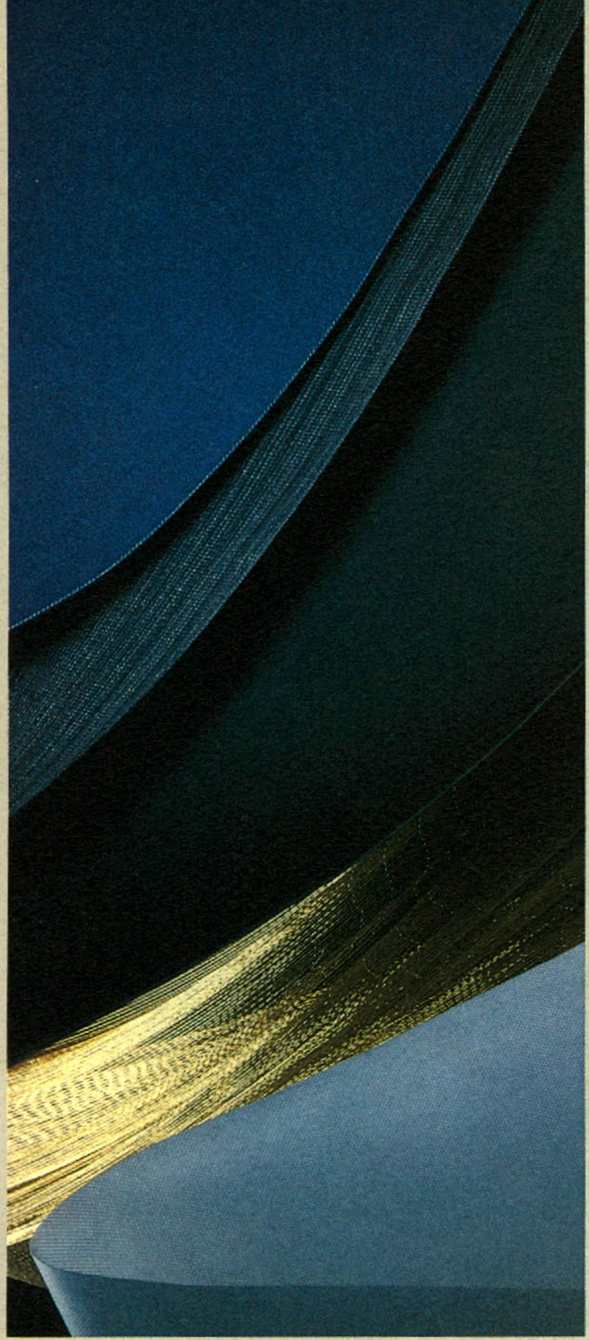


DOMINION TEXTILE INC.

•

Annual

Report

1990

•

Corporate Profile

Dominion Textile Inc., which began operations in Canada in 1905, conducts business in some 50 countries through subsidiary and associated companies. The Corporation has 43 manufacturing facilities: 14 in Canada, 12 in the United States, 13 in Europe, 2 in South America, 1 in North Africa and 1 in Hong Kong. It directly employs 10 900 people.

Dominion Textile's mission is to serve worldwide markets profitably with quality textiles and textile-related products. The fundamental goal of the Corporation is to attain and sustain leadership positions in selected markets on an international basis, concentrating on total value to customers.

Dominion Textile Common shares are owned by nearly 24 000 shareholders. More than 98% of the shares are held and registered in Canada where they are traded on the Montréal Exchange and the Toronto Stock Exchange.

Cover photo

THE COVER PHOTO REPRESENTS PART OF THE DOMINION TEXTILE UNIVERSE OF QUALITY TEXTILE PRODUCTS FOR GLOBAL MARKETS: (TOP TO BOTTOM) DENIM, PRIMARY CARPETBACKING, POLYESTER/COTTON WORKWEAR FABRIC, STEEL TIRE CORD FABRIC AND NONWOVEN FABRIC.

Table of Contents

Terms

In this annual report all dollar amounts are in Canadian dollars, unless otherwise stated.

A "subsidiary" company is one in which Dominion Textile owns more than 50% of the voting stock. A company in which the Corporation has 50% or less of the voting stock and exercises some influence over management is referred to as an "associated" company. Companies in which Dominion Textile has a financial interest but no voting stock are referred to as "participations".

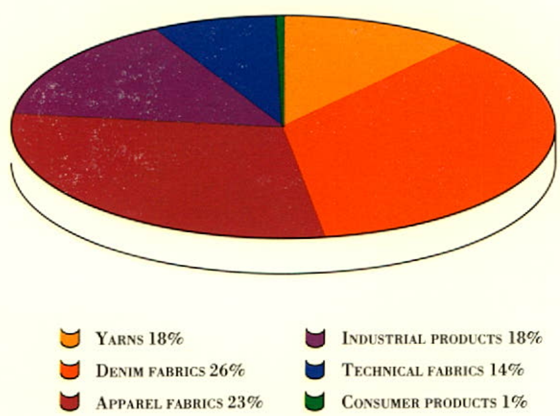
The Corporation's fiscal year end is 30 June. Its first quarter is the 1 July-30 September period. The fiscal year currently in progress is 1991. Any reference to "year" refers to the fiscal period, unless otherwise specified.

Highlights

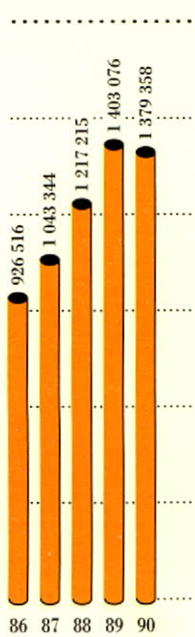
for the years ended 30 June
(in thousands of dollars except as noted)

	1990	1989	1988
Sales	$1 379 358	$ 1 403 076	$ 1 217 215
Net income before extraordinary item	11 043	9 280	43 061
Net income (loss) after extraordinary item	11 043	(28 800)	63 135
Financial resources generated from earnings	$ 118 012	$ 108 440	$ 119 252
Additions to fixed assets	109 480	110 931	84 637
Working capital	$ 244 748	$ 274 459	$ 338 020
Total assets	1 436 287	1 368 379	1 542 966
Long term debt	480 961	490 268	514 908
Shareholders' equity	565 848	545 558	562 793
Return before extraordinary item on Common shareholders' equity	1.2%	0.8%	9.2%
Number of Common shares (in thousands)			
Average outstanding during the year	29 143	26 561	19 658
Outstanding at year end	30 524	28 692	24 792
In dollars per Common share			
Basic net income (loss)			
— Before extraordinary item	$ 0.19	$ 0.14	$ 1.91
— After extraordinary item	0.19	(1.29)	2.93
Dividends	0.60	0.60	0.57
Book value	16.11	16.40	19.57

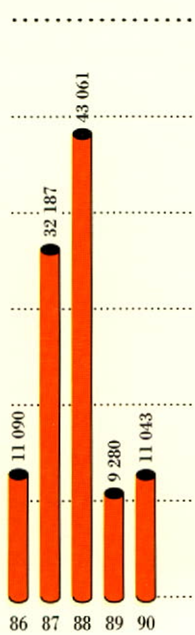
Sales by business group (1990)
(percentage)



Sales
(thousands of dollars)



Net income*
(thousands of dollars)



*Before extraordinary item

Sales by business group

(in millions of dollars)	1990	1989	% increase/ (decrease)
Yarns	$246.9	$227.0	8.8
Denim fabrics	355.3	282.6	25.7
Apparel fabrics	320.1	335.5	(4.6)
Industrial products	242.8	238.3	1.9
Technical fabrics	191.3	175.1	9.3
Consumer products	19.2	142.9	(86.6)
Other	3.8	1.7	—

Thomas R. Bell
Chairman

Charles H. Hantho
President and Chief Executive Officer

Fiscal 1990 was a year of mixed results. It began with improved earnings in the first half, mainly based on a strong recovery in denim shipments, and was followed by lower results from most of our product groups for the balance of the year.

In the second half, the textile industry was affected by lower demand and competitive pricing resulting from actions by apparel retailers in the United States to reduce excess inventories and due to softness in several sectors of the North American economy such as automobiles, housing and home furnishings. A surge of garment imports into the U.S. and sharply higher cotton prices also impacted performance.

The turmoil in U.S. retailing, resulting largely from severe cash flow problems suffered by a number of department stores, affected the entire apparel industry supply chain. Cash-strapped retailers, some of which eventually filed for Chapter 11 bankruptcy protection, resorted to heavy price discounting to increase liquidity while postponing new purchases.

Other retailers also began to order closer to the season, causing jeanswear and other apparel manufacturers to become more cautious in their production decisions. They reduced forward commitments to textile mills to bring their own inventories down to minimum levels and manufactured garments only in response to firm orders. Demand and prices of most textiles, including denim, weakened as a result and the Corporation's Swift Denim Group was forced to curtail production in the second half of the year to reduce fabric inventories.

Currency values also hurt results. The Klopman Group was affected by the strength of the Italian lira against the British pound and other European currencies. As well, the inflated value of the Canadian dollar hampered the competitiveness of our Canadian operations in domestic and export markets.

Despite these difficult conditions, our U.S. yarn operations posted their highest levels of sales, shipments and earnings. The Technical Fabrics Group again increased sales worldwide while maintaining excellent financial results.

Net income and sales

The Corporation reported net income of $11 million, or 19 cents per Common share, compared with $9.3 million, or 14 cents per share, before extraordinary item in the prior year. After an extraordinary charge totalling $38.1 million after tax, the final result for 1989 was a net loss of $28.8 million, or $1.29 per share.

Consolidated sales were $1 379 million, compared with $1 403 million in 1989. The lower level resulted mainly from the sale of the Corporation's bed fashion assets in the first quarter. Excluding the contribution from this business in both years, sales actually increased 8% to $1 360 million from $1 260 million in the prior year. Sales by associated companies and participations whose results are not consolidated totalled $331 million in 1990, significantly higher than the $86 million recorded in 1989.

Strategic response

In response to the difficult business climate, we undertook a strategic assessment of our operations and long term forward direction. A number of actions are being implemented to increase short term profitability and to position the Corporation more effectively for future growth. We have also extended our efforts to maximize cash generation from existing corporate assets and operations while reducing our break-even point by cutting costs across the board.

At the same time, we are continuing to explore opportunities to build on our strong leadership positions in our core activities — yarn, denim, workwear and leisurewear fabrics, industrial products and technical fabrics. The Corporation has established a significant international presence in most of these businesses and is resolved to achieve greater profitability.

Strategic alliances, partnerships and acquisitions will continue to be a means of accelerating long term profit growth. We are also acting decisively to deal with operations which have not been able to achieve satisfactory returns, including merger, joint venture and divestment opportunities.

At year end, organizational changes were introduced to make the Corporation even more responsive to an increasingly global market environment. One of the measures was the creation of a Corporate Management Committee to guide all major strategic and policy decisions. A discussion of our new organization and forward direction follows on page 6.

The full commitment and involvement of our 10 900 employees is a key requirement as we strive to improve profitability. On behalf of the Board of Directors, we extend our thanks for their efforts in fiscal 1990. We are confident that they will tackle the short term challenges with a spirit of renewed dedication to quality and customer service.

Highlights of 1990

As part of the restructuring of our Canadian operations, we sold the bed fashion operations and trademarks to C.S. Brooks (Canada) Inc. Dominion Textile continues to have a major financial interest in the business, with an option to acquire an equity participation, up to 50%, after a three-year period.

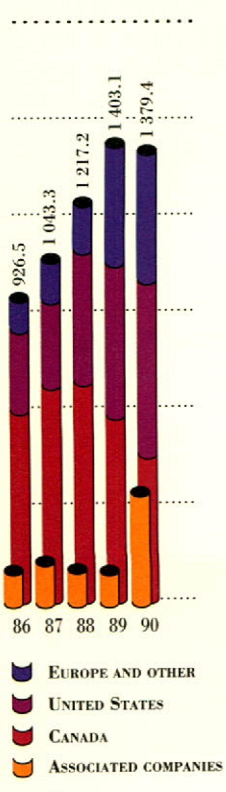
On 31 May 1990, the Corporation acquired the industrial textile operations of Uniroyal Goodrich Tire Company in the U.S. through a joint venture company. Concurrently, the joint venture purchased the Corporation's Canadian engineered fabrics unit to create a globally competitive business with annual sales exceeding $200 million.

The new company, called Dominion Engineered Textiles, Inc., is the largest independent tire cord manufacturer in North America and the leading supplier of fabrics used in the manufacture of V-belts, conveyor belts, tracks for motorized vehicles and numerous other industrial products. Dominion Textile has been operating successfully in this business on an international basis from Canada for many years and has high expectations for the future.

On 23 March 1990, Dominion Textile completed the acquisition of Nordlys S.A. through the purchase of the remaining 25% interest not already owned. Nordlys, a major European manufacturer of nonwovens, is the catalyst for the aggressive global expansion of our presence in nonwovens for both interlinings and industrial markets.

On 16 March 1990, the Corporation completed a successful takeover bid for Textiles Dionne Inc., a Québec yarn manufacturer with three plants and annual sales of approximately $50 million. In addition to strengthening our market leadership in Canada for open end yarns, the acquisition provides an expanded base for future growth in the specialty yarn markets in North America.

Sales by geographic area
(millions of dollars)



Capital spending

Capital expenditures totalled $109 million in fiscal 1990, compared with $111 million in the previous year. Canadian operations accounted for $41 million, mainly for the modernization of the Swift denim plant in Drummondville, Québec, the installation of new finishing and weaving equipment at Dominion Fabrics Company and quality control improvements at Dominion Yarn Company.

U.S. expenditures of $27 million were for the purchase of additional spunbonding lines for nonwovens at Wayn-Tex and the installation of new open end spinning frames at Dominion Yarn Corporation. In Europe, projects totalling $41 million included the installation of air jet weaving machines and related improvements in spinning operations at Klopman facilities in Italy and Ireland, and the completion of the new Nordlys plant in France.

While maintaining high capital spending levels during the past two years, and despite lower earnings, Dominion Textile has succeeded in slightly reducing long term debt. On 30 June 1990, the debt/equity ratio was 49:51. One of the Corporation's key objectives remains to improve its financial position. Until earnings improve substantially, priority in capital expenditures will be given to projects with a short term payback. In addition, planned capital spending in fiscal 1991 is significantly lower than during each of the past two years.

International trade issues

A number of significant trade developments are reshaping the markets served by Dominion Textile and are already having a profound influence on decisions related to our forward direction. These include increasing globalization of markets, products and customers, the gradual elimination of tariffs on trade between Canada and the U.S. and the creation of a single European market.

The eventual phase-out of the Multi-Fibre Agreement and the outcome of the Uruguay Round of the GATT negotiations will likely result in further trade liberalization and intensified pressure from developing countries on the developed markets of North America and Europe. The Corporation's forward direction and investment strategy assume this outcome in the medium term. For this reason, we are pleased that the Canadian government has decided not to take unilateral action to reduce textile tariffs while these multilateral trade negotiations are under way.

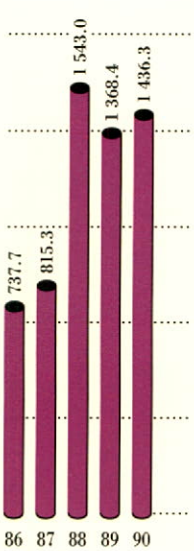
Outlook

As we enter fiscal 1991, the softness in most markets and the general economic and industry conditions which affected results in 1990 are expected to persist well into the new year. In particular, high cotton costs will continue to have an adverse effect on margins.

The U.S. retailing industry will likely undergo further upheaval before stability is achieved, affecting both shipments and prices for our North American apparel fabrics units.

In Canada, political uncertainty and large public sector deficits indicate continuing high interest rates and an overvalued currency. Meanwhile, the country is introducing a major change in taxation policy with a Goods and Services Tax which will add 7% to the selling price of all clothing and certain other items, previously exempt from tax, at a time of weaker consumer spending.

Assets
(millions of dollars)



There are positive indicators as well. Production cutbacks are reducing inventories of most textiles at North American mills to more normal levels. Retail inventories have also improved considerably. As a result, any increase in demand experienced by our customers should translate immediately into new mill orders.

In Europe, economic conditions are generally more encouraging and the recent strengthening of the British pound against the Italian lira should help the results of our Klopman unit. Our Technical Fabrics Group is also poised for higher shipments and earnings.

Given the overall situation, we are vigorously implementing cost cutting, margin improvement and cash conservation initiatives. Actions are being taken to deal with underperforming assets. When the upturn comes, we will be in a position to achieve significant improvement in earnings and returns to shareholders.

While executing short term measures, we continue to focus on the longer term to build on the strong market positions already attained. In particular, a number of our units are actively pursuing opportunities in Eastern Europe for exporting products and technical know-how as well as establishing sources of raw materials and local manufacturing. Through effective operational management and strategic focus, we will make Dominion Textile a successful company by serving customers well and by enhancing shareholder value.

Board of Directors

Early in fiscal 1991, Marcel Côté was nominated for election to the Board of Directors at the annual meeting of shareholders in October 1990, following his return to the private sector after serving with the Government of Canada.

Tribute to C. Robert Koon

Fiscal 1990 marked the retirement of C. Robert Koon, following a distinguished 43-year record of service with our Swift Textiles, Inc. subsidiary, most recently as its Chairman. Mr. Koon is internationally recognized for his knowledge of denim manufacturing and was recently named "Man of the Year" by a leading U.S. publication for his contribution to the U.S. textile industry. On behalf of the Board of Directors, we extend our deep appreciation to Mr. Koon for his dedication and wish him well in retirement.

On behalf of the Board of Directors,

Thomas R. Bell
Chairman

Charles H. Hantho
President and Chief Executive Officer

Montréal, 14 August 1990

Building Success:
A statement of forward direction

"The mission of Dominion Textile is to serve worldwide markets profitably with quality textiles and textile-related products. The fundamental goal of the Corporation is to attain and sustain leadership positions in selected market segments on an international basis, concentrating on total value to customers."

Dominion Textile has grown rapidly in recent years to become a significant player in the international textile industry. Through internal growth and acquisitions, the Corporation has established a number of strong core businesses. It has also substantially increased sales and solidly diversified its manufacturing and customer base across North America and Europe. In certain products, Dominion Textile is truly a global supplier.

Because of weak short term earnings performance, the real significance of these achievements is not reflected in the market value of Dominion Textile Common shares. The Corporation is determined to revitalize its operations to improve profitability and to increase shareholder value.

Following a thorough strategic and operational review at the end of fiscal 1990, a number of actions were put into motion immediately:

- Margin improvement and production rationalization programs were accelerated.
- Cost-cutting measures were implemented.
- The role of the corporate head office was redefined to increase its effectiveness and to reduce costs.

Along with these short term steps, attention was focused on strategies to ensure ongoing profit improvement and growth:

- Dominion Textile will build and extend internationally competitive market positions in its core businesses by defining what it will take to develop and sustain leadership and to achieve financial objectives.
- For business units where leadership positions cannot be achieved, the Corporation will clarify the business role and act decisively within its mission and return goals.
- The Corporation will assess acquisitions, mergers and joint ventures to strengthen the competitiveness of its business units, reduce vulnerability to the cyclical nature of commodity textiles and enhance shareholder value in the near term.

Organizational changes

To implement this forward direction, the Corporation has made a number of organizational changes to simplify decision-making and increase accountability. Business units have been given wide freedom to act within broad corporate guidelines and a Corporate Management Committee, chaired by the President and Chief Executive Officer, has been created to ensure coordinated strategic action.

Corporate Management Committee

Seated (left to right):
Charles A. McCrae
Executive Vice-President,
Corporate Development
Charles H. Hantho
President and
Chief Executive Officer
William N. Gagnon
President,
Dominion Technical Fabrics Group
William K. Rusak
Vice-President,
Human Resources and Communications

Standing (left to right):
Sandy Mackay-Smith
Vice-President,
Secretary and General Counsel
E. John Macfarlane
President,
Dominion Industrial Products Group
Alec Hay
Vice-President,
Manufacturing and Technology
Milo A. Smith
Vice-President and Chief Financial Officer

***Alex R. McAslan*, President, Dominion Yarn Group, is also a member of the committee.**

In addition, the Corporation is grouping the denim, workwear and leisurewear businesses under new leadership. The resulting larger unit has the size, world class manufacturing capability, technical and market know-how to be a stronger competitor in selected market segments on a global basis.

The changes outlined are intended to tackle these objectives in a more focused manner. Our overriding objective is to create a successful company that consistently achieves attractive returns and growth in value for shareholders, rewarding jobs and careers for employees, while meeting social obligations as a good corporate citizen.

Mission

As part of its forward direction, the Corporation has placed renewed emphasis on the commitment to customers. Reference to diversification into non-textile activities has been deleted to enable the Corporation to concentrate all its energies on strengthening existing core businesses.

As we have modified it, the mission of Dominion Textile is to serve worldwide markets profitably with quality textiles and textile-related products. The fundamental goal of the Corporation is to attain and sustain leadership positions in selected market segments on an international basis, concentrating on total value to customers.

This statement recognizes that the revitalization of Dominion Textile will come from its people — people who have a clear sense of direction and are motivated to achieve results. To encourage initiative, the Corporation will fully utilize its human resources through proper selection and development, supported by a stringent goal setting and performance appraisal process, while acknowledging and rewarding achievement and success.

During 1990 the Corporation extended its capability to supply specialty and novelty yarns, including those used by the rope industry.

Yarns

Products

Natural and dyed yarns spun from cotton, polyester/cotton and a variety of synthetic fibres for apparel, household and industrial markets.

Operations

The Dominion Yarn Group achieved record sales and profits in the U.S. in fiscal 1990, although overall earnings declined due to weak business conditions in Canada. Sales totalled $247 million, including $10 million from operations acquired during the year, compared with $227 million in 1989.

Business conditions in the U.S. were marked by strong and growing demand from knitters for cotton and polyester/cotton open end yarns while the market for ring spun yarns remained soft throughout the year. Added production capacity by the U.S. industry increased supply over demand, preventing price improvement.

Competitive conditions were extremely difficult in Canada due to a number of factors, including an international glut of commodity yarns which resulted in an inflow of product into the more open Canadian market at very low prices. Continued appreciation of the dollar also favoured imports. The severe competitive environment and high interest rates created unprecedented credit difficulties and bankruptcies among Canadian yarn customers.

The yarn group's results were also affected in Canada and the U.S. by higher raw material costs. The average market price of cotton, based on New York futures, increased by 22% in fiscal 1990 compared with 1989.

Capacity utilization varied within the group, with open end operations in the U.S. producing on a seven-day per week schedule throughout the year. Most plants in Canada operated below capacity to control inventory levels.

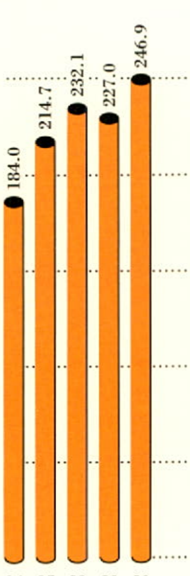
A $20 million capital expenditure program improved efficiency and consistency in product quality on both sides of the border. The group has invested extensively in the latest open end technology with strong results, as evidenced by the solid performance of its U.S. plants in 1990 despite extremely competitive pricing conditions.

Acquisition

During the year, the group consolidated its strong North American position in open end yarns and diversified its product range through a successful bid for Textiles Dionne Inc., a Canadian yarn spinner with three plants in the province of Québec and annual sales of approximately $50 million.

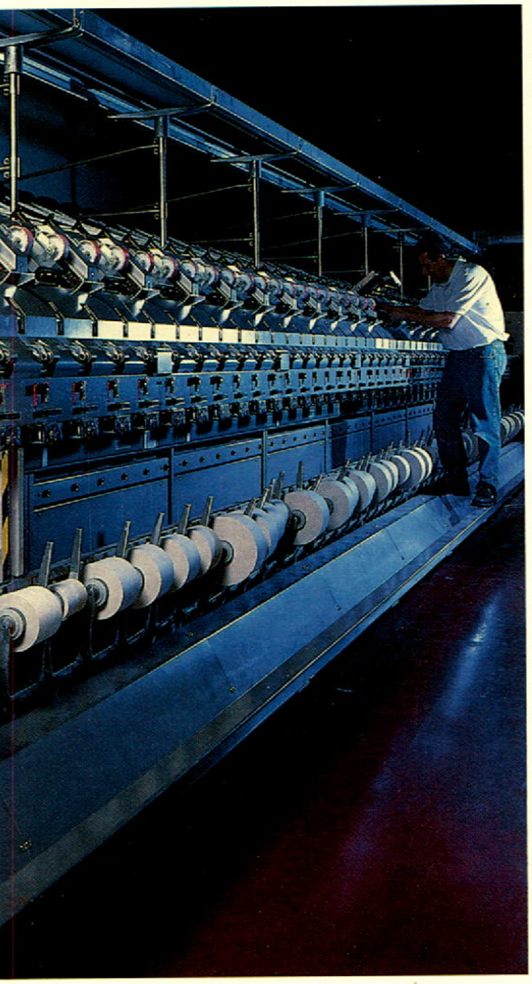
The acquisition broadens the group's marketing and production capability in specialty and novelty yarns and creates a critical mass which will enable greater penetration of the North American market in this segment of the business. Specialty yarns, which are used in a variety of apparel, household and industrial applications, represent a total market of some $1.5 billion of annual sales in North America.

Yarns
— Sales
(millions of dollars)



NEARLY THREE QUARTERS OF THE YARN PRODUCED BY THE DOMINION YARN GROUP IS USED IN THE MANUFACTURE OF A WIDE VARIETY OF KNITTED GARMENTS.

INVESTMENT IN THE LATEST EQUIPMENT SUCH AS AIR JET SPINNING FRAMES IS KEY TO THE COMPETITIVENESS OF THE DOMINION YARN GROUP.



Beyond its traditional operating base in Canada and the U.S., the group is actively seeking strategic alliances offshore with the objective of securing reliable sources for products to complement its North American production and to extend its market reach internationally.

Outlook

The Dominion Yarn Group enhanced its competitive position in fiscal 1990 through acquisition, investment in new technology and by continued integration of Canadian and U.S. operations. In fiscal 1991, efforts are being made to reduce costs and overheads in the face of highly competitive markets.

Demand for open end yarns is expected to continue to grow in the U.S., although prices will remain under pressure as new capacity comes on stream. In Canada, the climate is more uncertain due to a weakening economy, the high value of the Canadian dollar and the introduction of a Goods and Services Tax.

Companies

Dominion Yarn Company — Canada
Dominion Yarn Corporation — United States

Employees: 2 000

Manufacturing facilities

Canada

Drummondville, Québec
Long Sault, Ontario
Montmagny, Québec
Montréal, Québec
St-Georges-de-Beauce, Québec
Sherbrooke, Québec (2)

United States

Burlington, North Carolina
Landis, North Carolina (3)

DOMINION TEXTILE IS A LEADER IN DEVELOPING NEW FINISHES AND COLOURS IN DENIM.

Denim Fabrics

Products

Denim fabrics produced in a full range of finishes, styles, colours and weights for jeanswear and casual pants.

Operations

Sales by the Swift Denim Group increased by 25% to $355 million, from $283 million in 1989. The first half of 1990 was marked by a sharp recovery in both shipments and prices in North America, continuing the turnaround which began in the final quarter of the previous year. Demand softened during the second half, leading to pressure on margins from competitive pricing and lower shipments just as the full impact of higher cotton costs was being felt. The average market price of cotton, based on New York futures, was 22% higher than in 1989.

In Europe, the Corporation's Swift associated companies recorded another strong performance. Although markets remained competitive, both shipments and prices were higher than in 1989, resulting in good profits and increased market share. Sales by these companies are not consolidated in the Corporation's accounts.

U.S. retail climate

In the U.S., the Swift Denim Group and other fabric suppliers were affected by turmoil in the retail industry caused by high retail inventories and changed purchasing patterns resulting largely from the severe liquidity problems of a number of department stores. Three major chains eventually filed for Chapter 11 bankruptcy protection.

The cash-strapped retailers discounted heavily, beginning in the second fiscal quarter to raise cash while postponing new purchases. Other retailers also began to order closer to the season, causing jeanswear and other apparel manufacturers to become more cautious in their production decisions. They reduced forward commitments to textile mills to bring their own inventories down to minimum levels and increased manufacturing only in response to firm orders.

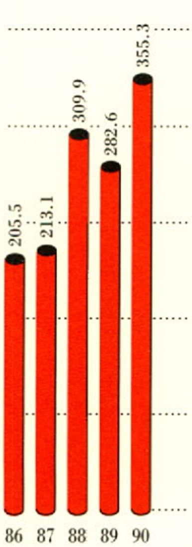
Another negative factor for textile mills was a sharp rise in apparel imports into the U.S. during the third fiscal quarter, including large volumes of both jeans and denim fabric. In Canada, the retail climate deteriorated sharply in the second half of the year.

After producing at full capacity through the first six months, the Swift Denim Group's U.S. and Canadian plants operated at reduced schedules for the balance of the year. The average capacity utilization rate was nevertheless 20% higher in 1990 than in 1989.

In response to business conditions, the group undertook a number of measures to restore profitability, including an overhead reduction program and continued productivity improvements in its U.S. and Canadian manufacturing facilities through product specialization.

The group also initiated a significant thrust during the year into the casual pant market. Many of Swift's higher margin lightweight indigo and coloured denims meet the quality and style requirements for casual pants. The denim group expects positive results from this effort beginning in fiscal 1991.

DENIM FABRICS
— SALES
(MILLIONS OF DOLLARS)



Robots are an integral part of the denim manufacturing chain for the transportation of fabric and raw materials.

Indigo jeanswear is a consumer favourite and a staple of the denim industry.

In addition, the group began seeking alliances and joint venture opportunities in high growth potential markets outside North America and Europe.

A $20 million modernization program at the Drummondville, Québec plant proceeded as planned during 1990, with completion scheduled for the second quarter of fiscal 1991. Capital spending at U.S. plants was reduced following expenditures of nearly $85 million in fiscal 1988 and 1989.

Outlook

In North America market prospects for fiscal 1991 are dependent to a large degree on the strength of retail sales in the first half of the year which includes the pivotal back-to-school and Christmas seasons. The level of retail inventories entering fiscal 1991 was considered normal.

Any additional selling by retailers will immediately generate new orders to replenish stocks and the Swift Denim Group is well positioned to respond to a pick-up in demand. However, the escalation of cotton prices continues to be a major concern.

In Europe, the group's Swift associated companies expect to increase market share while continuing to show strong earnings.

Companies

Swift Textiles — Canada
Swift Textiles, Inc. — United States
Swift Textiles — Europe (associate)
Sitex S.A. — Tunisia (associate)

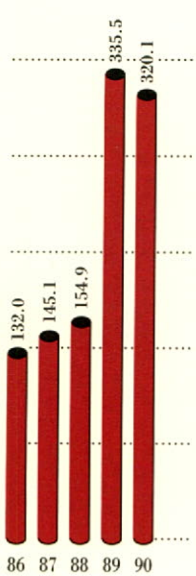
Employees: 3 025

Manufacturing facilities

Canada
Drummondville, Québec
United States
Columbus, Georgia (2)
Erwin, North Carolina (2)
Tunisia
Ksar Hellal (associate)
Sousse (associate)

The Corporation's Klopman Group manufactures permanent flame retardant fabrics under the "Vulkan" trademark for heavy duty industrial workwear.

Apparel fabrics
— Sales
(millions of dollars)



Apparel Fabrics

Products

Woven fabrics of cotton, polyester/cotton and other synthetic fibres for workwear apparel and leisurewear. Custom finishing for special performance characteristics.

Operations

Sales of apparel fabrics in Canada and Europe declined 5% to $320 million from $336 million in 1989. The decrease occurred in Canadian operations, resulting from the decision taken in the final quarter of fiscal 1989 to rationalize the product range.

Earnings in Europe were severely impacted by unfavourable foreign exchange fluctuations which eroded margins, while Canadian operations were profitable following a loss in 1989.

Europe

Despite uneven demand in European markets, Klopman International posted improved sales through increased shipments and higher average local currency selling prices. Capacity utilization exceeded that of 1989. Production of more value added surface finishing for customers in the leisurewear market increased significantly.

The major difficulty experienced by Klopman in 1990 arose because of fluctuations in the relative value of the Italian lira against the British pound and, to a lesser extent, against other European currencies. With major manufacturing operations in Italy, Klopman incurs much of its costs in local currency and sells approximately one third of its production in the United Kingdom. The strengthening of the lira against the pound, by an average of 9%, resulted in lower selling prices in lira terms.

Productivity improvements were achieved during the year through the installation of air jet weaving machines at Frosinone, Italy, and continued modernization of spinning operations at Frosinone and Tralee, Ireland. The company is also targetting higher margin segments of the workwear and leisurewear markets.

Canada

Dominion Fabrics Company completed a product rationalization program in 1990 designed to focus the unit on workwear and leisurewear markets which are less import sensitive and in which the company has demonstrated a competitive advantage based on quality and service. Despite soft demand in a number of market segments and heightened competition from U.S. mills, the company posted a profit on this lower sales base.

Installation of a new fabric preparation range at the Beauharnois finishing plant in St-Timothée, Québec progressed according to plan. This equipment, scheduled to begin operating during the first half of fiscal 1991, will provide the capacity and flexibility to meet customer requirements efficiently.

In addition, the company is improving productivity at its manufacturing facility in Long Sault, Ontario through the installation of air jet weaving machines and improvements to existing looms and yarn spinning operations.

The Corporation is a leading European and Canadian supplier of fabrics for work apparel in the service industry.

Sophisticated controls are one of the features of the new fabric preparation range at the Beauharnois finishing plant in St-Timothée, Québec.

Outlook

Fiscal 1991 will be another challenging year for Dominion Fabrics Company. Forecasts of slow growth for the Canadian economy, high interest rates and the uncertainty caused by the imposition of the Goods and Services Tax are expected to affect demand for all garments.

In Europe, both workwear and sportswear markets are forecast to show modest growth in generally stagnant conditions for apparel. Competition both from within Europe and from external sources is expected to be more severe, calling for increased innovation in marketing, product development and manufacturing. The strengthening of the British pound which began toward the end of fiscal 1990 is a positive development.

Companies

Dominion Fabrics Company — Canada
Klopman International S.r.l. — Italy
Klopman International Ltd. — Ireland

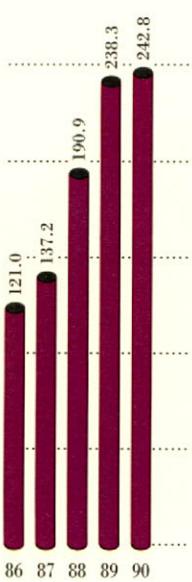
Employees: 2 850

Manufacturing facilities

Canada
Long Sault, Ontario
St-Timothée, Québec
Trois-Rivières, Québec
Italy
Frosinone
Ireland
Tralee

THROUGH AN ASSOCIATED COMPANY, DOMINION TEXTILE IS A LEADING SUPPLIER OF INDUSTRIAL TEXTILES SUCH AS STEEL TIRE CORD FABRIC FOR THE RUBBER INDUSTRY.

INDUSTRIAL PRODUCTS — SALES (MILLIONS OF DOLLARS)



INDUSTRIAL PRODUCTS

PRODUCTS

Woven and nonwoven products to be processed or incorporated into a broad range of industrial end uses.

OPERATIONS

Sales by the Dominion Industrial Products Group increased 2% over 1989 to $243 million from $238 million. However, soft market conditions in the automotive, construction and home furnishings sectors, a strong Canadian dollar and higher raw material costs produced lower earnings.

NONWOVENS

Volumes of spunbonded fabrics increased substantially in 1990 following the installation of additional state-of-the-art production equipment at the Waynesboro, Virginia plant. Sales rose 33% from the small 1989 base reflecting wider product distribution. During the year, a new unit was established under the Poly-Bond name to accelerate the group's growth in higher margin niche markets.

Poly-Bond nonwovens are used in the hygiene and medical supply industry, the furniture and bedding trades and in a variety of industrial applications including protective garments, the building industry, landscaping, agriculture and filtration systems.

WOVEN POLYPROPYLENE PRODUCTS

Sales of woven polypropylene products, mainly primary carpetbacking and agricultural packaging for citrus fruits and vegetables, matched 1989 levels and the Waynesboro, Virginia plant operated at full capacity. Despite a lower than normal harvest in some sectors, sales of products for agricultural end use continued to be strong.

INDUSTRIAL WOVEN FABRICS

Sales of the Dominion Industrial Fabrics Company increased by 5% over fiscal 1989 levels. However, earnings were impacted by weakness in several key markets and a strong Canadian dollar. The company markets fabrics, which it manufactures in Canada, to customer specifications for use in selected industrial market segments. End uses include cloth coated abrasives, flame resistant safety products, commercial vinyl wallcoverings, adhesive tape, automotive, bookbinding and numerous coating applications.

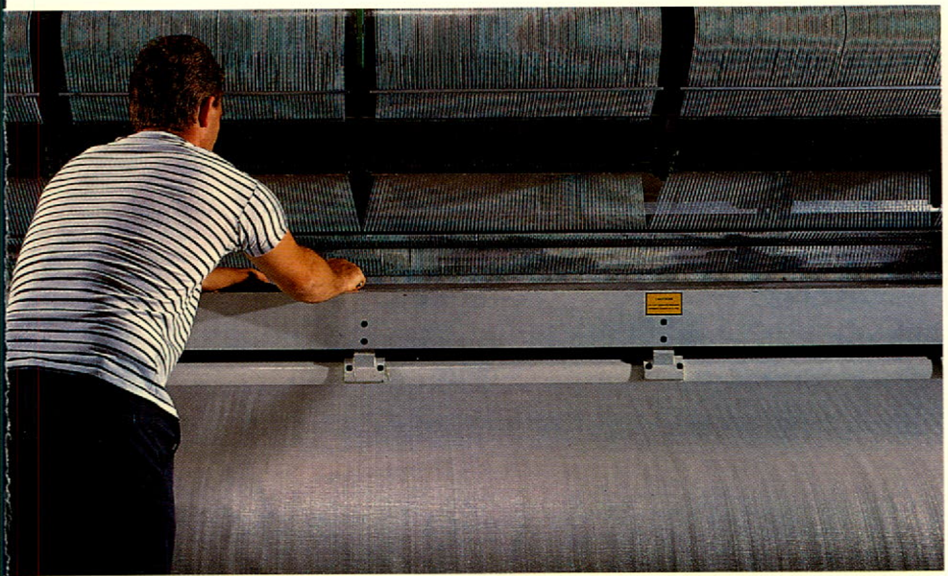
Domestic sales and margins are under pressure as duty levels are reduced under the Canada-U.S. Free Trade Agreement. Strong efforts are under way to increase market share in North America, while the modernization of production facilities is continuing in order to develop a competitive business based on several selected industrial niches.

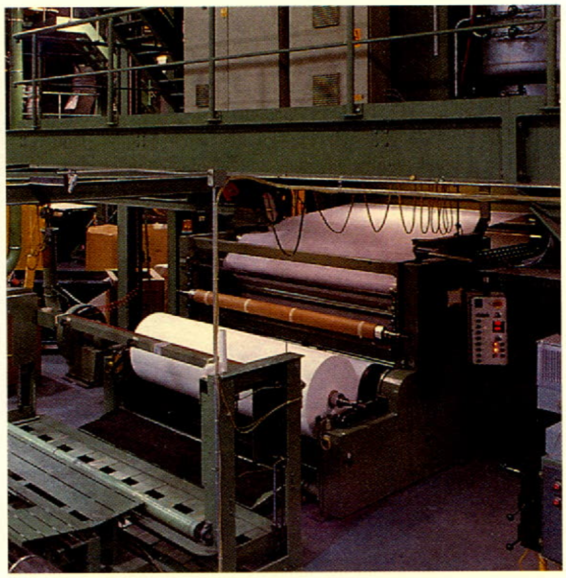
GEOTECHNICAL PRODUCTS

Sales for Mirafi Inc. remained at 1989 levels due to difficulty in sourcing certain products to meet seasonal demand. The company markets products for applications in sedimentation control, soil reinforcement, subsurface drainage, erosion control and foundation waterproofing.

ENGINEERED FABRICS

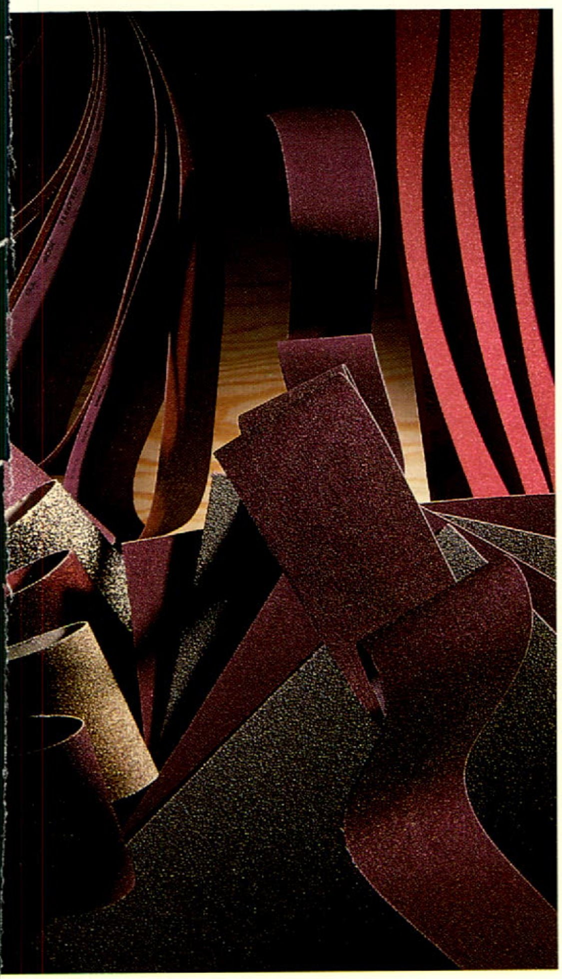
During the year Dominion Textile achieved its strategic objective of building a strong North American position as a fabrics supplier for the rubber industry by jointly acquiring the commercial textile operations of Uniroyal Goodrich Tire Company in the U.S. through a joint venture company.





PRIMARY CARPETBACKING IS THE LARGEST VOLUME PRODUCT MANUFACTURED BY THE DOMINION INDUSTRIAL PRODUCTS GROUP.

THE CORPORATION'S POLY-BOND UNIT MANUFACTURES NONWOVENS USING STATE-OF-THE-ART PRODUCTION TECHNOLOGY.



FABRICS FOR SANDPAPER BACKING ARE AMONG THE MANY SPECIFICATION PRODUCTS MANUFACTURED BY DOMINION INDUSTRIAL FABRICS COMPANY.

Concurrently, the joint venture purchased Dominion Engineered Fabrics Company to create an internationally competitive business with annual sales in North America exceeding $200 million.

The Corporation has operated successfully in this business for many years, establishing a strong offshore export business from Canada. It expects the larger company, Dominion Engineered Textiles, Inc., to contribute positively to future earnings.

Outlook

Continued efforts are being made to improve margins through product mix upgrading, higher productivity and cost reduction programs in both manufacturing and general expenses. The group also expects its Poly-Bond unit to achieve improvement in both sales and profits.

Companies

Dominion Industrial Fabrics Company — Canada
Fiberworld Division — Canada
Mirafi Inc. — United States
Poly-Bond Inc. — United States
Wayn-Tex Inc. — United States
Dominion Engineered Fabrics (1990) Inc. — Canada (associate)
Dominion Engineered Textiles, Inc. — United States (associate)

Employees: 1 700

Manufacturing facilities

Canada

Hawkesbury, Ontario
Magog, Québec
Yarmouth, Nova Scotia
Drummondville, Québec (associate)

United States

Dallas, Texas
Hickory, North Carolina
Plymouth, Massachusetts
Waynesboro, Virginia
Hogansville, Georgia (associate)
Thomaston, Georgia (associate)

GARMENT INTERLININGS IS A GLOBAL BUSINESS FOR THE DOMINION TECHNICAL FABRICS GROUP.

TECHNICAL FABRICS

PRODUCTS

Woven and nonwoven interlinings for shirts, blouses and other tailored clothing, waistbands, shoulder pads and packaging materials, as well as reinforcements for the shoe and leather industry; coated and flocked fire-resistant fabrics for use in the curtain and upholstery trade; nonwovens for breathable sportswear and protective clothing, disposable garments, surgical drapes, filtration, cable wrap, electrical insulation and linings for the automobile industry.

OPERATIONS

The Dominion Technical Fabrics Group enjoyed another successful year in fiscal 1990. Sales totalled $191 million, up 9% from $175 million recorded in the prior year while earnings remained excellent, slightly below 1989 levels. Associated companies whose results are not consolidated accounted for another $21 million in sales in 1990, compared with $24 million in 1989.

Demand for interlinings and garment accessories, marketed under the DHJ trademark through a global network covering 50 countries, was strong in both Europe and the Far East, resulting in higher shipments. Sales in Canada, Mexico and the U.S., from operations in the Far East, continued to increase. The group, which is the leader in woven fusible interlinings for the garment industry, expects further penetration of the U.S. market in fiscal 1991.

NEW PLANT

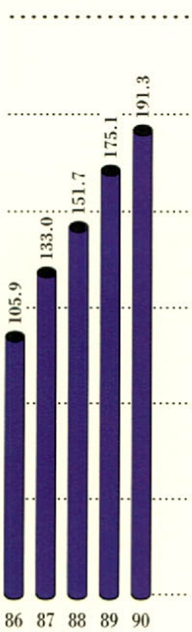
In recent years, the group has used traditional strengths to increase its presence in the growing market for nonwoven products. Fiscal 1990 marked an important milestone in this effort with the inauguration in May of a new nonwovens manufacturing facility in Europe.

The Nordlys plant in Bailleul, France built at a cost of $21 million provides quality nonwovens in a volume which will allow an aggressive diversification of the group's core interlining business. It will also facilitate the manufacture of a broad range of nonwoven fabrics for industrial and medical markets for distribution through the DHJ global network. The thrust of development is the use of bi-component and bi-constituent fibres, combined with laminates and composites, in the production of specialized material for both existing and new markets.

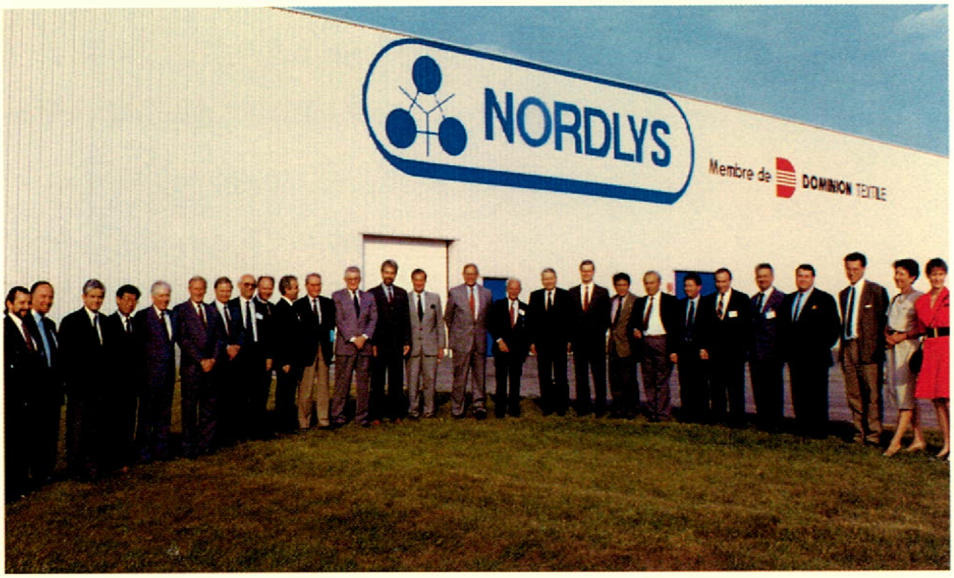
With output 50% greater than the older facilities it replaced, the plant is also an important boost to the group's ENS division, a recognized European distributor of specialized fabrics for industrial uses and protective clothing. A new program to market protective clothing under the "Mello" ™ brand was launched during the year.

The Corporation increased its equity in Nordlys to 100% with the purchase of the remaining 25% interest not already owned. The Nordlys plant is expected to reach full capacity during fiscal 1991.

TECHNICAL FABRICS — SALES (MILLIONS OF DOLLARS)



Nonwovens production capacity will increase by 50% with full operation of the Nordlys plant which was inaugurated in May 1990.



The ENS division teamed up with garment cutters in 1990 to launch a new line of protective clothing in Europe under the "Mello" ™ brand.

Outlook

Market conditions remain promising in the interlining segment for both woven and nonwoven products and the capacity increase at Nordlys will help both this business and the ENS division by ensuring a reliable supply of quality fabrics. With its strong European production base, technical expertise and marketing know-how in Europe, the Far East and the Americas, the Technical Fabrics Group is well positioned to increase market share and profitability in 1991.

Companies

DHJ Iberica, S.A. — Spain
DHJ Industries AG — Switzerland
DHJ Industries Deutschland GmbH — Germany
DHJ Industries Distribution (Singapore) Pte. Ltd. — Singapore
DHJ Industries Europe S.A. — France
DHJ Industries (Far East) Ltd. — Hong Kong
DHJ Industries France S.A. — France
DHJ Industries Maroc S.A. — Morocco
DHJ Industries S.r.l. — Italy
DHJ Industries (U.K.) Ltd. — England
DHJ Lusitana, Textil LDA. — Portugal
Entretelas DHJ LTDA. — Colombia
Entretelas DHJ S.A. — Brazil
Nordlys S.A. — France
SENFA S.A. — France

Employees: 1 115

Manufacturing facilities

Brazil
Rio de Janeiro
Colombia
Manizales
England
Hollingworth
France
Bailleul (3)
Breithen Bach
Sélestat
Germany
Bielefeld
Hong Kong
Kowloon
Italy
Pero
Morocco
Casablanca
Northern Ireland
Maydown
Portugal
Oporto
Spain
Barcelona

Sales

All product groups, with the exception of apparel fabrics, recorded higher sales in fiscal 1990. However, consolidated sales declined to $1 379 million from $1 403 million in 1989, reflecting actions taken during the two years to restructure the Corporation's activities in consumer products. On a comparable basis, excluding the contribution from the consumer products business, sales increased 7.9% to $1 360 million, against $1 260 million in 1989.

Consolidated sales in 1988 were $1 217 million, or $1 041 million on a comparable basis. These sales were significantly lower because they did not include the full year contribution from major acquisitions completed during 1988.

The strengthening of the Canadian dollar against its U.S. counterpart and European currencies resulted in lower sales in both 1990 and 1989. In addition, the weakness of the British pound relative to the Italian lira had an adverse impact on the revenues of the Corporation's Klopman operations. The Canadian dollar appreciated 2.3% against the U.S. currency during fiscal 1990 and 8.5% during the past two years. Compared with 1986, the appreciation has been 15%.

Non-consolidated operations

Sales by associated companies and participations which are not consolidated totalled $331 million, compared with $86 million in 1989 and $93 million in 1988. Most of the increase was due to the Corporation's consumer products activities, including a 50% interest in C.S. Brooks Corporation and a financial participation in C.S. Brooks (Canada) Inc. Sales by these companies in fiscal 1990 were approximately $231 million.

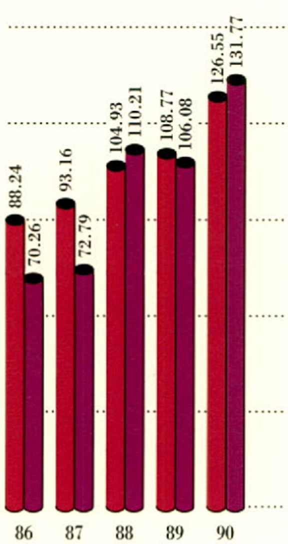
The Corporation expects sales by associated companies and participations to increase substantially in 1991 due to the engineered fabrics joint venture discussed on page 20.

Operating costs

Margins were lower for most of the Corporation's businesses due to competitive pricing and escalating raw material costs. The average price for cotton in 1990, based on New York futures, was 22% higher than in 1989 and 7% above 1988. Early indications are that cotton prices will remain high in the first half of fiscal 1991.

The Corporation is also a major user of polyester and polypropylene. Average prices for polyester remained stable in 1990 while polypropylene prices

Sales and assets per employee
(thousands of dollars)



Sales per employee
Assets per employee

Distribution of sales dollar

(in thousands of dollars)	**1990**	**%**	1989	%	1988	%
Raw materials	**$590 170**	**42.8**	$607 989	43.3	$535 457	44.0
Salaries, wages and employee benefits	**360 718**	**26.1**	359 544	25.6	308 715	25.3
Supplies and other operating expenses	**293 498**	**21.3**	295 834	21.1	221 246	18.2
Depreciation and amortization	**67 296**	**4.9**	70 751	5.0	50 972	4.2
Interest	**55 235**	**4.0**	63 259	4.5	33 682	2.8
Income taxes (credits)	**1 398**	**0.1**	(3 581)	(0.2)	24 082	2.0
Extraordinary item	**—**	**—**	38 080	2.7	(20 074)	(1.7)
Dividends	**23 138**	**1.7**	21 736	1.6	17 183	1.4
Earnings re-invested in the business (deficit)	**(12 095)**	**(0.9)**	(50 536)	(3.6)	45 952	3.8

declined. Uncertainty in the world oil market could lead to higher polyester and polypropylene prices in 1991.

Cost reduction and efficiency improvements are being pursued actively by all units and certain corporate activities are being restructured and reduced. As a result, a permanent overhead reduction of approximately $3 million will be realized in fiscal 1991, with further significant savings to be achieved by fiscal 1993.

Labour agreements covering 10 plants and nearly 2 400 employees in Canada are currently being negotiated or are due to expire during 1991. The Corporation expects to renew all agreements without disruption to production.

Income

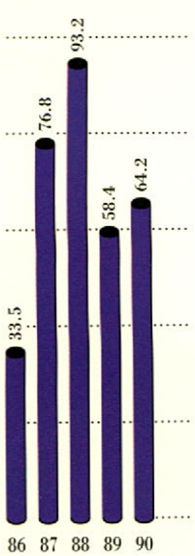
Income from operations increased slightly to $64.2 million from $58.4 million in 1989. In 1988, income from operations was $93.2 million, reflecting higher margins for most products, particularly denim and yarns.

Net income before extraordinary item was $11.0 million, or $0.19 per share, compared with $9.3 million, or $0.14 per share, in 1989, and $43.1 million, or $1.91 per share, in 1988.

In 1989, an extraordinary charge of $38.1 million after tax for the restructuring of several businesses and a provision for the revaluation of certain investments, inventories and fixed assets resulted in a net loss of $28.8 million, or $1.29 per share. In 1988 an extraordinary after-tax gain of $20.1 million increased net income to $63.1 million, or $2.93 per share.

Interest expense was $55.2 million, compared with $63.3 million in 1989 and $33.7 million in 1988. The higher levels during the past two years reflect increased acquisition activity while the decrease in 1990 from 1989 resulted mainly from lower average debt levels net of cash on hand during the year.

Income from operations
(millions of dollars)

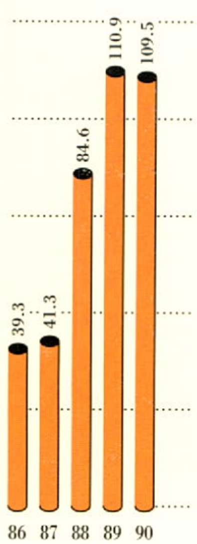


Quarterly results

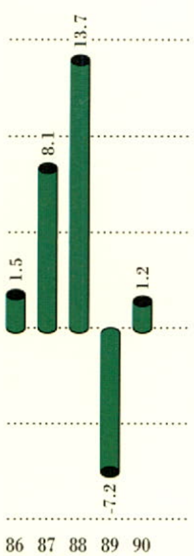
Fiscal year ended 30 June 1990	First quarter	Second quarter	Third quarter	Fourth quarter	Year
Sales (in millions)	$348.2	$336.7	$317.4	$377.1	$1 379.4
Net income (loss) (in millions)*	4.7	10.6	1.5	(5.8)	11.0
Basic earnings (loss) per Common share*	0.12	0.32	—	(0.25)	0.19
Dividends per Common share	0.15	0.15	0.15	0.15	0.60
Fiscal year ended 30 June 1989					
Sales (in millions)	$307.2	$357.3	$341.2	$397.4	$1 403.1
Net income (loss) (in millions)*	(2.3)	2.5	(3.3)	12.4	9.3
Basic earnings (loss) per Common share*	(0.14)	0.04	(0.18)	0.42	0.14
Dividends per Common share	0.15	0.15	0.15	0.15	0.60
Fiscal year ended 30 June 1988					
Sales (in millions)	$256.7	$279.6	$325.7	$355.2	$1 217.2
Net income (in millions)*	9.4	12.7	10.4	10.6	43.1
Basic earnings per Common share*	0.45	0.61	0.47	0.38	1.91
Dividends per Common share	0.12	0.15	0.15	0.15	0.57

* Before extraordinary item

Capital spending
(millions of dollars)



Return on Common shareholders' equity*
(percentage)



*After extraordinary item

Income taxes

The corporate tax rate was 9.2%, compared with a credit in 1989 and a tax rate of 36% in 1988. The low tax rate in 1990 resulted from the recovery of tax losses incurred by certain operations during the year and the carry-forward of losses incurred in prior years.

While some units paid local income taxes in 1989, a credit was recorded due to losses by other units, the carry-forward of prior year losses and other considerations. For 1991 some units have further losses to recover but the overall corporate tax rate will depend on the level of earnings.

Liquidity and Capital Resources

Capital expenditures

Capital expenditures totalled $109 million, compared with $111 million and $85 million in 1989 and 1988, respectively. On a geographic basis, Canadian operations accounted for $41 million; U.S., $27 million and Europe, $41 million.

Capital expenditures of $55 million are planned in 1991.

Acquisitions

In March 1990, Dominion Textile acquired Textiles Dionne Inc. for a total consideration of $23.7 million paid for by the issue of 888 636 Common shares, $4.6 million in cash and the assumption of $7.1 million of long term debt. The Corporation also completed the acquisition of Nordlys S.A. through the purchase of the remaining 25% interest not already owned for $3.7 million.

In 1989 and 1988, acquisition expenditures totalled $8.5 million and $566.8 million, respectively.

Joint venture

On 31 May 1990, the Corporation entered into a joint venture to acquire the U.S. commercial textile operations of Uniroyal Goodrich Tire Company. Concurrently, the joint venture purchased the Corporation's Engineered Fabrics division to create a new company with annual sales of more than $200 million. The Corporation's interest in the new company is accounted for by the equity method.

Sale of assets

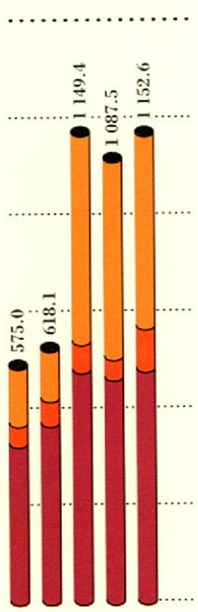
Effective 26 August 1989, the Corporation sold its Canadian bed fashion assets to C.S. Brooks (Canada) Inc. for $35 million in cash, $5 million in debt and the balance through preferred stock. Dominion Textile owns an option to acquire a common equity interest in this company, up to 50%, after three years through the purchase of equity and the conversion of its preferred shares.

Balance sheet

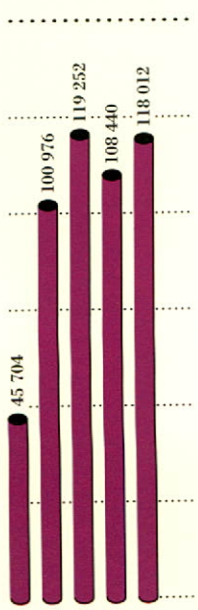
Assets increased by 5% to $1 436 million from $1 368 million in 1989, principally due to the addition of fixed assets greater than depreciation and amortization and as a result of acquisitions. Assets at the end of 1988 totalled $1 543 million.

Investments and advances rose to $90 million from $42 million in 1989, primarily as a result of the transfer of fixed assets related to the engineered fabrics joint venture and the Corporation's continuing financial participation in the bed fashion business sold in 1990.

Capital structure
(millions of dollars)



Financial resources generated from earnings
(thousands of dollars)



Minority interest increased to $64 million from $19 million in 1989 due to the issue of preferred shares by a subsidiary for a net consideration of $63 million. Proceeds were used to reduce long term debt.

Capital structure

Shareholders' equity rose by $20.3 million to $565.8 million at 30 June 1990, compared with $545.6 million and $562.8 million in 1989 and 1988, respectively.

Dominion Textile issued new Common shares for a total of $25.6 million during the year. Of this amount, shares totalling $12 million were issued as part of the acquisition of Textiles Dionne and the balance under the Dividend Reinvestment and Share Purchase Plan. The Corporation also repurchased 40 000 Second Preferred shares — Series C at an aggregate cost of $1 million.

Retained earnings decreased by $12.1 million, offset by an increase in the cumulative translation adjustment of $7.8 million. The translation adjustment arises on the conversion of the Corporation's non-Canadian dollar denominated net assets at the exchange rates effective as at 30 June.

Total debt was virtually unchanged at $546 million at year end, compared with $548 million at the end of 1989. It stood at $684 million at the end of 1988. The debt/equity ratio was 49/51, compared with 50/50 in 1989 and 55/45 in 1988.

Although current market interest rates are higher, this will not have a significant effect on the Corporation since most debt is at fixed rates or capped.

Liquidity

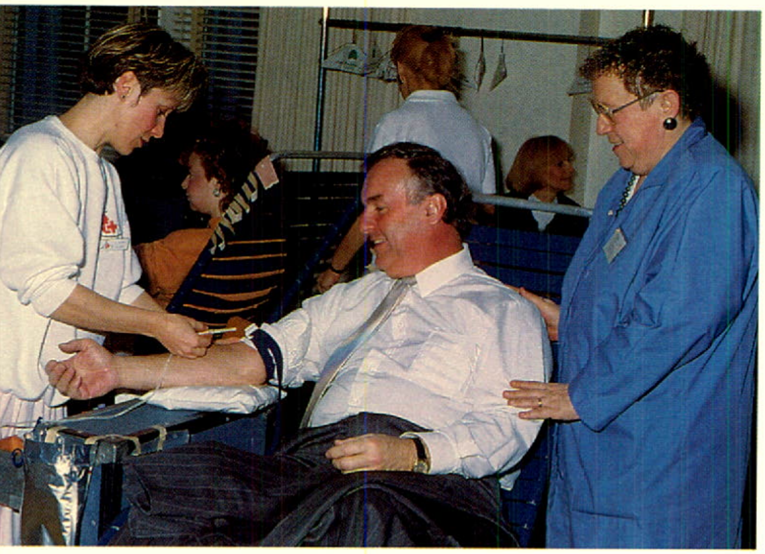
Resources generated from operations, at $105.4 million, were lower than the $116.6 million recorded in 1989 and $120.1 million in 1988, due mainly to changes in non-cash working capital.

Working capital decreased to $244.7 million, from $274.4 million in 1989 and $338.0 million in 1988. This was due mostly to the sale of an undivided percentage ownership of trade receivables. Net proceeds of $30 million ($51.7 million in 1989) were used to repay short and long term debt. The ratio of current assets to current liabilities was 1.9:1, compared with 2.1:1 at the end of 1989 and 1.9:1 at the end of 1988.

The Corporation maintains credit lines totalling $325 million for short term financing purposes, substantially all of which remained unutilized at year end. Management believes that the Corporation has the resources to meet its ongoing cash requirements for operations and capital expenditures while meeting its other financial obligations.

Dividends

Dominion Textile made dividend payments on Common shares totalling $17.7 million, compared with $16.2 million in 1989 and $11.6 million in 1988. The increase is due to a larger number of shares outstanding and a higher annual dividend rate of $0.60. The rate was increased from $0.48 in fiscal 1988. Dividend levels are determined by the Board of Directors based on a number of factors including the Corporation's overall financial performance and business conditions.



AMONG THEIR VOLUNTEER ACTIVITIES IN 1990, EMPLOYEES ORGANIZED A SUCCESSFUL BLOOD DONOR CLINIC AT THE CORPORATE HEAD OFFICE IN MONTRÉAL.

Dominion Textile is a significant contributor to the economic well-being of a host of communities in Canada and, increasingly, in the U.S., Europe and other parts of the world. The Corporation provides high quality employment and career opportunities for people, and tax revenues to governments and school boards, while maintaining a generous donations policy.

In 1990 the Corporation was cited as a "caring company" as part of IMAGINE, a national campaign by the Canadian Centre for Philanthropy to encourage Canadians to donate more time and money to causes they care about. The honour was in recognition of Dominion Textile's policy of donating at least one per cent of average domestic pre-tax profit to charitable and other non-profit organizations.

Our Swift Textiles unit in the U.S. received the "We Can, We Care" citation from President Bush for its renewal education program which helps employees improve their reading, writing and arithmetic.

Dominion Textile has also established a reputation for fairness as an employer while gaining international recognition in its industry as a reliable business partner. In 1990, the Corporation received the prestigious "Mercure" excellence award from the Québec Chamber of Commerce in recognition of its major thrust beyond Canada in search of business opportunities.

Through the years, Dominion Textile employees have gained distinction for service to their community by giving generously of their time and skills for worthy causes. In the process they have helped to build goodwill for the Corporation and give it a human face. The Corporation actively encourages employees to take part in volunteer work.

Guiding principles

Dominion Textile has established a number of guiding principles for its operations and employees covering most activities. In human resources, its policies are designed to provide for individual growth and development by encouraging open and forthright communication, innovation and intelligent risk-taking.

Health, safety and industrial hygiene are major concerns addressed in guidelines that are applied in all operations around the world. The Corporation's overall safety record is very good and many units are among industry leaders in their countries. During 1990 Wayn-Tex Inc. achieved 10 million hours without serious injury while employees at Dominion Yarn Corporation attained two million hours.

The Corporation is mindful of its responsibility in environmental matters and requires as a minimum that its operations and products do not present an unacceptable level of risk to employees, customers, the public and the physical environment.

In response to the Corporation's increased size, international scope and greater frequency of transactions, a code of business ethics was recently adopted to embody values and principles that have been part of the Dominion Textile way of conducting business from its beginning. Our reputation is our most valuable asset and all of our employees contribute to enhance it.

Directors

\# **Jean Béliveau**
Senior Vice-President,
Corporate Affairs,
Club de Hockey Canadien, Inc.

*+ **Thomas R. Bell**
Chairman,
Dominion Textile Inc.

* **Purdy Crawford,** Q.C.
Chairman, President and
Chief Executive Officer,
Imasco Limited

* **J.V. Raymond Cyr**
Chairman, President and
Chief Executive Officer,
BCE Inc.
Chairman,
TransCanada PipeLines Limited
and Chairman,
Montréal Trust Company

\# **Ronald W. Eden**
President and
Chief Executive Officer,
Canada Malting Co. Ltd.

*+ **Charles H. Hantho**
President and
Chief Executive Officer,
Dominion Textile Inc.

\# **David L. Johnston**
Principal and Vice-Chancellor,
McGill University

\+ **Gordon H. Lennard**
President,
G.H. Lennard Corporation Ltd.

Alex R. McAslan
President,
Dominion Yarn Group,
Dominion Textile Inc.

Charles A. McCrae
Executive Vice-President,
Corporate Development,
Dominion Textile Inc.

\+ **Cal N. Moisan**
President and
Chief Executive Officer,
SPB Canada Inc.

* **David F. Sobey**
Chairman and President,
Sobeys Inc.

* Member of the Executive Committee
\# Member of the Audit Committee
\+ Member of the Compensation and Organization Committee

Officers

Thomas R. Bell
Chairman

Charles H. Hantho
President and Chief Executive Officer

Charles A. McCrae
Executive Vice-President,
Corporate Development

Milo A. Smith
Vice-President and
Chief Financial Officer

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

William K. Rusak
Vice-President, Human Resources
and Communications

Alec Hay
Vice-President, Manufacturing and
Technology

Kenneth J. Doel
Vice-President and Treasurer

Réjean J. Claude
Comptroller

Kay R. Craig
Assistant Treasurer

Robert B. Anderson
Assistant Comptroller

Marc Lévesque
Assistant General Counsel and
Assistant Secretary

CANADA

Operating divisions

Dominion Fabrics Company
(Montréal, Québec)
Malcolm Cogan
President

Dominion Industrial Fabrics Company
(Montréal, Québec)
Ted Storozum
Vice-President and General Manager

Dominion Yarn Company
(St-Laurent, Québec)
Alex R. McAslan
President

Fiberworld Division
(Hawkesbury, Ontario)
Réal Côté
Manager

Swift Textiles — Canada
(Montréal, Québec)
John A. Boland III
President

Subsidiary companies

DHJ Canada Inc.
(Montréal, Québec)
Nick Flor
President

Intech-PEM Inc.
(Montréal, Québec)
Pierre E. de Broux
President

Serres Naturtek Greenhouses Inc.
(Montréal, Québec)
Roland Johnson
Vice-President

Textile Management Services Inc.
(Montréal, Québec)
André A. Bélanger
President

Associated companies and participations

C.S. Brooks (Canada) Inc.
(Magog and Sherbrooke, Québec)

C.S. Brooks Corporation
(Iroquois, Ontario)

Dominion Engineered Fabrics (1990) Inc.
(Drummondville, Québec)

Naturdel Inc.
(Ste-Marthe, Québec)

UNITED STATES

Dominion Textile (USA) Inc.
(New York, New York)

Officers

Charles H. Hantho
President

Milo A. Smith
Vice-President and Chief Financial Officer

Dennis W. Mack
Vice-President, Secretary and General Counsel

Kenneth J. Doel
Vice-President and Treasurer

Andrew A. Busch
Vice-President, Comptroller and Assistant Secretary

Subsidiary companies

Dominion Yarn Corporation
(Landis, North Carolina)
H. Alton Conner
President and Chief Executive Officer

Howard Cotton Company
(Memphis, Tennessee)
Herman F. Riddle
President

Mirafi Inc.
(Charlotte, North Carolina)
Terry H. Montgomery
Vice-President and General Manager

Poly-Bond Inc.
(Charlotte, North Carolina)
Anthony J. Centofanti
Vice-President and General Manager

Swift Textiles, Inc.
(Columbus, Georgia)
John A. Boland III
President and Chief Executive Officer

Wayn-Tex Inc.
(Waynesboro, Virginia)
E. John Macfarlane
President

Associated companies and participations

C.S. Brooks (Canada) Inc.
(New York, New York)

C.S. Brooks Corporation
(Nashville, Tennessee)
(New York, New York)

Dominion Engineered Textiles, Inc.
(Columbia, South Carolina)
(Hogansville, Georgia)
(Thomaston, Georgia)

INTERNATIONAL

Dominion Textile International (Asia) Pte. Ltd. (Singapore)

Officers

William N. Gagnon
Chairman

David K.C. Wong
Managing Director

Soo Meng Tong
Financial Director

Dominion Textile International B.V. (Amsterdam, Netherlands)

Officers

William N. Gagnon
Managing Director

Jack O'Neill
Managing Director

Gerard F. Westendorp
Managing Director

Claus H. Hürlimann
Director Finance

Dominion Technical Fabrics Group

Officers

William N. Gagnon
President
(Zug, Switzerland)

Claus H. Hürlimann
Vice-President, Administration and Treasurer
(Zug, Switzerland)

Hans J. Schuster
Vice-President, Finance
(Zug, Switzerland)

Robert E.B. Land
Director, Operations Americas
(New York, New York, United States)

David K.C. Wong
Director, Operations Far East
(Hong Kong)

Subsidiary companies

DHJ Iberica, S.A.
(Barcelona, Spain)
Juan Bagò
Managing Director

DHJ Industries AG
(Zug, Switzerland)
Stephan Zehnder
Manager

DHJ Industries Deutschland GmbH
(Bielefeld, Germany)
Ferdinand Langenkamp
Managing Director

DHJ Industries Distribution (Singapore) Pte. Ltd.
(Singapore)
Julina Lee
Resident Manager

DHJ Industries Europe S.A.
(Sélestat, France)
Roland Busché
Managing Director

DHJ Industries (Far East) Ltd.
(Hong Kong)
David K.C. Wong
Managing Director

DHJ Industries France S.A.
(Paris, France)
Bernard Cerciat
President

DHJ Industries Maroc S.A.
(Casablanca, Morocco)
Benjelloun Touimi Abdellatif
Managing Director

DHJ Industries S.r.l.
(Milan, Italy)
Sergio Giansante
Managing Director

DHJ Industries (U.K.) Ltd.
(London, England)
Christopher Wren
Managing Director

DHJ Lusitana, Textil LDA.
(Oporto, Portugal)
José Azevedo
Managing Director

Entretelas DHJ LTDA.
(Manizales, Colombia)
Victor M. Escobar
Managing Director

Entretelas DHJ S.A.
(Rio de Janeiro, Brazil)
Howard Mallek
President

Nordlys S.A.
(Bailleul, France)
Claudio Debernardi
President

SENFA S.A.
(Sélestat, France)
Dung Pham Van
Managing Director

Associated companies

DHJ Industries
Buenos Aires, Argentina
Santiago, Chile
Kowloon, Hong Kong
Mexico City, Mexico
Caracas, Venezuela

Swift Textiles
Manchester, England
Paris, France
Dublin, Ireland
Milan, Italy
Tunis, Tunisia

Klopman Group

Subsidiary companies

Klopman International Ltd.
(Tralee, Ireland)
Jack O'Neill
President

Klopman International S.r.l.
(Frosinone, Italy)
Jack O'Neill
President

Responsibility for the Annual 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 Canadian generally accepted accounting principles 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 judgment 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, 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.

C.H. Hantho

President and
Chief Executive Officer

M.G. Smith

Vice-President and
Chief Financial Officer

Auditors' Report

To the Shareholders of
Dominion Textile Inc.

We have examined the consolidated balance sheets of Dominion Textile Inc. as at 30 June 1990, 1989 and 1988 and the consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended 30 June 1990. Our examinations were 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 30 June 1990, 1989 and 1988 and the results of its operations and the changes in its financial position for each of the three years in the period ended 30 June 1990 in accordance with generally accepted accounting principles applied on a consistent basis.

Touche Ross

Chartered Accountants
Montréal, Québec
13 August 1990

Consolidated Statements of Income

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

	1990	1989	1988
Sales	$1 379 358	$ 1 403 076	$ 1 217 215
Operating costs	1 315 115	1 344 627	1 123 970
Income from operations	64 243	58 449	93 245
Interest expense — Note 2	55 235	63 259	33 682
Income (loss) from operations after interest	9 008	(4 810)	59 563
Share in net income of associated companies	5 784	5 060	6 669
Other income — Note 3	404	6 899	686
Income before income taxes	15 196	7 149	66 918
Income taxes (credits) — Note 4	1 398	(3 581)	24 082
	13 798	10 730	42 836
Minority interest	2 755	1 450	(225)
Net income before extraordinary item	11 043	9 280	43 061
Extraordinary item — Note 5	—	(38 080)	20 074
Net income (loss) for the year	$ 11 043	$ (28 800)	$ 63 135
Earnings (loss) per Common share			
Before extraordinary item — basic	$ 0.19	$ 0.14	$ 1.91
— fully diluted	$ 0.19	$ 0.14	$ 1.87
After extraordinary item — basic	$ 0.19	$ (1.29)	$ 2.93
— fully diluted	$ 0.19	$ (1.29)	$ 2.77

Consolidated Statements of Retained Earnings

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

	1990	1989	1988
Balance at beginning of year	$ 132 564	$ 183 100	$ 137 148
Net income (loss) for the year	11 043	(28 800)	63 135
	143 607	154 300	200 283
Dividends —			
Cumulative First Preferred	4	4	4
Second Preferred — Series C	760	817	864
Second Preferred — Series D	3 625	3 620	3 630
Second Preferred — Series E	1 088	1 086	1 089
Common			
$0.60 per share in 1990,			
$0.60 in 1989 and $0.57 in 1988	17 661	16 209	11 596
	23 138	21 736	17 183
Balance at end of year	$ 120 469	$ 132 564	$ 183 100

Consolidated Balance Sheets

as at 30 June
(in thousands of dollars)

	1990	1989	1988
			(Note 22)
ASSETS			
Current assets			
Cash and term deposits	$ 62 118	$ 34 454	$ 105 146
Short term investment, at market value	3 666	10 100	17 468
Accounts receivable — Note 6	185 946	218 080	281 659
Income taxes recoverable	2 228	12 519	1 683
Inventories — Note 7	239 155	246 192	301 477
Prepaid expenses	9 556	11 919	8 347
	502 669	533 264	715 780
Investments and advances — Note 8	89 575	42 178	23 344
Land, buildings and equipment — Note 9	690 383	640 826	657 004
Other assets — Note 10	153 660	152 111	146 838
Total assets	$1 436 287	$ 1 368 379	$ 1 542 966
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short term borrowings — Note 11	$ 47 743	$ 24 096	$ 25 524
Accounts payable and accrued liabilities	181 416	183 144	182 203
Dividends payable	5 759	5 698	5 069
Income taxes payable	5 458	12 313	21 265
Long term debt due within one year — Note 12	17 545	33 554	30 208
Short term loans for investment in businesses acquired	—	—	113 491
	257 921	258 805	377 760
Long term debt — Note 12	480 961	490 268	514 908
Other non-current liabilities	25 891	22 122	15 796
Deferred income taxes	41 650	32 170	51 158
Minority interest in subsidiaries — Note 13	64 016	19 456	20 551
Shareholders' equity			
Capital stock — Note 16			
Preferred	74 052	75 052	77 556
Common	384 737	359 128	300 264
	458 789	434 180	377 820
Retained earnings	120 469	132 564	183 100
Cumulative translation adjustment — Note 17	(13 410)	(21 186)	1 873
Total shareholders' equity	565 848	545 558	562 793
Total liabilities and shareholders' equity	$1 436 287	$ 1 368 379	$ 1 542 966

On behalf of the Board:

Director

Director

Consolidated Statements of Changes in Financial Position

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

	1990	1989	1988
Operating activities			(Note 22)
Net income before extraordinary item	$ 11 043	$ 9 280	$ 43 061
Depreciation and amortization	67 296	70 751	50 972
Financial expense, net of income taxes	34 328	37 480	23 711
Deferred income taxes	3 836	(1 062)	8 447
Pension funding and expense, net	(2 352)	(4 678)	(5 656)
Share in net income of associated companies	(5 784)	(5 060)	(6 669)
Dividends received from associated companies	6 504	7 303	6 320
Other non-cash items	3 141	(5 574)	(934)
Financial resources generated from earnings	118 012	108 440	119 252
Changes in non-cash working capital — Note 18	(26 898)	14 512	12 630
Foreign currency translation adjustment — Note 17	14 281	(6 369)	(11 823)
	105 395	116 583	120 059
Financing activities			
Issue of Common shares	25 609	58 864	100 813
Purchase of Second Preferred shares — Series C	(1 000)	(2 500)	(2 500)
Increase in long term debt	18 268	257 076	390 639
Reduction in long term debt	(51 513)	(272 447)	(26 367)
Short term financing for businesses acquired	—	(113 491)	113 491
Issue of Preferred shares by a subsidiary — Note 13	62 747	—	—
Redemption of Preferred shares by a subsidiary — Note 13	(10 000)	—	—
Proceeds from sale of accounts receivable, net — Note 6	28 064	51 660	—
	72 175	(20 838)	576 076
Investing activities			
Additions to fixed assets	(109 480)	(110 931)	(84 637)
Proceeds from disposal of fixed assets	7 025	15 646	16 806
Purchase price of businesses acquired — Note 1	(27 387)	(8 489)	(566 841)
Proceeds from sale of business	35 000	—	—
Increase in other investments and advances	(21 338)	(496)	(25 516)
Extraordinary item	—	(2 765)	20 074
Other items	93	1 242	24 611
	(116 087)	(105 793)	(615 503)
Payments to investors			
Dividends	(23 138)	(21 736)	(17 183)
Financial expense, net of income taxes	(34 328)	(37 480)	(23 711)
	(57 466)	(59 216)	(40 894)
Increase (decrease) in net cash position	$ 4 017	$ (69 264)	$ 39 738
Cash and term deposits	$ 27 664	$ (70 692)	$ 22 310
Short term borrowings	(23 647)	1 428	17 428
Increase (decrease) in net cash position	$ 4 017	$ (69 264)	$ 39 738

Accounting Policies

30 June 1990, 1989 and 1988

The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles 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 its subsidiary companies with provision for the interest of minority shareholders. All material intercompany 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 acquired companies have been consolidated with those of the Corporation. The adjusted carrying values are amortized over the remaining economic lives of the respective assets.

The investment in companies which are not majority owned or controlled 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.

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 deferred and amortized over the remaining lives of the 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 foreign operations in hyper-inflationary economies, 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.

Depreciation and Amortization
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 lives. For the most part buildings are amortized over 25 years and machinery and equipment over 10 to 15 years. The excess of purchase price over net identifiable assets of acquired companies is amortized on a straight-line basis over a period not exceeding 40 years.

Pension Plans
The Corporation and its subsidiaries have a number of pension plans, both of a contributory and non-contributory nature. All material pension plans are trusteed and are being funded. Annual pension costs are accounted for as the aggregate of (a) the actuarially computed cost of pension benefits provided in respect of the current year's service, (b) the imputed interest on the funding excess or deficiency and (c) the amortization over the expected average remaining service life of the employees, of the funding excess or deficiency existing at the date of the latest actuarial valuation and any experience gain or loss incurred during the year.

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 1990, 1989 and 1988 was 29 142 974, 26 561 086 and 19 658 378 respectively.

Net income per Common share on a fully diluted basis is calculated assuming that all of the Corporation's Second Preferred shares, Series D and Series E had been converted at the beginning of the fiscal year and the net income available to the Common shareholders had been adjusted by the appropriate preferred dividends declared during the year.

30 June 1990, 1989 and 1988

NOTE 1 — BUSINESS ACQUISITIONS, JOINT VENTURES AND DIVESTITURES

On 31 May 1990, the Corporation entered into a venture with a financial institution to purchase the industrial textile operations of the Uniroyal Goodrich Tire Company and the Engineered Fabrics division of Dominion Textile Inc. The venture acquired these assets for a total of $94 346 000 (US $80 500 000).

On 23 March 1990, Dominion Textile International B.V., a wholly-owned subsidiary of the Corporation, acquired the remaining 25% of the capital stock of Nordlys S.A. of Bailleul, France, an European manufacturer of nonwoven fabrics, for $3 720 000. During 1989, the company had increased its ownership from 51% to 75% for a consideration of $2 920 000. The 51% ownership position had been acquired during 1988 for an aggregate price of $6 386 000.

On 16 March 1990, Dominion Textile Inc. acquired 99.7% of the outstanding common shares of Textiles Dionne Inc., a Québec yarn manufacturer. On 7 May 1990, the Corporation acquired the remaining shares by exercising its compulsory right of acquisition under the Québec Companies Act. The transaction was made in exchange for 888 636 Common shares valued at $11 975 000, $4 597 000 in cash and the assumption of $7 095 000 of long term debt. The net assets acquired are as follows:

(in thousands of dollars)	
Working capital	$ 6 578
Fixed assets	20 345
Excess of purchase price over net identifiable assets	2 181
Less: Non-current liabilities	(5 437)
Total purchase price	$ 23 667

On 23 January 1990, Dominion Textile Inc. concluded the sale of its Consumer Bed Fashions business to C.S. Brooks (Canada) Inc. in exchange for cash, debt and Preferred shares totalling $65 900 000. The Corporation has an option to raise its equity participation to 50% after a three-year period. In addition, Dominion Textile Inc. holds a 50% equity interest in C.S. Brooks Corporation, an U.S. manufacturer of consumer home products. Dominion Textile Inc. merged its Caldwell towel division with the operations of C.S. Brooks Corporation on 24 May 1989.

On 17 February 1989, Dominion Textile International B.V. acquired 100% of the capital stock of Compagnie du Faing of Paris, France, subsequently renamed DHJ Industries France S.A., for $5 569 000.

On 21 June 1988, Dominion Textile International B.V. concluded the purchase of the Klopman Group and certain other assets from Burlington Industries, Inc. for $127 216 000.

On 5 January 1988, Dominion Textile (USA) Inc., a wholly-owned subsidiary of the Corporation, purchased the assets of the Wayn-Tex division of Waynesboro Textiles Inc., subsequently renamed Wayn-Tex Inc., for $171 471 000.

On 24 November 1987, Dominion Textile (USA) Inc. acquired Erwin Mills Inc. and certain associated assets from Burlington Industries, Inc. for $261 768 000.

NOTE 2 — INTEREST EXPENSE

(in thousands of dollars)	**1990**	1989	1988
Interest on long term debt	**$ 58 359**	$ 65 139	$ 16 804
Interest on short term financing for businesses acquired	**—**	—	17 161
Interest capitalized on additions to fixed assets	**—**	(2 790)	—
Other interest expense (income)	**(3 124)**	910	(283)
	$ 55 235	$ 63 259	$ 33 682

Note 3 — Other income

(in thousands of dollars)	1990	1989	1988
Gain on disposal of fixed assets	$ 520	$ 2 585	$ 783
Income from investments	141	1 631	—
Realized foreign exchange gains (losses)	4 902	2 808	(110)
Gain on redemption of preferred shares of a subsidiary	5 862	—	—
Commissions and royalties	871	375	334
Loss in value of an investment	(6 434)	—	—
Loss on sale of accounts receivable	(5 051)	(754)	—
Other items, net	(407)	254	(321)
	$ 404	$ 6 899	$ 686

Note 4 — Income taxes (credits)

(in thousands of dollars)	1990	1989	1988
The Corporation's income taxes (credits) in the consolidated statements of income differ from the Canadian corporate tax rate for the following reasons:			
Income taxes based on combined basic Canadian federal and provincial rates	$ 5 729	$ 2 788	$ 30 782
Increase (decrease) in taxes resulting from:			
Manufacturing and processing profit deductions in Canada	537	67	(1 814)
Investment tax credits	—	—	(3 200)
Share in net income of associated companies	(2 180)	(1 973)	(3 068)
Foreign tax differential	1 692	(4 524)	830
Non taxable items	(2 570)	(170)	1 708
Other	(1 810)	231	(1 156)
Total income taxes (credits)	$ 1 398	$ (3 581)	$ 24 082
Income taxes (credits)			
Current	$ (2 438)	$ (2 519)	$ 15 635
Deferred	3 836	(1 062)	8 447
Total income taxes (credits)	$ 1 398	$ (3 581)	$ 24 082

Note 5 — Extraordinary item

The consolidated financial statements for 1989 reflect the financial impact of management's decisions to restructure certain businesses. The Corporation provided for expenses and adjusted the carrying value of the assets related to these decisions. Accordingly an extraordinary charge of $38 080 000 was made against earnings for that year, which consisted of:

(in thousands of dollars)		
Provisions for anticipated cash costs		$ 19 631
Write-down of assets		36 294
		55 925
Less: Reduction in income taxes		
Current	$ 501	
Deferred	17 344	17 845
		$ 38 080

During 1988, Dominion Textile (USA) Inc., a wholly-owned subsidiary, received the net proceeds from the disposition of shares of Burlington Industries, Inc. sold by Samjens Partners I, a partnership in which the subsidiary owned 50%. The gain was $20 074 000 net of income taxes of $11 788 000.

Note 6 — Accounts receivable

During 1990, Dominion Textile Inc. sold an undivided percentage ownership in a designated pool of its accounts receivable in Canada. The proceeds of $30 000 000 were used to reduce long term debt. In 1989, a similar transaction was effected by a wholly-owned subsidiary of the Corporation in the United States. The proceeds of $51 660 000 (US $43 000 000) were also used to reduce long term debt.

The costs of the transactions were as follows:

(in thousands of dollars)	**1990**	1989	1988
United States	**$ 4 709**	$ 754	$ —
Canada	**342**	—	—
	$ 5 051	$ 754	$ —

Note 7 — Inventories

(in thousands of dollars)	**1990**	1989	1988
Inventories by major classification are as follows:			
Raw materials	**$ 41 777**	$ 39 872	$ 46 894
Work in process, including grey fabric for further processing	**76 678**	85 683	96 680
Finished goods	**101 531**	99 857	132 153
Supplies	**19 169**	20 780	25 750
	$239 155	$ 246 192	$ 301 477

Note 8 — Investments and advances

(in thousands of dollars)	**1990**	1989	1988
Investment in associated companies	**$ 53 058**	$ 27 600	$ 8 720
Other investments and advances — at cost	**36 517**	14 578	14 624
	$ 89 575	$ 42 178	$ 23 344

Note 9 — Land, buildings and equipment

(in thousands of dollars)	1990	1989	1988
Land and buildings	**$ 240 701**	$ 220 858	$ 237 422
Machinery and equipment	**777 651**	700 634	739 801
Total at cost	**1 018 352**	921 492	977 223
Less: Accumulated depreciation	**329 569**	295 660	323 686
	688 783	625 832	653 537
Assets held for disposal at estimated net realizable values	**1 600**	14 994	3 467
	$ 690 383	$ 640 826	$ 657 004

Note 10 — Other assets

(in thousands of dollars)	1990	1989	1988
Excess of purchase price over net identifiable assets of acquired businesses, net of amortization	**$ 120 474**	$ 121 331	$ 116 430
Intangible assets	**3 534**	4 864	7 044
Deferred pension asset	**19 389**	17 037	12 359
Other assets	**10 263**	8 879	11 005
	$ 153 660	$ 152 111	$ 146 838

Note 11 — Short term borrowings

Short term borrowings of $6 128 000 ($2 617 000 in 1989 and $9 434 000 in 1988) by subsidiary companies are secured by assignment of accounts receivable and inventories.

Note 12 — Long term debt

(in thousands of dollars)	1990	1989	1988
Parent Corporation			
Unsecured			
Sinking fund debentures (payable in Canadian dollars) — (a)			
Series B maturing 15 April 1990 at 6¾% interest	**$ —**	$ 5 483	$ 5 483
Series D maturing 15 July 1989 at 10½% interest	**—**	2 978	2 978
Series E maturing 15 December 1995 at 14% interest	**15 600**	18 000	20 400
Series F maturing 15 January 1993 at 14% interest	**18 400**	22 000	25 600
Term loans (payable in US dollars)			
Due 1990 at the London inter-bank offered rate plus ⅜ of 1% interest	**—**	—	181 125
Due 1994 at the London inter-bank offered rate plus ½ of 1% interest	**41 318**	42 426	—
Note issuance facility (payable in US dollars)			
Due 1995 at a maximum of the London inter-bank offered rate plus ¼ of 1% interest	**17 450**	17 918	—
Term notes (payable in Australian dollars)			
Due 1994 — (b)	**98 727**	86 518	—
Mortgage bonds (payable in Canadian dollars)			
Due 1995 and 1996 at floating rates in relation to the lender's cost of funds	**6 515**	—	—

NOTE 12 — LONG TERM DEBT (CONTINUED)

(in thousands of dollars)	1990	1989	1988
Subsidiaries (payable in Canadian dollars)			
Unsecured			
Term note			
Due 1990 to 1993 at a Canadian bank's prime rate	$ —	$ 4 000	$ 10 000
Other	**1 771**	1 694	1 037
Subsidiaries (payable in US dollars)			
Secured			
Industrial Development Revenue Bonds			
Due 1991 to 1996 at 62% of US prime rate to 8.9% interest	**2 008**	2 331	17 339
Term notes			
Due 1990 at 8% interest	—	7 809	8 018
Due 1991 at the London inter-bank offered rate plus ⅝ of 1% interest — (c)	**7 103**	10 813	14 803
Due 1991 to 1994 at 4.7% to 12.14% interest — (c)	**17 860**	18 079	25 926
Other loans and mortgages	**3 207**	6 074	9 132
Unsecured			
Term notes			
Due 1995 at 9⅞% interest — (d)	**177 585**	180 210	185 040
Due 1989 to 1995 at the London inter-bank offered rate plus 1½% interest	—	—	23 438
Due 1990 to 1997 at floating certificate of deposit rate plus ⅝ of 1% interest	—	17 420	—
Due 1990 at the London inter-bank offered rate plus ½ of 1% interest	—	—	7 648
Senior notes			
Due 1996 to 1998 at interest rates varying from 10.21% to 10.49%	**71 034**	72 084	—
Capitalized lease obligations			
Due 1991 to 2003 at an average of 12% interest	**3 595**	3 937	3 564
Other	—	—	624
Subsidiaries (payable in French francs)			
Secured			
Capitalized lease obligations			
Due 2004 at interest rate based on governmental debt average rates	**9 389**	—	—
Unsecured			
Term note			
Due 1996 at the Paris inter-bank offered rate plus 0.35% interest	**3 075**	—	—
Other loans	**3 869**	4 048	2 961
Total long term debt — (e)	**498 506**	523 822	545 116
Deduct: Amounts due within one year	**17 545**	33 554	30 208
Total	**$ 480 961**	$ 490 268	$ 514 908

(a) The principal and interest on the debentures are guaranteed by unsecured irrevocable letters of credit.

(b) The Corporation issued $90 000 000 Australian unsecured notes at a price of $102 Australian per $100 Australian principal amount bearing a 17.15% coupon rate. The proceeds were subsequently swapped into ECU 68 340 000 resulting in an overall effective interest rate of 10.4%.

(c) The loans are secured by a charge on the fixed assets of certain subsidiaries of Dominion Textile International B.V.

Note 12 — Long term debt (continued)

(d) The principal and interest on the notes are guaranteed by the Corporation and will be paid by drawings made by the Trustee under an irrevocable letter of credit.

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

(in thousands of dollars)	
1991	$ 17 545
1992	21 207
1993	21 496
1994	152 137
1995	201 795
1996 — 2005	84 326
	$ 498 506

Note 13 — Minority interest in subsidiaries

In November 1989, a subsidiary of the Corporation issued 13 250 000 non-voting Cumulative Redeemable Preferred shares for $62 747 000 (US $53 000 000). The subsidiary paid dividends of $2 955 000 (US $2 502 000) during the year.

In October 1989, a Canadian subsidiary of the Corporation redeemed the totality of its $12 000 000 Preferred shares and settled the accrued cumulative dividends for an aggregate amount of $10 000 000. A gain of $5 862 000 resulted from the transaction. The subsidiary was merged with the Corporation on 31 October 1989.

Note 14 — Operating leases

As at 30 June 1990, 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)	
1991	$ 4 362
1992	4 169
1993	3 268
1994	2 882
1995	2 170
1996 and subsequent years	12 763
	$ 29 614

Note 15 — Pension plans

The actuarial value of net assets available to provide for the present value of accrued pension benefits based on actuarial valuations for each of the three years ended 30 June is as follows:

(in thousands of dollars)	1990	1989	1988
Pension fund assets	**$ 205 052**	$ 167 896	$ 163 255
Accrued pension benefits	**169 957**	131 413	116 955

The income from operations includes a net credit for pension funding and expenses of $275 000, $2 869 000 and $5 656 000 for 1990, 1989 and 1988 respectively.

Note 16 — Capital stock

(in thousands of dollars)	1990	1989	1988
Cumulative First Preferred — (a)			
Authorized — 4 306 shares			
Outstanding — 518 shares — 1990			
(518 shares — 1989)			
(558 shares — 1988)	**$ 52**	$ 52	$ 56
Second Preferred — (b)			
Authorized — unlimited shares			
Outstanding — Series C — 360 000 shares — 1990			
(400 000 shares — 1989)			
(500 000 shares — 1988)	**9 000**	10 000	12 500
Series D — 2 000 000 shares	**50 000**	50 000	50 000
Series E — 600 000 shares	**15 000**	15 000	15 000
Common — (c)			
Authorized — unlimited shares			
Issued — 30 523 896 shares — 1990			
(28 691 694 shares — 1989)			
(24 791 798 shares — 1988)	**384 737**	359 128	300 264
	$ 458 789	$ 434 180	$ 377 820

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

(b) 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.

Second Preferred shares — Series D and Series E are entitled annually to a cumulative dividend of $1.8125 per share, payable quarterly.

Second Preferred shares — Series D and Series E are convertible into Common shares of the Corporation at any time until 30 June 1996 on the basis of 1.09 Common shares for each Second Preferred share using, for the purpose of calculation, a conversion price of $22.87. The Corporation has reserved 2 834 000 Common shares for this purpose.

Second Preferred shares are redeemable, in whole or in part, at the option of the Corporation after 30 June 1985 for Series C, and after 30 June 1989 for Series D and Series E at prices declining from $26 each to $25 each on and after 30 June 1990 for Series C and 30 June 1991 for Series D and Series E. The Corporation may only redeem Series D and Series E shares between 1 July 1989 and 30 June 1991 provided that the current market price of the Common shares is equal to or greater than 125% of the current conversion price.

The Corporation has agreed to offer to purchase 120 000 Second Preferred shares — Series C per annum commencing 1 July 1998, and four per cent (4%) of the issued and outstanding Second Preferred shares — Series D per annum commencing 1 July 1996.

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

	NUMBER OF SHARES			VALUE		
(in thousands of dollars)	**1990**	1989	1988	**1990**	1989	1988
Balance at beginning of year	**28 691 694**	24 791 798	17 915 299	**$ 359 128**	$ 300 264	$ 199 451
Dividend Reinvestment and Share Purchase Plan	**875 696**	3 742 645	2 011 451	**12 634**	56 740	32 305
Employee Share Purchase Plans	**67 870**	157 251	20 367	**1 000**	2 178	304
Rights offering	**—**	—	4 844 681	**—**	(54)	68 204
Business acquisition — Note 1	**888 636**	—	—	**11 975**	—	—
Balance at end of year	**30 523 896**	28 691 694	24 791 798	**$ 384 737**	$ 359 128	$ 300 264

Note 17 — Cumulative translation adjustment

(in thousands of dollars)	1990	1989	1988
The components of the accumulated foreign currency translation adjustment, as reported on the consolidated balance sheets, are as follows:			
Balance at beginning of year	**$ (21 186)**	$ 1 873	$ 16 191
Unrealized gains (losses) on non-current items			
Land, buildings and equipment	**3 891**	(16 770)	(8 183)
Long term debt	**(7 929)**	5 920	3 754
Deferred income taxes	**394**	474	1 649
Other items, net	**(2 861)**	(6 314)	285
	(6 505)	(16 690)	(2 495)
Unrealized gains (losses) on current items	**14 281**	(6 369)	(11 823)
	7 776	(23 059)	(14 318)
Balance at end of year	**$ (13 410)**	$ (21 186)	$ 1 873

Note 18 — Changes in non-cash working capital

(in thousands of dollars)	1990	1989	1988
Details of the changes in non-cash working capital are as follows:			
Decrease (increase) in current assets			
Short term investment	**$ —**	$ (10 100)	$ —
Accounts receivable	**32 134**	63 579	(86 570)
Income taxes recoverable	**10 291**	(10 836)	(1 683)
Inventories	**7 037**	55 285	(87 487)
Prepaid expenses	**2 363**	(3 572)	(3 003)
(Decrease) increase in current liabilities			
Accounts payable and accrued liabilities	**(1 728)**	941	78 553
Dividends payable	**61**	629	1 522
Income taxes payable	**(6 855)**	(8 952)	13 182
	43 303	86 974	(85 486)
Adjusted (increase) decrease for:			
Reclassification from investments and advances	**—**	10 100	—
Acquired businesses, net of exchange rate fluctuations from date of acquisition to year end	**6 578**	3 572	98 116
Sale of businesses	**(46 779)**	—	—
Proceeds from sale of accounts receivable — Note 6	**(30 000)**	(51 660)	—
Extraordinary item	**—**	(17 539)	—
Investment in associated company	**—**	(16 935)	—
	$ (26 898)	$ 14 512	$ 12 630

Note 19 — Commitments and contingencies

At 30 June 1990, the Corporation has outstanding fixed asset appropriations of $45 953 000.

Notes receivable discounted by foreign subsidiaries amount to approximately $5 873 900. The Corporation has guaranteed obligations under lease agreements on behalf of a related company amounting to $5 328 000.

Note 20 — Litigation

In October 1989, the U.S. District Court in Charlotte, North Carolina awarded $4.9 million (US $4.1 million) to a former employee of a subsidiary of the Corporation, Mirafi Inc. ("Mirafi"), and certain other parties who were defendants in a case Mirafi brought to stop the defendants from infringing a patent licensed to Mirafi. The court found that Mirafi had used unfair business practices which impaired the business of the defendants. Mirafi has appealed the judgment on the grounds that the District Court erroneously dismissed Mirafi's patent infringement claims and that the evidence was insufficient to support the monetary damages awarded. The appeal was argued in May 1990.

Although the ultimate resolution of the case is impossible to predict at this time, in the opinion of the Corporation's management, such resolution should not have a material adverse effect upon the Corporation's financial condition.

Note 21 — Segmented information

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

(in millions of dollars)	Canada			United States			Europe and other			Corporate and eliminations			Consolidated totals		
	1990	1989	1988	**1990**	1989	1988	**1990**	1989	1988	**1990**	1989	1988	**1990**	1989	1988
Sales to outsiders	**$437.2**	$557.6	$661.7	**$539.1**	$472.8	$408.4	**$403.1**	$372.7	$147.1	**$ —**	$ —	$ —	**$1 379.4**	$1 403.1	$1 217.2
Inter-segment sales (a)	**—**	—	—	**107.5**	73.9	98.1	**—**	—	—	**(107.5)**	(73.9)	(98.1)	**—**	—	—
	$437.2	$557.6	$661.7	**$646.6**	$546.7	$506.5	**$403.1**	$372.7	$147.1	**$(107.5)**	$ (73.9)	$ (98.1)	**$1 379.4**	$1 403.1	$1 217.2
Income from operations	**$ 9.9**	$ 23.3	$ 35.6	**$ 46.4**	$ 10.2	$ 52.6	**$ 20.6**	$ 32.2	$ 11.5	**$ (12.7)**	$ (7.3)	$ (6.5)	**$ 64.2**	$ 58.4	$ 93.2
Identifiable assets	**$325.4**	$343.2	$445.0	**$642.9**	$665.4	$701.5	**$403.7**	$313.4	$323.6	**$ 11.2**	$ 18.8	$ 64.2	**$1 383.2**	$1 340.8	$1 534.3
Investment in associated companies	**38.4**	23.8	—	**10.1**	—	—	**4.6**	3.8	8.7	**—**	—	—	**53.1**	27.6	8.7
Total assets	**$363.8**	$367.0	$445.0	**$653.0**	$665.4	$701.5	**$408.3**	$317.2	$332.3	**$ 11.2**	$ 18.8	$ 64.2	**$1 436.3**	$1 368.4	$1 543.0

(a) Inter-segment sales are accounted for at prices comparable to open market prices for similar products and services.

Note 22 — Comparative figures

Certain of the 1989 and 1988 figures have been reclassified to conform with the presentation adopted in 1990. Furthermore, the 1988 consolidated financial statements have been restated to include the assets and liabilities of the Klopman Group and Nordlys S.A., which were shown as investments on the consolidated balance sheet at that time due to the late closing dates of the acquisitions.

	1990	1989	1988 (6)	1987 (1)	1986	1985	1984	1983 (1)	1982	1981	1980
Summary of operations (in millions of dollars)											
Sales	**$1 379.4**	$1 403.1	$1 217.2	$1 043.3	$926.5	$765.9	$877.8	$822.4	$767.3	$864.8	$756.9
Income (loss) from operations	**64.2**	58.4	93.2	76.8	33.5	(10.9)	65.5	56.9	31.8	100.5	86.2
Income (loss) before income taxes	**15.2**	7.1	66.9	61.1	14.2	(30.5)	43.8	31.9	(3.9)	74.8	66.2
Income taxes (credits)	**1.4**	(3.6)	24.1	27.5	0.2	(15.9)	18.5	11.8	(2.8)	28.6	26.9
Other items, net	**(2.8)**	(39.5)	20.3	(1.4)	(2.9)	0.2	(2.1)	(1.0)	(1.8)	(3.3)	(4.4)
Net income (loss) (2)	**11.0**	(28.8)	63.1	32.2	6.4	(14.4)	23.1	19.1	(14.4)	42.9	34.9
Interest											
— Long term debt	**58.3**	65.1	16.8	17.4	18.3	19.1	20.4	20.5	22.6	18.4	10.1
— Other	**(3.1)**	(1.8)	16.9 (4)	1.9	7.2	3.8	3.1	5.9	14.8	8.6	11.6
Financial resources generated from earnings (5)	**118.0**	108.4	119.3	101.0	45.7	1.6	64.0	48.4	20.7	68.2	59.8
Additions to fixed assets	**109.5**	110.9	84.6	41.3	39.3	33.4	46.9	34.8	51.5	63.9	33.4
Depreciation and amortization	**67.3**	70.8	51.0	36.4	33.9	31.0	24.8	22.1	18.9	15.6	14.3
Balance sheet highlights (in millions of dollars)											
Working capital	**244.7**	274.4	338.0	303.9	270.6	206.6	240.6	245.0	199.8	251.8	190.6
Land, buildings and equipment — at cost	**1 018.4**	921.5	977.2	576.9	544.4	586.0	534.1	484.2	454.1	449.2	390.2
Total assets	**1 436.3**	1 368.4	1 543.0	815.3	737.7	672.6	685.6	661.4	613.5	655.6	541.7
Long term debt	**481.0**	490.3	514.9	126.2	145.0	147.0	151.2	166.0	147.7	159.8	119.0
Shareholders' equity	**565.8**	545.6	562.8	432.9	380.0	305.9	311.0	290.7	257.6	278.8	223.4
Data per Common share (3) (in dollars)											
Net income (loss) (2)	**0.19**	(1.29)	2.93	1.53	0.27	(1.18)	1.59	1.41	(1.43)	3.93	3.66
Financial resources generated (5)	**3.86**	3.87	5.78	5.49	2.76	(0.05)	4.69	3.90	1.77	6.40	6.46
Dividends	**0.60**	0.60	0.57	0.48	0.48	0.66	0.72	0.72	1.02	1.06	0.94
Book value	**16.11**	16.40	19.57	19.69	18.08	18.71	21.08	20.04	20.39	23.14	21.50
Market value — High	**18.31**	17.00	22.00	23.00	23.63	16.13	20.50	19.63	19.00	22.25	16.50
— Low	**10.79**	13.75	14.75	16.50	10.50	10.00	14.25	8.75	8.75	13.50	12.00
Statistical data											
Current ratio	**1.9**	2.1	1.9	2.6	2.7	2.3	2.5	2.5	2.2	2.4	2.1
Net income (loss) as a percentage of sales	**0.8**	(2.1)	5.2	3.1	0.7	(1.9)	2.6	2.3	(1.9)	5.0	4.6
Net income (loss) available to Common shareholders in relation to average Common shareholders' equity (2)	**1.2**	(7.2)	13.7	8.1	1.5	(6.0)	7.7	6.8	(6.6)	18.2	18.1
Number of shareholders	**24 000**	29 800	26 000	20 200	17 000	10 900	6 700	6 300	6 800	6 700	5 300
Average number of Common shares outstanding (in thousands)	**29 143**	26 561	19 658	17 346	15 763	14 109	13 161	11 788	10 965	10 251	8 864
Number of employees at year end	**10 900**	12 900	14 000	11 200	10 500	10 500	11 500	12 300	12 100	13 700	13 900

(1) In 1987 and 1983 the Corporation changed its method of accounting for pension costs and for foreign currency translation respectively: prior years' results were not restated.

(2) After extraordinary income (charges) of $(38.1) million in 1989, $20.1 million in 1988, $(4.7) million in 1986, and $(11.5) million in 1982 or $(1.43), $1.02, $(0.29) and $(1.05) per Common share respectively.

(3) Data per Common share for net income (loss) and financial resources generated are after Preferred dividends.

(4) Included $17.2 million of interest on short term financing of businesses acquired.

(5) Prior to 1987, interest expense, net of income taxes, was included.

(6) Restated to consolidate the Klopman Group and Nordlys S.A.

Shareholder 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
2001 University Street
16th Floor
Montréal, Québec
H3A 2A6

During the past fiscal year, the average market prices of Dominion Textile Common shares issued under the Dividend Reinvestment and Share Purchase Plan were as follows:

21 July 1989	$16.600
23 October 1989	$15.988
22 January 1990	$14.888
23 April 1990	$12.625
23 July 1990	$10.219

Stock transfer agent, registrar and dividend disbursing agent
The Royal Trust Company: principal offices in Montréal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

Stock exchange listings (DTX)
Montréal (DOMTEX) and
Toronto (D TEXTILE)

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H3H 1E7
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Information for investors
The 1990 Annual Information Form (AIF) as filed with the Canadian securities commissions is available upon request. For further information about the Corporation, investors and analysts should contact the Investor Relations Department at the Corporate office.

Fiscal 1991 key dates
Interim reports to shareholders are scheduled for mailing in November 1990, and in February and May 1991.

Common share quarterly dividends are normally paid in January, April, July and October.

Shares held in nominee name
Shareholders whose shares are not registered in their name and who wish to receive the Corporation's reports on a timely basis should send their request to the Investor Relations Department at the Corporate office.

Annual meeting
The annual meeting of shareholders will be held at 11:00 a.m., on Wednesday, 31 October 1990, at Le Château Champlain Hotel, Place du Canada, Montréal.

Version française du rapport annuel
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Share prices and trading volumes

Fiscal year ended 30 June 1990	First quarter	Second quarter	Third quarter	Fourth quarter	Year
High	$18.31	$17.12	$15.60	$12.70	$18.31
Low	$16.08	$15.54	$13.25	$10.79	$10.79
Volume	1 887 011	1 074 032	3 694 287	2 044 646	8 699 976
Fiscal year ended 30 June 1989	**First quarter**	**Second quarter**	**Third quarter**	**Fourth quarter**	**Year**
High	$17.00	$15.75	$16.13	$16.88	$17.00
Low	$15.13	$14.00	$13.88	$13.75	$13.75
Volume	1 728 755	1 425 357	1 781 619	1 983 186	6 918 917

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DOMINION TEXTILE INC.