

TEXTRON INC
Form 11-K
June 27, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 11-K

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

for the fiscal year ended December 31, 2001
Commission File Number 1-5480

- A. Full title of the plan and address of the plan:
EMPLOYEES' RETIREMENT SAVINGS PLAN FOR THE
PRECISION STAMPING DIVISION OF ELCO TEXTRON
INC.
- B. Name of issuer of the securities held pursuant to the plan and
address of its principal executive office:

TEXTRON INC.

40 Westminster Street
Providence, Rhode Island 02903

REQUIRED INFORMATION

Financial Statements and Exhibit

The following Plan financial statements and schedules prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974 are filed herewith, as permitted by Item 4 of Form 11-K:

Report of Independent Auditors

Statements of Assets Available for Benefits for each of the years ended December 31, 2001 and 2000
Statements of Changes in Assets Available for Benefits for each of the years ended December 31, 2001 and 2000
Notes to financial statements

Supplemental Schedule:

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

The Consent of Independent Auditors is filed as an exhibit to this Annual Report.

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this Annual Report on Form 11-K to be signed by the undersigned hereunto duly authorized.

EMPLOYEES' RETIREMENT SAVINGS PLAN
FOR THE PRECISION STAMPING DIVISION
OF ELCO TEXTRON INC.

ELCO TEXTRON INC., Plan Administrator

By: /s/Arnold M. Friedman

Vice President

Date: June 27, 2002

Financial Statements and Supplemental Schedule
Employees' Retirement Savings Plan for the
Precision Stamping Division of Elco Textron Inc.
Years ended December 31, 2001 and 2000

Employees' Retirement Savings Plan
for the Precision Stamping Division of
Elco Textron Inc.

Financial Statements

and Supplemental Schedule

Years ended December 31, 2001 and 2000

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Report of Independent Auditors

Administrative Committee
Employees' Retirement Savings Plan for the
Precision Stamping Division of Elco Textron Inc.

We have audited the accompanying statements of assets available for benefits of the Employees' Retirement Savings Plan for the Precision Stamping Division of Elco Textron Inc. as of December 31, 2001 and 2000, and the related statements of changes in assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets available for benefits of the Plan at December 31, 2001 and 2000, and the changes in its assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2001, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee

Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

ERNST & YOUNG LLP

Providence, Rhode Island
May 7, 2002

Employees' Retirement Savings Plan
for the Precision Stamping Division of
Elco Textron Inc.

Statements of Assets Available for Benefits

| | December 31 | |
|-------------------------------|-------------|-------------|
| | 2001 | 2000 |
| Assets | | |
| Investments, at fair value | \$7,843,561 | \$8,469,522 |
| Receivables: | | |
| Participant contributions | 39,513 | 33,825 |
| Employer's contributions | 6,307 | 5,488 |
| Total receivables | 45,820 | 39,313 |
| Assets available for benefits | \$7,889,381 | \$8,508,835 |

See accompanying notes.

Employees' Retirement Savings Plan
for the Precision Stamping Division of
Elco Textron Inc.

Statements of Changes in Assets Available for Benefits

| | Year ended December 31 | |
|------------------------------|------------------------|------------|
| | 2001 | 2000 |
| Additions | | |
| Interest and dividend income | \$ 229,539 | \$ 409,434 |

| | | |
|--|--------------|--------------|
| Contributions: | | |
| Participants | 526,221 | 509,052 |
| Employer | 83,892 | 82,909 |
| | 610,113 | 591,961 |
| Total additions | 839,652 | 1,001,395 |
| Deductions | | |
| Benefits paid to participants | 328,236 | 394,870 |
| Administrative expenses | 675 | 699 |
| Net depreciation in fair value of investments | 1,130,195 | 1,440,258 |
| Total deductions | 1,459,106 | 1,835,827 |
| Net decrease | (619,454) | (834,432) |
| Assets available for benefits at beginning of year | 8,508,835 | 9,343,267 |
| Assets available for benefits at end of year | \$ 7,889,381 | \$ 8,508,835 |

See accompanying notes.

Employees' Retirement Savings Plan
for the Precision Stamping Division of
Elco Textron Inc.

Notes to Financial Statements

December 31, 2001

1. Description of the Plan

The following brief description of the Employees' Retirement Savings Plan for the Precision Stamping Division of Elco Textron Inc. (the Plan) is provided for general information purposes only. Participants should refer to the Summary Plan Description and Plan document for more complete information.

General

The Plan is a defined contribution plan formed to provide a retirement savings plan to employees of the Precision Stamping Division of Elco Textron Inc. (the Company). The Plan provides for participant tax-deferred savings under Section 401(k) of the Internal Revenue (IRC) and is subject to the provisions of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA). All employees of the Company are eligible to participate in the Plan after completing 90 days of service (one year of service prior to July 1, 2000), as defined in the Plan.

Vesting and Forfeitures

Participants are immediately vested in the value of their contributions and related allocation of trust income or loss. Participants become fully vested in the value of contributions made by the Company and related allocations of trust income or loss after five years of credited service. Any forfeitures are allocated to remaining Plan participants.

Contributions

Active participants may contribute up to 14% of their pretax compensation, as defined by the Plan, subject to dollar limitations \$10,500 in 2001 and 2000. The Plan provides for an employer matching contribution of 25% of a participant's contribution, not to exceed 4% of the participant's compensation. The Plan also provides for discretionary Company contributions. The Company made no discretionary contributions in 2001 and 2000. Effective July 1, 2000, rollover contributions from other qualified plans are permitted.

Participant Notes Receivable

Participants may borrow from their fund accounts up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Loan terms range from 1-5 years. The loans are secured by the balance in the participant's account and bear interest at the current prime rate plus 1%. Principal and interest is paid ratably through monthly payroll deductions.

Investment Options

Participants are allowed to direct Company and employee contributions in 10% increments in any of six investment fund options. Participants may change their investment options monthly.

Participant Accounts

Employee contributions and the Company's matching contribution are allocated to each respective participant account. The additional Company contribution, if any, is allocated to participant accounts based on participant compensation, as defined by the Plan, and their years of service in relation to the total of such amounts for all participants.

The allocation of Plan income or loss to participants is made in the same ratio that a participant's account bears to the sum of the balances of all participants' accounts, taking into consideration the dates on which additional contributions and withdrawals are made. Participant account balances are valued daily by the Plan's recordkeeper based on the value of the number of shares owned in each investment fund.

Payment of Benefits

The benefit to which a participant is entitled is the benefit that can be provided from the participant's account balance.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of termination, participants become 100% vested in their accounts.

2. Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Investment Valuation

The Plan's investments are stated at fair value. The shares of the mutual funds are valued at quoted market prices which represent the net asset values of the shares held by the Plan at year end. Shares of Textron Inc. common stock are valued based on quoted market value. Money market funds are reported at cost, which approximates fair value. Participant notes receivable are valued at their outstanding balances, which approximate fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Administrative Expenses

Administrative expenses of the Plan are generally paid by the Company.

3. Investments

The Plan's investments are held by Putnam Fiduciary Trust Company (Putnam). The fair value of individual investments that exceed five percent of the Plan's assets at December 31 is as follows:

| | 2001 | 2000 |
|----------------------------------|------|------------|
| Textron Inc.--common stock | | \$ 81,933 |
| | | \$ 799,056 |
| The George Putnam Fund of Boston | | 1,612,570 |
| | | 1,566,562 |
| Putnam Voyager Fund | | 2,058,566 |
| | | 2,514,277 |
| One Group Equity Index Fund | | 2,264,196 |

2,609,022

One Group Prime Money Market Fund

873,833

794,781

During 2001 and 2000, the Plan's investments (including investments bought, sold, and held during the year) depreciated in fair value, as follows:

| | Year ended December 31 | |
|--|------------------------|---------------|
| | 2001 | 2000 |
| Investments at fair value as determined by quoted market prices: | | |
| Mutual funds | \$(1,031,270) | \$ (952,076) |
| Textron Inc.--common stock | (98,925) | (488,182) |
| | \$(1,130,195) | \$(1,440,258) |

4. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated April 6, 1995, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (IRC) and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the IRC and, therefore, believes that the Plan is qualified and that the related trust is tax exempt.

Employees' Retirement Savings Plan
for the Precision Stamping Division of
Elco Textron Inc.

EIN No. 05-0315468 Plan No. 012

Schedule H, Line 4i, Schedule of Assets (Held at End of Year)

December 31, 2001

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| Identity of Issuer, Borrower, Lessor or Similar Party | Description of Investments, Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | Current Value |
|--|---|------------------|
| One Group Prime Money Market Fund | 873,833 shares | \$ 873,833 |
| One Group Equity Index Fund | 86,387 shares | 2,264,196 |
| One Group Bond Fund | 10,584 shares | 113,669 |
| Putnam Voyager Fund* | 115,845 shares | 2,058,566 |
| The George Putnam Fund of Boston* | 96,158 shares | 1,612,570 |
| Textron Inc.--common stock* | 18,860 shares | 781,933 |
| Participant notes receivable* | 6.5% to 10.5% | 138,794 |
| | | \$7,843,561 |

* Indicates a party in interest to the Plan.