TRIZEC CORPORATION LTD.

1971

ANNUAL REPORT

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Principal subsidiaries

Cummings Properties Limited
One Calgary Place, Suite 700
330-5th Avenue S.W.
Calgary 1, Alberta

Great West International Equities Ltd.
One Calgary Place, Suite 2900
330-5th Avenue S.W.
Calgary 1, Alberta

Hashman Construction Limited
1145-17th Avenue S.W.
Calgary 3, Alberta

Place Ville Marie Corporation
4 Place Ville Marie
Montreal, Quebec

Central Park Lodges of Canada Ltd.
Suite 203
Yorkdale Shopping Centre
Toronto, Ontario

Trizec Equities Limited
4 Place Ville Marie
Montreal, Quebec

Tristar Developments, Inc.
375 Park Avenue
New York, N.Y.

Place Québec Inc.
100 Place d'Youville
Quebec, Quebec

Si vous préférez recevoir ce rapport en français,
veuillez vous adresser au secrétaire,
Trizec Corporation Ltd., 4 Place Ville Marie, Montréal 113, Québec.

Highlights of 1971

	1971	1970
	(Ten months ended October 31)	
Cash Flow from Operations	8,226,000	2,884,000
Per Share*	$1.25	$1.00
Net Earnings before Extraordinary Items**	4,529,000	1,439,000
Per Share*	$.69	$.50
Net Earnings**	4,529,000	1,899,000
Per Share*	$.69	$.66
Gross Revenue	77,517,000	34,212,000
	OCTOBER 31	**DECEMBER 31**
Total Assets	516,420,000	259,599,000
Paid-in Capital and Retained Earnings	98,156,000	38,756,000
Shares Outstanding*	7,137,622	3,467,784
Average Shares Outstanding*	6,579,600	2,899,300
Number of Shareholders	5,056	4,085

**Per share calculations are based on the average number of shares outstanding during the period after giving effect to the consolidation of shares.*

***After adjustment for deferred income taxes.*

Directors


Hon. Lazarus Phillips, O.B.E., Q.C.
Lawyer,
Phillips & Vineberg


Frank B. Common, Jr., Q.C.
Lawyer,
Ogilvy, Cope, Porteous, Hansard,
Marler, Montgomery & Renault


James A. Soden, Q.C.
President,
Trizec Corporation Ltd.


Peter R. Kirwan-Taylor
Merchant Banker,
Hill Samuel & Co. Limited


William Hay
Executive Vice President,
Trizec Corporation Ltd.


David G. Philpott
President,
Triton Centres (Canada) Limited


The Rt. Hon. Viscount Hardinge, M.B.E.
Honorary Chairman,
Greenshields Incorporated


David Arthur Llewellyn
Managing Director,
Star (Great Britain) Holdings Limited
and a Chartered Accountant


Robert M. Cummings
President,
Cummings Properties Limited


Stanley E. Nixon
Director,
Dominion Securities Corporation
Limited


Leo Goldfarb
President,
Place Bonaventure Inc.

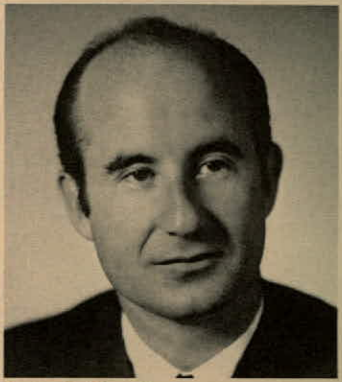

Edward M. Bronfman
Chairman of the Board,
Edper Investments Ltd.

Edmond-Jacques Courtois, Q.C.
Lawyer,
Laing, Weldon, Courtois, Clarkson, Parsons, Gonthier & Tétrault

Frank M. Covert, Q.C.
Lawyer,
Stewart, MacKeen & Covert

Isidore C. Pollack
Lawyer,
Létourneau, Stein, Marseille, Delisle & LaRue

Jack L. Cummings
Executive Vice President,
Cummings Properties Limited



Peter F. Bronfman
President,
Edper Investments Ltd.

Samuel Hashman
President,
Great West International Equities Ltd.

Officers

James A. Soden, Q.C. President

William Hay Executive Vice President

Mark S. Bercuvitz Vice President

Ian R. Coutts Vice President

Leo Goldfarb Vice President

David W. Jordan Vice President and Treasurer

J. Victor Levy Vice President

James A. Lowden Vice President

Harold P. Milavsky Vice President

David G. Philpott Vice President

Donald M. Reid Vice President

Jack Wiseman Vice President

Joseph H. Porteous, Q.C. Secretary

Catrinus Renema Comptroller

TRANSFER AGENT

Montreal Trust Company
Montreal, Halifax, Toronto,
Winnipeg, Calgary, Vancouver

SHARE LISTINGS

Toronto Stock Exchange
Montreal Stock Exchange

AUDITORS

McDonald, Currie & Co.
Chartered Accountants, Montreal, Quebec

Directors' report to the shareholders

The year 1971 was a most important period in the history of Trizec Corporation Ltd.

Significant steps, taken in this eleventh year of your company's operations, have helped it mature into one of the largest publicly owned real estate investment and development companies in North America.

Acquisitions

In the year under review, Trizec completed the acquisition and integration of two major Canadian public real estate companies—Cummings Properties Limited and Great West International Equities Ltd. This has resulted in a major increase in revenue-producing properties held by your company, broader geographical diversification and added management strength.

Change of year-end

Your Directors have selected October 31 as our new year-end in order to coincide with the fiscal period of our two new principal subsidiaries. This change was made in order to facilitate the presentation of financial reports in future years.

The accompanying financial statements, therefore, reflect the operations of Trizec for the 10-month period ended October 31, 1971 which include the results of Cummings Properties Limited for the 12 months ended on that date and those of Great West International Equities Ltd. for the six months ended October 31, 1971.

Consolidation of shares

In December, 1971, a consolidation of Trizec's shares on a one for ten basis was approved by the Shareholders and has subsequently been favorably received by the market. The decision to consolidate the share capital was based on a desire to establish a market price that would more appropriately reflect the maturity and size of the company.

Financial highlights

The very significant increases in the financial statements of your company for 1971 are largely the result of the acquisitions of Cummings Properties and Great West International Equities.

Total assets increased from $260,000,000 at December 31, 1970, to over $500,000,000 as of October 31, 1971. During the same period, the company's equity base increased from approximately $39,000,000 to almost $100,000,000.

Gross revenue for the 10 months ended October 31, 1971, was $77,517,000 compared with $34,212,000 for the corresponding period a year ago while consolidated earnings, before extraordinary items, rose to $4,529,000 from $1,439,000 in 1970.

Earnings per share for the 10-month period, on the consolidated share basis, increased from 50 cents for the same period in 1970 to 69 cents in 1971, without taking into account extraordinary income of 16 cents per share in 1970.

Cash flow from operations increased from $1.00 to $1.25 per share in the period ended October 31, 1971.

Had Trizec and its two newly acquired subsidiaries been together for the full 12 months ended October 31, 1971, it is estimated that consolidated gross revenue would have amounted to $96,000,000 and consolidated net earnings, adjusted for deferred income taxes, would have been $5,405,000. These figures, although not necessarily representative of future earning capacity, reflect our potential for increasing profitability.

Dividend

Following the consolidation of your company's shares the Directors declared a dividend of 10 cents per share payable to shareholders of record as of January 15, 1972. This initial dividend is a benchmark in the history of Trizec and indicative of the growth and increasing strength of the company's operations.

Senior debenture issue

In March, 1972, the company created and issued $30,000,000 of Senior Debentures with $20,000,000 maturing in 1982 and $10,000,000 in 1992 and secured by the pledge of the shares of certain primary subsidiaries. This type of financing is intended to supplant the real estate industry's traditional reliance on short-term secondary financing secured against individual real estate assets.

The issue also introduced to the bond market the concept of a variable interest rate fluctuating with the prime corporate lending rate of Canadian Chartered Banks, thus protecting the investor against future increases in interest rates above the rate borne by the Debentures at the date of issue. The terms of the Debenture offering are further explained in the Review of Operations accompanying this report.

Approximately $25,000,000 (Canadian) of the proceeds were used to retire bank borrowings in U.S. funds thus completing the long-term funding of substantially all of the company's indebtedness apart from loans used to finance projects under development. The balance of the proceeds have been used to improve the working capital position of the company.

Deferred income tax

The 1971 accounts make provision for deferred income tax for the first time. Your company has adopted the present value or discounted method as the most suitable for making an adequate provision for deferred taxes while presenting a realistic picture of the company's financial position. The method of calculation is explained in Note 9 of the notes to the Consolidated Financial Statements.

CIPREC

Trizec continues to support the Canadian Institute of Public Real Estate Companies whose membership includes most of the major Canadian public real estate companies. The Institute is dedicated to advancing and unifying the practices and objectives of the industry and to fostering dialogue with government and the investment community.

CIPREC has played an important role in the preparation and presentation of many briefs to various levels of government on such subjects as the new Income Tax, the Investment Companies' Act and the Competition Act. We believe that CIPREC was instrumental in helping to ensure that the provisions of the Tax Act did not unfairly discriminate against our industry.

Board elections

With the increase in your Board of Directors to 18 members, we are pleased to welcome Mr. Sam Hashman, Mr. Edward M. Bronfman, Mr. Peter F. Bronfman and Mr. Leo Goldfarb.

Mr. Hashman is President of Great West International Equities Ltd. Messrs. Bronfman were substantial Shareholders of Great West International and now of Trizec. Mr. Goldfarb is a Vice-President of Trizec and President and Chief Executive Officer of Place Bonaventure Inc.

Special by-law "S"

Enclosed with this annual report for your approval is Special By-Law "S" which was enacted by the Board on March 21, 1972, for the purpose of establishing an incentive share purchase plan as an aspect of senior management compensation.

Your Board believes that it is beneficial to establish a strong relationship between the interests of Shareholders and of those senior executives who will be responsible for the results of the company in future years. The sanctioning of Special By-Law "S" is therefore recommended.

Operations

Trizec's assets are broadly diversified, both in terms of geography and in type of holding. The company's largest single category of investment properties consists of major office buildings primarily situated in downtown locations in larger urban centres. Our revenue-producing portfolio also includes shopping centres, apartment buildings, retirement lodges and hotels.

This portfolio is continually expanding. During 1971, the company's substantial financial position and broad management capability enabled Trizec to undertake a sizeable development program. The company has major projects underway in Quebec City, Montreal, Toronto, Vancouver and New York City as well as six smaller developments in these and other centres. When completed, these properties will add approximately $139,000,000 to the company's real estate investment portfolio after allowing for the interests of others.

Management

One of the most important aspects of the company's activities during the period under review was to ensure that the enlarged new Trizec company operated as an integrated group.

The primary objectives of achieving an orderly integration, attaining a maximum level of efficiency and establishing a strong, local management force across the country—while maintaining the separate identities of each group—have been successfully completed.

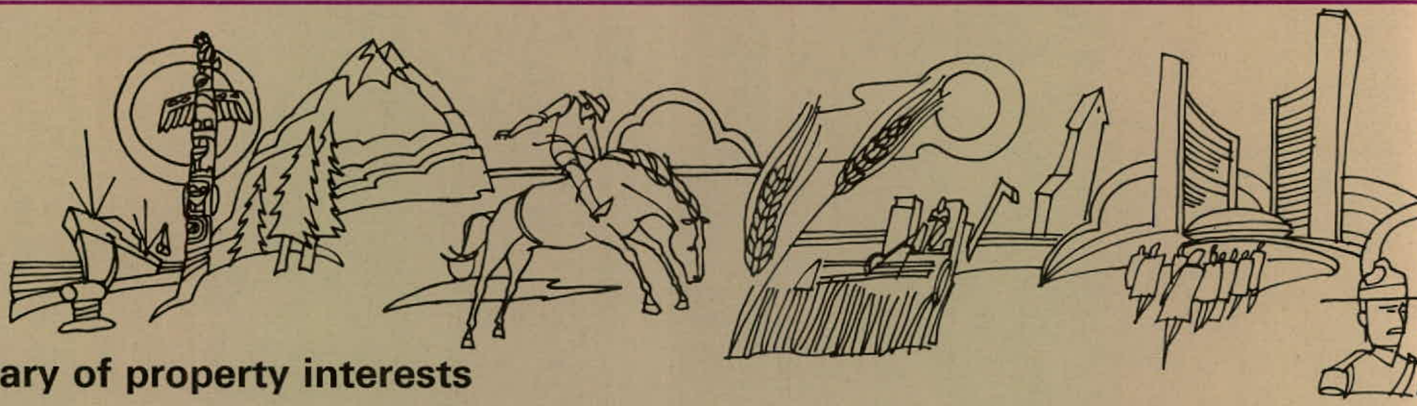
The Board looks to 1972 with confidence in the new Trizec Group and expresses its appreciation to all employees who so diligently contributed to our achievements in the past year.

On behalf of the Board,

J. Soden

President.

March 25, 1972



Summary of property interests

OFFICE BUILDINGS

	RENTABLE AREA (APPROX. SQ. FT.)	COMPANY'S PERCENTAGE INTEREST
(MONTREAL)		
Place Ville Marie	2,924,500	100
360 St. James Street	309,300	100
BCN Building	510,200	100
Avis Building	90,000	54
555 Dorchester Blvd. West	216,000	100
505 Dorchester Blvd. West	80,550	100
Domtar House	198,000	100
Orpheum Building	151,500	100
5165 Queen Mary Road Building	58,300	100
Sherbrooke-Crescent Buildings	111,000	100
Drummond Medical Building	60,000	100
Peel Centre Building	186,400	100
Elmwood Building	39,000	40
(CALGARY)		
Calgary Place	710,000	100
12th Avenue Building	29,000	100
17th Avenue Building	26,600	100
Texaco Building	106,700	75
Glidden Building	17,760	100
Pacific 66 Plaza	237,060	100
Royal Bank Building	346,000	100
Montreal Trust Building	45,800	100
Westburne Building	31,000	100
(EDMONTON)		
CN Tower	378,900	100
100th Avenue Building	39,600	100
Centennial Building	242,100	60
IBM Building	84,900	100
(HALIFAX)		
Halifax Insurance Building	83,400	100
Centennial Building	63,700	100
(TORONTO)		
180 Wellington Street West Building	241,500	100
(DETROIT)		
First National Building	843,400	76

SHOPPING CENTRES

	RENTABLE AREA (APPROX. SQ. FT.)	COMPANY'S PERCENTAGE INTEREST
Yorkdale Shopping Centre*, Toronto	888,000	100
Halifax Shopping Centre, Halifax	382,600	100
Brentwood Shopping Centre, Burnaby	377,900	100
Dartmouth Shopping Centre, Dartmouth	94,700	100
Normandie Shopping Centre, Montreal	215,000	100
Carlingwood Shopping Centre, Ottawa	290,000	50
Jean Talon Shopping Centre, Montreal	65,300	100
Macleod Mall Shopping Centre, Calgary	233,950	100
Regina Centre, Regina	57,300	50
College Shopping Mall, Lethbridge	202,000	40
Lougheed Mall Shopping Centre, Burnaby	492,100	100
Brandon Shoppers Mall, Brandon	219,000	50

**excluding Simpsons' premises and related land.*

RESIDENTIAL

	NUMBER OF SUITES	COMPANY'S PERCENTAGE INTEREST
(HALIFAX)		
Spring Garden Terrace Apartments	201	100
Park Victoria Apartments	400	100
Embassy Tower	162	100
Le Marchant Towers	63	100
(OTTAWA)		
Saville Terrace Apartments	309	100
Le Voyageur Apartments	201	100
(MONTREAL AREA)		
Southwest One	337	54
(CALGARY)		
Macleod Mall Apartments	330	100

HOTELS

	NUMBER OF ROOMS	COMPANY'S PERCENTAGE INTEREST
Caravan Motor Hotel, Calgary	89	50
Regina Inn, Regina	240	50
Hyatt Regency Toronto	540	50

AVIATION HANGAR FACILITY

	HANGAR SPACE (APPROX. SQ. FT.)	OFFICE AND SHOPS (APPROX. SQ. FT.)	COMPANY'S PERCENTAGE INTEREST
Executive Hangar, Calgary	44,000	20,000	100

RETIREMENT LODGES

	GUEST CAPACITY	COMPANY'S PERCENTAGE INTEREST
Jane Street, Toronto, Ontario	141	100
Thorncliffe No. 1, Toronto, Ontario	177	100
Thorncliffe No. 2, Toronto, Ontario	154	100
Ottawa, Ontario	146	100
London, Ontario	120	100
Kitchener, Ontario	210	100
Hamilton, Ontario	90	100
Thunder Bay, Ontario	108	100
Winnipeg No. 1, Winnipeg, Manitoba	277	100
Winnipeg No. 2, Winnipeg, Manitoba	217	100
Brandon, Manitoba	89	100
Saskatoon, Saskatchewan	82	100
Regina, Saskatchewan	70	100
Moose Jaw, Saskatchewan	127	100
Grande Prairie, Alberta	88	100
Jasper Place, Alberta	100	100
Edmonton, Alberta	134	100
Calgary, Alberta	122	100
Vancouver, British Columbia	112	under lease

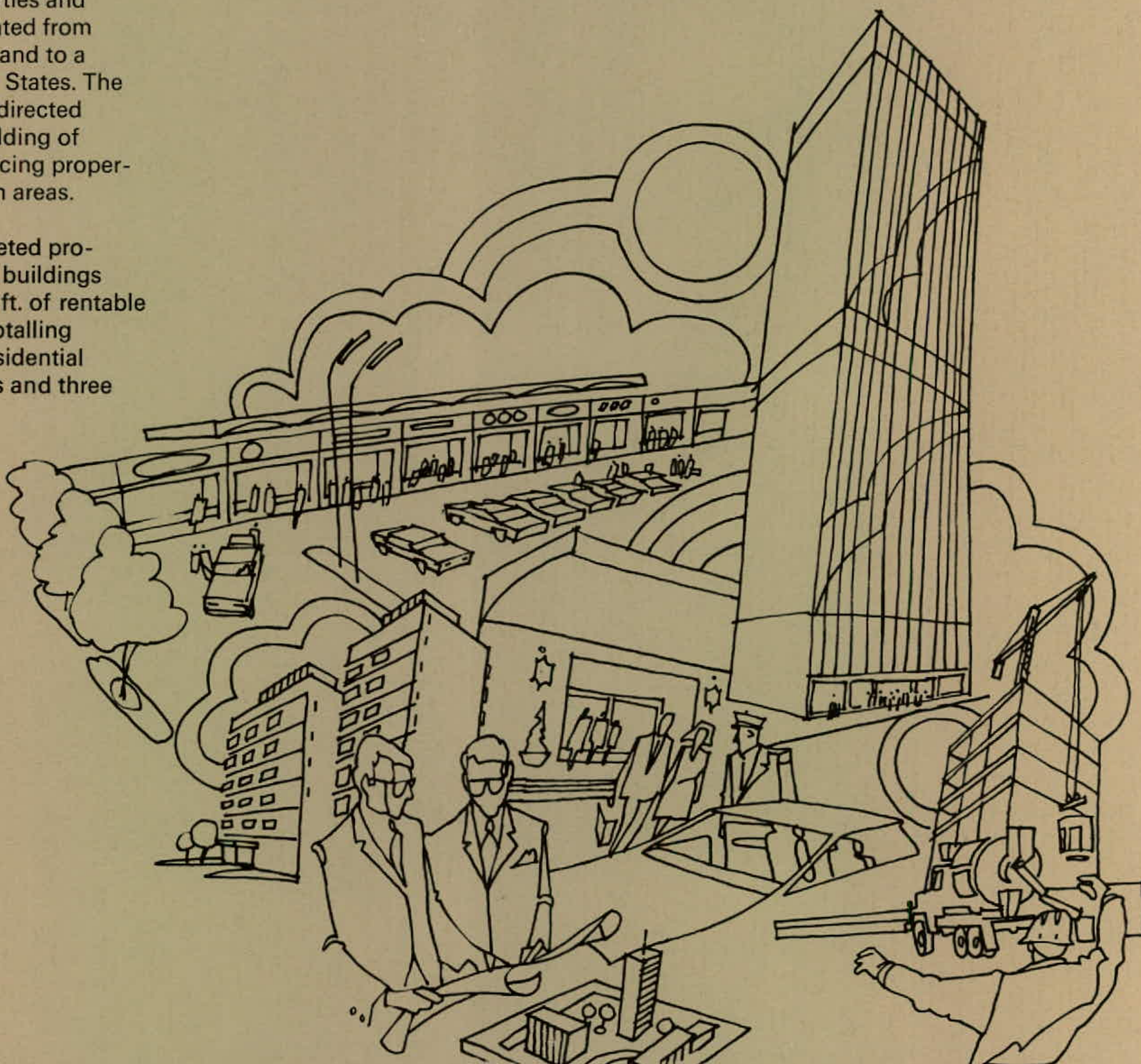
SUMMARY OF DEVELOPMENT PROPERTIES UNDER CONSTRUCTION

	DESCRIPTION	ESTIMATED COMPLETION DATE	COMPANY'S PERCENTAGE INTEREST
Place Québec, Quebec City, P.Q.	Phase I — 8-storey office building with total rentable area of 250,000 sq.ft.	Summer 1972	100
	Phase II — 25-storey, 600-room hotel (Quebec Hilton)	Summer 1973	50
	Retail and parking, approximately 100,000 sq. ft. of total rentable area and parking garage for approximately 900 cars	Summer 1973	100
Office Campus Development, Longueuil, P.Q.	Office and warehousing facilities comprising 3 buildings with a total rentable area of approximately 100,000 sq. ft.	Spring 1972	90
South West One Apartments, Pte. Claire, P.Q.	Phase II — 10-storey apartment tower of 149 units	Spring 1972	54
2020 University, Montreal, P.Q.	23-storey office tower with banking hall, retail area and parking garage, having a total rentable area of approximately 527,800 sq. ft.	Spring 1973	85
Scarborough Town Centre, Scarborough, Ont.	Regional Shopping Centre with approximately 872,000 sq. ft.	Summer 1973	75
Central Park Lodge, Windsor, Ont.	Retirement lodge to accommodate 200 guests	Spring 1972	100
South Hill Shoppers Mall, Prince Albert, Sask.	Shopping centre with approximately 255,000 sq. ft. of total rentable area	Spring 1972	50
Marlborough Shoppers Mall, Calgary, Alta.	Shopping centre with approximately 255,000 sq. ft. of total rentable area	Spring 1972	50
Hyatt Regency Vancouver, Vancouver, B.C.	36-storey hotel with 700 rooms	Spring 1973	75
Royal Centre Commercial, Vancouver, B.C.	37-storey office tower and banking hall, retail and parking facilities, with approximately 595,000 sq. ft. of total rentable area	Spring 1973	100
Hyatt Airport Marina Hotel, Richmond, B.C.	10-storey hotel with 432 rooms and marina facilities	Spring 1973	75
Brentwood Shopping Centre Extension, Burnaby, B.C.	Additional retail and office space of approximately 50,000 sq. ft. of total rentable area	Spring 1972	100
Cooperative Apartment House New York City, N.Y.	200 units with recreational facilities	Summer 1973	40

Review of operations

As a real estate investment and development company, Trizec has both revenue-producing properties and development projects located from coast-to-coast in Canada and to a lesser extent in the United States. The company's objectives are directed towards the long-term holding of diversified revenue-producing properties located in prime urban areas.

Trizec's interests in completed properties now include office buildings containing 8,460,000 sq. ft. of rentable space, shopping centres totalling 3,518,000 sq. ft., 2,003 residential units, 19 retirement lodges and three hotels.



Currently, 90 per cent of the company's real estate assets are completed, revenue-producing properties. The balance are projects under development or held for future development.

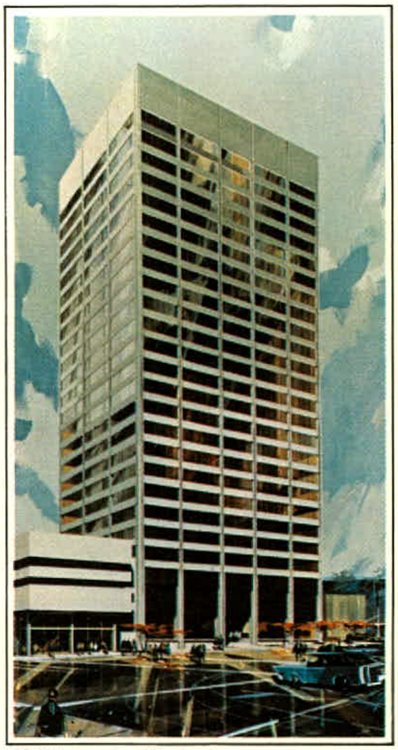
Although the company's primary business remains the ownership and management of these assets, Trizec also brings its expertise to bear on behalf of others, for example, in the management of properties such as Place Bonaventure and in the utilization of its construction forces as general contractors across Canada.

Financing

The two most significant changes in financing since the last annual report are the major increase in the company's equity base and the $30,000,000 Senior Debenture issue—both of which have had substantial, positive effects on the financial position of the company.

During the period under review, the company issued 36,698,380 shares (before consolidation) which increased its paid up capital by $54,871,000.

Shares issued included 19,729,782 to Star (Great Britain) Holdings Limited to provide funds for the cash portion of the acquisition of Cummings and Great West International and a total of 16,396,795 shares to the Shareholders of Cummings and Great West International. The company has reserved 22,580,836 unconsolidated shares to meet the subscription privileges of the share purchase warrants and the conversion privileges of the convertible debentures and notes of the company. The conversion and



2020 University, Montreal

Central Park Lodge, Ottawa

Park Victoria Apartments, Halifax

Lougheed Mall Shopping Centre, Burnaby

Place Ville Marie, Montreal

subscription privileges are exercisable during various periods to December 31, 1980, at prices ranging from $1.50 to $2.27 per share subject to adjustment.

Of the $30,000,000 Senior Debentures issued on March 15, 1972, $20,000,000 were purchased by three Canadian Chartered Banks and mature in 1982. The remaining $10,000,000 were taken by the public and mature in 1992.

The 1982 debentures bear interest at a semi-annually adjusted rate 1¾ percent above the average of the three banks' prime interest rates within limits of eight percent and 10 percent per annum.

The 1992 debentures bear interest at a rate of 8¾ percent per annum plus a semi-annual adjustment equal to 50 percent of the excess over six percent per annum of the average of the three banks' prime interest rates, with lower and upper limits of 8¾ percent and 10¾ percent.

Both series carry mandatory sinking funds to retire 65 percent of the debentures prior to their respective maturities.

Revenue-producing assets

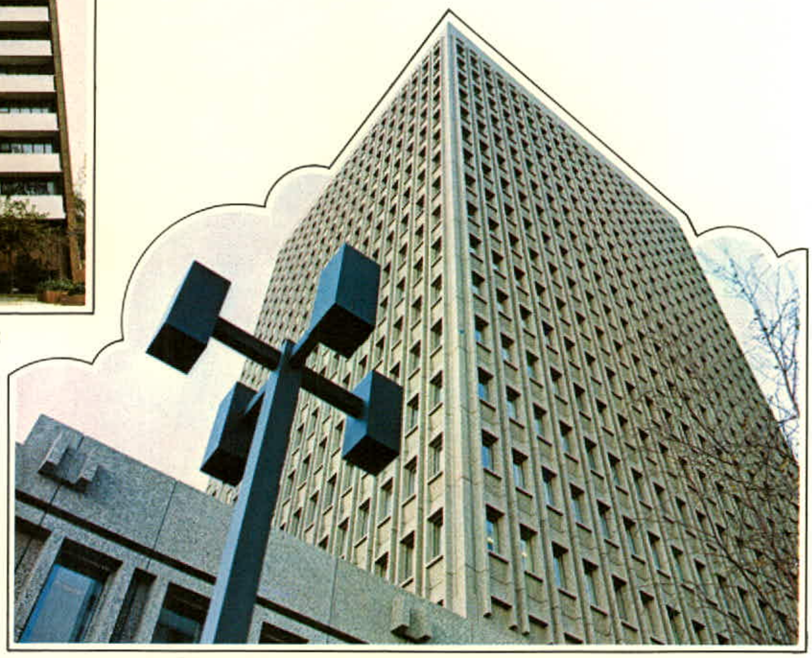
The company's completed developments are broadly diversified in terms of both geography and type of asset.

In Halifax, Nova Scotia, for example, Trizec owns two office buildings with rentable floor space of 147,000 sq. ft.,

Saville Terrace Apartments, Ottawa

Embassy Tower, Halifax

Regina Inn, Regina



Centennial Building, Edmonton

Lougheed Mall Shopping Centre, Burnaby

and a 382,000-sq. ft. regional shopping centre. A smaller centre is located in nearby Dartmouth. In addition, the company is the dominant residential landlord in Halifax with four developments totalling over 800 apartment suites.

In Montreal, the well-known Place Ville Marie complex is the largest single investment owned by the company. This complex and 12 other office buildings contain approximately 4,935,000 sq. ft. The company also owns the Normandie and Jean Talon Shopping Centres and has a 54 percent interest in a residential development with 337 completed units in the Montreal area.

In Ontario, the company's interests include the largest and perhaps most successful shopping centre in Canada: the 888,000-sq. ft. Yorkdale Shopping Centre located in Toronto. In addition to this property the company also owns a 241,000-sq. ft. office building and three retirement lodges in Toronto.

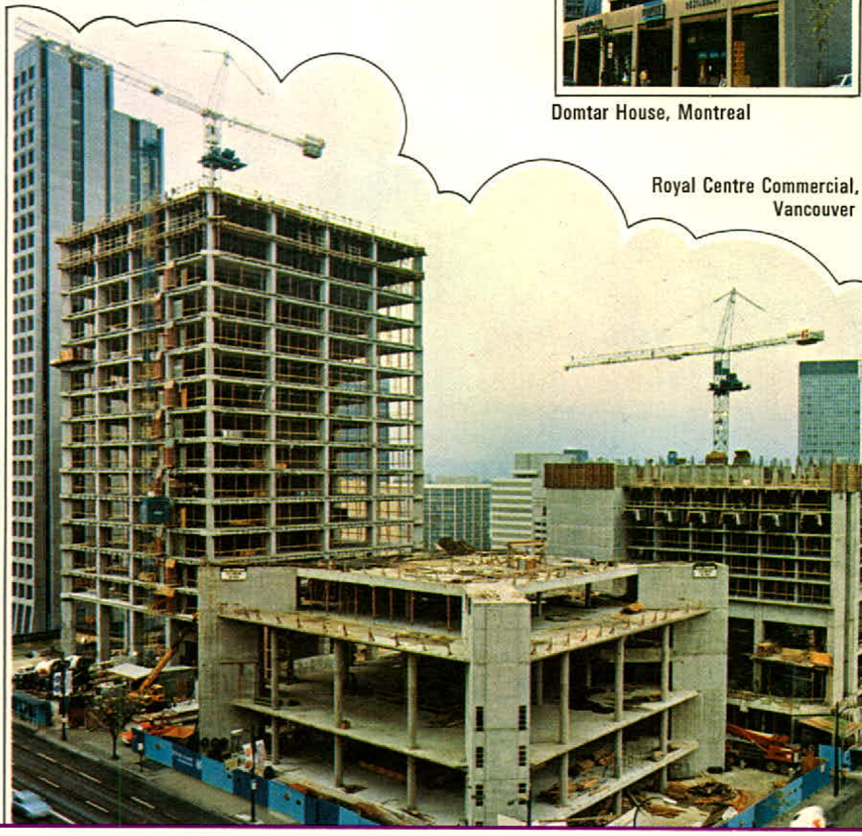
Just this month, the exciting, new Hyatt Regency Hotel was opened in Toronto to considerable interest. This 31-storey, 540-room facility in which the company has a 50 percent interest, is operated by the Hyatt International Corporation.

Other interests in Ontario include the 290,000-sq. ft. Carlingwood Shopping Centre, a retirement lodge and two apartment developments totalling 510 units all in Ottawa and retirement lodges located in London, Kitchener, Hamilton and Thunder Bay.

BCN Building, Montreal

Executive Hangar, Calgary

Domtar House, Montreal



Royal Centre Commercial, Vancouver

In Manitoba, the company has a 50 percent interest in the 219,000-sq. ft. Brandon Shoppers Mall and owns two retirement lodges in Winnipeg and one in Brandon.

In Saskatchewan, Trizec has retirement lodges located in Saskatoon, Regina and Moose Jaw. The company also has a 50 percent interest in the Regina Inn and the Regina Centre shopping mall.

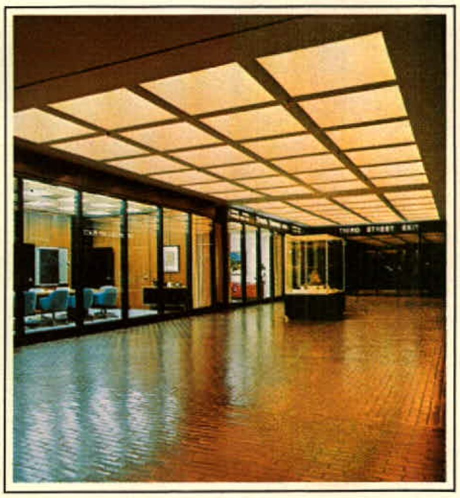
The second greatest concentration of investments, after Montreal, is located in the rapidly expanding city of Calgary. Included are interests in 10 office buildings with a total rentable area of approximately 1,550,000 sq. ft., a 330-unit apartment project, a 234,000-sq. ft. shopping centre, a motor hotel and retirement lodge.

The office buildings include such major assets as Calgary Place, Pacific 66 Plaza and the Royal Bank Building. In addition, the company owns a private aircraft hangar facility located in Calgary.

In Edmonton, the company has four office buildings with 750,000 sq. ft. of space, including the CN Tower and the Centennial Building, as well as a retirement lodge. Elsewhere in Alberta, retirement lodges are located in Grande Prairie and Jasper Place and the company has a 40 percent interest in the 200,000-sq. ft. College Shopping Mall in Lethbridge.

On the West Coast, Trizec owns two regional shopping centres in Burnaby, a suburb of Vancouver. The Brentwood Shopping Centre has a rentable area of 378,000 sq. ft. and the recently completed Lougheed Mall contains almost 500,000 sq. ft.

Central Park Lodge, Vancouver



Calgary Place, Calgary

Central Park Lodge, Vancouver

Calgary Place, Calgary

The First National Building located in Detroit, Michigan, an 845,000-sq. ft. office structure in which the company has a 76 percent interest, was Trizec's first U.S. investment and has proven to be most successful. The building has been completely refurbished and this, together with its prime location, will produce increasing revenues.

Construction

Trizec's construction division, acquired as part of Great West International Equities Ltd., is a large general contractor in Western Canada and is recognized as one of the leading construction organizations in the country.

This division is carrying out much of the construction involved in the company's development program across Canada and is also acting as a general contractor to others on several substantial projects. These include a co-operative housing development, the Mount Royal College, and the Northland Village Shopping Centre, all in Calgary, and a residential development in Edmonton.

During the year to October 31, 1971, the division put in place construction valued at $38,000,000. The construction backlog as of March, 1972, was $50,000,000.

Development program

Trizec presently has under development projects totalling 1,262,000 sq. ft. of office space, 1,677,000 sq. ft. of retail space, 1,732 hotel rooms, 349 residential units and a retirement lodge.

360 St. James Street, Montreal

Calgary Place, Calgary

First National Building, Detroit

555 and 505 Dorchester Blvd. W., Montreal

Financing has been arranged to cover virtually all development costs for these projects and negotiations are in process to provide for the balance.

Among the projects currently under development are the first two phases of Place Québec in Quebec City. Phase one is a 250,000-sq. ft. office building scheduled for completion in the Summer of 1972. The second phase combines a 600-room hotel and convention centre with retail and parking facilities to be completed in Summer, 1973.

The hotel is a 50 percent joint venture between Trizec and the Hilton chain. The convention facilities, capable of accommodating 4,000 people, will be owned by the City of Quebec and managed by Hilton.

In Montreal, the company has under development a 60-acre site on the south shore of the St. Lawrence River, adjacent to the Metro subway system linking the area with downtown. The first phase involves three buildings with a total area of 100,000 sq. ft. for office and light industrial use. Completion is expected this Spring.

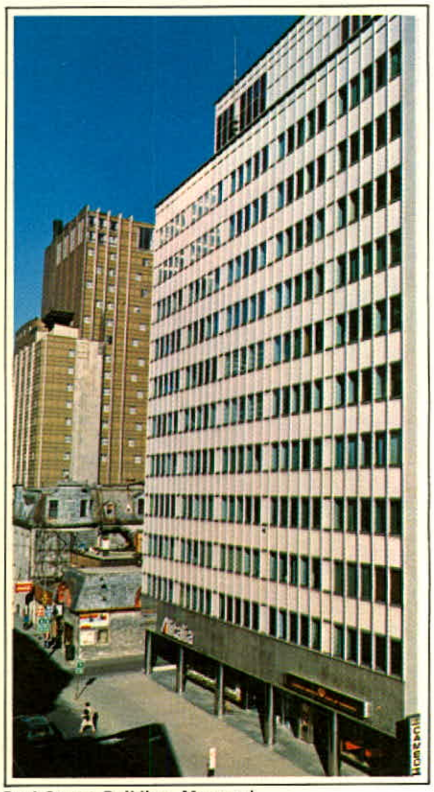
Ground was broken in May, 1971, for a Montreal office project—2020 University Street now well underway on a city block directly behind Eaton's main store in the downtown area. This 23-storey tower will rise above a three-level retail podium connected to the McGill Metro Station. A 230-car parking garage is included in the project which is scheduled for completion in Spring, 1973.

Hyatt Regency, Toronto

Brentwood Shopping Centre, Burnaby

Regina Inn, Regina

180 Wellington Street West Building, Toronto



Peel Centre Building, Montreal

Also in progress in the Montreal area is the second phase of the South West One Apartment and Townhouse development. This desirable apartment tower of 149 suites will be available for occupancy in May, 1972.

In Toronto, the company has begun the development of an 872,000-sq. ft. regional shopping facility. Part of the stimulating Scarborough Town Centre development, this modern shopping centre initially will contain Eaton's and Simpsons department stores and about 100 other shops. It is estimated the project, which is 75 percent owned by the company, will be completed in the Summer of 1973.

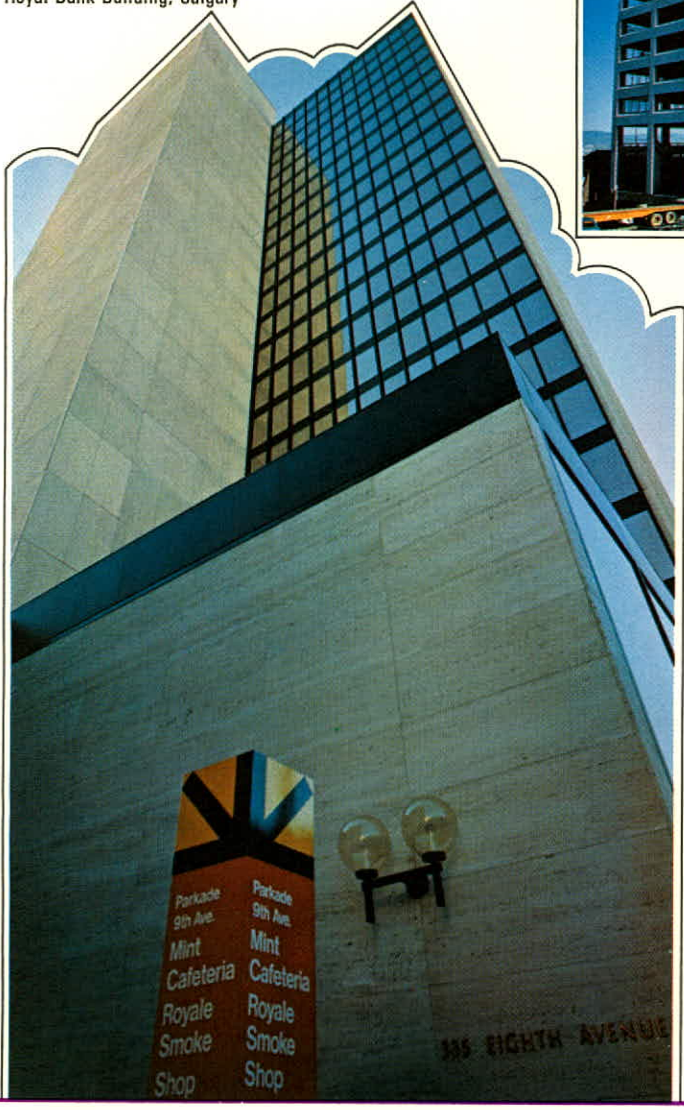
Also under construction in Ontario is a retirement lodge in the City of Windsor, with a guest capacity of 200. This Central Park Lodges facility will be completed in late summer, 1972.

In Calgary, Alberta, the Marlborough Mall Shopping Centre, a joint venture development, was opened this month. The first phase of this air-conditioned, enclosed mall contains 256,000 sq. ft. of rentable space. Another phase, to be added at a later date, will include a second department store and additional mall space.

The South Hill Shoppers Mall in Prince Albert, Saskatchewan, is scheduled to open at the end of May, 1972. The company has a 50 percent interest in this 254,000-sq. ft. centre.

Currently underway in British Columbia on a site adjacent to the Vancouver

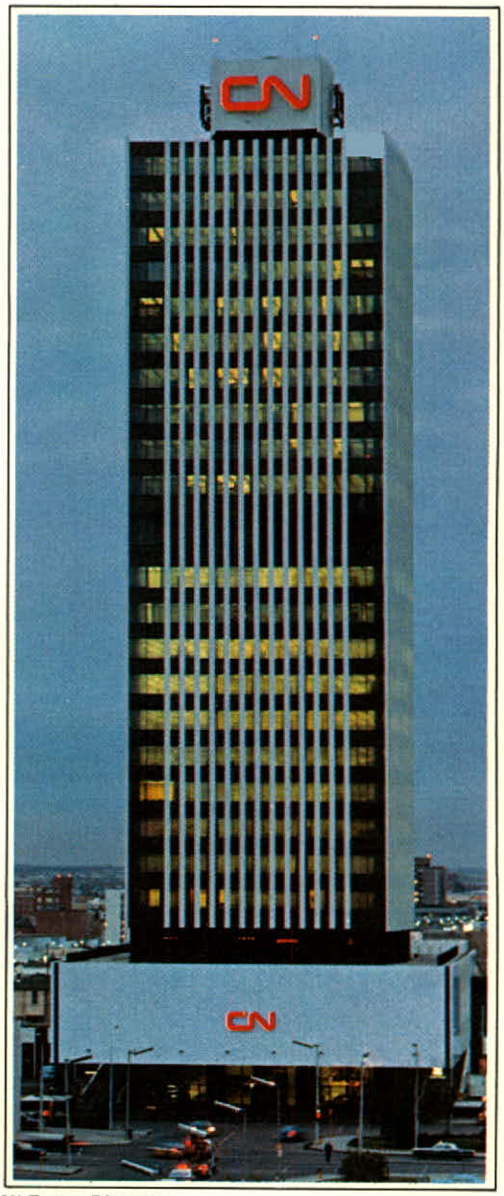
Royal Bank Building, Calgary



Place Québec, Quebec City

Halifax Insurance Building, Halifax

Texaco Building, Calgary



CN Tower, Edmonton

International Airport, is the 432-room Hyatt Airport Marina Hotel. This 10-storey hotel has marina facilities located on property adjoining the middle arm of the Fraser River. The project is 75 percent owned by the company and will be completed by early 1973.

One of the company's major projects now being developed is the Royal Centre located at Burrard and Georgia Streets in Vancouver, B.C. This complex includes a 37-storey office tower, a 36-storey, 700-room Hyatt Regency convention hotel, a three-level banking pavilion for The Royal Bank of Canada and an air-conditioned shopping mall enclosing 100,000 sq. ft. of leasable space. The entire project is owned by the company with the exception of the hotel which is 75 percent held.

The office tower was topped off this month at the 37th floor level while construction reached the 29th floor of the hotel. Completion of the project is expected in March, 1973.

An extension is being added to the Brentwood Shopping Centre located in a suburb of Vancouver. It will be completed this Spring, will enclose the mall and add approximately 50,000 sq. ft. of office and retail space.

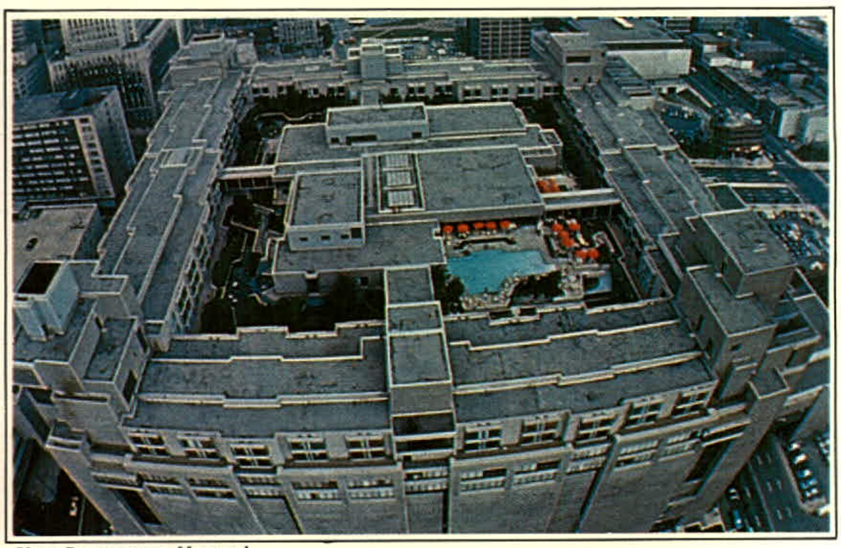
In New York City, the company has a 40 percent interest in a joint venture development of a co-operative apartment building. This project is ideally located between Park and Madison Avenues on East 88th and 89th Streets. It will contain approximately 200 units and recreational facilities for its occupants.

Yorkdale Shopping Centre, Toronto

Yorkdale Shopping Centre, Toronto

Pacific 66 Plaza, Calgary

Spring Garden Terrace Apartments, Halifax



Place Bonaventure, Montreal

Consolidated balance sheet as at October 31, 1971

(in thousands of dollars)

	October 31, 1971 $	December 31, 1970 $
ASSETS		
Property interests (note 4)		
Income producing properties	423,804	228,066
Properties under development	42,106	2,436
Properties held for future development	10,984	4,992
Equipment	3,149	1,049
	480,043	236,543
Accumulated depreciation	13,873	9,879
	466,170	226,664
Other Assets		
Cash	3,157	3,661
Accounts receivable	13,896	4,368
Deposits	4,905	325
Prepaid expenses and deferred charges	7,128	3,746
Investments (note 5)	3,987	3,658
Excess of cost of shares over net assets of subsidiary companies	17,177	17,177
	516,420	259,599
LIABILITIES		
Long term debt (note 6)	379,178	213,079
Accounts payable and accrued liabilities	23,956	7,551
Bank advances (note 11(a))	8,028	—
Deferred income taxes (note 9)	6,088	—
Minority interest in subsidiary companies	1,014	213
	418,264	220,843
SHAREHOLDERS' EQUITY		
Capital stock (note 7)		
Authorized—100,000,000 shares without nominal or par value		
Issued and fully paid—71,376,220 shares (1970—34,677,840 shares)	86,558	31,687
Contributed surplus	780	780
Retained earnings	10,818	6,289
	98,156	38,756
	516,420	259,599

Signed on behalf of the board

J. A. Soden, Director   Frank B. Common, Jr., Director

The accompanying notes are an integral part of the financial statements.

Consolidated statement of earnings for the ten months ended October 31, 1971

(in thousands of dollars)

	Ten months ended October 31, 1971	Ten months ended October 31, 1970 (unaudited)	Twelve months ended December 31, 1970
	$	$	$
Income			
Operations	76,798	33,347	40,360
Interest and miscellaneous income	719	865	1,312
	77,517	34,212	41,672
Expenses (note 4(a) (i))			
Operating and rent	34,648	10,425	12,779
Salaries, general and administrative	4,183	1,952	2,377
Property taxes	10,142	6,273	7,492
Interest	20,360	12,728	15,171
	69,333	31,378	37,819
Operating profit before depreciation	8,184	2,834	3,853
Depreciation (note 4(d))	3,005	1,395	1,698
Earnings before extraordinary items	5,179	1,439	2,155
Extraordinary items (note 8)	—	460	460
Net earnings before income taxes	5,179	1,899	2,615
Income taxes (note 9)			
Deferred income taxes	2,336	—	—
Less reduction of above to present value	1,686	—	—
Deferred income taxes at present value	650	—	—
Net earnings for the period adjusted for deferred income taxes (note 9(b))	4,529	1,899	2,615
Earnings per share (note 10)			
Before extraordinary items	79¢	50¢	74¢
Extraordinary items	—	16¢	16¢
Income taxes	(10¢)	—	—
Net earnings for the period adjusted for deferred income taxes	69¢	66¢	90¢

Consolidated statement of retained earnings for the ten months ended October 31, 1971

(in thousands of dollars)

	Ten months ended October 31, 1971	Twelve months ended December 31, 1970
	$	$
Retained earnings—beginning of period	6,289	3,742
Net earnings for the period	4,529	2,615
	10,818	6,357
Expenses of issue of common shares	—	68
Retained earnings—end of period	10,818	6,289

The accompanying notes are an integral part of the financial statements.

Consolidated statement of cash flow from operations for the ten months ended October 31, 1971

(in thousands of dollars)

	Ten months ended October 31, 1971	Ten months ended October 31, 1970 (unaudited)	Twelve months ended December 31, 1970
	$	$	$
Net earnings for the period before extraordinary items	4,529	1,439	2,155
Non-cash items—			
Depreciation	3,005	1,395	1,698
Deferred income taxes	650	—	—
Other	42	50	60
Cash flow from operations	8,226	2,884	3,913
Cash flow from operations per share (note 10)	$ 1.25	$ 1.00	$ 1.35

Consolidated statement of source and use of funds for the ten months ended October 31, 1971

(in thousands of dollars)

	Ten months ended October 31, 1971	Twelve months ended December 31, 1970
	$	$
Cash flow from operations	8,226	3,913
Disposal of assets		
Sale of property interests and investments	568	6,718
Repayment of related debt	—	(5,636)
	568	1,082
Financing		
Capital stock issued	54,871	7,362
Additional long term debt—net	53,836	4,680
Mortgage and sinking fund payments	(4,859)	(2,392)
	103,848	9,650
Funds obtained from (retained in) other assets and liabilities	4,620	(2,526)
Funds available for investment	117,262	12,119
Invested as follows:		
In construction and development of properties	23,831	4,442
In property companies and joint ventures	93,431	7,677
	117,262	12,119

The accompanying notes are an integral part of the financial statements.

Notes to consolidated financial statements for the ten months ended October 31, 1971

1. Accounting practices

The accounting practices followed by the company and the disclosure of its financial information are in accordance with the recommendations made by the Canadian Institute of Public Real Estate Companies (CIPREC).

2. Principles of consolidation

(a) The consolidated financial statements include:

(i) The accounts of all companies in which the company holds an interest in excess of 50%.

(ii) The accounts of all companies in which the company holds an interest of 50% to the extent of 50% of their respective assets, liabilities and earnings.

(iii) The accounts of all joint ventures in which the company holds an interest to the extent of the company's interest in their respective assets, liabilities and earnings.

(b) (i) During 1971 the company acquired pursuant to takeover bids all of the outstanding shares of Cummings Properties Limited and Great West International Equities Ltd. The consolidated earnings for the ten months ended October 31, 1971 include the results of Cummings Properties Limited for the twelve months, and of Great West International Equities Ltd. for the six months ended October 31, 1971.

(ii) Share purchase warrants are outstanding as of October 31, 1971 entitling the holders to purchase 150,000 common shares of Great West International Equities Ltd. at a price of $12 per share at any time up to June 30, 1977.

3. Foreign exchange

(a) Property interests and investments in United States funds have been expressed in Canadian dollars at the rate of exchange prevailing at the date such assets were acquired.

(b) Long term debt payable in United States funds has been expressed in Canadian dollars at the rate of exchange prevailing when the funds were received or, where applicable, at rates established under foreign exchange commitments.

(c) Other assets and liabilities in United States funds have been expressed in Canadian dollars at the rate of exchange prevailing at the date of the balance sheet or, where applicable, at rates established under foreign exchange commitments.

4. Property interests

(a) Property interests are valued as follows:

(i) Property in the amount of $263,689,000 is carried at cost including development expenses. The carrying cost has been increased by the addition of the following directly related development expenses:

	Ten months ended October 31, 1971	Ten months ended October 31, 1970 (unaudited)	Twelve months ended December 31, 1970
	$	$	$
Salaries, general and administrative	813,000	509,000	781,000
Property taxes	597,000	294,000	466,000
Interest	1,657,000	939,000	1,408,000
	3,067,000	1,742,000	2,655,000

(ii) Property in the amount of $213,205,000 is carried at a value based on the company's purchase price of the shares of Cummings Properties Limited and Great West International Equities Ltd. This value has been ascribed by management to individual properties owned by these companies and subsidiaries of these companies at the date of acquisition.

(iii) Equipment is carried at cost.

(b) Properties carried at net book value of approximately $231,249,000 are situated on land held under leases or agreements expiring in the years 1999 to 2067.

(c) It is estimated that the company's share of further expenditures required to complete the properties under development will amount to approximately $60,000,000 as at October 31, 1971. Financing has been arranged for approximately $58,000,000 of this amount.

(d) (i) Depreciation on income producing properties is based on a sinking fund method under which an increasing amount consisting of a fixed annual sum together with interest compounded at the rate of 4% per annum is charged to earnings so as to depreciate fully the properties over their estimated lives of from 25 to 60 years.

(ii) Depreciation has not been taken on certain depreciable income producing properties carried at $3,753,000 as these properties were not yet fully operational.

(e) The undepreciated capital cost available to the company for income tax purposes amounts to approximately $350,881,000.

5. Investments

Investments include shares in another property company, carried at their original cost in the amount of $3,456,000 ($3,200,000 U.S.). The company has the right to sell these shares in June 1972 at their original cost pursuant to an agreement made at the time of their acquisition.

6. Long term debt

Long term debt maturities are as follows:

Average interest rates as at October 31, 1971 %		Twelve months ending October 31, 1972 $	1973 $	1974 $	1975 $	1976 $	Subsequent $	Total $
				(in thousands of dollars)				
Debt subject to regular amortization—								
Mortgage loans and bonds	7.4	6,620	5,848	6,383	7,271	7,079	236,341	269,542
Debt not subject to regular amortization—								
Mortgages	7.3	1,997	192	536	102	1,105	1,681	5,613
Bank loans	9.6	7,276	2,149	874	874	22,323		33,496
Notes payable	6.9	3,724	4,515	6,282	533	8,300	755	24,109
Construction bank loans	8.3							14,172
Convertible debentures and notes (note 7(c))	4.1							32,246
								379,178

Bank loans in the amount of $3,806,000 were repaid in December 1971.

Notes payable include $3,200,000 notes to a shareholder and director due in 1972 (which have subsequently been repaid) and $4,000,000 due to a major shareholder not earlier than 1973.

Permanent financing of $12,397,000 has been arranged to repay construction bank loans.

7. Capital stock

(a) By supplementary letters patent dated April 27, 1971 the authorized capital of the company was increased by the creation of 20 million additional shares to a total authorized capital of 100 million shares without nominal or par value.

(b) During 1971 the company's issued and fully paid capital was increased by the issuance of:

(i) 20,301,585 shares for a cash consideration of $30,276,000.

(ii) 16,396,795 shares at a stated consideration of $24,595,000.

(c) As at October 31, 1971 the company has reserved 22,580,836 shares to meet the subscription privileges of the share purchase warrants of the company and the conversion privileges of the convertible debentures and notes aggregating $32,246,000. These privileges are exercisable during various periods to December 31, 1980 at prices ranging from $1.50 to $2.27 per share subject to adjustment.

(d) By supplementary letters patent dated December 1, 1971 the shares of the company were consolidated on a basis of 1 for 10. All references unless otherwise stated are to shares prior to consolidation.

8. Extraordinary items

The extraordinary gain of $460,000 in the year ended December 31, 1970 arose from the sale of the company's investment in preferred shares of a United States corporation and the disposal of a small office building.

notes to consolidated financial statements (continued)

9. Net earnings and income taxes

(a) The company's property interests have an undepreciated capital cost base of $350,881,000 available to apply against future taxable income. These properties are for the most part rented under long term leases to major tenants and these leases contain escalation clauses under which increases in current operating expenses and property taxes are borne by the tenants.

For the ten months ended October 31, 1971, income taxes of $2,336,000 have been deferred as a result of claiming capital cost allowances in excess of depreciation charged in the accounts. Because it is possible to determine on a reasonable basis the years in which depreciation charged in the accounts will exceed maximum capital cost allowances available for tax purposes, the present value (discounted) method of providing for deferred income taxes has been adopted. The income tax currently deferred of $2,336,000 will be provided for in such determined years by the provision made in the accounts of $650,000 compounded in each subsequent year at the rate of 4% per annum.

The deferred tax liability of $5,438,000 accumulated by subsidiaries prior to their acquisition and included in the consolidated balance sheet as at October 31, 1971 has not been discounted.

(b) In addition, if the company had not applied losses carried forward from prior years, deferred income taxes (not discounted) of approximately the following amounts would have been deducted in arriving at net earnings:

Ten months ended—October 31, 1971	$ 750,000
—October 31, 1970 (unaudited)	1,220,000
Twelve months ended—December 31, 1970	1,556,000

10. Per share calculations

(a) Earnings and cash flow from operations per share have been calculated on the basis of the average number of shares outstanding during each of the periods under review after giving effect to the consolidation of shares outlined in note 7(d).

(b) The company's long term debt includes issues with convertible features which if they had all been converted for the period under review would have increased the reported earnings and cash flow from operations per share. Included in these convertible issues are 7% Convertible (1971) Notes which were issued during the ten months ended October 31, 1971, which are not convertible before December 31, 1974 and which do not bear interest until July 1, 1976. Pursuant to the calculations recommended by the Canadian Institute of Chartered Accountants, had these Notes been converted at the time of issue the effect would have been to reduce reported earnings and cash flow from operations per share for the ten months ended October 31, 1971 to 64¢ and $1.16 respectively.

11. Contingent liabilities and other commitments

(a) The company has guaranteed certain of the obligations of its subsidiaries and has pledged certain of its holdings in shares, mortgage bonds, debentures and notes of its subsidiaries as security for certain bank and other loans.

(b) The company and certain subsidiaries have contingent liabilities for the obligations of their respective associates in joint venture developments. In each case, all of the assets of the joint venture are available for the purpose of satisfying such obligations.

(c) The following securities have been issued as collateral for performance guarantees and secured bank loans:

(i) $5,000,000 of collateral mortgages by Place Ville Marie Corporation

(ii) $15,000,000 U.S. of debentures by Triton Shopping Centres Limited

(iii) $27,200,000 U.S. floating charge debentures by the company

(iv) $5,300,000 first mortgage debenture by Place Québec Inc.

(d) Certain recently acquired subsidiaries have been reassessed income taxes of approximately $800,000 and it is estimated that there may be further reassessments for approximately $420,000, all relating to periods prior to acquisition. In the opinion of counsel for these subsidiaries, there is a good defence on the merits and the reassessments are being contested.

12. Change in year end

During 1971 the company's year end was changed from December 31 to October 31, 1971.

13. Remuneration of directors and officers
The company and its subsidiaries paid the following remuneration to eleven officers (five of whom were directors) and eighteen directors of the company:

	Ten months ended October 31, 1971		Twelve months ended December 31, 1970	
	Directors	Officers	Directors	Officers
	$	$	$	$
Company	26,580	327,693	13,775	359,157
Subsidiaries—				
Cummings Properties Limited	1,300	68,333		
Great West International Equities Ltd.		26,320		
Place Québec Inc.		16,667		
Tristar Developments, Inc.		19,875		
	27,880	458,888	13,775	359,157

Auditors' report to the shareholders

We have examined the consolidated balance sheet of Trizec Corporation Ltd. and its subsidiary companies as at October 31, 1971 and the consolidated statements of earnings, retained earnings, cash flow from operations and source and use of funds for the ten months then ended. Our examination of the financial statements of Trizec Corporation Ltd. and the subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1971 and the results of their operations and the source and use of their funds for the period then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.
Chartered Accountants

Montreal, January 14, 1972

Ten-year financial review

	Twelve months ended December 31,									Ten months ended October 31,	
	1962	1963	1964	1965	1966	1967	1968	1969	1970	1970	1971
	(In Thousands of Dollars)										
Gross property assets	122,254	138,064	142,329	164,326	169,330	173,294	218,421	226,075	236,543	230,901	480,043
Gross revenue	4,194	11,310	15,043	17,744	21,062	24,957	27,982	37,774	41,672	34,212	77,517
Cash flow from operations	(2,850)	(3,407)	(1,659)	(553)	237	1,452	2,415	3,618	3,913	2,884	8,226
Net earnings (loss) before extraordinary items	(2,877)	(4,075)	(2,519)	(1,561)	(841)	257	1,122	2,026	2,155	1,439	4,529*
Net earnings	(2,877)	(4,075)	(2,519)	(1,561)	(841)	257	1,122	2,732	2,615	1,899	4,529*
Average number of shares	13,700	15,660	17,720	19,220	19,220	19,220	21,480	28,720	28,993	28,728	65,796
	(Per Consolidated Share)										
Cash flow from operations	($2.08)	($2.18)	($ .94)	($ .29)	$ .12	$ .76	$1.12	$1.26	$1.35	$1.00	$1.25
Net earnings (loss) before extraordinary items	($2.10)	($2.60)	($1.42)	($ .81)	($ .44)	$ .13	$ .52	$ .71	$ .74	$ .50	$ .69*
Net earnings	($2.10)	($2.60)	($1.42)	($ .81)	($ .44)	$ .13	$ .52	$ .95	$ .90	$ .66	$ .69*

**After adjustment for deferred income taxes.*

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