CCL Industries Inc.

ANNUAL REPORT 1981

Contents

Annual General Meeting

The annual general meeting of shareholders of CCL Industries Inc. will be held at the Sheraton Centre (City Hall Room) at 4 p.m. on May 26, 1982.

Directors and Officers

DIRECTORS

Gordon S. Lang,
Chairman

Clifford J. Dickens,
President

Edward G. Johnston,
Executive Vice-President

J. Kenneth Irvine,
Executive Vice-President

Edward W. Dobson,
Executive Vice-President and
Chief Administrative Officer

Albert Gnat,
Partner, Lang, Michener, Cranston,
Farquharson & Wright

Arnold Englander,
Partner, Lang, Michener, Cranston,
Farquharson & Wright

James G. Davies,

David R. Pepall,
President and Chief Executive Officer,
PPG Industries Canada Ltd.

Directors, left to right: Albert Gnat, Kenneth Irvine, James Davies, Edward Dobson, Gordon Lang, Arnold Englander, Clifford Dickens, David Pepall, Edward Johnston.

OFFICERS

Gordon S. Lang, P. Eng.,
Chairman of the Board and
Chief Executive Officer

Clifford J. Dickens, B.Sc., LL.B.,
President

Edward G. Johnston,
Executive Vice-President

J. Kenneth Irvine, B.A.,
Executive Vice-President

Edward W. Dobson, C.G.A.,
Executive Vice-President and
Chief Administrative Officer

Wayne M. E. McLeod, C.A., M.B.A.,
Senior Vice-President and
Chief Financial Officer

W. Donald Brewer, B.A., C.A.,
Vice-President Planning and Treasurer

Albert Gnat, B.A., LL.B.,
Secretary

Robert B. Leckie, LL.B., M.Eng., P.Eng.,
Assistant Secretary

AUDITORS

Thorne Riddell

LEGAL COUNSEL

Lang, Michener, Cranston, Farquharson & Wright

TRANSFER AGENTS

National Trust

FISCAL AGENT

McLeod, Young, Weir Limited

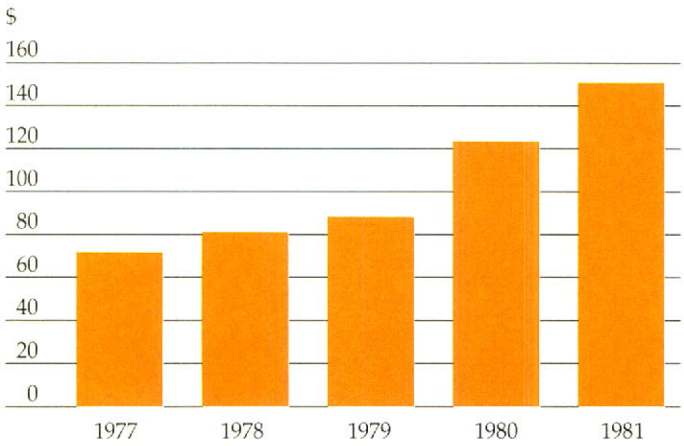
Further copies of this report can be obtained from:

CCL Industries Inc.
235 Yorkland Boulevard
Suite 500
Willowdale, Ontario
M2J 4W9
(416) 499-8500

Financial highlights

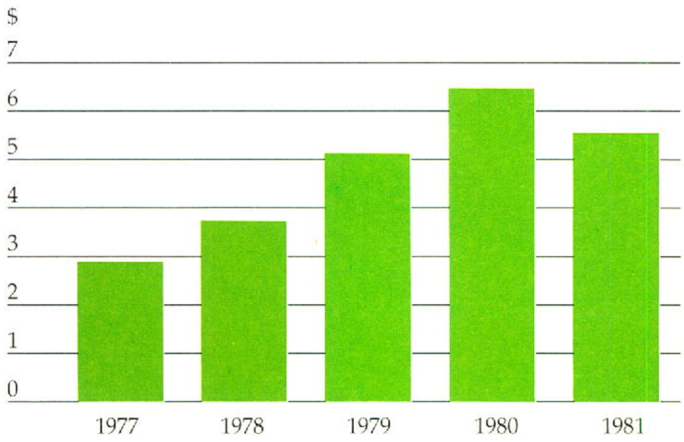
	1981	1980
Sales	**$150,423,700**	$123,506,843
Net income	**5,461,082**	6,440,345
Earnings per share	**0.66**	0.90
Shareholders' equity	**29,095,738**	24,287,834
Total assets	**86,870,121**	73,472,812
Working capital	**4,018,245**	4,136,121

Sales



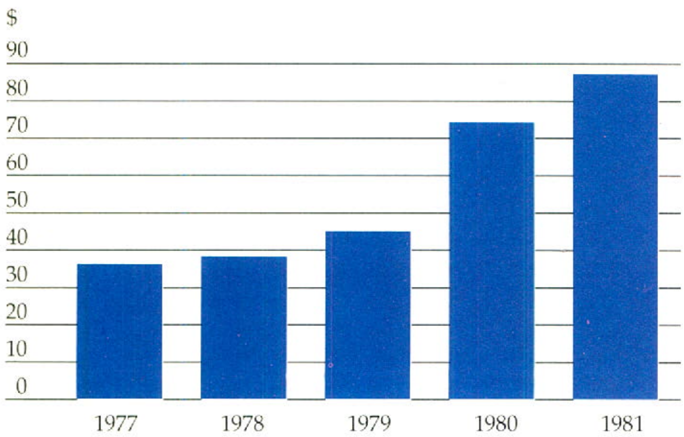
(Dollar millions)

Net Income



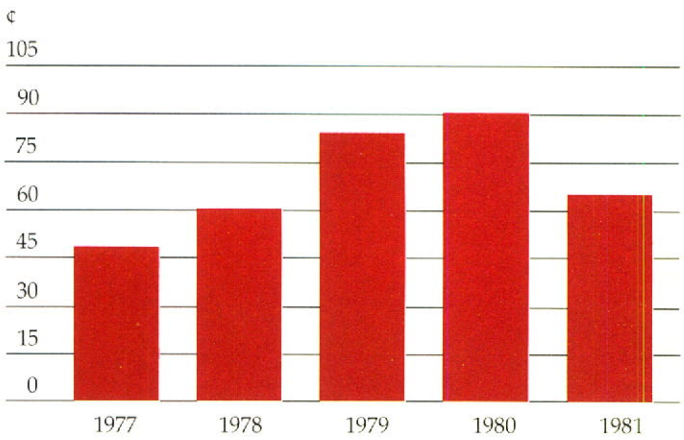
(Dollar millions)

Total Assets



(Dollar millions)

Earnings per Share



(Cents per share)

Chairman's Message to Shareholders

The 1981 fiscal year was an eventful and challenging one for your Company. Increasingly difficult economic conditions and record high interest rates created widespread changes in historical market patterns resulting in dramatic reductions in consumer demands. It is gratifying to note that CCL continues to be profitable during these adverse economic times.

CCL's net income in 1981 was $5,461,082 (66 cents a share). Net income for 1980 was $6,440,345 (90 cents a share). Earnings per share are calculated on a weighted average basis and reflect approximately 1.16 million additional shares over 1980 as a result of the issue of shares to the public in May 1980. Sales in 1981 were $150,423,700 as compared with $123,506,843 in 1980. Our financial position remains strong despite unusually high borrowing costs.

CCL currently pays a quarterly dividend of 7½ cents a share, equivalent to an annual rate of 30 cents. This rate is reviewed regularly by your directors and I am pleased to report that it is being maintained despite the general economic patterns and our lower earnings position for 1981.

In spite of adverse economic conditions, the past year has been a period of growth characterized by internal broadening of our sales and income base and external expansion by acquisition. New production facilities have been added and significant projects such as hot melt adhesive manufacturing in our Kleen Stik-Fasson plant have been completed. Diversification of our product lines continues and this, together with our strong customer base, affords CCL significant opportunities in each of the markets it serves. CCL's aggressive upgrading of each of its existing operations reflects its response to the challenge of building for the future.

Gordon S. Lang

During the year, CCL acquired Canada Decalcomania "Decal" Company Limited, Excel Adhesive Envelopes Inc. and R.M. Hollingshead Limited. Air Guard Control of Canada Limited was acquired effective January 1st, 1982. Canada Decal is the largest designer and producer of decal products in Canada. In over 70 years of manufacturing they have established a reputation for the highest quality decal products available on the market. Excel Adhesives is a manufacturer of pressure sensitive envelopes and other identification products. Their operations, formerly in Montreal, have been moved into expanded facilities in Toronto.

The R.M. Hollingshead acquisition added household liquid products to Chempac and expanded Chempac's entry into the liquid automotive chemical specialty market. Air Guard Control manufactures and distributes pest control products, air cleaning equipment and supplies and other related products. These acquisitions further diversify our operations base and, with their excellent production facilities and strong, creative management, generate exciting new fields of opportunity.

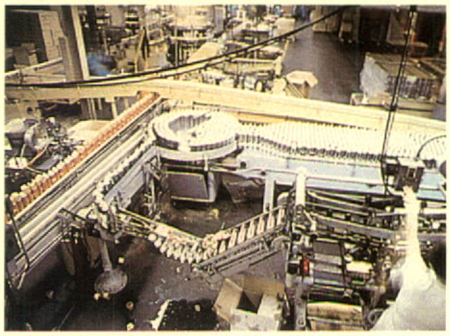
Your Company's management and staff of over 1800 people have been severely tested by the difficult business climate they faced during the year. Their response to these challenges is a tribute to their skills, loyalty and enthusiasm. CCL continues to attract highly qualified employees and we wish to express our thanks for their efforts.

CCL's dedication to growth and diversification persists, despite the prevailing economic circumstances. We are proud of our years of service in many different markets and we look forward to the challenges which the future will bring.

Gordon S. Lang
Chairman

A sample of the CCL product line-up

Conn Chem Division



Typical high speed manufacturing line

The Conn Chem Division manufactures a wide range of aerosol personal care and household consumer products. Six versatile high speed automated production lines are the key to an efficient production and packaging operation.

Conn Chem produces in aerosol form: antiperspirants, deodorants, hairsprays, shave foams, food products, cleaners, disinfectant sprays, laundry aids, insecticides — and many other specialty items. All manufacturing lines are specifically designed to accommodate a safe and efficient aerosol production operation.

Plant efficiency was improved considerably during the year resulting from the creation of a new Materials Control Department which combined purchasing, warehousing and traffic to provide effective and efficient control over materials dispersal.

Instrumentation room for testing raw materials.

Other operations which were streamlined for efficiency during 1981 included Compounding, Production, Maintenance, Sales, Technical and Administrative Departments.

Major engineering efforts during 1981 have resulted in a manufacturing line capable of producing polyurethane foam, which represents a significant new product line at Conn Chem. Test batches have proven more than satisfactory and full production facilities will be operational in the near future. This line has potential for the development of a variety of new products including caulking compounds and aerosol fire extinguishers.

Conn Chem's efficient, high-speed operation, together with the current value of the Canadian dollar, are positive influences which will permit Conn Chem to make major new market penetration abroad.

New business opportunities abound with growth potential in both insectides and household products.

The division is capable of producing D.M.O. (Dimethyl Oxide) propelled systems which are currently in the development stage. These aerosols will afford varied benefits to existing packages in most product categories. They will become the basis for new product introduction and revitalization of the industry.

Bulk propellant storage facilities

Last operation prior to shipment.

Armstrong-Lang Division

Armstrong-Lang — new products.

At Armstrong-Lang, pharmaceutical aerosols, liquids, suspensions, lotions, creams and powders are compounded, filled and packaged into a variety of forms. Containers to be filled can be aluminum or tinplate cans, polyethylene or glass bottles or jars, polyethylene or aluminum tubes and polyethylene or polystyrene containers for powders.

The products filled are cough syrups, bronchial dilators, various stomach remedies, toothpaste, suntan preparations, medicated facial lotions, medicated ointments, topical sprays and many others.

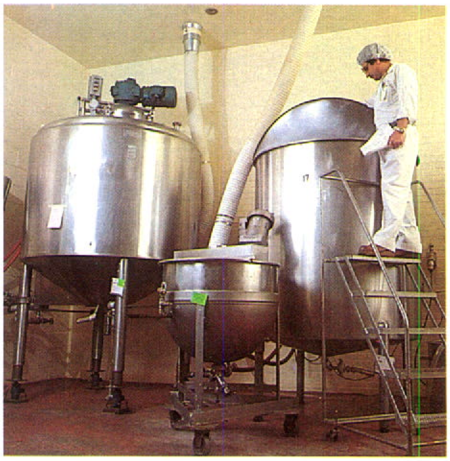
Armstrong-Lang's manufacturing capabilities have been diversified to include compounding, filling and packaging of various ranges of cosmetics and cosmetic drug products. The product range includes fragrances, antiperspirants, deodorants, lotions, creams, bath products, suntan preparations, talcs, dusting powders and fluoride and non-fluoride toothpaste.

Armstrong-Lang specializes in product formulation, purchasing, filling, packaging, quality control, setting up inventory control systems for customers and shipping. In addition, quality control is rigidly enforced.

A new product category at Armstrong-Lang is "deo-colognes". One national marketer has already achieved a successful launch and a number of others are planning to follow.

The projected volumes of deo-colognes for 1982 are in millions of units. The success is greatly dependent upon successful advertising and marketing strategies as developed by the marketers.

Increased volume will allow Armstrong-Lang to improve efficiency of the aerosol line. In particular, mouth freshners, lock de-icers and spray perfumes are expected to contribute to the increase.



Pharmaceutical compounding area.

Armstrong-Lang is still pursuing the toothpaste market, both export and domestic.

In addition, a wide range of cosmetic formulations will be developed using Dimethyl Oxide (D.M.O.) propellant. This will enhance existing aerosol products and create new opportunities.

The division looks forward to increased sales volumes, increases in internal efficiency, productivity and further involvement with Research and Development projects for future growth.

Armstrong-Lang main filling room

K-G Packaging Division

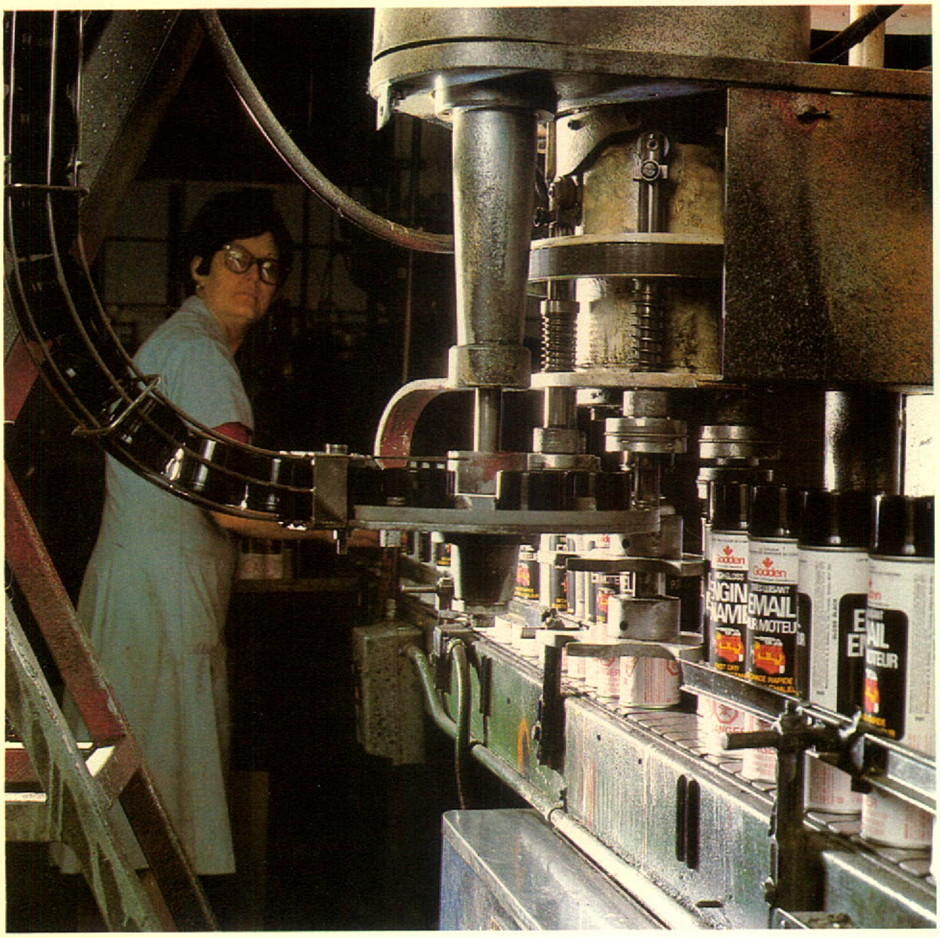
K-G Packaging Division manufactures specialized consumer products for a wide variety of customers from small commercial distributors to major marketing and retail companies. Operating from a versatile and highly efficient modern plant, K-G offers a wide range of products. One broad group includes aerosol spray paints, liquid paints, wood stains and varnishes. A second group includes industrial and auto-care chemicals such as lock de-icers, engine starting fluids, lubricants and cleaners. Strict quality control and high manufacturing standards ensure K-G's success in these market areas.

K-G is also Canada's largest manufacturer of aerosol spray paints and has made a major break-through with the development of its patented water-based spray paint. Test runs have shown this product to have a low degree of toxicity and flammability. In addition, the product has excellent gloss and durability.

Formulation examples of water-based acrylic paint

Water-based paints offer increased cost stability through the elimination of costly petroleum products found in most conventional enamels and lacquers. Commercial production has begun and there has been considerable interest in this product for both North American and International markets. Licensing agreements, currently under review, will afford increased potential for growth.

K-G remains dedicated to new product development. CCL will enhance this in 1982 by adding new research and development facilities and by constructing the D.M.O. facility described later in this Report. Positioned well in an expanding consumer market, K-G Packaging's potential for growth is considerable.



Automated packaging system

Quality control processing

Chempac Liquid Division

Chempac Liquid Division manufactures a wide variety of liquid consumer products ranging from personal care to household cleaners and automotive appearance products. All products are manufactured for national marketing organizations with the major customers covered by contractual arrangements.

Liquid volume declined slightly in 1981 due to a slumping economy but the outlook for 1982 is optimistic.

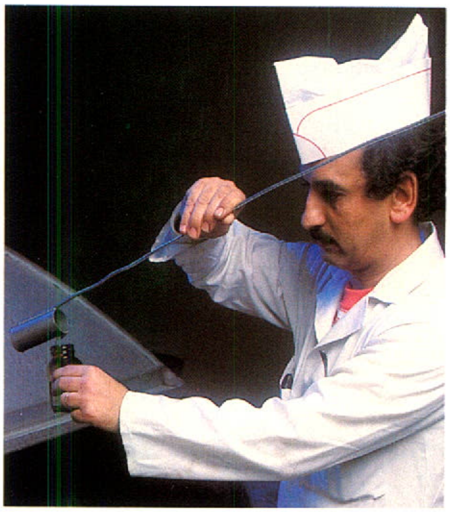
Chempac now operates the fastest and most labour-efficient liquid manufacturing facility in Canada.

The new high speed liquid filling line was brought up to targeted production in 1981. It has increased the plant capacity and broadened the market potential for our services. This additional equipment gives Chempac the ability to custom-blend sophisticated product formulations for customers in large, medium or small production runs in a wide variety of containers.

Late in 1981 Chempac expanded its entry into the liquid automotive chemical specialty market through acquisition. The product lines obtained will provide a base for selective growth in the automobile service market while providing additional volumes to the household products segment of their business.

The sluggish economy has, in a way, had a positive influence on our operation. The present high interest rates and Canadian dollar exchange rates continue to encourage North American marketers to service the local market with products manufactured under contract in Canada. This permits them to reduce inventories and benefit from ingredients and componentry available from local producers while avoiding the high overheads associated with trying to establish their own manufacturing facilities.

Major growth opportunities for 1982 have been identified in a number of market areas. In the personal care field, shifting consumer loyalties are encouraging the entry of new hair care products; the acceptance of liquid hand soaps creates a new product category and deodorant sticks continue to capture an increasing market share. Automotive service products are being pursued aggressively in response to Chempac's recently acquired capabilities and household markets are offering new opportunities in the cleaner and laundry segments.



Sampling a batch of finished product for laboratory testing.

A Canadian made labeller, part of Chempac's high speed liquid filling line.

Chempac Powder Division

The Chempac Powder Division specializes in the following product categories: automatic dishwasher detergents, laundry detergents and bleaches, household and commercial cleaners, water softeners, carpet freshners, metal polishers, automotive products, and many other powdered products all of which are sold through retail, industrial and institutional marketers.

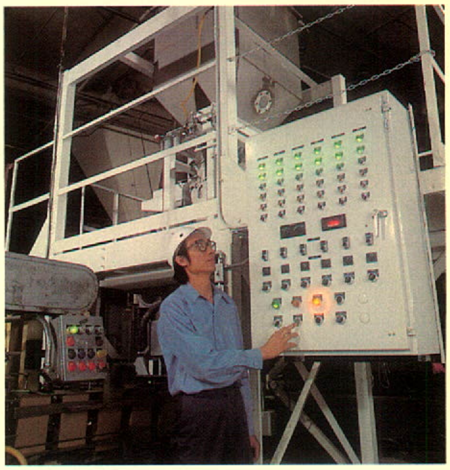
Although inventory reductions and consumer spending restraint affected unit volume in 1981, the division posted substantial gains in sales and profits as a result of product mix and cost reduction efforts.

The division's position as a major manufacturer of automatic dishwasher detergents in Canada, utilizing a unique patented agglomeration process, was further strengthened by the successful addition of more bulk chemical handling equipment and sophisticated packaging equipment in 1981.

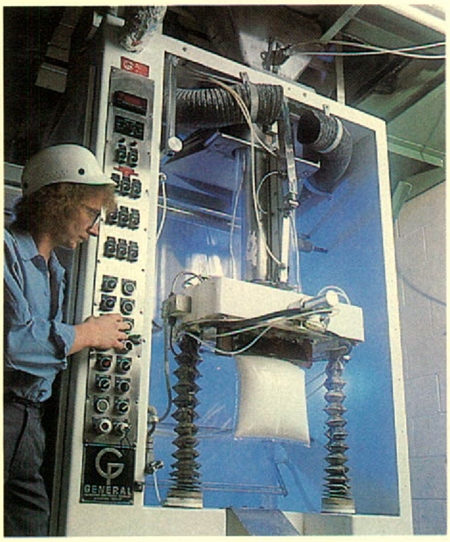
A new electronic net weighing system operates with more efficiency than other fillers and resulted in significantly reducing the cost of manufacturing some products.

For 1982, plans include ongoing capital investment in short payback cost reduction opportunities and expansion of Research and Development programs to optimize present operations — and to develop new opportunities.

Preliminary investigations indicate that the division could be competitive on the international market and Chempac Powder anticipates new business domestically and abroad in 1982.



New electronic net weighing apparatus, part of a cartoning overwrapping packaging system.



Vertical electronic form fill seal powder filling machine — bag in a box packaging system.

New rotary volumetric cannister filling line.

Kleen Stik-Fasson

Kleen Stik-Fasson Inc. manufactures pressure-sensitive adhesive products for the graphic arts industry. These products are composed of a variety of self-adhesive papers, foils and films. They are available in numerous roll widths and lengths, as well as a variety of sheet sizes. Fingerlift tapes are also produced in various widths and lengths.

A new emphasis on industrial products began late in 1981. These products include siliconized paper, two-sided adhesive tapes, single and double-sided foams, and products for automotive, construction, medical, and other markets. The end use involves many fastening and bonding applications.

The dominant new activity during 1981 was the purchase, installation and start-up of a major system for compounding solventless adhesives. The benefits are lower cost manufacture, more consistent adhesive performance and the ability to formulate a broader variety of adhesives for custom applications.

Quality control analysis is an essential part of adhesive manufacturing at KSF.

In this first complete year of operation KSF capitalized on the broad product line provided by combining the K-S products with the unique elements from the Fasson line.

Significant improvement was realized throughout the year in product quality and reliability. The key to these performance improvements were organizational adjustments, the introduction of more experienced managers and significant emphasis on operator training in manufacturing.

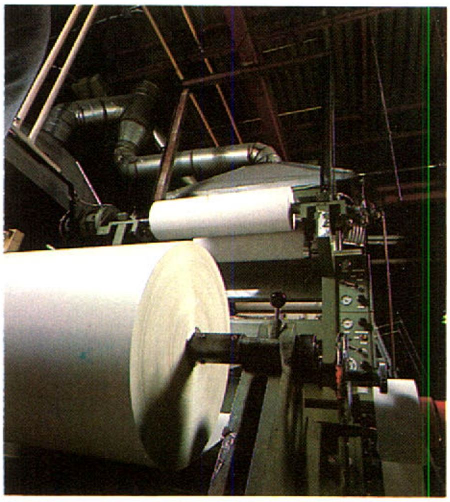
KSF's overall capabilities were demonstrated by being awarded a large repeat order for materials used by the Canadian Postal Service to produce Customs Declaration Stickers and address labels. The key to securing this business was the ability of KSF to meet demanding service requirements on a specified product.

Another major thrust in 1981 was the steady, controlled shift from purchasing imported products to Canadian manufactured products. Early in 1981 approximately 40% of the products were imported. By year-end KSF was importing less than 20% of finished materials. This shift will reduce costs, lower inventories and provide better customer service. This program is continuing into 1982.

New products introduced during 1981 were:

A. Copy Code (a supermarket shelf marking system which can accommodate rapid change);
B. A line of pastel colored sheet products;
C. A superior freezer grade adhesive for the food packaging and labelling industry.

Paper passing through one of the steps on the KSF coating process.



Rolls of paper bag on the adhesive coating process.

Neeco Industries

Neeco Industries and its group of companies produce the following: label systems and product identifications, decals and vehicle markings, distribution and specialty products.

Located across Canada, these companies can be recognized in their local marketplace — Canada West Labels, Vancouver; Home Labels, Edmonton; Gibson Labels, Winnipeg; Neeco Industries, Canada Decalcomania, and Excel Adhesive Envelopes, Toronto; Ever Ready Tag and Label, and Canada Woven Labels, Montreal.

These companies supply pressure-sensitive labels and labelling systems, printed tags, blister card packs, promotional and coupon labels, woven cloth labels, cloth crests and badges as well as other custom manufactured "product identity" labels.

The graphic requirements for advertising and promoting customer products are provided by talented in-house graphic arts staff in Montreal and Toronto.

Printing processes utilized by our divisions include flexography, flat bed letterpress, rotary letterpress, lithography, silk screen and looms. These processes allow the most economical production methods to complement the customer's needs.

The densitometer is one device to ensure printing quality at Neeco Industries.

The Neeco Distribution Division is an integral part of Neeco Industries as it brings broadly based manufacturing distribution and marketing services to Canadian industry.

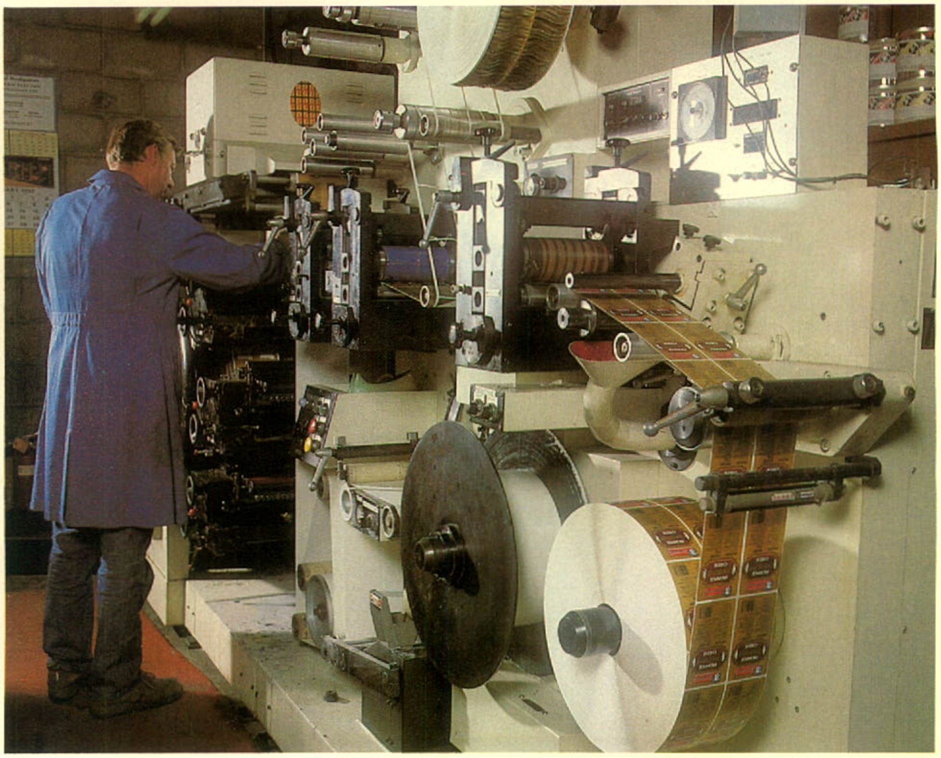
Neeco Distribution specializes in the sale of products to the electrical, electronic and industrial area of the marketplace. Industrial packaging materials have been added to the product lines to complement Neeco's overall packaging services.

The Neeco Distribution Division has warehousing and sales offices in Montreal, Toronto (Burlington), and Vancouver. The Vancouver operation was added late in 1981.

In the area of specialty products, Excel Adhesive Envelopes Inc. was acquired during the year. Excel is one of the leading designers and manufacturers of pressure-sensitive polyethylene envelopes.

From its plant in Toronto, Excel has access to a large national market and we see the development of a considerable demand for "Plastic Shipping Envelopes" manufactured at this facility.

Finished rolls of self-adhesive labels are given a visual inspection.

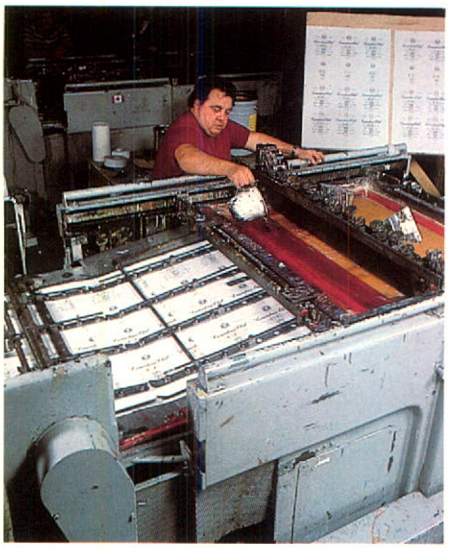


One of the multi-colour presses printing rolls of self-adhesive labels.

Canada Decal

Canada Decalcomania Company Limited is the oldest and largest designer and producer of decals and pressure-sensitive products in Canada. The company was acquired by the Neeco division of CCL early in 1981.

Founded in 1911, the company has built an outstanding reputation for the highest quality "graphic markings" available on the Canadian market. Canada Decal operates on a national basis. It services the Quebec and Maritime Provinces through its wholly-owned subsidiary, Artistic Decal, in Montreal. The Western Provinces are served by Intergraphics Decal Limited in Winnipeg, and the West Coast by Canada Decal Western.



Canada Decal products are used for point of sale and product identification.

In Ontario, Canada Decal's 60,000 square foot plant is located in Scarborough. The company's product line is diversified, but breaks down into three major categories.

- Point of Sales Decals — Produced for VISA, Master Card, American Express, tobacco and soft drink companies — decals which are applied to doors and windows in retail outlets to identify a product or service available.
- Product Identification — multi-use decals for anything from typewriters to a jet aircraft, and products such as lawn mowers, outboard motors, chain saws and farm machinery.
- Fleet Markings — for most major transportation companies in the country. Decal markings for trucks, often covering the whole side of the vehicle, is the largest single component of our business, and one in which we see good growth potential. The design and production of large fleet markings is one of our specialties.

The year 1981 saw a considerable improvement in Canada Decal's sales and profit performance. In spite of less than buoyant market conditions, projections for 1982 are for further improvement.

Decal marking for trucks is the largest single component of Canada Decal's business.

The design and production of large fleet markings is a specialty.

Air Guard Control

Air Guard is a manufacturer and marketer of specialty environment control products and systems.

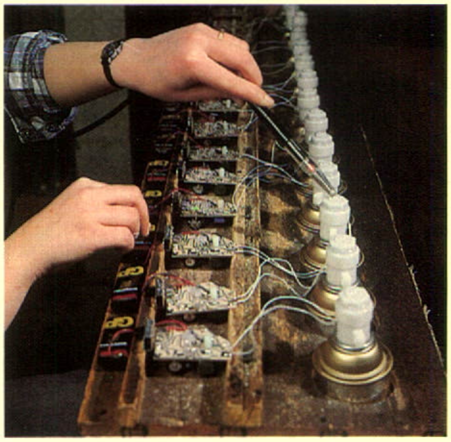
The Company's patented Timed Aerosol System has resulted in a major share of the Canadian market for automatic insect control.

Key market penetrations are in the food service industry and in agriculture. To complement its flying insect control systems, Air Guard manufactures and distributes electrical insect light traps for food processing and agriculture, and holds a major share in these areas.

Utilizing its systems approach, Air Guard produces unique, maintenance-free air filters which remove airborne particles ranging from viral/bacteria to pollens, tobacco smoke, welding pollution and oil mists. Growing concern regarding air pollutants and their effect on the air we breathe bodes well for expansion in this new field.

Rodent control in storage, industrial and commercial premises, is a third product grouping. Air Guard uses new patented ultrasonic technology in its units and has just concluded agreements for local manufacture and world distribution and licensing.

Air Guard has a proven background in successful sales in Canada with these products. The Company holds patents in over a dozen countries for its Timed Aerosol System. With its proven Canadian background, the Company is anticipating aggressive sales penetration in the United States and off-shore markets.



Quality control assembly procedures.

Sample of product range.

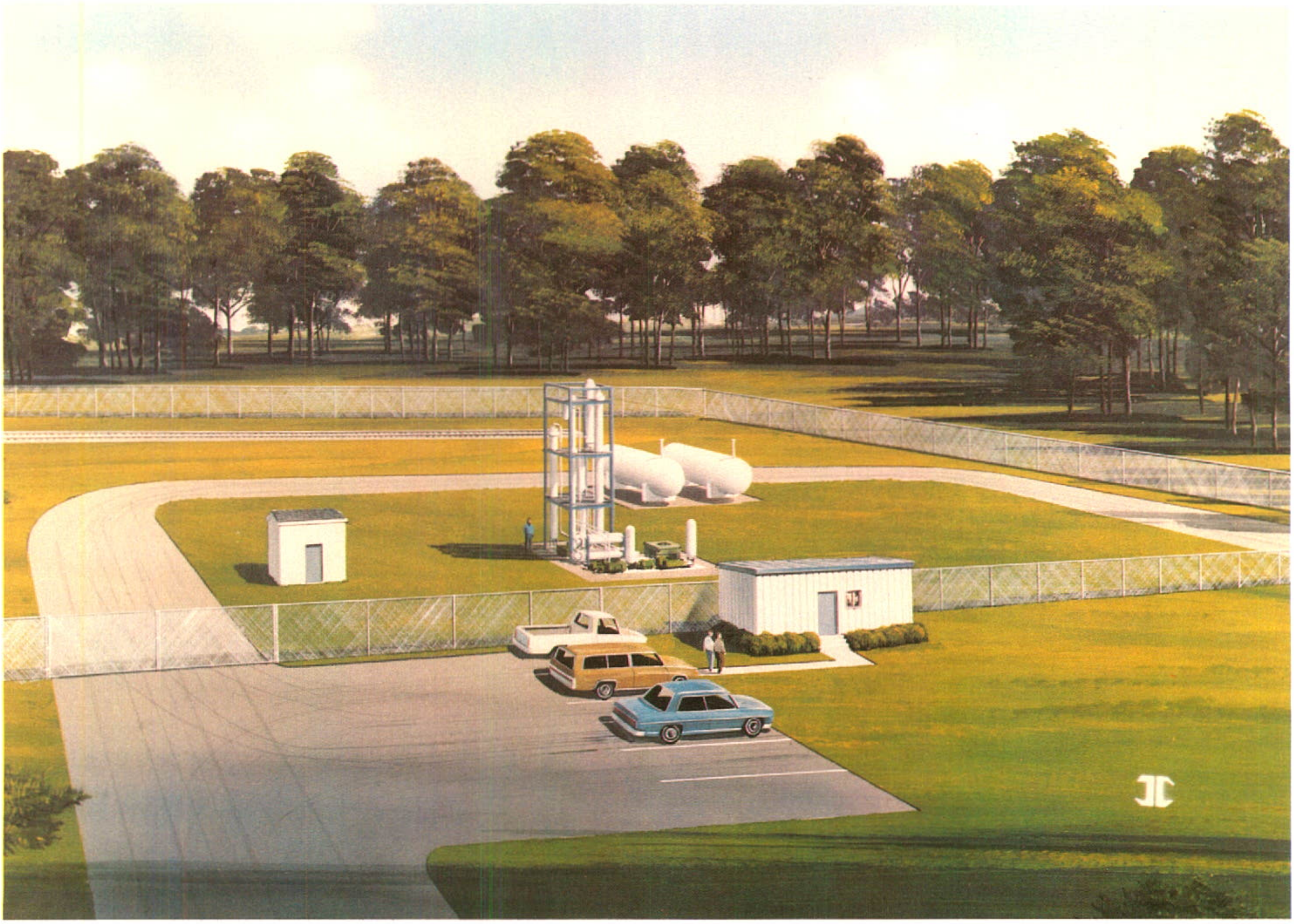
New milk filtration sleeve manufacturing.

D.M.O.

During the summer of 1982, CCL will complete construction of a facility in Ajax, Ontario for the manufacture of Dimethyl Oxide (D.M.O.). This facility will be unique to North America and will be the first Canadian source of D.M.O.

Initial pilot production of D.M.O. will be used in CCL's proprietary aerosol water-based paints. In addition, through expanded technical development efforts, CCL has discovered a number of new applications for D.M.O. These discoveries provide cost advantages and improved product performance for aerosol applications. Existing plans for the facility will allow expansion to meet increases in the demand for D.M.O.

CCL expects to obtain the benefits of additional research and development through negotiation of technical exchange agreements. One such agreement has already been reached with a European corporation which has been a pioneer in the development of D.M.O. technology.



Artist's conception of the new D.M.O. plant in Ajax, Ontario, now under construction.

Management review

Financial

The 1981 financial results of CCL have been impacted by the recessive trends of the economy. Considerable amounts of management time have been spent in dealing with the problems of continuing high interest rates, reduced consumer demand and changing market patterns. Cash reduction and control programmes have been key areas of concern during 1981 and, in light of the general pessimistic outlook for the economy, these efforts are being intensified. We are cautiously optimistic that these and other programmes will lead to continuing and improved levels of profitability.

Balance sheet highlights

Some significant changes in CCL's balance sheet during 1981 are:

1. Total assets grew by 18% encompassing acquisitions, additional equipment and the investments in inventory necessary for improved flexibility in reacting to fluctuating market conditions.
2. Working capital remains in the area of $4.0 million despite the additional current financing necessary to support the increase in assets.
3. Long-term debt was reduced by $1 million and the ratio of long term debt to equity improved from 1:3 to 1:4.4.

Inventory

General market uncertainty to the trend of consumer demand and concern over maintenance of profit levels has resulted in a decrease in inventory positions by both our customers and our suppliers. The decrease in order time periods for products required by our customers necessitated by lower stock positions required CCL to increase its inventory levels to ensure turn-around times adequate to serve our customers' demands. In addition, lead times for raw material and component procurement increased due to suppliers maintaining less stock in these uncertain times. This double edged timing problem has necessitated a short term increase in inventory levels and the commitment to maintaining service levels is constantly reviewed by management in light of changing market conditions.

Overall, inventory levels increased by 31.4% ($5.6 million) of which 15.7% ($2.8 million) was a result of the acquisitions made during the year.

Accounts receivable

The additional control programmes instituted during 1981 have met with a considerable degree of success. Accounts receivable as a percentage of sales has decreased to 13.2% in 1981 from 15.4% in 1980. This reduction, in light of the high carrying costs involved, is particularly satisfying and we are optimistic that continued emphasis in this area will produce similar future results.

Other assets

Other assets have increased by approximately $840,000 during 1981.

Management Committee, back row, left to right: Jim Shenker, Jim Wega, Ted Johnston, Gary Ullman, Cliff Dickens. Front row, left to right: Wayne McLeod, Peter Simpson, George Noguchi, Ken Irvine, Don Brewer. Missing: Ed Dobson.

Part of this increase is the investment of approximately $300,000 made in the installation of our new on-line computer system which began in 1981 and is proceeding smoothly. This powerful new resource increases the timeliness and quality of information necessary to maximize our income potential. These costs will be amortized over two years during which the potential impact of its implementation will occur. Deferred product development costs have increased as a result of the continued development of new and exciting products such as water-based aerosol spray paint and deo-colognes and a new propellant system, D.M.O. (Dimethyl Oxide), the details of which are set out on page 16.

Goodwill and acquisitions

Goodwill increased by $1.1 million as a result of the acquisitions of Canada Decalcomania Company Limited, Excel Adhesive Envelopes Inc. and R.M. Hollingshead Limited. This goodwill represents the difference between the purchase price of the companies acquired and the book value of their tangible assets. The details of these acquisitions are set out in note 9 to the financial statements.

Income

Sales in 1981 increased by 21.8% to $150.4 million. The sales of Canada Decalcomania Company Limited are included for the entire year and sales for Excel Adhesive Envelopes Inc. and R.M. Hollingshead Limited are included from July 1 and October 1 respectively.

Income from operations before charges for depreciation, amortization and interest expense increased by $2.26 million and income from operations declined by $2.0 million. Interest expense for 1981 increased by $2.9 million as a result of continuing high interest rates and represents the single largest factor leading to the $1.0 million reduction in Net Income. The current and long term bank financing bear interest at the prime commercial lending rate. CCL is continuing its search for reasonably priced fixed rate long-term financing to avoid the uncertainties of a volatile prime bank rate.

Year by year comparison of CCL's operating profit as a percentage of sales can be misleading. Our manufacturing arrangements, especially in our contract manufacturing division, enable CCL to pass on increases in material costs as they are incurred, thus increasing the total dollar value of the contracts concerned but not increasing the actual dollar margins earned therefrom. The total sale price will increase to absorb material cost increases but factory costs and profit factors are unchanged.

Segmented information

CCL reports its segmented results (as set out in note 11 to the financial statements) on the basis of its two major business areas — Contract Manufacturing and Identification Products. This differentiation best describes the two distinctive industry sectors in which CCL operates.

Financing policies

The prevailing high interest rates and continued economic uncertainties are of concern to your company. Sound financial management continues to be a key element within CCL and future expansion will be financed by the mixture of debt and/or equity which best serves our objectives of increasing profitability from a secure financial base.

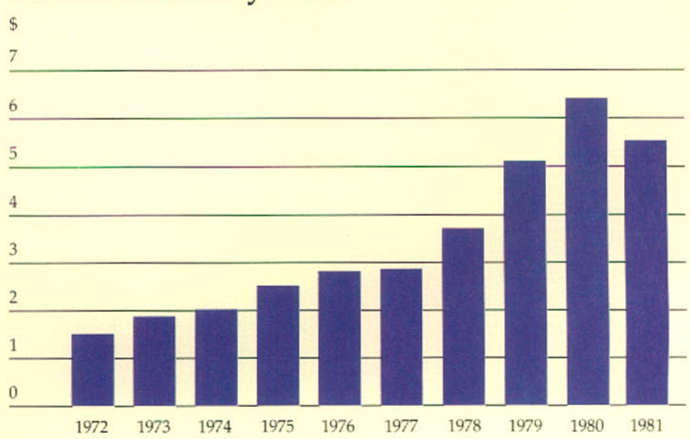
Ten-Year Financial Summary

	1972	1973	1974	1975	1976	1977	1978	1979	1980	**1981**
					(In thousands of dollars)					
Sales	32,536	38,260	54,011	60,182	68,108	71,058	80,302	87,563	123,507	**150,424**
Income before non-recurring and extra-ordinary items	1,517	1,859	2,017	2,492	2,878	2,852	3,700	5,100	6,400	**5,500**
Total assets	13,200	17,731	21,359	28,667	26,192	35,291	37,331	46,828	73,473	**86,870**
Net income	2,341	1,955	2,292	2,770	3,149	2,852	3,809	4,324	6,440	**5,461**
Additions to fixed assets	628	1,273	1,951	988	2,364	3,017	2,872	2,823	5,321	**4,974**
Depreciation	560	650	876	1,065	1,166	1,332	1,312	1,482	2,028	**2,959**

Stock Price Record

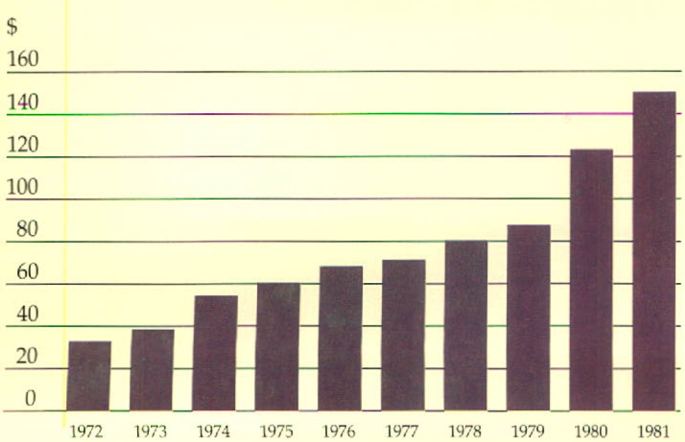
	HIGH	LOW	CLOSE
1st quarter	$ 8.50	$6.750	$7.750
2nd quarter	10.250	7.50	9.250
3rd quarter	9.125	6.00	6.625
4th quarter	8.00	6.750	7.50

Income before non-recurring and extraordinary items

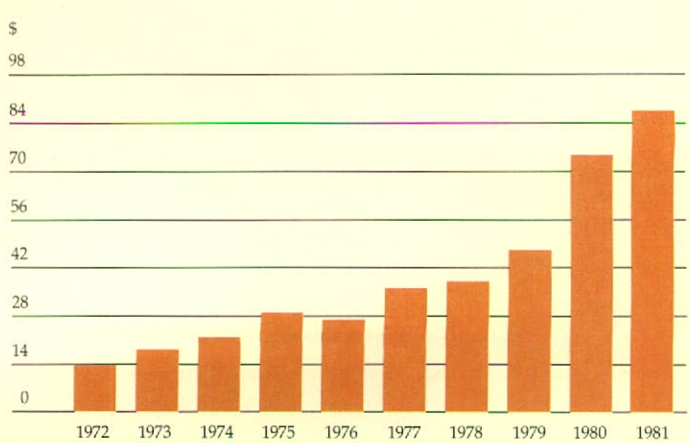


(All numbers in dollar millions)

Sales



Total Assets



Consolidated Statement of Income

Year ended December 31, 1981

	1981	1980
Sales	$150,423,700	$123,506,843
Income from operations before undernoted items	$ 18,373,711	$ 16,111,256
Depreciation	2,958,953	2,028,250
Amortization of goodwill and other assets	659,689	296,825
Interest expense		
Current	4,269,513	1,595,189
Long Term	1,510,926	1,239,647
	9,399,081	5,159,911
Income from operations	8,974,630	10,951,345
Income taxes		
Current	2,142,502	3,065,150
Deferred	1,185,523	1,569,850
	3,328,025	4,635,000
	5,646,605	6,316,345
Minority interest	(185,523)	124,000
NET INCOME	$ 5,461,082	$ 6,440,345
EARNINGS PER COMMON SHARE	$.66	$.90

14,754

Consolidated Statement of Retained Earnings

Year ended December 31, 1981

	1981	1980
RETAINED EARNINGS AT BEGINNING OF YEAR	**$ 11,569,296**	$ 7,442,971
Net income	**5,461,082**	6,440,345
	17,030,378	13,883,316
Dividends		
Redeemable special shares		11,000
Common shares	**2,461,928**	1,821,000
	2,461,928	1,832,000
Public issue costs (net of income tax recovery of $403,000)		482,020
	2,461,928	2,314,020
RETAINED EARNINGS AT END OF YEAR	**$ 14,568,450**	$ 11,569,296

Consolidated Balance Sheet

as at December 31, 1981

Assets

	1981	1980
CURRENT ASSETS		
Accounts receivable		
Trade	$ 19,893,151	$ 19,072,980
Other (note 2)	2,932,708	1,506,170
Inventories (note 3)	23,590,800	17,949,277
Prepaid expenses	662,066	357,547
	47,078,725	38,885,974
FIXED ASSETS (note 4)	22,790,727	20,366,224
LOANS RECEIVABLE (note 5)	1,973,992	1,148,091
OTHER ASSETS (note 6)	3,752,052	2,908,097
GOODWILL	11,274,625	10,164,426
	$ 86,870,121	$ 73,472,812

23,488 20,937

Auditors' Report

To the Shareholders of
CCL Industries Inc.

We have examined the consolidated balance sheet of CCL Industries Inc. as at December 31, 1981 and the consolidated statements of income, 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, 1981 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
February 19, 1982

Thorne Riddell
Chartered Accountants

Liabilities

	1981	1980
CURRENT LIABILITIES		
Bank advances (note 7)	**$ 22,424,531**	$ 13,383,360
Accounts payable and accrued liabilities	**18,181,520**	17,931,361
Income and other taxes payable	**521,282**	1,609,887
Principal due within one year on long term debt	**1,933,147**	1,825,245
	43,060,480	34,749,853
LONG TERM DEBT (note 7)	**6,676,277**	7,716,309
DEFERRED INCOME TAXES	**5,264,930**	4,273,696
MINORITY INTEREST	**2,772,696**	2,445,120

Shareholders' Equity

CAPITAL STOCK (note 8)		
Authorized		
70¢ Cumulative, non-voting special shares, redeemable at $10 each		
Common shares		
Issued		
8,345,713 Common shares (1980, 8,093,333 shares)	**14,527,288**	12,718,538
RETAINED EARNINGS	**14,568,450**	11,569,296
	29,095,738	24,287,834
	$ 86,870,121	$ 73,472,812

43,808

Approved by the Board

Director **G.S. Lang**

Director **E.W. Dobson**

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1981

	1981	1980
WORKING CAPITAL DERIVED FROM		
Operations		
Net income	$ 5,461,082	$ 6,440,345
Items not involving working capital		
Depreciation and amortization	3,618,642	2,325,075
Deferred income taxes	1,185,523	1,569,850
Other	(30,456)	(118,169)
	10,234,791	10,217,101
Working capital arising on formation of Kleen Stik-Fasson Inc.		2,153,330
Issue of common shares	1,808,750	12,418,538
Increase in long term debt	306,625	675,000
Repayment of loans receivable	327,422	28,675
Disposal of fixed assets	1,211,690	27,125
	13,889,278	25,519,769
WORKING CAPITAL APPLIED TO		
Additions to fixed assets	4,974,067	5,321,379
Increase in loans receivable	1,153,323	862,846
Additions to other assets	1,181,017	2,253,851
Dividends	2,461,928	1,832,000
Reduction in non-current portion of long term debt	3,019,233	4,080,293
Redemption of redeemable special shares		550,678
Business acquisitions less assumption of working capital of $1,586,878 (1980 — $1,258,565)	1,217,586	7,333,172
Public issue costs		482,020
	14,007,154	22,716,239
INCREASE (DECREASE) IN WORKING CAPITAL	(117,876)	2,803,530
WORKING CAPITAL AT BEGINNING OF YEAR	4,136,121	1,332,591
WORKING CAPITAL AT END OF YEAR	$ 4,018,245	$ 4,136,121

Notes to Consolidated Financial Statements

December 31, 1981

1. Summary of significant accounting policies

(a) Basis of consolidation
The consolidated financial statements include the accounts of all subsidiary companies.

(b) Inventories
Raw materials and work in process are valued at lower of cost and replacement cost. Finished goods are valued at lower of cost and net realizable value.

(c) Fixed assets
Fixed assets are carried at cost. Depreciation is provided at the following rates and on the basis indicated:

	Rate	Method
Buildings	5%	Diminishing balance
Machinery and equipment	20%	Diminishing balance
Leasehold improvements	Term of lease	Straight line
Automotive equipment	30%	Diminishing balance

(d) Goodwill
Goodwill is stated at cost less amortization which is provided on a straight line basis over 40 years.

(e) Other assets
Other assets are carried at cost. Amortization is provided on a straight line basis over the following periods:

	Period
Technology	10 years
Deferred product development costs	5 years
Deferred computer conversion costs	2 years
Licence agreement	8 years

(f) Earnings per common share
Earnings per share have been calculated using the weighted monthly average number of shares outstanding for the year.

2. Accounts receivable, other

Included in this account are amounts due from directors and officers aggregating $152,873 ($81,042 in 1980) and income taxes recoverable in 1981 of $775,491.

3. Inventories

	1981	1980
Raw materials	**$13,941,806**	$12,032,041
Work in process	**2,084,585**	1,108,294
Finished goods	**7,564,409**	4,808,942
	$23,590,800	$17,949,277

4. Fixed assets

	1981		1980	
	Cost	**Accumulated depreciation**	Cost	Accumulated depreciation
Land	**$ 1,697,108**		$ 1,620,634	
Buildings	**8,600,732**	**$ 3,146,650**	8,162,669	$ 2,296,032
Machinery and equipment	**30,136,709**	**16,659,826**	23,568,629	12,247,642
Leasehold improvements	**3,198,527**	**1,078,300**	2,323,181	804,426
Automotive equipment	**280,583**	**238,156**	275,890	236,679
	43,913,659	**$21,122,932**	35,951,003	$15,584,779
Less accumulated depreciation	**21,122,932**		15,584,779	
	$22,790,727		$20,366,224	

Included in the above are fixed assets under capital lease with a net book value of $175,553 ($1,235,680 in 1980).

5. Loans receivable

Loans receivable represent amounts advanced to directors and officers without interest. These loans are evidenced by demand promissory notes and secured by collateral mortgages on properties owned by such directors and officers and/or by shares which have been pledged to secure the debt. These loans have repayment terms for periods not exceeding ten years.

6. Other assets

	1981			1980
	Cost	Accumulated amortization	Net	Net
Technology	$2,007,269	$224,098	$1,783,171	$1,965,769
Deferred product development costs	1,759,307	152,000	1,607,307	904,700
Deferred computer conversion costs	304,330		304,330	
Licences and patents	64,708	7,464	57,244	37,628
	$4,135,614	$383,562	$3,752,052	$2,908,097

(a) Technology
This account includes the cost of acquiring and developing new technology for laminated products produced by Kleen Stik-Fasson Inc. These costs are being amortized over ten years.

(b) Deferred product development costs
The company defers excess production costs related to significant new products until commercial production has been attained. Upon commencement of commercial production of a particular product, all related costs are amortized over a five year period.

(c) Deferred computer conversion costs
During 1981 the company deferred certain costs relating to the conversion of its computer system. Upon completion of the conversion, all related costs will be amortized over a two year period.

7. Long term debt

Description	Security	1981	1980
Bank indebtedness			
Term bank loan (note (a))	Note (c)	$6,000,000	$7,600,000
Bankers acceptances (note (b))	Note (c)	1,200,000	
		7,200,000	7,600,000
8% Mortgage, payable $3,434 monthly to February 1, 1993	Land and building	305,577	
9% Note due to Avery International, payable $77,300 annually to October, 1988	Unsecured	541,125	268,000
Capital lease obligations	Equipment	214,759	1,260,024
Other loans at various interest rates and repayment terms	Land, building and equipment	347,963	413,530
		8,609,424	9,541,554
Less principal included in current liabilities		1,933,147	1,825,245
		$6,676,277	$7,716,309

(a) The term bank loan is a demand loan with repayment arrangements over a period of years. This loan bears interest at the prime commercial lending rate and is repayable in quarterly instalments of $400,000.

(b) The bank has indicated it will re-issue acceptances at prevailing rates as acceptances mature. The acceptances may be converted into a term bank loan on the maturity of an acceptance at the company's option. Minimum principal repayments of $100,000 per annum are required each year from February 28, 1982 to 1989 with a final repayment of $400,000 by February 28, 1990.

(c) The current and term bank loans and bankers acceptances are secured by the assignment of accounts receivable and a charge on inventories in addition to $31,250,000 in demand debentures which, subject to mortgages on land and building, are secured by a first fixed and floating charge over all the present and future assets of the company.

A schedule of principal due within each of the next five years on long term debt, as at December 31, 1981, is as follows:

1982	$1,933,100
1983	1,928,600
1984	1,893,000
1985	1,478,700
1986	267,700

8. Capital stock

(a) The company issued 152,380 shares for $1,100,000 as part consideration for Canada Decalcomania Company Limited.

(b) During the year the company issued 100,000 shares to key employees for $708,750.

(c) The company adopted an employee stock option plan as at February 27, 1980, setting aside for the purpose of such plan 300,000 common shares. As at December 31, 1981 options for 65,000 shares had been granted as follows:

55,000 shares at $5.51 expiring July, 1985
10,000 shares at $5.96 expiring August, 1985

(d) Under the terms of an agreement pertaining to the acquisition of the shares of a subsidiary in 1981, the company may be obligated to issue additional shares for the acquisition over a three year period as determined by a formula based on the earnings of the subsidiary not to exceed in aggregate $1,276,000. The amount to be issued in 1982 will not be material and will be recorded as additional goodwill on acquisition.

9. Business acquisitions

During the year the company acquired all the issued shares in Canada Decalcomania Company Limited effective January 1, 1981, R. M. Hollingshead Limited effective October 1, 1981 and Excel Adhesive Envelopes Inc. effective July 1, 1981. The net assets obtained in these acquisitions, which were accounted for as purchases, are as follows:

Working capital	**$1,586,878**	
Other assets at assigned values	**1,638,113**	**$3,224,991**
Less		
Liabilities assumed	**1,694,266**	
Minority interest	**142,053**	**1,836,319**
Net assets at assigned values		**1,388,672**
Goodwill, being the excess of the purchase price over the net assets acquired		**1,415,792**
		$2,804,464
Consideration given		
Shares (note 8(a) and (d))		**$1,100,000**
Cash		**1,704,464**
		$2,804,464

10. Obligations under leases

A schedule of the future minimum operating lease payments, as at December 31, 1981 is as follows:

1982	$1,050,000
1983	1,024,000
1984	740,000
1985	693,000
1986	558,000
1987-2000	517,000

The above future minimum lease payments are exclusive of taxes, insurance and other executory costs.

11. Segmented information

The Corporation has two major business segments as follows:
(1) Contract manufacturing
(2) Identification products
The following is a summary of financial information for each segment:

	1981		
	Contract Manufacturing	Identification Products	Consolidated
Sales to customers	$103,319,893	$47,103,807	$150,423,700
Segment operating profit	$ 11,450,523	$ 4,095,694	$ 15,546,217
General corporate expense			791,148
Interest expense			5,780,439
Minority interest			185,523
Income taxes			3,328,025
			10,085,135
Net income			$ 5,461,082
Identifiable assets	$ 48,624,425	$38,245,696	$ 86,870,121
Depreciation and amortization	$ 2,399,274	$ 1,219,368	$ 3,618,642
Capital expenditures	$ 2,537,159	$ 2,436,908	$ 4,974,067

	1980		
	Contract Manufacturing	Identification Products	Consolidated
Sales to customers	$ 98,597,172	$24,909,671	$123,506,843
Segment operating profit	$ 12,107,492	$ 1,774,050	$ 13,881,542
General corporate expense			95,361
Interest expense			2,834,836
Minority interest			(124,000)
Income taxes			4,635,000
			7,441,197
Net income			$ 6,440,345
Identifiable assets	$ 43,666,543	$29,806,269	$ 73,472,812
Depreciation and amortization	$ 1,637,600	$ 687,475	$ 2,325,075
Capital expenditures	$ 3,166,959	$ 2,154,420	$ 5,321,379

The non-current portion of identifiable assets are stated at historical cost and do not represent current values.

12. Related party transactions

The company rents two buildings from corporations in which an officer and director has an interest. Leases on these buildings extend for periods up to 1986 with minimum annual rental payments of $415,000 per year. These rentals have been based upon opinions rendered by an independent qualified third party.

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Willowdale, Ontario
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