

INDUSTRIAL NUCLEONICS CORPORATION

TENTH ANNUAL REPORT

FOR THE YEAR ENDED APRIL 30, 1960

INDUSTRIAL NUCLEONICS CORPORATION

COLUMBUS, OHIO

DIRECTORS:

<u>NAME</u>	<u>POSITION</u>
Howard B. Begg	President Squier, Schilling & Skiff
Edward McC. Blair	Partner William Blair & Company
Gordon B. Carson	Vice President Ohio State University
Henry R. Chope	Executive Vice President Industrial Nucleonics Corporation
Wilbert E. Chope	President Industrial Nucleonics Corporation
John Eckler	Partner Bricker, Evatt, Barton, Eckler & Niehoff Assistant Secretary Industrial Nucleonics Corporation
Marshall Field, Jr.	President Field Enterprises, Inc.
Robert E. Swenson	Treasurer & General Manager Industrial Nucleonics Corporation
George B. Young	Vice President Field Enterprises, Inc.

OTHER OFFICERS WHO ARE NOT DIRECTORS:

Francis E. O'Riordan	Assistant Treasurer Industrial Nucleonics Corporation
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To Our Shareholders:

HIGHLIGHTS OF 1959-60

Industrial Nucleonics completed its tenth year of business and its ninth year of sales on April 30, 1960. Sales were \$8,093,225 compared with sales of \$4,213,742 for the previous year. Profits after taxes were \$247,608 compared with a net loss of \$385,670 for the previous year.

These increases in sales and profits were a result of our diversification program which started in 1957. The diversification program included (1) new products leading to more industrial applications, (2) a rental program, (3) an equipment servicing organization, and (4) an expanded sales organization.

While the sales volume for the year was approximately double that for the previous year, this magnitude of business was transacted with little increase in personnel over the previous year. The company now employs 430 full-time personnel.

Industrial Nucleonics continued to build its field sales, installations, and service organizations in order to take advantage of new potentials that had been created in many new industries, including petroleum, chemical, foods, and mining.

The rental program, which started in late 1958, added significantly to the company's increased sales volume.

The company continued to be active in research and development of new products and systems. New technologies developed involve "non-isotope" measuring devices and advanced, automatic control systems.

During the year, the company completed the move to its new, air-conditioned plant and office buildings on Ackerman Road in Columbus, Ohio. The new buildings are located on a 26-acre site contiguous to Ohio State University. Prior to this move, the operations were scattered among nine buildings at five separate locations. The single location has greatly improved operating efficiencies.

PRESENT INCOME-PRODUCING SEGMENTS OF INDUSTRIAL NUCLEONICS' BUSINESS

The company has accomplished considerable diversification during the

last several years. Through the addition of process industries products alone, the total number of potential customer plants on which our sales organization can call has increased from 1600 to 56,700. The process industries products include (1) density gauges, (2) container fill inspection and control gauges, (3) level measuring systems, and (4) pipewall thickness gauges.

The company's concentration has been on business which will produce a continuous, year-to-year income. Business falling in this category is derived from (1) sales to the process industries of smaller, lower priced products, (2) service income, (3) sales of replacement parts and supplies, and (4) income from rentals and leases. Industrial Nucleonics will continue to design and sell large control systems. These systems now sell for an average price of \$30,000 per installation and find increasing use in the steel, rubber, plastics, paper, and building materials industries. The rental program makes sales of these larger control systems easier by permitting a manufacturer to obtain the benefit of improved control without a large capital investment.

Other income-producing areas include (1) tobacco equipment sales, (2) foreign sales, and (3) sales of conveyor controls and government business.

ORGANIZATION AND PERSONNEL

The company is proudest of the management team and organization that has been developed. The median age of the top 30 managers of Industrial Nucleonics is 36 years. The median time that these managers have been with the company is 8 years. These top personnel in positions of responsibility have grown with the company and been with the company during the largest part of its existence. Greater responsibility is being placed in the key management personnel of the company. High caliber personnel are still the key to Industrial Nucleonics' future.

FIELD SALES AND SERVICE ORGANIZATION

The sales, service, and systems engineers in the Industrial Nucleonics' field organization constitute the most qualified and one of the few national field organizations in the industrial automation industry. Presently, there are 116 Industrial Nucleonics' engineers working in 35 territories in the United States. These engineers are classified as follows:

Sales Engineers & Supervisors	- 51
Systems Engineers	- 16
Installation & Service	- <u>49</u>

116

The activities of the (1) installations and service personnel and (2) the systems engineers are paid for by the customer. It is expected that a large portion of the company's profitable business will be derived from service activities. Today, about 70% of the company's present service and installations personnel are either under long-term service contracts or else have their services committed for planned equipment installations.

ENGINEERING AND NEW TECHNOLOGIES

Industrial Nucleonics' technical activities subdivide into three categories. These are (1) measurement of product properties and process variables, (2) control of industrial processes and machinery, and (3) readout and processing of data.

Industrial Nucleonics has invested heavily in research and development. Starting about three years ago, a large, accelerated effort was directed towards developing new products which would greatly expand Industrial Nucleonics' total marketing potential. In a two-year period, 20 new products were developed and introduced by the company.

During the last year, considerable research and development effort was expended towards basic investigations into new principles that could be utilized in measuring devices. Such work has involved investigations into unified theories and approaches involving basic interaction between energy and matter. Such investigations are fundamental to measuring devices employing microwaves, infrared, ultraviolet as well as beta, gamma, and neutron radiations.

Recently, Industrial Nucleonics has been extremely active in investigating systems for control of multiple process variables. A number of patents have been applied for on these newer measuring and control systems.

Favorable consulting relationships have been worked out with various outside technical personnel. Many new technological developments have their origin at the university academic level. With the proximity of

Industrial Nucleonics to Ohio State University, the company has been successful in blending the creativity of outstanding academic personnel with the practical design and engineering abilities of its own engineering personnel. Further, the company intends to make more use of relationships with industrial research organizations, such as Battelle Memorial Institute.

SUMMARY

During 1957-59, the company had introduced a number of new products. In 1959-60, Industrial Nucleonics concentrated on consolidating previous gains and maximizing operating efficiencies. It is the goal for the future to sell products at a profit and to back up these products with profitable services. In addition, the company will continue to add new measuring and control devices to its line as these new products are developed and can be marketed at a profit.

It is anticipated that sales for the coming year will exceed those of 1959-60 and that operations will be at a profit.

With the needs of our general economy for more goods manufactured at higher production efficiencies, Industrial Nucleonics should continue to play a dominant role in the expanding activities of process measurement, automation, and industrial data.

W. E. Chope

President

Columbus, Ohio

June 30, 1960

INDUSTRIAL NUCLEONICS CORPORATION
Comparative Balance Sheet
As of April 30, 1960 and 1959

- - A P R I L 3 0 , - -
1960 1959
(per books) (per audit)

A S S E T S

CURRENT ASSETS:

Cash	\$ 197,348	\$ 148,132
Receivables (net)	1,544,532	1,077,313
Inventories	1,246,298	833,472
Prepaid expenses	74,735	79,046
Total current assets	<u>\$3,062,913</u>	<u>\$2,137,963</u>

EQUIPMENT LEASED TO CUSTOMERS (net)	\$ 490,736	\$ 337,885
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LAND AND CONSTRUCTION IN PROGRESS	\$ 147,933	\$1,124,718
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FIXED ASSETS:

Machinery and equipment	\$ 339,403	\$ 276,047
Furniture and Fixtures	187,994	111,995
	<u>\$ 527,397</u>	<u>\$ 388,042</u>
Less - Allowance for depreciation	303,702	190,674
	<u>\$ 223,695</u>	<u>\$ 197,368</u>
Leasehold improvements (net)	94,798	7,928
Total fixed assets	<u>\$ 318,493</u>	<u>\$ 205,296</u>

Total assets	<u>\$4,020,075</u>	<u>\$3,805,862</u>
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L I A B I L I T I E S

CURRENT LIABILITIES:

Notes payable	\$1,236,977	\$1,213,750
4% Sinking fund debentures	50,000	-
Accounts payable	1,111,284	819,675
Accrued salaries, wages, taxes, interest, etc.	429,404	346,023
Federal income taxes	245,888	(279,020)
Ten-year subordinated income debentures	55,600	-
Total current liabilities	<u>\$3,129,153</u>	<u>\$2,100,428</u>

BANK LOAN RE CONSTRUCTION IN PROGRESS	-	\$ 900,994
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DEFERRED RENTAL INCOME	\$ 63,197	\$ 230,864
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LONG TERM LOANS	\$ 175,736	\$ 119,600
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10 YEAR SINKING FUND DEBENTURES	\$ 153,400	\$ 202,700
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CAPITAL STOCK AND SURPLUS:

Common stock - par value \$.10 - authorized 125,000 shares; outstanding 98,070 shares	\$ 9,797	\$ 9,797
Paid-in surplus	142,518	142,813
Earned surplus	346,274	98,666
Total capital stock and surplus	<u>\$ 498,589</u>	<u>\$ 251,276</u>

Total liabilities	<u>\$4,020,075</u>	<u>\$3,805,862</u>
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INDUSTRIAL NUCLEONICS CORPORATION

Comparative Statement of Profit and Loss

For the Years Ended April 30, 1960, 1959, 1958, 1957, and 1956

	- - - - - Year Ended April 30, - - - - -				
	<u>1960*</u>	<u>1959</u>	<u>1958</u>	<u>1957</u>	<u>1956</u>
SALES	\$8,093,225	\$4,213,742	\$4,915,551	\$4,781,304	\$3,459,848
COST OF SALES	<u>4,428,497</u>	<u>2,397,591</u>	<u>2,396,220</u>	<u>2,280,410</u>	<u>1,486,913</u>
Gross Income	<u>\$3,664,728</u>	<u>\$1,816,151</u>	<u>\$2,519,331</u>	<u>\$2,500,894</u>	<u>\$1,972,935</u>
OPERATING EXPENSES:					
Selling, administrative, research and development	<u>\$3,045,539</u>	<u>\$2,533,599</u>	<u>\$2,184,623</u>	<u>\$1,951,557</u>	<u>\$1,391,504</u>
Net profit (loss) from operations	\$ 619,189	\$ (717,448)	\$ 334,708	\$ 549,337	\$ 581,431
INTEREST EXPENSE	<u>102,581</u>	<u>58,222</u>	<u>14,696</u>	<u>33,352</u>	<u>27,066</u>
Net profit (loss) before Federal income taxes	\$ 516,608	\$ (775,670)	\$ 320,012	\$ 515,985	\$ 554,365
Provision for Federal income taxes**	<u>269,000</u>	<u>(390,000)</u>	<u>160,610</u>	<u>291,000</u>	<u>164,000</u>
Net profit (loss) for the year	<u>\$ 247,608</u>	<u>\$ (385,670)</u>	<u>\$ 159,402</u>	<u>\$ 224,985</u>	<u>\$ 390,365</u>

* Per Books

** Provision for Federal income taxes for year ended April 30, 1959 reflects recovery of payments in previous years.