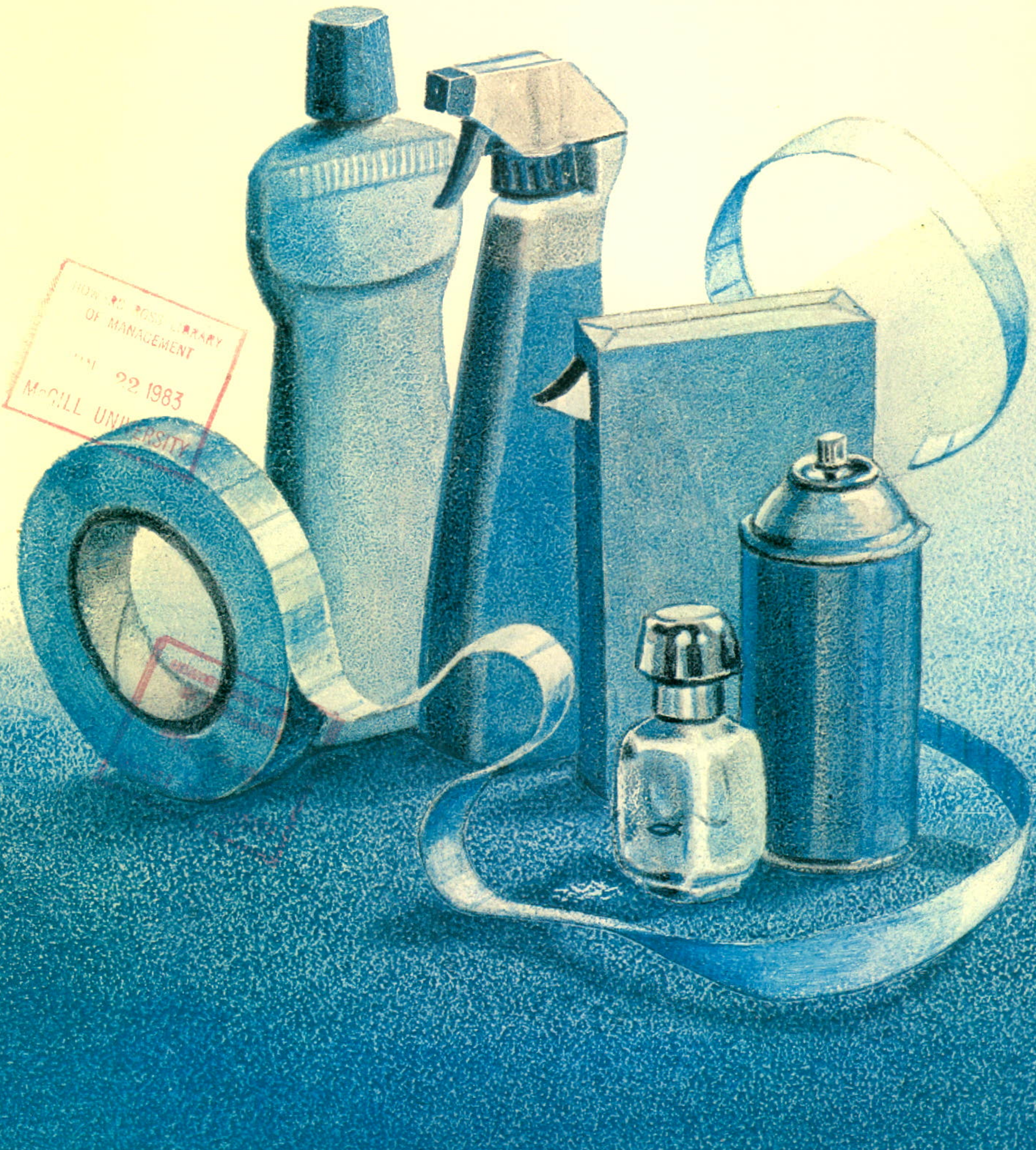
CCL Industries Inc. Annual Report 1980



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 12.

CCL Industries Inc. is a Canadian company, owned by about 600 shareholders, of whom approximately 50 are key employees. The common stock is listed on the Toronto and Montreal stock exchanges.

In 1980, CCL Industries Inc. earned the greater part of its sales revenues from the manufacture of about 6,000 different products for distribution by the 600 or more Canadian and U.S. marketing companies who are CCL's major customers. These products included the powders, liquids, aerosols, insecticides, spray paints, solvents, perfumes and cosmetics to be found in nearly every Canadian home.

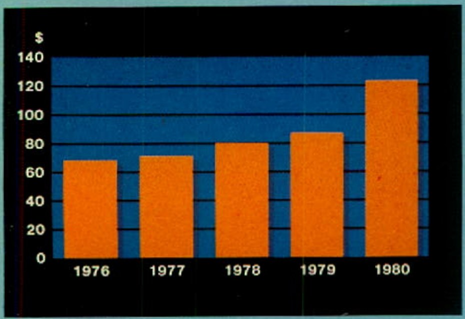
The remaining sales revenues were derived from the manufacture of self-adhesive rolls and sheets, from the sale of labelling systems and label products and from the distribution of tape and other accessories to the electrical and electronic industries.

CONTENTS

Financial Highlights

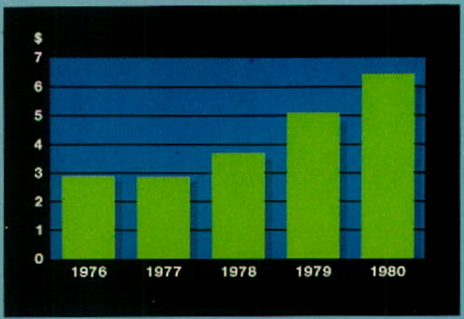
	1980	1979
Sales	**$123,506,843**	$87,563,375
Net income before non-recurring items	**6,440,345**	5,100,187
Net income	**6,440,345**	4,324,168
Earnings per share before non-recurring items	**0.90**	0.84
Earnings per share	**0.90**	0.71
Shareholders' equity	**24,287,934**	8,293,649
Total assets	**73,472,812**	46,828,214
Working capital	**4,136,121**	1,332,591

Sales



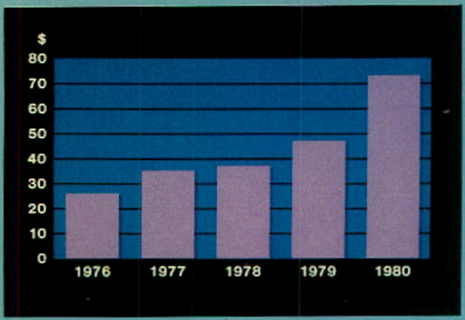
(Dollar millions)

Net income before non-recurring items



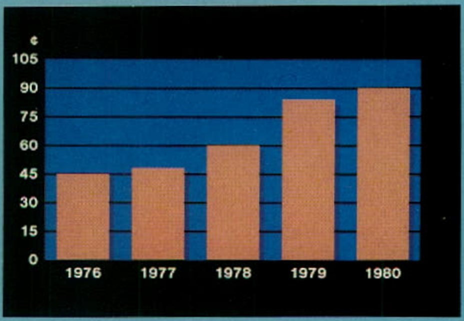
(Dollar millions)

Total Assets



(Dollar millions)

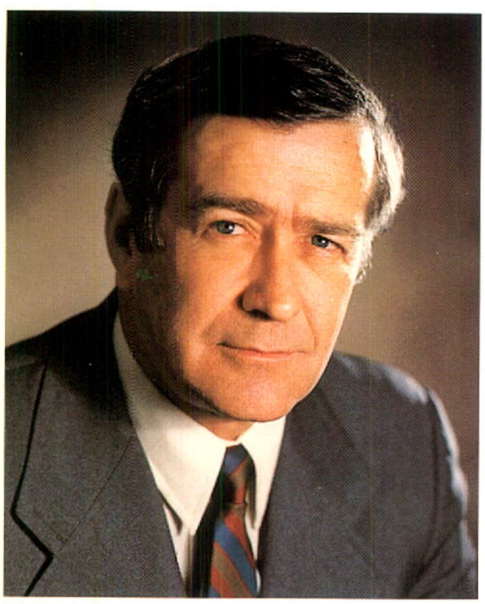
Earnings per share



(Cents per share)

Chairman's Message to Shareholders

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



Clifford J. Dickens, President and Chief Operating Officer.

This is my first year-end message to the company's new shareholders since CCL Industries Inc. issued 1,962,000 common shares to the public in May, 1980, and the company's shares were subsequently listed on the Toronto and Montreal stock exchanges. It is my pleasure to welcome you as shareholders of the company and to summarize an eventful year marked by continuing improvement in our results and in our financial position. For your convenience, the details of the year's events are discussed in the Operating Review commencing on page 4 and in the Management and Financial Review on page 9.

CCL's sales and net income in 1980 achieved record levels. Net income in 1980 was $6,440,345 (90 cents a share). Net income for 1979 was $5,100,187 (84 cents a share) before deducting $776,019 (13 cents a share) for non-recurring items. Sales in 1980 were $123,506,843 as compared with $87,563,375 in 1979. This income growth has been particularly satisfying in light of the unusually high borrowing costs of the first and fourth quarters.

CCL currently pays a quarterly dividend of 7½ cents a share, equivalent to an annual rate of 30 cents. Your directors intend to review this rate regularly in order to ensure a reasonable return in relation to profit growth. In this regard, I am particularly pleased to be able to report a strong, and improving, financial position.

The past year has been a period of internal and external growth. In the operating review we report new business, which, together with expansion of our production facilities, is expected to improve sales and profitability of our divisions. Among the former are some of the largest contracts yet received, which are for the manufacture of household cleaning products by the Chempac Powder Division.

I would like to stress that the consumer products manufactured by our divisions are an integral part of most Canadians' weekly shopping lists and are likely to remain so even in a period of reduced consumer spending.

The acquisition of Neeco Industries, early in the year, enlarged our sales and asset base and further diversified our operations. Neeco Industries is a leading supplier of self-adhesive labels and labelling systems, as well as of printed and woven labels. This division also is a distributor of associated tape products to the electrical and electronic industries.

CCL's presence in the self-adhesive products market was strengthened in September by the formation of Kleen Stik-Fasson Inc., in which CCL has a 60% interest and Avery International, of San Marino, California, has 40%. As a result, this operation, which manufactures self-adhesive roll, sheet and tape products at Ajax, Ontario, has the technological support of the world's leading manufacturer and supplier in this field.

During the year, CCL diversified geographically into label manufacturing in British Columbia.

Despite forecasts of marginal economic growth in Canada for 1981, our present order levels and marketing programmes promise another year of improved sales and net income.

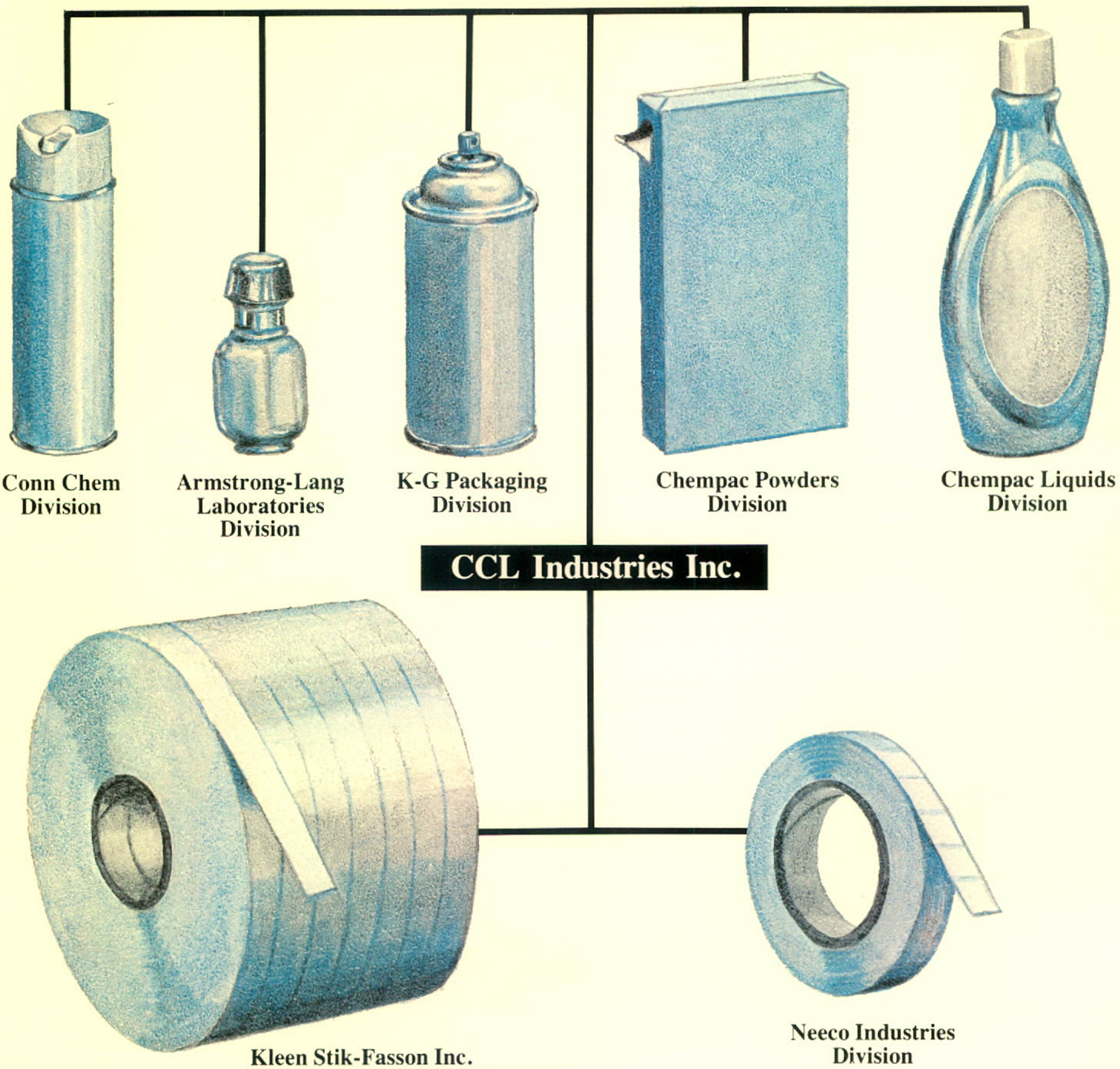
We particularly wish to express our thanks to all members of our skilled workforce, which has grown from about 1,000 to 1,400 people in the past year. We owe our progress to their enthusiasm and to the continuing support of the many staff members who have willingly accepted the increased responsibilities resulting from our growth. I would also like to thank two newly appointed directors, Mr. David Pepall and Mr. James Davies, for their many valued contributions during the year.

Effective March 1, 1981, Mr.Clifford J. Dickens was appointed President and Chief Operating Officer. Mr. Dickens brings to us many years of operational management experience, which undoubtedly will be invaluable in attaining our corporate growth objectives. We warmly welcome him.

In the 30 years our company has been in existence, we have progressed from our initial dependence on aerosol products of the 1950s to our current broad base of products serving many different markets. We believe this diversity is our best assurance for future growth.

February 17, 1981
Gordon S. Lang
Chairman

The CCL Line-up



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Conn Chem Division
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Vice-President and
General Manager: Keith Wilson

Chempac Powders Division
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M8Z 4P8
Telephone: (416) 259-9214
Telex: 06-989554
President: Gary Ullman

Chempac Liquids Division
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Rexdale, Ontario,
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Telephone: 743-6255
President: Gary Ullman

K-G Packaging Division
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President: George Noguchi

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General Manager: Helve Hamley

Kleen Stik-Fasson Inc.
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Vice-President
and General Manager: James A. Shenker

Neeco Industries Division
3077 Mainway Drive,
Burlington, Ontario,
L7R 4C5
Telephone: (416) 827-8000
President: Peter C. Simpson

Review of Operations

During the past three decades, CCL Industries Inc. has built up a broad manufacturing base in consumer products and has become a Canadian market leader in the manufacture of self-adhesive label products and the marketing of labelling systems.

In the consumer products area, operations that began in a single plant manufacturing aerosol-propelled household products are carried on today in five separate plants in and around Metropolitan Toronto. These manufacture powders and liquids, aerosol spray paints, auto-care products and pharmaceuticals and personal care lines. (Some of these are illustrated on the inside back cover of this report.)

These five divisional plants work together to serve the needs of about 600 Canadian and U.S. marketing companies. The consumer product divisions manufacture under contracts that allow CCL protection against changes in the price of raw materials. In addition, CCL can effect significant cost savings through facilities for bulk handling of raw materials.

The major growth recently has been in liquid and powdered products, such as dishwasher detergents, laundry aids and household cleaners. This market is expected to continue expanding.

Further diversification of consumer product lines is anticipated as a result of the patenting of a water-based spray-paint manufacturing process by K-G Packaging (see page 6), and of the development of new consumer lines such as Deo Colognes (see page 5).

Self-adhesive product manufacture was begun in the mid-1970s. A CCL subsidiary, Kleen Stik-Fasson Inc., employs the latest technology to coat various materials with adhesive and to add the protection of a silicone-coated backing paper that is stripped off before use. A CCL division, Neeco Industries, is primarily engaged in supplying labelling systems and self-adhesive label products to its customers' specifications and in the distribution of related products to the electrical and electronic industries.

Conn Chem Division

Six high-speed filling lines produce major orders for aerosol products such as anti-perspirants, hair sprays, disinfectants, insecticides, air fresheners, cooking aids and a variety of other household products.

Unit production in 1980 was 3½% higher than this division's annual forecast, largely reflecting some major new business. These included several new products, among them hair sprays and anti-perspirants.

In general, demand for aerosols has been picking up again in both the U.S. and Canada after the setback in the mid-1970s as a result of concerns that the fluorocarbons, then used as propellants, might affect the earth's upper ozone layer. While these concerns have yet to be validated, Conn Chem was a North American leader in reformulating products in order to substitute alternative propellants.

Conn Chem has responded to the challenge of expanding its business, and confidently expects to be manufacturing further new products in 1981. Conn Chem also hopes to broaden its markets through the prospect of export business.

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1 Edward G. Johnston, Executive Vice-President

2 Sample selection of product manufactured by Conn Chem.

3 Keith Wilson (left) Conn Chem's Vice-President and General Manager and James Puddister, Operations Manager, check product from high-speed aerosol line.

Armstrong-Lang Division

Armstrong-Lang's highly flexible production lines manufacture cosmetics and pharmaceutical products, including fragrances, anti-perspirants, deodorants, lotions, bath products, suntan preparations, pharmaceutical and health care preparations. These products are packaged in a wide selection of containers.

Armstrong-Lang is a lower volume but higher-margined operation than other CCL Industries divisions.
Sales volume in units in 1980 was 20% higher than forecasted, primarily as a result of a much higher demand for sophisticated packaging of high-quality fragrances.

Further growth in the pharmaceutical sector of the Armstrong-Lang market is expected in 1981, particularly for pharmaceutical powders.

Historically, Armstrong-Lang has been an aerosol and liquid product manufacturer, both of cosmetic and pharmaceutical products. In 1980 Armstrong-Lang diversified into powder filling of both categories. In 1981 this division plans additional high-volume manufacturing and production facilities that will drastically increase powder handling capacity.

Presentations in the latter part of 1980 and beginning of 1981 to encourage marketing companies to launch "Deo Cologne" product lines already have drawn an encouraging response. Deo Colognes are an exciting addition to the present deodorant and anti-perspirant lines. The Deo Colognes combine the advantages of a deodorant and a cologne, with the emphasis on fragrance. Their application would be unique and their "all-over" usage would improve the potential for repeat sales. The Deo Colognes already have shown significant penetration in some overseas markets.

Armstrong-Lang also hopes to be able to participate in new export opportunities.

Armstrong-Lang's filling facilities, which use only hydrocarbon propellants, are expected to be utilized at an increased rate in 1981, reflecting favourable market trends toward hydrocarbon-propelled perfumes and colognes.

Another development in the early months of 1981 was the decision of a well-known marketing company to discontinue in-house manufacture of one of the fastest growing "upset stomach" remedies in Canada and to transfer production to the Armstrong-Lang facilities.

In general, Armstrong-Lang expects increased sales volume and more product diversification in 1981 together with the concentrated effort to reduce overheads and further improve margins.

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1 Some of Armstrong-Lang's fragrances, pharmaceuticals and personal care products.

2 Helve Hamley (centre), Armstrong-Lang's General Manager, discusses the day's schedule with Technical Manager Andy Halasz (left) and Plant Manager Barry Nickason.

3 Micro-biologist Vivienne Westhorpe and laboratory technician Claire Greenland test product in CCL's Micro-Biology Laboratory.

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K-G Packaging Division

This division manufactures specialized consumer products for a variety of large and small commercial distributors. One broad product group is aerosol spray paints, varnishes and wood stains. A second group is industrial chemicals, notably auto-care products such as lock de-icers, engine-starting fluids, lubricants and many specialized polishes.

After a good year, in which profits matched expectations, K-G Packaging looks forward to excellent prospects in 1981.

Additions to plant capacity during the year included a new distribution facility in Vancouver, which will enable K-G Packaging to improve and extend its Western operations. A fourth production line was installed at the main plant. This will increase flexibility and improve customer service.

The technical group within K-G has developed processes for water-based aerosol spray paints. Patents for these processes have been registered in North America and Europe. Internal and external testing has been conducted with potential customers for the end product. The resulting acceptance has been most encouraging. These processes not only represent potential growth for the K-G Division, but are also viewed as potential for next-generation processes for numerous applications within the Conn Chem and Armstrong-Lang Divisions.

During 1981, CCL will commit the resources needed to determine the long-term viability of commercial application. If commercial application is the chosen course of action, revenues could be forthcoming as early as the latter part of 1981. Such revenues may be in the form of sales or licensing and royalty arrangements.

Chempac Liquids Division

This division manufactures a wide variety of personal care and household consumer products, such as roll-on and stick deodorants, liquid cleaners and polishes, many types of specialty waxes, hair dyes and hair-care products.

The feature of the past year was the installation of a high-speed automated liquid filling line, adding significant capacity to the variety of liquid lines already in place. The new filling line is equipped with automatic unscrambling, orienting, coding, valve inserting, capping, labelling, case packing and case sealing. In addition, the installation of this line required a corresponding increase in the capacity of the division's liquid storage and manufacturing tanks.

4 Gunter Berk, Vice-President and General Manager of the Chempac Liquids Division, and Terry Running, Operations Manager, monitor the new liquid filling line.

5 Some of Chempac's liquid products.

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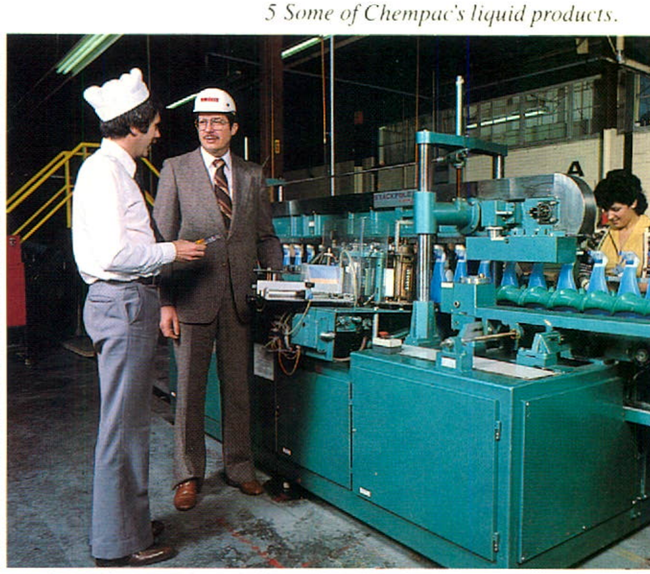

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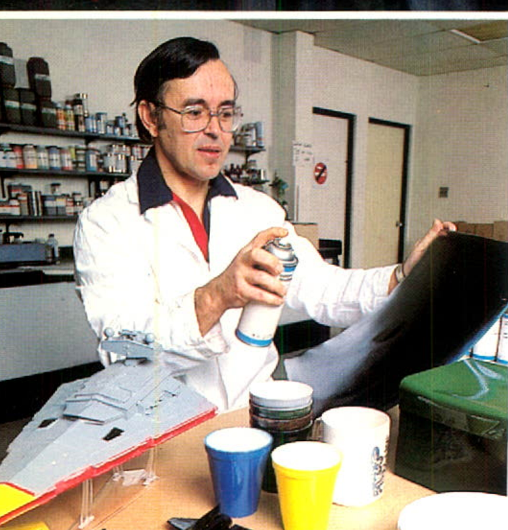

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2 Albert Suk, K-G Packaging's Vice-President, Water-based Coatings, shows versatility of the new water-based spray paint. This is a world first for Canada, developed in K-G's research laboratory under Suk's leadership.

1 George Noguchi, K-G Packaging's President, and Jim Wega, Executive Vice-President and General Manager, discuss scheduling of this division's fourth production line, installed during the year.

3 Some typical K-G Packaging products.

This gives Chempac the fastest custom manufacturing liquid filling line in Canada and will keep Chempac competitive in liquid filling by helping to contain rising costs. The new line also provides the capability to fill pump-spray products on a high-speed basis – giving Chempac an advantage in one of the fastest growing segments of the market.

The automated specialty wax filling line, installed during 1980, has attracted new business from international marketing firms.

Increased throughput, together with the benefits of automation, indicates good profit growth in the early 1980s.

Chempac Powders Division

This division manufactures dishwasher detergents, laundry detergents, as well as household and commercial cleaners, drain openers, toilet bowl cleaners, bleaches, water-softening materials and many other powdered products.

The Chempac Powders Division has had an exciting and challenging year preparing for the dramatic increase in 1981 sales arising from the major new orders for household cleaning products.

A long-range capital expenditure program was started in 1980 to provide new manufacturing and storage facilities for this new business, to replace older facilities, and to facilitate cost-reduction throughout the operation. This capital spending program is being concentrated in the bulk material handling, manufacturing and packaging areas that are the core of the operation. "State of the art" automated equipment is replacing older systems to effect labour savings, material savings, improved working conditions and yet maintain the custom manufacturing flexibility that is so important to the business.

This division continues to strengthen management and technical expertise in order to meet the opportunities of the future.

Kleen Stik-Fasson Inc.

Kleen Stik-Fasson Inc. manufactures pressure-sensitive, adhesive-coated roll materials, sheet products, tapes and specialty films and foils for the graphic arts industry. Kleen Stik-Fasson's customers then process these products for specialized uses, such as signs and decals, business forms and packaging. The adhesive used in manufacture can be varied to ensure either a permanent or removable seal, and to adapt the product for use in a particular environment. Kleen Stik-Fasson is 60% owned by CCL Industries Inc. and 40% by Avery International, of San Marino, California.

Prospects for this operation have been improved significantly by merging, in October, 1980, the Canadian distribution business of the Fasson Division of Avery International with the Kleen-Stik manufacturing and

1 Some of Chempac's powder products.

2 J. Kenneth Irvine, Executive Vice-President

3 Gary Ullman, Chempac President, and Doug Chafee, Director of Operations of the Chempac Powder Division, oversee progress on expanding this division's bulk storage, a major focus of recent capital spending.

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distribution division of CCL Industries Inc.

The resulting operation is a leader in Canadian marketing and technology. Equally important, Avery International's experience in the adhesive technology already has been of great value in helping Kleen Stik-Fasson work toward a return from its substantial investment in its manufacturing facility. As the year ended, many of the technical problems that had affected production earlier in the year had been resolved.

The final three months of 1980 were marked by re-organization. Administration, manufacturing, marketing and sales operations were centralized at the Ajax plant. Western Canadian sales coverage was strengthened by establishing a Vancouver office. Marketing strategy was reshaped.

Early in 1981, James A. Shenker, who has had more than 20 years' executive experience with Avery International, a world leader in pressure-sensitive, self-adhesive products and labelling systems, was appointed Kleen Stik-Fasson's Vice-President and General Manager.

The strongest product sector in 1980 was roll labelling. Sheet product and tape sales were well maintained. The specialty films and foils market still requires development.

Prospects for 1981 are encouraging. Pressure-sensitive self-adhesive labelling systems are most competitive, compared with gum labels, in high-speed manufacturing lines, simply because the label and the adhesive are applied simultaneously. In addition, other uses for pressure-sensitive products, such as industrial fastenings and road signs, offer the promise of much broader markets in the future.

1 Some Neeco label products.

2 Vice-President and General Manager James Shenker checks performance of Kleen Stik-Fasson Inc.'s hot-melt adhesive press with press operator Godfrey Gildart.

Neeco Industries

This group of operations, supplies labelling systems, converts self-adhesive rolls and sheets from a variety of suppliers into printed labels, supplies signs and decals, manufactures woven labels; and distributes specialized products to the electrical and electronic industries.

The name Neeco Industries is well known in Ontario for the manufacturing and supply of printed labels and labelling equipment. It is also known as a distributor of products to the electrical industry in Ontario and Quebec. Western Canadian label operations are more widely known as Gibson Labels, based in Winnipeg; Home Labels, based in Edmonton; and Canada West Labels, based in Vancouver. Eastern Canadian label operations are carried on by Ever Ready Imprimeurs and Graphistes Ltee. and J. J. Cash Canada Ltd., both based in Montreal.

Demand for labelling and specialized products was particularly strong in the first nine months of the year.

In the year ahead, the Neeco family of operations will continue its emphasis on the supply of total labelling systems, which include the necessary automatic or semi-automatic labelling equipment, the know-how for its effective use and the design and supply of label products to meet customers' precise marketing needs. Already in 1981, the Neeco group has acquired five major presses and slitting equipment in order to broaden its markets and improve the economics of production.

The distribution operation will continue to grow in line with growth of manufacturing of both electrical and industrial products for the original equipment market place. Industrial packaging materials are being added to the product lines to complement Neeco's overall packaging services.

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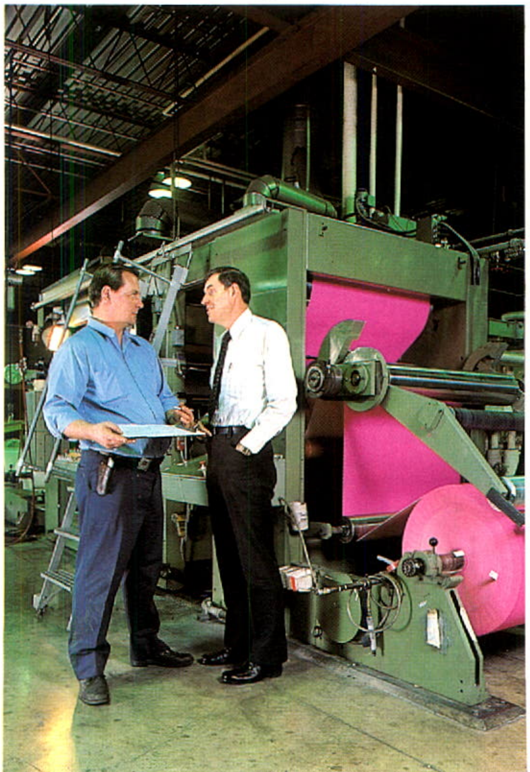

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Neeco Industries President Peter Simpson with selection of roll labels from the presses of Neeco's Burlington plant, one of seven facilities across Canada.

Management Review

Administration

CCL's much-enlarged operating base has demanded a considerable amount of management time dedicated to revising and improving management systems. The annual business plan and the initial screening of new business is now the responsibility of a Management Committee. The financial team has been strengthened and information systems reviewed. An on-line computer system will be installed during 1981 to speed the flow of information from the operating plants. A corporate industrial relations group is taking responsibility for employment practices, employee benefit programs and employee relations generally.

Financial

The purpose of this section is to put in perspective the major changes of 1980, a year of growth in earnings and financial strength.

Capital Structure

For many years prior to 1977, CCL required little long-term debt. Capital was provided by short-term borrowings and shareholders' equity. From 1977 to 1979, CCL was a private company and operated with a financial structure of significant long-term debt and limited equity. The company is now reverting to the pre-1977 financial structure, employing the common equity issues in 1980 and the steady and significant stream of earnings retained in the business. This improvement in our capital base will enable CCL to optimize future opportunities.

Balance Sheet Highlights

Some significant changes in CCL's balance sheet during 1980 are:

1. Total assets grew by 60%, encompassing acquisitions, additional equipment and the normal increase in receivables and inventory that results from increased volumes.
2. Working capital increased by $2.8 million to $4.1 million.
3. The ratio of long-term debt to equity improved considerably from 1:1 to 1:3.
4. Long-term debt was reduced by $2 million in spite of the substantial growth in total assets.
5. Common equity increased by $16 million, reflecting the issue of shares for $12 million and the retention of earnings of $4 million.

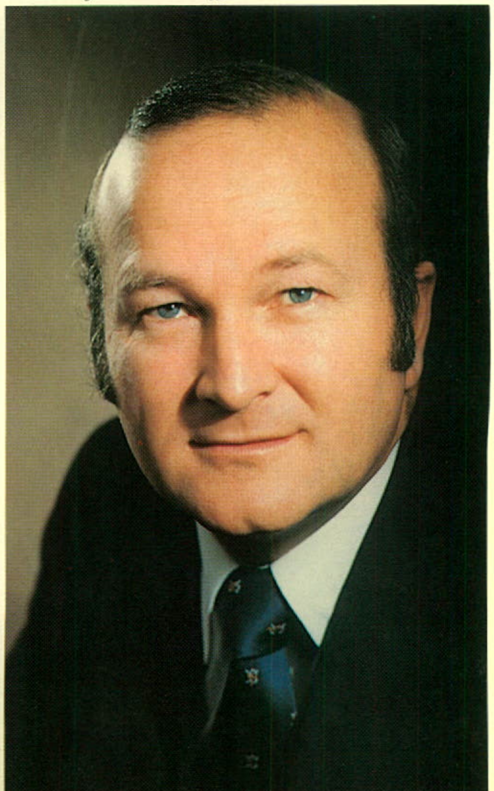
Accounts Receivable and Inventory

CCL constantly seeks to reduce the investment of funds in accounts receivable and inventory, because of the high carrying costs involved. Increases in both categories in 1980 stemmed largely from the acquisition of Neeco and the consolidation of Kleen Stik-Fasson Inc., CCL's new subsidiary.

Though year-end inventory increased by $4.3 million to $17.9 million, the 1980 level was equivalent to lower percentages of sales and purchases than in 1979. Much of the inventory of the contract manufacturing divisions was held for the benefit of customers to complete manufacturing contracts already in hand. The anticipated growth in sales volumes for 1981 resulting from three long-term orders, for the manufacture of nationally branded products in the largest quantities yet contracted, has given rise to the need for larger inventories of raw materials. The carrying costs of inventories are considered when negotiating sales contracts.

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

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



Fixed Assets

The large increase in fixed assets is partially the result of the acquisition of Neeco Industries. The balance is in additional manufacturing facilities added throughout our other six manufacturing divisions, enabling more economic handling of added volume. Increased raw material inventories, particularly for the major new contracts discussed above, also have entailed installing additional bulk storage and delivery equipment.

Deferred Product Development Costs

During 1980 CCL laid the groundwork for three, long-term orders already mentioned and continued development of CCL's water-based aerosol paint technology.

The start-up and learning costs entailed in these developments, and the costs related to the dislocation of on-going

production, would have resulted in a major distortion in CCL's 1980 results, had these costs been expensed. Having been incurred in expectation of satisfactory returns from 1981 onward, these costs will be amortized over five years, resulting in an annual after-tax charge of 1¢ a share in those years, based on the current number of shares outstanding.

Technology

In 1979 and 1980, CCL made substantial investments in developing its hot-melt adhesive technology. The first phase was the installation and start-up costs of the hot-melt equipment, completed in 1979. The second phase was the refinement of technology to manufacture an ever-broadening line of products from this equipment. This time and effort led to the agreement signed last September with Avery International, the acknowledged world leader in this field.

The future potential of CCL's pressure-sensitive products is substantial. For this reason, your directors have felt it to be realistic to defer the significant investment in developing technology, $1.9 million, and to match it against revenues from Kleen Stik-Fasson Inc. over the next 10 years. A 10-year amortization, on an after-tax basis, results in an annual charge of 1¢ a share, based on the current number of shares outstanding.

Goodwill

Goodwill increased by $5 million in 1980 over 1979 as a result of the acquisition of Neeco. This goodwill represents the difference between the purchase price of Neeco and the net book value of its tangible assets. The goodwill arises from Neeco being a service business whose people have built an established reputation for excellence over many years.

Income

CCL achieved record sales in 1980, having exceeded the $100 million mark for the first time, as its 30th year of operations began. The sales of Neeco are included for the entire year.

W. Donald Brewer, Vice-President and Treasurer.

Income from operations before charges for depreciation, goodwill amortization and interest expense increased by $3.5 million, and income from operations increased by $2.2 million. Interest expense for 1980, particularly in the first and fourth quarters, was onerous. The company enjoys an excellent banking relationship, but will continue its search for reasonably priced, fixed-rate, long-term debt 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 enable CCL to pass on increases in materials costs as they are incurred, increasing the total dollar value of the contracts concerned. In a period of rapidly increasing materials costs, such as those associated with the petrochemical industry, the total sale price may increase to absorb these costs, but the other factory costs and profit factors are unchanged.

Disclosure policies

CCL's objective is to provide shareholders with as much information as possible. However, disclosure of sales and profitability by division, especially in the contract manufacturing business, may be detrimental to CCL and the interests of its shareholders. Consequently, CCL has chosen to report its segmented results as set out in Note 11 to the financial statements.

Financing Policies

Sound financial management continues to be a key element in the operations of your company. Continuing asset expansion, in any form, will be achieved by a sensible mixture of equity and debt.

Consolidated Statement of Income

Year ended December 31, 1980

	1980	1979
Sales	$123,506,843	$87,563,375
Income from operations before undernoted items	$ 16,111,256	$12,630,964
Depreciation	2,028,250	1,482,359
Amortization of goodwill and technology	296,825	136,000
Interest expense		
Current	1,595,189	552,307
Long term	1,239,647	1,722,611
	5,159,911	3,893,277
Income from operations	10,951,345	8,737,687
Income taxes		
Current	3,065,150	2,981,000
Deferred	1,569,850	656,500
	4,635,000	3,637,500
	6,316,345	5,100,187
Minority interest	124,000	
Income before non-recurring items	6,440,345	5,100,187
Non-recurring items (note 6(a))		776,019
Net Income	$ 6,440,345	$ 4,324,168
Earnings Per Common Share		
Income before non-recurring items	$.90	$.84
Non-recurring items		(.13)
Net income	$.90	$.71

Consolidated Statement of Retained Earnings

Year ended December 31, 1980

	1980	1979
Retained earnings at beginning of year	$ 7,442,971	$3,657,303
Net income	6,440,345	4,324,168
	13,883,316	7,981,471
Dividends		
Redeemable special shares (note 8(a))	11,000	38,500
Common shares	1,821,000	500,000
	1,832,000	538,500
Public issue costs (net of income tax recovery of $403,000)	482,020	
	2,314,020	538,500
Retained Earnings at end of year	$11,569,296	$7,442,971

Consolidated Balance Sheet as at December 31, 1980

Assets	1980	1979
Current Assets		
Accounts receivable		
Trade	**$19,072,980**	$12,625,348
Other (note 2)	**1,506,170**	1,318,885
Inventories (note 3)	**17,949,277**	13,601,247
Prepaid expenses	**357,547**	131,456
	38,885,974	27,676,936
Fixed Assets (note 4)	**20,366,224**	13,710,254
Loans Receivable (note 5)	**1,148,091**	313,920
Other Assets (note 6)	**2,908,097**	51,628
Goodwill	**10,164,426**	5,075,476
	$73,472,812	$46,828,214

Auditors' Report

To the Shareholders of
CCL Industries Inc.

We have examined the consolidated balance sheet of CCL Industries Inc. as at December 31, 1980 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, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 17, 1981

Thorne Riddell
Chartered Accountants

Liabilities	1980	1979
Current Liabilities		
Bank advances (note 7)	**$13,383,360**	$ 5,000,000
Banker's acceptance		5,000,000
Accounts payable and accrued liabilities	**17,931,361**	14,030,846
Income and other taxes payable	**1,609,887**	1,149,639
Principal due within one year on Long-term debt	**1,825,245**	1,163,860
	34,749,853	26,344,345
Long Term Debt (note 7)	**7,716,309**	9,641,020
Deferred Income Taxes	**4,273,696**	2,549,200
Minority Interest (note 9(b))	**2,445,120**	
Shareholders' Equity		
Capital Stock (note 8)		
Authorized		
70¢ Cumulative, non-voting special shares, redeemable at $10 each		
Common shares		
Issued		
Nil Redeemable special shares (1979, 55,000 shares)		550,678
8,093,333 Common shares (1979, 6,000,000 shares)	**12,718,538**	300,000
	12,718,538	850,678
Retained Earnings	**11,569,296**	7,442,971
	24,287,834	8,293,649
	$73,472,812	$46,828,214

Approved by the Board

Director G.S. Lang

Director E.W. Dobson

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1980

	1980	1979
Working Capital derived from		
Operations		
Net income	**$ 6,440,345**	$4,324,168
Items not involving working capital		
Depreciation and amortization	**2,325,075**	1,730,654
Deferred income taxes	**1,569,850**	618,500
Other	**(118,169)**	
	10,217,101	6,673,322
Working capital arising on formation of Kleen Stik-Fasson Inc.	**2,153,330**	
Issue of common shares	**12,418,538**	
Increase in long term debt	**675,000**	
Repayment of loans receivable	**28,675**	24,000
Disposal of fixed assets	**27,125**	29,757
	25,519,769	6,727,079
Working Capital applied to		
Additions to fixed assets	**5,321,379**	2,823,416
Increase in loans receivable	**862,846**	
Deferred product development costs	**904,700**	
Dividends	**1,832,000**	538,500
Reduction in non-current portion of long term debt	**4,080,293**	3,138,746
Redemption of redeemable special shares	**550,678**	
Acquisition of Neeco Industries and related businesses less assumption of working capital of $1,258,565	**7,333,172**	
Public issue costs	**482,020**	
Technology (prior to formation of Kleen Stik-Fasson Inc.)	**1,349,151**	
	22,716,239	6,500,662
Increase in working capital	**2,803,530**	226,417
Working Capital at beginning of year	**1,332,591**	1,106,174
Working Capital at end of year	**$ 4,136,121**	$1,332,591

Notes to Consolidated Financial Statements

December 31, 1980

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 bases 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
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 $81,042 ($70,260 in 1979).

3. Inventories

	1980	1979
Raw materials	**$12,032,041**	$10,854,574
Work in process	**1,108,294**	
Finished goods	**4,808,942**	2,746,673
	$17,949,277	$13,601,247

4. Fixed Assets

	1980		1979	
	Cost	**Accumulated depreciation**	Cost	Accumulated depreciation
Land	**$ 1,620,634**		$ 1,270,000	
Buildings	**8,162,669**	**$ 2,296,032**	5,803,743	$ 1,691,324
Machinery and equipment	**23,568,629**	**12,247,642**	16,450,732	9,069,990
Leasehold improvements	**2,323,181**	**804,426**	1,602,047	697,567
Automotive equipment	**275,890**	**236,679**	279,599	236,986
	35,951,003	**$15,584,779**	25,406,121	$11,695,867
Less accumulated depreciation	**15,584,779**		11,695,867	
	$20,366,224		$13,710,254	

Included in the above are fixed assets under capital lease with a net book value of $1,235,680 ($646,591 in 1979).

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

	1980	1979
Technology	**$1,965,769**	
Deferred product development costs	**904,700**	
Licence agreement	**37,628**	$51,628
	$2,908,097	$51,628

(a) Technology
This account includes the cost of acquiring and developing new technology for laminated products as follows:

(i) Technology from Avery International on the formation of Kleen Stik-Fasson Inc. (note 9(b))	**$ 658,118**
(ii) Start up costs related to new technology incurred prior to formation of Kleen Stik-Fasson Inc.	**1,349,151**
	2,007,269
Less accumulated amortization	**41,500**
	$1,965,769

The start up costs include all costs, net of any revenue, incurred in the laminating operations during the period January 1, 1980 to September 30, 1980. The above costs include interest in the amount of $655,000. No depreciation was taken on the new equipment during this period. In prior years, start up costs were disclosed as non-recurring items in the Statement of Income since there was uncertainty as to the technical feasibility of these processes.

(b) Deferred product development costs
It is the company's policy to defer 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.

7. Long Term Debt

Description	Security	1980	1979
Term bank loan		**$7,600,000**	$10,000,000
Interest free note, annual payments of $8,000 to May, 1984	unsecured	**32,000**	
13¼% Debenture, payable $1,655 monthly to February, 1983 and $1,400 thereafter to May, 1987	equipment	**129,130**	
9¾% Mortgage, payable $2,724 monthly to October, 1986	land and building	**145,735**	
14¾% Debenture, payable $1,210 monthly to January, 1982	equipment	**14,307**	
10% Note, payable $16,667 annually to August, 1984	unsecured	**50,000**	
Capital lease obligations	building and equipment	**1,260,024**	696,057
9% Note due to Avery International, payable $33,500 annually to October, 1988	unsecured	**268,000**	
Interest free note	equipment	**42,358**	108,823
		9,541,554	10,804,880
Less principal included in current liabilities		**1,825,245**	1,163,860
		$7,716,309	$ 9,641,020

The term bank loan is a demand loan with repayment arrangements over a period of years. This loan bears interest at 1% above the prime commercial lending rate and is repayable in quarterly instalments of $400,000.

The current and term bank loans are secured by the assignment of accounts receivable and a charge on inventories in addition to a $30,000,000 demand debenture which is 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, 1980, is as follows:

1981	$1,825,300
1982	1,787,800
1983	1,752,800
1984	1,712,400
1985	1,313,000

8. Capital Stock

(a) By certificate of amendment dated February 27, 1980 the unissued Class A shares were cancelled, the Class B shares were redesignated as Redeemable Special Shares and each issued common share was subdivided on a 3 for 1 basis. On April 15, 1980 all of the issued Redeemable Special Shares were redeemed at the redemption price of $10 per share plus accrued dividends.

(b) Pursuant to an underwriting agreement, on May 8, 1980, the company issued and sold 1,700,000 common shares at $6 per share.

(c) The company issued 333,333 common shares for an aggregate amount of $2,000,000 as part consideration for Neeco Industries (note 9(a)).

(d) In January, 1980 the company issued 60,000 common shares to a key executive for $218,538.

(e) 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, 1980 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

9. Acquisitions

(a) Neeco Industries

Pursuant to an agreement dated March 3, 1980, the company acquired effective January 1, 1980 the net assets of Neeco Industries. Subsequently, Neeco acquired two companies, J. & J. Cash Limited and Canada West Label Limited. The net assets acquired and the consideration given for these businesses are as follows:

Assets acquired at assigned values	**$10,008,631**
Liabilities assumed	**6,761,099**
	3,247,532
Goodwill, being the excess of cost over the assigned values of shares and net assets acquired	**5,344,205**
	$ 8,591,737
Consideration given	
Common shares (note 8(c))	**$ 2,000,000**
Cash	**6,591,737**
	$ 8,591,737

(b) Kleen Stik-Fasson Inc.

The company entered into an agreement with Avery International to combine, effective October 1, 1980, their respective Canadian based lamination operations and related world-wide technology into a new company called Kleen Stik-Fasson Inc.. The company contributed all of its net laminating assets in exchange for 60% of the common shares of the new company. The net assets contributed by Avery in exchange for the remaining 40% of the common shares were as follows:

Assets contributed at assigned values	**$ 2,544,002**
Liabilities assumed	**633,000**
	1,911,002
Technology, being the excess of the value assigned to the 40% interest over the assigned value of net assets contributed	**658,118**
Minority interest in Kleen Stik-Fasson Inc. at October 1, 1980	**$ 2,569,120**

10. Obligations Under Leases

A schedule of the future minimum operating lease payments, as at December 31, 1980 is as follows:

1981	$517,000
1982	505,000
1983	488,000
1984	424,000
1985	354,000
1986-2000	606,000

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) Pressure sensitive and other products.
The following is a summary of financial information for each segment:

	Contract manufacturing	Pressure sensitive and other 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

Included in the pressure sensitive and other products segment are the assets of the newly formed Kleen Stik-Fasson Inc. which did not commence commercial operations until October 1, 1980. 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 $368,000 per year. These rentals have been based upon opinions rendered by an independent qualified third party.

Ten-Year Financial Summary

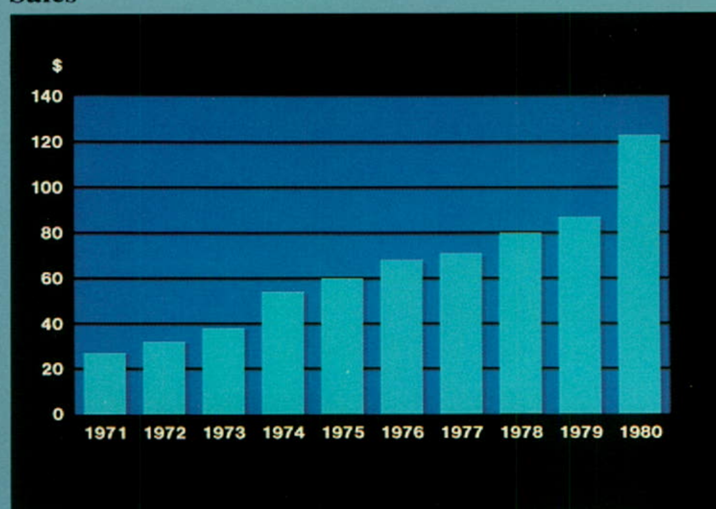
	1971	1972	1973	1974	1975	1976	1977	1978	1979	**1980**
					(In thousands of dollars)					
Sales	27,446	32,536	38,260	54,011	60,182	68,108	71,058	80,302	87,563	**123,507**
Income before non-recurring and extraordinary items	1,035	1,517	1,859	2,017	2,492	2,878	2,852	3,700	5,100	**6,400**
Total assets	14.623	13,200	17,731	21,359	28,667	26,192	35,291	37,331	46,828	**73,473**
Net income	1,206	2,341	1,955	2,292	2,770	3,149	2,852	3,809	4.324	**6,440**
Additions to fixed assets	677	628	1,273	1,951	988	2,364	3,017	2,872	2,823	**5,321**
Depreciation	573	560	650	876	1,065	1,166	1,332	1,312	1,482	**2,028**

Stock Price Record

	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
				1980			
Monthly high/low ($)	$6\frac{3}{4}/6\frac{1}{4}$	$6\frac{3}{4}/6$	$7\frac{1}{4}/6\frac{1}{4}$	$7\frac{3}{8}/7$	$7\frac{1}{2}/6\frac{3}{8}$	$7/6\frac{1}{4}$	$7\frac{1}{2}/6\frac{3}{4}$

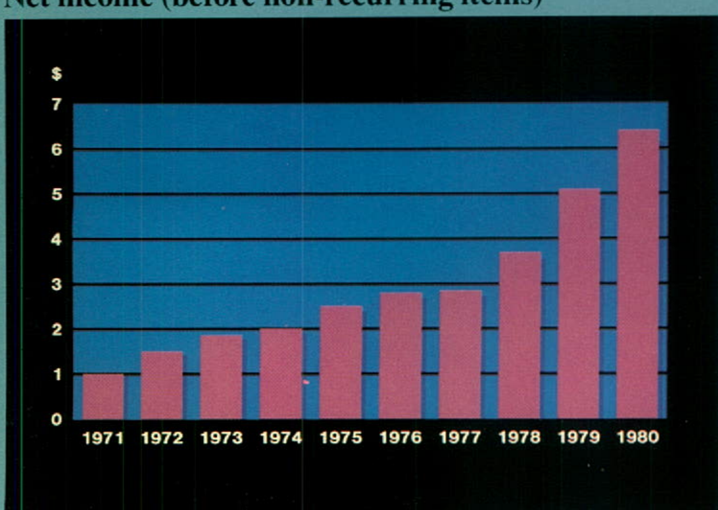
Price/earnings multiple on closing 1980 price (based on 1980 earnings): 8.33

Sales

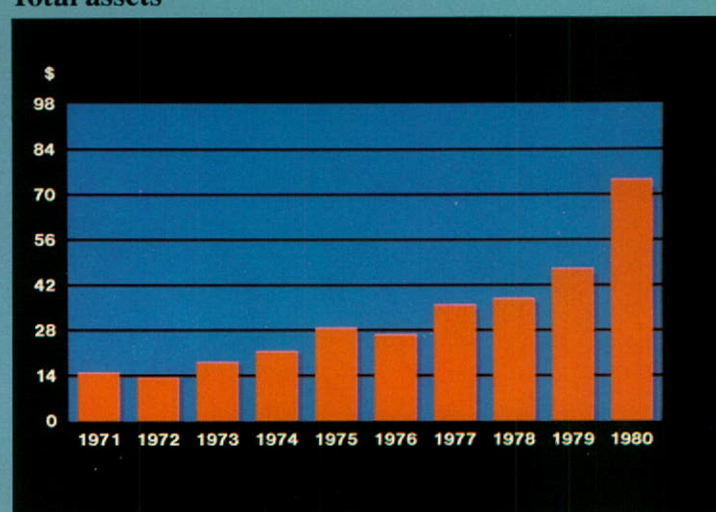


(All numbers in dollar millions)

Net income (before non-recurring items)



Total assets



Directors and Officers

Directors

Gordon S. Lang,
Chairman

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,
Vice-President and Director,
A.E. Ames & Co., Limited

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

Officers

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

Clifford J. Dickens, B.Sc., LL.B.,
President and Chief Operating Officer

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 & Treasurer

George L. Kitchen, Phm. B.,
Vice President, Regulatory Affairs

Auditors

Thorne Riddell

Legal Counsel

Lang, Michener, Cranston, Farquharson
& Wright

Transfer Agents

National Trust

Fiscal Agent

A. E. Ames & Co. Limited


Mr. Muscle
Wizard
RUG & ROOM
Windex
Shines more than windows
spray 'n wash
Vaseline
INTENSIVE CARE
BATH BEADS
Bug & Tar
BRECK
kleen flo
wynn's
Esso
Engine Cleaner
CO-OP
SPRAY PAINT ENAMEL
35 oz 992 g
PALMOLIVE
Crystal Clear
turtle wax
auto & van
CARPET CLEANER
Godden
furniture polish
STP
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Drano
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Lavande
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spred aerosol
turtle wax
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EXTRA HARD SHELL CAR WAX
ATTENTION
CHEVRON
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INTENSIVE CARE
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HERBAL
NOXZEMA
DEODORANT
Suave
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SHELL SUPER PLUS
NEW
ultra ban
SUPER ODOUR KILLER
STATIC GUARD
STP
101 PLUS
ATLAS
starting fluid
Alcojel
Desenex
DUST magnet
Holts
IGNITION
Twinkle
Endust
NO
stick ups
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Rapid-Shave
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air care
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medicated astringent LOTION

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