



PLAZACORP RETAIL
PROPERTIES LTD.

PLAZACORP RETAIL PROPERTIES LTD.

QUARTERLY REPORT

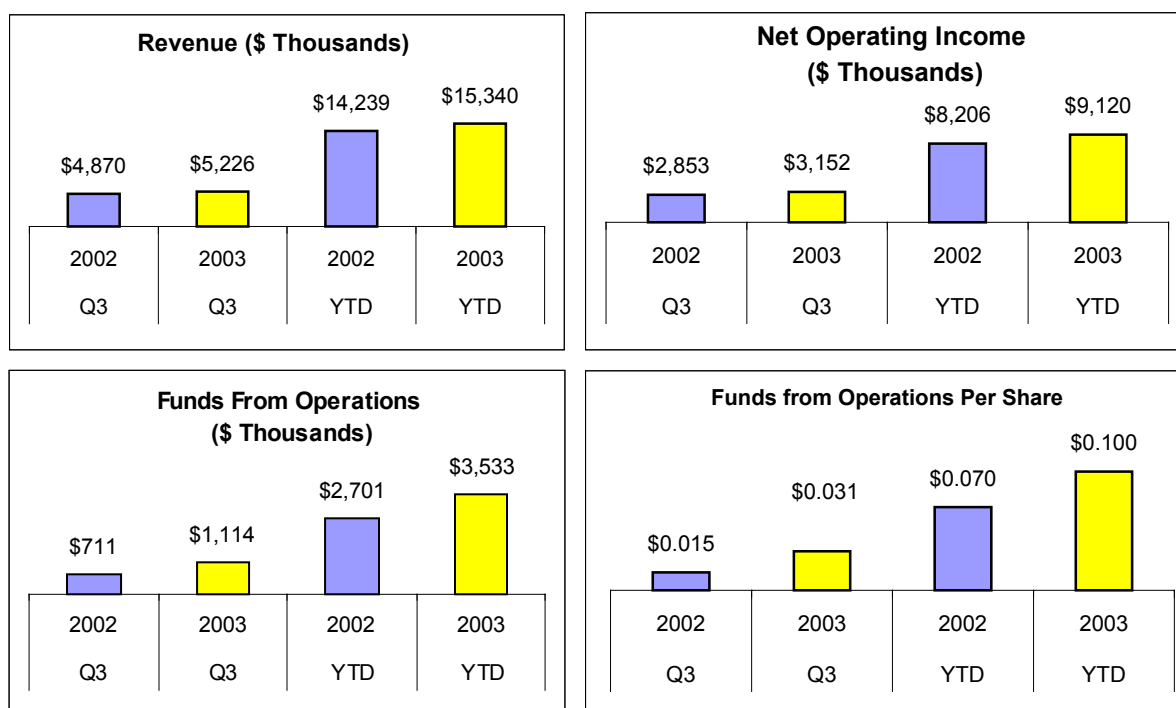
July 31, 2003

LETTER TO SHAREHOLDERS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

The company is pleased to provide this review of our activities and financial performance for the quarter ended July 31, 2003. Plazacorp continues to follow the strategy of acquiring and developing retail properties in Atlantic Canada and Quebec. The company's primary focus is the redevelopment of well located but dated and often neglected shopping malls and strip plazas.

Plazacorp also develops new retail space, generally for existing clients and where the project is substantially pre-leased. The company holds interests in thirty-one properties with a total rentable area of 2.35 million square feet. The existing portfolio continues to produce excellent cash flow, steady growth and retain strong occupancy of approximately 95% at July 31, 2003.

Financial Highlights and Operating Results



Revenues for the three months ended July 31, 2003 increased from \$4.9 million to \$5.2 million representing a 7.3% increase over the same period last year. For the latest nine-month period, revenue rose 7.7% to \$15.3 million compared to \$14.2 million on the same period last year.

Operating expenses rose slightly for the quarter ending July 31, 2003 to \$2.08 million compared to \$2.02 million for the same period last year and increased to \$6.2 million for the nine-months ended July 31, 2003 from \$6.0 million for the comparable period in 2002. Operating costs have increased at less than half the rate of revenue growth.

Third quarter net operating income rose to \$3.2 million from \$2.9 million, a 10.5 % increase over the same period last year. For the nine-month period ended July 31, net operating income rose 11.1% year over year from \$8.2 million in 2002 to \$9.1 million in 2003. This growth is largely driven by new developments that have come on stream in 2001 and 2002 and improved rental and occupancy rates across the portfolio.

Funds from operations after minority interest per common share increased to \$.031 per share from \$.015 per share in the same period last year. This increase of 106.7% is partly the result of one-time expenses in connection with the Company's reorganization to a Mutual Fund Corporation, which were incurred during the third quarter of 2002. Notwithstanding these one-time expenses, funds from operations after minority interest per common share rose 29.2% compared with the same quarter in 2002, reflecting occupancy improvements, reduced administrative costs and stable borrowing costs. This contributes to earnings stability and has resulted in the increased cash flow from the portfolio.

Acquisitions

On May 15, 2003 the Company completed a private placement of 9.5% Convertible Subordinated Debentures in the amount of \$3,500,000. The funds have been used for property acquisition, as well as general corporate purposes.

Subsequent to the placement of the debentures, the Company began construction of Empire Plaza, a 13,800 square foot strip plaza in Fredericton, NB and exercised options on three properties, as follows:

- 100% ownership of Commercial Street Plaza, a 14,550 square foot strip plaza located in New Minas, NS, through the purchase of units of Commercial St. Plaza Trust. This project is a new development with construction scheduled to be completed in October 2003. The project will be leased to regional and national tenants.
- 20% ownership interest in Marché de l'ouest, a 93,086 square foot shopping mall located in Dollard-des-Ormeaux, QC through the purchase of units of MDO Commercial Trust. In addition, the ownership interest subject to this option agreement provides for 30% of the cash flow in excess of a preferred return. Redevelopment on the property is expected to be complete in the spring of 2004. The redevelopment will increase the square footage to approximately 130,000 square feet. The property is located in the main retail area of the community and is in close proximity to Centennial Plaza and Place du Marché, properties in which Plazacorp currently holds an interest. The property will be leased to local, regional and national tenants.
- 20% ownership interest in Northwest Centre, a 186,400 square foot strip plaza, through the purchase of units in Northwest Plaza Commercial Trust. As part of this purchase, Plazacorp made a \$1.4 million loan to the trust. This property is located in the key retail corridor of Moncton, NB and is leased to regional and national tenants.

In addition, the Company purchased land in Woodstock, NB and leased land in New Glasgow, NS for development projects scheduled to begin in November 2003 and January 2004 respectively. A 20,000 square foot strip plaza will be constructed in Woodstock and a 13,400 square foot strip plaza and restaurant pad will be constructed in New Glasgow. Both properties are 100% pre-leased.

Also, pursuant to the call provision in partnership agreement relating to Tacoma Centre, Dartmouth, NS, the Company has made an offer to the partners to purchase 100% of their interests at fair market value. This arrangement should be finalized prior to October 31, 2003.

Related Party Transactions

Plazacorp incurred \$1.23 million in management, leasing, acquisition and financing fees during the nine months ended July 31, 2003 payable to our property manager, Plaza Atlantic Ltd., a related party.

Outlook

As we have stated in the past, our efforts to increase occupancy, control operating expenses and manage the risk profile of the portfolio have continued to have a positive impact on the company. We are pleased with the progress we have made and as opportunities for growth become available we are well positioned to move forward.

Richard Hamm,

A handwritten signature in black ink, appearing to read "Richard Hamm", written over a horizontal line.

President and CEO
September 17, 2003

Plazacorp Retail Properties Ltd.
Consolidated Balance Sheet
As at July 31, 2003

NOTES

July 31,
2003
(unaudited)

October 31,
2002
(audited)

Assets

Income producing properties	5	\$	92,083,605	\$	98,521,458
Mortgage receivable			5,050,000		-
Cash and short-term investments			2,438,147		2,429,440
Accounts receivable			1,064,869		825,873
Note receivable			1,400,000		-
Prepaid expenses			1,720,523		1,579,449
Other assets			2,420,822		2,002,051
		\$	106,177,966	\$	105,358,271

Liabilities

Mortgages payable		\$	67,864,952	\$	69,000,696
Bonds and debentures payable			11,309,300		10,050,000
Notes payable			2,304,048		2,962,432
Bank indebtedness			92,440		239,680
Accounts payable and accrued liabilities			2,498,141		1,969,084
Dividend Payable			600,137		591,134
Income taxes payable			251,089		386,932
Future income taxes			2,975,574		2,610,431
			87,895,681		87,810,389

Minority interest in net assets

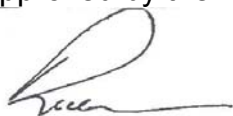
			365,754		561,099
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Shareholders' Equity

Equity component of convertible debt	7		2,240,700		-
Share capital	2		15,404,077		15,352,212
Retained earnings			271,754		1,634,571
			17,916,531		16,986,783
		\$	106,177,966	\$	105,358,271

See accompanying notes to the consolidated financial statements

Approved by the Board:



Richard Hamm
 Director



J. Paul Leger, C.A.
 Director

Plazacorp Retail Properties Ltd. Consolidated Statement of Income & Retained Earnings	Three Months Ended July 31, 2003	Three Months Ended July 31, 2002	Nine Months Ended July 31, 2003	Nine Months Ended July 31, 2002
Rental income	\$ 5,226,836	\$ 4,870,720	\$ 15,340,148	\$ 14,239,119
Operating expenses	<u>2,075,176</u>	<u>2,017,477</u>	<u>6,219,807</u>	<u>6,033,541</u>
Net operating income	<u>3,151,660</u>	<u>2,853,243</u>	<u>9,120,341</u>	<u>8,205,578</u>
Financing costs	<u>1,629,401</u>	<u>1,630,891</u>	<u>4,872,083</u>	<u>4,279,004</u>
Income from properties	<u>1,522,259</u>	<u>1,222,352</u>	<u>4,248,258</u>	<u>3,926,574</u>
Administrative expenses	<u>157,544</u>	<u>43,949</u>	<u>305,648</u>	<u>399,174</u>
Income before amortization & undernoted items	<u>1,364,715</u>	<u>1,178,403</u>	<u>3,942,610</u>	<u>3,527,400</u>
Non-recurring expenses	-	260,932	-	260,932
Amortization	<u>879,890</u>	<u>801,575</u>	<u>2,527,541</u>	<u>2,222,272</u>
Income before taxes & minority interest	<u>484,825</u>	<u>115,896</u>	<u>1,415,069</u>	<u>1,044,196</u>
Provision for income and capital taxes	<u>327,113</u>	<u>(7,447)</u>	<u>775,056</u>	<u>362,405</u>
Income before minority interest	<u>157,712</u>	<u>123,343</u>	<u>640,013</u>	<u>681,791</u>
Minority interest	<u>56,975</u>	<u>119,943</u>	<u>173,204</u>	<u>306,097</u>
Net income for the period	<u>100,737</u>	<u>3,400</u>	<u>466,809</u>	<u>375,694</u>
Retained earnings, beginning of period	<u>802,343</u>	<u>2,482,723</u>	<u>1,634,571</u>	<u>2,110,429</u>
Distribution from convertible debt	<u>31,189</u>	-	<u>31,189</u>	-
Dividends declared during the period	<u>600,137</u>	-	<u>1,798,437</u>	-
Retained earnings, end of period	<u>\$ 271,754</u>	<u>\$ 2,486,123</u>	<u>\$ 271,754</u>	<u>\$ 2,486,123</u>
Basic earnings per share	<u>\$ 0.003</u>	<u>\$ 0.000</u>	<u>\$ 0.016</u>	<u>\$ 0.013</u>
Weighted average number of shares outstanding	<u>29,983,731</u>	<u>29,644,796</u>	<u>29,892,559</u>	<u>29,164,116</u>
Fully diluted earnings per share (Note 2)	<u>\$ 0.003</u>	<u>\$ 0.000</u>	<u>\$ 0.015</u>	<u>\$ 0.013</u>
Fully diluted weighted average number of shares outstanding (Note 2)	<u>33,035,496</u>	<u>29,644,796</u>	<u>31,002,155</u>	<u>29,164,116</u>

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd. Consolidated Statement of Funds from Operations	Three Months ended July 31, 2003	Three Months ended July 31, 2002	Nine Months ended July 31, 2003	Nine Months ended July 31, 2002
Net income	\$ 100,737	\$ 3,400	\$ 466,809	\$ 375,694
Items not affecting cash				
Amortization	879,890	801,575	2,527,541	2,222,272
Gain on disposition of property	(95,951)	-	-	(197,153)
Minority interest in net earnings	56,975	119,943	173,204	306,097
Future income taxes	172,700	(213,889)	365,143	(5,754)
Funds from operations	<u>1,114,351</u>	<u>711,029</u>	<u>3,532,697</u>	<u>2,701,156</u>
Minority interest in funds from operations	183,051	261,138	536,730	658,693
Funds from operations after minority interest in funds from operations	<u>\$ 931,300</u>	<u>\$ 449,891</u>	<u>\$ 2,995,967</u>	<u>\$ 2,042,463</u>
Basic funds from operations per share	<u>\$ 0.031</u>	<u>\$ 0.015</u>	<u>\$ 0.100</u>	<u>\$ 0.070</u>
Weighted average number of shares outstanding	<u>29,983,731</u>	<u>29,644,796</u>	<u>29,892,559</u>	<u>29,164,116</u>
Fully diluted funds from operations per share (Note 2)	<u>\$ 0.029</u>	<u>\$ 0.015</u>	<u>\$ 0.097</u>	<u>\$ 0.070</u>
Fully diluted weighted average number of shares outstanding (Note 2)	<u>33,035,496</u>	<u>29,644,796</u>	<u>31,002,155</u>	<u>29,164,116</u>

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd. Consolidated Statement of Cash Flows	Three Months ended July 31, 2003	Three Months ended July 31, 2002	Nine Months ended July 31, 2003	Nine Months ended July 31, 2002
Cash obtained from (used for):				
Operating activities				
Funds from operations	\$ 1,114,351	\$ 711,029	\$ 3,532,697	\$ 2,701,156
Tenant inducements	(553,510)	(996,931)	(719,804)	(1,748,517)
Change in non-cash working capital	721,440	276,945	22,147	(3,593,268)
	<u>1,282,281</u>	<u>(8,957)</u>	<u>2,835,040</u>	<u>(2,640,629)</u>
Financing activities				
Bank indebtedness	(159,550)	7,000	(147,240)	(335,490)
Note receivable	(1,400,000)	-	(1,400,000)	-
Notes payable	(427,947)	(157,175)	(658,384)	(3,430,658)
Issue of common shares	38,286	-	51,865	-
Repurchase of common shares for cancellation	-	(22,600)	-	(139,910)
Distribution from convertible debt	(31,189)	-	(31,189)	-
Dividends paid to minority interests	(122,850)	-	(368,550)	-
Dividends paid to shareholders	(600,137)	-	(1,798,437)	-
Proceeds from bonds and debentures	3,500,000	-	3,500,000	5,000,000
Net proceeds from mortgage financing	199,279	-	225,073	9,709,807
Mortgage principal repayments	(703,187)	(311,266)	(1,360,817)	(1,411,697)
	<u>292,705</u>	<u>(484,041)</u>	<u>(1,987,679)</u>	<u>9,392,052</u>
Investing activities				
Net acquisition, development and redevelopment of properties	(1,192,154)	(206,572)	4,630,117	(4,239,662)
Increase in mortgage receivable	-	-	(5,050,000)	-
Increase in other assets	(156,716)	(275,666)	(418,771)	(750,283)
	<u>(1,348,870)</u>	<u>(482,238)</u>	<u>(838,654)</u>	<u>(4,989,945)</u>
Increase (decrease) in cash during the period				
	226,116	(975,236)	8,707	1,761,478
Cash, beginning of period	2,212,031	7,051,588	2,429,440	4,314,874
Cash, end of period	<u>\$ 2,438,147</u>	<u>\$ 6,076,352</u>	<u>\$ 2,438,147</u>	<u>\$ 6,076,352</u>

See accompanying notes to the consolidated financial statements

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, 2002.

2 Earnings Per Share and Share Capital

(a) Earnings and funds from operations per share are calculated based on the weighted average number of common shares outstanding during the reporting period. As at July 31, 2003, there were 30,006,864 common shares outstanding. For the three months ended July 31, 2003, per share amounts were calculated based on a weighted average of 29,983,731 common shares outstanding, and for the nine months ended July 31, 2003 the share amounts were calculated based on a weighted average of 29,892,559 common shares outstanding. In addition to common shares, the Company also has outstanding stock options and convertible debt, which, if exercised and converted, would have resulted in 33,035,496 weighted average common shares outstanding for the three months ended July 31, 2003, and 31,002,155 weighted average common shares outstanding for the nine months then ended.

(b) 8,350,518 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.

(c) 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.

A summary of the remaining common share options outstanding as at July 31, 2003 is as follows:

<u>Exercise Price</u>	<u># of Options</u>	<u>Expiry Date</u>	<u># of Options Exercisable</u>
\$0.75	376,667	August 3, 2006	109,667

These options vest in even tranches over the first, second, and third anniversaries of the grant date.

The weighted average fair value of all options was determined using the Black-Scholes model with the following assumptions: a 3.5-year expected life, an 18% expected volatility; no consideration of anticipated dividends; and a risk-free rate of return of 3.8%. Compensation adjustments totalling \$66,100 have been netted against administrative expenses for the nine months ended July 31, 2003.

3 Related Party Transactions

Plaza Atlantic Limited (the "Property Manager"), a private Corporation wholly owned by certain 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 nine months ended July 31, 2003 totalled \$1.23 million and were at or below competitive market rates.

4 Contingencies and Commitments

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

Entities	<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	\$ 684,355	\$ 115,645
Les Immeubles RSM (Inc.) – Staples Granby	1,788,270	894,135	894,135
Spring Park Plaza Inc.	1,308,884	1,112,551	196,333
SCA Plaza Inc.	1,350,000	742,500	607,500
Tacoma Limited Partnership	<u>5,157,236</u>	<u>515,723</u>	<u>4,641,513</u>
	\$10,404,390	\$3,949,264	\$6,455,126

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.

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

Year ended October 31,	
2003	\$ 556,087
2004	566,087
2005	566,701
2006	605,708
2007	<u>609,875</u>
Total	<u>\$2,904,458</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 July 31, 2003, \$450,000 of such letters-of-credit were issued and outstanding. 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 July 31, 2003, the Company was in compliance with these requirements.

5 Investment in Limited Partnerships and Trust

The Company has investments in limited partnerships and a trust that are not consolidated within these financial statements. As at July 31, 2003, these partnerships and trust had gross assets of \$50.2 million and gross liabilities of \$37.9 million. The company's direct equity investment in these entities was \$1.5 million as at July 31, 2003.

The Company has a maximum guarantee of up to \$5.8 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 disclosed in note 4 (a), as at July 31, 2003, approximately \$5.2 million of this financing had been drawn by the Partnership.

The Company has also 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 10% direct ownership position.

6 Comparative Amounts

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

7 Convertible Subordinated Debentures

On May 15, 2003 the Company completed a private placement of 9.5% Convertible Subordinated Debentures in the amount of \$3,500,000. These debentures mature April 30, 2008 and are redeemable after April 30, 2006 under certain circumstances. The debentures may be converted at the holders option into common shares of the Company at the rate \$1.00 of debenture per common share. At the company's option the debentures may be redeemed with its common shares at maturity.

The principal amount of this convertible debt instrument is reflected on the consolidated balance sheet as a combination of debt and equity. The debt portion (\$1.3 million at issue date) represents the present value of the interest stream over the five-year life of the debentures. The remainder (\$2.2 million at issue date) is reflected as equity. The equity amount will increase as the debentures near maturity. At maturity, the equity portion will be equal to the \$3.5 million principal amount. If the debt is converted to shares at maturity, the equity amount will be included in share capital.

For more information contact:

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