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THE
CALEDON

MOUNTAIN ESTATES
LIMITED

ANNUAL REPORT
1971



THE CALEDON MOUNTAIN ESTATES LIMITED
(as of March 31, 1972)

DIRECTORS	E. H. AINLAY	-	-	-	-	-	-	-	Toronto, Ontario
	D. R. DATTELS	-	-	-	-	-	-	-	Caledon, Ontario
	D. N. KENDALL	-	-	-	-	-	-	-	Caledon, Ontario
	W. A. MACKENZIE	-	-	-	-	-	-	-	Terra Cotta, Ontario
	O. K. ROSS	-	-	-	-	-	-	-	Erin, Ontario
	F. C. WALLACE	-	-	-	-	-	-	-	Glen Williams, Ontario
	B. E. WILLOUGHBY	-	-	-	-	-	-	-	Toronto, Ontario

OFFICERS	D. N. KENDALL	-	-	-	-	-	-	-	Chairman of the Board
	D. R. DATTELS	-	-	-	-	-	-	-	President
	E. H. AINLAY	-	-	-	-	-	-	-	Vice-President
	W. A. MACKENZIE	-	-	-	-	-	-	-	Secretary
	O. K. ROSS	-	-	-	-	-	-	-	Treasurer

HEAD OFFICE 1105, 21 King Street East, Toronto 210, Ontario

**TRANSFER AGENT
AND REGISTRAR** National Trust Company, Limited

AUDITORS Price Waterhouse & Co., Toronto, Ontario

SOLICITORS Holden, Murdoch, Walton, Finlay, Robinson,
Toronto, Ontario

AUDITORS' REPORT

To the Shareholders of

THE CALEDON MOUNTAIN ESTATES LIMITED:

We have examined the balance sheet of The Caledon Mountain Estates Limited as at December 31, 1971 and the statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants.

February 7, 1972.

THE CALEDON MOUNTAIN ESTATES LIMITED

PRESIDENT'S REPORT

While the Company was not able to increase the level of activity in the sale of small estates in the Caledon area, the results for the year ending December 31, 1971 were satisfactory. The net income for the fiscal year was \$138,354 or \$.37 per share compared with \$60,772 or \$.16 per share the previous year.

During 1971, the Company purchased for cancellation in the open market \$138,500 principal amount of the 7½% debentures issued by the Company. In the first quarter of 1972, a further \$81,000 in debentures were purchased and cancelled by the Company leaving \$885,500 of debentures outstanding from our original issue of \$1,312,500.

Your Company continued its policy of maintaining its liquidity throughout the year and had cash and high grade marketable securities in excess of \$800,000 at December 31, 1971.

Following the sale of 516 acres the Company owned at the end of the year approximately 2,135 acres of land in Caledon Township. As attractive opportunities present themselves, we will rebuild our land bank. Currently, we have two Plans of Subdivision which are being actively considered by the various Township and Government departments, covering approximately 235 acres and having a potential of 51 lots for small estates. The development of these projects is awaiting Township and Government approvals.

There is a significant interest among prospective buyers for choice estate properties in the Caledon area. The outlook, therefore, of your Company's valuable land holdings continues to be favourable. However, it must be remembered we are dependent to some extent on early provincial and municipal approvals for subdivision developments. It is hoped that with the necessary sanctions we can achieve the original intention to subdivide attractive land under approved plans into small estates on which would be built high-grade housing.

It is with profound regret that we report the death of one of our founding directors, Senator H. A. Willis. He was born in Caledon and always wanted to see the area developed under optimum land use in keeping with the beauty of the area.

At the beginning of 1972, D. R. Dattels was appointed president of the Company. It has been decided by your directors to recommend a reduction in the size of the Board and a By-law to effect this is being submitted for your approval.

An unaudited Statement of Income and Retained Earnings of the Company for the three months ended March 31, 1972 is enclosed herewith. Two properties consisting of 66.67 acres were sold by the Company in 1972 for \$125,000 resulting in a profit before income taxes of \$47,876.

On Behalf of the Board,

D. R. DATTELS,
President.

THE CALEDON MOUNTAIN ESTATES LIMITED

BALANCE SHEET

ASSETS

	December 31	
	1971	1970
Cash, including time deposits of \$395,000 (1970 — \$405,000)	\$ 406,900	\$ 431,592
Marketable securities, at cost (market — \$410,500)	410,000	—
Accounts receivable:		
From sale of land, including accrued interest	2,200	13,025
Other receivables	21,038	922
	<u>23,238</u>	<u>13,947</u>
Prepaid expenses	—	648
First mortgages receivable, including accrued interest	39,939	48,632
Properties, at cost:		
Acquisition cost	1,619,592	2,031,050
Development costs	95,285	90,356
Carrying charges	192,830	156,109
	<u>1,907,707</u>	<u>2,277,515</u>
Fixed assets, at cost less accumulated depreciation of \$2,695 (1970 — \$1,631)	2,605	3,433
Unamortized debenture discount and financing expense	105,071	121,273
	<u>\$2,895,460</u>	<u>\$2,897,040</u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 44,767	\$ 55,775
Deposit on sale options	—	4,510
Income taxes payable	33,610	—
Mortgages payable	—	96,827
Deferred income taxes	85,543	8,242
7½% unsecured convertible sinking fund debentures due April 1, 1989 (Note 1)	966,500	1,105,000
	<u>1,130,420</u>	<u>1,270,354</u>
Capital stock:		
Authorized (Note 2) — 1,000,000 shares without par value		
Issued and fully paid — 377,060 shares	1,511,228	1,511,228
Contributed surplus	730	730
Retained earnings	253,082	114,728
	<u>1,765,040</u>	<u>1,626,686</u>
	<u>\$2,895,460</u>	<u>\$2,897,040</u>

Approved on behalf of the Board:

D. N. KENDALL, *Director*

D. R. DATTELS, *Director*

THE CALEDON MOUNTAIN ESTATES LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

	Year ended December 31	
	1971	1970
Sale of property	\$ 733,700	\$ 178,780
Cost of sales	462,273	147,457
Gross profit on sale of property	271,427	31,323
Income from mortgages and investments	42,556	47,111
Profit on redemption of debentures, net of unamortized discount of \$10,111 (1970 — \$15,978)	13,799	45,400
Sundry income	4,150	17,029
	331,932	140,863
Expenses:		
Administrative, including remuneration of directors and a senior officer of \$15,750 (1970 — \$15,000)	50,785	48,787
Financial —		
Interest expense —		
Interest on debentures (Note 1)	23,154	17,863
Amortization of debenture discount and financing expense	6,090	6,645
	29,244	24,508
Bank and other interest charges	684	109
Ontario capital tax	2,465	2,387
	83,178	75,791
Income before income taxes	248,754	65,072
Provision for income taxes:		
Current	34,500	—
Deferred	75,900	4,300
	110,400	4,300
Income for the year (Note 3)	138,354	60,772
Retained earnings at beginning of year	114,728	53,956
Retained earnings at end of year	\$ 253,082	\$ 114,728

THE CALEDON MOUNTAIN ESTATES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended December 31	
	1971	1970
Source of funds:		
Income for the year	\$ 138,354	\$ 60,772
Add: Expenses not involving an outlay of funds —		
Cost of property sold	435,380	144,714
Reduction of debenture discount and financing expense	16,202	22,622
Depreciation expense	1,063	1,447
Write-off of organization expenses	—	1,527
	<u>452,645</u>	<u>170,310</u>
	590,999	231,082
Increase in deferred income taxes	77,301	4,300
Reduction in mortgages receivable	8,693	—
	<u>676,993</u>	<u>235,382</u>
Application of funds:		
Increase in mortgages receivable	—	16,588
Increase in carrying and development costs	65,572	110,041
Reduction of mortgages payable	96,827	2,100
Par value of debentures purchased	138,500	207,500
Purchase of fixed assets	235	—
	<u>301,134</u>	<u>336,229</u>
Increase (decrease) in funds for the year	375,859	(100,847)
Funds at beginning of year	385,902	486,749
Funds at end of year	<u>\$ 761,761</u>	<u>\$ 385,902</u>
Represented by:		
Cash, marketable securities, accounts receivable and prepaid expenses	\$ 840,138	\$ 446,187
Less: Accounts payable and accrued liabilities, deposits on sale options and income taxes payable	78,377	60,285
	<u>\$ 761,761</u>	<u>\$ 385,902</u>

THE CALEDON MOUNTAIN ESTATES LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1971

1. The 7½% unsecured convertible sinking fund debentures have been issued pursuant to the provisions of a trust indenture dated April 1, 1969 between the Company and National Trust Company, Limited as trustee and are limited to \$1,500,000 principal amount.

The debentures are convertible, at the option of the holder, into shares of the Company up to March 29, 1979 on the basis of one share for each \$6.00 principal amount of debenture so converted.

The Company is required to make sinking fund payments sufficient to retire on April 1 in each of the years 1979 to 1988 inclusive, 7.5% of the aggregate principal amount of the convertible debentures outstanding on January 1, 1979; the convertible debentures are not redeemable by call by the Company prior to April 1, 1979.

During 1971 the Company purchased for cancellation \$138,500 principal amount of debentures at an aggregate cost of \$114,590.

The Company follows the practice of capitalizing a portion of debenture interest expense in property carrying charges in the proportion that funds are invested in properties. In this connection debenture interest of \$54,807 was capitalized in 1971.

2. Common shares have been reserved at December 31, 1971 as follows:

For exercise of share purchase warrants held by directors at \$5.40 per share on or before May 31, 1974	73,000
For conversion of 7½% unsecured convertible sinking fund debentures on or before March 29, 1979	161,077
Common shares reserved	<u>234,077</u>

3. The income per share for the year ended December 31, 1971 was \$.37 per share. Assuming the exercise of all conversion rights under the outstanding convertible debentures and the exercise of all share purchase warrants at the beginning of the year and the proceeds of \$394,200 being invested in marketable securities and the debenture interest costs being appropriately reduced, income per share would have been \$.27 per share.

