



PLAZACORP RETAIL  
PROPERTIES LTD.

**QUARTERLY REPORT**

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

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED, IN CANADIAN DOLLARS)**

**FOR THE SIX MONTH PERIODS ENDED  
JUNE 30, 2009 AND 2008**

**DATED: AUGUST 20, 2009**

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## **PART I**

### **FORWARD-LOOKING DISCLAIMER**

Management's Discussion and Analysis ("MD&A") of the consolidated financial position and the results of operations of Plazacorp Retail Properties Ltd. (hereinafter referred to as "Plazacorp" or the "Company") for the six months ended June 30, 2009 should be read in conjunction with the Company's Interim Consolidated Financial Statements and the notes thereto for the six months ended June 30, 2009, along with the Consolidated Financial Statements and MD&A for the year ended December 31, 2008, 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 August 20, 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 Audit Committee on behalf of 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. 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 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. 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").

FFO, AFFO, and NOI are not defined by Canadian GAAP, and therefore should not be considered as alternatives to net income or cash flow from operating activities calculated in accordance with GAAP.

## **PART II 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 six months ended June 30, 2009 compared to the six months ended June 30, 2008.

<b>Funds From Operations</b>	<ul style="list-style-type: none"><li>➤ For the six months ended June 30, 2009 FFO was \$6.4 million or 13.4¢ per share (13.4¢ diluted) compared to \$5.7 million or 12.2¢ per share (12.0¢ diluted) for the six months ended June 30, 2008, a 12.9% increase on a dollar basis and a 9.8% increase on a per share basis.</li><li>➤ Incremental FFO of \$389 thousand from the 9 properties which transferred to IPP during 2008 and \$196 thousand from the 4 properties transferred to IPP in 2009, as well as \$234 thousand from growth in the same asset pool contributed positively to FFO.</li><li>➤ The sale of 75% of KGH Plaza, Robie Street Plaza, 681 Mountain Road and 201 Main Street in 2009 reduced FFO in Q2 2009 by \$201 compared to Q2 2008.</li><li>➤ The sale of 50% of Tacoma Center and Tacoma Shoppers in 2008 has reduced FFO in 2009 by \$190 thousand compared to Q2 2008.</li><li>➤ The expansion at Les Promenades du Cuivre contributed an incremental FFO of \$147 thousand in 2009.</li></ul>
<b>Earnings Before Interest, Taxes, Depreciation and Amortization</b>	<ul style="list-style-type: none"><li>➤ For the six months ended June 30, 2009 EBITDA was up \$379 thousand representing 2.9% growth over the six months ended June 30, 2008.</li><li>➤ Full impact of earnings from the addition of 9 new properties through development during 2008 and 4 properties in 2009 which contributed \$734 thousand and \$373 thousand respectively.</li><li>➤ The sale of Tacoma Center and Tacoma Shoppers in 2008 resulted in a decrease in EBITDA of \$333 thousand compared to Q2 2008.</li><li>➤ The sale of 75% of KGH Plaza, Robie Street Plaza, 681 Mountain Road and 201 Main Street in 2009 has a negative effect on EBITDA of \$476 thousand compared to Q2 2008.</li><li>➤ EBITDA growth is consistent with expectations. The Debt Service ratios derived from EBITDA exceed the requirements under our borrowing arrangements.</li><li>➤ The expansion at Les Promenades du Cuivre contributed an incremental EBITDA of \$147 thousand in 2009.</li></ul>
<b>Debt Service Ratios</b>	<ul style="list-style-type: none"><li>➤ For the six months ended June 30, 2009 the Interest Coverage ratio was up 0.2 times to 2.0 times when compared to the six months ended June 30, 2008 and the Debt Service Coverage ratio was 1.6 times, up 0.1 when compared to the six months ended June 30, 2008. This increase was primarily due to lower float rate interest costs on properties included in income producing properties and financed through the development lines.</li></ul>
<b>Same-Asset Net Property Operating Income</b>	<ul style="list-style-type: none"><li>➤ For the six months ended June 30, 2009 Same-Asset net property operating income excluding non-cash items was up by \$213 thousand, over the six months ended June 30, 2008.</li></ul>
<b>Weighted Average Cost of Debt</b>	<ul style="list-style-type: none"><li>➤ As at June 30, 2009 the weighted average effective cost of mortgage debt dropped 4 basis points from 6.42% to 6.38% compared to June 30, 2008.</li></ul>
<b>Occupancy Levels</b>	<ul style="list-style-type: none"><li>➤ As at June 30, 2009 overall occupancy increased to 97.4% from 96.8% compared to June 30, 2008. This was primarily due to the lease up of the Grand Falls Shopping Centre and Starrs Road Plaza. Overall the portfolio is stable.</li></ul>

## Plazacorp Retail Properties Ltd.

### PROPERTY AND CORPORATE PERFORMANCE 2009 AND 2008

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

##### ➤ KEY PERFORMANCE INDICATOR

Plazacorp's summary of FFO for the three and six months ended June 30, 2009, compared to the three and six months ended June 30, 2008 are presented below:

(000's – except per share amounts) For the Periods Ended	3 Months Ended June 30, 2009	3 Months Ended June 30, 2008	6 Months Ended June 30, 2009	6 Months Ended June 30, 2008
<b>Total revenues</b>	<b>\$ 12,219</b>	\$ 11,849	<b>\$ 24,145</b>	\$ 23,292
Basic earnings per share	<b>\$ 0.015</b>	\$ 0.007	<b>\$ 0.037</b>	\$ 0.011
Diluted earnings per share	<b>\$ 0.015</b>	\$ 0.007	<b>\$ 0.037</b>	\$ 0.011
<b>Income and other comprehensive income</b>	<b>\$ 708</b>	\$ 316	<b>\$ 1,781</b>	\$ 520
Add (deduct):				
Loss (gain) on disposal of income producing properties and surplus lands	<b>19</b>	80	<b>(703)</b>	80
Income tax expense	<b>76</b>	214	<b>483</b>	346
Amortization	<b>2,499</b>	2,404	<b>4,892</b>	4,799
Non-controlling interests	<b>81</b>	115	<b>169</b>	215
Interest costs	<b>3,453</b>	3,514	<b>6,786</b>	7,069
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>6,836</b>	6,643	<b>13,408</b>	13,029
Add (deduct):				
Interest costs	<b>(3,453)</b>	(3,514)	<b>(6,786)</b>	(7,069)
Current income tax expense	<b>(15)</b>	(15)	<b>(30)</b>	(30)
Non-cash debenture interest	<b>8</b>	10	<b>16</b>	20
Non-controlling interest adjustment to FFO	<b>(217)</b>	(331)	<b>(427)</b>	(531)
Equity accounting adjustment to FFO	<b>117</b>	148	<b>249</b>	279
Corporate amortization	<b>(4)</b>	(6)	<b>(8)</b>	(11)
<b>Basic FFO</b>	<b>3,272</b>	2,935	<b>6,422</b>	5,687
Interest on dilutive convertible debentures before income tax	<b>-</b>	21	<b>-</b>	41
<b>Diluted FFO</b>	<b>\$ 3,272</b>	\$ 2,956	<b>\$ 6,422</b>	\$ 5,728
Basic Weighted Average Shares Outstanding	<b>47,983</b>	46,697	<b>47,807</b>	46,504
Diluted Shares Outstanding	<b>48,125</b>	47,095	<b>47,971</b>	46,916
<b>Basic FFO per share</b>	<b>\$ 0.068</b>	\$ 0.063	<b>\$ 0.134</b>	\$ 0.122
<b>Diluted FFO per share</b>	<b>\$ 0.068</b>	\$ 0.062	<b>\$ 0.134</b>	\$ 0.120

##### ➤ KEY PERFORMANCE INDICATOR

<b>Earnings before interest, taxes, depreciation and amortization</b>	<b>\$ 6,836</b>	\$ 6,643	<b>\$ 13,408</b>	\$ 13,029
Interest costs	<b>\$ 3,453</b>	\$ 3,514	<b>\$ 6,786</b>	\$ 7,069
Periodic mortgage principal repayments	<b>756</b>	755	<b>1,461</b>	1,482
<b>Total debt service</b>	<b>\$ 4,209</b>	\$ 4,269	<b>\$ 8,247</b>	\$ 8,551
<b>Debt coverage ratios</b>				
Interest coverage ratio	<b>2.0 times</b>	1.9 times	<b>2.0 times</b>	1.8 times
Debt service coverage ratio	<b>1.6 times</b>	1.6 times	<b>1.6 times</b>	1.5 times

## Plazacorp Retail Properties Ltd.

### 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.

Maintenance capital expenditures include leasing commissions, tenant improvement costs and routine capital expenditures for properties in the same asset grouping. See page 24 for properties excluded from the same asset grouping and labeled as transactions.

(000's) For the Periods Ended	3 Months Ended June 30, 2009	3 Months Ended June 30, 2008	6 Months Ended June 30, 2009	6 Months Ended June 30, 2008
Basic funds from operations	\$ 3,272	\$ 2,935	\$ 6,422	\$ 5,687
Add: Amortization of deferred finance cost	212	200	360	406
Principal repayment of tenant loans	96	88	203	165
Less: Non cash revenue – straight line rent	(361)	(270)	(564)	(517)
Non cash revenue – above and below market rent	(27)	(30)	(53)	(61)
Maintenance capital expenditures	(764)	(619)	(907)	(842)
<b>Adjusted Funds From Operations</b>	<b>\$ 2,428</b>	<b>\$ 2,304</b>	<b>\$ 5,461</b>	<b>\$ 4,838</b>

### 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%

### ➤ 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 six months ended June 30, 2009 and the entire year ended December 31, 2008 and excludes partial year results from assets included in the 2009 and 2008 transaction categories below and properties under significant redevelopment during 2009 and 2008.

(000's) For the Periods Ended	3 Months Ended June 30, 2009	3 Months Ended June 30, 2008	6 Months Ended June 30, 2009	6 Months Ended June 30, 2008
Same-asset rental revenue	\$ 10,596	\$ 10,412	\$ 21,325	\$ 20,781
Same-asset operating expenses	2,522	2,648	5,290	5,218
Same-asset realty tax expense	2,011	1,884	4,010	3,745
<b>Same-asset net property operating income</b>	<b>\$ 6,063</b>	<b>\$ 5,880</b>	<b>\$ 12,025</b>	<b>\$ 11,818</b>
Same-asset net property operating margin	57.2%	56.5%	56.4%	56.9%

  

(000's) For the Periods Ended	3 Months Ended June 30, 2009	3 Months Ended June 30, 2008	6 Months Ended June 30, 2009	6 Months Ended June 30, 2008
Transaction rental revenue	\$ 1,283	\$ 1,041	\$ 2,150	\$ 1,842
Transaction operating expenses	350	156	478	297
Transaction realty tax expense	208	184	349	319
<b>Transaction net property operating income</b>	<b>\$ 725</b>	<b>\$ 701</b>	<b>\$ 1,323</b>	<b>\$ 1,226</b>
Transaction net property operating margin	56.6%	67.3%	61.5%	66.6%
<b>Total net property operating income</b>	<b>\$ 6,788</b>	<b>\$ 6,581</b>	<b>\$ 13,348</b>	<b>\$ 13,044</b>
Total net property operating margin	57.1%	57.5%	56.9%	57.7%

## Plazacorp Retail Properties Ltd.

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As noted in the chart above the net property operating income for the same asset pool is stable showing marginal growth of \$207 thousand year to date, due to high occupancy and the impact of straight line rent accounting. There were no significant operational issues within the same-asset pool for the six months ending June 30, 2009. The increase in total net property operating income was attributable to \$703 thousand from the 9 properties transferred to income producing in 2008 and \$360 thousand for the 4 properties transferred to income producing in 2009. Net property operating income is lower period over period due to the sale of 2 properties in 2008 which decreased NOI by \$333 thousand. The sale of 4 properties in 2009 reduced NOI by \$399 thousand and the removal from consolidation of 6 Ontario properties in 2008 reduced Q2 2009 NOI by \$311 thousand. The expansion at Les Promenades du Cuivre contributed an incremental NOI of \$147 thousand in 2009. See page 24 of this MD&A for the list of transactions in 2008 and 2009.

The expansion at the LPC Shopping Centre and the lease up of the Grand Falls Shopping Centre, Plaza Royale, Miramichi Plaza Phase 2, and Starrs Road Plaza were the main contributors to the \$183 thousand increase in same-asset net property operating and the \$207 thousand increase to total net property operating income during Q2 2009 over Q2 2008.

### *SAME-ASSET NET PROPERTY OPERATING INCOME EXCLUDING NON CASH REVENUE*

<b>(000's)</b> <b>For the Periods Ended</b>	<b>3 Months Ended June 30, 2009</b>	<b>3 Months Ended June 30, 2008</b>	<b>6 Months Ended June 30, 2009</b>	<b>6 Months Ended June 30, 2008</b>
Same-asset net property operating income	\$ 6,063	\$ 5,880	\$ 12,025	\$ 11,818
Deduct: Same-asset straight line rent	(168)	(143)	(290)	(291)
Same-asset above & below market rent	(20)	(22)	(39)	(44)
<b>Same-asset net property operating income excluding non cash revenue</b>	<b>\$ 5,875</b>	<b>\$ 5,715</b>	<b>\$ 11,696</b>	<b>\$ 11,483</b>
<b>Change in same-asset net property operating income excluding non cash revenue</b>	<b>2.8%</b>		<b>1.9%</b>	

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 \$213 thousand (1.9%) when the impact of non cash revenue is excluded. Same-asset net property operating income including the impact of non cash revenue is up \$207 thousand (1.8%) compared to the six months ended June 30, 2008.

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 56.9% (six months ended June 30, 2008 – 57.7%). These margins increase to 61.8% (six months ended June 30, 2008 – 62.2%) 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) 54.9%. Certain anchor tenant leases may restrict recovery of common costs. As a result, certain costs such as snow removal and utility 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 (\$151 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 (\$500 thousand) and income reported on a cost basis from Northwest Plaza (\$20 thousand).

### GAIN ON DISPOSALS OF INCOME PRODUCING PROPERTIES AND SURPLUS LANDS

For the six months ended June 30, 2009 the company disposed of 75% interests in income producing properties in Moncton, NB, Sussex, NB, Miramichi, NB and Truro, NS resulting in an accounting gain of \$680 thousand. The company also

## Plazacorp Retail Properties Ltd.

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disposed of surplus land during the six months ended June 30, 2009 in St. Catharines, ON and Shediac, NB for an accounting gain of \$23 thousand.

### CAPITAL TAXES

The Company records capital taxes at the statutory rates on the net equity base of the Company after exemptions. For the six months ended June 30, 2009 the Company and its subsidiaries recorded \$73 thousand in capital taxes compared to \$143 thousand for the six months ended June 30, 2008. Several governments have announced the repeal or phase-out of capital taxes over the next several years, favourably impacting future capital taxes incurred.

### INCOME TAX EXPENSE

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.

<b>(000's)</b>	<b>3 Months</b>	3 Months	<b>6 Months</b>	6 Months
<b>For the Periods Ended</b>	<b>Ended</b>	Ended	<b>Ended</b>	Ended
	<b>June 30, 2009</b>	June 30, 2008	<b>June 30, 2009</b>	June 30, 2008
Current income taxes	\$ 15	\$ 15	\$ 30	\$ 30
Future income taxes	61	199	453	316
<b>Total income taxes</b>	<b>\$ 76</b>	<b>\$ 214</b>	<b>\$ 483</b>	<b>\$ 346</b>



## Plazacorp Retail Properties Ltd.

### 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 have been set at 18.5¢ per share for 2009 compared to 17.5¢ per share for 2008. Our efforts have produced a tenant profile of national retailers 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 June 30, 2009 represent approximately 51.7% of total revenues in place.

	<b>% of Gross Revenue</b>		<b>% of Gross Revenue</b>
1. Shoppers Drug Mart	24.6	6. Reitmans	2.7
2. Dollarama	6.7	7. Bulk Barn	2.4
3. Staples	4.0	8. Michaels	1.7
4. Mark's Work Wearhouse	3.8	9. Caisse Populaire	1.6
5. Sobeys	2.9	10. Easyhome	1.3

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.

<b>As at</b>	<b>June 30, 2009</b>	June 30, 2008
National	<b>88.1%</b>	86.0%
Regional	<b>4.7%</b>	5.7%
Local	<b>6.2%</b>	7.3%
Non-Retail	<b>1.0%</b>	1.0%

### 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 June 30, 2009 includes interests in 98 properties totaling over 4.4 million square feet and additional lands held for development. These include properties directly held by Plazacorp its subsidiaries and through joint ventures. For 2009, and during 2008, Plazacorp's growth was primarily created through the development of new real estate assets. The Company as at June 30, 2009 has \$7.8 million committed to new development for 2009.

### Summary of Properties

<b>As at</b>	<b>Number of Properties June 30, 2009</b>	<b>Gross Leasable Area June 30, 2009</b>	<b>Number of Properties June 30, 2008</b>	<b>Gross Leasable Area June 30, 2008</b>
Quebec	21	1,128,071	21	1,105,673
New Brunswick	35	1,496,793	32	1,402,452
Nova Scotia	20	837,710	20	770,418
Prince Edward Island	5	274,828	5	274,544
Ontario	10	180,763	7	126,236
Newfoundland	7	532,873	6	538,568
<b>Total</b>	<b>98</b>	<b>4,451,038</b>	<b>91</b>	<b>4,217,891</b>

**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 88.1% 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. 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:

<b>(\$000's except per share amounts and other data)</b>	<b>12 Months Ended December 31, 2008</b>	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	26.2¢	23.6¢	25.3¢
FFO per share – Diluted	25.9¢	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.

Comparative figures are affected by changes in GAAP. The selected comparative information is as originally reported and has not been restated, except for funds from operations per share - basic and diluted which have been restated for changes in GAAP.

## Plazacorp Retail Properties Ltd.

### SUMMARY OF SELECTED QUARTERLY INFORMATION

April 1, 2007 – June 30, 2009

(000's except per share and other data)	Q2'09	Q1'09	Q4'08	Q3'08	Q2'08	Q1'08	Q4'07	Q3'07
Total revenue	\$ 12,219	\$ 11,926	\$ 11,903	\$ 12,144	\$ 11,849	\$ 11,443	\$ 10,927	\$ 10,321
Income (loss) and other comprehensive income	708	1,073	1,468	3,971	343	200	(330)	704
Dividends per share	4.63¢	4.63¢	4.38¢	4.38¢	4.38¢	4.38¢	3.75¢	3.75¢
Earnings (loss) per share - basic	1.5¢	2.3¢	3.1¢	8.5¢	0.7¢	0.4¢	(0.7¢)	1.6¢
Earnings (loss) per share - diluted	1.5¢	2.2¢	3.1¢	8.2¢	0.7¢	0.4¢	(0.7¢)	1.6¢
Funds from operations per share - basic	6.8¢	6.6¢	6.8¢	7.1¢	6.3¢	5.9¢	6.0¢	5.6¢
Funds from operations per share - diluted	6.8¢	6.6¢	6.7¢	7.0¢	6.2¢	5.9¢	5.9¢	5.5¢
Total assets	297,705	291,576	291,558	289,943	298,298	283,248	269,920	262,182
Total mortgages, bonds, debentures, notes, liabilities held for sale and bank indebtedness	247,817	239,888	244,239	241,343	251,229	236,284	225,766	214,788
Basic weighted average shares outstanding	47,983	47,628	47,102	46,867	46,697	46,312	45,707	44,287
Properties under development	8	10	7	7	7	10	10	16
Income producing properties	90	87	86	85	84	80	77	69
Total properties in portfolio	98	97	93	92	91	90	87	85
Rentable Sq Ft. (excluding investment properties and properties under development)								
Strip Plazas	2,145	2,007	2,003	2,004	2,007	1,986	1,963	1,845
Enclosed Malls	651	651	651	658	638	636	631	631
Single Use	463	446	422	405	359	301	267	233
Total income producing properties	3,259	3,104	3,076	3,067	3,004	2,923	2,861	2,709
Occupancy % (excluding investment properties and properties under development)								
Strip Plazas	96.8	97.5	97.6	97.5	97.3	97.1	97.4	97.9
Enclosed Malls	97.5	97.3	97.2	95.4	93.5	94.1	94.0	93.0
Single Use	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total income producing properties	97.4	97.8	97.9	97.4	96.8	96.8	96.9	97.0

The summary of quarterly information highlights increasing gross revenues and net income. During the most recent 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 (54.9%) 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 2 – 2009 (\$19) thousand; Quarter 1 – 2009 \$722 thousand; 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.

Comparative figures are affected by changes in GAAP. The selected comparative information is as originally reported and has not been restated, except for funds from operations per share - basic and diluted which have been restated for changes in GAAP.

**PART IV**

**OPERATING LIQUIDITY, WORKING CAPITAL AND FINANCING ACTIVITIES**

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)	<b>\$8.4 Million Operating</b>	<b>\$35 Million Development<sup>(1)</sup></b>	<b>\$15 Million Development</b>	<b>\$9.4 Million Development</b>
Balance December 31, 2008	\$ 4,592	\$ 25,219	\$ 4,623	\$ 8,295
Draw (repayments) net	1,369	5,347	5,691	688
Balance June 30, 2009	\$ 5,961	\$ 30,566	\$ 10,314	\$ 8,983
Interest rate	Prime + 3/4%	Prime + 5/8%	Prime + 1/2%	BA + 175
Maturity	November 30, 2009	July 31, 2009	August 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	\$742 thousand	\$213 thousand	nil	nil

(1) Subsequent to quarter end, the \$35 million development line was renewed at an amount of \$27.5 million and additional property specific development lines totaling \$9.9 million and \$9.6 million were negotiated, and expire on July 31, 2010.

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 June 30, 2009. A Company subsidiary also has a \$150 thousand unsecured operating line with a chartered bank upon which no funds were drawn as at June 30, 2009. As of June 30, 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.

## Plazacorp Retail Properties Ltd.

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### DEBENTURES AND MORTGAGE BONDS

During the six months ended June 30, 2009, \$755 thousand of the Series III convertible debentures were converted to share capital and 472 thousand shares were issued. No new debentures were issued during the period.

The 8% subordinate debentures require the Company to maintain a debt service ratio based on EBITDA in excess of a fixed threshold. As of June 30, 2009, the ratio had been maintained.

\$1.185 million in Series V mortgage bonds have been issued during the quarter.

There were no redemptions of mortgage bonds during 2009. The Company is in compliance with the terms and covenants of its mortgage bonds indentures.

### MORTGAGES

The Company has \$49.9 million of interim financing maturing at various times throughout 2009 and 2010. Long-term mortgages maturing in 2009, total \$2.9 million. This consists of \$1.6 million of mortgages previously funded by a defeasance and \$1.3 of other maturing long-term debt.

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 market conditions are most favourable. No long-term financings were completed from January 1, 2009 to June 30, 2009. Fixed rate debt represents 76.0% 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 and availability is restricted. 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 June 30, 2009 and June 30, 2008, the Company's cost of debt was as follows:

<b>(000's) As at</b>	<b>Balance Outstanding</b>	<b>Effective Rates June 30, 2009</b>	<b>Effective Rates June 30, 2008</b>
Fixed rate mortgage loans	\$ 156,729	6.38%	6.42 %
Other fixed rate loans with periodic repayments	\$ 1,358	10.00%	9.51 %
Bank operating facility	\$ 5,961	Prime + 3/4 %	Prime + 3/4 %
Bank development facility	\$ 30,566	Prime + 5/8 %	Prime + 5/8 %
Bank development facility	\$ 10,314	Prime + 1/2 %	-
Bank development facility	\$ 8,983	BA + 175	-

The weighted average effective cost of fixed rate mortgage loans as at June 30, 2009 is 6.38% compared to 6.42% as at June 30, 2008. The weighted average term to maturity for the long-term mortgages is 6.6 years. The average remaining repayment period on long-term mortgage debt is 23.5 years.

## Plazacorp Retail Properties Ltd.

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### LAND LEASES

Return on invested cash or equity is a measure Plazacorp uses to evaluate development and strategic acquisitions. 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 \$7.8 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)	Contractual obligations	Total	Payments Due By Year				
			Remainder 2009	Year 1 2010	Years 2-3 2011-2012	Years 4-5 2013-2014	After 5 years
	Mortgages – Periodic principal repayments	\$ 24,234	\$ 1,590	\$ 3,149	\$ 6,271	\$ 5,266	\$ 7,958
	Mortgages – Due at maturity	130,359	1,358	2,228	15,853	35,000	75,920
	Mortgages – Funded by defeasance <sup>(1)</sup>	3,494	1,564	-	1,930	-	-
	Development line-of-credits	49,863	40,880	8,983	-	-	-
	Mortgage bonds payable	21,685	-	10,000	10,500	-	1,185
	Debentures	10,159	-	5,159	5,000	-	-
	Operating land leases <sup>(2)</sup>	147,078	819	2,567	5,058	5,106	133,528
	Development activities	7,778	7,778	-	-	-	-
	<b>Total contractual obligations</b>	<b>\$ 394,650</b>	<b>\$ 53,989</b>	<b>\$ 32,086</b>	<b>\$ 44,612</b>	<b>\$ 45,372</b>	<b>\$ 218,591</b>

(1) Mortgages maturing but secured by bond investments, see note 12 of the Interim Consolidated Statements.

(2) 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 on March, 2007. These commitments are subject to indemnity agreements. The estimated balance outstanding on these loans is \$15.2 million as at June 30, 2009. This sale did not relieve the Company's obligations as original borrower in respect of these mortgages, see note 26c of the June 30, 2009 Interim Consolidated Financial Statements. Average remaining term of the mortgages is 3.2 years (June 30, 2008 – 4.2 years).

The Company guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of \$711 thousand, see note 26c of the June 30, 2009 Interim Consolidated Financial Statements.

The Company assumed a guarantee for a \$22.3 million development line-of-credit held by the Village Shopping Centre Limited Partnership for the completion of construction. As at June 30, 2009 the remaining budgeted development costs are \$3.0 million and the Company's current exposure under this guarantee is estimated to be \$1.3 million.



## **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 June 30, 2009, the Company held interests in 98 properties spread geographically among six provinces in Canada. See note 27, Financial Risk Management, to the Interim 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 and 2009. 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 24.6% of current monthly gross rents in place. The top 10 tenants collectively represent approximately 51.7% 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 2009, management completed 216 thousand square feet (2008 – 146 thousand square feet) of new leasing deals at market rates. The 216 thousand square feet of new leasing was comprised of 156 thousand square feet on new developments and acquisitions, and 60 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.

## **Plazacorp Retail Properties Ltd.**

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### **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 \$486 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 96.8% as at June 30, 2009, compared to 97.3% as at June 30, 2008.
- Average occupancy for enclosed malls was 97.5% as at June 30, 2009, compared to 93.5% as at June 30, 2008.
- Occupancy for single use assets remained stable at 100%.
- Pre-leased space in properties under development is 82.2%.
- Overall the portfolio occupancy, excluding non-consolidated trusts and partnerships and properties under development as at June 30, 2009 was 97.4%, up 0.6% from June 30, 2008.

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 affected. 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**

In Management's opinion, any liability that may arise from current or pending litigation 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:

<b>As at August 20, 2009</b>	<b>Shares</b>	<b>Share Capital</b>
Current Outstanding Shares	48,112,281	\$ 41,582,675
Employee and Director Share Options	748,792	1,692,272
Series IV Convertible Debentures	1,250,000	5,000,000
<b>Total adjusted shares outstanding</b>	<b>50,111,073</b>	<b>\$ 48,274,947</b>

### **RELATED PARTY TRANSACTIONS**

#### **MANAGEMENT COMPANY**

Effective March 30, 2009 a new five year management agreement commenced between Plaza Group Management Limited and Plazacorp. Under this agreement, Plaza Group Management Limited provides property management and corporate management services to Plazacorp. In Quebec, staff of Les Immeubles Plaza Z-Corp Inc. handle management duties under contract with Plazacorp.

Plaza Group Management 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.

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 2009 and 2008.

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. The basis of fee payment under the new management agreement, effective March 30, 2009, is as follows:

<b>Plaza Group Management Limited fee structure</b>	
Property Management	3% of gross rents paid.
Corporate Management	¾% of gross rents paid.
Leasing	4% of rental revenue per year for first five years of 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.

## Plazacorp Retail Properties Ltd.

For the period January 1 through March 29, 2009 management services were provided by Plaza Atlantic Limited and Les Immeubles Plaza Z-Corp Inc and for March 30, 2009 forward management services have been provided by Plaza Group Management Limited and Les Immeubles Plaza Z-Corp. The following amounts were charged under the contracts:

Fee Category	Included for Reporting Purposes In	June 30, 2009	June 30, 2008
Management fees	Property operating expenses	\$ 794	\$ 817
Leasing fees	Tenant acquisition costs and property operating expense	552	457
Development fees	Income producing properties	510	350
Financing fees	Income producing properties and debt	-	213
Acquisition fees	Income producing properties	19	117
Disposition fees	Gain on disposal of income producing properties or surplus lands	189	-
Legal services	Varies based on service provided	221	372
<b>Total fees billed by the Property Managers</b>		<b>\$ 2,285</b>	<b>\$ 2,326</b>

### NOTES PAYABLE TO RELATED PARTIES

Notes payable as at June 30, 2009 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	June 30, 2009	December 31, 2008
<b>Interest bearing notes:</b>			
Les Immeubles Plaza Z-Corp Inc. and related entities controlled by Michael Zakuta, President and Chief Executive Officer of the Company.	Prime +1% - 8.0%	\$ 1,667	\$ 617
Maritime Helicopters Ltd. and Digby Investments Inc. controlled by Earl Brewer, Chairman and Director of the Company.	7.5 % – 8.0 %	1,137	
<b>Non-Interest bearing notes:</b>			
Various companies owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President and Chief Executive Officer of the Company.	n/a	264	264
<b>Total</b>		<b>\$ 3,068</b>	<b>\$ 881</b>

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.

## Plazacorp Retail Properties Ltd.

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### BONDS AND DEBENTURES HELD

Related Parties directly or indirectly held at face value, convertible debentures and mortgage bonds of the Company as at June 30, 2009 and December 31, 2008.

(000's) As at	June 30, 2009	December 31, 2008
Richard Hamm, Director	\$ 775	\$ 775
Michael Zakuta, Director	1,300	1,200
Edouard Babineau, Director	850	700
Earl Brewer, Director	788	438
Stephen Johnson, Director	1,220	1,220
Barbara Trenholm, Director	364	364
<b>Total</b>	<b>\$ 5,297</b>	<b>\$ 4,697</b>

### 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 Interim Consolidated Financial Statements for June 30, 2009 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 2008 and 2009. 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 June 30, 2009 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 consolidated SDM - Ontario 1 LP (Bancroft, Alexandria, and Almonte) as the guidelines for classification of a variable interest entity have been met. 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 June 30, 2009 compared to December 31, 2008.

Readers should refer to the June 30, 2009 Interim Consolidated Financial Statements and the December 31, 2008 Consolidated Financial Statements for a full description of the Company's accounting policies.

## **Plazacorp Retail Properties Ltd.**

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### CHANGES TO ACCOUNTING POLICIES

#### *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. The new standards had no effect on the financial results of the company.

#### *Financial Statement Concepts*

Handbook Section 1000, Financial Statement Concepts, has been amended and is 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 has applied this standard to the interim consolidated financial statements and the amended standard requires restatement of the prior period. The impact to the total assets in the December 31, 2008 consolidated balance sheet is a decrease of \$118 thousand. Opening retained earnings for 2008 was restated by \$64 thousand due to the change in accounting policy. The interim consolidated statement of income and other comprehensive income for the period ending June 30, 2008 increased by \$22 thousand to net income due to the amended standard. The net effect to the interim consolidated statement of deficit is a decrease of \$87 thousand. There was no net impact to the interim consolidated statement of cash flows for the period ending June 30, 2008.

### FUTURE ACCOUNTING POLICY CHANGES

#### *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 implementation will follow a four step phased approach. 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. Plazacorp, with the assistance of its external advisors, have commenced the process to transition from current GAAP to IFRS.

A high level review of the differences between GAAP and IFRS has been completed. The standards expected to have the greatest impact to Plazacorp include IAS 40 – investment property and the applicable standards for consolidations, investments in associates and joint ventures; IAS 27, 28, and 31. The Company is now working on the detailed analysis of the differences between GAAP and IFRS to obtain a full understanding of the impact to the Company and to determine the process changes required for implementation. The substantial completion of this phase is expected by Q4 2009.

The design and implementation phases, along with the accounting policy choices, will be completed during Q4 2009 and 2010. Implementing IFRS will have an impact on the accounting, financial reporting, supporting processes, and the contractual commitments involving GAAP based clauses such as debt covenants. The implementation plan ensures proper training to individuals who are impacted by these changes, increasing awareness and knowledge to management, the Board of Directors, and Audit Committee, and a review of relevant contracts and awareness to ensure compliance.

Plazacorp is continually assessing the impact of the transition to IFRS and is reviewing all of the proposed and ongoing changes to the International Accounting Standards to determine their impact on the Company. Accordingly, the Company can not, at this time, quantify the impact that the adoption of IFRS will have on the consolidated financial statements. The current GAAP consolidated financial statements may be significantly different when presented in accordance with IFRS.

## **Plazacorp Retail Properties Ltd.**

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### *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](http://www.sedar.com) or on the Plazacorp web site at [www.plaza.ca](http://www.plaza.ca).

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



## Plazacorp Retail Properties Ltd.

### PROPERTIES OF THE COMPANY

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 30-Jun-09	Major Tenants
<b>Strip Plazas</b>					
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	128,222	100%	92%	Caisse Populaire, Dollarama
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%	47%	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	55,814	100%	100%	Dollarama
Madawaska Road Plaza	Grand Falls, NB	10,410	100%	92%	Pizza Delight, Tim Horton's
KGH Plaza	Miramichi, NB	18,034	25%	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
Bedford Commons	Bedford, NS	70,122	100%	79%	Future Shop, Dollarama
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
Granite Drive Plaza	New Minas, NS	67,280	100%	100%	Lawtons, Future Shop, Winners
North Sydney Plaza	North Sydney, NS	20,372	100%	100%	Shoppers Drug Mart
Welton Street Plaza	Sydney, NS	20,975	100%	100%	Dollarama, Bulk Barn
Robie Street Plaza	Truro, NS	21,890	25%	100%	Shoppers Drug Mart
Pleasant Street Plaza	Yarmouth, NS	22,586	100%	100%	Shoppers Drug Mart
Starr's Road Plaza	Yarmouth, NS	63,704	100%	96%	Empire Theatres, Dollarama
Belvedere Plaza	Charlottetown, PE	77,300	60%	88%	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%	94%	Dollarama

**Plazacorp Retail Properties Ltd.**

<b>Property</b>	<b>Location</b>	<b>Gross Leasable Area (sq. ft.)</b>	<b>Ownership Interest (%)</b>	<b>Occupied or Committed as at 30-Jun-09</b>	<b>Major Tenants</b>
Scott Street Plaza	St. Catharines, ON	25,710	50%	96%	Shoppers Drug Mart
Bay Roberts Plaza	Bay Roberts, NL	20,468	100%	100%	Shoppers Drug Mart
Conception Bay South Plaza	Conception Bay South, NL	22,980	100%	100%	Shoppers Drug Mart
Kenmount Road Plaza	St. John's, NL	20,576	100%	100%	XS Cargo, Montana's
LeMarchant Road Plaza	St. John's, NL	18,309	100%	100%	Shoppers Drug Mart
<b>Sub-total</b>		<b>2,144,780</b>		<b>96.8%</b>	
<b>Enclosed Malls</b>					
Les Galeries Montmagny	Montmagny, QC	137,723	50%	99%	Maxi, Hart, Uniprix
Les Promenades du Cuivre	Rouyn-Noranda, QC	147,444	100%	99%	Hart, Uniprix, Royal Bank
Grand Falls Shopping Centre	Grand Falls, NB	128,188	100%	94%	Staples, Shoppers Drug Mart, Hart
Oromocto Mall	Oromocto, NB	76,691	100%	98%	Shoppers Drug Mart
Gateway Mall	Sussex, NB	161,164	25%	97%	Sobey's, Canadian Tire
<b>Sub-total</b>		<b>651,210</b>		<b>97.5%</b>	
<b>Single Use</b>					
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	Rivière-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	25%	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 Sackville	Shediac, NB	23,656	100%	100%	Shoppers Drug Mart
Main and Victoria	Shediac, NB	10,287	100%	100%	Dollarama
201 Main Street	Sussex, NB	16,915	25%	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	Gananoque, 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
Hastings Street Bancroft	Bancroft, ON	17,097	25%	100%	Shoppers Drug Mart
Airport Blvd. Plaza	Gander, NL	18,077	100%	100%	Shoppers Drug Mart
<b>Sub-total</b>		<b>462,610</b>		<b>100%</b>	
<b>Income producing properties</b>		<b>3,258,600</b>		<b>97.4%</b>	
<b>Projects Under Development</b>					
90 Blvd. Tache Ouest	Montmagny, QC	-	50%	-	In Planning
Miramichi West	Miramichi, NB	18,586	100%	100%	Shoppers Drug Mart
Fairville Boulevard Plaza - 2	Saint John, NB	55,000	100%	68%	Bulk Barn, Staples
Shediac West	Shediac, NB	58,200	10%	-	Canadian Tire, Sobeys
Commercial Street Plaza - 2	New Minas, NS	-	100%	-	In Planning
Ville Marie Drive Plaza	Marystown, NL	14,300	100%	-	In Planning
Main Street Alexandria	Alexandria, ON	17,000	25%	100%	Shoppers Drug Mart
Almonte	Almonte, ON	17,000	25%	100%	Shoppers Drug Mart
<b>Sub-total</b>		<b>180,086</b>		<b>82.2%</b>	
<b>Total Excluding Non-Consolidated Trusts and Partnerships</b>					
		<b>3,438,686</b>		<b>96.6%</b>	
<b>Non-Consolidated Trusts and Partnerships</b>					
3550 Sources	Dollard des Ormeaux, QC	8,391	10%	100%	National Bank

## Plazacorp Retail Properties Ltd.

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 30-Jun-09	Major Tenants
Centennial Plaza	Dollard des Ormeaux, QC	151,816	10%	100%	Value Village, Jean Coutu
Marche De L'Ouest	Dollard des Ormeaux, QC	128,331	20%	99%	IGA, SAQ
Place Du Marche	Dollard des Ormeaux, QC	35,219	10%	90%	Laurentian Bank, Starbucks
Plaza des Recollets	Trois Rivieres, QC	73,730	15%	100%	Winners/Home Sense
Northwest Centre	Moncton, NB	196,702	10%	98%	Zellers, Princess Auto
Village Shopping Centre	St. John's, NL	418,163	20%	71%	Hart, Labels, Dollarama
<b>Sub-total</b>		1,012,352		86.3%	
<b>Grand Total</b>		4,451,038		94.3%	

## TRANSACTIONS

The following assets are not included in "same asset" measurements due to timing of acquisition or redevelopment.

2009 Transactions	Property Type	Square Footage	Ownership	Income Producing During
Main and Sackville, Shediac, NB	Strip Plaza	23,652	100%	Q1 09
Bedford Commons, Bedford, NS	Strip Plaza	70,122	100%	Q2 09
Granite Drive Plaza, New Minas, NS	Strip Plaza	67,280	100%	Q2 09
Hastings Street Bancroft, Bancroft, ON	Single Use	17,097	25%	Q2 09

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 - 1, Saint John, NB	Single Use	47,000	100%	Q3 08
Dufferin & Wilson (Perth), Perth, ON	Single Use	16,782	75%	Q4 08

## 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%	-
Miramichi West, Miramichi, NB	Single Use	18,586	100%	Q3 09
Fairville Boulevard Plaza - 2, Saint John, NB	Strip Plaza	55,000	100%	Q3 09
Shediac West, Shediac, NB	Strip Plaza	58,200	10%	Q3 09
Commercial Street Plaza - 2, New Minas, NS	In Planning	-	100%	-
Ville Marie Drive Plaza, Marystown, NL	Strip Plaza	14,300	100%	Q3 09
Main Street Alexandria, Alexandria, ON	Single Use	17,000	25%	Q3 09
Almonte, Almonte, ON	Single Use	17,000	25%	Q3 09

The six months ended June 30, 2009 was active with the Company making \$19.4 million of property investments, including \$17.3 million invested in new developments. The Company continues its significant development and redevelopment program, adding high quality assets to the portfolio. As at June 30, 2009 there were 8 properties under development. Upon completion, these new assets should contribute positively to income and FFO growth.

**Plazacorp Retail Properties Ltd.**

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**Gross Capital Additions including Tenant Acquisition Costs:**

<b>(000's) For the Periods Ended</b>	<b>Three Months Ended June 30, 2009</b>	<b>Three Months Ended June 30, 2008</b>	<b>Six Months Ended June 30, 2009</b>	<b>Six Months Ended June 30, 2008</b>
Tenant acquisition costs – existing properties	\$ 398	\$ 153	\$ 484	\$ 312
Tenant acquisition costs – redevelopment properties	64	1,973	560	2,109
Tenant acquisition costs – new developments	2,007	1,248	2,312	2,029
Total tenant acquisition costs	2,469	3,374	3,356	4,450
Capital additions – existing properties	429	401	493	460
Capital additions – redevelopment properties	180	2,245	606	2,399
Capital additions – new developments	6,643	14,242	14,957	25,588
Total capital additions	7,252	16,888	16,056	28,447
<b>Total gross additions</b>	<b>\$ 9,721</b>	<b>\$ 20,262</b>	<b>\$ 19,412</b>	<b>\$ 32,897</b>

**NOTICE OF NO AUDITOR REVIEW**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these consolidated financial statements (in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor).

**Plazacorp Retail Properties Ltd.**  
**Interim Consolidated Balance Sheets**  
(In thousands of Canadian dollars)  
**As at June 30, 2009 (unaudited)**

**June 30,**      December 31,  
**2009**              2008

(restated – Note 2b)

**Assets**

Income producing properties (Note 3)	\$ 251,618	\$ 225,162
Properties under development (Note 4)	17,149	28,871
Income producing properties held for sale (Note 5)	-	10,937
Surplus lands (Note 6)	981	1,071
Intangible assets (Note 7)	1,649	1,888
Cash	1,447	1,720
Notes receivable (Note 8)	1,762	511
Receivables (Note 9)	1,240	1,182
Straight line rent receivables	4,034	3,675
Tenant loans (Note 10)	2,052	2,446
Prepaid expenses and deposits (Note 11)	5,198	3,310
Income taxes receivable	137	-
Refundable capital gains tax (Note 19)	18	196
Future income tax asset	688	688
Investments (Note 12)	6,496	6,636
Goodwill	2,025	2,025
Deficits of subsidiaries (Note 13)	1,211	1,123
	<u>\$ 297,705</u>	<u>\$ 291,441</u>

**Liabilities**

Mortgages payable (Note 14)	\$ 205,484	\$ 195,385
Liabilities related to income producing properties held for sale (Note 5)	-	8,705
Mortgage bonds payable (Note 15)	21,578	20,379
Debentures payable (Note 16)	10,046	10,767
Notes payable (Note 17)	4,748	4,411
Bank indebtedness (Note 18)	5,961	4,592
Accounts payable and accrued liabilities	8,556	6,836
Income taxes payable	-	367
Future income tax liability (Note 19)	10,583	10,130
Below market leases (Note 20)	426	496
	<u>267,382</u>	<u>262,068</u>

Non-controlling interest in net assets (Note 21)	<u>2,459</u>	<u>374</u>
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**Shareholders' Equity**

Equity portion of convertible debt (Note 16)	161	195
Share capital (Note 22)	41,547	40,031
Contributed surplus (Note 23)	98	89
Deficit	(13,942)	(11,316)
	<u>27,864</u>	<u>28,999</u>
	<u>\$ 297,705</u>	<u>\$ 291,441</u>

Contingencies, commitments, guarantees, indemnities and litigation – see note 26.  
Subsequent events – see note 29.



Michael Zakuta, Director



Earl Brewer, Director

*See accompanying notes to the interim consolidated financial statements*

**Plazacorp Retail Properties Ltd.**  
**Interim Consolidated Statements of Deficit**  
**For the Six Months Ended June 30, 2009 and 2008 (unaudited)**  
**(In thousands of Canadian dollars)**

	<b>2009</b>	2008
		(restated – Note 2b)
Deficit, beginning of the period	<b>\$ (11,316)</b>	\$ (9,048)
Adjustment for change to accounting policy	<b>-</b>	(64)
As restated	<b>(11,316)</b>	(9,112)
Income and other comprehensive income	<b>1,781</b>	520
Dividends	<b>(4,407)</b>	(4,050)
Deficit, end of the period	<b>\$ (13,942)</b>	\$ (12,642)

*See accompanying notes to the interim consolidated financial statements*

**Plazacorp Retail Properties Ltd.**
**Interim Consolidated Statements of Income  
and Other Comprehensive Income  
for the Periods Then Ended  
(In thousands of Canadian dollars, except per  
share amounts)**

	<b>3 Months Ended June 30, 2009</b>	3 Months Ended June 30, 2008	<b>6 Months Ended June 30, 2009</b>	6 Months Ended June 30, 2008
		(restated – Note 2b)		(restated – Note 2b)
Rental revenues	\$ 11,878	\$ 11,453	\$ 23,475	\$ 22,624
Operating expenses	<u>5,090</u>	4,872	<u>10,127</u>	9,580
<b>Net property operating income</b>	<b>6,788</b>	6,581	<b>13,348</b>	13,044
Investment income	<u>341</u>	396	<u>670</u>	668
<b>Income from properties and investments</b>	<b>7,129</b>	6,977	<b>14,018</b>	13,712
Interest costs	<u>3,453</u>	3,514	<u>6,786</u>	7,069
<b>Income before undernoted</b>	<b>3,676</b>	3,463	<b>7,232</b>	6,643
Administrative expenses	257	263	537	540
Amortization	2,499	2,404	4,892	4,799
Capital taxes	<u>36</u>	71	<u>73</u>	143
<b>Income before undernoted gain on disposal of surplus lands and income producing properties, income taxes, and non-controlling interests</b>	<b>884</b>	725	<b>1,730</b>	1,161
Gain (loss) on disposal of surplus lands	(19)	(80)	23	(80)
Gain on disposal of income producing properties	<u>-</u>	-	<u>680</u>	-
<b>Income before undernoted income taxes, and non-controlling interests</b>	<b>865</b>	645	<b>2,433</b>	1,081
Income tax expense (Note 19)				
– current	15	15	30	30
– future	<u>61</u>	199	<u>453</u>	316
	<u>76</u>	214	<u>483</u>	346
<b>Income before non-controlling interests</b>	<b>789</b>	431	<b>1,950</b>	735
Non-controlling interests	<u>81</u>	115	<u>169</u>	215
<b>Income and other comprehensive income</b>	<b>\$ 708</b>	\$ 316	<b>\$ 1,781</b>	\$ 520
<b>Earnings per share – basic (Note 22c)</b>	<b>\$ 0.015</b>	\$ 0.007	<b>\$ 0.037</b>	\$ 0.011
<b>Earnings per share – diluted (Note 22c)</b>	<b>\$ 0.015</b>	\$ 0.007	<b>\$ 0.037</b>	\$ 0.011

*See accompanying notes to the interim consolidated financial statements*



**Plazacorp Retail Properties Ltd.**
**Interim Consolidated Statements of Cash Flows  
For the Periods Then Ended**
**(In thousands of Canadian dollars, except per  
share amounts)**
**3 Months  
Ended  
June 30,  
2009**
**3 Months  
Ended  
June 30,  
2008**
**6 Months  
Ended  
June 30,  
2009**
**6 Months  
Ended  
June 30,  
2008**

(restated – Note 2b)

(restated – Note 2b)

**Cash obtained from (used for):**
**Operating activities**

Income and other comprehensive income	\$ 708	\$ 316	\$ 1,781	\$ 520
Items not affecting cash:				
Non-cash investment income	(259)	(256)	(500)	(450)
Amortization (cash flow supplemental – Note I)	2,684	2,574	5,199	5,144
Loss (gain) on disposal of surplus lands (cash flow supplemental – Note II)	19	80	(23)	80
Gain on disposal of income producing properties	-	-	(680)	-
Stock option compensation	5	2	11	17
Interest relating to debenture accretion	8	10	16	20
Non-controlling interests	81	115	169	215
Future income taxes	61	199	453	316
Straight-line rent revenue	(361)	(270)	(564)	(517)
Tenant acquisition costs – existing properties	(398)	(153)	(484)	(312)
Tenant acquisition costs – redevelopment properties	(64)	(1,973)	(560)	(2,109)
Tenant acquisition costs – new developments	(2,007)	(1,248)	(2,312)	(2,029)
Change in non-cash working capital (cash flow supplemental – Note IV)	(893)	2,426	(744)	2,140
	<u>(416)</u>	<u>1,822</u>	<u>1,762</u>	<u>3,035</u>

**Financing activities**

Increase (decrease) in notes payable	(25)	2,673	338	3,433
Issue of common shares	-	185	33	399
Dividends/contributions paid by/received from subsidiaries to non-controlling interests	1,986	(44)	1,829	(200)
Dividends paid to shareholders (cash flow supplemental – Note V)	(1,771)	(1,811)	(3,713)	(3,377)
Net proceeds from bonds and debentures	1,178	(1)	1,180	(3)
Net proceeds from short term notes payable	-	(1)	-	3,482
Net proceeds from mortgage financing (cash flow supplemental – Note VI)	5,912	25,356	11,553	48,397
Mortgage payouts (cash flow supplemental – Note VII)	(476)	(11,274)	(476)	(29,290)
Periodic mortgage principal repayments (cash flow supplemental – Note VII)	(756)	(755)	(1,461)	(1,482)
	<u>6,048</u>	<u>14,328</u>	<u>9,283</u>	<u>21,359</u>

**Investing activities**

Developments and redevelopments (cash flow supplemental – Note IIIa)	(7,252)	(16,888)	(16,056)	(28,447)
Net proceeds from disposal of income producing properties and sale of surplus lands (cash flow supplemental – Note II)	(19)	1,540	3,849	1,540
Investments				
Bonds – contributions from bond fund	73	115	145	230
Contributions returned	-	-	(90)	-
Distributions received	168	377	585	683
Increase in notes receivable	(1,171)	-	(1,251)	-
Repayment of tenant loans	96	88	203	165
Issuance of tenant loans	(263)	(717)	(263)	(845)
Decrease (increase) in deposits for acquisition and financing	56	(16)	191	408
	<u>(8,312)</u>	<u>(15,501)</u>	<u>(12,687)</u>	<u>(26,266)</u>
<b>Net increase (decrease) in cash</b>	<b>(2,680)</b>	<b>649</b>	<b>(1,642)</b>	<b>(1,872)</b>
Cash less bank indebtedness, beginning of the year	(1,834)	(4,111)	(2,872)	(1,590)
<b>Cash less bank indebtedness, end of the year (see cash flow supplemental – Note VIII)</b>	<b>\$ (4,514)</b>	<b>\$ (3,462)</b>	<b>\$ (4,514)</b>	<b>\$ (3,462)</b>

*See accompanying notes to the interim consolidated financial statements*

**Plazacorp Retail Properties Ltd.**  
**Interim Consolidated Statements of Cash Flows – Supplemental Cash Flow Disclosure**  
**For the Periods Ended June 30, 2009 and June 30, 2008 (unaudited)**  
**(In thousands of Canadian dollars, except per share amounts)**

**I) Amortization**

	<b>3 Months Ended June 30, 2009</b>	3 Months Ended June 30, 2008	<b>6 Months Ended June 30, 2009</b>	6 Months Ended June 30, 2008
Amortization of income producing properties	\$ 1,198	\$ 1,171	\$ 2,342	\$ 2,285
Amortization of tenant acquisition costs	1,193	1,102	2,327	2,229
Amortization of intangible assets (excluding above-market tenant leases)	<b>108</b>	131	<b>223</b>	285
Amortization expense per the statement of income and other comprehensive income	<b>2,499</b>	2,404	<b>4,892</b>	4,799
Amortization of financing charges (included with interest costs)	<b>212</b>	200	<b>360</b>	406
Amortization of above/below market leases (included with revenue)	<b>(27)</b>	(30)	<b>(53)</b>	(61)
<b>Total amortization charged to income</b>	<b>\$ 2,684</b>	\$ 2,574	<b>\$ 5,199</b>	\$ 5,144

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

The Company disposed of a 75% interest in four income producing properties, 681 Mountain Rd., 201 Main Street, Robie Street Plaza and KGH Plaza, for net proceeds of \$12.4 million and an accounting gain of \$680 thousand. The purchaser assumed mortgages of \$8.7 million resulting in a net cash impact of \$3.8 million. The Company disposed of surplus land at Scott Street Plaza and development land to Plazacorp - Shediac Limited Partnership in Shediac, NB for net proceeds of \$2.5 million and an accounting gain of \$23 thousand. During the six months ended June 30, 2008, the Company disposed of surplus lands in New Minas, NS, which resulted in a loss on disposal of \$80 thousand.

**III) Acquisitions, Developments and Redevelopments**

*a) Cash and Non-Cash Additions*

	<b>3 Months Ended June 30, 2009</b>	3 Months Ended June 30, 2008	<b>6 Months Ended June 30, 2009</b>	6 Months Ended June 30, 2008
Gross additions from developments and redevelopments	\$ 9,721	\$ 20,262	\$ 19,412	\$ 32,897
Less: total tenant acquisition costs included in operating cash flow	<b>(2,469)</b>	(3,374)	<b>(3,356)</b>	(4,450)
<b>Cash additions from developments and redevelopments</b>	<b>\$ 7,252</b>	\$ 16,888	<b>\$ 16,056</b>	\$ 28,447

*b) Acquisitions and Discontinuance of Consolidation*

There were no acquisitions during the six months ended June 30, 2009 and the six months ended June 30, 2008.

**IV) Change in Non-Cash Working Capital**

	<b>3 Months Ended June 30, 2009</b>	3 Months Ended June 30, 2008	<b>6 Months Ended June 30, 2009</b>	6 Months Ended June 30, 2008
Receivables	\$ 1,306	\$ 566	\$ (58)	\$ (604)
Prepaid expenses and mortgage deposits	721	754	<b>(2,079)</b>	(1,453)
Accounts payable and accrued liabilities	<b>(2,477)</b>	1,441	<b>1,720</b>	4,494
Income taxes payable, net of refundable capital gains tax	<b>(443)</b>	(335)	<b>(327)</b>	(297)
<b>Total cash from change in non-cash working capital</b>	<b>\$ (893)</b>	\$ 2,426	<b>\$ (744)</b>	\$ 2,140

**Plazacorp Retail Properties Ltd.**  
**Interim Consolidated Statements of Cash Flows – Supplemental Cash Flow Disclosure**  
**For the Periods Ended June 30, 2009 and June 30, 2008 (unaudited)**  
**(In thousands of Canadian dollars, except per share amounts)**

**V) Dividends**

	<b>3 Months Ended June 30, 2009</b>	3 Months Ended June 30, 2008	<b>6 Months Ended June 30, 2009</b>	6 Months Ended June 30, 2008
Dividends declared during the year	\$ 2,214	\$ 2,041	\$ 4,407	\$ 4,050
Dividend reinvestment through reinvestment plan	(443)	(230)	(694)	(673)
Dividends paid in cash	\$ 1,771	\$ 1,811	\$ 3,713	\$ 3,377

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**

	<b>3 Months Ended June 30, 2009</b>	3 Months Ended June 30, 2008	<b>6 Months Ended June 30, 2009</b>	6 Months Ended June 30, 2008
Proceeds from development lines-of-credit	\$ 6,077	\$ 11,511	\$ 11,726	\$ 18,386
Proceeds from long-term mortgages	-	14,229	-	30,404
Gross mortgage proceeds	6,077	25,740	11,726	48,790
Less: financing charges incurred	(165)	(384)	(173)	(393)
Net proceeds from mortgage financing	\$ 5,912	\$ 25,356	\$ 11,553	\$ 48,397

**VII) Periodic Mortgage Principal Repayments**

	<b>3 Months Ended June 30, 2009</b>	3 Months Ended June 30, 2008	<b>6 Months Ended June 30, 2009</b>	6 Months Ended June 30, 2008
Gross mortgage repayments	\$ 1,232	\$ 12,028	\$ 10,625	\$ 30,772
Less: repayments at maturity	(476)	(11,273)	(9,164)	(29,290)
Periodic mortgage principal repayments	\$ 756	\$ 755	\$ 1,461	\$ 1,482

**VIII) Cash, less Bank Indebtedness**

	<b>2009</b>	2008
Cash	\$ 1,447	\$ 1,428
Bank indebtedness	(5,961)	(4,890)
Cash less bank indebtedness	\$ (4,514)	\$ (3,462)

**IX) Interest**

	<b>3 Months Ended June 30, 2009</b>	3 Months Ended June 30, 2008	<b>6 Months Ended June 30, 2009</b>	6 Months Ended June 30, 2008
Interest costs expensed	\$ 3,453	\$ 3,514	\$ 6,786	\$ 7,069
Plus: interest capitalized to properties	168	401	406	673
Less: amortization of finance charges	(212)	(200)	(360)	(406)
debenture accretion	(8)	(10)	(16)	(20)
Interest costs charged	3,401	3,705	6,816	7,316
Adjustment for accrued interest	(21)	44	52	(41)
Interest paid in cash	\$ 3,380	\$ 3,749	\$ 6,868	\$ 7,275

**X) Income and Capital Taxes**

	<b>3 Months Ended June 30, 2009</b>	3 Months Ended June 30, 2008	<b>6 Months Ended June 30, 2009</b>	6 Months Ended June 30, 2008
Income and capital taxes paid and received	\$ 495	\$ 419	\$ 430	\$ 467

**Plazacorp Retail Properties Ltd.**  
**Notes to the Interim Consolidated Statements**  
**For the Periods Ended June 30, 2009 (unaudited) and December 31, 2008**  
**(In thousands of Canadian dollars, except per share amounts)**

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**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) *Interim Financial Statements*

In the opinion of the Company the accompanying interim consolidated financial statements contain all the adjustments necessary to present fairly the financial position as at June 30, 2009 and December 31, 2008, and the results of operations for the six months ended June 30, 2009 and June 30, 2008 and the changes in cash flows for the six months then ended. While the Company believes that disclosures presented are adequate to make the information not misleading, it is suggested that these financial statements be read in conjunction with the audited financial statements and notes included in the Company's Annual Report for the fiscal year ended December 31, 2008.

The results of operations for the six months ended June 30, 2009 are not necessarily indicative of the results for the full year and are influenced by seasonal cost variances on properties with fixed common cost recovery formulas. The term "period" or "in the period" when used herein means the three month period then ended.

b) *Changes in Accounting Policies*

*Goodwill and Intangible Assets*

On January 31, 2008, the CICA issued a new accounting standard: Handbook Section 3064 *Goodwill and Intangible Assets*. Section 3064 replaced 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. The Company has applied this standard to the consolidated financial statements and there is no impact compared to prior periods.

*Financial Statement Concepts*

Handbook Section 1000, Financial Statement Concepts, has been amended and is effective for the year ending December 31, 2009. The Company no longer defers expenditures recoverable from tenants in the period in which they are incurred, unless they meet the criteria for an asset. The Company has applied this standard to the interim consolidated financial statements and the amended standard requires restatement of the prior period. The impact to the total assets in the December 31, 2008 consolidated balance sheet is a decrease of \$118 thousand. Opening retained earnings for 2008 was decreased by \$64 thousand due to the change in accounting policy. The interim consolidated statement of income and other comprehensive income for the period ending June 30, 2008 experienced a decrease of \$22 thousand to net income due to the amended standard. The net effect to the interim consolidated statement of deficit is a decrease of \$87 thousand. There was no net impact to the interim consolidated statement of cash flows for the period ending June 30, 2008 or December 31, 2008.

**Plazacorp Retail Properties Ltd.**  
**Notes to the Interim Consolidated Statements**  
**For the Periods Ended June 30, 2009 (unaudited) and December 31, 2008**  
**(In thousands of Canadian dollars, except per share amounts)**

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c) *Principles of Consolidation*

The interim 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.

d) *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.

e) *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.

f) *Future Accounting Policy Changes*

*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.

**Plazacorp Retail Properties Ltd.**  
**Notes to the Interim Consolidated Statements**  
**For the Periods Ended June 30, 2009 (unaudited) and December 31, 2008**  
**(In thousands of Canadian dollars, except per share amounts)**

**3. Income Producing Properties**

	June 30, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 58,382	\$ -	\$ 58,382	\$ 49,268	\$ -	\$ 49,268
Buildings	178,675	(22,257)	156,418	160,405	(20,169)	140,236
Tenant acquisition costs	47,388	(16,400)	30,988	45,244	(15,292)	29,952
Furnishings and equipment	1,139	(556)	583	1,079	(524)	555
Parking lot	7,169	(1,922)	5,247	6,860	(1,709)	5,151
Total income producing properties	\$ 292,753	\$ (41,135)	\$ 251,618	\$ 262,856	\$ (37,694)	\$ 225,162

**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 \$406 thousand of interest for the six months ended June 30, 2009 (for the year ended December 31, 2008 - \$1.2 million).

**5. Income Producing Properties Held for Sale**

For the year ended December 31, 2008, the Company segregated income producing properties held for sale for four income producing properties which a 75% interest was sold on January 22, 2009, resulting in an accounting gain of \$680 thousand.

**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 six months ended June 30, 2009 no impairment on surplus land was recognized (for the year ended December 31, 2008 - nil).

**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.

	June 30, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Above-market leases	\$ 357	\$ (264)	\$ 93	\$ 359	\$ (250)	\$ 109
Value of in place leases	2,030	(1,493)	537	2,093	(1,442)	651
Tenant relationships	1,901	(882)	1,019	1,934	(806)	1,128
Total intangible assets	\$ 4,288	\$ (2,639)	\$ 1,649	\$ 4,386	\$ (2,498)	\$ 1,888

**8. Notes Receivable**

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

**Plazacorp Retail Properties Ltd.**  
**Notes to the Interim Consolidated Statements**  
**For the Periods Ended June 30, 2009 (unaudited) and December 31, 2008**  
**(In thousands of Canadian dollars, except per share amounts)**

**9. Receivables**

Receivables consist of the following:

	June 30, 2009	December 31, 2008
Tenant accounts receivable	\$ 284	\$ 379
Excise tax	58	219
Other receivables	898	584
<b>Total receivables</b>	<b>\$ 1,240</b>	<b>\$ 1,182</b>

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 June 30, 2009 is \$42 thousand (December 31, 2008 - \$15 thousand). This amount is deducted from tenant accounts receivable.

**10. 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%.

**11. Prepaid Expenses and Deposits**

Prepaid expenses and deposits consist of the following:

	June 30, 2009	December 31, 2008
Prepaid expenses	\$ 4,747	\$ 1,326
Deposits for acquisitions and financing	270	462
Deposits, primarily property tax escrows under mortgage agreements	181	1,522
<b>Total prepaid expenses and deposits</b>	<b>\$ 5,198</b>	<b>\$ 3,310</b>

**12. Investments**

Investments consist of the following:

	Ownership Position	Preferred Return	Residual Return	June 30, 2009	December 31, 2008
<b>Equity Accounted Investments</b>					
Centennial Plaza Limited Partnership	10%	10%	20%	\$ 489	\$ 521
MDO Limited Partnership	20%	10%	30%	433	441
Village Shopping Centre Limited Partnership	19.2%	8%	50%	887	1,051
Trois Rivieres Limited Partnership	15%	10%	30%	238	310
Shediac Limited Partnership	10%	8%	50%	191	-
				<b>2,238</b>	<b>2,323</b>
<b>Cost Accounted Investments</b>					
Northwest Plaza Commercial Trust	10%	-	-	260	170
				<b>2,498</b>	<b>2,493</b>
<b>Held to Maturity Investments<sup>(1)</sup></b>					
	<b>Maturity Dates</b>				
Bonds and cash – substituted for mortgage security	Sept 1/09 – Dec 15/11	Effective Interest Rate		2,347	2,416
Bonds and cash – substituted for mortgage security	Sept 1/09 – Dec 1/09	4.68%		1,651	1,727
				<b>3,998</b>	<b>4,143</b>
<b>Total investments</b>				<b>\$ 6,496</b>	<b>\$ 6,636</b>

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

**Plazacorp Retail Properties Ltd.**  
**Notes to the Interim Consolidated Statements**  
**For the Periods Ended June 30, 2009 (unaudited) and December 31, 2008**  
**(In thousands of Canadian dollars, except per share amounts)**

Bonds are made up of Government of Canada Bonds totaling \$4.0 million (December 31, 2008 - \$4.0 million) with yields between 2.75% and 5.50% respectively. The balance of \$79 thousand (December 31, 2008 - \$134 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.

**13. Deficits of Subsidiaries**

Deficits of subsidiaries consist of the following:

	<b>June 30, 2009</b>	December 31, 2008
Granville Street Properties Limited Partnership	\$ 350	\$ 352
Wildan Properties Limited Partnership	861	771
<b>Total deficits of subsidiaries</b>	<b>\$ 1,211</b>	<b>\$ 1,123</b>

For the six months ended June 30, 2009 the excess of distributions for Spring Park Plaza Inc. exceeded underlying contractual guarantees by \$5 thousand (for the year ended December 31, 2008 - \$7 thousand was charged to consolidated net income). The minority partners are required to fund any deficit if required by secured lenders under the terms of a guarantee agreement.

**14. Mortgages Payable**

<b>As at</b>	<b>Rate Range</b>	<b>Weighted Average</b>	<b>Maturity Dates</b>	<b>June 30, 2009</b>	December 31, 2008
Fixed rate loans	5.12% - 8.46%	6.38%	Up to Aug 2023	\$ 156,729	\$ 158,649
Less: unamortized finance charges				(2,455)	(2,686)
				<b>154,274</b>	155,963
Other fixed rate loans	10.00%	10.00%	December 31, 2009	1,358	1,358
Total net fixed rate mortgage loans				<b>155,632</b>	157,321
Variable rate loans - development line of credit	Prime plus 5/8%		July 31, 2010	30,566	25,219
- development line of credit	Prime plus 1/2%		August 31, 2009	10,314	4,623
- development line of credit	BA plus 175		March 31, 2010	8,983	8,295
Less: unamortized finance charges				(11)	(73)
Total net variable rate loans				<b>49,852</b>	38,064
<b>Net mortgages payable</b>				<b>\$ 205,484</b>	<b>\$ 195,385</b>

All mortgages are secured by charges against specific assets. For details on annual principal repayments, see note 26b Commitments. 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. Subsequent to quarter end, the \$35 million development line was renewed at an amount of \$27.5 million and additional property specific development lines totaling \$9.9 million and \$9.6 million were negotiated, and expire on July 31, 2010. 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 June 30, 2009 the Company is in compliance with all covenants.



**Plazacorp Retail Properties Ltd.**  
**Notes to the Interim Consolidated Statements**  
**For the Periods Ended June 30, 2009 (unaudited) and December 31, 2008**  
**(In thousands of Canadian dollars, except per share amounts)**

**15. Mortgage Bonds Payable**

Mortgage bonds payable are secured by the following properties:

	June 30, 2009					December 31,
	Series II	Series III	Series IV	Series V	Total	2008 Total
Starrs Road Plaza, Yarmouth, NS, 2 <sup>nd</sup> Mortgage	\$ -	\$ 1,250	\$ -	\$ -	\$ 1,250	\$ 1,250
Power Center-Phase 2, Miramichi, NB, 2 <sup>nd</sup> Mortgage	520	-	-	-	520	533
Kenmount Road Plaza, St John's, NL, 2 <sup>nd</sup> Mortgage	1,107	-	-	-	1,107	1,107
Grand Falls Shopping Mall, Grand Falls, NB, 2 <sup>nd</sup> Mortgage	-	6,250	-	-	6,250	6,250
LeMarchant Road Plaza, St. John's, NL, 1 <sup>st</sup> Mortgage	1,257	-	-	-	1,257	1,257
Victoria Street Plaza, Edmundston, NB, 1 <sup>st</sup> Mortgage	1,641	-	-	-	1,641	1,641
Commercial Street-Phase 2, New Minas, NS, 1 <sup>st</sup> Mortgage	408	-	-	-	408	395
Bedford Commons Plaza, Bedford, NS, 2 <sup>nd</sup> Mortgage	-	-	1,158	-	1,158	1,243
Airport Boulevard, Gander, NL, 2 <sup>nd</sup> Mortgage	680	-	-	-	680	680
Main & Sackville, Shediac, NB, 2 <sup>nd</sup> Mortgage	-	-	278	-	278	278
Fairville Boulevard, Saint John, NB, 2 <sup>nd</sup> Mortgage	185	-	-	-	185	422
LPC, Rouyn-Noranda, QC, 2 <sup>nd</sup> Mortgage	295	-	-	-	295	295
Granite Drive, New Minas, NS, 2 <sup>nd</sup> Mortgage	-	-	1,154	-	1,154	2,245
Wilson & Dufferin (Perth), Perth, ON, 2 <sup>nd</sup> Mortgage	-	-	-	-	-	514
Plaza Royale, Shawinigan, QC, 2 <sup>nd</sup> Mortgage	1,925	-	-	-	1,925	1,925
Fairville Boulevard – Phase 2, Saint John, NB, 2 <sup>nd</sup> Mortgage	1,982	-	-	-	1,982	465
Boulevard Hebert Plaza, Edmundston, NB, 1 <sup>st</sup> Mortgage	-	-	-	1,185	1,185	-
Miramichi West, Miramichi, NB, 1 <sup>st</sup> Mortgage	-	-	410	-	410	-
Gross mortgage bonds outstanding	\$ 10,000	\$ 7,500	\$ 3,000	\$ 1,185	\$ 21,685	\$ 20,500
Less: unamortized finance charges					(107)	(121)
Net mortgage bonds outstanding					\$ 21,578	\$ 20,379

	Series II	Series III	Series IV	Series V
Interest Rate	8.5%	8.0%	7.5%	8.0%
Company's Next Redemption Date	N/A	April 26, 2010	April 25, 2010	-
Maturity Date				
Tranche 1	March 31, 2010	May 26, 2011	June 30, 2012	June 4, 2016
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 for Series II, III and IV.

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**16. Debentures Payable and Equity Portion of Convertible Debt**

Debentures payable consist of the following:

	<b>June 30, 2009</b>				December 31, 2008	
	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Debt Component Outstanding</b>	<b>Value of Option to Convert</b>	Debt Component Outstanding	Value of Option to Convert
Convertible						
Series III	April 30, 2009	8.5%	\$ -	\$ -	\$ 754	\$ 37
Series IV	July 31, 2011	7.0%	<b>4,949</b>	<b>161</b>	4,933	158
Total convertible debentures			<b>4,949</b>	<b>161</b>	5,687	195
Non convertible debentures	July 31, 2010 – February 24, 2011	8.0%	<b>5,159</b>	-	5,159	-
Gross debentures			<b>10,108</b>	<b>161</b>	10,846	195
Less: unamortized finance charges			<b>(62)</b>	-	(79)	-
Net debentures			<b>\$ 10,046</b>	<b>\$ 161</b>	\$ 10,767	\$ 195

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

	<b>Series III</b>	<b>Series IV</b>
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 June 30, 2009	Nil	\$ 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 six months ended June 30, 2009 holders of \$755 thousand (for the year ended December 31, 2008 - \$1.02 million) of convertible debentures at face value exercised their option to convert to common shares. Of this amount \$34 thousand (for the year ended December 31, 2008 - \$46 thousand) was recorded as a reduction to the original equity component and \$754 thousand (for the year ended December 31, 2008 - \$1.01 million) was recorded as a reduction to the debt component; consistent with the original equity and debt ratio. A total of 472 thousand (for the year ended December 31, 2008 – 638 thousand) common shares were issued on these conversions.

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**17. Notes Payable**

Notes payable consists of the following:

	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>June 30, 2009</b>	<b>December 31, 2008</b>
<b>Interest bearing notes:</b>				
Les Immeubles Plaza Z-Corp Inc. and related entities controlled by Michael Zakuta, President, CEO and Director of the Company	(1)	Prime plus 1% - 8.0%	\$ 1,667	\$ 617
Maritime Helicopters Ltd. and Digby Investments Inc. controlled by Earl Brewer, Chairman and Director of the Company	(1)	7.5-8.0%	1,137	-
<b>Non-interest bearing notes:</b>				
Various companies owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President, CEO and Director of the Company	(1)	n/a	264	264
Promissory notes – asset purchases		n/a	1,500	3,400
Unrelated parties and non-controlling interests	(1)	n/a	180	130
<b>Total notes payable</b>			<b>\$ 4,748</b>	<b>\$ 4,411</b>

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

For the six months ended June 30, 2009 the Company expensed \$42 thousand (for the year ended December 31, 2008 - \$79 thousand) in related party interest.

**18. 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.

**19. Income Taxes**

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.

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:

<b>Year</b>	<b>Consolidated Subsidiaries</b>	<b>Plazacorp Retail Properties Ltd.</b>	<b>Total</b>
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
<b>Total</b>	<b>\$ 12,006</b>	<b>\$ 3,421</b>	<b>\$ 15,427</b>

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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 \$319 thousand in refundable capital gains tax in 2009 and triggered refunds of \$301 thousand from the payment of capital gains dividends. As at June 30, 2009, the Company has a refundable capital gains balance of \$18 thousand (December 31, 2008 - \$196 thousand).

**20. Below Market Leases**

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

	June 30, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Below market leases	\$ 1,080	\$ (654)	\$ 426	\$ 1,100	\$ (604)	\$ 496

**21. Non-Controlling Interest in Net Assets**

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

	June 30, 2009	December 31, 2008
Dufferin & Wilson (Perth)	\$ 328	\$ 346
Exhibition Plaza Inc.	44	28
SDM-1 Ontario Limited Partnership	2,087	-
Total non-controlling interest in net assets	\$ 2,459	\$ 374

**22. 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*

	June 30, 2009		December 31, 2008	
	Shares	Amounts	Shares	Amounts
Common shares outstanding, beginning of the year	47,304	\$ 40,031	45,867	\$ 36,932
Issuance of common shares:				
Shares issued through exercise of stock options	20	35	366	650
Shares issued through dividend reinvestment plan	295	694	432	1,400
Shares issued through debt conversion				
- face value debentures	472	755	638	1,020
- accumulated interest accretion	-	32	-	29
Common shares outstanding, end of the year	48,091	\$ 41,547	47,303	\$ 40,031

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

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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 June 30, 2009 no shareholder had redeemed shares under the mutual fund corporation provisions.

Pursuant to the Company's Dividend Reinvestment Plan, during the six months ended June 30, 2009 shareholders were issued 296 thousand shares at a weighted average price of \$2.34 per share (for the year ended December 31, 2008 – 433 thousand shares at a weighted average of \$3.23 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 June 30, 2009 Series IV debentures totalling \$5.0 million which equates to 1.25 million shares were anti-dilutive as were Series IV and Series V stock options (December 31, 2008 \$5.0 million in debentures which equates to 1.25 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:

<b>For the Periods then Ended</b>	<b>3 Months Ended June 30, 2009</b>	3 Months Ended June 30, 2008	<b>6 Months Ended June 30, 2009</b>	6 Months Ended June 30, 2008
Basic weighted average shares outstanding	<b>47,983</b>	46,697	<b>47,807</b>	46,504
Effect of dilutive stock options	<b>142</b>	398	<b>164</b>	412
Weighted average number of diluted shares	<b>48,125</b>	47,095	<b>47,971</b>	46,916
Income and other comprehensive income	<b>\$ 708</b>	\$ 316	<b>\$ 1,781</b>	\$ 520

**23. 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.

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

	<b>Directors Options</b>		<b>Employees Options</b>	
	<b>June 30, 2009</b>	December 31 2008	<b>June 30, 2009</b>	December 31, 2008
Options outstanding, start of the year	<b>120</b>	180	<b>669</b>	975
Options granted	-	-	-	-
Options expired	-	-	-	-
Options exercised	-	(60)	<b>(20)</b>	(306)
Options outstanding, end of the year	<b>120</b>	120	<b>649</b>	669
Outstanding options that are exercisable	<b>40</b>	40	<b>616</b>	636

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Details of options outstanding are as follows:

	<b>Series III</b>	<b>Series IV</b>	<b>Series V</b>
Exercise price	\$1.72 & \$1.85	\$2.75	\$4.36
Options outstanding	564	85	120
Expiry date	February 2, 2010 & April 14, 2010	April 11, 2011	May 6, 2012
Options exercisable	564	52	40
Compensation expensed for options not exercised as at June 30, 2009	\$32 thousand	\$22 thousand	\$44 thousand
Compensation expensed for options not exercised as at December 31, 2008	\$33 thousand	\$21 thousand	\$35 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 \$98 thousand (for the year ended December 31, 2008 - \$89 thousand). This amount is included in Contributed Surplus. The Company recorded \$5 thousand in compensation expense related to stock options for the six months ended June 30, 2009 (for the year ended December 31, 2008 - \$31 thousand).

#### **24. Related Party Transactions**

Effective March 30, 2009 a new five year management agreement commenced between Plaza Group Management Limited and Plazacorp. Under this agreement, Plaza Group Management Limited provides property management and corporate management services to Plazacorp. In Quebec, staff of Les Immeubles Plaza Z-Corp Inc. handle management duties under contract with Plazacorp.

Plaza Group Management 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.

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 2009 and 2008.

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. The basis of fee payment under the new management agreement, effective March 30, 2009, is as follows:

<b>Plaza Group Management Limited fee structure</b>	
Property Management	3% of gross rents paid.
Corporate Management	¾% of gross rents paid.
Leasing	4% of rental revenue per year for first five years of 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.

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For the period January 1 through March 29, 2009 management services were provided by Plaza Atlantic Limited and Les Immeubles Plaza Z-Corp Inc and for March 30, 2009 forward management services have been provided by Plaza Group Management Limited and Les Immeubles Plaza Z-Corp. The following amounts were charged under the contracts:

<b>Fee Category</b>	<b>Included for Reporting Purposes In</b>	<b>June 30, 2009</b>	<b>June 30, 2008</b>
Management fees	Property operating expenses	\$ 794	\$ 817
Leasing fees	Tenant acquisition costs and property operating expense	552	457
Development fees	Income producing properties	510	350
Financing fees	Income producing properties and debt	-	213
Acquisition fees	Income producing properties	19	117
Disposition fees	Gain on disposal of income producing properties or surplus lands	189	-
Legal services	Varies based on service provided	221	372
<b>Total fees billed by the Property Managers</b>		<b>\$ 2,285</b>	<b>\$ 2,326</b>

During the six months ended June 30, 2009 the Company paid \$44 thousand (for the year ended December 31, 2008 - \$53 thousand) to Plaza Atlantic Ltd., Plaza Group Management Limited 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:

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Included with accounts payable and accrued liabilities – Plaza Atlantic Limited	\$ 85	\$ 1
Included with accounts payable and accrued liabilities – Plaza Group Management Ltd.	5	-

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

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Richard Hamm, Director	\$ 775	\$ 775
Michael Zakuta, Director	1,300	1,200
Edouard Babineau, Director	850	700
Earl Brewer, Director	788	438
Stephen Johnson, Director	1,220	1,220
Barbara Trenholm, Director	364	364
<b>Total related party mortgage bonds and debentures held</b>	<b>\$ 5,297</b>	<b>\$ 4,697</b>

For the six months ended June 30, 2009 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 applicable 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.

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**25. 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 24.6% 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:

Province	Rental Revenue		Net Property Operating Income		Total Assets	
	6 Months Ended June 30, 2009	6 Months Ended June 30, 2008	6 Months Ended June 30, 2009	6 Months Ended June 30, 2008	As At June 30, 2009	As At June 30, 2008
	New Brunswick	\$ 9,971	\$ 9,641	\$ 5,143	\$ 5,117	\$ 130,707
Nova Scotia	4,990	5,072	2,957	3,090	73,870	72,900
Quebec	4,485	4,227	2,530	2,281	38,776	38,940
Prince Edward Island	1,957	1,986	1,285	1,311	11,448	11,629
Newfoundland and Labrador	1,065	852	660	571	15,934	16,043
Ontario	1,007	846	773	674	26,970	18,264
<b>Total</b>	<b>\$ 23,475</b>	<b>\$ 22,624</b>	<b>\$ 13,348</b>	<b>\$ 13,044</b>	<b>\$ 297,705</b>	<b>\$ 291,441</b>

**26. 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 June 30, 2009 \$500 thousand (December 31, 2008 - \$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 June 30, 2009 \$461 thousand (December 31, 2008 - \$213 thousand) of such 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 June 30, 2009, \$417 thousand (December 31, 2008 - \$534 thousand) of such letters-of-credit were issued and outstanding reducing the available line to \$7.7 million.



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b) *Commitments*

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

	Remainder 2009	Year 1 2010	Year 2 2011	Year 3 2012	Year 4 2013	Year 5 2014	After 5 Years	Face Value Total	Carrying Amount Total
Mortgages – Periodic Principal	\$ 1,590	\$ 3,149	\$ 3,194	\$ 3,077	\$ 2,942	\$ 2,324	\$ 7,958	\$ 24,234	\$ 24,233
Mortgages – Due at Maturity	1,358	2,228	2,684	13,169	11,110	23,890	75,920	130,359	127,905
Mortgages – Funded by Defeasance <sup>(1)</sup>	1,564	-	-	1,930	-	-	-	3,494	3,494
Development line-of-credits	40,880	8,983	-	-	-	-	-	49,863	49,852
Mortgage Bonds Payable	-	10,000	7,500	3,000	-	-	1,185	21,685	21,578
Debentures	-	5,159	5,000	-	-	-	-	10,159	10,046
Operating land leases <sup>(2)</sup>	819	2,567	2,557	2,501	2,511	2,595	133,528	147,078	147,078
Development activities	7,778	-	-	-	-	-	-	7,778	7,778
<b>Total contractual obligations</b>	<b>\$ 53,989</b>	<b>\$ 32,086</b>	<b>\$ 20,935</b>	<b>\$ 23,677</b>	<b>\$ 16,563</b>	<b>\$ 28,809</b>	<b>\$ 218,591</b>	<b>\$ 394,650</b>	<b>\$ 391,964</b>

(1) *Mortgages maturing but secured by bond investments, see note 12.*

(2) *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 June 30, 2009 is \$15.2 million (December 31, 2008 – \$15.5 million) with a weighted average remaining term of 3.2 years (December 31, 2008 – 3.7 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 June 30, 2009 the Village Shopping Centre Limited Partnership has borrowed \$22.3 million of the \$24.0 million line-of-credit. The remaining budgeted development costs are \$3.0 million (December 31, 2008 - \$1.7 million) and the Company's current exposure under their guarantee is estimated to be \$1.3 million (December 31, 2008 – 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, 2008 - \$3.3 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 June 30, 2009 the total exposure on the cross-guarantee is \$711 thousand (December 31, 2008 - \$730 thousand).

d) *Litigation*

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

**27. 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:

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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 classified its fixed rate financial assets and liabilities as held-to-maturity. 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 June 30, 2009 if applied to all outstanding float rate instruments would increase interest expense and decrease pre-tax earnings in the annual amount of \$474 thousand. A change in interest rates at June 30, 2009 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 2008.

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 92.8% 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 \$486 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 26c 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:

<b>Carrying Amount</b>	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Held-to-maturity investments	\$ 3,998	\$ 4,143
Tenant loans, straight line rent, receivables and note receivables	9,088	7,814
Cash and cash equivalents	1,447	1,720
	<b>\$ 14,533</b>	<b>\$ 13,677</b>

The Company's most significant customer, a national retailer, accounts for the \$2.1 million of tenant loans as at June 30, 2009 (December 31, 2008 - \$2.4 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 14, 15, 16, 17, and 18. The Company's liquidity management strategy includes accessing

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development and operating lines of credit as necessary to fulfill financial commitments. Currently development lines totaling \$46.3 million have been renegotiated and development lines totaling \$10.3 million maturing on August 31, 2009 are under negotiations. 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 are 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 the fair value of mortgages are corresponding term Government of Canada Bonds plus credit spreads of 3.50% to 3.90%. The rates used to determine the fair value of mortgage bonds and debentures range from 7.5% and 8.25%. See note 26 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 26c).

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 June 30, 2009, the recorded value of the Company's long-term debt exceeds the fair value by \$6.1 million (fair value exceeded recorded value by \$4.0 million at December 31, 2008).

As at June 30, 2009, the fair value of the Company's investment in Government of Canada Bonds of \$4.0 million (\$4.1 million - December 31, 2008) exceeded its recorded value by \$110 thousand (\$154 thousand - December 31, 2008). The Company had no exposure to financial hedges or embedded derivatives as at June 30, 2009.

## **28. 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; maintenance of 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 six months ended June 30, 2009.

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The calculation of the total capital is summarized as follows:

<b>Capital</b>	<b>Book Value June 30, 2009</b>	<b>Fair Value June 30, 2009</b>	<b>Book Value December 31, 2008</b>	<b>Fair Value December 31, 2008</b>
Total net fixed rate mortgage loans	\$ 155,632	\$ 149,505	\$ 157,321	\$ 153,985
Total net fixed rate mortgages - properties held for sale	-	-	8,705	8,049
Total net variable rate loans	49,852	49,852	38,064	38,064
Mortgage Bonds Payable	21,578	21,693	20,379	20,525
Debentures Payable	10,046	10,093	10,767	10,832
Notes Payable	4,748	4,748	4,411	4,411
	<b>241,856</b>	<b>235,891</b>	239,647	235,866
Shareholders Equity	27,864	-	28,999	-
<b>Total Capital</b>	<b>\$ 269,720</b>	<b>\$ 235,891</b>	<b>\$ 268,646</b>	<b>\$ 235,866</b>

## **29. Subsequent Events**

### *Dispositions*

The Company sold land in Sussex, NB for \$190 thousand resulting in an accounting loss of \$41 thousand.

### *Financing*

The Company obtained long term mortgage financing of \$13.5 million with a 5 year term at 6.77% for eight properties. The Company also obtained long term financing of \$3.9 million with a term of 15 years at 7.0%.

The \$15 million chartered bank development line was extended until August 31, 2009 at the existing rate and covenants.

The \$35 million chartered bank development line has been renegotiated and the line split into facilities of \$27.5 million, \$9.9 million and \$9.6 million to be effective August 1, 2009. The lines have a maturity of July 31, 2010 and a rate of prime plus 2%.

### *Stock Options*

21 thousand options were exercised and converted to 21 thousand shares for \$36 thousand in cash consideration.

## **30. Comparative Figures**

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

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