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Annual Report 1969

LUFKIN

Lufkin Foundry And Machine Company

Lufkin, Texas

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Lufkin Foundry And Machine Company

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DIRECTORS

*S. W. HENDERSON, JR.
Investments, Lufkin

J. G. KURTH
Secretary-Treasurer,
Walker-Kurth Lumber Company, Houston

M. E. KURTH, JR.
Senior Vice-President–Manufacturing,
Southland Paper Mills, Inc., Lufkin

*L. A. LITTLE
Investments; formerly Executive Vice-President

W. T. LITTLE
Gear Sales Engineer

*R. L. POLAND
President and Chief Executive

*E. P. TROUT
Investments; formerly Executive Vice-President

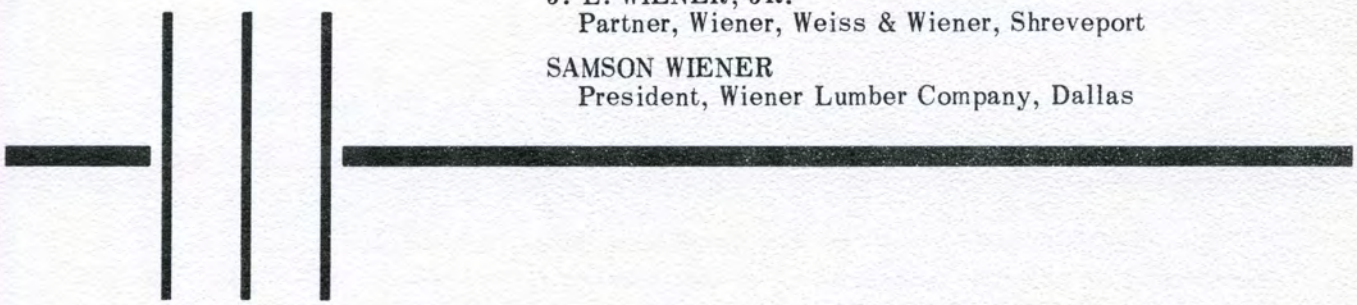
*W. W. TROUT
Chairman of the Board

W. W. TROUT, JR.
Assistant Sales Manager

*J. L. WIENER
Partner, Wiener, Weiss & Wiener, Shreveport

J. L. WIENER, JR.
Partner, Wiener, Weiss & Wiener, Shreveport

SAMSON WIENER
President, Wiener Lumber Company, Dallas



OFFICERS

W. W. TROUT	Chairman of the Board
R. L. POLAND	President and Chief Executive
C. W. ALEXANDER	Vice-President
R. E. BARR	Vice-President
J. B. HOPPER	Vice-President
R. H. LANG	Vice-President
C. D. RICHARDS	Vice-President
C. J. SCHULLER	Vice-President
W. A. KIRKLAND	Secretary
H. L. DYER	Treasurer

*Executive Committee

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TO OUR STOCKHOLDERS:

As your Company enters the sixty-ninth year of operations, we are pleased to report that consolidated sales again reached a new high of $48,829,836 during 1969, an increase of 7.13% over the total for the previous year of $45,575,855.

Net after-tax earnings for the year were $2,149,067 compared to $2,037,045 for the previous year. Earnings were equivalent to $12.35 per share against $11.70 for the previous year, and dividends of $5.25 per share were paid compared to $5.00 for 1968. Book value increased from $147.13 to $154.23. At year-end the ratio of current assets to current liabilities was 7.16 to 1 for 1969 compared with 4.88 to 1 for 1968. Retained earnings increased $1,235,184 to $9,356,146, and working capital of the Company increased $3,919,663 and and now stands at $23,093,638.

The year 1969 saw manufacturing costs continue their upward spiral, and prices increased in many materials, including again such major items as mill steel about 5%, finished materials 7-10%, aluminum up to 5%, and bearings 6-7%. Freight rates were increased 4-8%. Our wage rates went up again 10¢ per hour across the board. Prime interest rate on our short-term borrowings went to 8-1/2%.

While prices of our own products were increased during the year as much as competition allowed, we do not feel that they are yet commensurate with the rapidly rising costs in materials and labor.

We are now in production in the new automated trailer plant. The equipment in this plant is of a completely new design that has never been built before and the breaking-in process has been slow, as was expected. All of the equipment, however, is now in operation and producing trailers. We are gradually increasing our rate of production and expect to be up to anticipated capacity in a reasonable length of time.

During the past year, over $1,000,000 was invested in new tools and equipment for the other divisions of the Company, continuing our long-range policy of maintaining facilities in modern and competetive condition.

We are optimistic about our sales prospects for the coming year and have confidence in the ability of our Company and its people to meet the challenges and use the opportunities ahead for continued steady growth in the decade of the 1970s.

R. L. Poland
President

W. W. Trout
Chairman of the Board

February 16, 1970

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LUFKIN FOUNDRY AND MACHINE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1969 AND 1968

	1969	1968
NET SALES	$48,829,836	$45,575,855
COST OF SALES	38,480,523	35,531,475
Gross income	$10,349,313	$10,044,380
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	6,274,625	5,998,313
Operating income	$ 4,074,688	$ 4,046,067
OTHER INCOME (DEDUCTIONS):		
Interest income	187,742	137,351
Interest expense	(309,609)	(195,308)
Other income	146,246	90,935
Net income before taxes on income	$ 4,099,067	$ 4,079,045
PROVISION FOR TAXES ON INCOME:		
Current (net of investment tax credit of $200,000 in 1969 and $50,000 in 1968	$ 1,702,000	$ 1,970,000
Deferred (Note 2)	248,000	72,000
	$ 1,950,000	$ 2,042,000
NET INCOME ($12.35 per share in 1969 and $11.70 in 1968)	$ 2,149,067	$ 2,037,045
RETAINED EARNINGS, beginning of year	8,120,962	6,954,282
	$10,270,029	$ 8,991,327
LESS- Cash dividends ($5.25 per share in 1969 and $5.00 in 1968)	913,883	870,365
RETAINED EARNINGS, end of year (Note 1)	$ 9,356,146	$ 8,120,962

(The accompanying notes to financial statements are an integral part of this statement.)

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CONSOLIDATED BALANCE SHEET -- D

ASSETS	1969	1968
CURRENT ASSETS:		
Cash	$ 1,893,103	$ 3,119,267
Temporary investments, at cost which approximates market	2,750,000	-
Accounts receivable, less reserve of $100,000 in 1969 and $75,000 in 1968	6,167,325	5,311,197
Installment notes and contracts receivable (including $285,296 in 1969 and $495,429 in 1968 due after one year), less reserve for losses of $50,000 in 1969 and $125,000 in 1968	355,588	894,243
Inventories, at lower of average cost (on a first-in, first-out basis) which is not in excess of market	15,678,441	14,784,707
Total current assets	$26,844,457	$24,109,414
PROPERTY, PLANT, AND EQUIPMENT, at cost	$20,948,792	$17,850,261
Less - Reserve for depreciation	8,691,667	8,034,715
	$12,257,125	$ 9,815,546
OTHER ASSETS	$ 316,266	$ 194,324
	$39,417,848	$34,119,284

NOTES TO FINANCIAL STATEMENTS

(1) Long-term debt -

The long-term debt at December 31, 1969, is payable $250,000 semiannually beginning in 1972 and bears interest at 6.7%. The related loan agreement contains various restrictive covenants including restrictions as to the payment of dividends and a requirement that working capital, as defined, must be maintained at not less than $14,000,000. At December 31, 1969, retained earnings of the parent company of approximately $2,100,000 were not restricted as to the payment of dividends under the loan agreement.

(2) Deferred federal income taxes -

The company uses the straight-line depreciation method for financial reporting and an accelerated method for tax purposes.

In 1969 the company deferred $250,000 of interest and preoperating

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E COMPANY AND SUBSIDIARIES

-- DECEMBER 31, 1969 AND 1968

LIABILITIES	1969	1968
CURRENT LIABILITIES:		
Notes payable to banks	$ -	$ 1,060,988
Accounts payable and accrued liabilities	3,007,182	2,672,448
Reserve for income taxes	743,637	1,202,003
Total current liabilities	$ 3,750,819	$ 4,935,439
LONG-TERM DEBT (Note 1)	$ 8,500,000	$ 3,500,000
DEFERRED FEDERAL INCOME TAXES (Note 2)	$ 320,000	$ 72,000
CONTINGENT LIABILITY, notes and conditional sales contracts sold with recourse, $1,800,000 in 1969 and $1,400,000 in 1968		
CAPITAL STOCK AND RETAINED EARNINGS:		
Common stock, par $100 per share; 175,000 shares authorized; 174,073 shares outstanding; 927 shares reserved for sale to key employees	$17,407,300	$17,407,300
Amounts received in excess of par on sales of common stock	83,583	83,583
Retained earnings (Note 1)	9,356,146	8,120,962
(The accompanying notes to financial statements are an integral part of this statement)	$26,847,029	$25,611,845
	$39,417,848	$34,119,284

expenses incurred during construction of its new trailer plant. These costs will be amortized over the life of the plant for financial reporting but were deducted in 1969 for tax purposes.

Provision has been made in the accompanying statements for the deferred taxes applicable to these differences between financial and tax reporting methods.

(3) Pension plan -

The company and its subsidiaries have pension plans covering substantially all employees. The total pension expense was $585,000 in 1969 and $546,000 in 1968, including amortization of prior service costs over a period of approximately 30 years. The amount provided for pension expense is paid into pension trust funds. The total unfunded prior service cost at December 31, 1969, is estimated to be $2,272,000; however, the assets of the trust funds exceed the actuarially computed value of vested benefits.

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LUFKIN FOUNDRY AND MACHINE COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF WORKING CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 1969 and 1968

	1969	1968
SOURCE:		
Funds provided by operations -		
Net income	$ 2,149,067	$ 2,037,045
Depreciation (straight-line method)	778,849	640,486
Deferred Federal income taxes (Note 2)	248,000	72,000
	$ 3,175,916	$ 2,749,531
Proceeds from long-term debt or interim construction financing	5,000,000	2,500,000
Decrease in other assets	-	17,944
	$ 8,175,916	$ 5,267,475
DISPOSITION:		
Net additions to property, plant, and equipment -		
New trailer plant	$ 2,143,631	$ 3,628,141
Other	1,076,797	709,527
Increase in other assets	121,942	-
Dividends	913,883	870,365
	$ 4,256,253	$ 5,208,033
INCREASE IN WORKING CAPITAL	$ 3,919,663	$ 59,442
WORKING CAPITAL, beginning of year	19,173,975	19,114,533
WORKING CAPITAL, end of year	$23,093,638	$19,173,975

(The accompanying notes to financial statements are an integral part of this statement.)

To the Stockholders,

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, 1969, and the related consolidated statements of income and retained earnings 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. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying financial statements present fairly the financial position of Lufkin Foundry and Machine Company and subsidiaries as of December 31, 1969, and the results of their operations and the source 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.

Houston, Texas
February 13, 1970

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SALES OFFICES

Machinery Division

Anaco, Venezuela
Ankara, Turkey
Atlanta, Georgia
Bakersfield, California
Baltimore, Maryland
Bellevue, Washington
Benghazi, Libya
Bogota, Colombia
Brisbane, Australia
Buenos Aires, Argentina
Calgary, Alta., Canada
Casper, Wyoming
Chicago, Illinois
Cincinnati, Ohio
Cleveland, Ohio
Dallas, Texas
Damascus, Syria
Denver, Colorado
Edmonton, Alta., Canada
Estevan, Sask., Canada
Great Bend, Kansas
Hobbs, New Mexico
Houston, Texas
Kansas City, Kansas
Kilgore, Texas
Kuwait, Arabian Gulf
Lafayette, Louisiana
La Paz, Bolivia
London, England
Los Angeles, California
Maracaibo, Venezuela
Metairie, Louisiana
Mexico City, Mexico
Natchez, Mississippi
New York, New York
Odessa, Texas
Oklahoma City, Oklahoma
Pampa, Texas
Paris, France
Philadelphia, Pennsylvania
Pittsburgh, Pennsylvania
Portland, Oregon
Rio De Janeiro, Brazil
San Fernando, Trinidad
San Francisco, California
Singapore
Talara, Peru
Tripoli, Libya
Tulsa, Oklahoma
Williston, North Dakota

Trailer Division

Atlanta, Georgia

Birmingham, Alabama

Dallas, Texas

Houston, Texas

Jackson, Mississippi

Kansas City, Kansas

Lubbock, Texas

Memphis, Tennessee

New Orleans, Louisiana

Oklahoma City, Oklahoma

San Antonio, Texas

Shreveport, Louisiana

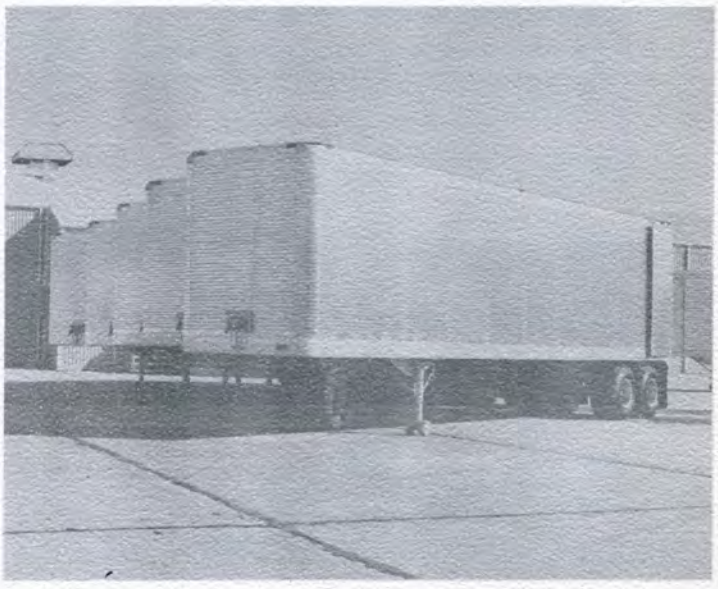
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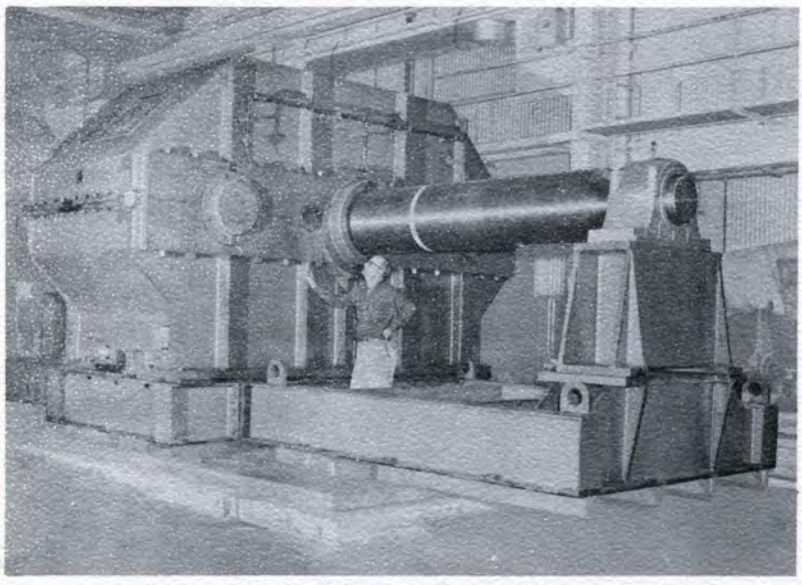
Inside view of Lufkin's new Trailer Plant.



Lufkin A-2560D-240-47, world's largest pumping unit. Eight units in operation in Venezuela.



First production from van line at new Trailer Plant.



Lufkin TC5424 train positioner. Used to position gondola coal cars.



Lufkin's newest and largest Mark II unit, the M-640D-305-192, driven by a Lufkin H795 engine.

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Quality Equipment Since 1902

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