

Riverside Silk Mills, Limited

ANNUAL REPORT

To the Shareholders:

Your Directors submit herewith the Company's Annual Report with respect to operations for the year ended December 31, 1953, together with Audited Financial Statements.

The Company suffered a serious loss of \$241,261.93 during the year. After deducting income taxes recoverable out of tax payments applicable to the profits of the previous year, the net loss transferred to surplus was \$215,527.02.

It is believed you are fully aware of the distressed conditions in the Textile Industry in Canada which have received a great amount of publicity. Your Company has been confronted with grave difficulties resulting from its inability to compete with goods made in overseas countries, chiefly because wages in Canada are considerably higher. In addition, textiles manufactured in the United States have been and are being imported into this country in large quantities and such goods, in many instances, are sold at distressed prices with the duty payable thereon based on such prices.

Criticism has been levelled against Canadian Textile Mills, charging that they are not nearly as efficient as those in the United States and European countries. So far as your Company is concerned, it has spent hundreds of thousands of dollars in modernization, and your directors believe that its efficiency is comparable to that of any foreign competitor. Modernization of plant is a never ending challenge in this industry. Frequent changes in materials and methods of production have had the effect of rendering machinery obsolete long before it is fully depreciated. In these circumstances, the capital cost allowances permitted for income tax purposes are entirely inadequate and unrealistic.

Certain specific items have had a bearing on the loss now reported to you. Hydro conversion which began January, 1953, and continued until January, 1954, seriously interrupted operations and interfered with the efficiency of the mill generally. In addition, conversion costs in excess of \$20,000.00 were incurred and included in the current year's expenses. The majority of the inventory carried over from the close of the last financial period comprised nylon tricot and woven fabrics which, during the current year depreciated enormously because of a widespread swing to cotton fabrics, the unfortunate longer life of nylon garments and the depressing effect of imports of all types.

After careful consideration, it was deemed advisable to completely close down the weaving department, which had been engaged in the production of specialty high style fabrics for the blouse and lingerie trade. Even if some improvement occurs in the present distressed condition of the industry, it is highly doubtful whether this department will be reopened.

There seems no doubt that your Company is heading into increasingly difficult markets and the future looks far from promising. On the other side of the ledger we have an **efficient staff** and although **future profits look remote** at this time we are convinced that we will not have to face another year comparable to 1953.

Submitted on behalf of the Board.

Galt, Ontario.
March 12, 1954.

K. D. BAILEY,
President.

Riverside Silk

Balance

DECEMBER

ASSETS

Current Assets:

| | |
|--|-----------------|
| Cash on hand | \$ 1,822.75 |
| Investments, stocks and bonds at cost (market value \$91,125.00) | 109,900.00 |
| Accounts receivable less allowance of \$5,000.00 for doubtful accounts | 196,306.22 |
| Inventory of merchandise and supplies, as determined by the management and certified to be valued as follows: raw materials and supplies at the lower of laid-down cost or market and finished goods and goods in process at factory cost | 338,256.84 |
| Employees' balances re bond subscriptions (secured) | 12,587.36 |
| Prepaid expenses and accrued interest receivable | 6,191.56 |
| Income taxes overpaid | 14,938.45 |
| | 680,003.18 |
| Life Insurance Cash Surrender Value | 6,506.13 |

Fixed Assets at replacement value as of April 10, 1928 as per appraisal of Dominion Appraisal Co., Limited, plus subsequent additions at cost, less disposals:

| | |
|--|-----------------------|
| Land | 6,600.00 |
| Buildings | 295,235.56 |
| Machinery and equipment | 1,090,051.41 |
| Deposit on machinery | 11,920.39 |
| | 1,403,807.36 |
| Less Accumulated allowance for depreciation | 997,563.16 |
| | 406,244.20 |
| | <hr/> |
| | \$1,092,753.51 |

AUDITORS' REPORT TO

We have examined the balance sheet of Riverside Silk Mills, Limited as at December 31, 1953, and included a general review of the accounting procedures and such tests of accounting records and other

All our requirements as auditors have been complied with and, in our opinion, the accompanying balance sheet gives a true and correct view of the state of the affairs of the company as at December 31, 1953, and the results of operations given us and as shown by the books of the company.

Toronto, Canada, March 12, 1954.

Mills, Limited

Balance Sheet

December 31, 1953

LIABILITIES

Current Liabilities:

| | |
|---|---------------|
| Bank loan and overdraft (secured) | \$ 333,941.60 |
| Accounts payable and accrued wages | 147,607.29 |
| Bank loan re employees' bonds (secured) | 12,584.81 |
| <hr/> | |

Capital Stock and Earned Surplus:

Capital stock authorized and issued:

| | |
|--|------------|
| 30,000 Class A \$2.00 cumulative participating shares and 20,000 Class B shares, all of no par value..... | 300,000.00 |
| Earned surplus | 298,619.81 |
| <hr/> | |

Notes:

The company has ordered machinery costing approximately \$48,000.00, of which amount 25% had been paid at December 31, 1953.

Dividends on the Class A cumulative shares are in arrears \$1.50 per share.

\$1,092,753.51

THE SHAREHOLDERS

The statement of profit & loss and earned surplus for the year ended on that date. Our examination supporting evidence as we considered necessary in the circumstances.

Balance sheet and statement of profit & loss and earned surplus are properly drawn up so as to exhibit a true and fair view of the state of affairs of the company and of its operations for the year ended on that date, according to the best of our information and the evidence available to us.

THORNE, MULHOLLAND, HOWSON & McPHERSON,
Chartered Accountants.

Riverside Silk Mills, Limited

STATEMENT OF PROFIT & LOSS AND EARNED SURPLUS

Year ended December 31, 1953

| | |
|--|--------------|
| Earned surplus, December 31, 1952 | \$544,146.83 |
| Loss for year before undernoted items | 168,992.76 |
| Allowance for depreciation | 72,269.17 |
| | _____ |
| | 241,261.93 |
| Income taxes of prior year recoverable | 25,734.91 |
| Net loss for year | 215,527.02 |
| | _____ |
| | \$328,619.81 |
| Dividends on Class A shares | 30,000.00 |
| | _____ |
| Earned surplus, December 31, 1953 | \$298,619.81 |