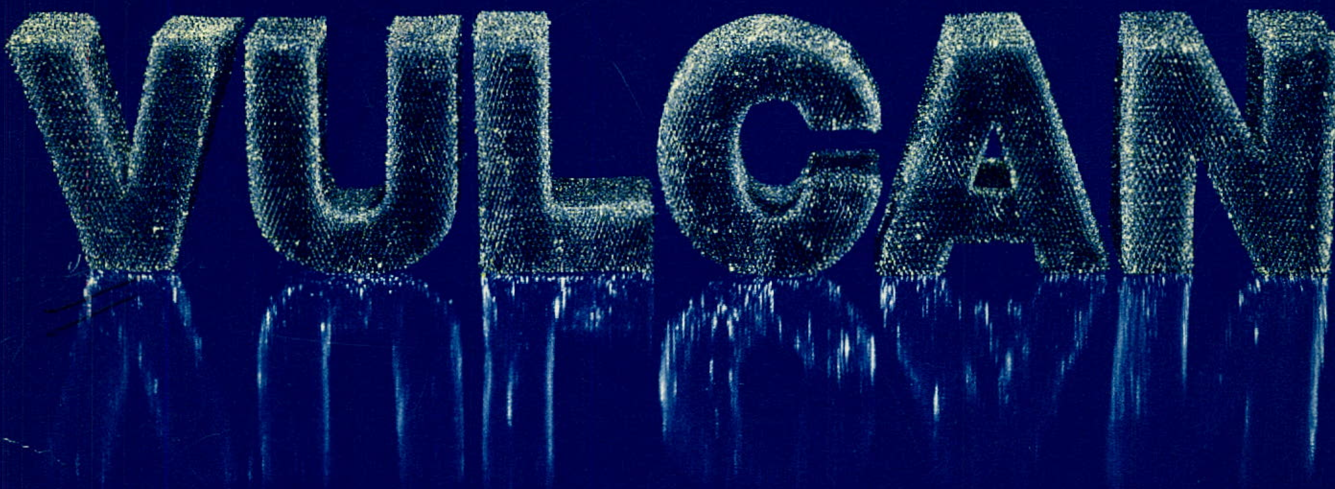


VULCAN INDUSTRIAL PACKAGING LIMITED

ANNUAL REPORT 1982

Operating Facilities

Drum Reconditioning
Montreal Drum Reconditioning Division
1800 – 46th Avenue
Lachine, Quebec H8T 2P2
(514) 636-6320

Manufacturing of Steel Drums and Pails
Montreal Steel Container Division
23 Du Moulin Street
Ville St. Pierre, Quebec H8R 1N5
(514) 364-5500

Drum Reconditioning
Toronto Drum Reconditioning Division
337 John Street
Thornhill, Ontario L3T 5W5
(416) 889-7341

Drum Manufacturing & Reconditioning
Petrolia Steel Container Division
260 Centre Street
Petrolia, Ontario N0N 1R0

Drum Reconditioning
Winnipeg Drum Reconditioning Division
328 Dawson Road North
Winnipeg, Manitoba R2J 0S7
(204) 233-3333

Drum Reconditioning
Regina Drum Reconditioning Division
125 Dewdney Avenue East
Regina, Saskatchewan S4N 4G3
(306) 352-3644

Drum Reconditioning and New Drums
Edmonton Steel Container Division
1912 – 66th Avenue
Edmonton, Alberta T6C 4G5
(413) 464-4500

Manufacture of Steel Rings for Drum Facilities
Mississauga Parts Division
5255 Creekbank Road
Mississauga, Ontario L4W 1N3
(416) 624-0368

Manufacture of Plastic Pails
Montreal Plastics Division
145 Graveline Street
Ville St. Laurent, Quebec H4T 1R3
(514) 731-3896

Manufacture of Plastic Pails
Toronto Plastics Division
230 New Toronto Street
Toronto, Ontario M8V 2E8
(416) 255-7315

Manufacture of Plastic Pails
Edmonton Plastics Division
35 Calder Place
St. Albert, Alberta T8N 3W2
(403) 459-2360

Steel Pail Manufacturing
Vulcan Industrial Pkg. Ltd.
15 Bethridge Road
Rexdale, Ontario M9W 1M6
(416) 743-8682

Metal Lithography Division
Metal Decorating Lithographers
44 Bethridge Road
Rexdale, Ontario M9W 1N1
(416) 743-4570

Sales & Warehouses
Vulcan Industrial Pkg. Ltd.
3535 Foster Avenue
Vancouver, B.C. V5R 4X3
(604) 435-2261

Explosafe

Vulcan Industrial Pkg. Ltd.
Explosafe Division
414 Attwell Drive
Rexdale, Ontario M9W 5C3
(416) 675-6492

Sales / Marketing

Explosafe America Inc.
Head Office
414 Attwell Drive
Rexdale, Ontario M9W 5C3
(416) 675-6492

Explosafe America Inc.
U.S. Marketing
2081 Business Center Drive, Suite 180
Irvine, California 92715
(714) 833-1818

Foreign Licensing

Explosafe S.A.
Av. de Champel 8c
1206 Geneva
Case Postale 395
1211 Geneva 12
Switzerland
Phone: 022 47 71 33

Licensees

Explosafe Italia
c/o Castelmac Spa
31033 Castel-Franco
Veneto, Italy
Phone: 0423-490041

Norabel Neuva
S-71300 Nora
Sweden
Phone: 46587-11450

S.I.E.C. S.A.
Orense, 26-2°
Madrid 20, Spain
Phone: 455-39-21

Van Leer South Africa (Pty) Ltd.
P.O. Box 373, 150 Queen Avenue
Brakpan 1540, South Africa
Phone: 55-9047 / 8

Distributors

Casiba S.A.
Av. Mitre 3968 / 76
1678 Caseros
Pcia. de Buenos Aires, Argentina
Phone: 750-0051 / 54

Safety Systems Supply Company
436-484 Kwun Tong Road
Block 2 11 / F Flat E
Kwun Tong Industrial Centre
Kowloon, Hong Kong
Phone: 3-440156 / 7

Sergio Besa Y. Cia Ltda.
Av. Lib. B. O'Higgins 1146
Sector A of 701 7° Piso
Cas. 14551, Santiago, Chile
Phone: 84877

Moxham Industrial Pty. Ltd.
122-126 Gladstone St.
South Melbourne
Victoria 3205
Australia
Phone: 03690 5077

Board of Directors

Albert J. Cavan
James B. Prendergast
Alex C. Telfer
William J. Moffat
James Holmes
Philip C. Garratt
John E. Sands
Arthur G. Simpson

Officers

(from left to right)

George O. D'Cruze
K. Ross Quantz
William J. Moffat
William B. McGregor
Ralph G. McNiff
Albert J. Cavan
Peter G. Kirkis
Alex C. Telfer
James B. Prendergast
James M. Ritchie
Richard C. Turner

1982 was a year of transition, streamlining and accomplishments for your Company. Vulcan weathered the worst recession in the last fifty years. It was a good year, with many advances made, but with a lack of profitability.

This was the first full year in which we gained the benefit of the Plant National acquisition. This is reflected in the substantial increase in sales to $64,000,000. Operating income was $3,865,000 compared to $4,123,000 in 1982. Interest costs rose from $2,400,000 to $4,900,000, mainly due to the financing of the Plant National acquisition. Although we recorded a net loss of $475,000 we had unusual expenses in excess of $500,000 relating to legal, financial and operational restructuring of the Company. These were essential in order to obtain the efficiencies we believe vital to our performance in the marketplace of the future.

In 1982, we completed a major corporate reorganization. Plant National (Quebec) Ltd. and its nine wholly-owned subsidiaries acquired from Plant Industries Inc. were wound up, and amalgamated into the Vulcan organization. This was essential so that we could complete our refinancing program, which was also successfully completed in 1982. We are now in a position to wait for a market upturn before taking steps to reduce our long-term debt.

In 1982 we opened our fifteenth operating facility when the Edmonton Plastics plant came on stream. This will give us another opportunity to further increase the leading role we have achieved in the container industry.

Because of high interest rates and fierce competition in a difficult economy, our improved cash management, as a result of the refinancing, played an important role in 1982. We believe we have now structured the organization to be ready for an improved market. Substantial improvements were made in reducing the investment in inventories from $10.5 million to $7.5 million, notwithstanding the large increase in our sales figures.

With respect to the tax contingency reported in last year's Annual Report, we are pleased to advise that a settlement has been reached within the amount provided in the accounts, and with no effect on earnings for the year.

In our 1981 Annual Report, reference was made to a dispute with our joint venture partner. We believe Explosafe America Inc. is now commercially viable, and accordingly, it has become more apparent that these differences of opinion with our joint venture partner must be resolved.

Management has been actively negotiating in recent months with Explosafe Corporation Limited to resolve the differences between them, with respect to the operation of Explosafe America Inc. Our best efforts have been put forth and directed towards resolving differences outstanding by replacing the existing agreements between the parties with a new agreement which would define the basis on which the joint venture corporation would operate in the future.

Although the negotiations are still ongoing, the matters in dispute remain unsettled, and both Vulcan and Explosafe Corporation Limited have indicated that in the event these negotiations are unsuccessful, they will seek such other courses of action as may be necessary to bring the matter to a final conclusion, including arbitration proceedings or litigation.

In 1973 and 1975, we signed agreements covering the Canadian and worldwide rights to exploit the Explosafe Explosion Suppression System. Under the terms of the agreements, we were required to finance, manage, and arrange for the technical and marketing knowledge and expertise required to manufacture, develop and promote EXPLOSAFE™ on a worldwide basis. We believe we have done extremely well in bringing EXPLOSAFE™ to its present position of acceptance, particularly for military use. However, our joint venture partner feels that there should be certain changes in management rights. We disagree with this position.

A complete update on this exciting product is included within this year's Report.

During the year, Norman E. Kaye resigned as a Director, and we will miss the wise counsel which he provided to your Company over many years. William J. Moffat, our Vice-President, Finance, replaced Norman Kaye on the Board of Directors.

As we cope in today's uncertain business climate, we are especially mindful of the commitments of our employees. 1982 was an excellent year for setting a better foundation for the future, and our employees are to be congratulated for the very solid effort put forth during the year.

We believe that the economy will improve in 1983, and we will be in an excellent position to take advantage of this improvement.

We wish to thank our shareholders, customers and business associates for their continued support, interest and co-operation.

On behalf of the Board of Directors,

James B. Prendergast,
Chairman of the Board

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

Sales/Marketing Report

In the 1981 Annual Report, we addressed the opportunities presented to us through the acquisition of Plant National (Quebec) Ltd. and its nine Canadian subsidiaries. We have capitalized on those opportunities in 1982 through the strengthening of our marketing organization, consolidation of our steel operations and expansion of our acquired plastics operations into the western market. This increased capacity in the plastic container market is a very important step, securing for the future our dominant position in the Canadian industrial market.

Through our marketing planning process, we have recognized for some time the changes taking place in the market with the conversion of many sectors from steel to plastic packages. Accordingly, we have developed a strategy to respond to these changes and maintain our leadership role. In 1982 and continuing into 1983 we have been involved directly with the conversion of one of our large market segments, the oil industry, as they convert their 20-litre steel pail lubricant packages to plastic. Vulcan has successfully introduced a special plastic pail, with features specifically designed to facilitate the oil companies' handling equipment on their fully automated high speed filling lines. We also were able to meet their very stringent performance requirements through design and a special resin capable of withstanding extreme temperature standards, while still providing the required stackability.

We have continued to introduce new plastic packages as other sectors of our market make their conversion, and to this end we introduced in the fall of this year a 17-litre pail with a special cover designed for the edible oil market. We are presently making mold alterations to shortly introduce a plastic pail for the institutional frozen egg market.

Looking ahead, we are planning our entry into a segment of the paint industry that presents a very large potential for your Company. We presently service this industry with steel and plastic pails and we are now planning for the introduction of one-gallon plastic paint cans for the consumer. It is also our intention in the near future to enter into the plastic blow-molding industry which is a very rapidly expanding market, both for industrial and consumer packages.

Although our group of drum facilities experienced a comparatively more stable year, we are already reacting to changes in their market. At present we are the only drum reconditioner in Canada with special equipment capable of in-line reconditioning of plastic drums.

There will always be a significant market for steel industrial packages. However, when the current conversion stabilizes, your Company will have expanded its market share through these progressive moves and its ability to offer the customer the choice of steel or plastic packages.

Steel Pails

The past year has been one of consolidation in our Steel Pail Group. Operations were restructured which resulted in considerable savings for your Company. One such change was the relocation of our Calgary warehouse and double seaming operation to the Edmonton steel drum plant.

After our 1981 acquisition of Plant National, our Montreal facility serviced the needs of all eastern customers. However, the combination of a weak regional economy and a customer transition from steel to plastic pails necessitated further rationalization of our manufacturing facilities. Accordingly, we ceased pail production in Quebec in the spring of 1983 to supply our eastern customers from our Rexdale, Ontario plant. Even though these pails are warehoused in Montreal, the resulting additional freight costs are more than offset by the savings in labour and overhead.

Although we predict a modest upturn in the steel pail market for 1983, there continues to be a conversion to plastic in certain market segments. While stimulating the growth of our Plastics Group, this conversion places a continuing challenge on our Steel Pail Group. This challenge will be met through cost-effective steps while maintaining our high standards of quality and service.

Metal Decorating Lithographers

Our Metal Decorating Division has been in operation for two decades and now enjoys a dominant position as a supplier of predecorated metal to the Canadian food packaging industry. Our customers include such premier food packaging companies as Heinz, Libby's, Kraft, Connors Bros., Pano-Cap and Bernardin for whom we do custom decorating of food cans, caps and home canning products. Last year, with the addition of two major new clients – McCain Foods and Canadian Canners – the food packaging industry commanded a 70 percent share of our total volume and enabled this division to achieve budgeted sales levels in an otherwise soft market.

Our metal decorating operations are performed at our facility in Rexdale, Ontario, where four production lines, operating at essentially full capacity, serve the Company's and customers' needs throughout Canada. Because of the excellent reputation this Division has earned, we have begun a staged penetration of export markets as well. Initial reaction in the northern United States is positive and we look forward to expanding our reputation for excellence in the months ahead.

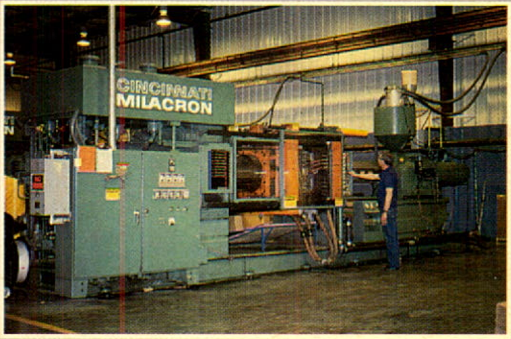
Plastics

Plastic containers represent an area of great growth potential within the Vulcan Group of Companies. Over the past several years, many leading manufacturers of industrial and consumer-related products have shifted away from steel fabricated containers toward newer lines of plastic products.

We have responded to this demand by taking a number of aggressive steps aimed at increasing our share of a growing market. Most significant was our acquisition in 1981 of the Roper Plastics Group, which dramatically increased our plastics manufacturing capability.

During the past two years, we have made investments in new production systems which have provided significant productivity gains in these existing operations. Last year we expanded our production capabilities even further with the opening of a new plastics facility in Edmonton, Alberta. We now operate three full production plants with a total capacity of six million pails annually.

In spite of an overall downturn in the demand for industrial packaging products during the past 18 months, our Plastics



Group recorded a significant increase in sales in 1982 over 1981 – further indication of the growing market for plastics products.

Specifically, we experienced a noticeable increase in demand from the petrochemical industry. We also achieved considerable success with the launch of a new 17-litre pail targeted at the food industry. This container was introduced in the fall of 1982 and achieved wide customer acceptance. Each of our plants continued to do well with our regular line of injection molded containers, ranging in sizes from 4 to 25 litres, as well as our popular line of flexible "bag in a box" packaging manufactured at our Toronto facility.

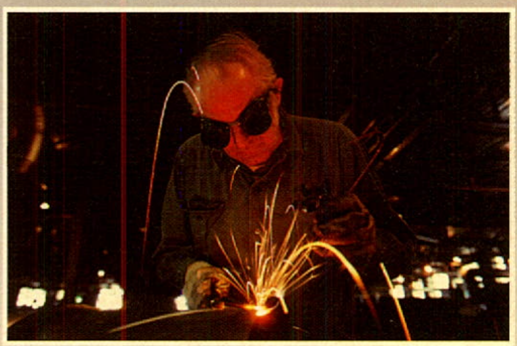
Looking ahead, we expect our Montreal plant to operate at full capacity throughout most of 1983, while the Toronto and Edmonton facilities will operate at slightly reduced levels. We will continue to develop improved product lines for our clients as well as initiating marketing programs to stimulate greater sales volume. Overall, Vulcan's Plastics Group is in a strong position to take advantage of this year's improving economic climate. We are confident that the growth experienced in 1982 will continue into 1983.

Drum Manufacturing and Reconditioning

Today, with modern plants located strategically in five provinces, our Drum Manufacturing and Reconditioning Group provides the most complete full-line drum manufacturing and reconditioning service available in Canada. Our customers span the spectrum of industrial users – including manufacturers of petrochemical, paint, adhesive, and food products.

Our facilities are located close to the filler and user and cover the complete cycle from new drums to recycling and ultimate scrapping of containers. In our reconditioning plants we provide storage, sorting and cleaning of customers' drums; we also purchase and rebuild used drums, offer reconditioned drums for sale and provide conversion to open head. Our Parts Plant in Mississauga, Ontario produces drum and pail closures for our use and for other manufacturers and reconditioners.

The recent economic recession has had a depressing effect on the demand for industrial packaging products throughout North America. We responded to this difficult economic environment during 1982 by taking a number of positive steps within our Drum Manufacturing Group:



• **Montreal Drum Reconditioning Plant** – A new hydraulic open head drum expander and floor chimer were installed to improve quality and reduce labour. In addition, an external wash for plastic drums was added to meet a new and expanding market.

• **Toronto Drum Reconditioning Plant** – A special wash rack was added to recondition drums used for acrylic enamels. Also, energy systems were converted from oil to gas.

• **Petrolia Steel Container Plant** – A number of significant improvements have been made, including: the completion of the new high speed drum line, new coil handling equipment, plus additions of a wash line and chainer along with additional presses brought in from other divisions. A new building was also constructed to house pumping facilities and holding tanks for the control of waste effluent.

• **Winnipeg Drum Reconditioning Plant** – A mechanical open head drum washer was installed.

• **Regina Drum Reconditioning Plant** – Modifications were made to improve quality on 25 and 45 gallon drums.

• **Edmonton Steel Container Plant** – Capacity was greatly expanded through the completion of a new drum manufacturing line and the addition of further equipment brought in from other locations.

In addition to these technical improvements, a number of changes in management took place throughout the Drum Manufacturing and Reconditioning Divisions. New general managers were appointed in Montreal, Petrolia, Winnipeg and Edmonton. This product Group is now well poised to derive major benefits from the economic recovery and the return to more normal demand for our product.

Explosafe

Over the past several years, the Explosafe Division of your Company has systematically brought to fruition the invention which is now widely recognized throughout the world as EXPLOSAFE™.

In order to reach this level of recognition, EXPLOSAFE™ has been methodically developed from what was originally just an inventor's dream, through design stages, to the manufacture of mass production machinery. Today, EXPLOSAFE™ has achieved the status of a *bona-fide* safety feature which is now specified as a requirement by various manufacturers throughout a wide range of industries.

Vulcan, through its Explosafe Division, holds the Canadian patent rights to EXPLOSAFE™ and also manages Explosafe America Inc., of which the Company owns 50 per cent. Vulcan is responsible for all management, marketing, sales, research and development and funding required to develop, manufacture and promote EXPLOSAFE™ worldwide. EXPLOSAFE™, through this joint venture, should serve to establish the Vulcan Group of Companies as a worldwide leader in the design and production of containerized systems for

the transportation and storage of flammable and volatile liquids and gases.

The EXPLOSAFE™ System

EXPLOSAFE™ is an explosion suppression system which, when fitted inside a container of volatile liquids or gases, will prevent the container from exploding when its contents are exposed to a source of ignition.

Fabricated from a passive, metallic aluminum foil, EXPLOSAFE™ can be cut and shaped to fit any container. The aluminum foil is slit and expanded to create a mesh of flow-through hexagonal openings. This material can be formed into batts or rolls depending on the container's interior structure and yet displaces only one percent of the container's volume.

EXPLOSAFE™ prevents explosions in two ways: it acts as a heat dissipator in cases of ignition of the liquid or gas and also limits flame propagation and pressure build up. The principle applies to all flammable substances – gasoline, diesel, jet fuel, naptha and benzine – subjected to any ignition source including gunfire, electrostatic discharge, spark and fire. It is also effective in preventing boiling liquid expanding vapour explosions (BLEVE) in liquid petroleum gas (LPG) tanks subjected to external fires.

As an additional benefit, EXPLOSAFE™ provides fuel containers with "anti-slosh" properties, of particular importance in bulk fuel transportation vehicles which undergo sudden changes in direction and/or speed.

Applications

Because of its modular nature and its ability to fit any size or shape, EXPLOSAFE™ has an almost limitless range of applications in any situation where explosive or flammable liquids are stored or transported. This not only creates a huge potential market in existing tanks and containers through retrofitting, but even wider applications in new installations through original equipment manufacturers.

The range of potential applications for EXPLOSAFE™ is impressive:

Military – Land, sea, air vehicles and storage facilities.

Commercial – Transportation vehicles (tanker trucks, rail tankers, marine, commercial aircraft), portable gas cans, storage facilities, etc.

Industrial – Static storage tanks, portable/transportable gas tanks, etc.

Consumer – Portable gas cans, marine tanks, aircraft and boat fuel tanks.

Sales Objectives

Much of the initial sales and marketing efforts have been aimed at developing EXPLOSAFE™ applications for military use. We are able to report a number of significant developments achieved during the past year in pursuit of this primary objective:

Light Armoured Vehicle – Eight fuel tank kits for preproduction vehicles have been delivered under the LAV program for the U.S. Army/Marine Military, with production quantities to commence later this year. Built by General Motors, the U.S. Military specified the use of a metallic explosion prevention system in this vehicle.

2½ Ton – C.A.F. Transport – We continue to manufacture and deliver monthly requirements for this Canadian Armed Forces vehicle. A total of 2,812 units are currently on order and we have quoted on additional requirements.

Marine Tote Tanks – Our EXPLOSAFE™ protected 23 litre marine tote tanks have been specified for U.S. Coast Guard boats. In addition, Disneyworld, Florida, has placed orders for this product to be utilized in all boats transporting the public.

High Mobility Multi-purpose Wheeled Vehicle – This contract was just awarded by the U.S. Army to A.M. General and a contract for the supply of EXPLOSAFE™ is expected by the third quarter of 1983. Designed to replace the historic Jeep, this vehicle will be under continuous production through at least 1995.

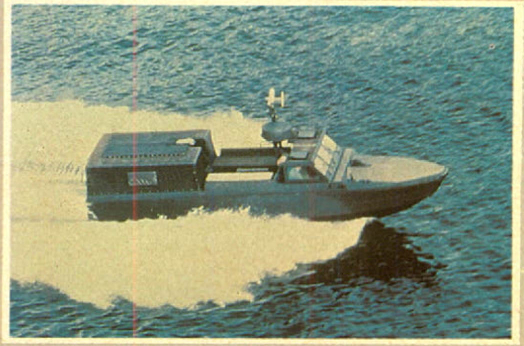
In addition to these important contracts, it is expected that EXPLOSAFE™ will be utilized in a number of other vehicles in the near future, including:

- Commando Ranger
- Ramo Raider
- Eidal 100
- Eidal 400
- Eidal 1200
- Combat Boat

Further prototype and preproduction engineering tests are on-going for a full range of vehicles, including:

- LVT-P7-A1
- M110-SPH
- FAV
- Eidal 200
- Kellett 100
- Commando V-300
- RDF Light Tank
- Eidal 50
- LAV (options)

If these developments proceed as anticipated – depending on U.S.



Government funding and foreign governments' procurement cycles – sales from the above projects can be expected during the current year.

Foreign Operations

Through the Explosafe America Inc. subsidiary – Explosafe S.A., based in Geneva, Switzerland – a number of significant inroads are being made in markets throughout the world. These include:

Spain – Through the Spanish licensee S.I.E.C. S.A., agreements have been signed with Land Rover Santana S.A. which specify the use of EXPLOSAFE™ in military land rovers, tanks, trucks and jerry cans. These apply to both domestic and off-shore sales. Similarly, agreements have been signed with ENASA which call for installation of EXPLOSAFE™ in all military vehicles which they produce.

England – Final negotiations are currently underway for the establishment of a manufacturing facility which will supply EXPLOSAFE™ products for England, Ireland, Belgium and other European countries. Last year a previous licensing agreement was terminated with a view to developing a broader and more aggressive marketing approach.

Italy – Sales potential of EXPLOSAFE™ is now assured in this market. At the request of the licensee, demonstrations of the EXPLOSAFE™ explosion suppression system will be conducted for delegates in Government, Military and Industry. Concurrently, Product Support Engineering will be validating EXPLOSAFE™ production from previously delivered machinery to ensure that the standards of quality established by the U.S. military in their Military Specification release of February 1982 are met.

Australia/Pacific Rim – Gas can sales continue to increase in this territory since various authorities are requiring the use of EXPLOSAFE™-protected containers. The South Korean Defense Agency has received delivery of prototype EXPLOSAFE™ installations, with product performance demonstrations scheduled for Manila and Djakarta in 1983. Further marketing efforts will continue this year in other Pacific Rim countries, including Japan.

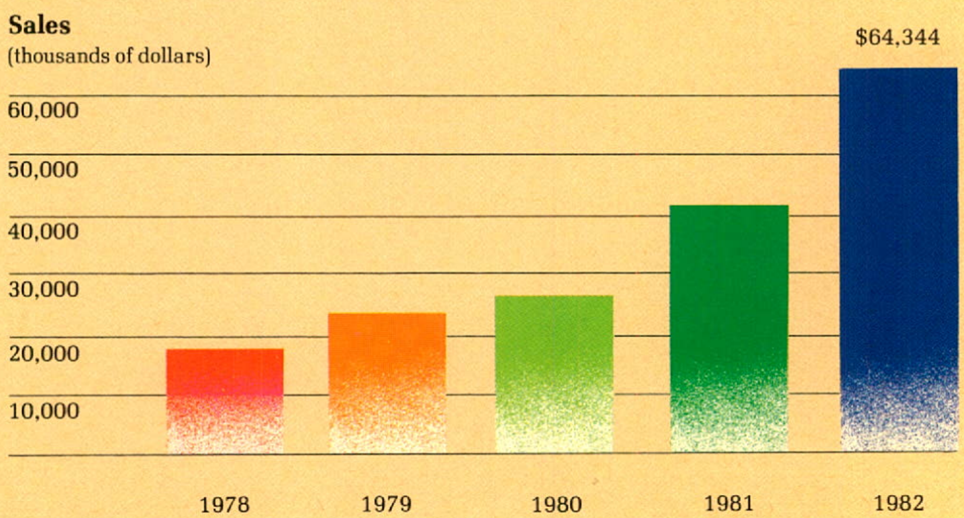
General – Specification revisions from the U.S. Navy Systems Command have just recently been received. These specify that EXPLOSAFE™ will be equipped in the fuel tanks of all their gasoline powered boats. Also, Saudi Arabia and other countries have expressed interest in installing EXPLOSAFE™ systems in their F-5 aircraft. Large sales are anticipated from this application due to the worldwide usage of F-5 aircraft.

Summary

EXPLOSAFE™-engineered systems and the family of protected gas containers are rapidly gaining worldwide attention through the network of licensees, agents and joint venture associates. The EXPLOSAFE™ credentials are now firmly established and we look forward to increased market penetration and sales growth of this product.

Consolidated Financial Summary

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
										(thousands of dollars)
Operations										
Sales	**$64,344**	$41,917	$26,667	$23,737	$18,574	$16,292	$14,192	$12,801	$11,588	$10,034
Income from continuing operations before income taxes and extraordinary items	**$ (988)**	$ 1,751	$ 2,059	$ 2,080	$ 1,873	$ 1,351	$ 1,395	$ 1,489	$ 1,232	$ 989
Income taxes	**(513)**	792	801	830	748	502	576	628	502	412
Loss from discontinued operations					1,950	275				
Extraordinary items		227			2,850	62				
Net income (loss)	**$ (475)**	$ 732	$ 1,258	$ 1,250	$ (3,675)	$ 512	$ 819	$ 861	$ 730	$ 577
Financial Positions										
Working capital (deficiency)	**$ 2,436**	$ 3,318	$ 1,893	$ 1,576	$ (514)	$ 2,140	$ 2,730	$ 2,130	$ 2,140	$ 1,685
Fixed assets-net	**22,353**	22,126	5,295	4,442	3,430	3,548	3,719	3,665	3,620	3,643
Other assets	**7,882**	7,215	3,083	2,290	1,370	2,833	366	491	33	38
	32,671	32,659	10,271	8,308	4,286	8,521	6,815	6,286	5,793	5,366
Long-term and non-current debt	**26,051**	24,239	5,087	4,569	1,801	2,194	1,150	1,328	1,636	1,894
Deferred income taxes	**3,452**	4,473	1,681	1,257	1,017	948	1,060	953	809	651
	29,503	28,712	6,768	5,826	2,818	3,142	2,210	2,281	2,445	2,545
Shareholders' equity	**$ 3,168**	$ 3,947	$ 3,503	$ 2,482	$ 1,468	$ 5,379	$ 4,605	$ 4,005	$ 3,348	$ 2,821



	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
									(thousands of dollars)	
Changes in Financial Position										
Income (loss) from continuing operations	**$ (475)**	$ 959	$ 1,258	$ 1,250	$ 1,125	$ 849	$ 819	$ 861	$ 730	$ 577
Depreciation	**2,060**	1,197	606	510	480	464	429	394	345	283
Deferred income taxes (reduction)	**(1,021)**	(11)	424	240	69	(112)	108	144	158	179
Other	**117**	52	58	48	37	32	12	7	11	20
Funds from operations	**681**	2,197	2,346	2,048	1,711	1,233	1,368	1,406	1,244	1,059
Increase in long-term and non-current debt	**3,063**	16,500	650	2,875	82	1,154	50			1,200
Government assistance	**152**	13	95	18	113	153	376			
Proceeds from sale of fixed assets	**269**	92	22	15	19	116	11	20	11	29
	4,165	18,802	3,113	4,956	1,925	2,656	1,805	1,426	1,255	2,288
Investment in subsidiary		13,073								
Capital expenditures	**2,556**	1,310	1,485	1,533	378	468	492	457	333	1,182
Long-term debt reduction	**1,251**	989	132	107	475	110	228	309	258	711
Dividends	**304**	288	236	236	236	234	220	203	203	163
Other	**936**	1,717	943	990	3,490	2,434	265	467	6	20
	5,047	17,377	2,796	2,866	4,579	3,246	1,205	1,436	800	2,076
Increase (decrease) in working capital	**$ (882)**	$ 1,425	$ 317	$ 2,090	$ (2,654)	$ (590)	$ 600	$ (10)	$ 455	$ 212
Per Share										
Income from continuing operations	**$ (0.06)**	$ 0.13	$ 0.17	$ 0.16	$ 0.15	$ 0.11	$ 0.11	$ 0.12	$ 0.10	$ 0.08
Loss from discontinued operations					(0.26)	(0.03)				
Income (loss) before extraordinary items	**(0.06)**	0.13	0.17	0.16	(0.11)	0.08	0.11	0.12	0.10	0.08
Net income (loss)	**(0.06)**	0.10	0.17	0.16	(0.48)	0.07	0.11	0.12	0.10	0.08
Dividends	**0.04**	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.02
Shareholders' equity	**0.42**	0.52	0.46	0.33	0.19	0.71	0.63	0.55	0.46	0.39

Vulcan Industrial Packaging Limited
(Incorporated under the laws of Canada)

Consolidated Balance Sheet

December 31, 1982

Assets	**1982**	1981
	(thousands of dollars)	
Current assets:		
Cash		$ 1,107
Term deposits		593
Funds in trust		1,515
Accounts receivable	**$8,006**	8,400
Inventories (note 2)	**7,470**	10,547
Prepaid expenses and deposits	**100**	108
	15,576	22,270
Fixed assets (note 3)	**22,353**	22,126
Investment in shares, at cost (market value $317)	**499**	499
Investment in and advances to joint venture (notes 4 and 5)	**4,712**	3,967
Deferred development costs, less amortization	**36**	42
Goodwill	**2,635**	2,707
	$45,811	$51,611

(See accompanying notes)

Contingencies (notes 4, 5 and 10)

On behalf of the Board:

Director

Director

Liabilities & Shareholders' Equity

	1982	1981
	(thousands of dollars)	
Current liabilities:		
Bank indebtedness (notes 6[b] and 6[c])	**$ 4,220**	$ 7,534
Accounts payable and accrued expenses	**6,272**	6,925
Income and other taxes payable	**1,859**	1,730
Current portion of long-term debt	**789**	2,763
	13,140	18,952
Non-current debt (note 6)		17,562
Long-term debt (note 6)	**26,051**	6,677
Deferred income taxes	**3,452**	4,473
Shareholders' equity:		
Capital stock:		
Authorized:		
Unlimited 6% non-cumulative preference shares, redeemable at issued value		
Unlimited common shares		
Issued and outstanding:		
7,599,726 common shares	**1,256**	1,256
Retained earnings	**1,912**	2,691
	3,168	3,947
	$45,811	$51,611

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, 1982 and the consolidated statements of income (loss) 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, 1982 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 18, 1983
(May 19, 1983 as to note 5)

Clarkson Gordon

Chartered Accountants

Vulcan Industrial Packaging Limited

Consolidated Statement of Income (Loss) and Retained Earnings

Year ended December 31, 1982

	1982	1981
	(thousands of dollars)	
Sales	**$64,344**	$41,917
Operating expenses:		
Cost of sales exclusive of depreciation	**47,277**	31,168
Depreciation	**2,060**	1,197
Selling	**4,946**	2,561
Administrative	**6,196**	2,868
	60,479	37,794
Operating income	**3,865**	4,123
Interest on long-term and non-current debt	**4,188**	1,872
Other interest	**665**	500
Interest expense	**4,853**	2,372
Income (loss) before income taxes and extraordinary items	**(988)**	1,751
Income taxes:		
Current	**508**	803
Deferred	**(1,021)**	(11)
	(513)	792
Income (loss) before extraordinary items	**(475)**	959
Extraordinary items		227
Net income (loss)	**(475)**	732
Retained earnings, beginning of year	**2,691**	2,247
	2,216	2,979
Dividends	**304**	288
Retained earnings, end of year	**$ 1,912**	$ 2,691
Earnings per share:		
Income (loss) before extraordinary items	**$ (0.06)**	$ 0.13
Net income (loss)	**$ (0.06)**	$ 0.10

(See accompanying notes)

Vulcan Industrial Packaging Limited

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1982

	1982	1981
	(thousands of dollars)	
Working capital derived from:		
Operations –		
Income (loss) before extraordinary items	**$ (475)**	$ 959
Items not involving working capital:		
Depreciation	**2,060**	1,197
Amortization of deferred development costs and goodwill	**117**	57
Deferred income taxes	**(1,021)**	(11)
Funds from operations	**681**	2,202
Refinancing of long-term and non-current debt:		
Proceeds from term bank loan	**18,500**	
Repayment of non-current debt	**(17,562)**	
Proceeds from other long-term debt	**2,125**	
Non-current debt re acquisition of subsidiary		16,500
Proceeds from disposal of fixed assets	**269**	87
Government assistance	**152**	13
	4,165	18,802
Working capital applied to:		
Investment in subsidiary, net of working capital acquired		13,073
Additions to fixed assets	**2,556**	1,310
Reduction in non-current portion of long-term debt	**1,251**	989
Advances to joint venture	**897**	1,058
Dividends	**304**	288
Deferred development costs	**39**	
Investment in shares		499
Extraordinary items – effect on working capital		160
	5,047	17,377
Increase (decrease) in working capital position	**(882)**	1,425
Working capital, beginning of year	**3,318**	1,893
Working capital, end of year	**$ 2,436**	$ 3,318
Represented by:		
Current assets	**$15,576**	$22,270
Current liabilities	**13,140**	18,952
	$ 2,436	$ 3,318

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 1982

1. Summary of significant accounting policies

(a) Principles of consolidation:

The accounts of the company are consolidated with its wholly-owned subsidiary, Beaverton Wire Products Limited. The company's principal subsidiary, Plant National (Quebec) Ltd., which was acquired effective August 25, 1981, was amalgamated with the company in 1982. The acquisition of Plant National (Quebec) Ltd. and its nine wholly-owned subsidiaries has been accounted for as a purchase and accordingly the results of operations since August 25, 1981 have been included in these consolidated financial statements.

(b) Inventories:

Raw materials and work in process are valued at the lower of cost, determined on a first-in, first-out basis, and replacement cost. Finished goods are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

(c) Fixed assets:

Fixed assets are carried at cost less accumulated depreciation. Interest expense relating to major capital expenditures is capitalized by a charge to fixed asset additions.

Depreciation is calculated using the straight-line method, based on the following estimated economic lives:

Buildings	20 years
Plant machinery, equipment and automotive equipment	3 to 17 years

(d) Financial assistance from government and others:

During the course of certain 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 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 commencement of commercial production of a particular product, the related costs are amortized on a straight-line basis over a five-year period.

(f) Pensions:

Pension benefit costs are determined periodically by independent actuaries. The costs related to the current service of employees are charged to earnings. Costs resulting from amendments or upgrading of the plans, and which relate to service of employees in prior years, are amortized over the estimated remaining years of service of the employees involved.

(g) Goodwill:

Goodwill comprises the unamortized balance of the excess of the cost to the company over the fair value of the identifiable net assets of subsidiaries at the date of acquisition. Amortization is on a straight-line basis over forty years.

(h) Investment tax credits:

Investment tax credits have been recognized using the flow-through method.

2. Inventories

At December 31, inventories consisted of:

	1982	1981
	(thousands of dollars)	
Raw materials and work in process	**$5,614**	$ 8,059
Finished goods	**1,856**	2,488
	$7,470	$10,547

3. Fixed assets

At December 31, fixed assets consisted of:

	1982			1981
				(thousands of dollars)
	Cost	Accumulated depreciation	Net	Net
Land	**$ 4,775**		**$ 4,775**	$ 4,465
Buildings	**10,059**	**$ 2,717**	**7,342**	6,346
Plant machinery, equipment and automotive equipment	**24,910**	**14,674**	**10,236**	11,315
	$39,744	**$17,391**	**$22,353**	$22,126

4. Investment in and advances to joint venture

The company has a 50% interest in a corporate joint venture which is engaged in the development, manufacture and licensing of Explosafe products in countries other than Canada. Under the terms of the joint venture agreement, which expires in 1990, the company is required to arrange for and provide the joint venture all the funds; financing, managerial, sales and technical personnel; and technical and marketing knowledge and expertise required to manufacture, develop and promote Explosafe products on a world-wide basis. The costs of providing all of the foregoing have been treated by the company as advances to the joint venture to be recovered from joint venture earnings. The company has made an investment of $20,000 in, and advances of $4,692,000 to the joint venture at December 31, 1982 ($20,000 and $3,947,000 respectively at December 31, 1981).

At December 31, 1982 the joint venture has accumulated deferred costs of $4,880,000 (net of $777,000 of revenues received to date), consisting of development and other related costs. These costs will continue to be deferred in the joint venture accounts until such time as commercial operations commence, at which time they will be amortized over a period not to exceed five years. No income or loss has been recorded to date. Management is reasonably assured that these deferred costs will be recovered by the joint venture through joint venture operations once commercial operations commence.

The joint venture partner has not approved the definition or the amount of the advances and has disputed the company's treatment of revenue received and to be received by the joint venture prior to the commencement of commercial operations. The timing and extent of the recovery of these advances to the joint venture is contingent on the resolution of the foregoing matters. The company believes that these advances are properly chargeable to the joint venture under the joint venture agreement.

5. Subsequent event

Management has been actively negotiating in recent months with its joint venture partner to resolve various matters of dispute (including those referred to in note 4) between the two parties. These negotiations have been directed at resolving the matters of dispute by replacing the existing agreements between the parties with a new agreement which would resolve these matters and define the basis on which the joint venture corporation would operate in the future.

To date, the matters of dispute remain unsettled, but the Board of Directors, at a meeting on May 19, 1983, authorized management to continue negotiations. The other party to the agreements has indicated that in the event that the negotiations fail to resolve the matters of dispute, it will seek such other courses of action as may be available, and has notified the company that it will seek, among other things, to terminate the agreements. The company's ability to recover its investment in and advances to the joint venture amounting to $4,712,000 is dependent upon its ability to maintain its interest, directly and indirectly through the joint venture, in the Explosafe product.

In the event that the negotiations fail to resolve the matters of dispute, the company intends to take such other courses of action as may be available to protect the interests of the company, directly and indirectly, in the Explosafe product. Such courses of action may include submitting the matters of dispute to an arbitration, pursuant to the provisions of the agreements, and pursuing such other legal remedies as may be available.

6. Long-term debt

	1982	1981
	(thousands of dollars)	
Mortgage bonds at interest rates ranging from 6½% to 11¾% with an average rate of 11%, maturing at various dates from June 1984 to April 1992	**$ 4,693**	$7,480
Term bank loans at interest rates ranging from prime plus 1¼% to prime plus 1½%, maturing at various dates from October 1984 to October 1992	**2,259**	1,604
Term bank loan at an interest rate of prime plus 1⅜%, maturing November 9, 1987 (See paragraph (a) below)	**18,500**	
Promissory note at an interest rate of 12%, maturing October 15, 1986	**1,175**	
Equipment obligations at an interest rate of 6½% maturing July 1984	**213**	356
	26,840	9,440
Less portion due within one year included in current liabilities	**789**	2,763
	$26,051	$ 6,677

Additional information on long-term debt and non-current debt.

(a) During 1982, the non-current debt, comprising term bank loans ($16,500,000) and demand bank loans ($1,062,000), was refinanced and replaced by a term bank loan in the amount $18,500,000 maturing November 9, 1987. The balance of the proceeds of the new term loan have been used for working capital purposes.

(b) Accounts receivable, inventories, fixed assets, investments in shares of other companies and a floating charge on all other assets and undertakings of the company have been pledged as collateral security for the mortgage bonds, equipment obligations, term bank loans and bank indebtedness. A bank letter of credit in the amount of $1,275,000 has been pledged as collateral security for the promissory note. The assets pledged as collateral are subject to priority agreements between the company and its various lenders.

Under the terms and conditions of its arrangements with its lenders, the company has agreed to certain restrictive covenants including the use of working capital and funds from operations, minimum working capital and equity requirements, increases in the amount of dividends and the use of funds derived through the issue of capital stock.

(c) The company's bank indebtedness of $4,220,000 is drawn under an operating line of credit with a maximum of $10,000,000 and bears an interest rate of prime plus ¼%.

(d) The aggregate amounts of payments estimated to be required in each of the next five years to meet sinking fund and other long-term debt retirement provisions are as follows:

	(thousands of dollars)
1983	$ 789
1984, including $3,557,000 which may be renewable for an additional five-year period	5,506
1985	1,270
1986	2,398
1987	15,977
1988 and subsequent	900
	$26,840

7. Pension plan

Based on the most recent independent actuarial valuation of the pension plans, unamortized past service costs were approximately $155,500 as at December 31, 1982 (1981 — $167,000).

8. Lease commitments

Future minimum rental commitments for all non-cancellable operating leases as at December 31, 1982 are as follows:

	(thousands of dollars)
1983	$291
1984	172
1985	126
1986	68
1987 and subsequent	0

9. Segmented information

The dominant segment of the company's business during 1982 involved the manufacture, reconditioning and sale of industrial containers.

10. Contingency

The company is contingently liable for its guarantee of a bank loan of the corporate joint venture in the amount of $250,000.

11. Comparative figures

The comparative consolidated financial statements have been reclassified to conform with the presentation of the 1982 consolidated financial statements.

Corporate Information

Board of Directors

Albert J. Cavan, Q.C. *†
President & Chief Executive Officer
Vulcan Industrial Packaging Limited,
Toronto

Philip C. Garratt
Senior Vice-President
Reed Stenhouse Limited, Toronto

James B. Prendergast*
President & Chief Executive Officer
Westroc Industries Limited, Toronto

John E. Sands*
Vice-President
Maplebrook Investments Limited,
Toronto

Arthur G. Simpson†
President
A.G. Simpson Company Ltd.,
Toronto

James Holmes*†
Director and Consultant
Oakville

Alex C. Telfer*
Executive Vice-President
Vulcan Industrial Packaging Limited,
Toronto

William J. Moffat, B.A.Sc., C.A.*
Senior Vice-President, Finance
& Secretary Treasurer
Vulcan Industrial Packaging Limited,
Toronto

*Executive Committee
†Audit Committee

Officers

James B. Prendergast
Chairman

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

Alex C. Telfer
Executive Vice-President

William J. Moffat, B.A.Sc., C.A.
Senior Vice-President, Finance
& Secretary Treasurer

Richard C. Turner, P.Eng.
Manager, Explosafe Division and
President, Explosafe America Inc.

Peter G. Kirkis, P.Eng.
Vice-President, Plastics

K. Ross Quantz
Vice-President, Steel Pail
Manufacturing

William B. McGregor
Vice-President, Drum
Manufacturing and Reconditioning

Ralph G. McNiff
Vice-President, Sales

George O. D'Cruze
Director, Human Resources

James M. Ritchie, C.A.
Corporate Controller

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 Brulé A, 21 Old Mill Road, Toronto at 5:00 p.m. on Tuesday, June 28, 1983. 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

Clarkson Gordon
Toronto, Ontario

Corporate Office

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