



PLAZACORP RETAIL
PROPERTIES LTD.

QUARTERLY REPORT

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE NINE MONTH PERIODS ENDED
SEPTEMBER 30, 2008 AND 2007**

DATED: NOVEMBER 17, 2008

TABLE OF CONTENTS

PART I

Forward-Looking Disclaimer	1
Explanation of Non-GAAP Measures Used in this Document	1

PART II PERFORMANCE SUMMARY

Performance Summary	2
Property and Corporate Performance 2008 and 2007	3
Funds from Operations (FFO) & Earnings before Interest, Taxes, Depreciation & Amortization (EBITDA).....	3
Transactions.....	4
Same-Asset Net Property Operating Income	5
Same-Asset Net Property Operating Income Excluding Non Cash Revenue	6
Outlook	8
Supplemental Disclosure – Funds From Operations (FFO).....	9
Overview of the Business	10
Business Environment	10
Strategy.....	10
Key Performance Drivers and Indicators.....	11
Properties of the Company	12

PART III

Summary of Annual Information.....	14
Summary of Selected Quarterly Information.....	15

PART IV

Operating Liquidity and Working Capital	16
Capital Resources, Equity and Debt Activities	16
Commitments and Contingent Liabilities	18

PART V

Risks and Uncertainties	19
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PART VI

Shares Outstanding	21
Related Party Transactions	21
Disclosure Controls and Procedures and Internal Controls Over Financial Reporting.....	23
Critical Accounting Policies	24
Other	25

INTERIM CONSOLIDATED FINANCIAL STATEMENTS	26
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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 nine months ended September 30, 2008 should be read in conjunction with the Company's Interim Consolidated Financial Statements and the notes thereto for the nine months ended September 30, 2008, along with the MD&A for the twelve months ended December 31, 2007, including the section on "Risks and Uncertainties", and with the Consolidated Financial Statements and the notes thereto for the twelve months ended December 31, 2007. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information contained in this MD&A contains forward-looking statements, based on the Company's estimates and assumptions, which are subject to risks and uncertainties. This may cause the actual results and performance of the Company to differ materially from the forward looking statements contained in this MD&A. Such factors include, but are not limited to, economic and competitive real estate conditions. These forward-looking statements are made as of November 17, 2008 and Plazacorp assumes no obligation to update or revise them to reflect new events or circumstances, except for forward-looking information disclosed in a prior MD&A which, in light of intervening events, requires further explanation to avoid being misleading.

This MD&A has been reviewed and approved by management of the Company, and the Board of Directors.

EXPLANATION OF NON-GAAP MEASURES USED IN THIS DOCUMENT

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

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

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

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

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

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

PART II 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 details these statistics for the nine and three months ended September 30, 2008 compared to the nine and three months ended September 30, 2007.

Funds From Operations (FFO)	<ul style="list-style-type: none">➤ For the nine months ended September 30, 2008 FFO was \$9.1 million or 19.4¢ per share (19.2¢ diluted) compared to \$7.7 million or 17.6¢ (17.2¢ diluted) for the nine months ended September 30, 2007 a 18.3% increase on a dollar basis and 10.2% increase on a per share basis.➤ For the three months ended September 30, 2008 FFO was \$3.3 million or 7.1¢ per share (7.0¢ diluted) compared to \$2.5 million or 5.7¢ (5.5¢ diluted) for the nine months ended September 30, 2007 a 32.8% increase on a dollar basis and 24.6% increase on a per share basis.
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	<ul style="list-style-type: none">➤ For the nine months ended September 30, 2008 EBITDA was up \$3.3 million representing 19.4% growth over the nine months ended September 30, 2007.➤ For the three months ended September 30, 2008 EBITDA was up \$1.3 million representing 22.8% over the three months ended September 30, 2007.
Debt Service Ratios	<ul style="list-style-type: none">➤ For the nine months ended September 30, 2008 the Interest Coverage Ratio and the Debt Service Coverage ratio were unchanged when compared to the nine months ended September 30, 2007 at 1.9 and 1.5 times.➤ For the three months ended September 30, 2008 the Interest Coverage Ratio was up 0.1 times to 1.9 times and the Debt Service Coverage ratio was up 0.1 times to 1.6 times compared to the three months ended September 30, 2007.
Same-Asset Net Property Operating Income	<ul style="list-style-type: none">➤ For the nine months ended September 30, 2008 Same-Asset net property operating income excluding non-cash items was up by \$21 thousand over the nine months ended September 30, 2007.➤ For the three months ended September 30, 2008 Same-Asset net property operating income excluding non-cash items was down \$51 thousand over the three months ended September 30, 2007.
Weighted Average Cost of Debt	<ul style="list-style-type: none">➤ As at September 30, 2008 the weighted average effective cost of mortgage debt dropped 16 basis points from 6.58% to 6.42% compared to September 30, 2007, resulting from favorable rates on new mortgage financings.
Occupancy Levels	<ul style="list-style-type: none">➤ As at September 30, 2008 overall occupancy increased to 97.4% from 97.0% compared to September 30, 2007. Overall the portfolio is stable.

Plazacorp Retail Properties Ltd.

PROPERTY AND CORPORATE PERFORMANCE 2008 AND 2007

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

➤ KEY PERFORMANCE INDICATOR

Plazacorp's summary of FFO for the three and nine months ended September 30, 2008, compared to the three and nine months ended September 30, 2007, including the results of discontinued operations, are presented below:

(000's – except per share amounts) For the Periods Ended	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Total revenues	\$ 12,144	\$ 10,321	\$ 35,436	\$ 29,993
Basic earnings per share	\$ 0.085	\$ 0.016	\$ 0.097	\$ 0.090
Diluted earnings per share	\$ 0.082	\$ 0.016	\$ 0.095	\$ 0.089
Net income and comprehensive income	\$ 3,971	\$ 704	\$ 4,515	\$ 3,935
Gain on disposals of income producing properties and sale of surplus lands	(4,176)	(831)	(4,096)	(3,619)
Income tax expense	1,077	504	1,437	886
Income tax expense (recovery) included in income from discontinued operations	-	(2)	-	10
Amortization	2,498	2,142	7,297	6,325
Amortization included in income from discontinued operations	-	-	-	85
Non-controlling interests	129	90	345	260
Interest costs	3,862	3,389	10,932	9,112
Interest costs included in income from discontinued operations	-	-	-	115
Earnings before interest, taxes, depreciation and amortization (EBITDA)	7,361	5,996	20,430	17,109
Less:				
Interest costs	(3,862)	(3,389)	(10,932)	(9,227)
Current income tax expense	(15)	(10)	(45)	(15)
Non-cash debenture interest	10	12	30	52
Non-controlling interest adjustment to FFO	(290)	(217)	(821)	(628)
Equity accounting adjustment to FFO	141	129	420	398
Corporate amortization	(6)	(8)	(17)	(23)
Basic FFO	3,339	2,513	9,065	7,666
Interest on dilutive convertible debentures before income tax	21	39	62	116
Diluted FFO	\$ 3,360	\$ 2,552	\$ 9,127	\$ 7,782
Basic Weighted Average Shares Outstanding	46,867	44,287	46,626	43,570
Basic FFO per share	\$ 0.071	\$ 0.057	\$ 0.194	\$ 0.176
Diluted FFO per share	\$ 0.070	\$ 0.055	\$ 0.192	\$ 0.172

➤ KEY PERFORMANCE INDICATOR

Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 7,361	\$ 5,996	\$ 20,430	\$ 17,109
Interest costs – including financing costs in discontinued operations	\$ 3,862	\$ 3,389	\$ 10,932	\$ 9,227
Periodic mortgage principal repayments	880	613	2,361	1,911
Total debt service	\$ 4,742	\$ 4,002	\$ 13,293	\$ 11,138
Debt coverage ratios				
Interest coverage ratio	1.9 times	1.8 times	1.9 times	1.9 times
Debt service coverage ratio	1.6 times	1.5 times	1.5 times	1.5 times

See also supplemental disclosure – Funds From Operations (FFO) – Page 9 of this MD&A

Plazacorp Retail Properties Ltd.

The nine months ended September 30, 2008 was active with the Company making \$42.3 million of property investments, including \$35.2 million invested in new developments. The Company continues its significant development and redevelopment program, adding high quality assets to the portfolio. As at September 30, 2008 there were 6 properties under development and 2 land assemblies in progress. Upon completion, these new assets should contribute positively to income and FFO growth.

Funds from Operation increased to \$9.1 million (19.4¢ per share) for the nine months ended September 30, 2008 from \$7.7 million (17.6¢ per share), a \$1.4 million (18.3 %) increase over the nine months ended September 30, 2007. The increase is primarily due to the incremental FFO of \$1.29 million from the 16 properties which transferred to IPP during 2007 and \$181 thousand from the additional 8 new properties in 2008. Negative contributors to the variance are \$117 thousand in FFO from properties which were sold in Q1 2007, and a \$179 thousand in lease termination fees from 2007. The change in FFO was positively impacted by a \$220 thousand third party mortgage substitution which occurred in the third quarter of 2007. The sale of Tacoma resulted in approximately \$32 thousand less in FFO for the final month of Q3 2008.

Funds from Operation increased by \$827 thousand for the three months ended September 30, 2008 when compared to the prior year's third quarter. In addition to the impact of \$365 thousand from the properties which transferred to IPP in 2007 and \$54 thousand from the properties which transferred to IPP in 2008, the FFO change in the quarter end is also impacted by the \$220 thousand third party mortgage substitution and the impact from the sale of the 50% interest in Tacoma, as noted above.

For the nine months ended September 30, 2008 EBITDA grew \$3.3 million or 19.4% over the nine months ended September 30, 2007. This growth results from the full impact of earnings from the addition of 16 new properties through development during 2007. EBITDA growth is consistent with expectations and indicative of the Company's continued ability to service its debt.

The Debt service ratios derived from EBITDA are acceptable and exceed the requirements under our borrowing arrangements.

TRANSACTIONS

The following table includes properties that were developed or acquired subsequent to January 1, 2007 and became income producing properties as noted. Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the entire nine months ended September 30, 2008 and the entire twelve months ended December 31, 2007 and excludes partial year results from assets included in the 2008 and 2007 transaction categories below and properties under significant redevelopment during 2008 and 2007.

2008 Transactions				Income Producing During
Property	Property Type	Square Footage	Ownership	
Plaza BBRF, Sherbrooke, QC	Strip Plaza	20,630	50%	Q2 08
Victoria Street Plaza, Edmundston, NB	Strip Plaza	12,015	100%	Q1 08
615 King Street, Gananoque, ON	Single Use	16,619	50%	Q2 08
Civic Centre Road, Petawawa, ON	Single Use	17,036	50%	Q1 08
Port Hope Plaza, Port Hope, ON	Single Use	22,650	50%	Q2 08
St. Joseph Boulevard, Orleans, ON	Single Use	16,799	50%	Q1 08
Airport Blvd. Plaza, Gander, NL	Single Use	18,077	100%	Q2 08
Fairville Boulevard Phase 1, Saint John, NB	Single Use	47,000	100%	Q3 08
2007 Transactions				Income Producing During
Property	Property Type	Square Footage	Ownership	
CPDRL, Riviere-du-Loup, QC	Single Use	41,568	50%	Q3 07
Plaza BDP, Deux Montagnes, QC	Single Use	16,940	37.5%	Q2 07
Plaza Jean XXIII, Trois-Rivières, QC	Single Use	16,721	50%	Q4 07
201 Main Street, Sussex, NB	Single Use	16,915	100%	Q4 07
Boulevard Hebert Plaza, Edmundston, NB	Strip Plaza	26,689	100%	Q1 07
KGH Plaza, Miramichi, NB	Strip Plaza	18,034	100%	Q4 07
Main and Victoria, Shediac, NB	Single Use	10,287	100%	Q3 07

Plazacorp Retail Properties Ltd.

Main & Western Street Plaza, Sussex, NB	Strip Plaza	14,300	100%	Q4 07
Central Avenue Plaza, Greenwood, NS	Single Use	16,989	100%	Q1 07
Joseph Howe Drive Plaza, Halifax, NS	Strip Plaza	23,599	100%	Q4 07
Kings Road Plaza, Sydney River, NS	Single Use	16,847	100%	Q1 07
North Sydney Plaza, North Sydney, NS	Strip Plaza	20,371	100%	Q4 07
Robie Street Truro Plaza, Truro, NS	Strip Plaza	21,890	100%	Q4 07
Scott Street Plaza, St. Catharines, ON	Strip Plaza	21,532	50%	Q3 07
Kenmount Road Plaza, St. John's, NL	Strip Plaza	21,404	100%	Q2 07
LeMarchant Road Plaza, St. John's, NL	Strip Plaza	18,309	100%	Q4 07

Properties under Development as at September 30, 2008

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:

Property	Property Type	Square Footage	Ownership	Income Producing During
90 Blvd. Tache Ouest, Montmagny, QC	In Planning	-	50%	-
Main & Sackville, Shediac, NB	Strip Plaza	24,536	100%	Q4 08
Bedford Commons, Bedford, NS	Strip Plaza	70,122	100%	Q1 09
Commercial Street Plaza - Phase 2, New Minas, NS	In Planning	-	100%	-
Granite Drive Plaza, New Minas, NS	Strip Plaza	81,000	100%	Q2 09
Dufferin & Wilson (Perth), Perth, ON	Single Use	17,036	75%	Q4 08
Fairville Boulevard Plaza - Phase 2, Saint John, NB	Strip Plaza	55,000	100%	Q2 09

➤ **KEY PERFORMANCE INDICATOR**

SAME-ASSET NET PROPERTY OPERATING INCOME

(000's) For the Periods Ended	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Same-asset rental revenue	\$ 8,561	\$ 8,418	\$ 25,797	\$ 25,433
Transaction rental revenue	3,096	1,551	8,484	3,628
Total rental revenue	11,657	9,969	34,281	29,061
Same-asset operating expenses	1,802	1,746	5,949	5,764
Transaction operating expenses	566	371	1,896	1,036
Total operating expenses	2,368	2,117	7,845	6,800
Same-asset realty tax expense	1,631	1,536	4,781	4,566
Transaction realty tax expense	476	268	1,390	611
Total realty tax expense	2,107	1,804	6,171	5,177
Total operating expenses	4,475	3,921	14,016	11,977
Same-asset net property operating income	5,128	5,136	15,067	15,103
Transaction net property operating income	2,054	912	5,198	1,981
Total net property operating income	\$ 7,182	\$ 6,048	\$ 20,265	\$ 17,084
Net property operating margin	61.6%	60.7%	59.1%	58.8%
Change in same-asset net property operating income	(0.1%)		(0.2%)	
Net property operating income excluding land rent	\$ 7,747	\$ 6,499	\$ 21,868	\$ 18,363
Net property operating margin excluding land rent	66.5%	65.2%	63.8%	63.2%

Plazacorp Retail Properties Ltd.

SAME-ASSET NET PROPERTY OPERATING INCOME EXCLUDING NON CASH REVENUE

(000's) For the Periods Ended	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Same-asset net property operating income	\$ 5,128	\$ 5,136	\$ 15,067	\$ 15,103
Deduct: Same-asset straight line rent	(100)	(69)	(188)	(251)
Same-asset above & below market rent	(22)	(10)	(66)	(60)
Same-asset net property operating income excluding non cash revenue	\$ 5,006	\$ 5,057	\$ 14,813	\$ 14,792
Change in same-asset net property operating income excluding non cash revenue	(1.0%)		0.1%	

The majority of the increase in total rental revenue was attributable to new acquisitions, developments and re-developments, transferred to income producing status during 2008 and 2007 as noted in the prior chart on transactions. Same-asset rental revenue is consistent with prior year while transaction rental revenue has increased by \$4.8 million due to the new properties added in 2007 and 2008.

There were no significant operational issues, except abnormal winter conditions within the same-asset pool for the nine months ending September 30, 2008. Same-asset net property operating income year to date was up by \$21 thousand when the impact of non cash revenue is excluded. Same asset net property operating income including the impact of non cash revenue is down \$36 thousand compared to the nine months ended September 30, 2007.

For the three months ended September 30, 2008, the same-asset net property operating income was down \$51 thousand when the impact of non cash revenue is excluded. When the impact of non cash revenue is included the same-asset net property operating income mainly remains stable with a slight decrease of \$8 thousand.

Due to the Company's use of land leases, operating margins excluding ground rent are more representative of industry norms and compare favorably with other public real estate entities specializing in retail shopping plazas. Net property operating margins are currently 59.1% (nine months ended September 30, 2007 – 58.8%). These margins increase to 63.8% (nine months ended September 30, 2007 – 63.2%) when the effect of land rent is excluded.

GAAP requires that contractual rental revenue reported be recorded on a straight-line 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 contractual rental increases on lease renewal.

Significant portions of the Company's leases (60.2%) have common costs recoveries, excluding taxes, linked to the consumer price index (CPI). As a result, certain costs may not be completely offset by cost recoveries in a period where the cost increase exceeds overall inflation. 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 changes to these costs do not significantly impact net property operating income.

INVESTMENT INCOME

Investment income is made up of interest income (\$321 thousand), generated primarily from tenant loans, income reported on a cost basis from Northwest Plaza (\$30 thousand) and 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 (\$804 thousand).

GAIN ON DISPOSAL OF INCOME PRODUCING PROPERTIES AND SURPLUS LAND

For the nine months ended September 30, 2008, the Company disposed of surplus lands in New Minas, NS, Riviere du Loup, QC and Tracadie, NB which resulted in an accounting gain of \$104 thousand. For the period ended September 30, 2008 the Company sold a 50% interest in the Tacoma Centre, NS and Tacoma Valley Field, NS resulting in an accounting gain of \$4.0 million. During the nine months ended September 30, 2007, the Company disposed of income producing properties which resulted in an accounting gain of \$3.6 million.

Plazacorp Retail Properties Ltd.

AMORTIZATION

Increases in amortization are primarily due to transfers to income producing status of properties under development in 2007 and 2008, offset by the sale of two income producing properties in March 2007.

(000's) For the Periods Ended	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Same-asset amortization	\$ 1,625	\$ 1,603	\$ 4,865	\$ 4,944
Transactions	873	539	2,432	1,381
Total amortization	\$ 2,498	\$ 2,142	\$ 7,297	\$ 6,325

CAPITAL TAXES

The Company records capital taxes at the statutory rates on the net equity base of the Company after exemptions. For the nine months ended September 30, 2008 the Company and its subsidiaries recorded \$220 thousand in capital taxes compared to \$311 thousand for the nine months ended September 30, 2007. Several governments have announced the repeal or phase-out of capital taxes over the next several years, favorably impacting capital taxes likely to be incurred.

INCOME TAX EXPENSE (CONTINUING OPERATIONS)

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

(000's) For the Periods Ended	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Current income taxes	\$ 15	\$ 10	\$ 45	\$ 15
Future income taxes	1,062	494	1,392	871
Total income taxes	\$ 1,077	\$ 504	\$ 1,437	\$ 886

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 were 17.5¢ per share for 2008 compared to 15.0¢ per share for 2007. Our efforts have produced a tenant profile which contributes to cash flow stability. Performance to date has demonstrated the strength of current strategies and operating capabilities. Barring unforeseen events management is confident of delivering solid performance in 2009 as well as growth to the portfolio.

Year	2008	2007	2006	2005	2004	2003
Dividend per share	17.5¢	15.0¢	12.5¢	10.5¢	9.0¢	8.0¢
Percentage increase	16.7%	20.0%	19.0%	16.7%	12.5%	-

Plazacorp has built a portfolio with a high quality revenue stream. Plazacorp's ten largest tenants based upon current monthly gross rents as at September 30, 2008 represent approximately 51.7% of total revenues in place.

	% of Gross Revenue		% of Gross Revenue
1. Shoppers Drug Mart	25.4	6. Bulk Barn	2.4
2. Dollarama	7.2	7. Michaels	1.7
3. Staples	4.1	8. Empire Theatres	1.4
4. Marks Work Wearhouse	4.0	9. Sobeys	1.4
5. Reitmans	2.8	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.

As at	September 30, 2008	September 30, 2007
National	87.1%	83.4%
Regional	5.1%	6.6%
Local	6.8%	8.8%
Non-Retail	1.0%	1.2%

Plazacorp Retail Properties Ltd.

SUPPLEMENTAL DISCLOSURE – FUNDS FROM OPERATIONS (FFO)

Non Cash Items Included in FFO:

(000's) For the Periods Ended	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Straight-line rent included in revenue	\$ 473	\$ 145	\$ 990	\$ 400
Above and below market rent amortized in rental revenue	29	48	89	173
Deferred finance charges amortized in financing costs	227	144	632	435
Deferred recoverable expenses amortized in operating costs	37	23	69	45

Gross Additions including Tenant Acquisition Costs:

(000's) For the Periods Ended	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Tenant acquisition costs – existing properties	\$ 2	\$ 211	\$ 314	\$ 754
Tenant acquisition costs – redevelopment properties	825	395	2,934	1,078
Tenant acquisition costs – new developments	367	848	2,396	2,640
Total tenant acquisition costs	1,194	1,454	5,644	4,472
Capital additions – existing properties	266	309	725	498
Capital additions – redevelopment properties	822	366	3,220	3,418
Capital additions – new developments	7,125	11,935	32,715	39,742
Total capital additions	8,213	12,610	36,660	43,658
Total gross additions	\$ 9,407	\$ 14,064	\$ 42,304	\$ 48,130

Weighted Average Shares Outstanding – Per Share FFO

(000's) For the Periods Ended	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Basic Weighted Average Shares Outstanding	46,867	44,287	46,626	43,570
Dilutive impact of stock options	335	625	376	652
Dilutive impact of convertible debentures	609	1,147	610	1,147
Diluted Weighted Average Shares Outstanding-FFO	47,811	46,059	47,612	45,369

Convertible Debentures which are dilutive for purpose of calculating funds from operations (FFO) may not be dilutive for purpose of calculating earnings per share (EPS) and may differ from note 20c of the Consolidated Financial Statements - diluted earnings per share.

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 September 30, 2008 includes interests in 92 properties totaling over 4.3 million square feet and additional lands held for development. These include properties directly held by Plazacorp and its subsidiaries as well as investments in joint ventures. For 2008, and during 2007, Plazacorp's growth was primarily created through the development of new real estate assets. The Company as at September 30, 2008 has \$8.3 million committed to new development for the remainder of 2008 and 2009.

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 importantly retailers in the consumer staples market segment. Our execution of this strategy has produced a portfolio that is 87% occupied by national retailers. This makes the cash flow from our portfolio very stable.

The capital markets have been volatile. This has added challenges to the task of obtaining long-term mortgage capital. However, good projects can still be financed in this market, and to date this year we have funded \$33.9 million in long-term mortgages. The credit markets now require higher lending spreads and offer lower loan-to-value ratios for real estate loans. Offsetting higher lending spreads are lower government bonds 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.

Plazacorp Retail Properties Ltd.

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.

Plazacorp Retail Properties Ltd.

PROPERTIES OF THE COMPANY

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 30-Sept-08	Major Tenants
Strip Plazas					
Les Promenades St. Francois	Laval, QC	54,738	100%	100%	Jean Coutu, Dollarama
Plaza Hotel de Ville	Rivière-du-Loup, QC	20,412	100%	100%	Bouclair, Yellow
Plaza Theriault	Rivière-du-Loup, QC	25,780	100%	100%	National Bank, Reitmans
Plaza BBRF	Sherbrooke, QC	20,630	50%	100%	Shoppers Drug Mart
Plaza Boulevard Royal	Shawinigan, QC	130,095	100%	100%	Rossy, l'Aubainerie
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%	96%	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
Boulevard Hebert Plaza	Edmundston, NB	26,689	100%	100%	Shoppers Drug Mart
Victoria Street Plaza	Edmundston, NB	12,015	100%	57%	Reitmans, CitiFinancial
Empire Plaza	Fredericton, NB	13,743	100%	100%	Dollarama
FHS Plaza	Fredericton, NB	24,280	100%	100%	Cleve's Sports, Bulk Barn
Main Place	Fredericton, NB	31,284	100%	93%	Shoppers Drug Mart
Nashwaaksis Plaza	Fredericton, NB	57,549	100%	97%	Dollarama
Madawaska Road Plaza	Grand Falls, NB	10,410	100%	100%	Pizza Delight, Tim Horton's
KGH Plaza	Miramichi, NB	18,034	100%	100%	Shoppers Drug Mart
Miramichi Power Center - Phase 1	Miramichi, NB	38,033	100%	100%	Staples, Bulk Barn
Miramichi Power Center - Phase 2	Miramichi, NB	22,316	100%	100%	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 Warehouse
303 Main Street Plaza	Antigonish, NS	21,484	100%	84%	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%	McDonalds, Home Outfitters
209 Chain Lake Drive	Halifax, NS	89,576	50%	100%	Value Village, Bulk Barn
Joseph Howe Drive Plaza	Halifax, NS	23,599	100%	100%	Shoppers Drug Mart
Staples Plaza	New Glasgow, NS	33,753	100%	93%	Staples
V-8 Plaza	New Glasgow, NS	13,400	100%	100%	Dollarama, Swiss Chalet
Commercial Street Plaza - Phase 1	New Minas, NS	15,342	100%	100%	Swiss Chalet, Penningtons
North Sydney Plaza	North Sydney, NS	20,371	100%	100%	Shoppers Drug Mart
Welton Street Plaza	Sydney, NS	20,975	100%	100%	Dollarama, Bulk Barn
Robie Street Plaza	Truro, NS	21,890	100%	100%	Shoppers Drug Mart
Pleasant Street Plaza	Yarmouth, NS	22,586	100%	100%	Shoppers Drug Mart
Starr's Road Plaza	Yarmouth, NS	60,072	100%	90%	Empire Theatres, Dollarama
Belvedere Plaza	Charlottetown, PE	77,016	60%	100%	Marks Work Warehouse
Spring Park Plaza	Charlottetown, PE	49,734	85%	97%	Fabricville, Value Village
UAS Plaza	Charlottetown, PE	23,386	100%	100%	Shoppers Drug Mart
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%	86%	Dollarama
Scott Street Plaza	St. Catharines, ON	21,532	50%	100%	Shoppers Drug Mart
Bay Roberts Plaza	Bay Roberts, NL	20,468	100%	100%	Shoppers Drug Mart
Conception Bay South Plaza	Conception Bay South, NL	21,220	100%	100%	Shoppers Drug Mart
Kenmount Road Plaza	St. John's, NL	21,404	100%	90%	XS Cargo, Montana's

Plazacorp Retail Properties Ltd.

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 30-Sept-08	Major Tenants
LeMarchant Road Plaza	St. John's, NL	18,309	100%	100%	Shoppers Drug Mart
Sub-total		2,003,900		97.5%	
Enclosed Malls					
Les Galeries Montmagny	Montmagny, QC	138,151	50%	99%	Maxi, Hart, Uniprix
Les Promenades du Cuivre	Rouyn-Noranda, QC	145,795	100%	95%	Hart, Uniprix, Royal Bank
Grand Falls Shopping Centre	Grand Falls, NB	134,167	100%	91%	Staples, Shoppers Drug Mart
Oromocto Mall	Oromocto, NB	76,691	100%	96%	Shoppers Drug Mart
Gateway Mall	Sussex, NB	163,598	25%	96%	Sobey's, Canadian Tire
Sub-total		658,402		95.4%	
Single Use					
Plaza BDP	Deux Montagnes, QC	16,940	37.5%	100%	Shoppers Drug Mart
Bureau en Gros	Granby, QC	25,695	50%	100%	Staples
Plaza TS Magog	Magog, QC	17,452	50%	100%	Shoppers Drug Mart
Bureau en Gros	Rimouski, QC	25,771	50%	100%	Staples
CPRDL	Riviere-du-Loup, QC	41,568	50%	100%	Caisse Populaire
Plaza Jean XXIII	Trois-Rivieres, QC	16,721	50%	100%	Shoppers Drug Mart
681 Mountain Road	Moncton, NB	19,504	100%	100%	Shoppers Drug Mart
Staples	Saint John, NB	25,293	100%	100%	Staples
Fairville Boulevard – Phase 1	Saint John, NB	47,000	100%	100%	Sobeys
Main and Victoria	Shediac, NB	10,287	100%	100%	Dollarama
201 Main Street	Sussex, NB	16,915	100%	100%	Shoppers Drug Mart
Central Avenue Plaza	Greenwood, NS	16,989	100%	100%	Shoppers Drug Mart
912 East River Road	New Glasgow, NS	16,912	100%	100%	Shoppers Drug Mart
Kings Road Plaza	Sydney River, NS	16,847	100%	100%	Shoppers Drug Mart
615 King Street	Ganonoque, ON	16,619	50%	100%	Shoppers Drug Mart
St. Josephs Boulevard	Orleans, ON	16,799	50%	100%	Shoppers Drug Mart
Civic Center Road	Petawawa, ON	17,036	50%	100%	Shoppers Drug Mart
Port Hope Plaza	Port Hope, ON	22,650	50%	100%	Shoppers Drug Mart
Airport Blvd. Plaza	Gander, NL	18,077	100%	100%	Shoppers Drug Mart
Sub-total		405,075		100%	
Income producing properties		3,067,377		97.4%	
Projects Under Development					
90 Blvd. Tache Ouest	Montmagny, QC	-	50%	-	Under Planning
Main & Sackville	Shediac, NB	24,536	100%	100%	Shoppers Drug Mart
Fairville Boulevard Plaza - Phase 2	Saint John, NB	55,000	100%	36%	Bulk Barn, Staples
Bedford Commons	Bedford, NS	70,122	100%	85%	Future Shop
Commercial Street Plaza - Phase 2	New Minas, NS	-	100%	-	Under Planning
Granite Drive Plaza	New Minas, NS	81,000	100%	46%	Lawtons
Dufferin & Wilson (Perth)	Perth, ON	17,036	75%	100%	Shoppers Drug Mart
Sub-total		247,694		63.9%	
Total Excluding Non-Consolidated Trusts and Partnerships		3,315,071		94.9%	
Non-Consolidated Trusts and Partnerships					
3550 Sources	Dollard des Ormeaux, QC	8,391	10%	100%	National Bank
Centennial Plaza	Dollard-des-Ormeaux, QC	151,816	10%	100%	Value Village, Jean Coutu
Marche De L'Ouest	Dollard des Ormeaux, QC	126,117	20%	90%	IGA, SAQ
Place Du Marche	Dollard des Ormeaux, QC	35,179	10%	89%	Laurentian Bank, Starbucks
Plaza des Recollets	Trois Rivieres, QC	73,730	15%	100%	Winners/Home Sense
Northwest Centre	Moncton, NB	177,245	10%	98%	Zellers, Princess Auto
Village Shopping Centre	St. John's, NL	442,602	20%	71%	Hart, Labels, Dollarama
Sub-total		1,015,080		85.3%	
Grand Total		4,330,151		92.6%	

Plazacorp Retail Properties Ltd.

PART III

SUMMARY OF ANNUAL INFORMATION

Plazacorp's Summary of Selected Annual Information for the prior three completed fiscal years and the twelve months ended October 31, 2006 are presented below:

(\$000's except per share amounts)	12 Months Ended December 31, 2007	14 Months Ended December 31, 2006	12 Months Ended October 31, 2006	12 Months Ended October 31, 2005
Total revenue	\$ 40,920	\$ 39,213	\$ 32,999	\$ 28,716
Net income (loss) and comprehensive income	3,605	3,019	2,804	(224)
Dividends per share	15.0¢	12.5¢	12.5¢	10.5¢
Earnings (loss) per share – basic	8.2¢	7.5¢	7.0¢	(0.6¢)
Earnings (loss) per share – diluted	8.1¢	7.5¢	6.9¢	(0.6¢)
FFO per share – Basic	23.6¢	25.3¢	21.5¢	16.5¢
FFO per share – Diluted	23.1¢	24.0¢	20.2¢	15.9¢
Total assets	269,888	229,888	219,940	172,444
Total mortgages, bonds, debentures, notes and bank indebtedness	225,734	190,550	183,050	141,470
Basic weighted average shares outstanding	44,109	40,151	39,872	35,212
Properties under development	10	10	12	5
Income producing properties	77	64	59	50
Total properties in portfolio	87	74	71	55
Rentable Sq Ft.(excluding investment properties and properties under development)				
Strip	1,963	2,152	2,069	1,820
Enclosed Malls	631	635	627	689
Single Use	267	131	113	113
Total	2,861	2,918	2,809	2,622
Occupancy % (excluding investment properties and properties under development)				
Strip	97.4	97.0	97.0	97.3
Enclosed Malls	94.0	95.0	94.5	94.9
Single Use	100.0	100.0	100.0	100.0
Total	96.9	96.7	96.5	96.8

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 (losses) on income producing properties and surplus land dispositions, before tax, are included in net income on the above chart: twelve months ended December 31, 2007 - \$3,072 thousand; fourteen months ended December 31, 2006 - \$3,108 thousand; twelve months ended October 31, 2006 - \$3,112 thousand.

Plazacorp Retail Properties Ltd.

SUMMARY OF SELECTED QUARTERLY INFORMATION

November 1, 2006 – September 30, 2008

(000's except per share and other data)

	Q3'08	Q2'08	Q1'08	Q4'07	Q3'07	Q2'07	Q1'07	Q5'06 ¹
Total revenue	\$ 12,144	\$ 11,849	\$ 11,443	\$ 10,927	\$ 10,321	\$ 9,937	\$ 9,734	\$ 6,239
Net income (loss) and comprehensive income	3,971	343	200	(330)	704	165	3,064	215
Dividends per share	4.38¢	4.38¢	4.38¢	3.75¢	3.75¢	3.75¢	3.75¢	-
Earnings (loss) per share - basic	8.5¢	0.7¢	0.4¢	(0.7¢)	1.6¢	0.4¢	7.2¢	0.5¢
Earnings (loss) per share - diluted	8.2¢	0.7¢	0.4¢	(0.7¢)	1.6¢	0.4¢	6.6¢	0.5¢
Funds From Operations per share-basic	7.1¢	6.4¢	5.9¢	6.0¢	5.7¢	5.4¢	6.5¢	3.8¢
Funds From Operations per share-diluted	7.0¢	6.3¢	5.8¢	5.9¢	5.5¢	5.2¢	6.2¢	3.6¢
Total assets	289,943	298,298	283,248	269,888	262,182	248,124	233,029	229,888
Total mortgages, bonds, debentures, notes and bank indebtedness	241,343	251,229	236,284	225,734	214,788	197,766	185,932	190,550
Basic weighted average shares								
Outstanding	46,867	46,697	46,312	45,707	44,287	43,640	42,766	41,816
Properties under development	7	7	10	10	16	17	14	10
Income producing properties	85	84	80	77	69	66	66	64
Total properties in portfolio	92	91	90	87	85	83	80	74
Rentable Sq Ft.(excluding investment properties and properties under development)								
Strip Plazas	2,004	2,007	1,986	1,963	1,845	1,821	1,801	2,152
Enclosed Malls	658	638	636	631	631	631	638	635
Single Use	405	359	301	267	233	181	165	131
Total	3,067	3,004	2,923	2,861	2,709	2,633	2,604	2,918
Occupancy % (excluding investment properties and properties under development)								
Strip Plazas	97.5	97.3	97.1	97.4	97.9	97.5	97.6	97.0
Enclosed Malls	95.4	93.5	94.1	94.0	93.0	92.4	92.5	95.0
Single Use	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total	97.4	96.8	96.8	96.9	97.0	96.5	96.5	96.7

(1) 2 month period November 1, 2006 to December 31, 2006 reported as result to the change in year-end to December 31.

The summary of quarterly information highlights increasing gross revenues and net income. During the quarter, the gain on sale of a 50% interest in Tacoma resulted in the most significant increase in net income. Occupancy has been very steady which contributes to stability of cash flow.

Seasonal fluctuations primarily relate to winter costs and yearly repair and maintenance activities which typically occur in spring and early summer. Leases tied to CPI cost recovery formula's (60.2%) 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 3 – 2008 – \$4,176 thousand; Quarter 2 – 2008 – (\$80) thousand; Quarter 4 - 2007 – (\$549) thousand; Quarter 3 - 2007 - \$831 thousand; Quarter 2 - 2007 - \$3 thousand; Quarter 1 - 2007 - \$2,786 thousand; Quarter 3 – 2006 - \$1,169 thousand.

PART IV

OPERATING LIQUIDITY AND WORKING CAPITAL

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

Cash flow from operations is dependent upon occupancy levels of properties owned, rental rates achieved, effective collection of rents, efficiencies built into leases 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.

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

CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES

BANK FINANCING

(000's)	\$8.4 Million Operating	\$35 Million Development	\$15 Million Development	\$9.4 Million Development
Balance December 31, 2007	\$3,568	\$23,941	\$ 8,406	\$ -
Draw (repayments) net	(2,513)	(1,732)	(4,258)	7,539
Balance September 30, 2008	\$1,055	\$22,209	\$ 4,148	\$7,539
Interest rate	Prime + 3/4%	Prime + 5/8%	Prime + 1/2%	BA + 175
Maturity	November 30, 2009	April 23, 2009	July 31, 2009	March 31, 2010
Security	First charges on pledged property	First charges on pledged property	First charges on pledged property	First charges on pledged property
Other terms	Debt service, occupancy & equity maintenance covenants	Debt service, occupancy & equity maintenance covenants	Debt service, occupancy & equity maintenance covenants	Debt service, occupancy & equity maintenance covenants
Line reservations available for letters-of-credit	\$2.0 million	\$1.5 million	\$1.5 million	-
Issued and outstanding	\$623 thousand	\$213 thousand	nil	nil

The Company has an additional \$500 thousand letter-of-credit facility maturing November 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 September 30, 2008. A Company subsidiary also has a \$150 thousand unsecured operating line with a chartered bank upon which no funds were drawn as at September 30, 2008. As of November 17, 2008, 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 2008 and 2009 will be renewed or converted to long-term debt upon maturity on reasonable terms and conditions.

Plazacorp Retail Properties Ltd.

DEBENTURES

During the nine months ended September 30, 2008, \$800 thousand of the Series III convertible debentures were converted to share capital and 500 thousand shares were issued. No new debentures were issued during the period.

The 7% subordinate debentures require the Company to maintain debt service ratios based on EBITDA in excess of a fixed threshold. As of September 30, 2008, the ratio had been maintained.

MORTGAGE BONDS

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

SHORT TERM SUBORDINATED NOTES

During the nine months ended September 30, 2008, \$3.5 million 8% short term subordinated notes matured and were repaid.

MORTGAGES

There are \$7.9 million long-term mortgages maturing during the remainder of 2008. Included in the \$7.9 million is a \$5.1 million loan maturing whose retirement is funded by a prior defeasance and the balance was refinanced on November 14, 2008. The Company has \$1.7 million of fixed rate financing which is maturing in 2009 and has been funded previously by defeasance. An additional \$33.9 million of interim financing matures at various times throughout 2009 and 2010.

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

The Company's use of floating rate debt has generally been limited to assets under development or redevelopment. The Company places new mortgage debt when the debt parameters and repayment terms are most favorable. Fixed rate debt represents 84% 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% - 70% of the appraised market value of the underlying property. The success of this mortgage strategy is dependant upon debt market parameters, and the particular features and quality of the underlying assets being financed in the period.

From January 1, 2008 to September 30, 2008, the Company funded \$34.8 million of mortgage debt with an average rate of 5.9%, a term of 12 years and average amortization of 25 years. This funding contributed to improvements in the weighted average interest cost of mortgage debt, term to maturity, and remaining amortization period of mortgages outstanding as at September 30, 2008.

LAND LEASES

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

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

Currently Plazacorp has 23 long-term land leases with total annual rent of \$2.6 million.

Plazacorp Retail Properties Ltd.

➤ KEY PERFORMANCE INDICATOR

At September 30, 2008 and September 30, 2007, the Company's cost of debt was as follows:

As at (000's)	Balance Outstanding	Effective Rates September 30, 2008	Effective Rates September 30, 2007
Fixed rate mortgage loans	\$ 172,012	6.42 %	6.58 %
Variable rate loans	-	Prime + 3/4 %	7.00 %
Other fixed rate loans with periodic repayments	1,358	10.00 %	9.07 %
Bank operating facility	1,055	Prime + 3/4 %	Prime + 3/4 %
Bank development facilities	33,896	Prime + 5/8 %	Prime + 5/8 %

The weighted average effective cost of fixed rate mortgage loans as at September 30, 2008 is 6.42% compared to 6.58% as at September 30, 2007. The change resulted from more favourable rates on mortgages placed in 2008.

The weighted average term to maturity for the long-term mortgages is 7.2 years. The average remaining repayment period on long-term mortgage debt is 22.3 years.

COMMITMENTS AND CONTINGENT LIABILITIES

The Company is committed for future periods to \$8.3 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			
			Year 1	Years 2-3	Years 4-5	After 5 years
	Mortgages – Principal repayments	\$ 27,875	\$ 2,889	\$ 6,227	\$ 6,305	\$ 12,454
	Mortgages – Due at maturity ⁽¹⁾	138,686	3,300	4,261	25,745	105,380
	Mortgages – Funded by defeasance ⁽²⁾	6,809	5,128	1,681	-	-
	Development line-of-credits	33,897	26,358	7,539	-	-
	Mortgage bonds	20,500	-	17,500	3,000	-
	Debentures	11,134	975	10,159	-	-
	Operating land leases ⁽³⁾	149,803	2,559	5,118	5,045	137,081
	Development activities	8,254	8,254	-	-	-
	Total contractual obligations⁽⁴⁾	\$ 396,958	\$ 49,463	\$ 52,485	\$ 40,095	\$ 254,915

(1) \$2.8 million was refinanced on November 14, 2008.

(2) \$5.1 million was funded by previous defeasance on November 1, 2008.

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

(4) The yearly totals are based on a rolling 12 months with the First Year based on October 1, 2008 to September 30, 2009.

The Company also has contingent liability as original borrower on mortgages assumed by the purchaser of two properties in March 7, 2007. These commitments are subject to indemnity agreements. The estimated balance outstanding on these loans is \$15.7 million as at September 30, 2008. This sale did not relieve the Company's obligations as original borrower in respect of these mortgages. See note 25c of the September 30, 2008 Interim Consolidated Financial Statements. Average remaining term of the mortgages is 4.0 years (December 31, 2007 – 4.7 years).

The Company guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of \$739 thousand. See note 25c of the September 30, 2008 Interim Consolidated Financial Statements.

The Company assumed a guarantee for a \$21.7 million development line-of-credit held by the Village Shopping Centre Limited Partnership for the completion of construction. As at September 30, 2008 the remaining budgeted development costs are \$887 thousand.

The Company has determined that potential obligations under the above guarantees are nil.

PART V

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand particularly affect property investments. Management attempts to manage these risks through geographic and asset class diversification in the portfolio. At September 30, 2008, The Company held interests in 92 properties spread geographically among six provinces in Canada. See note 25 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. 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 generally limited to 60%-70% 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 is confident 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 25.4% 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 2008, Management completed 467 thousand square feet (2007 – 343 thousand square feet) of new leasing deals at market rates. The 467 thousand square feet of new leasing was comprised of 244 thousand square feet on new developments and acquisitions, and 223 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.

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 \$481 thousand per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions management may take in relation to the changes.

➤ **KEY PERFORMANCE INDICATOR**

- Occupancy in the strip plazas was 97.5% as at September 30, 2008, compared to 97.9% as at September 30, 2007. Over the year there were approximately 160 thousand square feet added to retail strip plazas. Of this 147 thousand has 100% occupancy.
- Average occupancy in the enclosed malls was 95.4% as at September 30, 2008, compared to 93.0% as at September 30, 2007. Grand Falls Shopping Centre has experienced an increase in their occupancy of 14%, from 77% to 91% over the last year, which is the main driver of the overall increase in the average occupancy for enclosed malls.
- Occupancy for single use assets remained stable at 100%.
- Pre-leased space in properties under development is 63.9%.
- Overall the portfolio occupancy, excluding non-consolidated trusts and partnerships and properties under development as at September 30, 2008 was 97.4%, up 0.4% from September 30, 2007 and up 0.5% from December 31, 2007.

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

DEVELOPMENT AND ACQUISITIONS RISK

Plazacorp's external growth prospects will depend in large part on identifying suitable development and acquisition opportunities, pursuing such opportunities, conducting necessary due diligence, consummating acquisitions (including obtaining necessary consents) and effectively operating the retail facilities acquired by the Company. If Plazacorp is unable to manage its growth and integrate its acquisitions effectively, its business, operating results and financial condition could be adversely 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

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

A minority shareholder of Plaza Atlantic Limited has initiated a commercial action against Plaza Atlantic Limited and its two principal beneficial shareholders, Earl Brewer and Michael Zakuta, alleging infringement of its minority shareholder rights under the New Brunswick Business Corporations Act. Certain remedies sought in this action, if granted, could temporarily

Plazacorp Retail Properties Ltd.

restrict the ability of Messer's Brewer and Zakuta from acting as officers and directors of Plaza Atlantic Limited pending judgment of the matter. No date for trial has been set. Plazacorp is not a named party in the lawsuit. The Company's independent directors are monitoring the action for potential impacts on the Company. The Company gave Plaza Atlantic Limited notice of termination of the management contract effective March 29, 2009.

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

PART VI

SHARES OUTSTANDING

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

As at November 17, 2008	Shares	Share Capital
Current Outstanding Shares	47,001,552	39,352,507
Employee and Director Share Options	789,125	1,761,645
Series III Convertible Debentures	609,375	975,000
Series IV Convertible Debentures	1,250,000	5,000,000
Total adjusted shares outstanding	49,650,052	47,089,152

RELATED PARTY TRANSACTIONS

MANAGEMENT COMPANY

Plaza Atlantic Limited and Les Immeubles Plaza Z-Corp Inc. have managed the Company's properties since 1999. As a result of a notice of termination given by the Company to Plaza Atlantic Limited, the management contract will expire on March 29, 2009. In Quebec, staff of Les Immeubles Plaza-Z Limited handles management duties under sub-contracting arrangements with Plaza Atlantic Limited. The majority of employees engaged in the property management, development, leasing and property accounting activities are employees of Plaza Atlantic Limited or Le Immeubles Plaza-Z Corp. These companies employ 77 people in the accounting, finance, engineering, development, leasing, and other administrative capacities that exclude property specific staff.

Plaza Atlantic Limited is controlled by two directors of Plazacorp namely Michael Zakuta, 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 is effectively controlled by Michael Zakuta.

The purpose of the management arrangement is to provide the Company the services of a fully staffed and professional management company in all geographic areas, and allow Plazacorp access to significant professional management services at reasonable cost. Both Plaza Atlantic Limited and Les Immeubles Plaza Z-Corp manage properties for third parties. Mr. Brewer and Mr. Zakuta did not receive any direct compensation from the Company for performing their duties as Chairman and President respectively, or as Directors, during 2008 and 2007.

FUTURE MANAGEMENT ARRANGEMENT

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

The principal changes to the management contract include:

- 1) An alignment of interest clause stating that Zakuta and Brewer must maintain their current ownership interest in Plazacorp and the new management company.
- 2) Plaza Z-Corp Properties Inc. will manage the Quebec and Ontario properties and the alignment of interest clause will extend to this company.
- 3) Property management fees were reduced from 4% to 3% of Property Revenues.
- 4) A Corporate Management fee of ¾% of Property Revenues will be paid to manage the corporate affairs of Plazacorp

Plazacorp Retail Properties Ltd.

as the senior executives of Plazacorp including Brewer and Zakuta are paid by the management company and not by Plazacorp.

- 5) Plazacorp may terminate the contract after 3 years without compensation.
- 6) Certain events will permit Plazacorp to terminate the contract, at anytime, and provide the Company with the right to purchase the management company assets at book value.

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

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

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

During the nine months ended September 30, 2008 and September 30, 2007 the following amounts were charged under the contracts:

(000's) For the Periods Then Ended	Fee Category	Included for Reporting Purposes In	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Management fees	Property operating expenses		\$ 1,245	\$ 1,147
Leasing fees	Tenant acquisition costs and property operating costs		954	1,193
Development fees	Income producing properties		671	746
Financing fees	Deferred charges and income producing properties		246	152
Acquisition and land lease fees	Income producing properties		122	111
Disposition fees	Gain on disposal of income producing properties		141	166
Legal services	Varies depending on nature of service		505	303
Total fees billed by the Property Manager			\$ 3,884	\$ 3,818

NOTES PAYABLE TO RELATED PARTIES

Notes payable as at September 30, 2008 fall into two categories:

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

Plazacorp Retail Properties Ltd.

As at (000's)	Interest Rate	September 30, 2008	December 31, 2007
Interest bearing notes:			
Les Immeubles Plaza Z Corp and related entities controlled by Michael Zakuta, President and Chief Executive Officer of the Company.	Prime +1%	\$ 617	\$ 1,617
Non-Interest bearing notes:			
Various companies owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President and Chief Executive Officer of the Company.	n/a	264	262
Total		\$ 881	\$ 1,879

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

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

BONDS, DEBENTURES AND SHORT TERM NOTES HELD

Related Parties directly or indirectly held at face value, convertible debentures, mortgage bonds and short term notes of the Company as at September 30, 2008 and December 31, 2007.

As at (000's)	September 30, 2008	December 31, 2007
Richard Hamm, Director	\$ 325	\$ 325
Michael Zakuta, Director	1,200	1,200
Edouard Babineau, Director	700	700
Earl Brewer, Director	438	438
Stephen Johnson, Director	1,220	1,220
Barbara Trenholm, Director	364	364
Total	\$ 4,247	\$ 4,247

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A, the Interim Consolidated Financial Statements for September 30, 2008 and all related public filings.

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

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

Plazacorp Retail Properties Ltd.

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

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

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

CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING ESTIMATES

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

PROPERTIES UNDER DEVELOPMENT

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

PROPERTY ACQUISITIONS

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

ASSET VALUE IMPAIRMENT

Income producing properties are carried at cost. If events or circumstances indicate that the carrying value of the income producing properties may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows generated from the income producing properties. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income producing properties are written down to estimated fair value and an impairment loss is recognized. No impairment on surplus land has been recognized in the nine months ended September 30, 2008 (December 31, 2007 –\$547 thousand). 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 September 30, 2008 there are no embedded derivatives in the Company's financial instruments that require separation and measurement.

VARIABLE INTEREST ENTITIES

The Company evaluates all joint-venture relationships and partial ownership interests to determine whether or not they are subject to the variable interest entity guidelines as directed by AcG-15 in respect of applying consolidation, equity accounting, joint-venture accounting or cost accounting. The Company has determined the properties formerly consolidated as variable interest entities no longer meet the criteria directed by AcG-15 and are proportionately consolidated for the quarter ending September 30, 2008. There are no other significant changes required to the financial statement presentation of its consolidated subsidiaries, proportionately consolidated joint ventures or investments in non-consolidated

Plazacorp Retail Properties Ltd.

partnerships and trusts as at September 30, 2008 compared to December 31, 2007.

Readers should refer to the September 30, 2008 Interim Consolidated Financial Statements and the December 31, 2007 Consolidated Financial Statements for a full description of the Company's accounting policies.

CHANGES TO ACCOUNTING POLICIES

Capital Disclosures

On January 1, 2008 the Company adopted the new CICA Handbook Section 1535 *Capital Disclosures*. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new standard covers disclosure only and had no effect on the financial results of the company (see note 26 of the September 30, 2008 Interim Consolidated Financial Statements).

Financial Instruments – Disclosures and Presentation

On January 1, 2008 the Company adopted the two new CICA accounting standards: Handbook Section 3862 *Financial Instruments – Disclosures*, and Handbook Section 3863 *Financial Instruments – Presentation*. The new Sections 3862 and 3863 replace Handbook Section 3861 *Financial Instruments – Disclosure and Presentation*, revising and enhancing disclosure requirements, and carrying forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standard covers disclosure only and had no effect on the financial results of the company (see note 26 of the September 30, 2008 Interim Consolidated Financial Statements).

FUTURE ACCOUNTING POLICY CHANGES

In February 2008, the CICA issued a new accounting standard: Handbook Section 3064 *Goodwill and Intangible Assets*. The new standard will be effective for the Company in the first quarter of 2009. Section 3064 will replace Handbook Section 3062 *Goodwill and Other Intangible Assets* and Handbook Section 3450 *Research and Development Costs*. Section 3064 establishes standards to the recognition, measurement and disclosure of goodwill and intangible assets.

In 2011, the Company will be required to implement International Financing Reporting Standards (IFRS) and show comparative figures for 2010.

The Company is assessing the impact of these changes in its financial reporting.

OTHER

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

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 un-audited 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 interim consolidated financial statements.

Plazacorp Retail Properties Ltd.**Interim Consolidated Balance Sheets****(In thousands of Canadian dollars)****As at****September 30,
2008**December 31,
2007**Assets**

Income producing properties (Note 3)	\$ 232,449	\$ 218,160
Properties under development (Note 4)	24,528	20,763
Surplus lands (Note 5)	1,071	2,079
Intangible assets (Note 6)	2,041	2,512
Deferred charges (Note 7)	275	271
Cash	1,582	1,978
Receivables (Note 8)	7,145	6,102
Prepaid expenses and deposits (Note 9)	4,571	4,006
Refundable capital gains tax (Note 17)	526	-
Future income tax asset	580	580
Investments (Note 10)	12,118	10,344
Goodwill	2,025	2,025
Deficits of subsidiaries (Note 11)	1,032	1,068
	<u>\$ 289,943</u>	<u>\$ 269,888</u>

Liabilities

Mortgages payable (Note 12)	\$ 204,373	\$ 187,449
Mortgage bonds payable (Note 13)	20,381	20,356
Debentures payable (Note 14)	10,968	11,704
Notes payable (Note 15)	4,566	2,657
Bank indebtedness (Note 16)	1,055	3,568
Accounts payable and accrued liabilities	7,357	5,688
Income taxes payable	670	186
Future income tax liability	10,797	9,403
Below market leases (Note 18)	538	674
Non-Controlling Interest in Net Assets (Note 19)	345	-
	<u>\$ 261,050</u>	<u>\$ 241,685</u>


Shareholders' Equity

Equity portion of convertible debt (Note 14)	205	241
Share capital (Note 20)	39,235	36,932
Contributed surplus (Note 21)	85	78
Deficit	(10,632)	(9,048)
	<u>28,893</u>	<u>28,203</u>
	<u>\$ 289,943</u>	<u>\$ 269,888</u>

Contingencies, commitments, guarantees, indemnities and litigation – see interim consolidated financial statement Note 25.

Subsequent events – see interim consolidated financial statement Note 28.



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 Nine Months Ended
(In thousands of Canadian dollars)

	September 30, 2008	September 30, 2007
Deficit, beginning of the period	\$ (9,048)	\$ (6,456)
Effect of adoption of accounting policy changes	-	394
Net income and comprehensive income	4,515	3,935
Dividends	<u>(6,099)</u>	<u>(4,866)</u>
Deficit, end of the period	<u>\$ (10,632)</u>	<u>\$ (6,993)</u>

See accompanying notes to the interim consolidated financial statements

Plazacorp Retail Properties Ltd.

Interim Consolidated Statements of Income For the Periods Then Ended (In thousands of Canadian dollars, except per share amounts)	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Rental revenues	\$ 11,657	\$ 9,969	\$ 34,281	\$ 29,061
Operating expenses	4,475	3,921	14,016	11,977
Net property operating income	7,182	6,048	20,265	17,084
Investment income	487	352	1,155	932
Income from properties and investments	7,669	6,400	21,420	18,016
Interest costs	3,862	3,389	10,932	9,112
Income before undernoted	3,807	3,011	10,488	8,904
Administrative expenses	231	299	770	820
Amortization	2,498	2,142	7,297	6,325
Capital taxes	77	100	220	311
Income before undernoted gain of sale of surplus lands and income producing property, income taxes, non-controlling interests and discontinued operations	1,001	470	2,201	1,448
Gain on sale of surplus lands	184	830	104	830
Gain on disposal of income producing property	3,992	-	3,992	-
Income before undernoted income taxes, non- controlling interests and discontinued operations	5,177	1,300	6,297	2,278
Income tax expense (Note 17)				
– current	15	10	45	15
– future	1,062	494	1,392	871
	1,077	504	1,437	886
Income before non-controlling interests and discontinued operations	4,100	796	4,860	1,392
Non-controlling interests	129	90	345	260
Income from continuing operations	3,971	706	4,515	1,132
Gain on disposal of income producing properties (Note 22)	-	1	-	2,789
Income (loss) from discontinued operations (Note 22)	-	(3)	-	14
Net income and comprehensive income	\$ 3,971	\$ 704	\$ 4,515	\$ 3,935
Net earnings per share – basic				
Continuing operations	\$ 0.085	\$ 0.016	\$ 0.097	\$ 0.026
Discontinued operations	-	-	-	0.064
Net earnings (Note 20c)	\$ 0.085	\$ 0.016	\$ 0.097	\$ 0.090
Net earnings per share – diluted				
Continuing operations	\$ 0.082	\$ 0.016	\$ 0.095	\$ 0.027
Discontinued operations	-	-	-	0.062
Net earnings (Note 20c)	\$ 0.082	\$ 0.016	\$ 0.095	\$ 0.089

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)	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Cash obtained from (used for):				
Operating activities				
Net income and comprehensive income	\$ 3,971	\$ 704	\$ 4,515	\$ 3,935
Items not affecting cash:				
Non-cash investment income	(354)	(318)	(804)	(754)
Amortization (cash flow supplemental – Note 1)	2,733	2,261	7,909	6,730
Gain on disposal of surplus lands	(184)	(830)	(104)	(830)
Gain on disposal of income producing properties	(3,992)	(1)	(3,992)	(2,789)
Stock option compensation	7	15	24	39
Interest relating to debenture accretion	10	12	30	52
Non-controlling interests	129	90	345	260
Future income taxes	1,062	492	1,392	881
Straight-line rent revenue	(473)	(145)	(990)	(400)
Tenant acquisition costs - existing properties	(2)	(211)	(314)	(754)
Tenant acquisition costs – redevelopment properties	(825)	(395)	(2,934)	(1,078)
Tenant acquisition costs - new developments	(367)	(848)	(2,396)	(2,640)
Change in non-cash working capital (cash flow supplemental – Note 4)	(1,411)	(6,182)	50	(400)
	<u>304</u>	<u>(5,356)</u>	<u>2,731</u>	<u>2,252</u>
Financing activities				
Increase (decrease) in notes payable	(1,091)	260	2,342	(957)
Issue of common shares, pursuant to employee option agreements (cash flow supplemental - Note 5)	114	112	512	575
Contribution by non-controlling interest	345	-	345	-
Dividends paid by subsidiaries to non-controlling interests	(40)	(44)	(241)	(227)
Dividends paid to shareholders (cash flow supplemental – Note 6)	(1,768)	(1,468)	(5,146)	(4,329)
Net proceeds from bonds and debentures	(1)	(3)	(3)	2,941
Net proceeds from short term notes payable	-	-	3,483	-
Repayment of short term notes payable	(3,500)	-	(3,500)	-
Net proceeds from mortgage financing (cash flow supplemental – Note 7)	17,191	23,958	65,588	56,507
Mortgage payouts (cash flow supplemental – Note 8)	(3,997)	(4,467)	(33,287)	(15,425)
Periodic mortgage principal repayments (cash flow supplemental – Note 8)	(880)	(613)	(2,361)	(1,911)
	<u>6,373</u>	<u>17,735</u>	<u>27,732</u>	<u>37,174</u>
Investing activities				
Acquisitions and discontinuance of consolidation (cash flow supplemental – Note 3b)	2,114	-	2,114	(1,207)
Developments and redevelopments (cash flow supplemental – Note 3a)	(8,213)	(12,610)	(36,660)	(40,999)
Net proceeds from disposal of income producing properties and sale of surplus lands (cash flow supplemental - Note 2)	5,491	894	7,032	8,369
Investments				
Bonds – purchased for mortgage substitution	(2,461)	(1,923)	(2,461)	(1,923)
Bonds – contributions from bond fund	128	88	358	239
Contributions returned	-	90	-	90
Distributions received	451	366	1,134	913
Decrease (increase) in deposits for acquisition and Financing	(169)	(422)	239	(473)
Other	(29)	(28)	(102)	(83)
	<u>(2,688)</u>	<u>(13,545)</u>	<u>(28,346)</u>	<u>(35,074)</u>
Net (decrease) increase in cash	3,989	(1,166)	2,117	4,352
Cash less bank indebtedness, beginning of the period	(3,462)	3,121	(1,590)	(2,397)
Cash less bank indebtedness, end of the period (cash flow supplemental – Note 9)	\$ 527	\$ 1,955	\$ 527	\$ 1,955

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 September 30, 2008 and 2007
(In thousands of Canadian dollars, except per share amounts)

1) Amortization

	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Amortization of income producing properties	\$ 1,142	\$ 932	\$ 3,408	\$ 2,724
Amortization of tenant acquisition costs	1,207	1,002	3,436	2,976
Amortization of intangible assets (except above-market tenant leases)	140	198	425	597
Amortization of other deferred charges	9	10	28	28
Amortization expense per the Statement of Income	2,498	2,142	7,297	6,325
Amortization of financing charges (included with interest costs)	227	144	632	435
Amortization of above/below market leases (included with revenue)	(29)	(48)	(89)	(173)
Amortization of deferred recoverable expenses (included with operating expenses)	37	23	69	45
Amortization of discontinued operations	-	-	-	98
Total amortization charged to income	\$ 2,733	\$ 2,261	\$ 7,909	\$ 6,730

2) Gain on Disposal of Income Producing Property and Sale of Surplus Lands

During the nine months ended September 30, 2008 the Company disposed of surplus lands in New Minas, NS, Riviere du Loup, QC and Tracadie, NB, which resulted in an accounting gain of \$104 thousand. The Company also sold a 50% interest in the Tacoma Centre, NS and Tacoma Valley Field, NS resulting in an accounting gain of \$4.0 million. During the nine months ended September 30, 2007 the Company disposed of income producing properties and surplus land which resulted in an accounting gain of \$3.6 million.

3) Acquisitions, Developments and Redevelopments

a) Cash and Non-Cash Additions

	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Gross additions to income producing properties and intangible assets and below market leases	\$ 9,407	\$ 14,064	\$ 42,304	\$ 45,471
Less: total tenant acquisition costs included in operating cash flow	(1,194)	(1,454)	(5,644)	(4,472)
Cash additions from developments, and redevelopments	\$ 8,213	\$ 12,610	\$ 36,660	\$ 40,999

Plazacorp Retail Properties Ltd.
Interim Consolidated Statements of Cash Flows – Supplemental Cash Flow Disclosure
For the Periods Ended September 30, 2008 and 2007
(In thousands of Canadian dollars, except per share amounts)

b) *Acquisitions and Discontinuance of consolidation*

During the nine months ended September 30, 2008 the Company discontinued consolidating five Ontario properties that had previously been consolidated as variable interest entities. There were no acquisitions of income producing assets other than through transfers from properties under development during the nine months ended September 30, 2008. During the nine months ended September 30, 2007 the Company acquired the remaining 50% interest in Les Promenades St. Francois, a property located in Laval, Quebec through the acquisition of 50% of the net assets.

	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Real estate assets				
Land	\$ (3,607)	-	\$ (3,607)	\$ 1,015
Building	(6,172)	-	(6,172)	909
Parking lot	(442)	-	(442)	226
Tenants acquisition costs	(671)	-	(671)	230
Net intangible assets	-	-	-	557
Less: below market leases	-	-	-	(278)
Gross additions from acquisitions	<u>(10,892)</u>	-	<u>(10,892)</u>	2,659
Net liabilities				
Assumed mortgage	9,244	-	9,244	1,452
Net working capital surplus	(720)	-	(720)	-
Deferred charges	(179)	-	(179)	-
Notes Payable	433	-	433	-
	<u>8,778</u>	-	<u>8,778</u>	1,452
Net assets acquired, funded from cash	<u>\$ (2,114)</u>	-	<u>\$ (2,114)</u>	\$ 1,207

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

	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Receivables	\$ 208	\$ (1,697)	\$ (1,075)	\$ (1,611)
Prepaid expenses and mortgage deposits	637	287	(815)	(587)
Accounts payable and accrued liabilities	(2,513)	(4,867)	1,982	1,751
Income taxes payable, net of refundable capital gains tax	257	95	(42)	47
Total cash from change in non-cash working capital	<u>\$ (1,411)</u>	<u>\$ (6,182)</u>	<u>\$ 50</u>	<u>\$ (400)</u>

5) **Issue of Common Shares**

	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Total from shares issued through exercise of stock options	\$ 118	\$ 118	\$ 529	\$ 596
Less: transfer of equity from contributed surplus	(4)	(6)	(17)	(21)
Cash raised from issuance of common shares, pursuant to employee option agreements	<u>\$ 114</u>	<u>\$ 112</u>	<u>\$ 512</u>	<u>\$ 575</u>

Plazacorp Retail Properties Ltd.
Interim Consolidated Statements of Cash Flows – Supplemental Cash Flow Disclosure
For the Periods Ended September 30, 2008 and 2007
(In thousands of Canadian dollars, except per share amounts)

6) Dividends

	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Dividends declared during the period	\$ 2,049	\$ 1,652	\$ 6,099	\$ 4,866
Dividend reinvestment through reinvestment plan	(281)	(184)	(953)	(537)
Dividends paid in cash	\$ 1,768	\$ 1,468	\$ 5,146	\$ 4,329

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

7) Net Proceeds from Mortgage Financing

	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Proceeds from development lines-of-credit	\$ 12,968	\$ 13,183	\$ 31,355	\$ 26,927
Proceeds from long-term mortgages	4,388	10,816	34,791	31,584
Gross mortgage proceeds	17,356	23,999	66,146	58,511
Plus: assumed mortgages	-	-	-	(1,452)
Less: financing charges incurred	(165)	(41)	(558)	(552)
Net proceeds from mortgage financing	\$ 17,191	\$ 23,958	\$ 65,588	\$ 56,507

8) Periodic Mortgage Principal Repayments

	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Repayment of development lines-of-credit	\$ 1,779	\$ -	\$ 29,805	\$ 10,959
Repayment of long-term mortgages	16,936	5,080	19,681	14,438
Gross mortgage repayments	18,715	5,080	49,486	25,397
Less: mortgages assumed by purchaser on sale	(13,838)	-	(13,838)	(8,061)
repayments at maturity	(3,997)	(4,467)	(33,287)	(15,425)
Periodic mortgage principal repayments	\$ 880	\$ 613	\$ 2,361	\$ 1,911

9) Cash, less Bank Indebtedness

As at September 30,	2008	2007
Cash	\$ 1,582	\$ 1,955
Bank indebtedness from operating lines-of-credit	(1,055)	-
Cash less bank indebtedness	\$ 527	\$ 1,955

Plazacorp Retail Properties Ltd.
Interim Consolidated Statements of Cash Flows – Supplemental Cash Flow Disclosure
For the Periods Ended September 30, 2008 and 2007
(In thousands of Canadian dollars, except per share amounts)

10) Interest

	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Interest costs expensed	\$ 3,862	\$ 3,389	\$ 10,932	\$ 9,112
Plus: interest costs grouped with discontinued operations	-	-	-	115
Total interest costs	3,862	3,389	10,932	9,227
Plus: interest capitalized to properties	282	360	955	1,133
Less: amortization of finance charges	(227)	(144)	(632)	(435)
debenture accretion	(10)	(12)	(30)	(52)
Interest costs charged	3,907	3,593	11,225	9,873
Adjustment for accrued interest	55	(54)	13	(68)
Interest paid in cash	\$ 3,962	\$ 3,539	\$ 11,238	\$ 9,805

11) Income and Capital Taxes

	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Income and capital taxes paid (received)	\$ (156)	\$ 7	\$ 310	\$ 312

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

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 September 30, 2008 and December 31, 2007, and the results of operations for the nine months ended September 30, 2008 and September 30, 2007 and the changes in cash flows for the nine 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, 2007.

The results of operations for the nine months ended September 30, 2008 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 nine month period then ended.

b) Changes in Accounting Policies

Capital Disclosures

On January 1, 2008 the Company adopted the new CICA Handbook Section 1535 *Capital Disclosures*. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new standard covers disclosure only and had no effect on the financial results of the company (see note 27)

Financial Instruments – Disclosures and Presentation

On January 1, 2008 the Company adopted the two new CICA accounting standards: Handbook Section 3862 *Financial Instruments – Disclosures*, and Handbook Section 3863 *Financial Instruments – Presentation*. The new Sections 3862 and 3863 replace Handbook Section 3861 *Financial Instruments – Disclosure and Presentation*, revising and enhancing disclosure requirements, and carrying forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standard covers disclosure only and had no effect on the financial results of the company (see notes 12, 13, 14, 15, 16, 17, 25 and 26)

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).

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

The chart below details the Company's accounting treatment of direct and indirect investments and co-ownership in real estate assets.

	Ownership Interest	
	2008	2007
<u>Accounting Method – Consolidation</u>		
Exhibition Plaza Inc.	55%	55%
Plaza MDO Commercial Trust	100%	100%
Spring Park Plaza Inc.	85%	85%
Granville Street Properties Limited Partnership	60%	60%
Wildan Properties Limited Partnership	60%	60%
Plaza Tacoma Centre Limited Partnership	100%	100%
Commercial Street Plaza Trust	100%	100%
Plazacorp Real Estate Investment Trust	100%	100%
Plazacorp Operating Trust	100%	100%
Plaza Retail Limited Partnership #1	100%	100%
Plazacorp Master Limited Partnership	100%	100%
Plazacorp Property Holdings Inc.	100%	100%
LeMarchant Property Holdings Inc	100%	100%
Plaza LPC Commercial Trust	100%	100%
Les Promenades St-Francois, QC ⁽¹⁾	100%	100%
Dufferin & Wilson (Perth), ON ⁽²⁾	75%	-
<u>Accounting Method – Proportionate Consolidation</u>		
Les Galeries Montmagny and Plaza Tache, QC	50%	50%
University Plaza, PE	43%	43%
RBEG Limited Partnership, QC	50%	50%
Bureau en Gross, QC	50%	50%
Terrace Dufferin, QC	50%	50%
Carrefour des Seigneurs, QC	25%	25%
201 Chain Lake Drive, NS	50%	50%
209 Chain Lake Drive, NS	50%	50%
Fundy Retail Ltd., NB	50%	50%
Plaza TS Magog, QC	50%	50%
15260 Yonge Street, ON	50%	50%
Plaza BDP, QC	37.5%	37.5%
CPDRL, QC	50%	50%
Plaza Jean XXIII, QC	50%	50%
Plaza BBRF, QC	50%	50%
90 Boulevard Tache Ouest, QC	50%	50%
Scott Street Plaza, ON	50% ⁽⁴⁾	50% ⁽²⁾
St Josephs Boulevard, ON	50% ⁽⁴⁾	50% ⁽²⁾
Civic Centre Road, ON	50% ⁽⁴⁾	50% ⁽²⁾
Ontario Street Port Hope, ON	50% ⁽⁴⁾	50% ⁽²⁾
615 King Street, ON	50% ⁽⁴⁾	50% ⁽²⁾
<u>Accounting Method – Equity</u>		
Centennial Plaza Limited Partnership	10%	10%
MDO Limited Partnership	20%	20%
Trois Rivieres Limited Partnership	15%	15%
Village Shopping Centre Limited Partnership	19.2%	19.2%
<u>Accounting Method – Cost</u>		
Northwest Plaza Commercial Trust	10%	10%

(1) Les Promenades St. Francois – The remaining 50% interest in this property was acquired March 7, 2007. Results after March 7, 2007 were fully consolidated.

(2) Property was consolidated as a Variable Interest Entity.

(3) Staples Plaza-Woodlawn and Lansdowne Place – The Company's 50% interest in these properties were sold on March 7, 2007.

(4) As of September 1, 2008 the property is no longer consolidated as a variable interest entity as it does not meet the criteria as set out in ACG-15 and is now proportionately consolidated.

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

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 period. Actual results could differ from such estimates. The significant areas of estimation include impairment of assets, 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*

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. This new standard will be effective for the Company the first quarter of 2009.

The Company is currently in the process of evaluating the potential impact of these new standards on the consolidated financial statements.

3. Income Producing Properties

As at	September 30, 2008			December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 53,587	\$ -	\$ 53,587	\$ 46,124	\$ -	\$ 46,124
Buildings	161,024	(19,186)	141,838	153,383	(16,701)	136,682
Tenant acquisition costs	46,150	(14,899)	31,251	43,602	(13,201)	30,401
Furnishings and equipment	1,040	(506)	534	950	(463)	487
Parking lot	6,853	(1,614)	5,239	5,783	(1,317)	4,466
Total income producing properties	\$ 268,654	\$ (36,205)	\$ 232,449	\$ 249,842	\$ (31,682)	\$ 218,160

4. Properties Under Development

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

The Company capitalized \$955 thousand of interest for the nine months ended September 30, 2008 (for the twelve months ended December 31, 2007 - \$1.8 million).

5. 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 nine months ended September 30, 2008, no impairment on surplus land was recognized (for the twelve months ended December 31, 2007 - \$547 thousand).

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

6. 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.

As at	September 30, 2008			December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Above-market leases	\$ 372	\$ (247)	\$ 125	\$ 373	\$ (201)	\$ 172
Value of in place leases	2,189	(1,457)	732	2,196	(1,209)	987
Tenant relationships	1,934	(750)	1,184	1,934	(581)	1,353
Total intangible assets	\$ 4,495	\$ (2,454)	\$ 2,041	\$ 4,503	\$ (1,991)	\$ 2,512

7. Deferred Charges

Deferred charges consist of the following:

As at	September 30, 2008			December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Deferred recoverable charges	\$ 469	\$ (374)	\$ 95	\$ 369	\$ (305)	\$ 64
Other deferred charges	344	(164)	180	344	(137)	207
Total deferred charges	\$ 813	\$ (538)	\$ 275	\$ 713	\$ (442)	\$ 271

8. Receivables

Receivables consist of the following:

As at	September 30, 2008	December 31, 2007
Tenant accounts receivable	\$ 308	\$ 110
Straight-line rent receivable	3,397	2,628
Accrued tenant common costs and property tax recoveries	268	205
Tenant loans	2,160	2,147
Excise tax	594	692
Other receivables	418	320
Total receivables	\$ 7,145	\$ 6,102

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

The Company determines its allowance for doubtful accounts on a tenant-by-tenant basis taking account of 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 September 30, 2008 is \$7 thousand (December 31, 2007 - \$58 thousand). This amount is netted with tenant accounts receivable.

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

9. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

As at	September 30, 2008	December 31, 2007
Prepaid expenses	\$ 3,159	\$ 1,337
Deposits for acquisitions and financing	597	836
Deposits under mortgage agreements	815	1,833
Total prepaid expenses and deposits	\$ 4,571	\$ 4,006

10. Investments

Investments consist of the following:

As at	Ownership Position	Preferred Return	Residual Return	September 30, 2008	December 31, 2007
Equity Accounting Investments					
Centennial Plaza Limited Partnership	10%	10%	20%	\$ 533	\$ 550
MDO Limited Partnerships ⁽¹⁾	20%	10%	30%	468	537
Village Shopping Centre Limited Partnership	19.2%	8%	50%	1,177	1,452
Trois Rivières Limited Partnership ⁽¹⁾	15%	10%	30%	383	351
				2,561	2,890
Cost Accounting Investments					
Northwest Plaza Commercial Trust	10%	-	-	170	170
				2,731	3,060
Held to Maturity Investments					
	Maturity Dates	Effective Interest Rate			
Bonds and cash – substituted for mortgage security	April 1, 2012	3.47%		2,450	-
Bonds and cash – substituted for mortgage security	December 1, 2009	4.68%		1,765	1,876
Bonds and cash – substituted for mortgage security	November 1, 2008	3.45%		5,172	5,408
				9,387	7,284
Total investments				\$ 12,118	\$ 10,344

(1) The Company's ownership position in MDO Limited Partnership and Trois Rivières Limited Partnership is from its 100% ownership in Plaza MDO Commercial Trust.

Bonds are made up of twenty-two Government of Canada Bonds totaling \$4.1 million (\$7.1 million – December 31, 2007) maturing between October 30, 2008 and December 15, 2011, with yields between 2.75% and 5.55% respectively. The balance of \$5.3 million (\$226 thousand – December 31, 2007) is made up of restricted cash that is utilized for monthly mortgage payments. The bonds have been pledged as substitute security for a mortgage.

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

11. Deficits of Subsidiaries

Deficit of subsidiaries consist of the following:

As at	September 30, 2008	December 31, 2007
Exhibition Plaza Inc.	\$ 4	\$ 2
Granville Street Properties Limited Partnership	352	362
Wildan Properties Limited Partnership	676	694
Scott Street Plaza	-	10
Total deficits of subsidiaries	\$ 1,032	\$ 1,068

For the nine months ended September 30, 2008 the excess of distributions for Spring Park Plaza Inc. exceeded underlying contractual guarantees by \$3 thousand and this amount was charged to consolidated net income (for the twelve months ended December 31, 2007 - \$3 thousand).

12. Mortgages Payable

As at	Rate Range	Weighted Average	Maturity Dates	September 30, 2008	December 31, 2007
Fixed rate loans	5.12% - 8.46%	6.55%	Up to Aug 2023	\$ 172,012	\$ 154,363
Less: unamortized finance charges				(2,811)	(3,091)
				169,201	151,272
Other fixed rate loans	10.0%	9.07%	December 31, 2009	1,358	1,498
Total net fixed rate mortgage loans				170,559	152,770
Variable rate mortgage loans				-	1,264
				-	1,135
Total net variable rate mortgage loans				-	2,399
Total net long-term mortgages				170,559	155,169
Variable rate loans - development line of credit	Prime plus 5/8%		April 29, 2009	22,209	23,941
- development line of credit	Prime plus 1/2%		July 31, 2009	11,687	8,406
- development line of credit	BA plus 175		March 31, 2010	-	-
Less: unamortized finance charges				(82)	(67)
Total net variable rate loans				33,814	32,280
Net mortgages payable				\$ 204,373	\$ 187,449

All mortgages are secured by charges against specific assets. For details on annual principal repayments, see interim consolidated financial statement note 25b. 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 to fund acquisition and development projects for a total of \$59.4 million, available upon pledging of the asset under the respective line. These facilities have a limit of \$5.0 million, \$6.0 million and \$9.4 million respectively per asset funded. Standby fees are charged on the unused portion of available funding. Funding is secured by first mortgage charges on properties funded under the facilities.

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

13. Mortgage Bonds Payable

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

As at	September 30, 2008				December 31, 2007
	Series II	Series III	Series IV	Total	Total
Starrs Road Plaza, Yarmouth, NS, 2 nd Mortgage	\$ -	\$ 1,250	\$ -	\$ 1,250	\$ 2,450
Power Center-Phase 2, Miramichi, NB, 2 nd Miramichi Mortgage	533	-	-	533	197
Kenmount Road Plaza, St John's, NL, 2 nd Mortgage	1,107	-	-	1,107	1,037
Grand Falls Shopping Mall, Grand Falls, NB, 2 nd Mortgage	-	6,250	-	6,250	5,050
LeMarchant Road Plaza, St. John's, NL, 1 st Mortgage	1,187	-	-	1,187	1,652
KGH Plaza, Miramichi, NB, 2 nd Mortgage	-	-	-	-	1,537
Victoria Street Plaza, Edmundston, NB, 1 st Mortgage	1,641	-	-	1,641	1,431
North Sydney Plaza, North Sydney, NS, 2 nd Mortgage	-	-	-	-	390
Robie Street Truro Plaza, Truro, NS, 2 nd Mortgage	-	-	-	-	725
Commercial Street-Phase 2, New Minas, NS, 1 st Mortgage	395	-	-	395	309
201 Main Street, Sussex, NB, 2 nd Mortgage	-	-	-	-	458
Joseph Howe Drive Plaza, Halifax, NS, 2 nd Mortgage	-	-	-	-	371
Bedford Commons Plaza, Bedford, NS, 2 nd Mortgage	-	-	1,643	1,643	3,300
Plaza Tracadie, Tracadie, NB, 1 st Mortgage	-	-	-	-	1,093
Civic Centre Road, Petawawa, ON, 2 nd Mortgage	-	-	-	-	500
Airport Boulevard, Gander, NL, 2 nd Mortgage	530	-	-	530	-
Main & Sackville, Shediac, NB, 2 nd Mortgage	-	-	673	673	-
Fairville Boulevard, St. John, NB, 2 nd Mortgage	755	-	-	755	-
LPC, Rouyn-Noranda, QC, 2 nd Mortgage	309	-	-	309	-
Granite Drive, New Minas, NS, 1 st Mortgage	1,593	-	-	1,593	-
Wilson & Dufferin (Perth), Perth, ON, 2 nd Mortgage	-	-	684	684	-
Plaza Royale, Shawinigan, QC, 2 nd Mortgage	1,950	-	-	1,950	-
Gross mortgage bonds outstanding	\$ 10,000	\$ 7,500	\$ 3,000	20,500	20,500
Less: unamortized finance charges				(119)	(144)
Net mortgage bonds outstanding				\$ 20,381	\$ 20,356

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

The mortgage bonds have been secured by first or second charges against the 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.

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

14. Debentures Payable and Equity Portion of Convertible Debt

Debentures payable consist of the following:

As at	September 30, 2008				December 31, 2007	
	Maturity Date	Interest Rate	Debt Component Outstanding	Value of Option to Convert	Debt Component Outstanding	Value of Option to Convert
Convertible						
Series III	April 30, 2009	8.5%	\$ 971	\$ 47	\$ 1,755	\$ 83
Series IV	July 31, 2011	7.0%	4,925	158	4,902	158
Total convertible debentures			5,896	205	6,657	241
Non convertible debentures	July 31, 2010 – February 24, 2011	8.0%	5,159	-	5,159	-
Gross debentures			11,055	205	11,816	241
Less: unamortized finance charges			(87)	-	(112)	-
Net debentures			\$ 10,968	\$ 205	\$ 11,704	\$ 241

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

	Series III	Series IV
Conversion price	\$1.60	\$4.00
Company's first redemption date	May 1, 2007	July 1, 2009
Maturity date	April 30, 2009	July 31, 2011
Face value outstanding September 30, 2008	\$975	\$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 nine months ended September 30, 2008, holders of \$800 thousand (for the twelve months ended December 31, 2007 - \$4.9 million) of convertible debentures at face value exercised their option to convert to common shares. Of this amount \$36 thousand (for the twelve months ended December 31, 2007 - \$215 thousand) was recorded as a reduction to the original equity component and \$791 thousand (for the twelve months ended December 31, 2007 - \$4.8 million) was recorded as a reduction to the debt component; consistent with the original equity and debt ratio. A total of 500 thousand (for the twelve months ended December 31, 2007 - 3.1 million) common shares were issued on these conversions.

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

15. Notes Payable

Notes payable consists of the following:

As at	Maturity Date	Interest Rate	September 30, 2008	December 31, 2007
Interest bearing notes:				
Les Immeubles Plaza Z-Corp Inc. and related entities controlled by Michael Zakuta, President, CEO and Director of the Company	(1)	Prime plus 1%	\$ 617	\$ 1,617
Non-interest bearing notes:				
Various companies owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President, CEO and Director of the Company	(1)	n/a	264	262
Promissory notes – asset purchases	(2)	n/a	3,500	-
Unrelated parties and non-controlling interests	(1)	n/a	185	778
Total notes payable			\$ 4,566	\$ 2,657

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

2) Promissory notes are due on March 2009 and April 2010.

For the nine months ended September 30, 2008 the Company expensed \$71 thousand (for the twelve months ended December 31, 2007 - \$126 thousand) in related party interest.

16. 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.

17. 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, 2007, the Company and its consolidated subsidiaries had income tax loss carry-forwards in the amount of \$14.9 million, expiring as follows:

Year	Consolidated Subsidiaries	Plazacorp Retail Properties Ltd.	Total
2009	\$ 290	\$ -	\$ 290
2013	10	-	10
2014	66	-	66
2015	75	-	75
2025	272	-	272
2026	5,728	4,169	9,897
2027	4,295	-	4,295
Total	\$ 10,736	\$ 4,169	\$ 14,905

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

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 \$894 thousand in refundable capital gains tax in 2008 and triggered refunds of \$368 thousand from the payment of capital gains dividends. As at September 30, 2008 the company has a refundable capital gains balance of \$526 thousand (December 31, 2007 - nil).

18. Below Market Leases

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

As at	September 30, 2008			December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Below market leases	\$ 1,172	\$ (634)	\$ 538	\$ 1,172	\$ (498)	\$ 674

19. Non-Controlling Interest in Net Assets

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

As at	September 30, 2008	December 31, 2007
Dufferin & Wilson (Perth)	\$ 345	\$ -

20. 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*

As at	September 30, 2008		December 31, 2007	
	Shares	Amounts	Shares	Amounts
Common shares outstanding, beginning of the period	45,867	\$ 36,932	42,087	\$ 30,292
Issuance of common shares:				
Shares issued through exercise of stock				
Options	297	529	416	759
Shares issued through dividend reinvestment plan	269	953	227	891
Shares issued through debt conversion				
- face value debentures	500	800	3,137	4,873
- accumulated interest accretion	-	21	-	117
Common shares outstanding, end of the period	46,933	\$ 39,235	45,867	\$ 36,932

The Company is a mutual fund corporation as defined in the Income Tax Act (Canada) and as such shareholders have the right to redeem their common shares at 90% of the lesser of the Market Price of the share (Market Price is defined as the weighted average trading price of the previous 180 trading days) and the most recent Closing Market Price at the time of the redemption. The redemption price may be satisfied by either cash or a note payable bearing interest at a rate equal to the prescribed rate of interest calculated pursuant to paragraph 4301c of the regulations promulgated under the Income Tax Act (Canada) in effect at the time of its issue and will mature and be fully repaid at the end of two years after issuance. The notes

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

may also be prepaid without penalty. As at September 30, 2008 no shareholder had redeemed shares under the mutual fund corporation provisions.

Pursuant to the Company's Dividend Reinvestment Plan, during the nine months ended September 30, 2008, shareholders were issued 269 thousand shares at a weighted average price of \$3.54 per share (for the twelve months ended December 31, 2007 – 227 thousand shares at a weighted average of \$3.93 per share).

c) Earnings per Share

Basic earnings per share are calculated based on the weighted average number of shares outstanding for the period. Diluted earnings per share consider the potential exercise of outstanding stock options, as well as the potential conversion of convertible debentures that have a negative impact to earnings per share. Stock options or convertible debentures that do not reduce earnings per share are anti-dilutive, and are excluded from the dilution per share calculation. As at September 30, 2008, Series IV totalling \$5.0 million which equates to 1.25 million shares were anti-dilutive as were Series V stock options (December 31, 2007 \$6.8 million in debentures which equates to 2.4 million shares were antidilutive).

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

For the Periods then Ended	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Basic Weighted average shares outstanding	46,867	44,287	46,626	43,570
Effect of dilutive stock options	335	625	376	652
Effect of dilutive convertible debentures	1,859	-	610	1,147
Weighted average number of diluted shares	49,061	44,912	47,612	45,369
Net income	\$ 3,971	\$ 704	\$ 4,515	\$ 3,935
Diluted net income	\$ 4,015	\$ 704	\$ 4,539	\$ 4,040

21. Stock Options / Contributed Surplus

The Company has a stock option plan whereby directors and certain employees of the Company or its affiliates may be granted stock options at an exercise price not less than 100% of the market value on the date of grant. The weighted average fair value of all options vesting during the period was determined on the grant date using the Black-Scholes model.

During 2007 the Company granted options for 120 thousand shares to directors and are detailed herein as Series V options. Series V options vest equally in May 2008, 2009, and 2010.

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

As at	Directors Options		Employees Options	
	September 30, 2008	December 31, 2007	September 30, 2008	December 31, 2007
Options outstanding, start of the period	180	145	975	1,306
Options granted	-	120	-	-
Options expired	-	-	-	-
Options exercised	(60)	(85)	(237)	(331)
Options outstanding, end of the period	120	180	738	975
Outstanding options that are exercisable	40	-	703	454

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

Details of options outstanding are as follows:

	Series III	Series IV	Series V
Exercise price	\$1.72 & \$1.85	\$2.75	\$4.36
Options outstanding	653	85	120
Expiry date	February 2, 2010 & April 14, 2010	April 11, 2011	May 6, 2012
Options exercisable	651	52	40
Compensation expensed for options not exercised as at September 30, 2008	\$36 thousand	\$19 thousand	\$30 thousand
Compensation expensed for options not exercised as at December 31, 2007	\$50 thousand	\$13 thousand	\$15 thousand
Black-Scholes valuation assumptions:			
Expected life of options	5 years	5 years	5 years
Volatility	16%	17%	14%
Risk free rate of return	3.58%	4.34%	4.65%
Dividend rate	6.10%	4.55%	3.40%

The cumulative amount of compensation expensed for options not exercised at the end of the period is \$85 thousand (for the twelve months ended December 31, 2007 - \$78 thousand). This amount is credited to Contributed Surplus.

The Company recorded \$24 thousand in compensation expense related to stock options for the nine months ended September 30, 2008 (for the twelve months ended December 31, 2007 - \$54 thousand).

The weighted average grant date fair value of options issued during the nine months ended September 30, 2008 is Nil (for the twelve months ended December 31, 2007 - \$59 thousand).

22. Discontinued Operations

During the nine months ended September 30, 2007 Company sold its 50% interests in Lansdowne Place, Saint John, NB and Staples-Woodlawn, Dartmouth, NS. These transactions resulted in an accounting gain of \$2.8 million.

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

For the Periods Then Ended	3 Months Ended September 30, 2008	3 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007
Rental revenues	-	\$ -	-	\$ 443
Operating expenses	-	5	-	219
Net property operating income	-	(5)	-	224
Financing costs	-	-	-	115
Amortization	-	-	-	85
Income before income taxes	-	(5)	-	24
Income tax expense	-	(2)	-	10
Income from discontinued operations	-	\$ (3)	-	\$ 14

23. Related Party Transactions

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

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

Plaza Atlantic Limited is controlled by two directors of Plazacorp namely Michael Zakuta and Earl Brewer. Mr. Brewer is Chairman of the Board of Plazacorp, Michael Zakuta is President and Chief Executive Officer of the Company. Les Immeubles Plaza Z-Corp Inc. is effectively controlled by Michael Zakuta.

The purpose of the management arrangement is to provide the Company the services of a fully staffed and professional management company in all geographic areas which allows Plazacorp access to significant professional management services at reasonable cost. Both Plaza Atlantic Limited and Les Immeubles Plaza Z-Corp Inc. manage properties for third parties. Mr. Brewer and Mr. Zakuta did not receive any direct compensation from the Company for performing their duties as Chairman and President, respectively or as Directors, during 2008 and 2007.

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

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

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

For the Six Months Ended	Included for Reporting Purposes In	September 30, 2008	September 30, 2007
Fee Category			
Management fees	Property operating expenses	\$ 1,245	\$ 1,147
	Tenant acquisition costs and property operating expense	954	1,193
Leasing fees			
Development fees	Income producing properties	671	746
Financing fees	Income producing properties and debt	246	152
Acquisition and land lease fees	Income producing properties	122	111
	Gain on disposal of income producing properties		
Disposition fees	or surplus lands	141	166
Legal services	Varies depending on nature of service	505	303
Total fees billed by the Property Manager		\$ 3,884	\$ 3,818

During the nine months ended September 30, 2008 the Company paid Nil (for the twelve months ended December 31, 2007 - \$63 thousand) to Plaza Atlantic Ltd. and Les Immeubles Plaza Z-Corp Inc. the Management Company, to hold in trust and apply against future minor insurance claims below the insurance company deductibles.

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

As at	September 30, 2008	December 31, 2007
Included with accounts payable and accrued liabilities	\$ 573	\$ 572

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

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

As at	September 30, 2008	December 31, 2007
Richard Hamm, Director	\$ 325	\$ 325
Michael Zakuta, Director	1,200	1,200
Edouard Babineau, Director	700	700
Earl Brewer, Director	438	438
Stephen Johnson, Director	1,220	1,220
Barbara Trenholm, Director	364	364
Total related party mortgage bonds and debentures held	\$ 4,247	\$ 4,247

For the nine months ended September 30, 2008, there were no debentures converted by Directors of the Company, or companies owned and controlled by Directors.

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

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

24. Segmented Information

The company develops, re-develops and acquires shopping malls, strip plaza's 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 and in accordance with GAAP. One tenant comprises 25.4% of the company's rental revenue.

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

Province	Rental Revenue		Net Property Operating Income and Investment Income		Total Assets	
	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007	9 Months Ended September 30, 2008	9 Months Ended September 30, 2007	As at September 30, 2008	As at December 31, 2007
	New Brunswick	\$ 14,558	\$ 12,838	\$ 9,143	\$ 7,772	\$ 134,387
Nova Scotia	7,690	6,479	4,726	4,152	71,042	67,240
Quebec	6,343	5,542	3,546	3,198	38,926	32,243
Prince Edward Island	2,972	2,988	2,011	2,072	11,971	12,019
Newfoundland and Labrador	1,380	909	922	622	15,940	14,027
Ontario	1,338	305	1,072	200	17,677	20,614
Total	\$ 34,281	\$ 29,061	\$ 21,420	\$ 18,016	\$ 289,943	\$ 269,888

25. 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. The facility is secured by Personal Property Security Act (PPSA) charges in each province and matures November 30, 2009. The facility, under which the letters-of-credit are issued, requires that the Company maintain certain

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

financial ratios to comply with the facility. As at September 30, 2008 \$500 thousand (December 31, 2007 - \$500 thousand) of such letters-of-credit were issued and outstanding and the Company was in compliance with the terms of the credit facility.

The \$30 million and \$15 million development facilities have letters-of credit limits of \$1.5 million available for each facility. As at September 30, 2008 nil (December 31, 2007 - \$643 thousand) of the letter-of credit's 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 September 30, 2008, \$623 thousand (December 31, 2007 - \$1.2 million) of such letters-of-credit were issued and outstanding.

b) Commitments

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

	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Year 5 2013	After 5 Years	Face Value Total	Carrying Amount Total
Mortgages – Principal Repayment	\$ 2,889	\$ 3,106	\$ 3,121	\$ 3,131	\$ 3,174	\$ 12,454	\$ 27,875	\$ 27,875
Mortgages – Due at Maturity ⁽¹⁾	3,300	3,611	650	17,392	8,353	105,380	138,686	135,924
Mortgages – Funded by Defeasance ⁽²⁾	5,128	1,681	-	-	-	-	6,809	6,760
Development line-of-credits	26,358	7,539	-	-	-	-	33,897	33,814
Bonds – face value	-	10,000	7,500	3,000	-	-	20,500	20,381
Debentures – face value	975	5,159	5,000	-	-	-	11,134	10,968
Operating land leases ⁽³⁾	2,559	2,563	2,555	2,536	2,509	137,081	149,803	149,803
Development activities	8,254	-	-	-	-	-	8,254	8,254
Total contractual obligations⁽⁴⁾	\$ 49,463	\$ 33,659	\$ 18,826	\$ 26,059	\$ 14,036	\$ 254,915	\$ 396,958	\$ 393,779

(1) \$2.8 million was refinanced on November 14, 2008

(2) Mortgages maturing but previously funded by defeasance

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

(4) The yearly totals are based on a rolling 12 months with First Year based on October 1, 2008 to September 30, 2009

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 September 30, 2008 is \$15.7 million (December 31, 2007 – \$15.8 million) with a weighted average remaining term of 4.0 years (December 31, 2007 – 4.7 years).

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 \$3.4 million (December 31, 2007 - \$3.4 million). The Company indemnifies its former co-venturer in respect of the cross-default.

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 September 30, 2008, the total exposure on the cross-guarantee is \$739 thousand (December 31, 2007 - \$766 thousand).

The Company has provided an unlimited indemnity related to certain matters, principally environmental, in relation to a mortgage granted to Centennial Plaza Limited Partnership.

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 September 30, 2008 the Village Shopping Centre Limited Partnership has borrowed \$21.7 million of the \$24.0 million line-of-credit. The remaining budgeted development costs are \$887 thousand and the Company's current exposure under their guarantee is estimated to be nil (December 31, 2007 – nil).

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

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

d) Litigation

The Company and its property manager, Plaza Atlantic Limited, are involved in litigation and claims in relation to its income producing properties and other business matters from time to time. A minority shareholder of Plaza Atlantic Limited has initiated a commercial action against Plaza Atlantic Limited and its two principal beneficial shareholders, Earl Brewer and Michael Zakuta, alleging infringement of its minority shareholder rights under the New Brunswick *Business Corporations Act*. Certain remedies sought in this action, if granted, could temporarily restrict the ability of Messer's Brewer and Zakuta from acting as officers and directors of Plaza Atlantic Limited pending judgment of the matter. No date for trial has been set. The Company has given written notice to Plaza Atlantic Limited to terminate the existing management which expires on March 29, 2009. Plazacorp is not a named party in the lawsuit. The Company's independent directors are monitoring the action for potential impacts on the Company.

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

26. Financial Risk Management

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

a) Interest Rate Risk

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

The Company has not classified any fixed rate financial assets and liabilities as held for trading. Therefore a change in fair market value of these fixed rate instruments at the reporting date would not affect net income with respect to those fixed rate instruments. 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 will attempt to renegotiate its existing debt to take advantage of lower interest rates.

An increase of 100 basis points in interest rates at September 30, 2008 if applied to all outstanding float rate instruments would increase interest expense and decrease pre-tax earnings in the annual amount of \$339 thousand. A change in interest rates at September 30, 2008 would not affect net income with respect to fixed rate instruments. Therefore, no sensitivity analysis is provided for the fixed rate instruments. This calculation is prepared on the same basis as 2007.

b) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and will be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss by ensuring that its tenant mix is diversified and weighed to national and regional tenants which now comprise 92.2% 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 \$481 thousand per annum. The Company limits loans granted under lease arrangements to high credit rating national tenants.

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 25c of the interim consolidated financial statements for details of guarantees.

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

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

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

	Carrying amount September 30, 2008	Carrying amount December 31, 2007
Held-to-maturity investments	\$ 9,387	\$ 7,284
Loans and receivables	7,145	6,102
Cash and cash equivalents	1,582	1,978
	\$ 18,114	\$ 15,364

The Company's most significant customer, a national retailer, accounts for \$2.2 million of the carrying value of tenant loans as at September 30, 2008 (December 31, 2007 - \$2.2 million).

c) Liquidity and Debt Market Risk

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. There is a risk that debt maturity in any year cannot be renegotiated on favorable terms or any terms at all. 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 12, 13, 14, 15 and 16. The Company's liquidity management strategy includes accessing development and operating lines of credit as necessary to fulfill financial commitments.

d) Fair Value

Generally, trading values for the Company's financial instruments are not available. In determining estimates of the fair values of the financial instruments, the Company must make assumptions regarding current market rates, considering the term of the instrument and its risk. Current market rates are generally selected from a range of potentially acceptable rates and accordingly, other effective rates and fair values are possible. The rates used in determining fair market value of mortgages are corresponding term Government of Canada Bonds plus credit spreads of 2.25% to 2.4%. The rates used to determine the fair market value of mortgage bonds and debentures range from 7.5% and 8.25%. See note 27 for summary of fair market 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 interim consolidated financial statements note 25c).

As at September 30, 2008, the fair value of the Company's investment in Government of Canada Bonds of \$9.4 million (\$7.3 million - December 31, 2007) exceeded its recorded value by \$28 thousand (\$80 thousand - December 31, 2007). The Company had no exposure to financial hedges or embedded derivatives as at September 30, 2008.

27. 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.

Plazacorp Retail Properties Ltd.
Notes to the Interim Consolidated Financial Statements
For the Periods Ended September 30, 2008 and December 31, 2007
(In thousands of Canadian dollars, except per share amounts)

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements, except: bank operating and development lines where it must maintain at least \$15 million of shareholders equity; maintain debt service ratios in excess of 1.45 times to 1.5 times; and interest coverage ratios of 1.65 times, with all debt service ratio's calculated exclusive of interest charged on subordinate debt and convertible debentures. In addition, under a development line, the company must maintain a ratio of cumulative indebtedness to the fair market value of its properties of not more than 70%. The company is in compliance with all debt covenants.

In December 2007, the Company filed a normal course issuer bid, which entitles the Company to acquire up to 1.0 million of its common shares between, December 20, 2007 and December 19, 2008. All purchases are to be made on the open market at the market price at the time of the purchase. No purchases have been made under this bid.

There were no changes to the Company's approach to capital management during the nine months ended September 30, 2008.

The calculation of the total capital is summarized as follows:

	Book Value September 30, 2008	Fair Value September 30, 2008	Book Value December 31, 2007	Fair Value December 31, 2007
Capital				
Total net fixed rate mortgage loans	\$ 170,559	\$ 163,214	\$ 152,770	\$ 152,914
Total net variable rate mortgage loans	-	-	2,399	2,398
Total net variable rate loans	33,814	33,814	32,280	32,280
Mortgage Bonds Payable	20,381	20,416	20,356	20,426
Debentures Payable	10,968	10,959	11,704	10,922
Notes Payable	4,566	4,566	2,657	2,657
	240,288	232,969	222,166	221,597
Shareholders Equity	28,893	-	28,203	-
Total Capital	\$ 269,181	\$ 232,969	\$ 250,369	\$ 221,597

28. Subsequent Events

Acquisitions

The Company purchased land in Shediac, NB for future development for a total investment of \$256 thousand.

Financing

The Company repaid a \$5.1 million mortgage with funds segregated from a prior defeasance. The Company obtained long term financing of \$4.0 million with a 10 year term at 7.29%.

Stock Options

68 thousand options were exercised and converted to 68 thousand shares for \$117 thousand in cash consideration.

Future Management Arrangement

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

29. Comparative Figures

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

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