2000 ANNUAL REPORT

CENTREFUND

CENTREFUND REALTY CORPORATION is a growth-oriented, publicly traded real estate investment company that concentrates on the ownership of neighbourhood and community food-anchored shopping centres in high-growth areas.

The Company's primary investment objective is the creation of value through long-term maximization of cash flow and capital appreciation from its growing shopping centre portfolio. This objective is achieved by proactively managing Centrefund's existing shopping centre portfolio, by seeking appropriate, opportunistic acquisitions and by undertaking selective development activities. Centrefund is managed by experienced real estate professionals who have a significant interest in creating long-term value for all shareholders. The Company's common shares and convertible debentures trade on The Toronto Stock Exchange.

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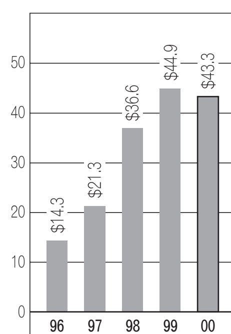
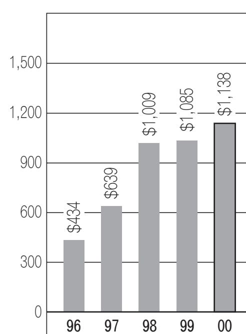
FINANCIAL HIGHLIGHTS

(in thousands of dollars, except per share amounts)	2000	1999	1998	1997	1996
INCOME STATEMENT					
Gross rental income	$ **147,893**	$ 136,827	$ 112,599	$ 71,798	$ 47,477
Earnings (loss)	$ **(15,171)**	$ 11,233	$ 16,662	$ 10,020	$ 8,045
Per common share	$ **(1.93)**	$ (0.17)	$ 0.45	$ 0.47	$ 0.63
Funds from operations before provision for previous management's incentive and other fees and termination of advisory services	$ **43,260**	$ 44,923	$ 36,589	$ 21,311	$ 14,291
Per common share	$ **2.85**	$ 3.10	$ 2.63	$ 1.59	$ 1.14
Per fully diluted common share	$ **1.48**	$ 1.57	$ 1.46	$ 1.22	$ 1.08
Funds from operations	$ **(6,865)**	$ 18,073	$ 36,589	$ 21,311	$ 14,291
Per common share	$ **(0.45)**	$ 1.25	$ 2.63	$ 1.59	$ 1.14
Per fully diluted common share	$ **(0.45)**	$ 0.77	$ 1.46	$ 1.22	$ 1.08
Dividends declared per common share	$ **0.93**	$ 0.89	$ 0.85	$ 0.81	$ 0.77
BALANCE SHEET					
Total assets	$ **1,137,516**	$ 1,085,043	$ 1,008,847	$ 638,735	$ 433,677
Total liabilities	$ **740,839**	$ 663,505	$ 575,806	$ 422,463	$ 275,040
Shareholders' equity	$ **396,677**	$ 421,538	$ 433,041	$ 216,272	$ 158,637
COMMON SHARES					
Weighted average number outstanding	**15,200,291**	14,469,728	13,947,169	13,387,996	12,502,759
Outstanding at December 31	**15,376,986**	15,070,323	14,307,706	13,455,501	13,353,036

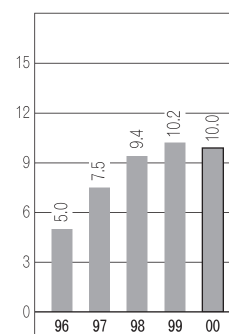
Funds from Operations*
(in millions of dollars)



Total Assets
(in millions of dollars)



Gross Leasable Area
(in millions of square feet)



* before provision for previous management's incentive and other fees in 2000 and termination of advisory services in 1999

REPORT TO SHAREHOLDERS

The year 2000 was one of significant transition and considerable change. In August, the Gazit Group ("Gazit") acquired a controlling interest in Centrefund. As a result, a new, experienced management team is now in place at the Company. In conjunction with the change, the incentive payments to former management were accelerated and all of former management's incentive contracts were terminated. Paying these amounts to companies related to previous management to end the fair value incentive agreement, while painful in the short term, will better position the Company in the long term.

New management is operating the Company for the benefit of long-term shareholders. Our Chairman and I have a substantial interest in Centrefund through Gazit and, as a result, I can say with confidence that we are solidly focused on the long-term success of the Company. Our commitment to building strong local management and broadening relationships with tenants reflects this long-term focus. Our decision-making process regarding properties, locations and tenants is heavily influenced by this orientation. Our renewed emphasis on asset management aims to ensure that our assets perform well over the longer term.

During the past several months, we have been actively evaluating our assets, overseeing the management of our properties and have begun the process of repositioning the portfolio, where needed. Our management team values the importance of building on a strong foundation. We have high-quality, well-located assets, with good tenants. We have met with many of our anchor and national tenants in an effort to improve relationships and raise Centrefund's profile.

We believe that the Company's expertise, and therefore its focus, should be concentrated on food-anchored shopping centres in high-growth areas.

In fiscal 2000, we entered into a package of agreements with Equity One, Inc., a New York Stock Exchange-listed REIT, in which Gazit is the largest shareholder, to provide us with asset and property management services in the United States. As previously announced, we have also entered into discussions with Equity One to explore the possibility of a business combination between our wholly owned subsidiary, Centrefund Realty (U.S.) Corporation ("CFUS"), and Equity One. While negotiations are in progress, no definitive agreement has been reached.

We believe that Centrefund's United States portfolio requires an experienced local management team in order to grow and create value. Equity One would be able to provide the appropriate focus and fulfill these objectives. Any combined operation would result in a greater realization of value from these properties.

We are confident in our ability to face the challenges that lie ahead. We aim to bring more focus to a geographically widespread business. Our intent is to focus on active asset management while striving to increase our market concentration. We are determined to settle the fair value incentive dispute with previous management, which is about to be arbitrated, on fair terms. We are also committed to rebuilding shareholder and investment marketplace confidence. Further, our management team remains dedicated to creating value for the long term and ensuring a strong and vibrant future.

Financial Results

Funds from operations for the year ended December 31, 2000, before provision for previous management's incentive and other fees, was $43.3 million or $2.85 per common share, compared to $44.9 million or $3.10 per common share before a provision for the termination of advisory services for the same period in 1999. On a fully diluted basis, funds from operations, before the aforementioned provisions, was $1.48 per share for fiscal 2000, as compared to $1.57 per share for 1999.

In fiscal 2000, net earnings and funds from operations were reduced by

previous management's incentive and other fees totalling $50.1 million. In 1999, net earnings and funds from operations were reduced by a provision for the termination of advisory services in the amount of $26.9 million. Accordingly, funds from operations in 2000, after previous management's incentive and other fees, represented an outflow of $6.9 million, or $(0.45) per share, basic and fully diluted. This compares to funds from operations in 1999, after the provision for termination of advisory services, of $18.1 million or $1.25 per share basic and $0.77 fully diluted. Net loss for fiscal 2000 was $15.2 million, or a loss per share of $1.93, compared to net earnings of $11.2 million or a loss per share of $0.17 for the year ended December 31, 1999.

We believe that the provisions for previous management's incentive and other fees, and the termination of advisory services resulting from the internalization of the Company's prior management, should be considered separately, as non-recurring charges, when evaluating the Company's financial performance.

Rental income increased by 6.5% to $92.9 million in 2000 over the prior year comparative period. This was more than offset by increased interest costs as a result of borrowings incurred to fund development, prior year's property acquisitions and payments made in 1999 and in 2000 for the termination of advisory services and previous management's incentives and other fees.

In calculating earnings per share, reported earnings have been reduced by $14.2 million in 2000, as compared to $13.7 million in 1999, to reflect interest and accretion on the equity component of the Company's outstanding convertible debentures.

Portfolio Positioning

We strongly believe that active management of our existing portfolio, coupled with focused and disciplined acquisition, development and redevelopment activity, will allow us to grow our cash flow and earnings per share. During fiscal 2000, no properties were purchased. We view this as a short-term pause in Centrefund's growth strategy. Subsequent to year end, we purchased a 291,000 square-foot centre in Brampton.

The centre is anchored by Wal-Mart and Fortino's, both tenants with long-term leases in place. We will continue to seek out investment and development opportunities for well-located, grocery store-anchored centres.

As part of our strategy of enhancing property value and realizing on that value when we believe the Company's capital can be better redeployed elsewhere, we sold two properties in 2000. Orleans Place, a 30,000 square-foot strip plaza in Gloucester, Ontario was sold to the company that owned the supermarket adjacent to the property. We also sold Kingwood Center, a 257,000 square-foot plaza in Houston, Texas which no longer met our investment criteria.

Fiscal 2000 saw the completion of two renovation programs and the commencement or continuation of three additional ones. The extensive redevelopments of South Park Village in Edmonton and Cedarbrae Mall in Toronto are now substantially complete. These are two high-quality assets that are well anchored and well positioned in their respective markets. Redevelopment programs are currently underway at Northgate Mall in Edmonton, Stanley Park Mall in Kitchener and Oakbrook Square in North Palm Beach.

Centrefund Development Group

Centrefund Development Group ("CDG") had a mixed year in 2000. On the positive side, centres in Pickering, Ontario (Sobeys–Price Chopper), Peterborough, Ontario (Sobeys–IGA), Longueuil, Quebec (Bank of Nova Scotia and Blockbuster) and Port St. Lucie, Florida (Albertsons) were completed. Commercial Retail Unit ("CRU") development on our Lethbridge, Alberta (Safeway) and London, Ontario (Sobeys–Price Chopper) properties continued to be a challenge. Upon securing CRU tenants, these properties will be completed.

In 2001, construction will continue in Lachenaie, Palm Beach Gardens, Florida and Plano, Texas.

A decision has been made to wind up the CDG partnership in an orderly fashion. No new properties will be added to the partnership under the existing partnership terms and conditions. Each property currently in CDG will either be sold to one of the partners in CDG or to a third party. Going forward, Centrefund intends to actively pursue relationships with a number of different development partners.

Outlook

This has been a year of transition. We have been working hard evaluating the Company's shopping centre portfolio and believe that it is a good one. Paying the costs related to the termination of the various Advisory Agreements and former management's incentive plans will return to shareholders all of the future increases in value of the Company's properties.

We believe that the Company will benefit from increased focus on properties in high-growth areas on a going-forward basis. Opportunities, such as our recent Brampton acquisition, continue to be available for those with the patience to find them.

We will continue to look at ways to enhance the existing properties by repositioning them, where appropriate. We intend to build, for the benefit of all shareholders, on the portfolio that exists today.

While the capital markets continue to represent a challenge for us, we believe that the value inherent in the Company's assets, particularly with new management in place, will be recognized by the financial community over the long term.

I thank the Company's Board of Directors, management team and employees for their hard work. I am also grateful for the efforts of all our property managers' employees, who have worked hard to improve our properties in a year of great transition. As a symbol of the changes taking place, the Company will seek shareholder approval for a name change to First Capital Realty Inc. at the Company's next annual meeting of shareholders.

I look forward to reporting to you in this upcoming year on our accomplishments.

Sincerely,

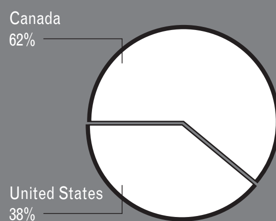
[signed]

Dori J. Segal
President and Chief Executive Officer
April 30, 2001

OPERATIONAL

REVIEW

Gross Leasable Area



Centrefund's shopping centre portfolio consisted of 71 properties containing 10.0 million square feet[(1)] of gross leasable area as at December 31, 2000, including those properties owned by Centrefund Development Group. Operations are directed in Canada from offices in Toronto and Montreal. In the United States, our operations are directed from Miami by Equity One, our asset manager.

Centrefund's development activities are currently carried out through its 50.1% ownership interest in Centrefund Development Group ("CDG"). CDG is being wound up in an orderly manner. The properties in the partnership may be bought by the partners or sold to third parties. We are presently exploring opportunities with a number of developers.

We believe that investing in well-anchored plazas that provide customers with necessities such as groceries, basic clothing and services is a prudent strategy. Such basic items are bought in both robust and recessionary times. The Company's shopping centre portfolio is thus less susceptible to general economic swings. Strong anchor tenants further reduce our exposure to economic change. We focus on signing necessities-oriented anchor tenants, the lifeblood of our shopping centres, to long-term leases. Not only does this approach lead to steady, long-term occupancy and income, it is also instrumental in drawing consumers to the shopping centre for our local and regional tenants.

(1) Includes non-owned anchor tenants totalling 758,000 square feet

CANADIAN
OPERATIONS

Centrefund's Canadian shopping centre portfolio, excluding those properties owned by Centrefund Development Group, consisted of 35 properties containing approximately 5,962,000 square feet of gross leasable area as at December 31, 2000. The Company's Canadian shopping centres average 170,000 square feet in size (1999 – 169,000 square feet) and have an average net book value of $103 per square foot (1999 – $100 per square foot). The portfolio can be summarized as follows:

(as at December 31)	2000		1999	
Province	Number of Properties	Square Footage[(1)] (thousands)	Number of Properties	Square Footage (thousands)
Ontario	17	3,348	18	3,450
Western Canada	11	1,806	11	1,831
Quebec	4	556	4	558
Maritimes	3	252	3	252
Total	35	5,962	36	6,091

(1) Includes non-owned anchor tenants totalling 589,000 square feet

Acquisitions and Dispositions

During 2000, a year of transition, Centrefund did not acquire any new shopping centres. Looking forward, we will only pursue acquisitions that meet our investment criteria. Subsequent to year end, we purchased a 291,000 square-foot centre in Brampton. This centre is located in a rapidly expanding part of the Greater Toronto Area and is anchored by Wal-Mart and Fortino's (Loblaws), each of which has a long-term lease in place.

Sales

As part of our strategy of realizing on value when we believe the Company's capital can be better redeployed elsewhere, we sold one Canadian property in 2000. Orleans Place, a 30,000 square-foot strip centre in Gloucester, Ontario, was sold to the company that owned the supermarket adjacent to the property.

Redevelopment, Renovation and Remerchandising

Fiscal 2000 saw the completion of the redevelopment program at South Park Village in Edmonton. A new 49,000 square-foot building, on the site of the former Canadian Tire, was completed for Linens 'n Things and Laura Shoppes and opened in the first quarter of 2001. A 19,000 square-foot expansion of an existing building was completed to accommodate Reitmans and Le Château as well as our expansion

to the existing SportChek store. These recent upgrades are in addition to the previously completed Canadian Tire store, the expansion of the Zellers department store, and a general upgrade of the entire centre. The upgrades included new facades, pylon signs and entranceways. We now consider this to be a well-anchored, well-located and visually appealing "power centre" type plaza that provides a solid return to Centrefund.

Cedarbrae Mall saw the completion of its extensive redevelopment program with the construction of Burger King and Bank of Nova Scotia pads. The mall has now been completely redeveloped and is well positioned to serve the needs of its surrounding community. Cedarbrae has a strong anchor base, which includes Canadian Tire, Loblaws, Toys"R"Us and Zellers as well as a good mix of CRU and pad tenants.

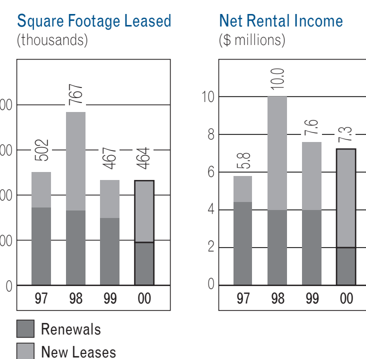
Phase 1 of the renovation and reconfiguration of the CRU area of Stanley Park Mall in Kitchener was substantially completed in 2000. The renovation included moving the LCBO to a new 10,000 square-foot pad on the site. This enabled the construction of a new entrance to the mall and allowed for the reconfiguration of the CRU and parking facilities into a much more useful and economically viable setup.

The redevelopment of Northgate Mall in Edmonton began in earnest in 2000. The entire mall is being redeveloped from a predominantly fashion retail centre to a mall with more of a service retail focus. Highlights of the renovation include the 23,500 square-foot expansion of the new Zellers (the former K-Mart), the demolition of the former Zellers to allow the construction of a new 55,000 square-foot Safeway, and the demolition of the existing Safeway which will make way for a new Future Shop and other large store format tenants. The second storey is being converted to office use and the entire mall, from the interior CRU spaces to the exterior facade, is being substantially upgraded. To date, the Zellers expansion has been completed, the former Zellers has been demolished and the new Safeway is under construction. We anticipate the project will be completed by the second quarter of 2002.

In addition to the ongoing redevelopment program, we are renovating the facades at a number of our centres to ensure that they have a modern look that appeals to both tenants and customers. Though not providing an immediate return, we consider these upgrades essential to the long-term viability of these properties.

Leasing

In Canada, we completed new lease agreements for more than 274,000 square feet of space, up from 168,000 square feet leased in 1999. These new leases will generate annual net rental income of approximately $4.4 million as compared to the $3.0 million in annual net rental income generated by 1999 leasing activities. In addition, lease renewals on 190,000 square feet were completed in 2000, as compared to 299,000 square feet in 1999. The 2000 renewals will generate annual net rental income of almost $2.9 million, representing an increase of 0.6% over the pre-renewal net annual rent, as compared to $4.6 million in income attributable to 1999 renewals, which represented a 4.5% increase over pre-renewal rental rates. The occupancy level of the Canadian portfolio, excluding projects currently under redevelopment, remained at 97% of total gross leasable area as at December 31, 2000.



Anchor Tenant Sales

Anchor tenant sales are a good indicator of overall shopping centre performance. We are pleased to report that during 2000 our supermarket sales increased by 10.5% and our junior department store sales increased by 2.9%. Most of our anchor leases have provisions for percentage rent to be paid when sales exceed certain plateaus. For the year ended December 31, 2000 the Company earned $956 thousand (1999 – $780 thousand) in percentage rent from its anchor tenants in Canada. The following table outlines the average comparable anchor tenant sales per square foot by major use category for the Company's Canadian portfolio:

(per square foot)	2000	1999
Junior department stores	$ 211	$ 205
Food supermarkets	$ 578	$ 523

Our review of the Canadian portfolio has indicated there are opportunities available to increase the long-term value of the portfolio. We are excited about the opportunities to improve and secure the long-term future of the properties and we look forward to implementing our plans for the benefit of our shopping centre customers and shareholders.

UNITED STATES
OPERATIONS

Centrefund's U.S. shopping centre portfolio, excluding those properties owned by Centrefund Development Group, consisted of 28 properties containing approximately 3,452,000 square feet of gross leasable area as at December 31, 2000. The Company's American shopping centres average 123,000 square feet in size (1999 – 128,000 square feet) and have an average net book value of US$76 per square foot (1999 – US$74 per square foot). The portfolio can be summarized as follows:

(as at December 31)	2000		1999	
State	Number of Properties	Square Footage[1] (thousands)	Number of Properties	Square Footage (thousands)
Florida	12	1,284	12	1,284
Texas	16	2,168	17	2,425
Total	28	3,452	29	3,709

(1) Includes non-owned anchor tenants totalling 169,000 square feet

Acquisitions and Dispositions

During 2000, there were no U.S. acquisitions.

Kingwood Center, a 257,000 square-foot plaza in Houston, Texas, had chronic vacancy problems. In fiscal 2000, we took advantage of an opportunity to sell the plaza to a purchaser that intended to redevelop a portion of the site for an alternative use.

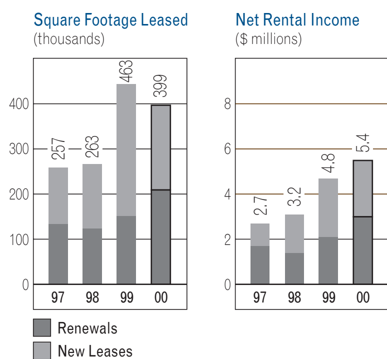
Redevelopment, Renovation and Remerchandising

The Publix at Oakbrook Square, located in North Palm Beach, has been renovated and expanded by 10,000 square feet. This expansion is consistent with our policy of working with our anchor tenants to find ways to best suit their needs in order to preserve the long-term viability of our properties.

Leasing

Leasing activity in the United States in 2000 continued with the completion of new lease agreements covering approximately 191,000 square feet, down from the 313,000 square feet leased in 1999. These new leases will generate annual net rental income of US$2.5 million as compared to the US$2.7 million coming from 1999 leasing activities. In addition,

lease renewals covering 208,000 square feet in 2000 have been completed, up from 150,000 square feet in 1999. The 2000 renewals will generate annual net rental income of US$2.9 million, a 12.1% increase over the pre-renewal annual net rent, as compared to a 13.7% increase on US$2.1 million of renewals completed in 1999. Occupancy levels, excluding projects under redevelopment, remained constant at 92% of total gross leasable area as at December 31, 2000.



Anchor Tenant Sales

In the United States, many of our anchor tenants are well established in their marketplaces and have strong sales. During 2000, our supermarket sales increased by 3.7%, and our drug store sales increased by 1.5%. Consequently, Centrefund benefited from increased percentage rent.

The following chart summarizes average comparable anchor tenant sales per square foot for major tenants by major use category for the Company's U.S. portfolio:

(per square foot)		2000		1999
Food supermarkets	US$	478	US$	461
Drug stores	US$	600	US$	591

For the year ended December 31, 2000 the Company earned US$975 thousand (1999 – US$923 thousand) in percentage rent from its anchor tenants in the United States.

Overall, Centrefund's portfolio of properties is well positioned and given the right level of management attention, will perform well. As is typical with a new management team, we have undertaken an extensive review of the property portfolio. Our conclusion is that the U.S. assets would benefit from strong local management. We believe that a business combination such as the one under discussion with Equity One would provide experienced and motivated management and increase the value of our U.S. investment.

SHOPPING CENTRE PORTFOLIO

CANADIAN PROPERTIES

Name and Location	Gross Leasable Area (square feet)	Anchor-Owned (square feet)	Net Leasable Area (square feet)	Major or Anchor Tenants
ONTARIO				
Cedarbrae Mall, Toronto, Ontario	475,000	–	475,000	Zellers, Loblaws, Canadian Tire, Toys"R"Us, LCBO
Fairview Mall, St. Catharines, Ontario	434,000	78,000	356,000	Zellers, Zehrs, Cineplex, A&P, Chapters, Future Shop, Mark's Work Wearhouse
Brantford Mall, Brantford, Ontario	299,000	–	299,000	Wal-Mart, Zehrs, Cineplex
Tillsonburg Town Centre, Tillsonburg, Ontario	244,000	–	244,000	Zellers, Valu-Mart (Loblaws), Canadian Tire
Zellers Festival Marketplace, Stratford, Ontario	225,000	99,000	126,000	Zellers, Sears, Canadian Tire
Harwood Place Mall, Ajax, Ontario	217,000	–	217,000	Food Basics (A&P), Shoppers Drug Mart
Zellers Plaza, Waterloo, Ontario	212,000	–	212,000	Zellers, Sobeys
Stanley Park Mall, Kitchener, Ontario	180,000	–	180,000	Zellers, Zehrs, LCBO
Parkway Centre, Peterborough, Ontario	177,000	–	177,000	Zellers, IGA (Sobeys)
Stoney Creek Plaza, Hamilton, Ontario	172,000	–	172,000	Zellers, Office Place, Mark's Work Wearhouse
Zellers Plaza at Sheridan Mall, Toronto, Ontario	168,000	–	168,000	Zellers, Food Basics (A&P)
Ambassador Plaza, Windsor, Ontario	137,000	–	137,000	Zellers, LCBO
Thickson Place, Whitby, Ontario	134,000	44,000	90,000	A&P, Toys"R"Us
Orleans Gardens, Ottawa, Ontario (1)	111,000	–	111,000	Your Independent Grocer (Loblaws)
Eagleson Place, Ottawa, Ontario	75,000	–	75,000	Loblaws
Northfield Centre, Waterloo, Ontario (1)	52,000	–	52,000	Sobeys, Pharma Plus
Office Place, St. Catharines, Ontario	36,000	–	36,000	Office Place, Kelsey's
	3,348,000	221,000	3,127,000	
WESTERN CANADA				
Northgate Mall, Edmonton, Alberta	542,000	–	542,000	Zellers, Safeway, Future Shop
South Park Village, Edmonton, Alberta	426,000	48,000	378,000	Zellers, Canadian Tire, Toys"R"Us, Office Depot, Linens 'n Things, SportChek
Sherwood Towne Square, Sherwood Park, Alberta	135,000	–	135,000	Zellers, Staples
Leduc Towne Square, Edmonton, Alberta	127,000	81,000	46,000	Safeway, Canadian Tire
Village Market, Sherwood Park, Alberta	119,000	–	119,000	Safeway, London Drugs
Red Deer Village, Red Deer, Alberta	109,000	–	109,000	Mark's Work Wearhouse, Sportmart
Gateway Village, St. Albert, Alberta	105,000	–	105,000	Safeway
Sherwood Centre, Sherwood Park, Alberta	80,000	–	80,000	CIBC, Rogers Video
London Place West, Calgary, Alberta	71,000	–	71,000	London Drugs
Regent Park Shopping Centre, Regina, Saskatchewan	66,000	–	66,000	Safeway
Registan Shopping Centre, Regina, Saskatchewan	26,000	–	26,000	Safeway
	1,806,000	129,000	1,677,000	
QUEBEC				
La Porte de Gatineau, Gatineau, Quebec	194,000	43,000	151,000	Loblaws, Toys"R"Us, Future Shop
Zellers Plaza, Chateauguay, Quebec	132,000	–	132,000	Zellers
Les Galeries de Repentigny, Repentigny, Quebec	119,000	–	119,000	Metro Richelieu, Pharmaprix
Les Promenades du Parc, St. Hubert, Quebec (2)	111,000	55,000	56,000	IGA, Canadian Tire
	556,000	98,000	458,000	
MARITIMES				
Cole Harbour Shopping Centre, Dartmouth, Nova Scotia	149,000	106,000	43,000	Sobeys, Canadian Tire
Ropewalk Lane, St. John's, Newfoundland	90,000	35,000	55,000	Dominion (Loblaws)
Highfield Park, Dartmouth, Nova Scotia	13,000	–	13,000	Tim Hortons, Ultramart
	252,000	141,000	111,000	
TOTAL CANADA	5,962,000	589,000	5,373,000	

(1) 50% interest owned by Centrefund (2) 71.08% interest owned by Centrefund (3) 50.1% interest owned by Centrefund (4) 25% interest owned by Centrefund

U.S. PROPERTIES

Name and Location	Gross Leasable Area (square feet)	Anchor-Owned (square feet)	Net Leasable Area (square feet)	Major or Anchor Tenants
FLORIDA				
Oakbrook Square, Palm Beach Gardens, Florida	216,000	–	216,000	Jacobson's, Publix, Eckerd
Bluffs Square Shoppes, Jupiter, Florida	129,000	–	129,000	Publix, Walgreens
Prosperity Center, Palm Beach Gardens, Florida	122,000	–	122,000	Office Depot, T.J. Maxx, Barnes & Noble, Bed Bath & Beyond
Harbour Financial Center, Palm Beach Gardens, Florida	121,000	–	121,000	Fidelity, Comerica, Prudential
Marco Town Center, Marco Island, Florida	109,000	–	109,000	Publix
Sawgrass Promenade, Deerfield Beach, Florida	107,000	–	107,000	Publix, Walgreens, Blockbuster
Boynton Plaza, Boynton Beach, Florida	98,000	–	98,000	Publix, Eckerd
Boca Village Square, Boca Raton, Florida	93,000	–	93,000	Publix, Eckerd
Kirkman Shoppes, Orlando, Florida	89,000	–	89,000	Eckerd
Ross Plaza, Tampa, Florida	86,000	–	86,000	Ross Dress for Less, Walgreens
The Shoppes of Jonathan's Landing, Jupiter, Florida	81,000	54,000	27,000	Albertsons
The Shoppes at Westburry, Miami, Florida	33,000	–	33,000	Pizza Hut
	1,284,000	54,000	1,230,000	
TEXAS				
Plymouth Park North, Dallas, Texas	441,000	–	441,000	Fazio's, U.S. Post Office
Benbrook Square, Fort Worth, Texas	247,000	–	247,000	Under redevelopment
Townsend Square, Desoto, Texas	199,000	50,000	149,000	Albertsons, Beall's
Plymouth Park West, Dallas, Texas	182,000	–	182,000	Under redevelopment
Copperfield Crossing, Houston, Texas	159,000	–	159,000	Gerland's Food Fair
Mission Bend Center, Houston, Texas	129,000	–	129,000	Randalls Food Market (Safeway)
Grogan's Mill Center, Houston, Texas	118,000	–	118,000	Randalls Food Market (Safeway)
Steeplechase Center, Houston, Texas	104,000	–	104,000	Randalls Food Market (Safeway)
Village By The Parks, Dallas, Texas	99,000	54,000	45,000	Toys"R"Us, Pier 1 Imports
Woodforest Center, Houston, Texas	94,000	–	94,000	Randalls Food Market (Safeway)
Beechcrest Center, Houston, Texas	91,000	–	91,000	Randalls Food Market (Safeway), Walgreens
Sterling Plaza, Dallas, Texas	65,000	–	65,000	Bank One, Wherehouse Music
Wurzbach Center, San Antonio, Texas	63,000	–	63,000	Albertsons
Eckerd Plaza, Dallas, Texas	62,000	11,000	51,000	Eckerd
Minyards Center, Garland, Texas	59,000	–	59,000	Minyards
Kroger Plaza, Dallas, Texas	56,000	–	56,000	Kroger
	2,168,000	115,000	2,053,000	
TOTAL UNITED STATES	3,452,000	169,000	3,283,000	

SHOPPING CENTRE DEVELOPMENT – *Completed Projects*

Name and Location	Gross Leasable Area Developed	Anchor-Owned	Net Leasable Area Developed	Major or Anchor Tenants
CANADIAN PROPERTIES				
West Lethbridge Towne Square, Lethbridge, Alberta (3)	78,000	–	78,000	Safeway, Home Hardware
Steeple Hill Shopping Centre, Pickering, Ontario (3)	66,000	–	66,000	Price Chopper (Sobeys)
Chemong & Towerhill, Peterborough, Ontario (3)	49,000	–	49,000	IGA (Sobeys)
Commissioners Road Plaza, London, Ontario (3)	36,000	–	36,000	Price Chopper (Sobeys)
Longueuil Centre, Longueuil, Quebec (3)	35,000	–	35,000	Bank of Nova Scotia, Blockbuster
	264,000	–	264,000	
U.S. PROPERTIES				
Oaks Square, Gainesville, Florida (4)	119,000	–	119,000	Bed Bath & Beyond, Borders Books
City Centre, Palm Beach Gardens, Florida (4)	94,000	–	94,000	Wilmington Trust
Cashmere Corners, Port St. Lucie, Florida (1)	89,000	–	89,000	Albertsons
	302,000	–	302,000	
TOTAL COMPLETED PROJECTS	566,000	–	566,000	

TOTAL PORTFOLIO	**9,980,000**	**758,000**	**9,222,000**	

MANAGEMENT'S

DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Centrefund Realty Corporation was incorporated under the laws of the Province of Ontario by articles of incorporation dated November 10, 1993. The Company, directly and through subsidiaries, invests exclusively in community and neighbourhood shopping centres in Canada and the United States. Centrefund currently owns a portfolio of 72 properties with the objective of maximizing long-term operating cash flow and generating long-term capital appreciation.

From its formation to the end of 1999, the affairs of the Company were managed by a team comprised of an Advisor and a Property Manager, subject to the overall supervision of the Board of Directors. On January 18, 2000, shareholders of the Company approved a transaction to terminate the advisory fee component and revise the incentive fee component of the Advisory Agreement effective January 1, 2000. As part of the transaction, employees of the Advisor were retained directly by the Company. Peter Cohen, the Company's Chairman, President and Chief Executive Officer at the time, continued to provide his services through the revised Advisory Agreement.

On August 18, 2000, the Gazit Group purchased a controlling interest in the Company pursuant to the terms of a takeover bid. Prior to the acquisition of control, the Advisor and Property Manager had a number of incentives in place pursuant to advisory and certain other agreements. With the acquisition of control, in accordance with the terms of the amended Advisory Agreement, all of the incentive fees became payable in cash and the Advisory Agreement was terminated. In conjunction with the change of control of the Company, a new management team has been put in place to lead the Company.

Historically, the Company has experienced significant growth through the acquisition of additional shopping centres. Since the commencement of operations on March 29, 1994, the Company has expanded, through acquisition, its initial portfolio of five shopping centres containing approximately 933,000 square feet of gross leasable area to 71 properties containing approximately 10.0 million square feet as at December 31, 2000. This growth was financed by mortgage debt, three issues of common stock, five issues of convertible debentures and the issue of both common stock and convertible debentures or equivalents on the acquisition of the Company's wholly owned U.S. subsidiary in 1994.

In 1997, the Company entered into an exclusive partnership arrangement for the development of neighbourhood and community shopping centres in Canada and the United States. The partnership conducts business under the name Centrefund Development Group ("CDG"). CDG has eight developed properties and 10 shopping centres under development. With the change of control of Centrefund, in accordance with the terms of the original partnership agreement, Centrefund's joint venture partner in CDG had the right to acquire CDG's 33 optioned sites at cost. On August 18, 2000, the 33 sites were purchased and the partnership became non-exclusive. Subsequent to year end, the partnership began a wind-up on an orderly basis. The properties in the partnership may be bought by the partners or sold to third parties.

BUSINESS STRATEGY

Centrefund is currently an owner and operator of geographically diversified neighbourhood and community-sized shopping centres. The centres generally contain anchor tenants that are less susceptible to general economic swings, such as grocery stores. Management intends to concentrate future acquisitions mainly on centres

that are food-anchored, in areas with high growth and in which the Company is already active. Management believes that there are significant synergies available from concentrating on markets in which the Company has a significant presence. The Company has previously announced discussions with Equity One, Inc., a publicly traded REIT controlled by the Company's controlling shareholder, regarding a business combination between Centrefund Realty (U.S.) Corporation, a wholly owned subsidiary of Centrefund, and Equity One. The Company believes that Centrefund's United States portfolio requires an experienced local management team in order to grow and create value. Equity One would be able to provide the appropriate focus and fulfill these objectives. Any combined operation would result in a greater realization of value from these properties.

Centrefund will continue to seek out appropriate acquisition opportunities and to develop and redevelop properties where financially advantageous, either alone or, as in the case of development and redevelopment, with joint venture partners.

RESULTS OF OPERATIONS

Since mid-1996, the Company has raised $360 million through the issue of four series of convertible debentures. As a result, as detailed on page 16 under "Earnings and Funds from Operations per Share", there are a substantial number of common shares attached to the conversion rights of the Company's outstanding convertible debentures. Accordingly, it is important when assessing the financial performance of the Company to review the fully diluted per share data.

The Company believes that, for public real estate companies, funds from operations is a commonly accepted and more meaningful indicator of financial performance than net earnings. Funds from operations does not recognize amortization as operating expenses or recognize future income taxes until these are actually paid. Management believes that deductions for these charges are not meaningful in evaluating income-producing real estate.

Funds from operations for the year ended December 31, 2000, before provision for previous management's incentive and other fees, was $43.3 million or $2.85 per common share, compared to $44.9 million or $3.10 per common share before a provision for the termination of advisory services for the same period in 1999. On a fully diluted basis, funds from operations, before the aforementioned provisions, was $1.48 per share for fiscal 2000, as compared to $1.57 per share for 1999.

In fiscal 2000, net earnings and funds from operations were reduced by previous management's incentive and other fees totalling $50.1 million. In 1999, net earnings and funds from operations were reduced by a provision for the termination of advisory services in the amount of $26.9 million. Accordingly, funds from operations in 2000, after previous management's incentive and other fees, represented an outflow of $6.9 million, or $(0.45) per share, basic and fully diluted. This compares to funds from operations in 1999, after the provision for termination of advisory services, of $18.1 million or $1.25 per share basic and $0.77 fully diluted. Net loss for fiscal 2000 was $15.2 million, or a loss per share of $1.93, compared to net earnings of $11.2 million or a loss per share of $0.17 for the year ended December 31, 1999.

The Company believes that the provision for previous management's incentive and other fees, described in Note 16, and the termination of advisory services described in Note 14(d) to the consolidated financial statements, resulting from the internalization of the Company's prior management, should be considered separately, as non-recurring charges, when evaluating the Company's financial performance.

These financial results were generated from gross rental income of $147.9 million in 2000, an 8.1% increase over the $136.8 million in gross rental income reported in 1999. This was more than offset by increased interest costs as a result of borrowings incurred to fund development, property acquisitions in 1999 and payments made in 1999 and in 2000 for the termination of advisory services and previous management's incentive and other fees.

Gross Rental Income

A substantial portion of the Company's growth can be attributed to the acquisition of additional shopping centres.

Until fiscal 2000, the Company had expanded its portfolio in each year of its existence. As the growth in the size of the Company's shopping centre portfolio occurs throughout the year, the full impact of these acquisitions and developments is fully reflected only in the years after the properties are acquired or completed. The year ended December 31, 2000 was one of transition in which no properties were acquired.

The Company's business involves the redevelopment and remerchandising of retail space. As a result, the Company, in the normal course of operations, generates income from payments received from tenants as compensation for the cancellation of leases. In 2000, the Company received net lease cancellation payments of $3.9 million as compared to $2.7 million in 1999. In both years, these payments were received from several different tenants and were included in gross rental income.

(in thousands of dollars)	2000	1999	1998	1997	1996
1994 acquisitions	$ 38,578	$ 38,728	$ 36,592	$ 32,249	$ 30,861
1995 acquisitions	11,642	13,495	11,230	9,401	7,496
1996 acquisitions	32,375	27,269	25,568	22,753	9,120
1997 acquisitions	30,319	28,920	27,804	7,395	
1998 acquisitions and developments	26,081	25,904	11,405		
1999 acquisitions and developments	8,126	2,511			
2000 acquisitions and developments	772				
Annual gross rental income	$ 147,893	$ 136,827	$ 112,599	$ 71,798	$ 47,477
Number of shopping centres:					
Acquired during year	–	8	14	18	10
Developed during year	3	4	1	–	–

The chart above summarizes the sources of the Company's growth and the impact on gross rental income over the past five years. The shopping centres developed represent those properties developed by Centrefund Development Group.

Interest Expense on Mortgages

The increase of $10.8 million in interest on mortgages incurred in 2000 over 1999 is substantially a result of the increase in the level of borrowing by the Company. In addition to the $95.4 million net increase in borrowing during 2000, the Company incurred a full year's interest on the mortgages financed in 1999. The average interest rate on the Company's mortgage borrowings, as detailed on pages 16 and 17 under "Mortgages Payable", increased from 7.44% in 1999 to 7.91% in 2000. Approximately 67% of new borrowings were in U.S. dollars and bear interest at mortgage rates higher than the Company's average interest rate. U.S. borrowings serve to reduce the Company's net asset exposure to exchange rate fluctuations.

Amortization

Amortization for the year ended December 31, 2000, at $12.3 million, was $2 million higher than the prior year. This primarily results from redevelopment of shopping centres in 2000 and 1999, new acquisitions in 1999, use of the sinking fund method of depreciation in which amortization expense on buildings increases by 5% per year, and higher amortization of tenant inducements and financing fees consistent with increases in the Company's leasing and financing activities.

Interest and Other Income

Interest and other income comprises the following:

(in thousands of dollars)	2000	1999
Interest and other income	$ 5,306	$ 6,238
Gains on sale	1,326	1,906
Dividend income	804	750
Total	$ 7,436	$ 8,894

The Company earns interest income from funds invested in three types of investments: short-term bankers' acceptances, advances made to the Company's development partner, and an investment in a portfolio of short-term mortgages and other receivables including a note due from a municipality. The decrease in interest and other income in 2000 over the level earned in 1999 results from the return to a more normalized 8% level of income from the portfolio of short-term mortgages and other receivables. In 1999, this portfolio generated an above-average return due to the realization of cash from receivables previously provided for.

The gains on sale in the year ended December 31, 2000 arose from the sale of two shopping centres that no longer met the investment criteria of the Company as well as gains generated from the sale of excess land held for redevelopment.

Dividend income represents semi-annual dividends earned by the Company on its investment in the common shares of Revenue Properties Company Limited, a Toronto Stock Exchange-listed company involved in

the ownership of shopping centres in Canada and the United States. Subsequent to the year end, the Company sold 69.5% of this investment for cash proceeds of $12.1 million.

Corporate Expenses

Corporate expenses comprise the following:

(in thousands of dollars)	2000	1999
Advisory and base incentive fees paid to former Advisor	$ 1,181	$ 5,333
Salaries, wages and benefits	1,050	–
U.S. asset management fees	518	–
Capital taxes, net of recoveries from tenants	949	842
Other general and administrative costs	1,591	1,338
Total	$ 5,289	$ 7,513

Advisory fees amounting to $5.3 million expensed in 1999 were replaced in 2000 upon the internalization of management by a $1.2 million base incentive fee, together with $1.1 million in salaries and wages of internalized employees. The base incentive fee terminated after the change of control.

In fiscal 2000, $0.3 million of fees incurred were capitalized to shopping centres under redevelopment and land held for development as compared to $0.9 million in 1999. No salaries, wages, or fees were capitalized after the acquisition of control.

Under the terms of an asset management agreement effective August 15, 2000, Equity One Realty & Management Inc., a wholly owned subsidiary of Equity One, Inc., was retained by the Company as an asset manager of the Company's United States portfolio until November 30, 2000 and thereafter for the Texas portfolio. The annualized asset management fee is 0.4% of the book value of assets managed and the agreement is cancellable on 30 days' notice. Equity One earned $0.5 million in fiscal 2000 under the terms of the agreement.

Capital taxes, net of recoveries from tenants, increased by $0.1 million from the level incurred in 1999 as a result of an increase in the size of the Company's capital base deployed in the provinces of Ontario and Quebec.

General and administrative costs incurred in 2000 exceeded the level incurred in 1999 by $0.3 million as a result of rent and other office-related costs incurred by the Company after the internalization of management at the beginning of 2000.

Interest on Debentures

Interest on the Company's outstanding debentures comprises the following:

(in thousands of dollars)	2000	1999
Interest on convertible debentures	$ 5,821	$ 6,614
Interest on debentures	2,862	3,430
Total	$ 8,683	$ 10,044

Interest on convertible debentures declined in 2000 compared to the level incurred in 1999 as a result of the reduction in the average liability component of the Company's outstanding convertible debentures and the conversion of $6.5 million of debentures into common shares of the Company.

Interest incurred on debentures was $0.6 million less in 2000 than the level incurred in 1999 due to the maturity in 1999 of $10.1 million of U.S.-dollar-denominated debentures.

Previous Management's Incentive and Other Fees

On August 18, 2000, the Gazit Group purchased a controlling interest in the Company, pursuant to the terms of a takeover bid (the "Offer"). Prior to this change in control, the former Advisor and Property Manager had a number of incentives in place pursuant to advisory and certain other agreements.

On the acquisition of control, in accordance with the terms of the amended Advisory Agreement, all of the incentive fees became payable in cash and the Advisory Agreement was terminated. On termination of the Advisory Agreement, in accordance with its terms, the Advisor became entitled to receive a fair value incentive amount equal to 20% of the excess of the fair market value of the Company's shopping centre portfolio and other related assets over the aggregate of: (i) the recorded cost of such portfolio and assets, determined at the termination date, and (ii) the aggregate amount required to have provided the Company since March 29, 1994 with a 10% compound, cumulative annual return on the average aggregate equity allocable to such portfolio and assets, net of annual incentive fees paid to the Advisor and after taking into consideration aggregate net property cash flow and aggregate net sale proceeds received with respect to such portfolio and assets.

Former management of the Company, which included the Company's former Chairman, President and Chief Executive Officer, who also controlled the Advisor, calculated and accrued the fair value incentive amount to be $21.35 million.

This amount was recorded after an offer by the Gazit Group to acquire a controlling interest in the Company in June 2000. At December 31, 2000, $9.2 million of the fair value incentive amount had been advanced. The unpaid amount, if any, is secured by a fixed and floating charge over two of the Company's shopping centres. The fair value incentive amount, as calculated by the Advisor, was based on the Advisor's estimate of the fair market value of the Company's shopping centre portfolio.

Current management of the Company is disputing the calculation of the fair value incentive amount, including amounts that have been advanced. When the dispute is resolved, the fair value incentive amount could be significantly different from the amount recorded.

The previous management's incentive fees and certain other costs primarily associated with the Company's consideration of the Offer, and the cost of cancelling the property management contract as it pertained to the Florida property portfolio, in accordance with a settlement agreement dated August 15, 2000, totalled $50.1 million, as disclosed in Note 16 to the Company's 2000 consolidated financial statements.

Income and Other Taxes

Current taxes comprise the following:

(in thousands of dollars)	2000	1999
Canadian federal large corporations tax	$ 1,350	$ 1,170
United States withholding taxes	495	475
Federal, state and provincial minimum taxes	–	1,650
Total	$ 1,845	$ 3,295

The increase in the Canadian federal large corporations tax results from the increase in the size of the Company's capital base.

The United States withholding taxes represent taxes paid to the Internal Revenue Service on interest paid by the Company's U.S. subsidiary to one of the Company's Canadian subsidiaries. These taxes can be fully credited against taxes otherwise due on this income in Canada. No minimum taxes were paid in the current year as a result of the net loss reported in the year.

In accordance with Canadian generally accepted accounting principles, the Company uses the liability method for accounting for future income taxes. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying values and the tax bases of assets and liabilities.

In fiscal 2000, future income tax recoveries amounted to $2.7 million, compared to $2.2 million in 1999. The recoveries in both the current and previous year are due primarily to the tax effect of the losses arising from the payments to previous management. The recovery in 2000 was adversely affected by various federal and provincial income tax rate reductions during the year, and an impairment of certain tax losses available for carryforward.

Earnings and Funds from Operations per Share

Earnings and funds from operations per share are calculated based on the weighted average number of outstanding common shares during a reporting period. Basic per share information has been calculated for the year ended December 31, 2000 based on a weighted average of 15,200,291 common shares outstanding (1999 – 14,469,728 common shares). Fully diluted per share calculations reflect the conversion by the holders of the Company's outstanding convertible debentures and the exercise of the outstanding common share purchase warrants and options, and amount to a weighted average of 34,345,965 common shares outstanding (1999 – 33,541,412 common shares outstanding).

In accordance with the recommendations of the Canadian Institute of Chartered Accountants relating to the presentation and disclosure of convertible debentures in calculating earnings per share, earnings have been reduced by $14.2 million (1999 – $13.7 million), representing interest and accretion on the equity component of the convertible debentures.

CAPITAL STRUCTURE

The real estate business is capital-intensive by nature. Centrefund focuses on its capital structure to maintain stability and finance growth. In the real estate industry, financial leverage tends to generate competitive rates of return on equity. Centrefund's blend of debt, convertible debt and equity in its capital base minimizes income taxes and generates acceptable equity returns while taking into account the long-term prospects of the Company.

Mortgages Payable

As at December 31, 2000, mortgages payable equalled 53.4% of the total book value of the Company's assets, excluding future income tax assets, as compared to 46.5% in 1999. A significant portion of this increase was required to fund payment for the prior year's provision for termination of advisory services and the previous management's incentive and other fees that were paid in the current year.

At December 31, 2000, 84% of the

outstanding mortgage liabilities bore interest at fixed interest rates, compared to 76% in 1999. Of the $97.8 million in floating rate financing, $68.6 million represented lines of credit, interim financing or projects under construction.

In Canada, the Company had fixed rate mortgages outstanding as at December 31, 2000 in the aggregate amount of $283.0 million bearing interest at an average interest rate of 7.8% as compared to $262.2 million in outstanding mortgages with an average interest rate of 7.5% at the end of 1999. The increase in the outstanding balance is the net result of $6.6 million in repayments and $27.4 million in net new financing, the largest of which was on Cedarbrae Mall, where $22.0 million of interim financing was replaced with $44.0 million of permanent financing upon completion of the redevelopment program.

The Company's U.S. shopping centre portfolio is financed, in part, by U.S.-dollar-denominated mortgages. The debt service requirements of these mortgages are fully funded by the cash flow generated by the Company's U.S. operations. This reduces the Company's exposure to fluctuations in foreign currency exchange rates.

The increase from $204.2 million (US$141.5 million) to $259.9 million (US$173.3 million) in the outstanding balance of U.S. mortgages resulted from the net effect of $83.6 million (US$56.6 million) in repayments, the assumption of $130.5 million (US$88.4 million) in new mortgages, and a change in currency rate impact of $8.8 million.

As at December 31, 2000, the U.S. fixed rate mortgages totalled $217.5 million (US$145.1 million) bearing interest at an average interest rate of 8.1%, compared to $121.4 million (US$84.1 million) bearing interest at an average interest rate of 7.3% in 1999. Fixed rate financing has increased in conjunction with a program to actively reduce floating rate exposure.

The Company also attempts to manage its long-term debt by staggering maturity dates in order to mitigate short-term volatility in the debt markets. At December 31, 2000, the Company had mortgages totalling $62.8 million maturing in 2001, of which $12.3 million were fixed rate mortgages at an average interest rate of 9.1%. During 2002, the Company has mortgages maturing in the amount of $54.6 million, of which $49.6 million are fixed rate mortgages with an average interest rate of 8.0%. The Company is in the midst of negotiating early renewals on some of these mortgages and does not anticipate any difficulty in replacing these mortgages at current interest rates.

Debentures Payable

At December 31, 2000, $38.2 million of 7.5% debentures are the only remaining issue of outstanding debentures that are not convertible into common stock of the Company. These debentures are direct subordinated obligations of the Company that are secured by a floating charge on four of the Company's shopping centres and mature on December 1, 2003.

Convertible Debentures

Long-term convertible debentures have been issued by Centrefund as a tax-effective method of financing a portion of the equity component of its shopping centre portfolio expansion.

Accordingly, a large portion of the Company's capital is in the form of convertible debentures that mature between 2006 and 2008. The debentures require interest payable semi-annually at rates ranging from 7% to 8.5%.

Holders of these debentures have the right to convert them into a total of 17,658,174 common shares at share prices that range from $15.50 to $25.25 per share on or before maturity.

If the holders of the debentures do not exercise their conversion rights, the Company has the option of repaying the debentures on maturity by way of the issue of common shares at 95% of the then trading price of the Company's common stock.

The two $100 million issues of 7.0% and 7.25% debentures completed in 1998 also provide the Company with the option, subject to regulatory approval, to pay semi-annual interest through the issue of common stock.

In accordance with the recommendations of the Canadian Institute of Chartered Accountants relating to the presentation and disclosure of financial instruments, each series of the Company's convertible debentures is presented in its debt and equity component parts and measured at its respective issue date, as more thoroughly detailed in Note 1(g) to the Company's 2000 consolidated financial statements. The details of the Company's outstanding convertible debentures are summarized in Note 8 to the Company's 2000 consolidated financial statements.

Shareholders' Equity

Shareholders' equity amounted to $396.7 million as at December 31, 2000, compared to $421.5 million at the end of 1999. This decrease resulted from changes in each of the individual components of shareholders' equity.

Shareholders' equity as at December 31, 2000 included $299.9 million (1999 – $294.1 million) which represents the equity component of convertible debentures as discussed above.

As at December 31, 2000, the Company had 15,376,986 (1999 – 15,070,323) issued and outstanding

common shares with a stated capital of $154.5 million (1999 – $150.3 million). During fiscal 2000, a total of 573,263 common shares (1999 – 943,525 common shares) were issued in connection with the exercise of warrants and the conversion of convertible debentures. The issue of these shares added $6.5 million (1999 – $11.3 million) to stated capital.

In 1999, 275,774 common shares were issued pursuant to the Dividend and Interest Reinvestment Plan initiated in 1995. The issue of the shares in 1999 added $3.7 million to the Company's stated capital. The Company terminated the Dividend and Interest Reinvestment Plan in 1999 because it was no longer in the best interests of the Company to issue shares trading at a significant discount to estimated net asset value per share. In addition, in 2000 the Company purchased and cancelled 266,600 common shares (1999 – 456,682 common shares) pursuant to its normal course issuer bid that gave rise to a charge of $2.3 million (1999 – $6.2 million) to stated capital.

Shareholders' equity as at December 31, 2000 also includes $2.0 million representing the value of the warrants issued as part of the consideration for amendments made to the Advisory Agreement detailed in Note 14(d) to the 2000 consolidated financial statements.

Shareholders' equity as at December 31, 2000 and 1999 includes a cumulative, unrealized currency translation adjustment in the amount of $11.2 million (1999 – $2.5 million). These amounts represent the difference between the U.S. dollar exchange rate in effect at the date of the acquisition of the Company's U.S. net assets and the U.S. dollar exchange rate as at December 31, 2000 and 1999, respectively. The significant addition to shareholders' equity from this source during 2000 resulted from the U.S. dollar exchange rate in effect at December 31, 2000 increasing to US$1.00 = Cdn$1.50 from US$1.00 = Cdn$1.44 as at December 31, 1999.

Shareholders' equity as at December 31, 2000 includes a deficit of $70.9 million (1999 – $27.3 million), which substantially arises as a result of cumulative net income less dividends on common shares. Net income for the current year was reduced by $28.6 million, representing the after-tax impact of the provision for previous management's incentive and other fees as more fully described in Note 16 to the consolidated financial statements. In the previous year, net income was reduced by $16.0 million, representing the after-tax impact of the provision for the termination of advisory services relating to the internalization of management. The Company has historically paid dividends, consistent with general industry practice, based on cash flow from operations as opposed to net income.

LIQUIDITY

Funds from operations before previous management's incentive and other fees was $43.3 million (1999 – $44.9 million). This amount was available to fund payments on the equity portion of convertible debentures totalling $21.2 million, pay regular debt amortization of $10.0 million, dividends of $14.2 million and tenant inducements of $3.3 million for a net use of cash of $5.4 million. This, together with the expansion and redevelopment of shopping centres, the acquisition and development of land, advances to the Company's development partner, the repurchase of the Company's shares and payment of the previous management's incentive and other fees were funded by net mortgage refinancing, interim financing and the sale of two shopping centres.

Cash and cash equivalents were $33.6 million at December 31, 2000 (1999 – $28.5 million). Management believes that it has sufficient resources to meet its operational requirements in the near and longer term. Capital for new investing activities in the near term will be generated by the sale of some of CDG's assets that were still in the development stage, and by the sale, for $12.1 million, of 69.5% of the Company's investment in Revenue Properties Company Limited, an asset that was paying a cash dividend of approximately 5%.

Refinancing of projects in the coming year is expected to add to available cash. The actual amount of future borrowings will be determined based upon the level of liquidity required, the prevailing interest rate and debt market conditions.

DIVIDENDS

The Company has maintained a policy of paying regular quarterly dividends to common shareholders since it was formed in 1994. Dividends are set, having regard to the Company's capital requirements and with due consideration to the Company's alternative sources of capital.

In 2000, the Company paid dividends of $0.93 per common share (1999 – $0.89 per common share). These dividends represented 63% (1999 – 57%) of the $1.48 (1999 – $1.57) the Company reported as fully diluted funds from operations per share before the provision for previous management's incentive and other fees (1999 – termination of advisory services). The Company is currently paying a quarterly dividend of $0.24 per common share. To date, the annual dividend rate has grown at a compound rate of approximately 5% since the Company was formed in March 1994.

RISK MANAGEMENT

Centrefund is exposed to numerous business risks in the normal course of business that can affect both short- and long-term performance. It is the responsibility of management, under the supervision of the Board of Directors, to identify and, to the extent possible, mitigate or minimize the impact of all such business risks. The major categories of risk Centrefund encounters in conducting its business and the manner in which it takes actions to minimize their impact are outlined below.

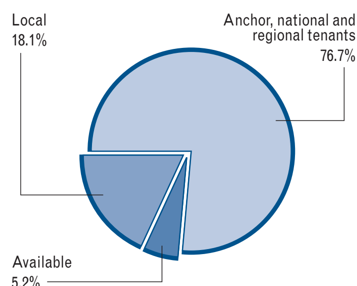
Operating Risk

The most significant operating risk affecting Centrefund's performance is the potential for reductions in revenue resulting from an inability to maintain acceptable levels of occupancy and stable or increasing rental rates. Centrefund focuses on securing retail tenants that provide consumers with basic necessities and amenities as distinct from those that cater to more discretionary fashion demands. This makes the Company's shopping centre portfolio less susceptible to general economic swings, as even during economic downturns, consumers continue to purchase necessities such as groceries and basic clothing. This type of retail property is less vulnerable and more adaptable to changes in retail format.

The financial success of Centrefund's tenants, operating in well-located, properly maintained and successfully merchandised and positioned properties, will minimize the impact of this risk on the Company. Centrefund seeks out tenants which are well capitalized, and which offer the consumer goods and services at fair prices. Centrefund's lease arrangements with many of its tenants provide for income protection and growth through rent escalations and through a participation in the tenants' sales success in the form of percentage rents which are payable in addition to minimum rents. Centrefund's leases also require tenants to be responsible for the payment of realty taxes and the costs of operating and managing the property within which they are located. As such, these leases are considered to be net leases to the Company.

Nature of Tenancies

Centrefund seeks to lease a large portion of the gross leasable area of each of its properties on a long-term basis to successful anchor tenants such as food supermarkets, discount department stores and promotional retailers. These tenants, in addition to creating a stable source of long-term rental income, generate customer traffic for the benefit of smaller retail and service tenants. The nature and relationship of the anchors to small shop tenants and the balance between national and local retailers is a key ingredient in establishing stable, sustainable revenue from each of Centrefund's properties. As the pie chart below illustrates, more than 76% of Centrefund's total gross leasable area is occupied by anchor, national and regional retail tenants.

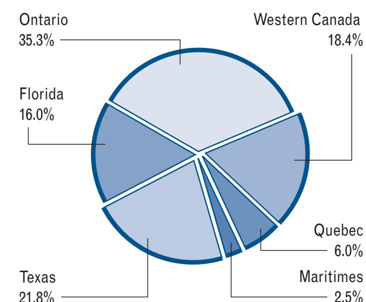


Lease Maturities

Centrefund attempts to stagger lease maturities on a property-by-property basis, which helps to generate a more stable flow of revenue and mitigate risks related to changing market conditions. The Company's leasing philosophy is directed at obtaining long-term tenancies with contractual rent escalations, as well as participation in sales success through leases with percentage rent clauses. The Company has a very stable shopping centre portfolio, with lease expirations in each of the next five years ranging from 4.0% to 8.2% of the total leased area in the Centrefund portfolio.

Geographic Diversification

As the chart below illustrates, the existing Centrefund portfolio is geographically diversified, although major concentrations exist in Ontario, Alberta, Florida and Texas. There is a trade-off



between operational efficiencies and market influence that can be achieved by geographic concentration, and vulnerability to local market influences that can be avoided by geographic diversification. Centrefund will seek to add properties primarily in areas where it currently owns shopping centres to take advantage of local market knowledge, anchor tenant relationships and synergies in both management and leasing. The Company does this while taking into account local market conditions that can affect occupancy rates and rental income levels.

Financial Risk

To limit the Company's exposure to overall reductions in credit availability in poor economic times, the Company attempts to stagger its long-term debt maturities and maintain an adequate level of cash or undrawn credit capacity. Centrefund also attempts to arrange standalone, limited recourse project financing to further mitigate the potential risk of a lack of replacement financing. In addition, the Company limits the amount of floating rate debt it will incur at any one time in order to insulate itself from interest rate volatility.

The Company's U.S. operations are self-sustaining and financed in part by U.S.-dollar-denominated mortgages payable, which are fully serviced by the cash flow generated by the U.S. operations. This reduces the Company's exposure to fluctuations in foreign currency exchange rates. As the U.S. operation is considered self-sustaining, the Company has not traditionally hedged its net U.S. dollar asset position. The book value of U.S. dollar assets, net of U.S.-dollar-denominated debt, is approximately US$100 million. A 1% strengthening of the Canadian dollar against the U.S. dollar would result in a US$1 million decrease in the net book value of the Company's net assets in the United States.

Centrefund limits its exposure to rising interest rates by obtaining long-term fixed-rate financing, when available, and attempting to avoid concentrations of debt maturities. The combination of rising rents and fixed-rate financing can significantly enhance the value of a well-leased shopping centre portfolio.

Acquisition Expansion and Development Risk

The key to the Company's ongoing success will be its ability to create and enhance value through the skill, creativity and energy of its management team. Centrefund will continue to seek out acquisition, expansion and selective development opportunities that offer acceptable risk-adjusted rates of return. The Company's acquisition criteria are stringent and its due diligence procedures are rigorous. Centrefund uses a team of trained professionals, including lawyers, engineers, accountants and architects, to thoroughly analyze each proposed acquisition prior to its completion. No acquisition is completed without a detailed analysis and a personal inspection by the most senior officers of the Company's management team. Centrefund believes that acquisitions should be undertaken only if there is the potential for meaningful long-term growth in operating cash flow. Distressed properties are acquired only if the Company is satisfied that the property can become economically viable in a short, predictable period of time.

Environmental Risk

Shopping centres generally involve less environmental risk than other classes of commercial real estate, as very few tenants manufacture, process or store substances that would be considered environmentally unsafe. The major exceptions to this general rule can be gas stations situated on out-parcels adjacent to shopping centre properties and some dry-cleaning establishments. The primary responsibility for any environmental remediation rests with the party responsible for creating the contamination, although the Company may also be liable. Centrefund maintains a program of periodically reviewing and testing its properties to determine if environmental problems exist and includes, as a standard covenant in its leases, a prohibition against environmentally unsound activities. The Company undertakes a professionally conducted environmental audit before it completes the acquisition of any property in order to help mitigate environmental risk.

ECONOMIC CONDITIONS

The economic conditions in the markets in which the Company operates can have a significant impact on the Company's financial success. Adverse changes in general or local economic conditions can result in some retailers being unable to sustain viable businesses and meet their lease obligations to the Company, and may also limit the Company's ability to attract new or replacement tenants. However, Centrefund's shopping centres are generally less susceptible to economic downturns, as they cater to the basic needs of the retail customer by having food supermarkets, drug stores, financial services, discount department stores and promotional retailers as tenants. In addition, the impact of economic conditions on the overall Centrefund portfolio is mitigated through the long-term nature of its existing leases and through geographic diversification.

EFFECTS OF INFLATION

Inflation has remained relatively low since Centrefund commenced operations in March 1994. As a result, inflation has had a minimal impact on the Company's operating performance to date. Nevertheless, most of Centrefund's long-term leases contain provisions designed to mitigate the adverse impact of inflation. These provisions include a pass-through of operating costs, including realty taxes and most management expenses, which insulates the Company from inflationary price increases. In addition, most leases include clauses that allow the Company to receive percentage rents based on tenants' gross sales, which generally increase as prices rise. Most of the Company's long-term leases include rent escalation clauses, which increase rental rates over the term of the lease at either prenegotiated levels or levels determined by reference to increases in the Consumer Price Index. Many of the Company's non-anchor leases are for terms of five years or less, providing the Company with the opportunity to achieve rent increases on renewal or when rerenting the space.

Cautionary Statement Regarding Forward-looking Statements

This annual report, including Management's Discussion and Analysis contained herein, contains forward-looking statements relating to Centrefund's operations and the environment in which it operates that are based on Centrefund's expectations, estimates, forecasts and projections. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Therefore, actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. Centrefund undertakes no obligations to publicly update any such statements or to reflect new information or the occurrence of new events or circumstances.

MANAGEMENT'S RESPONSIBILITY

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with generally accepted accounting principles appropriate for the real estate industry in Canada.

The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The consolidated financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to March 19, 2001.

Management is also responsible for the maintenance of financial and operating systems, which include effective controls to provide reasonable assurance that the Company's assets are safeguarded and that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities through its Audit Committee, whose members are not involved in the day-to-day activities of the Company. Each quarter the Audit Committee meets with management and, as necessary, with the independent auditors, Deloitte & Touche LLP, to satisfy itself that management's responsibilities are properly discharged and to review and report to the Board on the consolidated financial statements.

In accordance with generally accepted auditing standards, the independent auditors conduct an examination each year in order to express a professional opinion on the consolidated financial statements.

[signed]

Dori J. Segal
President and Chief Executive Officer

[signed]

Frank Bucys, C.A.
Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of Centrefund Realty Corporation:

We have audited the consolidated balance sheets of Centrefund Realty Corporation as at December 31, 2000 and 1999 and the consolidated statements of operations, deficit, funds from operations and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[signed]

Deloitte & Touche LLP
Chartered Accountants
Toronto, Ontario
March 19, 2001

CONSOLIDATED BALANCE SHEETS

December 31 (in thousands of dollars)

	2000	1999
ASSETS		
Shopping centres (note 3)	$ 964,481	$ 939,267
Land and shopping centres under development (note 4)	35,497	25,111
Cash and cash equivalents	33,604	28,469
Amounts receivable (note 5)	49,616	47,396
Other assets (note 6)	37,922	40,280
Future income tax assets (note 17)	16,396	4,520
	$ 1,137,516	$ 1,085,043
LIABILITIES		
Mortgages payable (note 7)	$ 598,318	$ 502,921
Accounts payable and accrued liabilities	47,870	55,955
Convertible debentures payable (note 8)	56,485	66,463
Debentures payable (note 9)	38,166	38,166
	740,839	663,505
SHAREHOLDERS' EQUITY (note 10)	396,677	421,538
	$ 1,137,516	$ 1,085,043

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors:

[signed] [signed]

Chaim Katzman
Director

Dori J. Segal
Director

Years ended December 31 (in thousands of dollars, except per share amounts)

	2000	1999
Gross rental income	$ 147,893	$ 136,827
Property operating costs	54,985	49,571
Rental income	92,908	87,256
Interest and other income	7,436	8,894
	100,344	96,150
Interest expense:		
Mortgages (note 12)	39,931	29,117
Debentures	8,683	10,044
	48,614	39,161
Corporate expenses (note 13)	5,289	7,513
Operating income before amortization, previous management's incentive and other fees and termination of advisory services	46,441	49,476
Amortization	12,339	10,318
Operating income before previous management's incentive and other fees and termination of advisory services	34,102	39,158
Previous management's incentive and other fees (note 16)	50,125	–
Termination of advisory services (note 14(d))	–	26,850
Operating income (loss)	(16,023)	12,308
Income and other taxes (note 17):		
Current	1,845	3,295
Future	(2,697)	(2,220)
	(852)	1,075
Net earnings (loss) for the year	$ (15,171)	$ 11,233
Net loss per common share (note 18)	$ (1.93)	$ (0.17)
Fully diluted net loss per common share (note 18)	$ (1.93)	$ (0.17)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF DEFICIT

Years ended December 31 (in thousands of dollars)

	2000	1999
Deficit, beginning of the year	$ (27,347)	$ (11,917)
Net earnings (loss) for the year	(15,171)	11,233
Interest and accretion on equity component of convertible debentures (net of tax of $9,331; 1999 – $9,122)	(14,221)	(13,717)
Dividends	(14,182)	(12,946)
Deficit, end of the year	$ (70,921)	$ (27,347)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF FUNDS FROM OPERATIONS

Years ended December 31 (in thousands of dollars, except per share amounts)

	2000	1999
Operating income before previous management's incentive and other fees and termination of advisory services	$ 34,102	$ 39,158
Add: Amortization (note 2)	10,888	9,060
Loss on disposition of shopping centres	115	–
Deduct: Current taxes	(1,845)	(3,295)
Funds from operations before previous management's incentive and other fees and termination of advisory services	43,260	44,923
Previous management's incentive and other fees (note 16)	(50,125)	–
Termination of advisory services (note 14(d))	–	(26,850)
Funds from operations	$ (6,865)	$ 18,073
Funds from operations per common share before previous management's incentive and other fees and termination of advisory services (note 18)		
Basic	$ 2.85	$ 3.10
Fully diluted	$ 1.48	$ 1.57
Funds from operations per common share (note 18)		
Basic	$ (0.45)	$ 1.25
Fully diluted	$ (0.45)	$ 0.77

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31 (in thousands of dollars)

	2000	1999
OPERATING ACTIVITIES		
Net earnings (loss) for the year	$ (15,171)	$ 11,233
Items not affecting cash:		
Amortization (note 2)	10,888	9,060
Loss on disposition of shopping centres	115	–
Future income tax recovery	(2,697)	(2,220)
Funds from operations	(6,865)	18,073
Net change in non-cash operating items	(4,270)	21,920
Cash provided by (used in) operating activities	(11,135)	39,993
INVESTING ACTIVITIES		
Acquisition of shopping centres	–	(27,001)
Expansion and redevelopment of shopping centres	(35,657)	(58,789)
Proceeds on disposition of shopping centres	27,092	–
Acquisition and development of land	(22,641)	(7,568)
Advances to development partner	(7,873)	(14,232)
Investment in mortgages, net	4,458	(4,835)
Investment in marketable securities	–	(7,567)
Proceeds on disposition of marketable securities	204	–
Cash used in investing activities	(34,417)	(119,992)
FINANCING ACTIVITIES		
Proceeds of mortgage financings	216,232	154,634
Principal repayments of mortgages payable	(128,786)	(53,446)
Repayment of debentures	–	(10,088)
Repayment of convertible debentures	(6,950)	(6,474)
Issue of common shares	–	13,471
Common shares purchased and cancelled	(2,344)	(6,226)
Dividends	(14,182)	(12,946)
Interest paid on equity component of debentures	(14,250)	(14,250)
Cash provided by financing activities	49,720	64,675
Effect of currency rate movement on cash balances	967	(1,729)
Increase (decrease) in cash and cash equivalents	5,135	(17,053)
Cash and cash equivalents, beginning of the year	28,469	45,522
Cash and cash equivalents, end of the year	$ 33,604	$ 28,469
SUPPLEMENTARY INFORMATION		
Cash income taxes paid	$ 1,932	$ 2,420
Cash interest paid	$ 72,481	$ 65,662

See accompanying notes to the consolidated financial statements

1. Significant Accounting Policies

The Company was incorporated under the laws of Ontario to engage in the business of acquiring, expanding, developing and redeveloping, and owning neighbourhood and community shopping centres.

The Company's financial statements are presented in accordance with Canadian generally accepted accounting principles and are substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC"). The Company's significant accounting policies are as follows:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and the Company's proportionate share of assets, liabilities, revenues and expenses of partnership and limited liability corporate ventures, which are accounted for using the proportionate consolidation method.

(b) Shopping Centres, Shopping Centres Under Redevelopment and Land and Shopping Centres Under Development

Shopping centres are stated at the lower of cost less accumulated amortization and net recoverable amounts. Shopping centres under development and redevelopment and land held for development are stated at the lower of cost and net recoverable amounts. Cost includes all expenditures incurred in connection with the acquisition, development, redevelopment and initial leasing of the properties. These expenditures include acquisition costs, construction costs, initial leasing costs, other direct costs, building improvement costs and carrying costs. Carrying costs (including property taxes and interest on both specific and general debt, net of operating results) are capitalized to the cost of the properties until the accounting completion date (which is based on achieving a satisfactory occupancy level within a predetermined time limit).

Net recoverable amounts represent the estimated future net cash flow expected to be received from the ongoing use and residual worth of the properties. To arrive at this amount, the Company projects the cash flow for each property on an undiscounted basis and reviews the current market value of its land holdings. These projections take into account the specific business plan for each property and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market area.

(c) Gross Rental Income

Gross rental income includes rents earned from tenants under lease agreements, including percentage participation rents, property tax and operating cost recoveries, and incidental income, including lease cancellation payments.

(d) Amortization

The Company follows the sinking-fund method of amortizing its buildings and improvements. Under this method, amortization is charged to income in increasing annual amounts consisting of fixed annual sums, together with interest compounded at the rate of 5% per annum, so as to fully amortize the properties over their estimated useful lives, which vary but do not exceed 40 years.

Leasing fees and tenant inducements incurred on securing leases, other than initial leases, are amortized over the term of such leases on a straight-line basis.

The Company amortizes commitment fees and other costs incurred in connection with debt financing over the term of such financing.

(e) Investment in Marketable Securities

The Company's investment in a public real estate company is stated at cost unless there is a decline in value which is considered to be other than temporary, in which case the investment is written down to estimated realizable value.

(f) Foreign Currency

The Company carries on business in the United States through operationally and financially self-sustaining wholly owned subsidiaries.

Assets and liabilities denominated in United States dollars are translated into Canadian dollars at year-end exchange rates. The resulting net gains or losses are accumulated as a separate component of shareholders' equity. Revenues and expenses denominated in United States dollars are translated at the average exchange rate for the year.

(g) Convertible Debentures

The Company presents its convertible debentures in their debt and equity component parts where applicable, as follows:

(i) The debt component represents the value of the semi-annual interest obligations to be satisfied by cash, discounted at the rate of interest that would have been applicable to a debt-only instrument of comparable term and risk at the date of issue. As a result, a portion of the semi-annual interest payments has been treated as a reduction of the debt component and the remainder as interest expense.

(ii) The equity component of the convertible debentures is presented under "Shareholders' Equity" in the consolidated balance sheets. A value is ascribed to the equity component as a result of the issuer's ability upon maturity to convert the debentures into common shares, and is increased over its term to the full face value of the debentures by an annual charge to retained earnings. In addition, debentures that provide the issuer with the ability to satisfy the interest payments through the issuance of common shares are also included in the equity component of convertible debentures. A value is also ascribed to the conversion right granted to the holder, which remains a fixed amount over the term of the debentures.

(iii) Debenture issue costs are proportionately allocated to their respective debt and equity components. The debt component of the issue costs is classified as deferred financing costs, and is amortized over the term of the debentures. The equity component of the issue costs reduces the carrying value of the equity component of the convertible debentures.

(h) Income Taxes

Income taxes are accounted for using the liability method. Under this method, future income taxes are recognized for the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values.

Future income taxes are computed using substantively enacted corporate income tax rates for the years in which the differences are expected to reverse.

(i) Financial Instruments

The fair value of the Company's financial instruments is estimated based on the amount at which these instruments could be exchanged in a transaction between knowledgeable and willing parties. Fair value is estimated using market values where available or using present value techniques and assumptions concerning the amount and the timing of expected future cash flows and discount rates which reflect the appropriate level of risk of the instrument. The estimated fair values may differ from those which could be realized in an immediate settlement of the instruments. The fair value of cash and short-term deposits approximates their carrying value.

Certain amounts receivable, other assets, accounts payable and accrued liabilities are assumed to have a fair value that approximates their historical cost carrying amount due to their short-term nature.

The fair value of loans receivable, mortgages payable, and debentures payable has been determined by discounting the cash flows of these financial obligations using market rates for debt of similar corresponding terms and risk.

The Company may periodically enter into interest rate swap transactions to fix interest rates on current or future outstanding debt. The initial cost of entering into such transactions is recorded as interest expense over the term of the debt. Any ongoing difference payable or receivable on such transactions is recorded as an adjustment to interest expense.

(j) Use of Estimates

The preparation of the Company's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

(k) Stock-Based Compensation Plan

The Company has a stock-based compensation plan, which is described in note 10. No compensation expense is recognized for the plan when stock options are granted. Any consideration paid on the exercise of stock options is credited to share capital.

(l) Statements of Cash Flows and Funds from Operations

As is common practice within the real estate industry, the Company has included statements of funds from operations in its financial statements. This measurement, which is an important component of cash flow, is considered a meaningful and useful indicator of real estate operating performance. Funds from operations is the equivalent of income before extraordinary items adjusted for future income taxes, amortization of capital items and any gain or loss on sale of, or provision against, capital items.

For the year ended December 31, 2000, funds from operations was impacted by the provision for previous management's incentive and other fees (see note 16). Similarly, for the year ended December 31, 1999, funds from operations was affected by advisory termination fees (see note 14(d)). These provisions, although operating expenses, are not considered by management to be a normal or recurring part of operations. The statements disclose funds from operations, both before and after these provisions.

Cash and cash equivalents in the statements of cash flows consist of cash on hand, balances with banks, and investments in short-term money market instruments.

2. Changes in Accounting Policies

In 2000, the Company adopted two new recommendations of CIPPREC. As a result of the first recommendation, tenant inducements in the form of free rent are accounted for on a straight-line basis over initial lease terms. The effect of adopting this change is a decrease in gross rental income of $0.45 million (1999 – $0.27 million) and a corresponding decrease in both amortization and funds from operations. Under the second recommendation, amortization of deferred financing costs is no longer added back to income in determining funds from operations. The effect of this change is to reduce funds from operations by $1.45 million (1999 – $1.26 million). These recommendations have been applied retroactively with restatement of 1999 amounts.

3. Shopping Centres

Shopping centres, expressed in thousands of dollars, consist of the following:

	2000	1999
Shopping Centres in Operation		
Land	$ 165,915	$ 157,282
Buildings and improvements	791,573	754,001
Deferred leasing costs	21,814	16,697
	979,302	927,980
Accumulated amortization	(33,654)	(24,537)
	945,648	903,443
Shopping Centres under Redevelopment		
Acquisition costs	$ 11,602	$ 27,450
Development costs	3,349	4,723
Interest costs	1,274	1,692
Other net carrying costs	2,608	1,959
	18,833	35,824
Total shopping centres	$ 964,481	$ 939,267
Geographic Segmentation		
Canada	$ 571,366	$ 551,690
United States	393,115	387,577
	$ 964,481	$ 939,267

During 1999, the Company acquired shopping centres at a cost of $41.6 million and assumed mortgages payable in the amount of $14.6 million in connection with these acquisitions.

4. Land and Shopping Centres under Development

Land and shopping centres under development, expressed in thousands of dollars, consist of the following:

	2000	1999
Acquisition costs	$ 22,718	$ 14,632
Development costs	8,431	8,006
Interest costs	4,348	2,473
	$ 35,497	$ 25,111
Geographic Segmentation		
Canada	$ 13,838	$ 11,724
United States	21,659	13,387
	$ 35,497	$ 25,111

5. Amounts Receivable

Amounts receivable, expressed in thousands of dollars, consist of the following:

		2000		1999
Amounts receivable	$	9,128	$	10,323
Cash flow loans and mortgages receivable (a)		6,103		6,358
Loan receivable from a municipality (b)		1,291		1,316
Loans receivable from development partner (c)		32,437		24,564
Mortgage receivable (d)		657		4,835
	$	49,616	$	47,396

(a) In connection with the 1997 acquisition of a portfolio of shopping centres, the Company acquired a 50% interest in various cash flow loans and mortgages receivable. The loans and mortgages receivable bear interest at varying rates generally ranging from 8.5% to 10% per annum and are generally due on demand.

(b) The loan receivable from a municipality bears interest at the rate of 8% per annum, calculated and compounded quarterly, and is repayable quarterly over a 25-year period, maturing in December 2021.

(c) Pursuant to a memorandum of agreement dated September 15, 1997, the Company has advanced amounts to fund development activities in partnerships with North American Realty Group and affiliates (see note 20). The loans bear interest at rates varying from the Company's cost of funds to 10% and are repayable from the development partner's share of proceeds generated from refinancings or sales. The Company has taken assignments of the development partner's debt and equity interests in the development partnership as security for the loans receivable.

(d) The mortgage receivable is non-interest bearing and matures in January 2002.

The fair values of the loans and mortgages receivable at December 31, 2000 and 1999 approximate their carrying values.

The Company is exposed to credit risk to the extent that debtors fail to meet their obligations. This risk is alleviated by minimizing the amount of exposure the Company has to any one tenant, ensuring a diversified tenant mix, acquiring properties in superior geographic locations, and by the hypothecated properties.

6. Other Assets

Other assets, expressed in thousands of dollars, consist of the following:

		2000		1999
Deferred financing and issue costs	$	7,395	$	5,666
Deferred interest rate hedge costs		6,664		7,897
Investment in Revenue Properties Company Limited		15,809		16,045
Prepaid expenses and other assets		8,054		10,672
	$	37,922	$	40,280

Based on its publicly listed trading price, as at December 31, 2000 the market value of the Company's investment in the common shares of Revenue Properties Company Limited was $15.6 million (1999 – $13.6 million). Subsequent to year end, the Company sold 69.5% of the shares for cash proceeds of $12.1 million.

7. Mortgages Payable

Mortgages payable, secured by shopping centres, presented by geographic segment and expressed in thousands of dollars, consist of the following:

	2000			1999
	Canada	U.S.	Total	Total
Fixed rate	$ 282,964	$ 217,523	$ 500,487	$ 383,554
Floating rate	55,504	42,327	97,831	119,367
	$ 338,468	$ 259,850	$ 598,318	$ 502,921

Canada:

Fixed rate financing bears interest at an average fixed rate of 7.8% (1999 – 7.5%) and matures in years ranging from 2001 to 2019. Floating rate financing bears interest at floating rates determined by reference to Canadian prime lending and bankers' acceptance rates and matures in 2001 and 2002.

United States:

Fixed rate financing bears interest at an average fixed rate of 8.1% (1999 – 7.3%) and matures in years ranging from 2001 to 2013. Floating rate financing bears interest at a floating rate determined by reference to the U.S. prime lending rate and to the London Inter-Bank Offering Rate and matures in years ranging from 2002 to 2004.

As at December 31, principal repayments of mortgages payable, expressed in thousands of dollars, are due as follows:

	2000		
	Canada	U.S.	Total
2001	$ 74,034	$ 2,101	$ 76,135
2002	42,830	14,017	56,847
2003	13,139	33,042	46,181
2004	9,584	42,703	52,287
2005	6,867	52,444	59,311
Thereafter	192,014	115,543	307,557
	$ 338,468	$ 259,850	$ 598,318

The fair values of mortgages payable at December 31, 2000 approximate their carrying values (1999 – $492 million).

The Company is exposed to financial risks arising from fluctuations in interest rates that could cause a variation in earnings. The Company periodically enters into interest rate swap transactions to fix interest rates on current or future outstanding debt.

As part of its risk management program, the Company endeavours to maintain an appropriate mix of fixed rate and floating rate debt and strives to match the nature and timing of lease inflows to financing thereon.

8. Convertible Debentures

As at December 31, 2000, the Company has outstanding four series of convertible debentures. All of the debentures are unsecured subordinated debentures, require interest payable semi-annually and are convertible into common stock of the Company at the holders' option until the day prior to the redemption date. In addition, the Company has the right to settle its obligations to repay principal upon redemption or maturity by issuing common stock. If the Company chooses to issue common stock, it is to be valued at 95% of the weighted average trading price for the 20 consecutive trading days ending five days prior to the redemption or maturity date, as may be applicable. In the case of the 7.0% and the 7.25% series, the Company also has the option, subject to regulatory approval, of settling interest due from time to time by way of the issue of common shares valued in the same fashion as with respect to the repayment of principal on those debentures.

The other terms of the convertible debentures are summarized as follows:

Series	Conversion Price	Maturity	Earliest Redemption Date
8.5% convertible debentures	$15.50 per common share	November 30, 2006	November 30, 2002
7.875% convertible debentures	$17.00 per common share	January 31, 2007	January 31, 2003
7.0% convertible debentures	$23.50 per common share	February 28, 2008	February 28, 2004
7.25% convertible debentures	$25.25 per common share	June 30, 2008	June 30, 2004

The components of the convertible debentures, expressed in thousands of dollars, are classified as follows:

	2000			1999	
Series	Principal	Liability	Equity	Liability	Equity
8.5% convertible debentures	$ 57,441	$ 21,391	$ 36,694	$ 24,056	$ 33,735
7.875% convertible debentures	97,522	35,094	63,835	39,337	58,948
7.0% convertible debentures	100,000	–	99,823	–	99,163
7.25% convertible debentures	100,000	–	99,547	–	98,917
7.5% convertible debentures	–	–	–	3,070	3,356
	$ 354,963	$ 56,485	$ 299,899	$ 66,463	$ 294,119

All the outstanding 7.5% convertible debentures were converted during 2000 to common shares at $11.00 per common share.

Based on its publicly listed trading price, as at December 31, 2000, the market value of the principal amount of the convertible debentures was $257.6 million (1999 – $292.7 million).

9. Debentures Payable

The Company's 7.5% debentures, totalling $38.166 million, mature on December 1, 2003 and bear interest at a rate of 7.5% per annum, payable semi-annually. These debentures are subordinated direct obligations of the Company, secured by a floating charge on real and immoveable property comprising four of the Company's shopping centres.

Based on its publicly listed trading price, as at December 31, 2000, the market value of the 7.5% debentures was $32.2 million (1999 – $33.6 million).

10. Shareholders' Equity

Shareholders' equity, expressed in thousands of dollars, consists of the following:

	2000	1999
Equity component of convertible debentures (note 8)	$ 299,899	$ 294,119
Share capital	154,498	150,293
Advisory warrants (note 14(d)(i))	2,000	2,000
Cumulative currency translation adjustment (note 11)	11,201	2,473
Deficit	(70,921)	(27,347)
	$ 396,677	$ 421,538

The Company has an unlimited number of authorized preference shares and common shares. The preference shares may be issued from time to time in one or more series, each series comprising the number of shares, designations, rights, privileges, restrictions and conditions which the Board of Directors determines by resolution; preference shares are non-voting and rank in priority to the common shares with respect to dividends and distributions upon dissolution. The common shares carry one vote each and participate equally in the earnings of the Company and the net assets of the Company upon dissolution. Dividends are payable on the common shares as and when declared by the Board of Directors.

The following table sets forth the particulars of the issued and outstanding shares of the Company:

	No. of Common Shares	Stated Capital (thousands of dollars)
Issued and outstanding at December 31, 1998	14,307,706	$ 141,581
Issued in connection with exercise of warrants and convertible debenture conversions	943,525	11,284
Issued in connection with the Dividend and Interest Reinvestment Plan	275,774	3,654
Common shares purchased and cancelled	(456,682)	(6,226)
Issued and outstanding at December 31, 1999	15,070,323	150,293
Issued in connection with convertible debenture conversions	573,263	6,549
Common shares purchased and cancelled	(266,600)	(2,344)
Issued and outstanding at December 31, 2000	15,376,986	$ 154,498

During fiscal 2000, the Company purchased 266,600 shares (1999 – 456,682 shares) under its normal course issuer bid. In October 2000, the Company filed and was granted a Notice of Intention to renew its normal course issuer bid with The Toronto Stock Exchange. This program allows the Company to purchase up to 768,849 of its common shares over the next year.

In connection with the acquisition of Centrefund America Holding Corp. on December 31, 1994, the Company issued 1,149,000 warrants for the acquisition of 1,149,000 common shares at an exercise price of US$8.12 per share exercisable on or before December 31, 1999. During 1999, the balance of the outstanding warrants were exercised and as a result, at December 31, 2000 and December 31, 1999 no warrants remained issued and outstanding.

In October 1998, the Company received securities commission approval to issue 1,250,000 stock options to its directors, officers and the management personnel of both the Advisor and Property Manager (see note 15). As at December 31, 2000, the Company had 487,500 outstanding stock options (1999 – 837,500) at an exercise price of $14.30 which vest 20% annually and expire in October 2008. As at December 31, 2000, no stock options had yet been exercised. During 2000, 350,000 stock options were cancelled (1999 – 7,500).

11. Foreign Currency

The Company maintains its accounts in Canadian dollars. However, a portion of its operations are located in the United States and therefore the Company is subject to foreign currency fluctuations which may, from time to time, impact its financial position and results. The Company's U.S. shopping centre portfolio is self-sustaining and financed in part by U.S.-dollar-denominated mortgages payable, which are fully serviced by the cash flow generated by the Company's U.S. operations. This reduces the Company's exposure to fluctuations in foreign currency exchange rates. The Company has not hedged its U.S. dollar currency risk. As a result, a strengthening of the Canadian dollar would result in a reduction in the carrying value of the Company's net assets in the United States.

The cumulative currency translation adjustment represents the cumulative unrecognized exchange adjustment on the net assets of the Company's subsidiaries that operate in the United States. The change for the year reflects the impact of U.S. currency movements at December 31, 2000 relative to the exchange rate in effect as at December 31, 1999 on these net assets.

The rate of exchange in effect on December 31, 2000 was US$1.00 = Cdn$1.50 (1999 – Cdn$1.44). The average rate of exchange during 2000 was US$1.00 = Cdn$1.48 (1999 – Cdn$1.48).

12. Interest Expense on Mortgages

Interest expense incurred on mortgages, expressed in thousands of dollars, consists of the following:

	2000	1999
Total interest cost	$ 43,052	$ 34,910
Less interest capitalized:		
Shopping centres under redevelopment	(1,791)	(3,763)
Land and shopping centres under development	(1,330)	(2,030)
	$ 39,931	$ 29,117

13. Corporate Expenses

Corporate expenses, expressed in thousands of dollars, consist of the following:

	2000	1999
Advisory fees (see note 14(a))	$ –	$ 5,333
Annual base incentive fees (see note 14(d)(ii))	1,181	–
Capital taxes	949	842
General and administrative	3,159	1,338
	$ 5,289	$ 7,513

14. Related Party Transactions – Advisor's Fees

Dawsco Realty Advisory Corp. (the "Advisor"), a private Ontario corporation controlled by two of the Company's former directors, one of whom was the Chairman, President and Chief Executive Officer of the Company until August 18, 2000, was responsible for managing and administering all the affairs of the Company, pursuant to an Advisory Agreement made February 15, 1994 (the "Advisory Agreement") and subsequently revised effective January 1, 2000.

The fees paid, advanced or accrued to the Advisor, expressed in thousands of dollars, are summarized as follows:

	2000	1999
Advisory fees (a)	$ –	$ 6,263
Acquisition and disposition fees (b)	–	900
Annual incentive fees (c)	1,519	2,654
Advisory termination fees (d)	–	25,000
Fair value incentive amount and other fees (note 16)	37,386	–
Annual base incentive fees (d) (ii)	1,181	–
	$ 40,086	$ 34,817

(a) Advisory Fees

Until December 31, 1999 (see note 14(d)), the Advisor was paid an annual advisory fee equal to 0.65% of the total cost of the first $150 million of the Company's assets and 0.6% of the total cost of the Company's assets in excess of $150 million.

During 1999, $0.93 million in advisory fees were capitalized to shopping centres under redevelopment and land and shopping centres under development.

(b) Acquisition and Disposition Fees

Until December 31, 1999 (see note 14(d)), the Advisor was also paid an acquisition fee of 1.5% of the total acquisition price upon the purchase of any property by the Company and a disposition fee of 0.5% of the aggregate sale price of any property sold by the Company.

(c) Annual Incentive Fees

Until August 17, 2000 (see note 16), the Advisor was entitled to earn an annual incentive fee equal to 20% of the amount by which the aggregate net property cash flow and the aggregate net sale proceeds generated by the Company's shopping centre portfolio, and other related assets, exceed 10% of the aggregate equity invested in such portfolio and other assets.

(d) Advisory Termination Fees

In November 1999, the Board of Directors of the Company approved a transaction to terminate the advisory fee and acquisition and disposition fee components and revise the incentive fee provisions of the Advisory Agreement. Pursuant to the transaction, the amended Advisory Agreement could be terminated by the Company at the expiration of the current term on March 29, 2004, subject to obtaining shareholder approval, or upon the expiration of any subsequent term. In addition, the Advisor agreed to continue to provide the strategic services of the Company's Chairman, President and Chief Executive Officer. The transaction, which took effect on January 1, 2000, was formally approved by the shareholders on January 18, 2000.

If the amended Advisory Agreement was terminated March 29, 2004, then:

- Effective January 1, 2000 and for the balance of the term, the annual incentive fees (see note 14(c)) would be calculated solely with reference to the shopping centre portfolio and related assets owned by the Company as at September 30, 1999;
- The Fair Value Incentive Amount (see note 16), payable upon termination of the amended Advisory Agreement, would be calculated solely with reference to the shopping centre portfolio and related assets owned by the Company as at September 30, 1999;
- The Company would have the option to satisfy the Fair Value Incentive Amount through a combination of cash and common shares provided that the cash portion of such combined payment represented at least 50% thereof, the common shares forming part of such combined payment were issued on a tax-deferred basis to the Advisor and certain other conditions were met; and
- The Property Management Agreement would be terminated effective March 29, 2004 (see note 15).

As consideration for the amendments to the Advisory Agreement and in consideration for the Advisor continuing to provide the strategic services of the Company's Chairman, President and Chief Executive Officer, the Advisor was to receive the following:

(i) An advisory termination fee of $25 million plus interest to the payment date in the amount of $0.74 million, and in this regard, the Advisor agreed to use $2 million of the termination payment to purchase advisory warrants having a 10-year term which entitled the holder to purchase 1,000,000 common shares at an exercise price of $14 per share;

(ii) An annual base incentive fee of $2 million (increased by 10% calculated and compounded annually commencing January 1, 2001 to the end of the term of the amended Advisory Agreement). An amount of $1.18 million was paid under this agreement in 2000. On the change of control (see note 16), under the terms of the amended Advisory Agreement, the total amount payable to the end of the contract term was accelerated and resulted in a further $8.84 million payment;

(iii) A stock appreciation package, which effectively represented at the time of issue the right to warrants exercisable at $14.00 per share until January 1, 2010 to purchase 3.6 million shares of the Company. On the change of control (see note 16), under the terms of the amended Advisory Agreement, this package became payable in cash as fair value and annual incentive amendment fees totalling $7.2 million.

Pursuant to a fee sharing agreement, the Property Manager received a portion of all of the consideration received by the Advisor, except for the annual base incentive fee.

A provision for the advisory termination transaction was recorded in the financial statements at December 31, 1999 totalling $26.85 million. The provision included $25 million for the payment in respect of the termination of the advisory fee and acquisition and disposition fee components of the Advisory Agreement. It also included a provision for third-party professional and consulting costs of $1.85 million in connection with the negotiation and preparation of the documents implementing the amendments to the Advisory Agreement described above. The Advisory Agreement was terminated on August 18, 2000 in accordance with its terms (see note 16).

15. Property Management and Asset Management Fees

Centrecorp Management Services Limited (the "Property Manager"), a private Ontario corporation controlled by two of the Company's former directors, acts as the Company's property manager pursuant to a Property Management Agreement made February 15, 1994. The Property Management Agreement expires March 29, 2004. The Property Manager has also been retained by Centrefund Development Group to act as the Partnership's property manager, investment advisor and consultant with respect to the acquisition, development and retention of property, pursuant to an agreement effective January 1, 2000. The Property Manager is responsible for all property management functions, including property administration, maintenance and leasing.

The fees earned by the Property Manager, expressed in thousands of dollars, are summarized as follows:

	2000	1999
Property and asset management fees	$ 5,153	$ 4,626
Construction supervision fees	990	1,385
Leasing fees	3,152	3,123
Overhead cost reimbursements	899	561
	$ 10,194	$ 9,695

The Property Manager also received a portion of the acquisition and disposition fees and annual incentive fees paid to the Advisor.

For the year ended December 31, 2000, the Company's share of development overhead cost reimbursements paid to the Property Manager totalled $2.0 million (1999 – $2.3 million).

Under the terms of an asset management agreement effective August 15, 2000, Equity One Realty & Management Inc. ("Equity One"), a wholly owned subsidiary of Equity One, Inc., a publicly traded company controlled by the Company's controlling shareholder, was retained by the Company as an asset manager of the Company's United States portfolio until November 30, 2000 and thereafter for the Texas portfolio. The agreement is cancellable on 30 days notice. Equity One earned an amount of $0.52 million in 2000 under the terms of the agreement.

Under the terms of a property management agreement effective December 1, 2000, Equity One was retained as property manager of the majority of the Company's Florida property portfolio. The agreement is cancellable on 120 days notice. Equity One earned an amount of $0.08 million in 2000 under the terms of the agreement.

16. Previous Management's Incentive and Other Fees

On August 18, 2000, the Gazit Group purchased a controlling interest in the Company, pursuant to the terms of a takeover bid (the "Offer"). Prior to this change in control, the former management had a number of incentives in place pursuant to advisory and certain other agreements as outlined in note 14.

On the acquisition of control, in accordance with the terms of the amended Advisory Agreement, all of the incentive fees became payable in cash and the Advisory Agreement was terminated. On termination of the Advisory Agreement, in accordance with its terms, the Advisor became entitled to receive a fair value incentive amount equal to 20% of the excess of the fair market value of the Company's shopping centre portfolio and other related assets over the aggregate of: (i) the recorded cost of such portfolio and assets, determined at the termination date, and (ii) the aggregate amount required to have provided the Company, since March 29, 1994, with a 10% compound, cumulative annual return on the average aggregate equity allocable to such portfolio and assets, net of annual incentive fees paid to the Advisor and after taking into consideration aggregate net property cash flow and aggregate net sale proceeds received with respect to such portfolio and assets.

Former management of the Company, which included the Company's former Chairman, President and Chief Executive Officer and who also controlled the Advisor, calculated and accrued the fair value incentive amount to be $21.35 million. This amount was recorded after an offer by the Gazit Group to acquire a controlling interest in the Company in June 2000. At December 31, 2000, $9.2 million of the fair value incentive amount had been advanced. The unpaid amount, if any, is secured by a fixed and floating charge over two of the Company's shopping centres. The fair value incentive amount, as calculated by the Advisor, was based on the Advisor's estimate of the fair market value of the Company's shopping centre portfolio.

Current management of the Company is disputing the calculation of the fair value incentive amount, including amounts that have been advanced. When the dispute is resolved, the fair value incentive amount could be significantly different from the amount recorded.

The previous management's incentive fees and certain other costs, primarily associated with the Company's consideration of the Offer, and the cost of cancelling the property management contract as it pertains to the Florida property portfolio, in accordance with a settlement agreement dated August 15, 2000, are summarized as follows, expressed in thousands of dollars:

Fair value incentive amount, as calculated and accrued by previous management and currently under dispute	$	21,350
Acceleration of annual base incentive fee (note 14(d)(ii))		8,836
Fair value and annual incentive amendment fees (note 14(d)(iii))		7,200
		37,386
Termination of employment contracts and other costs		4,351
Property management cancellation fees		1,850
Investment banking fees		4,439
Legal and other professional fees		2,099
	$	50,125

17. Income Taxes

The Company's activities are carried out directly and through operating subsidiaries and partnership ventures in Canada and the United States. The income tax effect on operations depends on the tax legislation in each country and the operating results of each subsidiary and partnership venture and the parent Company.

The provision for income and other taxes, expressed in thousands of dollars, is calculated as follows:

	2000	1999
Provision for (recovery of) income taxes on income at the combined Canadian federal and provincial income tax rates	$ (6,909)	$ 5,490
Increase (decrease) in the provision for income taxes due to the following items:		
Reduction in future income tax rates	2,584	–
Impairment of tax losses	2,064	–
Large Corporations Tax	1,350	1,170
United States operations	(1,804)	(6,370)
United States withholding taxes	495	475
Other	1,368	310
	$ (852)	$ 1,075

The Company's future income tax assets and liabilities, expressed in thousands of dollars, are as follows:

	2000	1999
Future income tax assets:		
Losses available for carry-forward	$ 19,379	$ 23,551
Other assets	14,787	12,748
Canadian and U.S. minimum tax credits	2,129	1,573
Other	256	463
	36,551	38,335
Future income tax liabilities:		
Shopping centres	20,155	33,696
Other	–	119
	20,155	33,815
Future income tax assets, net	$ 16,396	$ 4,520

At December 31, 2000, the Company has tax-loss carry-forwards for Canadian income tax purposes of approximately $44.3 million, which have been recognized as future income tax assets and are available to reduce future Canadian taxable income. These tax-loss carry-forwards expire at various dates between December 31, 2003 and December 31, 2007.

The Company has tax-loss carry-forwards for United States income tax purposes of approximately $6.5 million (US$4.4 million), which have been recognized as future income tax assets and are available to reduce future taxable income. These tax-loss carry-forwards expire on December 31, 2020.

18. Per Share Calculations

Basic per share information is calculated based on a weighted average of 15,200,291 common shares outstanding during the year (1999 – 14,469,728 common shares).

The determination of basic earnings per share reflects a reduction of $14.2 million (1999 – $13.7 million) to reported net earnings, which represents interest and accretion on the equity component of convertible debentures, net of tax.

Fully diluted per share information is calculated based on a weighted average of 34,345,965 common shares (1999 – 33,541,412 common shares), which reflects the conversion of the convertible debentures and the exercise of the outstanding warrants and issued options.

19. Segmented Information

The Company and its subsidiaries operate in the retail-related real estate industry in both Canada and the United States.

Operating income before previous management's incentive and other fees by geographic segment for the year ended December 31, 2000, expressed in thousands of dollars, is summarized as follows:

	Canada	U.S.	Total
Gross rental income	$ 87,608	$ 60,285	$ 147,893
Property operating costs	35,533	19,452	54,985
Rental income	52,075	40,833	92,908
Interest and other income	4,766	2,670	7,436
	56,841	43,503	100,344
Interest expense:			
Mortgages	22,301	17,630	39,931
Debentures	8,683	–	8,683
	30,984	17,630	48,614
Corporate expenses	3,812	1,477	5,289
Operating income before amortization and previous management's incentive and other fees	22,045	24,396	46,441
Amortization	6,468	5,871	12,339
Operating income before previous management's incentive and other fees	$ 15,577	$ 18,525	$ 34,102

Operating income before termination of advisory services by geographic segment for the year ended December 31, 1999, expressed in thousands of dollars, is summarized as follows:

	Canada	U.S.	Total
Gross rental income	$ 78,196	$ 58,631	$ 136,827
Property operating costs	30,295	19,276	49,571
Rental income	47,901	39,355	87,256
Interest and other income	5,607	3,287	8,894
	53,508	42,642	96,150
Interest expense:			
Mortgages	14,929	14,188	29,117
Debentures	9,476	568	10,044
	24,405	14,756	39,161
Corporate expenses	4,253	3,260	7,513
Operating income before amortization and termination of advisory services	24,850	24,626	49,476
Amortization	5,573	4,745	10,318
Operating income before termination of advisory services	$ 19,277	$ 19,881	$ 39,158

20. Partnership Ventures

The Company participates in partnership ventures that own land, shopping centres, and shopping centres under development.

The Company's largest partnership venture is a 50.1% interest in a partnership with North American Realty Group and affiliates ("NARG"), to engage in the development of neighbourhood and community-sized shopping centres in Canada and the United States. NARG is an Ontario partnership controlled by North American Development Corporation, a private corporation related to the Company's Property Manager and to two of the Company's former directors.

In accordance with the terms of the partnership agreement, as a result of the change of control, the partnership is to be wound up on an orderly basis. The partners will be entitled to purchase, on an alternating basis, the properties from the partnership at fair market value. Any properties not purchased by the partners will be sold on an orderly basis.

The Company has advanced $32.4 million in loans to its development partner, NARG, to partially finance its investment in the development partnership. The loans bear interest at rates varying from the Company's cost of funds to 10%. For the year ended December 31, 2000, the Company earned interest of $3.1 million (1999 – $1.8 million) from loans to the development partner which will be repaid from cash flows generated from the development properties and from the development partner's share of proceeds generated from refinancings or sales.

The following amounts, expressed in thousands of dollars, are included in the consolidated financial statements and represent the Company's proportionate interest in the financial accounts of the partnership ventures:

		2000		1999
Assets	$	**76,691**	$	48,193
Liabilities	$	**56,030**	$	34,053
Revenues	$	**5,319**	$	1,872
Expenses	$	**6,721**	$	1,663
Cash flow provided by (used in):				
Operating activities	$	**1,524**	$	115
Financing activities	$	**25,065**	$	25,365
Investing activities	$	**(26,880)**	$	(25,457)

The Company is contingently liable for certain of the obligations of the partnership ventures and all of the assets of the partnership ventures are available for the purpose of satisfying such obligations and guarantees (see note 21(a)).

21. Contingencies

(a) The Company has provided guarantees for approximately $60.1 million (1999 – $33.7 million) to various lenders in connection with loans advanced to Centrefund Development Group.

(b) The Company is also contingently liable for letters of credit in the amount of $11.9 million (1999 – $9.2 million) issued in the ordinary course of business.

22. Comparative Amounts

Certain comparative amounts have been reclassified to reflect the current year's presentation.

DIRECTORS

Chaim Katzman
Chairman
Centrefund Realty Corporation

Dori Segal
Vice-Chairman and President
Centrefund Realty Corporation

Gary M. Samuel[1]
Former Vice-Chairman and
Chief Executive Officer
Royop Properties Corporation

Steven K. Ranson[1]
President
Canadian Home Income Plan
Corporation

John Harris
Real Estate Investor

Nathan Hetz[1]
Chief Executive Officer
Alony Hetz Properties and
Investments Ltd.

Moshe Ronen
Partner
Ronen, Zimmerman

Richard J. Steinberg
Partner
Fasken Martineau DuMoulin LLP

OFFICERS

Dori Segal
President and Chief Executive Officer

Sylvie Lachance
Executive Vice-President
Eastern Canada

Frank Bucys
Chief Financial Officer

Richard J. Steinberg
Secretary

LEGAL COUNSEL

Torys
Toronto, Ontario

Goodmans LLP
Toronto, Ontario

AUDITORS

Deloitte & Touche LLP
Toronto, Ontario

(1) Member of Audit Committee

Head Office
161 Bay Street, Suite 2820
Toronto, Ontario M5J 2S1
Tel: 416.504.4114
Fax: 416.941.1655

Toronto Stock Exchange Listings
Common shares: CFE
7.5% debentures: CFE.DB
8.5% convertible debentures: CFE.DB.A
7.875% convertible debentures: CFE.DB.B
7% convertible debentures: CFE.DB.C
7.25% convertible debentures: CFE.DB.D

Transfer Agent
Computershare Trust Company of Canada
100 University Avenue, 11th Floor
Toronto, Ontario M5J 2Y1
Tel: 416.981.9633
(Toll Free) 1.800.663.9097

Printing: Glenview Graphics
Film: Moveable Type Inc.
Lexington

CENTREFUND REALTY CORPORATION

Head Office
BCE Place, Canada Trust Tower
161 Bay Street, Suite 2820
Toronto, Ontario M5J 2S1
Tel: 416.504.4114
Fax: 416.941.1655

Montreal Office
2620 De Salaberry Suite 201
Montreal, Québec H3M 1L3
Tel: 514.332.0031
Fax: 514.332.5135

Miami Office
1696 N.E. Miami Gardens Drive
North Miami Beach, FL 33179
Tel: 305.947.1664
Fax: 305.947.1734

www.centrefund.com

CENTREFUND REALTY CORPORATION
BCE PLACE, CANADA TRUST TOWER
161 BAY STREET, SUITE 2820
TORONTO, ONTARIO M5J 2S1

WWW.CENTREFUND.COM