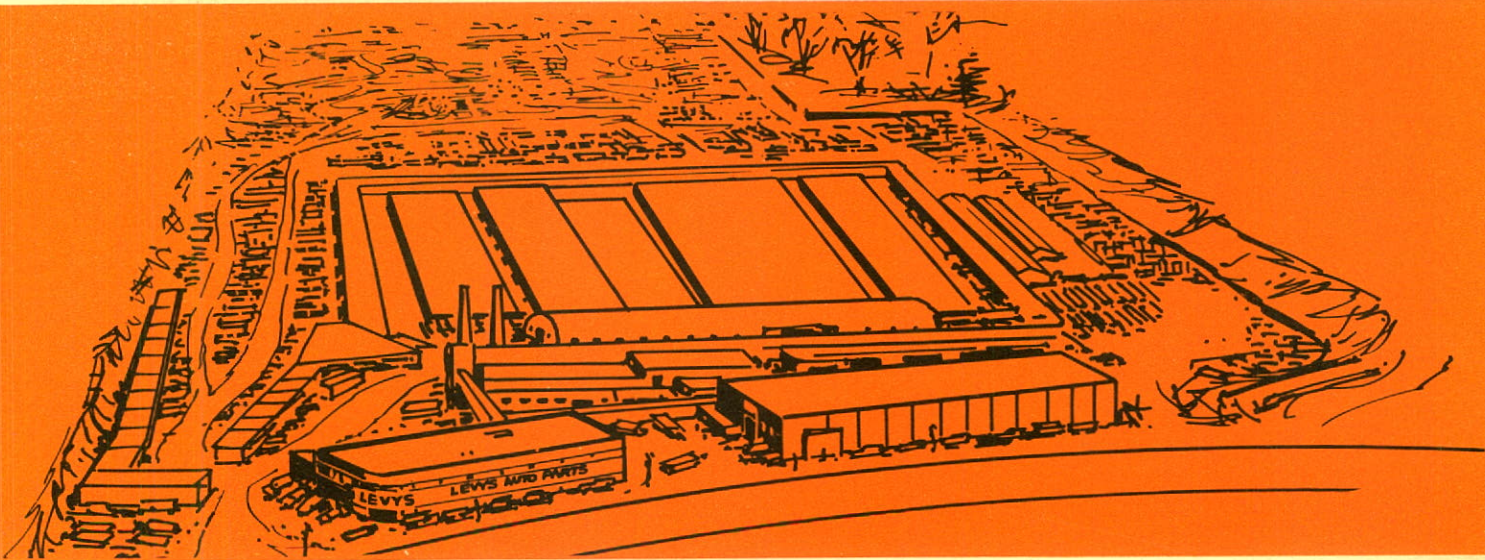


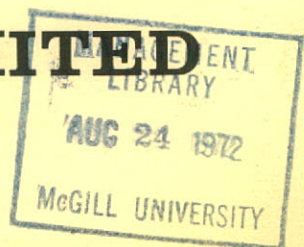
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ANNUAL REPORT



LEWIS INDUSTRIES LIMITED

For the Fiscal Year Ending — DEC. 31, 1960



PRESIDENT'S REPORT

It is with a feeling of deep gratification and pride that I present this first annual report to the shareholders of Levy Industries Limited for this, indeed, has been an outstanding year of achievement for the Company and its subsidiaries.

Our earnings were the highest in the history of the Company and there are firm indications that volume of business and profits in 1961 will surpass even the records set in 1960.

Net earnings in 1960 after all charges, including income taxes reached a record \$621,558, an increase of \$119,289 (23.7 per cent) over the previous year. Net earnings per Preference Share, Series A, was \$8.28, compared to \$6.70 in 1959 and earnings increases will result in a participating dividend of 30 cents a share to be paid May 15, 1961, in addition to the regular seven per cent dividend on Preference Shares, Series A.

Working capital was up 37 per cent to a record \$1,938,680, and common shareholders' equity increased approximately a half-million dollars. In addition, the



appraised value of properties owned by the Company is more than \$3,000,000 in excess of the book value.

Earned surplus was \$2,108,046 compared with \$1,637,174 in 1959, while long term debt was reduced from \$1,791,000 to \$1,623,500.

Sales in the Levy Auto Parts Division alone reached \$5,529,527, an increase of 11.05 per cent over the previous year. However, a backlog of \$4,000,000 in firm orders to be filled in 1961, has already assured that the current year will produce substantially greater record sales and earnings.

The Company's ability to handle this large increase in business was made possible by a major engineering breakthrough in the Company's machine shops where engines are modified so that they may be converted to specific uses. As a result of a new mass production conversion technique, developed by the Company in 1960 and now in full operation, engines of normally limited use have been given greatly increased application.

Where only the occasional engine conversion was formerly possible, now the company's shops are capable of thousands. Dynamometers and other types of new testing equipment have been installed and expansion of the Company's shops in preparation for handling the heavy volume of orders is now complete.

It will be noted that inventory figures for 1960 are approximately \$700,000 higher than in the previous year but this is due in part to purchasing increases made necessary in order to fill the backlog in orders.

However, this volume of orders to be filled in 1961 has not resulted in any relaxation of our business expansion program by the officers of the Company or its sales representatives.

Tremendous development in the countries of the free


world is creating increasing demands for spare parts and commercial, industrial and military vehicles and we are expanding exports to many countries, particularly nations inside the European Common Market. Considerable orders for the company resulted from my recent annual business tour which this year took me into eight countries in Western Europe and Asia. Further overseas trips are planned for other members of senior management.

The Canadian sales staff has been expanded, new permanent representatives have been appointed in the U.S., giving the Company a resident staff capable of covering the country from coast to coast, and strong indications of expansion potential prompted the appointment of a sales promotion manager for the dry storage department at Winnipeg Cold Storage.

Acquisition in May of Winnipeg Cold Storage Company Limited and its subsidiary companies, Midcontinent Truck Terminal Limited, on Toronto Queensway, Canada's leading sufferance warehouse, and Trafalgar Warehouse Limited, Oakville, provided additions to the Company that were indeed welcome. All three are efficient, well-managed enterprises and already they have contributed substantially to the profit of the Company.

The outlook for 1961 is most gratifying indeed. The capacity of our shops has been doubled and the expenditure in research and expansion has been more than justified by the new business it has made possible.

My report would not be complete without recognizing the devotion and ingenuity of our Company's employees for it was their persistence and determination that made possible our current business upsurge. All have contributed to our first year in "public life" and I am pleased to extend to them the collective gratitude of the Company's officers and directors.


President

GROWTH AND PROGRESS

This is an outline of a company of diversified operations. It is a Canadian company which has brought about the extension of Canadian trade to the farthest reaches of the free world. It is a company which has been built upon integrity, service, and the complete involvement of all of its officers in its day-to-day operations.

Levy Industries Limited, formerly called Levy Auto Parts Company Limited, became a public company in May, 1960. Its subsidiary companies are Levy Auto Parts, Inc., U.S.A.; Levy Auto Parts of England Limited; Winnipeg Cold Storage Company Limited; Midcontinent Truck Terminal Limited, Toronto, and Trafalgar Warehouse Limited, Oakville, Ont.

Levy Auto Parts Company Limited was incorporated in 1944 to continue the business founded in 1927 by the late Lazar Levy, father of four of the company's present officers. The Company has its headquarters at 1400 Weston Road, Toronto, with machine shops, truck garage, office buildings, storage buildings and sample rooms covering

LEVY INDUSTRIES LIMITED

Levy Auto Parts, Inc.

Levy Auto Parts of England Limited

Winnipeg Cold Storage Company Limited

Midcontinent Truck Terminal Limited

Trafalgar Warehouse Limited

40 acres. Its truck garage is one of the largest on the continent for fleet maintenance and overhaul.

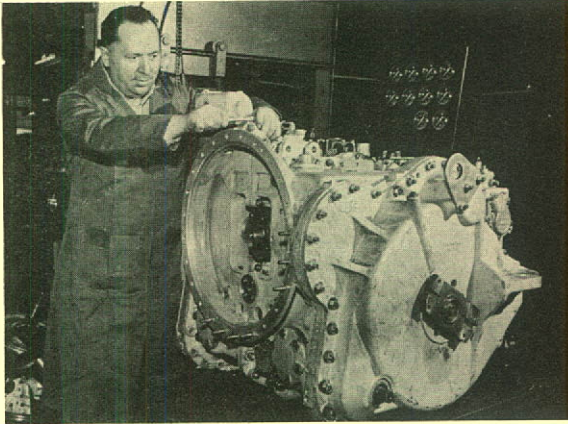
The Company purchases and manufactures components, spare parts and equipment for trucks and many types of engines for commercial, industrial and military uses which are sold both domestically and to governments and private companies throughout the free world. It is a distributor for industrial gasoline and diesel engines, power plants, hydraulic hoists, winches and cranes and special truck and trailer safety coupling devices. The Company is one of the largest of its kind, and its trade name "Levy Auto Parts" is known the world over.

Increased use of Canadian and American commercial and military vehicles in countries throughout the world has created a substantial demand for spare parts and major components required to maintain and service such vehicles. The Company's diversified inventories in warehouses in Canada and England have resulted in sales and shipments to more than 40 countries friendly to Canada in 1960 alone.



Section of the sample room which displays the fast-moving parts in stock.

Truck parts being packed for Denmark



Assembling new transmission cross-drive.



The truck garage is one of the biggest for fleet maintenance in Canada.

As the Company is on the preferred list of NATO Central Purchasing Department, it supplies large quantities of equipment to individual NATO countries. In 1960, sixty-one per cent of sales were made in export markets to both governments and private companies and dealers specializing in automotive parts.

The Company's location in a Great Lakes port with easy access to principal U.S. industrial centres, and the seaports of the world through the St. Lawrence Seaway, has also been a major factor in development of trade.

Domestically, as part of its large wholesale and distributing business, the Company carries a full range of commercial spare parts to fill the needs of the transportation industry and utilities, logging, construction and other specialized industries which employ trucks in their operations.

In addition, the Company purchases large stocks of surplus vehicles, spares and engines, mostly from the U.S. and Canadian governments for reconditioning and conversion to commercial uses.

To insure fast and efficient delivery, latest inventory systems are utilized. Many thousands of parts are catalogued through a cross-reference system designed to give maximum application and use for each part.

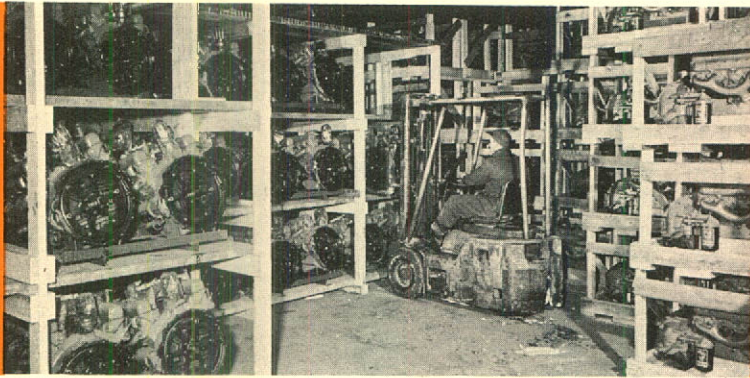
Parts that are not stocked or readily available are manufactured when needed in the Company machine shops or by outside companies, most often, from Levy-owned tools and dies.

Levy Industries Limited and its subsidiaries employ more than 350 people.

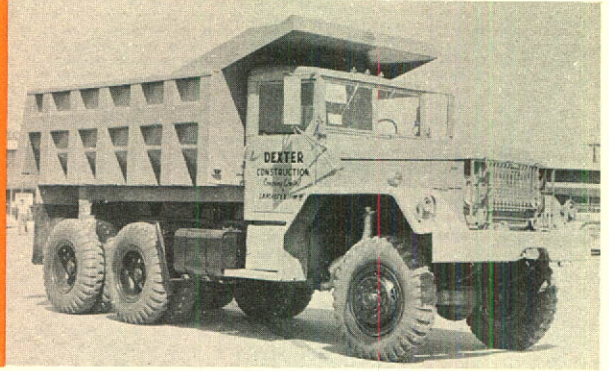
LEVY AUTO PARTS, INC. was incorporated in Delaware, U.S.A. in 1949. It has offices in Washington, D.C., to coordinate sales and purchases. It maintains contact with many overseas governments through their Washington embassies and also has a close working relationship with U.S. government agencies concerned with foreign trade.

LEVY AUTO PARTS OF ENGLAND LIMITED, incorporated in 1955, is located at Sway, Hants, on the outskirts of Southampton. To its sales office come buyers from many countries in Europe, Africa and Asia and its machine shops and warehouses from which shipments are made directly, are a smaller version of the company's headquarters installations in Toronto.

WINNIPEG COLD STORAGE COMPANY LIMITED, founded in 1913 and incorporated in 1928, is now a wholly owned subsidiary of Levy Industries Limited.



Some of the stock of new motors to be modified for use in numerous truck models.



This heavy duty quarry truck was modified in our shops from a military truck

The Company owns a plant with a capacity of 4,000,000 cubic feet, more than half of which is cold storage space. One million cubic feet is devoted to dry storage space and the rest to offices and docks.

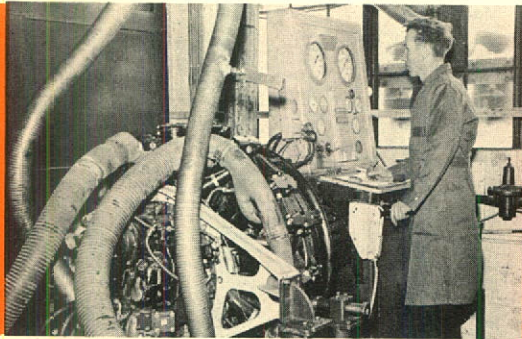
Part of the plant is rented on long-term lease to tenants of the "feeder" industries which require storage facilities for their products. The Borden Company has its egg processing division on the premises where it breaks eggs, separates white from yolks, and freezes them for distribution to bakeries throughout Canada.

The other tenants make the Winnipeg installation Canada's largest processor of poultry and fish. Manitoba Dairy and Poultry Co-operative and Canadian Poultry Sales Limited both have poultry eviscerating plants on the premises. Winnipeg Cold Storage freezes and stores its

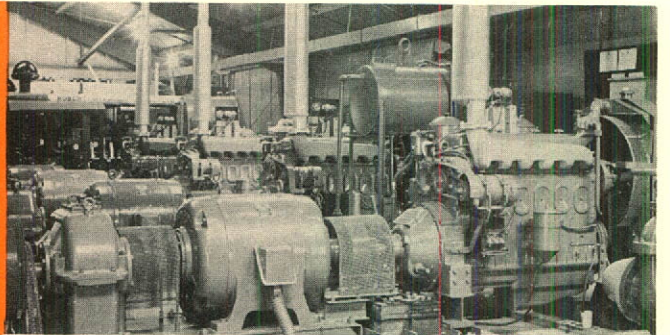
products and was the first in Canada to install an Immersion Freezer which utilizes a salt water bath to retain the natural color of poultry. The Manitoba Co-operative also maintains an egg oiling, grading and breaking plant.

Fish Services Limited, which handles and processes fish for the co-operatives, is also a tenant. It freezes goldeye and pickerel from the Manitoba lakes and ships it across Canada.

Apart from the hundreds of workers hired by tenants, the Company has fifty of its own employees. They are directed by a management with long experience in the cold storage industry. The Chairman of the Board of Winnipeg Cold Storage, Leon Chechik and the General Manager W. B. Cowan, P.Eng. are both recognized in Canada and abroad as industry leaders.



An air-cooled engine is tested on the dynamometer.



Diesel engines especially equipped and mounted as stand-by power for air compressors in Toronto subway job.

MIDCONTINENT TRUCK TERMINAL LIMITED, incorporated in Ontario in 1952, is a wholly owned subsidiary of Winnipeg Cold Storage Company Limited.

It operates a highway transport Sufferance Warehouse on Toronto Queensway, and is authorized by the Department of National Revenue to provide customs clearance facilities for goods hauled to Toronto in bond.

Midcontinent is Canada's largest highway Sufferance Warehouse with a total of 64,000 square feet of warehouse space and 32,000 square feet of office space. It has 114 loading and unloading bays and an extra 16 acres of land to allow for expansion.

The building houses a Customs Long Room which provides facilities for processing entries, collecting customs duties and taxes. The Customs Division, Department of National Revenue, has a full staff of appraisers, computers, checkers and cashiers on the premises.

Twenty-seven firms, including customs brokers and large importers have offices at Midcontinent. Every customs broker in Toronto has representation at the Terminal which is serviced by all international road haulers.

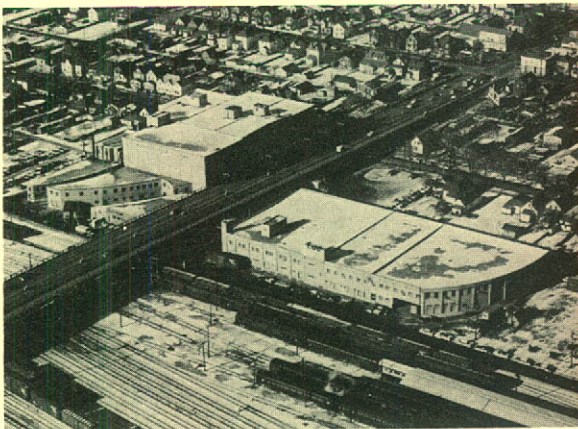
A Bonded Compound is open 24 hours a day, seven days a week, to receive bonded trailers. More than 75 tractor trailer units, carrying over 1,100 shipments, are received into the warehouse daily. The freight, which ranges from frozen orange juice to heavy bulldozers, is shipped to 17,000 different customers.

Midcontinent has 35 employees and is managed by William Clavir and Allen B. Clavir, M.Com. Both have had intensive training and wide experience in international trade and transportation.

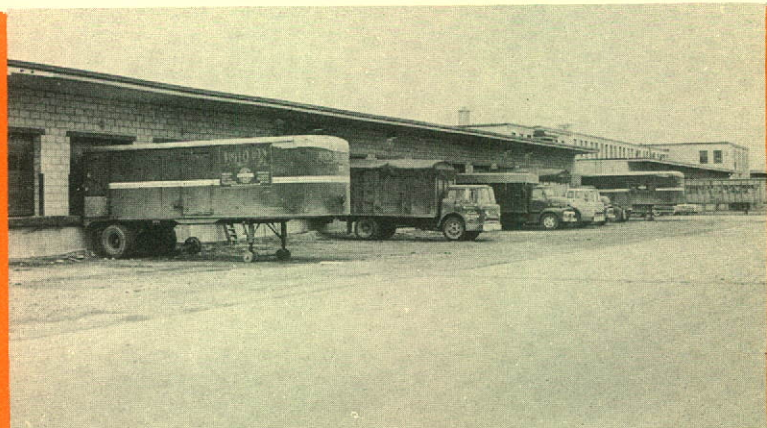
TRAFALGAR WAREHOUSE LIMITED was incorporated in Ontario in 1955 and is now a fully owned subsidiary of Winnipeg Cold Storage Company Limited.

It operates a highway transport Sufferance Warehouse at Eighth Line and Queen Elizabeth Way near Oakville, and has been authorized by the Department of National Revenue to provide customs clearance facilities for goods shipped to the Oakville area in bond.

Trafalgar has 18 loading and unloading bays and contains 5,000 square feet of warehouse space and 600 square feet of office space. It is managed by Allen B. Clavir and operates along similar lines to Midcontinent Terminal.



Winnipeg Cold Storage buildings.



Trucks loading at Midcontinent Truck Terminal at Toronto-Queensway.

LEVY INDUSTRIES

and its wholly owned subsidiaries

consolidated balance sheet

as at December 31, 1961

assets

CURRENT	
Cash on hand.....	\$ 179,343
Accounts receivable trade (less allowance for doubtful accounts).....	1,553,215
Merchandise inventories — valued at lower of cost or market.....	2,632,162
Sales tax and duty refund claims.....	66,787
Deposits and advances.....	183,864
Prepaid expenses and sundry assets.....	94,047
Mortgage instalments receivable in 1961.....	4,000
	<u>\$4,713,418</u>
INVESTMENTS	
First mortgages receivable.....	40,484
Sundry investments.....	9,350
	<u>49,834</u>
FIXED	
Properties at cost.....	3,689,030
Excess of purchase price of the shares of Winnipeg Cold Storage Company Limited over the book value thereof (note 1).....	964,195
Equipment, furniture and fixtures.....	867,199
	<u>5,520,424</u>
Less: accumulated depreciation.....	2,346,481
	<u>3,173,943</u>
OTHER	
Deferred pensions expenses.....	21,195
Financing costs.....	\$213,987
Less: Portion written off.....	21,399
	<u>192,588</u>
	<u>213,783</u>
	<u>\$8,150,978</u>

RIES LIMITED

ned subsidiaries

balance sheet

er 31, 1960

liabilities

CURRENT

Bank loans and overdraft — secured.....	\$ 859,429
Accounts payable and accrued liabilities.....	919,925
Income taxes payable.....	660,525
Portion of long term debt due in 1961.....	157,000
Advances from shareholders.....	177,859
	<u>\$2,774,738</u>

DEFERRED INCOME

Unearned storage charges.....	49,694
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LONG TERM DEBT (Note 5).....	<u>1,623,500</u>
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shareholders' equity (Note 4)

CAPITAL STOCK

AUTHORIZED	ISSUED		
150,000	75,000	First preference shares with a par value of \$20 each — issuable in series — 7% cumulative redeemable participating first preference shares — Series A	1,500,000
1,500,000	800,000	Common shares without nominal or par value.....	<u>50,000</u>
			1,550,000
		RESERVE for purchase of preference shares — Series A (Note 6).....	45,000
		EARNED SURPLUS.....	<u>2,108,046</u>
			<u>3,703,046</u>

\$8,150,978

Approved on behalf of the Board

Michael Director

AM Director

LEVY INDUSTRIES LIMITED
and its wholly owned subsidiaries

NOTES TO CONSOLIDATED BALANCE SHEET

as at December 31, 1960

1 The purchase price of the shares of Winnipeg Cold Storage Company Limited exceeded the book value thereof by \$964,195.57. This excess has been included under properties, this being the category to which it is considered to apply in accordance with an appraisal by Mr. Paul Hartelius of Newark, New Jersey, an independent appraiser, dated December 11, 1958.

2 The assets and liabilities of Levy Auto Parts Inc. are included on the basis of U.S. \$1 = Can. \$1 and those of Levy Auto Parts of England Limited on the basis of £1 = Can. \$2.80.

3 During 1960 the company issued and redeemed at par 595 5% non cumulative redeemable preference shares with a par value of \$100, and also redeemed at par 500 5% non cumulative redeemable preference shares with a par value of \$100.

4 During 1960 the company issued 75,000 7% cumulative redeemable participating first preference shares Series A at the par value of \$20.

5 Long Term Debt:

	<u>Maturity Date</u>		
(a) Levy Industries Limited, 6% first mortgage bonds Series "A" due \$25,000 per annum.....	Feb. 15, '68	\$	200,000
(b) Levy Industries Limited, 6% balance payable on the purchase of the shares of Winnipeg Cold Storage Company Limited payable in quarterly instalments over a period of 10 years.....	June 10, '70		902,500
(c) Midcontinent Truck Terminal Limited — 6¾% first mortgage bonds series "A" due \$20,000 per annum.....	Jan. 1, '78		360,000
6¾% first mortgage bonds, series "B" due \$7,000 per annum.....	Sept. 1, '79		133,000
(d) Winnipeg Cold Storage Company Limited 3% debentures due \$10,000 per annum.....	Jan. 2, '68		185,000
			\$1,780,500
<i>Less: instalments due in 1961 shown as current liabilities.....</i>			157,000
			\$1,623,500

6 Reserve for purchase of preference shares Series A. This reserve is set up according to the provisions attached to the first preference shares — Series A, whereby the company is to set aside a purchase fund equal to 3% of the aggregate par value of the preference shares Series A. This amount from time to time, commencing on the first day of December, 1961, is to be used to purchase preference shares Series A on the open market at a price not exceeding the amount paid up plus reasonable cost of acquisition whenever and so long as any such shares are so available for purchase. An additional 3% is to be set up each year to the credit of such purchase fund until the fund reaches 15% of the aggregate par value of the greatest number of Preference Shares Series A thereto issued and outstanding.

7 There is a claim pending by Levy Industries Limited under a "Loss of Profits" Insurance Policy as a result of a fire suffered by the Company during the current year, the amount of which is not determinable at the present time. The fire occurred on August 18, 1960 and recovery was made from the insurance companies as follows — inventory loss \$320,000 and general loss \$10,000.

8 There is a claim by Levy Industries Limited against the Government of India for the recovery of a \$100,000 security deposit which was written off against operations in the current year.

LEVY INDUSTRIES LIMITED
and its wholly owned subsidiaries

CONSOLIDATED STATEMENT OF PROFIT AND LOSS *For the year ended December 31, 1960*

Combined profit before depreciation, interest on long term debt and taxes on income.		\$1,537,857
Deduct —depreciation	\$150,963	
interest on long term debt.	85,346	236,309
Combined profit before taxes on income.		1,301,548
Deduct — taxes on income.		680,020
Combined net profit.		\$ 621,528

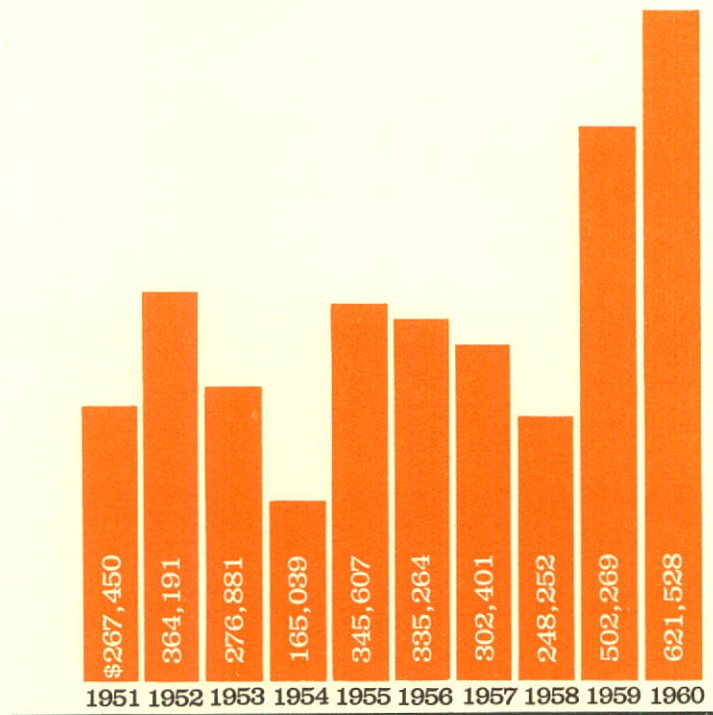
Note: Directors and officers, as such, received fees amounting to \$600.00 in 1960.

CONSOLIDATED STATEMENT OF EARNED SURPLUS *For the year ended December 31, 1960*

Balance at credit, January 1, 1960.		\$1,637,174
Add		
Consolidated net profits for the year.	\$621,528	
Sundry adjustments.	2,481	624,009
		\$2,261,183
Deduct		
Dividends paid on preference shares Series A.	41,250	
Transfer to reserve for purchase of preference shares, Series A	45,000	
Additional prior year's taxes.	26,283	
Portion of finance charges written off.	21,399	
Irrecoverable amount of capital gain in Levy Auto Parts of England Ltd. written off.	19,205	153,137
Balance at credit, December 31, 1960.		\$2,108,046

LEVY INDUSTRIES LIMITED
and its wholly owned subsidiaries

NET CONSOLIDATED EARNINGS *For the Fiscal Periods 1951 to 1960 inclusive*



AUDITORS' REPORT TO THE SHAREHOLDERS

VISE, RUMACK, SEIGEL, KURTZ AND COMPANY

CHARTERED ACCOUNTANTS

491 LAWRENCE AVENUE WEST

TORONTO 12, CANADA

TELEPHONE
RUSSELL 9-1845

We have examined the consolidated balance sheet of Levy Industries Limited and its subsidiaries as at December 31, 1960 and the statements of consolidated profit and loss and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus present fairly the financial position of the company as at December 31, 1960 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles.

Vise, Rumack, Seigel, Kurtz & Co

February 24, 1961
Toronto, Canada.

Chartered Accountants

THE YEAR AT A GLANCE

	1960	1959
<i>Net earnings before income taxes</i>	\$1,301,549	\$1,004,826
<i>Net earnings</i>	621,558	502,269
<i>Net earnings per Preference Share, Series A</i>	8.28	6.70
<i>Net earnings per common share</i>	.62½	
<i>Dividends in 1960 of Preference Shares, Series A</i>	.55	
<i>Working Capital</i>	1,938,680	1,528,188
<i>Long-term debt</i>	1,623,500	1,791,000
<i>Shareholders' equity—Common</i>	2,203,046	1,687,174
<i>Earned surplus</i>	2,108,046	1,637,174

DIRECTORS

Mark Abraham Levy
Benjamin Levy
Morris Pep Levy
Edward Levy
Thomas Henry Baker
Allen Bernard Clavir
Jack Emerson Elliott
Donald Arthur Jewitt
Leonard Melvin Mehr
Joseph Rosenfeld Q.C.
Sophie Rumack
Mark Speyer

OFFICERS

Mark Abraham Levy	<i>President and General Manager</i>
Benjamin Levy	<i>Executive Vice-President</i>
Morris Pep Levy	<i>Vice-President and Secretary</i>
Edward Levy	<i>Vice-President — Sales</i>
Jack Emerson Elliott	<i>Vice-President — Marketing</i>
Mark Speyer	<i>Vice-President — Purchasing</i>
Leonard Melvin Mehr	<i>Assistant Secretary</i>
Abraham Woolf	<i>Treasurer and Comptroller</i>
Albert Abraham Raskin	<i>Assistant Vice-President — Operations</i>
Jack Berg	<i>Assistant Vice-President — Domestic Sales</i>

REGISTRAR AND TRANSFER AGENTS

Montreal Trust Company, Toronto, Montreal and Winnipeg

AUDITORS

Vise, Rumack, Seigel, Kurtz & Company, Toronto.

BANK

Canadian Bank of Commerce, Toronto.

