The Cadillac Fairview Corporation Limited Annual Report 1979

Financial Highlights

Year ended February 28, 1979
(with comparative figures for 1978)

	1979	1978
Gross Revenue		
Rental Operations	**$205,276,000**	$174,008,000
Housing Operations	**165,685,000**	62,512,000
Land Operations	**35,786,000**	39,351,000
Other Income	**13,708,000**	14,455,000
	$420,455,000	$290,326,000
Cash Flow	**$ 52,632,000**	$49,861,000
Per Share[1]		
Basic	**$1.84**	$1.99
Fully Diluted	**$1.76**	$1.91
Net Income	**$23,537,000**	$22,552,000
Per Share[1]		
Basic	**69.9¢**	89.6¢
Fully Diluted	**66.4¢**	86.3¢
Total Assets	**$1,829,725,000**	$1,405,020,000
Shareholders' Equity	**$194,488,000**	$167,991,000

Summary of Income Property Portfolio

February 28, 1979

Income Properties completed	**Total Rentable Area[2]**
54 Industrial Buildings[3]	4,483,000 sq. ft.
42 Residential Locations	16,739 suites
37 Shopping Centres	13,485,000 sq. ft.
32 Urban Developments (buildings/complexes)	17,201,000 sq. ft.

1. Based on weighted average number of shares outstanding during the year (Note 14 on page 13)
2. Includes joint ventures and rentable area under other ownership
3. Industrial information combines the portfolios of The Corporate Development Group and The United States Western Region

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Edition française du rapport annuel
On peut se procurer l'édition française de ce rapport en écrivant au Secrétaire.

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FROM:

FOR FURTHER INFORMATION:

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CADILLAC FAIRVIEW
CAPITAL REORGANIZATION APPROVED

TORONTO, (July 6, 1978) -- The Cadillac Fairview Corporation Limited today announced that the proposed capital reorganization has been approved by shareholders at two special meetings.

Under the reorganization, the outstanding common shares will be changed into common shares and a new class of preference shares on the basis of two common shares and one new preference share for every two common shares held on the effective date.

The existing senior preference shares will be changed into new preference shares, on the basis of two new preference shares for each existing preference share.

Each new preference share will carry a fixed cumulative preferential dividend of 85 cents per year. The shares will carry an initial redemption price of $10.80; however, during the first five years, the shares will not be redeemable when their market price exceeds the redemption price. The company will be obliged to purchase, to the extent possible, 63,500 preference shares per quarter at prices of not more than $10 per share.

It is expected that dividends on the common shares will be paid in the future. Future dividends will be reviewed by the board of directors annually -- the next such review to take place prior to the 1979 annual meeting.

The common shares will continue to be listed on the Toronto, Montreal and Vancouver stock exchanges. The new preference shares will be listed on the Toronto, Montreal and Vancouver stock exchanges.

Application will be made to the Supreme Court of Ontario, following which a filing will be made with the Minister of Consumer and Commercial Relations. It is anticipated that, if all approvals are received, the reorganization will become effective about August 15, 1978.

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FROM:

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CADILLAC FAIRVIEW ANNOUNCES PROPOSED CAPITAL REORGANIZATION

TORONTO (March 30/78) -- The Cadillac Fairview Corporation Limited announced today that the board of directors has approved a proposed capital reorganization. The terms of the reorganization provide that the shareholders will receive one of a new class of preference shares and two new common shares for every two existing common shares.

Each new preference share will carry a fixed cumulative preferential dividend of 85¢ per year. The initial redemption price will be $10.80; however, during the first five years, the shares will not be redeemable when their market price exceeds the redemption price. The company will be obliged to purchase, to the extent possible, 63,500 preference shares per quarter at prices of not more than $10 per share.

It is expected that dividends on the common shares will be paid in the future. The payment of future dividends will be reviewed by the board of directors annually - the next such review to take place prior to the 1979 annual meeting.

The common shares will continue to be listed on the Toronto, Montreal and Vancouver stock exchanges. An application will be made to list the preference shares on the Toronto, Montreal and Vancouver stock exchanges.

The company stated that all of its existing common shares will be treated equally on the reorganization. However, as a result of the reorganization, investors will be able, in the future to choose between shares which may represent opportunity for growth and shares providing for fixed dividend income.

The proposed capital reorganization is subject to obtaining favourable income tax rulings, shareholder approvals, approval of the Supreme Court of Ontario and certain other matters.

Additional information regarding the proposed capital reorganization will be provided in connection with a special shareholders' meeting to be called within the next three months to consider the reorganization.

Cadillac Fairview–An Overview

Cadillac Fairview is a fully diversified real estate development company. Its extensive portfolio of income-producing properties in Canada and the United States includes shopping centres, mixed-use urban developments, office buildings, planned new communities, industrial parks and buildings and residential accommodation. The company also develops land and housing for sale in Canada and the United States.

Cadillac Fairview is structured on a decentralized basis and carries out its broad range of activities through five autonomous operating groups and a newly formed United States Western Region.

While the company has been engaged in development activities in the United States for some time, The Western Region is the first regional office to be established and is the first step toward a formal management structure in the United States.

Each of the Groups has the expertise to develop projects from planning, design and construction through to ongoing management and marketing. Although the Groups and the new Region operate independently, they can employ the skills and experience of others in the company to ensure complete success of a particular project. Available to the Groups are the company's central corporate services which provide broad support in the areas of finance, planning and administration.

The Corporate Development Group has the primary responsibility for seeking out new growth opportunities and assessing their potential wherever they are available with specific emphasis on the United States. The Group monitors the operations of General Homes, the Houston-based housing and land development company which was acquired in 1978. It also has an Industrial Division which develops industrial parks and buildings for sale or lease.

The New Communities Group is developing complete communities like Erin Mills near Toronto and through a U.S. subsidiary, Indian Spring in Southern Florida. The Group's latest project is the development by a U.S. subsidiary of 2,000 acres of land near Atlantic City.

The Residential Group is active in major cities across Canada building a wide range of homes for sale and has a U.S. subsidiary which carries out a home building operation in Florida. The Group develops raw land for its own use or for sale and constructs housing for government and private investors. It has a division which manages some 17,000 units of residential rental accommodation and more than 2,000 condominium units.

The Shopping Centres Group develops new shopping centres and manages a portfolio of 37 centres in 17 cities across Canada. With a joint venture partner, a U.S. subsidiary of the company, Cadillac Fairview Shopping Centers (U.S.) Limited, has opened its first regional centre and has five others in various stages of development, planning, negotiation and construction.

The Urban Development Group manages a portfolio of 17 million square feet of leasable space and develops large mixed-use downtown projects and free-standing office buildings in many cities across Canada and the United States.

The United States Western Region manages the company's growing operations on the United States west coast and is pursuing expansion opportunities in all areas of property development in the states of Arizona, California, Hawaii, Nevada, Oregon and Washington.

It is Cadillac Fairview's corporate philosophy that it devotes its efforts to seek to derive approximately 75 percent of its revenues from a growing portfolio of income-producing properties and the balance from the sale of land and housing.

The company is building places for people to live, work and shop in many parts of Canada and the United States, and it is continually striving to supply superior accommodation in every field of real estate in which it is involved.

By developing its product in the most efficient and responsible manner and by maintaining high standards of management of its completed properties, the company will succeed in achieving its goals: to produce a reasonable return for shareholders, to provide its employees with the opportunity to attain their individual potential and to make a significant contribution to the prosperity and the quality of life in the communities where the company is active.





Report to Shareholders

The company's results for fiscal 1979 show significant increases in assets and in gross revenues, but a modest improvement in earnings and cash flow. It should be noted however, that basic net income and cash flow per share amounts for the past year were reduced by approximately 22 cents as the result of dividends paid on preference shares distributed to holders of common shares under the capital reorganization which took effect at August 31, 1978.

In reviewing the results it is evident that the company's income-producing portfolio continued to perform in keeping with its past growth record with healthy increases in revenues and costs of operations consistent with the levels of prior years. Our housing and land sales operations while showing gains in total contribution to company results, for several reasons, did not meet management expectations. The shift to new markets was much slower than expected, and profit margins in existing areas continued at low levels, largely because of depressed demand and a very competitive marketplace.

Although our residential operations were unable to meet targets for both production and closings, good sales were experienced in many of the areas in which it was active. The new markets to which we refer include the Houston, Texas area in which General Homes is operating and also in Florida where we achieved sales in low density accommodation but had problems in making deliveries to purchasers. However there were excellent sales in high rise condominiums with most closings and deliveries expected during the current fiscal year.

There was a substantial increase in general and administrative expenses caused in great measure by the rapid growth of the company during the past year, especially in the United States. Another aspect of our increased overhead is the effect of the longer lead times now needed for getting work into production and, to some extent, the general impact of inflation on the cost of doing business.

Progress Report

Among the most important events of the year were the following:

- The purchase by a company subsidiary of General Homes, a highly successful housing and land development company based in Houston, Texas and the second largest home builder in that vibrant market. An important facet of the General Homes acquisition is the fact that senior management–the executives who built the company–will continue to guide its expansion programs. During the current year, under their leadership, the company has moved beyond the borders of Texas into Louisiana and Alabama.
- The entering into a joint venture on Houston Center, a redevelopment program covering 29 blocks in downtown Houston. Our subsidiary company has acquired 50 percent ownership in three buildings: two first-class office towers totalling two million square feet of fully leased space and a million square foot parking garage and will supervise the ongoing development program. It owns 50 percent of four adjacent blocks and will acquire 50 percent of additional blocks as they become ready for development.
- The opening of our United States Western Region with headquarters in Los Angeles. At the annual meeting last year I informed shareholders that we were committed to take advantage of the growth opportunities in the United States, and it was our intention to produce a formal plan for ongoing management of our operations in that country. The Western Region is the first step in this plan.
- The acquisition, by a company subsidiary of a 50 percent interest in the Historic Towne of Smithville and some 2,000 acres of prime land surrounding this popular tourist attraction on which we propose to develop housing with complementary commercial and other community facilities. Smithville is close to Atlantic City, New Jersey and forecasts indicate that there will be a substantial demand for housing in the area for many years to come.
- The momentum of the program being carried out by Cadillac Fairview Shopping Centers (U.S.) Limited, which opened its first regional shopping centre in Hickory, North Carolina in mid-1978.
- The continuing success of Phase 1A of Toronto Eaton Centre which has become a dynamic shopping centre for a broad market area, an acknowledged attraction for visitors to Metropolitan Toronto. Construction is on target for the August 8, 1979 opening of Phase 1B which will complete the retail component of Eaton Centre.

The Economic Climate

Since Canada's economy will continue to be strongly influenced by developments in the United States, where we have extensive and growing activity, a review of the economic outlook in that country is essential. The economic signals in the United States are mixed and equivocal among academic and business economists and at the highest levels of the U.S. administration. Forecasts have ranged from slow growth to a full recession starting in mid-1979 and continuing into 1980.

However, economic events have not evolved as expected. The U.S. economy moved through the last months of 1978 on a strong upbeat, and early in 1979 price and cost pressures have intensified, interest rates have risen to new heights and business investment is remarkably strong.

If the U.S. government perseveres in its present policies of moderation long enough to allow them to work I predict no major recession in the U.S. this year or next. The expected recession has been so widely anticipated that defensive business actions have been induced to moderate the upswing and temper the decline. Production and employment are expected to remain quite strong for a while yet, weakening only moderately as we move through the year with about two percent real growth for the year. Interest rates are now at or near their peak and short-term rates should begin to decline towards year-end as the economy slows.

One important qualification must be made to this basically optimistic U.S. outlook. Energy policy remains weak with respect to both conservation and substitution and the international supply position is extremely sensitive. Should serious physical shortages develop for either domestic or international reasons the modest economic decline anticipated could become much deeper and more prolonged.

While many of the problems troubling the U.S. are also present in Canada, they are sufficiently different to merit special care in analyzing our outlook. Canada moved into 1979 with considerable economic slack compared with a virtually fully employed U.S. economy. As a consequence the underlying rate of price inflation is more moderate in Canada and cost pressures are also less intense.

In the field of energy, while there is no way in which Canada can avoid the effects of sharply rising oil and gas prices and physical shortages, our much lower dependency on imported energy makes Canada less vulnerable and the required adjustments less severe.

The economic picture that emerges for Canada for the year ahead is relatively optimistic, despite the fact that the expected moderation in U.S. growth will have some impact as the year advances.

National output is expected during 1979 to increase by about 3.5 percent with investment providing more stimulus and consumption somewhat less. Unemployment will remain about the same, perhaps edging up as the growth in jobs falls below the increase in the labour force and our industries experience improved productivity.

The rate of inflation could moderate to the seven to eight percent range with a possible levelling-off in food prices and a more stable dollar. Interest rates will remain high in line with those in the United States particularly for medium and long-term rates. Short-term rates may well have peaked and perhaps decline moderately towards year-end.

A note of caution is in order. We have elected a new national government and our new Prime Minister has promised to carry on as if he had a majority government. If he will resist larger deficits and implement his party's election platform of tax cuts gradually and in harmony with expenditure cuts, I would be confident about Canada's economic future. By the same token any significant increase in our already massive federal deficit, or a more expansionary monetary policy would, I believe, worsen the outlook in virtually all its elements. However attractive tax concessions may appear in the near term, this is not a time to take risks with our economy. It requires all of us, government, business, labour and the general public to follow a path of responsible realism, and show a willingness to forego immediate benefits for a stronger and more secure future.

Appointment

In the opinion of your Board of Directors the chief executive officer of a large real estate development company, especially the size and diversity of Cadillac Fairview, must have several key attributes–a knowledge of the industry, leadership ability, a degree of entrepreneurial thrust and, above all, boundless energy. I have served the company for five years in the role of Chairman and Chief Executive Officer following many years as head of a predecessor company and have indicated to the Board that it is time for someone with a fresh outlook, new approaches and the attributes I have just delineated, to step into this role. At the Board meeting held on June 7 the Directors, with my whole-hearted support, appointed Mr. John H. Daniels as Chairman and Chief Executive Officer effective August 9, 1979. My new position will be Chairman of The Executive Committee of the Board.

My association with Mr. Daniels, both as a business partner and close friend, goes back more than 25 years and I am personally gratified that he was willing to accept this new and challenging role. It is my unequivocal belief that he will serve the company and the Shareholders with a degree of competence which bodes well as we enter a new and even more exciting era of growth and financial success.

I will be available on a less than full-time basis to assist the chief executive officer in the areas of company policy and strategic planning.

Outlook

Although it has not normally been the practice of our company to disclose in detail the performance expected for the current year, a number of events of significance have taken place which we believe will result in a rate of earnings growth which will be higher than had been experienced over the past several years. These events are as follows:

- Improved occupancies and rental levels in existing buildings as well as the excellent performance of new properties coming on-stream in the latter part of the past fiscal year from which we expect significant contributions to income in the current year.
- The positive results from sale activity in housing and land which were expected in the past year should be realized in the current year and result in substantially increased cash flow. We are also anticipating contributions from entry into new markets.

In commenting on this very positive outlook for the year we would caution that these forecasts are based on current business conditions and on a number of positive factors which could be impacted by adverse economic conditions which may occur in Canada and perhaps, to a larger degree, in the United States.

We also expect that the bulk of contributions from improved performance will appear toward the latter part of the current year and should result in substantial growth in cash flow and profits in the third and fourth quarters.

Appreciation

On behalf of the Board of Directors we thank the people of Cadillac Fairview for their energy, dedication and skills during yet another year of substantial company growth. Our human resources continue to be the most important element throughout our company. To all of these people and to our outside resource groups and suppliers we offer our sincere thanks.

A. E. Diamond

Toronto
June 8, 1979

Chairman and
Chief Executive Officer

Financial Review

Net income for the fiscal year ended February 28, 1979 was $23,537,000 or 69.9 cents per common share basic and 66.4 cents per share on a fully diluted basis compared with $22,552,000 or 89.6 cents per share basic and 86.3 cents per share on a fully diluted basis. Cash flow, the sum of net income, depreciation and deferred income taxes, amounted to $52,632,000 or $1.84 per common share compared with $49,861,000 or $1.99 per common share in the previous fiscal year.

Cash flow is the amount available to meet company obligations, including mortgage principal repayments, and the amount of revenue generated during the year which can be used for future growth. In the real estate industry, cash flow is understood to be as important a measure of financial performance as net income.

For the past fiscal year basic net income and cash flow per share amounts have been reduced by approximately 22 cents as the result of the additional preference share dividends paid under the capital reorganization effective August 31, 1978.

Net income and cash flow amounts per common share are calculated after deducting preference share dividends paid and are based on the weighted average number of shares outstanding during the year. Fully diluted per share amounts assumed the exercise of all outstanding share options at the beginning of each year with the related proceeds invested at prevailing interest rates.

Total assets at book value increased by $425 million to $1.830 billion. This increase was financed in part by the company's cash flow and with short- and long-term borrowing. A larger portion of the increase than in previous years reflects the company's growing investments in the United States. The U.S. projects were almost entirely financed by borrowing U.S. dollars in the United States.

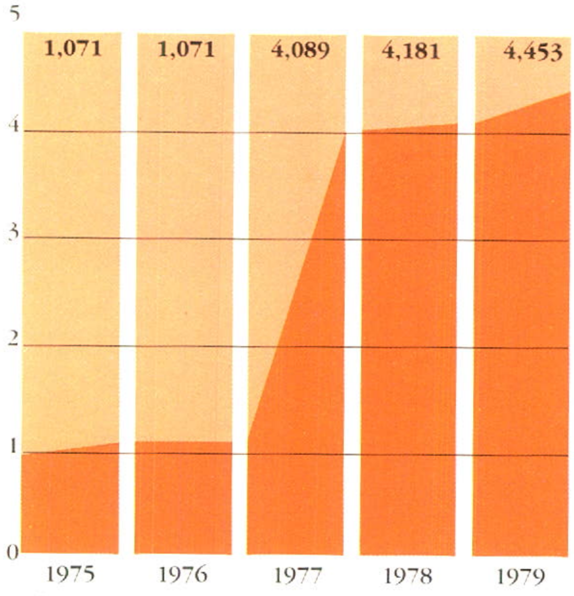
Mortgage loans and bonds on completed income properties increased to $832 million and the weighted average interest rate on this debt rose slightly to 8.9 percent.

Total gross revenues were $420,455,000 compared with $290,326,000 for the fiscal year ended February 28, 1978. Gross rental revenue rose to $205,276,000 from $174,008,000 and net income from rental operations after depreciation and allocation of interest was $44,268,000 compared with $37,173,000 in the previous year.

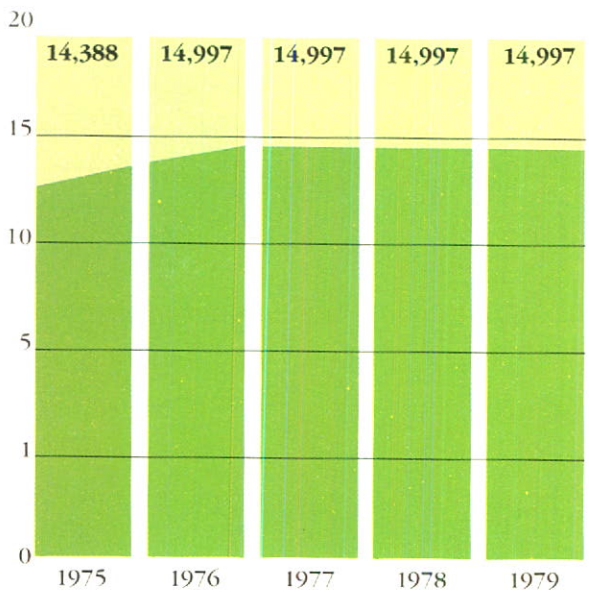
There was a profit of $4,431,000 from the sales of houses compared with a loss of $705,000 in the 1978 fiscal year. Earnings from land sales were $5,196,000 compared with $6,390,000. Income from other sources such as development and management fees and interest on investments was $11,095,000 compared with $10,285,000. Included in income from other sources, a gain, before income taxes, of $2,613,000 resulted from the sale of the company's investments in a real estate company and an office building, 1075 Bay Street in Toronto. Miscellaneous income includes $1,097,000 from foreign exchange translations.

Completed Income-Producing Properties*

Industrial (000 sq. ft.)



Residential (Units)

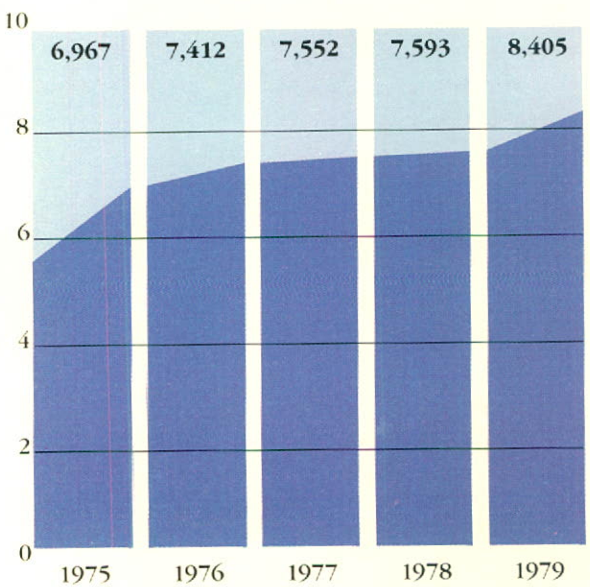


*Company's interest only

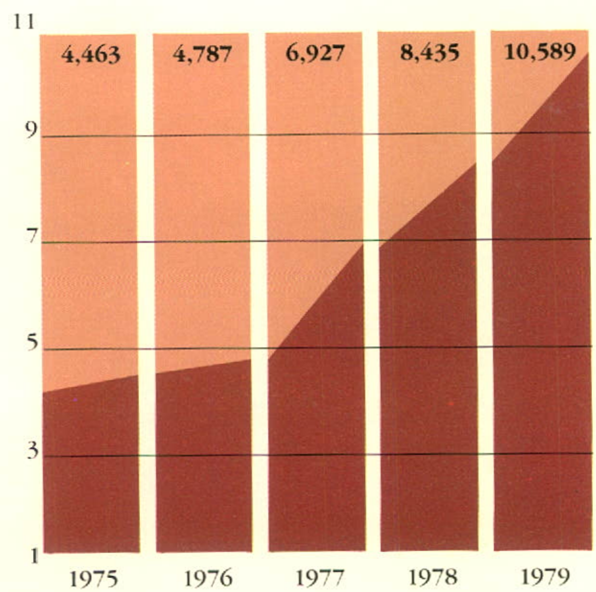
Geographic Location of Real Estate Assets CF
February 28, 1979

	Income-Producing Properties, Completed and Under Construction	Land Held For and Under Development	Housing Projects Under Construction and For Sale	Total 1979	Total 1978
	(in thousands of dollars)				
Western Provinces	$ 104,263	$ 43,364	$ 14,832	$ 162,459	$ 113,598
Ontario	637,621	193,815	73,474	904,910	882,062
Quebec	155,541	5,045	2,508	163,094	155,315
Maritime Provinces	7,931	18	–	7,949	7,269
United States	217,496	113,295	79,855	410,646	106,096
	$1,122,852	$355,537	$170,669	$1,649,058	$1,264,340

Shopping Centres (000 sq. ft.)



Urban Development (000 sq. ft.)



Consolidated Statement of Income

For the year ended February 28, 1979
(with comparative figures for 1978)

		1979	1978
		(in thousands of dollars)	
Rental Operations	Rental income	**$205,276**	$174,008
	Property operating expenses	**91,484**	78,788
	Interest	**58,029**	48,308
	Depreciation	**11,495**	9,739
		161,008	136,835
		44,268	37,173
Housing Operations	Sales	**165,685**	62,512
	Cost of sales	**161,254**	63,217
		4,431	(705)
Land Operations	Sales	**35,786**	39,351
	Cost of sales	**30,590**	32,961
		5,196	6,390
Other Income	Fees (net)	**1,130**	2,464
	Interest	**6,215**	5,341
	Miscellaneous	**3,750**	2,480
	Gain on sale of investments and subsidiary companies (Note 16)	**2,613**	4,170
		13,708	14,455
		67,603	57,313
Expenses	Interest–other	**9,559**	5,723
	General and administrative	**15,407**	10,438
		24,966	16,161
Income Before Income Taxes		**42,637**	41,152
Income Taxes	Current	**1,500**	1,030
	Deferred	**17,600**	17,570
		19,100	18,600
Net Income		**$ 23,537**	$ 22,552
Net Income per Common Share (Note 14)	Basic	**69.9¢**	89.6¢
	Fully diluted	**66.4¢**	86.3¢

Consolidated Balance Sheet

February 28, 1979
(with comparative figures for 1978)

		Notes	1979	1978
			(in thousands of dollars)	
Assets	Income-producing properties	2	**$1,001,943**	$ 816,369
	Income-producing properties under construction	3	**120,909**	106,652
	Land held for and under development	4	**355,537**	254,532
	Housing projects under construction and for sale	5	**170,669**	86,787
	Amounts receivable	6	**131,786**	104,404
	Other assets	7	**48,881**	36,276
			$1,829,725	$1,405,020
Liabilities	Long-term debt	8	**$1,041,564**	$ 772,661
	Bank indebtedness	9	**297,238**	239,090
	Mortgages and other debt on housing projects under construction and for sale	10	**83,869**	40,965
	Accounts payable and accrued liabilities		**73,491**	71,472
	Other liabilities	11	**26,898**	18,425
	Deferred income taxes		**112,177**	94,416
			1,635,237	1,237,029
Shareholders' Equity	Capital stock	12	**89,236**	80,570
	Retained earnings		**105,252**	87,421
			194,488	167,991
			$1,829,725	$1,405,020

Approved by the Board: A. E. Diamond, Director
B.I. Ghert, Director

Consolidated Statement of Retained Earnings

For the year ended February 28, 1979
(with comparative figures for 1978)

	1979	1978
	(in thousands of dollars)	
Balance, beginning of year	$ 87,421	$68,908
Net income	23,537	22,552
	110,958	91,460
Dividends		
Preference shares (Note 12)		
Prior to capital reorganization	115	164
Subsequent to capital reorganization	5,591	–
Common shares	–	3,875
	5,706	4,039
Balance, end of year	$105,252	$87,421

Auditors' Report

To the Shareholders of
The Cadillac Fairview Corporation Limited:

We have examined the consolidated balance sheet of The Cadillac Fairview Corporation Limited as at February 28, 1979 and the consolidated statements of income, retained earnings and source and use of cash for the year then ended. Our examination of the financial statements of The Cadillac Fairview Corporation Limited and those subsidiaries of which we are the auditors, was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at February 28, 1979 and the results of its operations and the source and use of its cash for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
May 11, 1979

Price Waterhouse & Co.
Chartered Accountants

Consolidated Statement of Source and Use of Cash

For the year ended February 28, 1979
(with comparative figures for 1978)

		1979	1978
		(in thousands of dollars)	
Source of Cash	Net income	**$ 23,537**	$ 22,552
	Charges not requiring current cash outlay		
	Depreciation	**11,495**	9,739
	Deferred income taxes	**17,600**	17,570
	Cash flow from operations	**52,632**	49,861
	Mortgages secured on income-producing properties, completed and under construction	**225,599**	56,710
	Mortgages on land held for and under development	**74,619**	42,007
	Issue of notes payable	**23,895**	2,167
	Net increase in bank indebtedness	**58,148**	83,050
	Increase in mortgages and other debt on housing projects for sale	**42,904**	–
	Issue of shares	**8,666**	190
	Increase in accounts payable	**2,019**	–
	Net change in other assets and liabilities	**–**	6,093
	Decrease in cash and project fund	**983**	15,785
		$489,465	$255,863
Use of Cash	Investment in income-producing properties, completed and under construction	**$190,725**	$ 94,556
	Investment in land held for and under development	**120,613**	43,314
	Increase in housing projects for sale	**83,882**	2,063
	Long-term debt repayments	**52,811**	74,271
	Increase in accounts receivable, notes, mortgages and agreements for sale	**25,447**	25,453
	Increase in amounts advanced to or on behalf of other co-owners	**3,509**	2,692
	Decrease in mortgages and other debt on housing projects for sale	**–**	4,172
	Decrease in accounts payable	**–**	5,303
	Dividends paid	**5,706**	4,039
	Net change in other assets and liabilities	**6,772**	–
		$489,465	$255,863
Cash Flow per Common Share (Note 14)	Basic	**$1.84**	$1.99
	Fully diluted	**$1.76**	$1.91

Notes to Consolidated Financial Statements

February 28, 1979

1. Accounting Policies

(a) The Company is a member of the Canadian Institute of Public Real Estate Companies. The Company's accounting policies and its standards of financial disclosure are in accordance with the recommendations of that Institute in all material respects.

(b) Principles of consolidation

The consolidated financial statements include:

(i) the accounts of the Company and its controlled subsidiaries;

(ii) the Company's proportionate ownership share of the individual assets, liabilities and the related income and expenses of incorporated joint ventures, partnerships and of properties held under tenancies in common.

(c) Income-producing properties

Income-producing properties, completed and under construction, are recorded at cost. Depreciation on buildings and improvements is provided under the sinking fund method. Under this method depreciation is charged to income in amounts which increase annually consisting of fixed annual sums together with interest compounded at the rate of 5% per annum so as to fully depreciate the buildings and improvements over their estimated useful lives which range from:

(a) Apartment buildings–50 years
(b) Office buildings–40-60 years
(c) Shopping centres–30-45 years
(d) Industrial buildings–25-50 years

Depreciation on equipment is provided on a straight line basis over periods up to ten years.

Initial leasing charges for office buildings, shopping centres and industrial buildings are amortized over the term of the related leases and other deferred charges are amortized over terms appropriate to the expenditure. Initial leasing and other deferred charges for apartment buildings are capitalized and depreciated with the buildings.

(d) Land held for and under development

Land intended for income-producing properties is carried at cost and land to be developed for sale is recorded at the lower of cost and net realizable value at the expected time of sale.

(e) Housing projects under construction and for sale

Housing projects under construction and for sale and land intended therefor are valued at the lower of cost and net realizable value at the expected time of sale.

(f) Capitalization of costs

The Company capitalizes direct carrying costs such as specific interest, realty taxes, leasehold rentals and other related costs and that portion of general interest and administrative expenses considered applicable as part of the cost of income-producing properties under construction and land held for and under development and housing projects under construction and for sale.

(g) Interest

Interest related to specific debt secured by income-producing properties under construction, land held for and under development and housing projects under construction and for sale is capitalized to such assets. Interest on all other debt is pooled. Appropriate amounts of interest are withdrawn from the pool for purposes of capitalization to the assets indicated above. The balance remaining in the pool is charged to expense, with appropriate amounts allocated to rental operations and to other interest.

(h) Income recognition

(i) Income-producing properties

Rental income for office buildings, shopping centres and industrial buildings during the initial period of operations is fully recognized. Carrying costs and operating costs during this period are allocated to construction and to operations on the basis of occupancy, until a satisfactory level of occupancy is achieved. Capitalization in respect of all projects is subject to a reasonable maximum period of time.

(ii) Housing and land operations

Income from these transactions is recognized as follows:

House sales
–at the date when title passes.

Condominium sales
–when the amount due on closing is received and the purchaser is entitled to occupancy and undertakes to assume a mortgage for the balance of the purchase price.

Land sales
–when all material conditions have been fulfilled, at least 15% of the purchase price has been received, and interest has commenced to accrue at a reasonable rate on the balance due under the sale agreement.

(i) Cost of sales–land operations

Land operations sales are costed on the net yield basis whereby unabsorbed costs for each registered plan of subdivision are allocated to unsold lots at the beginning of the year in proportion to anticipated revenue.

(j) Income taxes

The Company claims for income tax purposes certain costs that are capitalized or deferred in the accounts and may also claim varying amounts of capital cost allowance that are greater than depreciation provided in the accounts. Accordingly, income taxes otherwise currently payable are deferred to future years.

Commencing in 1968, the tax allocation method of accounting for income taxes was adopted. Deferred income taxes not recorded for the year 1967 and prior for certain of the predecessor companies amount to approximately $3,992,000.

(k) Foreign exchange

The accounts of foreign subsidiary companies have been translated to Canadian dollars using the year-end rate of exchange.

In the accounts of domestic companies, long-term debt repayable in U.S. dollars is carried at historical rates of exchange and bank indebtedness repayable in U.S. dollars is carried at the year-end rate of exchange.

Gains or losses from exchange translations are included in the statement of income.

2. Income-producing Properties

	1979	1978
	(in thousands of dollars)	
Land	**$ 125,886**	$106,801
Buildings and improvements	**911,678**	742,302
Equipment	**14,858**	13,493
Initial leasing and other deferred charges	**25,639**	18,546
	1,078,061	881,142
Accumulated depreciation and amortization	**76,118**	64,773
	$1,001,943	$816,369

3. Income-producing Properties Under Construction

	1979	1978
	(in thousands of dollars)	
Land	**$ 42,551**	$ 31,746
Buildings and improvements	**76,289**	73,144
Deferred charges	**2,069**	1,762
	$120,909	$106,652

4. Land Held For and Under Development

	1979	1978
	(in thousands of dollars)	
Land	**$234,114**	$152,031
Carrying costs	**61,424**	51,545
Development and servicing costs	**59,999**	50,956
	$355,537	$254,532

5. Housing Projects Under Construction and For Sale

	1979	1978
	(in thousands of dollars)	
Land	**$ 46,096**	$25,649
Construction in progress	**124,573**	61,138
	$170,669	$86,787

6. Amounts Receivable

	1979	1978
	(in thousands of dollars)	
Accounts receivable	**$ 40,988**	$ 23,953
Notes, mortgages and agreements for sale	**62,958**	54,546
Amounts receivable from employees pursuant to share purchase plans and house mortgage loans, including $2,642,000 from officers and directors ($3,411,000 in 1978)	**3,489**	5,063
	107,435	83,562
Advances to or on behalf of co-owners in joint ventures and tenancies in common	**24,351**	20,842
	$131,786	$104,404

The due dates of the amounts receivable (except the advances to or on behalf of co-owners) are as follows:

		(in thousands of dollars)
Years ending February 28,	1980	$ 89,032
	1981	10,571
	1982	2,244
	1983	2,302
	1984	1,776
Subsequent to 1984		1,510
		$107,435

Notes to Consolidated Financial Statements

February 28, 1979

7. Other Assets

	1979	1978
	(in thousands of dollars)	
Prepaid and sundry assets	**$29,107**	$17,223
Head office property and equipment, less accumulated depreciation	**10,558**	8,854
Mortgage bond proceeds invested in project fund	**1,098**	6,664
Cash and short-term deposits	**8,118**	3,535
	$48,881	$36,276

8. Long-term Debt

	1979	1978
	(in thousands of dollars)	
Mortgage loans secured on the undernoted assets at the respective weighted average year-end rates of interest:		
Income-producing properties–8.9%	**$ 832,252**	$629,053
Income-producing properties under construction–10.0%	**16,171**	16,330
Land held for and under development–9.9%	**114,945**	67,495
Debentures–7.7%	**8,625**	12,495
Notes payable–9.0% including $30,000,000 to a shareholder	**69,571**	47,288
	$1,041,564	$772,661

Long-term debt principal repayments are due approximately as follows:

		Instalment payments	Balances due on maturity	Total
		(in thousands of dollars)		
Years ending February 28,	1980	$24,569	$74,335	$ 98,904
	1981	19,392	23,750	43,142
	1982	21,096	15,324	36,420
	1983	16,233	31,714	47,947
	1984	17,277	21,277	38,554
Subsequent to 1984				776,597
				$1,041,564

Long-term debt includes $42,454,000 repayable in U.S. dollars that is carried in the accounts of a Canadian company and translated at the historical rates of exchange. If this amount were translated at the year-end rate, the liability would be increased by $4,454,000.

In addition, there is $195,113,000 repayable in U.S. dollars that is carried in the accounts of U.S. subsidiaries; such amount has been translated at the year-end rate.

The debentures rank pari passu and are secured equally by a first fixed and specific charge (subject to permitted encumbrances) on approximately 4,600 acres of land in Mississauga, Ontario. The Company is entitled to obtain release of any part or parts of the lands upon principal repayments (including sinking fund payments) at the rate of $5,000 per acre.

9. Bank Indebtedness

	1979	1978
	(in thousands of dollars)	
Specific development loans	**$136,984**	$ 91,287
Income-producing property loans	**17,123**	23,850
General bank indebtedness	**143,131**	123,953
	$297,238	$239,090

Bank indebtedness includes loans repayable in U.S. dollars with $168,549,000 carried in the accounts of U.S. subsidiaries and $31,117,000 in Canadian companies.

Specific development loans include $61,023,000 secured by income-producing properties under construction and $36,965,000 secured by housing projects under construction and land intended therefor.

The income-producing property loans are secured by mortgages on the related projects.

General bank indebtedness of $53,099,000 is secured by a subordinate charge of up to $60,000,000 on certain of the Company's land and includes $34,906,000 of term loans payable September 30, 1980.

10. Mortgages and Other Debt on Housing Projects Under Construction and For Sale

These amounts include first mortgage loans received with respect to individual housing units which will be assumed by the purchasers of such units and other debt which will be discharged out of the proceeds on closing of housing units sold.

11. Other Liabilities

	1979	1978
	(in thousands of dollars)	
Deposits on rentals and sales	**$16,843**	$ 8,356
Deferred income	**10,055**	10,069
	$26,898	$18,425

12. Capital Stock

Authorized:	Shares
Cumulative redeemable non-voting preference shares without par value, issuable in series	50,000,000
Common shares without par value	49,978,480

Issued and fully paid:

	Common	Preference Series A	6.5% Preference First Series
	(number of shares)		
February 28, 1978	25,001,633	–	99,870
Issued	883,962	–	–
Cancelled	–	–	(445)
August 31, 1978	25,885,595	–	99,425
Capital reorganization	–	13,141,647	(99,425)
	25,885,595	13,141,647	–
Issued	57,900	28,950	–
February 28, 1979	25,943,495	13,170,597	–
	(amount in thousands of dollars)		
February 28, 1978	$78,073	$ –	$2,497
Issued	8,142	–	–
Cancelled	–	–	(11)
August 31, 1978	86,215	–	2,486
Capital reorganization	(35,923)	38,409	(2,486)
	50,292	38,409	–
Issued	312	223	–
February 28, 1979	$50,604	$38,632	$ –

(a) Under terms of a capital reorganization effective August 31, 1978, each common shareholder received one of the new class of preference shares, series A, and two new common shares for every two existing common shares held at the date of record. In addition, each existing 6.5% preference share, first series, was converted into two new preference shares, series A. The owner of each new preference share, series A, is entitled to receive cumulative annual cash dividends of 85¢ per share, payable quarterly. Preference shares are currently redeemable for $10.80.

(b) Shares issued during the year included 776,451 common shares to a debenture holder for consideration of $7,151,000 under an option granted in 1967. In addition, 165,411 common shares and 28,950 new preference shares were issued to employees for aggregate consideration of $1,526,000 under share option and purchase plans.

(c) Common and preference shares are reserved for issue pursuant to the following:

(i) 1,004,355 common shares plus 502,178 preference shares in connection with senior employees under an executive share option plan up to 1984 at the rate of $9.25 for 1 common share plus ½ preference share.

(ii) 77,045 common shares plus 38,522 preference shares in connection with the employee share purchase plan.

13. Commitments and Contingencies

(a) At February 28, 1979, the Company's share of the estimated completed cost of income-producing properties under construction aggregated $334,350,000 of which $120,909,000 has been expended. Included in the estimated cost are projects which management intends to develop in the near future, although there are no legal commitments in respect of such projects at the present time.

Long-term financing of $119,393,000 has been arranged and a Canadian chartered bank has agreed to guarantee further long-term financing of $42,000,000. Draw-downs under such financing aggregate $16,171,000 at February 28, 1979.

In addition, for certain projects included above, the Company has agreed to provide interim financing for the co-owners' share in joint ventures and tenancies in common of such projects. At February 28, 1979 the financing commitment aggregates $46,886,000 with $32,639,000 specific interim financing arranged.

The Company has a commitment to complete the servicing requirements in connection with certain land developments. This undertaking and certain other commitments have been guaranteed by way of irrevocable letters of credit issued by its bankers and subdivision bonds. At February 28, 1979 the balance outstanding was $32,800,000.

(b) Annual rentals payable under long-term leases amount to $3,316,000 with varying lease periods up to the year 2084. Certain leases are to be re-negotiated, but none prior to 1984.

(c) The Company pension plan has an unfunded liability of approximately $1,900,000 for past service benefits. This liability is being funded with annual payments of $225,000.

14. Per Share Amounts

Net income and cash flow amounts per common share are calculated after deducting preference share dividends paid and are based on the weighted average number of shares outstanding during the year. Fully diluted per share amounts assume the exercise of all outstanding share options at the beginning of each year with the related proceeds invested at prevailing interest rates.

For the year ended February 28, 1979, basic net income and cash flow per share amounts have been reduced by approximately 22¢ as a result of additional preference share dividends paid pursuant to the capital reorganization.

Notes to Consolidated Financial Statements

February 28, 1979

15. Capitalized Costs

During the year the following net costs were capitalized:

	1979	1978
	(in thousands of dollars)	
Interest	**$46,232**	$34,577
Property taxes, ground rent, etc. less sundry revenue	**4,876**	4,750
Administrative	**14,131**	9,529
Condominium occupancy recoveries	**(224)**	(494)
	$65,015	$48,362

The net costs were capitalized to the following accounts:

	1979	1978
Income-producing properties under construction	**$17,648**	$15,596
Land held for and under development	**29,959**	22,409
Housing projects under construction and for sale	**17,408**	10,357
	$65,015	$48,362

The amounts reflect all capitalized costs, a portion of which is included in cost of sales for land and housing during the year.

16. Sale of Investments and Subsidiary Companies

During the year ended February 28, 1979 the Company sold its investments in a real estate company and an office building in Toronto. Proceeds from the sales aggregated $12,211,000 with a contribution to net income of $1,973,000 after related deferred income taxes of $640,000. Net book value of the assets sold was approximately $9,598,000.

During the prior year a foreign subsidiary sold the capital stock of corporations which owned an industrial park in the United States. Proceeds from the sale were $4,550,000, with a contribution to net income of $3,137,000 after deferred income taxes of $1,033,000.

17. Joint Ventures

The following amounts are included in the consolidated financial statements and represent the Company's proportionate share of the revenues, expenses, assets and liabilities of incorporated joint ventures, partnerships and tenancies in common.

	Gross Revenue		Net Contribution	
	1979	1978	1979	1978
	(in thousands of dollars)			
Rental operations	**$95,811**	$85,070	**$10,931**	$11,547
Housing operations	**20,692**	20,214	**824**	(967)
Land operations	**2,334**	671	**210**	(820)
Other income	**2,239**	1,095	**2,239**	1,095
			14,204	10,855
General interest and other expenses			**8,116**	6,329
Net income			**$ 6,088**	$ 4,526

	1979	1978
	(in thousands of dollars)	
Income-producing properties	**$533,291**	$431,472
Income-producing properties under construction	**88,097**	53,476
Land held for and under development	**76,997**	64,384
Housing projects under construction and for sale	**45,024**	28,406
Amounts receivable and other assets	**53,673**	49,720
	$797,082	$627,458
Long-term debt	**$484,712**	$398,353
Bank indebtedness	**105,026**	75,570
Mortgages and other debt on housing projects under construction and for sale	**16,221**	8,747
Accounts payable and other liabilities	**35,424**	30,102
Equity, advances and deferred income taxes	**155,699**	114,686
	$797,082	$627,458

The Company is contingently liable for the obligations of certain co-owners amounting in the aggregate to approximately $166,973,000. However, in each case the co-owners' share of the assets amounting in the aggregate at net book value to approximately $212,002,000 is available for the purpose of satisfying such obligations.

18. Acquisition

On August 31, 1978, the Company acquired General Homes Consolidated Companies, Inc., a residential development company with assets valued at approximately $81,000,000 (U.S.). The Company assumed the related liabilities of $57,000,000 (U.S.), issued notes to the vendors of $16,000,000 (U.S.) and financed the balance of $8,000,000 (U.S.) with bank indebtedness. Such acquisition was accounted for using the purchase method.

19. Remuneration of Directors and Officers

The aggregate direct remuneration of directors and officers paid by the Company during the year is as follows:

	1979	1978
Directors in their capacity as directors	**$114,000**	$79,000
Officers in their capacity as officers	**$3,330,000**	$3,217,000

The Corporate Development Group

1

The Corporate Development Group which has the mandate to seek out new growth opportunities for the company with increasing emphasis on the massive United States market has five key areas of responsibility:

- Assessing, on a continuing basis, new opportunities for growth in all aspects of real estate endeavor and, in co-operation with other Groups, bringing the best and most feasible of these to fruition.
- Establishing a second Region in the United States under the company's plan to formalize a management structure for ongoing operations in the U.S.
- Monitoring the operations of General Homes Consolidated Companies, Inc., a successful housing and land development company based in Houston, Texas.
- Managing the Industrial Division's program in Canada and the United States.
- Administering the investment in Continuous Color Coat Limited, a profitable steel processing company in which Cadillac Fairview has a 50 percent interest.

The Group's primary avenue of endeavor, and its most important responsibility, is to continue to seek out areas to broaden and diversify the company's operations both geographically and into new areas of real estate activity. On an ongoing basis it evaluates and, where possible, finalizes and/or passes on to other Groups new opportunities in Canada and the United States.

The Group's energies are being directed with substantially increasing momentum and with a more finite management approach to its task of achieving new areas of growth. It is also developing a program directed toward potential acquisition or merger opportunities. Increasingly the emphasis is in the United States because of the immense size of the market and the greater number of opportunities available there.

United States Organization

At the annual meeting of the company in 1978, shareholders were advised that the company is proceeding with its plan to forge a permanent management structure for operations in the United States. The Group has been given the responsibility to select and organize the second Region in the U.S. The exact location of this Region is now being determined. Once the location of the Region is selected, the Group will organize initial staff and get a program started. The senior company executive appointed to head the new Region will report to The Corporate Development Group. The Group would then devote its efforts to selecting a third Region. The Group has been examining a number of attractive new ventures and, indeed, has entered into preliminary negotiations on some of them. At least one opportunity is in an area within the boundaries of the potential second Region. This means that the Group will have not only met the challenge of determining the location for the second Regional office and organizing its structure and staffing, but will have a program of development activity available. This development program will be carried out under the management of the appointed head of the new Region with the assistance of The Corporate Development Group and, as required, the resources of other Groups.

General Homes

General Homes which was acquired in August 1978, had a successful year and in fiscal 1979 is planning to build and sell in excess of 2,500 homes in the greater Houston area and in several surrounding states. Its first project out-of-state is a community of 125 homes called Northwood Village at Slidell, Louisiana. This sales program was launched in April 1979, and the community is oriented toward the home buying market in New Orleans some 35 miles away. New Orleans has little available land for low and medium priced family homes and it is expected that Northwood Village will attract buyers who will commute to that city. In May 1979, General Homes started a second out-of-state community called Lake Forest at Mobile, Alabama at which it plans to build and market 160 homes.

In the Houston area, General Homes offers product in a wide range of locations, largely in the suburban areas. The newest communities are Quail Run in Southwest Houston and Kenswick and Greengate in Northeast Houston near the new international airport.

Industrial Division

The Industrial Division which has complete industrial development capabilities from site acquisition, through planning, design, construction and leasing, has a growing program in Canada and in the United States. Its activities will now be confined to areas which do not come under the aegis of The United States Western Region–for example, a 162,000 square foot industrial building currently under construction in Houston, Texas.

The division during fiscal 1979 had an active program especially in the business parks and the Auto Centre in Erin Mills.

In the Erin Mills Northern Business Park, 20 acres were sold to Rubbermaid (Canada) Limited, five acres were sold for a Canadian Tire store and four buildings totalling approximately 180,000 square feet were completed or are under construction.

At Skyway Business Park, near Toronto International Airport, two buildings totalling 60,000 square feet were completed and construction started on additional buildings which, on completion, will total 260,000 square feet.

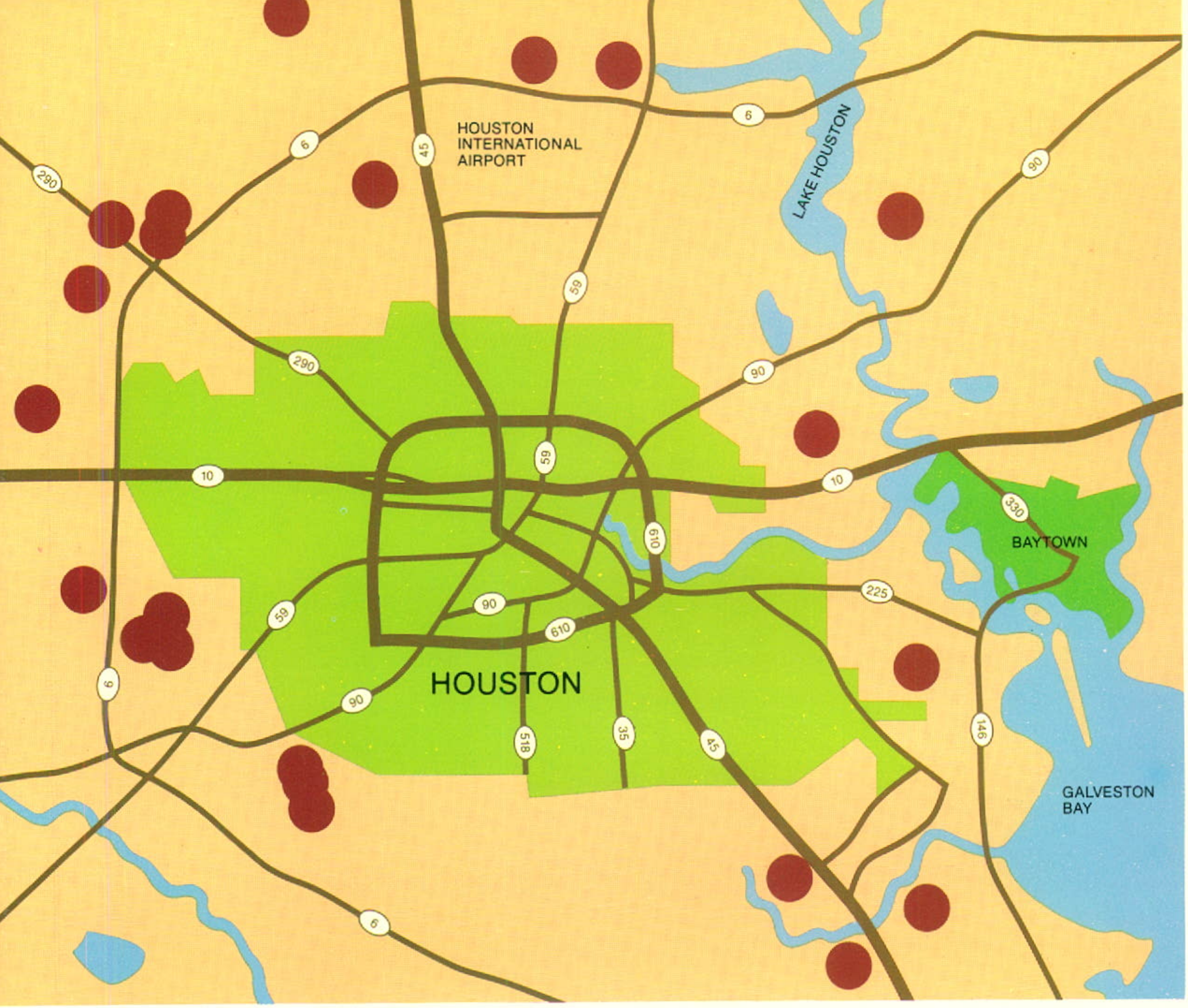
In St. Catharines, Ontario, a 31,000 square foot building was completed and leased and at Cushman Industrial Mall, Phase III, a 36,000 square foot building was completed. This brings the total program in the three phases at Cushman Industrial Mall to 114,000 square feet of which some 70,000 square feet has already been leased. During the year, a 16,000 square foot office building was constructed and leased in Burlington, Ontario.

In summary, in Canada, the Industrial Division completed in fiscal 1979, or has under construction, a total of approximately 525,000 square feet of leasable space which will become part of the company's income property portfolio. The division also has five other buildings totalling 250,000 square feet in various stages of planning.

Portfolio of The Industrial Division

COMPLETED	Year Opened or Purchased	Size of Site (acres)	Net Rentable Building Area (000 sq. ft.)	Extent of Company's Interest (%)	Extent of Company's Interest (000 sq. ft.)
Ontario					
Chrysler Canada Limited, Erin Mills	1972	58	804	100	804
The Dunwin, Erin Mills	1972	2	19	100	19
Millrace Court, Erin Mills	1974	8	128	100	128
Erin Mills Auto Centre, Erin Mills	1975	2.5	38	100	38
Cushman Industrial Mall, St. Catharines	1975/77	4	78	100	78
Millen Industrial Mall, Stoney Creek	1975/77	5	87	100	87
Albion Way, Etobicoke	1976	7	118	100	118
Merivale Industrial Complex, Phase 1, Ottawa	1976	4.2	74	100	74
Erin Park Industrial Mall, Phase 1, Erin Mills	1977	6	87	100	87
Restaurant, Cambridge[1]	1977	1.5	2	100	2
Department of Public Works, Etobicoke	1978	4	99	100	99
Restaurant, Guelph[1]	1978	0.6	2	100	2
Mississauga Honda Dealership, Erin Mills	1978	1.4	8	100	8
Boehringer Ingelheim Canada Ltd., Burlington	1978	2.6	16	100	16
Multi-tenancy Building 1, Skyway Business Park, Etobicoke	1978	1.9	27	50	13
Digital Equipment of Canada Ltd., Skyway Business Park	1978	2.5	33	50	17
Flange Klamp Canada Limited, St. Catharines	1978	3.3	31	100	31
		114.5	1,651		1,621
UNDER CONSTRUCTION					
Ontario					
Cushman Industrial Mall–phase 3, St. Catharines		2.0	36	100	36
Southfield Industrial Mall, Erin Mills		2.8	40	100	40
Multi-tenancy Building 2, Skyway Business Park, Etobicoke		2.3	41	50	20
Office Building 1, Skyway Business Park, Etobicoke		3.5	74	50	37
Dunwin II, Erin Mills		5.6	88	100	88
Allont Limited, Erin Mills		4.0	43	100	43
		20.2	322		264
Texas					
Clay/Hempstead Business Park–Phase 1, Houston		7.1	162	100	162
		27.3	484		426
SERVICED, ZONED INDUSTRIAL LANDS					
Ontario					
Erin Mills, Southern Business Park[2,3]		57.1		100	
Erin Mills, Northern Business Park[2]		148.9		100	
St. Catharines		4.0		100	
Etobicoke, Skyway Business Park		44.6		50	
Ottawa		9.0		100	
Cambridge		1.5		100	
		265.1			
Texas					
Clay/Hempstead Business Park, Houston		7.1		100	
		272.2			

1. Completed buildings held for sale
2. Includes 186.4 acres reported in Erin Mills Summaries
3. Some of these lands may be developed for other than industrial uses

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These attractive single-family residences were built and sold by General Homes in the greater Houston area (1, 2, 3). General Homes is also marketing homes near New Orleans, Louisiana and Mobile, Alabama. Map of the greater Houston area indicates the 22 residential communities developed by General Homes.
The Industrial Division portfolio in the Toronto area includes buildings in Erin Mills Northern Business Park (4) and corporate office (5) and service buildings (6) at Skyway Business Park near Toronto International Airport.


1

The New Communities Group

The New Communities Group has the responsibility for developing large scale communities which provide an environment where residents can enjoy a lifestyle with many of the supporting facilities they require, such as, schools, places of worship, shopping and recreation.

In the past the major focus of the Group was the development of Erin Mills. During the past two years the Indian Spring project in Southern Florida has begun to mature. Recently the Group further expanded its horizons with its most recent acquisition–some 2,000 acres of prime development land at Smithville near Atlantic City, New Jersey.

Erin Mills

Located on 8,000 acres in the City of Mississauga, just west of Metropolitan Toronto, Erin Mills is one of the largest fully integrated new communities in Canada. After eight years of development Erin Mills shows every evidence of living up to its original expectations. It is now a thriving community of more than 18,000 people in 5,000 households. When development is completed, in about 15 years, an estimated 150,000 people will live in this model community.

The location of Erin Mills will be greatly enhanced with the completion of construction in 1982 of Highway 403, a new provincial expressway running east and west through the community and providing another link to Metropolitan Toronto in addition to the existing Highways 401 and Queen Elizabeth Way.

The completion of the Burnhamthorpe bridge, currently under construction over the Credit River, will afford greatly improved access for residents to the surrounding community of Mississauga and for entry to Erin Mills.

There has been an increase in activity in the Northern and Southern Business Parks and the Auto Centre and during the year six buildings with a total of 164,000 square feet were constructed. Completed during the year were a 43,000 square foot Canadian Tire store; a 40,000 square foot industrial building for prospective tenants; a 38,000 square foot addition to the Safeco building; a 24,500 square foot Chrysler auto dealership; a 10,500 square foot new building at Glen Erin Medical/Dental Centre and an 8,250 square foot Honda dealership. This commercial and industrial development is part of the master plan for Erin Mills to provide job opportunities for people living in the growing community.

South Common, an integral part of Erin Mills South, continues to take shape and now has three schools–a senior public school, a separate school and a school for the handicapped. A day care centre will be opened in the fall of 1979 and a community centre is expected to be started during the year. Construction of the first phase of a community shopping centre will start this fall with completion of this phase expected in 1980.

New churches and a synagogue were opened in the past year bringing the total number of religious facilities in Erin Mills to five which serve eight denominations.

Although the market for sale housing was generally soft in the past fiscal year in Ontario, in common with the situation in many other areas of Canada, increasing activity in the rental market helped bring the total absorption of residential units to 1,153 compared with 861 units in the previous year.

During the year, approximately 1,200 housing units including rental accommodation, were occupied and builders reduced their inventory of completed residential units by 600. The diversity of accommodation available in Erin Mills now includes rental housing in co-operative projects.

Secondary plan approval was received for three new neighborhoods consisting of approximately 430 acres to provide about 2,700 housing units in the Meadowvale West community and registration is expected in 1980.

Indian Spring

A partner's 50 percent interest in Indian Spring was acquired in April 1978, and the project is now 100 percent owned by the company's subsidiary, Cadillac Fairview Indian Spring Inc. It is a residential community with outstanding golf, tennis and swim club facilities on 800 acres of land at Boynton Beach between Palm Beach and Fort Lauderdale. The community is being developed around a mature 18-hole golf course and a clubhouse with complete dining, lounge and bar facilities together with golf pro shop and locker rooms. The residential units include luxury single-family houses, patio homes, golf villas and two-storey apartment buildings with access to second floor units by individual stairways. All products have been well received and sales are being made, not only to Florida residents but to people from out-of-state for use as winter homes.

By the end of 1979 it is expected that some 400 families will be living in the community. It is anticipated that between four and five hundred housing units will be delivered to purchasers during the current fiscal year. By the end of the past fiscal year 631 units were sold and 154 delivered to purchasers.

Construction of a second 18-hole golf course is well under way and a new tennis and swim club near the main clubhouse will be completed in the summer of 1979.

Smithville

In April 1979, C.F. Smithville Inc., a wholly-owned company subsidiary, entered into a 50 percent joint venture with a United States partner and acquired the "Historic Towne of Smithville" together with 2,000 acres of prime land on which it plans to develop some 6,000 units together with supporting amenities such as schools, shopping and other commercial facilities. These homes will be built to satisfy the rapidly expanding demand generated by the growth of the casino-hotel industry in Atlantic City, some 12 miles away. Atlantic City, a long-established holiday resort is 60 miles from Philadelphia. It is anticipated that there will be a demand over the next 10 years for 45,000 to 65,000 homes in this area. It is planned to get the land development program under way as quickly as possible and serviced lots will be sold to outside builders.

Residents stroll through the sunlit woodland (1) and an early morning jogger enjoys the serenity of Lake Wabukayne (6). After eight years of development, Erin Mills is maturing and the Erin Mills Information Centre (2, 3) is the focal point of many community activities.
The dramatic glass pyramid of the Volvo-Mazda dealership (4) in the Erin Mills Auto Centre. Millway Shopping Centre (5), the first neighborhood plaza, has been serving the residents since 1976.


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Erin Mills Summaries

	Balance Feb. 28/78	Changes During the Year: Registration	Changes During the Year: Sales/Leases/Transfers[1]	Balance Feb. 28/79
LAND (acres)				
Undeveloped Land	5,474	224	(14)	5,264
Land Under Development				
Residential — Single Family	52	101	60	93
Townhouse	85	5	9	81
Apartment	73	–	6	67
Total Residential	210	106	75	241
Industrial, Commercial and Private Recreational	276	6	37	245
Institutional	65	33	10	88
Total Land Under Development	551	145[2]	122	574

BUSINESS PARKS (to February 28, 1979)	Acreage Summary: Total Net Registered	Sold/Leased/Transferred[1]	Balance Feb. 28/79	Building Area Summary[3] (000's sq. ft.): Completed	Planned	Total
Northern Business Park	288	159	129	1,557	43	1,600
Southern Business Park	88	50	38	531	151	682
Auto Centre	41	22	19	109	65	174
Total	417	231	186	2,197	259	2,456

RESIDENTIAL DEVELOPMENT (to February 28, 1979)	Land Sold/Transferred[1] (Housing Units)	Builders' Sales/Rentals	Occupied
Housing Type — Single Family	3,930	3,367	3,317
Townhouse	1,485	936	919
Apartment	1,417	683	599
Total	6,832	4,986	4,835

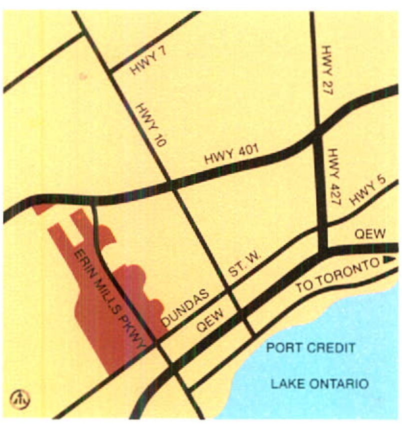
Indian Spring Summaries

(to February 28, 1979)

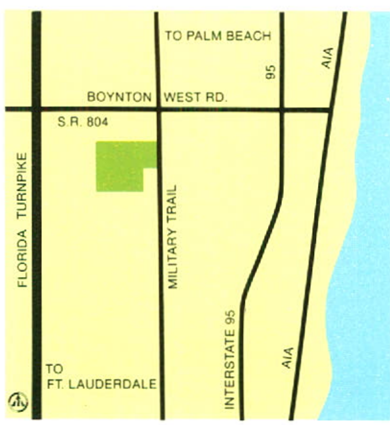
	Land (Acres): Total	Under Development	Developed	Housing (Units): Built or Under Construction[5]	Sold
Residential — Single Family			69	263	217
Townhouse			33	213	129
Apartment			35	450	285
Total Residential	323	186	137	926	631
Recreational	387	153	234	–	–
Other (4)	90	22	8	–	–
Total	800	361	379	926	631

1. Includes land transferred to other Cadillac Fairview groups, net of purchases.
2. The 79 acre difference represents dedication to government authorities.
3. Includes buildings on acreage sold, leased and transferred.
4. Includes commercial, governmental services and roads.
5. This includes 479 units which were planned but not started at year end.

Erin Mills



Indian Spring



Smithville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A rustic sign (1) welcomes visitors to Indian Spring, an 800-acre residential community with outstanding recreational facilities located at Boynton Beach, Florida. Lush tropical foliage surrounds fine patio homes (2) and enhances the new two-storey apartments (4) which overlook the first of two challenging 18-hole golf courses (3).

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The "Historic Towne of Smithville" (1, 2) is surrounded by 2,000 acres of well-treed New Jersey countryside (3) which a company subsidiary will develop to provide serviced lots for residential and commercial facilities to meet the projected rapid growth stimulated by the casino-hotel industry at Atlantic City 12 miles away.


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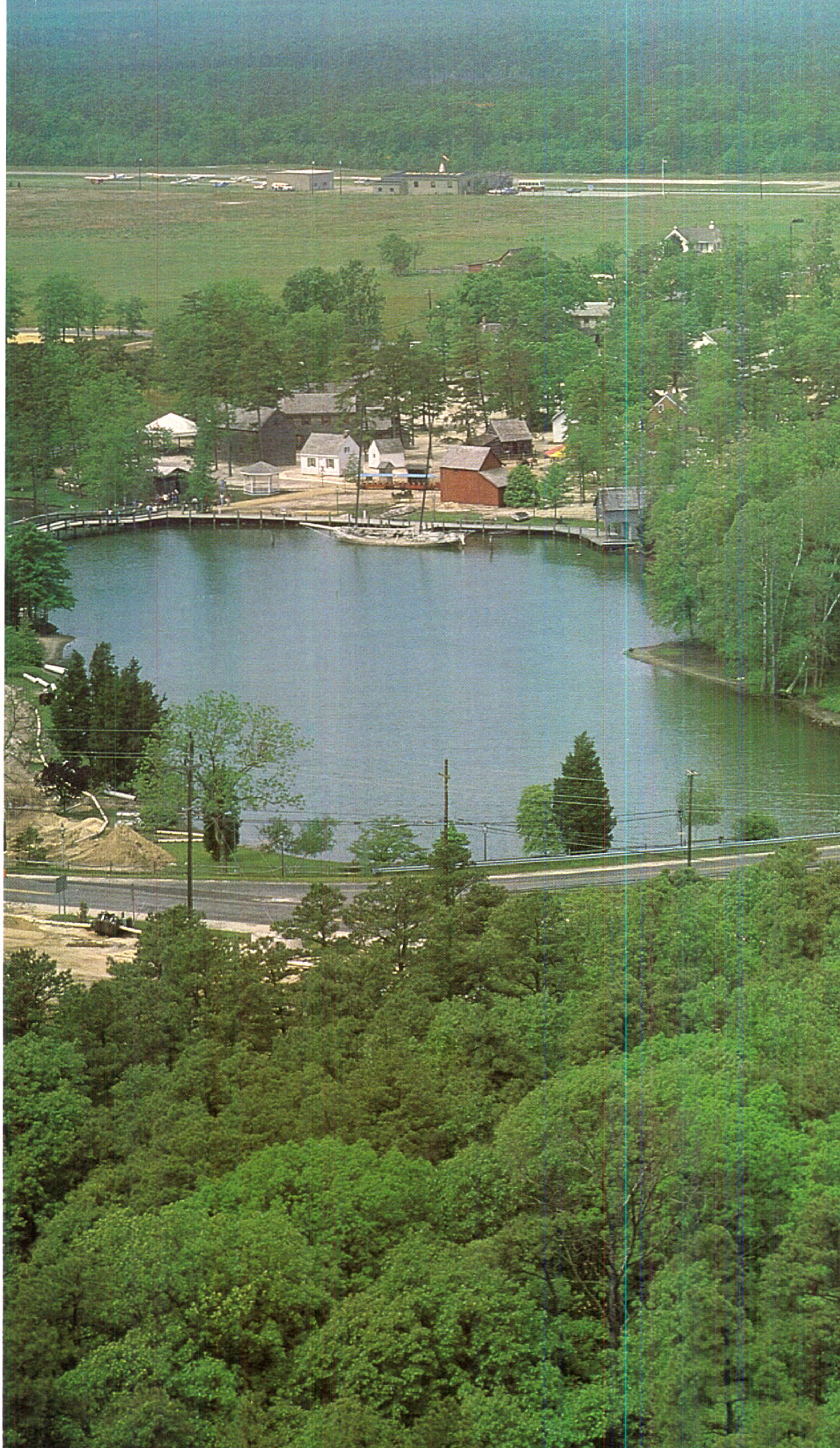

The Residential Group

1

The Residential Group has been active in many areas of housing and land development both in Canada and in the United States. The Group and its subsidiaries built a range of housing for sale–mostly targeted for middle-income families, although government assisted housing was constructed. The Group's Contracting Division carries out residential construction for both government and private investors. During the last fiscal year, the Group sold 1, 693 homes in Canada and 930 homes in the United States.

The Residential Management Division has the responsibility for the Group's portfolio of approximately 17,000 rental suites. Close to 15,000 of these units are owned by the company. The division manages more than 2,000 condominium units.

At the beginning of the year under review, the Group expected reasonably strong performance which, however, did not materialize. In certain areas markets were good, but the positive financial gains were seriously eroded by house building and land operations in other markets, where conditions proved to be weak. In addition to this, particularly in the Florida area where sales were strong, production difficulties resulted in fewer closings than had been anticipated. Significant improvements in contribution to the company's cash flow are expected in the current year from housing operations. This turn around will occur because of stronger emphasis on better markets–such as Southern Florida–and from the pruning of administrative and other overhead costs and sharper costing of product in areas where markets continue to be soft.

In Canada, the Group has made progress in many of its developments. In high-density projects in the Toronto area, all 205 units have been sold at Bedford Glen, an innovative complex near Avenue Road and Lawrence Avenue. At Lambton Square there are 100 condominium suites left of the 1,024 units in four buildings.

Bayview Place, near Sheppard and Bayview Avenues has enjoyed good success and all 239 units are expected to be sold in the current year. At Quebec Gothic, a joint venture, sales are good and it is the intention of the partnership to build a third building. At Yonge North, Richmond Hill, Ontario, there are about 100 condominium units left of the original 387 in three buildings and these are expected to be sold during the current year. Les Jardins de Coulonge in Quebec City expects to have its sales program completed by early in 1979.

At Bay and Charles Streets in Toronto, the Group is constructing 148 luxury rental apartments. This building–the first rental accommodation built by the company since 1975–will, on completion be added to our income portfolio.

In low density housing, the year's program has been completed at Erin Mills and the Group is working on a new program of approximately 250 units. At Harmony Woods, in Oshawa, Ontario, where marketing started in January 1979, sales have been excellent. Harmony Woods offers houses which are affordable to lower income families.

In Ottawa region the Group is enjoying fairly good success. Barrhaven, with an original 74 units, is virtually sold out and more lands have been purchased. The 214 units at Barrmanor have been sold and at Bridlewood, with a total of 1,747 units planned, sales have been consistently strong. At Chateauneuf, with 407 units, there has been fairly good acceptance. The Group is now selling housing lots at Point Gatineau and Lucerne to other builders and expects to have completed these projects by the end of the fiscal year.

At Little River Acres in Windsor, Ontario the sales program is moving extremely well and of the 804 units at the beginning of the program less than 50 houses are left and it is expected they will be sold during the year.

The Edmonton and Calgary markets have softened and sales targets were not reached, resulting in the added costs of carrying the land and the finished unsold inventory. To compound these problems, costs of construction have accelerated considerably since the Group entered the market.

Generally in its operations across Canada, the Group has very little finished product on the market and this affords some degree of confidence for the coming fiscal year.

United States Operations

At Islandia near Fort Lauderdale, a further 65 homes were sold and a new program of townhomes has been started. At the Brandywine community in Kendall in Dade County, 157 single family units are almost completely sold. The first phase of a 112 unit community oriented toward the domestic market is under way at The Hammocks in Kendall and planning is proceeding on 150 single family homes at a new community–The Timbers of Boca–near West Palm Beach. During the current fiscal year, management expects to have 260 housing units completed and delivered to purchasers.

Our joint venture partners are continuing their construction and sales program at Plaza of the Americas, and it is expected that starting in the current fiscal year a substantial contribution to profit will be made from these high rise condominium units in North Miami Beach.

Our subsidiary has three other joint ventures with the same partner. In Hallandale, north of Miami Beach, our partner is proceeding with Olympus Towers, a building of 430 condominium units with more than 300 sold to date. At the Riviera and the Ocean Front Plazas, two projects with a total of 370 units on Collins Avenue, Miami Beach, some 275 units have been sold and the rest are expected to be sold during the coming year.

The latest United States venture and the first in the U.S. outside Florida will be in Westchester County, New York. Through a subsidiary, the company is opening a branch in White Plains in joint venture with a private development firm, the Robert Martin Company. It is expected that approximately 400 condominium units a year will be developed and marketed. The joint venture has sufficient land for three years' activity.


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Attractively landscaped Rosebury Square in Toronto (1) is part of the company's rental portfolio. Current activity includes this medium-rise condominium at Yonge North, Richmond Hill, Ontario (2); single-family homes in the Calgary area (3); the innovative Bedford Glen in Toronto (4); this senior citizens apartment building (5) for the Metropolitan Toronto Housing Company Limited and condominium buildings at Lambton Square, Toronto (6).


6

Portfolio of The Residential Group

INCOME PRODUCING PROPERTIES	Year Opened	Number of Suites	Extent of Company's Interest (%)	Extent of Company's Interest (Number of Suites)
Hamilton				
One Hundred Bay South	1966	175	50	88
Mississauga				
Morningstar Place	1971/72	246	100	246
Montreal				
Les Habitations Malicorne	1973	312	50	156
Ottawa				
The Seigniory	1965	199	100	199
Watergate	1972	289	100	289
Quebec City				
Les Jardins de Coulonge	1974	218	50	109
Toronto				
Ainsley Court	1958	56	100	56
Bayview Mews	1966	304	70	213
Bayview Mills	1970/72	345	80	276
Bayview Square	1969	310	100	310
Bretton Place*	1967	629	100	629
Carolyn Court	1960	132	50	66
Castellana	1964	72	100	72
Charlton Court	1959	120	100	120
Chequers Place	1968	481	100	481
Clintwood Court	1961	64	100	64
Craigton Court	1958	125	100	125
Del Prado	1965	156	75	117
Don Ridge Towers	1963	65	100	65
Forest Grove	1964	114	100	114
The Four Thousand*	1963	307	50	154
Grenadier Square	1969	664	100	664
Hampton House	1969	438	100	438
Horizon House	1964	226	100	226
Horizon Village	1965	160	100	160
Humber Ridge	1962	190	100	190
Ivordale Maisonettes	1958	60	100	60
Keelegate Towers	1963	187	50	93
Maisonette Apartments	1957	84	100	84
Park Place	1968/74	1,971	100	1,971
Park Willow	1966	496	66⅔	331
Park Towers*	1966	548	75	411
Parkway Forest	1966/73	1,854	100	1,854
Plaza 100	1971	412	100	412
Rosebury Square	1968/72	1,056	100	1,056
Rosedale East	1967	550	100	550
Summit Place	1966	249	100	249
The Towne*	1967	185	100	185
University City	1971/75	1,480	100	1,480
Village Green	1966	687	50	343
West Park Village	1965	464	50	232
Woodview Court	1958	59	100	59
		16,739		14,997

*On leased land

The diversity of single-family homes being built for sale by The Residential Group includes traditionally styled homes (1) as part of its ongoing program in Erin Mills, contemporary townhomes (2) under construction at Brandywine in Dade County, Florida and this lavishly landscaped house with a typical Florida look at Islandia near Fort Lauderdale (3).


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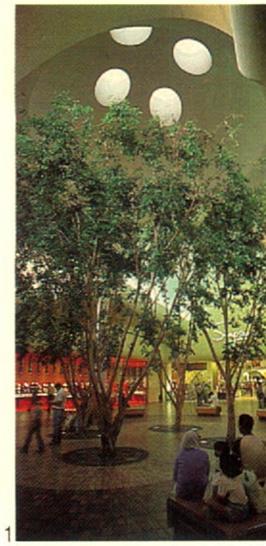
Portfolio of The Residential Group (cont.)

RESIDENTIAL SALE PROJECTS	Total Units	Built or Under Construction to Date	Sold During Year	Housing Inventory Feb. 28/79	Extent of Company's Interest (%)
LOW DENSITY					
Toronto Region					
Brant Hills	158	56	32	24	100
Dundas	59	59	14	45	50
Erin Mills (Four Neighbourhoods)	395	395	67	53	100
Etobicoke North Neighbourhood I	280	280	106	35	65
Malvern	80	80	76	4	100
Oshawa	166	70	6	64	100
Scarborough	56	56	21	35	100
Yonge North–Neighbourhood II	556	377	22	54	50
Windsor Region					
Little River Acres	804	754	99	74	67
Ottawa Region					
Barrmanor	214	80	29	51	100
Bridlewood Neighbourhood I	1,045	300	91	129	100
Chateauneuf	371	96	68	26	100
Edmonton Region					
Southwood	30	30	–	30	100
Warwick	55	55	25	30	100
Willowdale	111	111	67	26	100
Woodbridge Farms	10	10	–	10	100
Woodvale	69	57	22	35	100
Calgary Region					
Beddington Heights	65	34	15	19	100
Coach Hill	148	27	–	27	100
Crowchild	12	12	7	5	100
Deer Ridge	31	16	–	16	100
Forest Heights	46	22	–	22	100
Ranchlands	51	47	31	15	100
Woodlands	25	25	25	–	100
Florida Region					
Islandia	340	252	53	92	100
Brandywine	157	157	27	130	100
Total Low Density	5,334	3,458	903	1,051	
HIGH DENSITY					
Toronto Region					
Bayview Place III	239	239	99	140	100
Bedford Glen	205	205	–	205	100
Erin Mills–Windwood	97	97	76	5	100
Lambton Square	1,024	1,024	190	167	100
Quebec Gothic	524	524	96	262	50
Yonge North	387	387	46	129	50
Ottawa Region					
Sussex House	44	44	10	34	50
Quebec City Region					
Les Jardins de Coulonge	79	79	16	63	50
Florida Region					
Olympus	434	434	–	434	50
Plaza Of The Americas	831	831	85	746	50
Total High Density	3,864	3,864	618	2,185	
Total Units	9,198	7,322	1,521	3,236*	

*Of this total 1,364 units were subject to offers of purchase, for subsequent closings.

The Shopping Centres Group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With Canadian retail space totalling 16 million square feet under management, The Shopping Centres Group has developed and is managing 37 centres in 17 cities across Canada and has several sites for new centres in various stages of negotiation and planning or waiting approvals from government authorities.

As each centre is completed it comes under the Operations Division of the Group which has the responsibility for managing these centres to high standards and supervising ongoing maintenance, security, promotion, advertising and community-oriented programs. It also continues to strive–as inflation puts increasing pressure on costs–to control operating budgets as much as possible, including the charges to tenants for their share of expenses.

It is the responsibility of the Group to carry out the leasing program at Toronto Eaton Centre. By the official opening of Phase 1B on August 8, 1979, it is expected that more than 90 percent of the approximately 150 new stores will have been leased. This represents a total of some 215,000 square feet of space leased to date. The remainder is expected to be leased or committed by the end of the fiscal year.

The mall expansion of Bonnie Doon Shopping Centre in Edmonton was completed in May 1979 and the Sears expansion should be completed by the beginning of July 1979. This will bring the total size of the centre to 450,000 gross leasable area (G.L.A.)

The Parkway Plaza expansion in Metropolitan Toronto is scheduled for completion in August 1979 and more than 90 percent of the new space has been leased. The expanded Parkway Plaza will have approximately 335,000 G.L.A. including expanded K mart and Steinberg stores.

Construction is planned to start during the summer of 1979 on the first phase of a shopping centre in South Common in Erin Mills. The centre, on completion, will be approximately 250,000 G.L.A. and the first phase of 100,000 G.L.A. will have 30 stores and a Loblaws supermarket.

Planning for a new climate-controlled enclosed mall in Peterborough, Ontario is under way with construction to start in mid-1979. The centre will tie into an existing Sears store and Cadillac Fairview will build a new supermarket of 40,000 square feet which will be leased to Loblaws. The centre which will have an additional 90,000 G.L.A. with 60 stores and service outlets is expected to open in October 1980.

Sales continue to be satisfactory at Les Promenades St-Bruno, a regional centre with 900,000 G.L.A. near Montreal, which was opened in August 1978 and management reports that the post-opening rate of sales per square foot was among the highest ever experienced by the company. Strong sales activity is continuing at the recently expanded and re-merchandised Don Mills Shopping Centre in Toronto.

The Group is awaiting zoning approvals for a proposed major regional shopping centre on a 48-acre site near the new Woodbine racetrack in Metropolitan Toronto. Subject to all approvals being received, the Group will proceed with development of an enclosed mall which would be co-owned by Cadillac Fairview, The Bay and Simpsons and anchored by Simpsons and The Bay department stores of about 150,000 square feet each. The 600,000 square foot centre would also have some 130 stores and service outlets and a supermarket.

Planning is well advanced on a new shopping and residential project in London, Ontario and, subject to final approvals, construction could begin on the first phase by the end of 1980. Under the master plan the company will develop 60 acres which will include a 34 acre regional shopping centre and approximately 1,400 residential units.

There appears to be some increase in the level of interest of Canadian department stores in new store expansion and, therefore, some additional major shopping centre development opportunities may become available during the next few years.

The Group's programs of expanding and re-merchandising existing centres to enhance their profitability have proven extremely successful.

United States Operations

During the past fiscal year, Cadillac Fairview Shopping Centers (U.S.) Limited began to enjoy positive results from the several years of negotiations, site acquisition and planning since the company was formed. In August 1978 the company opened its first regional centre, the handsome climate-controlled Valley Hills Mall in Hickory, North Carolina. Valley Hills with 515,000 G.L.A. is fully leased and has experienced excellent sales per square foot in its first six months of operations. During the year construction started on Shannon Mall in Atlanta, Georgia and construction is well under way on The Galleria of White Plains in White Plains, New York, and on Twin Rivers Mall in New Bern, North Carolina. Good leasing progress is reported at all of these regional centres. It is expected that construction of Rocky Mount, North Carolina will start before the end of the current fiscal year.

Twin Rivers Mall, with 280,000 G.L.A. on a 55 acre site, will open in September 1979. Shannon Mall with 700,000 G.L.A. will be completed in September 1980. The Galleria of White Plains, a four-level complex of 860,000 G.L.A. anchored by Abraham & Straus and J.C. Penney department stores, will have 150 retail outlets and is scheduled to open in the summer of 1980.

The company has been designated by city authorities in Columbus, Ohio as developer of a three block downtown re-development mixed-use project. The option on the previously announced site for a shopping centre in Danbury, Connecticut has now been dropped. The company has several other sites for future shopping centre development under investigation and planning. It will also consider acquisition of existing centres, particularly those which have potential for expansion and re-development, and is interested in joint ventures with other developers.

Portfolio of The Shopping Centres Group

COMPLETED	Year Opened	Size of Site (acres)	Total Leasable Area[3] (000 sq. ft.)	Area of Non-Owned Buildings (000 sq. ft.)	Number of Stores and Services	Parking Spaces (approximate)	Extent of Company's Interest (%)	(000 sq. ft.)
Barrie, Ontario								
Georgian Mall	1973	22[2]	201	93	42	1,100	100	108
Calgary								
North Hill Shopping Centre	1958[1]	32	510	208	95	2,400	100	302
Edmonton								
Bonnie Doon Shopping Centre	1959[1]	31[2]	441	–	89	2,100	100	441
Giffard, Quebec								
Les Galeries Ste-Anne	1973	18	228	–	25	1,150	70	159
Hamilton								
The Centre Mall	1955[1]	66[2]	678	335	74	3,800	100	343
Eastgate Square	1973	41	525	–	107	3,000	70	367
Gage Square	1974	7	67	–	4	500	70	46
Hickory, North Carolina								
Valley Hills Mall	1978	60	505	295	90	3,100	75	158
Kitchener, Ontario								
Fairview Park Mall	1966[1]	53[2]	727	337	92	3,678	100	390
Levis, Quebec								
Les Galeries Chagnon	1974	42[2]	536	126	63	2,400	70	287
Mississauga, Ontario								
Millway Shopping Centre	1976	5	45	–	11	226	100	45
Rockwood Mall	1974[1]	24	291	–	37	1,400	42	122
Montreal								
Domaine Shopping Centre	1959[1]	13[2]	235	25	60	900	100	210
Maisonneuve Shopping Centre	1959	9	139	–	30	550	100	139
Greenfield Park	1961[1]	26	375	17	45	2,100	50	179
Fairview Pointe Claire	1965	74	628	–	79	3,900	50	314
Les Galeries d'Anjou	1968[1]	77	998	–	162	4,337	50	500
Home Improvement Centre	1977	5	60	–	16	398	50	30
Le Carrefour Laval	1974	74	870	123	128	4,500	51	380
Les Promenades St-Bruno	1978	72	912	138	176	4,900	51	395
Ottawa								
Montreal Square	1973	5	58	–	12	300	70	40
Vista Centre	1973[1]	6	70	–	20	430	100	70
Regina								
Southland Mall	1975	32	297	–	58	1,865	100	297
Richmond Hill, Ontario								
Hillcrest Mall	1974	46	566	–	102	3,000	100	566
St. Catharines, Ontario								
Fairview Mall	1961	24[2]	261	67	30	1,600	100	194
Saint John, N.B.								
Fairview Plaza	1960	15[2]	192	99	18	500	100	93
Thunder Bay, Ontario								
Thunder Bay Mall	1972	16	140	–	22	900	70	98
Toronto								
York Mills Shopping Centre	1953	6	51	–	17	250	100	51
Don Mills Shopping Centre	1955[1]	33	495	52	107	2,500	100	443
Parkway Plaza	1958	19	280	–	65	1,200	100	280
Cedarbrae Plaza	1960[1]	30	403	114	77	2,300	100	289
Parkwoods Village Shopping Centre	1960	6	78	39	20	250	100	39
The Towne Mall	1967	1	71	–	14	150	100	71
Peanut Plaza	1970[1]	5	90	–	30	600	50	45
Fairview Mall	1970	47	570	–	113	3,300	50	285
University City	1974	4	44	–	13	200	100	44
Winnipeg								
Polo Park Shopping Centre	1959[1]	60[2]	848	263	83	4,600	100	585
		1,106	13,485	2,331	2,226	70,384		8,405

The skylit centre court (1) with its trees and seating areas at ~~Hillcrest~~ St Bru Mall, Richmond Hill is typical of the ambience of contemporary shopping centres.
Innovative retailers use this style of exciting showcase (2) to attract customers at the company's 37 shopping centres.
Well recognized signs at The Eaton Centre include Eaton's flagship department store and Dundas Mall (3) and Birk's Jewellers' famous monogram (4) on the facade of their handsome two level store in The Shopping Galleria.
Crowds throng through the centre court with its fountains and reflecting pool at Les Promenades St-Bruno (5), a 900,000 square foot two level mall near Montreal opened in August 1978.

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Portfolio of The Shopping Centres Group (cont.)

UNDER CONSTRUCTION	Size of Site (acres)	Total Leasable Area[3] (000 sq. ft.)	Area of Non-Owned Buildings (000 sq. ft.)	Number of Stores and Services	Parking Spaces (approximate)	Extent of Company's Interest (%)	Extent of Company's Interest (000 sq. ft.)
Atlanta, Georgia							
Shannon Mall	81	705	450	110	3,900	75	191
Edmonton							
Bonnie Doon Expansion	1	20	–	1	–	100	20
New Bern, North Carolina							
Twin Rivers Mall	55	278	70	62	1,600	75	156
Toronto							
Parkway Plaza Expansion	–	51	–	38	–	100	51
North Kipling Plaza	2	24	–	17	70	85	20
White Plains, New York							
The Galleria of White Plains	5	880	555	125	**	43	140
	144	1,958	1,075	353	5,570		578

1. Expanded since opening
2. Includes non-owned lands forming part of the overall shopping centre
3. Includes area of non-owned buildings

**The White Plains parking authority is constructing and will own a 2,800 space metered parking garage.

Construction at Parkway Plaza expansion in Toronto (1) is scheduled to open in summer 1979. The expansion of the mall and Sears department store at Bonnie Doon Shopping Centre, Edmonton (2) will be completed in mid-1979. Brightly decorated food courts (3) are special attractions in our shopping centres.

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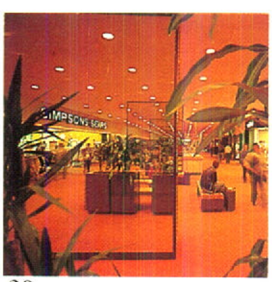

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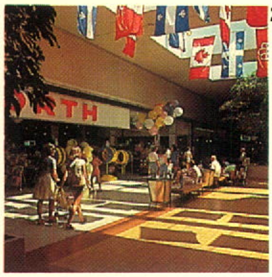
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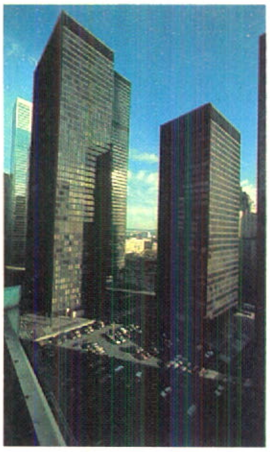
Le Carrefour Laval (1) and Fairview Point Claire (2) are two of Cadillac Fairview's successful regional centres in the greater Montreal area. In August 1978 the company opened its first regional shopping centre in the United States, the visually striking 515,000 square foot Valley Hills Mall in Hickory, North Carolina (3).
The four level 860,000 square foot Galleria of White Plains (4) located in affluent Westchester County, New York, is scheduled to open in the summer of 1980.

The Urban Development Group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Throughout the past fiscal year and in 1979 The Urban Development Group has carried out an active program of major mixed-use projects and single office buildings in Canada and, with increasing emphasis, in several areas in the United States.

At Toronto Eaton Centre, the extension of The Shopping Galleria to Queen Street, linking it to the renovated Simpsons store, will be completed in time for the official opening on August 8, 1979. Eaton Centre will offer the public an exciting 2.5 million square feet of retail space. Shoppers and visitors entering at Queen Street cannot fail to be impressed with the dramatic expanse of The Shopping Galleria which will extend–under the soaring glass domed roof–860 feet to the splendid, one million square foot Eaton's store at the north end.

Construction of a second office tower at Eaton Centre with 620,000 square feet of net leasable space has started. The base of the 33-storey tower and the first four levels will extend along the west side of The Shopping Galleria to provide four floors, each with 40,000 square feet of leasable space. Completion of the building is expected in early 1981.

During the year a 2.7 acre site was sold on a conditional basis to Bell Canada which has plans for construction of about 900,000 square feet of office space to accommodate 4,500 employees. Bell Canada's purchase affords further evidence of Eaton Centre's success as a dynamic new focal point for downtown Toronto.

In Toronto the completed 1210 Sheppard Avenue building is more than 75 percent leased and construction has started on the third building on the site–1220 Sheppard Avenue–which is more than 80 percent pre-leased. The building is expected to be completed in late 1979.

In Ottawa the outlook is excellent for the buildings in the company's portfolio with all space virtually completely leased. The company is holding lands for further office construction in the Ottawa area where there are now signs that the market is improving and we believe that new construction will take place if this trend continues.

BP House, a 270,000 square foot building in Calgary which is completed and fully occupied, will make an excellent contribution to the company's cash flow. Construction on the second building of the Group's twin tower office complex at 311-321 Sixth Avenue S.W. in Calgary was started. Completion of the first building is planned for March 1980 and the second is expected to open by June 1980. The total project will have 540,000 square feet of office space, parking and some ground level retail. Amoco Oil and a second major user have committed for a significant amount of space in the first building which is now more than 80 percent leased.

Our first office building in Edmonton, which is now 100 percent owned by the company, was opened during the year and is fully leased. Construction has started on a second tower of 360,000 square feet at 101st Street and 103rd Avenue in Edmonton called The Continental Bank Building. The bank has committed to a major head office branch on the street level and additional space on the mezzanine floor, together with office space in the tower itself.

The Group is proceeding with a third office building of approximately 300,000 square feet which will be the final phase of Pacific Centre, in Vancouver. On completion, Pacific Centre will have close to three million square feet of leasable space. Early in the year the company sold, on favorable terms, 1075 Bay Street in Toronto after experiencing several years of extremely soft demand for office space in that area.

United States Operations

The Group has an exciting program under way in the United States. The largest project is Houston Center which consists of 29 blocks in downtown Houston, Texas. Fifty percent of the existing buildings covering three blocks–two office towers each with a million square feet, which are fully occupied and an adjacent parking garage covering one city block–was acquired from Texas Eastern Corporation in January 1979. A subsidiary company will supervise management of the Houston Center development program which is expected to make growing contributions to the company's income portfolio. Under the Houston Center agreements, a subsidiary also owns, on a continuing basis, four adjacent blocks for each of the next phases of construction. It has a lesser interest in the remaining lands and will increase its ownership to 50 percent as development proceeds.

In order to carry out the ongoing development program at Houston Center and to manage other office or mixed-use projects as they come on stream in the Southwestern United States, the Group through a U.S. subsidiary has established a Group office headquartered in Houston. A senior officer of the company has been appointed to manage this U.S. office and reports to the head of The Urban Development Group in Toronto. He is already examining new opportunities in Texas and other nearby states.

The completed office building in Denver, Colorado, now 100 percent owned by the company's subsidiary, is approximately 80 percent leased.

Construction is on schedule in San Francisco on the 444 Market Street office tower which will have 655,000 square feet of net rentable space of which more than 500,000 square feet has been leased. The building is scheduled to open in March 1980.

A company subsidiary has been appointed designated developer of a downtown redevelopment project in Philadelphia in partnership with Barge Development Company. The subsidiary will have primary carriage of this project which will consist of twin office towers with construction of the first building of 400,000 square feet to start late in 1980. Eighty percent of this tower is pre-leased to the City of Philadelphia. The total development of some 900,000 square feet is located above The Gallery, a retail project. The Group, through a U.S. subsidiary company will–if plans are approved–carry out the planning and construction of a four block downtown redevelopment project in Portland, Oregon. This project is being carried out jointly with The United States Western Region which will manage the project on completion.

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A landmark in Toronto's downtown business district, the three towers of the Toronto-Dominion Centre (1) cast a bright reflection of the late afternoon sun.
The soaring office towers of Houston Center (2), the first phase of a 29-block downtown redevelopment project, and the counterpoint of an abstract sculpture in the forecourt (3).
The 399,000 square foot 410-17th Street office building in downtown Denver (4) opened in 1978.
Construction is on target for 444 Market Street, San Francisco (5), which is scheduled to open in March 1980. The unusual configuration of the building provides each floor with eight private corner offices and the top four storeys are stepped to create landscaped terraced patios.

Portfolio of The Urban Development Group

COMPLETED	Year Opened	Approximate Net Rentable Area (000 sq. ft.) Office	Retail	Parking	Total	Extent of Company's Interest (%)	(000 sq. ft.)
Calgary							
BP House	1979[1]	208	13	50	271	80	217
Denver, Colorado							
410 Seventeenth Street[2]	1978	399	–	100[3]	499	100	499
Edmonton							
108th Street	1977	144	12	68	224	70	157
Halifax							
Toronto Dominion Bank Building	1977	94	10	–	104	100	104
Houston, Texas							
2 Houston Center[4]	1975	908	41	220	1,169	50	584
1 Houston Center[4]	1977	989	2	145	1,136	50	568
Houston Center Garage[4]	1977	–	–	408	408	50	204
Hull							
Place du Centre[5]	1978	724	175	169	1,068	100	1,068
Montreal							
Dominion Square Building	1929[6]	228	52	120	400	100	400
2100 Papineau	1957	40	–	5	45	100	45
1440 St. Catherine Street West	1968[7]	204	7	84	295	75	221
2525 Boulevard Marois	1977	109	–	–	109	51	55
Ottawa							
400 Cumberland Street	1973	168	9	24	201	88⅘	179
Carling Square–Phase I	1974	60	–	–	60	40	24
Carling Square–Phase II	1976	92	–	40	132	40	53
Kent Square–Phase I	1976	205	5	56	266	80	213
Meriline Court–Phase I–two buildings	1976	228	–	–	228	50	114
Toronto							
500 University Avenue	1960	115	–	45[3]	160	100	160
130 Bloor Street West[8]	1961	151	18	140[3]	309	100	309
Toronto-Dominion Centre[2]	1967/69/74	2,827	164	344	3,335	50	1,668
101 Bloor Street West	1970	134	10	–	144	80	115
77 Bloor Street West[5]	1971	346	24	50	420	90	378
5 Fairview Mall Drive[9]	1972	81	–	–	81	100	81
245 Fairview Mall Drive[9]	1975	99	–	–	99	100	99
60 Bloor Street West	1973	227	29	–	256	60	154
1200 Sheppard Avenue East–Head Office	1973	130	–	20	150	100	150
111 Avenue Road	1974	117	9	20	146	64	93
1155 Leslie Street[10]	1962	20	–	–	20	100	20
1210 Sheppard Avenue East	1976	187	–	150	337	80	270
Toronto Eaton Centre–Phase 1A	1977	497	1,313	472	2,282	60	1,369
Vancouver							
Pacific Centre[5]	1971/73/75/76	687	695	694	2,436[11]	33⅓	812
Winnipeg							
Rupertsland Square	1977	211	30	170	411	50	206
		10,629	2,618	3,594	17,201		10,589

1. Occupied in March 1979
2. A portion on leased land
3. Includes a free standing parking building
4. Acquired in 1978
5. On leased land
6. Acquired in 1967
7. Acquired in 1972
8. Leasehold interest
9. A third party may acquire a 50 percent leasehold interest in the building at cost
10. Acquired in 1976
11. Includes a 430 room hotel

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The distinguished entrance sign at 108th Street, Edmonton (1), the company's first building in that city which opened during 1978.
Construction has started on the 360,000 square foot Continental Bank Building in Edmonton shown in an artist's rendering (2).
The twin towered 460,000 square foot complex at 311-321 Sixth Avenue S.W. in Calgary (3) is scheduled for completion by mid-1980.
BP House in Calgary (4) was opened during the year and is fully occupied.
The soaring dome arches high above The Shopping Galleria of The Eaton Centre (5). The Galleria is completed to Queen Street and linked to the existing Simpsons department store.

5

Portfolio of The Urban Development Group (cont.)

UNDER CONSTRUCTION	Approximate Net Rentable Area (000 sq. ft.) Office	Retail	Parking	Total	Extent of Company's Interest (%)	(000 sq. ft.)
Calgary						
311-321 Sixth Avenue S.W.	434	26	83	543	100	543
San Francisco, California						
444 Market Street	577	18	60[1]	655	50	327
Toronto						
Toronto Eaton Centre–Phase 1B	–	237	96	333	60	200
1220 Sheppard Avenue East	175	–	95	270	80	216
	1,186	281	334	1,801		1,286
FUTURE DEVELOPMENT						
Ottawa						
Kent Square–Phases II and III	465	15	130	610	80	488
Meriline Court–Phase II–two buildings	228	–	–	228	50	114
Slater & Metcalfe Streets	150	–	30	180	50	90
Toronto						
Toronto Eaton Centre–Phase 1B	632	–	–	632	60	379
Vancouver						
Pacific Centre[2]	288	–	–	288	33⅓	96
Edmonton						
Continental Bank Building[3]	238	52	–	290	100	290
	2,001	67	160	2,228		1,457

1. Includes a free standing parking building
2. On leased land
3. A third party may acquire a 30 percent leasehold interest in the building at cost

Portfolio of The United States Western Region

COMPLETED	Year Opened or Purchased	Size of Site (Acres)	Net Rentable Building Area (000 sq. ft.)	Extent of Company's Interest (%)	(000 sq. ft.)
Los Angeles					
Los Angeles Industrial Center–22 buildings[1]	1976	79.1	1,488	100	1,488
–1 building	1979	2.9	67	100	67
Pacific Gateway Center–4 buildings	1976	9.2	178	100	178
–3 buildings	1978	17.4	386	100	386
–1 building	1979	2.4	45	100	45
Orange County					
Orange County Industrial Center–1 building	1976	8.1	158	100	158
–4 buildings	1978	19.9	366	100	366
–1 building	1979	7.3	144	100	144
		146.3	2,832		2,832
UNDER CONSTRUCTION					
Los Angeles Industrial Center–3 buildings[1]		10.2	210	100	210
Pacific Gateway Center–5 buildings		18.6	287	100	287
Orange County Industrial Center–5 buildings		16.9	283	100	283
		45.7	780		780
SERVICED, ZONED INDUSTRIAL LAND					
Los Angeles Industrial Center[1]		54.3		100	
Pacific Gateway Center		95.6		100	
Orange County Industrial Center		33.0		100	
		182.9			

1. Land held under leasehold

The United States Western Region

The company's first regional office in the U.S.–The United States Western Region– is responsible for all real estate development activity in the states of Arizona, California, Hawaii, Nevada, Oregon and Washington with the exception of regional shopping centres. The headquarters office for the Region will open in Los Angeles in July and is in the process of hiring additional staff to carry out these new programs.

The Western Region office has responsibility for continuing development of the three major industrial parks in Southern California previously under the management of The Corporate Development Group. During the year, 12 acres of land and two buildings with a total of approximately 90,000 square feet were sold in the three industrial parks and 13 buildings totalling more than 1,000,000 square feet and three acres of land were leased. Of the 828,000 square feet of new space now under construction, approximately 70 percent has been leased to date.

The Region monitors and assists in the development projects of Cadillac Fairview Homes West, a 50 percent owned joint venture partnership. Cadillac Fairview Homes West has an aggressive program of land development.

It sold its interest in a Nevada joint venture during the past fiscal year for a modest profit. It also sold a 30-acre parcel of residential land in California at a substantial profit. The partnership currently is processing eight parcels of land totalling 2,100 acres in Southern California and one 230-acre parcel in suburban San Francisco. If plans for all these lands are approved, they should result in 5,400 lots being available for development by the company or for sale to other builders. Some of these lands are in joint ventures with outside partners.

Cadillac Fairview Homes West is currently involved in two modest home building projects in the Los Angeles area, one through a 60 percent owned joint venture with the partner carrying out the building program and the second a 75 percent owned joint venture with construction expected to start in mid-1979 subject to approvals being received. Cadillac Fairview Homes West based in Newport Beach, California, is fully staffed with specialists in all fields necessary to carry out home building programs, land acquisition and development as required. The partnership has interests in options on two apartment projects for possible condominium conversions and has a 50 percent interest in a condominium project to be constructed by the venture partner.

The United States Western Region working with The Urban Development Group has made a proposal to the Portland Development Commission for an urban renewal program covering four blocks in downtown Portland. The proposal calls for a mixed-use development including a major hotel, a full line and a specialty department store together with ancillary retail and office space.

The six state region, with a population of more than 33 million is experiencing strong growth in terms of both people and economic activity and accordingly should provide excellent development opportunities for the company in the years ahead.

The company, through a U.S. subsidiary, owns and manages the development of three major industrial parks in southern California with a total of 2.8 million square feet of space on 375 acres. These pictures indicate the quality of buildings leased to leading industrial corporations. Pacific Gateway, Los Angeles and Orange County Industrial Centers are responsibilities of the newly formed United States Western Region.

Five Year Historical Summaries

Consolidated Statement of Income

Year ended February 28

	1979	1978	1977	1976	1975
		(in thousands of dollars)			
Rental Operations					
Rental income	**$205,276**	$174,008	$147,261	$122,898	$104,824
Property operating expenses	**91,484**	78,788	66,265	54,261	44,152
Interest	**58,029**	48,308	40,905	34,409	30,996
Depreciation	**11,495**	9,739	8,490	7,508	6,588
	161,008	136,835	115,660	96,178	81,736
	44,268	37,173	31,601	26,720	23,088
Housing Operations					
Sales	**165,685**	62,512	60,644	46,130	33,516
Cost of sales	**161,254**	63,217	59,325	41,416	28,911
	4,431	(705)	1,319	4,714	4,605
Land Operations					
Sales	**35,786**	39,351	37,923	26,763	18,640
Cost of sales	**30,590**	32,961	31,575	15,361	12,071
	5,196	6,390	6,348	11,402	6,569
Other Income					
Fees, interest and miscellaneous	**11,095**	10,285	7,557	4,605	4,093
Gain on sale of investments and subsidiary companies	**2,613**	4,170	–	–	–
	13,708	14,455	7,557	4,605	4,093
	67,603	57,313	46,825	47,441	38,355
Expenses					
Interest–other	**9,559**	5,723	4,850	4,385	3,468
General and administrative	**15,407**	10,438	10,407	8,827	6,593
	24,966	16,161	15,257	13,212	10,061
Income Before Income Taxes	**42,637**	41,152	31,568	34,229	28,294
Income Taxes					
Current	**1,500**	1,030	1,700	910	440
Deferred	**17,600**	17,570	14,650	16,830	14,810
	19,100	18,600	16,350	17,740	15,250
Net Income	**$ 23,537**	$ 22,552	$ 15,218	$ 16,489	$ 13,044
Net Income per Common Share (Basic, Note 1)	**69.9¢**	89.6¢	60.4¢	66.5¢	53.1¢
Cash Flow	**$ 52,632**	$ 49,861	$ 38,358	$ 40,827	$ 34,442
Cash Flow per Common Share (Basic, Note 1)	**$1.84**	$1.99	$1.53	$1.66	$1.41

Consolidated Balance Sheet Information

As at February 28

	1979	1978	1977	1976	1975
		(in thousands of dollars)			
Total assets	**$1,829,725**	$1,405,020	$1,269,243	$1,045,157	$921,175
Income-producing properties	**1,001,943**	816,369	748,461	590,338	553,719
Income-producing properties under construction	**120,909**	106,652	83,025	117,312	73,131
Land held for and under development	**355,537**	254,532	229,311	180,410	165,320
Housing projects under construction and for sale	**170,669**	86,787	84,724	66,109	59,653
Total liabilities	**1,635,237**	1,237,029	1,119,904	906,721	801,762
Long-term debt	**1,041,564**	772,661	751,186	615,605	539,590
Bank indebtedness	**297,238**	239,090	156,040	128,254	129,176
Shareholders' equity	**194,488**	167,991	149,339	138,436	119,413
Capital stock	**89,236**	80,570	80,431	77,632	74,869
Retained earnings	**105,252**	87,421	68,908	60,804	44,544

Note 1. Per Share Amounts
Net income and cash flow amounts per common share are calculated after deducting preference share dividends paid and are based on the weighted average number of shares outstanding during the year, and assume the 1976 statutory amalgamation was effective February 28, 1974.
For the year ended February 28, 1979, basic net income and cash flow per share amounts have been reduced by approximately 22¢ as a result of additional preference share dividends paid pursuant to the capital reorganization.

Major Subsidiary and Affiliated Companies

(Percentage of company's ownership)

Canada
Au Carrefour des Villes Ltée (51%)
Le Centre Commercial Fairview Limitée (50%)
Continuous Colour Coat Limited (50%)
Fairview Residential Developments Limited (100%)
Les Galeries d'Anjou Limitée (50%)
Greenfield Park Shopping Plaza Limited (50%)
Pacific Centre Limited (33⅓%)
T.E.C. Leaseholds Limited (60%)
Toronto-Dominion Centre Limited (50%)
Woodbine-Sheppard Shopping Centre Limited (50%)

Netherlands
C.F.I. Properties B.V. (100%)

United States
Cadillac Fairview/California Inc. (100%)
Cadillac Fairview Florida Inc. (100%)
Cadillac Fairview Indian Spring, Inc. (100%)
Cadillac Fairview Residential Properties Inc. (100%)
Cadillac Fairview Shopping Center Developments Inc. (100%)
Cadillac Fairview Shopping Centers (United States) Holdings Inc. (100%)
Cadillac Fairview Shopping Centers (U.S.) Limited (100%)
Cadillac Fairview U.S., Inc. (100%)
C.F. Properties (Colorado) Inc. (100%)
C.F. Smithville Inc. (100%)
C.F. Southwest Inc. (100%)
C.F.H.C. Texas Inc. (100%)
General Homes Consolidated Companies, Inc. (100%)

Corporate Directory

DIRECTORS

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*Kenneth G. Bream, Toronto
Executive Vice-President
The Cadillac Fairview Corporation Limited

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The Seagram Company Ltd.

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*A. E. Diamond, Toronto
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The Cadillac Fairview Corporation Limited

*Bernard I. Ghert, Toronto
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Partner
Goodman & Goodman

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North American Life Assurance Company

*E. Leo Kolber, Montreal
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President
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John Labatt Limited

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Partner
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Martin Seaton, Toronto
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The Cadillac Fairview Corporation Limited

Norman R. Stone, Toronto
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*Richard M. Thomson, Toronto
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**Philip F. Vineberg, Q.C., Montreal
Partner
Phillips & Vineberg

*Neil R. Wood, Toronto
President
The Cadillac Fairview Corporation Limited

*Members of the Executive Committee
**Members of the Audit Committee

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Corporate

A. E. Diamond
Chairman and Chief Executive Officer

John H. Daniels
Deputy Chairman

E. Leo Kolber
Chairman of the Executive Committee

Neil R. Wood
President

Bernard I. Ghert
Executive Vice-President and Chief Financial Officer

Peter McNichol
Vice-President, Finance and Senior Controller

Wayne R. Smith
Vice-President and Secretary

René Baby
Vice-President, Finance and Treasurer

Raymond W. Quirk
Vice-President, Administration

Albert J. Ellman
Vice-President, Information Systems

Donald E. Fox
Vice-President, Financial Planning

Paul J. Braun
Assistant Treasurer

Donald Cameron
Assistant Treasurer

The Corporate Development Group

G. J. Shear
Executive Vice-President

M. V. Prentiss
Vice-President

Harry Walters
Vice-President

SENIOR EXECUTIVE APPOINTMENTS

At a meeting of the Board of Directors, June 7, 1979, the following appointments were made effective August 9, 1979–John H. Daniels, Chairman and Chief Executive Officer; A. E. Diamond, Chairman of The Executive Committee of the Board; E. Leo Kolber, Vice-Chairman and Chairman of The Investment Committee of the Board.

The New Communities Group
Gerald Sheff
Executive Vice-President

J. E. Ellison
Vice-President

John Gartley
Vice-President and Group Controller

Michael Warren
Vice-President

The Residential Group
Norman R. Stone
Executive Vice-President

Sebastian Valente
Senior Vice-President

Oskar Brecher
Vice-President

Kenneth Brocklehurst
Vice-President

William G. Hilton
Vice-President

Samuel J. Kolber
Vice-President

Stephen Shaffer
Vice-President

George Sharp
Vice-President and Group Controller

M. A. Shear
Vice-President

Robert L. Strom
Vice-President

A. H. Sutton
Vice-President

The Shopping Centres Group
Stanley H. Witkin
Senior Vice-President

Robert N. Bosada
Vice-President and General Counsel

James R. Bullock
Vice-President

Joseph Flamer
Vice-President

George Lawtey
Vice-President and Group Controller

Reginald G. Stapley
Vice-President

The Urban Development Group
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Executive Vice-President

William D. Hulme
Senior Vice-President

Gerald R. Coyle
Vice-President

Joseph Fruchter
Vice-President

G. L. Horsman
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Paul I. Kennedy
Vice-President

Marvin J. Rothschild
Vice-President

Alan L. Sayers
Vice-President

David N. Smyth
Vice-President and Group Controller

United States Western Region
Martin Seaton
Executive Vice-President

Commercial Design and Construction Divisions
Harold Fealdman
Vice-President

Frank E. Barrie
Vice-President

Allen C. Morgan
Vice-President

SHARE TRANSFER AGENTS
Preference and Common Shares
The Royal Trust Company at its principal transfer offices in Toronto, Calgary, Halifax, Montreal, Regina, Vancouver and Winnipeg.

SHARE LISTINGS
Toronto, Montreal and Vancouver Stock Exchanges.

AUDITORS
Price Waterhouse & Co., Toronto

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Robert Stelzl
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Senior Vice-President

W. Scott Toombs
Senior Vice-President

Marshall L. Winston
Vice-President

Stephanie Greco
Assistant Vice-President

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Executive Vice-President

Jeffrey P. Payson
Executive Vice-President

Elmo L. Robinson
Executive Vice-President

Douglas S. Welker
Executive Vice-President

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