

INDUSTRIAL NUCLEONICS CORPORATION

SIXTH ANNUAL REPORT

FOR THE YEAR ENDED APRIL 30, 1956

INDUSTRIAL NUCLEONICS CORPORATION

DIRECTORS:

Edward McC. Blair

Wilbert E. Chope

Henry R. Chope

Marshall Field, Jr.

George B. Foster

George B. Young

OFFICERS:

Wilbert E. Chope..... President

Henry R. Chope..... Executive Vice-President

George B. Foster..... Vice-President and Technical
Director and Secretary

Robert E. Swenson..... General Manager and Treasurer

Francis E. O'Riordan..... Assistant Treasurer

Lois S. Chope..... Assistant Secretary

To the Shareholders of Industrial Nucleonics Corporation:

This past year, which was the sixth in the life of Industrial Nucleonics Corporation, was from all points the best we have experienced. While we still have many problems ahead of us, we are out of the crawling stage. Automatic control systems based on the principle of nuclear measurement are now widely accepted in paper, plastic, rubber, steel, cigarette, and other industries. Industrial Nucleonics Corporation continues to be the predominant company in this new section of the automatic controls industry.

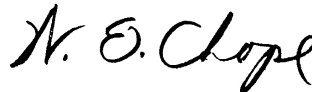
In each of the last three years, your company's annual sales volume has doubled, reaching \$3,479,996 for the year ending April 30, 1956. The profit on this volume after taxes was \$400,811 or \$4.07 a share. Federal income taxes on this year's income have been reduced \$132,000 by the application of the remaining operating loss carry-forward from the years ended April 30, 1953 and 1954. For comparative purposes, the balance sheets for the last two years and income statements for six years are attached. The balance sheet and income statement for this year are from the company books. If the audited report of Arthur Andersen & Company varies significantly, it will be forwarded to all stockholders as soon as it has been completed.

The indenture of the \$350,000 Sinking Fund Debentures provides that 20% of the net income, as shown by the Company's Federal income tax return, after all income taxes will be paid into a Sinking Fund for the retirement of Debentures by lot. With our tax loss carry-forward, approximately \$140,000 can be considered net income after Federal income tax under the provisions of the indenture of the Sinking Fund Debentures. Therefore it is contemplated (subject to the audit report of Arthur Andersen & Company) that \$28,000 worth of Debentures will be drawn by lot prior to August 1, 1956.

Industrial Nucleonics Corporation now employs 270 men and women who work in six buildings, five of which are closely grouped. To take care of future expansion, your Company has acquired 14 acres within a few miles of our present plants. The move to this new location will be done in stages. Our present building program contemplates that the facilities will be built for us and leased back.

The coming year should again be an improvement over the past year. Based on the backlog of orders, which is greater than last year's, we expect a higher sales volume. We have sufficient capital and facilities to support such a volume. For the longer term, we find ourselves quite optimistic if we can steadily add to our technical, administrative, and sales forces. We are very proud of the ability of this youthful group, and hope that in spite of the great competition in recruiting, we will be successful in our intense effort to secure the caliber of men we need.

We expect our growth to continue in those industries we now serve. Our new industries group now has test control installations in the textile and food industries. In addition, we are examining the potential in the chemical, petroleum, and coal mining industries. Stockholders can be particularly helpful to us if they would write me a letter indicating companies in these industries in which they would be willing, at the proper time, to introduce us. We have found that the proper introduction can save the potential customer and Industrial Nucleonics a great deal of time.

A handwritten signature in cursive script that reads "N. E. Chope".

President

Columbus, Ohio
May 24, 1956

INDUSTRIAL NUCLEONICS CORPORATION

Comparative Balance Sheet

As of April 30, 1956 and 1955

<u>A S S E T S</u>	<u>A p r i l</u>	<u>3 0 ,</u>
	1956	1955
	(per books)	(per audit)
CURRENT ASSETS:		
Cash	\$ 88,732	\$ 54,451
Accounts receivable (net)	323,728	204,606
Inventories	455,817	337,645
Prepaid expenses	24,429	15,294
Total current assets	\$ 892,706	\$ 611,996
EQUIPMENT LEASED TO CUSTOMERS (net)	\$ 108,683	\$ 54,128
FIXED ASSETS:		
Land	\$ 108,462	-
Machinery and equipment	146,283	\$ 30,072
Furniture and fixtures	43,372	20,495
	\$ 298,117	\$ 50,567
Less - Allowance for depreciation	28,235	13,806
	\$ 269,882	\$ 36,761
Leasehold improvements (net)	27,328	14,723
Total fixed assets	\$ 297,210	\$ 51,484
Total assets	\$1,298,599	\$ 717,608
 <u>L I A B I L I T I E S</u>		
CURRENT LIABILITIES:		
Notes payable	\$ 117,750	\$ 142,881
4% sinking fund debentures	28,000	24,000
Accounts payable	138,360	171,267
Accrued salaries, wages, taxes, interest, etc.	117,336	67,122
Federal income taxes	129,000	-
Total current liabilities	\$ 530,446	\$ 405,270
LONG-TERM LOANS	\$ 406,850	\$ 397,401
DEFERRED INCOME - LEASE EQUIPMENT	\$ 79,703	\$ 34,148
CAPITAL STOCK AND SURPLUS:		
Common stock - \$.10 par value; authorized 125,000 shares; issued and outstanding 98,995	\$ 9,895	\$ 9,895
Paid-in surplus	161,310	161,310
Earned surplus (deficit)	110,395	(290,416)
Total capital stock and surplus	\$ 281,600	\$(119,211)
Total liabilities	\$1,298,599	\$ 717,608

INDUSTRIAL NUCLEONICS CORPORATION

Comparative Statement of Profit and Loss

For the Years Ended April 30, 1956, 1955, 1954, 1953, 1952, and 1951

----- Year Ended April 30, -----

	<u>1 9 5 6*</u>	<u>1 9 5 5</u>	<u>1 9 5 4</u>	<u>1 9 5 3</u>	<u>1 9 5 2</u>	<u>1 9 5 1</u>
SALES	\$3,476,996	\$1,740,529	\$ 829,976	\$ 416,874	\$694,708	\$ -
COST OF SALES	1,529,881	777,790	366,816	205,460	296,359	-
Gross income	\$1,947,115	\$ 962,739	\$ 463,160	\$ 211,414	\$398,349	\$ -
OPERATING EXPENSES:						
Selling and administrative	\$ 975,297	\$ 583,055	\$ 403,187	\$ 359,745	\$195,116	\$ 16,057
Research and development	411,884	228,753	192,348	163,698	80,018	35,996
	\$1,387,181	\$ 811,808	\$ 595,535	\$ 523,443	\$275,134	\$ 52,053
Net profit (loss) from operations	\$ 559,934	\$ 150,931	\$(132,375)	\$(312,029)	\$123,215	\$(52,053)
INTEREST EXPENSE	24,123	30,560	17,552	14,005	5,935	53
Net profit (loss) before Federal income taxes	\$ 535,811	\$ 120,371	\$(149,927)	\$(326,034)	\$117,280	\$(52,106)
Provision for Federal income taxes**	135,000	-	-	(32,500)	32,500	-
Net profit (loss) for the year	\$ 400,811	\$ 120,371	\$(149,927)	\$(293,534)	\$ 84,780	\$(52,106)

** Provision for Federal income taxes reduced \$132,000 for year ended April 30, 1956 and \$57,000 for year ended April 30, 1955 due to net operating loss carry-forward from 1953 and 1954.

* Per books