

RUSSELL INDUSTRIES LIMITED

and its subsidiaries

CANADA CYCLE AND MOTOR COMPANY LIMITED

(and its United States subsidiary C. C. M. Incorporated)

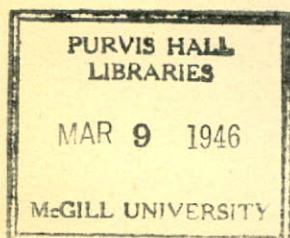
CANADIAN ACME SCREW & GEAR, LIMITED

and

WEST TORONTO HOLDINGS LIMITED

Annual Report

For the Year Ended December 31st, 1943



RUSSELL INDUSTRIES LIMITED

and its subsidiaries

CANADA CYCLE AND MOTOR COMPANY LIMITED

(and its United States subsidiary C. C. M. Inc.)

CANADIAN ACME SCREW & GEAR, LIMITED

and

WEST TORONTO HOLDINGS LIMITED

REPORT OF THE BOARD OF DIRECTORS

ANNUAL MEETING

April 27th, 1944

TO THE SHAREHOLDERS:

Your Directors submit herewith the Annual Report of the operations of your Company together with Consolidated Balance Sheet, Profit and Loss and Surplus Statement of the Company and subsidiaries for the year ended December 31st, 1943, to which is appended the certificate of your auditors, Messrs. Clarkson, Gordon, Dilworth & Nash and Messrs. Edwards, Morgan & Company, Chartered Accountants.

The Consolidated Profit of the Company and subsidiaries for the year, before Income and Excess Profits Taxes but after providing for all charges, including depreciation, amounted to \$1,850,701.68. Provision for Income and Excess Profits Taxes aggregated \$1,363,500.00, of which \$207,636.29 is refundable. This leaves a Net Profit of \$487,201.68, exclusive of the refundable portion of Excess Profits Taxes.

The Company is in a strong financial position. The Current Assets amount to \$7,200,043.12 of which \$3,066,770.92 is represented by cash and investment in Dominion and Provincial Government Bonds. Current Liabilities amount to \$2,240,313.40, leaving Net Working Capital of \$4,959,729.72.

A major portion of the Company's manufacturing facilities during the past year have been devoted directly or indirectly to production for war purposes, but indications point to some decrease in war production and increase in production for civilian needs during the current year.

The Companies' manufacturing plants have been maintained as efficient operating units. Capital expenditures during the year amounted to \$334,439.00.

In addition to its own operations, the Canadian Acme Screw & Gear Limited operates for the Government (on a management fee basis), York Arsenals Limited, which manufactures an important volume of war products.

During the year, regular quarterly dividends at the rate of 7% per annum were paid on the Preference Shares and quarterly dividends at the rate of 80c per annum on the Common Shares of Russell Industries Limited. Since the close of the fiscal year, the Directors have increased the rate of dividend on the Common Shares to \$1.20 per annum by payment of 30c for the quarter ending March 31st, 1944.

In the course of the year, 876 Russell Industries Limited Preference Shares were converted into Common Shares of the Company, and since the close of the fiscal year, 3,177 additional Preference Shares have been so converted, reducing the amount of Preference Stock outstanding at this date to 4,403 shares.

Regular quarterly dividends at the rate of 5% per annum on the Preference Shares of the Canada Cycle and Motor Company, Limited, have been maintained. During the year, 217 of the Company's shares were redeemed for the Sinking Fund. In view of the Company's inability to purchase in the market the additional number of shares required for the Sinking Fund, the provisions under which such Preference Shares were issued require redemption thereof by call. In accordance therewith, 3,005 shares have been called for redemption on April 30th, 1944, for this purpose and in anticipation of future Sinking Fund requirements. On redemption of such shares, Canada Cycle and Motor Company, Limited will have an outstanding Preference Capital of \$600,000.

Your Directors sincerely regret the retirement of Mr. J. A. Russell from the Board of this Company and that of the Canada Cycle and Motor Company, Limited, due to ill health. Mr. Allan E. Arscott, C.B.E., Executive Vice-President of The Canadian Bank of Commerce, has been added to the Boards of these Companies to fill the vacancies, and Mr. Arscott has also been appointed a Director of Canadian Acme Screw & Gear Limited.

Your Directors and Officers take pleasure in expressing their appreciation of the loyal and co-operative services rendered by the employees of the Companies during the year. Out of a total staff of 3,162 serving the Companies and subsidiaries, 816 have enlisted in His Majesty's Forces.

All of which is respectfully submitted.

H. R. TUDHOPE,
President.

Toronto, April 10, 1944.

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(Incorporated under the

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CANADA CYCLE AND MOTOR COMPANY LIMITED

CANADIAN ACME SCREW & GEAR LIMITED

WEST TORONTO HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash on hand and in banks.....		\$ 491,027.17	
Investment in marketable securities (Quoted market value \$2,775,734).....		2,723,847.60	
Accounts receivable less reserve for doubtful accounts.....		1,480,561.37	
Due from employees re Victory Loan Bonds (secured).....		24,099.35	
Inventories of materials, supplies, work in process and finished goods as determined and certified by the management and valued at not more than the lower of cost or market value.....	\$2,639,467.15		
Less special wartime inventory reserve.....	158,959.52		2,480,507.63
Total current assets.....			\$7,200,043.12

CASH ON DEPOSIT for sinking fund for 5% preference shares of Canada Cycle and Motor Company Limited..... 70,763.22

INVESTMENT IN SUB-SUBSIDIARY COMPANIES AT COST..... 353,143.19

FIXED ASSETS AT COST:

Land.....	\$ 93,412.60		
Buildings, machinery, equipment, etc.....	\$4,897,723.28		
Less reserve for depreciation.....	3,776,051.20	1,121,672.08	1,215,084.68

OTHER ASSETS:

Cash surrender value of life insurance.....	\$ 19,377.75		
Prepaid expenses, deferred charges, etc.....	49,010.58		
Post-war refund of excess profits taxes.....	355,845.81		424,234.14

\$9,263,268.35

AUDITORS' REPORT

We have examined the above consolidated balance sheet of Russell Industries Limited and its subsidiaries (Russell Industries Limited, Canadian Acme Screw & Gear Limited and West Toronto Holdings Limited as at 31st December, 1943, and of the consolidated balance sheet of Canadian Acme Screw & Gear Limited as at 31st December, 1942. In connection therewith we reviewed the system of internal control and accounting procedures of the companies.

The earnings of the other sub-subsidiary companies for the year ended 31st December, 1943, and the dividends received from them. These dividends are less in total than the profits earned during the year by such companies.

We report that, in our opinion, based upon our examination, the above consolidated balance sheet shows a true and correct view of the state of the combined companies' affairs as at 31st December, 1943, and of the consolidated balance sheet of Canadian Acme Screw & Gear Limited as at 31st December, 1942, and of the explanations given us and as shown by the books of the companies. All our requirements as auditors have been satisfied.

Toronto, Canada, 11th April, 1944.

INDUSTRIES LIMITED

(Ontario Companies Act)

Subsidiaries

INDUSTRIES LIMITED, (and its United States subsidiary, C.C.M. Incorporated)

GEAR & TOOL LIMITED and

HOLDINGS LIMITED

STATEMENT AS AT 31st DECEMBER, 1943

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued charges.....	\$1,454,624.92
Reserve for taxes on income less instalments paid.....	785,688.48

Total current liabilities.....	\$2,240,313.40
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RESERVE FOR CONTINGENCIES.....	1,018,065.39
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PREFERRED SHARES OF CANADA CYCLE AND MOTOR COMPANY LIMITED:

Authorized and issued—10,000 5% cumulative redeemable sinking fund first preference shares of a par value of \$100 each, redeemable at \$105 per share and accrued dividends.....	\$1,000,000.00
Less 995 shares redeemed, of which 217 were redeemed during 1943.....	99,500.00
	<u>900,500.00</u>

CAPITAL OF RUSSELL INDUSTRIES LIMITED:

Authorized and outstanding—	
7,580 7% cumulative convertible preference shares of a par value of \$100 each.....	\$ 758,000.00
94,200 common shares of a par value of \$10 each.....	942,000.00
	<u>\$1,700,000.00</u>

NOTE: 1,420 preference shares have been converted to 14,200 common shares, of which 876 preference shares were converted during 1943.

SURPLUS.....	3,048,543.75
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DEFERRED SURPLUS:

Post-war refund of excess profits taxes.....	355,845.81	5,104,389.56
	<u>355,845.81</u>	<u>\$9,263,268.35</u>

STATEMENT TO SHAREHOLDERS

Subsidiaries, Canada Cycle and Motor Company Limited (and its United States subsidiary, C.C.M. Incorporated), 1943, and the attached consolidated statements of profit and loss and surplus for the year ended on that date. Companies and examined or tested accounting records but we did not make a detailed audit of the transactions.

are not included in the attached consolidated statement of profit and loss except to the extent of the dividends of the sub-sub-subsidiaries.

sheet and related consolidated statement of profit and loss and surplus have been drawn up so as to exhibit the results of their operations for the year ended on that date, according to the best of our information, the same have been compiled with.

CLARKSON, GORDON, DILWORTH & NASH,
EDWARDS, MORGAN & CO.
Chartered Accountants.

RUSSELL INDUSTRIES LIMITED
(Incorporated under the Ontario Companies Act)
and its subsidiaries
CANADA CYCLE AND MOTOR COMPANY LIMITED
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CANADIAN ACME SCREW & GEAR LIMITED
and
WEST TORONTO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS
For the Year Ended 31st December, 1943

Profit from operations after providing depreciation of \$491,294.22 but before providing for taxes on income.....		\$1,752,103.36
ADD:		
Interest and dividends.....	\$ 83,292.66	
Profit on disposal of capital assets.....	26,967.13	
Sundry income.....	13,338.53	123,598.32
Profit before provision for taxes on income and for contingencies.....		\$1,875,701.68
DEDUCT:		
Provision for income and excess profits taxes of which the refundable portion amounts to \$207,636.29.....	\$1,363,500.00	
Provision for contingencies.....	25,000.00	1,388,500.00
Net profit for year transferred to surplus.....		<u>\$ 487,201.68</u>

CONSOLIDATED STATEMENT OF SURPLUS

Balance 1st January, 1943.....		\$2,760,419.08
ADD:		
Net profit for year.....	\$ 487,201.68	
Less adjustment in respect of prior years' operations.....	24,719.76	
	\$ 462,481.92	
Less amounts paid in connection with 5% preference shares of Canada Cycle and Motor Company Limited:		
Dividends of 5%.....	\$ 45,065.00	
Premium on shares redeemed.....	1,196.75	46,261.75
		416,220.17
		<u>\$3,176,639.25</u>
DEDUCT:		
Dividends paid during year by Russell Industries Limited:		
Cumulative convertible preference shares—7%.....	\$ 55,331.50	
Common shares—80 cents per share.....	72,764.00	128,095.50
Balance 31st December, 1943.....		<u>\$3,048,543.75</u>

RUSSELL INDUSTRIES LIMITED

Head Office - Toronto

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Directors:

H. R. TUDHOPE, Esq.

C. J. HARRIS, Esq.

G. S. BRADEN, Esq.

N. P. PETERSEN, Esq.

T. B. RUSSELL, Esq.

GLYN OSLER, Esq., K.C.

ALLAN E. ARSCOTT, Esq., C.B.E.

Officers:

H. R. TUDHOPE, President

C. J. HARRIS, Vice-President

G. W. SUGGITT, Secretary and Treasurer

