DOMINION TEXTILE INC.

Annual Report 1984

Corporate Profile

Dominion Textile Inc., which began operations in 1905, is the largest Canadian manufacturer of textiles and related products, with world-wide manufacturing and sales activities. Its international network of sales offices, plants, subsidiary and affiliated companies now extends to close to 125 locations in 50 countries.

The Corporation's goals are to satisfy the needs of its customers at a reasonable price, to provide a real return to its shareholders, to assure stable employment with just compensation and to conduct its affairs in a responsible manner in the many communities in which it is represented.

The operations of Dominion Textile Inc. are divided into three major geographical regions: Canada, with sales of $561 million or 64% of total sales; the United States, with sales of $240 million or 27%; and the international area, which includes all operations in other countries, with a total of $77 million of sales or 9%. Sales of the affiliated companies, in which the Corporation holds an interest of less than 50%, amounted to $65 million. These sales are not consolidated with those of the Corporation. If the $34 million of exports from Canada are included, sales outside this country represent 40% of the total.

In Canada, Dominion Textile Inc. is engaged in the design, production, finishing and marketing of a wide range of:

- woven fabrics for the apparel industry, including sleepwear, blouses, shirting, leisurewear, career apparel, rainwear and outerwear; indigo-dyed denim, corduroy, drills and twills for the jeans producers;
- consumer products such as sheets, bedspreads, comforters, blankets, draperies, towels, knitted sportswear and leisurewear;
- spun yarns for knitters and weavers;
- woven and nonwoven industrial products engineered to meet the requirements of many manufacturing and process industries.

Operations in the United States include the manufacture and sale of denim, polyester-cotton yarn, geotextile products, custom injection molded parts and plastic accessories for the apparel industry.

On the international scene, outside North America the Corporation manufactures or distributes interlinings, cut linings, fusible fabrics, indigo-dyed denim for the apparel trade and a diversified line of nonwoven fabrics sold to a wide variety of industries.

Dominion Textile Inc. is comprised of 70 subsidiary and affiliated companies. The Corporation operates 35 manufacturing facilities: 22 in Canada (14 in Québec, 7 in Ontario, 1 in Nova Scotia), 7 in the United States, 5 in Europe and 1 in Hong Kong.

Total employment at June 30, 1984 was 11 500. There were 8 500 employees in Canada, 2 550 employees in the United States and 450 employees in operations elsewhere in the world, mainly in Europe.

At June 30, 1984, the Corporation had 6 653 shareholders and 99.6% of the outstanding Common shares were held by Canadian residents. The major shareholder is the Caisse de dépôt et placement du Québec which owns 17.6% of the Common shares. The balance of the capital stock is widely held by institutional and individual investors.

Operating structure of Dominion Textile Inc.

DOMINION TEXTILE INC.

- **Dominion Textile — Canada**
  - Apparel Fabrics Company
  - Consumer Products Company
  - Sales Yarn Company
  - Industrial Fabrics Company
  - Penmans Company
  - Fiberworld
  - Textile Management Services Inc.
- **Dominion Textile (USA) Inc.**
  - Swift Textiles, Inc.
  - Linn-Corriher Corporation
  - Mirafi Inc.
  - North River Plastics Corporation
  - Howard Cotton Company
- **Dominion Textile (International) BV**
  - DHJ Industries Europe SA (France)
  - SENFA SA (France)
  - DHJ Industries (UK) Ltd (England)
  - DHJ Industries AG (Switzerland)
  - DHJ Industries SpA (Italy)
  - DHJ Industries Deutschland GmbH (FRG)
  - DHJ Industries (Hong Kong) Ltd
  - Affiliated Companies: Argentina, Belgium, Brazil, Chile, Colombia, Ecuador, Mexico, Portugal, South Africa, Spain and Venezuela.

Our cover
Our cover illustrates popular products of the apparel industry whose prosperity is vital to the future of Dominion Textile Inc.

Highlights

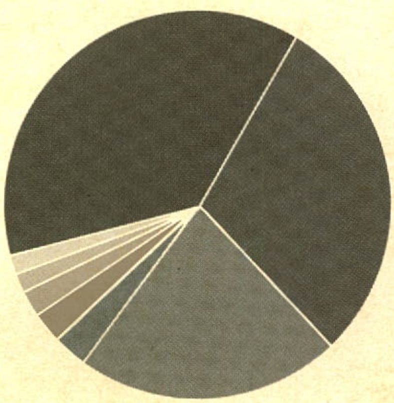
for the year ended June 30
(in thousands of dollars)

	1984	1983	Increase (Decrease)
Sales	**$877 846**	$822 422	6.7 %
Net income	**23 130**	19 065	21.3 %
Financial resources generated from operations	**$ 63 987**	$ 48 352	32.3 %
Additions to fixed assets	**46 874**	34 845	34.5 %
Working capital	**$240 568**	$244 970	(1.8)%
Total assets	**685 618**	661 444	3.7 %
Long term debt	**151 207**	166 045	(8.9)%
Shareholders' equity	**311 043**	290 708	7.0 %
Number of Common shares (in thousands):			
Average outstanding during the year	**13 161**	11 788	11.6 %
Outstanding at year end	**13 326**	13 003	2.5 %
In dollars per Common share:			
Net income	**$ 1.59**	$ 1.41	12.8 %
Financial resources generated from operations	**4.69**	3.90	20.3 %
Dividends	**0.72**	0.72	—
Book value	**21.08**	20.04	5.2 %

Distribution of 1984 Sales Dollar

(in thousands of dollars)

Raw materials	$328 348	37.4%
Salaries, wages and employee benefits	$264 451	30.1%
Supplies and other operating expenses	$195 256	22.3%
Depreciation	$ 24 621	2.8%
Interest	$ 23 507	2.7%
Income taxes	$ 18 533	2.1%
Dividends	$ 11 739	1.3%
Earnings re-invested in the business	$ 11 391	1.3%



The results

On behalf of the Board of Directors and the management of Dominion Textile we are pleased to report that the year ended June 30, 1984 marked the second consecutive year of improved results after the severe economic recession of fiscal 1982.

The increase in net income was brought about by a strong performance from our operations in the United States and overseas. In Canada, where two-thirds of the Corporation's sales are concentrated, earnings in total showed a decline although there were some bright spots.

Net income of $23.1 million represented an improvement of 21% from fiscal 1983's $19.1 million. Due to a greater number of Common shares outstanding, earnings per share of $1.59 showed a 13% increase over last year's $1.41. Sales rose by 7% to $878 million.

A number of factors contributed to the decrease in earnings in Canada. Raw material prices were higher as a result of the strengthening world economy and shortfalls of cotton crops in many parts of the world. In the U.S., cotton production fell by more than one-third from the prior year, mainly as a result of the government's agricultural program.

Wage costs were also up significantly during the year reflecting the terms of our current union contracts which were negotiated in 1981 and early 1982 before the rate of inflation and the level of wage settlements began to trend downward.

Imports of textiles and garments, particularly from the low wage countries, rose sharply and attained an unprecedented share of the market.

Despite these competitive and uncertain market conditions, our Apparel Fabrics Company, the largest of the operating units in Dominion Textile, achieved a creditable increase in earnings.

The Industrial Fabrics Company had an outstanding year and produced results well above expectation benefiting from the strong performance in the businesses related to the automotive industry.

Earnings from our Sales Yarn Company were lower, as record imports of sales yarn from low wage countries kept prices depressed. The expansion and modernization of the Long Sault Yarns plant was virtually complete by year end. The project was on time, on budget and conducted with a minimum of disruption to our operations. The initial output of the new high quality open-end spun yarns has gained immediate and widespread acceptance from customers.

The Consumer Products Company faced difficult market conditions throughout the year and suffered a sharp drop in earnings. Demand for some important products declined significantly which led to a preponderance of discounted promotional selling at retail. During the year the difficult decision was made to close the plant at Montmorency, Québec, and to transfer the production to other facilities in Sherbrooke and Drummondville, Québec. This project will be completed by the fall of 1985 and will eliminate costly underutilization of manufacturing capacity.

In the United States, the modernization and expansion of the denim manufacturing facilities at Swift Textiles two years ago contributed to substantially increased earnings. Linn-Corriher showed continuing improvement in profitability despite a very competitive situation in the U.S. sales yarn market. The geotextile operations of Mirafi Inc. recovered from the recession, showing healthy sales growth and improved earnings.

The International operations achieved higher earnings despite continuing problems with inflation in South America and Mexico and a slower rate of economic recovery in Europe. The operations were helped materially by the upswing in the U.S. market permitting a strong contribution from our Hong Kong subsidiary. There was also a turnaround in the results of our company in Italy reflecting a management reorganization undertaken last year.

There was continued improvement in the Corporation's financial position. Shareholders' equity rose by $20.3 million and the ratio of debt to equity was reduced. Current assets represented $2.50 for every dollar of current liabilities. Accounts receivable remained at the same level as last year while inventories rose at a rate lower than the increase in sales.

During the year, dividends of $9.5 million were paid to the Common shareholders on the basis of 72 cents per share, the same dividend rate as last year.

Corporate Development

We are planning for the future of our business in an era of unprecedented change. The steps we have already taken to trim corporate overhead; reduce working capital and rationalize our plants and our product lines were essential. However, we require an unusual effort and innovative approaches to the conduct of our businesses, for although our performance improved last year, it was not good enough.

We can no longer anticipate a sustained expansion in our economy. At the same time we must anticipate the continuous expansion of international trade in textiles, and stepped up foreign competition both in Canada and in the U.S. To meet the competitive challenge in the markets we serve we must improve our managerial and technological capabilities and draw upon the combined strengths of our domestic and international interests to provide our customers with the best value in product quality and service.

In addressing these challenges and the strategies of our various business segments, programs have been formulated which embrace the key elements of technology, human resources and management structure.

Technology
Dominion Textile's commitment to the latest technological development in plant and equipment has been a key factor in preserving its leadership in its major markets. The concept and application of technology is not only related to faster more productive equipment but to totally new equipment, processes, systems, controls and to new and better quality products. Examples can be found in all of our operations.

The investment made in Long Sault Yarns typifies the application of technology to product quality improvement, customer satisfaction and increased competitiveness.

Mirafi's innovative technology in geotextiles has resulted in many interesting product designs and applications. In a number of cases they have leveraged these developments using manufacturing capabilities of other producers.

At Swift, state of the art warehousing, distribution and inventory control has extended its service right into the plants of its customers enabling them to reduce their inventories and improve their productivity.

These examples indicate the trends. Our thrust is to extend them to every sector of our business.

As part of our ongoing commitment, Dominion Textile announced in 1983 that it would invest $150 million in its Canadian operations over a four-year period. Additional modernization programs are also being carried out in our United States and International operations.

In fiscal 1984 total capital spending of $56 million represented the second highest year in the Corporation's history. This figure is before taking into account grants of approximately $9 million, mostly from the Canadian Industrial Renewal Board.

Human Resources
The corporate human resources function has been reorganized in order to better respond to the needs of the changing environment and to place additional emphasis on certain human resource activities which follow from our corporate strategy, mainly in the areas of communications, training and performance management.

While technology is playing a steadily increasing role in our business, from the standpoint of costs, service and quality, it also plays a significant role at the level of employment of our workforce and the skills required. Continuous learning by all employees, at all levels of the organization, is essential. The planning and training of human resources takes on greater importance in this context.

The cost of labour is a major factor in our ability to remain competitive, especially with our United States counterparts. The capital intensity of the industry has increased dramatically as has the speed of obsolescence. These facts demand that we achieve the greatest productivity possible and have the maximum flexibility in running the equipment on a continuous basis as market actions indicate.

The unrelenting nature of the textile business is placing emphasis on quality, service and competitive costing. In this atmosphere we will be negotiating our major contracts this year and expect these facts to be crucial to the deliberations.

Management Structure
Since 1975 the thrust of the changes in our organization has been to decentralize the business units allowing clearer focus on the particular needs of each area in the increasingly complex and competitive setting. At the same time we have been developing an international involvement which this year represented about 40% of our total sales. In fact, we have been moving, operationally, to the structure indicated in the chart shown on the inside front cover.

We believe this alignment has been positive in that we can more clearly identify the trends, establish specific objectives and monitor performance carefully. We are now refining this setup, in Canada, by separating out the corporate activities from those of the operating companies in order to streamline management and to bring decision-making closer to our customers. The assignment of senior management responsibilities in this structure is shown in the list of officers.

Government Relations/ Trade Policy
While there was an apparent increase in government activity relating to trade policy during the past fiscal year, it remains difficult to evaluate its impact in relation to actual developments in the market-place. In last year's report, we referred to the need to equitably control imports to prevent unreasonable market disruption. No progress can be reported on this fundamental issue. For example, despite insignificant growth in the market, imports of garments for the first five months of 1984 have increased by 21% over last year.

As we move closer to discussions for the renewal of the Multi-Fibre Arrangement expiring in 1986, it remains critical that the Canadian textile and clothing industries be provided with measures for more orderly marketing similar to those that are available to our counterparts in the U.S. and the E.E.C. Aggressive application of existing restraint arrangements remains a pre-requisite to market stability in the intermediate period.

It is noteworthy that both major political parties have clearly acknowledged that the textile and apparel industries in Canada are an integral part of the national economy and a source of much-needed employment. Our duly elected representatives, after September 4th, must put into effect practical measures called for to ensure the long term viability of these major Canadian industries.

Directors and Officers
Mr. J. Claude Hébert and Mr. Kenneth A. White having reached the mandatory retirement age will not be standing for re-election to the Board of Directors at the Annual Meeting in October. With a combined service of 30 years they have served on the Board and as members of the Executive Committee with great distinction and, on behalf of the Corporation and its shareholders, we extend our sincere thanks for the contributions they have made to Dominion Textile.

In July 1984, Mr. Clifton M. Beck, Vice-President, Secretary and General Counsel, retired from the Corporation. We wish to express our appreciation to Clif for his 32 years of devoted service to Dominion Textile.

We welcome Mr. Sandy Mackay-Smith who has been appointed to replace Mr. Beck.

Outlook
We are starting the new fiscal year with a lower order book in Canada and in the United States than a year ago. In Canada, import levels remain high and in many of our plants it has been necessary to extend the seasonal vacation shutdown by an additional one or two weeks.

In the United States, denim and sales yarn markets turned quieter during the summer months and we have been obliged to curtail output. We expect it will take some time for these markets to adjust to the over-supply situations that exist and performance will not be as strong as last year, at least in the first quarter.

Our industrial products businesses should continue to perform favourably in both Canada and the U.S. Prospects continue to be positive for our International operations.

While costs for raw cotton will be higher initially we expect this condition to improve as the year progresses due to the recent declines in commodity prices.

Union negotiations will begin soon in Canada in connection with major three-year contracts which expire late in September 1984 and in February 1985. A satisfactory conclusion to these negotiations will be an important factor in determining the direction of our long term programs in Canada.

Our earnings improved in fiscal 1984, but insufficiently. Notwithstanding economic uncertainties and very competitive market conditions, we believe we can improve further in fiscal 1985.

There are a number of areas under our control where we have taken actions which will impact favourably upon our results in the future. We are continuing to reduce manufacturing space and to make better use of our most productive assets. We anticipate benefits from the transfer of major finishing operations from Magog to Beauharnois. The new equipment at Long Sault Yarns is on-stream as of the beginning of the new year. Consolidation of Penmans' operations in Cambridge, Ontario is almost complete. We have reduced overheads, improved control over working operating investment and maintained a strong balance sheet.

The men and women who make up Dominion Textile remain our most important asset. We have a willing, eager and able team ready to face the challenges that lie ahead.

On behalf of the Board of Directors,

R.H. Perowne.

Ronald H. Perowne,
Chairman of the Board

T.R. Bell

Thomas R. Bell,
President and Chief Executive Officer

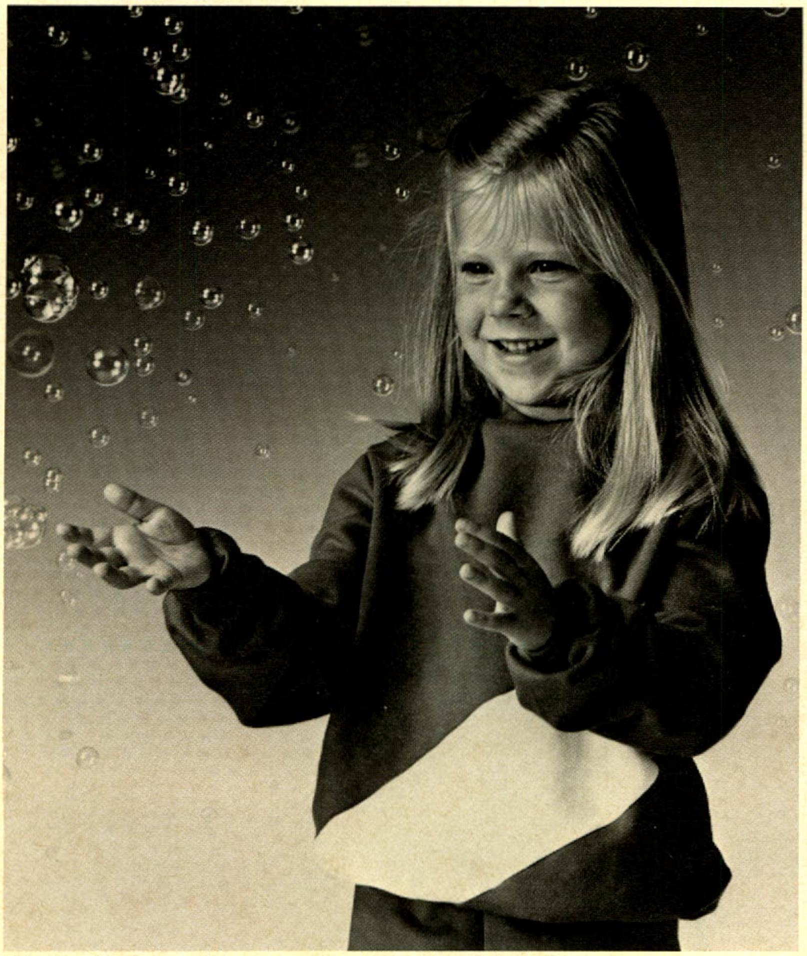
Montréal, August 15, 1984

Consolidated sales increased by 7% from $822 million to $878 million, while consolidated income from operations rose by 15% to $66 million. The increase in income from operations was due to significantly improved results in the U.S. and International operations, while the Canadian operations showed a decline in profit.

Sales from the Canadian operations rose slightly to $561 million. In the Sales Yarn and Consumer Products companies sales showed a moderate decline from the previous year, while sales of the Industrial Fabrics and Apparel Fabrics companies recorded increases.

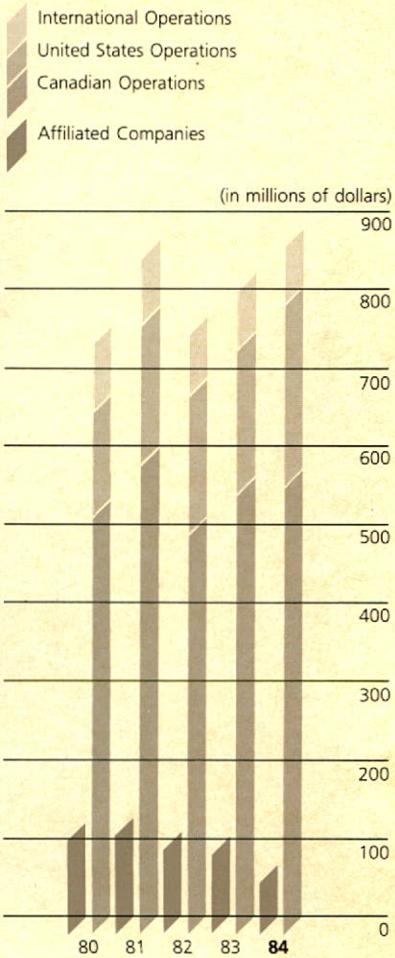
Sales in the United States rose by 26% to $240 million with the growth coming from each of the U.S. operations, reflecting the general improvement in economic conditions.

The International operations showed a 2% increase in sales to $77 million. Sales of the affiliated companies, not included in the consolidation, were $65 million in 1984 compared with $102 million in 1983.



The wide range of yarns offered to knitters, weavers and other manufacturers includes natural or dyed, combed or carded yarns of cotton, man-made fibres and blends for end-use products such as those shown here.

Sales by Major Operating Groups



Apparel Fabrics Company

The major products of the Apparel Fabrics Company are: woven fabrics of cotton and blends for ladies' sportswear and blouses, shirts, nightwear, outerwear, career apparel and rainwear; jeans fabrics including indigo-dyed denim, corduroy, heavyweight twills and drills; and fabrics for home sewing and furnishings.

The company's manufacturing facilities are located at Valleyfield, Sherbrooke, Drummondville, St-Jean and Magog in Québec and at Long Sault in Ontario.

Sales and earnings were both higher than in the preceding year. Sales were $238 million compared with $229 million.

It was a year of mixed results, with some inventory replenishing stimulating our business in career workwear fabrics. The market was very receptive to our midweight, fashion plain-shade styles. Sales of apparel end-use prints, lightweight plains and rainwear fabrics were static. Corduroy shipments were disappointing as the worldwide consumer resistance to corduroy jeans continued. Denim held its own in large measure due to our quick reaction to demand from the fashion denim market.

Extraordinarily high levels of imports, in both fabric and garments, continued to impact negatively on our margins.

As rapidly changing fashion trends with ever-shortening lead times become the current norm, quick reaction, variety, flexibility, quality and service are mandatory for survival. Online computer systems, consolidated warehousing, streamlined production, constant monitoring of global markets and regular fabric and fashion introductions are keeping us in the forefront as fabric suppliers.

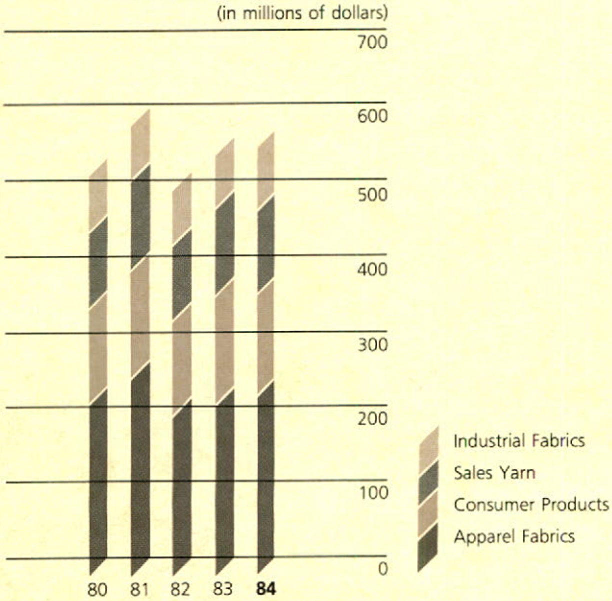
Inventories of fabrics, in units, have been trimmed well below their historical levels. Stocks are in current condition and are balanced to meet market demand.

Manufacturing activity was, in the main, steady throughout the year. The fabric plants operated on reasonably full schedules while the two finishing plants operated at about 75% of capacity.

The expansion of the Beauharnois plant, coupled with the phasing down of the dyeing and finishing activities at Magog, will result in fuller utilization of our converting plant capacities in future. Capital spending was $21 million. The multimillion dollar programs for new carding and open-end spinning equipment at the Magog Fabrics plant and for the high-speed, shuttleless looms at Richelieu were completed during the year. A major segment of a $16 million modernization and expansion of the Beauharnois dyeing and finishing facility was also completed. This project is on schedule and it is anticipated that it will be completed by January 1985.

The quality improvement and cost benefits of these projects are now being felt, defraying a part of the significant raw material and labour cost increases that are being experienced.

Sales — Canadian Operations
(in millions of dollars)



Consumer Products Company

The Home Fashions division of the Consumer Products Company manufactures and sells sheets, pillow slips, bedspreads, flannel sheets and blankets, comforters and bedroom coordinates and towels under the *Texmade, Caldwell* and *Esmond* trademarks. Its plants are located at Sherbrooke, Montmorency, Magog and Granby in Québec and at Iroquois, Ontario.

Sales of consumer products declined by 8% from $145 million to $134 million, which, combined with programs to reduce inventories, resulted in the plants operating below capacity. Profits were seriously affected.

Home Fashions
Results for the Home Fashions division were mixed. Market demand for sheets and fashion coordinates was down from the previous year, particularly in the last 6 months and, despite improving our market share, sales were off over 10%. Sales of blankets and other warmth-related products also suffered, mainly as a result of the warm fall season last year.

Conversely, the demand for towels was higher and sales increased over the previous year. However, the level of imports now exceeds 50% of the market and this is causing considerable disruption and pressures on margins.

In May the decision was taken to close our Montmorency plant which has been in operation for 95 years. The plant does not lend itself to the modernization program which would be necessary to meet future market requirements and to remain competitive. Close to 440 jobs will be phased out beginning January 1985 until the final closure date in the fall of 1985. Production will be transferred to the Sherbrooke Fabrics and Drummondville plants and approximately 150 jobs will be created in those locations.

Cost reduction, improved quality and a better utilization of equipment and factory floor space will result from this consolidation of manufacturing operations. The project, including equipment modernization in the new locations, calls for capital spending of approximately $6 million.

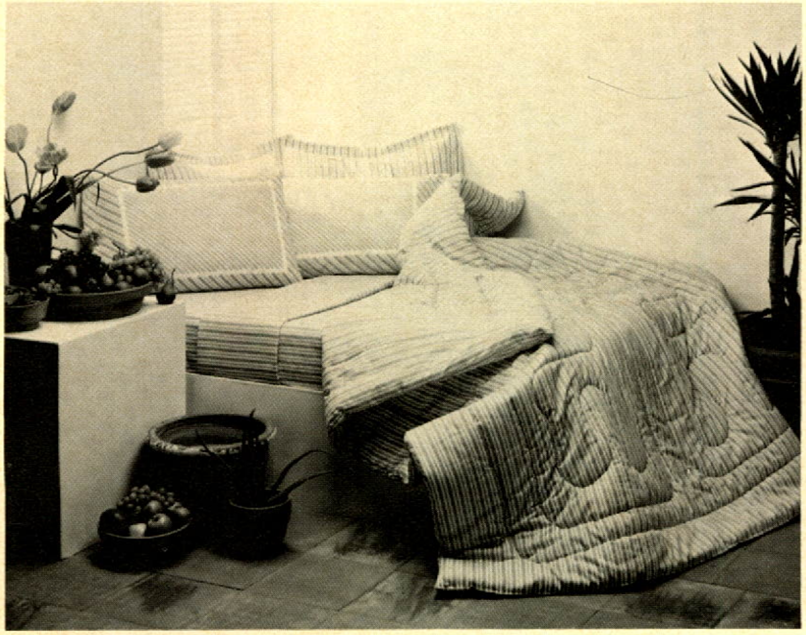
The open-order position was down from last year and, accordingly, the annual summer plant shutdowns were extended by one week in order to control inventories.

New products such as the *Texmade* "Signature" and *Esmond* sheet lines, and the "Village" flannel blanket collection have been well received by retailers. We are poised to benefit from any uptrend in consumer demand for Home Fashions.

Penmans Company
The Penmans Company manufactures T-shirts, sweat shirts, golf shirts, shorts, jogging suits and other casual clothing. The plants of this company are located at Cambridge and Paris, Ontario.

In the face of only moderate market demand and continued growth in imports, Penmans sales of leisurewear and sportswear garments declined 13% from the previous year and an operating loss was incurred.

Management has been strengthened, cost reduction programs have been implemented, including the final consolidation of our manufacturing and warehouse facilities in Cambridge, Ontario, and inventories have been reduced by over 30%. Well-styled, quality garments are being marketed through an improved distribution network and a significant turnaround in sales and operating results is expected in the current fiscal year.



Canadian consumers know they are purchasing quality when they buy Dominion Textile products: **Texmade** sheets and blankets, **Caldwell** towels and sheets, **Esmond** blankets and sheets, **Penmans** shirts, shorts and pants. Shown here is a **Texmade** "Signature" bedding ensemble.

Sales Yarn Company

This company produces and sells natural and dyed, carded and combed, spun yarns made from cotton and man-made fibres for sale to knitters and weavers. It is also engaged in commission dyeing and finishing of woven and knitted fabrics for apparel and home furnishings.

The plants are located at Sherbrooke, Valleyfield and Montréal in Québec and at Long Sault in Ontario.

In a year that was marked by extremely high import competition for sales yarn producers and their customers in the garment knitting trade, the Sales Yarn Company performed creditably although sales declined to $113 million from $117 million in the previous year. Profits were affected adversely, on the one hand, by the rising costs of materials and labour, and, on the other, by selling prices that were depressed by imports of cotton and polyester-cotton yarns from South America and the Far East in quantities almost double those of the previous year.

Most operations ran on normal schedules with the exception of the Domil plant in Sherbrooke which suffered from the reduced demand for acrylic yarns.

We continued to modernize each of the plants and the improvements that have been made, along with implementation of new quality control procedures, have strengthened our position as the leading domestic producer.

As a result of the expansion this past year of the Long Sault plant, capacity has increased which will permit us to improve our market share. The modernization and expansion of this plant was undertaken at a cost of $17.5 million and included the introduction of the latest technology in open-end spinning. The product from the new spinning frames is one of extremely high quality and it has already received widespread acceptance in the marketplace.

The market for dyed yarns has also been very active during fiscal 1984 and investments have been made in our Mount-Royal Dyehouse to increase capacity.

Our commitment to provide better service to our customers is supported by a department of product development and technical services.

While the unparalleled levels of yarn imports coming into this country are a matter of considerable concern, the investments we have been making and the customer service that we offer have combined to improve our competitive position. With our inventories at low levels and orders on hand slightly higher than a year ago, we look forward to the new fiscal year with optimism.

Industrial Fabrics Company

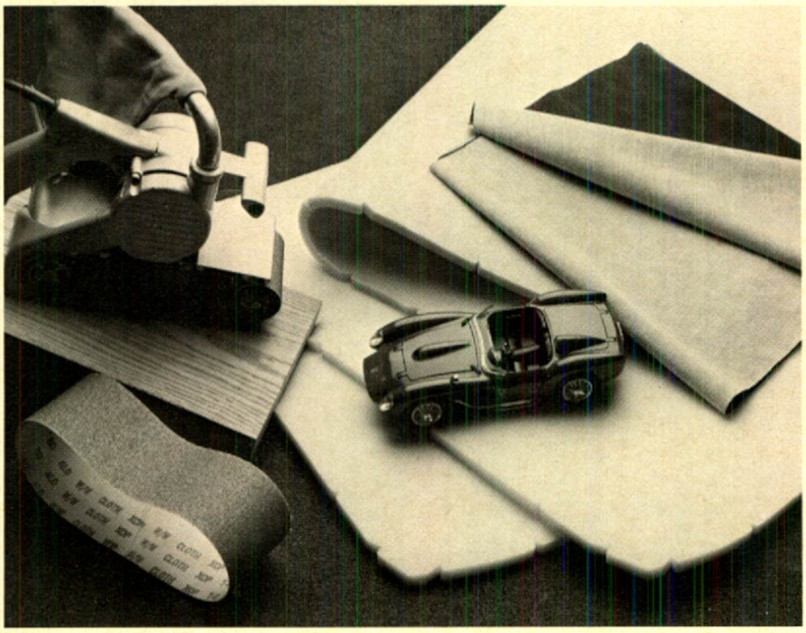
The Industrial Fabrics Company and the Fiberworld division together market fabrics made from cotton, synthetic fibres and blends to be processed or incorporated into a broad variety of products such as tires, beltings, geotextile products, carpets, automotive interiors and abrasive products.

The industrial fabrics and products are manufactured at Valleyfield, Sherbrooke, Magog and Drummondville in Québec, at Yarmouth in Nova Scotia and at Hawkesbury and Woodstock in Ontario.

Sales displayed marked improvement during fiscal 1984, increasing by 18% to $77 million. This reflects both the resurgence in Canadian industrial activity and our strong export thrust. This past year almost all production equipment operated at full capacity and the order book remained strong at year end.

New shuttleless looms and open-end spinning frames were started up at Yarmouth in September 1983. Late in 1984, we will be installing a number of new twisting frames at Drummondville which will improve the efficiency and quality of our tire cord production.

During the next 12 months we look forward to further development of our business activities in Canada and to the extension and diversification of our export activities. We look for a resurgence in the resource industries which have lagged behind the economy in general. With inventories in the trades we serve under control and some areas in which supply shortages prevail, we view the coming year with enthusiasm.



Dominion Textile Inc. supplies fabrics to almost every industrial sector of the Canadian economy. Typical end-products requiring our fabrics are grit coated abrasives, foam laminated fabrics for automobile interiors and flocked upholstery fabrics.

The subsidiary companies in the U.S. are grouped under a holding company, Dominion Textile (USA) Inc., a wholly-owned subsidiary. The U.S. companies recorded total sales of $240 million, an increase of 26% from fiscal 1983. Reports on each of the main operating companies follow:

Swift Textiles, Inc.
Swift Textiles is a major producer of cotton and polyester-cotton denim fabrics for jeans and other garments. These products are manufactured at two plants in Columbus, Georgia.

The year under review was an exceptional one for Swift. Continuous seven-day operations produced a dollar sales volume up 18% over the prior year. Profits, enhanced by a high level of operating efficiency and cost control, exceeded expectations. The market for jeans at retail remained firm against the prior year and Swift remains favourably positioned in the marketplace with a broad distribution well divided between name brands and chain stores.

In terms of product variety, Swift is well recognized for its 100% cotton and polyester-cotton blend products. The recently introduced 50/50 polyester-cotton blend denim, which overcomes the problem of colour clarity found in such blends previously, is especially appealing in boys' jeans where wearlife is critical.

Capital spending of US $5 million in fiscal 1984 was directed towards improving the productivity of the weaving operations. Planning has been completed for a US $15 million modernization of finishing facilities which will be implemented in 1985.

U.S. denim production capacity is in excess of market demand at this moment and, consequently, there has been an industry wide curtailment of production over the summer months. This will impact on our fiscal 1985 results. However, we expect an improvement in demand over the balance of the year and Swift's excellent reputation for product quality and service, together with its highly competitive cost structure, are proper reasons for expecting continued favourable results.

Linn-Corriher Corporation
Linn-Corriher produces natural and dyed polyester-cotton blend yarns at its two spinning plants and dyehouse in Landis, North Carolina.

Linn-Corriher showed a good recovery during the year under review with sales and profits at an all-time high. The year started slowly but demand for both dyed and natural yarns accelerated late in the first quarter and continued to be strong until near year end.

During the year the senior management team was strengthened and its growing effectiveness is reflected in better recognition of the company in the marketplace, an expanded customer base and improved operating results.

Capital expenditures during the year were close to US $2 million and were focused on improving the working environment. Additional refrigeration and more effective air filtering systems have greatly improved air quality and employee comfort. These changes have also brought operating conditions under more precise control, contributing to both quality and efficiency.

A considerable amount of new productive capacity has recently been added to the U.S. sales yarn industry. Imports have also escalated and these factors have resulted in an imbalance between supply and demand. As we enter the new year yarn prices are under substantial pressure. These difficult business conditions are expected to prevail throughout the year.

Mirafi Inc.
Mirafi's headquarters are located in Charlotte, North Carolina and its manufacturing facilities are in Moultrie, Georgia. Mirafi manufactures and markets geotextile products used for ground stabilization, erosion control and drainage applications.

The general recovery of the U.S. economy, along with a major increase in construction activity, led to substantial increases in sales during this past year.

Emphasis was placed on the development and introduction of specialty products which have achieved excellent acceptance in the construction industry. A line of technically advanced, high performance, geotextile products manufactured by Burlington Industries Inc., exclusively for Mirafi's North American market, is a notable addition. An erosion control and revegetation mat manufactured by "3M", also exclusively for Mirafi, was added towards the end of the year and is receiving excellent market acceptance.

Mirafi with a nationwide marketing and distribution organization, backed up by a specialist engineering group, is exceptionally well placed to penetrate this growing market. It is expected that both sales and earnings will increase in fiscal 1985.

Howard Cotton Company
Howard Cotton Company is a major cotton merchant located in Memphis, Tennessee. It sells cotton to Dominion Textile Inc. and its subsidiaries and provides the service of delivering the necessary qualities and quantities at the proper time to the various plants.

After a year of crop failures throughout the world, the 1984-85 U.S. cotton crop is off to an average start. Worldwide production is expected to reach 76 million bales with a consumption of 71 million bales.

Weather always plays a major role in determining the price of raw cotton. Assuming that favourable growing conditions will prevail, adequate supplies will be available resulting in reductions in price.

International Operations

The major products of the International operations include woven and nonwoven basic and fusible interlinings and interfacings for shirts, garments, shoulder pads, waistbands, bias bindings and packaging aids; fabrics for the shoe industry and leather industry; and distribution of denim in Europe.

Plants of the subsidiary companies are located at Brentwood, England; Sélestat, France; Bielefeld, FRG; Hong Kong; Milan, Italy; and Londonderry, Ireland. The plants of the principal affiliated companies are located in Buenos Aires, Argentina; Rio de Janeiro, Brazil; Santiago, Chile; Manizales, Colombia; Mexico City, Mexico; Oporto, Portugal; Durban, South Africa; and Caracas, Venezuela.

The firm upswing in the U.S. economy proved beneficial to our International operations particularly to our subsidiary located in Hong Kong where record results were achieved and where performance is expected to remain strong during 1985.

Results from the Swift Textiles affiliates were affected by the overall softening of the heavyweight denim markets in Europe.

Diversification to lighter weight denims and better quality open-end spinning at the supplying plants in Tunisia are ensuring a timely transition to the new trends in the jeans industry.

Further progress was made during the year in grouping the various units of the International operations under one holding company and in strengthening resources in some of the operations to enable us to take better advantage of international markets. The consolidation of our European headquarters at our SENFA facility in Sélestat, France, was successfully concluded during the year.

Subsidiaries

Sales by the subsidiary companies reached $77 million, which represented an increase of approximately 2% over the prior year. The increase was achieved despite a continuing difficult economic background. The European economies recovered slowly from the recession with little significant upturn until the last quarter. Continuing emphasis is being placed on retaining market share without erosion of profit margins coupled with cost reductions and strong control over working operating investment. Net income from the subsidiaries increased during the year.

Affiliates

Many of our Latin American affiliates experienced a difficult year as soaring inflation levels and interest rates substantially reduced local business activity. Especially hard hit was our Brazilian affiliate where performance was adversely affected by currency devaluations and a greatly weakened domestic economy.

Despite the adverse conditions, our affiliates located in areas where import restrictions have been imposed to ease foreign exchange difficulties are currently seeing improvement in the demand for domestically manufactured materials.

Exchange fluctuations will continue to be a problem until the international debt crisis is resolved, but the affiliates should operate profitably within the framework of each domestic economy.

Outlook

In the coming year, the International operations group will further consolidate its organizational structure and foresees only a modest expansion of its operations. The aims are to rationalize and strengthen product range and to achieve increased market penetration. Investment in research and development, in both traditional and newly developed product lines, will be intensified.

The International operations of the Corporation offer a complete range of quality woven, nonwoven, fusible and sewn-in interlinings and cut linings.

Sales

In the first half of the fiscal year, sales increased by 9%. Although the rate of growth slowed in the second half, consolidated sales grew by 7% for the full year.

The composition of the sales by region did, however, change with a shift towards our U.S. sales. The percentages of sales by region, this year and last year, were: Canada 64% and 68%; United States 27% and 23%; Europe and other 9% and 9%.

Net Income and Earnings per Share

In the first six months net income of $10.3 million was well ahead of the $3.5 million earned in the equivalent period a year earlier. During the second half, however, earnings declined to $12.8 million from $15.6 million.

Over the full year, while net income was up 21%, earnings per Common share rose 13% as additional shares were issued during the fiscal year under the Corporation's two share purchase plans.

The ratio of net income to Common shareholders' equity remained at an unsatisfactory level but did increase slightly from 6.8% to 7.7%.

Capital Expenditures

Capital spending in the year totalled $56 million. After grants of $9.1 million mainly from the Canadian Industrial Renewal Board, the net outlay incurred by the Corporation was $46.9 million.

By region, $45.2 million was spent in Canada, $9.8 million in the U.S. and the balance in our International operations.

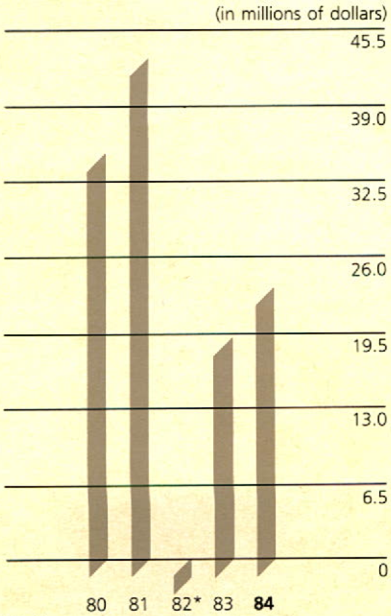
Asset Redeployment Program

In its second year, the asset redeployment program continues to permit management to focus future capital spending on those plants that are the most technologically advanced. In 1984, $2.4 million was charged to this program as we continued the restructuring and rationalizing of our production capacity. Of the initial after-tax provision of $11.5 million, the balance remaining is $6.7 million. We expect this program to be substantially completed by the end of the 1986 fiscal year.

Working Capital

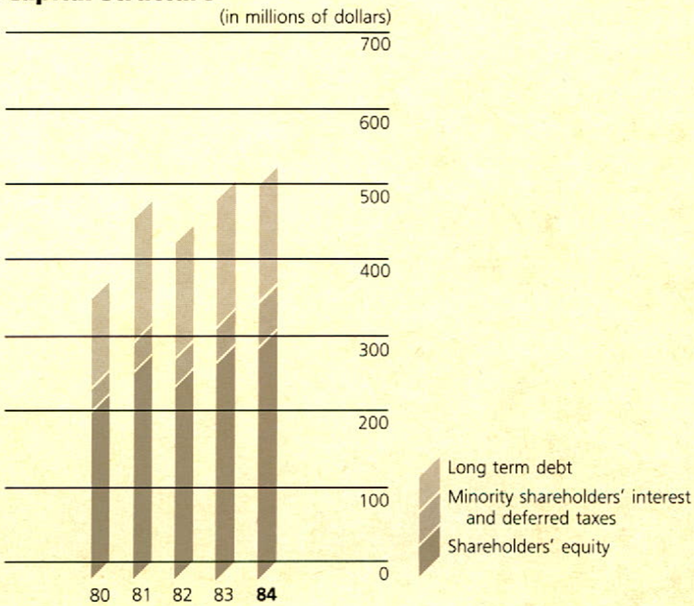
Working capital showed a small decrease to $240.6 million at year end compared with $245 million a year earlier. There was no effect on the ratio of current assets to current liabilities which remained unchanged at a healthy 2.5:1.

Net Income



*Before extraordinary item

Capital Structure



As to the principal components of working capital, accounts receivable remained stable and receivables turnover was improved.

There was a small increase in inventories. While raw materials on hand were higher at year end, other inventory classes remained at the same levels as last year. Overall, inventories rose at a slower rate than sales.

Cash and short term deposits declined from $53.4 million to $45 million while the level of short term borrowings declined slightly to $43 million.

Financing Activity
No major debt or equity financing was undertaken during the year. However, through the Dividend Reinvestment and Share Purchase Plan and the Employee Share Purchase Plan, $5.6 million of new equity was raised during the year.

The Corporation has announced its intention to redeem the 5¾% debentures. The balance of these debentures outstanding at June 30, 1984 was $305 000.

Capital Structure
We closed the year with shareholders' equity of $311 million, an increase of $20.3 million.

With long term debt down by $14.8 million during the year, the percentage of shareholders' equity to total capital rose to 59% while long term debt dropped to 29%.

Reporting the effects of changing prices
The desirability of incorporating inflation adjusted supplementary information in the annual reports of large, publicly held business enterprises has been debated extensively and confusion still exists regarding the most suitable method of reporting such information.

In the opinion of management there is no external nor internal benefit from providing such information at this time although management proposes to review this issue from year to year.

Quarterly Results

Fiscal Year Ended June 30, 1984	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Sales (in millions)	$184.3	$230.3	$208.7	$254.5	$877.8
Net income (in millions)	1.4	8.9	4.9	7.9	23.1
Earnings per Common share	0.07	0.63	0.34	0.55	1.59
Dividends per Common share	0.18	0.18	0.18	0.18	0.72
Fiscal Year Ended June 30, 1983					
Sales (in millions)	$170.0	$211.8	$203.7	$236.9	$822.4
Net income (in millions)	(1.6)	5.1	4.6	11.0	19.1
Earnings per Common share	(0.20)	0.40	0.35	0.86	1.41
Dividends per Common share	0.18	0.18	0.18	0.18	0.72

Share Prices and Trading Volumes

Year Ended June 30, 1984	High	Low	Volume
July – September	$20.50	$18.13	497 200
October – December	20.38	17.38	634 300
January – March	20.00	16.68	743 500
April – June	16.75	14.25	749 800
			2 624 800
Year Ended June 30, 1983			
July – September	$10.88	$ 8.75	480 800
October – December	15.38	10.75	431 100
January – March	17.88	13.25	900 300
April – June	19.63	16.25	754 800
			2 567 000

Consolidated Statement of Income

for the year ended June 30

	1984	1983
	(in thousands of dollars)	
Sales	$877 846	$822 422
Operating costs	812 331	765 522
Income from operations	65 515	56 900
Interest expense	23 507	26 401
Income from operations after interest — Note 1	42 008	30 499
Share in net loss of associated companies	(83)	(449)
Other income — Note 2	1 878	1 859
Income before income taxes	43 803	31 909
Income taxes	18 533	11 858
	25 270	20 051
Minority interest	(2 140)	(986)
Net income for the year	$ 23 130	$ 19 065
Per Common share, after preferred dividends	$ 1.59	$ 1.41

Consolidated Statement of Retained Earnings

for the year ended June 30

	1984	1983
	(in thousands of dollars)	
Retained earnings at beginning of year	$137 732	$129 797
Net income for the year	23 130	19 065
	160 862	148 862
Dividends —		
Cumulative First Preferred	5	5
Second Preferred — Series A	1 200	1 200
Second Preferred — Series C	1 038	1 190
Common		
$0.72 per share in 1984 and 1983	9 496	8 735
	11 739	11 130
Retained earnings at end of year	$149 123	$137 732

Consolidated Balance Sheet

as at June 30

ASSETS	1984	1983
	(in thousands of dollars)	
Current assets		
Cash and term deposits	**$ 45 049**	$ 53 355
Accounts receivable	**142 791**	142 551
Income taxes recoverable	**2 263**	3 222
Inventories — Note 3	**208 684**	199 083
Prepaid expenses	**4 486**	5 824
	403 273	404 035
Investments and advances — Note 4	**8 254**	9 267
Land, buildings and equipment — Note 5	**271 276**	245 386
Other assets	**2 815**	2 756
	$685 618	$661 444

LIABILITIES AND SHAREHOLDERS' EQUITY	1984	1983
Current liabilities		
Short term borrowings — Note 6	**$ 43 018**	$ 43 602
Accounts payable and accrued liabilities	**96 056**	96 399
Dividends payable	**2 398**	2 342
Income taxes payable	**6 993**	5 372
Long term debt due within one year	**14 240**	11 350
	162 705	159 065
Long term debt — Note 7	**151 207**	166 045
Deferred income taxes	**48 391**	35 013
Minority interest in subsidiaries	**12 272**	10 613
Shareholders' equity		
Capital stock — Note 9		
Preferred	**30 079**	30 079
Common	**131 367**	125 803
	161 446	155 882
Retained earnings	**149 123**	137 732
Cumulative translation adjustment — Note 10	**474**	(2 906)
	311 043	290 708
	$685 618	$661 444

On behalf of the Board:

Director

Director

Consolidated Statement of Changes in Financial Position
for the year ended June 30

	1984	1983
	(in thousands of dollars)	
Financial resources generated:		
Net income for the year	**$ 23 130**	$ 19 065
Depreciation	**24 816**	22 080
Deferred income taxes	**13 435**	5 375
Share in net loss of associated companies	**83**	449
Dividends received from associated companies	**1 896**	1 310
Minority interest	**2 140**	986
Other non-cash items	**(1 513)**	(913)
Total generated from operations	**63 987**	48 352
Proceeds from disposal of fixed assets	**813**	2 666
New financing:		
14% Sinking fund debentures	**—**	40 000
Common shares	**5 564**	28 059
Total financial resources generated	**$ 70 364**	$119 077
Financial resources applied:		
Changes in elements of working capital, other than cash items	**$ 1 751**	$ 15 309
Additions to fixed assets	**46 874**	34 845
Reduction of long term debt, net	**15 928**	24 407
Minority interest share of subsidiaries' dividends	**1 060**	56
Dividends declared	**11 739**	11 130
Other items — net	**734**	912
Total financial resources applied	**$ 78 086**	$ 86 659
Increase (decrease) in net cash position	**$ (7 722)**	$ 32 418
Cash and term deposits	**$ (8 306)**	$ 22 862
Short term borrowings	**584**	9 556
Increase (decrease) in net cash position	**$ (7 722)**	$ 32 418
Changes in elements of working capital, other than cash items		
Increase (decrease) in current assets:		
Accounts receivable	**$ 240**	$ 25 987
Income taxes recoverable	**(959)**	(9 702)
Inventories	**9 601**	(5 020)
Prepaid expenses	**(1 338)**	132
(Increase) decrease in current liabilities:		
Accounts payable and accrued liabilities	**343**	(5 205)
Dividends payable	**(56)**	3
Income taxes payable	**(1 621)**	(275)
Long term debt due within one year	**(2 890)**	6 785
Foreign currency translation adjustment — Note 10	**(1 569)**	2 604
	$ 1 751	$ 15 309

Management Report

The accompanying consolidated financial statements of Dominion Textile Inc. and its subsidiary companies and all information in the annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements contained herein have been prepared by management in accordance with generally accepted accounting principles in Canada appropriate in the circumstances and conform in all material respects with international accounting standards. These statements necessarily include some amounts that are based on the best estimates and judgement of management and in their opinion present fairly the Corporation's financial position and results of its operations. The consolidated financial statements have been examined by Touche Ross & Co., Chartered Accountants, and their report is included herein. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

The reliability of the financial information is determined from the Corporation's accounting records and related systems of internal controls. The systems of internal controls include formal policies and procedures which are designed to provide reasonable assurance that assets are safeguarded and that reliable financial records are maintained. The Corporation has an Internal Audit Department whose function includes the review of the accounting records and related systems of internal controls to ensure that they are adequate and functioning as intended.

The Board of Directors annually appoints an Audit Committee, comprised of three directors. None of the three directors on the Audit Committee is a member of management. The Committee meets with management, the internal auditors and the independent auditors to review any significant accounting and auditing matters and to discuss the results of audit examinations. The Audit Committee also reviews the financial statements, the auditors' report and all other information in the annual report and recommends their approval to the Board of Directors.

President and Chief Executive Officer

Senior Vice-President,
Finance, and Treasurer

Auditors' Report

The Shareholders,
Dominion Textile Inc.

We have examined the consolidated balance sheet of Dominion Textile Inc. as at June 30, 1984 and the consolidated 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 consolidated financial statements present fairly the financial position of the Corporation as at June 30, 1984 and the results of its operations and the changes in 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.

Touche Ross

Chartered Accountants

Montréal, Québec
August 14, 1984

Accounting Policies

June 30, 1984

The Corporation's financial statements are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with international accounting standards. The most significant policies are as follows:

Principles of consolidation
The consolidated financial statements include the accounts of Dominion Textile Inc. and all its subsidiary companies, with provision for the interest of minority shareholders. All material inter company items are eliminated.

The acquisitions of all subsidiary companies are accounted for on a purchase basis. The assets and liabilities (adjusted to appropriate carrying values) of the companies acquired have been consolidated with those of the Corporation. The adjustment to carrying values is amortized over the economic life of the applicable assets.

Translation of foreign currencies
Assets and liabilities of Dominion Textile Inc. denominated in foreign currencies are translated at the exchange rates in effect at the balance sheet date. Gains and losses on translation are reflected in net income of the period, except for unrealized foreign currency gains and losses on long term monetary assets and liabilities which are reported as a deferred charge and amortized over the remaining lives of related items on a straight-line basis.

The assets and liabilities denominated in a foreign currency for self-sustaining foreign operations are translated at exchange rates in effect at the balance sheet date. The resulting gains and losses are accumulated in a separate component of shareholders' equity. Revenue and expense items are translated at average exchange rates prevailing during the period.

For self-sustaining operations in hyper-inflationary countries, monetary assets and liabilities are translated at the rates in effect at the balance sheet date, whereas non-monetary assets and liabilities are translated at rates prevailing at the respective transaction dates. Revenues and expenses are translated at average rates prevailing during the period except for cost of inventory used, depreciation and amortization which are translated at historical exchange rates. Translation gains and losses are reflected in net income of the period.

Inventory valuation
Materials and supplies in inventories are valued at the lower of average cost and net realizable value. The cost of work in process and finished goods inventories includes raw materials, direct labour and certain manufacturing overhead expenses. Adequate provision is made for slow moving and obsolete inventories.

Investment in associated companies
The investment in companies which are not majority owned is carried at the Corporation's equity therein. For those companies operating in countries where exchange control regulations or other circumstances create uncertainty as to the repatriation of earnings, the investment is carried at cost less write-downs for permanent impairment.

Fixed assets and depreciation
Fixed assets are stated at historical cost. Depreciation is provided on a straight-line basis at varying rates which amortize the cost of the assets over their economic life. For the most part buildings are amortized over 25 years and machinery and equipment over 10 to 15 years.

Pension plans
The Corporation and its subsidiaries have a number of pension plans, both of a contributory and non-contributory nature. All pension plans are trusteed and are being funded. The unfunded past service pension liability is estimated to be $5 344 000 as at June 30, 1984 ($6 010 000 at June 30, 1983) and is being amortized over a period not longer than determined by actuarial estimates and government regulations.

Pension payments made to retired employees not covered by these plans are charged to operations when paid.

Net income per Common share
Net income per Common share is calculated using the weighted average number of Common shares outstanding during the fiscal year, after deducting dividends on Preferred shares. The average number of Common shares outstanding for 1984 and 1983 was 13 160 783 and 11 788 447 respectively.

Notes to Consolidated Financial Statements

June 30, 1984

Note 1 — Income from operations after interest	1984	1983
	(in thousands of dollars)	
Income from operations after interest includes provision for the following:		
Depreciation	**$ 24 816**	$ 22 080
Remuneration of directors and officers	**2 375**	2 447
Interest on long term debt	**20 399**	20 556
Interest on other borrowings	**3 108**	5 845

Note 2 — Other income

Royalties and commissions	**$ 304**	$ 499
Gain on disposal of fixed assets	**201**	927
Gain on redemption of debentures	**1 333**	—
Other items, net	**40**	433
	$ 1 878	$ 1 859

Note 3 — Inventories

The major inventory classifications are as follows:

Raw materials	**$ 55 712**	$ 47 189
Work in process, including grey fabric for further processing	**62 189**	62 099
Finished goods	**78 839**	77 627
Supplies	**11 944**	12 168
	$208 684	$199 083

Note 4 — Investments and advances

Investment in associated companies	**$ 6 180**	$ 7 488
Other investments and advances — at cost	**2 074**	1 779
	$ 8 254	$ 9 267

Note 5 — Land, buildings and equipment

Land and buildings	**$146 375**	$138 488
Machinery and equipment	**387 675**	345 703
Total at cost	**534 050**	484 191
Less: Accumulated depreciation	**266 896**	243 105
	267 154	241 086
Assets held for disposal at estimated realizable values	**4 122**	4 300
	$271 276	$245 386

Note 6 — Short term borrowings

Bank borrowings of $27 497 000 by subsidiary companies are secured by assignment of accounts receivable and inventories.

Note 7 — Long term debt	1984	1983
	(in thousands of dollars)	
Parent Corporation		
Secured		
Sinking fund debentures — Notes 7(a) and 9(d)		
Series A maturing March 31, 1988 at 5⅝% interest	**$ 13 296**	$ 18 552
Series B maturing April 15, 1990 at 6¾% interest	**6 486**	7 866
Series D maturing July 15, 1989 at 10½% interest	**6 497**	7 497
Series E maturing December 15, 1995 at 14% interest	**30 000**	30 000
Series F maturing January 15, 1993 at 14% interest	**40 000**	40 000
Term note — secured by Series C Collateral debenture		
Due 1984 at 7% interest	**—**	584
Capitalized lease obligations		
Due 1985 to 1989 at an average of 11% interest	**1 572**	—
Unsecured		
Debentures		
Due October 12, 1992 at 5¾% interest	**305**	322
Term notes		
Due 1985 to 1987 — Note 7(b), (payable in US dollars)	**10 536**	13 284
Due 1984 at 9½% interest	**—**	400
Subsidiaries (payable in US dollars)		
Secured		
Industrial Development Revenue Bonds		
Due 1996 at 13.7% interest — Note 7(c)	**22 013**	20 915
Due 1987 to 1996 at 8.0% to 8.9% interest	**1 295**	1 230
Other loans and mortgages	**2 281**	2 424
Unsecured		
Term note		
Due 1985 to 1990 at the London inter-bank offered rate plus ½% to 1% interest	**19 682**	21 817
Term notes		
Due 1985 to 1993 at 10% interest	**2 739**	2 890
Due 1985 to 1993 at 10¼% interest	**1 262**	1 335
Capitalized lease obligations		
Due 1985 to 2003 at an average of 10.9% interest	**4 457**	5 170
Other liabilities	**3 026**	3 109
Total long term debt — Note 7(d)	**165 447**	177 395
Deduct: Amounts due within one year	**14 240**	11 350
Total (Cdn. $91 856 407; US $45 746 000)	**$151 207**	$166 045

(a) Sinking fund debentures are secured by a floating charge on all the assets (except real and immovable properties) of the Corporation. The Corporation has purchased $4 304 000 Series A, $1 139 000 Series B and $1 003 000 Series D in anticipation of sinking fund requirements.

(b) The interest rate fluctuates with changes in the lender's New York prime rate plus ½% to ¾% or the London inter-bank offered rate plus ¾% to 1% at the Corporation's option.

(c) The provisions of the agreements for these obligations require, among other things, that certain subsidiaries (i) maintain working capital and net worth above specified minimum levels, (ii) maintain the ratio of debt to net worth within prescribed limits and (iii) limit the payment of dividends. The bonds are secured by a charge on the fixed assets of a subsidiary and are callable at the option of the Corporation beginning in 1987.

Note 7 — Long term debt (Cont'd)

(d) After allowing for pre-payments, the aggregate annual payments required on long term debt for years ending June 30 are:

	(in thousands of dollars)
1985	$ 14 240
1986	15 219
1987	16 803
1988	14 070
1989	14 398
1990 — 2003	90 717
	$165 447

Note 8 — Leases

As at June 30, 1984 the future annual minimum payments for building and equipment leases that have initial non-cancellable terms in excess of one year are as follows:

	(in thousands of dollars)
1985	$ 6 269
1986	3 039
1987	2 469
1988	1 909
1989	1 748
1990 — 1999	6 208
	$ 21 642

Note 9 — Capital stock

	1984	1983
	(in thousands of dollars)	
Cumulative First Preferred — Note 9(a)		
Authorized — 4 306 shares		
Outstanding — 791 shares (1983 — 791 shares)	**$ 79**	$ 79
Second Preferred — Note 9(b)		
Authorized — unlimited shares		
Outstanding — 1 200 000 shares		
Series A — 600 000 shares	**15 000**	15 000
Series C — 600 000 shares	**15 000**	15 000
Common — Note 9(c)		
Authorized — unlimited shares		
Issued — 13 325 909 shares (1983 — 13 002 583 shares)	**131 367**	125 803
	$161 446	$155 882

(a) Cumulative First Preferred shares are entitled to a fixed yearly dividend of $7 per share.

(b) Second Preferred shares — Series A are entitled to a cumulative dividend of $2 per share per annum.

Second Preferred shares — Series C are entitled to a cumulative floating rate dividend equal to one-half of a Canadian Bank's prime rate plus 1.30% calculated and adjusted quarterly.

The Second Preferred shares are redeemable, in whole or in part, at the option of the Corporation after April 30, 1984, for Series A, and after June 30, 1985, for Series C, at prices declining from $26 each to $25 each on and after April 30, 1990 for Series A, and June 30, 1990 for Series C.

The Corporation has agreed to offer to purchase 120 000 Second Preferred shares, Series A, per annum commencing January 1, 1993 and 120 000 Second Preferred shares, Series C, per annum commencing July 1, 1998.

Note 9 — Capital stock (Cont'd)

(c) The following is a summary of the Common shares issued during the two years ended June 30, 1984:

	NUMBER OF SHARES		VALUE	
	1984	1983	**1984**	1983
			(in thousands of dollars)	
Balance at beginning of year	**13 002 583**	11 158 132	**$125 803**	$ 97 744
New issue	**—**	1 514 000	**—**	23 898
Conversion of 5¾% Convertible debentures	**—**	5 760	**—**	64
Dividend reinvestment and share purchase plan	**300 810**	296 352	**5 185**	3 728
Employee share purchase plan	**22 516**	28 339	**379**	369
Balance at end of year	**13 325 909**	13 002 583	**$131 367**	$125 803

(d) The deeds of trust and mortgage relating to the Sinking fund and Collateral debentures contain certain restrictions, customarily found in deeds of this type, pertaining to the amount of long term debt which may be issued, the declaration or payment of dividends and the reduction of capital. At June 30, 1984 the amount of shareholders' equity not restricted under the terms of the deeds was $72 485 000.

Note 10 — Cumulative translation adjustment

	1984	1983
	(in thousands of dollars)	
The components of the accumulated foreign currency translation adjustment, as reported on the consolidated balance sheet, are as follows:		
Balance at beginning of year	**$ (2 906)**	$ —
Unrealized gains (losses) on non-current items		
Land, buildings and equipment	**4 505**	3 012
Long term debt	**(2 525)**	(2 866)
Other items, net	**(169)**	(448)
	1 811	(302)
Unrealized gains (losses) on working capital, other than cash items	**1 569**	(2 604)
	3 380	(2 906)
Balance at end of year	**$ 474**	$ (2 906)

Note 11 — Asset redeployment program

For the year ended June 30, 1982, an extraordinary charge of $11 500 000 (after deducting income tax credits of $8 400 000) was made against earnings to provide for the anticipated costs of a program to discontinue a number of lines of business and to redeploy the Corporation's resources to a narrower range of products. Consistent with this program, $2 400 000 of after-tax charges were incurred in 1984 (1983 — $2 400 000), leaving a balance of $6 700 000 to be absorbed in subsequent fiscal years. Management expects this program will be substantially completed by June 30, 1986.

Note 12 — Commitments and contingencies

At June 30, 1984, the Corporation has outstanding fixed asset appropriations of $27 000 000 of which a substantial portion will qualify for grants of 20% from the Canadian Industrial Renewal Board.

Notes receivable discounted by foreign subsidiaries amount to approximately $4 078 000.

Note 13 — Segmented information

The Directors have determined that the Corporation operates within the textile industry in various geographic areas which, for the 12 months ended June 30, can be segmented as follows:

(in millions of dollars)

	Canada		United States		Europe and other		Eliminations		Consolidated Totals	
	1984	1983	**1984**	1983	**1984**	1983	**1984**	1983	**1984**	1983
Sales to outsiders	**$560.7**	$555.9	**$240.2**	$190.9	**$ 76.9**	$ 75.6	**$ —**	$ —	**$877.8**	$822.4
Transfers among geographic locations	**—**	—	**83.4**	80.3	**—**	—	**(83.4)**	(80.3)	**—**	—
	$560.7	$555.9	**$323.6**	$271.2	**$ 76.9**	$ 75.6	**$ (83.4)**	$ (80.3)	**$877.8**	$822.4
Income from operations	**$ 29.8**	$ 38.6	**$ 30.1**	$ 14.3	**$ 5.6**	$ 4.0			**$ 65.5**	$ 56.9
Identifiable assets	**$459.3**	$459.4	**$171.8**	$150.0	**$ 48.3**	$ 44.5			**$679.4**	$653.9
Investment in associated companies									**6.2**	7.5
Total assets									**$685.6**	$661.4

Directors

Jean Béliveau, Montréal
Senior Vice-President,
Corporate Affairs
Club de Hockey Canadien, Inc.

***Thomas R. Bell**, Montréal
President and
Chief Executive Officer
Dominion Textile Inc.

Alex D. Hamilton, Montréal
Company Director

***J. Claude Hébert**, D.F.C.
Montréal
Chairman of the Board
Petro-Canada Oil and Gas Inc.

†Roderick O.A. Hunter, Winnipeg
Company Director

†Gordon H. Lennard, Calgary
President
G.H. Lennard Corporation Ltd.

Alex R. McAslan, Montréal
Executive Vice-President,
Operations
Dominion Textile Inc.

Charles A. McCrae, Montréal
Executive Vice-President,
Administration and Resources
Dominion Textile Inc.

†Cal N. Moisan, Montréal
President and
Chief Executive Officer
SPB Canada Inc.

***Ronald H. Perowne**, Montréal
Chairman of the Board
Dominion Textile Inc.

***David F. Sobey**, Stellarton,
Nova Scotia
Deputy Chairman and
Chief Executive Officer
Sobeys Stores Limited

***Kenneth A. White**, K.St.J., C.D.
Oakville
Company Director

* Member of the Executive Committee
† Member of the Audit Committee

Officers

Corporate

Ronald H. Perowne
Chairman of the Board

Thomas R. Bell
President and
Chief Executive Officer

Charles A. McCrae
Executive Vice-President,
Administration and Resources

Alex R. McAslan
Executive Vice-President,
Operations

Francis P. Brady, Q.C.
Senior Vice-President,
External Affairs

Ilay C. Ferrier
Senior Vice-President, Finance,
and Treasurer

William N. Gagnon
President, International Operations

Sandy Mackay-Smith
Vice-President,
Secretary and General Counsel

Robert B. Anderson
Assistant Comptroller

Marie Baillargeon
Assistant General Counsel and
Assistant Secretary

Operations

Canada

Paul-É. Boudreault
President, Apparel and Industrial
Fabrics

Arthur P. Earle
Senior Vice-President,
Development and Research

Dennis Godfrey
President, Sales Yarn

Alex R. McAslan
President, Consumer Products

William A. McVey
Senior Vice-President,
Canadian Operations

Stephen J. Weir
Senior Vice-President,
Operation Services

United States

John A. Boland, Jr.
Senior Vice-President,
United States Operations

E. John Macfarlane
President,
Nonwovens and Plastics

International

William N. Gagnon
President,
International Operations

	1984	1983*	1982	1981	1980	1979	1978	1977	1976	1975
Summary of operations (in millions of dollars)										
Sales	**$877.8**	$822.4	$767.3	$864.8	$756.9	$667.4	$560.0	$498.9	$475.4	$273.4
Income from operations	**65.5**	56.9	31.8	100.5	86.2	60.5	44.0	37.2	34.1	20.1
Income (loss) before income taxes	**43.8**	31.9	(3.9)	74.8	66.2	44.1	31.9	25.5	22.3	12.3
Income taxes	**18.5**	11.8	(2.8)	28.6	26.9	18.4	12.5	10.4	8.8	5.2
Other items, net	**(2.1)**	(1.0)	(1.8)	(3.3)	(4.4)	(.3)	(1.2)	(.6)	(3.9)	—
Net income (loss)**	**23.1**	19.1	(14.4)	42.9	34.9	25.4	18.2	13.3	9.6	7.1
Interest — Long term debt	**20.4**	20.5	22.6	18.4	10.1	9.3	7.8	6.2	6.0	3.2
— Other	**3.1**	5.9	14.8	8.6	11.6	9.2	6.0	7.8	7.8	5.1
Financial resources generated from operations	**64.0**	48.4	20.7	68.2	59.8	42.9	39.2	30.1	26.3	21.9
Additions to fixed assets	**46.8**	34.8	51.5	63.9	33.4	22.2	19.2	22.1	18.7	21.7
Depreciation	**24.8**	22.1	18.9	15.6	14.3	12.6	13.9	13.9	14.2	12.1
Balance sheet highlights (in millions of dollars)										
Working capital	**240.6**	245.0	199.8	251.8	190.6	170.8	134.5	116.8	106.1	105.6
Land, buildings and equipment — at cost	**534.1**	484.2	454.1	449.2	390.2	344.6	326.9	313.4	304.7	294.5
Total assets	**685.6**	661.4	613.5	655.6	541.7	442.9	386.6	362.3	349.5	352.0
Long term debt	**151.2**	166.0	147.7	159.8	119.0	92.9	108.1	110.1	104.4	109.7
Shareholders' equity	**311.0**	290.7	257.6	278.8	223.4	195.0	139.5	124.2	115.5	110.5
Data per Common share (in dollars)										
Net income (loss)**	**1.59**	1.41	(1.43)	3.93	3.66	3.02	2.31	1.71	1.23	.91
Financial resources generated	**4.69**	3.90	1.77	6.40	6.46	5.11	4.98	3.85	3.37	2.81
Dividends	**.72**	.72	1.02	1.06	.94	.73	.64	.60	.60	.60
Book value	**21.08**	20.04	20.39	23.14	21.50	19.19	17.37	15.85	14.75	14.13
Market value — High	**20.50**	19.63	19.00	22.25	16.50	15.13	12.25	9.50	10.00	11.00
— Low	**14.25**	8.75	8.75	13.50	12.00	10.25	7.88	6.88	7.50	6.00
Statistical data										
Working capital ratio	**2.5**	2.5	2.2	2.4	2.1	2.3	2.1	2.0	1.9	1.9
Net income (loss) as a percentage of sales	**2.6**	2.3	(1.9)	5.0	4.6	3.8	3.3	2.7	2.0	2.6
Net income (loss) as a percentage of average Common shareholders' equity	**7.7**	6.8	(6.6)	18.2	18.1	16.7	13.8	11.2	8.5	6.5
Number of shareholders	**6 653**	6 329	6 786	6 699	5 323	5 323	5 725	5 735	6 002	6 264
Average number of Common shares outstanding (in thousands)	**13 161**	11 788	10 965	10 251	8 864	8 383	7 855	7 811	7 809	7 798
Number of employees at year end	**11 500**	12 300	12 100	13 700	13 900	13 200	12 600	12 000	13 100	10 100

* In 1983 the Corporation changed its method of accounting for foreign currency translation; prior years' results were not restated.
** After extraordinary charges of $11.5 million in 1982 and $1.2 million in 1977 or $1.05 and $0.16 per Common share respectively.

Shareholder Investment Plan

Shareholders wishing to acquire additional Common shares of Dominion Textile Inc. can take advantage of the Shareholder Dividend Reinvestment and Share Purchase Plan. This plan provides a convenient method for shareholders, other than U.S. residents, to reinvest their Common share cash dividends in new Common shares of Dominion Textile Inc. at 95% of the average market price. Participants in this plan may also invest monthly optional cash payments, to a maximum of $4 000 per quarter, in new Common shares of Dominion Textile Inc. at 100% of the average market price.

Shareholders participating in the Dividend Reinvestment and Share Purchase Plan pay no brokerage commissions or service charges on the acquisition of these shares and all administrative costs of this plan are borne by Dominion Textile Inc.

Additional information can be obtained from:

Dominion Textile Inc.
Dividend Reinvestment and
Share Purchase Plan
c/o The Royal Trust Company
Corporate Trust Division
630 Dorchester Blvd., West
Montréal, Québec
H3B 1S6

Stock Transfer Agent, Registrar and Dividend Disbursing Agent
The Royal Trust Company: principal offices in Montréal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

Trustee: 5¾% Convertible Debentures, 1992
Montreal Trust Company: principal offices in Montréal, Toronto, Winnipeg, Calgary and Vancouver.

Stock Exchange Listings
Montréal and Toronto.

Head Office
1950 Sherbrooke Street, West
Montréal, Québec H3H 1E7

Annual Meeting
The annual meeting of shareholders will be held at 3:30 p.m., Eastern Daylight Time, on Wednesday, 24 October 1984, at Le Château Champlain Hotel, Place du Canada, Montréal.

Si vous préférez recevoir ce rapport en français, veuillez vous adresser au Secrétaire, case postale 6250, Montréal, Québec H3C 3L1.

Litho Canada H&V

DOMINION TEXTILE INC.