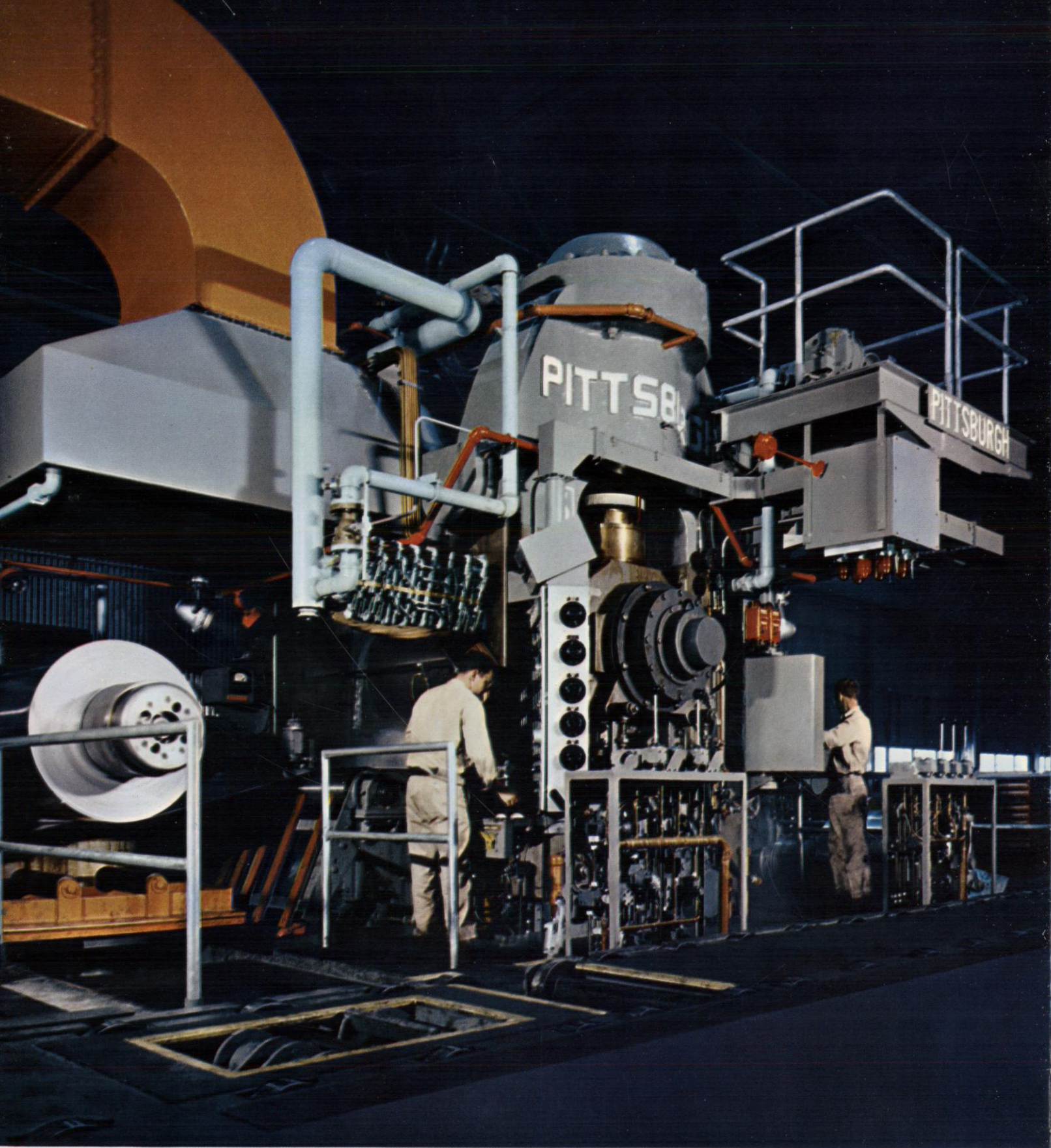


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**textron**

*Annual Report* 1961



Heavy duty rolling mill, built by Pittsburgh Engineering and Machine Division of Pittsburgh Steel Foundry, is installed at Terre Haute, Indiana plant of Anaconda Aluminum Company. The mill precision-rolls aluminum sheet sixty inches wide at speeds up to 1,200 feet per minute.

◀ Cover Photo: Three turbine-powered HU-1A Iroquois helicopters, built by Textron's Bell Helicopter Company for the U. S. Army, are shown in special Arctic paint. The world record-setting Iroquois is the Army's standard utility helicopter.



**BOARD OF DIRECTORS**

John E. Bierwirth  
 Frederick S. Blackall, Jr.  
 Alfred Buckley  
 Erwin N. Darrin  
 Harry B. Freeman  
 Norman B. Frost  
 Herman E. Goodman  
 Robert L. Huffines, Jr.

Howard Kellogg, Jr.  
 Emile A. Legros  
 Kenneth L. Lindsey  
 George William Miller  
 Arthur T. Roth  
 Gordon Scherck  
 James J. Sullivan  
 Rupert C. Thompson, Jr.

**OFFICERS**

Rupert C. Thompson, Jr., *Chairman of the Board*  
 George William Miller, *President*  
 Joseph B. Collinson, *Vice-President and Treasurer*  
 Jerome Ottmar, *Group Vice-President*  
 Thomas J. Riggs, Jr., *Group Vice-President*  
 Charles K. Mills, *Group Vice-President*  
 L. A. Casler, *Vice-President*  
 Robert S. Eisenhauer, *Vice-President*

Robert R. Thurber, *Vice-President and Secretary*  
 Douglas L. Grote, *Controller*  
 Theodore F. McDonald, *Assistant Treasurer*  
 G. Richard Westin, *Assistant Treasurer*  
 Edward O. Handy, Jr., *Assistant Secretary*  
 Delbert J. Hayden, *Assistant Secretary*  
 M. A. Hambly, *Assistant Secretary*  
 M. T. Young, *Assistant Secretary*

**HIGHLIGHTS**

	1961	1960
Net Sales . . . . .	\$473,120,000	\$383,188,000
Income before Federal Taxes . . . . .	14,445,000	16,856,000
Net Income . . . . .	10,545,000	14,168,000
Earnings Per Common Share . . . . .	2.06	2.93
Common Shares outstanding at year end . . . . .	4,903,736	4,672,429

**Number of Employees: 30,000 / Number of Plants: 103 / Number of Securityholders: 50,000**

During 1961 Textron continued its expansion, notwithstanding the retarding effects of the recession during the first half of the year. Sales for the year rose to \$473 million, an increase of 23 per cent from the previous year's volume of \$383 million. Net earnings for the year were \$10.5 million, compared with \$14.1 million in 1960. Earnings per share of outstanding stock in 1961 were \$2.06, compared with \$2.93 the previous year.

Income for 1961 was adversely affected by a sharp decline in industrial production during the first half of the year and by substantial moving and start-up expenses in connection with four new plants. These factors were only partially offset by earnings from companies acquired during the year. With start-up expenses reduced and the economy recovering, profits improved materially in the second six months period, despite work stoppages of major automotive producers in September and October.

Textron sales for the second half of 1961 were \$260 million, with earnings of \$8.7 million, equal to \$1.71 per share. This compares with sales of \$219 million and earnings of \$7.9 million, equal to \$1.64 per share, in the second half of 1960, when the income tax provision was at a lower rate.

In each of the last two years Textron has had the benefit of certain credits which reduced the amount of federal income taxes. Some credits will remain available to subsidiary companies in 1962. Textron's effective consolidated federal tax rate, which was approximately 27 per cent in 1961, is expected to be about 40 per cent in 1962. We anticipate that the full corporate rate will be applicable to 1963 earnings.

#### *Royal Little Retires*

Effective January 1, 1962, Textron's founder, Royal Little, who became 65 on March 1, 1961, retired as a Director and Chairman of the Executive Committee. This action was at his own wish, as expressed when he resigned as Chairman of the Board and Chief Executive Officer in

July 1960. At that time he announced he would leave the board at the end of 1961.

#### *Acquisitions*

In January 1961, Textron purchased Modern Optics, Inc. of Houston, Texas, a producer of multi-focal lenses. Modern's production has been moved into the new Shuron plant in South Carolina.

Textron became a supplier to the gas utility industry with the acquisition in April of Sprague Meter Company of Bridgeport, Connecticut for cash. Sprague is a leading manufacturer of gas meters and regulators and also produces a line of marine fittings.

In order to broaden further its earnings base and to enter the promising agrochemical field, Textron in July made one of its principal acquisitions of recent years. Spencer Kellogg and Sons, Inc., an old and established Buffalo company, was acquired in exchange for 1,038,718 shares of Textron common stock, of which 771,885 shares were purchased at \$28 a share through an Invitation of Tenders and the balance of 266,833 shares from treasury stock previously purchased at lower prices.

Following the acquisition, Textron adopted a program to place greater emphasis on Spencer Kellogg's research and new product development. In furtherance of this program Textron withdrew from the soybean crushing business, which required too much capital for its demonstrated profit potential. The company's three soybean plants were sold as going operations, and the remaining Spencer Kellogg operations were reorganized into two Textron divisions — one producing chemical and oilseed products, the other, poultry and livestock feeds. By the end of 1961, Textron's investment in Spencer Kellogg had been reduced by more than \$18 million, while at the same time earnings potential had been increased for the continuing Spencer Kellogg businesses.

At the end of September, a second supplier to the public utility field, M. B. Skinner Company of South Bend, Indiana, a producer of clamps and service fittings

for gas and water utilities, was acquired for cash. Skinner is being operated in conjunction with the Fanner division.

In December, Tubular Rivet and Stud Company of Wollaston, Massachusetts, which manufactures tubular rivets and rivet setting machines, was purchased in a cash transaction to round out the product line of our Townsend Company.

#### *New Plants and Equipment*

During 1961 major new plants were completed and placed in operation for the Shuron division in Barnwell, South Carolina; for Waterbury Farrel in Cheshire, Connecticut; for Dorsett Marine in Cambridge, Maryland; and for Photek in Kingston, Rhode Island. A new plant for the E-Z-Go Car division was completed early in 1962 in Augusta, Georgia, and a factory addition for Bell Helicopter is nearing completion in Fort Worth, Texas.

To continue its policy of maintaining modern and efficient plants and equipment, Textron in 1961 acquired, either through purchase or lease, new facilities costing a total of \$9.5 million.

#### *Textron Electronics*

Textron Electronics, in which Textron has a 75 per cent interest, in 1961 undertook the consolidation of its operating divisions, elimination of unprofitable lines, and development and initial production of important new products. As a result, the company operated at a profit in the last quarter following a loss in the first nine months of 1961.

Textron Electronics sales in 1961 were \$22 million, with a loss of \$804,000. In the fourth quarter sales were \$6 million and profits \$287,000. A copy of the Textron Electronics annual report will be sent to any Textron securityholder on request.

#### *Financial Position*

At the end of 1961 Textron's working capital stood at \$114.5 million, an increase of \$20.1 million during the year.

Textron reduced its short term borrowings by \$6.5 million during 1961, and in addition at year end had paid \$11.7 million of a \$22 million, three-year term loan used for the Spencer Kellogg acquisition.

All installments due through January 1963, have been prepaid.

#### *Stock Savings Plan*

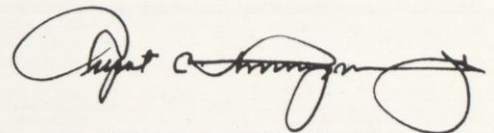
The Employees Stock Savings Plan, described in detail in last year's annual report, assists our employees in obtaining a proprietary interest in Textron, thereby providing an added incentive for profitable operation. During 1961, the first full year of the plan, 64,299 shares of Textron common stock were purchased in the open market for a total of \$1,670,907. At the end of 1961, there were 76,678 shares held under the plan.

#### *Outlook for 1962*

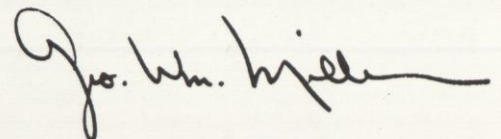
With sales now running at an annual rate in excess of \$550 million, Textron has attained a base sufficient to produce a creditable return on its shareholders' equity. Energies, therefore, are being directed toward the further refinement of existing operations, with emphasis on improvement of profit margins. At the same time, Textron will continue to give consideration to desirable acquisitions which may be added either as separate operating units or as product lines of existing divisions.

Recovery from the 1961 recession low has continued, with indications of satisfactory operating levels for the visible future. The prospects for the second half of 1962 depend in great part on whether steel inventories are overbuilt in anticipation of a steel strike and, of course, on whether such a strike in fact occurs.

Assuming no major interruption in the economy, Textron should have a good year in 1962. All product groups are experiencing higher demands and many new products are being introduced in a favorable business climate.



*Chairman of the Board*



*President*

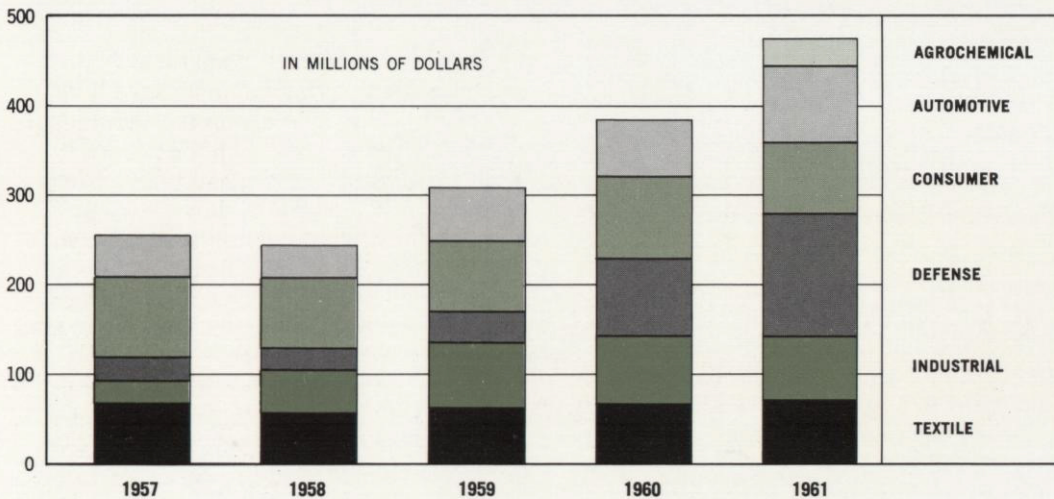
## TEXTRON ACHIEVES . . .

During the past few years Textron has experienced substantial growth, both through internal expansion and through acquisition of other companies.

One of Textron's objectives in this expansion program has been to attain a sufficient sales volume to permit earnings which provide a reasonable return on shareholders' investment. While further expansion is planned, sales have reached a point at which such a return may be achieved.

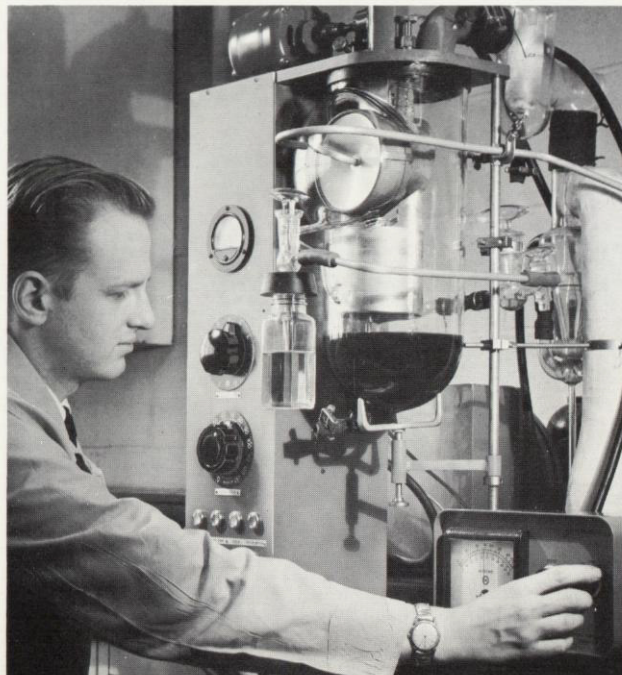
Another goal, perhaps more important, has been to attain a broader base for internal growth through increased emphasis on research and development. As a result, Textron companies in 1961 were able to announce a number of new product achievements. A partial list includes:

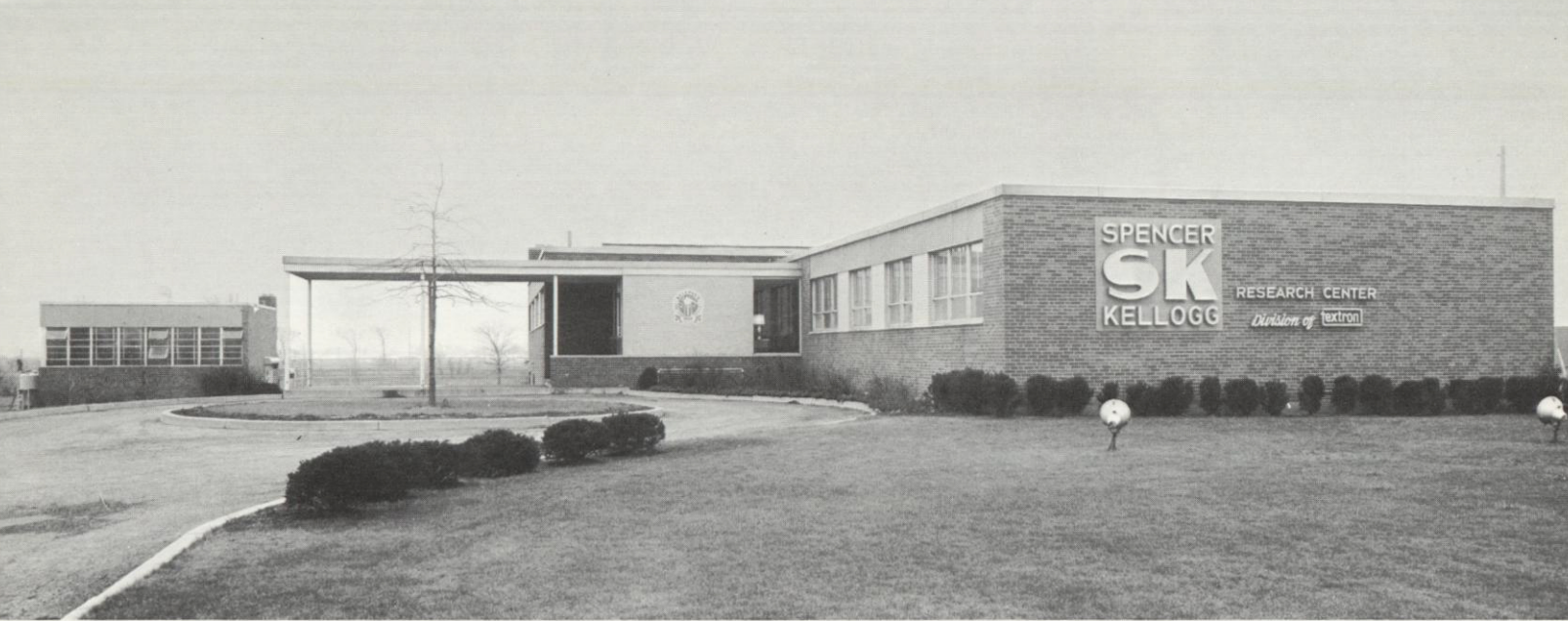
Homelite — 4-cycle, 55 horsepower outboard motor . . . Spencer Kellogg — Linaqua, water-soluble linseed oil for exterior paints . . . Photek — white thermocopy office paper . . . Dorsett Marine — jet propelled fiberglass boat . . . Pittsburgh Steel Foundry — high speed mill for rolling extremely thin aluminum foil . . . Bell Aerosystems — rocket belt, achieving age-old dream of man in free flight . . . Shuron — especially designed Pediopic eyeglasses for children, to fit and stay on . . . Nuclear Metals — breakthrough in technique for extruding beryllium . . . Dalmo Victor — airborne radome antenna system . . . Bell Helicopter — electronic blind flying system for helicopters . . . Waterbury Farrel — Sendzimir rolling mill for producing thin tin plate at high speeds.



## SALES BY PRODUCT GROUP

Molecular still is used in development of new agrochemical products at Spencer Kellogg Research Center.





Spencer Kellogg Research Center near Buffalo.

**AGROCHEMICAL  
PRODUCT  
GROUP**

*6% of Sales*

Textron's Agrochemical Product Group was established in 1961 when Spencer Kellogg and Sons, Inc., a 67-year-old producer of vegetable oils and animal feeds, was acquired. A program is now under way to provide greater emphasis on research, new product development and marketing of improved lines of linseed oil, chemical products for the protective coating industry, and poultry and livestock feeds. The company also has been reorganized into two separate Textron divisions: Spencer Kellogg and Beacon.

The Spencer Kellogg division's research center is already developing important new agrochemical products. One of these is Linaqua, the first water-soluble linseed oil, for use in exterior paints. Introduced in 1961 and now used by more than fifty

paint manufacturers, Linaqua makes possible the formulation of paints with the durability of an oil base plus the additional advantages of easy cleanup, one coat coverage, and adhesion to chalky and damp surfaces. The Spencer Kellogg laboratory also has developed new oil-modified synthetic resins used as vehicles for special paints and varnishes, including urethanes, vinyl copolymers, and water dispersable oleoresinous systems.

The Beacon division research is concentrated in the field of animal feeds and nutrition. This work is carried on at a 300-acre research farm in Cayuga, New York, as well as at other experimental facilities in New York State and the Midwest, the latter conducted by Beacon's Professional Feeds unit.



**Spencer Kellogg** — special chemical products, linseed oil and other oilseed products... **Beacon: Beacon Feeds** — poultry, livestock feeds... **Professional Feeds** — livestock and poultry feeds, corn milling products for human and industrial uses.



Wilmington college students inspect automobile interior mouldings at Randall's Wilmington, Ohio plant. This Textron division has a co-operative work-study plan with the college.

The year 1961 was one of contrast both for Textron automotive operations and for the automobile industry generally. First half production and sales were down to one of the lowest levels in recent years. However, with the beginning of the 1962 model year, production increased rapidly to one of the highest levels in several years. Sales volume of Textron's automotive group has continued good into 1962. Our companies number among their cus-

tomers all of the major producers of automobiles and trucks in the United States, as well as a number of manufacturers in foreign countries.

Success in supplying the automotive field depends on ability to develop a continuing flow of improved products, to maintain a high level of manufacturing efficiency, and to sell quality products at competitive prices. Textron automotive companies are meeting these tests.

## **AUTOMOTIVE PRODUCT GROUP**

*18% of Sales*

**Burkart** — cushioning materials, polyurethane foam... **Camcar** — cold flow metal parts, fasteners... **Campbell, Wyant and Cannon** — engine blocks, cam shafts, brake drums, cast parts... **Federal Industries** — vinyl coated fabrics and vinyl film, expanded vinyl... **Randall** — interior trim, door frames, body parts... **Townsend** — fasteners, ball studs, metal parts.



For the Consumer Product Group, the year 1961 was marked by promising new developments. In the fall, Homelite introduced the first mass produced, 4-cycle outboard motor, which uses half the gas and oil of a 2-cycle outboard of comparable power. Dorsett Marine began production of its Sea Hawk jet boat, which is driven by a powerful stream of water pumped out through a jet opening. Dorsett opened a

new plant in Cambridge, Maryland, to provide national coverage together with its West Coast and Midwest plants. With the full line of Dorsett fiberglass boats and the Homelite outboard motor, Textron is expanding its participation in the leisure time boating field.

Following a two-year study of the nasal configurations of children, Shuron Optical last Spring introduced Peditopic frames,

## **CONSUMER PRODUCT GROUP**

*17% of Sales*



the first eyeglasses especially made to fit children. Consumer response was so rapid that production did not catch up to demand until late fall. Shuron began manufacture of multi-focal lenses with purchase of Modern Optics and transfer of Modern's production to Shuron's new South Carolina plant.

In 1961 Photek introduced its initial products in the office copying field, including a vastly improved white thermocopy paper, and began operation of a new plant in Kingston, Rhode Island. Photek is

offering a line of copying machines as well as copying paper.

The continued growth of golf resulted in record sales in 1961 for the E-Z-Go Car division. Early in 1962, this company will transfer operations to a new plant in Augusta, Georgia. During the year, Textron Pharmaceuticals acquired the established Zotox Pharmacal line as a base for expansion in proprietary drugs. Miricil medicated hand cream and Zotox, a remedy for poison ivy, are two of the brands in the six product line.



**Dorsett Marine** — fiberglass boats... **Hall-Mack** — bathroom accessories... **Homelite** — chain saws, power lawn mowers, generators, pumps, outboard motors... **E-Z-Go Car** — electric golf cars... **Photek** — office copying paper, copying machines... **Randall (Wagner Division)** — cooking ware, styled mail-boxes... **Shuron Optical** — eyeglass frames, lenses, cases, optical machinery... **Terry Industries (Canada)** — chain saws, pumps, generators... **Weinbrenner** — work shoes, special footwear... **Textron Pharmaceutical divisions: Dorrance Laboratories** — proprietary drugs... **Tilden** — ethical pharmaceuticals.

## INDUSTRIAL PRODUCT GROUP

*15% of Sales*

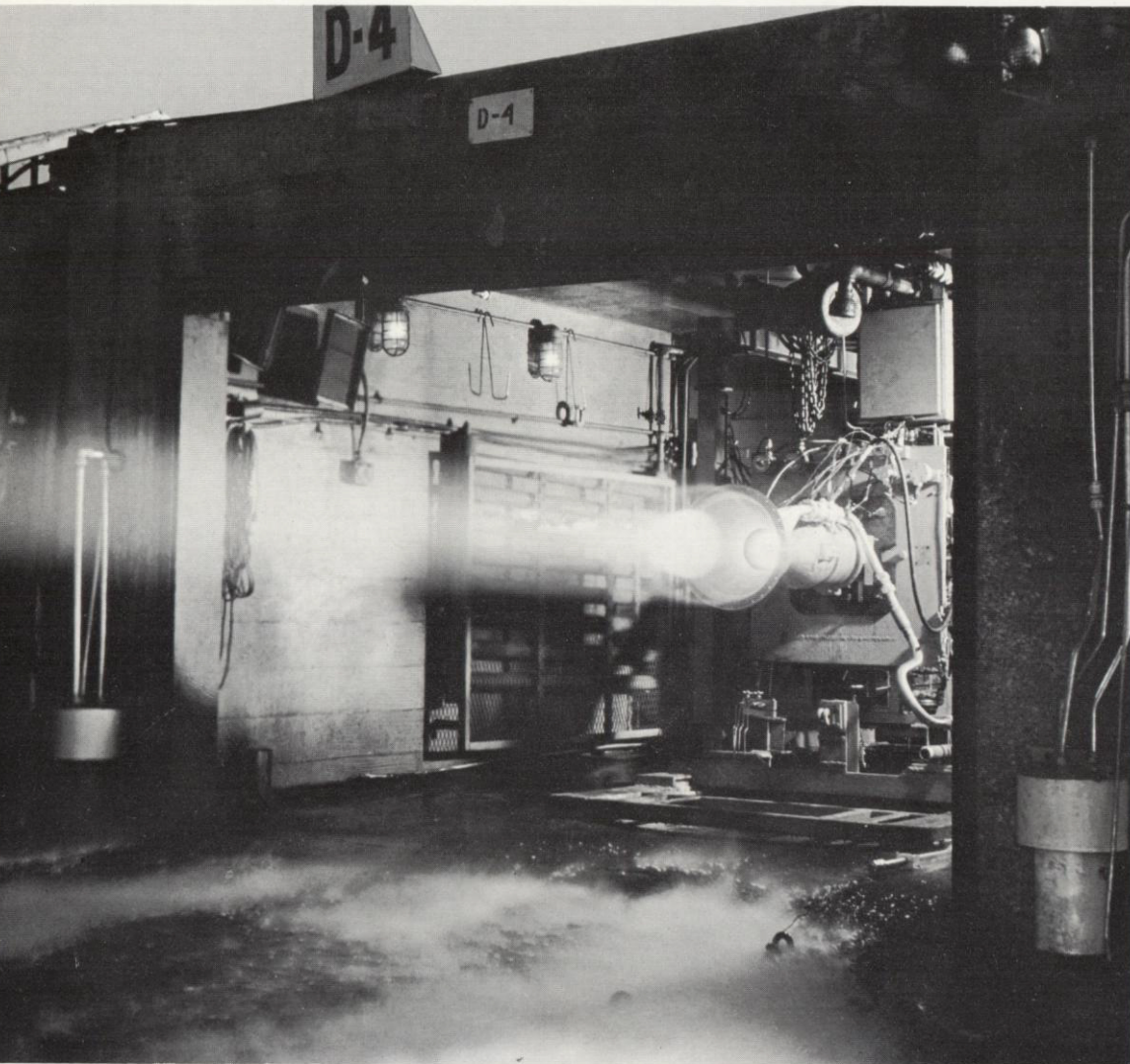
The technical skills of Textron companies in the Industrial Product Group were demonstrated in 1961 through new product achievements. Townsend developed and introduced a new lightweight hydraulic gun for application of lockbolts in construction. Waterbury Farrel's huge new Sendzimir rolling mill began producing tinplate at Granite City Steel Company, and a Pittsburgh Steel Foundry high speed aluminum foil mill was placed in operation at Anaconda Aluminum. Cleveland Hobbing demonstrated a sonic chipbreaker attachment for machine tools.

Additional new products were added through acquisitions. Sprague Meter, which manufactures gas meters and regulators, was added in April. Later in the year, M. B. Skinner, a producer of fittings for gas and water utilities, was acquired for operation in conjunction with our Fanner division. In late fall, the Townsend division added to its line of industrial fasteners with the acquisition of Tubular Rivet and Stud.

During the year, Waterbury Farrel completed its move into a new plant at Cheshire, Connecticut.



**Amsler Morton** — metallurgical furnaces... **Camcar** — cold flow metal parts, fasteners... **Cleveland Hobbing** — gear hobbing machines, modular machine tools... **Fanner** — chaplets and chills used in casting, electrical line products, service fittings for utilities, plastics products... **Pittsburgh Steel Foundry** — steel castings, aluminum foil mills, heavy machinery... **Precision Methods and Machines** — rolling mill components, precision machining... **Sprague** — gas meters and regulators, marine fittings... **Townsend** — tubular rivets, lock bolts, fasteners, rivet setting machines... **Waterbury Farrel** — cold heading machines, Sendzimir and other rolling mills, presses, metal working machinery.



Agena rocket engine, manufactured by Textron's Bell Aerosystems Company, being tested. Bell engine is workhorse of United States satellite program.

The Defense Product Group represents a balance of scientific and technical skills, with product capabilities ranging from rocket engines to helicopters to electronics to nuclear energy applications. In 1961 Textron companies continued important participation in the national security and space efforts.

Bell Aerosystems' Agena rocket engine performed as planned in the orbiting of a Ranger spacecraft toward the moon, continuing its record as the most reliable U. S. space motor. The Bell Agena engine has now fired successfully in over thirty-five missions. Another Bell Aerosystems achievement during 1961 was its rocket

belt, developed for the Army. During the year Bell Aerosystems received orders for its automatic landing system for installation aboard U. S. Navy aircraft carriers, and also was awarded a Navy contract for construction of a 20-ton Hydroskimmer, an air cushion vehicle being designed to travel over land or water at speeds up to 70 miles per hour.

In December, Bell Helicopter disclosed its receipt of new contracts totaling \$70 million. Included was \$54 million for continued production of the Bell Iroquois helicopter for the Army and \$5.8 million for prototypes of a new Army light observation helicopter. During 1961, Bell Heli-

## **DEFENSE PRODUCT GROUP**

*29% of Sales*

Textron research and new product achievements are featured in advertisements appearing in financial and business publications. Three of the advertisements are shown in panel at right: Shuron Optical children's Pedioptic eyeglass frames, Townsend hydraulic lockbolt gun, and Bell Aerosystems rocket belt. Textron advertising series is being used by high schools of 16 United States cities for science instruction.

copter announced plans to obtain commercial certification of the Iroquois, following a survey which disclosed potential world-wide demand.

Dalmo Victor continued production of its large radome radar antenna for Navy patrol planes, and also began work on a substantial order for airborne radar an-

tennae for the governments of four European countries. Nuclear Metals achieved an important breakthrough in developing techniques for extruding beryllium in complicated shapes.

At the end of 1961, the total backlog of companies in the Textron Defense Group stood at \$137 million.



**Bell Aerospace Corporation divisions:** Bell Aerosystems — rocket engines, inertial guidance, space techniques, automatic landing systems, avionics... **Bell Helicopter** — helicopters... **Hydraulic Research and Manufacturing** — electro-hydraulic valves and servo control systems... **Textron divisions:** **Accessory Products** — valves, pressure regulators, fluid controls... **Dalmo Victor** — radar antennae, sonar, magnetic detection and microwave systems, electronic test equipment... **Nuclear Metals** — nuclear and metallurgical research and prototype production.

**TEXTILE  
PRODUCT  
GROUP**

15% of Sales

With eight modern, efficient plants, Amerotron continues to be one of the most profitable companies in the textile industry. In 1961, the Amerotron sales volume was comparable to that of the preceding two years. In line with the industry's trend, profit margins were lower. In its woolen division, however, the company reversed the industry pattern and recorded improved profits. A new woolen stretch fabric was one of the items responsible for this showing. In addition, Amerotron's

styling and selling efforts were well geared to the productive capacity of the company's highly-efficient woolen mill.

The greige goods division, which manufactures unfinished goods of synthetic fibers and blends, was faced with a depressed price structure and lower profits during 1961. This condition was due in large part to the overproduction in the industry in the two preceding years. By year end this situation was being corrected, improving the outlook and prospects for 1962.

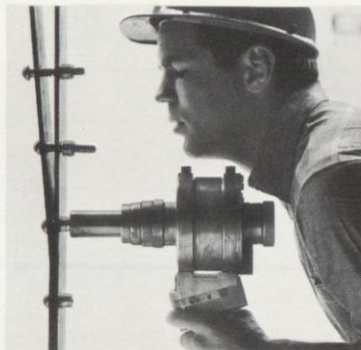


**Amerotron** — fabrics of man-made fibers, wool and fiber blends.



**TEXTRON ACHIEVES CHILDREN'S GLASSES THAT REALLY FIT...AND STAY ON!**

The bridge of a child's nose is proportionately wider than an adult's. That's why the adult type eyeglass frames that are commonly adapted to fit children "slide down." They slide down. Distort vision. Are easily broken. To solve this problem, DuPont Optical—a Textron company—conducted a two-year study of the nasal configurations of children. From the data obtained, DuPont Optical designed Pedigree eyeglass frames, the first frames especially made to fit children. Precisely, comfortably and safely. Pedigree eyeglass frames are another achievement from Textron, a group of growing companies with products that lead their fields. Estimated 1961 sales by product group: Agricultural 9%, Automotive 11%, Chemical 5%, Consumer 18%, Defense 20%, Industrial 18%, Textile 14%. **textron**



**TEXTRON ACHIEVES NEW METHOD FOR PUTTING STRUCTURES TOGETHER**

Up to now, heavy welding, bolting and power wrenching have been used to put metal structures together. Now a new system has been developed to facilitate a faster, simpler, and less costly method of putting structures together. It is based on an electric fastener gun, light enough to be operated by one man, that drives pins up to 20 tons in pulling power to faster structural metals together. It's quick, it's quiet, it's maintenance-free, and it's safe. The new system is now used for a wide variety of construction, including gas pipe, steel, bridge, ship, and truck frames. It's another achievement from Textron—a group of growing companies with products that lead their fields. **textron**

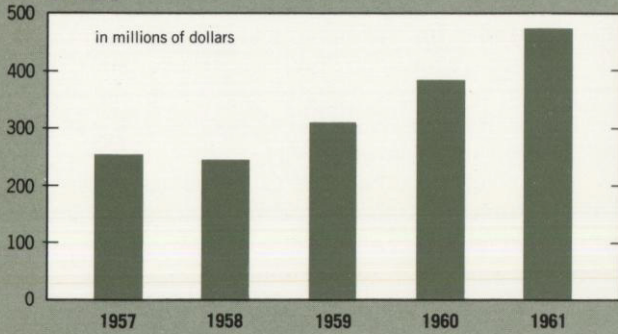


**TEXTRON ACHIEVES ROCKET BELT FOR THE U.S. ARMY**

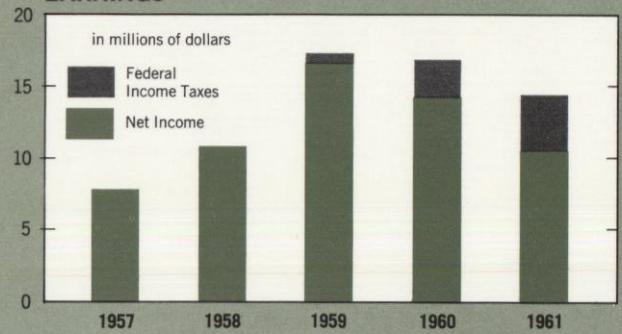
Unique belts may be possible for the U.S. inventory of the future... being developed... carrying extra... getting extra... from a rocket belt... for the U.S. Army... a group of growing companies... **textron**

# textron INC. FINANCIAL CHARTS

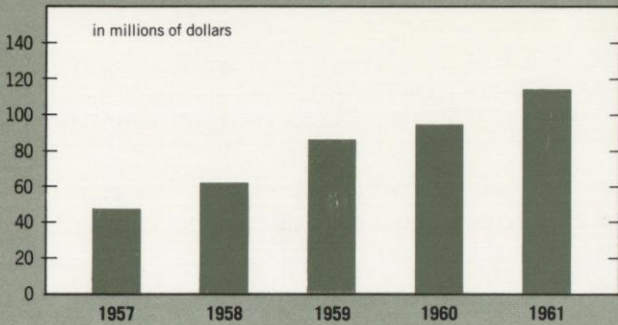
## SALES



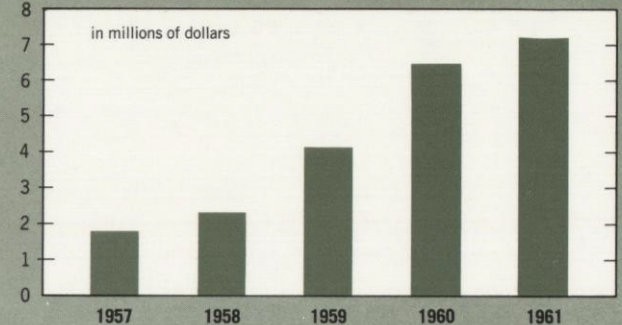
## EARNINGS



## WORKING CAPITAL



## RESEARCH AND DEVELOPMENT EXPENDITURES



## FIVE YEAR COMPARISONS (All dollar figures in thousands except amounts per share.)

	1961	1960	1959	1958	1957
<b>FINANCIAL RESULTS</b>					
Net sales . . . . .	\$ 473,120	\$ 383,188	\$ 308,202	\$ 244,227	\$ 254,575
Income before Federal taxes . . . . .	14,445	16,856	17,297*	10,756	8,696
Net income . . . . .	10,545	14,168	16,643*	10,756	8,696
Depreciation and other non-cash charges . . . . .	12,142	9,691	9,080	8,581	8,457
Earnings per common share . . . . .	2.06	2.93	3.37*	2.30	2.25
Common dividends declared . . . . .	1.25	1.25	1.19	1.00	1.00
<b>FINANCIAL POSITION AT YEAR END</b>					
Working capital . . . . .	\$ 114,461	\$ 94,349	\$ 85,895	\$ 60,700	\$ 47,168
Net properties . . . . .	84,808	81,164	70,869	78,265	80,047
Common stock equity . . . . .	118,429	109,959	107,586	79,251	62,975
Common stock equity per share . . . . .	24.15	23.53	22.49	18.22	17.99
<b>OTHER STATISTICS</b>					
Common shares outstanding at end of year . . . . .	4,903,736	4,672,429	4,783,009	4,349,366	3,500,593
Salaries, wages, employee benefits . . . . .	\$ 180,500	\$ 137,000	\$ 107,000	\$ 78,000	\$ 76,000

\*Including profit of \$2,373,000 (\$0.50 per share) from sale of Textron Electronics, Inc. stock

**textron** INC. CONSOLIDATED STATEMENT OF INCOME

	<i>Year Ending</i>	
	<i>December 30, 1961</i>	<i>December 31, 1960</i>
Net sales . . . . .	\$473,119,757	\$383,187,580
Cost of sales . . . . .	387,281,455	309,151,238
Gross profit on sales . . . . .	85,838,302	74,036,342
Selling, advertising and administrative expenses . . . . .	61,190,707	47,885,532
Operating profit . . . . .	24,647,595	26,150,810
Other income:		
Interest income . . . . .	680,910	855,599
Sundry other income . . . . .	1,338,683	1,090,038
	<u>2,019,593</u>	<u>1,945,637</u>
Other charges:		
Interest expense . . . . .	6,571,767	5,112,959
Equity in net loss of Textron Electronics, Inc. (Note D) . . . . .	602,540	776,963
Provision for losses related to discontinued operations . . . . .	—	1,348,578
Contributions to profit sharing and stock savings plans . . . . .	1,567,295	1,461,868
Sundry other charges . . . . .	3,480,421	2,539,778
	<u>12,222,023</u>	<u>11,240,146</u>
Income before Federal income taxes . . . . .	14,445,165	16,856,301
Provision for Federal income taxes (Note G) . . . . .	3,900,000	2,688,000
Net income . . . . .	<u>\$ 10,545,165</u>	<u>\$ 14,168,301</u>

See notes to financial statements



C O N S O L I D A T E D                      B A L A N C E

<b>Assets</b>	<i>December 30, 1961</i>	<i>December 31, 1960</i>
Current assets:		
Cash . . . . .	\$ 21,218,690	\$ 15,099,572
United States Government securities, at cost . . . . .	—	5,083,156
Accounts receivable (Note B) . . . . .	62,805,195	49,142,491
Inventories, at lower of cost or market (Note C) . . . . .	94,572,052	83,147,913
Prepaid expenses . . . . .	2,169,664	2,335,727
Other current assets . . . . .	5,078,242	4,583,426
Total current assets . . . . .	<u>185,843,843</u>	<u>159,392,285</u>
Notes receivable, due after one year . . . . .	3,842,838	4,503,336
Investment in Textron Electronics, Inc., at cost, adjusted for equity in income (Note D) . . . . .	8,049,158	8,650,682
Property, plant and equipment (Note E):		
Land and buildings . . . . .	43,305,297	38,254,785
Machinery and equipment . . . . .	102,024,117	88,208,699
Other property . . . . .	6,385,727	6,826,998
	<u>151,715,141</u>	<u>133,290,482</u>
Less—reserves . . . . .	66,906,689	52,126,828
	<u>84,808,452</u>	<u>81,163,654</u>
Excess cost of companies acquired, less amortization (Note F) . . . . .	—	5,322,345
Unamortized debt discount and expenses . . . . .	8,263,230	8,623,887
Other assets . . . . .	4,113,147	4,173,163
	<u>\$294,920,668</u>	<u>\$271,829,352</u>

See notes to financial statements

# S H E E T

## Liabilities and Capital

### Current liabilities:

	<i>December 30, 1961</i>	<i>December 31, 1960</i>
Notes payable—banks . . . . .	\$ 8,425,000	\$ 14,890,000
Accounts payable . . . . .	16,979,383	17,550,207
Accrued expenses and other current liabilities . . . . .	30,836,608	22,237,586
Federal income taxes (Note G) . . . . .	8,428,648	3,467,360
Current maturities of long-term notes . . . . .	4,113,391	3,906,038
Amounts payable for companies acquired . . . . .	911,536	1,374,021
Dividends payable . . . . .	1,688,381	1,618,383
Total current liabilities . . . . .	71,382,947	65,043,595

### Long-term notes (Note H):

Note payable—The Prudential Insurance Company of America . . . . .	25,000,000	25,000,000
Other notes . . . . .	22,332,986	14,302,302
Debentures—subordinated to all other debt . . . . .	42,493,257	44,217,417
	89,826,243	83,519,719

Amounts payable for companies acquired, due after one year . . . . .	2,383,333	3,150,000
Other liabilities . . . . .	2,223,460	940,607
Deferred credit (Note F) . . . . .	1,789,223	—

### Capital stock and surplus:

#### Capital stock (Note I):

##### \$1.25 convertible preferred:

Outstanding 355,462 shares in 1961 and 368,647 shares in 1960	8,886,550	9,216,175
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##### Common:

Outstanding 4,903,736 shares in 1961 and 4,672,429 shares in 1960 after deducting 97,486 shares and 313,200 shares in treasury	2,451,868	2,336,215
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	11,338,418	11,552,390
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Capital surplus (principally paid-in) . . . . .	70,683,197	66,444,497
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Earned surplus (Note H) . . . . .	45,293,847	41,178,544
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Total capital stock and surplus . . . . .	127,315,462	119,175,431
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	\$294,920,668	\$271,829,352
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# INC. CONSOLIDATED STATEMENT OF SURPLUS

Year Ending December 30, 1961

## Capital Surplus

Balance at December 31, 1960 . . . . .	\$66,444,497
Additions:	
Excess of market value over par value of 1,038,718 shares of common stock issued from treasury for the net assets of Spencer Kellogg and Sons, Inc. (Note A) . . . . .	26,617,149
Excess of conversion price over par value of 14,193 shares of common stock issued upon conversion of 13,185 shares of \$1.25 convertible preferred stock . . . . .	321,807
Excess of option price over par value of 6,681 shares of common stock issued under employees' stock options . . . . .	134,911
	<u>93,518,364</u>
Deduction:	
Excess of cost over par value of 828,285 shares of common stock acquired for the treasury including 771,885 shares acquired through an invitation of tenders . . . . .	22,835,167
Balance at December 30, 1961 . . . . .	<u>\$70,683,197</u>

## Earned Surplus

Balance at December 31, 1960 . . . . .	\$41,178,544
Net income for year . . . . .	10,545,165
	<u>51,723,709</u>
Dividends declared:	
\$1.25 convertible preferred stock . . . . . \$ 451,294	
Common stock—\$1.25 per share . . . . . 5,978,568	6,429,862
Balance at December 30, 1961 (Note H) . . . . .	<u>\$45,293,847</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE A General

On July 28, 1961, Textron acquired the net assets of Spencer Kellogg and Sons, Inc. in exchange for 1,038,718 shares of Textron common stock, of which 771,885 shares were purchased through an invitation of tenders and the balance was provided from shares held in the treasury. During the year Textron also acquired the net assets of Modern Optics, Inc., Sprague Meter Company, M. B. Skinner Company and Tubular Rivet and Stud Company for \$12,578,343. Net income from these operations has been included in the statement of income from the dates of acquisition.

The consolidated financial statements include all significant subsidiaries except Textron Electronics, Inc.

### NOTE B Accounts Receivable

Accounts receivable are stated after deducting related reserves

for doubtful accounts, discounts and allowances totaling \$3,590,116 and do not include \$10,585,991 collected from banks to which accounts receivable aggregating \$14,484,578 have been assigned. Of the accounts assigned, the banks have assumed the credit risk to the extent of approximately \$11,200,000. Accounts receivable from the United States Government at December 30, 1961 totaled \$7,120,754.

### NOTE C Inventories

Cost with regard to inventories aggregating \$84,303,099 has been determined generally on a first-in, first-out (FIFO) or average basis. Cost of other inventories has been determined on a last-in, first-out (LIFO) basis. Progress payments on defense contracts in the amount of \$9,567,717 have been deducted in computing inventories.



**NOTE D Textron Electronics, Inc.**

At December 30, 1961, Textron owned 2,250,000 shares of the 3,006,093 shares of Textron Electronics stock outstanding. Following is a condensed balance sheet of Textron Electronics, Inc. at December 30, 1961:

Current assets . . . . .	\$14,377,000
Property, plant and equipment, less reserves . . . . .	2,522,000
Other assets . . . . .	311,000
Total assets . . . . .	<u>\$17,210,000</u>
Current liabilities . . . . .	\$ 3,230,000
Other liabilities and deferred income . . . . .	4,614,000
Capital stock and surplus . . . . .	9,366,000
Total liabilities and capital . . . . .	<u>\$17,210,000</u>

The equity in TE's capital stock and surplus applicable to Textron's investment is \$7,010,451. TE's operations for 1961 resulted in a loss of \$804,000 of which \$603,000, representing Textron's equity therein, has been deducted from Textron's income for the year.

**NOTE E Property, Plant and Equipment**

The reserves for property, plant and equipment consist of:

	<u>1961</u>	<u>1960</u>
Reserve for depreciation and amortization . . . . .	\$62,764,602	\$48,296,360
Reserve for loss on sale of properties . . . . .	2,923,193	2,543,525
Reserve for contingent payments for company acquired . . . . .	1,218,894	1,286,943
Total reserves . . . . .	<u>\$66,906,689</u>	<u>\$52,126,828</u>

The gross property, plant and equipment is stated at cost, except that the fixed assets of one division are stated at appraised values which are \$1,218,894 in excess of costs incurred to date. This excess has been credited to the reserve for contingent payments for company acquired. Future contingent payments based upon earnings of this division will be charged to this reserve.

**NOTE F Deferred Credit**

The book value of the net assets of Spencer Kellogg and Sons, Inc. at date of acquisition exceeded the market value of the Textron common stock issued therefor. This excess was charged with expenses of acquisition and losses in connection with the reorganization of the business, including the sale of its three soybean crushing plants. The balance (\$6,858,960) is being taken into income ratably over a period of ten years from date of acquisition. In prior years, Textron purchased several companies at costs which were in excess of the book value of the underlying net tangible assets. These excess costs are being amortized by charges to income over a ten-year period. In the accompanying balance sheet at December 30, 1961, the unamortized balance (\$4,783,436) of excess cost of companies acquired has been offset against the deferred credit resulting from the purchase of the Spencer Kellogg business.

**NOTE G Taxes**

The Federal income tax liability of Textron and its subsidiaries is substantially settled for the years prior to 1957. The 1961 provision for Federal income taxes was reduced because of the availability of operating loss carryovers of certain subsidiaries and by tax losses in connection with the reorganization or sale of certain operations obtained from Spencer Kellogg and Sons, Inc., which losses have been charged against reserves established at acquisition. At December 30, 1961, subsidiaries of Textron Inc.

had unused Federal income tax loss carryovers of approximately \$6,000,000 which are available to offset taxable income in future years.

**NOTE H Long-Term Notes**

This debt, exclusive of amounts due in 1962, consists of the following:

Note payable, The Prudential Insurance Company of America (5% <sup>00</sup> ) due serially from 1966 to 1975 . . . . .	\$25,000,000
Mortgages on real estate and machinery (4 to 6½%) due serially to 1971 . . . . .	1,939,658
Conditional sales contracts (5 to 6%) due serially to 1966 . . . . .	1,138,030
Unsecured notes (4½ to 6%) due serially to 1974 . . . . .	19,255,298
Debentures — subordinated to all other debt:	
Fifteen-year 5% Subordinated Sinking Fund Debentures due February 1, 1970 . . . . .	6,866,357
5% Convertible Subordinated Debentures due January 1, 1971 (convertible at \$31.77 per share of common stock to 1964 and at increasing prices thereafter) . . . . .	5,626,900
5% Subordinated Debentures due May 1, 1984 . . . . .	<u>30,000,000</u>
	<u>\$89,826,243</u>

The amount payable in 1963 will be \$10,625,000; in 1964 — \$8,070,000; in 1965 — \$4,172,000 and in 1966 — \$5,660,000.

The loan agreement with The Prudential Insurance Company of America, a bank loan agreement and the indentures relating to the debentures provide, among other things, for certain restrictions on the payment of cash dividends and the purchase, redemption or retirement of stock. Under the most restrictive of these provisions, surplus of approximately \$9,648,800 was not restricted at December 30, 1961.

**NOTE I Capital Stock**

The \$1.25 Convertible Preferred Stock is cumulative and has no par value. There were 355,462 shares authorized, issued and outstanding at December 30, 1961. The stock 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 at the rate of 1.078 shares of common stock for each share of preferred stock.

A series of 1,000,000 shares of \$5 Preference Stock, cumulative, no par value, was authorized but no shares were issued or outstanding.

At December 30, 1961, there were 10,000,000 shares of common stock, 50¢ par value, authorized of which 4,903,736 shares, after deducting 97,486 shares held in the treasury, were outstanding. Shares of common stock reserved were as follows:

For issuance on exercise of stock options . . . . .	245,774
For conversion of \$1.25 Convertible Preferred Stock . . . . .	383,505
For conversion of 5% Convertible Subordinated Debentures due January 1, 1971 . . . . .	177,114
For issuance on exercise of warrants (exercisable at \$25 per share until 1964 and at increasing prices thereafter until expiration in 1984) . . . . .	600,000
	<u>1,406,393</u>

**NOTE J Option Agreements**

In connection with the acquisition of Spencer Kellogg and Sons,

Inc., options to purchase 8,524 shares of Textron common stock from the treasury were granted to certain employees of that company in exchange for outstanding options to purchase Spencer Kellogg shares. No other options were issued during 1961.

Changes in option agreements during 1961 are summarized below:

	<u>Shares</u>	<u>Price Per Share</u>
Shares under option at December 31, 1960 . . . . .	263,899	\$22.50 to \$30.00
Options issued . . . . .	8,524	\$18.67 to \$23.92
Options cancelled . . . . .	(19,968)	\$20.71 to \$30.00
Options exercised . . . . .	(6,681)	\$18.67 to \$25.00
Shares under option at December 30, 1961 . . . . .	<u>245,774</u>	<u>\$22.50 to \$27.00</u>

At December 30, 1961, options for 184,930 shares were exercisable at prices ranging from \$25.00 to \$27.00 per share. The options expire at various dates from April 30, 1963 to March 16, 1966. The Employees Stock Option Plan was discontinued in 1960, and, therefore, no unissued shares were reserved for the granting of future options.

**NOTE K Pension Plans**

In addition to the fully-funded Textron Pension Plan for certain salaried employees, there are separate pension plans for the benefit of other employees. With respect to these plans, the unfunded past service cost at December 30, 1961 was estimated at \$16,000,000. The annual cost is estimated at \$2,500,000, including past service costs.

**NOTE L Contingent Payments, Leases and Guarantees**

Purchase agreements relating to certain companies acquired in prior years provide for additional annual payments based on earnings of those companies and extend for thirteen years. These payments for 1961 amounted to \$144,869.

Annual rentals payable under long-term leases are approximately \$4,800,000 and the aggregate rentals payable under these leases, discounted to December 30, 1961, are approximately \$31,700,000. Under certain leases Textron is also required to pay for insurance, taxes and repairs.

At December 30, 1961, Textron had guaranteed payment of a \$4,500,000 bank loan of Textron Electronics, Inc. and bank loans of another company aggregating \$4,250,000.

**AUDITORS' REPORT**

**ARTHUR YOUNG & COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS

165 BROADWAY  
NEW YORK 6

The Board of Directors and Stockholders,  
Textron Inc. :

We have examined the accompanying consolidated balance sheet of Textron Inc. at December 30, 1961 and the related consolidated statements of income 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. It was not practicable to confirm amounts due from the U. S. government, as to the substantial accuracy of which we satisfied ourselves by means of other auditing procedures.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Textron Inc. at December 30, 1961 and the consolidated results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Arthur Young & Company*

February 15, 1962

**TRANSFER AGENTS**

**COMMON STOCK**

Rhode Island Hospital Trust Company, Providence, Rhode Island  
Morgan Guaranty Trust Company of New York, New York City  
Bank of America National Trust and Savings Association,  
Los Angeles, California

**CONVERTIBLE PREFERRED STOCK**

Rhode Island Hospital Trust Company, Providence, Rhode Island  
The Chase Manhattan Bank, New York City





Golf professionals Gene Stout (right) and Dave Hill, Jr., ride in 1962 model golf car made by Textron's E-Z-Go Division. E-Z-Go cars are chosen for official use at the annual Masters Tournament.

PROVIDENCE **textron** RHODE ISLAND