



PLAZACORP RETAIL
PROPERTIES LTD.

PLAZACORP RETAIL PROPERTIES LTD.

ANNUAL REPORT

For the fiscal year ended

October 31, 2002

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PRESIDENT'S MESSAGE

Fellow Shareholders:

I am pleased to report our results for the financial year ended October 31, 2002. In last year's message, our Chairman, Earl Brewer outlined the aggressive growth and redevelopment activity that Plazacorp undertook in 2001. As our portfolio of properties continued to expand, it became clear to us that 2002 was a good time to evaluate which type of public corporate structure was the most advantageous for maximizing long-term shareholder value. Following this review, we concluded that our shareholders would be better served by reorganizing ourselves into a mutual fund corporation. Our approach to growing and managing our business is unchanged, however, a mutual fund corporation structure provides the additional strategic option of considering other corporation and trust structures that optimize our position in the capital markets. We are pleased to report that on December 10, 2002 we obtained shareholders approval to complete the conversion to a mutual fund corporation, and this conversion was finalized on December 11, 2002 with the filing of our articles of amendment.

Plazacorp is well positioned strategically. We are experienced in property acquisition and development. Our tenants include local, regional and national businesses. We have access to capital with strong relationships with lenders, financial partners and investors. These strengths, which have fueled our growth in the past, have become a true competitive advantage for Plazacorp in Quebec and Atlantic Canada. We are extremely confident that these resources provide an excellent foundation from which we can emerge as a dominant participant in our selected geographic markets.

In 2002 we continued our growth through the acquisition of interests in four new properties, Terrace Dufferin in Valleyfield Quebec, Tacoma Centre in Dartmouth Nova Scotia, SCA Plaza in Saint John, New Brunswick and Les Promenades du Cuivre in Rouyn Noranda, Quebec. At year end Plazacorp had an interest in 27 properties comprising 2.3 million square feet of retail real estate. Over the course of the fiscal year, the book value of our assets rose from \$98.1 million to \$105.3 million, our revenue grew by 19% from \$16.3 million to \$19.4 million and funds from operations, after adjusting for non-operating items that are not expected to occur on a regular basis, increased 17.17% from \$2.97 million to \$3.48 million.

During the past year the market price of Plazacorp shares did not reflect the value being created for our shareholders. As a result we commenced a normal course issuer bid in November 2001 to take advantage of this pricing discrepancy. The bid expired on November 15, 2002 and as of that date we had purchased 257,000 shares at an average purchase price of \$0.77 including commissions. These shares have now been cancelled with the increase in value being spread over the remaining shareholders. To date a new issuer bid has not been initiated.

Fund raising continued to be a key activity for Plazacorp's management.

Early in the year, we completed an offering of 11%, 3 year term debentures raising \$5.0 million. The debenture proceeds were used to finance capital and tenant improvements for a variety of projects.

In August of 2002 and again shortly after year end in December 2002, we organized two syndications which raised a total of \$3.51 million in two separate joint venture deals. The first joint venture arrangement is for Tacoma Centre Limited Partnership, a partnership that owns and is redeveloping the Tacoma Centre located in Dartmouth, Nova Scotia. The second joint venture arrangement is Plaza LPC Commercial Trust, a trust that owns and is redeveloping the shopping centre Les Promenades du Cuivre located in Rouyn Noranda, Quebec. Plazacorp originally purchased a 100% ownership interest in each of the properties. On completion of the two syndications, Plazacorp retained a 10% ownership interest and funds were raised to finance 90% of the equity requirement. In addition to receiving 10% of the cash flow generated by the property, Plazacorp retained the right to 50% of the cash flow in excess of the preferred return provided to investors. We also reserved the right to obtain 100% ownership in the property at a later date based on specific put and call agreements with our financial partners. This method of raising capital is becoming increasingly important in how we finance real estate acquisitions and we anticipate completing more syndicated joint venture arrangements in the future. These structures benefit Plazacorp by allowing us to mitigate the redevelopment risk while at the same time providing excellent returns on our cash equity.

On September 17, 2002, Plazacorp Board of Directors approved the initiation of a dividend policy to pay \$0.08 per common share in quarterly payments of \$0.02 per common share. It is the opinion of the management and the Board that the stability of our portfolio is more than sufficient to support the payment of a regular dividend. By introducing a dividend, we have strengthened the overall value of our stock in the market and increased its value as currency that can be used in an exchange for property. We anticipate that many more acquisition opportunities will become available to us as a result of paying a dividend.

Shortly after year end, we established a dividend reinvestment plan, whereby investors in the plan may reinvest dividends that they receive in additional Plazacorp common shares. These plans have proven to be very popular with investors and represent an excellent source of new capital for expanding our business.

In 2003, we will continue to grow the Company through strategic acquisitions and property development. By effectively deploying the proceeds from our dividend reinvestment plan, through the issuance of common shares as consideration and by continuing joint venture financing arrangements we are confident that we will be able to take full advantage of the opportunities that exist in our market. The overall objective remains the same. To improve the value of the Company's portfolio, increase the funds from operations per share, continue to pay down our long-term debt and to pass on our success to our shareholders.

I would like to express my sincere appreciation to our Board of Directors for their continued guidance and support and to Plazacorp staff and the staff of our property manager, Plaza Atlantic Ltd., for their exceptional dedication and commitment. As we commence our fourth full year as a publicly traded company, we are strongly positioned to generate value for you, our dedicated shareholders.

Yours sincerely,

Signed "Richard Hamm"

Richard Hamm
President and CEO

January 24, 2003

PLAZACORP PROPERTY PORTFOLIO

Property		Ownership Interest (October 31, 2002)	Total Property Area including non-owned Anchors (ft ²)	Total Leasable Area (ft ²)
QUEBEC				
Dollard-des-Ormeaux	Centennial Plaza & Place du Marché	10%	188,968	188,968
Granby	Bureau en Gros	50%	25,695	25,695
Laval	Les Promenades St- François	100%	73,368	73,368
Montmagny	Les Galeries Montmagny	50%	137,631	137,631
Rimouski	Bureau en Gros	50%	25,771	25,771
Rivière-du-Loup	Plaza Thériault	100%	24,441	24,441
Rivière-du-Loup	Plaza Hôtel de Ville	100%	20,252	20,252
Rouyn- Noranda	Les Promenades du Cuivre	100%	201,561	131,178
Shawinigan	Plaza Super C	100%	130,181	130,181
Valleyfield	Terrace Dufferin	50%	17,587	17,587
NEW BRUNSWICK				
Fredericton	FHS Plaza	100%	24,366	24,366
Fredericton	Nashwaaksis Plaza	100%	100,010	52,059
Grand Falls	Grand Falls Shopping Mall	100%	152,317	152,317
Moncton	Wedgewood Plaza	100%	12,768	12,768
Oromocto	Oromocto Mall	100%	136,374	80,715
Saint John	Business Depot	100%	25,293	25,293
Saint John	Exhibition Plaza	55%	53,800	53,800
Saint John	McAllister Drive Plaza	55%	19,275	19,275
Saint John	Lansdowne Place	100%	202,493	202,493
Saint John	SCA Plaza	55%	17,440	17,440
NOVA SCOTIA				
Dartmouth	Staples Plaza	100%	155,241	155,241
Dartmouth	Tacoma Centre	10%	161,053	161,053
New Glasgow	Staples Plaza	100%	33,763	33,763
PRINCE EDWARD ISLAND				
Charlottetown	Belvedere Plaza	60%	155,609	77,016
Charlottetown	University Plaza	43%	62,127	62,127
Charlottetown	Spring Park Plaza	85%	75,562	55,559
Summerside	Granville Street Plaza	60%	127,542	81,783
TOTAL			<u>2,360,488</u>	<u>2,042,140</u>

MANAGEMENT'S DISCUSSION & ANALYSIS

The following should be read in conjunction with the consolidated financial statements and the notes thereto appearing later in this annual report.

Overview

Plazacorp Retail Properties Ltd. (hereinafter referred to as "Plazacorp" or the "Company") acquires and develops retail real estate throughout Atlantic Canada and Quebec.

Background and Company History

Plazacorp was incorporated on February 2, 1999 and commenced trading on the Alberta Stock Exchange as a "junior capital pool" corporation on July 30, 1999. The Company currently trades on the TSX Venture Exchange under the trading symbol PLZ.

Business Strategy

Plazacorp's long term goal is to maximize shareholder value through strategic acquisitions of retail real estate. Plazacorp's primary focus involves the redevelopment of well-located, but often dated, shopping malls and strip plazas. The Company also completes new developments of retail real estate on behalf of clients or provided a certain level of pre-leasing is in place. The objective of all activities is to improve the value of the underlying real estate and generate stable recurring cash flows.

Plazacorp's acquisition and development team is constantly monitoring the market for opportunities which will meet its specific investment criteria. Often acquisitions that are not a good fit for the company in one year may, as a result of changing economic and other factors, become a good fit for the Company later. Selecting the right time to complete an acquisition is a Plazacorp strength. Opportunism in this market involves patience, an attribute that Plazacorp management possess, which prevents the Company from purchasing assets simply for growth and instead focuses on building a property portfolio properly over time.

During the year, Plazacorp focused on managing the development risk on redevelopment projects by choosing to align itself with a growing number of financial partners. This year, Plazacorp has carried out this strategy in two redevelopment projects namely Tacoma Centre in Dartmouth, Nova Scotia and Les Promenades du Cuivre in Rouyn Noranda, Quebec resulting in limited risk and maximized returns for Plazacorp shareholders.

In the future Plazacorp intends to continue to secure excellent real estate redevelopment opportunities in Atlantic Canada and Quebec and, where appropriate, invite partners to participate in the development opportunities. Through the application of its active entrepreneurial management style, Plazacorp will continue to focus its efforts in meeting its primary objective of maximizing value by improving its funds from operation per share.

Investment Criteria

Management of the Company adheres to specific investment criteria on all acquisitions and developments including:

- All acquisitions and new developments must produce an unleveraged yield of at least 12%.
- Mortgage financing will not exceed 75% of the property's fair market value (based on the post development value of the property)
- The Company does not engage in speculative development activities and will only begin new development once an acceptable level of pre-leasing is in place.
- No acquisition is completed without a thorough due diligence review, including an assessment of the property's leasing arrangements, physical characteristics, and environmental issues.

Conversion to a Mutual Fund Corporation

As part of Plazacorp's on-going strategic analysis of the Company's corporate structure, management undertook an investigation of alternate corporate structures to enhance shareholder value. On December 11, 2002, after receipt of shareholder and regulatory approval, Plazacorp filed articles of amendment to convert to a mutual fund corporation. The Board of Directors determined that this corporate structure is the best course of action for the Company because:

- (a) It preserves the Company's ability to continue to grow its portfolio by issuing shares in exchange for properties, which in many cases has significant income tax savings that are typically shared between the vendor and Plazacorp.
- (b) The Company will be able to flow through capital gains and dividends directly to its shareholders using the refundable tax mechanism available to mutual fund corporations.
- (c) It will enhance liquidity for shareholders.

2002 Operating & Financial Results

Revenues for the year ended October 31, 2002, increased from \$16.3 million to \$19.4 million resulting in a 19% increase. Operating expense increased 17.1 % from \$7.0 million to \$8.2 million. The increases in both revenues and operating expenses is attributed to certain acquisitions that occurred during the year and began contributing to income as follows:

Property	Proportionate interest owned and corresponding number of months contributed to income.	
Terrace Dufferin, Valleyfield, Quebec	50%	11 months
SCA Plaza, Saint John, New Brunswick	55%	3 months
Tacoma Centre, Dartmouth, Nova Scotia. See note 11(b)	100% (April 2002 – August 2002) 10% (September 2002 - October 2002) Total	5 months <u>2 months</u> 7 months
Les Promenades du Cuivre, Rouyn Noranda, Quebec	100%	2 months

Property acquisitions typically begin to contribute fully to earnings in the year following acquisition.

For the year ended October 31, 2002, Plazacorp Retail Properties earned \$2.89 million in funds from operations after minority interest or \$0.099 per common share compared to \$3.15 million in 2001 or \$0.117 per common share.

From time to time reported funds from operations will include items which are non-recurring or are not expected to occur on a regular basis and do not impact the ability of the Company's portfolio to generate future funds from operations. In the current reporting periods, the following items had a significant impact on funds from operations:

- In fiscal 2002, \$309,510 in non-recurring expenses was incurred during the Company's investigation into various corporate structures.
- In fiscal 2002, Plazacorp held funds raised through mortgage bond and debenture financing which were not fully invested in projects during the year. The purpose of these funds is to provide Plazacorp with the flexibility to react quickly on potential acquisitions by eliminating financing conditions. This flexibility, while it is conducive with Plazacorp's patient acquisition strategy, may result in increased financing costs in years when the funds are not fully deployed. As at October 31, 2002 all funds raised were fully deployed.
- Fiscal 2001 included a one-time recovery arising from the recognition of income tax-loss carryforwards.

	October 31, 2002		October 31, 2001	
	\$'s	Per share*	\$'s	Per share*
Reported funds from operations per share	\$2,891,647	\$0.099	\$3,150,536	\$0.117
Impact of non-recurring expenses	309,510	0.011		
Impact for undeployed mortgage bonds & debentures	282,684	0.009		
Impact of tax claim of loss carryforwards			(\$176,216)	\$0.006
Funds from operations after adjustments	\$3,483,841	\$0.119	\$2,974,320	\$0.111

*Note: per share amounts are calculated using the weighted average number of shares outstanding.

Net income for the year ended October 31, 2002 is \$399,276 compared with \$1,082,367 for the prior year. The decrease is attributed to the items previously outlined as well as significant increase in amortization expense. Amortization expense increased from \$1.77 million in 2001 to \$3.047 million in 2002. The amortization increase is largely a result of the development program implemented in the prior year with leasing costs now being amortized over the initial terms of the leases put in place in 2001. These amortization costs negatively impact net income but do not impact funds from operations.

In 2002 a gain of \$197,000 on the disposition of surplus land held in Wildan Properties Limited Partnership was realized.

Acquisitions and Developments

During the 2002 fiscal year end, Plazacorp acquired and developed interests in four new properties:

Terrace Dufferin

On December 4, 2001, Plazacorp acquired a 50% co-ownership interest in Terrasse Dufferin, a 17,587 square foot strip plaza located in Valleyfield QC, through an investment in Centre Commercial Dufferin (2001) Inc. This property is leased to national and regional tenants.

Tacoma Centre

On March 28, 2002, Plazacorp acquired a 100% interest in Tacoma Centre, a 161,053 square foot shopping mall located in Dartmouth, Nova Scotia, through Tacoma Centre Limited Partnership. During the year, the partnership completed an equity offering of \$1.44 million representing 90% of the equity requirements. Plazacorp retained a 10% equity interest in the partnership and rights to 50% of the cash flow generated by the property in excess of a preferred return. Plazacorp may acquire 100% of the property at a later date based on specific put and call agreements with its financial partners. The redevelopment of this project included a conversion on a portion of the property taking it from a 65,067 square foot enclosed mall into a 61,300 square foot strip plaza. Completion of the redevelopment is expected to occur in March 2003 with substantial lease up expected to be completed before year end.

SCA Plaza

On July 31, 2002, the Company acquired a 55% ownership interest in SCA Plaza Inc., a single purpose company that built a 17,440 square foot strip plaza on McAllister Drive in Saint John, New Brunswick. The property is leased to national and regional tenants. This is an extension of the successful developments including Exhibition Plaza and McAllister Drive Plaza along McAllister Drive, Saint John's primary retail corridor. This brings the total Plazacorp developments in this location to 90,515 square feet.

Les Promenades du Cuivre

On August 29, 2002, Plazacorp acquired 100% interest in units of Plaza LPC Commercial Trust, a trust holding Les Promenade du Cuivre, a 201,561 square foot shopping mall located in Rouyn Noranda, Quebec as its sole asset. Shortly after year end, the trust completed an equity offering of \$2.07 million representing 90% of the equity requirements. Plazacorp retained a 10% equity interest and rights to 50% of the cash flow generated by the trust in excess of a preferred return. Plazacorp may acquire 100% of the property at a later date based on specific put and call agreements with its financial partners. Redevelopment work on this property commenced shortly after acquisition and is expected to be completed in June 2003 with lease up expected to be completed in 2004.

Capital Structure and Liquidity

Plazacorp strives to ensure that it has sufficient capital, equity and systems in place to support the continued growth consistent with its business plan.

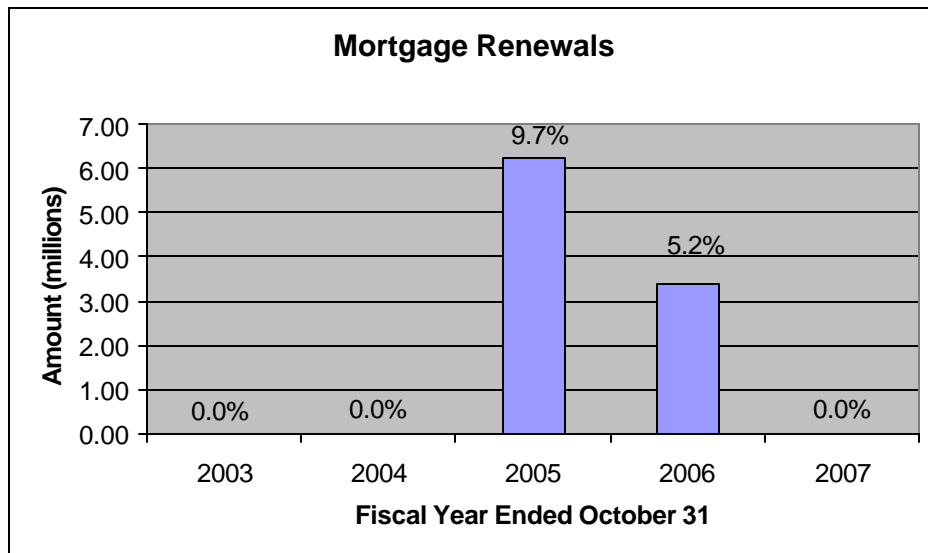
Mortgage Debt

As described in Note 4 to the consolidated financial statements, mortgages payable consist of \$64.4 million in conventional and \$4.5 million in short term mortgages and non-interest bearing mortgages. Mortgages payable for the year total \$69.0 million an increase of 13.1% over last years \$60.9 in mortgages payable.

During the year, Plazacorp arranged \$32.3 million in long term mortgage financing. Plazacorp paid \$4.1 million in principal payments throughout the year as well as \$19.2 million in debt retirements.

The weighted average interest rate for conventional and short term mortgages is 7.6% compared with 7.1% in the prior year. The increase is primarily attributable to the conversion of floating rate debt to fixed interest rates. The average term to maturity for Plazacorp mortgages payable is 7.0 years.

Mortgage renewals over the next five years as a % of the \$64.4 million in conventional mortgages are as follows:



Debentures

During the year the company issued a total of \$5.0 million in 11% debentures carrying a 3 year term. The debentures were used to finance capital and tenant improvements.

Shareholders Equity

The book value of the shareholders' equity at year end is \$16.9 million compared with \$16.2 million at October 31, 2001. As disclosed in Note 10(e) to the financial statements, during the year the company issued 1,587,301 common shares at a price of \$0.63 per common share as a result of the holder of a \$1.0 million fixed rate mortgage exercising their option to convert into equity. Shortly before the conversion, the company issued 57,681 common shares at a price of \$0.65 per share as payment of interest on this mortgage.

Throughout the year the company carried out a normal course issuer bid through which it purchased 257,000 shares at an average purchase price of \$0.77 per share including commissions.

Financial Strength

Within the past 17 months, Plazacorp has completed third party independent appraisals on 24 of its 27 income producing properties, representing more than 90% of the fair market value of the Company's portfolio. The appraisals indicated a fair market value for Plazacorp's interest of \$120.5 million, which represent a \$22 million surplus above the Company's book value of \$98.5 million. This surplus demonstrates the Company's success at creating value for its shareholders.

Plazacorp's long term debt (including mortgages, bonds, debentures and notes payable) relative to the book value of its property portfolio is 83.5%. while the debt relative to the fair market value of the portfolio is 68.2%. Management believes that this debt relative to the fair market value is in line with industry norm. Management also believes that the interest coverage ratio of 1.76 times is a good reflection of the Company's ability to meet its debt obligations.

Plazacorp management uses cash return on book equity as one of its benchmarks for measuring the financial performance of the Company. Management calculates this return by dividing the funds from operations before minority interest and taxes by the shareholders equity adjusted for minority interest, declared dividends and stock option compensation. The cash return on book equity for the year ended October 31, 2002 is 23.8%. The cash return on book equity after tax is 20.6%.

Dividend Policy

On September 17, 2002, the Board of Directors approved a dividend policy to pay \$0.08 per common share in quarterly dividend payments of \$0.02 per share. The initial dividend of \$0.02 per share dividend was paid on November 15, 2002 to shareholders of record November 1, 2002. Subsequent to year end the company also established a dividend reinvestment plan whereby participants in the plan will be able to reinvest dividends that they receive in Plazacorp in additional common shares of the Company without the payment of any brokerage fees. Participants will also be entitled to a 3% bonus on amount reinvested, such bonus to be paid in additional common shares of the Corporation. Shares purchased under the plan will be priced at the weighted average closing price of the common shares on the previous 20 trading days. Proceeds from the

dividend reinvestment plan will contribute to equity requirements on future property acquisitions.

As the Company continues to improve its funds from operations per share the Board of Directors will re-evaluate its dividend policy.

Financing Future Acquisitions and New Developments

Management intends to finance new acquisitions and developments through a combination of proceeds from the Company's dividend reinvestment plan, partnership arrangements, debt financing and additional equity financing. Equity financing will most likely occur by the company issuing shares as consideration for the acquisition of properties. Raising equity will only be contemplated if the subscription price is reasonable and fair to Plazacorp shareholders. No change in control is anticipated as a result of any potential equity financing.

Management Structure

Certain of the affairs of Plazacorp are managed by Plaza Atlantic Limited, a private company owned by Earl Brewer, Michael Zakuta and Paul Leger, all directors and officers of the Company. During the year \$2.2 million in fees were paid to Plaza Atlantic in exchange for leasing, property management, acquisition and financing services. Fees billed by Plaza Atlantic Limited were at or below industry standard rates.

Executive Compensation.

Earl Brewer, Paul Leger and Michael Zakuta, all officers and directors of the Company did not receive any cash compensation including salaries, commissions, bonuses, directors' fees or stock options during the year. Richard Hamm, who was appointed Plazacorp President and CEO on May 16, 2002 received \$1,400 in directors fees for attendance at directors meetings. Commencing November 1, 2002, Richard Hamm will receive a salary in the amount of \$100,000 annually and will no longer receive director's fees for attendance at directors meetings. On May 14, 2002, Plazacorp received regulatory approval to issue stock options to certain employees of Plazacorp Retail Properties Ltd and its affiliates. Peter Sheehan, Plazacorp's Chief Financial Officer received 70,000 stock options with an exercise price of \$0.75 per share. These options vest in even tranches over the first, second and third anniversaries of the deemed grant date of August 3, 2001. Peter Sheehan did not receive any other compensation from Plazacorp during the year. Stephen Johnson, received meeting attendance fees of \$1,400 for attendance at directors meetings during the year.

Risk Management

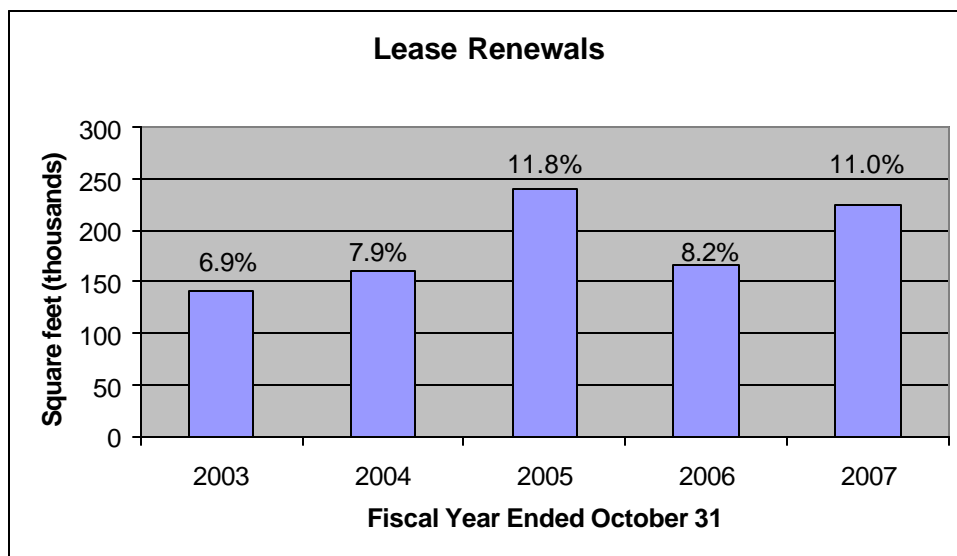
As with all real estate companies, Plazacorp is exposed to numerous business risks in the course of its business that can affect the Company's performance.

Operating Risk

Revenues

The most significant operating risk affecting the Company's performance is the potential for reduction in rental income resulting from reduced levels of tenant occupancy. Plazacorp focuses on securing strong retail tenants that provide consumers with basic necessities to make the portfolio less susceptible to general economic downturns. Plazacorp's weighted average lease term for fiscal 2003 based on existing leases is 11.4 years with 7.1 years remaining. The weighted average gross rental rate for 2003 based on existing leases is \$14.75 per square foot, which in management's opinion is below industry average for the market in which Plazacorp operates. Approximately 72.38% of its gross consolidated income is generated from national tenants and approximately 8.11% is generated from regional tenants. The remaining 19.5% of revenue is generated from local retail and non-retail tenants.

Finally, Plazacorp attempts to mitigate this operating risk by extending lease terms for major tenants and staggering lease expirations across the portfolio. A summary of Plazacorp's lease renewals over the next five years is as follows:



Fixed Operating Costs

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made by the Company throughout the period of its ownership of its properties regardless of whether the property is producing an adequate level of income. If the Corporation is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

The Company's investment criteria of earning a 12% unleveraged yield on acquisitions ensures that the risk associated with fixed operating costs is minimized and therefore is subject to less risk from diminishing revenues.

Financial Risk

The Corporation will be subject to the risks associated with debt financing, including the risk that the Corporation's existing mortgages will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

Plazacorp manages this financial risk by staggering its mortgage renewal dates and by maintaining strong relationships with its various lending and financial partners. Plazacorp's weighted average remaining term to maturity on its existing mortgages is 7.0 years.

Acquisition and Development Risk

Plazacorp is selective in the acquisitions and development projects that it pursues. All acquisitions must meet specific investment criteria and are only completed after a thorough due diligence on property acquisitions are completed.

Plazacorp attempts to minimize the development risk on projects that it undertakes by continually monitoring the construction costs on any particular development or redevelopment project to ensure that they are in line with budgeted figures. Plazacorp has obtained an average cost per square foot on new developments of \$86.60 per square foot and on property acquisitions of \$64.99 per square foot. In management's opinion these figures are below industry average for similar construction and redevelopment projects carried out in this market.

Environmental Risk

Environmental legislation and policies are an important feature of property ownership and management. Under various laws the Company could become liable for the cost of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances in waste at or from a property, or disposed of at another location. The failure to effect remedial work may adversely affect an owner's ability to sell real estate or borrow using the real estate as collateral and could result in claims against the owner.

Plazacorp attempts to mitigate this risk by adopting an environmental management program, including policies and procedures to review and monitor environmental matters associated with its properties. The Corporation's environmental policy includes a requirement to obtain a Phase I environmental assessment and, if appropriate, a Phase II assessment conducted by an independent and experienced environmental consultant before acquiring a property. In addition, where necessary and indemnities are not in place, the Corporation has environmental insurance on its properties, with coverage of environmental claims by third parties, cost of clean up, remediation and legal defence, subject to normal qualifications.

Outlook

In 2003, management is very confident that it will continue to meet its objective of improving funds from operations per share through the application of its business strategy. It is the intention of management to improve the characteristics of the overall portfolio and to pass on the growth in funds from operations per share to Plazacorp shareholders over time.

Summary of Key Financial Statistics

<i>Leasing Statistics:</i>	
Weighted average initial lease term.	11.4 years
Weighted average lease term remaining.	7.1 years
Average gross rent per square foot.	\$14.75
<i>Development Statistics:</i>	
Average building cost per square foot for acquisitions of properties.	\$64.99
Average cost per square foot for newly constructed properties.	\$86.60
<i>Debt Ratios:</i>	
Average term to maturity on long term debt.	7.0 years
Long term debt to book value of income producing properties.	83.5%
Long term debt to fair market value of income producing properties.	68.2%
Interest coverage ratio.	1.76 times
<i>Performance Ratios:</i>	
Pre tax cash return on book equity (FFO+current taxes/shareholders equity).	23.8%
After tax cash return on book equity (FFO/shareholders equity.)	20.6%

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Plazacorp Retail Properties Ltd.

The accompanying financial statements and information contained in this Annual Report have been prepared by, and are the responsibility of, the management of the Company. The financial statements have been prepared within accepted limits of materiality and in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. Financial information elsewhere in this report has been reviewed to ensure consistency with that in the financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for preparation of financial statements.

The consolidated financial statements have been reviewed and approved by the Board of Directors and its Audit Committee.

Teed Saunders Doyle & Co., the independent auditors appointed by the shareholders have been engaged to audit the financial statements and provide an independent professional opinion thereon.

Signed "Richard Hamm"

Richard Hamm
President and CEO
December 17, 2002

AUDITORS' REPORT

To the Shareholders of Plazacorp Retail Properties Ltd.

We have audited the consolidated balance sheet of Plazacorp Retail Properties Ltd. as at October 31, 2002 and the consolidated statements of income, retained earnings, funds from operations and cash flows for the year 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 audit.

We conducted our audit 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 October 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Teed Saunders Doyle & Co.

TEED SAUNDERS DOYLE & CO
CHARTERED ACCOUNTANTS

December 17, 2002
Fredericton, NB

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

	Notes	October 31, 2002	October 31, 2001
Assets			
Income producing properties	3	\$ 98,521,458	\$ 89,645,262
Cash and short-term investments		2,429,440	4,397,352
Accounts receivable		825,873	1,659,378
Prepaid expenses		1,579,449	1,020,139
Other assets		2,002,051	1,471,397
		\$ 105,358,271	\$ 98,193,528
Liabilities			
Mortgages payable	4	\$ 69,000,696	\$ 60,977,790
Bonds and debentures payable	5	10,050,000	5,050,000
Notes payable	6	2,962,432	6,535,485
Bank indebtedness	7	239,680	582,170
Accounts payable and accrued liabilities		1,969,084	5,682,899
Dividend Payable	12	591,134	-
Income taxes payable		386,932	126,571
Future income taxes	9	2,610,431	2,651,631
		87,810,389	81,606,546
Minority interest in net assets		561,099	301,654
Shareholders' Equity			
Share capital	10	15,352,212	14,174,899
Retained earnings	12	1,634,571	2,110,429
		16,986,783	16,285,328
		\$ 105,358,271	\$ 98,193,528

See accompanying notes to the consolidated financial statements

Approved by the Board:

Signed "Richard Hamm"

Richard Hamm
Director

Signed "Paul Leger"

J. Paul Leger, C.A.
Director

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Retained Earnings	Notes	Year Ended October 31, 2002	Year Ended October 31, 2001
Retained earnings, beginning of period		\$ 2,110,429	\$ 1,028,062
Less adjustment for change in accounting policy	10 (f)	284,000	-
Adjusted Retained earnings, beginning of period		1,826,429	1,028,062
Net income for the period		399,276	1,082,367
Less dividends declared during the period	12	591,134	-
Retained earnings, end of period		\$ 1,634,571	\$ 2,110,429

See accompanying notes to the consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income	Notes	Year Ended October 31, 2002	Year Ended October 31, 2001
Rental income		\$ 19,402,847	\$ 16,339,590
Operating expenses		8,201,419	7,011,084
Net operating income		11,201,428	9,328,506
Financing costs		6,186,252	4,629,416
Income from properties		5,015,176	4,699,090
Administrative expenses		507,621	369,612
Income before amortization and undernoted items		4,507,555	4,329,478
Non-recurring expenses	8	309,510	-
Amortization		3,047,248	1,771,481
Income before taxes, minority interest, and property gains		1,150,797	2,557,997
Income taxes	9	540,292	1,115,814
Income before minority interest and property gains		610,505	1,442,183
Minority interest		408,382	359,816
Gain on disposition of property, net of taxes and minority interest	11 (a)	197,153	-
Net income for the period		399,276	1,082,367
Basic earnings per share		\$ 0.01	\$ 0.04
Weighted average number of shares outstanding		29,264,808	27,014,560

See accompanying notes to the consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Funds from Operations	Year Ended October 31, 2002	Year Ended October 31, 2001
Net income	\$ 399,276	\$ 1,082,367
Items not affecting cash		
Amortization	3,047,248	1,771,481
Gain on disposition of property	(197,153)	-
Stock option compensation	50,540	-
Minority interest in net earnings	408,382	359,816
Future income taxes	(41,200)	801,784
Funds from operations	\$ 3,667,093	\$ 4,015,448
Minority interest in funds from operations	775,446	864,912
Funds from operations after minority interest in funds from operations	2,891,647	3,150,536
Basic funds from operations per share	\$ 0.099	\$ 0.117
Weighted average number of shares outstanding	29,264,808	27,014,560

See accompanying notes to the consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows	Notes	Year Ended October 31, 2002	Year Ended October 31, 2001
Cash obtained from (used for):			
Operating activities			
Funds from operations		\$ 3,667,093	\$ 4,015,448
Tenant inducements	1 (d)	(1,207,920)	(652,415)
Change in non-cash working capital		(2,588,126)	(510,883)
		(128,953)	2,852,150
Financing activities			
Bank indebtedness		(342,490)	356,170
Notes payable		(3,573,053)	2,869,883
Issue of common shares		-	8,000
Repurchase of common shares for cancellation		(194,560)	-
Dividends paid to minority interests		(148,937)	-
Dividends payable to shareholders	12	(591,134)	-
Proceeds from bonds and debentures		5,000,000	2,500,000
Net proceeds from mortgage financing		13,159,807	14,411,795
Mortgage principal repayments		(4,136,901)	(1,410,903)
		9,172,732	18,734,945
Investing activities			
Net acquisition, development and redevelopment of properties	1 (d)	(9,960,602)	(16,653,801)
Increase in other assets		(1,051,089)	(1,552,570)
		(11,011,691)	(18,206,371)
Increase (decrease) in cash during the period		(1,967,912)	3,380,724
Cash , beginning of period		4,397,352	1,016,628
Cash , end of period		\$ 2,429,440	\$ 4,397,352

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Significant Accounting Policies

The Company's accounting policies and its standards of financial disclosure are in accordance with generally accepted accounting principles as prescribed by The Canadian Institute of Chartered Accountants(CICA) and the recommendations of the Canadian Institute of Public and Private Real Estate Companies (CIPPREC), the more significant policies of which are described below:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of Plazacorp Retail Properties Ltd., its subsidiaries and joint ventures as follows:

<u>Entities</u>	<u>Ownership Interest</u>		<u>Number of Months Operations Included in the Financial Statements</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
<u>Accounting Method - Consolidation</u>				
Exhibition Plaza Inc.	55%	55%	12	12
McAllister Drive Plaza Inc.	55%	55%	12	12
Centre Commercial Plaza Theriault Inc.	100%	100%	12	12
Les Galeries Montmagny (1988) Inc.	50%	50%	12	12
Spring Park Plaza Inc.	85%	85%	12	12
Granville Street Properties Limited Partnership	60%	60%	12	12
Wildan Properties Limited Partnership	60%	60%	12	12
SCA Plaza Inc.	55%	-	3	-
Plaza LPC Commercial Trust	100%	-	2	-
<u>Accounting Method – Proportionate Consolidation</u>				
Les Immeubles RSM Inc.	50%	50%	12	12
University Plaza (SC) Inc.	43%	43%	12	12
S.E.C. Rimouski Bureau en Gros	50%	50%	12	1
Centre Commercial Dufferin (2001) Inc.	50%	50%	11	-

(b) Rental Properties

Rental Properties are stated at the lower of cost less accumulated amortization and estimated "net recoverable amounts". Cost includes all expenditures incurred in connection with the acquisition, development, financing and redevelopment of the properties. "Net recoverable amounts" represent the undiscounted estimated future net cash flow to be generated from the property throughout its useful life, including its residual value.

(c) Rental Income

Rental Income includes rent earned from tenants under lease arrangements, including percentage rents, property taxes and operating cost recoveries and incidental income including lease cancellation payments.

(d) Amortization

The Company utilizes the sinking fund method of amortization for its buildings and base building improvements. The sinking fund method charges amortization to income at an amount which increases annually, consisting of a fixed annual sum together with a factor compounded at the rate of 5% per annum so as to fully amortize the properties over their estimated useful lives which do not exceed 40 years.

Equipment and parking lot improvements are amortized using the declining balance method of amortization at 20% and 8% respectively.

Leasing fees and tenant improvements and inducements are amortized over the terms of the related leases on a straight line basis. For financial statement presentation purposes in the consolidated statement of cash flows, tenants improvements and inducements incurred on properties under development and redevelopment are treated as investing activities, those incurred on developed properties are treated as operating activities.

Financing fees and other costs incurred in connection with debt financing are amortized over the term of permanent financing in place on completion of property redevelopment.

(e) Income Taxes

The Company follows the future income tax liability method and records future income taxes based on temporary differences that exist between the carrying amount of the Company's assets and liabilities and their values for tax purposes. The Company recognizes future income taxes when it is more likely than not that the future income taxes will be realized.

(f) Financial Instruments

The fair value of the Company's financial assets and liabilities that represent net working capital approximate their recorded values at October 31, 2002 due to their short term nature. In these circumstances, the fair value is determined to be the market or exchange value of the assets or liabilities. The estimated fair values of the Company's long term debt are based on the values derived using market rates of similar instruments.

Generally, trading values for the Company's financial instruments are not available. In determining estimates of the fair values of the financial instruments, the Company must make assumptions regarding current market rates, considering the term of the instrument and its risk. Current market rates are generally selected from a range of potentially acceptable rates and accordingly, other effective rates and fair values are possible.

(g) Use of Estimates

The preparation of the Company's financial statements in conformity with 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.

2 Changes in Accounting Policies

(a) Earnings per share

Effective November 1, 2001, the Company adopted the new recommendation issued by the CICA relating to the calculation of earnings per share. Under this revised standard, diluted earnings per share amounts are calculated using the treasury stock method, replacing the imputed interest earnings approach. Basic and fully diluted per share amounts were not impacted by the change.

(b) Stock-based compensation plans

Effective for the year ended October 31, 2002, the Company has chosen early adoption of the new recommendation of the CICA related to stock-based compensation. Under this revised standard, stock-based payments and direct awards to non-employees and direct awards, stock appreciation rights and similar awards to employees that are to be settled in cash or equity instruments, are to be accounted for using the intrinsic value or fair value based method of accounting, depending on the circumstances.

3 Income Producing Properties

Income producing properties consist of the following:

	<u>2002</u>	<u>2001</u>
Land	\$ 15,069,433	\$ 13,319,397
Buildings and improvements	98,180,421	88,690,184
Investments in limited partnerships (note 16)	<u>710,000</u>	<u>550,000</u>
	113,959,854	102,559,581
Accumulated amortization	<u>(15,438,396)</u>	<u>(12,914,319)</u>
	<u>\$ 98,521,458</u>	<u>\$89,645,262</u>

Amortization expense includes amortization of tenant inducements and improvements of \$2,379,448 (2001 - \$1,522,442).

4 Mortgages Payable

Mortgages Payable consists of conventional mortgages and short term mortgages.

Conventional mortgages with fixed rates total \$64,406,976 (2001 - \$40,406,600), bear interest rates ranging from 6.9% to 8.015%, and have maturity dates ranging from November 2004 to May 2013. At year end, there was one non-interest bearing mortgage, in the amount of \$410,000 (2001-\$440,000).

Principal repayments and maturities of the above noted mortgages over the next five years are as follows:

<u>Year ending October 31st</u>	<u>Principal Repayments:</u>	<u>Balance of Mortgages Maturing:</u>	<u>Percentage of Mortgages Maturing:</u>
2003	\$1,430,217	\$ -	
2004	\$1,536,993	\$ -	
2005	\$1,614,730	\$6,219,978	9.7%
2006	\$1,722,903	\$3,375,754	5.2%
2007	\$1,871,310	\$ -	

At year end there was one short-term, floating rate, mortgage of \$3,100,000 (2001 – \$15,271,190), bearing interest at the bank’s prime lending rate plus 0.75%. This mortgage matures June 1, 2003. The only short-term mortgage with a fixed rate totaled \$1,083,720 (2001-\$4,860,000) at year-end, and bears interest at 12% (2001-8.75%). This short-term mortgage was repaid in full in December 2002.

The effective average interest rate for conventional and short-term mortgages is 7.6% (2001 – 7.1%). The average term to maturity is 7.0 years.

All mortgages are secured by registered charges on the respective land and buildings, together with an assignment of leases and rents.

The Company is subject to risk of interest rate fluctuations. The Company minimizes its interest rate risk by ensuring that debt maturities are staggered over a number of years allowing the Company to reduce the risk of unfavourable interest rate changes.

5 Bonds Payable

Bonds payable of \$5,050,000 are secured by a \$4,966,280 first mortgage on Les Promenades du Cuivre, a property owned by Plaza LPC Commercial Trust (as described in note 11(e)), and cash of \$83,720. The bonds bear interest at a rate of 12% with the principal due on dates ranging from June 30, 2005 to August 15, 2006. Subsequent to year end, the mortgage on Les Promenades du Cuivre was increased to \$5,050,000.

6 Notes Payable

Notes Payable consist of the following:

	<u>2002</u>	<u>2001</u>
Interest bearing notes, with an interest rate at prime plus 1%, no set terms of repayment, including Notes Payable to related parties controlled indirectly by the director Michael Zakuta in the amount of \$1,671,197 (2001 - \$2,155,075), and Notes Payable to Plaza Atlantic Limited, a related party as described in Note 14, of \$nil (2001 - \$1,602,551).	\$ 1,671,197	\$3,944,626
Interest bearing note, with an interest rate of 8%, principal repayment due December 1, 2006	100,000	-
Non-interest bearing notes, with no set terms of repayment including notes payable to related parties controlled indirectly by the director Michael Zakuta in the amount of \$827,996 (2001 - \$1,117,111)	1,191,235	2,590,859
Total	<u>\$ 2,962,432</u>	<u>\$6,535,485</u>

7 Bank Indebtedness

Bank indebtedness is payable on demand with interest at prime plus 0.75%.

8 Non-recurring expenses

Non-recurring expenses are in connection with the Company's conversion to a Mutual Fund Corporation as described in note 18.

9 Income Taxes

The future income tax liability arises from a combination of taxable temporary differences relating the Company's proportionate interest in the excess of the net book value over the undepreciated capital cost of depreciable assets and an excess of the book value of certain deferred charges over their tax value.

The tax expense that was deducted in the determination of net income for the year ended October 31, 2002 was made up of:

	<u>2002</u>	<u>2001</u>
Current income taxes	\$ 141,412	\$ (93,638)
Large corporation and provincial capital taxes	440,080	407,668
Future income taxes resulting from an increase in taxable temporary differences	<u>(41,200)</u>	<u>801,784</u>
	<u>\$ 540,292</u>	<u>\$1,115,814</u>

The reconciliation of the tax expense deducted in the determination of net income for the period with the tax expense that would have resulted from the application of the statutory rate applicable to the company is as follows:

	<u>2002</u>	<u>2001</u>
Taxes at combined effective rate of 40% (2001 - 42%)	\$460,319	\$1,074,358
Tax savings from subsidiary companies' loss carryforwards and small business deductions	(88,255)	(133,176)
Adjustment to future tax liability arising from change in combined effective tax rate	(179,352)	(117,637)
Large corporations tax	<u>347,580</u>	<u>292,269</u>
	<u>\$540,292</u>	<u>\$1,115,814</u>

As at October 31, 2002, the Company had income tax loss carry-forwards in the amount of \$2.5 million, expiring in 2009. The benefit of these losses has been recognized in the financial statements to offset future income tax liability arising from the difference between the tax and book values of income producing properties and other assets.

10 Share Capital

(a) Authorized

The Company has authorized an unlimited number of preferred shares and an unlimited number of common voting shares.

(b) Issued and Outstanding

	<u>2002</u>	<u>2001</u>
Number of common shares outstanding	<u>29,556,698</u>	<u>28,168,716</u>
Book value of common shares outstanding	\$15,017,672	\$14,174,899
Adjustment for stock-based compensation (note 10 (f))	<u>334,540</u>	<u> </u>
Book value of common shares outstanding	<u>\$15,352,212</u>	<u>\$14,174,899</u>

10,314,449 shares are subject to escrow provisions and hold periods that expire on various dates up to September 2006.

The Company is obligated to issue up to 2,839,287 additional common shares as further consideration in respect of certain past corporate acquisitions contingent upon certain properties achieving specific performance criteria by the end of the 2003 fiscal period. The company has issued no shares pursuant to these obligations.

During 2002, the Company issued no shares (2001 – 1,835,356) for acquisitions of properties and shares in subsidiaries. In addition, no shares (2001 – 40,000) were issued through the exercise of options.

(c) Earnings and funds from operations per share are calculated based on the weighted average number of common shares outstanding during the reporting period. For the year ended October 31, 2002, the per share amounts were calculated based on a weighted average of 29,264,808 (2001 – 27,014,560) common shares outstanding. Fully diluted earnings per share for the year ended October 31, 2002 is not materially different from basic earnings per share.

(d) On November 15, 2001, the company commenced a normal course issuer bid through the facilities of and in accordance with the by-laws and rules of the TSX Venture Exchange. During the year, 257,000 shares were repurchased at an average price of \$0.77 per share including commissions, for a total purchase price of \$198,292. The bid terminated November 15, 2002.

(e) On January 31, 2002, the holder of a fixed rate mortgage in the amount of \$1,000,000 exercised their option to convert it into 1,587,301 common shares of the Company based on an effective conversion price of \$0.63 per share. Prior to conversion, the holder also received 57,681 shares in lieu of interest and other rights, based on an average conversion price of \$0.65.

(f) The Company has a stock option plan whereby directors and certain employees of the Company or its affiliates may be granted stock options at an exercise price not less than 100% of the market value on the date of grant.

There are 400,000 stock options outstanding at \$0.20, which expire July 23, 2004. Subsequent to year-end, 170,000 stock options were exercised at \$0.20 per share.

On May 14, 2002, the Company received regulatory approval and issued 400,000 stock options that were granted on August 3, 2001. These options have an exercise price of \$0.75 and vest in even tranches over the first, second, and third anniversaries of the grant date.

A summary of the common share options outstanding is as follows:

<u>Exercise Price</u>	<u># of Options</u>	<u>Expiry Date</u>	<u># of Options Exercisable</u>
\$0.20	400,000	July 23, 2004	400,000
\$0.75	<u>400,000</u>	August 3, 2006	<u>133,000</u>
	<u>800,000</u>		<u>533,000</u>

Based on the options' fair value, the Company has recognized \$50,540 of compensation expense related to the 133,000 of share options that vested in the year.

The cumulative amount of compensation expense that would have been recognized in prior years had the recommendations of the new CICA stock-based compensation section been applied, is \$284,000 and has been charged to opening retained earnings for the current fiscal year, without restatement of prior periods pursuant to recommendations of the CICA (Note 2(b)).

The weighted average fair value of all options was determined using the Black-Scholes model with the following assumptions: a 2.8 year expected life, a 41% expected volatility; no consideration of anticipated dividends; and a risk-free rate of return of 3.6%.

Any consideration paid by employees on exercise of stock options is credited to share capital, as is the total estimated compensation charged to operations and retained earnings as noted above of \$334,540 as at October 31st 2002. No options were exercised or expired during the year.

11 Corporate Acquisitions and Disposition

(a) Subsidiaries

On December 4, 2001, the Company acquired a 50% co-ownership interest in Terrasse Dufferin, a 17,587 ft² strip plaza in Valleyfield QC, through an investment in Centre Commercial Dufferin (2001) Inc. The Company funded a portion of its 50% share of the \$1.21 million purchase price with \$500,000 from the proceeds of first mortgage bonds. On March 15, 2002, these first mortgage bond funds were replaced with permanent financing.

The Company has disposed of surplus land located at Belvedere Plaza, Charlottetown, PEI resulting in a gain on disposition of \$197,153 after minority interests and income taxes.

On July 31, 2002, the Company acquired a 55% interest in SCA Plaza Inc., which has built a 17,440 ft² strip plaza on McAllister Drive, Saint John, New Brunswick.

(b) Property investments

On March 28, 2002, the Company acquired a 100% interest in Tacoma Centre, a 161,053 ft² shopping mall in Dartmouth NS, through the Tacoma Centre Limited Partnership. The Company utilized \$2.2 million from its first mortgage bond fund as well as a vendor take-back mortgage to fund the \$4.5 million purchase. On September 12, 2002, the first mortgage funds were repaid when the partnership completed an offering of equity in the property to private investors with the Company retaining a 10% equity interest and rights to 50% of cash flow generated by the property in excess of a preferred return. The partnership agreement provides for put options in favor of the limited partners that require Plazacorp to acquire 100% of the partnership units using its common shares as consideration based on a formula outlined in the partnership agreement. The agreement also provides for call options in favor of Plazacorp allowing the Company to purchase all of the outstanding units in the Partnership based on a formula outlined in the partnership agreement. Officers of Plazacorp Retail Properties Ltd have purchased approximately 13% of the partnership units.

On August 29, 2002 Plazacorp Retail Properties Ltd. acquired 100% of the units of Plaza LPC Commercial Trust, a trust that owns Les Promenades du Cuivre a 201,561 ft shopping mall located in Rouyn Noranda, QC. On December 1, 2002, the trust completed an offering of equity to other private investors, with Plazacorp retaining 10% of the trust units, and a right to 50% of cash flow generated by the property in excess of a preferred return. The trust agreement provides for put and call options which respectively require or allow Plazacorp to acquire 100% of the trust units using its common shares as consideration based on a formula outlined in the trust agreement. These put rights arise November 30, 2003 and expire May 31, 2004. The call rights arise June 1, 2004, and expire May 31, 2005. Officers of Plazacorp Retail Properties Ltd have purchased approximately 19% of the trust units.

The put options under the above limited partnership and trust agreements were not effective during the year ended October 31, 2002, and had no dilutive effect on earnings per share and funds from operations per share.

12 Dividend Policy

The Company has established a dividend policy providing for an annual dividend payable on a quarterly basis. On September 18, 2002, the Company declared the first dividend of \$.02 per share (annualized rate of \$0.08 per share) be made on November 15, 2002 for shareholders of record on November 1, 2002.

13 Interest Paid

During the year the Company paid \$5,972,235 (2001 - \$4,356,932) in interest from cash from operations.

14 Related Party Transactions

Plaza Atlantic Limited (the “Property Manager”), a private Corporation wholly owned by some of the Company’s directors, namely Earl Brewer, Paul Leger and Michael Zakuta, is engaged to act as the Company’s property manager. The Property Manager is responsible for all property management functions including leasing, operations and maintenance, and also assists the Company on acquisition, financing, development activities and other management decisions. Fees billed for the year by the Property Manager totaled \$ 2,219,142 (2001 - \$2,107,616) and were at or below market rates.

15 Interest in Joint Ventures

As described in note 1(a), the consolidated financial statements include the Company’s proportionate interest in its activities conducted jointly with other parties. The following amounts represent the total proportionate amounts consolidated within these financial statements for Les Immeubles RSM Inc., University Plaza (SC) Inc., S.E.C. Rimouski Bureau En Gros and Centre Commercial Dufferin (2001) Inc., as follows:

	<u>2002</u>	<u>2001</u>
Assets	\$5,102,137	\$4,486,458
Liabilities	\$4,508,221	\$3,301,638
Rental Income	\$762,078	\$633,720
Expenses, including debt service, excluding amortization	\$585,800	\$249,589
Income from properties	\$176,278	\$234,841

The Company is contingently liable for certain obligations of its co-venturers. Where the Company’s liability exceeds its proportionate interest in the joint venture, the excess is detailed in note 17.

16 Investment in Limited Partnerships

The Company has investments in limited partnerships that are not consolidated within these financial statements:

	Centennial Limited Partnership	Tacoma Limited Partnership
Direct ownership position	10%	10%
Preferred return on investment	10%	12%
Profit entitlements after payment of preferred return	20%	50%
Maximum amount of loan guarantee	nil	\$5,500,000
Additional indemnities	\$3,000,000	none

	As at October 31, 2002 (unaudited)	
Assets of Partnership	\$20,287,599	\$6,050,709
Liabilities of Partnership	\$14,913,340	\$4,450,709
Net assets of Partnership	\$5,374,259	\$1,600,000
Investment in Partnership, at cost	\$550,000	\$160,000

Net operating income for the year included \$246,000 of income from the above noted limited partnerships.

The Company has provided a limited indemnity of up to \$3 million related to certain matters, principally environmental, in relation to a mortgage granted to Centennial Limited Partnership.

The Company has a maximum guarantee of up to \$5.5 million of interim financing available to the Tacoma Limited Partnership. Liability under this guarantee would arise after exhaustion of the net equity in the partnership. As at October 31, 2002, \$1.7 million of this financing had been drawn by the Partnership.

17 Contingencies and Commitments

(a) Including the guarantees disclosed in note 16, the Company has guaranteed the mortgages payable of its subsidiaries in excess of the Company's pro-rata ownership position, as follows:

<u>Entities</u>	<u>Full Amount of Guarantee Provided</u>	<u>Debt based on Pro- rata ownership</u>	<u>Excess Guarantee</u>
McAllister Drive Plaza Inc.	\$ 800,000	\$697,946	\$102,054
Les Immeubles RSM (Inc.) – Staples Granby	1,824,034	912,017	912,017
Spring Park Plaza Inc.	1,323,911	1,125,324	198,587
Tacoma Limited Partnership	<u>1,681,529</u>	<u>168,153</u>	<u>1,513,376</u>
	\$5,629,474	\$2,903,440	\$2,726,034

The guarantee provided to the mortgagee of Staples Granby is subject to a cross-guarantee provided by the other 50% co-owner for the full amount of the loan.

The Company has also guaranteed the interim financing of SCA Plaza Inc. up to an amount of \$1.3 million. As at October 31, 2002, no proceeds had been drawn from this financing.

(b) The Company has agreements to lease land which expire on dates ranging from 2011 to 2063 with renewal options ranging from 10 years to 46 years. The minimum lease payments for the next five years are as follows:

2003	\$ 526,087
2004	526,087
2005	526,701
2006	565,708
2007	<u>569,875</u>
Total	<u>\$2,714,459</u>

(c) The Company's bankers have issued letters-of-credit in support of the Company's obligations under certain long-term mortgages. As at October 31, 2002, \$300,000 of such letters-of-credit were issued and outstanding. On December 13, 2002, a further \$147,200 in letters-of-credit were issued for the same purpose. The facility under which the letters-of-credit are issued, expiring May 13, 2004, requires that the Company maintain certain financial ratios to comply with the facility. As at October 31, 2002, the Company was in compliance with these requirements.

18 Subsequent Event

On December 10, 2002, at a special meeting of shareholders, a resolution was passed to file Articles of Amendment that would effect a conversion of Plazacorp Retail Properties Ltd to a Mutual Fund Corporation as defined in the Income Tax Act (Canada). The conversion to a mutual fund corporation allowing shareholders certain redemption rights on their common shares subsequently occurred on December 11, 2002 with the filing of the Articles of Amendment with the Director under the Business Corporations Act (New Brunswick).

On December 10, 2002, the Company announced the implementation of a dividend reinvestment plan. The Plan will enable the Company's shareholders to reinvest their dividends in additional common shares of the Company. Participants in the plan will also receive a 3% bonus on amounts reinvested to be paid in additional common shares of the Company. Shares purchased under the Plan will be priced at the weighted average closing price of the common shares of the Corporation on the previous 20 trading days. The Company will pay all fees relating to the administration of the dividend reinvestment plan.

19 Comparative amounts

Certain comparative figures have been reclassified to conform with the presentation for the current year.

CORPORATE INFORMATION

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Registrar and Transfer Agent

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T2P 2Z1

Investor Inquiries

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Relations
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Share Listing

TSX Venture Exchange
Symbol for Common Shares: PLZ

Annual Meeting of Shareholders

The annual meeting of Plazacorp Retail Properties Ltd. shareholders will be held on Wednesday April 2, 2003 at 10am at The Lord Beaverbrook Hotel, Petitcodiac Room, 659 Queen Street, Fredericton, NB

For additional information about Plazacorp, please visit our web Site at www.plaza.ca