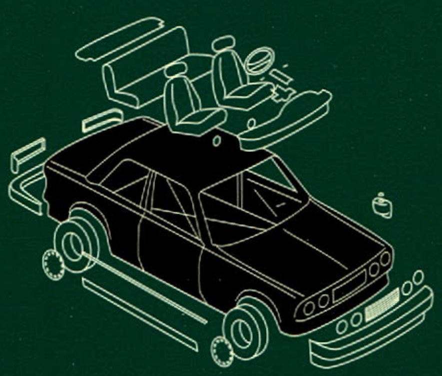
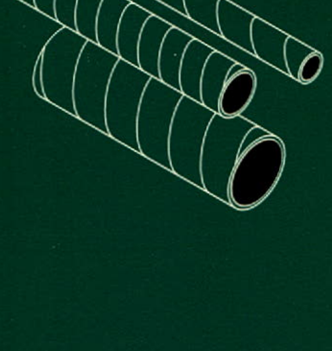
Intermetco Limited





Annual Report 1991

A

Tradition

of

Recycling

Introduction to Intermetco

Intermetco is a diversified company with seventeen operating subsidiaries, divisions, and joint ventures in Canada and the United States. Founded before the turn of the century by the Goldblatt family, the company currently employs more than 250 people in various locations throughout North America.

Intermetco is the largest recycler of metal products in Canada; manufactures spiralweld pipe in the United States; and distributes tubular pipe, prime pipe piling, sheet piling, beams, and hollow structural tubing in both Canada and the United States. ■ The Intermetco logo symbolizes the address where the company was founded at 73 Robert Street in Hamilton. The symbol serves as a reminder of the company's origin and, most importantly, the dedication to hard work and loyalty to colleagues, employees, suppliers, and customers. It also serves as a tribute and memorial to the founders and a constant reminder of a set of principles to be followed by those who come after. ■ The common shares of Intermetco are held by institutional investors, individuals, and by members of the Goldblatt family.

INTERMETCO 73

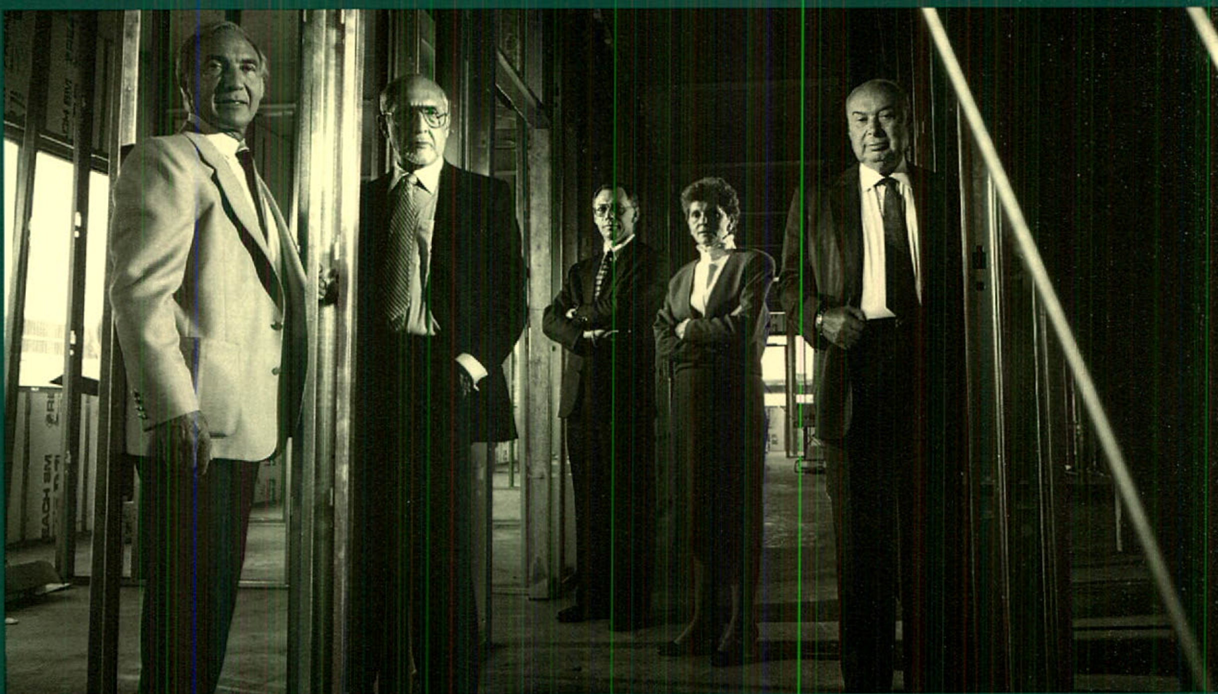
Annual Meeting

Intermetco Limited's Annual Meeting will be held on Wednesday, August 28, 1991 at 11:00 A.M. in the Ballroom West at the Sheraton Hotel, 116 King Street West, Hamilton, Ontario.

Financial Highlights

[Thousands of dollars except per share figures]

	1991	1990
Sales	**$124,175**	$134,273
Earnings [loss] before taxes	**$ [3,936]**	$ 1,258
Income taxes	**[1,573]**	237
Net earnings [loss]	**$ [2,363]**	$ 1,021
Earnings [loss] per share	**$ [0.69]**	$ 0.30



Office premises relocation

The corporate and administrative offices of the company will be moving from downtown Hamilton in early fall to a renovated company owned building in the east end of the city thus saving substantial rental costs.

The concerns we have been expressing in our reports to you since mid 1989 have become realities which have obviously been expressed in our bottom line results. Unfortunately, seven years of swift Canadian economic growth ended in the spring of 1990 and all industries have suffered with significant job losses, particularly in manufacturing and construction.

From left to right;

■ *Abby M. Goldblatt,*
Executive Vice President

■ *Marvin E. Goldblatt,*
President

■ *Edmund Fraser,*
Director of Finance

■ *Doris Mair,*
Secretary

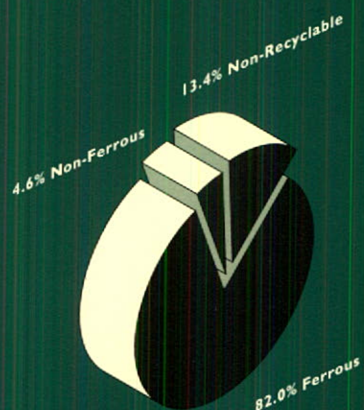
■ *Harry Brown,*
Senior Vice President

■ **FINANCIAL** ■ Sales declined 8% to $124,175,000 from $134,273,000 last year. The company experienced a loss of $2,363,000 or $0.69 per share compared to net earnings of $1,021,000 or $0.30 per share for the same period last year. ■ The net loss for the year included an additional $391,000 after taxes of ongoing non-recyclable residue disposal costs. Management determined that certain Metals Recycling Group assets were overvalued and accordingly reduced their values by $1,298,000 after taxes and this is also included in the net loss for 1991. ■ In light of economic conditions and the accompanying results cash flow was closely monitored to keep the balance sheet in a solid position. Capital expenditures amounted to $2,294,000 and included the installations of hydrotesting equipment at the Leetsdale, Pennsylvania and Cartersville, Georgia pipe facilities ■ **OPERATIONS** ■ The Metals Recycling Group has been experiencing both tonnage and price declines as well as contending with the exorbitant residue disposal cost. Salaried headcount has been reduced 15% and all operating costs have been scrutinized on an ongoing basis. We continue to be the industry leader and are positioned to take advantage of an upturn in market conditions when they occur. ■ The Pipe Group has managed to increase tonnage, particularly in the U.S., but at substantially reduced margins as a result of strong competitive activity. In the latter part of the year U.S. skelp costs began to decline and this will eventually lead to an improvement in sales and profit. In Canada, suppliers shifted production to large diameter pipe and this in turn changed our secondary product mix to slower moving sizes. ■ **OUTLOOK FOR NEXT YEAR** ■ We are not optimistic about the upcoming year. It is expected that an upturn in the economy will take place late in the fall of 1991. There are some positive actions taken by management that will benefit the future. An agreement has been negotiated with The Z-Line Company, a joint venture between Stelco and Mitsubishi, to warehouse and package a superior grade of galvannealed steel. In Leetsdale, Pennsylvania another piece of machinery will be added to the pipe plant to manufacture a wider range of diameters for the market place. Substantial rental costs will be saved when the company head office is moved to a renovated owned building in October, 1991.

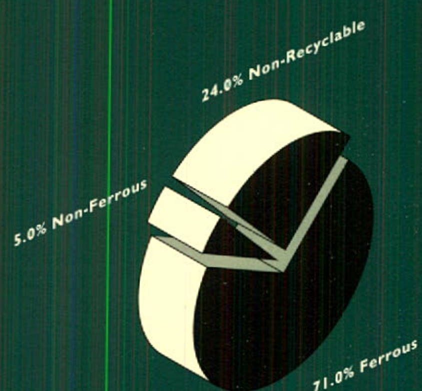
M E Goldblatt

Marvin E. Goldblatt,
President

Material make-up of cars shredded by weight



Cars shredded in 1980

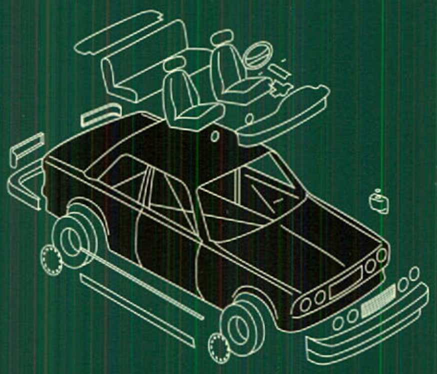


Cars shredded in 1990

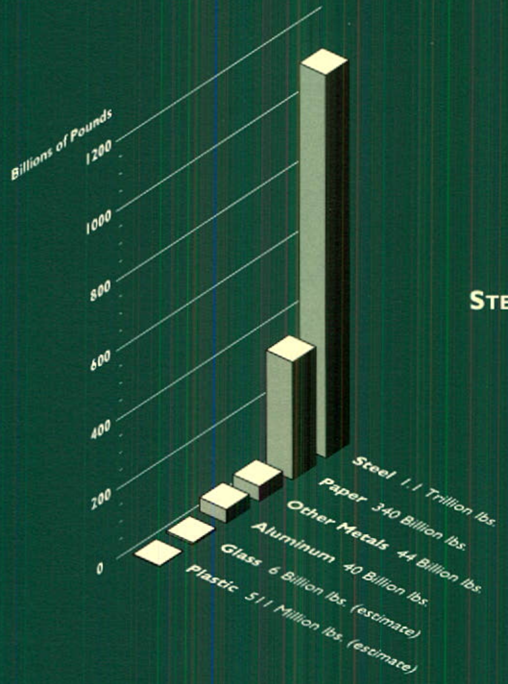
The environment became front page news in the 1980's and will continue to be one of society's and industry's most important challenges in the 90's. Involved in the 3 R's [reduce, reuse, recycle] since 1898, Intermetco has diverted millions of tons of material from landfill and reduced energy consumption and pollution in the steel making process. In fact, Intermetco's annual recycling efforts provide Canada an energy conservation equivalent to meet the average electrical needs of one million households for an entire year. Intermetco annually recycles more than three times the total tonnage collected by the"Blue Box" program in 1990 for all of Ontario.

John Kis, Vice President Commercial Trading [left] and Barry Thompson, Environmental Engineer [right], examining the shredder operation.

■ Through its ongoing efforts and capital investment, the company has established markets for materials that were previously viewed as waste destined for landfill. At the same time, Intermetco has put in place processes and methods to help eliminate the liabilities of hazardous waste. Tighter quality control on feed materials, such as established in Metropolitan Toronto's white goods program, reaffirms the company's commitment to the environment. ■ The company has shown its corporate responsibility by reviewing its policies and procedures, installing additional pollution control equipment and the improvement in enviromental control practices. ■ The increasing trend in the plastic content of newer model automobiles and a lower metal yield drastically reduce its recyclability. Designing consumer goods for recycling with recyclable materials, such as metals, must be acted upon today by manufacturers, to reduce waste and greater disposal costs in the future. Left uncontrolled, manufacturers will leave behind a solid waste legacy. Intermetco is actively seeking solutions with all levels of government and industry to make certain that our important recycling effort is understood. ■ Environmental management is not only a requirement in today's complex world but also an investment in the future. Intermetco will continue to actively work on these issues in the coming years confirming its commitment to its shareholders and the environment.



10 YEAR COMPARATIVE RECYCLING RATES



STEEL IS NORTH AMERICA'S MOST RECYCLED MATERIAL

■ *55 million tons – of iron and steel scrap were recycled in 1989-double the amount of all other materials combined.*

■ *9 million cars – America's steel-making furnaces recycle the equivalent of 9 million cars annually.*

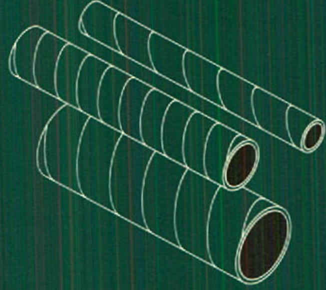
■ *2 billion dollars – of savings each year in solid waste disposal costs are achieved by recycling scrap steel.*

This has proved to be a difficult year for the division largely attributable to the current recession and ongoing escalating environmental costs. We have maintained a close scrutiny on our operating costs and continue to monitor these for improved efficiencies which should bode well for the future.

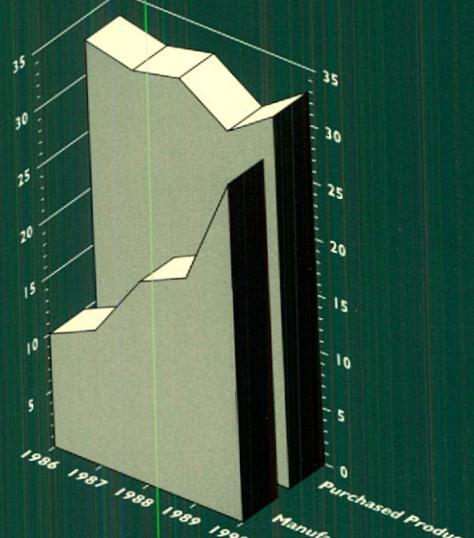
Recycling management alongside production to be shipped for melting by the steel industry to recycle into new steel.

From left; Jacques Thibeault, Sal Vig, Marty Martinello, Darlene Bronowicki, Mark Cohen and Stan White.

■ The first half of the year saw reasonable tonnages moved both domestically and via export. Although margins were squeezed, the division had an operating profit. However, the second half of the year bore a significantly different scenario. Demand weakened which negatively impacted on our processing costs and thus profitability. ■ Our overall tonnage decreased almost 5% versus last year, however, the largest drop occurred during the fourth quarter which impacted more negatively on our operation than originally planned. Margins were reduced as environmental costs continued to spiral and we were unable to recover these extra costs from our customers. ■ The lack of available landfill space has created inequities in disposal fees with costs rising as much as 830% since 1988 in some parts of Ontario. Current regulatory policies although intended to increase recycling efforts are still in the formative stage and the various levels of government have yet to reach consensus to allow for vertical acceptance from municipal up to federal governments. Intermetco is working with the various government departments to overcome this complex issue. Unfortunately, in the short term, the current inequities will allow for recycling operations to vary from region to region, thus impinging on our margins due to location rather than operating efficiencies. This has yet to be resolved but we are hopeful it will be as the importance of our contribution to recycling and the environment is better understood. ■ The steps we have taken during the year have prepared us for the economic turnaround. We have maintained our position as an industry leader and are well positioned to take advantage of any upturn in the market.



SALES VOLUME IN THOUSANDS OF TONS BY PRODUCT TYPE



Pipe Group

This past year we have experienced a decline in business not seen since the early 1980's. There were a number of elements which contributed to this negative situation. High interest rates depressed the construction industry; the dollar continued to rise in value against its U.S. counterpart; and margins eroded due to the fierce competition on a substantially reduced number of projects.

Pipe management inspecting inventory at Smithville, Ontario storage yard. From left; Tom Engls, Joe Weber and Charles Coughlan

■ Our major Canadian mills, for whom we act as sole distributors of secondary pipe, experienced an upturn in the large diameter pipeline business. This had the effect of changing our mix of secondary product generated to larger sizes from smaller sizes. ■ Overall our spiralweld production in the U.S. has increased from the prior year. With the new Leetsdale, Pennsylvania plant now on stream as well as the Cartersville, Georgia plant, we have significantly increased our capacity. Demand for our product, however, has not grown as quickly. The effects of the Gulf War have impacted negatively on U.S. government spending. Projects that had not already been started were shelved. In the private sector loss of confidence also curtailed expansion plans. ■ On the positive side, skelp prices have fallen somewhat and savings are becoming available due to an overabundance of steel in North America. ■ We will be installing a second spiralweld machine in the Leetsdale, Pennsylvania plant and this should allow us to penetrate the small diameter piling business market in the north-east United States at a more competitive price. ■ We do not see business improving much until the fall of 1991. We are positioning ourselves today to take advantage of the turnaround when it materializes.

Highlights

■ Lower sales. ■ First loss since 1982. ■ Significant increase in residue disposal cost. ■ Assets write-down to recoverable amounts from ongoing operations. ■ Ongoing firm balance sheet. ■ Steel warehousing deal negotiated. ■ Head office move planned.

Earnings Review

[Thousands of dollars]

	1991	1990
Sales	124,175	134,273
Earnings before the following	3,707	7,356
Residue disposal cost	[2,246]	[1,595]
Asset write-downs	[2,161]	[1,325]
Operating profit [loss]	[700]	4,436
Corporate overhead	[2,335]	[2,850]
Interest expense	[901]	[328]
Income taxes	1,573	[237]
Net earnings [loss]	[2,363]	1,021

Total sales were 8% less than 1990. Metals Recycling sales declined 11% as both tonnage and price were down as a result of deteriorating economic conditions. Pipe sales increased 9% primarily in the U.S. as the Pittsburgh spiralweld mill came on stream. ■ Earnings before residue disposal cost and asset write-downs were half of the prior year. Metals Recycling earnings fell 38% from the tonnage decline as well as market margin pressures. Despite the increase in sales Pipe profit was down 88% from 1990 because of severe competitive pricing. ■ The cost of disposing of the non-recyclable residue from automobile shredding continued the recent years' trend and increased 41%. This is an area of great concern as the recovery of this cost is extremely difficult. ■ As part of Metals Recycling Group's ongoing review of asset carrying values management determined that the carrying value of certain assets should be reduced by $2,161,000 compared to $1,325,000 to reflect their recoverable amounts from ongoing operations. ■ Corporate overhead decreased 18% from last year as 1990 included one-time severance payments covering salaried headcount reductions. ■ Interest expense for 1991 was $573,000 higher than 1990 as borrowing was up to cover the loss and capital expenditures. ■ An income tax recovery of $1,573,000 was recorded in 1991 versus an expense of $237,000 in 1990. This came about through losses incurred and represents a recovery of deferred income taxes.

FINANCIAL CONDITION

The Company's cash position at April 30, 1991 was $6,992,000 less than at the end of 1990. There were three reasons for this:

1 ■ The loss for the year.

2 ■ An increase in accounts receivable from sales made late in the year.

3 ■ Long-term debt payments made during the year.

Capital expenditures amounted to $2,294,000 for the year and included hydrotesting equipment in Leetsdale, Pennsylvania and Cartersville, Georgia and the completion of the Hamilton Yard office addition. ■ Because of the payments made during the year long-term debt at April 30, 1991 was $4,249,000 compared to $7,445,000 the previous year. The working capital ratio remained unchanged at 1.5-1 while the bank debt to equity ratio stood at a respectable .28-1 versus .20-1 last year-end.

THE FUTURE

Early 1991 statistics indicate a continuing slump in the market place particularly in the automotive and construction industries. The Canadian economy is not expected to improve before late calendar 1991 and even then it is expected growth will be slow. ■ The Metals Recycling operation continues to face significant cost challenges in the residue disposal area and will continue to work with all relevant agencies to arrive at a long-term solution. ■ The Pipe Group is hopeful that orders will pick up, particularly in the U.S., late in the year. It is anticipated that with the addition of a second machine in Leetsdale, Pennsylvania additional pipe sizes will be available to enter new markets. ■ The galvannealed steel warehousing arrangement with The Z-Line Company is a new field for the corporation and may open doors to additional new ventures.

CONSOLIDATED STATEMENTS OF EARNINGS & RETAINED EARNINGS

[Thousands of dollars except for per share amounts]	*For the year ended April 30* 1991	1990
Sales	**$124,175**	$ 134,273
Earnings from operations	**3,087**	6,143
Equity in earnings of joint ventures *[Note 2]*	**574**	583
Earnings before the following:	**3,661**	6,726
Depreciation	**2,289**	2,220
Non-recyclable residue disposal cost	**2,246**	1,595
Interest on long-term debt	**497**	882
Other interest	**404**	[554]
Impairment of asset values *[Note 11]*	**2,161**	1,325
Earnings [loss] before income taxes	**[3,936]**	1,258
Income taxes *[Note 6]*	**[1,573]**	237
Net earnings [loss] for the year	**$ [2,363]**	$ 1,021
Earnings per share *[Notes 5 and 7]*		
Net earnings [loss]	**$ [0.69]**	$ 0.30
Retained earnings - beginning of year	**$ 30,719**	$ 30,615
Net earnings [loss] for the year	**[2,363]**	1,021
Dividends	**646**	917
Retained earnings - end of year	**$ 27,710**	$ 30,719

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The preparation of financial statements is an integral part of management's responsibilities and the accompanying consolidated financial statements and related information contained in this Annual Report are the responsibility of the management of Intermetco Limited. The Company maintained a system of internal accounting controls to provide management with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of consolidated financial statements in accordance with generally accepted accounting principles. ■ The external auditors, Coopers & Lybrand, whose appointment was recommended by the Audit Committee and ratified at the annual general meeting, have performed an audit of the company in accordance with generally accepted auditing standards. Their report as to the fairness of these financial statements, and of conformity with generally accepted accounting principles, is included in this Annual Report. ■ The Audit Committee, composed of members of the Board of Directors, independent of management, meets regularly with the Director of Finance and other senior executives of the Company and the external auditors. The external auditors have free access to this committee, without management present, to discuss the results of their audit. ■ Upon the recommendation of the Audit Committee, the consolidated financial statements have been approved by the Board of Directors.

M. E. Goldblatt
Marvin E. Goldblatt
President

E. J. Fraser
Edmund J. Fraser
Director of Finance

[Thousands of dollars]

	As at April 30	
	1991	1990
ASSETS		
Current Assets		
Cash	**$ 0**	$ 1,750
Accounts receivable *[Note 3]*	**17,349**	14,926
Inventories *[Note 3]*	**11,744**	13,221
Prepaid expenses	**404**	940
	29,497	30,837
Fixed Assets, net of accumulated depreciation of $22,705 [1990 - $20,528]	**23,209**	25,565
Investment in Joint Ventures *[Note 2]*	**4,272**	4,018
	$56,978	$ 60,420
LIABILITIES		
Current Liabilities		
Bank advances *[Note 3]*	**$ 5,242**	$ 0
Accounts payable and accrued liabilities	**13,639**	14,600
Income taxes payable	**82**	186
Current portion of long-term debt *[Note 3]*	**398**	5,656
	19,361	20,442
Deferred income tax	**321**	1,834
Long-term debt *[Note 3]*	**3,851**	1,789
	23,533	24,065
SHAREHOLDERS' EQUITY		
Capital Stock *[Note 5]*		
Authorized 10,000,000 common shares of no par value issued and fully paid 3,400,672 shares [1990 - 3,400,672]	**6,247**	6,247
Cumulative foreign currency translation adjustments	**[512]**	[611]
Retained Earnings	**27,710**	30,719
	33,445	36,355
	$56,978	$ 60,420

Signed on behalf of the board

M.E. Goldblatt

M.E. Goldblatt, Director

A.I. Hainey, Director

Consolidated Statements of Changes in Financial Position

[Thousands of dollars]	*For the year ended April 30* 1991	1990
Operating Activities		
Net earnings [loss] for the year	**$[2,363]**	$ 1,021
Equity in earnings of joint ventures	**[574]**	[583]
Depreciation	**2,289**	2,220
Deferred income tax	**[1,513]**	[238]
Net change in non-cash working capital	**[1,475]**	4,022
Other items not affecting cash	**1,625**	[51]
Cash flow from [used in] operating activities	**[2,011]**	6,391
Financing Activities		
Proceeds from long-term debt	**2,475**	0
Repayment of long-term debt	**[5,671]**	[804]
Dividends on common shares	**[646]**	[917]
Issue of common shares	**0**	225
Cash flow used in financing activities	**[3,842]**	[1,496]
Investing Activities		
Investment in joint venture	**[173]**	0
Additions to fixed assets	**[2,294]**	[7,007]
Disposal of fixed assets	**1,043**	1,427
Dividends received from joint ventures	**285**	537
Cash flow used in investing activities	**[1,139]**	[5,043]
Decrease in cash	**[6,992]**	[148]
Cash - beginning of year	**1,750**	1,898
Cash [bank advances]- end of year	**$[5,242]**	$ 1,750

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Intermetco Limited as at April 30, 1991 and 1990 and the consolidated statements of earnings and retained earnings and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. ■ We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. ■ In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at April 30, 1991 and 1990 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Coopers & Lybrand
Chartered Accountants

Hamilton, Ontario
June 21, 1991

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 using 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. Depreciation is calculated at rates which will reduce the original cost to estimated residual value over the useful life of each asset.

Land improvements	Straight line	10-40
Buildings	Straight Line	25-40
Machinery and equipment	Straight Line	3-20
Recycling products, production equipment	Units of Production	Maximum Life of 20 years
Leasehold improvements	Straight Line	Life of lease

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

2 ■ 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]	For the year ended April 30	
	1991	1990
Balance Sheet		
Working capital	**$ 2,582**	$ 2,693
Fixed assets	**4,247**	3,553
Other liabilities	**371**	343
Long-term debt	**2,186**	1,885
Shareholders' equity	**4,272**	4,018
Statement of Earnings		
Sales	**$31,454**	$ 42,441
Net earnings	**574**	583

3 ■ LONG - TERM DEBT AND BANK ADVANCES

[Thousands of dollars]	For the year ended April 30	
	1991	1990
Bank loan at 12.32% interest payable monthly; principal payable annually on August 14, $500,000 in 1989 and balance in 1990	**$ 0**	$ 4,400
Bank term loan at 11.7% interest payable monthly, paid in full September 23, 1990	**0**	1,000
Bank loan with interest at 68% of U.S. prime [U.S. $1,536,000; 1990 U.S $1,756,000] repayable semi-annually on January 1and July 1 of each year ending January 1, 1998	**1,774**	2,045
Bank loan with interest at 10% [U.S. $2,143,000] repayable quarterly on February 1, May 1, August 1, and November 1 of each year	**2,475**	0
	4,249	7,445
Less: Due within one year	**398**	5,656
Total long-term debt	**$3,851**	$ 1,789

The aggregate amount of payments in each of the next five years to meet retirement provisions is as follows:

[Thousands of dollars]	For the year ended April 30	
	1992	$ 398
	1993	398
	1994	398
	1995	398
	1996	398

Accounts receivable and inventories of Canadian operations have been pledged as security for certain Canadian bank loans and bank advances. ■ Certain assets of a U.S. subsidiary company have been pledged as security for the U.S. $1,536,000 [1990 - U.S. $1,756,000] and the U.S. $2,143,000 [1990 - $0] bank loans. ■ The company has guaranteed bank advances of joint venture operations to a maximum of $4,300,000 [1990 - $3,767,000] which at April 30, 1991, amounted to $3,900,000 [1990 - $3, 699,000].

4 ■ PENSION COSTS

The company has defined benefit pension plans covering substantially all of its employees. ■ The most recent actuarial valuation of the plan was completed as at January 1, 1990. The following information has been calculated by an independent actuary based on assumptions determined for financial statement purposes. The present value of accrued pension benefits amounted to $7,358,000 [1990 - $6,330,000] and the market value of pension fund assets to provide for these benefits was $12,263,000 as at April 30, 1991 [1990 - $8,612,000].

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 April 30:

Number of Shares Subject to Option		Exercise Price	Option
1991	1990	Per Share	Expiry Date
111,000	111,000	4.875	November 30, 1991
36,000	36,000	6.625	June 30, 1993
10,000	20,000	7.750	March 31, 1994
85,000	95,000	6.000	March 31, 1995

During the year, zero additional options [1990 - 95,000] were approved, 20,000 options [1990 - 28,400] were cancelled, and options exercised on zero shares [1990 - 8,000] at $4.875 per share, and on zero shares [1990 - $28,000] at $6.625 per share.

6 ■ INCOME TAXES

The provision for [recovery of] income taxes is comprised as follows:

[Thousands of dollars] *For the year ended April 30*

	1991	1990
Current charges	**$ [21]**	$ 344
Deferred tax	**[1,552]**	[107]
	$[1,573]	$ 237

The provision for [recovery of] income taxes reflects an effective tax rate which differs from the Canadian corporate tax rate for the following reasons:

	1991	**%**	1990	%
Provision for [recovery of] income taxes based on statutory Canadian combined federal and provincial income tax rate	**$[1,704]**	**[43.3]**	$ 541	43.0
Manufacturing and processing profits adjustment	**130**	**3.3**	[5]	[0.4]
Non-taxable transactions	**[132]**	**[3.3]**	[95]	[7.6]
Higher [lower] effective income tax rate on income of foreign subsidiaries	**108**	**2.7**	[88]	[7.0]
Utilization of U.S. income tax loss carryforwards	**0**	**0**	[176]	[14.0]
Miscellaneous	**25**	**0.6**	60	4.8
Provision for [recovery of] income tax	**$[1,573]**	**[40.0]**	$ 237	18.8

A subsidiary of the company has accumulated losses for tax purposes of $1,050,000 [1990 - $1,165,000] in the United States the potential tax benefit of which has 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:

Year ended April 30		*[Thousands of dollars]*
	1995	619
	1997	23
	1998	329
	2002	79

7 ■ EARNINGS PER SHARE

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

8 ■ LONG-TERM LEASE COMMITMENTS

The future minimum lease payments under operating leases amount to $10,221,000 [1990 - $5,018,000] and for each of the next five years are:

Year ended April 30		*[Thousands of dollars]*
	1992	$ 744
	1993	808
	1994	808
	1995	681
	1996	620

The company has sub-let premises which provide future total lease income of $74,000 [1990 - $201,000].

9 ■ RELATED PARTY TRANSACTIONS

[Thousands of dollars]	**1991**	1990
Joint Ventures		
Sales to	**$12,347**	$ 2,564
Purchases from	**693**	4,727
Other charges to	**1,070**	1,296
Other charges from	**4,415**	1,997
Equipment purchased from	**0**	5

10 ■ SEGMENTED INFORMATION

The company operates in one industry segment, metal products.

GEOGRAPHIC SEGMENTS

[Thousands of dollars]	CANADA		UNITED STATES		TOTAL	
	1991	1990	**1991**	1990	**1991**	1990
Sales	**$94,037**	$104,954	**$30,138**	$29,319	**$124,175**	$134,273
Segment Operating Profit	**[1,460]**	2,344	**186**	1,509	**[1,274]**	3,853
Corporate overhead					**[2,335]**	[2,850]
Interest expense					**[901]**	[328]
Income taxes					**1,573**	[237]
Equity in earnings of joint ventures					**574**	583
Net Earnings [Loss] for the Year					**$ [2,363]**	$ 1,021
Identifiable Assets	**$40,981**	$ 40,007	**$12,002**	$13,952	**$ 52,983**	$ 53,959
Corporate Assets					**3,995**	6,461
Total Assets					**$ 56,978**	$ 60,420

11 ■ IMPAIRMENT OF ASSET VALUES

During 1991, as part of a continuing review of the carrying values of the Metals Recycling Group's assets, management determined that the value of certain assets should be reduced by $2,161,000 [1990 - $1,325,000] to reflect their appropriate recoverable amounts from ongoing operations.

12 ■ COMPARATIVE FINANCIAL INFORMATION

For comparative purposes, certain 1990 balances have been reclassified to conform with the 1991 financial statement presentation.

Five Year Financial Review

[Thousands of dollars except per share amounts]

	1991	1990	1989	1988	1987
					Year ended April 30
Operating Results					
Sales	**$ 124,175**	$ 134,273	$ 162,895	$ 131,840	$ 92,747
Depreciation and amortization	**2,289**	2,220	2,229	2,480	1,543
Interest on long-term debt	**497**	882	943	1,011	1,428
Earnings [loss] from continuing operations	**[2,363]**	1,021	3,497	2,535	72
Net earnings [loss]	**$ [2,363]**	$ 1,021	$ 5,022	$ 2,043	$ 1,026
Financial Position					*As at April 30*
Working capital	**$ 10,136**	$ 10,395	$ 19,560	$ 8,477	$ 6,619
Long-term debt	**3,851**	1,789	7,588	8,591	9,401
Shareholders' equity	**33,445**	36,355	36,140	31,831	30,468
Total assets	**$ 56,978**	$ 60,420	$ 67,083	$ 94,366	$ 87,379
Capital Stock					*As at April 30*
Earnings [loss] per share from continuing operations	**$ [0.69]**	$ 0.30	$ 1.05	$ 0.77	$ 0.02
Net earnings [loss] per share	**$ [0.69]**	$ 0.30	$ 1.51	$ 0.62	$ 0.31
Shares outstanding	**3,400,672**	3,400,672	3,364,672	3,304,872	3,279,072

The information for the years 1987 and 1988 is unaudited.

DIVISIONAL MANAGEMENT

METALS RECYCLING GROUP

Stanley H. White
Vice President and General Manager
Metals Recycling Division

Marty E. Martinello
Vice President Sales and Marketing
Metals Recycling Division

John Kis
Vice President Commercial Trading
Metals Recycling Division

Satinder Vig
General Manager
Hamilton Recycling Plant

Mark Cohen
General Manager
Toronto Recycling Plant

Jacques Thibault
General Manager
Quebec City Recycling Plant

PIPE GROUP

Charles E. Coughlan
Group Vice President
Tubular Division.

CORPORATE INFORMATION

Head Office
P.O. Box 70
1 James Street North
Hamilton, Ontario
L8N 3B4

Transfer Agent and Registrar
The Royal Trust Company
Toronto, Ontario

Stock Exchange Listing
The Toronto Stock Exchange

Auditors
Coopers & Lybrand
Chartered Accountants
Hamilton, Ontario

BOARD OF DIRECTORS

Marvin. E. Goldblatt [1,3]
President
Intermetco Limited

Abby M. Goldblatt
Executive Vice President
Intermetco Limited

Malcolm S. Goldblatt
Business Executive

Alexander I. Hainey [1]
Senior Vice President
Drake Beam Morin-Canada Inc.

John M. Langs [1,2]
Partner, Fraser & Beatty
Barristers & Solicitors

William A. Moeser [2,3]
Corporate Director

Charles J. Munro [1,2,3]
Corporate Director

[1] Member of Audit Committee
[2] Member of Compensation Committee
[3] Member of Pension Committee

OFFICERS

Marvin E. Goldblatt
President

Abby M. Goldblatt
Executive Vice President

Harry K. Brown
Senior Vice President

Edmund J. Fraser
Director of Finance

Doris M. Mair
Secretary

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