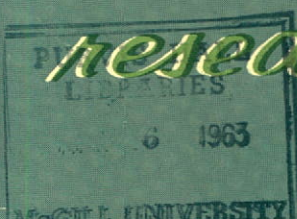


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JOHN WOOD COMPANY

*petroleum marketing equipment
water heaters and tank products for
domestic and commercial plumbing
pressure vessels, tanks, heating
equipment, and fabricated
specialties for industrial use
dairy metalware, stainless steel
products - refrigerated bulk milk
coolers - air pollution control
research and engineering*

1962 ANNUAL REPORT



TRANSFER AGENTS AND REGISTRARS

TRANSFER AGENTS

United States
Morgan Guaranty Trust
Company of New York

Canada
Chartered Trust Company
Toronto

REGISTRARS

United States
The Chase Manhattan Bank
New York

Canada
Montreal Trust Company
Toronto

BOARD OF DIRECTORS

GUY GEORGE GABRIELSON, *Chairman and President*
A. M. AIKMAN, *President, John Wood Company Limited*
GUY GEORGE GABRIELSON, JR., *President, Nicolet Industries, Inc.*
A. F. JORDAN, *Senior Vice President and General Manager
Bennett Pump Division*
H. W. KNIGHT, *Chairman of the Board
Draper Dobie & Company Limited*
R. S. OWENS, *Vice President and Treasurer*
T. F. RAHILLY, *Chairman of the Board
Canada Iron Foundries, Limited*
J. C. WALLACE, *Senior Vice President*
H. I. YOUNG, *President
American Zinc, Lead and Smelting Company*
C. J. YOUNGER, *Vice President*

EXECUTIVE OFFICERS

GUY GEORGE GABRIELSON, *Chairman of the Board and President*
A. F. JORDAN, *Senior Vice President*
J. C. WALLACE, *Senior Vice President*
A. M. AIKMAN, *Vice President*
R. S. OWENS, *Vice President and Treasurer*
A. L. WOLFE, *Secretary and General Counsel*
GUY GEORGE GABRIELSON, JR., *Vice President*
C. J. YOUNGER, *Vice President*

EXECUTIVE COMMITTEE

GUY GEORGE GABRIELSON, *Chairman*
GUY GEORGE GABRIELSON, JR.
R. S. OWENS
C. J. YOUNGER

J O H N W O O D C O M P A N Y



John Wood Company is an international organization producing service station gasoline pumps, tire inflators and other lines of petroleum marketing equipment in its Bennett Pump Division; milk cans, milk bottle crates, refrigerated bulk milk coolers, and stainless steel products in its Superior Metalware Division; water heaters, boilers, heating equipment, and pneumatic and storage tanks in its Heater and Tank Division; A.S.M.E. air receivers and expansion tanks, pneumatic tanks, mineral and brine tanks, marine fuel tanks, and custom fabricating for industry in carbon and stainless steel in its Industrial Products Division; and domestic and commercial heating equipment in its Fess Burner Division. The Air Pollution Control Division manufactures a line of air pollution control equipment and provides various engineering services for contaminant abatement and by-product recovery. Research and product development is conducted in its Research and Engineering Division.

COMPARATIVE HIGHLIGHTS

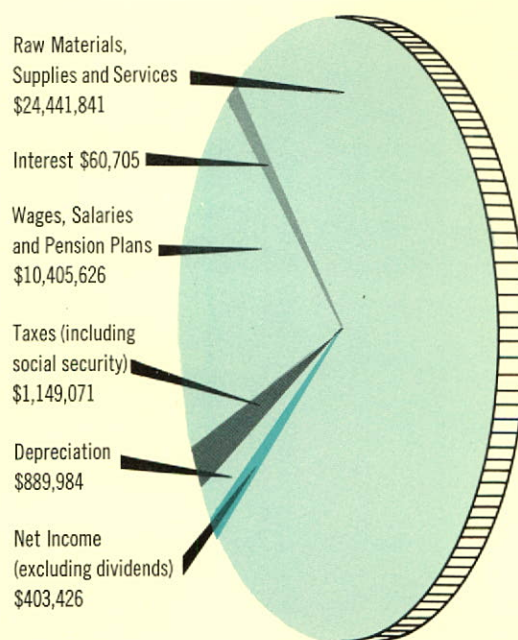
1962

1961

Net sales	\$37,350,653	\$39,299,807
Income before taxes on income	749,426	1,498,865
U.S. federal and Canadian income taxes	346,000	698,000
Net income	403,426	800,865
Total dividends declared	516,219	469,258
John Wood Industries Limited		
Preferred stock	72,519	92,495
Class "A" common stock	213,625	297,714
Class "B" common stock	56,554	79,049
John Wood Company		
Common stock	173,521	—
Common stockholders' equity	14,937,224	15,133,309
Current assets	15,405,938	15,492,299
Current liabilities	3,930,025	3,917,484
Working capital	11,475,913	11,574,815
Wages, salaries, and pension plans	10,405,626	10,609,238
Number of employees	1,822	1,830
Number of stockholders	1,038	2,230

	1962	1961
FUNDS MADE AVAILABLE		
From operations		
Income	\$ 403,426	\$ 800,865
Depreciation	889,984	811,051
	<u>1,293,410</u>	<u>1,611,916</u>
Increase (decrease) in long term debt	2,000,000	(125,000)
Amounts paid in on exercise of stock options	24,413	—
	<u>3,317,823</u>	<u>1,486,916</u>
FUNDS APPLIED		
Additions to property, plant and equipment, less net book value of assets disposed of	838,301	1,536,914
Dividends		
John Wood Industries Limited		
Preferred stock	72,519	92,495
Class "A" common stock	213,625	297,714
Class "B" common stock	56,554	79,049
John Wood Company		
Common stock	173,521	—
	<u>516,219</u>	<u>469,258</u>
Purchases and redemption of preferred stock	1,952,665	—
Reorganization expenses	232,440	—
Increase (decrease) in other assets	(122,900)	36,070
	<u>3,416,725</u>	<u>2,042,242</u>
Excess of funds applied over funds made available, accounting for decrease in working capital	98,902	555,326
Working capital—beginning of period	11,574,815	12,130,141
Working capital—end of period	<u>\$11,475,913</u>	<u>\$11,574,815</u>

**DISTRIBUTION OF
NET SALES 1962
TOTAL \$37,350,653**



TO THE STOCKHOLDERS

On behalf of the Board of Directors and Officers, I present herewith consolidated statements of financial position and operations of John Wood Company and its subsidiaries, John Wood Company Limited in Canada, and its subsidiaries (John Wood International S. A. and Bennett do Brasil Industria e Comercio Limitada), John Wood International Corporation, and John Wood Pan American Corporation.

During 1962 John Wood Company, formerly the United States subsidiary, became the parent company. An Arrangement was proposed and approved by the Board of Directors of John Wood Industries Limited which provided for subdividing class "B" shares and reclassifying class "A" and "B" shares, and for the transfer of certain of its assets to its Canadian subsidiary, John Wood Company Limited, and other assets to its United States subsidiary, John Wood Company. It also provided for distribution of shares of John Wood Company to holders of the reclassified shares of John Wood Industries Limited on a four-for-one basis after redemption of the 16,913 preferred shares then outstanding.

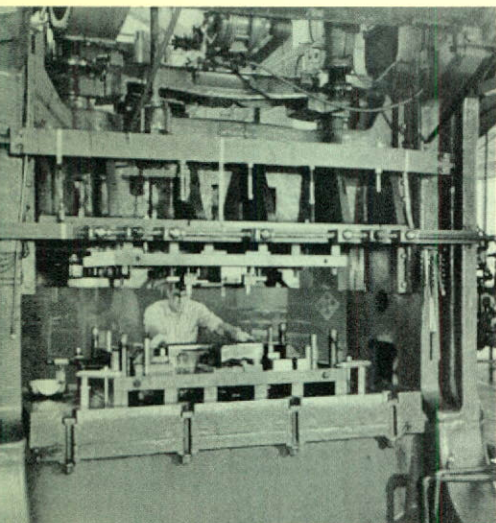
The proposed Arrangement was agreed to by an overwhelming majority at the meetings of the stockholders held in Toronto on November 15, 1962, and was sanctioned by the Judge of the Supreme Court of Ontario. On December 24, 1962, the preferred shares were redeemed, and on December 27, 1962, common stock of John Wood Company was distributed to Chartered Trust Company for the benefit of stockholders of John Wood Industries Limited in liquidation. As a result of this reorganization, John Wood Company had 1,156,808 shares outstanding of the two million authorized.

The reorganization eliminated a holding company, simplified the capital structure by having only one class of stock and transferred to the former class "A" stockholders voting power commensurate with their interest.

Net sales for 1962 amounted to \$37,351,000 compared with \$39,300,000 for 1961. In prior years the earnings, assets, and liabilities were included in consolidated financial statements on the basis of a United States dollar being equal to a Canadian dollar. In these consolidated financial statements for both 1962 and 1961 the Canadian dollars have been adjusted to reflect the equivalent U.S. dollar value.

Operations during 1962 resulted in income before income taxes but after depreciation and all other charges of \$749,000, a decrease of \$750,000 when compared with 1961. Factors contributing to the decline in 1962 earnings are explained later in this letter.

Provision for taxes on 1962 income was \$346,000, compared with \$698,000 for the prior year. Total taxes in the United States and Canada, including income, real estate, payroll, and franchise taxes paid or accrued for the year, amounted to \$1,149,000, which is equivalent to \$1.00 per share on the common stock.



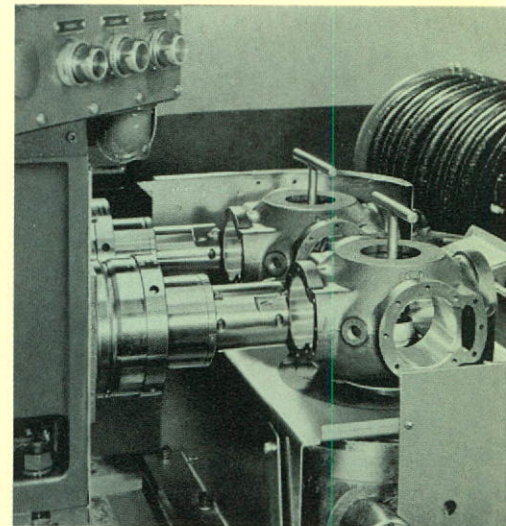
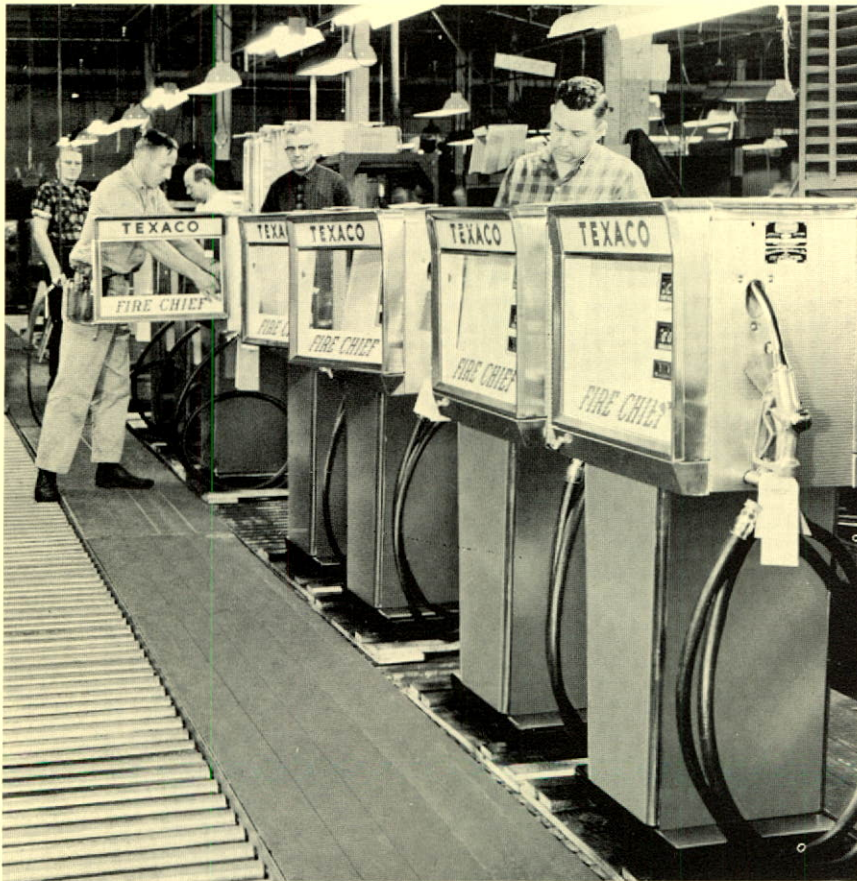
This 400 ton punch press stands two stories high. It is one of the pieces of equipment used in shearing, piercing, blanking, and drawing operations for the various metal forms or stampings required in our broad line of products.

Net income for 1962 amounted to \$403,000, and after preferred dividends was equal to \$.29 per share compared with \$801,000 for 1961, equal to \$.61 per share. Earnings per share are based on the average number of shares of John Wood Company stock that would have been outstanding during each year, had the reorganization been reflected as of January 1, 1961.

On John Wood Industries Limited stock, regular quarterly dividends were declared during the first three quarters of the year on the 4½ per cent preferred stock, and dividends of Can. \$1.20 per share were paid on both classes of common stock. Accrued dividends to the date of redemption were also paid on the preferred stock.

On John Wood Company stock, a dividend of \$.15 per share was declared in the fourth quarter, and paid subsequent to year-end.

Common stockholders' equity at December 31, 1962, amounted to \$14,937,000, representing a decrease of \$196,000 during the year. However, the Company's financial position remained strong with working capital at December 31, 1962, amounting to \$11,476,000, and a working capital ratio of 3.9 to 1.



Final boring operation of meter body. This machine holds tolerance of 0.0002" and is one of a battery of four which, with two milling machines, forms a complete automated line.

Partial view of one of Bennett Pump's assembly lines showing the trend-setting Pacemaker Center Pedestal 1963 gasoline pumps just prior to crating operation.

To provide funds for redemption of the preferred shares and prepayment of the \$1,000,000 balance owing on the previous term loan without impairing working capital, the Company borrowed \$3,000,000 from The Mutual Benefit Life Insurance Company at an annual rate of interest of 5¼ per cent. The first installment of the new term loan does not become due until December 1, 1966.

Capital expenditures, less depreciated book value of assets disposed of during the year, aggregated \$838,000. These expenditures were primarily for our Muskegon, Chicago, Conshohocken, and Toronto plants.

John Wood Company Limited has joined forces with Sauser A. G. of Solothurn, Switzerland, in a new company, Bennett-Sauser A. G. located in Solothurn which will be devoted to the manufacture of the Bennett line of products and the Sauser commercial coin- and key-operated gasoline pump devices. The products made by Bennett-Sauser A. G. will be marketed in Switzerland by its own sales force, but export sales to be shipped from Solothurn will be handled by the John Wood International S. A. organization with headquarters in Lausanne, Switzerland.

A preliminary arrangement with another European manufacturer has been made and definitive plans for a plant in the Common Market, of which John Wood Company Limited will be joint owner, are expected to be completed by mid-year of 1963.

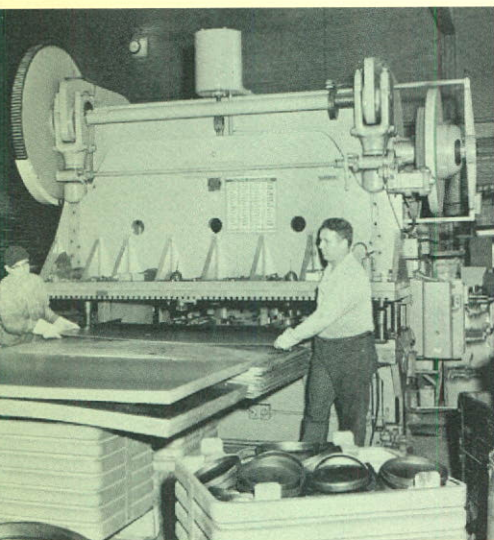
Direct operations in Brazil will be completely closed out prior to July 1, 1963, without incurring any significant losses. Operations will continue under a licensing arrangement which has been worked out with a well-established Brazilian manufacturer.

Our volume of gasoline pump sales in the South American, Central American, and Asiatic countries, and Canada has held up very well through this past year, and without question the Bennett line of gasoline pumps is one of the leaders in the international market.

In the United States the unit volume of sales of our Bennett Pump Division failed to equal the preceding year, although we do not believe our Company lost ground in relation to total industry sales. Dollar volume of sales suffered as a result, and were further affected by a softening of prices in the latter half of the year.

Substantial operational progress was made during the year in the Heater and Tank Division. The benefits of the consolidation program of 1961, and the new glasslining plant were well assimilated into operations. A new line of gas water heaters was introduced; this line was devised to improve both cost and merchandising factors. It has been successful in both objectives. Gains thus made were offset by a further sharp collapse in competitive water heater prices which took place at the end of May 1962 and was not reversed by year-end. Currently there appears to be some strengthening in water heater prices.

The Industrial Products Division improved its position during 1962 by assimilating businesses which were acquired to bolster its tank volume after the transfer of water heater activities, developing its custom fabricating of process equipment, and continuing a general cost reduction program. During the year, facilities were added to permit the fabrication of stainless steel and nonferrous materials on a commercial basis.



Heavy press brake completes tank body openings in a single operation.

The Superior Metalware Division experienced a record year in the sale of wire dairy crates. However, results of this Division were adversely affected by unsettled conditions in the business of premix tanks for the carbonated beverage industry. The operation was faced with substantially reduced volume in this important area of its business together with an expensive model change in the middle of the selling season. The Division enters 1963 with dairy crates showing promise for another good year and with volume in premix tanks assured by recently negotiated contracts. A new bulk milk cooler for dairy farms supplying the milk process industry has been developed and recently put on the market. It is hoped that this item will offset some of the shrinkage in the milk shipping can market.

The Air Pollution Control Division obtained an order for its first two electrostatic precipitators. These units are presently being installed in a plant of one of the nation's major steel producers.

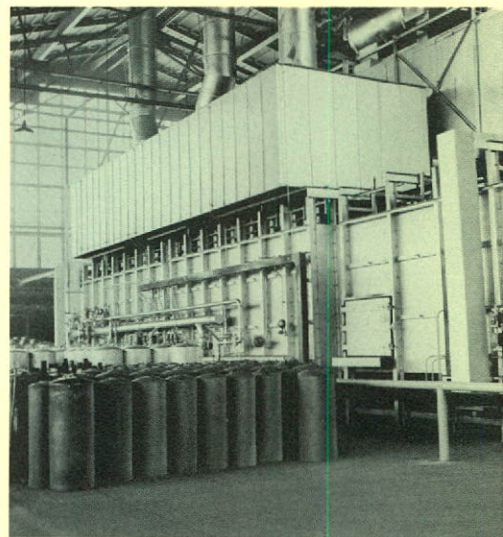
Income of John Wood Company Limited was the highest ever attained by the Canadian subsidiary. New income records were established by both Toronto and Winnipeg plants. Major factors contributing to this gratifying result were significant reductions in manufacturing costs through the use of new equipment and facilities, and the improved design and performance of Company products. It is expected that the Canadian Company will maintain its present favorable market position during 1963.

Operations will be dealt with in further detail at the Annual Meeting of Stockholders to be held at Morgan Guaranty Trust Company of New York in New York City on April 25, 1963.

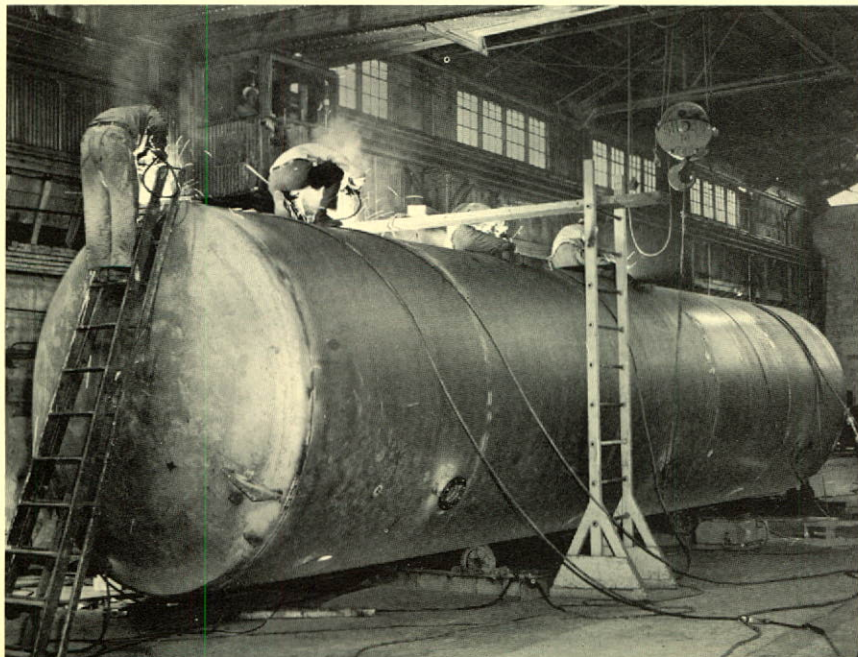
On behalf of the Board of Directors, I want to take this opportunity of expressing my appreciation for the loyalty and cooperation of the officers and employees of the organization.



Chairman of the Board and President



This new glasslining plant occupies two levels for efficient space utilization. Ground floor includes millroom, gritblast machine and gas-fired tube furnace. Upper level contains milled enamel storage tanks, automatic spraying equipment and first stage drying oven.

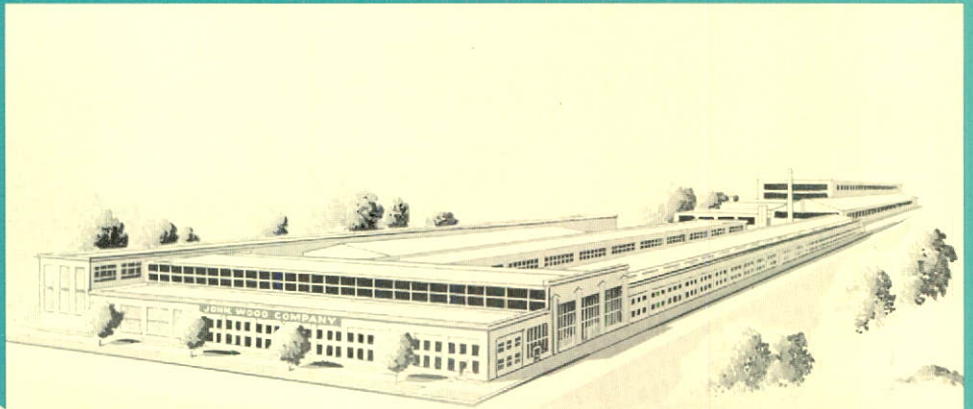
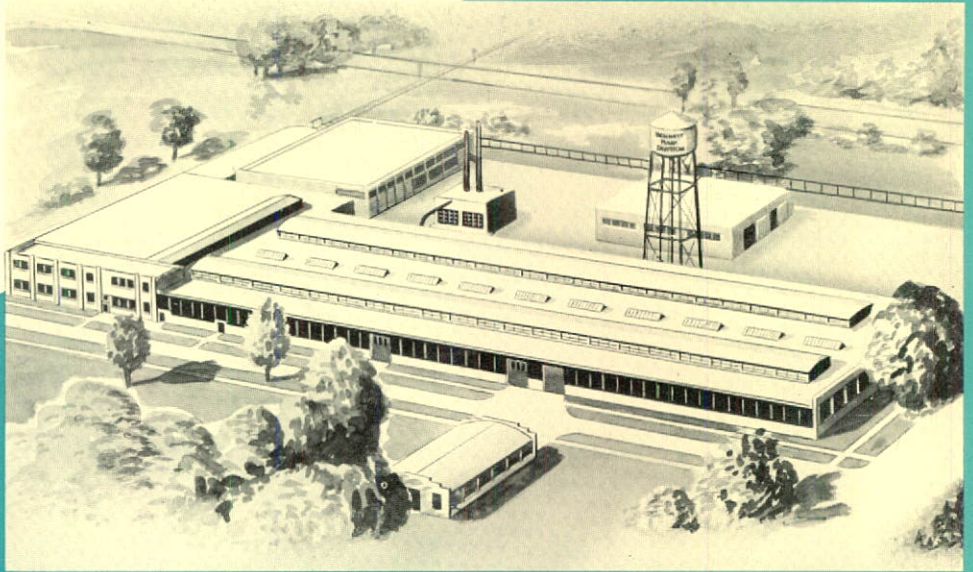


Many of our products are custom-built for specialized industrial uses such as this huge underground storage tank.

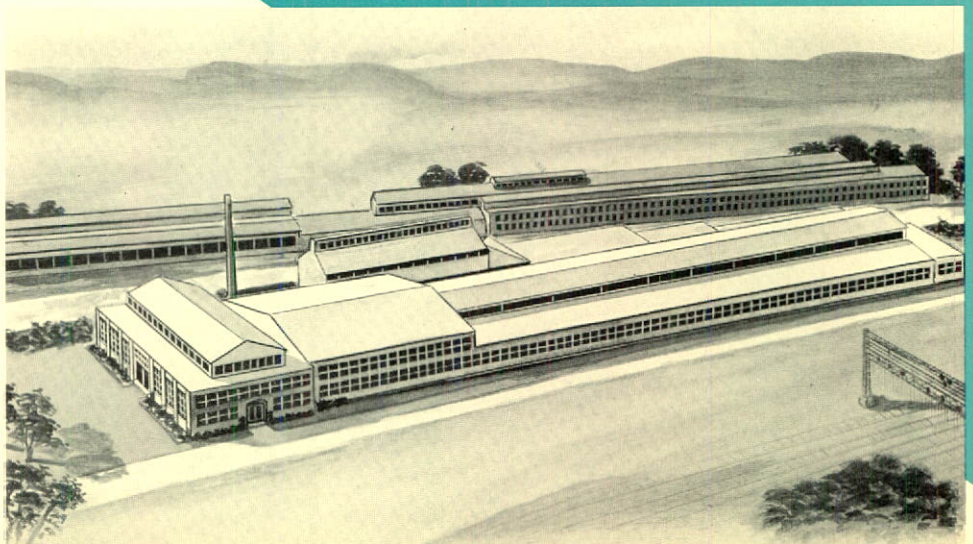
JOHN WOOD COMPANY...

Utilizing the extensive modern facilities in these six major production centers, skilled craftsmen build quality products that reflect *John Wood's* 96 years of manufacturing experience.

JOHN WOOD COMPANY



Heater and Tank Division
Chicago, Illinois



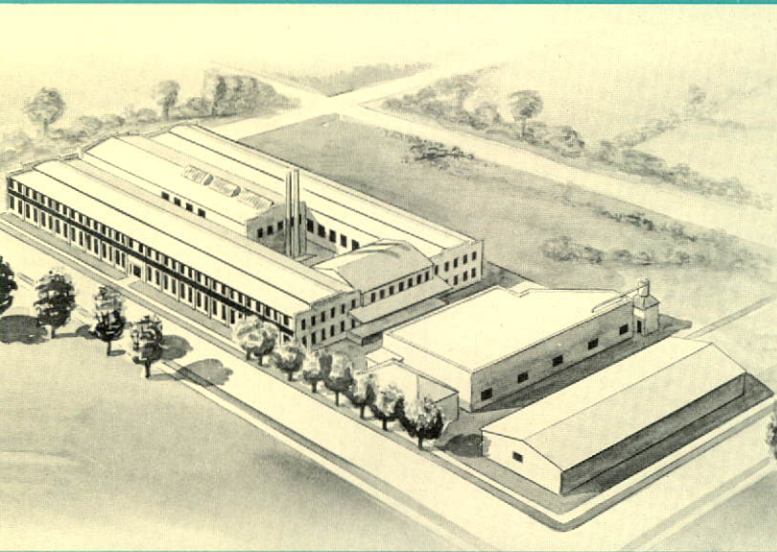
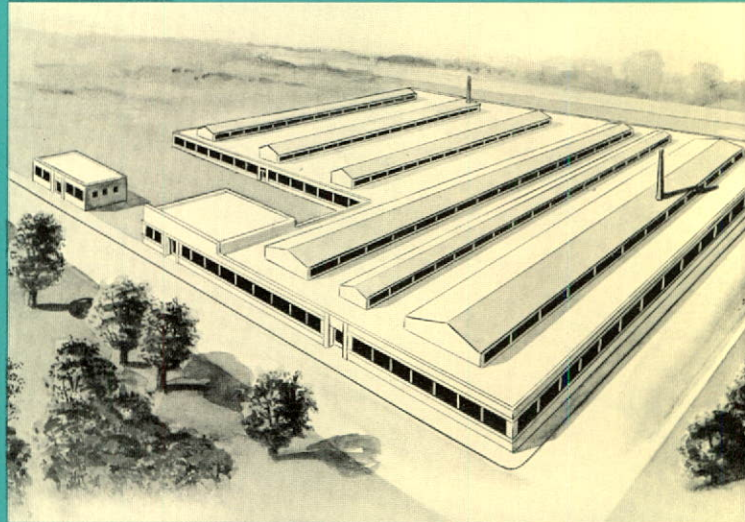
Industrial Products Division
Air Pollution Control Division
Conshohocken, Pennsylvania

and Subsidiary ...

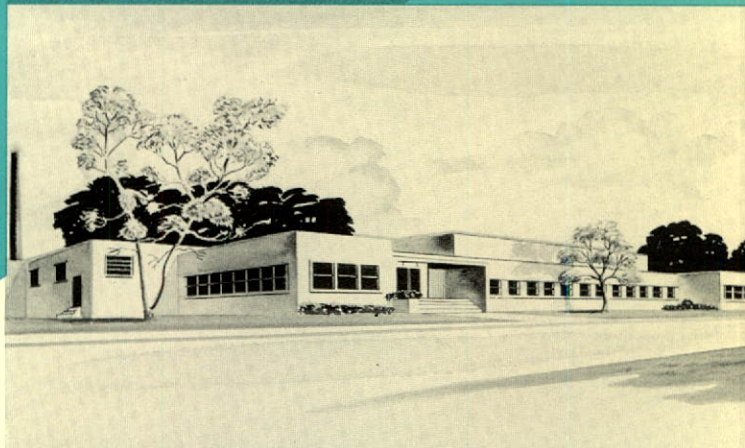
**JOHN WOOD COMPANY
LIMITED**

Heater and Tank Division
Bennett Pump Division
Fess Burner Division
Toronto, Ontario

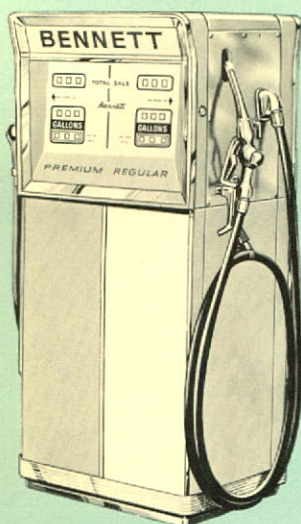
Bennett Pump Division
Muskegon, Michigan



Superior Metalware Division
St. Paul, Minnesota



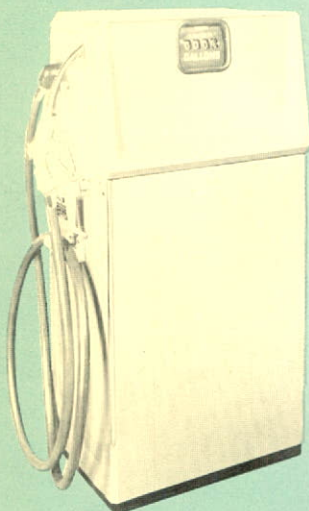
Heater and Tank Division
Winnipeg, Manitoba



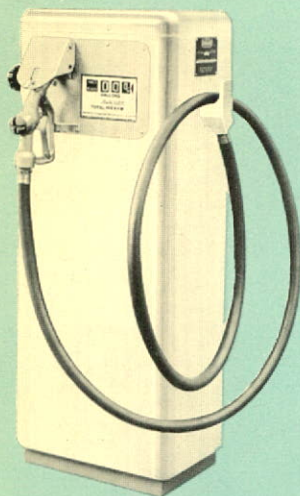
2000 Series Lighted Twin Pump for two products, also available as a single pump for one product.



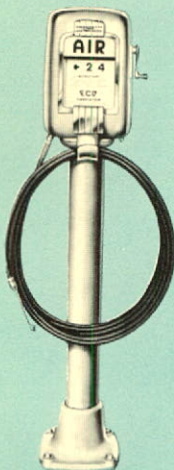
RAM remote automatic submerged system for multi-dispenser service stations.



Series 2700 Fleetmaster gasoline pump for fleet refueling.



Series 58 Fleet Jr. gasoline pump for small fleets, industry, farms, ranches.



Eco Tireflator assures accurate automatic tire inflation.



Twin Dispenser pumps two grades of gasoline by means of hose-within-hose.

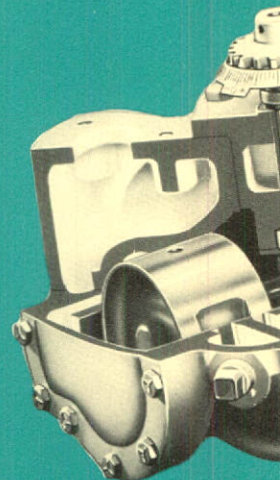
BENNETT PUMP

BREAKTHROUGH!

How Bennett met the challenge of 1962 in Petroleum Marketing

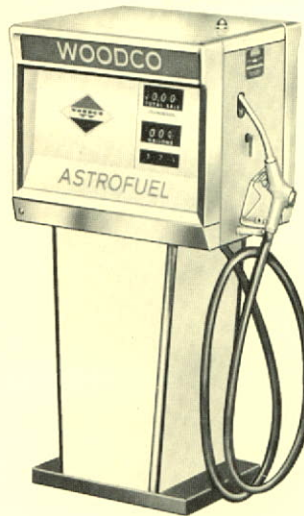
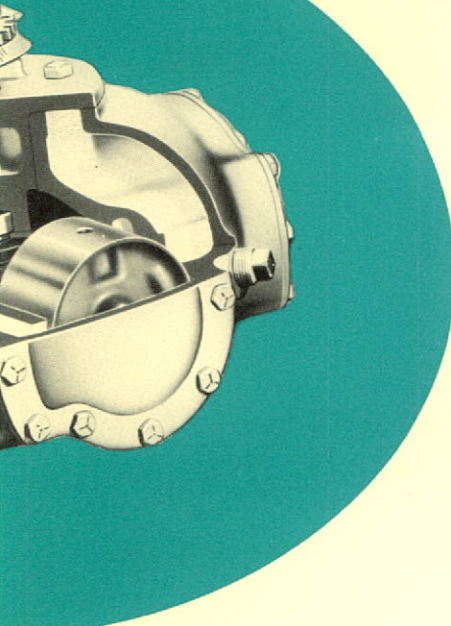
Building around the flawless operation of the time-tested Bennett all-metal, "fuel-proof" meter, BENNETT PUMP DIVISION produces the industry's most advanced petroleum marketing equipment. The meter gives Bennett gasoline dispensing pumps their unequalled accuracy and dependability. It is literally "fuel-proof" against any of today's additive-laden, high-aromatic content fuels.

The Bennett Modular Series 3000 meets the challenge of rapidly changing gasoline marketing. Four years in development, market-proven, this Series puts gasoline dispensing, oil display, air-water, service and TBA in individual modules and opens the way to unlimited combinations to meet any market need. They have been enthusiastically received by oil marketers, dealers and the public.

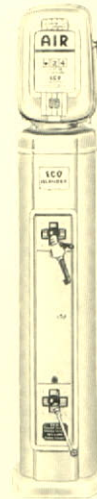


DIVISION

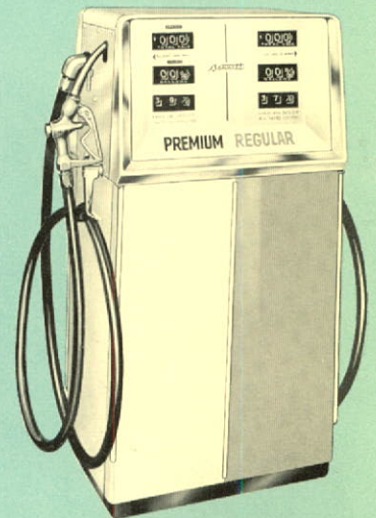
PETROLEUM MARKETING EQUIPMENT



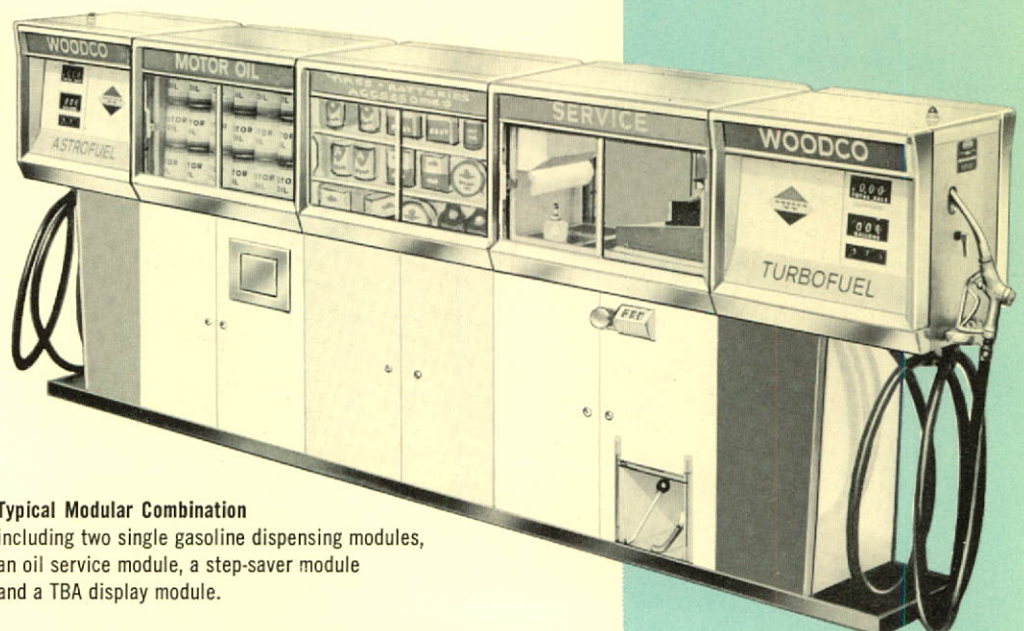
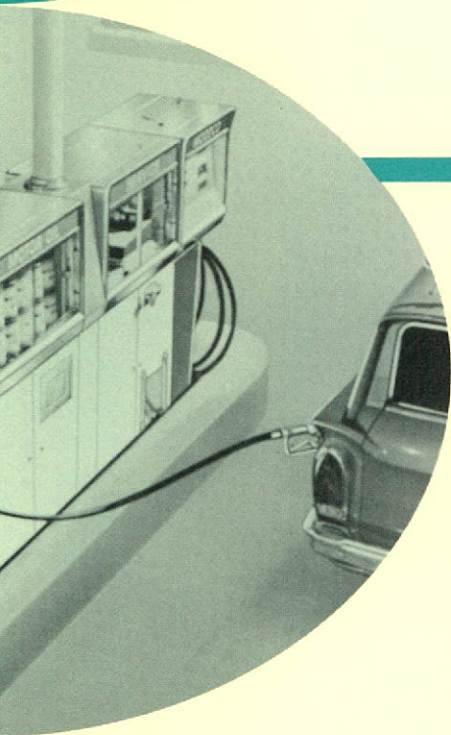
Free-Standing Center Mounted Dispenser is available in single or double types equipped with 12' hose.



Eco Islander puts air and water on the island in one compact unit.



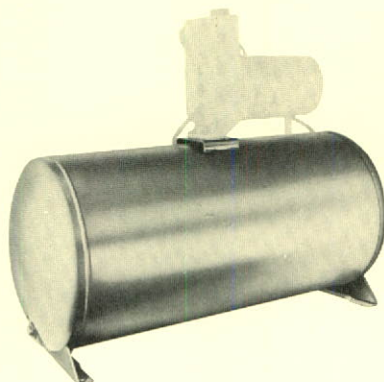
2100 Series Lightless Pump available as a single pump for one product or "twin" for two products as shown.



Typical Modular Combination
including two single gasoline dispensing modules, an oil service module, a step-saver module and a TBA display module.

**HEATER
AND
TANK
DIVISION**

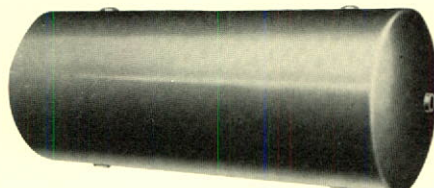
PRODUCTS FOR MANY ESSENTIAL



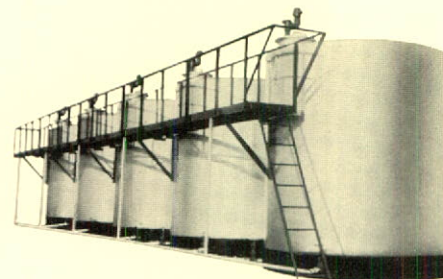
Hydro Pneumatic Tanks
— for the Pump Industry



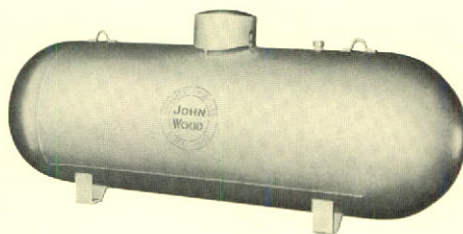
Water Softener Tanks
— for the Water Conditioning Industry



Underground Storage Tanks
— for the Gasoline Marketing Industry



Bulk Storage Tanks
— for the Petroleum Industry



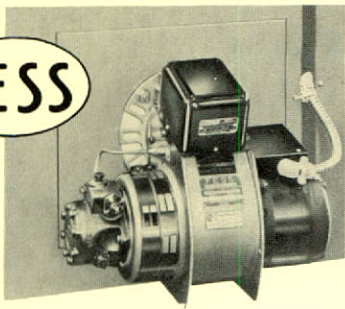
Propane Gas Tanks
— for the Gas Industry



Portable Construction Heaters
— for the Construction Industry

INDUSTRIES

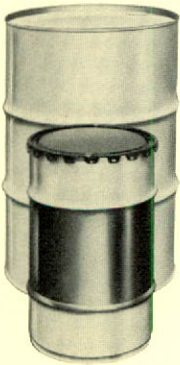
FESS



Oil Burners
— for the Furnace Industry



Elevated Farm Storage Tanks
— for the Agriculture Industry



Drums and Kegs
— for the Food and Chemical Industry

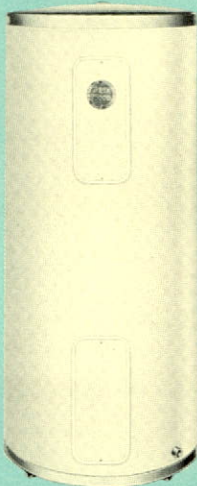
**PRODUCTS FOR DOMESTIC
AND COMMERCIAL PLUMBING**



**Automatic Gas
Water Heaters**



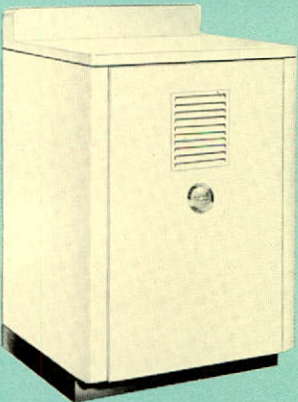
**Glass-Lined and
Galvanized Range Boilers,
Expansion Tanks and
Hot Water Storage Tanks**



**Automatic Electric
Water Heaters**



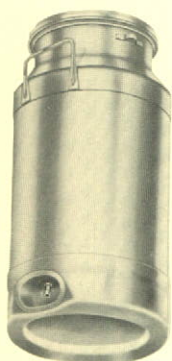
**Automatic Oil
Water Heaters**



**Table top Gas and
Electric Water Heaters**

SUPERIOR METALWARE DIVISION

DAIRY METALWARE • STAINLESS STEEL PRODUCTS



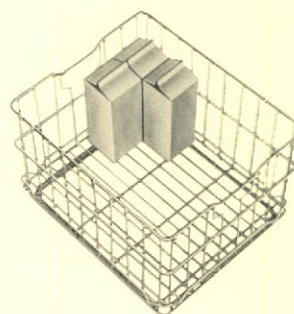
Milk Dispenser Can



Milk Can



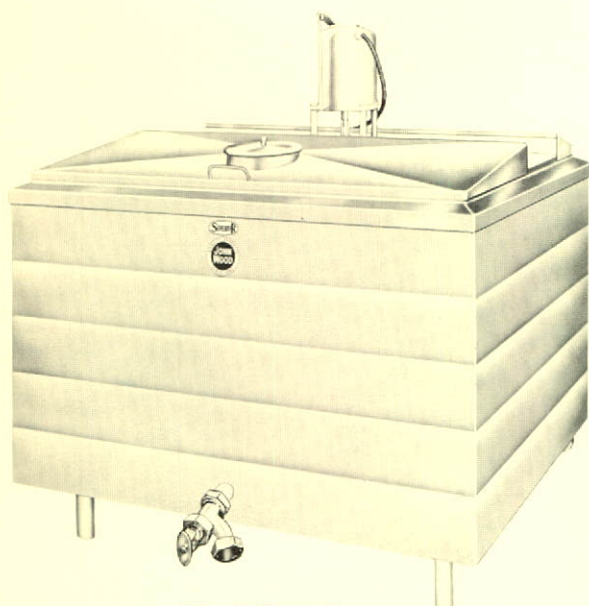
Milk Pail



Milk Crate

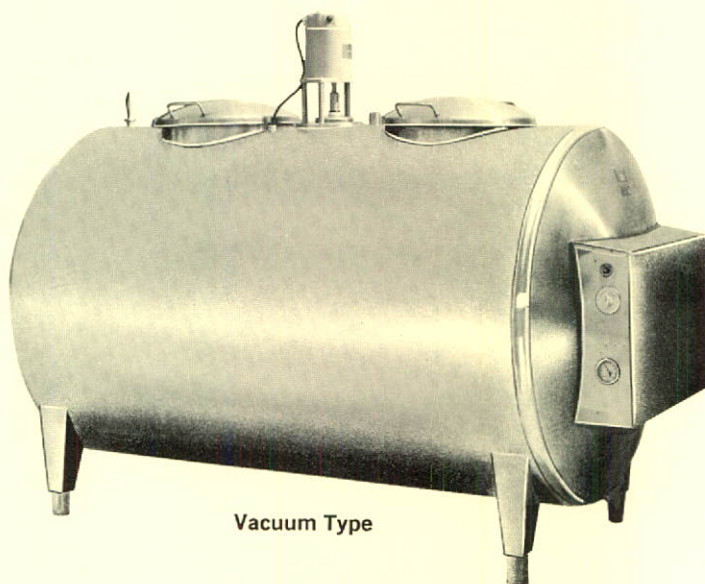


Premix Tank



Direct Expansion
and Ice Bank Type

REFRIGERATED BULK MILK COOLERS

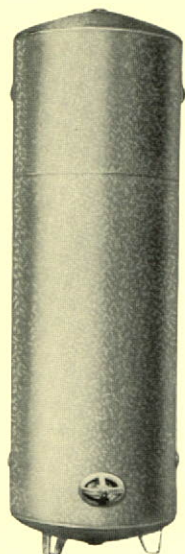
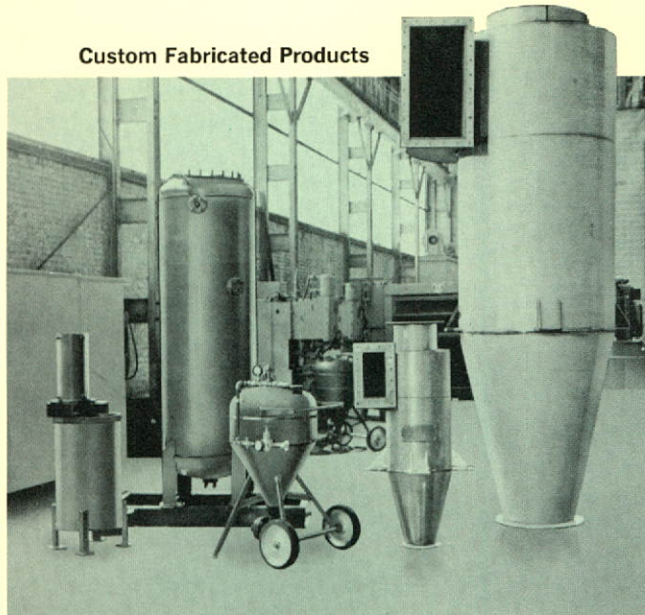


Vacuum Type

INDUSTRIAL PRODUCTS DIVISION

PRESSURE VESSELS • TANKS • FABRICATED SPECIALTIES

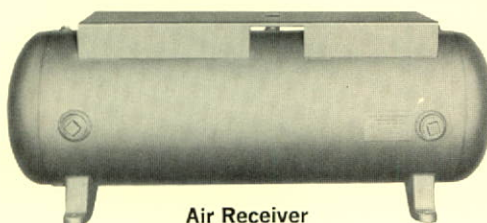
Custom Fabricated Products



Water Storage Tank



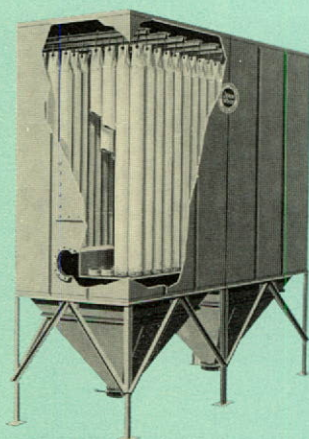
Pressure Storage Tank



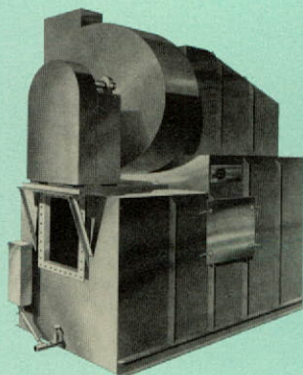
Air Receiver

AIR POLLUTION CONTROL DIVISION

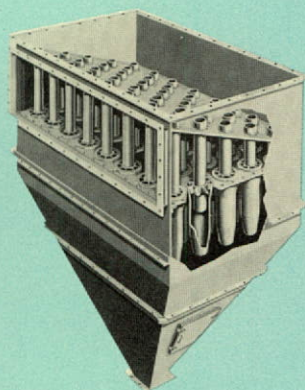
RESEARCH • ENGINEERING • PRODUCTION



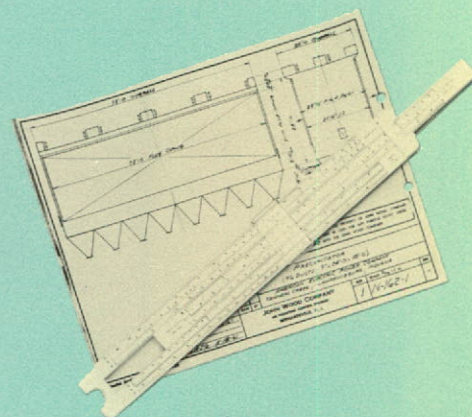
Fabric Filters



Scrubbers



Cyclones



Precipitators
Turnkey Installations



CONSOLIDATED BALANCE SHEET

Assets

		1962	1961
CURRENT	Cash	\$ 2,639,332	\$ 2,260,762
	United States government securities, at cost which approximates market	99,360	995,469
	Accounts and notes receivable (less allowance 1962—\$212,748; 1961—\$228,100)	4,426,787	4,737,553
	U.S. federal income tax refundable	398,875	—
	Inventories at the lower of cost, substantially first-in first-out, or market		
	Finished goods and work in process	5,022,393	4,685,974
	Raw materials and supplies	2,819,191	2,812,541
	Total current assets	<u>15,405,938</u>	<u>15,492,299</u>
FIXED	Property, plant and equipment, at cost		
	Land	484,814	472,286
	Buildings	4,518,728	4,402,539
	Machinery and equipment	<u>8,828,807</u>	<u>8,842,316</u>
		13,832,349	13,717,141
	Less accumulated depreciation	<u>8,005,521</u>	<u>7,838,630</u>
	Net property, plant and equipment	<u>5,826,828</u>	<u>5,878,511</u>
OTHER	Other assets	634,483	757,383
		<u>\$21,867,249</u>	<u>\$22,128,193</u>

JOHN WOOD COMPANY *DECEMBER 31, 1962 AND 1961* (NOTE 1)

Liabilities and Stockholders' Equity

		1962	1961
CURRENT	Accounts payable	\$ 1,223,852	\$ 1,480,545
	U.S. federal and Canadian income taxes	809,312	504,792
	Accrued liabilities	1,723,340	1,693,460
	Dividends payable	173,521	113,687
	Long term debt due within one year	—	125,000
	Total current liabilities	3,930,025	3,917,484
LONG TERM	5¼% note payable to insurance company, due \$180,000 annually commencing in 1966, with the balance due in 1977	3,000,000	—
	3½% notes payable to insurance company	—	1,000,000
EQUITY	Stockholders' equity (Note 1)		
	Common stock, no par value—John Wood Company (Note 4)		
	Authorized—2,000,000 shares		
	Issued—1,156,808 shares stated at	4,525,256	—
	Capital stock—John Wood Industries Limited		
		Shares issued	
	4½% cumulative preferred	20,774	2,077,400
	Common class "A" no par	188,312	714,936
	Common class "B" no par	50,000	
	Retained earnings (less amounts transferred to common stock account) (Note 2)	10,411,968	14,418,373
	Total stockholders' equity	14,937,224	17,210,709
		<u>\$21,867,249</u>	<u>\$22,128,193</u>

See accompanying notes.

JOHN WOOD COMPANY

CONSOLIDATED STATEMENT OF INCOME

Years Ended December 31, 1962 and 1961 (NOTE 1)

	1962	1961
Net sales	\$37,350,653	\$39,299,807
Other income	100,339	195,317
	<u>37,450,992</u>	<u>39,495,124</u>
Costs and expenses		
Cost of sales	30,865,334	32,080,231
Selling, general and administrative	5,679,487	5,846,475
Interest on long term debt	42,016	42,656
Other deductions	26,417	21,710
Loss on foreign exchange	88,312	83,287
Prior years' reserves no longer required (not subject to income tax)	—	(78,100)
	<u>36,701,566</u>	<u>37,996,259</u>
Income before taxes on income	749,426	1,498,865
U.S. federal and Canadian income taxes	346,000	698,000
Net income	<u>\$ 403,426</u>	<u>\$ 800,865 (*)</u>

Depreciation deducted in the above statement:

1962 — \$889,984; 1961 — \$811,051.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Year Ended December 31, 1962 (NOTE 1)

	4½% Cumulative Preferred Stock	Common Stock	Retained Earnings
Balances at December 31, 1961	\$2,077,400	\$ 714,936	\$14,418,373 (*)
Add (deduct)			
Net income for year			403,426
Cost of 3,861 shares of 4½% cumulative preferred stock purchased prior to reorganization	(386,100)		50,918
Amounts paid in on 890 shares of common stock class "A" upon the exercise of stock options		24,413	
Amounts paid for 16,913 shares of 4½% cumulative preferred stock redeemed at \$103 (Canadian) per share	(1,691,300)		73,817
Reorganization expenses (including approximately \$150,000 of Canadian taxes and exchange adjustment relating to the reorganization)			(232,440)
Transfer of consolidated retained earnings to common stock account as a result of the reorganization and the distribution of John Wood Company common stock (1,156,808 shares) to stockholders in exchange for John Wood Industries Limited common stock		3,785,907	(3,785,907)
Dividends declared			
John Wood Industries Limited	Per Share		
Preferred	Can. \$4.425	U.S. \$4.157	(72,519)
Common class "A"	1.20	1.13	(213,625)
Common class "B"	1.20	1.13	(56,554)
John Wood Company			
Common15	(173,521)
Balances at December 31, 1962 (Note 2)	<u>\$ —</u>	<u>\$4,525,256</u>	<u>\$10,411,968</u>

(*) Net income for the year ended December 31, 1961 and retained earnings at that date were previously reported at \$871,736 and \$14,483,595 respectively. The amounts shown above have been adjusted to reflect translation of Canadian accounts into U.S. dollars retroactive to December 31, 1960.

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

1. Reorganization and basis of consolidation

During 1962 the stockholders of John Wood Industries Limited (a Canadian corporation) approved a plan of reorganization whereby (1) the class "B" shares of Industries were split 2 for 1, (2) one share of new common stock of Industries was exchanged for each class "A" and class "B" share outstanding, (3) the balance of Industries outstanding shares of $4\frac{1}{2}\%$ cumulative preferred stock were redeemed for cash, (4) Industries investments in wholly-owned subsidiaries outside North America were sold to a Canadian subsidiary, (5) all remaining assets and liabilities of Industries except its stock investment in its then wholly-owned U.S. subsidiary, John Wood Company, were transferred to John Wood Company in exchange for additional shares of John Wood Company's stock, and (6) all of the outstanding stock of John Wood Company was distributed by Industries in exchange for all of Industries then outstanding stock on a 4 for 1 basis.

At the conclusion of these transactions, John Wood Company, a U.S. corporation, was the parent company of the same affiliated group of companies of which John Wood Industries Limited had previously been the parent company.

The accompanying consolidated financial statements at and for the years ended December 31, 1962 and 1961 are presented as those of John Wood Company for the entire period, since the consolidated financial position and results of operations were not affected by the reorganization except for changes in capital accounts set forth in the consolidated statement of stockholders' equity, the related changes in long term debt and the translation, retroactive to December 31, 1960, of Canadian accounts into U.S. dollars at prevailing rates of exchange rather than at U.S. \$1 = Can. \$1 as previously reported.

Current assets and current liabilities of foreign affiliates have been translated into U.S. dollars at the rates of exchange prevailing at the end of the respective years. Additions to property, plant and equipment during 1962 have been translated at exchange rates prevailing during the year. Property, plant and equipment acquired by Canadian subsidiaries prior to 1962 and their other assets are stated at U.S. \$1 = Can. \$1; the adjustments which would result from translation of such accounts at other than par are not material. Operating accounts for 1962 and 1961 (other than depreciation) have been translated at average rates of exchange prevailing during each of the two years.

2. Dividend restriction

Under the agreement relating to $5\frac{1}{4}\%$ note payable to an insurance company, payments subsequent to December 31, 1961 for cash dividends (or for acquisition of the Company's own stock) may be made only to the extent of \$1,000,000 plus 75% of net income (as defined) subsequent to December 31, 1961, and only if net current assets and net tangible assets (both as defined) would not be reduced below \$7,000,000 and \$12,000,000 respectively by any such payment. At December 31, 1962 retained earnings not so restricted under this agreement amounted to approximately \$754,000.

3. Pension plans

At December 31, 1962 the estimated unfunded past service costs under the trustee retirement plans for hourly paid employees and under the group annuity contracts for salaried employees amounted to approximately \$1,600,000. Amounts charged to income in 1962 and 1961 with respect to such plans were \$149,000 and \$214,000 respectively, of which \$11,000 and \$100,000 related to past service costs.

4. Stock option plan

At December 31, 1961 options to purchase 6,530 shares of class "A" common stock of John Wood Industries Limited were outstanding under an employees' stock option plan. During 1962 options were exercised as to 890 shares and no options were granted or canceled or expired. At December 31, 1962, after adjusting for the exchange of 4 shares of John Wood Company stock for each share of John Wood Industries Limited stock, options on 22,560 shares of John Wood Company stock were outstanding at prices of \$6.36 and \$7.38 per share; of these, options as to 20,440 shares were exercisable at that date. At December 31, 1962 options on an additional 20,632 shares were available for grant under the plan.

AUDITORS' REPORT

ARTHUR YOUNG & COMPANY CERTIFIED PUBLIC ACCOUNTANTS

U.S.A., CANADA, MEXICO, SOUTH AMERICA
GREAT BRITAIN, CONTINENTAL EUROPE
MIDDLE EAST, SOUTH AFRICA, AUSTRALIA

165 BROADWAY
NEW YORK 6

The Board of Directors and Stockholders
John Wood Company

We have examined the accompanying consolidated balance sheet of John Wood Company and subsidiaries at December 31, 1962 and the related consolidated statements of income and stockholders' equity (of John Wood Company and John Wood Industries Limited, former parent company - see Note 1) for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of John Wood Company and subsidiaries at December 31, 1962 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young & Company

March 5, 1963

OPERATING DIVISIONS

JOHN WOOD COMPANY

Executive Office: 70 Pine Street, New York
GUY GEORGE GABRIELSON, President

BENNETT PUMP DIVISION

Plants: Muskegon and Hart, Michigan
Principal Warehouses: Atlanta, Ga., Boston, Mass., Chicago, Ill., Dallas, Tex., Denver, Colo., Detroit, Mich., El Paso, Tex., Greensboro, N. C., Jacksonville, Fla., Kansas City, Mo., Los Angeles, Calif., Memphis, Tenn., Milwaukee, Wis., New Orleans, La., New York, N. Y., San Francisco, Calif., Seattle, Wash., St. Paul, Minn.

HEATER AND TANK DIVISION

J. C. WALLACE, Senior Vice President
Heater and Tank, Industrial Products,
Superior Metalware and Air Pollution Control Divisions
Plant: Chicago, Illinois
M. N. McIlwain, Vice President and General Manager
Principal Warehouses: Boston, Mass., Conshohocken, Pa., New York, N. Y., Salt Lake City, Utah

INDUSTRIAL PRODUCTS DIVISION

Plant: Conshohocken, Pennsylvania
V. Mauck, Jr., General Manager
Principal Warehouses: Albany, N. Y., Bethel, Conn., Boston, Mass., Cleveland, Ohio, New York, N. Y.

SUPERIOR METALWARE DIVISION

Plant: St. Paul, Minnesota
D. E. Washburn, Vice President and General Manager
Principal Warehouses: Atlanta, Ga., Conshohocken, Pa., Fort Worth, Tex., Los Angeles, Calif., Louisville, Ky., Memphis, Tenn., San Francisco, Calif., Seattle, Wash.

AIR POLLUTION CONTROL DIVISION

Office and Laboratory: Hanover, New Jersey
J. W. Lenehan, Vice President and General Manager

RESEARCH AND ENGINEERING DIVISION

Office and Laboratory: Bernardsville, New Jersey
S. F. Faunce, Vice President and Director of Research and Engineering

JOHN WOOD COMPANY LIMITED

Executive Office: 101 Hanson Street, Toronto, Ontario
A. M. AIKMAN, President

BENNETT PUMP DIVISION HEATER AND TANK DIVISION FESS BURNER DIVISION

Plants: Toronto, Ontario
G. C. Berry, Vice President and Manager
Winnipeg, Manitoba
T. H. Gibson, Vice President and Manager
Principal Warehouses: Montreal, Quebec; Toronto, Ontario; Winnipeg, Manitoba;
Calgary, Alberta; Edmonton, Alberta; Vancouver, B. C.

FOREIGN MARKETING SUBSIDIARIES

JOHN WOOD PAN AMERICAN CORPORATION

29 Broadway, New York Executive Office: 70 Pine Street, New York

JOHN WOOD INTERNATIONAL CORPORATION

29 Broadway, New York Executive Office: 70 Pine Street, New York

JOHN WOOD INTERNATIONAL S. A.

Rue Marterey 38, Lausanne, Switzerland

These marketing subsidiaries distribute the products of John Wood Company through their sales agents in principal foreign countries of the Free World.

Western Hemisphere

Argentina Buenos Aires
British West Indies Jamaica
Trinidad
Chile Santiago
Colombia Bogota
Bucaramanga
Cali
Costa Rica San Jose
Dominican Republic
Santo Domingo

Ecuador Quito
Guayaquil
El Salvador San Salvador
Guatemala Guatemala City
Haiti Port au Prince
Honduras San Pedro Sula
Mexico Mexico City
Guadalajara
Monterrey
Puebla
Hermosillo

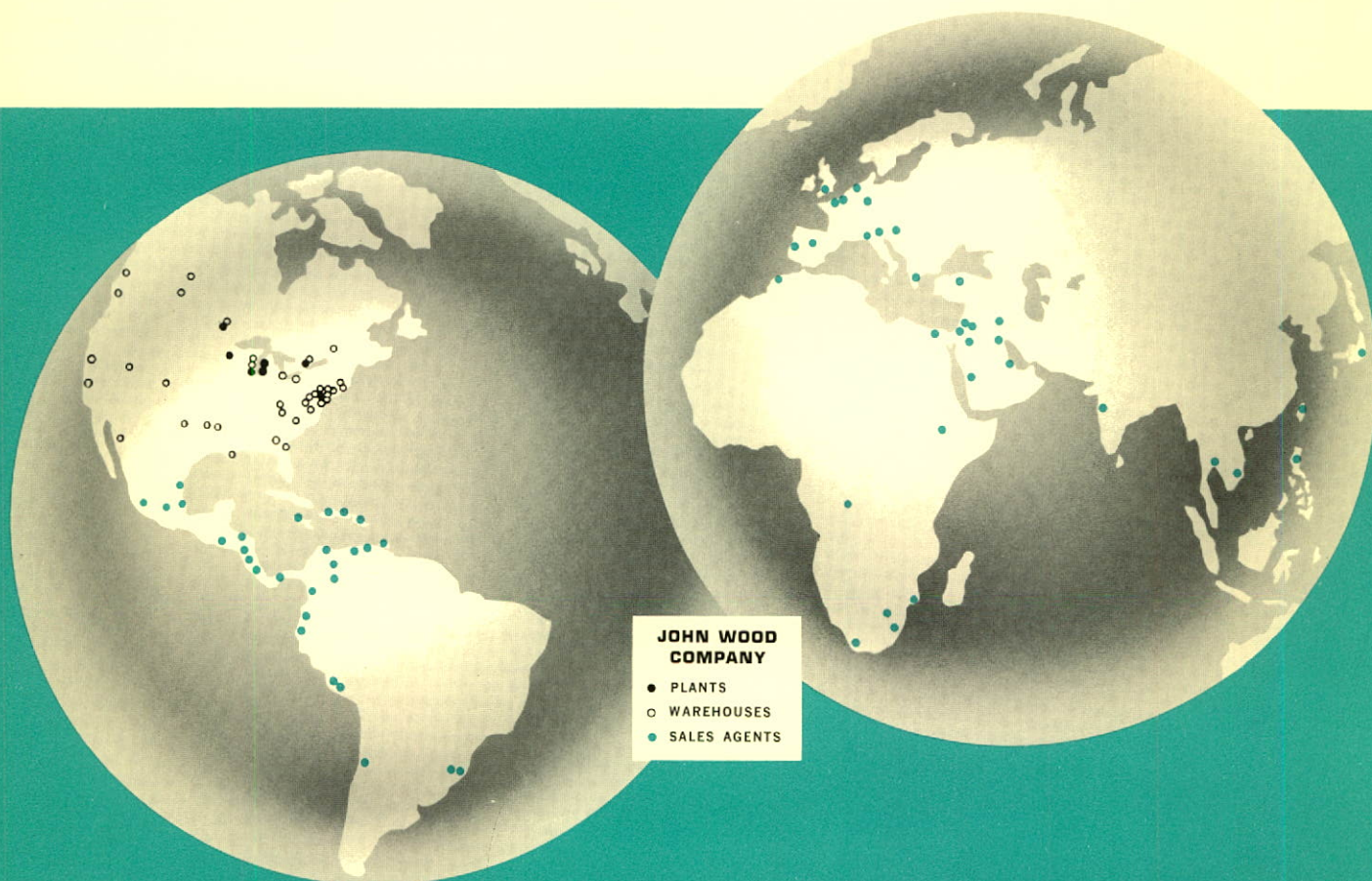
Nicaragua Managua
Panama Colon
Peru Lima
Arequipa
Puerto Rico San Juan
Uruguay Montevideo
Venezuela Caracas
Maracaibo
Barquisimeto

Eastern Hemisphere

Austria Vienna
Belgium Brussels
Antwerp
Congo Leopoldville
England London
Ethiopia Addis Ababa
Greece Athens
India Bombay
Iraq Baghdad
Israel Tel Aviv
Italy Genoa

Japan Tokyo
Jordan Amman
Kuwait Al Kuwait
Lebanon Beirut
Mozambique Lourenço Marques
Morocco Casablanca
Netherlands Amsterdam
Philippine Islands Manila
Portugal Lisbon
Saudi Arabia Jeddah
Dammam

South Africa Cape Town
Durban
Johannesburg
Spain Madrid
Syria Damascus
Taiwan Taipei
Thailand Bangkok
Turkey Ankara
U.A.R. Cairo
Vietnam Saigon
Western Germany Dusseldorf



JOHN WOOD COMPANY