

INDUSTRIAL NUCLEONICS CORPORATION

SEVENTH ANNUAL REPORT

FOR THE YEAR ENDED APRIL 30, 1957

INDUSTRIAL NUCLEONICS CORPORATION

COLUMBUS, OHIO

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

To Our Shareholders:

THE PAST YEAR

The year ending April 30, 1957, was the seventh year of operation for Industrial Nucleonics Corporation, Columbus, Ohio, and its sixth year of sales. Sales volume for the fiscal year 1956-57 was \$4,824,929. This sales volume is an increase of 40% over sales of the previous year. The profit on this volume after taxes was \$211,195 or \$2.13 a share. As in past years, your company has continued to make substantial investments in the future through research and development of new products and applications and marketing studies of possible expansion and diversification areas. In the past year this expenditure amounted to approximately 15% of sales income or \$675,000. The pretax profit, before deducting research and development expenditures, was \$1,114,932, an increase of 18% over the comparable figure of \$970,352 for the preceding year. If the audited report from Arthur Andersen & Company differs substantially from the company's statements, the exact figures will be sent to you. Comparative income and balance sheet statements are included at the end of this report.

Industrial Nucleonics continues to maintain its leadership in industrial process controls. The company's backlog stands at an all-time high for the start of any fiscal year. During the last fiscal year, the company was the major supplier of process controls based on radiation measurement in the steel, paper, rubber and plastics, and tobacco industries. Actually, the company increased its relative share of the competitive market during the year.

During the year significant progress was made in the development of computers which would tie in with industrial process controls. A new computer was developed and installed last year in the tobacco industry. It is used for analyzing the cigarette making process and for computing and reporting product quality information. The first installations in the textile industry of AccuRay control equipment were made and were highly successful. Both quality improvement and dollar savings have been made possible by maintaining more uniform yarn with AccuRay controls. The company has entered into an agreement with the Warner and Swasey Company, one of the textile machinery manufacturers. Under this agreement, Industrial Nucleonics will supply control equipment for one process in the woolen industry. This, of course, does not prevent us from selling directly to the textile industry for other processes and other materials. This is the company's first experience in selling through an original equipment manufacturer. The results of this association look promising from the standpoint

of expanding our markets and obtaining cooperation from a specific process machinery manufacturer.

During the year the company started intensive work in the foreign market. AccuRay equipment has been installed in a number of foreign countries -- France, Italy, England, Canada, Venezuela, and Colombia. These sales over several years have occurred without any formal foreign operation. Presently, several individuals are assigned to investigate the various aspects of foreign business, and to date the prospects are highly encouraging.

RECOGNITION AND PUBLICITY

Industrial Nucleonics and its AccuRay Systems continue to receive outstanding national recognition and publicity. Recent articles have appeared in Reader's Digest and Fortune as well as the trade publications of the various industries which we serve. You are all aware of Chesterfield's advertising campaign of AccuRay. Within the last year, a considerable number of other manufacturers have started to feature the "AccuRay" theme in their national advertising. Among these companies are Dunlop Tire and Rubber, Detroit Steel, Champion-International Paper, Texon, and Somers Brass. AccuRay not only improves our customers' products and lowers their costs but helps our customers sell their products. AccuRay is rapidly becoming the industrial "Stamp of Quality."

In a U. S. Atomic Energy Commission report prepared for submission to the United States Congress this year, the peace-time applications of atomic energy as of June, 1956, were reported to be saving our economy \$265,000,000 per year. Of this amount, \$105,000,000 per year was being saved through AccuRay industrial process control systems. This figure is based upon our summation of actual AccuRay installations and applications reports. The products of your company represent by far the largest segment of the overall peace-time benefits of atomic energy.

Just recently at the Washington meeting of the United States Chamber of Commerce Industrial Nucleonics received the national award for outstanding employee communications for companies employing 100 to 500. The award was for continuing communications of the company's operation to employees and for publicizing the benefits to be found under a free-enterprise economy.

PERSONNEL AND FACILITIES

Presently the company employs 350 individuals and occupies nine buildings in the city of Columbus. Work will be started shortly on our new plant and office building, which will once again integrate the company's operation at

one place. A sale-and-lease-back plan of financing the new plant has been arranged with the Continental Assurance Company. These facilities will provide the finest working conditions of any company in the city of Columbus.

The company has continued to attract outstanding professional personnel in the fields of engineering, science, and business--even in this day of engineering shortages. Of the 350 employees, approximately 150 fall in this professional category. In one situation after another against specific competition, the incremental difference in our getting the business has been the competence, hard work, and devotion of our people. Our future depends upon these individuals and others like them that we must bring into the company to sustain our healthy growth.

The company has continued to develop its field organization, which now consists of approximately 65 sales, service, and applications engineers. To the best of our knowledge, Industrial Nucleonics is the only company in the automation field with a completely staffed, hard-hitting sales, service, and applications organization. The company's sales organization provides a valuable asset against competition--present and future--in the process control and computer field.

FINANCIAL

As a result of this year's profitable operation, there is sufficient working capital available for our current operations. We have as of this date retired all bank loans. Approximately \$42,000 of the \$294,000 outstanding on the 4% Sinking Fund Debentures will be retired by lot prior to August 1, 1957. This payment is in accordance with the terms of the Indenture, which provides that 20% of the net income after Federal income taxes shall be used for retirement of these securities.

THE FUTURE

The company is entering new industries and new fields of activity. The food industry appears to offer tremendous opportunities for precision automatic control of raw materials and quality. AccuRay devices will measure weights, densities, and composition of food products and control automatically many food processes. Work is continuing on control and data processing equipment for the chemical and petroleum industries.

Beyond process measurement and control lies the challenging new field of data processing, which should in coming years account for an ever-increasing portion of the company's volume. Because of your company's pioneering experience in process control of major industrial processes, Industrial Nucleonics is in a leading position to take some of the next steps toward

complete plant automation. The first step was to measure important properties of products; the next step was to control automatically the machines and processes manufacturing these products. Work can now progress toward tying together all of the machines within a plant into a complete data processing system which will continuously provide information on production, quality, and costs. Such information on a day-by-day basis would provide management with a valuable tool for running their operation. The scope and opportunities in this field of process control and data reduction are much greater than anyone could have foreseen a few years ago, but, likewise, the need for continuing hard work by highly competent individuals is also greater.

I wish to thank our loyal stockholders for the advice and guidance they have extended to the company and in particular for the help they have given us in getting started through contacts in various industries.

W. E. Chope
President

Columbus, Ohio

May 29, 1957

INDUSTRIAL NUCLEONICS CORPORATION

Comparative Balance Sheet

As of April 30, 1957 and 1956

<u>A S S E T S</u>	<u> A p r i l 3 0 </u>	
	1957 (per books)	1956 (per audit)
CURRENT ASSETS:		
Cash	\$ 136,848	\$ 88,733
Accounts receivable (net)	714,380	320,212
Inventories	556,959	482,291
Prepaid expenses	34,630	24,429
Total current assets	<u>\$1,442,817</u>	<u>\$ 915,665</u>
EQUIPMENT LEASED TO CUSTOMERS (net)	<u>\$ 104,544</u>	<u>\$ 110,272</u>
FIXED ASSETS:		
Land	\$ 109,764	\$ 108,462
Machinery and equipment	198,130	131,296
Furniture and fixtures	69,550	43,440
	<u>\$ 377,444</u>	<u>\$ 283,198</u>
Less - Allowance for depreciation	79,001	27,408
	<u>\$ 298,443</u>	<u>\$ 255,790</u>
Leasehold improvements (net)	33,500	40,782
Total fixed assets	<u>\$ 331,943</u>	<u>\$ 296,572</u>
Total assets	<u>\$1,879,304</u>	<u>\$1,322,509</u>
	<u>=====</u>	<u>=====</u>
	<u>=====</u>	<u>=====</u>
<u>L I A B I L I T I E S</u>		
CURRENT LIABILITIES:		
Notes payable	\$ 100,000	\$ 117,750
4% sinking fund debentures	42,000	32,000
Accounts payable	266,840	135,558
Accrued salaries, wages, taxes, interest, etc.	218,767	125,494
Federal income taxes	285,734	158,000
Total current liabilities	<u>\$ 913,341</u>	<u>\$ 568,802</u>
LONG TERM LOANS	<u>\$ 360,850</u>	<u>\$ 402,850</u>
DEFERRED INCOME - LEASE EQUIPMENT	<u>\$ 141,257</u>	<u>\$ 79,703</u>
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	292,651	99,949
Total capital stock and surplus	<u>\$ 463,856</u>	<u>\$ 271,154</u>
Total liabilities	<u>\$1,879,304</u>	<u>\$1,322,509</u>
	<u>=====</u>	<u>=====</u>
	<u>=====</u>	<u>=====</u>

INDUSTRIAL NUCLEONICS CORPORATION

Comparative Statement of Profit and Loss

For the Years Ended April 30, 1957, 1956, and 1955

	Year Ended April 30,		
	1957*	1956	1955
SALES	\$4,824,929	\$3,459,848	\$1,740,529
COST OF SALES	2,319,530	1,486,913	777,790
Gross Income	\$2,505,399	\$1,972,935	\$ 962,739
OPERATING EXPENSES:			
Selling and Administrative	\$1,344,642	\$ 975,517	\$ 583,055
Research and development	615,737	415,987	228,753
	\$1,960,379	\$1,391,504	\$ 811,808
Net profit from operations	\$ 545,020	\$ 581,431	\$ 150,931
INTEREST EXPENSE	45,825	27,066	30,560
Net profit before Federal income taxes	\$ 499,195	\$ 554,365	\$ 120,371
Provision for Federal income taxes**	288,000	164,000	-
Net profit for the year	\$ 211,195	\$ 390,365	\$ 120,371

** Provision for Federal income taxes reduced \$111,000 for year ended April 30, 1956 and \$57,000 for year ended April 30, 1955 due to net operating loss carry forward from 1954 and 1953.

* Per books