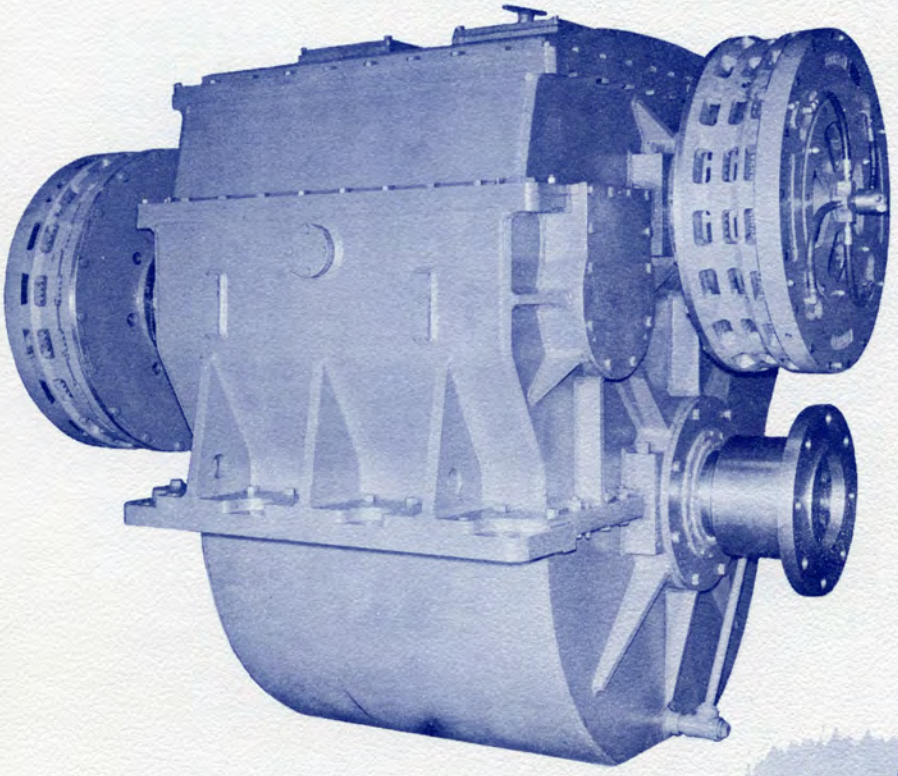
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# 1962
# ANNUAL REPORT






**LUFKIN FOUNDRY & MACHINE COMPANY**

LUFKIN, TEXAS

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# LUFKIN FOUNDRY AND MACHINE COMPANY

## DIRECTORS

*A. E. CUDLIPP
*S. W. HENDERSON, JR.
*J. H. KURTH, JR.
M. E. KURTH
*L. A. LITTLE
*E. P. TROUT
*W. W. TROUT
*J. L. WIENER

SAMSON WIENER

*Executive Committee

## OFFICERS

| | |
|---|---|
| W. W. TROUT | President |
| J. H. KURTH, JR. | Vice-President |
| A. E. CUDLIPP | Vice-President |
| L. A. LITTLE | Vice-President |
| E. P. TROUT | Vice-President |
| W. A. KIRKLAND | Secretary |
| H. L. DYER | Treasurer |

## SALES OFFICES

### Machinery Division

Anaco, Venezuela
Bakersfield, California
Buenos Aires, Argentina
Casper, Wyoming
Crystal Lake, Illinois
Cleveland, Ohio
Corpus Christi, Texas
Dallas, Texas
Denver, Colorado
Edmonton, Alta., Canada
Farmington, N. M.
Great Bend, Kansas
Hobbs, New Mexico
Houston, Texas
Kilgore, Texas
Lafayette, Louisiana
La Paz, Bolivia
Los Angeles, Calif.
Maracaibo, Venezuela
Midland, Texas
Natchez, Mississippi
New York, New York
Odessa, Texas
Oklahoma City, Okla.
Estevan, Sask., Canada
Rio De Janeiro, Brazil
Shreveport, Louisiana
Sidney, Montana
Talara, Peru
Tulsa, Oklahoma
Wichita Falls, Texas

### Trailer Division

Dallas, Texas
Houston, Texas
San Antonio, Texas
Lubbock, Texas
Bossier City, La.
Oklahoma City, Okla.
Birmingham, Alabama
Memphis, Tennessee
Jackson, Mississippi

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# STATEMENT TO THE STOCKHOLDERS

Sales during 1962 of $29,403,732.00 set an all-time record for your Company, and was approximately one-third greater than the volume of the previous year. Every department of the Company shared in this increase. Commercial and marine gearing showed the largest per cent of gain, with an increase of approximately 75% over the previous year.

The sale of our new Mark II unit continues strong, and our agreement a year ago with Bethlehem Steel Company to manufacture their machinery is progressing on a basis highly satisfactory to both companies.

Substantial capital investments were required during the year to enable us to handle the increased volume resulting from the Bethlehem agreement. This required a number of machine tools and additional buildings as well as patterns, jigs, fixtures, and inventory.

Considerable non-recurring expense was involved during the year in getting started with this program. Not only did we have substantial production problems, but a large amount of engineering and clerical expense had to be absorbed.

Net earnings of $15.20 per share were a substantial improvement over $7.10 made in 1961. A dividend of $5.50 per share was paid compared to $3.25 the previous year. Our book value increased to $138.72 compared to $129.02 the previous year. The current ratio was 4.98 compared to 5.31.

Your Company has paid a dividend continuously for the past twenty-three years, and since 1924 missed only the years 1932, 1933, and 1939.

You will note that your Company has no long-term indebtedness.

Our total volume of business in the first two months of 1963 is ahead of the same period a year ago. Our Trailer volume is slow, and about the same for this period as a year ago, but all other departments are considerably ahead at this time. We have been plagued with industry price wars intermittently for the past few years but did have fairly stable prices on our oilfield machinery a good part of 1962. The new year is starting off with soft prices in both trailers and pumping units; however, we are looking forward to another profitable good volume year in 1963.

Walter W. Trout
President

February 20, 1963

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## LUFKIN FOUNDRY AND MACHINE

### CONSOLIDATED BALANCE SHEET--

| ASSETS | 1962 | 1961 |
|---|---|---|
| **CURRENT ASSETS:** | | |
| Cash | $ 1,676,355 | $ 1,367,180 |
| Accounts receivable, less reserve of $75,000 in 1962 and 1961 | 2,443,377 | 2,410,406 |
| Current installments on notes and conditional sales contracts receivable | 1,092,427 | 1,263,931 |
| Inventories, at lower of average cost or market | 9,488,229 | 8,885,175 |
| Total current assets | $14,700,388 | $13,926,692 |
| **INSTALLMENT NOTES AND CONDITIONAL SALES CONTRACTS RECEIVABLE**, net of unearned interest of $132,050 in 1962 and $126,451 in 1961 and reserve for losses of $125,000 in 1962 and 1961 | $ 2,410,062 | $ 2,423,928 |
| Less -- Current installments shown above | 1,092,427 | 1,263,931 |
| | $ 1,317,635 | $ 1,159,997 |
| **PROPERTY, PLANT, AND EQUIPMENT**, at cost | $ 9,488,368 | $ 8,751,652 |
| Less -- Reserve for depreciation | 4,948,458 | 4,508,677 |
| | $ 4,539,910 | $ 4,242,975 |
| **OTHER ASSETS AND DEFERRED CHARGES** | $ 82,285 | $ 72,852 |
| | $20,640,218 | $19,402,516 |

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NE COMPANY AND SUBSIDIARIES

ET--DECEMBER 31, 1962 AND 1961

| LIABILITIES | 1962 | 1961 |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Current installments on notes payable | $ 330,000 | $ 400,000 |
| Accounts payable and accrued liabilities | 1,430,637 | 1,518,951 |
| Reserve for income taxes | 1,192,648 | 703,045 |
| Total current liabilities | $ 2,953,285 | $ 2,621,996 |
| 4% NOTES PAYABLE, due $100,000 quarterly, less current installments shown above | $ - | $ 330,000 |
| CONTINGENT LIABILITY, notes and conditional sales contracts sold with recourse, $350,000 | | |
| CAPITAL STOCK AND EARNED SURPLUS: | | |
| Common stock, par value $100 per share; 127,500 shares authorized, issued, and outstanding | $12,750,000 | $12,750,000 |
| Earned surplus | 4,936,933 | 3,700,520 |
| | $17,686,933 | $16,450,520 |
| | $20,640,218 | $19,402,516 |

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# LUFKIN FOUNDRY AND MACHINE COMPANY AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

## FOR THE YEARS ENDED DECEMBER 31, 1962 AND 1961

| | 1962 | 1961 |
|---|---|---|
| NET SALES | $29,403,732 | $21,847,079 |
| COST OF GOODS SOLD | 21,501,344 | 16,329,778 |
| Gross income | $ 7,902,388 | $ 5,517,301 |
| SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES | 4,122,270 | 3,764,911 |
| Operating income | $ 3,780,118 | $ 1,752,390 |
| OTHER INCOME (DEDUCTIONS): | | |
| Interest income | 151,395 | 168,128 |
| Interest expense | (28,159) | – |
| Provision for losses from uncollectible accounts | (66,051) | (256,811) |
| Other income | 130,360 | 110,936 |
| Net income before taxes on income | $ 3,967,663 | $ 1,774,643 |
| PROVISION FOR TAXES ON INCOME | 2,030,000 | 870,000 |
| Net income | $ 1,937,663 | $ 904,643 |
| EARNED SURPLUS, beginning of year | 3,700,520 | 3,210,252 |
| | $ 5,638,183 | $ 4,114,895 |
| LESS – Cash dividends | (701,250) | (414,375) |
| EARNED SURPLUS, end of year | $ 4,936,933 | $ 3,700,520 |

(Depreciation included above amounted to $610,309 in 1962, and $576,473 in 1961.)

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ARTHUR ANDERSEN & CO.

1700 BANK OF THE SOUTHWEST BUILDING
HOUSTON 2

February 1, 1963

To the Board of Directors,

Lufkin Foundry and Machine Company:

We have examined the consolidated balance sheet of Lufkin Foundry and Machine Company (a Texas corporation) and subsidiaries as of December 31, 1962, and the related consolidated statements of income and earned surplus and source and disposition of working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Lufkin Foundry and Machine Company and subsidiaries as of December 31, 1962, and the results of their operations and the sources and disposition of working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

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