CHICAGO FIRE BRICK COMPANY

Accountants' Report

Financial Statements - September 30, 1967

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
111 WEST MONROE STREET
CHICAGO, ILLINOIS 60603

The Board of Directors
Chicago Fire Brick Company:

We have examined the balance sheet of Chicago Fire Brick Company as of September 30, 1967 and the related statements of earnings and retained earnings 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 balance sheet and statements of earnings and retained earnings present fairly the financial position of Chicago Fire Brick Company at September 30, 1967 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

November 21, 1967

CHICAGO FIRE BRICK COMPANY

Balance Sheet

September 30, 1967 with comparative figures for 1966

Assets	1967	1966
Current assets:		
Cash	$ 448,548	552,262
Receivables:		
Trade accounts	355,866	445,066
Due from subsidiaries	8,842	763
Current maturities of notes receivable, including $35,800 from subsidiary	46,744	63,120
Other	3,626	4,943
	415,078	513,892
Less allowance for doubtful receivables	20,000	20,000
Net receivables	395,078	493,892
Inventories, at cost (first-in, first-out) or market:		
Materials for resale	287,632	262,463
Finished goods	72,282	57,124
Raw materials and supplies	120,260	101,221
Total inventories	480,174	420,808
Prepaid expenses	23,306	24,120
Total current assets	1,347,106	1,491,082
Investments and other assets:		
Investment in stock of wholly-owned subsidiaries, at book value of underlying net assets:		
The Wellsville Fire Brick Company	2,141,973	2,113,901
New Florence Fire Brick Company	190,118	190,570
C & W Refractories Limited, including advances of $47,701	47,343	-
Notes receivable, noncurrent:		
Installment note receivable on sale of property	92,000	96,000
6% trade note receivable	6,000	-
5-1/2% note receivable from The Wellsville Fire Brick Company	-	35,800
4-1/2% mortgage note receivable	-	2,127
Miscellaneous real estate and equipment, at cost less accumulated depreciation: 1967, $5,181; 1966, $4,265	28,496	28,739
Cash surrender value of life insurance (beneficial value $25,000)	14,275	13,800
Total investments and other assets	2,520,205	2,480,937
Property, plant, and equipment, at cost:		
Land	102,320	102,320
Buildings and improvements	620,994	480,901
Machinery and equipment	435,345	402,854
Automobiles and trucks	109,264	98,365
Furniture and fixtures	45,481	44,861
	1,313,404	1,129,301
Less accumulated depreciation	615,840	582,797
Net property, plant, and equipment	697,564	546,504
	$ 4,564,875	4,518,523

Liabilities and Stockholders' Equity	1967	1966
Current liabilities:		
Notes payable:		
4% installment loans on automobiles	$ 8,870	5,817
Current maturities of long-term debt	35,800	50,400
Accounts payable:		
The Wellsville Fire Brick Company	202,330	168,124
C & W Refractories Limited	4,650	-
Trade and other	181,094	184,113
Accrued expenses:		
Salaries, wages, and commissions	78,966	72,712
Property, payroll, and sales taxes	37,720	31,502
Interest	25,231	19,785
Federal income taxes	93,265	229,542
Total current liabilities	667,926	761,995
Long-term debt:		
5-1/2% installment bank note payable $4,200 monthly to June 10, 1968, less current maturities (note 1)	-	35,800
4% notes payable to New Florence Fire Brick Company, due $100,000 November 13, 1968 and $40,000 September 30, 1970	140,000	140,000
Net long-term debt	140,000	175,800
Reserve and deferred items:		
Reserve for unrealized profit in inventory purchased from subsidiary	65,000	56,233
Deferred federal income tax resulting from adoption of guideline lives	-	3,300
Deferred profit on sale of real estate	1,487	4,462
Total reserve and deferred items	66,487	63,995
Stockholders' equity:		
Capital stock, no par value. Authorized 10,000 shares; issued 9,268 shares, at stated value	370,720	370,720
Additional paid-in capital	522,428	522,428
Retained earnings	2,802,264	2,628,535
	3,695,412	3,521,683
Less treasury stock - 66 shares, at cost	4,950	4,950
Total stockholders' equity	3,690,462	3,516,733
	$ 4,564,875	4,518,523

See accompanying notes to financial statements.

CHICAGO FIRE BRICK COMPANY

Statement of Earnings

Year ended September 30, 1967
with comparative figures for 1966

	1967	1966
Net sales	$ 3,626,226	3,422,345
Cost of sales	2,355,253	2,260,138
Gross profit	1,270,973	1,162,207
Engineering, warehousing, and delivery; selling; and administrative and general expenses	895,910	809,301
Operating profit	375,063	352,906
Other income, less other deductions	16,301	1,864
Earnings before federal income tax and extraordinary gain	391,364	354,770
Federal income tax	185,000	154,000
Net earnings before equity in earnings of wholly-owned subsidiaries and extraordinary gain	206,364	200,770
Equity in earnings (loss) of wholly-owned subsidiaries:		
The Wellsville Fire Brick Company	32,404	49,799
New Florence Fire Brick Company	3,948	1,852
C & W Refractories Limited	(5,008)	-
Decrease (increase) in reserve for unrealized profit in inventory	(8,767)	29,856
	22,577	81,507
Net earnings before extraordinary gain	228,941	282,277
Extraordinary gain on sale of property, less $71,000 applicable federal income tax	-	209,003
Net earnings	$ 228,941	491,280
Net earnings per share of common stock	$ 24.88	53.39

Depreciation and amortization of plant and equipment included in costs and expenses amounted to $82,752 for the year ended September 30, 1967 and $68,308 for the year ended September 30, 1966.

See accompanying notes to financial statements.

CHICAGO FIRE BRICK COMPANY

Statement of Retained Earnings

Year ended September 30, 1967
with comparative figures for 1966

	1967	1966
Balance at beginning of year	$ 2,628,535	2,174,063
Net earnings for year	228,941	491,280
	2,857,476	2,665,343
Less cash dividends paid - $6.00 a share in 1967; $4.00 a share in 1966	55,212	36,808
Balance at end of year	$ 2,802,264	2,628,535

See accompanying notes to financial statements.

CHICAGO FIRE BRICK COMPANY

Notes to Financial Statements

September 30, 1967

(1) Under the terms of the 5-1/2% long-term note agreement, the company has agreed, among other things, to maintain an excess of current assets over current liabilities of at least $250,000. At September 30, 1967, current assets exceeded current liabilities by approximately $680,000.

(2) Contributions under a pension plan totalled $16,165 for the year ended September 30, 1967. The unfunded past service liability as of September 30, 1967 is estimated by independent actuaries at approximately $60,000.