

IVACO INDUSTRIES LIMITED ANNUAL REPORT 1975

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CONTENTS

Manufacturing Plants, Warehouses and Sales Offices	this page
Financial Highlights	1
Company Information and Officers	1
Growth at a Glance	2
Board of Directors	3
Letter to Shareholders	4
Financial Statements	6
Introduction to the Company's Manufacturing Operations	13
Steelmaking	14
Rolling Mill	16
Wire, Welded Wire Fabric and Fencing	18
Fasteners	20
Nails	22
Precision Machined Components & Axles	23
Fourdrinier Fabric	24
Five Year Financial Summary	Inside Back Cover
Notice of Annual Meeting	Inside Back Cover

MANUFACTURING PLANTS

Eastern Steelcasting	L'Orignal, Ontario
Flylo Corporation Ltd.	Ingersoll, Ontario
Industrial Fasteners Ltd.	Marieville, Quebec
Infatool Ltd.	Ingersoll, Ontario
Ingersoll Fasteners	Ingersoll, Ontario
Ingersoll Machine and Tool Company Ltd.	Ingersoll, Ontario
Ivaco Rolling Mills	L'Orignal, Ontario
New York Wire Mills Corp.	Buffalo, New York
Niagara Wires Inc.	Quincy, Florida
Quebec Wires Ltd.	Trois Rivières, Quebec
Sivaco Wire & Nail Company	Marieville, Quebec
Sivaco Maritimes Ltd.	Dartmouth, Nova Scotia
Sivaco Ontario Ltd.	Ingersoll, Ontario
The Morrow Screw and Nut Company Ltd.	Ingersoll, Ontario
Virginia Wire and Fabric	Warrenton, Virginia

WAREHOUSES AND SALES OFFICES

St. John's, Newfoundland
Toronto, Ontario
Winnipeg, Manitoba
Vancouver (Burnaby), British Columbia

Moncton, New Brunswick
Calgary, Alberta
Edmonton, Alberta

Cover:
Tapping Molten Steel

FINANCIAL HIGHLIGHTS

	1975	1974
SALES	\$103,001,000	\$150,734,000
NET EARNINGS	\$ 5,419,000*	\$ 20,438,000
NET EARNINGS PER COMMON SHARE	\$0.58*	\$2.37
EXPENDITURE FOR PLANT AND EQUIPMENT	\$ 15,964,000	\$ 32,360,000

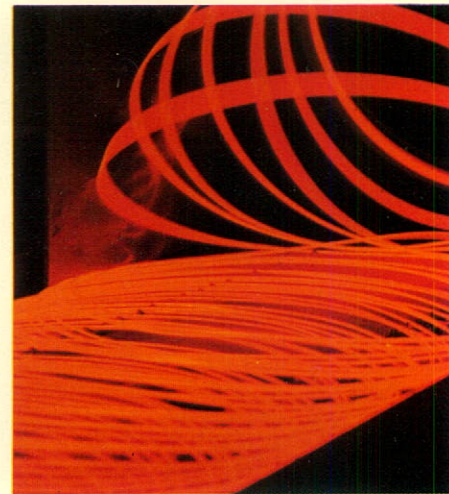
*Net earnings and net earnings per common share in 1975 include an extraordinary gain of \$880,000 or 10 cents per common share.



▲ *Four strand continuous casting*



▲ *Billet lengths are cut automatically*



▲ *Hot rolled wire rod leaving "no twist" finishing stands*

Officers

ISIN IVANIER,
President

PAUL IVANIER,
Executive Vice-President
and Secretary-Treasurer

SYDNEY IVANIER,
Vice-President

MICHAEL HERLING,
Vice-President

JACK KLEIN,
Vice-President

HEAD OFFICE:

800 Ouellette Street, Marievalle, Quebec

TRANSFER AGENT AND REGISTRAR:

The Royal Trust Company in Montreal,
Toronto, Calgary, Vancouver and Halifax

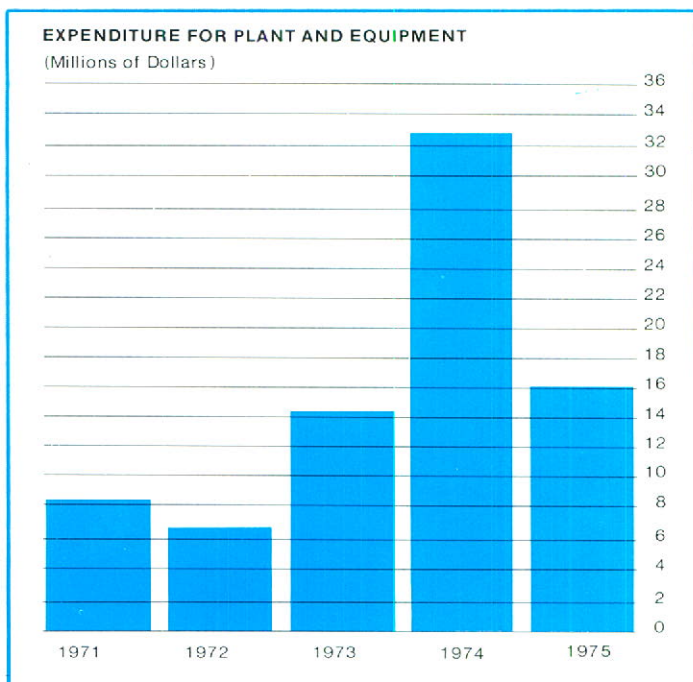
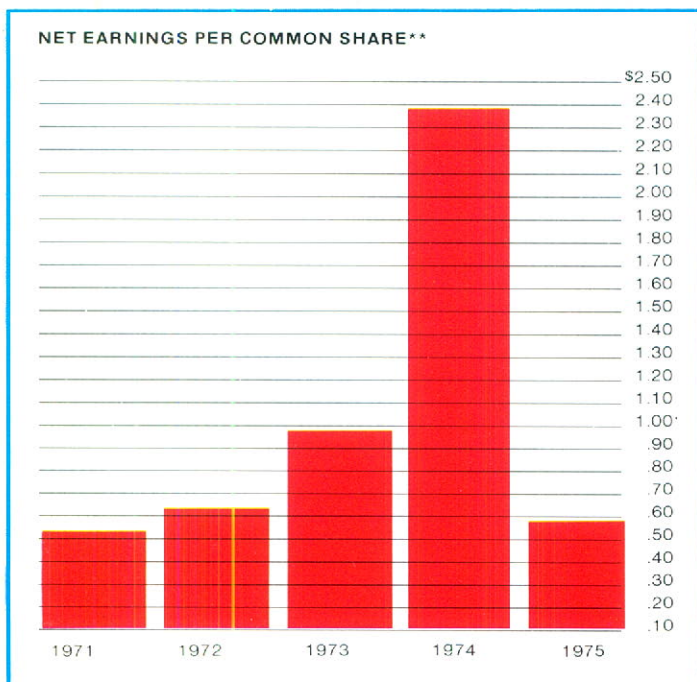
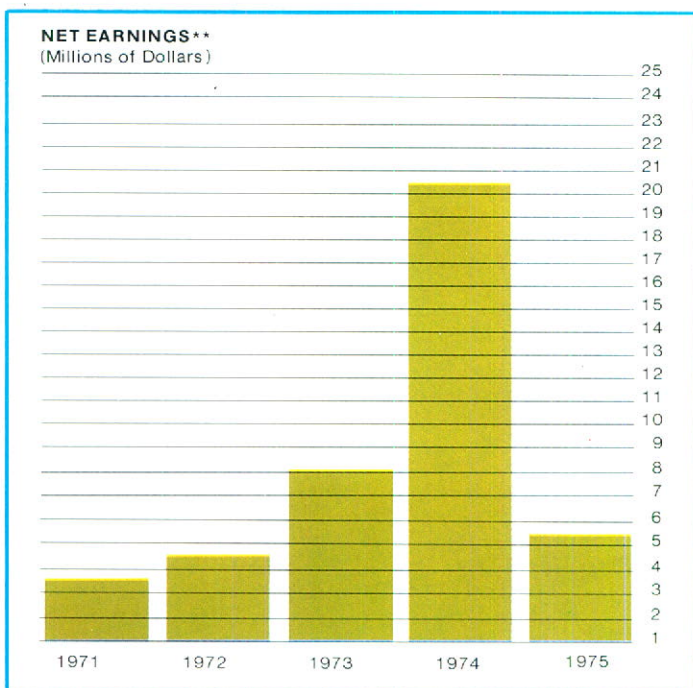
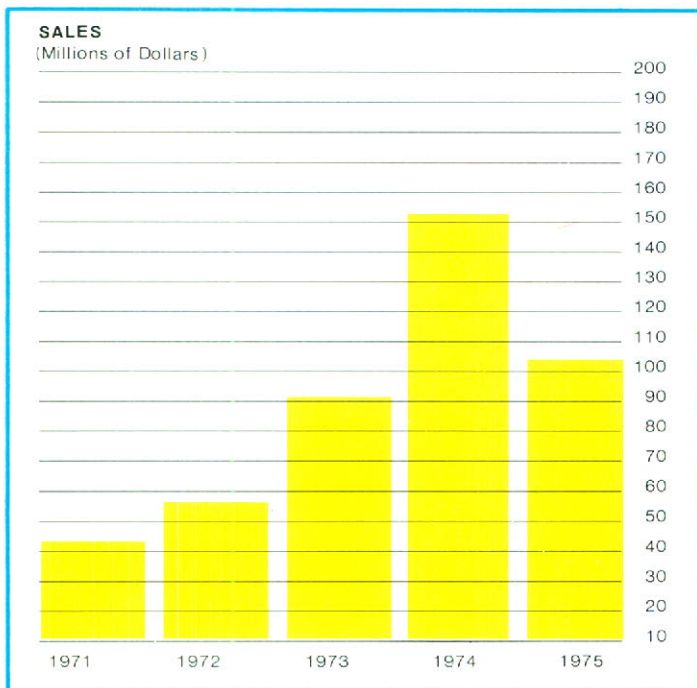
AUDITORS:

Touche Ross & Co., Montreal, Quebec

SHARES LISTED:

Montreal Stock Exchange
Toronto Stock Exchange

growth at a glance*



*Representing on a retroactive basis the results of all subsidiaries excepting The Niagara Wire Weaving Company, Limited for which results are included from date of consolidation, June 1, 1973.

**Net earnings and net earnings per common share in 1975 include an extraordinary gain of \$880,000 or 10 cents per common share.

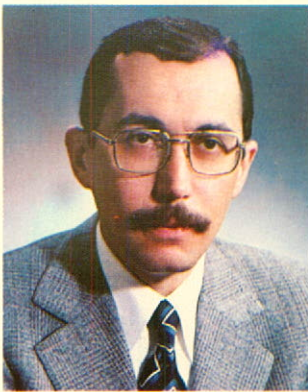
Board of Directors



ISIN IVANIER,
President,
Ivaco Industries Limited



PAUL IVANIER,
Executive Vice-President,
Ivaco Industries Limited



SYDNEY IVANIER,
Vice-President,
Ivaco Industries Limited



MICHAEL HERLING,
Vice-President,
Ivaco Industries Limited



JACK KLEIN,
Vice-President,
Ivaco Industries Limited



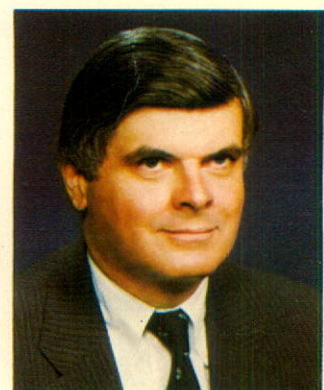
JOHN LOVERIDGE,
President,
Ingersoll Machine and
Tool Company, Limited



EDWARD J. BUELL,
Chairman,
The Niagara Wire Weaving
Company, Limited



ALAN S. GORDON,
Consultant,
Merrill Lynch,
Royal Securities Limited



H. B. McNALLY, Q.C.
Partner
Byers, Casgrain &
Stewart



To Our Shareholders



ISIN IVANIER,
President,
Ivaco Industries Limited



PAUL IVANIER,
Executive Vice-President,
Ivaco Industries Limited

March 30, 1976

1975 was not a satisfactory year for Ivaco as far as operating results are concerned. The recession in Canada and in the United States adversely affected product demand and pricing for our products throughout the year. In the United States particularly, price erosions for our products were a direct result of inventory corrections that were of longer duration than we had originally anticipated. In addition your Company faced two major strikes during 1975: one at the Trois Rivières plant of Quebec Wires and the other at the Rolling Mill at L'Original. Both strikes were an additional strain on earnings.

The 1975 results in brief:

Sales were \$103.0 million compared with \$150.7 million in 1974.

Net earnings were \$5,419,000 (including extraordinary gain of \$880,000) compared with \$20,438,000 earned in 1974.

Net earnings per common share were 58 cents (including extraordinary gain of 10 cents per share) compared with \$2.37 earned in 1974.

Working capital at December 31, 1975 stood at \$29,094,000 compared with \$30,866,000 at December 31, 1974.

During 1975 The Niagara International Centre in which your Company had a 30.8% equity was sold resulting in an extraordinary gain of \$880,000 or 10 cents per share.

In terms of vertical integration and plant expansion, 1975 was a momentous year for your Company. Ivaco achieved a significant long term goal in 1975 with the start-up of production of its own steel making facility at L'Orignal, Ontario. The first of two electric furnaces began producing steel during 1975 and the second furnace began production in February 1976. Both furnaces came on stream smoothly and the quality of steel billets exceeded all expectations from the start.

A further significant achievement was made in 1975 with the addition and start-up of our "no-twist" high speed finishing mill and controlled cooling lines at the Ivaco Rolling Mill complex at L'Orignal, Ontario.

The successful achievement of vertical integration from production of our own steel billets through to end-use products which we manufacture is expected to have a powerful impact on earnings once market demand resumes satisfactory levels.

Installation of a nail production line at Warrenton, Virginia was completed early in 1976 and nail production started last month.

At our New York Wire Mills plant in Buffalo, New York, a second oil tempering spring line was completed early in 1976 and production commenced this month.

At our Fourdrinier fabric facilities at Trois Rivières, Quebec and Quincy, Florida, equipment conversion changes took place throughout the year. Due to these changes the major portion of production of Fourdrinier fabric at these locations is now produced from synthetic fibres. A large portion of the Canadian paper industry was shut down for several months because of strike action. The length and the extensiveness of this widespread labor dispute involving customers for Fourdrinier fabrics had a noticeably severe effect on sales and earnings for this Division.

As we look towards 1976 we can report that all of the projects that we had underway have now come on stream. Your Company possesses manufacturing plants that are modern, efficient and strategically located in Canada and the United States. During the past several weeks we have seen a firming of market demand for our products, particularly in the United States and in our export markets. We expect this firming of demand to strengthen as the year progresses. It is usual that firmness in product demand has a direct positive effect on pricing to return to normal levels. Your Company is extremely well positioned to take advantage of the strong demand for its products that we expect during the second half of 1976.

In summary we expect 1976 will be a satisfactory year for Ivaco Industries Limited.

Paul Ivanier
Executive Vice-President

Isin Ivanier
President



IVACO INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1975

	<u>1975</u>	<u>1974</u>
Net sales	\$103,001,000	\$150,734,000
Costs and expenses exclusive of items listed below	90,359,000	108,451,000
Depreciation	3,272,000	2,921,000
Amortization	341,000	333,000
Interest on long-term liabilities	2,654,000	1,872,000
Interest on short-term borrowings	1,433,000	902,000
Gain on disposal of fixed assets	(208,000)	(465,000)
	97,851,000	114,014,000
Investment income	1,238,000	918,000
	96,613,000	113,096,000
Earnings before income taxes	6,388,000	37,638,000
Provision for income taxes:		
Current	(3,943,000)	10,074,000
Deferred	5,685,000	6,463,000
	1,742,000	16,537,000
Net earnings before minority interests	4,646,000	21,101,000
Minority interests	107,000	663,000
Earnings before extraordinary item	4,539,000	20,438,000
Extraordinary item (Note 4)	880,000	—
Net earnings	\$ 5,419,000	\$ 20,438,000
Net earnings per common share (Note 6):		
Before extraordinary item	\$0.48	\$2.37
Extraordinary item	0.10	—
	\$0.58	\$2.37



IVACO INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1975

	1975	1974
WORKING CAPITAL, JANUARY 1	<u>\$30,866,000</u>	<u>\$18,404,000</u>
SOURCE OF FUNDS		
Net earnings before minority interests	4,646,000	21,101,000
Charges to earnings not requiring the current outlay of funds		
Depreciation and amortization	3,613,000	3,254,000
Deferred income taxes	5,530,000	6,388,000
Gain on disposal of fixed assets	(208,000)	(465,000)
Funds from operations	<u>13,581,000</u>	<u>30,278,000</u>
Issue of capital stock (Note 6) —		
On conversion of preferred shares	29,000	2,844,000
Other	40,000	331,000
Increase in long-term liabilities	3,638,000	11,288,000
Government grants on account of capital expenditures	31,000	240,000
Net proceeds on sale of investment in the Niagara International Centre, less amount not due within one year (Note 4)	<u>2,259,000</u>	<u>—</u>
	<u>19,578,000</u>	<u>44,981,000</u>
APPLICATION OF FUNDS		
Addition to fixed assets	15,964,000	32,360,000
Less: Reduction in cash held for investment in fixed assets	—	(4,500,000)
	<u>15,964,000</u>	<u>27,860,000</u>
Increase in mortgage	205,000	—
Conversion of preferred shares into common shares	29,000	2,844,000
Increase of equity in subsidiary companies	4,000	305,000
Dividends — preferred	281,000	410,000
— common	1,622,000	1,323,000
Net increase in deferred pre-production costs	2,946,000	(72,000)
Other items	299,000	(151,000)
	<u>21,350,000</u>	<u>32,519,000</u>
(DECREASE) INCREASE IN WORKING CAPITAL	<u>(1,772,000)</u>	<u>12,462,000</u>
WORKING CAPITAL, DECEMBER 31	<u>\$29,094,000</u>	<u>\$30,866,000</u>



IVACO INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

ASSETS

	1975	1974
CURRENT:		
Cash and certificates of deposit	\$ 2,145,000	\$ 13,011,000
Marketable securities — at cost (market value 1975 - \$7,638,000; 1974 - \$7,870,000)	6,122,000	6,045,000
Accounts receivable	17,096,000	16,695,000
Income taxes recoverable	3,910,000	—
Inventories (Note 2)	58,972,000	40,472,000
Prepaid expenses	384,000	554,000
	88,629,000	76,777,000
 Income tax reductions applicable to future years	 1,165,000	 —
FIXED:		
Land	1,223,000	1,098,000
Buildings	21,650,000	16,445,000
Machinery and equipment	85,687,000	58,092,000
	108,560,000	75,635,000
 Less: Accumulated depreciation	 19,566,000	 17,887,000
	88,994,000	57,748,000
Construction in progress	594,000	18,940,000
	89,588,000	76,688,000
 OTHER ASSETS:		
Investment — at equity (Note 4)	—	1,826,000
Mortgage and notes receivable	805,000	—
Cost of investments in subsidiary companies in excess of net assets at dates of acquisition, less amortization	3,558,000	3,658,000
Sundry assets (Note 3)	4,228,000	1,482,000
	8,591,000	6,966,000
 ON BEHALF OF THE BOARD:		
ISIN IVANIER, Director		
PAUL IVANIER, Director	\$187,973,000	\$160,431,000

AUDITORS' REPORT TO THE SHAREHOLDERS OF IVACO INDUSTRIES LIMITED.

We have examined the consolidated balance sheet of Ivaco Industries Limited and its subsidiary companies as at December 31, 1975 and the consolidated statements of earnings, retained earnings, contributed surplus and changes in financial position for the year then ended. For Ivaco Industries Limited and those subsidiaries of which we are the auditors, our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to those subsidiaries of which we are



CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1975

LIABILITIES

	1975	1974
CURRENT:		
Bank indebtedness — partly secured	\$ 29,741,000	\$ 8,318,000
Accounts payable and accrued liabilities		
Trade	22,940,000	24,741,000
Directors	541,000	368,000
Taxes payable	—	6,873,000
Current portion of deferred income taxes	692,000	537,000
Dividends payable	71,000	83,000
Current portion of long term liabilities	5,550,000	4,991,000
	<u>59,535,000</u>	<u>45,911,000</u>
LONG TERM LIABILITIES (Note 5)	<u>33,484,000</u>	<u>29,846,000</u>
DEFERRED INCOME TAXES	<u>21,413,000</u>	<u>14,718,000</u>
MINORITY INTERESTS:		
Preferred shares	137,000	137,000
Common share equity	2,638,000	2,476,000
	<u>2,775,000</u>	<u>2,613,000</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 6)	24,169,000	24,129,000
CONTRIBUTED SURPLUS	2,531,000	2,500,000
RETAINED EARNINGS	44,066,000	40,714,000
	<u>70,766,000</u>	<u>67,343,000</u>
	<u>\$187,973,000</u>	<u>\$160,431,000</u>

not the auditors, we have carried out such inquiries and examinations as we considered necessary in order to accept, for purposes of consolidation, the reports of the other auditors.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their 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.

Montreal, Quebec
March 23, 1976

TOUCHE ROSS & CO.
Chartered Accountants.



IVACO INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1975

	1975	1974
Balance, January 1	\$40,714,000	\$22,009,000
Add: Net earnings	5,419,000	20,438,000
	46,133,000	42,447,000
Deduct:		
Dividends - preferred	281,000	410,000
- common	1,622,000	1,323,000
Tax paid to create tax-paid undistributed surplus	164,000	—
	2,067,000	1,733,000
Balance, December 31	\$44,066,000	<u>\$40,714,000</u>

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1975

	1975	1974
Balance, January 1	\$2,500,000	\$2,260,000
Add: Government grants on account of capital expenditures	31,000	240,000
Balance, December 31	\$2,531,000	<u>\$2,500,000</u>

Notes to Consolidated Financial Statements

December 31, 1975

1. Summary of Significant Accounting Policies

The Company follows generally accepted accounting principles in the preparation of its consolidated financial statements and their application is consistent with that of the preceding year.

Basis of Consolidation

Ivaco Industries Limited is incorporated under the laws of Canada. These consolidated financial statements include the accounts of all subsidiary companies, with provision for the interests of minority shareholders. The cost of the investments in subsidiary companies in excess of the net assets at the dates of acquisition is being amortized on a straight-line basis over a 40 year period. All material inter-company transactions have been eliminated.

Foreign Exchange

Assets and liabilities in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for working capital items and at approximate exchange rates prevailing at the transaction dates for non-current assets and liabilities. Income and expenses other than depreciation are translated at average exchange rates prevailing during the year; depreciation is translated at historic exchange rates.

Marketable Securities

Marketable securities are valued at cost and when they are sold, the resulting gain or loss is included in net earnings.

Inventory Valuation

Inventories are carried at the lower of cost and net realizable value. Adequate provision is made for slow-moving and obsolete inventories.

Fixed Assets and Depreciation

Fixed assets are stated at cost. Depreciation, based on the useful life of the assets, is computed on the straight-line method by application of rates varying from 2½% to 30% on individual classes of tangible depreciable property.

When fixed assets are disposed of, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is included in net earnings.

Deferred Pre-Production Costs

Certain costs relating to the start-up of new facilities or major plant additions, incurred prior to the commencement of commercial production, are deferred and amortized over periods of up to five years.

2. Inventories

Inventories consist of:	1975	1974
Finished products	\$14,744,000	\$ 9,568,000
Work in process	4,497,000	4,913,000
Raw materials and supplies ...	39,731,000	25,991,000
	<u>\$58,972,000</u>	<u>\$40,472,000</u>

3. Sundry Assets

Particulars of sundry assets are:	1975	1974
Deferred pre-production costs, less amortization	\$ 3,688,000	\$ 742,000
Deferred financing and organization costs, less amortization	110,000	165,000
Patents and licenses, less amortization	250,000	269,000
Grants receivable	144,000	257,000
Other items	36,000	49,000
	<u>\$ 4,228,000</u>	<u>\$ 1,482,000</u>

4. Investment — at Equity

During the year a subsidiary company sold its 30.8% investment in the Niagara International Centre Limited for \$2,960,000, of which \$2,200,000 was received in cash and \$760,000 in 10% notes. These notes are repayable in semi-annual instalments to 1980. This transaction resulted in an extraordinary gain of \$1,001,000 less income taxes thereon of \$47,000 and minority interest of \$74,000.

5. Long-Term Liabilities

Particulars of long-term liabilities are:

	1975	1974
First Mortgage Sinking Fund Bonds and Debentures		
—9¼%, payable in annual instalments to 1987	\$ 4,150,000	\$ 4,500,000
—9½%, payable in annual instalments from 1976 to 1989	4,500,000	4,500,000
—9½%, payable in monthly instalments to 1994	1,168,000	1,063,000
—10½%, payable in annual instalments to 1985	1,100,000	1,200,000
Mortgages, interest rates varying from 7% to prime + ½%, payable in varying instalments to 1994	1,467,000	1,561,000
Deferred accounts and notes payable arising from purchase of machinery and equipment, interest rates varying from 5¼% to prime + 3%, payable in varying instalments to 1981 ..	6,157,000	6,716,000
Bank loan, secured by marketable securities, interest at 8.5% (which is a fluctuating rate of 117.5% of prime interest) payable in equal annual instalments to 1981 ...	4,198,000	4,898,000
Bank loans, partly secured by accounts receivable and inventories		
—Interest at 1½% above prime rate, payable in annual instalments to 1979	2,400,000	3,000,000
—Interest rates varying to 2% above prime rate, payable in varying instalments to 1980 ...	3,424,000	3,752,000
Bank loan, secured by accounts receivable, inventories and equipment, interest at 1½% above prime rate, payable in quarterly instalments of \$100,000 to March 1981 and the balance due June 1981	2,590,000	2,992,000
Bank loan, secured by certain shares of two subsidiaries and a note of a subsidiary, interest at 1¼% above prime rate, payable in equal annual instalments from 1977 to 1982	7,500,000	—
Non-interest bearing advances from the Government of Canada, repaid in 1975	—	25,000
Brought forward	<u>\$38,654,000</u>	<u>\$34,207,000</u>

Notes to Consolidated Financial Statements, cont'd.

5. Long-Term Liabilities (continued)

	1975	1974
Carried forward	\$38,654,000	\$34,207,000
10½% Loan from directors, payable in equal quarterly instalments to 1977	300,000	540,000
Forgiveable Loan — Ontario Development Corporation	80,000	90,000
	<u>39,034,000</u>	<u>34,837,000</u>
Less: Instalments due within one year included in current liabilities	5,550,000	4,991,000
	<u>\$33,484,000</u>	<u>\$29,846,000</u>

The aggregate amounts of payments due in the years ending December 31, 1977, 1978, 1979 and 1980 are \$6,552,000, \$5,975,000, \$5,464,000 and \$3,724,000 respectively.

6. Capital Stock

(a) Particulars of the capital stock are:

	1975	1974
Common shares, no par value:		
Authorized — 24,000,000 shares of which 12,000,000 have been designated as Class A and 12,000,000 designated as Class B.		
Issued and outstanding — Class A - 3,648,004 shares Class B - 5,248,414 shares <u>8,896,418</u>		
(1974 — 8,889,498)	\$19,486,000	\$19,417,000
Preferred 6% cumulative, convertible shares, par value \$50 each:		
Authorized — 600,000 shares of which 80,000 have been designated as Series A and 120,000 designated as Series B.		
Issued — Series A — 80,000 non-voting shares of which 5,300 shares (1974 — 5300 shares) are outstanding after exercise of conversion rights	265,000	265,000
Series B — 89,460 voting shares of which 88,366 shares (1974 — 88,946 shares) are outstanding after exercise of conversion rights	4,418,000	4,447,000
	<u>\$24,169,000</u>	<u>\$24,129,000</u>

By-Law 12 sanctioned by the shareholders on January 23, 1975 and confirmed by supplementary letters patent on the same date provided for:

- (i) The designation of the 12,000,000 common shares without nominal or par value as Class A common shares, and
- (ii) The increase of the authorized capital by the creation of 12,000,000 Class B common shares without nominal or par value.

The Class A and Class B common shares are voting and are identical except as to dividends. In respect of dividends, the board of directors may, in declaring cash dividends on the Class B common shares, provide for payment of such dividends, firstly out of tax-paid undistributed surplus on hand, and thereafter, out of 1971 capital surplus on hand, as defined in the Income Tax Act of Canada, in which case such dividends per share declared and paid out of tax-paid undistributed surplus on hand will be less than the dividends per share declared and paid on the Class A common shares

by the amount of tax paid by the Company to create tax-paid undistributed surplus on hand.

Series A preferred shares are redeemable after May 1, 1976 at the redemption price of 106% of the par value and are convertible into fully paid and non-assessable common shares on the following basis:

- (i) Prior to April 30, 1978 eight common shares for each preferred share.
- (ii) After April 30, 1978 and prior to April 30, 1981 six and two-thirds common shares for each preferred share.

Series B preferred shares are redeemable after November 1, 1978 at the redemption price of 106% of the par value and are convertible into fully paid and non-assessable common shares on the following bases:

- (i) Prior to November 30, 1976 four common shares for each preferred share.
- (ii) After November 30, 1976 and prior to March 31, 1980 three and one-third common shares for each preferred share.
- (iii) After March 31, 1980 and prior to July 31, 1983 two and one-half common shares for each preferred share.

- (b) Under a stock option plan dated May 26, 1970, as amended, providing for the issue of Class A common shares to key executives and employees at a price equal to not less than 90% of the trading price of the shares on the day preceding the granting of such options, the following stock options have been exercised:

	OPTION PRICE			TOTAL
	\$7.20	\$8.42	\$10.35	OPTIONS
Options out- standing as at January 1, 1975 . . .	—	9,000	62,400	71,400
Options granted during the year . . .	7,500	—	—	7,500
Options exercised during the year . . .	—	(3,900)	(700)	(4,600)
Options out- standing at De- cember 31, 1975 . .	<u>7,500</u>	<u>5,100</u>	<u>61,700</u>	<u>74,300</u>

Under the plan an additional 21,900 Class A common shares (1974 — 4,400 shares) are reserved for issue.

- (c) The net earnings per common share have been calculated based on the average number of common shares outstanding during the year. If the outstanding convertible preferred shares had been converted into Class A common shares and the Class A common shares relating to the outstanding stock options had been issued and outstanding for the 1975 year which was not the case, fully diluted net earnings per common share would have been \$0.58 (1974 — \$2.28).

7. Directors' and Officers' Remuneration

The number of directors of the Company was 9 (8 in 1974) and they received no remuneration as directors (nil in 1974).

The number of officers of the Company was 5 (5 in 1974). Their remuneration as officers of the Company and its subsidiaries was:

From Ivaco Industries Limited	— \$579,000 (nil in 1974)
From Sivaco Wire & Nail Company	— nil (\$271,000 in 1974)
From Industrial Fasteners Ltd.	— nil (\$190,000 in 1974)

The number of officers who were also directors of the Company was 5 (5 in 1974).

8. Anti-Inflation Legislation

The Company and its Canadian subsidiaries are subject to the Canadian Anti-Inflation legislation which became effective October 14, 1975. Management is not aware of any circumstances which would lead them to believe that the Company and its Canadian subsidiaries have not complied with the restrictions of the legislation.

THE IVACO GROUP

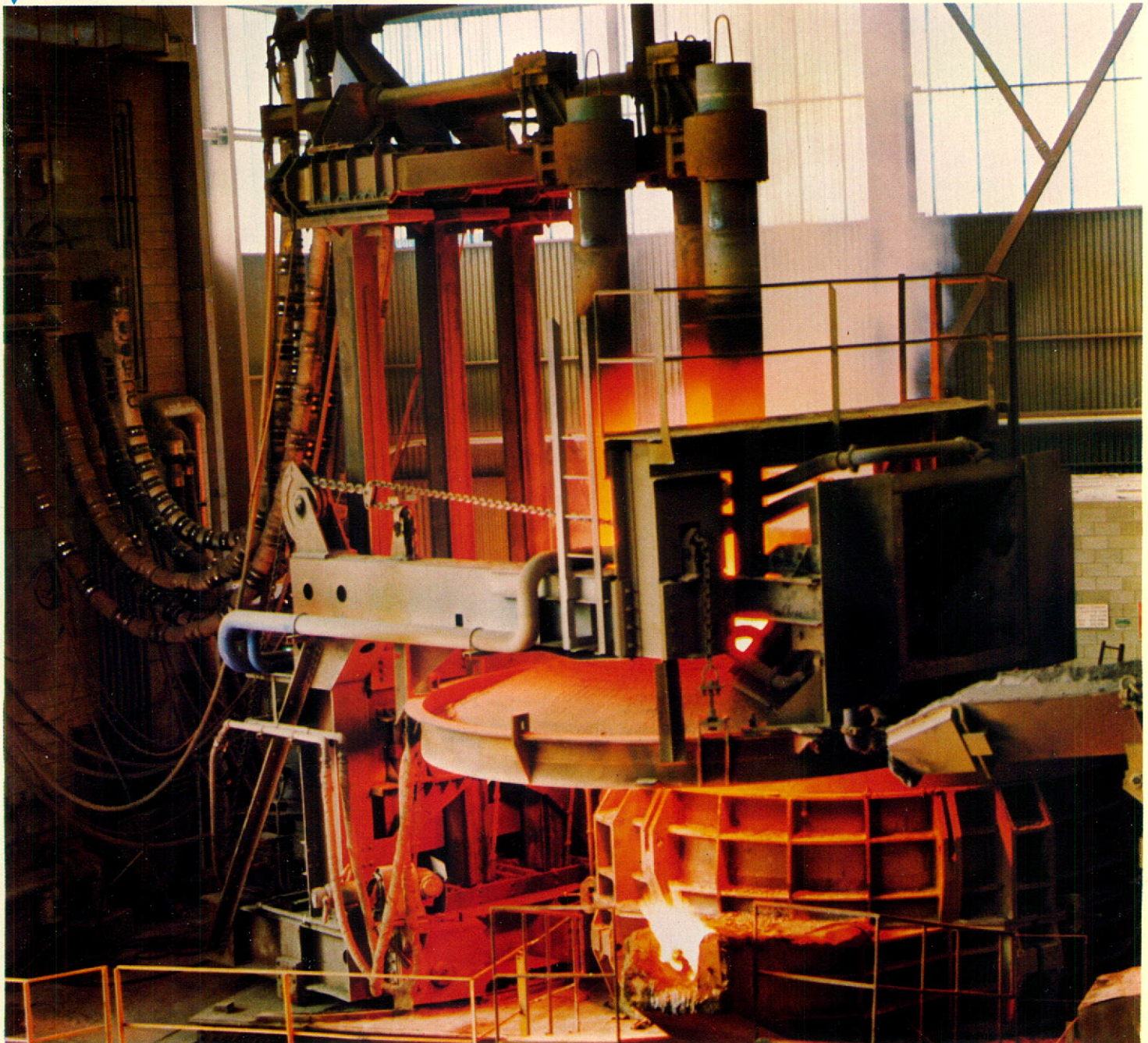
Ivaco is an integrated steel producer. Ivaco manufacturing progresses through steelmaking and rolling of wire rods, to the manufacture of finished steel products such as wire, nails, fasteners, welded wire fabric and fencing. In addition, the Company is a major producer of precision machined parts for the automotive, agricultural, construction, machinery, marine and other major industries. It also produces both heavy and light axles for trucks

and trailers and suspension systems for recreational vehicles. Fourdrinier fabric for the paper and paperboard industries is also manufactured.

Your Company has extensive manufacturing facilities in both Canada and the United States and it exports its products to more than 30 countries around the world.

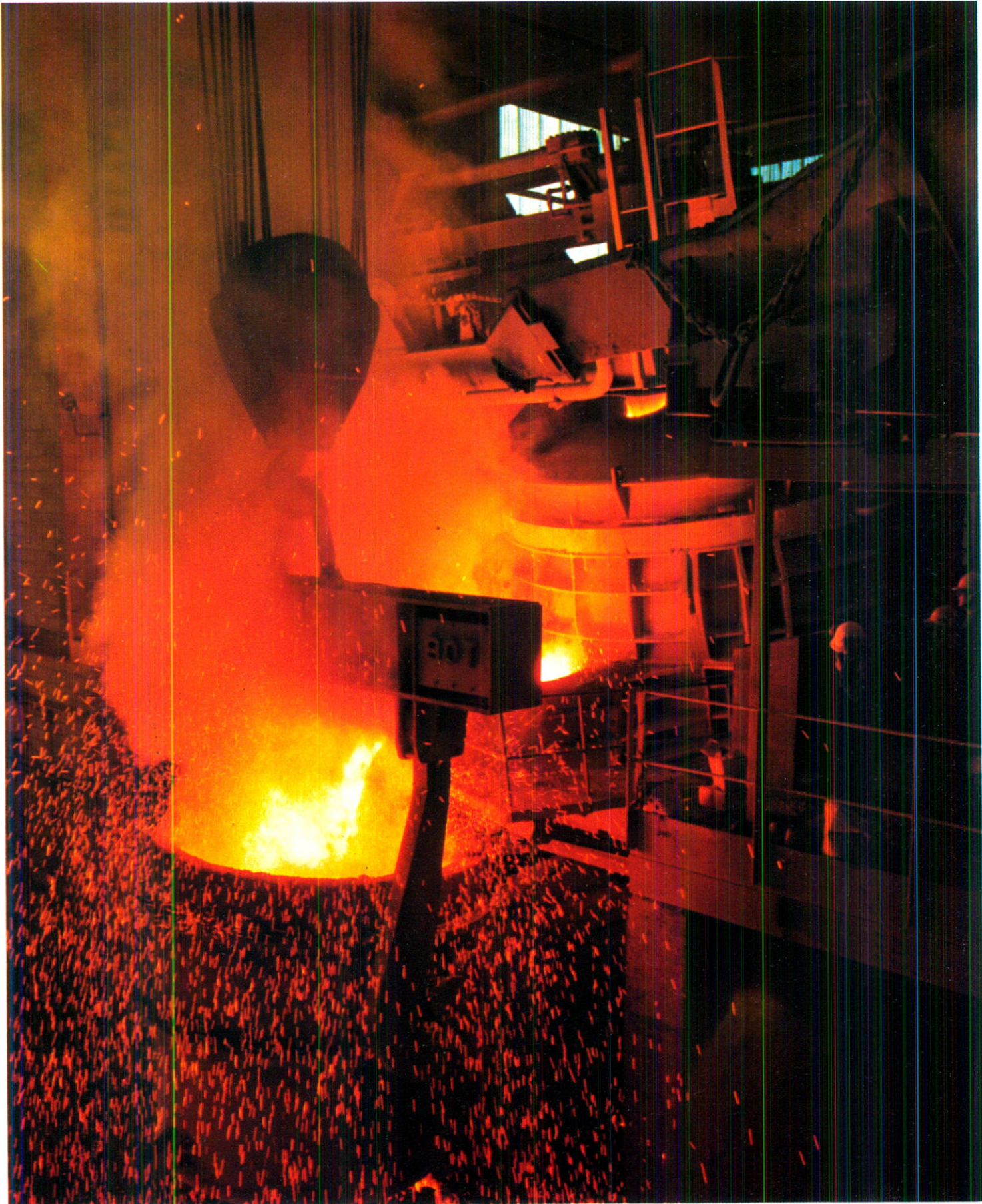
The following pages describe some of your Company's manufacturing operations.

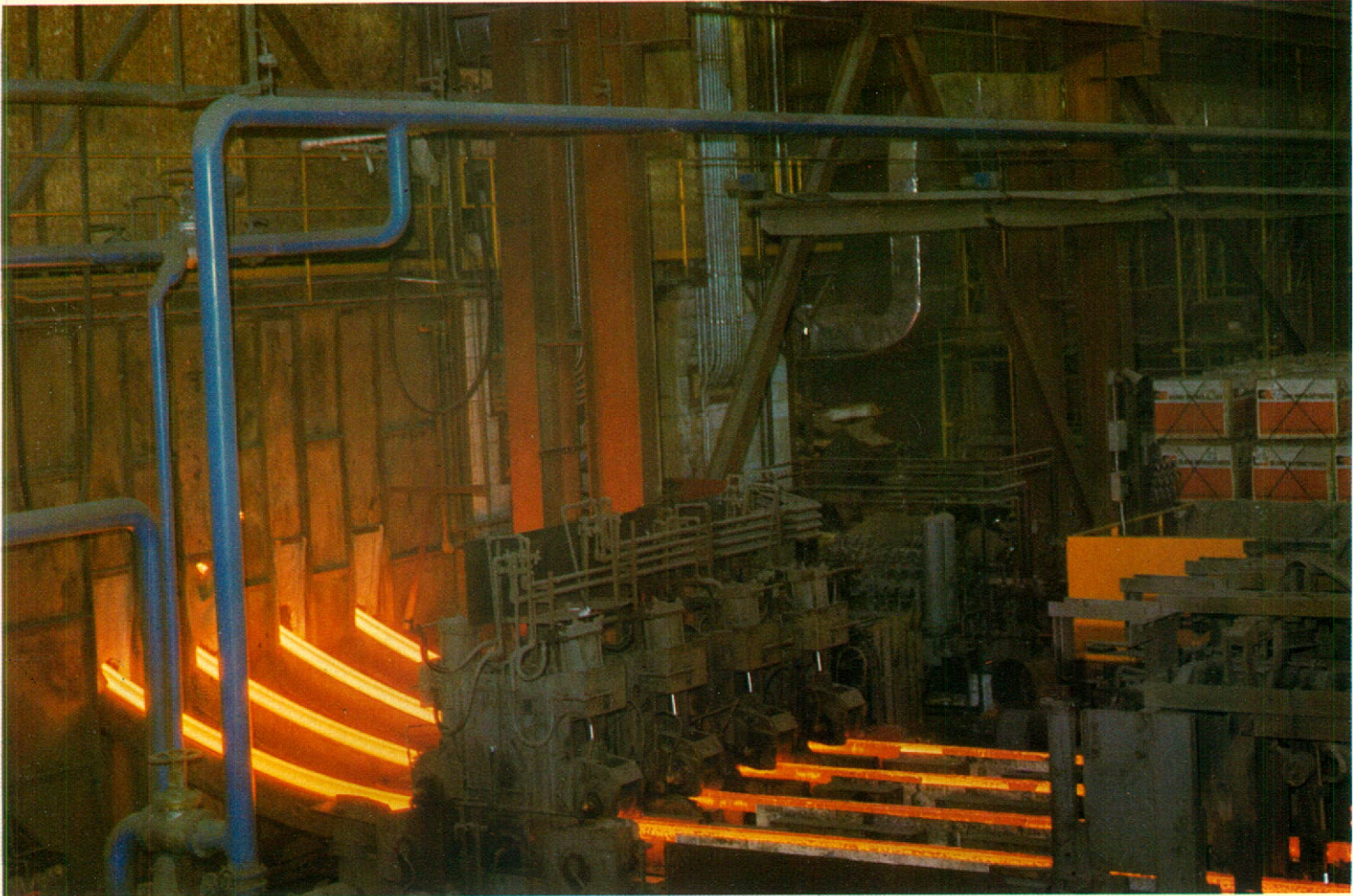
With electrodes raised, top portion of one of our electric furnaces closes to resume melting operations following a charge.



STEELMAKING

Ladle additions being made during the tapping cycle.





▲ Four continuous steel billet strands exiting from the casting machine.

Ivaco achieved a significant long term goal in 1975 with the start-up of production of its own steel-making capability.

The first of two modern electric furnaces began producing steel during 1975 and the second furnace began production in February, 1976. Both furnaces came on stream smoothly and quality exceeded all expectations from the start.

The melt and continuous casting plant at L'Original, Ontario has a rated annual capacity of 275,000 tons of steel billets.

This new steelmaking facility supplies an important share of your Company's billet needs which is the raw material for the rolling mill.

Steel is produced in two electric

furnaces with the aid of the latest automatic controls. When the proper chemistry and temperature are reached, the molten steel is tapped into ladles ready for pouring into the casting machine. The billets are continuously cast in a fully automated four strand continuous casting machine utilizing the most advanced technology.

ROLLING MILL

A significant achievement was made in 1975 with the addition of a "no-twist" high speed finishing mill and controlled cooling lines to the Ivaco rolling mill complex at L'Original, Ontario.

As wire drawers know, rod produced with the "no-twist" method gives smoother, rounder, better quality rod. Controlled cooling reduces waste and, in addition, results in a higher quality product. Hot rolled wire rod is produced

in many sizes and grades for use in Ivaco's own plants and for sale to outside customers.

Present rated capacity is approximately 400,000 tons of wire rods per year.

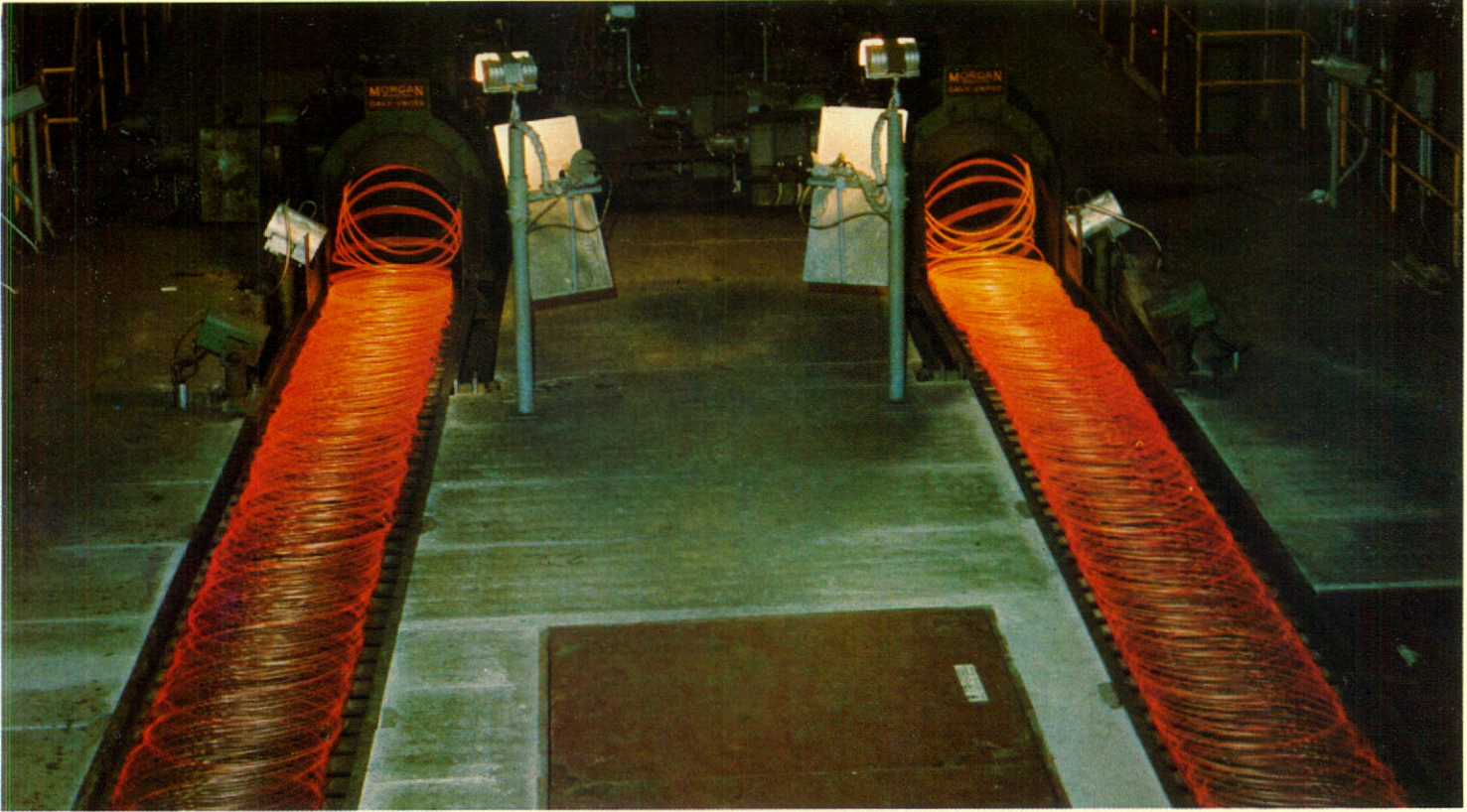
The rolling mill consists of a roughing section of nine stands, an intermediate section of four stands, and a "no-twist" finishing block section of ten stands.

The rod is produced by passing a heated steel billet through each

of these reducing stands. With each reduction in size, the speed of the rod being formed accelerates markedly. For example, a 4 x 4 inch, 32-foot-long steel billet which begins the rolling process becomes 13,000 feet of 7/32 of an inch rod (our smallest size). When leaving the final stand at the exit of the "no-twist" section of the mill the rod can be moving at a rate of well in excess of 11,000 feet per minute.



▲ It's called "the pulpit", and it's the nerve center which electronically controls each of the two strands being rolled simultaneously in the rolling mill.

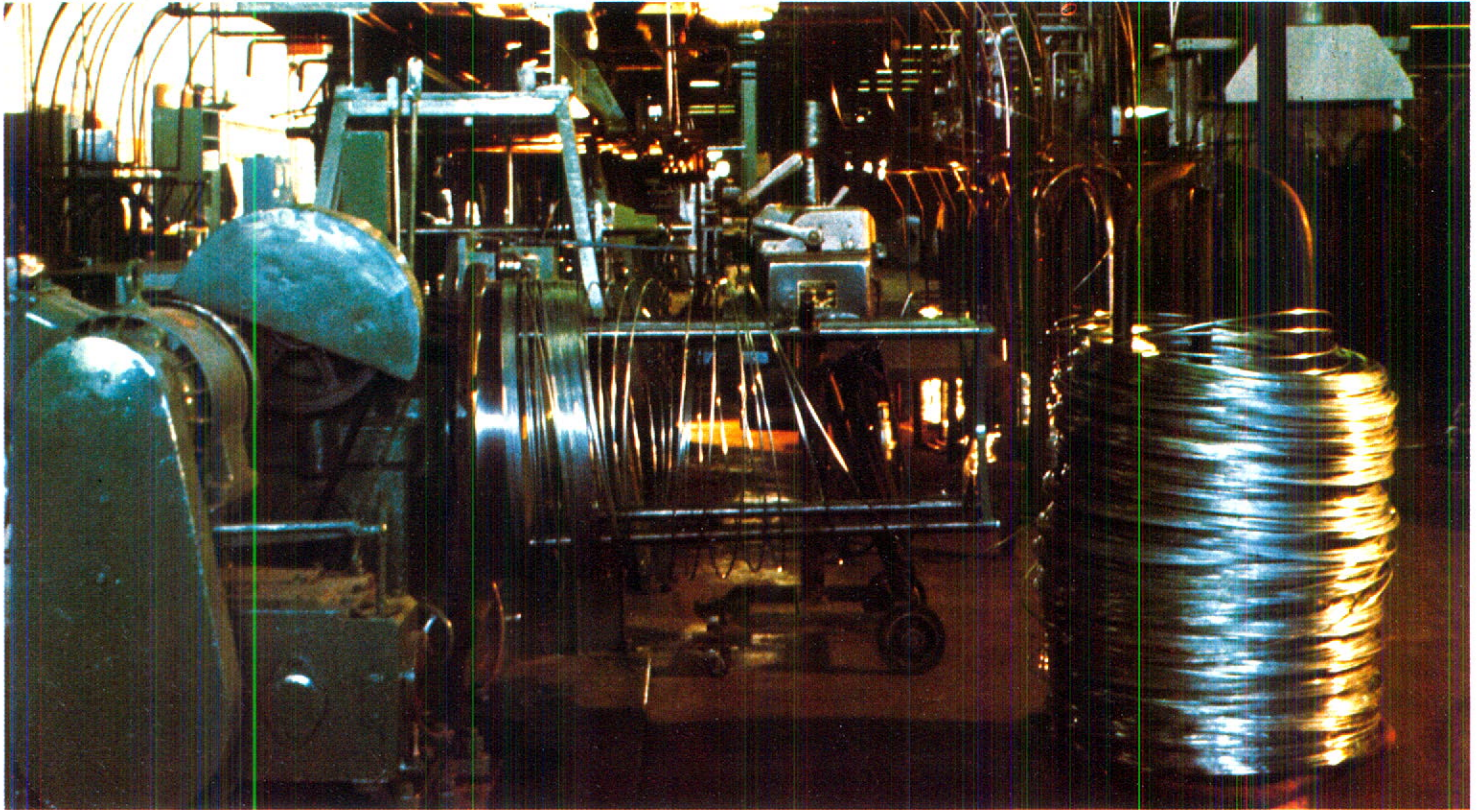


Hot rolled wire rod leaving the two “no-twist” sections at more than 11,000 feet per minute and continuing along the controlled cooling lines.

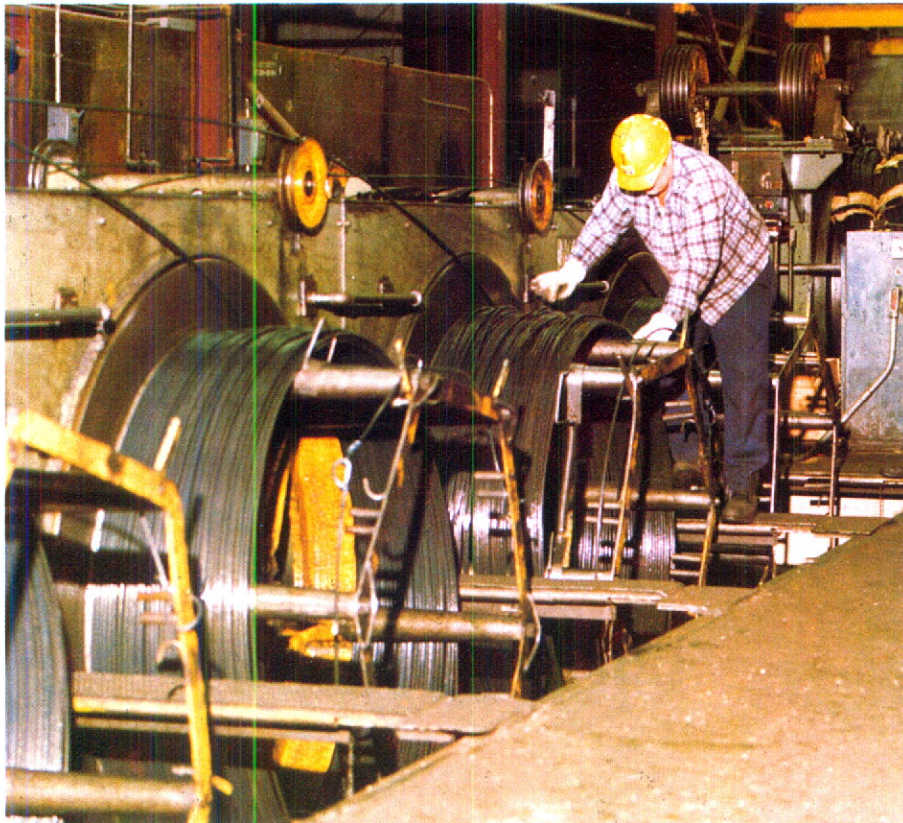


Final inspection of rod prior to compacting into bundles for shipment.

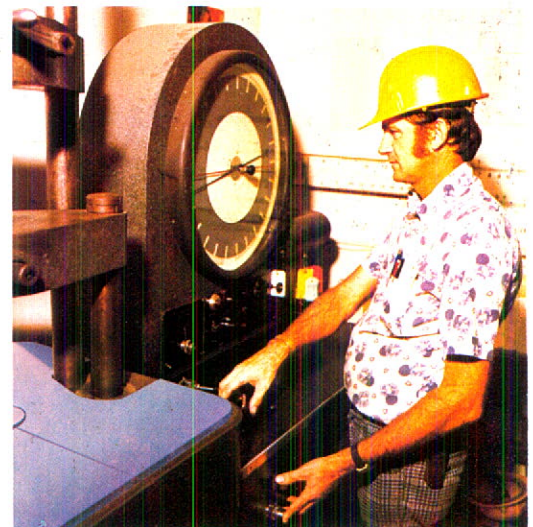
WIRE, WELDED WIRE FABRIC AND FENCING



▲ Galvanized wire at final production stage is readied for shipment.



▲ Oil tempered spring wire being produced here is an important specialty product of the Ivaco Group.



▲ Quality control tests drawn wire for physical properties.

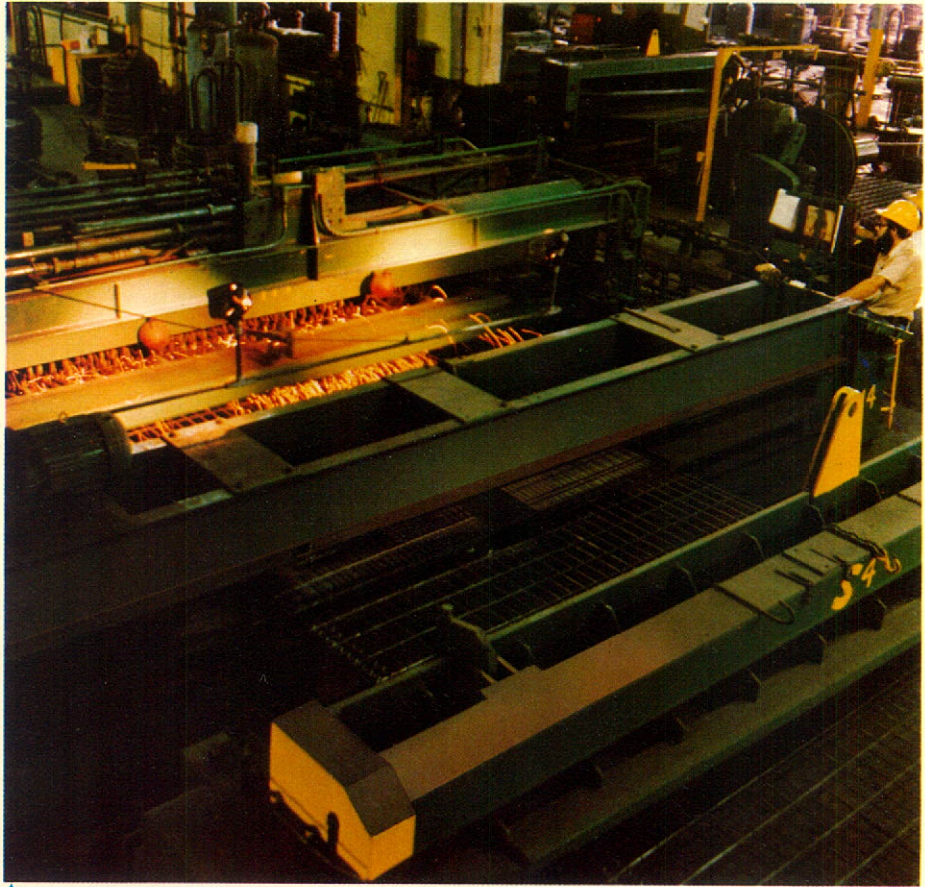
Wire and wire products are produced in large volume in five plants within the primary industrial markets of Canada and the U.S.

Wire operations embrace a multitude of sizes, finishes and metallurgical characteristics each specifically established by end use.

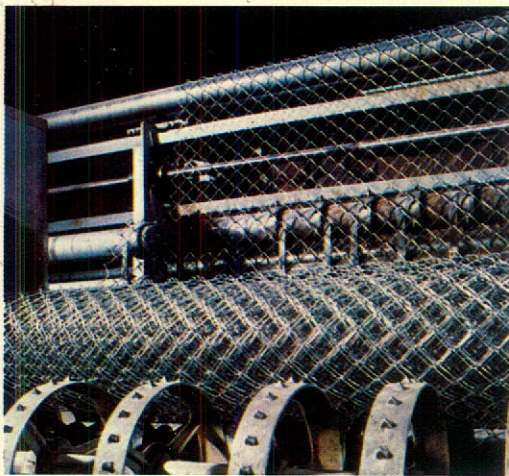
Your Company is also a major producer of oil tempered spring wire which has special applications in many industries.

Welded wire fabric is another important product of the Ivaco Group. The welding process is accomplished on high speed machines to provide a highly precise product for use as reinforcement in concrete pipes, buildings, structures, road-building, and mining.

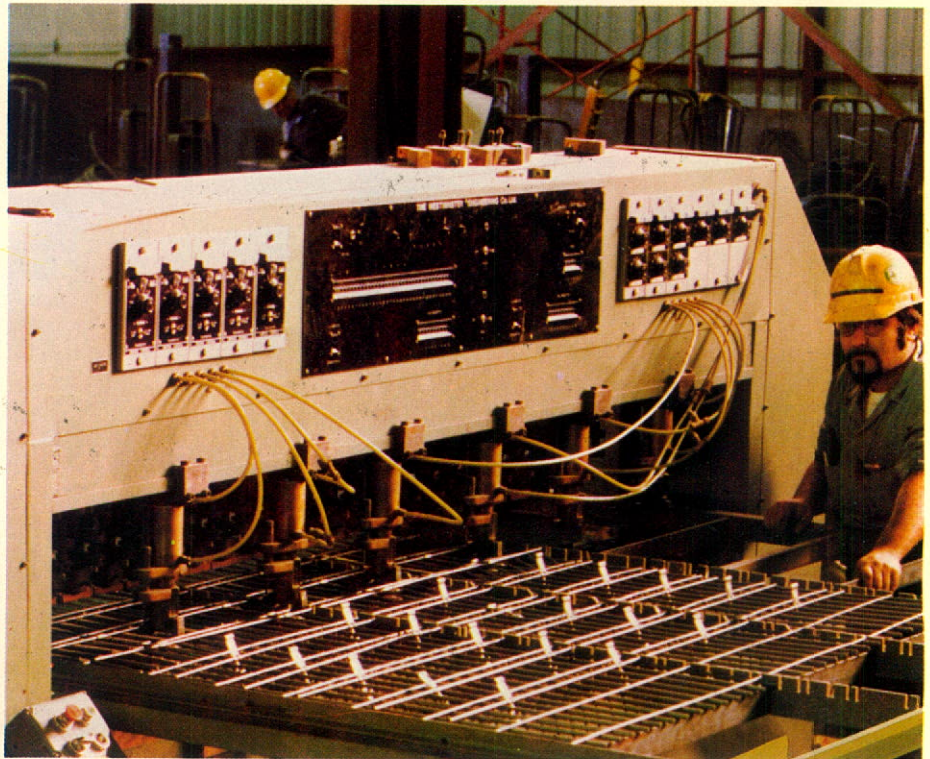
Fencing and barbed wire are produced in a wide variety of styles and are fast growing products. Fencing in galvanized and plastic coated finishes has extensive residential, industrial and farm use.



▲ Welded wire fabric being produced at high speed.

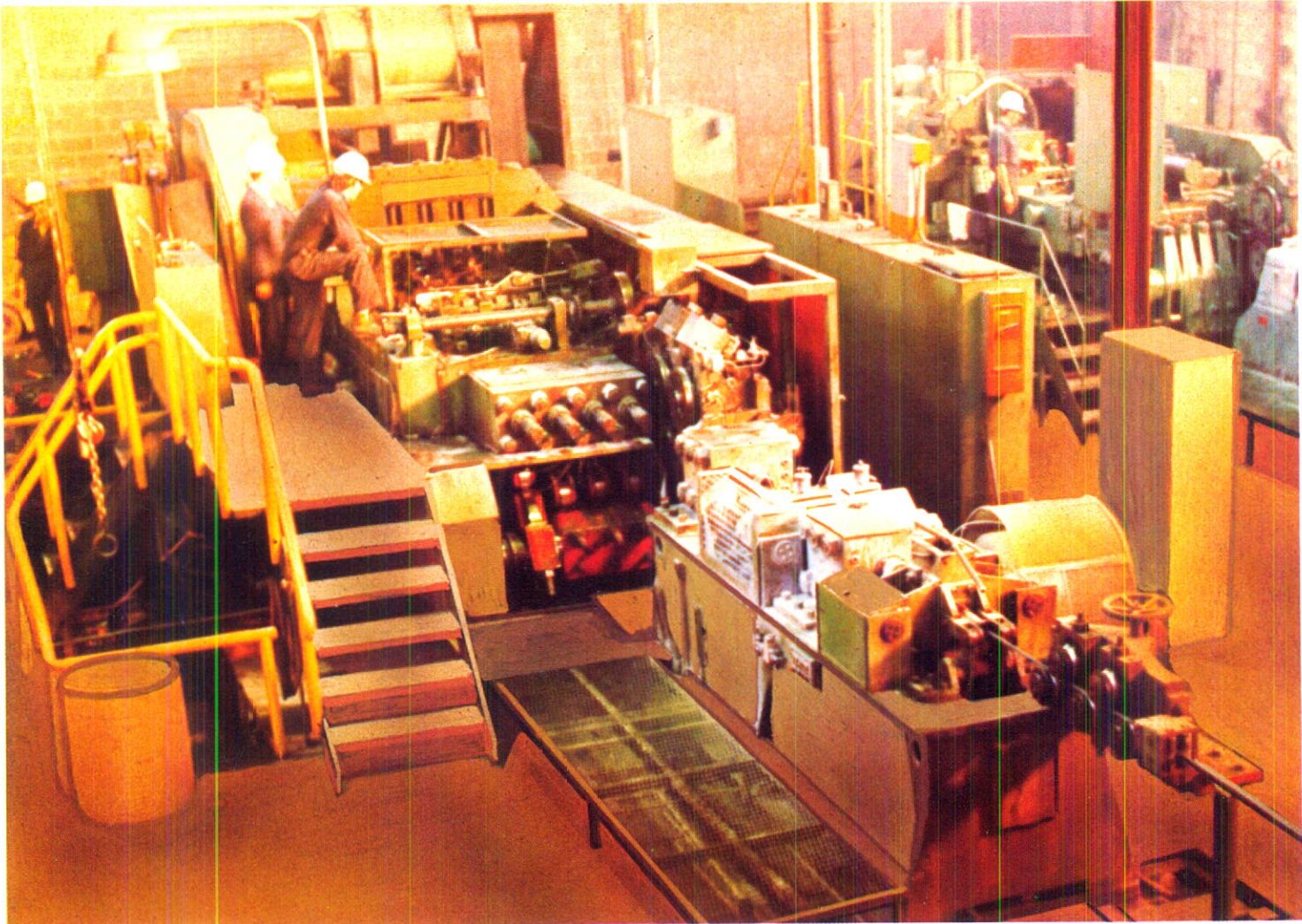


▲ Automated production of wire fencing.



▲ Specialized welded mesh in production.

FASTENERS



▲ Bolts being cold formed on one of the largest boltmakers in existence.



▲ High speed boltmakers in operation.

The largest and fastest bolt making machines in the world are part of the Ivaco Group's production capability for fasteners. Advanced engineering for high speed, automated equipment is a high priority element within Ivaco's strategy for the production and sale of fasteners.

The nuts and bolts produced by Ivaco range from the giant fasteners used for oil refineries and bridges to the specialized, and very high precision fasteners required in the auto industry — and to the broad host of industries in between.

In addition to innovative and advanced technology in production capability, Ivaco prides itself with its quality control and massive warehousing capacity. These are basic elements for its ability to achieve consistent, quick delivery and customer service.



▲ Hot formed nuts are being produced.



▲ Structural bolts being assembled prior to packaging.



▲ Hexagon nuts being tapped.

NAILS



▲ This is one of several banks of automated nail makers.



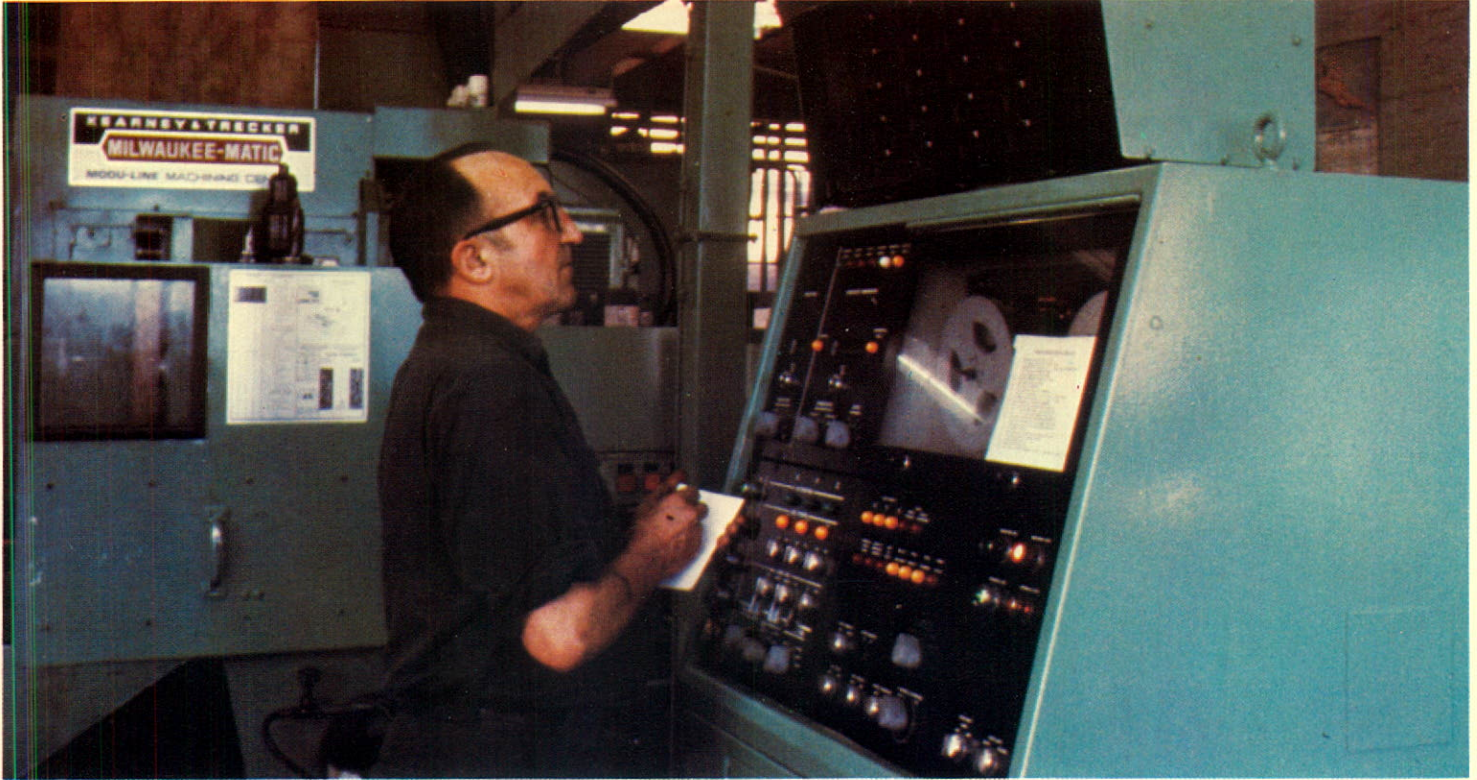
To the untrained eye, nails appear to be a relatively simple product to manufacture. In fact there is much more to it than that. Wire having the appropriate metallurgical properties is fed through fully automated nail making machines which shear, point and head the wire thus forming the nail — all at very great speed — up to 800 nails per minute.

A modern automated nail plant requires supervision of a sophisticated standard. Factors such as scheduling, co-ordination with the wire drawing mill to ensure adequate material for non-stop operation, and constant quality control checks, all contribute to the challenge.

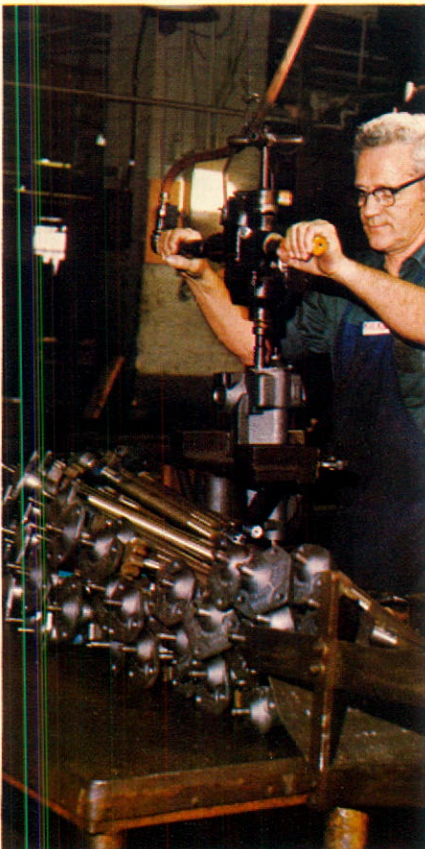
Your Company produces nails in virtually every size and shape conceivable.

◀ Automatic weighing and packaging of nails.

PRECISION MACHINED COMPONENTS AND AXLES



▲ Inspection check from computer console of numerical control machine during production.



▲ These precision parts are being assembled into a completed component for the automotive industry.

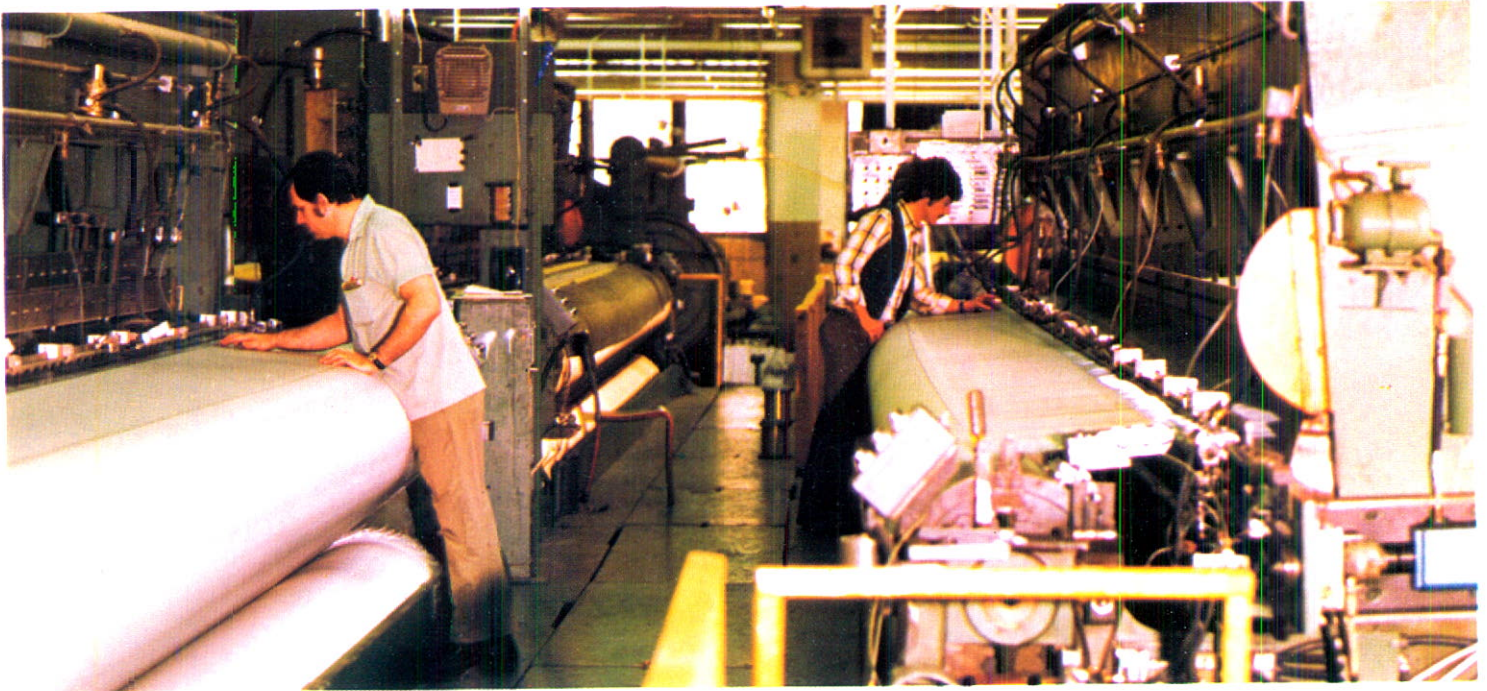


▲ Part of a heavy duty axle being formed.

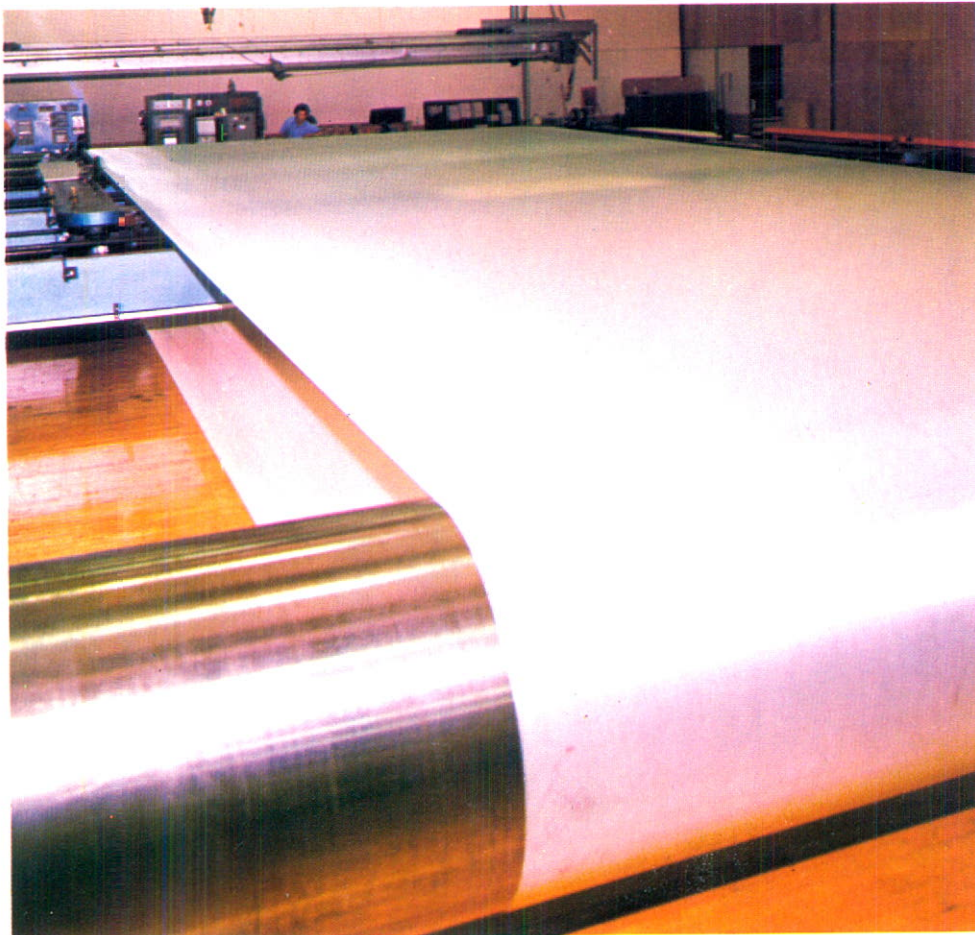
At your Company's precision machined parts and axle Division, automated machining lines are supplemented by the most modern numerically controlled machine tools operated by highly trained people.

Medium and high volume precision machined parts form an important sector of the Ivaco Group. Among the customers to which your Company supplies such products are heavy construction equipment, farm machinery, automotive, marine and defense industries. Products supplied include automotive steering gears, water pumps, drive train parts and many others. Axles and suspension systems are supplied to manufacturers of trucks and trailers. Our Rub-R-Ride and Sup-R-Ride light axles are used by leading manufacturers of recreational vehicles throughout North America.

FOURDRINIER FABRIC



▲ Constant quality control check is a routine during the weaving of Fourdrinier fabric.



▲ A finished fabric is stretched to specifications.

Fourdrinier fabrics or Fourdrinier wires are the heart of a modern, high speed paper machine operation.

Whether woven with monofilament synthetic fibres or metallic strands, this forming media is the base or "platform" on which the pulp mixture is deposited to start the paper making process. The Fourdrinier fabric performs the dual role of providing support for the paper fibres while they are in their initial suspended state and of allowing the excess fluid in the pulp mixture to drain away.

The fabric is so designed that by the time the sheet of paper or paperboard reaches the end of the Fourdrinier section, it has sufficient wet-web strength to be carried unsupported to the next phase of operation, namely the press section.

The major portion of your Company's Fourdrinier fabric is now produced from synthetic fibres. Our "Polyflo" synthetic fabric has gained wide acceptance in the paper industry.



IVACO INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

FIVE YEAR FINANCIAL SUMMARY

(thousands of dollars)

(Note 1)

EARNINGS	1975	1974	1973	1972	1971
Net sales	\$103,001	150,734	90,183	53,949	43,242
Depreciation	\$ 3,272	2,921	2,131	1,364	1,040
Provision for income taxes	\$ 1,742	16,537	5,780	4,146	3,714
Net earnings (Note 2)	\$ 5,419	20,438	8,084	4,618	3,680
Net earnings per common share (Note 2)	\$ 0.58	2.37	0.98	0.61	0.52
Net earnings — percent of sales	5.3%	13.6%	9.0%	8.6%	8.5%

FINANCIAL POSITION	1975	1974	1973	1972	1971
Current assets	\$ 88,629	76,777	44,048	35,263	28,125
Current liabilities	\$ 59,535	45,911	25,644	22,152	18,447
Working capital	\$ 29,094	30,866	18,404	13,111	9,678
Expenditure for plant and equipment	\$ 15,964	32,360	14,619	6,932	8,303
Long term liabilities	\$ 33,484	29,846	18,558	14,737	7,160
Shareholders' equity	\$ 70,766	67,343	48,067	26,486	21,847

NOTES

1. Representing on a retroactive basis the results of all subsidiaries excepting The Niagara Wire Weaving Company, Limited for which results are included from June 1, 1973, the date of consolidation.
2. Net earnings and net earnings per common share in 1975 include an extraordinary gain of \$880,000 or 10 cents per common share.

Si vous désirez recevoir un exemplaire français de ce rapport veuillez en aviser le Secrétaire de la Compagnie en écrivant à Les Industries Ivaco Limitée, 800, rue Ouellette, Marieville, Québec.

The Annual Meeting of the Company will be held on May 28, 1976 at 10.00 a.m. at Galerie 4 of the Queen Elizabeth Hotel, 900 Dorchester Blvd. West, Montreal, Quebec.



IVACO