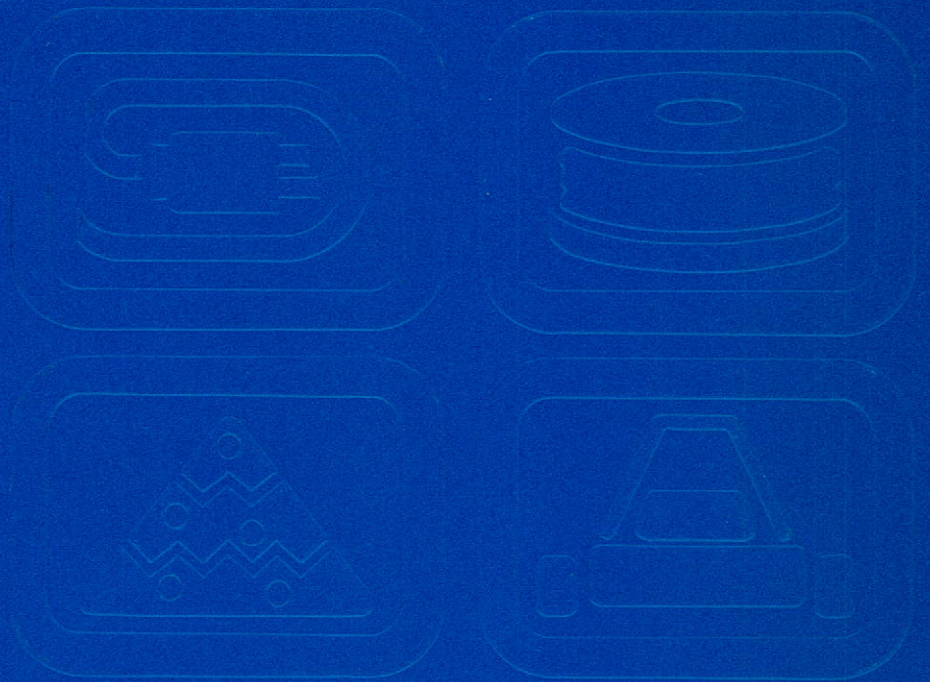


NOMA



UNIVERSITY LIBRARY
OF KENTUCKY
MAY 4 1980
KENTUCKY UNIVERSITY

NOMA INDUSTRIES LIMITED ANNUAL REPORT 1979

NOMA INDUSTRIES LIMITED AND SUBSIDIARIES
ANNUAL REPORT 1979

Directors

Mrs. Theresa Beck
*H. Thomas Beck
Rudolph A. Koehler
*Donald Rafelman
*Andrew Wedd
*Member of the audit committee

Officers

Mrs. Theresa Beck,
Chairman
of the Board

H. Thomas Beck,
President
and Chief Executive Officer

Rudolph A. Koehler,
Executive
Vice-President, and
Secretary

Norman S. Eckler,
Vice-President
Finance

Meinrad C. Meerkamper
Controller

Head Office

375 Kennedy Road
Scarborough, Ontario M1K 2A3

Auditors

Touche Ross & Co., Toronto

Transfer Agent & Registrar
Montreal Trust Company

Stock Listing

Toronto Stock Exchange

Bankers

Canadian Imperial
Bank of Commerce
Mercantile Bank of Canada

Legal Counsel

Goodman and Goodman
Toronto

Contents

President's Message	2
Financial Statements	4
Products	10
Five Year Comparative Summary	13

Annual Meeting

The annual meeting of shareholders will be held on Friday, May 23, 1980 at 11:00 a.m. in the Confederation Room No. 3 of the Royal York Hotel, Toronto.

NOMA INDUSTRIES LIMITED is a group of Canadian owned companies specialized in the manufacture and marketing of a range of electrical and mechanical products for the consumer and industrial markets. Products are marketed in Canada, Europe and the U.S.A.



**Operating Divisions
and Subsidiaries**

Beck Electric Manufacturing
Company,
Downsview, Ontario
Ben Hoag,
Vice-President & General Manager

Beck Electric Manufacturing Inc.
Stamford, Connecticut
Seymour Jeruss,
President

Cable-Tech Wire Company
Limited,
Stouffville, Ontario
Siegfried Riemer,
President

Doubl *Glo-Fieldcraft,
Scarborough, Ontario
Robert L. Weill,
President

Noma Displays Limited,
Downsview, Ontario
Rolph Baumann,
Manager

Noma Lites Canada Limited,
Scarborough, Ontario
Rudolph A. Koehler,
President

Outdoor Products Mfg. Ltd.,
Brampton, Ontario
William Czeban,
President

President's Message



To Our Shareholders,

I am pleased to report another year of progress and achievement by Noma Industries Limited. During 1979, consolidated sales revenue amounted to \$80,339,000; an increase of 34% over the 1978 figure of \$59,733,000. Similarly, operating earnings increased by 41% to \$3,158,000 (\$3.10 per share) compared to \$2,236,000 (\$2.20 per share) for the previous year. An extraordinary gain of \$147,000 brought net earnings in 1978 to \$2.34 per share. There was no comparable item in 1979. Operating earnings represent an improved return on shareholders' equity of 24.6% in 1979 up from 20.7% in 1978.

Operating costs in 1979 were affected significantly by the rapid rise in the interest expense of our operating line of credit. This expense more than doubled from \$732,000 in 1978 to \$1,542,000 as bank lending rates continued to rise to unprecedented levels throughout the year coincident with higher loan requirements. Notwithstanding this trend, pre-tax earnings before extraordinary items improved from 6.1% to 6.5% of sales revenue.

The cost of copper increased dramatically during 1979. The inventory valuation at the

end of 1979 for approximately the same quantity of copper was 42% higher than at the end of 1978. This created an increased inventory investment of approximately \$337,000 and is essentially reflected in 1979 profits as an inflationary gain (approximately 19¢ per share). In 1980 to date copper prices have been quite volatile. This fluctuating market condition and the increasing costs of financing demands that your management be extremely alert in order to ensure satisfactory operating margins.

The 1979 operations provided \$4,837,000 of working capital of which \$2,348,000 was used for the acquisition of additional fixed assets, \$548,000 invested in development of new products, \$483,000 in dividend payments, \$356,000 to purchase goodwill and minority interest and \$283,000 to reduce long-term debt. After these applications the balance, \$819,000, increased working capital to \$9,388,000.

During the year your Company paid quarterly dividends aggregating 47.5¢ on Class A and Class B shares. Since there is no further income tax benefit in maintaining two classes of shares we are proposing to combine them into one class of common shares. This will simplify the capitalization of your Company and facilitate identification in the stock market quotations. Shareholders' equity increased in 1979 to \$14,138,000 or \$13.90 per share from \$11,463,000 or \$11.27 per share.

During the last twelve months your Company expanded its activities in the non-electric Christmas decorative products market. We have acquired all the outstanding shares of Fieldcraft Decorations Limited, the assets of Astralite Limited pertaining to the manufacture of artificial Christmas trees and a 75% interest in Doubl*Glo of Canada Limited.

Manufacture of the Fieldcraft line of glass ornaments and the Doubl*Glo range of decorative garlands and icicles has been consolidated in one plant of 61,000 sq. ft. at Rolark Drive, Scarborough. Mr. Robert L. Weill, President of Doubl*Glo of Canada Limited has the executive responsibilities for this facility.

The Astralite products have been added to the range of artificial Christmas trees manufactured by Noma Displays Limited and the expanded production facilities have been relocated to a larger plant of 78,000 sq. ft. in Downsview.

Operating Review and Outlook

All Canadian Divisions of Noma contributed to the consolidated results by exceeding both the sales and profit levels of 1978.

The Noma Lites Division achieved record sales and profits in 1979 and we expect that this momentum will be maintained in 1980, augmented by the acquisitions previously mentioned.

Beck Electric Manufacturing Company in Downsview has accelerated its growth pattern of prior years and the prospects of further growth throughout 1980 are promising. This Division has just completed the installation of an advanced computer system which incorporates a comprehensive software package. This on-line, real time system has the capability to provide up-to-the-minute control of inventories, purchasing and production scheduling and hence a more dynamic and flexible response to customer requirements.

Cable-Tech Wire Company Limited had a most successful year in 1979 which has continued into the early months of 1980. A capital-intensive facility of this nature is always sensitive to its volume throughput. The management at Cable-Tech recognise the importance of this to their continuing success.

Outdoor Products Mfg. Ltd., has increased its sales substantially and has successfully implemented a new product development program. During 1979 the manufacturing arrangement with the Toro Company was terminated by mutual agreement and emphasis was given to the development and marketing of Outdoor's proprietary products. The first result of the new product development is a unique Multi-Mode lawnmower which offers the consumer a better product at an attractive price and should improve our margins for this class of product. As a result of a nationwide TV advertising campaign and promotion activities abroad this new product is selling well in domestic and export markets. The lack of snow in the winter months of 1979-80 affected the demand for snowblowing machines and the current high inventories at retail outlets will limit growth of the Company's sales in the domestic market in

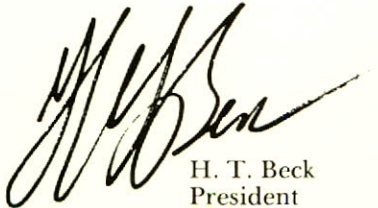
1980. However, new products are being well accepted and we are confident that sales in new market territories will more than offset the expected decline in domestic sales.

In the United States, Beck Electric Manufacturing Inc., did not produce satisfactory results. Labour inefficiencies and slow reaction to rapidly rising costs were the major factors which contributed to disappointing sales and profits. Corrective measures are being implemented and the results in the first quarter of 1980 indicate a recovery trend.

On a brighter note I am pleased to state that the consolidated export sales of Canadian made products exceeded the target figure of \$3,000,000. We are confident that export sales in 1980 will be more than double this figure.

In conclusion, Noma Industries Limited achieved notable progress in 1979 and prospects are good that this will continue in 1980. Accordingly, we are planning a \$2.5 million expenditure on fixed assets throughout the year. However, the prevailing economic environment is such that I must temper this optimism with a note of caution. The current trend towards extremely high interest rates will likely affect your Company's operating results in 1980. We are taking appropriate steps to adjust to the changing economic circumstances and to minimize any adverse impact they may have on your investment.

On behalf of the Board of Directors, I extend to all our employees our sincere thanks for their perseverance, diligence and loyalty throughout the year. I am also grateful to our shareholders, customers and suppliers for their continued support.



H. T. Beck
President
and Chief Executive Officer

NOMA INDUSTRIES LIMITED

Auditors' Report

The Shareholders,
Noma Industries Limited.

We have examined the consolidated balance sheet of Noma Industries Limited as at December 31, 1979 and the consolidated statements of earnings, 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 December 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.



Chartered Accountants

Toronto, Ontario,
April 18, 1980.

Consolidated Statement of Earnings

For the year ended December 31, 1979

	1979	1978
	(Thousands of dollars)	
Sales	\$80,339	\$59,733
Costs and expenses		
Cost of sales and selling and administrative expenses	71,315	53,283
Depreciation and amortization (Note 9)	1,521	1,363
Interest on long-term debt	777	694
Interest on other indebtedness	1,542	732
	<u>75,155</u>	<u>56,072</u>
Earnings before income taxes, minority interests and extraordinary item	5,184	3,661
Income taxes (Note 10)	2,008	1,310
	<u>3,176</u>	<u>2,351</u>
Minority interests in earnings of subsidiary companies	18	115
Earnings before extraordinary item	3,158	2,236
Utilization of tax losses of prior years	—	147
Net earnings	<u>\$ 3,158</u>	<u>\$ 2,383</u>
<hr/>		
Earnings per share before extraordinary item	<u>\$3.10</u>	<u>\$2.20</u>
Earnings per share after extraordinary item	<u>\$3.10</u>	<u>\$2.34</u>

See accompanying notes to consolidated financial statements.

NOMA INDUSTRIES LIMITED

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1979

	1979	1978
	(Thousands of dollars)	
Funds provided by		
Net earnings before extraordinary item	\$ 3,158	\$ 2,236
Items not affecting funds		
Depreciation and amortization (Note 9)	1,521	1,363
Deferred income taxes	128	157
Minority interests in earnings of subsidiary companies	18	115
	<u>4,825</u>	<u>3,871</u>
Extraordinary item	—	147
Decrease in notes receivable	12	—
	<u>4,837</u>	<u>4,018</u>
Funds used for		
Purchase of fixed assets	2,348	1,533
Acquisition of an additional 5% interest in a subsidiary company ..	37	—
Goodwill arising on acquisitions	319	—
Deferred development costs	548	—
Decrease in long-term debt	283	722
Dividends	483	1,037
Other	—	9
	<u>4,018</u>	<u>3,301</u>
Increase in working capital	819	717
Working capital at beginning of year	8,569	7,852
Working capital at end of year	<u>\$ 9,388</u>	<u>\$ 8,569</u>

Consolidated Statement of Retained Earnings

For the year ended December 31, 1979

	1979	1978
	(Thousands of dollars)	
Balance at beginning of year	\$ 8,839	\$ 7,493
Net earnings	3,158	2,383
	<u>11,997</u>	<u>9,876</u>
Dividends	483	1,037
Balance at end of year	<u>\$11,514</u>	<u>\$ 8,839</u>

See accompanying notes to consolidated financial statements.


NOMA INDUSTRIES LIMITED

(Incorporated under The Business Corporations Act – Ontario)


Consolidated Balance Sheet

as at December 31, 1979

ASSETS	<u>1979</u>	<u>1978</u>
	(Thousands of dollars)	
Current		
Cash	\$ 510	\$ 745
Accounts receivable (Note 2)	10,920	8,439
Inventories	19,162	13,719
Sundry assets and prepaid expenses	<u>594</u>	<u>402</u>
	31,186	23,305
Fixed (Note 3)	11,074	10,214
Other (Note 4)	<u>1,495</u>	<u>673</u>
	<u>\$43,755</u>	<u>\$34,192</u>
On behalf of the Board		



Director



Director

LIABILITIES	1979	1978
	(Thousands of dollars)	
Current		
Bank indebtedness (Note 5)	\$12,996	\$ 6,055
Accounts payable and accrued liabilities	6,124	5,162
Advances from customer (Note 6)	887	2,489
Income taxes payable	866	222
Current portion of long-term debt	925	808
	<u>21,798</u>	<u>14,736</u>
Deferred income taxes	1,913	1,785
Long-term debt (Note 7)	5,666	5,949
Minority interests in subsidiary companies	240	259
	<u>29,617</u>	<u>22,729</u>
 SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	2,457	2,457
Retained earnings	11,514	8,839
Contributed surplus	167	167
	<u>11,681</u>	<u>9,006</u>
	<u>14,138</u>	<u>11,463</u>
	<u>\$43,755</u>	<u>\$34,192</u>

See accompanying notes to consolidated financial statements.

NOMA INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiary companies. All significant inter-company transactions are eliminated.

b. Inventories

Inventories of raw materials, work-in-process and finished goods are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

c. Depreciation and amortization

Fixed assets are depreciated on the straight-line basis at the following rates which are intended to extinguish the cost of these assets over their estimated useful lives:

Buildings	2½%
Machinery and equipment	10%
Moulds, dies and tooling	25%

Leasehold improvements are amortized over five years or the remaining period of the respective leases, whichever is the shorter period. Patent costs are amortized over a period of seventeen years.

d. Deferred development costs

Deferred development costs relate to the costs incurred by a subsidiary company for

the development of new products. These costs are stated net of grants receivable from the Federal Government. The net development costs will be amortized by reference to the estimated sales revenue to be derived therefrom, commencing in 1980.

e. Goodwill

Goodwill is amortized on a straight-line basis over forty years.

f. Income taxes

The provision for income taxes is computed on the allocation basis whereby provision is made for income taxes deferred by virtue of depreciation for income tax purposes exceeding that booked in the accounts. The Company uses the flow-through method in accounting for investment tax credits.

g. Foreign currency translation

All amounts in foreign currencies, including the accounts of the United States subsidiary company, are converted to Canadian dollars under the temporal method.

2. ACCOUNTS RECEIVABLE

Accounts receivable include \$71,000 (1978 — \$38,000) loaned to shareholder employees of the Company in connection with house purchases and \$35,000 for purchases of shares in the Company.

3. FIXED ASSETS

	1979		1978	
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
Buildings	\$ 3,730,000	\$ 799,000	\$ 2,931,000	\$ 3,007,000
Machinery, equipment and leasehold improvements	13,267,000	6,309,000	6,958,000	6,230,000
Moulds, dies and tooling	1,780,000	1,156,000	624,000	416,000
	18,777,000	8,264,000	10,513,000	9,653,000
Land	561,000	—	561,000	561,000
	<u>\$19,338,000</u>	<u>\$ 8,264,000</u>	<u>\$11,074,000</u>	<u>\$10,214,000</u>

4. OTHER ASSETS

	1979	1978
Notes receivable	\$ 30,000	\$ 42,000
Patents	34,000	42,000
Goodwill	883,000	589,000
Deferred development costs	548,000	—
	<u>\$ 1,495,000</u>	<u>\$ 673,000</u>

Notes to Consolidated Financial Statements (Continued)

5. BANK INDEBTEDNESS

Bank indebtedness is secured by a general assignment of certain receivables and inventories.

6. ADVANCES FROM CUSTOMER

The amount of \$887,000 (1978 — \$2,489,000) has been advanced by a customer to finance certain inventories of a subsidiary company.

7. LONG-TERM DEBT

	1979	1978
Term bank loans (a)	\$4,377,000	\$4,585,000
Mortgages on real property (b)	2,101,000	2,172,000
Others	113,000	—
	<u>6,591,000</u>	<u>6,757,000</u>
Less current portion	925,000	808,000
	<u>\$5,666,000</u>	<u>\$5,949,000</u>

a. Interest is payable at $\frac{1}{4}\%$ to $\frac{3}{4}\%$ above prime interest rate. The security is a fixed charge on land, buildings and equipment and floating charges on all the assets of the Company and its subsidiary companies subject to priorities of mortgages and assignment of certain receivables and inventories.

b. \$1,024,000 with interest at $8\frac{3}{4}\%$, due December 1, 1992.
\$1,077,000 with interest at $10\frac{1}{8}\%$, due December 1, 1994.

The annual principal payments required in the next five years to meet the long-term obligations are:

1980	\$ 925,000
1981	932,000
1982	940,000
1983	1,049,000
1984	1,059,000

8. CAPITAL STOCK

The Company's authorized capital stock is established at a total of 1,850,000 Class A or Class B special shares without par value and 150,000 common shares without par value.

At December 31, 1979, there were 193,159 Class A special shares issued and outstanding and 823,841 Class B special shares issued and outstanding, for a total of 1,017,000 shares issued for a consideration of \$2,457,000.

9. DEPRECIATION AND AMORTIZATION

	1979	1978
Depreciation	\$1,403,000	\$1,271,000
Amortization of		
Leasehold improvements	85,000	41,000
Patents	8,000	6,000
Goodwill	25,000	17,000
Moving expense	—	28,000
	<u>\$1,521,000</u>	<u>\$1,363,000</u>

10. INCOME TAXES

The provision for income taxes has been reduced by \$265,000 (1978 — \$271,000) in respect of investment and employment tax credits and the inventory allowance. There are investment and job tax credits approximating \$495,000 available to subsidiary companies to reduce income tax provisions in future years. These credits expire at varying dates up to 1986.

11. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate remuneration of directors and senior officers, as defined by The Business Corporations Act — Ontario, amounted to approximately \$390,000 (1978 — \$316,000).

12. COMMITMENTS AND CONTINGENCIES

a. The total rentals paid for 1979 amounted to approximately \$529,000 under existing operating leases which are for various periods to 1993.

b. There were letters of credit outstanding at December 31, 1979 of approximately \$610,000.

c. Foreign exchange contracts at December 31, 1979 amounted to approximately \$800,000 (U.S.) at an exchange rate of \$1.1758.

d. The Company will be acquiring an additional 5% of the outstanding shares of a subsidiary company for approximately \$75,000 by April 30, 1980. The Company could be required to acquire the remaining 10% of the outstanding shares of the subsidiary under certain conditions at prices based upon that company's future earnings or book value.

e. A subsidiary company has entered into contracts to acquire approximately \$1,200,000 of capital equipment.

CONSUMER PRODUCTS



Electrical power cords, electrical building wire and flexible wire represent a significant portion of NOMA'S output of consumer products. The extensive range encompasses over 150 variations of some 50 basic products which are used in a variety of applications in the home, garden and workshop. Many are designed to respond to the popular trend by Canadian homeowners to "do it yourself", others meet the needs of industrial workshops. Our program of new product development and product improvement is a continuous one. Some examples of recent results are the Cord Caddy, rubber jacketed extension cords which provide greater flexibility at low temperatures and an improved "Trouble Light" which incorporates a grounded power outlet in its handle.

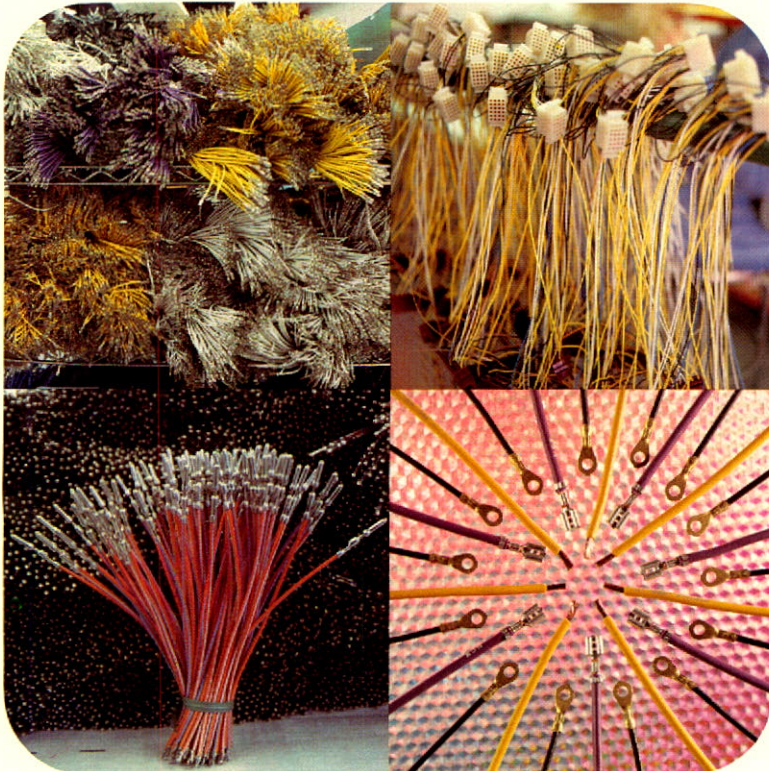
OUTDOOR PRODUCTS MFG. LTD., continues to address very competitively the consumer markets at home and abroad with its range of lawn and garden equipment and snowblowing machines. During 1979 a major new product development project was implemented to improve the quality of products and cost effectiveness of lawnmower and snowblower manufacturing. The highlight of this activity was the development of a multi-function lawnmower of unique design — the first Canadian designed product in this class. This high quality "Multi-Mode" machine is currently being marketed in Canada, the U.S.A. and in several European countries. In addition, a new range of snowblowers which offer improved performance, reliability and safety features will be produced and marketed for the 1980 winter season.



INDUSTRIAL PRODUCTS

Electric power cords and wiring harnesses are produced by BECK ELECTRIC MANUFACTURING COMPANY to specifications of equipment manufacturers in the electrical appliance, automotive and electronics industries. Over 1,500 different products are manufactured to meet the high standards of quality, performance and reliability demanded in this very competitive field.

Notwithstanding the slow rate of growth in some segments of the market, the total volume has continued to expand and this illustrates the effectiveness of the Company's endeavours to improve its productivity and competitiveness. 15,000 sq. ft. of manufacturing space was added during 1979 and has been fully utilized in the production of complex wiring harnesses for computers and related electronic equipment.



Electrical wire and cable constitutes the basic component of Noma's electrical products, hence the role of CABLE-TECH WIRE COMPANY is a key one. The Company continues to fulfil this role as a competitive supplier of electrical wires to the NOMA companies and to other customers in the electrical and allied industries. A major factor to its growth and prosperity is the constant upgrading of its process technology.

CHRISTMAS PRODUCTS



For almost 50 years the name NOMA has been synonymous in Canada with decorative lighting for the family Christmas tree. Over the years the range of Christmas lighting products has been extended to provide consumers with a variety of coloured lights and illuminated decorations to suit almost every taste and style in Christmas decor. Through product improvement, the lighting strings have become more durable, safe and reliable for both indoor and outdoor uses.

In the U.S.A. these products and a range of consumer products are manufactured and marketed by BECK ELECTRIC MANUFACTURING INC.

Complementing the lighting products are NOMA's range of artificial Christmas trees which also offer consumers a wide range of styles and sizes with similar improvements in quality, durability and safety.

We have now augmented our range of manufactured Christmas products by adding the FIELD CRAFT galaxy of decorative glass spheres and the DOUBL*GLO rainbow of coloured garlands.



FIVE YEAR FINANCIAL SUMMARY

(In Thousands of Dollars except per share data)

	1979		1978		1977		1976		1975	
SALES										
Consumer Products	\$42,428	53%	\$30,243	51%	\$20,709	45%	\$15,094	42%	\$12,009	45%
To Other Manufacturers	21,204	26	13,763	23	11,816	26	10,983	30	7,528	28
Christmas Products	16,707	21	15,727	26	13,285	29	10,141	28	7,226	27
TOTAL	\$80,339	100%	\$59,733	100%	\$45,810	100%	\$36,218	100%	\$26,763	100%
Earnings Before Extraordinary items	\$3,158		\$2,236		\$1,580		\$1,163		\$354	
Net Earnings	3,158		2,383		1,580		1,163		354	
Return on average Shareholders' Equity	24.6%		20.7%		16.7%		13.9%		4.5%	
Fixed Asset Additions	\$2,348		\$1,533		\$1,387		\$1,365		\$1,328	
Depreciation and Amortization of Fixed Assets	1,488		1,312		1,230		1,094		928	
Total Assets	43,755		34,192		27,674		25,730		22,579	
Shareholders' Equity	14,138		11,463		10,117		8,802		7,896	
Earnings per share before Extraordinary items	\$3.10		\$2.20		\$1.55		\$1.14		\$.35	
Earnings per share after Extraordinary items	3.10		2.34		1.55		1.14		.35	
Dividends per share – regular	.475		.36		.26		.20		.20	
special	—		.66		—		—		—	
Shareholders' Equity per share	13.90		11.27		9.95		8.66		7.76	
Market Price Range - High	12.50		10.00		6.25		4.75		4.75	
- Low	9.12		5.50		4.40		3.75		3.70	

