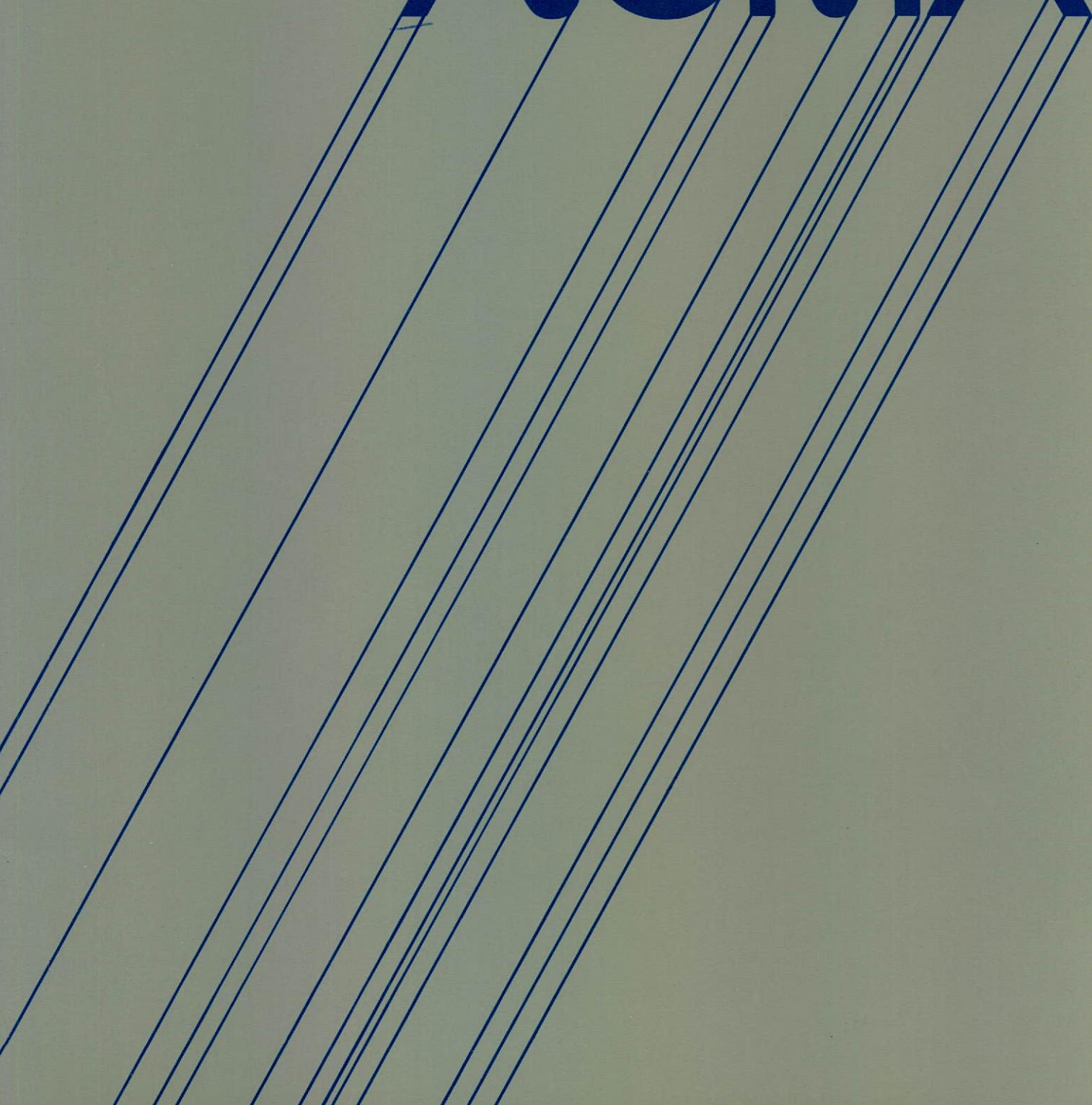


NOMA  
INDUSTRIES  
LIMITED

ANNUAL REPORT  
1985

NOMA



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**Annual Meeting**

The Annual Meeting of Shareholders will be held on Wednesday, May 21, 1986 in the Confederation Rooms 4, 5 and 6 at the Royal York Hotel, Toronto commencing at 11:00 a.m.

**NOMA  
INDUSTRIES  
LIMITED**

**ANNUAL REPORT  
1985**

Noma Industries Limited is a group of Canadian owned companies specializing in the manufacture and marketing of a range of electrical and mechanical products for the consumer and industrial markets. Products are marketed in Canada, the U.S.A. and Europe. The Noma group consists of 13 operating companies in the Toronto metropolitan region and 3 in the U.S.A. The company has a national distribution and sales organization in Canada through 7 regional sales offices coast-to-coast and distributor networks in the U.S.A. and Europe. Noma's shares are listed and traded on the Toronto Stock Exchange.



{over}  
Lawnmower decks  
prior to painting at  
Canadiana Outdoor Products  
Inc.

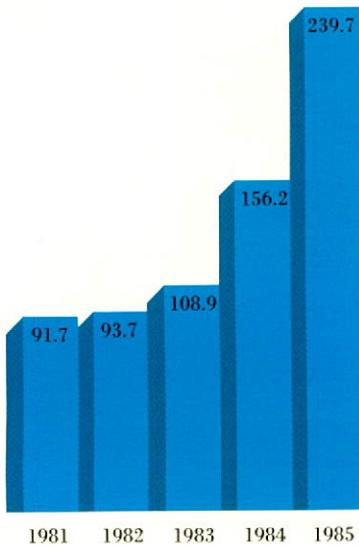
**Noma  
Industries  
Limited**

**Annual Report  
1985**

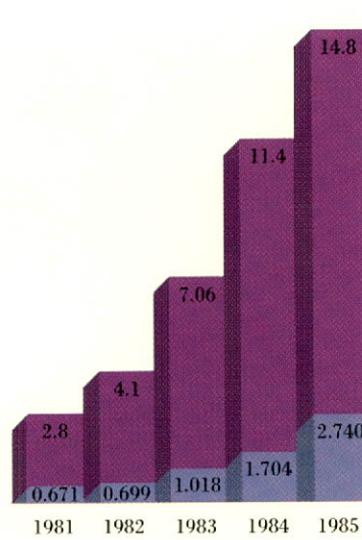
<b>Financial Highlights</b>	<b>1985</b>	<b>1984</b>
Sales	<b>\$239,751,000</b>	\$156,201,000
Net Earnings	<b>\$ 14,879,000</b>	\$ 11,409,000
Shareholders' Equity	<b>\$ 59,150,000</b>	\$ 45,286,000
Return on Average Shareholders' equity	<b>28.5%</b>	28.2%
Earnings per Class A share	<b>\$ 1.16</b>	\$ .905*
Dividends paid	<b>\$ 2,740,000</b>	\$ 1,704,000

\*Restated to reflect stock split, June 1985.

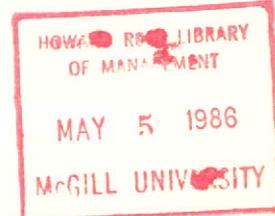
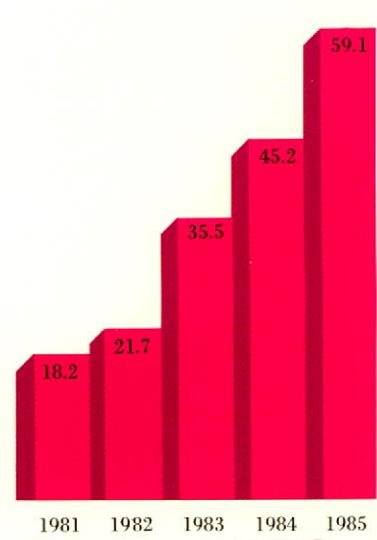
**Sales Revenues**  
\$ Millions



**Net Earnings  
and Dividends** ■  
\$ Millions



**Net Worth**  
\$ Millions



# Report to Shareholders



H. Thomas Beck  
Chairman of the Board  
and Chief Executive Officer

Rudolph A. Koehler  
President

## Review of 1985

During the last fiscal year your company achieved substantial increases in net earnings and sales. Net earnings for the year ended December 31, 1985 increased by 30% to \$14,879,000 from \$11,409,000 and Sales rose to \$239,751,000, an increase of 53% over \$156,201,000 recorded in 1984. Earnings per Class A share were \$1.16 compared to \$.905 per Class A share in 1984. The latter has been restated to reflect the 2 for 1 stock split in June 1985.

These excellent results reflect the continuing strong demand for our diversified range of products, the extension of that range by the acquisition of Danbel Industries Inc. which was completed effective from January 1, 1985, and the increased penetrations of markets at home and abroad. While our exports from Canadian plants to Europe and the USA increased from \$18,364,000 to \$35,682,000, our U.S. based operations at Chicago continued to grow in terms of sales and market share. Our Canadian and U.S. operating companies achieved higher levels of performance and continued to display leadership in their respective markets.

**T**hese excellent results reflect the continuing strong demand for our diversified range of products.

## Acquisitions

Corporate management strategy of bringing into focus appropriate business opportunities gave rise to additional acquisition activity during the closing weeks of 1985 and the first few weeks of 1986. The business and assets of Tinsel Inc. and Bellastra Products Limited of Toronto, were purchased December 31, 1985 and in January 1986 the business and certain assets of Beacon Electric Manufacturing Inc. of Boston, Massachusetts were acquired.

Each of these businesses provide opportunities to augment our manufacturing of Christmas products in both Canada and the USA. Tinsel and Bellastra is a well respected and significant producer of Christmas decorations and artificial Christmas trees in Canada and is a compatible fit with the operations of Noma's Doubl<sup>®</sup>Glo and Noma Decor subsidiaries. Beacon Electric is an established leader in the U.S. market in the manufacture and marketing of Christmas lighting products and complements the similar operations of Noma International Inc. at Chicago.

These acquisitions provide not only a broader coverage in the respective markets but give scope for management to reach for new objectives, such as more efficient and viable new product development, economies of scale and rationalization of production.

## Financial Placements

In September 1985 a \$15,000,000 debenture was issued the proceeds of which were used to finance purchases of fixed assets.

In addition, there was a private placement of 1,100,000 Class A non-voting shares in January 1986. A substantial portion of the proceeds were used to finance the acquisitions of Beacon Electric and Tinsel/Bellastra. Because of the seasonal nature of these businesses these companies will not contribute to earnings until the second half of 1986.

## Personnel

We take this opportunity of formally welcoming to Noma the employees of Danbel Industries, Inc., Beacon Electric Manufacturing Inc., Tinsel Inc. and Bellastra Products Limited and, in particular, the following executives to the Noma management team:

- Mr. Les Bresge, President, Danbel Industries Inc.
- Mr. Ben Shtang, Vice President, Danbel Industries Inc.
- Mr. George Levy, President and CEO, Beacon Electric Manufacturing Inc.
- Mr. Harvey Weinstein, Vice President, Beacon Electric Manufacturing Inc.
- Mr. John Cowan, Executive Vice President, Marketing, Doubl<sup>®</sup>Glo of Canada Limited
- Mr. Ron Hadden, Vice President, Manufacturing, Doubl<sup>®</sup>Glo of Canada Limited and General Manager Noma Decor Inc.

Les Bresge and Ben Shtang are experienced entrepreneurs who founded Danbel Industries over 10 years ago.

George Levy and Harvey Weinstein have, collectively, some 45 years of service with Beacon Electric and have occupied senior executive positions for many years.

John Cowan's family purchased Tinsel and Bellastra many years ago and John has a depth of experience in management and specialized skills in the marketing of Christmas decoration products.

Ron Hadden, who occupied senior management positions with Tinsel and Bellastra, brings to his new position over 20 years of experience in the manufacture of the product lines assigned to him.

We also wish to pay tribute to Mr. Ben Hoag, former Vice President and General Manager of Beck Electric Manufacturing Company, who retired last year after many years of service. His management and leadership skills contributed significantly to the development of this company over the last 10 years.

Mr. Shlomo Brenner who joined Beck Electric in 1983 as Vice President Operations has succeeded Ben Hoag as Vice President and General Manager and is applying vigour and determination to sustain the progress of this company and to reach for new objectives.

## Outlook for 1986

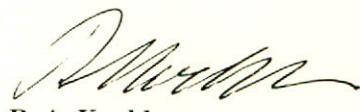
The outlook for Noma Industries is favourable. Your company's exposure to volatile external economic factors has been minimized by careful planning where diversification of products and markets is a keynote to stability and steady, progressive performance. We will continue to be guided by these objectives in future expansions and acquisitions. Many of our product lines have continued to do well in times of economic stagnation. Leadership in our major markets, expansion into newer markets and our continuous pursuit of improvements in productivity, efficiency and innovative product development, support our confident outlook for the immediate and near term future.

## Appreciation

On behalf of the Board of Directors we take this opportunity to thank all shareholders for your support, our employees for their outstanding performance and our customers and suppliers for their loyalty and service.



**H. T. Beck**  
Chairman of the Board  
and Chief Executive Officer



**R. A. Koehler**  
President

# The Noma Group of Companies

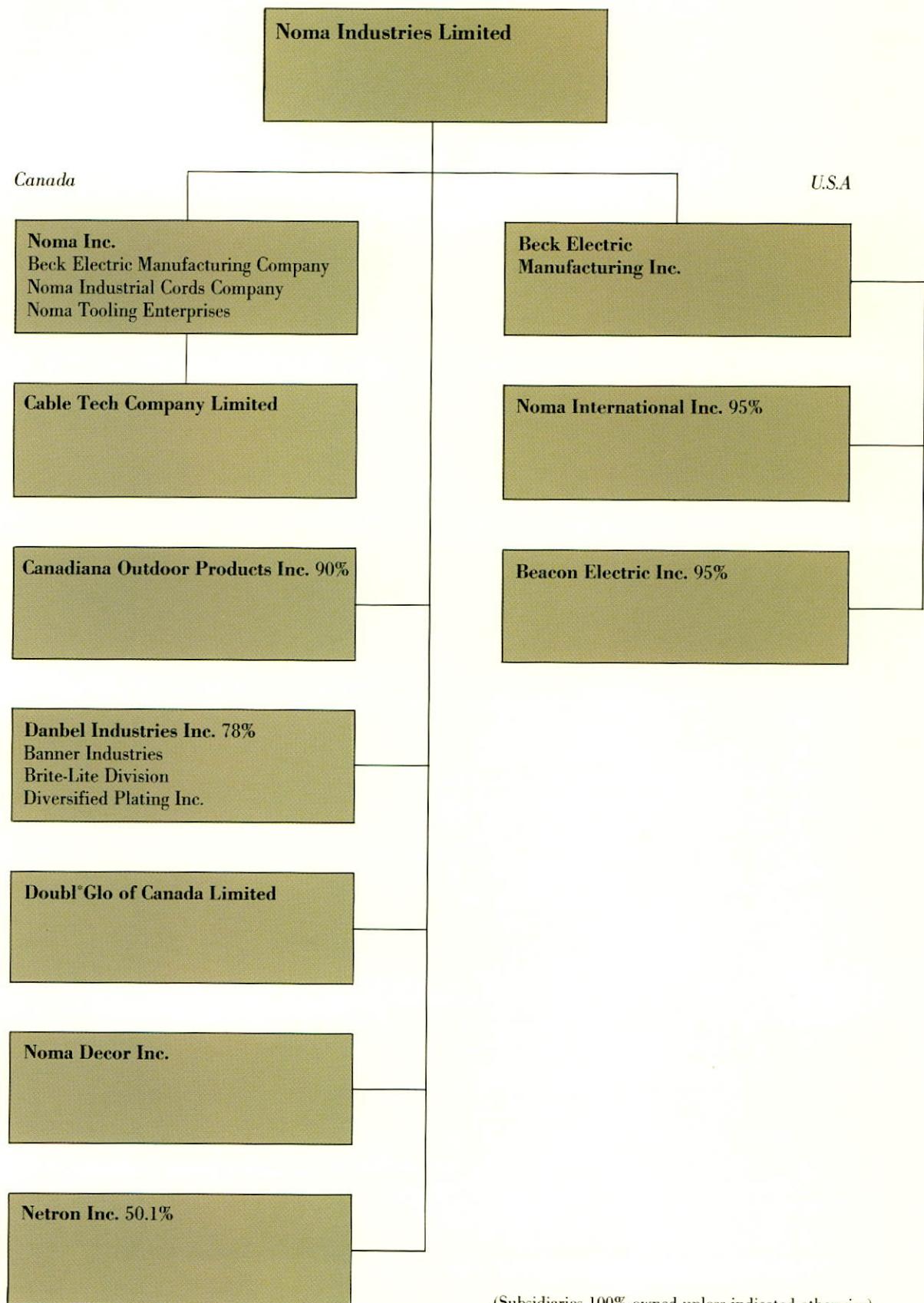
## Canada

<i>Company</i>	<i>Major Product Lines</i>
<b>Banner Industries</b> Ray Herbert, President	Cabinet hardware Bathware, Lamp parts
<b>Beck Electric Manufacturing Company</b> Shlomo Brenner, Vice President and General Manager	Electrical wiring harnesses
<b>Brite-Lite Division</b> Ron Berman, General Manager	Glass components
<b>Cable Tech Company Limited</b> Siegfried Riemer, President	Electrical wire and cable
<b>Canadiana Outdoor Products, Inc.</b> William F. Czeban, President	Power lawnmowers "Sn-racers" Snowblowers
<b>Danbel Industries Inc.</b> Les Bresge, President	Lighting fixtures
<b>Diversified Plating Inc.</b> Ron Berman, General Manager	Electro-plated components
<b>Doubl*Glo of Canada Limited</b> Robert L. Weill, President	Non-electric Christmas decorations
<b>Netron Inc.</b> Alex Kisn, President	Computer software systems
<b>Noma Decor Inc.</b> Ron Hadden, General Manager	Artificial Christmas trees
<b>Noma Inc.</b> Karl Meier, Vice President and General Manager	Christmas lights Electrical extension cords Specialty cord products
<b>Noma Industrial Cords Company</b> Douglas Drew, Vice President and General Manager	Industrial power cords
<b>Noma Tooling Enterprises</b> Hans Husser, General Manager	Tooling, dies and molds

## U.S.A.

<b>Beacon Electric Inc.</b> George Levy, President	Christmas lights
<b>Beck Electric Manufacturing Inc.</b> Seymour Jeruss, President	Christmas light strings
<b>Noma International Inc.</b> Robert Braasch, Vice President and General Manager	Christmas lights

# Corporate Structure



## Review of Operations



(from left to right)  
Meinrad C. Meerkamper  
Corporate Controller  
Norman S. Eckler  
Vice President, Finance  
J.M. (Jo) Cummings  
Executive Administrator

### Prologue

During 1985 upgrading and expansion of production facilities was continued by several of the Noma companies. More automated equipment and computerized management information and control systems were installed, tested and brought to operational status. Construction of a new plant was completed and put into full operation early in the year.

Several new products were successfully launched and further research and development of new products and production processes was begun.

Marketing and sales activities were vigorous throughout the year and business volume increased substantially in all major operating divisions.

Business expansion and technological change have presented both challenges and opportunities to many employees who have responded by developing their individual capabilities through on-the-job experience and by external training and education.

## **Cable Tech Company Limited**

Cable Tech maintained steady progress in addressing the consumer and industrial markets with its range of wire and cable products. Sales revenues and profits rose to expected levels.

The capacity of its manufacturing operations was increased significantly by the addition of 100,000 sq. ft. of production and warehousing space and by the installation of highly automated production equipment. This equipment provides not only greater output but also a substantial increase in productivity.

The Company now has an upgraded and expanded production and technology base which management believes will enable it to maintain a strong position in this very competitive market in 1986 and future years.

## **Noma Industrial Cords Company**

The company experienced a slow rate of sales during the first six months of 1985 in two segments of its market — counter top appliances and power tools. These markets recovered during the latter half of the year and overall the company's sales revenues showed a moderate growth compared to 1984.

While profit margins were below desired levels, measures are being taken to improve productivity and to achieve economies in direct manufacturing costs. The impact of these will become more pronounced in 1986.

The company has a significant presence in the Canadian market for industrial cord sets and is also alert to opportunities for product and market diversification. In this regard, it has

acquired from Hawker Siddeley Diesels and Electrics Limited certain assets and the business for the manufacture and marketing of Transformer Tap Switches. Development work on these products and the relevant production processes is in progress, the objective of which is to address this market more aggressively.

The outlook for 1986 is a positive one of improved performance as the measures being implemented become fully effective.

## **Doubl\*Glo of Canada Limited**

1985 was a year of progress and change. The emphasis given to merchandising the company's products by providing customers with service and assistance with in-store displays, point-of-purchase aids and product mix resulted in a significant increase in sales revenues. Doubl\*Glo has demonstrated that its range of products provides one-stop shopping for the consumers' needs in Christmas decorations and the key to successful sell-through at the retail store is effective merchandising.

As a result of the acquisition of Tinsel Inc. and Bellastra Products

Limited, the Christmas decorations business and operations of these companies were merged with those of Doubl\*Glo and consolidated in one plant. The physical transition was made after the 1985 Christmas season and accomplished smoothly. This rationalization of facilities of Tinsel/Bellastra and Doubl\*Glo provides scope for improvements in efficiency of operations and better prospects for growth of this class of business.

## **Noma Decor Inc.**

Production of all Christmas trees, including the "Mountain King" line previously manufactured by Tinsel/Bellastra has been consolidated at the Noma Decor plant at Weston, Ontario.

The product lines will be enhanced in 1986 by the introduction of a new series of soft needle trees. These, in addition to the present "Easy Tree", "Scotch Pine" and "Mountain King" series will result in the most comprehensive range of artificial Christmas trees ever produced in Canada.

Mr. David Howard, formerly General Manager of Noma Decor, has been appointed Director of Manufacturing at Danbel Industries Inc. and Mr. Ron Hadden, formerly of Tinsel Inc., has succeeded him as General Manager.

**C**ustomers were supported with effective promotional and advertising activities.





### **Noma International Inc.**

This company made further strides forward in developing U.S. customer confidence through quality of products and dependability of service. For the second consecutive year sales revenues increased substantially. Confidence in the stability of the company and its prospects for the future were factors which contributed to the decision to purchase the 150,000 sq. ft. plant and warehouse at Forest Park, Illinois in which the company carries out its operations.

Noma International now has a sound base on which to build its future growth and to meet the very competitive challenges in the U.S. market.

### **Noma Inc.**

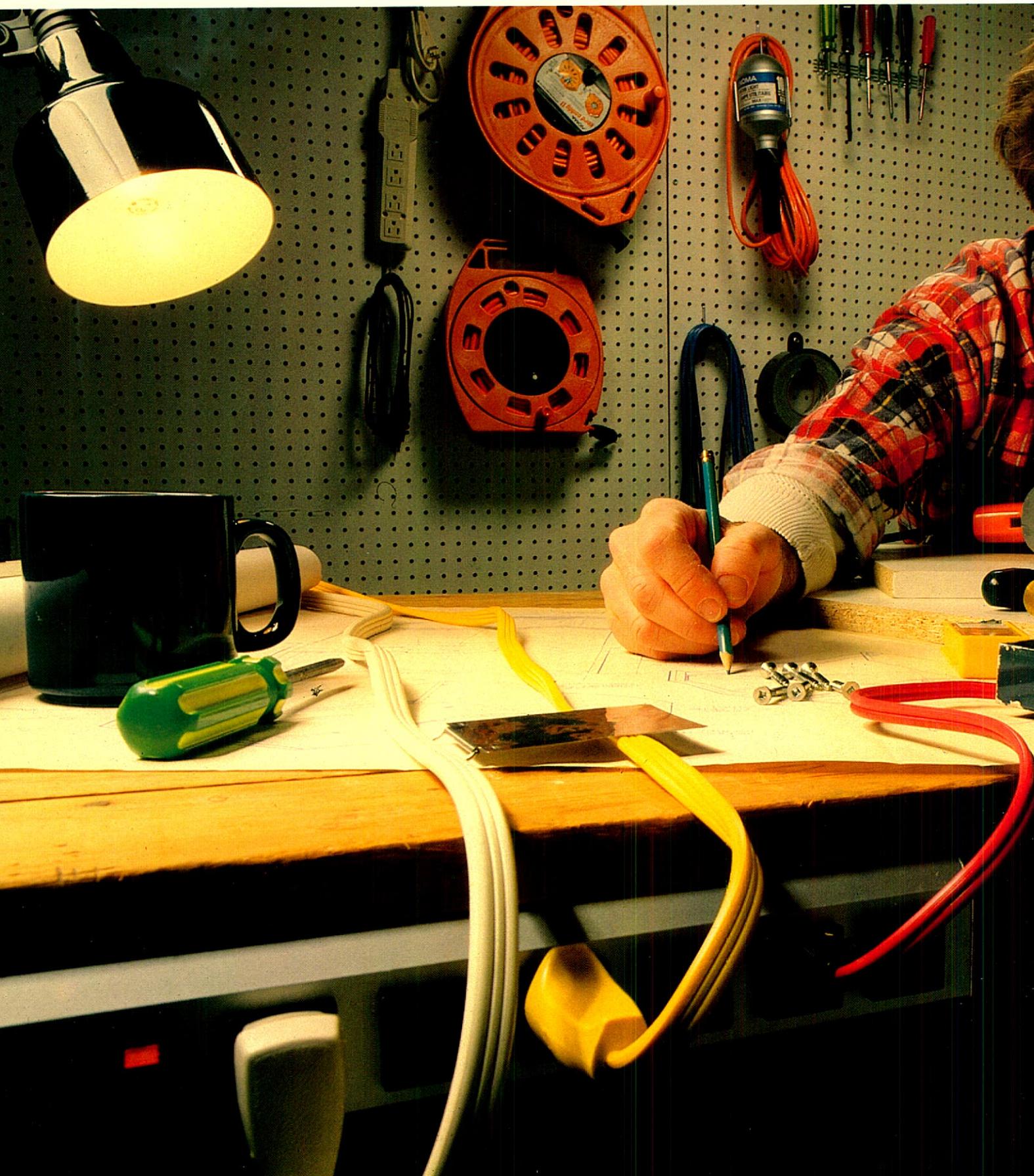
This company reinforced its leadership position in markets for its well established product lines of extension cords, speciality cord products and Christmas lighting sets. In addition, increased penetration of the market for the range of Noma automotive products was achieved both at retail outlets and with automotive after market distributors.

A number of new products were successfully introduced during the year in most product groups, which contributed to gains in total sales. Exports to the U.S. also increased.

The Company supported its customers with effective advertising

Noma's lights add a decorative touch to Toronto's Old City Hall

**P**roduction efficiencies and cost reductions enabled margins to be maintained without increasing selling prices.



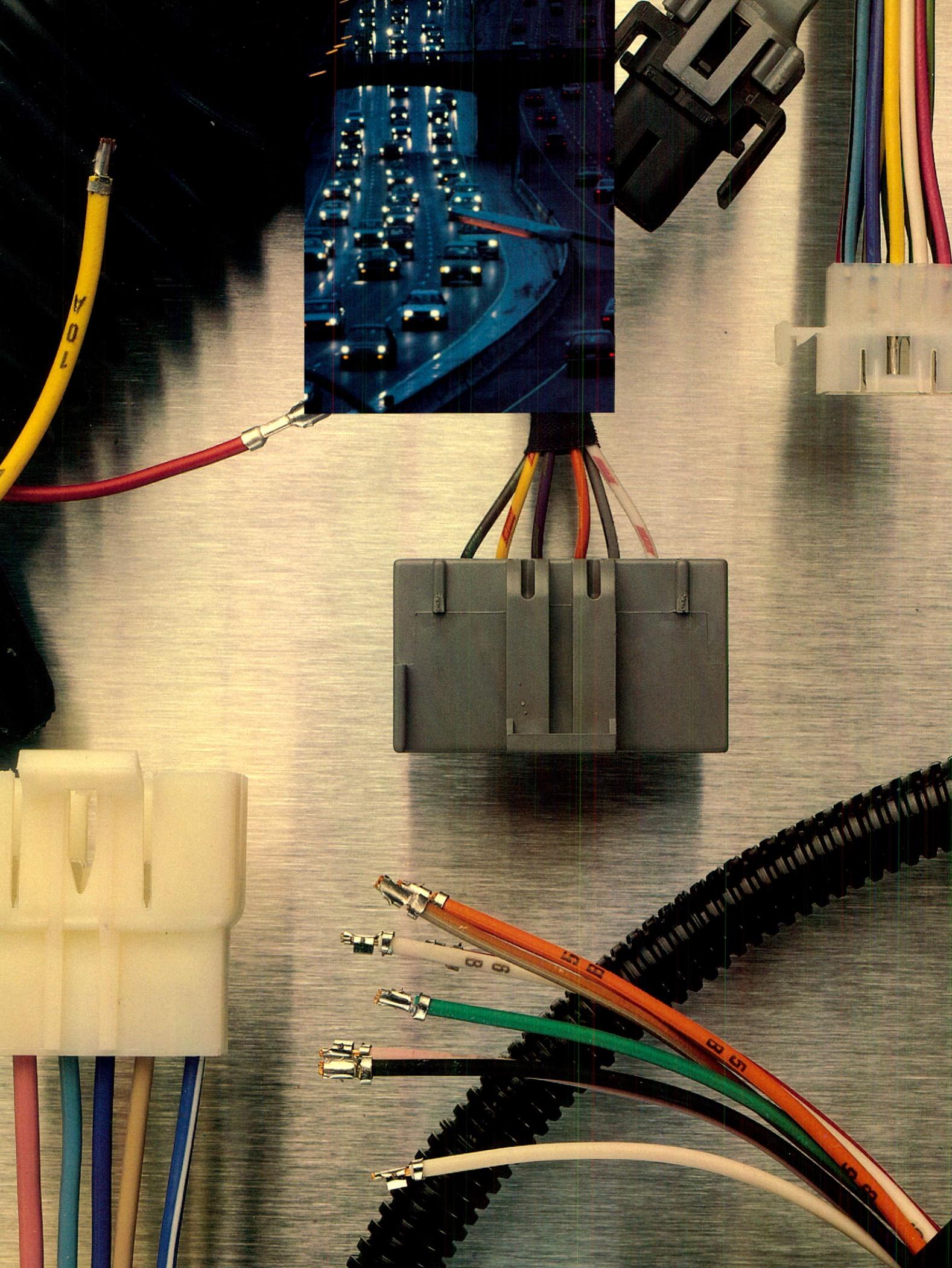


and promotion activities to ensure good sell-through at the store level. Customers reported excellent results, with a good sell-through of Christmas products.

In manufacturing, production efficiencies and cost reductions enabled margins to be maintained without increasing selling prices.

Continuing strong demand for existing products and the planned addition of several new products indicate that 1986 will be another year of progress.

Noma's "Cord Caddies",  
"Power Centres" and  
"Clamp Lamps" are popular  
consumer products





## Beck Electric Manufacturing Company

1985 was another year of expansion of this company's business and facilities. The new 92,000 sq. ft. plant at Toronto built to house the manufacture of automotive wiring harnesses became operational in May and reached full capacity within a few months.

To accommodate a substantial increase in demand for ignition wiring sets, additional production facilities and warehousing space were established in a leased plant of 43,000 sq. ft. close to the new plant.

The manufacture of wiring harnesses supplied to the electrical appliance industry continues at the Downsview plant where there is now more capacity for business expansion. This plant has maintained and reinforced its leadership position as a supplier to Canadian domestic appliance manufacturers and is also pursuing this class of business in the U.S. market.

The outlook for 1986 is one of further growth at Beck Electric, particularly in the automotive sector.

**S**trongest gains have come by increased demand for the company's range of winter products.





## Canadiana Outdoor Products Inc.

Strong growth of prior years was again sustained in 1985 with substantial sales increases in all product lines and markets. Operating costs and asset levels remained under tight control which resulted in satisfactory profit margins.

Penetration of the U.S. market has continued to increase with local product distribution now in place in virtually all areas of major population.

While growth has been achieved in all product lines, strongest gains have come by increased demand for the company's range of winter products. In this regard, European markets continue to recover from the relatively slow sales activity over the last 3 years when snowfalls were below normal.

The company continued its program of upgrading and expanding its manufacturing facilities. In 1985, capital expenditures for this purpose and for tooling and new product development approached \$3,000,000.

Highlight of new product development in 1985 was the series of "TRAC DRIVE" snowblowers. These high quality machines have been designed to provide superb traction in all snow conditions. They feature heavy duty tracks and a unique independent track suspension and weight transfer system. These products have received acclaim and outstanding acceptance in both domestic and export markets, for the 1986/7 winter season, following tests where these machines significantly outperformed competing products.

The outlook at Canadiana for 1986 is one of confidence and leadership in the outdoor power equipment field. The company plans an investment of approximately \$3,000,000 in a further stage of automation of its facilities and new product development. New products of unique design will be added to both winter and summer lines and the company will reinforce its strong positions in domestic and export markets.



### **Danbel Industries Inc.**

During its first year as a member of the Noma group of companies Danbel has made a number of significant changes and improvements to its operations. Overall there has been some consolidation of manufacturing plants with less occupied space leading towards more efficient and productive activities.

New key members of Danbel's staff have been appointed to manage and assist the functions of marketing, sales, finance, administration and manufacturing.

Computerized information and control systems including a Materials Resource Planning system, installed by Netron Inc. in record time, contributed to improvements in productivity and service to customers.

Sales increased throughout the year with strong gains from existing major customers and by the addition of new customers.

In the manufacture of components, capacity and production has been increased at the Brite-Lite Division which specializes in the shaping and decorating of glass components, and at Diversified Plating Inc. where electroplating of lighting fixture components is carried out.

Responsibility for cabinet hardware, bathware, decorative switch plates and lamp parts product lines was placed with Banner Industries and set up as an autonomous operation in a separate plant.

There is confidence that these changes will bring further improvements in overall performance during 1986.

Danbel's series of glass chandeliers are part of its extensive range of lighting products

### **Noma Tooling Enterprises**

This facility continues to apply its specialized human resources and equipment to the development and fabrication of precision tooling for Noma's internal production requirements and for outside customers.

More advanced Electrical Discharge Machining (EDM) equipment has been added. This and the high quality of workmanship contributed to a significant increase in sales to external customers.

### **Netron Inc.**

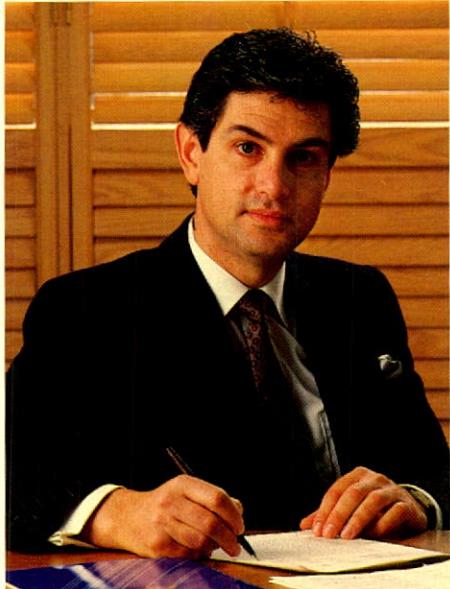
At Netron 1985 was a year of steady progress in which sales revenues and profits increased, the company's facilities were expanded and employment increased.

Computer Automated Programming (CAP), which is an artificial intelligence software applications system based on the Bassett Frame Technology, was advanced and expanded by application to hardware systems other than the WANG VS. This development work expands the potential market for CAP to users of the DEC/VAX computer systems and to users of IBM/PC and IBM/CICS systems.

Sales and marketing activities have brought positive responses from some major U.S. corporations and U.S. government agencies.

Research work on the subject of artificial intelligence is continuing together with development work on upgraded and refined CAP products. The new products and market opportunities currently being addressed give rise to prospects of further steady growth in 1986, and beyond.

# Financial Officer's Report



Norman S. Eckler  
Vice President, Finance

The financial performance of the company was again strong in 1985. Sales and net earnings increased for the sixth consecutive year and return on average shareholders' equity was also a record at 28.5%. While consolidated net earnings as a percentage of sales declined slightly to 6.2%, this figure is above average for this class of business. Sales of "Consumer Products", which in 1985 include Danbel Industries Inc. for the first time, increased to \$175,171,000 from \$109,777,000 and profit "contribution" on these sales increased to \$18,983,000 from \$11,708,000. Sales from "Components Manufacturing" in 1985 rose to \$64,580,000 from \$46,424,000 and profit "contribution" advanced to \$11,462,000 from \$9,333,000.

Consolidated net earnings increased by 30% over 1984 to \$14,879,000. As indicated in the notes to the financial statements the company changed its method of accounting for investment tax credits, as recommended by the Canadian Institute of Chartered Accountants, to the "cost

reduction" method from the flow through method. This change increased the income tax provision and decreased earnings by \$680,000 from what they would otherwise have been.

## Funds Generated

Working Capital increased from \$29,360,000 at December 31, 1984 to \$44,622,000 at December 31, 1985. "Funds" provided from operations (net earnings plus depreciation, deferred taxes and minority interest) rose to \$21,705,000 in 1985 from \$15,401,000 last year.

## Dividends

Total dividend payouts on Class "A" and Class "B" shares increased by 61% to \$2,740,000 in 1985 from \$1,704,000 in 1984. The 1985 payout amounted to 24% of 1984 net earnings.

## Assets

Consolidated assets at year end were \$138,439,000, up substantially over the \$82,045,000 at December 31, 1984. The 1985 year end figures include the assets of Danbel Industries Inc. acquired in January 1985 and Tinsel Inc. and Bellastra Products Limited acquired December 31, 1985. In addition, purchases of fixed assets in 1985 more than doubled to \$17,215,000 from \$8,350,000. Almost \$8.5 million of these additions were for the purchase or construction of plant facilities. These included the acquisition of the 152,000 square foot building in Forest Park, Illinois used by Noma International Inc., a 100,000 square foot addition to Cable Tech Company Limited's existing facility at Stouffville, Ontario and the completion of the 92,000 square foot Beck Electric automotive wire harness plant in the northern outskirts of Toronto. Other major expenditures on new equipment were made by Cable Tech and Canadiana Outdoor Products to improve productivity and efficiency.

## Long-Term Debt

As indicated in my report last year, with the stabilization of long-term interest rates in 1985, the Company would seek additional term funds at fixed rates. Thus long-term debt which was only \$1,692,000 at December 31, 1984 was increased by \$16,594,000 to provide long-term financing for the purchase of the fixed assets. \$15,000,000 was raised by way of a 15 year floating charge debenture at a fixed interest rate of 11 3/4% and a \$982,000 U.S. mortgage at 8 1/2% due 1998 was assumed on the acquisition of the Noma International property. At December 31, 1985 the Company's total debt to equity ratio was still a very conservative 1.3 to 1.

## Shareholders' Equity

Early in 1986 additional capital was raised by way of a private placement of 1,100,000 Class "A" Non-Voting shares at \$17.75 per share. These funds brought the shareholders' equity of the company to over \$78 million.

This year the Statement of Changes in Financial Position was restructured in accordance with currently recommended practice. The statement now traces the changes in the bank position from the beginning to the end of the year rather than the changes in working capital. The changes are grouped in three classifications, operating activities, investment activities and financing activities.

The Company's financial base continues to be strong and fully capable of providing the resources to support the near-term operating plans and ambitions.



Vice President, Finance

**NOMA  
INDUSTRIES  
LIMITED**

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**Consolidated Financial Statements**

December 31, 1985

and

**5 Year Financial Summary**



## Auditors' Report

### The Shareholders, Noma Industries Limited.

We have examined the consolidated balance sheet of Noma Industries Limited as at December 31, 1985 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, 1985 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, except for the change in the method of accounting for investment tax credits as explained in Note 1h to the consolidated financial statements, on a basis consistent with that of the preceding year.

Toronto, Ontario  
March 14, 1986.

*Touché Ross & Co.*  
Chartered Accountants

**Consolidated Balance Sheet**

As at December 31, 1985

(Incorporated under the Ontario Business Corporations Act, 1982)

	<b>1985</b>	1984
	(Thousands of dollars)	
<b>Assets</b>		
<b>Current</b>		
Cash and short-term investments	\$ 650	\$ 263
Accounts receivable	43,397	24,881
Inventories	51,743	34,046
Sundry assets and prepaid expenses	2,015	1,411
	<b>97,805</b>	60,601
<b>Non-current</b>		
Fixed (Note 2)	39,203	19,975
Other (Note 3)	1,431	1,469
	<b>\$138,439</b>	\$ 82,045

	1985	1984
	(Thousands of dollars)	
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness	\$ 23,089	\$ 8,591
Accounts payable and accrued liabilities	26,453	18,202
Income taxes payable	1,867	4,045
Notes payable	1,397	—
Current portion of long-term debt (Note 4)	377	403
	<b>53,183</b>	31,241
Deferred income taxes	5,715	3,608
Long-term debt (Note 4)	19,348	1,692
	<b>78,246</b>	36,541
Minority interests in subsidiary companies	1,043	218
Commitments and contingencies (Note 5)		
Capital stock (Note 6)	12,086	10,236
Retained earnings	47,189	35,050
Unrealized foreign exchange adjustment	(125)	—
	<b>59,150</b>	45,286
	<b>\$138,439</b>	\$ 82,045

On behalf of the Board

H. T. BECK, Director

R. A. KOEHLER, Director

## Consolidated Statement of Earnings

For the year ended December 31, 1985

	1985	1984
(Thousands of dollars except per share figures)		
<b>Sales</b>	<b>\$239,751</b>	\$156,201
<b>Costs and expenses</b>		
Cost of sales, selling and administrative expenses	204,994	132,000
Depreciation and amortization (Note 7)	4,312	3,160
Interest on long-term debt	1,034	187
Interest on other indebtedness	3,324	1,704
	<b>213,664</b>	137,051
<b>Earnings before income taxes and     minority interests</b>	<b>26,087</b>	19,150
Income taxes (Note 8)	10,662	7,567
Minority interests	546	174
	<b>11,208</b>	7,741
<b>Net earnings</b>	<b>\$ 14,879</b>	\$ 11,409
<b>Earnings Per Share (Note 6c)</b>		
<b>Class A</b>		
Average number of shares outstanding	9,363,860	9,118,444*
Earnings per share	\$1.16	\$0.905*
<b>Class B</b>		
Average number of shares outstanding	3,484,140	3,529,556*
Earnings per share	\$1.15	\$0.89*

\* Restated to reflect a two-for-one share split in 1985.

## Consolidated Statement of Retained Earnings

For the year ended December 31, 1985

	1985	1984
(Thousands of dollars)		
Balance at beginning of year	\$35,050	\$25,345
Net earnings	14,879	11,409
	<b>49,929</b>	36,754
Dividends	2,740	1,704
Balance at end of year	<b>\$47,189</b>	\$35,050

See accompanying notes to consolidated financial statements.

**Consolidated Statement  
of Changes in Financial Position**

For the year ended December 31, 1985

	<b>1985</b>	<b>1984</b>
	(Thousands of dollars)	
<b>Cash provided from (used for)</b>		
<b>Operating activities</b>		
Net earnings	<b>\$ 14,879</b>	\$ 11,409
Non-cash items		
Depreciation and amortization	4,312	3,160
Deferred income taxes	2,107	721
Minority interests and other	407	111
Net change in non-cash working capital	<b>(15,695)</b>	(13,953)
Cash provided from operating activities	<b>6,010</b>	1,448
<b>Investment activities</b>		
Purchase of fixed assets, net of disposals	(17,215)	(8,350)
Cash resources used for acquisitions (Note 9)	<b>(15,032)</b>	—
Purchase of other assets	(255)	(817)
Cash used for investment activities	<b>(32,502)</b>	(9,167)
<b>Financing activities</b>		
Additions to long term debt	16,594	—
Payments on long term debt	(1,473)	(379)
Dividends paid	(2,740)	(1,704)
Cash provided from (used for) financing activities	<b>12,381</b>	(2,083)
<b>Cash used in year</b>	<b>(14,111)</b>	(9,802)
<b>Net cash (bank indebtedness) at beginning of year</b>	<b>(8,328)</b>	1,474
<b>Net bank indebtedness at end of year</b>	<b>\$ (22,439)</b>	\$ (8,328)
<b>Non-cash operating working capital changes</b>		
Increase in accounts receivable	\$ (11,945)	\$ (8,679)
Increase in inventories	(5,586)	(12,467)
Increase in accounts payable and accrued liabilities	4,810	5,554
Increase (decrease) in taxes payable	(2,372)	1,938
Increase in sundry assets and liabilities	(602)	(299)
	<b>\$ (15,695)</b>	\$(13,953)

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

December 31, 1985

(Thousands of dollars)

## 1. Significant accounting policies

### a. Principles of consolidation

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

### b. Basis of accounting

These financial statements are prepared on the historical cost basis and do not reflect the impact of specific price changes or changes in the general level of prices.

### c. 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.

### d. Depreciation and amortization

Fixed assets are recorded at cost net of related investment tax credits and 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 . . . . .	2.5% per annum
Machinery and equipment . . . . .	10% per annum
Data processing equipment . . . . .	20% per annum
Moulds, dies and tooling . . . . .	25% per annum

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.

### e. Deferred development costs

Deferred development costs relate to the costs incurred for the development of new products. These costs are stated net of grants from the Federal Government and related investment tax credits. The net development costs are being amortized on a straight line basis over a period not exceeding two years.

### f. Goodwill

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

### g. Deferred finance charges

Deferred finance charges are amortized on a straight line basis over the life of the related debt.

### h. Income taxes

The provision for income taxes is computed on the allocation basis whereby provision is made for income taxes deferred by virtue of expenses for income tax purposes exceeding that booked in the accounts. Following a recommendation by the Canadian Institute of Chartered Accountants, the Company has changed its method of accounting for investment tax credits to the cost reduction method for the fiscal year ended December 31, 1985. The accounting change has not been applied on a retroactive basis and accordingly the comparative figures for 1984 have not been restated. This change in accounting policy reduced net earnings for the current year by approximately \$680.

### i. Foreign currency translation

All amounts in foreign currencies are converted to Canadian dollars as follows:

Monetary assets and liabilities are translated into Canadian dollars at the current rate of exchange at the balance sheet date, and income and expense items are translated at the average rate of exchange prevailing during the year. For integrated U.S. subsidiaries, non-monetary assets and liabilities are translated at their historical exchange rate.

Translation gains and losses are charged to operations, except in the case of self-sustaining U.S. subsidiaries where they are deferred.

**2. Fixed Assets**

	1985	1984	
	Accumulated depreciation and Cost amortization	Net book value	Net book value
Buildings .....	\$16,100	\$ 1,556	\$14,544
Machinery, and equipment .....	27,290	9,858	17,432
Leasehold improvements ..	1,061	341	720
Moulds, dies and tooling .....	5,850	2,748	3,102
	50,301	14,503	35,798
Land .....	3,405	—	3,405
	<b>\$53,706</b>	<b>\$14,503</b>	<b>\$39,203</b>
			<b>\$19,975</b>

**3. Other Assets**

	1985	1984
Patents .....	\$ 65	\$ 62
Goodwill .....	819	743
Deferred development costs .....	324	664
Deferred finance charges .....	223	—
	<b>\$ 1,431</b>	<b>\$1,469</b>

**4. Long-term debt**

	1985	1984
Series A Debentures (a) .....	\$15,000	\$ —
Mortgages on real property (b) .....	3,857	1,631
Non-interest bearing equipment loans (c) ..	868	128
Others .....	—	336
	<b>19,725</b>	<b>2,095</b>
Less current portion .....	377	403
	<b>\$19,348</b>	<b>\$1,692</b>

a. Sinking Fund Debentures 11 $\frac{3}{4}$ % due to September 1, 2000, are secured by a floating charge on the assets of the Company and certain of its Canadian subsidiaries.

b. \$688 with interest at 8 $\frac{3}{4}$ % due December 1, 1992.  
\$820 with interest at 10 $\frac{1}{2}$ % due December 1, 1994.  
\$903 with interest at 13% due April 1, 1994.  
\$74 with interest at 8% due April 13, 2004.  
\$982 U.S. (Cdn. \$1,372) with interest at 8 $\frac{1}{2}$ % due July 1, 1998.

c. Non-interest bearing equipment loans are repayable in varying amounts over the period July 1986 to December 1992.

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

1986 .....	\$377
1987 .....	791
1988 .....	763
1989 .....	776
1990 .....	813

**5. Commitments and contingencies**

a. The Company is obligated under the conditions of operating leases for facilities involving current annual rentals as follows:

1986 .....	\$1,277
1987 .....	935
1988 .....	885
1989 .....	828
1990 .....	556

b. There were forward currency purchase and sale contracts of \$12,882 (1984 — \$280) and letters of credit outstanding at December 31, 1985 of \$5,371 (1984 — \$2,010).

c. The Company could be required to purchase the remaining minority shareholdings in four subsidiaries under certain conditions at prices based on those companies' future book values or earnings.

**6. Capital stock**

	Number authorized	December 31			
		1985		1984	
		Shares Issued	\$	Shares issued	\$
Preference shares issuable in series (a)	Unlimited				
Second preference shares, Series I issued (b)		10,001	—	—	—
Class A, non-voting shares (c)	Unlimited	9,364,960	\$11,244	9,162,760	\$ 9,394
Class B, convertible voting shares (c)	Unlimited	3,483,040	842	3,485,240	842
		12,848,000	\$12,086	12,648,000	\$10,236

a. First and Second preference shares may be issued in series in amounts, and with such rights, privileges, restrictions and conditions attaching thereto as determined by the Board of Directors at the time of issuance.

b. Ten thousand and one Second preference shares have been issued for one dollar as part of the consideration in the acquisition of Danbel Industries Inc. (Note 9). These shares were purchased for cancellation subsequent to the year end for the total sum of one thousand dollars.

c. The Class A shares are entitled to a preferential non-cumulative quarterly dividend of one-quarter cent per share, thereafter dividends are paid equally on both Class A and Class B shares. The Class B shares are convertible to Class A non-voting shares on a one-to-one basis. Comparative number of shares have been restated to reflect a two-for-one stock split approved May 1985. In 1985, 200,000 Class A non-voting shares were issued for \$1.85 million in relation to the acquisition of Danbel Industries Inc. (Note 9). See note 11 regarding subsequent events.

**7. Depreciation and amortization**

	1985	1984
Depreciation . . . . .	\$ 3,737	\$2,622
Amortization of		
Leasehold improvements . . . . .	183	132
Patents . . . . .	4	4
Goodwill . . . . .	23	23
Deferred costs . . . . .	365	379
	<u>\$ 4,312</u>	<u>\$3,160</u>

**8. Income taxes**

The provision for income taxes has been computed approximately as follows:

	1985	1984
Income taxes on earnings before		
income taxes and minority interests,		
at 51.9% (1984 — 51.0%) . . . . .	<u>\$13,539</u>	<u>\$9,767</u>
Less		
Manufacturing and processing		
allowance . . . . .	1,865	1,341
Investment and scientific research		
tax credits . . . . .	—	498
Inventory allowance . . . . .	753	428
Other . . . . .	259	(67)
	<u>2,877</u>	<u>2,200</u>
Provision for income taxes . . . . .	<u>\$10,662</u>	<u>\$7,567</u>

**9. Acquisitions**

— Effective January 1, 1985, the Company acquired seventy-eight percent (78%) of the outstanding shares of Danbel Industries Inc., a manufacturer of lighting fixtures and hardware, in a transaction accounted for under the purchase method.

— Effective December 31, 1985 the Company acquired the assets and business of Tinsel Inc. and Bellastra Products Limited, manufacturers and distributors of Christmas products.

These transactions are summarized as follows:

Net assets acquired at assigned values

Fixed assets . . . . .	\$ 5,933
Other assets . . . . .	99
Working capital, excluding	
bank indebtedness assumed . . . . .	<u>13,678</u>
	19,710

Less

Long term liabilities . . . . .	\$ 2,535
Minority interest . . . . .	293
	<u>2,828</u>

Funded by

Cash . . . . .	\$ 5,791
Bank indebtedness assumed . . . . .	8,596
Notes issued . . . . .	645
Cash resources used . . . . .	<u>15,032</u>
Capital stock (Note 6) . . . . .	1,850
	<u>\$16,882</u>

**10. Segmented information****Industry basis**

The Company's operations are considered to consist of the following classes of business:

Components manufacturing — the manufacture of components and parts for sale to other manufacturers.

Consumer products — the manufacture or purchase for sale of consumer products.

	Components manufacturing		Consumer products		Consolidated	
	1985	1984	1985	1984	1985	1984
Sales to outside customers . . . . .	\$64,580	\$46,424	\$175,171	\$109,777	\$239,751	\$156,201
Inter-segment sales . . . . .	14,091	14,353	461	351	—	—
Total sales . . . . .	<u>\$78,671</u>	<u>\$60,777</u>	<u>\$175,632</u>	<u>\$110,128</u>	—	—
Contribution before the undernoted . . . . .	<u>\$11,462</u>	<u>\$ 9,333</u>	<u>\$ 18,983</u>	<u>\$ 11,708</u>	<u>\$ 30,445</u>	<u>\$ 21,041</u>
Interest expense . . . . .					\$ 4,358	\$ 1,891
Minority interests . . . . .					546	174
Income taxes . . . . .					10,662	7,567
					15,566	9,632
Net earnings . . . . .					<u>\$ 14,879</u>	<u>\$ 11,409</u>
Assets identified with segments . . . . .	<u>\$37,228</u>	<u>\$30,624</u>	<u>\$101,211</u>	<u>\$ 51,421</u>	<u>\$138,439</u>	<u>\$ 82,045</u>
Capital expenditures . . . . .	<u>\$ 8,126</u>	<u>\$ 5,320</u>	<u>\$ 9,089</u>	<u>\$ 3,030</u>	<u>\$ 17,215</u>	<u>\$ 8,350</u>
Depreciation and amortization . . . . .	<u>\$ 1,681</u>	<u>\$ 1,559</u>	<u>\$ 2,631</u>	<u>\$ 1,601</u>	<u>\$ 4,312</u>	<u>\$ 3,160</u>
<b>Geographic basis</b>						
	Canada		Outside Canada		Consolidated	
	1985	1984	1985	1984	1985	1984
Sales to outside customers . . . . .	<u>\$210,215</u>	<u>\$134,423</u>	<u>\$29,536</u>	<u>\$21,778</u>	<u>\$239,751</u>	<u>\$156,201</u>
Inter-segment sales . . . . .	4,717	4,146	—	6	—	—
Total sales . . . . .	<u>\$214,932</u>	<u>\$138,569</u>	<u>\$29,536</u>	<u>\$21,784</u>	—	—
Net earnings . . . . .	<u>\$ 13,889</u>	<u>\$ 10,446</u>	<u>\$ 990</u>	<u>\$ 963</u>	<u>\$ 14,879</u>	<u>\$ 11,409</u>
Assets identified with segments . . . . .	<u>\$117,733</u>	<u>\$ 72,359</u>	<u>\$20,706</u>	<u>\$ 9,686</u>	<u>\$138,439</u>	<u>\$ 82,045</u>

Canadian sales to outside customers included \$35,682 of export sales (\$18,364 in 1984).

**11. Subsequent events**

a. In January, 1986, the Company issued 1,100,000 Class A non-voting shares at a price of \$17.75 per share. The proceeds, net of costs, were used to replenish the funds used in the acquisition of the assets of Tinsel Inc. and Bellastra Products Limited on December 31, 1985, and the purchase of certain assets and business of Beacon Electric Manufacturing Inc. on January 17, 1986, with the balance used for working capital purposes.

b. In January, 1986, 38,790 shares were issued to 472 employees at \$10.125 per share under an employee share purchase programme which commenced in January, 1985.

c. In February, 1986, the Company reserved 400,000 Class A non-voting shares for an executive stock option plan and options were granted under the plan for 278,000 shares at \$19.25.



## Five Year Financial Summary

(In Thousands of Dollars except per share data)

	1985	1984	1983	1982	1981
<b>Sales</b>					
Consumer Products					
— Christmas	\$ 53,552	22%	\$ 41,547	26%	\$ 21,759
— Others	121,619	51%	68,230	44%	50,670
	<b>175,171</b>	<b>73%</b>	109,777	70%	72,429
Components					
Manufacturing	64,580	27%	46,424	30%	36,532
Total	<b>\$239,751</b>	<b>100%</b>	\$156,201	100%	\$108,961
<b>Financial Data</b>					
Net Earnings	<b>\$ 14,879</b>		\$11,409	\$ 7,060	\$ 4,168
Return on Average Shareholders' Equity	<b>28.5%</b>		28.2%	25.7%	20.8%
					16.3%
Shareholders' Equity	<b>\$ 59,150</b>		\$ 45,286	\$ 35,581	\$21,760
					\$18,291
Fixed Asset Additions	<b>\$ 17,215</b>		\$ 8,350	\$ 3,836	\$ 1,861
					\$ 2,165
Depreciation and Amortization of Fixed Assets	<b>\$ 3,920</b>		\$ 2,754	\$ 2,367	\$ 2,524
					\$ 2,364
Total Assets	<b>\$138,439</b>		\$ 82,045	\$ 58,081	\$56,272
					\$49,775
<b>Per Share Data*</b>					
Earnings per Class A share	<b>\$ 1.161</b>		\$ 0.905	\$ 0.63	\$ 0.42
					\$ 0.28
Dividends per Class A share	<b>0.2175</b>		0.1375	0.093	0.0725
					0.07
Shareholders' Equity per share	<b>4.60</b>		3.58	2.82	2.14
					1.80
<b>Market Price Range</b>					
Class A High	<b>20.00</b>		9.25	5.07	1.50
					1.88
Low	<b>9.13</b>		4.13	1.35	.95
					.98

\*For comparative purposes, all per share data for years prior to 1985 have been restated to reflect stock splits.



## Corporate Directory

### Directors

H. Thomas Beck,  
*Chairman of the Board and  
Chief Executive Officer*

Norman E. Hardy,  
*Chairman of the Board,  
John Labatt Limited*

James F. Kay,  
*Chairman of the Board,  
Dylex Limited*

Rudolph A. Koehler,  
*President*

Donald Rafelman,  
*President, Fallbrook Holdings  
Limited*

Siegfried Riemer,  
*President, Cable Tech Company  
Limited*

Barrie D. Rose,  
*Chairman and Chief Executive  
Officer, Androcan Inc.*

Lionel H. Schipper, Q.C.,  
*President, Schipper Enterprises  
Limited*

### Officers

H. Thomas Beck,  
*Chairman of the Board and  
Chief Executive Officer*

Rudolph A. Koehler,  
*President*

Norman S. Eckler,  
*Vice President, Finance  
and Secretary*

Meinrad C. Meerkamper,  
*Corporate Controller*

### Auditors

Touche Ross and Company,  
Toronto

### Bankers

Canadian Imperial Bank of  
Commerce

Barclays Bank of Canada

Continental Illinois National  
Bank and Trust Company of  
Chicago

### Legal Counsel

Goodman and Goodman,  
Toronto

### Stock Listing

Toronto Stock Exchange

### Transfer Agent and Registrar

Montreal Trust Company,  
Toronto

### Corporate Offices

4211 Yonge Street,  
Willowdale,  
Ontario  
M2P 2A9



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