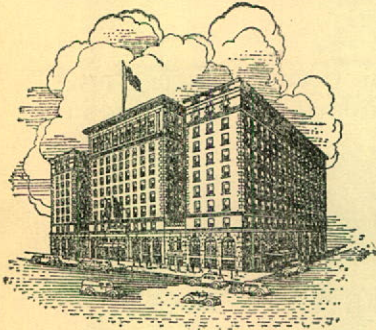


CABLE ADDRESS: "MOUNTROYAL"



1000 ROOMS - 1000 BATHS



MOUNT ROYAL HOTEL

MONTREAL
CANADA

March 13th, 1945.

To the Shareholders of
THE MOUNT ROYAL HOTEL COMPANY LIMITED

Your Directors submit herewith Profit and Loss Account for the financial year of the Company ended November 30th, 1944, together with Audited Balance Sheet and Statement of Earned and Capital Surplus Accounts as of that date.

In the course of the year covered by these statements your Company discharged all its obligations in respect of interest on its funded debt. There was paid by way of Sinking Fund on your Company's First Mortgage Bonds the aggregate sum of \$225,000, and \$150,000 principal amount of the Company's General Mortgage Bonds was purchased at a discount. The Bonds so purchased were cancelled.

By virtue of these Sinking Fund payments, the principal amounts of First and General Mortgage Bonds of your Company, outstanding at November 30th, 1944, were reduced to \$2,600,000 and \$47,000 respectively. Since that date, an additional \$40,000 has been paid by way of Sinking Fund on the First Mortgage Bonds in respect of the financial year of the Company covered by this report, and such Bonds have thereby been reduced to \$2,560,000 principal amount.

The net income from the year's operations amounted to \$195,723.68. This is an increase of \$51,171.82 over last year.

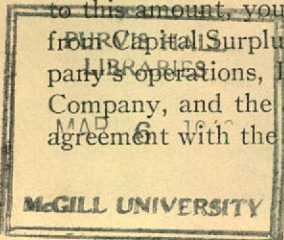
Expenses notably for labour, continue to increase, while our selling rates and prices remain subject to the controls imposed by the Wartime Prices and Trade Board.

The working capital remains approximately the same as in former years, and as stated in previous reports, the success of the operations of your Company can best be measured by the extent of the reduction of our outstanding First and General Mortgage Bonds.

A very large volume of business was handled during the year. At times, it was impossible to supply rooms for all those who sought accommodation. With a view to rendering the best possible service at all times, we have established a special reservation bureau to take care of those whom we could not accommodate. Through the medium of this bureau, we are able to direct our overflow to places which we have investigated and can recommend as reliable and suitable to our patrons.

There was spent during the year under review on capital improvements the sum of \$35,316.92. Of this amount, \$23,745 represented initial expenditures for the long-delayed renewal and modernization of our guest elevators.

Depreciation for the year under review has been provided in the usual amount of \$200,000. In addition to this amount, your Directors have considered it expedient, after consultation with your Auditors, to transfer from our Capital Surplus to the Reserve for Depreciation an amount of \$643,876.18. In the early years of the Company's operations, Depreciation was allowed by the tax department in excess of the amounts provided by the Company, and the amount now transferred brings the Reserve for Depreciation on the Company's books into agreement with the Reserve as computed by the Income Tax Department.



The rights of holders of Fractional Certificates for the Common Shares of this Company are now prescribed to expire on July 1st, 1945. Holders are urged to exercise their rights prior to that date under and in accordance with the terms of such Certificates.

Your Directors have recently listed your Company's shares on the Curb Market of the Montreal Stock Exchange. It was felt that this was desirable in order that the Shareholders might have appropriate facilities for purchases and sales of this Company's stock.

Control of this Company has just been acquired by interests represented by Mr. W. R. Salter, K.C. of Toronto, in association with Mr. Vernon G. Cardy of Montreal. Pursuant to the request of these interests, the Board has been reconstituted and its number reduced to five. You will be asked to confirm by-laws effecting this reduction in the number of the Directors and reducing the quorum for meetings of the Board. Notice of a Special General Meeting for such purposes accompanies this letter.

The present Directors desire to record their sincere appreciation of the services rendered to this Company by their immediate predecessors in office. The improvement in the financial condition of the Company since its reorganization in 1940 has been noteworthy, and every Shareholder should be deeply grateful for the betterment in his position which has resulted from their efficient and wise administration.

It may be said in this connection that a majority of the Directors who have now ceased to function were desirous of being relieved of their responsibilities. They have been carrying on during several recent years at a direct personal sacrifice, and in doing so have been actuated primarily by a sense of duty and obligation to the Shareholders.

At the recent meeting of the Board at which the resignations of the above mentioned Directors were accepted, a resolution was passed recommending that consideration be given as soon as possible to the payment of a dividend on the Company's shares. The substantial improvement in the position of the Company as outlined above, and as reflected in the accompanying Balance Sheet, would appear fully to justify such action, and it is proposed to deal with this recommendation at an early date.

The Directors desire to record their appreciation of the services rendered by the management and employees of the Company and to thank them for their loyalty and support.

On Behalf of the Directors,

VERNON G. CARDY,
President.



DIRECTORS

VERNON G. CARDY	HON. E. L. PATENAUDE, K.C.
W. A. EDEN	GEORGE A. ROSS
W. R. SALTER, K.C.	

OFFICERS

President.....	VERNON G. CARDY
Vice-President.....	W. A. EDEN
Vice-President and Treasurer.....	J. A. SHINK
Secretary.....	G. H. MONTGOMERY, JR.
Comptroller and Asst.-Secretary.....	J. F. BRYANT

THE MOUNT ROYAL HOTEL COMPANY LIMITED

BALANCE SHEET AS OF NOVEMBER 30, 1944

ASSETS

CURRENT ASSETS:

Cash in Banks and on Hand.....	\$ 144,011.87
Dominion of Canada Bonds (par Value \$300,000) at Cost.....	300,000.00
Other Marketable Securities at Book Value.....	5,150.00
(Market Value at November 30, 1944: \$3,733.00)	
Accounts Receivable, less Reserve for Doubtful Accounts.....	137,086.51
Accrued Interest Receivable.....	1,251.25
Inventories of Stores, Supplies and Equipment at not exceeding Cost (determined by responsible Officials on basis of physical inventories)	123,686.15
	711,185.78

PREPAID AND DEFERRED OPERATING EXPENSES..... 61,853.92

REFUNDABLE PORTION OF EXCESS PROFITS TAX — Estimated.. 69,000.00

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

FIXED ASSETS:

Land.....	\$1,397,413.50
Building and Permanent Installations.....	7,592,409.73
Furnishings and Equipment.....	1,312,615.40
	10,302,438.63
Less Reserve for Depreciation.....	5,427,215.91
	4,875,222.72
	\$5,722,262.42

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable.....	\$ 220,664.84
Accrued Charges.....	89,596.48
Reserve for Income and Excess Profits Taxes — Estimated.....	113,405.70
Unclaimed Wages.....	2,271.70
Balance of Sinking Fund Instalments on First Mortgage Bonds in respect of year ended November 30, 1944.....	40,000.00
	\$ 465,938.72

FUNDED DEBT:

4% First Mortgage Bonds, due 1947:	
Issued.....	\$3,560,000.00
Less:	
Redeemed to November 30, 1944 ..	\$960,000.00
Balance of 1944 Sinking Fund Instalment paid subsequent to November 30, 1944.....	40,000.00
	1,000,000.00
	2,560,000.00
4% General Mortgage Convertible Bonds, due 1950 — Amount Subscribed....	
Less Redeemed to November 30, 1944.....	197,000.00
	150,000.00
	47,000.00
	2,607,000.00

CAPITAL STOCK:

Authorized 175,000 Shares of no par value	
Issued 139,617 shares.....	1,811,476.00

CAPITAL SURPLUS..... 257,263.68

EARNED SURPLUS..... 511,584.02

DEFERRED SURPLUS—Represented by Refundable Portion
of Excess Profits Tax..... 69,000.00

\$5,722,262.42

Signed on behalf of the Board:

V. G. CARDY, DIRECTOR.

W. A. EDEN, DIRECTOR.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the accounts of The Mount Royal Hotel Company Limited for the year ended November 30, 1944, 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 of November 30, 1944, is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as of November 30, 1944, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

MONTREAL, January 28, 1945

FEAT, MARWICK, MITCHELL & CO.,
AUDITORS.

THE MOUNT ROYAL HOTEL COMPANY LIMITED
MONTREAL

STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED NOVEMBER 30, 1944

PROFIT for Year ended November 30, 1944, after deducting Operating Expenses, including Repairs and Renewals, and provision for Bad and Doubtful Accounts, but before charges for Bond Interest and Depreciation.....		\$748,341.53
DEDUCT:		
Interest on First Mortgage Bonds.....	\$ 109,143.33	
Interest on General Mortgage Bonds.....	5,474.52	
Provision for Depreciation.....	<u>200,000.00</u>	
		314,617.85
Net Profit.....		<u>433,723.68</u>
Provision for Income and Excess Profits Taxes — <i>Estimated</i> , of which \$24,000.00 is refundable under the provisions of the Excess Profits Tax Act.....		238,000.00
NET INCOME FOR YEAR.....		<u><u>\$195,723.68</u></u>

EARNED SURPLUS

Amount at November 30, 1943.....		\$315,585.34
ADD:		
Profit on Sale of Dominion of Canada Bonds.....		275.00
Net Income for Year ended November 30, 1944.....		195,723.68
Amount at November 30, 1944.....		<u><u>\$511,584.02</u></u>

CAPITAL SURPLUS

Amount at November 30, 1943.....		\$865,339.86
ADD:		
Surplus arising from the purchase of the Company's 4% General Mortgage Bonds.....		35,800.00
		901,139.86
DEDUCT:		
Amount transferred to Reserve for Depreciation.....		643,876.18
Amount at November 30, 1944.....		<u><u>\$257,263.68</u></u>