This report and the financial statements contained herein are submitted for the general information of the present stockholders of Scovill Manufacturing Company as such. It is not a representation, prospectus or circular in respect of any stock or security of the Company, and is not transmitted in connection with any sale or offer to sell or buy any stock or security now or hereafter to be issued, or with any preliminary negotiation for such sale.
EIGHTY-NINTH ANNUAL REPORT

SCOVILL MANUFACTURING COMPANY

DECEMBER 31, 1939
GENERAL OFFICE OF THE COMPANY
Waterbury, Connecticut

TRANSFER AGENTS
The Colonial Trust Company
Waterbury, Connecticut

TRUSTEES OF DEBENTURES
Bankers Trust Company
New York

PAYING AGENTS OF DEBENTURES
J. P. Morgan & Company
New York

LOCATION OF PLANTS

Scovill Manufacturing Company
Hamilton Beach Company Division
Morency-Van Buren Division
Oakville Company Division
Waterville Division
A. Schrader’s Son Division
A. Schrader’s Son Division
A. Schrader’s Son Division
A. Schrader’s Son Division

Waterbury, Connecticut
Racine, Wisconsin
Sturgis, Michigan
Oakville, Connecticut
Waterville, Connecticut
Brooklyn, New York
Akron, Ohio
Birmingham, England
Toronto, Canada.
DIRECTORS

Austin L. Adams
Bennet Bronson
John P. Elton
W. Shirley Fulton
Chauncey P. Goss, Jr.
George A. Goss
John H. Goss

President & General Manager
Executive Vice President & Treasurer
Vice President
Vice President
Vice President
Vice President & Assistant Secretary
Secretary & General Counsel
Assistant Treasurer & Comptroller
Assistant Treasurer & Assistant Secretary
Assistant Vice President - Mill Sales
Assistant Vice President - Button & Fastener Sales
Director of Purchases

HAMILTON BEACH COMPANY DIVISION
Vice President & Assistant Treasurer
Assistant Secretary

OAKVILLE COMPANY DIVISION
Vice President
General Manager
Assistant Secretary

A. SCHRADER'S SON DIVISION
Vice President
Vice President & Assistant Treasurer
Assistant Secretary

MORENCY - VAN BUREN DIVISION
Manager

William M. Goss
William T. Hunter
Francis T. Reeves
Leavenworth P. Sperry
Mark L. Sperry, Jr.
Roger S. Sperry

John H. Goss
Leavenworth P. Sperry
Chauncey P. Goss, Jr.
George A. Goss
William M. Goss
Burdon P. Hyde
Francis T. Reeves
John V. Montague
Mark L. Sperry, Jr.
Chauncey P. Goss, Jrld.
Paul E. Fenton
Arthur P. Hickcox

Thomas B. Myers
Edwin Q. Bangs
Bennet Bronson
George Boden
Charles F. Doherty

William T. Hunter
Frederick Trismen
Roy L. deBrauwere

Tracy H. Van Buren
TO THE STOCKHOLDERS OF
SCOVILL MANUFACTURING COMPANY

The Board of Directors submits herewith its annual report for 1939, with financial statements, and the report of Messrs. Ernst & Ernst, independent auditors.

Sales were $34,251,327, compared with $25,491,198 in 1938.

The Company has taken advantage of the privilege granted by the Federal Revenue Act of 1939 to base the valuation of inventories with respect to principal non-ferrous metals on what is called the “last-in, first-out” method, with other items valued at lower of cost or market, and the accompanying financial statements are submitted on that basis.

Net profit on that basis amounted to $1,768,807, compared with a loss of $31,920 for 1938. Total taxes charged to profit and loss in 1939 amounted to $1,742,324.

Cash dividends totalling $1.25 per share, or $1,308,547, were paid.

After the profit for the year was ascertained we followed our usual practice of reducing the inventories in the balance sheet by means of the application thereto of special reserves, which at December 31, 1939 amounted to $1,661,986, an increase of $183,425 over the corresponding reserves at December 31, 1938. The amount of these reserves applied to copper and zinc was $1,384,930, which reduced the per pound valuation of copper to 5 cents, high grade zinc to 4 cents and all other zinc to 3.42 cents. This applies to all copper and zinc in a raw state or contained in goods in the United States, except a small, undetermined quantity in some finished goods.

Current assets less current liabilities after applying special inventory reserves at December 31, 1939 were $11,924,170, an increase of $439,020 over net current assets at the end of 1938. The Company borrowed no money during the year.

There was spent $899,690 for additions to property, plant and equipment. Plant items having a book value of $368,178 were scrapped, sold, or written off against reserve for depreciation, and a net loss of $21,971 in this connection was charged to reserve for depreciation in conformity with income tax regulations.

Depreciation amounting to $1,076,467 computed at full normal rates was charged to profit and loss, compared with $915,309 charged in 1938. Due to increased activity in the latter part of the past year, requiring that
more machinery be put in operation, there was a heavier expenditure for maintenance and repairs, etc., which cost $2,222,569 for the year, as against $1,639,626 for 1938.

Reserve for Contingencies, etc. was increased by $348,193. Of this sum, $338,710 was provided from profit and loss and $11,765 by transfer of excess tax provisions of prior years, less minor charges.

The accompanying financial statements include, as heretofore, the accounts of the Company's branches in England and Canada. Those countries have exchange restrictions in effect and withdrawals of the investment in the branches, and their future profits, may be subject to restrictions. Aggregate remittances from the branches during 1939 covered the amount of their combined profits for that year, plus charges made from domestic offices. Net current assets of foreign branches are not considered to be material in relation to the Company's total working capital.

The amount of uncalled outstanding Fifteen Year 5½% Debentures remained at $7,850,000, all requirements of the Sinking Fund to their due date, January 1st, 1945, having been met in previous years.

The number of stockholders of the Company on December 31, 1939 was 7,660, an increase of 370 during the year. Of the total, 5,795 live in Connecticut, an increase of 100 during the year.

It is with pleasure that we acknowledge the loyal and conscientious efforts of the executive staff and employees in furthering the interests of the Company.

By Order of the Board of Directors,

John H. Goss

President.
### SCOVILL MANUFACTURING COMPANY AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEET**

**December 31, 1939**

#### ASSETS

<table>
<thead>
<tr>
<th>Current Assets:</th>
<th>Liabilities:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash</strong></td>
<td>$ 1,302,569.18</td>
</tr>
<tr>
<td><strong>Marketable securities (at market quotations December 31, 1939, less than total cost)</strong></td>
<td>$ 794,395.60</td>
</tr>
<tr>
<td><strong>Accounts and notes receivable (less reserve of $99,394.67) (Note A)</strong></td>
<td>Federal, state, foreign and other taxes</td>
</tr>
<tr>
<td><strong>Inventories of raw, in process, finished materials, parts, etc. (Note A)</strong></td>
<td>Debenture called for redemption January 1, 1938 including premium and interest thereon</td>
</tr>
<tr>
<td><strong>Accounts payable, accrued expenses, etc.</strong></td>
<td>Interest on debentures—payable January 1, 1940</td>
</tr>
<tr>
<td><strong>Federal, state, foreign and other taxes</strong></td>
<td>Additional cash thereon deposit with paying agent</td>
</tr>
<tr>
<td><strong>Debenture called for redemption January 1, 1938 including premium and interest thereon</strong></td>
<td>Total Current Liabilities</td>
</tr>
<tr>
<td><strong>Less reserves</strong></td>
<td><strong>Reserves:</strong></td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>Contingency and operating reserves</td>
</tr>
</tbody>
</table>

**Other Assets:**

- Stock, bonds, secured notes, etc. (less reserves) | $ 1,335,442.76 |
- Loan to Trustees of Employees' Premium and Pension Fund | Fifteen Year 5% convertible Debentures Due 1945 |
- Mortgage notes receivable | Originally authorized |
- Deposits with mutual insurance companies | Less: Unissued |
- Equities in building and real estate contracts | Purchased, converted into treasury stock and cancelled |
- Sundry notes and accounts receivable, restricted deposits, etc. (less reserve) | Redeemed, cancelled or called |
- **Total Other Assets** | Balance |

**Property, Plant and Equipment:**

- Land, buildings, machinery and equipment, etc. | $ 7,850,000.00 |
- Less reserves for depreciation | **Capital Stock and Surplus:** |
- Excess of cost of investment in stock of A. Schrader's Son, Inc. over book value of net tangible assets at date of acquisition | Capital Stock: |
- Interest in patents, licenses, and development expenditures of joint venture (at cost, less amortization) | **1,400,000 shares authorized (par $25.00)** |
- **Deferred Charges:** | Less: |

  - Unamortized debenture discount | 271,355 shares unissued—reserved for debenture conversion |
  - Prepaid royalties, insurance, etc. | **645,924.45** |

  **Total Deferred Charges** | **Deferred Charges:** |
| **Total Assets** | Unamortized debenture discount | **1,273,319.35** |
| **Property, Plant and Equipment** | Prepaid royalties, insurance, etc. | $41,379,671.81 |

**Contingent liability:** As guarantor of a principal sum of $238,980.00 and interest to beneficiaries of an independent Employees' Premium and Pension Fund held by Trustees, to the extent that the resources of the Fund prove to be inadequate, a contingency reserve has been provided for possible loss in connection therewith.

**Note A:** At cost computed on the "last-in, first-out" method with respect to principal non-ferrous metals, other items being valued at the lower of cost or market. The amount shown is that used in the computation of net profit for the year, as well as net taxable income for federal income tax purposes.

**Note B:** Property, plant and equipment accounts of English and Canadian branches were translated to United States currency at par of exchange or less; current and all other asset and liability accounts of the branches were translated at $3.957 for sterling and $0.886 for Canadian dollars.
SCOVILL MANUFACTURING COMPANY
AND SUBSIDIARIES
CONSOLIDATED PROFIT AND LOSS STATEMENT
For the year ended December 31, 1939

Sales:
Products, services and sundry
(less discounts, returns and allowances, transportation, etc.) $34,251,327.08

Costs and Expenses:
Manufacturing, selling and general expenses
(except the following items) $26,880,438.77
Taxes—property and sundry $638,623.43
Taxes—social security 529,506.60 1,168,130.03
Maintenance and repairs, etc. 2,222,569.55
Provision for depreciation 1,076,467.62 31,347,605.97
Net Income from Operations 2,903,721.11

Add—Other Income—net:
Dividends, interest, rent, royalties, cash discounts, etc. received, less bad debts, etc. 162,453.54
3,066,174.65

Debenture Charges:
Interest 431,750.00
Amortization of discount 26,166.60 457,916.60
2,608,258.05

Less:
Federal, state, foreign income taxes, etc. 574,194.46
Provision for contingencies 220,000.00
Adjustment of foreign branch net working asset accounts from foreign to U. S. currency 45,255.86 839,450.32
Net Profit for Year (Note A) 1,768,807.73

Increase in Inventory Reserves:
Amount of profits transferred to inventory reserves to maintain values in inventories on hand below the lower of cost or market, as in previous years (less adjustment of $45,467.78 due to change of inventory at beginning of year to method described in Note A below.) 137,957.38
Balance added to Surplus $ 1,630,850.35

Note A: The amount of net profit results from use of inventories priced at cost computed on the “last-in, first-out” method with respect to principal non-ferrous metals, other items being valued at the lower of cost or market, which basis the Scovill Manufacturing Company has adopted for determining profits as well as for federal income tax purposes beginning with the year 1939. The amount of net profit is approximately $365,000.00 less than would have been shown by the use of the lower of cost or market basis throughout, as heretofore.

Note B: The profit and loss accounts of English and Canadian branches for the year are included in the above statement at approximate average monthly rates of exchange.
SCOVILL MANUFACTURING COMPANY
AND SUBSIDIARIES

ANALYSIS OF CONSOLIDATED SURPLUS
For the year ended December 31, 1939

Balance—December 31, 1938 ................................................. $3,728,877.63

Addition:
Balance from consolidated profit and loss statement for 1939, after deducting amount transferred to inventory reserves... 1,630,850.35

Deductions:
Cash dividends paid: Per share
April 1, 1939 $ .15 .................................................. $ 157,025.70
July 1, 1939 .15 .................................................. 157,025.70
October 2, 1939 .20 .................................................. 209,367.60
December 22, 1939 .75 .................................................. 785,128.50
1.25 .................................................. 1,308,547.50

Increase in reserve to adjust marketable securities to market quotations at December 31, 1939 (less than total cost) ........ 16,480.60

Foreign taxes on prior year income to reflect changed method of tax accrual (estimated foreign taxes on 1939 income have been charged to profit and loss for that year) ..................... 108,385.61 1,433,413.71

Balance—December 31, 1939 ................................................. $3,926,314.27
REPORT OF AUDITORS

New York, N. Y., March 5, 1940.

TO THE STOCKHOLDERS OF
SCOVILL MANUFACTURING COMPANY

We have examined the consolidated balance sheet of SCOVILL MANUFACTURING COMPANY and its wholly owned subsidiaries as of December 31, 1939, and the related consolidated statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies (except as to an English branch) and, without making detailed audits of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Statements by other independent accountants (Chalmers, Wade & Company) were submitted to us for the English branch, which statements have been incorporated in the accompanying consolidated statements.

We were present when inventories were taken at factories and principal warehouses and observed and checked procedures followed in determining quantities. Prices, basis of valuation and computations were tested. We communicated with a substantial number of customers with the request that they advise us of any differences in their accounts; only minor differences were reported.

The surplus account in the consolidated balance sheet and on the Company's books at December 31, 1939 includes paid-in surplus in the amount of $1,600,614.17, representing net proceeds paid in during 1937 from sale of capital stock in excess of the par value thereof.

In our opinion, subject to inventories in the balance sheet being reduced below cost and market by application of reserves, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and surplus present fairly the consolidated position of Scovill Manufacturing Company and its subsidiaries at December 31, 1939 and the consolidated results of operations for the year then ended in conformity with generally accepted accounting principles. Further, except for the adoption in 1939 of the "last-in, first-out" method of valuing inventories of principal non-ferrous metals, the statements are on a basis consistent with the preceding year.

ERNST & ERNST
SCOVILL MANUFACTURING COMPANY

BRANCH OFFICES and WAREHOUSES

* AKRON, OHIO
  705 Johnson Street
  A. Schrader's Son Division

  BIRMINGHAM, ENGLAND
  829 Tyburn Road, Erdington
  A. Schrader's Son Division

BOSTON, MASSACHUSETTS
  80 Federal Street
  Scovill Manufacturing Company
  Morency-Van Buren Division
  Oakville Company Division
  170 Summer Street
  Hamilton Beach Company Division

* CHICAGO, ILLINOIS
  1229 West Washington Boulevard
  Scovill Manufacturing Company
  Hamilton Beach Company Division
  Oakville Company Division

CINCINNATI, OHIO
  49 Central Avenue
  Scovill Manufacturing Company

DETROIT, MICHIGAN
  6460 Kercheval Avenue
  Scovill Manufacturing Company
  321 New Center Building
  A. Schrader's Son Division

* LOS ANGELES, CALIFORNIA
  7677 South Soto Street
  Scovill Manufacturing Company
  A. Schrader's Son Division
  Waterville Division

  LYNCHBURG, VIRGINIA
  Rooms 1306 - 1307 - 1308
  Allied Arts Building
  The Scovill Manufacturing Corporation

* MELBOURNE, AUSTRALIA
  Schrader-Scovill Company, Prop, Ltd.

NEW YORK CITY
  Chrysler Building
  42d Street & Lexington Ave.
  Scovill Manufacturing Company (Incorporated)
  Hamilton Beach Company Division
  Morency-Van Buren Division
  Oakville Company Division

PHILADELPHIA, PENNSYLVANIA
  Broad St. Station Building
  1617 Pennsylvania Boulevard
  Scovill Manufacturing Company

PITTSBURGH, PENNSYLVANIA
  2882 W. Liberty Avenue
  Scovill Manufacturing Company

* PROVIDENCE, RHODE ISLAND
  183 Public Street
  Scovill Manufacturing Company

* SAN FRANCISCO, CALIFORNIA
  434 Brannan Street
  Scovill Manufacturing Company
  Morency-Van Buren Division
  Oakville Company Division
  Waterville Division

* STURGIS, MICHIGAN
  Scovill Manufacturing Company
  Morency-Van Buren Division
  Waterville Division

SYRACUSE, NEW YORK
  Starrett Syracuse Building
  Scovill Manufacturing Company (Incorporated)

* TORONTO, CANADA
  334 King Street, East
  A. Schrader's Son Division
  Scovill Manufacturing Company

* Location of Both Office and Warehouse