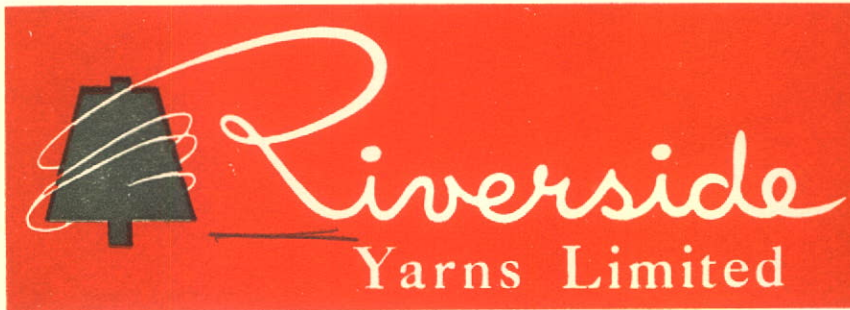
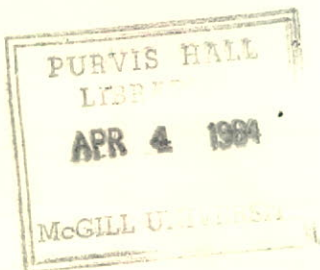


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ANNUAL
REPORT



1963



Directors

R. J. ANDERSON
K. D. BAILEY
D. M. DEACON
J. S. DEACON
S. E. EDWARDS

Officers

J. S. DEACON,
President
D. M. ROGERS, B. Com.
*Vice-President
Development and Sales*
P. W. MOORE,
*Vice-President
Manufacturing*
L. R. DOBBIN, B. Com.
Treasurer and Comptroller
S. E. EDWARDS,
Secretary

Head Office and Plant

GALT, Ontario

Bankers

Royal Bank of Canada

Solicitors

Fraser, Beatty, Tucker,
MacIntosh and Stewart

Transfer Agents and Registrars

National Trust Company,
Toronto.

Auditors

Thorne, Mulholland, Howson &
McPherson.
Chartered Accountants, Toronto

Report of the directors

TO THE SHAREHOLDERS:

Your Directors submit herewith the Annual Report for the year ended December 31, 1963, together with the applicable financial statements and the report of the auditors.

The highlights of the 1963 results as compared with the previous year are as follows:

	1963	1962	Percentage Change Up (Down)
Net Sales	\$ 2,505,176	\$ 2,440,094	3%
Profit before depreciation and profit sharing	167,414	176,200	(5)
Depreciation	99,069	94,888	4
Employees' Profit Sharing	10,252	12,197	(16)
Net Profits	58,093	69,115	(16)
Earnings per Class A Share	1.94	2.30	(16)
Long-Term Debt	310,320	352,860	(12)
Working Capital	345,098	273,019	26

During the year under review, a larger portion of your company's sales than in the previous year were on a commission basis and if the raw yarn costs had been included in the sales figure, the increase would have been greater than indicated above.

The reduction in net profits in contrast to the anticipated increase suggested in last year's annual report was the result of two main factors. The disappointingly low level of sales experienced in the final quarter of 1962 continued until near the end of the third quarter of 1963, after which total sales of your company's products attained new peaks. Losses due to bad debts were unusually large in relation to our normal experience, amounting to well over \$1 per Class A share.

The increases in inventories, accounts receivable, bank loans and accounts payable were occasioned by the high level of activity enjoyed during the closing months of 1963. Capital expenditures were reduced sharply to \$46,323, compared with \$233,418 the previous year. After applying \$42,540 toward the reduction of long-term debt, working capital increased by \$72,079.

Your company's products are marketed under a variety of trade names and are spread across a broad range of synthetic fibres, principally nylon, terylene and polypropylene. These fibres are modified and sold under licence as Ban-Lon* and Tycora* or under our own trade names of Nyloft*, Teryloft* and Proloft*. The modification of synthetic yarns for the increasingly popular stretch fabrics is gaining ever greater importance in our operations. Yarns processed by Riverside are to be found in the hosiery, outerwear and upholstery fields, and in the export markets of Latin America and the United States.

Relations with our work force continue on a very high level, a reflection of the excellent calibre of our employees and their union representatives. Their cooperation with our hard working and enthusiastic management team is being reflected in higher profit margins which we hope will soon result in increased profit sharing by both employees and shareholders.

The company has entered 1964 with yarn sales at a record level with profits showing an appropriate improvement.

On behalf of the Board,

J. S. DEACON,
President.

*Registered Trademarks

Riverside Yarns Limited (Inc

STATEMENT OF FINANCIAL POSITION, December 31, 1963 (With comparative figures for 1962)

ASSETS	1963	1962
Current Assets:		
Accounts receivable, less allowance for doubtful accounts	388,467	319,664
Receivable from Industrial Development Bank....		9,581
Employees' balances re bond subscriptions, secured	3,828	3,318
Inventory, at the lower of cost or market	530,766	422,292
Prepaid expenses	4,888	4,821
	927,949	759,676
Fixed assets, at replacement values as of April 10, 1928 as per appraisal of Dominion Appraisal Co., Limited, with subsequent additions at cost:		
Land	6,600	6,600
Buildings	344,597	335,433
Machinery and equipment	972,839	994,000
	1,324,036	1,336,033
Less Accumulated depreciation	768,457	727,708
	555,579	608,325
Deferred charges to operations	14,128	17,908
	\$1,497,656	\$1,385,909

Notes:

1. Dividends on Class A shares have been paid to July 1, 1953 and arrears at December 31, 1953.
2. The first mortgage sinking fund bonds, Series A, carry warrants for the purchase of common shares at \$1,000 principal amount of bonds. The company is required to redeem \$5,000 of bonds each year until 1957.
3. The Trust Deed securing the Series A bonds restricts the declaration or payment of dividends until 1957 and accordingly no dividends may be paid until future earnings amount to \$400,000. The company is required to declare or pay dividends on its common shares, and it shall not pay dividends until after income taxes) for the previous year exceed \$130,000 and then only if the company has sufficient funds available for the purpose.

TO THE SHAREHOLDERS OF
RIVERSIDE YARNS LIMITED:

We have examined the balance sheet of Riverside Yarns Limited as at December 31, 1963 and a general review of the accounting procedures and such tests of accounting records and other supporting documents as we considered necessary.

In our opinion the accompanying balance sheet and related statements of income and retained earnings for the year ended on that date, in accordance with generally accepted accounting principles

TORONTO, Canada,
January 28, 1964.

AUDITOR:

es as at December 31, 1962)

LIABILITIES	1963	1962
Current Liabilities:		
Bank advances, secured	263,817	246,629
Accounts payable and accrued expenses	266,046	186,106
Bank loan re employees' bonds, secured	3,828	3,402
Principal instalments due within one year on long-term liabilities	49,160	50,520
	582,851	486,657
Long-Term Liabilities:		
6½% First mortgage sinking fund bonds, Series A, due September 15, 1972 (note 2)	135,000	150,000
7% Industrial Development Bank loan due 1968	224,480	253,380
	359,480	403,380
Less Principal instalments due within one year included under current liabilities	49,160	50,520
	310,320	352,860
	893,171	839,517
Shareholders' Equity:		
Capital stock:		
Authorized:		
30,000 Class A \$2.00 cumulative participat- ing shares without par value		
100,000 common shares without par value		
Issued:		
30,000 Class A shares)	300,000	300,000
20,000 common shares).....	304,485	246,392
Retained earnings		
	604,485	546,392
APPROVED ON BEHALF OF THE BOARD		
J. S. DEACON, Director		
R. J. ANDERSON, Director	\$1,497,656	\$1,385,909

r 31, 1963 amounted to \$21 per share.

of common shares at \$5 per share up to December 31, 1964, on the basis of 50 shares for
of bonds in 1964 and \$10,000 in each of the years 1965 to 1972.

f dividends to the aggregate of the net earnings of the company subsequent to June 30,
\$3,800. Also, the company shall not, without the prior consent of Industrial Development
ds in any year on its Class A shares unless available funds (defined as net profit before
en only to the extent that available funds (as so defined) exceed \$130,000.

S' REPORT

l the statements of income and retained earnings for the year ended on that date. Our examination included
evidence as we considered necessary in the circumstances.

earnings present fairly the financial position of the company as at December 31, 1963 and the results of
s applied on a basis consistent with that of the preceding year.

THORNE, MULHOLLAND, HOWSON & McPHERSON
Chartered Accountants

Riverside Yarns Limited

STATEMENT OF INCOME Year ended December 31, 1963

(With comparative figures for 1962)

	1963	1962
Sales	2,505,176	2,440,094
Cost of sales	2,137,687	2,095,427
Gross margin	367,489	344,667
Selling and administrative expenses	167,940	144,773
Directors' fees	1,400	1,400
Interest on long-term liabilities	25,918	19,299
Financing expenses amortized	4,831	2,727
	200,089	168,199
Income before undernoted items	167,400	176,468
Depreciation	99,069	94,888
Profit (loss) on disposal of fixed assets	14	(268)
	99,055	95,156
Contribution to employees' profit-sharing plan.....	68,345	81,312
	10,252	12,197
Net income for year	\$58,093	\$69,115

Note:

No provision for income taxes was required in 1962 or 1963 because of the company's claiming for tax purposes depreciation in excess of the amounts provided in the accounts for each year. The total accumulated depreciation in the accounts is in excess of the amount claimed for income tax purposes.

STATEMENT OF RETAINED EARNINGS Year ended December 31, 1963

(With comparative figures for 1962)

	1963	1962
Retained earnings at beginning of year	246,392	177,277
Net income for year	58,093	69,115
Retained earnings at end of year	\$304,485	\$246,392

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
 Year ended December 31, 1963

Funds made available:

By operations:			
Net income for year		58,093	
Add:			
Expenses which do not involve an outlay of funds:			
Depreciation	99,069		
Financing expenses amortized less increase during year	3,780	102,849	160,942
		<hr/>	<hr/>

Funds applied:

Payment of long-term liabilities	55,520		
Less:			
Decrease in principal instalments due within one year	1,360	54,160	
	<hr/>		
Additions to fixed assets	46,323		
Less:			
Increase in long-term liabilities in respect thereto	11,620	34,703	88,863
	<hr/>	<hr/>	<hr/>
Resulting increase in working capital			<u><u>\$72,079</u></u>



Working capital, December 31, 1963		345,098
Working capital, December 31, 1962		273,019
		<hr/>
Increase in working capital		<u><u>\$72,079</u></u>

Riverside Yarns Limited

