

Russell Industries Limited

REPORT OF THE BOARD OF DIRECTORS

ANNUAL MEETING

MARCH 14th, 1939

TO THE SHAREHOLDERS:

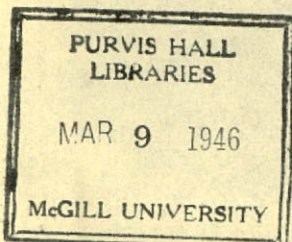
The Report herewith submitted covers the operations of the Company for the twelve months ending December 31st, 1938.

Canada Cycle and Motor Company Limited increased its sales over those of the preceding year. This Company has been gradually extending its lines of manufacture and distribution. Starting originally as a bicycle company, it continues to manufacture or merchandise bicycles and parts, but has added a wide range of accessories and equipment used for bicycles; hockey, pleasure and figure skates; hockey boots and equipment; hockey sticks and hockey accessories generally; tennis racquets; children's vehicles, including tricycles, wagons, etc. This variety of product has enabled the Company to operate on an unusually steady scale throughout the year. In the period under review, it added additional floor space and also several important items of new machinery in an endeavour to keep the facilities and equipment up to date.

The sales of Canadian Acme Screw & Gear Limited showed a moderate recession from the year 1937 due to lesser sales of motor cars. Volume of business was, however, reasonably satisfactory and the Company commences the new year with considerable business booked for the Spring season. No dividends were paid as the Company still finds it advisable to add to the plant and equipment to be in a position to economically handle the volume of business it is securing.

Pursuant to authority conferred by By-Law passed at the Special General Meeting of Shareholders held on February 19th, 1938, application was made for the change of name of your Company from "Russell Motor Car Company Limited" to "Russell Industries Limited." The change of name became effective on March 7th, 1938.

The previous Annual Statement included reference to the retirement of 2,400 of the Company's Preference Shares. These shares were retired and paid off as of March 1st, 1938, leaving the number of Preference Shares outstanding at 9,600.



STATEMENT OF PROFIT AND LOSS IS AS FOLLOWS:

Balance brought forward January 1, 1938.....	\$450,497.96		
DEDUCT: Premium on Cumulative Preference Shares redeemed.....	24,000.00	\$426,497.96	
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Net Gain for year ending December 31, 1938.....	\$265,169.74		
DEDUCT: Dividend on Cumulative Preference Shares for year ending December 31, 1938.....	\$ 70,008.00		
Dividend on Common Shares for year ending December 31, 1938.....	56,000.00	126,008.00	139,161.74
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Balance carried forward December 31, 1938.....			<u>\$565,659.70</u>

The Net Gain for the year is considerably larger than the preceding year, due mainly to a special dividend payment during the period by Canada Cycle and Motor Company Limited.

A small reduction in the item of Investments and a moderate increase in Bank advances are due to retirement, as above referred to, of 2,400 Shares of Preference Stock at a price of \$264,000.00.

Dividends of 1 $\frac{3}{4}$ % were paid quarterly on the Preference Stock. Quarterly dividends of 1 $\frac{1}{2}$ % were also paid on the Common Stock, and in addition, a special dividend of 1%, payable December 31st, 1938, making the total dividend on the Common Stock 7%.

Statement of Assets and Liabilities as of December 31st, 1938, is submitted herewith.

The Accounts of the Company have been duly audited and certified to by Messrs. Edwards, Morgan and Company, Chartered Accountants.

Since the close of the financial year, your Directors have approved of action by Canada Cycle and Motor Company Limited to change its present capital stock into 10,000 5% Cumulative Redeemable Sinking Fund First Preference Shares and 100,000 Common Shares of no par value, all of which are outstanding. The Preference Shares have been sold to A. E. Ames & Co. Limited, Toronto, by whom a public offering is being made. All of the Common Shares will be retained by Russell Industries Limited. Your Directors believe that this transaction will strengthen the position of your Company.

All of which is respectfully submitted,

T. A. RUSSELL,
President.

Due to the many changes, particularly changes in the Companies' Act of the Province of Ontario, that have taken place since the inception of the Company, your Directors considered it expedient to consolidate the By-Laws governing the conduct of the affairs of the Company. Your Directors therefore passed By-Law No. 25 of the Company providing for Consolidated By-Law No. 1 of the Company, entitled "A By-Law relating generally to the transaction of the business and affairs of Russell Industries Limited" and Consolidated By-Law No. 2 of the Company entitled "A By-Law respecting the borrowing of money and the issue of securities by Russell Industries Limited." The Annual General Meeting of Shareholders is therefore also being held as a Special General Meeting of Shareholders, and your Directors will submit for your consideration and, if thought fit, your confirmation, the Consolidated By-Laws above mentioned.

RUSSELL INDUSTRIES LIMITED

(INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ONTARIO)

Balance Sheet, December 31st, 1938

ASSETS

Cash in Bank.....	\$	659.91	
Accounts Receivable (includes Cash Surrender Value of Life Insurance Policy \$32,274.13).....		34,881.25	\$ 35,541.16
INVESTMENTS AT BOOK VALUE:			
Preferred Stocks of Industrial Companies.....		\$202,727.80	
Common Stocks of Industrial Companies.....		227,445.40	
Common Stocks of Railway and Public Utility Companies		27,712.86	
Bank Stocks.....		38,476.21	496,362.27
			\$ 531,903.43
Investments in Allied and Subsidiary Companies.....			2,469,162.25
Office Furniture and Fixtures.....			1.00
			\$3,001,066.68

LIABILITIES

Bankers' Advances.....	\$	119,000.00	
Reserves for Investments, etc.....			556,406.98
CAPITAL STOCK—			
9,600 7% Cumulative Preference Shares, par value \$100.00		\$960,000.00	
8,000 Common Shares, par value \$100.00.....		800,000.00	1,760,000.00
(NOTE: 2,400 7% Cumulative Preference Shares, par value \$100.00, were redeemed and cancelled as at March 1, 1938.)			\$2,435,406.98
Profit and Loss Account.....			565,659.70
			\$3,001,066.68

We have audited the books of Russell Industries Limited for the year ending December 31, 1938, and we certify that our requirements as Auditors have been complied with.

We also certify that the foregoing Balance Sheet is in accord with the books and, in our opinion, correctly states the position of the Company on that date.

February 23, 1939.

(Sgd.) EDWARDS, MORGAN & CO.,
Chartered Accountants.

Russell Industries Limited

1938

ANNUAL REPORT

RUSSELL INDUSTRIES LIMITED

Head Office - - - TORONTO

Directors:

T. A. RUSSELL, Esq., President
H. R. TUDHOPE, Esq., Vice-President
J. W. GIBSON, Esq.
C. J. HARRIS, Esq.
G. S. BRADEN, Esq.
T. B. RUSSELL, Esq.
N. P. PETERSEN, Esq.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TORONTO, March 1st, 1939.

NOTICE is hereby given that the Annual General Meeting of the Shareholders of Russell Industries Limited will be held at the Head Office of the Company, 207 Weston Road South, Toronto, Ontario, on Tuesday, the 14th day of March, 1939, at 11.30 a.m., to receive the Report of the Board of Directors, the Financial Statements of the Company and the Report of the Company's Auditors for the past year; to elect Directors; to appoint Auditors to hold office until the next Annual General Meeting; and generally to transact such other business as may be properly brought before the Meeting.

FURTHER NOTICE is hereby given that the said Meeting is also called as a Special General Meeting of Shareholders especially for the purpose of considering, and if thought fit, approving, ratifying, sanctioning and confirming By-Law No. 25 of the Company entitled "A By-Law providing for Consolidated By-Laws of Russell Industries Limited," providing for Consolidated By-Law No. 1 of the Company entitled "A By-Law relating generally to the transaction of the business and affairs of Russell Industries Limited" and Consolidated By-Law No. 2 of the Company entitled "A By-Law respecting the borrowing of money and the issue of securities by Russell Industries Limited."

A copy of the Annual Statement is enclosed, also a form of proxy which, if you are unable to attend the Meeting, kindly sign and return to the undersigned.

By order of the Board,

G. W. SUGGITT,
Secretary.