



1000 ROOMS - 1000 BATHS



MOUNT ROYAL HOTEL

MONTREAL
CANADA

March 5th, 1942.

To the Shareholders of
THE MOUNT ROYAL HOTEL COMPANY LIMITED.

Your Directors submit herewith Profit and Loss Account for the year ended November 30th, 1941, together with audited Balance Sheet as at that date. No Statement of Capital Surplus is submitted, for the reason that no change occurred in the Company's capital surplus account during the year.

During the year covered by these statements, your Company discharged all its obligations in respect of interest on its funded debt and paid by way of sinking fund on its First Mortgage Bonds the sum of \$240,000. As a result, the amount of First Mortgage Bonds outstanding has been reduced to \$3,320,000.

General Mortgage Bonds to the aggregate principal amount of \$122,500 were sold during the year, thus bringing the total amount of this issue outstanding up to \$190,000 principal amount.

The net funded debt reduction effected in the course of the year amounted, therefore, to \$117,500, with consequent annual saving on interest of \$4,700.

Under the terms of the Trust Deed securing the Company's outstanding First Mortgage Bonds, an obligation by way of sinking fund matured as at December 24th, 1941, the extent of which is measured by the amount of the Company's earnings during the year ended November 30th, 1941, computed in accordance with a special formula contained in the Trust Deed.

There have been negotiations with the holder of the Company's First Mortgage Bonds looking to the relief of the Company from this particular obligation. These negotiations have not terminated, although a general basis of understanding appears to have been reached, and final decision will be obtained only when the actual results of the Company's operations for the year are conclusively established through determination of the exact amount of the Company's tax liabilities, as to which, discussions and negotiations are presently being carried on.

The element of uncertainty which exists in respect of this sinking fund obligation and the Company's tax liabilities (by which we mean liabilities for income and excess profits taxes) should be borne in mind in reviewing the financial statements submitted. Careful computation has been made, for purposes of the preparation of these statements, of the Company's tax liabilities: but an element of uncertainty attaches to this item which may not be resolved for several months.

As you will see from the Balance Sheet submitted, working capital of your Company amounted to \$166,809.59 at 30th November, 1941, an increase of \$133,846.26 during the year.

After interest, depreciation and taxes, your Company realized a net income on the year's operations of \$85,010.49, as compared with a loss for the eleven months period ended November 30th, 1940, of \$126,006.03.

Your Directors have found it to be expedient to charge off by way of depreciation in respect of the year under review the sum of \$200,000. This conforms to the views of the auditors and of your Directors as to what is necessary in the circumstances.

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During the year, the management devoted a great deal of attention to repairs and renewals. These were necessary not only because of the urgent need of bringing the property up to the modern standards of hotel accommodation, but also because of the increased demand for rooms and services which made it necessary to have more rooms available at all times and to improve the service facilities.

There was spent during the year on capital improvements — that is to say, permanent installations, furniture and fixtures, which could not be regarded as repairs and renewals, the sum of \$31,371.79.

At the end of the year, additional facilities were provided for our guests by the opening of a Sea-Food Bar, designated the Gaspé Room, and by the completion of improvements in our Tavern, which had been operating at a loss. These improved facilities are attracting a satisfactory volume of patronage.

The Music Box, which was opened the previous year, continues to attract the patronage of the public.

Speaking generally, your Company has enjoyed a satisfactory volume of business and is hopeful of its continuance. The policy adopted by your Directors of adapting the facilities of the hotel to more extensive local use, as distinguished from tourist trade, has been fully justified. We have thus, in some measure, avoided the risks which are necessarily involved in being dependent on visitors from the United States for a substantial percentage of our business.

Your Directors had in contemplation the making of changes in the Jacques Cartier Room (the main dining-room of the hotel) looking to the better adaptation of this space to the need of the citizens of Montreal for superior dining facilities. However, it is impossible, at least for the time being, to obtain the necessary permission from the authorities at Ottawa to make changes in this Room.

Your Directors desire to record their appreciation of the services rendered to your company by Mr. Cardy, Vice-President and General Manager, and by Mr. Ripley, Vice-President and Treasurer. They also wish, on your behalf, to thank the heads of departments and members of the staff generally for their loyal and efficient work. All in all, your Directors consider that your interests have been well served throughout the year by the employees of your Company.

On behalf of the Directors,

W. H. HOWARD,
President.



DIRECTORS

W. M. BIRKS
*W. A. EDEN
ARTHUR FONTAINE
F. W. GRANT, K.C.
*WILBERT H. HOWARD, K.C.
*A. STEWART McNICHOLS
HON. E. L. PATENAUDE, K.C.
S. B. PECKHAM, C.A.
*E. G. SMITH

OFFICERS

President..... WILBERT H. HOWARD, K.C.
Vice-President and General Manager..... VERNON G. CARDY
Vice-President and Treasurer..... C. A. RIPLEY
Secretary..... G. H. MONTGOMERY, JR.
Comptroller and Asst.-Secretary..... J. A. SHINK

*Members of the Executive Committee of the Board.

THE MOUNT ROYAL HOTEL COMPANY LIMITED

BALANCE SHEET AS AT 30th NOVEMBER, 1941

ASSETS

CURRENT ASSETS:

Cash in Banks and on Hand.....	\$ 174,974.39
Marketable Securities at Book Value..... (Market Value at 30th November, 1941: \$2,703.75)	5,150.00
Accounts Receivable less Reserve for Doubtful Accounts.....	83,119.06
Inventories of Stores, Supplies and Equipment at not exceeding Cost (determined by responsible Officials on the basis of physical inventories).....	140,921.67
TOTAL CURRENT ASSETS.....	404,165.12

PREPAID AND DEFERRED OPERATING EXPENSES..... 68,137.07

OTHER INVESTMENTS, less amount written off..... 5,000.00

FIXED ASSETS:

Land.....	\$ 1,397,413.50
Buildings and Permanent Installations.....	7,526,068.44
Furnishings and Equipment.....	1,291,737.48
	10,215,219.42
Less Reserve for Depreciation.....	4,183,339.73
	6,031,879.69

TOTAL..... **\$ 6,509,181.88**

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable.....	\$ 111,790.02
Accrued Charges.....	49,527.43
Reserve for Income & Excess Profits Taxes—Estimated.....	69,000.00
Unclaimed Wages.....	1,538.08
Deferred Income—Rent paid in Advance.....	5,500.00
TOTAL CURRENT LIABILITIES.....	237,355.53

FUNDED DEBT:

4% First Mortgage Bonds, due 1947:

Issued:.....	\$ 3,560,000.00
Less Redeemed by Sinking Fund Payments.....	240,000.00

Outstanding..... 3,320,000.00

(Annual Sinking Fund Payments—cumulative—of \$120,000.00—Fixed Annual Payments due 24th December 1940-1941 have been met. Additional payment for year ended 30th November, 1941, based and contingent on earnings as defined in the Trust Deed, not yet determined)

4% General Mortgage Convertible Bonds, due 1950,

Amount Subscribed..... 190,000.00

3,510,000.00

CAPITAL STOCK:

Authorized—175,000 Shares of no par value.	
Issued —135,918 Shares.....	1,811,476.00

CAPITAL SURPLUS..... 865,339.86

EARNED SURPLUS..... 85,010.49

TOTAL..... **\$ 6,509,181.88**

Signed on behalf of the Board:

A. STEWART McNICHOLS, DIRECTOR.
W. H. HOWARD, DIRECTOR.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the accounts of The Mount Royal Hotel Company Limited for the year ended 30th November, 1941, and 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, in our opinion, the above Balance Sheet as at 30th November, 1941, is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 30th November, 1941, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

MONTREAL, 31st January, 1942

PEAT, MARWICK, MITCHELL & CO.,
AUDITORS.

THE MOUNT ROYAL HOTEL COMPANY LIMITED
MONTREAL

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30th NOVEMBER, 1941

GROSS REVENUE.....		\$2,761,320.72
OPERATING EXPENSES, including cost of current Maintenance, Repairs and Renewals and provision for Bad and Doubtful Accounts, but before Bond Interest and Depreciation..		<u>2,263,662.70</u>
		497,658.02
DEDUCT:		
Interest on First Mortgage Bonds.....	\$ 139,686.83	
Interest on General Mortgage Bonds.....	3,960.70	
Provision for Depreciation.....	<u>200,000.00</u>	
		<u>343,647.53</u>
Net Profit.....		154,010.49
Provision for Income and Excess Profits Taxes—Estimated.....		<u>69,000.00</u>
NET INCOME FOR YEAR.....		<u>\$ 85,010.49</u>