Slater Steel 1980 Annual Report

SLATER STEEL INDUSTRIES LIMITED WAS INCORPORATED IN 1962 AND INCLUDES TWO DIVISIONS LOCATED IN HAMILTON, ONTARIO; BURLINGTON STEEL, A STEELMAKING OPERATION FOUNDED IN 1910, AND SLATER PRODUCTS, A POLE LINE HARDWARE MANUFACTURER, INCORPORATED IN 1917 AS N. SLATER COMPANY, LTD. SLATER STEEL INDUSTRIES LIMITED ALSO HOLDS A 20.2% INTEREST IN INTERPROVINCIAL STEEL AND PIPE CORPORATION LTD. (IPSCO), A MAJOR INTEGRATED STEEL PIPE MANUFACTURING COMPANY LOCATED IN REGINA, SASK.

This year's Annual Report theme centres around the Company's organization which underwent a change during Fiscal 1980 to achieve decentralization of most administrative, financial and systems functions, thereby establishing free-standing semi-autonomous Divisions. The purpose of this reorganization was to refine the accountability of senior line and staff management, and thereby structure the managerial functions of the Corporation to complement our long term planning needs.

President's message

Fiscal 1980 represents a benchmark year in the growth of Slater Steel Industries Limited in which our net sales have now exceeded the $100,000,000 mark. This new high in dollar value was achieved through a strengthening in prices and improved product mix, this latter factor being a key objective in our Business Planning. While earnings were satisfactory, the decrease of 13% from last year primarily resulted from the impact of operating costs exceeding the gain from price improvements for our products and cost reduction activity. These costs were particularly affected by substantial increases in charges for certain raw materials, utilities and supplies as well as from development costs for trials and adjustments associated with the changing product mix. This trend worsened toward the latter half of the fiscal year with a general softening of market conditions that attended the commencement of an economic downturn.

During this fiscal year we completed a restructuring of our organization to achieve decentralized operating Divisions. The various functional changes in our management are depicted in the following pages which highlight the nature and reporting relationships of this "free standing" concept. Each Division is self sufficient in its day-to-day operations, with direction on policy and audit of performance provided by the Corporate group. We feel that this organizational approach will create greater initiatives and innovation from the operating Divisions as a basis for enhancing their growth and profitability.

We anticipate the Fiscal 1981 business trend to be the reverse of last year with the existing soft market conditions, which we expect will prevail through at least the first half of the year, hopefully beginning to strengthen in the latter six month period. In the overall picture, this will be a no-growth flat year at best, with positive signs of an upturn only starting to appear at year end. The established product mix of our operating Divisions has improved considerably over that of past years, and will sustain reasonable operating levels and earnings over what we expect will be a relatively lean period. The markets to be served by our various product lines show promise for strong demand and growth in the "80's" and our long range planning is tailored to allow us to take full advantage of these opportunities as they occur.

Despite the downturn in the automotive related markets in the past few months, there have been pockets of strong demand for steel, more particularly for

Highlights ($000's except per share data)	**1980**	1979	Change
Net sales	**$105,320**	$95,924	+ 10%
Net earnings	**9,633**	11,085	− 13%
Capital expenditures	**3,440**	1,624	+112%
Depreciation	**2,466**	2,328	+ 6%
Working capital	**20,224**	17,165	+ 18%
Fixed assets — net	**23,139**	23,201	—
Per common share data			
Net earnings	**$ 3.60**	$ 4.16	− 13%
Dividends declared	**$ 0.95**	$ 0.70	+ 36%
Shareholders' equity	**$23.18**	$20.50	+ 13%

applications associated with the oil and gas industries. Interprovincial Steel and Pipe Corporation Ltd. achieved record sales and earnings during our fiscal year as a result of increased orders for pipe and tubular products including a considerable improvement in requirements for their principal product — spiral welded large diameter pipe. Completion of the first phase of their expansion program has been achieved with the successful commissioning of their new 80″ Hot Steckel Mill, the most powerful mill of this type that has ever been built. The second expansion phase is now underway to provide the necessary capacity for the Mill to supply various forms of pipe products to the rapidly growing petroleum related markets.

Once again we pay tribute to our employees who have contributed in many ways to our satisfactory performance in Fiscal 1980. We have achieved excellent performance in accident prevention in both Divisions and worthwhile suggestions on improvements to specific manufacturing practices are being received on a regular basis from many of our employees. On behalf of your Board of Directors, I wish to express our thanks to all of our people for their continuing splendid efforts.

Bruce M Hamilton.

Bruce M. Hamilton, President

Burlington Steel

R. B. Wilson
Vice President – General Manager

J. F. Miles
Vice President – Manufacturing

B. E. Naber
General Sales Manager

G. W. Flett
Manager Purchasing

A. B. Loopstra
Manager Industrial Relations

D. W. Albright
Comptroller – Treasurer

PRODUCTS

Automotive leaf spring flats

Truck tire rim sections

Forging quality rounds and flats

Cultivator shank and plow share sections

Special sections, e.g. bevelled flats

Merchant quality rounds and flats

Grinding balls

Rail anchor sections

Concrete reinforcing bars

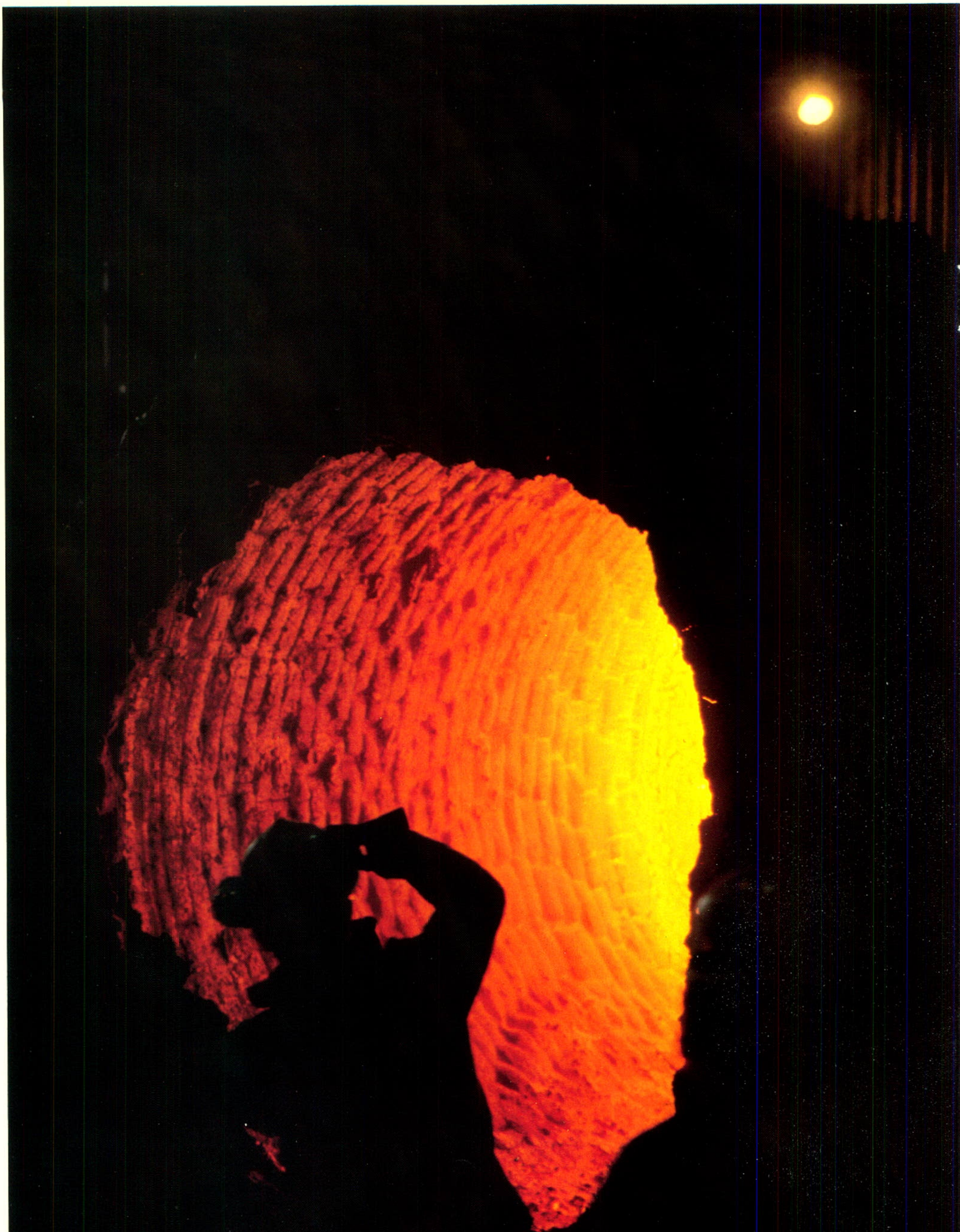
The demand for steel in the markets supplied by Burlington Steel remained strong throughout most of Fiscal 1980 although softening did occur in the automotive and related industries during the latter part of the year. This sales trend has, therefore, been a reverse of our experience for last year as lower demand areas appeared in increasing numbers as we approached the end of the current fiscal year.

In spite of these conditions, there are many segments of the market which continue to be buoyant even though many indications of recession can be observed. The versatility of our product mix and our emphasis on service and production availability will enhance our position during the forthcoming "flat" year.

Marketing. The North American steel market continued to be relatively strong during Fiscal 1980. Shipments were close to the record level established last year and our product mix improved to the point that more than half of our sales were SBQ and Alloy grades. A major portion of shipments in the first half of the year was to the buoyant automotive market with significant sales of alloy bar, including a major participation in spring flats. The energy crisis in the United States in mid-1979, coupled with increasing interest rates, brought about a slump in automotive sales which was to increase as the year progressed. The attendant drop in sales of certain of our established product lines required substitution of a leaner product mix as well as developmental costs to gain acceptance in alternative markets and applications. This change in course resulted in additional charges and operating costs which partially reduced the profit margins achieved in the earlier part of the year.

Manufacturing. Raw steel production in the Melt Shop set a new record of 285,000 tons, 9% higher than the previous record in Fiscal 1979. Similarly, the Mill rolled 247,900 tons of finished product during Fiscal 1980, which is 8% higher than the record level, also set in our previous fiscal year. With the operations continuing to run full out, planning and coordination of crewing, materials handling and preventative maintenance was maintained at a high level.

Manufacturing costs continued to increase rapidly, particularly for energy and energy-related commodities such as power, natural gas, electrodes, refractory and alloys. The most significant escalation in costs was for scrap, which increased a further 34% over the 40% increase recorded the previous year. The impact of these increases has been



reduced through improved productivity, cost control techniques, purchasing efficiencies and manpower utilization.

The Fiscal 1980 capital expenditure program was the most aggressive in several years and included widening of the 400 ton shear in the Rolling Mill, conversion of Melt Shop ladles to a slide gate pouring mechanism, refurbishing the hourly employees' changeroom facilities and the addition of a second floor to the administrative offices (see picture) as part of our decentralization plan. Modification and improvements were also implemented during the year to enhance the quality of our steels, increase certain elements of productivity and improve specific safety conditions.

People. A decentralization program was initiated during Fiscal 1980 in order to consolidate all Burlington Steel administration at the Sherman Avenue location, which included moving payroll, accounting, accounts payable, invoicing and accounts receivable from the head office location. Other functions located at the mill with changed reporting relationships included industrial relations, information systems and purchasing.

Burlington Steel was selected the winner of the "1979 Achievement Award" from among the companies in our membership section of the Industrial Accident Prevention Association. The Award recognizes our major improvement in lost time accident frequency and severity, as well as our comprehensive safety program during the past several years. Our steel mill continues to experience a good safety performance 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 for this outstanding record.

Future. The overall demand for steel has softened considerably in comparison to the market conditions that prevailed a year ago. We anticipate at best a flat, no-growth position for a major part of Fiscal 1981 and expect to experience very competitive market conditions. We presume that the exchange rate of the Canadian dollar will remain virtually unchanged, thereby maintaining some protection from steel imports, and advantages in export markets. These conditions will cause a trend toward shorter mill runs with attendant higher operating costs, and must be offset by cost control measures to accommodate our manufacturing processes to this pattern of order requirements. Our emphasis will continue to be in SBQ and Alloy steel grades and for commodities which lend themselves to our mill operation by way of service, quality and accommodation.

Over the long term, the Canadian economy should strengthen and we are optimistic for the future performance and participation of the Canadian steel industry. Burlington Steel has established a particular niche in the marketplace as a reliable supplier of specialty bar sections. We have an accepted place amongst the Canadian steelmakers and we intend to grow and improve in this position during the eighties. Our achievements resulting from the initiatives and input of a great many of our people have proven to be a major thrust for our continued progress.

The refurbished Burlington Steel Administration Building.

Left: Inspecting refractory ladle lining following tapping of a heat.

Slater Products

Fiscal 1980 was a mixed year for Slater Products from a growth point of view.

The year saw a temporary lull across Canada in high voltage line construction which reflected an interim softening of demand for the transmission portion of major construction projects. Standard pole line hardware activity showed little change from last year, although our major communications customer was involved in a strike which caused some delays and adversely affected our shipments to them for several months.

Major high voltage projects which are at the planning stage in provincial utilities, resulted in our own engineering, as well as our research and development work being geared to respond to this future requirement. The overall output for the year was comparable to Fiscal 1979 with some strengthening being achieved in price levels, especially of the more highly engineered commodities.

Marketing. Sales in Fiscal 1980 were similar to last year's levels, and despite a reduction in market size the Division's market share improved as a result of effective selective bidding.

High voltage hardware sales were an important segment of our product mix as the demand for Spacer Dampers, Suspension and Dead-End Assemblies continued. Our participation in this market was significant and we maintained our position as a major supplier of these products across the country.

Pole line hardware sales improved over last year despite the large number of suppliers bidding on this business and the practice of provincial utilities of purchasing by annual tender, with preference given to local manufacturers.

Sales of "Preformed" remained unchanged from the previous year, although severe price competition continued for some commodities in this product line. Demand for proprietary items, such as Spacers and Armour Grip Suspension Units for use in transmission line construction was strong, and our overall performance was effective in this market segment because of our reliability of supply and superior product quality.

The OEM segment of our business, while slightly off in volume from last year, provided on-going activity to our operations as the result of a strong demand for aluminum permanent mould castings and a steady requirement for stampings.

Consumer products sales to the lawn and garden market did not meet expectations as prices met with some customer resistance. Through cost reduction measures we will

PRODUCTS

Spacer dampers

EHV hardware – suspension and dead end assemblies

Communications hardware

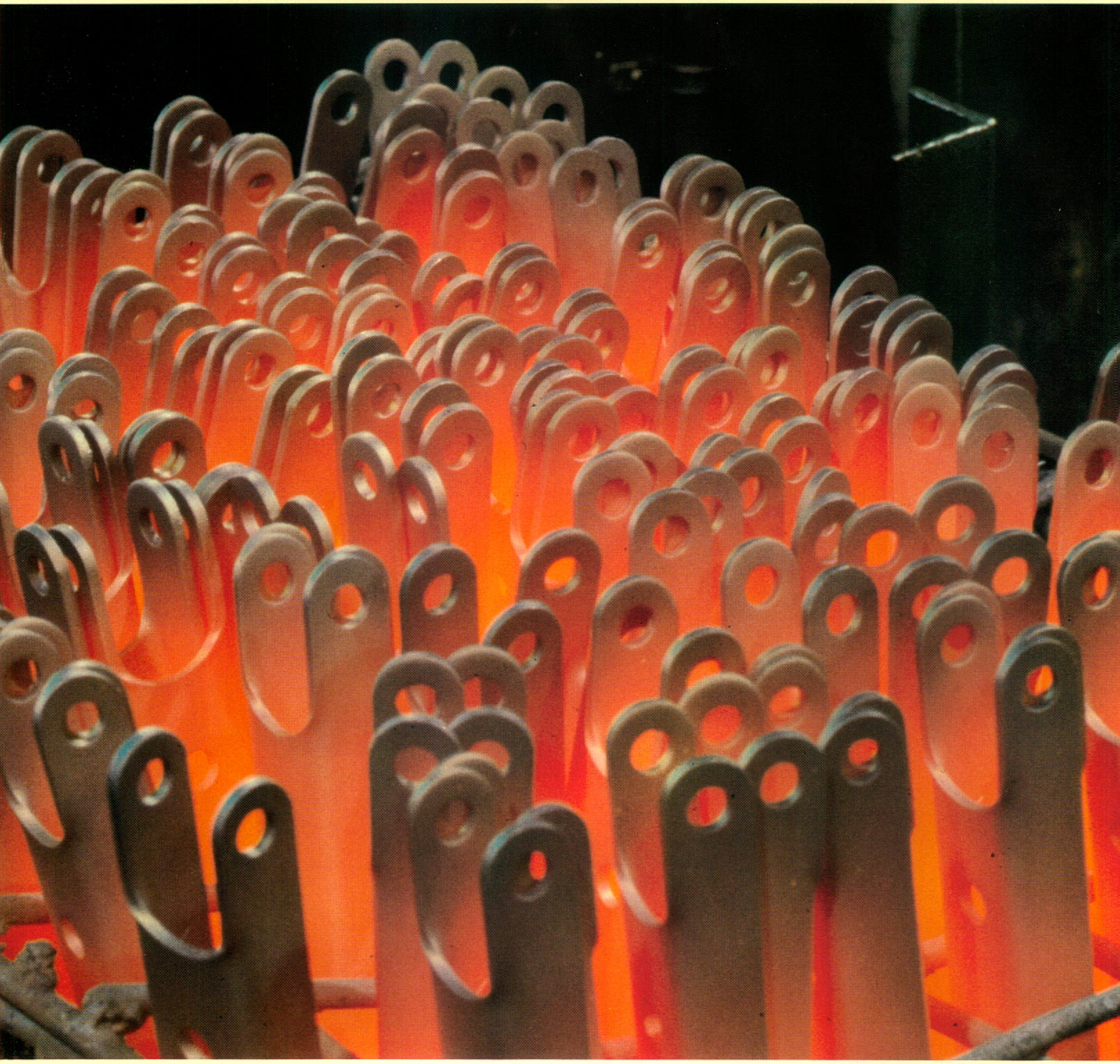
Conversion services – aluminum castings, forgings, stampings and galvanizing

Helical wire products

Nicopress compression sleeves

Anchoring and guying devices

Consumer products – lawn and garden



Above: Heat treating of vertical supports for high voltage suspension hardware.

Right: Ivan Krusic, a Drop Hammer Operator, inspects a fitting for high voltage suspension that has just been forged.

achieve improved pricing levels which should increase the sales of products that are commercially accepted by the consumer.

Engineering. Our engineering design activity has given priority to new innovations for EHV transmission lines, such as Canada's first three bundle conductor line for Manitoba; the introduction of synthetic insulators at the 315KV level; compaction of high voltage transmission systems in existing right-of-way corridors and improved hardware design for the continuation of the 735KV activity in Quebec.

Short term studies were also directed to the consumer products segment of our business for the purpose of creating optimum design, utility and cost of manufacturing. This work is all part of bringing improved and new products to the "market ready" state.

Manufacturing. Production flexibility and ability to respond to change was our objective in Fiscal 1980. We organized to adjust to the shifting demand from the traditional pole line hardware to major EHV transmission projects by consolidating Material Control, Production Scheduling and Manufacturing into one operating group.

Our capital spending continued with three major expenditures: a new combustion system for the Galvanizing Department, a new 200 ton stamping press, and restructuring of the sand and permanent mould areas in the Foundry.

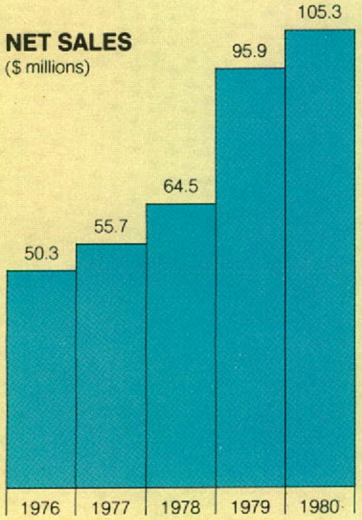
In Fiscal 1980 the Division introduced a Loss Prevention Program with the objective of reducing accident frequency and absenteeism. The employees' reaction to this approach was both positive and supportive and through their commendable efforts, the Division operated without a lost time accident in the last five months of the fiscal year, surpassing any previous performance. In effect, lost time accident frequency improved 35% over the previous year and brought our standing into the top of our I.A.P.A. group. At the same time, absenteeism was reduced by almost 40%.

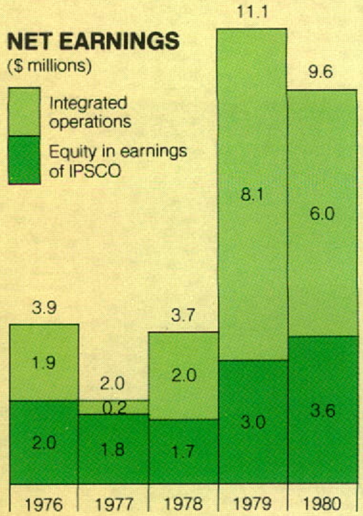
Future. Most Canadian utilities have active plans to accelerate the development and transmission of additional electric power. There is growing opinion that the fastest means of counteracting the present energy crisis is through exploitation of our country's superiority of experience and performance in the generation and transmission of electricity. The nature of Canada's geography and the extremes of climate have enabled us to develop superior transmission systems which can be used to advantage in both domestic East/West requirements and export to the South. Slater Products, as a leader in the field, has played a major role in this area from a design and supply standpoint and will continue to participate actively in the future development of these power projects.

In looking at the year ahead, we anticipate that the recessional impact on the economy will have a softening effect on demand for a major portion of our product lines. We expect EHV transmission hardware requirements will increase significantly within the next twelve months which should result in a higher bidding activity on various provincial EHV projects by the latter part of Fiscal 1981. We expect to be able to maintain our present business level by adjustments in product mix and manufacturing activity through this temporary lean period.

Our more than satisfactory performance in the past year has been achieved through the input of a highly experienced and competent work force. We are indebted to the continuing contribution of efficiency and work effort from all of our people.

Financial review





Sales and earnings. Consolidated net sales for the year ended March 29, 1980 were $105,320,000, an increase of 9.8% over sales of $95,924,000 in the comparable prior year. Burlington Steel Division sales were up 13% from the previous year, largely due to higher selling prices, although an improved product mix also contributed to the increase. Sales at the Slater Products Division were marginally below last year's level, chiefly as a result of strikes at certain of its major customers.

Earnings for the year were $9,633,000, or $3.60 per common share, a decrease of 13.1% from the record earnings of $11,085,000, or $4.16 earned last year. Earnings from integrated operations, before equity in earnings of Interprovincial Steel and Pipe Corporation Ltd. (IPSCO), amounted to $5,987,000 in Fiscal 1980, representing a 5.7% return on sales compared to $8,128,000, or 8.5% in the previous year.

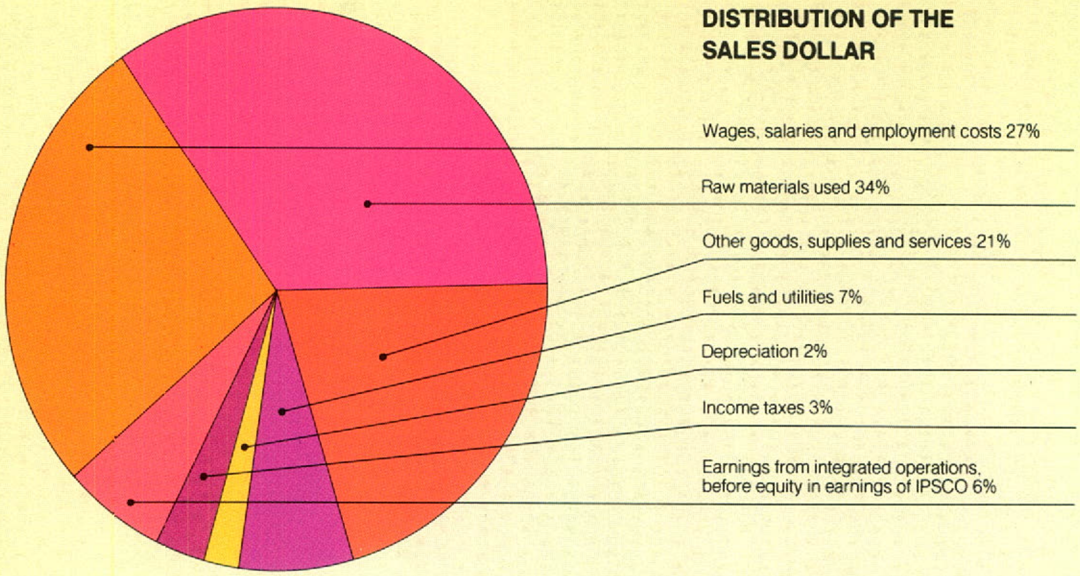
Financial position. Cash generated from operations decreased to $9.0 million from $10.6 million last year, reflecting the lower level of earnings in Fiscal 1980. After providing for preferred dividends, cash income per share amounted to $3.37 compared to $3.96 last year. Funds were used to purchase property, plant and equipment for $3.4 million, provide dividends of $2.8 million and increase working capital.

Although working capital increased by $3.1 million to $20.2 million at year end, the ratio of current assets to current liabilities decreased marginally to 2.0:1 from 2.2:1 a year ago. This decline can be traced to an increase in short term debt incurred to finance increased investment in accounts receivable and inventories. Accounts receivable increased to $18.3 million from $14.8 million a year ago, mainly as a result of higher sales levels, while inventories increased by $4.8 million to $21.6 million, mainly due to a higher level of finished goods carried at year end.

Accounts payable and accrued charges increased by $1.4 million to $11.4 million, while income taxes payable decreased by $2.6 million to $0.9 million, chiefly as a result of the lower earnings achieved in Fiscal 1980.

Capital expenditures. Capital expenditures amounted to $3.4 million during the year, more than double the $1.6 million expended last year. At year end, the Company had $2.0 million remaining to be spent on approved capital projects, while total fixed asset expenditures for Fiscal 1981 are estimated at $4.0 million. During the year some unimproved property carried on the books for $1.0 million was disposed of as being surplus to the Company's requirements.

Interprovincial Steel and Pipe Corporation Ltd. (IPSCO). Sales, as reported by IPSCO to its shareholders, for the twelve month period ended February 29, 1980, were $202.8 million, an increase of 7.2% over the previous year. Earnings in the same



twelve month period ended February 29, 1980 were $19.1 million compared to $15.8 million for the previous comparable period.

Slater Steel's equity in these earnings, which is shown in the Consolidated Statement of Earnings, amounted to $3,646,000 for Fiscal 1980 compared to $2,957,000 last year. Dividends received during the year were $649,000 compared to $563,000 in the previous year.

Shareholders. Common shareholders' equity increased to $23.18 per share at year end, an increase of 13% from $20.50 at the end of the previous year. However, because of the lower Fiscal 1980 earnings, the return on common shareholders' equity declined to 15.5% from 20.3% in the previous year.

As a result of the improved stability of our business performance, your Directors increased the quarterly dividend on common shares from 20 cents to 25 cents per share effective with the dividend payment on October 31, 1979. Dividends declared on common shares amounted to 95 cents per share in Fiscal 1980 compared to 70 cents in the previous year.

Consolidated Statement of Earnings ($000's)

Year ended	**March 29, 1980**	March 31, 1979
Net sales	**105,320**	95,924
Cost of sales, excluding the following items	**92,105**	78,749
Depreciation	**2,466**	2,328
Interest on long-term debt	**647**	768
Other interest	**495**	102
	95,713	81,947
	9,607	13,977
Income taxes	**3,620**	5,849
Earnings before equity in earnings of IPSCO	**5,987**	8,128
Equity in earnings of IPSCO (Note 3)	**3,646**	2,957
Net earnings for the year	**9,633**	11,085
Earnings per common share	**$3.60**	$4.16

Consolidated Statement of Retained Earnings ($000's)

Year ended	**March 29, 1980**	March 31, 1979
Balance — beginning of year	**40,519**	31,529
Net earnings for the year	**9,633**	11,085
Surplus realized on retirement of preference shares	**64**	63
	50,216	42,677
Dividends		
Preference shares	**332**	350
Common shares	**2,453**	1,808
	2,785	2,158
Balance — end of year	**47,431**	40,519

Consolidated Balance Sheet ($000's)

As at	March 29, 1980	March 31, 1979
Assets		
Current Assets		
Accounts receivable	**18,310**	14,868
Inventories (Note 2)	**21,658**	16,780
Other current assets	**356**	207
	40,324	31,855
Investment in Interprovincial Steel and Pipe Corporation Ltd. (IPSCO) (Note 3)	**33,690**	30,693
Fixed assets (Note 4)	**23,139**	23,201
Other assets	**746**	148
	97,899	85,897
Liabilities		
Current Liabilities		
Bank advances	**7,044**	226
Accounts payable and accrued charges	**11,446**	9,987
Income taxes payable	**883**	3,488
Dividends payable	**727**	989
	20,100	14,690
Long-term debt (Note 5)	**5,407**	5,407
Deferred income taxes	**6,800**	6,864
Shareholders' equity		
Preference shares (Note 6)	**5,733**	5,989
Common shares (Note 6)	**12,428**	12,428
Retained earnings	**47,431**	40,519
	65,592	58,936
	97,899	85,897

Signed on behalf of the Board

G.P. Osler, Director

B.M. Hamilton, Director

Consolidated Statement of Changes in Financial Position ($000's)

Year ended	March 29, 1980	March 31, 1979
Source of working capital		
Operations		
Earnings before equity in earnings of IPSCO	**5,987**	8,128
Depreciation	**2,466**	2,328
Deferred income taxes	**(64)**	(434)
	8,389	10,022
Other		
Sale of property	**1,036**	—
Dividends received	**649**	563
	10,074	10,585
Use of working capital		
Net additions to fixed assets	**3,440**	1,624
Reduction of long-term debt	**—**	4,106
Retirement of preference shares	**192**	203
Dividends	**2,785**	2,158
Investment in IPSCO	**—**	2,179
Increase in other assets	**598**	15
	7,015	10,285
Increase in working capital	**3,059**	300
Working capital — beginning of year	**17,165**	16,865
Working capital — end of year	**20,224**	17,165

Auditors' report to the shareholders

We have examined the consolidated balance sheet of Slater Steel Industries Limited as at March 29, 1980 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 29, 1980 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 28, 1980, Hamilton, Ontario

Notes to Consolidated Financial Statements
March 29, 1980

1. Summary of accounting policies

(a) Principles of consolidation — The consolidated financial statements include the accounts of Slater Steel Industries Limited and its wholly-owned subsidiary, N. Slater Company, Limited. 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 29, 1980, based on the latest information reported to shareholders.

(b) Inventories — Inventories are valued at the lower of cost and net realizable value. Inventories of Slater Products Division are recorded at standard cost and inventories of Burlington Steel Division are recorded at average cost. Both systems are based on current material, labour and overhead costs.

(c) 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.

(d) 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. Depreciation is charged into the accounting records at annual rates which are intended to write them off over their estimated useful lives. Depreciation rates for major categories are:

Burlington Steel Division	
Buildings	5% to 6⅔% straight line
Machinery and equipment	5% to 6⅔% straight line
Slater Products 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 both 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. Inventories

(in thousands of dollars)	**1980**	1979
Raw materials and supplies	**6,874**	6,865
Work in progress	**6,252**	5,971
Finished goods	**8,532**	3,944
	21,658	16,780

3. 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.

4. Fixed assets

(in thousands of dollars)	**1980**	1979
Land	**2,403**	3,306
Buildings, machinery and equipment	**45,177**	41,910
	47,580	45,216
Less: Accumulated depreciation	**24,441**	22,015
	23,139	23,201

5. Long-term debt

(in thousands of dollars)	**1980**	1979
Sinking fund debentures		
6% Series A due January 1, 1982	**263**	263
6¼% Series B due February 15, 1983	**496**	496
5½% Series D due May 15, 1984 (U.S. $600,000)	**648**	648
Term bank loans	**4,000**	4,000
	5,407	5,407

Sufficient debentures have been purchased for cancellation to eliminate all sinking fund requirements, except for $16,000 due in 1982 on the Series B and the redemption requirements on all sinking fund debentures at maturity.

Term bank loans bearing interest at rates which approximate the prevailing commercial bank prime rates are due on April 30, 1981.

6. Capital stock

(in thousands of dollars)	**1980**	1979
(a) Preference Shares		
Authorized and outstanding		
$1.10 Series, 5½% cumulative redeemable, par value $20		
51,573 shares (1979 — 54,402)	**1,031**	1,088
$1.10 Second series, 5½% cumulative redeemable, par value $20		
116,077 shares (1979 — 120,916)	**2,322**	2,418
$1.20 Series, 6% cumulative redeemable, par value $20		
119,020 shares (1979 — 124,135)	**2,380**	2,483
286,670 Shares (1979 — 299,453)	**5,733**	5,989

During the year the company purchased for $192,000 the following shares for cancellation:

$1.10 Series	2,829
$1.10 Second Series	4,839
$1.20 Series	5,115
	12,783

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

7. Foreign exchange

Earnings before income taxes include exchange gains on U.S. funds totalling $991,000 (1979 — $1,463,000).

8. Remuneration of directors and senior officers

The aggregate remuneration paid or payable to the directors and senior officers of the company was $575,000 (1979 — $497,000).

9. Pension plan liability

The liability for unfunded past service pension costs at March 29, 1980, which is not reflected in the financial statements, amounted to $10,551,000 (1979 — $7,661,000). This liability is being funded by special monthly payments to trustees of the plans and is being charged to operations over periods not exceeding fifteen years on the basis of reports of an independent actuary.

10. Commitment

Under a modified contract to purchase prereduced iron pellets the company is paying an annual penalty payment of $810,000 in lieu of accepting pellets. This penalty is payable in quarterly instalments until December 31, 1980.

Five Year Review

	1980	1979	1978	1977	1976
Sales and earnings ($000's)					
Net sales	**$105,320**	$95,924	$64,520	$55,724	$50,288
Income taxes	**3,620**	5,849	1,200	70	1,292
Earnings before equity in earnings of associated company (Note A)	**5,987**	8,128	2,065	252	1,906
Equity in earnings of IPSCO	**3,646**	2,957	1,683	1,757	2,044
Net earnings (Note A)	**9,633**	11,085	3,748	2,009	3,950
Other financial data ($000's)					
Capital expenditures	**3,440**	1,624	900	1,672	3,277
Depreciation	**2,466**	2,328	2,216	2,119	1,990
Cash generated from operations (Note B)	**9,038**	10,585	4,612	2,743	5,130
Year end position ($000's)					
Working capital	**20,224**	17,165	16,865	16,592	17,785
Fixed assets — net	**23,139**	23,201	23,905	25,650	26,097
Total assets	**97,899**	85,897	77,342	78,240	76,058
Long term debt	**5,407**	5,407	9,513	11,533	11,545
Common shareholders' equity	**59,859**	52,947	43,957	41,739	41,759
Per common share data					
Earnings (Note A)	**3.60**	4.16	1.31	.63	1.38
Dividends declared	**.95**	.70	.32	.68	.68
Shareholders' equity	**23.18**	20.50	17.02	16.16	16.17
Other statistics					
Number of employees	**1,121**	1,126	1,041	1,103	991
Number of shareholders	**4,237**	4,850	5,818	5,838	6,141

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

Dr. Arthur N. Bourns
President and Vice Chancellor
McMaster University

J. Michael Edwards
Managing Director
British Steel Corporation
(International) 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

* *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

Ronald B. Wilson
Vice President—General Manager

John F. Miles
Vice President—Manufacturing

David W. Albright
Comptroller-Treasurer

Officers of Slater Products Division

John H. Taylor
Vice President-General Manager

George E. Thompson
Comptroller-Treasurer

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

Slater Products
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 Friday, July 25, 1980 in Meeting Room #1, Hamilton Place (McNab Street Entrance), Hamilton, Ontario.

Slater Steel Industries Limited

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

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