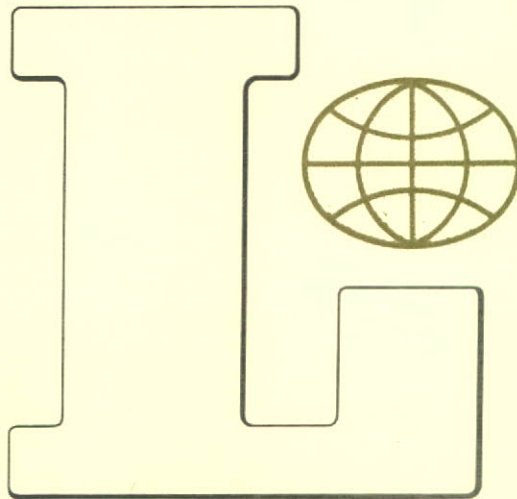


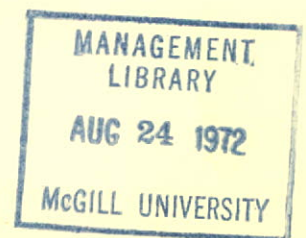
C

ANNUAL REPORT



1962

LEVY INDUSTRIES LIMITED



DIRECTORS

Mark Abraham Levy
Morris (Pep) Levy
Thomas Henry Baker
Donald Arthur Jewitt
Joseph Rosenfeld, Q.C.
Mark Speyer

Benjamin Levy
Edward Levy
Jack Emerson Elliott
Leonard Melvin Mehr
Sophie Rumack
Abraham Woolf

OFFICERS

Mark Abraham Levy, *President and General Manager*
Benjamin Levy, *Executive Vice-President*
Morris (Pep) Levy, *Vice-President and Secretary*
Edward Levy, *Vice-President*
Jack Emerson Elliott, *Vice-President*
Mark Speyer, *Vice-President*
Leonard Melvin Mehr, *Assistant Secretary*
Abraham Woolf, *Treasurer and Comptroller*
Albert Abraham Raskin, *Assistant Vice-President*
Jack Berg, *Assistant Vice-President*

REGISTRAR & TRANSFER AGENTS

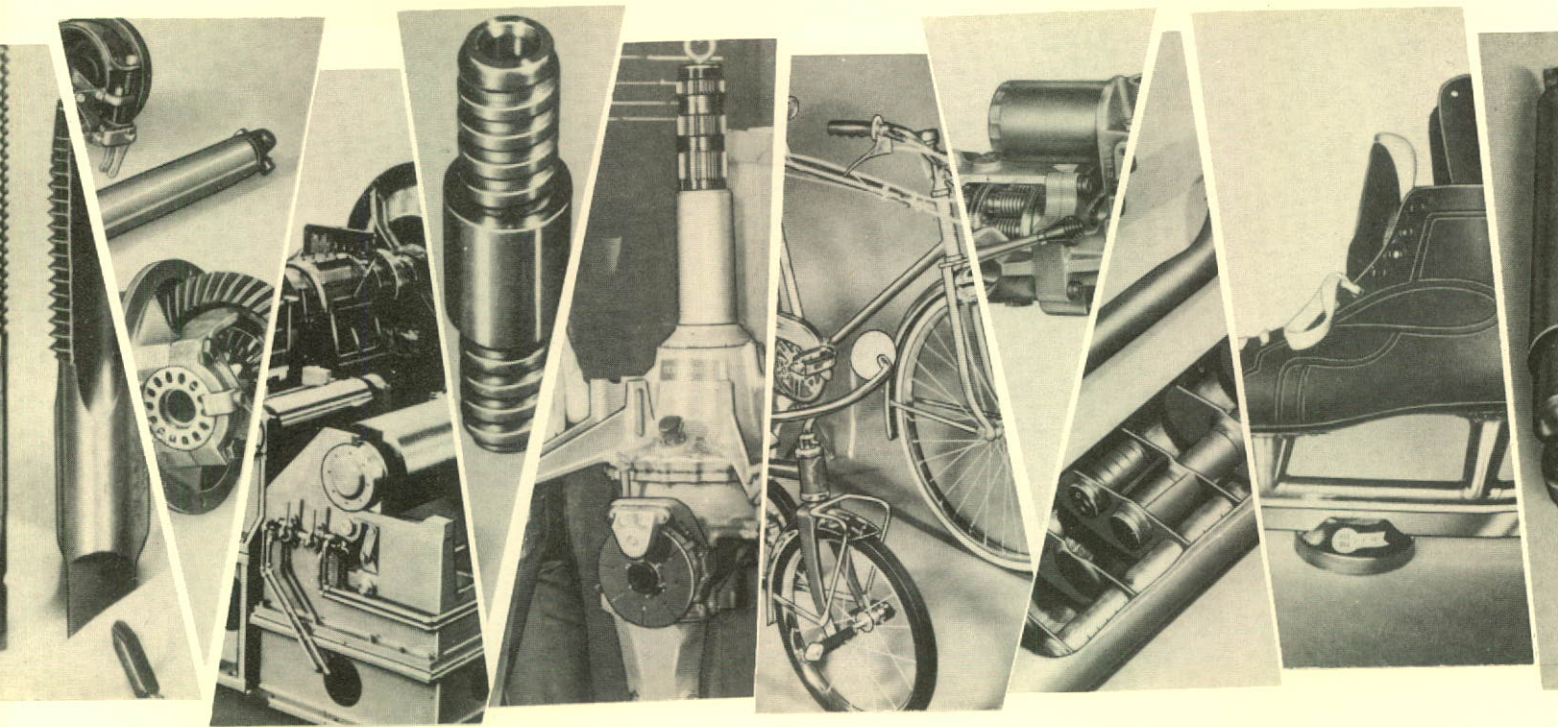
Preference Shares, Series A and Second Preference Shares
Montreal Trust Company, Toronto, Montreal and Winnipeg
Common Shares
National Trust Company, Toronto and Montreal

AUDITORS

Vise, Rumack, Seigel, Kurtz & Company

BANK

Canadian Imperial Bank of Commerce, Toronto



Levy Industries Limited

Sixteen companies whose products and services flow to every major world market comprise the industrial complex that is Levy Industries Limited.

With total assets of nearly \$40,000,000, Levy Industries Limited factories, warehouses and sales offices are located across Canada, in the United States and Britain, and has sales representatives throughout the free world.

Operating subsidiaries during 1962 manufactured and marketed such diverse products as launching rails for the U.S.-built Atlas and Titan missiles; automotive components; precision aircraft components; industrial tools,

gauges and heavy machinery, screw machine products; automobile, truck and military-type vehicle spare parts; automatic bowling pinsetters; bicycles and sports goods and equipment.

Service industries include two strategically located sufferance warehouses and one of the largest cold storage plants in Canada.

The Company's head offices are located at 1400 Weston Road, Toronto, a 40-acre compound of machine shops, truck garage, storage buildings and sample rooms.

The skills and abilities of more than 3,000 Canadians are employed by the Company and its subsidiaries in factories, warehouses and offices having an area of 1,700,000 square feet on more than 100 acres of industrial land.

Wholly-owned subsidiary of the Company is Levy-Russell Limited; which wholly owns Levy Auto Parts, Inc; Levy Auto Parts of England Limited and Winnipeg Cold Storage Company Limited, which in turn owns Midcontinent Truck Terminal Limited and Trafalgar Warehouse Limited.

Levy-Russell Limited owns more than 98 per cent of the outstanding shares of Russell Industries Limited. Russell companies are Canadian Acme Screw & Gear Limited, Toronto; The John Bertram and Sons Company Limited, Dundas, Ont.; Canada Cycle and Motor Company Limited, Toronto; York Gears Limited, Toronto; Maremont-Acme Limited, Toronto (70 per cent owned); Monroe-Acme Limited, Toronto (66 $\frac{2}{3}$ per cent owned); Galt Machine Screw Company Limited, Toronto; C.C.M. Incorporated, Buffalo, N.Y.; and Standard Cycle Products Limited, Toronto.

All the companies are efficient, well-managed enterprises, enjoying enviable reputations both domestically and abroad for their extremely high standards of manufactured products and services. Each ranks high in the market position within its industry.

Details of each subsidiary's history, product range and facilities are given on the following pages.

Levy-Russell Limited

The company was formed during 1962 to assume functional responsibilities for the Levy Auto Parts division of Levy Industries Limited and all other subsidiaries including the Russell Industries group.

Its primary operating division, Levy Auto Parts, has become one of the largest organizations of its kind and the trademark "Levy Auto Parts" is known around the world.

The division purchases and manufactures components, spare parts and equipment for trucks and many types of engines for commercial, industrial and military use which are sold both in North America and to governments and private companies throughout the free world.

Its activities are housed in a 40-acre complex of machine shops, truck garage, office buildings, storage buildings and sample rooms at 1400 Weston Road, Toronto.



The division's independent truck garage is one of the largest on the continent for fleet maintenance and overhaul.

Levy Auto Parts is also a distributor for industrial gasoline and diesel engines, hydraulic hoists, power plants, cranes and winches and special truck and trailer safety devices.

The growth in demand for spare parts and major components has kept pace with the increased use of North American commercial and military vehicles by most countries in the western world.

To meet this heavy demand, a 16,000 square-foot steel and concrete block addition was added to the Levy Auto Parts machine shop during 1962. Previously, an additional 10,000 square feet had been converted into production area. Here engines and other components are assembled and converted for specific applications.

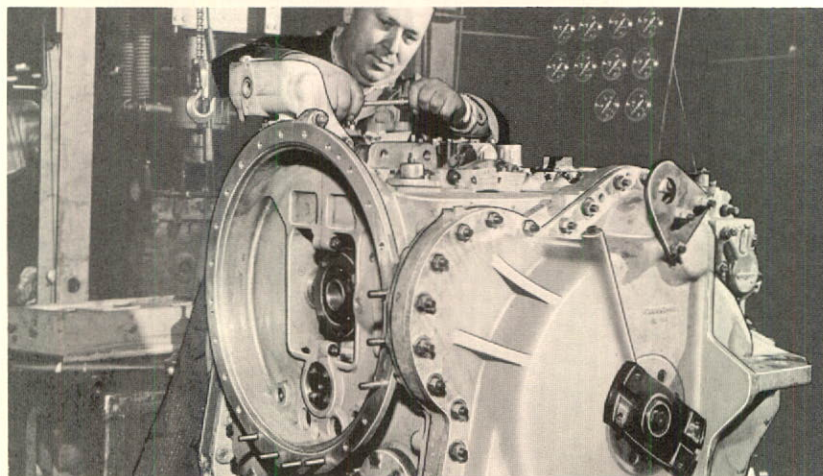
The division maintains an inventory of 50,000 tons of spare parts.

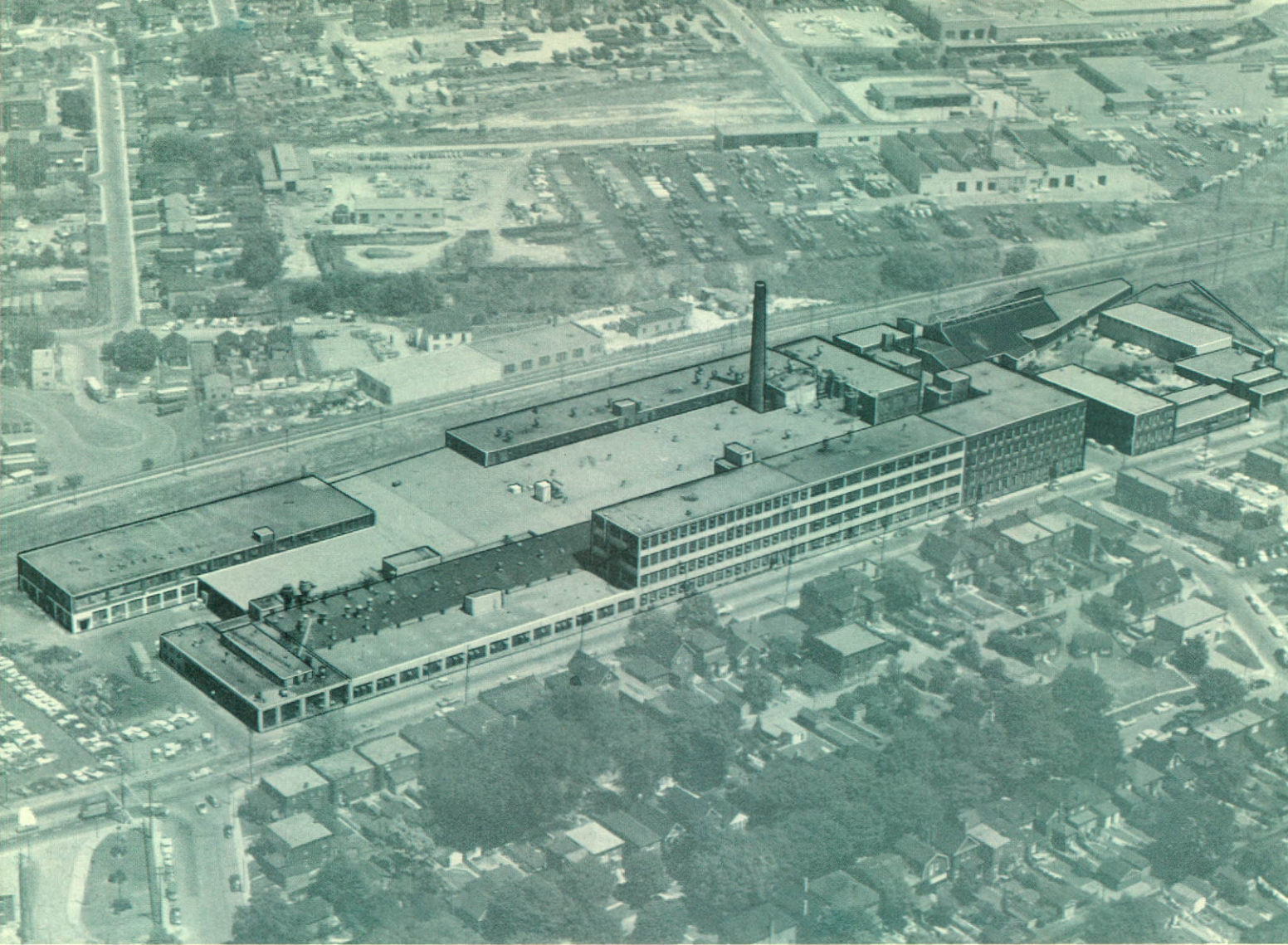
Special parts and components not stocked or readily available are custom-built in the division's machine shops or by other companies within the Levy-Russell group.

Rebuilding and assembling vehicle components in new 16,000 square-foot extension to Levy Auto Parts Division plant.



Large component is assembled prior to its shipment to a NATO country.





Canadian Acme Screw & Gear Limited

For nearly 40 years, Canadian Acme Screw & Gear Limited has been a major supplier of original equipment to both the Canadian automobile and agricultural implement industries.

The company, through research development and constant improvement of production facilities, stands as one of the leaders in the original equipment manufacturers' industry.

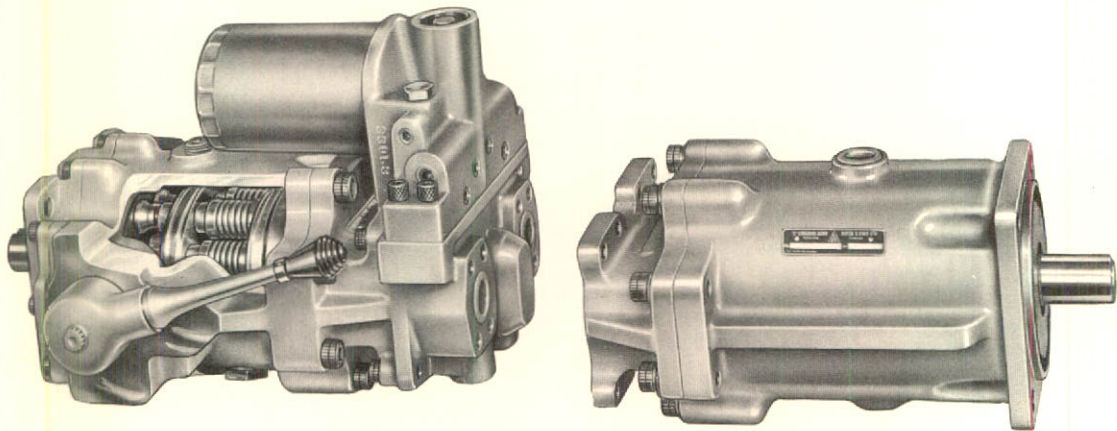
The company's plant at 207 Weston Road, Toronto is spread through buildings covering a total area of 450,000 square feet.

The plant is extensively equipped with a modern and complete line of machine tools and processing facilities — including a chemical laboratory, inspection and quality control section, research and development centre and a metallurgical laboratory.

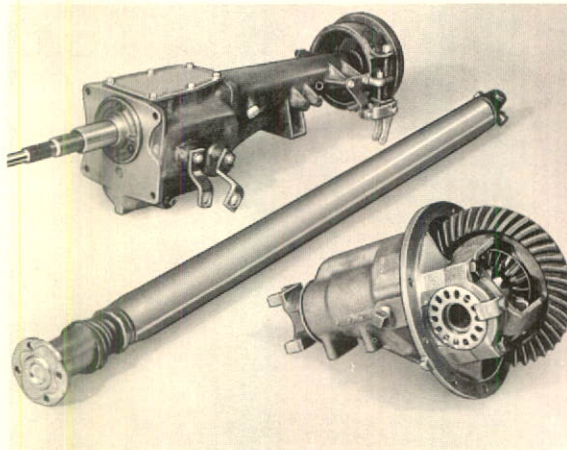
Automotive components produced include gears of all types, transmission and differential assemblies, propeller shafts, universal joints, oil pumps, mufflers, shock absorbers, tail pipes and other specialized parts.

The Screw Machine Products division of the company manufactures special automotive and agricultural implement components as well as a wide range of cap screws, set screws and nuts.

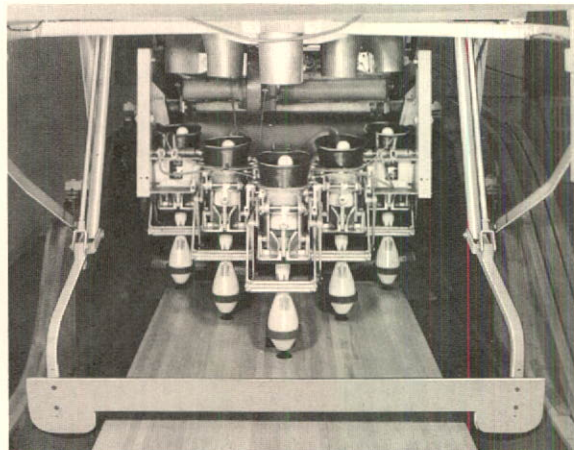
Indicative of the company's manufacturing flexibility, is the Pinsetter Division. In association with two other firms automatic pinsetting machines for bowling alleys were developed and are now manufactured on an assembly line basis.



The new Hydrostatic transmission developed by Canadian Acme Screw & Gear Ltd.



Transmission, differential and propeller shaft.



Automatic bowling pinsetter.

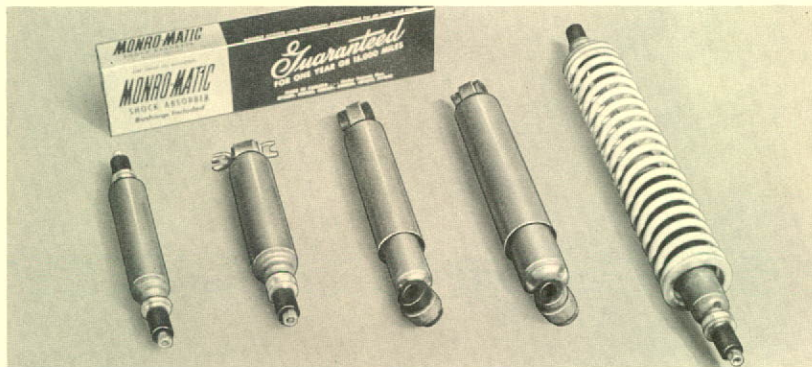
A major breakthrough in transmission systems was recently achieved by the company's research and development group. They developed a low-cost, high performance hydrostatic transmission with infinite variable speed control suitable for mass production.

The transmission allows complete freedom of design in locating power sources and eliminates the necessity of "in-line" power applications.

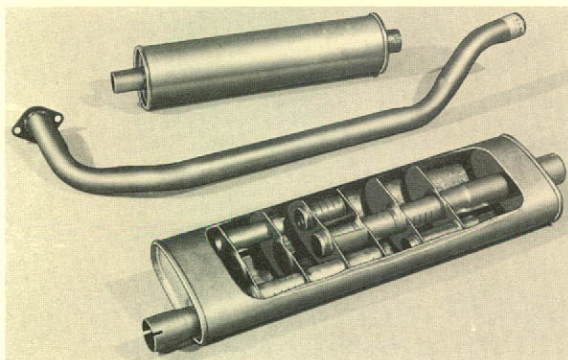
The unit will find many uses in agricultural implements, off-the-road equipment and other applications such as cement mixer drums and lathes.

Other company facilities include a tube mill which produces high grade tubing varying in size from $\frac{3}{4}$ " to $3\frac{1}{2}$ " outside diameter.

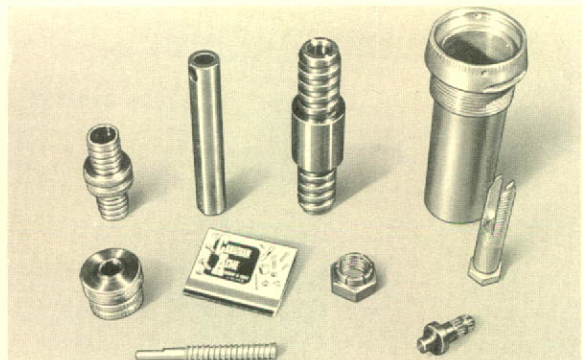
The company's three subsidiaries are: Galt Machine Screw Company Limited marketing screw machine products, bolts, nuts and industrial fasteners; Monroe-Acme Limited which manufactures and markets ride control equipment — primarily shock absorbers; Maremont-Acme Limited which manufactures and distributes mufflers, tail pipes and exhaust systems.



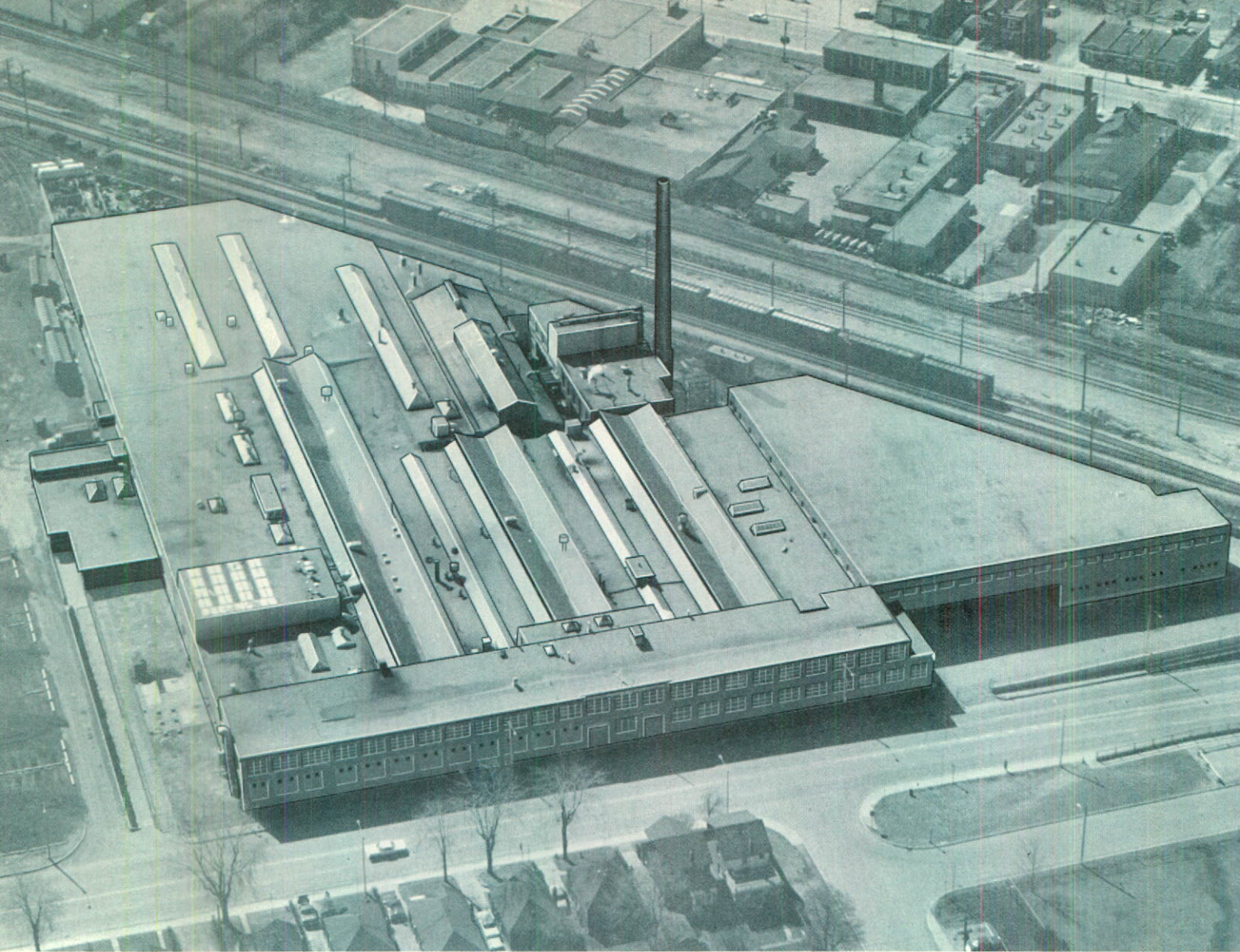
Shock absorbers



Mufflers



Screw machine products.



Canada Cycle and Motor Company Limited

C.C.M. is a trademark that has become a by-word for excellence in bicycles, joycycles, ice skates and sports equipment to generations of Canadians. The initials C.C.M. stand for Canada Cycle and Motor Company Limited, formed in 1899 through the merger of five bicycle manufacturing firms.

Today, production of bicycles and other wheeled goods, remains the company's principal manufactured product.

The company's progress has also been closely linked with the growth in popularity, both in Canada and abroad, of professional and amateur hockey.

For example, C.C.M. skates and boots are standard equipment for virtually every player in all organized hockey leagues and by every world amateur group. The company has also encouraged the development of junior hockey across Canada.

C.C.M. skates and skating equipment are well-known internationally with over half of all skates produced shipped to export markets.

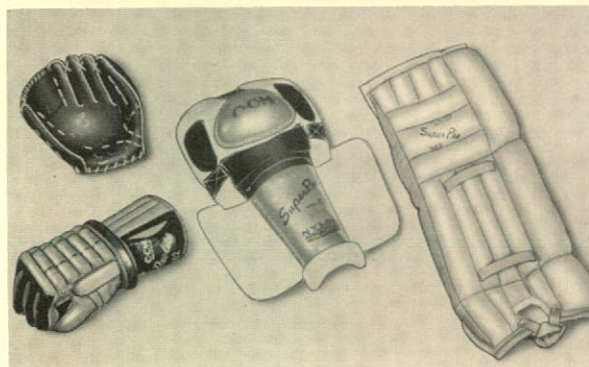
The head office and main plant, located at 2015 Lawrence Avenue West, Toronto, covers an area of 265,000 square feet.

During the past three years a re-organization program has been completed to convert the plant to an "in-line" production system from the previous "batch production" method. The result is that the plant is one of the most modern and completely automated of its type in the world.

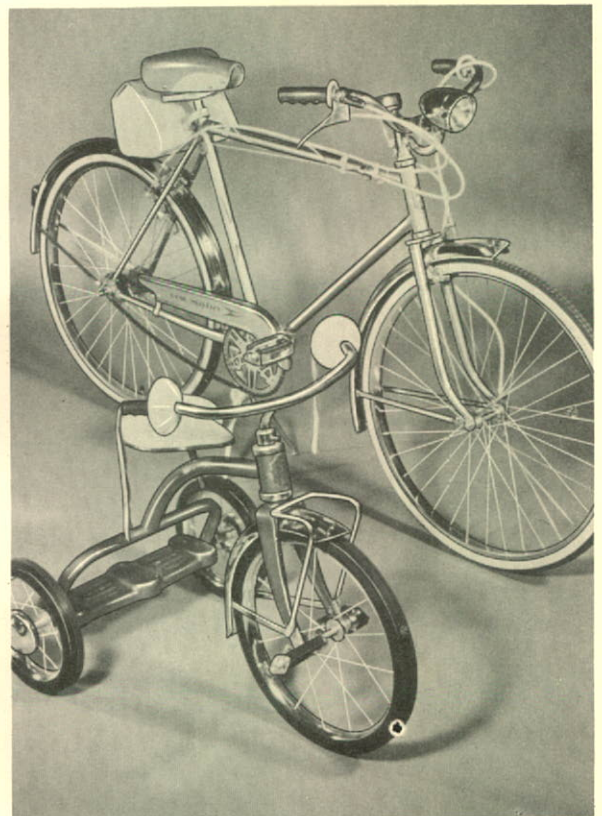
Special manufacturing machines have been developed over the years by C.C.M. in its continuing search for more efficient production methods.

The company holds patents on special wheel building and truing equipment which it has designed. The equipment is built and sold to other manufacturers.

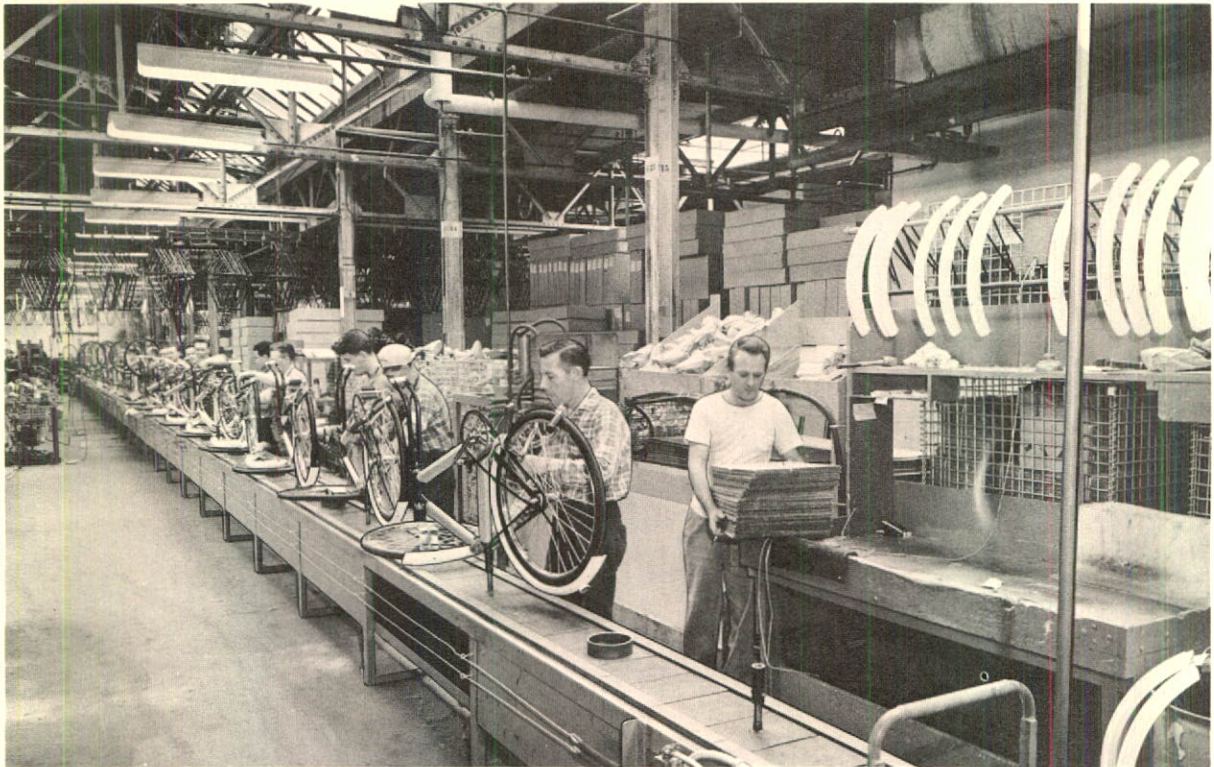
C.C.M. professional skates.



Leather sports goods.



C.C.M. bicycle and joycycle.



Bicycles being packed for shipping.

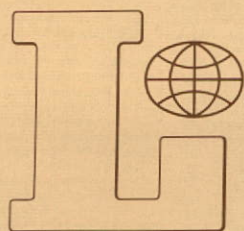
Nearly 600 men and women are employed by the company in its main plant, branch warehouses and subsidiary companies.

A company-owned plant in St. Johns, Quebec manufactures hockey sticks, all hockey equipment and a quality line of C.C.M. baseball gloves which were introduced successfully during 1962.

Warehouses and branches are located in Vancouver, Calgary, Winnipeg, Montreal and Moncton. Products are marketed from coast-to-coast in Canada through a network of 3,000 dealers.

A subsidiary, C.C.M. Incorporated in Buffalo, N.Y., handles distribution of the company's products in the United States.

Other products which carry the C.C.M. trademark are: wagons, exercisers — both rowing and bicycle types — baseballs and bats.



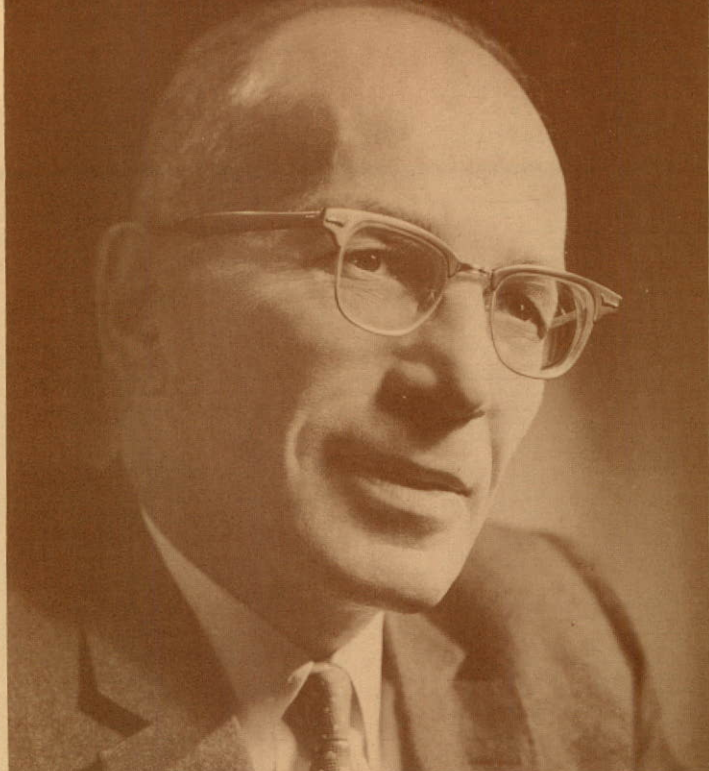
Levy Industries Limited
FINANCIAL STATEMENT

for the fiscal year ended December 31, 1962

1962 Annual Report

HIGHLIGHTS

	1962	1961
<i>Net Earnings</i>	\$1,964,461 *	\$ 803,742
<i>Net earnings before income taxes (including sale of fixed assets and securities)</i>	3,757,342	1,720,252
<i>Earnings per share:</i>		
<i>1st Preference Series "A"</i>	26.19	10.71
<i>2nd Preference Shares</i>	5.04	—
<i>Common Shares (after dividends to 1st and 2nd Preference and including profits from sales of fixed assets and securities of \$376,243)</i>	1.73	.84½
<i>Dividends paid:</i>		
<i>Series "A" — 1st Preference</i>	1.88	1.70
<i>Second Preference</i>	.33	—
<i>Common Shares</i>	—	—
<i>Working Capital Position</i>	13,140,663	2,393,445
<i>Long-term Debt</i>	10,665,271	1,446,500
<i>Shareholders' Equity — Common (800,000 at Dec. 31, 1961, 985,045 at Dec. 31, 1962)</i>	7,418,056	2,859,343
<i>Retained Earnings</i>	4,494,350	2,719,343



PRESIDENT'S REPORT

Record sales and net profits were achieved by the Company in 1962 along with a vastly expanded scope of operations through the acquisition of Russell Industries Limited.

The total assets of Levy Industries Limited were increased to nearly \$40,000,000 through the acquisition which provided the Company with a group of manufacturing companies well-established in the automotive component, precision aircraft component and heavy machine industries, and in the manufacture and marketing of bicycles, skates and sports equipment.

EARNINGS

Consolidated net earnings rose 144.4 per cent to \$1,964,461 from \$803,742 the previous year. Earnings per First Preference Share, Series "A" were \$26.19 compared with \$10.71 in 1961. Earnings per Second Preference Share were \$5.04. Common shares earned \$1.73 (see statement of Consolidated Profit and Loss) compared with 84.5 cents in 1961.

DIVIDENDS

Dividends paid per First Preference Share, Series "A" were \$1.88 (regular dividends of \$1.40 plus participating dividends of 48 cents) as compared with \$1.70 in 1961. Dividends per Second Preference Share, for part of the year only, were 33 cents.

WORKING CAPITAL

Working capital position reached \$13,140,663 compared with \$2,393,445 in 1961. The large increase was due primarily to the acquisition of the Russell Industries Limited companies. Current ratio is 1.98:1.

COMMON SHAREHOLDERS' EQUITY

Common shareholders' equity increased by 177 per cent to \$7,418,056 as compared with \$2,719,343 in 1961. Shares issued increased to 985,045 in 1962 from 800,000 in 1961.

EXPANSION

Russell Industries Limited was acquired through an open and public cash offer of \$20 per share for 419,000 shares, representing 54 per cent of the outstanding shares.

An offer was made later to the remaining shareholders on the basis of one Russell Industries Limited share in exchange for one six per cent Cumulative Redeemable Second Preference Share (par value: \$12) and one-half of a Levy Industries Limited common share.

The Levy Industries Limited six per cent Cumulative Redeemable Second Preference Shares were created as an incentive to Russell Industries Limited minority shareholders to convert their stock into Company equity. Redemption of the First Preference Shares in May 1963 will automatically make the Second Preference the Senior equity issue.

The exchange offer was extremely well received and resulted in the Company obtaining another 361,119 shares for a total of 98.62 per cent of the outstanding Russell Industries shares.

A further development was the formation of a new, wholly-owned subsidiary, Levy-Russell Limited, which purchased all the assets of the Levy Auto Parts Division. The net sale price of \$6,000,000 was secured by a non-interest bearing note payable to Levy Industries Limited. The note was repaid with part of the proceeds received from the issuance of a Levy-Russell Limited 6 $\frac{1}{2}$ % Sinking Fund Debentures Series "A," in the amount of \$7,000,000.

The Company also sold to Levy-Russell Limited all its shares in Russell Industries Limited, Winnipeg Cold Storage Limited, Levy Auto Parts of England Limited and Levy Auto Parts, Inc.

The net sale price of \$14,228,299 was satisfied by the issuance of all the outstanding shares of Levy-Russell Limited to the Company.

The transactions resulted in Levy Industries Limited becoming a holding company with Levy-Russell Limited becoming the wholly-owned operating subsidiary.

OUTLOOK

The enormous increase in the Company's scope of operations through its acquisition of aggressive and well managed secondary industries will undoubtedly continue to have a profound effect on sales and earnings.

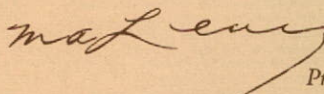
Export markets throughout the free world will continue to expand in the coming year and an aggressive program to obtain a large share of these markets is underway.

Defense contracts and further development of export markets for products of the manufacturing divisions are also primary 1963 objectives. Furthermore the forecast record year in automobile sales will stimulate demand for components and increase the potential after-market.

All combine to predicate sustained growth and earnings.

APPRECIATION

We look back on the year past as one in which the Company realized major achievements all of which would not have been possible without the dedication and loyalty of customers, suppliers and employees, to whom is extended the collective appreciation of the Company's officers, directors, and, indeed, shareholders.


President

LEVY INDUSTRIES LIMITED AND ITS SUBSIDIARIES

Assets

CURRENT	
Marketable securities — at cost (quoted marked value \$75,060)	\$ 76,290
Accounts receivable — trade (less allowance for doubtful accounts)	7,401,809
Merchandise inventories — valued at lower of cost or market	18,072,096
Sales tax and duty refund claims	100,116
Deposits and advances	297,230
Deposit on lease — Toronto Harbour Commissioners (Note 2)	100,000
Mortgage instalment due within one year	72,000
Prepaid expenses and sundry assets	336,502
	<u>26,456,043</u>
INVESTMENTS	
First mortgage receivable — less current portion	158,602
Sundry investments	7,350
	<u>165,952</u>
FIXED (Note 3)	
Properties	11,962,767
Equipment, furniture and fixtures	18,889,096
Automotive equipment	141,807
	<u>30,993,670</u>
Less: Accumulated depreciation	<u>20,339,979</u>
	<u>10,653,691</u>
OTHER	
Cash surrender value of life insurance	79,400
Deferred charges	39,508
Licences and patents, at cost, less amounts written off	28,881
Debenture discount, preliminary and financing expenses	591,621
	<u>739,410</u>
	<u>\$38,015,096</u>

The accompanying notes should be read in conjunction with these statements.

CONSOLIDATED BALANCE SHEET as at December 31, 1962

Liabilities

CURRENT

Bank indebtedness	\$ 3,042,398
Accounts payable and accrued charges	5,952,193
Progress payments and deposits from customers	2,488,764
Income and other taxes payable	1,427,076
Current portion of long term debt	404,949
	<hr/>
	13,315,380

DEFERRED INCOME

Unearned storage charges	33,508
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LONG TERM DEBT (Note 4)

10,665,271

DEFERRED CREDIT

Accumulated tax reductions arising from additional depreciation allowances	290,200
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MINORITY SHAREHOLDER'S INTEREST IN SUBSIDIARY COMPANIES

459,253

Shareholders' Equity

CAPITAL STOCK (Note 5)	8,622,134
RESERVE FOR PURCHASE OF PREFERENCE SHARES — Series "A" (Note 6)	135,000
EARNED SURPLUS	4,494,350
	<hr/>
	13,251,484
	<hr/>
	\$38,015,096

CONTINGENT LIABILITY

Letters of credit and guarantees \$232,444

Mailey Director

AM Lee Director

Levy Industries Limited and its subsidiaries

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

for the year ended December 31, 1962

PROFIT FROM OPERATIONS BEFORE THE UNDERNOTED ITEMS (Note 7)	\$5,226,559
Deduct: Depreciation	1,212,321
Interest on long-term debt	282,952
Interest on special bank loans (Note 8)	256,817
Plant re-arrangement and renovation costs written off	111,384
Minority interest in net profits of subsidiary companies	21,213
	\$1,884,687
	\$3,341,872
Add: Income from investments	39,227
	\$3,381,099
PROFIT BEFORE TAXES ON INCOME	\$3,381,099
Deduct: Taxes on income (Note 9)	1,792,881
	\$1,588,218
NET PROFIT EXCLUDING PROFIT ON SALE OF FIXED ASSETS AND SECURITIES	\$1,588,218
Add: Profit on sale of fixed assets and securities	376,243
	\$1,964,461
NET PROFIT	\$1,964,461

STATEMENT OF CONSOLIDATED EARNED SURPLUS

for the year ended December 31, 1962

Balance at beginning of year	\$2,719,343
Add: Net profit for year	\$1,964,461
Excess of Equity over costs of shares Of Russell Industries Limited	113,871
	2,078,332
	4,797,675
Deduct: Dividends paid:	
First preference shares	141,000
Second preference shares	117,325
Transfer to reserve for purchase of preference shares Series "A"	45,000
	303,325
Balance at end of year	\$4,494,350

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Principles of Consolidation

It has been the practice of Levy Industries Limited to include the accounts of all subsidiary companies in its consolidated financial statements. During 1962, but with effect from January 1, 1962, the Company acquired an equity of 98.62% in the outstanding common shares of Russell Industries Limited, and accordingly, the accounts of that company and its subsidiaries are included in the consolidated financial statements for the first time.

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 pound = Can. \$3.

Note 2: Deposit on Lease — Toronto Harbour Commissioners

Denarda Investments Limited, a wholly-owned subsidiary, made an offer to lease certain vacant lands from the Toronto Harbour Commissioners, which offer was accepted in principle on May 31, 1962 by the Toronto Harbour Commissioners. Denarda Investments Limited subsequently concluded that it was not in a position to enter into the said lease and notified the Toronto Harbour Commissioners of the termination of negotiations on its part, with respect to such offer and asked for the return of the \$100,000 deposited with the Toronto Harbour Commissioners at the time of the making of the said offer.

It is the opinion of management that this deposit will be refunded.

Note 3: Fixed

Fixed assets are carried on the accounts of the various companies at cost. Included in properties is an amount of \$964,195 representing the excess of cost over book value of the shares of Winnipeg Cold Storage Company Limited. This excess has been included in properties, being the category to which it is considered to apply in accordance with an independent appraisal by Mr. Paul Hartelius of Newark, New Jersey, dated December 11, 1958.

Note 4: Long Term Debt

Levy-Russell Limited

6½%	Sinking Fund Debentures Series "A" due November 15, 1982 (Note 4a)	\$ 7,000,000
6%	Balance payable following the purchase of the shares of Winnipeg Cold Storage Company Limited, payable \$95,000 per annum, due June 10, 1970	712,500
5%	Mortgage payable \$11,520 per annum, due July 16, 1966	25,720

Russell Industries Limited

4¾%	Sinking Fund Debentures, payable \$321,429 per annum, due December 1, 1966	2,728,000
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Midcontinent Truck Terminal Limited

6¾%	First Mortgage Bonds, Series "A" payable \$20,000 per annum, due January 1, 1978	276,500
6¾%	First Mortgage Bonds, Series "B" payable \$7,000 per annum, due September 1, 1979	162,500

Winnipeg Cold Storage Company Limited

3%	Debentures payable \$10,000 per annum due January 2, 1968	165,000
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	11,070,220
Less: Current portion of long term debt	404,949
	\$10,665,271

Note 4a: 6½% Sinking Fund Debentures, Series "A"

The 6½% Sinking Fund Debentures, Series "A" were issued in November 1962, pursuant to a Trust Indenture which provided for the issuance (subject to certain conditions) of additional debentures without limitation as to aggregate principal amount. In the said Trust Indenture, the Company covenanted to establish a sinking fund to provide for the retirement of Series "A" Debentures by paying to the Trustee \$250,000 on or before November 15 in each of the years 1964 and 1965, \$300,000 on or before November 15 in each of the years 1966 and 1967, \$350,000 on or before November 15 in each of the years 1968 and 1969, and \$400,000 on or before November 15 in each of the years 1970 to 1981 inclusive. The foregoing sinking fund payments together with a further payment of \$400,000 at maturity, will provide for the retirement of the Series "A" Debentures in full. The said Trust Indenture provides for certain restrictions on the payment of dividends on the capital of the Company.

Note 5: Capital Stock

<i>Authorized</i>	<i>Issued</i>		
150,000	75,000	First preference shares with a par value of \$20 each — issuable in series. 75,000 of the said shares have been issued as 7% cumulative redeemable first preference shares Series "A"	\$1,500,000
400,000	361,119	6% cumulative redeemable second preference shares with a par value of \$12 each	4,333,428
1,500,000	985,045	Common shares without par value	2,788,706
			<u>\$8,622,134</u>

On July 13, 1962 Supplementary Letters Patent were issued to the Company increasing its authorized capital by the creation of 400,000 6% cumulative redeemable second preference shares of the par value of \$12 each.

The Company pursuant to an offer dated April 30, 1962, purchased 419,000 of the outstanding common shares of Russell Industries Limited. The Company pursuant to a further offer dated July 3, 1962 acquired an additional 361,119 common shares of Russell Industries Limited in exchange for 361,119 6% cumulative redeemable second preference shares and 185,045 fully paid and non-assessable common shares in the capital of Levy Industries Limited.

On October 5, 1962, the Company sold the shares of Russell Industries Limited to its wholly owned subsidiary, Levy-Russell Limited.

Stock Options

At July 1, 1962, 25,000 common shares were reserved for issuance under an employees' stock option plan. Options have been granted to officers and employees to purchase 24,450 common shares at \$7.90 per share. The stock options are exercisable in five equal annual instalments commencing in June 1962. In accordance with the terms of the stock option plan, options on 4,890 common shares were exercised and payment made in 1962.

On October 5, 1962, an option was granted to a new executive employee on 10,000 common shares at a price of \$12.125 per share exercisable in ten annual equal instalments commencing March 1, 1964. The option price of \$12.125 per share was the market price on October 1, 1962.

Note 6: Reserve for Purchase of First Preference Shares, Series "A"

The reserve for purchase of first preference shares Series "A" is set up in accordance with the provisions attaching to the first preference shares, Series "A", whereby the Company

is to set aside a purchase fund each year equal to 3% of the aggregate par value of the issued first preference shares, Series "A". This amount from time to time, commencing on the first day of December 1961 is to be used to purchase first 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.

Note 7: Profit from Operations

The total remuneration of directors as such (excluding remuneration as officers or employees) amounted to \$24,700.

Note 8: Interest on Special Bank Loan

Pursuant to an offer dated April 30, 1962, the Company purchased 419,000 of the outstanding common shares of Russell Industries Limited and incurred a bank loan to pay for the shares. In accordance with the provisions of the Income Tax Act, this interest, in the amount of \$256,817 is not an allowable deduction in the computation of income taxes payable.

This bank loan was retired prior to December 31, 1962.

Note 9: Taxes on Income

Income taxes payable by certain subsidiaries for 1962 were reduced by approximately \$135,000 as a result of claiming for tax purposes amounts greater than the depreciation recorded in the accounts. In one of the subsidiary companies the remaining undepreciated Balance of Fixed Assets for tax purposes at December 31, 1962 exceeds the net book value of depreciable fixed assets by approximately \$925,000 and this difference may be applied over a period of years to reduce taxable income in that company. At that date, there also remain loss carry-forwards of \$90,000, which may be applied to reduce taxable income in future years.

AUDITORS' REPORT

WISE, RUMACK, SEIGEL, KURTZ AND COMPANY

CHARTERED ACCOUNTANTS

Represented in: Montreal, Winnipeg, U.S.A., United Kingdom, Israel

We have examined the consolidated balance sheet of Levy Industries Limited and its subsidiaries as at December 31, 1962 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, except for Russell Industries Limited and its subsidiaries, whose accounts have been examined and reported on by other chartered accountants.

Based upon our examination and the report of other chartered accountants, 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 companies as at December 31, 1962, and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles.

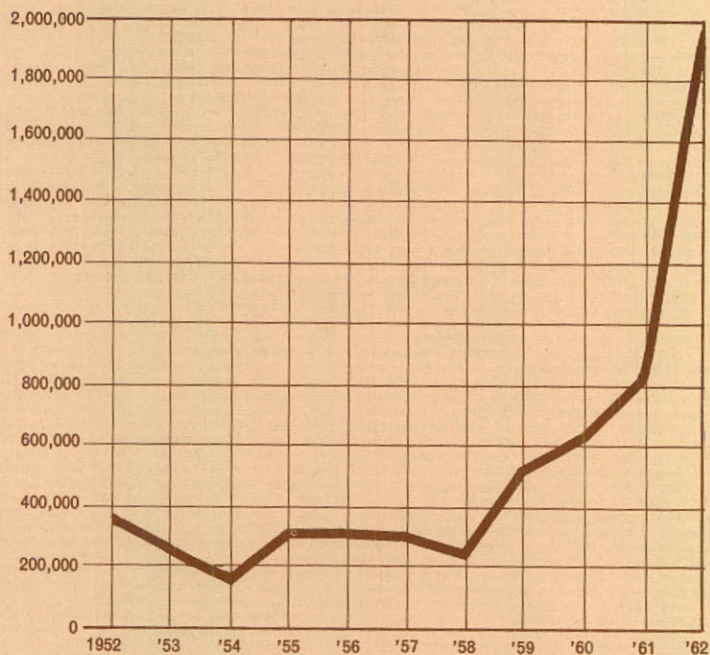
Toronto, Canada
March 11, 1963

WISE, RUMACK, SEIGEL, KURTZ AND COMPANY
Chartered Accountants

Levy Industries Limited and its subsidiaries

NET CONSOLIDATED EARNINGS

for the fiscal period 1952 to 1962 inclusive



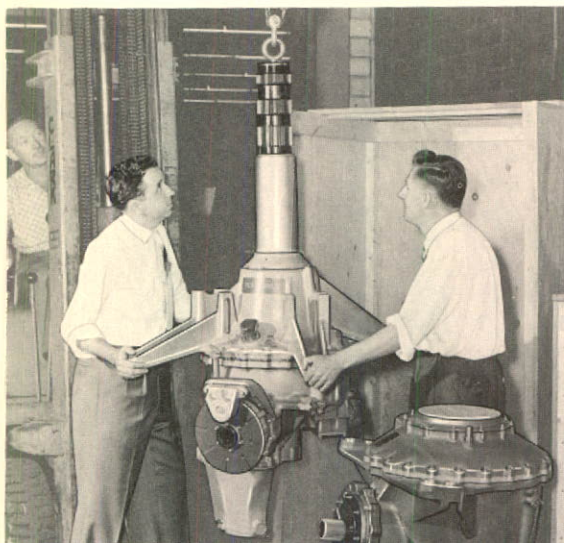
A man in a workshop, wearing a light-colored denim jacket and glasses, is inspecting a large, cylindrical metal component. He is holding a small circular object to his eye, possibly a magnifying glass or a gauge. The background shows various industrial machinery and tools, including a large metal flange and a control panel with several knobs and switches. The overall scene is in a factory or workshop setting.

York Gears Limited

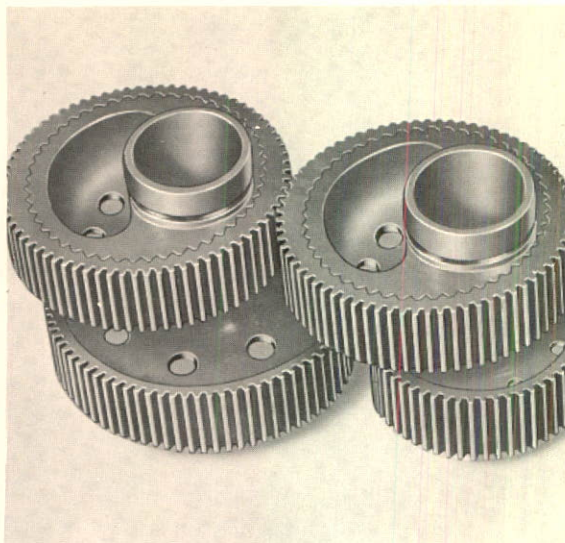
Highly sophisticated components and systems are manufactured for the aircraft industry by York Gears Limited.

The company's modern, single-storey, 127,000 square-foot plant and office is located on a 15-acre site at 825 Caledonia Road, Toronto.

After its formation in 1951, York Gears rapidly established itself as one of the prime producers of precision gears, components, and assemblies for both aircraft and aircraft engines.



Vertol helicopter transmission system.



Elliptical aircraft control box gear set.

Manufacture of precision aircraft parts requires infinite care and constant control checks in each stage.

The plant has the latest manufacturing equipment which includes grinding tools for all types of gears (spur, helical, internal and external) and bevel gears.

Tape-controlled equipment is used in the production of gear housings.

The York Gears plant features a 6,000 square-foot temperature controlled and air-conditioned area where delicate machining and assembly processes are undertaken.

It is one of the few plants of its type in North America which has its own in-shop X-ray facilities — a necessary quality control factor in this industry.

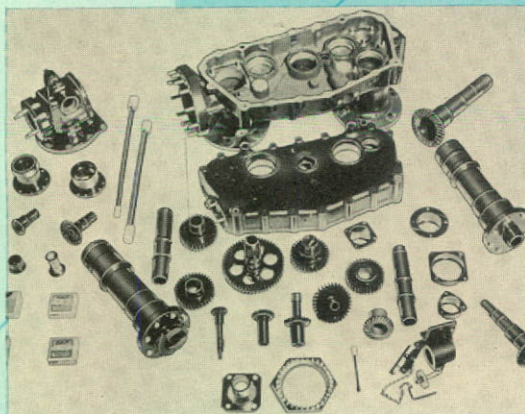
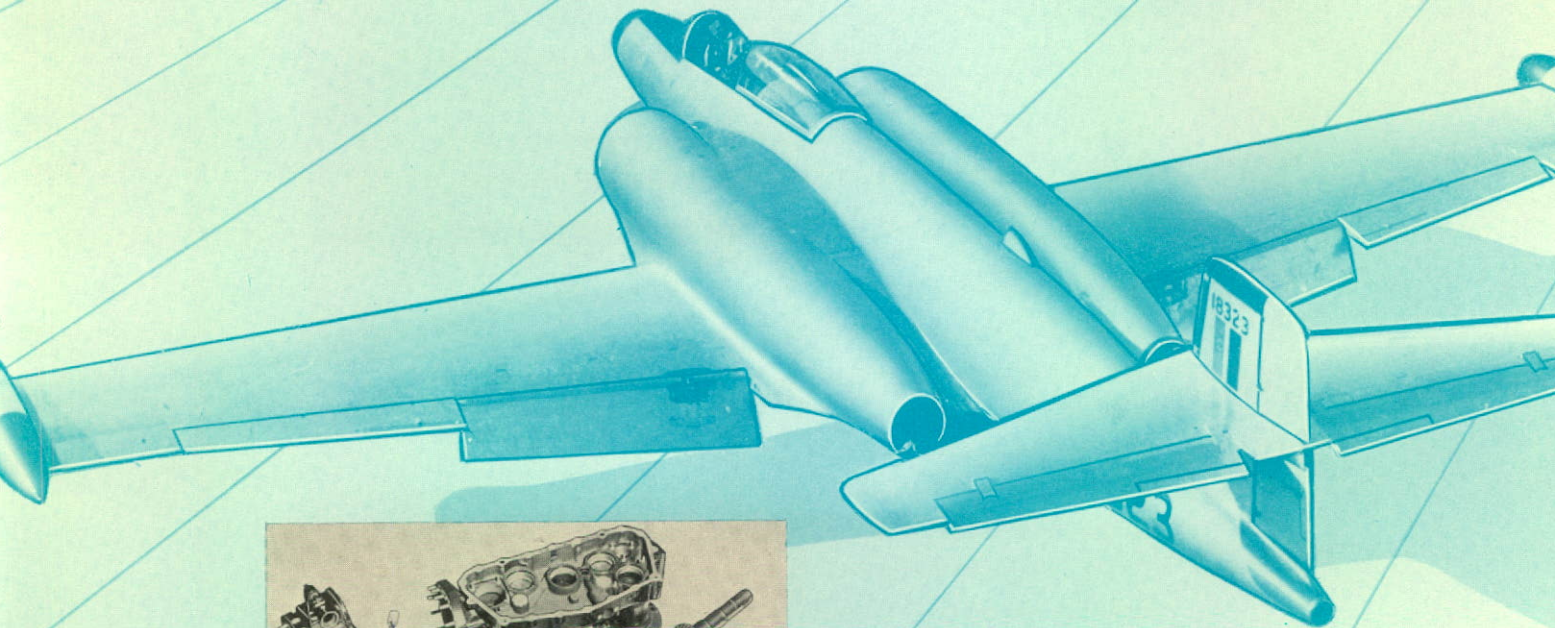
Other inspection and quality control equipment — such as comparators and surface finish analyzers — are utilized to guarantee product quality to stringent military and commercial specifications.

The plant also has mechanical testing facilities and a 2,000 square foot chemical laboratory containing testing furnaces and ovens, gas analysis equipment, viscosimeters and chemical analysis equipment.

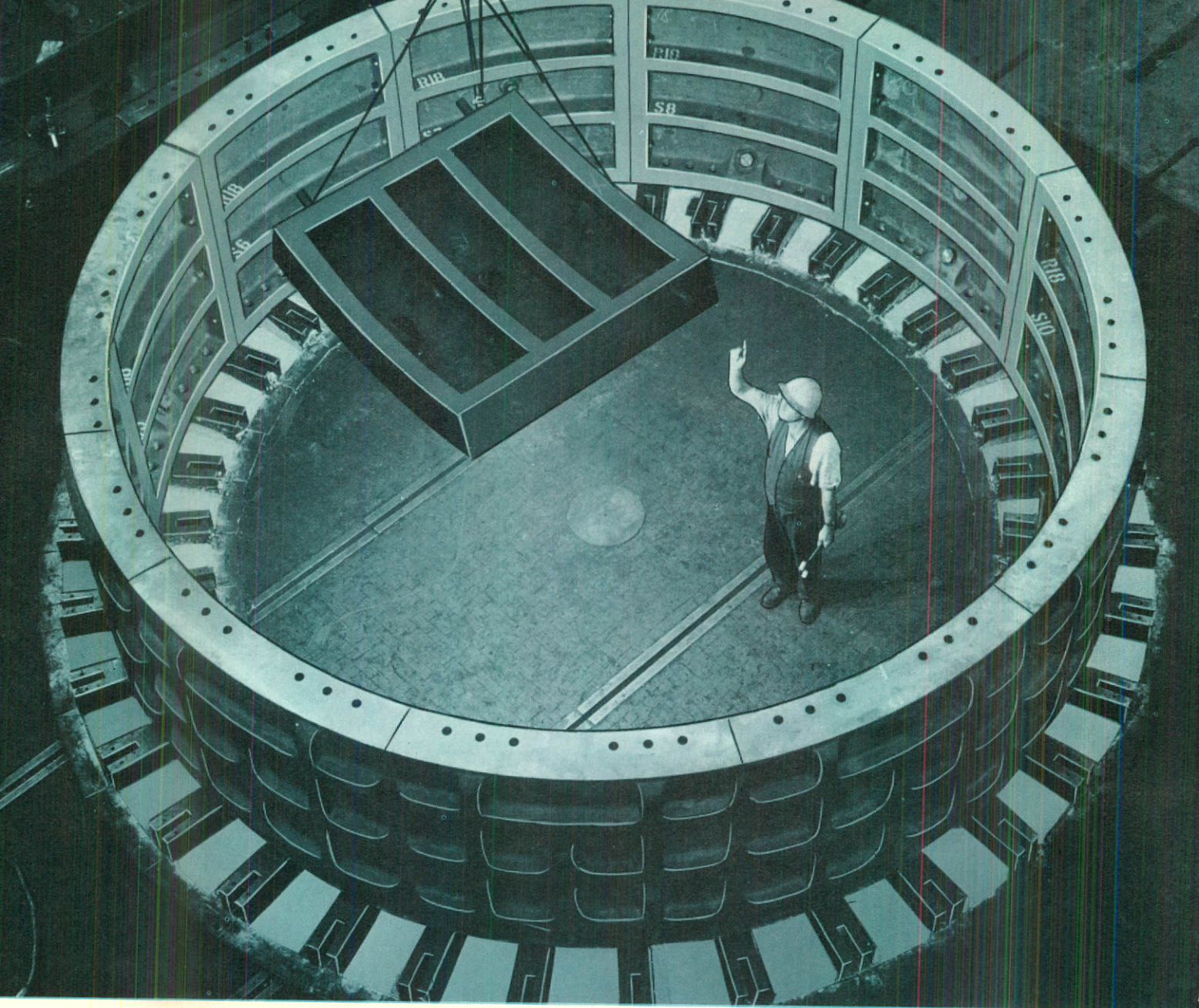
Plant facilities make it possible for the company not only to provide prototypes but to handle production of items either in limited quantities or high volume.

Projects in which York Gears has participated include amplifier receptacles for the Tartar missile built by Convair; transmissions and shafts for the Vertol helicopter; control actuators for Canadair's CL-44 transport; power take-off and control boxes for the Orenda jet engine used in the CF-100 and F-86 jet aircraft; and fuel injection nozzles for use in the BOMARC program.

The company also overhauls and tests constant speed drive units for the RCAF and facilities are available for aircraft engine transmission repair.



Components used in F-100 aircraft gearbox assembly.



"No tolerance" tubbing for Esterhazy (Sask.) potash mine project.

The John Bertram and Sons Company Limited

From the wizardry of missile projects to the miracle of modern mining developments, this is the breadth of activities covered by The John Bertram and Sons Company Limited.

The company was founded in 1861, six years before Confederation. Its progress has kept pace with Canada's and its role has been, and is, substantial: providing a young nation with the heavy machinery, tools and know-how necessary for industrial maturity.

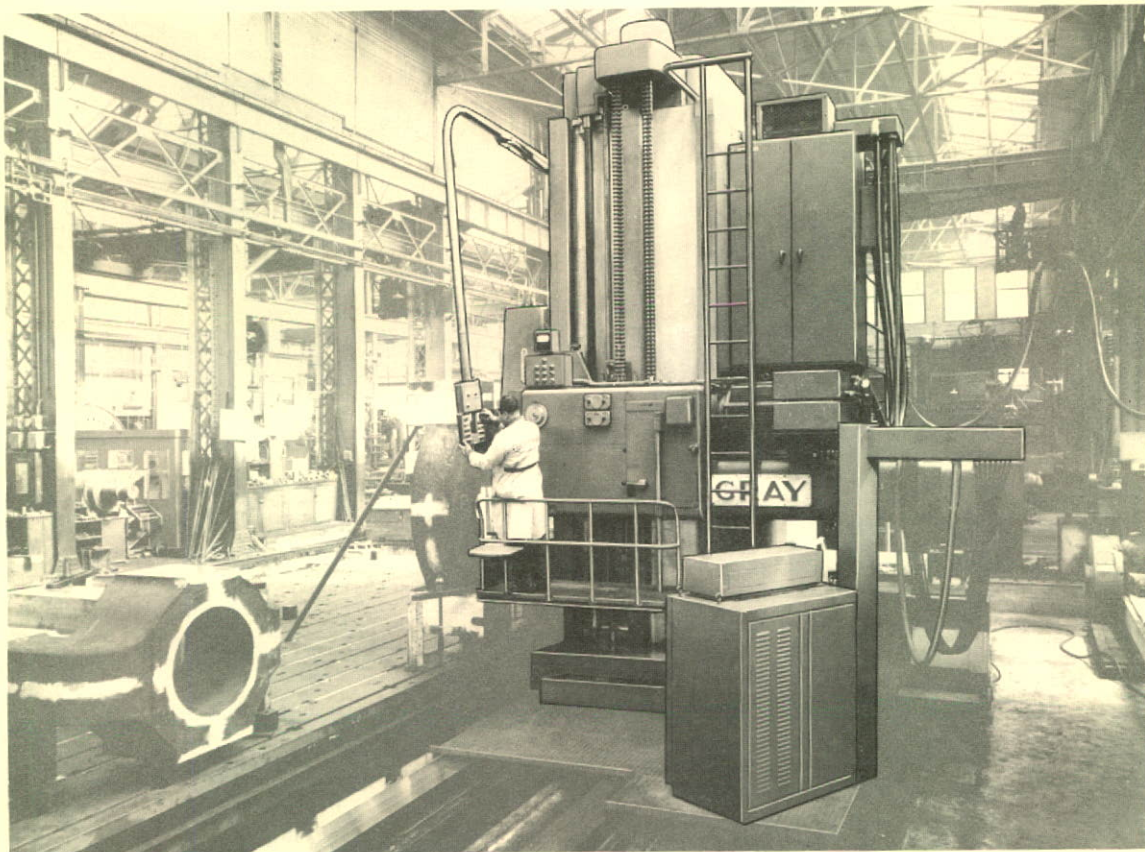
Out of the company's manufacturing plants in Dundas, Ontario, have come precision launching rails for the Atlas and Titan missiles and "no tolerance" shaft tubing for use in the Esterhazy potash mine project in Saskatchewan. The tubing — 1,100 segments of cast iron weighing five tons each — required machining finer than that for a luxury car or fine Swiss watch.

The plants cover a total area of 320,000 square feet and are broken down into two major divisions; industrial machinery and tool and gauge.

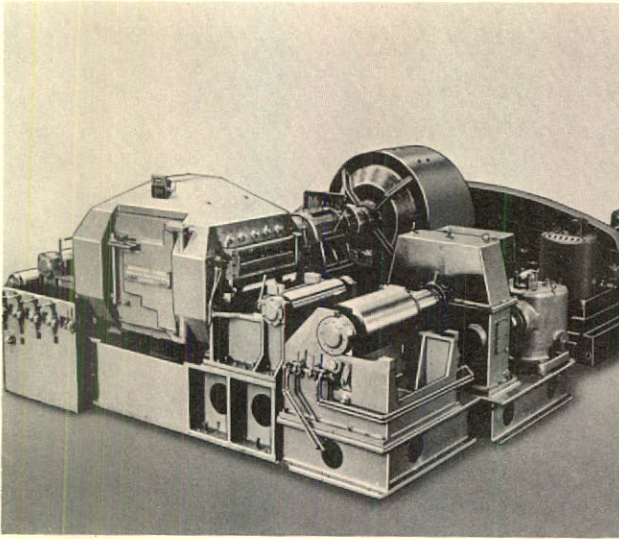
The industrial division is made up of a foundry, a plate forming and welding shop and a large machine shop. Its basic products include machine tools such as lathes, vertical and horizontal boring mills, planers and special industrial machinery: mine hoists, rubber extruders, steel rolling mills and other heavy capital equipment.

The foundry is capable of casting over 250 tons of grey iron a month with a range from 50 pounds to 50 tons for individual castings.

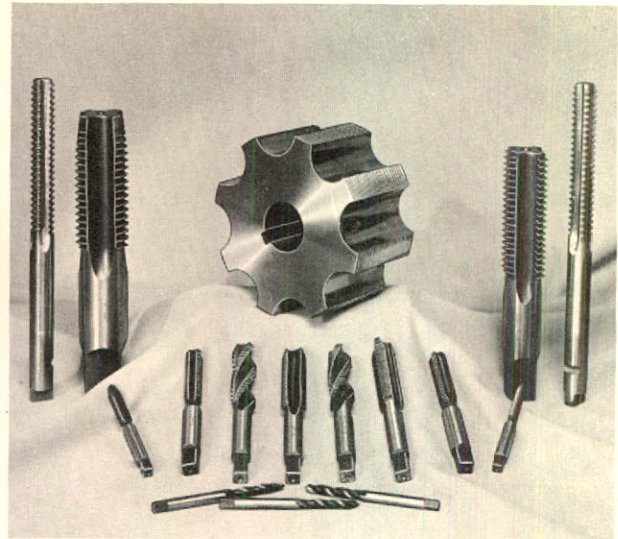
The plate forming and welding shop can form and weld heavy metal plate and has all the equipment necessary for the fabrication of light or heavy sections.



Horizontal boring machine used in production of heavy machinery.



Sendzimir mill used in steel production.



Taps for industrial use.

Equipment in the machine shop makes it capable of turning diameters up to 20 feet and cutting gears up to 18 feet in diameter.

The tool and gauge division operates under license from the Pratt & Whitney Company Inc. Its products are mainly taps, reamers, cutting tools, gauges and special tools, dies and fixtures for the metalworking industry.

Contract services are available for the machining of special parts, heat treating and plating.

The company acts as agent for several large machine tool builders including Cincinnati Gilbert Machine Tool Company and Craven Brothers (Manchester) Ltd.

Sales offices and agents are maintained in Montreal, Toronto, Windsor, Winnipeg and Vancouver.



Winnipeg Cold Storage Company Limited

The company's 4,000,000 cubic-foot plant is in the west central district of Winnipeg close to both rail and truck transport facilities.

More than half the plant is cold storage area. One million cubic feet is used for dry storage and the remainder for offices and loading docks.

Loading docks have berths for 14 railway freight cars and 30 trucks, and material handling is highly automated. Electric fork lifts move goods from holding areas to docks for loading.

Besides offering cold and dry storage facilities, the company leases space to several tenants who require direct access to both freezing and storage space.

These include the Food Products Division of The Borden Company Limited which processes millions of pounds of liquid egg annually; The Egg and Poultry Division of the Manitoba Dairy and Poultry Co-operative; and Fish Services Limited.

The Co-operative annually receives, eviscerates and freezes 4,000,000 pounds of poultry. Its Egg Division handles, grades, packages and stores 3,000,000 dozen eggs a year.

Some 5,000,000 pounds of fish is annually processed by Fish Services Limited.

The company also holds, freezes and stores: meat, canned goods, frozen foods, butter, sugar, nuts and dried fruits at variously required temperatures from 30 to 40 degrees Fahrenheit. Frozen products are stored at minus five degrees Fahrenheit.

Special flash freezing equipment and salt water immersion freezers make the plant one of the most modern in North America.



Egg packing operation.



Sugar held in dry storage.



Midcontinent Truck Terminal Limited

Trafalgar Warehouse Limited

Midcontinent Truck Terminal Limited, on the western outskirts of Metropolitan Toronto, is Canada's largest sufferance warehouse.

It is authorized by The Department of National Revenue to provide Customs clearance facilities for shipments trucked in bond to Toronto from points of origin in the U.S.

The plant has 100,000 square feet of warehouse space, 119 loading and unloading bays, and 35,000 square feet for offices. More than 30 firms, including Customs brokers and large importers, maintain offices at Midcontinent.

The Department of National Revenue has about 115 persons staffing the Customs office at Midcontinent to check the more than 1,100 shipments which arrive daily.

Trafalgar Warehouse Limited operates a sufferance warehouse at Eighth Line and Queen Elizabeth Highway near Oakville, Ontario. It has 6,000 square feet of warehouse space, 600 square feet of office space and operates along similar lines to Midcontinent.

Levy Auto Parts, Inc.
Levy Auto Parts of England Ltd.

Levy Auto Parts, Inc., a subsidiary of Levy-Russell Limited, has its offices in Washington, D.C., to co-ordinate sales and purchases with many overseas governments through their Washington embassies. It maintains a close working relationship with United States government agencies concerned with foreign trade.

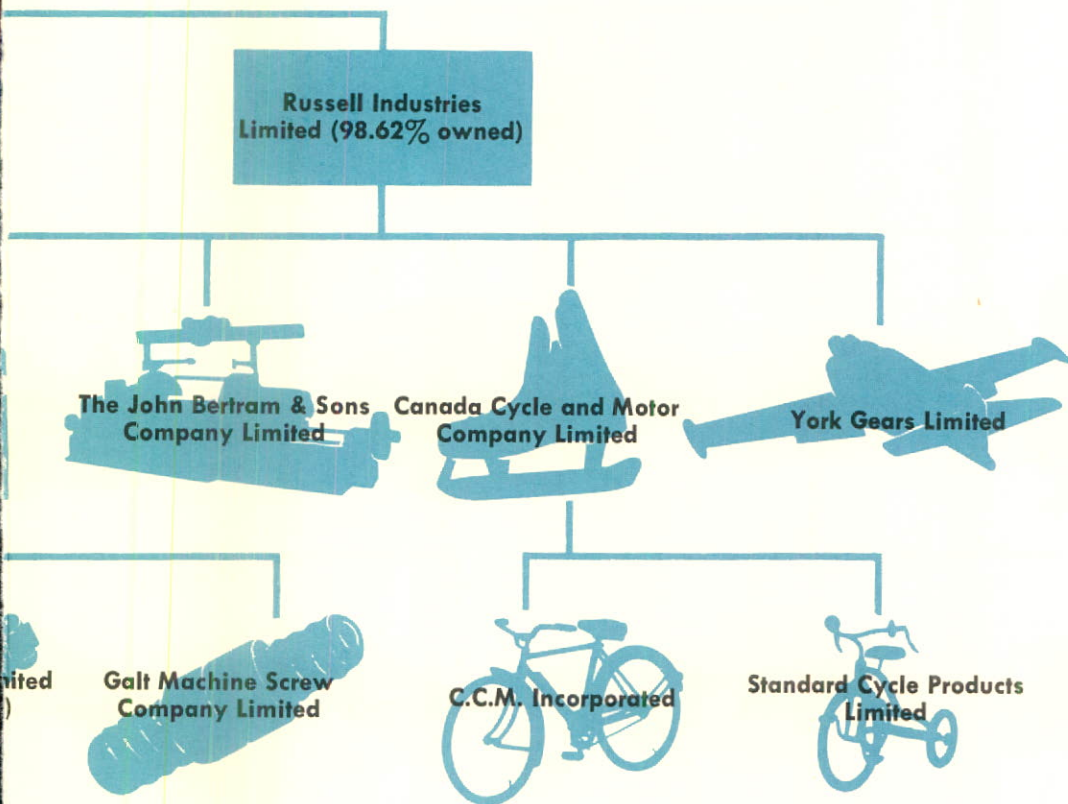
Levy Auto Parts of England Limited has offices, machine shops and warehouses containing an inventory of 10,000 tons of spare parts on five acres of land at Sway (Hants) England, on the outskirts of Southampton. The operation is similar to, but smaller than, the Levy Auto Parts division in Canada.

From here orders are shipped directly to markets in Europe, Africa and Asia.



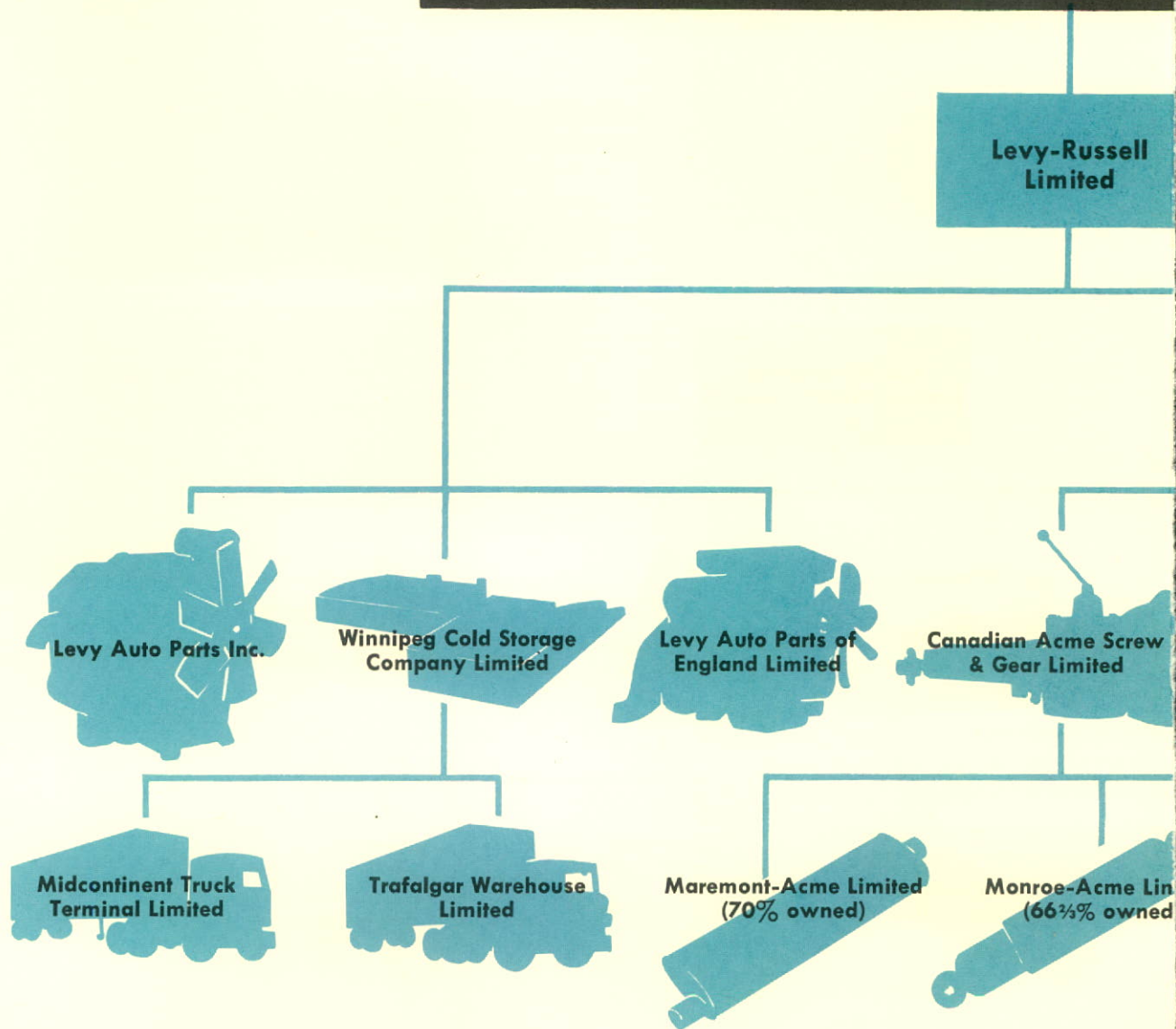
*Levy Industries Limited factories, warehouses and sales offices
are located from coast-to-coast in Canada, in the United States and Britain.
Agents are maintained in all major countries of the free world.*

RUSSELL INDUSTRIES LIMITED



ly-owned subsidiaries.

LEVY INDUSTRIES



All companies unless otherwise noted are wholly owned

Levy Industries Limited, 1400 Weston Road, Toronto 15, Canada