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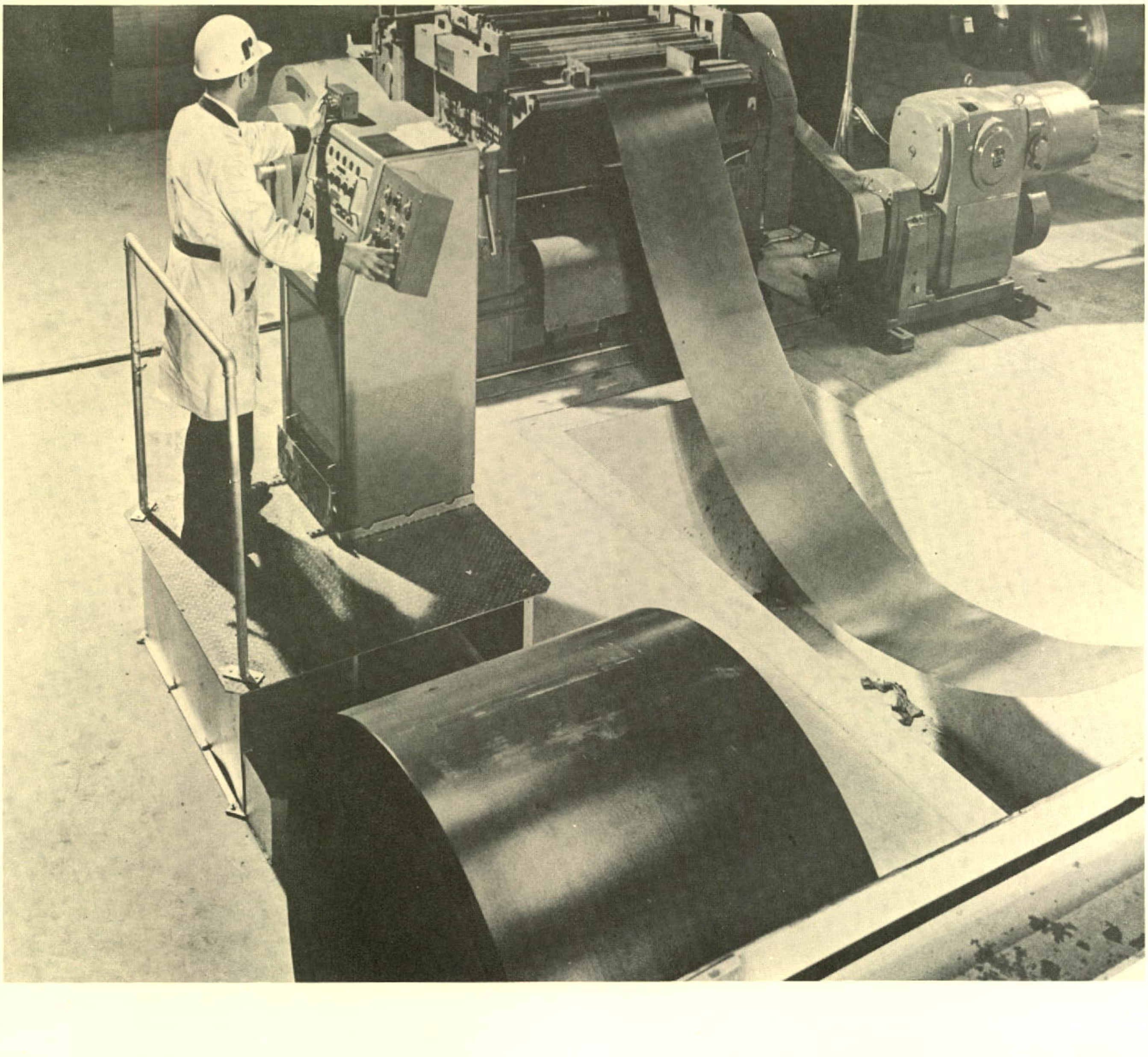
Annual Report

Vulcan Containers (Canada) Limited

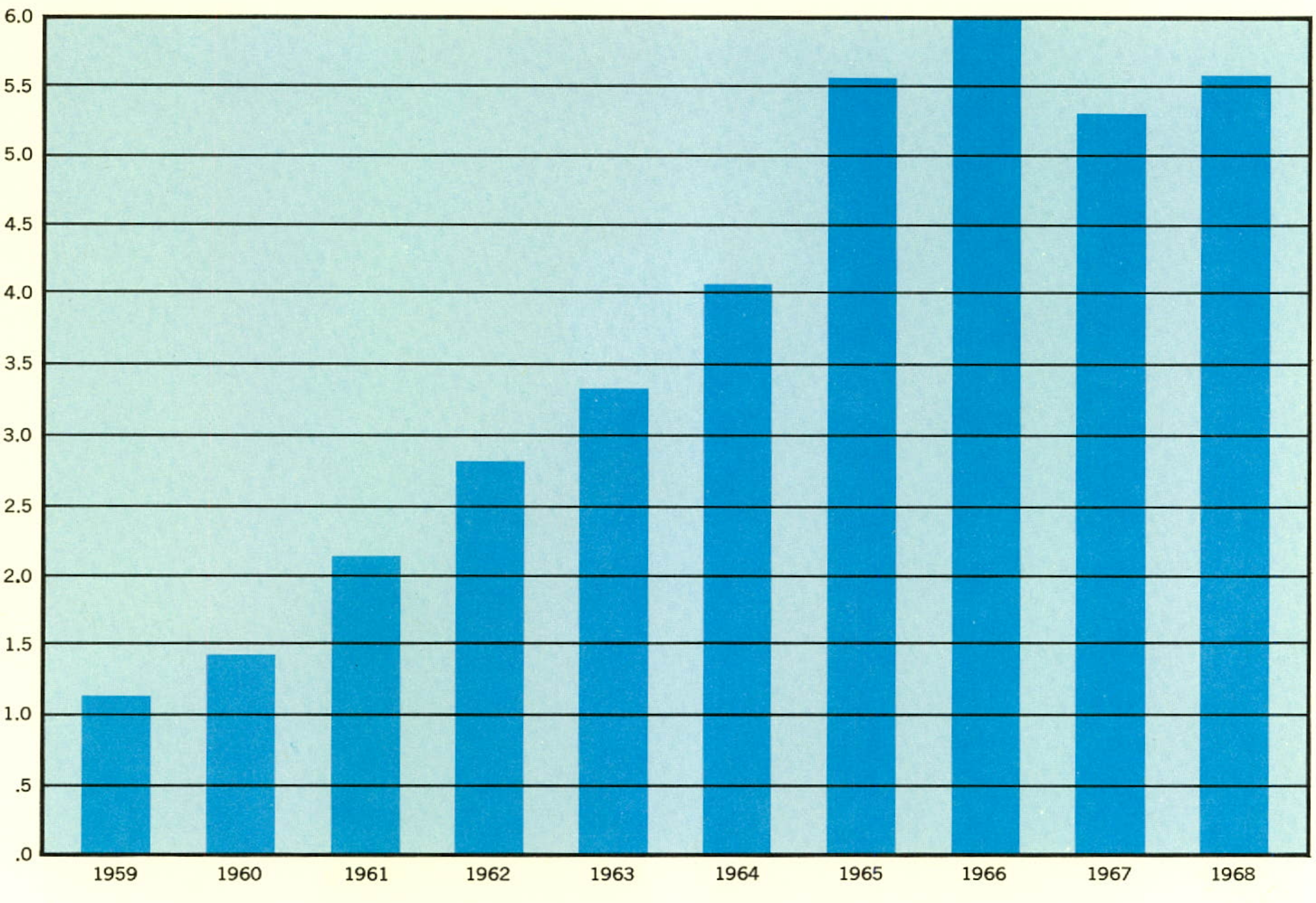
Vulcan is one of the few organizations in North America to have four modern integrated plants capable of processing steel from coil mill steel to finished lithographed shipping container.

Three plants are located in the same industrial area on the North-western limits of Toronto. Total plant area; 136,000 square feet. We also have a container plant in North Surrey – near Vancouver, B.C.



VULCAN

Net Sales 1959—1968



To the Shareholders

In our Annual Report for 1967, we established a sales target of $5,800,000 for the year of 1968. We also advised that sales increases in 1968 would be mainly due to price adjustments in the container divisions and the Metal Decorating division. We anticipated a further improvement in the profit level of all divisions in the year 1968.

SALES

Over-all operations in 1968 were $5,572,139 as compared to $5,301,276 in 1967.

GROSS PROFIT

Gross profit, before depreciation, interest and taxes, amounted to $621,296 in 1968 as compared to $410,280 in 1967 and $296,221 in 1966.

NET PROFIT

Profits, before income taxes, were $318,053 in 1968 as compared to $136,028 in 1967 and $30,102 in 1966. After a provision for taxes payable for 1968 and a tax reduction applicable to future years of approximately $162,000, the net profit transferred to surplus amounted to $156,053, or 38¢ per share as compared to 18¢ in 1967 and 6¢ in 1966.

Labour contracts for the container divisions have one year to run in Toronto and two years in Vancouver. A new contract with the Lithographers Union was completed in November, 1968 and provision for this contract has now been projected into our 1969 budget.

A sales forecast of $5,850,000 for the year 1969 has been projected and with a tight control of expenses and increased operating efficiencies, we expect further improvement in the profit level of all divisions for the year of 1969.

This report would not be complete without a tribute to our employees for their efforts during the past year. To all management and staff, the Board of Directors say "Thank you".

Respectfully submitted

Norman G. Bernecker

President

Consolidated Statement of Source and Application of Funds

for the year ended December 31, 1968
(with comparative figures for 1967)

	1968	1967
FUNDS PROVIDED:		
From operations		
Net profit for the year	$ 156,053	$ 73,763
Provision for depreciation	196,891	178,663
Provision for future income taxes	76,000	54,215
Increase in long-term leases	—	292,500
Decrease in deferred finance charges	2,980	—
TOTAL	$ 431,924	$ 599,141
FUNDS APPLIED:		
Deferred finance charges	$ —	$ 50,764
Additions to fixed assets (net)	220,981	240,212
Additions to other assets	956	3,842
Reduction in long-term debt (net)	116,963	260,962
Dividends paid	40,671	40,671
TOTAL	$ 379,571	$ 596,451
Net increase (decrease) in working capital	$ 52,353	$ 2,690
Working capital at beginning of year	533,723	531,033
Working capital at end of year	$ 586,076	$ 533,723

Auditors' Report

To the Shareholders, Vulcan Containers (Canada) Limited.

We have examined the consolidated balance sheet of Vulcan Containers (Canada) Limited and its subsidiaries as at December 31, 1968 and the consolidated statements of profit and loss and earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GRAY, BUTCHER, FROST and COMPANY
Chartered Accountants

Toronto, Canada
February 21, 1969

Consolidated Statement of Profit and Loss and Earned Surplus

for the year ended December 31, 1968
(with comparative figures for 1967)

	1968	1967
Net sales	$5,572,139	$5,301,276
Profit for the year before the following	$ 704,296	$ 483,780
Officers' salaries	$ 83,000	$ 73,500
Depreciation	196,891	178,663
Interest on long-term debt	106,352	95,589
	$ 386,243	$ 347,752
Profit before income taxes	$ 318,053	$ 136,028
Income taxes		
Taxes payable for the year	$ 86,000	$ 8,050
Current year's tax reductions applicable to future years (note 5)	76,000	54,215
	$ 162,000	$ 62,265
Net profit for the year	$ 156,053	$ 73,763
Earned surplus balance at beginning of year	350,706	317,614
	$ 506,759	$ 391,377
Dividends	40,671	40,671
Earned surplus balance at end of year	$ 466,088	$ 350,706
Earnings per share	38¢	18¢

Consolidated Balance Sheet

December 31, 1968

(with comparative figures as at December 31, 1967)

Assets

	1968	1967
CURRENT:		
Cash	$ 161,390	$ 31,511
Accounts receivable	482,431	434,990
Inventories — at the lower of cost or market (note 1)	960,326	1,000,989
Prepaid expenses	71,940	65,400
Portion of deferred finance charges due within one year	18,611	14,859
TOTAL CURRENT ASSETS	$1,694,698	$1,547,749
Deferred finance charges (note 4)	$ 66,395	$ 65,623
Less portion due within one year	18,611	14,859
	$ 47,784	$ 50,764
FIXED (note 2):		
Land, buildings, plant machinery and equipment as appraised by Canadian Appraisal Company Limited July 25, 1961 — at depreciated replacement value	$1,066,338	$1,066,338
Subsequent additions — at cost	2,667,906	2,439,835
	$3,734,244	$3,506,173
less: Accumulated depreciation	996,062	792,081
	$2,738,182	$2,714,092
OTHER — at cost:		
Cash surrender value of life insurance	$ 26,778	$ 25,822
Employee stock plan	1,248	1,248
Re-organization expense	23,350	23,350
	$ 51,376	$ 50,420
	$4,532,040	$4,363,025

On behalf of the Board:

Norman G. Bernecker, *Director*

Albert J. Cavan, *Director*

Liabilities and Shareholders' Equity

	1968	1967
CURRENT:		
Accounts payable and accrued charges	$ 846,641	$ 776,176
Estimated income taxes payable	63,820	2,783
Other taxes payable	20,661	15,467
Portion of long-term debt due within one year	177,500	219,600
TOTAL CURRENT LIABILITIES	$1,108,622	$1,014,026
LONG-TERM DEBT:		
Bank loans (secured) payable $100,000 annually (note 3)	1,000,000	$1,100,000
Notes payable to affiliated company—6%, due May 4, 1968	—	55,000
Mortgage payable — 7%, due December 1, 1974	46,849	52,118
Leases payable in equal monthly instalments of $6,115 (Note 4)	252,313	251,107
	$1,299,162	$1,458,225
less: Portion due within one year	177,500	219,600
	$1,121,662	$1,238,625
TOTAL LIABILITIES	$2,230,284	$2,252,651
ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS (note 5)	$ 311,600	$ 235,600
SHAREHOLDERS' EQUITY:		
Capital stock: Authorized, 1,000,000 common shares of no par value Issued and fully paid 406,710 common shares	$ 760,003	$ 760,003
Excess of appraised value of fixed assets over depreciated cost at July 25, 1961	764,065	764,065
Earned surplus	466,088	350,706
	$1,990,156	$1,874,774
	$4,532,040	$4,363,025

The accompanying notes to the consolidated financial statements are an integral part hereof.

Notes to Consolidated Financial Statements

December 31, 1968

1. Inventories

Raw materials — at cost . .	$587,046
Work in process — at cost. .	199,552
Finished goods — at selling price less normal gross profit	173,728
	$960,326

2. Fixed assets

	Depreciated Replacement Value July 25, 1961	Subsequent Additions at cost	Accumulated Depreciation Based on cost
Land..........	$ 95,000	$ 79,965	$ —
Buildings......	193,030	722,293	221,066
Plant machinery and equipment..	778,308	1,865,648	774,996
	$1,066,338	$2,667,906	$ 996,062

Depreciation charged to operations is based on:
Buildings — 5% of diminishing balance on cost
Plant machinery and equipment — 15% of diminishing balance on cost

3. Bank loans — secured by a general assignment of book debts, a 7¾% demand first mortgage bond for $1,000,000 (principal outstanding — $500,000) and a 7¼% first floating charge debenture for $500,000.

4. Long-term leases payable — As a method of financing, the company has entered into lease agreements relating to certain items of plant machinery and equipment. These assets are recorded in the accounts even though title does not rest with the company. It is the company's intention to obtain title at the expiration of the lease agreements by exercising purchase options for nominal consideration in the year 1972. In 1968 $17,985 in Finance Charges has been shown as interest on long-term debt.

5. Accumulated tax reductions applicable to future years — This is the amount by which incomes taxes otherwise payable have been reduced by claiming for tax purposes capital cost allowances in excess of the depreciation recorded in the accounts. This amount will be amortized over the years where the depreciation claimed for tax purposes will be less than that recorded in the books of the company.

VULCAN

Directors and Officers

Directors

Vern Irwin McCarthy, Sr. . . . . . . Westchester, Ill.

Norman George Bernecker . . . Islington, Ontario

Duane Starin Wright, Jr. . . . . . Islington, Ontario

Albert J. Cavan, Q.C. . . . . . . Etobicoke, Ontario

Officers

Vern Irwin McCarthy, Sr. . . . Chairman of Board

Norman George Bernecker . . . . President

Duane Starin Wright, Jr. . . . . Vice-President

George Robert Zies . . . . Secretary

Marjorie L. Bernecker . . . . Treasurer

Auditors

Gray, Butcher, Frost & Co. . . . Toronto, Ontario

Registrar and Transfer Agent

The Royal Trust Company Toronto, Ontario
Vancouver, B.C.
Winnipeg, Man.

List of Plants and Offices

Vulcan Containers (Canada) Limited,
15 Bethridge Rd., Rexdale, Ontario
Telephone: 241-8632

Vulcan Containers (Canada) Limited,
8400 - 124th St., North Surrey, B.C.
Telephone: 594-0484

Vulcan Containers (Canada) Limited,
1 Van Horne Ave. W.,
Montreal 14, Que.
Telephone: 272-2811

Metal Decorating Limited,
44 Bethridge Rd., Rexdale, Ontario
Telephone: 241-8639

Rexsteel Division,
15 Bethridge Rd., Rexdale, Ontario
Telephone: 247-7849

Agents for Prairie Provinces:

Robinson & Webber Limited,
185 Bannatyne Ave., Winnipeg, Manitoba
Telephone: Whitehall 2-7574

Representing:

Manitoba • Saskatchewan • Alberta