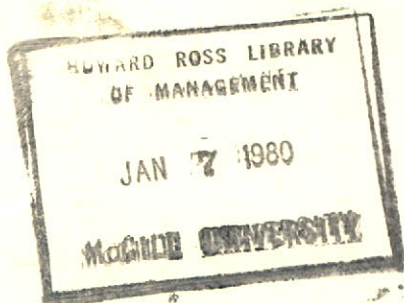


**LIVINGSTON
INDUSTRIES
LIMITED**

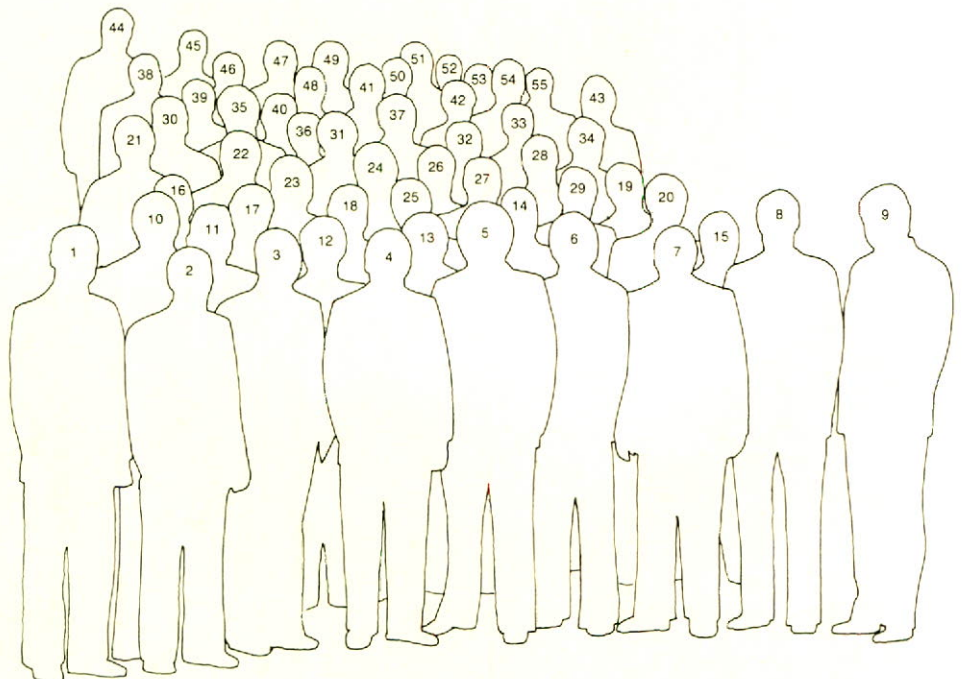


ANNUAL REPORT 1979



1. W. G. Davies
2. B. J. Parent
3. G. F. Francolini
4. J. S. Freund
5. T. A. Logan
6. B. R. Duncan
7. D. J. Dewar
8. A. H. Wade
9. M. Fabi
10. A. N. Dodd
11. P. F. McElhone
12. J. M. Wood
13. J. W. Patterson
14. P. Leblanc
15. G. B. Bishop
16. R. H. Medel
17. J. D. Lamont
18. T. J. Sheahan
19. D. H. Gordon
20. R. N. deRyk
21. J. E. Jeffery
22. J. C. Brohman
23. J. D. Outerson
24. G. May
25. K. C. Seebach
26. R. J. Claringbold
27. J. B. Pittao
28. J. Pasma

29. W. C. Miller
30. A. E. Griffen
31. A. P. Gardner
32. G. R. Thomas
33. J. T. Moran
34. E. S. Nesbitt
35. L. E. Hintz
36. G. W. Monaghan
37. W. W. Mawhiney
38. P. R. Beaudry
39. P. A. Blyth
40. T. C. Foreman
41. J. Armour
42. R. J. McConnell
43. K. S. Stephenson
44. J. A. Humphrey
45. R. E. Bentley
46. J. Cocchetto
47. B. R. Hamilton
48. G. K. Bennett
49. D. B. Nevill
50. D. J. Magashazi
51. R. White
52. H. A. Simmons
53. F. Pencz
54. P. L. MacGinnis
55. J. C. Stewart



DIRECTORS

GENO F. FRANCOLINI
Vice-Chairman and Chief Executive Officer

DONALD H. GORDON
Vice-President and Secretary of Allpak Limited

T. NORMAN HALL
President and Chief Operating Officer,
Hall Corporation Shipping Limited

MILTON E. HARRIS
President, J. Harris & Sons Limited

RICHARD M. IVEY, Q.C.
Chairman of the Board of Allpak Limited

RICHARD W. IVEY
Associate, Tory, Tory, Deslauriers & Binnington
Barristers and Solicitors

FREDERICK W.P. JONES
Business Consultant

GERALD V. LIVINGSTON
Honorary Chairman of the Board

IAN H. McLEOD
President of Allpak Limited

A. HARRY WADE
President and Chief Operating Officer

OFFICERS

GERALD V. LIVINGSTON
Honorary Chairman of the Board

RICHARD M. IVEY
Chairman of the Board

GENO F. FRANCOLINI
Vice-Chairman and Chief Executive Officer

A. HARRY WADE
President and Chief Operating Officer

JOSEPH S. FREUND
Senior Vice-President and General Manager Export

W. GWYLFY DAVIES
Vice-President and General Manager, U.K.

DONALD J. DEWAR
Vice-President, Customs Brokerage and Freight Forwarding

MARTIN FABI
Vice-President, Warehousing

THOMAS A. LOGAN
Vice-President, Transportation

BRIAN R. DUNCAN
Vice-President, Finance

BEN J. PARENT
Assistant Vice-President, Administration

ANDY N. DODD
Assistant Vice-President, Export

AUDITORS

CLARKSON, GORDON & CO.

VALUATION DAY

For Canadian capital gains tax purposes, Valuation Day values as established by the Department of National Revenue are:

Series "A" 6% First Preference Shares\$39.25
Common Shares 9.00

HEAD OFFICE

264 TILLSON AVE.
TILLSONBURG, ONTARIO
N4G 3B6

PLANTS AND WAREHOUSES

- TILLSONBURG, ONTARIO
264 Tillson Ave.
Highway 3
- LONDON, ONTARIO
847 Highbury Ave. (Hwy. 126)
- HAGERSVILLE, ONTARIO
City of Nanticoke, Nr. Townsend

SUBSIDIARIES

LIVINGSTON ALLPAK (U.K.) LIMITED
Welton Packing Station
Watford Nr. Rugby, Warwickshire, U.K.

LIVINGSTON INDUSTRIES INC.
1111 Imeson Park Blvd.
Jacksonville, Florida

LIVINGSTON MUTUAL WAREHOUSING LIMITED
137 Horner Ave., Toronto, Ontario

260 Brimley Road, Scarborough, Ontario
60 Shorncliffe Road, Toronto, Ontario
346 Arvin Ave. (Stoney Creek), Hamilton, Ontario
847 Highbury Ave. (Hwy. 126), London, Ontario
1655 Fleetwood Road, Montreal, Quebec
415 Manitou Road S.E., Calgary, Alberta
Consolidated Warehousing
14735-124th Ave., Edmonton, Alberta
1450 Mountain Ave., Winnipeg, Manitoba

LIVINGSTON TRANSPORTATION LIMITED
81 Gaylord Road, St. Thomas, Ontario
334 Arvin Ave. (Stoney Creek), Hamilton, Ontario
2421 Cawthra Road (Mississauga), Toronto, Ontario
22 Houser Lane, Woodstock, Ontario
844 Bridge Ave., Windsor, Ontario
120 Townline Road, Tillsonburg, Ontario
R.R. #6, Chatham, Ontario
1655 Fleetwood Rd., Montreal, Quebec

INTERNATIONAL IMPORT CUSTOMS BROKERS INC.
60 Shorncliffe Road, Toronto, Ontario

LEITH & DYKE LIMITED
260 - One Bentall Centre, 505 Burrard St., Vancouver, B.C.

ICB FREIGHT SERVICES (U.K.) LIMITED
International House
London (Heathrow) Airport
Great-Southwest Rd.
Feltham, Middlesex, U.K.

**A COMPANY OF
PEOPLE WHERE
SUCCESS IS
CLEARLY
IMPORTANT**

To the Shareholder:

A decade has passed since Allpak Limited (formerly Allpak Products Limited) purchased control of Livingston Industries Limited. It has also been ten years since I assumed the Presidency of the company . . . February, 1969.

In January, 1979, Allpak purchased all of the outstanding shares of Livingston Industries Limited (thus delisting the company from the Toronto Stock Exchange), and in March, 1979, I relinquished the title of President and assumed the position of Vice-Chairman and Chief Executive Officer of the company.

We therefore thought this might be an appropriate time to look back over the past decade and review what the 10 years has meant not only to the company, but to our employees, our customers, our suppliers and our present and former shareholders.

The company changed its year-end from April 30th to July 31st effective July 31, 1977, therefore, our ten years under review will be a comparison of the fiscal year ended April 30, 1969 with that ended July 31, 1979.

Ten years ago, Canada was in the midst of a business boom — the economy was strong and the stock market was buoyant. Today, the economy is troubled, the stock market is speculative, and inflation has become the most critical problem facing the entire world, with energy costs being the major cause. In spite of the uncertainty, we have confidence in the future, and will — as we have over the past decade — continue to invest in growth and expansion.

HIGHLIGHTS OF THE DECADE 1969-1979

In 1969, our sales amounted to \$15.2 million; in 1979, they increased to \$109.5 million. During the same period, our net earnings rose from \$1.1 million to \$7.3 million, an increase of 564% or approximately 20% per annum on a compound rate.

Shareholders' equity increased from \$4.3 million as at April 30, 1969, to \$34.9 million as at July 31, 1979. Return on common equity for the decade remained fairly constant averaging 23.2% per annum.

Debt to equity ratio (long term debt of \$0.9 million as a ratio of total equity and deferred taxes of \$4.5 million) was 20.0% as at April 30, 1969 and 52.6% as at July 31, 1979 (long term debt of \$19.4 million as a ratio of total equity and deferred taxes of \$36.9 million) — an increase brought about by the large capital investments during the decade. Total assets have increased from \$8.8 million as at April 30, 1969 to \$88.3 million as at July 31, 1979.

Fixed assets have increased on a net book value basis from \$4.9 million as at April 30, 1969 to \$49.3 million as at July 31, 1979 as follows:

	July 31, 1979	April 30, 1969
Land	\$ 8,920,200	\$ 148,900
Siding, roadways, etc.	1,696,800	397,000
Buildings	38,991,300	3,580,700
Machinery and equipment	9,196,100	2,934,700
Automotive equipment	13,458,100	1,063,200
Leasehold improvements	—	748,300
	72,262,500	8,872,800
Less accumulated depreciation and amortization	23,005,400	4,002,200
	<u>\$49,257,100</u>	<u>\$4,870,600</u>

Our land holdings have increased from 37 acres as at April 30, 1969 to 1,189 acres as at July 31, 1979. Facilities area has increased from 800,000 square feet as at April 30, 1969 to 4,900,000 square feet as at July 31, 1979.

As well, we had warehouses under construction as at July 31, 1979; 200,000 square feet in Edmonton and 70,000 square feet in the U.K.

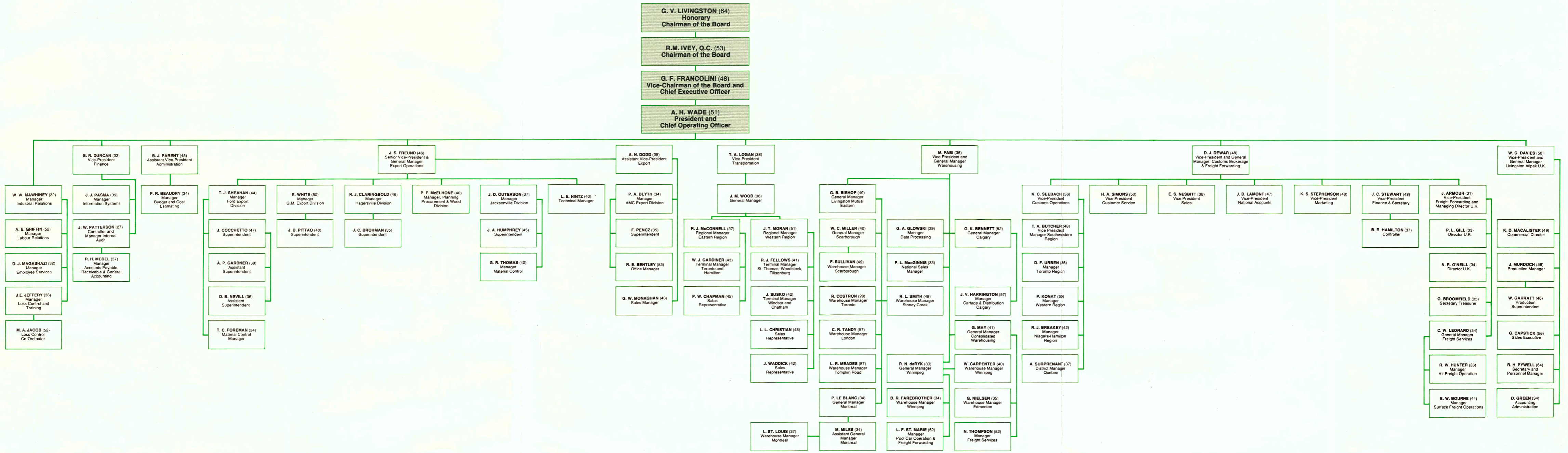
The facilities are geographically distributed in Canada, U.S.A. and the U.K. and all of our major centres of operations have now available for future expansion, company owned lands.

In spite of the major expansion undertaken during this ten year period, we still have strived to maintain a conservative leveraged position. Our aim is to insure that the company is able to withstand if necessary, a recessionary climate.

Our ten-year strategy for growth was to concentrate on the service industry versus major manufacturing. That area, we labelled the "Total Distribution Service" . . . a total service which includes export packing, packaging, transportation, warehousing, freight forwarding and customs brokerage. The breakdown in sales composition is as follows:

Year Ended July 31, 1979		Year Ended July 31, 1978		Year Ended April 30, 1969	
\$	%	\$	%	\$	%
(thousands of dollars)		(thousands of dollars)		(thousands of dollars)	
67,300	61	51,100	70	10,900	72
15,700	14	12,800	17	—	—
13,400	13	—	—	—	—
9,200	8	6,700	9	800	5
3,800	4	2,800	4	3,500	23
100	—	100	—	—	—
<u>\$109,500</u>	<u>100%</u>	<u>\$73,500</u>	<u>100%</u>	<u>\$15,200</u>	<u>100%</u>





BOARD OF DIRECTORS

- Geno F. Francolini — Tillsonburg
- Donald H. Gordon — London
- T. Norman Hall — Montreal
- Milton E. Harris — Toronto
- Richard M. Ivey — London
- Richard W. Ivey — Toronto
- Frederick W. P. Jones — London
- Gerald V. Livingston — London
- Ian H. McLeod — London
- A. Harry Wade — Tillsonburg



Over the ten-year period, we have made the following acquisitions and divestitures. The medium of payment for all of the acquisitions, save two, was either all cash or a combination of cash and debt. The acquisitions up to now were of relatively small companies, but were an important part of the growth plan.

ACQUISITIONS (DIVESTITURES)

FISCAL YEAR	COMPANY/DIVISION NAME	TYPE OF BUSINESS
1969	J. Waldie Company St. Thomas, Ontario	highway transport
1970	Kenhar Industries Limited Brampton, Ontario	steel forgings manufacturer
1971	Livingston Allpak (U.K.) Limited	export packing
1972	Motor Packing Limited U.K.	export packing
1973	Wirebound box division of Consolidated Bathurst Limited Hagersville, Ontario	wirebound wooden box manufacturer
	O. Robertson Transport Limited Hamilton, Ontario	highway transport
	Waltson Warehousing Limited Hamilton, Ontario	warehousing
	Mutual Warehousing Limited Toronto, Ontario	warehousing and distribution
1974	Woodland Realty Limited London, Ontario	retail real estate
	(Persista division Toronto, Ontario)	(steel stampings manufacturer)
1975	H. B. Christian Limited Woodstock, Ontario	highway transport
	Spicknell Transport Limited London, Ontario	highway transport
1976	Bennett & Shaw Storage and Distributing Limited Calgary, Alberta	warehousing and distribution
	Manitoba Cartage and Storage Limited, Winnipeg, Manitoba	warehousing and distribution
	M.I.T. Freightlines Limited Tillsonburg, Ontario	highway transport
	(Kenhar division Brampton, Ontario)	(steel forgings manufacturer)
	Merrifield Transport Company Limited Windsor/Detroit, U.S.A.	highway transport
1977	(Woodland Realty Limited London, Ontario)	(retail real estate)
1978	International Customs Brokers Limited, Toronto, Ontario	customs brokers
	I.C.B. Freight Services U.K. Limited	freight forwarders
	Waddick Transport Limited Chatham, Ontario	highway transport
1979	Terminal Customs Brokers Guelph, Ontario	customs brokers
	Consolidated Warehousing Limited Edmonton, Alberta Winnipeg, Manitoba	warehousing and distribution

Today, we are seeking acquisitions of a somewhat larger size than in the past and, because these acquisitions may be larger, they may represent new fields of interest while still lying within our traditional "Total Distribution Service" sphere of activity.

Last, but not least, "People" . . . "Livingston is People" . . . the number we employ has grown from just over 700 in 1969 to over 3,000 in 1979. Our success has been made to look easy because of our people. It has been a priority with us that we must provide our employees with the security of working for a successful company, with job satisfaction, with good remuneration and safe working conditions and acknowledging their right to be informed. Because our "Group" has expanded so greatly in numbers in the last ten years, we are currently devoting a considerable time and effort to improving communications and consultation with employees and their representatives. This we are doing because we are convinced that the healthy long-term growth of the company depends on it.

Hopefully too, in the decade, we have provided our customers with a high standard of service at fair prices and our shareholders with adequate rewards for their confidence.

HIGHLIGHTS OF FISCAL 1979

A very successful year in spite of our first major labour disruption in ten years. Our export packing division in Canada experienced a four week strike . . . January, 1979. Since the settlement, management and union have, under the auspices of the Ontario Department of Labour, held dialogue sessions which we feel have been very constructive and progressive.

The major accomplishment in fiscal 1979 was the integration of International Customs Brokers Limited and I.C.B. Freight Service U.K. Limited (acquired July 19, 1978): a major customs brokerage and freight forwarding services company in Canada and the United Kingdom. Subsequent to July 31 another major accomplishment was the agreement and amalgamation of Import Customs Brokers Limited (as at August 17, 1979) with International to form the largest Canadian owned customs brokerage firm, International Import Customs Brokers Inc. Included in this Canadian network of customs brokers is majority control of Leith & Dyke Limited in British Columbia.

During the year the warehouse expansions were as follows:

Montreal.....	100,000 square feet
Calgary.....	150,000 square feet

Also during the year Consolidated Warehousing Limited was acquired bringing into the corporate stream additional facilities in Winnipeg and Edmonton of approximately 400,000 square feet. Meanwhile a leased warehouse in Brampton, Ontario of 125,000 square feet was closed. Livingston Mutual Warehousing Limited is now the premier grocery warehousing and distribution company in Canada.

Livingston Allpak (U.K.) Limited further expanded its warehouse capabilities with a 70,000 square foot addition during the year.

A first for us . . . the warehouse division embarked on a major experiment . . . Mini warehousing, do-it-yourself storage. The idea behind it is simple . . . easily accessible storage space is offered in a supervised, well-lit complex. Each user has his own fully enclosed locked area and he is provided with a key. Anytime he wishes during the complex's business hours, he can visit his mini-warehouse and add or take away items as he sees fit for no extra charge. The storage space can be rented for long or short term periods of time.

Our experiment, a 42 unit facility is located at our Highbury Avenue, London, Ontario complex.

FINANCIAL REVIEW OF FISCAL 1979

Briefly, consolidated sales were \$109,453,000 compared with \$73,530,000 in the previous year . . . an increase of approximately 48%.

Consolidated net income amounted to \$7,261,000 in 1979 as compared to \$6,515,000 for the year ended July 31, 1978.

Income before taxes on income as a percentage of sales was 12.9% in 1979 versus 16.5% in 1978 . . . affected primarily by the labour dispute.

Cash flow per common share for the year increased to \$7.24 per share in 1979 from \$6.08 per share for the year ended July 31, 1978.

The net capital expenditure for fiscal 1979 of \$9,914,000 generally breaks down by division as follows:

Export Packing — Canadian.....	\$1,374,000
— U.S.A.....	364,000
Warehousing — Canadian.....	4,929,000
— U.K.	1,058,000
Transportation.....	1,710,000
Customs Brokerage	479,000
	<u>\$9,914,000</u>

Of the capital expenditures of \$9,914,000 approximately \$4,800,000 was financed by increased long term debt, the balance by internally generated cash flow.

The company's land holdings have increased to 1,189 acres in 1979 as against 1,115 in 1978 and facilities area has increased from 4,339,000 square feet in 1978 to 4,883,000 square feet in 1979.

Working capital during the year increased by \$2,427,000 from \$440,000 at July 31, 1978 to \$2,867,000 at July 31, 1979 . . . a working capital ratio of 1.1 to 1. Meanwhile, the company's acid test ratio remained virtually unchanged at 0.89 to 1 as at July 31, 1979.

The debt to equity ratio was also virtually unchanged during the year at 53% at July 31, 1979.

Shareholders' equity at July 31, 1979 amounted to \$19.65 per common share as compared to \$16.32 per common share at July 31, 1978. Return on assets for the year ended July 31, 1979 amounted to 8.2% as against 8.7% in 1978. Return on common equity for the year ended July 31, 1979 amounted to 22.7% as against 24.8% in 1978.



WE SEE FOR FISCAL 1980

- 1) A fairly flat export packing activity in North America and the U.S. at best, but more than likely a decrease because of the worldwide economic fragility due to the oil/energy uncertainty.
- 2) Completion of our Western Canada expansion programme with the additional facilities in Edmonton. Review of our mini warehouse experiment and decision on our direction.
- 3) Another expansion of 70,000 square feet in the U.K. on the existing Welton Sawmills Nr. Rugby site.
- 4) Assimilation changes within our recently amalgamated customs brokerage subsidiary. We also anticipate that we will be making selective purchases of customs brokerage operations to further supplement our Canada wide coverage.
- 5) Further expansions and acquisitions are anticipated in the freight forwarding field.
- 6) In the transportation area most of the expansion will be internal with acquisitions, if any, coming only toward the end of fiscal 1980.
- 7) In the real estate area . . .
 - (i) Fourth year planning of City of Nanticoke (Hagersville/Townsend) acreage . . . if progress is similar to that enjoyed in fiscal 1979 . . . moving the anticipated development date forward to 1982.
 - (ii) Consummation of development of our 13 acre site in Brampton, Ontario (former Kenhar site . . . partially leased until 1984) and for the 25 acre site in London, Ontario.
- 8) Further expansion by acquisition in the U.S.A. and/or the U.K. in the field of the "Total Distribution Services".

THE OUTLOOK

Although the years ahead do hold uncertainties, I think we can look forward to a reasonable continuing growth in our six operating divisions:

Export packing including packaging manufacturing
 Warehousing and Distribution
 Transportation
 Customs Brokerage
 Freight Forwarding
 Real Estate

I would like to express my personal thanks to our directors, our senior officers, our dedicated staff and able employees for their expert guidance, full support and co-operation that I have received without exception. It was for the most part their efforts which brought forth the results contained in this report.

Thanks . . . for a great ten years.

On behalf of the Board,

G. Francolini

Vice-Chairman of the Board

R. [Signature] *G. [Signature]*

Chairman of the Board

Honorary Chairman of the Board

What to look for in the Financial Statements

(Thousands of dollars)

Acid test: Cash plus accounts receivable divided by current liabilities:
 $\$ \text{nil} + 28,494 = 28,494 \div 31,947 = 0.89 \text{ to } 1$

Debt/equity ratio: Long-term debt divided by sum of deferred taxes plus shareholders' equity:
 $\$19,418 \div (2,034 + 34,878) = 52.6\%$

Return on assets: Net income divided by total assets:
 $\$7,261 \div 88,277 = 8.2\%$

Working capital: Current assets less current liabilities:
 $\$34,814 - 31,947 = 2,867 = 1.09 \text{ to } 1 \text{ current ratio}$

LIVINGSTON INDUSTRIES LIMITED	
Consolidated Balance Sheet	
July 31, 1979	
Assets	Liabilities
Current:	Current:
Cash	Due to bankers
Accounts receivable	Accounts payable
Inventories	Income and other taxes payable
Prepaid expenses	Long-term debt instalments
	due within one year
Long-term assets	
	Long-term debt
	Deferred taxes
	Shareholders' equity
	Preferred shares
	Common shares
	Retained earnings
Total assets	Total liabilities and equity

Interest coverage: Income before taxes plus interest expense divided by interest expense:
 $\$14,111 + 2,968 = 17,079 \div 2,968 = 5.8 \text{ times}$

Cash flow: Net income plus depreciation, amortization, deferred taxes and other non-fund items less preferred share dividends divided by average number of common shares outstanding:
 $(\$12,865 - 11) \div 1,774,734 = \$7.24 \text{ per common share}$

Equity per common share: Common share equity divided by number of common shares outstanding:
 $\$34,878 \div 1,774,734 = \$19.65 \text{ per common share}$

Income Statement	
Year ended July 31, 1979	
Sales	\$109,453
Operating income before deducting the undernoted	\$ 21,759
Interest	2,968
Depreciation	4,679
	7,647
Income before taxes	14,111
Taxes on income	6,850
Consolidated net income	\$ 7,261

Statement of Changes in Financial Position	
Year ended July 31, 1979	
Source of funds	
Operations—	
Net income	
Add	
Depreciation and amortization	\$ 7,261
Deferred taxes	4,679
Other	78
	847
Other sources	12,865
Application of funds	
Dividends—preferred	5,342
—common	18,207
Other applications	11
	1,308
Increase in working capital	14,461
	15,780
	\$ 2,427

Return on common equity: Net income less preferred dividends to average common equity:
 $(\$7,261 - 11) \div 34,878 + 28,919 = 22.7\%$

Financial Review

Years ended July 31			
1979	1978	*1977	
			thousands of dollars (except per share figure)
\$ 109,453	\$ 73,530	\$ 63,727	Sales
21,759	17,168	14,767	Operating income
4,679	3,677	3,468	Depreciation and amortization
2,968	1,329	1,106	Interest
6,850	5,647	4,605	Taxes on income
7,261	6,515	5,588	Net income before extraordinary items
			Extraordinary items:
—	—	—	Taxes recoverable by subsidiary by application of pre-acquisition losses
—	—	78	Gain on sale of assets
7,261	6,515	5,666	Net income
11	29	33	Preference share dividends
7,250	6,486	5,633	Earnings available for common shareholders
\$ 49,257	\$ 43,384	\$ 33,103	Fixed assets (net)
9,914	10,705	10,478	Capital expenditures
88,277	74,807	45,307	Total assets
19,418	16,890	12,084	Long-term debt (net)
34,878	29,395	24,002	Shareholders' equity
\$ 4.08	\$ 3.66	\$ 3.22	Earnings per comon share**
4.08	3.66	3.18	Earnings per common share before extraordinary items**
7.24	6.08	5.18	Cash flow per common share**
19.65	16.32	13.25	Equity per common share
.72	.60	.50	Dividend rate per common share annualized
1,774,734	1,772,234	1,772,234	Number of common shares

*The company has changed its year end to July 31 from April 30 effective July 31, 1977.

**Based on an average number of common shares outstanding during the year.

Years ended April 30

	1976	1975	1974	1973	1972	1971	1970	1969
	\$ 52,436	\$ 48,112	\$ 34,784	\$ 24,362	\$ 19,523	\$ 17,247	\$ 17,674	\$ 15,200
	12,508	9,208	6,133	3,726	3,547	3,204	3,652	3,044
	3,070	1,943	1,248	872	773	746	720	649
	845	525	552	69	43	88	92	118
	3,944	3,262	2,005	1,267	1,278	1,234	1,518	1,221
	4,649	3,478	2,328	1,518	1,453	1,136	1,322	1,056
	—	59	130	86	104	75	—	—
	288	—	90	—	—	—	—	—
	4,937	3,537	2,548	1,604	1,557	1,211	1,322	1,056
	41	57	66	71	75	83	84	89
	4,896	3,480	2,482	1,533	1,482	1,128	1,238	967
	\$ 24,262	\$ 20,086	\$ 15,835	\$ 9,088	\$ 7,559	\$ 6,271	\$ 5,314	\$ 4,871
	7,632	6,186	7,469	2,590	2,022	468	776	513
	36,280	30,628	25,408	15,885	12,820	10,849	10,766	8,227
	8,025	7,161	5,678	1,169	845	412	805	900
	18,840	14,832	12,112	10,129	8,975	7,954	6,392	5,109
	\$ 2.82	\$ 2.01	\$ 1.44	\$.90	\$.89	\$.71	\$.83	\$.71
	2.66	1.98	1.31	.85	.83	.67	—	—
	4.78	3.40	2.30	1.54	1.38	1.16	1.32	1.10
	10.42	8.05	6.37	5.21	4.66	3.97	3.20	2.54
	.44	.34	.28	.24	.22	.22	.16½	.15
	1,743,365	1,734,280	1,731,271	1,717,971	1,668,638	1,665,118	1,561,179	1,437,573

Assets

CONSOLIDATED BALANCE SHEET

JULY 31, 1979 (with comparative amounts at July 31, 1978)

	<u>1979</u>	<u>1978</u>
Current:		
Accounts receivable.....	\$28,493,823	\$22,651,712
Inventories — at the lower of cost and net realizable value —		
Finished goods.....	1,209,290	
Work in process	895,292	
Raw materials.....	<u>2,921,922</u>	3,639,804
Prepaid expenses and sundry assets	<u>1,293,816</u>	<u>774,010</u>
	34,814,143	27,065,526
Mortgages receivable	238,242	242,184
Fixed — note 2.....	49,257,118	43,384,449
Highway operating authorities — at cost	667,500	651,500
Goodwill — at cost less amortization of \$85,000 (\$28,769 in 1978)	3,299,752	3,463,519
	<u>\$ 88,276,755</u>	<u>\$ 74,807,178</u>

On behalf of the Board
GERALD V. LIVINGSTON, Director
GENO F. FRANCOLINI, Director

(See accompanying notes)

Liabilities and Shareholders' Equity

CONSOLIDATED BALANCE SHEET

JULY 31, 1979 (with comparative amounts as at July 31, 1978)

	1979	1978
Current liabilities:		
Due to bankers — note 3.....	\$ 7,648,816	\$ 8,070,580
Accounts payable and accrued charges	11,942,526	8,508,575
Brokerage customer deposits and advances	3,602,734	2,075,037
Income and other taxes payable	5,910,527	4,604,744
Long-term debt due within one year	2,842,354	3,366,687
	<u>31,946,957</u>	<u>26,625,623</u>
Long-term debt — note 3.....	<u>19,417,999</u>	<u>16,890,526</u>
Deferred income taxes	<u>2,033,610</u>	<u>1,895,900</u>
Shareholders' equity:		
Capital — note 4		
Authorized:		
3,000,000 common shares of no par value		
Issued:		
0 first preference shares Series "A" (9,522 shares in 1978)		476,100
1,774,734 common shares (1,772,234 in 1978)	3,794,663	3,763,413
	<u>3,794,663</u>	<u>4,239,513</u>
Retained earnings.....	31,083,526	25,155,616
	<u>34,878,189</u>	<u>29,395,129</u>
	<u>\$88,276,755</u>	<u>\$74,807,178</u>

(See accompanying notes)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED JULY 31, 1979

(with comparative amounts for the year ended July 31, 1978)

	1979	1978
Balance beginning of year.....	\$25,155,616	\$19,725,065
Add:		
Consolidated net income	7,261,401	6,515,497
Discount (premium) on purchase of preference shares — note 4	(14,283)	7,722
	<u>32,402,734</u>	<u>26,248,284</u>
Deduct:		
Dividends paid —		
On preference shares	10,760	29,328
On common shares	1,308,448	1,063,340
	<u>1,319,208</u>	<u>1,092,668</u>
Balance end of year.....	<u>\$31,083,526</u>	<u>\$25,155,616</u>

(See accompanying notes)

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED JULY 31, 1979

(with comparative amounts for the year ended July 31, 1978)

	1979	1978
Sales.....	\$109,452,874	\$73,530,545
Operating income before deducting the undernoted expenses.....	<u>\$ 21,758,567</u>	<u>\$17,168,637</u>
Interest (including interest on long-term debt of \$1,920,807 in 1979; \$1,257,416 in 1978).....	2,968,474	1,329,056
Depreciation and amortization.....	4,678,692	3,677,184
	<u>7,647,166</u>	<u>5,006,240</u>
Income for year before taxes on income	<u>14,111,401</u>	<u>12,162,397</u>
Taxes on income:		
Current	6,772,000	5,368,523
Deferred	78,000	278,377
	<u>6,850,000</u>	<u>5,646,900</u>
Consolidated net income.....	<u>\$ 7,261,401</u>	<u>\$ 6,515,497</u>
Earnings per share	<u>\$4.08</u>	<u>\$3.66</u>

(See accompanying notes)



CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED JULY 31, 1979

(with comparative amounts for the year ended July 31, 1978)

	1979	1978
Source of funds:		
Operations —		
Consisting of:		
Consolidated net income	\$ 7,261,401	\$ 6,515,497
Add non-fund items —		
Depreciation and amortization.....	4,678,692	3,677,184
Deferred income taxes.....	78,000	278,377
Other.....	<u>846,636</u>	<u>334,928</u>
	12,864,729	10,805,986
Repayments of mortgages receivable.....	3,942	123,953
Long-term financing	5,306,896	6,707,050
Issue of common shares — note 4 —		
Allpak Holdings Limited	24,004,260	
Livingston Industries Limited.....	<u>31,250</u>	
	24,035,510	
Less redemption of preference shares issued on amalgamation — note 4	<u>24,004,260</u>	31,250
Miscellaneous		6,365
	<u>18,206,817</u>	<u>17,643,354</u>
Application of funds:		
Fixed asset purchases.....	9,913,865	10,705,394
Purchase of highway operating authorities.....	16,000	22,500
Business acquisitions — note 1 —		
Purchase price.....	924,000	
Working capital deficit assumed.....	<u>118,655</u>	6,200,966
	1,042,655	
Reduction of long-term debt.....	2,997,423	2,340,388
Payment of dividends	1,319,208	1,092,668
Purchase of preference shares Series A for cancellation	<u>490,383</u>	<u>29,278</u>
	15,779,534	20,391,194
Increase (decrease) in working capital	2,427,273	(2,747,840)
Working capital beginning of year.....	<u>439,903</u>	<u>3,187,743</u>
Working capital end of year.....	<u>\$ 2,867,186</u>	<u>\$ 439,903</u>

(See accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JULY 31, 1979

1. Significant accounting policies

Amalgamation

During the year Livingston Industries Limited amalgamated with its parent company, Allpak Holdings Limited and the name of the amalgamated company was continued as Livingston Industries Limited. As Allpak Holdings Limited was incorporated in 1978 as a wholly-owned subsidiary of Allpak Limited for the purpose of entering into the amalgamation and had no transactions other than those necessary for the carrying out of the amalgamation, the amalgamation has been accounted for on a pooling of interest basis. Accordingly, the accompanying consolidated financial statements include the accounts of the predecessor companies at their book values and the results of their operations and changes in their financial position for the portion of the year prior to the amalgamation.

Particulars of the amalgamation are more fully described in note 4.

Comparative amounts for 1978 are those of the predecessor company, Livingston Industries Limited.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the company and all of its subsidiary companies. All acquisitions are accounted for by the purchase method and accordingly the operations and net income of such subsidiaries are included only from the dates of their respective acquisitions. All material inter-company transactions have been eliminated.

Acquisitions

On the acquisition of shares of a subsidiary company, the underlying tangible assets are valued at fair market value and goodwill is recognized as the difference between the purchase price and the fair market value of the net underlying tangible assets.

Goodwill which arises either on a share purchase or on an asset purchase is amortized on a straight-line basis over periods not exceeding forty years. A permanent impairment in the value of goodwill is recognized by additional charges against income. In accordance with this policy the company wrote off goodwill of \$787,095 in 1979 (\$329,108 in 1978).

During the year the company purchased 100% of the shares of a warehousing company effective from December 31, 1978 and certain assets and businesses of two customs brokers for a total purchase price of \$924,000. The consideration consisted of notes payable to vendors of \$506,896 and cash of \$417,104. Particulars of the net assets acquired are as follows:

Assets acquired.....	\$1,395,615
Less liabilities assumed	1,179,943
Net assets acquired other than goodwill	215,672
Goodwill.....	708,328
Total purchase price	<u>\$ 924,000</u>

Foreign exchange

The accounts of foreign subsidiaries have been translated into Canadian dollars in the accompanying consolidated financial statements on the basis of the current rates of exchange in respect of current assets and current liabilities, historic rates of exchange in respect of fixed assets and related depreciation and long-term debt, and average rates of exchange for the year in respect of sales and expenses (other than depreciation). Losses which result from translation are written off against consolidated income and gains are deferred except to the extent of translation losses previously recorded.

Depreciation

Depreciation is computed on a declining balance basis over the estimated useful life of the respective assets at the following annual rates:

Sidings, roadways, etc.	4-15%
Buildings	5-10%
Machinery and equipment.....	10-30%
Automotive equipment	30-40%

Income taxes

Income taxes are provided for on the basis of accounting income which is different than taxable income principally as a result of claiming for income tax purposes capital cost allowances which are not the same as depreciation recorded in the accounts. Income taxes not currently payable in any year are credited to deferred income taxes which account will be charged in those years when as a result of the application of timing differences income taxes actually payable will be greater than the amount provided.

2. Fixed assets

	1979	1978
Assets — at cost:		
Land	\$ 8,920,213	\$ 7,415,900
Sidings, roadways, etc.	1,696,798	1,650,697
Buildings	38,991,297	34,738,519
Machinery and equipment.....	9,196,069	8,312,590
Automotive equipment	13,458,086	10,444,537
	<u>72,262,463</u>	<u>62,562,243</u>
Less accumulated depreciation	23,005,345	19,177,794
	<u>\$49,257,118</u>	<u>\$43,384,449</u>

3. Long-term debt

	1979		1978	
	Due within one year	Total	Due within one year	Total
Term bank loans repayable in periodic instalments to 1987 at interest rates of 9½% and 1% over prime bank rate (see below)	\$1,150,740	\$ 7,629,338	\$1,150,989	\$ 8,780,327
6¼% Industrial Revenue Bond repayable in periodic instalments to July 31, 1988 — \$4,500,000 U.S. (see below).....	468,000	5,121,090	340,470	5,447,520
Mortgages repayable in periodic instalments to 1991 at interest rates varying from 7% to 10% and ¼% over prime bank rate.....	590,252	7,123,029	1,380,228	3,654,366
Notes repayable in periodic instalments to 1987 at interest rates varying from 7% to 10% and ¼% over prime bank rate.....	633,362	2,386,896	495,000	2,375,000
	<u>\$2,842,354</u>	<u>22,260,353</u>	<u>\$3,366,687</u>	<u>20,257,213</u>
Less due within one year		2,842,354		3,366,687
		<u>\$19,417,999</u>		<u>\$16,890,526</u>

The term bank loans of \$7,629,338 included in long-term debt are secured by debentures totalling \$10,000,000 which constitute a first mortgage on properties in Tillsonburg and London and a floating charge on all other assets of the parent company. The 6¼% Industrial Revenue Bond is secured by a first mortgage on property in Jacksonville, Florida. Notes repayable totalling \$1,280,000 included above are collaterally secured by a bank letter of credit for \$1,120,000 and mortgages on certain property and equipment for \$200,000.

In addition, the company has pledged accounts receivable and inventories as security for bank indebtedness and subsidiaries have lodged two floating charge debentures in respect of amounts due to bankers of \$1,103,000 owing by such subsidiaries.

The annual repayments of long-term debt are shown below:

1980	\$ 2,842,354
1981	2,759,175
1982	2,600,159
1983	2,466,466
1984	3,852,460
1985 and thereafter	7,739,739
	<u>\$22,260,353</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JULY 31, 1979

4. Capital stock

During the year, the company issued 2,500 common shares for \$31,250 cash on the exercise of employee share options and purchased for cancellation 9,522 first preference shares with a par value of \$476,100 for \$490,383 cash. The premium of \$14,283 paid on the purchase of these preference shares was charged to retained earnings. Following these transactions, as indicated in note 1, the company amalgamated with its parent company, Allpak Holdings Limited.

Allpak Holdings Limited was incorporated during 1978 for the purpose of entering into an amalgamation with Livingston Industries Limited and became a wholly-owned subsidiary of Allpak Limited, the previous controlling shareholder of Livingston Industries Limited. The 62.4% of the issued common shares of the former Livingston Industries Limited owned by Allpak Limited were sold to Allpak Holdings Limited in exchange for common shares of that company. In addition, Allpak Limited subscribed \$24,004,260 for additional common shares of its new subsidiary.

Under the terms of the amalgamation agreement, the common shares of the former Livingston Industries Limited which were held by Allpak Holdings Limited were cancelled, and the holders of the remaining 37.6% of the common shares of the former Livingston Industries Limited received redeemable preference shares of the amalgamated company with a redemption value of \$24,004,260 which were subsequently redeemed for cash. The amalgamated company subsequently obtained articles of amendment reducing its authorized share capital to 3,000,000 common shares of no par value and its issued and outstanding share capital to 1,774,734 common shares of no par value at a paid up value of \$3,794,663.

The substance of the above transactions was that the minority interest was purchased and, as a result, the former Livingston Industries Limited became a wholly-owned subsidiary of Allpak Limited. Neither the number of common shares outstanding, nor the dollar amount attributed to the issued common share capital of the former Livingston Industries Limited were changed.

5. Supplementary information

The branch office locations of the company's customs brokerage subsidiary are occupied under leases generally not exceeding five years. Certain warehousing space is occupied under leases expiring at various dates to 1990 and certain equipment is leased for periods generally not exceeding 5 years. Annual rental payments under all leases during each of the next five years and thereafter are as follows: 1980 — \$1,785,000; 1981 — \$1,643,000; 1982 — \$1,380,000; 1983 — \$1,270,000; 1984 — \$1,165,000; 1985 and thereafter — \$2,918,000.

The aggregate direct remuneration paid or payable by the company and its subsidiaries to directors and senior officers for the year ended July 31, 1979 amounted to \$771,600 (\$433,200 for 1978).

6. Commitments

Under agreements entered into at July 31, 1979, the company is committed to the acquisition of the shares of a customs brokerage company and the purchase of property aggregating \$7,100,000. These transactions were completed subsequent to the year-end and were financed by long-term notes payable to vendors and bank borrowings. As well the company has a warehouse under construction which will cost \$630,000 to complete, which amount has not been reflected in the accompanying consolidated financial statements.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
LIVINGSTON INDUSTRIES LIMITED

We have examined the consolidated balance sheet of Livingston Industries Limited as at July 31, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at July 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

London, Canada
September 21, 1979

CLARKSON, GORDON & CO.
Chartered Accountants

Key Facts July 31, 1979

Location	Products and/or Services	Acreage	Plant Area in Sq. Ft.
Tillsonburg, Ontario (Owned)	Export C.K.D. Packing — Ford and General Motors Warehousing Containerization Manufacture of wooden parts, i.e. dunnage, reel beaters, bearings, etc.	37 Tillson Ave. 98 Highway 3	585,000 240,000
Jacksonville, Florida (Owned)	Export C.K.D. Packing	42	240,000
City of Nanticoke, Nr. Townsend Hagersville, Ontario (Owned)	Export S.K.D. Packing Warehousing Manufacture of wooden and wirebound boxes.	750	305,000
Welton Sawmills nr. Rugby Allpak (U.K.) (Owned)	Export S.K.D. Packing Warehousing Containerization Manufacture of wooden boxes	25	280,000
London, Ontario (Owned)	Warehousing Container depot Industrial complex Export C.K.D. Packing — American Motors Corp.	52	150,000 275,000 208,000
Stoney Creek, Ontario (Owned)	Warehousing	7	110,000
Toronto (Owned)	Warehousing	12 Horner Ave. 26 Brimley Rd. 4 Shorncliffe Rd.	315,000 470,000 100,000
Edmonton, Alberta (Owned and partly leased)	Warehousing	10 —	150,000 86,000 (leased)
Calgary, Alberta (Leased and partly owned)	Warehousing	10 —	150,000 225,000 (leased)
Winnipeg, Manitoba (Owned and partly leased)	Warehousing	15 —	250,000 204,000 (leased)
Montreal, Quebec (Owned)	Warehousing	31	250,000
Transportation (Owned and partly leased)	Transport company with operating authorities at St. Thomas, Tillsonburg and district, Toronto, London, Woodstock, Hamilton, Windsor/Detroit, Chatham Sault Ste. Marie, Ontario and Montreal, Quebec.	5 St. Thomas — Hamilton 6 Toronto 1 Woodstock — Tillsonburg — Windsor 5 Chatham	6,000 1,000 (leased) 12,000 3,200 15,000 (leased) 2,500 (leased) 5,000
Customs Brokerage (Owned and partly leased)	Customs brokerage Freight Forwarding Sufferance Warehouses	15 Sufferance Warehouses: Ajax, St. Catharines, Welland — Customs brokerage and freight forwarding. 50 locations in Canada	102,000 55,000 (leased)
Freight Services U.K. (Leased)	Freight Forwarding	— 8 Locations in U.K.	8,000 (leased)
Brampton, and London, Ontario (Owned)	Real Estate	13 25	80,000 —
Total		1189 Acres	4,882,700 Sq. Ft.

Effects of Inflation

The rate of inflation experienced by our economy remains an important factor to be considered in evaluating corporate financial results. Although, no consensus has yet been developed on generally accepted principles of accounting for inflation, a Committee appointed by the Province of Ontario, to study the problem, recommended the presentation of a statement of effects of inflation on funds available for distribution, expansion or debt retirement.

The company has followed the Committee's recommendation in presenting the following statement.

This statement illustrates how the inflation adjustment suggested by the Ontario committee would reduce Livingston's 1979 funds generated from operations vs. funds available for distribution, business expansion or debt retirement.

This statement is by definition inexact and will not be the final word in assessing inflation. Nevertheless, the statement does provide some measure of the effect of inflation.

Consolidated Statement of Estimated Effects of Inflation on Funds available for Distribution, Expansion or Debt Retirement

Year ended July 31, 1979 (expressed in thousands)

Funds generated from operations after deducting funds required to finance the original cost of productive assets (historical depreciation) and deferred income taxes (i.e. net income for the year of \$7,261 plus other non-fund expenses of \$847) — (from Consolidated Statement of Changes in Financial Position)			\$8,108
Less funds required to finance increased cost of maintaining			
Operating capacity — Note (a)			
Plant, machinery & equipment			
— leased		\$ 75	
— owned		1,146	
		<u>1,221</u>	
Less additional funds which may be available from borrowings —			
Note (b)	34%	<u>415</u>	<u>806</u>
Funds available for distribution expansion or debt retirement.....			<u><u>\$7,302</u></u>

NOTE:

- The increased cost of maintaining the operating capacity of plant, machinery and equipment (\$1,221) represents the difference between depreciation determined on a historical basis and depreciation indexed for the effects of inflation using the implicit price index for business investment in non-residential land and building, and machinery, and equipment, as published by Statistics Canada.
- The extent to which additional funds may be available from borrowings (\$415) is based on the ratio of equity to non-equity capital at the beginning of the 1979 year on the assumption that this ratio is maintained. In computing this ratio, equity was increased by the incremental effect of indexing the net book value of fixed assets. In addition deferred taxes have been treated as non equity.
- The increased cost of replacing inventories (the difference between historical cost and the estimated current cost of goods sold) is considered to be immaterial and therefore, has not been included in the above statement.

Scholarship Awards

Thirteenth Consecutive Year

The company scholarship committee has awarded nine scholarships this year to dependents of company employees.

Miss Edith DaPonte, the daughter of Mr. Jose DaPonte, Packer in the Ford Division at Livingston Industries Limited in Tillsonburg, Ontario. Edith attended Glendale High School in Tillsonburg and plans to study Social Work at the University of Western Ontario in London, Ontario.

Mr. Nurudin Shamsudin Daya, the son of Mr. Shamsudin Daya, Stock Locator, Small Parts and Hardware of the AMC Division of Livingston Industries Limited in London, Ontario. Nurudin attended Saunders Secondary School in London as well as Westminster Secondary School in London, Ontario. He plans to study Business Administration at the University of Windsor in Windsor, Ontario.

Miss Brenda Yvonne Gifford, daughter of Mr. Robert G. Gifford, Cut-off Saw Operator of Livingston Industries Limited in Hagersville, Ontario. Brenda attended Hagersville High School in Hagersville and plans to study Secretarial Arts at Fanshawe College in London.

Mr. James Robert Gifford, the son of Mr. Robert G. Gifford, Cut-off Saw Operator of Livingston Industries Limited in Hagersville, Ontario. James attended Hagersville High School in Hagersville and plans to study Electronics Engineering Technology at DeVry Institute in Toronto.

Mr. Kevin Joseph Parent, the son of Mr. Ben Parent, Assistant Vice-President Administration of Livingston Industries Limited in Tillsonburg, Ontario. Kevin attended Glendale High School in Tillsonburg and plans to study Man Environmental Sciences at the University of Waterloo in Waterloo, Ontario.

Miss Norma Louise Pittao, the daughter of Mr. John B. Pittao, Superintendent of the General Motors Division of Livingston Industries Limited in Tillsonburg, Ontario. Norma attended Glendale High School in Tillsonburg and plans to study a Basic Design Course at Fanshawe College in London, Ontario.

Mr. Alexander Marc Von Schwerin, the son of Mr. Eric Von Schwerin, Manager of Ocean Operations of International-Import Customs Brokers in Toronto, a subsidiary of Livingston Industries Limited. Alexander attended W.A. Porter Collegiate in Scarborough, Ontario and plans to study Engineering at Carleton University in Ottawa, Ontario.

Miss Kim Elizabeth Waddick, the daughter of Mr. James Waddick, Sales Representative of Livingston Transportation Limited in Chatham, a division of Livingston Industries Limited. Kim attended Ursuline College "The Pines" in Chatham, Ontario and plans to study Business Administration at Wilfred Laurier University in Waterloo, Ontario.

Mr. William Anthony Winter, son of Mrs. Donna Winter, Office Supervisor and Secretary to the Vice-President and General Manager of Livingston Mutual Warehousing in Toronto. Anthony attended Westway High School in Weston, Ontario and plans to study Drafting at Humber College in Rexdale, Ontario.

