Annual Report

SCOVILL MANUFACTURING COMPANY

for the year 1946
96th Annual Report

For the Year 1946

To the Stockholders of

Scovill Manufacturing Company

Established 1802
TRANSFER AGENTS

COMMON STOCK
The Colonial Trust Company
81 West Main Street
Waterbury 91, Connecticut

PREFERRED STOCK
J. P. Morgan & Co. Incorporated
23 Wall Street
New York 8, New York

REGISTRAR

PREFERRED STOCK
Guaranty Trust Company of New York
140 Broadway
New York 15, New York
DIRECTORS

Leavenworth P. Sperry

Bennet Bronson
John P. Elton
W. Shirley Fulton
Chauncey P. Goss, Jr.
Chauncey P. Goss, 3rd
William M. Goss
Arthur P. Hickcox

William T. Hunter
John J. McKean
Francis T. Reees
Mark L. Sperry, Jr.
Roger S. Sperry
Francis T. Ward
Henry W. Wild

OFFICERS

President and Treasurer
Leavenworth P. Sperry
Executive Vice President
Chief
Vice President
Burdon P. Hyde
Vice President
Arthur P. Hickcox
Vice President
Mark L. Sperry, Jr.
Vice President
Henry W. Wild
Vice President
Alan C. Curtiss
Vice President
Paul E. Fenton
Vice President
Chauncey P. Goss, 3rd
Vice President
Mark L. Sperry, 2nd
Vice President
John V. Montague
Vice President
William F. Burke
Vice President
John J. Hohen

HAMILTON BEACH COMPANY DIVISION

Vice President and Assistant Treasurer
Thomas B. Myers
Assistant Secretary
Edwin Q. Bangs

OAKVILLE COMPANY DIVISION

Vice President and General Manager
Bennet Bronson
Vice President
George Boden
Assistant General Manager
H. Wesley Leavenworth
Assistant Secretary
Dutton Noble

A. SCHRADER'S SON DIVISION

Vice President and General Manager
William T. Hunter
Vice President
Selden T. Williams
Assistant Secretary
Roy L. deBrauwere

WATERVILLE DIVISION and
MORENCY - VAN BUREN DIVISION

General Manager
Samuel G. Gaillard, Jr.
Assistant General Manager
Arthur H. Goepel
The Board of Directors submits herewith its annual report for 1946, with financial statements and the report of Messrs. Ernst & Ernst, independent auditors.

Earnings for 1946 amounted to $3,236,703, compared with $3,142,878 (as adjusted) for the previous year. After allowing for accrued dividend requirements on the new preferred stock issued on September 13, 1946, earnings for 1946 were equal to $2.87 per share on the average number of common shares outstanding during the year, or $2.61 per share on those outstanding at the end of the year. No part of these earnings was due to tax carry-backs or use of prior year reserves. Earnings for 1945 (as adjusted) were $3.00 per share of common stock outstanding at the close of that year.

Cash dividends of $40 each per share were paid on the common stock on April 1, 1946 and July 1, 1946, and $.50 each per share were paid on October 1, 1946 and declared payable on January 2, 1947, a total of $1.80 per share for the full year. New common shares issued on September 20, 1946 did not participate in dividends until the one declared payable January 2, 1947. A dividend on the new preferred stock at the annual rate of 3.65% on par value was paid on December 1, 1946.

The year 1946 was one of considerable accomplishment for this Company. It started badly and unprofitably. The Office of Price Administration carried on its unhealthy activities for many months during which time we did our best to start up and supply our customers, regardless of the unhappy prices forced upon us. We, ourselves, had not yet recovered from the effects of the war and the great change in our products. At this juncture the spectre of labor trouble arose and our Waterbury plants were called out on strike by an International labor union with headquarters in the West, although it was obviously against the desires and interest of our employees. Work was resumed after several weeks when the new wage scales for the country as a whole, including ourselves, were settled. The losses to the Company and to the employees were large and unnecessary.

After the first six months things improved and while we had great difficulty in securing and training sufficient employees, we gradually picked up. In this connection, it is interesting to note that at the end of the year about 26% of our men employees were returned veterans.

There has been no lack of business offered, and that condition continues. Partly caused by the war, large expenditures have been made in moving and rearranging machinery, and in making tools for new and old products. Further, $3,021,937 was spent for new plant, machinery and equipment, some to replace worn-out machines, some to make old articles by new processes, some to increase and balance out our production. At the year's end we still had on order facilities and buildings requiring an additional expenditure of $2,600,000.

Our brass casting facilities are sufficient and the best with which we are acquainted. Recent advances in the practice of cold rolling sheet metal with more powerful and improved rolls and handling devices have induced us to plan such equipment for ourselves. For this an addition to our mill buildings is required. The total expenditure is estimated at about $9,575,000 and has been authorized. A new building suitable for a wire mill was built during the war. We are getting some new machinery for it and hope to move into it this year. When these things have been accomplished, we anticipate that our brass mills will be unequalled.

Prudently to prepare for the purchase of all these things and others that will doubtless turn up, we sold $10,000,000 par value of 3.65% Cumulative Preferred Stock at par, and offered to stockholders 119,548 shares of Common Stock at $30.00 per share. The sale of the preferred and the offering
to stockholders of the common were underwritten by a syndicate headed by Morgan Stanley & Co. The net proceeds to us for both stocks were $14,251,209.

An outstanding bank loan of $4,000,000 was paid off with some of the proceeds. The remainder was added to our quick assets and has, to some extent, been used in buying machinery, and has likewise been useful in carrying, we hope temporarily, a higher priced inventory.

Increases during the year in the market price of copper from twelve cents to nineteen and one-half cents per pound with further increases since then, and an increase in the base price of Prime Western zinc from eight and one-quarter cents to ten and one-half cents have, together with the rise in wages and cost of supplies, caused a sharp increase in the amount of money required to carry inventories and accounts receivable.

If the above metals were priced at the year-end market, their value would be approximately $5,800,000 greater than the value at which we carry them before applying the special reserve, and would bring inventories to about $22,000,000 instead of $18,200,000 as shown in the balance sheet. This difference could only be realized by a sale of the inventory at current market prices without replacement. To keep running, most, if not all of it, will have to be replaced, but it does take a lot of money to carry it.

It may interest you to contemplate another phase of the increased cost of things. Our buildings with their contents of machinery and equipment show on our books to have had an original cost of about $56,500,000 against which depreciation of about $30,000,000 has been taken, leaving a net book value of $26,500,000. We are, where possible, insuring this property against fire on a new Repair and Replacement basis, now offered, whereby, in case of loss we would be paid an amount equal to its replacement cost new at today's prices. The insurance companies' appraisal sets this replacement cost at $75,000,000. It is reasonable to suppose that, some time in the future, these fixed assets will have to be replaced at an expenditure which will depend on the price level at the various times when they are bought, but at the present level would be more than the original cost and more than the depreciation allowed for tax purposes by the Internal Revenue Bureau.

Renegotiation of war contracts for the year 1945 resulted in a net refund to the Government after applicable taxes, of $331,701, all of which was covered by reserves shown in our 1945 annual report. Renegotiation contracts for all years have been settled and signed, and paid up by us. A refund from the Government of $463,453 is due thereon based on reallocation of amortization.

Since the Social Security law went into effect in 1936 the Company has paid thereunder to the Government $8,774,968, of which $909,776 was paid in 1946. This results in an obligation of the Government for payments to employees during temporary unemployment, and for pensions after they become sixty-five years old.

The total amount of wages and salaries due employees for the year 1946 was $30,729,738 before deductions for various items required by the Government or authorized by them.

The cost to employees for money the United States Government required us to withhold from their pay during 1946 was:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Income Taxes</td>
<td>$2,817,864</td>
</tr>
<tr>
<td>For Old Age Benefits</td>
<td>267,944</td>
</tr>
</tbody>
</table>

$3,085,808

This is a serious drain on their income which would be more noticeable to them if we were allowed to pay their full wages and they then paid the Government.

By Order of the Board of Directors

Leavenworth P. Sperry
President
# CONSOLIDATED Scovill Manufacturing C

## Assets

### CURRENT ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 1946</th>
<th>December 31, 1945*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 4,017,164</td>
<td>$ 4,875,238</td>
</tr>
<tr>
<td>U. S. Government securities—at cost and accrued interest</td>
<td>6,518,002</td>
<td>4,011,982</td>
</tr>
<tr>
<td>Marketable securities—at cost (at market quotations:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1946—$302,940; 1945—$332,940)</td>
<td>235,890</td>
<td>236,588</td>
</tr>
<tr>
<td>Accounts receivable (less reserves:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1940—$107,798; 1945—$106,906)</td>
<td>5,717,568</td>
<td>3,046,525</td>
</tr>
<tr>
<td>Terminated war contract claims</td>
<td>—</td>
<td>2,388,434</td>
</tr>
<tr>
<td>Excess profits tax refund bonds</td>
<td>—</td>
<td>819,899</td>
</tr>
<tr>
<td>Inventories of raw, in process and finished materials, parts, etc. (Note A)</td>
<td>18,211,713</td>
<td>14,530,973</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>$34,700,337</strong></td>
<td><strong>$29,909,639</strong></td>
</tr>
</tbody>
</table>

### INVESTMENTS AND OTHER ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 1946</th>
<th>December 31, 1945*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims for refund of renegotiation payments</td>
<td>$ 463,453</td>
<td>$ 463,453</td>
</tr>
<tr>
<td>Stocks, bonds, etc. (less reserves:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1946—$41,668; 1945—$147,668)</td>
<td>243,751</td>
<td>297,525</td>
</tr>
<tr>
<td>Premium deposits with mutual insurance companies</td>
<td>505,284</td>
<td>417,049</td>
</tr>
<tr>
<td>Sundry notes and accounts (less reserves:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1946—$109,000; 1945—$3,000)</td>
<td>139,627</td>
<td>348,735</td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td><strong>$1,352,115</strong></td>
<td><strong>$1,526,762</strong></td>
</tr>
</tbody>
</table>

### PROPERTY, PLANT, AND EQUIPMENT

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 1946</th>
<th>December 31, 1945*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land, buildings, machinery and equipment, etc.—substantially at cost (including land:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1946—$1,024,579; 1945—$1,025,637)</td>
<td>$57,583,688</td>
<td>$54,399,411</td>
</tr>
<tr>
<td>Less allowance for depreciation</td>
<td>29,954,863</td>
<td>28,623,045</td>
</tr>
<tr>
<td><strong>Total property, plant, and equipment</strong></td>
<td><strong>$27,628,825</strong></td>
<td><strong>$25,770,366</strong></td>
</tr>
</tbody>
</table>

### INTEREST IN PATENTS, LICENSES, AND DEVELOPMENT EXPENDITURES OF JOINT VENTURE

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 1946</th>
<th>December 31, 1945*</th>
</tr>
</thead>
<tbody>
<tr>
<td>(at cost, less amortization and reserve)</td>
<td>$ 385,348</td>
<td>$ 427,537</td>
</tr>
</tbody>
</table>

### DEFERRED CHARGES

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 1946</th>
<th>December 31, 1945*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid royalties, insurance, etc.</td>
<td>102,117</td>
<td>192,066</td>
</tr>
<tr>
<td><strong>Total deferred charges</strong></td>
<td><strong>$61,168,712</strong></td>
<td><strong>$57,756,870</strong></td>
</tr>
</tbody>
</table>

*as adjusted for the Registration Statement filed with Securities and Exchange Commission in September, 1946, after final determination of renegotiation, estimated taxes, etc.

(Notes appear on page 10)
**BALANCE SHEET**

**Company and Subsidiaries**

**Liabilities**

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>December 31, 1946</th>
<th>December 31, 1945*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable, accrued wages, expenses, etc.</td>
<td>$ 2,852,166</td>
<td>$ 4,680,058</td>
</tr>
<tr>
<td>(including in 1945-£25,000 note payable)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance payable to U. S. Government resulting from renegotiation for 1944</td>
<td>$ 598,193</td>
<td>$ 523,419</td>
</tr>
<tr>
<td>Dividends declared and payable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$3.65% Cumulative Preferred Stock, payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 1, 1947</td>
<td>$ 91,250</td>
<td></td>
</tr>
<tr>
<td>Federal withholding tax on employees' wages</td>
<td>$ 270,817</td>
<td>$ 365,649</td>
</tr>
<tr>
<td>Provision for 1945 federal taxes on income and renegotiation—(less $3,018,600 U. S. Treasury notes)</td>
<td>$ 1,862,955</td>
<td>$ 4,841,952</td>
</tr>
<tr>
<td>Provision for 1946 federal taxes on income—estimated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State and foreign taxes on income</td>
<td>$ 523,116</td>
<td>$ 583,306</td>
</tr>
<tr>
<td>Other taxes, including prior year adjustments—net</td>
<td>$ 477,395</td>
<td>$ 305,303</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$ 6,675,832</td>
<td>$12,820,899</td>
</tr>
<tr>
<td><strong>RESERVES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special reserves to reduce inventories below both cost and market (Note B)</td>
<td>$ 3,002,783</td>
<td>$ 2,973,283</td>
</tr>
<tr>
<td>Contingency reserve</td>
<td>$ 1,336,863</td>
<td>$ 1,336,863</td>
</tr>
<tr>
<td><strong>NOTE PAYABLE, 2 1/4%—Due July 1, 1950</strong></td>
<td>$ 4,339,646</td>
<td>$ 4,310,146</td>
</tr>
<tr>
<td><strong>CAPITAL STOCK</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.65% Cumulative Preferred Stock, par value $100 per share:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized and outstanding 100,000 shares (Note C)</td>
<td>$10,000,000</td>
<td></td>
</tr>
<tr>
<td>Common Stock, par value $25 per share:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized</td>
<td>1,400,000</td>
<td>1,400,000</td>
</tr>
<tr>
<td>Issued</td>
<td>1,278,193</td>
<td>1,128,605</td>
</tr>
<tr>
<td>Less in treasury</td>
<td>81,807</td>
<td>81,807</td>
</tr>
<tr>
<td>Publicly owned</td>
<td>1,196,386</td>
<td>1,046,838</td>
</tr>
<tr>
<td><strong>ADDITIONAL CAPITAL, consisting of further amounts paid in by stockholders and earnings retained and used in the business (Note D)</strong></td>
<td>$39,909,650</td>
<td>$26,170,950</td>
</tr>
<tr>
<td><strong>Contingent liability (Note E)</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Notes appear on page 10)
CONSOLIDATED STATEMENT OF INCOME

SCOVILL MANUFACTURING COMPANY AND SUBSIDIARIES
YEARS ENDED DECEMBER 31, 1946 AND 1945

INCOME
Sales—billed for products, services and sundry (less returns and allowances, etc.) ................. $62,917,225 $85,079,895
Dividends, interest, rents, royalties, and sundry income ........................................ 194,010 225,403
Total Income .................................................. $63,111,235 $85,305,298

COSTS, EXPENSES AND ESTIMATED TAXES ON INCOME
Cost of goods and services sold (exclusive of items shown separately below) and transportation ...... 41,062,645 56,023,483
Selling, administrative, and general expenses (exclusive of items shown separately below) and discounts allowed 6,904,986 6,142,256
Maintenance and repairs, etc. ........................................................................ 5,755,946 7,083,076
Allowance for depreciation ........................................................................ 1,731,821 1,202,169
Amortization of war facilities ........................................................................ 2,250,112
Taxes — property and sundry ........................................................................ 812,613 810,321
Taxes — social security ................................................................................ 909,776 1,080,390
Bad debts written off less recoveries ............................................................... 117,403 1,997
Loss (gain) on marketable and other securities sold or written off—net ................. 96,853 (3,266)
Loss (gain) on disposition of fixed assets ........................................................ (34,884) 152,142
Other charges including interest, amortization (1946—$32,988; 1945—$44,117) of share in patents of joint venture, etc. 97,328 178,387
Interest on long term debt ........................................................................ 61,200 92,856
Estimated federal, state and foreign taxes on income (including in 1945 provision for federal excess profits tax of $5,772,496) ................................................. 2,358,845 7,148,497
Total deductions from income ....................................................................... $59,874,532 $82,162,420
EARNINGS FOR YEAR ................................................................................. $ 3,236,703 $ 3,142,878

Deduct increase in special inventory reserves (Note B) ........................................ 29,500 666,907
BALANCE .................................................................................. $ 3,207,203 $ 2,475,971
Dividends paid during year ........................................................................ $ 1,963,392 $ 1,570,257

*as adjusted for the Registration Statement filed with Securities and Exchange Commission in September, 1946, after final determination of renegotiation, estimated taxes, etc.

(Notes appear on page 10)
ANALYSIS OF CAPITAL INVESTED

SCOVILL MANUFACTURING COMPANY AND SUBSIDIARIES
YEAR ENDED DECEMBER 31, 1946

CAPITAL STOCK
Balance at December 31, 1945, represented by 1,046,838 shares ($25 par) .................. $26,170,950
Added during 1946, consisting of par value of new stock sold:
   Common stock—149,548 shares ($25 par) .................. 3,738,700
   Preferred stock—100,000 shares ($100 par) ........... 10,000,000
   Increase in capital stock investment during 1946, at par value .................. 13,738,700
   Total capital stocks at December 31, 1946 .................. $39,909,650

ADDITIONAL CAPITAL, consisting of further amounts paid in by stockholders and earnings retained and used in the business:
Balance at December 31, 1945 (as shown in report to stockholders) .................. $11,390,511
Added during 1946:
   Earnings for 1946, after special inventory reserve adjustment .................. $3,207,203
   Less dividends paid or provided for (see below) .................. 2,129,416
   From earnings for 1946 .................. 1,077,787
   Amount above par paid in by stockholders in 1946 on new common stock .................. 747,740
   Less expenses for issuance of new preferred and common stocks .................. 235,231
   Sundry adjustments for taxes, etc. belonging to prior years—net .................. 512,509
   Balance of additional capital at December 31, 1946 (Note D) .................. 13,243,614
   TOTAL CAPITAL INVESTED at December 31, 1946 .................. $53,153,264

Cash dividends were as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Shares</th>
<th>Per Share</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>On Common Stock:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid April 1, 1946</td>
<td>1,046,838</td>
<td>.40</td>
<td>$418,735</td>
</tr>
<tr>
<td>Paid July 1, 1946</td>
<td>1,046,838</td>
<td>.40</td>
<td>418,735</td>
</tr>
<tr>
<td>Paid October 1, 1946</td>
<td>1,046,838</td>
<td>.50</td>
<td>523,419</td>
</tr>
<tr>
<td>Payable January 2, 1947</td>
<td>1,196,386</td>
<td>.50</td>
<td>598,194</td>
</tr>
<tr>
<td>Total on common stock</td>
<td></td>
<td>1.80</td>
<td>$1,959,083</td>
</tr>
</tbody>
</table>

On 3.65% Cumulative Preferred Stock:
<table>
<thead>
<tr>
<th>Date</th>
<th>Shares</th>
<th>Per Share</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid December 1, 1946 (less amount accrued to date of issuance)</td>
<td></td>
<td></td>
<td>$79,083</td>
</tr>
<tr>
<td>Payable March 1, 1947</td>
<td></td>
<td>.9125</td>
<td>91,250</td>
</tr>
<tr>
<td>Total on preferred stock</td>
<td></td>
<td>170,333</td>
<td></td>
</tr>
<tr>
<td>Total cash dividends</td>
<td></td>
<td>$2,129,416</td>
<td></td>
</tr>
</tbody>
</table>

(Notes appear on page 10)
NOTES TO FINANCIAL STATEMENTS

SCOVILL MANUFACTURING COMPANY AND SUBSIDIARIES
DECEMBER 31, 1946

NOTE A: Inventories are stated at cost on the "last-in, first-out" method, with respect to principal nonferrous 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 the basis stated in Note A, following the Company's usual practice. The reserves have been maintained at an amount to bring the per pound valuation of copper to $5 and zinc to an average price of $3.85, 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, and reduce the amount of overhead applicable to work in process.

NOTE C: In addition to the authorized Preferred Stock shown, there are authorized but unissued 50,000 shares of Cumulative Preferred Stock ($100 par value) not designated as to series.

NOTE D: The additional capital at December 31, 1946 was in part supplied by stockholders during the years 1937 and 1946 by the purchase of stock for $2,113,125 in excess of its par value, and partly from earnings retained for use in the business.

NOTE E: The Company is a defendant in a suit brought by employees in the Brooklyn plant of the A. Schrader's Son Division in which "portal to portal" wages of approximately $1,000,000 and liquidated damages in an equal amount are claimed. While the present uncertainties with respect to the liability of industry generally in actions of this type are expected to be clarified both by the enactment of legislation and by further judicial review in the Mt. Clemens Pottery Company case, the final outcome of such claims cannot at present be determined and no cognizance thereof is taken in the accompanying financial statements.

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, 1946, the Company held as Trustee, $33,523 (not included in the Consolidated Balance Sheet) represented by $32,598 on deposit in special bank accounts, and $20,925 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 $0.995 for Canadian dollars. Combined net assets, on that basis, of the English and Canadian branches amounted to $1,567,204 at December 31, 1946. At the present time England and Canada have exchange restrictions in effect.

Income accounts of English and Canadian branches are translated to United States currency at official rates in effect during the year, 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 $282,623, after deducting foreign taxes. During 1946 remittances to the United States aggregated $378,901 less than combined net inter-division charges to and profits of these branches; of that amount $154,696 was retained in England partly for the purchase of a building leasehold. Net assets of both the English and Canadian branches increased in amount during the year.
SUNDRY COMPARISONS

SCOVILL MANUFACTURING COMPANY AND SUBSIDIARIES

<table>
<thead>
<tr>
<th>Description</th>
<th>1946</th>
<th>1945*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes — property and sundry</td>
<td>$812,613</td>
<td>$810,321</td>
</tr>
<tr>
<td>Taxes — social security</td>
<td>909,776</td>
<td>1,080,390</td>
</tr>
<tr>
<td>Maintenance and repairs, etc.</td>
<td>5,755,946</td>
<td>7,083,076</td>
</tr>
<tr>
<td>Allowance for depreciation of plant facilities</td>
<td>1,731,821</td>
<td>1,202,169</td>
</tr>
<tr>
<td>Amortization of war facilities</td>
<td>—</td>
<td>2,250,112</td>
</tr>
<tr>
<td>Additions to property, plant, and equipment</td>
<td>$3,621,937</td>
<td>$2,466,471</td>
</tr>
<tr>
<td>Gross book value of such items disposed of</td>
<td>403,337</td>
<td>1,213,677</td>
</tr>
<tr>
<td>Net (profit) loss on disposals of such items (credited) charged to reserves for depreciation</td>
<td>(4,903)</td>
<td>103,824</td>
</tr>
</tbody>
</table>

Inventories:

- Finished Goods ........................................................................ $4,834,583 | $3,407,451
- Work in Process ......................................................................... 8,232,925 | 6,522,897
- Raw Materials ........................................................................... 4,175,188 | 3,812,637
- Supplies .................................................................................... 969,617 | 787,988
- Total inventories .................................................................... $18,211,713 | $14,530,973

Special reserves to reduce inventories below both cost and market .......... 3,002,783 | 2,973,283

Total inventories less special reserves ........................................ $15,208,930 | $11,557,690

*as adjusted

Holders of Company’s capital stock:

- Residents of Connecticut ................................................................ 6,530 | 6,089
- Non-residents ............................................................................... 6,503 | 5,128
- Total ........................................................................................... 13,033 | 11,217

Number of employees at December 31st ........................................... 13,963 | 11,255
REPORT OF AUDITORS

New York, N. Y., March 10, 1947

TO THE STOCKHOLDERS OF
SCOVILL MANUFACTURING COMPANY

We have examined the consolidated balance sheet of Scovill Manufacturing Company and wholly owned subsidiaries as of December 31, 1946, the consolidated statement of income and analysis of capital invested 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 and included all procedures which we considered necessary.

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 accompanying consolidated balance sheet and related consolidated statement of income and analysis of capital invested present fairly the consolidated position of Scovill Manufacturing Company and wholly owned subsidiaries at December 31, 1946, and the consolidated results of operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
The Scovill Annual Report for 1945 presented for the information of the stockholders photographs and descriptions of our peace-time products.

On the following pages of this report are illustrated many of our buildings and some descriptive data and information are given about both the buildings and the products made in them.
PRINCIPAL PRODUCTS
A comprehensive range of Brass and Bronze Alloys in the form of Rod, Sheet, Tube and Wire; Metal Buttons and Snap Fasteners; Cosmetic Containers; Flashlights and Garden Hose Equipment; and a great diversity of made-to-order Stampings, Forgings, Drawn Shells, Automatic Screw Machine and Eyelet Machine Parts.

ABOVE—East section of the Main Plant showing our Modern Mills for producing Rod, Tube and Sheet; Casting Shop; Power House; Chemistry and Test Building; and Building No. 136 used for General Manufacturing.

BELOW—A composite view of the older or West section of our Main Plant.
The Main Plant and Offices of the Company are located at Waterbury, Connecticut. Here were employed at the end of 1946, 6,931 persons. These numerous buildings are divided into two general groups known as the East Plant and the West Plant. Our modern Casting Shop, Mills, Power House, Chemistry and Test Laboratory, as well as some of our manufacturing buildings, are located in the East Plant. In the older or West Plant are located a Rolling Mill, a Wire Mill, soon to be moved to a new building in the East Plant, numerous manufacturing buildings and our Main Office. These buildings have a total floor space of approximately 2,552,700 square feet. In our Manufacturing Departments we use each year many million pounds of brass made in our own Mills and, in addition, purchase in large quantities other metals for fabrication, notably steel and aluminum. An extensive improvement program is under way which is intended to benefit both our Mills and Manufacturing Departments so that we, in turn, can serve our customers better.
ABOVE
Casting Shop

BELOW
Building 71—for General Manufacturing
**PLANT**

**ABOVE**
Partial view of several of our East Plant Buildings

**BELOW**
Building 112—our largest building used for Manufacturing purposes
A. Schrader’s Son Division

The A. Schrader’s Son Division is made up of the Main Plant and executive offices located at Brooklyn, New York with other factories and offices located at Toronto, Canada and Birmingham, England and a warehouse at Akron, Ohio. The total floor space in all these buildings is approximately 846,000 square feet and employment at the end of 1946 was 3,714.

Founded in 1844 by August Schrader, the early organization developed and perfected methods of controlling air under pressure. Creation of the pneumatic tire offered Schrader a new field of endeavor — the manufacture of tire valves for the tire and automotive industry — in which this division has maintained leadership.

As pneumatic tires increased in usage, Schrader increased the scope of its manufacture to include tire pressure gauges, air chucks (inflating valves), valve servicing tools, electric vulcanizers, spark plug tire pumps, hose couplings, hose ferrules, pump and airline fittings.

With greater automobile speeds, and the changes in automobile design such as balloon tires, four-wheel brakes and drop center rims, new importance was placed upon the development of sturdy, trouble-free tire valves. This division has successfully met new problems, and today, more than ever, a Schrader equipped inner tube is an assurance of long service and safety.

Schrader also manufactures an industrial air equipment line which, by substituting the action of compressed air or compressed-air actuated cylinders for manual labor, results in increased production, decreased operating costs and greater safety.

After 103 years, Schrader is still specializing in pneumatic valves, air control devices and diving equipment.
PRINCIPAL PRODUCTS

TIRE VALVE EQUIPMENT:
- Tire Valves
- Tire Gauges
- Air Chucks
- Hose Ferrules
- Pump and Airline Fittings
- Electric Vulcanizers

AIR-CONTROL EQUIPMENT

DIVING EQUIPMENT

Upper Right
Plant—Toronto, Canada

Middle
Plant—Birmingham, England

Lower
Warehouse—Akron, Ohio
OAKVILLE COMPANY DIVISION

This division, located at Oakville, Connecticut, a suburb of Waterbury, occupies eighteen buildings with a floor space of approximately 450,000 square feet and at the end of 1946 employed 1,013 persons. Here we had no major reconversion problems in the sense that large amounts of machinery for war purposes became surplus and subject to removal but, like most manufacturers, we found that at the end of the war much equipment was in the need of major overhauling. During 1946 this problem was attacked vigorously. In addition, considerable new equipment was installed.

The Oakville Division is recognized as the largest manufacturer of safety pins and pins in the United States and perhaps in the world, but besides this well known line, produces thousands of specially formed wire products. It also has a large printing and paper box making department which not only supplies its own needs but does considerable work for other divisions of the Scovill Manufacturing Company.

PRINCIPAL PRODUCTS

Safety Pins, Pins, Snap Fasteners, Hooks and Eyes, Paper Clips and Fasteners, Metal Trimmings for garment and hose supporter manufacturers, Specially Formed Wire Goods
Hamilton Beach Company Division located at Racine, Wisconsin utilizes about 147,000 square feet of floor space and employed at the end of last year 802 persons.

This division was a pioneer in the development of fractional horsepower motors. The early applications of these motors were for sewing machines and drink mixers. With the acquisition of the Gilchrist Company and the Arnold Electric Company a few years ago, this division was able to furnish the very complete Hamilton Beach service equipment for soda fountain and bar use.

One of the most popular items of the Hamilton Beach line is the food mixer. Although originally designed as a food mixer, constant improvements and changes have resulted in the present very popular combination food mixer and juice extractor with attachments for chopping foods, shredding vegetables, grinding coffee, slicing beans and hulling peas.

Hamilton Beach manufactures a tank type and three models of the bag type vacuum cleaner with various attachments required to make household cleaning easy and pleasant. Completing the household line are electric hair dryers, home motors and vibrators which are gaining steadily in popularity. In addition Hamilton Beach produces a wide range of fractional horsepower motors designed to meet the individual customer's specifications. These units are used in a wide variety of appliances and products requiring small universal motors.

**PRINCIPAL PRODUCTS**

**HOUSEHOLD LINE:**
Food Mixers, Vacuum Cleaners, Hair Dryers

**SODA FOUNTAIN EQUIPMENT:**
Juice Extractors, Malted Milk Dispensers, Drink Mixers, Motor-Driven Brush Glass Washers

**FRACTIONAL HORSEPOWER MOTORS**
The Waterville Division, formerly the American Pin Company, situated in a suburb of Waterbury about two miles from the Main Plant, occupies a total floor area of approximately 396,600 square feet and at the end of 1946 employed 709 persons.

The pin production carried on by this division was transferred to the Oakville Company soon after its acquisition in 1923 but the production of a limited line of high grade plumbers’ goods has been carried on. To this in recent years has been added the manufacture of industrial fasteners indispensable to the manufacture and assembly of many types of metal devices used in the automobile, radio, instrument, refrigerator, and general electrical industry. In this division also is manufactured a line of standard or conventional machine screws, self-tapping screws, pre-assembled washer units, and Phillips recessed head screws, most of which were formerly manufactured in the Main Plant.

The new sand casting foundry, construction of which was started late in 1945, will be completed in 1947 and will give a much needed increase in output of sand castings used in the plumbing line and special castings used by other Scovill divisions.

**PRINCIPAL PRODUCTS**

**Brass Plumbing Fittings:**
- Traps, Sink Strainers, Drain Plugs, Supply Pipes, Built-In Shower Fittings

**Industrial Fastenings:**
- Machine, Self-Tapping, and Phillips Head Screws
- Pre-assembled Washer Units
- Special Industrial Fastening Devices
MORENCY-VAN BUREN DIVISION

Morency-Van Buren Division, located at Sturgis, Michigan, contains a floor space of about 76,000 square feet and at the end of 1946 employed 194 persons. Some of its items of manufacture are similar to those made at the Waterville Division and its activities are supervised by the Waterville Division.

Here are produced high grade tank fittings made from brass castings from its own foundry and machined and assembled complete in its own plant.

This division likewise manufactures a type of flush valve which is applicable to many requirements and also makes a complete line of parts available for its various products.

The production of this division includes standard types of tank fittings for the home, also special design high pressure ball cocks including models with china valve seats to withstand the corrosive action of water peculiar to certain localities.

Among the newer developments of this division are automatic float control units developed for use with warm air furnaces and with air conditioning installations.

PRINCIPAL PRODUCTS

**BRASS PLUMBING FITTINGS:**
- Tank Levers
- Ball Cocks
- Tank Flush Valves

**HUMIDIFIER VALVE ASSEMBLIES**
SCOVILL MANUFACTURING CORPORATION

MAIN PLANT AND GENERAL OFFICES
99 Mill Street — Waterbury 91, Connecticut

DIVISIONS — FACTORIES AND OFFICES

HAMILTON BEACH COMPANY
Racine, Wisconsin

OAKVILLE COMPANY
Oakville, Connecticut

MORENCY-VAN BUREN
Sturgis, Michigan

WATERVILLE
Waterville, Connecticut

A. SCHRADER’S SON (Main Plant)
470 Vanderbilt Avenue
Brooklyn 17, New York

A. SCHRADER’S SON (Canadian Plant)
334 King Street, East
Toronto 2, Canada

A. SCHRADER’S SON (European Plant)
829 Tyburn Road, Erdington
Birmingham 24, England

MAIN PLANT SALES OFFICES

ATLANTA 3, GEORGIA
Volunteer State Life Building

BOSTON 16, MASSACHUSETTS
441 Stuart Street

CHICAGO 6, ILLINOIS
Adams-Franklin Building
222 West Adams Street
(Maintain Warehouse Stock at 1229 West Washington Boulevard)

CINCINNATI 2, OHIO
49 Central Avenue
(Maintain Warehouse Stock)

CLEVELAND 13, OHIO
Terminal Tower Building
50 Public Square

DALLAS, TEXAS
Charles G. Johnson Building
2011-2013 Cedar Springs Avenue

DETROIT 7, MICHIGAN
6460 Kercheval Avenue

LOS ANGELES 23, CALIFORNIA
2627 South Soto Street
(Maintain Warehouse Stock)

LYNCHBURG, VIRGINIA
Allied Arts Building

NEW YORK 17, NEW YORK
Chrysler Building
42nd Street and Lexington Avenue

PHILADELPHIA 3, PENNSYLVANIA
Broad Street Station Building
1617 Pennsylvania Boulevard

PITTSBURGH 16, PENNSYLVANIA
2882 West Liberty Avenue

PROVIDENCE 3, RHODE ISLAND
183 Public Street
(Maintain Warehouse Stock)

SAN FRANCISCO 7, CALIFORNIA
434 Brannan Street
(Maintain Warehouse Stock)

SYRACUSE 2, NEW YORK
Syracuse-Kemper Insurance Building
HAMILTON BEACH COMPANY DIVISION SALES OFFICE
New York 17, New York
Chrysler Building
42nd Street and Lexington Avenue

OAKVILLE COMPANY DIVISION SALES OFFICES
Boston 16, Massachusetts
New England Power Building
441 Stuart Street

Chicago 6, Illinois
Adams-Franklin Building
222 West Adams Street

New York 17, New York
Chrysler Building
42nd Street and Lexington Avenue

San Francisco 7, California
Charles R. Barry Company
430 Brannan Street

WATERVILLE AND MORENCY – VAN BUREN DIVISIONS SALES OFFICES
Chicago 6, Illinois
Adams-Franklin Building
222 West Adams Street

Los Angeles 23, California
2697 South Soto Street
(Maintain Warehouse Stock)

New York 17, New York
Chrysler Building
42nd Street and Lexington Avenue

San Francisco 7, California
434 Brannan Street
(Maintain Warehouse Stock)

DETROIT 7, MICHIGAN
6460 Kercheval Avenue

Syraeuse 2, New York
Syracuse-Kemper Insurance Building

A. SCHRADE'S SON DIVISION SALES OFFICES
Akron, Ohio
705 Johnston Street
(Maintain Warehouse Stock)

Los Angeles 23, California
2697 South Soto Street
(Maintain Warehouse Stock)

Birmingham 24, England
829 Tyburn Road, Erdington

Melbourne, Australia
26 Market Street

Detroit 7, Michigan
6460 Kercheval Avenue

Toronto, Canada
334 King Street East

Washington, D. C.
1427 Eye Street