

**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. In 1972, Slater Steel Industries Limited also purchased a 25% interest in Interprovincial Steel and Pipe Corporation Ltd. (IPSCO), a major integrated steel pipe manufacturing company located in Regina, Sask. Burlington Steel is a mini-mill producing several grades of steel from scrap and iron ore pellets in three electric furnaces. The metal is continuously cast into billets and subsequently converted into a variety of sizes and shapes on a modern continuous rolling mill which has an annual capacity of 250,000 tons of reinforcing bar, merchant products and special shapes. Slater Products is the largest pole line hardware manufacturer in Canada, producing more than 3,000 different items for the electrical transmission and communications markets. The manufacturing facility includes a broad range of material processing such as forging, aluminum casting, pickling and galvanizing, stamping and forming, heat treating, welding, machining and wire forming. The 'Slater' product line is highly engineering oriented from the standpoint of design, quality evaluation and field service. Interprovincial Steel and Pipe Corporation Ltd. produces steel by electric furnace, which is processed in flat rolled form as skelp or sheet. The major portion of its output is converted into tubular pipe products, ranging in size from ½" to 80" diameter, at one of three manufacturing facilities located in Regina, Sask., Edmonton, Alta., and Port Moody, B.C.

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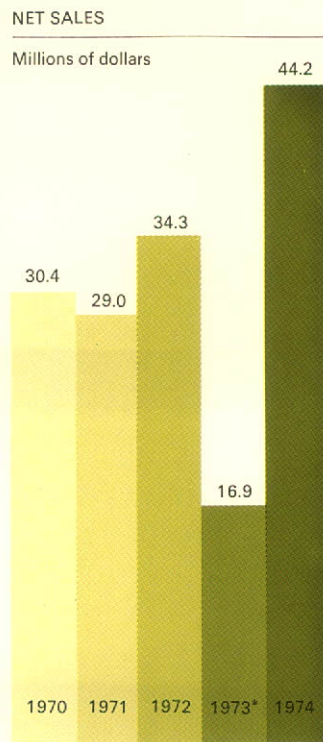
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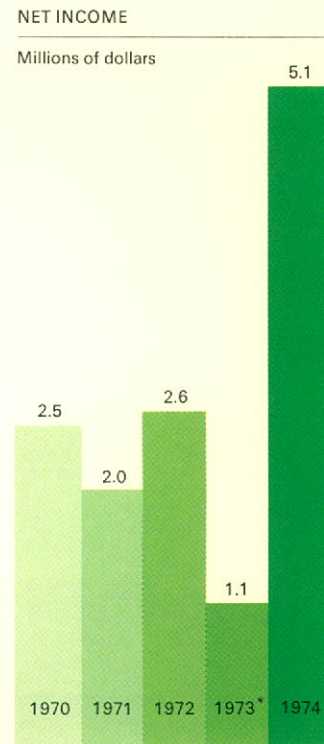
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**Cover:** As seen from the pulpit, a bar of steel enters the 16" mill centre stand, passes through the escapement repeater and back through another 16" stand from which it repeats into a series of tandem 12" mill stands where it is rolled to a specific finished size and shape. (For explanation of terms, see "Glossary of Steelmaking Terms" on inside back cover.)

Highlights	1974	1973 (5 months)
Net sales	\$44,241,893	\$16,933,286
Net income	\$ 5,111,916	\$ 1,147,124
Net income per common share	\$ 1.81	\$ 0.36
Fixed asset expenditures – net	\$ 2,141,493	\$ 4,985,170
Working capital	\$ 9,800,167	\$ 8,002,894
Fixed assets – net	\$19,300,695	\$18,811,294
Total assets	\$58,696,308	\$50,947,316
Common shareholders' equity	\$33,705,175	\$30,486,308
Per share	\$ 13.05	\$ 11.81



\*For the 5 month period ended March 31, 1973



\*For the 5 month period ended March 31, 1973

## President's Message

It is encouraging to report on a satisfactory year for both Divisions of Slater Steel Industries Limited. Business activity for fiscal 1974 was exceptionally strong due to unprecedented demand for our products. Steel consumption reached new highs on both a domestic and worldwide basis, and resulted in most steel producers operating at capacity and placing customers' orders on an allocation basis, causing shortfall in deliveries to a great many manufacturers. The energy crisis increased the demand for electrical transmission hardware, which was supplemented by developments in the communications market.

In this year's report we have included outlines from the General Managers of both Divisions covering the highlights of their respective operations. It is felt that this material will provide a better insight into and appreciation of their activities and plans.

**Sales** Consolidated net sales for the year ended March 30th, 1974 amounted to \$44,241,893, or 14.3% above the level achieved in the previous twelve-month period. Not all of this represents real sales growth, since a significant part of the increase can be attributed to price increases for products of both Divisions.

The main cause for the lack of overall sales growth in an expanding market was the reduced shipments of rolled product from the Burlington Steel operations, which were 10.5% less than in the previous comparable period. This was primarily due to the break-in of the new rolling mill and attendant low productivity. The output from this mill gradually improved so that in the last three months of the year, rolled product shipments exceeded the level handled in the equivalent period in the previous year by 16.5%. Total shipments



Bruce M. Hamilton, President

amounted to 210,000 tons for fiscal 1974 which were achieved through the sale of billets made to offset the temporary reduction in rolled product output.

The sales improvement for Slater Products was 21.2%, with less than half being inflationary, thus representing a real growth of 11%.

**Income** Net income for fiscal 1974 was \$5,111,916, or \$1.81 per common share. Both operating divisions contributed to this improvement by achieving their business plan budgets, and exceeding profit results for the previous twelve-month period by 8.5%.

It is of particular interest that just over 60% of the total operating profit for the year occurred during the fourth quarter, which was due both to the Burlington Steel rolling mill achieving reliability of output and to a record high level of sales at Slater Products, primarily the result of extensive project work being started by provincial utilities.

Our equity in the earnings of IPSCO had a major impact on our profit position, as did the lower corporate tax rate applied for the year.

**Inventory** Inventories, at \$10,332,189, were 46% higher than a year ago. This increase primarily reflects the higher costs of raw materials, since turnover remained unchanged. Probably the greatest single contributing factor has been the spiralling costs of scrap required by Burlington Steel. This essential raw material is of particular importance to electric furnace steelmaking

and is 37% of the total operating cost for that Division. The total scrap purchase cost for equivalent tonnage increased by 62% in fiscal 1974 over the previous twelve-month period.

**Pricing** To offset the unpredictable cost of raw material, made even more inflationary by allocation and restriction of supply, it was necessary to constantly review and adjust pricing of our own product lines in order to maintain profit margins. 'Price in effect at time of delivery' applied in both Divisions, other than for firm contract bids.

With scrap being the most volatile merchant commodity, on November 1, 1973, the Company initiated a surcharge for all Burlington Steel products, related to the base scrap price of \$40 per ton in effect early in the year. This was a direct 'add on' and varied according to quoted domestic price for No. 1 grade scrap.

This surcharge contributed a profit of approximately 24¢ per common share during the 1974 fiscal period, but only because the increased costs of scrap are not reflected immediately in the cost of sales.

**Interprovincial Steel and Pipe Corporation Ltd., (IPSCO)** Performance improvement was exceptional during our fiscal 1974 period, in which sales and profits almost doubled compared to the previous corresponding period. This was the result of an extremely buoyant pipe market in Western Canada, the expansion of the company through increased steel manufacturing facilities in Regina, and the acquisition of two major pipe producing operations in Edmonton, Alberta and Port Moody, British Columbia.

**Capital spending** Capital spending was lower in fiscal 1974 due to the completion of the rolling mill facility. Major items were machinery and equipment required for the Burlington Steel scrap yard, and for improvements in efficiency and reliability of the steel mill operation itself. Planning for the coming year includes increasing melt shop output and providing additional warehouse facilities at Burlington Steel, as well as additions to equipment for added capacity and productivity at Slater Products.

**Energy conservation** Programs were developed and implemented in both Divisions to reduce waste and control utilization of electric power and fuels. Specific objectives were established in the use of utilities, which not only provided conservation measures but resulted in worthwhile cost reductions.

**Personnel** During the year several changes and additions were made to staff in continuation of our program to

strengthen the organization and build a strong management team. John E. Fogarty joined our company in December 1973 as Vice President – General Manager of the Burlington Steel Division with full responsibility for Marketing, Operations and Engineering. Continued emphasis has been given to personnel matters, especially in regard to communications, wages and salaries, and safety. It is important that our people are made aware of the Company-provided benefit plans, and that we maintain competitive practices in accordance with local industry and prevailing economic conditions. Safety and housekeeping continued to improve in both Divisions, and will receive further emphasis and surveillance in the coming year.

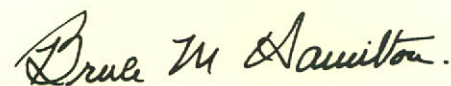
A Share Purchase Plan was initiated for all salaried employees with five years or more service, whereby loans were advanced to cover the purchase of Slater Steel common shares at market value, with repayment to be made

through payroll deductions. Over half of the eligible employees are participating in the program.

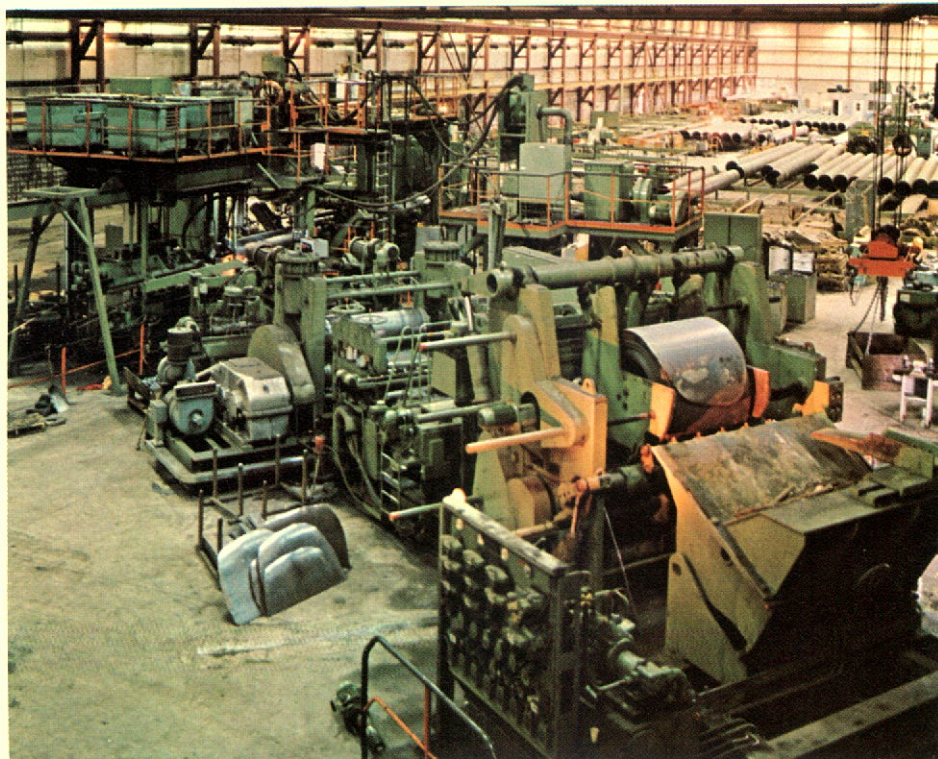
The Company continued to support many community programs covering social services, charitable needs and educational and cultural activities through contributions and participation.

The performance of both Divisions demonstrates the efforts and real contribution from all Slater Steel employees. Their competence and hard work have enabled the Company to meet its goals and to implement plans for growth. The Directors and Officers wish to thank our people, whose continuing enthusiasm and application are essential to the successful future of the Company.

**Board of directors** Since the last annual report was published, Mr. Douglas C. Marrs, Executive Vice-President – Administration & Finance, Westinghouse Canada Limited, has joined our Board of Directors and is also a member of the Audit Committee. Mr. Barrie Cheetham, Regional Co-ordinator-North America for British Steel Corporation (International) Ltd., has been appointed to our Board, replacing Mr. Mark Littman, Q.C., Deputy Chairman of British Steel Corporation, who resigned his directorship due to increased responsibilities with the Corporation. Both of these gentlemen have wide experience in planning and financial control and will be of great value to Slater Steel Industries Limited.



President



IPSCO's recently acquired pipe mill at Edmonton, Alberta, which can produce large diameter spiral pipe up to 90' in length and 80" in diameter.



Steel passing through the 21" roughing mill breakdown stand, the first stand of the mill. Steel bars can be seen progressing through the mill to reach the cooling bed at the far end of the mill.

Thirty years ago, Burlington Steel shipped 46,000 tons. Shipments increased to 62,000 tons in 1953 and to 95,000 tons in 1963; last fiscal year we shipped 210,000 tons. After our melt shop modernization plan is complete, the average level of shipment will approximate 250,000 tons.

**Marketing** During fiscal 1974, we have seen an unusually strong market for steel on a worldwide basis. We would expect this consumer demand to continue throughout the forthcoming year.

During the initial stages of 'break-in' of the new rolling mill, which coincided with the beginning of fiscal 1974, our market plan was to emphasize the sale of less demanding product forms. Concentration was given to rebar and plain rounds. As reliability of the rolling operation improved, we inserted angles, channels and special shapes so that by year-end the new mill was capable of producing more of the broad variety of bars that represented the overall product line of Burlington Steel. The net result of this strategy was a reduction of 10% in overall shipments of rolled bar product compared to the previous twelve-month period. All of this reduction was with merchant bar commodities, while sales of rebar were at a record high level.

**Manufacturing** The Division produced 241,000 tons of raw steel during the year, of which 155,000 tons were rolled into finished bar form. Price, quality and availability of scrap, which is our principal raw material, had a major influence on operating performance.



**John E. Fogarty**  
Vice President/General Manager

Even though scrap prices doubled during the year, there was no improvement in supply to the mill due to the increasing domestic demand and the considerable rise in shipments to the export markets. At the same time, there occurred a significant deterioration in the quality of scrap, which not only posed a problem to chemistry control in the melting operations, but taxed the capacity of the smoke abatement system in the shop, which had a related adverse effect on productivity. In spite of these conditions, a record production was achieved for the year as a result of improved control and co-ordination of operating practices.

During the year, Burlington Steel entered into an informal agreement with a multi-national company to use the output of their developmental pre-reduced pellet production plant. This product can be used as charge material to replace or supplement scrap. We were able to gain valuable experience in the use of this raw material which will become of increasing importance to steelmaking in electric furnaces.

We have also applied a special technique to our continuous casting of billets to obtain an improvement in product quality in the area of internal soundness.

The new rolling mill has enabled us to achieve the increased productivity which had been projected. This was demonstrated by the record output that was rolled during the last quarter of the year. Professional counsel and guidance were engaged as necessary to provide assistance in billet heating techniques and rolling practices.

**Capital equipment** Major spending for the year was directed to specific equipment in the rolling mill to support reliability of operation, and to handling and processing equipment for the new scrap service yard.

The need for further improvements to the melt shop was evident and plans were developed for capital expenditures of approximately \$2,000,000, which will increase output by 20%, as well as productivity as measured in tons per hour.

Expenditures will also be undertaken to secure facilities and equipment that will enhance the handling, quality and supply of our products with the ultimate objective of increasing our service and support for the markets we supply.

**Personnel** Burlington Steel's business strategy can be described as being both people- and marketing-oriented. At year-end, we refurbished a portion of a large brick building, located on site, as office facilities for Engineering, Industrial Relations and Product Control personnel. This has enabled us to move all supporting activities, such as Purchasing, Sales and Costs, to the Burlington Steel main office in order to provide consolidation and improved organizational efficiency. We have resolved that each staff and line function must have its own objectives, with no one area dominating another. This is the only way possible to achieve maximum contribution from everyone.

From a marketing standpoint, our policy recognizes that every key manager in the Division must know and appreciate our customers' needs and become

involved in contributing to this essential element of our business.

Organizational changes have been made to strengthen the depth and calibre of the supervisory team. Particular emphasis has been placed on the area of communications and special attention given to the training and development of people to prepare them for enhanced employment opportunities in the Company.

We are particularly indebted to all salaried- and hourly-rated personnel at Burlington Steel for the support they have given to the Company's performance over the last year. Credit for

the successful operation of the new rolling mill lies largely with the many people in both line and staff functions who contributed both determination and many extra hours of work to bring this mill on-stream.

**Future outlook** The present steel operations are planned and designed to effect highly efficient manufacture of bar products. We will direct the marketing efforts to optimize our regular product lines and to include special shapes and proprietary commodities. We will seek participation in certain higher quality products which will require a co-operative effort on the part of technical,

manufacturing and commercial people. We do not intend to concentrate sales in any one commercial area, but will develop a blended product mix and market coverage which will minimize the effect of cyclical trends and changing demands. A reasonably uniform business rhythm and security for our employees is essential to shareholder confidence and divisional growth.

The business climate in the coming year continues to be strong and the benefits of the new rolling mill can be fully realized. Fiscal 1975 should be Burlington's finest year.



The cooling bed of the new mill moving hot rolled steel in straight lengths for air cooling. The rolling mill is in the background.



The market demand for pole line hardware, communications and power transmission hardware products increased significantly during the year, and resulted in a 21% increase in sales compared with the previous twelve-month period. At the same time, order bookings at year-end were double any previous peak period of unfilled orders.

**Marketing** There was a good sales product mix with all classes contributing to the increase. The 'Preformed' line was especially active as new product applications were developed. Special projects also were more predominant, as major power utilities developed plans for primary power transmission.

Early in the year, long-term utility spending projections indicated extensive capital investment plans in British Columbia, Ontario and Quebec, and resulted in several sizeable orders for the Division.

Communications utilities had similar increases in construction activity, and associated with this traditional business was the development of standard hardware for the cable television market. Sales in this market began to increase last year, and it is expected that this activity will produce a promising future sales volume for the Division.

Increased emphasis was placed on product development which was responsible for 10% of our additional revenue. Innovative products for cable support associated with electric power transmission were developed for extra high voltage (EHV) projects, and our engineering expertise contributed to



**A. Michael Parent**  
Vice President/General Manager

these programs. Our Engineering Department has a long history of experience in mechanical, electrical and metallurgical engineering applicable to energy transmission to 110 kv, and we expect to remain in a strong competitive position for hardware in this voltage class.

A significant contribution to the Division's sales was made by our distributors. Changes were made in our methods of selling and distribution to better define the role of the distributor in handling our product lines. These have resulted in better commercial efficiencies with increased market coverage and participation.

The market continued to be highly competitive, especially for standard lines, and constant examination of production methods was required to insure maintenance of the lowest possible costs.

**Raw material** Raw material shortages and extended delivery times were

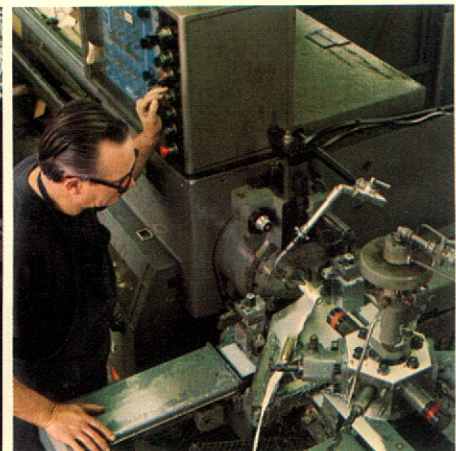
serious problems during the year, particularly for steel wire and sheet, aluminum, rubber, plastic and fasteners which represent 75% of our purchased items. We were able to maintain an acceptable level of service to our customers by broadening the base for sourcing, substitution of materials and manufacturing certain items 'in house'. We expect supply problems to continue, and will make every effort to insure adequate material supply to support manufacturing requirements. At the same time, added emphasis will be given to improved methods and cost reductions in order to maintain our competitive position and provide the best possible service to our customers.

**Capital equipment** The overall objective of our capital investment program is to maintain a clean, safe and efficient plant operation. Improvements to plant facilities during the past year were aimed at cost reduction and increased capacity, and included the replacement of specific inadequate equipment.

Some departments are critical to overall production because of their involvement in nearly all of our product lines. For example, in the Finishing Department, where drilling, tapping and machining activities are carried out, several large pieces of sophisticated equipment were installed to perform



**Left:** Eye nuts are being drilled and tapped on a Multiple Spindle Drill which allows the operator to perform four operations simultaneously.



**Right:** This new Automatic Lathe with its sophisticated controls permits the operator to perform up to nine operations on a single component by programming the sequencing and time duration of each of the operations.

multiple tasks at a single work centre. These units also relieved the bottleneck created by the high throughput of work. Improvements were made in the Galvanizing Department to increase productivity since most of our products are galvanized for environmental protection. Also, the Foundry was expanded to meet forecast increased demand.

In the coming year, we expect to modify the Forging Department facilities to improve handling and efficiency.

**Environmental control** During the past few years, emphasis has been placed on



**New Magnaflux Testing equipment is used to examine a clevis fitting. This machine uses electromagnetism to identify possible defects in forgings and castings.**

air and noise pollution, and we have continued to improve our plant environment for the benefit of employees and the community. We are also participating with industry in assisting government committees to develop proper legislation consistent with human health requirements.

**Quality assurance** One of the most important criteria in the market we serve is the quality of product. In the past year, customers have demanded higher quality for the class of hardware currently specified, especially in the higher voltage power transmission devices. We have added improved heat-treating equipment and production testing instruments to meet and support this requirement.

**Administration** Due to the rapidly changing market and the necessity for improved decision making, our management information systems, particularly cost accounting, are receiving increased attention and involvement.

The installation of our EDP production and inventory control system has been completed and has made a valuable contribution in the areas of material and manpower requirements as well as order service planning and control.

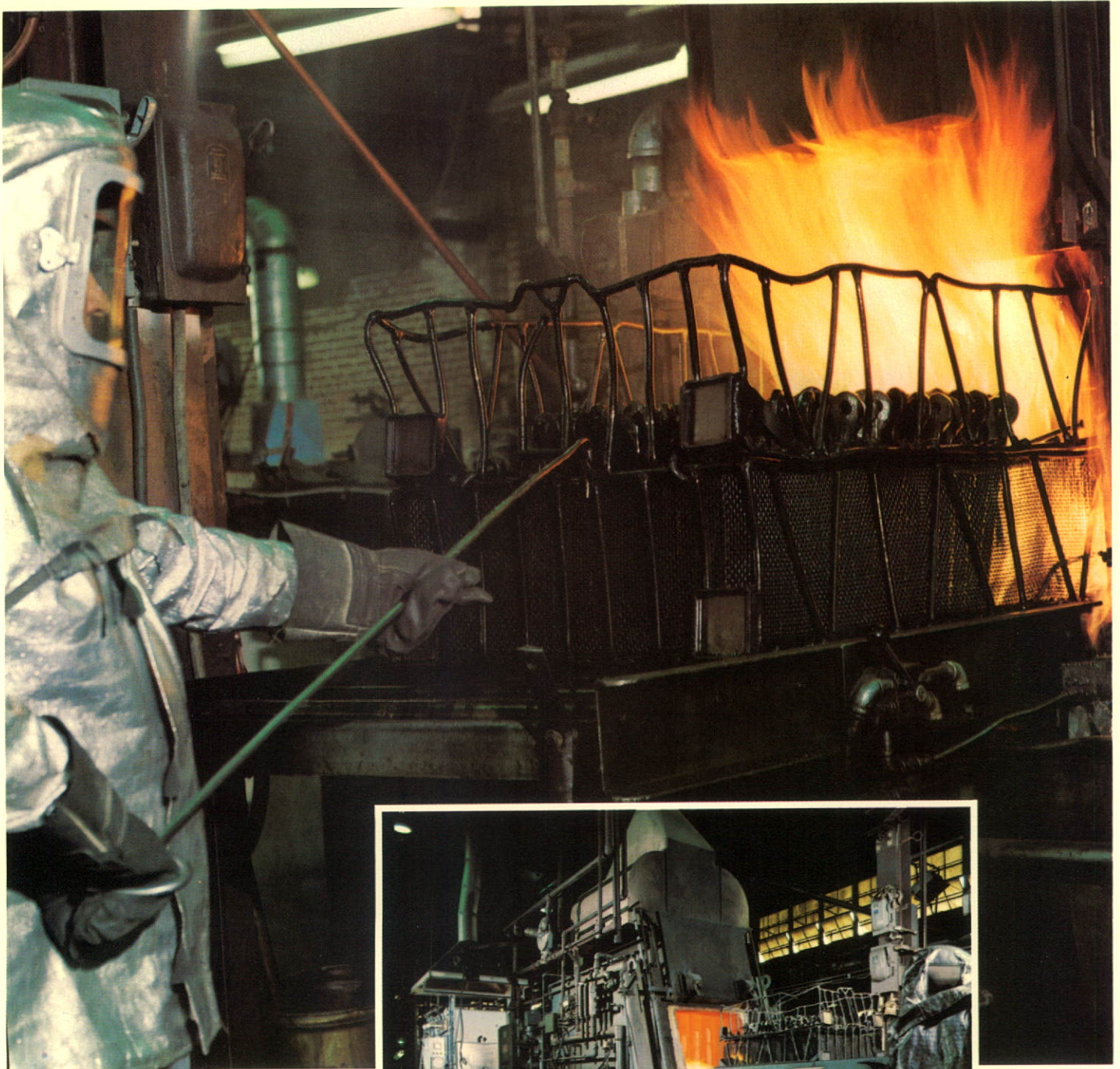
**Personnel** With expanding business and the use of new techniques, emphasis is being placed on personnel training. Several organizational changes were made, with additions to staff in the manufacturing services and planning areas, and a realignment of duties in the Sales Department which is expected to improve our customer service. We are fully appreciative of the maximum effort that has been contri-

buted by all employees in enabling the Division to achieve its business goals.

**Future outlook** Utility hardware requirements for the various provincial utilities' projects are expected to continue to grow at a significant rate during the next two years. As primary transmission facilities are put into operation, secondary distribution lines will be constructed for final delivery of power to the consumer, which will generate demand for our lower voltage standard pole line hardware products. We, therefore, expect that the very high demand for power utility products experienced last year will continue for some time.

In the coming year, we will also be seeking added growth in the export market for the more sophisticated products with higher engineering content. A number of countries are planning programs which are as large as the projects being planned in Canada.

We, therefore, look for continued real growth of about 10%. Emphasis will be directed primarily to the electrical markets, with the intent of expanding our product line beyond transmission hardware to include allied commodities that are compatible with our engineering and sales expertise. At the same time, expansion and modernization of manufacturing facilities will be continued to support the increased output and capability we expect to achieve.



A basket of parts is conveyed into a large Heat Treating Furnace which, using preset temperature and timing controls, improves the mechanical characteristics of forged parts.

**Sales and income** Net sales and income for the year ended March 30, 1974 established new records for the Company. Sales at \$44,241,893 were 29% higher than any previous fiscal year. Both Divisions participated in achieving record sales in very buoyant markets for steel and for pole line hardware. Substantial gains in income were achieved during fiscal 1974 particularly during the last half of the year. While income had never exceeded \$3 million nor \$1.00 per common share in previous years the income for fiscal 1974 was \$5,111,916, or \$1.81 per common share. Comparisons are not made to results for the fiscal period ended March 31, 1973 as this was only a five-month period. Unaudited sales and income for

the twelve months ended March 31, 1973 were \$38,731,456 and \$2,948,184 (97¢ per common share), respectively.

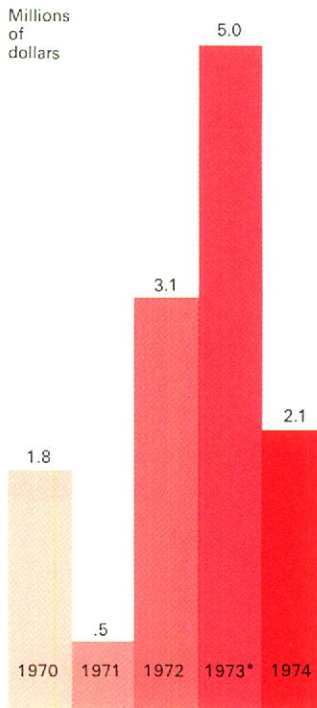
**Working capital** In fiscal 1974 working capital increased by \$1,797,273 to \$9,800,167, the first improvement in five years. Accounts receivable and inventories both increased in recognition of the rising cost of scrap. Bank advances, the first since 1969, were required to maintain these higher levels of costs and activity in the latter months of fiscal 1974.

**Capital expenditures** Additions to fixed assets for the year were \$2,141,493, the lowest since 1971. The largest item was the cost of completing the new rolling mill at the Burlington Steel

Division. This completion resulted in a significant increase in depreciation from \$432,249 in fiscal 1973 (a five month period) to \$1,437,322 for fiscal 1974. Consequently, the investment in net fixed assets increased by \$704,171 to \$21,576,029.

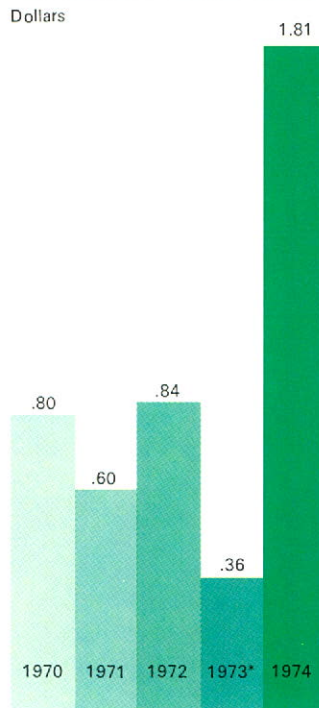
**Shareholders** Retained earnings reached a new high with an increase of \$3,316,793. Equity per common share rose to \$13.05 at year end from \$11.81, after increasing by only 30¢ per share during the four previous fiscal periods. The number of shareholders increased slightly to 6,361 – 4,202 common and 2,159 preferred – the first increase in seven years. Contributing to this result was the implementation of the Salaried Employees' Share Purchase Plan.

CAPITAL EXPENDITURES



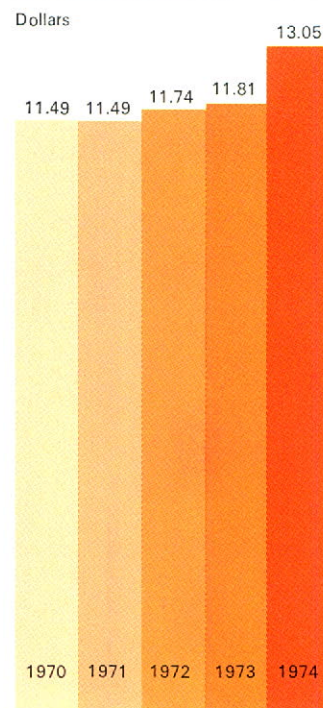
\*For the 5 month period ended March 31, 1973

NET INCOME PER COMMON SHARE



\*For the 5 month period ended March 31, 1973

SHAREHOLDERS' EQUITY PER COMMON SHARE



**Auditors' Report**

To the Shareholders of Slater Steel Industries Limited

We have examined the consolidated balance sheet of Slater Steel Industries Limited and its subsidiary as at March 30, 1974 and the consolidated statements of income, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at March 30, 1974 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

**Coopers & Lybrand**

Chartered Accountants

May 3, 1974 Hamilton, Canada

Assets	1974	1973
<b>Current Assets</b>		
Cash	—	\$ 12,896
Accounts receivable	\$ 8,855,378	7,210,651
Inventories of raw materials, work in process and finished goods at the lower of cost and net realizable value	10,332,189	7,092,967
Prepaid expenses	157,788	104,061
Current portion of loans to Trustees of Share Purchase Plan	79,158	—
	<b>19,424,513</b>	<b>14,420,575</b>
<b>Investment in Interprovincial Steel and Pipe Corporation Ltd.</b>		
(Notes 2 and 3)	<b>17,451,288</b>	<b>15,654,883</b>
<b>Loans to Trustees of Share Purchase Plan Less Current Portion</b>		
(Note 4)	<b>244,478</b>	<b>—</b>
<b>Fixed Assets (Note 5)</b>		
Land	2,275,334	2,060,564
Buildings, machinery and equipment	31,590,957	29,705,444
Less: Accumulated depreciation	12,290,262	10,894,150
	19,300,695	18,811,294
	<b>21,576,029</b>	<b>20,871,858</b>
	<b>\$58,696,308</b>	<b>\$50,947,316</b>

On behalf of the Board

G. P. Osler, Director

B. M. Hamilton, Director

Liabilities	1974	1973
<b>Current Liabilities</b>		
Bank advances	\$ 4,222,098	—
Accounts payable and accrued liabilities	4,738,474	\$ 5,608,754
Income taxes payable	170,668	310,603
Dividends payable	493,106	498,324
	<b>9,624,346</b>	<b>6,417,681</b>
<b>Sinking Fund Debentures (Note 6)</b>	<b>1,653,187</b>	<b>1,872,187</b>
<b>Deferred Income Taxes</b>	<b>6,300,000</b>	<b>4,390,000</b>
<b>Shareholders' Equity</b>		
Capital stock		
<i>Preference shares</i>		
Authorized – 370,680 shares (1973 – 389,057 shares) of \$20 each, issuable in series		
Outstanding (Note 7)	7,413,600	7,781,140
<i>Common shares (Note 8)</i>		
Authorized – 4,000,000 shares without par value		
Outstanding – 2,582,332 shares	12,428,325	12,428,325
Excess of appraised value of fixed assets over net book value, as reduced	—	97,926
Retained earnings	21,276,850	17,960,057
	<b>41,118,775</b>	<b>38,267,448</b>
	<b>\$58,696,308</b>	<b>\$50,947,316</b>

<b>Consolidated Statement of Income</b>	Year ended March 30, 1974	Five months ended March 31, 1973
Net sales	<b>\$44,241,893</b>	<b>\$16,933,286</b>
Costs and operating expenses other than depreciation	38,290,023	14,890,461
Depreciation	1,437,322	432,249
Interest on debentures	104,237	44,711
	39,831,582	15,367,421
	4,410,311	1,565,865
Investment income	—	179,426
	4,410,311	1,745,291
Income taxes (Note 9)		
Current	(195,000)	928,000
Deferred	1,910,000	(66,000)
	1,715,000	862,000
	<b>2,695,311</b>	<b>883,291</b>
Equity in earnings of Interprovincial Steel and Pipe Corporation Ltd. (Notes 2 and 3)	2,416,605	263,833
Net income for the year (Note 9)	<b>\$5,111,916</b>	<b>\$1,147,124</b>
Earnings per common share	<b>\$1.81</b>	<b>\$0.36</b>

<b>Consolidated Statement of Retained Earnings</b>	Year ended March 30, 1974	Five months ended March 31, 1973
Balance at beginning of year	\$17,960,057	\$17,733,402
Net income for the year	5,111,916	1,147,124
Surplus realized on retirement of preference shares	86,559	11,927
Amount realized through depreciation provision for the year transferred from excess of appraised value of fixed assets over net book value	97,926	64,709
	<b>23,256,458</b>	<b>18,957,162</b>
Dividends		
Preference shares	430,209	222,405
Common shares	1,549,399	774,700
	<b>1,979,608</b>	<b>997,105</b>
Balance at end of year	<b>\$21,276,850</b>	<b>\$17,960,057</b>



<b>Consolidated Statement of Source and Use of Working Capital</b>	Year ended March 30, 1974	Five months ended March 31, 1973
<b>Source of Working Capital</b>		
Operations		
Net income for the year	\$ 5,111,916	\$ 1,147,124
<i>Items not affecting working capital</i>		
Depreciation	1,437,322	432,249
Deferred income taxes	1,910,000	(66,000)
Equity in earnings of Interprovincial Steel and Pipe Corporation Ltd., less dividends received	(1,796,405)	(263,833)
Proceeds from issue of common shares	—	1,025
	<b>6,662,833</b>	<b>1,250,565</b>
<b>Use of Working Capital</b>		
Net additions to fixed assets	2,141,493	4,985,170
Redemption of debentures	219,000	20,000
Retirement of preference shares	280,981	34,413
Dividends	1,979,608	997,105
Investment in Interprovincial Steel and Pipe Corporation Ltd.	—	15,391,050
Loans to Trustees of Share Purchase Plan	244,478	—
	<b>4,865,560</b>	<b>21,427,738</b>
<b>Increase (Decrease) in Working Capital</b>	<b>1,797,273</b>	<b>(20,177,173)</b>
<b>Working Capital at Beginning of Year</b>	<b>8,002,894</b>	<b>28,180,067</b>
<b>Working Capital at End of Year</b>	<b>\$ 9,800,167</b>	<b>\$ 8,002,894</b>

**1. Companies included**

The consolidated financial statements include the accounts of Slater Steel Industries Limited and its wholly owned subsidiary company, N. Slater Company, Limited.

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

This investment in 886,000 common shares of IPSCO represents 25.3% of its common shares issued and outstanding at February 28, 1974. It is stated at cost plus equity in undistributed earnings since date of acquisition, December 4, 1972 to February 28, 1974, in accordance with the latest information reported to the shareholders. The original investment has been restated to reflect a \$6,339,000 deferred income tax liability not included in IPSCO's accounts. Slater Steel Industries Limited's proportion of this liability has reduced the portion of the cost of the investment applicable to underlying book value of net assets.

	1974	1973
Cost of shares		
Portion applicable to underlying book value of net assets	\$ 6,002,583	\$ 6,002,583
Excess of cost of shares over underlying book value of net assets at acquisition	9,388,467	9,388,467
	15,391,050	15,391,050
Equity in earnings since acquisition	2,680,438	263,833
	18,071,488	15,654,883
Dividends received	620,200	—
	<b>\$17,451,288</b>	<b>\$15,654,883</b>

As the equity in earnings of IPSCO is not wholly represented by dividends received, this undistributed equity is not available for the payment of dividends by Slater Steel Industries Limited.

The issuance of common stock by IPSCO relating to existing debenture conversion privileges but excluding the option dealt with in note 3 below, would not significantly affect the company's equity in future earnings.

It is not the intention of the company to write off or amortize the excess of cost of shares over underlying book value of net assets at acquisition.

**3. Subsequent event**

On May 2, 1974 Interprovincial Steel and Pipe Corporation Ltd. (IPSCO) issued 1,126,000 common shares. On the same date Slater Steel Industries Limited exercised its option to purchase 52,400 of these shares for \$600,000. The purchase was financed by bank borrowing. As a result of this share issue the company's investment in IPSCO will be reduced to 20.1% of the total outstanding issued share capital after all debenture conversion privileges have been exercised.

**4. Loans to Trustees of Share Purchase Plan**

Interest free loans are made to the Trustees of the Slater Steel Industries Limited Salaried Employees Share Purchase Plan. The loans are repayable in equal monthly instalments over a period of up to five years.

**5. Fixed assets and capital commitments**

The book value of the land, buildings, machinery and equipment of the Burlington Steel Division was increased by \$3,105,967 to reflect the depreciated replacement value appraised by Warnock Hersey Appraisal Company Ltd., on August 22, 1961. All other fixed assets, including subsequent additions to the Burlington plant, are included at cost. Depreciation is provided on a straight line basis by the Burlington Steel Division and on a declining balance basis by the Slater Products Division.

At March 30, 1974, the directors had approved the purchase of fixed assets amounting to \$2,575,000. It is expected that these purchases will be financed by funds provided from operations and bank borrowing.

<b>6. Sinking fund debentures</b>	1974	1973
6% Series A, January 1, 1982	\$ 329,000	\$ 500,000
6¼% Series B, February 15, 1983	676,000	724,000
*5½% Series D, May 15, 1984 (U.S. \$600,000)	648,187	648,187
	<b>\$1,653,187</b>	<b>\$1,872,187</b>

\*The outstanding principal amount of the U.S. issue is expressed as the equivalent in Canadian funds at date of issue.

Sufficient debentures have been purchased for cancellation to eliminate the sinking fund requirements for the next five years.

### **7. Preference shares**

<i>Outstanding</i>	1974	1973
71,073 shares (1973 – 74,603 shares) 5½% cumulative redeemable, \$1.10 Series	\$1,421,460	\$1,492,060
147,111 shares (1973 – 155,111 shares) 5½% cumulative redeemable, \$1.10 Second Series	2,942,220	3,102,220
152,496 shares (1973 – 159,343 shares) 6% cumulative redeemable, \$1.20 Series	3,049,920	3,186,860
	<b>\$7,413,600</b>	<b>\$7,781,140</b>

During the period the company purchased for cancellation 3,530 \$1.10 Series, 8,000 \$1.10 Second Series and 6,847 \$1.20 Series preference shares. All preference shares are redeemable at par. The purchase fund requirements attached to the preference shares have been complied with.

### **8. Common shares**

At March 30, 1974, an employee stock option which expires in 1977 is outstanding on 3,900 shares at \$10.25 per share.

### **9. Income taxes**

As a result of retroactive income tax legislation passed subsequent to March 31, 1973, the provision for federal income tax for the five months ended on that date was overprovided by \$130,000. The credit for this is included in net income for the year ended March 30, 1974.

Income tax expense for the year is also reduced by \$170,000 for the Ontario Investment Tax Credit related to the rolling mill renovations and modernization program.

As a result of these credits net income for the year is increased by \$300,000.

### **10. Remuneration of directors and senior officers**

The aggregate direct remuneration paid or payable to the directors and senior officers of the company was \$253,775 for the year ended March 30, 1974 and \$108,750 for the five months ended March 31, 1973.

### **11. Pension plan liability**

The unfunded past service liability according to independent actuarial estimates made as at March 30, 1974 amounted to \$2,728,000 at that date. This obligation will be satisfied and charged to operations at the rate of \$266,000 annually, an amount estimated by the independent actuaries to be sufficient to amortize this liability over a period ending in 1989.

### **12. Contingent liabilities**

The price received in 1968 and 1970 from the sale of the companies' holdings in shares of Canadian Foundation Company Ltd. may be reduced in certain circumstances by a portion of amounts payable in respect to litigation in progress against Canadian Foundation Company Ltd. and its subsidiaries at the time of sale of the shares.

Slater Steel Industries Limited  
**Ten Year Review**

	1974	1973 (5 months)	1972	1971
<b>Sales and Earnings</b> (in thousands of dollars)				
Net sales	\$44,242	\$16,933	\$34,260	\$28,967
Income taxes	1,715	862	2,537	2,118
Net income – (Note A)	5,112	1,147	2,609	2,006
Capital expenditures	2,141	4,985	3,103	503
Depreciation	1,437	432	1,040	1,007
Cash generated from operations – (Note B)	6,663	1,250	4,240	3,045
<b>Year End Position</b> (in thousands of dollars)				
Working capital	9,800	8,003	28,180	29,727
Fixed assets – net	21,576	20,872	16,319	14,256
Total assets	58,696	50,947	48,171	46,858
Long term debt	1,653	1,872	1,892	2,458
Common shareholders' equity	33,705	30,486	30,323	29,673
<b>Statistics Per Common Share</b>				
Net income – (Note A)	1.81	.36	.84	.60
Dividends	.60	.30	.60	.60
Shareholders' equity	13.05	11.81	11.74	11.49
<b>Other Statistics</b>				
Number of employees	1,242	1,076	1,030	931
Number of shareholders	6,361	6,319	6,359	6,501

**Notes:**

(A) In addition to the net income reported above, the Company realized extraordinary gains amounting to \$262,475 or 11 ¢ per share in 1967, \$861,759 or 35 ¢ per share in 1968, \$6,733,422 or \$2.74 per share in 1969 and an extraordinary loss amounting to \$232,535 or 9 ¢ per share in 1970.

(B) Cash generated from operations consists of net income including dividends received, plus depreciation and deferred income taxes but excluding extraordinary items.

(C) This review has been adjusted where applicable to reflect the deferred income tax accounting concept adopted in 1969, and the method adopted in 1970 of excluding from income discounts or premiums on preference shares purchased for cancellation.

(D) The results cover the years ended October 31 up to 1972 with the year end being changed to March in 1973.

1970	1969	1968	1967	1966	1965
\$30,368	\$29,939	\$26,797	\$26,724	\$28,735	\$27,428
2,765	2,560	1,392	1,920	2,282	2,003
2,535	2,951	2,691	2,913	2,246	2,292
1,845	939	2,219	2,581	811	1,611
948	900	828	763	758	689
3,857	4,124	2,753	3,505	3,921	3,819
30,445	30,801	6,256	4,984	8,700	5,429
14,760	13,863	14,374	13,046	11,228	11,175
48,633	51,760	43,236	50,540	42,080	31,181
3,678	5,377	6,710	13,794	7,415	7,768
29,659	28,314	20,571	18,977	17,797	11,281
.80	.98	.87	.96	.77	.98
.60	.60	.60	.60	.60	.40
11.49	11.51	8.36	7.71	7.24	5.72
970	1,051	1,232	1,141	1,328	1,207
6,702	6,710	7,539	7,786	7,785	5,446

## Directors

Barrie Cheetham

Regional Co-ordinator, North America,  
British Steel Corporation (International) Ltd.

Ralph W. Cooper\*

Chairman,  
Cooper Construction Company Limited

J. Michael Edwards

Managing Director,  
British Steel Corporation (International) Ltd.

Bruce M. Hamilton\* †

President of the Corporation

Harold H. Leather\*

Gentleman

Douglas C. Marrs ‡

Executive Vice-President – Administration & Finance,  
Westinghouse Canada Limited

Richard C. Meech, Q.C.\* † ‡

Partner,  
Borden & Elliot

Gordon P. Osler\* †

Vice-Chairman,  
British Steel Corporation (Canada) Limited  
Chairman of the Corporation

Norman B. Preece\* † ‡

President,  
Stanton Pipes Limited

\*Member of Executive Committee of the Corporation

†Member of Acquisition Committee of the Corporation

‡Member of Audit Committee of the Corporation

## Officers of the Corporation

Gordon P. Osler, *Chairman of the Board*

Bruce M. Hamilton, *President*

Ronald B. Wilson, *Vice President/Administration &  
Finance and Secretary*

David W. Albright, *Comptroller*

## Officers of Burlington Steel Division

John E. Fogarty, *Vice President/General Manager*

John F. Miles, *Vice President/Manufacturing*

A. Gordon McDonald, *Vice President/Marketing*

## Officer of Slater Products Division

A. Michael Parent, *Vice President/General Manager*

## Corporate offices

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

## Divisions

Burlington Steel Division  
319 Sherman Avenue North  
P.O. Box 271, Hamilton, Ontario L8N 3E7

Slater Products Division  
681 King Street West  
P.O. Box 271, Hamilton, Ontario L8N 3E7  
Branches – Vancouver and Montreal.

## Associated 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

# Glossary of Steelmaking Terms

**Alloy Steel** Steel containing specific amounts of alloying elements, such as chromium, nickel, molybdenum, etc., to enhance physical and mechanical properties.

**Bag House** Filter collectors of dust taken from the atmosphere in any steelmaking operation.

**Bar Mill** Mill capable of hot rolling bars and bar size shapes from billets.

**Bars** Product in form of rounds, squares, hexagons and flats in straight lengths and usually less than 6 sq. in. sections.

**Bar Size Shapes** Rolled angles and flanged sections having a maximum single dimension of not more than 3".

**Basic Process** Steelmaking in a furnace lined with basic type refractories (magnesite, dolomite) under a basic slag rich in lime and magnesia.

**Billet** A rolled or cast form having a maximum cross sectional area of 36 sq. in. and used as a starting section for the subsequent rolling of bars and rods.

**Bloom** The initial form to which a cast ingot is rolled or forged having a cross section usually in excess of 36 sq. in.

**Carbon Steel** Related to non-alloyed steel but containing carbon up to 2% for strength, manganese below 1.65% for workability and silicon below 0.60% for soundness.

**Charge** Steelmaking materials fed into a melt furnace.

**Cold Working** Rolling, drawing or shaping of steel usually at room temperature.

**Conditioning** Removal of surface defects on semi-finished steel using torch scarfing, grinding or chipping.

**Continuous Casting also Strand Casting** Casting of molten steel in a water cooled copper bottomless mould into a continuous billet, bloom or slab form.

**Cooling Bed also Hot Bed** Used to hold and move hot rolled steel in straight lengths for air cooling.

**Decarburization** The loss of carbon from the surface of steel as a result of heating in oxygen rich atmosphere.

**Deoxidizing** The removal of oxygen from molten steel by addition of specific elements, such as manganese, silicon or aluminum.

**Descaling** Removal of scale (oxides) from steel surface using a water spray on hot steel and shot blasting or pickling for cold steel.

**Draft** The change in cross section to a steel bar when it is processed by rolling or wire drawing.

**Electric Furnace Steelmaking** Melting of steel in a furnace using electric arcs between 3 graphite electrodes as the source of heat and a cold charge of steel scrap or sponge iron.

**Gangue** The worthless portion of iron ore.

**Hearth** The bottom portion of a furnace in which the molten metal is collected.

**Heat** The batch of steel produced in one steel-making furnace cycle.

**Heat Treatment** Heating and cooling a solid metal in such a way to obtain desired properties. Normalizing, quenching, tempering and annealing are routine heat treatments.

**Hot Working** Deforming steel plastically by rolling, forging, piercing, pressing or heading at temperatures usually in excess of 1600°F.

**Inclusions** Small non-metallic particles in solid steel entrapped during solidification.

**Ingot** Basic form in which molten steel is cast in a mould.

**Killed Steel** Steel to which silicon or aluminum have been added in order to reduce the oxygen content to provide soundness.

**Ladle** A receptacle used for receiving and pouring of a heat of molten steel.

**Lining** Refers to refractories in a furnace or ladle.

**Merchant Bars** Industrial quality hot rolled carbon steel bars not intended for special demanding fabrication process and end use.

**Microstructure** The structure of steel as revealed under a microscope from polished and etched specimens.

**Mild Steel** Carbon steel with a maximum of about 0.25% carbon.

**Mould** A cast iron form into which molten steel is poured and solidified, or copper sections used in continuous casting to form the desired shape and size of product.

**Nozzle** Refractory piece inserted at the bottom of ladle or tundish to produce a smooth, controlled stream of molten steel through its central orifice.

**Pass** The open space between two grooved rolls through which steel is processed during hot rolling.

**Pellets** Agglomerated fine iron ore concentrates, intended for blast furnace charge or direct reduction.

**Prereduced Pellets also Sponge Iron or Direct Reduced Iron** Iron in the form of a pellet produced directly by reducing oxygen content in the ore with carbon or hydrogen rich materials at temperatures below melting.

**Pulpit** Rolling mill control station, placed on a bridge over the mill.

**Reheating Furnaces or Mill Furnaces** Furnaces used for reheating of blooms, billets or slabs for hot rolling; pusher and walking-beam types.

**Reinforcing Bars** Hot rolled steel bars with rolled-in deformations for concrete reinforcement.

**Residual Elements** Specific elements present in steel in small quantities, but not added intentionally.

**Rods** Small rounds usually less than ¾" diameter hot rolled from billets on a rod mill into a coiled form.

**Scrap** Steel scrap for steelmaking charge, which may be purchased in various forms by which it has been processed, i.e. bundles, turnings, shredded, bushelling, etc.

**Skull** A layer of solidified steel at the bottom of furnace or ladle after the steel has been poured.

**Slag** The non-metallic product containing impurities forming on top of the steel bath during meltdown. Reactions between the molten slag and steel are vital in steelmaking.

**Stand** A rolling mill housing complete with rolls.

**Stopper Rod** Used in ladles for pouring control; the stopped head and ladle nozzle constitute a valve.

**Tapping** Opening the outlet of melting furnace to remove molten steel from furnace into ladle.

**Teeming** Pouring molten steel from a ladle into ingot moulds or tundish.

**Top Charging** Electric furnace roof and supporting structure for the electrode masts are lifted and swung to one side to charge the furnace by scrap bucket.

**Tundish** Used as an intermediate holding device for molten steel in continuous casting. The tundish is equipped with nozzles to provide controlled steel stream to the moulds.

**Slater Steel Industries Limited**

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

