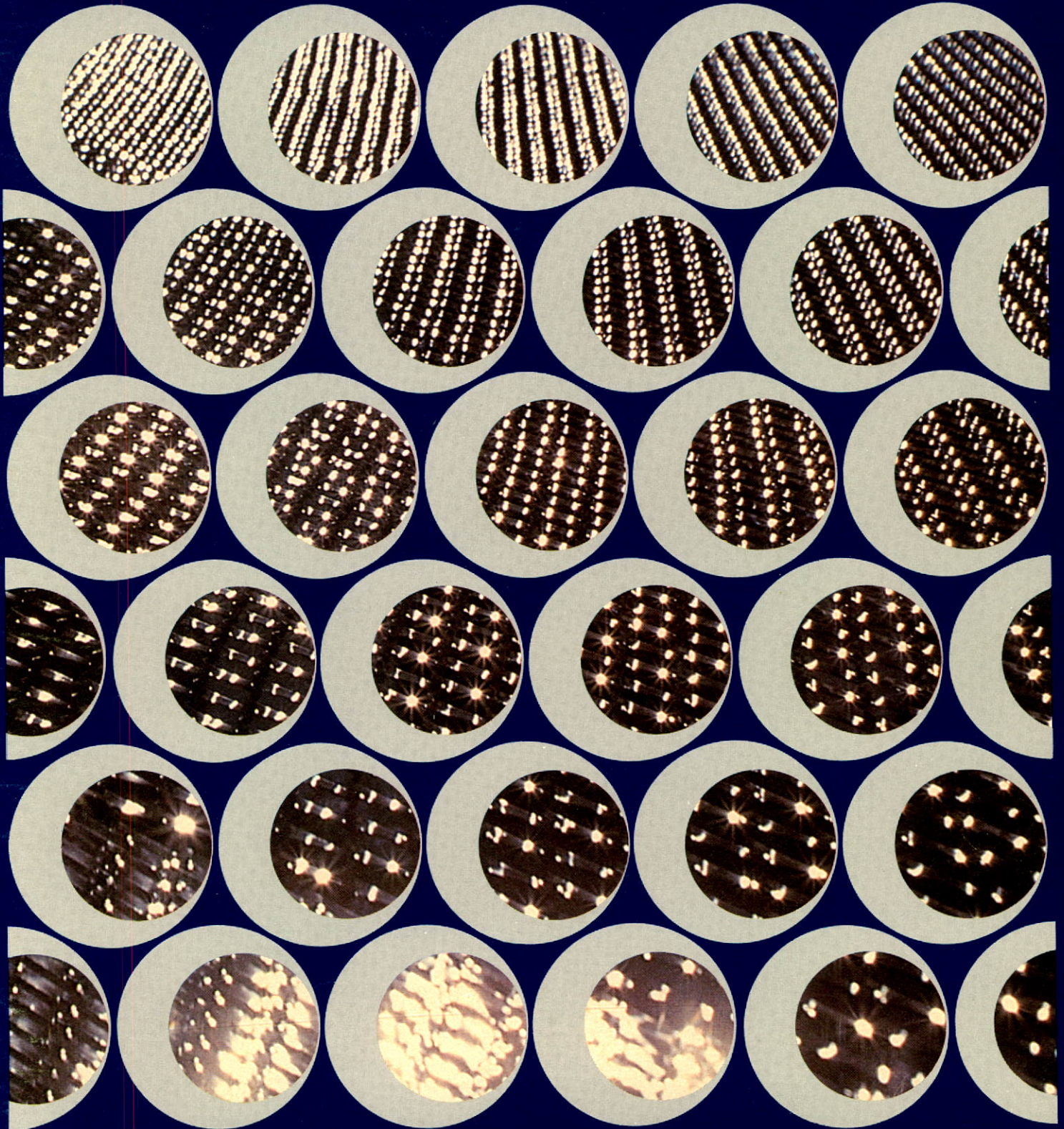


# WULCAN®

Industrial Packaging Limited

Annual Report 1980





	1980	1979
	<i>(thousands of dollars)</i>	
<b>OPERATIONS</b>		
Sales	\$26,667	\$23,737
Income before income taxes	2,058	2,080
Income taxes	801	830
Net income	1,257	1,250
Capital expenditures	1,485	1,533
Provision for depreciation	606	510
<b>FINANCIAL POSITION</b>		
Working capital	1,893	1,576
Fixed assets - net	5,295	4,442
Long term debt	5,087	4,569
Deferred income taxes	1,681	1,257
Shareholders' equity	3,503	2,482
<b>PER SHARE</b>		
Net income	.17	.16
Cash flow	.31	.27
Dividends	.03	.03
Shareholders' equity	.46	.33
<b>STATISTICAL</b>		
Number of employees	306	320
Number of shareholders	1,120	1,115

## Table of Contents

Message to Shareholders	page 2
Review of Operations	
Metal Container Division	page 3
Plastic Pail Division	page 4
Metal Decorating Lithographers	page 5
Explosafe	page 6
Financial Review	page 9
Consolidated Financial Statements	page 11
Corporate Information	page 19

cover design: steel pails superimposed on Explosafe foil.

# Vulcan Industrial Packaging Limited

## To the shareholders:

On behalf of the board of directors we take pleasure in presenting the 1980 annual report of Vulcan Industrial Packaging Limited. Due to the significance of many events affecting the company in the past year and for the benefit of new shareholders, this year's report has been expanded to provide a more detailed discussion of our operations and financial performance. Management's review of these matters begins on page 3.

The 1980 results reflect a consolidation of the gains that Vulcan has made over the last decade. The company's growth in the past has been due mainly to consistent record performances in the container and metal decorating divisions. The success of these operations combined with excellent lines of credit now provide a solid financial base for expansion and diversification in the 1980s.

To meet our goals of increased growth and profitability, management plans through acquisition to broaden our product lines and market share in the container industry. The company has also developed an aggressive marketing strategy for the Explosafe explosion suppression system. With these two plans in place, we anticipate reporting sharply increased earnings in the early 1980s.

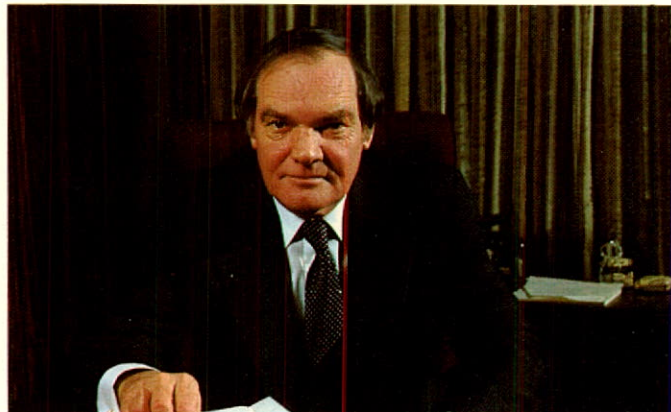
The company plans to make an additional offering of shares to the public to pursue its acquisition and capital expansion programs and for the reduction of debt. In anticipation of this offering the company's shares were split on a 3-for-2 basis in December 1980, and on a 3-for-1 basis in April 1981.

1980 was a difficult year for Canadians. High interest rates, persistent inflation and political uncertainty have affected the well-being of consumers and businesses alike. To meet the challenges of the '80s will require a combination of skill, ingenuity and sound management. It is among Vulcan's greatest assets that the men and women who serve the company across the country are equipped to meet these challenges and we would like to acknowledge their efforts and dedication.

Mr. George R. Zies, a former director and president of the company, died on September 27, 1980. Mr. Zies' contribution to Vulcan will long be remembered by those who were associated with him.



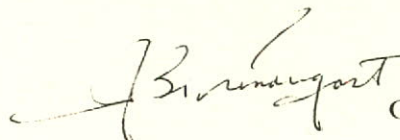
*James B. Prendergast, Chairman of the Board of Directors.*



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

It is with deep appreciation that the directors and officers of the company acknowledge the continued interest and support of our shareholders.

On behalf of the Board of Directors,

 James B. Prendergast,  
Chairman of the Board

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

# Vulcan Industrial Packaging Limited

## Review of Operations

### Metal Container Division

Vulcan is the largest manufacturer of industrial steel and tinplate pails in Canada. The metal container division produces metal pails ranging in size from 2 to 6 imperial gallons (9 to 28 litres) and cans in sizes from 1 to 10 pints (600 millilitres to 7 litres). Sales of metal pails and cans represent the major portion of the company's annual revenues.

The metal container division in Rexdale has three pail manufacturing lines and two can manufacturing lines capable of producing a total of 45,000 pails and 12,000 cans per day, on a two-shift basis. These capabilities reflect capital additions and improvements over the last two years which have increased production speeds significantly.

The company's pail sub-assembly plant in Calgary has now moved to a larger facility thereby increasing the capacity for both production

and warehousing in the fast-growing markets of western Canada. Production at this plant involves the double seaming of tops onto closed-head steel pails, allowing unfinished pails to be shipped from Rexdale in nested form at a significant freight saving.

The container division is supplied with steel and tinplate sheets cut from coil by the company's Rexsteel operation. The ability to cut steel and tinplate to sizes required by individual customers' orders permits the efficient utilization of metal inventories. Steel and tinplate, the principal raw materials used for metal container manufacture, are purchased from several domestic sources. While 1981 steel markets are expected to be tight, we have now obtained commitments from our principal suppliers, enabling us to meet our projected needs.

The metal container division's customers include companies in the agricultural and specialty chemical, petroleum, paint, printing ink, food, mining and construction materials industries. Substantially all of the company's containers are sold in Canada. A large portion of our business is contracted on a one-year basis and our principal



*Metal Container Division 15 Bethbridge Road, Rexdale, Ontario.*

# Vulcan Industrial Packaging Limited

customer relationships are of many years duration. Over the past few years, there has been a substantial increase in sales to the food service industry and to the fast food segment in particular. In addition, the conversion to metric-sized containers has generally resulted in reduced packaging size and a consequent increase in number of pails sold.

The company maintains inventories of finished containers in warehouses in Toronto, Montreal, Winnipeg, Calgary and Vancouver. Due to these inventories of finished goods, in addition to the production flexibility afforded by the Rexsteel and the Metal Decorating operations, most customer orders can be filled promptly.

We are pleased with the 1980 results of the container division relative to the performance of the Canadian industrial container industry as a whole.



(left to right) John Pollock, Plant Manager Explosafe and Plastic Pail Divisions; Ken Hicks, Plant Manager, Metal Container Division; George D'Cruze, Vice-President, Manufacturing; John Trumpler, Plant Manager, Metal Decorating Lithographers; Rene Koningen, Plant Engineer.

## Plastic Pail Division

In July 1980, Vulcan began production of 2½ and 5 gallon high-density polyethylene pails for industry under a licence for Canada. We expect to begin production of a 20 litre pail in June 1981. This "Ropak" pail produced by the company is a specially designed open-head pail with increased stacking strength and nesting capability and a tightly-sealing plastic cover. It is used for packaging food products, specialty chemicals, soaps, waxes, cleaning compounds, adhesives, inks, building materials and other products. The company's plastic pails meet all applicable Canadian Freight Association regulations for non-reusable containers.

The pails are manufactured by three injection molding machines capable of producing a total of 7,000 pails per day on a three-shift basis.

Plastic resins, the basic raw material for these pails, are available from several domestic sources.



(left to right) Norm Wrycraft, Vice-President, Materials and Distribution; Robert Carter, Purchasing Agent; Ken McConnell, Traffic Manager.

# Vulcan Industrial Packaging Limited

The company's plastic pails are marketed by our experienced container sales force, using the existing national warehouse and distribution facilities. We have obtained contracts to supply plastic pails to several new customers and while our marketing emphasis is to increase sales of plastic industrial pails to current users, we are also endeavouring to retain sales to customers who may convert to plastic from metal containers.



*(left to right) Ross Quantz, National Sales Manager; Alex Telfer, Executive Vice-President; Jim Ricci, Sales Manager, Metal Decorating Lithographers; John Wolynetz, Sales Administrator.*

## Metal Decorating Lithographers

This division produces coated and lithographed cut sheet metal for the metal container division and provides a custom metal decorating service for a variety of customers who require lithographed metal sheets for their own fabrication operations. Many food processors now manufacture their own cans, creating an increased demand for custom metal coating and lithography services. The division also lithographs metal from which its customers produce a wide variety of products, including bottle caps, battery cases, razor blade dispensers, wire spools, automobile mufflers, toys and trunks. Metal Decorating Lithographers offers the broadest range of custom metal

decorating services and currently enjoys the largest share of the custom coating and lithography market in Canada.

The division's manufacturing facility consists of two coating lines and two printing lines. The four lines, which are capable of an aggregate of 300,000 passes per day, are operated at essentially full capacity on a three-shift basis throughout the year. It is the company's intention to improve productive capacity through gradual increases in the degree of automation of our operating lines.

Paint and other protective and decorative coatings, the primary raw materials used by this division, are available from many domestic suppliers.

Metal Decorating Lithographers was established in 1963 to provide decorated steel and tinplate for our container division. Today, two-thirds of the output of this division is devoted to outside customers. Increasing capital costs involved in entering this industry will help to ensure our leadership in metal decorating in the 1980s.



*Metal Decorating Lithographers, 44 Bethbridge Road, Rexdale, Ontario.*

# Vulcan Industrial Packaging Limited

## Explosafe

The Explosafe explosion suppression system is a practical method of protecting tanks and containers of volatile liquids and gases from explosion caused by various sources of ignition. It is based on the simple physical principle that flame quenching occurs when sufficient heat is removed from a burning gas. Heat conductive aluminum foil mesh fills the interior of a fuel container and divides it into a honeycomb of small cells or compartments. When a volatile substance in the container is exposed to a source of ignition, the foil mesh acts as a heat dissipator and limits flame propagation in the container, thereby subduing the explosion hazard.

Vulcan through its Explosafe division holds the Canadian rights to Explosafe and manages Explosafe America Inc. of which the company owns 50%. As manager, Vulcan is responsible for all management, sales, research, marketing and funding required to develop, manufacture, promote and sell Explosafe products worldwide. Under the joint venture agreement, 50% of after-tax profits of Explosafe America is allocated first to repayment of Vulcan's capital costs (which include development expense for the patents and

improvements), and all remaining profits are to be distributed equally.

## Development and Testing

Testing and evaluation of Explosafe, which was started by Vulcan in 1973, has been performed in Canada, the United States and the United Kingdom. The Explosafe system has been tested in a wide variety of applications by both government and industry, including the United States Army and Air Force, the Governments of Canada, Ontario and the United Kingdom, McDonnell-Douglas Corporation and Exxon Corporation. A comprehensive four year test program, partially funded by the Government of Canada and the United States Air Force covering ballistic ignition, explosion suppression, electro-static charge dissipation, slosh reduction, fuel displacement and retention and other characteristics of Explosafe, was completed in September, 1980. The publication of a joint report by Vulcan and the United States Air Force has documented the effectiveness of the system. Following this report the company was issued a temporary U.S. military specification number which officially qualified Explosafe for use in U.S. and Canadian military applications including aircraft and other vehicles.



*Explosafe Division, 414 Attwell Drive, Rexdale, Ontario.*



# Vulcan Industrial Packaging Limited

Experiments with heat transfer properties have demonstrated that Explosafe reduces boiling liquid expanding vapour explosions (BLEVE). In March 1980 Vulcan successfully completed a series of tests involving one-fifth scale liquid petroleum gas (LPG) tank cars. Representatives of the petroleum chemical industry, major railways, major trucking companies and government bodies in the United States and Canada were involved in these initial tests. A similar test program by Vulcan on small LPG fuel tanks for alternate fuel systems for vehicles is also scheduled for this year. Vulcan currently has additional research under way in co-operation with several major aluminum companies to investigate the compatibility of aluminum foil with a broader range of volatile liquids in order to expand the industrial market for Explosafe.

In order to evaluate explosion suppression and heat transfer capabilities of Explosafe, Vulcan has established a research and engineering laboratory and testing facility in Rexdale. Production quality is also monitored at this location.

## Marketing

For the past several years we have followed a strategy designed to penetrate both the consumer and the engineered product markets. However full exploitation of the engineered product market could commence only after completion of the test program and publication of the report by the U.S. Air Force in December 1980. Therefore, revenues from the sale of Explosafe products to date have not been significant.

In 1976 the first Explosafe consumer product, a portable gas can filled with Explosafe foil, was introduced in Canada and has been marketed by the company in 1, 2½ and 5 gallon sizes directly to hardware, automotive supply and department stores throughout Canada. In 1980 the company entered into an exclusive



*Explosafe division (left to right) Andy Szego, Technical Service Manager; Kari Premji, Manager; Project Engineering; Al Soteroli, Manager, Research and Development.*



*Explosafe Division (left to right) Dave Dockery, Office Administrator; Doug Martin, General Sales and Marketing Manager; George Litzenberger, Sales Manager; Alex Telfer, Executive Vice-President.*

# Vulcan Industrial Packaging Limited

Canadian sales agency agreement with Grant Brothers Sales Limited. This fuel container has been distributed in the United States since 1978 by Walter Kidde & Co. Inc., and is sold in several other countries by Explosafe licensees.

The engineered product market is subdivided by the company into three major customer categories: government, military and industrial. The Explosafe division currently is concentrating its efforts on the military segment of the market because of the expected increases in government commitments to military procurement and because the benefits to the military of explosion suppression in fuel cells are recognized both from the viewpoint of reducing casualties and damage to or loss of expensive military equipment. The Explosafe division is conducting a direct sales program in both the United States and Canada, carried out by personnel experienced in explosion suppression systems. Concurrently with military sales and engineering efforts, the division is further developing the industrial market and is filling orders for applications from that market segment.

Under the three market categories, Explosafe has been sold for use in harbour patrol boats of the Sheriff's Department of Orange County, California, U.S. Nuclear escort vehicles, Commando Ranger Armoured Response Vehicles for the U.S. Air Force, Security Police helicopters for the U.S. Navy, motorcycle auxiliary tanks, industrial storage tanks and commercial armoured security cars and trucks. In addition to the above, orders have been received for concept studies and prototype models covering military amphibious vehicles, armoured personnel carriers and military ordnance and recovery vehicles.

## Manufacturing

The Explosafe division's two production lines – one used primarily for consumer products and the other for engineered products – have a potential production capacity of 1000 cubic feet and 500 cubic feet, respectively, per shift.

They currently are operated on a one-shift basis.

The modular design of the Explosafe production machinery permits various combinations to be sold to licensees to suit immediate or potential requirements. This design will also permit Vulcan to establish manufacturing facilities in proximity to high volume customers, in order to reduce transportation costs. Explosafe foil is currently being produced by a licensee in the United Kingdom and production facilities will be established in Italy by July 1981.

## International Licensing

Our strategy is to establish a comprehensive network of selected licensees and distributors. Four exclusive licences have been granted covering an aggregate of eighteen countries – fifteen in Europe and three in Africa. Licences or exclusive distributorships for Australia and New Zealand, Mexico, Chile and Argentina are in various stages of negotiation. An option has been issued for a licence for the Republic of South Africa and Zimbabwe and it is anticipated that a formal licence agreement will be executed in the near future. Joint venture agreements in Asia are also being pursued.

## Plant National

On April 2nd, 1981, Vulcan entered into an agreement to purchase the shares of Plant National (Quebec) Limited from Plant Industries Inc., a Delaware company. Plant National (Quebec) Limited, with its nine operating subsidiaries, is a major Canadian manufacturer of industrial steel drums, plastic, steel and tin plate industrial pails, and is also one of the largest reconditioners of steel drums in Canada. In 1980, Plant National sales were approximately \$38 million.

# Vulcan Industrial Packaging Limited

Prior to closing this transaction, a shareholder of Plant Industries Inc. applied for and received a temporary injunction from a Delaware Court prohibiting completion of this purchase without approval of the majority of Plant Industries' shareholders. At the time of this writing, this matter is still before the court and should be resolved within the next few months.

The company's proposed offering of additional shares to the public has been deferred until the status of this transaction is determined.



(left to right) Bob Scott-Reid, Controller; Tom Englebart, Manager of Cost Accounting; Joe Sutherland, Manager of General Accounting; William J. Moffat, Vice-President, Finance.

## Financial Review

Sales increased to \$26.7 million up 12% over 1979, due primarily to sustained demand for the products and services of the metal container and metal decorating divisions. Price increases for these products and services in the year enabled the company to offset rising costs and maintain gross profit margins despite the absorption of start-up costs for the plastic pail division in the latter part of the year.

Net income increased only marginally over 1979, as a result of higher operating expenses and increased interest costs relating primarily to

the significant investment in capital equipment made by the company in 1979 and 1980. Cash flow increased to 31¢ per share or 15% over 1979.

Working capital increased by 20% over 1979. Working capital ratios were 1.30:1 and 1.24:1 in 1980 and 1979 respectively.

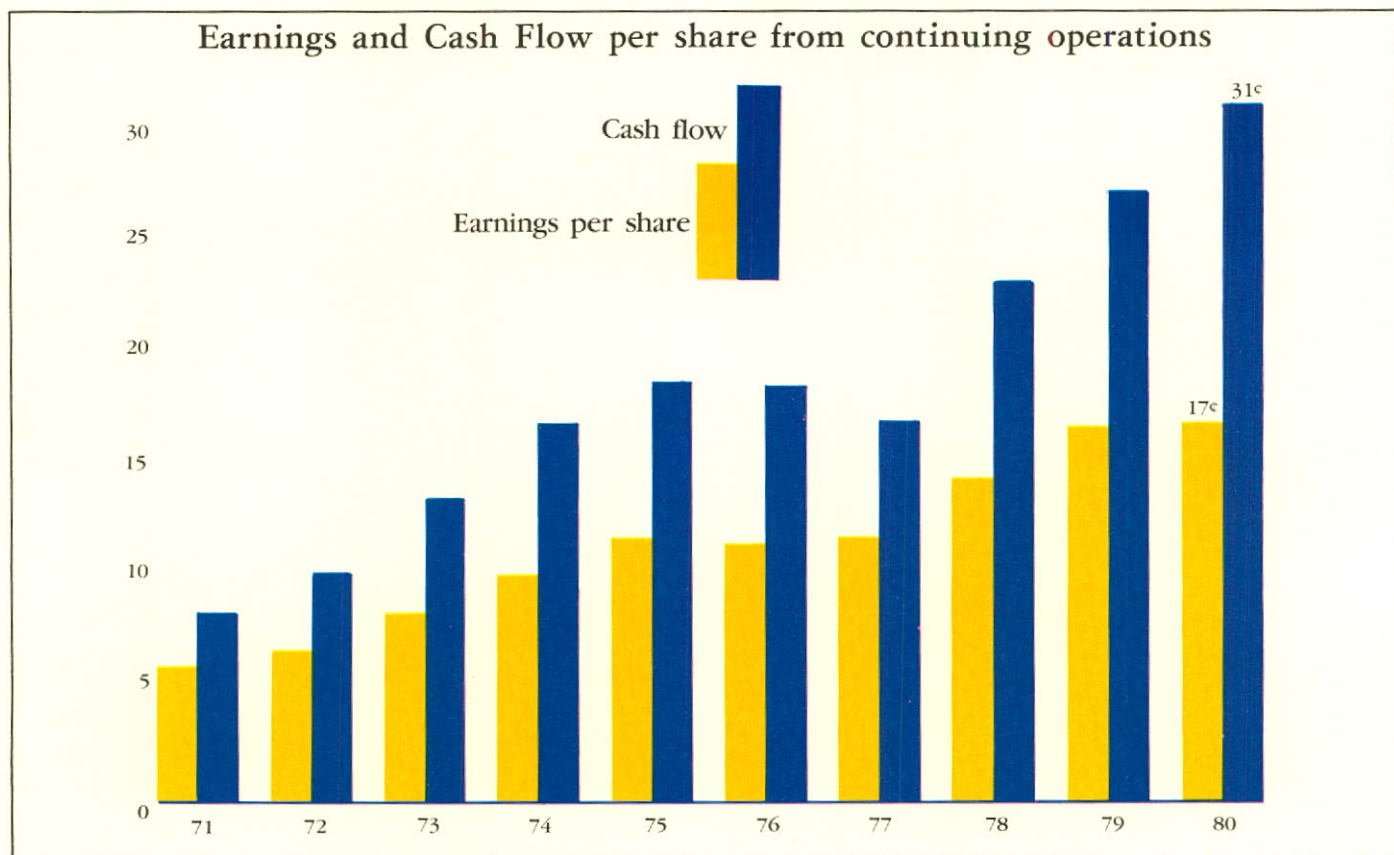
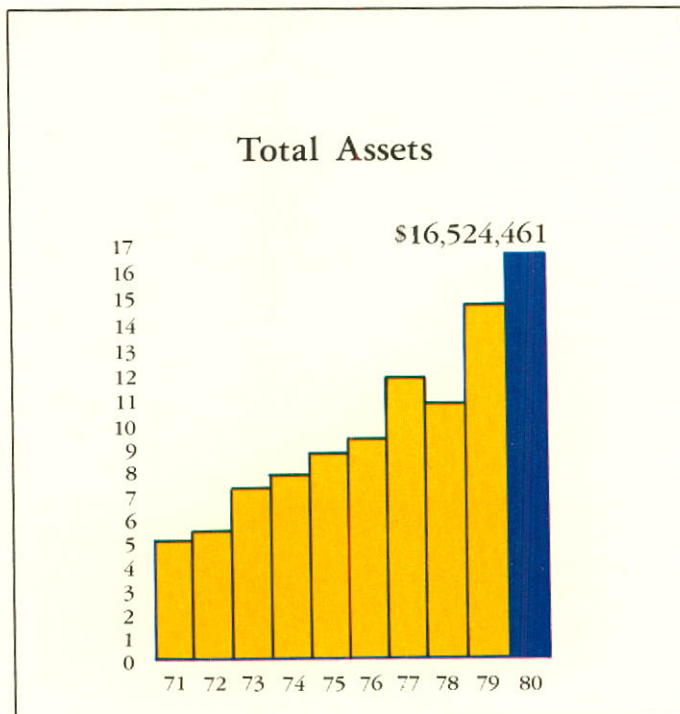
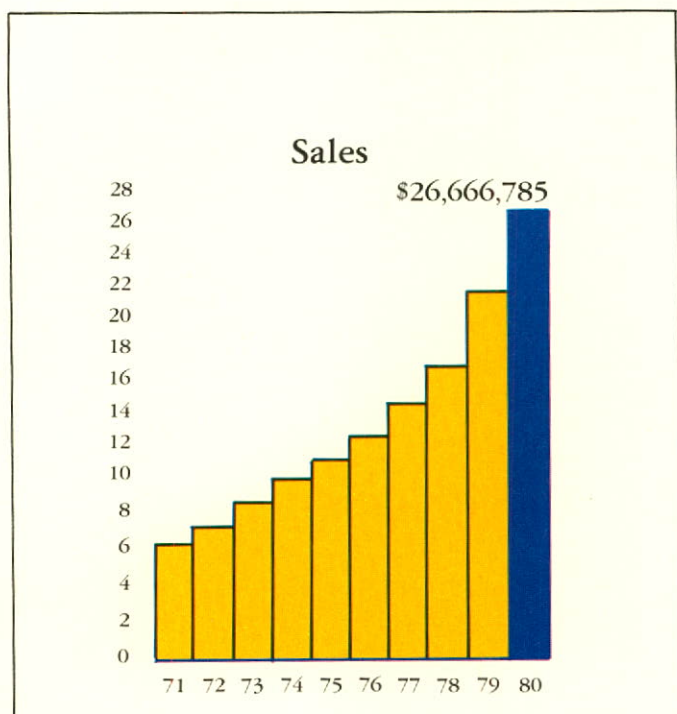
All per share information in the financial statements reflects a 3-for-2 split of the company's issued and outstanding common shares on December 16, 1980 and a 3-for-1 split on April 29, 1981.

Price Range of Vulcan Common Shares on the Toronto Stock Exchange\*

	Price Range	
	High	Low
1979		
1st quarter	\$ 2.25	\$ 1.50
2nd quarter	3.11	1.75
3rd quarter	3.17	2.56
4th quarter	3.06	1.95
1980		
1st quarter	\$ 3.67	\$ 2.22
2nd quarter	3.92	2.67
3rd quarter	5.33	3.64
4th quarter	5.08	3.61

\*All prices reflect a 3-for-2 split of common shares on December 16, 1980 and a 3-for-1 split on April 29, 1981. Prices are in Canadian funds.

# Vulcan Industrial Packaging Limited



CONSOLIDATED  
FINANCIAL STATEMENTS

Year ended December 31, 1980

Table of Contents

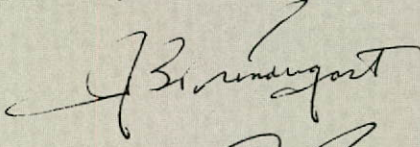
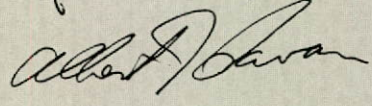
Balance Sheet	page 12
Auditors' Report	page 13
Statement of Income and Retained Earnings	page 14
Statement of Changes in Financial Position	page 15
Notes to Financial Statements	page 16
Ten-Year Summary	page 18

Vulcan  
Industrial Packaging  
Limited

CONSOLIDATED BALANCE SHEET

as at December 31, 1980

(Incorporated under the laws of Canada)

ASSETS		
	<u>1980</u>	<u>1979</u>
<b>CURRENT ASSETS</b>		
Accounts receivable	\$ 2,914,244	\$ 2,719,461
Inventories (note 2)	5,118,212	5,238,747
Prepaid expenses and deposits	<u>113,585</u>	<u>62,841</u>
	8,146,041	8,021,049
FIXED ASSETS (note 3)	5,295,117	4,441,837
DEFERRED RESEARCH AND DEVELOPMENT COSTS, less amortization (note 4)	<u>3,083,303</u>	<u>2,290,053</u>
	<u>\$16,524,461</u>	<u>\$14,752,939</u>
Contingent liabilities and commitments (note 8)		
Subsequent events (notes 6 and 10)		
Approved by the Board		
	Director	
	Director	

Vulcan  
Industrial Packaging  
Limited

**LIABILITIES**

	<u>1980</u>	<u>1979</u>
<b>CURRENT LIABILITIES</b>		
Bank indebtedness (note 5)	\$ 2,891,250	\$ 2,663,864
Accounts payable and accrued liabilities	2,764,345	3,308,924
Income and other taxes payable	473,828	385,951
Principal due within one year on long term debt	<u>124,403</u>	<u>86,755</u>
	<u>6,253,826</u>	<u>6,445,494</u>
 <b>LONG TERM DEBT (note 5)</b>	 <u>5,086,553</u>	 <u>4,568,456</u>
 <b>DEFERRED INCOME TAXES</b>	 <u>1,681,300</u>	 <u>1,257,300</u>
 <b>SHAREHOLDERS' EQUITY</b>		
 <b>CAPITAL STOCK (note 6)</b>	 1,256,003	 1,256,003
 <b>RETAINED EARNINGS</b>	 <u>2,246,779</u>	 <u>1,225,686</u>
	<u>3,502,782</u>	<u>2,481,689</u>
	 <u>\$16,524,461</u>	 <u>\$14,752,939</u>

**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, 1980 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, 1980 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  
April 29, 1981

Thorne Riddell  
Chartered Accountants

CONSOLIDATED STATEMENT OF  
INCOME AND RETAINED EARNINGS

Year ended December 31, 1980

Vulcan  
Industrial Packaging  
Limited

	1980	1979
Sales	<u>\$26,666,785</u>	<u>\$23,737,458</u>
Expenses		
Cost of sales exclusive of depreciation	20,499,419	18,333,193
Depreciation	606,405	509,904
Selling	1,262,455	1,057,147
Administrative	1,373,650	1,115,133
Interest on long term debt	563,766	392,820
Other interest	302,559	248,888
	<u>24,608,254</u>	<u>21,657,085</u>
Income before income taxes	<u>2,058,531</u>	<u>2,080,373</u>
Income taxes		
Current	377,000	590,000
Deferred	424,000	240,000
	<u>801,000</u>	<u>830,000</u>
NET INCOME	1,257,531	1,250,373
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>1,225,686</u>	<u>211,751</u>
	2,483,217	1,462,124
Dividends	<u>236,438</u>	<u>236,438</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 2,246,779</u>	<u>\$ 1,225,686</u>
EARNINGS PER SHARE (note 6)	\$.17	\$.16



CONSOLIDATED STATEMENT OF  
CHANGES IN FINANCIAL POSITION

Year ended December 31, 1980

	1980	1979
WORKING CAPITAL DERIVED FROM		
Operations		
Net income	\$1,257,531	\$1,250,373
Items not involving working capital		
Depreciation	606,405	509,904
Amortization of deferred research and development costs	55,325	51,865
Deferred income taxes	424,000	240,000
Loss (gain) on disposal of fixed assets	2,737	(4,075)
	<u>2,345,998</u>	<u>2,048,067</u>
Proceeds from disposal of fixed assets	22,523	15,280
Government assistance, research and development	94,689	17,611
Increase in long term debt	650,000	2,874,585
	<u>3,113,210</u>	<u>4,955,543</u>
WORKING CAPITAL APPLIED TO		
Additions to fixed assets	1,484,945	1,532,848
Reduction in non-current portion of long term debt	131,903	106,544
Dividends	236,438	236,438
Deferred development costs	943,264	990,166
	<u>2,796,550</u>	<u>2,865,996</u>
INCREASE IN WORKING CAPITAL POSITION	316,660	2,089,547
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	<u>1,575,555</u>	<u>(513,992)</u>
WORKING CAPITAL AT END OF YEAR	<u>\$1,892,215</u>	<u>\$1,575,555</u>

NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS

December 31, 1980

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) Fixed assets

Fixed assets are stated at cost. Depreciation is computed on a straight line basis based on estimated useful life at the following average annual rates:

Buildings	5%
Plant machinery and equipment	8%
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

	1980	1979
Raw materials	\$1,390,036	\$1,493,062
Work in process	2,279,356	2,328,674
Finished goods	<u>1,448,820</u>	<u>1,417,011</u>
	<u>\$5,118,212</u>	<u>\$5,238,747</u>

3. FIXED ASSETS

	1980		1979	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 92,046		\$ 92,046	\$ 92,046
Buildings	1,838,503	\$ 864,953	973,550	893,666
Plant machinery, equipment and automotive equipment	<u>8,347,731</u>	<u>4,118,210</u>	<u>4,229,521</u>	<u>3,456,125</u>
	<u>\$10,278,280</u>	<u>\$4,983,163</u>	<u>\$5,295,117</u>	<u>\$4,441,837</u>

4. DEFERRED RESEARCH  
AND DEVELOPMENT COSTS

	1980	1979
Research and development costs	\$1,686,251	\$1,320,028
Financial assistance from government (note 8(b))	<u>971,815</u>	<u>836,263</u>
	714,436	483,765
Accumulated amortization	<u>238,584</u>	<u>183,259</u>
	475,852	300,506
Financial assistance, not yet received	<u>222,346</u>	<u>181,483</u>
	698,198	481,989
Investment in and advances to 50% owned corporate joint venture	<u>2,385,105</u>	<u>1,808,064</u>
	<u>\$3,083,303</u>	<u>\$2,290,053</u>

The corporate joint venture is engaged in the development, licensing and marketing of Explosafe products in jurisdictions other than Canada. At December 31, 1980, 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

	1980	1979
Term loans		
Prime plus 1/4%, payable interest only monthly, principal repayable \$25,000 quarterly commencing April, 1985	\$ 500,000	

NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS

**December 31, 1980**

11¾%, Payable \$41,388 monthly including principle and interest to July 15, 1981, \$45,822 monthly there- after, due July 15, 1984	\$ 3,942,206	\$3,983,961
Prime plus 1½% (minimum, 11½%), payable \$4,583 principal plus interest monthly, due October 15, 1984	768,750	671,250
	5,210,956	4,655,211
Less principal included in current liabilities	124,403	86,755
	<u>\$5,086,553</u>	<u>\$4,568,456</u>

The term loans and bank indebtedness are secured by an assignment of accounts receivable, a specific charge on real property and equipment and a floating charge on all other assets and undertaking of the company.

The principal repayments of long term debt required in each of the next five years are approximately as follows:

1981	\$ 124,000
1982	166,000
1983	180,000
1984, including \$3,557,000 which may be renewable for an additional five year period	4,241,000
1985	75,000

**6. CAPITAL STOCK**

On December 16, 1980 the company sub-divided its issued and outstanding common shares on a three-for-two basis. As a result of this sub-division, fractional shareholdings representing eighteen new shares were purchased for cancellation by the company. In addition, on April 29, 1981 the company sub-divided its then issued and outstanding common shares on a three-for-one basis. The issued capital information and the per share figures reported in these financial statements are after taking into account both of these sub-divisions. Accordingly, capital stock (new share basis) is comprised of the following:

	<u>1980</u>	<u>1979</u>
Authorized		
Unlimited 6% non-cumulative preference shares, redeemable at issued value		
Unlimited common shares		
Issued		
7,599,726 Common shares (1979, 7,599,780 shares)	<u>\$1,256,003</u>	<u>\$1,256,003</u>

**7. PENSION PLAN LIABILITY**

At December 31, 1980 the balance of past service contributions outstanding under the company's pension plan amounted to \$231,200. The charge to operations for the current year amounted to \$19,225.

**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, 1980, government assistance of \$777,000 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 1979 have been reclassified to conform with the financial statement presentation adopted for 1980.

**10. SUBSEQUENT EVENTS**

- (a) On April 2, 1981, the company entered into a share purchase agreement with Plant Industries Inc., a Delaware company, (Plant), to acquire the Canadian manufacturing operations of Plant for a net cash consideration of approximately \$16.5 million. To facilitate this purchase, the company obtained a \$15.5 million bridge financing commitment from one of its bankers. Prior to the closing of this acquisition, on application by a share-holder of Plant, a Delaware court issued a temporary injunction which prohibited Plant from completing the sale without the prior approval of its shareholders. Plant has applied for leave to appeal this injunction, but neither the application nor the appeal has been heard. In order to provide Plant with time to attempt to successfully complete the appeal, the company has presently extended the closing date of the agreement to May 15, 1981 and may, at its option, grant further extensions. Accordingly, it is not currently possible to predict the ultimate resolution of this matter.
- (b) The company's proposed offering of additional shares to the public has been delayed until the status of the proposed acquisition referred to above has been determined.

# Vulcan Industrial Packaging Limited

## CONSOLIDATED FINANCIAL SUMMARY

	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
	<i>(thousands of dollars)</i>									
<b>OPERATIONS</b>										
Sales	\$26,667	\$23,737	\$18,574	\$16,292	\$14,192	\$12,801	\$11,588	\$10,034	\$8,458	\$7,714
Income from continuing operations before income taxes and extraordinary items	\$ 2,058	\$ 2,080	\$ 1,873	\$ 1,351	\$ 1,395	\$ 1,489	\$ 1,232	\$ 989	\$ 897	\$ 795
Income taxes	801	830	748	502	576	628	502	412	450	382
Loss from discontinued operations			1,950	275						
Extraordinary items			2,850	62						
Net income (loss)	\$ 1,257	\$ 1,250	\$(3,675)	\$ 512	\$ 819	\$ 861	\$ 730	\$ 577	\$ 447	\$ 413
<b>FINANCIAL POSITIONS</b>										
Working capital (deficiency)	\$ 1,893	\$ 1,576	\$ (514)	\$ 2,140	\$ 2,730	\$ 2,130	\$ 2,140	\$ 1,685	\$1,474	\$1,355
Fixed assets - net	5,295	4,442	3,430	3,548	3,719	3,665	3,620	3,643	2,784	2,655
Other assets	3,083	2,290	1,370	2,833	366	491	33	38	27	63
	10,271	8,308	4,286	8,521	6,815	6,286	5,793	5,366	4,285	4,073
Long term debt	5,087	4,569	1,801	2,194	1,150	1,328	1,636	1,894	1,406	1,573
Deferred income taxes	1,681	1,257	1,017	948	1,060	953	809	651	472	418
	6,768	5,826	2,818	3,142	2,210	2,281	2,445	2,545	1,878	1,991
Shareholders' equity	\$ 3,503	\$ 2,482	\$ 1,468	\$ 5,379	\$ 4,605	\$ 4,005	\$ 3,348	\$ 2,821	\$2,407	\$2,082
<b>CHANGES IN FINANCIAL POSITION</b>										
Income from continuing operations	\$ 1,257	\$ 1,250	\$ 1,125	\$ 849	\$ 819	\$ 861	\$ 730	\$ 577	\$ 447	\$ 413
Depreciation	606	510	480	464	429	394	345	283	240	202
Deferred income taxes (reduction)	424	240	69	(112)	108	144	158	179	54	27
Other	58	48	37	32	12	7	11	20	36	
Operations	2,345	2,048	1,711	1,233	1,368	1,406	1,244	1,059	777	642
Increase in long term debt	650	2,875	82	1,154	50			1,200		800
Government assistance	95	18	113	153	376					
Proceeds from sale of fixed assets	23	15	19	116	11	20	11	29	13	11
	3,113	4,956	1,925	2,656	1,805	1,426	1,255	2,288	790	1,453
Capital expenditures	1,485	1,533	378	468	492	457	333	1,182	383	536
Long term debt reduction	132	107	475	110	228	309	258	711	167	191
Dividends	236	236	236	234	220	203	203	163	122	102
Other	943	990	3,490	2,434	265	467	6	20		166
	2,796	2,866	4,579	3,246	1,205	1,436	800	2,076	672	995
Increase (decrease) in working capital	\$ 317	\$ 2,090	\$(2,654)	\$ (590)	\$ 600	\$ (10)	\$ 455	\$ 212	\$ 118	\$ 458
<b>PER SHARE</b>										
Income from continuing operations	\$ .17	\$ .16	\$ .15	\$ .11	\$ .11	\$ .12	\$ .10	\$ .08	\$ .06	\$ .06
Loss from discontinued operations			(.26)	(.03)						
Income (loss) before extraordinary items	.17	.16	(.11)	.08	.11	.12	.10	.08	.06	.06
Net income (loss)	.17	.16	(.48)	.07	.11	.12	.10	.08	.06	.06
Dividends	.03	.03	.03	.03	.03	.03	.03	.02	.02	.01
Shareholders' equity	.46	.33	.19	.71	.63	.55	.46	.39	.33	.28

# Vulcan Industrial Packaging Limited

## REGISTRAR AND TRANSFER AGENT

Canada Permanent Trust Company,  
Toronto, Ontario

## ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Old Mill in Room Brule A, 21 Old Mill Road, Toronto, at 5:00 p.m. on Wednesday, June 10, 1981. Shareholders and guests are cordially invited to attend.

## 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, Toronto, Ontario

## HEAD OFFICE

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

## 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  
JAMES B. PRENDERGAST\*  
*President and Chief Executive Officer,*  
Westroc Industries Limited, Toronto  
JOHN E. SANDS\*  
*Vice-President,*  
Maplebrook Investments Limited, Toronto  
ARTHUR G. SIMPSON†  
*President,*  
A.G. Simpson Co. Limited, Toronto  
ALEX C. TELFER\*  
*Executive Vice-President*  
Vulcan Industrial Packaging 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*

# Vulcan Industrial Packaging Limited

## CONTAINER DIVISIONS

### Plants and Offices

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## METAL LITHOGRAPHY DIVISION

Metal Decorating Lithographers  
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## METAL PROCESSING DIVISION

Rexsteel Division  
*15 Bethbridge Road,  
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## SAFETY CAN DIVISION

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