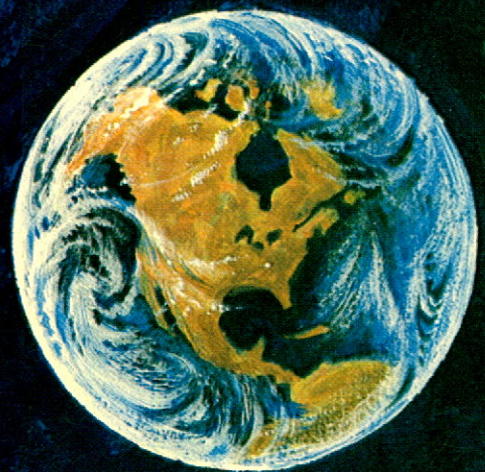


VULCAN Containers (Canada) Ltd.

Annual Report
1969



MANAGEMENT
LIBRARY

Directors and Officers

Directors

Norman George Bernecker	President, Vulcan Containers (Canada) Limited, Toronto
Albert J. Cavan, Q.C.	Attorney, Risk, Cavan, Garfield & Gardner, Toronto
Rudolph Gardner	Attorney, Risk, Cavan, Garfield & Gardner, Toronto
George C. Vilim	President, Canavest House Limited, Toronto

Officers

Norman George Bernecker	President
Albert J. Cavan, Q.C.	Vice-President
George R. Zies	Vice-President, Manufacturing and Secretary
G. Douglas Gravestock	Treasurer

Auditors

Thorne, Gunn, Helliwell & Christenson · 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 Road
Rexdale, Ontario
Telephone: 241-8632

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

Vulcan Containers (Canada) Limited
1 Van Horne Avenue West
Montreal 14, Quebec
Telephone: 272-2811

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

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

Agents for Prairie Provinces:

Robinson & Webber Limited
185 Bannatyne Avenue
Winnipeg, Manitoba
Telephone: 942-7574

Representing:

Manitoba, Saskatchewan,
Alberta

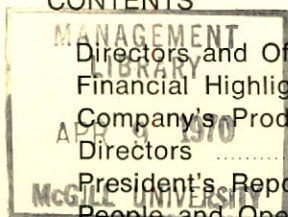
Financial Highlights

Years ended December 31.

(thousands of dollars)

	1969	1968
OPERATIONS		
Sales	\$ 6,118	\$ 5,572
Income before taxes	571	318
Income taxes	293	162
Net income	278	156
Capital expenditures	127	221
Provision for depreciation	212	197
FINANCIAL POSITION		
Working capital	711	586
Fixed assets — net	1,888	1,974
Long-term debt	954	1,122
Deferred income taxes	293	311
Shareholders' equity	1,419	1,226
PER SHARE		
Net income .....	.68	.38
Dividends .....	.15	.10
Shareholders' equity	3.49	3.01
Shareholders' equity including fixed asset appraisal	8.14	7.66
STATISTICAL		
Number of employees	204	
Number of shareholders	550	

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Some of our Products



VULCAN

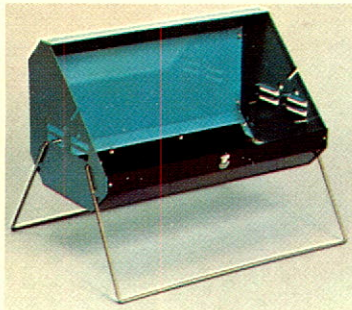
Pails of varying sizes and designs, as well as various types of tin cans, made up the bulk of the approximately 8 million units that were shipped from Vulcan Container's 90,000 sq. ft. plant during the past year.

Currently the company operates automatic and semi-automatic production lines which are capable of producing 2-8 gallon metal containers at a rate of approximately 2000 units per hour.

While most of Vulcan's business has been and will probably continue to be pails and tin cans, the company's Research and Development Department has been active on several new lines which show a great deal of promise for the future, such as gasoline carriers (for snowmobiles and boats, baskets for cleaning auto parts, waste baskets, etc. In addition a great deal of effort is devoted to the development of new linings for existing pails to make them suitable for the carrying of all kinds of chemicals.

Vulcan's list of customers continues to grow and it reads like a "Who's Who in Canadian Industry". The following are just some of the names which appear on order sheets with gratifying regularity: from the Paint Industry — Benjamin Moore, Dupont, Glidden, International, Canada Varnish, Phillips, Northern Paints & Varnish, Pratt & Lambert, Pierce & Stevens; from the Food Industry — Standard Brands, Joe Lowe Chocolate Products, McLaren Foods, Ware Foods, Wm. Neilson; from the Chemical Industry — S. F. Lawrason, Allied, Dow, Standard, Interprovincial, Chipman, Electric Reductions, Lever Bros, Procter & Gamble; as well as leading companies from the building, printing ink and various raw material producing industries.





Barbecue



Picnic flasks



Wire spool



Barbecue



Christmas tree stand



Lunch box



Battery cases



Closures



Canister sets



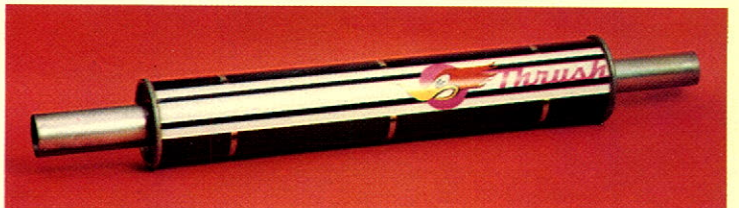
Fiber can ends



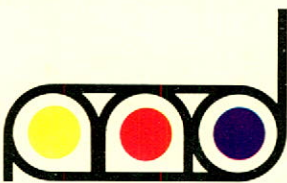
Racing game



Hockey game



Automobile muffler



Metal Decorating Ltd. is getting more than its share of the fast-growing offset-printing-on-metal business. The company's 21,500 sq. ft. plant which employs 36 people is working practically round the clock — 24 hours a day on printing, 16 hours a day on coating.

Currently the plant's printing line consists of a 36" Hoe Printing Press, a 36" Wagner Coater and a Wagner Oven. The coating line has a 42" Wagner Coater and a Wagner Oven. Both, the coating and the printing line have a capacity of 4000 sheets per hour.

Increasing business is making an extension of the production facilities necessary and a third printing line, consisting of a 45" Crabtree Printing Press, a 45" Wagner Coater and a Wagner Oven, is scheduled to be ready for operation in the Fall of 1970.

As it is done before fabricating, offset printing is superior to any other form of metal decorating. Once the metal sheets have been printed they can be blanked, folded, pierced, drawn and extruded. As an additional convenience Metal Decorating offers its customers a special package deal which includes supplying the metal, printing and slitting in preparation for fabricating.

Traditionally, printing on metal is used extensively in packaging and the production of display material, but there are strong indications that a considerable increase in business will come from toy items, metal ends for fiber cans, metal closures, mufflers, metal furniture and even more from packaging.

A great many customers of Metal Decorating Ltd. provide jobs on almost year round basis. These are some of them:

- CANADA PACKERS LIMITED • DOMTAR PACKAGING LIMITED
- GIDON INDUSTRIES LIMITED • INDUSTRIAL CONTAINERS LIMITED
- KRAFT FOODS LIMITED • MACDONALD DRUMS MANUFACTURING CORPORATION
- MUNRO GAMES LIMITED • NORTEX PRODUCTS COMPANY
- PLYMOUTH TOOL & STAMPING LIMITED • RAY-O-VAC DIVISION, ESB CANADA LIMITED
- SCHICK SAFETY RAZOR COMPANY • SIGNODE CANADA LIMITED
- STOFFEL SEALS OF CANADA LIMITED • UNION TRUNK & LUGGAGE COMPANY LIMITED

Directors



Norman George Bernecker
President
Vulcan Containers (Canada) Limited
Toronto



Alberta J. Cavan
Attorney
Risk, Cavan, Garfield & Gardner
Toronto



Rudolph Gardner
Attorney
Risk, Cavan, Garfield & Gardner
Toronto



George C. Vilim
President
Canavest House Limited
Toronto



George Zies
Vice President Manufacturing and Secretary

Operating efficiency and cost control related to manufacturing are George Zies' principal responsibilities. 22 years in the steel container business — 17 with Vulcan in the U.S. and 5 years with the Canadian company — following his university training in engineering, financial subjects and accounting have made him an expert.



TO THE SHAREHOLDERS:

The year 1969 has seen our attainment of a number of important achievements and it is with a degree of satisfaction that I now review some of the more important events in that period.

In March, 1969, the controlling interest of Vulcan Containers (Canada) Limited, which was held until then by Mr. Vern I. McCarthy, Sr., the Company's Chairman and non-resident in Canada, was acquired by your Company's present Management and so control became repatriated to this country. Thus, for the first time, your Company has been directed exclusively from its Toronto headquarters without the influence of those not actively participating in Management. The advantages to the flexibility of management decisions and on-the-spot policy making have become evident.

SALES:

In our Annual Report of 1968, we projected a sales forecast of \$5,850,000 and we reached a record sales at the end of December 31, 1969 of \$6,117,708 as compared to \$5,572,139 in 1968, an increase of 9.8%.

NET PROFITS:

While 1968 showed some results of the long range planning of the automation of our plants as well as the diversification of our products, the year under review has confirmed, with record earnings results, the correctness of the course for which our management has laid a base. The total net profit, after taxes, of \$277,627 for 1969, against \$156,053 in 1968, a 77.9% increase, was achieved in spite of a ninety-five day strike of our largest customer which resulted in the total loss of our revenue from that source.

EARNINGS PER SHARE:

The strike of The Steel Company of Canada affected the availability of steel in our clients'

hands and, therefore, brought about a reduction of our operations in Metal Decorating Limited in the last quarter of 1969. I therefore consider our earnings results, amounting to 68.3c per share in 1969, very gratifying compared to 38.3c per share in 1968 and 18c per share in 1967.

OUTLOOK FOR 1970:

During the year it became apparent that the business potential of Metal Decorating Limited far outstripped its operating capacity which was due, to a large extent, to the quality of product and the speed with which we could accommodate customers' requirements. As a result, we have embarked upon important expansion in this area and expect to have new machinery installed in the first half of 1970 which will more than double our operating capacity. We believe that the income from this source will continue to represent a growing contribution to the over all earnings of your Company.

Another major event that took place was the disposal of the Vancouver plant which, in the last half-year, was used for warehouse facilities only and which did not make any contribution to earnings in the last two years. The sale price was very advantageous and while the proceeds were received only in January, 1970 and therefore are not reflected in our financial statement now under review, they will be used for the reduction of our long-term note and should show a reflection in savings of interest paid.

LABOUR RELATIONS:

At the end of 1969 a new three year collective agreement was signed with The United Steelworkers without any work stoppage which assures the continued smooth operation in our Toronto plants and confirms the harmony and good labour relations which exist and in which we have always taken pride. On behalf of the Board, I would like to thank all our employees for their loyal support and the contributions which they made in making 1969 such a successful year.

A handwritten signature in blue ink that reads "Norman E. Bernicker". The signature is written in a cursive style.

President

People and Operations



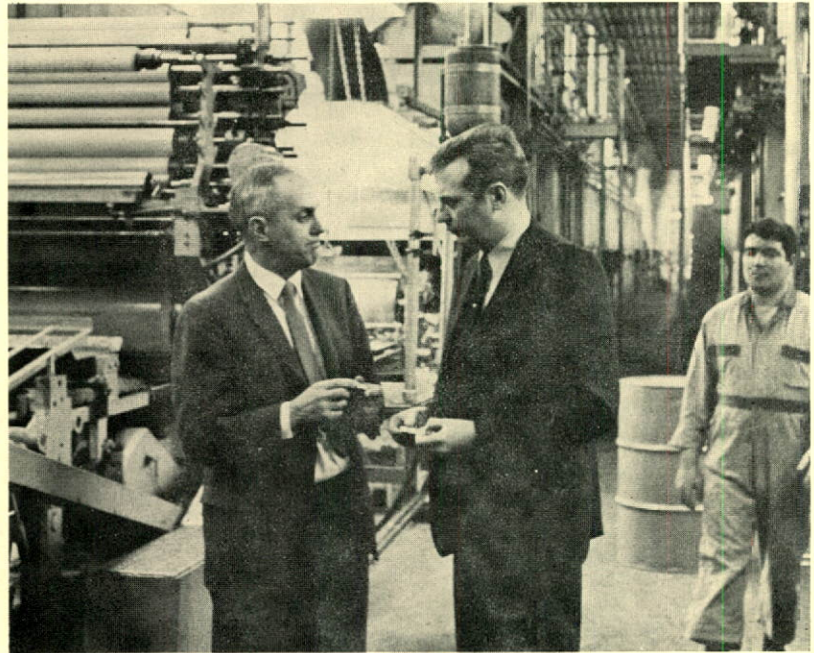
Vulcan Sales Manager Norman Wrycraft (5 years with Vulcan) and Tom Martin, Sales Office Manager (4 years with the company) follow an order along the line.



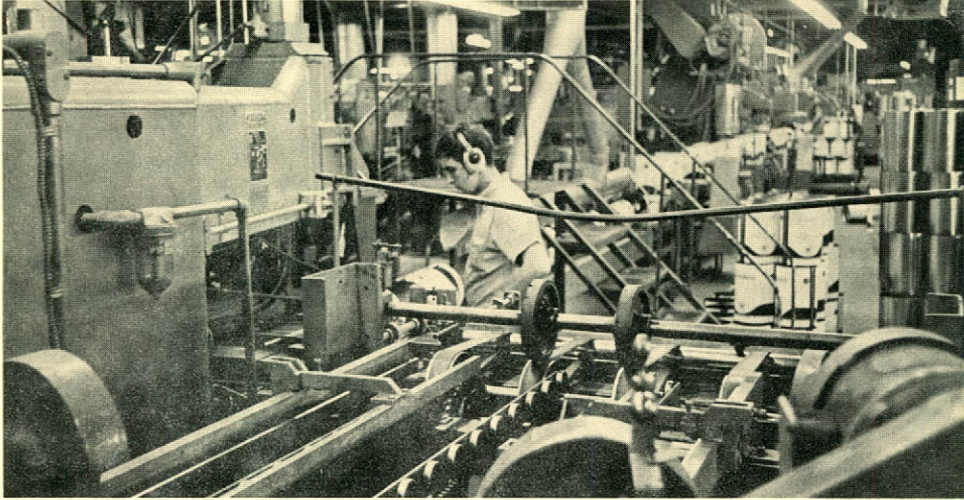
Patrick D'Cruze, Personnel Manager (4 years with Vulcan) and Plant Nurse Josephine Nero (3 years) look over some health records.



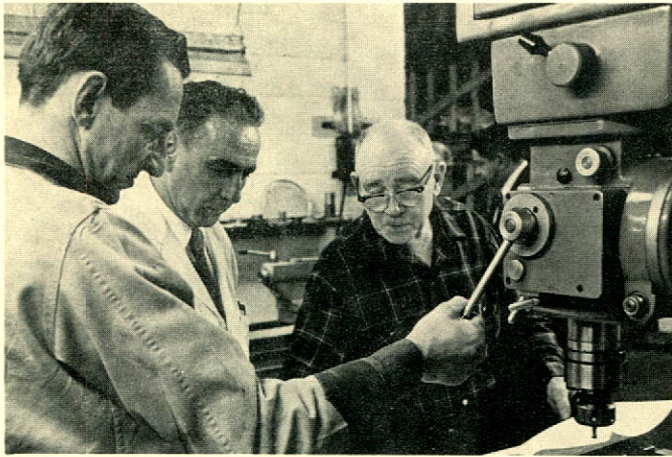
Douglas Gravestock, Treasurer of the company (3 years with Vulcan) in his office.



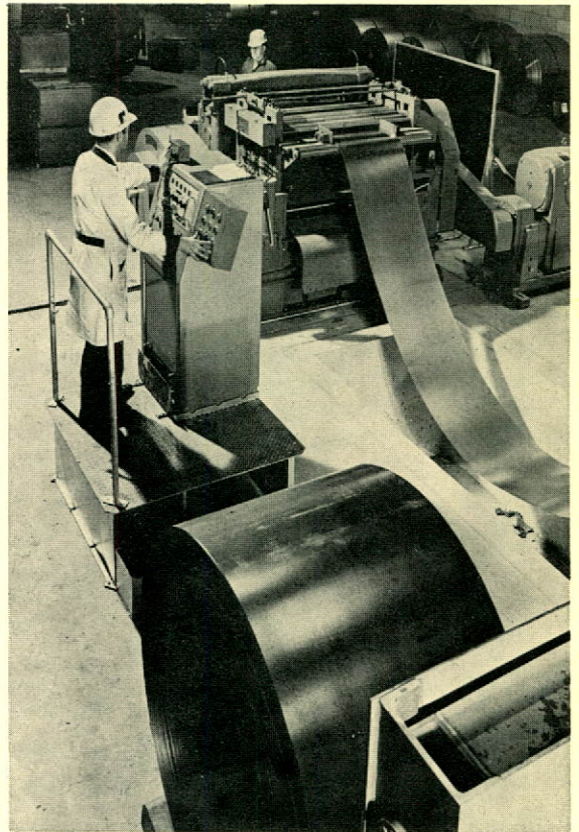
John Trumpler, Plant Superintendent of the Metal Decorating Division (20 years in the industry, 6 with the company) discusses scheduling with Metal Decorating Division Sales Manager Alex Telfer (12 years with the company).



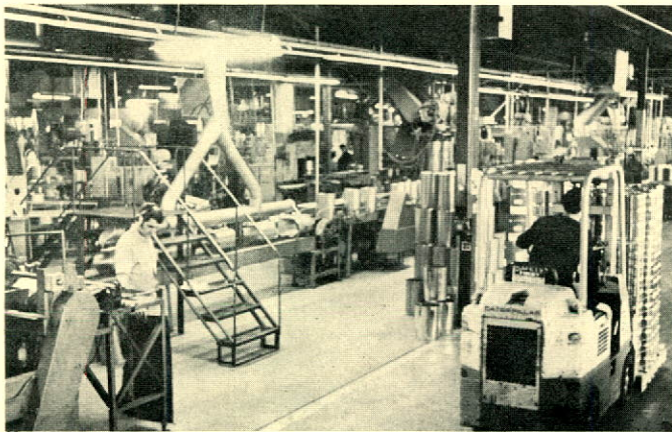
Automatic Seamwelder — a process of the High Speed Pail Production line.



The Research and Development Team of the Steel Container Division — Bud Malone, Maintenance Supervisor, Ken McConnell, Plant Superintendent and Bill Grange, R. & D. Supervisor discuss a die making problem.



This machine automatically cuts the steel to the required lengths.



General view of the Pail Production Lines.

Consolidated Balance Sheet

December 31, 1969

(with comparative figures at December 31, 1968)

Assets	1969	1968
CURRENT ASSETS		
Cash	\$ 43,680	\$ 161,390
Accounts receivable	700,252	482,431
Inventories (note 2)	1,029,429	960,326
Deferred finance charges	20,991	18,611
Prepaid expenses	75,053	71,940
	<u>1,869,405</u>	<u>1,694,698</u>
 FIXED ASSETS (note 3)		
Land, buildings, plant machinery and equipment, at cost	3,273,038	2,970,179
Less accumulated depreciation	1,384,666	996,062
	<u>1,888,372</u>	<u>1,974,117</u>
 OTHER ASSETS AND DEFERRED CHARGES		
Life insurance, cash surrender value	29,980	26,778
Deferred finance charges less amounts included in current assets	36,898	47,784
Re-organization expenses		23,350
Sundry		1,248
	<u>66,878</u>	<u>99,160</u>
	<u>\$3,824,655</u>	<u>\$3,767,975</u>

Approved by the Board:

Norman G. Bernecker, *Director*

Albert J. Cavan, *Director*

Auditors' Report

To the Shareholders of
Vulcan Containers (Canada) Limited

We have examined the consolidated balance sheet of Vulcan Containers (Canada) Limited and subsidiary companies as at December 31, 1969 and the consolidated statements of income and retained earnings 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 sup-

Liabilities

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 750,111	\$ 865,107
Income and other taxes payable	223,094	66,015
Amounts due within one year on long-term debt	185,224	177,500
	<u>1,158,429</u>	<u>1,108,622</u>

LONG-TERM DEBT

Bank loan, payable \$100,000 annually (note 4)	900,000	1,000,000
7% Mortgage payable, maturing December 1, 1974	39,640	46,849
Equipment leases payable (note 4)	199,850	252,313
	<u>1,139,490</u>	<u>1,299,162</u>
Less amounts included in current liabilities	185,225	177,500
	<u>954,265</u>	<u>1,121,662</u>

DEFERRED INCOME TAXES (note 6)

	<u>292,600</u>	<u>311,600</u>
--	----------------	----------------

Shareholders' Equity

CAPITAL STOCK

Authorized—1,000,000 common shares of no par value		
Issued — 406,710 shares	760,003	760,003

RETAINED EARNINGS

	<u>659,358</u>	<u>466,088</u>
	<u>1,419,361</u>	<u>1,226,091</u>
	<u>\$3,824,655</u>	<u>\$3,767,975</u>

porting 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, 1969 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, after giving effect in that year to deleting appraised values of fixed assets from the accounts (note 3), with which change we concur.

Thorne, Gunn, Helliwell & Christenson
Chartered Accountants

Toronto, Canada
February 12, 1970

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1969

(with comparative figures for 1968)

	1969	1968
SOURCE OF FUNDS		
Operations		
Net income for the year	\$ 277,627	\$ 156,053
Items not involving current funds		
Depreciation	212,678	196,891
Deferred income taxes	(19,000)	76,000
	<u>471,305</u>	<u>428,944</u>
Decrease in deferred finance charges	10,885	2,980
Sundry	1,248	
	<u>483,438</u>	<u>431,924</u>
APPLICATION OF FUNDS		
Additions to fixed assets	126,933	220,981
Reduction in non-current portion of long-term debt	167,396	116,963
Dividends	61,007	40,671
Increase in life insurance cash surrender value	3,202	956
	<u>358,538</u>	<u>379,571</u>
Increase in working capital	124,900	52,353
Working capital at beginning of year	586,076	533,723
Working capital at end of year	<u>\$ 710,976</u>	<u>\$ 586,076</u>

Consolidated Statement of Income and Retained Earnings

Year ended December 31, 1969

(with comparative figures for 1968)

	1969	1968
Sales	<u>\$6,117,708</u>	<u>\$5,572,139</u>
EXPENSE		
Cost of sales and operating expenses exclusive of the following items	5,148,539	4,867,843
Officers' salaries	79,103	83,000
Depreciation	212,678	196,891
Interest on long-term debt	<u>106,761</u>	<u>106,352</u>
	<u>5,547,081</u>	<u>5,254,086</u>
INCOME BEFORE INCOME TAXES	<u>570,627</u>	<u>318,053</u>
Income taxes (note 6)		
Current	312,000	86,000
Deferred	<u>(19,000)</u>	<u>76,000</u>
	<u>293,000</u>	<u>162,000</u>
Net income for the year	277,627	156,053
(per share 1969—68.3c, 1968—38.3c)		
Retained earnings at beginning of year	<u>466,088</u>	<u>350,706</u>
	<u>743,715</u>	<u>506,759</u>
DEDUCT		
Dividends	61,007	40,671
(per share 1969—15c, 1968—10c)		
Reorganization expenses written off	<u>23,350</u>	<u> </u>
	<u>84,357</u>	<u>40,671</u>
Retained earnings at end of year	<u>\$ 659,358</u>	<u>\$ 466,088</u>

Notes to Consolidated Financial Statements

December 31, 1969

1. SUBSIDIARY COMPANIES

Included in the consolidation are the accounts of Vulcan Containers (Canada) Limited and its wholly owned subsidiaries Metal Decorating Limited, and Canshare Distributors Limited.

2. INVENTORIES

	1969	1968
Raw materials	\$ 229,694	\$158,655
Work in process	503,310	627,943
Finished goods	296,425	173,728
	<u>\$1,029,429</u>	<u>\$960,326</u>

Raw materials and work in process are valued at the lower of cost and net realizable value and finished goods are valued at selling price less normal gross profit margins.

3. FIXED ASSETS

	1969			1968
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 105,000		\$ 105,000	\$ 105,000
Buildings	919,341	\$ 288,733	630,608	657,468
Plant machinery and equipment ..	2,248,697	1,095,933	1,152,764	1,211,649
	<u>\$3,273,038</u>	<u>\$1,384,666</u>	<u>\$1,888,372</u>	<u>\$1,974,117</u>

Depreciation is charged on the diminishing balance method at the rate of 5% on buildings and 15% on plant machinery and equipment.

An appraisal of land, buildings, plant machinery and equipment made in 1961 was formerly recorded in the records of the company and the excess of appraised value of fixed assets over depreciated cost at that time amounting to \$764,065 was shown as an appraisal surplus. This appraisal has been deleted from the records of the company and the 1968 comparative figures have been revised accordingly.

A new appraisal of buildings, plant machinery and equipment made on April 30, 1968 by General Appraisal Company shows that appraised values exceed depreciated costs of these assets at that date by \$1,889,154, a computed increase in equity of \$4.65 per share on each of the 406,710 outstanding common shares. The appraisal does not include land which has increased considerably in value.

4. LONG-TERM DEBT

Bank loan — The bank loan is secured by a general assignment of book debts, a 9½% demand first mortgage bond for \$1,000,000 (outstanding \$500,000, 1968—\$600,000) and a 9¼% first floating charge debenture for \$400,000.

Equipment leases payable — The Company has entered into lease agreements relating to certain items of plant machinery and equipment. As it is the company's intention at the expiration of the lease agreements at varying dates to 1974 to exercise purchase options for nominal consideration, the fixed assets have been capitalized in the company's accounts.

5. COMMITMENTS

The company has entered into a lease for a new metal decorating line which will require payments of approximately \$95,000 a year for seven years. Payments will commence on a monthly basis in 1970 when the equipment is received.

6. DEFERRED INCOME TAXES

The company charges earnings with income taxes currently payable and also with income taxes deferred by claiming depreciation for tax purposes in excess of that recorded in the accounts. The accumulated total of such income tax deferrals is reflected in the balance sheet as "Deferred income taxes". In 1969 depreciation recorded in the accounts exceeded depreciation for tax purposes thereby reducing deferred income taxes by \$19,000.

7. DIRECTORS' REMUNERATION

Remuneration of directors including salaries, bonuses and directors' fees amounted to \$40,800 in 1969.

8. SUBSEQUENT EVENT

During the year the company stopped manufacturing in Vancouver, and on January 30, 1970 the land and buildings were sold for \$200,000 realizing a net gain of \$70,000 over depreciated book value. The company has entered into a short-term lease agreement for the premises and intends to sub-lease the portion not required for warehousing. The cash realized from the sale was used to reduce the bank indebtedness from \$900,000 to \$700,000.

9. COMPARATIVE FIGURES

Figures for 1968 have been reclassified on the basis of financial statement presentation adopted for 1969.

Financial Summary

	(thousands of dollars)				
	1969	1968	1967	1966	1965
OPERATIONS					
Sales	\$ 6,118	\$ 5,572	\$ 5,301	\$ 6,099	\$ 5,497
Income before income taxes	571	318	136	30	120
Income taxes	293	162	62	7	60
Net income	<u>278</u>	<u>156</u>	<u>74</u>	<u>23</u>	<u>60</u>
FINANCIAL POSITION					
Working Capital	711	586	534	531	673
Fixed assets—net	1,888	1,974	1,950	1,888	1,912
Other assets	67	99	101	47	49
	<u>2,666</u>	<u>2,659</u>	<u>2,585</u>	<u>2,466</u>	<u>2,634</u>
Long-term debt	954	1,122	1,239	1,207	1,357
Deferred income taxes	293	311	235	181	181
	<u>1,247</u>	<u>1,433</u>	<u>1,474</u>	<u>1,388</u>	<u>1,538</u>
Shareholders' equity	<u>1,419</u>	<u>1,226</u>	<u>1,111</u>	<u>1,078</u>	<u>1,096</u>
SOURCE AND APPLICATION OF FUNDS					
Net income	278	156	74	23	60
Depreciation	212	197	179	170	165
Deferred income taxes	(19)	76	54	—	59
Operations	471	429	307	193	284
Deferred finance charges	11	3	(51)	—	15
Sundry	1				
	<u>483</u>	<u>432</u>	<u>256</u>	<u>193</u>	<u>299</u>
Capital expenditures—net	127	221	240	147	84
Long-term debt reduction	167	117	(32)	150	175
Dividends	61	41	41	41	41
Other	3	1	4	5	—
	<u>358</u>	<u>380</u>	<u>253</u>	<u>343</u>	<u>300</u>
Increase (decrease) in working capital	<u>125</u>	<u>52</u>	<u>3</u>	<u>(150)</u>	<u>(1)</u>
PER SHARE					
Net income .....	.68	.38	.18	.06	.15
Dividends .....	.15	.10	.10	.10	.10
Shareholders' equity	3.49	3.01	2.73	2.65	2.69
Shareholders' equity including fixed asset appraisal	<u>8.14</u>	<u>7.66</u>	<u>—</u>	<u>—</u>	<u>—</u>

