

Riley Stoker Corporation

Annual Report

For the Year 1948

Officers

FRED H. DANIELS	<i>Chairman and Vice-president</i>
LOUIS E. GRIFFITH	<i>President and General Manager</i>
DAVID K. BEACH	<i>Vice-president and Treasurer</i>
OLLISON CRAIG	<i>Vice-president</i>
MAX H. KUHNER	<i>Vice-president</i>
DAVID K. BEACH	<i>Secretary</i>

Directors

FRED H. DANIELS, *Chairman*

DAVID K. BEACH	PHILIP R. MATHER
LOUIS E. GRIFFITH	GEORGE N. JEPSON
CHAPIN RILEY	FRANK C. SMITH, JR.

RILEY

STOKER CORPORATION, WORCESTER, MASS.

Boston New York Philadelphia Washington Buffalo Pittsburgh Cleveland Detroit Chicago Cincinnati Atlanta
New Orleans Memphis St. Louis Kansas City St. Paul Tulsa Houston Denver Salt Lake City Los Angeles
Portland Seattle

COMPLETE STEAM GENERATING UNITS

BOILERS PULVERIZERS BURNERS STOKERS SUPERHEATERS AIR-HEATERS ECONOMIZERS
WATER-COOLED FURNACES STEEL-CLAD INSULATED SETTINGS FLUE GAS SCRUBBERS

TO THE STOCKHOLDERS
OF RILEY STOKER CORPORATION:

There is submitted herewith for your consideration the audited Consolidated Balance Sheet as at December 31, 1948, the audited Statements of Consolidated Surplus, Profit and Loss, and Application of Funds for the year ended December 31, 1948. The net income was \$2,581,185.17 after provision for Federal taxes. After deducting the Preferred Stock dividend, this is equivalent to \$7.33 per share on the Common Stock and compares with similar figures of \$2.21 for 1947, \$1.68 for 1946, \$.54 for 1945, and \$.95 for 1944. The net income for 1948 exceeds that of any previous year.

During 1948, dividends of \$6 per share, amounting to \$16,047, were paid on the Preferred Stock, and 50 cents per share, \$175,000, on the Common Stock. As of July 1, 1948, your Corporation purchased 205 shares of Riley Preferred Stock, paying an average price of \$147 per share. Your Board of Directors voted at a meeting, held on January 28, 1949, to acquire on March 30, 1949, the balance of the outstanding Preferred Stock amounting to 2572 shares at the redemption price of \$156 per share. After this is accomplished, all of the Preferred Stock will be retired and the capital structure of the Corporation will consist only of 350,000 shares of Common Stock.

After depreciation of \$91,951.81, the net investment in land, buildings, and equipment increased during 1948 by \$431,145.87, and the net current position improved by \$1,810,871.62. The details of the absorption of the increase in the net current position are shown on the Consolidated Statement of Application of Funds.

Production for 1948 was the highest on record, exceeding the best previous year, which was 1943, by forty-four per cent.

Recent sales to Public Utilities include the largest and highest pressure steam generating units ever constructed by your Corporation, and the outlook for additional important business in the public utility field is excellent.

Your Corporation has entered the year 1949 with a large volume of unfilled orders, and the new business taken during the first three months of this year is substantially in excess of that received during the corresponding period of 1948. The prospects for future business, both domestic and export, are very favorable.

Yours very truly,

F. H. DANIELS
Chairman

L. E. GRIFFITH,
President

Worcester, Massachusetts
March 31, 1949

Consolidated Statement of Application of Funds

For the Year Ended December 31, 1948

FUNDS PROVIDED

Net Income		\$2,581,185.17
Add: Charges against income, requiring no expenditure of cash		
Depreciation	\$91,951.81	
Less: Gain from Sale of Fixed Assets	1,130.63	90,821.18
Proceeds from Sale of Fixed Assets		1,527.89
Principal Payment received on Mortgage		900.00
Total Funds Provided		\$2,674,434.24

FUNDS APPLIED

Increase in Deferred Charges	\$28,879.33	
Additions to Fixed Assets	521,030.17	
Payments to Sinking Fund for purchase of Preferred Stock	30,247.94	
Fire Loss: Reconstruction Cost to December 31, 1948	86,965.37	
Adjustment of Taxes and Other Charges applicable to Prior Years	5,392.81	
Dividends Paid	191,047.00	863,562.62

INCREASE IN WORKING CAPITAL		<u>\$1,810,871.62</u>
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CHANGES IN WORKING CAPITAL FOR THE YEAR

Increase in Notes and Accounts Receivable		\$3,160,532.60
Reduction of Bank Loans		750,000.00
		<u>\$3,910,532.60</u>
Deduct: Increase in Federal Income Tax Liability	\$1,093,815.66	
Increase in Other Current Liabilities	550,250.42	
Decrease in Other Current Assets	455,594.90	2,099,660.98
		<u>\$1,810,871.62</u>

TO THE BOARD OF DIRECTORS
RILEY STOKER CORPORATION
WORCESTER 6, MASSACHUSETTS

We have examined the consolidated balance sheet of the Riley Stoker Corporation and its subsidiary companies as at December 31, 1948, and the related statements of consolidated profit and loss and surplus for the year ended at that date; and have had submitted to us a report of other public accountants on their examination of the subsidiary not examined by us. 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.

The Company changed its accounting procedure relative to drafting wages which were formerly charged to expense currently, but are now carried as engineering work in process until completion of the related contracts, at which time they become a cost of sales item.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and surplus present fairly the financial position of Riley Stoker Corporation and its subsidiary companies at December 31, 1948 and the results of their operations for the year ended at that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in accounting procedure set forth in the preceding paragraph, in which we concur.

GEORGE A. SMITH AND COMPANY,
Certified Public Accountants

Worcester, Massachusetts
March 17, 1949

RS-001782
1/17/02
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RILEY STOKER CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1948

ASSETS		LIABILITIES	
CURRENT ASSETS		CURRENT LIABILITIES	
Cash	\$378,382.25	Bank Loans	\$1,910,000.00
Notes and Accounts Receivable (Less Reserve \$41,967.94)	7,032,329.59	Accounts Payable—Trade, Etc.	912,068.59
Inventories (Priced at Cost or Lower)	3,010,294.57	Customers' Advances	50,159.01
Engineering Work in Process	335,107.26	Advance Billing on Contracts	443,762.18
Advances to Salesmen, Erectors and Agents	124,015.44	Accrued Items	
Total Current Assets	\$10,880,129.11	Wages	\$51,778.43
		Commissions and Fees	148,550.36
PREFERRED STOCK SINKING FUND		Insurance	4,383.59
Cash	83.70	Social Security and Withheld Taxes	113,527.33
		State and Other Taxes	111,827.02
EMPLOYEES' CASH—SAVINGS BOND ACCOUNT (See Contra)	4,274.80	Federal Income Tax	1,585,109.50
		Total Current Liabilities	\$5,331,166.01
FIXED ASSETS		EMPLOYEES' SAVINGS BOND COLLECTIONS (See Contra)	4,274.80
Land	\$196,022.33	RESERVE FOR CONTINGENCIES	150,000.00
Buildings	1,269,256.88		
Machinery and Equipment	1,681,025.76	CAPITAL STOCK	
Buildings and Machinery Under Construction	296,696.14	Preferred, 6% Cumulative, Par Value \$100.00 per share	
	\$3,443,001.11	Redemption Value \$156.00 per share	\$360,000.00
Less: Reserve for Depreciation	1,962,714.71	Authorized and Issued, 3,600 shares	102,800.00
		Less: 1,028 Shares reacquired and Held in Sinking Fund	\$257,200.00
PATENTS—At cost less reserve	10,707.23	Preferred Stock Outstanding	
		Common Stock, Par Value \$3.00 per share	1,307,200.00
OTHER ASSETS		Authorized and Issued, 350,000 shares	
Securities Acquired	4,722.95		
		CAPITAL SURPLUS—Per attached statement	75,631.40
DEFERRED CHARGES		EARNED SURPLUS—Per attached statement	5,746,200.50
Prepaid Insurance, Interest and Taxes	\$112,629.86		
Supplies and Miscellaneous	34,673.29		
Fire Loss—Cost of Reconstruction	86,965.37		
	234,268.52		
	<u>\$12,614,472.71</u>		<u>\$12,614,472.71</u>

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Statement of Consolidated Surplus

For the Year Ended December 31, 1948

CAPITAL SURPLUS

Balance, December 31, 1947	\$85,326.75
LESS:	
Excess of cost over par value of 205 shares of Riley Stoker Corporation, 6% cumulative preferred stock reacquired and held in sinking fund	9,695.35
Balance, December 31, 1948	<u>\$75,631.40</u>

EARNED SURPLUS

Balance, December 31, 1947	\$3,361,455.14
LESS:	
Adjustments of various tax reserves, additional State and Federal taxes and expenses affecting prior years	5,392.81
	<u>\$3,356,062.33</u>
ADD:	
Net Income for Year	2,581,185.17
	<u>\$5,937,247.50</u>

DEDUCT:

Dividends on		
Preferred Stock	\$16,047.00	
Common Stock	175,000.00	191,047.00
Balance, December 31, 1948		<u>\$5,746,200.50</u>

Consolidated Statement of Profit and Loss

For the Year Ended December 31, 1948

Profit on Operations after selling and administrative expenses, but before depreciation	\$4,287,450.40
Depreciation	91,951.81
Operating Profit	<u>\$4,195,498.59</u>
Other Income	33,449.64
	<u>\$4,228,948.23</u>
Other Deductions	62,653.56
Net Income before Federal Income Tax	<u>\$4,166,294.67</u>
Provision for Federal Income Tax	1,585,109.50
Net Income to Surplus	<u>\$2,581,185.17</u>