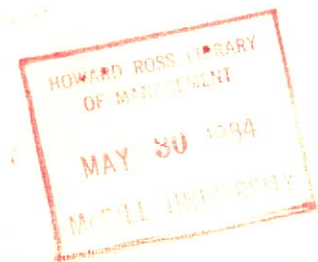


VULCAN

INDUSTRIAL PACKAGING LIMITED



ANNUAL REPORT 1983

Operating Facilities

Container Group

Drum Reconditioning

Montreal Drum Reconditioning
Division
1800 – 46th Avenue,
Lachine, Quebec
H8T 2P2

Toronto Drum Reconditioning
Division
337 John Street,
Thornhill, Ontario
L3T 5W5

Winnipeg Drum Reconditioning
Division
328 Dawson Road North,
Winnipeg, Manitoba
R2J 0S7

Regina Drum Reconditioning
Division
125 Dewdney Avenue East,
Regina, Saskatchewan
S4N 4G3

Manufacturing of Steel Drums and Steel Pail Warehouse

Montreal Steel Container Division
23 Du Moulin Street,
Ville St. Pierre, Quebec
H8R 1N5

Steel Drum Manufacturing and Reconditioning

Petrolia Steel Container Division
260 Centre Street,
Petrolia, Ontario
N0N 1R0

Edmonton Steel Container Division
1912 – 66th Avenue,
Edmonton, Alberta
T6C 4G5

Steel Pail Manufacturing

Toronto Steel Container Division
15 Bethridge Road,
Rexdale, Ontario
M9W 1M6

Metal Lithography Division

Metal Decorating Lithographers
44 Bethridge Road,
Rexdale, Ontario
M9W 1N1

Injection Moulding of Plastic Pails

Montreal Plastics Division
145 Graveline Street,
Ville St. Laurent, Quebec
H4T 1R3

Toronto Plastics Division
230 New Toronto Street,
Toronto, Ontario
M8V 2E8

Edmonton Plastics Division
35 Calder Place,
St. Albert, Alberta
T8N 3W2

Sales and Warehouse

3535 Foster Avenue,
Vancouver, B.C.
V5R 4X3

Explosafe

Explosafe Division and Explosafe America Inc.

230 New Toronto Street,
Toronto, Ontario
M8V 2E8

Licensees

(Manufacturing and Sales)
Explosafe Italia
c/o Castelmac Spa,
31033 Castel-Franco,
Veneto, Italy

SAPREX

Sociedad Anonoma Para La
Prevencion de Explosiones,
Madrid, Spain

Licensee

(Sales Only)
National Gas Tek
1007 North Ellsworth,
Villa Park, Illinois
U.S.A. 60181

Distributors

Casiba S.A. Av. Mitre 3968/76
1678 Caseros,
Pcia. de Buenos Aires,
Argentina

Safety Systems Supply Company
436 – 484 Kwun Tong Road,
Block 2 11/F Flat E,
Kwun Tong Industrial Centre
Kowloon, Hong Kong

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

Moxham Industrial Pty. Ltd.
122 – 126 Gladstone Street,
South Melbourne,
Victoria 3205, Australia

Message to Shareholders

1983 was a year of great challenge and change for Vulcan. The rationalization program for all facilities which commenced in 1982, was continued and we reduced our manufacturing facilities from eighteen to fourteen, all Company-owned. Despite a substantial decrease in the number of employees, Vulcan came extremely close to matching sales attained in the previous year. Although these changes have been costly in the short term, I feel the ensuing benefits of reduced operating costs and improved productive capacity will benefit our shareholders in the long term.

I believe that shareholders will be pleased that container operations had an excellent recovery. Operating income increased by 50% to \$5,800,000 and income before taxes was \$1,965,000 compared to a loss of \$988,000 in 1982. Income before loss from joint venture operations and extraordinary items was \$1,363,000 compared to a loss of \$475,000 in the previous year.

After fifteen months of intense negotiations, we have finally resolved all matters of dispute surrounding the joint venture, and have set up an entirely new arrangement to take Explosafe forward. However, in 1983, commercial production of EXPLOSAFE™ commenced and uncertainties arising in part from recent studies, referred to later in this message, made it necessary to write off the development costs of \$4.8 million accumulated over the past seven years. It is important to note that this has an insignificant effect on our working capital and cash flow, as these costs were incurred in prior years. Although this results in a deficit, I believe strong earnings from container operations will rectify this in the near future.

On a per share basis, we earned 3¢ per share against a loss of 6¢ per share in the previous year; but, after extraordinary items, we showed a net loss of 63¢ per share.

On the brighter side, our working capital improved by over \$500,000 and cash flow also remained strong. We believe we can continue to capitalize on the container side of your Company through our ongoing facility rationalization and cost control programs.

As mentioned, a great deal of 1983 was spent trying to resolve the joint venture dispute, and

an agreement in principal was finally reached in January of 1984, which was subsequently ratified by both Boards of Directors and the shareholders of Explosafe Corporation Limited. We believe the new agreement, in which Explosafe America Inc. will stand as an autonomous unit and arrange its own financing, gives us a better basis on which to operate the joint venture company. Vulcan is no longer required to provide funding with respect to the joint venture and also has the right to cause a public distribution of Explosafe America shares on an equal dilution basis with our joint venture partner, if it is deemed necessary to raise funds in that manner.

It is our belief that funding can be obtained in order to reduce the impact that Vulcan has experienced in the past. Initially, funding may be available through a public distribution, licensing agreements or Government assistance. It is also anticipated that under the new agreement, which now runs in perpetuity rather than terminating in 1990, Vulcan will receive a Management fee equal to 50% of annual profits of the joint venture before taxes to a maximum of \$5.8 million. More details are provided in Note 4 of the Financial Statements.

In 1983, the Company took a very hard look at Explosafe and the fact that we have not made greater penetration of the market with this unique safety product. Previous Explosafe management made assumptions which simply did not stand the test of time. Hence, a top U.S. Military consulting firm was retained to see if better penetration of the U.S. Military could occur. This firm did a thorough analysis and made recommendations in respect to staffing and further testing. More details appear elsewhere in this Annual Report.

We believe that we have established excellent relations with our employees and all renewed union contracts have been dealt with on a basis that we felt was fair to all parties. We are certainly indebted to the tremendous contribution made by our employees for the efforts put forth in 1983.

Recently, James B. Prendergast resigned from the Board of Directors. He has been Chairman of the Board and the Executive Committee for the past twelve years, and has been extremely

(continued)

Message to Shareholders (continued)

helpful in many of the major decisions taken by your Company. As well, James Holmes resigned from the Board, and he too deserves the thanks of the shareholders for his contributions while on the Board. Both of these gentlemen have extremely busy professional lives, and felt they could no longer devote the necessary time to the Board. With our excellent foundation of human resources and with the addition of some strong candidates to the Board of Directors, we will continue our decade of growth.

In this year's Report, we have provided some historical information about your Company, and I think you will find its long history, dating back to 1916, interesting and informative.

Again, I would like to thank our shareholders, customers and business associates for their great support, interest and co-operation.

On behalf of the Board of Directors,



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

The Vulcan Story

In September 1916, Patrick Henry McCarthy, then 47, founded the Vulcan organization in Chicago, Illinois.

Patrick Henry was 11 when he arrived in North America from Ireland. The name chosen for the company he created – Vulcan, the Roman god of metalworking – is a reflection of Latin and Greek studies in his early years.

After a simple start, Vulcan grew from 3 to 12 employees by 1919. In March 1921, a fire destroyed the firm's modest factory but undaunted, Vulcan survived this and the lean depression years. During World War II, the company purchased 17 acres in Hillside, a Chicago suburb, and due to the shortage of metals began reconditioning used pails. It was April 1946 when the Vulcan Tin Can Company was incorporated.

Vulcan In Canada

Vulcan's first Canadian plant was established in Rexdale, Ontario in 1953. Norman G. Bernecker, a 13 year veteran with the firm in Chicago, was President of the operation, which manufactured tin cans for the ink industry. One year later, machinery was purchased to make steel pails which today, continues to be the prime function at this location.

During these 30 years, the original plant has been expanded many times and the machinery updated from the original manual operations to today's high-speed automatic lines.

Vulcan's thirty year history in Canada has many milestones:

- In September 1958, the firm was incorporated as a private company under the name Vulcan Containers (Canada) Limited. Later that year, a small steel pail manufacturing operation was started in Vancouver to meet increased demand.
- In August 1961, Vulcan made a public distribution of its common shares, which were listed on the Toronto Stock Exchange.
- The Metal Decorating Division was established in 1963 to provide lithographed steel and tinplate for Vulcan's Metal Container Division. The Rexsteel operations were also established to provide steel and tinplate sheet stock to both our Steel Pail Division and other metal fabricators. Rexsteel now services our needs only due to the growth of Vulcan's Steel Pail Division.
- In 1964, Vulcan introduced the "tapered pail" to Canada, providing the ability to stack one pail inside another. Warehousing, transportation and freight costs were drastically reduced and today, 99% of all open head steel pails purchased are of tapered design.
- In 1969, Norman G. Bernecker, George R. Zies and Albert J. Cavan acquired controlling interest of Vulcan Containers (Canada) Limited. Later that year, the Vancouver manufacturing operation was converted to a warehouse operation, with all steel pail production originating from the Rexdale plant.
- In 1970, Vulcan Containers (Canada) Limited became Vulcan Industrial Packaging Limited.
- Beaverton Wire Products, which manufactured wire dairy cases, display racks and shopping

carts, was acquired in April 1971. Its assets were subsequently sold in 1977.

- Norman G. Bernecker retired in 1973, succeeded by George R. Zies.
- Vulcan Containers Inc., Chicago was acquired in 1977 but was liquidated two years later.
- Vulcan began manufacturing plastic pails in July 1980. In August 1981, Plant National was acquired, which increased the firm's share of the plastic pail market and extended its container business into the steel drum manufacturing and reconditioning sectors. A third plastics manufacturing facility was opened in St. Albert, Alberta in 1982.

During these years of expansion and acquisition, Vulcan entered a new field with a product which has since gained worldwide recognition. In 1973, the company was awarded exclusive Canadian rights for the production and marketing of EXPLOSAFE™, an explosion suppression system. In 1975, Vulcan entered into a joint venture agreement with Explosafe

Corporation Ltd. whereby Vulcan acquired a 50% interest and became the manager of Explosafe America Inc., a corporate joint venture. Explosafe America Inc., together with its subsidiaries, holds the patents and other rights to the development, manufacture and licensing of EXPLOSAFE™ products worldwide. In January 1984, a new agreement which redefines the future operations of the joint venture, was approved by the Vulcan Board of Directors and the Directors and shareholders of Explosafe Corporation Ltd.

Vulcan Industrial Packaging Limited continues today as a strong, viable organization under the leadership of Albert J. Cavan, Q.C. Although its future has yet to unfold, its roots are buried deep in the past. From its humble beginnings in 1916, Vulcan's success was fuelled by the courage and tenacity of an Irish immigrant named Patrick Henry McCarthy.

Mr. McCarthy died on June 11, 1955 at the age of 86.



Vulcan through the years . . .
1916 - 1984

Steel Pails and Metal Decorating

“... Vulcan is following a strategic path that has placed your Company at the forefront of the Canadian pail market...”



Vice-President, Steel Pail Manufacturing

A segment of our market which has been converting from steel to plastic packages over the past few years now appears to have completed its conversion program. Accordingly, we believe that the steel pail market has now entered a more stable period. This period of stabilization will enable our manufacturing facility to both concentrate on the development and introduction of unique and more competitive packages, and permit the implementation of further advancements to the manufacturing process which will enable us to meet the challenges ahead.

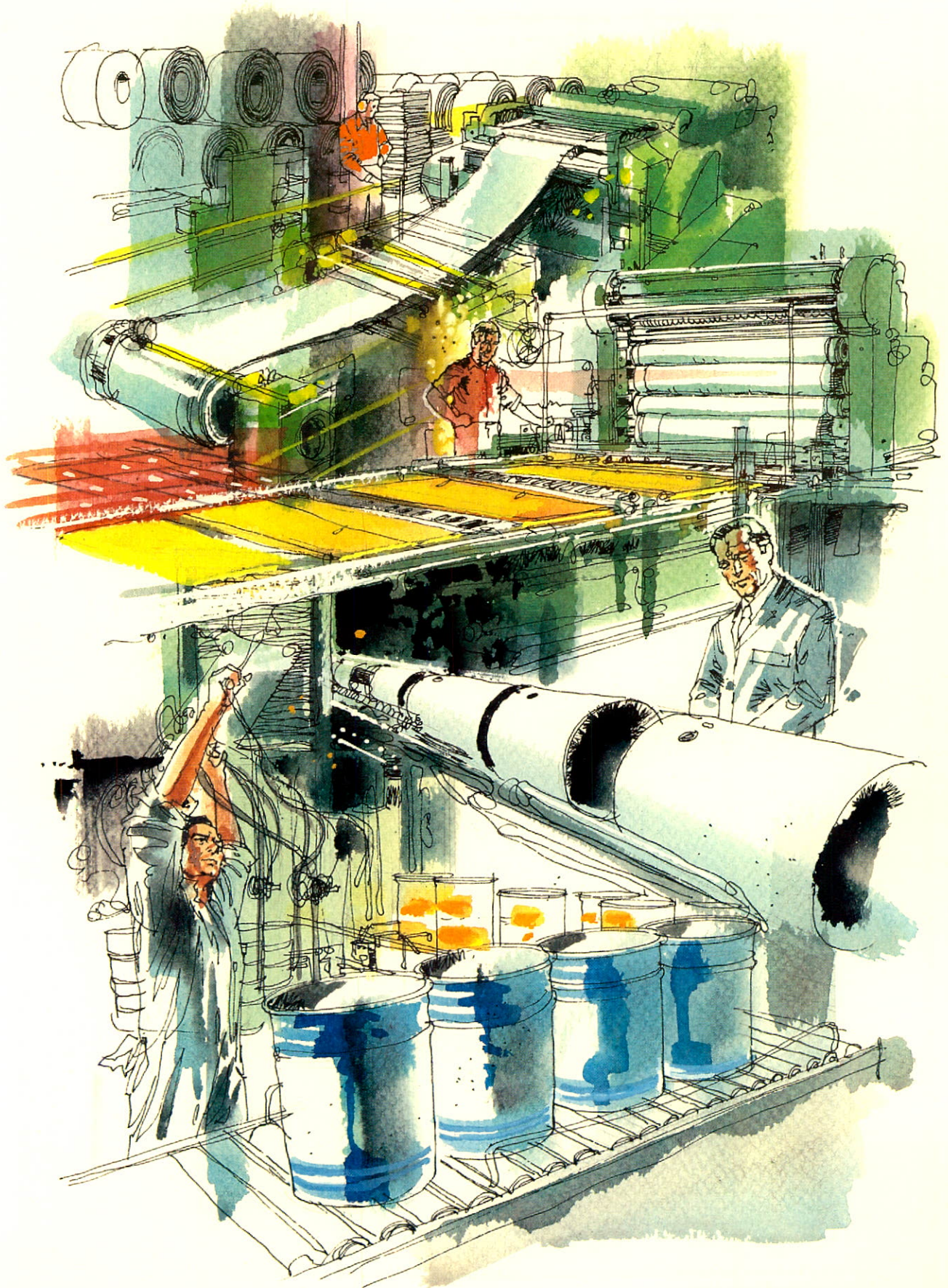
The manufacturing changes we are pursuing will result in the production of pails that meet the stringent demands of new transportation regulations, while continuing to offer our present and potential customers with an additional reason to procure their pail requirements from your Company. The day is past when a firm can prosper simply by manufacturing look-alike, perform-alike products. For this reason, Vulcan is following a strategic path that has placed your Company at the forefront of the Canadian pail market and which will ensure that we remain there.

Through the introduction of more competitive packages to our steel pail product line, opportunities exist for our sales team to reclaim volume in a specific sector of our market which has converted to alternative packages in the past. Our sales department has also launched a concerted effort to expand our market share in the United States, particularly Michigan and New York.

The Metal Decorating Division was established in 1963 to provide Vulcan with a constant, reliable source of supply for our decorated steel pails. Over the years, it has developed into the most respected custom metal decorating service centre in Canada. We have grown from one line providing both coating and printing to our Steel Pail Division, to four state-of-the-art production lines that supply decorating services to a varied group of customers across the country.

The growth of this Division has been a result of your Company working with current and potential customers to help them achieve profitable solutions to their metal fabricating production line problems. Our suppliers' assistance in providing us with innovative, quality coatings and inks is the result of many years of co-operation. These have been the major reasons that we have developed such a solid reputation in the decorating field.

The industry, after being relatively stable for the past few years, is now being exposed to new can manufacturing developments that could have a bearing on some of our customers' future requirements. To meet this challenge, we have been devoting a considerable amount of our sales time to the development of new domestic and export business. We have confidence in our ability to maintain production at near capacity in 1984 as it was in 1983, and we expect the contribution of this Division to your Company's well-being to be sustained for years to come.



“We intend to place a high priority on ensuring that we are well positioned to provide those products and services that will meet the changing needs of our customers, both in 1984 and in the years ahead.”



Vice-President, Plastics

The plastics sector of the Canadian industrial packaging market experienced improved growth in 1983 versus 1982, while continuing to undergo dramatic change. In overall units, the Vulcan Plastics Group increased sales from over 3¹/₂ million in 1982 to 5¹/₂ million in 1983. These increases occurred primarily in the food and petro-chemical packaging sectors.

Overall, however, the industry continued to suffer from over-capacity throughout the past year, in spite of the improvement in market conditions. This resulted in a state of depressed pricing in 1983, which had carried over from the previous year.

Indications from the first quarter of 1984 are that we should anticipate overall industry production to come into balance with demand this year, assuming that the economy continues to stabilize. This should allow a more favourable pricing situation to develop with corresponding improvements to our profit margins.

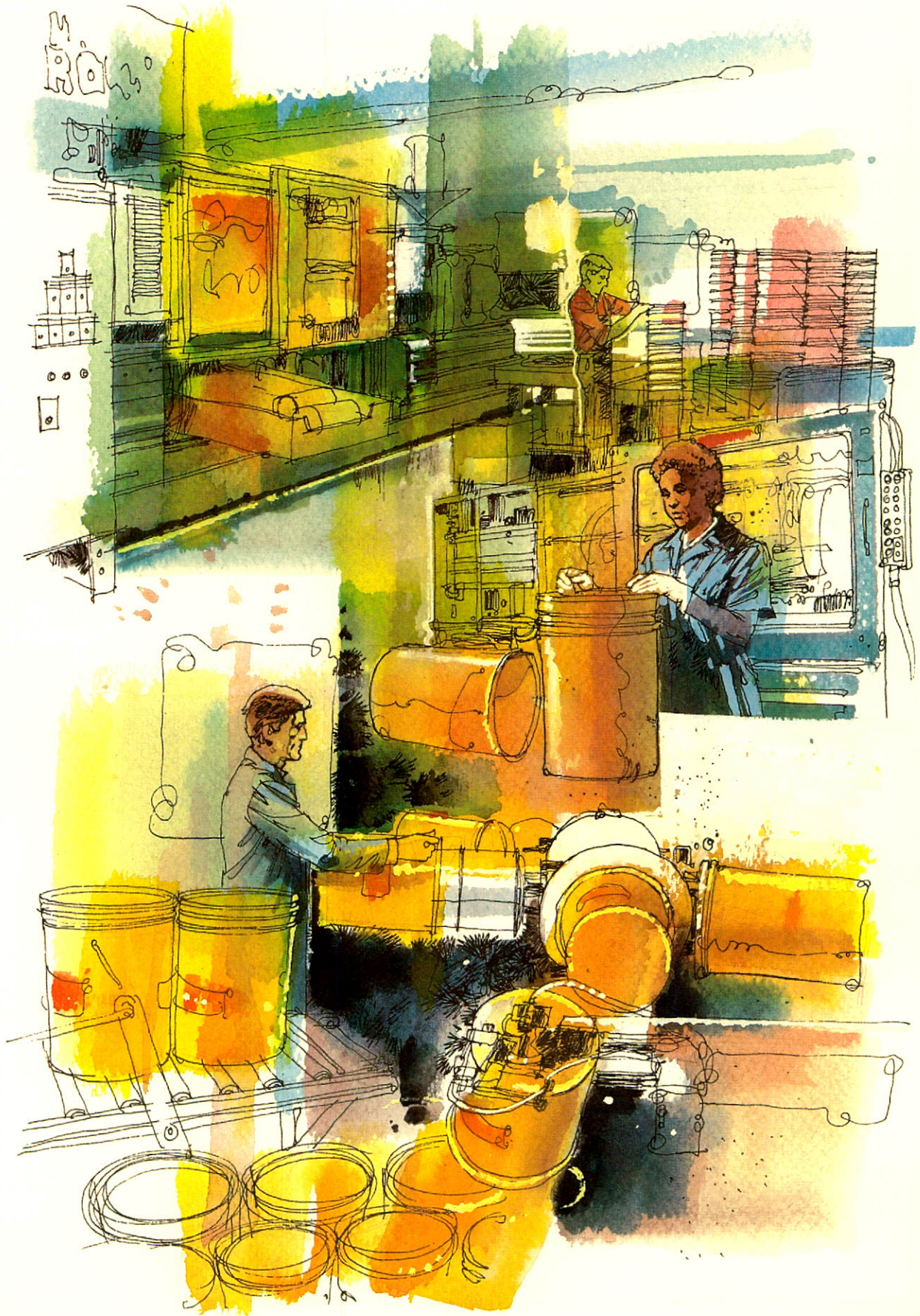
In operations, our Edmonton plant experienced its first full year of activity in 1983. In spite of a difficult economic climate in Alberta, it met its objectives in terms of unit sales. Our Toronto operation continued to perform strongly, but the most significant activity increase occurred at our Montreal plant. In response to greater demand for our products in Quebec, capacity was increased by 25% in the fall of 1983 with the addition of both pail molding and decorating equipment. The addition of this state-of-the-art decorating equipment has enabled our sales

department to offer multi-colour decoration to our clients and prospective clients, a process that was difficult to achieve with our previous equipment.

These equipment additions were complemented by the introduction of new, more efficient molds in both our Toronto and Montreal plants. These improvements had the combined effect of raising overall capacity of our three plants by some 27%.

Our open head pail product line continued to improve in 1983, with changes designed to upgrade product performance and increase productivity. In addition to a continued emphasis in these areas, we are currently working on a variety of projects which will expand our marketing horizons over the coming months and years.

Change continues to be a very significant element affecting our industry. We intend to place a high priority on ensuring that we are well positioned to provide those products and services that will meet the changing needs of our customers, both in 1984 and in the years ahead.



Drum Manufacturing and Reconditioning

“... your Company has chosen to adopt a leadership role in establishing standards that will have to be met by the competition if they wish to participate in the future growth of this market.”



Vice-President, Drum Manufacturing and Reconditioning

The year 1983 was a difficult but rewarding one for our Steel Drum Divisions. Fluctuating delivery schedules, intense competition in the industry, and inroads of other packaging methods such as tote tanks, bulk shipping and plastic drums, all tested the resourcefulness of our management.

Nevertheless, through the combined efforts of our sales and manufacturing personnel, we not only retained our share of the market, but increased our unit and dollar sales slightly over 1982. This is the result of promoting our unique national service through all our facilities across Canada.

Priorities have been set in the manufacturing divisions to control costs and further improve our present high quality standards, while still maintaining the service level our customers have been accustomed to.

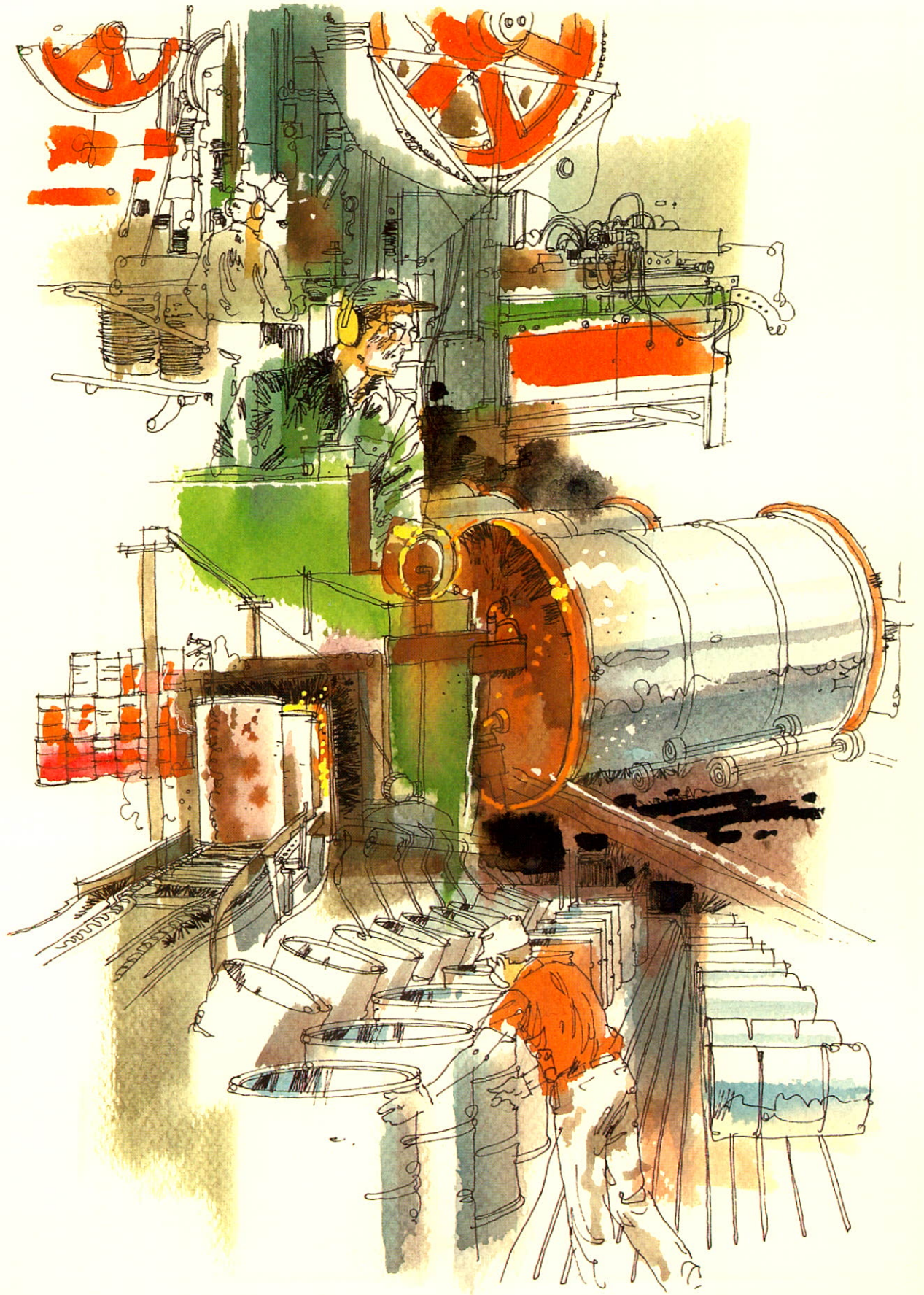
Favourable results have been obtained by the continual upgrading of our facilities, such as installation of automatic drum lining equipment in our Montreal Reconditioning Plant, and an acid cleaning system in Regina. We improved our Reconditioning operation in Edmonton by installing a new tester and chimer which increased our productivity, thereby allowing us to serve a greater number of customers during the peak seasons.

Both our Montreal and Petrolia Reconditioning Plants have new exterior drum washers to service the growing requirements for the plastic drum. Within this industry, your Company has chosen to adopt a leadership role in establishing

standards that will have to be met by the competition if they wish to participate in the future growth of this market. Vulcan's leadership role is already recognized by both our customers and competitors.

The Toronto Reconditioning Plant was the recipient of an additional press in 1983 which performs a cover operation, previously procured from our Parts Division. Having this press on site has reduced transfer costs and has improved in-plant efficiency, while maintaining the ability to sell these parts to outside customers. In addition, this Division is improving its chaining capabilities to enable it to provide the highest quality of reconditioning and new standards of cleanliness for clients recycling drums in the paint industry. This will not only benefit our existing customers, but will permit our sales department to pursue additional business.

In keeping with our program to reduce overhead costs by consolidating operations, the Parts Division has been moved from leased facilities to available space in the Company-owned Steel Pail Plant at Bethridge Road, Toronto. This Division, which manufactures drum closures, will make a contribution to overhead at the Steel Pail Plant, while eliminating leasing costs at their former location. Our Parts Division is the only Canadian source for open head drum closures and reinforcing chimes, supplying not only the needs of our own plants, but outside customers as well.



“ Efforts to date have been, and will continue to be directed towards universal military acceptance in the U.S.A., particularly in ground support vehicles. ”



President, Explosafe America Inc.

The Explosafe System

Developed from the inventor's original concept, EXPLOSAFE™ is an explosion suppression system, engineered to fit inside any fuel tank or volatile liquid container, which is designed to ensure the structural integrity of the container when its gaseous contents are subjected to a source of ignition. EXPLOSAFE™ is fabricated from a thin, passive metallic aluminum foil, which is accurately slit, expanded, then layered or rolled to form a unique “honeycomb” of hexagonal cells which facilitate the flow of the liquid contents. When cut and shaped into a modular kit, EXPLOSAFE™ can fill any tank configuration while displacing only one percent of the liquid contents.

Basically, EXPLOSAFE™ is a heat transfer agent. When a flammable liquid / gaseous vapour mixture is subjected to a source of internal ignition vis-a-vis spark, ballistic or fire electrostatic discharge, EXPLOSAFE™ cools the flame, thus reducing heat generated pressure rise. With limited pressure build-up, the integrity of the structure is ensured, and life-endangering explosion is prevented.

With liquid propane gas (LPG) containers, the same principal applies, but in reverse, when the container is subjected to a source of external fire. In tests, LPG containers internally fitted with the EXPLOSAFE™-engineered system were adequately protected from Boiling Liquid Expanding Vapour Explosions (BLEVE) when heated, with the gas / vapour contents safely exhausted through the unit's relief valve.

1983 Explosafe Achievements

During the past year, the Marketing / Sales Organization, supported by Engineering, Quality Assurance, Finance and Administrative Staff, has achieved many successes. Product demonstrations for instance, were conducted in Canada, Italy and Saudi Arabia. In each case, observers included high level government and military officials, leaders in industry, as well as security, police and fire department members. Demonstrations of this type are useful in achieving recognition for the product. A similar demonstration conducted near Madrid, Spain in the summer of 1982, resulted in the appointment of SAPREX S.A. as our Spanish Licensee.

SAPREX S.A. will be ordering a production line of machinery for final commissioning in 1984. The Licensee is confident that meaningful sales of the EXPLOSAFE™ product can be achieved in military, commercial and industrial applications and has a long-term marketing strategy in place. SAPREX S.A. is also planning to establish additional manufacturing facilities through sub-licensing agreements in several Spanish-American countries.

During 1983, preliminary tests were conducted on 11 lb. and 20 lb. LPG cylinders in conjunction with a Chicago, Illinois based firm, National Gas Tek Corporation. Validation and instrumented tests were recently completed in Florida using 33½ lb. vertically mounted LPG / DOT type designs, as employed on fork-lift trucks, and filled with liquid propane at nominal capacity. When subjected to a severe “blow torch” external fire environment, results of these tests proved that EXPLOSAFE™ prevented catastrophic BLEVE explosions. This offers encouragement that other LPG tank designs can be afforded the same level of safety, although each configuration will be subjected to the same rigorous level of testing.

One outcome of these test programs is that Explosafe America Inc. has entered into an

(continued)



exclusive Sales License Agreement with National Gas Tek. They will be responsible for the marketing and sale of each LPG end product, as well as for securing LPG Association endorsement and obtaining certification from government authorities. The large potential in this market is for the LPG cabinet heater or home heater. The Licensee is anticipating deliveries of EXPLOSAFE™ batt kits for these in the summer of 1984, pending the successful outcome of scheduled tests.

In other testing, through the U.S. Army Fuels/Lubricant Branch, Fort Belvoir, Virginia, Explosafe participated with the U.S. Army on ballistic trials on vehicle fuel tanks containing gasoline and diesel fuel at both ambient and elevated temperatures. Although we have a U.S. Air Force Military Specification, it primarily aids us with gasoline, kerosene and aviation fuels. As diesel fuel is being used here and abroad, it is imperative that we obtain coverage by a U.S. Army Military Specification similar to that obtained from the U.S. Air Force. It is anticipated that the results of the Fort Belvoir test program will initially result in a U.S. Army bulletin and ultimately, at the conclusion of tests, produce a U.S. Army Specification and directive for the use of EXPLOSAFE™ in all diesel fuel ground support vehicles for the U.S. Army.

In the area of new sales, Explosafe obtained orders in 1983 from Brinks for security vehicles, in addition to contracts from other classified security vehicle manufacturers.

At the end of 1983, we relocated the entire Explosafe operation to a Vulcan-owned facility. Situated in Toronto near the important transportation routes of Highway 427 and the Queen Elizabeth Highway, the new facility eliminates lease costs to a third party and provides us with a cleaner, improved manufacturing environment. Manufacturing growth can also be accommodated to meet future requirements.

Long-Term Goals

Efforts to date have been, and will continue to be directed towards universal military acceptance in the U.S.A., particularly in ground support vehicles.

Last year, Explosafe also announced the introduction of a new family of gasoline containers. Although our plans did not come to fruition, alternatives are currently being pursued. Management maintains the conviction that greater penetration of the gasoline can market will be achieved through the introduction of this container, which has more consumer appeal than our current model, and continues to work towards this goal.

With respect to civilian vehicles, our overseas agents have been making encouraging strides in gaining acceptance of our system. We are anticipating off-shore sales in the future, which will help establish the criteria and demand for this type of post-crash safety protection in private automobiles, thereby assisting Explosafe's marketing efforts on the North American continent.

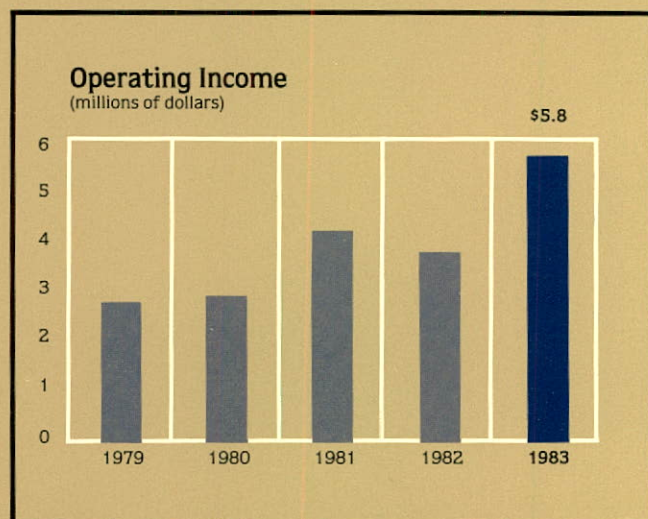
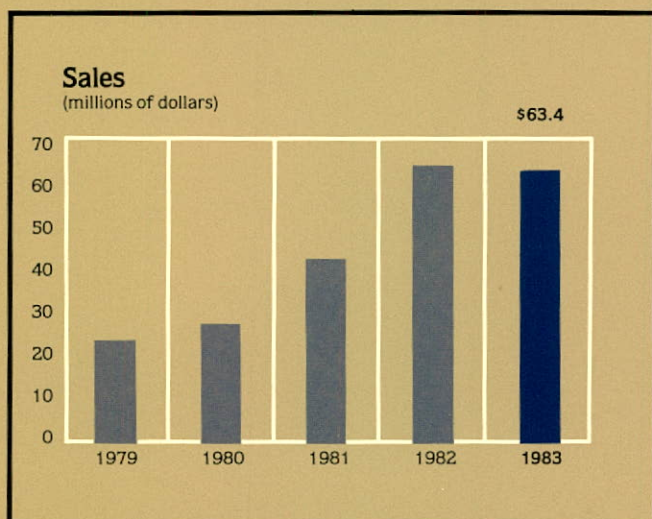


Some military vehicles currently utilizing EXPLOSAFE™

Consolidated Financial Summary

	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
	(thousands of dollars)									
Operations										
Sales	\$63,362	\$64,344	\$41,917	\$26,667	\$23,737	\$18,574	\$16,292	\$14,192	\$12,801	\$11,588
Income (loss) before loss from joint venture operations and extraordinary items	\$ 1,363	\$ (475)	\$ 959	\$ 1,258	\$ 1,250	\$ 1,125	\$ 849	\$ 819	\$ 861	\$ 730
Loss from joint venture operations	1,120									
Extraordinary items and other *	5,056		227			4,800	337			
Net income (loss)	\$ (4,813)	\$ (475)	\$ 732	\$ 1,258	\$ 1,250	\$ (3,675)	\$ 512	\$ 819	\$ 861	\$ 730
Financial Positions										
Working capital (deficiency)	\$ 2,998	\$ 2,436	\$ 3,318	\$ 1,893	\$ 1,576	\$ (514)	\$ 2,140	\$ 2,730	\$ 2,130	\$ 2,140
Fixed assets	21,046	22,353	22,126	5,295	4,442	3,430	3,548	3,719	3,665	3,620
Other assets	2,620	7,882	7,215	3,083	2,290	1,370	2,833	366	491	33
	26,664	32,671	32,659	10,271	8,308	4,286	8,521	6,815	6,286	5,793
Long-term and non-current debt	24,589	26,051	24,239	5,087	4,569	1,801	2,194	1,150	1,328	1,636
Deferred income taxes	3,872	3,452	4,473	1,681	1,257	1,017	948	1,060	953	809
	28,461	29,503	28,712	6,768	5,826	2,818	3,142	2,210	2,281	2,445
Shareholders' equity	\$ (1,797)	\$ 3,168	\$ 3,947	\$ 3,503	\$ 2,482	\$ 1,468	\$ 5,379	\$ 4,605	\$ 4,005	\$ 3,348

*Including loss from discontinued operations
1978 - \$1,950; 1977 - \$275



	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
	(thousands of dollars)									
Changes in Financial Position										
Income (loss) from continuing operations	\$ 243	\$ (475)	\$ 959	\$ 1,258	\$ 1,250	\$ 1,125	\$ 849	\$ 819	\$ 861	\$ 730
Depreciation	2,081	2,060	1,197	606	510	480	464	429	394	345
Deferred income taxes (reduction)	420	(1,021)	(11)	424	240	69	(112)	108	144	158
Other	249	117	52	58	48	37	32	12	7	11
Funds from operations	2,993	681	2,197	2,346	2,048	1,711	1,233	1,368	1,406	1,244
Increase in long-term and non-current debt		3,063	16,500	650	2,875	82	1,154	50		
Government assistance		152	13	95	18	113	153	376		
Proceeds from sale of non-current assets	333	269	92	22	15	19	116	11	20	11
	3,326	4,165	18,802	3,113	4,956	1,925	2,656	1,805	1,426	1,255
Investment in subsidiary			13,073							
Capital expenditures	850	2,556	1,310	1,485	1,533	378	468	492	457	333
Long-term debt reduction	1,462	1,251	989	132	107	475	110	228	309	258
Dividends	152	304	288	236	236	236	234	220	203	203
Other	300	936	1,717	943	990	3,490	2,434	265	467	6
	2,764	5,047	17,377	2,796	2,866	4,579	3,246	1,205	1,436	800
Increase (decrease) in working capital	\$ 562	\$ (882)	\$ 1,425	\$ 317	\$ 2,090	\$ (2,654)	\$ (590)	\$ 600	\$ (10)	\$ 455
Per Share										
Income (loss) before loss from joint venture operations and extraordinary items	\$ 0.18	\$ (0.06)	\$ 0.13	\$ 0.17	\$ 0.16	\$ 0.15	\$ 0.11	\$ 0.11	\$ 0.12	\$ 0.10
Income (loss) before extraordinary items and other *	0.03	(0.06)	0.13	0.17	0.16	0.15	0.11	0.11	0.12	0.10
Net income (loss)	(0.63)	(0.06)	0.10	0.17	0.16	(0.48)	0.07	0.11	0.12	0.10
Dividends	0.02	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Shareholders' equity	(0.24)	0.42	0.52	0.46	0.33	0.19	0.71	0.63	0.55	0.46

* Including loss from discontinued operations
1978 - \$.26 ; 1977 - \$.03

Consolidated Balance Sheet

December 31, 1983

Assets	1983	1982*
		(thousands of dollars)
Current assets:		
Accounts receivable	\$ 8,163	\$ 8,006
Inventories (note 2)	7,459	7,470
Prepaid expenses and deposits	127	100
	15,749	15,576
Fixed assets (note 3)	21,046	22,353
Investment in shares at cost (note 5[b])		499
Investment in Explosafe America Inc. (notes 4 and 5)	20	20
Deferred development costs:		
Related to Explosafe (notes 4 and 5)		4,692
Other, less amortization	28	36
Goodwill	2,572	2,635
	\$39,415	\$45,811

* restated - note 4

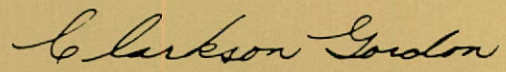
Auditors' Report

To the Shareholders of Vulcan Industrial Packaging Limited:

We have examined the consolidated balance sheet of Vulcan Industrial Packaging Limited as at December 31, 1983 and the consolidated statements of income (loss) and retained earnings (deficit) 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, 1983 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 16, 1984
 (May 1, 1984 as to note 4)


 Chartered Accountants

Liabilities & Shareholders' Equity

1983

1982

(thousands of dollars)

Current liabilities:

Bank indebtedness (notes 6[b] and 6[c])	\$ 4,188	\$ 4,220
Accounts payable and accrued expenses	5,726	6,272
Income and other taxes payable	1,376	1,859
Current portion of long-term debt	1,461	789
	12,751	13,140
Long-term debt (note 6)	24,589	26,051
Deferred income taxes	3,872	3,452

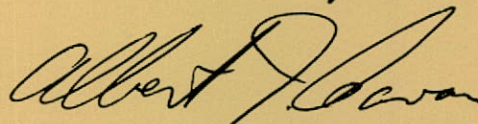
Shareholders' equity:

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 (deficit)	(3,053)	1,912
	(1,797)	3,168
	\$39,415	\$45,811

(See accompanying notes)

Contingency (note 10)

On behalf of the Board:

Director Director 

Consolidated Statement of Income (Loss) and Retained Earnings (Deficit)

Year ended December 31, 1983

	1983	1982
	(thousands of dollars)	
Sales	\$63,362	\$64,344
Operating expenses:		
Cost of sales exclusive of depreciation	45,620	47,277
Depreciation	2,081	2,060
Selling	5,101	4,946
Administrative	4,760	6,196
Total operating expenses	57,562	60,479
Operating income	5,800	3,865
Interest on long-term debt	3,226	4,188
Other interest	609	665
Total interest	3,835	4,853
Income (loss) before income taxes, loss from joint venture operations and extraordinary items	1,965	(988)
Income taxes:		
Current	182	508
Deferred	420	(1,021)
Total income taxes	602	(513)
Income (loss) before loss from joint venture operations and extraordinary items	1,363	(475)
Loss from joint venture operations (note 5)	1,120	
Income (loss) before extraordinary items	243	(475)
Extraordinary items (note 5):		
Write-off of deferred development costs	4,824	
Loss on disposal of shares	232	
Net loss	(4,813)	(475)
Retained earnings, beginning of year	1,912	2,691
	(2,901)	2,216
Dividends	152	304
Retained earnings (deficit), end of year	\$ (3,053)	\$ 1,912
Earnings per share:		
Income (loss) before extraordinary items	\$ 0.03	\$ (0.06)
Net loss	\$ (0.63)	\$ (0.06)

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1983

	1983	1982
	(thousands of dollars)	
Working capital derived from:		
Operations:		
Income (loss) before extraordinary items	\$ 243	\$ (475)
Items not involving working capital:		
Depreciation	2,081	2,060
Amortization of deferred development costs and goodwill	239	117
Loss on disposal of fixed assets	10	
Deferred income taxes	420	(1,021)
Funds from operations	2,993	681
Proceeds from disposal of shares	275	
Proceeds from disposal of fixed assets	58	269
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
Government assistance		152
	3,326	4,165
Working capital applied to:		
Additions to fixed assets	850	2,556
Reduction in non-current portion of long-term debt	1,462	1,251
Advances to joint venture		897
Dividends	152	304
Deferred development costs		39
Extraordinary item - effect on working capital	300	
	2,764	5,047
Increase (decrease) in working capital position	562	(882)
Working capital, beginning of year	2,436	3,318
Working capital, end of year	\$ 2,998	\$ 2,436
Represented by:		
Current assets	\$15,749	\$15,576
Current liabilities	12,751	13,140
	\$ 2,998	\$ 2,436

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 1983

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.

(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 incurred prior to completion of major capital projects is capitalized by a charge to fixed assets.

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 the development of new products until commercial production has been attained or the project has been deemed commercially unfeasible. Upon commencement of production of a particular product, the related costs are amortized 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. Benefits are recorded in the year of realization.

2. Inventories

At December 31, inventories consisted of:

	1983	1982
	(thousands of dollars)	
Raw materials and work in process	\$5,268	\$5,614
Finished goods	2,191	1,856
	<u>\$7,459</u>	<u>\$7,470</u>

3. Fixed assets

At December 31, fixed assets consisted of:

	1983		1982	
	(thousands of dollars)		(thousands of dollars)	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 4,805		\$ 4,805	\$ 4,775
Buildings	10,076	\$ 3,158	6,918	7,342
Plant machinery, equipment and automotive equipment	25,515	16,192	9,323	10,236
	<u>\$40,396</u>	<u>\$19,350</u>	<u>\$21,046</u>	<u>\$22,353</u>

4. Investment in corporate joint venture

The company has a 50% interest in a corporate joint venture, Explosafe America Inc., which is engaged in the development, manufacture and licensing of Explosafe products. Under its interpretation of the original agreements governing the joint venture corporation, the company treated costs incurred to develop Explosafe as advances to the joint venture. The joint venture partner disputed a number of the company's interpretations under the original agreements including the treatment of these costs and the treatment of revenue received by the joint venture.

Subsequent to December 31, 1983, the company and the joint venture partner have entered into an agreement which clarifies and replaces the former agreements and which resolves the above disputes. Both parties are also released from any actions which may have arisen under the former agreements. Under this new agreement, the parties acknowledge that Explosafe development costs incurred, net of revenues received, are costs of the company. The 1982 comparative figures have been reclassified to reflect \$4,692,000 as deferred development costs. The company will be entitled to receive a fee equal to 50% of the annual profits of the joint venture before taxes, to a maximum of \$5,769,000.

Under the new agreement, the company has been released from significant obligations which existed under the former agreements and has agreed to pay the joint venture partner an amount of \$300,000. This amount has been accrued as a liability and charged to income as an extraordinary item in 1983. On May 1, 1984 this liability was satisfied by the payment of \$100,000 cash and the issue from treasury of 60,000 common shares of the company. On the same day, the company sold to the joint venture corporation, for an amount of \$450,000 which approximates the company's carrying value, certain of its assets used in the production of Explosafe.

Other significant aspects of the new agreement are as follows:

- (a) The joint venture will be the sole owner of all existing and future rights to develop, manufacture and sell Explosafe on a worldwide basis. The company will no longer be required to make royalty payments to the joint venture partner.
- (b) Whereas the company's participation in Explosafe would have expired in 1990 under the previous agreements, the new agreement preserves the company's rights for an unlimited period.
- (c) The agreement provides for the establishment of independent management of the joint venture; the two shareholders will continue to be represented equally on the Board of Directors.
- (d) The company will no longer be required to provide funding or further guarantees therefor in respect of the corporate joint venture.
- (e) The company has the right, at its option, to cause the corporate joint venture to undertake a public distribution of its common shares, provided that such shares are issued for a minimum net consideration of \$5,000,000 and that the shares so issued constitute no more than 25% of the total issued common shares outstanding after the issue.

As a result of the above agreement, the company has maintained, through the corporate joint venture, its interest in the Explosafe product. However, the joint venture requires additional funding in order to meet its ongoing obligations and is presently pursuing a number of alternative sources of funding. In the event that this funding cannot be otherwise obtained, the company must provide financing in order to maintain its interest.

5. Extraordinary items

(a) Deferred development costs:

On January 1, 1983, the corporate joint venture commenced commercial production and began to amortize, over a five year period, development costs deferred to that date. During the year the joint venture incurred operating losses of \$1,120,000, including amortization of \$168,000.

Market developments in 1983 have not met expectations, as evidenced, in part, by the above losses. In addition, the company undertook a major study of the market potential for the Explosafe product. As a result of this study, and because of the uncertainty inherent in predicting future revenues for a product such as Explosafe, it is the company's judgement that the accounting criteria which must be met in order to continue to defer development costs can no longer be satisfied with a reasonable degree of assurance. Accordingly, the company has written off development costs of \$4,524,000, and has charged to income an amount of \$300,000, representing the costs of entering into the new agreement referred to in Note 4. These amounts have been reflected as an extraordinary charge to income in 1983.

(b) Loss on disposal of shares:

The loss of \$232,000 was incurred on disposal of the company's investment in shares in Plant Industries Inc. These shares were acquired as a long-term investment in 1981.

6. Long-term debt

	1983	1982
	(thousands of dollars)	
Mortgage bonds at interest rates ranging from 6 ¹ / ₂ % to 11 ³ / ₄ % with an average rate of 11%, maturing at various dates from June 1984 to April 1992	\$ 4,473	\$ 4,693
Term bank loans at interest rates ranging from prime plus 1 ¹ / ₄ % to prime plus 1 ¹ / ₂ %, maturing at various dates from October 1984 to October 1992	1,969	2,259
Term bank loan at an interest rate of prime plus 1 ³ / ₈ %, maturing November 9, 1987	18,500	18,500
Promissory note at an interest rate of 12%, maturing October 15, 1986	1,025	1,175
Equipment obligations at an interest rate of 6 ¹ / ₂ %, maturing July 1984	83	213
	26,050	26,840
Less portion due within one year included in current liabilities	1,461	789
	\$24,589	\$26,051

Additional information on long-term debt:

- (a) Mortgage bonds and term bank loans in the amounts of \$3,637,000 and \$604,000 respectively, maturing during 1984, are included in current liabilities to the extent of \$140,000 and \$55,000 respectively. The balances are reported as long-term debt, based on the company's and the lender's stated intent to refinance the borrowings.
- (b) Accounts receivable, inventories, fixed assets 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 loans and bank indebtedness. Bank letters of credit have been pledged as collateral security, in the amount of \$358,178 for mortgage bonds, and in the amount of \$1,125,000 for the promissory note. The assets pledged as collateral are subject to priority agreements between the company and its 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, the payment of dividends and the use of funds derived through the issue of capital stock.
- (c) The company's bank indebtedness of \$4,188,000 is drawn under an operating line of credit with a maximum of \$10,000,000 and bears an interest rate of prime plus 1/4%.

(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)
1984	\$ 1,461
1985	1,481
1986	2,628
1987	16,228
1988	456
1989 and subsequent	<u>3,796</u>
	<u>\$26,050</u>

7. Pension plan

Based on the most recent independent actuarial valuation of the pension plans, the net present value of unamortized past service costs was approximately \$138,600 as at December 31, 1983 (1982 - \$155,500). Past service costs will be liquidated by annual employer contributions up to December 31, 1994.

8. Lease commitments

Future minimum rental commitments for all non-cancellable operating leases as at December 31, 1983 are as follows:

	(thousands of dollars)
1984	\$276
1985	201
1986	94
1987	2
1988 and subsequent	0

Property leased by the company includes buildings, motor vehicles and office equipment.

9. Segmented information

The dominant segment of the company's business during 1983 involved the manufacture, reconditioning and sale of industrial containers.

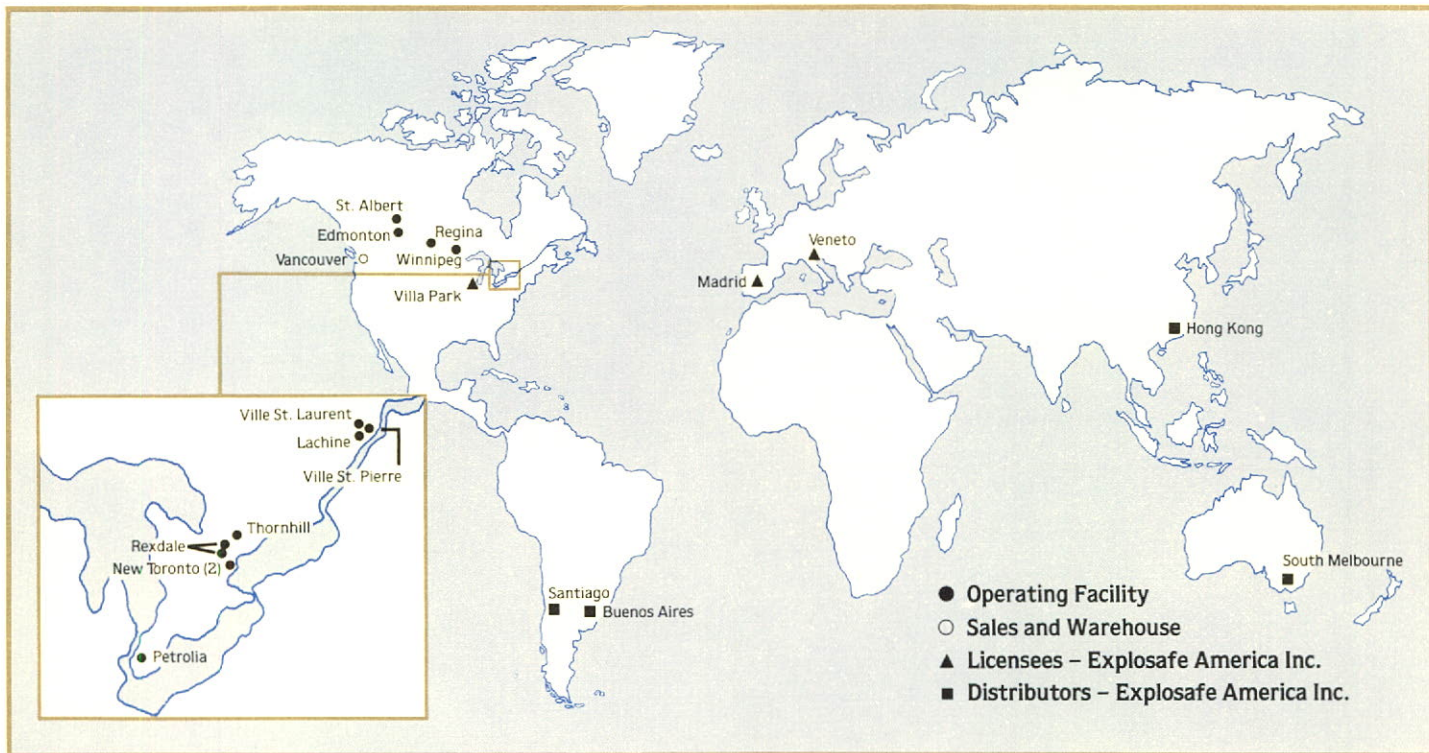
10. Contingency

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

11. Comparative figures

The comparative consolidated financial statements have been reclassified to conform with the presentation of the 1983 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

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.
President, Explosafe America Inc. and
General Manager, Explosafe Division

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 Monday, June 18, 1984. 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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