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The Great West Saddlery Company Limited

a n n u a l  
r e p o r t

FOR  
THE  
YEAR  
ENDED  
31st  
JANUARY  
1962



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**GWS**

**THE GREAT WEST SADDLERY  
COMPANY LIMITED**

**DIRECTORS**

B. H. BRECKENRIDGE - - - - - Georgetown  
P. F. BOYLEN - - - - - Toronto  
D. R. CLEVELAND - - - - - Toronto  
A. T. HOLLAND - - - - - Toronto  
W. G. POOLMAN - - - - - Toronto

**OFFICERS**

D. R. CLEVELAND - - *Chairman of the Board*  
A. T. HOLLAND - - - - - *President*  
D. C. BRADLEY - - - - - *Secretary*

**TRANSFER AGENTS**

CANADA PERMANENT TORONTO GENERAL TRUSTS  
CORPORATION

**HEAD OFFICE**

278 Davenport Road, Toronto 5, Ontario

# GWS

## Report to the Shareholders of The Great West Saddlery Company Limited

The 93rd year of The Great West Saddlery Company Limited which ended on the 31st of January 1962, was a period of consolidation and retrenchment. It was a time needed by the Company to face its many critical problems and prepare for the resumption of its growth.

As reported in the 1961 Annual Report, the Company disposed of the balance of its merchandising interests in June 1961, and purchased the Richardson Construction Company Limited in August. Towards the end of September there was a complete change in the management and direction of the Company.

The new management was faced with the immediate task of cutting the administrative costs of the parent company, stemming certain losses, restoring credit in the operating subsidiaries and protecting the Company's assets by defending a number of actions in the courts.

Concurrent with the responsibility of protecting existing assets was that of acquiring earning assets.

### **BRANDON PACKERS LIMITED**

The Great West Saddlery Company Limited owns 94% of the common shares of Brandon Packers Limited. Less than 3% of the outstanding shares could be considered unfriendly to the Company. Notwithstanding this, in early December a petition to wind up the Company which had been brought approximately a year earlier by Mr. G. R. Rowe, a minority shareholder, was heard and after a very short hearing allowed.

Three days following the liquidation order, the provisional liquidator was granted authority by the Court to file a voluntary assignment in bankruptcy on behalf of the Company, although the Company management vigorously protested that the Company was not insolvent. The liquidator who had now become a Trustee in bankruptcy did not pay the interest on the outstanding bonds and as a consequence the bondholders obtained a court order appointing a Receiver Manager who took possession of all the assets of the Company. In the same judgment the court also authorized the bondholders' Trustee to institute suit against The Great West Saddlery Company for the repayment of allegedly improper management fees.

The Court orders with respect to the winding up and the bankruptcy decisions were appealed to the Manitoba Court of Appeal. The appeal was dismissed by a two to one vote, the Chief Justice of Manitoba giving a strong dissenting judgment in favour of the Company.

During the period that the above was taking place your Management devoted a major portion of its time towards reaching an amicable settlement of the differences. A number of approaches was made to representatives of the bondholders and other interested parties in an attempt to bring the Brandon Plant back into operation in the shortest possible time through co-operative activity. The proposals of The Great West Saddlery Company Limited included recognition and guarantee of the bonds at full face value and immediate payment of interest due on the bonds. All attempts, however, were rebuffed. Eventually, a court order was obtained approving the sale of the Brandon assets for \$180,000.00; the proceeds after deduction of very substantial expenses, of approximately \$60,000.00, were to be distributed to the bondholders whose face value of bonds is \$344,000.00.

The Company appealed the court order approving the sale to the Manitoba Court of Appeal and was once more unsuccessful. The Company is using all possible procedures to appeal to The Supreme Court of Canada the orders respecting the liquidation, the bankruptcy and the sale of the assets and it is expected our appeal will be heard in the fall of this year.

In the face of the litigation and the difficulties which have beset Brandon Packers following the winding up order, it has been felt prudent to show the investment in this Company at \$1.00. This in no way represents the value of Brandon Packers as a going concern.

In connection with the Brandon dispute, an action has been taken by Mr. Christopher Flintoft for the recovery of management fees paid by Brandon Packers Limited to The Great

West Saddlery Company. Mr. Flintoft was the provisional liquidator appointed at the time of the winding up order and was subsequently the trustee appointed under the voluntary assignment in bankruptcy.

Your management feels that the Company's case and the Company's cause is sufficiently strong that no provision has been made in the accounts of the Company for other than the costs attendant on fighting a number of law suits. It should be pointed out that the contingent liability of The Great West Saddlery Company could amount to as much as \$250,000.00.

#### **GEO. H. HEES COMPANY LIMITED**

The Geo. H. Hees Company, 52% of the common stock of which is held by The Great West Saddlery Company, suffered a substantial operating loss for its fiscal year ended June 30 1961.

Drastic economies have been made in the overhead and operating costs of this Company; unprofitable lines have been dropped and efforts are continuing to find new and profitable activities. Negotiations were successfully carried through with both the first and general mortgage bondholders which allowed the Company some alleviation in the servicing of its bonded debt. In June of 1961, in order to protect its investment in the Hees Company, Great West Saddlery guaranteed the Hees bank loan to the extent of \$250,000.00 and since June of 1961 supports this guarantee with a cash collateral deposit of approximately \$230,000.00. Over the months, your Company and its principal officers personally have provided additional support and guarantees for Hees.

The corrective measures were not timely enough to prevent a loss in Hees for the year ended 30th of June 1962, although preliminary figures indicate that it is very much smaller than the losses suffered in the previous two years. Current operating figures give Hees management cause for optimism for the year 1962/63.

#### **RICHARDSON CONSTRUCTION COMPANY LIMITED**

Richardson Construction Company Limited continues to hold a major position in the pile driving field in Southern Ontario and enjoyed a profitable year during the 12 months period ended December 31, 1961. Since The Great West Saddlery Company and Richardson Construction Company were associated for only 4 months during 1961, it was felt inadvisable to consolidate operations of the two companies.

Management is studying opportunities to expand Richardson Construction Company into new fields of construction activity.

#### **THE GOLDSMITHS' COMPANY OF CANADA LIMITED**

This Company was inoperative during the whole year. It is the intention to reactivate this Company, which is one of the oldest in Canada, in the future.

#### **GENERAL**

Subsequent to the January 31st 1962 year end, your Company has obtained loans totalling \$315,000.00 against a pledge of its assets. The proceeds were used to retire other short term loans and Company indebtedness and for general corporate purposes. The improving position of the Geo. H. Hees Company should allow the release of some or all of the funds tied up in securing that Company's credit during the coming year and these funds could then be used to retire part of the outstanding loans.

The policy of the Company is to grow and expand by the acquisition of earning assets and the development of other assets. A pre-requisite to such expansion is the restoration of investor confidence in the company, its management and its potential.

The economies that have been made in the operation of the parent company and the reorganization of the subsidiaries should justify the restoration of such confidence in The Great West Saddlery Company and will allow us to pursue our expansionist programme.

Submitted on behalf of The Board of Directors,

A. T. HOLLAND,  
President.

D. R. CLEVELAND,  
Chairman of the Board.



# ERY COMPANY LIMITED

(In accordance with the laws of Canada)

31st JANUARY 1962

## LIABILITIES

### CURRENT

|   |                   |
|---|-------------------|
| Loan payable (secured) .....  | \$ 90,008         |
| Accounts payable and accrued charges .....                                    | 122,840           |
| Long-term debt instalments due within one year .....                          | 50,833            |
| Due to directors .....  | 54,738            |
| Due to subsidiary company —<br>Richardson Construction Company, Limited ..... | 123,152           |
| Notes payable .....   | 9,114             |
| <b>TOTAL CURRENT LIABILITIES .....</b>  | <b>\$ 450,685</b> |
| <b>LONG-TERM DEBT .....</b>   | <b>49,375</b>     |

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK

|  |             |         |
|--|-------------|---------|
| Common Shares without nominal or par value<br>1,000,000 shares authorized<br>515,785 shares issued and outstanding ..... | \$1,621,336 |         |
| DEFICIT .....  | 978,767     |         |
|  | <hr/>       |         |
| RESERVE FOR CONTINGENCIES .....  | \$ 642,569  | 732,569 |
|  | 90,000      |         |
|  | <hr/>       |         |

Approved on behalf of the Board:

A. T. HOLLAND, Director.

D. R. CLEVELAND, Director.

The accompanying notes are an integral part of the above Balance Sheet.

\$1,232,629

## REPORT

Limited as at 31st January 1962, and the Statements of Profit and Loss, Deficit and have obtained all the information and explanations we have required. Our opinion as we considered necessary in the circumstances. In our opinion and accordance with the books of the Company, the accompanying Balance Sheet and Statements of Profit and Loss, Deficit and the results of its operations for the year ended on that date, in accordance with that of the preceding year, except that the assets, liabilities, income and expenses are unaudited.

JAMES M. DUNWOODY & COMPANY,  
Chartered Accountants.

# THE GREAT WEST SADDLERY COMPANY LIMITED

## STATEMENT OF PROFIT AND LOSS

For Year Ended 31st January 1962

|  |                          |
|--|--------------------------|
| Loss on Operation for the year before providing for the undernoted items ..... | \$ 37,462                |
| Directors' fees .....  | 2,500                    |
| Management fees .....  | 43,006                   |
| Executive remuneration .....   | 4,800                    |
| Legal fees .....   | 24,650                   |
| Interest and expense on long-term debt .....                                   | 11,807                   |
| Depreciation .....   | 1,463                    |
| Loss on sale of land and buildings .....                                       | 71,695                   |
| Reduction in value of note receivable .....                                    | 10,814                   |
| <b>LOSS FOR YEAR .....</b>   | <b><u>\$ 208,197</u></b> |

## STATEMENT OF DEFICIT

For Year Ended 31st January 1962

|  |                          |
|--|--------------------------|
| Balance 1st February 1961 .....  | \$ 369,222               |
| Loss for year .....  | 208,197                  |
| Reduction in value of investments in and advances to Brandon Packers Limited ..... | 287,786                  |
| Loss on sale of shares of Chapples Limited .....                                   | 23,562                   |
| Transfer to Reserve for Contingencies .....  | 90,000                   |
| <b>Balance 31st January 1962 .....</b>   | <b><u>\$ 978,767</u></b> |

## STATEMENT OF EXCESS OF BOOK VALUE OF SHARES OF SUBSIDIARIES INCLUDING APPRAISAL SURPLUS OVER PURCHASE PRICE THEREOF

For Year Ended 31st January 1962

|   |                   |
|---|-------------------|
| Balance 1st February 1961 .....                                 | \$ 357,353        |
| Write-off of amount pertaining to Brandon Packers Limited ..... | 357,353           |
| <b>Balance 31st January 1962 .....</b>                          | <b><u>Nil</u></b> |



# THE GREAT WEST SADDLERY COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS

For Year Ended 31st January 1962

1. The assets, liabilities, income and expenses of the Company's subsidiaries have not been included in the financial statements.

No provision has been made in the Company's accounts for the losses of Geo. H. Hees Company Limited. The Company's proportion of losses of this subsidiary since acquisition exceeds its investment in, advances to and funds on deposit for this subsidiary. In our opinion, in order to fully provide for such losses as they affect the Company's investment, advances and funds on deposit, a provision of \$537,436 is necessary.

The Company's proportion of losses of Brandon Packers Limited for the current fiscal year have not been reflected in the Statement of Profit and Loss, but full provision for such losses, as they affect the Company's investment in and advances to this subsidiary, has been made in the Statement of Deficit.

2. Geo. H. Hees Company Limited is carrying on business under an arrangement with its unsecured creditors which remains in effect until 25th March 1965. Payments due to 25th March 1962 have been made.
3. Brandon Packers Limited has ceased operations and the assets are under the control of a Receiver for the bondholders. Actions are pending concerning the sale of the assets and the winding up of the Company.
4. The amount of \$35,000 included in Accounts receivable — Other is the subject of legal action for recovery.

5. Long-Term Debt (In arrears).

Mortgages

|  |                  |
|--|------------------|
| Peterborough — payable \$625 monthly, plus interest at 5% .....      | \$ 50,208        |
| Note payable — payable \$5,000 quarterly, plus interest at 5½% ..... | 50,000           |
|  | <hr/>            |
|  | \$ 100,208       |
| Less: Instalments and arrears due within one year .....              | 50,833           |
|  | <hr/>            |
|  | <u>\$ 49,375</u> |

6. Proceedings have been instituted by the mortgagee against the land and buildings in Peterborough.

7. The Company has a counterclaim against the holder of the note payable in excess of its face value.
8. Contingent liabilities exist as follows:
  - (a) A suit is pending claiming the repayment of management fees paid by Brandon Packers Limited to the Company during prior years in the amount of \$257,000;
  - (b) The Company has guaranteed bank advances to Geo H. Hees Company Limited in the amount of \$250,000 and has deposited funds of \$230,501 as collateral to this guarantee;
  - (c) The Company has indemnified guarantees of advances to Geo. H. Hees Company Limited in the amount of \$30,000.
9. Subsequent to the date of the Balance Sheet the Company borrowed funds as follows:
  - (a) \$67,500 secured by a pledge of the shares of Geo. H. Hees Company Limited;
  - (b) \$250,000 secured by a pledge of the shares of Richardson Construction Company, Limited and a secondary pledge of the shares of Geo. H. Hees Company Limited.
10. Subsequent to the date of the Balance Sheet the Company made further advances to Geo. H. Hees Company Limited.
11. Management fees, which include termination payments, ceased in September 1961.



