

TWENTY-SECOND

*Annual  
Report*

FOR THE FISCAL YEAR  
ENDING OCTOBER 31  
1949



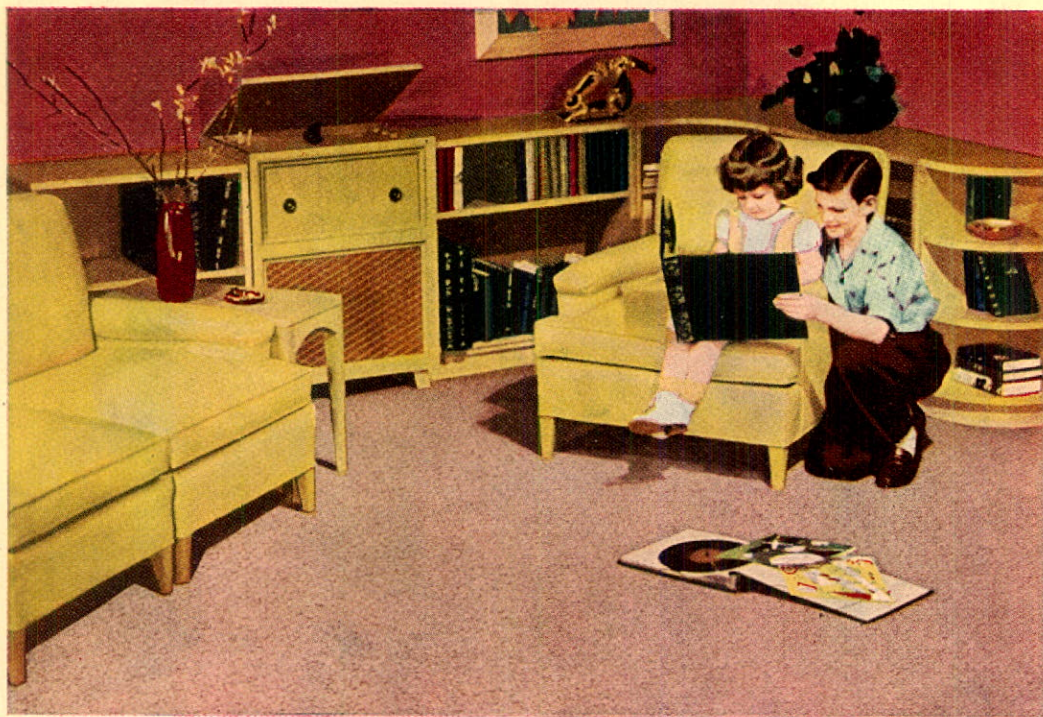
HARDING CARPETS LIMITED  
BRANTFORD — CANADA



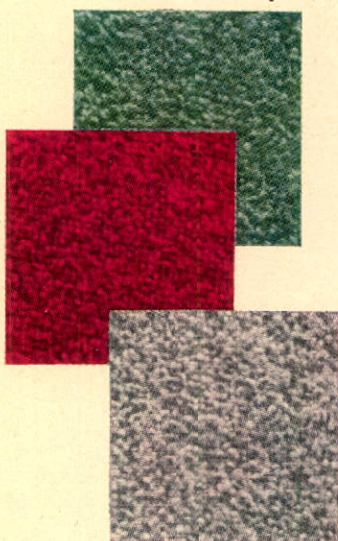
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McGILL UNIVERSITY



*For scampering feet... or formal living*



Specially fashioned to resist wear . . . the new Harding Bramble-Twist Broadloom. In this tough, versatile texture weave, each wool tuft is woven-through-the-back, and securely locked in for greater durability. Luxurious and lovely, Harding's Bramble-Twist is loomed to last by skilled Canadian craftsmen. In Green, Gray, Red and Sand.

Look for the  
Harding  
Label



HARDING CARPETS LIMITED, BRANTFORD, CANADA  
Also manufacturers of GUELPH Yarns for fine hand knitting

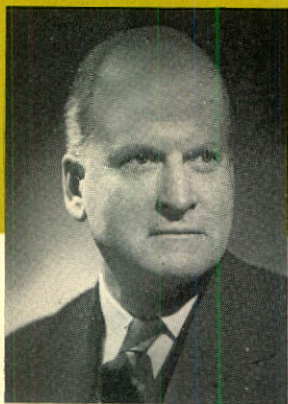
The above is one of a series of advertisements to appear during 1950  
in the following national publications:

Reader's Digest  
Toronto Star Weekly

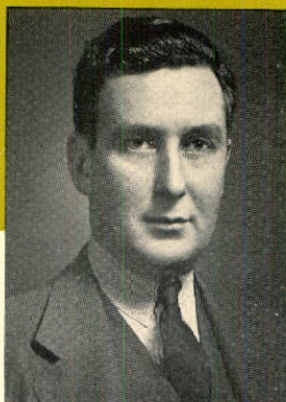
Chatelaine  
Canadian Homes & Gardens  
Sélection du Reader's Digest

Brides Book  
Book of Homes

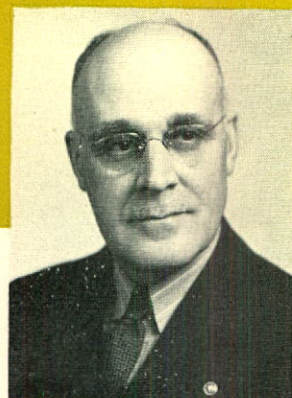
Harding Carpets  
LIMITED



**JOHN S. DICKSON**  
*President*



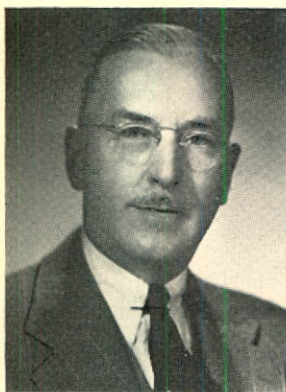
**C. MALIM HARDING**  
*Executive Vice-President*



**CHARLES V. BANKS**  
*Vice-President*



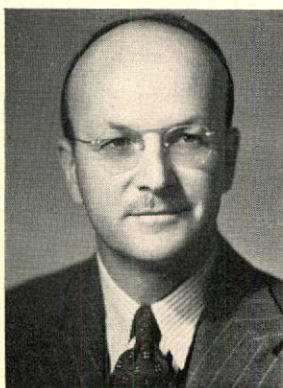
**HARRY QUARMBY**  
*Vice-President*



**A. R. WYNN**  
*Secretary-Treasurer*



**DOUGLAS KEEFE**  
*Vice-President*



**JOSEPH G. PERKINS**  
*Sales Manager*



**H. B. MORRIS**  
*Works Manager*

**John S. Dickson, President.** Mr. Dickson, as an investment broker, participated in the original financing of the company. He has been a director since 1928 and was appointed President in 1943.

**C. Malim Harding, Executive Vice-President.** Mr. Harding joined the company in 1933 and after serving with distinction during the last World War, he became General Manager in 1946 and Executive Vice-President in 1948.

**Charles V. Banks, Vice-President.** Mr. Banks joined the company in 1928 as Sales Manager after fifteen years' selling experience in the carpet trade. He served as General Manager and was appointed Vice-President and Director of Sales in 1948.

**Harry Quarmby, Vice-President.** Mr. Quarmby joined Guelph Yarns Limited in 1916. In 1948 he retired as President of the Guelph Company and is now serving as Vice-President.

**A. R. Wynn, Secretary-Treasurer.** Mr. Wynn joined the company in 1928 as Accountant, having had experience in banking and manufacturing before that time. He has been Secretary-Treasurer since 1932.

**Douglas Keefe, Vice-President.** Mr. Keefe joined the Guelph Division of the company in 1926 and has served in many capacities until appointed a Vice-President of Guelph Yarns Limited in 1948.

**Joseph G. Perkins, Sales Manager.** Mr. Perkins joined the company in 1928 and represented the company in Western Canada for many years. In 1946 he was appointed Sales Manager for the carpet division.

**H. B. Morris, Works Manager.** Mr. Morris joined the company in 1931, having had 22 years' experience in the carpet trade in England. In 1947 he was appointed Works Manager of the carpet division.

# Harding Carpets

LIMITED

**OFFICERS:** JOHN S. DICKSON . . . . . *President*  
C. MALIM HARDING . . . . . *Executive Vice-President*  
CHAS. V. BANKS . . . . . *Vice-President*  
HARRY QUARMBY . . . . . *Vice-President*  
A. R. WYNN . . . . . *Secretary-Treasurer*

**DIRECTORS:** CHAS. V. BANKS . . . . . *Brantford, Ontario*  
C. GORDON COCKSHUTT . . . . . *Brantford, Ontario*  
ROLPH R. CORSON . . . . . *Toronto, Ontario*  
EDWARD R. DEEKS . . . . . *Toronto, Ontario*  
JOHN S. DICKSON . . . . . *Toronto, Ontario*  
C. MALIM HARDING, O.B.E. . . . . *Brantford, Ontario*  
HUGH J. McLAUGHLIN, K.C. . . . . *Toronto, Ontario*  
HARRY QUARMBY . . . . . *Guelph, Ontario*

**HEAD OFFICE:** BRANTFORD . . . . . *Canada*

Stock Transfer Agent and Registrar  
MONTREAL TRUST COMPANY  
Toronto and Montreal

# **D**irectors' Report to Shareholders

Submitted herewith is the Consolidated Balance Sheet, and the Profit and Loss and Earned Surplus Statements of Harding Carpets Limited and its subsidiary, Guelph Yarns Limited, for the year ending October 31, 1949, together with the Auditors' Report to the Shareholders.

**SALES.** Consolidated sales were \$7,074,836, the highest dollar volume in the history of the company and represent an increase of 5% over the previous year.

**EARNINGS.** The net profit from operations was \$385,475, the equivalent of \$1.66 per share, representing a decrease of \$19,385 from the previous year.

**DIVIDENDS.** During the fiscal year quarterly dividends of twenty cents per share and an extra dividend of ten cents per share were paid. A dividend of twenty cents per share was declared payable January 3, 1950.

**INVENTORIES.** During the year inventories decreased by \$551,093 to a figure of \$2,095,397. Due to the uncertain state of all the raw material markets, wool, cotton, and jute, it has been the policy of your directors to keep as close an inventory position as possible. The inventories were priced at the lower of cost or market prevailing at October 31st. Since that time wool, which is our most important raw material, has been increasing in price.

Due to the large reduction in the physical quantity of inventory over last year, the inventory reserve of \$753,050 is more than adequate to bring back raw material costs for both inventory and future commitments to those approximating October 31, 1946. However, it is felt that the inventory position at the end of the year is lower than can be normally maintained in the future. This is due to expected expansion in carpet output and to the more seasonable character of the markets now necessitating larger finished goods stock. It has, therefore, been considered advisable to leave the amount of \$753,050 set up as an inventory reserve.

**FINANCE.** Working Capital as at October 31, 1949 was \$2,222,911 compared with \$2,237,720 in the previous year.

**EXPANSION.** The first phase of the postwar program of plant improvement and expansion was in the main completed during the year. A total amount of \$386,429 was spent on capital expenditures. The main outlay was for the completion of the boiler plant and dye house in Guelph and now we have one of the finest skein dye houses for worsted yarn in the country. Other expenditures include new spinning equipment for the Guelph plant and a new warehouse and some spinning equipment for the Brantford plant.

There has been increasing demand in this country, as well as elsewhere, for seamless carpets in wider widths from 9 feet up, and it has therefore been considered necessary to expand our carpet weaving facilities in order to fill this demand. We have commenced an expansion program by purchasing considerable numbers of wide looms, the majority of which will be installed during the forthcoming year. It is expected this will involve in the first stage a capital expenditure of approximately \$300,000 for these looms and the necessary accompanying equipment.

This expansion program will continue for at least two years as it will be necessary to add to the carpet plants to take care of the increased output.

**REVIEW OF OPERATIONS.** In the carpet division the year was generally a satisfactory one although the swing has been towards a buyer's market and keener competition not only in the domestic field but from the United Kingdom and other countries. The quantity of imports has risen somewhat during the year over the previous year.

The Worsted Spinning business generally in Canada suffered a setback during the year and for some months our plant was not running at full capacity. Production has now picked up, but with the very keen competition and the rapid changes in the price of tops, operations in the Worsted Yarn division have not been as satisfactory as in previous years.

However, during this year we have made efforts to increase the production and sales of the hand knitting yarns, and considerable promotion work has been done along these lines. It is expected that this particular branch of the business will show an increase during the forthcoming year.

**ADVERTISING.** National advertising for the carpet division was continued throughout the year and a sample advertisement is shown on the inside of the front cover. Considerable work has been done on promotion for our hand knitting yarns and this will be continued throughout the year. On the inside of the back cover will be seen reproductions of the various brands which we manufacture.

**OUTLOOK.** In the carpet division the devaluation has and will continue to produce more and keener competition from the United Kingdom and other countries. It was expected that due to devaluation, wools, which are all bought in the sterling area, would decrease in terms of the Canadian dollar. At the beginning there was some decrease, but now wool prices have advanced to such a point that prices in terms of the Canadian dollar are higher than before devaluation. It is too early yet to say what the eventual result of this will be, but it could result in a lower margin of profit.

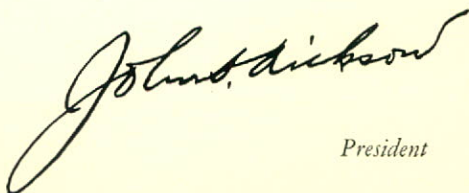
In the yarn division we can also expect, as a result of devaluation and increased competition, increased imports of sweaters, socks, etc. that the machine knitting yarns will be somewhat slower next year. Some of the slack we hope to pick up with the increased sales in the hand knitting yarns.

Generally speaking, however, we look forward to 1950 with a good degree of optimism. As a result of our expansion and modernization program since the war (involving a capital expenditure of approximately \$1,200,000) we believe that our plant and equipment are now in excellent condition to assist us in these more competitive times. The products, which we manufacture in both our yarn and carpet divisions, can more than hold their own against any competition. We also believe that our styling departments are well equipped to give the Canadian market the products they desire, and our selling organization, which has been strengthened considerably in the last year, will ensure a most favorable reception of our products.

**RIGHTS TO EXECUTIVES.** The shareholders are being asked to approve of the sale of rights to purchase 11,500 shares of the company to executives selected by but not including the President as more particularly set out in paragraph four of the notice of the annual meeting.

**APPRECIATION.** The directors wish to express their appreciation for the loyal services of the staff and employees at all times, and also to express to you, our shareholders, and to our customers, our appreciation for your co-operation and support throughout the year.

ON BEHALF OF THE BOARD,

A handwritten signature in dark ink, appearing to read "John T. Dickson", written in a cursive style.

Brantford, January 17, 1950

# HARDING CARPETS AND GUELPH YARNS CONSOLIDATED

| ASSETS   | October 31                |                           |
|--|---------------------------|---------------------------|
|  | 1949                      | 1948                      |
| CURRENT ASSETS:  |                           |                           |
| Cash on hand and in banks . . . . .  | \$ 7,737                  | \$ 114,709                |
| Dominion of Canada bonds, at cost (market value \$105,200) . . . . .   |                           | 108,950                   |
| Accounts receivable (less reserve for doubtful accounts: 1949—\$43,466;<br>1948—\$43,466) . . . . .  | 837,381                   | 742,258                   |
| Portion of excess profits tax refundable within one year . . . . .   | 2,716                     | 33,443                    |
| Inventories, valued at cost or market prices, whichever were lower—as<br>determined and certified to by responsible officials of the companies . . | 2,095,397                 | 2,646,490                 |
|  | <u>\$2,943,231</u>        | <u>3,645,850</u>          |
| INVESTMENTS AND OTHER ASSETS:  |                           |                           |
| Sundry investments, at cost, less amounts written off . . . . .  | \$ 22,353                 | \$ 22,575                 |
| Cash surrender value of life insurance policies . . . . .  | 73,541                    | 67,512                    |
| Portion of excess profits tax refundable after one year . . . . .  | 21,898                    | 24,675                    |
| Prepaid insurance, taxes and miscellaneous charges . . . . .   | 53,068                    | 51,688                    |
|  | <u>\$ 170,860</u>         | <u>\$ 166,450</u>         |
| FIXED ASSETS:  |                           |                           |
| Buildings, plant and equipment . . . . .   | \$3,400,448               | 3,023,954                 |
| Less—Reserve for depreciation . . . . .  | 2,021,359                 | 1,809,807                 |
|  | <u>1,379,089</u>          | <u>1,214,147</u>          |
| Land . . . . .   | 48,675                    | 48,825                    |
|  | <u>\$1,427,764</u>        | <u>\$1,262,972</u>        |
|  | <u><u>\$4,541,855</u></u> | <u><u>\$5,075,272</u></u> |

NOTE: Land and buildings of Harding Carpets Limited carried at \$700,614 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 the company, comprising machinery and equipment carried at \$869,212, are valued on the basis of cost. The fixed assets of Guelph Yarns 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*.

# HARDING CARPETS LIMITED

## GUELPH YARNS LIMITED

### BALANCE SHEET

| LIABILITIES  | October 31         |                     |
|--|--------------------|---------------------|
|  | 1949               | 1948                |
| CURRENT LIABILITIES:                                   |                    |                     |
| Bank overdraft.....                                    | \$ 30,717          |                     |
| Accounts payable and accrued liabilities.....          | 551,544            | 1,051,788           |
| Accrued income taxes (estimated).....                  | 115,059            | 334,341             |
| Serial debentures maturing within one year.....        | 23,000             | 22,000              |
|  | <u>\$ 720,320</u>  | <u>\$ 1,408,129</u> |
| RESERVE AGAINST FUTURE DECLINE IN INVENTORY VALUES.... | \$ 753,050         | \$ 753,050          |
| FUNDED DEBT:   |                    |                     |
| Serial debentures of Guelph Yarns Limited—             |                    |                     |
| 3¼% due January 2, 1950-61.....                        | \$ 345,000         | \$ 367,000          |
| Less—Portion maturing within one year, included with   |                    |                     |
| current liabilities.....                               | 23,000             | 22,000              |
|  | <u>\$ 322,000</u>  | <u>\$ 345,000</u>   |
| CAPITAL STOCK AND SURPLUS:                             |                    |                     |
| Capital stock, no par value:                           |                    |                     |
| Authorized—300,000 shares                              |                    |                     |
| Issued and outstanding—231,204 shares.....             | \$1,069,542        | \$1,069,542         |
| Earned surplus, per statement attached.....            | 1,397,547          | 1,220,155           |
| Capital surplus—no change during the year.....         | 279,396            | 279,396             |
|  | <u>\$2,746,485</u> | <u>\$2,569,093</u>  |
|  | <u>\$4,541,855</u> | <u>\$5,075,272</u>  |

#### TO THE SHAREHOLDERS OF HARDING CARPETS LIMITED:

We have examined the consolidated balance sheet of Harding Carpets Limited and its subsidiary, Guelph Yarns Limited, as at October 31, 1949 and the related consolidated statements of profit and loss and earned surplus for the year ended on that date, and have obtained all the information and explanations which we required. Our examination included such tests of the accounting records and other supporting evidence and such other procedures as we considered appropriate in the circumstances. We did not examine the accounts of Guelph Yarns Limited but have been furnished with the accounts of that company for the year ended October 31, 1949 with appended report of the company's auditor and have consolidated these accounts with the accounts of Harding Carpets Limited.

All our requirements as auditors have been complied with and we report that, in our opinion, the accompanying consolidated balance sheet and related consolidated statements 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, 1949 and the results of their 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 Guelph Yarns Limited submitted by the auditor of that company.

PRICE, WATERHOUSE & CO.

Toronto, January 7, 1950

Auditors

# Consolidated Profit & Loss Statement

## HARDING CARPETS LIMITED

AND

## GUELPH YARNS LIMITED

### CONSOLIDATED PROFIT AND LOSS STATEMENT

|  | Year Ended<br>October 31 |                   |
|--|--------------------------|-------------------|
|  | 1949                     | 1948              |
| Profit from operations before deducting the following items..... | \$ 860,494               | \$1,266,640       |
| Interest on debentures.....                                      | \$ 11,333                | \$ 12,042         |
| Provision for depreciation.....                                  | 220,686                  | 128,120           |
| Provision for income taxes.....                                  | 243,000                  | 471,618           |
| Provision against future decline in inventory values.....        |                          | 250,000           |
|  | <u>\$ 475,019</u>        | <u>\$ 861,780</u> |
| <i>Balance of profit transferred to earned surplus.....</i>      | <u>\$ 385,475</u>        | <u>\$ 404,860</u> |

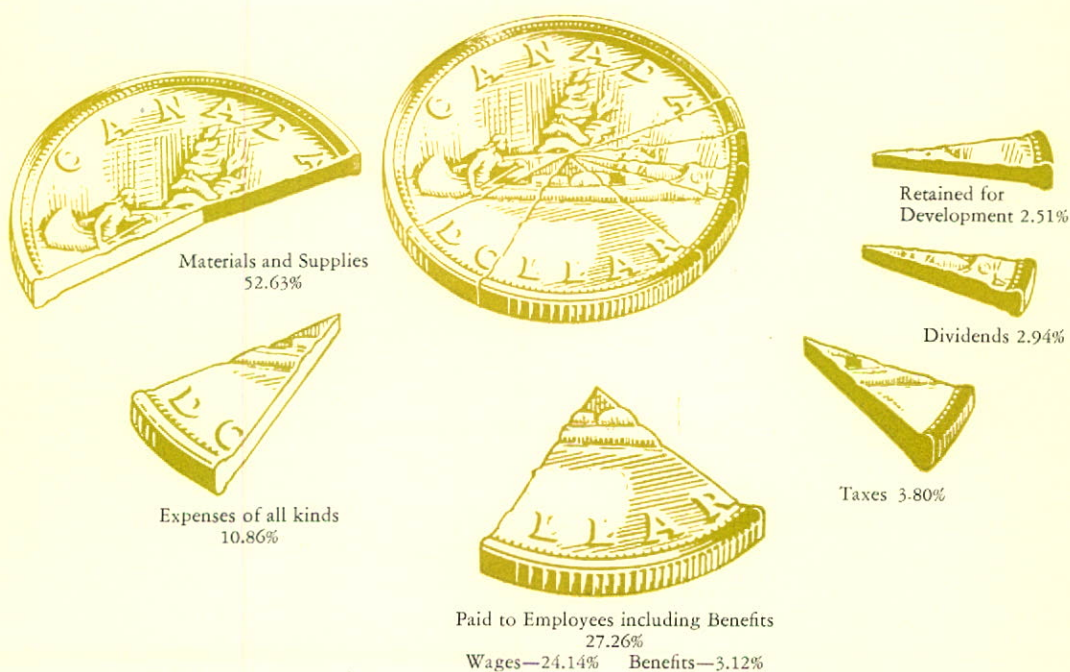
### CONSOLIDATED EARNED SURPLUS STATEMENT

|   | Year Ended<br>October 31 |                    |
|---|--------------------------|--------------------|
|   | 1949                     | 1948               |
| Consolidated earned surplus at beginning of year.....   | \$1,220,155              | \$1,000,258        |
| Balance of profit for year.....                         | 385,475                  | 404,860            |
|   | <u>\$1,605,630</u>       | <u>\$1,405,118</u> |
| <i>Deduct—Dividends paid during year:</i>               |                          |                    |
| (1949—90 cents per share; 1948—80 cents per share)..... | 208,083                  | 184,963            |
| <i>Consolidated earned surplus at end of year.....</i>  | <u>\$1,397,547</u>       | <u>\$1,220,155</u> |

# Financial Highlights

|  | 1949        | 1948        |
|--|-------------|-------------|
| Sales.....                                     | \$7,074,836 | \$6,728,973 |
| Wages and Salaries.....                        | 1,928,290   | 1,669,386   |
| Taxes—Dominion and Provincial.....             | 243,000     | 471,618     |
| Net Profit.....                                | 385,475     | 404,860     |
| Per Share.....                                 | 1.66        | 1.75        |
| Dividends Paid.....                            | 208,083     | 184,963     |
| Net Working Capital.....                       | 2,222,911   | 2,237,720   |
| Ratio of current assets to current liabilities | 4.1 to 1    | 2.6 to 1    |
| Capital Expenditures.....                      | 386,429     | 287,860     |

## DISTRIBUTION OF SALES DOLLAR



# The Growth of Harding Carpets

(as shown on a per-share basis)

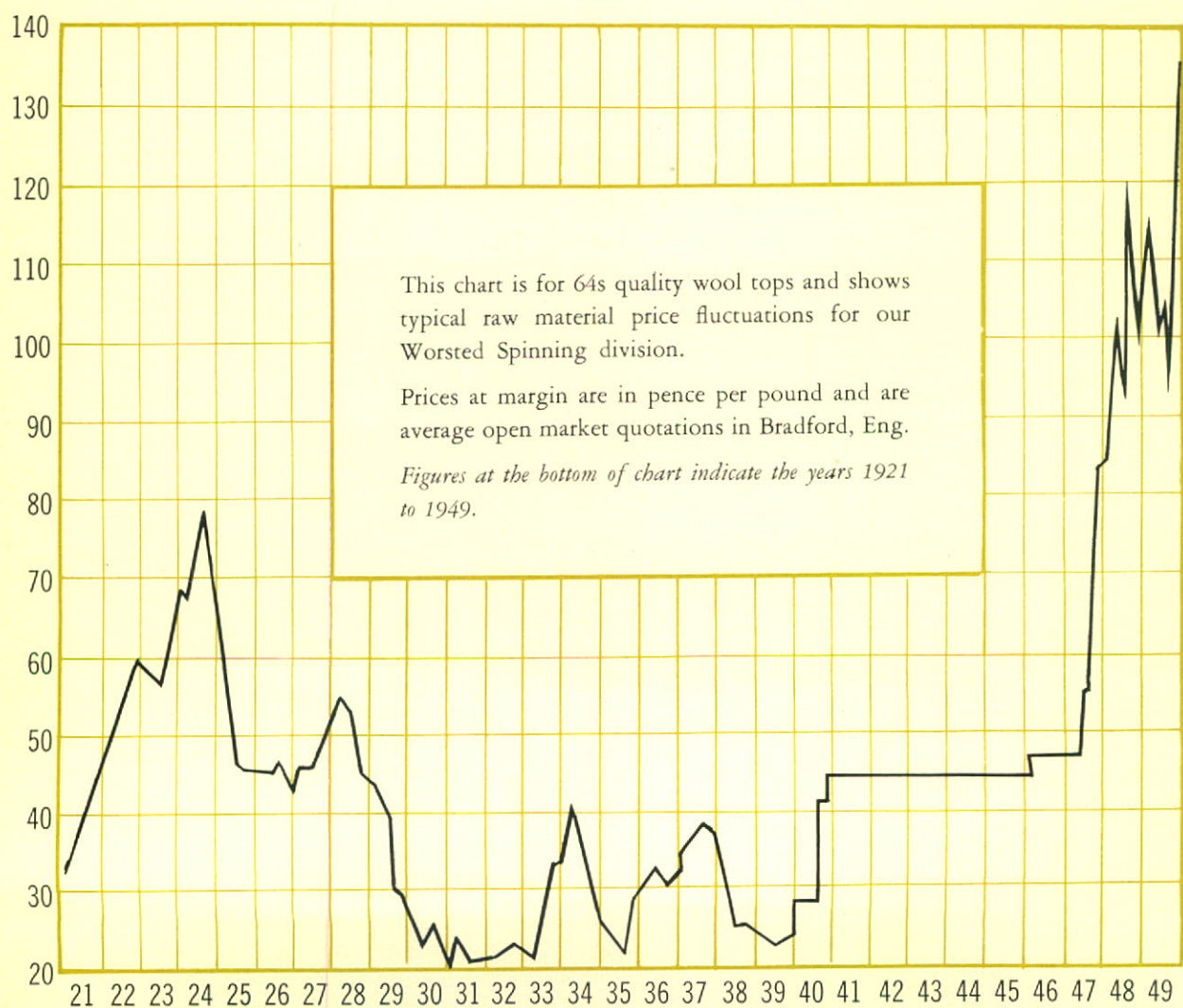
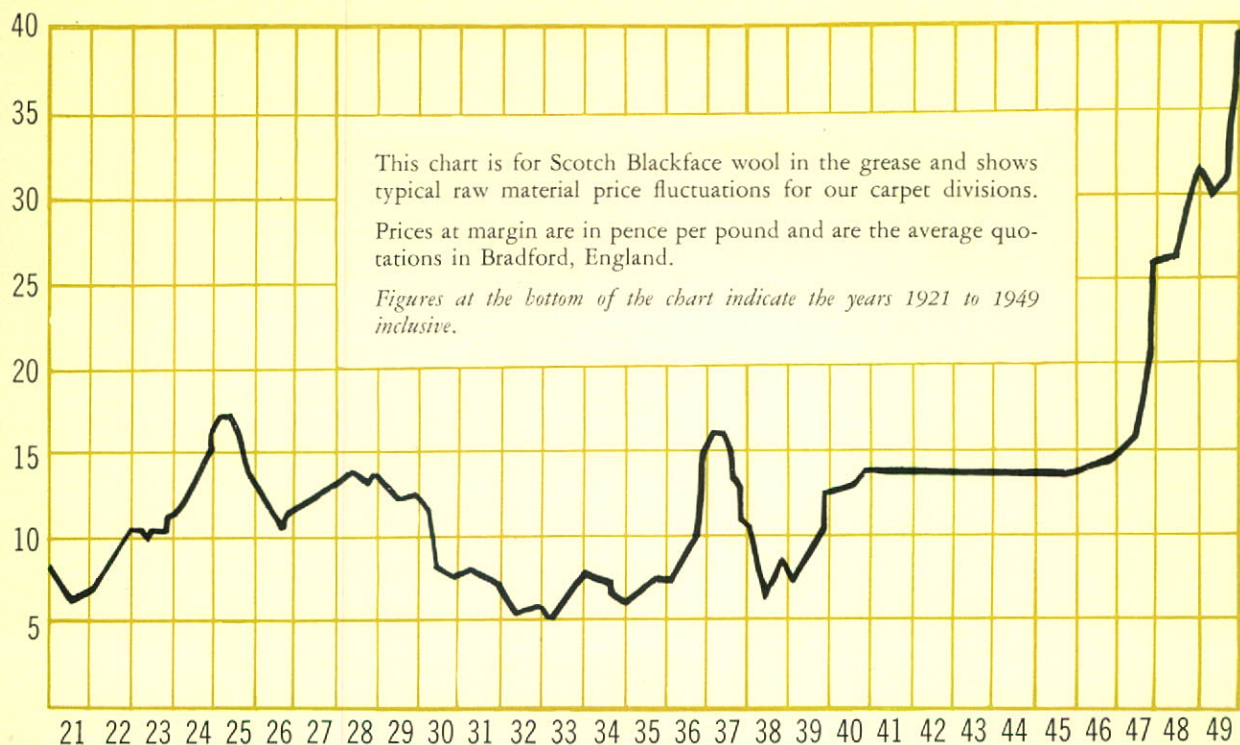
| FISCAL YEAR | WORKING CAPITAL | FIXED AND MISC. ASSETS<br>(less amount of Guelph debentures) | CAPITAL AND SURPLUS<br>(including inventory reserves) | EARNINGS |
|-------------|-----------------|--|---|----------|
| 1928        | \$ .65          | \$ 4.99  | \$ 5.64   | \$ .04   |
| 1929        | .79             | 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     |
| 1948        | 9.68            | 4.69   | 14.36   | 1.75     |
| 1949        | 9.61            | 5.52   | 15.14   | 1.66     |

\*In 1941 controlling interest of Guelph Yarns Limited was purchased and is shown in the above record under "Fixed and Misc. Assets".

In 1943 the balance of shares of Guelph Yarns 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.

\*\*Loss.



# Guelph YARNS

Our Worsted Spinning division in Guelph manufactures for two different types of trade — Hand Knitting Yarns and Machine Knitting Yarns.

## HAND KNITTING YARNS

Our finest quality Hand Knitting Yarns are sold in retail stores from coast to coast, under the brand-name "Guelph Yarns". These are plain and fancy yarns for every need . . . sweaters, socks and baby goods. They are notable for their wide range of fine, clear colours in fourteen different brands. Two of these outstanding yarns are Permanent CRIMP-SET NYLON, the finest and the first on the market; and UNSHRINKABLE KROY WOOL, which is reinforced with 10% Nylon.

## MACHINE KNITTING YARNS

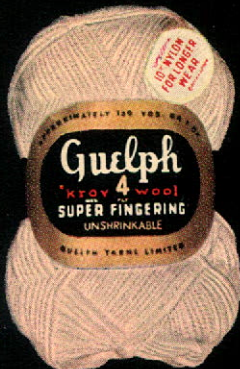
Our Machine Knitting Yarns are used throughout the Canadian Machine Knitting Trade for sweaters, knitted suits, socks, and ladies', men's and children's knitted wear generally. These Plain and Fancy Machine Knitting Yarns constitute the bulk of our production. Our knitting mill customers are mostly in Toronto and Montreal areas, but there are a few mills in Vancouver, Winnipeg, Calgary, and Stratford. This division is licensed to produce hand knitting and machine knitting yarns with Kroy unshrinkable process, and these yarns are finding great favour, particularly when blended with a small percentage of Nylon.



Guelph 3-ply Fingering, Regular



Guelph Sparklespun



Guelph 4-ply Super-Fingering Kroy



Guelph Unshrinkable Kroy Soaker Yarn



Guelph 4-ply Fingering, Regular



Guelph Kroy Unshrinkable Baby Yarn



Pioneer 3-ply Unshrinkable Kroy with 10% Nylon



Guelph Hi-Twist



Guelph 3-ply Super-Fingering Kroy



100% Nylon Permanent Crimp-Set

Pioneer 4-ply Unshrinkable Kroy with 10% Nylon



Guelph Baby Yarn, Regular



