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Contents

Four Seasons Hotels

Directors & Officers

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Four Seasons Hotels Limited
1100 Eglinton Avenue East
Toronto, Canada M3C 1H8
Telephone: 416-449-1750
Telex: 06-966669

Inn on the Park, Toronto
Four Seasons, Jarvis St., Toronto
Four Seasons, Belleville
Four Seasons, Calgary
Four Seasons, Vancouver
Le Quatre Saisons, Montreal
The Clift, San Francisco
Four Seasons, Netanya, Israel
Inn on the Park, London, England

HOTELS UNDER CONSTRUCTION
Four Seasons, Edmonton, Alberta

HOTELS UNDER DEVELOPMENT
Four Seasons, Yorkville, Toronto
Four Seasons, Paris, France

REGISTRAR AND TRANSFER
AGENT

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

STOCK EXCHANGE LISTINGS
Toronto Stock Exchange
Montreal Stock Exchange

TRADING SYMBOL
FRS

GENERAL COUNSEL
Henry and Brown
Toronto, Canada

AUDITORS
Wm. Eisenberg & Co.
Chartered Accountants
Toronto, Canada

PROVINCE OF INCORPORATION
Ontario (December 31, 1968)

MAX SHARP
Toronto Canada
Chairman of the Board
Elected Director 1968*

ISADORE SHARP
Toronto Canada
President and
Chief Executive Officer
Elected Director 1968*†

MURRAY B. KOFFLER
Toronto Canada
Vice President
Elected Director 1968*
Chairman and Chief
Executive Officer, Koffler
Stores Ltd.; President, Life
Products Co.; Director,
Rothmans of Pall Mall
Canada Ltd.

EDMOND M. CREED
Toronto Canada
Secretary
Elected Director 1968*
President, Creeds Furs Ltd.

FREDERICK EISEN
Toronto Canada
Assistant Secretary
Elected Director 1968

SIR GERALD GLOVER
London England
Elected Director 1971†
Senior Partner, Glover
and Company; Director,
Sun Alliance Assurance
Co. Ltd., Cadogan Gardens
Development Ltd.

LANFRANCO AMATO
Toronto Canada
Elected Director 1972†
Chairman, Olivetti
Canada Ltd.

JAMES W. McDOWELL
Treasurer
Vice President Finance

*Member, Executive
Committee

†Member, Audit Committee

Four Seasons Hotels Limited
management committee

Foreground: **Isadore Sharp**, president

Background left to right: **Frank Orenstein**
vice-president—corporate development

Michael M. Lambert
senior vice-president—operations

Chris Wallis
vice-president—design and construction

James McDowell
vice-president—finance

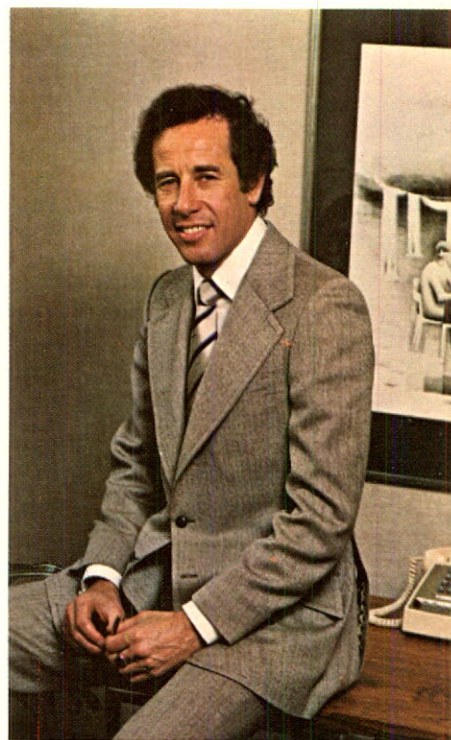


Financial Highlights 1975

	1975	1974
Revenue	\$29,257,131	\$24,748,223
Operating Profit		
Hotels	\$ 4,227,659	\$ 4,712,553
Real Estate	\$ 621,015	\$ 286,237
Net earnings	\$ 1,504,574	\$ 1,625,941
Earnings per share*	42.1¢	46.2¢
Cash flow	\$ 3,446,654	\$ 3,521,917
Cash flow per share*	\$ 1.15	\$ 1.17
Total consolidated assets	\$67,123,008	\$56,387,524
Retained earnings	\$ 8,698,394	\$ 7,794,175
Shareholders' Equity	\$19,800,866	\$18,896,647
Common shares		
Outstanding at year end	3,002,960	3,002,960
Owned in Canada	99%	99%

*Based on the weighted average number of shares outstanding throughout each year after providing for preference share dividends.

President's Message



This past year was a very important year not only for our Company, but the economy as well. Strong anti-inflation measures were taken by the Government of Canada in order to reduce the rate of inflation that has been so much a problem to business in general.

Nevertheless in spite of the uncertain economic climate, I am pleased to report that in 1975 our sales rose to \$29,257,131 over the \$24,748,223 generated in 1974. Net Earnings of \$1,504,574 were as predicted and although slightly lower than the \$1,625,941 earned in 1974, still indicate that our market position and particular approach to innkeeping is being well received by the public.

As a result of the sale of our interest in the Four Seasons Sheraton, on April 1, 1976, we retired \$11,000,000 of long term debt due this year, and provide the Company with a solid working capital base for existing and future developments.

It was felt that, notwithstanding the eventual success of the Four Seasons Sheraton, we would be better served by exercising our contractual rights

today. The association with ITT and Sheraton has for the past 10 years, been one of great harmony and mutual respect and we wish them well with the property.

During 1975 our existing hotels kept pace with anticipated budgets. The Inn on the Park, London achieved once again the highest occupancy in the United Kingdom.

The Four Seasons, Calgary completed its first full year of operation in 1975 and we were very pleased as both the hotel and City Convention Centre have combined to give Calgary a truly first class and successful meeting complex. The Glenbow Art museum located atop the centre will open toward the end of this year, adding another exciting dimension to the entire project.

On April 23rd, 1976 the Four Seasons, Vancouver officially opened for business and has already received community acceptance. We have created a hotel that we feel represents the type of facility that will become our hallmark in the future. The hotel's strategic location in the heart of the downtown Pacific Centre as well as its exciting facilities should allow this property to become the hotel of Vancouver.

Le Quatre Saisons, Montreal will open in mid-June 1976 with sufficient advance bookings to justify our earlier optimism over the success of the property. The continental flair in decor and service will parallel that in London and we are confident that this hotel will quickly become one of Montreal's finest.

Four Seasons was very fortunate last year to acquire in partnership its first hotel development in the United States. On May 24th, 1976 we will officially assume ownership and operation of the prestigious Clift Hotel, San Francisco. This 400 room property in the Union Square area of downtown has been successfully catering to the type of clientele that we service in London. It has been named by Fortune magazine as one of the world's eight great small hotels and we are extremely excited about the opportunity of continuing its fine traditions of excellent service. Although the property today is well maintained a refurbishing

programme will be undertaken over the next two years in order to upgrade the facilities in keeping with our own style of operation.

Four Seasons has continued its participation in various real estate ventures in Ontario, Quebec and Florida. As we have indicated, the results from the real estate activities have provided us with substantial profits which will continue as our holdings are increased. This area of the Company is important as it allows us the benefits of property ownership with a minimum of management time. Our partners have proven their understanding of the real estate market and we are fortunate in having been associated with them for so many years.

The development of our St. Clair property is proceeding well and it is anticipated that with suitable financing, a construction start could be made this year. We are currently assessing our method of participation in the project and will be clarifying our position within the next few months.

In order to expand our hotel portfolio Four Seasons has decided to seek acquisitions of existing hotel properties such as the Clift, in markets that are supportive of our current hotels. We are, however, continuing our development programme, and to this end have now started construction on a 322 room hotel in Edmonton. This project, in partnership with Oxford Developments Limited, will provide us with a solid base in Western Canada.

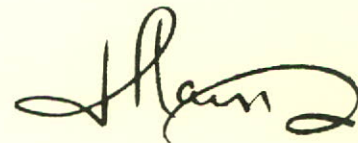
Construction of our 300 room Yorkville project should begin this year once financing is arranged. We are confident that this can be secured within a very short while.

Due to the uncertain economic and political climate in Italy we and our partners have decided to dispose of our hotel site. Construction costs are difficult to estimate and it was felt that a sale of our asset would be the most prudent avenue at this time. Work in Paris has been stopped until such time as the Government completes its construction programme in the Defense region.

We feel we have adjusted well to

the demands that world financial conditions have imposed on all business. The mix of hotel and real estate development with acquisitions of existing properties will give us flexibility in arranging the most beneficial and profitable long term results. The hotel industry relies on the support of the businessman and we are confident that our facilities will enable our guest expectations to be consistently met by performance. It is this challenge that will constantly keep Four Seasons hotels in the forefront of our industry.

On behalf of the Board of Directors, I would like to express our appreciation to all our employees as it is only with their efforts that the Company's goals can ever be achieved.



Isadore Sharp
President
May 1976

Four Seasons Philosophy

Four Seasons Hotels is a Company whose philosophy is to develop and operate 5 star hotels in selected major cities through its approach to concept, design, marketing and service. Our properties cater to the travelling businessman, the convention delegate, the tourist, the small group meeting as well as the local resident and business community of that particular city where the hotel is located.

Each hotel that Four Seasons develops is specifically designed and related to its particular locale. The similarity of and identifying link between all hotels will be the standard of excellence in the physical plant and the quality of food, service and decor. Once the hotel is established the fluctuations of the business cycle will not affect the operation to a significant degree as there are always people who must come to town and our objective is to make them think of our hotel as their first selection for value and service.



Toronto Inn on the Park

The Inn on the Park, located on a 15 acre site adjacent to Metropolitan Toronto's extensive park system is a very unique hotel offering a combination of well-equipped convention facilities for up to 1,000 people and luxury accommodations for its many guests in its 610 bedrooms and suites.

Only 15 minutes from downtown the Inn on the Park is surrounded by landscaped gardens and its two acre inner courtyard hosts many recreational facilities such as indoor and outdoor swimming pools, tennis and badminton courts, shuffleboard, sauna bath and exercise gym.

Opened in 1963 the Inn's consistent expansion has enabled it to meet the growing demands of travellers, diners, businessmen, convention planners and the community. In addition plans are now underway to open a new retail area in September 1976 featuring some of Toronto's finest shops. Highest international awards have been received for its cuisine and the hotel is known for excellence in decor, facilities and personalized service.





Toronto Four Seasons Jarvis

This 164 room hotel was opened 15 years ago and at that time represented Toronto's first in-town motor hotel. The interior courtyard with landscaped gardens and swimming pool have become a favourite gathering spot for local as well as travelling patrons and the fine cuisine has for many years made the Four Seasons Restaurant an exciting place to dine.

The Company is particularly proud of its first hotel venture and has now embarked upon a programme of major renovation and refurbishing. Lobby areas are being completely re-done as well as is the existing restaurant. A small banquet room will be created on the main floor while the atmosphere in the main bar and restaurant will be designed to cater to the travellers and local family in a contemporary and informal style.

The Studio discotheque will also be refurbished in order to help make the room a more exciting and chic place to be for the 20-40 age group. This change, in conjunction with the continued emphasis on a European-style disco, will provide the Studio with a unique charisma that presently does not exist in Toronto.

There has always been a constant emphasis by management on the personal, small hotel approach to innkeeping and in the coming years, Four Seasons feels this type of facility will become increasingly more sought after as the business traveller will become more discerning and appreciative of value and service for his money. This, the Company is confident, is what the Four Seasons Jarvis will continue to provide for many years in the future.





Toronto Four Seasons Yorkville

Construction of this 300 room hotel is expected to commence by late 1976. This will be Toronto's first true 5 star hotel in the European tradition and is being designed to complement the Yorkville area and the newly completed and prestigious Hazelton Lanes to the south.

This exciting and distinctive property will include a skylit winter garden, creative landscaping on covered exterior terraces with a central garden court.



Belleville Four Seasons

Opened in 1971, this 125 room hotel is unique in its combination of resort facilities on a lake location with Bell Canada Training Centre housed in a wing adjacent to the hotel.

In addition to the year round heated outdoor pool, tennis and badminton, guests can enjoy water sports in the Bay of Quinte.



Montreal Le Quatre Saisons



Le Quatre Saisons located at the corner of the fashionable Peel and Sherbrooke Streets in the heart of Montreal will open in mid June 1976.

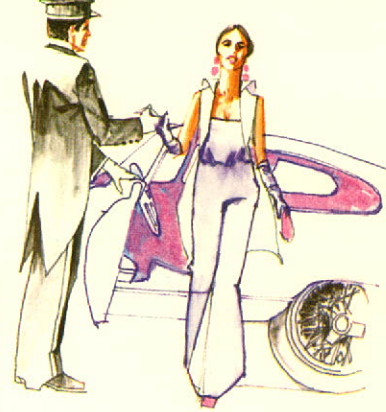
This deluxe 330 room hotel will be distinguished by its elegant interiors and highly personalized guest service.

The main dining room which will feature international cuisine and dinner dancing has been named in honour of the founder of the modern Olympic Games, Pierre de Coubertin. Other facilities include the spectacular Atrium Lounge with sloping glass ceiling, Harlequin for disco dancing, the lobby lounge for afternoon tea or cocktails and La Panetiere for more casual family dining.

In addition to the year-round swimming pool guests can also enjoy the saunas and whirlpool.

Le Quatre Saisons is professionally equipped to handle banquets for up to 450 people in its main ballroom and can accommodate meetings for 20-100 in its many informal and boardroom style suites.





Vancouver Four Seasons

The new Four Seasons Vancouver which opened its doors in April 1976 has everything that Canada's gateway to the Pacific has to offer.

There are 430 rooms including 21 large suites and 2 unique split-level luxury penthouses. Here guests can enjoy in easy comfort closed-circuit colour movies and room service that comes quickly 24 hours a day.

Dining is an adventure with 3 distinctly different rooms featuring everything from elegant continental cuisine in The Pavilion, charcoal grilled specialties in The Grill Room and bright and informal dining in The Harvester.

The hotel is located in Pacific Centre at Howe and Georgia Streets in the very heart of Vancouver's business and shopping district. It is within walking distance of the new Granville Pedestrian Mall, Gastown and the Queen Elizabeth Theatre.

Other facilities include the skylit Garden Lounge where guests can enjoy cocktails amidst sparkling fountains and unsurpassed greenery, Annabelle's for nightly entertainment or dancing, convention and banquet facilities for up to 600 people and a year-round swimming pool, whirlpool and sauna.



Calgary Four Seasons

Located in the heart of downtown Calgary, adjoining the Calgary Convention Centre and the Glenbow Museum and Art Gallery, the 400 room Four Seasons Calgary opened in September 1974 with great success.

Facilities include "The Wheatsheaf" for casual family dining; the elegant "Traders Dining Room" for an evening of dining and dancing; the library style "Traders Lounge" and "The Scotch Room" for more lively entertainment and dancing. Other facilities include an indoor swimming pool and whirlpool.

The Four Seasons Calgary also services the food and beverage requirements of the Calgary Convention Centre which is fully equipped to handle meetings from 20 to 2,500 people including audio-visual presentations and closed circuit TV.



San Francisco The Clift

Like the grand hotels of England and Continental Europe the Clift Hotel stands out for its design, elegance and quality of personalized service.

Located at Geary and Taylor Streets this 400 room luxury hotel is only minutes from Union Square, the best shopping area in San Francisco, and has on either side the city's 2 leading playhouses.

Guest accommodations at the Clift range from oversized rooms and suites to deluxe Penthouses all of which were designed to be lived in and enjoyed with furnishings selected for elegance and comfort.

The Redwood Room, the hotel's main dining room, is distinctly Californian having its walls and ceilings made from one of the state's most famous woods. Guests are surrounded by elegance and treated to international cuisine. In addition the hotel has 4 private dining rooms on the Mezzanine floor named after California's most famous parks where receptions can be held for up to 300 people.

In the past few years the Clift has been awarded many honours and in 1976 it was given the Five Star Award by Mobil Travel Guide for being one of the very best in service, an award which has been given to only 13 hotels in all of America.



Edmonton Four Seasons

Construction of this 322 room luxury hotel began in April 1976 and is expected to be completed in early 1978.

This hotel is located in the new Edmonton Centre Complex and is being built in conjunction with The Oxford Development Company Limited.

It is expected that the new Four Seasons will provide Edmonton with a fine, first class property catering to the businessman as well as local residents.



Cities under Consideration for Future Hotels

Ottawa, Ontario
New York City, New York
Boston, Mass.
Washington, D.C.
Houston, Texas
Denver, Colorado
Seattle, Washington



London England Inn on the Park

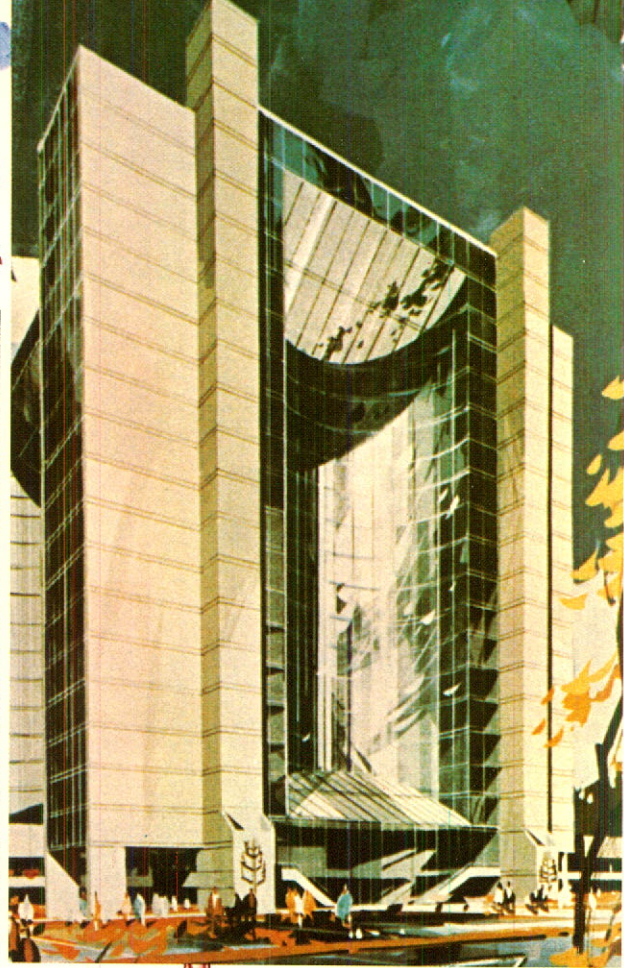
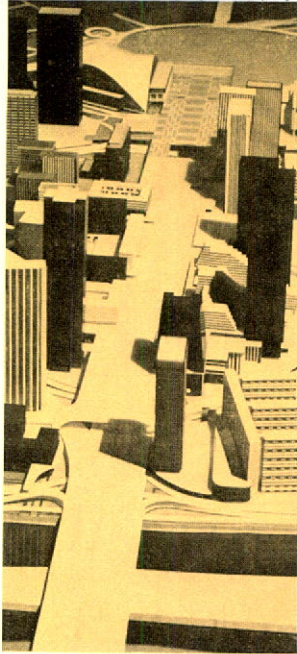
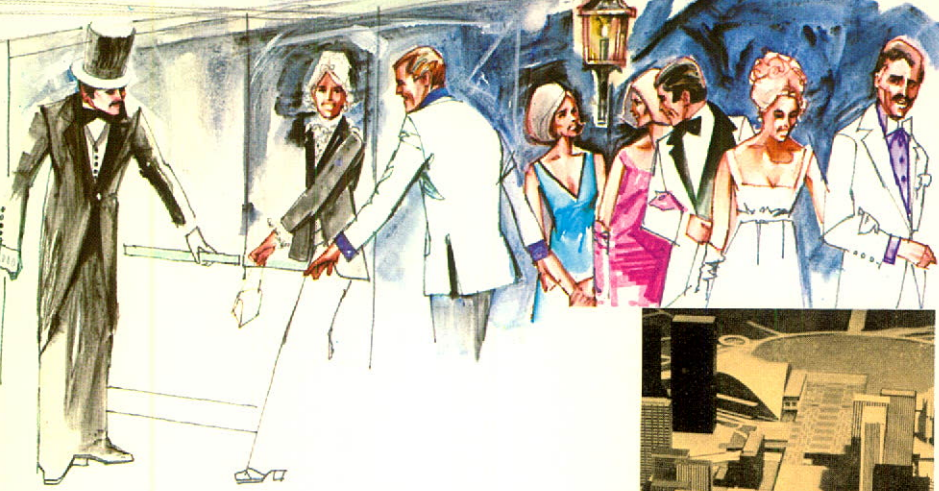
Since its opening by HRH Princess Alexandra in 1970 the Inn on the Park London has become known as one of the world's finest hotels.

Located in Park Lane in London's elegant Mayfair district this 230 room luxury hotel is distinguished by its design, fine appointments and emphasis on personal service. Guest rooms are large and traditionally furnished while executive suites have private patios and balconies overlooking Hyde Park.

The hotel facilities include several conference and banquet rooms, dining rooms offering both haute cuisine and informal atmospheres and afternoon tea which is served in the lobby.

In its first year of operation the hotel was named Britain's Hotel of the Year by eminent critic Egon Ronay and has since maintained this reputation for quality.

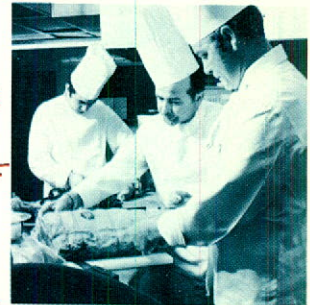


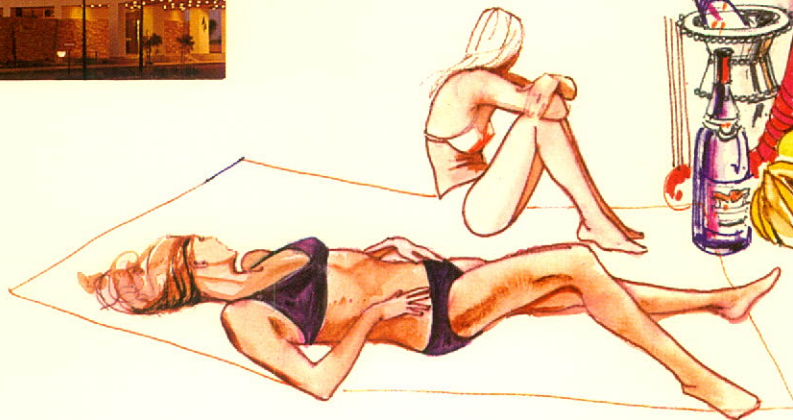
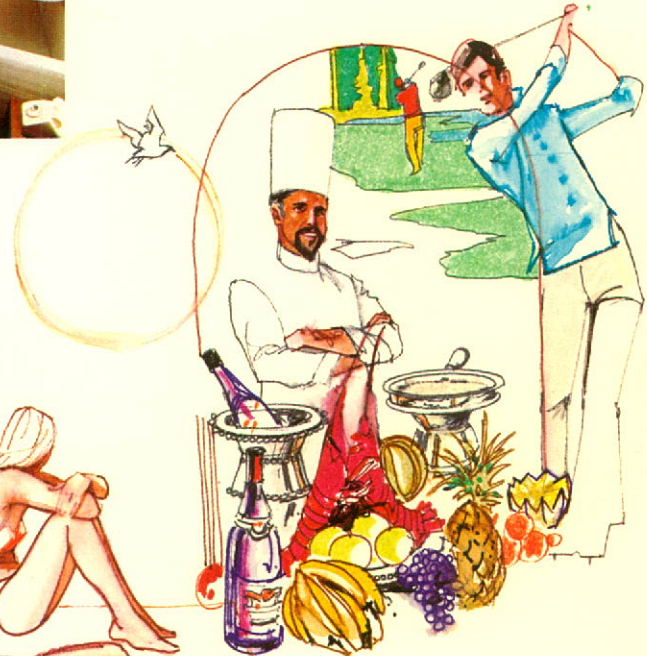
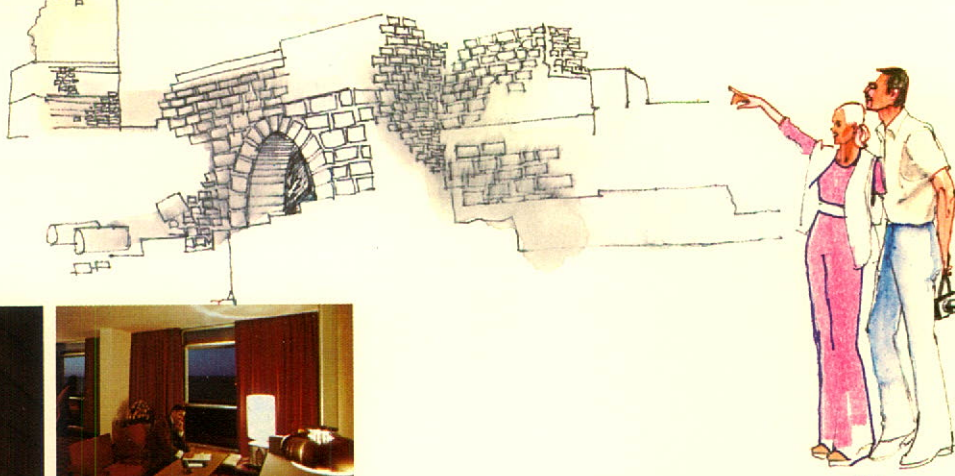


Paris Four Seasons

This 400 room luxury hotel will be part of one of the world's most exciting and futuristic developments. Located in the heart of Defense, a major complex being undertaken by the Government of France, hotel construction will commence once the surrounding commercial areas have been completed.

The Defense region will, when completed, contain almost 18,000,000 square feet of office space, 7,000 apartments as well as approximately 2,500,000 square feet of retail shopping. The proposed hotel will become the only 5 star property in the region servicing the needs of the traveller to Defense as well as its residents.





Israel Four Seasons

Located in one of Israel's most popular seaside resorts this property stands atop a 200 foot cliff overlooking its own half mile of Mediterranean beach. It consists of a 130 suite co-operatively owned apartment hotel which are rented by Four Seasons Management to visitors when unoccupied by their owners.

Real Estate Development



The Company in its real estate partnerships, is involved in the formalization of three main profit divisions—Land Development, Residential Housing and Investment Producing Properties. Each division is self-sufficient but operates under the Four Seasons expertise to ensure efficiency and smoothness in Planning and Development.

LAND DEVELOPMENT ONTARIO

(i) At present, we control over 1,000 acres in the greater Metropolitan Toronto Area. Our planners feel that a majority of this land will be successfully phased for development during the next one to five years.

Phase II and III of our Vaughan Subdivision were registered with the resulting 116 residential lots being sold during 1975.

(ii) Sault Ste Marie
In Sault Ste Marie, our group purchased almost 17,000 acres with over 16 miles of shore line. This land will be developed for future recreational housing. This year we have registered 105 cottage lots and in 1976 we will register a further 300. We are presently planning a trailer park complete with a marina.

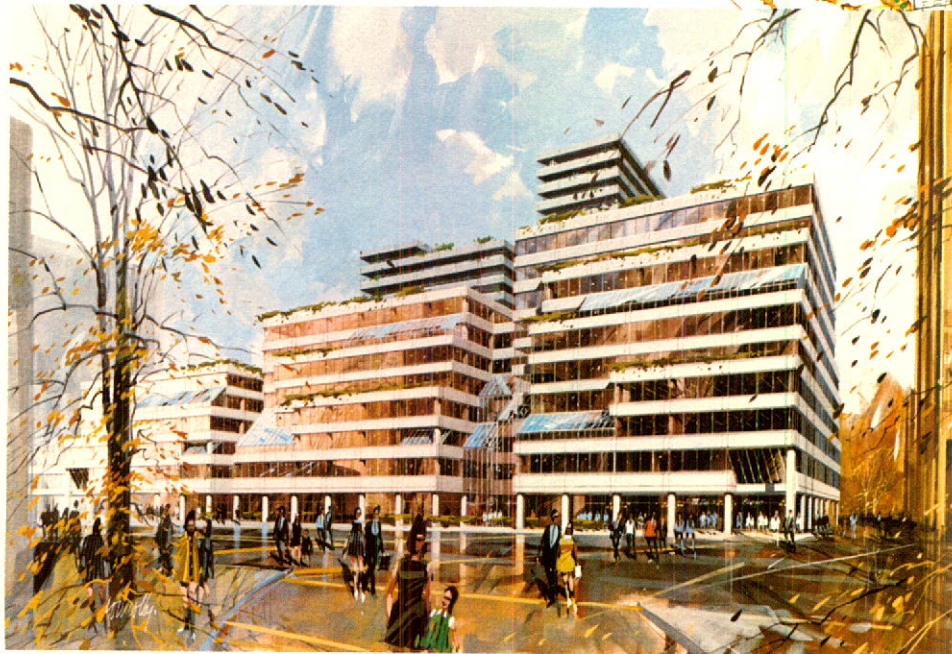
(iii) Kingston
This land is between two major shopping plazas on Highway #2 and should be approved for 303 residential units in the near future.

FLORIDA

Our 546 Acres in Sarasota have been approved for 104-one acre lots and 43-two acre lots with the balance of 326 acres to be developed after our first phase has been completed. Services for our first phase will be completed by August 1976.

QUEBEC

Montreal
The Company in partnership has purchased residential land on the south shore of Montreal. This land will be approved for 600 single family homes in 1976.



RESIDENTIAL DEVELOPMENT

At present this division is engaged in five major projects involving single and semi-detached housing, and condominiums.

Currently under construction in the Metro Toronto Area and Montreal, both directly and in joint ventures, our group has approximately 176 units underway. In 1976 we have planned to build another 473 units.

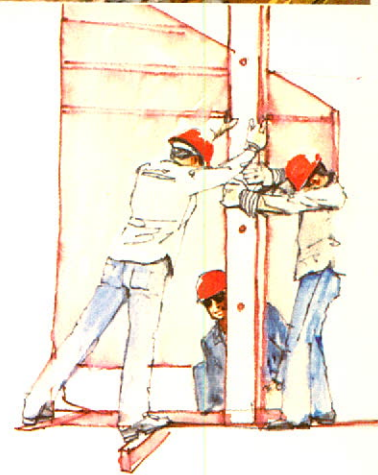
In Rosedale, Toronto the Kensington Towers apartments which the company was actively selling on a co-operative basis has been fully sold.

INVESTMENT PRODUCING PROPERTIES

During 1975, we obtained final Ontario Municipal Board approval for our proposed St. Clair Place development. We will be permitted approximately 300,000 square feet of commercial office space, 40,000 square feet of retail and 360,000 square feet of residential accommodation.

Development is proceeding well and currently we are assessing the method and timing for the realization of the project.

We have now started to build our portfolio of Income Producing



Properties with the acquisition of a 370 suite apartment complex in London, Ontario.

Negotiations are proceeding favourably for the approval and development of shopping plazas in Greater Toronto and Montreal.

The real estate group purchased two apartment buildings in the Miami Area which will be converted to condominiums in the near future. Presently these apartments are fully rented.

We feel that the Real Estate Division has matured into a well managed and highly profitable Division of this Company and look to its continued success in the future.

Five Year Statistical Summary

	1975	1974	1973	1972	1971
OPERATING RESULTS					
Revenue	\$29,257,131	\$24,748,223	\$22,432,775	\$20,645,176	\$16,963,181
Gross profit	6,138,596	6,196,422	6,625,730	5,589,715	4,196,251
Net profit before taxes	3,241,850	3,442,468	3,871,240	2,840,304	2,076,733
Income taxes	1,737,276	1,816,527	1,949,134	1,283,925	936,659
Income before extraordinary items	1,504,574	1,625,941	1,922,106	1,556,379	1,140,074
Net income	1,504,574	1,625,941	1,950,644	1,681,529	1,140,074
Cash flow	3,446,654	3,521,917	4,076,885	3,305,691	2,433,688
Dividends on all classes of stock	600,355	600,835	599,083	478,331	—
Retained earnings at year end	8,698,394	7,794,175	6,897,404	5,545,843	4,526,965
PER COMMON SHARE					
Net earnings after taxes, excluding extraordinary items	42.1c	46.2c	56.2c	48.1c	40.5c
Assuming full conversion of preference shares, exercise of outstanding warrants and stock options	40c	43.7c	53c	46.6c	39c
Annual dividends paid	12c	12c	12c	12c	—
Cash flow before extraordinary item	\$ 1.15	\$ 1.17	\$ 1.27	\$ 1.03	87c
FINANCIAL CONDITION					
Working capital	\$ 2,392,171	\$ 815,868	\$ 671,116	\$ 280,273	\$ 1,841,430
Additions to fixed assets	8,314,779	5,083,871	822,906	2,430,100	5,136,110
Depreciation and amortization	1,259,511	1,175,133	1,137,328	1,077,550	823,931
Total assets	67,123,008	56,387,524	46,085,239	42,358,925	35,962,424
LIABILITY AND SHAREHOLDERS' EQUITY					
Current liabilities	\$17,742,682	\$ 7,176,435	\$ 5,344,908	\$ 5,211,802	\$ 4,183,791
Long-term debt	24,793,517	26,201,404	19,334,655	18,090,577	18,371,377
Deferred income tax	4,785,943	4,113,038	3,405,800	2,468,431	1,921,819
Shareholders' equity	19,800,866	18,896,647	17,999,876	16,588,115	11,485,437
SHAREHOLDERS					
Common shares outstanding	3,002,960	3,002,960	3,002,960	2,987,950	2,967,000
OPERATIONS					
Hotels in operation	7	7	6	5	5
Rooms in operation	3100	3100	2700	1255	1255

Consolidated Balance Sheet

as at December 31, 1975

ASSETS	1975	1974
CURRENT ASSETS		
Cash on Hand and in Bank	\$ 829,714	\$ 1,123,566
Accounts Receivable After Allowance for Doubtful Accounts 1975-\$201,463; 1974-\$239,914	2,728,034	2,598,890
Management Fees Receivable	120,130	80,100
Inventory of Food, Beverages and Supplies - at lower of Cost or Replacement Value	1,083,004	1,112,585
Short Term Loans Receivable	1,638,929	2,539,758
Other Amounts Receivable and Prepaid Expenses (Note 13a)	597,194	537,404
Loan Receivable-South Side Development Limited (Note 4a)	13,137,848	-
	\$20,134,853	\$ 7,992,303
DEFERRED DEVELOPMENT AND CONSTRUCTION COSTS (Note 3)	\$ 3,148,546	\$ 3,174,115
INVESTMENTS (Note 4)		
South Side Development Limited	\$ 49,000	\$11,941,545
Real Estate Partnerships and Joint Ventures	2,094,799	1,576,953
Hotel Joint Ventures	110,715	-
Other (Note 13b)	482,624	202,548
	\$ 2,737,138	\$13,721,046
FIXED ASSETS (Note 5)		
Land	\$ 2,995,590	\$ 2,976,289
Buildings	22,437,668	16,710,081
Furniture, Furnishings and Equipment	13,298,993	10,664,474
Leasehold Improvements (at Cost)	1,721,740	1,677,732
Vehicles (at Cost)	30,307	26,207
	\$40,484,298	\$32,054,783
Less: Accumulated Depreciation	6,179,440	4,735,902
	\$34,304,858	\$27,318,881
Linen, Tableware and Uniforms (Inventoried at the lower of Cost or Replacement Value)	2,237,499	1,828,363
	\$36,542,357	\$29,147,244
OTHER ASSETS (Note 6)		
Unamortized Financing Costs	\$ 174,826	\$ 245,880
Unamortized Pre-Opening and Opening Expenses	4,385,288	2,106,936
	\$ 4,560,114	\$ 2,352,816
	\$67,123,008	\$56,387,524

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

LIABILITIES	1975	1974
CURRENT LIABILITIES		
Bank Indebtedness (Note 7)	\$11,500,368	\$ 193,729
Accounts Payable and Accrued Charges	4,284,217	4,428,431
Long Term Debt due within one year (Note 8)	546,016	539,016
Income Taxes Payable	1,412,081	2,015,259
	\$17,742,682	\$ 7,176,435
Long Term Debt (Note 8)	\$24,793,517	\$26,201,404
Deferred Income Taxes (Note 9)	4,785,943	4,113,038
TOTAL LIABILITIES	\$47,322,142	\$37,490,877

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 10)		
AUTHORIZED		
2,000,000 First Preference Shares, with a Par Value of \$10 each, issuable in series		
6,000,000 Common Shares without Par Value		
ISSUED AND FULLY PAID		
400,000 Series A First Preference Shares 6% Cumulative, Redeemable, Convertible, with a Par Value of \$10 each	\$ 4,000,000	\$ 4,000,000
3,002,960 Common Shares, without Par Value (1974-3,002,960 Shares)	4,096,449	4,096,449
RETAINED EARNINGS	8,698,394	7,794,175
SURPLUS ARISING FROM APPRAISAL OF FIXED ASSETS (Note 5)	3,006,023	3,006,023
TOTAL SHAREHOLDERS' EQUITY	\$19,800,866	\$18,896,647
	\$67,123,008	\$56,387,524

Approved on behalf of the board
I. Sharp, Director
F. Eisen, Director

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

AUDITOR'S 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, 1975 and the Consolidated Statements of Earnings, Retained Earnings, and Changes in Financial Position 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, 1975, and the result of its operations and the changes in its financial position 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 7, 1976

Consolidated Statement of Earnings

For the Year Ended December 31, 1975

	1975	1974
HOTEL REVENUE	\$29,257,131	\$24,748,223
Cost of Sales	\$ 5,851,279	\$ 4,986,107
Payroll and Related Expenses	9,980,887	8,104,181
Other Expenses	7,175,005	5,523,293
House Profit-Hotels	\$ 6,249,960	\$ 6,134,642
Rent, Municipal Taxes and Insurance	2,022,301	1,422,089
Operating Profits-Hotels	\$ 4,227,659	\$ 4,712,553
REAL ESTATE		
Share of Profits-Real Estate Operations	\$ 621,015	\$ 286,237
INTEREST EARNED	1,289,922	1,197,632
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING CHARGES	\$ 6,138,596	\$ 6,196,422
Interest on Long Term Debt	\$ 1,637,235	\$ 1,578,821
Depreciation	1,243,411	1,090,432
Amortization	16,100	84,701
EARNINGS BEFORE TAXES	\$ 3,241,850	\$ 3,442,468
Income Taxes-Current	1,064,371	1,109,289
-Deferred	672,905	707,238
NET EARNINGS FOR THE YEAR	\$ 1,504,574	\$ 1,625,941
EARNINGS PER SHARE (Note 12)	42.1¢	46.2¢

FOUR SEASONS HOTELS LIMITED

Consolidated Statement of Retained Earnings

For the Year Ended December 31, 1975

	1975	1974
RETAINED EARNINGS AT BEGINNING OF YEAR	\$ 7,794,175	\$ 6,897,404
Add: Net Earnings for the Year	1,504,574	1,625,941
	\$ 9,298,749	\$ 8,523,345
Less: Dividends Paid-Preferred Shares	240,000	240,000
-Common Shares	360,355	360,835
License Transfer Fee Re 1969 (Note 16)	-	128,335
RETAINED EARNINGS AT END OF YEAR	\$ 8,698,394	\$ 7,794,175

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

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31, 1975

	1975	1974
SOURCE OF FUNDS		
Operations		
Net Earnings for the Year	\$ 1,504,574	\$ 1,625,941
Add: Non Cash Charges to Income		
–Depreciation of Buildings, Furniture and Equipment	1,243,411	1,090,432
–Amortization of Pre-Opening and Financing Expenses	25,764	98,306
–Deferred Income Taxes	672,905	707,238
CASH FLOW FROM OPERATIONS	\$ 3,446,654	\$ 3,521,917
FINANCING		
Long Term Debt		
–Term Bank Loans (Net Increase)	\$ 57,920	\$ 6,732,105
–Construction Obligations	–	671,479
Investment reclassified as Short Term		
–Loan to South Side Development Limited (Note 4a)	13,137,848	–
	\$16,642,422	\$10,925,501
APPLICATION OF FUNDS		
Additional Deferred Development and Construction Costs	\$ 1,219,555	\$ 987,342
Additions to Investments		
–South Side Development Limited	1,245,303	1,127,260
–Real Estate Partnerships and Joint Ventures	517,846	149,034
–Other	390,791	143,631
Additions to Fixed Assets		
–Hotel Properties, Furniture, Furnishings and Operating Equipment	8,314,779	5,083,871
Increase in Pre-opening and Opening Expenses	1,373,073	2,090,836
Reduction of Long Term Debt (Net of Discounts Earned)	1,404,417	469,605
Dividends Paid—Preference Shares	240,000	240,000
–Common Shares	360,355	360,835
License Transfer Fee re 1969	–	128,335
	\$15,066,119	\$10,780,749
NET INCREASE IN WORKING CAPITAL	\$ 1,576,303	\$ 144,752
WORKING CAPITAL AT BEGINNING OF YEAR	\$ 815,868	\$ 671,116
WORKING CAPITAL AT END OF YEAR	\$ 2,392,171	\$ 815,868

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

Notes to Financial Statements

As at December 31, 1975

1. ACCOUNTING PRESENTATION

The Consolidated Balance Sheet of Four Seasons Hotels Limited includes its wholly-owned hotel subsidiaries. The Company's investment in real estate partnerships and joint ventures whether directly or through subsidiaries, is recorded on the equity basis. The Company's investment in South Side Development Limited is recorded on a cost basis (see Note 4(a)).

Hotel operations are included for the 52 week period ended December 28, 1975 and December 29, 1974.

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 monthly 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-straight line basis over the guaranteed terms of the leases,
Vehicles-30% diminishing balance basis

3. DEFERRED DEVELOPMENT AND CONSTRUCTION COSTS

The deferred development and construction costs were incurred in respect of the following hotel projects:

	1975	1974
Vancouver	\$ -	\$1,245,124
Montreal	509,442	338,187
Rome	488,124	346,955
Paris	783,893	507,451
Toronto-Yorkville	674,254	315,588
Other Locations	692,833	420,810
	\$3,148,546	\$3,174,115

The costs consist of architectural and design fees and other amounts directly related to the development of specific projects which will be added to the cost of the project assets or deferred as pre-opening expenses.

During 1975 project development costs amounting to 1,219,555 were deferred and previously deferred costs amounting to 1,245,124 were transferred to fixed assets and pre-opening expenses.

4. INVESTMENTS

(a) South Side Development Limited

The Company has a 49% interest and Sheraton Hotels Limited has a 51% interest in South Side Development Limited which owns and operates the Four Seasons-Sheraton Hotel complex, constructed on land leased from the City of Toronto at Civic Square South.

The Company's investment consists of share capital recorded at cost of \$49,000, and a loan of \$13,137,848, bearing interest at 10% per annum.

International Telephone and Telegraph Corporation, the parent company of Sheraton Hotels Limited, and ITT Sheraton Corporation of America have covenanted to purchase, at the Company's request, all or any part of the Company's total equity investment at any time up to April 1, 1976 at cost plus accrued interest; and thereafter up to 1/2 of the Company's total equity investment at any time during the following 10 years at fair market value.

In accordance with the foregoing options, the Company sold its entire investment in South Side Development Limited in 1976, see note 18 re subsequent events. Since there was no impairment in the value of its investment, the Company carried its investment at cost and did not record its share of the losses of South Side Development Limited.

(b) Real Estate Partnerships and Joint Ventures

The Company and its subsidiaries are engaged in several real estate developments through partnerships and joint ventures.

A financial summary of the Company's and its subsidiaries proportionate interest in these real estate partnerships and joint ventures is as follows:

Assets	1975	1974
Mortgages Receivable	\$ 2,664,680	\$ 2,022,062
Co-operative and Condominium Units for Sale	525,552	721,711
Land held for Development and Sale	4,524,858	2,871,806
Investment Properties Under Development	7,342,711	6,424,140
Other Assets	171,810	746,490
	\$15,229,611	\$12,786,209

Liabilities

Bank Loans	\$ 8,692,268	\$ 5,844,128
Mortgages and Loans Payable	3,955,925	4,212,402
Other Liabilities	486,619	1,152,726
	\$13,134,812	\$11,209,256

Company's Equity \$ 2,094,799 \$ 1,576,953

(c) Hotel Joint Ventures

The Company and its subsidiaries are engaged in certain hotel projects through joint ventures.

A financial summary of the Company's and its subsidiaries proportionate interest in these joint ventures is as follows:

Assets	1975
Cash	\$ 42,542
Land and Hotel under Construction	4,782,780
Land and Hotel under Development	2,784,084
Other Assets	98,365
	<u>\$ 7,707,771</u>
Liabilities	
Bank Loans	\$ 6,937,296
Accounts Payable	659,760
	<u>\$ 7,597,056</u>
Company's Equity	<u>\$ 110,715</u>

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. The surplus arising from this appraisal was \$3,006,023. All additions to these fixed assets after September 1st, 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 AND OPENING EXPENSES

It is the Company's policy to defer hotel pre-opening and opening expenses until after a hotel is fully operational. Opening expenses include any operating losses up to a maximum period of 12 months after opening. Subsequently, these expenses are amortized over five years on a straight-line basis. For larger hotels, in excess of 250 rooms, the five year amortization period begins with the second year after a hotel is fully operational.

During 1975 hotel pre-opening and opening expenses were increased by \$2,294,452 and reduced by amortization of \$16,100.

7. BANK INDEBTEDNESS

The bank indebtedness is secured by a general assignment of book debts (see Note 8 re Term Bank Loans).

8. LONG-TERM DEBT

Long-Term Debt comprises the following:

	At Dec. 31, 1975	At Dec. 31, 1974
Term Bank Loans:		
Secured by a general assignment of the Company's book debts, and by a debenture and first floating charge of 4,000,000 on the furniture, furnishings and equipment of the Four Seasons—Calgary. (Payable in United States Funds \$9,000,000).	\$ 9,110,925	\$ 9,053,005
Construction Obligations—due in 1976	-	671,479

Mortgages Payable:

• Great West Life Assurance Company, due July 15, 1984, interest at 7%, plus a participation in the gross bedroom rentals of the Four Seasons Motor Hotel	748,700	819,500
• Marya Pocius, due October 31, 1982, interest only at 7%	\$ 310,000	\$ 310,000
• Shell Canada Limited, due August 1, 1988, interest at 6¾%	250,908	263,346
• Great West Life Assurance Company, due February 1, 1987, interest at 7¼%, plus a participation in the gross bedroom rentals of the Inn on the Park, Toronto	3,221,000	3,395,000
• Great West Life Assurance Company, due June 1, 1996, interest at 9½% plus a participation in the gross bedroom rentals of the Inn on the Park, Toronto	4,418,000	4,563,500
• First Mortgage Sinking Fund Bonds, Series A, on the Four Seasons—Belleville, due April 1, 1996, interest at 8¾% (\$33,000 of Bonds were retired in 1975. Sinking Fund requirements have been prepaid for 1976 and part of 1977)	2,634,000	2,667,000
• Conditional Sale Contract for furniture, furnishings and equipment—Inn on the Park, London, maturing in monthly instal-		

ments at a rate of interest varying with the prime rate, due in 1980. (Payable in Sterling £260,408)

638,000 787,590

• 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. (\$202,000 of Series A Debentures were retired in 1975. Sinking fund requirements have been prepaid for part of 1976)

4,008,000 4,210,000

\$25,339,533 \$26,740,420

Less: Due Within One Year

546,016 539,016

\$24,793,517 \$26,201,404

Long-Term Debt due in each of the next five years

1976	\$ 546,016
1977	1,880,400
1978	1,924,700
1979	3,941,350
1980	1,899,384

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 and opening expenses and finance and interest charges which are deferred or capitalized for accounting purposes. The resulting reduction of current income taxes for 1975, amounting to \$672,905, 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. See also note 17(d) – contingent liability re income tax re-assessments.

10. CAPITAL STOCK

(a) Series A First Preference Shares

Each Series A First Preference Share is convertible to one Common Share upon payment of \$1.00 for each Series A Preference Share converted up to June 1, 1977; and upon payment of \$3.00 for each Series A Preference Share converted up to June 1, 1982.

(b) Common Shares

In 1973, 4000 common shares were issued to a director in respect of his option to purchase stock at a price of \$4 per share. It was subsequently determined that he did not complete the exercise of his option and that the shares had been issued in error. Accordingly the stock records were corrected in 1975 and the 4000 common shares remain in the treasury. Similar adjustments have been made in presenting the 1974 comparative figures.

As at December 31, 1975, common shares were reserved as follows:

For issuance to preferred shareholders under conversion privileges attaching to Series A Preference Shares		400,000	
For issuance under share purchase Warrants		199,840	
For issuance to employees for stock options			
– at \$3.62 per share	132,000		
– at 10% below market price at the date the option is granted	1,830	133,830	
		<u>733,670</u>	

(c) 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 200,000 shares at \$5 per share up to February 3, 1976 and at \$6 per share thereafter up to February 3, 1979 when they expire. The Company has reserved 199,840 shares for issuance upon the exercise of the outstanding warrants.

(d) Stock Options

During 1974 the Company granted an option to a director and senior officer to purchase a total of 132,000 common shares at \$3.62 per share for a period of ten years from September 20, 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 shareholder's equity (as therein defined) below consolidated funded obligations (as therein defined).

The payment of dividends in 1975 did not reduce consolidated retained earnings and shareholder's equity below the amounts defined under the Trust Deed.

12. EARNINGS PER SHARE

Earnings per share for 1975 after providing for preference share dividends of \$240,000 were 42.1¢ based upon the weighted average number of shares outstanding during the year – 3,002,960 shares (1974 3,002,960 shares).

The exercise of all outstanding warrants and employees' stock options in 1975 would have resulted in a dilution in earnings per share of 2.1¢. The conversion of the preference shares to common shares in 1975 would have had no dilutive effect on earnings per share.

13. LOANS TO DIRECTORS, OFFICERS AND EMPLOYEES

(a) Other Accounts Receivable include \$110,349 due from directors, officers and employees.

(b) Other Investments include mortgage loans of \$393,150 due from officers and employees in respect of houses acquired by them for their own occupancy.

14. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid in 1975 to directors and senior officers of the Company was \$506,823 (1974 – \$458,095).

15. LEASES

The Company has entered into lease agreements for certain hotel properties for periods up to 1999. The lease terms may be extended under renewal options. The total minimum annual rentals payable under all leases currently in force amount to \$1,343,092, exclusive of additional amounts based on percentages of revenue, real property taxes and other occupancy charges.

16. LICENSE TRANSFER FEE RE 1969

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. In 1974, the transfer fees were paid under protest and an appeal is pending.

17. CONTINGENT LIABILITIES

(a) The Company and South Side Development Limited 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 as a result of the sale by the Company in 1976 of its entire interest in South Side, International Telephone and Telegraph Corporation and The Sheraton Corporation have agreed to indemnify the Company against all liability, claims, costs, demands and expenses which may be incurred by the Company by reason of its being a party to the ground lease and the building agreement.

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

(c) The Company has guaranteed the bank loan obligations of certain of its real estate subsidiaries and its hotel subsidiaries.

(d) The Company has been re-assessed by the Department of National Revenue for income taxes in the amount of \$400,000 in respect of 1970, 1971 and 1972. The taxes claimed are mainly related to timing differences arising from the Company's tax treatment of deferred development expenses. The Company has filed notices of objection to the re-assessments and has posted a bank letter of credit as security pending final resolution of this matter. This contingency is substantially covered in the Company's provision for deferred income taxes and accordingly should not materially affect earnings.

18. COMMITMENTS AND SUBSEQUENT EVENTS

Sale of Investment – South Side Development Limited

Pursuant to its option as described in

note 4(a), the Company sold its entire 49% interest in South Side Development Limited which owns and operates the Four Seasons-Sheraton Hotel. The sale was completed on April 1, 1976 when the Company received \$5,399,000 from Sheraton Hotels Limited in respect of its share capital in South Side and also \$13,467,210 from Sheraton Limited in respect of its loan to South Side. The sale resulted in a net gain of approximately \$4,000,000 after providing for taxes and other expenses.

Four Seasons—Vancouver

The Company has agreed to lease and operate on a long-term basis a 430 room hotel, being a part of the Pacific Centre complex, located in downtown Vancouver. Construction commenced during 1973 and the hotel opened for business on April 23rd, 1976. The Company is arranging the required long-term financing.

The Clift—San Francisco

The Company has entered into a joint venture agreement to purchase the 400 room Clift Hotel in San Francisco. The joint venture has arranged the long-term financing for completion of the purchase which is scheduled to close on May 24th, 1976. The Company will operate the hotel on behalf of the joint venture under a management agreement.

Le Quatre Saisons—Montreal

The Company has entered into a joint venture agreement to develop a 330 room hotel in downtown Montreal. The joint venture, in which the Company owns a 30% interest, acquired the site and commenced construction in 1973 with completion scheduled in 1976. The joint venture has arranged interim financing for completion of construction including furniture, furnishings and equipment. The Company has contingently guaranteed $\frac{1}{3}$ of this financing. The joint venture is arranging the required long-term financing. The Company will operate the hotel on behalf of the joint venture under a management agreement.

Inn on the Park—Rome

The Company has entered into a joint venture agreement with a major Italian government-controlled company to develop a 387 room luxury hotel in Rome, Italy. In 1973 the joint venture in which the Company owns a 50% interest, purchased a 20 acre site overlooking the Vatican. Development has been delayed until financial conditions improve in Europe.

Four Seasons—Paris

The Company has been awarded the right to construct a 400 room deluxe hotel in Zone A of the Defense Region of Paris, a major redevelopment project under the auspices of the government of France. The Company has entered into an agreement with a subsidiary of S. A. Louis Dreyfus et Cie, to form a joint venture in which the Company will hold a 50% interest. The joint venture will arrange the long-term financing for the construction of the hotel, including the furniture, furnishings and equipment. Construction will commence when the government agency has completed its contractual obligation in the redevelopment project and when long-term financing arrangements have been completed. The Company will operate the hotel on behalf of the joint venture under a management agreement.

Four Seasons—Yorkville

The Company has entered into a joint venture agreement with a subsidiary of S. A. Louis Dreyfus et Cie, to develop a 300 room luxury hotel in Toronto's Yorkville district. The joint venture, in which the Company owns a 50% interest, has acquired the site and will construct the hotel including the furniture, furnishings and equipment. Construction will commence when zoning approvals have been obtained and financing arrangements have been completed. The Company will operate the hotel on behalf of the joint venture under a management agreement.

19. ANTI-INFLATION LEGISLATION

The Company is subject to the Canadian Government's anti-inflation legislation which limits increases in profit margins, employee compensation and dividend payments.

This legislation has not affected the financial results of the Company's operations for 1975.

Dividends to be paid in 1976 may not exceed the same rate per share that was paid in 1975.



Four Seasons Hotels Limited