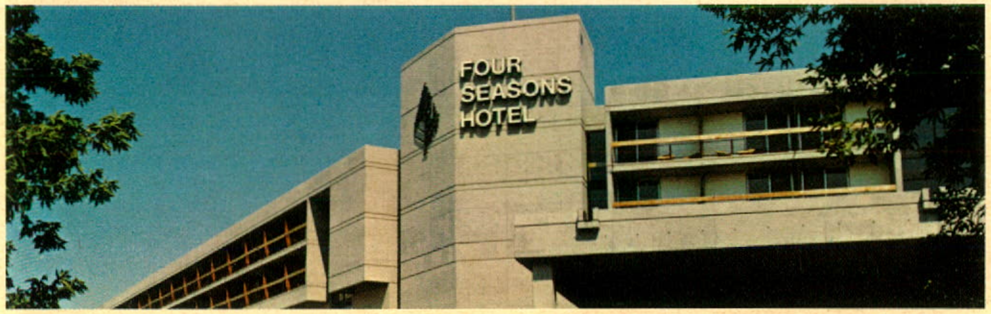
FOUR SEASONS HOTELS LIMITED   ANNUAL REPORT 1971



FOUR SEASONS HOTELS LIMITED

DIRECTORS

*Max Sharp
Toronto, Ontario

*Isadore Sharp
Toronto, Ontario

*Murray B. Koffler
Toronto, Ontario

*Edmond M. Creed
Toronto, Ontario

*Frederick Eisen
Toronto, Ontario

*Ian F. Munro
Toronto, Ontario

**Lanfranco Amato
Toronto, Ontario

**Sir Gerald Glover
London, England

*Member of the Executive Committee
**Member of the Audit Committee

OFFICERS

Max Sharp
DIRECTOR AND CHAIRMAN OF THE BOARD

Isadore Sharp
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Ian F. Munro
EXECUTIVE VICE PRESIDENT

Murray B. Koffler
VICE PRESIDENT

Edmond M. Creed
SECRETARY

Frederick Eisen
TREASURER AND ASSISTANT SECRETARY

REGISTRAR AND TRANSFER AGENT

Guaranty Trust Company of Canada
Toronto, Montreal, Winnipeg, Calgary and Vancouver

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Montreal Stock Exchange

AUDITORS

Wm. Eisenberg & Co.
Toronto

EXECUTIVE OFFICES

1100 Eglinton Avenue East
Don Mills, Ontario

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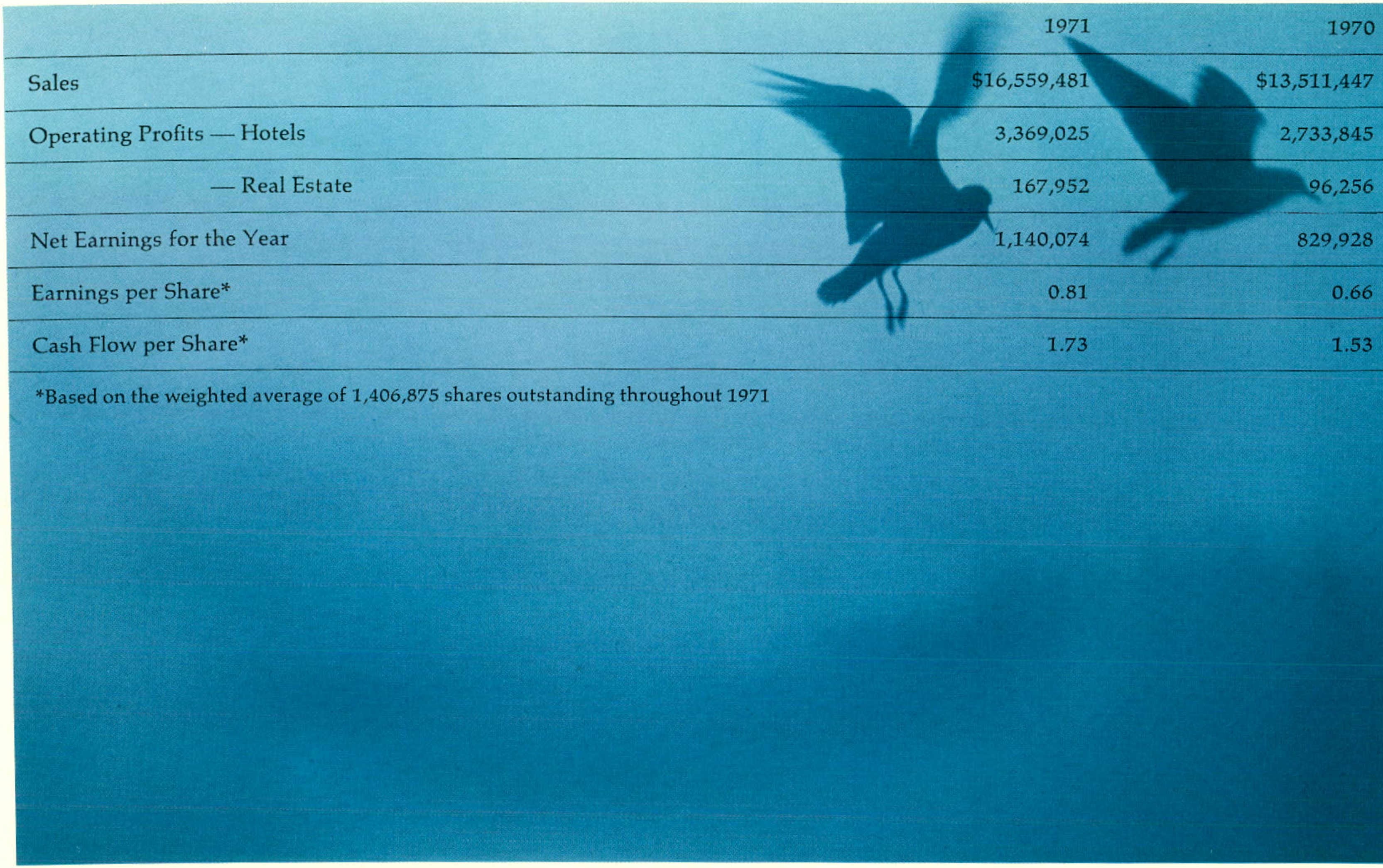
FINANCIAL HIGHLIGHTS



	1971	1970
Sales	$16,559,481	$13,511,447
Operating Profits — Hotels	3,369,025	2,733,845
— Real Estate	167,952	96,256
Net Earnings for the Year	1,140,074	829,928
Earnings per Share*	0.81	0.66
Cash Flow per Share*	1.73	1.53

*Based on the weighted average of 1,406,875 shares outstanding throughout 1971

PRESIDENT'S REPORT

I am pleased to report that 1971's performance exceeded our forecasts as the company achieved marked increases over the results of the previous year. Sales and earnings per share were both up 23 per cent, net earnings showed a 37 per cent increase.

Sales for 1971 were \$16,559,481 compared to the 1970 figure of \$13,511,447. Earnings per share were 81 cents over the 66 cents achieved in 1970.

Net earnings for 1971 at \$1,140,074 were up 37 per cent over the \$829,928 earned in 1970 while cash flow increased by 26 per cent from \$1,925,416 in 1970 to \$2,433,688 in 1971.

One of the important reasons for this success is our basic philosophy. We pick our locations discriminately because in each community the Four Seasons establishment must provide the best accommodation and services available.

Each property therefore, must optimize architecture, economics, environment and experience to be self-sustaining and operate as an individual and unique unit.

We are not a chain — rather a group of hotels, each one geared in its operation to the specific needs of the individual community.

While we are engaged in many plans for the future, we continue to expand and develop our current operations. In Toronto the original Four Seasons Motor Hotel continues to be extremely profitable and is presently undergoing refurbishing. At the Inn on the Park, the new tower was opened along with an indoor pool, a new restaurant, lounge and executive offices.

Construction of the Four Seasons-Sheraton, the largest convention hotel in the Commonwealth is proceeding on schedule and will be open this fall. This exciting convention concept has already been enthusiastically received by groups all over North America and Europe.

In London, England, the highly successful Inn on the Park continues to operate near full capacity.

In the Four Seasons-Belleville, a new entertainment room opened. Our first year of operation is now completed and we have established a pattern of business for years to come.

The Four Seasons - Israel is proving to be a successful operation and is showing a return on investment to the owners.

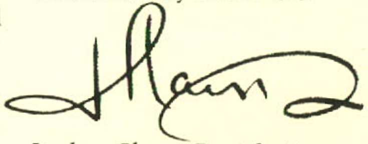
In our real estate operations, Kensington Towers apartment complex suites are selling on schedule with almost 50% sold. At 484 Avenue Road, major refurbishing of the lobby and model suites is now completed, and a major advertising campaign has commenced. Although sales have been slower than anticipated, we would hope that within the next few months we will have something more to report. Construction on the new Granite Club is nearing completion and is within budget. The continuous co-operation of the Granite Club has been most gratifying and our combined efforts have created one of North America's finest athletic and social family clubs.

Early in 1972 I reported that Four Seasons is no longer managing the Balmoral Beach Hotel in Nassau. We were originally brought in to manage in order that the owners could eventually sell the hotel on a condominium or other basis. A sale occurred in February and although we had expected our involvement to be on a long term basis, nevertheless we were pleased that the owners had success in selling the property. The company was compensated for relinquishing its long term management rights.

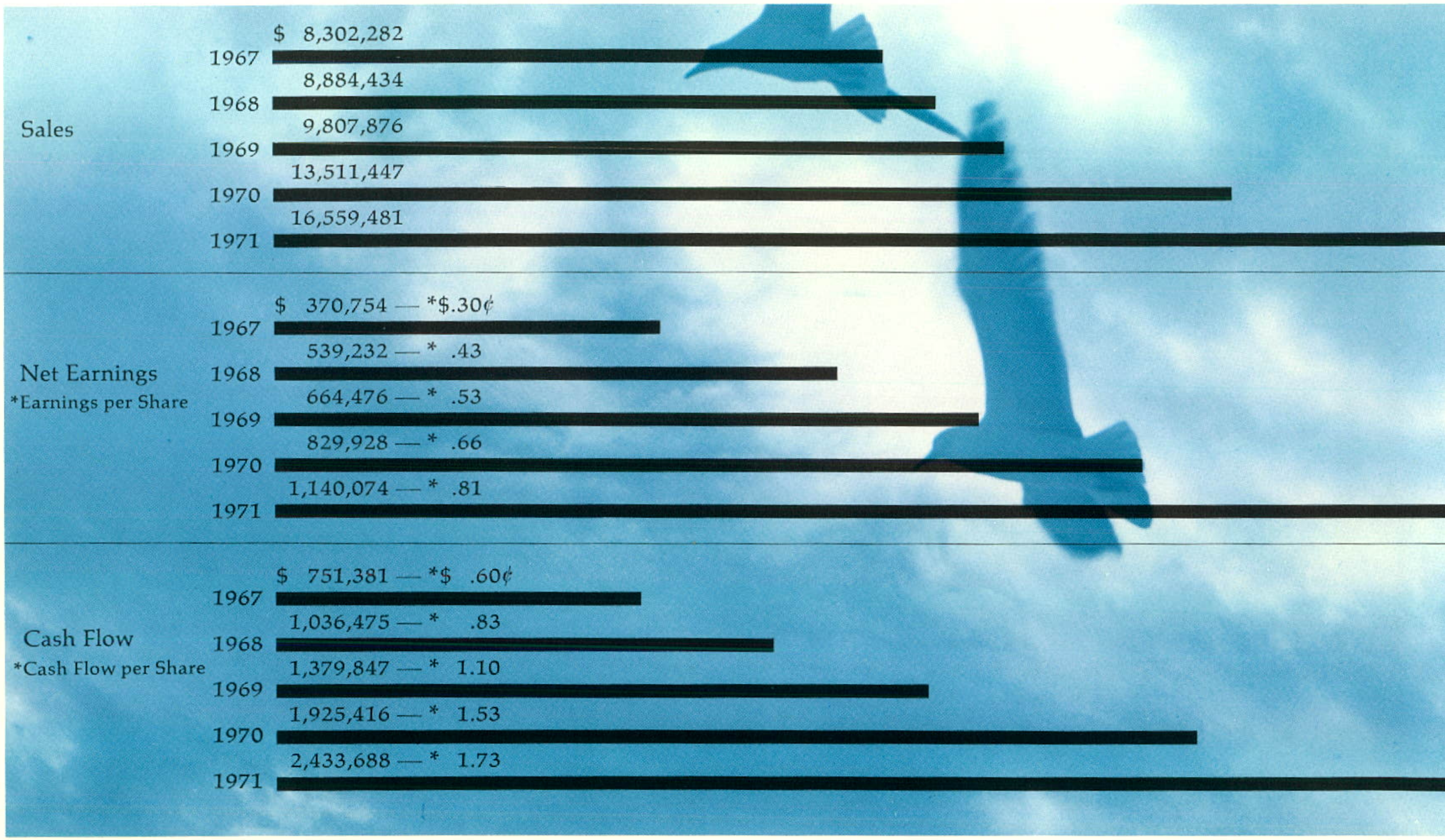
We are highly optimistic about the future. Both at home and abroad, our company foresees expanding markets for the hotel industry.

We see an upswing in the accommodation industry. Hotel rates and costs will undoubtedly continue to rise but the demand for prime travel accommodation will increase as well. All transportation facilities are being advanced to encourage and accommodate broader travel. The wage-earner is gaining more spending power and longer vacation periods in which to travel. Governments are developing tourism throughout the globe and providing incentives to hotel companies in order to attract new hotel facilities to meet the increased demand.

For these and other reasons we anticipate the 1970s to be an exciting and innovative period not only for Four Seasons but for the hotel industry as a whole.



Isadore Sharp, President.
Toronto, June 1, 1972.


Sales
$ 8,302,282
1967
8,884,434
1968
9,807,876
1969
13,511,447
1970
16,559,481
1971
Net Earnings
*Earnings per Share
$ 370,754 — *$.30¢
1967
539,232 — * .43
1968
664,476 — * .53
1969
829,928 — * .66
1970
1,140,074 — * .81
1971
Cash Flow
*Cash Flow per Share
$ 751,381 — *$ .60¢
1967
1,036,475 — * .83
1968
1,379,847 — * 1.10
1969
1,925,416 — * 1.53
1970
2,433,688 — * 1.73
1971

HEAD OFFICE EXECUTIVE Seated left to right: George Schwab, Asst. General Manager, Frederick Eisen, Director of Projects Development, John E. Sheard, Director of Sales, Chris Wallis, Construction Coordinator, Ian F. Munro, Exec. Vice-President and General Manager, Bob Lee, Purchasing Coordinator, Robert K. Gerrard, Director of Food and Beverage. Standing left to right: Kenneth Jarvis, Comptroller, George Gourbault, Food Service Supervisor, Finlay Logan, Exec. Asst. to Vice-President, Oscar Ross, Director of Advertising, Frank E. Orenstein, Exec. Asst. to President, Bernard Toplitsky, Asst. Comptroller.

The financial health and expansion of Four Seasons Hotels Limited is certainly a reflection that our approach to hotel and commercial development is sound and innovative. We have been very discriminant in selecting our sites and have designed each project as a unique venture to fit its particular physical, social and economic environment. And, we have been most fortunate in attracting the support of responsible and expansive minded associates.

But the most important factor, we believe, is our primary concern with the excellence of our product. The menu and facilities will vary as you travel from one Four Seasons establishment to the next but we are determined that in each locale our cuisine, accommodation, service and amenities shall be the very best available.

We build our business on repeat sales as well as expansion of the hotel's operations. In all cases key personnel in each location are encouraged to express their own ideas and utilize their experience.

INN ON THE PARK, TORONTO

The Inn on the Park, Toronto, clearly reflects Four Seasons philosophy that "plans must optimize architecture, economics, environment and experience with a very clear view of the functions that project will perform."

Only 15 minutes from downtown, the hotel was planned to blend with the extensive parklands and Don Mills suburbia — and to accommodate the expectations of travelers, diners, businessmen and convention planners.

The entire complex was also designed to be one of the largest, best-equipped convention hotels in Canada — a ballroom which would seat 1000 diners and 17 function and conference rooms to accommodate 20 or 300 persons.

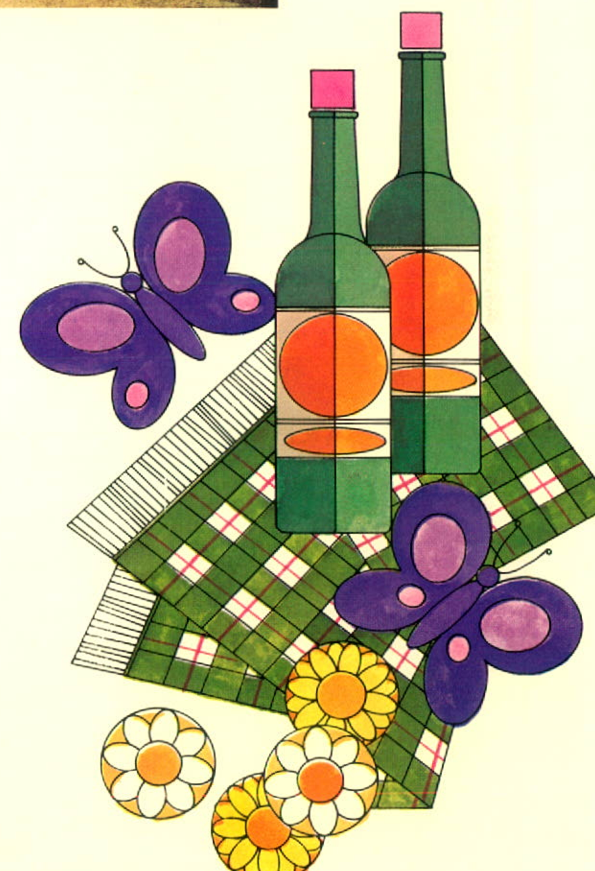
Guests can sit by a blazing fire in the lobby in winter to watch skaters on the inner courtyard rink; wander among trees and gardens, stream and waterfall, feed ducks in summer or deer in winter. Year-round you can swim, play

tennis, badminton, shuffleboard, exercise in the gym or relax in the sauna bath, dictate a letter or have your picture taken, meet over drinks, have tea for two, hold a banquet or exhibition.

With the opening of the 23-storey tower in 1971 the entire complex provides a facility that now contains 615 guest rooms, three lounges, four restaurants, a poolside cafe, an indoor swimming pool, an outdoor swimming pool, whirlpool, and indoor tennis.

Its distinctive lounges and dining rooms are highly regarded by Torontonians. Russian Premier Kosygin and Prime Minister Trudeau, as well as many major corporations, have utilized the Inn's meeting facilities and are among those who have commended the hotel.

Launched in 1962 on a sound economic basis, the Inn on the Park has been consistently expanded to meet the growing demand for its facilities.



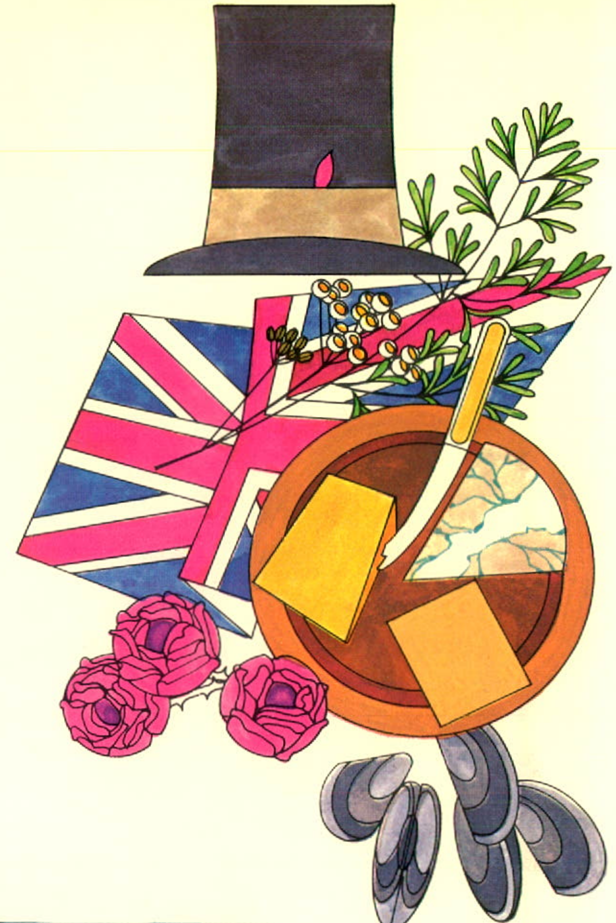
INN ON THE PARK, LONDON, U.K.

The company's first enterprise in the United Kingdom, the Inn on the Park, London, is an excellent example of Four Seasons philosophy that "each venture must incorporate special elements that make the project distinctive and relate it to its locale."

Located in the heart of the Mayfair district near Hyde and Green Parks — an address synonymous with elegant accommodation — it was built to fits its distinctive locale with the same unique approach that is a hallmark of the company.

The 10-storey 230-room hotel overlooking Hyde Park from its Old Park Lane site is in close proximity to London's traditional establishments of elegance. It is within walking distance of Buckingham Palace and St. James Palace. Built to fit this locale, the Inn, situated on a triangular block known as Hamilton Place, is a stately structure flanked by landscaped gardens and patios on its off-street side.

It is a very personal hotel serving a cosmopolitan clien-

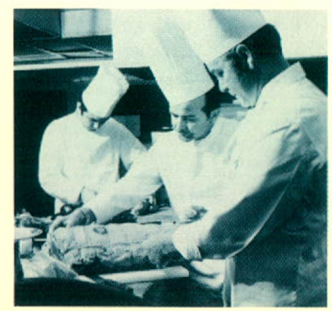


tele. Guest rooms are large, graciously appointed and traditionally furnished. Executive suites have private patios and balconies overlooking Hyde Park.

The hotel facilities include several conference and banquet rooms, the largest of which will accommodate 350 persons.

The main dining room is haute cuisine, the Vintage Room informal. Among its unique features are afternoon tea served in the lobby and dinner dancing until 3 A.M.

Officially opened by HRH Princess Alexandria in January 1970, the hotel won immediate acceptance. In their annual travellers guide, the Egon Ronay organization named it the Hotel of the Year for 1970. Within a year the London Inn on the Park was showing a room occupancy rate of more than 90 per cent and was contributing substantially to the company's profits. In 1971 occupancy was even closer to full capacity.



THE FOUR SEASONS
SHERATON, TORONTO

Scheduled for opening in late fall of 1972 the Four Seasons-Sheraton will be one of the world's great hotels and the largest convention hotel in the Commonwealth and a major centre of International importance.

Unique in its convention complex setting, the 1450 room hotel embraces a convention centre, two theatres, 70 boutiques, two and a half acres of roof gardens, pools, walk ways and waterfalls. It will also provide specialty restaurants, a rooftop supper club, swimming pools and winter gardens. It will cater to groups as large as 3500 people for receptions and meetings; offer trade show facilities and experienced exhibit co-ordinators. Other amenities include an 80-foot swimming pool in the garden patio with poolside dining and a fully equipped health and squash club.

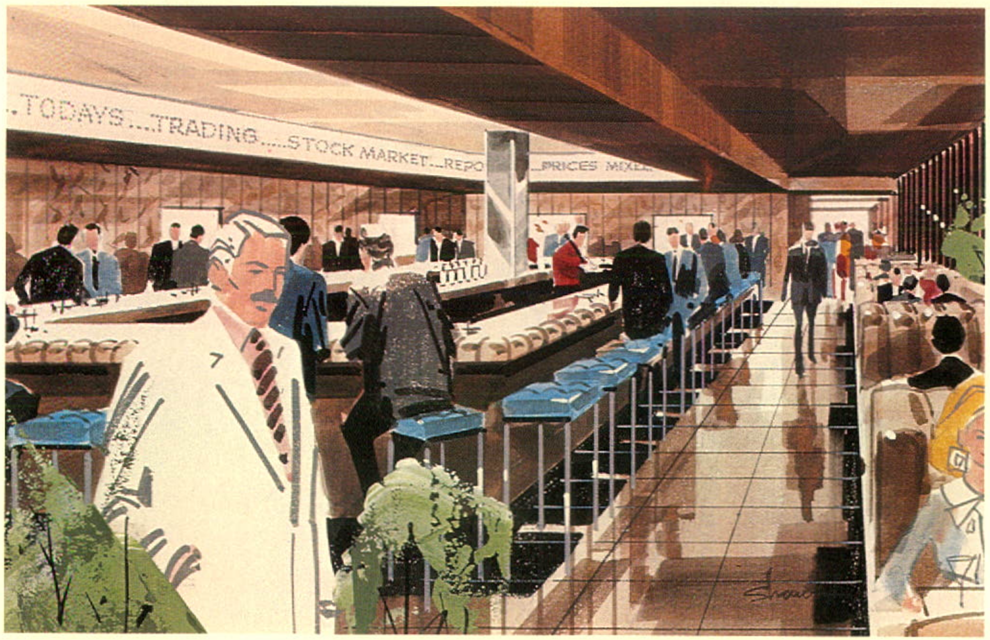
There will be dinner facilities in 6 dining rooms, meeting facilities for 4,000 and underground parking

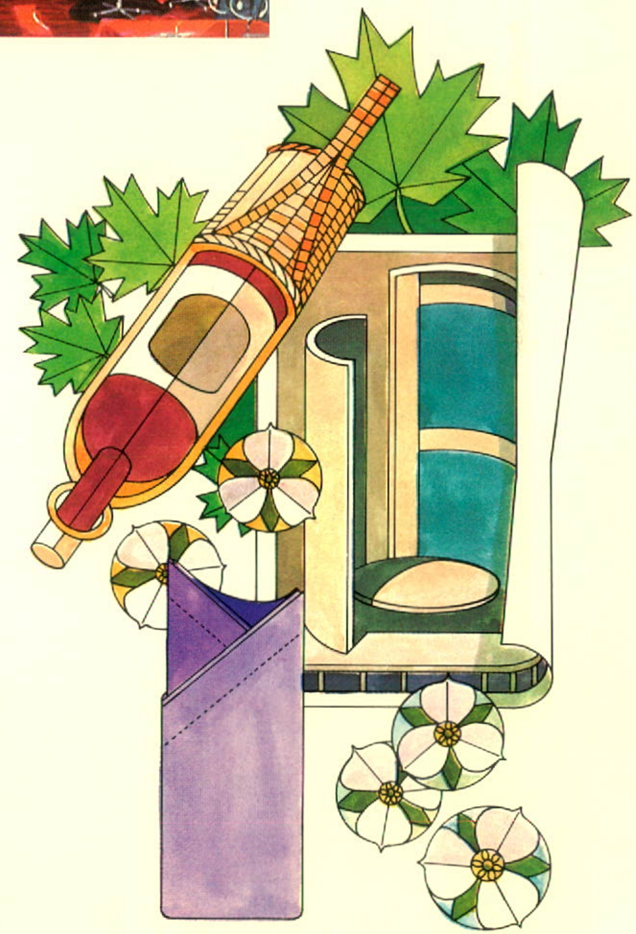
for 2,500 cars.

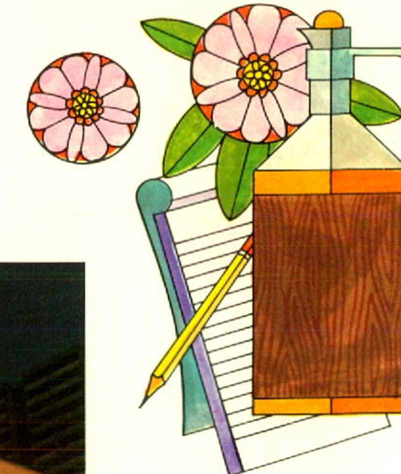
The entire complex is shaped around an interior courtyard of leisure areas and recreation facilities.

Elevated and underground walkways link the Four Seasons-Sheraton with Nathan Phillips Square and its extensive underground parking area. Provision has also been made for underground access to neighbouring department stores, office buildings and Metro's subway system.

In this venture Four Seasons is a 49% partner, in South Side Development Limited, with Sheraton Hotels Limited an International Telephone and Telegraph subsidiary.







FOUR SEASONS MOTOR HOTEL

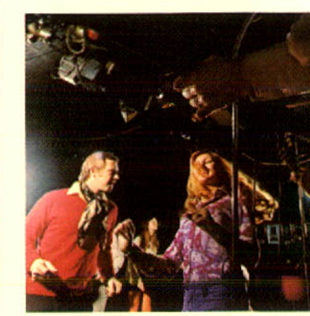
TORONTO

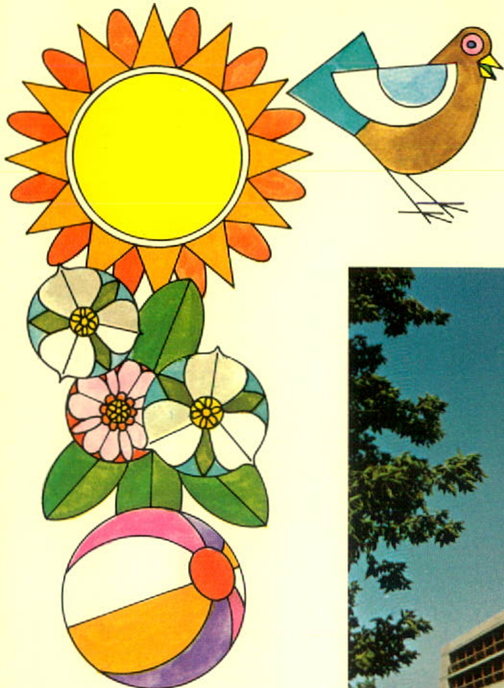
The first motor hotel in downtown Toronto's high-density urban core, the Four Seasons Motor Hotel, opened in 1961, epitomizes the company's approach to innkeeping.

"In each locale our cuisine, accommodation, service and amenities shall be the very best available".

The hotel's unique design met the challenge of site limitations. Its 165 guest rooms surround a pool, patio, terraced lounge and landscaped gardens. The main dining room is rated one of the finest in the city. Its cocktail lounges, favorite rendezvous for Torontonians, accommodate 300 persons. Downstairs a discotheque by night turns into a television studio by day for Elwood Glover's "Luncheon Date".

The Four Seasons, Toronto has become the established gathering place for lunch-bound businessmen, for people arranging conferences and sales presentations and for all who want the convenience of a downtown location.





THE FOUR SEASONS

BELLEVILLE

The Four Seasons, Belleville, exemplifies the company's feeling that "we are not restricted to the traditional way of doing things; we are bound only by our regard for excellence."

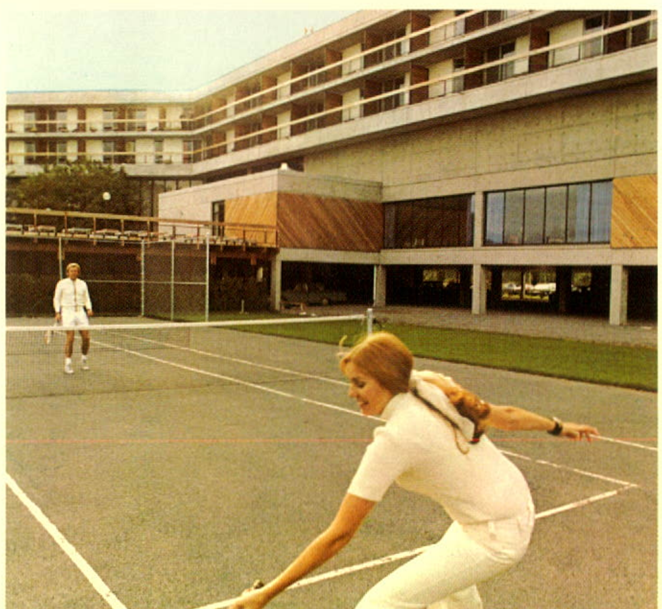
The 125-room hotel combines resort hotel facilities with the Bell Canada Training Centre.

One wing of the four-storey hotel houses the hotel facilities; the other contains classrooms, audio-visual facilities and laboratories for Bell Canada training personnel.

The eight acre site is on the Bay of Quinte and guests can enjoy tennis, boating and water sports.

Other amenities include a 350 seat pub featuring live entertainment, a dining area consisting of a cocktail lounge, grill and Bell Canada student lounges serving 300 people.

The hotel provides facilities that are outstanding in Eastern Ontario vacation lands, such as swimming pool, tennis and badminton courts, reading, music and games rooms.



THE FOUR SEASONS — ISRAEL

In line with Four Seasons policy that "each development should be a unique venture," the Four Seasons — Israel, was designed to be striking as well as innovative.

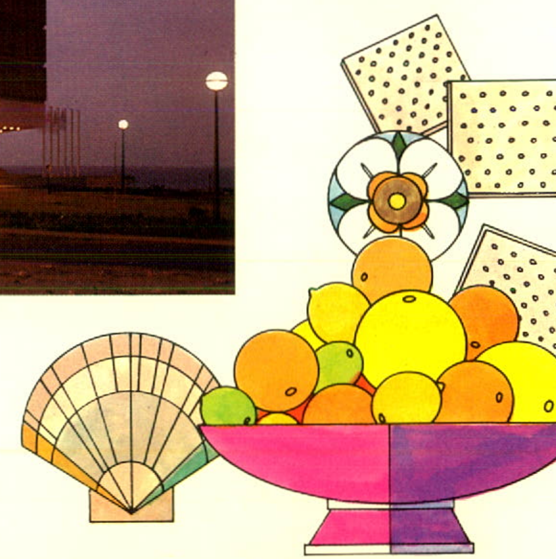
The 14-storey structure standing on a 200-foot cliff overlooks its own half mile of Mediterranean beach. The site, covering two acres, is surrounded by 100 acres of parkland bordering Nathanya, just 25 miles from Tel Aviv.

In a rather unique concept the 130 suite hotel is co-operatively owned. Many of the suite owners are businessmen from abroad who visit Israel periodically.

In their absence the suites are readily rented to the public through Four Seasons management.

Facilities include a French cuisine dining room, air conditioning, cocktail lounge, sauna, heated fresh water swimming pool, tennis courts and gardens.

In fact the dining room has become so popular that current plans are to expand this area of the hotel.



484 Avenue Road

Kensington Towers

Proposed commercial development for St. Clair Avenue

PROPOSED DEVELOPMENT FOR ST. CLAIR AVE. A multi-million dollar commercial complex will soon be under way on the Granite Club's St. Clair Ave. site.

The old club building will be replaced by two octagonal glass and steel towers of 34 and 25 storeys joined by a five-storey weather-protected multi-plaza base for shops and restaurants.

A covered year round outdoor garden making extensive use of landscaped facilities, walkways and greenways will create an aesthetic working atmosphere.

KENSINGTON TOWERS, TORONTO. Located on a six-acre site in Rosedale, the Kensington Towers apartments was purchased by Four Seasons for conversion into co-operatively owned suites.

Renovated and refurbished, the apartment complex now provides 205 suites and features such amenities as a health club with indoor and outdoor pools, whirlpool and sauna baths.

484 AVENUE ROAD, TORONTO. Four Seasons undertook extensive renovation of this distinctive 118 suite apartment building which is being converted into co-operatively owned suites.

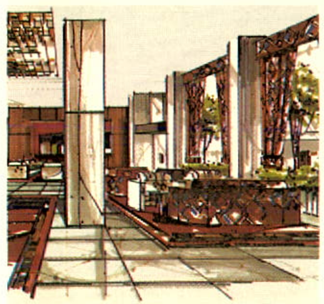
THE FOUR SEASONS — CALGARY

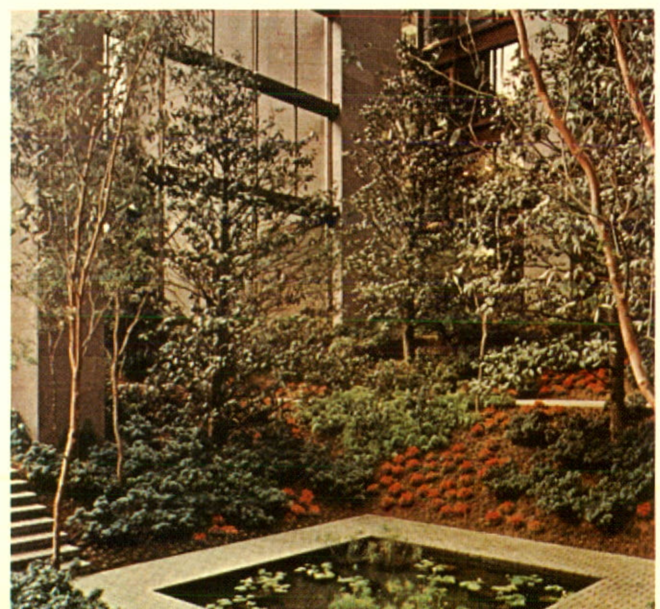
"To clearly define the function and scope of the project," is a Four Seasons philosophy applicable to the Calgary hotel venture. The 400 room hotel will be built by Calgary Convention Centre Limited for long-term lease to Four Seasons when it is completed in 1974.

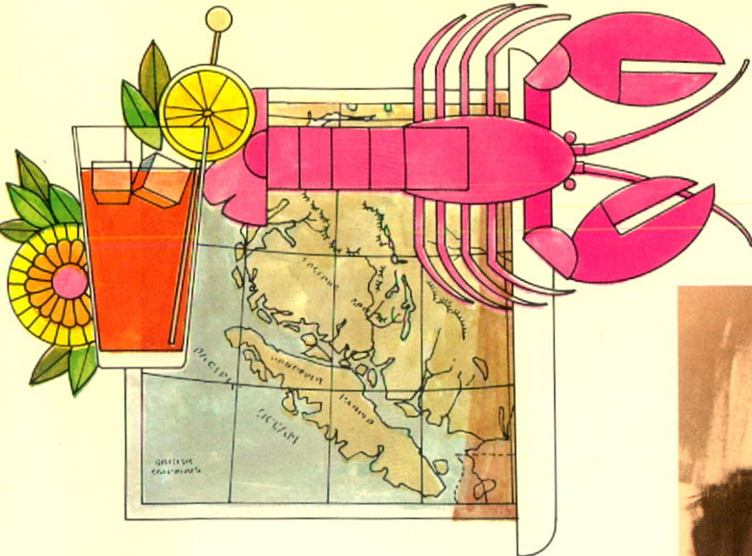
Four Seasons will also look after all food and beverage services for the 160,000 square foot city owned convention centre adjacent to the hotel to be built at the same time as the hotel.

Rising from the convention centre will be the Glenbow Foundation's 250,000 square foot museum and art centre. Occupying an entire block the hotel-convention centre — art museum complex will be located opposite Palliser Square in the heart of downtown Calgary, offering the most unique facilities anywhere in the world.

When completed this will be one of the finest convention and tourist facilities in Canada.







Stanley Park Waterfront residential development

Site for proposed Four Seasons - Vancouver Hotel

THE FOUR SEASONS — VANCOUVER will be an exciting addition to the downtown area of the city and be surrounded by such new towers as the Toronto Dominion Bank, the new Eaton's store and a new IBM tower.

Strategically situated at Georgia and Howe Streets, the luxury hotel will be an integral part of Block 42 and 52 in the Pacific Centre Complex in the heart of Vancouver. Construction to begin 1972 with completion by 1974.

The hotel will have 400 rooms, a swimming pool, whirlpools, dining and meeting rooms overlooking indoor gardens.

THE VANCOUVER WATERFRONT area adjacent to Stanley Park, is being developed by Four Seasons as a residential complex containing 1000 apartment suites, a 200 room apartment hotel and extensive health club, commercial facilities and a marina. Construction to begin 1972, with completion by 1975.

INN ON THE PARK, PARIS

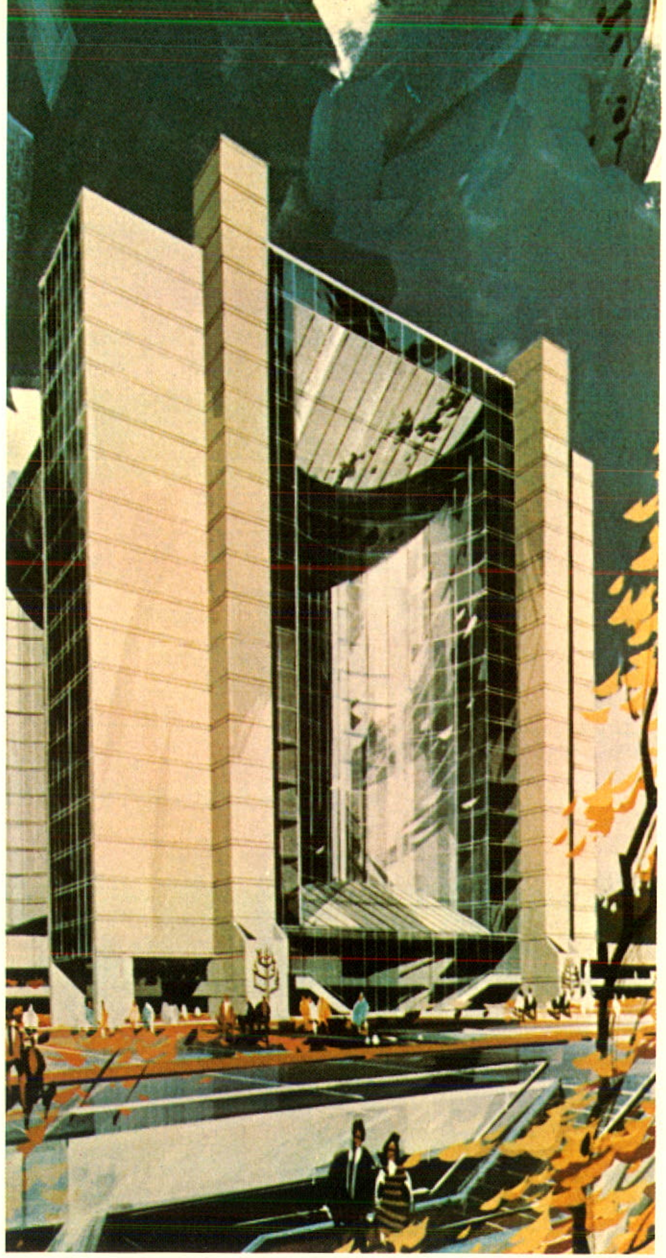
The planned Inn on the Park hotel in Paris is another example of Four Seasons policy that "this is a Canadian company investing the confidence of its shareholders in expanding development abroad as well as at home".

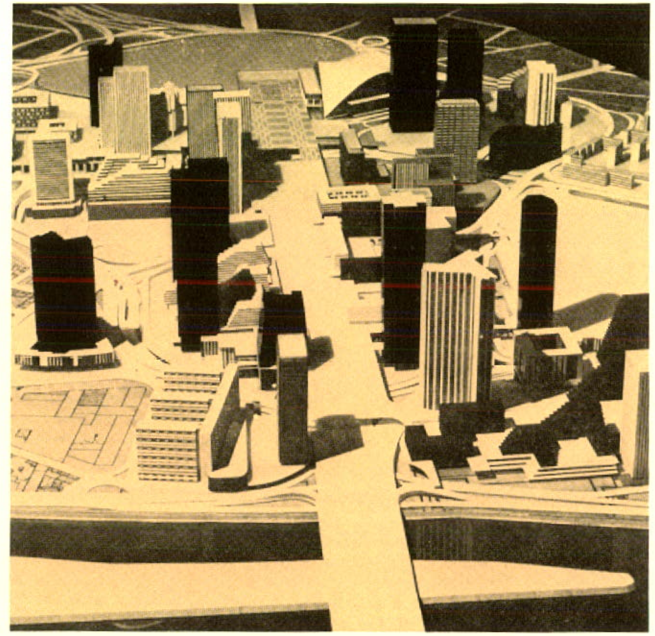
Consistent with Four Seasons policy of acquiring prime locations in such major world centres, the Inn on the Park will be in the heart of an 18 million square-foot commercial redevelopment complex.

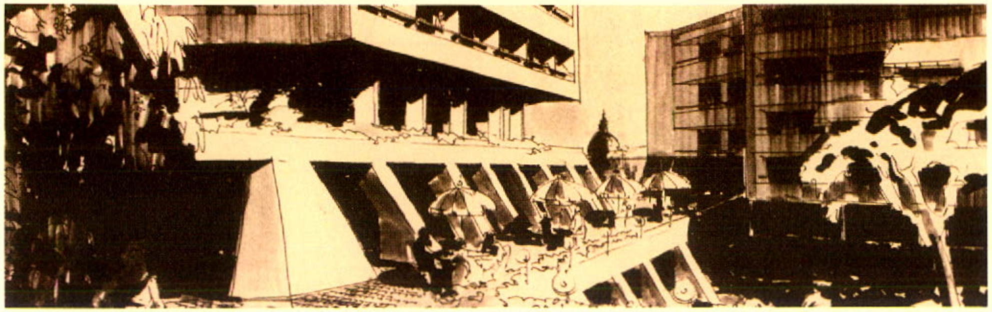
Located in the Zone A government sponsored Defense Region development, an extension of the Champs d'Elysees, the 400 room luxury hotel will be located on an extension of the Champs d'Elysees on the bank of the Seine River.

It will be linked by underground transit with the heart of Paris.

With construction to begin in 1974, the hotel will be owned by a joint venture with French interests and will be operated by the Four Seasons on completion in 1976.







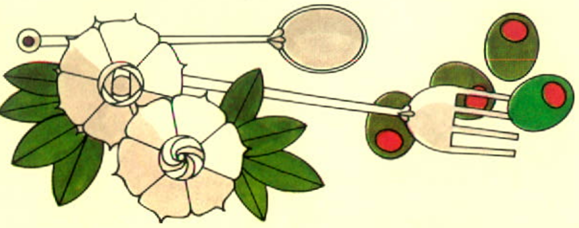
INN ON THE PARK, ROME

Recognizing the growing importance of Rome as an international tourist area, a 20 acre hillside site with an outstanding view of the Vatican, is being prepared for the Inn on the Park, Rome, expected to open in 1976.

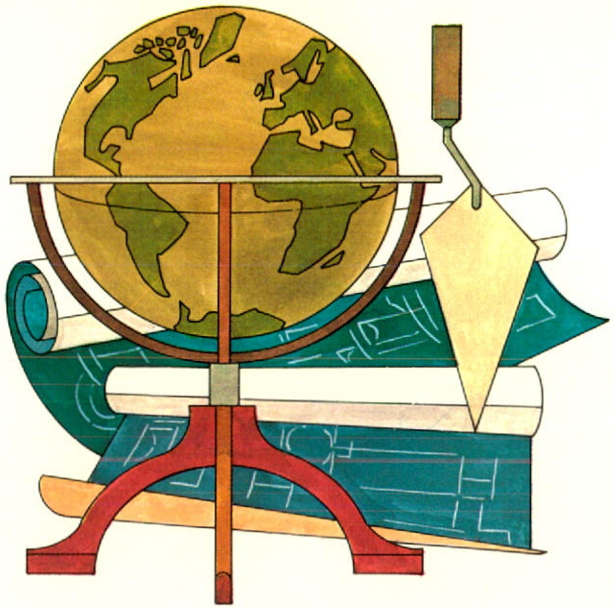
Located minutes from downtown Rome, the 400-room luxury-style hotel is designed around four landscaped courts and will be surrounded by 20 acres of gardens, an example of the company's philosophy of integrating natural gardens to create a pleasant environment and relating the architecture to the local setting.

The individual court yards will respectively provide a swimming pool, an outdoor cafe, formal gardens and tennis courts.

The hotel will extend Four Seasons style quality of service and range of facilities to a new international centre. But like other Four Seasons enterprises it will be uniquely tailored to its locale — "the amenities will be those of the jet age; the architecture very Roman."



TODAY, TOMORROW, FUTURE



TODAY

INN ON THE PARK, TORONTO, 615 Rooms
FOUR SEASONS MOTOR HOTEL, 165 Rooms
THE FOUR SEASONS, BELLEVILLE, 125 rooms
INN ON THE PARK, LONDON, U.K., 230 Rooms
THE FOUR SEASONS — ISRAEL, 130 Rooms

In Toronto, the Inn on the Park was expanded in 1971 when the tower opened, bringing the total guest facilities to 615 rooms and adding a restaurant, cocktail bar, meeting rooms, executive offices, and an indoor swimming pool. Downtown the Four Seasons Motor Hotel, which continues to be a popular gathering spot, has undergone renovations. Four Seasons-Sheraton Hotel, is scheduled to open this fall.

At Belleville, Ontario a new entertainment room was opened in the Four Seasons Hotel. This hotel combines resort hotel facilities with the Bell Telephone Canada Training Centre, which is housed in an adjacent wing.

In London, England, the popular Inn on the Park is operating at full capacity. Located in the Mayfair district of London, it is a very personal hotel serving a cosmopolitan clientele.

The co-operatively owned 130-suite Israel Four Seasons continues to be a profitable venture under Four Seasons management.

Real estate operations in Toronto include the luxury Kensington Towers in the Rosedale residential area which has been converted to co-operatively owned suites; 484 Avenue Road which has also been renovated and converted into co-operatively owned apartments; and the new Granite Club which is nearly completed.

TOMORROW

THE FOUR SEASONS — SHERATON, 1450 Rooms
THE FOUR SEASONS — CALGARY, 400 Rooms
THE FOUR SEASONS — VANCOUVER, 400 Rooms
INN ON THE PARK, ROME, 400 Rooms
INN ON THE PARK, PARIS 400 Rooms

In its expansion into Western Canada, the company is developing hotels in Vancouver and Calgary as well as a residential complex in Vancouver.

In Calgary, Four Seasons will operate a 400 room hotel adjacent to the Calgary convention centre and will also look after all food and beverage service for the convention centre itself. It is scheduled to open in 1974.

In Vancouver the 400 room Four Seasons Hotel will be an integrated part of a downtown hotel-shopping office complex. Strategically located at Georgia and Howe Streets it will be completed by 1974.

In the Vancouver Waterfront area near Stanley Park, Four Seasons will develop by 1976 the property as a residential complex containing 1000 apartment suites, a 200 room apartment hotel and extensive health club, commercial facilities and a marina.

In Europe, plans call for hotels in Rome and Paris. In Rome a luxury 400 room will be built on a 20 acre hillside site providing an outstanding view of the Vatican. It is expected to open in 1976. In 1974 construction will begin on a 400 room luxury hotel in Paris, in the heart of the 18 million square-foot commercial redevelopment complex located on an extension of the Champs d'Elysees on the banks of the Seine River. Inn on the Park, Paris, will be completed in 1976.

FUTURE

INN ON THE PARK, LONDON, U.K., EXTENSION 100 Rooms
INN ON THE PARK, QUEBEC CITY, 400 Rooms
INN ON THE PARK, MONTREAL, 300 Rooms
THE FOUR SEASONS — LONDON, ONT., 350 Rooms
THE FOUR SEASONS — EDMONTON, 350 Rooms
THE FOUR SEASONS — DALLAS, 400 Rooms

As part of its plans for future expansion, Four Seasons has begun negotiations in the following cities for potential new hotel sites: Quebec City, Montreal, London, Ontario, Edmonton, Dallas, Texas. The company is also planning a 100 room expansion for the Inn on the Park in London, England. Developments on these proposed projects will be reported as they occur.

FINANCIAL REPORT

FOUR SEASONS HOTELS LIMITED
Consolidated Balance Sheet
As at December 31, 1971

ASSETS	1971	1970
CURRENT ASSETS		
Cash on Hand and in Bank	$ 437,689	$ 174,940
Accounts Receivable (after Allowance for Doubtful Accounts 1971 — $187,791; 1970 — $136,233)	1,696,172	1,214,058
Management Fees Receivable	213,700	100,000
Inventory of Food, Beverages and Supplies — at lower of Cost or Replacement Value	487,919	401,278
Accrued Interest Receivable	763,505	327,532
Sundry Amounts Receivable	168,323	101,119
Short Term Loans Receivable	2,197,647	60,000
Due from Rosehill Development Company	—	10,000
Mortgage Advance Receivable	—	500,000
Prepaid Expenses	29,454	36,229
Cash Surrender Value of Life Insurance	30,812	23,625
	$ 6,025,221	$ 2,948,781
DEFERRED DEVELOPMENT AND CONSTRUCTION COSTS (Note 3)	$ 687,728	$ 282,378
INVESTMENTS (Note 4)		
South Side Development Limited	$ 4,000,000	$ 2,895,900
Joint Venture Fund	—	1,104,100
Equity in Mt. Pleasant Development Company	130,965	75,495
Equity in Kensington Development Company	434,859	259,523
Mortgage Receivable — 8%, Due August 30, 1973	119,808	140,384
	$ 4,685,632	$ 4,475,402
FIXED ASSETS (Note 5)		
Land	$ 2,475,100	$ 2,375,000
Buildings	14,842,038	7,486,561
Land and Buildings Under Construction	—	4,164,904
Furniture, Furnishings and Equipment	6,168,788	4,344,472
Leasehold Improvements (at cost)	1,057,108	1,096,140
Vehicles (at cost)	19,333	7,245
	$24,562,367	$19,474,322
Less: Accumulated Depreciation	1,795,469	1,134,685
	$22,766,898	$18,339,637
Linen, Tableware and Uniforms (Inventoried at the lower of Cost or Depreciated Value)	$ 1,141,393	$ 1,150,331
	$23,908,291	$19,489,968
OTHER ASSETS (Note 6)		
Unamortized Financing Costs	$ 385,349	$ 274,958
Unamortized Pre-Opening Expenses	270,203	369,179
	$ 655,552	$ 644,137
	$35,962,424	$27,840,666

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

LIABILITIES	1971	1970
CURRENT LIABILITIES		
Bank Indebtedness (Note 7)	$ 356,038	$ 318,712
Accounts Payable and Accrued Charges	2,807,234	1,997,033
Long Term Debt due within one year (Note 8)	585,968	864,739
Income Taxes Payable	434,551	274,772
Shareholders' Loans	—	38,948
	$ 4,183,791	$ 3,494,204
LONG TERM DEBT (Note 8)	18,371,377	15,308,938
DEFERRED INCOME TAXES (Note 9)	1,921,819	1,452,136
TOTAL LIABILITIES	$24,476,987	$20,255,278

SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized		
3,000,000 Shares Without Par Value		
Issued and Fully Paid		
1,483,500 Shares (Note 10 (a))	$ 3,952,449	$ 1,035,049
RETAINED EARNINGS	4,526,965	3,544,316
SURPLUS ARISING FROM APPRAISAL OF FIXED ASSETS (Note 5)	3,006,023	3,006,023
TOTAL SHAREHOLDERS' EQUITY	$11,485,437	$ 7,585,388
	$35,962,424	$27,840,666

Approved on behalf of the Board

I. Sharp, Director
F. Eisen, Director

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

AUDITORS' REPORT

To the Shareholders of
Four Seasons Hotels Limited

We have examined the Consolidated Balance Sheet of Four Seasons Hotels Limited as at December 31, 1971, and the Consolidated Statements of Earnings, Retained Earnings, and Source and Application 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 Company as at December 31, 1971, and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Wm. Eisenberg & Co.
Chartered Accountants
Toronto, Canada
May 11, 1972

FOUR SEASONS HOTELS LIMITED

Consolidated Statement of Earnings For the Year Ended December 31, 1971

	1971	1970
SALES	$16,559,481	$13,511,447
Cost of Sales	$ 3,444,337	$ 2,829,492
Payroll and Related Expenses	4,812,434	4,132,855
Other Expenses	3,785,832	3,104,358
House Profit — Hotel Operations	$ 4,516,878	$ 3,444,742
Rent, Municipal Taxes and Insurance	1,147,853	710,897
Gross Profit — Hotel Operations	$ 3,369,025	$ 2,733,845
Share of Profits — Real Estate Operations	167,952	96,256
Management Fees	133,700	75,000
Interest Earned on Investments	525,574	383,695
Earnings from Operations before the following Charges	$ 4,196,251	$ 3,288,796
Interest on Long Term Debt	$ 1,225,587	$ 1,004,744
Directors' Salaries	70,000	70,000
Depreciation of Buildings, Furniture and Equipment	717,787	563,788
Amortization of Pre-opening and Financing Expense	106,144	95,593
EARNINGS BEFORE TAXES	$ 2,076,733	$ 1,554,671
Income Taxes (Note 9)	936,659	724,743
NET EARNINGS FOR THE YEAR	$ 1,140,074	$ 829,928
EARNINGS PER SHARE (Note 12)	81¢	66¢
(based upon the weighted average number of shares outstanding during each year)	(1,406,875)	(1,254,200)

FOUR SEASONS HOTELS LIMITED

Consolidated Statement of Retained Earnings For the Year Ended December 31, 1971

	1971	1970
RETAINED EARNINGS AT BEGINNING OF YEAR	$ 3,544,316	$ 2,719,390
Add: Net Earnings for the Year	1,140,074	829,928
Increase in Cash Surrender Value of Life Insurance	7,187	4,967
	$ 4,691,577	$ 3,554,285
Less: Life Insurance Premium	9,789	9,969
Costs of Share Issue Written Off (net of income tax)	154,823	—
	$ 4,526,965	$ 3,544,316

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

FOUR SEASONS HOTELS LIMITED

Consolidated Statement of Source and Application of Funds For the Year Ended December 31, 1971

	1971	1970
SOURCE OF FUNDS		
Operations		
Net Earnings for the Year	$ 1,140,074	$ 829,928
Add: Non Cash Charges to Income		
— Depreciation of Buildings, Furniture and Equipment	717,787	563,788
— Amortization of pre-opening and financing expense	106,144	95,593
— Deferred Income Taxes	469,683	436,107
CASH FLOW FROM OPERATIONS	$ 2,433,688	$ 1,925,416
Financing		
Capital Stock		
— Net Proceeds of Issue of 228,000 Common Shares	2,752,177	—
Long Term Debt		
— Net Proceeds of Issue of First Mortgage Sinking Fund Bonds, Series A	2,670,000	—
— Mortgages and Construction Obligations	3,089,779	3,637,136
— Conditional Sales Contracts	—	314,708
Other Sources		
Advances from Joint Venture Fund	1,104,100	2,395,900
Employees' Stock Options Exercised	10,400	—
Sundry	83,017	44,616
	$12,143,161	$ 8,317,776
APPLICATION OF FUNDS		
Additional Deferred Development and Construction Costs	$ 405,350	$ 206,924
Additions to Investments		
— South Side Development Limited	1,104,100	1,719,900
— Mt. Pleasant Development Company	55,470	5,433
— Kensington Development Company	175,336	100,073
Additions to Fixed Assets		
— Hotel Properties, Furniture, Furnishings and Operating Equipment	5,136,110	5,718,378
Reduction of Long Term Debt	2,877,340	769,685
Sundry	2,602	5,002
Hotel Pre-Opening Expenses	—	243,497
	$ 9,756,308	$ 8,768,892
NET CHANGE IN WORKING CAPITAL	$ 2,386,853	($ 451,116)
WORKING CAPITAL AT BEGINNING OF YEAR (Deficiency)	($ 545,423)	($ 94,307)
WORKING CAPITAL AT END OF YEAR	$ 1,841,430	($ 545,423)

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

FOUR SEASONS HOTELS LIMITED
Notes to Financial Statements
As at December 31, 1971

1. ACCOUNTING PRESENTATION

The Consolidated Balance Sheet of Four Seasons Hotels Limited includes its wholly-owned subsidiaries, Four Seasons Hotels (London) Limited and Inn on the Park, (Bahamas) Limited, and also includes the assets and liabilities of the Company's hotel in London, England.
Balances and transactions in other currencies have been translated into Canadian dollars on the following basis:
Current assets and current liabilities:
— at exchange rates in effect at December 31st,
Fixed assets and related long term debt, and other non-current assets and non-current liabilities:
— at exchange rates in effect when the assets were acquired and the liabilities were incurred,
Sales and Expenses:
— at the weighted average rate of exchange for the year.

2. DEPRECIATION POLICY

Annual depreciation is recorded by the Company as follows:
Buildings — 5% sinking fund basis over a 40 year period,
Furniture, furnishings and equipment — 10% straight line basis,
Leasehold improvements, London, England — straight line basis over the 21 year guaranteed term of the 84 year lease,
Vehicles — 30% diminishing balance basis.

3. DEFERRED DEVELOPMENT AND CONSTRUCTION COSTS

The deferred development and construction costs were incurred in respect of:

Vancouver hotel and residential development	$668,839
Other Projects	18,889
	$687,728

The costs consist of architectural and design fees and other expenses in connection with the development of specific projects which will be added to the cost of the project buildings.

4. PARTNERSHIPS AND JOINT VENTURES

South Side Development Limited
The Company has a 49% interest and Sheraton Hotels Limited has a 51% interest in South Side Development Limited which is constructing and will own a hotel complex ("The Four Seasons—Sheraton") on leased land known as Civic Square South in Toronto, completion of which is scheduled for November, 1972.

The Company's investment of $4,000,000 is shown at cost and consists of $49,000 of share capital and a loan of $3,951,000 bearing interest at 10% per annum. The size and scope of The Four Seasons—Sheraton have been substantially expanded from that which was originally planned. In order to obtain increased long term debt financing in respect of the resulting additional cost, it was necessary that the equity investment in the project be increased from $10,000,000 to $20,000,000, to be contributed by the Company and Sheraton Hotels Limited in proportion to their respective equity interests.

The Company has the right to participate up to a maximum of 49% and accordingly its maximum investment is limited to $9,800,000. Financing of the additional equity investment is being arranged in order to maintain the Company's 49% interest. International Telephone & Telegraph Corporation, the parent company of Sheraton Hotels Limited, and ITT Sheraton Corporation of America have covenanted to purchase, at the Company's request, the Company's initial equity investment at any time during the first three years following completion of the project at the amount thereof plus interest and thereafter at any time during the following 10 years at fair market value. Arrangements have been made with International Telephone and Telegraph Corporation and ITT Sheraton Corporation of America for a similar covenant to purchase during the first three years the Company's additional equity investment.

Mt. Pleasant Development Company
The Company has a 47½% interest in Mt. Pleasant Development Company, a partnership which owns certain properties in Toronto consisting of an existing office building and the adjoining property which is to be developed as a real estate investment. The properties are subject to mortgages of $392,706 and a bank loan of $209,170 at October 31, 1971, the fiscal year-end of the partnership.

During its 1971 fiscal year, the partnership added $9,386 to its land account, being the net carrying charge of the undeveloped portion of the property. The Company's equity is shown at cost plus its share of the partnership profits from the existing office building.

Kensington Development Company
The Company has a 35% interest in Kensington Development Company, a partnership which has purchased two existing apartment buildings in Toronto—21 Dale Avenue and 484 Avenue Road. The property at 21 Dale Avenue was sold in 1971 to Kensington Apartments Limited, a co-operative apartment company, at a price equal to the aggregate of the selling prices of the individual apartment suites. At October 31, 1971, the fiscal year-end of the partnership, 25% of the apartment suites had been sold by Kensington Apartments Limited.

The beneficial ownership of the unsold apartment suites remains with the partnership until sold. The unsold apartment suites are subject to mortgages and a bank loan which totalled $3,806,189 at October 31, 1971.

The property at 484 Avenue Road, is also being developed as a co-operative apartment project. This property is subject to mortgages which totalled $2,228,525 at October 31, 1971.

The Company's equity is shown at cost plus its share of the partnership profits.

Granite Club Project
The Company has a 75% interest in Yonge-Clair Development Company, a partnership which is presently constructing new club premises for the Granite Club on Bayview Avenue in suburban Toronto under an agreement pursuant to which the partnership will acquire the Granite Club's existing club premises on St. Clair Avenue in midtown Toronto.

The partnership is planning a commercial development on the four acre St. Clair Avenue site.
As at December 31, 1971, the project is subject to a bank loan which amounted to $1,678,732 (U.S.) and other short term loans totalling $1,260,608.

Vancouver Project
The Company, in conjunction with the Canadian National Railways Pension Trust Fund, is engaged in the development of a residential complex on leased land in Vancouver. The total cost of the two phases of the residential development is estimated at $30,000,000.

The maximum equity contribution to be made by the Company in respect of its 50% interest in the first phase, estimated to cost a total of $15,000,000 will be $650,000. It is intended that the Company and the Canadian National Railways Pension Fund will make equal equity contributions for both the first and second phases, but the Company has the option, should it not wish to make all or any part of such contributions for the second phase, of reducing its interest in the entire Vancouver residential development proportionately.

Financing of the balance of the funds required for both phases will be arranged by the Canadian National Railways Pension Fund. Construction of the first phase is expected to commence late in 1972 with completion in late 1974.

5. LAND, BUILDINGS, FURNITURE, FURNISHINGS AND EQUIPMENT

The land, buildings, furniture, furnishings and equipment were appraised by Chaffe, MacKenzie and Ray Limited as at September 1, 1968. Their report dated November 28, 1968, indicated a market value of $12,620,000. This amount was reduced by management to $12,000,000 to establish a more conservative valuation.

The surplus arising from this appraisal of the land, buildings, furniture, furnishings and equipment was $3,006,023. All additions to these fixed assets after September 1, 1968 were recorded at cost.

6. (a) UNAMORTIZED FINANCING COSTS

Financing costs relating to long term debt are amortized in equal annual instalments over the terms of the respective debt issues. Discounts earned on debt retirement have been credited to the related unamortized financing cost.

Financing costs relating to share issues have been charged net of income taxes, to Retained Earnings in the year of the share issue.

(b) UNAMORTIZED PRE-OPENING EXPENSES

It is the Company's policy to defer hotel pre-opening expenses until a hotel opens for business. Subsequently, these expenses are amortized in equal annual instalments over the first five years of operation.

7. BANK INDEBTEDNESS

The bank indebtedness is secured by a general assignment of book debts.

8. LONG TERM DEBT

Long Term Debt comprises the following:	At Dec. 31, 1971	At Dec. 31, 1970
Bank Loans and Obligations re Construction and development (to be replaced by mortgages)	$ nil	$ 1,708,282
Capital Bank Loan—Inn on the Park, London	nil	445,226
Mortgages Payable:		
■ Great West Life Assurance Company on The Four Seasons Motor Hotel, the Inn on the Park, Toronto and a portion of the Carlton Street property adjacent to the Four Seasons Motor Hotel and owned by the Company, due July 15, 1984, interest at 7%, plus a participation in the gross bedroom rentals of The Four Seasons Motor Hotel	977,650	1,027,450
■ Joseph P. Thomson (1957) Limited on a portion of the land on Carlton Street, due May 31, 1972, interest at 7½%	35,234	36,415
■ Shell Canada Limited on the service station property at Jarvis and Carlton Streets, due August 1, 1988, interest at 6¾%	269,710	306,206
■ Great West Life Assurance Company on the Inn on the Park, Toronto, The Four Seasons Motor Hotel and a portion of the Carlton Street property owned by the Company, due February 1, 1987, interest at 7¼%, plus a participation in the gross bedroom rentals of the Inn on the Park, Toronto	3,908,400	4,030,800
■ Great West Life Assurance Company on the Inn on the Park, Toronto, The Four Seasons Motor Hotel and a portion of the Carlton Street property owned by the Company, due June 1, 1996, interest at 9½% plus a participation in the gross bedroom rentals of the Inn on the Park, Toronto	5,000,000	1,910,221
■ First Mortgage Sinking Fund Bonds, Series A, on the Four Seasons—Belleville, due April 1, 1996, interest at 8¾%	2,850,000	—
Conditional Sale Contract for furniture, furnishings and equipment ■ Inn on the Park, London, maturing in monthly instalments at a rate of interest varying from 7½% to 10% per annum, due in 1980 (Payable in Sterling £492,334)	1,212,351	1,351,908
■ Inn on the Park, Toronto, maturing in 1971	—	357,169
Series A Debentures: A first floating charge on all the Company's assets situated in the Province of Ontario, due February 3, 1989, interest at 7% per annum. The Company is required to establish a sinking fund sufficient to retire $250,000 of principal on February 3 in each of the years 1973 to 1988 inclusive ($323,000 of Series A Debentures were retired in 1971. This constitutes prepayment of sinking fund requirements for 1973 and part of 1974)	4,677,000	5,000,000
	$18,957,345	$16,173,677
Less: Due within one year	585,968	864,739
	$18,371,377	$15,308,938

Long Term Debt due in each of the next five years

1972	$585,968
1973	662,934
1974	743,634
1975	820,434
1976	824,334

9. INCOME TAXES

For income tax purposes, the Company has claimed capital cost allowances on buildings, furniture, furnishings and equipment which are in excess of the depreciation recorded in the accounts. The Company has also claimed for tax purposes in the current year, certain costs such as hotel development and pre-opening expenses and finance and interest charges which are deferred or capitalized for accounting purposes. The resulting reduction of current income taxes for 1971, amounting to $469,683, will become payable in future years when these amounts already claimed for tax purposes will be charged against income and accordingly, this amount was added to deferred income taxes.

In addition, for income tax purposes, the Company has claimed capital cost allowances of 100% of the inventories of linen, tableware and uniforms. There was no reduction of current income taxes for 1971; the accumulated reduction of income taxes amounts to $529,149. This accumulated reduction of income taxes will not become payable as long as the Company continues in the hotel business and maintains the inventories of linen, tableware and uniforms, and accordingly, no deferred income tax provision has been made therefor.

10. CAPITAL STOCK

(See also Note 16(a) re Subsequent Events)

(a) Increase in Capital Stock

During 1971, 229,300 shares without par value were issued for cash of $2,917,400. Following is a summary of the capital stock account reflecting the changes in 1971:

	Capital Stock	
	Number of Shares	Amount
Balance, January 1, 1971	1,254,200	$1,035,049
Public issue May 18, 1971	228,000	2,907,000
Stock options exercised by employees	1,300	10,400
Balance, December 31, 1971	1,483,500	$3,952,449

(b) Warrants

On November 15, 1971, warrants were issued to the holders of the 7% Sinking Fund Debentures, Series A. The warrants entitle the bearers thereof to purchase an aggregate of 100,000 shares at $10 per share up to February 3, 1976 and at $12 per share thereafter up to February 3, 1979 when they expire.

The company has reserved 100,000 shares for issuance upon the exercise of the warrants.

(c) Stock Options

As at December 31, 1971, there were reserved 20,400 shares for issuance upon exercise of stock options granted by the Company to a director, senior officers and to certain employees to purchase shares at a price of $8 per share at a rate of 20% per annum of the number of shares originally optioned with cumulative provisions expiring on January 3, 1974.

11. RESTRICTIONS ON DIVIDENDS

The Trust Deed for the 7% Sinking Fund Debentures, Series A contains provisions restricting the payment of any cash dividends which would have the effect of reducing consolidated retained earnings below $1,945,703, or reducing shareholders' equity (as therein defined) below consolidated funded obligations (as therein defined).

As at December 31, 1971, consolidated retained earnings, shareholders' equity and consolidated funded obligations (all as defined), amounted to $4,526,965, $10,829,885 and $4,677,000 respectively.

12. EARNINGS PER SHARE

Earnings per share for 1971 were 81¢ based upon the weighted average number of shares outstanding during the year (1,406,875 shares).

If all of the warrants and stock options outstanding at the year-end had been exercised at the beginning of the year and the resulting cash proceeds of $1,168,000 invested at 8.75%, the net earnings for the year, after income taxes, would have been increased by $51,100 of imputed earnings. The weighted average number of shares outstanding for 1971 would have been 1,527,275 and the resulting fully diluted earnings per share for 1971 would have been 78¢.

13. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid in 1971 to directors and senior officers of the Company was $196,114 (1970 — $169,000).

14. LEASES

(a) The Company, together with International Telephone and Telegraph Corporation and ITT Sheraton Corporation of America have formed a corporation, South Side Development Limited, to develop Civic Square South in the City of Toronto. The Company is entitled to participate in South Side to a maximum of a 49% interest with a maximum investment of $9,800,000. The Company and South Side have executed a ground lease and a building agreement with the Corporation of the City of Toronto. The interest of the Company in both the ground lease and the building agreement has been assigned to South Side and South Side has assumed all of the obligations of the Company thereunder and agreed to indemnify the Company against all claims, costs, demands and expenses which the Company may incur thereunder. In addition, International Telephone and Telegraph Corporation and ITT Sheraton Corporation of America have agreed to indemnify the Company against that proportion of all claims, costs, demands and expenses incurred by the Company by reason of its being a party to the ground lease and building agreement which is equal to the percentage of their interest in South Side. So long as South Side is not in default thereunder the ground lease requires the payment of rental at the rate of $1 per annum during the first three years, $240,000 per annum for the following seven years and $390,000 per annum, plus varying percentages of revenue, for the remaining 88 years of the lease term. The lease is a net lease and requires South Side to pay all other expenses including real property taxes.

(b) The Company has entered into an agreement with Two Parks Development Limited of London, England, whereby the Company's subsidiary has leased for a term of 84 years, the hotel in London, and sub-leased such hotel to the Company for a term of 10 years. The Company has guaranteed the obligations of its subsidiary under the lease for a period of 21 years, including payment of rent, in the amount of £205,000 per annum.

(c) The Company has entered into an agreement with Harbour Parks Development Ltd. of Vancouver, subject to the consent of the National Harbours Board, whereby the Company has guaranteed a lease on lands in Vancouver for a maximum term of 57 years, with the rights to renew for a further 21 years. The annual rental for the first 35 years is $471,759 and is subject to adjustments thereafter. The lease is net lease and requires the lessee to pay all other expenses including real property taxes. (See Note 4, Vancouver Project.)

15. CONTINGENT LIABILITIES

(a) As a result of the amalgamation and the issuance of 250,000 shares of the Company to the public in 1969, The Liquor License Commission of Ontario has taken the position that the license transfer fee provisions of the Liquor License Act of Ontario are applicable and that fees in the amount of $128,335 are payable, which position the Company, on the advice of counsel, is disputing.

(b) The Company is contingently liable for all of the obligations of the partnerships in which it has an interest (Note 4). However, against this contingent liability, the Company would have a claim upon the assets of its partners.

(c) The Company is defending an action instituted in 1968 for damages in the amount of approximately $150,000. The Company believes it has a good defense and has counterclaimed for damages.

(d) On or about June 26, 1971, a mechanics lien action was commenced against the Company and the general contractor arising out of a contract to construct The Four Seasons — Belleville for claims, in respect of the Company, aggregating $821,170. The Company believes that it has complied with the statutory hold-back requirements and that it has a good defense to such action. All liens registered against The Four Seasons — Belleville have been discharged.

(e) The Company is contingently liable under a letter of credit in the amount of $900,000 given to discharge the liens registered against The Four Seasons—Belleville. (See Note 15(d).) The Company is also contingently liable under a letter of credit in the amount of $200,000 given to the City of Vancouver in lieu of a performance bond with respect to the Vancouver residential development. (See Note 4, Vancouver Project.)

16. SUBSEQUENT EVENTS AND FUTURE COMMITMENTS

(a) Subdivision of Common Shares
On March 3, 1972 Articles of Amendment were obtained subdividing the authorized shares of the Company on a two for one basis effective April 5, 1972. The effect of the subdivision is to increase the authorized capital from 3,000,000 to 6,000,000 shares, and to increase the shares outstanding as at December 31, 1971 from 1,483,500 to 2,967,000. Following the subdivision, holders of warrants are entitled to purchase 200,000 shares of the Company at any time up to February 3, 1976 at a price of $5 per share and thereafter at $6 per share up to February 3, 1979 when the warrants expire. Employees stock options have also been subdivided on a two for one basis with the result that holders of stock options are entitled to purchase 40,800 shares of the Company at $4 per share until January 3, 1974 when the options expire. (See Note 10(b) and (c).)

(b) Amendments to Authorized Capital
Articles of Amendment were obtained on May 11, 1972 redesignating the authorized shares without par value of the Company as common shares without par value and increasing the authorized capital of the Company by the creation of 2,000,000 First Preference Shares with a par value of $10 each issuable in series. The Articles of the Company were further amended on May 11, 1972 to designate 400,000 of such First Preference Shares as 6% Cumulative Redeemable Convertible First Preference Shares, Series A and fixing the attributes of the Series A Preference Shares.

(c) New Issue
The Company has filed a prospectus relating to the issuance of 400,000 6% Cumulative Redeemable Convertible First Preference Shares, Series A, par value $10 each, price $10 per share.

(d) Dividends
On May 1, 1972 the Company paid a dividend of 6¢ per share on the subdivided outstanding common shares.

(e) Termination of Management Agreement
During 1971 the Company, through its subsidiary, Inn on the Park (Bahamas) Limited, assumed management of the 245-room Balmoral Beach Hotel in Nassau, Bahamas, with a view to improving the operation and obtaining a long term lease. In February 1972, the hotel was sold with Inn on the Park (Bahamas) Limited agreeing to accept reasonable compensation for relinquishing its long term lease and management rights.

(f) The Four Seasons — Calgary
The Company has agreed to lease and operate a 400-room hotel in Calgary, Alberta, to be known as The Four Seasons — Calgary. It is a condition of the agreement that the City of Calgary grant the Company the exclusive right to service all food and beverage requirements of a civic convention centre which will be constructed adjacent to the hotel. Subject to reaching an agreement with the City, it is expected that construction of the hotel and convention centre will commence by late 1972 with completion at the end of 1974. Under the terms of the lease agreement, the Company will be required to provide the hotel furniture, furnishings and equipment at an estimated cost of $2,000,000.

(g) The Four Seasons — Paris
Subject to certain conditions being satisfied, the Company has been awarded the right to construct a 400-room deluxe hotel, to be known as The Four Seasons — Paris, in Zone A of the Défense Région of Paris, a major redevelopment project under the auspices of the government of France. The Company intends to enter into a joint venture with French interests for construction and ownership of the hotel which will be managed by the Company on behalf of the joint venture. Construction is expected to commence in 1974 with completion scheduled in 1976. It is estimated that the Company's equity investment in the joint venture will be $1,000.000.

(h) The Four Seasons — Vancouver
The Company has agreed, subject to certain conditions being satisfied, to lease and operate on a long term basis a 400-room hotel being a part of the Pacific Centre complex located in downtown Vancouver. It is expected that construction of the hotel will commence during 1972 for completion in 1975. The Company will be required to provide the hotel furniture, furnishings and equipment at an estimated cost of $2,000,000.

(i) Inn on the Park, Quebec City
The Company has entered into an agreement to manage on a long term basis a 455-room hotel in Quebec City to be built and owned by Concordia Estates Limited. This agreement is conditional upon Concordia arranging all necessary financing for the cost of constructing and equipping the hotel and upon the approval by the Company of the plans and specifications of the hotel. Subject to such financing being arranged, it is anticipated that construction will commence in late 1972 with completion scheduled for 1974. If this agreement is implemented the Company will be required to invest approximately $500,000 to cover the cost of pre-opening expenses, certain inventories and initial operating capital.

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