



1000 ROOMS - 1000 BATHS



MOUNT ROYAL HOTEL

MONTREAL
CANADA

March 6th, 1943.

To the Shareholders of
THE MOUNT ROYAL HOTEL COMPANY LIMITED.

Your Directors submit herewith Profit and Loss Account for the year ended November 30th, 1942, 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.

In the course of 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 \$60,000.

Since November 30th, 1942, the further sinking fund instalments, aggregating \$116,000, referred to in the Balance Sheet, have been paid, and the Company's liability in respect of additional sinking fund instalments payable in respect of the year ended November 30th, 1942, (also referred to in the Balance Sheet) has been determined at the sum of \$83,000, which amount will be paid in the immediate future.

This \$83,000 payment will bring the total amount of First Mortgage Bonds outstanding down to \$3,061,000, representing an aggregate reduction of \$499,000 since the reorganization of your Company in 1940.

The Company's liability in respect of additional sinking fund payments due for the year ended 30th November, 1941, was finally determined at the sum of \$56,000, which amount is included in the \$116,000 mentioned above.

Uncertainty still exists in respect of your Company's liability for excess profits taxes. It is anticipated that this will be resolved in the near future, as appropriate action has been taken by your Directors to achieve that result. The reserve set up for income and excess profits taxes is, however, regarded as adequate on the basis of the facts and tax laws as we understand them.

Calculated on the same basis as last year, the working capital of your Company amounted to \$231,500.63 at November 30th, 1942, as compared with \$166,809.59 at November 30th, 1941. This calculation does not reflect the current liabilities, as at the end of each of the last two financial years, for additional sinking fund on the Company's First Mortgage Bonds, subsequently determined to be payable as already stated.

It will be observed from the foregoing that, by virtue of the obligations necessarily assumed by your Company, at the time of reorganization in 1940, in respect of its First Mortgage Bonds, the success of our operations must be measured, in the main, by the extent of the reduction, through sinking fund payments, of the amount of First Mortgage Bonds outstanding. Most of the Company's earnings must be applied to the retirement of these Bonds, with the result that working capital can be increased from year to year only to a very moderate extent.

After interest, depreciation and taxes, your Company realized net income from the year's operations of \$85,460.49. This is \$450 more than last year. Although a greater volume of business was done in the year ~~expenses~~, notably for labour, increased substantially. Our prices and rates are, of course, subject to ~~the~~ ~~controls~~ imposed by The Wartime Prices and Trade Board.

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There was spent during the year on capital improvements, namely, permanent installations, furniture and fixtures which could not be regarded as repairs and renewals, the sum of \$39,501.91.

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.

No material change was made in the facilities of the Hotel during the past year. Owing to taxes which came into effect during the year, the revenues derived from beverage sales in the Music Box declined substantially.

Although the tourist trade from the United States is negligible, business from Canadian sources remains at a high level, and we are hopeful of its continuance. It must be realized, however, that it is impossible to forecast future conditions, as no one can foretell what the exigencies of war and other circumstances may create in the way of restrictions and limitations operating to diminish the demand for the Company's services or its capacity to meet such demands.

Your Directors have deemed it expedient to take out War Risk Insurance under the Government Plan. The expense involved is substantial, but is warranted under the conditions in which we find ourselves.

During the year, your Company sustained a serious loss in the death of Mr. F. W. Grant, K.C., one of the Directors. Mr. Grant assumed office in 1940, and his advice and experience were greatly valued by his associates on the Board. Mr. F. D. Chapman has been elected a member of the Board to fill the vacancy resulting from Mr. Grant's death.

Immediately following the year under review, Mr. C. A. Ripley, a Vice-President and Treasurer of this Company, died suddenly. Mr. Ripley rendered notable services to the Company in connection with, and subsequent to, its reorganization in 1940, and your Directors record his loss with sincere regret.

Mr. J. A. Shink, for many years the Comptroller of the Company, was appointed Treasurer to fill the vacancy caused by Mr. Ripley's death. Mr. Shink was at the same time appointed Executive Assistant to the President.

The rights of holders of Fractional Certificates for the Company's shares were prescribed to expire on December 1st, 1942. Your Directors extended such rights to July 1st, 1943, and holders are accordingly entitled until, but not after, said date to exercise their rights under and in accordance with the terms of such Certificates to obtain stock certificates for fully paid shares of the capital stock of this Company from Montreal Trust Company, Montreal, as Trustee.

Your Directors desire to express their appreciation of the services rendered to your Company by Mr. Cardy, Vice-President and General Manager, and by Mr. Shink, now Executive Assistant and Treasurer. They also wish, on your behalf, to thank the heads of departments and members of the regular staff for their loyal and efficient work.

On behalf of the Directors,

W. H. HOWARD,
President.

DIRECTORS

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

OFFICERS

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

*Members of the Executive Committee of the Board.

THE MOUNT ROYAL HOTEL COMPANY LIMITED

BALANCE SHEET AS AT 30th NOVEMBER, 1942

ASSETS

CURRENT ASSETS:	
Cash in Banks and on Hand.....	\$ 196,885.66
Dominion of Canada 3rd Victory Loan:	
Amount Subscribed.....	\$150,000.00
Less Unpaid Instalments.....	<u>81,000.00</u>
	69,000.00
Other Marketable Securities at Book Value.....	5,150.00
(Market Value at 30th November, 1942: \$3,605.00)	
Accounts Receivable, less Reserve for Doubtful Accounts.....	98,669.46
Accrued Interest Receivable.....	172.50
Inventories of Stores, Supplies and Equipment at not exceeding Cost (determined by responsible Officials on basis of physical inventories).....	<u>337,056.04</u>
TOTAL CURRENT ASSETS.....	706,933.66
 PREPAID AND DEFERRED OPERATING EXPENSES.....	 79,904.61
 OTHER INVESTMENTS, less amount written off.....	 5,000.00
 FIXED ASSETS:	
Land.....	\$ 1,397,413.50
Building and Permanent Installations.....	7,548,809.79
Furnishings and Equipment.....	<u>1,308,498.04</u>
	10,254,721.33
Less Reserve for Depreciation.....	<u>4,383,339.73</u>
	5,871,381.60
 TOTAL.....	 <u>\$ 6,663,219.87</u>

LIABILITIES

CURRENT LIABILITIES:	
Accounts Payable.....	\$ 161,351.28
Bond Interest Accrued.....	69,130.00
Other Accrued Charges.....	50,448.92
Reserve for Income and Excess Profits Taxes—Estimated.....	74,228.95
Unclaimed Wages.....	1,773.88
Deferred Income—Rent paid in Advance.....	2,500.00
Sinking Fund Instalments due (exclusive of additional amount esti- mated at \$83,000.00 payable under terms of Trust Deed in respect of year ended 30th November, 1942).....	<u>116,000.00</u>
TOTAL CURRENT LIABILITIES.....	475,433.03
 FUNDED DEBT:	
4% First Mortgage Bonds, due 1947:	
Issued.....	\$ 3,560,000.00
Less Redeemed to 30th November, 1942.....	<u>\$300,000.00</u>
Sinking Fund Instalments paid sub- sequent to 30th November, 1942.....	<u>116,000.00</u>
	416,000.00
	<u>3,144,000.00</u>
4% General Mortgage Convertible Bonds, due 1950, Amount Subscribed.....	<u>196,500.00</u>
	3,340,500.00
 CAPITAL STOCK:	
Authorized—175,000 Shares of No Par Value.	
Issued —136,567 Shares.....	1,811,476.00
 CAPITAL SURPLUS.....	 865,339.86
 EARNED SURPLUS:	
Balance as at 30th November, 1941.....	85,010.49
Add Net Income for Year ended 30th November, 1942.....	<u>85,460.49</u>
	170,470.98
 TOTAL.....	 <u>\$ 6,663,219.87</u>

Signed on behalf of the Board:

W. H. HOWARD, DIRECTOR.

A. STEWART McNICHOLS, DIRECTOR.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the accounts of The Mount Royal Hotel Company Limited for the year ended 30th November, 1942, 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, 1942, 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, 1942, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

MONTREAL, 10th February, 1943

PEAT, MARWICK, MITCHELL & CO.,
AUDITORS.

THE MOUNT ROYAL HOTEL COMPANY LIMITED
MONTREAL

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30th NOVEMBER, 1942

GROSS REVENUE.....		\$3,037,859.14
OPERATING EXPENSES, including Cost of Current Maintenance, Repairs and Renewals and provision for Bad and Doubtful Accounts, but before Bond Interest and Depreciation...		2,547,328.78
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		490,530.36
DEDUCT:		
Interest on First Mortgage Bonds.....	\$ 132,380.00	
Interest on General Mortgage Bonds.....	7,689.87	
Provision for Depreciation.....	<u>200,000.00</u>	
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		340,069.87
Net Profit.....		<hr/>
		150,460.49
Provision for Income and Excess Profits Taxes—Estimated.....		65,000.00
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NET INCOME FOR YEAR.....		<u>\$ 85,460.49</u>