



THE MOUNT ROYAL HOTEL COMPANY, LIMITED
MONTREAL, CANADA

SIXTEENTH
ANNUAL REPORT

December 31st, 1938

MONTREAL, Que.

February 24th, 1939

PURVIS HALL
LIBRARIES

MAR 6

McGILL UNIVERSITY

THE MOUNT ROYAL HOTEL COMPANY, LIMITED

MONTREAL

MONTREAL, February 24th, 1939.

To the Shareholders of

THE MOUNT ROYAL HOTEL COMPANY LIMITED

Montreal.

Your Directors submit herewith Profit and Loss Account for the year ended December 31st, 1938, together with Balance Sheet as at that date, duly certified by the Company's Auditors.

After provision for the full year's Interest on First Mortgage Loan and after allowing for Amortization Charges and the usual provision of \$200,000. for Depreciation, a total loss of \$360,466.56 is shown for the year, which amount has been transferred to Deficit Account and makes a total deficit of \$2,614,649.92 carried forward.

Gross Earnings for the year showed a slight decrease as compared with last year, and the continued rise in operating costs, due to the high cost of foodstuffs and other commodities, increase in taxation and the abnormally high cost of labour, as well as necessary expenditures on special replacements, renovations and modernization of plant and equipment, resulted in a marked decrease in net earnings.

Progress on the program of rehabilitation and modernization of plant, equipment and furnishings was somewhat restricted as a result of reduced earnings, but in view of the demand for modernized accommodation, and the higher rates it is possible to secure for this type of accommodation, it is the intention of your Directors to proceed with this work as conditions warrant.

Your Directors desire to record their appreciation of the loyal and efficient services rendered by all members of the staff.

For the Directors,

J. ALDERIC RAYMOND,

President.

THE MOUNT ROYAL HOTEL COMPANY, LIMITED

BALANCE SHEET AS AT 31st DECEMBER, 1938

ASSETS

CURRENT ASSETS:

Cash in Banks and on Hand.....	\$ 19,872.16
Bonds and Stocks (Approximate Market Value as at 31st December, 1938—\$108,270.00).....	216,541.90
(Pledged as Security for Bank Overdraft)	
Accounts Receivable, less Reserve for Doubtful Accounts.....	68,314.56
Accrued Interest Receivable.....	1,181.65
Inventories of Stores, Supplies and Equipment at Cost (determined by responsible officials on the basis of physical inventories).....	71,667.74
TOTAL CURRENT ASSETS.....	377,578.01

PREPAID OPERATING EXPENSES..... 55,084.57

OTHER INVESTMENTS AT COST, less amount written off (of which \$10,000.00 pledged as Security for Bank Overdraft)..... 13,450.00

FIXED ASSETS:

Land.....	\$ 1,397,413.50
Building and Permanent Installations.....	7,509,758.39
Furnishings and Equipment.....	1,276,675.74
	10,183,847.63
Less Reserve for Depreciation.....	3,345,006.40
	6,838,841.23

DEFERRED CHARGES: 7,284,953.81

Unamortized Discount on First Mortgage Bonds Redeemed in 1927.....	66,635.01
First Mortgage Bonds—Refunding Expense.....	102,473.08
	169,108.09
Unamortized Organization Expense.....	6,000.00
	175,108.09

GOODWILL..... 900,000.00

DEFICIT..... 2,614,649.92

TOTAL..... \$10,974,711.82

LIABILITIES

CURRENT LIABILITIES:

Bank Overdraft—Secured.....	\$ 103,842.17
Accounts Payable.....	309,195.41
Interest due and Accrued and Other Accrued Charges.....	169,676.20
Unclaimed Wages.....	1,298.04
Deferred Income—Rent received in Advance.....	5,000.00
TOTAL CURRENT LIABILITIES.....	589,011.82

FUNDED DEBT:

5½% First Mortgage Loan—Repayable in Annual Instalments of \$120,000.00 and balance on 1st December, 1947, (Instalments due 1st December, 1932 to 1935 inclusive deferred by arrangement with Mortgagee. Instalments due 1st December, 1936, 1937 and 1938 unpaid).....	3,560,000.00
---	--------------

CAPITAL STOCK AND DEBENTURES:

AUTHORIZED:

70,000—6% Cumulative Preferred Shares of \$100.00 each.....	\$ 7,000,000.00
60,000— Common Shares of No Par Value.....	—

ISSUED:

68,179—6% Cumulative Preferred Shares of \$100.00 each.....	6,817,900.00
72—8% Cumulative Preferred Shares of \$100.00 each convertible into 72, 6% Cumulative Preferred Shares.....	7,200.00
\$600.00—8% Convertible Debentures Convertible into Six 6% Cumulative Preferred Shares.....	600.00
	6,825,700.00
60,000— Common Shares of No Par Value.....	—
	6,825,700.00

NOTE:

Dividends on Preferred Stock in arrear	\$3,344,593.00
Outstanding Scrip Dividend Certificates Payable out of Surplus Earnings only	1,706,425.00

TOTAL..... \$10,974,711.82

Signed on behalf of the Board:

J. A. RAYMOND, DIRECTOR.
V. G. CARDY, DIRECTOR.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the accounts of The Mount Royal Hotel Company, Limited for the year ended 31st December, 1938.

The reserve for depreciation of Fixed Assets as at 31st December, 1938 is, in our opinion, inadequate in respect of the provision made in the years prior to 1929.

In accordance with the provisions of the Companies Act (Quebec) we have to report that we have obtained all the information and explanations we have required, and subject to the foregoing, in our opinion, the above Balance Sheet as at 31st December, 1938, is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31st December, 1938, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

MONTREAL, 30th January, 1939.

PEAT, MARWICK, MITCHELL & CO.,
AUDITORS.

THE MOUNT ROYAL HOTEL COMPANY, LIMITED
MONTREAL

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER, 1938

PROFIT for Year ended 31st December, 1938, after Operating Expenses, Taxes and Provision for Bad and Doubtful Accounts, but before Mortgage Interest, Amortization Charges and Depreciation.....		\$ 76,452.30
DEDUCT:		
Interest on First Mortgage Loan.....	\$195,800.00	
Amortization of Bond Discount.....	24,555.38	
Amortization of Refunding Expense.....	14,563.48	
Amortization of Organization Expense.....	2,000.00	
	236,918.86	
Net Loss before providing for Depreciation.....		160,466.56
ADD:		
Provision for Depreciation.....		200,000.00
Net Loss for Year transferred to Deficit Account.....		360,466.56

DEFICIT ACCOUNT

DEFICIT as at 31st December, 1937.....		\$2,254,183.36
ADD Net Loss for Year ended 31st December, 1938.....		360,466.56
DEFICIT as at 31st December, 1938.....		\$2,614,649.92