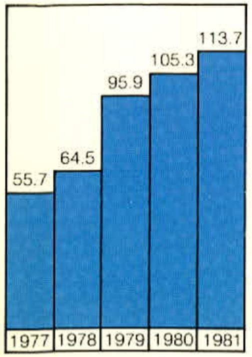
Capital expenditures for all divisions during Fiscal 1981, excluding those associated with the purchase of Joslyn Stainless Steels, totalled $4.2 million, an increase of 24% over the $3.4 million expended last year. Total fixed asset expenditures for Fiscal 1982 are estimated at $8.6 million.

Major capital project activity at Burlington Steel included the installation of water cooled panels on its 60 ton melt furnace to eliminate the highly expendable refractory sidewalls normally used; the replacement of an undersized and unreliable track/truck scale with a modern unit of 300 ton capacity; and the purchase of a 30 ft. annealing furnace complete with bar straightener and non-destructive testing facility to support the processing of high quality steels.

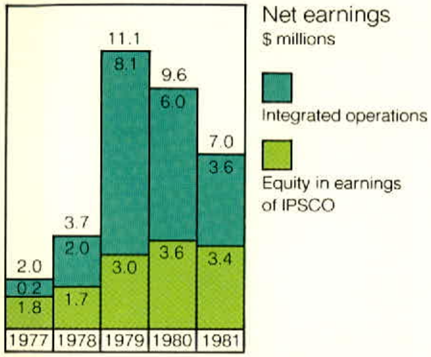
At the SLACAN Division a new melt furnace and permanent mould casting machine were installed in the Aluminum Foundry to increase productive capacity; a new tunnel gluer/drier was built to replace two obsolete rotary gluer/drier units and enhance productivity of our wire formed "grips". Several machines have been ordered for the Wire Formed Department to increase manufacturing capacity in this area. A major refurbishing of the main administration and corporate offices was completed.

Installation of a "Consumable Electrode Melting Facility" was approved to enable the Joslyn Stainless Steels Division to supply additional high quality stainless steels and super alloy grades into the aircraft and nuclear industries.

Financial Review

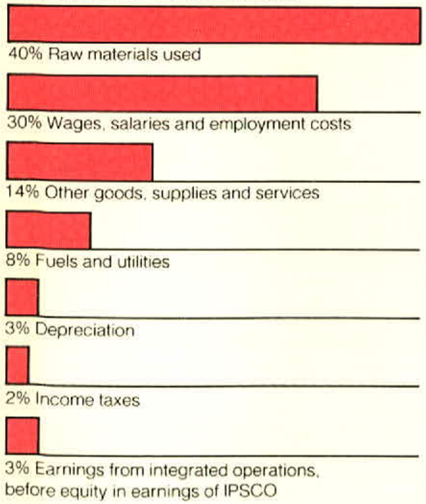


Net sales
$ millions



Net earnings
$ millions

Distribution of the sales dollar



Sales and Earnings

Consolidated net sales for the year ended March 28, 1981 were $113,728,000, an increase of 8% over sales of $105,320,000 in the comparable prior year. Earnings for the year were $7,021,000, or $2.60 per common share, a decrease of 27% from $9,633,000, or $3.60 earned last year. Earnings from integrated operations, before equity in earnings of Interprovincial Steel and Pipe Corporation Ltd. (IPSCO), amounted to $3,586,000 in Fiscal 1981, representing a 3.1% return on sales compared to $5,987,000, or 5.7% in the previous year.

Acquisition of Joslyn Stainless Steels

On February 2, 1981 the Company, through a new United States subsidiary, purchased the assets and assumed the liabilities of Joslyn Stainless Steels based in Fort Wayne, Indiana, U.S.A. The total purchase cost was $35.5 million made up of fixed assets $16.3 million and net working capital of $19.2 million. The purchase was financed by means of a U.S. $29 million 15-year term secured bank loan with capital repayments of U.S. $2.9 million per year to commence in 1986. As a result of various restrictive covenants on new debt, the Company's three series of debentures aggregating $1.4 million were redeemed during the year with the redemption financed from a $1.5 million increase in unsecured term bank loans.

Financial Position

Cash generated from operations decreased to $7.5 million from $9.0 million last year, reflecting the lower level of earnings for Fiscal 1981. After providing for preferred dividends, cash income per share amounted to $2.80 compared to $3.37 last year. Funds were used to purchase plant and equipment for $4.2 million, provide dividends of $2.4 million and increase working capital.

Working capital increased by $19.7 million during the year, of which $19.2 million was contributed by the Joslyn Stainless Steels purchase. The ratio of current assets to current liabilities increased to 2.4:1 from 2.0:1 a year ago with the improvement largely due to the fact that long-term debt rather than demand loans was used to finance the purchase of the Joslyn Stainless Steels net working capital.

Long-term debt as a percent of total capital employed increased to 34.3% from 6.9% a year ago as a result of the term loan obtained to finance the Joslyn Stainless Steels acquisition.

Interprovincial Steel and Pipe Corporation Ltd. (IPSCO)

Sales, as reported by IPSCO to its shareholders, for the twelve month period ended February 28, 1981 were $264.4 million, an increase of 30.3% over the previous year. Earnings for the same twelve month period ended February 28, 1981 were $18.0 million compared to $19.1 million for the previous comparable period.

Slater Steel's equity in these earnings, which is shown in the Consolidated Statement of Earnings, amounted to $3,435,000 for Fiscal 1981 compared to $3,646,000 last year. Dividends received during the year were $973,000 compared to $649,000 in the previous year.

Shareholders

Common shareholders' equity increased to $25.02 per share at year end, an increase of 8% from $23.18 at the end of the previous year. As a result of the lower Fiscal 1981 earnings, the return on common shareholders' equity declined to 10.4% from 15.5% in the previous year.

Because of depressed earnings during the first two quarters of Fiscal 1981, your Directors elected to reduce the quarterly dividend on common shares from 25¢ to 15¢ per share effective with the dividend payment of January 31, 1981. Dividends declared on common shares amounted to 80¢ per share in Fiscal 1981 compared to 95¢ in the previous year.

W.H. Rayner
Corporate Vice President-Finance and Secretary

Consolidated Statements of Earnings and Retained Earnings

Earnings

Year ended	March 28	March 29
Thousands of dollars	**1981**	1980
Net sales	**$113,728**	$105,320
Cost of sales, excluding the following items	**102,465**	92,105
Depreciation	**2,936**	2,466
Interest on long-term debt	**1,556**	647
Other interest	**675**	495
	107,632	95,713
	6,096	9,607
Income taxes	**2,510**	3,620
Earnings before equity in earnings of IPSCO	**3,586**	5,987
Equity in earnings of IPSCO (Note 4)	**3,435**	3,646
Net earnings for the year	**7,021**	9,633
Earnings per common share	**$2.60**	$3.60

Retained Earnings

Year ended	March 28	March 29
Thousands of dollars	**1981**	1980
Balance — beginning of year	**47,431**	40,519
Net earnings for the year	**7,021**	9,633
Surplus realized on retirement of preference shares	**104**	64
	54,556	50,216
Dividends:		
Preference shares	**318**	332
Common shares	**2,066**	2,453
	2,384	2,785
Balance — end of year	**52,172**	47,431

Consolidated Balance Sheet

	As at	March 28	March 29
Assets	Thousands of dollars	**1981**	1980
	Current assets:		
	Accounts receivable	**24,367**	18,310
	Inventories (Note 3)	**42,834**	21,658
	Other current assets	**1,166**	356
		68,367	40,324
	Investment in Interprovincial Steel and Pipe Corporation Ltd. (IPSCO) (Note 4)	**36,152**	33,690
	Fixed assets (Note 5)	**40,743**	23,139
	Other assets	**180**	746
		145,442	97,899
Liabilities	Current liabilities:		
	Bank advances	**2,202**	7,044
	Accounts payable and accrued charges	**22,758**	11,446
	Income taxes payable	**3,017**	883
	Dividends payable	**465**	727
		28,442	20,100
	Long-term debt (Note 6)	**40,123**	5,407
	Deferred income taxes	**6,850**	6,800
Shareholders' Equity	Preference shares (Note 7)	**5,427**	5,733
	Common shares (Note 7)	**12,428**	12,428
	Retained earnings	**52,172**	47,431
		70,027	65,592
		145,442	97,899

Signed on behalf of the Board

G. P. Osler, Director

B. M. Hamilton, Director

Consolidated Statement of Changes in Financial Position

	Year ended	March 28	March 29
Source of Working Capital	Thousands of dollars	**1981**	1980
	Operations:		
	Earnings before equity in earnings of IPSCO	**3,586**	5 987
	Depreciation	**2,936**	2,466
	Deferred income taxes	**50**	(64)
		6,572	8,389
	Dividends received	**973**	649
	Issue of long-term debt	**36,123**	—
	Decrease in other assets	**566**	(598)
	Sale of property	**—**	1,036
		44,234	9,476
Use of Working Capital	Net additions to fixed assets	**4,252**	3,440
	Acquisition of Joslyn Stainless Steels (net of working capital of $19,205)	**16,288**	—
	Reduction of long-term debt	**1,407**	—
	Retirement of preference shares	**202**	192
	Dividends	**2,384**	2,785
		24,533	6,417
	Increase in working capital	**19,701**	3,059
	Working capital — beginning of year	**20,224**	17,165
	Working capital — end of year	**39,925**	20,224

Auditors' Report

To the shareholders of Slater Steel Industries Limited

We have examined the consolidated balance sheet of Slater Steel Industries Limited as at March 28, 1981 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 28, 1981 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 24, 1981, 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, 1981, 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 Joslyn Stainless Steels Division and the SLACAN™ Division are recorded at standard cost and inventories of the Burlington Steel Division are recorded at average cost. All systems are based on current material, labour and overhead costs.

(d) *Income Taxes*

Income taxes are provided on the tax allocation method in accordance 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. The statutory 3% inventory allowance is recognized as a reduction in the current income tax provision. Investment tax credits are recorded in the year of the related capital expenditures 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 Ltd. 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

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 $35,493,000 made up as follows:

Thousands of dollars	
Current assets	28,281
Fixed assets	16,288
	44,569
Less: Current liabilities	9,076
Total cash consideration	35,493

The acquisition has been accounted for by the purchase method and the results of operations included from the effective date of acquisition.

3. Inventories

Thousands of dollars	1981	1980
Raw material and supplies	11,743	6,874
Work in progress	16,736	6,252
Finished goods	14,355	8,532
	42,834	21,658

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.

Subsequent to February 28, 1981 a customer asserted a claim against IPSCO in the amount of $14,660,000 arising out of the supply of alleged defective pipe. IPSCO denies all liability and is of the opinion that no loss will result.

5. Fixed Assets

Thousands of dollars	1981	1980
Land	2,737	2,403
Buildings, machinery and equipment	65,355	45,177
	68,092	47,580
Less: Accumulated depreciation	27,349	24,441
	40,743	23,139

6. Long-Term Debt

Thousands of dollars	1981	1980
Unsecured term bank loans	5,500	4,000
Secured term bank loans (U.S. $29,000,000)	34,623	—
Sinking fund debentures		
6% Series A	—	263
6¼% Series B	—	496
5½% Series D	—	648
	40,123	5,407

The unsecured term bank loan bears interest at the prevailing commercial bank prime rate minus ⅜ths of 1% and is due August 3, 1982.

The secured term bank loan bears interest at London Interbank Offered Rate (LIBOR) plus ½% and is repayable from 1986 to 1996 in equal annual instalments.

7. Capital Stock

Thousands of dollars	1981	1980
(a) *Preference Shares*		
Authorized and outstanding		
$1.10 Series, 5½% cumulative redeemable, par value $20 48,073 shares (1980 – 51,573)	961	1,031
$1.10 Second series, 5½% cumulative redeemable, par value $20 109,877 shares (1980 – 116,077)	2,198	2,322
$1.20 Series, 6% cumulative redeemable, par value $20 113,420 shares (1980 – 119,020)	2,268	2,380
271,370 Shares (1980 – 286,670)	5,427	5,733

During the year the Company purchased for $201,563 the following shares for cancellation:

$1.10 Series	3,500
$1.10 Second series	6,200
$1.20 Series	5,600
	15,300

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			Other Manufacturing		Consolidated	
	Canada	U.S.A.	Canada	Canada			
Thousands of dollars	1981	1981	1980	1981	1980	1981	1980
Total sales	86,049	11,241	85,569	16,637	20,308	113,927	105,877
Inter-segment sales	185	–	536	14	21	199	557
Net sales to customers	85,864	11,241	85,033	16,623	20,287	113,728	105,320
Operating profit	6,808	1,279	9,438	1,224	2,760	9,311	12,198
General Corporate expense						(984)	(1,449)
Interest expense						(2,231)	(1,142)
Equity in earnings of IPSCO						3,435	3,646
Income taxes						(2,510)	(3,620)
Net earnings	–	–	–	–	–	7,021	9,633
Identifiable assets	52,065	45,446	52,035	10,872	11,395	108,383	63,430
Corporate assets	–	–	–	–	–	37,059	34,469
Total assets	52,065	45,446	52,035	10,872	11,395	145,442	97,899
Capital expenditures	2,726	870	2,856	656	584	4,252	3,440
Depreciation and amortization	2,329	265	2,187	342	279	2,936	2,466
Export sales	30,432	n/a	18,136	809	756	31,241	18,892

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 "U.S.A." in the above analysis.

9. Pension Plan Liability

The liability for unfunded past service pension costs at March 28, 1981, which is not reflected in the financial statements, amounted to $10,783,000 (1980 – $10,551,000). 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

		1981	1980	1979	1978	1977
Sales and Earnings ($000s)	Net sales	**$113,728**	$105,320	$95,924	$64,520	$55,724
	Income taxes	**2,510**	3,620	5,849	1,200	70
	Earnings before equity in earnings of associated company (Note A)	**3,586**	5,987	8,128	2,065	252
	Equity in earnings of IPSCO	**3,435**	3,646	2,957	1,683	1,757
	Net earnings (Note A)	**7,021**	9,633	11,085	3,748	2,009
Other Financial Data ($000s)	Capital expenditures	**4,252**	3,440	1,624	900	1,672
	Depreciation	**2,936**	2,466	2,328	2,216	2,119
	Cash generated from operations (Note B)	**7,545**	9,038	10,585	4,612	2,743
Year End Position ($000s)	Working capital	**39,925**	20,224	17,165	16,865	16,592
	Fixed assets — net	**40,743**	23,139	23,201	23,905	25,650
	Total assets	**145,442**	97,899	85,897	77,342	78,240
	Long term debt	**40,123**	5,407	5,407	9,513	11,533
	Common shareholders' equity	**64,600**	59,859	52,947	43,957	41,739
Per Common Share Data	Earnings (Note A)	**$ 2.60**	3.60	4.16	1.31	.63
	Dividends declared	**.80**	.95	.70	.32	.68
	Shareholders' equity	**25.02**	23.18	20.50	17.02	16.16
Other Statistics	Number of employees	**1,527**	1,121	1,126	1,041	1,103
	Number of shareholders	**3,778**	4,237	4,850	5,818	5,838

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.

Slater Steel Industries Limited

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
Director, Project Development, 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

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 SLACAN™ Division

John H. Taylor
Vice President–General Manager

George E. Thompson
Comptroller–Treasurer

Officers of Joslyn Stainless Steels Division

Edwin E. Hodgess, Jr.
President

James A. Fuhrman
Controller

Annual Meeting
The Annual Meeting of Shareholders will be held at 11:00 a.m. on Friday, July 24, 1981 in Meeting room #1, Hamilton Place (McNab Street Entrance), Hamilton, Ontario.

Corporate Information

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Slater Steel Industries Limited
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Hamilton, Ontario L8N 3E7

Divisional Offices

Burlington Steel
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Hamilton, Ontario L8N 3P9

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

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

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

Slater Steel Industries Limited

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