

1952

**TEXTRON**  
INCORPORATED

20 MARKET SQUARE  
PROVIDENCE • RHODE ISLAND

25<sup>th.</sup>

ANNUAL REPORT

TO THE STOCKHOLDERS

## Board of Directors

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ROYAL LITTLE, *Chairman*  
HARRY H. BURTON †  
RAYMOND E. CRANE  
CHARLES E. DANIEL  
NORMAN B. FROST  
ROBERT L. HUFFINES, JR. †  
CONSTANTINE HUTCHINS  
EUGENE A. KINGMAN †  
ANTONIO A. ROIG  
JAMES J. SULLIVAN  
ROBERT R. THURBER †  
T. FRANK WATKINS †  
J. LINZEE WELD

## Executive Committee

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ROYAL LITTLE, *Chairman*  
HARRY H. BURTON  
ROBERT L. HUFFINES, JR.  
EUGENE A. KINGMAN  
J. LINZEE WELD

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.

## Officers

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ROYAL LITTLE, *Chairman of the Board*  
ROBERT L. HUFFINES, JR., *President* †  
HARRY H. BURTON, *Vice President* †  
J. LINZEE WELD, *Vice President*  
WILLIAM D. MEWHORT, *Vice President and Treasurer*  
ROBERT R. THURBER, *Vice President and Secretary*  
CHARLES C. HAMMER, *Controller and Assistant Treasurer*  
WILLARD C. BEATTY, *Assistant Treasurer* †  
DOUGLAS L. GROTE, *Asst. Controller and Asst. Secretary* †  
JOHN B. SNAPP, *Assistant Secretary*  
MARY T. YOUNG, *Assistant Secretary* †

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*Counsel:* EDWARDS & ANGELL  
PROVIDENCE, RHODE ISLAND

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*Auditors:* STEWART, WATTS & BOLLONG

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*Transfer Agents:* Common and Convertible Preferred

RHODE ISLAND HOSPITAL TRUST COMPANY  
PROVIDENCE, RHODE ISLAND

CHEMICAL BANK & TRUST COMPANY  
NEW YORK, N. Y.

BANK OF AMERICA NATIONAL TRUST &  
SAVINGS ASSOCIATION  
LOS ANGELES, CAL.

4% Preferred

THE PROVIDENCE UNION NATIONAL BANK  
PROVIDENCE, RHODE ISLAND

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*Registrars:* Common and Convertible Preferred

THE PROVIDENCE UNION NATIONAL BANK  
PROVIDENCE, RHODE ISLAND

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK  
NEW YORK, N. Y.

SECURITY-FIRST NATIONAL BANK OF LOS ANGELES  
LOS ANGELES, CAL.

March 23, 1953

## *To the Stockholders:*

Sales for the year were \$98,745,000 compared with \$98,290,000 in 1951. The net loss was \$3,543,000 (after Federal tax carryback credit of \$2,933,000) compared with a profit of \$4,746,000 in the previous year. Depreciation provisions for the year aggregated about \$2,000,000. Non-recurring expenses in connection with the closing and liquidation of certain plants and divisions and the starting-up of both new and reconditioned mills, and also losses incurred on sales of fixed assets, were the principal causes of the poor 1952 results. Included is the 1952 loss of \$280,000 of Textron Puerto Rico, a subsidiary whose accounts are now for the first time consolidated with those of Textron in the accompanying financial statements.

At no time during the year were prices satisfactory and, during the normally slack second quarter, prices on rayon fabrics were particularly low. In addition, due to the many changes in equipment and physical layout required in our program of concentrating production in the Southeast, the plants in that area operated in 1952 at more than \$3,000,000 in excess of standard costs. However, considerable progress has recently been made in reduction of costs and it appears that operations in these mills are currently on about a break-even basis.

At present our only remaining New England operations are at North Smithfield and East Greenwich in Rhode Island and at Lowell in Massachusetts. The Blackstone Mill in North Smithfield, formerly part of Lonsdale Company, makes fine-combed cotton goods for the converting trade, the East Greenwich plant knits and dyes nylon tricot fabrics for a wide variety of uses, and the Lowell sewing plant which operates exclusively under Government contracts has been producing parachutes and will soon manufacture bullet-proof apparel.

During the last two years there has been a persistent style trend away from filament rayon and acetate fabrics to cotton goods in the lower price ranges and to nylon in the better constructions. As a result, in the twelve month period ending last June, there was a 30% drop in the consumption of such fabrics from that of the previous twelve months through June 1951. Stocks of filament textile yarns in the hands of producers exceeded 98 million pounds last April compared with a post-war normal of 8 million. It is hoped, however, that by fall there will be a normal pickup in volume and price. When staple filament fabrics are again produced and sold at a profit, we feel confident that our modern, low-cost plants, with the anticipated improvement in operating efficiency, will show a satisfactory return on investment.

Because of continuing strong demand for print cloths and combed lawns, a major portion of the second quarter production of our cotton mills has already been sold at satisfactory prices. It is anticipated that there will be an adequate supply of raw cotton this year at prices close to the Government loan values. Mills, converters, cutters and retailers are therefore operating at high rate of turnover with little fear of inventory losses.

Within a twenty-mile radius of our Anderson, South Carolina headquarters we are now producing rayon, acetate and nylon filament fabrics on approximately 4000 new looms housed in four ultramodern, single-story, windowless, air-conditioned buildings. Included in this group are the Peerless Mill at

Belton and the Honea Path Mill which were purchased in 1952 and enlarged to 960 and 600 looms respectively. Present total productive capacity for all types of cloth amounts to one quarter of a billion yards annually.

On July 1 the Company acquired, in exchange for 40,444 26/30 shares of its 4% Preferred Stock, all the assets (subject to liabilities) of Lonsdale Company, a Rhode Island textile concern. This purchase substantially increased working capital and permitted consolidation of Lonsdale's cotton machinery in the Blackstone Mill.

About the middle of the year an arrangement was made with Puerto Rico Industrial Development Company, under which it repurchased the Ponce and Humacao plants at original cost and simultaneously leased them to Textron Puerto Rico on a long-term basis with rentals payable only out of earnings. As a result all fixed charges for mortgage interest, depreciation and debt amortization have been eliminated. The cotton print cloth plant at Ponce is operating profitably, although productivity per man-hour and machine efficiency are both still below standards on the mainland. The Humacao tricot knitting and dyeing plant has been operating at full capacity only for a short time and will probably continue to lose money for some months as a result of high employee training expense, excessive second quality goods and extremely low prices for acetate tricot. Our operations in Puerto Rico, employing about 760 persons, constitute one of the largest brought to the island through the local industrial development program.

With the completion next month of our second new building at Williamston, South Carolina, major expansion and modernization of our facilities in the Anderson area will have cost in the aggregate more than \$24,800,000 since the last World War. The Directors plan to keep future expenditures for fixed assets well within our depreciation provision.

In the near future all accounting functions will be consolidated in our Anderson office which is located at the hub of our southern manufacturing operations. Our continuing policy will be to eliminate all unnecessary overhead so as to keep our total selling and administrative expenses on a par with those of the most efficient operators in the industry. While exerting every effort to reduce primary production costs and administrative expenses, steps will be taken at the same time to improve further our manufacturing operations and to build up and strengthen our merchandising and selling organizations so as better to meet the requirements of present marketing conditions.

Robert L. Huffines, Jr., formerly president of Burlington Mills Corporation of New York (the sales company for Burlington Mills) has recently been elected President of the Company and has been given the responsibility of general management of all textile operations with complete charge of purchasing, manufacturing and selling. The details of Mr. Huffines' contract will be summarized in the proxy statement to be mailed shortly to the stockholders. In the future Mr. Huffines, Mr. Mewhort, Treasurer, and Mr. Plowman, General Manager of our Industrial Building Department, will report directly to the Chairman of the Board.

As of the end of the year, the properties and assets of all operating subsidiaries, with the exception of Textron Puerto Rico and R. W. Bates Piece Dye Works, Inc., were transferred to the parent corporation, and in consequence all minority stockholder interests were eliminated except the Textron Puerto Rico preferred stock. In February 1953 the business and assets of the division making and selling Indian Head cotton cloth were sold on an installment basis to an inactive subsidiary, the name of which had been

changed to Indian Head Mills, Inc., and substantially all of its stock was subsequently distributed on March 9 to Textron common stockholders in the ratio of one share of Indian Head stock of \$1 par value for each ten shares of Textron common. Although this newly established organization begins operations with heavy indebtedness to Textron, its aggressive management inspires confidence and its operations should prove profitable. This transaction completes our withdrawal from the consumer products field.

It is with deep regret that we report the deaths during 1952 of three beloved and able men close to the affairs of the Company, all of whom contributed much in service and advice to the development and expansion of Textron. Eliot Farley, former Chairman of the Board, was a co-founder of the business in 1923. Godfrey B. Simonds, whose sound judgment and enthusiasm will be greatly missed, was a member of the Executive Committee. Lawrence E. Green served as our tax counsel and was the original Trustee of the Textron Pension Plan. We are also sorry to report the resignation from the Board on January 30 this year of Harold C. Whitman whose necessary absences from this country made it impracticable for him to continue to give to the Company and its directors the benefit of his long textile experience and friendly advice.

The loyalty and devotion of our whole organization has been outstanding during this most difficult of all years. The closing of certain plants has brought hardship to many people; the opening of new plants has brought unusual opportunity to many others. We have endeavored so far as possible to minimize the impact of mill closings on the community by bringing in other industries and by disposing of our surplus real estate promptly at reasonable prices.

Our common shareholders too have suffered. Many of them who are dependent upon a regular return on their investment have received no cash dividend since April 1, 1952, although recently there was distributed a tax-free dividend in stock of Indian Head Mills, Inc., having a current market value equivalent to 50 cents per share of Textron common stock. It is not yet possible to predict when cash dividends may be resumed but it is believed that we have now assembled an outstanding management group and have manufacturing facilities unsurpassed in the industry. As soon as market conditions improve the Company should be in a favorable position to take full advantage of every opportunity and to build stability of earnings.

By Order of the Board of Directors

ROYAL LITTLE

*Chairman of the Board*

# TEXTRON INCORPORATED

## *Ten Years in Review*

(EXPRESSED IN THOUSANDS OF DOLLARS)

	1952	1951	1950	1949
Net Sales . . . . .	\$98,745	\$98,290	\$87,547	\$67,896
Earnings Before Taxes on Income . . . . .	(6,423)	8,510	6,129	(2,716)
Taxes on Income . . . . .	(2,933)	3,725	2,940	(1,075)
Earnings After Taxes . . . . .	(3,490)	4,785	3,189	(1,641)
Dividends Declared				
Preferred . . . . .	445	369	444	444
Common . . . . .	299	2,386	1,133	1,133
Earnings Retained, exclusive of				
Minority Interests . . . . .	(4,829)	1,991	1,565	(3,271)
Working Capital . . . . .	20,133	21,774	24,617	25,706
Fixed Assets, at Cost . . . . .	35,112	28,508	24,465	19,919
Accumulated Depreciation . . . . .	6,738	7,129	6,389	6,090
Fixed Assets, Net . . . . .	28,374	21,379	18,076	13,829
Long Term Debt . . . . .	11,031	5,972	6,870	4,702
Common Stockholders Equity . . . . .	25,875	30,281	26,575	24,949
Common Shares Outstanding <sup>1</sup> . . . . .	1,197	1,196	1,133	1,133

### PER COMMON SHARE (Expressed in Dollars)

Earnings After Taxes, Preferred				
Dividends, and Minority Interests . . . . .	(3.33)	3.66	2.38	(1.89)
Special Items . . . . .	(.45) <sup>3</sup>	—	—	—
Dividends Paid . . . . .	.75	1.75	1.00	1.00
Common Stockholders Equity . . . . .	21.63	25.31	23.46	22.03

<sup>1</sup>Expressed in thousands of shares

<sup>2</sup>Adjusted for stock split 2 for 1, September 10, 1945

<sup>3</sup>Accumulated deficit of Textron Puerto Rico prior to 1952

<sup>4</sup>Transfers out of profits to a Reserve for Contingencies less amount subsequently returned to earned surplus

<sup>5</sup>In addition, stock dividend of one share of common stock of Dorset Fabrics, Inc. for each common share of Textron Incorporated held

## AND SUBSIDIARY COMPANIES

1948	1947	1946	1945	1944	1943
\$98,847	\$124,776	\$112,952	\$46,853	\$26,255	\$23,743
11,151	14,904	16,194	2,017	2,348	1,748
4,045	6,020	7,204	1,713	1,734	1,219
7,106	8,884	8,990	304	614	529
401	260	250	68	25	22
2,385	1,076	505	494	111	122
4,151	6,512	7,091	(709)	478	385
22,359	18,567	18,020	7,395	3,751	1,339
21,737	29,419	27,439	1,776	842	1,453
6,104	11,180	11,032	647	186	548
15,633	18,239	16,407	1,129	656	905
2,052	1,588	6,895	3,017	2,165	225
26,796	22,771	16,217	9,666	2,499	2,022
1,133	1,133	1,011	991	443 <sup>2</sup>	443 <sup>2</sup>
5.77	7.11	7.75	(.22)	1.33 <sup>2</sup>	1.14 <sup>2</sup>
—	(.41) <sup>4</sup>	(.23) <sup>4</sup>	—	—	—
.75 <sup>5</sup>	1.00	.50	.50	.25 <sup>2</sup>	.27 <sup>2</sup>
23.66	20.10	16.04	9.76	5.64 <sup>2</sup>	4.56 <sup>2</sup>

# TEXTRON INCORPORATED

## *Consolidated*

ASSETS		
	January 3, 1953	December 29, 1951
<b>Current assets:</b>		
Cash in banks and on hand.....	\$ 3,526,028	\$ 6,451,345
Accounts receivable—trade—less reserve for doubtful accounts, discounts and allowances: 1952—\$505,022; 1951—\$435,923	10,491,464	10,158,610
Inventories—less partial payments on Government contracts: 1952—\$673,357; 1951—\$1,420,350 (Note B) .....	12,153,577	17,591,689
Other current assets .....	414,929	1,078,168
<b>Total current assets</b> .....	<b>\$26,585,998</b>	<b>\$35,279,812</b>
Notes receivable due after one year (Note F).....	98,628	131,811
Investment in Textron Puerto Rico (Note A).....	—	1,000,000
Property, plant and equipment, at cost—less reserve for depreciation: 1952—\$6,737,629; 1951—\$7,129,285 (Note C).....	28,374,268	21,379,485
Advances on construction contracts.....	—	635,501
<b>Other assets:</b>		
Cash surrender value of life insurance.....	136,205	126,046
Deposits with mutual insurance companies.....	310,892	191,676
Sundry other assets.....	219,064	298,060
Long-term rental deposits .....	600,000	600,000
Prepaid expenses and deferred charges.....	856,010	743,643
<b>Total assets</b> .....	<b>\$57,181,065</b>	<b>\$60,386,034</b>

The Notes to Financial Statements are an integral part of t

# AND SUBSIDIARY COMPANIES

## Balance Sheet

### LIABILITIES AND CAPITAL

	January 3, 1953	December 29, 1951
<b>Current liabilities:</b>		
Notes payable (Note D).....	\$ 485,833	\$ 3,011,442
Accounts payable .....	3,494,446	3,488,920
Accrued liabilities—salaries, wages, taxes and other expenses.....	1,938,075	1,806,139
Provision for Federal income taxes.....	—	4,055,607
Dividends payable .....	—	697,819
Employees' deposits for income and social security taxes, etc.....	246,367	205,191
Current maturities of ten-year 4½% debentures (Note D).....	199,500	223,500
Sundry other current liabilities.....	88,440	17,152
<b>Total current liabilities</b> .....	<u>\$ 6,452,661</u>	<u>\$13,505,770</u>
Notes payable (Note D).....	10,027,204	4,731,472
Ten-year 4½% debentures, due April 1, 1958—less current maturities (Note D) .....	1,004,000	1,241,000
Other liabilities .....	354,603	160,571
<b>Total liabilities</b> .....	<u>\$17,838,468</u>	<u>\$19,638,813</u>
Reserve for contingencies (Note F).....	2,157,000	2,500,000
Minority interests:		
Minority interests in common stock and surplus of subsidiaries.....	—	12,379
Preferred stocks of subsidiaries .....	519,649	662,956
Capital stock (Notes A and I):		
\$1.25 convertible preferred, no par value, authorized 293,809 shares. Issued and outstanding: 1952—291,496 shares; 1951—291,639 shares .....	7,287,400	7,290,975
4% preferred, par value \$100, authorized 250,000 shares. Outstanding 39,484 27/30 shares, including 4450 25/30 in treasury .....	3,503,407	—
Common, par value \$.50, authorized 3,000,000 shares. Issued and outstanding: 1952—1,196,535 shares; 1951—1,196,392 shares .....	598,268	598,196
Surplus (per statement of surplus):		
Paid-in surplus .....	10,062,811	9,827,758
Capital surplus .....	4,323,353	4,549,126
Earned surplus (Note I).....	10,890,709	15,305,831
<b>Total liabilities and capital</b> .....	<u>\$57,181,065</u>	<u>\$60,386,034</u>

is statement and should be read in conjunction therewith.

**TEXTRON INCORPORATED AND SUBSIDIARY COMPANIES**  
*Consolidated Statement of Profit and Loss*

	Year Ending January 3, 1953	Year Ending December 29, 1951
Net sales .....	\$98,744,849	\$98,290,016
Cost of sales (after deducting gains incident to adjustments of Lifo inventory base: 1952—\$458,069; 1951—\$1,579,490) ....	98,306,959	87,298,665
<b>Gross profit on sales</b> .....	<b>\$ 437,890</b>	<b>\$10,991,351</b>
Selling, advertising and administrative expenses .....	3,490,648	3,344,151
<b>Profit or (loss) from operations</b> .....	<b>\$(3,052,758)</b>	<b>\$ 7,647,200</b>
Sundry other income .....	166,243	659,875
	<b>\$(2,886,515)</b>	<b>\$ 8,307,075</b>
Other charges:		
Loss or (gain) on disposal of fixed assets .....	\$ 1,881,552	\$(1,913,604)
Interest expense including customers' anticipation .....	875,159	605,695
Loss on cotton transactions .....	—	595,746
Sundry other charges .....	780,060	509,286
	<b>\$ 3,536,771</b>	<b>\$ (202,877)</b>
<b>Profit or (loss) before provision for Federal and State taxes on income</b> .....	<b>\$(6,423,286)</b>	<b>\$ 8,509,952</b>
Federal and State taxes on income:		
Estimated carry-back credit under provisions of Internal Revenue Code .....	(2,933,000)	—
Provision for Federal and State taxes on income .....	—	3,725,000
<b>Net profit or (loss) after provision for Federal and State taxes on income</b> .....	<b>\$(3,490,286)</b>	<b>\$ 4,784,952</b>
Portion of earnings applicable to minority interests in subsidiaries ....	53,074	38,796
<b>Net profit or (loss)</b> .....	<b>\$(3,543,360)</b>	<b>\$ 4,746,156</b>
Special item—Accumulated deficit of Textron Puerto Rico prior to 1952 (Note A) .....	541,978	—
<b>Net profit or (loss) and special item</b> .....	<b>\$(4,085,338)</b>	<b>\$ 4,746,156</b>

Including depreciation: 1952—\$2,066,486; 1951—\$1,374,779.

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

**TEXTRON INCORPORATED AND SUBSIDIARY COMPANIES**  
*Consolidated Statement of Surplus*

<u>PAID-IN SURPLUS</u>	Year Ending January 3, 1953
<b>Balance at beginning of year</b> .....	\$ 9,827,758
Additions:	
Discount on 4% preferred stock acquired.....	\$ 231,550
Amount arising from conversion of \$1.25 convertible preferred stock .....	3,503
	235,053
<b>Balance at end of year</b> .....	\$10,062,811
<u>CAPITAL SURPLUS</u>	
<b>Balance at beginning of year</b> .....	\$ 4,549,126
Deduction—Adjustment of equity in subsidiaries resulting from Fed- eral taxes on income paid for years prior to acquisition.....	225,773
<b>Balance at end of year</b> .....	\$ 4,323,353
<u>EARNED SURPLUS</u>	
<b>Balance at beginning of year</b> .....	\$15,305,831
Additions:	
Restored from reserve for contingencies .....	\$ 500,000
Adjustment of cost of investment in subsidiary acquired in prior year .....	164,194
	664,194
	\$15,970,025
Deductions:	
Net loss and special item from profit and loss statement.....	\$4,085,338
Adjustment of equity in a subsidiary resulting from Federal taxes on income paid for years prior to acquisition.....	249,974
Dividends declared:	
\$1.25 convertible preferred stock—\$1.25 per share .....	364,383
4% preferred stock—\$4.00 per share.....	80,487
Common stock—\$.25 per share .....	299,134
	5,079,316
<b>Balance at end of year</b> .....	\$10,890,709

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

# TEXTRON INCORPORATED

## Notes to Financial Statements

### NOTE A General

The accompanying consolidated financial statements include the accounts of Textron Incorporated and all subsidiaries. Textron Puerto Rico was consolidated for the first time in 1952 and contributed a loss of \$279,594 for the year and, in addition, a special item of \$541,978 representing its accumulated deficit from 1947 through 1951.

As of July 1, 1952 the Company acquired the assets, subject to all liabilities, of the Lonsdale Company in exchange for 40,444 26/30 shares of 4% preferred stock. The book value of the net assets acquired, plus the excess of the replacement market value over the Lifo base value of inventories, was in excess of the par value of such preferred stock.

### NOTE B Inventories

\$5,188,000 of the material content of merchandise inventories was valued at cost on the last-in, first-out basis. The replacement market value of these inventories at January 3, 1953 was approximately \$1,000,000 in excess of their stated values. The excess at December 29, 1951 amounted to approximately \$1,498,000. The remaining portion of the merchandise inventories 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 \$1,503,000 on which partial payments have been received is held by the United States Government under the provisions of certain government contracts.

At the close of the year the Company was committed for the purchase of materials to cost approximately \$3,464,000. There were no apparent losses involved in these commitments.

Supply inventories stated at \$842,000 were valued not in excess of cost.

### NOTE C Property, Plant and Equipment

During the year there were property additions aggregating \$13,980,598. The more significant were as follows:

(a) Three rayon weaving mills in the Anderson, South Carolina area were acquired at a cost of \$8,219,194. The purchase price was paid \$1,242,694 in cash and the balance, \$6,976,500, by mortgage notes.

(b) A yarn mill at Vass, North Carolina was acquired at a cost of \$300,000 of which \$50,000 was paid in cash and the balance by the issuance of 4% preferred stock.

(c) The machinery and equipment of Lonsdale Company having a book value of \$1,077,847 was acquired through the issuance of 4% preferred stock.

At the end of the year construction of a second mill at Williamston, South Carolina was nearing completion. This mill building is estimated to cost \$2,200,000. Payments of \$550,000 had been made against the purchase prior to the year end.

At January 3, 1953 there had been authorized the expenditure of \$635,000 for other plant improvement and expansion.

During the year the following major properties were sold:

(a) The mill building and certain machinery at Manchester, New Hampshire; the machinery of the Suncook Mill at Suncook, New Hampshire; certain machinery and equipment at Nashua, New Hampshire; and machinery and equipment owned in leased premises at the Lincoln Bleachery. These properties which had a net book value of \$4,424,597 were sold for \$2,227,109.

(b) As of June 29, 1952, Textron Puerto Rico sold to Puerto Rico Industrial Development Company the plants and equipment, with minor exceptions, at Ponce and Humacao at their original cost. Simultaneously, Textron Puerto Rico leased back such properties for a period of twenty-five years, with renewal options for additional periods aggregating seventy years. As annual rentals there will be paid out of earnings during the initial term of the lease (1) 4% of the original cost as adjusted for property additions and for payments of contingent rental, and (2) contingent rental of 50% of net earnings as defined in the lease with certain adjustments for losses in prior years, such contingent rental to be payable only after elimination of accumulated deficit. Because of the loss for the period from the commencement of the lease to January 3, 1953, no rental became due for such period, but the sum of \$144,944 calculated under (1) above will be payable as accumulated rental out of future earnings.

Properties having an original cost of \$15,042,290 are subject to purchase money mortgages or conditional sales contract liens having an unpaid balance of \$10,300,537.

### NOTE D Long-Term Debt

Long-term debt at January 3, 1953 consisted of obligations for machinery acquired under conditional sales contracts, \$3,608,204; mortgage notes on buildings and machinery, \$6,692,333; Ten-year 4½% Debentures due April 1, 1958, \$1,203,500; and unsecured bank loans, \$212,500.

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

1953 .....	\$ 685,333
1954 .....	2,420,067
1955 .....	2,420,067
1956 .....	2,392,504
1957 .....	1,817,900
1958 .....	1,059,833
1959 or later .....	920,833

Under the terms of the mortgage on the Williamston Rayon Plant 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 these notes and under conditional sales contracts existing on June 13, 1952, sinking fund requirements on Ten-year 4½% Debentures, dividends on Textron Incorporated preferred stock outstanding June 13, 1952 and dividends not in excess of \$1.00 per share on common stock outstanding as of the same date or thereafter issued upon conversion of \$1.25 convertible preferred shares.

## AND SUBSIDIARY COMPANIES

. . . January 3, 1953

### NOTE E Leases

In addition to the lease covering properties located in Puerto Rico described in Note C, the Company and its subsidiaries have entered into lease agreements covering other mill properties and offices which provide for rental payments totaling \$801,200 in the year 1953, plus in the case of certain leases the cost of taxes, maintenance and protection. The original terms of these leases expire at varying times during the next ten years. The rental payments required for periods subsequent to January 3, 1953 amount to \$4,356,900.

### NOTE F Contingencies

The Federal income and excess profits tax liability of the Company and certain of its subsidiaries is subject to final determination by the United States Treasury Department for the years since 1942.

In determining taxable income during prior years the Company or its subsidiaries claimed certain deductions, the allowability 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 (\$2,157,000) is considered by the management to be more than sufficient to cover possible additional Federal income and excess profits taxes.

Approximately 20% of 1951 and 23% of 1952 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 \$231,004.

### NOTE G 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 costs of defending the suit in their capacities as directors and officers in the event they are successful in such defense or make a court approved settlement.

### NOTE H 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 January 3, 1953 options for the purchase of 83,081 common shares were outstanding, and since the year end have been further reduced to 60,341 shares.

A deferred compensation plan was established in 1951 by the Company and certain subsidiaries for the benefit of employees not entitled to receive compensation at more than regular rates for overtime work. This plan, as amended, requires annual contributions equal to 10% of the consolidated net profit before taxes, limited to 15% of the total annual compensation of the member employees. No contribution was required for the fiscal year ended January 3, 1953.

### NOTE I 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.

The 4% preferred stock of which there are 250,000 shares authorized 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. This 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. During the year 3019 shares costing \$221,818 were retired through sinking fund operations and cannot be reissued.

The Articles of Association contain certain restrictive provisions for the benefit of the preferred stockholders with respect to the purchase or redemption of junior shares and the payment of dividends thereon. As of January 3, 1953 the use of earned surplus for the purchase or redemption of common shares and the payment of dividends thereon was restricted to the extent of \$7,909,962, leaving \$2,980,747 of earned surplus available for these purposes.

#### TEXTRON PUERTO RICO

There were outstanding in the hands of the public 20,279 shares of preferred stock, each of a par value of \$25 per share. These shares are entitled to cumulative annual dividends at the rate of \$1.25 per share. The preferred stock may be redeemed by the Company in the year 1953 at \$35 per share and in each following calendar year at an increase of \$2.50 per share per year until 1959 and thereafter at \$50 per share plus, in each case, dividends accrued to the redemption date.

The letter of the Chairman of the Board should be read in conjunction with these Notes.

**STEWART, WATTS & BOLLONG**

ACCOUNTANTS & AUDITORS

50 STATE STREET

BOSTON 9

NEW YORK  
ATLANTA

To the Stockholders of TEXTRON Incorporated:

We have examined the consolidated balance sheet of Textron Incorporated and subsidiary companies as at January 3, 1953, 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 January 3, 1953, 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 20, 1953

## Manufacturing Plants

### FILAMENT RAYONS

<i>HARTWELL</i> <sup>1</sup> — <i>Hartwell, Ga.</i>		
Filament nylon and rayon fabrics		
	11,400 throwing spindles,	768 looms
<i>HONEA PATH</i> — <i>Honea Path, S. C.</i>		
Filament rayon fabrics	600 looms	
<i>PEERLESS</i> — <i>Belton, S. C.</i>		
Filament rayon fabrics	960 looms	
<i>WILLIAMSTON Rayon</i> — <i>Williamston, S. C.</i>		
Filament rayon fabrics	1,710 looms	
<i>WILLIAMSTON Throwing</i> — <i>Williamston, S. C.</i>		
Thrown yarn	35,600 throwing spindles <sup>3</sup>	

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### COTTONS

<i>BLACKSTONE</i> — <i>North Smithfield, R. I.</i>		
Shirtings and dress goods		
	51,072 spinning spindles,	993 looms
<i>LOUISE</i> <sup>2</sup> — <i>Charlotte, N. C.</i>		
Combed lawns	35,744 spinning spindles,	640 looms
<i>PONCE</i> <sup>2</sup> — <i>Ponce, Puerto Rico</i>		
Print cloth	26,988 spinning spindles,	624 looms
<i>TOXAWAY</i> — <i>Anderson, S. C.</i>		
Print cloth	27,600 spinning spindles,	880 looms
<i>WILLIAMSTON Cotton</i> — <i>Williamston, S. C.</i>		
Print cloth	41,124 spinning spindles,	1,100 looms

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### OTHER

<i>ATLANTIC PARACHUTE</i> — <i>Lowell, Mass.</i>		
Parachute assemblies and bullet-proof vests		
	Cutting and sewing equipment	

### SPUN RAYONS

<i>LADLASSIE</i> — <i>Anderson, S. C.</i>		
Spun rayon and blended fabrics	394 looms	
<i>RIVERSIDE</i> — <i>Anderson, S. C.</i>		
Spun rayon and blended yarns	28,584 spinning spindles	
<i>SOUTHSIDE</i> — <i>Anderson, S. C.</i>		
Spun rayon and blended fabrics	395 looms	
<i>VASS</i> — <i>Vass, N. C.</i>		
Cotton and blended yarns	5,760 spinning spindles	

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### TRICOT FABRICS

<i>EAST GREENWICH</i> — <i>East Greenwich, R. I.</i>		
Nylon tricot fabrics	45 knitting machines	
Commission dyeing and finishing	Dyeing and finishing equipment	
<i>HUMACAO</i> <sup>2</sup> — <i>Humacao, Puerto Rico</i>		
Acetate and nylon tricot fabrics	48 knitting machines	
	Dyeing and finishing equipment	

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### DYEING AND FINISHING

<i>BATES</i> <sup>1</sup> — <i>Garnerville, N. Y.</i>		
Rayon commission dyeing and finishing	Dyeing and finishing equipment	
<i>GOSSETT</i> — <i>Anderson, S. C.</i>		
Cotton commission dyeing and finishing	Dyeing and finishing equipment	

<sup>1</sup>Leased Building

<sup>2</sup>Leased Plant

<sup>3</sup>Including equipment to be transferred within 90 days

