

Corp.
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, 1945

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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 13th, 1946

TO THE SHAREHOLDERS:

Your Directors submit herewith the Annual Report of the results 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, 1945, 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 \$1,021,600.70. Provision for Income and Excess Profits Taxes aggregated \$522,127.19, of which \$20,800.00 is refundable. This leaves a Net Profit of \$544,567.87, exclusive of the refundable portion of Excess Profits Taxes, as compared with \$478,478.40 in 1944.

The Current Assets amount to \$6,862,091.03, of which \$2,775,958.47 is represented by cash and marketable securities, and of the latter \$2,360,711.25 is represented by investments in Dominion Government Bonds. Current Liabilities amount to \$1,347,611.88, leaving Net Working Capital of \$5,514,479.15, as compared with \$5,079,277.11 in 1944.

During the year, our war contracts were completed but the flexibility of the manufacturing units enabled the resumption of peacetime production without important delays. With orders on hand and enquiries being received, the outlook for the current year would indicate full production for our manufacturing units, assuming a continuation of our ability to secure satisfactory supplies of raw materials and barring unforeseen interruptions.

Capital expenditures during the year amounted to \$628,243.24 and the Company's manufacturing plants have been maintained as efficient operating units.

Operations of the York Arsenals Limited, which has been operated (on a management fee basis) for the Government by a subsidiary of the Canadian Acme Screw & Gear, Limited, were discontinued during the past year.

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 \$1.20 per annum on the Common Shares of Russell Industries Limited. The dividend on the Common Shares of the Company was increased from \$1.20 per annum to \$1.60 per annum beginning with the quarter ending March 31st, 1946, and payable on that date.

In the course of the year, 904 Russell Industries Limited Preference Shares were converted into Common Shares of the Company, reducing the amount of the Preference Shares outstanding at the end of the fiscal year to 2,155 shares, and as of the date of issue of this Report these shares had been further reduced to 1,588 shares.

Regular quarterly dividends at the rate of 5% per annum on the Preference Shares of Canada Cycle and Motor Company, Limited were paid. The Sinking Fund on these shares is now in excess of requirements, but 7 shares were purchased for Sinking Fund purposes during the year, leaving 5,990 Preference Shares outstanding at the end of the Company's fiscal year.

Your Directors have considered that it would be in the interests of the Company and its Shareholders if its Shares enjoyed an even wider distribution than is the case at present. They have accordingly approved of a plan to change the Common Shares of \$10.00 par value into Common Shares without nominal or par value and to sub-divide each Common Share into 4 Shares. To make this effective, they have therefore passed the following By-law of the Company which will be submitted at a Special General Meeting of the Shareholders:

BY-LAW NO. 27

A By-law authorizing an application for Supplementary Letters Patent changing each of the Common Shares of the par value of \$10.00 in the capital stock of the Company into 4 Common Shares without nominal or par value in the capital stock of the Company and varying the provisions contained in Supplementary Letters Patent issued to the Company respecting the voting rights of holders of Preferred and Common Shares of the Company and the rights of the holders of the Preferred Shares of the Company respecting the conversion thereof into Common Shares of the Company.

WHEREAS at the close of business on 26th February, 1946, the authorized capital stock of Russell Industries Limited consisted of 1,921 7% Cumulative Preferred Convertible Shares of the par value of \$100.00 each and 150,790 Common Shares of the par value of \$10.00 each, all of which have been duly allotted and issued and are fully paid up and non-assessable and outstanding;

AND WHEREAS it is deemed expedient in the best interests of the Company that each of the Common Shares of the par value of \$10.00 in the capital stock of the Company shall be changed into 4 Common Shares without nominal or par value;

AND WHEREAS it is desirable to maintain the existing ratio of voting power as between holders of Preferred and holders of Common Shares unchanged by reason of a change in the number of Common Shares of the Company and also to maintain according to the existing ratio the rights of the holders of Preferred Shares in respect of the conversion of their said shares into Common Shares.

NOW THEREFORE BE IT ENACTED and it is hereby enacted by the Directors of RUSSELL INDUSTRIES LIMITED as a By-law of the said Company that the President or Vice-President and the Secretary or Assistant Secretary of this Company be and they are hereby authorized and directed forthwith or so soon as may be after confirmation of this By-law by the Shareholders of this Company to apply to His Honour the Lieutenant Governor of the Province of Ontario for the issue of Supplementary Letters Patent—

(Continued on page 7)

RUSSELL INDU

(Incorporated under the

and its su

CANADA CYCLE AND MOTOR COMPANY LIMITED

CANADIAN ACME SCREW & GEAR COMPANY LIMITED

WEST TORONTO, ONTARIO

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash on hand and in banks.....		\$	119,250.60
Investment in marketable securities (quoted market value \$2,747,432).....			2,656,707.87
Accounts receivable and amounts recoverable upon termination of war contracts less reserve for doubtful accounts.....			1,735,215.01
Due from employees re Victory Loan bonds (secured).....			67,235.07
Inventories of materials, supplies, work in process and finished goods as determined and certified by the management, based on physical counts made in part at 30th September, 31st October and 31st December respectively and adjusted to the latter date, and valued at not more than the lower of cost or market.....	\$2,442,642.00		
Less special wartime inventory reserve.....	158,959.52		2,283,682.48
Total current assets.....			\$6,862,091.03

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

FIXED ASSETS AT COST:

Land.....		\$	78,082.60
Buildings, machinery, equipment, etc.....	\$5,542,031.89		
Less reserve for depreciation.....	4,104,861.35	1,437,170.54	1,515,253.14

OTHER ASSETS:

Cash surrender value of life insurance.....		\$	29,476.50
Prepaid expenses, deferred charges, etc.....			54,678.14
Refundable portion of taxes on income.....			392,102.31
			476,256.95
			<u>\$9,206,744.31</u>

AUDITORS' REPORT TO SHAREHOLDERS

We have examined the above consolidated balance sheet of Russell Industries Limited and its subsidiaries (Canadian Acme Screw & Gear Limited and West Toronto Holdings Limited as at 31st December, 1945). 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, 1945, are shown in the accompanying profit and loss account. These dividends are less in total than the profits earned during the year by such companies.

We report that, in our opinion, the above consolidated balance sheet and related consolidated profit and loss account show a true and correct state of the combined companies' affairs as at 31st December, 1945, and of the results of their operations for the year ended 31st December, 1945, as shown by the books of the companies. All our requirements as auditors have been complied with.

Toronto, Canada, 21st March, 1946.

STRIES LIMITED

(Ontario Companies Act)

Subsidiaries

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

W & GEAR LIMITED and

HOLDINGS LIMITED

STATEMENT AS AT 31st DECEMBER, 1945

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued charges	\$1,103,281.53
Reserve for taxes on income less instalments paid	244,330.35
Total current liabilities	<u>\$1,347,611.88</u>

RESERVE FOR CONTINGENCIES

	1,169,705.01
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PREFERRED SHARES OF CANADA CYCLE AND MOTOR COMPANY LIMITED:

Authorized and issued—10,000 5% cumulative 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 4,010 shares redeemed, of which 7 were redeemed during 1945	401,000.00
	<u>599,000.00</u>

CAPITAL OF RUSSELL INDUSTRIES LIMITED:

Authorized and outstanding—	
2,155 7% cumulative convertible preference shares of a par value of \$100 each	\$ 215,500.00
148,450 common shares of a par value of \$10 each	1,484,500.00
	<u>\$1,700,000.00</u>

NOTE: 6,845 preference shares have been converted to 68,450 common shares, of which 904 preference shares were converted during 1945.

SURPLUS

	3,998,325.11
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DEFERRED SURPLUS:

Refundable portion of taxes on income	392,102.31	6,090,427.42
		<u>\$9,206,744.31</u>

THE SHAREHOLDERS

Subsidiaries, Canada Cycle and Motor Company Limited (and its United States subsidiary, C.C.M. Incorporated), and the attached consolidated statements of profit and loss and surplus for the year ended on that date. We have examined or tested accounting records but we did not make a detailed audit of the transactions. The same are not included in the attached consolidated statement of profit and loss except to the extent of the dividends of the sub-sub-subsidiaries.

The statements of profit and loss and surplus have been drawn up so as to exhibit a true and correct view of the financial position for the year ended on that date, according to the best of our information, and the explanations given us and

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

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

CANADIAN ACME SCREW & GEAR LIMITED

and

WEST TORONTO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the Year Ended 31st December, 1945

Profit from operations after providing for depreciation of \$308,261.51 but before providing for taxes on income.....		\$1,021,600.70
ADD:		
Interest and dividends.....	\$ 82,855.52	
Profit on disposal of capital assets.....	15,264.89	
Sundry income.....	12,838.72	110,959.13
Profit before provision for taxes on income and for contingencies.....		\$1,132,559.83
DEDUCT:		
Provision for income and excess profits taxes of which the refundable portion amounts to \$20,800.....	\$522,127.19	
Provision for contingencies.....	65,864.77	587,991.96
Net profit for year transferred to surplus.....		<u>\$ 544,567.87</u>

CONSOLIDATED STATEMENT OF SURPLUS

Balance 1st January, 1945.....		\$3,291,233.75
ADD:		
Over-provision made in prior years for taxes on income including refundable portion of \$104,043.50.....		424,268.89
Net profit for year.....	\$544,567.87	
Less amounts paid in connection with 5% preference shares of Canada Cycle and Motor Company Limited—dividends of 5% and premium on shares redeemed.....	30,011.00	514,556.87
DEDUCT:		\$4,230,059.51
Dividends paid during year by Russell Industries Limited—		
Cumulative convertible preference shares—7%.....	\$ 18,021.50	
Common shares—\$1.20 per share.....	173,106.00	
Adjustment arising out of renegotiation of prior years' war contracts after deducting income and excess profits taxes applicable thereto.....	40,606.90	231,734.40
Balance 31st December, 1945.....		<u>\$3,998,325.11</u>

CONSOLIDATED STATEMENT OF DEFERRED SURPLUS

Balance 1st January, 1945.....		\$ 515,845.81
Add estimated refundable portion of taxes on income for the year ended 31st December, 1945.....		20,800.00
		\$ 536,645.81
Less reduction in refundable portion of prior years' taxes on income arising from adjustment of over-provision of prior years' taxes and renegotiation of war contracts.....		144,543.50
		\$ 392,102.31
Balance 31st December, 1945.....		<u>\$ 392,102.31</u>

(Continued from page 3)

1. Changing each of the Common Shares of the par value of \$10.00 in the capital stock of this Company into 4 Common Shares without nominal or par value in the capital stock of this Company.

2. Varying the provisions contained in the Supplementary Letters Patent respectively dated 18th April, 1911, and 19th February, 1912, and 20th March, 1940, issued to this Company so that

(a) The holders of the 7% Cumulative Preferred Convertible Shares of the par value of \$100.00 each in the capital stock of this Company shall be entitled to forty votes for each of the said 7% Cumulative Preferred Convertible Shares of the par value of \$100.00 in the capital stock of this Company held by them respectively; and

(b) Each of the fully paid up and non-assessable 7% Cumulative Preferred Convertible Shares of the par value of \$100.00 in the capital stock of this Company shall be convertible into .40 fully paid up and non-assessable Common Shares without nominal or par value as follows, viz:

Any holder for the time being of fully paid up and non-assessable 7% Cumulative Preferred Convertible Shares of the par value of \$100.00 each in the capital stock of the Company may convert his Preferred Shares or any of them into fully paid up and non-assessable Common Shares without nominal or par value and the following provisions shall apply to such conversion, that is to say:

(1) The holder who desires so to convert shall give to the Company notice in writing of his desire so to do and such notice shall specify the number of fully paid up and non-assessable Preferred Shares he desires to convert and shall be accompanied by the share certificate relating thereto; and

(2) On the receipt of such notice and certificate the Company shall cause the conversion to be recorded by the Company's Transfer Agent and Registrar in the Company's register of Shareholders and thereupon the conversion shall take effect and a certificate or certificates for a number of fully paid up and non-assessable Common Shares without nominal or par value forty times the number of Preferred Shares thereby converted shall be issued in respect of the said Preferred Shares so converted and thereupon the Preferred Shares of the capital stock of the Company shall be reduced and the Common Shares thereof shall be increased to the extent of such conversion.

PASSED AND ENACTED by the Directors and sealed with the Company's seal this 27th day of February, 1946.

(Sgd.) H. R. TUDHOPE,
President.

Seal

(Sgd.) G. W. SUGGITT,
Secretary.

It is a pleasure to record that a large number of the enlisted employees of the Company and its subsidiaries have now returned to the organization after serving in His Majesty's Forces.

Your Directors and Officers express sincere appreciation of the loyal and effective services rendered by the Company's employees throughout the year.

All of which is respectfully submitted.

H. R. TUDHOPE,
President.

Toronto March 22nd, 1946.

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