

Russell Industries Limited

REPORT OF THE BOARD OF DIRECTORS

ANNUAL MEETING

MARCH 6th, 1940

TO THE SHAREHOLDERS:

The Report herewith submitted covers the operations of the Company for the twelve months ending December 31st, 1939.

STATEMENT OF PROFIT AND LOSS IS AS FOLLOWS:

Balance brought forward January 1, 1939.....	\$565,659.70		
DEDUCT: Premium on Cumulative Preference Shares Redeemed.....	15,000.00	\$550,659.70	
Net Gain for year ending December 31, 1939.....	\$154,466.50		
DEDUCT: Dividend on Cumulative Preference Shares for year ending December 31, 1939.....	\$66,852.00		
Dividend on Common Shares for year ending December 31, 1939.....	56,000.00	122,852.00	31,614.50
Balance carried forward December 31, 1939.....		\$582,274.20	

The difference in the net gain for the year, compared with that for the preceding year, is due to the fact that there was a special dividend of \$135,000 paid by Canada Cycle & Motor Company, Limited in the year 1938.

The Balance Sheet reflects the increased holdings of outside securities resulting from the proceeds of the sale of 10,000 5% Cumulative Redeemable Sinking Fund First Preference Shares of Canada Cycle & Motor Company, Limited.

During the year, dividends of 1 $\frac{3}{4}$ % were paid quarterly on both the Preference and Common Shares of the Company.

Your Company owns all of the Common Shares of Canada Cycle & Motor Company, Limited except Directors' qualifying shares and approximately 91% of the outstanding shares of Canadian Acme Screw & Gear, Limited.

The outbreak of war caused considerable disturbance to the European business of Canada Cycle & Motor Company, Limited. However, the total sales of the Company for the year showed an increase of approximately 10% over 1938. After payment of dividends on the 5% Cumulative Redeemable Sinking Fund First Preference Shares and dividends amounting to \$106,000.00 on the outstanding Common Shares, a balance of \$222,028.00 was carried forward to the Profit and Loss Account. The Company in maintaining its policy of keeping the plant up to date has added an important amount of new equipment.

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The sales of Canadian Acme Screw & Gear, Limited were about the same as for the year 1938 and the profits after all provisions amounted to \$120,423.00. No dividends were declared or paid, as the Company is continuing to strengthen its working capital and add to its plant and equipment to enable it not only to take care of its regular lines but also to undertake war work of a character which our equipment and personnel puts us in a position to efficiently handle.

During the year, neither Company did any munition or war work. There is, however, a probability that one or both Companies may be engaged on a moderate scale on war orders during the year 1940.

Since the beginning of the year, both of the Companies have made moderate wage increases. This was done partly in recognition of loyal services rendered and partly because we believed that increased living expenses would have to be faced during the present year. The scale of wages now paid by both Companies is the highest in their history.

In September of 1939, an offer was made by the Company to purchase 1,600 shares of the Preference Stock. In response, Shareholders tendered 600 shares for retirement. These shares have been retired and paid off as of December 1st, 1939, leaving the number of Preference Shares outstanding at 9,000.

Your Directors have considered that it would be in the interests of the Company and its Shareholders if its shares enjoyed a wider distribution, particularly among employees of the Company and of its subsidiaries. They have accordingly approved of a plan to change the Common Stock from 8,000 shares of \$100.00 par value to 80,000 shares of \$10.00 par value. To make this effective, they have therefore passed the following By-Law which will be submitted at a Special General Meeting of the Shareholders:

A By-Law authorizing an application for Supplementary Letters Patent subdividing each of the shares of the par value of \$100 in the Common Stock of the Company into 10 shares of the par value of \$10 each and providing one vote for each \$10 in par value of the Preferred and Common Shares of the Company.

WHEREAS the authorized capital stock of Russell Industries Limited consists of 9,000 7% Cumulative Preferred Convertible Shares of the par value of \$100 each and 8,000 shares of the par value of \$100 each known as the Common Stock of the Company, all of which have been issued, are fully paid-up, non-assessable and outstanding;

AND WHEREAS it is deemed expedient in the best interests of the Company to subdivide the said 8,000 shares of the par value of \$100 each known as the Common Stock of the Company into 80,000 Common Shares of the par value of \$10 each by subdividing each of the said 8,000 shares of the par value of \$100 each into 10 Common Shares of the par value of \$10 each;

AND WHEREAS it is deemed expedient in the best interests of the Company that Supplementary Letters Patent issued to the Company should provide that each Shareholder who is entitled to vote shall be entitled to one vote for each \$10 in par value of shares which he holds in the Capital Stock of the Company;

NOW THEREFORE BE IT ENACTED by the Directors of RUSSELL INDUSTRIES LIMITED as a By-Law of the said Company as follows:

1. That, subject to confirmation of this By-Law at a Special General Meeting of Shareholders duly called for considering the same, an application be made to the Lieutenant-Governor for the issue of Supplementary Letters Patent providing:—
 - (a) That the existing 8,000 shares of the par value of \$100 each known as the Common Stock of the Company, all of which are issued, fully paid-up, non-assessable and outstanding, be subdivided into 80,000 shares of the par value of \$10 each, such change to be effected by subdividing each of the said 8,000 shares into 10 issued fully paid-up, non-assessable and outstanding Common Shares of the par value of \$10 each;
 - (b) That the holders of 7% Cumulative Preferred Convertible Shares and Common Shares who are entitled to vote shall be entitled to one vote for each \$10 in par value of shares which they hold in the Capital Stock of the Company.

Statement of Assets and Liabilities as of December 31st, 1939, is submitted herewith.

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

All of which is respectfully submitted,

T. A. RUSSELL,
President.

RUSSELL INDUSTRIES LIMITED

(INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ONTARIO)

Balance Sheet, December 31st, 1939

ASSETS

CASH IN BANKS:			
Current Accounts.....	\$34,105.16		
Savings Accounts.....	76,222.51	\$110,327.67	
Call Loans.....		50,000.00	
Cash Surrender Value of Life Insurance.....		32,779.79	
Accounts Receivable.....		4,599.29	\$ 197,706.75
INVESTMENTS AT BOOK VALUE:			
Dominion of Canada Treasury Bills.....	\$449,074.80		
Guaranteed Trust Investment Certificate.....	50,000.00		
Provincial Government Bonds.....	20,175.00		
Bonds and Preferred Stocks of Industrial Companies.....	163,129.77		
Common Stocks of Industrial Companies.....	230,507.01		
Common Stocks of Railway and Public Utility Companies...	28,877.76		
Bank Stocks.....	26,623.92		
Mortgage Receivable.....	116,215.94		
(Market Value of Investments—\$1,097,528.87)			1,084,604.20
			\$1,282,310.95
Investments in Allied and Subsidiary Companies.....			1,499,962.25
Office Furniture and Fixtures.....			1.00
			<u>\$2,782,274.20</u>

LIABILITIES

Reserves for Investments, Etc.....		\$ 500,000.00	
CAPITAL STOCK—			
9,000 7% Cumulative Preference Shares—Par Value \$100.00	\$900,000.00		
8,000 Common Shares—Par Value \$100.00.....	800,000.00	1,700,000.00	
			\$2,200,000.00
(NOTE: 600 7% Cumulative Preference Shares, Par Value \$100.00, were purchased on tender and cancelled December 1, 1939.)			
Profit and Loss Account.....			582,274.20
			<u>\$2,782,274.20</u>

We have audited the books of Russell Industries Limited for the year ending December 31, 1939, 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 21, 1940

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

1939

ANNUAL REPORT

**RUSSELL INDUSTRIES
LIMITED**

Head Office - - - TORONTO

Directors:

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

Officers:

T. A. RUSSELL, President
H. R. TUDHOPE, Vice-President
G. W. SUGGITT, Secretary and Treasurer

Russell Industries Limited

**NOTICE OF ANNUAL AND SPECIAL
GENERAL MEETING OF SHAREHOLDERS**

TORONTO, February 24, 1940.

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 Wednesday, the 6th day of March, 1940, at 11.30 a.m., to receive the report of the Directors and Financial Statements for the past year; to elect Directors; to appoint Auditors to hold office until the next Annual Meeting; and generally to transact any other business relating to the Company's affairs which may be brought before the Meeting.

FURTHER NOTICE is hereby given that the said Meeting will be held also as a Special General Meeting of Shareholders especially for the purpose of considering, and if thought fit, confirming By-Law No. A.C. 1 (1940) of the Company (a copy of which appears in the accompanying report) and By-Law No. A.C. 2 (1940) of the Company; By-Law No. A.C. 2 (1940) amends Consolidated By-Law No. 1 in relation to voting at meetings of the Company so that each shareholder entitled to vote will have one vote for each \$10 in par value of the Preferred and Common Shares held in the capital stock of the Company; By-Law No. A.C. 2 (1940) is submitted for confirmation contingent upon confirmation of By-Law No. A.C. 1 (1940) and to obviate the necessity of amending the Consolidated By-Laws of the Company upon the issue of Supplementary Letters Patent to the Company pursuant to By-Law No. A.C. 1 (1940); also considering, and if thought fit, confirming a By-Law authorizing the Company to make application for Supplementary Letters Patent extending the corporate objects of the Company to have "Power to lend money on the security of a mortgage on land or real estate to a corporation in which the Company holds at least 51% of the issued voting shares of the stock of the said Corporation and to dispose of any such Mortgage."

A copy of the Annual Statement is enclosed, also a proxy form 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.