COOPER CANADA LIMITED ANNUAL REPORT 1981

FINANCIAL HIGHLIGHTS

	1981	1980 (Restated)
Net Sales	**$ 62,827,000**	$ 62,109,000
Earnings before extraordinary items	**$ 818,000**	$ 1,977,000
Extraordinary items	**$ (1,543,000)**	$ 76,000
Earnings (loss) for the year	**$ (725,000)**	$ 2,053,000

Earnings (loss) per share:		
Before extraordinary items	**0.55**	1.33
Earnings (loss) for the year	**(0.49)**	1.38
Shareholders' equity	**15,202,000**	15,916,000
Working capital	**19,176,000**	13,594,000
Shares outstanding	**1,486,270**	1,483,270

Transfer Agent
Crown Trust Company
First Canadian Place, Toronto, Canada

Registrar
Canadian Imperial Bank of Commerce
Commerce Court, Toronto, Canada

Legal Counsel
Davies, Ward & Beck
P.O. Box 147
Commerce Court West
Toronto, Canada

Auditors
Clarkson Gordon
201 City Centre Dr.
Mississauga, Canada

Head Office
Cooper Canada Limited
501 Alliance Avenue
Toronto, Canada M6N 2J3

Plants at Toronto and Cambridge, Canada

Distribution Centres at Mississauga, Canada and Lewiston, N.Y., U.S.A.

Cooper International Inc.
Lewiston, New York

Associate Company
J. C. Foam Inc.
Toronto, Canada

Annual Meeting, June 2, 1982, 1:30 p.m.
Head Office, 501 Alliance Avenue, Toronto

To our Shareholders

From left to right: Henry H. Nolting, President; John H. Cooper, Vice Chairman; Jack Cooper, Chairman of the Board.

Barbados subsidiaries

You will see that the figures shown elsewhere in this report reflect the company's decision to discontinue the manufacturing operations carried on in its wholly-owned Barbados subsidiaries. The consolidated statement of operations and retained earnings is therefore divided into two sections, one showing details and results of the operations to be continued; the other showing the figures of the soon-to-be-discontinued Barbados operations. The extraordinary expenses include estimated costs of employee termination and relocation allowances, decommissioning of the facilities, plus provisions to cover losses on disposing of the assets.

There have been signficant changes recently in the conditions under which the Barbados facilities have been operating. In the Fall of 1980, we urged the Barbados Workers Union to temper their wage demands, because the 40% increase we were being asked to pay, would make our products uncompetitive in world hockey equipment markets. We made these facts known to the Barbados Government, which was unable to help, as they were faced with similar demands. After settling for 37½%, it became more and more apparent that our only recourse was to follow our competitors to the Orient in order to remain competitive; and, the 30 to 40% wage increases being demanded for 1982, further demonstrate the necessity of taking the decision to discontinue operations. For 1982, we are bringing all of our lower and medium priced gloves from the Orient; continuing to make the top models in Canada as before. The hockey pants and elbow pads, formerly made in Barbados, are now being made in our Canadian plant. Because of our attachment to Barbados, we have tried very hard to build up sales for appropriate products in the West Indies. This has been, on a small scale, relatively successful, but not enough to hold out much hope for its future. We assure our shareholders, the Barbados Government, and its people, that every obligation and duty to the Community will be willingly and graciously carried out.

1981 Operations

1981 was a difficult year in may ways. Record high interest rates increased our borrowing costs $1,040,000 over 1980. These rates also affected Fall and Christmas business, as retailers strove to keep their inventories down. In October through December we had substantial layoffs for the first time in many years, but we still carried over more inventory than we wanted to.

Though the retail business was certainly soft in late 1981, our Cooperall hockey outfits were in great demand. and the continuing demand in 1982, from all the world's hockey-playing countries, gives us much encouragement. In other sections of this report, you will read in more detail of the 1981 picture with our leathergoods and leather divisions.

There's a separate item on another page about our acquisition of a 50% interest in J. C. Foam Inc. John Cooper is the President of this Company, and we're looking forward to the practicality of having our own supply instead of bringing our foams from overseas; as well, we plan to pursue the outside market for foams and foam products, just as we have for the leathers we produce.

Great progress is being made in our management information systems installation. Already, many improvements are being achieved in the control of inventories and production.

We're beginning to negotiate a new two-year contract for our Toronto and district employees. We believe that good sense will prevail, and an all-round equitable contract will be worked out.

Again, we extend sincere thanks to our employees, customers, suppliers and bankers; and to the people in more than 35 countries who buy and use our products.

Outlook for 1982

Because of the necessity of resolving our Barbados dilemma, this report is a bit later than last year. For that reason — and to save postage — our first quarter 1982 report is enclosed. In it, you will see that our net sales are up 14.8% over the 1981 quarter; and the pre tax loss is down by 37.6%. All areas of the business share this improvement, except our U.S. subsidiary.

Improved margins on our present Canadian-made lines, on our repatriated sporting goods lines, and on the goods we now buy in the Orient, should improve our earnings' picture considerably in 1982. Our better leathergoods margins and increased volume indicate an important improvement in this division. Leather sales will likely be somewhat disappointing, largely because of the mistake of our Government in removing the quotas on imported leather footwear.

We hope and pray that citizens, government and business will soon begin to *work* together to bring back the kind of a united, hardworking, proud Canada that we once had.

Jack Cooper
Chairman of the Board

John Cooper
Vice Chairman

Henry H. Nolting
President

CONSOLIDATED BALANCE SHEET

December 31, 1981 (with comparative figures at December 31, 1980, as restated — note 1(a))

ASSETS	**1981**	1980 (restated)
Current:		
Short-term notes, at cost		$ 1,789,000
Accounts receivable	**$ 9,726,000**	10,594,000
Inventories (note 1(b))	**23,724,000**	20,749,000
Prepaid expenses	**580,000**	691,000
Total current assets	**34,030,000**	33,823,000
Investment in non-consolidated subsidiaries (note 2)	**1,122,000**	2,133,000
Deferred income tax charges (note 6)	**373,000**	581,000
Fixed, at cost:		
Buildings	**6,179,000**	6,145,000
Machinery and equipment	**4,191,000**	4,023,000
	10,370,000	10,168,000
Less accumulated depreciation	**5,351,000**	4,798,000
	5,019,000	5,370,000
Dies, moulds and leasehold improvements, less amortization	**235,000**	196,000
Land	**91,000**	91,000
	5,345,000	5,657,000
	$40,870,000	$42,194,000

AUDITORS' REPORT

To the Shareholders of
Cooper Canada Limited:

We have examined the consolidated balance sheet of Cooper Canada Limited as at December 31, 1981 and the consolidated statements of operations 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, 1981 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, after giving retroactive effect to the change in basis of accounting for Barbados subsidiaries as described in note 1(a) to the financial statements, on a basis consistent with that of the preceding year.

Mississauga, Canada,
April 21, 1982.

Clarkson Gordon
Chartered Accountants

LIABILITIES	1981	1980 (restated)
Current:		
Bank indebtedness (note 3(a))	**$10,373,000**	$15,788,000
Accounts payable	**3,463,000**	3,603,000
Sales and other taxes payable	**1,002,000**	605,000
Current portion of long-term debt	**16,000**	233,000
Total current liabilities	**14,854,000**	20,229,000
Long-term debt (note 3)	**10,814,000**	6,049,000
Total liabilities	**25,668,000**	26,278,000
Shareholders' equity:		
Capital stock (note 4) —		
Authorized:		
5,000,000 common shares without par value		
Issued:		
1,486,270 common shares (1,483,270 shares in 1980)	**3,403,000**	3,392,000
Retained earnings	**11,799,000**	12,524,000
Total shareholders' equity	**15,202,000**	15,916,000
Contingent liability (note 7)		
	$40,870,000	$42,194,000

(See accompanying notes)

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1981 (with comparative figures for 1980, as restated — note 1(a))

	1981	1980 (restated)
Continuing operations:		
Gross sales	**$66,988,000**	$65,457,000
Less discounts, sales taxes and freight	**4,161,000**	3,348,000
Net sales	**62,827,000**	62,109,000
Cost of sales	**44,313,000**	45,247,000
Gross profit	**18,514,000**	16,862,000
Expenses:		
Shipping and warehousing	**3,227,000**	3,069,000
Sales and marketing	**6,348,000**	5,944,000
Administrative and general	**3,885,000**	3,831,000
Interest		
on long-term debt	**1,905,000**	934,000
on current bank borrowings	**2,933,000**	2,864,000
Foreign exchange (gain) loss	**105,000**	(334,000)
	18,403,000	16,308,000
Earnings from continuing operations before income taxes	**111,000**	554,000
Income taxes	**222,000**	39,000
Earnings (loss) from continuing operations	**(111,000)**	515,000
Operations to be discontinued (note 2):		
Net earnings of non-consolidated subsidiaries	**929,000**	1,462,000
Earnings before extraordinary items	**818,000**	1,977,000
Extraordinary items:		
Provision for loss on discontinuance of Barbados operations (note 2)	**(1,543,000)**	
Reduction of current income taxes on application of prior years' losses		76,000
Earnings (loss) for the year	**(725,000)**	2,053,000
Retained earnings, beginning of year	**12,524,000**	10,471,000
Retained earnings, end of year	**$11,799,000**	$12,524,000
Earnings (loss) per share:		
Before extraordinary items —		
Continuing operations	**$(0.07)**	$0.35
Operations to be discontinued	**0.62**	0.98
	$ 0.55	$1.33
For the year	**$(0.49)**	$1.38

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1981 (with comparative figures for 1980, as restated — note 1(a))

	1981	1980 (restated)
Funds provided from:		
Operations —		
Earnings before extraordinary item	**$ 818,000**	$ 1,977,000
Charges (credits) to operations not resulting in a current outlay (receipt) of funds:		
Depreciation and amortization	**724,000**	646,000
Deferred income tax charges	**208,000**	(48,000)
Gain on disposal of fixed assets	**(9,000)**	(33,000)
Share of net earnings of non-consolidated subsidiaries	**(929,000)**	(1,462,000)
Funds provided from operations	**812,000**	1,080,000
Increase in long-term debt	**4,765,000**	
Proceeds on disposal of fixed assets	**13,000**	35,000
Issue of common shares	**11,000**	
Reduction of income taxes		76,000
Funds provided from continuing operations	**5,601,000**	1,191,000
Dividends from non-consolidated subsidiaries, net of advances	**397,000**	(61,000)
Total funds provided	**5,998,000**	1,130,000
Funds applied to:		
Reduction in long-term debt		1,353,000
Purchase of fixed assets	**416,000**	422,000
Total funds applied	**416,000**	1,775,000
Increase (decrease) in working capital	**5,582,000**	(645,000)
Working capital, beginning of year	**13,594,000**	14,239,000
Working capital, end of year	**$19,176,000**	$13,594,000
Represented by:		
Current assets	**$34,030,000**	$33,823,000
Less current liabilities	**14,854,000**	20,229,000
	$19,176,000	$13,594,000

(See accompanying notes)

1. Accounting policies

The consolidated financial statements, in management's opinion, have been prepared within reasonable limits of materiality and in accordance with generally accepted accounting principles which, after giving retroactive effect to the change in basis of accounting for Barbados subsidiaries as described below, have been consistently applied within the framework of the undernoted accounting policies:

(a) Principles of consolidation —

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries Cooper International, Inc. and Winnwell Inc.

As more fully described in note 2, operations of the company's wholly-owned Barbados subsidiaries are in the process of being discontinued and accordingly, the accounts of these subsidiaries which were previously consolidated have been excluded from consolidation with the investment therein recorded on the equity basis of accounting. This change in basis of accounting has been applied retroactively in these consolidated financial statements with the result that the 1980 comparative figures have been restated from amounts previously reported to conform with the presentation adopted in 1981.

Transactions of the subsidiaries are effected largely in foreign currencies. Current assets and current liabilities of the subsidiaries are translated into Canadian currency at the rates of exchange prevailing at year-end. Fixed assets and long-term debt are translated at rates of exchange applicable at dates acquired or incurred and income and expenses, other than depreciation, at average rates prevailing during the year.

(b) Inventories —

Inventories are valued at the lower of cost (determined on a first-in, first-out basis) and estimated net realizable value and consist of the following:

	1981	1980
Raw materials	**$ 6,177,000**	$ 7,151,000
Work in process	**1,593,000**	1,637,000
Finished goods	**15,954,000**	11,961,000
	$23,724,000	$20,749,000

(c) Depreciation and amortization —

Rates and bases of depreciation and amortization applied to write-off the costs of fixed assets over their estimated useful lives are as follows:

	Annual rate	**Basis**
Buildings	5%	Diminishing balance
Machinery and equipment	20%	Diminishing balance
Dies and moulds	33⅓%	Straight-line
Leasehold improvements	Over life of lease	Straight-line

(d) Income taxes —

The companies follow the tax allocation method of accounting for income taxes.

2. Discontinuance of Barbados operations

The company has decided to discontinue the manufacturing operations carried on in its wholly-owned Barbados subsidiaries. Operating results of these subsidiaries for 1981 and 1980 have been segregated from the results of continuing operations in the consolidated statement of operations and retained earnings. Further, provision has been made as an extraordinary item in arriving at the loss for 1981 for the estimated operating losses and costs to be incurred in 1982 on the discontinuance of operations and disposal of assets of these subsidiaries.

The combined financial position and operating results of the Barbados subsidiaries as at, and for the years ended, December 31, 1981 and 1980 are summarized below:

	1981	1980
Financial position:		
Current assets, at cost	$ 2,337,000	$1,817,000
Fixed assets, at cost less accumulated depreciation	507,000	563,000
	2,844,000	2,380,000
Less liabilities	179,000	247,000
	2,665,000	2,133,000
Less provision for estimated operating losses and costs to be incurred	1,543,000	
Estimated net realizable value of net assets and carrying value of investment at December 31	$ 1,122,000	$2,133,000
Operating results:		
Sales —		
To Cooper Canada and affiliated companies	$ 4,795,000	$6,158,000
To others	884,000	74,000
	5,679,000	6,232,000
Cost of sales	4,376,000	4,616,000
	1,303,000	1,616,000
Other expenses	374,000	154,000
Earnings from operations to be discontinued	$ 929,000	$1,462,000

3. Long-term debt

Long-term debt is comprised of the following:

	1981	1980
Bank loans	$ 9,000,000	$4,000,000
10% sinking fund debentures, Series A, due 1990	1,582,000	1,892,000
6.5% mortgage, repayable in monthly instalments of principal and interest of U.S. $2,237, due 1992	248,000	265,000
Unsecured notes payable to shareholders		125,000
	10,830,000	6,282,000
Less amounts due within one year included with current liabilities	16,000	233,000
	$10,814,000	$6,049,000

(a) Bank loans —
Pursuant to a credit agreement with the company's bankers expiring in August 1982, the bank loans bear interest at ¾% above the bank prime lending rate. In that the bank has indicated its intention to renew the credit agreement on the same terms and conditions, the loans have been included with long-term debt.
As security for the bank loans and current bank indebtedness of $10,373,000, the company has assigned its accounts receivable and has issued a $35,000,000 collateral debenture constituting a first mortgage charge on substantially all of the company's real property, inventory and equipment and a floating charge, ranking equally with the floating charge securing the Series A debenture referred to below, on the business, properties and assets of the company.

(b) 10% sinking fund debentures, Series A —
The debentures are secured by a specific mortgage on the company's holdings of shares and other securities of subsidiaries and by a floating charge on the business and on all other properties and assets of the company.
Under the provisions of the trust deed relating to the debentures, the company is required, among other things, to retire $100,000 principal amount of debentures annually to 1989. At December 31, 1981 the company had purchased and cancelled $218,000 of debentures in partial satisfaction of future years' requirements.

4. Share capital

Under the company's incentive stock option plan 10,530 authorized but unissued common shares are reserved for issue to officers and employees. Options granted under the plan are exercisable for a period of seven years from date of granting at a price of not less than 90% of the market price of the shares at that date. Under the plan:

(a) 3,000 shares were issued for $10,605 cash on the exercise of options in 1981; and
(b) options, expiring in July, 1988, to purchase 7,000 shares at $5.63 per share were granted in 1981 and remained outstanding at the end of the year.

In addition to the options granted in 1981, options issued in prior years to purchase up to 1,460 shares at prices varying from $2.88 to $4.19 per share were outstanding at December 31, 1981. These options expire in part in 1983 and the remainder in 1984.

The exercise of the above options would not materially dilute the earnings (loss) per share figures in 1980 or 1981.

5. Pension costs

Pension costs totalled $103,800 in 1981 ($99,400 in 1980) including payments of $38,300 in each year for past service costs resulting from a voluntary upgrading of pension benefits. On the basis of a valuation by the company's actuary in 1980, the discounted value of the remaining unfunded past service liability at December 31, 1981 is estimated at $272,500 which the company intends to fund and charge to earnings at a rate of $38,300 annually over the next nine years.

6. Income tax loss

Losses of $1,300,000 incurred by a subsidiary prior to acquisition and expiring in 1983, together with depreciation and other expenses of $1,400,000 recorded in the accounts but not claimed for tax purposes, are available to reduce future years' taxable income. The related potential tax benefits approximate $1,100,000 of which $373,000 has been recorded in the financial statements. The balance of the potential tax benefits will be recognized on realization of future earnings or will be applied in reduction of any liability which may ultimately arise should the company be unsuccessful in its appeal against the assessments described in note 7 below.

7. Contingent liability — income tax assessments

The Taxation Division of the Department of National Revenue and the Ministry of Revenue for Ontario have assessed additional income taxes, aggregating $480,000 including interest thereon, with respect to prices paid by Cooper Canada Limited in the years 1974 to 1976 inclusive for products manufactured by its subsidiary, Cooper Barbados Limited. The prices paid in such years as well as in subsequent years were prescribed in 1974 and confirmed in 1980 by the Customs and Excise Division of the same Department of National Revenue. The Taxation Division contends, however, that the prescribed prices for customs duty purposes are not binding for income tax purposes and has assessed the additional income tax on the basis of lower imputed prices. The company contends that the prices that were charged were prescribed by the Customs and Excise Division and were reasonable, and that the assessment by the Taxation Division using lower prices results in double taxation and is therefore inequitable.

In the opinion of tax counsel, the company has a strong basis for appeal against the assessments; accordingly, appeal proceedings have been commenced and it is expected that the appeal will be heard in 1982. Based on the opinion of tax counsel (i) no provision has been made in these financial statements for any portion of the aforementioned additional tax or for any related tax which may be exigible for years subsequent to 1976, which tax could substantially exceed the amount assessed for the 1974-1976 years, should the company's appeal be unsuccessful; and (ii) payments of the additional tax and interest assessed are included with accounts receivable in the consolidated balance sheet pending the outcome of the company's appeal.

8. Commitments

(a) The companies have entered into lease agreements for warehouse premises requiring aggregate rental payments of approximately $450,000 annually to 1992.

(b) At December 31, 1981:
- (i) letters of credit amounting to $1,978,000 were outstanding;
- (ii) the company had outstanding commitments to purchase approximately $852,000 of computer and other equipment; and
- (iii) pursuant to an agreement dated December 21, 1981, the company agreed to invest $262,500 for a 50% interest in an operation which produces cross-linked polyethelene foam, a major component in the manufacture of protective athletic equipment.

9. Segmented information

The company operates in two industry segments:

(a) The Sporting Goods segment consisting of the manufacture and sale of sporting and recreational equipment; and

(b) Leather operations consisting of the manufacture and sale of personal and business leather goods; and the sale of leather which is finished in the company's facilities.

These operations are carried on in three geographic areas, namely Canada, the United States and Barbados.

In compiling the information with respect to these industry and geographical segments:

(a) Transfers between industry segments are accounted for at the incurred cost of the selling division.

(b) Transfers between geographic segments are accounted for at prices comparable to those charged to non-related parties.

(c) Segment information for operations carried on in the Barbados subsidiaries has been excluded and details relating to these subsidiaries, which operated in the sporting goods segment, are set out in note 2.

Industry segments (thousands of dollars)	**Sporting Goods**		**Leather Goods and Leather finishing**		**Consolidated**	
	1981	1980	**1981**	1980	**1981**	1980
Net sales to outside customers	**$46,913**	$45,873	**$15,914**	$16,236	**$62,827**	$62,109
Intersegment sales			**162**	374		
Revenue	**$46,913**	$45,873	**$16,076**	$16,610	**$62,827**	$62,109
Operating profit (i)	**$ 7,434** 16%	$ 6,211	10% **$ 1,678**	$ 1,687	**$ 8,939**	$ 7,849
Deduct:	3,900		1,000			
General corporate expenses	3,200		1,800		**3,990**	3,497
Interest expense	700		(800)		**4,838**	3,798
Income taxes					**222**	39
					9,050	7,334
Earnings (loss) from continuing operations					**(111)**	515
Net earnings of non-consolidated subsidiaries (discontinued operations)					**929**	1,462
Earnings before extraordinary items					**818**	1,977
Extraordinary items					**(1,543)**	76
Earnings for the year					**$ (725)**	$ 2,053
Identifiable assets (i)	**$28,703**	$26,873	**$ 8,001**	$ 9,862	**$36,321**	$36,525
Corporate assets					**4,549**	5,669
Total assets					**$40,870**	$42,194
Capital expenditures	**$ 254**	$ 325	**$ 110**	$ 70		
Depreciation and amortization	**$ 457**	$ 406	**$ 171**	$ 155		

Geographic segments (thousands of dollars)	**Canada**		**United States**		**Consolidated**	
	1981	1980	**1981**	1980	**1981**	1980
Net sales to outside customers (ii)	**$51,506**	$51,590	**$11,321**	$10,519	**$62,827**	$62,109
Intersegment sales	**5,616**	5,604				
Revenue	**$57,122**	$57,194	**$11,321**	$10,519	**$62,827**	$62,109
Operating profit (i)	**$ 7,823**	$ 7,275	**$ 1,289**	$ 623	**$ 8,939**	$ 7,849
Deduct:						
General corporate expenses					**3,990**	3,497
Interest expense					**4,838**	3,798
Income taxes					**222**	39
					9,050	7,334
Earnings (loss) from continuing operations					**(111)**	515
Net earnings of non-consolidated subsidiaries (discontinued operations)					**929**	1,462
Earnings before extraordinary items					**818**	1,977
Extraordinary items					**(1,543)**	76
Earnings (loss) for the year					**$ (725)**	$ 2,053
Identifiable assets (i)	**$30,403**	$29,319	**$ 6,301**	$ 7,416	**$36,321**	$36,525
Corporate assets					**4,549**	5,669
Total assets					**$40,870**	$42,194

(i) Consolidated operating profit and identifiable assets are shown net of intercompany eliminations of $173 ($49 in 1980) and $383 ($210 in 1980) respectively.
(ii) Canadian sales include $6,190 ($7,227 in 1980) of export sales.

SPORTING GOODS DIVISION

The Sporting Goods Division had record sales in 1981, although not as high as originally planned due to the economic slowdown and the action by dealers to reduce their inventories. Orders placed in the last quarter were fewer than expected, and were only for products needed for immediate sale. Many large customers cut off repeat ordering as early as September.

Cooperall sales were very strong, and orders for early delivery in 1982 have exceeded our original forecasts. Many important teams are already wearing Cooperalls, and many more have indicated they will purchase them for next season. A new Cooperall referee's girdle and long pant has been added, as well as a lady's Cooperall girdle for Ringette.

Our improved hockey stick line was enthusiastically received, and dealers sold our sticks well.

Some professional goalies are using our sticks, along with our professional goal equipment, and they tell us our sticks are of top professional quality.

Cooper hockey sweaters and apparel continue to grow in popularity, and our casual sportswear line is being broadened to include the latest in styles and materials. We look for increased growth in apparel for hockey, and for spring and summer casual sportswear. The addition of this important apparel division has made our total program more attractive to our customers, and allows us to be a complete supplier.

In 1981 our hockey equipment was used by all teams in the Air Canada Midget Championships. Team USA used Cooper equipment in the Canada Cup and the 1981 World Championships, and in the 1982 World Championships in Finland. We are a sponsor of the Canadian Oldtimers Hockey Program, and our Cooperall uniform is featured at their major tournaments. Oldtimer hockey is showing increased registration each year, and the players want professional quality equipment for maximum protection and appearance.

Sales of our hockey products continue to increase in overseas markets in spite of higher currency exchange rates for our customers. Many first division

teams in European countries wear Cooperall.

Golf bag sales were the highest ever, and orders for delivery in 1982 indicate another record year. Baseball goods, inflated balls and non-hockey products continue to do well. We have introduced boat and canoe paddles, manufactured in our Cambridge plant, and the early response has been very encouraging. Our 1982 paddle production run is almost sold out.

The Cooper Sport Camp was fully booked early in 1981 and registrations for 1982, our tenth year, indicate the camp will again operate at capacity.

We were on National television with a new Cooperall commercial, during the 1981 N.H.L. playoffs and in selected programs prior to the Fall start-up of hockey activity.

For 1982 we are again advertising Cooperall on television during the N.H.L. playoffs; and a new "singing ball glove" commercial is shown for the first time. Response from our customers to our advertising activities has been very positive.

Inventories at the dealer level are quite low, so early orders for 1982 shipment suggest improved sales. Deliveries throughout the year were prompt and

complete, and our customers were pleased with our help, which allowed them to do maximum possible business in a lacklustre year. High priority will continue to be given to inventory management, so we can serve our customers well, while keeping our inventories and production in line.

Leathergoods and Luggage Division

The Leathergoods Division recorded the largest sales year to date, reflecting a marginal 2% growth over 1980. With the major revamp of the men's and ladies' lines and the general economic slowdown, our record sales for the second half, which represented a 9% growth over the similar 1980 period, did not recover all of our first half shortfall.

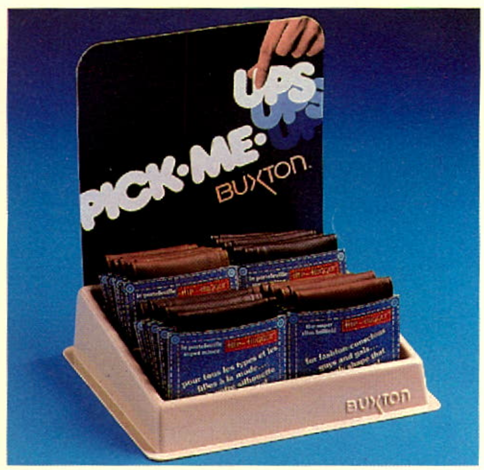
Last year's trend of improved margins continued, with all categories recording improvements. While Personal Leathergoods sales remained relatively stable during 1981, we had substantial growth in our Business and Travel categories, which are sold under the Cooper brand name. This range of products doubled in size in 1981, and our present marketing plans call for a 30% growth target per annum for the next several years.

1981 saw a significant reduction in non-current merchandise, which has allowed us to enter 1982 with an improved mix of current merchandise and therefore, a higher service level. Retailers began buying cautiously in the Fall of 1981, and it looked as if this trend would continue; but, we are pleased to say, that the Christmas sell-through was such, that sales for the first quarter of 1982 are 32% better than in the first quarter of 1981.

In the Spring, we shall be introducing a new merchandising concept, called Buxton Pick-Me-Ups. This is a versatile way for retailers to sell products from a compact countertop display, as well as from their traditional leathergoods fixtures.

Metrication has arrived in Canada. Our new Buxton Cal-Q-Metric Clutches, by quickly converting familiar terms of weight, measures and values into metric, will simplify the lives of the lucky ladies who receive them.

Our 1982 lines have been favourably received, and orders for future delivery are well ahead of last year. This provides an excellent foundation for the remainder of the year.



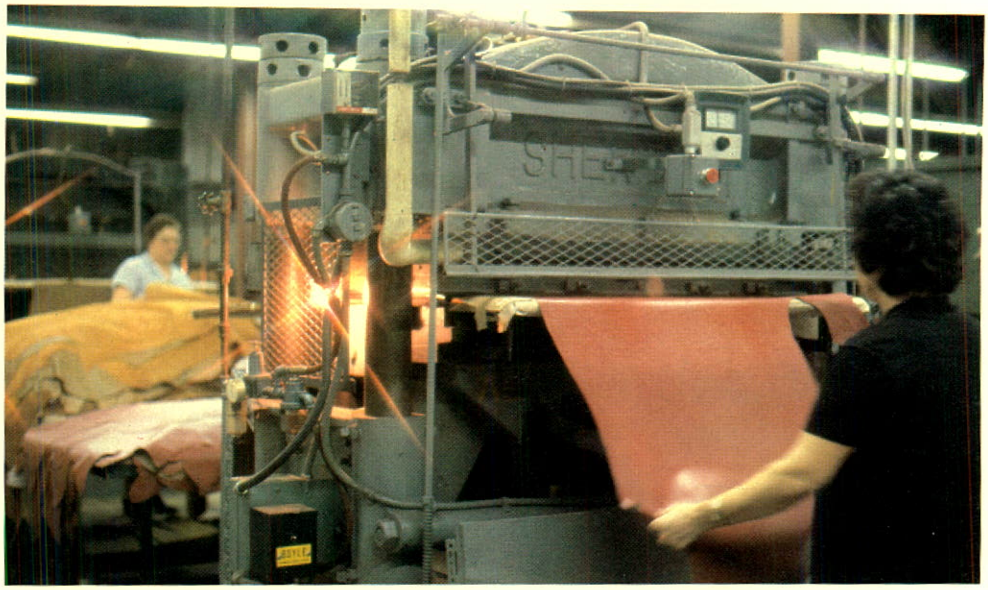
World wide markets continue to be relatively stable with leather prices off somewhat as a result of slackening demand.

The Leather Division sales declined 7.3% overall in 1980, primarily the result of lower unit values, since actual sales in units increased by 6.7%

As sporting goods manufacturing moves extensively to the Orient, our sales of leather in that area increased markedly, and we are pleased with the way orders continue to come in from the Far East.

New Polymer technology has been incorporated into our finishing processes, and we have installed a computerized spray control device, which is accomplishing significant savings.

Divisional inventories were reduced by 55% during the year.

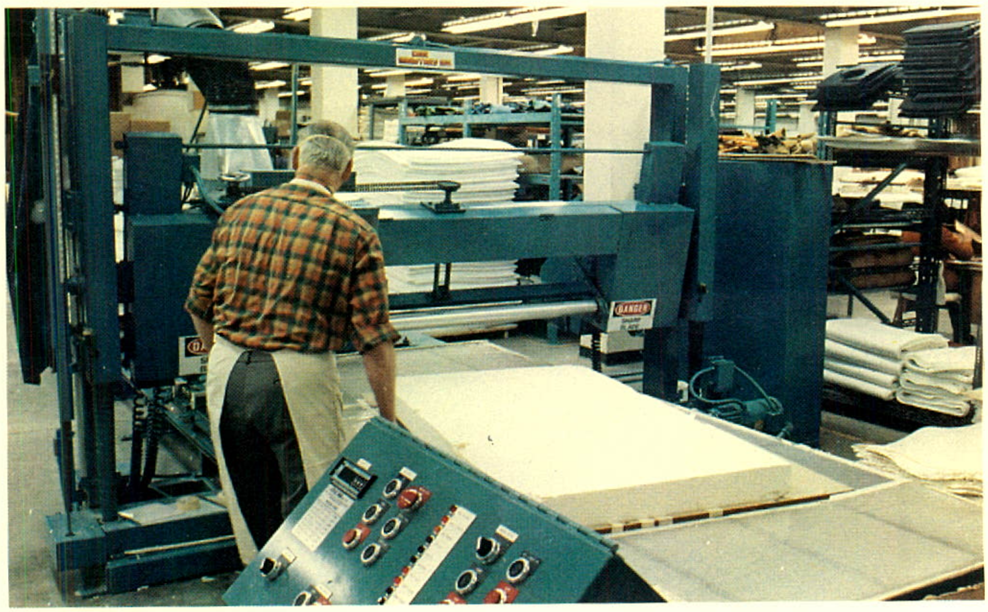


J.C. FOAM INC.

On January 18, 1982, Jacobs & Thompson Inc. and Cooper Canada Limited jointly purchased the assets and foam processing technology of J. B. Foam in Gananoque, Ontario. The production unit was moved to our Alliance Avenue plant on May 10 after running 24 hours a day since the acquisition. The Company is incorporated as J. C. Foam Inc.

The operation is the only producer of cross-linked polyethylene, and EVA foams in Canada. The process is much less capital-intensive and labour-intensive than other methods used to produce these foams in Britain, the U.S. and Japan.

The foam market has substantial long-term growth opportunities in consumer, commercial and industrial applications. Jacobs & Thompson have an experienced sales force selling foam to all three markets; they also use foam in their own manufacturing processes. Cooper can use 60% of the present capacity of J. C. Foam. It is planned to double J. C.'s capacity within the next few months.



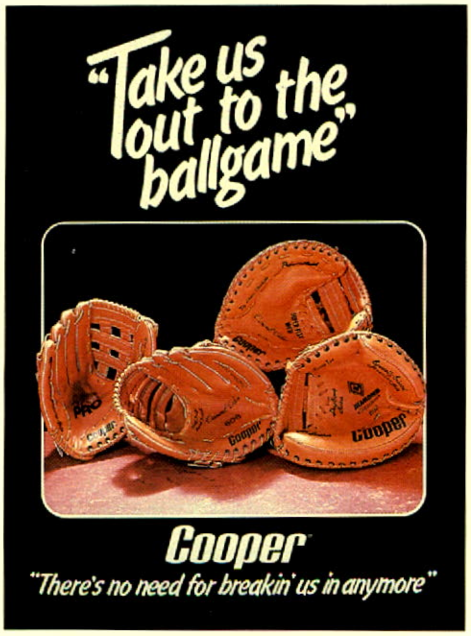
Because of Cooper's expertise in cutting, laminating and thermoforming foams, we shall be able to generate additional volume for these departments by building a custom foam-processing business.

The joint operation with Jacobs & Thompson will make a major contribution to Cooper results in the years ahead.

Our Design Department made the front page last summer when we met an unusual challenge. Tabitha, a nine-month-old gorilla from the Metro Toronto Zoo, had undergone brain surgery and the Hospital for Sick Children asked us to develop a special helmet to protect her head until the surgery healed. Tabitha is held by Zoo worker Charlotte Coghill. Photo courtesy of the Toronto Sun.

Joe Szanto proves it's never too early to start a skating career. The 19-month-old is taking his first skating lessson from father Joe Sr. at Toronto's City Hall rink . . . complete with bottle and Cooper SK600 helmet, just in case.
Photo courtesy of the Toronto Star.

Besides our Cooperall hockey commercials, we're running a new spot on national TV to boost ballglove sales. The 30-second commercial features performing ballgloves who "sing" a special version of "Take Me Out to the Ballgame." Response has been very positive.



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Cooper Canada Limited
501 Alliance Avenue, Toronto, Canada M6N 2J3

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