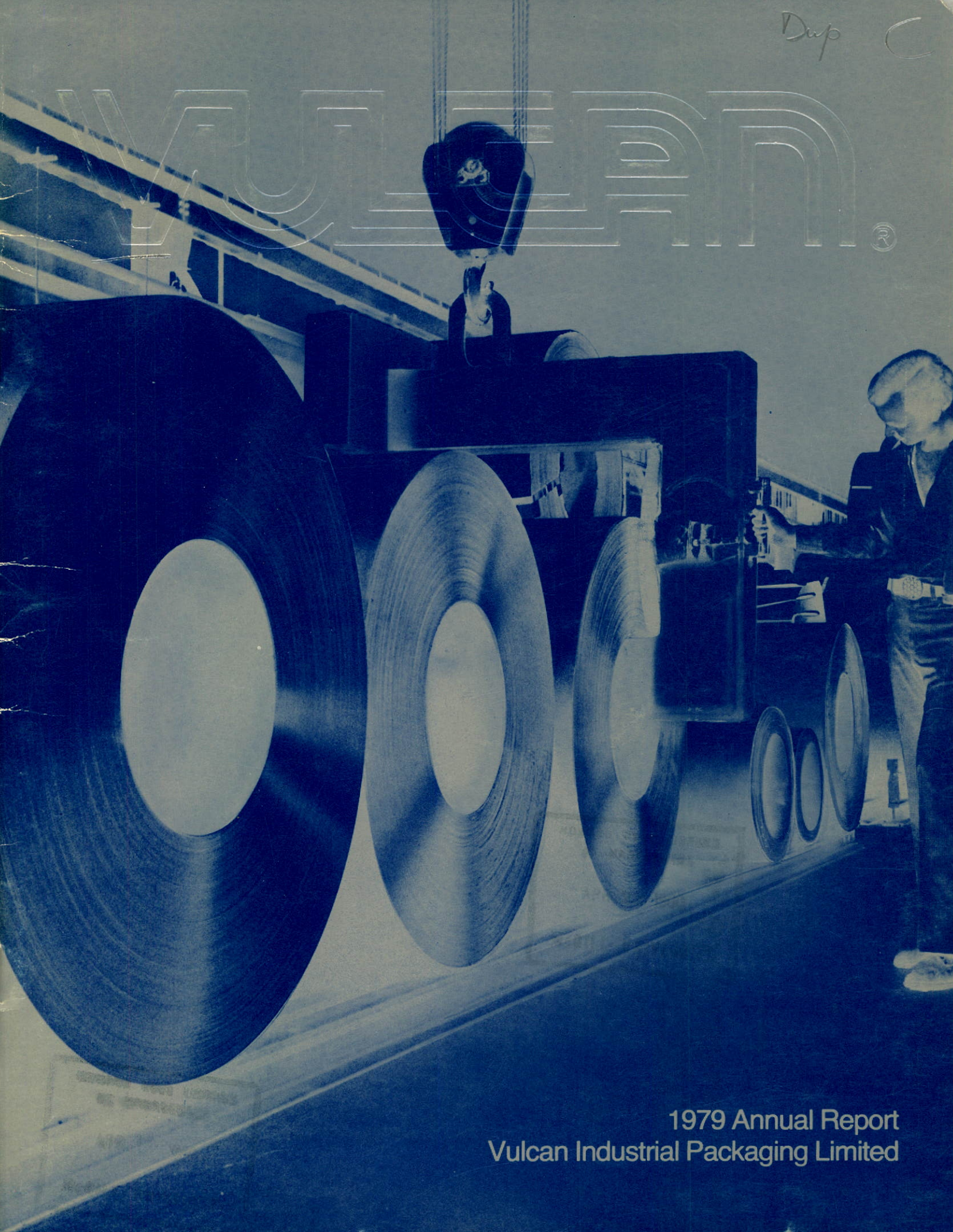


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# VULCAN<sup>®</sup>



1979 Annual Report  
Vulcan Industrial Packaging Limited





## VULCAN INDUSTRIAL PACKAGING LIMITED

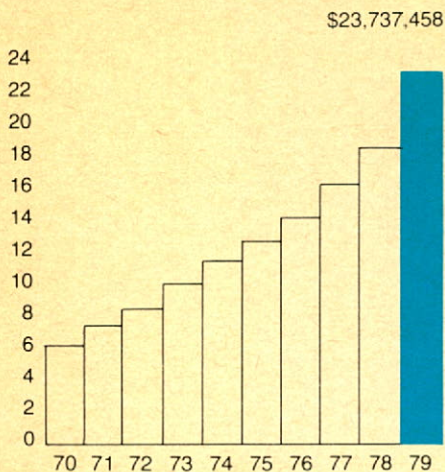
### HIGHLIGHTS

	<u>1979</u>	<u>1978</u>
OPERATIONS		
	(thousands of dollars)	
Sales .....	<b>\$23,737</b>	\$18,574
Income from continuing operations before taxes and extraordinary item .....	<b>2,080</b>	1,873
Income taxes .....	<b>830</b>	748
Loss from discontinued operations .....		1,950
Extraordinary item .....		2,850
Net income (loss) .....	<b>1,250</b>	(3,675)
Capital expenditures .....	<b>1,533</b>	378
Provision for depreciation .....	<b>510</b>	480
FINANCIAL POSITION		
Working capital (deficiency) .....	<b>1,576</b>	(514)
Fixed assets — net .....	<b>4,441</b>	3,430
Long term debt .....	<b>4,568</b>	1,800
Deferred income taxes .....	<b>1,257</b>	1,017
Shareholders' equity .....	<b>2,482</b>	1,468
PER SHARE		
Income from continuing operations .....	<b>.74</b>	.66
Loss from discontinued operations .....		(1.15)
Income (loss) before extraordinary item .....	<b>.74</b>	(.49)
Net income (loss) .....	<b>.74</b>	(2.18)
Dividends .....	<b>.14</b>	.14
Shareholders' equity .....	<b>1.47</b>	.87
STATISTICAL		
Number of employees .....	<b>320</b>	296
Number of shareholders .....	<b>1,115</b>	1,022

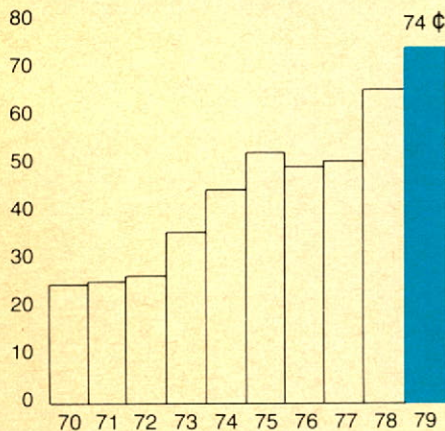


# To Our Shareholders

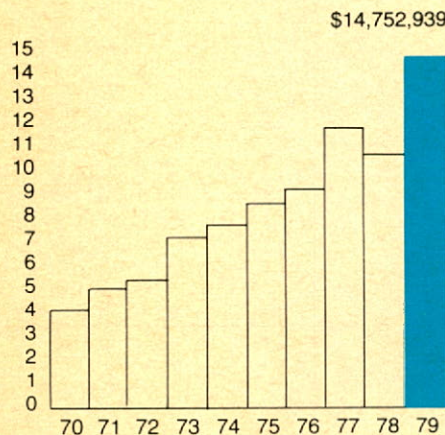
## Sales



## Earnings per share from continuing operations



## Total Assets



In many respects 1979 was an eventful year for Vulcan Industrial Packaging Limited, highlighted by an improved financial position, the upgrading and expansion of production facilities in all divisions, record sales performances in the Container and Metal Decorating Divisions and significant advances in the development and marketing of the Explosafe Explosion Suppression System.

During the year management underwent a reorganization which resulted in the strengthening of direction and control of the Company. Thus Vulcan enters the 1980s with a healthy financial outlook, a strong, steadily growing operating base, the increasing promise of success for Explosafe in its many applications and a management team capable of preserving and enhancing our strengths while taking full advantage of the potential which Explosafe offers.

In a year of slower national growth, political and economic uncertainty, Management takes pride in presenting the following report of the Company's financial and operational activities for 1979.

## Financial Review

Consolidated sales for the year ended December 31, 1979 were \$23,737,458 compared to the prior year's sales of \$18,574,017 for an increase of 28 per cent.

Sales increased in all Divisions but particularly in the Container and Metal Decorating Divisions where the company has maintained its position as the Canadian leader in both the industrial steel pail and metal lithography markets. Price increases for products sold by each of these Divisions were introduced during the second and fourth quarters and have enabled the Company to offset rising costs and maintain profit margins.

Consumer sales of Explosafe portable containers, particularly in the United States, and further sales of the Explosafe system for custom engineered applications in the security vehicle, marine, and in-plant storage markets also contributed moderately to revenue during the year.

Net income for the year under review was \$1,250,373 compared to a loss in 1978 of \$3,675,410. Earnings per share in 1979 were 74 cents over a loss of \$2.18 last year. The problems associated with our discontinued U.S. operations, Vulcan Containers Inc., which resulted in both operating and extraordinary losses in 1978, are now resolved. We can expect earnings to continue to improve substantially in the year ahead.

Adequate lines of credit are now in place to handle present and future requirements. An independent appraisal of your Company's fixed assets was undertaken in 1979 by General Appraisal of Canada Limited and the fair market value of the land, buildings, machinery and equipment as of December 31, 1979, is reasonably stated to be \$14,500,000, as compared to a net book value of approximately \$4,441,000. This valuation is based on a June 1, 1979 appraisal with consideration given to market trends and asset changes between June 1979 and December 1979.

General Appraisal of Canada Limited defines fair market value in continued use as the amount at which the property might exchange between a willing buyer and a willing seller, both having full knowledge of the facts and both buyer and seller contemplating the retention of the facilities at their respective locations for continuation of the present operation as part of the existing business enterprise. Financial analysis of the industry and the company employing the appraised assets was not part of this appraisal investigation and the concluded value is stated on the premise that the prospective



earnings will be sufficient to justify investment in the assets at the appraised value.

The 1979 financial statements present the financial strength and growth potential with which we begin the 1980s.

### Container Division

The Container Division, which manufactures a wide range of metal containers for a variety of industrial uses, had another year of increased sales and profitability. Considerable capital improvements during the year enabled us to improve our efficiency and productivity in this Division.

Industrial pail volume in Canada has enjoyed better than average growth over the past few years and this trend is expected to continue in the 1980s. The conversion to metric-sized containers in the petroleum industry in January 1979 resulted in a reduction in package size of 12 per cent, from the 5 gallon pail to a 20 litre container, and a consequent increase in pail consumption.

The high cost of maintaining inventories has also increased demand for pails among petroleum users at the expense of the 46 gallon drum. In addition there is evidence to suggest that petroleum consumers are upgrading to the 20 litre pail from the smaller and more expensive one quart package.

The agricultural chemical industry has also had an impact on pail consumption as more and more foreign firms begin to package their herbicides and pesticides in Canada. Metric conversion in this industry, later this year, should increase pail consumption.

Canadian pail manufacturers, both in steel and plastic, have also experienced significant growth in sales of institutional packaging for food. As the food service industry in general and the fast food business in particular continues to grow, pail consumption is expected to increase accordingly.

Management continues to monitor trends in the industry in order to take maximum advantage of our position as a leader among metal container manufacturers in Canada.

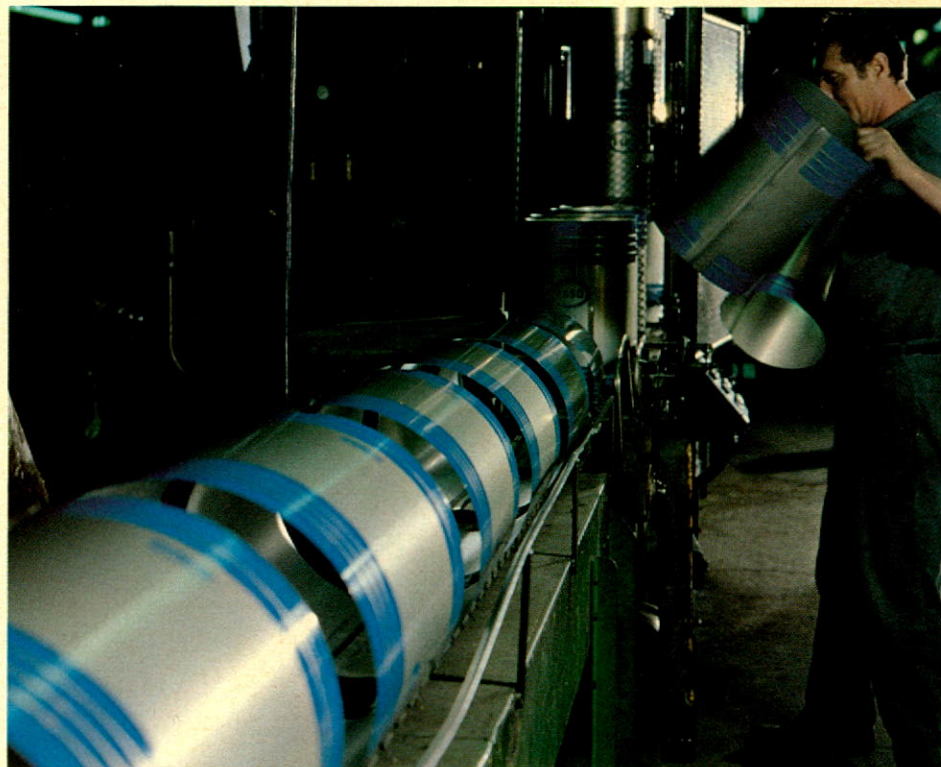
As a logical extension of the Company's market penetration Vulcan has obtained the Canadian patent for the "Ropak" plastic pail. Production is scheduled to begin in the spring of 1980 at our new facilities at 414 Attwell Drive, Toronto. The acquisition of three injection molding machines incorporating the most up-to-date features in mold and machine technology should ensure production efficiency and a competitive market position.

### The Toronto Stock Exchange Trading Prices\* of Vulcan (VIP) Stock

	High	Low
1978		
First Quarter	10 <sup>7</sup> / <sub>8</sub>	8 <sup>3</sup> / <sub>8</sub>
Second Quarter	10 <sup>3</sup> / <sub>4</sub>	8 <sup>7</sup> / <sub>8</sub>
Third Quarter	10 <sup>3</sup> / <sub>4</sub>	8 <sup>3</sup> / <sub>8</sub>
Fourth Quarter	9 <sup>7</sup> / <sub>8</sub>	8
1979		
First Quarter	10 <sup>1</sup> / <sub>8</sub>	6 <sup>3</sup> / <sub>4</sub>
Second Quarter	14	7 <sup>7</sup> / <sub>8</sub>
Third Quarter	14 <sup>1</sup> / <sub>4</sub>	12 <sup>1</sup> / <sub>4</sub>
Fourth Quarter	13 <sup>3</sup> / <sub>4</sub>	8 <sup>3</sup> / <sub>4</sub>

\*in Canadian funds.

*Pail production, automatic line 1, Container Division.*







High speed air pressure tester, Container Division.

Light-gauge printing press, Metal Decorating Lithographers



Management is confident that the lower consumption of energy in the production of plastics compared with other materials should make our new product line increasingly viable.

## Metal Decorating Lithographers

Metal Decorating Lithographers also experienced increased sales and improved productivity during 1979. In addition to providing metal lithography for many of our Container Division customers, this Division supplies multi-colour surface decoration for a wide variety of consumer products including: Kraft Foods, Schick, Heinz, Ray-O-Vac and Eveready.

The outlook for this Division is positive in both the short and long term. The food industry offers the greatest potential as more food processors are now manufacturing their own cans thereby creating an increased demand for metal lithography services. Our expertise in this field is widely acclaimed. This market currently accounts for approximately 35 per cent of Metal Decorating sales.

## Explosafe

1979 was a significant year for both the Explosafe Division of Vulcan and its 50 per cent owned subsidiary, Explosafe America Inc. Consumer sales of Explosafe portable containers, particularly in the U.S., rose dramatically as gasoline shortages led to increased demand for emergency supply gas cans and the consequent awareness of the dangers to life and property inherent in the unsafe transportation and storage of gasoline.

Further licensing agreements were signed in 1979 with Intergest Finanziaria S.P.A. of Milan, Italy for the manufacture of Explosafe in Italy, Switzerland, France and 21 countries in North Africa. This brings the total



number of countries now under license to 32 and negotiations continue with potential licensees in Spain, Israel and South Africa as well as for joint venture agreements in Korea and Taiwan.

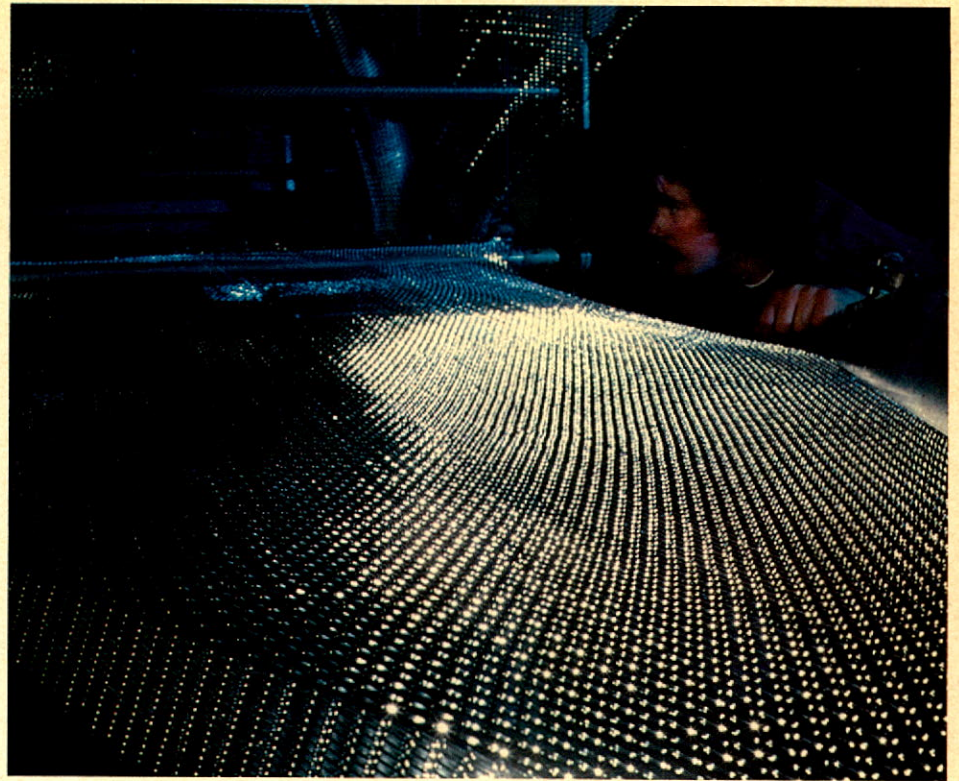
It is appropriate at this time, especially for the benefit of new shareholders, to explain the corporate relationships between Explosafe America Inc., Explosafe Corporation and Vulcan Industrial Packaging Limited. Explosafe America Inc. holds the rights to the development, manufacture and licensing of Explosafe products world wide. Under the terms of a joint venture agreement, signed in 1973, Explosafe America Inc. is owned 50% by Vulcan Industrial Packaging Limited and 50% by Explosafe Corporation.

Vulcan Industrial Packaging Limited is the managing partner in this agreement responsible for research and development, financing, licensing negotiations and production and distribution of Explosafe in all non-licensed jurisdictions. In addition the Explosafe Division of Vulcan Industrial Packaging Limited has exclusive Canadian rights for the manufacture and distribution of Explosafe.

As profits flow into Explosafe America Inc., 50% will be apportioned to Vulcan. However, Vulcan will receive 75% of the funds generated by Explosafe America Inc. until such time as we have completely recovered our capital investment.

Extensive intermediate-scale testing of the Explosafe concept applied to the control of Boiling Liquid Expanding Vapour Explosions (BLEVE) in vessels containing Liquid Petroleum Gas (LPG) was completed in March 1980 at the Defense Research Establishment in Suffield, Alberta. This research was sponsored by the Canadian Federal Government through Transport Canada.

Tests conducted on containers protected by Explosafe obtained positive



*Aluminum foil expander, Explosafe Division*

results in suppressing these explosions. The success of these tests now paves the way for full-scale tank car testing.

These tests are being conducted under the auspices of a Task Group made up of company representation from the petrochemical industry, major railroads and trucking companies and government bodies in the United States and Canada.

A draft report evaluating the use of Explosafe in aircraft fuel tank protection has been submitted to the United States Air Force for approval. The report is a summary of testing undertaken by the Air Force Wright Aeronautical Laboratory at the Wright Patterson Air Force Base in Ohio. It is reasonable to expect that approval of the report will lead to procurement specifications for the use of Explosafe in military and civilian aircraft.

In response to these promising developments and the increasing consumer demand for Explosafe products, the Explosafe Division has relocated its operations in Toronto to a facility which is triple the size of its former plant.





*Installation of specially shaped batts of Explosafe foil around complex internal fittings in wing of A-10 aircraft.*

## Management

Alex C. Telfer was appointed Executive Vice-President of the Company in June 1979. Mr. Telfer began his career with Vulcan in 1958 and was appointed Vice-President Sales in 1973.

Kenneth A. Monk, B.Sc., M.Sc., M.B.A. was appointed General Manager of the Explosafe Division in January 1980. Mr. Monk's extensive background in management and engineering will provide the experienced leadership necessary to develop and market the Explosafe system worldwide.

These appointments reflect Management's determination to strengthen the direction and control of your Company.

At a recent meeting of the Board of Directors, Mr. Philip C. Garratt was appointed a Director of the Company. Mr. Garratt is senior Vice-President of Reed Stenhouse Limited.

It is the intention of Management to nominate Mr. Alex C. Telfer, Executive Vice-President, to the Board of Directors at the Annual Meeting. Mr. Telfer's appointment as a Director will further strengthen the link between Management and the Board.

## Summary

In retrospect, the significant achievements of 1979 included increased profitability of the Container and Metal Decorating Divisions, important advances in Explosafe technology and market development, and a strengthened financial position.

The good counsel of the Board of Directors, the dedication of our employees and the support of shareholders has enabled the Company to grow and prosper. The 1980s hold many opportunities for our Company and we look forward to facing these and contributing to the well-being of everyone in the Vulcan organization.

Respectfully submitted,

James B. Prendergast  
Chairman of the Board

Albert J. Cavan, Q.C.  
President and Chief Executive Officer



**VULCAN INDUSTRIAL PACKAGING LIMITED**
**CONSOLIDATED FINANCIAL SUMMARY**

	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>
	(thousands of dollars)									
<b>OPERATIONS</b>										
Sales	<u>\$23,737</u>	<u>\$18,574</u>	<u>\$16,292</u>	<u>\$14,192</u>	<u>\$12,801</u>	<u>\$11,588</u>	<u>\$10,034</u>	<u>\$8,458</u>	<u>\$7,714</u>	<u>\$6,740</u>
Income from continuing operations before income taxes and extraordinary item	<u>\$ 2,080</u>	\$ 1,873	\$ 1,351	\$ 1,395	\$ 1,489	\$ 1,232	\$ 989	\$ 897	\$ 795	\$ 879
Income taxes	<u>830</u>	748	502	576	628	502	412	450	382	447
Loss from discontinued operations		1,950	275							
Extraordinary item		<u>2,850</u>	<u>61</u>							
Net income (loss)	<u>\$ 1,250</u>	<u>\$ (3,675)</u>	<u>\$ 513</u>	<u>\$ 819</u>	<u>\$ 861</u>	<u>\$ 730</u>	<u>\$ 577</u>	<u>\$ 447</u>	<u>\$ 413</u>	<u>\$ 432</u>
<b>FINANCIAL POSITION</b>										
Working capital (deficiency)	<u>\$ 1,576</u>	\$ (514)	\$ 2,140	\$ 2,730	\$ 2,130	\$ 2,140	\$ 1,685	\$ 1,474	\$ 1,355	\$ 897
Fixed assets — net	<u>4,441</u>	3,430	3,548	3,719	3,665	3,620	3,643	2,784	2,655	2,197
Other assets	<u>2,290</u>	<u>1,369</u>	<u>2,834</u>	<u>367</u>	<u>491</u>	<u>33</u>	<u>38</u>	<u>27</u>	<u>63</u>	<u>34</u>
	<u>8,307</u>	<u>4,285</u>	<u>8,522</u>	<u>6,816</u>	<u>6,286</u>	<u>5,793</u>	<u>5,366</u>	<u>4,285</u>	<u>4,073</u>	<u>3,128</u>
Long term debt	<u>4,568</u>	1,800	2,194	1,150	1,328	1,636	1,894	1,406	1,573	964
Deferred income taxes	<u>1,257</u>	<u>1,017</u>	<u>948</u>	<u>1,061</u>	<u>953</u>	<u>809</u>	<u>651</u>	<u>472</u>	<u>418</u>	<u>394</u>
	<u>5,825</u>	<u>2,817</u>	<u>3,142</u>	<u>2,211</u>	<u>2,281</u>	<u>2,445</u>	<u>2,545</u>	<u>1,878</u>	<u>1,991</u>	<u>1,358</u>
Shareholders' equity	<u>\$ 2,482</u>	<u>\$ 1,468</u>	<u>\$ 5,380</u>	<u>\$ 4,605</u>	<u>\$ 4,005</u>	<u>\$ 3,348</u>	<u>\$ 2,821</u>	<u>\$2,407</u>	<u>\$2,082</u>	<u>\$1,770</u>
<b>CHANGES IN FINANCIAL POSITION</b>										
Income from continuing operations	<u>\$ 1,250</u>	\$ 1,125	\$ 849	\$ 819	\$ 861	\$ 730	\$ 577	\$ 447	\$ 413	\$ 407
Depreciation	<u>510</u>	480	464	429	394	345	283	240	202	141
Deferred income taxes (reduction)	<u>240</u>	69	(112)	108	144	158	179	54	27	107
Other	<u>48</u>	<u>37</u>	<u>32</u>	<u>12</u>	<u>7</u>	<u>11</u>	<u>20</u>	<u>36</u>		
Operations	<u>2,048</u>	1,711	1,233	1,368	1,406	1,244	1,059	777	642	655
Increase in long term debt	<u>2,875</u>	82	1,154				1,200		800	
Government assistance	<u>18</u>	113	152	376						
Proceeds from sale of fixed assets	<u>15</u>	19	116	11	20	11	29	13	11	225
	<u>4,956</u>	<u>1,925</u>	<u>2,655</u>	<u>1,755</u>	<u>1,426</u>	<u>1,255</u>	<u>2,288</u>	<u>790</u>	<u>1,453</u>	<u>880</u>
Capital expenditures	<u>1,533</u>	378	468	492	457	333	1,182	383	536	655
Long term debt reduction	<u>107</u>	475	110	178	309	258	711	167	191	(47)
Dividends	<u>236</u>	236	234	219	203	203	163	122	102	81
Other	<u>990</u>	<u>3,490</u>	<u>2,433</u>	<u>266</u>	<u>467</u>	<u>6</u>	<u>20</u>		<u>166</u>	<u>4</u>
	<u>2,866</u>	<u>4,579</u>	<u>3,245</u>	<u>1,155</u>	<u>1,436</u>	<u>800</u>	<u>2,076</u>	<u>672</u>	<u>995</u>	<u>693</u>
Increase (decrease) in working capital	<u>\$ 2,090</u>	<u>\$ (2,654)</u>	<u>\$ 590</u>	<u>\$ 600</u>	<u>\$ (10)</u>	<u>\$ 455</u>	<u>\$ 212</u>	<u>\$ 118</u>	<u>\$ 458</u>	<u>\$ 187</u>
<b>PER SHARE</b>										
Income from continuing operations	<u>\$ .74</u>	\$ .66	\$ .51	\$ .50	\$ .53	\$ .45	\$ .36	\$ .28	\$ .26	\$ .25
Loss from discontinued operations		(1.15)	(.16)							
Income (loss) before extraordinary item	<u>.74</u>	(.49)	.35	.50	.53	.45	.36	.28	.26	.25
Net income (loss)	<u>.74</u>	(2.18)	.31	.50	.53	.45	.36	.28	.26	.25
Dividends	<u>.14</u>	.14	.14	.135	.125	.125	.10	.075	.0625	.05
Shareholders' equity	<u>1.47</u>	.87	3.19	2.83	2.46	2.06	1.74	1.48	1.28	1.09



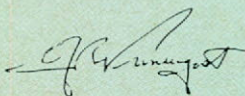
**VULCAN INDUSTRIAL PACKAGING LIMITED**

(Incorporated under the laws of Canada)

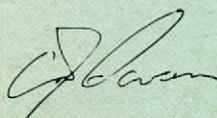
CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1979

	<u>1979</u>	<u>1978</u>
ASSETS		
CURRENT ASSETS		
Accounts receivable .....	\$ 2,719,461	\$ 2,107,653
Inventories (note 2) .....	5,238,747	3,681,339
Prepaid expenses and deposits .....	<u>62,841</u>	<u>53,131</u>
	8,021,049	5,842,123
 FIXED ASSETS (note 3) .....	 4,441,837	 3,430,098
 DEFERRED RESEARCH AND DEVELOPMENT COSTS,		
less amortization (note 4) .....	<u>2,290,053</u>	<u>1,369,363</u>
	 <u>\$14,752,939</u>	 <u>\$10,641,584</u>

Approved by the Board



Director



Director



LIABILITIES

	<u>1979</u>	<u>1978</u>
<b>CURRENT LIABILITIES</b>		
Bank indebtedness (note 5) .....	\$ 2,663,864	\$ 1,857,451
Accounts payable and accrued liabilities .....	3,308,924	3,841,792
Income and other taxes payable .....	385,951	71,487
Principal due within one year on long term debt .....	<u>86,755</u>	<u>585,385</u>
	<u>6,445,494</u>	<u>6,356,115</u>
LONG TERM DEBT (note 5) .....	<u>4,568,456</u>	<u>1,800,415</u>
DEFERRED INCOME TAXES .....	<u>1,257,300</u>	<u>1,017,300</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized		
Unlimited 6% non-cumulative preference shares, redeemable at issued value		
Unlimited common shares		
Issued		
1,688,840 Common shares .....	1,256,003	1,256,003
RETAINED EARNINGS .....	<u>1,225,686</u>	<u>211,751</u>
	<u>2,481,689</u>	<u>1,467,754</u>
	<u>\$14,752,939</u>	<u>\$10,641,584</u>

Contingent liabilities and commitments (note 8)



## VULCAN INDUSTRIAL PACKAGING LIMITED

### CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1979

	<u>1979</u>	<u>1978</u>
Sales .....	<u>\$23,737,458</u>	<u>\$18,574,017</u>
Expenses		
Cost of sales exclusive of depreciation .....	<u>18,318,193</u>	14,196,626
Depreciation .....	<u>509,904</u>	480,200
Selling .....	<u>1,102,147</u>	937,514
Administrative .....	<u>1,085,133</u>	858,292
Interest on long term debt .....	<u>392,820</u>	132,535
Other interest .....	<u>248,888</u>	95,974
	<u>21,657,085</u>	<u>16,701,141</u>
Income before the undernoted .....	<u>2,080,373</u>	<u>1,872,876</u>
Income taxes		
Current .....	<u>590,000</u>	679,186
Deferred .....	<u>240,000</u>	69,100
	<u>830,000</u>	<u>748,286</u>
Income from continuing operations .....	<u>1,250,373</u>	1,124,590
Loss from discontinued operations .....	<u>                    </u>	<u>1,950,000</u>
Income (loss) before extraordinary item .....	<u>1,250,373</u>	(825,410)
Loss on discontinuance of operations of		
U.S. subsidiaries .....	<u>                    </u>	<u>2,850,000</u>
NET INCOME (LOSS) .....	<u>1,250,373</u>	(3,675,410)
RETAINED EARNINGS AT BEGINNING OF YEAR .....	<u>211,751</u>	<u>4,123,599</u>
	<u>1,462,124</u>	448,189
Dividends .....	<u>236,438</u>	236,438
RETAINED EARNINGS AT END OF YEAR .....	<u>\$ 1,225,686</u>	<u>\$ 211,751</u>
EARNINGS (LOSS) AND DIVIDENDS PER SHARE		
Income from continuing operations .....	<u>\$.74</u>	\$ .66
Loss from discontinued operations .....	<u>                    </u>	(1.15)
Extraordinary item .....	<u>                    </u>	(1.69)
Net income (loss) .....	<u>.74</u>	(2.18)
Dividends .....	<u>.14</u>	.14



## VULCAN INDUSTRIAL PACKAGING LIMITED

### CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1979

	<u>1979</u>	<u>1978</u>
WORKING CAPITAL DERIVED FROM		
Operations		
Income before extraordinary item .....	<b>\$1,250,373</b>	\$1,124,590
Items not involving working capital		
Depreciation .....	<b>509,904</b>	480,200
Amortization of deferred research and development costs .....	<b>51,865</b>	40,478
Deferred income taxes .....	<b>240,000</b>	69,100
Gain on disposal of fixed assets .....	<b>(4,075)</b>	(3,548)
	<b>2,048,067</b>	1,710,820
Proceeds from disposal of fixed assets .....	<b>15,280</b>	19,175
Government assistance, research and development .....	<b>17,611</b>	113,270
Increase in long term debt .....	<b>2,874,585</b>	81,800
	<b>4,955,543</b>	1,925,065
WORKING CAPITAL APPLIED TO		
Additions to fixed assets .....	<b>1,532,848</b>	377,810
Reduction in non-current portion of long term debt .....	<b>106,544</b>	474,985
Dividends .....	<b>236,438</b>	236,438
Deferred research and development costs .....	<b>990,166</b>	716,668
Increase in investment in and advances to subsidiary companies .....		1,211,007
Guarantees payable on behalf of subsidiaries .....		1,562,424
	<b>2,865,996</b>	4,579,332
INCREASE (DECREASE) IN WORKING CAPITAL POSITION .....	<b>2,089,547</b>	(2,654,267)
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR .....	<b>(513,992)</b>	2,140,275
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR .....	<b>\$1,575,555</b>	\$ (513,992)



# VULCAN INDUSTRIAL PACKAGING LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1979

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The consolidated financial statements reflect the financial position, the results of operations and the changes in financial position of the company and its wholly owned subsidiary, Beaverton Wire Products Limited.

(b) Inventories

Raw materials and work in process are valued at the lower of cost and replacement cost and finished goods are valued at the lower of cost and net realizable value.

(c) Depreciation

Depreciation is computed on a straight line basis based on estimated useful life at the following average rates:

Buildings	5%
Plant machinery and equipment	8.33%
Automotive equipment	30%

(d) Financial assistance from government and others

During the course of certain research and development programs financial assistance is received from government and others. It is the company's policy to account for such assistance as a recovery of costs incurred.

(e) Deferred research and development costs

It is the company's policy to defer costs related to development of new products until commercial production has been attained or the project has been deemed commercially unfeasible. Upon the commencement of commercial production of a particular product, all related unrecovered costs are amortized on a straight line basis over a five year period.

In certain circumstances, additional expenditures are made to develop new uses and markets for existing products. In such cases, it is the company's policy to defer these costs and to amortize the unrecovered portion over a five year period from the date incurred.

(f) Pension plan

The unfunded past service liabilities of the pension plan relating to the employees of the company are funded on a straight line basis over a maximum of fifteen years from the date such liabilities are determined.

### 2. INVENTORIES

	1979	1978
Raw materials	\$1,493,062	\$ 595,360
Work in process	2,328,674	2,225,246
Finished goods	1,417,011	860,733
	<u>\$5,238,747</u>	<u>\$3,681,339</u>

### 3. FIXED ASSETS

	1979		1978	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 92,046	\$	\$ 92,046	\$ 92,046
Buildings	1,680,748	787,082	893,666	902,784
Plant machinery, equipment and automotive equipment	7,101,363	3,645,238	3,456,125	2,435,268
	<u>\$8,874,157</u>	<u>\$4,432,320</u>	<u>\$4,441,837</u>	<u>\$3,430,098</u>

### 4. DEFERRED RESEARCH AND DEVELOPMENT COSTS

	1979	1978
Research and development costs	\$1,320,028	\$1,045,500
Financial assistance from government (note 8(b))	836,263	647,378
	<u>483,765</u>	<u>398,122</u>
Accumulated amortization	183,259	131,394
	<u>300,506</u>	<u>266,728</u>
Financial assistance, not yet received	181,483	
	<u>481,989</u>	<u>266,728</u>
Investment in and advances to 50% owned corporate joint venture	1,808,064	1,102,635
	<u>\$2,290,053</u>	<u>\$1,369,363</u>

The corporate joint venture is engaged in the development, manufacture and licensing of Explosafe products in jurisdictions other than Canada. At December 31, 1979, the joint venture has no income or loss as all costs, net of revenues received, are being deferred until commercial operations commence. Accordingly, the investment in and advances to the joint venture have been included in the financial statements as deferred research and development costs.

### 5. LONG TERM DEBT

	1979	1978
Term loans		
11 <sup>3</sup> / <sub>4</sub> %, Payable \$41,388 monthly including principal and interest to July 15, 1981, \$45,822 monthly thereafter, due July 15, 1984	\$3,983,961	
13 <sup>1</sup> / <sub>2</sub> % To October 15, 1980, the greater of 11 <sup>1</sup> / <sub>2</sub> % or prime plus 1 <sup>1</sup> / <sub>2</sub> % thereafter, payable \$3,750 principal plus interest monthly, due October 15, 1984	671,250	
Prime plus 1%, repaid during 1979		\$1,200,000
U.S. base rate plus 2%, repaid during 1979		1,185,800
	<u>4,655,211</u>	<u>2,385,800</u>
Less principal included in current liabilities	86,755	585,385
	<u>\$4,568,456</u>	<u>\$1,800,415</u>



The term loans are secured by a specific first charge on certain real property and equipment and by a floating charge debenture on all other assets.

The bank indebtedness is secured by an assignment of book debts and by a floating charge debenture, ranking in priority to the debenture, of the term lender, on all assets and undertaking of the company.

The principal due on long term debt over the remainder of their terms is approximately as follows:

1980	\$ 87,000
1981	114,000
1982	156,000
1983	170,000
1984, including \$3,557,000 which may be renewable for an additional five year period	4,128,000

#### 6. INCOME TAXES

Income taxes in the current year have been reduced by approximately \$48,000 by the application of an inventory allowance tax deduction available to Canadian corporations.

#### 7. PENSION PLAN LIABILITY

At December 31, 1979 the balance of past service contributions outstanding under the company's pension plan amounted to \$368,049. The charge to operations for the current year amounted to \$38,840.

#### 8. CONTINGENT LIABILITIES AND COMMITMENTS

(a) The company has guaranteed a bank loan to its corporate joint venture in the amount of \$250,000 (see note 4).

(b) Under the terms of an assistance agreement between the company and the Government of Canada relating to specific research and development, the company is committed to expend in the future an amount equal to the financial assistance received from the Government. In the event that the specific projects are commercially successful and the company does not expend the amounts as committed, the company can be required to repay the amounts so received. At December 31, 1979, government assistance of \$732,000 may be repayable.

(c) In 1975 the company entered into a corporate joint venture agreement. Under the terms of this agreement, the company received a fifty percent interest in the joint venture and agreed that it would fund, manage and operate all undertakings of the joint venture.

#### 9. COMPARATIVE FIGURES

Certain comparative figures for 1978 have been reclassified to conform with the presentation adopted for 1979.

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## AUDITORS' REPORT

To the Shareholders of  
Vulcan Industrial Packaging Limited

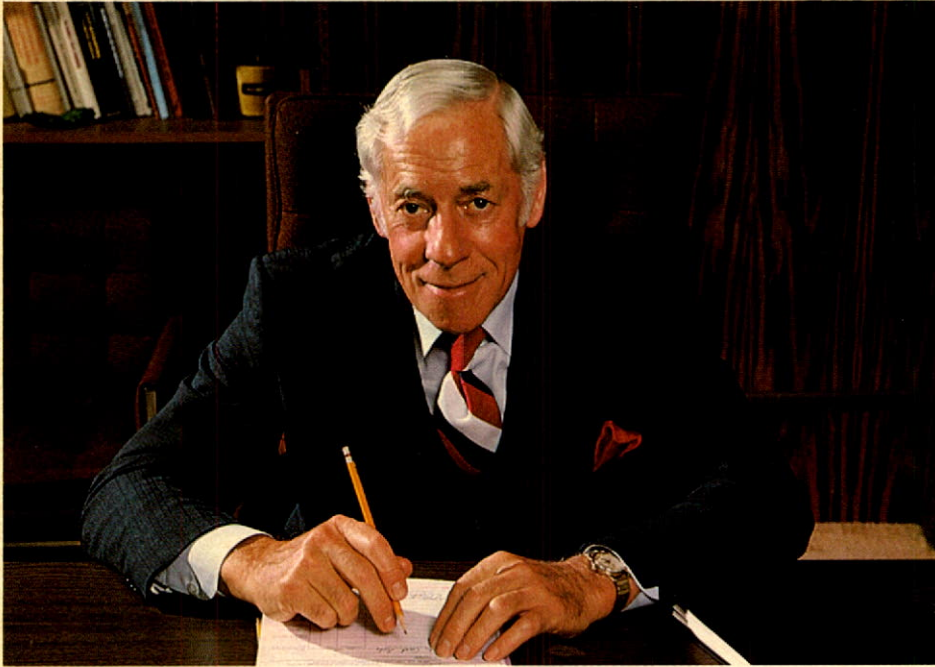
We have examined the consolidated balance sheet of Vulcan Industrial Packaging Limited as at December 31, 1979 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing 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.

Toronto, Canada  
March 4, 1980

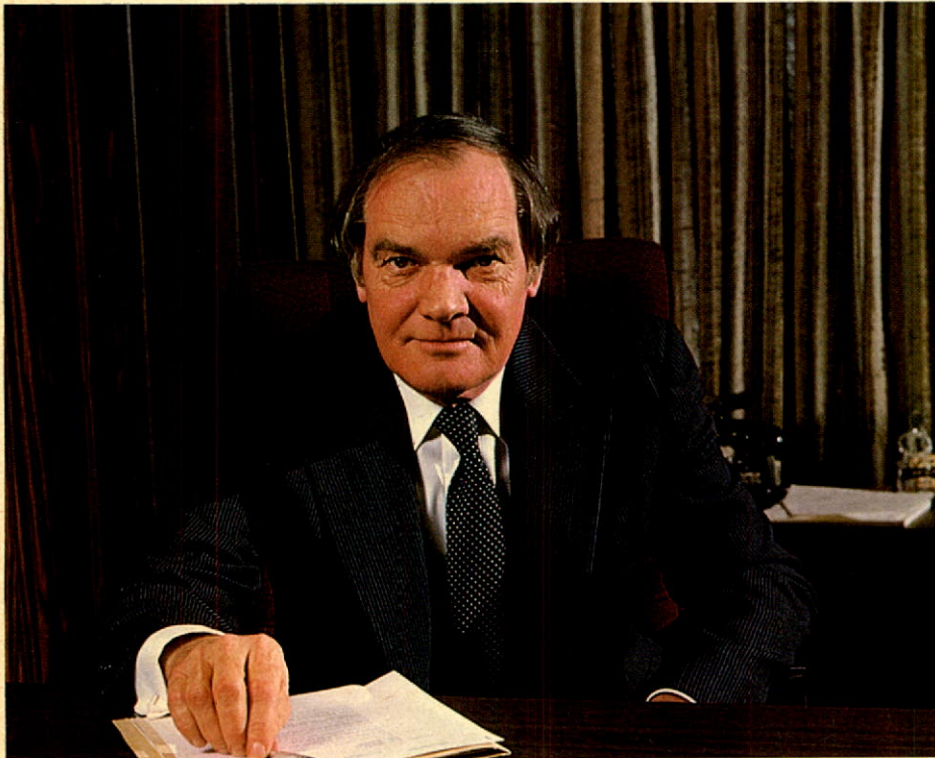
Thorne Riddell & Co.  
Chartered Accountants





James B. Prendergast, Chairman of the Board

Albert J. Cavan, Q.C., President and Chief Executive Officer



## BOARD OF DIRECTORS

ALBERT J. CAVAN, Q.C.\*†  
*President and Chief Executive Officer,*  
Vulcan Industrial Packaging Limited,  
Toronto

PHILIP C. GARRATT  
*Senior Vice-President,*  
Reed Stenhouse Limited,  
Toronto

NORMAN E. KAYE†  
*Consultant,*  
George Weston Limited, Toronto

VERN I. McCARTHY, JR.  
*Director,*  
Vulcan Industrial Packaging Limited,  
Toronto

JAMES B. PRENDERGAST\*  
*President and Chief Executive Officer,*  
Westroc Industries Limited,  
Toronto

JOHN E. SANDS\*  
*Vice-President,*  
Maplebrook Investments Limited,  
Toronto

ARTHURS G. SIMPSON†  
*President,*  
A.G. Simpson Co. Limited,  
Toronto

\*Executive Committee

†Audit Committee



## OFFICERS

**JAMES B. PRENDERGAST**

*Chairman*

**ALBERT J. CAVAN, Q.C.**

*President and Chief Executive Officer*

**ALEX C. TELFER\***

*Executive Vice-President*

**WILLIAM J. MOFFAT, C.A.\***

*Vice-President of Finance and Secretary-Treasurer*

**NORMAN E. WRYCRAFT**

*Vice-President, Materials and Distribution*

**GEORGE D'CRUZE\***

*Vice-President, Manufacturing*

**KENNETH A. MONK**

*General Manager, Explosafe Division*

## LISTED

Vulcan Industrial Packaging Limited shares are listed on the Toronto Stock Exchange (VIP) and are traded throughout the United States on NASDAQ (VIPLF).

## AUDITORS

Thorne Riddell & Co., Toronto, Ontario

## REGISTRAR AND TRANSFER AGENT

Canada Permanent Trust Company, Toronto, Ontario

## ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Bristol Place Hotel, 950 Dixon Road, Toronto, at 10 a.m. on Tuesday May 6th, 1980. Shareholders and guests are cordially invited to attend this meeting.



*Alex C. Telfer, Executive Vice-President*



*George D'Cruze, Vice-President, Manufacturing*



*William J. Moffat, C.A., Vice-President, Finance and Secretary-Treasurer*



*Kenneth A. Monk, General Manager, Explosafe Division*



*Norman E. Wrycraft, Vice-President, Materials and Distribution*



# VULCAN INDUSTRIAL PACKAGING LIMITED

## HEAD OFFICE

**Vulcan Industrial Packaging Limited**  
 15 Bethridge Road,  
 Rexdale, Ontario,  
 Canada M9W 1M6  
 Telephone (416) 743-8682  
 Telex 06-989455

## CANADIAN CONTAINER DIVISION Plants and Offices

**Vulcan Industrial Packaging Limited  
 Steel Division**  
 15 Bethridge Road,  
 Rexdale, Ontario,  
 Canada M9W 1M6  
 Telephone (416) 743-8682

**Vulcan Industrial Packaging Limited  
 Steel Division**  
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**Vulcan Industrial Packaging Limited  
 Plastics Division**  
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 M9W 5C3  
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## METAL LITHOGRAPHY DIVISION

**Metal Decorating Lithographers**  
 44 Bethridge Road,  
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## METAL PROCESSING DIVISION

**Rexsteel Division**  
 15 Bethridge Road,  
 Rexdale, Ontario M9W 1M6  
 Telephone (416) 743-8682

## SAFETY CAN DIVISION

5213 Elevator Road,  
 Roscoe, Illinois 61073  
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## SALES OFFICES AND WAREHOUSES

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3535 Foster Avenue,  
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## EXPLOSAFE

**Explosafe Division**  
 414 Attwell Drive,  
 Rexdale, Ontario M9W 5C3  
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**Explosafe America Inc.**  
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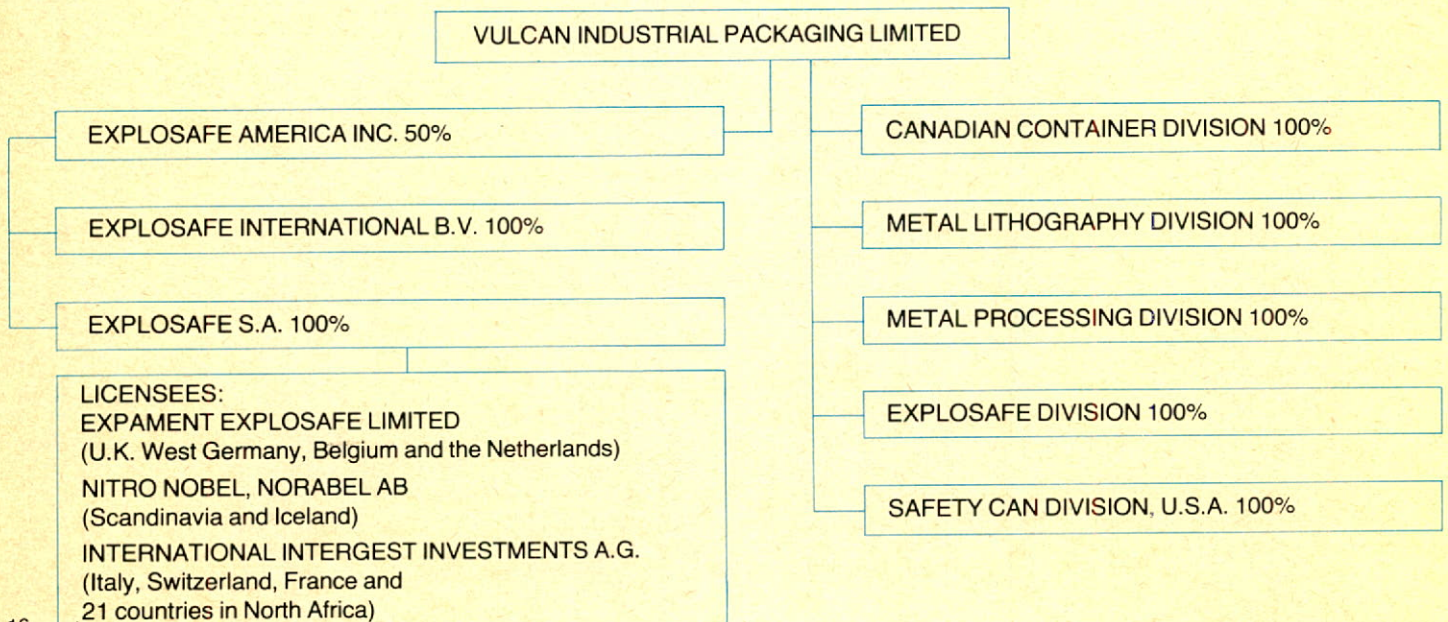
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**Explosafe S.A.**  
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 Geneva, Switzerland

**Expamet Explosafe Limited**  
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 London, England. SW1H OPS

**Nitro Nobel AB, Norabel Div.**  
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**International Intergest Investments A.G.**  
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THE  
**VULCAN**<sup>®</sup>  
GROUP OF COMPANIES