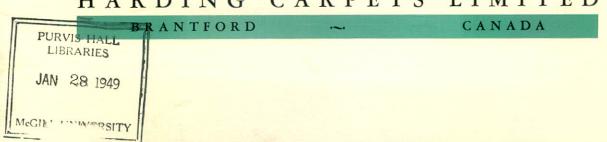


Twenty First

ANNUAL REPORT

for the Fiscal Year ending October 31, 1948

HARDING CARPETS LIMITED

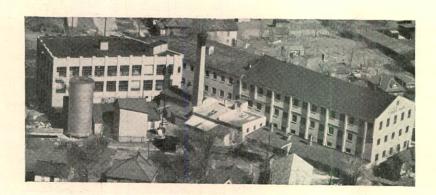




Head Office and Carpet Factory Brantford, Ontario

> CARPET FACTORY GUELPH, ONTARIO

Worsted Spinning Mill Guelph, Ontario



Harding Carpets

OFFICERS:	JOHN S. DICKSON President		
	C. Malim Harding, O.B.E. Executive Vice-President		
	CHAS. V. BANKS		
	HARRY QUARMBY		
	A. R. Wynn Secretary-Treasurer		
	,		
DIRECTORS:	CHAS. V. BANKS		
	C. GORDON COCKSHUTT Brantford, Ontario		
	ROLPH R. CORSON		
	EDWARD R. DEEKS		
	JOHN S. DICKSON		
	C. Malim Harding, O.B.E Brantford, Ontario		
	Hugh J. McLaughlin, K.C Toronto, Ontario		
	HARRY QUARMBYGuelph, Ontario		

Head Office:
BRANTFORD, ONTARIO

Stock Transfer Agent and Registrar
MONTREAL TRUST COMPANY
Toronto and Montreal



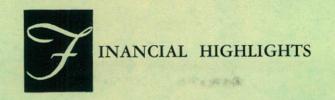
Employees of Harding Carpets at Brantford, Ontario



Employees of Carpet Division, Guelph, Ontario



Employees of Worsted Spinning Mill, Guelph, Ontario



	1947	1948
Sales	\$4,957,137	\$6,728,973
Wages and Salaries	1,249,867	1,669,386
Taxes—Dominion and Provincial	381,889	471,617
Net Profit	285,857	404,860
Per Share	1.23	1.75
Dividends Paid	150,282	184,963
Net Working Capital	1,933,965	2,237,720

DISTRIBUTION OF SALES DOLLAR





Expenses of all kinds 9.55%





Paid to employees, including benefits 24.81% (Wages-22.13% Benefits-2.68%)



Dividends 2.74%



Taxes 7.35%

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, 1948, together with the Auditors' report to the Shareholders.

OPERATIONS. The results of operations for the year ending October 31, 1948 were satisfactory and represent the best year of the company's history.

SALES. Consolidated sales were \$6,728,973., the highest dollar volume in the history of the two companies and represent an increase of 35% over the previous year.

EARNINGS. The net profit from operations was \$404,860., the equivalent of \$1.75 per share, representing an increase of \$119,003 over the previous year.

DIVIDENDS. During the fiscal year dividends to the amount of eighty cents per share were paid, twenty cents being paid each quarter. A dividend of twenty cents per share plus an extra ten cents per share was declared payable January 3, 1949.

INVENTORIES. During the year inventories increased by \$816,277 to a figure of \$2,646,490. The extent of this increase is due mainly to the very large increases in the price of raw wool, tops, jute and cotton, which have taken place during the last year and to a somewhat larger inventory. Owing to the disturbed international situation in general, and its influence on the supply of raw materials used by the companies, it is necessary to carry higher inventories than would normally be the case, in order to ensure continuous production. It is the company's policy, however, to follow the position closely with a view to keeping inventories as low as possible.

Your directors feel that due to these high inventory prices and the very uncertain wool market, the only sound policy would be to provide for a drop in inventory values, which it is felt will happen in the future. It has therefore been decided to adopt a policy of setting up inventory reserves to bring back prices of inventory and raw material commitments to those approximating October 31, 1946. With this in mind, an additional tax-paid reserve of \$250,000 has been set up to add to the \$503,050 set up in previous years, making a total inventory reserve of \$753,050 towards this objective. This is an entirely tax-paid reserve, taxes payable on the previous inventory reserve having been provided.

FINANCE. Working Capital as at October 31, 1948 was \$2,237,720., representing an increase of \$303,755 over the previous year.

EXPANSION. Our postwar program of plant improvement and expansion continued throughout the year. A total amount of \$287,860 was spent on capital equipment, covering among other things a large addition to the spinning plant in Brantford, a new boiler for the Guelph plant, and two new wide 12/4 carpet looms. This program will be continued throughout the current year when it is expected that approximately \$340,000 will be spent. These expenditures will result in greater efficiency, lower cost and a greater diversification of products to meet the keener competition, which we are now experiencing.

EMPLOYEES. The total employees in the two plants now number 885. This, contrasted with a total of 75 employees for whom employment was promised to the City of Brantford when the plant opened in 1927, shows the advance your company has made. Two wage increases have been granted during the year—one in February and one in June, and the total amount paid to employees exceeds substantially that of any previous year.

In addition to this, your employees enjoy the following benefits:—payment for eight statutory holidays, vacation with pay up to three weeks, contributory group insurance, medical attention by doctor and nurse. During the year a contributory pension plan was introduced in both companies, and approximately 81% of those eligible are participating in this plan.

ORGANIZATION. The name of the subsidiary, The Guelph Carpet & Worsted Spinning Mills Limited, was changed to Guelph Yarns Limited during the year. This change was very well received by the trade.

In addition, there have been certain executive changes. Mr. John S. Dickson, President of Harding Carpets Limited, has been elected President of Guelph Yarns Limited. Mr. C. M. Harding, General Manager of Harding Carpets Limited, has been appointed Executive Vice-President of both Harding Carpets Limited and Guelph Yarns Limited.

Mr. Harry Quarmby, formerly President and General Manager of Guelph Yarns Limited, has retired from these positions but is remaining with the company as Vice-President of Harding Carpets Limited and Guelph Yarns Limited. Mr. Quarmby has been active in the textile field for fifty-two years—first in England, and then with the Guelph Company in Canada with which he has been associated since 1915. Mr. Quarmby has contributed greatly to the textile trade in Canada and his record with the Guelph Company since he became General Manager in 1917 has been one of uninterrupted success. We are very pleased that Mr. Quarmby is remaining with the company as Vice-President in order that we may continue to receive the benefit of his invaluable advice.

Mr. Charles V. Banks becomes Vice-President of Harding Carpets Limited and Guelph Yarns Limited. Mr. Banks' knowledge of the carpet trade in Canada and the United States, and in the United Kingdom, with particular reference to the selling and styling of carpets, has been one of the big factors contributing to the success of your Company. This change, made at his request, will allow him more time to devote to this most important phase of the carpet business.

Mr. Douglas Keefe, formerly Assistant General Manager of Guelph Yarns Limited and who has been with the firm for twenty-two years, has been appointed Vice-President of Guelph Yarns Limited, mainly in charge of Worsted Spinning.

ADVERTISING. National advertising for the Carpet division commenced during this year and will be continued. The advertisement presently appearing in national magazines is shown on the back cover of this report.

OUTLOOK. The outlook for sales in both carpet and worsted yarns still appears to be good. In the carpet division more intensive competition is being felt from imported merchandise, chiefly from the United Kingdom. Although exact figures are not available, it is felt that imports now almost equal the total Canadian production, compared to prewar years when on the average they represented only 15% of Canadian production. Further, although one price increase has been put into effect this year, due in the main to the high cost of raw materials and higher wages, it is felt that a very careful policy must be adopted in the future, as further increases may result in consumer resistance. If wages and raw materials continue to advance the result will be a lower net return

In the Yarn division, the outlook too appears to be good, although the main difficulty to be overcome will be consumer resistance to the high price of yarn necessitated in the main by the exceedingly high price to which the fine worsted tops have risen.

While it is expected that your company for the current year will show an increase in production and sales of both worsted yarn and carpets, it is expected that the margin of profit as explained above will be somewhat reduced.

APPRECIATION. The management of your company believes that a business to be successful must perform useful service in three ways-first, provide to its customers goods properly styled and priced, and therefore readily marketable by them. Secondly, to offer to its employees the utmost security possible in terms of employment and that employment to be with good wages and under the best possible working conditions. And thirdly, to yield a reasonable return to its shareholders over a period of years. To all these three-customers, employees, shareholders-your directors express sincere appreciation for their co-operation and support throughout the year.

ON BEHALF OF THE BOARD.

Johns dickson

HARDING CAR GUELPH YA

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:	
Cash on hand and in banks\$ 114,708.94	
Dominion of Canada bonds, at cost (market value \$105,200.00) 108,950.00	
Accounts receivable (less reserve of \$43,465.62 for doubtful accounts) 742,257.70	
Portion of excess profits tax refundable within one year	
Inventories, valued at cost or market prices, whichever were lower—	
as determined and certified to by responsible officials of the companies	
Companies	\$3,645,849.41
INVESTMENTS AND OTHER ASSETS:	
Sundry investments, at cost, less amounts written off\$ 22,575.00	
Cash surrender value of life insurance policies	
Portion of excess profits tax refundable after one year	
Prepaid insurance, taxes and miscellaneous charges	166 450 31
	166,450.31
FIXED ASSETS:	
Land\$ 48,825.30	
Buildings, plant and equipment\$3,023,954.50	
Less—Reserve for depreciation	1 262 072 54
	1,262,972.54
	\$5,075,272.26

NOTE: Land and buildings of Harding Carpets Limited carried at \$655,156.13 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 \$829,589.72, 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*.

RPETS LIMITED RNS LIMITED

OCTOBER 31, 1948

LIABILITIES

Accounts payable and accrued liabilities	CURRENT LIABILITIES:	
Serial Debentures maturing within one year	Accounts payable and accrued liabilities\$1,051,787.83	
RESERVE AGAINST FUTURE DECLINE IN INVENTORY VALUES. FUNDED DEBT: Serial debentures of Guelph Yarns Limited—3¼% due January 2, 1949-1961. Less—Portion maturing within one year, included with current liabilities. 22,000.00 CAPITAL STOCK AND SURPLUS: Capital stock, no par value— Authorized—300,000 shares Issued and outstanding—231,204 shares. Earned surplus, per statement attached. Capital surplus—excess of book value of net assets of Guelph Yarns Limited at date of acquisition over cost of shares of that company 279,395.61 2,569,093.13		
RESERVE AGAINST FUTURE DECLINE IN INVENTORY VALUES	Serial Debentures maturing within one year	\$1 408 120 08
FUNDED DEBT: Serial debentures of Guelph Yarns Limited—3¼% due January 2, 1949-1961\$ 367,000.00 Less—Portion maturing within one year, included with current liabilities		\$1,400,129.00
Serial debentures of Guelph Yarns Limited—31/4% due January 2, 1949-1961	RESERVE AGAINST FUTURE DECLINE IN INVENTORY VALUES	. 753,050.05
Serial debentures of Guelph Yarns Limited—31/4% due January 2, 1949-1961		
1949-1961	FUNDED DEBT:	
Less—Portion maturing within one year, included with current liabilities		
CAPITAL STOCK AND SURPLUS: Capital stock, no par value— Authorized—300,000 shares Issued and outstanding—231,204 shares\$1,069,542.36 Earned surplus, per statement attached\$1,220,155.16 Capital surplus—excess of book value of net assets of Guelph Yarns Limited at date of acquisition over cost of shares of that company 279,395.61 2,569,093.13		
CAPITAL STOCK AND SURPLUS: Capital stock, no par value— Authorized—300,000 shares Issued and outstanding—231,204 shares	liabilities	
Capital stock, no par value— Authorized—300,000 shares Issued and outstanding—231,204 shares		345,000.00
Authorized—300,000 shares Issued and outstanding—231,204 shares	CAPITAL STOCK AND SURPLUS:	
Issued and outstanding—231,204 shares\$1,069,542.36 Earned surplus, per statement attached		
Earned surplus, per statement attached		
Capital surplus—excess of book value of net assets of Guelph Yarns Limited at date of acquisition over cost of shares of that company 279,395.61 2,569,093.13		
Limited at date of acquisition over cost of shares of that company 279,395.61 2,569,093.13		
	Limited at date of acquisition over cost of shares of that company 279,395.61	2 5/2 202 12
\$5,075,272.26		2,569,093.13
		\$5,075,272.26

Auditors' Report 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, 1948 and the related consolidated statements of profit and loss and earned surplus for the year then ended. In connection therewith we made such tests of the accounting records of Harding Carpets Limited and carried out such other auditing procedures as we considered necessary 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, 1948 with the appended report of the company's auditor and we 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 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, 1948 and of 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.

Toronto, December 23, 1948

PRICE, WATERHOUSE & CO., Chartered Accountants.

HARDING CARPETS LIMITED AND GUELPH YARNS LIMITED

CONSOLIDATED PROFIT AND LOSS STATEMENT YEAR ENDED OCTOBER 31, 1948

Profit from operations before deducting the following items		\$1,266,640.63
Interest on debentures\$	12,042.53	
Provision for depreciation	128,120.22	
Provision for taxes on income.	471,617.56	
Provision against future decline in inventory values	250,000.00	861,780.31
Balance of profit transferred to earned surplus		\$ 404,860.32

CONSOLIDATED EARNED SURPLUS STATEMENT YEAR ENDED OCTOBER 31, 1948

Consolidated earned surplus November 1, 1947	.\$1,000,258.04
Balance of profit for year ended October 31, 1948.	. 404,860.32
	\$1,405,118.36
Deduct: Dividends paid during year (80 cents per share)	. 184,963.20
Consolidated earned surplus October 31, 1948	.\$1,220,155.16



HE GROWTH OF HARDING CARPETS LIMITED

(as shown on a per-share basis)

FISCAL 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
1948	9.68	4.69	14.36	1.75

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

**Loss.

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.

Carpets and Rugs are manufactured both in our plant at Brantford, Ontario and in Guelph, Ontario. We manufacture a very large comprehensive range of all qualities and widths for use in homes, hotels, railway cars, clubs, churches, theatres, and the automobile trade in the Dominion of Canada. This carpet is sold through the regular retail and wholesale trade.

Our qualities range from the medium priced spool Axminsters to heavy Wool Saxonies for all of the above usage. We manufacture Spool Axminster, Gripper Axminster, Jacquard Wilton, Plain Velvet Carpets, and Automobile Carpet. These are woven in widths from 27" wide to 12' wide seamless and in all types of patterns. Broadlooms in the new Embossed qualities, Carved qualities, and Plains in the Hard Twist and Soft Twist yarns are also made.

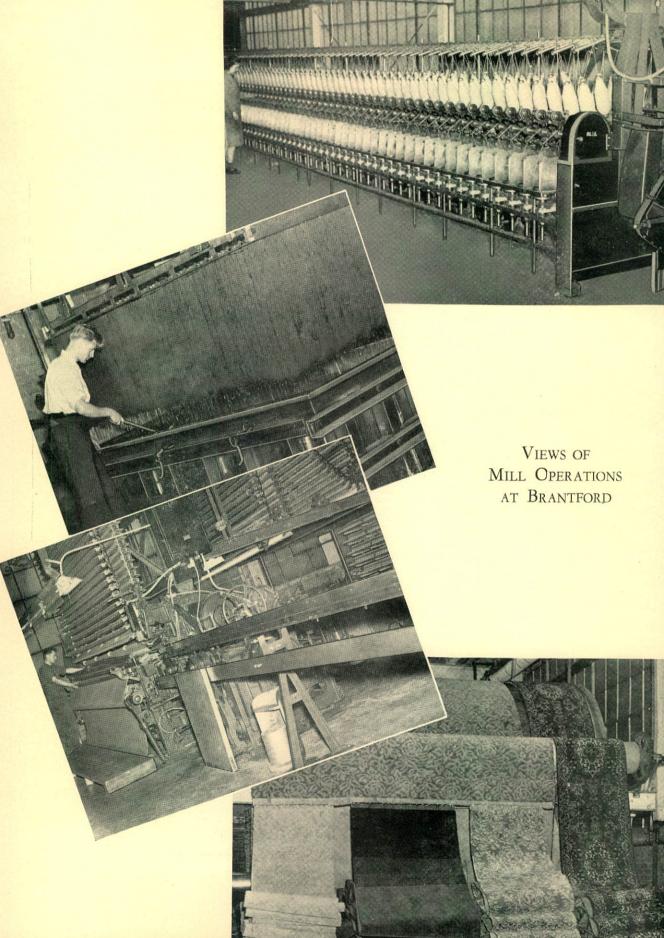
Many of our qualities are household words today, such as our Sherbrooke Seamless Axminster, a patterned Spool Axminster rug; Silhouette Saxony, a Carved Plain Wilton; Brantcraft Saxony, a Carved tone-on-tone Wilton; and Faristan, a patterned Worsted Wilton made in oriental design.

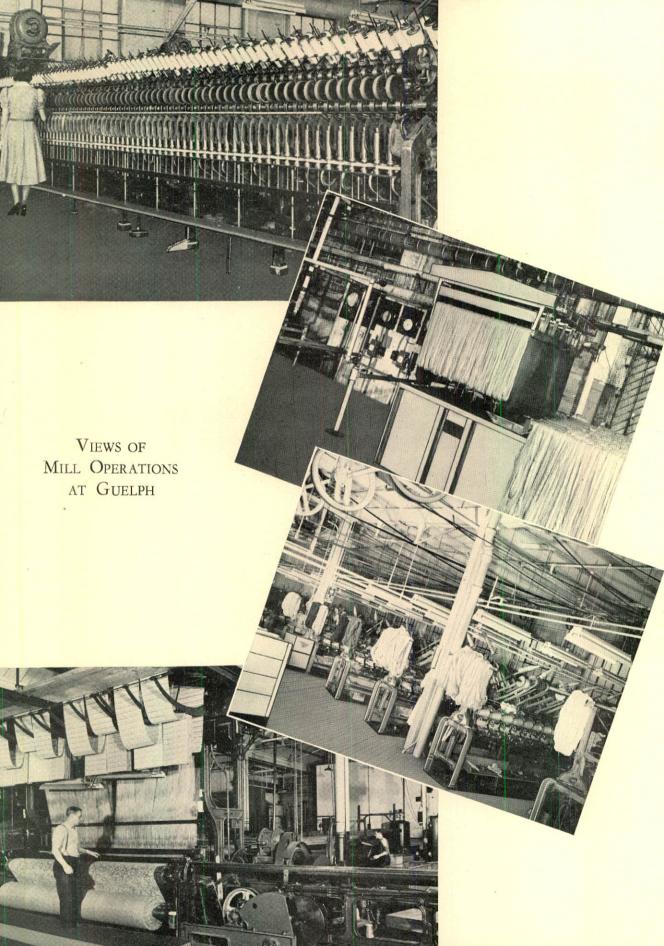
Today the trend is towards carpet replacing hardwood floors, and the home of today and tomorrow is being close covered with wall-to-wall carpet.

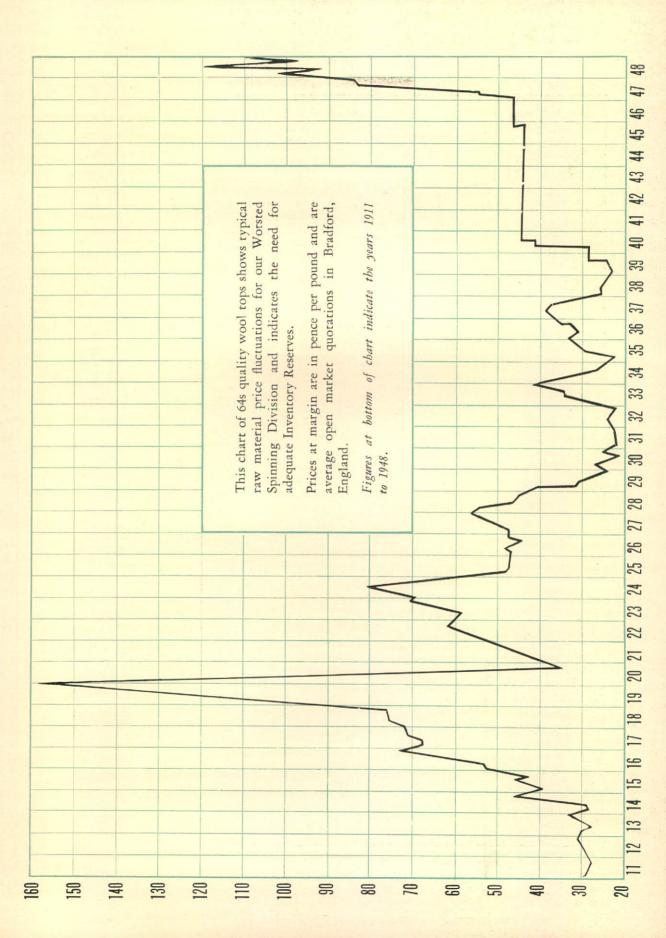
The demand for Canadian carpets, and Harding Carpets in particular, is still greater than production, and this fact augurs well for the future.

Our Worsted Spinning division in Guelph manufactures for two different types of trade. One is plain and fancy handknitting yarn, sold from coast to coast in Canada in retail stores under the name "Guelph Yarns". The larger bulk of our production, however, is in Plain and Fancy machine knitting yarns, which are sold wherever the machine knitting trade is to be found in Canada. There are a few knitting mills in Vancouver, Winnipeg, Calgary, Stratford, but most of them are in the Toronto and Montreal areas.

This division is licensed to produce hand knitting and machine knitting yarns with Kroy unshrinkable process and these yarns are finding great favor, particularly when blended with a small percentage of nylon.









Color Hammy begins with your floors ... and what lovelier foundation for decorating schemes than the beautiful Harding Carpets!

Look for the Harding Label

"Carvecraft" Broadloom



HARDING CARPETS LIMITED, BRANTFORD AND GUELPH, CANADA