

*Cara Operations Limited*

*1973 Annual Report*



HOWARD BOSS  
OF MANAGEMENT

FEB 21 1977

MCGILL UNIVERSITY

*Wellington's*





*Retail Stores Division*





*Airline Services Division*





*Restaurant Complex,  
Commerce Court, Toronto*







THE CORPORATE MANAGEMENT COMMITTEE  
 G. Otto (*seated*), A. McIsaac, T. Plewes, J. B. Matchett, D. D. Phelan, J. Argyris

Directors and Officers



Paul J. Phelan, *Chairman of the Board*  
 J. Boyd Matchett, *President*  
 Thompson M. Plewes, *Vice-President Finance*  
 Lawrence Hynes  
 Paul McLaughlin  
 Charles A. Phelan  
 R. E. Phelan  
 Jean S. Prieur  
 John G. Weir

Gunter Otto, *Vice-President Airline Services Division*  
 Daniel D. Phelan, *Vice-President Urban Restaurant/Inn Division*  
 John T. Argyris, *Vice-President Air Terminal Restaurant Division*  
 Alan A. McIsaac, *Vice-President Retail Stores Division*  
 Vincent C. Kennedy, *Director Customer Services Airline Services Division*  
 Walter G. Fraser, *Secretary-Treasurer*  
 S. Russell Knox, *Comptroller*  
 L. H. Muir, *Director of Purchasing*

Head Office

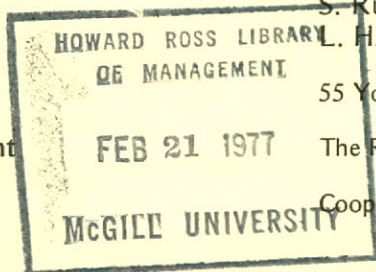
Transfer Agent

Auditors

55 York St., Toronto 1, Ontario

The Royal Trust Company, Toronto, Montreal, Winnipeg, Vancouver

Coopers & Lybrand, Toronto, Ontario





## Cara Operations Limited and Subsidiary Companies

### Financial Highlights

	1973	1972
Sales . . . . .	\$56,295,513	\$48,190,972
Net Profit . . . . .	1,578,557	670,111
% of Sales . . . . .	2.8%	1.4%
Per Share . . . . .	0.85	0.36
Working Capital . . .	2,900,626	2,064,615
Working Capital Ratio	1.37	1.36
Dividends per Share	0.10	0.05
Fixed Asset Additions	3,194,094	1,139,224
Fixed Assets	11,028,556	9,526,689

# Message from the Chairman of the Board



The past fiscal year has been successful for Cara. Sales have exceeded the \$50 million mark for the first time, with a new high in net profit and earnings per share.

Cara, a pioneer in service to the Canadian travelling public, is in its ninety-first year. With continuing growth in air traffic and improvement in other aspects of our business, we look forward with confidence to the future under the leadership of an experienced management team.

The directors are grateful for the strong support provided by the officers and employees.

*Paul J. Phelan*

Chairman of the Board

May 30th, 1973



# Report to the Shareholders



I am pleased to report on behalf of the Board of Directors that record sales and profits were achieved during the fiscal year ended March 31st, 1973. Corporate sales were \$56,295,513, an increase of 17% over the previous year, and net profit of \$1,578,557 was more than double last year's profit of \$670,111. Both sales and profit in the last quarter were also at record levels.

As previously reported, all divisions contributed to the marked improvement in operating results which again can be attributed to the general strength of the economy and, in particular, to the overall increase in air travel.

During the year a number of new capital projects were completed, representing expenditures of approximately 3 million dollars, the most significant being the new restaurant complex in the Commerce Court in downtown Toronto.

"Wellington's", the feature gourmet restaurant in the complex, opened in mid-April and has been well received by the public.

"La Residence", the prestige restaurant opened in the Cara Inn last September, has also had excellent acceptance. Other projects completed include major



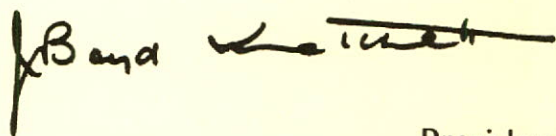
renovations to Flight Kitchen 1 at Toronto International Airport and the provisional enlargement of the Halifax flight kitchen.

A restaurant and cocktail lounge complex at Terminal 2 at Toronto International Airport was partially opened last June and came into full operation at the end of April when Air Canada moved its total operations to this terminal. Small cocktail lounges were opened in the Halifax and Edmonton air terminals. Cara Shops were opened in the Commerce Court and in the new Four Seasons Sheraton hotel in downtown Toronto.

A somewhat less ambitious capital program is planned for the current year but does include new flight kitchens at Regina and Halifax and a major extension of the existing Calgary flight kitchen. Additional cocktail lounge and fast food outlets will also be opened in the second quarter in Terminal 2 at Toronto International Airport. A new Cara shop has been opened in the first quarter at the Scarborough Town Centre and a new shop is planned to open in the Mississauga City Centre next fall. Both are large regional shopping centres in the Metropolitan Toronto area.

Our business in the first quarter to date continues at a satisfactory level and, barring major airline or public service strikes, we look forward to a further improvement in profits this year.

Once again we express our appreciation for the loyalty and support of our employees and executive staff whose untiring efforts have contributed greatly to the performance and increasing strength of our company. We gratefully acknowledge the support of our shareholders and the continuing patronage of our customers.



May 30, 1973

President



Cara Operations Limited and Subsidiary Companies

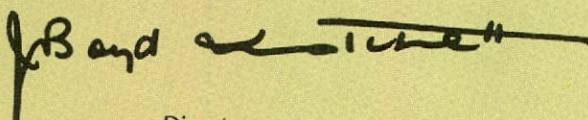
Consolidated Balance Sheet March 31, 1973

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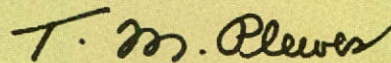
Assets

	1973	1972
<b>CURRENT ASSETS</b>		
Cash and short-term investments .....	\$ 5,155,219	\$ 3,526,850
Accounts receivable .....	3,005,471	2,394,181
Inventories at the lower of cost or net realizable value .....	2,455,765	1,785,862
Prepaid expenses .....	33,795	38,155
Land held for sale — at net realizable value .....	—	112,100
	<u>10,650,250</u>	<u>7,857,148</u>
 <b>FIXED ASSETS</b>		
Land, buildings and equipment (note 1) .....	7,047,968	6,789,701
Leasehold improvements — at cost, less amortization .....	3,980,588	2,736,988
	<u>11,028,556</u>	<u>9,526,689</u>
 <b>OTHER ASSETS — at cost less amounts written off</b>		
Due from affiliated companies .....	35,334	35,334
Deferred charges (note 2) .....	72,580	303,073
Excess of cost of investment over equity in business acquired .....	328,520	328,520
	<u>436,434</u>	<u>666,927</u>
	 <u>\$22,115,240</u>	 <u>\$18,050,764</u>

Signed on behalf of the Board



Director



Director

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## Liabilities

CURRENT LIABILITIES	1973	1972
Bankers acceptances .....	\$ —	\$ 300,000
Accounts payable .....	3,490,170	2,402,650
Accrued salaries and wages .....	1,225,698	1,031,032
Accrued rents .....	330,288	250,283
Income taxes .....	729,926	141,543
Current portion of long-term debt .....	1,310,212	1,199,470
Other liabilities .....	663,330	467,555
	<u>7,749,624</u>	<u>5,792,533</u>
 LONG-TERM DEBT (note 3) .....	 <u>2,807,945</u>	 <u>2,277,642</u>
DEFERRED INCOME TAXES .....	<u>1,201,500</u>	<u>1,071,500</u>

## Shareholders' Equity

CAPITAL STOCK		
Authorized —		
3,000,000 common shares without par value (note 5)		
Issued and fully paid —		
1,846,680 (10,850 issued for \$52,238 cash during the year) . . .	4,341,947	4,289,709
RETAINED EARNINGS .....	6,014,224	4,619,380
	<u>10,356,171</u>	<u>8,909,089</u>
	<u>\$22,115,240</u>	<u>\$18,050,764</u>

## Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Cara Operations Limited and subsidiary companies as at March 31, 1973 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1973 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto  
May 24, 1973

COOPERS & LYBRAND  
Chartered Accountants



Cara Operations Limited and Subsidiary Companies

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Consolidated Statements  
for the year ended March 31, 1973

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**Earnings**

	1973	1972
SALES.....	\$56,295,513	\$48,190,972
OPERATING AND ADMINISTRATIVE EXPENSES .....	<u>51,711,495</u>	<u>45,305,192</u>
PROFIT BEFORE THE FOLLOWING ITEMS .....	4,584,018	2,885,780
INTEREST FROM INVESTMENTS .....	<u>120,588</u>	<u>88,554</u>
	4,704,606	2,974,334
PROVISION FOR DEPRECIATION .....	1,390,852	1,281,234
INTEREST ON LONG-TERM DEBT.....	<u>255,197</u>	<u>382,989</u>
	1,646,049	1,664,223
EARNINGS BEFORE INCOME TAXES .....	3,058,557	1,310,111
PROVISION FOR INCOME TAXES .....	<u>1,480,000</u>	<u>640,000</u>
NET EARNINGS FOR THE YEAR .....	<u>\$ 1,578,557</u>	<u>\$ 670,111</u>
NET EARNINGS PER SHARE .....	<u>.85</u>	<u>.36</u>

**Retained Earnings**

BALANCE – BEGINNING OF YEAR .....	\$ 4,619,380	\$ 4,041,061
Net earnings for the year .....	<u>1,578,557</u>	<u>670,111</u>
	6,197,937	4,711,172
Dividends .....	<u>183,713</u>	<u>91,792</u>
BALANCE – END OF YEAR .....	<u>\$ 6,014,224</u>	<u>\$ 4,619,380</u>

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## Source and Use of Funds

### Source

	1973	1972
Net earnings for the year .....	\$ 1,578,557	\$ 670,111
Items not requiring an outlay of funds		
Depreciation .....	1,390,852	1,281,234
Deferred income taxes .....	130,000	91,000
Loss on sale of fixed assets .....	16,966	10,730
Amortization of deferred charges .....	231,703	126,362
	3,348,078	2,179,437
Long-term equipment financing .....	53,448	400,442
Bank loans .....	1,800,000	—
Proceeds from sale of fixed assets .....	284,411	16,569
Stock options exercised .....	52,238	2,700
	5,538,175	2,599,148

### Use

Purchase of fixed assets .....	3,194,094	1,139,224
Reduction of long-term debt .....	1,323,145	1,521,037
Dividends .....	183,713	91,792
Miscellaneous .....	1,212	19,656
	4,702,164	2,771,709
INCREASE (DECREASE) IN WORKING CAPITAL .....	836,011	(172,561)
WORKING CAPITAL — BEGINNING OF YEAR .....	2,064,615	2,237,176
WORKING CAPITAL — END OF YEAR .....	\$ 2,900,626	\$ 2,064,615



# Cara Operations Limited and Subsidiary Companies

## Notes to Consolidated Financial Statements for the year ended March 31, 1973

### 1. Land, Buildings and Equipment

These assets are classified as follows:

	Cost	1973 Accumulated Depreciation	Net	1972 Net
Land .....	\$ 170,160	\$ —	\$ 170,160	\$ 438,560
Buildings .....	1,494,208	592,446	901,762	963,444
Equipment .....	9,189,095	3,213,049	5,976,046	5,387,697
	<u>\$10,853,463</u>	<u>\$ 3,805,495</u>	<u>\$ 7,047,968</u>	<u>\$ 6,789,701</u>

Planned expenditures on fixed assets for the year ending March 31, 1974 which are not reflected in the balance sheet amount to approximately \$2,350,000.

### 2. Deferred Charges

These comprise:

	1973	1972
Unamortized pre-opening expenses (principally relating to the Cara Inn) .....	\$ —	\$ 225,676
Other costs and deposits .....	72,580	77,397
	<u>\$ 72,580</u>	<u>\$ 303,073</u>

The unamortized opening expenses of the Cara Inn were written off during the year because of a change in operating plans.

### 3. Long-Term Debt

	1973	1972
Equipment financing contracts, excluding finance charges of \$81,000 (1972 — \$171,000) payable in monthly instalments, most of which mature in 2 years (of which \$38,211 was due to the parent company at March 31, 1973 — \$56,096 in 1972)	\$ 584,762	\$ 1,104,463
Bank loans, of which \$2,850,000 is secured by book debts and a first floating charge on the assets of the Companies are scheduled for repayment at \$80,000 per month	3,450,000	2,266,667
Mortgages at interest rates of 8½% to 10% payable in monthly instalments, maturing by 1976	83,395	105,982
	<u>4,118,157</u>	<u>3,477,112</u>
Less: current portion included in current liabilities	<u>1,310,212</u>	<u>1,199,470</u>
	<u>\$ 2,807,945</u>	<u>\$ 2,277,642</u>



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#### 4. Long-Term Leases

Minimum rentals, excluding rentals based on sales, under lease agreements or letters of intent with original terms of five years or more, aggregate approximately:

1974-1978	\$10,475,670
1979-1983	7,713,105
1984-1988	5,605,250
1989-1993	3,722,340
1994 and subsequent	3,558,748

Rentals under all leases for premises for the year ended March 31, 1973 amounted to \$4,579,263 (1972 - \$4,277,396).

#### 5. Stock Option Plan

13,950 unissued common shares are reserved for allotment under the Company's stock option plan.

Options on 22,600 shares were outstanding at March 31, 1973, as follows:

Number of Shares	Option Price per Share \$	Expiry Date
12,600	4.50	July 29, 1975
3,000	4.85	February 22, 1977
5,000	5.85	July 24, 1977
1,500	6.55	September 27, 1977
500	7.45	November 19, 1977

During the year options to purchase 6,750 shares at \$5.85, 1,500 shares at \$6.55, and 500 shares at \$7.45 were granted.

#### 6. Directors' and Officers' Remuneration

The aggregate direct remuneration paid or payable to the directors and senior officers was \$264,805 for the year ended March 31, 1973 (1972 - \$241,825).

#### 7. Classes of Business

In the opinion of the directors, the Company carried on two classes of business during the year, the amount of sales or revenues of which formed the undernoted proportions of consolidated sales:

	\$	%
Food service and other	47,698,473	85
Retail stores	8,597,040	15
	<u>56,295,513</u>	<u>100</u>

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Cara Operations Limited and Subsidiary Companies

Nine Year Financial History

*Year Ended March 31*

	1973	1972	1971	1970	1969	1968	1967	1966	1965
	\$	\$	\$	\$	\$	\$	\$	\$	\$
SALES	56,295,513	48,190,972	44,220,933	38,154,961	32,210,064	32,702,139	25,635,492	21,618,632	17,839,978
% increase or (decrease) for the year	16.8%	9.0%	15.9%	18.5%	(1.5%)	27.6%	18.6%	21.2%	16.9%
EARNINGS BEFORE INCOME TAXES	3,058,557	1,310,111	1,727,396	1,691,776	1,236,937	2,223,850	1,349,209	1,021,138	599,016
Per Sales Dollar	5.4%	2.7%	3.9%	4.4%	3.8%	6.8%	5.3%	4.7%	3.4%
INCOME TAXES	1,480,000	640,000	915,000	890,000	626,856	1,144,519	673,800	467,000	278,394
NET EARNINGS	1,578,557	670,111	812,396	801,776	610,081	1,079,331	675,409	554,138	320,622
Per Sales Dollar	2.8%	1.4%	1.8%	2.1%	1.9%	3.3%	2.6%	2.6%	1.8%
Per Share	.85	.36	.44	.44	.35	.72	.46	.37	.22
Weighted average of shares outstanding, adjusted for stock splits	1,838,672	1,835,769	1,833,378	1,833,230	1,676,929	1,483,230	1,483,230	1,483,230	1,483,230







