

MINDUSTRIAL CORPORATION
LIMITED

Annual Report

FOR THE YEAR ENDING DECEMBER 31, 1963

MINDUSTRIAL CORPORATION LIMITED

Head Office: 33 Niagara St., Toronto 2b

Board of Directors

W. H. Butler
J. G. Edison, Q.C.
H. G. Harris
R. C. C. Henson
Argue Martin, Q.C.
L. R. Mason
O. J. McKeough
D. E. McQuigge
W. P. Walker, O.B.E.

Officers

CHAIRMAN OF THE BOARD

W. H. Butler

PRESIDENT AND GENERAL MANAGER

W. P. Walker, O.B.E.

VICE-PRESIDENT AND SECRETARY

J. G. Edison, Q.C.

VICE-PRESIDENT AND TREASURER

R. W. Eden

ASST. SECRETARY AND ASST. TREASURER

J. A. Holtby, C.A.

Stock Transfer Agent and Registrar

Guaranty Trust Company of Canada, Toronto

Solicitors

Edison, Aird & Berlis, Toronto

Auditors

Price Waterhouse & Co., Toronto

Clarkson, Gordon & Co., Toronto

Subsidiary and Affiliated Companies

Aersol Packaging of Canada Limited, Scarborough, Ontario

Ash Temple Limited, Toronto, Ontario

Maxwell Limited, St. Marys, Ontario

Niagara Water Conditioners Limited, Scarborough, Ontario

Trench Electric Limited, Toronto, Ontario

MINDUSTRIAL CORPORATION LIMITED

Directors' Report to the Shareholders

Your Directors submit for your approval the Annual Report of the company with related statements for the year ended December 31, 1963.

Statement of Income

In the past year net income after taxes and before special items amounted to \$45,800 compared with \$38,700 in 1962. In 1963 a small decrease in dividend income was more than offset by the combined effect of an increase in other income and lower debenture interest.

An amount of \$126,900 was written-off in 1963 relative to the investment and advances in connection with Niagara Water Conditioners Limited and Trench Electric Limited.

During the year the company sold its interest in The Copp Clark Publishing Co. Limited to Sir Isaac Pitman & Sons (Canada) Limited. The price received was \$17.00 per share sold, producing a capital profit of \$895,100. While the directors of your company were optimistic about the long-term growth potential of Copp Clark, the offer of \$17 per share was most attractive and, in the opinion of your Board, was one which required acceptance. The offer, made by Pitman, was restricted to the block of shares owned by Mindustrial Corporation, consisting of almost half of all common shares issued by Copp Clark.

As a result of the above, an amount of \$814,100 was transferred to the Surplus account during the year compared with a loss in 1962 of \$72,800.

Balance Sheet

The company had, in cash and short-term notes at the end of last year, an amount of \$954,700, compared with \$63,500 at the end of 1962. The bank loan of \$119,000, which was shown on the balance sheet at the end of 1962, was paid off last year, and current liabilities at year end totalled \$19,000. In addition, during the year, \$76,000 of debentures were redeemed. After disbursing dividends of 30¢ per share (1962—10¢) for a total outlay of \$194,000, the Surplus account increased by \$620,100.

Operations of Associated Companies

AERSOL PACKAGING OF CANADA LIMITED
—Custom packager of aerosol products (49% of the common stock held by Mindustrial).

CIVIC INVESTMENTS LIMITED—Holding company (owning 51% of the issued common stock of Aersol Packaging of Canada Limited—50% of the common stock of Civic Investments is owned by Mindustrial).

Aersol Packaging achieved excellent progress in 1963. A major increase in sales was obtained and a satisfactory

profit was earned, as opposed to the modest loss sustained during the transition period in 1962. In the past year moderate additions were made to the machinery and equipment of Aersol in order to permit the company to maintain its competitive position in its industry. These additions were financed largely by way of leases.

The major growth in sales of this company during the past year was in its paint-packaging operations. Other products accounted for a reasonable increase in volume. Further increases are anticipated in 1964, both in established products and other products packed for the first time.

Under its good management, the prospects of this company continue to be most encouraging and your company's investment in Aersol is considered to be quite satisfactory.

ASH TEMPLE LIMITED—Distributor of dental supplies (48,010 shares—representing 48% of the outstanding common stock—are held by Mindustrial).

In 1963, this company earned \$210,700 compared with \$174,500 in 1962. The improvement last year is again due to an increase in volume. In 1963 dividends of 90¢ per common share were disbursed compared with 80¢ in 1962. After the declaration of the foregoing dividends, earnings retained in the business increased by \$80,000 and stood at \$718,800 at year end.

In December 1963, Ash Temple retired its then outstanding funded debt, and a new 6¼% loan of \$900,000 was placed privately. The sinking fund provisions of this debt are designed so that the loan will be fully repaid by January 1980. This new financing should facilitate further growth in Ash Temple as opportunities arise. The outlook for this company continues promising.

MARITIME DENTAL SUPPLY COMPANY, LIMITED—Distributor of dental supplies in Eastern Canada (nearly 50% of common shares owned by Mindustrial—an equal number of common shares is held by Ash Temple Limited).

As stated in the last report to you, Mindustrial and Ash Temple each acquired a substantial interest in Maritime Dental in late 1962. In January of 1963, a special dividend of \$48,600 was received by Mindustrial from Maritime Dental. This amount has been treated as a return of capital and applied to reduce the company's investment in Maritime.

1963 operations in that company were satisfactory and a reasonable rate of growth in volume and earnings is expected.

MAXWELL LIMITED (and its wholly-owned subsidiaries, *Butler Metals Limited* and *Marchand Furnace Limited*)—manufacturer of power lawn mowers, metal stampings and other products (182,079 common shares—representing

60.5% of the outstanding common stock—and 101 preference shares—are held by Mindustrial).

The consolidated loss of Maxwell and its subsidiary companies amounted to \$116,000 compared with a loss in 1962 of \$77,600. While the operations of Butler Metals produced a very satisfactory profit, earnings in Marchand Furnace were small, and the foregoing profits were more than offset by the loss of \$327,300 incurred in the operations of Maxwell Limited at St. Marys. A significant portion of the Maxwell loss is due to revaluation of inventories to reflect selling prices of discontinued products.

Early in 1964 Maxwell received \$525,000 in settlement of damages resulting from a patent infringement suit. In addition, Maxwell thereafter sold the assets of its wringer division to Beatty Bros. Limited for a cash consideration of \$575,000, plus an amount to be determined relative to the wringer inventory. These transactions were not reflected in the 1963 Maxwell results.

Following the re-assessment of the company's product lines and the sale of the Wringer Division, the Maxwell directors closed down operations at the St. Marys and Tilbury plants of Maxwell and Marchand, and embarked on a programme to distribute the assets of Maxwell to its shareholders and to wind up the affairs of the company. This programme has now been approved by the Maxwell shareholders at the Annual and Special General Meeting held on June 11, 1964.

In order to give Mindustrial shareholders an opportunity to fully understand the details of the programme which has now been approved, we are enclosing with this report a copy of the material that was sent to each Maxwell shareholder.

Mindustrial will receive, as its share of assets being distributed by Maxwell Limited, \$549,267, 7% convertible debentures of Butler Metal Products Co. Ltd., and 183,089 no par value common shares of Maxwell (1964) Limited.

Mindustrial, as a further step, will sell to Niagara Water Conditioners Limited (its wholly-owned subsidiary) for appropriate consideration, its convertible debentures of Butler Metal Products Co. Ltd. and these debentures will subsequently be converted into common shares of Butler.

Following the notice by Maxwell to its shareholders of the proposed programme of liquidation of assets, Mindustrial offered to acquire all of the outstanding preference and common shares of Maxwell Limited at a price of \$50.25 (including dividend arrears of \$10.25) and \$4.00 respectively. The aim of this offer was twofold. Firstly, your directors believe Butler Metal Products Co. Ltd. has good prospects and consider the indirect acquisition of its securities through purchase of Maxwell shares to be a sound investment. In the second place, the acceptance of this offer will enable other Maxwell shareholders, if they so desire, to receive cash for their shares in anticipation of the wind-up of Maxwell. The extent to which the Mindustrial offer has been accepted will be discussed further at the Mindustrial Annual Meeting.

The programme referred to above was undertaken with a degree of regret in view of the long history of Maxwell Limited as a Canadian manufacturer. However, under the circumstances of increasing competition, lower selling prices, and higher costs, it was felt by your directors—who concurred with the Maxwell directors in their decision to recommend the plan to the Maxwell shareholders—that the interests of the Maxwell shareholders, including Mindustrial, were best served by this reorganization.

NIAGARA WATER CONDITIONERS LIMITED—*This company's subsidiaries manufacture and sell domestic and commercial water-conditioning equipment (Holding company wholly-owned by Mindustrial).*

In 1963 the losses of this company's subsidiaries, including an inventory adjustment of \$15,400 relative to prior periods, amounted to \$89,703. This compares with a loss in 1962 of \$176,400. Expenses again were reduced very appreciably, but the gross margins realized on lower sales were not sufficient to offset the total operating expenses. Operations in 1964 are more satisfactory than in recent years and it is not expected that further losses of major consequence will be incurred.

Since the year-end Sovereign Water Conditioners Limited, as shown in the Maxwell material enclosed herewith, has changed its name and acquired the assets and undertakings of Butler Metals Limited. Its water-conditioning business will be carried on as a division of Butler Metal Products Co. Ltd. The company should have substantial earnings which, owing to its tax-loss carry forward of approximately \$400,000, should result in a substantial cash flow.

TRENCH ELECTRIC LIMITED—*Developing specialty equipment for electrical transmission (80% of the common stock is held by Mindustrial).*

In 1963, after considerable product development, this company commenced commercial production in a small plant in Toronto. During its initial year, major problems were encountered in design and manufacturing. In addition, as a partial consequence of the foregoing, sales volume was much lower in 1963 than had originally been anticipated. Due to the initial technical difficulties and the low sales volume, a substantial loss was incurred in the company's first year of operation. Because of the losses incurred in 1963, your directors considered it wise to write-off Mindustrial's investment in Trench Electric of \$62,100.

Trench has overcome its initial problems in engineering and production and the pattern of sales growth to date in 1964 is encouraging.

An agreement was reached with a leading manufacturer of heavy electrical equipment, to co-operate in the production of a model of a Shunt Reactor of the rating used in the transmission of electricity at extra-high voltages. It is anticipated that this model will be built and tested within twelve months. If tests are successful, considerable revenues should be received in later years.

Outlook

In 1964 it is expected that Ash Temple Limited, Aersol Packaging and Butler Metal Products Co. Ltd. will show satisfactory progress. Trench Electric is showing appreciable improvement in 1964, and this should continue.

Toronto, Ontario
June 16, 1964

Dividends

In addition to the 30¢ dividend paid in late 1963, a dividend of 10¢ was declared payable as at June 30, 1964. This reflects the basically improved outlook of your company's operating interests and its own satisfactory cash and surplus position.

On Behalf of the Board of Directors.

W. H. BUTLER
Chairman

W. P. WALKER
President

MINDUSTRIAL CORP.

(incorporated under

Balance

DECEMBER

(with comparative figures)

ASSETS	<u>1963</u>	<u>1962</u>
<i>Current:</i>		
Cash.....	\$ 29,685	\$ 63,466
Interest, dividends and sundry accounts receivable	35,689	16,096
Short term notes and deposits.....	925,000	—
Income taxes recoverable.....	—	5,910
Total current assets.....	<u>\$ 990,374</u>	<u>\$ 85,472</u>
<i>Investment in, and advances to, subsidiary companies: (Note 2)</i>		
Wholly-owned subsidiary company—		
Preference and common shares—at cost.....	\$ 324,575	\$ 324,575
Advances.....	211,675	146,875
	<u>\$ 536,250</u>	<u>\$ 471,450</u>
Less provision for losses.....	536,250	471,450
	<u>\$ —</u>	<u>\$ —</u>
Partly-owned subsidiary companies—		
Preference and common shares.....	\$ 730,094	\$ 730,094
	<u>\$ —</u>	<u>\$ —</u>
<i>Investment in, and advances to, associated companies: (Note 3)</i>		
Common shares.....	\$ 228,266	\$ 642,601
Advances	70,334	66,716
Debentures	126,500	126,500
	<u>\$ 425,100</u>	<u>\$ 835,817</u>
Less provision for losses.....	\$ 62,082	—
	<u>\$ 363,018</u>	<u>\$ 835,817</u>
Total investments.....	<u>\$1,093,112</u>	<u>\$ 1,565,911</u>
 On behalf of the Board:		
W. H. BUTLER, Director		
W. P. WALKER, Director		
	<u>\$2,083,486</u>	<u>\$1,651,383</u>

See accompanying notes

CORPORATION LIMITED

(Incorporated under the laws of Ontario)

Balance Sheet

As at December 31, 1963
(and for the year ended at December 31, 1962)

LIABILITIES		<u>1963</u>	<u>1962</u>
<i>Current:</i>			
Bank loan (secured)	\$ —	\$ 119,000	
Accounts payable and accrued charges	8,607	8,225	
Accrued interest on debentures	3,775	4,129	
Income tax payable	6,966	—	
Sinking fund instalments payable within one year	—	6,164	
Total current liabilities	<u>\$ 19,348</u>	<u>\$ 137,518</u>	
 <i>Funded debt (Note 6)</i>			
5½% convertible redeemable sinking fund debentures due December 1, 1974—			
Authorized: \$1,500,000			
Issued, less \$421,950 (1962—\$345,950) redeemed and cancelled	\$ 808,050	\$ 884,050	
Less — sinking fund instalments payable within one year	—	6,164	
	<u>\$ 808,050</u>	<u>\$ 877,886</u>	
 <i>Shareholders' equity:</i>			
Capital stock (Note 7)			
Preference redeemable 6% convertible sinking fund, par value \$50 each:			
Authorized but unissued—32,500 shares			
Common:			
Authorized—3,000,000 shares without par value			
Issued—646,529 shares	\$ 509,203	\$ 509,203	
Surplus	746,885	126,776	
	<u>\$1,256,088</u>	<u>\$ 635,979</u>	
	 <u><u>\$2,083,486</u></u>	 <u><u>\$1,651,383</u></u>	

Contingent liabilities (Note 5)

MINDUSTRIAL CORPORATION LIMITED

Statement of Income and Surplus

FOR THE YEAR ENDED DECEMBER 31, 1963
(with comparative figures for the year ended December 31, 1962)

	1963	1962
Dividends received.....	\$ 121,592	\$ 76,629
Less portion derived from surplus of Maritime Dental Supply Company, Limited at date of acquisition, applied in reduction of cost of in- vestment therein.....	48,616	—
	<u>\$ 72,976</u>	<u>\$ 76,629</u>
Management fees, interest income and discount on debentures purchased (1963—\$13,738; 1962—\$6,793), less operating expenses but before deducting the undernoted items.....	37,673	28,869
	<u>\$ 110,649</u>	<u>\$ 105,498</u>
Debenture interest.....	\$ 46,394	\$ 50,004
Bank interest.....	6,552	5,902
Legal and audit fees.....	4,163	5,653
Depreciation.....	716	225
	<u>\$ 57,825</u>	<u>\$ 61,784</u>
Income from operations before income taxes.....	\$ 52,824	\$ 43,714
Income taxes.....	7,000	5,019
	<u>\$ 45,824</u>	<u>\$ 38,695</u>
Income before the undernoted items.....	\$ 45,824	\$ 38,695
Provision for losses of wholly-owned subsidiary and associated com- panies (Notes 2 and 3).....	126,882	189,375
	<u>\$ 81,058</u>	<u>\$ 150,680</u>
Loss for the year.....	\$ 81,058	\$ 150,680
Gain on sale of investments (Note 3).....	895,126	77,875
	<u>\$ 814,068</u>	<u>\$(72,805)</u>
Surplus at beginning of year.....	\$ 126,776	\$ 264,234
	<u>\$ 940,844</u>	<u>\$ 191,429</u>
Deduct dividends paid (1963—30¢ per share; 1962—10¢ per share).....	193,959	64,653
	<u>\$ 746,885</u>	<u>\$ 126,776</u>

See accompanying notes to financial statements.

MINDUSTRIAL CORPORATION LIMITED

Notes to Financial Statements

DECEMBER 31, 1963

1. The subsidiary companies are operated by their respective boards of directors and managements as independent units. For this reason and in view of the absence of equity in the wholly-owned subsidiary and the substantial minority interests in the partly-owned subsidiary, the accounts of the subsidiaries have not been consolidated with the attached accounts of the parent company.
2. Additional information in respect of investments in subsidiary companies at December 31, 1963 is set out below:

Niagara Water Conditioners Limited (wholly-owned subsidiary)

The company's share of the loss of Niagara Water Conditioners Limited (Niagara), for its fiscal year ended December 31, 1963 amounted to \$90,703 and at that date the company's share of the aggregate losses since dates of acquisition was \$562,153. Provision has been made by the parent company for its share of these losses to the extent of the company's total investment in the subsidiary. At December 31, 1963 the liabilities of Niagara (including advances of \$211,675 made by the parent company) exceeded the book value of its tangible assets by about \$370,000.

Maxwell Limited (partly-owned subsidiary)

The company holds 60% of the common and 1% of the preference shares of Maxwell Limited. These shares are carried at \$300,000 in excess of cost (as valued in 1951 by the former management) less excess of dividends received over share of earnings since dates of acquisition. The indicated market value of these shares at December 31, 1963 was \$278,169 (see note 4).

The company's share of the loss of Maxwell Limited for its fiscal year ended December 31, 1963 was \$173,188, including \$62,501 share of loss on investment and \$45,000 in respect of the company's share of Maxwell preference dividend arrears. The company's share of a settlement of a judgment awarded to Maxwell in 1962 and received and recorded early in 1964, when reduced by the above loss gave rise to an increase of \$141,812 in the company's equity in Maxwell in the year ended December 31, 1963. At that date the company's equity in Maxwell Limited had decreased since dates of acquisition of shares by \$2,029 to \$755,900.

Subsequent to December 31, 1963, Maxwell Limited sold the machinery, tooling and licensing agreements relative to one of its principal products for \$575,000 which is expected to result in a profit.

3. During the year ended December 31, 1963 the company sold its shareholdings in The Copp Clark Publishing Co. Limited at a gain of \$895,126.

The indicated market value of the company's holdings in Ash Temple Limited was \$888,185 at December 31, 1963 (see note 4). Shares in other associated companies have no quoted market value.

The company's share of the loss of Trench Electric Limited for its fiscal year ended December 31, 1963 was \$69,868 and its share of accumulated losses to that date was \$73,983. Provision has been made by the company for its share of these losses to the extent of the company's total investment in Trench. Subsequent to December 31, 1963 the company made further advances totalling \$63,000 to Trench Electric Limited and in addition increased its percentage ownership of outstanding common shares of that company to 80% at a cost of \$5,500.

The balance of the outstanding shares of Maritime Dental Supply Company, Limited and of Aersol Packaging of Canada Limited are held by Ash Temple Limited and Civic Investments Limited respectively.

A summary of the investments in and advances to associated companies at December 31, 1963 is set out below:

<u>Company</u>	<u>Percentage of outstanding shares owned</u>	<u>Cost</u>	<u>Advances</u>	<u>Debentures</u>	<u>Provision for loss</u>
Ash Temple Limited—					
Common shares	48	\$178,977			
Maritime Dental Supply Company, Limited—					
Common shares	50	42,671			
Aersol Packaging of Canada Limited—					
Common shares	49	3,615			
Advances			\$10,000		
Debentures				\$126,500	
Civic Investments Limited—					
Common shares	50	502			
Advances			753		
Trench Electric Limited—					
Common shares	50	2,501			\$ 2,501
Advances			59,581		59,581
		<u>\$228,266</u>	<u>\$70,334</u>	<u>\$126,500</u>	<u>\$62,082</u>

4. The indicated market values of the company's holdings in Maxwell Limited, and in Ash Temple Limited, as set out in Notes 2 and 3, are the result of pricing the holdings at the closing market prices at December 31, 1963. These market values do not necessarily represent the value of entire blocks which may be more or less than that indicated by the market quotations.
5. At December 31, 1963 the liabilities of Niagara Water Conditioners Limited and Trench Electric Limited included accounts secured or partly secured by the assignment of specific assets and of rental contracts (Niagara) and guaranteed by Mindustrial Corporation Limited to the extent of \$407,000. At that date the guaranteed accounts exceeded the book value of the assets pledged together with the estimated amount receivable from rental contracts by about \$210,000 (Niagara \$81,000 and Trench \$129,000). No provision has been made for any loss that would have to be met by the company if called upon to implement its guarantees.
Guarantees have also been given by the company in respect of bank loans to Aersol Packaging of Canada Limited (\$75,000) and in respect of leases by that company of buildings and production machinery.
6. Debentures are redeemable on 30 days' notice on or before December 1, 1964 at 102%, on or before December 1, 1969 at 101% and thereafter at par, all plus accrued interest to the date of redemption. At December 31, 1963 approximately \$25,000 in debentures had been redeemed in advance of sinking fund requirements.
7. The company's debentures are convertible into common shares at a price of \$4.00 per share until December 1, 1965 and thereafter the price increases 25 cents per share every two years or part thereof. At December 31, 1963, 202,013 shares were reserved for the conversion of debentures.

Auditors' Report

To the Shareholders of
MINDUSTRIAL CORPORATION LIMITED:

We have examined the balance sheet of Mindustrial Corporation Limited as at December 31, 1963 and the related statement of income and surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, except that no provision has been made for the matters referred to in the first paragraph of Note 5 to the financial statements, the accompanying balance sheet and related statement of income and surplus with the notes appended thereto present fairly the financial position of the company as at December 31, 1963 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
April 21, 1964

PRICE WATERHOUSE & CO.
CLARKSON, GORDON & CO.
Chartered Accountants.

