



PLAZACORP RETAIL
PROPERTIES LTD.

PLAZACORP RETAIL PROPERTIES LTD.

**MANAGEMENT DISCUSSION AND ANALYSIS
OF RESULTS OF
OPERATIONS AND FINANCIAL CONDITION
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED
APRIL 30, 2005**

DATED JUNE 22, 2005

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PART I

FORWARD-LOOKING DISCLAIMER

Management's discussion and analysis ("MD&A") of the consolidated financial position and the results of operations of Plazacorp Retail Properties Ltd. (hereinafter referred to as "Plazacorp" or the "Company") for the three months ended April 30, 2005 should be read in conjunction with the Company's consolidated financial statements and the notes thereto for the three months ended April 30, 2005, with the MD&A for the year ended October 31, 2004, including the section on "Risks and Uncertainties", and with the consolidated financial statements and the notes thereto for the year ended October 31, 2004. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information contained in this MD&A contains forward-looking statements, based on the Company's estimates and assumptions, which are subject to risks and uncertainties. This may cause the actual results and performance of the Company to differ materially from the forward looking statements contained in this MD&A. Such factors include, but are not limited to, economic and competitive real estate conditions.

These forward-looking statements are made as of June 22, 2005 and Plazacorp assumes no obligation to update or revise them to reflect new events or circumstances.

This Management Discussion and Analysis has been reviewed and approved by the Company and the Directors.

EXPLANATION OF NON-GAAP MEASURES USED IN THIS DOCUMENT

Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA") is not a Canadian Generally Accepted Accounting Principle (GAAP) financial measure and is presented as Management considers EBITDA to be one indicative measure of Plazacorp's operating performance. EBITDA should not be considered as an alternative to net income, cash flow from operations or any other operating or liquidity measure prescribed by GAAP. EBITDA as calculated by Plazacorp may not be comparable to similarly titled measures reported by other entities. Due to the significance of Plazacorp's real estate assets and the contractual nature of Plazacorp's revenues, it can be used to measure Plazacorp's ability to service debt, fund capital needs and expand the business.

Management uses EBITDA to compute two ratio's indicative of the financial strengths of the Company.

1. Interest Coverage Ratio is defined as the multiple by which EBITDA exceeds financing costs (interest plus amortization of financing costs).
2. Debt Service Coverage Ratio is defined as the multiple by which EBITDA exceeds the total of financing costs plus recurring monthly principal debt repayments.

Funds From Operations ("FFO") is an industry measure and its calculation is prescribed in publications of The Canadian Institute of Public and Private Real Estate Companies (CIPPREC) (now REAL PAC). Plazacorp as at the date of this report has not adopted the CIPPREC (REALPAC) white paper on FFO dated November 2004 and applicable to fiscal years beginning on or after January 1, 2005. Plazacorp is utilizing the FFO standard prior to November 1, 2004 to ensure consistency with prior quarterly reporting. FFO as defined below measures operating income from properties before amortization and after deduction of interest, financing costs, capital and current income taxes. FFO under guidelines prior to November 1, 2004 is then adjusted for non-cash operating items including accrued straight line rent, amortization of above and below market rent, intangible liabilities and assets to rental revenue, non-cash stock option compensation and accretion of debenture balances through non-cash financing costs. FFO as calculated by Plazacorp may not be comparable to similar titled measures reported by other entities. FFO is not a Canadian Generally Accepted Accounting Principle (GAAP) financial measure and is presented as Management considers FFO to be one indicative measure of Plazacorp's cash generating ability after providing for operating requirements.

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The Company owns interests in 52 properties including land held for development directly and through subsidiaries and joint ventures as follows:

Property/ Project	Location	Total Leasable Area (sq. ft.)	Ownership Interest (%)	Ownership (sq.ft.)	Occupancy as at 30-Apr-05	Notes
<u>Strip Plaza</u>						
Plaza Hotel de Ville	Rivière-du-Loup, QC	20,479	100%	20,479	84.4%	
Plaza Super C	Shawinigan, QC	129,923	100%	129,923	100.0%	
Les Promenades St. Francois	Laval , QC	54,780	50%	27,390	100.0%	
Plaza Theriault	Rivière-du-Loup, QC	25,780	100%	25,780	100.0%	1
Terrace Dufferin	Valleyfield, QC	17,567	50%	8,784	100.0%	
Carrefour des Seigneurs	Terrebonne, QC	34,153	25%	8,538	87.3%	
Exhibition Plaza	Saint John, NB	74,800	55%	41,140	96.8%	1
Nashwaaksis Plaza	Fredericton, NB,	56,245	100%	56,245	100.0%	
Wedgewood Plaza	Riverview, NB	12,768	100%	12,768	100.0%	
FHS Plaza	Fredericton, NB	24,366	100%	24,366	100.0%	
Lansdowne Place	Saint John, NB	203,959	50%	101,980	95.5%	2
McAllister Drive Plaza	Saint John, NB	19,275	55%	10,601	100.0%	1
SCA Plaza	Saint John, NB	17,430	55%	9,587	100.0%	1
Empire Plaza	Fredericton, NB	13,743	100%	13,743	100.0%	1
Connell Road Plaza	Woodstock, NB	19,560	100%	19,560	100.0%	
Boulevard Plaza	Moncton, NB	82,802	100%	82,802	100.0%	1
Main Place	Fredericton, NB	31,247	100%	31,247	100.0%	1
Staples Plaza	Dartmouth, NS	156,817	50%	78,409	96.1%	
Staples Plaza	New Glasgow, NS	33,753	100%	33,753	100.0%	1
Tacoma Centre	Dartmouth, NS	156,498	100%	156,498	100.0%	
Commercial St. Plaza	New Minas, NS	15,332	100%	15,332	100.0%	
V-8 Plaza	New Glasgow, NS	13,400	100%	13,400	100.0%	1
209 Chain Lake Drive	Halifax, NS	85,453	50%	42,727	100.0%	
201 Chain Lake Drive	Halifax, NS	118,498	50%	59,249	91.5%	
Welton Street Plaza	Sydney, NS	20,975	100%	20,975	100.0%	1
University Plaza	Charlottetown, PEI	62,046	43%	26,680	100.0%	
Belvedere Plaza	Charlottetown, PEI	77,266	60%	46,360	100.0%	
Granville Street Plaza	Summerside, PEI	67,916	60%	40,750	97.6%	
Spring Park Plaza	Charlottetown, PEI	51,386	85%	43,678	90.4%	
Sub-total		1,698,217		1,202,744	97.5%	
<u>Enclosed Malls</u>						
Les Galeries Montmagny	West Tache, Montmagny, QC	134,171	50%	67,086	97.7%	
Grand Falls Shopping Mall	Grand Falls, NB	149,620	100%	149,620	95.7%	
Gateway Mall	Sussex, NB	142,102	25%	35,526	97.1%	
Oromocto Mall	Oromocto, NB	82,803	100%	82,803	100.0%	2
Tri County Mall	Yarmouth, NS	56,019	100%	56,019	84.7%	2
Sub-total		564,715		391,054	96.1%	
<u>Single Use</u>						
Bureau en Gros	Granby, QC	25,695	50%	12,848	100.0%	
Bureau en Gros	Rimouski QC	25,771	50%	12,886	100.0%	
681 Mountain Road	Moncton, NB	18,890	100%	18,890	100.0%	
Business Depot	Saint John, NB	25,293	100%	25,293	100.0%	1
Sub-total		95,649		69,916	100.0%	

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Property/ Project	Location	Total Leasable Area (sq. ft.)	Ownership Interest (%)	Ownership (sq.ft.)	Occupancy as at 30-Apr-05	Anticipated Change To Income Producing Status
<u>Projects Under Development</u>						
Madawaska Road Plaza	Grand Falls, NB	10,400	100%	10,400	100.0%	Q3 05
Major Brook Drive	Saint John, NB	40,918	100%	40,918	68.2%	Q1 06
301 Main St. Plaza	Antigonish, NS	21,463	100%	21,463	75.6%	Q4 05
Champlain Plaza	Dieppe, NB	48,308	100%	48,308	59.9%	Q1 06
Miramichi Power Center	Miramichi, NB	38,360	100%	38,360	81.6%	Q2 06
Tacoma Valley Field	Dartmouth, NS	29,654	100%	29,654	57.4%	Q4 05
912 East River Road Plaza	New Glasgow, NS	17,036	100%	17,036	100.0%	Q4 05
Sub-total		206,139		206,139	72.2%	
Total Excluding Non-Consolidated Trusts and Partnerships		2,572,232		1,877,085	95.3%	
<u>Non-Consolidated Trust and Partnerships</u>						
Marche De L'Ouest	Dollard des Ormeaux, QC	122,778	20%	24,556	89.2%	
Place Du Marche	Dollard des Ormeaux, QC	35,264	10%	3,526	97.5%	
Les Promenades du Cuivre	Rouyn-Noranda, QC	124,442	10%	12,444	91.7%	
Centennial Plaza	Dollard-des-Ormeaux, QC	154,522	10%	15,452	97.2%	
Northwest Centre	Moncton, NB	176,831	10%	17,683	99.0%	
Sub-total		613,837		73,662	94.6%	
Grand Total		3,178,557		1,943,515	95.2%	

Note: 1. Interest held subject to a ground lease.
2. Properties under partial re-development

Subsequent to April 30, 2005, Plazacorp has purchased a 15% ownership interest in Trois Riviere Plaza located in Trois Riviere, Quebec. This 80,000 square foot plaza is currently under re-development.

The Company has also purchased lands located on St. Peter's Road in Bathurst, New Brunswick for the proposed development of a 25,000 square foot strip plaza.

OVERVIEW OF BUSINESS

Plazacorp was incorporated on February 2, 1999 and commenced trading on the Alberta Stock Exchange (PLZ) on July 30, 1999. Plazacorp currently trades on the TSX Venture Exchange.

Headquartered in Fredericton, New Brunswick, Plazacorp acquires, develops and redevelops retail real estate throughout Quebec and Atlantic Canada. The Company's portfolio as at June 22 2005 currently includes interests in 52 properties totaling 3.27 million square feet (ft²) and one parcel of land held for development. These include properties directly held by Plazacorp as well as investments in joint ventures. Acquisitions and developments completed subsequent to April 30, 2005 are detailed in the consolidated financial statements in Note 19 Subsequent Events. The Company develops, redevelops, or purchases retail properties for lease to tenants in Quebec and Atlantic Canada. The retail asset types the Company operates are:

- Multi tenant retail strip plazas;
- Enclosed community shopping malls;
- Single use retail buildings.

On December 11, 2002 after receipt of shareholder and regulatory approval, Plazacorp filed articles of amendment to convert to a mutual fund corporation.

STRATEGY

Plazacorp's principal goal is to deliver a reliable and growing yield to shareholders from a balanced portfolio of retail properties.

In order to remain successful, the Company must:

- maintain access to cost effective sources of debt and equity capital to finance acquisitions;
- acquire properties at a price consistent with the Company's targeted returns on investment of 11% to 12% on unleveraged returns and greater than 16% on a leveraged return basis after redevelopment or re-tenanting;
- maintain high occupancy rates on existing properties while sourcing tenants for current and future acquisitions; and
- diligently manage costs and maintain quality of the properties.

The Company uses a diversified investment strategy that includes the following acquisition types:

- strategic financial investments in existing properties that will provide stable recurring cash flows with opportunity for growth;
- development of new properties on behalf of existing clients or in response to demand as established by pre-leasing a major portion of proposed space; and
- redevelopment of well located but significantly depreciated shopping malls and strip plazas.

The Board of Directors approves all Plazacorp acquisitions with a view toward accepting only those that fit the portfolio at a favourable rate of return.

Management intends to achieve Plazacorp's goals by:

- acquiring high-quality properties with the potential for increases in future cash flow;
- focusing on property leasing, operations and delivering superior service to tenants;
- managing properties to maintain high occupancies;
- increasing rental rates when market conditions permit;
- managing debt to obtain both an efficient cost and a staggered debt maturity profile to reduce financing costs;
- raising capital where required in the most cost effective/value creating manner for our shareholders; and
- periodically review the portfolio to determine if opportunities exist to redeploy unrealized equity in slow growth properties into higher growth activities. The Company has no current plans to dispose of properties.

BUSINESS ENVIRONMENT

To date in 2005 and throughout 2004, leasing markets and investment markets generally were healthy. Retail occupancies and rents have remained stable due to the strength of consumer spending. Management anticipates that occupancies and rents will remain healthy throughout the balance of 2005 barring an economic downturn.

We have witnessed low inflation to date in 2005 and throughout 2004 combined with a low cost of debt environment, in comparison to recent history, which has permitted Plazacorp to place its debt at favourable rates and terms on the assets that were positioned to be permanently financed. The low interest rate environment has also resulted in a more competitive acquisition environment, resulting in higher asking prices for quality real estate product with corresponding lower initial returns on investments. Plazacorp remains committed to its disciplined purchase strategy in this environment.

KEY PERFORMANCE DRIVERS & INDICATORS

There are numerous factors, many beyond Management's control, that affect Plazacorp's ability to achieve its goals. These key performance drivers are divided into internal and external factors.

Management believes that the key internal performance drivers are:

- Increasing occupancies;
- Increasing rental rates;
- Improving tenant service which should lead to higher tenant retention; and
- Maintaining a competitive occupancy cost structure to keep gross rental rates competitive.

Management believes that the key external performance drivers are:

- The availability of new property acquisitions which fit into Plazacorp's portfolio;
- The availability of equity and debt capital at a reasonable cost; and
- The desire of retailers to expand capacity and open in new markets.

The key performance indicators by which Management measures Plazacorp's performance are as follows:

- Funds from operations (FFO);
- Earnings before interest, taxes, depreciation and amortization (EBITDA);
- Debt service ratios which indicate the Company's ability to service debt;
- Occupancy;
- "Same-asset" net property operating income, revenue and expense; and
- Weighted average cost of debt and debt maturity pattern.

Management believes that its key performance measures allow it to track progress towards the achievement of Plazacorp's primary goal of providing a steady and increasing cash flow to our shareholders.

PART II

PERFORMANCE SUMMARY

Year to date in 2005 has been a very active period for Plazacorp. The Company is in a development period and expects activities commenced this year and in 2004 to increase its income producing assets significantly over the next year.

The key performance indicators discussed throughout the MD&A and summarized below address how Management measures performance and progress, and how shareholders realize the benefits. For a detailed explanation of the key performance indicators please refer to the appropriate section in this MD&A.

KEY PERFORMANCE INDICATORS SUMMARY

- **FUNDS FROM OPERATIONS (FFO)**
 - ⇒ Unchanged year to date at 6.8¢ per share compared to the same period in 2004 and down slightly by 0.01¢ for the second quarter compared to 2004.
- **EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)**
 - ⇒ Increase of 2% compared to same period last year and increased 8% year to date over 2004.
- **DEBT SERVICE RATIOS – EXCLUDING IMPACT OF CONVERTIBLE DEBENTURES**
 - ⇒ Interest Coverage Ratio – increase of 0.3 times over 2004.
 - ⇒ Debt Service Coverage Ratio – increase of 0.1 times over 2004.
- **OCCUPANCY**
 - ⇒ Increase year-over-year in strip plazas by 4.1%.
 - ⇒ Increase in enclosed malls of 0.3%.
 - ⇒ Single use properties unchanged at 100% occupancy.
 - ⇒ Overall occupancy at 95.3% excluding non-consolidated trusts and partnerships.
- **SAME-ASSET NET PROPERTY OPERATING INCOME**
 - ⇒ Increased 3% for the three months ended April 30, 2005 and 4% year to date over 2004.
- **WEIGHTED AVERAGE COST OF DEBT**
 - ⇒ Decrease in the weighted average cost of debt for long-term mortgage debt of 34 basis points over the same period in 2004.

OUTLOOK

The primary benefit to Shareholders of the Company's performance is a reliable and, over time, increasing dividend. Dividends to shareholders have increased from 8¢ per share in 2003 to 9¢ per share in 2004. For 2005, the Company has increased dividend distributions to 10.5¢ per share beginning February 15, 2005.

Performance to date has demonstrated the strength of current strategies and operating capabilities and, barring any unforeseen events, Management is confident of delivering solid performance in 2005, as well as a significant increase to the size of the portfolio.

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SUMMARY OF FUNDS FROM OPERATION (“FFO”)

Plazacorp’s Summary of FFO for the current period in comparison to previous reporting period is presented below:

(000's) - Except per share amounts For the Periods then Ended	3 months April 30, 2005	6 months April 30, 2005	3 months April 30, 2004	6 months April 30, 2004
Total revenue	\$ <u>6,687</u>	\$ <u>13,237</u>	\$ <u>5,941</u>	\$ <u>11,699</u>
Basic earnings (loss) per share (EPS)	(0.002)	(0.003)	0.079	0.079
Diluted earnings (loss) per Share	(0.002)	(0.003)	0.067	0.071
Net income (loss)	\$ (88)	\$ (111)	\$ 2,492	\$ 2,506
Gain on sale of property	-	-	(2,544)	(2,544)
Provision for income taxes	(42)	100	(16)	46
Amortization	1,562	3,004	1,359	2,593
Non-controlling interest	36	93	73	109
Financing costs	1,910	4,022	1,954	3,837
Earnings before interest, taxes depreciation and amortization (EBITDA)	\$ 3,378	\$ 7,108	\$ 3,318	\$ 6,547
Less:				
Financing costs	(1,910)	(4,022)	(1,954)	(3,837)
Current income taxes	(38)	(75)	(25)	(75)
Straight-lined rent	(87)	(186)	(93)	(93)
Amortization above & below market tenant leases	(48)	(107)	(33)	(53)
Equity component of debenture interest	32	65	18	32
Non-controlling interest in FFO	(200)	(441)	(189)	(363)
Basic funds from operations (FFO)	\$ 1,127	\$ 2,342	\$ 1,042	\$ 2,158
Debenture interest paid	324	661	197	356
Diluted FFO	\$ 1,451	\$ 3,003	\$ 1,239	\$ 2,514
Basic weighted average shares outstanding	<u>35,350</u>	<u>34,454</u>	<u>31,581</u>	<u>31,626</u>
Basic FFO per share	\$ 0.032	\$ 0.068	\$ 0.033	\$ 0.068
Diluted shares outstanding per consolidated financial statements (note 12c)	35,495	34,598	39,360	38,669
Diluted effect of excluded convertible debentures	<u>10,283</u>	<u>10,284</u>	-	-
Total diluted shares outstanding	<u>45,778</u>	<u>44,882</u>	<u>39,360</u>	<u>38,669</u>
Diluted FFO per share	\$ 0.032	\$ 0.067	\$ 0.031	\$ 0.065

Certain comparative figures have been reclassified to conform to the presentation for the current year including the effect of a change in accounting policy related to convertible debentures which increases interest expense, decreases income tax payable and decreases the equity component charged to retained earnings net of tax for the periods ended April 30, 2004 (see note 2-c to the consolidated financial statements for April 30, 2005).

Diluted FFO includes the impact of convertible debentures not dilutive to net income but dilutive to FFO (see note 12c of the consolidated financial statements April 30, 2005).

NOTES TO SUMMARY OF FUNDS FROM OPERATION (“FFO”) TABLE

Over the last two years total assets of Plazacorp have increased considerably due to new property acquisitions and development activities. Accordingly, gross revenues, earnings before interest, taxes, depreciation and amortization (EBITDA) and funds from operations (FFO) are all reflective of an increasing income-producing asset base.

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➤ **KEY PERFORMANCE INDICATOR**

Basic funds from operation were up 9% overall and on a per share basis were unchanged year-to-date at 6.8¢ per share compared to the same period in 2004 (\$0.067 diluted versus \$0.065 for 2004). For the three months ended April 30, 2005 FFO was up 8% overall and on a per share basis was 3.2¢ per share (3.2¢ diluted) compared to 3.3¢ per share (3.1¢ diluted) for the corresponding quarter in 2004.

The Company has significant funds invested in the equity of projects under development or significant re-development. In addition to new developments Tri-County Mall, Lansdowne Place, Oromocto Mall and 201 Chain Lake Drive were in re-development programs during the quarter. Funds invested in re-development of these assets do not generate earnings in the quarter. As well, during the six months ended new mortgage bond funds from the February 28, 2005 issue were used to repay short-term debt resulting in a net increase in financing costs. \$2.9 million of mortgage bonds were also held in cash to fund acquisition and development costs and did not contribute to FFO in the period.

Administrative costs were higher compared to prior periods due to accounting, auditing and staffing costs which are expected to remain higher for the balance of the year. Certain winter related costs such as snow removal were not fully recoverable in the quarter or year to date due to fixed common cost recovery rates.

These factors produce a current period FFO consistent with management's expectations for the Company during a development period. Increases in funds from operations, as assets under development become income producing, are expected to occur over the next twelve months.

➤ **KEY PERFORMANCE INDICATOR**

During the periods ended April 30, 2005 and 2004 Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and associated liquidity measures were as follows:

(000's) As at April 30,	2005		2004	
	Three Months	Six Months	Three Months	Six Months
Earnings before interest, depreciation and amortization (EBITDA)	\$ 3,378	\$ 7,108	\$ 3,318	\$ 6,547
Interest related to debenture accretion	\$ 32	\$ 65	\$ 18	\$ 32
Debenture interest paid	324	661	197	356
Total debenture interest	356	726	215	388
Financing cost - excluding debenture interest	1,554	3,295	1,739	3,459
Total financing costs	1,910	4,021	1,954	3,847
Periodic mortgage principal repayments	457	843	375	717
Total annual debt service	\$ 2,367	\$ 4,864	\$ 2,329	\$ 4,564
Including Impact of Convertible Debentures				
Interest coverage ratio	1.8 times	1.8 times	1.7 times	1.7 times
Debt service coverage ratio	1.4 times	1.5 times	1.4 times	1.4 times
Excluding Impact of Convertible Debentures				
Interest coverage ratio	2.2 times	2.2 times	1.9 times	1.9 times
Debt service coverage ratio	1.7 times	1.7 times	1.6 times	1.6 times

Certain comparative figures have been reclassified to conform to the presentation for the current year including the effect of a change in accounting policy related to convertible debentures which increases interest expense, decreases income tax payable and decreases the equity component charged to retained earnings net of tax for the period ended April 30, 2004 (see note 2-c to the consolidated financial statements for April 30, 2005)

Management views these indicators as acceptable and indicative of the continued ability to adequately service the Company's debt.

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CORPORATE PERFORMANCE 2005 AND 2004

Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the 6 months ended April 30, 2005 and for the entire 12 months ended October 31, 2004 where such assets had no significant new development or construction occurring during these periods.

For the three months ended April 30,	2005	2004	Change	
	(000's)	(000's)	(000's)	%
Same asset rental revenue	\$ 5,081	\$ 5,008	\$ 73	1%
Excluded assets rental revenue	1,606	933	673	72%
Total rental revenue	6,687	5,941	746	13%
Same asset operating expenses	1,307	1,378	(71)	-5%
Same asset realty taxes	917	856	61	7%
Excluded assets operating expenses	520	318	202	64%
Excluded assets realty taxes	348	147	201	137%
Total expenses	3,092	2,699	393	15%
Net same asset property operating income	\$ 2,857	\$ 2,774	\$ 83	3%
Property operating income	\$ 3,595	\$ 3,242	\$ 353	11%

Six months ended April 30,	2005	2004	Change	
	(000's)	(000's)	(000's)	%
Same asset rental revenue	\$ 9,787	\$ 9,536	\$ 251	3%
Excluded assets rental revenue	3,450	2,163	1,287	60%
Total rental revenue	13,237	11,699	1,538	13%
Same asset operating expenses	2,489	2,541	(52)	-2%
Same asset realty taxes	1,683	1,585	98	6%
Excluded assets operating expenses	959	766	193	25%
Excluded assets realty taxes	664	415	249	60%
Total Expenses	5,795	5,307	488	9%
Net same asset property operating income	\$ 5,615	\$ 5,410	\$ 205	4%
Property operating income	\$ 7,442	\$ 6,392	\$ 1,050	16%

Rental revenues for the three months ended April 30, 2005 has increased from \$5.94 million to \$6.69 million representing a 13% increase over the same period last year, largely as the result of asset growth from 41 properties to 50 properties at the end of the period. Year to date rental revenue has increased 13% from \$11.70 million to \$13.24 million. Straight-lined rents, together with the amortization of above and below market rents, have contributed to a net increase in rental revenue of \$135 thousand during the three months ended April 30, 2005.

Same asset rental revenue has increased 1% over last year to \$5.08 million for the three months ended April 30, 2005 in comparison to \$5.01 million for the same period last year.

Total property operating expenses increased 15% to \$3.09 million for the three months ended April 30, 2005 compared to \$2.70 million for the same period last year due primarily to asset growth. For the same asset class, property operating expenses decreased to \$1.31 million compared to \$1.38 million for the same period last year, as a result of several minor factors. Significant portions of the Company's leases have common costs recoveries linked to the consumer price index. As a result, certain seasonal costs, such as snow removal, are not offset by cost recoveries in the first half of the fiscal year.

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For the same asset class, realty tax expense increased 7% to \$917 thousand for the three months ended April 30, 2005 from \$856 thousand for the same period last year largely due to revised assessments on completed developments. Virtually all tax increases are recoverable from tenants through net leases.

Net property operating income for same assets increased by \$83 thousand or 3% for the three months ended April 30, 2005 compared to the same period last year. The increase was due to general increases on existing leases and occupancy increases throughout 2005, as well as straight-lined rents which accounted for \$39 thousand or 47% of this increase.

INVESTMENT INCOME

Investment income for the three months ended April 30, 2005 has decreased to \$187 thousand from \$270 thousand for the same quarter of 2004 and decreased \$133 thousand year to date. This partially relates to the repayment of mortgage bonds by Plazacorp LPC Commercial Trust and use of the funds on property holdings where results are consolidated and interest earned is offset against interest expense. Income from consolidated trusts and partnerships are within expectations.

ADMINISTRATIVE EXPENSES

Administrative expenses were \$277 thousand for the three months ended April 30, 2005 and year to date were \$517 thousand compared to \$109 thousand and \$228 thousand respectfully for the comparable period. This increase is attributed to increases in audit, accounting, and legal fees partly due to changes in disclosure requirements, and increased staffing costs. Given the continuously changing disclosure and reporting requirements applicable to public entities like Plazacorp, it is reasonable to conclude that general and administrative costs will escalate by rates exceeding general inflation.

AMORTIZATION

During the three months ended April 30, 2005 amortization expense increased \$203 thousand compared to the same period in 2004 and \$411 thousand year to date as follows:

(000's)	Three Months 2005	Three Months 2004	Change	Six Months 2005	Six Months 2004	Change
As at April 30,						
Same-asset amortization	\$ 1,135	\$ 1,057	\$ 78	\$ 2,074	\$ 1,930	\$ 144
Acquisitions and exclusions	427	302	125	930	663	267
Total amortization	\$ 1,562	\$ 1,359	\$ 203	\$ 3,004	\$ 2,593	\$ 411

Amortization will continue at high levels for the foreseeable future until significant tenant lease expirations occur and the resulting tenant acquisition costs are fully amortized.

Capital Taxes

The Company records capital taxes at the statutory rates on the net equity base of the Company after exemptions. For the three months ended April 30, 2005 the Company and it subsidiaries recorded \$127 thousand in capital taxes compared to \$85 thousand at April 30, 2004 (\$237 thousand compared to \$170 thousand year to date April 30). Capital taxes are a point-in-time calculation based on year-end balances. Additions to assets attract capital tax at full annual rates regardless of when an asset is purchased and significant fluctuations in this expense may occur from time to time.

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Income Tax Expense

The Company records income taxes based on its estimate for the taxes for the full fiscal year and the impact of temporary differences between accounting and taxable income during the year. The financial statements include the future income taxes payable by consolidated subsidiaries. All current income taxes were those of subsidiaries. The income taxes were:

As at April 30, (000's)	2005		2004	
	Three Months	Six Months	Three Months	Six Months
Current taxes	\$ 38	\$ 75	\$ 25	\$ 75
Future taxes	(80)	25	(41)	(29)
Total	\$ (42)	\$ 100	\$ (16)	\$ 46

As a mutual fund corporation, the Company does not provide for current taxes on realized capital gains.

Cash Flow – Operating Activities

Tenant acquisition costs detailed in operating activities include:

As at April 30, (000's)	Three Months	Six Months
Tenant acquisition cost for income producing properties	\$ 2,745	\$ 3,094
Tenant acquisition costs for properties under development	295	470
Total	\$ 3,040	\$ 3,564

SUMMARY OF ANNUAL INFORMATION

Plazacorp's Summary of Selected Annual Information for the prior three completed fiscal years is presented below:

(\$000's except per share amounts)	2004	2003	2002
Total revenue	\$ 25,253	\$ 20,779	\$ 19,600
Net income for the period	2,437	732	399
Net income per share – basic	0.077	0.024	0.014
Diluted net income per share	0.075	0.023	0.014
Dividends paid	2,737	2,388	591
Dividends per share	0.09	0.08	0.02
Weighted average shares outstanding	31,702	29,928	29,265
Assets	137,885	114,995	105,358
Mortgages payable	82,651	74,036	69,001
Bonds and debentures payable	22,350	13,420	10,050
Notes payable	2,053	3,541	2,962
Bank indebtedness	\$ 69	\$ 405	\$ 240

Certain comparative figures have been restated to conform to the presentation for the current year including the effect of a change in accounting policy related to convertible debentures and the reallocation of asset purchase price on business combinations (for full information on restatements see note 2 to the consolidated financial statements for April 30, 2005 and note 2-1 to the consolidated October 31, 2004 financial statements).

NOTES TO SUMMARY OF YEARLY RESULTS TABLE

The real estate assets of the Company have grown from 24 properties at November 1, 2001 to 50 properties at April 30, 2005.

The summary of yearly results is influenced by significant development and re-development activity over the last three years.

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The yearly information highlights the increasing total assets over the three years and the corresponding increases in assets and revenues and is reflective of the timing of acquisition, development, redevelopment, and expenditures. Similarly, mortgage and bank debt reflects financing activities relating to both asset additions and ongoing financing activities for the existing portfolio.

PART III

SUMMARY OF QUARTERLY INFORMATION

July 1, 2003 to April 30, 2005

(\$000's except per Share and Other Data)

	Q2'05	Q1'05	Q4'04	Q3'04	Q2'04	Q1'04	Q4'03	Q3'03
Total revenue	\$ 6,874	\$ 6,782	\$ 6,830	\$ 6,172	\$ 6,211	\$ 6,041	\$ 5,534	\$ 5,130
Net income (loss) for the period	(88)	(23)	(7)	(62)	2,492	14	296	70
Basic earning per share								
EPS	(0.002)	(0.001)	(0.000)	(0.002)	0.079	0.000	0.010	0.002
Diluted earnings per Share	(0.002)	(0.001)	0.001	0.002	0.067	0.003	0.010	0.003
Dividends paid	919	726	715	711	710	601	600	599
Dividends per share	0.0274	0.0227	0.0225	0.0225	0.0225	0.0200	0.0200	0.0200
Weighted average shares outstanding	35,350	33,588	31,965	31,786	31,581	31,458	30,028	29,984
Total assets	150,407	139,058	137,885	138,115	133,217	122,681	114,995	106,178
Mortgages payable	90,251	88,343	82,651	84,293	83,315	78,787	74,036	67,865
Bonds and debentures payable	26,667	19,620	22,350	22,650	18,245	18,228	13,420	13,420
Notes payable	1,930	1,810	2,053	1,935	1,957	2,033	3,541	2,304
Bank indebtedness	-	13	69	223	-	-	405	92

Certain comparative figures have been restated to conform to the presentation for the current year including the effect of a change in accounting policy related to convertible debentures and the reallocation of asset purchase price on business combinations (for full information on restatements see note 2-1 to the consolidated financial statements for October 31, 2004).

NOTES TO SUMMARY OF QUARTERLY RESULTS TABLE

Commercial real estate operations are generally not materially influenced by seasonal variations, except where leases have fixed cost recovery formulas preventing full offsetting of common costs by recovery revenue in a given period, but are impacted by economic events and cycles (local, national and international), which influences the demand for space. Factors such as consumer spending, or employment growth, are examples of events which will impact commercial real estate.

The summary of quarterly results reflects activities occurring in the periods together with seasonal variation caused by the fixed common cost recovery patterns and changes due to the timing of development and acquisition activity.

The quarterly information highlights the increasing total assets and gross revenues over the eight quarters and is reflective of the timing of acquisition, development, redevelopment, and expenditures. Similarly, mortgage and bank debt reflects financing activities relating to both asset additions and ongoing financing activities for the existing portfolio.

PART IV

LIQUIDITY AND FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Cash flow generated from operating the portfolio represents the primary source of liquidity to service debt including recurring monthly amortization of mortgage debt, to fund operating, leasing and property tax costs and to fund dividends. Development activity costs are funded by a combination of debt, equity and cash flow.

Cash flow from operations is dependent upon occupancy levels of properties owned, rental rates achieved, collectability of rent, efficiencies built into leases and efficiencies in operations as well as other factors.

Plazacorp's cash distribution policy reflects repayment of recurring mortgage amortization from FFO. Accordingly, Plazacorp attempts to reduce the overall debt level on existing properties year-over-year in order to strengthen the balance sheet and enhance the underlying value of existing shares, rather than incur new debt or raise equity in the form of share capital to cover recurring monthly mortgage principle payments. The Company has announced a 2005 dividend policy of 10.5¢ per share. The Company maintains cash flows from properties after debt repayment to ensure sufficient funds are available to pay these anticipated dividends.

WORKING CAPITAL

Rents form a recurring monthly source of funds which exceeds the operating and debt service costs for the assets. Liquidity is a concern only as it relates to funding of investments and acquisitions.

AVAILABILITY OF BANK AND MORTGAGE FINANCING

The Company has a acquisition and development facility with a Canadian Chartered bank for \$20.0 million to fund acquisition development projects with a limit of \$7.5 million per asset funded. The interest rate on funds drawn is prime + $\frac{5}{8}$ %. Standby fees are charged on the unused portion of available funding. Funding is secured by first mortgage charges on properties funded under the facility from time to time.

At April 30, 2005, the Company had not drawn any funds under the facility. The remaining facility may be drawn subject to standard lending terms. Subsequent to April 30, 2005 and up to June 22, 2005, the Company had drawn \$1.94 million in additional funds under the line.

The Company also has a \$0.5 million letter of credit facility with a Canadian Chartered bank of which \$0.3 million has been drawn. This line is secured by Personal Property Security Act (PPSA) charges in three provinces. A Plazacorp subsidiary has an unsecured bank facility in the amount of \$150 thousand on which no funds were drawn as at April 30, 2005.

The Company has a \$2.8 million operating line of credit facility with a Canadian chartered bank at the rate of prime + $\frac{3}{4}$ %. This line had not been drawn as at April 30, 2005 and is secured by mortgage charges on Plaza Hotel de Ville, Riviere du Loup, Quebec and the Staples Building, Saint John, New Brunswick.

These credit facilities require the Company to maintain certain balance sheet equity accounts including convertible debentures at predetermined levels and to maintain debt service ratios based on EBITDA in excess of fixed thresholds. As of April 30, 2005, these ratios have been maintained and management is confident the ratios will be maintained for the foreseeable future.

The current market for obtaining mortgage financing for the Company's properties is favourable with many sources of real estate debt financing available. As at June 22, 2005, the Company had successfully negotiated financing on all long-term mortgage debt maturing during the fiscal year ending October 31, 2005. Management is confident that all short-term financing will be renewed or converted to long-term debt at maturity on favourable terms.

EQUITY AND DEBT ACTIVITIES IN 2005

On February 28, 2005 the Company closed a \$7.5 million tranche of \$10.0 million in 8.5% mortgage bonds due March 31, 2010. These bonds may be used to fund the company's acquisitions and development activities up to 90% of cost. When deployed the funds are secured by first or second mortgage charges on Company assets. The Company closed a second \$2.5 million tranche of these bonds on June 16, 2005, and on June 20, 2005 redeemed \$2.525 million of the Series I 12% mortgage bonds.

During the period \$150 thousand of Series I convertible debentures and \$350 thousand of the Series II convertible debentures were converted to share capital.

On June 7, 2005 the Company announced an offering for up to \$8 million of 8% subordinate debentures maturing in July 2010. The anticipated closing date for this offering is June 30, 2005.

MORTGAGE BOND USAGE

The mortgage bond funds were deployed to fund Company properties as at April 30, 2005 as detailed in note 8 to the April 30, 2005 consolidated financial statements with any non-deployed funds held in segregated cash accounts.

DEBT REPAYMENT

The Company's strategy going forward will be to balance maturities and terms on new fixed debt with existing debt maturities to minimize exposure in any one year and to reduce overall interest costs. Maintaining the average cost of debt will be dependent on capital market conditions at the time of refinancing.

All long-term debt maturing during 2005 has been replaced by long-term mortgages on terms deemed favourable by the Company.

The Company's use of floating rate debt has been limited to assets under development or redevelopment. The Company fixes debt rates and repayment terms as soon as it is practical based on capital market conditions. Fixed rate debt represents 98.9% of total mortgage debt.

At April 30, 2005 and 2004, the Company's weighted average cost of debt was as follows:

	April 30, 2005	April 30, 2004	Change
Long-term mortgage debt	7.01%	7.35%	-0.34%
Variable rate debt	5.00%	4.50%	0.50%
Other fixed rate debt	9.49%	7.75%	1.74%
Bank operating facilities	5.00%	4.75%	0.25%

- (1) Long-term mortgage debt includes loans with fixed principal repayments and excludes interest only debt, interim variable rate debt, mezzanine debt and vendor take back loans without periodic principle repayments.
- (2) As at April 30, 2004 the Company had no variable rate debt outstanding.
- (3) As at April 30, 2005 the Company had no bank operating facilities with variable rate debt outstanding.
- (4) Other fixed rate debt includes second mortgage debt and vendor take back loans without periodic principle repayments.

➤ KEY PERFORMANCE INDICATOR

The weighted average cost of long-term mortgage debt decreased to 7.01% for the period ended April 30, 2005 from 7.35% for the same period in 2004, and the weighted average term to maturity for the permanent long-term mortgages increased to 7.29 years from 6.9 years in April 2004, as new long term debt was placed on new developments and existing properties that were in a position for financing. Management expects the average cost of debt to remain stable for the foreseeable future. The average remaining amortization or repayment period on long-term mortgage debt is 21.2 years.

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Part of Plazacorp's debt strategy involves having a sufficient amount of mortgage debt maturing each year such that Management is in position to refinance or attempt to upward refinance the principal amount of such maturing debt so as to fund additional acquisitions. Current market parameters for conventional mortgage debt are in the range of 65% - 75% of the appraised market value of the underlying property. The success of this strategy is dependant upon debt market parameters existing at that time as well as the particular features and quality of the underlying assets being financed in the period.

COMMITMENTS

Plazacorp's current estimated commitments for the development of expansion lands, costs to complete development projects, and redevelopment projects initiated and scheduled for future periods is \$15.4 million. Management believes that Plazacorp has sufficient unused bank line availability, mortgage bond availability, together with recently acquired unencumbered assets to be pledged as security to fund these future commitments.

Plazacorp's future contractual commitments, and the estimated timing of these commitments, are outlined below:

(000's)	Total	Payments Due by Period			
		Year 1, 2005	2-3 years, 2006 to 2007	4-5 years, 2008 to 2009	After 5 years
Contractual Obligations					
Long Term Mortgage Debt	\$ 90,251	\$ 3,469	\$ 8,517	\$ 19,467	\$ 58,798
Capital Lease Obligations	-	-	-	-	-
Bonds & Debentures	26,667	-	-	19,167	7,500
Operating Ground Leases	40,759	1,244	2,792	2,865	33,858
Development Activities	15,384	15,384	-	-	-
Other Long Term Obligations	-	-	-	-	-
Total Contractual Obligations	\$ 173,061	\$ 20,097	\$ 11,309	\$ 41,499	\$ 100,156

(1) Operating leases expire on dates ranging from 2011 to 2070 with renewal options ranging from 10 to 60 years

The Company also has contingent liabilities as original borrower on mortgages assumed by the purchaser of 50% interests in three properties. These commitments are subject to cross-indemnity agreements. The balance outstanding on these loans is \$8.38 million as at April 30, 2005. See note 15 of the April 30, 2005 consolidated financial statements.

The Company guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of \$848 thousand. See note 15 of the April 30, 2005 consolidated financial statements.

PART V

CRITICAL ACCOUNTING ESTIMATES

Plazacorp's significant accounting policies are described in the Consolidated Financial Statements. Management chooses the accounting policies and estimates that it believes are appropriate to fairly report the company's operating results and financial position. Management regularly assesses its critical accounting estimates in light of current and forecasted economic conditions and reviews these estimates with its Audit Committee. The following outlines the more significant judgments and estimates used in the preparation of the financial statements:

PROPERTY ACQUISITIONS

For acquisitions subsequent to September 12, 2003, in accordance with CICA 1581 and CICA 3062, Management is required to allocate the purchase price to the tangible and intangible assets and liabilities purchased. For the acquisitions after September 12, 2003 the Company estimated these amounts as detailed in the financial statements for the period ended April 30, 2005. These estimates may change as new information emerges on the appropriateness of estimates made during the twelve months of 2005. This estimate is critical insofar as it may impact the corresponding amortization period of the related asset.

ASSET VALUE IMPAIRMENT

Income producing properties are carried at cost. If events or circumstances indicate that the carrying value of the income producing properties may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows generated from the income producing properties. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income producing properties are written down to estimated fair value and impairment loss is recognized. No impairment has been recognized in the period ended April 30, 2005 (April 30, 2004 – Nil).

The estimate is critical insofar as it may impact on the classification and book value of income producing properties held and net income should impairment be present.

CHANGES TO ACCOUNTING POLICIES

ACCOUNTING FOR DEBT WHICH MAY BE CONVERTED TO OR REDEEMED IN SHARES

Effective for fiscal years beginning after November 1, 2004, the Company was required by CICA 3860 to reclassify convertible debentures previously classed as substantially equity (as the principal amount could be settled in equity) as substantially a liability. The Company adopted this accounting change effective for the year ended October 31, 2004 with restatement for prior periods and has restated the Company's comparative Statements of Income and Cash Flow for the three and six months ended April 30, 2005 to reflect this accounting policy change. The Company may choose to settle debenture obligations through issuance of shares. There is no impact on the Company's lender covenants as a result of this change.

VARIABLE INTEREST ENTITIES

On November 1, 2004 as required by CICA 3055 and AcG-15 (Variable Interest Entities) and effective for reporting periods thereafter, the Company evaluated all joint-venture relationships and partial ownership interests to determine if current methods of consolidation, equity accounting, joint-venture accounting or cost accounting are consistent with the new variable interest entity guidelines. The Company has determined that there are no required changes to the financial statement presentation of its consolidated subsidiaries, proportionately consolidated joint ventures or investments in non-consolidated partnerships and trusts as at April 30, 2005 compared to October 31, 2004.

PART VI

RISKS AND UNCERTAINTIES

All income property investments are subject to a degree of risk and uncertainty. Income property is affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand particularly affect income property investments. Management attempts to manage these risks through geographic and asset class diversification in Plazacorp's portfolio. At April 30, 2005 Plazacorp held 50 properties spread geographically among four provinces in Canada.

INTEREST RATE AND FINANCING RISK

Current market conditions are very favourable for obtaining mortgage financing in both the fixed rate and floating rate facilities. Interest rate spreads over Government of Canada Bonds have tightened over the last twelve months. The favourable availability has been offset by fluctuations in bond rates over the year. At existing rates the Company is able to obtain positive returns from debt financing. The availability of debt financing makes management highly confident of obtaining suitable long-term financing for projects on completion of development and maturity of existing debt as it comes due. Management's strategy attempts to mitigate Plazacorp's exposure to excessive amounts of debt maturing in any one year. Re-financing debt at maturity with conventional financing is generally limited to 65-75% of appraised value. Management is of the view that such level of indebtedness is achievable given the lending parameters currently existing in the real estate market place and is confident all debts will be financed or refinanced as they come due for the foreseeable future.

Management attempts to stagger the maturities of Plazacorp's long-term mortgage portfolio consistent with related tenant lease expiries with the view of locking in returns on developed assets for as long a period as market conditions will permit. Management is of the view that such a strategy results in the most conservative interest rate risk management practice.

As outlined under "Liquidity and Capital Resources", Plazacorp has an ongoing requirement to access the debt markets to refinance maturing debt as it comes due. There is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to Plazacorp, or on any terms at all.

The Company may choose to invest in mortgages to affiliates from time to time and would be subject to normal credit and interest rate risks from these investments.

CREDIT RISK

Credit risk arises from the possibility that tenants may be unable to fulfill their lease commitments. Management mitigates this risk by ensuring that Plazacorp's tenant mix is diversified and by limiting Plazacorp's exposure to any one tenant. Plazacorp also maintains a portfolio that is diversified geographically so that exposure to local business is lessened.

Currently, no one tenant represents more than 6.4% of total revenues. The top 10 tenants collectively represent approximately 35.8% of total revenues.

The leasing of the Company's portfolio has produced a mix of National, Regional, and Local tenancy that is well positioned to resist downturns in our markets. Currently National tenants represent approximately 81.5% of the Company's portfolio while Regional and Local tenants represent 5.8% and 12.7% respectfully.

OCCUPANCY

One of Plazacorp's performance drivers is related to occupancy. The majority of Plazacorp's leases in place are referred to as net leases, meaning tenants reimburse Plazacorp for their share of property operating costs and realty taxes. Many of Plazacorp's operating costs and tax expenses are generally of a fixed nature, although Plazacorp does experience a variable element as it relates to utilities, janitorial costs, and in certain municipalities, realty tax.

The hypothetical impact of a change in occupancy of one percent to net property operating income would be approximately \$280 thousand per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions Management may take in relation to the changes.

➤ KEY PERFORMANCE INDICATOR

Average occupancy in the strip plazas was 97.5% for the three months ended April 30, 2005 compared to 93.4% for the same period last year. Occupancy rates had been reduced at the beginning of 2004 due to the vacating of a junior department store at Granville Street Plaza and the vacating of premises at Les Promenades St. Francois on completion of an owner occupied food store adjoining the center. As of April 30, 2005 this vacated space has been re-leased at market rental rates. A tenant with total square footage of 30,685 square feet had vacated Centennial Plaza (owned 10% by Plazacorp) in the first quarter of 2005 and has since been re-leased.

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Average occupancy in the enclosed malls was 96.1% as at April 30, 2005 compared to 95.8% for the same period last year. Occupancy for single user assets remained stable at 100 %. The pre-leased space in properties under development is 72.2%.

Overall the portfolio, including developments but excluding non-consolidated trusts and partnerships is 94.9% leased compared to 93.3 % on April, 2004. These occupancy rates are within management's expectations in view of continuing development in the portfolio.

ENVIRONMENTAL RISK

Plazacorp is subject to various laws relating to the environment which deal primarily with the costs of removal and remediation of hazardous substances such as asbestos. Environmental risk is relevant to Plazacorp's ability to sell or finance affected assets and could potentially result in liabilities for the costs of removal and remediation of hazardous substances or claims against Plazacorp. Management is not aware of any material non-compliance with environmental laws or regulations with regard to Plazacorp's portfolio, or of any pending or threatening actions, investigations or claims against Plazacorp relating to environmental matters.

Plazacorp has formal policies and procedures to manage environmental exposures in a proactive manner during every aspect of the property life cycle.

LITIGATION RISK

Plazacorp is involved in litigation and claims in relation to its income producing properties from time-to-time. In Management's opinion, any liability that may arise from such litigation would not have a significant adverse effect on these financial statements.

PART VII

SHARES OUTSTANDING

If all share options and rights to convert shares under the provisions of convertible debt were exercised the impact on shares outstanding would be as follows:

As at June 22, 2005	Shares	Share Capital
Current Outstanding Shares	35,499,161	\$ 21,197,553
Employee and Director Share Options	1,712,666	2,874,350
Series I Convertible Debentures	1,200,000	1,200,000
Series II Convertible Debentures	2,833,333	3,400,000
Series III Convertible Debentures	6,250,000	10,000,000
Total adjusted shares outstanding	47,495,160	\$ 38,671,903

The Company has the absolute right to redeem the Series I, Series II and Series III outstanding convertible debentures at maturity, through the issuance of shares, based on 95% of the 20 day weighted average trading price ending 5 days before redemption. The rights arising between May 1, 2006 and April 30, 2007 for Series I, between November 1, 2006 and October 31, 2007 for Series II and between April 30, 2007 and April 30, 2008 for Series III are restricted unless market trading prices for the Company's shares exceed 115% of conversion price. The decision to redeem in shares is not certain and will be based on capital market conditions at that time.

During the three months ended April 30, 2005, \$150,000 of Series I convertible debentures were converted to shares and 150,000 shares were issued. Also, \$350,000 of Series II convertible debentures were converted to shares and 291,667 shares were issued. The impact of this issuance of these shares is included in the above details.

Between April 30, 2005 and June 22, 2005, no Series I convertible debentures were converted to shares. Also, between April 30, 2005 and June 22, 2005, no Series II convertible debentures were converted to shares.

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Plazacorp has or had agreements with individual unitholders as investor liquidity measures in LPC Commercial Trust (expired June 1, 2005) and with unitholders of Northwest Centre Commercial Trust (until April 30, 2006) whereby unitholders have or had the right to put units of the trusts at the lower of cost and fair market value for the units to Plazacorp in exchange for shares in Plazacorp. The Company believes there is minimal risk associated with this arrangement. To date, no unitholder has exercised this right.

Plazacorp also has the right, but not the obligation, to acquire a majority interest in each of these trusts through call agreements after June 2005 in the case of Plaza LPC Commercial Trust and after April 2006 in the case of Northwest Centre Commercial Trust. An assessment of market conditions and compliance with securities regulations would be required prior to making an offer to unitholders pursuant to the call agreements.

RELATED PARTY TRANSACTIONS

Plaza Atlantic Limited manages the Company’s property under a management contract that expires April 30, 2009 and has managed the properties since 1999. In Quebec, staff of Les Immeubles Plaza–Z Corp handles management duties under sub-contracting arrangements with Plaza Atlantic Limited. The majority of employees engaged in the property management, development, leasing and property accounting activities are employees of Plaza Atlantic Limited or Plaza Z Corp.

Plaza Atlantic Limited is owned by two directors of Plazacorp namely Michael Zakuta, Earl Brewer and a former director, Paul Leger. Mr. Brewer is Chairman of Plazacorp, Michael Zakuta is President of the Company. Plaza–Z Corp is effectively controlled by Michael Zakuta.

The purpose of the management arrangement is to provide the Company the services of a fully staffed and professional management company in all its operational areas which allows Plazacorp access to significant professional management services at reasonable cost. Both Plaza Atlantic and Plaza Z –Corp manage properties for third parties.

Mr. Brewer receives no direct compensation from the Company for performing his duties as officer and director and Mr. Zakuta is paid an annual salary of \$100,000 per year effective from his appointment as President on April 20, 2005.

The fees payable under the management contract are as follows:

Property management	5% of gross revenue paid
Acquisitions	2% of the purchase price of assets
Dispositions	1 ½ % of the proceeds of disposition on assets
Leasing Fees	4% of Rental Revenue per year for first five years of term. 2% of rental revenue per year for year’s six to ten of a lease term. Leasing fees for renewals are at 50% of above rates
Development Fees	4% of costs of construction on development projects
Construction Management Fees	10% of tenant improvement costs on non development projects
Financing Fees	¾ % of debt placed where no outside broker is involved ¼ % of debt placed where an outside broker is involved
Legal Services	Cost recovery, currently \$130 per hour

During the six months ended April 30, 2005 and 2004 the following amounts were billed under the contract:

(000’s) For the six months ended April 30,	2005	2004
Management fees	\$ 705	\$ 584
Leasing fees	759	335
Development fees	400	145
Financing fees	43	34
Acquisition fees	-	358
Disposition fees	-	242
Total	\$ 1,907	\$ 1,698

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Two directors directly or beneficially share interests in common with the Company in the Gateway Mall, Sussex, NB property being Earl Brewer (25%) and Michael Zakuta (21.5%). There are no loans outstanding or fees charged by the related parties as a result of the joint ownership.

DEBENTURES HELD

Below is a summary of convertible debentures and mortgage bonds of the Company held directly or indirectly by related parties as of April 30, 2005.

(000's) Related Party	April 30, 2005	October 31, 2004
Richard Hamm, Director	\$ 775	\$ 865
Michael Zakuta, Director	2,099	1,899
Edouard Babineau, Director	600	600
Willard L'Heureux, Director	650	450
Earl Brewer, Director	720	520
Stephen Johnson, Director	630	555
Total	\$ 5,474	\$ 4,889

NOTES PAYABLE TO RELATED PARTIES

Notes payable as at April 30, 2005 fall into two categories:

- Non-interest bearing notes that existed at the time of acquisition of properties in September 2000. Certain of the notes are owed to parties controlled directly or indirectly by Michael Zakuta. The notes are repayable on sale or refinancing of the related asset.
- Interest bearing unsecured notes that are advanced from time-to-time to assist in financing property acquisitions and development costs and are retired on funding of long-term debt or sale of the property to which the note relates.

(000's)	Interest Rate	April 30, 2005	October 31, 2004
Interest bearing notes:			
Les Immeubles Plaza Z Corp and related entities controlled by Michael Zakuta, a director of the Company	Prime + ¾ %	\$ 939	\$ 939
Non-Interest bearing notes:			
Various companies owned (directly and indirectly) and controlled by Michael Zakuta, director of the Company	N/A	361	361
Total		\$ 1,300	\$ 1,300

INTERESTS IN JOINT VENTURES

The Company uses joint ventures for several reasons, principally:

- i) Obtain interests in properties where 100% ownership is beyond the capital capability of the Company but where it can apply development skills required by the joint-venture;
- ii) Share development risk with equity partners; and
- iii) Limit the total exposure to the risks of any one asset.

PLAZACORP RETAIL PROPERTIES LTD. – MANAGEMENT DISCUSSION AND ANALYSIS
APRIL 30, 2005

The effect of terminating the arrangements would be the same as those involved in sale of the asset or the foreclosure of a mortgage loan. If the equity interest, net of debt, assumed by the buyer differs from the carrying value of the asset a loss or gain could arise. In the case of a foreclosure or third party sale there could be continuing liability as the original borrower under a mortgage arrangement.

Note 15 of the October 31, 2004 consolidated financial statements details the Company's joint venture arrangements. Subsequent to October 31, 2004 and up to April 30, 2005 there have been no significant changes except for the addition of Gateway Mall as noted in 1(a) of the supplemental information to the consolidated statement of cash flows of the April 30, 2005 consolidated financial statements.

OTHER

Additional information relating to Plazacorp including the Management Information Circular, Material Change reports and all other continuous disclosure documents required by the securities regulators, are filed on the System for Electronic Document Analysis and Retrieval (SEDAR) and can be accessed electronically at www.sedar.com or on the Plazacorp web site at www.plaza.ca.

Plazacorp Retail Properties Ltd.

Consolidated Balance Sheet

As at (000's)	April 30, 2005	October 31, 2004 (as restated Note 2-c)
Assets		
Income producing properties (Note 3)	\$ 132,251	\$ 118,577
Mortgage receivable (Note 4)	-	5,050
Cash and cash equivalents	3,544	1,179
Accounts receivable	2,652	1,941
Prepaid expenses and deposits	3,816	3,095
Deferred charges (Note 5)	2,374	2,374
Intangible assets (Note 6)	2,118	2,162
Refundable capital gains tax (Note 11)	108	132
Investment in limited partnerships and trusts	1,440	1,350
Goodwill	2,104	2,025
	<u>\$ 150,407</u>	<u>\$ 137,885</u>
Liabilities		
Mortgages payable (Note 7)	\$ 90,251	\$ 82,651
Mortgage bonds payable (Note 8)	12,550	5,050
Debentures payable (Note 9)	14,117	17,300
Notes payable	1,930	2,053
Bank indebtedness (Note 10)	-	69
Accounts payable and accrued liabilities	4,871	5,371
Dividend payable	932	726
Income taxes payable (Note 11)	95	410
Future income tax liability (Note 11)	5,423	5,147
Intangible liabilities (Note 6)	724	851
	<u>130,893</u>	<u>119,628</u>
Non-controlling interest in net assets	<u>80</u>	<u>235</u>
Shareholders' Equity		
Equity portion of convertible debt (Note 9)	640	778
Share capital (Note 12)	21,197	17,685
Contributed surplus (Note 13)	17	17
Deficit	(2,420)	(458)
	<u>19,434</u>	<u>18,022</u>
	<u>\$ 150,407</u>	<u>\$ 137,885</u>

Contingencies, commitments, guarantees, indemnities – see consolidated financial statement Note 15

Subsequent events – see consolidated financial statement Note 19

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.**Consolidated Statement of Deficit
For the Six Months Ended April 30,
(000's)**

	2005	2004
Deficit, beginning of the period	\$ (458)	\$ (18)
Adjustment for change to accounting policy regarding convertible debentures (Note 2c)	-	(14)
As restated	<u>(458)</u>	<u>(32)</u>
Net (loss) income	(111)	2,506
Dividends	<u>(1,851)</u>	<u>(1,440)</u>
(Deficit) retained earnings, end of the period	<u>\$ (2,420)</u>	<u>\$ 1,034</u>

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.

Consolidated Statement of (Loss) Income For the Periods then Ended (000's) – Except Per Share Amounts	3 Months Ended April 30, 2005	3 Months Ended April 30, 2004 (as restated Note 2-c)	6 Months Ended April 30, 2005	6 Months Ended April 30, 2004 (as restated Note 2-c)
Rental revenue	\$ 6,687	\$ 5,941	\$ 13,237	\$ 11,699
Operating expenses	<u>3,092</u>	<u>2,699</u>	<u>5,795</u>	<u>5,307</u>
Net property operating income	3,595	3,242	7,442	6,392
Investment income	<u>187</u>	<u>270</u>	<u>420</u>	<u>553</u>
Income from properties and investments	3,782	3,512	7,862	6,945
Financing costs	<u>1,910</u>	<u>1,954</u>	<u>4,022</u>	<u>3,837</u>
Income before undernoted	1,872	1,558	3,840	3,108
Administrative expenses	<u>277</u>	<u>109</u>	<u>517</u>	<u>228</u>
Amortization	<u>1,562</u>	<u>1,359</u>	<u>3,004</u>	<u>2,593</u>
Capital taxes	<u>127</u>	<u>85</u>	<u>237</u>	<u>170</u>
Income before undernoted	(94)	5	82	117
Gain on disposal of income producing properties	<u>-</u>	<u>2,544</u>	<u>-</u>	<u>2,544</u>
Income before income taxes and non-controlling interests	(94)	2,549	82	2,661
Income tax expense (recovery) – current	<u>38</u>	<u>25</u>	<u>75</u>	<u>75</u>
– future	<u>(80)</u>	<u>(41)</u>	<u>25</u>	<u>(29)</u>
	<u>(42)</u>	<u>(16)</u>	<u>100</u>	<u>46</u>
Income before non-controlling interests	(52)	2,565	(18)	2,615
Non-controlling interests	<u>36</u>	<u>73</u>	<u>93</u>	<u>109</u>
Net (loss) income	\$ (88)	\$ 2,492	\$ (111)	\$ 2,506
Basic (loss) earnings per share (Note 12)	\$ (0.002)	\$ 0.079	\$ (0.003)	\$ 0.079
Diluted (loss) earnings per share (Note 12)	\$ (0.002)	\$ 0.067	\$ (0.003)	\$ 0.071

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.

Consolidated Statement of Cash Flows For the Periods then Ended (000's)	3 Months Ended April 30, 2005	3 Months Ended April 30, 2004 (as restated Note 2-c)	6 Months Ended April 30, 2005	6 Months Ended April 30, 2004 (as restated Note 2-c)
Cash obtained from (used for):				
Operating activities				
Net (loss) income	\$ (88)	\$ 2,492	\$ (111)	\$ 2,506
Items not affecting cash:				
Amortization (see cash flow supplemental)	1,593	1,359	3,035	2,593
Gain on disposal	-	(2,544)	-	(2,544)
Stock option compensation	8	-	5	-
Interest relating to debenture accretion	32	18	65	32
Non-controlling interest	36	73	93	109
Future income taxes	(80)	(41)	25	(29)
	<u>1,501</u>	<u>1,357</u>	<u>3,112</u>	<u>2,667</u>
Tenant acquisition costs	(3,040)	(1,189)	(3,564)	(3,851)
Change in non-cash working capital (see cash flow supplemental)	794	543	(2,243)	232
	<u>(745)</u>	<u>711</u>	<u>(2,695)</u>	<u>(952)</u>
Financing activities				
Bank indebtedness	(13)	-	(69)	(405)
Increase (decrease) in notes payable	121	(75)	(123)	(1,583)
Issue of common shares, except for employee option	-	-	-	-
Issue of common shares, pursuant to employee option	23	9	31	75
Dividends paid to non-controlling interests	(124)	(138)	(249)	(276)
Dividends paid to shareholders	(868)	(647)	(1,554)	(1,270)
Proceeds from bonds and debentures	7,500	-	7,500	5,000
Proceeds from mortgage financing	6,516	10,043	25,729	15,134
Mortgage repayments at maturity	(9,198)	(5,140)	(18,331)	(5,140)
Mortgage principal repayments	(457)	(375)	(843)	(717)
	<u>3,500</u>	<u>3,677</u>	<u>12,091</u>	<u>10,818</u>
Investing activities				
Acquisitions, developments and redevelopments	(5,273)	(19,627)	(11,768)	(25,871)
Net proceeds from disposal of property	-	15,903	-	15,902
Increase in investment in non-consolidated Partnerships and Trusts	(90)	-	(90)	-
Decrease (increase) in monies held in trust	130	-	(5)	-
Decrease (increase) in mortgage receivable	5,050	-	5,050	-
Decrease (increase) in deferred charges	(179)	393	(218)	151
	<u>(362)</u>	<u>(3,331)</u>	<u>(7,031)</u>	<u>(9,818)</u>
Net increase in cash and cash equivalents	2,393	1,057	2,365	48
Cash and cash equivalents, beginning of the period	<u>1,151</u>	<u>660</u>	<u>1,179</u>	<u>1,669</u>
Cash and cash equivalents, end of the period	\$ 3,544	\$ 1,717	\$ 3,544	\$ 1,717

See accompanying notes to the consolidated financial statement

Plazacorp Retail Properties Ltd.
Consolidated Statement of Cash Flows – Supplemental Cash Flow Disclosure
For the Six Months Ended April 30, 2005

1) Investing in Properties and Equipment

a) Cash & Non-Cash Additions

(000's)	3 Months Ended April 30, 2005	6 Months Ended April 30, 2005
Gross additions from property acquisitions, developments, and re-developments	\$ 8,313	\$ 16,652
Less: assumed mortgages	-	(1,045)
assumed working capital deficiency	-	(275)
Cash additions to income producing properties and intangible assets/liabilities	8,313	15,332
Less: tenant acquisition costs (operating activity)	(3,040)	(3,564)
Cash additions from property acquisitions, developments, re-developments	\$ 5,273	\$ 11,768

b) Acquisitions

On December 1, 2004, the Company acquired a 25% interest in Gateway Mall, Sussex, New Brunswick through the acquisition of shares and debt of 056158 NB Ltd. The following table summarizes the net assets acquired (please note that the year to date amounts reflect the final purchase price allocation, while the 3 month period ending April 30, 2005 amounts reflect adjustments made in that Quarter to the amounts previously reported in the 1st Quarter):

(000's)	3 Months Ended April 30, 2005	6 Months Ended April 30, 2005
Assets		
Land	\$ 170	\$ 470
Building	(321)	763
Tenants acquisition costs	(67)	77
Net intangible assets	223	223
Goodwill	-	79
	5	1,612
Intangible liabilities	(4)	(4)
	1	1,608
Liabilities		
Net working capital deficiency	4	24
Future income tax liability	-	251
Assumed mortgage	(3)	1,045
	1	1,320
Net assets acquired, funded from cash	\$ -	\$ 288

c) Developments and Re-developments

During the period the Company invested in land, new developments, re-developments, purchased furniture and equipment in the amount of: **\$ 5,273** **\$ 11,480**

2) Mortgage Financing

(000's)	3 Months Ended April 30, 2005	6 Months Ended April 30, 2005
Gross mortgage proceeds	\$ 6,516	\$ 26,774
Less: assumed mortgages	-	(1,045)
Cash received from new mortgage financing	\$ 6,516	\$ 25,729

Plazacorp Retail Properties Ltd.
Consolidated Statement of Cash Flows – Supplemental Cash Flow Disclosure
For the Six Months Ended April 30, 2005

3) Mortgage Repayments

(000's)	3 Months Ended April 30, 2005	6 Months Ended April 30, 2005
Gross mortgage repayments	\$ 9,655	\$ 24,224
Less: mortgage bonds assigned	-	(5,050)
mortgages paid out during the period	(9,198)	(18,331)
Regular mortgages principal repayments	\$ 457	\$ 843

4) Dividends

(000's)	3 Months Ended April 30, 2005	6 Months Ended April 30, 2005
Dividends declared during the period	\$ 932	\$ 1,851
Adjustment for accrued dividends	(13)	(206)
Dividends paid during the period	919	1,645
Dividend re-investment through share subscriptions	(51)	(91)
Dividends paid in cash	\$ 868	\$ 1,554

5) Debentures Converted to Share Capital

(000's) (except per share amounts)	3 Months Ended April 30, 2005	6 Months Ended April 30, 2005	
Series I debentures converted to share capital	Face value	\$ 150	\$ 1,950
	Conversion rate	\$ 1.00	\$ 1.050
	Shares issued	150	1,950
Series II debentures converted to share capital	Face value	\$ 350	\$ 1,400
	Conversion rate	\$ 1.20	\$ 1.20
	Shares issued	292	1,167
Total amount of debentures converted to share capital	Face value	\$ 500	\$ 3,350
	Shares issued	442	3,117

6) Amortizations

(000's)	3 Months Ended April 30, 2005	6 Months Ended April 30, 2005
Amortization of income producing properties	\$ 566	\$ 1,134
Amortization of tenant acquisition costs	832	1,546
Amortization of intangible assets (except above/below market tenant leases)	131	243
Amortization of other deferred charges	33	81
Amortization expense per the Statement of Income (Loss)	1,562	3,004
Amortization of deferred financing charges (grouped with financing costs)	80	138
Amortization of above/below market tenant leases (grouped with revenue)	(49)	(107)
Total amortizations expensed to income	\$ 1,593	3,035

Plazacorp Retail Properties Ltd.
Consolidated Statement of Cash Flows – Supplemental Cash Flow Disclosure
For the Six Months Ended April 30, 2005

7) Interest

(000's)	3 Months Ended April 30, 2005	3 Months Ended April 30, 2004	6 Months Ended April 30, 2005	6 Months Ended April 30, 2004
For the Period Ended				
Cash interest paid	\$ 2,093	\$ 1,955	\$ 4,441	\$ 3,781

8) Income and Capital Taxes

(000's)	3 Months Ended April 30, 2005	3 Months Ended April 30, 2004	6 Months Ended April 30, 2005	6 Months Ended April 30, 2004
For the Period Ended				
Cash income and capital tax paid	\$ 126	\$ 26	\$ 594	\$ 453

9) Changes in Non-Cash Working Capital

(000's)	3 Months Ended April 30, 2005	3 Months Ended April 30, 2004	6 Months Ended April 30, 2005	6 Months Ended April 30, 2004
For the Period Ended				
Accounts receivable	\$ (1,246)	\$ (686)	\$ (712)	\$ (803)
Prepaid expenses	(938)	(616)	(716)	(844)
Accounts payable and accrued liabilities	2,939	1,723	(525)	2,034
Income taxes payable/receivable	39	122	(290)	(155)
Total cash from change in non-cash working capital	\$ 794	\$ 543	\$ (2,243)	\$ 232

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Six Months Ended April 30, 2005 and 2004

1. Nature of Operations

The Company operates a retail real estate ownership and development business in Quebec and the Atlantic Provinces. The Company was incorporated under the New Brunswick Business Corporations Act on February 2, 1999. On December 11, 2002 the Company amended its articles of incorporation to become a Mutual Fund Corporation as defined in the Income Tax Act of Canada.

2. Basis of Presentation

a) Interim Financial Statements

The interim financial statements follow the same accounting policies and methods of their application as the October 31, 2004 annual audited financial statements, except as described in Note 2 below.

In the opinion of the Company the accompanying consolidated financial statements contain all the adjustments necessary to present fairly the financial position as of April 30, 2005, and October 31, 2004, and the results of operations for the six months ended April 30, 2005 and 2004 and the changes in cash flows for the six months ended April 30, 2005 and 2004. While the Company believes that disclosures presented are adequate to make the information not misleading, it is suggested that these financial statements be read in conjunction with the audited financial statements and notes included in the Company's Annual Report for the year ended October 31, 2004.

The results of operations for the six months ended April 30, 2005 are not necessarily indicative of the results for the full year and are influenced by seasonal cost variances on properties with fixed common cost recovery formulas. The term "period" or "in the period" when used herein means the six month period then ended.

b) Principles of Consolidation

The consolidated financial statements include the accounts of Plazacorp Retail Properties Ltd., its subsidiaries and its proportionate interest in joint ventures in accordance with the pronouncements of CICA 1590, 3050, 3055, and after November 1, 2004 the provisions of Accounting Guideline #15 (Variable Interest Entities).

The Company has determined that there are no required changes to the financial statement presentation of its consolidated subsidiaries, proportionately consolidated joint ventures or investment in non-consolidated partnerships and trusts as at April 30, 2005 compared to October 31, 2004.

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Six Months Ended April 30, 2005 and 2004

The chart below details the Company's accounting treatment of indirect investments in real estate assets.

As at	Ownership Interest	
	April 30, 2005	October 31, 2004
<u>Accounting Method – Consolidation</u>		
Exhibition Plaza Inc.	55%	55%
McAllister Drive Plaza Inc.	55%	55%
Centre Commercial Plaza Theriault Inc.	100%	100%
Les Galeries Montmagny (1988) Inc.	50%	50%
Spring Park Plaza Inc.	85%	85%
Granville Street Properties Limited Partnership	60%	60%
Wildan Properties Limited Partnership	60%	60%
SCA Plaza Inc.	55%	55%
Tacoma Plaza Limited Partnership	100%	100%
Commercial Street Plaza Trust	100%	100%
Plazacorp Retail Partnership #1	100%	100%
Plazacorp Master Limited Partnership		
<u>Accounting Method – Proportionate Consolidation</u>		
Staples Granby, PQ	50%	50%
University, PE	43%	43%
Societe en Commandite RBEG Limited Partnership, PQ	50%	50%
Terrance Dufferin, PQ	50%	50%
Carrefour des Seigneurs, PQ	25%	25%
Les Promenades St-Francois, PQ	50% ⁽¹⁾	100% ⁽¹⁾
Staples Plaza – Woodlawn, NS	50% ⁽¹⁾	100% ⁽¹⁾
Lansdowne Place, NB	50% ⁽¹⁾	100% ⁽¹⁾
201 Chain Lake Drive, NS	50% ⁽²⁾	50% ⁽²⁾
209 Chain Lake Drive, NS	50%	50%
056158 NB Ltd.	50%	0%
<u>Accounting Method – Cost</u>		
Centennial Plaza Limited Partnership	10%	10%
MDO Commercial Trust	20%	20%
Plaza LPC Commercial Trust	10%	10%
Northwest Plaza Commercial Trust	20%	10%

(1) Prior to March 22, 2004, the date of disposition of a 50% interest, these assets were consolidated in the financial statements at 100%.

(2) From April 14, 2004, the date of acquisition, until October 31, 2004 the date of exercise of the option by the joint-venture partner, revenues and expenses of this property were consolidated in the financial statements at 100%.

c) Change in Accounting Policy

Effective for fiscal years beginning after November 1, 2004 the Company was required to reclassify convertible debentures previously classed as equity as a liability with restatement for prior periods. The Company chose to adopt this recommendation for the October 31, 2004 financial statements. As a result, as at April 30, 2004, interest expense has been increased by \$304 thousand, income taxes have been reduced by \$109 thousand, net income decreased by \$195 thousand and opening deficit increased by \$14 thousand. There is no impact on the Company's creditor arrangements as a result of this change in accounting policy. The Company may choose to settle debenture obligations through issuance of shares (see Note 9).

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Six Months Ended April 30, 2005 and 2004

d) Fair Value of Long-Term Debt

The estimated fair value of the Company's long-term debt including mortgages payable, mortgage bonds payable, unsecured debentures, convertible debentures (debt portion), and notes payable is based on the values derived using current interest rates for each related instrument with similar terms and conditions.

As at April 30, 2005, the fair value of the Company's long-term debt exceeds the recorded value by \$5.29 million (fair value exceeded recorded value by \$3.66 million at October 31, 2004).

3 Income Producing Properties

(000's)	April 30, 2005			October 31, 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 25,153	\$ -	\$ 25,153	\$ 21,220	\$ -	\$ 21,220
Buildings	99,714	(12,489)	87,225	90,667	(11,288)	79,379
Tenant acquisition costs	28,338	(9,313)	19,025	25,028	(8,022)	17,006
Furnishings and equipment	661	(405)	256	582	(360)	222
Parking lot	1,353	(761)	592	1,500	(750)	750
Total	\$ 155,219	\$ (22,968)	\$ 132,251	\$ 138,997	\$ (20,420)	\$ 118,577

Included in income producing properties is \$11.87 million relating to properties under development (October 31, 2004 - \$11.27 million).

During the period the Company capitalized \$418 thousand of interest and losses from properties under development to the cost of land or buildings (for the year ended October 31, 2004 - \$102 thousand).

4 Mortgage Receivable

Mortgage receivable as at October 31, 2004 consists of a \$0.6 million first mortgage and a \$4.45 million second mortgage on Les Promenades du Cuivre, a property owned by Plaza LPC Commercial Trust. Both loans were repaid December 22, 2004, and the current outstanding balance of mortgages receivable is nil.

5 Deferred Charges

Deferred charges consist of the following:

(000's)	April 30, 2005			October 31, 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Deferred finance charges	\$ 2,970	\$ (875)	\$ 2,095	\$ 3,078	\$ (1,131)	\$ 1,947
Other deferred charges	715	(436)	279	484	(57)	427
Total deferred charges	\$ 3,685	\$ (1,311)	\$ 2,374	\$ 3,562	\$ (1,188)	\$ 2,374

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Six Months Ended April 30, 2005 and 2004

6 Intangible Assets and Liabilities

Intangible assets represent the un-amortized costs of acquired above-market tenant leases, value of in-place tenant leases and the value of existing tenant relationships for income producing properties acquired after September 12, 2003 as follows:

(000's)	April 30, 2005			October 31, 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Above market tenant leases	\$ 102	\$ (41)	\$ 61	\$ 84	\$ (17)	\$ 67
Value of in place leases	1,602	(636)	966	1,510	(429)	1,081
Tenant relationships	1,172	(81)	1,091	1,059	(45)	1,014
Total intangible assets	\$ 2,876	\$ (758)	\$ 2,118	\$ 2,653	\$ (491)	\$ 2,162

Intangible liabilities represent the un-amortized cost of acquired below-market tenant leases for income producing properties acquired after September 12, 2003 as follows:

(000's)	April 30, 2005			October 31, 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Below market tenant leases	\$ 1,063	\$ (339)	\$ 724	\$ 1,059	\$ (208)	\$ 851

7 Mortgages Payable

(000's)	Average Rate	Maturity Dates	April 30, 2005	October 31, 2004
Fixed rate loans	7.01%	Up to Apr. 2020	\$ 83,104	\$ 72,381
Other fixed rate loans	9.49%	Up to Sep. 2009	6,134	1,130
Variable rate loans	5.00%	Up to Feb. 2006	1,013	9,140
			\$ 90,251	\$ 82,651

8 Mortgage Bonds Payable

Mortgage bonds payable of \$12.55 million are secured by property of the Company as follows:

(000's)	Series I	Series II	April 30, 2005	October 31, 2004
Mortgage Bonds				
Champlain Road, Dieppe, NB 1 st Mortgage	\$ 1,050	\$ 1,500	\$ 2,550	\$ -
Tri-County Mall, Yarmouth, NS 1 st Mortgage	2,400	-	2,400	600
Madawaska Road Plaza, Grand Falls, NB 1 st Mortgage	1,000	-	1,000	-
Les Promenade du Cuivre, Rouyn-Noranda, QC 2 nd Mortgage	-	-	-	4,450
Main Place, Fredericton, NB	-	2,095	2,095	-
912 East River, New Glasgow, NS	-	410	410	-
315 Main Street, Antigonish, NS	-	1,178	1,178	-
Mortgage bonds secured	4,450	5,183	9,633	5,050
Cash held in segregated accounts	600	2,317	2,917	-
Mortgage bonds outstanding	\$ 5 050	\$ 7,500	\$ 12,550	\$ 5,050

Series I and Series II mortgage bonds pay interest at 12% and 8.5% per annum, and mature June 20, 2008 and March 31, 2020 respectively. The difference between the secured amount and the total amount owing is \$2.92 million. This amount is held in a segregated a bank account.

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Six Months Ended April 30, 2005 and 2004

9 Debentures Payable

Debentures payable consist of the following:

(000's)		April 30, 2005			October 31, 2004	
		Interest Rate	Debt Component Outstanding	Value of Option to Convert	Debt Component Outstanding	Value of Option to Convert
Convertible Debentures	Maturity Date					
Series 1	April 30, 2008	9.5%	\$ 1,170	\$ 50	\$ 3,060	\$ 130
Series 2	October 31, 2008	9.5%	3,300	140	4,638	198
Series 3	April 30, 2009	8.5%	9,647	450	9,602	450
Total convertible debentures			\$ 14,117	\$ 640	\$ 17,300	\$ 778

Convertible debenture terms are as follows:

	Series I	Series II	Series III
Conversion price	\$1.00	\$1.20	\$1.60
First redemption date	May 1, 2006	November 1, 2006	May 1, 2007
Maturity date	April 30, 2008	October 31, 2008	April 30, 2009
Face value outstanding, April 30, 2005 (000's)	\$1,200	\$3,400	\$10,000

Convertible debentures may only be redeemed during the year immediately following the first redemption date if the share price of the Company exceeds 115% of the conversion price for 20 consecutive trading days ending 5 days preceding the applicable redemption date. If the convertible debentures are redeemed in shares, the holder will receive shares equal to the principal amount maturing divided by 95% of the then current market price of the common shares.

10 Bank Indebtedness

Bank indebtedness is payable on demand with rates of interest between prime plus 0.75% and prime plus 1.00% and is unsecured.

11 Income Taxes

The Company estimates current and future income tax liabilities during interim periods based on current income and on estimates of changes in temporary differences in tax versus accounting values of assets.

As at April 30, 2005, the Company had income tax loss carry-forwards in the amount of \$2.53 million, The income tax benefit of which losses has been recognized in the financial statements by reducing the future income tax liability arising from the difference between the tax and book values of income producing properties and other assets, as follows:

(000's)	
Year	Amount
2012	\$ 2,231
2013	303
Total	\$ 2,534

As a mutual fund corporation, the Company is entitled to a refund of taxes paid in respect of realized capital gains upon payment of sufficient dividends to affect a refund. The Company has recognized a refund receivable of \$108 thousand as at April 30, 2005 (October 31, 2004 - \$132 thousand).

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Six Months Ended April 30, 2005 and 2004

12 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

(000's)	April 30, 2005		October 31, 2004	
	Shares	Amounts	Shares	Amounts
Common shares outstanding, beginning of the year	32,288	\$ 17,685	30,042	\$ 15,392
Issuance of common shares:				
Shares issued pursuant to asset purchase agreements	-	-	1,418	1,418
Shares issued through exercise of options	40	35	213	202
Shares issued through dividend reinvestment plan	54	91	98	119
Shares issued through debt conversion	3,117	3,386	517	554
Common shares outstanding, end of the period	35,499	\$ 21,197	32,288	\$ 17,685

As at April 30, 2005, 4.05 million shares (October 31, 2004 - \$6.54 million shares) are subject to escrow provisions and hold periods that expire on various dates up to September 2006.

Pursuant to the Company's Dividend Re-Investment Plan, during the period ended April 30, 2005, shareholders were issued 54 thousand shares at a weighted average price of \$1.69 per share (for the year ended October 31 1004 – 98 thousand shares at a weighted average of \$1.20 per share).

c) Earnings per Share

Basic earnings per share are calculated based on the weighted average number of shares outstanding for the period. Diluted earnings per share consider the potential exercise of outstanding stock options, as well as the potential conversion of convertible debentures that have a negative impact to earnings per share. Stock options or convertible debentures that do not reduce earnings per share are anti-dilutive, and are excluded from the dilution per share calculation. Series 1, 2 and 3 convertible debentures totalling \$14.60 million as of April 30, 2005, convertible to 10.28 million shares could potentially dilute future earnings per share, but were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive (April 30, 2004 – there were no anti-dilutive shares). The weighted average number of shares excluded from the year to date diluted earnings per share calculation were 10.28 million (April 30, 2004 – nil).

A reconciliation between the weighted average number of shares used to calculate basic and diluted earnings per share is as follows:

(000's) For the Periods then Ended	Three Months Ended April 30, 2005	Three Months Ended April 30, 2004 (as restated Note 2-c)	Six Months Ended April 30, 2005	Six Months Ended April 30, 2004 (as restated Note 2-c)
Weighted average number of shares	35,350	31,581	34,454	31,626
Effect of dilutive stock options	145	112	144	100
Effect of dilutive debenture conversions	-	7,667	-	6,943
Weighted average number of diluted shares	35,495	39,360	34,598	38,669
Net (loss) income, net of income tax	\$ (88)	\$ 2,492	\$ (111)	\$ 2,506
Diluted net (loss) income, net of income tax	\$ (88)	\$ 2,620	\$ (111)	\$ 2,751

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13 Stock Options

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.

On August 31, 2001, the Company granted and issued 400 thousand stock options to employees. These options have an exercise price of \$0.75 and are fully vested and detailed herein as Series II options. On February 3, 2005 the Company granted options for 1,635 thousand shares to both directors (505 thousand shares) and employees (1,130 thousand shares) and are detailed herein as Series III options.

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

(000's) For the Six Months Ended April 30, 2005 and the Year Ended October 31, 2004	Directors Options		Employees Options	
	2005	2004	2005	2004
Options outstanding, start of the period	-	-	144	367
Options granted	505	-	1,130	-
Options expired	-	-	(25)	(10)
Options exercised	-	-	(41)	(213)
Options outstanding, end of the period	505	-	1,208	144

Details of options outstanding are as follows:

(000's) – Except exercise price

	Exercise Price	# of Options	Expiry Date	# of Options Exercisable
Series II	\$0.75	78	August 3, 2006	78
Series III	\$1.72	1,605	February 3, 2010	NIL
Series III	\$1.85	30	April 15, 2010	NIL

The Company incurred \$8 thousand in compensation expense for the six months ended April 30, 2005 (year ended October 31, 2004 – nil).

The amount of compensation expensed in prior years for Series II options not exercised at the end of the period is \$9 thousand (October 31, 2004 - \$17 thousand). The amount of compensation expensed in the current period for Series III options not exercised at the end of the period is \$8 thousand (October 31, 2004 - nil). The cumulative amount of \$17 thousand (October 31, 2004 - \$17 thousand) is accounted for as Contributed Surplus.

The weighted average fair value of all options vesting during the period was determined on the grant date using the Black-Scholes model with the following assumptions at the grant date:

	Series II	Series III
Expected life of options	5 years	5 years
Volatility	18%	16%
Risk free rate of return	5.4%	3.58%
Dividend rate	0%	6.10%

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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, Michael Zakuta, and Paul Leger, a former director, 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.

The basis of fee payment under the management agreement is as follows:

Property Management	5% of gross rents paid.
Acquisitions	2% of the purchase price of assets.
Dispositions	1 ½ % of the proceeds of disposition on assets.
Leasing Fees	4% of rental revenue per year for first five years of a lease term. 2% of rental revenue per year for year's six to ten of a lease term. Leasing fees for renewal are at 50% of the above.
Development Fees	4% of costs of construction on development projects.
Construction Management Fees	10% of tenant improvement costs on non-development projects.
Financing Fees	¾ % of loan amount where no outside broker is involved. ¼ % of loan amount where an outside broker is involved.
Legal Services	Cost recovery basis, currently \$130 per hour.

Fees billed for the year to date by the Property Manager are as follows:

(000's)		For the Six Months Ended April 30,	
Fee Category	Included for Reporting Purposes In	2005	2004
Management fees	Property operating expenses	\$ 705	\$ 584
Leasing fees	Tenant acquisition costs	759	335
Development fees	Income producing properties	400	145
Financing fees	Deferred charges	43	34
Acquisition fees	Income producing properties	-	358
Disposition fees	Gain or loss on sale of property	-	242
Total fees billed by the Property Manager		\$ 1,907	\$ 1,698

The Directors own directly or indirectly mortgage bonds and convertible debentures of the Company, purchased at various times at the face value, as follows:

(000's) Related Party	April 30, 2005	October 31, 2004
Richard Hamm, Director	\$ 775	\$ 865
Michael Zakuta, Director	2,099	1,899
Edouard Babineau, Director	600	600
Willard L'Heureux, Director	650	450
Earl Brewer, Director	720	520
Stephen Johnson, Director	630	555
Total related party mortgage bonds and debentures held	\$ 5,474	\$ 4,889

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Notes payable to related parties consist of the following:

(000's)			April 30, 2005	October 31, 2004
Interest Bearing Notes	Maturity Date	Interest Rate		
Les Immeubles Plaza Z Corp and related entities controlled by Michael Zakuta, a Director of the Company	(1)	Prime plus ¾%	\$ 939	\$ 939
Non-interest bearing notes:				
Various companies owned (directly and indirectly) and controlled by Michael Zakuta, a Director of the Company	(1)	n/a	361	361
Total related parties			\$ 1,300	\$ 1,300

1) Notes payable are due on sale or refinancing of the property funded through the note.

In the period Series I debentures were converted by Director's of the Company, or company's owned and controlled by Directors Richard Hamm (\$365 thousand), Michael Zakuta (\$100 thousand), Earl Brewer (\$150 thousand), and Stephen Johnson (\$100 thousand) resulting in the issuance of 715 thousand shares.

Two directors directly or beneficially share interests in common with the Company in the Gateway Mall, Sussex, NB property being Earl Brewer (25%) and Michael Zakuta (21.5%). There are no loans outstanding or fees charged by the related parties as a result of the joint ownership.

15 Contingencies, Commitments, Guarantees and Indemnities

a) Letters-of-Credit

The Company's bankers have issued letters-of-credit in support of the Company's obligations under certain long-term mortgages. The facility is secured by Personal Property Security Act (PPSA) charges in each province. The facility, under which the letters-of-credit are issued, requires that the Company maintain certain financial ratios to comply with the facility. As at April 30, 2005, \$300 thousand of such letters-of-credit were issued and outstanding and the Company was in compliance with the terms of the credit facility.

b) Commitments

The Company's estimated commitments in respect of certain projects under development and other long-term obligations are as follows:

(000's)	1Year, 2005	2-3 Years, 2006 to 2007	4-5 Years, 2008 to 2009	After 5 Years	Total
Contractual Obligations					
Mortgages	\$ 3,469	\$ 8,517	\$ 19,467	\$ 58,798	\$ 90,251
Bonds and debentures	-	-	19,167	7,500	26,667
Operating land leases (1)	1,244	2,792	2,865	33,858	40,759
Development activities	15,384	-	-	-	15,384
Total contractual obligations	\$ 20,097	\$ 11,309	\$ 41,499	\$ 100,156	\$ 173,061

(1) Operating leases expire on dates ranging from 2011 to 2063 with renewal options ranging from 10 to 60 years

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c) Guarantees and Indemnities

The Company continues to guarantee certain debt assumed by purchasers in connection with historical dispositions of properties. These guarantees will remain until the debt is modified, refinanced or extinguished. The Company has recourse under these guarantees in the event of default by the purchaser, in which case the Company would have a claim against the underlying property. The estimated amount of the debt subject to such guarantees at April 30, 2005 is \$8.38 million (October 31, 2004 – \$8.45 million) with an estimated weighted average remaining term of 7.9 years (October 31, 2004 – 7.9 years).

The mortgage on Lansdowne Place contains cross-default provisions with the mortgages of Nashwaaksis Plaza and Spring Park Plaza. The total outstanding under these two loans is \$3.62 million. Plazacorp indemnifies its co-venturer in respect of the cross default provisions through the co-ownership agreements governing Lansdowne Place, Staples Plaza Dartmouth and Les Promenades St. Francois including cross-default provisions in support of this indemnity.

The Company is contingently liable for certain obligations of a co-venturer. 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 total exposure on this cross-guarantee is \$848 thousand (October 31, 2004 - \$862 thousand).

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 Plaza Limited Partnership. The Company has provided a general guarantee of \$2 million related to a mortgage loan placed on Les Promenades du Cuivre, Rouyn-Noranda, QC on December 22, 2004.

The fair value of the Company's exposure from mortgage guarantees is not readily determinable.

16 Litigation

Plazacorp is involved in litigation and claims in relation to its income producing properties from time-to-time. In Management's opinion, any liability that may arise from such litigation would not have a significant adverse effect on these financial statements.

17 Risk Management

In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. These risks and the action taken to manage them are as follows:

a) Interest Rate Risk

Interest rate risk arises for every 100 basis points increase to interest rates, it would increase interest expense and decrease pre-tax earnings in the amount of \$1.17 million.

b) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. The Company also initiates thorough credit assessments on all new leasing.

The Company is also subjected to risk from borrowers defaulting on the repayment of their mortgages. The Company ensures that adequate security is provided to support all mortgage receivables.

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18 Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year. Also see Note 2c regarding changes to accounting policy.

19 Subsequent Events

On May 5, 2005 the Company acquired land in Bathurst, New Brunswick in the amount of \$775 thousand.

On June 16, 2005 the Company issued \$2.5 million in series II mortgage bonds of which \$550 thousand was received in cash and the balance of \$1.95 million was issued as part of an exchange with Series I mortgage bondholders.

On June 20, 2005 the Company redeemed \$2.53 million in Series I mortgage bonds. Of this amount \$575 thousand was redeemed in cash and the balance of \$1.95 million was exchanged for Series II mortgage bonds.

20 Involvement of Company's Auditors

The Company's auditors have not reviewed these interim consolidated financial statements.