Consolidated Financial Statements
(In thousands of Canadian dollars)

CCL INDUSTRIES INC.

Years ended December 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of CCL Industries Inc.

We have audited the accompanying consolidated financial statements of CCL Industries Inc. ("the Company"), which comprise the consolidated statement of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated income statements, statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 an December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2011, December 31, 2010 and January 1, 2010, and of its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 an December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

February 23, 2012
Toronto, Canada

CCL Industries Inc.
Consolidated statements of financial position

In thousands of Canadian dollars

	Note		*As at December 31* 2011		*As at December 31* 2010		*As at January 1* 2010
Assets							
Current assets							
Cash and cash equivalents	8	$	140,698	$	173,197	$	150,594
Trade and other receivables	9		192,003		174,011		166,499
Inventories	10		86,932		77,863		75,530
Prepaid expenses			5,304		5,983		5,656
Income taxes recoverable			802		3,141		-
Derivative instruments	26		820		6,641		5,550
Total current assets			426,559		440,836		403,829
Property, plant and equipment	12		688,099		704,403		744,707
Goodwill	13,14		355,788		350,527		358,794
Deferred tax assets	17		54,152		54,956		51,799
Equity accounted investments	11		38,464		19,754		19,449
Intangible assets	13		34,853		38,053		45,192
Other assets	15		15,566		18,604		24,289
Derivative instruments	26		-		841		531
Total non-current assets			1,186,922		1,187,138		1,244,761
Total assets		$	1,613,481	$	1,627,974	$	1,648,590

See accompanying explanatory notes to the consolidated financial statements.

CCL Industries Inc.
Consolidated income statements

In thousands of Canadian dollars

	Note	*As at December 31* 2011	*As at December 31* 2010	*As at January 1* 2010
Liabilities				
Current liabilities				
Bank advances	20	$ -	$ 497	$ -
Trade and other payables	16	233,963	230,341	215,200
Current portion of long -term debt	20	19,750	75,628	44,973
Income taxes payable		-	-	6,332
Derivative instruments	26	2,530	11,519	4,228
Total current liabilities		256,243	317,985	270,733
Long-term debt	20	334,218	345,774	435,168
Deferred tax liabilities	17	118,827	119,076	117,469
Employee benefits	22	77,806	66,219	65,479
Provisions and other long-term liabilities		9,507	8,617	12,010
Derivative instruments	26	-	976	12,504
Total non-current liabilities		540,358	540,662	642,630
Total liabilities		796,601	858,647	913,363
Equity				
Share capital	18	218,663	208,666	201,339
Contributed surplus		9,421	7,688	4,676
Retained earnings		629,469	572,789	525,316
Accumulated other comprehensive income (loss)	29	(40,673)	(19,816)	3,896
Total equity attributable to shareholders of the Company		816,880	769,327	735,227
Total liabilities and equity		$ 1,613,481	$ 1,627,974	$ 1,648,590

See accompanying explanatory notes to the consolidated financial statements.

On behalf of the Board:

D. G. Lang
Director

G. T. Martin
Director

CCL Industries Inc.
Consolidated income statements

Years ended December 31, 2011 and 2010

In thousands of Canadian dollars, except per share information	**Note**		**2011**		**2010**
Sales		$	1,268,477	$	1,192,318
Cost of sales			974,943		917,507
Gross profit			293,534		274,811
Selling, general and administrative expenses			154,605		150,436
Restructuring and other items			797		225
Earnings in equity accounted investments			1,224		496
Results from operating activities			139,356		124,646
Finance cost	21		22,827		26,356
Finance income	21		1,443		1,071
Net finance cost			21,384		25,285
Earnings before income tax			117,972		99,361
Income tax expense	24		33,846		28,268
Net earnings for the year		$	84,126	$	71,093
Attributable to:					
Shareholders of the Company		$	84,126	$	71,093
Net earnings for the year		$	84,126	$	71,093
Earnings per share					
Basic earnings per Class B share	19	$	2.54	$	2.17
Diluted earnings per Class B share	19	$	2.50	$	2.13

See accompanying explanatory notes to the consolidated financial statements.

CCL Industries Inc.
Consolidated statements of comprehensive income

Years ended December 31, 2011 and 2010

In thousands of Canadian dollars		**2011**		**2010**
Net earnings for the year	$	84,126	$	71,093
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment for foreign operations, net of tax expense of $405 for the year ended December 31, 2011 (2010 – tax recovery of $446)		(11,738)		(51,071)
Net gain (loss) on hedges of net investment in foreign operations, net of tax recovery of $1,427 for the year ended December 31, 2011 (2010 – tax expense of $2,691)		(6,638)		29,481
Effective portion of changes in fair value of cash flow hedges, net of tax recovery of $863 for the year ended December 31, 2011 (2010 – tax recovery of $403)		(2,795)		(3,007)
Net change in fair value of cash flow hedges transferred to the income statement, net of tax expense of $241 for the year ended December 31, 2011 (2010 – tax expense of $525)		314		885
Actuarial losses on defined benefit post-employment plans, net of tax recovery of $590 for the year ended December 31, 2011 (2010 – tax recovery of $190)		(4,350)		(2,197)
Other comprehensive loss, net of tax		(25,207)		(25,909)
Total comprehensive income	$	58,919	$	45,184
Attributable to:				
Shareholders of the Company	$	58,919	$	45,184
Total comprehensive income for the year	$	58,919	$	45,184

See accompanying explanatory notes to the consolidated financial statements.

CCL Industries Inc.

Consolidated statements of changes in equity

Years ended December 31, 2011 and 2010

In thousands of Canadian dollars

	Note	2011	2010
Share capital			
Class A shares, beginning of year		$ 4,517	$ 4,517
Class A shares, end of year		4,517	4,517
Class B shares, beginning of year		213,691	206,874
Stock options exercised		9,749	6,817
Class B shares, end of year		223,440	213,691
Executive share purchase plan loans, beginning of year		(233)	(916)
Repayment of executive share purchase plan loans		-	683
Executive share purchase plan loans, end of year		(233)	(233)
Shares held in trust, beginning of year		(9,309)	(9,136)
Shares redeemed from trust		425	-
Shares purchased and held in trust		(177)	(173)
Shares held in trust, end of year		(9,061)	(9,309)
Share capital, end of year	18	218,663	208,666
Accumulated other comprehensive income (loss)			
Accumulated other comprehensive income (loss), beginning of year		(19,816)	3,896
Other comprehensive loss		(20,857)	(23,712)
Accumulated other comprehensive loss, end of year	29	(40,673)	(19,816)
Contributed surplus			
Contributed surplus, beginning of year		7,688	4,676
Stock option expense		1,190	1,550
Stock options exercised		(1,313)	(1,118)
Stock-based compensation plan		1,856	2,580
Contributed surplus, end of year		$ 9,421	$ 7,688

See accompanying explanatory notes to the consolidated financial statements.

CCL Industries Inc.

Consolidated statements of changes in equity (continued)

Years ended December 31, 2011 and 2010

In thousands of Canadian dollars

	Note	2011	2010
Retained earnings, beginning of year		$ 572,789	525,316
Net earnings		84,126	71,093
Defined benefit plan actuarial losses, net of tax		(4,350)	(2,197)
Dividends:			
Class A		(1,543)	(1,436)
Class B		(21,553)	(19,987)
Total dividends to shareholders		(23,096)	(21,423)
Retained earnings, end of year		629,469	572,789
Total shareholders' equity, end of year		$ 816,880	$ 769,327

See accompanying explanatory notes to the consolidated financial statements.

CCL Industries Inc.
Consolidated statements of cash flows

Years ended December 31, 2011 and 2010

In thousands of Canadian dollars	**2011**	**2010**
Cash provided by (used for)		
Operating activities		
Net earnings	$ 84,126	$ 71,093
Adjustments for:		
Depreciation and amortization	100,177	95,406
Restructuring and other items	797	225
Net finance costs	21,384	25,285
Current income tax expense	31,655	28,250
Equity-settled share-based payment transactions	3,472	4,130
Deferred taxes	2,191	18
Gain on sale of property, plant and equipment	(1,146)	(1,059)
	242,656	223,348
Change in inventories	(8,505)	(1,901)
Change in trade and other receivables	(16,454)	(6,089)
Change in prepaid expenses	688	(291)
Change in trade and other payables	109	16,076
Change in employee benefits	7,238	(1,457)
Change in other assets and liabilities	(2,945)	1,899
	222,787	231,585
Interest paid	(21,930)	(27,325)
Income taxes paid	(29,481)	(35,861)
Cash provided by operating activities	171,376	168,399
Financing activities		
Proceeds on issuance of long-term debt	7,872	6,466
Repayment of long-term debt	(91,291)	(45,588)
(Decrease) increase in bank advances	(497)	497
Proceeds from issuance of shares	8,126	5,364
Repayment of executive share purchase plan loans	-	683
Dividends paid	(23,343)	(20,730)
Cash used for financing activities	$ (99,133)	$ (53,308)

See accompanying explanatory notes to the consolidated financial statements.

CCL Industries Inc.
Consolidated statements of cash flows (continued)

Years ended December 31, 2011 and 2010

In thousands of Canadian dollars	**2011**	**2010**
Investing activities		
Additions to property, plant and equipment	$ (81,447)	$ (85,794)
Proceeds on disposal of property, plant and equipment	2,171	4,439
Business acquisitions	(25,156)	(1,246)
Cash used for investing activities	(104,432)	(82,601)
Net increase (decrease) in cash and cash equivalents	(32,189)	32,490
Cash and cash equivalents at beginning of period	173,197	150,594
Translation adjustments on cash and cash equivalents	(310)	(9,887)
Cash and cash equivalents at end of year	$ 140,698	$ 173,197

See accompanying explanatory notes to the consolidated financial statements.

(in thousands of Canadian dollars, except share and per share information)

1. Reporting entity

CCL Industries Inc. (the "Company") is a public company, listed on the Toronto Stock Exchange, and is incorporated and domiciled in Canada. These consolidated financial statements of the Company as at and for the year ended December 31, 2011, comprise the Company and its subsidiaries and the Company's interest in associates. The Company has manufacturing facilities around the world and is primarily involved in the manufacture of labels, containers and tubes.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"). These are the Company's first consolidated financial statements in accordance with IFRS and IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 31.

These consolidated financial statements were authorized for issue by the Company's Board of Directors on February 23, 2012.

(b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following items in the statements of financial position:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- liabilities for cash-settled share-based payment arrangements are measured at fair value
- assets related to the defined benefit plans are measured at fair value and liabilities related to the defined benefit plans are calculated by qualified actuaries using the projected unit credit method

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise noted.

(d) Use of estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of sales and expenses during the year and of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. In particular, the amounts recorded for inventories, redundant assets, bad debts, derivatives, income taxes, restructuring, pension and other post-retirement benefits, contingencies and litigation, environmental matters, outstanding self-insured claims, depreciation and amortization of property, plant and equipment, and the valuation of goodwill are based on estimates. Actual results could differ from those estimates.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all comparative information presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010, for the purposes of transition to IFRS, unless otherwise indicated.

The accounting policies have been applied consistently by the Company's subsidiaries.

(a) Basis of consolidation

(i) Business combinations

Acquisitions on or after January 1, 2010

For acquisitions on or after January 1, 2010, the Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The Company elects on a transaction-by-transaction basis to measure non-controlling interest either at its fair value or at its proportionate share of the recognized amount of the identifiable net assets at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Acquisitions prior to January 1, 2010

As part of its transition to IFRS, the Company elected to apply the requirements of IFRS to only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under previous Canadian GAAP.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed, when necessary, to align them with the policies adopted by the Company.

(iii) Associates and joint ventures

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity.

Joint ventures are those entities over whose activities the Company has joint control established by contractual arrangements.

(in thousands of Canadian dollars, except share and per share information)

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Associates and joint ventures (continued)

Investments in associates and joint ventures are accounted for using the equity method and are recognized initially at cost. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that it ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(iv) Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company's entities using exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in the income statement, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized directly in other comprehensive income (see note 3(b)(iii) below). Foreign currency-denominated non-monetary items, measured at historical cost, have been translated at the rate of exchange at the transaction date.

3. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations

The financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Canadian dollars using exchange rates at the reporting date. The income and expenses of foreign operations are translated into Canadian dollars using the average exchange rates for the period.

Foreign currency differences are recognized directly in other comprehensive income and presented within foreign currency translation adjustment.

When a foreign operation is disposed of, the amount in other comprehensive income related to the foreign operation is fully transferred to the income statement. A disposal occurs when the entire interest in the foreign operation is disposed of, or in the case of a partial disposal, the partial disposal results in the loss of control of a subsidiary or the loss of significant influence. For any partial disposal of the Company's interest in a subsidiary that includes a foreign operation, the Company re-attributes the proportionate share of the relevant amounts in other comprehensive income to non-controlling interests. For any other partial disposal of a foreign operation, the Company reclassifies to the income statement only the proportionate share of the relevant amount in other comprehensive income.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized directly in other comprehensive income and presented within the foreign currency translation adjustment.

(iii) Hedge of net investment in foreign operation

The Company applies hedge accounting to the foreign currency exposure arising between the functional currency of the foreign operation and the parent entity's functional currency (Canadian dollars), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized directly in other comprehensive income, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognized in the income statement. When the hedged part of a net investment is disposed of or partially disposed of, the associated cumulative amount in equity is transferred to the income statement as an adjustment to the income statement on disposal in accordance with the policy described in note 3 (b)(ii) above.

(in thousands of Canadian dollars, except share and per share information)

3. Significant accounting policies (continued)

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, bank advances and long-term debt.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables. The carrying value of trade and other receivables is net of an allowance for doubtful accounts. The allowance is based upon the aging of the receivables, the Company's knowledge of the financial condition of its customers, historical experience and the current business environment.

Cash and cash equivalents comprise cash on hand and short-term investments with original maturity dates of 90 days or less.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, the attributable transaction costs are recognized in the income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and are not classified in any of the previous categories and are included in other assets.

These items are initially recognized at fair value plus transaction costs and are subsequently carried at fair value with changes recognized in other comprehensive income. When an investment is derecognized the accumulated gain or loss recognized in other comprehensive income is transferred to the income statement.

Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(ii) Derivative financial instruments, including hedge accounting

The Company uses derivative financial instruments to manage its foreign currency and interest rate risk exposure and price risk exposure related to the purchase of raw materials. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through the income statement.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Derivative financial instruments, including hedge accounting (continued)

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship and on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in unrealized gains or losses on cash flow hedges in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognized. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss. In other cases, the amount recognized in other comprehensive income is transferred to the income statement in the same period that the hedged item affects profit or loss.

Fair value hedges

Fair value hedges are hedges of the fair value of recognized assets, liabilities or unrecognized firm commitments. Changes in the fair value of derivatives that are designated as fair value hedges are recorded in the income statement together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Derivative financial instruments, including hedge accounting (continued)

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognized immediately in the income statement.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Borrowing costs related to the acquisition, construction or production of qualifying assets is capitalized as part of the cost of the assets. This has been the Company's policy since January 1, 2005. Under IFRS 1, the Company may elect a date prior to the date of transition to IFRS as its date for meeting this requirement. As such, any borrowing costs incurred that were related to the acquisition, construction or production of qualifying assets prior to January 1, 2005, have not been capitalized as part of the cost of those assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized within selling, general and administrative expenses in the income statement.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(in thousands of Canadian dollars, except share and per share information)

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Depreciation

Depreciation is calculated based on the cost of the asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

- buildings — Up to 40 years
- machinery and equipment — Up to 15 years
- fixtures and fittings — Up to 10 years
- minor components — Up to 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and is tested for impairment annually or more frequently if events or circumstances indicate that the carrying amount may not be recoverable. For measurement of goodwill at initial recognition, see note 3(a)(i).

In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Canadian GAAP.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

In respect of equity accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

(in thousands of Canadian dollars, except share and per share information)

3. Significant accounting policies (continued)

(e) Intangible assets (continued)

(ii) Amortization

Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

• patents and trademarks	Up to 10 years
• software	Up to 5 years
• customer relationships	Up to 15 years

(f) Leased assets

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets under operating leases are not recognized in the Company’s statement of financial position.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling.

Estimates regarding obsolete and slow moving inventory are also computed.

(h) Impairment

(i) Financial assets, including receivables

A financial asset not carried at fair value through the income statement is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have occurred after the initial recognition of the asset that have a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

3. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Financial assets, including receivables (continued)

The Company considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate and reflected in an allowance account against accounts receivable. Losses are recognized in the income statement. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value and is recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains or losses on available-for-sale financial assets in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the impairment would be recognized in the income statement.

Impairments are recorded when the recoverable amount of assets is less than their carrying amount. The recoverable amount is the higher of an asset or cash-generating unit's fair value less cost to sell or its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a

(in thousands of Canadian dollars, except share and per share information)

3. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets (continued)

pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses, other than those relating to goodwill, are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

The carrying values of all intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Additionally, the carrying values of goodwill are tested annually for impairment.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an equity accounted investment is not recognized separately and therefore is not tested for impairment separately. Instead, the entire amount of the equity accounted investment is tested for impairment as a single asset when there is objective evidence that the equity accounted investment may be impaired.

(i) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the income statement in the period that the service is rendered by the employee.

(in thousands of Canadian dollars, except share and per share information)

3. Significant accounting policies (continued)

(i) Employee benefits (continued)

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit post-employment plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value using a discount rate comparable to high quality corporate bonds. Any unrecognized past service costs and the fair value of any plan assets are deducted. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

The Company recognizes all actuarial gains and losses arising from defined benefit plans directly in other comprehensive income immediately, and reports them in retained earnings.

(iii) Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as the related service is provided.

3. Significant accounting policies (continued)

(i) Employee benefits (continued)

(v) Share-based payment transactions

For equity-settled share-based plans, the grant date fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are expected to be met.

The fair value of the amount payable for deferred share units ("DSU"), which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in the income statement.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(k) Revenue

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized and related costs transferred to cost of sales when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Generally, this would be at the time the goods are shipped. At that time, persuasive evidence of an arrangement exists, the price to the customer is fixed and ultimate collection is reasonably assured. A provision for sales returns and allowances is recognized when the underlying products are sold. The provision is based on an evaluation of product currently under quality assurance review as well as historical sales returns experience.

3. Significant accounting policies (continued)

(l) Lease payments

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(m) Finance income and costs

Finance income comprises interest income on invested funds including available-for-sale financial assets, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in the income statement. Interest income is recognized as it accrues in the income statement, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in the income statement. All borrowing costs are recognized in the income statement using the effective interest method, except for those amounts capitalized as part of the cost of qualifying property, plant and equipment.

(n) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized either in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(i) Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period and includes any adjustments to taxes payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. Significant accounting policies (continued)

(n) Taxation (continued)

(ii) Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

(iii) Deferred tax liabilities

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates except where the reversal of the temporary difference can be controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

(iv) Deferred tax assets

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill or in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and that affect neither accounting nor taxable profit or loss.

(o) Share capital

All shares are recorded as equity. When share capital is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effect, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When repurchased shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to retained earnings.

(p) Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data for its Class B shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of shares outstanding for the effects of all potentially dilutive shares, which primarily comprise share options granted to employees.

(in thousands of Canadian dollars, except share and per share information)

3. Significant accounting policies (continued)

(q) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Company's business and geographical segments. The Company's primary format for segment reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other investments and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets, other than goodwill.

(r) New standards and interpretations not yet effective

IFRS 9, *Financial Instruments* ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. *Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, deferred the effective date to periods beginning on or after January 1, 2015, with earlier adoption permitted. This standard has not been applied in preparing these consolidated financial statements. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 10, *Consolidated Financial Statements* ("IFRS 10") was issued by the IASB in May 2011 and will replace SIC-12, *Consolidation-Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements.* IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. IFRS 10 is effective for periods beginning on or after January 1, 2013, and has not been applied in preparing these consolidated financial statements. The Company is currently evaluating the impact of IFRS 10 on its consolidated financial statements.

3. Significant accounting policies (continued)

(r) New standards and interpretations not yet effective (continued)

IFRS 11, *Joint Arrangements* ("IFRS 11") was issued by the IASB in May 2011 and will replace guidance in IAS 31, *Interests in Joint Ventures.* IFRS 11 provides focus on the rights and obligations of the joint arrangement, rather than its legal form in the current standard. IFRS 11 also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interest in jointly controlled entities. IFRS 11 is effective for periods beginning on or after January 1, 2013, and has not been applied in preparing these consolidated financial statements. The Company is currently evaluating the impact of IFRS 11 on its consolidated financial statements.

IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12") was issued by the IASB in May 2011 and establishes new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for periods beginning on or after January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 13, *Fair Value Measurement* ("IFRS 13") was issued by the IASB in May 2011 and replaces the fair value guidance that is currently contained within individual IFRS with a single source of fair value measurement guidance. IFRS 13 is effective for periods beginning on or after January 1, 2013, and has not been applied in preparing these consolidated financial statements. The Company is currently evaluating the impact of IFRS 13 on its consolidated financial statements.

IAS 1, *Presentation of Financial Statements* ("IAS 1") was amended by the IASB in June 2011. This amendment retains the 'one or two statement' approach to presenting the statements of income and comprehensive income at the option of the entity and only revises the way other comprehensive income is presented. This revised standard is effective for periods beginning on or after July 1, 2012, and has not been applied in preparing these consolidated financial statements. The Company is currently evaluating the impact of the amended IAS 1 on its financial statements.

IAS 12, *Deferred Tax: Recovery of Underlying Assets* ("IAS 12") was amended by the IASB in December 2010 to include the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16, *Property, Plant and Equipment* should be measured on the sale basis. This new standard is effective for the periods beginning on or after January 1, 2012. The Company is assessing the impact of this new standard on its consolidated financial statements.

IAS 19, *Employee Benefits* ("IAS 19") was amended by the IASB in June 2011. This amendment eliminates the use of the "corridor" approach and requires that all remeasurement impacts be recognized in other comprehensive income. It also enhances the disclosure requirements by providing more information regarding the characteristics of defined benefit plans and the risk that entities are exposed to through participation in those plans. This revised standard is effective for periods beginning on or after January 1, 2013, and has not been applied in preparing these consolidated financial statements. The Company is currently evaluating the impact of the revised IAS 19 on its consolidated financial statements.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and /or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on the amount for which a property could be exchanged on the date of valuation between knowledgeable, willing parties in an arm's length transaction.

(ii) Intangible assets

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

(iii) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(v) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

4. Determination of fair values (continued)

(vi) Other financial instruments

The carrying values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate fair values due to the short-term maturities of these financial instruments.

(vii) Share-based payment transactions

Stock options

The fair value of employee stock options is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends, and the risk-free interest rate. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Deferred share units

The fair value of a DSU is measured using the average of the high and the low trading prices of the Class B shares for the five trading days immediately preceding the date of issue and is remeasured, using a similar five-day average, at the financial statement date.

5. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

5. Financial risk management (continued)

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's payment and delivery terms and conditions are offered. The Company's review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from senior management; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company is potentially exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. These counterparties are large international financial institutions and, to date, no such counterparty has failed to meet its financial obligations to the Company. As at December 31, 2011, the Company's exposure to credit risk arising from derivative financial instruments amounted to $0.8 million.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, by monitoring expected cash flows and ensuring the availability of credit. The financial obligations of the Company include trade and other payables, long-term debts and other long-term items. The contractual maturity of trade payables is six months or less. Long-term debts have varying maturities extending to 2018.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company uses derivatives to manage market risks. Generally the Company seeks to apply hedge accounting in order to manage volatility in profit or loss. The Company does not utilize derivative financial instruments for speculative purposes.

(i) Currency risk

The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates. The Company partially manages these exposures by contracting primarily in Canadian dollars, euros, U.K. pounds and U.S. dollars. Additionally, each subsidiary's sales and expenses are primarily denominated in its local currency, further minimizing the foreign exchange impact on the operating results.

5. Financial risk management (continued)

(i) Currency risk (continued)

In other cases, borrowings are done by non-Canadian-dollar-based subsidiaries in their own functional currencies such that the principal and interest are denominated in a currency that matches the cash flows generated by those subsidiaries. These provide natural hedges that do not require the application of hedge accounting.

(ii) Interest rate risk

The Company is exposed to market risks related to interest rate fluctuations on its debt. To mitigate this risk, the Company maintains a combination of fixed and floating rate debt.

(iii) Commodity price risk

Aluminum is the major raw material used in the Container segment. Prices for aluminum fluctuate in response to changes in supply and demand, market uncertainty and a variety of other factors beyond the Company's control. The Company uses customer specific aluminum derivative instruments (hedging items) along with fixed price contracts (hedged items) to minimize the impact of aluminum price fluctuations.

Aluminum derivative contracts are accounted for as cash flow hedges and changes in value are recorded on the statement of financial position in other comprehensive income. Any ineffective portion is recorded in selling, general and administrative expenses. Payments made or proceeds received upon the settlement of these contracts are recorded in cost of goods sold.

Capital management

The Company's objective is to maintain a strong capital base throughout the economic cycle so as to maintain investor, creditor and market confidence and to sustain the future development of the business. This capital structure supports the Company's objective to provide an attractive financial return to its shareholders equal to that of its leading specialty packaging peers (between 12% and 14% up until 2009 but lower since the global recession).

The Company defines capital as total shareholders' equity and measures the return on capital (or return on equity) by dividing annual net earnings before goodwill impairment loss and restructuring and other items by the average of the beginning and the end-of-year shareholders' equity. In 2011, the return on capital was 10.7% (2010 – 9.5%) and was well within the range of the Company's leading specialty packaging peers.

Management and the Board maintain a balance between the expected higher return on capital that might be possible with a higher level of financial debt and the advantages and security afforded by a lower level of financial leverage. The Company believes that an optimum level of net debt (defined as current debt, including bank advances, plus long-term debt, less cash and cash equivalents) to total book capitalization (defined as net debt plus shareholders' equity) is a maximum of 45%. This ratio was 21% at December 31, 2011 (2010 – 24%), and therefore the Company has further capacity to invest in the business with additional debt without exceeding the optimum level.

The Company has provided a growing level of dividends to its shareholders over the last few years, generally related to its growth in earnings. The dividends are declared bearing in mind the Company's current earnings, cash flow and financial leverage.

(in thousands of Canadian dollars, except share and per share information)

5. Financial risk management (continued)

Capital management (continued)

There were no changes in the Company's approach to capital management during the year.

The Company is subject to certain covenants on its unsecured senior notes. This includes a covenant requiring a minimum consolidated net worth. The Company monitors the ratios on a quarterly basis and at December 31, 2011, was in compliance with all its covenants.

6. Segment reporting

Business segments

The Company has three reportable segments, as described below, which are the Company's main business units. The business units offer different products and services, and are managed separately as they require different technology and marketing strategies. For each of the business units, the Company's chief executive officer and the chief operating decision maker reviews internal management reports regularly.

The Company's reportable segments are:

- Label – Includes the production of innovative label solutions for consumer product marketing companies in the personal and beauty care, food and beverage, battery, household, chemical and promotional segments of the industry, and it also supplies major pharmaceutical, healthcare, durable goods and industrial chemical companies. Label's product lines include pressure sensitive, shrink sleeve, stretch sleeve, in-mould and expanded content labels and pharmaceutical instructional leaflets.
- Container – Includes the manufacturing of specialty containers for the consumer products industry in North America, including Mexico. The key product line is recyclable aluminum aerosol cans and bottles for the personal care, home care and cosmetic industries, plus shaped aluminum bottles for the beverage market.
- Tube - Includes the manufacturing of highly decorated extruded tubes for the personal care and cosmetics industry in North America, including Mexico.

(in thousands of Canadian dollars, except share and per share information)

6. Segment reporting (continued)

Business segments (continued)

	Sales 2011	Sales 2010	Operating Income 2011	Operating Income 2010
Label	$ 1,012,304	$ 955,135	$ 142,523	$ 142,262
Container	175,660	162,383	9,159	(4,487)
Tube	80,513	74,800	12,012	8,776
	$ 1,268,477	$ 1,192,318	$ 163,694	$ 146,551
Corporate expenses			24,765	22,176
Restructuring and other items			797	225
Earnings in equity accounted investments			1,224	496
Finance cost			22,827	26,356
Finance income			1,443	1,071
Income tax expense			33,846	28,268
Net earnings			$ 84,126	$ 71,093

	Total Assets 2011	Total Assets 2010	Total Liabilities 2011	Total Liabilities 2010	Depreciation and Amortization 2011	Depreciation and Amortization 2010	Capital Expenditures 2011	Capital Expenditures 2010
Label	$ 1,150,706	$ 1,119,509	$ 277,622	$ 262,763	$ 77,710	$ 73,348	$ 74,864	$ 72,095
Container	115,450	166,400	34,708	35,581	14,199	13,909	3,146	12,338
Tube	94,120	62,999	14,626	14,201	7,426	7,489	3,269	1,200
Equity accounted investments	38,463	19,745	-	-	-	-	-	-
Corporate	214,742	259,321	469,645	546,102	842	660	168	161
Total	$ 1,613,481	$ 1,627,974	$ 796,601	$ 858,647	$ 100,177	$ 95,406	$ 81,447	$ 85,794

(in thousands of Canadian dollars, except share and per share information)

6. Segment reporting (continued)

Geographical segments

The Label, Container and Tube segments are managed on a worldwide basis but operate in the following geographical areas:

- Canada,
- United States and Puerto Rico,
- Mexico and Brazil,
- Europe,
- Asia, Australia and Africa.

	Sales		Property, Plant and Equipment and Goodwill	
	2011	**2010**	**2011**	**2010**
Canada	$ 108,138	$ 99,463	$ 111,228	$ 118,019
United states and Puerto Rico	460,428	459,964	307,985	310,483
Mexico and Brazil	150,417	126,620	135,725	139,842
Europe	435,749	407,185	379,519	376,945
Asia, Australia and Africa	113,745	99,086	109,430	109,641
Consolidated	$ 1,268,477	$ 1,192,318	$ 1,043,887	$ 1,054,930

The geographical segment is determined by the location of the Company's country of operation.

Transactions with two significant customers in 2011 accounted for approximately $158.0 million and $155.2 million (2010 – $153.8 million and $118.7 million, respectively) of the Company's total sales.

(in thousands of Canadian dollars, except share and per share information)

7. Acquisitions of subsidiaries

In April 2011, the Company acquired 100% of the shares of Thunder Press Inc., a privately owned label company located near Chicago that operated under the trade name Sertech. The acquired business produces patient instructional leaflets, commonly known as inserts and outserts for leading pharmaceutical customers in the United States. The acquisition increases CCL's exposure to the healthcare sector and brings the Company closer to its customers in the mid-west region of the United States. The purchase price was $7.8 million, net of cash acquired of $0.8 million and inclusive of a promissory note of $1.0 million. During the fourth quarter of 2011, CCL accrued an additional $1.0 million, payable to the seller as consideration for the filing of a joint election to structure the transaction as an asset sale for tax purposes. The total amount of goodwill and intangibles of $6.1 million is expected to be deductible for tax purposes.

In March 2010, the Company completed the purchase of Purbrick Pty Ltd. ("Purbrick"), a privately held company based in Melbourne, Australia. Purbrick supplies patient information leaflets and pressure sensitive labels to global pharmaceutical customers located in Australia. The purchase price was $1.2 million, net of cash acquired. No goodwill was recognized on this transaction.

8. Cash and cash equivalents

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Bank balances	$ 67,560	$ 89,412	$ 74,022
Short-term investments	73,138	83,785	76,572
Cash and cash equivalents	$ 140,698	$173,197	$150,594

9. Trade and other receivables

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Trade receivables	$ 178,531	$154,850	$148,688
Other receivables	13,472	19,161	17,811
Trade and other receivables	$ 192,003	$174,011	$166,499

10. Inventories

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Raw material	$ 36,975	$ 32,978	$ 33,736
Work in progress	8,152	7,743	9,949
Finished goods	41,805	37,142	31,845
Total inventories	$ 86,932	$ 77,863	$ 75,530

The total amount of inventories recognized as an expense in 2011 was $975.0 million (2010 - $917.9 million), including depreciation of $93.5 million (2010 - $88.7 million). During 2011 and 2010, there were no inventory write-downs or reversal of write-downs.

(in thousands of Canadian dollars, except share and per share information)

11. Equity accounted investments

In September 2011, the Company completed the purchase of a 50% interest in Pacman-CCL from Albwardy Investment ("Albwardy"). The acquisition represents an expansion into new territories for the Company. Pacman-CCL is based in Dubai, United Arab Emirates, with additional operations in Cairo, Egypt, Muscat, Oman, and Jeddah, Saudi Arabia. Albwardy retains the remaining 50% economic interest in Pacman-CCL and, along with the Company, jointly controls Pacman-CCL. The Company is accounting for Pacman-CCL using the equity method. The total purchase price of US$18.5 million, less a US$2.0 million deposit paid in the second quarter of 2011, was settled on closing. Goodwill and intangibles arising on the transaction amount to $11.4 million, however, the Company is reviewing the valuation of net assets acquired, and therefore these figures may change upon completion of the review.

In 2007, the Company, along with a Russian partner, invested in a pressure sensitive label business, CCL-Kontur, that services the territories of Russia and the Commonwealth of Independent States. CCL owns 50% of CCL-Kontur with the Russian partner having operating control of the business and, consequently, the investment is being carried at its equity value and is accounted for using the equity method.

Summary financial information for equity accounted investments, not adjusted for the percentage ownership held by the Company is as follows:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Total sales	Earnings
December 31, 2011						
Pacman-CCL	$ 14,063	$ 7,984	$ 4,765	$ 838	$ 8,447	$ 1,758
CCL-Kontur	$ 8,201	$ 7,747	$ 4,207	$ -	$ 30,837	$ 690
December 31, 2010						
CCL-Kontur	$ 11,791	$ 8,675	$ 7,874	$ -	$ 38,586	$ 992
January 1, 2010						
CCL-Kontur	$ 11,530	$ 7,637	$ 6,162	$ -		

(in thousands of Canadian dollars, except share and per share information)

12. Property, plant and equipment

	Land and buildings	Machinery and equipment	Fixtures, fittings and other	Total
Cost				
Balance at January 1, 2010	$ 252,658	$ 895,147	$ 17,728	$ 1,165,533
Acquisitions through business combinations	-	2,585	48	2,633
Other additions	9,597	74,546	1,651	85,794
Disposals	(888)	(20,303)	(105)	(21,296)
Effect of movements in exchange rates	(15,266)	(51,043)	(1,326)	(67,635)
Balance at December 31, 2010	$ 246,101	$ 900,932	$ 17,996	$ 1,165,029
Acquisitions through business combinations	-	3,133	174	3,307
Other additions	13,437	66,621	1,389	81,447
Disposals	(17)	(13,812)	(54)	(13,883)
Effect of movements in exchange rates	(971)	(23,518)	(1,924)	(26,413)
Balance at December 31, 2011	$ 258,550	$ 933,356	$ 17,581	$ 1,209,487
Accumulated depreciation and impairment losses				
Balance at January 1, 2010	$ 57,290	$ 353,511	$ 10,025	$ 420,826
Depreciation for the year	9,647	77,454	2,229	89,330
Disposals	(678)	(16,986)	(103)	(17,767)
Effect of movements in exchange rates	(4,971)	(25,874)	(918)	(31,763)
Balance at December 31, 2010	$ 61,288	$ 388,105	$ 11,233	$ 460,626
Depreciation for the year	9,875	82,055	1,876	93,806
Disposals	(2)	(12,806)	(50)	(12,858)
Effect of movements in exchange rates	(899)	(17,477)	(1,810)	(20,186)
Balance at December 31, 2011	$ 70,262	$ 439,877	$ 11,249	$ 521,388
Carrying amounts				
At January 1, 2010	$ 195,368	$ 541,636	$ 7,703	$ 744,707
At December 31, 2010	$ 184,813	$ 512,827	$ 6,763	$ 704,403
At December 31, 2011	$ 188,288	$ 493,479	$ 6,332	$ 688,099

(in thousands of Canadian dollars, except share and per share information)

13. Intangible assets

	Customer relationships	Patents and trade marks	Software	Total	Goodwill
Cost					
Balance at January 1, 2010	$ 65,977	$ 9,348	$ 14,542	$ 89,867	$ 358,794
Additions	-	254	-	254	-
Disposals	-	(284)	-	(284)	-
Effect of movements in exchange rates	(1,469)	(2,393)	(334)	(4,196)	(8,267)
Balance at December 31, 2010	$ 64,508	$ 6,925	$ 14,208	$ 85,641	$ 350,527
Additions	2,600	244	338	3,182	3,548
Disposals	-	(191)	(196)	(387)	-
Effect of movements in exchange rates	1,571	(17)	643	2,197	1,713
Balance at December 31, 2011	$ 68,679	$ 6,961	$ 14,993	$ 90,633	$ 355,788
Amortization and impairment losses					
Balance at January 1, 2010	$ 23,642	$ 7,435	$ 13,598	$ 44,675	$ -
Amortization for the year	5,643	235	198	6,076	-
Disposals	-	(284)	-	(284)	-
Effect of movements in exchange rates	(794)	(1,595)	(490)	(2,879)	-
Balance at December 31, 2010	$ 28,491	$ 5,791	$ 13,306	$ 47,588	$ -
Amortization for the year	5,792	136	443	6,371	-
Disposals	-	(77)	(193)	(270)	-
Effect of movements in exchange rates	1,591	(56)	556	2,091	-
Balance at December 31, 2011	$ 35,874	$ 5,794	$ 14,112	$ 55,780	$ -
Carrying amounts					
At January 1, 2010	$ 42,335	$ 1,913	$ 944	$ 45,192	$ 358,794
At December 31, 2010	$ 36,017	$ 1,134	$ 902	$ 38,053	$ 350,527
At December 31, 2011	$ 32,805	$ 1,167	$ 881	$ 34,853	$ 355,788

(in thousands of Canadian dollars, except share and per share information)

14. Goodwill

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Company's operating segments, which represent the lowest level within the Company at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Label	$ 343,050	$ 337,792	$ 346,051
Container	12,738	12,735	12,743
	$ 355,788	$ 350,527	$ 358,794

Impairment testing for Label and Container segments was done by a comparison of the unit's carrying amount to its estimated value in use, determined by discounting future cash flows from the continuing use of the unit. Key assumptions used in the determination of the value in use include growth rates of 2.5%-4.2% for Container and Label and a discount rate ranging from 9.0%-10.5%. Discount rates reflect current market assumptions and risks related to the segments and are based upon the weighted average cost of capital for the segment. The Company's historical growth rates are used as a basis in determining the growth rate applied for impairment testing.

The estimated value in use of all units exceeded their carrying values. As a result, no goodwill impairment was recorded.

(in thousands of Canadian dollars, except share and per share information)

15. Other assets

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Long-term investments	$ 12,522	$ 14,852	$ 20,416
Other	3,044	3,752	3,873
	$ 15,566	$ 18,604	$ 24,289

Long-term investments primarily consist of government and corporate bonds held by a wholly owned captive insurance company. This subsidiary acts as a reinsurer of property, casualty and marine risk of affiliated companies. Included in other are long-term receivables.

16. Trade and other payables

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Trade payables	$ 133,180	$ 127,778	$ 115,908
Other payables	100,783	102,563	99,292
	$ 233,963	$ 230,341	$ 215,200

17. Deferred tax

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	Dec 31, 2011	Dec 31, 2010
Deductible temporary differences	1,547	708
Tax losses	22,542	19,322
Income tax credits	2,668	3,916
	26,757	23,946

The unrecognized deferred tax assets on tax losses of $2,794 will expire between 2012 and 2025, $6,451 will expire beyond 2025 and $13,297 may be carried forward indefinitely. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available against which the Company can utilize the benefits therefrom. Income tax credits of $1,032 expire in 2012 and 2013 and $1,636 expire between 2012 and 2017.

In 2010, $2,882 of previously unrecognized tax losses were recognized as management considered it probable that future taxable income will be available against which they can be utilized. An additional $154 of previously unrecognized tax losses were recognized in 2011, following a further change in the estimates of future taxable income.

(in thousands of Canadian dollars, except share and per share information)

17. Deferred tax (continued)

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net (Assets)/Liabilities	
	Dec 31, 2011	**Dec 31, 2010**	**Dec 31, 2011**	**Dec 31, 2010**	**Dec 31, 2011**	**Dec 31, 2010**
Property, plant and equipment	-	-	56,592	54,328	56,592	54,328
Intangible assets	1,343	1,656	47,349	45,988	46,006	44,332
Derivatives	-	-	7,159	11,161	7,159	11,161
Inventory reserves	1,518	1,339	-	-	(1,518)	(1,339)
Employee benefit plans	25,363	22,627	-	-	(25,363)	(22,627)
Share-based payments	3,044	1,959	-	-	(3,044)	(1,959)
Provisions	7,067	7,557	-	-	(7,067)	(7,557)
Other items	-	-	7,727	7,599	7,727	7,599
Tax loss carry-forwards	15,817	19,818	-	-	(15,817)	(19,818)
	54,152	54,956	118,827	119,076	64,675	64,120

	Balance Dec 31, 2010 Liability/(Asset)	Recognized in income statement	Acquisitions	Translation and others	Recognized in other comprehensive income	Balance Dec 31, 2011 Liability/(Asset)
Property, plant and equipment	54,328	1,508	-	756	-	56,592
Intangible assets	44,332	1,020	-	654	-	46,006
Derivatives	11,161	(1,905)	-	-	(2,097)	7,159
Inventory reserves	(1,339)	(157)	-	(22)	-	(1,518)
Employee benefit plans	(22,627)	(1,894)	-	(224)	(618)	(25,363)
Share-based payments	(1,959)	(1,068)	-	(17)	-	(3,044)
Provisions	(7,557)	588	-	(98)	-	(7,067)
Other items	7,599	85	-	43	-	7,727
Tax loss carry-forwards	(19,818)	4,014	-	(13)	-	(15,817)
	64,120	2,191	-	1,079	(2,715)	64,675

(in thousands of Canadian dollars, except share and per share information)

17. Deferred tax (continued)

	Balance Jan 1, 2010 Liability/(Asset)	Recognized in income statement	Acquisitions	Translation and others	Recognized in other comprehensive income	Balance Dec 31, 2010 Liability/(Asset)
Property, plant and equipment	57,743	(1,476)	(172)	(1,767)	-	54,328
Intangible assets	40,046	5,748	(203)	(1,259)	-	44,332
Derivatives	10,032	-	-	-	1,129	11,161
Inventory reserves	(1,445)	55	-	51	-	(1,339)
Employee benefit plans	(20,124)	(2,488)	-	412	(427)	(22,627)
Share-based payments	(924)	(1,044)	-	9	-	(1,959)
Provisions	(9,438)	1,604	-	277	-	(7,557)
Other items	7,848	(178)	-	(71)	-	7,599
Tax loss carry-forwards	(18,068)	(2,203)	-	28	425	(19,818)
	65,670	18	(375)	(2,320)	1,127	64,120

The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures for which deferred tax liabilities have not been recognized as at December 31, 2011, is $350 million (2010 - $325 million).

The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures for which deferred tax assets have not been recognized as at December 31, 2011, is $21.5 million (2010 - $16.2 million).

(in thousands of Canadian dollars, except share and per share information)

18. Share capital

Shares issued:

	Class A		Class B		
	Shares (000's)	Amount	Shares (000's)	Amount	Total
Balance, January 1, 2010	2,374	$ 4,517	30,674	$ 206,874	$ 211,391
Stock options exercised	-	-	238	6,817	6,817
Balance, December 31, 2010	2,374	4,517	30,912	213,691	218,208
Stock options exercised	-	-	403	9,749	9,749
Balance, December 31, 2011	2,374	$ 4,517	31,315	$ 223,440	$ 227,957

At December 31, 2011, the authorized share capital comprised an unlimited number of Class A voting shares and an unlimited number of Class B non-voting shares. The Class A and B shares have no par value. All issued shares are fully paid. Both Class A and Class B shares are classified as equity.

(i) Class A

The holders of Class A shares receive dividends set at $0.05 per share per annum less than Class B shares, are entitled to one vote per share at meetings of the Company and their shares are convertible at any time into Class B shares.

(ii) Class B

Class B shares rank equally in all material respects with Class A shares, except as follows:

(a) The holders of Class B shares are entitled to receive material and attend, but not to vote at, regular shareholder meetings.

(b) Holders of Class B shares are entitled to voting privileges when consideration for the Class A shares, under a takeover bid when voting control has been acquired, exceeds 115% of the market price of the Class B shares.

(c) Holders of Class B shares are entitled to receive, or have set aside for payment, dividends declared by the Board of Directors from time to time, set at $0.05 per share per annum greater than Class A shares.

Dividends

The annual dividends per share were as follows:

	2011	2010
Class A share	$ 0.650	$ 0.605
Class B share	$ 0.700	$ 0.655

Shares held in trust

During 2010, the Company granted awards totalling 251,820 Class B shares of the Company. Shares to be used to satisfy this obligation had been purchased in prior years in the open market and are restricted in nature. These awards will vest in 2013 dependent on the Company's performance and continuing employment. The fair value of these stock awards are being amortized over the vesting period and recognized as compensation expense as they are earned.

(in thousands of Canadian dollars, except share and per share information)

19. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2011, was based on profit attributable to Class A shares of $5.9 million (2010 - $5.0 million) and Class B shares of $78.2 million (2010 - $66.1 million) and a weighted average number of Class A shares outstanding of 2,374,025 (2010 - 2,374,025) and Class B shares outstanding of 30,736,519 (2010 - 30,456,071).

Weighted average number of shares

	2011		2010	
	Class A shares	Class B shares	Class A shares	Class B shares
Issued and outstanding shares at January 1	2,374,025	30,621,521	2,374,025	30,333,621
Effect of stock options exercised	-	113,785	-	78,700
Effect of repayment of share purchase loans	-	-	-	43,750
Effect of shares released from trust	-	1,213	-	-
Weighted average number of shares at December 31	2,374,025	30,736,519	2,374,025	30,456,071

Diluted earnings per share

The calculation of diluted earnings per share for the year ended December 31, 2011, was based on profit attributable to Class A shares of $5.8 million (2010 - $4.9 million) and Class B shares of $78.3 million (2010 - $66.2 million) and a weighted average number of Class A shares outstanding of 2,374,025 (2010 - 2,374,025) and Class B shares outstanding of 31,284,006 (2010 – 31,037,907).

Weighted average number of shares (diluted)

	Dec 31, 2011	Dec 31, 2010
Weighted average number of shares (basic)	33,110,544	32,830,096
Effect of share loans	17,607	16,849
Effect of deferred share units on issue	69,201	51,229
Effect of reciprocal shareholdings	262,795	265,000
Effect of share options on issue	197,884	248,758
Weighted average number of shares (diluted)	33,658,031	33,411,932

The average market value of the Company’s shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the year that the options were outstanding.

(in thousands of Canadian dollars, except share and per share information)

20. Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 26.

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Current liabilities			
Current portion of unsecured senior notes	$ 9,512	$ 68,989	$ 42,331
Current portion of finance lease liabilities	413	665	415
Current portion of other loans	9,825	5,974	2,227
	$ 19,750	$ 75,628	$ 44,973
Short-term operating credit lines available	$ 31,277	$ 30,677	$ 30,039
Short-term operating credit lines used	-	$ 497	-
Non-current liabilities			
Unsecured senior notes	$ 323,603	$ 325,617	$ 416,824
Finance lease liabilities	1,796	2,143	239
Other loans	8,819	18,014	18,105
	$ 334,218	$ 345,774	$ 435,168

Interest rates charged on the credit lines are based on rates varying with London Interbank Offered Rate ("LIBOR"), the prime rate and similar market rates for other currencies.

There were no borrowings under the $95.0 million unsecured revolving line of credit as at December 31, 2011, December 31, 2010, and January 1, 2010. However, it is also utilized to support letters of credit. The unused portion of this revolving line of credit was $91.4 million at December 31, 2011 (December 31, 2010, and January 1, 2010 - $91.2 million).

Other loans include term bank loans and industrial revenue bonds at various rates and repayment terms.

In March 2011, the Company made a scheduled debt repayment of US$60.0 million. The US dollar amount had been converted into euro-based debt using two cross-currency interest rate swap agreements ("CCIRSAs"). The two CCIRSAs matured the same day as the US$60.0 million debt.

In September 2011, the Company made a scheduled debt repayment of US$9.4 million. Half of the US dollar amount had been converted into euro-based debt using two CCIRSAs. The two CCIRSAs matured the same day as the US$9.4 million debt.

As at December 31, 2011, the carrying amount of financial and non-financial assets pledged as collateral, against $4.3 million of long-term debt, amounted to $20.1 million.

(in thousands of Canadian dollars, except share and per share information)

21. Finance income and cost

Recognized in income statement

	2011	2010
Interest expense on financial liabilities measured at amortized cost	$ 22,914	$ 28,211
Interest recognized on other financial instruments	(87)	(1,855)
Finance cost	22,827	26,356
Interest income on cash and cash equivalents	1,370	919
Interest income on loans and receivables and other financial instruments	73	152
Finance income	1,443	1,071
Net finance cost recognized in income statement	$ 21,384	$ 25,285
The above financial income and expense includes the following in respect of assets (liabilities) not at fair value through profit or loss:		
Total interest income on financial assets	$ 1,443	$ 1,071
Total interest expense on financial liabilities	$ 22,827	$ 26,356

22. Employee benefits

The Company maintains a registered funded defined benefit pension plan in Canada for designated executives and a registered funded defined benefit pension plan in the U.K. that is closed to new members. It also maintains non-registered, unfunded supplemental retirement arrangements for designated Canadian executives and four retired U.S. executives, and a post-employment deferred compensation plan for designated executives in the U.S. In Germany and Austria, it has unfunded defined benefit plans. In France, Italy, Mexico and Thailand, the Company accrues for unfunded legislated retirement benefits. The Company has defined contribution post-employment plans in Canada, the U.S., Austria, Australia, Thailand, the U.K. and Vietnam. The Company also has long-term incentive plans with cash and share-based payments, long-service leave plans and jubilee plans in various countries around the world.

The expense for the defined contribution post-employment plans for continuing operations was $8.5 million in 2011 (2010 - $8.2 million) of which $0.1 million (2010 - $0.1 million) was for key management personnel.

In 2008 and 2009, the Company offered enhanced transfer values to certain members of the U.K. defined benefit pension plan. Assets and the associated accrued benefit obligation for 75% of the members accepting the offer were transferred out of the plan in 2009. Assets and the associated accrued benefit obligation for the remaining 25% of members accepting the offer were transferred out in early 2010. The total payout in 2010 was $2.9 million (£1.7 million) and in 2009 was $10.7 million (£6.0 million). A further offer was made in late 2011. The full amount of the payout will not be known until the second quarter of 2012.

The most recent actuarial valuation of the UK defined benefit pension plan for funding purposes was as of January 1, 2008. The next required actuarial valuation will be as of January 1, 2011. The new valuation will be finalized towards the end of the first quarter in 2012.

(in thousands of Canadian dollars, except share and per share information)

22. Employee benefits (continued)

The most recent actuarial valuation for funding purposes for the executive defined benefit pension plan in Canada was as of January 1, 2009. The next required actuarial valuation will be as of January 1, 2012.

The Company has chosen to recognize all defined benefit post-employment plan actuarial gains or losses in other comprehensive income immediately.

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Present value of unfunded defined benefit obligations	$ 59,319	$ 55,441	$ 53,483
Present value of wholly or partly funded defined benefit obligations	33,154	28,834	31,641
Total present value of obligations	92,473	84,275	85,124
Fair value of plan assets	(20,703)	(19,540)	(20,691)
Recognized liability for defined benefit obligations	71,770	64,735	64,433
Liability for long-service leave and jubilee plans	1,677	1,600	1,652
Liability for long-term incentive plan	5,559	1,792	-
Cash-settled share-based payment liability	2,417	1,654	1,150
Total employee benefits	81,423	69,781	67,235
Total employee benefits reported in other payables	3,617	3,562	1,756
Total employee benefits reported in non-current liabilities	$ 77,806	$ 66,219	$ 65,479

(in thousands of Canadian dollars, except share and per share information)

22. Employee benefits (continued)

Information for December 31 regarding the defined benefit post-employment plans, including the defined benefit pension plans, supplemental retirement plans and other post-employment defined benefit plans discussed above is as follows:

2011	Canada/U.S.	U.K.	Germany	Other	Total
Accrued benefit obligation:					
Balance, beginning of year	$ 49,977	$ 22,044	$ 7,011	$ 5,243	$ 84,275
Current service cost	418	-	244	453	1,115
Interest cost	2,584	1,202	325	239	4,350
Employee contributions	624	-	-	-	624
Benefits paid	(1,401)	(536)	(264)	(639)	(2,840)
Actuarial (gain)/loss	1,748	2,458	(189)	126	4,143
Effect of movements in exchange rates	660	394	(72)	(176)	806
Balance, end of year	$ 54,610	$ 25,562	$ 7,055	$ 5,246	$ 92,473
Plan assets:					
Fair value, beginning of year	$ 4,408	$ 15,132	$ -	$ -	$ 19,540
Expected return on plan assets	284	990	-	-	1,274
Actuarial losses	(326)	(471)	-	-	(797)
Employee contributions	-	-	103	-	103
Employer contributions	1,316	1,031	161	639	3,147
Benefits paid	(1,401)	(536)	(264)	(639)	(2,840)
Effect of movements in exchange rates	-	276	-	-	276
Fair value, end of year	$ 4,281	$ 16,422	$ -	$ -	$ 20,703
Funded status, net deficit of plans	$ (50,329)	$ (9,140)	$ (7,055)	$ (5,246)	$ (71,770)
Accrued benefit liability	$ (50,329)	$ (9,140)	$ (7,055)	$ (5,246)	$ (71,770)

(in thousands of Canadian dollars, except share and per share information)

22. Employee benefits (continued)

2010	Canada/U.S.	U.K.	Germany	Other	Total
Accrued benefit obligation:					
Balance, beginning of year	$ 47,717	$ 25,228	$ 7,030	$ 5,149	$ 85,124
Current service cost	420	-	233	379	1,032
Past service cost	151	-	-	-	151
Interest cost	2,550	1,221	318	254	4,343
Employee contributions	364	-	-	-	364
Benefits paid	(1,426)	(3,145)	(257)	(260)	(5,088)
Actuarial loss	1,679	808	494	187	3,168
Effect of movements in exchange rates	(1,478)	(2,068)	(807)	(466)	(4,819)
Balance, end of year	$ 49,977	$ 22,044	$ 7,011	$ 5,243	$ 84,275
Plan assets:					
Fair value, beginning of year	$ 4,235	$ 16,456	$ -	$ -	$ 20,691
Expected return on plan assets	273	896	-	-	1,169
Actuarial gains/(losses)	(40)	821	-	-	781
Employee contributions	-	-	73	-	73
Employer contributions	1,366	1,472	184	260	3,282
Benefits paid	(1,426)	(3,145)	(257)	(260)	(5,088)
Effect of movements in exchange rates	-	(1,368)	-	-	(1,368)
Fair value, end of year	$ 4,408	$ 15,132	$ -	$ -	$ 19,540
Funded status, net deficit of plans	$ (45,569)	$ (6,912)	$ (7,011)	$ (5,243)	$ (64,735)
Accrued benefit liability	$ (45,569)	$ (6,912)	$ (7,011)	$ (5,243)	$ (64,735)

The Company’s net benefit plan expense is as follows:

2011	Canada/U.S.	U.K.	Germany	Other	Total
Current service cost	$ 418	$ -	$ 244	$ 453	$ 1,115
Interest cost	2,584	1,202	325	239	4,350
Expected return on plan assets	(284)	(990)	-	-	(1,274)
Net defined benefit plan expense	$ 2,718	$ 212	$ 569	$ 692	$ 4,191
Net defined benefit plan expense recorded in:					
Cost of sales	$ -	$ -	$ 245	$ 433	$ 678
Selling, general and administrative expenses	2,718	212	324	259	3,513
Net defined benefit plan expense	$ 2,718	$ 212	$ 569	$ 692	$ 4,191

(in thousands of Canadian dollars, except share and per share information)

22. Employee benefits (continued)

2010	Canada/U.S.	U.K.	Germany	Other	Total
Current service cost	$ 420	$ -	$ 233	$ 379	$ 1,032
Past service cost	151	-	-	-	151
Interest cost	2,550	1,221	318	254	4,343
Expected return on plan assets	(273)	(896)	-	-	(1,169)
Net defined benefit plan expense	$ 2,848	$ 325	$ 551	$ 633	$ 4,357
Net defined benefit plan expense recorded in:					
Cost of sales	$ -	$ -	$ 231	$ 340	$ 571
Selling, general and administrative expenses	2,848	325	320	293	3,786
Net defined benefit plan expense	$ 2,848	$ 325	$ 551	$ 633	$ 4,357

Actuarial losses recognized directly in equity are as follows:

	2011	2010
Cumulative amount at January 1	$ 2,387	$ -
Recognized during the year in other comprehensive income	4,940	2,387
Cumulative amount at December 31	$ 7,327	$ 2,387

Plan assets consist of the following:

2011	Canada/U.S.	U.K.	Germany	Other	Total
Equity securities	52%	52%	-	-	52%
Debt securities	32%	38%	-	-	37%
Real estate	0%	7%	-	-	6%
Other	16%	3%	-	-	5%
Total	100%	100%	0%	0%	100%

2010	Canada/U.S.	U.K.	Germany	Other	Total
Equity securities	42%	56%	-	-	53%
Debt securities	37%	34%	-	-	35%
Real estate	0%	7%	-	-	5%
Other	21%	3%	-	-	7%
Total	100%	100%	0%	0%	100%

No plan assets are directly invested in the Company's own shares or directly in any property occupied by, or other assets used by, the Company.

The expected rates of return on assets are based on long-term expected rates of return for a portfolio invested in accordance with the plans' target asset mix and include consideration of long-term historical returns. The Company considers input from its investment advisors and actuaries when determining the rates. While the Company believes equities offer the best return over the long term, it also believes diversification is necessary and invests in bonds, hedge funds, property and cash as well.

(in thousands of Canadian dollars, except share and per share information)

22. Employee benefits (continued)

The actual returns on plans assets are as follows:

	Canada/U.S.	U.K.	Germany	Other	Total
2011	$ (42)	$ 519	-	-	$ 477
2010	$ 233	$ 1,717	-	-	$ 1,950

The weighted average economic assumptions used to determine post-employment benefit obligations are as follows:

	Canada/U.S.	U.K.	Germany	Other	Total
December 31, 2011					
Discount rate	2.69%	4.70%	4.80%	5.21%	3.56%
Expected rate of compensation increase	3.00%	n.a.	2.00%	2.85%	2.79%
December 31, 2010					
Discount rate	3.88%	5.40%	4.65%	5.20%	4.43%
Rate of compensation increase	3.00%	n.a.	2.00%	2.70%	2.76%

The weighted average economic assumptions used to determine post-employment plan expenses are as follows:

	Canada/U.S.	U.K.	Germany	Other	Total
December 31, 2011					
Discount rate	3.88%	5.40%	4.65%	5.19%	4.43%
Expected long-term rate of return on plan assets	6.50%	6.30%	n.a.	n.a.	6.35%
Expected rate of compensation increase	3.00%	n.a.	2.00%	2.69%	2.76%
December 31, 2010					
Discount rate	5.60%	5.80%	5.15%	4.62%	5.56%
Expected long-term rate of return on plan assets	6.50%	6.50%	n.a.	n.a.	6.50%
Expected rate of compensation increase	3.00%	n.a.	2.00%	2.67%	2.74%

The history for the plans is as follows:

	2011	2010
Present value of the defined benefit obligation	$ 92,473	$ 84,275
Fair value of the plan assets	20,703	19,540
Plan deficit	$ 71,770	$ 64,735
Experience gains/(losses) on plan liabilities	$ 359	$ 850
Experience gains/(losses) on plan assets	$ (797)	$ 781

The Company expects to contribute $1.3 million to the funded defined benefit plans and pay $1.8 million in benefits for the unfunded plans in 2012.

(in thousands of Canadian dollars, except share and per share information)

23. Personnel expenses

	2011	2010
Wages and salaries	$ 268,063	$ 276,387
Compulsory social security contributions	32,257	34,265
Contributions to defined contribution plans	8,530	8,190
Expenses related to defined benefit plans	4,191	4,357
Equity-settled share-based payment transactions	3,472	4,130
	$ 316,513	$ 327,329

24. Income tax expense

Current tax expense	**2011**	**2010**
Current tax on earnings before earnings in equity accounted investments for the year	$ 31,655	$ 28,250
Deferred tax expense (benefit) (note 17)		
Origination and reversal of temporary differences	$ 2,425	$ 5,347
Impact of tax rate reduction	(39)	508
Recognition of previously unrecognized tax losses and deductible temporary differences	(195)	(3,160)
Benefit of current period losses	-	(2,677)
	$ 2,191	$ 18
Total income tax expense	$ 33,846	$ 28,268

(in thousands of Canadian dollars, except share and per share information)

24. Income tax expense (continued)

Reconciliation of effective tax rate

	2011	2010
Combined Canadian federal and provincial income tax rates	26.8%	29.1%
The income tax expense on the Company's earnings differs from the amount determined by the Company's statutory rates as follows:		
Net earnings for the year	$ 84,126	$ 71,093
Add income tax expense	33,846	28,268
Deduct earnings in equity accounted investments	1,224	496
Earnings before income tax and equity accounted investments	116,748	98,865
Income tax using the Company's domestic combined Canadian federal and provincial income tax rates	31,288	28,770
Effect of tax rates in foreign jurisdictions	1,770	(994)
Impact of tax rate reduction	(39)	508
Capital gain offset against losses	1,361	1,894
Recognition of previously unrecognized tax losses and deductible temporary differences	(195)	(3,160)
Losses for which no deferred tax asset was recognized	4,849	3,254
Impact of favourable tax settlements from prior years	(1,200)	(800)
Non-deductible expenses and other items	(3,988)	(1,204)
	$ 33,846	$ 28,268

Income tax recognized directly in other comprehensive income

	2011	2010
Derivatives	$ (2,097)	$ 1,129
Actuarial gains and losses	(618)	(2)
Total income tax recognized directly in equity	$ (2,715)	$ 1,127

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. If the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(in thousands of Canadian dollars, except share and per share information)

25. Share-based payments

At December 31, 2011, the Company had three share-based compensation plans, which are described below:

(i) Employee stock option plan

Under the employee stock option plan, the Company may grant options to employees, officers and inside directors of the Company for up to 4,500,000 Class B non-voting shares. The Company does not grant options to outside directors. The exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is 10 years. Before December 2003, options vested 20% on the grant date and 20% each year following the grant date. The term of these options was 5 or 10 years. Beginning December 2003, options granted began to vest a year from grant date, with 25% vesting one year from grant date and 25% each subsequent year. The term of these options is five years from the grant date. In general, the grants are conditional upon continued employment. No market conditions affect vesting. Granted options are not entitled to dividends and may not be transferred or assigned by the option holder.

There are several exceptions to the above vesting schedule. In 2008, an option grant of 25,000 shares was made upon the acquisition of Clear Image Labels Pty. Ltd. by the Company. These options vest after three years and expire after five years. In 2007 and 2008, options were granted for 125,000 shares as part of the Company's long-term incentive plan. They vest based on 2008-2010 Company performance and continued employment, and expire in 2013. Of these options, 25,000 have been forfeited and, of the remaining 100,000 options, 50% vested in 2011. The other 50% will vest in 2012.

For options and share awards granted for stock-based compensation, $3.3 million (2010 - $3.9 million) has been recognized in the financial statements as an expense with a corresponding offset to contributed surplus. The fair value of options granted has been estimated using the Black-Scholes model and the following assumptions:

	2011	2010
Risk-free interest rate	1.41%	2.51%
Expected life	4.5 years	4.5 years
Expected volatility	31%	31%
Expected dividends	$ 0.70	$ 0.67

(in thousands of Canadian dollars, except share and per share information)

25. Share-based payments (continued)

(i) Employee stock option plan (continued)

The expected life of the stock options is estimated by observing general historical stock option holder behaviour. Expected volatility is estimated based on the historical patterns of volatility of the Company's shares.

A summary of the status of the Company's employee stock option plan as of December 31, 2011 and 2010 and changes during the years ended on those dates is presented below.

			2011			**2010**
	Shares (000's)		Weighted average exercise price	Shares (000's)		Weighted average exercise price
Outstanding, beginning of year	1,572	$	25.34	1,335	$	24.54
Granted	25		30.50	500		26.97
Exercised	(403)		20.89	(238)		23.95
Forfeited	(100)		27.27	-		-
Expired	-		-	(25)		28.45
Outstanding, end of year	1,094	$	26.93	1,572	$	25.34
Options exercisable, end of year	567	$	27.62	668	$	23.19

The weighted average share price at the date of exercise in 2011 was $29.69 (2010 - $29.17).

The following table summarizes information about the employee stock options outstanding at December 31, 2011.

	Options outstanding				Options exercisable		
Range of exercise prices	Options outstanding (000's)	Weighted average remaining contractual life		Weighted average exercise price	Options exercisable (000's)		Weighted average exercise price
$18.51 - $19.00	122	0.9 years	$	18.51	122	$	18.51
$19.01 - $25.00	253	2.2 years		20.90	123		20.88
$25.01 - $30.00	419	3.5 years		26.92	100		26.99
$30.01 - $38.00	135	2.4 years		31.34	70		31.83
$38.01 - $44.25	165	1.1 years		38.77	152		38.80
$18.51 - $44.25	1,094	2.4 years	$	26.93	567	$	27.62

25. Share-based payments (continued)

(ii) Deferred share units

The Company maintains a deferred share unit plan. Under this plan, non-employee members of the Company's Board of Directors may elect to receive DSUs, in lieu of cash remuneration, for director fees that would otherwise be payable to such directors or any portion thereof. The number of units received is equivalent to the fees earned and is based on the fair market value of a Class B non-voting share of the Company's capital stock on the date of issue of the DSU. When dividends are paid on Class B non-voting shares of the Company, the equivalent value per DSU is calculated and the holder receives additional DSUs in lieu of actual cash dividends based on the fair market value of a Class B non-voting share of the Company. DSUs cannot be redeemed or paid out until such time as the director ceases to be a director. A DSU entitles the holder to receive, on a deferred payment basis, either the number of Class B non-voting shares of the Company equating to the number of his or her DSUs or, at the election of the Company, a cash amount equal to the fair market value of an equal number of Class B non-voting shares of the Company on the redemption date.

The Company accounts for the DSUs as cash-settled share-based payment transactions. When DSUs are granted, an expense for the full fair value of the DSUs granted is recognized in the income statement and a corresponding liability is recognized in the consolidated statement of financial position. The fair value of the liability is remeasured at the end of each reporting period and any difference is recognized as a personnel expense in the income statement. The value of DSUs received in lieu of dividends is also recognized as a personnel cost in the income statement.

The Company had 78,458 DSUs outstanding as at December 31, 2011, valued at $2.4 million based on a five-day average of the Class B non-voting shares of the Company of $30.81. The amount recognized as an expense in 2011 totaled $0.8 million (2010 – $0.7 million).

(iii) Restricted share units

The Company has shares held in trust to be used to satisfy future employee benefits related to its long term incentive plan as outlined in note 18.

Executive share purchase plan

Under the executive share purchase plan, which was discontinued in December 2001, the Company provided assistance to senior officers and executives of the Company to invest in Class B shares of the Company in the open market by providing interest-free loans. The loans have a 10-year term and are repayable only when the shares are sold or upon completion of employment. The executive share purchase plan loans have been deducted from shareholders' equity. The value of the principal of these loans was $0.2 million at the end of 2011 (2010 - $0.2 million). These loans are secured by 25,000 (2010 – 25,000) Class B shares of the Company with a quoted value at December 31, 2011, of $31.31 (2010 – $29.62) per Class B share, totaling $0.8 million (2010 - $0.7 million).

(in thousands of Canadian dollars, except share and per share information)

26. Financial instruments

(a) Cash flow hedges

During 2006, the Company entered into a cross-currency interest rate swap agreement (hedging item) that converted fixed rate unsecured U.S. dollar-denominated senior notes (hedged item) into Canadian dollar fixed rate debt in order to reduce the Company's exposure to U.S. dollar debt and interest payments. The fair value of the swap was recorded in current liabilities at the end of 2010. The foreign exchange component of the change in the value of the swap offset the foreign exchange component of the U.S. dollar-denominated debt on the income statement, and the balance was recorded in other comprehensive income. No ineffectiveness was recognized in the income statement as this was a fully effective hedge. This swap matured in March 2011.

Notional principal amount		Interest rate		Fair value			
				December 31			
Fixed rate	Fixed rate	Paid (CAD)	Received (USD)	2011 (CAD000)	2010 (CAD000)	Maturity	Effective Date
USD60.0 million	CAD70.4 million	4.50%	5.29%	-	(10,541.5)	March 8, 2011	March 29, 2006

The Company has in place numerous aluminum derivative contracts (hedging item) that are used to fix the price the Company is required to pay for its anticipated aluminum manufacturing requirements (hedged item). Aluminum is the major raw material used in the Container segment. The Company uses these contracts along with fixed price customer contracts to minimize the impact of aluminum price fluctuations. The Company does not enter into these contracts for speculative purposes.

The changes in value of the aluminum derivative contracts are recorded on the statement of financial position in accumulated other comprehensive income. Any ineffective portion is recorded in selling, general and administrative expenses. For 2011 and 2010, no ineffectiveness was recognized. Payments made or proceeds received upon the settlement of these contracts are recorded in cost of goods sold.

Prices for aluminum fluctuate in response to changes in supply and demand, market uncertainty and a variety of other factors beyond the Company’s control. A USD100/MT increase (decrease) in the price of aluminum would have resulted in a $0.7 million (2010 – $0.5 million) decrease (increase) in other comprehensive income and no impact on the earnings from operations (2010 - nil) of the Company. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(in thousands of Canadian dollars, except share and per share information)

26. Financial instruments (continued)

(b) Fair value hedges

During 2006, the Company entered into cross-currency interest rate swap agreements (hedging items) that converted fixed rate unsecured U.S. dollar-denominated senior notes (hedged items) into Canadian dollar floating rate debt in order to reduce the Company's exposure to the U.S. dollar debt and create a better balance between fixed and floating interest rate exposures. The fair values of the swaps are recorded in current and non-current liabilities when negative in value and current and non-current assets when positive in value. Change in fair value of the debt is accounted for in current and non-current liabilities and offsets the swap fair values on the income statement. No ineffectiveness has been recognized in the income statement as these are fully effective hedges. One of these swaps matured in July 2010.

Notional principal amount		Interest rate		Fair value			
				December 31			
Fixed rate	Floating rate	Paid (CAD)	Received (USD)	2011 (CAD000)	2010 (CAD000)	Maturity	Effective Date
USD31.0 million	CAD36.0 million	3-month BA + 1.67%	6.67%	-	-	July 8, 2010	December 29, 2006
USD28.1 million*	CAD32.6 million	3-month BA + 2.01%	6.97%	(539.5)	(1,088.5)	September 16, 2012	December 29, 2006

*There is an annual principal payment on this swap. Remaining principal amounts are USD4.7 million and CAD5.4 million.

During 2003, the Company entered into an interest rate swap agreement (IRSA), the hedging item, in order to redistribute the Company's exposure to fixed and floating interest rates with a view to reducing interest costs over the long term. The hedged item is 50% of a fixed rate unsecured U.S. dollar-denominated senior note. Fair value of this IRSA is recorded in current and non-current liabilities when negative in value and current and non-current assets when positive in value. Change in fair value of the debt is accounted for in current and non-current liabilities and offsets the IRSA's fair values on the income statement. No ineffectiveness has been recognized in the income statement as this is a fully effective hedge.

		Interest rate		Fair value			
				December 31			
Notional Principal amount	Currency	Paid (USD)	Received (USD)	2011 (CAD000)	2010 (CAD000)	Maturity	Effective Date
$42.1 million*	USD	3-month LIBOR + 2.97%	6.97%	110.9	376.9	September 16, 2012	December 16, 2003

*There is an annual principal payment on this swap. Remaining principal amount is USD4.7 million.

(in thousands of Canadian dollars, except share and per share information)

26. Financial instruments (continued)

(c) Hedges of net investment in self-sustaining operations

During 2006, the Company entered into cross-currency interest rate swap agreements ("CCIRSAs"), the hedging items, that converted Canadian dollar fixed rate and Canadian dollar floating rate debt into euro fixed rate debt and euro floating rate debt in order to hedge the Company's exposure to its net investment in self-sustaining euro-denominated operations, with a view to reducing foreign exchange fluctuations and interest expense. Fair value of these CCIRSAs is recorded in current and non-current liabilities when negative in value and current and non-current assets when positive in value. The offset is recorded in other comprehensive income. These have been and continue to be 100% fully effective hedges as the notional amounts of the hedging items equal the portion of the net investment balance being hedged. No ineffectiveness has been recognized in the income statement. One of the swaps matured in July 2010. A second swap matured in March 2011.

Notional principal amount		Interest rate		Fair value			
				December 31			
Fixed rate	Fixed rate	Paid (EUR)	Received (CAD)	2011 (CAD000)	2010 (CAD000)	Maturity	Effective Date
CAD70.4 million	EUR50.0 million	3.82%	4.50%	-	3,943.8	March 8, 2011	March 29, 2006

Notional principal amount		Interest rate		Fair value			
				December 31			
Floating rate	Floating rate	Paid (EUR)	Received (CAD)	2011 (CAD000)	2010 (CAD000)	Maturity	Effective Date
CAD36.0 million	EUR23.6 million	6-month EURIBOR + 1.64%	3-month BA + 1.67%	-	-	July 8, 2010*	December 29, 2006
CAD32.6 million**	EUR21.3 million	6-month EURIBOR + 1.99%	3-month BA + 2.01%	709.1	1,305.2	September 16, 2012	December 29, 2006

*This hedge was designated on June 1, 2010. Changes in fair value from that date to maturity were then accounted for on the income statement.

**There is an annual principal payment on this swap. Remaining principal amounts are CAD5.4 million and EUR3.6 million.

USD323.7 million (2010 – USD328.4 million) of unsecured U.S. dollar-denominated senior notes (hedging item) have been used to hedge the Company's exposure to its net investment in self-sustaining U.S. dollar-denominated operations with a view to reducing foreign exchange fluctuations. The foreign exchange effect of both the senior notes and the net investment in U.S. dollar-denominated subsidiaries is reported in other comprehensive income. These have been and continue to be 100% fully effective hedges as the notional amounts of the hedging items equal the portion of the net investment balance being hedged. No ineffectiveness has been recognized in the income statement.

(in thousands of Canadian dollars, except share and per share information)

26. Financial instruments (continued)

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Cash and cash equivalents	$ 140,698	$ 173,197	$ 150,594
Trade and other receivables	192,003	174,011	166,499
Available-for-sale financial assets	10,790	14,852	17,630
Derivative instruments: Assets	820	7,482	6,081
	$ 344,311	$ 369,542	$ 340,804

Impairment losses

The aging of trade receivables at the reporting date was:

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Under 31 days	$ 107,645	$ 93,943	$ 93,347
Between 31 and 90 days	65,138	56,029	50,965
Greater than 90 days	9,074	8,200	7,889
	$ 181,857	$ 158,172	$ 152,201

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Balance at January 1	$ 3,322	$ 3,513	$ 5,413
Increase (decrease) during the year	4	(191)	(1,900)
Balance at December 31	$ 3,326	$ 3,322	$ 3,513

Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables not past due.

(in thousands of Canadian dollars, except share and per share information)

26. Financial instruments (continued)

Liquidity risk

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

(in millions of Canadian dollars)

	December 31, 2010 Carrying amount	December 31, 2011						
				Payments due by period				
		Carrying amount	Contractual cash flows	0-6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Secured bank loans	$ 1.9	$ 2.4	$ 2.4	$ 0.4	$ 0.5	$ 0.6	$ 0.9	$ -
Unsecured bank loans	20.7	16.1	16.1	1.2	7.7	2.4	4.8	-
Unsecured senior notes	394.6	333.1	333.9	-	9.5	81.4	111.9	131.1
Finance lease liabilities	2.8	2.2	2.2	0.2	0.2	0.4	1.4	-
Other long-term obligations	1.4	0.1	0.1	0.1	-	-	-	-
Interest on unsecured senior notes	*	*	87.4	3.3*	10.4	18.5	40.4	14.8
Interest on other long-term debt	-	-	2.7	0.6	0.6	0.7	0.8	-
Trade and other payables	230.3	234.0	234.0	232.5	1.5	-	-	-
Bank advances	0.5	-	-	-	-	-	-	-
Derivative financial liabilities								
Outflow - FV hedges	12.5	0.8	10.1	-	10.1	-	-	-
Inflow - FV hedges	-	-	(10.2)	-	(10.2)	-	-	-
Outflow - CF hedges	-	1.7	1.7	0.9	0.5	0.3	-	-
Interest on derivatives	*	*	(0.5)	(0.3)	(0.2)	-	-	-
Accrued post-employment benefit liabilities	*	*	24.6	*	*	3.1	9.2	12.3
Operating leases	-	-	31.2	4.5	4.5	6.2	10.2	5.8
Total contractual cash obligations	$ 664.7	$ 590.4	$ 735.7	$ 243.4	$ 35.1	$ 113.6	$ 179.6	$ 164.0

*Accrued post-employment benefit liability of $3.1 million, accrued interest of $7.1 million on unsecured senior notes and accrued interest of $0.1 million on derivatives are reported in trade and other payables in 2011 (2010: $2.9 million, $8.1 million and $1.9 million, respectively)

26. Financial instruments (continued)

The following tables indicate the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact the income statement:

(in millions of Canadian dollars)

	December 31, 2010	December 31, 2011						
				Payments due by period				
	Carrying amount	Carrying amount	Contractual cash flows	0-6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Assets	$ 1.9	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Liabilities	-	1.7	1.7	0.9	0.5	0.3	-	-
Total	$ 1.9	$ 1.7	$ 1.7	$ 0.9	$ 0.5	$ 0.3	$ -	$ -

Currency risk

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	2011			2010		
	U.S. dollar	**Great Britain pound**	**Euro**	**U.S. dollar**	**Great Britain pound**	**Euro**
Cash and cash equivalents	63,130	5,148	27,778	102,527	3,767	28,485
Trade and other receivables	63,746	5,722	41,270	61,115	4,907	37,847
Trade and other payables	89,766	4,847	43,986	89,990	5,387	44,823
Long-term debt	323,175	-	5,295	329,120	1	59,126

Sensitivity analysis

A five percent strengthening of the Canadian dollar, as indicated below, against the following currencies at December 31 would have increased (decreased) equity and earnings by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity		Income Statement	
	2011	**2010**	**2011**	**2010**
U.S. dollar	(2,664)	11,671	273	80
Great Britain pound	250	(667)	(43)	(17)
Euro	18,679	(7,551)	(739)	(437)

A five percent weakening of the Canadian dollar against the above currencies at December 31 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(in thousands of Canadian dollars, except share and per share information)

26. Financial instruments (continued)

Interest rate risk

An increase of 100 basis points in interest rates at the reporting date would have decreased net earnings by $0.2 million (2010: $0.4 million) and have no impact on other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

Fair values versus carrying amounts

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Dec 31, 2011		Dec 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value:				
Available-for-sale financial assets	$ 10,790	$ 10,790	$ 14,852	$ 14,852
Interest rate swaps used for hedging	820	820	7,482	7,482
	11,610	11,610	22,334	22,334
Assets carried at amortized cost:				
Loans and receivables	192,003	192,003	174,011	174,011
Cash and cash equivalents	140,698	140,698	173,197	173,197
	332,701	332,701	347,208	347,208
Liabilities carried at fair value:				
Derivative financial liabilities	2,530	2,530	12,495	12,495
	2,530	2,530	12,495	12,495
Liabilities carried at amortized cost:				
Secured bank loans	2,407	2,407	1,865	1,865
Unsecured senior notes	333,115	384,186	394,606	436,328
Finance lease liabilities	2,209	2,209	2,808	2,808
Unsecured bank loans	16,091	16,091	20,740	20,740
Trade and other payables	233,963	233,963	230,341	230,341
Bank overdraft	-	-	497	497
Other	146	146	1,383	1,383
	$ 587,931	$ 639,002	$ 652,240	$ 693,962

The basis for determining fair values is disclosed in note 4.

The interest rates used to discount estimated cash flows, for the unsecured senior notes, are based on the government yield curve at the reporting date plus an adequate credit.

(in thousands of Canadian dollars, except share and per share information)

26. Financial instruments (continued)

Fair value hierarchy

The table below summarizes financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
December 31, 2011				
Available-for-sale financial assets	-	$ 10,790	-	$ 10,790
Derivative financial assets	-	820	-	820
	-	11,610	-	11,610
Derivative financial liabilities	-	2,530	-	2,530
	-	$ 9,080	-	$ 9,080

	Level 1	Level 2	Level 3	Total
December 31, 2010				
Available-for-sale financial assets	-	$ 14,852	-	$ 14,852
Derivative financial assets	-	7,482	-	7,482
	-	22,334	-	22,334
Derivative financial liabilities	-	12,495	-	12,495
	-	$ 9,839	-	$ 9,839

27. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2011	2010
Less than one year	$ 8,992	$ 8,854
Between one and five years	16,413	15,514
More than five years	5,804	6,577
	$ 31,209	$ 30,945

The Company enters into operating leases in the ordinary course of business, primarily for real property and equipment. Payments and other terms for these leases vary per agreement. During the year ended December 31, 2011, $9.8 million was recognized as an expense in the income statement in respect of operating leases (2010: $10.4 million).

(in thousands of Canadian dollars, except share and per share information)

28. Related parties

Transactions with key management personnel

In March 2008, a US$1.5 million interest bearing unsecured demand loan was provided to an executive officer. During 2011, interest accrued on this loan at a rate of 5.68% (2010 – 6.10%). At December 31, 2011, the principal and accrued interest balance was US$1.8 million (2010 – US$1.7 million) and is included in other assets.

Beneficial ownership

The directors and officers of CCL Industries Inc. as a group beneficially own, control, or direct, directly or indirectly, approximately 2,244,030 of the issued and outstanding Class A voting shares, representing 94.5% of the issued and outstanding Class A voting shares.

Key management personnel compensation

	2011	2010
Short-term employee benefits	$ 5,317	$ 5,618
Share-based payments	473	6,414
Post-employment benefits	352	476
	$ 6,142	$ 12,508

29. Accumulated other comprehensive loss

		2011		2010
Unrealized foreign currency translation losses, net of tax expense of $1,035 (2010 – tax expense of $2,057)	$	(39,585)	$	(21,209)
Gains (losses) on derivatives designated as cash flow hedges, net of tax recovery of $513 (2010 – tax expense of $591)		(1,088)		1,393
	$	(40,673)	$	(19,816)

30. Subsequent events

The Board of Directors has declared a dividend of $0.195 on the Class B non-voting shares and $0.1825 on the Class A voting shares, which will be payable to shareholders of record at the close of business on March 16, 2012, to be paid on March 30, 2012.

(in thousands of Canadian dollars, except share and per share information)

31. Explanation of transition to IFRS

As stated in note 2(a), these are the Company's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010, and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(in thousands of Canadian dollars, except share and per share information)

31. Explanation of transition to IFRS (continued)

Reconciliation of equity, January 1, 2010

Assets	Note	Previous Canadian GAAP balance	IFRS reclassification	IFRS adjustments	IFRS balance	Assets
Current assets						**Current assets**
Cash and cash equivalents		$ 150,594	$ -	$ -	$ 150,594	Cash and cash equivalents
		-	166,499	-	166,499	Trade and other receivables
Accounts receivable, trade		148,688	(148,688)	-	-	
Inventories		75,530	-	-	75,530	Inventories
Other receivables and prepaid expenses		24,342	(24,342)	-	-	
		-	5,656	-	5,656	Prepaid expenses
		-	5,550	-	5,550	Derivative instruments
Total current assets		399,154	4,675	-	403,829	**Total current assets**
Property, plant and equipment	(d)	751,592	(944)	(5,941)	744,707	Property, plant and equipment
Goodwill		358,794	-	-	358,794	Goodwill
Future income tax assets	(c),(d),(e), (f),(g),(h)	47,440	-	4,359	51,799	Deferred tax assets
		-	19,449	-	19,449	Equity accounted investments
Intangible assets		42,335	2,857	-	45,192	Intangible assets
		-	24,289	-	24,289	Other assets
Other assets		46,182	(46,182)	-	-	
		-	531	-	531	Derivative instruments
Total non-current assets		1,246,343	-	(1,582)	1,244,761	**Total non-current assets**
Total assets		$1,645,497	$ 4,675	$ (1,582)	$1,648,590	**Total assets**
Liabilities						**Liabilities**
Current liabilities						**Current liabilities**
Accounts payable and accrued liabilities		$ 206,510	$ 8,690	$ -	$ 215,200	Trade and other payables
Current portion of long-term debt	(c)	49,290	(4,228)	(89)	44,973	Current portion of long-term debt
Income and other taxes payable		10,943	(4,611)	-	6,332	Income taxes payable
		-	4,228	-	4,228	Derivative instruments
Total current liabilities		266,743	4,079	(89)	270,733	**Total current liabilities**

(in thousands of Canadian dollars, except share and per share information)

31. Explanation of transition to IFRS (continued)

Reconciliation of equity, January 1, 2010 (continued)

	Note	Previous Canadian GAAP balance	IFRS reclassification	IFRS adjustments	IFRS balance	
Long-term debt	(c)	448,849	(12,504)	(1,177)	435,168	Long-term debt
Future income tax liabilities	(d)	118,764	-	(1,295)	117,469	Deferred tax liabilities
	(f),(g)	-	46,970	18,509	65,479	Employee benefits
Other long-term items		58,384	(58,384)	-	-	
		-	12,010	-	12,010	Provisions and other long-term liabilities
		-	12,504	-	12,504	Derivative instruments
Total non-current liabilities		625,997	596	16,037	642,630	**Total non-current liabilities**
Total liabilities		$ 892,740	$ 4,675	$ 15,948	$ 913,363	**Total liabilities**
Equity						**Equity**
Share capital		$ 201,339	$ -	$ -	$ 201,339	Share capital
Contributed surplus	(e)	3,805	-	871	4,676	Contributed surplus
Retained earnings		643,303	-	(117,987)	525,316	Retained earnings
Accumulated other comprehensive loss	(b)	(95,690)	-	99,586	3,896	Accumulated other comprehensive income (loss)
Total equity attributable to shareholders of the Company		752,757	-	(17,530)	735,227	**Total equity attributable to shareholders of the Company**
Total liabilities and equity		$1,645,497	$ 4,675	$ (1,582)	$1,648,590	**Total liabilities and equity**

(in thousands of Canadian dollars, except share and per share information)

31. Explanation of transition to IFRS (continued)

Reconciliation of equity, December 31, 2010

Assets	Note	Previous Canadian GAAP balance	IFRS reclassification	IFRS adjustments	IFRS balance	Assets
Current assets						**Current assets**
Cash and cash equivalents		$ 173,197	$ -	$ -	$ 173,197	Cash and cash equivalents
		-	174,011	-	174,011	Trade and other receivables
Accounts receivable, trade		154,850	(154,850)	-	-	
Inventories		77,863	-	-	77,863	Inventories
Other receivables and prepaid expenses		24,199	(24,199)	-	-	
		-	5,983	-	5,983	Prepaid expenses
Income and other taxes receivable		2,457	684	-	3,141	Income taxes recoverable
		-	6,641	-	6,641	Derivative instruments
Total current assets		432,566	8,270	-	440,836	**Total current assets**
Property, plant and equipment	(d)	712,292	(902)	(6,987)	704,403	Property, plant and equipment
Goodwill		350,527	-	-	350,527	Goodwill
Future income tax assets	(c),(d),(e), (f),(g),(h)	50,676	-	4,280	54,956	Deferred tax assets
		-	19,754	-	19,754	Equity accounted investments
Intangible assets		36,017	2,036	-	38,053	Intangible assets
Other assets		40,333	(40,333)	-	-	
		-	18,604	-	18,604	Other assets
		-	841	-	841	Derivative instruments
Total non-current assets		1,189,845	-	(2,707)	1,187,138	**Total non-current assets**
Total assets		$1,622,411	$ 8,270	$ (2,707)	$1,627,974	**Total assets**
Liabilities						**Liabilities**
Current liabilities						**Current liabilities**
Bank advances		$ 497	$ -	$ -	$ 497	Bank advances
Accounts payable and accrued liabilities		222,072	8,269	-	230,341	Trade and other payables
Current portion of long-term debt		87,147	(11,519)	-	75,628	Current portion of long-term debt
		-	11,519	-	11,519	Derivative investments
Total current liabilities		309,716	8,269	-	317,985	**Total current liabilities**

(in thousands of Canadian dollars, except share and per share information)

31. Explanation of transition to IFRS (continued)

Reconciliation of equity, December 31, 2010 (continued)

	Note	Previous Canadian GAAP balance	IFRS reclassification	IFRS adjustments	IFRS balance	
Long-term debt	(c)	347,733	(976)	(983)	345,774	Long-term debt
Future income tax liabilities	(d)	120,682	-	(1,606)	119,076	Deferred tax liabilities
	(f),(g)	-	46,667	19,552	66,219	Employee benefits
Other long-term items		55,283	(55,283)	-	-	
		-	8,617	-	8,617	Provisions and other long-term liabilities
		-	976	-	976	Derivative instruments
Total non-current liabilities		523,698	1	16,963	540,662	**Total non-current liabilities**
Total liabilities		$ 833,414	$8,270	$ 16,963	$ 858,647	**Total liabilities**
Equity						**Equity**
Share capital		$ 208,666	$ -	$ -	$ 208,666	Share capital
Contributed surplus	(e)	6,741	-	947	7,688	Contributed surplus
Retained earnings		693,017	-	(120,228)	572,789	Retained earnings
Accumulated other comprehensive loss	(b),(c)	(119,427)	-	99,611	(19,816)	Accumulated other comprehensive loss
Total equity attributable to shareholders of the Company		788,997	-	(19,670)	769,327	**Total equity attributable to shareholders of the Company**
Total liabilities and equity		$1,622,411	$ 8,270	$ (2,707)	$1,627,974	**Total liabilities and equity**

(in thousands of Canadian dollars, except share and per share information)

31. Explanation of transition to IFRS (continued)

Reconciliation of comprehensive income for the year ended December 31, 2010

	Note	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Sales		$ 1,192,318	$ -	$ 1,192,318
Cost of sales	(d)	916,461	1,046	917,507
Gross profit		275,857	(1,046)	274,811
Selling, general and administrative expenses	(b),(e),(f),(g)	151,611	(1,175)	150,436
Restructuring and other items	(b)	29	196	225
Earnings in equity accounted investments		496	-	496
Results from operating activities		124,713	(67)	124,646
Finance costs	(c)	26,133	223	26,356
Finance income		1,071	-	1,071
Net finance costs		25,062	223	25,285
Earnings before income taxes		99,651	(290)	99,361
Income tax expense		28,514	(246)	28,268
Net earnings for the year		$ 71,137	$ (44)	$ 71,093
Attributable to:				
Shareholders of the Company		$ 71,137	$ (44)	$ 71,093
Net earnings for the year		$ 71,137	$ (44)	$ 71,093
Earnings per share				
Basic earnings per Class B share		$ 2.17		$ 2.17
Diluted earnings per Class B share		$ 2.13		$ 2.13

(in thousands of Canadian dollars, except share and per share information)

31. Explanation of transition to IFRS (continued)

Reconciliation of comprehensive income for the year ended December 31, 2010 (continued)

	Note	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Net earnings for the year		$ 71,137	$ (44)	$ 71,093
Other comprehensive income, net of tax:				
Foreign currency translation differences for foreign operations	(b)	(52,136)	1,065	(51,071)
Net gain on hedges of net investment in foreign operations	(b)	30,521	(1,040)	29,481
Effective portion of changes in fair value of cash flow hedges		(3,007)	-	(3,007)
Net change in fair value of cash flow hedges transferred to income statement		885	-	885
Defined benefit plan actuarial losses	(f)	-	(2,197)	(2,197)
Other comprehensive loss, net of tax		(23,737)	(2,172)	(25,909)
Total comprehensive income for the year		$ 47,400	$ (2,216)	$ 45,184
Attributable to:				
Shareholders of the Company		$ 47,400		$ 45,184
Total comprehensive income for the year		$ 47,400		$ 45,184

Material adjustments to the statement of cash flows for 2010

Consistent with the Company’s accounting policy choice under IAS 7, *Statement of Cash Flows*, dividends received of $330 have been classified as investing activities. Interest paid and income taxes paid have moved into the body of the statement of cash flows, whereas they were previously disclosed as supplementary information. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

(in thousands of Canadian dollars, except share and per share information)

31. Explanation of transition to IFRS (continued)

Notes to the reconciliation of equity and comprehensive income

The preceding are reconciliations of the financial statements previously presented under Canadian GAAP to the amended financial statements prepared under IFRS. Items identified as “IFRS adjustments” are required as the accounting treatment under Canadian GAAP differs from the treatment under IFRS. Items identified as “IFRS reclassifications” are solely reclassifications required to present the previous Canadian GAAP financial statements’ line items on a consistent basis with that of the IFRS presentation. Details on the nature of both types of changes are described below.

IFRS adjustments

(a) Business combinations

The Company has elected under IFRS 1 not to apply IFRS 3, *Business Combinations* ("IFRS 3") retrospectively to business combinations that occurred prior to January 1, 2010 (the date of transition to IFRS).

The Company has applied IFRS 3 to all business combinations that have occurred since January 1, 2010.

(b) Currency translation differences

In accordance with IFRS 1, the Company has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

The impact arising from the change is summarized as follows:

	Jan 1, 2010	Dec 31, 2010
Consolidated statement of financial position		
Decrease in accumulated other comprehensive loss due to foreign currency translation differences	$ (137,129)	$ (137,619)
Offsetting effect in accumulated other comprehensive loss due to hedges of net investments in subsidiaries	48,348	49,388
Decrease in accumulated other comprehensive loss due to tax effect on hedges of net investments in subsidiaries	(10,805)	(10,805)
Decrease in retained earnings	$ (99,586)	$ (99,036)

The Company previously recognized a net foreign exchange loss of $550 resulting from the repatriation of capital from foreign subsidiaries. In accordance with IFRS, the loss was reversed to accumulated other comprehensive loss as a payment of a dividend is not considered to be a disposal or partial disposal. The adjustment resulted in an increase in restructuring and other items of $196 and a decrease in selling, general and administrative expenses of $746 in the income statement for the year ended December 31, 2010.

(in thousands of Canadian dollars, except share and per share information)

31. Explanation of transition to IFRS (continued)

Notes to the reconciliation of equity and comprehensive income (continued)

(c) Transaction costs relating to financial liabilities

Under previous Canadian GAAP, the Company expensed transaction costs related to financial liabilities as incurred. IFRS require the Company to include these costs as part of the financial liability.

The impact arising from the change is summarized as follows:

		Jan 1, 2010		Dec 31, 2010
Consolidated statement of financial position				
Decrease in long-term debt	$	1,177	$	983
Decrease in current portion of long-term debt		89		-
Related tax effect		(330)		(272)
Other comprehensive income		-		60
Increase in retained earnings	$	936	$	771

In accordance with IFRS, the Company recognized an increase of $223 in finance costs in the income statement for the year ended December 31, 2010. The Company also recorded the related tax effect of $58 as a decrease in deferred tax expense.

(d) Property, plant and equipment

Under previous Canadian GAAP, each asset under property, plant and equipment was depreciated as a whole unit over its useful life. Components of an asset were not depreciated separately. Under IFRS, each part of an item of property, plant and equipment with a cost that is significant to the total cost of the item must be depreciated separately. For certain components of property, plant and equipment, useful lives were reassessed, and the effect of these changes in estimates resulted in the acceleration of the depreciation expense under IFRS.

The impact arising from the change is summarized as follows:

		Jan 1, 2010		Dec 31, 2010
Consolidated statement of financial position				
Decrease in property, plant and equipment	$	(5,941)	$	(6,987)
Related tax effect		1,761		2,072
Decrease in retained earnings	$	(4,180)	$	(4,915)

In accordance with IFRS, the Company recognized an increase of $1,046 of depreciation expense in cost of sales, resulting from the accelerated depreciation, recorded in the income statement for the year ended December 31, 2010. The Company also recorded the related tax effect of $311 as a decrease in deferred tax expense.

(in thousands of Canadian dollars, except share and per share information)

31. Explanation of transition to IFRS (continued)

Notes to the reconciliation of equity and comprehensive income (continued)

(e) Share-based payments

Previous Canadian GAAP allowed the use of straight-line attribution of graded-vesting options. Under IFRS, this option is no longer available and each award in a series is accounted for as if it had its own separate service period and vesting date. Accordingly, compensation expense under IFRS will be recognized at an accelerated rated.

The impact arising from the change is summarized as follows:

		Jan 1, 2010		Dec 31, 2010
Consolidated statement of financial position				
Increase in contributed surplus	$	(871)	$	(947)
Related tax effect		96		104
Decrease in retained earnings	$	(775)	$	(843)

In accordance with IFRS, the Company recognized an increase of $76 of stock based compensation expense in selling, general and administrative expenses resulting from the accelerated compensation expense, recorded in the income statement for the year ended December 31, 2010. The Company also recorded the related tax effect of $8 as a decrease in deferred tax expense.

(f) Actuarial gains and losses

In accordance with IFRS 1, the Company has elected to recognize all cumulative actuarial gains and losses related to defined benefit post-employment plans upon transition to IFRS.

The impact arising from the change is summarized as follows:

		Jan 1, 2010		Dec 31, 2010
Consolidated statement of financial position				
Increase in employee benefits liability	$	(13,792)	$	(15,342)
Related tax effect		3,708		4,094
Decrease in retained earnings	$	(10,084)	$	(11,248)

The Company previously recognized actuarial losses of $822 under previous GAAP in net earnings for the year ended December 31, 2010. In accordance with the Company's election upon transition to IFRS, the losses previously recognized were reversed resulting in a decrease in selling, general and administrative expenses in the Income Statement for the year ended December 31, 2010. The Company also recorded the related tax effect of $213 as an increase in deferred tax expense.

Actuarial loss of $2,197, net of tax of $190, was recognized in the Statement of Comprehensive income for the year ended December 31, 2010.

(in thousands of Canadian dollars, except share and per share information)

31. Explanation of transition to IFRS (continued)

Notes to the reconciliation of equity and comprehensive income (continued)

(g) Employee benefits

Under IFRS, the Company was required to estimate a future value for certain employee benefits and present value this obligation.

The impact arising from the change is summarized as follows:

	Jan 1, 2010	Dec 31, 2010
Consolidated statement of financial position		
Increase in employee benefits accrual	$ (4,717)	$ (5,034)
Related tax effect	1,792	1,879
Decrease in retained earnings	$ (2,925)	$ (3,155)

In accordance with IFRS, the Company recognized an increase of $317 of pension expense in selling, general and administrative expenses resulting from the change in the valuation of certain employee benefits, in the income statement for the year ended December 31, 2010. The Company also recorded the related tax effect of $87 as a decrease in deferred tax expense.

(h) Deferred taxes

Upon examining the impact of the opening IFRS adjustments to the valuation allowance, a further adjustment was required to the deferred tax balance to adjust for previously benefited losses.

The impact arising from the change is summarized as follows:

	Jan 1, 2010	Dec 31, 2010
Consolidated statement of financial position		
Decrease in deferred tax assets	$ (1,373)	$ (1,803)
Decrease in retained earnings	$ (1,373)	$ (1,803)

IFRS reclassifications

(a) Previously, the Company presented other receivables together with prepaid expenses. The current presentation has other receivables presented with trade receivables, and prepaid expenses are shown separately as prepayment for current assets.

(b) Previously, the Company presented other assets, which included investments and equity accounted investments, derivatives, licences and patents and other assets. Equity accounted investments are now shown separately, investments have been reclassified to other assets, derivatives instruments are shown separately and licences and patents are reflected in intangible assets.

(c) Previously, the Company presented long-term employee benefits and other long-term liabilities within the line item other long-term items. Long-term employee benefits are now shown separately and other long-term liabilities are reflected in provisions and other long-term liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31, 2011 AND 2010

(TABULAR AMOUNTS IN MILLIONS OF CANADIAN DOLLARS, EXCEPT PER SHARE DATA)

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") of CCL Industries Inc. ("CCL" or "the Company") relates to the years ended December 31, 2011 and 2010. In preparing this MD&A, the Company has taken into account information available until February 23, 2012, unless otherwise noted. This MD&A should be read in conjunction with the Company's December 31, 2011, year-end financial statements, which form part of the CCL Industries Inc. 2011 Annual Report dated February 23, 2012. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and, unless otherwise noted, both the financial statements and this MD&A are expressed in Canadian dollars as the reporting currency. The major measurement currencies of CCL's operations are the Canadian dollar, the U.S. dollar, the euro, the Australian dollar, the Brazilian real, the Chinese renminbi, the Danish krone, the Japanese yen, the Mexican peso, the Polish zloty, the Russian rouble, the South African rand, the Thai baht, the U.K. pound sterling and the Vietnamese dong. All per Class B non-voting share ("Class B share") amounts in this document are expressed on an undiluted basis, unless otherwise indicated. CCL's Audit Committee and its Board of Directors have reviewed this MD&A to ensure consistency with the approved strategy of the Company and the results of the Company. The financial data presented in the MD&A for periods prior to January 1, 2010, were prepared under the previous Canadian GAAP financial reporting framework.

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This MD&A contains forward-looking information and forward-looking statements, as defined under applicable securities laws, (hereinafter collectively referred to as “forward-looking statements”) that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by, but not limited to, the words “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans” or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Specifically, this MD&A contains forward-looking statements regarding the anticipated growth in sales, income and profitability of the Company’s segments; the Company’s improvement in market share; the Company’s capital spending levels and planned capital expenditures in 2012; the adequacy of the Company’s financial liquidity; the Company’s targeted return on equity, earnings per share, EBITDA growth rates and dividend payout; the Company’s effective tax rate; the Company’s ongoing business strategy and the Company’s expectations regarding general business and economic conditions.

Forward-looking statements are not guarantees of future performance. They involve known and unknown risks and uncertainties relating to future events and conditions including, but not limited to, the uncertainty of the recovery from the global financial crisis and its impact on the world economy and capital markets; the impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; interest rates and credit availability; technological change; changes in government regulations; risks associated with operating and product hazards; and CCL’s ability to attract and retain qualified employees. Do not unduly rely on forward-looking statements as the Company’s actual results could differ materially from those anticipated in these forward-looking statements. Forward-looking statements are also based on a number of assumptions, which may prove to be incorrect, including, but not limited to, assumptions about the following: global economic recovery and higher consumer spending; improved customer demand for the Company’s products; continued historical growth trends, market growth in specific segments and entering into new segments; the Company’s ability to provide a wide range of products to multinational customers on a global basis; the benefits of the Company’s focused strategies and operational approach; the Company’s ability to implement its acquisition strategy and successfully integrate acquired businesses; the achievement of the Company's plans for improved efficiency and lower costs, including the ability to pass on aluminum cost increases to its customers; the availability of cash and credit; fluctuations of currency exchange rates; the Company's continued relations with its customers; and general business and economic conditions. Should one or more risks materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking statements. Further details on key risks can be found throughout this report and particularly in Section 4: "Risk and Uncertainties."

Except as otherwise indicated, forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on the business. Such statements do not, unless otherwise specified by the Company, reflect the impact of dispositions, sales of assets, monetizations, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them and therefore cannot be described in a meaningful way in advance of knowing specific facts.

The forward-looking statements are provided as of the date of this MD&A and the Company does not assume any obligation to update or revise the forward-looking statements to reflect new events or circumstances, except as required by law.

Unless the context otherwise indicates, a reference to "CCL" or "the Company" means CCL Industries Inc., its subsidiary companies and equity accounted investments.

1. CORPORATE OVERVIEW

A) The Company

CCL Industries Inc. is a world leader in the development of label solutions for global producers of consumer brands in the home and personal care, healthcare, durable goods, and specialty food and beverage sectors and a specialty supplier of aluminum containers and plastic tubes for the same customers in North America. Founded in 1951, the Company has been public under its current name since 1980. CCL's corporate office is located in Toronto, Canada, with its operational leadership centred in Framingham, Massachusetts, United States. The corporate office provides executive and centralized services such as finance, accounting, internal audit, treasury, risk management, legal, tax, human resources, information technology and environmental, health and safety. The Framingham office provides operational direction and oversees the activities of CCL's Segments: Label, Container and Tube. CCL employs approximately 6,400 people in 69 production facilities located in North America, Latin America, Europe, Australia, South Africa, the Middle East and Asia, including an equity investment in Russia operating two facilities and one in the Middle East operating four facilities. The Company also has a label licence holder operating a plant in Turkey and a label and tube licence holder operating two plants in Indonesia.

B) Customers and Markets

CCL's customer base is primarily comprised of a significant number of global consumer product, healthcare, chemical and durable goods companies. A strategy of many of our customers is a continuous focus on growing their global market positions. Recent industry trends include customer consolidation, even among the largest players, and a disproportionate growth in sales in emerging markets and relatively lower growth in the developed world.

Demand for consumer staples and healthcare products generally remains consistent throughout economic cycles as the end use often requires daily consumption. These markets are less volatile than consumer durables and the information technology industry which have higher price points and can be impacted by changes in how society works. Certain markets, such as for beverage and agro-chemical products, are more seasonal in nature and affect the variability of quarterly sales and profitability.

The state of the global economy and geopolitical events can affect consumer demand and ultimately CCL's customers' plans. CCL's customers react to these issues and to competitive activity in their product categories by developing marketing and sales promotion strategies including the introduction of new products. These factors directly influence the demand for CCL's products. The Company's growth expectations generally mirror the trends of each of the markets and product lines in which CCL's customers compete and the growth of the economy in each geographic region. CCL also anticipates improving its market share generally in each market and category over time, which is consistent with its overall historical trend.

The label market is large and highly fragmented with many players but with no single competitor having the substantial operating breadth or global reach of CCL Label. The Container Segment operates only in North America, which includes Mexico. There are two direct competitors in the Container business in the United States and one in Mexico. The Tube Segment operates only in the United States where there are a small number of competitors.

C) Strategy and Financial Targets

CCL's vision is to increase shareholder value through leading supply chain solutions and product innovations delivered to large global customers across the three segments. CCL builds on the strengths of its people in manufacturing and product development; and nurtures strong relationships with its international customers and suppliers. The Company anticipates increasing its market share in most product categories by capitalizing on the growth of its customers, by following market trends such as globalization and by driving new product innovation.

A key driver in CCL's strategy is maintaining its focus and discipline. The Company aspires to be the market leader and the highest value-added producer in each product line and region in which it chooses to compete. CCL's strategy is to continue to improve the performance of the Container Segment, develop the strong performance of the Tube Segment in North America while investing in the growth of the Label Segment globally both organically and by acquisition. In 2011, CCL acquired Thunder Press Inc. (operated under the trade name "Sertech"), a healthcare label producer in Chicago, Illinois; and a 50% interest in Pacman-CCL, a group of label companies based in Dubai servicing the Middle East. In 2010, Purbrick Pty Ltd., a healthcare label producer in Australia was acquired to further increase the Company's market share. In addition, to continue servicing its global customers in new territories, CCL signed a label licence agreement in Turkey with Dekopak Ambalaj Sanayi Ve Tic. A.S. ("Dekopak"), and a label and tube licence agreement in Indonesia with PT. Master Label.

The Company's strategic objective in the past decade has been the long-term growth of earnings through the building of a global business platform with investment in new plants and equipment, by acquisitions and through innovation in new product development. This approach is intended to allow the Company to increase market share and to grow internationally with its core customers. The acquisition strategy includes seeking attractively priced acquisitions within CCL's core competencies and manufacturing capabilities that will be immediately accretive to earnings. In addition, such acquisitions should generally support its strategic geographic expansion plans and/or provide new technologies, and/or new customer relationships and products to CCL's portfolio.

The Company's financial strategy is to be fiscally prudent and conservative. Financial leverage has been maintained at modest levels, and ensuring liquidity has been a cornerstone of the Company's philosophy. This strategy continues to serve the Company well, particularly during the recent global economic downturn, which had a dramatic adverse impact on many companies, including some of its major competitors. During good and difficult economic times, the Company has maintained high levels of cash on hand and unused lines of credit to reduce its financial risk and to provide flexibility when acquisition opportunities are available. The Company currently has several long-term private debt placements in place and over $91 million available on an unsecured revolving line of credit, which further enhances its liquidity and strengthens its financial foundation for the foreseeable future.

CCL has a continuous focus on minimizing its investment in working capital in order to maximize cash flow in support of the growth in the business. In addition, capital expenditures are approved when they are expected to be accretive to earnings and are selectively allocated towards the most attractive growth opportunities.

A key financial target is return on equity before goodwill impairment loss, restructuring and other items and tax adjustments ("ROE," a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below). CCL continues to execute its strategy with a goal of achieving a comparable ROE level to its leading peers in specialty packaging. Historically, the Company has achieved ROE levels in the low double digit-range. However, with the global economic downturn in 2009, ROE for comparable companies and for the industry as a whole was dramatically lowered. In 2011, ROE continued to recover from the low posted in 2009 and regained double-digit levels. ROE performance has been fairly consistent over the past few years, except for 2009:

	2011	**2010**	**2009**	**2008**	**2007**	**2006**
Return on Equity	10.7%	9.5%	7.6%	11.1%	13.3%	12.5%

The Company believes that attaining the historical level of ROE is achievable based on the improving trend recorded since the low of 2009. However, this is dependent on the continued improvement in the global economy, consumer spending levels and the success of CCL's business strategy.

Another important and related financial target is the long-term growth rate of adjusted basic earnings per share, which excludes goodwill impairment loss, restructuring and other items, and tax adjustments (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below). Management believes that taking into account both the relatively stable overall demand for consumer staple and healthcare products globally and the continuing benefits from its focused strategies and operational approach, a positive growth rate in adjusted basic earnings per share is realistic under normal economic circumstances.

CCL's historical adjusted earnings per share excluding goodwill impairment loss, restructuring and other items and tax adjustments and gains on business dispositions, has achieved significant positive growth except for the 2009 and 2008 years:

	2011	**2010**	**2009**	**2008**	**2007**	**2006**
EPS Growth Rate	18%	23%	-30%	2%	19%	19%

In 2011 adjusted basic earnings per share increased by 18%. The continued recovery from the global economic recession and improved mix of businesses was partially offset by the unfavourable impact from foreign currency rates. The Company believes strong growth in earnings per share is achievable in the future as the global economy continues to improve and CCL executes its business strategy.

The Company will continue to focus on generating cash and effectively utilizing the cash flow generated by operations and divestitures. Earnings before interest, taxes, depreciation and amortization, excluding goodwill impairment loss, earnings in equity accounted investments, restructuring and other items ("EBITDA," a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) is considered a good indicator of cash flow and is used by many financial institutions and investment advisors to measure operating results and for business valuations. The Company believes that EBITDA is an important measure in evaluating its ongoing business in that it does not include the impact of interest, depreciation and amortization, income tax expenses and non-operating one-time items. As a key indicator of cash flow, EBITDA demonstrates the Company's ability to incur or service existing debt and to invest in capital additions, to take advantage of organic growth opportunities, and in acquisitions that are accretive to earnings per share. Historically, the Company has experienced positive growth in EBITDA, excluding discontinued operations, except for the 2009 year:

(In millions of Canadian dollars)	2011	2010	2009	2008	2007	2006
EBITDA	239.1	219.8	207.9	216.4	206.9	176.1
% of sales	19%	18%	17%	18%	18%	17%

In 2011, EBITDA increased by approximately 8.8% despite the negative impact of foreign currency translation. EBITDA margins remain at the top end of the range of CCL's specialty packaging peers. The Company expects positive growth in EBITDA in the future as the global economy continues to recover and consumer spending levels improve.

If net cash flow periodically exceeds attractive acquisition opportunities available, CCL may also repurchase its shares provided that the repurchase is accretive to earnings per share, is at a valuation equal to or lower than valuations for acquisition opportunities, and will not materially increase financial leverage beyond targeted levels or significantly reduce liquidity.

The framework supporting the above performance targets is an appropriate level of financial leverage. Based on the dynamics within the specialty packaging industry and the risks that higher leverage may bring, CCL has a comfort level up to a target of approximately 45% for its net debt to total book capitalization (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below). As at December 31, 2011, net debt to total book capitalization was 20.7%. This current level of leverage and profitability would imply that CCL's debt continues to be in the investment-grade category. This leverage level is below the target, primarily due to the Company's conservative approach to financial risk and its ability to generate strong levels of free cash flow from operations (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below).

CCL also believes that the dividend payout (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) is an important metric. CCL has paid dividends quarterly for over 30 years without an omission or reduction and has more than doubled the dividend since 2001. The Company views this consistency and dividend growth as important factors in enhancing shareholder value. The Company's target payout of dividends is equal to 20% to 25% of adjusted earnings, defined as earnings excluding gains on dispositions, goodwill impairment loss, restructuring and other items and tax adjustments. In 2011, the dividend payout ratio was 27% (2010 – 30%) of adjusted earnings. This dividend payout ratio in excess of the Company's target range reflects strong cash flow generation resulting from improved earnings. After careful review of the current year results and considering the cash flow and income budgeted for 2012, the CCL Board of Directors has declared an increase in the dividend of two cents per Class B share per quarter from $0.175 to $0.195 per Class B share per quarter ($0.78 per Class B share annualized).

The Company believes that all of the above targets are mutually compatible and consequently should drive meaningful shareholder value over time.

CCL's strategy and its ability to grow and achieve attractive returns for its shareholders are shaped by key internal and external factors that are common to specialty packaging. The key performance driver is the Company's continuous focus on customer satisfaction, supported by its reputation for quality manufacturing, competitive price, product innovation, dependability, ethical business practices and financial stability.

In these uncertain economic times, the Company recognizes that it must maintain its focus and financial discipline. CCL's customers' markets have shown a recovery in the past two years from the global economic slowdown experienced in the second half of 2008 and the majority of 2009. So far in 2012, business remains solid, but growth rates will depend on the impact of economic events on consumer spending, particularly in the UnitedStates and Europe. Mitigating volatile raw material input costs through stringent cost management and focused pricing strategies for its products remain key priorities for the Company.

D) Recent Acquisitions and Dispositions

Over the past decade CCL has transformed itself into a focused specialty packaging business. CCL is now a global company with increased diversification across the world economy including emerging markets, a broader customer base, new product lines and many different currencies and geographies.

CCL continues to deploy its cash flow from operations into its core segments with both internal capital investments and strategic acquisitions. The following acquisitions were completed over the last two years:

- In September 2011, a 50% interest in Pacman-CCL, a privately owned group of label companies based in Dubai in the United Arab Emirates with additional operations in Cairo, Egypt; Muscat, Oman and Jeddah, Saudi Arabia, was acquired for $18.3 million. Albwardy Investments, the sole shareholder that previously operated Pacman-CCL under a CCL Label licence agreement, will retain the remaining 50% economic interest.

- In April 2011, Thunder Press Inc., a privately owned label company based in Chicago, Illinois, which operated under the trade name “Sertech”, was acquired for $7.8 million, net of cash acquired. Sertech produces patient information leaflets, commonly known as inserts and outserts, for leading pharmaceutical customers in the United States.

- In March 2010, Purbrick, a privately held company based in Melbourne, Australia, was acquired for $1.2 million, net of cash acquired. Purbrick supplies patient information leaflets and pressure sensitive labels to global pharmaceutical customers located in Australia.

Since 2003, the Company has spent over $500 million on acquisitions including these investments. They have been primarily funded by dispositions which generated over $470 million in cash over the same time frame. Strategically, CCL has repositioned itself as a growing specialty packaging company over these years with the Label Segment now surpassing the one billion dollars in sales milestone and accounting for 80% of the Company’s total revenue.

All of the acquisitions completed over the past few years, in conjunction with the building of new plants in Mexico, Thailand, Poland, China, Vietnam, Brazil, Saudi Arabia and the United States, have positioned the Label Segment as the global leader for pressure sensitive labels in the personal care, healthcare, food, beverage, promotional, durables and specialty categories.

E) Consolidated Annual Financial Results

Selected Financial Information

Results of Consolidated Operations

	2011	2010	2009
Sales from continuing operations	$ 1,268.5	$ 1,192.3	$ 1,199.0
Cost of sales	975.0	917.5	943.5
Selling, general and administrative expenses	154.6	150.4	147.9
	138.9	124.4	107.6
Earnings in equity accounted investments	1.2	0.5	0.3
Net finance cost	(21.4)	(25.3)	(29.3)
Restructuring and other items – net loss	(0.8)	(0.2)	(7.3)
Earnings before income taxes	117.9	99.4	71.3
Income taxes	33.8	28.3	29.1
Net earnings	$ 84.1	$ 71.1	$ 42.2
Net earnings per Class B share	$ 2.54	$ 2.17	$ 1.31
Goodwill impairment loss, restructuring and other items and tax adjustment – loss	$ (0.03)	$ (0.01)	$ (0.46)
Diluted earnings per Class B share	$ 2.50	$ 2.13	$ 1.29
Dividends per Class B share	$ 0.70	$ 0.655	$ 0.60
Total assets	$ 1,613.5	$ 1,628.0	$ 1,648.6
Total non-current liabilities	$ 540.4	$ 540.7	$ 642.6

Comments on Consolidated Results

Sales were $1,268.5 million in 2011, an increase of 6.4% compared to $1,192.3 million recorded in 2010. The increase is primarily attributable to an organic growth rate of 7.0%, augmented by the Sertech acquisition (0.8%) and partially offset by the negative impact of 1.4% due to foreign currency translation. On a comparative basis with 2010, sales were higher in all segments due to strong organic growth.

Consistent with CCL's 2010 year, approximately 4% of CCL's 2011 sales to end use customers are denominated in Canadian dollars. Consequently, changes in foreign exchange rates can have a material impact on sales and profitability when translated into Canadian dollars for public reporting. While the impact of foreign exchange translation moderated in 2011, compared to the trends of the last decade, the current year's results have continued to be adversely affected.

The depreciation of the U.S. dollar and the Mexican peso by 4% and 2%, respectively, was partially offset by a the 1% appreciation of the euro relative to the Canadian dollar in 2011 compared to average exchange rates in 2010.

Earnings after cost of goods sold and selling, general and administrative expenses in 2011 was $138.9 million, up $14.5 million from $124.4 million in 2010.

Selling, general and administrative expenses were $154.6 million for 2011 compared to $150.4 million reported in 2010. The increase in selling, general and administrative expenses in 2011 relates primarily to higher corporate expenses and the unfavourable impact of foreign currency translation. Corporate expenses for 2011 were $24.8 million compared to $22.2 million for 2010. The increase in corporate expenses relative to those in 2010 relates primarily to higher variable incentive compensation expense, the unfavourable impact of foreign currency translation and an increase in self-insurance claims reserves in 2011.

Operating income (a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A below) in 2011 was $163.7 million, an improvement of 11.7% compared to $146.6 million reported in 2010. The increase in operating income in 2011 was primarily attributable to strong organic growth, partially offset by the unfavourable impact from foreign currency translation. Excluding the effect of unfavourable currency translation, operating income was up 13.4%. This increase primarily reflects improvements in the Container and Tube Segments of $13.7 million and $3.2 million, respectively. The Label Segment improved slightly, 1.4% for 2011 compared to 2010 excluding the negative impact of currency translation. Further details on the business segments follow later in this report.

Earnings before interest, taxes, depreciation and amortization (“EBITDA”) before restructuring and other items (a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A below) in 2011 was $239.1 million an improvement of 8.8% compared to $219.8 million recorded in 2010. Excluding the unfavourable impact of currency translation, EBITDA increased by 10.4% over the prior year.

Net finance costs were $21.4 million in 2011, a decline of $3.9 million from the $25.3 million recorded in 2010. The decrease reflects lower debt levels and favourable currency translation on the interest of the U.S. dollar-denominated debt. Net finance expenses includes interest expense net of interest earned on short-term investments, adjusted by interest from interest rate swap agreements (“IRSAs”) and cross-currency interest rate swap agreements (“CCIRSAs”). The IRSAs and CCIRSAs are discussed later in this report in Section 3C.

For the full year 2011, restructuring costs and other items represented a loss of $0.8 million ($0.8 million after tax) as follows:

- In the first quarter, a loss of $0.5 million ($0.4 million after tax) related to the closure costs to shut down a small label plant in the U.S.;
- In the fourth quarter, a loss of $0.8 million (with no tax effect) related to severance costs to restructure the Paris label plant operations; and
- In the fourth quarter, a gain of $0.5 million ($0.4 million after tax) related to the final settlement of residual lease payments and closure costs for the Tube Segment's building in Los Angeles, CA, attributable to its move to a new location.

The negative earnings impact of these restructuring and other items in 2011 was $0.03 per Class B share.

For the full year 2010, restructuring costs and other items represented a loss of $0.2 million as follows:

- In the fourth quarter, a loss related to severance costs for the Container operations of $0.2 million (with no tax effect).

Restructuring costs and other items in 2010 had a negative impact of $0.01 per Class B share.

In 2011, the consolidated effective tax rate was 29.0% compared to 28.6% in 2010, excluding earnings in equity accounted investments. The combined Canadian federal and provincial statutory tax rate was 26.8% in 2011. The increase in the effective tax rate for 2011 is attributable to the negative impact of $1.0 million (2010 - positive impact of $2.7 million), for the reduction in recorded accounting benefits of certain Canadian tax losses. As previously disclosed in prior quarters, the ability to benefit the Canadian tax losses is mainly dependent on the movement of the unrealized foreign exchange gains on the Company's U.S. dollar-denominated debt and related euro swaps. This benefit will fluctuate with the movement in the Canadian dollar versus the U.S. dollar and the euro and as such this benefit would reverse fully or in part in the future if the Canadian dollar weakens and would grow larger if it strengthens. Excluding the benefit from the Canadian tax losses, the overall effective tax rates in 2011 and 2010 were 28.1% and 31.3%, respectively, reflecting a higher portion of the Company's income earned in lower tax jurisdictions in 2011.

Approximately 96% of CCL's sales are from products manufactured in plants outside of Canada, and the income from these foreign operations is subject to varying rates of taxation. The Company's effective tax rate varies from year to year as a result of the level of income in the various countries, recognition or reversal of tax losses, tax reassessments and income and expense items not subject to tax. The Company's tax rate may increase in the future since the Company may not be able to tax-benefit its future tax losses in certain countries.

Net earnings for 2011 were $84.1 million, an increase of 18.3% compared to $71.1 million recorded in 2010 due to the items described above.

Basic earnings per Class B share was $2.54 for 2011 versus the $2.17 recorded for 2010. Diluted earnings per Class B share were $2.50 for 2011 and $2.13 for 2010.

The movement in foreign currency exchange rates in 2011 versus 2010 had an estimated negative impact of $0.03 on basic earnings per Class B share. This estimated foreign currency impact reflects the currency translation in all foreign operations and the translation of U.S. dollar-denominated transactions in the Canadian Container operations, where almost all sales and a significant portion of input costs are U.S. dollar-denominated.

Restructuring and other items had a negative impact of $0.03 per Class B share for 2011 compared to $0.01 per Class B share in 2010.

Adjusted basic earnings per Class B share (a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A below) were $2.57 in 2011, up 17.9% from $2.18 in 2010.

F) Seasonality and Fourth Quarter Financial Results

2011	Qtr 1	Qtr 2	Qtr 3	Qtr 4	**Year**
Sales					
Label	$ 247.7	$ 255.9	$ 254.5	$ 254.2	$ **1,012.3**
Container	47.7	42.6	43.0	42.4	**175.7**
Tube	20.2	20.4	19.2	20.7	**80.5**
Total sales	$ 315.6	$ 318.9	$ 316.7	$ 317.3	$ **1,268.5**
Segment operating income					
Label	$ 41.9	$ 37.3	$ 32.3	$ 31.0	$ **142.5**
Container	3.7	2.1	1.7	1.7	**9.2**
Tube	3.1	3.7	2.5	2.7	**12.0**
Operating income	48.7	43.1	36.5	35.4	**163.7**
Corporate expenses	6.3	7.2	4.4	6.9	**24.8**
Earnings (loss) in equity accounted investments	-	(0.1)	(0.1)	1.4	**1.2**
	42.4	35.8	32.0	29.9	**140.1**
Finance expense, net	5.7	5.3	5.2	5.2	**21.4**
	36.7	30.5	26.8	24.7	**118.7**
Restructuring and other items – net loss	(0.5)	-	-	(0.3)	**(0.8)**
Earnings before income taxes	36.2	30.5	26.8	24.4	**117.9**
Income taxes	9.4	8.8	9.6	6.0	**33.8**
Net earnings	$ 26.8	$ 21.7	$ 17.2	$ 18.4	$ **84.1**
Per Class B share					
Net earnings	$ 0.81	$ 0.66	$ 0.52	$ 0.55	$ **2.54**
Diluted earnings	$ 0.80	$ 0.64	$ 0.52	$ 0.54	$ **2.50**
Restructuring and other items and tax adjustments included in net earnings – net loss	$ (0.01)	$ -	$ -	$ (0.02)	$ **(0.03)**

2010	Qtr 1	Qtr 2	Qtr 3	Qtr 4	**Year**
Sales					
Label	$ 248.9	$ 242.1	$ 238.4	$ 225.7	$ **955.1**
Container	40.3	39.7	44.0	38.4	**162.4**
Tube	17.9	20.4	19.3	17.2	**74.8**
Total sales	$ 307.1	$ 302.2	$ 301.7	$ 281.3	$ **1,192.3**
Segment operating income (loss)					
Label	$ 42.7	$ 38.5	$ 32.5	$ 28.6	$ **142.3**
Container	(1.7)	(2.2)	(0.8)	0.2	**(4.5)**
Tube	2.0	2.9	2.3	1.6	**8.8**
Operating income	43.0	39.2	34.0	30.4	**146.6**
Corporate expenses	4.7	5.2	4.8	7.5	**22.2**
Earnings (loss) in equity accounted investments	0.3	0.4	(0.1)	(0.1)	**0.5**
	38.6	34.4	29.1	22.8	**124.9**
Finance expense, net	6.5	6.5	6.3	6.0	**25.3**
	32.1	27.9	22.8	16.8	**99.6**
Restructuring and other items – net loss	-	-	-	(0.2)	**(0.2)**
Earnings before income taxes	32.1	27.9	22.8	16.6	**99.4**
Income taxes	7.5	10.5	7.0	3.3	**28.3**
Net earnings	$ 24.6	$ 17.4	$ 15.8	$ 13.3	$ **71.1**
Per Class B share					
Net earnings	$ 0.75	$ 0.53	$ 0.48	$ 0.41	$ **2.17**
Diluted earnings	$ 0.74	$ 0.52	$ 0.47	$ 0.40	$ **2.13**
Restructuring and other items and tax adjustments included in net earnings – net loss	$ -	$ -	$ -	$ (0.01)	$ **(0.01)**

Fourth Quarter Results

Sales for the fourth quarter of 2011 were $317.3 million, an increase of 12.8% compared to $281.3 million recorded in the 2010 fourth quarter. Excluding currency translation, sales for the fourth quarter in 2011 increased by 13.0% compared to the prior year period. This increase was primarily due to 12.1% of organic growth and 0.9% impact from acquisitions. All business segments showed increased sales, with the Label, Container and Tube Segments up $28.5 million, $4.0 million and $3.5 million, respectively.

Operating income (a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A below) in the fourth quarter of 2011 was $35.4 million, an increase of 16.4% from $30.4 million in the fourth quarter of 2010. This increase in operating income was attributable to the increases in the Label, Container and Tube Segments, of $2.4 million, $1.5 million and $1.1 million, respectively.

EBITDA (a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A below) for the fourth quarter of 2011 was $54.7 million, an improvement of 15.2% compared to the $47.5 million for 2010 period.

Corporate expenses were $6.9 million in the fourth quarter of 2011, a decline of $0.6 million from $7.5 million recorded in the prior year period. The decrease is attributable to a general reduction across the broad range of corporate costs.

Net finance expense of $5.2 million in the 2011 fourth quarter declined $0.8 million compared to $6.0 million due primarily to lower debt levels.

Restructuring and other items in the fourth quarter of 2011 were a net expense of $0.3 million ($0.4 million after tax). Restructuring and other items, the details of which were explained earlier under the annual financial results, consisted of severance costs for the Paris label plant of $0.8 million (with no tax effect), partially offset by a gain of $0.5 million ($0.4 million after tax) related to the final settlement of residual lease payments and closure costs for the Tube Segment’s Los Angeles facility move.

In the fourth quarter of 2010 a loss related to severance costs for the Container operations of $0.2 million (with no tax effect) was recorded to restructuring and other items.

Tax expense in the fourth quarter of 2011 was $6.0 million compared to $3.3 million in the prior year period. Both periods reflected an accounting benefit related to the Canadian tax losses; however, the benefit of $0.9 million recognized in the current quarter was less than the $2.2 million recorded in 2010. Excluding the benefit from Canadian tax losses, the overall effective tax rate was 29.7% in 2011 compared to 32.7% in the prior year period. This decrease reflects a favourable mix of income earned in lower taxed jurisdictions versus higher taxed jurisdictions.

The net earnings in the fourth quarter of 2011 were $18.4 million compared to net earnings of $13.3 million in last year’s fourth quarter. This increase reflects the items described above.

Earnings per Class B share were $0.55 in the fourth quarter of 2011 compared to $0.41 in the fourth quarter of 2010. The movement in foreign currency exchange rates in the fourth quarter of 2011 versus 2010 had an estimated negative impact of $0.02 on basic earnings per Class B share.

Restructuring and other items had a negative impact on earnings of $0.02 per Class B share in the fourth quarter of 2011 and $0.01 per Class B share in the prior year period.

Adjusted basic earnings per Class B share (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) were $0.57 in the fourth quarter of 2011, an improvement of 35.7% compared to $0.42 in the corresponding quarter of 2010.

Summary of Seasonality and Quarterly Results

The seasonality of the business has evolved over the last few years with the first and second quarters generally being the strongest due to the number of work days and various customer-related activities. Also, there are many products that have a spring-summer bias in North America and Europe such as agricultural chemicals and certain beverage products, which generate additional sales volumes for CCL in the first half of the year. The last two quarters of the year are negatively affected from a sales perspective by summer vacation in the northern hemisphere, Thanksgiving and the holiday season shutdowns at the end of the fourth quarter.

Sales and net earnings comparability between the quarters of 2011 and 2010 was primarily affected by the instability of the global economic recovery, the impact of dramatic foreign currency changes relative to the Canadian dollar, and the effect of restructuring, tax adjustments and other items.

The Label Segment has generally experienced strong demand in its existing and newly acquired operations in the past few years. The Segment increased sales, excluding the impact of currency translation, in all four quarters of 2011, primarily driven by strong organic growth and augmented slightly by the Sertech acquisition in the final three quarters of the year. Sales in the fourth quarter of 2011 improved 12.6% compared to the fourth quarter of 2010 driven by double-digit growth in North America, Latin America and the Asia Pacific regions. Sales in Europe were also up high single digits. The growth rate in the fourth quarter of 2011 was indicative of a stronger consumer market in the United States, new customer branding and design initiatives, stable demand for Healthcare products and a persistent strong economic growth rate in the emerging markets.

Return on sales (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) for the Label Segment in 2011 was 14.1% compared to 14.9% in 2010. The decline in margin reflects the current mix of products, start-up costs at new plants, pricing pressures and particularly the difficulties of passing through raw material cost inflation in a soft global economy. This level of return is still above CCL's internal targets and reflects the Segment's continued strategy of capitalizing each operation with world-class equipment, servicing its international customers on a global basis and meeting their unique product needs.

Sales, excluding foreign currency translation, at the Container Segment increased 10.8% for 2011 compared to 2010. This improvement was driven by volume growth in the Mexican operations, and pricing controls plus better mix in the United States. For the fourth quarter of 2011 sales increased $4.0 million compared to the fourth quarter of 2010, led by improved pricing and product mix on flat volumes for the Segment. Operations in the U.S. and Mexico produced solid profitability for the 2011 year and the Canadian operation delivered operating income in both the third and fourth quarters as it executed its turnaround plan.

The Tube Segment had an exceptional year with organic sales growth of 12.1% for 2011, excluding foreign currency translation. All four quarters of 2011 experienced sales growth, excluding foreign currency translation compared to the same quarters of 2010. The Segment capitalized on market share gains in highly decorated tubes for the premium personal care and cosmetic sector coupled with targeted operational initiatives that improved operating income in each quarter of 2011 compared to 2010. Return on sales in the Tube Segment was 14.9% for 2011, a significant improvement compared to the 11.8% achieved in 2010. These margins in the Tube Segment are now in line with the target levels of the Label Segment.

Net earnings in 2011 were up 18.3% compared to 2010 due primarily to higher operating income in the Container and Tube Segments, lower net finance expense and income taxes, partially offset by higher corporate expenses. Excluding the effect of currency translation, all four quarters in 2011 had higher net earnings than the comparable quarters in prior year.

2.) BUSINESS SEGMENT REVIEW

A) General

Over the last decade all divisions have invested significant capital and management effort in their facilities in order to develop world-class manufacturing operations, with spending allocated to geographic expansion, cost-reduction projects, the development of innovative products and processes, the maintenance and expansion of existing capacity and the continuous improvement in health and safety in the workplace, including environmental activities. Also over the past decade, CCL has made numerous strategic acquisitions and invested significantly in excess of its depreciation expense in order to build a global network in the Label Segment, take advantage of new market and product opportunities and improve infrastructure and operating performance across the Company. Annual capital spending in 2010 and 2011, however, was below annual depreciation expense as the global manufacturing platform in the Label Segment is now largely completed. Further discussion on capital spending is provided in the Business Segment sections below.

Although each Segment is a leader in market share or has a significant position in the markets it serves in each of its operating locales, it also operates generally in a mature and competitive environment. In recent years, consumer products and healthcare companies have experienced steady pressure to maintain or even reduce prices to their major retail and distribution channels, which has driven significant consolidation in CCL's customer base. This has resulted in many customers seeking supply-chain efficiencies and cost savings in order to maintain profit margins. The global economic crisis experienced in 2008 and early 2009, the instability of the economic recovery that followed and the sovereign debt predicament and its effect on the availability of capital accentuated this trend. Volatile commodity costs have also created challenges to manage pricing with customers. These dynamics have been an ongoing challenge for CCL and its competitors, requiring greater management and financial control and flexible cost structures. Unlike some of its competitors, CCL has the financial strength to invest in the equipment and innovation necessary to constantly strive to be the highest value-added producer in the markets that it serves.

The cost of many of the key raw material inputs for CCL, such as plastic films and resins, paper, specialty chemicals and aluminum, are largely dependent on the economics within the petrochemical and energy industries. The significant cost fluctuations for these inputs can have an impact on the Company's profitability. CCL generally has the ability, due to its size and the use of long-term contracts with both its suppliers and its customers, to mitigate volatility in costs from its suppliers and, where necessary, to pass on price movements to its customers. The success of the Company is dependent on each business managing the cost-and-price equation with suppliers and customers. The cost of aluminum represents the largest component of the Container Segment's product cost. The significant volatility in aluminum costs over the past few years has made it especially challenging to manage pricing with its customers who are generally accustomed to more stable pricing in other product lines.

Most of CCL's facilities are in locations with adequate skilled labour, resulting in moderate pressure on wage rates and employee benefits. CCL's labour costs are competitive in each of its businesses. The Company uses a combination of annual and long-term incentive plans specifically designed for corporate, divisional and plant staff to focus key employees on the objectives of achieving annual business plans and creating shareholder value through growth, innovation, cost reductions and cash flow generation in the longer term.

A driver common to all Segments for maximizing operating profitability is the discipline of pricing orders based on size and complexity, including consideration for fluctuations in raw materials and packaging costs, manufacturing efficiency and available capacity. This approach facilitates effective asset utilization and relatively higher levels of profitability. Performance is generally measured by product against estimates used to calculate pricing, including targets for scrap and output efficiency. An analysis of total utilization versus capacity available per production line or facility is also used to manage certain divisions of the business.

In most of the Company's operations, the measurement of each sales order shipped is based on actual selling prices and production costs to calculate the amount of actual profit margin earned and its return on sales relative to the established benchmarks. This process ensures that pricing policies and production performance are aligned in attaining profit margin targets by order, by plant and by division.

Performance measures used by the divisions that are critical to meeting their operating objectives and financial targets are return on sales, cash flow, days of working capital employed and return on investment. Measures used at the corporate level include operating income, return on sales, EBITDA, net debt to total capitalization, return on equity and adjusted basic earnings per Class B share (all of which are non-IFRS measures; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below). Growth in earnings per share is a key metric. In addition, the Company also monitors earnings per share before restructuring and other items since the timing and extent of restructuring and other items do not reflect or relate to the Company's future ongoing operating performance. Performance measures are primarily evaluated against a combination of prior year, budget, industry standards and other internal benchmarks to promote continuous improvement in each business and process.

Management believes it has both the financial and non-financial resources, internal controls and reporting systems and processes in place to execute its strategic plan, to manage its key performance drivers and to deliver targeted financial results over time. In addition, the Company's internal audit function provides another discipline to ensure that its disclosure controls and procedures and internal control over financial reporting will be assessed on a regular basis against current corporate standards of effectiveness and compliance.

CCL is not particularly dependent upon specialized manufacturing equipment. Most of the manufacturing equipment employed by the divisions can be sourced from many different suppliers. CCL, however, has the resources to invest in large- scale projects to build infrastructure in current and new markets because of its financial strength relative to that of many of its competitors. Most of CCL's direct competitors in the Label Segment are much smaller and may not have the financial resources to stay current in maintaining state-of-the-art facilities. Certain new manufacturing lines take many months for suppliers to construct, and any delays in delivery and commissioning can have an impact on customer expectations and the Company's profitability. The Company also uses strategic partnerships as a method of obtaining proprietary technology in order to support growth plans and to expand its product offerings. CCL's major competitive advantage is based on its customer service and process technology, the know-how of its people and the ability to develop proprietary technologies and manufacturing techniques.

The expertise of CCL's employees is a key element in achieving the Company's business plans. This know-how is broadly distributed throughout the Company and its 69 facilities throughout the world; therefore, the Company is generally not at risk of losing its competency through the loss of any particular employee or group of employees. Employee skills are constantly being developed through on-the-job training and external technical education, and are enhanced by CCL's entrepreneurial culture of considering creative alternative applications and processes for the Company's manufactured products.

The nature of the research carried out by the divisions can be characterized as application or process development. As a leader in specialty packaging, the Company spends meaningful resources on assisting customers to develop new and innovative products. While customers regularly come to CCL with concepts and request assistance to develop products, the Company also takes its own new ideas to the market. Company and customer information is protected through the use of confidentiality agreements and by limiting access to CCL's manufacturing facilities. The Company values the importance of protecting its customers' brands and products from fraudulent use and consequently is selective in choosing appropriate customer and supplier relationships.

The Company continues to invest time and capital to upgrade and expand its business systems. This investment is critical to keeping pace with customer requirements and in gaining or maintaining a competitive edge. Software packages are, in general, off-the-shelf systems customized to meet the needs of individual business locations. The Label Segment communicates with many customers and suppliers electronically, particularly with regard to supply-chain management solutions and when transferring and confirming design formats and colours.

Business Segment Results

	2011	2010
Segment sales		
Label	$ 1,012.3	$ 955.1
Container	175.7	162.4
Tube	80.5	74.8
Total sales	$ 1,268.5	$ 1,192.3
Operating income (loss)*		
Label	$ 142.5	$ 142.3
Container	9.2	(4.5)
Tube	12.0	8.8
Segment operating income	$ 163.7	$ 146.6

* This is a non-IFRS measure. Refer to "Key Performance Indicators and Non-IFRS Measures" in Section 5A below.

Comments on Business Segments

The above summary includes the results of acquisitions on reported sales and operating income from the date of acquisition.

Operating income in 2011 was $163.7 million, an improvement of 11.7% compared to $146.6 million in 2010. The increase in operating income was primarily attributable to the improvements in the Container and Tube Segments in in 2011 compared to 2010. Excluding foreign currency, operating income increased by 13.4% over the prior year. Return on sales increased to 12.9% in 2011 compared to 12.3% in 2010.

B) Label Segment

Overview

The Label Segment is the leading global producer of innovative label solutions for consumer product marketing companies in the personal and beauty care, food and beverage, household, chemical and promotional segments of the industry, and also supplies major pharmaceutical, healthcare, durable goods and industrial chemical companies. The Segment's product lines include pressure sensitive, shrink sleeve, stretch sleeve, in-mould and expanded content labels and pharmaceutical instructional leaflets. It currently operates 63 facilities located in Canada, the United States (including Puerto Rico), Australia, Austria, Brazil, China, Denmark, France, Germany, Italy, Mexico, the Netherlands, Poland, Russia, South Africa, Thailand, the United Kingdom, Vietnam, the United Arab Emirates, Egypt, Oman and Saudi Arabia. The two plants in Russia and four plants in the Middle East, attributable to the equity investments in CCL-Kontur and Pacman-CCL, respectively, are included in the above locations.

This Segment operates within a sector of the packaging industry made up of a very large number of competitors that manufacture a vast array of decorative, product information and identification labels. There are some label categories that do not fall within the Segment's target market. The Company believes that the Label Segment is the largest consolidated operator in its defined global label market sectors. Competition comes from single-plant businesses, often owned by private operators that compete in local markets with CCL. There are also a few multi-plant competitors in certain regions of the world and specialists in a single market segment globally. However, there is no major competitor that has the global reach and scale of CCL Label.

CCL Label's mission is to be the global supply-chain leader of innovative premium package and promotional label solutions for the world's largest consumer product and healthcare companies. It aspires to do this from regional facilities that focus on specific customer groups, products and manufacturing technologies in order to maximize management's expertise and manufacturing efficiencies to enhance customer satisfaction. The Label Segment is expected to continue to grow and expand its global reach through acquisitions, joint ventures and greenfield start-ups and expand its product offerings in segments of the label industry that it has not yet entered.

The Company has completed several label acquisitions over the past few years that have positioned the Label Segment as a global leader within its multinational customer base in the personal care, healthcare, household, food, beverage, durable goods and specialty label categories.

The Segment considers customers' demand levels, particularly in North America and Western Europe, to be reasonably mature and, as such, will continue to focus its expansion plans on innovative and higher growth product lines within those geographies with a view to improving overall profitability. In Asia, Latin America and other emerging markets a higher level of economic growth is expected over the coming years, and this should provide opportunities for the Segment to improve market share and increase profitability in these regions.

The Segment produces labels predominantly from polyolefin films and paper sourced from extruding, coating and laminating companies, using raw materials primarily from the petrochemical and paper industries. CCL Label is generally able to mitigate the cost volatility of these components due to a combination of purchasing leverage, agreements with suppliers and its ability to pass on these cost increases to customers. In the label industry, price changes regularly occur as specifications are constantly changed by the marketers and, as a result, the selling price for these labels is updated, reflecting current market costs and new shapes and designs.

There is a close alignment in label demand to consumer demand for non-durable goods. Management believes the Company will attain the sales volumes and geographic distribution and reach mirroring those of its customers over the next few years through its focused strategy and by capitalizing on the following customer trends.

CCL Label's global customers are requiring more of their suppliers, expecting a full range of product offerings in more geographic regions; are requiring more integration into their supply-chain at a global level and are concerned with the integrity of their products and the protection of their brands, particularly in markets where counterfeit products are an issue. These issues put many of CCL's competitors at a disadvantage, as do the investment hurdles in converting equipment and technologies to deliver products, services and innovations. Trusted and reliable suppliers are important considerations for global consumer product companies and major pharmaceutical companies. This is even more important in an uncertain economic environment when many smaller competitors encounter difficulties and customers want to ensure their suppliers are financially viable.

Label Segment Financial Performance

	2011	**% Growth**	2010
Sales	**$ 1,012.3**	**6%**	$ 955.1
Operating income	**$ 142.5**	**-**	$ 142.3
Return on sales	**14.1%**		14.9%

Sales in the Label Segment for 2011 increased to $1,012.3 million, compared to $955.1 million in 2010. Foreign currency translation had an unfavourable impact of 1.0%. Excluding foreign currency translation, sales for the Label Segment increased 7.0% primarily due to strong organic growth and the 1.0% positive benefit from the Sertech acquisition.

North American sales for 2011 increased low single digits, excluding currency translation compared to 2010. Sales for the Home & Personal Care business were flat for the year but improved with the economy in the second half and particularly in the fourth quarter, after a soft start to 2011. Sales in the Healthcare business improved compared to 2010 due to the U.S. FDA quarantine initiated in the third quarter of 2009 at a major customer being lifted in the first quarter of 2011, incremental revenues from the acquisition of Sertech and stable demand generally in the market. Sales for the Specialty business were up compared to 2010 reflecting solid performance from the promotions sector and despite a difficult year for some customers in the Agricultural Chemicals sector attributed to abnormal weather patterns in 2011. Sales in the small Sleeve and Battery businesses declined in 2011 due to competitive pressures. Due to this mix in performance, operating income for 2011 in the North American label operations was down very slightly after the negative impact of foreign currency translation.

European sales increased mid-single digits despite a challenging economic environment. Although internal profit targets were exceeded for the year, operating income declined in 2011 compared to the strong recovery in 2010. Sales increased in the Home & Personal Care, Healthcare & Specialty, Sleeves, Beverage and Durables sectors on customer design and branding initiatives, market share wins and stable demand in the countries where CCL operates. However, continuing losses at one of our French operations negatively affected the Home & Personal Care sector, and challenges to pass on commodity cost increases, particularly in the Stretch Sleeve and Battery product lines, more than offset modest improvements in other parts of the region. A restructuring of the problematic French plant is underway and is expected to deliver improved results in 2012.

The **Latin America** label operations continued to deliver strong double-digit sales growth and improved operating income despite the impact on raw material costs of the Mexican peso devaluation relative to the U.S. dollar in the second half of 2011. Sales in the Home & Personal Care sector in both Brazil and Mexico increased due to further penetration of CCL's global customer base in the region. The Company enjoyed particularly dramatic growth in the Sleeve business in Brazil and the Healthcare and Specialty business there also continued to post solid operating results.

The **Asia Pacific** region continued to post double-digit increases in sales and operating income in 2011 compared to 2010. Despite flooding that impacted many customers' plants for a number of weeks in the fourth quarter of 2011, operations in Thailand recorded significant improvement over 2010. CCL's facilities in Bangkok were not damaged, but the ability to operate normally was substantially impaired by the event and profitability reduced significantly decreasing earnings per share by approximately $0.03 in the fourth quarter. Operations in China continued to perform, notwithstanding the delayed start-up of the new Tianjin plant as customers' pharmaceutical certification procedures have taken much longer than anticipated plus continuing share loss in the battery sector. The Australian Wine and Healthcare label operations finished 2011 with stronger revenue but operating income was held in check by competitive pressures in the Wine industry and the negative foreign exchange impact of the stronger Australian dollar. Sales at the South African business also grew for the year but operating income was negatively affected by a management restructuring of the operation and the impact of the rand devaluation against the euro on products imported from Germany.

Results from the 50% joint ventures in Russia, CCL-Kontur, and in the Middle East, Pacman-CCL, are not proportionately consolidated into the Label Segment but instead are accounted for as equity investments. The Company has effective day-to-day management control over the Middle East venture where the partner is a financial investor. In Russia, the Company brings significant influence but delegates control to the partner who is a strategic player in the local label industry. Sales at CCL-Kontur improved due to a much better second half of 2011 after a slow start to the year caused by a government led restructuring of the important vodka producers. Profitability at the venture reached record levels in the fourth quarter and contributed equity earnings of $0.3 million for 2011. Pacman-CCL, acquired September 13, 2011, contributed equity earnings of $0.9 million for 2011. Both ventures generated positive cash flow and remain debt free with cash balances sufficient to finance operations including capital expenditures.

Operating income for the Label Segment in 2011 was $142.5 million, flat to the $142.3 million recorded in 2010. Excluding the impact of currency translation, 2011 operating income increased 1.4% compared to 2010. Operating income as a percentage of sales was 14.1% in 2011 compared to the 14.9% return generated in the prior year, but was still at the high end of CCL's target range.

The Label Segment invested $74.9 million in capital spending in 2011 compared to $72.1 million in the same period last year. These expenditures are in line with the prior year and consistent with the Company's planned level of investment. Investments in the Label Segment are expected to continue in order to increase its capabilities, expand geographically and replace or upgrade existing plants and equipment. Depreciation and amortization for the Label Segment was $77.7 million in 2011 compared to $73.3 million in 2010.

C) Container Segment

Overview

The Container Segment is a leading manufacturer of aluminum specialty containers for the consumer products industry in North America, including Mexico. The key product line is recyclable aluminum aerosol cans for the personal care, home care and cosmetic industries, plus shaped aluminum bottles for the beverage market. It operates from four plants, one each in the United States and Canada and two in Mexico. One of the plants in Mexico is a modern, world-class facility that commenced production in late 2008. The Segment functions in a competitive environment, which includes imports and the ability of customers, in some cases, to shift a product to competing alternative technology.

The strategic plan for this Segment is to focus on improving overall profitability in the United States and, in particular, Canada while minimizing investments and growing CCL's presence in Mexico. The Segment invests significant resources in the development of innovative shaped and highly decorated containers. As the demand for these new, higher value products has grown, the Segment has adapted existing production equipment and acquired new technology in order to meet expected overall market requirements and to maximize manufacturing efficiencies.

Aluminum represents a significant variable cost for this Segment. Aluminum is a commodity that is supplied by a limited number of global producers and is traded in the market by financial investors and speculators. Aluminum prices have been extremely volatile in the past few years. Aluminum has continued to have the largest impact on manufacturing costs for the Container Segment and thereby requires increased focus on managing selling prices to CCL's customers.

Aluminum trades as a commodity on the London Metals Exchange ("LME") and the Segment had historically used a general hedging program in combination with fixed-price contracts with a number of specific customers. This was done to moderate the fluctuations in the cost of aluminum so that the Segment and the customer could potentially reduce cost volatility. However, with the volatility of aluminum cost through 2008 and into 2009, this hedging strategy became unprofitable to CCL. Therefore in 2009, the Company decided to discontinue entering into aluminum hedges for general requirements. Currently, the Container Segment will only hedge some of its anticipated future aluminum purchases using futures contracts on the LME if they are matched to specific fixed-price customer contracts. The Segment hedged 29% of its 2011 volume but has only hedged 20% and 8% of its expected 2012 and 2013 requirements, respectively, and all, including matured 2011 hedges, were matched to fixed price customer contracts. Existing hedges are priced in the US$2,100 to US$2,500 range per metric ton. The unrealized loss on the aluminum futures contracts as at December 31, 2011, was $1.7 million. Pricing for aluminum in 2011 ranged from US$1,900 to US$2,800 per metric ton compared to US$1,800 to US$2,500 per metric ton in 2010. This volatility continued to create challenges; however, the Container Segment has successfully introduced pricing mechanisms in its customer contracts that pass through the fluctuations in the cost of aluminum to its customers. This new pricing strategy began to have a positive impact in the second half of 2010 and carried through 2011 as old pricing agreements expired.

Management believes the aluminum container business can continue to improve levels of profitability in the coming quarters with increased demand, continued pricing discipline, and by driving greater operational efficiencies in the facilities. The aluminum container continues to be generally perceived to be more esthetically pleasing by customers and consumers compared to tin plate containers. The biggest risk for the Segment's business base relates to customers shifting their products into containers of other materials such as steel, glass or plastic, leading to a loss in market share. However, certain products and delivery systems can only be provided in an aluminum container. The relative cost of steel versus aluminum containers sometimes impacts the marketers' choice of container and may cause volume gains or losses if customers decide to change from one product form to another. Aluminum costs remain the key factor in determining the level of growth in the market.

In North America, there are two direct competitors in the United States and one in Mexico in the impact-extruded aluminum container business. CCL believes that it is approximately the same size as its key United States competitor in the aerosol market and has about 50% market share. Other competition comes from South American, Asian and European imports; however, currency exchange rates and logistical issues, such as delivery lead times and costs, significantly impact their competitiveness.

The success of new products promoted heavily in the market will have a material impact on the Segment's sales and profitability. Beverage products packaged in CCL's shaped resealable aluminum bottles, for example, are directly impacted by the success or failure of these new products in the market. Another growth opportunity is the possibility of acquiring market share from competitors in existing product lines.

With improved economic conditions in 2010, movement of aerosol filling to Mexico and higher demand for personal care and beverage containers, production capacity tightened within the industry. This capacity tightening allowed the Segment to successfully implement price increases to its customer base, although capacity constraints have now eased somewhat in 2011.

The new plant in Guanajuato, Mexico, continues to grow as many global marketers that use aluminum containers have moved production of these products to Mexico to achieve cost and logistic savings. The Company added a third production line, which became operational in 2011, to provide additional low-cost capacity in this growing market.

Container Segment Financial Performance

	2011	**% Growth**	2010
Sales	$ **175.7**	**8%**	$ 162.4
Operating income (loss)	$ **9.2**	**n.m.**	$ (4.5)
Return on sales	**5.2%**		(2.8%)

The Container Segment posted sales of $175.7 million for 2011, an increase of 8.2% compared to $162.4 million in 2010. Foreign currency translation had an unfavourable impact of 2.6%. Excluding foreign currency translation, sales for the Container Segment increased by 10.8% driven by better mix and improved pricing from the United States market and higher volumes in Mexico.

The Container Segment realized a significant turnaround in 2011, posting operating income of $9.2 million compared to an operating loss of $4.5 for 2010. The U.S. operation delivered record operating results. While the Canadian operation recorded a loss for the year, the plant was profitable for the final six months resulting in the largest single positive impact for the Company's overall operating income improvement in 2011. The results for these two operations can be attributed to effective cost controls, plant productivity initiatives, better mix and improved pricing. The Mexican operations for the Container Segment increased sales largely due to volume from market share gains but operating income was significantly impacted by an abnormal non-cash foreign exchange loss of $0.8 million on a U.S. dollar-denominated non-trade liability due to the devaluation of the Mexican peso relative to the U.S. dollar, and additional depreciation from the start-up of the new third line in Guanajuato. Despite the foreign exchange loss, the Mexican operation still posted solid operating income for 2011. Should the Mexican peso strengthen versus the U.S. dollar, foreign exchange gains may be recorded in the future periods on the revaluation of this liability.

The Container Segment invested $3.1 million of capital in 2011 compared to $12.3 million in the same period last year. The majority of the 2011 expenditures related to final additions to the capacity expansion at the Guanajuato, Mexico facility. Depreciation and amortization in 2011 and 2010 were $14.2 million and $13.9 million, respectively.

D) Tube Segment

Overview

The Tube Segment is a leading manufacturer of highly decorated extruded plastic tubes for the personal care and cosmetics industry in North America. It operates from two plants located in the United States. The Segment operates in a dynamic competitive environment, which includes imports and the ability of customers to shift a product to an alternative package or to other manufacturers.

The strategic plan for the Tube Segment is based on market share growth through manufacturing excellence, exceeding customer expectations, and innovation. The Segment has invested in equipment that improves the quality of the tube, particularly options for high-end graphic designs that appeal to marketers.

There are a handful of competitors to the Tube Segment in North America. CCL believes that it is the largest of three leading suppliers in the U.S. and has approximately 20% market share in North America.

Polypropylene caps and closures, and to a lesser extent polyolefin resins, represent significant variable costs for this Segment. Although resin costs fluctuate significantly, the Segment relies on contracts with suppliers to control costs and on contracts with customers to manage pricing and to pass on price increases for movements in resins. The Company has traditionally been able to pass on these cost increases over a period of time.

The Segment has improved significantly over the past three years and become a market leader in the U.S. extruded tube business, highly recognized for superior product and service by its customers. The Tube Segment shares many common points of contact at key customers with the Label Segment.

Tube Segment Financial Performance

	2011	**% Growth**	2010
Sales	**$ 80.5**	**8%**	$ 74.8
Operating income	**$ 12.0**	**36%**	$ 8.8
Return on sales	**14.9%**		11.8%

Sales in the Tube Segment were at $80.5 million for 2011, an increase of 7.6% compared to $74.8 million for 2010. Foreign currency translation had an unfavourable impact of 4.5%. Excluding foreign currency translation, sales for the Tube Segment increased by 12.1% due to market share gains in highly decorated tubes for the premium personal care and cosmetic sector.

The Tube Segment posted operating income of $12.0 million, a 36.4% improvement from the $8.8 million achieved in 2010. Return on sales reached 14.9% in 2011 compared to an 11.8% return in the prior year. The Tube Segment continued to capitalize on market share gains across both plants but this was most evident at the Wilkes-Barre, Pennsylvania facility that is closer to the larger customers based in the northeastern region of the United States.

The Tube Segment invested $3.3 million in 2011 compared to $1.2 million in 2010, most of which related to new decorating equipment. Depreciation and amortization was approximately $7.5 million in both 2011 and 2010.

3.) FINANCING AND RISK MANAGEMENT

A) Liquidity and Capital Resources

The Company's capital structure is as follows:

in millions of dollars, except per share data)	December 31, 2011	December 31, 2010
Current debt	$ 19.8	$ 76.1
Long-term debt	$ 334.2	$ 345.8
Total debt [(1)]	$ 354.0	$ 421.9
Cash and cash equivalents	$ (140.7)	$ (173.2)
Net debt [(1)]	$ 213.3	$ 248.7
Shareholders' equity	$ 816.9	$ 769.3
Net debt to total book capitalization [(1)]	20.7%	24.4%

(1) Total debt, net debt and net debt to total book capitalization are non-IFRS measures. See "Key Performance Indicators and Non-IFRS Measures" in Section 5A below.

The Company continues to have a strong financial position. As at December 31, 2011, cash and cash equivalents were $140.7 million, which compared to $173.2 million as at December 31, 2010.

The Company's debt structure at December 31, 2011, is primarily comprised of four private debt placements completed in 1997, 1998, 2006 and 2008 for a total of US $328.4 million (C$333.9 million) and a five-year revolving line of credit of C$95.0 million. All of the senior notes are denominated in U.S. dollars primarily to hedge the Company's net investment in U.S. operations, but a portion of the notes were indirectly swapped into euros as a hedge of the Company's European operations. The debt structure is unchanged from December 31, 2010, except for a scheduled debt repayment of US$60.0 million in March 2011 and the annual payment on one of the senior notes of US$9.4 million in September 2011. In September 2012, the Company will repay US$9.4 million, which is expected to be funded by internal cash balances.

The revolving line of credit of $95.0 million is with a Canadian chartered bank and expires in January 2013. As at the end of December 2011, the credit line was unused, other than for letters of credit of $3.6 million.

Net debt (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below), as at December 31, 2011, decreased to $213.3 million from $248.7 million as at December 31, 2010. The decrease in net debt was primarily due to the lower debt levels, partially offset by lower cash balances and unfavourable currency translation on U.S. dollar-denominated debt.

Net debt to total book capitalization (a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A below) was lower at 20.7% as at December 31, 2011, compared to 24.4% at the end of 2010 due to the aforementioned reduction in net debt and an increase in shareholders’ equity. Further information on shareholders’ equity follows in Section 3D.

The average interest rate at year-end 2011 on all long-term debt was 6.2% (2010 - 5.6%), factoring in the related IRSAs and CCIRSAs. The IRSAs and CCIRSAs are discussed later in this report under Section 3C. The increase in the average interest rate is a result of the expiration of a variable rate IRSA on the retirement of a private placement debt in March of 2011.

Interest coverage (a non-IFRS measure; see “Key Performance Indicators and Non-IFRS Measures” in Section 5A below) continues at a high level and was 6.5 times and 4.9 times in 2011 and 2010, respectively, reflecting higher earnings and lower interest expense in 2011.

The Company’s committed credit availability at December 31, 2011, was as follows:

Lines of credit – committed, unused	$ 95.0
Standby letters of credit outstanding	3.6
Total amounts available	$ 91.4

In addition, the Company had uncommitted and unused lines of credit of approximately $31.3 million at December 31, 2011. The Company’s uncommitted lines of credit do not have a commitment expiration date and may be cancelled at any time by the Company or the banks.

The Company’s approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet liabilities when they are due. The Company believes its liquidity will be satisfactory for the foreseeable future due to its significant cash balances, its expected positive operating cash flow and the availability of its unused revolving credit line. The Company anticipates funding all of its future commitments from the above sources but may raise further funds by entering into new debt financing arrangements or issuing further equity to satisfy its future additional obligations or investment opportunities.

B) Cash Flow

Summary of Cash Flows	**2011**	**2010**
Cash provided by operating activities	$ 171.4	$ 168.4
Cash used in financing activities	(99.1)	(53.3)
Cash used for investing activities	(104.5)	(82.6)
Effect of exchange rates on cash	(0.3)	(9.9)
(Decrease) increase in cash and cash equivalents	$ (32.5)	$ 22.6

Cash and cash equivalents – end of year	$ 140.7	$ 173.2

In 2011, cash provided by operating activities was $171.4 million, compared to $168.4 million in 2010. The increase in cash flow compared to last year was primarily due to higher net earnings in the current year offset by increase in non-cash working capital driven by the increase in sales in the fourth quarter of 2011 compared to 2010. Free cash flow from operations reached $92.1 million in 2011, an increase of $5.1 million or 6% over the prior year.

The Company maintains a rigorous focus on its investment in non-cash working capital. Days of working capital employed (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) were 15 days at December 31, 2011, compared to 10 days at December 31, 2010.

Cash used in financing activities in 2011 was $99.1 million, consisting primarily of the net repayment of long-term debt of $83.4 million, payment of dividends of $23.3 million offset by proceeds from the issuance of stock options of $8.1 million.

Cash used for investing activities in 2011 of $104.5 million was primarily for capital expenditures of $81.4 million (see below), and the acquisition of Sertech of $7.8 million and the 50% equity investment of 18.3 million in Pacman-CCL. Consequently, cash and cash equivalents declined by $32.5 million in 2011 to $140.7 million.

Capital spending in 2011 amounted to $81.4 million compared to $85.8 million in 2010. This decrease is in line with annual depreciation and reflects the planned expenditures for the year. Prior to 2009, the level of spending was significantly higher in order to take advantage of new market opportunities and to create a global world class manufacturing platform in the Label Segment. Capital expenditures in 2012 are planned at levels similar to those of 2011. The Company is continuing to seek investment opportunities to expand its business geographically, add capacity in its facilities and improve its competitiveness. As in previous years, capital spending will be monitored closely and adjusted based on the level of cash flow generated. Depreciation and amortization in 2011 amounted to $100.2 million, compared to $95.4 million in 2010.

C) Interest Rate, Foreign Exchange Management and Other Hedges

The Company uses derivative financial instruments to hedge interest rate, foreign exchange and aluminum cost risks. The Company does not utilize derivative financial instruments for speculative purposes.

As CCL operates internationally and only approximately 4% of its 2011 sales to end-use customers is denominated in Canadian dollars, the Company has exposure to market risks from changes in foreign exchange rates. The Company partially manages these exposures by contracting primarily in Canadian dollars, euros, U.K. pounds and U.S. dollars. Additionally, each subsidiary's sales and expenses are primarily denominated in its local currency, further minimizing the foreign exchange impact on the operating results. The Company had periodically hedged a portion of its expected U.S. dollar cash inflows derived from sales into the United States from the Canadian operations, principally the Container plant in Penetanguishene, Ontario. The Company has not utilized forward contracts since 2009 and has not entered into any forward hedges for 2012.

The Company also has exposure to market risks related to interest rate fluctuations on its debt. To mitigate this risk, the Company maintains a combination of fixed and floating rate debt.

The Company uses IRSAs to allocate notional debt between fixed and floating rates since the underlying debt is fixed rate debt with U.S. financial institutions. The Company believes that a balance of fixed and floating rate debt can reduce overall interest expense and is in line with its investment in short-term assets such as working capital, and long-term assets such as property, plant and equipment.

In 2003, the Company entered into an IRSA to convert a tranche of fixed rate debt to floating rate debt. This IRSA converted US$42.1 million of fixed rate debt (hedging 50% of the 1997 senior notes) into floating rate debt, based on three-month LIBOR rates. The notional amount of this IRSA decreases by US$4.7 million annually to match the decrease in the principal of the underlying senior notes. The notional value of this IRSA is currently US$4.7 million.

As the Company has developed into a global business, its financing strategy has been to leverage and hedge the assets and cash flows of each major country with debt denominated in the local currency. Since the Company has been primarily borrowing from U.S. institutions in U.S. dollars, the hedging of U.S. operations has been achieved. The Company has significantly increased its euro-based assets and, consequently, has used CCIRSAs as a means to convert U.S. dollar debt into euro debt to hedge a portion of its euro-based investment and cash flows.

In 2006, the Company entered into two CCIRSAs with a Canadian financial institution, the effect of which was to convert US$60 million of 5.29% fixed rate debt (hedging the five-year 2006 senior notes) into EUR50 million of fixed rate debt at 3.82%. The two CCIRSAs expired when the debt was repaid at maturity in March 2011.

Also in 2006, the Company entered into four CCIRSAs with a Canadian financial institution, the effect of which was to convert US$59.1 million of 6.67% and 6.97% fixed rate debt (hedging 1998 senior notes and 50% of the 1997 senior notes) into EUR44.9 million of floating rate debt, based on six-month EURIBOR rates. Two of the swaps, converting US$31.0 million into EUR23.6 million, matured in 2010. The notional amount of the euro leg of one of the other

CCIRSAs decreases by EUR3.6 million annually, with the U.S. dollar-denominated leg of the other remaining CCIRSA decreasing by US$4.7 million annually to match the decrease in the principal of the underlying senior notes. Currently the two remaining swaps convert US$4.7 million into EUR3.6million.

The effect of interest earned on these swap agreements was to reduce gross interest expense by $0.7 million in 2011, compared to a reduction of $2.3 million in 2010.

The unrealized gain on these contracts was $0.3 million as of December 31, 2011, due primarily to the movement of exchange rates.

The only other material hedges the Company is involved in are the aluminum futures contracts discussed in Section 2C: “Container Segment.”

The Company is potentially exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. Counterparties are large international financial institutions and, to date, no such counterparty has failed to meet its financial obligations to the Company. As at December 31, 2011, the Company’s exposure to credit risk arising from derivative financial instruments was $0.3 million (2010 – $2.1 million).

D) Shareholders’ Equity and Dividends

Summary of Changes in Shareholders' Equity

For the years ended December 31		2011	2010
Net earnings		$ 84.1	$ 71.1
Dividends		(23.1)	(21.4)
Settlement of exercised stock options and executive share loans		9.8	7.5
Purchase of shares held in trust, net of shares released		0.2	(0.2)
Contributed surplus on expensing of stock options and stock-based compensation plans		1.7	3.0
Defined benefit plan actuarial losses net of tax		(4.3)	(2.2)
Increase in accumulated other comprehensive loss		(20.8)	(23.7)
Increase in shareholders’ equity		$ 47.6	$ 34.1
Shareholders’ equity		$ 816.9	$ 769.3
Shares outstanding at December 31	- Class A (000s)	2,374	2,374
	- Class B (000s)	31,315	30,912
Book value per share*		$ 24.46	$ 23.32

* This is a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below.

In the past, the Company has utilized a share repurchase program under the normal course issuer bid ("bid') when it enhanced shareholder value by being accretive to earnings and when management believed it was the best use of available funds at the time. In 2008, the last time the Company acquired shares with a bid, 618,000 Class B shares for $18.1 million were purchased.

In 2011, the Company declared dividends of $23.1 million compared to $21.4 million declared in the prior year. As previously discussed, the dividend payout ratio in 2011 was 27% (30% in 2010) of adjusted earnings and above the Company's targeted payout rate of 20% to 25% of adjusted earnings. However, after careful review of the current year results and considering the cash flow and income budgeted for 2012, the CCL Board of Directors has declared an increase in the dividend of two cents per Class B share per quarter from $0.175 to $0.195 per Class B share per quarter ($0.78 per Class B share annualized).

Book value per share (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) as at December 31, 2011, was $24.46, compared to $23.32 at December 31, 2010.

E) Commitments and Other Contractual Obligations

The Company's obligations relating to debt, leases and other liabilities at the end of 2011 were as follows:

	December 31, 2010 carrying amount	December 31, 2011							
				Payments due by period					
		Carrying amount	Contractual cash flows	0-6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Secured bank loans	$ 1.9	$ 2.4	$ 2.4	$ 0.4	$ 0.5	$ 0.6	$ 0.9	$ -
Unsecured bank loans	20.7	16.1	16.1	1.2	7.7	2.4	4.8	-
Unsecured senior notes	394.6	333.1	333.9	-	9.5	81.4	111.9	131.1
Finance lease liabilities	2.8	2.2	2.2	0.2	0.2	0.4	1.4	-
Other long-term obligations	1.4	0.1	0.1	0.1	-	-	-	-
Interest on unsecured senior notes	*	*	87.4	3.3*	10.4	18.5	40.4	14.8
Interest on other long-term debt	-	-	2.7	0.6	0.6	0.7	0.8	-
Trade and other payables	230.3	234.0	234.0	232.5	1.5	-	-	-
Bank advance	0.5	-	-	-	-	-	-	-
Derivative financial liabilities								
Outflow – FV hedges	12.5	0.8	10.1	-	10.1	-	-	-
Inflow – FV hedges	-	-	(10.2)	-	(10.2)	-	-	-
Outflow - CF hedge	-	1.7	1.7	0.9	0.5	0.3	-	-
Interest on derivatives	*	*	(0.5)	(0.3)	(0.2)	-	-	-
Accrued post-employment benefit liabilities	*	*	24.6	*	*	3.1	9.2	12.3
Operating leases	-	-	31.2	4.5	4.5	6.2	10.2	5.8
Total contractual cash obligations	$ 664.7	$ 590.4	$ 735.7	$ 243.4	$ 35.1	$ 113.6	$ 179.6	$ 164.0

*Accrued post-employment benefit liability of $3.1 million, accrued interest of $7.1 million on unsecured senior notes and accrued interest of $0.1 million on derivatives are reported in trade and other payables in 2011 (2010 - $2.9 million, $8.1 million and $1.9 million, respectively).

Defined Benefit Post-Employment Plan Obligations

The Company is the sponsor of a number of defined benefit plans in nine countries that give rise to accrued post-employment benefit obligations. The accrued benefit obligation for these plans at the end of 2011 was $92.5 million ($84.3 million in 2010) and the fair value of the plan assets was $20.7 million ($19.5 million in 2010), for a net deficit of $71.8 million, compared to $64.7 million at the end of 2010.

In 2011 and 2010, the Company's net earnings were $84.1 million and $71.1 million, respectively. At the end of 2011, the Company had $140.7 million of cash and cash equivalents on hand and significant unused lines of credit. Compared to the Company's other financial obligations and its current financial resources, described above, these post-employment plan obligations are relatively small. In addition, the Company is not adding new members to the U.K. and Canadian plans so the risk of future growth in the liability of the plans and related financial exposure is materially reduced over time.

The Company has elected to record all defined benefit post-employment plan actuarial gains or losses in other comprehensive income immediately. Certain key assumptions have been made to determine the accrued benefit obligation, future funding requirements and plan expenses. They are as follows and vary based on the country location and plan specifics:

- Discount rate: 1.4% to 8.3%
- Expected long-term rate of return on assets: 6.3% to 6.5%

There are three major components to the defined benefit post-employment plans:

1) The Canadian executive plans consist of one registered plan and three unfunded supplemental plans that provide for pensions to the executives in the registered plan but for amounts above the maximum benefit provided by the registered plan. The registered plan had $4.3 million in assets and a net deficit of $3.3 million at the end of 2011 ($4.4 million and $2.4 million, respectively, at the end of 2010). The net deficit of the unfunded supplemental plans was $17.2 million at the end of 2011 (2010 - $15.9 million). The Company anticipates paying these obligations over time out of cash on hand and cash generated from operations.

2) The unfunded U.S. deferred compensation plan had a net deficit of $28.9 million at December 31, 2011 (2010 - $26.2 million). The Company anticipates paying these obligations over time out of cash on hand and cash generated from operations.

3) The U.K. plan had $16.4 million in plan assets at the end of 2011 (2010 - $15.1 million) and a net deficit of $9.1 million at the end of 2011 (2010 - $6.9 million). There are no active employees enrolled as members of the plan as all

of the members of the plan were employed by businesses previously owned by CCL. Consequently, the plan is capped with the exception of inflationary pension increases, movements in the actuarial liabilities of plan members and the market value of the assets of the plan.

In 2009, the Company offered enhanced transfer values to certain members of the U.K. defined benefit pension plan in an effort to reduce its exposure to the actuarial deficit in the U.K. plan. In 2009, the Company contributed a one-time lump sum of $0.9 million to the plan, plus a further $3.1 million to buy out certain members who accepted the Company's buyout offer. A further $0.5 million was contributed early in 2010 for this same buyout offer. Settlements related to this transfer exercise in 2010 reduced the plan's assets by $2.9 million and in 2009 by $10.7 million. Another buyout offer was made in late 2011, the results of which will not be known until the second quarter of 2012. The Company expects to continue to investigate ways to unwind this plan over time, including increasing its annual contributions. The Company anticipates that it will fund its obligation out of cash on hand and cash generated by operations in future years.

In 2011, pension expense for all of the plans was $4.2 million ($4.4 million in 2010) and funding was $3.1 million ($3.3 million in 2010). Actuarial losses recognized directly in equity in 2011 were $4.9 million ($2.4 million in 2010).

The Company believes that its current financial resources combined with its expected future cash flows from operations will be sufficient to satisfy the obligations under these plans in future years even if there are unfavourable developments related to the key assumptions made to determine future funding requirements.

Other Obligations and Commitments

The Company has no material "off-balance sheet" financing obligations except for typical long-term operating lease agreements. The nature of these commitments is described in note 27 of the consolidated financial statements. Additionally, a majority of the Company's post-employment obligations are defined contribution pension plans. There are no defined benefit plans funded with CCL stock.

F) Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President and Chief Executive Officer ("CEO") and the Senior Vice President and Chief Financial Officer ("CFO") on a timely basis so that appropriate decisions can be made regarding public disclosure. CCL's Disclosure Committee reviews all external reports and documents of CCL before publication to enhance the Company's disclosure controls and procedures.

As at December 31, 2011, based on the continued evaluation of the disclosure controls and procedures, the CEO and the CFO have concluded that CCL's disclosure controls and procedures, as defined in National Instrument 52-109 Certificate of Disclosure in Issuers Annual and Interim Filings ("NI 52-109"), are effective to ensure that information required to be disclosed in reports and documents that CCL files or submits under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting. NI 52-109 requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal control over financial reporting for the issuer, that internal control has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, that the internal control over financial reporting is effective, and that the issuer has disclosed any changes in its internal control during its most recent interim period that has materially affected or is reasonably likely to materially affect its internal control over financial reporting.

Based on the evaluation of the design and operating effectiveness of CCL's internal control over financial reporting, the CEO and the CFO concluded that the Company's internal control over financial reporting was effective as at December 31, 2011.

There were no material changes in internal control over financial reporting in the financial year ended December 31, 2011.

4) RISKS AND UNCERTAINTIES

The Company is subject to the usual commercial risks and uncertainties from operating as a Canadian public company and as a supplier of goods and services to the non-durable consumer packaging and consumer durable industries on a global basis. A number of these potential risks and uncertainties that could have a material adverse effect on the business, financial condition and results of operations of the Company are listed below, generally in order of importance as follows:

Uncertainty Resulting from Sustained Global Economic Crisis

The Company is dependent on the global economy and overall consumer confidence, disposable income and purchasing trends. A global economic downturn or period of economic uncertainty can erode consumer confidence and may materially reduce consumer spending. Any decline in consumer spending may negatively affect the demand for customers' products. This decline directly influences the demand for the Company's packaging components used in its customers' products, and may negatively affect the Company's consolidated earnings. The global economic conditions have affected interest rates and credit availability, which may have a negative impact on earnings from higher interest costs or the inability to secure additional indebtedness to fund operations or refinance maturing obligations as they come due. In addition, the sustained global economic crisis may have an unpredictable adverse impact on the Company's suppliers of manufacturing equipment and raw materials which in-turn may have a negative impact on the availability of manufacturing equipment and the cost of raw materials. Although the Company has a strong statement of financial position, diverse businesses and a broad geographic presence, it may not be able to manage a reduction in its earnings and cash flow that may arise from lower sales, increased cost of raw materials and decreased profits if the global economic environment deteriorates for an extended period.

Potential Risks Relating to Significant Operations in Foreign Countries

The Company operates plants in North America, Europe, Latin America, Asia, South Africa, Australia and the Middle East. Sales to customers located outside of Canada in 2011 were 96% of the Company's total sales, a level similar to that in 2010. Non-Canadian operating results are translated into Canadian dollars at the average exchange rate for the period covered. The Company has significant operating bases in both the United States and Europe. In 2011, 41% and 34% of total sales were to customers in United States and the Europe, respectively. The Company's operating results and cash flows could be negatively impacted by slower or declining growth rates in these key markets. The sales from business units in Latin America, Asia, South Africa and Australia in 2011 were 121% of the Company's total sales. In addition, the Company has equity investments in Russia and the Middle East. There are risks associated with operating a decentralized organization in 69 facilities in 23 countries around the world with a variety of different cultures and values. Operations outside of Canada, the United States and Europe are perceived generally to have greater political and economic risks and include CCL's operations in Latin America, Asia, South Africa, Russia and the Middle East. These risks include, but are not limited to, fluctuations in currency exchange rates, inflation, unexpected changes in foreign law and regulations, government nationalization of certain industries, currency controls, potential adverse tax consequences and locally accepted business practices and standards that may not be similar to accepted business practices and standards in North America and Europe. Although the Company has controls and procedures intended to mitigate these risks, these risks cannot be entirely eliminated and may have a material adverse effect on the consolidated financial results of the Company.

Competitive Environment

The Company faces competition from other packaging suppliers in all the markets in which it operates. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that such competition will not have a material adverse effect on the business, financial condition and results of operations of the Company. This competitive environment may preclude the Company from passing on higher material, labour and energy costs to its customers. Any significant increase in in-house manufacturing by customers of the Company could adversely affect the business, financial condition and results of operations of the Company. In addition, the Company's consolidated financial results may be negatively impacted by competitors developing new products or processes that are of superior quality, fit CCL's customers' needs better, or have lower costs; or by consolidation within CCL's competitors or further pricing pressure on the industry by the large retail chains.

Sustainability of Profitability of the Container Segment

The Company's Container Segment operated at a substantial loss in 2009 and 2010; however, it posted a return to profitability in 2011. The main drivers of the previous losses were largely due to the higher sales mix of low-margin household products, the effect of the weaker U.S. dollar, and the negative impact of aluminum hedges and lower volumes. If the Segment is not able to sustain increased prices to maintain and improve its margins, pass cost increases on to its customers, continue to restructure operations, and maintain and grow sales volumes to utilize production capacity, it could have a material adverse effect on the business, financial condition and results of operations of the Company. In addition, foreign currency could have a material adverse effect on the Container Segment's results, as the Canadian plant sells almost all of its production to the U.S. market in U.S. dollars.

Foreign Exchange Exposure and Hedging Activities

Sales of the Company's products to customers outside Canada account for 96% of the revenue of the Company. Because the prices for such products are quoted in foreign currencies, any increase in the value of the Canadian dollar relative to such currencies, in particular the U.S. dollar and the euro, reduces the amount of Canadian dollar revenues and operating income reported by the Company in its consolidated financial statements. The Company also buys inputs for its products in world markets in several currencies. Exchange rate fluctuations are beyond the Company's control and there can be no assurance that such fluctuations will not have a material adverse effect on the reported results of the Company. The use of derivatives to provide hedges of certain exposures, such as interest rate swaps, forward foreign exchange contracts and aluminum futures contracts could impact negatively on the Company's operations.

Retention of Key Personnel and Experienced Workforce

Management believes that an important competitive advantage of the Company has been, and is expected to continue to be, the know-how and expertise possessed by its personnel at all levels of the Company. While the machinery and equipment used by the Company are generally available to competitors of the Company, the experience and training of the Company's workforce allows the

Company to obtain a level of efficiency and a level of flexibility that management believes to be high relative to levels in the industries in which it competes. To date, the Company has been successful in recruiting, training and retaining its personnel over the long term, and while management believes that the know-how of the Company is widely distributed throughout the Company, the loss of the services of certain of its experienced personnel could have a material adverse effect on the business, financial condition and results of operations of the Company.

The operations of the Company are dependent on the abilities, experience and efforts of its senior management team. To date, the Company has been successful in recruiting and retaining competent senior management. Loss of certain members of the executive team of the Company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations. This could have a material adverse effect on the business, financial condition and results of operations of the Company.

Acquired Businesses

As part of its growth strategy, the Company continues to pursue acquisition opportunities where such transactions are economically and strategically justified. However, there can be no assurance that the Company will be able to identify attractive acquisition opportunities in the future or have the required resources to complete desired acquisitions, or that it will succeed in effectively managing the integration of acquired businesses. The failure to implement the acquisition strategy, to successfully integrate acquired businesses or joint ventures into the Company's structure, or to control operating performance and achieve synergies, may have a material adverse effect on the business, financial condition and results of operations of the Company.

In addition, there may be liabilities that the Company has failed or was unable to discover in its due diligence prior to the consummation of the acquisition. In particular, to the extent that prior owners of acquired businesses failed to comply with or otherwise violated applicable laws, including environmental laws, the Company, as a successor owner, may be financially responsible for these violations. A discovery of any material liabilities could have a material adverse effect on the business, financial condition and results of operations of the Company.

Exposure to Income Tax Reassessments

The Company operates in many countries throughout the world. Each country has its own income tax regulations and many of these countries have additional income and other taxes applied at state, provincial and local levels. The Company's international investments are complex and subject to interpretation in each jurisdiction from a legal and tax perspective. The Company's tax filings are subject to audit by local authorities and the Company's positions in these tax filings may be challenged. The Company may not be successful in defending these positions and could be involved in lengthy and costly litigation during this process and could be subject to additional income taxes, interest and penalties. The Company may not be able to receive a tax benefit from its taxable losses in domestic or foreign jurisdictions, depending on the timing and extent of such losses. This outcome could have a material adverse effect on the business, financial condition and results of operations of the Company.

Fluctuations in Operating Results

While the Company's operating results over the past several years have indicated a general upward trend in sales and net earnings, operating results within particular product forms, within particular facilities of the Company and within particular geographic markets have undergone fluctuations in the past and, in management's view, are likely to do so in the future. Operating results may fluctuate in the future as a result of many factors in addition to the global economic conditions, and they include the volume of orders received relative to the manufacturing capacity of the Company, the level of price competition (from competing suppliers both in domestic and in other lower-cost jurisdictions), variations in the level and timing of orders, the cost of raw materials and energy, the ability to develop innovative packaging solutions and the mix of revenue derived in each of the Company's businesses. Operating results may also be impacted by the inability to achieve planned volumes through normal growth and successful renegotiation of current contracts with customers and on the inability to deliver expected benefits from cost reduction programs derived from the restructuring of certain business units. Any of these factors or a combination of these factors could have a material adverse effect on the business, financial condition and results of operations of the Company.

Insurance Coverage

Management believes that insurance coverage of the Company's facilities addresses all material insurable risks, provides coverage that is similar to that which would be maintained by a prudent owner/operator of similar facilities and is subject to deductibles, limits and exclusions that are customary or reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that such insurance will continue to be offered on an economically feasible basis or at current premium levels, that the Company will be able to pass through any increased premium costs or that all events that could give rise to a loss or liability are insurable, nor that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Company.

Dependence on Customers

The Company has a modest dependence on certain customers. The Company's largest customer accounted for approximately 12.5% of consolidated revenue for fiscal 2011. The five largest customers of the Company represented approximately 32% of the total revenue for 2011 and the largest 15 customers represented approximately 46% of the total revenue. Several hundred customers make up the remainder of total revenue. Although the Company has strong partnership relationships with its customers, there can be no assurance that the Company will maintain its relationship with any particular customer or continue to provide services to any particular customer at current levels. A loss of any significant customer, or a decrease in the sales to any such customer, could have a material adverse effect on the business, financial condition and results of operations of the Company. Consolidation within the consumer products marketer base could have a negative impact on the Company's business, depending on the nature and scope of any such consolidation.

Environmental, Health and Safety Requirements and Other Considerations

The Company is subject to numerous federal, provincial, state and municipal statutes, regulations, by-laws, guidelines and policies, as well as permits and other approvals related to the protection of the environment and workers' health and safety. The Company maintains active health and safety and environmental programs for the purpose of preventing injuries to employees and pollution incidents at its manufacturing sites. The Company also carries out a program of environmental compliance audits, including independent third-party pollution liability assessment for acquisitions, to assess the adequacy of compliance at the operating level and to establish provisions, as required, for environmental site remediation plans. The Company has environmental insurance for most of its operating sites, with certain exclusions for historical matters.

Despite these programs and insurance coverage, further proceedings or inquiries from regulators on employee health and safety requirements, particularly in Canada, the United States and the European Economic Community (collectively, the "EHS Requirements"), could have a material adverse effect on the business, financial condition and results of operations of the Company. In addition, changes to existing EHS Requirements or the adoption of new EHS Requirements in the future, changes to the enforcement of EHS Requirements, as well as the discovery of additional or unknown conditions at facilities owned, operated or used by the Company, could require expenditures that might materially affect the business, financial condition and results of operations of the Company, to the extent not covered by indemnity, insurance or a covenant not to sue. Furthermore, while the Company has generally benefited from increased regulations on its customers' products, the demand for the services or products of the Company may be adversely affected by the amendment or repeal of laws or by changes to the enforcement policies of the regulatory agencies concerning such laws.

Operating and Product Hazards

The Company's revenues are dependent on the continued operation of its facilities and its customers. The operation of manufacturing plants involves many risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. The operations of the Company and its customers are also subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials. These hazards can cause personal injury, severe damage to and destruction of property and equipment and environmental damage. Furthermore, the Company may become subject to claims with respect to workplace exposure, workers' compensation and other matters. The Company’s pharmaceutical and specialty food product operations are subject to stringent federal, state, provincial and local health, food and drug regulations and controls, and may be impacted by consumer product liability claims and the possible unavailability and/or expense of liability insurance. The Company prints information on its labels and containers that, if incorrect, could give rise to product liability claims. A determination by applicable regulatory authorities that any of the Company’s facilities are not in compliance with any such regulations or controls in any material respect may have a material adverse effect on the Company. A successful product liability claim (or a series of claims) against the Company in excess of its insurance coverage could have a material adverse effect on the business, financial condition and results of operations of the Company. There can be no assurance as to the actual amount of these liabilities or the timing thereof. The occurrence of material operational problems, including, but not limited to, the above events, could have a material adverse effect on the business, financial condition and results of operations of the Company.

Labour Relations

While labour relations between the Company and its employees have been stable in the recent past and there have been no material disruptions in operations as a result of labour disputes, the maintenance of a productive and efficient labour environment cannot be assured. Accordingly, a strike, lockout or deterioration of labour relationships could have a material adverse effect on the business, financial condition and results of operations of the Company.

Legal Proceedings

Any alleged failure by the Company to comply with applicable laws and regulations in the countries of operation may lead to the imposition of fines and penalties or the denial, revocation or delay in the renewal of permits and licences issued by governmental authorities. In addition, governmental authorities, as well as third parties, may claim that the Company is liable for environmental damages. A significant judgment against the Company, the loss of a significant permit or other approval or the imposition of a significant fine or penalty could have a material adverse effect on the business, financial condition and results of operations of the Company. Moreover, the Company may from time to time be notified of claims that it may be infringing patents, copyrights or other intellectual property rights owned by other third parties. Any litigation could result in substantial costs and diversion of resources, and could have a material adverse effect on the business, financial condition and results of operations of the

Company. In the future, third parties may assert infringement claims against the Company or its customers. In the event of an infringement claim, the Company may be required to spend a significant amount of money to develop a non-infringing alternative or to obtain licences. The Company may not be successful in developing such an alternative or obtaining a licence on reasonable terms, if at all. In addition, any such litigation could be lengthy and costly and could have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company may also be subject to claims arising from its failure to manufacture a product to the specifications of its customers or from personal injury arising from a consumer's use of a product or component manufactured by the Company. While the Company will seek indemnity from its customers for claims made against the Company by consumers, and while the Company maintains what management believes to be appropriate levels of insurance to respond to such claims, there can be no assurance that the Company will be fully indemnified by its customers nor that insurance coverage will continue to be available or, if available, adequate to cover all costs arising from such claims. In addition, the Company could become subject to claims relating to its prior businesses, including environmental and tax matters. There can be no assurance that insurance coverage will be adequate to cover all costs arising from such claims.

Defined Benefit Post-Employment Plans

The Company is the sponsor of a number of defined benefit plans in nine countries that give rise to accrued post-employment benefit obligations. Although the Company believes that its current financial resources combined with its expected future cash flows from operations and returns on post-employment plan assets will be sufficient to satisfy the obligations under these plans in future years, the cash outflow and higher expenses associated with these plans may be higher than expected and may have a material adverse impact on the financial condition of the Company.

Impairment in the Carrying Value of Goodwill

As of December 31, 2011, the Company had $355.8 million of goodwill on its statement of financial position, the value of which is reviewed for impairment at least annually. The assessment of the value of goodwill depends on a number of key factors requiring estimates and assumptions about earnings growth, operating margins, discount rates, economic projections, anticipated future cash flows and market capitalization. There can be no assurance that future reviews of goodwill will not result in an impairment charge. Although, it does not affect cash flow, an impairment charge does have the effect of reducing the Company's earnings, total assets and shareholders' equity.

5.) ACCOUNTING POLICIES AND NON-IFRS MEASURES

A) Key Performance Indicators and Non-IFRS Measures

CCL measures the success of the business using a number of key performance indicators, many of which are in accordance with IFRS as described throughout this report. The following performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to or replacement of net earnings or any other measure of performance under IFRS. These non-IFRS measures do not have any standardized meaning and may not be comparable to similar measures presented by other issuers. In fact, these additional measures are used to provide added insight into CCL's results and are concepts often seen in external analysts' research reports, financial covenants in banking agreements and note agreements, purchase and sales contracts on acquisitions and divestitures of the business, and in discussions and reports to and from the Company's shareholders and the investment community. These non-IFRS measures will be found throughout this report and are referenced alphabetically in the definition section below.

Adjusted Basic Earnings per Class B Share – An important non-IFRS measure to assist in understanding the ongoing earnings performance of the Company excluding items of a one-time or non-recurring nature. It is not considered a substitute for basic net earnings per Class B share, but it does provide additional insight into the ongoing financial results of the Company. This non-IFRS measure is defined as basic net earnings per Class B share excluding gains on dispositions, goodwill impairment loss, restructuring and other items and tax adjustments.

Earnings per Class B Share	**Fourth Quarter**		**Year-to-Date**	
	2011	**2010**	**2011**	**2010**
Basic earnings	$ 0.55	$ 0.41	$ 2.54	$ 2.17
Loss from restructuring and other items and tax adjustments included above	0.02	0.01	0.03	0.01
Adjusted basic earnings	$ 0.57	$ 0.42	$ 2.57	$ 2.18

Book Value per Share - A measure of the shareholders' equity at book value per the combined Class A and Class B shares. It is calculated by dividing shareholders' equity by the actual number of Class A and Class B shares issued and outstanding, excluding amounts and shares related to shares held in trust and the executive share purchase plan.

The following table reconciles the calculation of the book value per share using IFRS measures reported in the consolidated statement of financial position as at the periods ended as indicated.

(in millions of Canadian dollars, except per share data)

Book Value per Share

At December 31	**2011**	**2010**
Total shareholders' equity, end of period	$ 816.9	$ 769.3
Number of shares issued and outstanding, end of period (000s)	33,690	33,287
Less: Shares held in trust	(271)	(265)
Executive share purchase plan loans	(25)	(25)
Total adjusted number of shares issued (000s)	33,394	32,997
Book value per share	$ 24.46	$ 23.32

Days of Working Capital Employed - A measure indicating the relative liquidity and asset intensity of the Company's working capital. It is calculated by multiplying the net working capital by the number of days in the quarter and then dividing by the quarterly sales. Net working capital includes trade and other receivables, inventories, and prepaid expenses, trade and other payables, income and taxes recoverable and payable.

The following table reconciles the net working capital used in the days of working capital employed measure to IFRS measures reported in the consolidated statement of financial position as at the periods ended as indicated.

(in millions of Canadian dollars)

Days of Working Capital Employed

At December 31	**2011**	**2010**
Trade and other receivable	$ 192.0	$ 174.0
Inventories	86.9	77.9
Prepaid expenses	5.3	6.0
Income taxes recoverable	0.8	3.1
Trade and other payables	(233.9)	(230.3)
Net working capital	$ 51.1	$ 30.7
Days in quarter	92	92
Fourth quarter sales	$ 317.3	$ 281.3
Days of working capital employed	15	10

Dividend Payout – The ratio of earnings paid out to the shareholders. It provides an indication of how well earnings support the dividend payments. Dividend payout is defined as dividends declared divided by earnings, excluding goodwill impairment loss, restructuring and other items and tax adjustments, expressed as a percentage.

(in millions of Canadian dollars)

	Year-to-Date	
Dividend Payout	**2011**	**2010**
Dividends declared per shareholders' equity	$ 23.1	$ 21.4
Adjusted earnings	$ 84.9	$ 71.3
Dividend payout	27%	30%

Earnings per Share Growth Rate – A measure indicating the percentage change in adjusted basic earnings per Class B share (see definition above).

EBITDA - A critical financial measure used extensively in the packaging industry and other industries to assist in understanding and measuring operating results. It is also considered as a proxy for cash flow and a facilitator for business valuations. This non-IFRS measure is defined as earnings before net finance costs, taxes, depreciation and amortization, goodwill impairment loss, earnings in equity accounted investments, restructuring and other items. The Company believes that EBITDA is an important measure as it allows the assessment of CCL's ongoing business without the impact of net finance costs, depreciation and amortization and income tax expenses, as well as non-operating factors and one-time items. As a proxy for cash flow, it is intended to indicate the Company's ability to incur or service debt and to invest in property, plant and equipment, and it allows comparison of CCL's business to that of its peers and competitors who may have different capital or organizational structures. EBITDA is a measure tracked by financial analysts and investors to evaluate financial performance and is a key metric in business valuations. EBITDA is considered an important measure by lenders to the Company and is included in the financial covenants for CCL's bank lines of credit.

The following table reconciles EBITDA measures to IFRS measures reported in the consolidated income statements for the periods ended as indicated.

(in millions of Canadian dollars)

	Fourth Quarter		Year-to-Date	
EBITDA (earnings before net finance costs, taxes, depreciation and amortization, goodwill impairment loss, earnings in equity accounted investments, restructuring and other items)	**2011**	**2010**	**2011**	**2010**
Net earnings	$ 18.4	$ 13.3	$ 84.1	$ 71.1
Corporate expense	6.9	7.5	24.8	22.2
(Earnings) loss in equity accounted investments	(1.4)	0.1	(1.2)	(0.5)
Finance costs, net	5.2	6.0	21.4	25.3
Restructuring and other items – net loss	0.3	0.2	0.8	0.2
Income taxes	6.0	3.3	33.8	28.3
Operating income (a non-IFRS measure)	$ 35.4	$ 30.4	$ 163.7	$ 146.6
Less: Corporate expense	(6.9)	(7.5)	(24.8)	(22.2)
Add: Depreciation and amortization	26.2	24.6	100.2	95.4
EBITDA (a non-IFRS measure)	$ 54.7	$ 47.5	239.1	$ 219.8

Free Cash Flow from Operations – A measure indicating the relative amount of cash generated by the Company during the year and available to fund dividends, debt repayments and acquisitions. It is calculated as cash flow from operations less capital expenditures, net of proceeds from the sale of property, plant and equipment.

The following table reconciles the free cash flow from operations measure to IFRS measures reported in the consolidated statements of cash flows for the periods ended as indicated.

(in millions of Canadian dollars)

Free Cash Flow from Operations	**2011**	**2010**
Cash provided by operating activities	$ 171.4	$ 168.4
Less: Additions to property, plant and equipment	(81.4)	(85.8)
Add: Proceeds on disposal of property, plant and equipment	2.2	4.4
Free cash flow from operations	$ 92.2	$ 87.0

Interest Coverage – A measure indicating the relative amount of operating income earned by the Company compared to the amount of interest expense incurred by the Company. It is calculated as operating income (see definition below), including discontinued items, less corporate expense, divided by net interest expense on a 12-month rolling basis.

The following table reconciles the interest coverage measure to IFRS measures reported in the consolidated statements of earnings for the periods ended as indicated.

(in millions of Canadian dollars)

Interest Coverage	**2011**	**2010**
Operating income (a non-IFRS measure: see definition below)	$ 163.7	$ 146.6
Less: Corporate expense	(24.8)	(22.2)
	$ 138.9	$ 124.4
Net interest expense on a 12-month rolling basis	$ 21.4	$ 25.3
Interest coverage	6.5	4.9

Net Debt – A measure indicating the financial indebtedness of the Company assuming that all cash on hand is used to repay a portion of the outstanding debt. It is defined as current debt including cash advances, plus long-term debt, less cash and cash equivalents.

Net Debt to Total Book Capitalization - A measure that indicates the financial leverage of the Company. It measures the relative use of debt versus equity in the book capital of the Company. Net debt to total book capitalization is defined as net debt (see definition above) divided by net debt plus shareholders’ equity, expressed as a percentage.

Operating Income – A measure indicating the profitability of the Company’s business units defined as income before corporate expenses, net finance costs, goodwill impairment loss, earnings in equity accounted investments, restructuring and other items and tax.

See the definition of EBITDA above for a reconciliation of operating Income measures to IFRS measures reported in the consolidated statements of earnings for the periods ended as indicated.

Restructuring and Other Items and Tax Adjustments – A measure of significant non-recurring items that are included in net earnings. The impact of restructuring and other items and tax adjustments on a per share basis is measured by dividing the after-tax income of the restructuring and other items and tax adjustments by the average number of shares outstanding in the relevant period.

Management will continue to disclose the impact of these items on the Company's results because the timing and extent of such items do not reflect or relate to the Company's ongoing operating performance. Management evaluates the operating income of its Segments before the effect of these items.

Return on Equity - ("ROE") before goodwill impairment loss, restructuring and other items and tax adjustments - A measure that provides insight into the effective use of shareholder capital in generating ongoing net earnings. ROE is calculated by dividing annual net income before goodwill impairment loss, restructuring and other items (net of tax) and tax adjustments by the average of the beginning and the end of year shareholders' equity.

The following table reconciles net earnings used in calculating the ROE measure to IFRS measures reported in the consolidated statement of financial position and in the consolidated income statements for the periods ended as indicated.

(in millions of Canadian dollars, except per share data)

	Year-To-Date	
Return on Equity	**2011**	**2010**
Net earnings	$ 84.1	$ 71.1
Restructuring and other items and tax adjustments – net loss (net of tax)	0.8	0.2
Adjusted net earnings	$ 84.9	$ 71.3
Average shareholders' equity	$ 793.1	$ 752.3
Return on equity	10.7%	9.5%

Return on Sales - A measure indicating relative profitability of sales to customers. It is defined as operating income (see above definition) divided by sales, expressed as a percentage.

The following table reconciles the return on sales measure to IFRS measures reported in the consolidated statements of earnings in the industry segmented information as per note 6 of the Company's annual financial statements for the periods ended as indicated.

(in millions of Canadian dollars)

	Sales		**Operating Income (Loss)**		**Return on Sales**	
Year-to-Date	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Label	$1,012.3	$ 955.1	$142.5	$ 142.3	14.1%	14.9%
Container	175.7	162.4	9.2	(4.5)	5.2%	(2.8%)
Tube	80.5	74.8	12.0	8.8	14.9%	11.8%
Total operations	$ 1,268.5	$1,192.3	$163.7	$ 146.6	12.9%	12.3%

Total Debt – A measure indicating the financial indebtedness of the Company. It is defined as current debt, including bank advances, plus long-term debt.

The following table reconciles total debt used in the total debt measure to IFRS measures reported in the consolidated statement of financial position as at the periods ended as indicated.

(in millions of Canadian dollars)

Total Debt

At December 31		**2011**		**2010**
Current debt, including bank advances	$	19.8	$	76.1
Plus: Long-term debt		334.2		345.8
Total debt	$	354.0	$	421.9

Total Debt to Total Book Capitalization – A measure that indicates the financial leverage of the Company. It measures the relative use of debt versus equity in the book capital of the Company. Total debt to total book capitalization is defined as total debt (see definition above) divided by total debt plus shareholders' equity, expressed as a percentage.

The following table reconciles the total debt to total book capitalization measure to IFRS measures reported in the consolidated statement of financial position as at the periods ended as indicated.

(in millions of Canadian dollars)

Total Debt to Total Book Capitalization

At December 31		**2011**		**2010**
Total Debt (see above table)	$	354.0	$	421.9
Shareholders' equity	$	816.9	$	769.3
Total debt to total book capitalization		30.2%		35.4%

B) Accounting Policies and New Standards

Accounting Policies

The above analysis and discussion of the Company's financial condition and results of operation are based on its consolidated financial statements prepared in accordance with IFRS. CCL's transition date to IFRS was January 1, 2010, and the Company's financial statements for the year ended December 31, 2011, are the first annual financial statements prepared in accordance with IFRS.

Comparative information for the 2010 year has been restated, and various reconciliations between the amounts reported under previous Canadian generally accepted accounting principles ("previous GAAP") and IFRS are set out in note 31 to the consolidated financial statements, together with explanatory notes and details of transition exemptions available that were applied.

A summary of the Company's significant accounting policies is set out in note 3 of the consolidated financial statements.

Recently Issued New Accounting Standards, Not Yet Effective

A number of new or revised accounting standards have recently been issued by the International Accounting Standards Board ("IASB") but are not yet effective. These standards have not been applied in preparing these consolidated financial statements. The Company is currently evaluating the impact of these standards on its consolidated financial statements.

IFRS 9, *Financial Instruments* ("IFRS 9") will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. *Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, deferred the effective date to annual periods beginning on or after January 1, 2015, with earlier adoption permitted.

IFRS 10, *Consolidated Financial Statements* ("IFRS 10") will replace SIC-12, *Consolidation Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements.* IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. IFRS 10 is effective for periods beginning on or after January 1, 2013.

IFRS 11, *Joint Arrangements* ("IFRS 11") will replace guidance in IAS 31, *Interests in Joint Ventures.* IFRS 11 provides focus on the rights and obligations of the joint arrangement, rather than its legal form in the current standard. IFRS 11 also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interest in jointly controlled entities. IFRS 11 is effective for periods beginning on or after January 1, 2013.

IFRS 12*, Disclosure of Interests in Other Entities* ("IFRS 12") establishes new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for periods beginning on or after January 1, 2013.

IFRS 13, *Fair Value Measurement* (“IFRS 13”) replaces the fair value guidance that is currently contained within individual IFRSs with a single source of fair value measurement guidance. IFRS 13 is effective for periods beginning on or after January 1, 2013.

Amendments to IAS 1, *Presentation of Financial Statements* (“IAS 1”) retains the ”one or two statement” approach to presenting the statements of income and comprehensive income at the option of the entity and only revises the way other comprehensive income is presented. This revised standard is effective for periods beginning on or after July 1, 2012.

IAS 12, *Deferred Tax: Recovery of Underlying Assets* (“IAS12”) has been amended to include the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should be measured on the sale basis. This new standard is effective for periods beginning on or after January 1, 2012.

IAS 19, *Employee Benefits* (“IAS 19”) eliminates the use of the ”corridor” approach and requires that all remeasurement impacts be recognized in other comprehensive income. It also enhances the disclosure requirements by providing more information regarding the characteristics of defined benefit plans and the risk that entities are exposed to through participation in those plans. This revised standard is effective for periods beginning on or after January 1, 2013.

C) Critical Accounting Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the year, and of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. In particular, the amounts recorded for inventories, redundant assets, bad debts, derivatives, income taxes, restructuring, pension and other post-retirement benefits, contingencies and litigation, environmental matters, outstanding self-insured claims, depreciation and amortization of property, plant and equipment, and the valuation of goodwill are based on estimates. Actual results could differ from those estimates.

D) Related Party Transactions

The Company has entered into a number of agreements with its subsidiaries that govern the management and commercial and cost-sharing arrangements with and among the subsidiaries. These inter-company structures are established on terms typical of arm’s length agreements. A summary of the Company’s related party transactions are set out in note 28 of the consolidated financial statements.

6.) OUTLOOK

CCL delivered another year of solid financial results in 2011 in the midst of an unsettled global economy, natural disasters and a European sovereign debt crisis evidenced by meaningful organic growth in each of its business Segments. CCL capitalized on its strategy of growing globally with its core customers using specialized market-focused operations and business teams where it sees opportunity for profitable competitive advantage. The Company is confident this strategy will continue to generate strong cash flows that will support additional investment opportunities and allow CCL to further expand its geographic and market segment reach.

The Company remains focused on vigilantly managing working capital and prioritizing capital to opportunities in higher-growth areas, such as emerging markets and the Healthcare & Specialty business, either organically or by acquisition. The Company has significant cash and liquidity to support this growth strategy with cash balances of over $140 million and unused credit lines of over $91 million. The Company expects capital expenditures for 2012 to approximate 2011 levels and remain below annual depreciation.

A number of CCL's customers, suppliers and peers in Europe and North America had a successful 2011, but most reported signs of some softness in the fourth quarter, particularly in Europe. Sales improvement in 2012 is not anticipated to be in excess of global GDP growth rates. The emerging markets of Latin America, Eastern Europe and Asia continued to be a success factor for the Company in 2011, and along with the Company's venture in the Middle East, are expected to continue growing at higher rates in 2012 compared to the Company's other regions. Emerging market sales are now over 20% of the Company's revenue base.

Although the global economic environment remains uncertain and the outcome of the European sovereign debt crisis is unclear for 2012, the Company remains resolute in its growth strategy. The Label Segment announced new capacity investments in Brazil and Thailand of $20 million and $10 million, respectively, to meet regional demands. Furthermore, CCL is committed to expanding its global presence in the Wine and Spirits sector.

The Container Segment recorded a significant rebound in operating results for 2011, driven by strong performance at the U.S. and Mexican operations but highlighted by a major turnaround in the Canadian facility. Market share gains are expected in the Mexican operations, while the U.S. and Canadian operations will maintain pricing discipline, and continue to drive cost reduction and productivity initiatives for the Segment to drive its momentum on into 2012.

The Tube Segment had a stellar year in 2011 posting record operating results. Additional capacity is slated for the Wilkes-Barre facility and new decorating equipment for Los Angeles in order to expand market share in highly decorated tubes for the premium personal care and cosmetic sector.

The immediate outlook for the first quarter of 2012 is supported by a good order book at year end and solid intake during the first weeks of the new year. However, the Company expects the rate of comparative performance improvement for the first quarter of 2012 to narrow significantly from Q4 2011 levels due to the strong results in the corresponding prior year period. At exchange rates prevailing in January 2012, the foreign currency translation impact would be insignificant.