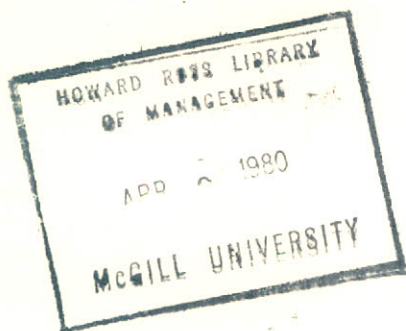


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# ANNUAL REPORT



Yarns Limited



1979



# RIVERSIDE YARNS LIMITED

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**Directors**

J. BOECKH  
D.M. DEACON  
S.E. EDWARDS, Q.C.  
A. GOLD  
WM. W. LAIRD, Q.C.  
E. LAWRENCE  
B.J. PATERAS, Q.C.  
J.G. WEIR

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**Officers**

WM. W. LAIRD, Q.C.  
Chairman  
E. LAWRENCE  
President  
S.E. EDWARDS, Q.C.  
Secretary  
R. SONES  
General Manager  
O. LANGLAIS, JR.  
Treasurer-Controller

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**Head Office and Plant**

Cornwall, Ontario

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**Banker**

THE TORONTO DOMINION BANK

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**Solicitors**

FRASER & BEATTY

---

**Transfer Agents and Registrars**

NATIONAL TRUST COMPANY  
Toronto

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**Auditors**

TOUCHE ROSS & CO.  
Chartered Accountants  
Cornwall, Ontario

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**Annual Meeting**

April 24th, 1980 - 11:00 a.m.  
Head Office,  
Cornwall, Ontario

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# RIVERSIDE YARNS LIMITED

## REPORT TO THE SHAREHOLDERS

Riverside Yarns continued to benefit from measures taken by the Canadian Government in previous years to bring more stability to the domestic market. Shipments of textured yarns in 1979 increased over 1978 levels, although some softening in the circular knit market was evident during the second half of the year. Our product mix continued to diversify particularly into those segments of the market consuming co-mingled yarns.

A 77,000 sq. ft. addition to our Cornwall plant was completed during the third quarter of 1979 and start-up of most of the new high speed texturing facilities was complete by year end. As a result of the addition of new Barmag texturing machines, it is anticipated that a significant portion of our shipments will be directed to export markets during the coming year.

It is becoming more and more apparent to companies operating modern texturing facilities that the technology involved in operation of these high speed machines requires a greater degree of technical and operating skills than was required with the slower speed equipment. Accordingly, your Company significantly strengthened its technical and production capabilities during the year in order to meet these new demands.

Our labour force increased from about 250 employees at the beginning of the period to slightly over 300 by year end. The contract signed with the Union early in 1979 was for a two year period and remains in effect until January 1981.

With the addition of the new texturing facilities, and a significantly strengthened organization, your Company is in a particularly good position to take advantage of growth in the domestic and export marketplace during the coming year.

On behalf of the Board of Directors

E. LAWRENCE  
President

**RIVERSIDE YARNS LIMITED**  
(Incorporated under the laws of Ontario)  
**BALANCE SHEET AS AT DECEMBER 31, 1979**

	<u>ASSETS</u>	<u>1979</u>	<u>1978</u>
<b>Current</b>			
Cash and short term deposits			
Unrestricted .....		\$ 1,520,469	\$ 947,004
Restricted to repayment of current portion of long term debt.		—	400,000
Accounts receivable .....		143,661	92,517
Inventories .....		26,948	13,112
Prepaid expenses .....		399,123	268,425
		2,090,201	1,721,058
Fixed assets - Note 2 .....		9,004,889	5,869,282
Deferred financing charges .....		28,179	52,778
Other .....		88,529	92,696
		\$11,211,798	\$ 7,735,814
 <b><u>LIABILITIES</u></b>  			
<b>Current</b>			
Accounts payable and accrued liabilities .....		\$ 965,113	\$ 625,086
Dividends payable .....		30,000	—
Principal due within one year on long term debt - Note 3 .....		3,037,800	1,972,400
		4,032,913	2,597,486
Long term debt - Note 3 .....		6,667,728	4,970,200
		\$10,700,641	\$ 7,567,686
 <b><u>SHAREHOLDERS' EQUITY</u></b>  			
<b>Capital stock - Note 4</b>			
Authorized			
120,000 class A \$.50 cumulative convertible voting shares			
without par value			
1,500,000 common shares without par value			
Issued			
120,000 class A shares } .....		358,000	358,000
170,000 common shares }			
Retained earnings (deficit) .....		153,157	(189,872)
		511,157	168,128
		\$11,211,798	\$ 7,735,814

Approved by the Board

E. LAWRENCE, Director  
WM. W. LAIRD, Q.C., Director

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

# RIVERSIDE YARNS LIMITED

## STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1979

	<u>1979</u>	<u>1978</u>
Revenues .....	\$ 9,433,231	\$ 7,036,002
Processing and administrative expenses.....	6,548,522	4,723,772
Income before undernoted items.....	<u>2,884,709</u>	<u>2,312,230</u>
Depreciation.....	1,669,668	1,357,473
Interest on long term debt.....	817,413	606,843
Amortization of deferred financing charges.....	24,599	26,710
Other interest.....	<u>—</u>	<u>2,403</u>
	<u>2,511,680</u>	<u>1,993,429</u>
Income before income taxes and extraordinary item.....	373,029	318,801
Income taxes - Note 6.....	<u>144,000</u>	<u>130,000</u>
Income before extraordinary item.....	229,029	188,801
Extraordinary item - Note 5.....	<u>144,000</u>	<u>130,000</u>
Net income.....	<u><u>\$ 373,029</u></u>	<u><u>\$ 318,801</u></u>
Earnings per common share - Note 4(e)		
Income before extraordinary item.....	<u>\$ .99</u>	<u>\$ .76</u>
Net income.....	<u><u>\$ 1.84</u></u>	<u><u>\$ 1.52</u></u>

### STATEMENT OF RETAINED EARNINGS

Deficit at beginning of year.....	\$ 189,872	\$ 508,673
Net income.....	<u>373,029</u>	<u>318,801</u>
	183,157	189,872
Dividends declared.....	<u>30,000</u>	<u>—</u>
Retained earnings (deficit) end of year.....	<u><u>\$ 153,157</u></u>	<u><u>\$ (189,872)</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**RIVERSIDE YARNS LIMITED**  
**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
 FOR THE YEAR ENDED DECEMBER 31, 1979

	<u>1979</u>	<u>1978</u>
Working capital derived from		
Operations		
Income before extraordinary item.....	\$ 229,029	\$ 188,801
Add depreciation, amortization and income taxes which do not involve working capital.....	1,838,267	1,514,183
	2,067,296	1,702,984
Transfer of restricted cash and short term deposits to current assets.....	—	200,000
Proceeds from long term debt.....	4,861,028	3,626,000
Decrease in other assets.....	67,200	27,600
	6,995,524	5,556,584
Working capital applied to		
Dividends.....	30,000	—
Additions to fixed assets.....	4,805,275	1,065,735
Additions to other assets.....	63,033	120,296
Reduction of long term debt.....	3,163,500	4,682,075
	8,061,808	5,868,106
Increase in working capital deficiency.....	1,066,284	311,522
Working capital deficiency at beginning of year.....	876,428	564,906
Working capital deficiency at end of year.....	\$1,942,712	\$ 876,428

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

# RIVERSIDE YARNS LIMITED

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1979

### 1. Summary of accounting policies

#### a) Depreciation

The net book value of fixed assets on hand at December 31, 1976 and the cost of subsequent additions are depreciated on the straight line basis at 20% per year.

#### b) Deferred financing charges

Financing charges are amortized over the term of the related debt.

#### c) Investment tax credit

The investment tax credit is recognized in the year it is claimed for tax purposes as a reduction of the current tax provision.

#### d) Leases

Leases entered into prior to January 1, 1979 are accounted for as operating leases regardless of whether or not they qualify as capital leases.

### 2. Fixed assets

	1979			1978
	Cost	Accumulated depreciation	Net	Net
Machinery and equipment	\$13,001,280	\$4,112,966	\$8,888,314	\$5,803,311
Leasehold improvements	150,453	33,878	116,575	65,971
	\$13,151,733	\$4,146,844	\$9,004,889	\$5,869,282

### 3. Long term debt

	1979	1978
<b>Secured</b>		
Term bank loans, at bank prime rate plus 1/2%, through to December 31, 1981 and then, prime plus 3/4% to December 31, 1984. Each payable in sixty monthly instalments.....	\$8,555,528	\$5,092,600
8% debenture, due on December 15, 1982 with blended monthly principal and interest payment of \$12,500.....	400,000	1,000,000
<b>Unsecured</b>		
8% agreement.....	—	100,000
10 1/2% redeemable subordinated debentures, due October 31, 1980.....	750,000	750,000
	9,705,528	6,942,600
Less amount due within one year.....	3,037,800	1,972,400
	\$6,667,728	\$4,970,200

a) The term bank loans and the 8% debenture are secured by the Company's fixed assets and by a floating charge on the Company's undertaking and its other property and assets, both present and future, subject to the right of the Company to deal with its property and assets in the ordinary course of business.



b) The holders of the 10 1/2% subordinated debentures are entitled to require prepayment of \$500 principal for each 250 share purchase warrants exercised (see Note 4 (c)).

c) The long term debt is repayable as follows:

1980.....	\$3,037,800
1981.....	2,297,800
1982.....	2,029,200
1983.....	1,096,500
1984.....	1,244,228
	<u>\$9,705,528</u>

#### 4. Capital stock

a) According to the terms of the secured debentures the Company may not, without prior written approval:

- i) Declare or pay any dividends on or make any distribution in respect of its common shares.
- ii) Make any change in its authorized or issued capital stock except in the manner outlined in b and c below.

b) The class A shares are convertible into common shares on the basis of one common share for each two class A shares converted.

c) Share purchase warrants issued with the 10 1/2% redeemable subordinated debentures entitle the holders thereof to purchase in the aggregate 187,500 common shares at a price of \$2.00 per common share up to October 31, 1980.

d) After payment of the dividend accrued at December 31, 1979, dividends on class A shares are in arrears in the amount of \$3.50 per share totalling \$420,000.

e) Fully diluted earnings per common share would be \$.55 before extraordinary item and \$.89 after extraordinary item.

#### 5. Extraordinary item

The extraordinary item of \$144,000 (1978 - \$130,000) results from the income tax reduction realized by claiming capital cost allowance in excess of depreciation recorded in the accounts.

#### 6. Income tax

The Company has available an excess of undepreciated capital cost over net book value of fixed assets less other items deferred in the accounts but already claimed for tax purposes of approximately \$365,000 (1978 - \$690,000). The tax effect has not been recorded in the accounts.

#### 7. DuPont agreement

The Company has entered into an agreement with DuPont Canada Inc. which commits the Company's processing facilities exclusively to DuPont until mid 1982, with options by DuPont to extend the agreement. DuPont may terminate the agreement under certain specified circumstances. The Company has no right of termination.

The Company has agreed to use a specific portion of the cash received under this agreement for repayment of fixed asset financing.

#### 8. Commitments

The Company rents its land and buildings under a thirty year lease effective September 1, 1975 at an annual rent of approximately \$1,100,000, of which approximately \$540,000 pertains to the 1979 expansion of the premises. The rent may be adjusted depending on any changes in the lessor's financing arrangements. A director of the Company is the beneficial owner of 32.1% of the lessor company's outstanding equity shares.

This lease qualifies as a capital lease. If the Company accounted for this lease as a capital lease rather than an operating lease the following changes in the financial statements would occur.

- i) Assets under capital lease would be shown on the balance sheet in the amount of \$7,499,000 (1978 - \$4,199,000) less accumulated amortization of \$533,387 (1978 - \$379,439).

ii) Obligations under capital lease in the amount of \$7,442,754 (1978 - \$4,162,201) would be included in liabilities.

iii) Although capitalization of the lease would result in an increased charge to operations of approximately \$133,000 (1978 - \$127,000), as a result of the agreement referred to in Note 7, net income for the year would not be affected.

9. Remuneration of directors and officers

Remuneration of directors and senior officers amounted to \$214,099 (1978 - \$186,299).

**AUDITORS' REPORT**

The Shareholders  
Riverside Yarns Limited

We have examined the balance sheet of Riverside Yarns Limited as at December 31, 1979 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cornwall, Ontario  
February 28, 1980

TOUCHE ROSS & CO.  
Chartered Accountants

# RIVERSIDE YARNS LIMITED

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## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

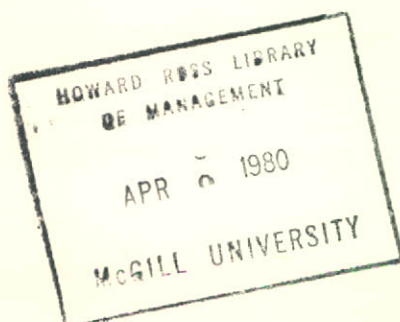
NOTICE IS HEREBY GIVEN that the annual meeting of the shareholders of RIVERSIDE YARNS LIMITED (hereinafter called the "Corporation") will be held at the offices of the Corporation, 600 Campbell Street, Cornwall, Ontario, on Thursday, the 24th day of April, 1980, at the hour of 11:00 o'clock in the forenoon (Eastern Standard Time) for the following purposes:

1. to receive the financial statements of the Corporation for the fiscal year ended December 31, 1979 together with the reports of the President and auditors thereon;
2. to elect directors;
3. to appoint auditors and authorize the board of directors to fix the remuneration of such auditors; and
4. to transact such further and other business as may properly come before the meeting or any adjournment or adjournments thereof.

DATED at Toronto this 28th day of March, 1980.

By order of the Board,

S. E. EDWARDS,  
Secretary



NOTE: If you are unable to be present personally at the meeting and are the holder of common shares without par value or Class A shares without par value of the Corporation, please complete, date, sign and return the enclosed form of proxy in the envelope provided for that purpose.

## INFORMATION CIRCULAR

The information contained in this circular is furnished in connection with the solicitation of proxies by or on behalf of the management of RIVERSIDE YARNS LIMITED (hereinafter called the "Corporation") for use at the annual meeting of shareholders of the Corporation (hereinafter called the "meeting") to be held at the offices of the Corporation, 600 Campbell Street, Cornwall, Ontario, on Thursday, the 24th day of April, 1980 at the hour of 11:00 o'clock in the forenoon (Eastern Standard Time) and at any adjournment or adjournments thereof for the purposes set forth in the accompanying notice of meeting. Solicitation of proxies will be primarily by mail but proxies may also be solicited personally or by telephone by regular employees of the Corporation. The cost of solicitation will be borne by the Corporation.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The holders of common shares without par value (hereinafter called "common shares") and the holders of Class A shares without par value (hereinafter called "Class A shares") of the Corporation will be entitled to vote at the meeting. Each holder of common shares and each holder of Class A shares of the Corporation, of record at the close of business on April 22, 1980 is entitled to one vote for each such share held. As at the date hereof there are 170,000 common shares and 120,000 Class A shares of the Corporation outstanding.

### ELECTION OF DIRECTORS

The following are the names of the persons for whom it is intended that votes will be cast for their election as directors pursuant to the proxy which is hereby solicited: James C. Boeckh, Donald M. Deacon, Stanley E. Edwards, Abe Gold, William W. Laird, Edward Lawrence, Bruno J. Pateras and John G. Weir.

The term of office for each such person will be until the next annual meeting of shareholders or until his successor is elected or appointed. In the event that prior to the meeting any vacancies occur in the aforementioned nominees it is intended that discretionary authority shall be exercised to vote the proxy for the election of any other person or persons as directors.

### INFORMATION CONCERNING NOMINEES AS DIRECTORS

<u>Name and Present Principal Occupation</u>	<u>Year first became a Director</u>	<u>Approximate number of shares of the Corporation beneficially owned, directly or indirectly or over which control or direction is exercised</u>	
		<u>Common Shares</u>	<u>Class A Shares</u>
James C. Boeckh, Company director	1976	6,800	800
Donald M. Deacon, Chairman of the Board, F. H. Deacon, Hodgson Inc. (Investment Dealers and Stock Brokers)	1976	5,820	120

## **MANAGEMENT AND CONSULTING AGREEMENTS**

The Corporation is a party to an agreement with Montor Management Limited for three years commencing January 1, 1979 whereby Montor Management Limited is engaged to provide the consulting services of Mr. Abe Gold to the Corporation at an annual fee of \$30,000. Montor Management Limited was paid \$30,000 during the Corporation's fiscal period ended December 31, 1979 pursuant to such agreement.

Montor Management Limited, Suite 202, 99 Avenue Road, Toronto, Ontario is an Ontario corporation incorporated to provide management services and is controlled by Mr. Abe Gold, 5500 MacDonald Avenue, Montreal, Quebec.

The Corporation is a party to an agreement with Clement Consulting Services Limited for three years from January 1, 1979 whereby Clement Consulting Services Limited is engaged to provide the management and consulting services of Mr. Edward Lawrence to the Corporation for an annual fee of \$30,000. Clement Consulting Services Limited was paid \$30,000 during the Corporation's fiscal period ended December 31, 1979 pursuant to such agreement.

Clement Consulting Services Limited, Suite 719, 68 Yonge Street, Toronto, Ontario, is an Ontario corporation incorporated to provide management and consulting services and is controlled by Mr. Edward Lawrence, 400 Walmer Road, Apartment 804, Toronto, Ontario.

## **APPOINTMENT, REVOCATION AND VOTING OF PROXIES**

A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT FOR HIM AND ON HIS BEHALF AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE FORM OF PROXY ACCOMPANYING THIS INFORMATION CIRCULAR. To exercise this right, the shareholder should either (i) insert the name of the desired person in the blank space provided in the form of proxy and strike out the other names, or (ii) submit another appropriate proxy and, in either case, send the proxy to the Secretary of the Corporation or deliver it to the chairman of the meeting at the meeting.

A shareholder executing the enclosed form of proxy has the power to revoke it at any time before it is exercised. Section 116(4) of The Business Corporations Act (Ontario) sets out a procedure for revoking proxies by the deposit of an instrument in writing at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof or with the chairman of the meeting on the day of the meeting.

The form of proxy affords a shareholder an opportunity to specify that the shares registered in his name shall be voted or be withheld from voting in respect to the election of directors and/or the appointment of auditors. Unless a shareholder specifies that his shares are to be withheld from voting, his shares will be voted with respect to the election of directors and the appointment of auditors as well as on all other matters which properly come before the meeting.

It is not intended to use the proxies hereby solicited for the purpose of voting upon the financial statements of the Corporation as at December 31, 1979 or the reports of the auditors and directors thereon.

The form of proxy confers discretionary authority with respect to amendments and variations to the matters identified in the notice of meeting and other matters which may properly come before the meeting.

**DIRECTORS' AND OFFICERS'  
REMUNERATION FROM THE CORPORATION FOR THE FISCAL YEAR  
ENDED DECEMBER 31, 1979**

	Nature of Remuneration		
	<u>Aggregate Remuneration</u>	<u>Pension Benefits</u>	<u>Retirement Benefits</u>
Directors (Total Number: 8)	\$ 56,500.00	NIL	NIL
5 Senior Officers	\$157,599.00	NIL	NIL
Totals	<u>\$214,099.00</u>	<u>NIL</u>	<u>NIL</u>

Note: The Corporation does not have any wholly-owned or partially-owned subsidiaries.

**APPOINTMENT OF AUDITORS**

It is intended to vote the shares represented by the proxies hereby solicited to re-appoint the firm of Touch Ross & Co., the present auditors, as auditors of the Corporation to hold office until the next annual meeting of shareholders. Messrs. Touche Ross & Co. were first appointed auditors of the Corporation on June 29, 1978.

**INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Pursuant to a lease with David Realty Corp. ("David Realty") dated the 21st day of July, 1975 as amended by indentures dated September 22, 1975 and as of November 1, 1975 the Corporation leases its premises in Cornwall, Ontario at an annual rental of \$557,873. The original term of the lease has 25 years remaining and the Corporation has renewal options for a further 10 year period and a further period of 9 years and 9 1/2 months.

During 1979 a 77,000 square foot addition was constructed to the 95,000 square foot building by David Realty at the Corporation's request. The Corporation took possession of the additional space on December 1, 1979. The Corporation and David Realty have agreed to enter into a further amendment to the lease so that it includes the addition and to provide for an increased rental. The additional monthly rental will be made up of two components: a principal component which will be the amount required to amortize the cost of construction of the addition, which is presently estimated to be \$3,500,000, over the balance of the term of the lease; and an interest component which will be the amount which is equivalent to the monthly interest payment on the principal from time to time outstanding, determined as above, calculated at a rate 1 1/2% above the rate being charged David Realty by its banker.

David Realty, Suite 201, 7200 Hutchinson Street, Montreal, Quebec is a Quebec company and Mr. Abe Gold, a director of the Corporation is the beneficial owner of 32.1% of its outstanding equity shares. Associates of Mr. Gold own a further 11.4% of the outstanding equity shares of David Realty.

<u>Name and Present Principal Occupation</u>	<u>Year first became a Director</u>	Approximate number of shares of the Corporation beneficially owned, directly or indirectly or over which control or direction is exercised	
		<u>Common Shares</u>	<u>Class A Shares</u>
Stanley E. Edwards, Q.C., Partner, Fraser & Beatty, (Toronto Legal Firm)	1961	405	300(3)
Abe Gold, President, Marks & Spencer Canada Inc. (Retailer of family clothing)	1967	35	(4)
William W. Laird, Q.C., Solicitor	1967	8,100	8,550(5)
Edward Lawrence, Company director	1975	500	100(6)
Bruno J. Pateras, Q.C., Partner, Pateras & Iezzoni (Montreal Legal Firm)	1978		(7)
John G. Weir, Sales Executive, Wood Gundy Limited (Investment Dealers and Stock Brokers)	1976	400	8,550

Notes:

- (1) All nominees as directors have continuously served as directors of the Corporation from the years indicated.
- (2) The directors of the Corporation have not established an Executive Committee but have established an Audit Committee composed of four directors, the current members of which are J. C. Boeckh, W. W. Laird, E. Lawrence and J. G. Weir.
- (3) Mr. Stanley Edwards is Secretary of the Corporation.
- (4) Mr. Abe Gold is deemed by applicable legislation to own a further 6,885 common shares and 10,898 Class A shares beneficially owned by Montor Management Limited, a corporation which he controls.
- (5) Mr. William Laird is Chairman of the Board of the Corporation.
- (6) Mr. Edward Lawrence is deemed by applicable legislation to own a further 8,550 Class A shares beneficially owned by Clement Consulting Services Limited, a corporation which he controls. Mr. Lawrence is President of the Corporation.
- (7) Mr. Bruno Pateras is deemed by applicable legislation to own 8,550 Class A shares beneficially owned by Bruno J. Pateras Holdings Inc., a corporation which he controls.

Management knows of no matters to come before the meeting other than the matters referred to in the notice of meeting. HOWEVER, IF ANY SUCH MATTERS WHICH ARE NOT NOW KNOWN TO THE MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE PROXIES WILL BE VOTED ON SUCH MATTERS IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSON VOTING THE PROXY.

Dated March 28, 1980.





