



PLAZACORP RETAIL  
PROPERTIES LTD.

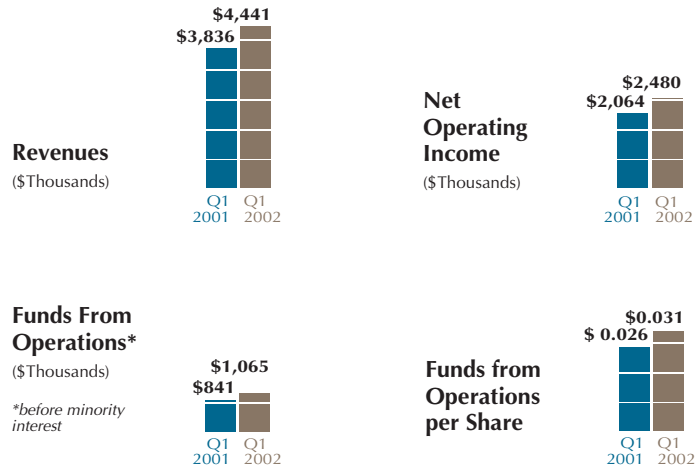
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**Quarterly Report**  
January 31, 2002

## • LETTER TO SHAREHOLDERS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Our focus on leasing and operations programs during the first quarter of 2002 produced solid growth in net operating income and funds from operations.

### FINANCIAL HIGHLIGHTS AND OPERATING RESULTS



Comparison of results for the three months ended January 31, 2002 with the same period for 2001 shows an increase in revenues of 16%, from \$3.8 million to \$4.4 million. Net operating income rose by 20%, from \$2.06 million to \$2.48 million. Funds from operations before minority interest increased by 27%, from \$0.84 million to \$1.06 million. Funds from operations per share, which management believes to be the most meaningful measure of growth and financial performance for a real estate company, grew by 19%, from \$0.026 to \$0.031.

These increases are substantially due to five additions to our portfolio made after the first quarter of 2001, together with the completion of redevelopment efforts on a number of properties. Consistent with the portfolio growth, operating expenses showed an increase of 11%, up to \$1.96 million from \$1.77 million.

### ACQUISITION

The Company acquired a 50% co-ownership interest in Terrasse Dufferin, a 17,565ft<sup>2</sup> strip plaza in Valleyfield QC.

### CAPITAL STRUCTURE AND LIQUIDITY

During the quarter, Plazacorp raised \$2.297 million through a debenture offering. On February 14, 2002, the Company raised an additional \$1.190 million through the same offering. The

debentures bear 11% annual interest, payable monthly, and have a three-year term. Net proceeds from the issue will be used to finance capital and tenant improvements in the portfolio, as well as for general corporate purposes.

Plazacorp took advantage of long term funding opportunities to arrange mortgage commitments totaling \$28.3 million on six properties during the quarter. Of this total, \$1.93 million was funded in the quarter, and \$14.3 million was funded in February 2002. These mortgages have an average interest rate of 7.65%. A further \$12.1 million is scheduled to fund in March 2002. All the mortgages are for 10-year terms, providing Plazacorp with stable long-term financing on properties where development is complete.

Effective January 31, 2002, the holder of a \$1.0 million convertible mortgage exchanged that obligation for 1,587,301 common shares, based on an effective conversion price of \$0.63 per share. Mortgage debt at January 31, 2002 totaled \$58.9 million, compared with \$59.5 million at October 31, 2001.

Our debenture and mortgage financing activities in the first quarter have contributed significantly to Plazacorp's goal of creating a stable long-term debt structure.

### RELATED PARTY TRANSACTIONS

Plaza Atlantic Ltd., a related party, provides management, leasing, acquisition and financing services to the Company, earning \$0.5 million for the three months ended January 31, 2002 for those services.

### NORMAL COURSE ISSUER BID

During the quarter, the Company repurchased 118,000 shares under a normal course issuer bid which allows Plazacorp to purchase up to approximately 5% of its current outstanding common shares. The average purchase price for these shares was \$0.67 including commissions.

### OUTLOOK

On January 28, 2002, Plazacorp announced it is considering a conversion to a real estate investment trust structure. The Company is currently weighing the merits and has not yet made a decision. The Company will advise the market as soon as a decision has been made.

Plazacorp looks forward to producing its third consecutive year of growth and improved cash flow for our shareholders.

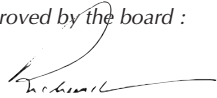
Yours sincerely,


**EARL BREWER**  
President and CEO  
March 14, 2002

CONSOLIDATED BALANCE SHEET	JANUARY 31, 2002 (UNAUDITED)	OCTOBER 31, 2001 (AUDITED)
<b>ASSETS</b>		
Income producing properties	\$ 89,608,419	\$ 88,579,645
Cash and short-term investments	4,879,423	4,314,874
Accounts receivable	1,600,343	1,558,011
Prepaid expenses	452,825	818,284
Other assets	1,555,502	1,469,484
	<b>\$ 98,096,512</b>	<b>\$ 96,740,298</b>
<b>LIABILITIES</b>		
Mortgages payable	\$ 58,889,777	\$ 59,489,692
Bonds and debentures payable	7,347,000	5,050,000
Notes payable	6,057,111	6,601,976
Bank indebtedness	530,550	582,170
Accounts payable and accrued liabilities	4,669,710	5,651,276
Income taxes payable	55,396	126,571
Future income taxes	2,774,885	2,651,631
	<b>80,324,429</b>	<b>80,153,316</b>
Minority interest in net assets	340,886	301,654
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	15,134,642	14,174,899
Retained earnings	2,296,555	2,110,429
	<b>17,431,197</b>	<b>16,285,328</b>
	<b>\$ 98,096,512</b>	<b>\$ 96,740,298</b>

See accompanying notes to the consolidated financial statements

Approved by the board :

  
Richard Hamm  
Director

  
J. Paul Leger, C.A.  
Director

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS	THREE MONTHS ENDED JANUARY 31, 2002	THREE MONTHS ENDED JANUARY 31, 2001
Rental income	\$ 4,441,371	\$ 3,836,342
Operating expenses	1,961,021	1,772,464
NET OPERATING INCOME	<b>2,480,350</b>	<b>2,063,878</b>
Financing costs	1,266,817	1,007,375
Investment income	81,571	36,752
Administrative expenses	165,937	59,746
INCOME BEFORE AMORTIZATION	<b>1,129,167</b>	<b>1,033,509</b>
Amortization	716,524	289,531
INCOME BEFORE TAXES AND MINORITY INTEREST	<b>412,643</b>	<b>743,978</b>
Income taxes: current	64,031	192,426
future	123,254	183,540
INCOME BEFORE MINORITY INTEREST	<b>225,358</b>	<b>368,012</b>
Minority interest	39,232	77,275
NET INCOME FOR THE PERIOD	<b>186,126</b>	<b>290,737</b>
Retained earnings, beginning of period	2,110,429	1,028,061
RETAINED EARNINGS, END OF PERIOD	<b>\$ 2,296,555</b>	<b>\$ 1,318,798</b>
BASIC EARNINGS PER SHARE	<b>\$ 0.01</b>	<b>\$ 0.01</b>
Weighted average number of shares outstanding	<b>28,204,678</b>	<b>26,297,273</b>

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF FUNDS FROM OPERATIONS	THREE MONTHS ENDED JANUARY 31, 2002	THREE MONTHS ENDED JANUARY 31, 2001
NET INCOME	\$ 186,126	\$ 290,737
<b>ITEMS NOT AFFECTING CASH</b>		
Amortization	716,524	289,531
Minority interest	39,232	77,276
Future income taxes	123,254	183,540
FUNDS FROM OPERATIONS	<b>\$ 1,065,136</b>	<b>\$ 841,083</b>
Minority interest in funds from operations	190,469	152,483
FUNDS FROM OPERATIONS AFTER MINORITY INTEREST IN FUNDS FROM OPERATIONS	<b>874,667</b>	<b>688,600</b>
Basic funds from operations per share	<b>\$ 0.031</b>	<b>\$ 0.026</b>
Weighted average number of shares outstanding	<b>28,204,678</b>	<b>26,297,273</b>

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS	THREE MONTHS ENDED JANUARY 31, 2002	THREE MONTHS ENDED JANUARY 31, 2001
CASH OBTAINED FROM (USED FOR):		
<b>OPERATING ACTIVITIES</b>		
Funds from operations	\$ 1,065,136	\$ 841,083
Tenant inducements	(193,297)	(122,608)
Change in non-cash working capital	(729,614)	652,307
	142,225	1,370,782
<b>FINANCING ACTIVITIES</b>		
Bank indebtedness	(51,620)	137,000
Notes payable	(544,865)	977,749
Issue of common shares	-	8,000
Repurchase of common shares for cancellation	(77,750)	-
Proceeds from bonds and debentures	2,297,000	-
Net proceeds from mortgage financing	2,209,618	1,382,273
Mortgage principal repayments	(775,533)	(307,923)
	3,056,850	2,197,099
<b>INVESTING ACTIVITIES</b>		
Acquisition, development and redevelopment of properties	(2,500,716)	(3,436,001)
Increase in other assets	(133,809)	(251,776)
	(2,634,525)	(3,687,777)
<b>INCREASE IN CASH DURING THE PERIOD</b>	564,549	(119,896)
Cash, beginning of period	4,314,874	1,016,628
CASH, END OF PERIOD	\$ 4,879,423	\$ 896,732

See accompanying notes to the consolidated financial statements

## • NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JANUARY 31, 2002 (UNAUDITED)

### 1 BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Plazacorp Retail Properties Ltd. (the "Company") are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") 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"). Although these interim financial statements follow the same accounting policies and methods of application as the annual financial statements, all disclosures required by GAAP for annual financial statements have not been presented for these interim financial statements. Accordingly, these interim financial statements should be read in conjunction with the financial statements for the year ended October 31, 2001.

### 2 CHANGES IN ACCOUNTING POLICIES

During the quarter, the Company adopted the new recommendation issued by the CICA relating to the calculation of earnings per share ("the new CICA standard"). 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.

### 3 CORPORATE ACQUISITION

On December 4, 2001, the Company acquired a 50% co-ownership interest in Terrasse Dufferin, a 17,565 ft<sup>2</sup> strip plaza in Valleyfield QC. 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.

### 4 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 by the Property Manager to the Company for the three months ended January 31, 2002 totaled \$0.5 million and were at competitive market rates.

### 5 EARNINGS PER SHARE.

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 three months ended January 31, 2002, per share amounts were calculated based on a weighted average of 28,204,678 common shares outstanding. As at January 31, 2002, there were 29,695,698 common shares outstanding.

On November 15, 2001, the company began a normal course issuer bid through the facilities of and in accordance with the by-laws and rules of the Canadian Venture Exchange. This bid will allow the Company to purchase up to 1,408,435 common shares, representing 5% of those outstanding as at October 31, 2001. The bid commenced on November 15, 2001 and will terminate November 14, 2002, or earlier if the bid is complete. As at January 31, 2002, 118,000 shares had been repurchased at an average price of \$0.67 per share including commissions, for a total purchase price of \$78,916.

The Company held a fixed rate mortgage in the amount of \$1,000,000, which contained a convertible feature permitting the mortgagee to convert the debt into common shares. On January 31, 2002, the holder of this mortgage converted it into 1,587,301 common shares of the Company based on an effective conversion price of \$0.63 per share. For the three months ended January 31, 2002, this option did not have a materially dilutive effect on earnings per share.

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.

## • NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS JANUARY 31, 2002 (UNAUDITED)

### 6 CONTINGENCIES AND COMMITMENTS

- (a) The Company has guaranteed the debt of its subsidiaries to \$3.4 million in excess of the Company's pro-rata ownership position in the related assets.
- (b) The Company has provided a limited indemnity of up to \$3 million related to certain matters, principally environmental, in relation to a mortgage on Centennial Plaza and Place du Marché, a limited partnership in which the Company holds a 20% residual interest.
- (c) The Company has agreements to lease land that expire on dates ranging from 2011 to 2063 with renewal options ranging from 10 years to 36 years. The minimum lease payments for the next five years are as follows:

2002	\$ 451,000
2003	457,000
2004	457,000
2005	474,000
2006	481,000
<b>TOTAL</b>	<b>\$ 2,320,000</b>

### 7 SUBSEQUENT EVENTS

- (a) During the quarter, the Company raised \$2.297 million through a debenture offering. On February 14, 2002, a further \$1.190 million was raised through this same offering. The debentures bear interest at 11% per annum, payable monthly, and have a three-year term. Net proceeds from the sale will be used to finance capital and tenant improvements to the company's property portfolio as well as for general corporate purposes.
- (b) On February 14, 2002 the Company completed \$14.3 million in mortgage financing at an average interest rate of 7.59%. The proceeds were used to retire \$13.7 million in short term financing with the balance of the funds after financing costs increasing cash available to the Company.

### 8 COMPARATIVE AMOUNTS

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

#### FOR MORE INFORMATION CONTACT:

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