ANNUAL REPORT

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIODS ENDED DECEMBER 31, 2008 AND 2007

DATED: APRIL 1, 2009

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PRESIDENTS MESSAGE

Fellow Shareholders:

We are pleased to report on our results for the year ended December 31, 2008. During the year, our Company continued its profitable growth and improved the quality of our portfolio of our properties. Plazacorp now derives 92.4% of its revenues from national and regional retail chains, an improvement from 91.2% at December 31, 2007, which is part of our strategy to deliver solid cash flow with minimal credit risk. Plazacorp's growth and cash flow stability have produced a 5.7% increase in our annual dividend to 18.5¢ per share for 2009, up from 17.5¢ per share in 2008. This represents the sixth consecutive annual dividend increase. The Management Discussion and Analysis and Consolidated Financial Statements following these remarks provide a comprehensive review of our activities during the year ended December 31, 2008.

During the year ended December 31, 2008, 9 additional properties became income producing. This development activity grew the current portfolio to 93 properties. Our business continues to grow as we have added new development properties subsequent to December 31, 2008. These new development properties are representative of our investment strategy to develop assets that meet our strict investment criteria and impact positively on our future cash flow.

Plazacorp increased the Company's funds from operations by 18% on a dollar basis and by 11.3% on a per share basis. Our asset base at book value grew to $292 million, an increase of 8% over the year ended December 31, 2007. Our latest financial results confirm Plazacorp's value-added capabilities.

Going forward, we will continue to grow our business through the development and re-development of retail properties across our geography. Plazacorp continues to be well positioned to navigate its way through the challenges of the economic recession and the difficult financing environment that we are facing in 2009. We remain committed to working closely with our customers/retailers who represent some of Canada's best retailers. We are adapting and structuring our deals accordingly in order to meet the needs of our growth oriented customers/retailers in the context of the difficulties facing our industry. This means entering into joint venture arrangements with financial partners; creatively structuring our debt and organizing syndications to help fund our new development projects. Plazacorp has always been a very focused and determined business enterprise. More than ever we will rely on this focus and determination to grow our business and take advantage of the opportunities that will be presented in the future in order to develop or acquire quality retail properties that will produce positive long-term results for the benefit of our shareholders.

I wish to thank everyone responsible for our success: our staff, our Board of Directors, our customers, and our Shareholders and Bondholders.

Sincerely,

Michael Zakuta

President and CEO

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 year ended December 31, 2008 should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto for the year ended December 31, 2008 and 2007, along with the MD&A for the year ended December 31, 2007, including the section on "Risks and Uncertainties". 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, capital market, and competitive real estate conditions. These forward-looking statements are made as of April 1, 2009 and Plazacorp assumes no obligation to update or revise them to reflect new events or circumstances, except for forward-looking information disclosed in a prior MD&A which, in light of intervening events, requires further explanation to avoid being misleading.

This MD&A has been reviewed and approved by management of the Company, and the Board of 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 or any other operating or liquidity measure prescribed by Canadian 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, EBITDA can be used to measure Plazacorp's ability to service debt, and fund capital needs.

Management uses EBITDA to compute two ratios indicative of the financial strength of the Company.

1. Interest Coverage Ratio is defined as the multiple by which EBITDA exceeds interest costs which include amortization of finance costs.
2. Debt Service Coverage Ratio is defined as the multiple by which EBITDA exceeds the aggregate of interest costs plus periodic mortgage principal repayments.

Funds From Operations (FFO) is an industry measure and its calculation is prescribed in publications of the Real Property Association of Canada (REALpac). FFO as calculated by Plazacorp may not be comparable to similar titled measures reported by other entities. FFO should not be considered as an alternative to net income or any other operating or liquidity measure provided by GAAP. FFO is an industry standard for measuring operating results exclusive of amortization, future income taxes and gains or loss on property disposition. Plazacorp considers FFO a meaningful additional measure as it primarily rejects the assumption that the value of real estate investments diminish predictably over time.

Adjusted Funds From Operations (AFFO) is an industry measure which adjusts FFO for non cash items and maintenance capital expenditures.

Readers are advised that changes in operating factors which impact FFO and AFFO, with the principal exception of financing costs, directly affect EBITDA.

Property Net Operating Income (NOI) is an industry measure in widespread use. NOI as calculated by Plazacorp may not be comparable to similar titled measures reported by other entities. NOI should not be considered as an alternative to net income or any other operating or liquidity measure provided by GAAP. Plazacorp considers NOI a meaningful additional measure of operating performance of property assets, prior to financing considerations. Its calculation is total property revenue less total property operating costs, including operating ground rents. It is used primarily for performance comparison of assets held over the entire reporting period of the financial statements and this MD&A ("Same Asset NOI").

PART II ANNUAL PERFORMANCE SUMMARY

The key performance indicators discussed throughout the MD&A are summarized below. For a detailed explanation of the key performance indicators please refer to the appropriate section in this MD&A. Management believes that its key performance indicators allow it to track progress towards the achievement of Plazacorp's primary goal of providing a steady and increasing cash flow to our shareholders. The following chart discusses the key performances indicators for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Funds From Operations	➢ For the year ended December 31, 2008 FFO was $12.3 million or 26.3¢ per share (26.0¢ diluted) compared to $10.4 million or 23.6¢ per share (23.1¢ diluted) for the year ended December 31, 2007 an 18.0% increase on a dollar basis and 11.3% increase on a per share basis. ➢ Growth primarily due to incremental FFO of $1.5 million in 2008 from the 16 properties transferred to income producing in 2007 and $249 thousand from the 9 new properties transferred to income producing in 2008 as well as $264 thousand in same asset FFO growth.
Earnings Before Interest, Taxes, Depreciation and Amortization	➢ For the year ended December 31, 2008 EBITDA was up $4.0 million representing 17.0% growth over the year ended December 31, 2007. ➢ Growth primarily due to incremental EBITDA of $2.5 million from the 16 properties transferred to income producing in 2007 and $1.4 million from the 9 new properties transferred to income producing in 2008 and a $40 thousand from the same-asset pool.
Debt Service Ratios	➢ For the year ended December 31, 2008 the Interest Coverage Ratio was unchanged at 1.9 times and the Debt Service Coverage ratio was 1.6 times, up 0.1 times when compared to the year ended December 31, 2007.
Same-Asset Net Property Operating Income	➢ For the year ended December 31, 2008 Same-Asset net property operating income excluding non-cash items was up by $222 thousand or 1.1%, over the year ended December 31, 2007. Marginal increase as the net property operating income has stabilized over the same-asset portfolio.
Weighted Average Cost of Debt	➢ As at December 31, 2008 the weighted average effective cost of mortgage debt dropped 18 basis points from 6.55% to 6.37% compared to December 31, 2007, resulting from favorable rates on new mortgage financings.
Occupancy Levels	➢ As at December 31, 2008 overall occupancy increased to 97.9% from 96.9% compared to December 31, 2007. This was primarily due to the lease up of the Grand Falls Shopping Centre which has increased from 82% to 95%. Overall the portfolio is stable.

Yearly Dividend and Growth

Year	2009	2008	2007	2006	2005	2004
Dividend per share	18.5¢	17.5¢	15.0¢	12.5¢	10.5¢	9.0¢
Percentage increase	5.7%	16.7%	20.0%	19.0%	16.7%	12.5%

PROPERTY AND CORPORATE PERFORMANCE 2008 AND 2007

FUNDS FROM OPERATIONS (FFO) & EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (EBITDA)

➢ ***KEY PERFORMANCE INDICATOR***

Plazacorp's summary of FFO for the three and twelve months ended December 31, 2008, compared to the three and twelve months ended December 31, 2007, including the results of discontinued operations, are presented below:

(000's – except per share amounts) For the Periods Ended	3 Months Ended December 31, 2008	3 Months Ended December 31, 2007	12 Months Ended December 31, 2008	12 Months Ended December 31, 2007
Total revenues	**$ 11,903**	$ 10,927	**$ 47,338**	$ 40,920
Basic earnings (loss) per share	**$ 0.031**	$ (0.007)	**$ 0.128**	$ 0.082
Diluted earnings (loss) per share	**$ 0.031**	$ (0.007)	**$ 0.126**	$ 0.081
Income (loss) and other comprehensive income	**$ 1,468**	$ (330)	**$ 5,982**	$ 3,605
Add:				
(Gain) loss on disposal of income producing properties and surplus lands	**(17)**	549	**(4,114)**	(3,072)
Income tax expense (recovery)	**(756)**	277	**683**	1,165
Income tax recovery included in income from discontinued operations	**-**	(40)	**-**	(30)
Amortization	**2,510**	2,308	**9,807**	8,633
Amortization included in income from discontinued operations	**-**	13	**-**	98
Non-controlling interests	**79**	67	**424**	327
Interest costs	**3,559**	3,357	**14,490**	12,469
Interest costs included in income from discontinued operations	**-**	-	**-**	115
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**6,843**	6,201	**27,272**	23,310
Less:				
Interest costs	**(3,559)**	(3,357)	**(14,490)**	(12,584)
Current income tax (expense) recovery	**3**	(28)	**(42)**	(44)
Non-cash debenture interest	**10**	12	**40**	64
Non-controlling interest adjustment to FFO	**(199)**	(199)	**(1,020)**	(828)
Equity accounting adjustment to FFO	**143**	140	**563**	538
Corporate amortization	**(6)**	(8)	**(23)**	(31)
Basic FFO	**3,235**	2,761	**12,300**	10,425
Interest on dilutive convertible debentures before income tax	**16**	38	**64**	151
Diluted FFO	**$ 3,251**	$ 2,799	**$ 12,364**	$ 10,576
Basic Weighted Average Shares Outstanding	**47,102**	45,707	**46,746**	44,109
Diluted Shares Outstanding	**47,771**	47,347	**47,534**	45,792
Basic FFO per share	**$ 0.069**	$ 0.060	**$ 0.263**	$ 0.236
Diluted FFO per share	**$ 0.068**	$ 0.059	**$ 0.260**	$ 0.231

➢ ***KEY PERFORMANCE INDICATOR***

Earnings before interest, taxes, depreciation and amortization	**$ 6,843**	$ 6,201	**$ 27,272**	$ 23,310
Interest costs – including financing costs in discontinued operations	**$ 3,559**	$ 3,357	**$ 14,490**	$ 12,584
Periodic mortgage principal repayments	**697**	661	**3,058**	2,572
Total debt service	**$ 4,256**	$ 4,018	**$ 17,548**	$ 15,156
Debt coverage ratios				
Interest coverage ratio	**1.9 times**	1.8 times	**1.9 times**	1.9 times
Debt service coverage ratio	**1.6 times**	1.5 times	**1.6 times**	1.5 times

Funds from Operation increased to $12.3 million (26.3¢ per share) for the year ended December 31, 2008 from $10.4 million (23.6¢ per share), a $1.9 million (18.0%) increase over the year ended December 31, 2007. The increase is primarily due to the incremental FFO of $1.5 million from the 16 properties which transferred to IPP during 2007 and $249 thousand from the additional 9 new properties in 2008 as well as $264 thousand from the same asset pool.

Other factors influencing FFO include:

Positive effects:

1) $140 thousand in net third party mortgage substitutions which impacted the change in 2008.

Negative effects:

1) The prior year FFO included $117 thousand from properties which were sold in Q1 2007 and not included in 2008.
2) $99 thousand in net lease termination fees which impacted the change in 2008.
3) Q4 2008 has the impact from the sale of 50% of Tacoma which resulted in approximately $77 thousand decline in FFO for 2008.

For the year ended December 31, 2008 EBITDA grew by $4.0 million or 17.0% over the year ended December 31, 2007. This growth results from the full impact of earnings from the addition of 16 new properties through development during 2007 which contributed $2.5 million to EBITDA in 2008. The 9 new properties in 2008 contributed an additional $1.4 million to EBITDA in the current year. EBITDA growth is consistent with expectations and indicative of the Company's continued ability to service its debt. The Debt service ratios derived from EBITDA are acceptable and exceed the requirements under our borrowing arrangements.

The year ended December 31, 2008 was active with the Company making $52.4 million of property investments, including $42.2 million invested in new developments. The Company continues its significant development and redevelopment program, adding high quality assets to the portfolio. As at December 31, 2008 there were 7 properties under development and 2 land assemblies in progress. Upon completion, these new assets should contribute positively to income and FFO growth.

Funds from Operations for the three months ended December 31, 2008 increased by $474 thousand when compared to the prior year's fourth quarter. The increase is due to incremental FFO of $342 thousand from the 16 properties which transferred to IPP in 2007, and $231 thousand from the 8 properties which transferred to IPP in 2008. This increase in FFO is offset by the impact from the sale of the 50% interest in Tacoma.

Adjusted Funds from Operations (AFFO)

Adjusted funds from operations removes non-cash revenues and expenses from FFO and deducts same asset pool maintenance capital expenditures to show funds available for distribution as dividends and to pay periodic mortgage repayments. The Company will report this metric in future reporting periods.

Maintenance capital expenditures include leasing commissions and tenant improvement costs and routine capital expenditures for properties in the same asset grouping.

(000's) **For the Periods Ended**	**3 Months Ended December 31, 2008**	3 Months Ended December 31, 2007	**12 Months Ended December 31, 2008**	12 Months Ended December 31, 2007
Basic funds from operations	**$ 3,235**	$ 2,761	**$ 12,300**	$ 10,425
Add: Amortization of deferred finance cost	**166**	222	**799**	657
Amortization of deferred recoverable	**11**	24	**81**	68
Principal repayment of tenant loans	**96**	23	**356**	56
Less: Non cash revenue – straight line rent	**(251)**	(157)	**(1,241)**	(557)
Non cash revenue – above and below market rent	**(26)**	63	**(115)**	(109)
Maintenance capital expenditures	**(192)**	(258)	**(1,233)**	(1,509)
Deferred charges incurred	**(95)**	(85)	**(143)**	(198)
Adjusted Funds From Operations	**$ 2,944**	$ 2,593	**$ 10,804**	$ 8,833

The only unbudgeted expenditure for 2008 was $178 thousand for a water main replacement and in 2007 $1.0 million of the $1.5 million of expenditures result from significant re-tenanting in 4 properties.

Deferred charges are principally costs related to refinancing of assets.

➢ *KEY PERFORMANCE INDICATOR*

SAME-ASSET NET PROPERTY OPERATING INCOME

Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the entire year ended December 31, 2008 and the entire year ended December 31, 2007 and excludes partial year results from assets included in the 2008 and 2007 transaction categories below and properties under significant redevelopment during 2008 and 2007.

(000's) **For the Periods Ended**	**3 Months Ended December 31, 2008**	3 Months Ended December 31, 2007	**12 Months Ended December 31, 2008**	12 Months Ended December 31, 2007
Same-asset rental revenue	**$ 8,617**	$ 8,350	**$ 34,414**	$ 33,783
Same-asset operating expenses	**1,920**	1,947	**7,869**	7,711
Same-asset realty tax expense	**1,573**	1,476	**6,354**	6,042
Same-asset net property operating income	**$ 5,124**	$ 4,927	**$ 20,191**	$ 20,030
Same-asset net property operating margin	**59.5%**	59.0%	**58.7%**	59.3%

(000's) **For the Periods Ended**	**3 Months Ended December 31, 2008**	3 Months Ended December 31, 2007	**12 Months Ended December 31, 2008**	12 Months Ended December 31, 2007
Transaction rental revenue	**2,993**	2,189	**11,476**	5,817
Transaction operating expenses	**710**	611	**2,606**	1,647
Transaction realty tax expense	**568**	253	**1,958**	863
Total net property operating income	**$ 1,715**	$ 1,325	**$ 6,912**	$ 3,307
Transaction net property operating margin	**57.3%**	60.5%	**60.2%**	56.9%

As noted in the chart above the net property operating income for the same asset pool is stable showing marginal growth. The increase in rental revenue and net property operating income was attributable to 16 properties transferred to income producing in 2007 and the 9 in 2008. There were no significant operational issues within the same-asset pool for the three or twelve month periods ending December 31, 2008. See page 28 of this MD&A for the list of transactions in 2007 and 2008.

SAME-ASSET NET PROPERTY OPERATING INCOME EXCLUDING NON CASH REVENUE

(000's) **For the Years Ended**	**3 Months Ended December 31, 2008**	3 Months Ended December 31, 2007	**12 Months Ended December 31, 2008**	12 Months Ended December 31, 2007
Same-asset net property operating income	**$ 5,124**	$ 4,927	**$ 20,191**	$ 20,030
Deduct: Same-asset straight line rent	**(43)**	(42)	**(231)**	(293)
Same-asset above & below market rent	**(18)**	(22)	**(83)**	(82)
Same-asset net property operating income excluding non cash revenue	**$ 5,063**	$ 4,863	**$ 19,877**	$ 19,655
Change in same-asset net property operating income excluding non cash revenue	**4.1%**	-	**1.1%**	-

GAAP requires that contractual rental revenue reported to be recorded on a straight-line basis over the term of the respective leases. As a result, growth in same-asset property operating income is derived primarily from changes in occupancy, cost containment and rental increases on lease renewal. Same-asset net property operating income year to date was up by $222 thousand (1.1%) when the impact of non cash revenue is excluded. Same-asset net property operating income including the impact of non-cash revenue is up $161 thousand (0.8%) compared to the year ended December 31, 2007.

Due to the Company's use of land leases, operating margins excluding ground rent are more representative of industry norms and compare favorably with other public real estate entities specializing in retail shopping plazas. Net property operating margins are currently 59.0% (year ended December 31 2007 – 58.9%). These margins increase to 63.8% (year ended December 31, 2007 – 63.4%) when the effect of land rent is excluded.

Significant portions of the Company's leases have common cost recoveries linked to the consumer price index (CPI) (60.3%). Certain anchor tenant leases may restrict recovery of common costs. As a result, certain costs may not be completely offset by cost recoveries in a period or recoveries revenue may exceed costs. Municipal taxes are generally net and fully recoverable from tenants. Most tenants in strip plazas and single-use properties are responsible for their own utilities, and therefore changes to these costs do not significantly impact on net property operating income.

INVESTMENT INCOME

Investment income is made up of interest income ($390 thousand), generated primarily from tenant loans, the income reported on equity accounting basis for Centennial Plaza, Marche De L'Ouest, Place Du Marche, Plaza des Recollets and the Village Shopping Centre ($1.0 million) and income reported on a cost basis from Northwest Plaza ($47 thousand).

GAIN ON DISPOSALS OF INCOME PRODUCING PROPERTIES AND SURPLUS LANDS

For the year ended December 31, 2008, the Company disposed of surplus lands in New Minas, NS, Riviere du Loup, QC and Tracadie, NB which resulted in an accounting gain of $122 thousand. For the year ended December 31, 2008 the Company sold a 50% interest in the Tacoma Centre, NS and Tacoma Valley Field, NS resulting in an accounting gain of $4.0 million. During the year ended December 31, 2007, the Company disposed of income producing properties which resulted in an accounting gain of $3.1 million.

CAPITAL TAXES

The Company records capital taxes at the statutory rates on the net equity base of the Company after exemptions. For the year ended December 31, 2008 the Company and its subsidiaries recorded $276 thousand in capital taxes compared to $426 thousand for the year ended December 31, 2007. Several governments have announced the repeal or phase-out of capital taxes over the next several years, favorably impacting capital taxes likely to be incurred.

INCOME TAX EXPENSE (CONTINUING OPERATIONS)

The financial statements include the current and future income taxes payable by consolidated subsidiaries. All current income taxes are those of subsidiaries. As a mutual fund corporation, the Company does not provide for current taxes on realized capital gains.

(000's) **For the Years Ended**	**December 31, 2008**	December 31, 2007
Current income taxes	**$ 42**	$ 44
Future income taxes	**641**	1,121
Total income taxes	**$ 683**	$ 1,165

OUTLOOK

The primary benefit to shareholders of the Company's performance and tenant profile is reliable cash flow and, over time, increasing dividends. Dividends to shareholders will be 18.5¢ per share for 2009 compared to 17.5¢ per share for 2008. Our efforts have produced a tenant profile which contributes to cash flow stability. Performance to date has demonstrated the strength of current strategies and operating capabilities. Barring unforeseen events management is confident of delivering solid performance in 2009 as well as growth to the portfolio.

Plazacorp has built a portfolio with a high quality revenue stream. Plazacorp's ten largest tenants based upon current monthly gross rents as at December 31, 2008 represent approximately 52.4% of total revenues in place.

		% of Gross Revenue			% of Gross Revenue
1.	Shoppers Drug Mart	26.4	6.	Bulk Barn	2.3
2.	Dollarama	6.6	7.	Sobeys	2.0
3.	Staples	4.0	8.	Michaels	1.7
4.	Marks Work Wearhouse	3.8	9.	Empire Theatres	1.4
5.	Reitmans	2.8	10.	Easyhome	1.4

The company's mix of National, Regional, Local and Non-retail tenancy continues the trend towards primarily national tenants as a result of new developments. The portfolio is well positioned to resist downturns in our markets and provide stability to cash flows from which we fund operations and dividends.

As at	**December 31, 2008**	December 31 2007
National	**87.3%**	83.2%
Regional	**5.1%**	6.6%
Local	**6.6%**	8.9%
Non-Retail	**1.0%**	1.3%

OVERVIEW OF THE BUSINESS

Plazacorp was incorporated on February 2, 1999 and commenced trading on the TSX Venture Exchange (PLZ) on July 30, 1999. On December 11, 2002 after receipt of shareholder and regulatory approval, Plazacorp filed articles of amendment to convert to a mutual fund corporation and retains that status. Headquartered in Fredericton, New Brunswick, Plazacorp acquires, develops and redevelops retail real estate throughout Atlantic Canada, Quebec and Ontario. The Company's portfolio as at December 31, 2008 includes interests in 93 properties totaling over 4.3 million square feet and additional lands held for development. These include properties directly held by Plazacorp and its subsidiaries as well as investments in joint ventures. For 2008, and during 2007, Plazacorp's growth was primarily created through the development of new real estate assets. The Company as at December 31, 2008 has $15.2 million committed to new development for 2009.

Summary of Properties

As at	**Number of Properties December 31, 2008**	**Gross Leasable Area December 31, 2008**	Number of Properties December 31, 2007	Gross Leasable Area December 31, 2007
Quebec	**21**	**1,127,815**	21	1,105,707
New Brunswick	**33**	**1,404,770**	30	1,268,321
Nova Scotia	**20**	**852,469**	19	771,007
Prince Edward Island	**5**	**274,544**	5	274,544
Ontario	**7**	**129,683**	6	109,037
Newfoundland	**7**	**532,037**	6	547,093
Total	**93**	**4,321,318**	87	4,075,709

BUSINESS ENVIRONMENT

The principal regions in which we operate continue to exhibit stability in retailer demand for space and in consumer spending. Our strategy is to develop properties tenanted by national retailers, and more importantly retailers in the consumer staples market segment. Our execution of this strategy has produced a portfolio that is 87.3% occupied by national retailers. This significantly enhances the stability of the cash flow from our portfolio.

The capital markets have been volatile. This has added challenges to the task of obtaining long-term mortgage capital. However, good projects can still be financed in this market, and during 2008 we funded $37.9 million in long-term mortgages. The credit markets now require higher lending spreads and offer lower loan-to-value ratios for real estate loans. Offsetting higher lending spreads are lower government bond yields, which produce overall mortgage rates that are still conducive to development and low by historic standards.

Our short-term development and operating facilities are stable and, to date, have not been adversely impacted by the capital markets. This stability is a direct result of the Company's track record for developing and financing its assets under a variety of market conditions. The management team continues to be focused on producing high-quality developments for the retailers who are our customers, but will also examine other real estate investment opportunities that will arise during this period of capital market distress.

STRATEGY

Plazacorp's principal goal is to deliver a reliable and growing yield to shareholders from a diversified portfolio of retail properties. To achieve this goal the Company's Board of Directors has set acquisition criteria for requiring a minimum of 16% leveraged returns after completion of development.

In order to remain successful, the Company must:

- maintain access to cost effective sources of debt and equity capital to finance the acquisition of new developments;
- acquire or develop properties at a price consistent with the Company's targeted returns on investment;
- maintain high occupancy rates on existing properties while sourcing tenants for properties under development and future acquisitions; and
- diligently manage costs and maintain quality of the properties.

The Company invests in the following property types:

- development of new properties on behalf of existing clients or in response to demand;
- redevelopment of well located but significantly amortized shopping malls and strip plazas; and
- strategic financial investments in existing properties that will provide stable recurring cash flows with opportunity for growth.

Management intends to achieve Plazacorp's goals by:

- acquiring or developing high quality properties with the potential for increases in future cash flows;
- focusing on property leasing, operations and delivering superior services to tenants;
- managing properties to maintain high occupancies;
- increasing rental rates when market conditions permit;
- managing debt to obtain both a low cost of debt and a staggered debt maturity profile;
- raising capital where required in the most cost effective manner; and
- periodic review of the portfolio to determine if opportunities exist to re-deploy equity from slow growth properties into higher growth investments.

KEY PERFORMANCE DRIVERS AND INDICATORS

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

Management believes that the key internal performance drivers are:

- Occupancy rates;
- Rental rates;
- Tenant service; and
- Maintaining competitive operational costs.

Management believes that the key external performance drivers are:

- The availability of new properties for acquisitions and developments;
- The availability of equity and debt capital; and
- A stable retail market.

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;
- "Same-Asset" Net Property Operating Income;
- Weighted Average Effective Cost of Debt; and
- Occupancy Levels.

PART III

SUMMARY OF ANNUAL INFORMATION

Plazacorp's Summary of Selected Annual Information for the last three completed periods are presented below:

($000's except per share amounts and other data)	**12 Months Ended December 31, 2008**	12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
Total revenue	**$ 47,338**	$ 40,920	$ 39,213
Income and other comprehensive income	**5,982**	3,605	3,019
Dividends per share	**17.5¢**	15.0¢	12.5¢
Earnings per share – basic	**12.8¢**	8.2¢	7.5¢
Earnings per share – diluted	**12.6¢**	8.1¢	7.5¢
FFO per share – Basic	**26.3¢**	23.6¢	25.3¢
FFO per share – Diluted	**26.0¢**	23.1¢	24.0¢
Total assets	**291,558**	269,920	229,888
Total mortgages, bonds, debentures, notes, liabilities held for sale and bank indebtedness	**244,239**	225,766	190,550
Basic weighted average shares outstanding	**46,746**	44,109	40,151
Properties under development	**7**	10	10
Income producing properties	**86**	77	64
Total properties in portfolio	**93**	87	74
Rentable Sq Ft.(excluding investment properties and properties under development)			
Strip	**2,003**	1,963	2,152
Enclosed Malls	**651**	631	635
Single Use	**422**	267	131
Total income producing properties	**3,076**	2,861	2,918
Occupancy % (excluding investment properties and properties under development)			
Strip	**97.6**	97.4	97.0
Enclosed Malls	**97.2**	94.0	95.0
Single Use	**100.0**	100.0	100.0
Total income producing properties	**97.9**	96.9	96.7

The summary of yearly results is influenced by significant acquisition, development and re-development activities over the three years and highlights the increasing total assets and revenues resulting from these activities. Similarly, mortgage and bank debt reflects financing activities relating to both asset additions and ongoing financing activities for the existing portfolio.

Fluctuations in income and assets are also caused by asset dispositions and the related gains or losses. The following gains on income producing properties and surplus land dispositions, before tax, are included in net income on the above chart: year ended December 31, 2008 - $4.1 million; year ended December 31, 2007 - $3.1 million; fourteen months ended December 31, 2006 - $3.1 million.

SUMMARY OF SELECTED QUARTERLY INFORMATION

January 1, 2007 – December 31, 2008

(000's except per share and other data)	Q4'08	Q3'08	Q2'08	Q1'08	Q4'07	Q3'07	Q2'07	Q1'07
Total revenue	**$ 11,903**	$ 12,144	$ 11,849	$ 11,443	$ 10,927	$ 10,321	$ 9,937	$ 9,734
Income (loss) and other comprehensive income	**1,468**	3,971	343	200	(330)	704	165	3,064
Dividends per share	**4.38¢**	4.38¢	4.38¢	4.38¢	3.75¢	3.75¢	3.75¢	3.75¢
Earnings (loss) per share - basic	**3.1¢**	8.5¢	0.7¢	0.4¢	(0.7¢)	1.6¢	0.4¢	7.2¢
Earnings (loss) per share - diluted	**3.1¢**	8.2¢	0.7¢	0.4¢	(0.7¢)	1.6¢	0.4¢	6.6¢
Funds From Operations per share-basic	**6.9¢**	7.1¢	6.4¢	5.9¢	6.0¢	5.7¢	5.4¢	6.5¢
Funds From Operations per share-diluted	**6.8¢**	7.0¢	6.3¢	5.8¢	5.9¢	5.5¢	5.2¢	6.2¢
Total assets	**291,558**	289,943	298,298	283,248	269,920	262,182	248,124	233,029
Total mortgages, bonds, debentures, notes, liabilities held for sale and bank indebtedness	**244,239**	241,343	251,229	236,284	225,766	214,788	197,766	185,932
Basic weighted average shares Outstanding	**47,102**	46,867	46,697	46,312	45,707	44,287	43,640	42,766
Properties under development	**7**	7	7	10	10	16	17	14
Income producing properties	**86**	85	84	80	77	69	66	66
Total properties in portfolio	**93**	92	91	90	87	85	83	80
Rentable Sq Ft.(excluding investment properties and properties under development)								
Strip Plazas	**2,003**	2,004	2,007	1,986	1,963	1,845	1,821	1,801
Enclosed Malls	**651**	658	638	636	631	631	631	638
Single Use	**422**	405	359	301	267	233	181	165
Total income producing properties	**3,076**	3,067	3,004	2,923	2,861	2,709	2,633	2,604
Occupancy % (excluding investment properties and properties under development)								
Strip Plazas	**97.6**	97.5	97.3	97.1	97.4	97.9	97.5	97.6
Enclosed Malls	**97.2**	95.4	93.5	94.1	94.0	93.0	92.4	92.5
Single Use	**100.0**	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total income producing properties	**97.9**	97.4	96.8	96.8	96.9	97.0	96.5	96.5

The summary of quarterly information highlights increasing gross revenues and net income. During the quarter, occupancy has been very steady which contributes to stability of cash flow. Seasonal fluctuations primarily relate to winter costs and yearly repair and maintenance activities which typically occur in spring and early summer. Leases tied to CPI cost recovery formula's (60.3%) and anchor tenant leases, may restrict Common Area Cost (CAM) recovery revenue in any given period creating variations in income and cash flow.

Fluctuations in income and assets are also caused by asset dispositions and the related gains or losses. The following gains (losses) on income producing properties and surplus land dispositions are included in net income on the above chart: Quarter 4 – 2008 - $17 thousand; Quarter 3 – 2008 – $4,176 thousand; Quarter 2 – 2008 – ($80) thousand; Quarter 4 - 2007 – ($549) thousand; Quarter 3 - 2007 - $831 thousand; Quarter 2 - 2007 - $3 thousand; Quarter 1 - 2007 - $2,786 thousand.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2008 IN COMPARISON TO THE THREE MONTHS ENDED DECEMBER 31, 2007.

FOURTH QUARTER 2008 RESULTS

Consolidated Statements of Income and Other Comprehensive Income

(000's) **For the Periods Ended**	**3 Months Ended December 31, 2008 (Unaudited)**	3 Months Ended December 31, 2007 (Unaudited)
Rental revenue	**$ 11,610**	$ 10,539
Operating expenses	**4,771**	4,287
Net property operating income	**6,839**	6,252
Investment income	**293**	388
Income from properties and investments	**7,132**	6,640
Financing costs	**3,559**	3,357
Income before undernoted	**3,573**	3,283
Administrative expenses	**233**	242
Amortization	**2,510**	2,308
Capital taxes	**56**	115
Income before undernoted gain on disposal of surplus lands, income taxes, non-controlling interests and discontinued operations	**774**	618
Gain (loss) on disposal of surplus lands	**17**	(549)
Income before undernoted income taxes, non-controlling interests and discontinued operations	**791**	69
Income tax expense (recovery)		
– current	**(3)**	28
– future	**(753)**	249
	(756)	277
Income (loss) before non-controlling interests and discontinued operations	**1,547**	(208)
Non-controlling interests	**79**	67
Income (loss) from continuing operations	**1,468**	(275)
Loss from discontinued operations	**-**	(55)
Income (loss) and other comprehensive income	**$ 1,468**	$ (330)
Basic earnings (loss) per share	**$ 0.031**	$ (0.007)
Weighted average number of shares outstanding	**47,102**	45,707
Diluted earnings (loss) per share	**$ 0.031**	$ (0.007)
Diluted weighted average number of shares outstanding	**47,771**	46,238

FOURTH QUARTER 2008 RESULTS (continued)

Consolidated Statements of Cash Flows

(000's) For the Periods Ended	**3 Months Ended December 31, 2008 (unaudited)**	3 Months Ended December 31, 2007 (unaudited)
Cash obtained from (used for):		
Operating activities		
Income (loss) and other comprehensive income	**$ 1,468**	$ (330)
Items not affecting cash		
Amortization	**2,662**	2,617
Non-cash investment income	**(207)**	(296)
(Gain) loss on disposal of surplus lands	**(17)**	549
Stock option compensation	**7**	15
Interest relating to debenture accretion	**10**	12
Non-controlling interest	**79**	67
Future income taxes	**(753)**	209
Straight – line rent revenue	**(251)**	(157)
Tenant acquisition costs – existing properties	**(146)**	(159)
Tenant acquisition costs – redevelopment properties	**(671)**	(983)
Tenant acquisition costs – new developments	**(242)**	(3,087)
Change in non-cash working capital	**1,012**	(1,147)
	2,951	(2,690)
Financing activities		
(Decrease) increase in notes payable	**(188)**	326
Issue of common shares, pursuant to employee option agreements	**117**	157
Dividends paid by subsidiaries to non-controlling interests	**(141)**	(124)
Dividends paid to shareholders	**(1,610)**	(1,358)
Net proceeds from mortgage bonds and debentures	**(18)**	6
Net proceeds from mortgage financing	**8,224**	14,823
Mortgage payouts	**(7,960)**	(7,226)
Mortgage principal repayments	**(697)**	(661)
	(2,273)	5,943
Investing activities		
Development and re-developments	**(9,066)**	(6,323)
Net proceeds from disposal of income producing properties and surplus lands	**(23)**	(92)
Investments		
Bonds - contributions from bond fund	**5,244**	113
Distributions received	**445**	431
Decrease in deposits for acquisitions and financing	**135**	104
(Increase) in notes receivable	**(478)**	(32)
Repayment of tenant loans	**96**	23
Issuance of tenant loans	**(381)**	(1,016)
Other	**(49)**	(6)
	(4,077)	(6,798)
Net decrease in cash	**(3,399)**	(3,545)
Cash less bank indebtedness, beginning of the period	**527**	1,955
Cash less bank indebtedness, end of the period	**$ (2,872)**	$ (1,590)

Cash less bank indebtedness is made up of:		
Cash	**$ 1,720**	$ 1,978
Bank indebtedness from operating lines of credit	**(4,592)**	(3,568)
	$ (2,872)	$ (1,590)

PART IV

OPERATING LIQUIDITY AND WORKING CAPITAL

Cash flow, in the form of recurring rent generated from the portfolio, represents the primary source of liquidity to service debt including recurring monthly amortization of mortgage debt, to pay operating, leasing, property tax costs, and to fund dividends. Costs of development activity 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, effective collection of rents, and efficiencies in operations as well as other factors.

Plazacorp's cash distribution policy reflects repayment of recurring mortgage principal payments from cash flow in determining cash available for distribution. Accordingly, the overall debt level on existing properties is reduced year-over-year. The Company maintains cash flows from properties after debt repayment to ensure sufficient funds are available to pay anticipated dividends. New debt or equity capital raised is directed to continuing development activities, which are discretionary, based on the availability of such capital. During 2008 and early 2009 the Company took advantage of opportunities to enter joint ventures which raised capital through the partial sale of assets. Going forward the Company will examine other joint venture activities to raise capital and reduce risk on new developments.

The Company has no exposure to asset backed securities (ABS) typically used for short-term investment of cash balances.

CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES

BANK FINANCING

(000's)	$8.4 Million Operating	$35 Million Development	$15 Million Development	$9.4 Million Development
Balance December 31, 2007	$ 3,568	$ 23,941	$ 8,406	$ -
Draw (repayments) net	1,024	1,278	(3,783)	8,295
Balance December 31, 2008	$ 4,592	$ 25,219	$ 4,623	$ 8,295

Interest rate	Prime + 3/4%	Prime + 5/8%	Prime + 1/2%	BA + 175
Maturity	November 30, 2009	July 31, 2009	July 31, 2009	March 31, 2010
Security	First charges on pledged property	First charges on pledged property	First charges on pledged property	First charges on pledged property
Other terms	Debt service, occupancy & equity maintenance covenants	Debt service, occupancy & equity maintenance covenants	Debt service, occupancy & equity maintenance covenants	Debt service, occupancy & equity maintenance covenants
Line reservations available for letters-of-credit	$2.0 million	$1.5 million	$1.5 million	-
Issued and outstanding	$534 thousand	$213 thousand	nil	nil

The Company has an additional $500 thousand letter-of-credit facility maturing September 30, 2009 with a Canadian Chartered Bank, secured by Personal Property Security Act (PPSA) charges in various provinces. This line was fully drawn as at December 31, 2008. A Company subsidiary also has a $150 thousand unsecured operating line with a chartered bank upon which no funds were drawn as at December 31, 2008. As of April 1, 2009, all debt covenants in respect of the above facilities have been maintained.

Despite recent capital market volatility, the market for obtaining long-term mortgage funding for the Company's properties remains adequate. Management is confident that all short-term financings relating to the bank facilities maturing in 2009 will be renewed or converted to long-term debt upon maturity on acceptable terms and conditions.

DEBENTURES AND MORTGAGE BONDS

During the year ended December 31, 2008, $1.02 million of the Series III convertible debentures were converted to share capital and 638 thousand shares were issued. No new debentures were issued during the period.

The 7% subordinate debentures require the Company to maintain debt service ratios based on EBITDA in excess of a fixed threshold. As of December 31, 2008, the ratio had been maintained.

There were no redemptions of mortgage bonds during 2008. The Company is in compliance with the terms and covenants of its mortgage bonds indentures.

MORTGAGES

The Company has $38.1 million of interim financing maturing at various times throughout 2009 and 2010. Long term mortgages maturing in 2009, total $3.5 million. This consists of $1.6 million of mortgages previously funded by a defeasance and $1.9 of other maturing long term debt.

From January 1, 2008 to December 31, 2008, the Company funded $37.9 million of mortgage debt with an average rate of 6%, a term of 12 years and average amortization of 26 years. This funding contributed to improvements in the weighted average interest cost of mortgage debt, term to maturity, and remaining amortization period of mortgages outstanding as at December 31, 2008.

The Company's strategy is to balance maturities and terms on new fixed debt with existing debt maturities to minimize maturity exposure in any one year and to reduce overall interest costs. Maintaining or improving the average cost of debt will be dependent on capital market conditions at the time of refinancing. Plazacorp's debt strategy involves maximizing the term of long-term debt available based on the tenant profiles for the assets being financed, at current market rates, in order to stabilize cash flow available for reinvestment and dividend payments.

The Company's use of floating rate debt has generally been limited to assets under development or redevelopment. The Company places new mortgage debt when the debt parameters and repayment terms are most favorable. Fixed rate debt represents 82% of total mortgage debt including bank development facilities. Management is of the view that such a strategy results in the most conservative interest rate risk management practice. Current market parameters for conventional mortgage debt are in the range of 60% - 65% of the appraised market value of the underlying property. The success of this mortgage strategy is dependant upon debt market parameters, and the particular features and quality of the underlying assets being financed in the period.

- ***KEY PERFORMANCE INDICATOR***

At December 31, 2008 and December 31, 2007, the Company's cost of debt was as follows:

(000's) As at	Balance Outstanding	Effective Rates December 31, 2008	Effective Rates December 31, 2007
Fixed rate mortgage loans	**$ 158,649**	**6.37 %**	6.55 %
Other fixed rate loans with periodic repayments	**1,358**	**10.00 %**	9.07 %
Bank operating facility	**4,592**	**Prime + 3/4 %**	Prime + 3/4 %
Bank development facility	**25,219**	**Prime + 5/8 %**	Prime + 5/8 %
Bank development facility	**4,623**	**Prime + 1/2 %**	Prime + 1/2 %
Bank development facility	**8,295**	**BA + 175**	-

The weighted average effective cost of fixed rate mortgage loans as at December 31, 2008 is 6.37% compared to 6.55% as at December 31, 2007. The change resulted from more favorable rates on mortgages placed in 2008. The weighted average term to maturity for the long-term mortgages is 7.3 years. The average remaining repayment period on long-term mortgage debt is 22.5 years.

LAND LEASES

Return on invested cash or equity is a measure Plazacorp uses to evaluate development and strategic acquisitions. The minimum return criterion for Plazacorp to undertake a project is a return on invested cash of 16% after development.

Investing in a project subject to a land lease reduces the cash equity required for an individual project and increases the number of projects which can be undertaken with available capital. This spreads risk and enhances overall shareholder return. In some instances use of a land lease will enhance project feasibility where a project might not be undertaken without use of a land lease.

Currently Plazacorp has 24 long-term land leases with total annual rent of $2.6 million.

COMMITMENTS AND CONTINGENT LIABILITIES

The Company is committed for future periods to $15.2 million in respect of acquisitions, developments and redevelopments. Management believes that Plazacorp has sufficient unused bank line availability, and mortgage bond deployment potential, to fund these commitments.

Plazacorp's future contractual commitments, and the estimated timing of these commitments, without adjustment for deferred financing charges deducted under GAAP, are outlined below:

(000's)		Payments Due by Year			
Contractual obligations	**Total**	**Year 1**	**Years 2-3**	**Years 4-5**	**After 5 years**
Mortgages – Periodic principal repayments	**$ 29,283**	$ 3,264	$ 6,816	$ 6,525	$ 12,678
Mortgages – Due at maturity	**137,864**	1,860	4,913	26,209	104,882
Mortgages – Funded by defeasance[(1)]	**1,566**	1,566	-	-	-
Development line-of-credits	**38,137**	30,598	7,539	-	-
Mortgage bonds payable	**20,500**	-	17,500	3,000	-
Debentures[(2)]	**10,914**	755	10,159	-	-
Operating land leases[(3)]	**148,819**	2,559	5,124	5,012	136,124
Development activities	**15,197**	15,197	-	-	-
Total contractual obligations	**$ 402,280**	$ 55,799	$ 52,051	$ 40,746	$ 253,684

(1) Mortgages maturing but secured by bond investments, see note 13.
(2) $705 of the $755 Year 1 Series III debentures have been converted to equity as of April 1, 2009.
(3) Operating land leases expire on dates ranging from 2011 to 2070 with renewal options ranging from 10 to 60 years.

The Company also has a contingent liability as original borrower on mortgages assumed by the purchaser of two properties in March 7, 2007. These commitments are subject to indemnity agreements. The estimated balance outstanding on these loans is $15.5 million as at December 31, 2008. This sale did not relieve the Company's obligations as original borrower in respect of these mortgages, see note 29c of the December 31, 2008 Consolidated Financial Statements. Average remaining term of the mortgages is 3.7 years (December 31, 2007 – 4.7 years).

The Company guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of $730 thousand, see note 29c of the December 31, 2008 Consolidated Financial Statements.

The Company assumed a guarantee for a $21.9 million development line-of-credit held by the Village Shopping Centre Limited Partnership for the completion of construction. As at December 31, 2008 the remaining budgeted development costs are $1.7 million.

The Company has determined that expected payments that will be required under the above guarantees are nil.

PART V

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are 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 property investments. Management attempts to manage these risks through geographic and asset class diversification in the portfolio. At December 31, 2008, the Company held interests in 93 properties spread geographically among six provinces in Canada. See note 28 to the Consolidated Financial Statements.

INTEREST RATE, FINANCING AND REFINANCING RISK

Management attempts to lock in cash returns on assets for the longest period consistent with exposure to debt maturing and leases expiring in any given year.

Current volatility in debt markets has made market conditions very challenging for obtaining long term mortgage financing. The Company has experienced increased lending spreads and tightening of other lending conditions on financings undertaken in 2008. The Company's terms for short-term development financing have not been impacted by volatility in the credit markets.

At existing financing rates, the Company is able to obtain positive returns from debt financing. The quality of our projects makes management confident of obtaining suitable long-term financing for those projects on completion of development as well as the maturity of existing debt. Refinancing debt at maturity with conventional financing is currently limited to 60%-65% of appraised value. The Company has an ongoing requirement to access the debt markets and there is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Company or on any terms at all. Management remains confident that all debts maturing in 2009 will be financed or refinanced as they come due.

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 heavily weighed to national tenants and by ensuring any significant individual revenue exposure is to tenants of significant credit worthiness. Plazacorp also maintains a portfolio that is diversified geographically so that exposure to local business is lessened.

Currently one tenant, Shoppers Drug Mart, represents 26.4% of current monthly gross rents in place. The top 10 tenants collectively represent approximately 52.4% of total revenues in place.

LEASE ROLL-OVER RISK

Lease roll-over risk arises from the possibility that Plazacorp may experience difficulty renewing leases as they expire or in releasing space vacated by tenants.

During 2008, Management completed 526 thousand square feet (2007 – 343 thousand square feet) of new leasing deals at market rates. The 526 thousand square feet of new leasing was comprised of 285 thousand square feet on new developments and acquisitions, and 241 thousand square feet on same-asset properties.

Management attempts to stagger the lease expiry profile so that Plazacorp is not faced with a disproportionate amount of square footage of leases expiring in any one year. Management further mitigates this risk by maintaining a diversified portfolio mix both by asset type and geographic location and ensuring that the property manager maintains a well staffed and highly skilled leasing department to deal with all leasing issues.

LEASE ROLL-OVER BY ASSET CLASS

The following table represents leases expiring for the next 5 years and thereafter for Plazacorp's income producing properties portfolio as at December 31, 2008.

	Strip Plazas		Enclosed Malls		Single-User		Total	
Year	**Sq Ft**	**%**	**Sq Ft**	**%**	**Sq Ft**	**%**	**Sq Ft**	**%**
2009	121,149	6.0	108,978	16.7	-	-	**230,127**	**7.5**
2010	215,109	10.8	85,075	13.1	-	-	**300,184**	**9.8**
2011	229,193	11.4	57,094	8.8	-	-	**286,287**	**9.3**
2012	126,365	6.3	56,191	8.6	25,293	6.0	**207,849**	**6.8**
2013	136,483	6.8	59,288	9.1	-	-	**195,771**	**6.3**
Thereafter	1,127,200	56.3	266,404	40.9	396,563	94.0	**1,790,167**	**58.2**
Vacant	47,154	2.4	18,394	2.8	-	-	**65,548**	**2.1**
Total	2,002,653	100.0	651,424	100.0	421,856	100.0	**3,075,933**	**100.0**
Weighted average lease term	7.4		7.3		12.0		**8.0**	

On average, Plazacorp's embedded or contractual gross rents expiring in 2008 would be at or below current market rates. Plazacorp's financial exposure to vacancies and lease roll-overs differs among the three asset types, as gross rental rates differ dramatically by asset class.

OCCUPANCY RISK

One of Plazacorp's performance drivers is related to occupancy levels. 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 (subject to consumer price index adjustments in many cases) and realty taxes. Many of Plazacorp's operating costs and tax expenses are not reduced by vacancy. Certain costs such as utilities and janitorial costs would not decline with occupancy.

The hypothetical impact to net property operating income of a change in occupancy of 1% would be approximately $482 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***

- Occupancy in the strip plazas was 97.6% as at December 31, 2008, compared to 97.4% as at December 31, 2007.
- Average occupancy in the enclosed malls was 97.2% as at December 31, 2008, compared to 94.0% as at December 31, 2007.
- Occupancy for single use assets remained stable at 100%.
- Pre-leased space in properties under development is 66.9%.
- Overall the portfolio occupancy, excluding non-consolidated trusts and partnerships and properties under development as at December 31, 2008 was 97.9%, up 1.0% from December 31, 2007.

These occupancy rates are within management's expectations in view of continuing development in the portfolio as well as the occupancy rates and lease-up of properties transferred to income producing status over the last year.

DEVELOPMENT AND ACQUISITIONS RISK

Plazacorp's external growth prospects will depend in large part on identifying suitable development and acquisition opportunities, pursuing such opportunities, conducting necessary due diligence, consummating acquisitions (including obtaining necessary consents) and effectively operating the retail facilities acquired by the Company. If Plazacorp is unable to manage its growth and integrate its acquisitions effectively, its business, operating results and financial condition could be adversely affective. Developments and acquisitions may not meet operational or financial expectations due to unexpected costs or market conditions, which could impact the Company's performance.

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 or petroleum products. 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 manages environmental exposures in a proactive manner during every aspect of the property life cycle including extensive due diligence in respect of environment risk before purchase.

LITIGATION RISK

The Company and its property manager, Plaza Atlantic Limited, are involved in litigation and claims in relation to its income producing properties and other business matters from time to time.

A minority shareholder of Plaza Atlantic Limited has initiated a commercial action against Plaza Atlantic Limited and its two principal beneficial shareholders, Earl Brewer and Michael Zakuta, alleging infringement of its minority shareholder rights under the New Brunswick Business Corporations Act. Plazacorp is not a named party in the lawsuit. The Company's independent directors are monitoring the action for potential impacts on the Company. The Company gave Plaza Atlantic Limited notice of termination of the management contract effective March 29, 2009. In Management's opinion, any liability that may arise from such current or pending litigation, including the above noted action, would not have a material adverse effect on these financial statements.

PART VI

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 April 1, 2009	Shares	Share Capital
Current Outstanding Shares	47,861,997	$ 40,769,341
Employee and Director Share Options	769,625	1,728,105
Series III Convertible Debentures	31,250	50,000
Series IV Convertible Debentures	1,250,000	5,000,000
Total adjusted shares outstanding	49,912,872	$ 47,547,446

RELATED PARTY TRANSACTIONS

MANAGEMENT COMPANY

Plaza Atlantic Limited and Les Immeubles Plaza Z-Corp Inc. have managed the Company's properties since 1999. As a result of a notice of termination given by the Company to Plaza Atlantic Limited, the management contract expired on March 29, 2009. In Quebec, staff of Les Immeubles Plaza Z-Corp Inc. 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 Les Immeubles Plaza-Z Corp Inc. These companies employ 83 people in the accounting, finance, engineering, development, leasing, and other administrative capacities that exclude property specific staff.

Plaza Atlantic Limited is controlled by two directors of Plazacorp namely Michael Zakuta and Earl Brewer. Mr. Brewer is Chairman of the Board of Plazacorp, Michael Zakuta is President and Chief Executive Officer of the Company. Les Immeubles Plaza–Z Corp Inc. 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 geographic areas, and allow Plazacorp access to significant professional management services at reasonable costs. Both Plaza Atlantic Limited and Les Immeubles Plaza Z–Corp Inc. manage properties for third parties. Mr. Brewer and Mr. Zakuta did not receive any direct compensation from the Company for performing their duties as Chairman and President respectively, or as Directors, during 2008 and 2007.

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

Property Management	4% of gross rents paid.
Leasing	4% of rental revenue per year for first five years of a lease term.
	2% of rental revenue per year for years six to ten of a lease term.
	Leasing fees for renewal are at 50% of the above rate.
Development	4% of costs of construction on development projects.
	10% of tenant improvement costs on non-development projects.
Financing	¾ % of loan amount where no outside broker is involved.
	¼ % of loan amount where an outside broker is involved.
Acquisitions	2% of the purchase price of assets or capitalized value of land leases.
Dispositions	1 ½ % of the proceeds of disposition on assets.
Legal Services	Cost recovery basis, currently $152 per hour.

During the year ended December 31, 2008 and December 31, 2007 the following amounts were charged under the contracts:

(000's) **For the Years Ended** **Fee Category**	**Included for Reporting Purposes In**	**December 31, 2008**	December 31, 2007
Management fees	Property operating expenses	**$ 1,607**	$ 1,439
Leasing fees	Tenant acquisition costs and property operating costs	**1,165**	1,414
Development fees	Income producing properties	**934**	965
Financing fees	Deferred charges and income producing properties	**226**	290
Acquisition fees	Income producing properties	**221**	264
Disposition fees	Gain on disposal of income producing properties	**141**	131
Legal services	Varies depending on nature of service	**439**	463
Total fees billed by the Property Manager		**$ 4,733**	$ 4,966

FUTURE MANAGEMENT ARRANGEMENT

The independent directors of the Company have approved a new 5 year contract that commenced on March 30, 2009 with Plaza Group Management Limited, a company owned by Michael Zakuta and Earl Brewer.

The principal changes to the management contract include:

1) An alignment of interest clause stating that Zakuta and Brewer must maintain their current ownership interest in Plazacorp and the new management company.
2) Les Immeubles Plaza Z-Corp Inc. will manage the Quebec and Ontario properties and the alignment of interest clause will extend to this company.
3) Property management fees were reduced from 4% to 3% of Property Revenues.
4) A Corporate Management fee of ¾% of Property Revenues will be paid to manage the corporate affairs of Plazacorp as the senior executives of Plazacorp including Brewer and Zakuta are paid by the management company and not by Plazacorp.
5) Plazacorp may terminate the contract after 3 years without compensation.
6) Certain events will permit Plazacorp to terminate the contract, at anytime, and provide the Company with the right to purchase the management company assets at book value.

The new management contract will provide lower fees and the transfer of certain expenses from Plazacorp to the management company, which will provide further savings to Plazacorp.

NOTES PAYABLE TO RELATED PARTIES

Notes payable as at December 31, 2008 fall into two categories:

- 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 interim or long-term debt or upon sale of the property to which the note relates.
- 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.

(000's) **As at**	**Interest Rate**	**December 31, 2008**	December 31, 2007
Interest bearing notes:			
Les Immeubles Plaza Z Corp Inc. and related entities controlled by Michael Zakuta, President and Chief Executive Officer of the Company.	Prime +1%	**$ 617**	$ 1,617
Non-Interest bearing notes:			
Various companies owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President and Chief Executive Officer of the Company.	n/a	**264**	262
Total		**$ 881**	$ 1,879

Two directors directly or beneficially share interests in common with the Company in the Gateway Mall, Sussex, NB 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.

TC Land LP, a wholly owned subsidiary of TC Land REIT, an entity controlled by Michael Zakuta and Earl Brewer, leases nine parcels of land to Plazacorp at a total annual rent of $875 thousand. The land leases expire at various times from October 2043 to March 2047, subject to options to renew or purchase. The business purpose of the leases is to enhance levered equity returns on the affected development assets.

BONDS AND DEBENTURES HELD

Related Parties directly or indirectly held at face value, convertible debentures and mortgage bonds of the Company as at December 31, 2008 and December 31, 2007.

(000's) **As at**	**December 31, 2008**	December 31, 2007
Richard Hamm, Director	**$ 325**	$ 325
Michael Zakuta, Director	**1,200**	1,200
Edouard Babineau, Director	**700**	700
Earl Brewer, Director	**438**	438
Stephen Johnson, Director	**1,220**	1,220
Barbara Trenholm, Director	**364**	364
Total	**$ 4,247**	$ 4,247

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A, the Consolidated Financial Statements for December 31, 2008 and all related public filings.

In contrast to the certificate required under Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (MI 52-109), the Venture Issuer Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in MI 52-109. In particular, the certifying officers filing certificates for venture issuers are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificate(s).

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CRITICAL ACCOUNTING POLICIES

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:

PROPERTIES UNDER DEVELOPMENT

Pre-construction costs of the property, development costs, construction costs, carrying costs including financing fees, interest costs, real estate taxes and other costs incurred while a property is under development or significant re-development are capitalized. Once a property generates revenue the interest and net operating loss are capitalized until the earlier of 90% occupancy, six months after substantial completion of construction or the date the property becomes profitable. Once a property under development achieves the aforementioned threshold it is moved to income producing properties.

PROPERTY ACQUISITIONS

Management is required to allocate the purchase price to acquired tangible and intangible assets and in-place leases. The allocation may change as new information emerges on the appropriateness of estimates made during 2007 and 2008. This estimate is critical insofar as it may impact the corresponding amortization period of the related assets and net income.

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 an impairment loss is recognized. 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.

FINANCIAL INSTRUMENTS

The Company reviews all significant contracts to determine if they contain embedded derivatives pursuant to the provisions of CICA Handbook Section 3855. As at December 31, 2008 there are no embedded derivatives in the Company's financial instruments that require separation and measurement.

VARIABLE INTEREST ENTITIES

The Company evaluates all joint-venture relationships and partial ownership interests to determine whether or not they are subject to the variable interest entity guidelines as directed by AcG-15 in respect of applying consolidation, equity accounting, joint-venture accounting or cost accounting. The Company has determined the properties formerly consolidated as variable interest entities no longer meet the criteria directed by AcG-15 as a of result of long-term debt advancement and funding by the other Co-owner and are proportionately consolidated for the year ending December 31, 2008. There are no other significant changes required to the financial statement presentation of its consolidated subsidiaries, proportionately consolidated joint ventures or investments in non-consolidated partnerships and trusts as at December 31, 2008 compared to December 31, 2007.

Readers should refer to the December 31, 2008 Consolidated Financial Statements and the December 31, 2007 Consolidated Financial Statements for a full description of the Company's accounting policies.

CHANGES TO ACCOUNTING POLICIES

Capital Disclosures

On January 1, 2008 the Company adopted the new CICA Handbook Section 1535 *Capital Disclosures*. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new standard covers disclosure only and had no effect on the financial results of the company see note 31 of the December 31, 2008 Consolidated Financial Statements.

Financial Instruments – Disclosures and Presentation

On January 1, 2008 the Company adopted the two new CICA accounting standards: Handbook Section 3862 *Financial Instruments – Disclosures*, and Handbook Section 3863 *Financial Instruments – Presentation.* The new Sections 3862 and 3863 replace Handbook Section 3861 *Financial Instruments – Disclosure and Presentation,* revising and enhancing disclosure requirements, and carrying forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards cover disclosure only and had no effect on the financial results of the company (see notes 15, 16, 17, 18, 19, 20, 29 and 30 of the December 31, 2008 Consolidated Financial Statements).

FUTURE ACCOUNTING POLICY CHANGES

Goodwill and Intangible Assets

On January 31, 2008, the CICA issued a new accounting standard: Handbook Section 3064 *Goodwill and Intangible Assets*. Section 3064 will replace Handbook Section 3062 *Goodwill and Other Intangible Assets* and Handbook Section 3450 *Research and Development Costs*. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. These new standards will be effective for the Company the first quarter of 2009. The Company is currently in the process of evaluating the potential impact of these new standards on the consolidated financial statements.

Financial Statement Concepts

Handbook Section 1000, Financial Statement Concepts, has been amended and will be effective for the year ending December 31, 2009. The Company will no longer be able to defer costs incurred on certain maintenance expenditures but will be required to either capitalize or expense capital expenditures recoverable from its tenants in the period in which they are incurred, depending on if they meet the criteria for an asset. These Handbook changes will impact the presentation of these items on the financial statements, however they will not have a material impact on how the Company accounts for these costs. The Company is currently in the process of evaluating the potential impact of this new standard on the consolidated financial statements.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to report under International Financial Reporting Standards (IFRS) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The conversion from Canadian GAAP to IFRS will be effective for the first quarter filing for the period ending March 31, 2011 and it will include comparatives for the first quarter of 2010.

Planning for the convergence to IFRS has begun and a four step phased approach for conversion will be used. In the Awareness and Assessment phase an understanding of the complexity of the conversion process has been completed and a conversion plan has been developed that has determined the priorities and timeline. As well, an analysis is underway on the differences between GAAP and IFRS. The design and implementation phases, along with the accounting policy choices, will be completed over 2009 and 2010.

The financial reporting impact at this time can not be estimated. There are several accounting policy choices that need to be evaluated by the Company. The standards with the highest potential to impact the Company have been determined. They are IAS 40 – investment property and the applicable section for consolidations, investments and joint ventures IAS 27, 28 and 31.

Business Combinations and Consolidated Financial Statements

The CICA issued new accounting standards on January 1, 2009: Handbook Section 1582 Business Combinations, Handbook Section 1601 Consolidated Financial Statements, and Handbook Section 1602 Non-Controlling Interests and these standards replace the existing guidance found in Sections 1581, Business Combinations and 1600, Consolidated Financial Statements. These new standards were developed in conjunction with the US Financial Accounting Standards Board and the International Accounting Standards Board, to bring the Canadian standards in harmony with the US and International Standards. The new standards are to be applied prospectively for fiscal years beginning on or after January 1, 2011, with early adoption permitted.

The Company is currently in the process of evaluating the potential impact of these new standards on the consolidated financial statements, but will not be adopting these standards early.

ADDITIONAL INFORMATION

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.

The charts following provide additional information useful in interpreting our key performance indicators.

PROPERTIES OF THE COMPANY

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Dec-08	Major Tenants
Strip Plazas					
Les Promenades St. Francois	Laval, QC	54,738	100%	100%	Jean Coutu, Dollarama
Plaza Hotel de Ville	Rivière-du-Loup, QC	20,412	100%	100%	Bouclair, Yellow Shoes
Plaza Theriault	Rivière-du-Loup, QC	25,780	100%	100%	National Bank, Reitmans
Plaza BBRF	Sherbrooke, QC	20,631	50%	100%	Shoppers Drug Mart
Plaza Boulevard Royal	Shawinigan, QC	128,347	100%	92%	Rossy, Caisse Populaire
Carrefour des Seigneurs	Terrebonne, QC	33,900	25%	100%	Jean Coutu
Terrace Dufferin	Valleyfield, QC	17,587	50%	100%	Videotron, Mike's
St. Anne Street Plaza	Bathurst, NB	25,213	100%	90%	Dollarama, Reitmans
St. Peters Avenue Plaza	Bathurst, NB	23,273	100%	100%	Shoppers Drug Mart
Champlain Plaza	Dieppe, NB	48,815	100%	100%	Shoppers Drug Mart Bulk Barn
Boulevard Hebert Plaza	Edmundston, NB	26,689	100%	100%	Shoppers Drug Mart
Victoria Street Plaza	Edmundston, NB	12,015	100%	57%	Reitmans, CitiFinancial
Empire Plaza	Fredericton, NB	13,743	100%	100%	Dollarama
FHS Plaza	Fredericton, NB	24,280	100%	100%	Cleve's Sports, Bulk Barn
Main Place	Fredericton, NB	31,284	100%	93%	Shoppers Drug Mart
Nashwaaksis Plaza	Fredericton, NB	57,549	100%	97%	Dollarama
Madawaska Road Plaza	Grand Falls, NB	10,410	100%	92%	Pizza Delight, Tim Horton’s
KGH Plaza	Miramichi, NB	18,034	100%	100%	Shoppers Drug Mart
Miramichi Power Center - 1	Miramichi, NB	38,033	100%	100%	Staples, Bulk Barn
Miramichi Power Center - 2	Miramichi, NB	22,316	100%	100%	Dollarama, Boston Pizza
Boulevard Plaza	Moncton, NB	83,021	100%	100%	Winners, Michael's
Wedgewood Plaza	Riverview, NB	12,768	100%	100%	Dollarama
Crown Street	Saint John, NB	21,764	100%	100%	Shoppers Drug Mart
Exhibition Plaza	Saint John, NB	75,280	55%	100%	Empire Cinemas
Major Brook Drive Plaza	Saint John, NB	40,559	55%	100%	Michael's, Boston Pizza
McAllister Drive Plaza	Saint John, NB	24,921	55%	100%	McDonald’s, Cleve’s
SCA Plaza	Saint John, NB	17,430	55%	100%	Bulk Barn
Main and Western Street Plaza	Sussex, NB	14,300	100%	100%	Dollarama
Connell Road Plaza	Woodstock, NB	19,645	100%	100%	Mark's Work Wearhouse, Dollarama
303 Main Street Plaza	Antigonish, NS	19,542	100%	92%	Shoppers Drug Mart
Tacoma Centre	Dartmouth, NS	160,991	50%	97%	Sobeys, Dollarama
Tacoma Valley Field	Dartmouth, NS	25,325	50%	81%	Shoppers Drug Mart
201 Chain Lake Drive	Halifax, NS	118,505	50%	99%	Home Outfitters
209 Chain Lake Drive	Halifax, NS	89,576	50%	100%	Value Village, Bulk Barn
Joseph Howe Drive Plaza	Halifax, NS	23,599	100%	100%	Shoppers Drug Mart
Staples Plaza	New Glasgow, NS	33,753	100%	93%	Staples
V-8 Plaza	New Glasgow, NS	13,400	100%	100%	Dollarama, Swiss Chalet
Commercial Street Plaza	New Minas, NS	15,342	100%	100%	Swiss Chalet, Penningtons
North Sydney Plaza	North Sydney, NS	20,371	100%	100%	Shoppers Drug Mart
Welton Street Plaza	Sydney, NS	20,975	100%	100%	Dollarama, Bulk Barn
Robie Street Plaza	Truro, NS	21,890	100%	100%	Shoppers Drug Mart
Pleasant Street Plaza	Yarmouth, NS	22,586	100%	100%	Shoppers Drug Mart
Starr's Road Plaza	Yarmouth, NS	58,319	100%	100%	Empire Theatres, Dollarama
Belvedere Plaza	Charlottetown, PE	77,016	60%	100%	Marks Work Wearhouse, Indigo
Spring Park Plaza	Charlottetown, PE	49,734	85%	97%	Fabricville, Value Village
UAS Plaza	Charlottetown, PE	23,386	100%	100%	Shoppers Drug Mart TD Bank
University Plaza	Charlottetown, PE	62,046	43%	98%	Dollarama, Smitty's
Granville Street Plaza	Summerside, PE	62,362	60%	100%	Dollarama, Pennington’s
15260 Yonge Street	Aurora, ON	14,070	50%	80%	Dollarama
Scott Street Plaza	St. Catharines, ON	25,727	50%	95%	Shoppers Drug Mart
Bay Roberts Plaza	Bay Roberts, NL	20,468	100%	100%	Shoppers Drug Mart
Conception Bay South Plaza	Conception Bay South, NL	21,220	100%	100%	Shoppers Drug Mart
Kenmount Road Plaza	St. John’s, NL	21,404	100%	90%	XS Cargo, Montana’s

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Dec-08	Major Tenants
LeMarchant Road Plaza	St. John's, NL	18,309	100%	100%	Shoppers Drug Mart
Sub-total		2,002,653		97.6%	
Enclosed Malls					
Les Galeries Montmagny	Montmagny, QC	137,723	50%	99%	Maxi, Hart, Uniprix
Les Promenades du Cuivre	Rouyn-Noranda, QC	147,129	100%	99%	Hart, Uniprix, Royal Bank
Grand Falls Shopping Centre	Grand Falls, NB	128,183	100%	95%	Staples, Shoppers Drug Mart, Hart
Oromocto Mall	Oromocto, NB	76,691	100%	96%	Shoppers Drug Mart
Gateway Mall	Sussex, NB	161,698	25%	96%	Sobey's, Canadian Tire
Sub-total		651,424		97.2%	
Single Use					
Plaza BDP	Deux Montagnes, QC	16,940	37.5%	100%	Shoppers Drug Mart
Bureau en Gros	Granby, QC	25,695	50%	100%	Staples
Plaza TS Magog	Magog, QC	17,452	50%	100%	Shoppers Drug Mart
Bureau en Gros	Rimouski, QC	25,771	50%	100%	Staples
CPRDL	Riviere-du-Loup, QC	41,568	50%	100%	Caisse Populaire
Plaza Jean XXIII	Trois-Rivieres, QC	16,721	50%	100%	Shoppers Drug Mart
681 Mountain Road	Moncton, NB	19,504	100%	100%	Shoppers Drug Mart
Staples	Saint John, NB	25,293	100%	100%	Staples
Fairville Boulevard - 1	Saint John, NB	47,000	100%	100%	Sobeys
Main and Victoria	Shediac, NB	10,287	100%	100%	Dollarama
201 Main Street	Sussex, NB	16,915	100%	100%	Shoppers Drug Mart
Central Avenue Plaza	Greenwood, NS	16,989	100%	100%	Shoppers Drug Mart
912 East River Road	New Glasgow, NS	16,912	100%	100%	Shoppers Drug Mart
Kings Road Plaza	Sydney River, NS	16,847	100%	100%	Shoppers Drug Mart
615 King Street	Ganonoque, ON	16,619	50%	100%	Shoppers Drug Mart
St. Josephs Boulevard	Orleans, ON	16,799	50%	100%	Shoppers Drug Mart
Civic Center Road	Petawawa, ON	17,036	50%	100%	Shoppers Drug Mart
Port Hope Plaza	Port Hope, ON	22,650	50%	100%	Shoppers Drug Mart
Dufferin & Wilson (Perth)	Perth, ON	16,782	75%	100%	Shoppers Drug Mart
Airport Blvd. Plaza	Gander, NL	18,077	100%	100%	Shoppers Drug Mart
Sub-total		421,857		100%	
Income producing properties		3,075,934		97.9%	
Projects Under Development					
90 Blvd. Tache Ouest	Montmagny, QC	-	50%	-	In Planning
Main & Sackville	Shediac, NB	24,536	100%	100%	Shoppers Drug Mart
Fairville Boulevard Plaza - 2	Saint John, NB	55,000	100%	36%	Bulk Barn, Staples
Bedford Commons	Bedford, NS	70,093	100%	79%	Future Shop, Dollarama
Commercial Street Plaza	New Minas, NS	-	100%	-	In Planning
Granite Drive Plaza	New Minas, NS	87,454	100%	46%	Lawtons, Future Shop, Winners
Ville Marie Drive Plaza	Marystown, NL	14,300	-	-	In Planning
Sub-total		251,383		66.9%	
Total Excluding Non-Consolidated Trusts and		3,327,317		95.5%	
Non-Consolidated Trusts and Partnerships					
3550 Sources	Dollard des Ormeaux, QC	8,391	10%	100%	National Bank
Centennial Plaza	Dollard des Ormeaux, QC	151,816	10%	100%	Value Village, Jean Coutu
Marche De L'Ouest	Dollard des Ormeaux, QC	128,265	20%	96%	IGA, SAQ
Place Du Marche	Dollard des Ormeaux, QC	35,219	10%	80%	Laurentian Bank, Starbucks
Plaza des Recollets	Trois Rivieres, QC	73,730	15%	100%	Winners/Home Sense
Northwest Centre	Moncton, NB	178,321	10%	97%	Zellers, Princess Auto
Village Shopping Centre	St. John's, NL	418,259	20%	77%	Hart, Labels, Dollarama
Sub-total		994,001		88.4%	
Grand Total		4,321,318		93.9%	

TRANSACTIONS

The following assets are not included in "same asset" measurements.

2008 Transactions	Property Type	Square Footage	Ownership	Income Producing During
Plaza BBRF, Sherbrooke, QC	Strip Plaza	20,631	50%	Q2 08
Victoria Street Plaza, Edmundston, NB	Strip Plaza	12,015	100%	Q1 08
615 King Street, Gananoque, ON	Single Use	16,619	50%	Q2 08
Civic Centre Road, Petawawa, ON	Single Use	17,036	50%	Q1 08
Port Hope Plaza, Port Hope, ON	Single Use	22,650	50%	Q2 08
St. Joseph Boulevard, Orleans, ON	Single Use	16,799	50%	Q1 08
Airport Blvd. Plaza, Gander, NL	Single Use	18,077	100%	Q2 08
Fairville Boulevard Phase 1, Saint John, NB	Single Use	47,000	100%	Q3 08
Dufferin & Wilson (Perth), Perth, ON	Single Use	16,782	75%	Q4 08

2007 Transactions	Property Type	Square Footage	Ownership	Income Producing During
CPDRL, Riviere-du-Loup, QC	Single Use	41,568	50%	Q3 07
Plaza BDP, Deux Montagnes, QC	Single Use	16,940	37.5%	Q2 07
Plaza Jean XXIII, Trois-Rivières, QC	Single Use	16,721	50%	Q4 07
201 Main Street, Sussex, NB	Single Use	16,915	100%	Q4 07
Boulevard Hebert Plaza, Edmundston, NB	Strip Plaza	26,689	100%	Q1 07
KGH Plaza, Miramichi, NB	Strip Plaza	18,034	100%	Q4 07
Main and Victoria, Shediac, NB	Single Use	10,287	100%	Q3 07
Main & Western Street Plaza, Sussex, NB	Strip Plaza	14,300	100%	Q4 07
Central Avenue Plaza, Greenwood, NS	Single Use	16,989	100%	Q1 07
Joseph Howe Drive Plaza, Halifax, NS	Strip Plaza	23,599	100%	Q4 07
Kings Road Plaza, Sydney River, NS	Single Use	16,847	100%	Q1 07
North Sydney Plaza, North Sydney, NS	Strip Plaza	20,371	100%	Q4 07
Robie Street Truro Plaza, Truro, NS	Strip Plaza	21,890	100%	Q4 07
Scott Street Plaza, St. Catharines, ON	Strip Plaza	25,727	50%	Q3 07
Kenmount Road Plaza, St. John's, NL	Strip Plaza	21,404	100%	Q2 07
LeMarchant Road Plaza, St. John's, NL	Strip Plaza	18,309	100%	Q4 07

PROPERTIES UNDER DEVELOPMENT

The following properties are under active development or active planning and are anticipated to become income producing at various points over the next two years as follows:

Properties under development	Property Type	Square Footage	Ownership	Income Producing
90 Blvd. Tache Ouest, Montmagny, QC	In Planning	-	50%	-
Main & Sackville, Shediac, NB	Strip Plaza	24,536	100%	Q1 09
Fairville Boulevard Plaza - 2, Saint John, NB	Strip Plaza	55,000	100%	Q2 09
Commercial Street Plaza, New Minas, NS	In Planning	-	100%	-
Granite Drive Plaza, New Minas, NS	Strip Plaza	81,000	100%	Q2 09
Bedford Commons, Bedford, NS	Strip Plaza	70,122	100%	Q1 09
Ville Marie Drive Plaza, Marystown, NL	Strip Plaza	14,300	100%	-

Gross Capital Additions including Tenant Acquisition Costs:

(000's) **For the Periods Ended**	**3 Months Ended December 31, 2008**	3 Months Ended December 31, 2007	**12 Months Ended December 31, 2008**	12 Months Ended December 31, 2007
Tenant acquisition costs – existing properties	**$ 146**	$ 159	**$ 460**	$ 913
Tenant acquisition costs – redevelopment properties	**671**	983	**3,605**	2,061
Tenant acquisition costs – new developments	**242**	3,087	**2,638**	5,727
Total tenant acquisition costs	**1,059**	4,229	**6,703**	8,701
Capital additions – existing properties	**48**	98	**773**	596
Capital additions – redevelopment properties	**2,196**	238	**5,416**	3,656
Capital additions – new developments	**6,822**	5,987	**39,538**	45,729
Total capital additions	**9,066**	6,323	**45,727**	49,981
Total gross additions	**$ 10,125**	$ 10,552	**$ 52,430**	$ 58,682

To the Shareholders of Plazacorp Retail Properties Ltd.

The accompanying consolidated financial statements and information contained in the Annual Report have been prepared by, and are the responsibility of, the management of the Company. The financial statements have been prepared within accepted limits of materiality and in accordance with the Canadian Generally Accepted Accounting Principles appropriate in the circumstances.

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

The Board of Directors, acting through an Audit Committee comprised solely of directors who are unrelated to and independent of the Company, is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements. The Audit Committee recommends the independent auditors for appointment by the shareholders. The Audit Committee meets regularly with management, and the independent auditors to discuss auditing activities and financial reporting matters. The independent auditors have unrestricted access to the Audit Committee. These consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Directors for inclusion in this Annual Report based on the review and recommendation of the Audit Committee.

KPMG LLP, the independent auditors appointed by the shareholders have been engaged to audit the consolidated financial statements and provide an independent professional opinion thereon.

Michael Zakuta
President and CEO
April 1, 2009

Peter Sheehan
Chief Financial Officer
April 1, 2009

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Plazacorp Retail Properties Ltd. as at December 31, 2008 and December 31, 2007 and the consolidated statements of income and other comprehensive income, deficit and cash flows for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our 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, 2008 and December 31, 2007 and the results of its operations and its cash flows for the years ended December 31, 2008 and 2007 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Fredericton, Canada
March 6, 2009, except as to note 32 which is as of March 31, 2009

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

Plazacorp Retail Properties Ltd.
Consolidated Balance Sheets
As at December 31

(In thousands of Canadian dollars)	**2008**	2007
Assets		
Income producing properties (Note 3)	**$ 224,976**	$ 218,160
Properties under development (Note 4)	**28,871**	20,763
Income producing properties held for sale (Note 5)	**10,937**	-
Surplus lands (Note 6)	**1,071**	2,079
Intangible assets (Note 7)	**1,888**	2,512
Deferred charges (Note 8)	**303**	271
Cash	**1,720**	1,978
Notes receivables (Note 9)	**511**	32
Receivables (Note 10)	**4,857**	3,955
Tenant loans (Note 11)	**2,446**	2,147
Prepaid expenses and deposits (Note 12)	**3,310**	4,006
Refundable capital gains tax (Note 20)	**196**	-
Future income tax asset	**688**	580
Investments (Note 13)	**6,636**	10,344
Goodwill	**2,025**	2,025
Deficits of subsidiaries (Note 14)	**1,123**	1,068
	$ 291,558	$ 269,920
Liabilities		
Mortgages payable (Note 15)	**$ 195,385**	$ 187,449
Liabilities related to income producing properties held for sale (Note 5)	**8,705**	-
Mortgage bonds payable (Note 16)	**20,379**	20,356
Debentures payable (Note 17)	**10,767**	11,704
Notes payable (Note 18)	**4,411**	2,689
Bank indebtedness (Note 19)	**4,592**	3,568
Accounts payable and accrued liabilities	**6,836**	5,688
Income taxes payable	**367**	186
Future income tax liability (Note 20)	**10,152**	9,403
Below market leases (Note 21)	**496**	674
	262,090	241,717
Non-controlling interest in net assets (Note 22)	**374**	-
Shareholders' Equity		
Equity portion of convertible debt (Note 17)	**195**	241
Share capital (Note 23)	**40,031**	36,932
Contributed surplus (Note 24)	**89**	78
Deficit	**(11,221)**	(9,048)
	29,094	28,203
	$ 291,558	$ 269,920

Contingencies, commitments, guarantees, indemnities and litigation – see note 29.
Subsequent events – see note 32.

Michael Zakuta, Director

Earl Brewer, Director

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.
Consolidated Statements of Deficit
For the Fiscal Years Ended December 31

(In thousands of Canadian dollars)	2008	2007
Deficit, beginning of the year	**$ (9,048)**	$ (6,456)
Effect of adoption of accounting policy changes	**-**	381
Income and other comprehensive income	**5,982**	3,605
Dividends	**(8,155)**	(6,578)
Deficit, end of the year	**$ (11,221)**	$ (9,048)

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.

Consolidated Statements of Income and Other Comprehensive Income
For the Fiscal Years Ended December 31

(In thousands of Canadian dollars, except per share amounts)	**2008**	2007
Rental revenues	**$ 45,890**	$ 39,600
Operating expenses	**18,787**	16,263
Net property operating income	**27,103**	23,337
Investment income	**1,448**	1,320
Income from properties and investments	**28,551**	24,657
Interest costs	**14,490**	12,469
Income before undernoted	**14,061**	12,188
Administrative expenses	**1,003**	1,063
Amortization	**9,807**	8,633
Capital taxes	**276**	426
Income before undernoted gain on disposal of surplus lands and income producing properties, income taxes, non-controlling interests and discontinued operations	**2,975**	2,066
Gain on disposal of surplus lands	**122**	282
Gain on disposal of income producing properties	**3,992**	-
Income before undernoted income taxes, non-controlling interests and discontinued operations	**7,089**	2,348
Income tax expense (Note 20)		
– current	**42**	44
– future	**641**	1,121
	683	1,165
Income before non-controlling interests and discontinued operations	**6,406**	1,183
Non-controlling interests	**424**	327
Income from continuing operations	**5,982**	856
Gain on disposal of income producing properties (Note 25)	**-**	2,790
Loss from discontinued operations (Note 25)	**-**	(41)
Income and other comprehensive income	**$ 5,982**	$ 3,605
Earnings per share – basic		
Continuing operations	**$ 0.128**	$ 0.020
Discontinued operations	**-**	0.062
Net earnings (Note 23c)	**$ 0.128**	$ 0.082
Earnings per share – diluted		
Continuing operations	**$ 0.126**	$ 0.020
Discontinued operations	**-**	0.061
Net earnings (Note 23c)	**$ 0.126**	$ 0.081

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.
Consolidated Statements of Cash Flows
For the Fiscal Years Ended December 31

(In thousands of Canadian dollars)	**2008**	2007
Cash obtained from (used for):		
Operating activities		
Income and other comprehensive income	**$ 5,982**	$ 3,605
Items not affecting cash:		
Non-cash investment income	**(1,011)**	(1,049)
Amortization (cash flow supplemental – Note I)	**10,572**	9,347
Gain on disposal of surplus lands	**(122)**	(282)
Gain on disposal of income producing properties	**(3,992)**	(2,790)
Stock option compensation	**31**	54
Interest relating to debenture accretion	**40**	64
Non-controlling interests	**424**	327
Future income taxes	**641**	1,091
Straight-line rent revenue	**(1,241)**	(557)
Tenant acquisition costs - existing properties	**(460)**	(913)
Tenant acquisition costs – redevelopment properties	**(3,605)**	(2,061)
Tenant acquisition costs - new developments	**(2,638)**	(5,727)
Change in non-cash working capital (cash flow supplemental – Note IV)	**1,074**	(393)
	5,695	716
Financing activities		
Increase (decrease) in notes payable	**2,154**	(633)
Issue of common shares	**630**	733
Contribution by non-controlling interest	**76**	-
Dividends paid by subsidiaries to non-controlling interests	**(113)**	(351)
Dividends paid to shareholders (cash flow supplemental – Note V)	**(6,755)**	(5,687)
Net proceeds from bonds and debentures	**(21)**	2,947
Net proceeds from short term notes payable	**3,482**	-
Repayment of short term notes payable	**(3,500)**	-
Net proceeds from mortgage financing (cash flow supplemental – Note VI)	**73,813**	71,331
Mortgage payouts (cash flow supplemental – Note VII)	**(41,247)**	(22,651)
Periodic mortgage principal repayments (cash flow supplemental – Note VII)	**(3,058)**	(2,572)
	25,461	43,117
Investing activities		
Acquisitions and discontinuance of consolidation (cash flow supplemental – Note IIIb)	**2,114**	(1,207)
Developments and redevelopments (cash flow supplemental – Note IIIa)	**(45,727)**	(47,322)
Net proceeds from disposal of income producing properties and sale of surplus lands (cash flow supplemental - Note II)	**7,009**	8,277
Investments		
Bonds – purchased for mortgage substitution	**(2,461)**	(1,923)
Bonds – contributions from bond fund	**5,601**	353
Contributions returned	**-**	90
Distributions received	**1,579**	1,343
(Increase) in notes receivable	**(479)**	(32)
Repayment of tenant loans	**356**	56
Issuance of tenant loans	**(655)**	(2,203)
Decrease (increase) in deposits for acquisition and financing	**374**	(370)
Other	**(149)**	(89)
	(32,438)	(43,027)
Net (decrease) increase in cash	**(1,282)**	806
Cash less bank indebtedness, beginning of the year	**(1,590)**	(2,396)
Cash less bank indebtedness, end of the year (cash flow supplemental – Note VIII)	**$ (2,872)**	$ (1,590)

See accompanying notes to the consolidated financial statements

I) Amortization

	2008	2007
Amortization of income producing properties	**$ 4,555**	$ 3,775
Amortization of tenant acquisition costs	**4,651**	4,039
Amortization of intangible assets (except above-market tenant leases)	**564**	782
Amortization of other deferred charges	**37**	37
Amortization expense per the statements of income and other comprehensive income	**9,807**	8,633
Amortization of financing charges (included with interest costs)	**799**	657
Amortization of above/below market leases (included with revenue)	**(115)**	(109)
Amortization of deferred recoverable expenses (included with operating expenses)	**81**	68
Amortization of discontinued operations	**-**	98
Total amortization charged to income	**$ 10,572**	$ 9,347

II) Gain on Disposal of Income Producing Properties and Surplus Lands

During the year ended December 31, 2008 the Company disposed of surplus lands in New Minas, NS, Riviere du Loup, QC and Tracadie, NB, which resulted in an accounting gain of $122 thousand. The Company also disposed of a 50% interest in the Tacoma Centre, NS and Tacoma Valley Field, NS for net proceeds of $9.2 million and an accounting gain of $4.0 million. The purchaser assumed mortgages of $4.8 million resulting in a net cash impact of $4.4 million to the Company. During the year ended December 31, 2007 the Company disposed of income producing properties and surplus lands which resulted in an accounting gain of $2.8 million and $282 thousand respectively.

III) Acquisitions, Developments and Redevelopments

a) Cash and Non-Cash Additions

	2008	2007
Gross additions from developments and redevelopments	**$ 52,430**	$ 56,023
Less: total tenant acquisition costs included in operating cash flow	**(6,703)**	(8,701)
Cash additions from developments, and redevelopments	**$ 45,727**	$ 47,322

b) Acquisitions and Discontinuance of Consolidation

During the year ended December 31, 2008 the Company discontinued consolidating five Ontario properties that had previously been consolidated as variable interest entities. These five properties are no longer variable interest entities, due to a re-evaluation which was triggered as a result of long-term debt advancement and funding by the other Co-owner. There were no acquisitions of income producing assets other than through transfers from properties under development during the year ended December 31, 2008. During the year ended December 31, 2007 the Company acquired the remaining 50% interest in Les Promenades St. Francois, a property located in Laval, Quebec through the acquisition of 50% of the net assets.

	2008	2007
Real estate assets		
Land	**$ 3,607**	$ (1,015)
Building	**6,172**	(909)
Parking lot	**442**	(226)
Tenants acquisition costs	**671**	(230)
Net intangible assets	**-**	(557)
Less: below market leases	**-**	278
Gross additions from acquisitions	**10,892**	(2,659)
Net liabilities		
Assumed mortgage	**-**	(1,452)
Mortgage deconsolidation	**9,244**	-
Net working capital surplus	**(720)**	-
Deferred charges	**(179)**	-
Notes Payable	**433**	-
	8,778	(1,452)
Net assets acquired and funded from cash	**$ 2,114**	$ (1,207)

IV) Change in Non-Cash Working Capital

	2008	2007
Receivables	**$ (683)**	$ (617)
Prepaid expenses and deposits	**310**	445
Accounts payable and accrued liabilities	**1,462**	(417)
Income taxes payable, net of refundable capital gains tax	**(15)**	196
Total cash from change in non-cash working capital	**$ 1,074**	$ (393)

V) Dividends

	2008	2007
Dividends declared during the year	**$ 8,155**	$ 6,578
Dividend reinvestment through reinvestment plan	**(1,400)**	(891)
Dividends paid in cash	**$ 6,755**	$ 5,687

There is no contractual requirement to pay dividends. All dividends declared are at the discretion of the Board of Directors.

VI) Net Proceeds from Mortgage Financing

	2008	2007
Proceeds from development lines-of-credit	**$ 35,595**	$ 34,069
Proceeds from long-term mortgages	**38,791**	39,877
Gross mortgage proceeds	**74,386**	73,946
Plus: assumed mortgages	**-**	(1,452)
Less: financing charges incurred	**(573)**	(1,163)
Net proceeds from mortgage financing	**$ 73,813**	$ 71,331

VII) Periodic Mortgage Principal Repayments

	2008	2007
Repayment of development lines-of-credit	**$ 29,805**	$ 18,185
Repayment of long-term mortgages	**28,338**	15,098
Gross mortgage repayments	**58,143**	33,283
Less: mortgages assumed from sale of Tacoma and deconsolidation of Ontario properties	**(13,838)**	(8,060)
repayments at maturity	**(41,247)**	(22,651)
Periodic mortgage principal repayments	**$ 3,058**	$ 2,572

VIII) Cash, less Bank Indebtedness

	2008	2007
Cash	**$ 1,720**	$ 1,978
Bank indebtedness	**(4,592)**	(3,568)
Cash less bank indebtedness	**$ (2,872)**	$ (1,590)

IX) Interest

	2008	2007
Interest costs expensed	**$ 14,490**	$ 12,469
Plus: interest costs grouped with discontinued operations	**-**	115
Total interest costs	**14,490**	12,584
Plus: interest capitalized to properties	**1,241**	1,770
Less: amortization of finance charges	**(799)**	(657)
debenture accretion	**(40)**	(64)
Interest costs charged	**14,892**	13,633
Adjustment for accrued interest	**(4)**	(70)
Interest paid in cash	**$ 14,888**	$ 13,563

X) Income and Capital Taxes

	2008	2007
Income and capital taxes paid	**$ 324**	$ 323

1. Nature of Operations

The Company operates a retail real estate ownership and development business in Ontario, 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

The Company's accounting policies and its standards of financial disclosure are in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Canadian Institute of Chartered Accountants (CICA), the more significant policies of which are described below.

a) Changes in Accounting Policies

Capital Disclosures

On January 1, 2008 the Company adopted the new CICA Handbook Section 1535 *Capital Disclosures*. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new standard covers disclosure only and had no effect on the financial results of the company (see note 31)

Financial Instruments – Disclosures and Presentation

On January 1, 2008 the Company adopted the two new CICA accounting standards: Handbook Section 3862 *Financial Instruments – Disclosures*, and Handbook Section 3863 *Financial Instruments – Presentation.* The new Sections 3862 and 3863 replace Handbook Section 3861 *Financial Instruments – Disclosure and Presentation,* revising and enhancing disclosure requirements, and carrying forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standard covers disclosure only and had no effect on the financial results of the company (see notes 15, 16, 17, 18, 19, 20, 29 and 30)

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, 1600, 3051, 3055 and the provisions of Accounting Guideline #15 (Consolidation of Variable Interest Entities). For investment entities where the Company has joint ownership and control for accounting purposes, a proportionate share of the assets, liabilities, and operating results are included in the consolidated financial statements. When the Company exercises significant influence, investments are accounted for using the equity method. Entities over which the Company does not exercise significant influence are accounting for using the cost method.

c) Variable Interest Entities ("VIE")

Under Accounting Guideline-15 the Company evaluates each of its joint ventures and partnership arrangements to determine whether the company is at risk for the majority of losses from the entity or is entitled to a majority of the benefits from the entity. This analysis concluded that Scott St. Plaza, St. Joseph's Boulevard, Civic Centre Road, Ontario Street Port Hope and 615 King Street properties, are no longer variable interest entities, as they do not meet the criteria as set out in AcG-15 as of September 1, 2008 and are therefore consolidated proportionately. The company has recorded 100% of the revenues and expenses from January 1, 2008 until August 31, 2008 and 50% from September 1, 2008 until December 31, 2008. The Village Limited partnership was determined to be a VIE, but as the Company is not exposed to the majority of the entity's losses, nor entitled to the majority of benefits from ownership it is accounted for using the equity method.

d) Properties Under Development

Pre-construction costs of the property, development costs, construction costs, carrying costs including financing fees, interest costs, real estate taxes and other costs incurred while a property is under development or significant re-development are capitalized. Once a property generates revenue the interest and net operating loss are capitalized until the earlier of 90% occupancy, six months after substantial completion of construction or the date the property becomes profitable. Once a property under development achieves the aforementioned threshold it is moved to income producing properties.

e) Income Producing Properties

Income producing properties are carried at cost less accumulated amortization. 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 non-discounted cash flows generated from the income producing properties. If the analysis indicates that the carrying value of an income producing property is not recoverable from future cash flows, the income producing property is written down to estimated fair value and an impairment loss is recognized.

The Company allocates costs of a new acquisition in accordance with the pronouncements of CICA EIC-140 which includes allocating costs to: i) land and site improvements; ii) building on an "as vacant" basis; iii) tenant acquisition costs, the residual value of leasehold improvements and acquisition costs, if any; iv) intangible assets and liabilities such as the value of above and below market leases, value of in place leases, and the value of tenant relationships by taking the direct identifiable benefits of the tenant relationship discounted to its present value. The amounts so allocated are subjective and represent management's best estimate at the time of acquisition.

Tenant acquisition costs consist of tenant improvements, tenant allowances and leasing fees. If the Company determines for accounting purposes that a tenant allowance did not result in the acquisition of property owned by the Company the expenditure is treated as a reduction in revenue and recognized over the term of the lease. For financial statement presentation purposes tenant acquisition costs are treated as operating activities in the Consolidated Statement of Cash Flows.

Income producing properties that the Company has no further involvement in or that have no significant cash flows, are disposed of and result in a classification to discontinued operations.

Income producing properties are classified as held for sale if their carrying amount will be recovered primarily through a sale transaction rather than through continuing use. The asset is classified as such, only when management has committed to a plan to sell, when the sale is probable and is expected to qualify for recognition as a completed sale within one year.

f) Surplus Lands

Surplus lands are carried at cost. If the events indicate that the carrying value of the surplus lands may be impaired, a recoverability analysis is performed based on the estimated fair value of the surplus lands. If the analysis indicates the carrying value of the surplus lands is greater than the estimated fair value, an impairment loss is recognized.

g) Revenue

i) Rental revenue

Rental revenue includes rent earned from tenants under lease arrangements; including, base rent, percentage rents, straight line rents, property tax, operating cost recoveries and incidental income including lease cancellation payments. The Company retains substantially all of the benefits and risks of ownership of its income producing properties and therefore accounts for leases with its tenants as operating leases.

Common area maintenance (CAM) recoveries are the share of property operating costs charged to tenants under the terms of the lease. Recoveries from tenants for common area maintenance, real estate taxes and other recoverable costs are recognized as revenue in the period that services are provided.

ii) Straight line rent

Certain leases provide for tenant occupancy during the period for which no rent is due (free rent period) or where minimum rent increases during the term of the lease. Rental revenue is recorded for the fixed term of each lease on a straight-line basis. Accordingly, rental revenue is recorded from tenants for the current difference between the straight-line rent and the rent that is contractually due from the tenant. The accumulation of straight line revenue recorded as rental revenue is included with receivables (see note 10). When a property is acquired the term of existing leases is considered to commence as of acquisition date for the purposes of the straight line rent calculations.

iii) Investment income

Investment income includes interest income and amounts received or receivable from trusts and partnerships accounted for under the cost method. For those trusts and partnerships accounted for under the equity method the Company recognizes their proportionate share of the investments' earnings.

h) *Amortization*

Income producing properties are amortized on a straight line basis over their useful lives, initially 40 years. Equipment and parking lot improvements are amortized using the declining balance method at a rate of 20% and 8% per annum respectively.

Tenant acquisition costs are amortized over the terms of the related leases on a straight-line basis.

Intangible assets and liabilities in respect to above and below market leases are amortized to revenue over the remaining term of the respective leases. Intangible assets such as the value of in place leases and the value of tenant relationships are amortized over varying periods ranging from the lesser of the lease term and anticipated renewal periods not exceeding the remaining useful life of the related asset.

Financing fees and other costs incurred in connection with long-term debt financing are deducted from the related debt and are amortized using the effective interest rate basis. Financing fees on interim debt directly related to properties in development or significant re-development are capitalized to the property and are amortized over 40 years.

Maintenance and repair cost are expensed against operations, while deferred maintenance costs which are major items of repair or replacement pursuant to a capital plan, are amortized on a straight-line basis over the lesser of the expected useful life or the estimated recovery period of such repair or replacement. The unamortized balance is included in deferred charges. Other deferred charges are amortized over periods related to their useful life.

i) *Income Taxes*

The Company follows the asset and liability method for tax allocation. Future income taxes are recognized for temporary differences that exist between the tax bases and accounting bases of the Company's assets and liabilities based on income tax rates and income tax laws that have been enacted or substantially enacted and are expected to apply in the years in which the differences are expected to affect income. The effect on future tax assets and liabilities of a change in tax rates is recognized by a charge to income in the year that includes the date of enactment or substantive enactment.

As a mutual fund corporation, the Company is entitled to a refund of income taxes paid in respect of realized qualifying capital gains upon payment of sufficient dividends to residents of Canada to affect a refund.

j) Comprehensive Income

Under Handbook Section 1530, Comprehensive Income consists of Income and Other Comprehensive Income (OCI). OCI represents changes in shareholder's equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as "available for sale", and changes to the fair value of the effective portion of cash flow hedging instruments. The Company has no significant adjustments to OCI, and therefore is not impacted by this requirement.

k) Financial Instruments – Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the Consolidated Balance Sheet upon entering into a financial instrument or a financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Re-measured in subsequent periods depends on whether the financial instrument has been classified as "held for trading", "available for sale", "held to maturity", loans and receivables, or other financial liabilities. Transaction costs are expensed as incurred for financial instruments classified or designated as "held for trading". For other financial instruments, transaction costs are capitalized on initial recognition.

Financial assets and financial liabilities classified as "held for trading", if any, are measured at fair value with changes in those fair values recognized in the determination of Net Income. Financial assets classified as "held to maturity", loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. "Available for sale" assets are presented separately on the Consolidated Balance Sheet and measured at fair value with unrealized gains and losses being recognized in OCI. Derivative instruments are recorded on the Consolidated Balance Sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts that do not meet certain criteria. Changes in fair values of derivative instruments are recognized in Net Income. Plazacorp had no embedded derivatives requiring separation in its contracts as at December 31, 2008.

Other accounting implications arising upon the adoption of Section 3855 include the use of the effective interest method for any transaction costs or fees earned or incurred for financial instruments measured at amortized cost, and the recognition of the fair value of the obligation undertaken in issuing a guarantee that meets the definition of a guarantee pursuant to Accounting Guideline 14, Disclosure of Guarantees (AcG 14). No subsequent re-measurement at fair value is required unless the financial guarantee qualifies as a derivative. If the financial guarantee meets the definition of a derivative, it is re-measured at fair value at each balance sheet date.

The Company designated its notes receivables, receivables, and tenant loans as "loans and receivables" and its mortgages payable, liabilities related to income producing properties held for sale, mortgage bonds payable, debentures payable, bank indebtedness, notes payable and accounts payable and accrued liabilities as "other liabilities" pursuant to CICA Handbook Section 3855, all of which are reflected on the Consolidated Balance Sheet at amortized cost using the effective interest method of measurement.

Cash has been designated as "held for trading" and is reflected at fair value. Bonds, which are included in investments, have been designated as "held to maturity".

l) Use of Estimates

The preparation of the Company's financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from such estimates. The significant areas of estimation include impairment of assets, impairment of goodwill, capitalization of interest to properties under development, useful lives of assets to calculate amortization and allocation of the purchase price on property acquisition.

m) Stock-based Compensation Plans

The Company accounts for all stock-based payments that call for settlement by the issuance of equity instruments using the fair value method. Under the fair value method stock based payments are measured at the fair value of the equity instruments issued. Compensation cost, attributable to awards to employees for settlement by the issuance of equity instruments, is measured at fair value at the grant date and recognized over the vesting period. For awards that vest on a graded basis, compensation cost is recognized on a pro-rata basis over the vesting period.

n) Investments

Investments in limited partnerships and trusts where significant influence over the affairs of the entity does not exist are recorded at cost. Amounts received or receivable in accordance with the income distribution formula of the entity, if not a capital or financing receipt, are included in investment income. Investments in limited partnerships and trusts where significant influence over the affairs of the entity exist are accounted for by the equity method. Amounts received from these entities are accounted for as a reduction of the investment and the proportionate share of the net income (loss) from this investment are recorded as an investment income and an increase to the investment.

o) Cash and Cash Equivalents

Cash and cash equivalents represent cash in bank accounts and short-term deposits where the deposit could be turned into cash within three months of acquisition. The company's cash balance does not include any instruments related to asset-backed securities or commercial paper programs.

p) Deficits of Subsidiaries

Deficits of subsidiaries represent the common ownership positions in subsidiary entities held by unrelated parties. The interest is recorded at the proportionate interest of those parties in the underlying book value of the entity. This interest, for each year, is decreased by the non controlling party's share in the net income of the respective entity and increased by cash distributions to partners or shareholders of those entities.

Accumulated deficits arise in the capital accounts of subsidiary limited partnerships and corporations when, due to non-cash changes such as amortization charges to net income, the subsidiaries free cash flow allows cumulative cash drawings to exceed accumulated earnings and contributed capital. If the non-controlling parties have contractual obligations, by the way of guarantees, to fund their proportion of the underlying secured debt of the entity, this deficit is recorded as an asset by the Company so long as those guarantees exceed the non-controlling party's proportionate share of the accumulated deficit. Any deficit in excess of the underlying guarantees, are recorded as charges to consolidated net income by the Company. The comparison of the guarantees to the underlying deficit of the entity is performed yearly to determine if charges to consolidated net income are warranted.

q) Goodwill

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and further analysis is unnecessary. When the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting units goodwill is compared with its carrying amount to measure the amount of the impairment or loss, if any. When the carrying amount of reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the statement of income and other comprehensive income.

r) *Future Accounting Policy Changes*

Goodwill and Intangible Assets

On January 31, 2008, the CICA issued a new accounting standard: Handbook Section 3064 *Goodwill and Intangible Assets*. Section 3064 will replace Handbook Section 3062 *Goodwill and Other Intangible Assets* and Handbook Section 3450 *Research and Development Costs*. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. These new standards will be effective for the Company the first quarter of 2009. The Company is currently in the process of evaluating the potential impact of these new standards on the consolidated financial statements.

Financial Statement Concepts

Handbook Section 1000, Financial Statement Concepts, has been amended and will be effective for the year ending December 31, 2009. The Company will no longer be able to defer expenditures recoverable from tenants in the period in which they are incurred, unless they meet the criteria for an asset. The Company is currently in the process of evaluating the potential impact of this new standard on the consolidated financial statements.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to report under International Financial Reporting Standards (IFRS) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The conversion from Canadian GAAP to IFRS will be effective for the first quarter filing for the period ending March 31, 2011 and it will include comparatives for the first quarter of 2010. The Company is currently in the process of evaluating the potential impact of these new standards on the consolidated financial statements.

Business Combinations and Consolidated Financial Statements

The CICA issued new accounting standards on January 1, 2009: Handbook Section 1582 Business Combinations, Handbook Section 1601 Consolidated Financial Statements, and Handbook Section 1602 Non-Controlling Interests and these standards replace the existing guidance found in Sections 1581, Business Combinations and 1600, Consolidated Financial Statements. These new standards were developed in conjunction with the US Financial Accounting Standards Board and the International Accounting Standards Board, to bring the Canadian standards in harmony with the US and International Standards. The new standards are to be applied prospectively for fiscal years beginning on or after January 1, 2011, with early adoption permitted.

The Company is currently in the process of evaluating the potential impact of these new standards on the consolidated financial statements, and will not be adopting these standards early.

3. Income Producing Properties

	2008			2007		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Land	**$ 49,268**	**$ -**	**$ 49,268**	$ 46,124	$ -	$ 46,124
Buildings	**160,045**	**(19,995)**	**140,050**	153,383	(16,701)	136,682
Tenant acquisition costs	**45,244**	**(15,292)**	**29,952**	43,602	(13,201)	30,401
Furnishings and equipment	**1,079**	**(524)**	**555**	950	(463)	487
Parking lot	**6,860**	**(1,709)**	**5,151**	5,783	(1,317)	4,466
Total income producing properties	**$ 262,496**	**$ (37,520)**	**$ 224,976**	$ 249,842	$ (31,682)	$ 218,160

4. Properties Under Development

Costs for properties under development include land, construction costs, tenant acquisition costs and other costs related to development including capitalized interest.

The Company capitalized $1.2 million of interest for the year ended December 31, 2008 (for the year ended December 31, 2007 - $1.8 million).

5. Income Producing Properties Held for Sale

The Company segregated income producing properties held for sale for four income producing properties which a 75% interest was sold on January 26, 2009. The decision was made to sell the properties to raise capital for future projects and developments.

6. Surplus Lands

Surplus lands are made up of land parcels that become surplus after assembly and subdivision of parcels used for development of income producing properties. For the year ended December 31, 2008 no impairment on surplus land was recognized (for the year ended December 31, 2007 - $547 thousand).

7. Intangible Assets

Intangible assets represent the unamortized costs of acquired above-market tenant leases, the value of in place tenant leases, and the value of existing tenant relationships for income producing properties.

	2008			2007		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Above-market leases	**$ 359**	**$ (250)**	**$ 109**	$ 373	$ (201)	$ 172
Value of in place leases	**2,093**	**(1,442)**	**651**	2,196	(1,209)	987
Tenant relationships	**1,934**	**(806)**	**1,128**	1,934	(581)	1,353
Total intangible assets	**$ 4,386**	**$ (2,498)**	**$ 1,888**	$ 4,503	$ (1,991)	$ 2,512

8. Deferred Charges

Deferred charges consist of the following:

	2008	2007
Cost	**$ 558**	$ 713
Accumulated amortization	**(255)**	(442)
Net book value	**$ 303**	$ 271

9. Notes Receivable

The notes receivable are from unrelated parties at prime plus 6% and are due on demand. They result from funding requirements of another co-owner of a joint venture on a short-term basis.

10. Receivables

Receivables consist of the following:

	2008	2007
Tenant accounts receivable	**$ 379**	$ 315
Straight-line rent receivable	**3,675**	2,628
Excise tax	**219**	692
Other receivables	**584**	320
Total receivables	**$ 4,857**	$ 3,955

The Company determines its allowance for doubtful accounts on a tenant-by-tenant basis taking into consideration lease terms, industry conditions, and status of the tenant's account, among other factors. Accounts are written off only when all collection efforts have been exhausted. Allowance for doubtful accounts balance as at December 31, 2008 is $15 thousand (December 31, 2007 - $58 thousand). This amount is deducted from tenant accounts receivable.

11. Tenant Loans

Tenant loans with a national retail tenant have 5 to 10 year terms, and interest rates ranging from 7.24% to 9.45%.

12. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

	2008	2007
Prepaid expenses	**$ 1,326**	$ 1,337
Deposits for acquisitions and financing	**462**	836
Deposits, primarily property tax escrows under mortgage agreements	**1,522**	1,833
Total prepaid expenses and deposits	**$ 3,310**	$ 4,006

13. Investments

Investments consist of the following:

	Ownership Position	Preferred Return	Residual Return	2008	2007
Equity Accounted Investments					
Centennial Plaza Limited Partnership	10%	10%	20%	**$ 521**	$ 550
MDO Limited Partnership	20%	10%	30%	**441**	537
Village Shopping Centre Limited Partnership	19.2%	8%	50%	**1,051**	1,452
Trois Rivieres Limited Partnership	15%	10%	30%	**310**	351
				2,323	2,890
Cost Accounted Investments					
Northwest Plaza Commercial Trust	10%	-	-	**170**	170
				2,493	3,060
Held to Maturity Investments[(1)]	**Maturity Dates**	**Effective Interest Rate**			
Bonds and cash – substituted for mortgage security	Feb 19/09 – Dec 15/11	3.47%		**2,416**	-
Bonds and cash – substituted for mortgage security	Jun 1/09 – Dec 1/09	4.68%		**1,727**	1,876
Bonds and cash – substituted for mortgage security				-	5,408
				4,143	7,284
Total investments				**$ 6,636**	$ 10,344

(1) These investments are restricted to fund mortgages under a defeasance agreement

Bonds are made up of Government of Canada Bonds totaling $4.0 million (December 31, 2007 - $7.1 million) with yields between 2.75% and 5.50% respectively. The balance of $134 thousand (December 31, 2007 - $226 thousand) is made up of restricted cash that is utilized for monthly mortgage payments. The bonds have been pledged as substitute security for mortgages which mature on December 1, 2009 and April 1, 2012.

14. Deficits of Subsidiaries

Deficit of subsidiaries consist of the following:

	2008	2007
Exhibition Plaza Inc.	**$ -**	$ 2
Granville Street Properties Limited Partnership	**352**	362
Wildan Properties Limited Partnership	**771**	694
Scott Street Plaza	**-**	10
Total deficits of subsidiaries	**$ 1,123**	$ 1,068

For the year ended December 31, 2008 the excess of distributions for Spring Park Plaza Inc. exceeded underlying contractual guarantees by $7 thousand and this amount was charged to consolidated net income (for the year ended December 31, 2007 - $3 thousand). The minority partners are required to fund any deficit if required by secure lenders under the terms of the guarantee agreement.

15. Mortgages Payable

As at	Rate Range	Weighted Average	Maturity Dates	2008	2007
Fixed rate loans	5.12% - 8.46%	6.37%	Up to Aug 2023	**$ 158,649**	$ 154,363
Less: unamortized finance charges				**(2,686)**	(3,091)
				155,963	151,272
Other fixed rate loans	10.00%	10.00%	December 31, 2009	**1,358**	1,498
Total net fixed rate mortgage loans				**157,321**	152,770
Total net variable rate mortgage loans				**-**	2,399
Total net long-term mortgages				**157,321**	155,169
Variable rate loans - development line of credit	Prime plus 5/8%		July 31, 2009	**25,219**	23,941
- development line of credit	Prime plus 1/2%		July 31, 2009	**4,623**	8,406
- development line of credit	BA plus 175		March 31, 2010	**8,295**	-
Less: unamortized finance charges				**(73)**	(67)
Total net variable rate loans				**38,064**	32,280
Net mortgages payable				**$ 195,385**	$ 187,449

All mortgages are secured by charges against specific assets. For details on annual principal repayments, see note 29b. The unamortized finance charge amount is made up of fees and costs incurred to obtain the mortgage financing less accumulated amortization.

To fund development activities the Company has three acquisition and development facilities with Canadian Chartered banks of $35.0 million, $15.0 million and $9.4 million respectively for a total of $59.4 million, available upon pledging of assets under the respective line. These facilities have a limit of $5.0 million, $6.0 million and $9.4 million respectively per asset funded. Standby fees are charged on the unused portion of available funding. Funding is secured by first mortgage charges on properties funded under the facilities. The Company must maintain certain financial ratios to comply with the facilities and as of April 1, 2009 the Company is in compliance with all covenants.

16. Mortgage Bonds Payable

Mortgage bonds payable of $20.5 million are secured by the following properties:

	2008				2007
	Series II	**Series III**	**Series IV**	**Total**	Total
Starrs Road Plaza, Yarmouth, NS, 2nd Mortgage	**$ -**	**$ 1,250**	**$ -**	**$ 1,250**	$ 2,450
Power Center-Phase 2, Miramichi, NB, 2nd Miramichi Mortgage	**533**	**-**	**-**	**533**	197
Kenmount Road Plaza, St John's, NL, 2nd Mortgage	**1,107**	**-**	**-**	**1,107**	1,037
Grand Falls Shopping Mall, Grand Falls, NB, 2nd Mortgage	**-**	**6,250**	**-**	**6,250**	5,050
LeMarchant Road Plaza, St. John's, NL, 1st Mortgage	**1,257**	**-**	**-**	**1,257**	1,652
KGH Plaza, Miramichi, NB, 2nd Mortgage	**-**	**-**	**-**	**-**	1,537
Victoria Street Plaza, Edmundston, NB, 1st Mortgage	**1,641**	**-**	**-**	**1,641**	1,431
North Sydney Plaza, North Sydney, NS, 2nd Mortgage	**-**	**-**	**-**	**-**	390
Robie Street Truro Plaza, Truro, NS, 2nd Mortgage	**-**	**-**	**-**	**-**	725
Commercial Street-Phase 2, New Minas, NS, 1st Mortgage	**395**	**-**	**-**	**395**	309
201 Main Street, Sussex, NB, 2nd Mortgage	**-**	**-**	**-**	**-**	458
Joseph Howe Drive Plaza, Halifax, NS, 2nd Mortgage	**-**	**-**	**-**	**-**	371
Bedford Commons Plaza, Bedford, NS, 2nd Mortgage	**-**	**-**	**1,243**	**1,243**	3,300
Plaza Tracadie, Tracadie, NB, 1st Mortgage	**-**	**-**	**-**	**-**	1,093
Civic Centre Road, Petawawa, ON, 2nd Mortgage	**-**	**-**	**-**	**-**	500
Airport Boulevard, Gander, NL, 2nd Mortgage	**680**	**-**	**-**	**680**	-
Main & Sackville, Shediac, NB, 2nd Mortgage	**-**	**-**	**278**	**278**	-
Fairville Boulevard, Saint John, NB, 2nd Mortgage	**422**	**-**	**-**	**422**	-
LPC, Rouyn-Noranda, QC, 2nd Mortgage	**295**	**-**	**-**	**295**	-
Granite Drive, New Minas, NS, 2nd Mortgage	**1,280**	**-**	**965**	**2,245**	-
Wilson & Dufferin (Perth), Perth, ON, 2nd Mortgage	**-**	**-**	**514**	**514**	-
Plaza Royale, Shawinigan, QC, 2nd Mortgage	**1,925**	**-**	**-**	**1,925**	-
Fairville Boulevard – Phase II, Saint John, NB 2nd Mortgage	**465**	**-**	**-**	**465**	-
Gross mortgage bonds outstanding	**$ 10,000**	**$ 7,500**	**$ 3,000**	**20,500**	20,500
Less: unamortized finance charges				**(121)**	(144)
Net mortgage bonds outstanding				**$ 20,379**	**$ 20,356**

	Series II	**Series III**	**Series IV**
Interest Rate	8.5%	8.0%	7.5%
Company's First Redemption Date	February 28, 2008	April 26, 2009	April 25, 2010
Maturity Date			
Tranche 1	March 31, 2010	May 26, 2011	June 30, 2012
Tranche 2	July 16, 2010	July 15, 2011	June 30, 2012

The mortgage bonds have been secured by first or second charges against the respective properties. The Company may redeem up to one-half of the bonds on the third and fourth anniversaries of the initial closing date of the bonds at a price equal to the principal amount.

17. Debentures Payable and Equity Portion of Convertible Debt

Debentures payable consist of the following:

			2008		2007	
	Maturity Date	**Interest Rate**	**Debt Component Outstanding**	**Value of Option to Convert**	Debt Component Outstanding	Value of Option to Convert
Convertible						
Series III	April 30, 2009	8.5%	**$ 754**	**$ 37**	$ 1,755	$ 83
Series IV	July 31, 2011	7.0%	**4,933**	**158**	4,902	158
Total convertible debentures			**5,687**	**195**	6,657	241
Non convertible debentures	July 31, 2010 – February 24, 2011	8.0%	**5,159**	**-**	5,159	-
Gross debentures			**10,846**	**195**	11,816	241
Less: unamortized finance charges			**(79)**	**-**	(112)	-
Net debentures			**$ 10,767**	**$ 195**	$ 11,704	$ 241

Convertible and non-convertible subordinate debentures are unsecured. Convertible debenture terms are as follows:

	Series III	**Series IV**
Conversion price	$1.60	$4.00
Company's first redemption date	May 1, 2007	July 1, 2009
Maturity date	April 30, 2009	July 31, 2011
Face value outstanding December 31, 2008	$755	$5,000

Convertible debentures can be converted by the shareholder in whole or in part in denominations of $1,000 into common shares of the Company at the conversion price, at any time up to the maturity date.

Convertible debentures may only be redeemed by the Company 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. After one year from the Company's first redemption date the debentures are redeemable at any time. At the Company's option the principal may be redeemed by the issuance of common shares.

During the year ended December 31, 2008 holders of $1.02 million (for the year ended December 31, 2007 - $4.9 million) of convertible debentures at face value exercised their option to convert to common shares. Of this amount $46 thousand (for the year ended December 31, 2007 - $215 thousand) was recorded as a reduction to the original equity component and $1.01 million (for the year ended December 31, 2007 - $4.8 million) was recorded as a reduction to the debt component; consistent with the original equity and debt ratio. A total of 638 thousand (for the year ended December 31, 2007 – 3.1 million) common shares were issued on these conversions.

18. Notes Payable

Notes payable consists of the following:

				2008		2007
Interest bearing notes:						
Les Immeubles Plaza Z-Corp Inc. and related entities controlled by Michael Zakuta, President, CEO and Director of the Company	(1)	Prime plus 1%	**$**	**617**	$	1,617
Non-interest bearing notes:						
Various companies owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President, CEO and Director of the Company	(1)	n/a		**264**		262
Promissory notes – asset purchases	(2)	n/a		**3,400**		-
Unrelated parties and non-controlling interests	(1)	n/a		**130**		810
Total notes payable			**$**	**4,411**	$	2,689

1) *Notes payables are due on sale or refinancing of the property funded through the note.*
2) *Promissory notes are due no later than June 30, 2009.*

For the year ended December 31, 2008 the Company expensed $79 thousand (for the year ended December 31, 2007 - $126 thousand) in related party interest.

19. Bank Indebtedness

The Company has an $8.4 million operating line of credit facility with a Canadian chartered bank at the rate of prime plus ¾%, maturing November 30, 2009. As security the Company has provided a $10 million demand debenture secured by a first mortgage over six properties: Plaza Hotel de Ville and Plaza Theriault, Riviere-du-Loup, Quebec; the Staples Building, Saint John, New Brunswick; Main & Victoria, Shediac, New Brunswick; Boulevard Hebert Plaza, Edmundston, New Brunswick and 201 Main Street, Sussex, New Brunswick.

20. Income Taxes

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

		2008		2007
Taxes at an effective rate of 41.65% (December 31, 2007 – 41.8%)	**$**	**2,953**	$	981
Permanent differences due to non deductible items		**38**		72
Permanent difference due to minority interest portion of Limited Partnership		**(64)**		(81)
Permanent difference due to non consolidated investments		**(352)**		(200)
Permanent differences due to mutual fund corporation treatment of capital gains		**(1,948)**		164
Permanent difference due to a decrease in the effective rates		**(27)**		(2)
Other		**83**		231
Total income tax expense – continuing operations	**$**	**683**	$	1,165
Total income tax recovery – discontinued operations	**$**	**-**	$	(30)

The income tax effects of temporary differences that gave rise to significant portions of future income tax assets and future income tax liabilities are presented below:

	2008	2007
Future income tax assets		
Loss carry-forwards of Plazacorp Retail Properties Ltd.	**$ 1,422**	$ 1,738
Loss carry-forwards of subsidiary corporations	**902**	690
Loss carry-forwards from subsidiary trusts	**4,081**	3,780
Total future income tax assets	**6,405**	6,208
Future income tax liabilities		
Income producing properties	**13,807**	13,383
Accounts receivables	**1,529**	1,096
Deferred financing costs	**533**	552
Total future income tax liabilities	**15,869**	15,031
Net future income tax liability	**$ 9,464**	$ 8,823

Balance sheet presentation of this net future income tax liability is as follows:		
Future income tax asset	**$ (688)**	$ (580)
Future income tax liability	**10,152**	9,403
Net future income tax liability	**$ 9,464**	$ 8,823

As at December 31, 2008 the Company and its consolidated subsidiaries had income tax loss carry-forwards in the amount of $15.4 million, expiring as follows:

Year	**Consolidated Subsidiaries**	**Plazacorp Retail Properties Ltd.**	**Total**
2009	$ 49	$ -	$ 49
2013	10	-	10
2014	66	-	66
2015	75	-	75
2025	272	-	272
2026	5,689	3,421	9,110
2027	4,128	-	4,128
2028	1,717	-	1,717
Total	$ 12,006	$ 3,421	$ 15,427

The income tax benefit of these 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.

The Company has earned $964 thousand in refundable capital gains tax in 2008 and triggered refunds of $768 thousand from the payment of capital gains dividends. As at December 31, 2008 the company has a refundable capital gains balance of $196 thousand (December 31, 2007 - nil).

21. Below Market Leases

Below market leases represent the unamortized cost of acquired below market tenant leases for income producing properties, details are as follows:

	2008			2007		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Below market leases	**$ 1,100**	**$ (604)**	**$ 496**	$ 1,172	$ (498)	$ 674

22. Non-Controlling Interest in Net Assets

Non-controlling interest in net assets consists of the following:

	2008	2007
Dufferin & Wilson (Perth)	**$ 346**	$ -
Exhibition Plaza Inc.	**28**	-
Total non-controlling interest in net assets	**$ 374**	$ -

23. 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*

	2008		2007	
	Shares	**Amounts**	Shares	Amounts
Common shares outstanding, beginning of the year	**45,867**	**$ 36,932**	42,087	$ 30,292
Issuance of common shares:				
Shares issued through exercise of stock options	**365**	**650**	416	759
Shares issued through dividend reinvestment plan	**433**	**1,400**	227	891
Shares issued through debt conversion				
- face value debentures	**638**	**1,020**	3,137	4,873
- accumulated interest accretion	**-**	**29**	-	117
Common shares outstanding, end of the year	**47,303**	**$ 40,031**	45,867	$ 36,932

The Company is a mutual fund corporation as defined in the Income Tax Act (Canada) and as such shareholders have the right to redeem their common shares at 90% of the lesser of the Market Price of the share (Market Price is defined as the weighted average trading price of the previous 180 trading days) and the most recent Closing Market Price at the time of the redemption. The redemption price may be satisfied by either cash or a note payable bearing interest at a rate equal to the prescribed rate of interest calculated pursuant to paragraph 4301c of regulations under the Income Tax Act (Canada) in effect at the time of its issue, and will mature and be fully repaid two years after issuance. The notes may also be prepaid without penalty. As at December 31, 2008 no shareholder had redeemed shares under the mutual fund corporation provisions.

Pursuant to the Company's Dividend Reinvestment Plan, during the year ended December 31, 2008 shareholders were issued 433 thousand shares at a weighted average price of $3.23 per share (for the year ended December 31, 2007 – 227 thousand shares at a weighted average of $3.93 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 dilutive effect on 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. As at December 31, 2008 Series IV debentures totalling $5.0 million which equates to 1.25 million shares were anti-dilutive as were Series V stock options (December 31, 2007 $6.8 million in debentures which equates to 2.4 million shares were anti-dilutive).

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

	2008	2007
Basic Weighted average shares outstanding	**46,746**	44,109
Effect of dilutive stock options	**316**	574
Effect of dilutive convertible debentures	**472**	-
Weighted average number of diluted shares	**47,534**	44,683
Net income	**$ 5,982**	$ 3,605

24. Stock Options / Contributed Surplus

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. The weighted average fair value of all options vesting during the period was determined on the grant date using the Black-Scholes model. During 2007 the Company granted options for 120 thousand shares to directors and are detailed herein as Series V options. Series V options vest equally in May 2008, 2009, and 2010.

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

	Directors Options		**Employees Options**	
	2008	2007	**2008**	2007
Options outstanding, start of the year	**180**	145	**975**	1,306
Options granted	**-**	120	**-**	-
Options expired	**-**	-	**-**	-
Options exercised	**(60)**	(85)	**(306)**	(331)
Options outstanding, end of the year	**120**	180	**669**	975
Outstanding options that are exercisable	**40**	-	**636**	454

Details of options outstanding are as follows:

	Series III	**Series IV**	**Series V**
Exercise price	$1.72 & $1.85	$2.75	$4.36
Options outstanding	584	85	120
Expiry date	February 2, 2010 & April 14, 2010	April 11, 2011	May 6, 2012
Options exercisable	584	52	40
Compensation expensed for options not exercised as at December 31, 2008	$33 thousand	$21 thousand	$35 thousand
Compensation expensed for options not exercised as at December 31, 2007	$50 thousand	$13 thousand	$15 thousand
Black-Scholes valuation assumptions:			
Expected life of options	5 years	5 years	5 years
Volatility	16%	17%	14%
Risk free rate of return	3.58%	4.34%	4.65%
Dividend rate	6.10%	4.55%	3.40%

The cumulative amount of compensation expensed for options not exercised at the end of the year is $89 thousand (for the year ended December 31, 2007 - $78 thousand). This amount is included in Contributed Surplus. The Company recorded $31 thousand in compensation expense related to stock options for the year ended December 31, 2008 (for the year ended December 31, 2007 - $54 thousand). The weighted average grant date fair value of options issued during the year ended December 31, 2008 is nil (for the year ended December 31, 2007 - $59 thousand).

25. Discontinued Operations

During the year ended December 31, 2007, the Company sold its 50% interests in Lansdowne Place, Saint John, NB and Staples-Woodlawn, Dartmouth, NS. These transactions resulted in an accounting gain of $2.8 million.

The results of operations for these two discontinued properties are as follows:

	2008	2007
Rental revenues	-	$ 444
Operating expenses	-	302
Net property operating income	-	142
Financing costs	-	115
Amortization	-	98
Income before income taxes	-	(71)
Income tax expense	-	(30)
Income from discontinued operations	-	$ (41)

26. Related Party Transactions

Plaza Atlantic Limited and Les Immeubles Plaza Z-Corp Inc. have managed the Company's properties since 1999 under a management contract that expires on March 29, 2009 pursuant to written notice from the Company that the existing management agreement will not be renewed. In Quebec, staff of Les Immeubles Plaza Z-Corp Inc. handle management duties under sub-contracting arrangements with Plaza Atlantic Limited.

Plaza Atlantic Limited is controlled by two directors of Plazacorp namely Michael Zakuta and Earl Brewer. Mr. Brewer is Chairman of the Board of Plazacorp, Michael Zakuta is President and Chief Executive Officer of the Company. Les Immeubles Plaza Z-Corp Inc. 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 geographic areas which allows Plazacorp access to significant professional management services at reasonable costs. Both Plaza Atlantic Limited and Les Immeubles Plaza Z–Corp Inc. manage properties for third parties. Mr. Brewer and Mr. Zakuta did not receive any direct compensation from the Company for performing their duties as Chairman and President, respectively or as Directors, during 2008 and 2007.

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

Property Management	4% of gross rents paid.
Leasing	4% of rental revenue per year for first five years of a lease term.
	2% of rental revenue per year for years six to ten of a lease term.
	Leasing fees for renewal are at 50% of the above rate.
Development	4% of costs of construction on development projects.
	10% of tenant improvement costs on non-development projects.
Financing	¾ % of loan amount where no outside broker is involved.
	¼ % of loan amount where an outside broker is involved.
Acquisitions	2% of the purchase price of assets or capitalized value of land leases.
Dispositions	1 ½ % of the proceeds of disposition on assets.
Legal Services	Cost recovery basis, currently $152 per hour.

For properties that are consolidated or proportionately consolidated, the fees charged by the Property Managers are as follows:

Fee Category	Included for Reporting Purposes In	2008	2007
Management fees	Property operating expenses	**$ 1,607**	$ 1,439
Leasing fees	Tenant acquisition costs and property operating expense	**1,165**	1,414
Development fees	Income producing properties	**934**	965
Financing fees	Income producing properties and debt	**226**	290
Acquisition fees	Income producing properties	**221**	264
Disposition fees	Gain on disposal of income producing properties or surplus lands	**141**	131
Legal services	Varies based on service provided	**439**	463
Total fees billed by the Property Manager		**$ 4,733**	$ 4,966

During the year ended December 31, 2008 the Company paid $53 thousand (for the year ended December 31, 2007 - $63 thousand) to Plaza Atlantic Ltd. and Les Immeubles Plaza Z-Corp Inc., the management companies, to hold in trust and apply against future minor insurance claims below the insurance company deductibles.

For properties that are consolidated, the fees owing to the Property Manager are as follows:

	2008	2007
Included with accounts payable and accrued liabilities	**$ 541**	$ 572

The Company has entered into a new 5 year management contract commencing March 30, 2009 with Plaza Group Management Limited, a company controlled by Michael Zakuta and Earl Brewer.

The Directors own directly or indirectly the following mortgage bonds and debentures of the Company:

	2008	2007
Richard Hamm, Director	**$ 325**	$ 325
Michael Zakuta, Director	**1,200**	1,200
Edouard Babineau, Director	**700**	700
Earl Brewer, Director	**438**	438
Stephen Johnson, Director	**1,220**	1,220
Barbara Trenholm, Director	**364**	364
Total related party mortgage bonds and debentures held	**$ 4,247**	$ 4,247

For the year ended December 31, 2008, there were no debentures converted by Directors of the Company, or companies owned and controlled by Directors.

The Company is party to nine ground leases with TC Land LP, a wholly owned subsidiary of TC Land REIT, an entity controlled by Michael Zakuta and Earl Brewer and pays annual rent of $875 thousand under these leases. The business purpose of the leases is to enhance levered returns on the affected development assets.

Two directors directly or beneficially, through companies they control, hold interests in common with the Company's 25% interest 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.

27. Interest in Joint Ventures

As described in consolidated financial statement note 2b, the consolidated financial statements include the Company's proportionate interest in its activities conducted jointly with other parties. The following amounts represent the total proportionate amounts consolidated within these financial statements for these Joint Ventures.

	2008	2007
Assets	**$ 54,327**	$ 55,514
Liabilities	**47,428**	49,226
Rental income	**8,014**	5,736
Expenses, including financing costs	**5,466**	5,165
Net income	**1,233**	557
Cash activities of joint ventures:		
Funds from (applied to)		
Cash flow from operating activities	**(1,005)**	1,393
Cash flow from financing activities	**7,851**	20,595
Cash flow from investing activities	**(6,982)**	(21,448)

28. Segmented Information

The company develops, re-develops and acquires shopping malls, strip plazas and single use properties located in Canada. The company, in measuring performance, does not distinguish or group its operations on a geographical basis. Accordingly the company has a single reportable unit for disclosure purposes in accordance with GAAP. One tenant comprises 26.4% of the company's rental revenue.

The following table provides geographic information on the company's rental revenue, net property operating income and total asset base:

	Rental Revenue		**Net Property Operating Income**		**Total Assets**	
Province	**2008**	2007	**2008**	2007	**2008**	2007
New Brunswick	**$ 19,563**	$ 17,157	**$ 10,821**	$ 9,364	**$ 130,773**	$ 123,777
Nova Scotia	**10,099**	9,093	**6,128**	5,748	**72,900**	67,240
Quebec	**8,598**	7,600	**4,913**	4,411	**41,950**	32,243
Prince Edward Island	**3,960**	3,968	**2,632**	2,696	**11,628**	12,019
Newfoundland and Labrador	**1,916**	1,327	**1,268**	823	**16,043**	14,027
Ontario	**1,754**	455	**1,341**	295	**18,264**	20,614
Total	**$ 45,890**	$ 39,600	**$ 27,103**	$ 23,337	**$ 291,558**	$ 269,920

29. Contingencies, Commitments, Guarantees, Indemnities and Litigation

a) Contingencies

The Company's bankers have issued letters-of-credit in support of the Company's obligations under certain long-term mortgages to facilitate municipal planning deposit requirements. The facility is secured by Personal Property Security Act (PPSA) charges in each province and matures September 30, 2009. 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 December 31, 2008 $500 thousand (December 31, 2007 - $500 thousand) of such letters-of-credit were issued and outstanding and the Company was in compliance with the terms of the credit facility.

The $35 million and $15 million development facilities have letters-of credit limits of $1.5 million available for each facility. As at December 31, 2008 $213 thousand (December 31, 2007 - $643 thousand) of the letters-of-credit were issued and outstanding under these facilities.

The $8.4 million operating line-of-credit has $2.0 million available for use in the form of letters-of-credit. As at December 31, 2008, $534 thousand (December 31, 2007 - $1.2 million) of such letters-of-credit were issued and outstanding reducing the available line to $7.9 million.

b) Commitments

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

	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Year 5 2013	After 5 Years	Face Value Total	Carrying Amount Total
Mortgages – Periodic Principal Repayment	$ 3,264	$ 3,390	$ 3,426	$ 3,323	$ 3,202	$ 12,678	$ 29,283	$ 29,283
Mortgages – Due at Maturity	1,860	2,209	2,704	15,099	11,110	104,882	137,864	135,177
Mortgages – Funded by Defeasance[1]	1,566	-	-	-	-	-	1,566	1,566
Development line-of-credits	30,598	7,539	-	-	-	-	38,137	38,064
Mortgage Bonds Payable	-	10,000	7,500	3,000	-	-	20,500	20,379
Debentures[2]	755	5,159	5,000	-	-	-	10,914	10,767
Operating land leases [3]	2,559	2,567	2,557	2,501	2,511	136,124	148,819	148,819
Development activities	15,197	-	-	-	-	-	15,197	15,197
Total contractual obligations	**$ 55,799**	**$ 30,864**	**$ 21,187**	**$ 23,923**	**$ 16,823**	**$ 253,684**	**$ 402,280**	**$ 399,252**

(1) Mortgages maturing but secured by bond investments, see note 13.
(2) $705 of the $755 Year 1 Series III debentures have been converted to equity as of April 1, 2009.
(3) Operating land leases expire on dates ranging from 2011 to 2070 with renewal options ranging from 10 to 60 years.

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. These commitments are subject to indemnity agreements. The estimated amount of the debt subject to such guarantees at December 31, 2008 is $15.5 million (December 31, 2007 – $15.8 million) with a weighted average remaining term of 3.7 years (December 31, 2007 – 4.7 years).

The Company assumed a guarantee for the completion of construction for a development line-of-credit held by the Village Shopping Centre Limited Partnership. As at December 31, 2008 the Village Shopping Centre Limited Partnership has borrowed $21.9 million of the $24.0 million line-of-credit. The remaining budgeted development costs are $1.7 million and the Company's current exposure under their guarantee is estimated to be nil (December 31, 2007 – nil).

The mortgage on Lansdowne Place, a former property of the Company, contains cross-default provisions with the mortgages of Nashwaaksis Plaza and Spring Park Plaza. The total outstanding under these two loans is $3.3 million (December 31, 2007 - $3.4 million). The Company indemnifies its former co-venturer in respect of the cross-default provisions.

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. As at December 31, 2008, the total exposure on the cross-guarantee is $730 thousand (December 31, 2007 - $766 thousand).

The Company through its development line-of-credit facilities, funded on behalf of joint-venture's, has guaranteed nil (December 31, 2007 – $868 thousand) in mortgages in excess of the Company's proportionate interest.

d) Litigation

The Company and its property manager, Plaza Atlantic Limited, are involved in litigation and claims in relation to its income producing properties and other business matters from time to time. A minority shareholder of Plaza Atlantic Limited has initiated a commercial action against Plaza Atlantic Limited and its two principal beneficial shareholders, Earl Brewer and Michael Zakuta, alleging infringement of its minority shareholder rights under the New Brunswick *Business Corporations*

Act. The Company has given written notice to Plaza Atlantic Limited to terminate the existing management agreement which expires on March 29, 2009. Plazacorp is not a named party in the lawsuit. The Company's independent directors are monitoring the action for potential impacts on the Company.

In Management's opinion, any liability that may arise from such current or pending litigation, including the above noted action, would not have a significant adverse effect on these financial statements.

30. Financial Risk Management

In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. The Company's board of directors monitors management compliance with the Company's risk management policies through periodic reviews. These risks and the action taken to manage them are as follows:

a) Interest Rate Risk

The Company adopts a policy of holding floating rate debt only for properties under development and those pledged to support the operating line. All other debt is converted to fixed rate debt, when the markets conditions are favorable, as soon as practical after attaining income producing status.

The Company has not classified any fixed rate financial assets and liabilities as held for trading. Therefore a change in fair market value of these fixed rate instruments at the reporting date would not affect net income. The Company minimizes its exposure to fixed rate interest risk by staggering the maturities in order to avoid excessive amounts of debt maturing in any one year. If market conditions warrant, the Company may attempt to renegotiate its existing debt to take advantage of lower interest rates.

An increase of 100 basis points in interest rates at December 31, 2008 if applied to all outstanding float rate instruments would increase interest expense and decrease pre-tax earnings in the annual amount of $381 thousand. A change in interest rates at December 31, 2008 would not affect net income with respect to fixed rate instruments. Therefore, no sensitivity analysis is provided for the fixed rate instruments. This calculation is prepared on the same basis as 2007.

b) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and will be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss by ensuring that its tenant mix is diversified and weighed to national and regional tenants which now comprise 92.4% of our in-place tenant base. This is the Company's primary mitigation procedure for exposure to tenant credit risk. The hypothetical impact to net property operating income of a change in occupancy of 1% would be approximately $482 thousand per annum. The Company limits loans granted under lease arrangements to high credit rating national tenants and estimates the credit exposure on these loans is nil.

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries and joint venture partners only during the development periods subject to reciprocal indemnities. These guarantees would be limited to the lower of 80% of the asset cost or 70% of the fair market value. See note 29c for details of guarantees.

The Company limits cash transactions to high quality financial institutions to minimize its credit risk from cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Carrying Amount	**2008**	2007
Held-to-maturity investments	**$ 4,143**	$ 7,284
Tenant loans, receivables and note receivables	**7,814**	6,134
Cash and cash equivalents	**1,720**	1,978
	$ 13,677	$ 15,396

The Company's most significant customer, a national retailer, accounts for $2.4 million of the carrying value of tenant loans as at December 31, 2008 (December 31, 2007 - $2.2 million).

c) Liquidity and Debt Market Risk

In the current economic climate and capital market, the lenders may continue to tighten their lending standards which could make it challenging for the Company to obtain financing on favourable terms or any terms at all. The company is exposed to the risk of being unable to honour its financial commitments by the deadlines set out under the terms of such commitments and at a reasonable price. The Company's management manages the Company's cash resources based on the financial forecasts and anticipated cash flows. The maturities of the Company's long term financial liabilities are set out in note 15, 16, 17, 18 and 19. The Company's liquidity management strategy includes accessing development and operating lines of credit as necessary to fulfill financial commitments. Currently development lines maturing July 31, 2009 are under negotiation. Management is confident that these lines will be refinanced as they come due. Several mortgages and the development lines contain material adverse change clauses which entitle the lender to demand partial or full loan repayment when there are material adverse changes in the Company's financial position. Management has determined that circumstances that could trigger action by a lender under these clauses is unlikely.

d) Fair Value

Generally, trading values for the Company's financial instruments are not available. In determining estimates of the fair values of the financial instruments, the Company must make assumptions regarding current market rates, considering the term of the instrument and its risk. Current market rates are generally selected from a range of potentially acceptable rates and accordingly, other effective rates and fair values are possible. The rates used in determining fair value of mortgages are corresponding term Government of Canada Bonds plus credit spreads of 3.50% to 3.75%. The rates used to determine the fair value of mortgage bonds and debentures range from 7.5% and 8.25%. See note 31 for summary of fair values.

The fair value of the Company's financial assets and liabilities that represent net working capital, including cash, receivables, accounts payable and accrued liabilities, bank indebtedness, and notes payable approximate their recorded values due to their short-term nature and limited marketability.

The Company's fair value of the exposure from mortgage guarantees and indemnities are nil (see note 29c).

The estimated fair value of the Company's long-term debt including mortgages payable, mortgage bonds payable, debentures payable, and notes payable is estimated based on the values derived using current interest rates for each related instrument with similar terms and conditions. As at December 31, 2008, the recorded value of the Company's long-term debt exceeds the fair value by $4.0 million (fair value exceeded recorded value by $73 thousand at December 31, 2007).

As at December 31, 2008, the fair value of the Company's investment in Government of Canada Bonds of $4.1 million ($7.3 million - December 31, 2007) exceeded its recorded value by $154 thousand ($80 thousand - December 31, 2007). The Company had no exposure to financial hedges or embedded derivatives as at December 31, 2008.

31. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains adequate capital resources in order to support its business and maximize shareholder value. The Company manages its capital structure with the primary goal of minimizing risk to the stability of cash flow from properties. Other goals include maintaining debt service and interest coverage ratios in compliance of bank and debenture covenants. The Company's capital includes mortgages, debentures, mortgage bonds, notes payable and common stock.

Bank operating and development lines require maintenance of at least $15 million of shareholders equity; maintain debt service ratios in excess of 1.45 times to 1.5 times; and interest coverage ratios of 1.65 times, with all debt service ratios calculated exclusive of interest charged on subordinate debt and convertible debentures. In addition, under a development line, the company must maintain a ratio of mortgages plus bank indebtedness to the book value of its gross assets plus accumulated amortization of not more than 70%. The company is in compliance with all debt covenants.

There were no changes to the Company's approach to capital management for the year ended December 31, 2008.

The calculation of the total capital is summarized as follows:

Capital	Book Value 2008	Fair Value 2008	Book Value 2007	Fair Value 2007
Total net fixed rate mortgage loans	**$ 157,321**	**$ 153,985**	$ 152,770	$ 152,914
Total net fixed rate mortgages - properties held for sale	**8,705**	**8,049**	-	-
Total net variable rate mortgage loans	-	-	2,399	2,398
Total net variable rate loans	**38,064**	**38,064**	32,280	32,280
Mortgage Bonds Payable	**20,379**	**20,525**	20,356	20,426
Debentures Payable	**10,767**	**10,832**	11,704	10,922
Notes Payable	**4,411**	**4,411**	2,689	2,657
	239,647	**235,866**	222,198	221,597
Shareholders Equity	**29,094**	-	28,203	-
Total Capital	**$ 268,741**	**$ 235,866**	$ 250,401	$ 221,597

32. Subsequent Events

Debentures

$705 thousand Series III convertible debentures were converted to shares and 441 thousand shares were issued.

Acquisitions

The Company purchased land in Shediac, NB, Miramichi, NB, Alexandria, ON and Bancroft, ON for future development for a total investment of $3.7 million.

Dispositions

The Company sold a 75% interest in four income producing properties located in Miramichi, NB, Moncton, NB, Sussex, NB and Truro, NS resulting in an accounting gain of $708 thousand.

Future Management Arrangement

The Company has entered into a new 5 year management contract commencing March 30, 2009 with Plaza Group Management Limited, a company controlled by Michael Zakuta and Earl Brewer. Les Immeubles Plaza Z-Corp Inc., a company controlled by Michael Zakuta, will manage the Quebec and Ontario properties.

33. Comparative Figures

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

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