



PLAZACORP RETAIL
PROPERTIES LTD.

ANNUAL REPORT

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

**FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

DATED: MARCH 31, 2010

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Plazacorp Retail Properties Ltd.

PRESIDENT'S MESSAGE

Fellow Shareholders:

We are pleased to report our results for the year ended December 31, 2009. Our Company continued its profitable growth and improved the quality of its portfolio of properties. Plazacorp now derives 93.2% of its revenues from national and regional retail chains, up from 92.4% in 2008. Our geographically diversified and stable portfolio of properties delivers solid cash flow while minimizing risk. Plazacorp has increased its annual dividend to 19.25¢ per share for 2010, up from 18.5¢ per share in 2009. This represents the seventh consecutive annual dividend increase.

During the year ended December 31, 2009, 8 additional properties became income producing. This development activity grew the current portfolio to 100 properties. Our business continues to grow as we have 6 properties under development and 7 land assemblies in progress in 2010. These new development properties are representative of our investment strategy to develop assets that meet our strict investment criteria and impact positively on our future cash flow.

Plazacorp increased funds from operations by 9.7% on a dollar basis and by 6.5% on a per share basis. Our asset base at book value grew to \$309 million, an increase of 6.0% over the year ended December 31, 2008.

Plazacorp's strategy of creatively structuring its deals and its focus of meeting the needs of its core customers/retailers led to continued growth despite the difficulties encountered in all areas of the economy. Plazacorp results for 2009 demonstrated its adaptability and strengths. Plazacorp's growth of FFO, AFFO, Cash Flow and dividends per share over the last seven years has significantly outpaced its peers. Plazacorp has clearly proven its value-creation capabilities and its ability to organically grow its business. The state of the economy in 2009 slowed the pace of business. Going forward, the impact of 2009 will be felt by Plazacorp and other development oriented real estate entities in 2010. Our pace of growth will be slower in 2010. Fortunately, we are already witnessing a marked improvement in business conditions in early 2010. This improvement is helping to re-fill our development pipeline and is creating very good debt and equity financing opportunities. Plazacorp will continue to be a very focused and determined business enterprise and will continue to develop and acquire quality retail properties that will produce positive long-term results for the benefit of our shareholders.

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

Sincerely,



Michael Zakuta
President and CEO

PART I

FORWARD-LOOKING DISCLAIMER

Management's Discussion and Analysis ("MD&A") of the consolidated financial position and the results of operations of Plazacorp Retail Properties Ltd. (hereinafter referred to as "Plazacorp" or the "Company") for the year ended December 31, 2009 should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto for the year ended December 31, 2009 and 2008, along with the MD&A for the year ended December 31, 2008, including the section on "Risks and Uncertainties". Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information contained in this MD&A contains forward-looking statements, based on the Company's estimates and assumptions, which are subject to risks and uncertainties. This may cause the actual results and performance of the Company to differ materially from the forward looking statements contained in this MD&A. Such factors include, but are not limited to, economic, capital market, and competitive real estate conditions. These forward-looking statements are made as of March 31, 2010 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. EBITDA, as calculated by Plazacorp, may not be comparable to similarly titled measures reported by other entities. Due to the significance of Plazacorp's real estate assets and the contractual nature of Plazacorp's revenues, EBITDA can be used to measure Plazacorp's ability to service debt, and fund capital needs.

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

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

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

Adjusted Funds From Operations (AFFO) is an industry measure which adjusts FFO for non-cash revenue, expenses and maintenance capital expenditures. Readers are advised that changes in operating factors which impact FFO and AFFO, with the principal exception of financing costs, directly affect EBITDA.

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

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

PART II

ANNUAL PERFORMANCE SUMMARY

The key performance indicators discussed throughout the MD&A are summarized below. For a detailed explanation of the key performance indicators please refer to the appropriate section in this MD&A. Management believes that its key performance indicators allow it to track progress towards the achievement of Plazacorp's primary goal of providing a steady and increasing cash flow to our shareholders. The following chart discusses the key performances indicators for the year ended December 31, 2009 compared to the year ended December 31, 2008.

Funds From Operations	<ul style="list-style-type: none">➤ For the year ended December 31, 2009 FFO was \$13.4 million or 27.9¢ per share (26.3¢ diluted) compared to \$12.2 million or 26.2¢ per share (25.9¢ diluted) for the year ended December 31, 2008, a 9.7% increase (\$1.2 million increase on a dollar basis) and a 6.5% increase on a per share basis. <p>The principal factors influencing FFO are:</p> <ul style="list-style-type: none">➤ Incremental FFO results from \$1.7 million earned by properties which transferred to income producing properties during 2008 and 2009.➤ Incremental FFO from same asset pool growth of \$287 thousand net of management fee decrease contributed positively to FFO.➤ Asset dispositions in 2008 and in 2009 reduced FFO by \$723 thousand compared to prior year.
Earnings Before Interest, Taxes, Depreciation and Amortization	<ul style="list-style-type: none">➤ For the year ended December 31, 2009 EBITDA was up \$1.6 million representing 5.9% growth over the year ended December 31, 2008. <p>The principal factors influencing EBITDA are:</p> <ul style="list-style-type: none">➤ Full impact of earnings from the addition of new properties through development during 2008 and 2009 contributed \$3.0 million➤ Disposition of assets in 2008 and 2009 resulted in a decrease in EBITDA of \$1.6 million compared to 2008.➤ The expansion at Les Promenades du Cuivre contributed an incremental EBITDA of \$238 thousand in 2009.
Debt Service Ratios	<ul style="list-style-type: none">➤ For the year ended December 31, 2009 the Interest Coverage ratio was 2.0 times up 0.1 when compared to the year ended December 31, 2008 and the Debt Service Coverage ratio was consistent at 1.6 times when compared to the year ended December 31, 2008. This increase in the Interest Coverage ratio, was primarily due to lower float rate interest costs on properties included in income producing properties in Q1 and Q2.➤ The debt service ratios derived from EBITDA exceed the requirements under our borrowing arrangements.
Same-Asset Net Property Operating Income	<ul style="list-style-type: none">➤ For the year ended December 31, 2009 same-asset net property operating income was up, over the prior year, by \$560 thousand (2.3%). Excluding non-cash items and land rents, and adjusting for the management fee decrease, same-asset growth was 2.5%.
Weighted Average Cost of Debt	<ul style="list-style-type: none">➤ As at December 31, 2009 the weighted average effective cost of mortgage debt increased 15 basis points to 6.47% from 6.32% compared to December 31, 2008 due to more stringent credit market conditions on financings during 2009.
Occupancy Levels	<ul style="list-style-type: none">➤ As at December 31, 2009 overall occupancy decreased slightly to 97.4% from 97.9% compared to December 31, 2008. This temporary decline in occupancy is partially due to 349 thousand of new square footage moving from development property to income producing property during 2009 which was 94.2% occupied. Overall the portfolio occupancy is stable.

Plazacorp Retail Properties Ltd.

PROPERTY AND CORPORATE PERFORMANCE 2009 AND 2008

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

> KEY PERFORMANCE INDICATOR

Plazacorp's summary of FFO for the three and twelve months ended December 31, 2009, compared to the three and twelve months ended December 31, 2008 are presented below:

(000's – except per share amounts) For the Periods Ended (Unaudited)	3 Months Ended December 31, 2009	3 Months Ended December 31, 2008	12 Months Ended December 31, 2009	12 Months Ended December 31, 2008
Total revenues	\$ 13,274	\$ 11,903	\$ 49,951	\$ 47,338
Basic earnings per share	\$ 0.027	\$ 0.031	\$ 0.080	\$ 0.127
Diluted earnings per share	\$ 0.027	\$ 0.031	\$ 0.077	\$ 0.126
Income and other comprehensive income	\$ 1,304	\$ 1,454	\$ 3,840	\$ 5,951
Add (deduct):				
Loss (gain) on disposal of income producing properties and surplus lands	8	(17)	(665)	(4,114)
Income tax expense	(746)	(765)	112	661
Amortization	2,838	2,510	10,288	9,807
Non-controlling interests	202	79	651	424
Interest costs	4,182	3,559	14,600	14,490
Earnings before interest, taxes, depreciation and amortization (EBITDA)	7,788	6,820	28,826	27,219
Add (deduct):				
Interest costs	(4,182)	(3,559)	(14,600)	(14,490)
Current income tax expense	-	3	(44)	(42)
Non-cash debenture interest	48	10	72	40
Non-controlling interest adjustment to FFO	(459)	(200)	(1,319)	(1,021)
Equity accounting adjustment to FFO	139	142	515	563
Corporate amortization	(4)	(6)	(18)	(23)
Basic FFO	3,330	3,210	13,432	12,246
Interest on dilutive convertible debentures before income tax	211	16	211	64
Diluted FFO	\$ 3,541	\$ 3,226	\$ 13,643	\$ 12,310
Basic Weighted Average Shares Outstanding	48,651	47,102	48,132	46,746
Diluted Shares Outstanding	52,488	47,771	51,935	47,534
Basic FFO per share	\$ 0.068	\$ 0.068	\$ 0.279	\$ 0.262
Diluted FFO per share	\$ 0.067	\$ 0.067	\$ 0.263	\$ 0.259

> KEY PERFORMANCE INDICATOR

Earnings before interest, taxes, depreciation and amortization	\$ 7,788	\$ 6,820	\$ 28,826	\$ 27,219
Interest costs	\$ 4,182	\$ 3,559	\$ 14,600	\$ 14,490
Periodic mortgage principal repayments	817	697	3,018	3,058
Total debt service	\$ 4,999	\$ 4,256	\$ 17,618	\$ 17,548
Debt coverage ratios				
Interest coverage ratio	1.9 times	1.9 times	2.0 times	1.9 times
Debt service coverage ratio	1.6 times	1.6 times	1.6 times	1.6 times

Plazacorp Retail Properties Ltd.

Adjusted Funds from Operations (AFFO)

Adjusted funds from operations removes non-cash revenues and expenses from FFO and deducts same asset pool maintenance capital expenditures to show funds available for distribution as dividends and to pay periodic mortgage repayments.

Maintenance capital expenditures include leasing commissions, tenant improvement costs and routine capital expenditures for properties in the same asset grouping. See page 29 for properties excluded from the same asset grouping and labeled as transactions.

Adjusted funds from operations, also adjusts for the non-controlling interest contributions for maintenance capital expenditures and the principal repayment of tenant loans.

(000's) For the Periods Ended (Unaudited)	3 Months Ended December 31, 2009	3 Months Ended December 31, 2008	12 Months Ended December 31, 2009	12 Months Ended December 31, 2008
Basic funds from operations	\$ 3,330	\$ 3,210	\$ 13,432	\$ 12,246
Add: Amortization of deferred finance cost	204	167	706	799
Principal repayment of tenant loans	129	96	437	358
Less: Non cash revenue – straight-line rent	(112)	(251)	(1,111)	(1,242)
Non cash revenue – above and below market rent	(34)	(26)	(112)	(115)
Maintenance capital expenditures	(226)	(226)	(1,457)	(1,315)
Adjusted funds from operations	\$ 3,291	\$ 2,970	\$ 11,895	\$ 10,731
Add: Non-controlling interest adjustment	11	16	155	59
Adjusted funds from operations including non-controlling interest effect	\$ 3,302	\$ 2,986	\$ 12,050	\$ 10,790
Adjusted funds from operations per share	\$ 0.068	\$ 0.063	\$ 0.250	\$ 0.231
Gross dividend payments	\$ 2,244	\$ 2,056	\$ 8,876	\$ 8,155
Cash flow after dividends	\$ 1,058	\$ 930	\$ 3,174	\$ 2,635
Distribution Percentage of AFFO	68.0%	68.9%	73.7%	75.6%
Distribution Percentage of FFO	67.4%	64.0%	66.1%	66.6%

➤ KEY PERFORMANCE INDICATOR

SAME-ASSET NET PROPERTY OPERATING INCOME

Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the year ended December 31, 2009 and the entire year ended December 31, 2008 and excludes partial year results from assets included in the 2009 and 2008 transaction categories detailed on page 29 of this MD&A and properties under significant redevelopment during 2009 and 2008.

(000's) For the Periods Ended (Unaudited)	3 Months Ended December 31, 2009	3 Months Ended December 31, 2008	12 Months Ended December 31, 2009	12 Months Ended December 31, 2008
Same-asset rental revenue	\$ 10,785	\$ 10,703	\$ 42,652	\$ 41,830
Same-asset operating expenses	2,471	2,519	9,888	9,941
Same-asset realty tax expense	1,990	1,998	8,025	7,710
Same-asset net property operating income	\$ 6,324	\$ 6,186	\$ 24,739	\$ 24,179
Same-asset net property operating income excluding non-cash revenue and land rent	\$ 6,587	\$ 6,252	\$ 26,260	\$ 25,468
Same-asset net property operating income margin excluding non-cash revenue and land rent	61.1%	58.4%	61.6%	60.9%
Total net property operating income	\$ 7,817	\$ 6,816	\$ 28,880	\$ 27,050
Total net property operating margin	60.4%	58.7%	59.4%	58.9%

As noted in the previous chart the net property operating income for the same asset pool is showing growth of \$560 thousand (2.3%) year to date, due to high occupancy and the impact of straight-line rent accounting. There were no significant operational issues within the same-asset pool for the year ending December 31, 2009. The growth is partially due to the reduction in management fees from 4% to 3% as a result of the new management agreement which was effective March 30, 2009, creating a positive impact of \$165 thousand. Same-asset net property operating income excluding non-cash revenue and land rent had growth of \$792 thousand (3.1%) year to date with the total net property operating income growing by \$1.8 million (6.8%) due to overall growth in income producing properties.

The variance in total net property operating income was attributable to:

- \$898 thousand increase in net property operating income from the 9 properties transferred to income producing in 2008 and \$2.1 million for the 8 properties transferred to income producing in 2009;
- decrease in net property operating income, period over period, due to the sale of 2 properties in 2008 which decreased NOI by \$493 thousand;
- the sale of a 75% interest in 4 properties in 2009 reduced NOI by \$897 thousand;
- the removal from consolidation of 5 Ontario properties in 2008 reduced NOI by \$508 thousand;
- the expansion at Les Promenades du Cuivre contributed an incremental NOI of \$238 thousand in 2009, and
- the change in property management fees which decreased from 4% to 3% due to the new management agreement, effective March 30, 2009, which resulted in incremental NOI of \$165 thousand.

The lease up of the Grand Falls Shopping Centre, Plaza Royale, Miramichi Plaza Phase 2, Starrs Road Plaza, and the reduction in management fees were the primary contributors to the \$560 thousand increase in same-asset net property operating and the \$1.8 million increase to total net property operating income during 2009 over 2008.

For the three months ending December 31, 2009 there were no significant changes within the same-asset pool. Same-asset net property operating income increased over the prior year by \$138 thousand or 2.2%, consistent with the annual results.

SAME-ASSET NET PROPERTY OPERATING INCOME EXCLUDING NON-CASH REVENUE AND LAND RENT

GAAP requires that contractual rental revenue to be recorded on a straight-line basis over the term of the respective leases. As a result, growth in same-asset property operating income is derived primarily from changes in occupancy, cost containment and rental increases on lease renewal.

Due to the Company's use of operating 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 59.4% (year ended December 31, 2008 – 58.9%). These margins increase to 61.6% (year ended December 31, 2008 – 60.9%) when the effect of land rent and non-cash revenue is excluded.

Significant portions of the Company's leases have common cost recoveries linked to the consumer price index (CPI) 54.4%. Certain anchor tenant leases may restrict recovery of common costs. As a result, certain costs such as snow removal and utility costs may not be completely offset by cost recoveries in a period, or recoveries revenue may exceed costs. Municipal taxes are generally net and fully recoverable from tenants. Most tenants in strip plazas and single-use properties are responsible for their own utilities, and changes to these costs do not materially impact on net property operating income. Significant fluctuations of the CPI index during 2008 and 2009 could restrict the growth or decrease CPI revenue during 2010 for certain tenants, constraining the growth of same asset NOI. This condition related to CPI leases is expected to reverse through late 2010 and early 2011.

INVESTMENT INCOME

Investment income consists of income from equity and cost accounted investments. The following schedule shows our ownership position, rates of preferred returns on investment and our interest in cash on capital appreciation beyond the preferred returns.

Plazacorp Retail Properties Ltd.

	Ownership Position	Preferred Return	Residual Return
Equity Accounted Investments			
Centennial Plaza Limited Partnership	10%	10%	20%
MDO Limited Partnership	20%	10%	30%
Village Shopping Centre Limited Partnership	19.18%	8%	50%
Trois Rivieres Limited Partnership	15%	10%	30%
Plazacorp - Shediac Limited Partnership	10%	8%	50%
Cost Accounted Investments			
Northwest Plaza Commercial Trust	10%	-	-

Investment income is made up of interest income (\$259 thousand), generated primarily from tenant loans, the income reported on an equity accounting basis for Centennial Plaza, Marche De L'Ouest, Place Du Marche, Plaza des Recollets and the Village Shopping Centre (\$1.01 million) and income reported on a cost basis from Northwest Plaza (\$47 thousand).

GAIN ON DISPOSALS OF INCOME PRODUCING PROPERTIES AND SURPLUS LANDS

For the year ended December 31, 2009 the company disposed of a 75% interests in income producing properties in Moncton, NB, Sussex, NB, Miramichi, NB and Truro, NS, resulting in an accounting gain of \$671 thousand. The company also disposed of surplus and development land during the year ended December 31, 2009 in St. Catharines, ON, Sussex, NB and Shediac, NB for an accounting loss of \$6 thousand.

CAPITAL TAXES

The Company records capital taxes at the statutory rates on the net equity base of the Company after exemptions. For the year ended December 31, 2009 the Company and its subsidiaries recorded \$120 thousand in capital taxes compared to \$276 thousand for the year ended December 31, 2008. Several governments have announced the repeal or phase-out of capital taxes over the next several years, favourably impacting current and future capital taxes to be incurred.

INCOME TAX EXPENSE

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

(000's)	December 31,	December 31,
For the Periods Ended	2009	2008
Current income taxes	\$ 44	\$ 42
Future income taxes	68	619
Total income taxes	\$ 112	\$ 661

ADMINISTRATIVE EXPENSES

Administrative expenses have increased over the prior year, mainly due to the corporate management fee of ¾% of gross rents paid. This fee is under the management agreement between Plaza Group Management Limited and Plazacorp which was effective March 30, 2009. For the year ending December 31, 2009 the total corporate management fees were \$260 thousand (December 31, 2009 – nil). The corporate management fee was offset by a reduction in property management fees which is reflected in net property operating income.

OUTLOOK

Our development and leasing efforts have produced a property portfolio that is dominated by national retailers and provides our investors with a very stable cash flow. Performance to date has demonstrated the strength of current strategies and operating capabilities. Barring unforeseen events management is confident of delivering solid performance in 2010 as well as growth to the portfolio. The primary benefit to shareholders of the Company's performance and tenant profile is reliable cash flow and, over time, increasing dividends. Dividends to shareholders have been set at 19.25¢ per share for 2010 compared to 18.5¢ per share for 2009.

Plazacorp currently has six properties under development. Four of these properties are expected to move into income producing by Q3 2010. There are seven other conditional land assemblies which are under purchase agreements and subject to due diligence. These potential properties total a land investment of \$11.4 million and would represent 331 thousand additional square feet at completion.

Plazacorp has built a portfolio with a high quality revenue stream. Plazacorp's ten largest tenants based upon current monthly gross rents as at December 31, 2009 represent approximately 52.7% of total revenues in place.

	% of Gross Revenue		% of Gross Revenue
1. Shoppers Drug Mart	25.7	6. Reitmans	2.6
2. Dollarama	6.6	7. Sobeys	2.3
3. Staples	4.6	8. Winners	1.7
4. Mark's Work Warehouse	3.5	9. Michaels	1.6
5. Bulk Barn	2.6	10. Future Shop	1.5

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

As at	December 31, 2009	December 31, 2008
National	88.6%	87.3%
Regional	4.6%	5.1%
Local	5.9%	6.6%
Non-Retail	0.9%	1.0%

OVERVIEW OF THE BUSINESS

Plazacorp was incorporated on February 2, 1999 and commenced trading on the TSX Venture Exchange (PLZ) on July 30, 1999. On December 11, 2002 after receipt of shareholder and regulatory approval, Plazacorp filed articles of amendment to convert to a mutual fund corporation and retains that status. Headquartered in Fredericton, New Brunswick, Plazacorp acquires, develops and redevelops retail real estate throughout Atlantic Canada, Quebec and Ontario. The Company's portfolio as at December 31, 2009 includes interests in 100 properties totaling over 4.5 million square feet and additional lands held for development. These include properties directly held by Plazacorp, its subsidiaries and through joint ventures. For 2009, and during 2008, Plazacorp's growth was primarily created through the development of new real estate assets. As at December 31, 2009 the Company has \$4.1 million committed to new development for 2010.

Summary of Properties

	Number of Properties December 31, 2009	Gross Leasable Area (sq. ft.) December 31, 2009	Number of Properties December 31, 2008	Gross Leasable Area (sq. ft.) December 31, 2008
Newfoundland and Labrador	7	542,239	7	532,037
New Brunswick	35	1,513,414	33	1,404,770
Nova Scotia	20	842,325	20	852,469
Ontario	12	216,602	7	129,683
Prince Edward Island	5	274,763	5	274,544
Quebec	21	1,127,928	21	1,127,815
Total	100	4,517,271	93	4,321,318

BUSINESS ENVIRONMENT

The principal regions in which we operate continue to exhibit stability in retailer demand for space and in consumer spending. Our strategy is to develop properties tenanted by national retailers, and more importantly retailers in the consumer staples market segment. Our execution of this strategy has produced a portfolio that is 88.6% occupied by national retailers. This significantly enhances the stability of the cash flow from our portfolio.

Yearly Dividend Growth

Year	2005	2006	2007	2008	2009	2010
Dividend per share	10.5¢	12.5¢	15.0¢	17.5¢	18.5¢	19.25¢
Percentage increase	16.7%	19.0%	20.0%	16.7%	5.7%	4.1%

The capital markets had been volatile and challenging through much of 2009, but, financing of both debt and equity improved dramatically in Q4 2009 and Q1 2010. Long-term debt financing is being underwritten more carefully, but is available to good borrowers with quality projects at historically competitive rates. Loan-to-value ratios remain conservative and capitalization rates used to underwrite new loans are higher. This has the effect of reducing the loan amounts and increasing our equity requirements for our new development projects.

Our short-term development and operating facilities are stable and were not adversely impacted by the capital markets during 2009. 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 as a result 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 of a minimum cash yield (unlevered yield) equal to 100 basis points above the mortgage constant for a 10 year mortgage at prevailing rates over a 25 year mortgage period.

The Company strives to:

- 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 its properties to ensure tenants are able to focus on their business.

The Company invests in the following property types:

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

Management intends to achieve Plazacorp's goals by:

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

KEY PERFORMANCE DRIVERS AND INDICATORS

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

Management believes that the key internal performance drivers are:

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

Management believes that the key external performance drivers are:

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

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

- Funds From Operations (FFO);
- Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA);
- Debt Service Ratios;
- "Same-Asset" Net Property Operating Income;
- Weighted Average Effective Cost of Debt; and
- Occupancy Levels.

PART III
SUMMARY OF ANNUAL INFORMATION

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

(\$000's except per share amounts and other data)	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Total revenue	\$ 49,951	\$ 47,338	\$ 40,920
Income and other comprehensive income	3,840	5,982	3,605
Dividends per share	18.5¢	17.5¢	15.0¢
Earnings per share – basic	8.0¢	12.8¢	8.2¢
Earnings per share – diluted	7.7¢	12.6¢	8.1¢
FFO per share – basic	27.9¢	26.2¢	23.6¢
FFO per share – diluted	26.3¢	25.9¢	23.1¢
Dividends as percentage of FFO	66.1%	66.6%	63.2%
Dividends as percentage of AFFO	73.7%	75.6%	74.6%
Total assets	308,927	291,558	269,920
Total mortgages, bonds, debentures, notes, liabilities held for sale and bank indebtedness	261,169	244,239	225,766
Basic weighted average shares outstanding	48,132	46,746	44,109
Properties under development	6	7	10
Income producing properties	94	86	77
Total properties in portfolio	100	93	87
Rentable Sq Ft.(excluding investment properties and properties under development)			
Strip Plazas	2,206	2,003	1,963
Enclosed Malls	651	651	631
Single Use	498	422	267
Total income producing properties	3,355	3,076	2,861
Occupancy % (excluding investment properties and properties under development)			
Strip Plazas	97.0	97.6	97.4
Enclosed Malls	96.8	97.2	94.0
Single Use	100.0	100.0	100.0
Total income producing properties	97.4	97.9	96.9

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 with the attendant reduction in revenues and the related gains or losses. The following gains on income producing properties and surplus land dispositions, before tax, are included in income on the above chart: year ended December 31, 2009 - \$665 thousand, year ended December 31, 2008 - \$4.1 million; year ended December 31, 2007 - \$3.1 million.

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

SUMMARY OF SELECTED QUARTERLY INFORMATION

January 1, 2008 – December 31, 2009

(000's except per share and other data) (Unaudited)	Q4'09	Q3'09	Q2'09	Q1'09	Q4'08	Q3'08	Q2'08	Q1'08
Total revenue	\$ 13,274	\$ 12,530	\$ 12,219	\$ 11,926	\$ 11,903	\$ 12,144	\$ 11,849	\$ 11,443
Income and other comprehensive income	1,304	755	708	1,073	1,468	3,971	343	200
Dividends per share	4.63¢	4.63¢	4.63¢	4.63¢	4.38¢	4.38¢	4.38¢	4.38¢
Earnings per share - basic	2.7¢	1.6¢	1.5¢	2.3¢	3.1¢	8.5¢	0.7¢	0.4¢
Earnings per share - diluted	2.7¢	1.6¢	1.5¢	2.2¢	3.1¢	8.2¢	0.7¢	0.4¢
Funds from operations per share- basic	6.8¢	7.6¢	6.8¢	6.6¢	6.8¢	7.1¢	6.3¢	5.9¢
Funds from operations per share- diluted	6.7¢	7.6¢	6.8¢	6.6¢	6.7¢	7.0¢	6.2¢	5.9¢
Dividends as percentage of FFO	67.4%	60.5%	67.7%	69.6%	64.0%	61.9%	69.6%	73.0%
Dividends as percentage of AFFO	68.0%	70.8%	90.9%	72.5%	68.9%	70.1%	88.3%	78.2%
Total assets	308,927	306,478	297,705	291,576	291,558	289,943	298,298	283,248
Total mortgages, bonds, debentures, notes, liabilities held for sale and bank indebtedness	261,169	257,189	247,817	239,888	244,239	241,343	251,229	236,284
Basic weighted average shares outstanding	48,651	48,251	47,983	47,628	47,102	46,867	46,697	46,312
Properties under development	6	7	8	10	7	7	7	10
Income producing properties	94	91	90	87	86	85	84	80
Total properties in portfolio	100	98	98	97	93	92	91	90
Rentable Sq Ft.(excluding investment properties and properties under development)								
Strip Plazas	2,206	2,222	2,145	2,007	2,003	2,004	2,007	1,986
Enclosed Malls	651	651	651	651	651	658	638	636
Single Use	498	463	463	446	422	405	359	301
Total income producing properties	3,355	3,336	3,259	3,104	3,076	3,067	3,004	2,923
Occupancy % (excluding investment properties and properties under development)								
Strip Plazas	97.0	97.2	96.8	97.5	97.6	97.5	97.3	97.1
Enclosed Malls	96.8	97.3	97.5	97.3	97.2	95.4	93.5	94.1
Single Use	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total income producing properties	97.4	97.6	97.4	97.8	97.9	97.4	96.8	96.8

The summary of quarterly information highlights increasing gross revenues and income. During the last eight quarters occupancy has been very steady which contributes to stability of cash flow. Seasonal fluctuations in income and funds from operations 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 (54.4%) 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 with the attendant reduction in rental revenues and the related gains or losses. The following gains (losses) on income producing properties and surplus land dispositions are included in income on the above chart: Quarter 4 – 2009 (\$8) thousand; Quarter 3 – 2009 (\$30) thousand; Quarter 2 – 2009 (\$19) thousand; Quarter 1 – 2009 \$722 thousand; Quarter 4 – 2008 - \$17 thousand; Quarter 3 – 2008 – \$4,177 thousand; Quarter 2 – 2008 – (\$80) thousand.

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2009 IN COMPARISON TO THE THREE MONTHS ENDED DECEMBER 31, 2008.

FOURTH QUARTER 2009 RESULTS

Consolidated Statements of Income and Other Comprehensive Income

(000's) For the Periods Ended (Unaudited)	3 Months Ended December 31, 2009	3 Months Ended December 31, 2008
Rental revenue	\$ 12,946	\$ 11,610
Operating expenses	5,129	4,794
Net property operating income	7,817	6,816
Investment income	328	293
Income from properties and investments	8,145	7,109
Interest costs	4,182	3,559
Income before undernoted	3,963	3,550
Administrative expenses	346	233
Amortization	2,838	2,510
Capital taxes	11	56
Income before undernoted	768	751
Loss on disposal of income producing properties	(6)	-
Gain (loss) on disposal of surplus lands	(2)	17
Income before undernoted income taxes, and non-controlling interests	760	768
Income tax recovery		
– current	(1)	(3)
– future	(745)	(762)
	(746)	(765)
Income before non-controlling interests	1,506	1,533
Non-controlling interests	202	79
Income and other comprehensive income	\$ 1,304	\$ 1,454
Basic earnings per share	\$ 0.027	\$ 0.031
Weighted average number of shares outstanding	48,651	47,102
Diluted earnings per share	\$ 0.027	\$ 0.031
Diluted weighted average number of shares outstanding	48,812	47,771

Plazacorp Retail Properties Ltd.

FOURTH QUARTER 2009 RESULTS (continued)

Consolidated Statements of Cash Flows

(000's) For the Periods Ended (Unaudited)	3 Months Ended December 31, 2009	3 Months Ended December 31, 2008
Cash obtained from (used for):		
Operating activities		
Income and other comprehensive income	\$ 1,304	\$ 1,454
Items not affecting cash		
Amortization	3,007	2,651
Non-cash investment income	(242)	(207)
Loss (gain) on disposal of surplus lands	8	(17)
Stock option compensation	5	7
Interest relating to debenture accretion	48	10
Non-controlling interest	202	79
Future income taxes	(745)	(762)
Straight-line rent revenue	(112)	(251)
Leasing fees	(776)	(215)
Change in non-cash working capital	1,031	1,012
	<u>3,730</u>	<u>3,761</u>
Financing activities		
Decrease in notes payable	(3,203)	(188)
Issue of common shares	314	117
Dividends/contributions paid by/received from subsidiaries to non-controlling interests	135	(141)
Dividends paid to shareholders	(2,244)	(2,056)
Dividends reinvestment proceeds	716	446
Net proceeds from bonds and debentures	12,251	(18)
Gross mortgage proceeds	9,091	8,240
Financing charges incurred from mortgage financing	(320)	(16)
Mortgages paid at maturity	(4,944)	(7,960)
Periodic mortgage principal repayments	(817)	(697)
	<u>10,979</u>	<u>(2,273)</u>
Investing activities		
Discontinuance of consolidation	(60)	-
Development and redevelopments	(10,730)	(9,925)
Net proceeds from disposal of income producing properties and surplus lands	(9)	(23)
Bonds – contributions and distributions received	285	5,689
Decrease in deposits for acquisitions and financing	109	135
Decrease (increase) in notes receivable	312	(478)
Repayment of tenant loans	129	96
Funding of tenant loans	(405)	(381)
	<u>(10,369)</u>	<u>(4,887)</u>
Net increase (decrease) in cash	4,340	(3,399)
Cash less bank indebtedness, beginning of the period	(465)	527
Cash less bank indebtedness, end of the period	\$ 3,875	\$ (2,872)
Cash less bank indebtedness is made up of:		
Cash	\$ 3,875	\$ 1,720
Bank indebtedness from operating lines of credit	-	(4,592)
	<u>\$ 3,875</u>	<u>\$ (2,872)</u>

PART IV
OPERATING LIQUIDITY, WORKING CAPITAL AND FINANCING ACTIVITIES

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

Cash flow from operations is dependent upon occupancy levels of properties owned, rental rates achieved, effective collection of rents, and efficiencies in operations as well as other factors.

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

CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES
BANK FINANCING

(000's)	\$7.5 Million Operating	\$27.5 Million Development	\$9.9 Million Development	\$9.6 Million Development	\$17.5 Million Development	\$9.4 Million Development
December 31, 2008	\$ 4,592	\$ 25,219	\$ -	\$ -	\$ 4,623	\$ 8,295
Net change	(4,592)	(13,103)	8,270	7,192	5,271	779
December 31, 2009	\$ -	\$ 12,116	\$ 8,270	\$ 7,192	\$ 9,894	\$ 9,074
Interest rate	Prime + 2.25%	Prime + 2%	Prime + 2%	Prime + 2%	Prime + 2.25%	Prime + 0.4%
Maturity	November 30, 2011	July 31, 2010	July 31, 2010	July 31, 2010	July 31, 2010	March 31, 2010
Security	First charges on pledged property	First charges on pledged property	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	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	-	\$550 thousand	\$500 thousand	-
Issued and outstanding	\$449 thousand	nil	nil	\$442 thousand	nil	nil

The Company has an additional \$500 thousand letter-of-credit facility maturing September 30, 2010 with a Canadian Chartered Bank, secured by Personal Property Security Act (PPSA) charges in various provinces. This line was fully drawn as at December 31, 2009. A Company subsidiary also has a \$150 thousand unsecured operating line with a chartered bank upon which no funds were drawn as at December 31, 2009. As of December 31, 2009, all debt covenants in respect of the above facilities have been maintained.

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 2010 will be renewed or converted to long-term debt upon maturity on acceptable terms and conditions.

Plazacorp Retail Properties Ltd.

DEBENTURES AND MORTGAGE BONDS

The 8% subordinate debentures require the Company to maintain a debt service ratio based on EBITDA in excess of a fixed threshold. As of December 31, 2009, the ratio had been maintained.

During Q2 09, \$1.185 million in Series V mortgage bonds were issued.

There were no redemptions of mortgage bonds during 2009. Series II mortgage bonds totaling \$10 million mature March 31, 2010 and July 16, 2010. Subsequent to year end, \$8.0 million of these mortgage bonds have been refinanced from proceeds of Series VI convertible debentures which closed on March 25, 2010. The Company is in compliance with the terms and covenants of its mortgage bonds indentures.

MORTGAGES

The Company has \$46.4 million of interim financing maturing at various times throughout 2010. The lines maturing in 2010 are primarily development lines, which were renewed and extended in 2009 for one year. Long-term mortgages maturing during 2010 total \$3.6 million.

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. Fixed rate debt represents 90% of mortgages placed on income producing properties and float rate debt is restricted to assets under development and IPP under redevelopment. 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.

➤ **KEY PERFORMANCE INDICATOR**

At December 31, 2009 and December 31, 2008, the Company's cost of debt was as follows:

(000's)	Balance Outstanding	Effective Rates December 31, 2009	Effective Rates December 31, 2008
Fixed rate mortgage loans	\$ 171,012	6.47%	6.32 %
Other fixed rate loans with periodic repayments	\$ 1,358	8.00%	10.00 %
Bank operating facility	\$ -	Prime + 2.25%	Prime + 0.75%
Bank development facility	\$ 12,116	Prime + 2%	Prime + 0.625%
Bank development facility	\$ 9,894	Prime + 2.25%	-
Bank development facility	\$ 9,074	Prime + 0.4%	-
Bank development facility	\$ 8,270	Prime + 2%	-
Bank development facility	\$ 7,192	Prime + 2%	-

The weighted average effective cost of fixed rate mortgage loans as at December 31, 2009 is 6.47% compared to 6.32% as at December 31, 2008. The weighted average term to maturity for the long-term mortgages is 6.2 years. The average remaining repayment (amortization) period on long-term mortgage debt is 23.7 years.

LAND LEASES

Return on invested cash or equity is a measure Plazacorp uses to evaluate development and strategic acquisitions. Investing in a project subject to a land lease reduces the cash equity required for an individual project and increases the number of projects which can be undertaken with available capital. This spreads risk and enhances overall shareholder return. In some instances use of a land lease will enhance project feasibility where a project might not be undertaken without use of a land lease.

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

LEASE ROLL-OVER BY ASSET CLASS

The following table represents leases expiring for the next 5 years and thereafter for Plazacorp's income producing properties portfolio as at December 31, 2009.

Year	Strip Plazas		Enclosed Malls		Single-User		Total	
	Sq Ft	%	Sq Ft	%	Sq Ft	%	Sq Ft	%
2010	211,638	9.3	70,460	10.8	-	-	282,098	8.2
2011	207,218	9.1	60,718	9.3	-	-	267,936	7.8
2012	164,261	7.2	70,117	10.8	25,293	5.1	259,671	7.6
2013	143,119	6.3	39,105	6.0	-	-	182,224	5.3
2014	208,075	9.1	99,417	15.3	-	-	307,492	9.0
Thereafter	1,279,500	56.1	290,145	44.6	473,206	94.9	2,042,851	59.6
Vacant	65,724	2.9	21,106	3.2	-	-	86,830	2.5
Total	2,279,535	100.0	651,068	100.0	498,499	100.0	3,429,102	100.0
Weighted average lease term	7.7 years		7.1 years		12.1 years		8.2 years	

During 2009, management completed 380 thousand square feet (2008 – 526 thousand square feet) of new leasing deals at market rates. The 380 thousand square feet of new leasing was comprised of 213 thousand square feet on new developments and acquisitions, and 167 thousand square feet on same-asset properties.

On average, Plazacorp's embedded or contractual gross rents expiring in 2010 would be at or below current market rates. Plazacorp's financial exposure to vacancies and lease roll-overs differs among the three asset types, as gross rental rates differ dramatically by asset class.

➤ **KEY PERFORMANCE INDICATOR**

- Occupancy in the strip plazas was 97.0% as at December 31, 2009, compared to 97.6% as at December 31, 2008.
- Average occupancy for enclosed malls was 96.8% as at December 31, 2009, compared to 97.2% as at December 31, 2008.
- Occupancy for single use assets remained stable at 100%.
- Pre-leased space in properties under development is 83.9%.
- Overall the portfolio occupancy, excluding non-consolidated trusts and partnerships and properties under development as at December 31, 2009 was 97.4%, down 0.5% from December 31, 2008.

The reduction in overall occupancy is partially due to 349 thousand of new square footage moving from development property to income producing property during 2009 at 94.2% occupancy. These occupancy rates are within management's expectations.

COMMITMENTS AND CONTINGENT LIABILITIES

The Company is committed for future periods to \$4.1 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)	Total	Payments Due By Year			
		Year 1 2010	Years 2-3 2011-2012	Years 4-5 2013-2014	After 5 years
Contractual obligations					
Mortgages – Periodic principal repayments	\$ 28,654	\$ 3,416	\$ 6,861	\$ 5,941	\$ 12,436
Mortgages – Due at maturity	141,786	3,586	15,873	44,867	77,460
Mortgages – Funded by defeasance ⁽¹⁾	1,930	-	1,930	-	-
Development line-of-credits	46,546	46,546	-	-	-
Mortgage bonds payable	21,685	10,000	10,500	-	1,185
Debentures	22,659	5,159	5,000	12,500	-
Operating land leases ⁽²⁾	146,259	2,567	5,058	5,106	133,528
Development activities	4,097	4,097	-	-	-
Total contractual obligations	\$ 413,616	\$ 75,371	\$ 45,222	\$ 68,414	\$ 224,609

(1) Mortgages maturing but secured by bond investments, see note 11 of the Consolidated Financial Statements.

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

The Company also has a contingent liability as original borrower on mortgages assumed by the purchasers of properties in 2007 and 2009. These commitments are subject to indemnity agreements. The estimated balance outstanding on these loans is \$15.0 million and \$8.0 million as at December 31, 2009. These sales did not relieve the Company's obligations as original borrower in respect of these mortgages, see note 25c of the December 31, 2009 Consolidated Financial Statements. Average remaining term of these mortgages is 2.7 years (December 31, 2008 – 3.7 years) and 11.5 years (December 31, 2008 – 12.5 years), respectively. The \$15.0 million debt consists of an \$8.0 million mortgage on Woodlawn Plaza, Halifax, NS which expires on May 1, 2012 and a \$7.0 million mortgage on Lansdowne Plaza, Saint John, NB which expires on May 1, 2013. The \$8.0 million commitment relates to the mortgages on four assets tenanted by national retailers in Moncton, Miramichi, Sussex, and Truro in which a 75% interest was sold in January of 2009.

The Company guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of \$692 thousand, see note 25c of the December 31, 2009 Consolidated Financial Statements.

The Company assumed a guarantee for a \$20.0 million development line-of-credit held by the Village Shopping Centre Limited Partnership. This guarantee is limited to costs for the completion of construction. As at December 31, 2009 the remaining budgeted development costs are \$4.6 million and the Company's current exposure under this guarantee is estimated to be \$4.6 million.

PART V

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand particularly affect property investments. Management attempts to manage these risks through geographic and asset class diversification in the portfolio. At December 31, 2009, the Company held interests in 100 properties spread geographically among six provinces in Canada. See Financial Risk Management note 26 to the Consolidated Financial Statements.

INTEREST RATE, FINANCING AND REFINANCING RISK

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

The current debt market is improving for long-term mortgage financing. The Company has experienced increased lending spreads and tightening of other lending conditions on financings undertaken in 2008 and 2009. The Company's interest cost

on short-term development financing also increased in Q3 and Q4 of 2009 upon renewal of chartered bank operating and development lines. Interest rate spreads are returning to historic norms and this will favourably impact the Company's debt costs going forward.

At existing financing rates, the Company is able to obtain positive returns from debt financing. The quality of our projects makes management confident of obtaining suitable long-term financing for those projects on completion of development as well as the maturity of existing debt. Refinancing debt at maturity with conventional financing is currently limited to 60% - 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 remains confident that all debts maturing in 2010 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 exposures are 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 25.7% of current monthly gross rents in place. The top 10 tenants collectively represent approximately 52.7% 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.

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. The exposure to lease expiries is detailed on page 17.

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 \$500 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. Plazacorp's principal management of occupancy risk is the skewing of tenancy toward national tenants.

DEVELOPMENT AND ACQUISITIONS RISK

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

ENVIRONMENTAL RISK

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

a proactive manner during every aspect of the property life cycle including extensive due diligence in respect of environment risk before purchase.

LITIGATION RISK

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

PART VI

SHARES OUTSTANDING

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

As at March 31, 2010	Shares	Share Capital
Current Outstanding Shares	49,372,341	\$ 44,512,485
Employee and Director Share Options	205,000	582,553
Series IV Convertible Debentures	1,250,000	5,000,000
Series V Convertible Debentures	3,676,470	12,500,000
Total adjusted shares outstanding	54,503,811	\$ 62,595,038

RELATED PARTY TRANSACTIONS

MANAGEMENT COMPANY

Effective March 30, 2009 a new five year management agreement commenced between Plaza Group Management Limited and Plazacorp. Under this agreement, Plaza Group Management Limited provides property management and corporate management services to Plazacorp. In Quebec, staff of Les Immeubles Plaza Z-Corp Inc. handle management duties under a separate management agreement with Plazacorp. These companies employ 81 people in the accounting, finance, engineering, development, leasing, and other administrative capacities that exclude property specific staff.

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

The Management Agreements entered into by the Corporation with Plaza Group Management Limited and Les Immeubles Plaza Z-Corp Inc. effective March 30, 2009 contain an "Alignment of Interests" provision. Under this section, Plazacorp maintains the option to purchase the assets of Plaza Group Management Limited based upon its book value (excluding goodwill) and to terminate either Management Agreement if Plazacorp determines that specific circumstances exist or certain events have occurred, including: if Earl Brewer and/or Michael Zakuta reduce their ownership interest in Plazacorp below their level of shareholdings as of the date of the Agreements; if they sell their interest in the management companies; if

Plazacorp Retail Properties Ltd.

there is a change of control of Plazacorp or a sale of substantially all of its assets; or, if the Managers are subject to any litigation which results in a court order restricting their ability to carry out their duties effectively under the Management Agreements. Further, Plazacorp has the right to terminate the Management Agreements, at no cost, for any reason during the final two years of the contract term upon six months' notice to the Managers.

Mr. Brewer and Mr. Zakuta did not receive any direct compensation from the Company for performing their duties as Chairman and President, respectively or as directors, during 2009 and 2008.

The purpose of the management arrangement is to provide the Company the services of a fully staffed and professional management company in all geographic areas in which it operates at reasonable costs. The basis of fee payment under the new management agreement, effective March 30, 2009, is as follows:

Plaza Group Management Limited fee structure	
Property Management	3% of gross rents paid.
Corporate Management	¾% of gross rents paid.
Leasing	4% of rental revenue per year for first five years of lease term. 2% of rental revenue per year for years six to ten of a lease term. Leasing fees for renewal are at 50% of the above rate.
Development	4% of costs of construction on development projects. 10% of tenant improvement costs on non-development projects.
Debt financing	¾ % of loan amount where no outside broker is involved. ¼ % of loan amount where an outside broker is involved.
Equity financing	¾ % of capital raised where no 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 \$155 per hour.

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

(000's)		December 31, 2009	December 31, 2008
Fee Category	Included for Reporting Purposes In		
Property Management fees	Property operating expenses	\$ 1,439	\$ 1,607
Corporate Management fees	Administrative expenses	260	-
Leasing fees	Tenant acquisition costs and property operating expense	1,038	1,165
Development fees	Income producing properties	906	934
Financing fees	Income producing properties and debt	104	226
Acquisition fees	Income producing properties	59	221
Disposition fees	Gain on disposal of income producing properties or surplus lands	268	141
Legal services	Varies based on service provided	455	439
Total fees billed by the Property Managers		\$ 4,529	\$ 4,733

On March 22, 2010, the independent directors have, subject to compliance with securities laws, approved an increase in the fee payable to PGML for equity & debt market activities which PGML completes on behalf of Plazacorp from ¾% of total amount raised to up to 3% of total amount raised. In addition the proposed amendments limit the amount payable to PGML to 1½% on subscriptions where the an investor uses proceeds derived from the maturity or redemption of a previous security issued by Plazacorp, its subsidiaries or affiliates to fund the investor's subscription. The total amount payable to PGML on any subscriptions where an outside broker is used will be limited to ¾% of the subscription amount.

NOTES PAYABLE TO RELATED PARTIES

Notes payable as at December 31, 2009 fall into two categories:

- Interest bearing unsecured notes that are advanced from time-to-time to assist in financing property acquisitions and development costs and are retired on funding of interim or long-term debt or upon sale of the property to which the note relates.

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- Non-interest bearing notes that existed at the time of acquisition of properties in September 2000. Certain of the notes are owed to parties controlled directly or indirectly by Michael Zakuta. The notes are repayable on sale or refinancing of the related asset.

(000's)	Interest Rate	December 31, 2009	December 31, 2008
Interest bearing notes:			
Entities controlled by Michael Zakuta, President, Chief Executive Officer and Director of the Company.	Prime +1% & 8.0% fixed	\$ -	\$ 617
Non-Interest bearing notes:			
Entities owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President and Chief Executive Officer of the Company.	n/a	261	264
Total		\$ 261	\$ 881

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

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

For the year ended December 31, 2009 the Company expensed \$98 thousand (for the year ended December 31, 2008 - \$79 thousand) in related party interest.

BONDS AND DEBENTURES HELD

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

(000's)	December 31, 2009	December 31, 2008
Richard Hamm, Director	\$ 1,025	\$ 775
Michael Zakuta, Director	2,068	1,200
Edouard Babineau, Director	1,850	700
Earl Brewer, Director	1,655	438
Stephen Johnson, Director	1,220	1,220
Barbara Trenholm, Director	464	364
Total	\$ 8,282	\$ 4,697

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A, the Consolidated Financial Statements for December 31, 2009 and all related public filings.

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

- 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

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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 classified as an income producing property.

PROPERTY ACQUISITIONS

Management is required to allocate the purchase price to acquired tangible and intangible assets and in-place leases. The allocation may change as new information emerges on the appropriateness of estimates made during 2008 and 2009. This estimate is critical insofar as it may impact the corresponding amortization period of the related assets and net income.

ASSET VALUE IMPAIRMENT

Income producing properties are carried at cost. If events or circumstances indicate that the carrying value of the income producing properties may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows generated from the income producing properties. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income producing properties are written down to estimated fair value and an impairment loss is recognized. The estimate is critical insofar as it may impact on the classification and book value of income producing properties held and net income should impairment be present.

FINANCIAL INSTRUMENTS

The Company reviews all significant contracts to determine if they contain embedded derivatives pursuant to the provisions of CICA Handbook Section 3855. As at December 31, 2009 there are no embedded derivatives in the Company's financial instruments that require separation and measurement.

VARIABLE INTEREST ENTITIES

The Company evaluates all joint-venture relationships and partial ownership interests to determine whether or not they are subject to the variable interest entity guidelines as directed by AcG-15 in respect of applying consolidation, equity accounting, joint-venture accounting or cost accounting. The Company has consolidated Plazacorp Ontario1 Limited Partnership (Hastings Street Bancroft, Main Street Alexandria, and Ottawa Street) and Plazacorp Ontario2 Limited Partnership (Scugog Street Port Perry, and Amherstview) as the guidelines for classification of a variable interest entity have been met.

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

CHANGES TO ACCOUNTING POLICIES

Goodwill and Intangible Assets

Handbook Section 3064 *Goodwill and Intangible Assets* was effective January 1, 2009. Section 3064 replaced Handbook Section 3062 *Goodwill and Other Intangible Assets* and Handbook Section 3450 *Research and Development Costs*. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The Company has applied this standard to the consolidated financial statements and there is no impact compared to prior periods.

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts, has been amended and is effective for the year ending December 31, 2009. The Company no longer defers expenditures recoverable from tenants in the period in which they are incurred, unless they meet the criteria for an asset. The amended standard requires restatement of the prior period and the impact to the total assets in the December 31, 2008 consolidated balance sheet was a decrease of \$118 thousand. The opening deficit for 2008 was restated (increased) by \$64 thousand due to the change in accounting policy.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities – EIC 173

CICA EIC 173 requires an entity to take into account their own credit risk and the credit risk of their counterparty when determining the fair value of financial assets and financial liabilities. This applied to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of EIC 173 did not have an impact on the Company's financial statements.

Financial Instruments – Disclosures – Section 3862

The CICA amended Handbook Section 3862, Financial Instruments – Disclosures in June 2009. Annual financial statements for fiscal years ending after September 30, 2009 require new disclosure for fair value measurement for financial instruments and liquidity risk disclosures. The amendment requires classification of fair value measurements using a fair value hierarchy that exhibits the significance of the inputs used in making the measurements. The Company uses the following fair value hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

The disclosure requirements of these amendments do not have a significant impact on the Company's financial statements as the Company's financial instruments all fall under Level 1 of the hierarchy.

FUTURE ACCOUNTING POLICY CHANGES

International Financial Reporting Standards

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

The implementation is following a four step phased approach. The Awareness and Assessment phase of developing an understanding of the complexity of the conversion process has been completed and a conversion plan has been developed that has determined the priorities and timeline. Plazacorp, with the assistance of its external advisors, have commenced the process to transition from current GAAP to IFRS.

A high level review of the differences between GAAP and IFRS has been completed. The standards expected to have the greatest impact to Plazacorp include IAS 40 – investment property and the applicable standards for consolidations, investments in associates and joint ventures; IAS 27, 28, and 31 respectively. The Company continues to work on a detailed analysis of the differences between GAAP and IFRS to obtain a full understanding of the impact to the Company and to determine the process changes required for implementation, and substantial completion of this phase was accomplished in Q4 2009. The Company continues research necessary to comply with new disclosures under IAS 40 and IAS 31.

The design and implementation phases, along with the accounting policy choices, will be completed during 2010. Implementing IFRS will have an impact on the accounting, financial reporting, supporting processes, and potentially the contractual commitments involving GAAP based debt covenants. The implementation plan ensures proper training to individuals who are impacted by these changes, increasing awareness and knowledge to management, the Board of Directors, and Audit Committee, and a review of relevant contracts and awareness to ensure compliance. In early 2010, the Company held IFRS information sessions with members of the Board of Directors and Senior Management. During the session with the Board, management provided the implications of the convergence to IFRS with an overview of the impact of significant differences to the financial statements. The timeline for implementation was also reviewed and the Audit Committee will continue to receive project status updates from management at the quarterly Audit Committee meetings.

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

The critical choices for the Company are the choices surrounding fair value versus historical cost accounting, the related impact on joint venture accounting and to a lesser extent consolidation.

Investment Property

Investment properties, under IFRS, are defined as properties that are held to earn rental income or for capital appreciation, or both. Under IFRS it is expected the Company's income properties and properties under development will be categorized as investment property. Similar to Canadian GAAP, under IFRS, investment property is initially recognized at cost. Subsequent to initial recognition IFRS requires that an entity account for investment property using either the cost or fair value model.

IFRS 1 allows an entity, at the date of transition to IFRS, to revalue investment property at fair value and deem this amount as cost going forward, if the entity chooses the cost model. It is also allowable, under IFRS, for an entity to maintain historical cost and continue to use the cost model. The cost model is generally consistent with Canadian GAAP. The investment properties are carried at cost less accumulated depreciation on the balance sheet. If the cost model is chosen the fair value will be disclosed in the notes to the consolidated financial statements.

The Company continues to analyze these options to determine which method will be adopted however, it is anticipated that either the revaluation to fair value as deemed cost at transition and cost subsequently, or the fair value method will be chosen by the Company. If the fair value method is chosen the investment properties will be carried at the fair value on the balance sheet and changes to the fair value for each period will be recorded in the consolidated statement of earnings. The Company expects the fair value of its investment properties to be greater than the properties' current carrying value under Canadian GAAP. The Company expects to make a final decision on the policy choice once review of the comparative IFRS statements prepared for the first quarter of 2010 are reviewed with the Audit Committee of the Board of Directors.

Basis of Consolidation

Under the current IFRS standard on joint ventures, jointly controlled entities can be consolidated using either the proportionate consolidation method or the equity method. Currently under Canadian GAAP, jointly controlled entities are accounted for using proportionate consolidation. An exposure draft released for the new International Accounting Standard (IAS) on joint ventures proposes to eliminate the option for proportionate consolidation of jointly controlled entities. The release and effective date for this Standard has been delayed and is not anticipated to be effective until 2012. In anticipation of the proposed change, it is likely that the Company will choose to use the equity method for properties which are owned indirectly through a jointly controlled entity. This is expected to align the Company's accounting policy with the future expected accounting policy.

Under Accounting Guideline 15 – Consolidation of Variable Interest Entities, the Company currently evaluates each of its joint ventures and partnership arrangements to determine whether the Company is at risk for the majority of losses or is entitled to a majority of the benefits from the entity. If the Company determines the classification for a variable interest entity is met then the entity is consolidated based on the Guideline. Under IFRS the concept of a variable interest entity does not exist, however IFRS 3 – Business Combinations and SIC 12 – Consolidation of Special Purpose Entities are being reviewed to ensure these entities will not require consolidation under IFRS.

Taxation

There is no specific guidance on taxes under IFRS other than for income taxes. There is little specific guidance for the Company in relation to our status as a Mutual Fund Corporation as defined in the Income Tax Act of Canada. The Company is currently researching taxation and working with external consultants to determine the impact to the entity on convergence to IFRS. The largest impact would be the application of capital gains taxation to the fair values applied in a restated cost or fair value election.

Business Combinations and Consolidated Financial Statements

The CICA issued new accounting standards on January 1, 2009: Handbook Section 1582 Business Combinations, Handbook Section 1601 Consolidated Financial Statements, and Handbook Section 1602 Non-Controlling Interests. These standards replace the existing guidance found in Sections 1581, Business Combinations and 1600, Consolidated Financial Statements, and were developed in conjunction with the US Financial Accounting Standards Board and the International Accounting Standards Board. Early adoption is permitted at the beginning of a fiscal year. The new standards will be applied by the Company prospectively for fiscal years beginning on or after January 1, 2011.

ADDITIONAL INFORMATION

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

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

PROPERTIES OF THE COMPANY

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Dec-09	Major Tenants
Strip Plazas					
Les Promenades St. Francois	Laval, QC	54,738	100%	100%	Jean Coutu, Dollarama
Plaza Hotel de Ville	Rivière-du-Loup, QC	20,412	100%	100%	Bouclair, Yellow Shoes
Plaza Theriault	Rivière-du-Loup, QC	25,780	100%	100%	National Bank, Reitmans
Plaza BBRF	Sherbrooke, QC	20,631	50%	100%	Shoppers Drug Mart
Plaza Boulevard Royal	Shawinigan, QC	128,222	100%	92%	Caisse Populaire, Dollarama
Carrefour des Seigneurs	Terrebonne, QC	33,900	25%	100%	Jean Coutu
Terrace Dufferin	Valleyfield, QC	17,587	50%	100%	Videotron, Mike's
St. Anne Street Plaza	Bathurst, NB	25,299	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, Bulk Barn
Boulevard Hebert Plaza	Edmundston, NB	26,689	100%	100%	Shoppers Drug Mart
Victoria Street Plaza	Edmundston, NB	12,015	100%	47%	Reitmans, CitiFinancial
Empire Plaza	Fredericton, NB	13,743	100%	100%	Dollarama
FHS Plaza	Fredericton, NB	24,280	100%	100%	Cleve's Sports, Bulk Barn
Main Place	Fredericton, NB	31,284	100%	93%	Shoppers Drug Mart
Nashwaaksis Plaza	Fredericton, NB	55,814	100%	100%	Dollarama
Madawaska Road Plaza	Grand Falls, NB	10,410	100%	100%	Pizza Delight, Tim Horton's
KGH Plaza	Miramichi, NB	18,034	25%	100%	Shoppers Drug Mart
Miramichi Power Center - 1	Miramichi, NB	38,033	100%	100%	Staples, Bulk Barn
Miramichi Power Center - 2	Miramichi, NB	22,316	100%	100%	Dollarama, Boston Pizza
Boulevard Plaza	Moncton, NB	83,021	100%	100%	Winners, Michael's
Wedgewood Plaza	Riverview, NB	12,768	100%	100%	Dollarama
Crown Street	Saint John, NB	21,764	100%	100%	Shoppers Drug Mart
Exhibition Plaza	Saint John, NB	75,280	55%	100%	Empire Cinemas
Fairville Boulevard - 2	Saint John, NB	56,920	100%	90%	Bulk Barn, Staples
Major Brook Drive Plaza	Saint John, NB	40,559	55%	100%	Michael's, Boston Pizza
McAllister Drive Plaza	Saint John, NB	24,921	55%	100%	McDonald's, Cleve's
SCA Plaza	Saint John, NB	17,430	55%	100%	Bulk Barn
Main and Western Street Plaza	Sussex, NB	14,300	100%	100%	Dollarama
Connell Road Plaza	Woodstock, NB	19,645	100%	100%	Mark's Work Wearhouse, Dollarama
303 Main Street Plaza	Antigonish, NS	19,542	100%	92%	Shoppers Drug Mart
Bedford Commons	Bedford, NS	70,122	100%	79%	Future Shop, Dollarama
Tacoma Centre	Dartmouth, NS	160,991	50%	95%	Sobeys, Dollarama
Tacoma Valley Field	Dartmouth, NS	25,325	50%	91%	Shoppers Drug Mart
201 Chain Lake Drive	Halifax, NS	118,505	50%	100%	Home Outfitters
209 Chain Lake Drive	Halifax, NS	89,576	50%	100%	Value Village, Bulk Barn
Joseph Howe Drive Plaza	Halifax, NS	23,599	100%	100%	Shoppers Drug Mart
Staples Plaza	New Glasgow, NS	33,753	100%	93%	Staples
V-8 Plaza	New Glasgow, NS	13,400	100%	100%	Dollarama, Swiss Chalet
Commercial Street Plaza	New Minas, NS	15,342	100%	100%	Swiss Chalet, Penningtons
Granite Drive Plaza	New Minas, NS	71,895	100%	100%	Lawtons, Future Shop, Winners
North Sydney Plaza	North Sydney, NS	20,372	100%	92%	Shoppers Drug Mart
Welton Street Plaza	Sydney, NS	20,975	100%	100%	Dollarama, Bulk Barn
Robie Street Plaza	Truro, NS	21,890	25%	100%	Shoppers Drug Mart
Pleasant Street Plaza	Yarmouth, NS	22,586	100%	87%	Shoppers Drug Mart
Starr's Road Plaza	Yarmouth, NS	63,704	100%	96%	Empire Theatres, Dollarama
Belvedere Plaza	Charlottetown, PE	77,235	60%	100%	Mark's Work Wearhouse, Indigo
Spring Park Plaza	Charlottetown, PE	49,734	85%	97%	Fabricville, Value Village
UAS Plaza	Charlottetown, PE	23,386	100%	100%	Shoppers Drug Mart, TD Bank
University Plaza	Charlottetown, PE	62,046	43%	98%	Dollarama, Smitty's
Granville Street Plaza	Summerside, PE	62,362	60%	100%	Dollarama, Pennington's

Plazacorp Retail Properties Ltd.

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Dec-09	Major Tenants
15260 Yonge Street	Aurora, ON	14,070	50%	89%	Dollarama
Scott Street Plaza	St. Catharines, ON	25,709	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	22,980	100%	100%	Shoppers Drug Mart
Kenmount Road Plaza	St. John's, NL	20,576	100%	100%	XS Cargo, Montana's
LeMarchant Road Plaza	St. John's, NL	18,309	100%	100%	Shoppers Drug Mart
Sub-total		2,206,335		97.0%	
Enclosed Malls					
Les Galeries Montmagny	Montmagny, QC	137,803	50%	100%	Maxi, Hart, Uniprix
Les Promenades du Cuivre	Rouyn-Noranda, QC	147,222	100%	98%	Hart, Uniprix, Royal Bank
Grand Falls Shopping Centre	Grand Falls, NB	128,188	100%	94%	Staples, Shoppers Drug Mart, Hart
Oromocto Mall	Oromocto, NB	76,691	100%	98%	Shoppers Drug Mart
Gateway Mall	Sussex, NB	161,164	25%	97%	Sobeys, Canadian Tire
Sub-total		651,068		96.8%	
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	Rivière-du-Loup, QC	41,568	50%	100%	Caisse Populaire
Plaza Jean XXIII	Trois-Rivieres, QC	16,721	50%	100%	Shoppers Drug Mart
Miramichi West Plaza	Miramichi, NB	18,210	100%	100%	Shoppers Drug Mart
681 Mountain Road	Moncton, NB	19,504	25%	100%	Shoppers Drug Mart
Staples	Saint John, NB	25,293	100%	100%	Staples
Fairville Boulevard - 1	Saint John, NB	47,000	100%	100%	Sobeys
Main and Sackville	Shediac, NB	23,652	100%	100%	Shoppers Drug Mart
Main and Victoria	Shediac, NB	10,287	100%	100%	Dollarama
201 Main Street	Sussex, NB	16,915	25%	100%	Shoppers Drug Mart
Central Avenue Plaza	Greenwood, NS	16,989	100%	100%	Shoppers Drug Mart
912 East River Road	New Glasgow, NS	16,912	100%	100%	Shoppers Drug Mart
Kings Road Plaza	Sydney River, NS	16,847	100%	100%	Shoppers Drug Mart
Main Street Alexandria	Alexandria, ON	17,242	25%	100%	Shoppers Drug Mart
Hastings Street Bancroft	Bancroft, ON	17,538	25%	100%	Shoppers Drug Mart
615 King Street	Gananoque, ON	16,619	50%	100%	Shoppers Drug Mart
St. Josephs Boulevard	Orleans, ON	16,799	50%	100%	Shoppers Drug Mart
Dufferin & Wilson (Perth)	Perth, ON	16,782	75%	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		498,499		100%	
Income producing properties		3,355,902		97.4%	
Projects Under Development					
90 Blvd. Tache Ouest	Montmagny, QC	-	50%	-	In Planning
Commercial Street Plaza - 2	New Minas, NS	-	100%	-	In Planning
Ville Marie Drive Plaza	Marystown, NL	10,000	100%	-	In Planning
Ottawa Street	Almonte, ON	17,000	25%	100%	Shoppers Drug Mart
Amherstview	Amherstview, ON	18,121	25%	100%	Shoppers Drug Mart
Scugog Street Port Perry	Port Perry, ON	17,036	25%	100%	Shoppers Drug Mart
Sub-total		62,157		83.9%	
Total Excluding Non-Consolidated Trusts and Partnerships		3,418,059		97.2%	
Non-Consolidated Trusts and Partnerships					
3550 Sources ⁽¹⁾	Dollard des Ormeaux, QC	8,391	10%	100%	National Bank
Centennial Plaza ⁽¹⁾	Dollard des Ormeaux, QC	151,815	10%	100%	Value Village, Jean Coutu

Plazacorp Retail Properties Ltd.

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Dec-09	Major Tenants
Marche De L'Ouest ⁽¹⁾	Dollard des Ormeaux, QC	128,331	20%	99%	IGA, SAQ
Place Du Marche ⁽¹⁾	Dollard des Ormeaux, QC	35,219	10%	100%	Laurentian Bank, Starbucks
Plaza des Recollets ⁽¹⁾	Trois Rivieres, QC	73,730	15%	100%	Winners/Home Sense
Northwest Centre ⁽¹⁾	Moncton, NB	196,697	10%	98%	Zellers, Princess Auto
Shediac West ⁽¹⁾	Shediac, NB	73,200	10%	100%	Canadian Tire, Sobeys
Village Shopping Centre ⁽¹⁾	St. John's, NL	431,829	20%	76%	Hart, Labels, Dollarama, SportChek
Sub-total		1,099,212		90.1%	
Grand Total		4,517,271		95.4%	

(1) See page 6 of the MD&A for details on the investment income of these properties.

TRANSACTIONS

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

2009 Transactions	Property Type	Square Footage	Ownership	Income Producing During
Miramichi West Plaza, Miramichi, NB	Single Use	18,210	100%	Q4 09
Fairville Boulevard - 2, Saint John, NB	Strip Plaza	56,920	100%	Q4 09
Main and Sackville, Shediac, NB	Single Use	23,652	100%	Q1 09
Shediac West, Shediac, NB	Strip Plaza	73,200	10%	Q3 09
Bedford Commons, Bedford, NS	Strip Plaza	70,122	100%	Q2 09
Granite Drive Plaza, New Minas, NS	Strip Plaza	71,895	100%	Q2 09
Main Street Alexandria, Alexandria, ON	Single Use	17,242	25%	Q4 09
Hastings Street Bancroft, Bancroft, ON	Single Use	17,538	25%	Q2 09

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

PROPERTIES UNDER DEVELOPMENT

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

Properties under development	Property Type	Square Footage	Ownership	Income Producing
90 Blvd. Tache Ouest, Montmagny, QC	In Planning	-	50%	-
Commercial Street Plaza - 2, New Minas, NS	In Planning	-	100%	-
Ville Marie Drive Plaza, Marystown, NL	Strip Plaza	10,000	100%	Q3 10
Ottawa Street, Almonte, ON	Single Use	17,000	25%	Q1 10
Amherstview, Amherstview, ON	Single Use	18,121	25%	Q2 10
Scugog Street Port Perry, Port Perry, ON	Single Use	17,036	25%	Q2 10

The year ended December 31, 2009 was active with the Company making \$46.2 million of property investments, including \$43.1 million invested in new developments. The Company continues its significant development and redevelopment program, adding high quality assets to the portfolio. As at December 31, 2009 there were 6 properties under development. Upon completion, these new assets should contribute positively to income and FFO growth.

Plazacorp Retail Properties Ltd.

Gross Capital Additions including Leasing Fees:

(000's) For the Periods Ended (Unaudited)	3 Months Ended December 31, 2009	3 Months Ended December 31, 2008	12 Months Ended December 31, 2009	12 Months Ended December 31, 2008
Leasing fees – existing properties	\$ 108	\$ 90	\$ 336	\$ 228
Leasing fees – redevelopment properties	18	77	82	899
Leasing fees – new developments	650	48	1,844	1,042
Total leasing fees	\$ 776	\$ 215	\$ 2,262	\$ 2,169
Capital additions – existing properties	121	103	1,139	1,004
Capital additions – redevelopment properties	26	2,790	1,560	8,123
Capital additions – new developments	10,583	6,932	41,267	41,149
Total capital additions	10,730	9,825	43,966	50,276
Total gross additions	\$ 11,506	\$ 10,040	\$ 46,228	\$ 52,445

Plazacorp Retail Properties Ltd.

To the Shareholders of Plazacorp Retail Properties Ltd.

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

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

The Board of Directors oversees management's responsibilities for the preparation of the consolidated financial statements and accompanying management's discussion and analysis (MD&A) primarily through the activities of its Audit Committee, which is comprised solely of directors who are unrelated to, and independent of, the Company. The Audit Committee meets regularly with management and the independent auditors to review the consolidated financial statements and MD&A and recommend approval by the Board of Directors. These consolidated financial statements and MD&A have been approved by the Board of Directors for inclusion in this Annual Report.

KPMG LLP, the independent auditors appointed by the shareholders based on the recommendation of the Audit Committee, have been engaged to audit the consolidated financial statements and provide an independent professional opinion thereon. The auditors have full and independent access to the Audit Committee to discuss audit and related matters.



Michael Zakuta
President and CEO
March 31, 2010



Peter Sheehan
Chief Financial Officer
March 31, 2010



**Chartered Accountants
KPMG LLP**

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Plazacorp Retail Properties Ltd. as at December 31, 2009 and December 31, 2008 and the consolidated statements of income and other comprehensive income, deficit and cash flows for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and December 31, 2008 and the results of its operations and its cash flows for the years ended December 31, 2009 and 2008 in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature, extending from the left side of the 'K' towards the right.

Chartered Accountants

Fredericton, Canada
March 10, 2010, except as to note 28 which is as of March 31, 2010

Plazacorp Retail Properties Ltd.
Consolidated Balance Sheets
(In thousands of Canadian dollars)
As at December 31

2009 2008

(restated – Note 2a)

Assets

Income producing properties (Note 3)	\$ 266,380	\$ 225,162
Properties under development (Note 4)	14,382	28,871
Income producing properties held for sale (Note 5)	-	10,937
Surplus lands (Note 6)	748	1,071
Intangible assets	1,444	1,888
Cash	3,875	1,720
Notes receivable (Note 7)	632	511
Receivables (Note 8)	980	1,182
Straight-line rent receivables	4,582	3,675
Tenant loans (Note 9)	2,489	2,446
Prepaid expenses and deposits (Note 10)	2,926	3,310
Income taxes receivable and refundable capital gains tax (Note 18)	98	196
Future income tax asset (Note 18)	793	688
Investments (Note 11)	6,380	6,636
Goodwill	2,025	2,025
Deficits of subsidiaries (Note 12)	1,193	1,123
	\$ 308,927	\$ 291,441

Liabilities

Mortgages payable (Note 13)	\$ 215,955	\$ 195,385
Liabilities related to income producing properties held for sale (Note 5)	-	8,705
Mortgage bonds payable (Note 14)	21,589	20,379
Debentures payable (Note 15)	21,571	10,767
Notes payable (Note 16)	2,054	4,411
Bank indebtedness (Note 17)	-	4,592
Accounts payable and accrued liabilities	6,198	6,836
Income taxes payable	-	367
Future income tax liability (Note 18)	10,303	10,130
Below market leases	361	496
	278,031	262,068

Non-controlling interest in net assets (Note 19)	2,836	374
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Shareholders' Equity

Equity portion of convertible debt (Note 15)	966	195
Share capital (Note 20)	43,349	40,031
Contributed surplus (Note 21)	97	89
Deficit	(16,352)	(11,316)
	28,060	28,999
	\$ 308,927	\$ 291,441

Contingencies, commitments, guarantees, indemnities and litigation – see note 25.

Subsequent events – see note 28.



Michael Zakuta, Director



Earl Brewer, Director

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.
Consolidated Statements of Deficit
For the Fiscal Years Ended December 31
(In thousands of Canadian dollars)

	2009	2008
		(restated – Note 2a)
Deficit, beginning of the year	\$ (11,316)	\$ (9,048)
Adjustment for change to accounting policy	-	(64)
As restated	(11,316)	(9,112)
Income and other comprehensive income	3,840	5,951
Dividends	(8,876)	(8,155)
Deficit, end of the year	\$ (16,352)	\$ (11,316)

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.
Consolidated Statements of Income and Other Comprehensive Income
For the Fiscal Years Ended December 31
(In thousands of Canadian dollars, except per share amounts)

2009 **2008**

(restated – Note 2a)

Rental revenues	\$ 48,644	\$ 45,890
Operating expenses	19,764	18,840
Net property operating income	28,880	27,050
Investment income	1,307	1,448
Income from properties and investments	30,187	28,498
Interest costs	14,600	14,490
Income before undernoted	15,587	14,008
Administrative expenses	1,241	1,003
Amortization	10,288	9,807
Capital taxes	120	276
Income before undernoted	3,938	2,922
Gain (loss) on disposal of surplus lands	(6)	122
Gain on disposal of income producing properties (Note 5)	671	3,992
Income before undernoted income taxes, and non-controlling interests	4,603	7,036
Income tax expense (Note 18)		
– current	44	42
– future	68	619
	112	661
Income before non-controlling interests	4,491	6,375
Non-controlling interests	651	424
Income and other comprehensive income	\$ 3,840	\$ 5,951
Earnings per share – basic (Note 20c)	\$ 0.080	\$ 0.127
Earnings per share – diluted (Note 20c)	\$ 0.077	\$ 0.126

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.
Consolidated Statements of Cash Flows
For the Fiscal Years Ended December 31
(In thousands of Canadian dollars)

2009 **2008**

(restated – Note 2a)

Cash obtained from (used for):

Operating activities

Income and other comprehensive income	\$ 3,840	\$ 5,951
Items not affecting cash:		
Non-cash investment income	(998)	(1,011)
Amortization	10,882	10,491
Loss (gain) on disposal of surplus lands	6	(122)
Gain on disposal of income producing properties	(671)	(3,992)
Stock option compensation	20	31
Interest relating to debenture accretion	72	40
Non-controlling interests	651	424
Future income taxes	68	619
Straight-line rent revenue	(1,111)	(1,242)
Leasing fees	(2,262)	(2,169)
Change in non-cash working capital	(686)	1,074
	<u>9,811</u>	<u>10,094</u>

Financing activities

Increase (decrease) in notes payable	(2,318)	2,154
Issue of common shares	383	630
Dividends/contributions paid by/received from subsidiaries to non-controlling interests	3,570	(37)
Dividends paid to shareholders	(8,876)	(8,155)
Dividend reinvestment proceeds	2,132	1,400
Net proceeds from bonds and debentures	13,422	(21)
Net proceeds from short term notes payable	-	(18)
Gross mortgage proceeds	58,095	74,386
Financing charges incurred from mortgage financing	(1,041)	(573)
Mortgages paid at maturity	(28,920)	(41,247)
Periodic mortgage principal repayments	(3,018)	(3,058)
	<u>33,429</u>	<u>25,461</u>

Investing activities

Discontinuance of consolidation	(60)	2,114
Developments and redevelopments	(43,966)	(50,276)
Net proceeds from disposal of income producing properties and surplus lands	6,461	7,009
Bonds – contributions and distributions received	1,479	4,719
Increase in notes receivable	(121)	(479)
Repayment of tenant loans	437	358
Funding of tenant loans	(934)	(656)
Decrease in deposits for acquisition and financing	211	374
	<u>(36,493)</u>	<u>(36,837)</u>

Net increase (decrease) in cash

Cash less bank indebtedness, beginning of the year	(2,872)	(1,590)
Cash less bank indebtedness, end of the year	<u>\$ 3,875</u>	<u>\$ (2,872)</u>

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.
Consolidated Statements of Cash Flows – Supplemental Cash Flow Disclosure
For the Fiscal Years Ended December 31, 2009 and December 31, 2008
(In thousands of Canadian dollars, except per share amounts)

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

The Company disposed of a 75% interest in four income producing properties for net proceeds of \$12.4 million and an accounting gain of \$671 thousand. The purchaser assumed mortgages of \$8.7 million resulting in net cash proceeds of \$3.7 million. The Company disposed of surplus and development land for net proceeds of \$2.8 million with an accounting loss of \$6 thousand. During the year ended December 31, 2008 the Company disposed of surplus lands, which resulted in an accounting gain of \$122 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

II) Discontinuance of Consolidation

During the year ended December 31, 2009 the Company discontinued consolidation of Plazacorp Shediac Limited Partnership which had been consolidated in quarterly statements during 2009 as a variable interest entity. During the year ended December 31, 2008 the Company discontinued consolidating five Ontario properties that had previously been consolidated as variable interest entities.

	2009	2008
Real estate assets		
Investment property	\$ 7,206	\$ 10,892
Net liabilities		
Assumed mortgage	5,328	9,244
Minority Interests	1,830	-
Other	108	(466)
	<u>7,266</u>	<u>8,778</u>
Net assets acquired (disposed), funded from cash	\$ (60)	\$ 2,114

III) Change in Non-Cash Working Capital

	2009	2008
Receivables	\$ (123)	\$ (683)
Prepaid expenses and mortgage deposits	(2,692)	310
Accounts payable and accrued liabilities	2,396	1,461
Income taxes payable, net of refundable capital gains tax	(267)	(14)
Total cash from change in non-cash working capital	\$ (686)	\$ 1,074

IV) Cash, less Bank Indebtedness

	2009	2008
Cash	\$ 3,875	\$ 1,720
Bank indebtedness	-	(4,592)
Cash less bank indebtedness	\$ 3,875	\$ (2,872)

V) Interest paid in cash and income and capital taxes paid

During the year ending December 31, 2009 there was \$14,350 thousand (December 31, 2008 - \$14,888 thousand) paid in cash for interest expense, and \$431 thousand (December 31, 2008 - \$324 thousand) in income and capital taxes.

VI) Amortization charged to income

	2009	2008
Amortization of income producing properties	\$ 4,916	\$ 4,592
Amortization of tenant acquisition costs	4,951	4,651
Amortization of intangible assets (excluding above-market tenant leases)	421	564
Amortization expense per the statement of income and other comprehensive income	10,288	9,807
Amortization of financing charges (included with interest costs)	706	799
Amortization of above/below market leases (included with revenue)	(112)	(115)
Total amortization charged to income	\$ 10,882	\$ 10,491

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended December 31, 2009 and December 31, 2008
(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 (Canada).

2. Basis of Presentation

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

a) *Changes in Accounting Policies*

Goodwill and Intangible Assets

Handbook Section 3064 Goodwill and Intangible Assets was effective January 1, 2009. Section 3064 replaced Handbook Section 3062 Goodwill and Other Intangible Assets and Handbook Section 3450 Research and Development Costs. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The Company has applied this standard to the consolidated financial statements and there is no impact compared to prior periods.

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts, has been amended and is effective for the year ending December 31, 2009. The Company no longer defers expenditures recoverable from tenants in the period in which they are incurred, unless they meet the criteria for an asset. The amended standard requires restatement of the prior period and the impact to the total assets in the December 31, 2008 consolidated balance sheet was a decrease of \$118 thousand. The opening deficit for 2008 was increased by \$64 thousand due to the change in accounting policy.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities – EIC 173

CICA EIC 173 requires an entity to take into account their own credit risk and the credit risk of their counterparty when determining the fair value of financial assets and financial liabilities. This applied to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of EIC 173 did not have an impact on the Company's financial statements.

Financial Instruments – Disclosures – Section 3862

The CICA amended Handbook Section 3862, Financial Instruments – Disclosures in June 2009. Annual financial statements for fiscal years ending after September 30, 2009 require new disclosure for fair value measurement for financial instruments and liquidity risk disclosures. The amendment requires classification of fair value measurements using a fair value hierarchy that exhibits the significance of the inputs used in making the measurements. The Company uses the following fair value hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

The disclosure requirements of these amendments do not have a significant impact on the Company's financial statements as the Company's financial instruments all fall under Level 1 of the hierarchy.

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended December 31, 2009 and December 31, 2008
(In thousands of Canadian dollars, except per share amounts)

b) *Principles of Consolidation*

The consolidated financial statements include the accounts of Plazacorp Retail Properties Ltd., its subsidiaries and its proportionate interest in joint ventures in accordance with the pronouncements of CICA Handbook Sections 1590, 1600, 3051, 3055 and the provisions of Accounting Guideline #15 (Consolidation of Variable Interest Entities). For investment entities where the Company has joint ownership and control for accounting purposes, a proportionate share of the assets, liabilities, and operating results are included in the consolidated financial statements. When the Company exercises significant influence, investments are accounted for using the equity method. Entities over which the Company does not exercise significant influence are accounted for using the cost method.

c) *Variable Interest Entities ("VIE")*

Under Accounting Guideline-15 the Company evaluates each of its joint ventures and partnership arrangements to determine whether the company is at risk for the majority of losses from the entity or is entitled to a majority of the benefits from the entity. As a result of this analysis the Company has consolidated Plazacorp Ontario1 Limited Partnership (Hastings Street Bancroft, Main Street Alexandria, and Ottawa Street) and Plazacorp Ontario2 Limited Partnership (Scugog Street Port Perry, Amherstview) as the guidelines for classification of a variable interest entity have been met. There are no other significant changes related to the financial statement presentation of its consolidated subsidiaries, proportionately consolidated joint ventures or investments in non-consolidated partnerships and trusts as at December 31, 2009 compared to December 31, 2008, other than as disclosed in this note and the supplemental cash flow disclosure, Discontinuance of Consolidation.

d) *Properties Under Development*

Pre-construction costs of the property, development costs, construction costs, carrying costs including financing fees, interest costs, real estate taxes and other costs incurred while a property is under development or significant re-development are capitalized. Once a property generates revenue the interest and net operating losses 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 reclassified as an income producing property.

e) *Income Producing Properties*

Income producing properties are carried at cost less accumulated amortization. If events or circumstances indicate that the carrying value of the income producing properties may be impaired, a recoverability analysis is performed based upon estimated non-discounted cash flows generated from the income producing properties. If the analysis indicates that the carrying value of an income producing property is not recoverable from future cash flows, the income producing property is written down to estimated fair value and an impairment loss is recognized.

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

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

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended December 31, 2009 and December 31, 2008
(In thousands of Canadian dollars, except per share amounts)

Income producing properties in which the Company has no further involvement, due to disposition, or that have no significant cash flows, are reclassified to discontinued operations.

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

f) *Surplus Lands*

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

g) *Revenue*

i) Rental revenue

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

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

ii) Straight-line rent

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

iii) Investment income

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

h) *Amortization*

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

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

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended December 31, 2009 and December 31, 2008
(In thousands of Canadian dollars, except per share amounts)

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

i) Income Taxes

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

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

j) Comprehensive Income

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

k) Financial Instruments – Recognition and Measurement

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

Financial assets and financial liabilities classified as "held for trading", if any, are measured at fair value with changes in those fair values recognized in the determination of net income. Financial assets classified as "held to maturity", loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. "Available for sale" assets are presented separately on the Consolidated Balance Sheet and measured at fair value with unrealized gains and losses being recognized in OCI. Derivative instruments are recorded on the Consolidated Balance Sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts that do not meet certain criteria. Changes in fair values of derivative instruments are recognized in income and other comprehensive income. Plazacorp had no embedded derivatives requiring separation in its contracts as at December 31, 2009 or December 31, 2008.

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

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

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

l) Use of Estimates

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

m) Stock-based Compensation Plans

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

n) Investments

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

o) Cash and Cash Equivalents

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

p) Deficits of Subsidiaries

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

Accumulated deficits arise in the capital accounts of subsidiary limited partnerships and corporations when, due to non-cash charges to net income, the subsidiaries’ free cash flow allows cumulative cash drawings to exceed accumulated earnings and contributed capital. If the non-controlling parties have contractual obligations, by the way of guarantees, to fund their proportion of the underlying secured debt of the entity, this deficit is recorded as an asset by the Company so long as those guarantees exceed the non-controlling party’s

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proportionate share of the accumulated deficit. Any deficit in excess of the underlying guarantees, are recorded as charges to income by the Company. The comparison of the guarantees to the underlying deficit of the entity is performed yearly to determine if charges to income are warranted.

q) *Goodwill*

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

r) *Future Accounting Policy Changes*

International Financial Reporting Standards

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

Business Combinations and Consolidated Financial Statements

The CICA issued new accounting standards on January 1, 2009: Handbook Section 1582 Business Combinations, Handbook Section 1601 Consolidated Financial Statements, and Handbook Section 1602 Non-Controlling Interests. These standards replace the existing guidance found in Sections 1581, Business Combinations and 1600, Consolidated Financial Statements, and were developed in conjunction with the US Financial Accounting Standards Board and the International Accounting Standards Board. Early adoption is permitted at the beginning of a fiscal year. The new standards will be applied by the Company prospectively for fiscal years beginning on or after January 1, 2011.

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3. Income Producing Properties

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 63,608	\$ -	\$ 63,608	\$ 49,268	\$ -	\$ 49,268
Buildings	187,946	(24,518)	163,428	160,405	(20,169)	140,236
Tenant acquisition costs	49,107	(17,221)	31,886	45,244	(15,292)	29,952
Furnishings and equipment	1,192	(592)	600	1,079	(524)	555
Parking lot	9,056	(2,198)	6,858	6,860	(1,709)	5,151
Total income producing properties	\$ 310,909	\$ (44,529)	\$ 266,380	\$ 262,856	\$ (37,694)	\$ 225,162

Properties under development that moved into income producing properties in 2009 represent \$47.3 million of the total income producing properties cost (for the year ended December 31, 2008 - \$23.1 million).

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 \$812 thousand of interest for the year ended December 31, 2009 (for the year ended December 31, 2008 - \$1.2 million).

5. Income Producing Properties Held for Sale

For the year ended December 31, 2008, the Company segregated income producing properties held for sale for four income producing properties in which a 75% interest was sold on January 22, 2009, resulting in an accounting gain of \$671 thousand.

6. Surplus Lands

Surplus lands are made up of land parcels that become surplus after assembly and subdivision of parcels used for development of income producing properties. For the year ended December 31, 2009 no impairment on surplus land was recognized (for the year ended December 31, 2008 - nil).

7. Notes Receivable

The notes receivable are owed by unrelated parties as a result of funding requirements of another co-owner of a joint venture on a short-term basis during development, and from minority interests shareholders from consolidated entities. The notes are due on demand.

8. Receivables

Receivables consist of the following:

	2009	2008
Tenant accounts receivable	\$ 368	\$ 379
Excise tax	235	219
Other receivables	377	584
Total receivables	\$ 980	\$ 1,182

The Company determines its allowance for doubtful accounts on a tenant-by-tenant basis taking into consideration lease terms, industry conditions, and status of the tenant's account, among other factors. Accounts are written off only when all collection efforts have been exhausted. Allowance for doubtful accounts balance as at December 31, 2009 is \$16 thousand (December 31, 2008 - \$15 thousand). This amount is deducted from tenant accounts receivable.

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9. Tenant Loans

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

10. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

	2009	2008
Prepaid expenses	\$ 1,209	\$ 1,326
Deposits for acquisitions and financing	250	462
Deposits, primarily property tax escrows under mortgage agreements	1,467	1,522
Total prepaid expenses and deposits	\$ 2,926	\$ 3,310

11. Investments

Investments consist of the following:

	Ownership Position	Preferred Return	Residual Return	2009	2008
Equity Accounted Investments					
Centennial Plaza Limited Partnership	10%	10%	20%	\$ 450	\$ 521
MDO Limited Partnership	20%	10%	30%	446	441
Village Shopping Centre Limited Partnership	19.18%	8%	50%	2,498	1,051
Trois Rivieres Limited Partnership	15%	10%	30%	224	310
Plazacorp - Shediac Limited Partnership	10%	8%	50%	224	-
				3,842	2,323
Cost Accounted Investments					
Northwest Plaza Commercial Trust	10%	-	-	260	170
				4,102	2,493
Held to Maturity Investments⁽¹⁾					
	Maturity Dates	Effective Interest Rate			
Bonds and cash – substituted for mortgage security	Mar 15/10 – Dec 15/11	3.47%		2,278	2,416
Bonds and cash – substituted for mortgage security	Dec 1/09	4.68%		-	1,727
				2,278	4,143
Total investments				\$ 6,380	\$ 6,636

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

Bonds are made up of Government of Canada Bonds totaling \$2.2 million (December 31, 2008 - \$4.0 million) with yields between 2.75% and 5.50% respectively. The balance of \$54 thousand (December 31, 2008 - \$134 thousand) is made up of restricted cash that is utilized for monthly mortgage payments. The bonds and cash have been pledged as substitute security for a mortgage which matures on April 1, 2012.

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12. Deficits of Subsidiaries

Deficits of subsidiaries consist of the following:

	2009	2008
Granville Street Properties Limited Partnership	\$ 330	\$ 352
Wildan Properties Limited Partnership	857	771
Plazacorp Ontario2 Limited Partnership ⁽¹⁾	6	-
Total deficits of subsidiaries	\$ 1,193	\$ 1,123

(1) This partnership has been consolidated as a variable interest entity.

For the year ended December 31, 2009 the excess of distributions for Spring Park Plaza Inc. exceeded underlying contractual guarantees by \$20 thousand (for the year ended December 31, 2008 - \$7 thousand) and was charged to income. The minority partners are required to fund any deficit if required by secured lenders under the terms of a guarantee agreement.

13. Mortgages Payable

As at	Rate Range	Weighted Average	Maturity Dates	2009	2008
Fixed rate loans	5.12% - 8.46%	6.47%	Up to Aug 2023	\$ 171,012	\$ 158,649
Less: unamortized finance charges				(2,831)	(2,686)
				168,181	155,963
Other fixed rate loans	8.00%	8.00%	November 1, 2010	1,358	1,358
Total net fixed rate mortgage loans				169,539	157,321
Variable rate loans - development line of credit	Prime plus 2.0%		July 31, 2010	12,116	25,219
- development line of credit	Prime plus 2.25%		July 31, 2010	9,894	4,623
- development line of credit	Prime plus 0.4%		March 31, 2010	9,074	8,295
- development line of credit	Prime plus 2.0%		July 31, 2010	8,270	-
- development line of credit	Prime plus 2.0%		July 31, 2010	7,192	-
Less: unamortized finance charges				(130)	(73)
Total net variable rate loans				46,416	38,064
Net mortgages payable				\$ 215,955	\$ 195,385

All mortgages are secured by charges against specific assets. For details on annual principal repayments, see note 25b Commitments. The unamortized finance charge amount is made up of fees and costs incurred to obtain the mortgage financing less accumulated amortization.

To fund development activities the Company has five acquisition and development facilities with Canadian Chartered banks available upon pledging of specific assets. Funding is secured by first mortgage charges on properties. The Company must maintain certain financial ratios to comply with the facilities. These covenants include loan to value thresholds, debt service, interest coverage and occupancy ratios, and shareholder equity tests. As at December 31, 2009 the Company is in compliance with all covenants.

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14. Mortgage Bonds Payable

Mortgage bonds payable are secured by the following properties:

	2009					2008
	Series II	Series III	Series IV	Series V	Total	Total
Starrs Road Plaza, Yarmouth, NS, 2 nd Mortgage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,250
Power Center-Phase 2, Miramichi, NB, 2 nd Mortgage	-	-	-	-	-	533
Kenmount Road Plaza, St John's, NL, 2 nd Mortgage	-	-	-	-	-	1,107
Grand Falls Shopping Mall, Grand Falls, NB, 2 nd Mortgage	-	6,700	-	-	6,700	6,250
LeMarchant Road Plaza, St. John's, NL, 1 st Mortgage	1,257	-	-	-	1,257	1,257
Victoria Street Plaza, Edmundston, NB, 1 st and 2 nd Mortgage	625	-	1,044	-	1,669	1,641
Commercial Street-Phase 2, New Minas, NS, 1 st Mortgage	408	-	-	-	408	395
Bedford Commons Plaza, Bedford, NS, 2 nd Mortgage	-	800	-	-	800	1,243
Airport Boulevard, Gander, NL, 2 nd Mortgage	-	-	-	-	-	680
Main & Sackville, Shediac, NB, 2 nd Mortgage	-	-	-	-	-	278
Fairville Boulevard, Saint John, NB, 2 nd Mortgage	185	-	-	-	185	422
LPC, Rouyn-Noranda, QC, 2 nd Mortgage	-	-	-	-	-	295
Granite Drive, New Minas, NS, 2 nd Mortgage	1,285	-	-	-	1,285	2,245
Wilson & Dufferin (Perth), Perth, ON, 2 nd Mortgage	-	-	-	-	-	514
Plaza Royale, Shawinigan, QC, 2 nd Mortgage	2,510	-	-	-	2,510	1,925
Fairville Boulevard – Phase 2, Saint John, NB, 2 nd Mortgage	3,470	-	-	-	3,470	465
Boulevard Hebert Plaza, Edmundston, NB, 1 st Mortgage	-	-	-	1,185	1,185	-
Miramichi West, Miramichi, NB, 2 nd Mortgage	-	-	375	-	375	-
Ville Marie Drive Plaza, Marystown, NL, 1 st Mortgage	260	-	-	-	260	-
Miramichi Phase II, Miramichi, NB, 2 nd Mortgage	-	-	177	-	177	-
Main & Victoria, Shediac, NB, 2 nd Mortgage	-	-	167	-	167	-
Main & Western, Sussex, NB, 2 nd Mortgage	-	-	218	-	218	-
Starr's Road Plaza, Yarmouth, NS, 2 nd Mortgage	-	-	379	-	379	-
Kenmount Road Plaza, St. John's, NL, 2 nd Mortgage	-	-	317	-	317	-
Airport Blvd. Plaza, Gander, NL 2 nd Mortgage	-	-	323	-	323	-
Gross mortgage bonds outstanding	\$ 10,000	\$ 7,500	\$ 3,000	\$ 1,185	\$ 21,685	\$ 20,500
Less: unamortized finance charges	-	-	-	-	(96)	(121)
Net mortgage bonds outstanding					\$ 21,589	\$ 20,379

	Series II	Series III	Series IV	Series V
Interest Rate	8.5%	8.0%	7.5%	8.0%
Next Redemption Date	N/A	April 26, 2010	April 25, 2010	N/A
Maturity Date				
Tranche 1	March 31, 2010	May 26, 2011	June 30, 2012	June 4, 2016
Tranche 2	July 16, 2010	July 15, 2011	N/A	N/A
	\$2,500	\$2,500	N/A	N/A

The mortgage bonds have been secured by first or second charges against the respective properties. The Company may redeem up to one-half of the bonds on the third and fourth anniversaries of the initial closing date of the bonds at a price equal to the principal amount for Series II, III and IV. The Company has no right to redeem the Series V bonds prior to the maturity date.

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15. Debentures Payable and Equity Portion of Convertible Debt

Debentures payable consist of the following:

	2009				2008	
	Maturity Date	Interest Rate	Debt Component Outstanding	Value of Option to Convert	Debt Component Outstanding	Value of Option to Convert
Convertible						
Series III	April 30, 2009	8.5%	\$ -	\$ -	\$ 754	\$ 37
Series IV	July 31, 2011	7.0%	4,964	158	4,933	158
Series V	October 14, 2014	8.0%	11,732	808	-	-
Total convertible debentures			16,696	966	5,687	195
Non convertible debentures	July 31, 2010 – February 24, 2011	8.0%	5,159	-	5,159	-
Gross debentures			21,855	966	10,846	195
Less: unamortized finance charges			(284)	-	(79)	-
Net debentures			\$ 21,571	\$ 966	\$ 10,767	\$ 195

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

	Series III	Series IV	Series V
Conversion price	\$1.60	\$4.00	\$3.40
Company's first redemption date	May 1, 2007	July 1, 2009	October 14, 2012
Maturity date	April 30, 2009	July 31, 2011	October 14, 2014
Face value outstanding December 31, 2009	Nil	\$5,000	\$12,500

During the year ended December 31, 2009 holders of \$755 thousand (for the year ended December 31, 2008 - \$1.02 million) of convertible debentures at face value exercised their option to convert to common shares. Of this amount \$34 thousand (for the year ended December 31, 2008 - \$46 thousand) was recorded as a reduction to the original equity component and \$754 thousand (for the year ended December 31, 2008 - \$1.01 million) was recorded as a reduction to the debt component; consistent with the original allocation to debt and equity components of the convertible debentures. A total of 472 thousand (for the year ended December 31, 2008 - 638 thousand) common shares were issued on these conversions.

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16. Notes Payable

Notes payable consists of the following:

	Interest Rate	2009	2008
Interest bearing notes:			
Entities controlled by Michael Zakuta, President, CEO and Director of the Company.	Prime plus 1% & 8.0% fixed	\$ -	\$ 617
Non-interest bearing notes:			
Entities owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President, CEO and Director of the Company.	n/a	261	264
Promissory notes – asset purchases ⁽¹⁾	n/a	1,500	3,400
Unrelated parties and non-controlling interests	n/a	293	130
Total notes payable		\$ 2,054	\$ 4,411

(1) Promissory note due March 14, 2010.

For the year ended December 31, 2009 the Company expensed \$98 thousand (for the year ended December 31, 2008 - \$79 thousand) in related party interest. Notes payable have no fixed terms.

17. Bank Indebtedness

The Company has a \$7.5 million operating line of credit facility with a Canadian chartered bank at the rate of prime plus 2.25%, maturing November 30, 2011. As security the Company has provided a \$10 million demand debenture secured by a first mortgage over 3 properties. Of the \$7.5 million operating line, nil was drawn as at December 31, 2009 (for the year ended December 31, 2008 - \$4.6 million).

18. 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 capital gains dividends to residents of Canada to affect a refund.

As at December 31, 2009 the Company and its consolidated subsidiaries had income tax loss carry-forwards in the amount of \$14.9 million, expiring in various years from 2015 to 2028.

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 \$315 thousand in refundable capital gains tax in 2009 and triggered refunds of \$495 thousand from the payment of capital gains dividends. As at December 31, 2009 the Company has a refundable capital gains balance of \$27 thousand (December 31, 2008 - \$196 thousand) and an income taxes receivable of \$71 thousand (December 31, 2008 – (\$367) thousand).

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

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	2009	2008
Taxes at an effective rate of 38.4% (December 31, 2008 – 41.65%)	\$ 1,768	\$ 2,931
Permanent differences due to non deductible items	48	38
Permanent difference due to minority interest portion of Limited Partnership	(209)	(64)
Permanent difference due to non consolidated investments	(90)	(352)
Permanent differences due to mutual fund corporation treatment of capital gains	(588)	(1,948)
Permanent difference due to a decrease in the effective rates	(740)	(27)
Other	(77)	83
Total income tax expense – continuing operations	\$ 112	\$ 661

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

	2009	2008
<u>Future income tax assets</u>		
Loss carry-forwards of Plazacorp Retail Properties Ltd.	\$ 1,296	\$ 1,444
Loss carry-forwards of subsidiary corporations	724	902
Loss carry-forwards from subsidiary trusts	3,683	4,081
Total future income tax assets	5,703	6,427
<u>Future income tax liabilities</u>		
Income producing properties	12,885	13,807
Accounts receivables	1,765	1,529
Deferred financing costs	563	533
Total future income tax liabilities	15,213	15,869
Net future income tax liability	\$ 9,510	\$ 9,442

Balance sheet presentation of this net future income tax liability is as follows:

Future income tax asset	\$ (793)	\$ (688)
Future income tax liability	10,303	10,130
Net future income tax liability	\$ 9,510	\$ 9,442

As at December 31, 2009 the Company and its consolidated subsidiaries had income tax loss carry-forwards in the amount of \$13.8 million, expiring as follows:

Year	Plazacorp Retail Properties Ltd.	Consolidated Subsidiaries	Total
2015	\$ -	\$ 75	\$ 75
2025	-	244	244
2026	3,382	5,480	8,862
2027	-	4,024	4,024
2028	-	1,717	1,717
Total	\$ 3,382	\$ 11,540	\$ 14,922

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.

19. Non-Controlling Interest in Net Assets

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

	2009	2008
Dufferin & Wilson (Perth)	\$ 416	\$ 346
Exhibition Plaza Inc.	100	28
Plazacorp Ontario1 Limited Partnership ⁽¹⁾	2,320	-
Total non-controlling interest in net assets	\$ 2,836	\$ 374

(1) This limited partnership has been consolidated as a variable interest entity.

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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*

	2009		2008	
	Shares	Amounts	Shares	Amounts
Common shares outstanding, beginning of the year	47,303	\$ 40,031	45,867	\$ 36,932
Issuance of common shares:				
Shares issued through exercise of stock options	223	396	366	650
Shares issued through dividend reinvestment plan	838	2,132	432	1,400
Shares issued through debt conversion				
- face value debentures	472	758	638	1,020
- accumulated interest accretion	-	32	-	29
Common shares outstanding, end of the year	48,836	\$ 43,349	47,303	\$ 40,031

The Company is a mutual fund corporation as defined in the Income Tax Act (Canada) and as such shareholders have the right to redeem their common shares at 90% of the lesser of the Market Price of the share (Market Price is defined as the weighted average trading price of the previous 180 trading days) and the most recent Closing Market Price at the time of the redemption. The redemption price may be satisfied by either cash or a note payable, at the discretion of the Company. The note payable would bear interest at a rate equal to the prescribed rate of interest under the Income Tax Act (Canada) in effect at the time of its issue, and will mature and be fully repaid two years after issuance. The notes may also be prepaid without penalty. As at December 31, 2009 no shareholder had redeemed shares under the mutual fund corporation provisions.

Pursuant to the Company's Dividend Reinvestment Plan, during the year ended December 31, 2009 shareholders were issued 838 thousand shares at a weighted average price of \$2.54 per share (for the year ended December 31, 2008 – 432 thousand shares at a weighted average of \$3.23 per share).

c) *Earnings per Share*

Basic earnings per share is calculated based on the weighted average number of shares outstanding for the period. Diluted earnings per share considers the potential exercise of outstanding stock options, as well as the potential conversion of convertible debentures that have a dilutive effect on earnings per share. Stock options or convertible debentures that do not reduce earnings per share are anti-dilutive, and are excluded from the diluted per share calculation. For the year ended December 31, 2009 Series IV debentures totalling \$5.0 million convertible to 1.25 million shares were anti-dilutive as were Series IV and Series V stock options (December 31, 2008 - \$5.0 million in debentures which equates to 1.25 million shares that were anti-dilutive).

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

For the Fiscal Years Ended	2009	2008
Basic weighted average shares outstanding	48,132	46,746
Effect of dilutive stock options	127	316
Effect of dilutive convertible debentures	3,676	472
Weighted average number of diluted shares	51,935	47,534

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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.

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

	Directors Options		Employees Options	
	2009	2008	2009	2008
Options outstanding, start of the year	120	180	669	975
Options granted	-	-	-	-
Options expired	-	-	-	-
Options exercised	-	(60)	(223)	(306)
Options outstanding, end of the year	120	120	446	669
Outstanding options that are exercisable	80	40	446	636

Details of options outstanding are as follows:

	Series III	Series IV	Series V
Exercise price	\$1.72	\$2.75	\$4.36
Options outstanding	361	85	120
Expiry date	February 2, 2010	April 11, 2011	May 6, 2012
Options exercisable	361	85	80
Black-Scholes valuation assumptions:			
Expected life of options	5 years	5 years	5 years
Volatility	16%	17%	14%
Risk free rate of return	3.58%	4.34%	4.65%
Dividend rate	6.10%	4.55%	3.40%

The cumulative amount of compensation expensed for options not exercised at the end of the year is \$97 thousand (for the year ended December 31, 2008 - \$89 thousand). This amount is included in Contributed Surplus. The Company recorded \$20 thousand in compensation expense related to stock options for the year ended December 31, 2009 (for the year ended December 31, 2008 - \$31 thousand).

22. Related Party Transactions

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

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

Mr. Brewer and Mr. Zakuta did not receive any direct compensation from the Company for performing their duties as Chairman and President, respectively or as directors, during 2009 and 2008.

The purpose of the management arrangement is to provide the Company the services of a fully staffed and professional management company in all geographic areas which allows Plazacorp access to significant professional management services at reasonable costs. The basis of fee payment under the new management agreement, effective March 30, 2009, is as follows:

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Plaza Group Management Limited fee structure	
Property Management	3% of gross rents paid.
Corporate Management	¾% of gross rents paid.
Leasing	4% of rental revenue per year for first five years of lease term. 2% of rental revenue per year for years six to ten of a lease term. Leasing fees for renewal are at 50% of the above rate.
Development	4% of costs of construction on development projects. 10% of tenant improvement costs on non-development projects.
Debt Financing	¾ % of loan amount where no outside broker is involved. ¼ % of loan amount where an outside broker is involved.
Equity Financing	¾ % of capital raised where no 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 \$155 per hour.

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

The following amounts were charged under the contracts:

Fee Category	Included for Reporting Purposes In	2009	2008
Property Management	Property operating expenses	\$ 1,439	\$ 1,607
Corporate Management	Administrative expenses	260	-
Leasing	Tenant acquisition costs and property operating expense	1,038	1,165
Development	Income producing properties	906	934
Financing fees	Income producing properties and debt	104	226
Acquisition	Income producing properties	59	221
Disposition	Gain on disposal of income producing properties or surplus lands	268	141
Legal services	Varies based on service provided	455	439
Total fees billed by the Property Managers		\$ 4,529	\$ 4,733

During the year ended December 31, 2009 the Company paid \$38 thousand (for the year ended December 31, 2008 - \$33 thousand) to Plaza Group Management Limited and Les Immeubles Plaza Z-Corp Inc. the Management Companies, to hold in trust and apply against future minor insurance claims below the insurance company deductibles.

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

	2009	2008
Included with accounts payable and accrued liabilities	\$ 447	\$ -

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

	2009	2008
Richard Hamm, Director	\$ 1,025	\$ 775
Michael Zakuta, Director	2,068	1,200
Edouard Babineau, Director	1,850	700
Earl Brewer, Director	1,655	438
Stephen Johnson, Director	1,220	1,220
Barbara Trenholm, Director	464	364
Total related party mortgage bonds and debentures held	\$ 8,282	\$ 4,697

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For the year ended December 31, 2009, there were no debentures converted by Directors of the Company, or companies owned and controlled by Directors.

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

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

For the year ended December 31, 2009, the Company expensed \$98 thousand (for the year ended December 31, 2008 - \$79 thousand) in related party interest.

All related party transactions have been recorded at the exchange amount.

23. Interests in Joint Ventures

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

	2009	2008
Assets	\$ 55,983	\$ 54,327
Liabilities	54,238	47,428
Rental income	10,125	8,014
Expenses, including financing costs	6,732	5,466
Net income	2,058	1,233
Cash activities of joint ventures:		
<i>Funds from (applied to)</i>		
Cash flow from operating activities	3,055	(1,005)
Cash flow from financing activities	1,914	6,815
Cash flow from investing activities	(4,952)	(7,450)

24. Segmented Information

The company develops, re-develops and acquires shopping malls, strip plazas and single use properties located in Canada. The company, in measuring performance, does not distinguish or group its operations on a geographical basis. Accordingly the company has a single reportable unit for disclosure purposes under GAAP. One tenant comprises 25.7% (December 31, 2008 – 26.4%) of the company's rental revenue.

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

Province	Rental Revenue		Net Property Operating Income		Total Assets	
	2009	2008	2009	2008	2009	2008
New Brunswick	\$ 20,460	\$ 19,563	\$ 11,222	\$ 10,760	\$ 133,573	\$ 133,709
Nova Scotia	10,696	10,099	6,458	6,133	73,109	72,900
Quebec	9,038	8,598	5,335	4,869	38,941	38,896
Prince Edward Island	3,949	3,960	2,700	2,679	11,273	11,629
Newfoundland and Labrador	2,156	1,916	1,393	1,268	15,846	16,043
Ontario	2,345	1,754	1,772	1,341	36,185	18,264
Total	\$ 48,644	\$ 45,890	\$ 28,880	\$ 27,050	\$ 308,927	\$ 291,441

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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 to facilitate municipal planning deposit requirements. The facility is secured by Personal Property Security Act (PPSA) charges in each province and matures September 30, 2010. The facility, under which the letters-of-credit are issued, requires that the Company maintain certain financial ratios to comply with the facility. For the year ended December 31, 2009, \$500 thousand (December 31, 2008 - \$500 thousand) of such letters-of-credit were issued and outstanding and the Company was in compliance with the terms of the credit facility.

The \$27.5 million and \$9.6 million development facilities have letters-of-credit limits of \$1.5 million and \$550 thousand, respectively, available for each facility. For the year ended December 31, 2009, there were \$442 thousand (December 31, 2008 - \$213 thousand) letters-of-credit issued and outstanding under these facilities.

The \$7.5 million operating line-of-credit has \$2.0 million available for use in the form of letters-of-credit. For the year ended December 31, 2009, \$449 thousand (December 31, 2008 - \$534 thousand) of such letters-of-credit were issued and outstanding reducing the available line to \$6.9 million.

b) Commitments

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

	Year 1	Year 2	Year 3	Year 4	Year 5	After 5	Face	Carrying
	2010	2011	2012	2013	2014	Years	Value	Amount
							Total	Total
Mortgages – Periodic Principal	\$ 3,416	\$ 3,479	\$ 3,382	\$ 3,269	\$ 2,672	\$ 12,436	\$ 28,654	\$ 25,823
Mortgages – Due at Maturity	3,586	2,704	13,169	11,111	33,756	77,460	141,786	141,786
Mortgages – Funded by Defeasance ⁽¹⁾	-	-	1,930	-	-	-	1,930	1,930
Development line-of-credits	46,546	-	-	-	-	-	46,546	46,416
Mortgage Bonds Payable	10,000	7,500	3,000	-	-	1,185	21,685	21,589
Debentures	5,159	5,000	-	-	12,500	-	22,659	21,571
Operating land leases ⁽²⁾	2,567	2,557	2,501	2,511	2,595	133,528	146,259	146,259
Development activities	4,097	-	-	-	-	-	4,097	4,097
Total contractual obligations	\$ 75,371	\$ 21,240	\$ 23,982	\$ 16,891	\$ 51,523	\$ 224,609	\$ 413,616	\$ 409,471

(1) *Mortgages maturing but secured by bond investments, see note 11.*

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

c) Guarantees and Indemnities

The Company continues to guarantee certain debt assumed by purchasers in connection with past dispositions of properties. These guarantees will remain until the debt is modified, refinanced or extinguished. These commitments are subject to indemnity agreements. The estimated amount of the debt subject to such guarantees at December 31, 2009 is \$15.0 million (December 31, 2008 – \$15.5 million) and \$8.0 million with a weighted average remaining term of 2.7 years (December 31, 2008 – 3.7 years) and 11.5 years, respectively. The \$15.0 million debt consists of an \$8.0 million mortgage on Woodlawn Plaza, Halifax, NS which expires on May 1, 2012 and a \$7.0 million mortgage on Lansdowne Plaza, Saint John, NB which expires on May 1, 2013. The \$8.0 million commitment relates to the mortgages on four assets in Moncton, Miramichi, Sussex, and Truro in which the Company sold a 75% interest in January of 2009.

The Company assumed a guarantee for the completion of construction for a development line-of-credit held by the Village Shopping Centre Limited Partnership. For the year ended December 31, 2009 the Village Shopping Centre Limited Partnership has borrowed all of the \$20.0 million line-of-credit. The remaining budgeted development costs

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are \$4.6 million (December 31, 2008 - \$1.7 million) and the Company's current exposure under the guarantee is estimated to be \$4.6 million (December 31, 2008 - nil).

The mortgage on Lansdowne Place, a former property of the Company, contains cross-default provisions with the mortgages of Nashwaaksis Plaza and Spring Park Plaza. The total outstanding under these two loans is \$3.2 million (December 31, 2008 - \$3.3 million) and both mortgages mature on May 1, 2013. The Company indemnifies its former co-venturer in respect of the cross-default provisions.

The Company is contingently liable for certain obligations of a co-venturer. The guarantee provided to the mortgagee of Staples-Granby, is subject to a cross-guarantee provided by the other 50% co-owner for the full amount of the loan. For the year ended December 31, 2009 the total exposure on the cross-guarantee is \$692 thousand (December 31, 2008 - \$730 thousand).

d) Litigation

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

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 favourable, as soon as practical after an asset attains income producing status.

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

An increase of 100 basis points in interest rates at December 31, 2009 if applied to all outstanding floating rate instruments would increase interest expense and decrease pre-tax earnings in the annual amount of \$381 thousand (December 31, 2008 - \$381 thousand). A change in interest rates at December 31, 2009 would not affect net income with respect to fixed rate instruments. Therefore, no sensitivity analysis is provided for the fixed rate instruments. This calculation is prepared on the same basis as 2008.

b) Occupancy Risk

The Company is exposed to the risk of not being able to replace tenants as leases expire or development space becomes available. The hypothetical impact to net property operating income of a change in occupancy of 1% would be approximately \$500 thousand per annum. Plazacorp's principal management of occupancy risk involves the signing of longer term leases and significant preleasing of development space.

c) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and will be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss by ensuring that its tenant mix is diversified and weighed to national and regional tenants which now comprise 92.8% of our in-place tenant base. This is the Company's primary mitigation procedure for exposure to tenant credit risk. The Company limits loans granted under

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lease arrangements to high credit rating national tenants and estimates the credit exposure on these loans is nil. The Company's credit risk is minimized on investment bonds as they consist of Government of Canada bonds.

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, by utilizing established development lines of credit. These guarantees would be limited to the lower of 75% of the asset cost or 65% of the fair market value. See note 25c for details of guarantees.

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

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

Carrying Amount	2009	2008
Held-to-maturity investments	\$ 2,278	\$ 4,143
Tenant loans, straight-line rent, receivables and note receivables	8,683	7,814
Cash and cash equivalents	3,875	1,720
Total	\$ 14,836	\$ 13,677

The Company's most significant customer, a national retailer, accounts for the \$2.5 million of tenant loans as at December 31, 2009 (December 31, 2008 - \$2.4 million).

d) Liquidity and Debt Market Risk

In the current economic climate and capital market, the lenders may continue to tighten their lending standards which could make it challenging for the Company to obtain financing on favourable terms or any terms at all. The company is exposed to the risk of being unable to honour its financial commitments by the deadlines set out under the terms of such commitments and at a reasonable price. The Company's management manages the Company's cash resources based on the financial forecasts and anticipated cash flows. The maturities of the Company's long term financial liabilities are set out in note 13, 14, 15, 16, 17 and 25. The Company's liquidity management strategy includes accessing development and operating lines of credit as necessary to fulfill financial commitments. Several mortgages and the development lines contain material adverse change clauses which entitle the lender to demand partial or full loan repayment when there are material adverse changes in the Company's financial position. Management has determined that circumstances that could trigger action by a lender under these clauses are unlikely.

e) Fair Value

Generally, trading values for the Company's financial instruments are not available. In determining estimates of the fair values of the financial instruments, the Company must make assumptions regarding current market rates, considering the term of the instrument and its risk. Current market rates are generally selected from a range of potentially acceptable rates and accordingly, other effective rates and fair values are possible. The rates used in determining the fair value of mortgages are corresponding term Government of Canada Bonds plus credit spreads of 3.10% to 3.75%. The rates used to determine the fair value of mortgage bonds and debentures range from 8.00% and 8.25%. See note 27 for summary of fair values.

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

The Company's fair value of the exposure from mortgage guarantees and indemnities are nil (see note 25c).

The estimated fair value of the Company's long-term debt including mortgages payable, mortgage bonds payable, debentures payable, and notes payable is estimated based on the values derived using current interest rates for each

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related instrument with similar terms and conditions. For the year ended December 31, 2009, the book value of the Company's long-term debt exceeds the fair value by \$4.0 million (December 31, 2008 - \$3.8 million), (see note 27).

For the year ended December 31, 2009, the fair value of the Company's investment in Government of Canada Bonds of \$2.3 million (December 31, 2008 - \$4.1 million) exceed its recorded value by \$70 thousand (December 31, 2008 - \$154 thousand). The Company had no exposure to financial hedges or embedded derivatives for the year ended December 31, 2009.

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 with bank and debenture covenants. The Company has defined its capital to include bank indebtedness, mortgages payable, debentures, mortgage bonds payable, notes payable and shareholders' equity.

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

There were no changes to the Company's approach to capital management for the year ended December 31, 2009.

The calculation of the total capital is summarized as follows:

Capital	Book Value 2009	Fair Value 2009	Book Value 2008	Fair Value 2008
Total net fixed rate mortgage loans	\$ 169,539	\$ 163,210	\$ 157,321	\$ 153,985
Total net fixed rate mortgages - properties held for sale	-	-	8,705	8,049
Total net variable rate loans	46,416	46,416	38,064	38,064
Mortgage Bonds Payable	21,589	21,675	20,379	20,525
Debentures Payable	21,571	22,573	10,767	10,832
Notes Payable	2,054	2,054	4,411	4,411
	261,169	255,928	239,647	235,866
Shareholders' Equity	28,060		28,999	
Total Capital	\$ 289,229		\$ 268,646	

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28. Subsequent Events

Financing

Long-term financing was obtained for Plazacorp Ontario1 Limited Partnership in the amount of \$10.3 million with a ten year term and an interest rate of 7.25%. This will result in the deconsolidation of the Limited Partnership as a variable interest entity for the quarter ending March 31, 2010.

The Company obtained long-term financing for Grand Falls Shopping Centre, Grand Falls, NB in the amount of \$6.2 million with a five year term and an interest rate of 6.50%.

The Company obtained long-term financing for Miramichi West Plaza, Miramichi, NB in the amount of \$2.9 million with a five year term and an interest rate of 6.50%.

The \$9.4 million development line which expires on March 31, 2010 was renewed for one year with the same terms and conditions.

The Company issued \$20.1 million in 7.5% convertible subordinated debentures (Series #6) which are convertible into Plazacorp common shares at the option of the holder at \$3.80 per common share. The debentures bear interest at 7.5% interest per annum and mature on March 31, 2015.

On March 25, 2010 \$5.9 million in Series II mortgage bonds were redeemed and \$3.0 million in unsecured debentures were redeemed. The remaining \$3.4 million of Tranche 1 Series II mortgage bonds were paid as of March 31, 2010.

Stock Options and Dividend Reinvestment Plan

Officers and other employees exercised and converted 361 thousand options to 361 thousand shares of the Company for \$621 thousand in consideration.

On February 16, 2010, 175 thousand shares were issued at a purchase price of \$3.10 per share for a total of \$542 thousand under the dividend reinvestment plan.

Notes Payable

On March 14, 2010 a promissory note of \$1.5 million for the purchase of land in New Minas, NS was paid by the Company.

29. Comparative Figures

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

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