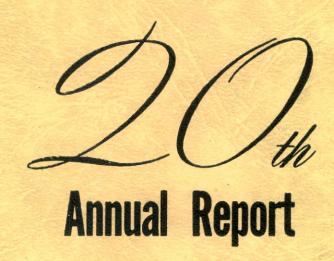
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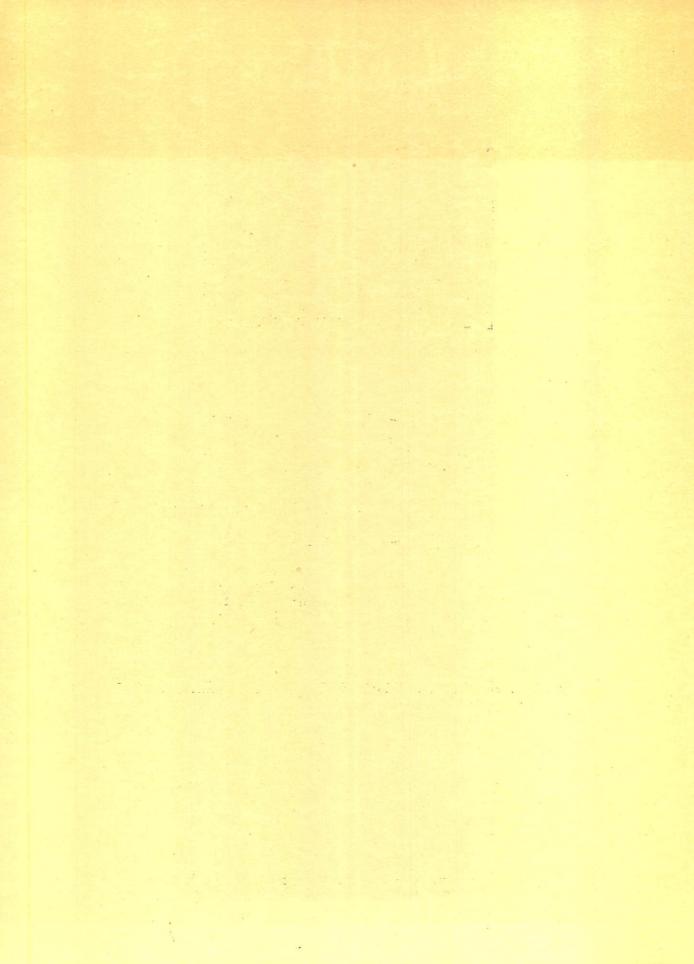




FOR THE FISCAL YEAR ENDED OCTOBER 31, 1947



HARDING CARPETS LIMITED - BRANTFORD, CANADA



# Harding Carpets

OFFICERS:	JOHN S. DICKSON
	CHAS. V. BANKS Executive Vice-President
	C. Malim HardingGeneral Manager
	A. R. Wynn
DIRECTORS:	CHAS. V. BANKS Brantford, Ontario
	C. GORDON COCKSHUTT Brantford, Ontario
	ROLPH R. CORSON
	EDWARD R. DEEKS
	John S. Dickson
	C. Malim Harding Brantford, Ontario
	Hugh J. McLaughlin, K.C Toronto, Ontario
	HARRY QUARMBY

Head Office:
BRANTFORD, ONTARIO

Stock Transfer Agent and Registrar

MONTREAL TRUST COMPANY

Toronto and Montreal

One of the major assets of Harding Carpets Limited will not be found in this report to shareholders. Nor is it "carried on the books". It is, however, of inestimable worth for it accounts in no small way for the success of the Harding organization today.

This priceless "asset" is the influence left upon the Company by our first President, the late C. Victor Harding. Not only did Mr. Harding give to the Company his name, but he gave unstintingly of himself.

This Company was founded in 1927 on the firm foundation of Mr. Harding's personal experience of more than forty years in the carpet industry. Throughout Canada, the United States and Great Britain, wherever carpets were concerned the Harding name was well known. Under his capable leadership, the Company enjoyed from the first, mature experience blended with a strict regard for craftsmanship and integrity. Mr. Harding passed away in 1932, but his mark is firmly fixed upon the Company and has been a constant source of inspiration and challenge to those who picked up where he left off.

The City of Brantford was chosen as the site for the first Harding mills and the wisdom of this choice has been well demonstrated throughout the years. A plant was secured in 1927, and by the latter part of that year production was under way. The following year, Hardings was actually supplying carpets for the Royal York, Chateau Laurier, Windsor Hotel and other famous-name institutions.

1928 was a year of tireless toil and unending experiment . . . rewarded with such success that by 1929, the Company was firmly established. Hardings pioneered in Canada by operating the first balanced seamless carpet weaving plant, and was the first Canadian carpet mill to weave seamless spool Axminster.

The early thirties proved a trying period for so young a company, but under the able direction of the second President, A. E. Cuthbertson, Harding's continued to advance.

1934 saw a considerable improvement in the economic situation, and in this year a capital reorganization took place. This proved to be a forward step in the establishment of a dividend and dividends have been paid continually since.

During 1935 and 1936, a spinning plant was purchased and put into operation. It proved to be a valuable addition to the Harding organization. Hardings progressed steadily until 1943, at which time wartime restrictions curtailed carpet production. The plant plunged into war work and produced cotton duck and fine jute interlining to make its contribution to the war effort.

During this period, controlling interest and then balance of interest of the Guelph Carpet & Worsted Spinning Mills Limited were purchased. This was the oldest carpet manufacturing plant in Canada. The worsted spinning division of this plant was operating full time on war production, as was the carpet division—principally on cotton duck. These wartime activities enabled your Company to continue paying dividends for this period.

During 1944, a careful study was made to assure postwar efficiency in both Brantford and Guelph. As a result, the woolen spinning division in Brantford was reconstructed and enlarged, and new equipment installed. Additional improvements were made in various departments in both mills.

As in any business, the success of Harding Carpets Limited is due in a large measure to the personnel associated with the Company. A. E. Cuthbertson, who had been General Manager, succeeded C. V. Harding as President in 1932, upon the latter's death. Mr. Cuthbertson guided the firm through the trying years from 1932, until his death in 1943. His sudden death was a great loss to the company and the entire carpet industry. He was succeeded by John S. Dickson as President. Charles V. Banks, then Sales Manager became General Manager. Both Mr. Dickson and Mr. Banks had been associated with Hardings since the very inception of the firm. In the fall of 1946, C. V. Banks was appointed Executive Vice President, and the founder's son, C. Malim Harding became General Manager.

Plans have been formulated for the further expansion of Harding Carpets Limited. The future for both the carpet division and the worsted spinning division looks exceptionally bright.

The above is a brief outline of your Company. It has established itself as a leading factor in the Canadian carpet industry. Today, from Halifax to Victoria, Harding carpeting, broadlooms and rugs are held in high regard, and enjoy a reputation for proven quality and craftsmanship second to none. Guelph Yarns, too, continue to progress and enhance their high reputation for fine yarns.

Submitted herewith is the Consolidated Balance Sheet, Profit and Loss and Earned Surplus Statement of HARDING CARPETS LIMITED and its subsidiary, THE GUELPH CARPET & WORSTED SPINNING MILLS LIMITED, for the year ending October 31st, 1947, together with Auditors' Report to the Shareholders.

OPERATIONS. Results of operations for the fiscal year ending October 31st, 1947 were very satisfactory and represent considerable improvement over previous years.

SALES. Consolidated sales were the highest per dollar volume in the history of the two companies.

EARNINGS. The net profit from operations was \$285,857., representing an increase of \$106,458 over the previous year. This was equivalent to earnings of \$1.23 per share for the year ending October 31, 1947 as contrasted with 77¢ for the previous year.

**EARNED SURPLUS.** For the year ending October 31, 1947, earned surplus increased to \$1,000,258 from \$785,881 for the previous year. This increase arose from profits after dividends plus a \$93,291 profit from the sales of certain investments and dismantled machinery.

**DIVIDENDS**. During the fiscal year, dividends to the amount of 65 cents a share were paid. It was decided during this year to change from a semi-annual to a quarterly dividend, and a quarterly dividend of 20 cents per share was declared payable January 2, 1948.

FINANCE. During the year the Working Capital was increased by \$398,153 to \$1,933,965. The Current Assets/Current Liabilities ratio was 4.2 to 1 and the company's liquid position remains strong. It should be noted that from a bank loan at the end of last year of \$249,086 there is now a bank credit of \$54,892.

The \$388,500 4% Serial Debentures of your subsidiary, The Guelph Carpet & Worsted Spinning Mills Limited, were called at 103, and the new issue of \$388,000 31/4% Serial Debentures of similar maturities were sold at 103.335, resulting in a saving of interest during the life of the debentures of some \$20,000.

INVENTORIES. During the year inventories increased by \$160,723 to a figure of \$1,830,212. Although this represents a dollar increase, due to the increase in prices, the physical inventories are actually lower than the previous year. The inventory situation, due to the high price of carpet wools and tops, is one which bears continuous watching, and every effort is being made to keep it as low as possible, consistent with good production. It will be noted on the Profit & Loss statement that an increase in reserve against future decline in inventory values, provided under the Excess Profit Tax, was set up in the amount of \$98,666. In view of the high prices of wools and wool tops, and the quantities, over and above the base allowed under the Excess Profits Tax, which must be carried in order to ensure continuous production, your directors felt that it would be in the best interests of the company to set up an additional amount of \$50,000 tax paid reserve against future declines in inventory values. This makes a total reserve of \$503,050.

The Excess Profits Tax Act provides that any portion of an inventory reserve set up under the terms of the Act and not required to meet declines in inventory prices, up to October 31st, 1948 in the case of this company, shall be included in the computation of excess profits tax payable in respect of the calendar year 1947. Consequently, should no part of this reserve be used to meet price declines within the period mentioned, it is estimated the maximum additional excess profits taxes payable on the reserve will be \$67,957.

**EXPANSION.** As in the previous year, every effort was made to bring the plant repairs and maintenance up to date to take care of the war years when maintenance was difficult. In addition, there was a total capital expenditure in the two plants of \$123,000 covering generally new machinery and some expansion in the plant buildings. Due to slow deliveries, there is a considerable amount of capital equipment, which should be coming in within the next year, and which we had hoped would be delivered during the past year. It is expected that a capital expenditure of at least \$325,000 will be made next year for modernization of present equipment, new machinery, etc. This will naturally result in increased capacity for production.

**PENSION PLAN.** Subject to the approval of the shareholders, a pension plan has been offered to the employees of the company. As labour negotiations are in progress at the time of writing this report, it is not known whether this plan will be accepted by the employees.

EMPLOYEE RELATIONS. Your employees enjoy the following benefits: payment for eight statutory holidays: vacations with pay, according to the length of service; group insurance; medical attention by doctor and nurse; and many other features that have been introduced in order to improve general working conditions and the welfare of the employees. In addition to this, two general wage increases have been granted since the first of January, 1947. At the time of writing this report, negotiations are under way for new contracts with the three unions represented between the two companies.

SHAREHOLDERS. At the time of the payment of January 2nd, 1948 dividend your company had on record 1,068 shareholders. Included in this were many of our customers and employees, and it is also interesting to note that 84% of the shareholders are holders of two hundred shares or less.

OUTLOOK. The outlook for sales in both carpets and worsted yarns appears to be very good. There is a strong demand for both products and they are still being sold on a ration or quota basis. There have been some price increases in both carpets and worsted yarns but every effort is being made to keep such price increases as low as possible in spite of the increased labour and raw material costs.

As far as raw materials are concerned, there is a serious shortage of carpet wools in the world today, and such as are available are being offered at prices very much higher than those prevailing a year ago. Fine worsted tops have increased greatly in price but are becoming more readily available.

With the new equipment and an improvement in the supply of skilled labour, it is hoped that production will be increased in the forthcoming year.

**APPRECIATION.** The directors wish to express on your behalf their appreciation for the loyal services of the staff and employees in all departments.

ON BEHALF OF THE BOARD.

Johns dickson

## HARDING CAR

## THE GUELPH CARPET & WORS CONSOLIDATED BALANCE SHEET

#### ASSETS

CURRENT ASSETS:	
Cash on hand and in banks	
Dominion of Canada bonds (market value \$104,750.00) at cost 105,000.00	
Accounts receivable (less reserve of \$43,465.62 for doubtful accounts) 537,253.81	
Inventories, valued on the basis of cost or market prices, whichever were lower—as determined and certified to by responsible officials of the companies	\$2,527,359.33
INVESTMENTS AND OTHER ASSETS:	
Sundry investments, at cost, less amounts written off \$ 15,275.00	
Cash surrender value of life insurance policies	
Refundable portion of excess profits tax	
Prepaid insurance, taxes and miscellaneous charges	
	184,600.33
FIXED ASSETS:	
Land\$ 45,325.30	
Buildings, plant and equipment\$2,739,594.00	
Less—Reserve for depreciation	
1,03,33.13	1,100,680.43
	\$3,812,640.09

NOTE: Land and buildings of Harding Carpets Limited carried at \$627,105.98 are valued on the basis of depreciated reproductive values as reported by Canadian Appraisal Company Limited, in 1927, plus subsequent additions at cost; the balance of the fixed assets of that company, comprising machinery and equipment carried at \$677,046.98, are valued on the basis of cost. The fixed assets of The Guelph Carpet & Worsted Spinning Mills Limited are carried at values as recorded on the books at the inception of that company in 1929 plus subsequent additions at cost.

Approved on behalf of the Board. John S. Dickson, *Director*. C. Malim Harding, *Director*.

# PETS LIMITED TED SPINNING MILLS LIMITED OCTOBER 31 1947

#### LIABILITIES

CURRENT LIABILITIES:  Accounts payable and accrued liabilities \$ 258,413.48  Accrued taxes on income (estimated) 313,980.55  Serial Debentures maturing within one year 21,000.00	\$ 593,394.03
RESERVE AGAINST FUTURE DECLINE IN INVENTORY VALUES	. 503,050.05
FUNDED DEBT:  Serial debentures of The Guelph Carpet & Worsted Spinning Mills  Limited—3¼% due January 2, 1948-1961	367,000.00
CAPITAL STOCK AND SURPLUS:  Capital stock, no par value— Authorized—300,000 shares Issued and outstanding—231,204 shares	307,000.00
tion over cost of shares of that company	2,349,196.01
	\$3,812,640.09

Auditors' Report to the Shareholders of HARDING CARPETS LIMITED:

We have examined the consolidated balance sheet of Harding Carpets Limited and its subsidiary, The Guelph Carpet & Worsted Spinning Mills Limited, as at October 31 1947, and the consolidated statement of profit and loss for the year ended on that date. In connection therewith we examined or tested the accounting records of Harding Carpets Limited and other supporting evidence and made a general review of the accounting methods and of the operating and income accounts for the year, but our examination of the detailed transactions was confined to tests thereof. We have been furnished with the accounts of The Guelph Carpet & Worsted Spinning Mills Limited for the year ended October 31 1947 with the appended report of Mr. J. Clare Wilcox, C.A., the auditor of that company, and we have consolidated these accounts with the accounts of Harding Carpets Limited.

We report that we have received all the information and explanations which we have required and that, in our opinion, the accompanying consolidated balance sheet and consolidated statement of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the combined companies as at October 31 1947 and of the results from operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of Harding Carpets Limited which we examined, and the accounts of The Guelph Carpet & Worsted Spinning Mills Limited submitted by the auditor of that company.

All our requirements as auditors have been complied with.

PRICE, WATERHOUSE & CO., Chartered Accountants.

Toronto, January 2, 1948

## HARDING CARPETS LIMITED

## THE GUELPH CARPET & WORSTED SPINNING MILLS LIMITED

## CONSOLIDATED PROFIT AND LOSS STATEMENT YEAR ENDED OCTOBER 31, 1947

Profit from operations before undermentioned items  Income from investments	\$943,897.24 498.69	
Interest on debentures	\$ 14,667.49	\$ 944,395.93
Provision for depreciation	113,315.27	
Increase in reserve against future decline in inventory values:  Provided under terms of The Excess Profits  Tax Act	148,666.57	
Provision for income and excess profit taxes	381,889.27	
		658,538.60
Balance of profit transferred to earned surplus		\$ 285,857.33

## CONSOLIDATED EARNED SURPLUS STATEMENT YEAR ENDED OCTOBER 31, 1947

Consolidated earned surplus November 1, 1946	\$ 785,881.42
Balance of profit for year ended October 31, 1947	285,857.33
Gain on sale of investments and fixed assets	93,291.10
Deduct:	\$1,165,029.85
Excess of rebate on renegotiation of war business to October 31, 1947 over tax adjustments arising therefrom \$ 14,489.21	
Dividends paid during year (65 cents per share) 150,282.60	164,771.81
Consolidated earned surplus October 31, 1947	. \$1,000,258.04



## HE GROWTH OF HARDING CARPETS LIMITED

(as shown on a per-share basis)

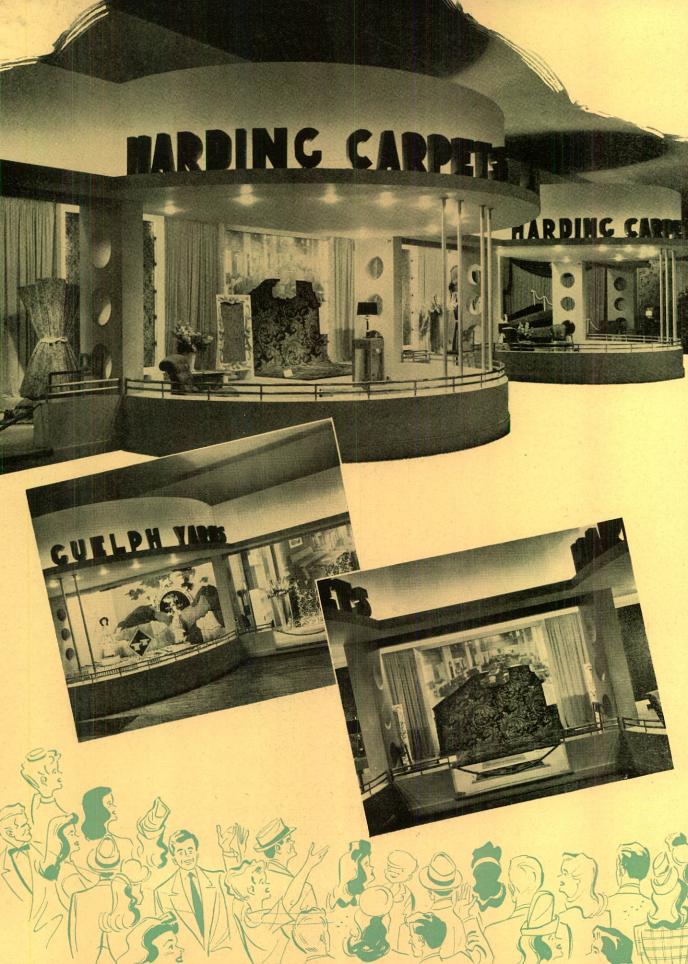
YEAR	WORKING CAPITAL	FIXED AND MISC. ASSETS (less amount of Guelph debentures)	CAPITAL AND SURPLUS (including inventory reserves)	EARNINGS
1928	. 65	4.99	5.64	.04
1929	.79	4.87	5.66	.02
1930	.77	4.90	5.67	.02
1931	. 62	4.94	5.56	.10**
1932	.40	4.97	5.37	.13**
1933	.52	4.85	5.37	.00
1934	1.01	3.80	4.81	. 26
1935	1.50	3.54	5.04	. 23
1936	1.92	3.38	5.30	.32
1937	2.07	3.40	5.47	. 39
1938	2.14	3.12	5.26	.01
1939	2.71	2.95	5.66	. 61
1940	2.77	2.88	5.65	.32
1941	1.37	5.12*	6.49	.54
1942	2.01	5.05	7.06	.50
1943	. 49	6.80	7.29	. 28
1944	7.36	3.83	11.19	. 45
1945	6.55	3.70	10.25	.72
1946	6.64	4.12	10.76	.77
1947	8.36	3.97	12.33	1.23

<sup>\*</sup>In 1941 controlling interest of the Guelph Carpet & Worsted Spinning Mills Limited was purchased and is shown in the above record under "Fixed and Misc. Assets".

In 1943 the balance of shares of the Guelph Carpet & Worsted Spinning Mills Limited was purchased, accounting for the decrease in working capital shown for that year.

From 1944 on, the figures are based on the consolidated statement for the two companies.

<sup>\*\*</sup>Loss.





eyes proof indeed of the great wealth of tradition and skill that lies behind the famous Harding label. Here was Canadian craftsmanship at its finest . . . magnificent broadlooms, rugs and carpeting for home, hotel, club — in fact wherever truly fine floor coverings are required and appreciated.

As production increases, 1948 will see an even greater display. This year, too, marks the opening of a long range merchandising and promotion plan for your Company . . . designed to make Canadians from coast to coast "Look for the Harding Label" at their favorite homefurnishings store.



