sets to current liabilities was 3.03 compared with 3.86 at the end of 1965. Inventories increased to $48,596,000 at year-end compared to $43,161,000 at the beginning of the year. Most of the increase was in aerospace products where the work in process and backlog of orders increased and the inventories were necessarily higher.

Capital Expenditures Were High

Capital expenditures amounted to $15,224,000 in 1966, compared with $11,364,000 in the preceding year. Depreciation amounted to $11,114,000 compared to $10,533,000 in 1965.

An expansion program was initiated in 1965 to increase capacity in several product lines, including industrial hydraulic equipment, tire molds, friction products and certain types of castings. These additions have been mostly completed and the facilities are now in production.

Capital expenditures in 1967 are planned at approximately $16,000,000. About 40% of the funds will be spent for added capacity at a number of existing plants. The balance of the capital funds will be spent on replacing and modernizing present machinery and equipment, and installing new equipment for cost reduction programs.

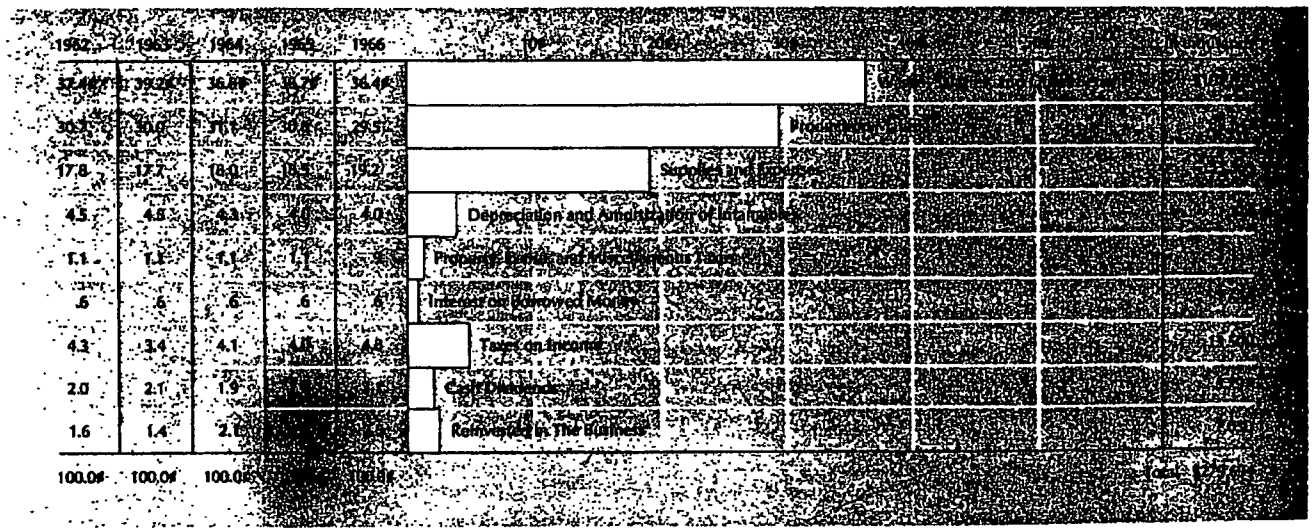
United States Operations

Sales of the United States divisions amounted to $218,914,000 representing 79% of the consolidated total.

Defense business for our United States divisions amounted to about 10% of their volume. Although government expenditures for defense increased materially in 1966, our aerospace products were the only ones that were significantly affected.

Most of the plants operated at very high levels of production and, in many instances, we were hampered by a shortage of skilled and semi-skilled workers. Increased overtime and the

Distribution of the Income Dollar



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