SCOVILL MANUFACTURING COMPANY

ESTABLISHED 1802

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1944
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.
NINETY-FOURTH ANNUAL REPORT

TO THE STOCKHOLDERS

OF THE

SCOVILL
MANUFACTURING
COMPANY

DECEMBER 31, 1944
DIRECTORS

Austin L. Adams
*Col. Bennet Bronson
John P. Elton
W. Shirley Fulton
Chauncey P. Goss, Jr.
Chauncey P. Goss, 3rd.
William M. Goss

OFFICERS

President & Treasurer
Executive Vice President
Vice President
Vice President
Vice President
Vice President
Secretary & General Counsel
Assistant Treasurer & Comptroller
Assistant Vice President—Mill Sales
Assistant Vice President—Manufacturing Sales
Assistant Secretary
Assistant Secretary
Assistant Secretary & Assistant Comptroller

HAMILTON BEACH COMPANY DIVISION
Vice President & Assistant Treasurer
Assistant Secretary

MORENCY-VAN BUREN DIVISION
Manager

OAKVILLE COMPANY DIVISION
Vice President
Vice President & General Manager
Assistant Vice President
Assistant Secretary

A. SCHRADE’S SON DIVISION
Vice President
Vice President
Assistant Secretary

WATERVILLE DIVISION
Manager

* In Military Service

Leavenworth P. Sperry
William M. Goss
Chauncey P. Goss, Jr.
Mark L. Sperry, Jr.
Burdon P. Hyde
Arthur P. Hickcox
Henry W. Wild
Francis T. Reeves
John V. Montague
Chauncey P. Goss, 3rd.
Paul E. Fenton
*Major Mark L. Sperry, 2nd.
Clarence P. Cook
William F. Burke
Thomas B. Myers
Edwin Q. Bangs
Samuel G. Gaillard, Jr.
*Col. Bennet Bronson
George Boden
Wilfred J. Delage
Charles F. Doherty
William T. Hunter
Seldon T. Williams
Roy L. de Brauwere
Samuel G. Gaillard, Jr.
GENERAL OFFICE OF THE COMPANY
Waterbury, Connecticut

LOCATION OF PLANTS

MAIN PLANT
Scovill Manufacturing Company

DIVISIONS
Hamilton Beach Company
Morency-Van Buren
Oakville Company
A. Schrader's Son (Main Plant)
A. Schrader's Son
A. Schrader's Son
A. Schrader's Son
Waterville

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

TRANSFER AGENT
The Colonial Trust Company
Waterbury, Connecticut

BRANCH OFFICES AND WAREHOUSES
See Page 15
March 28, 1945

TO THE STOCKHOLDERS OF
SCOVILL MANUFACTURING COMPANY:

The Board of Directors submits herewith its annual report for 1944 and the report of Messrs. Ernst & Ernst, independent auditors.

In the Preliminary Statement of Income for the year 1943 sent to the stockholders on March 20, 1944, $2,093,676 was transferred to Surplus to equal the dividends paid in 1943; and the remainder, $6,175,617, was "Reserved for Undetermined Charges and Surplus." The principal undetermined charge was the amount which might be required to settle claims by the Government under the terms of the Renegotiation Act for reduction of prices on deliveries made during 1943.

A Renegotiation settlement for the year 1943 was concluded in March 1945, at a net book cost to the Company of $4,103,102, of which $2,946,541 is payable in cash and the remainder, $1,156,561, is represented by reduction in post-war refund of excess profits taxes and state tax adjustment. This net book cost of $4,103,102 has been charged to the Reserve; we continue to hold in reserve $845,227 (the amount we expect to receive in non-interest bearing Excess Profits Tax Refund Bonds of the United States to be paid the third year after the war as a post-war refund of 1943 adjusted excess profits taxes) and the balance of the Reserve, $1,227,288, has been added to the amount previously carried to Surplus.

There follows a summary of the foregoing:

INCOME ACCOUNT

Income for 1943 before Renegotiation as shown on the Preliminary Statement issued March 20, 1944: $8,269,293

Less: Net book cost of Renegotiation after applicable tax adjustments: 4,103,102

Income for the year 1943: $4,166,191

Less: Held in Reserve equivalent to post-war refund: 845,227

Adjusted amount transferred to Surplus for 1943: $3,320,964

5
### ANALYSIS OF SURPLUS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus, December 31, 1942</td>
<td>$7,380,139</td>
</tr>
<tr>
<td>Transferred to Surplus for 1943</td>
<td>3,320,964</td>
</tr>
<tr>
<td></td>
<td>$10,701,103</td>
</tr>
<tr>
<td>Less: Dividends paid in 1943</td>
<td>2,093,676</td>
</tr>
<tr>
<td></td>
<td>8,607,427</td>
</tr>
</tbody>
</table>

For the convenience of stockholders a restatement of the 1943 income account is shown on page 13.

For 1944 the result of Renegotiation is undetermined, so again we have transferred from earnings to Surplus only the amount, $2,093,676, which was paid in dividends during that year. The balance, $3,392,177, is held as "Reserved for Undetermined Charges and Surplus." Upon conclusion of Renegotiation, its net cost will be charged to this account and appropriate disposition of the balance made, at which time it is expected a substantial sum will be transferred to Surplus.

Cash dividends of $2.00 per share were paid in 1944 by distribution of $.50 per share in each of the months of April, July, October and December. The same amount was paid in each of the three preceding years.

The $5,500,000 of Ten Year 3¼% Debentures due July 1, 1950, which were outstanding at the end of 1943 were all paid off. A term loan with a bank was arranged for $4,500,000, due July 1, 1950, at 2¾% interest. This loan requires yearly payments starting in 1946 equal to 20% of the earnings of the previous year or $500,000, whichever is the lesser. No premium is to be paid on such payments, nor on prepayments, which the Company has the right to make, except where prepayments are accomplished by other borrowings with less than a ten year maturity. Other provisions are similar to those in the indenture of the 3¾% Debentures but some are more favorable to the Company, especially a permission to reborrow prepayments within certain limiting conditions.

Sales, which were largely under prime or subcontracts for Government work, amounted to $111,615,720, as compared with $124,240,977 in 1943 and $106,279,570 in 1942, all before Renegotiation. Reduced prices accounted for
roughly $5,000,000 in saving to the Government, and we have, as far as we know, remained in the position of supplying the Government at the lowest prices available to it.

The amount spent by the Company on buildings and machinery under Certificates of Necessity up to January 1, 1945 was $8,311,391. This is subject to amortization on a five-year basis, or less if the war emergency ends sooner, and $4,451,197 has been charged to expenses for amortization up to January 1, 1945, of which $1,460,843 was charged in 1944. Depreciation of other plant facilities of $1,031,901 was charged. Expenditures in 1944 on plant assets subject to amortization amounted to $1,520,217 and on those subject to depreciation $900,430.

Machinery and equipment owned by the Government and by other contractors, having a value of about $3,500,000 has been lent to us.

The Company has no V, VT or T loan agreements outstanding or in contemplation.

There was a temporary reduction in the requirements for war materiel about the middle of last year, but the demands so far in 1945 are at the limit of the capacity of available man power, and business is booked well ahead at this rate. There is a prospect of some increase in output when additional machinery, for which the Government will pay, is installed.

The record during the war of supplying the Government on schedule and at low prices with a vast variety of articles—many of which are extremely intricate and exacting—reflects great credit on the organization and is a source of just pride to those whose work has made it possible.

With great regret we record the severe loss to his associates and to the Company by the death of Mr. John H. Goss who, after fifty years of able service, resigned as President and was elected Chairman of the Board, and shortly thereafter died on October 16, 1944.

By order of the Board of Directors
Leavenworth P. Sperry
President.
### ASSETS

#### CURRENT ASSETS

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$12,674,960</td>
</tr>
<tr>
<td>U.S. Certificates of Indebtedness—due 1945—cost and accrued interest</td>
<td>7,013,854</td>
</tr>
<tr>
<td>Other marketable securities—cost and accrued interest ($298,170 at market quotations)</td>
<td>246,484</td>
</tr>
<tr>
<td>Accounts and notes receivable (less reserve of $166,825)</td>
<td>6,765,298</td>
</tr>
<tr>
<td>Inventories of raw, in process and finished materials, parts, etc. (Note A)</td>
<td></td>
</tr>
<tr>
<td>Less reserves (Note B)</td>
<td></td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>$37,047,908</td>
</tr>
</tbody>
</table>

#### INVESTMENTS AND OTHER ASSETS

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-war refunds of excess profits taxes—estimated:</td>
<td></td>
</tr>
<tr>
<td>U.S. through 1943</td>
<td>845,290</td>
</tr>
<tr>
<td>U.S. for 1944, and Canadian (preliminary)</td>
<td>367,373</td>
</tr>
<tr>
<td>Stocks, bonds, etc. (less reserves of $147,668)</td>
<td>295,957</td>
</tr>
<tr>
<td>Premium deposits with mutual insurance companies</td>
<td>228,353</td>
</tr>
<tr>
<td>Mortgage notes receivable, real estate equities, etc.</td>
<td>32,307</td>
</tr>
<tr>
<td>Sundry notes and accounts</td>
<td>246,432</td>
</tr>
<tr>
<td></td>
<td>2,015,712</td>
</tr>
</tbody>
</table>

#### PROPERTY, PLANT AND EQUIPMENT (Note C)

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land, buildings, machinery and equipment, etc.</td>
<td>$52,238,725</td>
</tr>
<tr>
<td>Less reserves for depreciation and amortization</td>
<td>31,469,201</td>
</tr>
<tr>
<td>Excess of cost of investment in stock of A. Schrader's Son, Inc. over book value of net tangible assets at date of acquisition</td>
<td>20,769,524</td>
</tr>
<tr>
<td>Interest in patents, licenses, and development expenditures of joint venture (at cost, less amortization and reserve)</td>
<td>7,439,749</td>
</tr>
<tr>
<td></td>
<td>471,252</td>
</tr>
</tbody>
</table>

#### DEFERRED CHARGES

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid royalties, insurance, etc.</td>
<td>149,093</td>
</tr>
<tr>
<td></td>
<td>$67,893,238</td>
</tr>
</tbody>
</table>

*This Preliminary Consolidated Balance Sheet is subject to* as described in Note D to the accompanying Preliminary Consolidated Balance Sheet. *(Other notes apply)*
**CONSOLIDATED BALANCE SHEET**

**MANUFACTURING COMPANY TO SUBSIDIARIES**

**December 31, 1944**

### LIABILITIES

#### CURRENT LIABILITIES

- Accounts payable, accrued wages, expenses, etc. ........................................... $5,068,823
- Balance payable to U. S. Government resulting from renegotiation for 1943 ........................................... 2,946,541
- Federal withholding tax on employees' wages ........................................... 507,914
- Federal normal tax, surtax and excess profit taxes—estimated .......................... $13,916,878
- State and foreign taxes on income ........................................... 1,050,654
- Other taxes ........................................... 1,222,421 16,189,953

**Total Current Liabilities** ........................................... $24,713,231

#### RESERVES

- Contingency and operating reserves ........................................... $1,364,163
- Reserve equivalent to amount of post-war refund of U. S. excess profits taxes through 1943 ........................................... 845,290 2,209,453

#### NOTE PAYABLE, 2 3/4%—Due July 1, 1950

Subject to payments based upon income, with annual maximum of $500,000, beginning May 1, 1946

- Original principal ........................................... $4,500,000
- Less prepayment ........................................... 1,700,000 2,800,000

#### RESERVED FOR UNDETERMINED CHARGES AND SURPLUS (Note D) ........................................... 3,392,177

### CAPITAL STOCK

- 1,400,000 shares authorized (par $25 per share) ........................................... $35,000,000
- 271,355 shares unissued ........................................... 6,783,875
- 1,128,645 shares issued ........................................... 28,216,125
- 81,807 shares in treasury ........................................... 2,045,175

**1,046,838 shares publicly owned** ........................................... 26,170,950

**SURPLUS (Notes D and E)** ........................................... 8,607,427

**$67,893,238**

Subject to change to reflect adjustments of income for the year 1944


(Notes appear on page 12)
### PRELIMINARY CONSOLIDATED STATEMENT OF INCOME
### SCOVILL MANUFACTURING COMPANY AND SUBSIDIARIES
### Year ended December 31, 1944

**INCOME**

Sales—billed for products, services and sundry (less returns and allowances, etc.) $111,615,720
Dividends, interest, rents, royalties and sundry income 255,367

**COSTS, EXPENSES AND ESTIMATED TAXES ON INCOME**

Manufacturing, selling, transportation and general expenses (except the following items) $78,186,702
Taxes—property and sundry $808,960
Taxes—social security 1,031,901
Maintenance and repairs, etc. 8,245,208
Depreciation of plant facilities 1,031,901
Amortization of plant facilities (Note C) 1,460,843
Loss on sale of buildings, equipment and sundry assets 194,759
Other charges including interest on prior years’ taxes, amortization ($69,871) of share in patents of joint venture, etc. 441,978
Decrease in special inventory reserves—Note B (credit) (318,009)

Long term debt expense:
Interest 146,775
Debenture expense written off 24,709
Premium paid on $5,500,000 of debentures redeemed in 1944 137,650

Estimated taxes on income:
Federal excess profits tax 13,847,000
Less debt retirement credit of $1,080,000 and post-war refund credit of $338,200 1,418,200

Federal normal tax, surtax and declared value excess profits tax 1,149,653
State and foreign (net) 1,055,065 14,633,518 106,385,234 5,485,853

**RESERVED FOR UNDETERMINED CHARGES AND SURPLUS** (Note D) 3,392,177

TRANFERRED TO SURPLUS TO EQUAL DIVIDENDS PAID IN 1944 $ 2,093,676

Note D: From the amount "Reserved for Undetermined Charges and Surplus" there will be deducted hereafter any amounts found necessary to cover renegotiation and other proper charges. The balance will be available to add to the Surplus Account.

(Other notes appear on page 12)
PRELIMINARY CONSOLIDATED SURPLUS
SCOVILL MANUFACTURING COMPANY
AND SUBSIDIARIES
Year ended December 31, 1944

BALANCE—DECEMBER 31, 1943:

Previously reported (preliminary) .................................................. $ 7,380,139

Addition to Surplus for 1943 upon conclusion of renegotiation:

Net income for year after renegotiation and after amount
for increase in inventory reserve .................................................. $4,166,191

Less amount held in reserve equivalent to portion of net in-
come represented by post-war refund of excess profits tax .... 845,227

Balance ......................................................................................... 3,320,964

Preliminary amount transferred to Surplus in 1943 to equal
dividends paid in that year .......................................................... 2,093,676

Additional amount transferred to Surplus for 1943 ............ 1,227,288

Surplus, December 31, 1943, as adjusted ......................... 8,607,427

ADD

Amount transferred from preliminary consolidated statement
of income for 1944, to equal dividends paid in that year
(see Note D on page 10) ............................................................ 2,093,676

DEDUCT

Cash dividends paid:

<table>
<thead>
<tr>
<th>Per Share</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1, 1944</td>
<td>$ .50</td>
</tr>
<tr>
<td>July 1, 1944</td>
<td>.50</td>
</tr>
<tr>
<td>October 2, 1944</td>
<td>.50</td>
</tr>
<tr>
<td>December 22, 1944</td>
<td>.50</td>
</tr>
<tr>
<td><strong>$2.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

BALANCE—DECEMBER 31, 1944 (Notes D and E) ........................ $ 8,607,427

(Notes appear on page 12)
NOTES TO PRELIMINARY FINANCIAL STATEMENTS
SCOVILL MANUFACTURING COMPANY
AND SUBSIDIARIES
December 31, 1944

NOTE A: Inventories are stated at cost 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. This basis was adopted by the Company for determining profits, as well as for federal income tax purposes, beginning with the year 1939.

NOTE B: The special reserves reduce inventories below both cost and market, following the Company's usual practice. The reserves have been maintained at an amount to bring the per pound valuation of copper to 5c, high grade zinc to 4c and all other zinc to 3.42c, with respect to practically all such metals in a raw state or contained in goods produced in the United States. In addition, as in the past, the reserves reduce by ten per cent the regular inventory valuation of certain finished goods and supplies, reduce the amount of overhead applicable to work in process and reduce to market certain other metal valued at cost in the inventory.

NOTE C: Land, buildings, machinery and equipment, etc. are stated substantially at cost. The amount of $52,238,725 includes $8,311,391 expended for plant additions under Government Necessity Certificates, subject to amortization; amortization of $1,460,843 on such additions has been charged to income for the year 1944.

NOTE D: This note appears on page 10.

NOTE E: Surplus at December 31, 1944 includes $1,600,614 paid in during 1937. Under provisions of the agreement relating to note payable July 1, 1950, certain restrictions exist in respect of payment of dividends and acquisitions of the Company's own stock in excess of consolidated net income since January 1, 1940, plus the sum of $2,500,000; the amount of surplus in the accompanying Preliminary Consolidated Balance Sheet is $7,084,275 in excess of the amount thus restricted.

NOTE F: The Company is Trustee for its employees under an agreement with them to accumulate, from their pay, sums for the purchase for them of United States Savings Bonds. On December 31, 1944, the Company held as Trustee, $114,913 (not included in the Preliminary Consolidated Balance Sheet) represented by $3,545 on hand, $42,443 on deposit in special bank accounts, and $68,925 cost of unregistered bonds.

NOTE G: Property, plant and equipment accounts of the English and Canadian branches are translated to United States currency at rates of exchange at which originally recorded; current and all other asset and liability accounts are translated at $4.025 for sterling and $.9009 for Canadian dollars. Combined net assets, on that basis, of the English and Canadian branches amounted to $1,109,399 at December 31, 1944. At the present time England and Canada have exchange restrictions in effect and the English branch is under control of the British Government.

Profit and loss accounts of English and Canadian branches are translated to United States currency at $4.025 for sterling and $.9009 for Canadian dollars, except that provision for depreciation is translated at approximately the same rates used in computing United States dollar amounts for the related property, plant and equipment accounts. Combined net profits of these branches for the year amounted to $242,990, after deducting foreign taxes. During 1944 remittances to the United States aggregated $45,584 less than the combined net profit of the English and Canadian branches plus net charges to them by domestic offices. Net assets of the Canadian branch decreased in amount during the year, while those of the English branch increased.
SUNDARY COMPARISONS
SCOVILL MANUFACTURING COMPANY
AND SUBSIDIARIES

<table>
<thead>
<tr>
<th>Item</th>
<th>1944</th>
<th>1943*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes—property and sundry</td>
<td>$888,960</td>
<td>$978,528</td>
</tr>
<tr>
<td>Taxes—social security</td>
<td>1,310,240</td>
<td>1,352,934</td>
</tr>
<tr>
<td>Maintenance and repairs, etc.</td>
<td>8,245,208</td>
<td>7,078,024</td>
</tr>
<tr>
<td>Depreciation of plant facilities</td>
<td>1,031,901</td>
<td>1,005,799</td>
</tr>
<tr>
<td>Amortization of plant facilities</td>
<td>1,460,843</td>
<td>1,141,629</td>
</tr>
<tr>
<td>Maintenance and repairs, etc</td>
<td>1,310,240</td>
<td>1,352,934</td>
</tr>
<tr>
<td>Depreciation of plant facilities</td>
<td>8,245,208</td>
<td>7,078,024</td>
</tr>
<tr>
<td>Amortization of plant facilities</td>
<td>1,031,901</td>
<td>1,005,799</td>
</tr>
<tr>
<td>Additions to property, plant and equipment</td>
<td>$2,420,647</td>
<td>$2,202,043</td>
</tr>
<tr>
<td>Gross book value of such items disposed of</td>
<td>761,062</td>
<td>400,067</td>
</tr>
<tr>
<td>Net loss on disposals of such items, charged to reserves for depreciation</td>
<td>$40,118</td>
<td>35,625</td>
</tr>
<tr>
<td>Inventories of raw, in process and finished materials, parts, etc.</td>
<td>$12,653,687</td>
<td>$14,078,286</td>
</tr>
<tr>
<td>Less reserves</td>
<td>2,306,375</td>
<td>2,624,384</td>
</tr>
<tr>
<td></td>
<td>$10,347,312</td>
<td>$11,453,902</td>
</tr>
<tr>
<td>Stockholders:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residents of Connecticut</td>
<td>6,232</td>
<td>6,292</td>
</tr>
<tr>
<td>Non-residents</td>
<td>4,532</td>
<td>3,435</td>
</tr>
<tr>
<td>Total</td>
<td>10,764</td>
<td>9,764</td>
</tr>
</tbody>
</table>

*as adjusted

COMPARISON OF INCOME ACCOUNTS FOR 1943 AND 1942:

<table>
<thead>
<tr>
<th>Item</th>
<th>1943</th>
<th>1942</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales (after reduction of Government contract prices resulting from renegotiation)</td>
<td>$108,356,035</td>
<td>$89,879,570</td>
</tr>
<tr>
<td>Less costs and expenses</td>
<td>93,089,439</td>
<td>77,433,201</td>
</tr>
<tr>
<td>Other income—net</td>
<td>15,266,596</td>
<td>12,446,369</td>
</tr>
<tr>
<td>Deduct debenture interest, expenses and premiums</td>
<td>208,592</td>
<td>442,620</td>
</tr>
<tr>
<td>Deduct provision for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal excess profits taxes</td>
<td>9,251,961</td>
<td>7,308,000</td>
</tr>
<tr>
<td>Federal, state and foreign income taxes, etc.</td>
<td>1,806,466</td>
<td>1,575,508</td>
</tr>
<tr>
<td>Net income for year</td>
<td>11,058,427</td>
<td>8,883,508</td>
</tr>
<tr>
<td>Deduct:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increases in inventory reserves</td>
<td>51,830</td>
<td>366,561</td>
</tr>
<tr>
<td>Held in reserve, equivalent to post-war refund of excess profits tax</td>
<td>845,227</td>
<td></td>
</tr>
<tr>
<td>Balance transferred to surplus</td>
<td>$3,320,964</td>
<td>$2,800,426</td>
</tr>
<tr>
<td>Net income for year—per share</td>
<td>$4.02</td>
<td>$3.02</td>
</tr>
<tr>
<td>Dividends paid per share</td>
<td>$2.00</td>
<td>$2.00</td>
</tr>
</tbody>
</table>

Note: The above income for 1943 represents a restatement to give effect to renegotiation settlement concluded in March 1945; the income account for 1942 is also after renegotiation and is in accordance with amounts originally reported.
REPORT OF AUDITORS

New York, N. Y., March 27, 1945

TO THE STOCKHOLDERS OF

SCOVILL MANUFACTURING COMPANY

We have examined the preliminary consolidated balance sheet of Scovill Manufacturing Company and wholly owned subsidiaries as of December 31, 1944, and the preliminary consolidated statements of income and surplus for the year then ended. We have, except as to the English branch, reviewed the systems of internal control and the accounting procedures of the companies 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. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, except for modifications imposed by war conditions as set forth in the following paragraph, and included all procedures which we considered necessary.

It was not practicable to confirm receivables from United States Government departments; as to such receivables we satisfied ourselves by means of other auditing procedures. We were present at factories and principal warehouses where physical inventories were taken and observed and checked procedures followed in establishing quantities. Prices, basis of valuation and computations were tested. Physical inventories at certain locations were omitted, precluding the usual auditing procedures of observation or test check. The amount of such inventories, approximately $2,750,000 (before deduction of special reserves), represented the balances of ledger controlling accounts. As to such inventories we reviewed the accounting controls and records and satisfied ourselves as to the substantial accuracy of the amounts.

Statements of the English branch, which were not examined by us, have been incorporated in the accompanying financial statements on the basis reported by Chalmers, Wade & Co., independent accountants in England, adjusted by provision for British taxes on income.

In our opinion the consolidated position of Scovill Manufacturing Company and subsidiaries as of December 31, 1944 and the final results of operations for the year then ended cannot be presented fairly until determination has been made of matters referred to in Note D to the accompanying financial statements; in all other respects, in our opinion, subject to the fact that inventories in the balance sheet are reduced below cost and market by application of reserves, the accompanying preliminary consolidated balance sheet and preliminary consolidated statement of income fairly present the consolidated position of the Company and subsidiaries at December 31, 1944 in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
BRANCH OFFICES and WAREHOUSES

* AKRON, OHIO
  705 Johnston Street
  A. Schrader’s Son Division

ATLANTA, GEORGIA
  Volunteer State Life Building
  The Scovill Manufacturing Corporation

BIRMINGHAM, ENGLAND
  629 Tyburn Road, Erdington
  A. Schrader’s Son Division

BOSTON, MASSACHUSETTS
  441 Stuart Street
  Scovill Manufacturing Company
  Oakville Company Division

* CHICAGO, ILLINOIS
  Field Building
  Scovill Manufacturing Company
  Oakville Company Division
  Waterville Division
  Warehouse
  1229 West Washington Boulevard

* CINCINNATI, OHIO
  49 Central Avenue
  Scovill Manufacturing Company

DETROIT, MICHIGAN
  6460 Kercheval Avenue
  Scovill Manufacturing Company
  6432 Cass Avenue
  A. Schrader’s Son Division
  714 Fisher Building
  Waterville Division

* LOS ANGELES, CALIFORNIA
  2627 South Soto Street
  Scovill Manufacturing Company
  A. Schrader’s Son Division
  Waterville Division
  Morency-Van Buren Division

LYNCHBURG, VIRGINIA
  Allied Arts Building
  The Scovill Manufacturing Corporation

* LOCATION of both Office and Warehouse

MELBOURNE, AUSTRALIA
  Schrader-Scovill Company Prop. Ltd.

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

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

SYRACUSE, NEW YORK
  Syracuse-Kemper Insurance Building
  Scovill Manufacturing Company (Incorporated)

* TORONTO, CANADA
  334 King Street, East
  A. Schrader’s Son Division