REVENUE PROPERTIES COMPANY LIMITED

ANNUAL REPORT 2002

Company **Profile**

Revenue Properties owns and manages a portfolio of commercial, revenue generating properties in Canada. Its primary focus is the acquisition, development and ownership of quality, income-producing properties. Revenue Properties' goal is to combine income and capital growth to achieve substantial capital appreciation through the prudent management of its investment portfolio.

Revenue Properties was established in 1961. Its common shares are listed on the Toronto Stock Exchange, symbol TSX: RPC.

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Financial Highlights

(In thousands of Canadian dollars, except per share amounts)	2002	2001	2000	1999	1998
As Reported					
Total assets	**$ 212,968**	$ 318,098	$ 526,782	$ 1,380,349	$ 1,336,185
Long-term debt, including convertible debentures	**89,079**	167,367	334,363	840,707	756,225
Shareholders' equity	**106,695**	84,079	158,706	158,919	180,710
Income from continuing operations before income taxes	**45,138**	48,160	15,660	5,500	2,981
Per common share	**0.65**	0.71	0.19	0.04	0.01
Funds from continuing operations	**10,878**	10,033	25,372	24,186	19,258
Per common share	**0.17**	0.16	0.39	0.35	0.27
Pro forma, *Based on equity method (note)*					
Rental properties	**161,962**	147,822	132,671	133,258	137,818
Investment in PNP	**-**	-	334,636	308,382	331,952
Long-term debt, including convertible debentures	**89,079**	167,367	334,363	324,530	335,470
Funds from continuing operations	**10,878**	10,033	10,219	13,485	11,566
Per common share	**0.17**	0.16	0.16	0.19	0.16

Note: The pro forma numbers are provided to isolate PNP numbers in order to provide a more meaningful comparison of the Company's assets, liabilities, and funds from continuing operations.

President's Message *to Shareholders*

2002 was a year of change for Revenue Properties Company Limited on several fronts.

At the end of July, we became a subsidiary of Morguard Corporation when it acquired all of the shares of the Company owned by Mark Tanz.

In two separate transactions we sold our interests in 1,943 apartment units for an aggregate profit of $30.2 million. With buyer appetite high in the residential investment market, we felt it timely to sell our leasehold interests in these properties and prepare to reinvest in newer, freehold properties as those become available at acceptable prices.

Although 2002 generally remained a sellers' market, we were able to close the year with the acquisition of two well-located, new office buildings just south of Pearson International Airport in Mississauga, Ontario. Both buildings are fully leased to a Canadian financial institution for 15 years, on leases which are completely carefree to the landlord. We have arranged very attractive financing on these properties which will be substantially amortized by the end of the initial term of the leases, giving us a very low cost base when re-leasing must be addressed. We continue to look for acquisitions that will enhance our portfolio, concentrating on lower-risk, higher-quality properties.

In 2002, we paid down $73 million of debt and mortgaged East York Town Centre for $20 million. We have no debt maturing in 2003, having prepaid $45 million of convertible subordinated debentures due October 1, 2003 in January 2002. The $27 million of convertible subordinated debentures due March 31, 2004 is the Company's next debt to mature.

Our operating results remain strong, despite a modest 1% drop in comparable retail sales from 2001 and greater residential vacancy than in 2001, two trends felt across the Canadian real estate industry.

Our challenge in 2003 will be to invest our available cash resources wisely and profitably, and to improve the performance of our existing properties. Pursuant to the management arrangements put in place effective January 1, 2003, we are pleased to be able to call upon the substantial resources of Morguard Corporation to assist us in achieving our goals in what looks to be a challenging year.

After many years of faithful and diligent service to our Company, Abbey Lipson will retire as a director in May 2003. On behalf of the Board of Directors and all employees, thank you Abbey, for all your good work. On May 1, 2003, Tony Stephens, who has many years of experience at the most senior level in the Canadian real estate industry, takes over as President of the Company. Tony will also be a Director. The Company will benefit from Tony's guidance, as it will from the addition of Wayne Mang who will join the Board of Directors later in May 2003.

Thanks to everyone who contributed to our success in 2002, especially our many hard working employees.

William I. Kennedy

Management's Discussion and Analysis

of Financial Condition and Results of Operations

Overview

Revenue Properties Company Limited (the "Company") owns and manages commercial real estate. The Company has five core properties in the Greater Toronto Area, with an enclosed shopping center in Grande Prairie, Alberta, and a 50% interest in the Saint John City Hall in Saint John, New Brunswick. It sold 1,943 apartment units in 2002 and its investment in a US real estate investment trust in 2001. These asset sales generated significant extraordinary profits and cash during the past two years. At the end of 2002, the Company reinvested a portion of the cash in the acquisition of two first class suburban office buildings in Mississauga, Ontario. Operating results in 2002 were adversely affected to the extent that the cash sale proceeds were not re-invested on an equal or accretive basis during the year.

The Company has substantial cash and available borrowing capacity to grow the Company's asset base with accretive acquisitions of commercial properties with low risk profiles. However, the current lack of suitable, available product may affect the pace of growth.

Effective January 1, 2003, the Company entered into a property and asset management agreement with Morguard Investments Limited ("MIL"), a subsidiary of Morguard Corporation ("Morguard"), the Company's controlling shareholder. MIL's strength in acquisitions, leasing and operations enhances the Company's ability to grow. Most of the Company's staff has been hired by MIL. The arrangement, together with other steps taken by the Company, will lower overhead costs in 2003.

Significant Accounting Policies

The financial statements are based on the selection and application of critical accounting policies set forth in the notes to the financial statements, which require management to make significant estimates and assumptions. Management believes that there are two critical areas of judgment in the application of accounting policies that affect the financial condition and results of operations of the Company – asset valuation and depreciation.

Asset Valuation of Real Estate

Rental properties, the Company's major asset class, are carried at the lower of depreciated cost and net recoverable amount on the assumption that the properties will be held for the long term. Net recoverable amount represents the estimated future cash flow from the use and residual value of the property on an undiscounted basis. The Company relies on assumptions of future rental income and expected future property values that could be impacted by industry performance and prospects, as well as the business and economic conditions that are expected to prevail during the holding period. Should the underlying assumptions change materially, the estimated net recoverable amount could change by a significant amount. As the majority of the major properties have been owned for over 25 years, management believes that book cost is well below current estimated market values. The two new office properties were acquired recently at market prices.

Depreciation

Depreciation on rental properties is provided under the sinking fund method, an approach that the Company has followed consistently for a long time in accordance with Canadian generally accepted accounting principles and the recommendations of the Canadian Institute of Public and Private Real Estate Companies. Under this method, depreciation is charged to income in amounts which increase annually, consisting of fixed annual sums together with interest, compounded at the rate of 5% per annum so as to fully depreciate the buildings over their estimated useful lives of 40 years, even though, with proper maintenance, the actual life should be considerably longer. The use of another method of depreciation, such as the straight-line method, would result in a different amount of depreciation expense.

Results

Revenue Properties stated objective for 2002 was to focus on its core real estate business, by improving real estate operations and paying down debt. In addition, the Company investigated new real estate opportunities where they were likely to increase cash flow and enhance shareholder value.

Results of Operations

(000's)	2002	2001
Gross revenues	$ 65,279	$ 62,384
Gross profit	24,389	23,102
Operating profit / (loss)	5,411	(5,474)
Gain on sale of rental properties	30,199	-
Reduction of foreign currency translation account	10,520	18,487
Loss on redemption and repurchase of convertible debentures	(992)	-
Diminution in value of real estate assets	-	(9,530)
Penalty on early debt repayment	-	(3,139)
Earnings and gains related to PNP	-	47,816
Income taxes	(7,202)	(5,628)
Income from continuing operations	37,936	42,532
Net income	37,361	43,676
Funds from continuing operations	10,878	10,033

Selected Quarterly Consolidated Financial Information

(unaudited, in thousands of Canadian dollars, except per share amounts)				2002				2001
	4th Qr	3rd Qr	2nd Qr	1st Qr	4th Qr	3rd Qr	2nd Qr	1st Qr
Gross revenues	$ 15,058	$ 14,922	$ 15,839	$ 19,460	$ 17,518	$ 14,891	$ 15,151	$ 14,824
Income from								
continuing operations	7,683	2,487	20,031	7,735	8,282	833	31,717	1,700
Per basic share	0.11	0.02	0.30	0.11	0.12	0.00	0.49	0.01
Per diluted share	0.07	0.02	0.17	0.07	0.06	0.00	0.30	0.01
Net Income	7,641	2,487	19,197	8,036	8,315	962	32,381	2,018
Per basic share	0.11	0.02	0.29	0.11	0.12	0.00	0.50	0.02
Per diluted share	0.07	0.02	0.16	0.07	0.06	0.00	0.31	0.02

Gross revenues increased over 2001, due primarily to a more successful year of land sales, which offset lower rental income as a result of the residential property sales. The level of debt was reduced, resulting in lower interest expense for the year, and was the major reason the Company recorded an operating profit for the year compared to an operating loss in 2001. The material non-recurring transactions included the gain of $30 million from the two sales of the residential buildings in 2002. The sales of US investments resulted in a profit of $34 million in 2001.

A key performance measure for real estate companies is the funds generated from operations. Funds from operations, which exclude the non-recurring and non-cash transactions, are generated primarily from rents realized less operating costs, including property taxes, interest and overhead. Results are improved if vacancy levels can be kept low and rental rates can be increased. Funds from operations increased 8% to $10.9 million in 2002, a result of the reduction of interest expense offset in part by lower rental income due to the sales of the residential properties.

The computation of funds from operations may differ from the methodology used by other real estate companies and, therefore, may not be comparable to such other real estate companies. Funds from operations are not indicative of funds available to meet the Company's cash requirements.

Rental Operations

			2002			2001
(000's)	Retail	Residential	Total	Retail	Residential	Total
Rental income	$ 35,927	$ 3,384	$ 39,311	$ 35,178	$ 3,293	$ 38,471
Property operating expenses	18,724	2,088	20,812	18,707	2,129	20,836
Same property comparisons	17,203	1,296	18,499	16,471	1,164	17,635
Acquired / sold properties	2,302	2,465	4,767	958	4,333	5,291
Total rental income			$ 23,266			$ 22,926
Gross profit % for same properties	48%	38%		47%	35%	
Re-leasing costs incurred	$ 1,484			$ 1,733		

The key controllable factors in creating value for the Company's stakeholders are rental rates, vacancy rates, tenant sales (for retail tenants) and operating costs. External factors include the general economic environment, demand for real estate properties and the supply of rental accommodation available in our markets.

Properties held throughout the year reported an increase in gross profit of 4.9% due to lower vacancies in retail properties (2.3% compared to 3.4% in 2001) and a higher monthly average rent for the remaining residential property ($1,963 per unit compared to $1,823 per unit in 2001), partially offset by an increase in residential vacancy (10% compared to 8% in 2001). At the end of 2002, nine units (6%) were being held vacant for renovations prior to being rented at higher rental rates. Retail sales for the Company's four key retail properties on a same store basis averaged $471 for 2002 compared to $478 in 2001, a decline of 1%.

Land Sales

Significant progress was achieved during 2002 to monetize the Company's investment in land. Sales in Guelph of developed land included 109 lots, a block for a school, a 15 acre block for retail use and a parcel of land held for future development. In all, the Company's share of gross revenues totaled $10.0 million, generating a profit of $1.1 million. The Company anticipates that the next phase of lots will be available for sale in the fourth quarter of 2003. During 2002, as a result of the sales and collection of receivables, the Company received cash distributions from the project of $8.3 million ($0 in 2001).

Interest Expense and Coverage Ratio

(000's)		2002		2001
Total interest expense	$	**8,959**	$	19,744
Plus: amortization of debt discount		**2,502**		1,022
Plus: interest capitalized		**85**		195
Plus: interest allocated to discontinued operations		**34**		233
Less: interest income		**2,438**		2,610
Net interest	$	**9,142**	$	18,584
Funds from operations before interest	$	**20,020**	$	28,617
Interest coverage ratio		**2.19**		1.54

During 2002, the Company repaid $73 million of mortgage and bank debt, using the proceeds from the sales of residential properties and the repatriation of funds from the US, while a new mortgage of $20 million was arranged. These changes reduced the average interest rate of the mortgage debt by 0.6% to 6.7% in 2002. In addition, the 7.5% convertible debentures in the amount of $45 million were redeemed in January 2002, and $27 million of the 6% US denominated convertible debentures were purchased for cancellation in April 2002. As a result, interest expense declined by 55%, to $9.0 million from $19.7 million in 2001. The lower interest expense resulted in the interest coverage ratio increasing to 2.19 times from 1.54 times in 2001.

Interest income on the sales proceeds, included in other income, was $2.4 million, including interest of $1.3 million generated on the portfolio of corporate bonds and $0.4 million on a revolving loan to Morguard (see "Cash on hand and portfolio investments" below). Offsetting the interest income were non-recurring expenses, including a settlement payment to a director of $0.5 million, and $1.6 million reserve for taxes.

During the year, two residential properties on leasehold land were sold, generating a profit of $30 million. Cash repatriated from the US in January 2002 resulted in the recognition of $10.5 million of the foreign currency translation balance as income, which compares to $18.5 million recognized in 2001. The sales in 2001 of the shares in Pan Pacific Retail Properties, Inc. generated a profit of $34 million.

The calculations may differ from the approach adopted by other real estate companies and, therefore, may not be comparable to such other real estate companies.

Income Taxes

The Company recorded a current tax liability for the year of $0.1 million as a result of the capital gains generated by the sales of the residential buildings and the repatriation of investment funds from the US, offset by a US tax refund of $2.3 million received during 2002 because the estimate for 2001 taxes had been too high. A future income tax expense of $7.1 million was recorded, reflecting the draw down of all Canadian net operating losses carried forward from previous years. The difference between the expected tax expense on the recorded income and the actual expense was the non-taxable portion of the capital gains recorded on the sales of the residential properties and the repatriation of investment funds from the US.

Discontinued Gaming Operations

During 2002, the Company completed its exit from the gaming business. In April, the Company, together with its partners, completed the sale of the sports bar business. In December, the Company completed the sale of its interest in the casino to its partners. As a result of the transactions, the Company recorded a loss for the year of $0.6 million.

Prospective Analysis

The net incomes reported for 2002 and 2001 were affected by significant non-recurring events, such as the sales of the residential properties in 2002 and the sales of US investments in 2001. Going forward, the Company anticipates that the level of operating profit of $5.4 million recorded in 2002 is a better indication of the base target for 2003. Factors that will impact the 2003 results positively are the acquisition of two fully leased office properties and a full year of lower debt levels.

Changes in Financial Condition

The Company has no off-balance sheet financing arrangements. The Company has the resources to meet its maturing debt obligations and the capacity to grow the business as a result of selling its residential properties and US investments. The net cash proceeds from these capital transactions have been applied to pay down debt with the balance invested until the funds are required for real estate acquisitions.

Cash on Hand and Portfolio Investments

During the year the Company sold residential properties for gross proceeds of $102 million. In connection with the sales, the Company repaid $18 million of mortgage debt and paid $29 million to acquire the freehold title of one property. After selling and closing costs, the net cash received was $52 million.

In July 2002, to generate a higher return on its cash balances, the Company invested $44 million in a portfolio of 10 corporate bonds, with maturities generally in 2003 and 2004, and loaned $20 million, pursuant to a revolving loan agreement, to Morguard. The loan was advanced at an interest rate equivalent to 175 basis points over the 30-day bankers acceptance rate that Morguard pays to a Canadian chartered bank.

In December, $11 million of bonds were sold, generating a yield of 8% for the five-month holding period, and Morguard repaid its loan. At December 31, 2002, after paying $56 million (including a fee of $0.4 million paid to MIL) to acquire the two office buildings in Mississauga, the Company's cash and cash equivalents were $6 million and its portfolio investments totaled $29 million (market value of $30 million). In January 2003, the Company loaned $6 million to Morguard pursuant to the revolving loan agreement.

In February 2003, the Company signed a commitment letter for mortgage financing on the two office properties acquired in December 2002 in the amount of $44 million. The mortgage, which was advanced in March 2003, has a term of 15 years, an amortization period of 19 years and an interest rate of 6.7%. The funds will be used for general corporate purposes.

Property and Other Assets

The Company's principal business is the ownership and management of three shopping centers, one mixed-use property and two office properties. Three of the properties have been held for over 25 years, so management believes that book costs are well below current estimated market values. The two office properties and a 50% interest in Prairie Mall were acquired in the past two years, so management believes that cost of the properties approximates market values.

In summary, management believes that the value of the property portfolio exceeds book cost by approximately $100 million. Management estimated market value for the various properties by applying an appropriate capitalization rate to each property's budgeted 2003 rental income less an allowance for capital repairs.

The Company has receivables and sundry assets totaling $9.5 million, the majority of which relates to the Guelph land development project, with collection related to the continued success of the homebuilders who purchased the lots in the project.

Liabilities

(000's)		2002	2001
Mortgages on rental properties		$ 44,671	$ 46,255
Loan payable on land under development		-	893
Loan on discontinued gaming operations		-	2,009
Bank indebtedness		-	50,833
Long-term debt and bank indebtedness	A	44,671	99,990
Convertible debentures (including equity component)		106,783	179,785
Total debt	B	151,454	279,775
Excess of estimated market value over book value		100,000	110,000
Shareholders' equity		41,882	12,935
Equity at market value	C	141,882	122,935
7% Convertible debentures (including equity component)		79,715	79,715
Market value after conversion of debentures	D	$ 221,597	$ 202,650
If convertible debentures are debt	B/C	1.07:1	2.28:1
If 7% convertible debentures are equity	A/D	0.20:1	0.49:1

Aggregate Obligations, Liabilities and Commitments

Contractual Obligations		Payments due by period			
(000's)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Mortgages	$ 44,671	$ 1,228	$ 2,715	$ 21,930	$ 18,798
Convertible debentures	106,783	-	27,068	79,715	-
MIL contract	2,700	900	1,800	-	-
Land lease	161,558	2,870	5,739	5,739	147,210
Total	$ 315,712	$ 4,998	$ 37,322	$ 107,384	$ 166,008

Long-term debt and bank indebtedness declined by $55 million during 2002, reflecting the repayment of bank indebtedness and $18 million of mortgages secured on the residential properties sold during the year, offset by a new $20 million mortgage secured against East York Town Centre.

The Company's 7.5% convertible debentures, in the amount of $45 million due in 2003, were redeemed in January 2002. A substantial issuer bid for the 6% US denominated convertible debentures, due in 2004, at a price of US$950 cash for each US$1,000 principal amount outstanding resulted in $27 million of debentures being tendered and cancelled. The 7% convertible debentures mature in December 2006 with the principal due on maturity or redemption payable, at the Company's option, in either cash or common shares.

The Company has measured its debt by applying common ratios to the equity balance. For the analysis, management believes it is appropriate to include the excess of the market value of its rental properties over the book cost. On a consistent basis, the debt to equity ratio, assuming the convertible debentures are debt, improved to 1.07:1 from 2.28:1 in 2001 as a result of the profits from the major transactions and the application of a portion of the proceeds to reduce debt. If the 7% convertible debentures were treated as equity, the ratio improves to 0.20:1 in 2002, compared to 0.49:1 in 2001. The 6% convertible debentures, due in April 2004, are assumed to be debt, since the conversion price is out of the money.

The Company has entered into a property management agreement with MIL. The agreement is for a term of one year, which may be renewed at the option of the Company for additional terms of one year. Under the agreement, MIL assumed the employment obligations for all but three of the Company's employees. The fee payable by the Company is dependent on the performance of its properties but is estimated to be approximately $900,000 per year.

The Company leases the land under one of its properties, which lease expires in 2060 with the rent fixed until 2010 at $2,779,000 per annum. Thereafter, the rent for the next 20 years is adjusted based on the fair market value of the land.

Interest Rate Structure

(000's)	2002	2001
Mortgages on rental properties	**$ 44,671**	$ 46,255
Term bank loan	-	2,009
Convertible debentures (including equity component)	**106,783**	179,785
Fixed rate debt	**$ 151,454**	$ 228,049
Weighted average interest rate	**6.7%**	6.9%
Variable rate debt	-	893
Weighted average interest rate	-	5.0%
Bank indebtedness	-	50,833
Total debt	**$ 151,454**	$ 279,775
Total fixed rate debt %	**100%**	81%
Total variable rate debt %	-	19%

The Company had no floating rate debt outstanding at December 31, 2002 as all bank overdraft facilities had been repaid.

Normal Course Issuer Bid

The Company maintains a Normal Course Issuer Bid in accordance with the rules of the Toronto Stock Exchange for the purchase of its shares from time to time, which bid, expires August 18, 2003. The Company also had a Bid for the purchase of its convertible debentures, which expired in March 2002. During 2002, the Company did not acquire any shares or convertible debentures, other than those pursuant to a substantial issuer bid for the 6% convertible debentures.

Non-capital resources critical to the Company include qualified staff and the appropriate computer hardware and software. Such resources have been available in the past, reflective of the Company's activities. Going forward, the management arrangements with MIL will provide the Company access to a much larger organization's experience in all sectors of the real estate industry, thereby increasing the Company's resources and capacity to carry on and grow the business.

Risk Management

The Company expects to face the following risks in the normal course of its operations.

Operating Risk

The Company's primary business is the ownership and operation of a portfolio of commercial properties. The income stream, generated by tenants paying rent, can be affected by general and local economic conditions and by a change in the financial condition of the tenants.

While there has been economic uncertainty in the United States reflected by stock market turbulence and the aftermath of corporate scandals, Canada generated respectable economic growth in 2002, including strong job growth, which supported consumer expenditures. As a result, there were few retail bankruptcies and occupancy rates remained high. Average sales per square feet on a same store basis in 2002 were $471, compared to $478 in 2001. The expected rate of growth in Canada is forecast to decline marginally in 2003 but management believes the decline will not affect its projected earnings for the year.

Interest rates are at historically low levels, and as a result, consumers have been buying homes in record numbers. This has had a negative impact on residential occupancies and the Company mitigated its exposure by selling the majority of its residential units during the year.

The two office properties acquired at the end of 2002 are fully leased for a 15-year term to a Canadian financial institution, with the intent of limiting leasing and tenant credit risk to the Company.

Financing Risk

The Company's debt, including convertible debentures at December 31, 2002, was $151 million, all of which was at fixed interest rates, compared to $280 million a year earlier. The only debt maturing over the next three years is the US denominated convertible debentures, which total $27 million at current exchange rates. In addition to the cash and investments on hand at year-end, the Company has four properties on which, management estimates, additional debt of approximately $110 million can be placed (including $44 million of new mortgage debt with a 15 year term secured against the two office properties).

Interest rate fluctuations have been eliminated at December 31, 2002, since all floating rate debt has been repaid.

Relative Liquidity of Real Estate

Real estate is not considered to be a liquid investment, as it requires a reasonable sales period and normal market conditions to generate multiple bids to complete the sales process. The characteristics of the property being sold, and the general and local economic conditions can affect the time needed to complete the sales process.

Foreign Exchange Risk

The Company has a net US dollar liability of US$4.2 million. Canadian dollar assets will be converted to meet the obligation, which will expire in 2004 when the US denominated convertible debentures are redeemed.

At December 31, 2002, the Canadian dollar value was US 63.39 cents compared to US 62.78 cents a year earlier. The average exchange rate for the year was US 63.69 cents compared to US 64.57 cents in 2001.

Management does not acquire or issue derivative instruments for trading purposes and believes that it is not an appropriate time to hedge the foreign exchange conversion risk.

Environmental Risk

The portfolio is comprised of mature properties with the exception of the two office properties acquired at December 31, 2002. Properties comply with current environmental guidelines, or where required, are remediated, in which case a full provision for the work is accrued in the accounts.

As a landlord, the Company is subject to an environmental risk as a result of the possible use of foreign substances by retail tenants who handle, store and generate small quantities of hazardous waste. The Company attempts to mitigate this risk through the terms of its leases and by periodic inspections by both management and technical consultants.

While the Company believes that it complies with current standards, there can be no assurance that the laws or regulations will not be changed in the future or that tenants or adjacent landowners will not affect its properties. A governmental authority has not notified the Company nor is the Company aware of any material non-compliance relating to hazardous or toxic substances in any of its properties.

Note: Certain matters discussed are forward-looking statements within the meaning of federal securities laws in the US. Although the Company believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be attained. Factors that could cause actual results to differ materially from the Company's expectations include market valuations of its shares, financial performance and operations of its rental properties, real estate conditions, execution of competing development programs, successful completion of renovations, changes in the availability of acquisitions, changes in local or national economic conditions, and other risks detailed from time to time in reports filed with the Securities and Exchange Commission including the Annual Report on Form 20-F.

Management's Report *to Shareholders*

The consolidated financial statements of Revenue Properties Company Limited have been prepared by management in accordance with generally accepted accounting principles appropriate for the real estate industry. Management is responsible for the information contained in these financial statements and other sections of this annual report.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information. Where necessary, management uses judgment to make estimates required to ensure the fair and consistent presentation of this information. Management recognizes its responsibility for conducting the Company's affairs in compliance with applicable laws and proper standards of conduct.

The Audit Committee of the Board of Directors of the Company, consisting solely of outside directors, has reviewed the consolidated financial statements, the report to shareholders and the management's discussion and analysis with management and the external auditors, KPMG LLP, and recommended their approval to the Board of Directors. The Board of Directors has approved the consolidated financial statements.

KPMG LLP, appointed by the shareholders, has conducted an independent examination in accordance with generally accepted auditing standards, and has had full access to the Audit Committee, with and without management being present.

William I. Kennedy
President

Richard E. Fletcher
Vice-President, Finance and Chief Financial Officer

Auditors' *Report*

The Shareholders, Revenue Properties Company Limited:

We have audited the consolidated balance sheets of Revenue Properties Company Limited as at December 31, 2002 and 2001 and the consolidated statements of income, deficit, funds from continuing operations and cash flow for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Toronto, Canada
February 21, 2003

Consolidated Balance Sheets

As at December 31

(In thousands of Canadian dollars)	Note	2002	2001
Assets			
Rental properties	2	**$ 161,962**	$ 147,822
Properties held for development and sale	3	**6,787**	11,664
Cash and cash equivalents		**5,700**	126,444
Portfolio investments		**28,985**	-
Mortgages and advances receivable	4	**5,318**	8,728
Other assets	5	**4,216**	2,911
Future income tax asset	14	**-**	1,184
Discontinued operations	18	**-**	19,345
		$ 212,968	$ 318,098
Liabilities and Shareholders' Equity			
Long-term debt	6	**$ 44,671**	$ 49,157
Convertible debentures	7	**44,408**	118,210
Bank and other indebtedness	8	**-**	50,833
Accounts payable and accrued liabilities		**11,295**	15,819
Future income tax liability	14	**5,899**	-
		106,273	234,019
Commitments, contingencies and subsequent events	13, 15, 19		
Shareholders' equity	10	**106,695**	84,079
		$ 212,968	$ 318,098

The accompanying notes form an integral part of these financial statements.

David A. King
Director

William I. Kennedy
Director

Consolidated Statements of Income

Years ended December 31

(in thousands of Canadian dollars, except per share amounts)	Note	2002	2001
Rental Operations			
Revenue		$ 55,269	$ 60,519
Property operating expenses		32,003	37,593
		23,266	22,926
Real Estate Sales			
Sales		10,010	1,865
Cost of sales		8,887	1,689
		1,123	176
Other operating expenses (income):			
Interest		8,959	19,744
General and administrative		4,522	5,044
Interest and other income		(395)	(1,715)
Foreign exchange loss (gain)		520	(164)
Depreciation and amortization		5,372	5,667
		18,978	28,576
Operating Income (Loss)		5,411	(5,474)
Gain on sale of rental properties		30,199	-
Reduction of foreign currency translation account	1(h)	10,520	18,487
Loss on redemption and repurchase of convertible debentures	7(a, c)	(992)	-
Gain on sale of shares of PNP		-	33,863
Equity in earnings of PNP		-	12,018
Dividend income from PNP		-	1,935
Diminution in value of real estate assets		-	(9,530)
Penalty on early debt repayment		-	(3,139)
Income From Continuing Operations Before Income Taxes		45,138	48,160
Income taxes	14		
Current		119	3,728
Future		7,083	1,900
		7,202	5,628
Income From Continuing Operations		37,936	42,532
Income (loss) from discontinued operations	18	(575)	1,144
Net Income		$ 37,361	$ 43,676
Per basic and diluted common share	11		
Income per common share from continuing operations			
-Basic		$ 0.54	$ 0.62
-Diluted		$ 0.33	$ 0.30
Income per common share			
-Basic		$ 0.53	$ 0.64
-Diluted		$ 0.32	$ 0.31
Weighted average number of shares (in thousands)			
-Basic		64,110	63,382
-Diluted		122,491	151,831

The accompanying notes form an integral part of these financial statements.

Consolidated Statements of Deficit

Years ended December 31

(in thousands of Canadian dollars)	2002	2001
Deficit at beginning of year	$ 174, 981	$ 112,071
Net income	(37,361)	(43,676)
Dividends	5,132	7,564
Special dividend	--	95,769
Settlement of convertible debentures	3,472	3,253
Deficit at end of year	$ 146,224	$ 174,981

The accompanying notes form an integral part of these financial statements.

Consolidated Statements of Funds From Continuing Operations

Years ended December 31

(in thousands of Canadian dollars)	2002	2001
Income from continuing operations	$ 37,936	$ 42,532
Add (deduct) non-cash items:		
Depreciation and amortization	5,657	6,301
Future income taxes	7,083	1,900
Gain on sale of rental properties	(30,199)	-
Reduction of foreign currency translation account	(10,520)	(18,487)
Loss on redemption and repurchase of convertible debentures	992	-
Other	(71)	1,064
Gain on sale of shares of PNP	-	(33,863)
Diminution in value of real estate assets	-	9,530
Penalty on early debt repayment	-	3,139
Undistributed profit of equity accounted PNP	-	(2,083)
Funds From Continuing Operations	$ 10,878	$ 10,033

The accompanying notes form an integral part of these financial statements.

Consolidated Statements of Cash Flow

Years ended December 31

(in thousands of Canadian dollars)	2002	2001
Operating Activities		
Funds from continuing operations	$ 10,878	$ 10,033
Re-leasing costs	(1,484)	(1,733)
Amortization of discount of convertible debentures	684	1,596
Net change in other assets and liabilities	1,490	(7,543)
	11,568	2,353
Cash flow from discontinued operations	(359)	2,043
	11,209	4,396
Investing Activities		
Acquisition and development of rental properties	(90,776)	(15,018)
Net proceeds from sales of rental properties	101,520	355
Net proceeds from (investment in) properties held for development and sale	4,449	(2,135)
Portfolio investments – acquisitions	(44,378)	-
– settlement and sales	15,393	-
Advance to Morguard Corporation	(20,000)	-
Repayment of advance to Morguard Corporation	20,000	-
Change in restricted cash	(334)	5,750
Net proceeds from sale of PNP shares	-	381,858
	(14,126)	370,810
Net proceeds from (investment in) discontinued operations	14,882	(1,478)
	756	369,332
Financing Activities		
Repayment of mortgage principal and bank indebtedness	(72,742)	(169,520)
Redemption and repurchase of convertible debentures	(71,064)	(602)
Proceeds of mortgage financing and bank indebtedness	20,000	44,990
Dividends paid	(5,132)	(103,333)
Repurchase of capital stock	-	(6,405)
Issue of capital stock	185	3,019
Settlement of convertible debentures	(3,472)	(3,253)
	(132,225)	(235,104)
Decrease in debt of discontinued operations	-	(15,566)
	(132,225)	(250,670)
Total Cash Provided (Used)	(120,260)	123,058
Effect of foreign currency translation on cash balances	(484)	(419)
Cash and cash equivalents at beginning of year	126,444	3,805
Cash and cash equivalents at end of year	$ 5,700	$ 126,444

Supplemental cash flow information:

The Company's share of proceeds from real estate sales was $10,010 (2001: $1,865) satisfied by mortgages receivable of $3,148 (2001: $1,585) and cash for the balance.

The Company purchased 50% of Prairie Mall not already owned for $21,820, in 2001, satisfied by assumption of the mortgage of $12,214 and cash for the balance.

Cash interest paid in the year was $13,027 (2001: $23,463).

Cash income taxes recovered in the year was $1,980 net (2001: cash taxes paid of $9,794).

The accompanying notes form an integral part of these financial statements.

Notes *to Consolidated Financial Statements*

December 31, 2002 (Tabular amounts are in thousands of Canadian dollars, except shares and per share amounts)

Revenue Properties Company Limited (the "Company") is engaged primarily in the ownership and operation of rental properties in Canada.

1. Summary of Significant Accounting Policies

(a) General

The Company's accounting policies and its standards of financial disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants ("CICA") and the Canadian Institute of Public and Private Real Estate Companies.

(b) Subsidiaries, joint ventures, equity and cost investments

The consolidated financial statements include the accounts of the Company, its subsidiaries and its proportionate share of the assets, liabilities, revenues, expenses, and cash flows of incorporated and unincorporated joint ventures. The Company sold its investment in gaming that had been classified as discontinued operations as described in Note 18.

All intercompany accounts and transactions have been eliminated.

As at January 1, 2001, the Company held a 33% ownership interest in Pan Pacific Retail Properties, Inc. ("PNP"), and accordingly, accounted for its investment under the equity method. During 2001, the Company sold PNP shares and as a result adopted the cost method of accounting for its investment on June 1, 2001, when the Company's ownership interest decreased below 20%.

(c) Asset valuation

(i) Rental properties

Rental properties are carried at the lower of depreciated cost and net recoverable amount. Cost includes interest, realty taxes, and other carrying charges, applicable general and administrative expenses incurred in the pre-development and construction periods, and initial leasing costs. Properties held for sale are recorded at the lower of cost and net realizable value.

(ii) Properties held for development and sale

Land is carried at the lower of cost and net realizable value. The cost of land includes pre-development expenses, interest, realty taxes and other directly related expenses. General and administrative expenses, including salaries, which can be clearly identified with the development of a property, are allocated to the cost of that property. Allocated costs are charged to saleable acreage on the basis of anticipated revenues.

(iii) Valuation principles

The use of net recoverable amount to assess the amount at which a property is carried in the accounts assumes that the property will be held for the long term. Otherwise, the use of net realizable value method may be more appropriate. Net recoverable amount represents the estimated future cash flow expected to be received from the use and residual value of the property on an undiscounted basis. Estimated net realizable value represents the estimated selling price reduced by any costs expected until final disposition, assuming a reasonable sales period and market conditions.

In determining estimates of net recoverable amounts and net realizable values for its rental properties, properties held for sale or development, amounts receivable and investments, the Company makes assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Should the underlying assumptions change materially, the estimated net recoverable amounts and net realizable values could change by a material amount. By nature, asset valuations are subjective and do not necessarily result in precise determinations.

(d) Income recognition

(i) Rental properties

Revenues and earnings from rental properties under development are recorded in income when a rental occupancy of 70% has been achieved or when a predetermined time limit expires, whichever comes sooner. Prior to this time, the properties are categorized as rental properties under development and net rental income is recorded as a reduction of development costs.

(ii) Real estate sales

Income from the sale of land and rental properties is recognized when all material conditions have been fulfilled, at least 15% of the purchase price has been received and the ultimate collection of the proceeds is reasonably assured.

(e) Depreciation and amortization

Depreciation on buildings is provided under the sinking fund method. Under this method, depreciation is charged to income in amounts which increase annually consisting of fixed annual sums together with interest compounded at the rate of 5% per annum so as to fully depreciate the buildings over their estimated useful lives of 40 years.

Depreciation on furniture and equipment is provided at 20% on a declining balance basis.

Re-leasing costs for commercial properties are amortized on a straight-line basis over the term of the leases.

(f) Share based compensation plan

Effective January 1, 2002, the Company adopted the new CICA accounting standard, Stock-Based Compensation and Other Stock-Based Payments, Section 3870. The only share-based compensation or payment granted by the Company is pursuant to its share option plan, which is described in Note 12.

No compensation expense is recognized when share options are issued to employees and directors. Any consideration paid by employees or directors on exercise of share options is credited to capital stock. The accounting for the share option plan has not changed as a result of the new standard. The required pro forma disclosures for all share options issued after January 1, 2002 is included in Note 12.

(g) Portfolio investments

The portfolio of marketable securities is carried at cost plus accrued interest of $458,000. In the event of a decline in the value of a security that is other than temporary, the investment will be written down to recognize the loss. The market value of such securities was $29,830,000 at December 31, 2002.

(h) Foreign exchange

Assets and liabilities of foreign operations are translated at the exchange rates in effect at the balance sheet date, and revenues and expenses are translated at average exchange rates for the year. The Company's investments in the United States ("foreign operations") are considered to be self-sustaining until there is a disposition of the Company's investment in the foreign operations. During the year, there was a reduction in the Company's net investment in the foreign operations. As a result, $10,520,000 (2001 - $18,487,000) of the foreign currency translation account was included in income.

		2002		2001
Canadian dollar to United States dollar exchange rates:				
- December 31	**$**	**0.6339**	$	0.6278
- Average during year	**$**	**0.6369**	$	0.6457
United States dollar to Canadian dollar exchange rates:				
- December 31	**$**	**1.5776**	$	1.5928
- Average during year	**$**	**1.5702**	$	1.5486

(i) Earnings per share

The Company uses the treasury stock method for the calculation of the dilutive effect of stock options and other dilutive securities. Earnings per share has been calculated using the weighted average number of common shares outstanding during the year, divided into net income adjusted for the provision for settlement of convertible debentures.

(j) Cash and cash equivalents

For the purposes of the consolidated financial statements, the Company considers all short-term investments with maturity dates of three months or less from the date of acquisition to be cash equivalents.

(k) Income taxes

Future income taxes are determined based on the difference between the accounting basis and tax basis of assets and liabilities, and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse.

(l) Financial instruments

The Company does not acquire, hold, or issue derivative financial instruments for trading purposes.

2. Rental Properties

		2002		2001
Land	$	21,680	$	14,934
Buildings and improvements		174,420		170,713
		196,100		185,647
Accumulated depreciation		(34,138)		(37,825)
	$	161,962	$	147,822

3. Properties Held For Development and Sale

		2002		2001
Held for development and sale	$	6,777	$	10,602
Held for development		10		1,062
	$	6,787	$	11,664

4. Mortgages and Advances Receivable

		2002		2001
Mortgages and notes receivable	$	2,297	$	4,597
Advances receivable, non interest bearing		3,021		4,131
	$	5,318	$	8,728

Mortgages, notes and advances receivable bear interest at rates which vary from 0% to 8% (weighted average rate 2.4%) and are to be repaid as follows:

2003	$	4,135
2004 and subsequent		1,183
	$	5,318

5. Other Assets

		2002		2001
Restricted cash	$	401	$	67
Accounts receivable		2,147		1,004
Prepaid expenses and sundry assets		1,668		1,840
	$	4,216	$	2,911

Restricted cash is restricted by debt or joint venture agreements and is not available to be used for the general purposes of the Company.

6. Long-term Debt

		2002		2001
Mortgages on rental properties	$	44,671	$	46,255
Loan payable on land under development		-		893
Loan payable on discontinued operations		-		2,009
	$	44,671	$	49,157

		2002		2001
Fixed interest rate debt	$	44,671	$	48,264
Range of interest rates at December 31		6.55-8.52%		6.7-10.75%
Weighted average interest rate at December 31		6.72%		7.31%
Variable interest rate debt		-	$	893
Range of interest rates at December 31		-		5.00%
Weighted average interest rate at December 31		-		5.00%

Principal payments are due as follows:

2003	$	1,228
2004		1,312
2005		1,403
2006		2,652
2007		19,278
2008 and subsequent		18,798
	$	44,671

Debt on rental properties and properties held for development and sale are secured by mortgages and assignments of various assets of the Company.

Certain of the Company's debt agreements require the Company to maintain minimum financial covenants.

7. Convertible Debentures

The Company issued three series of convertible debentures summarized below. The conversion prices were adjusted effective October 19, 2001 as a result of the payment by the Company of a special dividend of $1.50 per common share.

(a) Issue amount - US$35,000,000 (US$17,158,000 and US$34,599,000 outstanding at December 31, 2002 and 2001 respectively) issued in US funds, bearing interest at 6% per annum, payable semi-annually and maturing March 1, 2004. All amounts due are payable in cash.

The debentures are unsecured and are convertible into common shares at a price of US$1.82 per common share at any time prior to the earlier of February 27, 2004 and the last business day immediately preceding the date specified for redemption. The debentures are redeemable by the Company at any time at par plus accrued and unpaid interest.

In April 2002, the Company repurchased $27,403,000 (US$17,441,000) principal amount of the 6% US denominated convertible debentures, due March 1, 2004, resulting in a gain of $101,000 and a net increase to shareholders' equity of $250,000. The debentures were repurchased pursuant to a substantial issuer bid at the price of US$950 cash for each US$1,000 principal amount plus accrued and unpaid interest.

(b) Issue amount - $85,000,000 ($79,715,000 outstanding at both December 31, 2002 and 2001) bearing interest at 7% per annum, payable semi-annually and maturing December 31, 2006. Interest payments are payable in cash. Principal due on maturity or redemption is payable, at the Company's option, in either cash or common shares.

The debentures are unsecured and are convertible into common shares at a price of $1.74 per common share at any time prior to the earlier of December 31, 2006 and the last business day immediately preceding the date specified for redemption.

The debentures will be redeemable at par plus accrued interest but only if the weighted average daily closing price at which the common shares of the Company (the "Common Shares") have traded on the Toronto Stock Exchange during the 20 consecutive trading days ending not more than five days prior to the date on which notice of redemption is given exceeds: 125% of the conversion price if given on or after January 1, 2001 and on or prior to December 31, 2001; 120% if given on or after January 1, 2002 and on or prior to December 31, 2002; 115% if given on or after January 1, 2003 and on or prior to December 31, 2003; 110% if given on or after January 1, 2004 and on or prior to December 31, 2004; 105% if given on or after January 1, 2005 and on or prior to December 31, 2005; and 100% if given on or after January 1, 2006.

The issue amount for each convertible debenture has been allocated between a liability component and an equity component (paid-in capital). The liability component has been calculated, effective the date of issue, by discounting the mandatory cash payments of principal and interest under the terms of the debenture. The discount rates used reflect the interest rate that would have been exigible had the Company issued a pure debt instrument of a similar term. Recorded interest expense related to the convertible debentures is determined by applying the discount rate to the outstanding liability component, while the differential between the recorded interest expense and the interest payment is recorded as settlement of convertible debentures in the consolidated statement of deficit. The principal due on maturity of the issue referred to in (b) above has not been included in the calculation of the respective liability since the Company has the option to settle the principal amount in common shares.

The equity component is the arithmetic difference between the amount issued and the calculated liability component referred to above, adjusted for issue costs.

(c) Issue amount - $45,002,000, (nil and $44,961,000 outstanding at December 31, 2002 and 2001 respectively) bearing interest at 7.5% per annum, payable semi-annually and maturing October 1, 2003. All amounts due are payable in cash.

In January 2002, the Company redeemed and cancelled all of its outstanding 7.5% convertible debentures, which were to mature October 1, 2003. The redemption resulted in a loss of $1,093,000 and a net reduction to shareholders' equity of $900,000.

The components of the convertible debentures are classified as follows:

2002 Principal	Maturity date	2002 Liability	2002 Paid-in capital	2001 Liability	2001 Paid-in capital
$ 27,068	March 1, 2004	**$ 26,466**	**$ 4,597**	$ 52,761	$ 9,271
79,715	December 31, 2006	**17,942**	**60,216**	21,413	56,745
-	October 1, 2003	**-**	**-**	44,036	5,128
$ 106,783		**$ 44,408**	**$ 64,813**	$ 118,210	$ 71,144

8. Bank and Other Indebtedness

	2002	2001
Bank indebtedness	**-**	$ 5,843
Short-term bank loan	**-**	44,990
	-	$ 50,833
Average debt outstanding	**$ 1,599**	$ 15,677
Weighted average interest rate at December 31	**-**	4.93%
Weighted average interest rate during the year	**3.42%**	3.84%

At December 31, 2002, the Company's unused line of credit for general corporate purposes was $2,200,000 (2001: $2,100,000).

The interest rate on any borrowings under the line of credit is 0.35% (2001: 0.35%) above the prime interest rate charged by a Canadian chartered bank. The line of credit is secured by a demand debenture and a first mortgage on one of the Company's properties.

9. Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, mortgages and advances receivable, accounts receivable, bank and other indebtedness and accounts payable and accrued liabilities approximates fair value due to the short-term maturity of these instruments. Financial instruments with a carrying value different from their fair value include the following:

	2002 Carrying value	**2002 Fair value**	2001 Carrying value	2001 Fair value
Portfolio investments	**$ 28,985**	**$ 29,830**	$ -	$ -
Long-term debt	**44,671**	**45,921**	49,157	48,886
Convertible debentures	**106,783**	**103,719**	179,785	168,277

The fair value of long-term debt is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions. The fair value of portfolio investments and convertible debentures are estimated based on published bid prices.

10. Shareholders' Equity

Shareholders' equity consists of the following:

	2002	2001
Capital stock - common shares	**$ 140,706**	$ 140,510
Paid-in capital – convertible debentures (see Note 7)	**64,813**	71,144
Contributed surplus	**45,796**	35,282
Foreign currency translation adjustment	**1,604**	12,124
Deficit	**(146,224)**	(174,981)
	$ 106,695	$ 84,079

(a) Capital stock – authorized

First preference shares - Unlimited number of shares
Second preference shares – Unlimited number of shares
Third preference shares - Unlimited number of shares
Common shares - Unlimited number of shares

(b) Capital stock - issued and outstanding

Changes in the Company's issued capital stock during the two-year period ended December 31, 2002 were as follows:

	Common shares	
	Shares	Amount
January 1, 2001	63,951,828	$ 139,403
Issued on conversion of debentures	1,146,966	3,682
Issued on exercise of stock options	1,335,936	3,019
Purchased and cancelled	(2,566,182)	(5,594)
December 31, 2001	**63,868,548**	**$ 140,510**
Issued on exercise of stock options	**283,836**	**185**
Issued on conversion of debentures	**5,128**	**11**
December 31, 2002	**64,157,512**	**$ 140,706**

(c) Contributed surplus

	2002	2001
At January 1	**$ 35,282**	$ 36,093
Premium paid on common shares purchased for cancellation	**-**	(811)
Redemption of debentures	**10,514**	-
At December 31	**$ 45,796**	$ 35,282

11. Income Per Share

The following tables set forth the computation of per share amounts using the treasury stock method:

	2002	2001
(i) Basic income		
Income from continuing operations	**$ 37,936**	$ 42,532
Provision for settlement of convertible debentures, net of tax	**(3,472)**	(3,253)
Income from continuing operations available to common shareholders	**34,464**	39,279
Income (loss) from discontinued operations	**(575)**	1,144
Net income available to common shareholders	**$ 33,889**	$ 40,423
(ii) Diluted income		
Income from continuing operations available to common shareholders	**$ 34,464**	$ 39,279
Imputed interest on liability component of convertible debentures, net of tax	**5,279**	6,706
Diluted income from continuing operations available to common shareholders	**39,743**	45,985
Income (loss) from discontinued operations	**(575)**	1,144
Diluted net income available to common shareholders	**$ 39,168**	$ 47,129
(iii) Denominator (000's)		
Weighted average basic shares outstanding	**64,110**	63,382
Unexercised options	**279**	569
Effect of convertible debentures	**58,102**	87,880
Diluted shares outstanding	**122,491**	151,831

For the diluted income per share calculations, 505,000 common share options (2001: 25,000 common share options) were not included having a weighted average exercise price of $1.90 per share (2001: $2.35) which was in excess of the trading price.

12. Share Based Compensation Plan

The Company has a stock option plan pursuant to which no more than 6.5 million common shares may be issued at any time. The exercise price of each option equals the market price of the Company's stock on the date of the grant and an option's maximum term is five years. Options vest over a three-year period commencing with the date of grant. The exercise prices range from $0.45 to $2.35, after adjustment for the special dividend paid in October 2001.

If the Company had adopted the fair value based method of accounting for its share option plan, the Company's pro forma compensation expense would have decreased net income by $116,000 for the year ended December 31, 2002, which would have no impact on the basic and diluted earnings per share as reported. The grant date fair value of options granted during the twelve months ended December 31, 2002 was estimated using the Black-Scholes option pricing model incorporating the following assumptions: expected dividends of 8 cents per share; expected volatility of 48%; risk-free interest rate of 5.3%; and expected option life of 5 years. As the accounting standard is to be applied to all awards granted subsequent to January 1, 2002, the effective date of the Section, the pro forma disclosure excludes the effect of the awards granted before January 1, 2002. There have been no share options granted to date in 2003.

A summary of the status of the Company's share option plan as of December 31, 2002 and the changes during the period then ended is presented below:

		2002		2001
	Shares	Weighted average exercise price	Shares	weighted average exercise price
Outstanding at beginning of year	**1,241,396**	**$ 1.18**	2,675,384	$ 2.73
Granted	**545,000**	**$ 1.57**	730,000	$ 2.03
Exercised	**(283,836)**	**$ 0.65**	(1,335,936)	$ 2.26
Forfeited	**(99,165)**	**$ 1.58**	(828,052)	$ 2.90
Outstanding at end of year	**1,403,395**	**$ 1.41**	1,241,396	$ 1.18
Options exercisable at year end	**855,068**	**$ 1.55**	688,065	$ 1.71

For options outstanding as at December 31, 2002, the range of exercise prices and the weighted average exercise price is as follows:

	Number of share options-exercisable / total	Weighted average exercise price-exercisable / total	Weighted average remaining life
$0.45 - $0.53	**176,727 / 378,395**	**$0.50 / $0.52**	**2.93 years**
$1.57 - $2.35	**678,341 / 1,025,000**	**$1.82 / $1.73**	**2.21 years**

13. Commitments and Contingencies

The Company is a lessee under two operating leases that expire at various dates ending in 2060. Rental expenses from continuing operations are as follows:

	2002	2001
Gross rental expenses	**$ 5,422**	$ 6,517
Approximate annual rental expenses for each of the next 5 years	**2,870**	6,514
Aggregate rental expense over remaining term of lease	**161,558**	205,524

14. Income Taxes

Income tax expense attributable to income from continuing operations differs from the amounts computed by applying the Canadian statutory rate to pre-tax income from continuing operations as a result of the following:

	2002	2001
Income from continuing operations before income taxes	$ 45,138	$ 48,160
Combined Canadian federal and provincial statutory rate of tax	39%	42%
Computed tax based on statutory rate	17,604	20,227
Impact of lower effective tax rates on operations in the US	19	(3,165)
Large corporation tax	333	339
Change in the valuation allowance for future income tax assets	(1,077)	(7,138)
Non taxable portion of capital gains	(8,121)	(3,890)
Impact of changes in substantively enacted tax rates	-	(1,039)
Other	(1,556)	294
	$ 7,202	$ 5,628

After applying the expected tax rates to the temporary differences, the future income tax assets and liabilities at December 31, 2002 and 2001 are presented below:

		2002	2001
Future income tax assets:			
Non-capital loss carryforwards	- Canada	$ -	$ 11,538
	- US	5,519	7,476
Interest deferred for US tax purposes		2,682	2,561
Corporate minimum tax carryforwards		1,152	-
Other		169	1,479
Total gross future income tax assets		9,522	23,054
Less valuation allowances		(8,201)	(12,719)
Net future income tax assets		$ 1,321	$ 10,335
Future income tax liabilities:			
Rental properties		$ 7,220	$ 9,151
Total gross future income tax liabilities		$ 7,220	$ 9,151
Net future income tax asset (liability)		$ (5,899)	$ 1,184

The 2002 gross future income tax assets do not include $5,163,000 of US non-capital loss carryforwards since it is unlikely the losses will be utilized prior to their expiry, due to annual deduction restrictions as a result of a change in control during 2002.

The Company has tax losses available in the US of $19,700,000, which expire in 2007, and $11,700,000, which expire in 2017.

15. Joint Venture Operations

The following amounts included in the consolidated financial statements are the Company's proportionate interest in joint ventures excluding gaming operations.

	2002	2001
Assets	$ 12,783	$ 22,276
Liabilities	2,784	3,999
Equity and advances	9,999	18,277
	$ 12,783	$ 22,276
Revenues	$ 11,365	$ 5,938
Expenses	10,119	4,963
Income before income taxes	$ 1,246	$ 975
Cash provided (used):		
Operating activities	$ 4,561	$ 4,434
Investing activities	(2,418)	(3,343)
Financing activities	(950)	(2,740)
	$ 1,193	$ (1,649)

The Company includes in its balance sheet the proportionate share of the assets and liabilities of joint ventures. The Company is contingently liable for the other participants' portion of the liabilities of these joint ventures. The contingent liability is approximately $2,279,000 at December 31, 2002. Against this contingent liability, the Company has recourse to all of the assets of the joint ventures to the extent they are required to pay liabilities in excess of their proportionate share.

16. Related Party Transactions

In 1998, the Company entered into a three year agreement with Mark M. Tanz, a director and shareholder at the time, carrying on business as AMCAN Financial Consultants ("Amcan"), whereby the Company retained Amcan to provide advice and assistance in connection with mergers, acquisitions, gaming investment and development opportunities, financings and refinancings ("Transactions"). The agreement provided for payment of such reasonable fees determined on an arms length basis for similar services. During 2000, the agreement was extended for a fourth year. Annual fees payable were $250,000 and US$300,000. If the installments paid throughout the term of the agreement exceeded the amount of fees charged for services during the period, the excess was to be repaid. At the conclusion of the agreement, the fees charged for services rendered exceeded the installments paid to Amcan. Total fees paid to Amcan in 2001 were $713,000 for services provided in prior periods.

A new agreement for 2002 was signed for a term of two years with annual remuneration fixed at $500,000 per year. In December 2002, the Company terminated the agreement with Amcan and paid a discounted amount to satisfy the 2003 entitlement. The total paid to Amcan during 2002 was $993,000.

Advance to related corporation:
In July 2002, the Company advanced $20,000,000 pursuant to a revolving loan agreement on an unsecured basis to Morguard Corporation ("Morguard"), which directly or indirectly owns 76.4% of the Company's common shares as at December 31, 2002. The advance was repaid at the end of December 2002. The demand loan was interest bearing at the 30-day banker's acceptance rate plus 175 basis points. Interest earned from the loan was $399,000.

Fee paid to related corporation:
The Company paid $413,000 to a subsidiary of Morguard in connection with the $55,000,000 acquisition of two office properties, located at 4720 and 4880 Tahoe Boulevard, Mississauga, Ontario. The fee was capitalized to the cost of the properties.

Tenancy agreement:
A company controlled by a director paid, under the terms of its tenancy agreement, $107,000 (2001: $104,000) to lease a residential suite owned by the Company.

17. Segmented Information

The Company's principal operations are the ownership and management of real estate. Prior to 2002, the Company owned retail and residential properties. By the end of 2002, the mix had become retail and office properties in Canada. Discontinued operations, which were sold during 2002, had been in the United States. On December 31, 2002, the Company acquired two office buildings. Accordingly, office revenues and operating expenses are not being reported as a segment.

Balance Sheet		**2002**	2001
Assets			
Rental properties	- Retail	$ 93,517	$ 95,961
	- Office	58,194	2,003
	- Residential	10,251	49,858
Properties held for development and sale		6,787	11,664
Discontinued operations		-	19,345
Cash and other assets		44,219	139,267
		$ 212,968	$ 318,098
Liabilities and Shareholders' Equity			
Long-term debt	- Retail	$ 44,671	$ 27,956
	- Residential	-	18,299
Other liabilities and equity		168,297	271,843
		$ 212,968	$ 318,098

Statement of Income		**2002**	2001
Retail	- Revenue	$ 40,008	$ 36,691
	- Operating expenses	20,502	19,263
Rental income		19,506	17,428
Residential	- Revenue	15,261	23,828
	- Operating expenses	11,501	18,330
Rental income		3,760	5,498
Total Rental Income		$ 23,266	$ 22,926

18. Discontinued Operations

In April 2002, PT Gaming LLC ("PT's"), in which the Company has a 50% interest, concluded the sale of its gaming assets, excluding the casino. The Company's share of gross proceeds was $14,100,000, satisfied by a promissory note of $1,200,000 and cash for the balance.

At the end of December 2002, the Company sold its interest in the casino to its partners for proceeds of $3,100,000, satisfied by the purchaser assuming debt in the amount of $1,950,000 and cash for the balance. The sales completed the Company's divestiture from gaming.

The summarized statement of operations for gaming follows:

	2002	2001
Operating income	$ 124	$ 1,538
Loss on disposal of discontinued gaming operations	(699)	(394)
Income (loss) from discontinued gaming operations	$ (575)	$ 1,144

Summarized balance sheet information for gaming is as follows:

Assets	2002	2001
Property and equipment, net of accumulated depreciation	-	$ 10,101
Other assets	-	9,244
Total	-	$ 19,345

Liabilities	2002	2001
Long-term debt	-	$ 2,009
Accounts payable and deposits	-	881
Total	-	$ 2,890

19. Subsequent Events

Effective January 1, 2003, the Company entered into a management agreement with Morguard Investments Limited ("MIL"), a subsidiary of Morguard under which MIL provides property management and corporate services to the Company.

In January 2003, the Company advanced $6,000,000 to Morguard, pursuant to the revolving loan agreement and on the same terms and conditions described in Note 16.

In February 2003, the Company entered into an agreement to borrow $44,000,000, bearing interest at 6.7%, secured by a first charge on the Company's two office properties, and due in 2018. The funds will be used for general corporate purposes.

20. Comparative Figures

Certain prior year's figures have been reclassified to conform to the current year's presentation.

2002 Summary of Operations by Quarter

(unaudited, in thousands of Canadian dollars, except per share amounts)	Year 2002	4th Qr	3rd Qr	2nd Qr	1st Qr
Net rental operations	**$ 23,266**	$ 5,249	$ 5,674	$ 6,303	$ 6,040
Net real estate sales	**1,123**	781	195	20	127
Gross Profit	**24,389**	6,030	5,869	6,323	6,167
Other operating expenses					
Interest	**8,959**	1,887	1,902	2,290	2,880
General and administrative	**4,522**	1,237	990	1,108	1,187
Interest and other (income) expense	**(395)**	697	(932)	6	(166)
Foreign exchange loss (gain)	**520**	(124)	368	3	273
Depreciation and amortization	**5,372**	1,112	1,154	1,641	1,465
	18,978	4,809	3,482	5,048	5,639
Operating Profit	**5,411**	1,221	2,387	1,275	528
Gain on sale of rental properties	**30,199**	6,259	-	23,940	-
Reduction of foreign currency translation account	**10,520**	-	-	-	10,520
Loss on redemption and repurchase of convertible debentures	**(992)**	-	-	101	(1,093)
Income From Continuing Operations Before Income Taxes	**45,138**	7,480	2,387	25,316	9,955
Income taxes					
Current	**119**	352	89	(394)	72
Future	**7,083**	(555)	(189)	5,679	2,148
	7,202	(203)	(100)	5,285	2,220
Income From Continuing Operations	**37,936**	7,683	2,487	20,031	7,735
Income (loss) from discontinued operations	**(575)**	(42)	-	(834)	301
Net Income	**$ 37,361**	$ 7,641	$ 2,487	$ 19,197	$ 8,036
Per basic and diluted common share					
Income per common share from continuing operations					
Basic	**$ 0.54**	$ 0.11	$ 0.02	$ 0.30	$ 0.11
Diluted	**$ 0.33**	$ 0.07	$ 0.02	$ 0.17	$ 0.07
Income per common share					
Basic	**$ 0.53**	$ 0.11	$ 0.02	$ 0.29	$ 0.11
Diluted	**$ 0.32**	$ 0.07	$ 0.02	$ 0.16	$ 0.07
Weighted average number of shares (in thousands)					
Basic	**64,110**	64,156	64,152	64,152	63,978
Diluted	**122,491**	119,660	110,240	121,706	129,075
Funds per common share from continuing operations					
Basic	**$ 0.17**	$ 0.03	$ 0.06	$ 0.05	$ 0.03
Diluted	**$ 0.11**	$ 0.02	$ 0.04	$ 0.03	$ 0.02

Shareholders' *Information*

The following is a summary of prices per common share by quarter on the Toronto Stock Exchange, the principal market for these shares.

	2003 Jan. 1 to Feb. 28	2002 4th Qr	3rd Qr	2nd Qr	1st Qr
High	$ 1.70	$ 1.74	$ 1.75	$ 1.80	$ 1.89
Low	1.54	1.50	1.55	1.60	1.48

Approximate number of registered shareholders of the Company's common shares as of January 31, 2003 are as follows:

Country	Number of registered shareholders	Number of shares
Canada	1,886	63,407,674
USA	918	730,272
Other countries	52	19,566
	2,856	64,157,512

Property *Summary*

Retail

Property & location	Total (sq. ft.)	% Leased	Normalized N.O.I.	Major tenants
Centerpoint Toronto, Ontario	(1) 602,029	99.7%	$ 7,442,000	The Bay, Zellers, Loblaws, Canadian Tire
East York Town Centre Toronto, Ontario	378,720	99.5%	$ 4,266,000	Zellers, Dominion
Guildwood Village Toronto, Ontario	53,256	92.7%	$ 449,000	Valu-Mart
Prairie Mall Grande Prairie, Alberta	304,715	92.1%	$ 4,841,000	Zellers
Other properties Toronto, Ontario	13,433	93.2%	$ 276,000	
Totals & weighted averages	1,352,153	97.6%	$17,274,000	

Office

Property & location	Total (sq. ft.)	% Leased	Normalized N.O.I.	Major tenants
Creekside Office Campus Mississauga, Ontario	301,421	100%	$ 4,181,000	The Toronto Dominion Bank
Saint John City Hall Saint John, New Brunswick	99,733	98.4%	$ 326,000	City of Saint John
Totals & weighted averages	401,154	99.6%	$ 4,507,000	

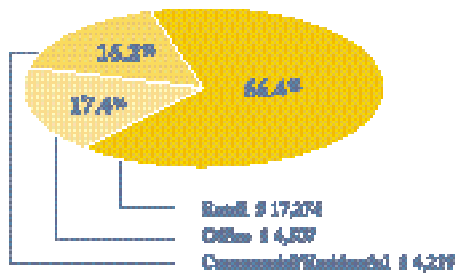
Commercial / Residential

Property & location	No. of residential units	Commercial Total (sq. ft.)	Total (sq. ft.)	% Leased	Normalized N.O.I.	Average monthly rent (3)
The Colonnade (2) Toronto, Ontario	158	94,635	251,400	92.9%	$ 4,219,000	$ 1,963
Grand totals & weighted averages	158	94,635	2,004,707	97.4%	$26,000,000	

All properties are 100% owned, except Saint John City Hall (50%).
(1) Includes tenant owned space of 122,251 sq. ft.
(2) Leasehold
(3) Per residential unit

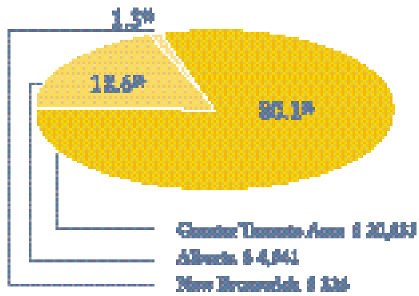
Portfolio *Analysis*

Normalized Net Operating Income
Product Type Segmentation



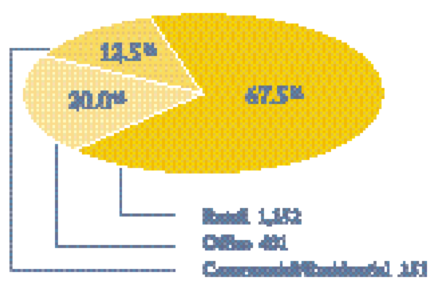
In thousands of dollars

Normalized Net Operating Income
Geographic Segmentation



In thousands of dollars

Total Leasable Area
Product Type Segmentation



In thousands of square feet

Five-Year Summary of Operations

Years ended December 31

(in thousands of Canadian dollars, except per share amounts)	2002	2001	2000	1999	1998
Net rental operations	$ 23,266	$ 22,926	$ 21,063	$ 20,673	$ 21,615
Net real estate sales	1,123	176	315	(4,348)	(462)
Gross Profit	24,389	23,102	21,378	16,325	21,153
Other operating expenses:					
Interest	8,959	19,744	29,274	28,153	27,882
General and administrative	4,522	5,044	6,429	5,394	5,299
Interest and other (income) expense	(395)	(1,715)	(251)	262	(675)
Foreign exchange loss (gain)	520	(164)	–	–	–
Depreciation and amortization	5,372	5,667	4,963	5,257	5,772
	18,978	28,576	40,415	39,066	38,278
Operating Profit (Loss)	5,411	(5,474)	(19,037)	(22,741)	(17,125)
Gain on sale of rental properties	30,199	–	–	–	–
Reduction of foreign currency translation account	10,520	18,487	–	–	–
Loss on redemption and repurchase of convertible debentures	(992)	–	–	–	–
Gain on sale of shares of PNP	–	33,863	–	–	–
Diminution in value of real estate assets	–	(9,530)	–	–	(5,073)
Penalty on early debt repayment	–	(3,139)	–	–	–
Gain resulting on issuance of capital stock by subsidiary	–	–	5,638	–	–
Cost of responding to takeover bid	–	–	(1,887)	–	–
	39,727	39,681	3,751	–	(5,073)
Earnings of PNP					
Operating profit	–	–	58,047	58,368	50,024
Minority interest	–	–	(30,219)	(30,127)	(24,845)
Equity in earnings	–	12,018	3,118	–	–
Dividend income	–	1,935	–	–	–
	–	13,953	30,946	28,241	25,179
Income From Continuing Operations Before Income Taxes	45,138	48,160	15,660	5,500	2,981
Income taxes	7,202	5,628	656	2,106	778
Income From Continuing Operations	37,936	42,532	15,004	3,394	2,203
Income (loss) from discontinued operations	(575)	1,144	(7,493)	(1,196)	(131)
Net income	$ 37,361	$ 43,676	$ 7,511	$ 2,198	$ 2,072
Per common share:					
Income from continuing operations					
Basic	$ 0.54	$ 0.62	$ 0.18	$ 0.01	$ 0.00
Diluted	$ 0.33	$ 0.30	$ 0.15	$ 0.01	$ 0.00
Net income					
Basic	$ 0.53	$ 0.64	$ 0.07	$ (0.00)	$ 0.00
Diluted	$ 0.32	$ 0.31	$ 0.07	$ (0.01)	$ (0.01)
Weighted average number of shares *(in thousands)*					
Basic	64,110	63,382	65,235	69,755	72,652
Diluted	122,491	151,831	90,568	69,803	72,803
Funds from continuing operations, as reported					
Basic	$ 0.17	$ 0.16	$ 0.39	$ 0.35	$ 0.27
Diluted	$ 0.11	$ 0.11	$ 0.28	$ 0.26	$ 0.22
Funds from continuing operations, pro forma	$ 0.17	$ 0.16	$ 0.16	$ 0.19	$ 0.16

Note: The pro forma numbers are provided to isolate PNP numbers in order to provide a more meaningful comparison of the Company's assets, liabilities, and funds from continuing operations.

Corporate *Directory*

Directors

* James R. Bullock (58)
** *President*
*** *Glengate Investments Inc.*
Toronto, Ontario

* Antony K. Stephens (61)
**** *President*
Revenue Properties Company Limited
Toronto, Ontario

** David A. King (65)
President
David King Corporation
Toronto, Ontario

*** Abbey A. Lipson (72)
***** *Chairman*
McGregor Industries Inc.
Toronto, Ontario

* K. Rai Sahi (55)
Chairman
Revenue Properties Company Limited
Chairman and C.E.O.
Morguard Corporation
Toronto, Ontario

* Mark M. Tanz (71)
Amcan Financial Consultants
Bahamas

** Jack D. Winberg (51)
*** *President and C.E.O.*
The Rockport Group
Toronto, Ontario

* Member of Executive Committee
** Member of Audit Committee
*** Member of Corporate Governance Committee
**** Effective May 1, 2003
***** Retiring effective May 14, 2003

Officers

**** Antony K. Stephens
President

**** Paul Miatello
Vice-President, Finance
Chief Financial Officer
Secretary

Judie Hart
Vice-President, Leasing

Corporate Head Office
The Colonnade
131 Bloor Street West, Suite 300
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Website www.revprop.com

Share Registrar and Transfer Agent
Computershare Trust Company of Canada
Toronto, Ontario

Debenture Registrar and Transfer Agent
CIBC Mellon Trust
Toronto, Ontario

Share Listing
The Toronto Stock Exchange
Common Shares (RPC)

Debentures
The Toronto Stock Exchange
6% US Convertible Debentures (RPC.DB.U)
7% Convertible Debentures (RPC.DB.A)

Credit Ratings

	DBRS
RPC.DB.U	BB (high)
RPC.DB.A	BB (high)

Form 20-F
The Company files its Annual Report with the Securities and Exchange Commission. The report may be obtained by written request to the Company at its head office.

Annual Meeting
Wednesday, May 14, 2003, 3:30 p.m.
The Japan Foundation Auditorium,
131 Bloor Street West, 2nd floor
Toronto, Ontario

Auditors
KPMG LLP

Shareholder Enquiries
By telephone at (416) 963-8100,
in writing to the Company at its head office
or by e-mail at: info@revprop.com

Integrated Design: Cameron Douglas Plus Associates Inc.