







**In Memoriam  
Frank Philip Goldblatt**

Intermetco mourns the passing in 1985 of Frank Philip Goldblatt.

“Mr. Frank”, as he was affectionately referred to by the employees of Intermetco Limited, was the driving force behind the company’s growth in turning this small scrap operation into the largest metals recycling company in Canada.

A daily visitor to the company’s offices until shortly before his death, he was Intermetco’s Honorary Chairman of the Board.

During his lifetime, Mr. Frank maintained the family reputation for supporting many charitable causes. He kept his generous assistance to countless individuals very private and established it as a trademark of his family’s sensitivity to the needs of his fellow-man.

A man of great modesty and good humour he was always guided by his belief in fair dealings and good deeds. These were recognized by numerous awards for his outstanding philanthropy. Most prestigious among them was the National Community Service Award granted him by the Jewish Theological Seminary of America in 1964. The award is conferred each year on a limited number of community leaders whose service to the community perpetuates the highest example of the Jewish tradition.

He served as Governor of McMaster University, Honorary Patron of the Boy Scouts of Canada, Vice-Chairman of the United Jewish Welfare Fund and as a member of the Board of Governors of the United Hebrew Memorial Chapel. He was also one of the founding directors of the Hamilton Foundation.

Prior to the incorporation of Intermetco he served as President of International Iron & Metal Company Limited. When Intermetco was incorporated as a public company in 1969, he served initially as President and then later as Chairman of the Board. His knowledge, wisdom and experience earned him the respect of the steel industry in both Canada and the United States.



(000's omitted except per share figures)	1985	1984
Sales	<b>\$189,061</b>	\$180,051
Income before extraordinary items	<b>1,876</b>	2,004
Extraordinary items	<b>316</b>	1,142
Net income for the year	<b>\$ 2,192</b>	\$ 3,146
Earnings per share		
Operations	<b>\$ 1.18</b>	\$ 1.27
Extraordinary items	<b>.20</b>	.72
Net Income	<b>\$ 1.38</b>	\$ 1.99

**Introduction to Intermetco**

Intermetco is a diversified Canadian company with sales revenues balanced approximately evenly between consumer food products and the supply of essential raw material to the steel and foundry industries.

The enterprise is structured on the basis of a strong decentralized management. Each operating unit is run by a general manager with bottom line responsibility. Budget performance supervision, and financial services are provided by the corporate office. The result is a group of well managed, entrepreneurially-oriented businesses with a mandate to grow both through internal expansion and external acquisition.

**The Intermetco Logo**



The use of a bold numeric 73 as the company symbol has deep significance to Intermetco, its founding family, and present management.

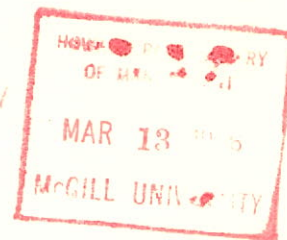
73 was the number on Robert Street where the growing scrap business began in Hamilton by the Goldblatt family before the turn of the century evolved into the International Iron and Metal Company and, ultimately, to Intermetco. The symbol serves as a reminder of the company's origin and, most importantly, of the dedication to hard work, loyalty to colleagues, employees, suppliers and customers that are at the heart of a successful business. It is a tribute and a memorial to the founders and serves as a constant reminder of a set of principles to be lived up to by those who come after.

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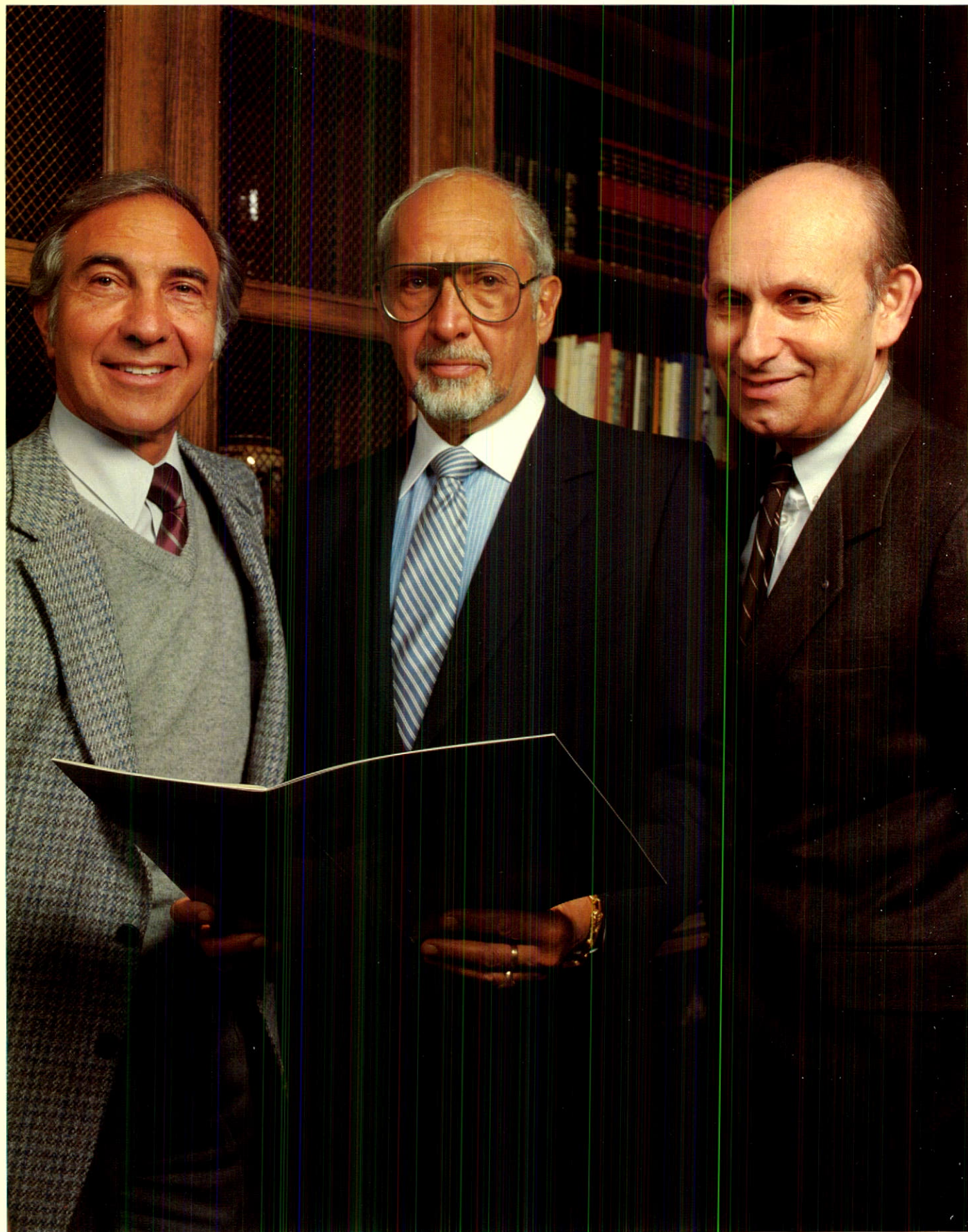
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**Annual Meeting**

Intermetco Limited's Annual Meeting will be held on Thursday, March 20, 1986 at 4:30 P.M. in Room 314 at the Hamilton, Convention Centre, 115 King Street West, Hamilton, Ontario.









The past year was a period in which Intermetco enjoyed a sales volume increase of 5.0% over the previous year. In addition, during this time, all operating groups positioned themselves to take further advantage of future profit opportunities. Your company has made a commitment to manufacturing spiralweld pipe in the United States, completed consolidation of operations at General Refrigeration's new facility and has commenced negotiations to change its partnership arrangement in the recycling operation in Buffalo.

The costs associated with these actions, along with the competitive pressures at some of our food divisions, and the continuing challenge of managing our unique foreign exchange requirements served to marginally lower earnings before extraordinary items over those reported in 1984.

Sales in 1985 were \$189 million compared to \$180 million in 1984. Earnings before extraordinary items were \$1,876,000 compared to \$2,004,000 last year while net income was \$2,192,000 compared to \$3,146,000 in 1984. Earnings per share from operations was \$1.18 compared to \$1.27 and earnings per share after extraordinary items was \$1.38 compared to \$1.99 in 1984.

Performance in the metals group during the past year was highlighted by our decision to manufacture spiralweld pipe in Georgia. With the advent of import restrictions in the United States, your company foresaw the opportunity to augment its pipe distribution operations with its own manufacturing facility. In early January plans were announced to build a spiralweld pipe manufacturing facility in Cartersville, Georgia. The 54,000 square foot operation will be built on 10 acres of land which was purchased in December 1985. The building will house two spiralweld mills capable of producing

pipe for the structural, piling, dredging and water line industries.

General Refrigeration successfully completed its move to new facilities in 1985. General is now well positioned with available capacity and a more efficient operation to take advantage of broader markets both in Canada and the United States.

Fluctuations in the Canadian dollar remain as a primary challenge for your company. The food group imports a majority of its products from Europe and the United States. With recent experience in the Canadian dollar's valuation, ongoing adjustments must be made to minimize margin pressures and maintain profits.

During 1985 your company retired \$6,000,000 U.S. of debt. The remainder of this debt, amounting to \$6,000,000 U.S., is payable in August of 1986. Payment of this debt removes a liability which has significantly depressed earnings during recent years as the Canadian dollar has declined in value.

During 1985 we wrote off our investment of \$387,000 in Advance Metals Recycling.

Given the continued pressure on the Canadian dollar and uncertain interest rates, we can only be cautiously optimistic for 1986. We look to similar results from the metals group, improved results from the food group and further improvement from General Refrigeration.

I wish to express my appreciation to our employees for their continued loyalty and dedication, to our customers for their continued support and to our suppliers for their continued confidence.

Shareholders are cordially invited to attend the Annual Meeting of your company.



M.E. Goldblatt,  
President

◀ **Left to right: Abby M. Goldblatt, Executive Vice President; Marvin E. Goldblatt, President; Michael Orlander, Corporate Vice President**









**▲ Artist's rendering of the new spiralweld pipe-making facility under construction in Cartersville, Georgia.**

**◀ A crane stacks pipe at Cappco's yard in Smithville, Ontario.**

**The metal products group consists of two separately managed operations: (i) recycling, and (ii) tubular product manufacture and distribution.**

**Cappco Tubular Products**

Cappco distributes pipe and structural steel products to the construction industry, piling contractors and pipe distributors throughout Canada and the United States. The division sells secondary steel pipe, prime pipe piling, sheet piling, beams and hollow structural tubing. Cappco maintains inventories of its major products in both Canada and the United States.

Cappco enjoyed a successful year due primarily to the strengthening in the U.S. construction industry. Because of its penetration into the American market, the division was not severely affected by the generally lower level of activity in the Canadian construction industry.

During 1985 Cappco sourced skelp from Canadian and American steel mills and had it converted

in the U.S. into large diameter pipe. This pipe was sold in the south-eastern U.S. market previously supplied with overseas material. The import restrictions imposed by the U.S. government affected this supply source. Since Cappco feels this is a valuable market and also believes that the import restrictions will be long lasting, the time was considered right to support its distribution activities with its own manufacturing facility. Therefore, in 1985, Intermetco's Board of Directors approved the construction of a 54,000 square foot facility for the manufacture of spiralweld pipe in Cartersville, Georgia. The 10 acre site will include an office building for sales and administrative staff. The facility, scheduled for completion in the summer of 1986, will operate under the name of Georgia Tubular Products, Inc.





## Metals Recycling

Operating under the name of International Iron and Metal, the recycling division continues to be the largest single unit within the Intermetco family. Activity consists of buying metal scrap, processing it through sophisticated equipment and marketing the ferrous and non-ferrous products.

The division's activities make it Canada's largest single processor of recycled metals. It has several wholly-owned collection and processing facilities and manages joint venture operations in Canada. Intermetal, a division of Intermetco U.S.A. Ltd. is a recognized exporter of ferrous and non-ferrous products.

Collection of scrap is complex and competitive. About one-third of the material is prompt industrial scrap generated and sold by metal fabricators and manufacturers. The balance, called obsolete scrap, comes from car bodies, motor blocks, oversize material such as rails, heavy machinery and similar material which is frequently collected by small independent dealers.

The processing requires capital intensive facilities and strict atten-

tion to quality. The division is constantly seeking innovations and operating efficiencies to meet its customers' ever increasing demands for quality material.

During the past year the division was able to meet the needs of its domestic customers and still participate in the export market for both ferrous and non-ferrous products.

While Canadian prices for ferrous scrap were fairly steady throughout 1985 and consuming steel mills and foundries maintained previous year's operating levels, the same cannot be said for non-ferrous material. The non-ferrous markets were much more volatile and commodity prices ended the year on a downward trend. The division was able to minimize its exposure to this negative market by stringent inventory controls.

International Iron and Metal looks forward to continued strong demand in 1986. It is hoped that metal commodity prices will improve during the year and that this will have a positive effect on our metals trading and non-ferrous recovery facilities.

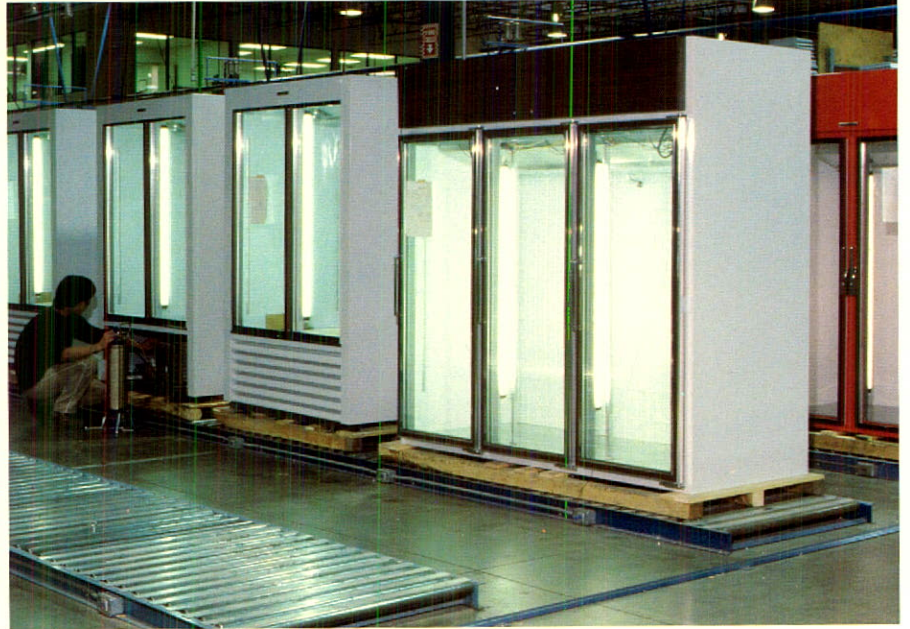
▲ **The export of recycled metals is an important part of Intermetco's business.**

▶ **A view of the Company's ferrous metals recycling yard in Hamilton, Ontario.**









General Refrigeration manufactures and sells refrigerated display cases, walk-in coolers and shelving to dealers and distributors across Canada and in the United States. General is the largest Canadian-owned producer supplying the food industry with these products.

In January 1985 over 200 guests attended the official opening of General's new 100,000 square foot facility in Mississauga, Ontario.

The division previously operated from three separate locations. The single new facility provides for improved materials handling, efficient work flow and enhanced quality control. In addition, new equipment was installed to manufacture insulated panels which has improved both product quality and production efficiency.

General's principal customers include supermarket chains, convenience stores, mass merchandisers and independently owned grocery and variety stores. Its major marketing strengths are a strong North American dealer dis-

tributor network and the ability to design food and convenience store layouts.

During 1986 General will be introducing new and improved products in response to the changing needs of its customers. A new series of reach-in products will be introduced under the name of The Regency Line. These will have customer benefits designed into the product while reflecting the modernized construction opportunities afforded by the new plant. A redesigned line of open dairy and produce cases will be introduced in 1986 with foam injected features.

The introduction of these new models requires specialized equipment. This includes a new high pressure foam machine with state of the art controls and a new computer controlled turret-head punch press. These two machines will add manufacturing flexibility and result in a product of superior quality and appearance.

**▲ Every refrigerated retail display case shipped by General Refrigeration is run-tested prior to shipment.**

**General's new 100,000 square foot facility in Mississauga, Ontario.**













◀▲ A selection of food, confectionery and cheese products from the food distribution divisions' product lines.

The Food Group consists of six manufacturing and/or distribution operations covering all of Canada and the United States. Overall Group performance was satisfactory during 1985. Sales increased 8.6% over 1984 while operating profit rose 16.2% during the year. The outlook for 1986 is for continued growth in sales and earnings.

The Group's three food importing and distribution divisions are now able to offer its suppliers coordinated North American sales and marketing services. This unique service consists of the development and implementation of national marketing strategies for the long-term benefit of the products of its exclusive suppliers.

**David Ashley and Company**

David Ashley and Company is a distributor of imported and domestic fancy foods, cheeses, confectionery and beverages. This division has both a sophisticated marketing program and, together with its sister division, Koffman Foods, a coast to coast Canadian distribution network which has gained Ashley exclusive distributorships for many fine European specialty foods and confectioneries.

Ashley sells its products to independent retailers, mass merchandisers, supermarkets, chain stores and wholesalers. This activity is backed by sophisticated in-house computer facilities and specialized programs to manage the division's inventories and financial operations.

Ashley is constantly improving and strengthening its sales organization to meet the changing demands of the industry. Changes in retail product displays, rationalization of chain store outlets and the advent of Superstores are just some examples of the ever-changing environment in which Ashley's sales organization functions successfully. This group works closely with both the inde-

pendent store owner and with all levels of chain store management to ensure that its products are well represented in all retail outlets.

**Koffman Foods**

Koffman Foods is now considered the largest distributor of imported and domestic fancy foods, confectionery, cheese and grocery products in western Canada.

In addition to its distribution facilities, Koffman also operates a large scale cheese cutting and packaging operation. This facility is a highly automated plant that cuts, weighs and packages a variety of cheese products. These are processed for private brand customers and for distribution to chain and independent stores under the Meddo-Belle brand, which is one of the most prestigious and well-known brands in western Canada.

During 1985 the division embarked on a successful strategy to increase its sales and distribution to fancy food retailers, delicatessen and drug stores. In addition, Koffman enlarged its Alberta operations to build a solid base for future expansion in that province as well as northern British Columbia and the Yukon Territories. The addition of experienced key personnel has further strengthened the Koffman organization and broadened its distribution system.

**C & J Willenborg**

C & J Willenborg is a well established U.S. distributor of imported and domestic specialty confectionery, fancy food and grocery products including many well known brands which it handles on an exclusive basis. The division imports and markets products from most major countries throughout the world.

With its strategic location along the eastern seaboard, Willenborg functions as a national distributor to all types of retailers through









▲ Only the highest quality fresh nuts meet Krispak's exacting standards.

◀ Krispak's own brands of fresh nut products are also packaged for private label customers.

direct sales, sub-distributors, brokers and wholesalers. This network supplies drug chains, grocery chains and mass merchandisers while Willenborg's sales force maintains its excellent supply service to independent specialty stores.

From its modern 50,000 square foot warehouse in Ramsey, New Jersey, Willenborg effects retail deliveries with its own trucks on the eastern seaboard and works closely with southern, mid-west and west coast carriers for store-door or warehouse delivery to its customers. Thus, product freshness and efficient customer service are assured.

As part of a long-term plan to increase its trade coverage and expand sales and earnings, the division re-structured its organization during the year. It now can offer marketing strategies to its suppliers as well as market support programs for its customers. Products represented exclusively by Willenborg can now benefit from carefully organized marketing plans which include product positioning strategies supported, where appropriate, by trade and consumer advertising.

"Willy Bear" gummed candies, which are Willenborg's registered exclusive brand, have experienced

immense growth since they were introduced in 1984. The "Willy" family has grown to include numerous related products, shapes and flavours packaged in a variety of containers targeted for specific consumer segments.

### Krispak

Krispak is a major processor of snack foods in Canada. Its principal products are freshly processed nuts and sunflower seeds produced in Krispak's highly automated facility in Toronto. At another location Krispak operates a federally inspected processing plant which produces and distributes packaged pork rinds.

The major nut products are peanuts, both in the shell and shelled, cashews, almonds, pistachios, Brazil nuts, filberts and pecans. Krispak is also the largest processor of sunflower seeds in Canada.

One of the division's major competitive advantages results from its commitment to quality and customer service. It has developed the ability to process orders on very short notice without loss of manufacturing efficiency. Nuts and other snack foods are distributed to retailers sometimes within hours of processing. Moving fresh product out of the plant quickly, helps achieve a high level of consumer acceptance.

During the past year several new nut products were successfully introduced. Most notable of these products are Honey Roast Peanuts and a private label mixture of spanish almonds, cashews and raisins. Krispak's management recognizes that future growth will come largely from new products and is devoting ever-increasing energies to their development.

To keep pace with its steady growth the division continued its program of modernization, productivity improvement, enhancement of quality control and capacity increase.









▲ A technician loads containers onto Western's automatic filling machine.

◀ A wide variety of quality, all-natural dairy products are marketed in the southern Ontario region.

**Western Bird's Hill Creamery**

For over 50 years Western Bird's Hill Creamery has been a manufacturer of quality, all-natural dairy products. Operating from its plant in Toronto, the division services customers in the populous southern Ontario region. Its product range includes a variety of yogurts, cream cheese, cottage cheese, sour cream and yoggi. The division's manufactured products are sold under the Western, Blue Bell, Bird's Hill and Fruit Cellar labels. Its butter, distributed under Western's exclusive Old Country label, has a loyal following.

The demand for the division's yogurt products has grown remarkably since their introduction in 1984. Both the plain and the fruit flavours have met with considerable consumer acceptance due to their superior quality and unique taste. The yogurts were first offered in 500 gram tubs, but to meet consumer demand for snack yogurt, the division introduced a 250 gram container in 1985 under the registered name Fruit Cellar. Fruit Cellar is a delicious combination of all natural Balkan style yogurt with real fruit added for flavour. Additionally,

the yogurt lines were expanded to include skim, natural and 2% varieties.

The challenge in 1986 and beyond is to adapt to constantly changing consumer demands with unique and beneficial products. Increasing consumer awareness and the demand for health related items encourages the division to emphasize its current product positioning. To further take advantage of this trend, the division has developed and in 1986 will begin the introduction of several products with lower caloric content.

**The Old Ontario Cheese Company Ltd.**

Midway through our recent fiscal year we established a majority interest in a domestic hard cheese operation under the name of The Old Ontario Cheese Company Ltd. This new venture markets a variety of cheeses in both blocks and slices under the trade names of Spring Farm, Country Creamery and Old Ontario. The product is being co-packed for Old Ontario and is being marketed currently in Eastern Canada in certain food chains and independent food stores. Future plans include the selling of these brands throughout Canada.



**Intermetco Limited**  
**Consolidated Statement of Income and Retained Earnings**

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for the year ended October 31, 1985  
(thousands of dollars)

	1985	1984
<b>Sales</b>	<b>\$189,061</b>	\$180,051
<b>Earnings from operations before the following:</b>	<b>7,818</b>	8,559
Depreciation	2,378	2,240
Interest on long-term debt	2,178	3,114
Other interest	1,564	1,030
Amortization of goodwill	257	257
<b>Income before income taxes</b>	<b>1,441</b>	1,918
<b>Income taxes</b> (Note 6)	<b>591</b>	979
<b>Income before equity in earnings of joint ventures</b>	<b>850</b>	939
<b>Equity in earnings of joint ventures</b> (Note 3)	<b>1,026</b>	1,065
<b>Income before extraordinary items</b>	<b>1,876</b>	2,004
<b>Extraordinary items</b> (Note 7)	<b>316</b>	1,142
<b>Net income for the year</b>	<b>\$ 2,192</b>	\$ 3,146
<b>Earnings per share</b> (Note 8)		
Operations	\$ 1.18	\$ 1.27
Extraordinary items	.20	.72
Net income	\$ 1.38	\$ 1.99
<b>Retained earnings – beginning of year</b>	<b>\$ 21,457</b>	\$ 18,751
Net income for the year	2,192	3,146
Dividends	447	440
<b>Retained earnings – end of year</b>	<b>\$ 23,202</b>	\$ 21,457



**Intermetco Limited**  
**Consolidated Balance Sheet**

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as at October 31, 1985 (thousands of dollars)	1985	1984
<b>Assets</b>		
<b>Current Assets</b>		
Accounts receivable (Note 4)	\$25,759	\$24,136
Inventories (Note 4)	28,215	27,978
Prepaid expenses	1,411	1,484
	<b>55,385</b>	<b>53,598</b>
<b>Fixed Assets (Note 2)</b>	<b>20,447</b>	<b>19,865</b>
<b>Investment in Joint Ventures (Note 3)</b>	<b>3,305</b>	<b>3,119</b>
<b>Goodwill</b>	<b>3,439</b>	<b>3,669</b>
	<b>\$82,576</b>	<b>\$80,251</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Bank advances (Note 4)	\$16,543	\$14,224
Accounts payable and accrued liabilities	20,973	22,395
Income taxes payable	262	10
Current portion of long-term debt (Note 4)	—	1,488
	<b>37,778</b>	<b>38,117</b>
<b>Long-term debt (Note 4)</b>	<b>15,040</b>	<b>14,022</b>
<b>Deferred income taxes</b>	<b>—</b>	<b>170</b>
<b>Deferred revenue</b>	<b>—</b>	<b>302</b>
	<b>52,818</b>	<b>52,611</b>
<b>Shareholders' Equity</b>		
<b>Capital stock (Note 5)</b>		
Authorized 5,000,000 shares of no par value		
Issued and fully paid 1,603,536 shares	5,272	5,078
<b>Excess of appraised values of land and buildings over depreciated costs</b>	<b>731</b>	<b>731</b>
<b>Contributed surplus</b>	<b>51</b>	<b>51</b>
<b>Cumulative foreign currency translation adjustments</b>	<b>502</b>	<b>323</b>
<b>Retained earnings</b>	<b>23,202</b>	<b>21,457</b>
	<b>29,758</b>	<b>27,640</b>
	<b>\$82,576</b>	<b>\$80,251</b>

Signed on behalf of the Board



M. E. Goldblatt, Director



A.I. Hailey, Director



**Intermetco Limited**  
**Consolidated Statement of Changes in Financial Position**

for the year ended October 31, 1985  
(thousands of dollars)

	1985	1984
<b>Source of working capital</b>		
Provided from operations	\$ 4,122	\$ 3,768
Extraordinary items	703	1,142
Proceeds of long-term debt	8,546	—
Dividends received from joint ventures	286	439
Proceeds on sales of fixed assets	114	117
Proceeds on issue of common shares	194	35
Foreign currency translation adjustments	179	323
<b>Use of working capital</b>		
Purchase of fixed assets	3,055	3,271
Dividends	447	440
Payments on long-term debt	8,494	5,283
Other	22	263
	12,018	9,257
<b>Increase (decrease) in working capital</b>	2,126	(3,433)
<b>Working capital – beginning of year</b>	15,481	18,914
<b>Working capital – end of year</b>	\$17,607	\$15,481

**Auditors' Report to the Shareholders**

We have examined the consolidated balance sheet of Intermetco Limited as at October 31, 1985 and the consolidated statement of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at October 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

**Coopers & Lybrand**  
**Chartered Accountants**

Hamilton, Ontario  
December 20, 1985  
(except for Note 12 dated January 10, 1986)



## 1. Accounting Policies

### (i) Basis of Consolidation

The consolidated financial statements include the accounts of the company and all of its subsidiary companies. Acquisitions are accounted for using the purchase method.

### (ii) Investments in Joint Ventures

Investments in all corporate and unincorporated joint ventures are accounted for by the equity method.

### (iii) Inventories

Inventories are valued at the lower of cost, determined on a moving average basis and market. Market is defined as net realizable value or as replacement cost.

### (iv) Fixed Assets and Depreciation

Property, buildings and machinery and equipment are stated at cost with the exception of certain property and buildings which are stated at appraised value. Depreciation and amortization are calculated at rates which will reduce the original cost to estimated residual value over the useful life of each asset.

	Method	Useful Life Years
Land improvements	Straight Line	10-40
Buildings	Straight Line	25-40
Machinery and equipment	Straight Line	4-20
Recycling products, production equipment	Units of Production	Maximum life of 20 years
Leasehold improvements	Straight Line	Life of lease

### (v) Goodwill

The difference between the cost and book value of investments acquired before April 1, 1974 of \$1,686,000 and the difference between the cost and assigned value of the purchases made after April 1, 1974 of \$3,329,000 are being amortized on a straight line basis over a maximum of forty years.

### (vi) Translation of Foreign Currencies

#### Foreign Operations

The accounts of self-sustaining subsidiary companies denominated in foreign currencies are translated into Canadian dollars on the following basis:

Assets and liabilities at the exchange rate prevailing on the balance sheet date.

Revenue and expenses at weighted average exchange rates for the year.

Unrealized exchange differences arising on the translation are reported in the balance sheet as a component of shareholders' equity.

#### Foreign Currency Transactions

Assets and liabilities in foreign currencies are translated into Canadian dollars at the exchange rate prevailing on the balance sheet date. Exchange differences are charged to income except for unrealized exchange differences on long-term debt which are being amortized to income over the remaining life of such debt.

Revenue and expenses in foreign currencies are translated at the exchange rate prevailing on the transaction date.

## 2. Fixed Assets

(thousands of dollars)	1985			1984
	Appraised Value	Cost Or Accumulated Depreciation	Net	Net
Land — at appraised value	\$ 418	\$ —	\$ 418	\$ 418
Land and improvements — at cost	2,702	415	2,287	2,345
	3,120	415	2,705	2,763
Buildings — at appraised value	1,407	1,060	347	397
Buildings — at cost	5,119	1,554	3,565	3,678
Machinery and equipment — at cost	30,038	16,208	13,830	13,027
	\$39,684	\$19,237	\$20,447	\$19,865



### 3. Equity in Joint Venture Operations

The company's share of joint venture operations accounted for by the equity method is summarized as follows:

(thousands of dollars)	1985	1984
<b>Balance Sheet</b>		
Working capital	\$ 2,667	\$ 2,104
Fixed assets	3,160	3,663
Other liabilities	322	241
Long-term debt	2,200	2,407
Shareholders' equity	3,305	3,119
<b>Statement of Income</b>		
Sales	\$30,882	\$29,607
Net income	1,026	1,065

### 4. Long-Term Debt and Bank Advances

Accounts receivable of Canadian operations and inventories of Canadian operations located in Canada have been pledged as security for the bank loans and bank advances.

(thousands of dollars)	1985	1984
Bank loan at 17.24% (U.S. \$6,000,000), interest payable monthly, U.S. \$1,000,000 in principal repayable annually on August 4 with balance of payment due August 4, 1986	\$ 7,982	\$ 8,871
Bank loan at 16.25% (U.S. \$5,000,000), interest payable monthly, due in full March 4, 1985	—	6,454
Bank loan at 12.32% interest payable monthly principal payable annually on August 14, beginning with \$600,000 in 1987, \$500,000 in 1988, \$400,000 in 1989 and balance in 1990	6,000	—
Bank term loan at 11.7% interest payable monthly, due in full September 23, 1990	1,000	—
Federal government loan without interest repayable in five years	58	—
Mortgage payable through 1985 weighted average interest rate 12.25%	—	185
	15,040	15,510
Less: Due within one year	—	1,488
Total long-term debt	\$15,040	\$14,022

The company has arranged long-term Canadian dollar financing to replace the U.S. \$6,000,000 which is due on August 4, 1986. Therefore no portion of the debt is shown as due within one year.

A subsidiary company has guaranteed bank advances to a joint venture operation which at October 31, 1985 amounted to \$2,140,000 (1984 — \$2,286,000).

### 5. Capital Stock

Stock options have been granted to senior employees of the company for the purchase of shares. The following options are outstanding at October 31, 1985:

Number of Shares Subject to Option	Exercise Price Per Share	Option Expiry Date
29,000	\$7.00	November 30, 1986
7,500	8.10	March 31, 1988
4,000	9.90	September 30, 1988
5,000	10.00	June 30, 1990

During the year options were exercised on 22,500 shares at \$7.00 per share and 4,500 shares at \$8.10 per share.

Options were granted during the year to a senior employee for 5,000 shares at \$10.00 per share expiring June 30, 1990.

### 6. Income Taxes

The provision for income taxes is comprised as follows:

(thousands of dollars)	1985	1984
Current charges	\$ 921	\$1,233
Deferred tax reduction	(330)	(254)
	\$ 591	\$ 979

The following is a reconciliation of the effective income tax rate on income with the statutory rate:

	1985	1984
Income before income taxes	\$1,441	\$1,918
Income taxes	591	979
Income before equity in earnings of joint ventures	\$ 850	\$ 939
Effective tax rate	41.0%	51.0%
Statutory combined federal and provincial income tax rate	51.0%	51.0%
Increase (decrease) in taxes resulting from:		
Manufacturing and processing profits adjustment	2.4	(4.6)
Inventory allowances	(25.5)	(15.6)
Amortization of goodwill	8.3	6.1
Non-taxable portion of capital loss	3.3	9.5
Higher effective income tax rate on earnings of foreign subsidiaries	3.0	3.4
Miscellaneous	(1.5)	1.2
Effective tax rate	41.0%	51.0%



Subsidiaries of the company have accumulated losses for tax purposes of \$1,752,000 in the United States which have not been recognized in the accounts. These losses which may be carried forward and used to reduce future income taxes must be used no later than:

(thousands of dollars)

Year ending October 31, 1994	\$ 168
1995	1,039
1997	26
1998	496
1999	23
	<u>\$1,752</u>

## 7. Extraordinary Items

The extraordinary items are comprised of:

(thousands of dollars)	<b>1985</b>	1984
Utilization of loss carry forwards not previously recognized	<b>\$ 703</b>	\$1,142
Loss on discontinued operations	<b>(387)</b>	—

## 8. Earnings per Share

Earnings per share have been calculated using the weighted average number of shares outstanding during the year.

## 9. Long-Term Lease Commitments

The future minimum lease payments under operating leases amount to \$10,104,000 and for each of the next five years are:

(thousands of dollars)

1986	\$2,019
1987	1,748
1988	1,496
1989	965
1990	694

The company has sub-let some premises which provide future total lease income of \$517,000.

## 10. Pension Plan

The present value of unvested past service costs remaining to be charged to future operations is approximately \$382,000. Based on actuarial advice, this liability will be funded and charged to earnings annually as follows:

(thousands of dollars)

1986-1996	\$43
1997	25
1998	27
1999-2000	2

## 11. Related Party Transactions

(thousands of dollars)

	<b>1985</b>	1984
<b>Joint Ventures</b>		
Sales to	<b>\$1,145</b>	\$1,540
Purchases from	<b>4,682</b>	5,816
Other charges to	<b>1,293</b>	1,394
Purchase of equipment from	<b>121</b>	—

## 12. Subsequent Events

On December 30, 1985 a subsidiary of the company arranged a U.S. \$2,200,000 Industrial Development Revenue Bond for construction of a spiralweld pipe making facility in Georgia. The loan is secured by the assets of the facility, a letter of credit for U.S. \$630,000 and a guarantee from the company for U.S. \$945,000 and bears interest at 68% of U.S. prime. The loan is repayable semi-annually on July 1 and January 1 each year until January 1, 1998. The first principal payment is due on July 1, 1988.



### 13. Segmented Information

The company operates in essentially three industry segments. The metal products segment consists of processing and sale of recycled metals and sale of tubular and structural steel products. The food segment is involved in processing and distributing dairy and food products. Other

consists of the production and sale of commercial refrigeration equipment and a realty operation. Inter-segment sales are accounted for at prices comparable to market prices for similar products.

#### Industry Segments

(thousands of dollars)	Metal Products		Food		Other		Total	
	1985	1984	1985	1984	1985	1984	1985	1984
<b>Total Revenue</b>	<b>\$ 93,574</b>	\$ 93,084	<b>\$ 86,483</b>	\$ 79,563	<b>\$ 10,235</b>	\$ 9,486	<b>\$190,292</b>	\$182,133
Inter-segment sales	<b>1,154</b>	2,044	<b>71</b>	38	<b>6</b>		<b>1,231</b>	2,082
Sales to customers outside the company	<b>92,420</b>	91,040	<b>86,412</b>	79,525	<b>10,229</b>	9,486	<b>189,061</b>	180,051
<b>Segment Operating Profit</b>	<b>5,644</b>	5,527	<b>3,468</b>	2,983	<b>222</b>	598	<b>9,334</b>	9,108
Corporate overhead							<b>(3,894)</b>	(2,789)
Interest expense							<b>(3,742)</b>	(4,144)
Income taxes							<b>(591)</b>	(979)
Extraordinary gain							<b>316</b>	1,142
Goodwill amortization							<b>(257)</b>	(257)
Equity in earnings of joint ventures							<b>1,026</b>	1,065
<b>Net income for the year</b>							<b>\$ 2,192</b>	\$ 3,146
<b>Identifiable Assets</b>	<b>\$ 38,652</b>	\$ 39,722	<b>\$ 34,100</b>	\$ 29,861	<b>\$ 5,656</b>	\$ 5,202	<b>\$ 78,408</b>	\$ 74,785
<b>Corporate Assets</b>							<b>4,168</b>	5,466
<b>Total Assets</b>							<b>\$ 82,576</b>	\$ 80,251
<b>Capital Expenditures</b>	<b>\$ 1,329</b>	\$ 1,275	<b>\$ 967</b>	\$ 932	<b>\$ 681</b>	\$ 638		
<b>Depreciation and Amortization</b>	<b>1,204</b>	1,123	<b>690</b>	674	<b>338</b>	261		

#### Geographic Segments

(thousands of dollars)	Canada		United States		Total	
	1985	1984	1985	1984	1985	1984
<b>Total Revenue</b>	<b>\$159,124</b>	\$164,127	<b>\$ 31,168</b>	\$ 16,567	<b>\$190,292</b>	\$180,694
Transfers between geographic segments	<b>1,231</b>	643			<b>1,231</b>	643
Sales to customers outside the company	<b>157,893</b>	163,484	<b>31,168</b>	16,567	<b>189,061</b>	180,051
<b>Segment Operating Profit</b>	<b>7,527</b>	8,978	<b>1,807</b>	130	<b>9,334</b>	9,108
Corporate overhead					<b>(3,894)</b>	(2,789)
Interest expense					<b>(3,742)</b>	(4,144)
Income taxes					<b>(591)</b>	(979)
Extraordinary gain					<b>316</b>	1,142
Goodwill amortization					<b>(257)</b>	(257)
Equity in earnings of joint ventures					<b>1,026</b>	1,065
<b>Net income for the year</b>					<b>\$ 2,192</b>	\$ 3,146
<b>Identifiable Assets</b>	<b>\$ 66,941</b>	\$ 67,491	<b>\$ 11,467</b>	\$ 7,294	<b>\$ 78,408</b>	\$ 74,785
<b>Corporate Assets</b>					<b>4,168</b>	5,466
<b>Total Assets</b>					<b>\$ 82,576</b>	\$ 80,251

Note: Canadian operations include export sales of \$5,298,000 (1984 — \$12,048,000) primarily to customers in the United States.



(000's omitted except for  
per share amounts)

	1985	1984	1983	1982	1981
<b>Operating results</b> (years ending October 31)					
Sales	\$189,061	\$180,051	\$140,747	\$115,955	\$160,038
Depreciation and amortization	2,635	2,497	2,611	2,011	2,837
Interest on long-term debt	2,178	3,114	3,039	2,784	2,938
Earnings (loss) before extraordinary items	1,876	2,004	1,485	(2,152)	(565)
Net earnings (loss)	\$ 2,192	\$ 3,146	\$ 2,098	\$ (2,039)	\$ (207)
<b>Financial position</b> (as at October 31)					
Working capital	\$ 17,607	\$ 15,481	\$ 18,914	\$ 16,356	\$ 13,810
Long-term debt	15,040	14,022	18,630	16,156	11,473
Shareholders' equity	29,758	27,640	24,576	22,554	24,591
Total assets	\$ 82,576	\$ 80,251	\$ 70,501	\$ 57,313	\$ 69,179
<b>Capital stock</b> (as at October 31)					
Earnings (loss) per share before extraordinary items	\$ 1.18	\$ 1.27	\$ 0.94	\$ (1.37)	\$ (0.36)
Net earnings (loss) per share	\$ 1.38	\$ 1.99	\$ 1.33	\$ (1.30)	\$ (0.13)
Shares outstanding	1,603,536	1,576,536	1,572,036	1,571,536	1,571,336



**Principal Divisions, Subsidiaries and Joint Ventures**

(percentage of ownership in brackets)

**Metal Products Group  
Recycling Divisions:**

**Canada**

International Iron & Metal  
Company, Hamilton, Ontario  
Compressed Metals Company,  
Toronto, Ontario  
Coretal, Quebec, Quebec  
Ferrobec Ltee, Montreal,  
Quebec  
Fers et Metaux Recycles Ltee,  
La Prairie, Quebec (50%)  
Cyclomet, Scoudouc,  
New Brunswick (50%)  
Fercyco Inc., London, Ontario  
(50%)  
J. Kovinsky & Sons Limited,  
Windsor, Ontario (42%)

**United States**

Intermetco U.S., Inc., Detroit,  
Michigan  
Intermetco U.S.A. Ltd.,  
Buffalo, New York  
Intermetal U.S., Buffalo,  
New York

**Tubular and Structural  
Products Divisions:**

**Canada**

Cappco Tubular Products  
Company,  
Hamilton, Ontario  
Montreal, Quebec  
Vancouver, British Columbia

**United States**

Cappco Tubular Products  
U.S.A. Inc., Spokane,  
Washington  
Georgia Tubular Products Inc.,  
Cartersville, Georgia

**Food Group:**

**Canada**

David Ashley and Company,  
Toronto, Ontario  
Montreal, Quebec  
Krispak, Toronto, Ontario  
Western Bird's Hill Creamery  
Company, Toronto, Ontario  
Koffman Foods,  
Richmond, British Columbia  
The Old Ontario Cheese  
Company Ltd.,  
Toronto,  
Ontario (51%)

**United States**

C. & J. Willenborg,  
Ramsey,  
New Jersey

**Commercial Refrigeration:**

**Canada**

General Refrigeration,  
Mississauga, Ontario



**Board of Directors**

- **Marvin E. Goldblatt**  
President  
Intermetco Limited
  - Abby M. Goldblatt**  
Executive Vice President  
Intermetco Limited
  - Michael Orlander, P.Eng.**  
Corporate Vice President  
Intermetco Limited
  - Malcolm S. Goldblatt**  
Business Executive
  - **Alexander I. Hainey,  
B.Comm., M.B.A.**  
Vice President, Drake  
Beam Morin – Canada Inc. and  
Director, Union Carbide  
Canada Limited
  - John M. Langs, B.A., L.L.B.**  
Partner, Fraser & Beatty  
Barristers & Solicitors
  - **Gerald O. Loach, P.Eng.**  
Business Executive
  - **William A. Moeser, P. Eng.**  
Corporate Director
  - **Charles J. Munro**  
Retired Chairman of the Board  
International Harvester  
Canada Limited
  - **William D. Rooney, B.Comm.**  
Management Consultant
- Director Emeritus**  
**Cyrl H. Hollingshead**
- Member of Audit Committee
  - Member of Compensation Committee

**Officers**

- Marvin E. Goldblatt**  
President
- Abby M. Goldblatt**  
Executive Vice President
- Michael Orlander, P. Eng.**  
Corporate Vice President
- John J. Stortz, C.A.**  
Secretary,  
Assistant to President
- Christopher D. Hallett, C.A.**  
Director of Finance
- Edmund J. Fraser, C.G.A.**  
Corporate Controller
- David A. Higson, C.A.**  
Manager of Financial Services

**Divisional Management**

- Harry K. Brown**  
Vice President and  
General Manager,  
Metals Recycling Division
- Gregory F. Carter**  
Vice President, Food Division
- Charles E. Coughlan**  
Vice President and  
General Manager,  
Cappco Tubular Products  
Company
- Rod L. Brown**  
General Manager,  
Western Bird's Hill Creamery  
Company
- Peter D. Cook**  
General Manager, Koffman Foods
- Michael J. Gilhespy**  
General Manager,  
General Refrigeration
- Glenn R. McCormack**  
General Manager,  
Old Ontario Cheese Company Ltd.
- Jim McMillan**  
General Manager,  
David Ashley and Company
- Allan J. Oakes**  
General Manager, Krispak
- John V. Willenborg**  
General Manager,  
C. & J. Willenborg

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Hamilton, Ontario

**Transfer Agent and Registrar:**

The Royal Trust Company  
Toronto, Ontario

**Stock Exchange Listing:**

The Toronto Stock Exchange



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