

CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

ANNUAL
REPORT TO
STOCKHOLDERS

1951

TEXTRON
INCORPORATED

BOARD OF DIRECTORS

Raymond E. Crane	Eliot Farley, <i>Chairman</i>	Godfrey B. Simonds
Charles E. Daniel	Constantine Hutchins	James J. Sullivan
Horace S. Ford	Eugene A. Kingman	J. Linzee Weld
Norman B. Frost	Royal Little	Harold C. Whitman
	Antonio A. Roig	

EXECUTIVE COMMITTEE

	Royal Little, <i>Chairman</i>	
Horace S. Ford		J. Linzee Weld
Eugene A. Kingman		Godfrey B. Simonds

OFFICERS

Royal Little, <i>President</i>	W. D. Mewhort, <i>Controller and Assistant Treasurer</i>
J. Linzee Weld, <i>Vice President and Treasurer</i>	Robert R. Thurber, <i>Secretary</i>
C. C. Hammer, <i>Assistant Controller and Assistant Secretary</i>	
John B. Snapp, <i>Assistant Secretary</i>	

COUNSEL

Edwards & Angell
Providence, Rhode Island

AUDITORS

Stewart, Watts & Bollong

TRANSFER AGENTS

Rhode Island Hospital Trust Company
Providence, R. I.

Chemical Bank & Trust Company
New York, N. Y.

Bank of America National Trust & Savings Association
Los Angeles, Cal.

REGISTRARS

The Providence Union National Bank
Providence, R. I.

The Chase National Bank of the City of New York
New York, N. Y.

Security-First National Bank of Los Angeles
Los Angeles, Cal.

24th Annual Report to Stockholders

1951

This report and the financial statements contained herein are submitted for the general information of the stockholders of this Corporation as such and are not intended to induce or for use in connection with any sale or purchase of securities.

TEXTRON
INCORPORATED

20 MARKET SQUARE, PROVIDENCE, RHODE ISLAND

Comparative Highlights

	1951	1950
Sales.....	\$98,290,000	\$87,547,000
Net profit after taxes.....	4,785,000	3,189,000
Earnings applicable to minority interests.....	39,000	47,000
Number of shares of common stock outstanding, end of year.....	1,196,392	1,132,631
Net earnings per share of common stock outstand- ing December 29, 1951, after appropriation for minority interests and allowance for preferred dividends.....	\$3.66	\$2.32
Dividends paid on common stock, per share.....	1.75	1.00
Total preferred and common dividends paid.....	2,460,000	1,577,000
Current assets.....	35,280,000	36,729,000
Current liabilities.....	13,506,000	12,112,000
Net working capital.....	21,774,000	24,617,000
Depreciated book value — fixed assets.....	21,379,000	18,076,000
Unsecured bank loans over one year maturity....	1,193,000	2,801,000
Ten-year 4½% debentures, excluding current maturities.....	1,241,000	1,479,000
Minority interests.....	675,000	834,000
Additions to property, plant and equipment.....	5,692,000	6,841,000
Employees.....	7,800	8,600
Investment per employee in:		
Inventories.....	\$2,255	\$1,813
Plant and equipment (net).....	2,741	2,102
Looms.....	10,308	9,000
Spindles (spinning, twisting and throwing).....	302,544	288,400
Tricot knitting machines.....	95	52
Total preferred and common stockholders.....	10,000	9,200

To the Stockholders:

March 12, 1952

Sales for the year were \$98,290,000 compared with \$87,547,000 in 1950; net profits were \$4,746,000 compared with \$3,142,000 in 1950. Our earnings and those of the industry reached a peak during the first quarter as a direct result of overbuying by ultimate consumers and by all segments of the textile trade following the outbreak of the Korean War. High prices overstimulated production. More yards of cotton and rayon fabrics were woven in this country during the first three months of the year than in any other similar period in the past. In all branches of the trade excessive inventories were purchased at peak prices. The sharp price readjustment which followed caught nearly every one with large commitments. The last half of 1951 was required for retailers, cutters, converters and mills to bring their inventories in line with current sales.

Forward commitments are now at a minimum and most fabric prices are below replacement cost. Retail sales of textile consumer articles, however, are currently greater than the present rate of production of basic textile fabrics. Overliquidation of inventories should soon create shortages in certain lines. Prices should rise, forward commitments increase, and production be stepped up. Thus the cyclical pattern of the textile industry should reassert itself. Such a reversal of trend should occur as usual when conditions look darkest. The turn may be imminent. We expect the last six months of this year to show a marked improvement over current unsatisfactory conditions.

Our plants with minor exceptions operated at full capacity throughout this readjustment period. Our inventories have been rapidly turned over. We have continued to modernize our facilities and reduce our basic costs to maintain the advantages of low-cost production in competitive periods.

Many marginal producers in the industry have been forced to curtail or shut down completely during the past six months. Recently, we have acquired upon a favorable basis to supplement our present facilities the following three small plants:

R. W. Bates Piece Dye Works, Inc. in Garnerville, New York, which is being expanded to dye and finish synthetic blend fabrics on a commission basis as an additional service to our converter customers.

Vass Cotton Mill in Vass, North Carolina, which has been converted from carded cotton yarns to synthetics to balance the yarn requirements of our blend program.

A new plant at Honea Path, South Carolina, which had not yet been put into operation. This modern, single-story, windowless, air-conditioned mill will be enlarged from

360 to 600 looms without increasing present floorspace. Located 20 miles from our southern headquarters at Anderson, S. C., it can readily be managed by our present organization. The Honea Path acquisition will enable us to transfer certain acetate filament fabrics from our expanded (1470 looms) Williamston rayon weaving plant so that production at the latter location can be concentrated primarily on viscose process pigment taffetas and linings.

The National Production Authority has recently authorized the use of domestic steel to complete the large new mill building started over one year ago at Williamston, S. C., which Daniel Construction Company now hopes to finish before the end of the year.

Our Nashua sheet and blanket businesses were liquidated at the year end and we do not plan at this time to re-enter either of these fields in any other area. We hope to sublease the Nashua real estate as soon as these buildings can be readied for occupancy. In 1948, we sold to the Nashua-New Hampshire Foundation approximately 3 million square feet of floorspace, retaining by lease about one-third of this area for our own use. The Foundation has since done a magnificent job in attracting new industries to Nashua to occupy the available space. There are currently more workers employed in widely diversified industries in these buildings than Textron employed in Nashua prior to the sale to the Foundation. Largely responsible for these results was Laurence C. Plowman, who will become general manager of our Industrial Building Department. Through this division we hope to attract new diversified industries on a purchase or rental basis to space which we no longer need. Since textiles require greater floorspace per worker than any other industry, the conversion of such space to non-textile work will produce more employment, higher payrolls and better community business. Textron, through its Industrial Building operations, can make a significant contribution to the communities in which these idle plants are located.

Last year the shareholders authorized a new 250,000 share 4% preferred stock issue to be used primarily for the acquisition of existing textile properties. In connection with the purchase of Vass Cotton Mill, 2,500 of these shares were issued. The Directors may also use in the future ten-year subordinated debentures for similar purposes.

Textron currently has three new projects authorized by the Directors: at Elizabethton, Tenn., a tricot knitting plant to process the new man-made synthetics such as nylon, Orlon and Dacron into finished fabrics; in Monroe County, Miss., a long staple blend unit; at Meridian, Miss., a plant to make Indian Head work clothing fabrics.

Through expansion programs of this type the Directors hope to replace the sales volume lost through curtailment of operations in other areas. All three of these projects should provide the Company with low-cost modern facilities to supplement and diversify present lines.

In addition, Textron Puerto Rico is increasing the capacity of its print cloth mill at Ponce approximately 15%. While our Puerto Rican subsidiary lost \$304,000 in 1951, due primarily to starting-up expenses and inventory losses, we believe that this year's results will show material improvement over past performance.

Military business last year represented 20% of our consolidated sales but since profit margins were low we do not anticipate any renegotiation problems. Our wholly-owned subsidiary, Atlantic Parachute Corporation, billed \$4,716,000 to the Services for various types of cargo, personnel and paratrooper chutes and currently has an order backlog of over \$10,000,000.

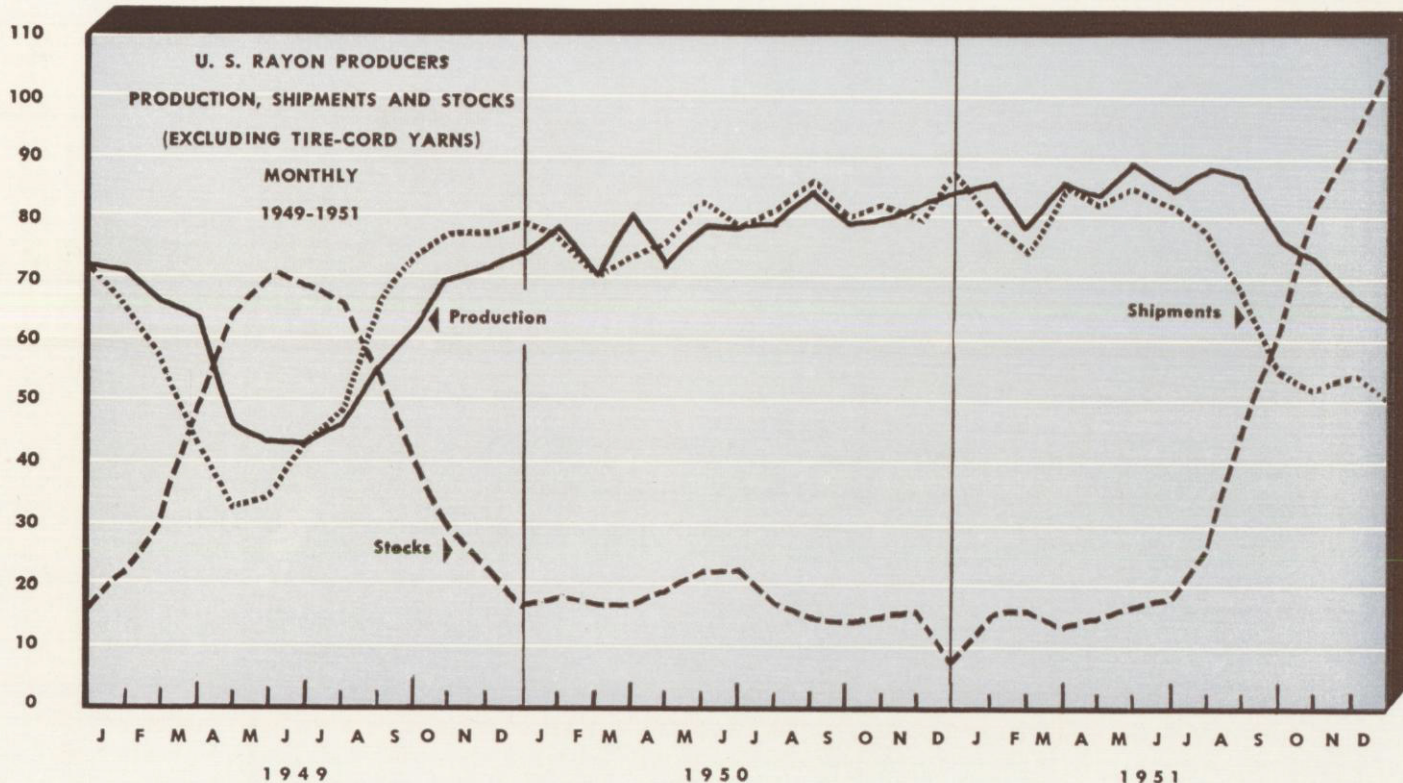
Last May, Textron Southern sold the Louise combed lawn plant at Charlotte, N. C. to The Vanderbilt University at a net profit before taxes of \$2,104,000 and leased it back for a period of eleven years at \$330,000 annual net rental with options to renew at reduced rentals for an aggregate of eighteen years. A non-recurring profit before taxes of \$1,579,000 resulted from the reduction of our LIFO inventory base. These and other non-recurring transactions during the year are set forth in the accompanying financial statements.

The year 1951 was a year of difficult decisions. Starting with a highly inflationary trend with its accompanying scramble for raw materials and labor, overproduction problems soon developed which very few in the industry recognized as more than a temporary readjustment of long-term inflation. By late summer raw material and cloth prices had fallen so rapidly, however, that all segments of the trade took drastic losses on commitments made during earlier boom conditions. While there was a slight improvement in margins between mid-November and the year end, prices currently are unusually bad.

Our entire organization is to be congratulated for its efficiency, its loyalty and its enthusiasm. In spite of the industry-wide pessimism of the moment, we all look forward to Textron's future with confidence.

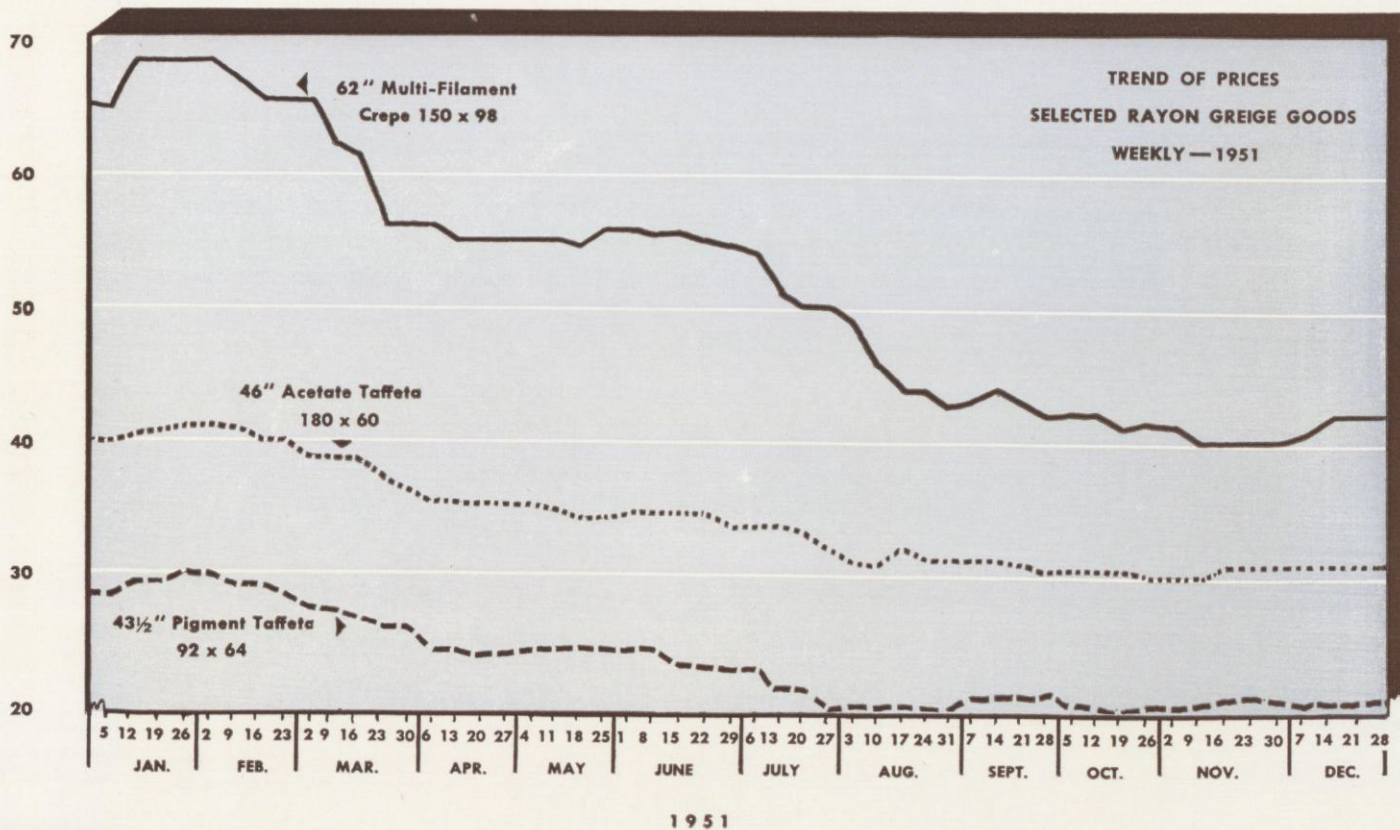
By order of Board of Directors


PRESIDENT



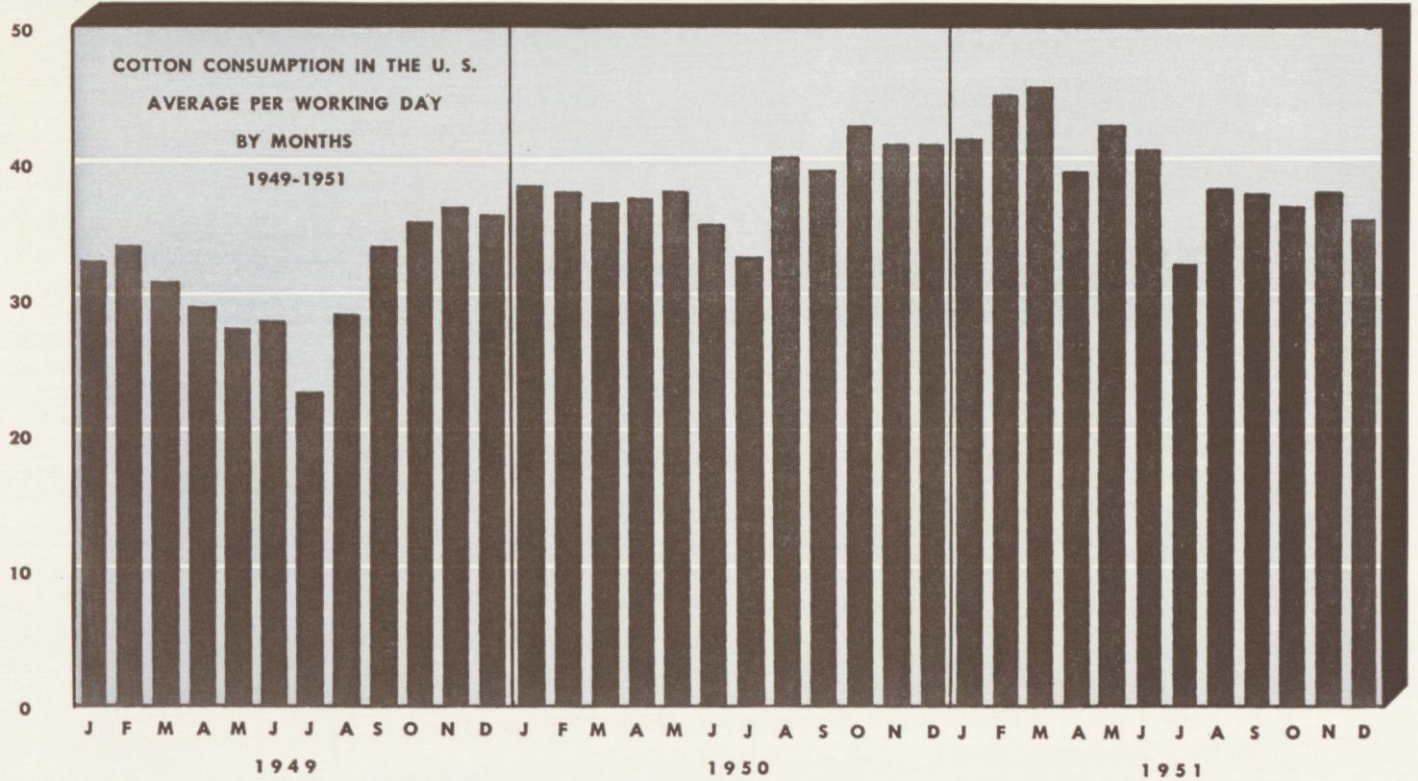
Source: Rayon Organon (Note: Production figures calculated)

The chart above shows that while December, 1951 rayon shipments were 40.5% below May, 1951, they were still 60.3% above April, 1949. During 1949 approximately 200 million lbs. of production was permanently lost through curtailment. Assuming that it will be necessary to lose at least 300 million lbs. of rayon production during the current recession to correct overproduction, the low point of shipments should occur in April, 1952. The chart below shows that the prices of three basic rayon staple fabrics dropped 40.0%, 28.9%, and 34.9% during the year. Presently, prices for these fabrics are still lower.



Source: Fairchild Publications

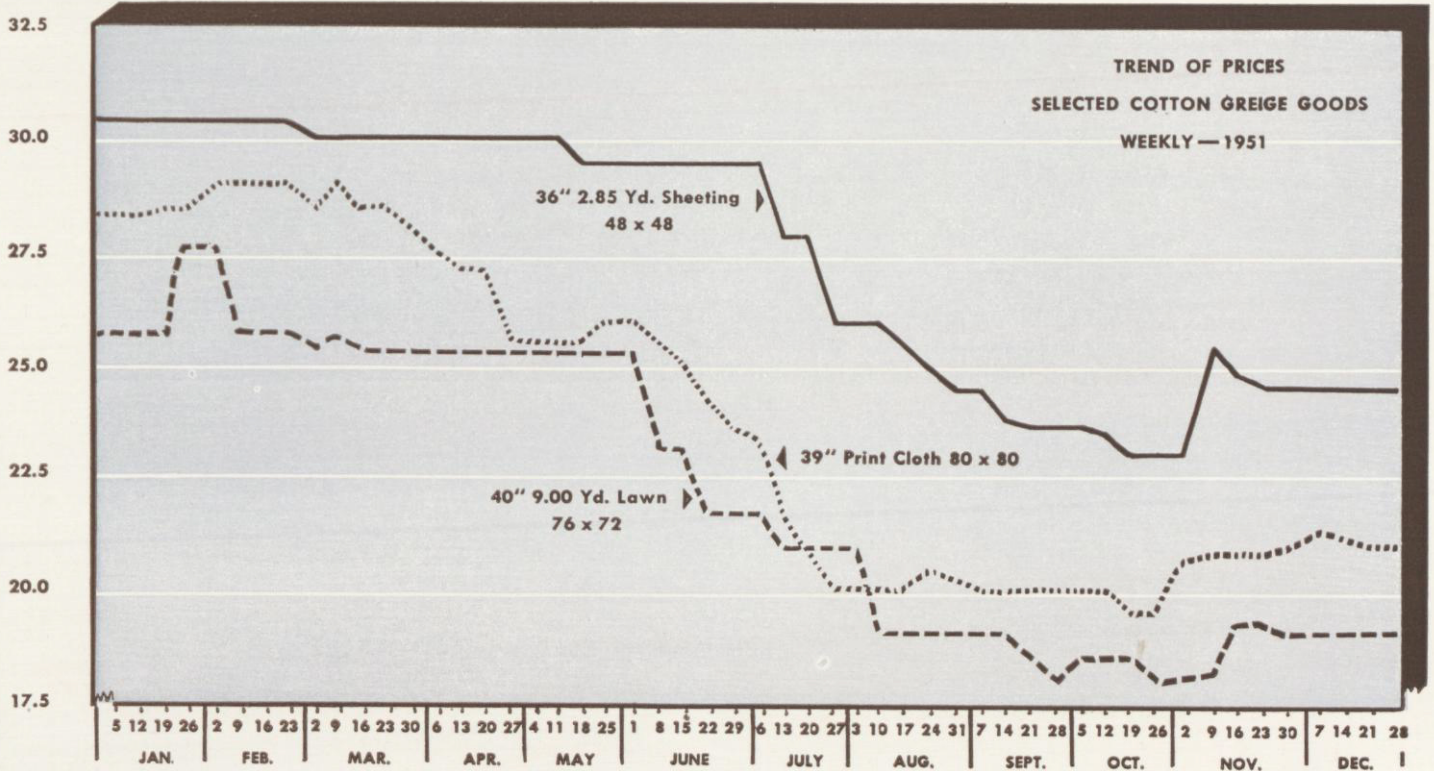
THOUSANDS OF BALES



Source: U. S. Department of Commerce: Census Bureau

The above chart indicates that while in December, 1951 average daily cotton consumption dropped 22.4% from the March, 1951 peak, it was still 55.9% higher than the 1949 low in July and even more significantly was 14.9% greater than the average daily consumption for the entire year of 1949. This data may indicate the necessity for further drastic curtailment of cotton fabric production. The prices of three staple cotton fabrics also fell 25.4%, 33.9%, and 34.8%, as shown by the following chart. Currently, prices for these goods are lower.

CENTS PER YARD



1951

Source: Fairchild Publications

TEXTRON

Incorporated and Subsidiaries

Consolidated

Assets

	December 29, 1951	December 30, 1950
Current assets:		
Cash in banks and on hand	\$ 6,451,345	\$ 9,746,779
Accounts receivable—trade—less reserve for doubtful accounts, discounts and allowances: 1951—\$435,923; 1950—\$549,942	10,158,610	10,489,611
Notes receivable (Note F)	64,593	55,472
Inventories: 1951—\$19,012,039 less partial payments on Government contracts \$1,420,350 (Note B)	17,591,689	15,595,351
Other current assets	1,013,575	841,346
Total current assets	<u>\$35,279,812</u>	<u>\$36,728,559</u>
Notes receivable due after one year	131,811	171,757
Investment in Textron Puerto Rico (Note C)	1,000,000	1,000,000
Property, plant and equipment, at cost—less reserve for depre- ciation: 1951—\$7,129,285; 1950—\$6,388,820 (Note D)	21,379,485	18,075,898
Advances on construction contracts (Note D)	635,501	630,438
Other assets:		
Cash surrender value of life insurance	126,046	520,018
Deposits with mutual insurance companies	191,676	172,908
Sundry other assets	298,060	117,678
Long-term rental deposits	600,000	—
Prepaid expenses and deferred charges	743,643	536,749
Total assets	<u>\$60,386,034</u>	<u>\$57,954,005</u>

The Notes to Financial Statements are an integral part of these financial statements.

diary Companies

Balance Sheet

Liabilities and Capital

	December 29, 1951	December 30, 1950
Current liabilities:		
Notes payable (Note E)	\$ 3,011,442	\$ 2,113,273
Accounts payable	3,488,920	4,435,562
Accrued liabilities—salaries, wages, taxes and other expenses ..	1,806,139	1,733,503
Provision for Federal income taxes	4,055,607	2,892,760
Dividends payable	697,819	404,887
Employees' deposits for income and social security taxes, etc.	205,191	279,146
Current maturities of ten-year 4½% debentures (Note E) . . .	223,500	117,500
Sundry other current liabilities	17,152	135,209
Total current liabilities	<u>\$13,505,770</u>	<u>\$12,111,840</u>
Notes payable (Note E)	4,731,472	5,391,083
Ten-year 4½% debentures, due April 1, 1958—less current maturities (Note E)	1,241,000	1,478,500
Other liabilities	160,571	179,160
Total liabilities	<u>\$19,638,813</u>	<u>\$19,160,583</u>
Reserve for contingencies (Note F)	2,500,000	2,500,000
Minority interests:		
Minority interests in common stock and surplus of subsidiaries	12,379	10,493
Preferred stocks of subsidiaries at redemption value	662,956	823,194
Capital stock (Note G):		
\$1.25 convertible preferred, no par value, authorized: 1951— 293,809 shares; 1950—500,000 shares. Issued and outstand- ing: 1951—291,639 shares; 1950—355,400 shares.	7,290,975	8,885,000
4% preferred stock, par value \$100, authorized 250,000 shares. Issued and outstanding—none	—	—
Common stock, par value \$.50, authorized: 1951—3,000,000 shares; 1950—2,000,000 shares. Issued and outstanding: 1951—1,196,392 shares; 1950—1,132,631 shares.	598,196	566,316
Surplus (per statement of surplus):		
Paid-in surplus	9,827,758	8,265,613
Capital surplus	4,549,126	4,428,315
Earned surplus (Note G)	15,305,831	13,314,491
Total liabilities and capital	<u><u>\$60,386,034</u></u>	<u><u>\$57,954,005</u></u>

this statement and should be read in conjunction therewith.

TEXTRON

Incorporated and Subsidiaries

Consolidated Statement of Profit and Loss

	Year Ending December 29, 1951	Year Ending December 30, 1950
Net sales	\$98,290,016	\$87,546,886
Cost of sales* (after deducting gains incident to adjustments of Lifo inventory base: 1951 — \$1,579,490; 1950 — \$697,048) . . .	87,298,665	76,661,061
Gross profit on sales	<u>\$10,991,351</u>	<u>\$10,885,825</u>
Selling, advertising and administrative expenses	3,344,151	4,733,673
Profit from operations	<u>\$ 7,647,200</u>	<u>\$ 6,152,152</u>
Other income:		
Profit or (loss) on disposal of fixed assets	\$ 1,913,604	\$ (396,943)
Sundry other income	659,875	283,252
	<u>\$ 2,573,479</u>	<u>\$ (113,691)</u>
	<u>\$10,220,679</u>	<u>\$ 6,038,461</u>
Other charges:		
Loss or (gain) on cotton transactions	\$ 595,746	\$ (745,437)
Interest expense including customers' anticipation	605,695	474,292
Sundry other charges	509,286	180,825
	<u>\$ 1,710,727</u>	<u>\$ (90,320)</u>
Profit before provision for Federal and State income taxes	<u>\$ 8,509,952</u>	<u>\$ 6,128,781</u>
Provision for Federal and State income taxes	3,725,000	2,940,000
Net profit after provision for Federal and State income taxes	<u>\$ 4,784,952</u>	<u>\$ 3,188,781</u>
Portion of earnings applicable to minority interests in subsidiaries	38,796	47,123
Net profit	<u><u>\$ 4,746,156</u></u>	<u><u>\$ 3,141,658</u></u>

*Including depreciation: 1951 - \$1,287,276; 1950 - \$1,151,068.

The Notes to Financial Statements are an integral part of this statement and should be read in conjunction therewith.

diary Companies

Consolidated Statement of Surplus

	Year Ending December 29, 1951	
PAID-IN SURPLUS		
<i>Balance at beginning of year</i>		\$ 8,265,613
Addition—Arising from conversion of \$1.25 convertible preferred stock		1,562,145
<i>Balance at end of year</i>		<u>\$ 9,827,758</u>
CAPITAL SURPLUS		
<i>Balance at beginning of year</i>		\$ 4,428,315
Additions:		
Excess of book value of assets acquired over cost of investments in subsidiaries	\$ 111,611	
Expiration of stock purchase options not exercised (\$8,000) and sundry additions	9,200	120,811
<i>Balance at end of year</i>		<u>\$ 4,549,126</u>
EARNED SURPLUS		
<i>Balance at beginning of year</i>		\$13,314,491
Addition—Net profit from profit and loss statement		4,746,156
		<u>\$18,060,647</u>
Deductions:		
Dividends declared:		
\$1.25 convertible preferred stock—\$1.25 per share	\$ 368,777	
Common stock—\$2.00 per share	2,386,039	2,754,816
<i>Balance at end of year</i>		<u>\$15,305,831</u>

The Notes to Financial Statements are an integral part of this statement and should be read in conjunction therewith.

TEXTRON Incorporated and Subsidiary

Notes to Financial Statements

NOTE A General

The accompanying consolidated financial statements include the accounts of Textron Incorporated and all subsidiaries, with the exception of Textron Puerto Rico which is commented upon in Note C. All of the outstanding common stock of Textron Puerto Rico is owned by a subsidiary of the Company.

NOTE B Inventories

The material content of the merchandise inventories, with certain minor exceptions, was valued at cost on the last-in, first-out basis (\$6,780,000). The replacement market value of these inventories was approximately \$1,498,000 and \$4,332,000 in excess of their stated values at December 29, 1951 and December 30, 1950 respectively. The remaining portion of the merchandise inventories (\$12,232,000) was valued at standard cost, except that prices were reduced to estimated net selling market where it was below standard cost.

Title to inventories of approximately \$2,273,000 on which partial payments have been received is held by the United States Government.

At the close of the year the Company was committed for the purchase of materials to cost approximately \$11,536,000 which was not in excess of their then estimated market value.

NOTE C Textron Puerto Rico

The investment in Textron Puerto Rico consisting of 500,000 common shares having a par value of \$1 each, is carried at cost (\$1,000,000). The net book value of this investment is \$458,022, composed as follows:

ASSETS:	
Current assets	\$1,364,977
Property, plant and equipment	4,472,798
Other assets	35,943
Total assets	\$5,873,718
LIABILITIES:	
Current liabilities	\$ 952,804
Mortgage notes payable	3,955,917
Total liabilities	4,908,721
NET ASSETS	\$ 964,997
Less — \$1.25 cumulative preferred stock in hands of public — at par value	506,975
Net assets applicable to common shares	<u>\$ 458,022</u>

Operations for the year resulted in a net loss of \$303,657, of which \$148,117 represented amortization of pre-production expenses.

The Puerto Rico Industrial Development Company has contracted with Textron Puerto Rico to construct and equip a plant at Humacao, Puerto Rico estimated to cost \$1,675,000. Of this amount \$500,000 has been paid through the release of escrow funds, \$100,000 is to be paid in cash, and, upon completion of the project, the balance by the issuance of notes secured by a first mortgage on the plant and equipment. This mortgage and the mortgage presently outstanding attach only to the plant and equipment of Textron Puerto Rico, and in no wise constitute an encumbrance on any of the assets of Textron Incorporated or its other subsidiaries.

The preferred stock may be redeemed beginning in the year 1952 at \$32.50 per share, and in each following calendar year

at an increase of \$2.50 per share up to 1959, and thereafter at \$50 per share, plus in each case accrued dividends to the date of redemption.

NOTE D Property, Plant and Equipment

During the year subsidiaries of the Company purchased machinery and equipment at a cost of \$2,920,864 under conditional sales contracts. The indebtedness at the end of the year relating to these purchases and similar acquisitions in previous years amounted to \$4,724,395.

In January, 1952 a rayon weaving mill and a yarn mill were acquired at a cost of \$2,300,000, the purchase price being paid \$397,500 in cash, and the balance by issuance of a mortgage note for \$1,652,500 and 2,500 shares of 4% preferred stock of Textron Incorporated.

The construction of a rayon weaving mill at Williamston, South Carolina, in which operations were started by a subsidiary late in 1950, was completed during the year. An addition to the plant, as originally authorized, is under construction. The entire cost of the mill and equipment, including the addition, is estimated at approximately \$4,625,000. The subsidiary has contracted to purchase and take title to the property upon completion, has paid \$635,501 on account, and has arranged for a bank loan to the extent of \$3,739,000. At the end of the year construction of a second rayon weaving mill at Williamston, South Carolina was in progress. It is estimated that this mill building will cost approximately \$2,400,000.

In addition, there has been authorized the expenditure of \$2,200,000 for other plant improvement and expansion.

During the year a subsidiary sold a combed lawn mill located in Charlotte, North Carolina to The Vanderbilt University at a net profit of \$2,104,000 before taxes, and leased it back for a period of eleven years at an annual rental of \$330,000 plus the cost of insurance, taxes, maintenance and repairs. The lease provides for renewal at reduced rentals.

NOTE E Long-Term Debt

Long-term debt at December 29, 1951 consisted of unsecured bank loans bearing interest at 4%, \$2,801,200; obligations for machinery acquired under conditional sales contracts, \$4,724,395; ten-year 4½% debentures due April 1, 1958, \$1,464,500; and other notes payable of \$217,319.

The payment requirements on this long-term debt are as follows:

1952	\$3,234,942
1953	1,926,722
1954	1,839,321
1955	1,573,970
1956	321,459
1957	232,500
1958	78,500

Under the terms of the unsecured bank loans the Company has agreed to pay in addition to the fixed payments, an amount equal to 50% of the consolidated net earnings after taxes and after deduction of the fixed payments required on that and other outstanding debt, the sinking fund requirements on Textron Inc. preferred stock, all preferred stock dividend requirements and dividends of \$1.00 per share on common stock.

NOTE F Contingencies

In determining taxable income during prior years the Company or its subsidiaries claimed certain deductions, the allow-

ability of which has not been passed upon by the United States Treasury Department. The management believes all of said deductions were properly claimed in determining taxable income. Should any disallowances by the Treasury Department of such deductions be made and sustained, additional taxes would be assessed in an amount which cannot be estimated at this time; in consequence, no specific reserve therefor has been provided in the accounts. The reserve for contingencies at the close of the year (\$2,500,000) is considered by the management to be more than sufficient to cover possible additional Federal income and excess profits taxes and other contingencies.

Approximately 20% of 1951 merchandise sales were made either directly or indirectly to the United States Government and are subject to the Renegotiation Act of 1951. The amount of refund, if any, which may be required is not presently determinable. Management is of the opinion that profits were not excessive and, therefore, no provision for refund has been made in the accounts.

The Company is contingently liable as endorser of a discounted note in the amount of \$281,004.

NOTE G Capital Stock

Textron Incorporated

The \$1.25 convertible preferred stock (cumulative) is entitled in the event of voluntary liquidation or redemption to \$26 per share and accrued dividends, and in the case of involuntary liquidation to \$25 per share and accrued dividends. It is convertible into common stock on a share for share basis.

On June 8, 1951 the stockholders voted to amend the Articles of Association to authorize the issuance of 250,000 shares of 4% preferred stock. This stock is entitled to cumulative dividends of \$4 per share per annum, and upon any liquidation to \$100 per share and accrued dividends, subject to the prior rights of the \$1.25 convertible preferred stock. The stock is also entitled, subject to certain exceptions, to the benefit of a sinking fund requiring quarterly deposits of \$2.50 for each share theretofore issued, such funds to be used for the purchase of 4% preferred stock tendered by holders at prices not in excess of \$100 per share. Deposits in excess of amounts expended to purchase tendered stock are returnable to the Company prior to the end of each calendar year.

The Articles of Association include certain restrictions for the benefit of the preferred stockholders with respect to the purchase or redemption of junior shares and the payment of dividends thereon. At December 29, 1951 these restrictions did not operate so as to prevent the use of earned surplus for such purposes. However, with the initial issue of 4% preferred stock in January, 1952, commented upon in Note D, the restrictive provisions relating to the entire issue became effective and restricted the use of earned surplus for the purchase or redemption of common shares and the payment of dividends thereon to the extent of \$7,314,491.

Textron Inc.

At December 29, 1951 there were outstanding in the hands of the public 11,158 shares of preferred stock. The holders of these shares are entitled to receive dividends at the rate of \$2.30 per share per annum before any dividends are paid on either the Class A stock or common stock, all of which shares are held by the parent, Textron Incorporated, except for 41 of the 108,804 outstanding shares of common stock. No dividends may be paid on the Class A or common stock if payments to the sinking fund, described below, are in arrears or

the payment of such dividends would reduce the net current assets of Textron Inc. below 200% of the total redemption price of the outstanding preferred stock.

The preferred stock is also entitled to the benefit of a sinking fund which requires quarterly payments of (1) \$37,500 in cash or (2) not less than \$37,500 consisting of cash and preferred stock, the cash portion to be not less than \$18,750, and the stock at the aggregate cost thereof. This stock is stated in the accompanying statements at its redemption value of \$42 per share.

NOTE H Lawsuits

Pending stockholders' derivative suits name as defendants Textron Incorporated and some of its subsidiaries and some of its directors and officers. No remedy is asked against the Company or its subsidiaries and any recovery resulting from such suits will be for the benefit of the Company. Under the provisions of the by-laws of the Company which provide for the reimbursement and indemnification of directors and officers, the Company is contingently liable to reimburse those directors and officers who are defendants for their reasonable cost of defending the suit in their capacities as directors and officers in the event they are successful in such defense.

NOTE I Leases

Subsidiaries of the Company have entered into long-term lease agreements covering mill properties and offices which provide for payments totaling \$909,000 annually, plus in the case of certain leases the cost of taxes, maintenance and protection. The rental payments required during the terms of the leases subsequent to December 29, 1951 amount to \$5,717,000.

Subsidiaries of the Company have also entered into long-term lease agreements with certain municipalities covering the rental of certain proposed mill properties and equipment. The construction of these properties will be financed by the sale of municipal securities, and the leases will not become effective until such financing is completed. On the effective dates of the leases the subsidiaries will be required to pay amounts equivalent to the first year's rental estimated at \$1,140,000. The properties are further described in the President's report.

NOTE J Option Agreements and Profit-Sharing Plan

Option agreements between the Company and five of its officers and certain other employees of subsidiaries providing for the purchase of common shares of the Company at \$25 per share were approved at a special meeting of the stockholders held on May 23, 1951. No consideration was paid for the options which expire on December 30, 1955 or earlier, if the optionee shall cease to be an employee of the Company or any subsidiary. At December 29, 1951 options for the purchase of 90,427 common shares were outstanding.

A deferred compensation plan was established during the year by the Company and certain subsidiaries for the benefit of employees not entitled to receive compensation at more than regular rates for overtime work. An initial contribution in the amount of \$149,419 was made for 1951, and subsequent annual contributions by the member Companies shall be 10% of the excess of consolidated net profit before taxes over an amount equal to 10% on the average investment in the business, as defined by the plan, limited to 15% of the total annual compensation of the member employees.

STEWART, WATTS & BOLLONG

ACCOUNTANTS & AUDITORS

50 STATE STREET

BOSTON 9

30 BROAD STREET
NEW YORK 4

To the Stockholders of **TEXTRON** Incorporated:

We have examined the consolidated balance sheet of Textron Incorporated and subsidiary companies, as at December 29, 1951, and the related consolidated statements of profit and loss and surplus for the fiscal 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 were present at the several plants of the companies when the inventories were being checked physically and observed the work of the companies' employees in that connection. We reviewed the methods used in taking and compiling the inventories and made physical tests sufficient to satisfy ourselves as to the substantial accuracy of the inventory quantities. Goods at outside finishing plants and other locations were confirmed by direct correspondence. We made extensive tests of the pricing of the inventories and satisfied ourselves as to the substantial accuracy thereof.

In our opinion, subject to the determination of the liability for Federal income and excess profits taxes, commented upon in Note F to the Financial Statements, the accompanying consolidated balance sheet and related consolidated statements of profit and loss and surplus, together with notes to the financial statements present fairly the consolidated financial position of Textron Incorporated and its subsidiary companies at December 29, 1951, and the consolidated results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Stewart, Watts & Bollong

Boston, Massachusetts, March 3, 1952

TEXTRON**Incorporated
and Subsidiary Companies***Statement of Working Capital*

YEAR ENDING DECEMBER 29, 1951

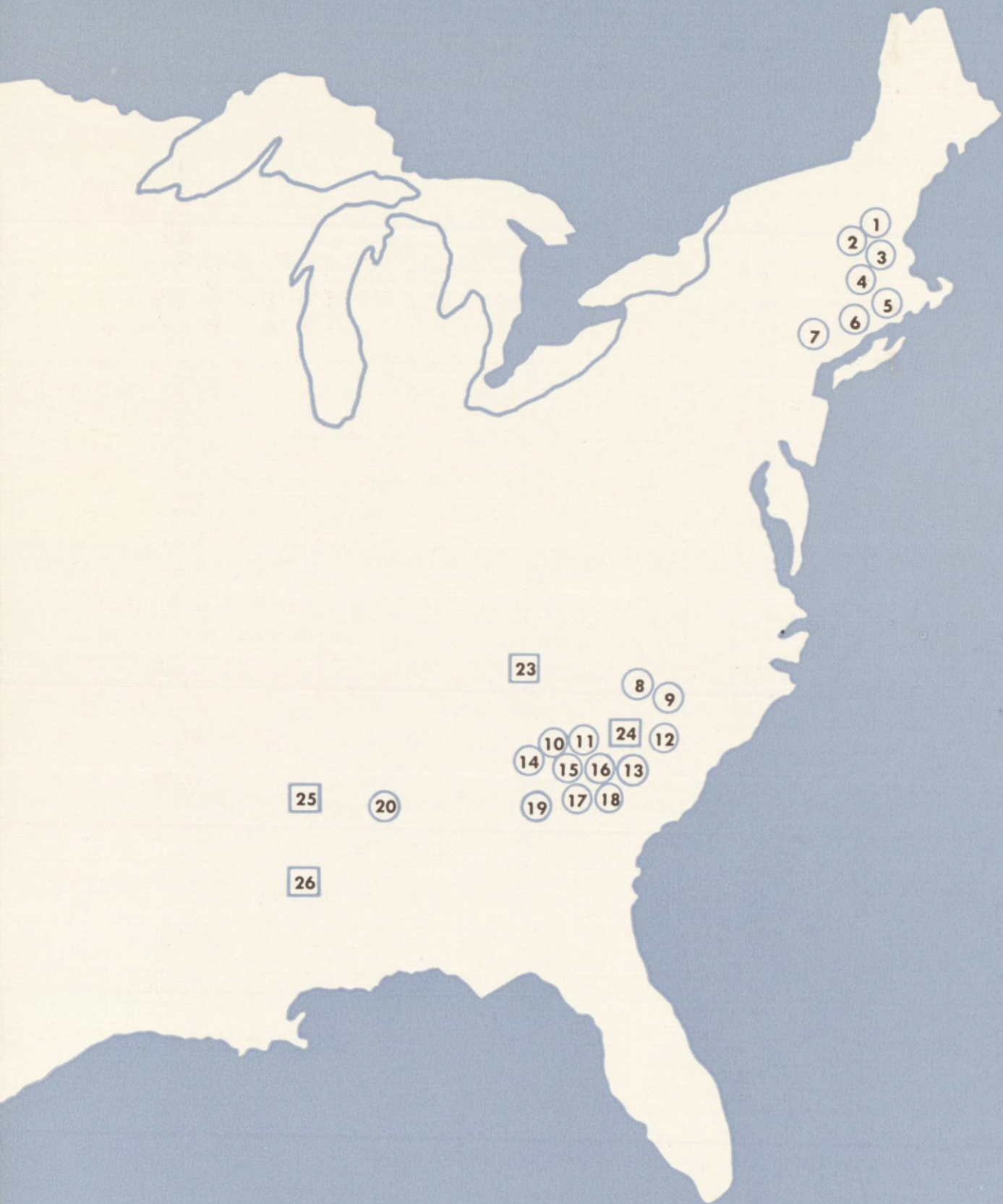
Working capital, December 30, 1950		\$24,617,000
Additions during the year:		
Net income	\$4,746,000	
Provision for depreciation and amortization	1,375,000	
Book value of fixed assets sold	1,013,000	
Decrease in cash surrender value of life insurance	394,000	7,528,000
		<hr/>
		\$32,145,000
Deductions during the year:		
Additions to property, plant and equipment	\$5,692,000	
Less: Equipment financed under long-term notes	1,785,000	
		<hr/>
		\$3,907,000
Reduction in long-term notes payable	2,445,000	
Dividends declared:		
Common stock — \$2.00 per share	2,386,000	
Convertible preferred — \$1.25 per share	369,000	
Long-term rental deposits	600,000	
Sinking fund payments	383,000	
Increase in prepaid and deferred charges	207,000	
Sundry deductions	74,000	10,371,000
		<hr/>
Working capital, December 29, 1951		<hr/> <hr/> \$21,774,000

	PLANT	LOCATION	PRODUCTS	EQUIPMENT
1	SUNCOOK	Suncook, N. H.	Filament Rayon and Nylon Fabrics	25,280 Throwing Spindles 4,200 Twisting Spindles 1,008 Looms
2	MANCHESTER	Manchester, N. H.	Filament Rayon and Nylon Fabrics Commission Dyeing and Finishing	960 Looms Dyeing and Finishing Equipment
3	NASHUA (BUILDING LEASED)	Nashua, N. H.	Indian Head Finishing Commission Dyeing and Finishing	Bleaching, Dyeing and Finishing Equipment
4	ATLANTIC PARACHUTE	Lowell, Mass.	Parachute Assemblies	Cutting and Sewing Equipment
5	EAST GREENWICH	East Greenwich, R. I.	Nylon and Acetate Tricot Fabrics Commission Dyeing and Finishing	50 Tricot Knitting Machines* Dyeing and Finishing Equipment
6	WILLIMANTIC (LEASED)	Willimantic, Conn.	Nylon and Acetate Tricot Fabrics	24 Tricot Knitting Machines
7	BATES (BUILDING LEASED)	Garnerville, N. Y.	Commission Dyeing and Finishing	Dyeing and Finishing Equipment
8	LOUISE (LEASED)	Charlotte, N. C.	Combed Lawns	34,304 Spinning Spindles 640 Looms
9	VASS	Vass, N. C.	Spun Rayon Yarns	5,760 Spinning Spindles
10	WILLIAMSTON COTTON	Williamston, S. C.	Cotton Print Cloth	39,744 Spinning Spindles 1,100 Looms
11	WILLIAMSTON RAYON	Williamston, S. C.	Filament Rayon Fabrics	1,470 Looms
12	BELTON	Belton, S. C.	Spun Rayon and Blended Fabrics	120 Looms
13	HONEA PATH	Honea Path, S. C.	Filament Rayon Fabrics	600 Looms*
14	TOXAWAY	Anderson, S. C.	Cotton Print Cloth	35,604 Spinning Spindles 990 Looms
15	RIVERSIDE	Anderson, S. C.	Spun Rayon Yarns	28,920 Spinning Spindles 14,616 Twisting Spindles
16	SOUTHSIDE	Anderson, S. C.	Spun Rayon and Blended Fabrics	275 Looms*
17	LADLASSIE	Anderson, S. C.	Spun Rayon and Blended Fabrics	394 Looms*
18	GOSSETT	Anderson, S. C.	Commission Dyeing and Finishing	Dyeing and Finishing Equipment
19	HARTWELL (BUILDING LEASED)	Hartwell, Georgia	Filament Rayon Fabrics	13,760 Throwing Spindles 648 Looms
20	CORDOVA	Cordova, Alabama	Cotton Sheeting and Mitten Flannel	32,004 Spinning Spindles 958 Looms
21	PONCE	Ponce, Puerto Rico	Cotton Print Cloth	26,988 Spinning Spindles* 624 Looms*
22	HUMACAO	Humacao, Puerto Rico	Rayon and Nylon Tricot Finished Fabrics and Lingerie	48 Tricot Knitting Machines* Dyeing and Finishing Equipment Cutting and Sewing Equipment

PLANNED EXPANSION:

23	ELIZABETHTON	Elizabethton, Tenn.	Nylon Tricot Fabrics
24	WILLIAMSTON	Williamston, S. C.	Filament Synthetic Fabrics
25	MONROE COUNTY	Monroe County, Miss.	Synthetic Blended Fabrics
26	MERIDIAN	Meridian, Miss.	Cotton Drills, Twills and Jeans

*Including 1952 planned additions.



The image features a background of a fine grid pattern. A horizontal blue bar is positioned across the middle of the page. The word "TEXTRON" is written in large, bold, white, sans-serif capital letters within this bar. Below it, the word "INCORPORATED" is written in smaller, white, sans-serif capital letters.

TEXTRON
INCORPORATED