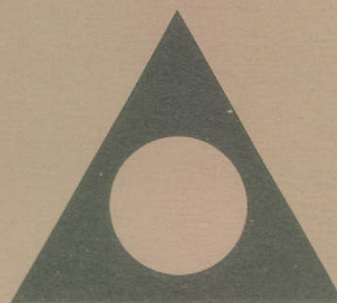


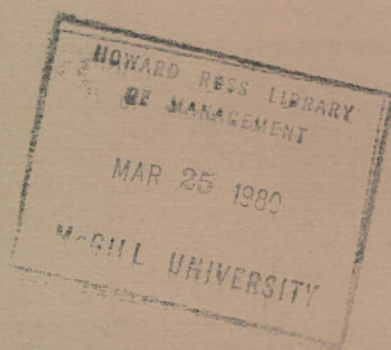
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RICHAIRN LIMITED

1979

annual
report



DIRECTORS

*William M. Anderson, B. Com., C.A.,

**Retired,
Vancouver, B.C.

George A. Couture, C.D.,
Chairman of the Board,
St. Lawrence Manufacturing
Company Inc.,
Quebec, Que.

*Harold F. Crain,

**Chairman of the Board,
R. L. Crain Limited,
Ottawa, Ont.

Frank J. Fleury, C.B.E., E.D., C.D.,
Retired,
Ottawa, Ont.

*John F. Frank, C.D., M.S.C.,
President and Chief
Executive Officer,
R. L. Crain Limited,
Ottawa, Ont.

Conrad F. Harrington, S.St.J., C.D.,
Chairman of the Executive Committee,
The Royal Trust Company,
Montreal, Que.

Ronald H. Keeler, C.A.,
President and Chief
Executive Officer,
St. Marys Cement Limited,
Toronto, Ont.

*Allan O. Mackay, M.B.E., D.C.L.,
Chairman,
BM-RT Realty Investments,
Montreal, Que.

*Ronald C. Merriam, C.D., Q.C.,
Barrister & Solicitor,
Ottawa, Ont.

*John S. Proctor, LL.D.,
**Vice-President and Director,
The Mutual Life Assurance
Company of Canada,
Toronto, Ont.

Charles F. Scott, Q.C.,
Partner, Gowling & Henderson,
Ottawa, Ont.

*Member of Executive Committee

**Member of Audit Committee

Honorary Director
Robert F. Chisholm, O.B.E.,
Toronto, Ont.

CORPORATE OFFICERS/ MANAGEMENT

H. F. Crain,
Chairman of the Board

†J. F. Frank,
President and Chief Executive Officer

A. O. Mackay,
Vice-President

†E. A. Prime,
Vice-President Administration and Treasurer

†V. B. Ridding,
Vice-President Marketing

J. G. Turner,
Secretary

B. C. Henson,
Comptroller

H. S. Brown,
Manager Personnel Administration

M. R. Fountain,
Manager Marketing

F. R. Galpin,
Manager Sales Administration

L. R. Horning,
Manager Corporate Engineering

†J. H. Knol,
Plants Manager

†Member Senior Management Group

Transfer Agent and Registrar:

The Royal Trust Company,
Toronto and Ottawa, Ontario
Montreal, Quebec

Auditors:

Thorne Riddell
Chartered Accountants,
Ottawa, Ontario

Stock Exchanges:

Toronto Stock Exchange
Montreal Stock Exchange

HIGHLIGHTS

	1979	1978
Sales	\$56,169,000	\$48,607,000
Income Taxes	1,970,000	1,704,000
Net Earnings Per Share	2,674,000 1.53	2,397,000 1.37
Dividends Per Share	1,329,000 .76	1,154,000 .66
Earnings Retained Per Share	1,345,000 .77	1,243,000 .71
Working Capital	13,362,000	11,925,000
Fixed Assets - Net	8,706,000	8,775,000

Financial data stated to the nearest thousand dollars except per share statistics. Valuation Day Price (December 22, 1971) \$11.13 per share.

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- 4 Auditors' Report
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- 6 Consolidated Statement of Changes in Financial Position
- 7 Notes to Consolidated Financial Statements
- 8 Ten-Year Review

The triangle-with-dot on the cover of this report is a stylized reproduction of a registered trade mark of the Company. An imprint of this triangle appears inconspicuously on forms manufactured by R. L. Crain Limited.

The annual and Special General Meeting of Shareholders will be held at the Head Office, 190 Richmond Road, Ottawa, Ontario, at 3.00 p.m., Tuesday, April 8, 1980.

Les actionnaires qui préféreraient recevoir leurs rapports en français voudront bien en aviser le Secrétaire, R. L. Crain Limitée, C.P. 8392, Ottawa, Ontario, K1G 3J7.

DIRECTORS' REPORT TO THE SHAREHOLDERS

INTRODUCTION

The level of physical activity experienced by all plants during 1979 was very satisfactory. The sales force was successful in submitting a high and generally even level of incoming orders, which meant that adequate backlogs were maintained throughout the year. At the end of 1979, the backlog of orders was 17% higher than a year earlier.

Inflation continued to have a severe impact on costs. By early in the fourth quarter, costs of all register bonds, the paper used for most forms production, were up over 20% from the beginning of the year. The Company had some difficulty in passing on these increases to the market as quickly as necessary. As a result, net earnings in the third quarter were below those of 1978 and the planned level of 1979. However, by the fourth quarter, net earnings had returned to a more satisfactory rate.

We believe that there still exists excess capacity in the Canadian business forms industry. The condition appears to be improving, a trend which should continue through 1980.

FINANCIAL

Sales in 1979 were \$56,169,000, an increase of 15.6% over 1978 when they amounted to \$48,607,000. While the dollar increase in sales was substantial, it must be remembered that over half was the result of higher prices for our products caused by increased costs. Sales in the fourth quarter exceeded any previous fourth quarter by a substantial margin. They reached \$17,616,000, up \$3,180,000 from the previous year.

Net earnings for the year were \$2,674,000, equal to \$1.53 per share, compared with \$2,397,000, or \$1.37 per share in 1978. As

a percentage of sales, net earnings fell from 4.9% in 1978 to 4.8% in 1979. This reduction was caused by the results of the third quarter. Net earnings for all other quarters of 1979 were better than the same quarters of 1978, both in dollars and as a percentage of sales.

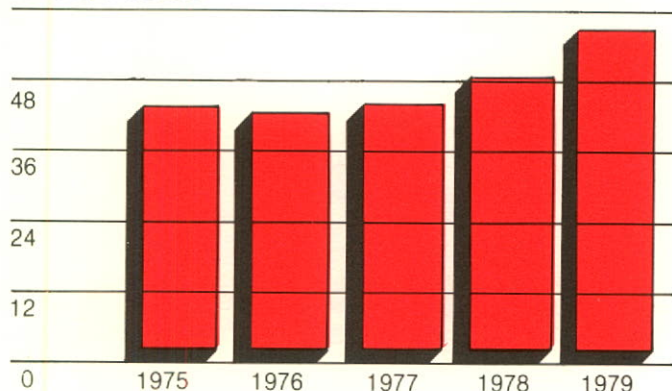
The Company's working capital position was strong throughout 1979 and at year-end the level had increased by \$1,437,000 to \$13,362,000. Inventory values increased more rapidly than in recent years and reached \$9,839,000 by the end of 1979 compared with \$7,558,000 a year earlier. The increase in raw materials amounting to \$1,148,000 during the year was the result, in equal measure, of higher prices for paper and other material, and higher quantities of stocks on hand. The increase in finished goods of \$1,188,000 was caused mainly by success in the marketing of Systems Contracts for which the Company provides warehousing services. Work in process inventory reflected a minor decrease in value.

With the increased value of inventories, together with the more modest rise in accounts receivable, bank borrowings increased in 1979. Bank indebtedness rose to \$2,196,000 at December 31, 1979, compared with \$414,000 a year earlier.

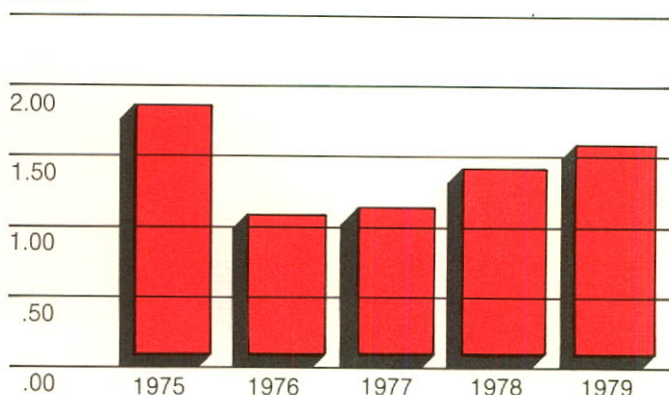
Capital expenditures during 1979 amounted to \$1,107,000 compared with \$1,159,000 in 1978. All significant expenditures were for equipment.

Dividends paid on a quarterly basis during 1979 were increased from 18¢ per share to 20¢ per share beginning in the third quarter. For the year, dividends were 76¢ per share compared with 66¢ in 1978.

Sales
millions of dollars



Net earnings (per share)
dollars



MARKETING

The Company surpassed its objective for incoming orders in 1979 with all major regions showing growth. The regional sales office for western Canada was established in Calgary during the year. While this move was in part because Calgary is central to the western region consisting of the four western provinces, it was also a reflection of the market growth in Alberta.

The number of Systems Contracts on hand continued to grow during the year. Under this programme, the Company acts as the customer's warehouse, filling requisitions as required and providing monthly reports of activity. These contracts provide stability to the Company's production backlog, which can be beneficial in improving productivity. In a period of rapidly escalating costs however, some delay in achieving higher prices is encountered. This is due to price changes being made at specific dates, normally six months apart. Results in the third quarter were adversely affected by this delay.

In the latter part of 1979 a new service was introduced for the general forms market. Formic, which stands for "forms inventory control", is a reporting system by which the Company provides monthly inventory reports for all forms inventories maintained by selected customers on their own premises. Through this service inventories can be monitored effectively. At the same time the reports provide for an analysis of forms construction, size and use, enabling the sales representative to counsel customers in the reduction of forms costs and inventories through more effective planning.

The past two years have seen the Company begin and then expand on a new method of serving customers known as team selling. Primarily involving larger accounts, it enables sales representatives to pool their talents in meeting customers' needs. The experience to date leads us to believe that productivity of the sales force can be improved by having teams in some markets. The plan is to expand further the use of team selling in the future.

Crain Information Systems, a division formed in 1977 to provide "turnkey" computerized systems for retailers, continued to make progress in 1979. However, such progress has been slow. The cost of the applicable hardware, the long time taken by prospects in decision-making, and the current market

conditions have been the main causes encountered. The "learning curve" experienced by the Company has been as anticipated and the ability to understand the needs of the retail and similar markets has proceeded well. The activities of the division since its inception have had no significant effect on the earnings of the Company.

During 1979, a new type of self-mailer product, Auto-post, was introduced to the market. This product, which is manufactured by the Company, complements the other mailer products being marketed throughout Canada. Initial response has shown strong acceptance by the market.

MANUFACTURING

While there were some minor concerns as to the availability of raw materials during 1979, no interruptions in manufacturing were encountered because of shortages. We continue to be confident that the Canadian paper industry will be able to fill the Company's needs in the coming year.

Installed in early 1979, the first stage of the Manufacturing Operating System was operative for the last nine months of the year. The objective was to reduce press make-ready time through improved scheduling. The objective has been met and the contribution has been significant, but further improvements appear to be practical.

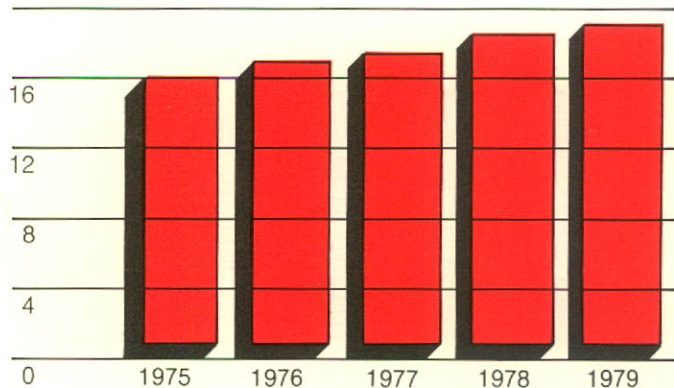
The computerized forms composition units, operating in a separate building since being installed in 1977, were transferred to the Ottawa Plant during 1979 and the system fully integrated. The system being operated by these units is a first of its kind in Canada and has enabled significant improvements in productivity to be achieved.

The specialized press for the manufacture of credit card charge slips and other documents has now been installed after several delays in delivery. Production will start in the first quarter of 1980.

There are several other projects in process for the purpose of improving productivity and profitability in the future. One of these, the production of carbonless paper, is continuing in a development phase. We have not manufactured the product for use in saleable forms as yet, but believe that 1980 will see its introduction. Another project, computer controlled make-ready for the presses, is moving forward in a promising manner.

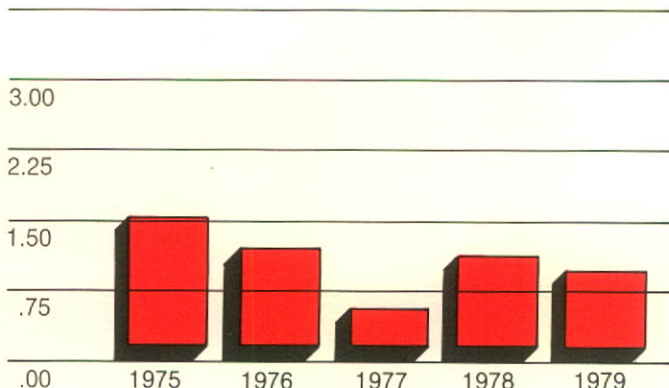
Shareholders' Equity

millions of dollars



Capital Expenditures

millions of dollars



DIRECTORS AND MANAGEMENT

Mr. Frank J. Fleury retired as President under the Company's age policy June 30, 1979. Mr. Fleury had been President since October 1, 1973, and his fellow Directors wish to thank him for his valued services. He remained as a Director after June 30, 1979 and we look forward to his continuing contribution.

Mr. John F. Frank, formerly Executive Vice President, was appointed President and Chief Executive Officer July 1, 1979, to succeed Mr. Fleury. Mr. Frank joined the Company in 1966. Prior to being appointed Executive Vice President in 1978 he had held the position of Vice President, Manufacturing, since November 1, 1973. Mr. Frank was elected to the Board of Directors March 28, 1979.

After thirty years as a Director, Mr. Robert F. Chisholm retired effective June 26, 1979. The contribution made by Mr. Chisholm to the growth of the Company was invaluable over those years and we thank him for it. At the time of his retirement, Mr. Chisholm was elected an Honorary Director of the Company.

Mr. Ronald H. Keeler, President and Chief Executive Officer, St. Marys Cement Limited, Toronto, Ontario, was elected to the Board of Directors effective June 26, 1979. We welcome Mr. Keeler and look forward to the contribution he will make to the Company.

CORPORATE AND BY-LAWS

In order to conform with the new Canada Business Corporations Act, the Company must apply for Articles of Continuance during 1980. These will be presented for the consideration of shareholders at the Annual and Special Shareholders' Meeting to be held April 8, 1980.

Included in the application is a proposal to change the name of the Company to R. L. Crain Inc. This change will facilitate the use of the Company name in both the English and French languages on forms, letterheads and other material requiring identification throughout the country.

In addition, a new by-law, "to regulate generally the business and affairs of the Corporation" will be presented for approval. If adopted by the shareholders, this omnibus by-law will replace all existing by-laws of the Company.

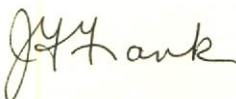
OUTLOOK

We expect that 1980 will see a continuation of severe inflationary pressures. In order to prosper in such an economic environment, it will be necessary to maintain a lean organization, fulfilling well-defined strategies. Plans to achieve these strategies are in place. Many may take more than a year to achieve. We are confident, however, that 1980 will be a year of progress in sales and earnings.

ACKNOWLEDGMENTS

We gratefully acknowledge the confidence of our customers, the cooperation of our suppliers and the dedication of our employees.

On behalf of the Board of Directors.



J. F. Frank,
President and Chief Executive Officer

Ottawa, January 29, 1980.

AUDITORS' REPORT

To the Shareholders of
R. L. Crain Limited

We have examined the consolidated balance sheet of R. L. Crain Limited as at December 31, 1979 and the consolidated statements of earnings 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 December 31, 1979 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.



Ottawa, Canada
January 25, 1980

Chartered Accountants

CONSOLIDATED BALANCE SHEET



as at December 31, 1979
R. L. Crain Limited

	1979	1978
Assets		
Current Assets		
Cash	\$ 28,000	\$ 24,000
Accounts receivable	9,799,000	8,559,000
Inventories (note 2)	9,839,000	7,558,000
Prepaid expenses	126,000	60,000
	<u>19,792,000</u>	<u>16,201,000</u>
Fixed Assets (note 3)		
Land, buildings, machinery and equipment	21,567,000	20,620,000
Less accumulated depreciation	<u>12,861,000</u>	<u>11,845,000</u>
	<u>8,706,000</u>	<u>8,775,000</u>
6 1/4% Mortgage Receivable		7,000
	<u>\$28,498,000</u>	<u>\$24,983,000</u>
Liabilities		
Current Liabilities		
Bank indebtedness	\$ 2,196,000	\$ 414,000
Accounts payable and accrued liabilities	2,899,000	2,365,000
Income and other taxes	<u>1,335,000</u>	<u>1,497,000</u>
	<u>6,430,000</u>	<u>4,276,000</u>
Deferred Income Taxes	<u>2,374,000</u>	<u>2,358,000</u>
Shareholders' Equity		
Capital Stock (note 4)	2,148,000	2,148,000
Retained Earnings	<u>17,546,000</u>	<u>16,201,000</u>
	<u>19,694,000</u>	<u>18,349,000</u>
	<u>\$28,498,000</u>	<u>\$24,983,000</u>

Signed on behalf of the Board

J. Hank

Director

R. L. Crain

Director

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS



Year ended December 31, 1979
R. L. Crain Limited

	1979	1978
Sales	\$56,169,000	\$48,607,000
Cost of sales, selling and administrative expenses	50,349,000	43,380,000
Depreciation	1,176,000	1,126,000
	<u>51,525,000</u>	<u>44,506,000</u>
Earnings before income taxes	4,644,000	4,101,000
Income taxes	1,970,000	1,704,000
Net earnings (Per share 1979, \$1.53; 1978, \$1.37)	2,674,000	2,397,000
Retained earnings at beginning of year	16,201,000	14,958,000
	<u>18,875,000</u>	<u>17,355,000</u>
Dividends	1,329,000	1,154,000
Retained earnings at end of year	\$17,546,000	\$16,201,000

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1979
R. L. Crain Limited

	1979	1978
Working capital derived from		
Operations		
Net earnings	\$ 2,674,000	\$ 2,397,000
Items not involving working capital		
Depreciation	1,176,000	1,126,000
Deferred income taxes	16,000	9,000
	<u>3,866,000</u>	<u>3,532,000</u>
Decrease in mortgage receivable	7,000	13,000
	<u>3,873,000</u>	<u>3,545,000</u>
Working capital applied to		
Additions to fixed assets	1,107,000	1,159,000
Dividends	1,329,000	1,154,000
	<u>2,436,000</u>	<u>2,313,000</u>
Increase in working capital	1,437,000	1,232,000
Working capital at beginning of year	11,925,000	10,693,000
Working capital at end of year	\$13,362,000	\$11,925,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 1979

R. L. Crain Limited

1. Summary of accounting policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, R. L. Crain Investments Ltd. The subsidiary company holds the land and buildings.

(b) Inventories

Raw materials are stated at the lower of first in, first out cost and replacement cost. Work in process and finished goods are stated at the lower of cost and net realizable value.

(c) Fixed assets

Fixed assets are stated at cost. Depreciation is provided on a straight-line basis at annual rates of 2½% for buildings and 10% for machinery and equipment.

2. Inventories

	1979	1978
Raw materials	\$4,469,000	\$3,321,000
Work in process	937,000	992,000
Finished goods	4,433,000	3,245,000
	<u>\$9,839,000</u>	<u>\$7,558,000</u>

3. Fixed Assets

	1979		1978	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 301,000		\$ 301,000	\$ 301,000
Buildings	4,373,000	\$ 2,004,000	2,369,000	2,447,000
Machinery and equipment	16,893,000	10,857,000	6,036,000	6,027,000
	<u>\$21,567,000</u>	<u>\$12,861,000</u>	<u>\$8,706,000</u>	<u>\$8,775,000</u>

4. Capital stock

	Authorized	Issued	
		1979	1978
Common shares without par value	2,400,000	1,277,760	1,277,760
Special common shares without par value	471,000	471,000	471,000
	<u>2,871,000</u>	<u>1,748,760</u>	<u>1,748,760</u>

The special common shares are equal in all respects to the common shares, with the exception that the special common shares carry 10 votes per share so long as they shall be held by the corporation to which the shares were issued originally. The special common shares may be converted at any time, either in whole or in part, into common shares on a one-for-one basis.

5. Pension plan

The unfunded past service liability of the employees' pension plan at December 31, 1979 is approximately \$2,065,000 (1978, \$1,136,000). This obligation is being funded and charged to earnings in equal annual instalments of \$250,000 to 1980; in equal annual instalments of \$242,000 to 1989 and thereafter in equal annual instalments of \$108,000 to 1993.

6. Other statutory information

	1979	1978
Directors and officers		
Number of directors	11	10
Aggregate remuneration as directors	\$ 91,000	\$ 74,000
Number of officers	7	8
Aggregate remuneration as officers	\$267,000	\$305,000
Number of officers who are also directors	3	3

TEN-YEAR REVIEW

(all dollars in thousands except per share statistics)

R. L. Crain Limited



Results for the year	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Sales	56,169	48,607	43,170	42,351	43,131	39,114	27,788	23,831	22,407	22,562
Pre-tax earnings	4,644	4,101	3,070	3,118	5,797	6,292	2,602	2,113	2,264	2,463
Percent of sales	8.3	8.4	7.1	7.4	13.4	16.1	9.4	8.9	10.1	10.9
Provision for income taxes	1,970	1,704	1,275	1,360	2,575	2,850	1,166	1,013	1,120	1,303
Net earnings	2,674	2,397	1,795	1,758	3,222	3,442	1,436	1,100	1,144	1,160
Percent of sales	4.8	4.9	4.2	4.2	7.5	8.8	5.2	4.6	5.1	5.1
Per common share	1.53	1.37	1.03	1.01	1.84	1.97	.82	.63	.65	.66
Dividends	1,329	1,154	1,049	1,132†	1,049	962	700	700	700	700
Per common share	.76	.66	.60	.648†	.60	.55	.40	.40	.40	.40
Capital expenditures	1,107	1,159	693	1,232	1,513	2,924	845	699	629	1,678
Cash flow	3,866	3,532	2,899	3,056	4,686	4,783	2,426	1,807	1,804	1,767
(net earnings, depreciation and deferred income taxes)										
Per common share	2.21	2.02	1.66	1.75	2.68	2.74	1.39	1.03	1.03	1.01
Year-end position										
Current assets	19,792	16,201	14,199	13,109	15,002	14,834	10,140	7,742	7,040	7,259
Current liabilities	6,430	4,276	3,506	3,306	4,563	6,065	4,435	3,018	2,724	3,380
Working capital	13,362	11,925	10,693	9,803	10,439	8,769	5,705	4,724	4,316	3,879
Fixed assets	21,567	20,620	19,497	18,840	17,626	16,544	13,686	12,969	12,355	11,787
Accumulated depreciation	12,861	11,845	10,755	9,648	8,585	8,027	7,296	6,664	6,032	5,433
Net fixed assets	8,706	8,775	8,742	9,192	9,041	8,517	6,390	6,305	6,323	6,354
Total assets	28,498	24,983	22,961	22,334	24,088	23,482	16,668	14,285	13,601	13,848
Shareholders' equity	19,694	18,349	17,106	16,360	15,734	13,561	11,081	10,345	9,945	9,501
Percent of return	13.6	13.1	10.5	10.7	20.5	25.4	13.0	10.6	11.5	12.2
Per common share	11.26	10.49	9.78	9.36	9.00	7.75	6.34	5.92	5.69	5.43
Number of shareholders	2,011	2,113	2,201	2,257	2,312	2,374	2,405	2,324	2,092	2,070
Number of employees	1,084	1,040	1,022	1,090	1,116	1,101	1,000	961	980	1,047

†includes year-end extra dividend of \$83; per share \$.048



R.L. CRAIN LIMITED

Business Forms and Systems Service

R. L. Crain Limited is an 85-year-old Canadian-owned public company engaged in the business forms industry. Its stock is listed on the Toronto Stock Exchange and the Montreal Stock Exchange.

Incorporated under Federal law, the Company's Head Office is located at Ottawa, Ontario. In total, the Company operates five manufacturing plants, forty-six sales offices, and nine distribution warehouses across Canada.

The Company manufactures and markets a wide range of business forms from simple handwritten sales slips to complex custom designed forms for processing through various types of business machines and high speed computers. In addition, the Company markets forms handling equipment and accessories. All products are covered by printed warranties and backed up by a nation-wide technical service staff.

The Company derives marketing strength from its expertise in analysing and finding solutions to paperwork problems. This service is available from all Crain Sales Representatives and from specially trained Systems Analysts.

Crain customers vary greatly in size from the small retail business to the largest industrial and institutional account. Customers are located in all areas from coast to coast in Canada.

Manufacturing plants (5)

Ottawa and Toronto, Ontario
Hull, Quebec
Moncton, New Brunswick
Medicine Hat, Alberta

Finished goods warehouses (9)

Moncton, New Brunswick
Ottawa and Toronto, Ontario
Hull, Quebec
Winnipeg, Manitoba
Regina, Saskatchewan
Calgary and Edmonton, Alberta
Vancouver, British Columbia

Sales offices (46)

Newfoundland

St. John's

Nova Scotia

Halifax
Truro
*Sydney
*Kentville

New Brunswick

Moncton
Saint John
Fredericton
Campbellton

Quebec

Quebec
Chicoutimi
Sherbrooke
Trois-Rivières
Montreal
Hull
Rouyn/Noranda

Ontario

Ottawa
Kingston
*Brockville
North Bay
Sudbury
Sault Ste. Marie
Oshawa

Peterborough
Toronto
Barrie
West Toronto
Hamilton
Brantford
St. Catharines
Stratford
Kitchener
London
Windsor
Chatham
Thunder Bay
Owen Sound

Manitoba

Winnipeg

Saskatchewan

Regina
Saskatoon

Alberta

Edmonton
Red Deer
Calgary
Medicine Hat

British Columbia

Vancouver
Victoria

*opened in 1979

