



PLAZACORP RETAIL
PROPERTIES LTD.

ANNUAL REPORT

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

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE PERIODS ENDED
DECEMBER 31, 2007 AND 2006**

DATED: APRIL 3, 2008

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Plazacorp Retail Properties Ltd.

PRESIDENTS MESSAGE

Fellow Shareholders:

We are pleased to report on our results for the year ended December 31, 2007. During this period, our portfolio of properties grew substantially and its quality was significantly enhanced. Plazacorp's profitable growth has produced a 17% increase in our annual dividend to 17.5¢ per share for 2008, up from 15.0¢ per share in 2007. This represents the fifth consecutive annual dividend increase. The Management Discussion and Analysis and Consolidated Financial Statements following these remarks provide a comprehensive review of our activities during the year ended December 31, 2007.

During the year ended December 31, 2007, 16 properties were transferred to income producing status. This development activity grew the current portfolio to 87 properties. Our business continues to grow as we have added new development properties subsequent to December 31, 2007. 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.

During the year ended December 31, 2007, Plazacorp was able to substantially increase the Company's net property operating income and funds from operations while growing our asset base to \$270 million, an increase of 17% over the fourteen months ended December 31, 2006. Our latest financial results confirm Plazacorp's value-added capabilities.

Going forward, we will continue to grow our business through the development and re-development of retail properties across our geography. Plazacorp is well positioned to navigate its way through the challenges of the volatile long term financing markets that our industry is facing in 2008. This challenging financing environment will eventually create new opportunities for strong real estate operators such as Plazacorp. We will continue to maintain our customary focus and determination in order to develop high quality new retail developments that will produce positive long-term results for the benefit of our shareholders.

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

Sincerely,



Michael Zakuta

President and CEO

PART I

FORWARD-LOOKING DISCLAIMER

Management's Discussion and Analysis ("MD&A") of the consolidated financial position and the results of operations of Plazacorp Retail Properties Ltd. (hereinafter referred to as "Plazacorp" or the "Company") for the twelve months ended December 31, 2007 should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto for the twelve months ended December 31, 2007, along with the MD&A for the fourteen months ended December 31, 2006, including the section on "Risks and Uncertainties", and with the Consolidated Financial Statements and the notes thereto for the fourteen months ended December 31, 2006. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information contained in this MD&A contains forward-looking statements, based on the Company's estimates and assumptions, which are subject to risks and uncertainties. This may cause the actual results and performance of the Company to differ materially from the forward looking statements contained in this MD&A. Such factors include, but are not limited to, economic and competitive real estate conditions. These forward-looking statements are made as of April 3, 2008 and Plazacorp assumes no obligation to update or revise them to reflect new events or circumstances, except for forward-looking information disclosed in a prior MD&A which, in light of intervening events, requires further explanation to avoid being misleading.

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

EXPLANATION OF NON-GAAP MEASURES USED IN THIS DOCUMENT

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

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

1. Interest Coverage Ratio is defined as the multiple by which EBITDA exceeds interest costs-including those related to discontinued operations.
2. Debt Service Coverage Ratio is defined as the multiple by which EBITDA exceeds the total of interest costs-including discontinued operations plus periodic mortgage principal repayments.

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

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

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

PART II 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 details these statistics for the twelve months ended December 31, 2007 compared to the twelve months ended October 31, 2006 and the transitional fourteen months ended December 31, 2006.

Funds From Operations (FFO)	<ul style="list-style-type: none">➤ FFO was 23.6¢ per share (23.1¢ diluted) compared to 21.5¢ (20.2¢ diluted) for the twelve months ended October 31, 2006 a 9.7% increase and compares to 25.3¢ per share (24.0¢ diluted) for the fourteen months ended December 31, 2006. <p>Principal influences on reported FFO for the twelve months ended December 31, 2007 which grew by \$1.8 million compared to the twelve months ended October 31, 2006 are:</p> <p>FFO Increased:</p> <ul style="list-style-type: none">➤ \$1.3 million in incremental FFO (2.8¢ per share) from properties transferred to income producing status in 2006.➤ \$806 thousand (1.8¢ per share) increased contribution from investment properties.➤ \$417 thousand (0.9¢ per share) through the addition of 16 properties to income producing status in 2007.➤ \$164 thousand (0.4¢ per share) due to lease termination fees. <p>FFO Decreased:</p> <ul style="list-style-type: none">➤ \$590 thousand (1.3¢ per share) due to Q1 sale of properties.➤ \$341 thousand (0.8¢ per share) related to third-party costs of a mortgage substitution ("defeasance") and one-time legal costs.
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	<ul style="list-style-type: none">➤ EBITDA was up \$3.9 million representing 20% growth over the twelve months ended October 31, 2006 and was up \$165 thousand compared to the fourteen months ended December 31, 2006.
Debt Service Ratios	<ul style="list-style-type: none">➤ Interest Coverage Ratio went up 0.1 times to 1.9 times and Debt Service Coverage ratio was unchanged at 1.5 times compared to the fourteen months ended December 31, 2006 representing stability in the company's ability to service debt.
Same-Asset Net Property Operating Income	<ul style="list-style-type: none">➤ Same-Asset net property operating income for the twelve months ended December 31, 2007 was up \$405 thousand or 2.4% over the twelve months ended ending October 31, 2006 and down \$2,445 compared to the fourteen months ended December 31, 2006.
Weighted Average Cost of Debt	<ul style="list-style-type: none">➤ The period end weighted average effective cost of mortgage debt dropped 26 basis points from 6.81% to 6.55% compared to December 31, 2006, resulting from favorable terms on new mortgage financings.
Occupancy Levels	<ul style="list-style-type: none">➤ Occupancy increased to 96.9% from 96.7% compared to December 31, 2006 primarily as a result of the addition of new properties at high occupancy.

Plazacorp Retail Properties Ltd.

PROPERTY AND CORPORATE PERFORMANCE 2007 AND 2006

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

➤ KEY PERFORMANCE INDICATOR

Plazacorp's summary of FFO for the twelve months ended December 31, 2007, compared to the twelve months ended October 31, 2006 and fourteen months ended December 31, 2006, including the results of discontinued operations, are presented below:

(000's – except per share amounts)	12 Months Ended December 31, 2007	12 Months Ended October 31, 2006	14 Months Ended December 31, 2006
For the Periods Ended			
Total revenues	\$ 40,920	\$ 32,999	\$ 39,213
Basic earnings per share	\$ 0.082	\$ 0.070	\$ 0.075
Diluted earnings per share	\$ 0.081	\$ 0.069	\$ 0.075
Net income and comprehensive income	\$ 3,605	\$ 2,804	\$ 3,019
Gain on disposals of income producing properties and sale of surplus lands	(3,072)	(3,112)	(3,108)
Income tax expense	1,165	1,253	1,209
Income tax expense (recovery) included in income from discontinued operations	(30)	154	199
Amortization	8,633	7,088	8,334
Amortization included in income from discontinued operations	98	503	581
Non-controlling interests	327	227	298
Interest costs	12,469	9,847	11,870
Interest costs included in income from discontinued operations	115	639	743
Earnings before interest, taxes, depreciation and amortization (EBITDA)	23,310	19,403	23,145
Less:			
Interest costs	(12,584)	(10,486)	(12,613)
Current income tax expense	(44)	(75)	(113)
Non-cash debenture interest	64	94	118
Equity accounting and non-controlling interest adjustments to FFO	(290)	(321)	(340)
Corporate amortization	(31)	(45)	(53)
Basic FFO	10,425	8,570	10,144
Interest on dilutive convertible debentures before tax	151	730	664
Diluted FFO	\$ 10,576	\$ 9,300	\$ 10,808
Basic Weighted Average Shares Outstanding	44,109	39,872	\$ 40,151
Basic FFO per share	\$ 0.236	\$ 0.215	\$ 0.253
Diluted FFO per share	\$ 0.231	\$ 0.202	\$ 0.240
➤ KEY PERFORMANCE INDICATOR			
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 23,310	\$ 19,403	\$ 23,145
Interest costs – including financing costs in discontinued operations	\$ 12,584	\$ 10,486	\$ 12,613
Periodic mortgage principal repayments	2,572	2,255	2,659
Total debt service	\$ 15,156	\$ 12,741	\$ 15,272
Debt coverage ratios			
Interest coverage ratio	1.9 times	1.9 times	1.8 times
Debt service coverage ratio	1.5 times	1.5 times	1.5 times

See also supplemental disclosure – Funds From Operations (FFO) – Page 31 of this Annual Report

Plazacorp Retail Properties Ltd.

The twelve months ended December 31, 2007 was an active time for Plazacorp with the Company making \$58.6 million of property investments, including \$51.5 million invested in new developments. Sixteen properties became income producing during the year.

The Company is continuing a significant development and redevelopment program which is adding high quality assets to the portfolio. As at December 31, 2007 there were ten properties under development and three land assemblies in progress, which upon completion, will contribute positively to income and FFO growth.

Funds from Operation grew to \$10.4 million (23.6¢ per share) for the twelve months ended December 31, 2007 from \$8.5 million (21.5¢ per share), a \$1.8 million increase, for the twelve months ended October 31, 2006 and up \$281 thousand compared to the fourteen months ended December 31, 2006.

In 2007, management made two significant decisions which negatively impacted reported FFO: the exit from joint-venture arrangements in Halifax, NS, Saint John, NB and Laval, QC and; defeasance of a mortgage debt on a Halifax property. Cumulatively these decisions generated \$7.2 million in cash which was invested in new developments. The long-term impact of these decisions will, in our view, be very beneficial to the company.

The principal influences on FFO increases for 2007 are:

- Sixteen properties were transferred to Income Producing Property status (“IPP”) contributing \$417 thousand (0.9¢ per share) to FFO year-to-date in 2007.
- Properties transferred to IPP status in 2006 contributed an incremental \$1.3 million to FFO in 2007.
- The Village Shopping Centre, St. John’s, NL, contributed \$843 thousand to FFO, an incremental \$450 thousand for 2007 over the \$392 thousand contributed to FFO for the twelve months ended October 31, 2006, a partial year. Other investment properties contributed an incremental \$356 thousand in FFO.
- Lease termination fees increased FFO by \$164 thousand (0.4¢ per share).

The principal influences on FFO decreases for 2007 are:

- The sale of properties to a former joint venture partner during Q1 2007, reduced FFO by \$590 thousand (1.2¢ per share). This sale generated net funds of \$4.8 million were re-invested in properties under development.
- Third party mortgage substitution (“defeasance”) and one-time legal costs, together totaling \$341 thousand, reduced FFO by 0.7¢ per share for the year. The defeasance transaction generated \$2.4 million for reinvestment in properties under development.

EBITDA grew \$3,907 or 20% over the period ending October 31, 2006 and \$165 thousand compared to the fourteen months ended December 31, 2007. This growth primarily resulted from the addition of new properties through development as noted in the factors outlining FFO growth. EBITDA growth is consistent with expectations and indicative of the Company’s continued ability to service its debt.

The Debt service ratios which are derived from EBITDA are stable. This is also consistent with management’s expectation during 2007 when we funded development primarily through debt. These ratios exceed the requirements under our borrowing arrangements.

Plazacorp Retail Properties Ltd.

TRANSACTIONS

The following table includes properties that were developed or acquired subsequent to November 1, 2005 and became income producing properties as noted. Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the entire twelve months ended December 31, 2007 and the entire fourteen months ended December 31, 2006 and excludes partial year results from assets included in the 2007 and 2006 transaction categories below.

2007 Transactions				
Property	Property Type	Square Footage	Ownership	Income Producing During
Plaza BDP, Deux Montagnes, QC	Single Use	16,940	37.5%	Q2 07
CPDRL, Riviere-du-Loup, QC	Single Use	41,568	50%	Q3 07
Boulevard Hebert Plaza, Edmundston, NB	Strip Plaza	26,689	100%	Q1 07
Main and Victoria, Shediac, NB	Single Use	10,287	100%	Q3 07
Kings Road Plaza, Sydney River, NS	Single Use	16,847	100%	Q1 07
Central Avenue Plaza, Greenwood, NS	Single Use	16,989	100%	Q1 07
Scott Street Plaza, St. Catharines, ON	Strip Plaza	21,532	50%	Q3 07
Kenmount Road Plaza, St. John's, NL	Strip Plaza	21,404	100%	Q2 07
Main & Western Street Plaza, Sussex, NB	Strip Plaza	14,300	100%	Q4 07
KGH Plaza, Miramichi, NB	Strip Plaza	16,845	100%	Q4 07
Joseph Howe Drive Plaza, Halifax, NS	Strip Plaza	25,519	100%	Q4 07
North Sydney Plaza, North Sydney, NS	Strip Plaza	20,807	100%	Q4 07
Plaza Jean XXIII, Trois-Rivières, QC	Single Use	16,721	50%	Q4 07
201 Main Street, Sussex, NB	Single Use	16,915	100%	Q4 07
Robie Street Truro Plaza, Truro, NS	Strip Plaza	21,890	100%	Q4 07
LeMarchant Road Plaza, St. John's, NL	Strip Plaza	18,309	100%	Q4 07
2006 Transactions				
Property	Property Type	Square Footage	Ownership	Income Producing During
Plaza TS Magog, Magog, QC	Single Use	17,452	50%	Q3 06
Miramichi Power Center Phase 2, Miramichi, NB	Strip Plaza	18,639	100%	Q3 06
Crown Street, Saint John, NB	Strip Plaza	21,764	100%	Q4 06
Major Brook Drive Plaza, Saint John, NB	Strip Plaza	40,559	100%	Q1 06
St. Anne Street Plaza, Bathurst, NB	Strip Plaza	25,213	100%	Q4 06
St. Peters Avenue Plaza, Bathurst, NB	Strip Plaza	22,848	100%	Q5 06
Champlain Plaza, Dieppe, NB	Strip Plaza	48,815	100%	Q1 06
Pleasant Street Plaza, Yarmouth, NS	Strip Plaza	22,586	100%	Q3 06
UAS Plaza, Charlottetown, PE	Strip Plaza	23,386	100%	Q4 06
15260 Yonge Street, Aurora, ON	Strip Plaza	14,070	50%	Q3 06
Conception Bay South Plaza, Conception Bay South, NL	Strip Plaza	21,220	100%	Q5 06
Bay Roberts Plaza, Bay Roberts, NL	Strip Plaza	20,468	100%	Q5 06
Village Shopping Centre, St. John's, NL	Enclosed Mall	447,608	19.2%	Q2 06

Plazacorp Retail Properties Ltd.

Properties under Development December 31, 2007

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

Property	Property Type	Square Footage	Ownership	Income Producing During
Plaza BBRF, Sherbrooke, QC	Strip Plaza	21,000	50%	Q3 08
Victoria Street Plaza, Edmundston, NB	Strip Plaza	12,015	100%	Q1 08
Bedford Commons, Bedford, NS	Strip Plaza	70,000	100%	Q1 09
Port Hope Plaza, Port Hope, ON	Single Use	22,600	50%	Q3 08
St. Josephs Boulevard, Orleans, ON	Single Use	16,799	50%	Q1 08
Civic Center Road, Petawawa, ON	Single Use	17,036	50%	Q1 08
641 King Street, Ganonoque, ON	Single Use	17,000	50%	Q2 08
Airport Blvd., Gander, NL	Single Use	18,084	100%	Q2 08
Commercial Street Plaza - Phase 2, New Minas, NS	In Planning	-	100%	Q1 09
90 Blvd. Tache Ouest, Montmagny, QC	In Planning	-	50%	Q1 09

➤ KEY PERFORMANCE INDICATOR

SAME-ASSET NET PROPERTY OPERATING INCOME

(000's) For the Periods Ended	12 Months Ended December 31, 2007	12 Months Ended October 31, 2006	14 Months Ended December 31, 2006
Same-asset rental revenue	\$ 30,020	\$ 29,389	\$ 34,376
Transaction rental revenue	9,580	3,117	4,082
Total rental revenue	39,600	32,506	38,458
Same-asset operating expenses	7,474	7,593	8,880
Transaction operating expenses	1,884	675	895
Total operating expenses	9,358	8,268	9,775
Same-asset realty tax expense	5,275	4,930	5,780
Transaction realty tax expense	1,630	624	785
Total realty tax expense	6,905	5,554	6,565
Total expenses	16,263	13,822	16,340
Same-asset net property operating income	17,271	16,866	19,716
Transaction net property operating income	6,066	1,818	2,402
Total net property operating income	\$ 23,337	\$ 18,684	\$ 22,118
Net property operating margin	58.9%	57.4%	57.5%
Change in same -asset net property operating income (over 12 months ended October 31, 2006)	2.4%		
Net property operating income excluding land rent	\$ 25,122	\$ 20,170	\$ 23,863
Net property operating margin excluding land rent	63.4%	62.1%	62.0%

The majority of the increase in total rental revenue was attributable to new acquisitions, developments and re-developments, transferred to income producing status during 2007 and 2006 as noted in the prior chart on transactions.

There were no significant operational issues within the same-asset pool for the year ending December 31, 2007. Sixteen properties were transferred to Income Producing Property status during year. Same asset net property operating income is up \$405 thousand or 2.4% compared to the twelve months ended October 31, 2006, and decreased \$2,445 thousand compared to

Plazacorp Retail Properties Ltd.

the fourteen months ended December 31, 2006. Same asset growth in the year was driven by minor occupancy improvement and contractual rent improvements and a 1.5% decrease in operating costs, primarily due to favorable winter conditions.

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

Significant portions of the Company's leases (57.9%) have common costs recoveries, excluding taxes, linked to the consumer price index (CPI). As a result, certain costs may not be completely offset by cost recoveries in a period where the cost increase exceeds overall inflation. Municipal taxes are generally net and fully recoverable from tenants. Most tenants in strip plazas and single-use properties are responsible for their own utilities, and changes to these costs do not significantly impact on net property operating income.

Due to the Company's use of land leases, operating margins excluding ground rent are more representative of industry norms and compare favorably with other public real estate entities specializing in retail shopping plazas. Net property operating margins are currently 58.9% (December 31, 2006 – 57.5%). These margins increase to 63.4% (December 31, 2006 – 62.0%) once the effect of land rent is excluded.

INVESTMENT INCOME

Investment income is made up of interest income (\$272 thousand), income reported on a cost basis from Northwest Plaza (\$48 thousand) and the income reported on equity accounting basis for Centennial Plaza, Marche De L'Ouest, Place Du Marche, Plaza des Recollets and the Village Shopping Centre (\$1.0 million). The increase of \$703 thousand over the twelve months ended December 31, 2006 primarily relates to full year ownership of the Village and Place du Recollets as well as overall performance improvements of other investment assets.

ADMINISTRATIVE EXPENSES

For the twelve months ended December 31, 2007, administrative expenses are up \$93 thousand over the fourteen months ended December 31, 2006 and up \$210 thousand over the twelve months ended October 31, 2006 primarily related to wage and compliance costs.

GAIN ON DISPOSAL OF INCOME PRODUCING PROPERTIES AND SURPLUS LAND

During the twelve months ended December 31, 2007, the Company disposed of interests in two income producing properties Staples Plaza, Dartmouth, NS and Lansdowne Place, Saint John, NB for an accounting gain of \$2.8 million. The Company also disposed of three parcels of land during the twelve months ended December 31, 2007 for a realized accounting gain of \$829 thousand, which is offset by a market adjustment for the value of surplus land by \$547 thousand for a net gain of \$282 thousand for the year.

AMORTIZATION

Increases in amortization are primarily due to transfers to income producing status of properties under development in 2006 and 2007, offset by the sale of two income producing properties in March 2007.

(000's) For the Periods Ended	12 Months Ended December 31, 2007	12 Months Ended October 31, 2006	14 Months Ended December 31, 2006
Same-asset amortization	\$ 5,976	\$ 5,852	\$ 6,762
Transactions	2,657	1,236	1,572
Total amortization	\$ 8,633	\$ 7,088	\$ 8,334

Plazacorp Retail Properties Ltd.

CAPITAL TAXES

The Company records capital taxes at the statutory rates on the net equity base of the Company after exemptions. For the twelve months ended December 31, 2007 the Company and its subsidiaries recorded \$426 thousand in capital taxes compared to \$559 thousand for the fourteen months ended December 31, 2006. Several governments have announced the repeal or phase out of capital taxes over the next several years.

INCOME TAX EXPENSE (CONTINUING OPERATIONS)

The financial statements include the current and future income taxes payable by consolidated subsidiaries. All current income taxes were those of subsidiaries. As a mutual fund corporation, the Company does not provide for current taxes on realized capital gains. See note 17 of the December 31, 2007 Consolidated Financial Statements for a complete explanation of taxation balances.

(000's) For the Periods Ended	12 Months Ended December 31, 2007	12 Months Ended October 31, 2006	14 Months Ended December 31, 2006
Current income taxes	\$ 44	75	\$ 113
Future income taxes	1,121	1,178	1,096
Total income taxes	\$ 1,165	1,253	\$ 1,209

OUTLOOK

The primary benefit to shareholders of the Company's performance and tenant profile is reliable cash flow and, over time, increasing dividends. Dividends to shareholders will be 17.5¢ per share for 2008 compared to 15.0¢ per share for 2007. Our efforts have produced a tenant profile across the portfolio which contributes to cash flow stability. Performance to date has demonstrated the strength of current strategies and operating capabilities and, barring unforeseen events management is confident of delivering solid performance in 2008, as well as a significant growth to the size of the portfolio.

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

Plazacorp has built a portfolio with a high quality revenue stream. To date our leasing activities have produced a portfolio with the following broad credit classifications. Plazacorp's ten largest tenants based upon current monthly gross rents as at December 31, 2007 represent approximately 49.3% of total revenues in place.

	% of Gross Revenue		% of Gross Revenue
1. Shoppers Drug Mart	23.4	6. Bulk Barn	2.3
2. Dollarama	6.2	7. Empire Theatres	2.0
3. Marks Work Warehouse	4.2	8. Michaels	1.9
4. Staples	3.8	9. Winners	1.5
5. Reitmans	2.6	10. Canadian Tire	1.4

The following mix of National, Regional, Local and Non-retail tenancy that is well positioned to resist downturns in our markets and helps stability of continuing cash flows to fund operations and dividends.

As at	December 31, 2007	December 31, 2006
National	85.2%	83.2%
Regional	6.0%	6.6%
Local	7.5%	8.9%
Non-Retail	1.3%	1.3%

OVERVIEW OF THE BUSINESS

Plazacorp was incorporated on February 2, 1999 and commenced trading on the TSX Venture Exchange (PLZ) on July 30, 1999. On December 11, 2002 after receipt of shareholder and regulatory approval, Plazacorp filed articles of amendment to convert to a mutual fund corporation and retains that status.

Headquartered in Fredericton, New Brunswick, Plazacorp acquires, develops and redevelops retail real estate throughout Atlantic Canada, Quebec and Ontario. The Company's portfolio as at December 31, 2007 includes interests in 87 properties totaling over 4.1 million square feet and additional lands held for development. These include properties directly held by Plazacorp and its subsidiaries as well as investments in joint ventures. For 2007, and during 2006, Plazacorp's growth was primarily created through the development of new real estate assets. The Company has \$27.9 million committed to new development for 2008.

BUSINESS ENVIRONMENT

Leasing and investment markets were healthy in 2006 and 2007. Retail occupancies and rents have remained stable due to the strength of consumer spending. We witnessed moderate inflation in 2006 and 2007 and expect this trend to continue in 2008. Low financing costs in comparison to long-term trends permitted Plazacorp to place its debt at favourable rates and terms. A low interest rate environment also resulted in a more competitive acquisition environment, resulting in higher asking prices for quality real estate assets with corresponding lower initial returns. The current credit market volatility has increased lending spreads, but against a backdrop of lower benchmark government bond yields, making overall mortgage interest rates attractive to continuing development. Within this business environment, Plazacorp remains committed to its disciplined purchase and development strategy.

STRATEGY

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

In order to remain successful, the Company must:

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

The Company invests in the following property types:

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

Management intends to achieve Plazacorp's goals by:

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

KEY PERFORMANCE DRIVERS AND INDICATORS

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

Management believes that the key internal performance drivers are:

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

Management believes that the key external performance drivers are:

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

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

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

Plazacorp Retail Properties Ltd.

PROPERTIES OF THE COMPANY

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Dec-07	Major Tenants
Strip Plazas					
Plaza Hotel de Ville	Rivière-du-Loup, QC	20,185	100%	92%	Bouclair, Yellow
Plaza Boulevard Royal	Shawinigan, QC	130,095	100%	100%	Rossy, l'Aubainerie
Les Promenades St. Francois	Laval, QC	54,738	100%	100%	Jean Coutu, Dollarama
Plaza Theriault	Rivière-du-Loup, QC	25,780	100%	100%	National Bank, Reitmans
Terrace Dufferin	Valleyfield, QC	17,567	50%	91%	Videotron, Mike's
Carrefour des Seigneurs	Terrebonne, QC	33,900	25%	100%	Jean Coutu
Exhibition Plaza	Saint John, NB	75,280	55%	100%	Empire Cinemas
Nashwaaksis Plaza	Fredericton, NB	57,549	100%	97%	Dollarama
Wedgewood Plaza	Riverview, NB	12,768	100%	100%	Dollarama
FHS Plaza	Fredericton, NB	24,280	100%	100%	Cleve's Sports, Bulk Barn
McAllister Drive Plaza	Saint John, NB	19,275	55%	100%	McDonald's, Cleve's
SCA Plaza	Saint John, NB	17,430	55%	100%	Bulk Barn
Empire Plaza	Fredericton, NB	13,743	100%	100%	Dollarama
Connell Road Plaza	Woodstock, NB	19,645	100%	100%	Mark's Work Wearhouse
Miramichi Power Center - Phase 1	Miramichi, NB	38,033	100%	100%	Staples, Bulk Barn
Miramichi Power Center - Phase 2	Miramichi, NB	18,639	100%	76%	Boston Pizza
Boulevard Plaza	Moncton, NB	83,021	100%	100%	Winners, Michael's
Madawaska Road Plaza	Grand Falls, NB	10,410	100%	100%	Pizza Delight, Tim Horton's
Main Place	Fredericton, NB	31,284	100%	100%	Shoppers Drug Mart
Major Brook Drive Plaza	Saint John, NB	40,559	55%	100%	Michael's, Boston Pizza
Champlain Plaza	Dieppe, NB	48,815	100%	100%	Shoppers Drug Mart
Crown Street	Saint John, NB	21,764	100%	100%	Shoppers Drug Mart
St. Anne Street Plaza	Bathurst, NB	25,213	100%	96%	Dollarama, Reitmans
St. Peters Avenue Plaza	Bathurst, NB	22,848	100%	89%	Shoppers Drug Mart
Boulevard Hebert Plaza	Edmundston, NB	26,689	100%	100%	Shoppers Drug Mart
Main and Western Street Plaza	Sussex, NB	14,300	100%	100%	Dollarama
KGH Plaza	Miramichi, NB	16,845	100%	100%	Shoppers Drug Mart
Staples Plaza	New Glasgow, NS	33,753	100%	93%	Staples
Tacoma Centre	Dartmouth, NS	160,991	100%	94%	Sobeys, Dollarama
Commercial Street Plaza - Phase 1	New Minas, NS	15,342	100%	100%	Swiss Chalet, Penningtons
V-8 Plaza	New Glasgow, NS	13,400	100%	100%	Dollarama, Swiss Chalet
209 Chain Lake Drive	Halifax, NS	89,576	50%	100%	Value Village, Bulk Barn
201 Chain Lake Drive	Halifax, NS	118,539	50%	100%	McDonalds, Home Outfitters
303 Main Street Plaza	Antigonish, NS	21,484	100%	84%	Shoppers Drug Mart
Welton Street Plaza	Sydney, NS	20,975	100%	100%	Dollarama, Bulk Barn
Tacoma Valley Field	Dartmouth, NS	25,325	100%	81%	Shoppers Drug Mart
Starr's Road Plaza	Yarmouth, NS	60,072	100%	81%	Empire Theatres, Reitmans
Pleasant Street Plaza	Yarmouth, NS	22,586	100%	100%	Shoppers Drug Mart
Joseph Howe Drive Plaza	Halifax, NS	25,519	100%	92%	Shoppers Drug Mart
North Sydney Plaza	North Sydney, NS	20,807	100%	86%	Shoppers Drug Mart
Robie Street Plaza	Truro, NS	21,890	100%	100%	Shoppers Drug Mart
University Plaza	Charlottetown, PE	62,046	43%	100%	Dollarama, Smitty's
Belvedere Plaza	Charlottetown, PE	77,016	60%	100%	Marks Work Wearhouse
Granville Street Plaza	Summerside, PE	62,362	60%	100%	Dollarama, Pennington's
Spring Park Plaza	Charlottetown, PE	49,734	85%	100%	Fabricville, Value Village
UAS Plaza	Charlottetown, PE	23,386	100%	100%	Shoppers Drug Mart
15260 Yonge Street	Aurora, ON	14,070	50%	100%	Dollarama
Scott Street Plaza	St. Catharines, ON	21,532	50%	100%	Shoppers Drug Mart
Conception Bay South Plaza	Conception Bay South, NL	21,220	100%	100%	Shoppers Drug Mart
Bay Roberts Plaza	Bay Roberts, NL	20,468	100%	100%	Shoppers Drug Mart
Kenmount Road Plaza	St. John's, NL	21,404	100%	90%	XS Cargo, Montana's

Plazacorp Retail Properties Ltd.

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Dec-07	Major Tenants
LeMarchant Road Plaza	St. John's, NL	18,309	100%	100%	Shoppers Drug Mart
Sub-total		1,962,461		97.4%	
Enclosed Malls					
Les Galeries Montmagny	Montmagny, QC	137,341	50%	98%	Maxi, Hart, Uniprix
Les Promenades du Cuivre	Rouyn-Noranda, QC	125,735	100%	97%	Hart, Uniprix, Royal Bank
Grand Falls Shopping Centre	Grand Falls, NB	133,050	100%	82%	Staples, Shoppers Drug Mart
Gateway Mall	Sussex, NB	158,435	25%	97%	Sobey's, Canadian Tire
Oromocto Mall	Oromocto, NB	76,691	100%	96%	Shoppers Drug Mart
Sub-total		631,252		94.0%	
Single Use					
Bureau en Gros	Granby, QC	25,695	50%	100%	Staples
Bureau en Gros	Rimouski, QC	25,771	50%	100%	Staples
Plaza TS Magog	Magog, QC	17,452	50%	100%	Shoppers Drug Mart
Plaza BDP	Deux Montagnes, QC	16,940	37.5%	100%	Shoppers Drug Mart
CPRDL	Riviere-du-Loup, QC	41,568	50%	100%	Caisse Populaire
Plaza Jean XXIII	Trois-Rivieres, QC	16,721	50%	100%	Shoppers Drug Mart
681 Mountain Road	Moncton, NB	19,504	100%	100%	Shoppers Drug Mart
Staples	Saint John, NB	25,293	100%	100%	Staples
Main and Victoria	Shediac, NB	10,287	100%	100%	Dollarama
201 Main Street	Sussex, NB	16,915	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
Central Avenue Plaza	Greenwood, NS	16,989	100%	100%	Shoppers Drug Mart
Sub-total		266,894		100.0%	
Income producing properties		2,860,607		96.9%	
Projects Under Development					
Plaza BBRF	Sherbrooke, QC	21,000	50%	100%	Shoppers Drug Mart
Victoria Street Plaza	Edmundston, NB	12,015	100%	33%	Reitmans, CitiFinancial
Bedford Commons	Bedford, NS	70,000	100%	7%	Bulk Barn
Port Hope Plaza	Port Hope, ON	22,600	50%	100%	Shoppers Drug Mart
St. Josephs Boulevard	Orleans, ON	16,799	50%	100%	Shoppers Drug Mart
Civic Center Road	Petawawa, ON	17,036	50%	100%	Shoppers Drug Mart
641 King Street	Gananoque, ON	17,000	50%	100%	Shoppers Drug Mart
Airport Blvd.	Gander, NL	18,084	100%	100%	Shoppers Drug Mart
Commercial Street Plaza-Phase 2	New Minas, NS	-	-	-	Under Planning
90 Blvd. Tache Ouest	Montmagny, QC	-	-	-	Under Planning
Sub-total		194,534		75.4%	
Total Excluding Non-Consolidated Trusts and Partnerships		3,055,141		95.5%	
Non-Consolidated Trusts and Partnerships					
Marche De L'Ouest	Dollard des Ormeaux, QC	125,845	20%	94%	IGA, SAQ
Plaza des Recollets	Trois Rivieres, QC	73,730	15%	100%	Winners/Home Sense
Place Du Marche	Dollard des Ormeaux, QC	35,278	10%	91%	Laurentian Bank, Starbucks
Centennial Plaza	Dollard-des-Ormeaux, QC	151,975	10%	92%	Value Village, Jean Coutu
3550 Sources	Dollard des Ormeaux, QC	8,391	10%	100%	National Bank
Northwest Centre	Moncton, NB	177,741	10%	100%	Zellers, Princess Auto
Village Shopping Centre	St. John's, NL	447,608	19.2%	87%	Hart, Labels, Dollarama
Sub-total		1,020,568		92.7%	
Grand Total		4,075,709		94.8%	

Subsequent to December 31, 2007 the Company acquired 3 new properties to bring total properties as at April 3, 2008 to 90.

Plazacorp Retail Properties Ltd.

PART III

SUMMARY OF ANNUAL INFORMATION

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

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

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

Fluctuations in income and assets are also caused by asset dispositions and the related gains or losses. The following gains (losses) on income producing properties and surplus land dispositions, before tax, are included in net income on the above chart: twelve months ended December 31, 2007 - \$3,072 thousand; fourteen months ended December 31, 2006 - \$3,108 thousand; twelve months ended October 31, 2006 - \$3,112 thousand.

Plazacorp Retail Properties Ltd.

SUMMARY OF SELECTED QUARTERLY INFORMATION

February 1, 2006 to December 31, 2007

(000's except per share and other data)	Q4'07	Q3'07	Q2'07	Q1'07	Q5'06 ¹	Q4'06	Q3'06	Q2'06
Total revenue	\$ 10,927	\$ 10,321	\$ 9,937	\$ 9,734	\$ 6,239	\$ 8,678	\$ 8,230	\$ 8,080
Net income (loss) and comprehensive Income	(330)	704	165	3,064	215	378	1,366	(58)
Dividends per share	3.75¢	3.75¢	3.75¢	3.75¢	-	3.13¢	3.13¢	3.13¢
Earnings (loss) per share - basic	(0.7¢)	1.6¢	0.4¢	7.2¢	0.5¢	0.9¢	3.2¢	(0.1¢)
Earnings (loss) per share - diluted	(0.7¢)	1.6¢	0.4¢	6.6¢	0.5¢	0.9¢	3.2¢	(0.1¢)
Funds From Operations per share -basic	6.0¢	5.7¢	5.4¢	6.5¢	3.8¢	6.2¢	5.0¢	4.8¢
Funds From Operations per share - diluted	5.9¢	5.5¢	5.2¢	6.2¢	3.6¢	5.9¢	4.8¢	4.5¢
Total assets	269,888	262,182	248,124	233,029	229,888	219,940	207,627	190,038
Total mortgages, bonds, debentures, notes and bank indebtedness	225,734	214,788	197,766	185,932	190,550	183,050	170,418	151,407
Basic weighted average shares Outstanding	45,707	44,287	43,640	42,766	41,816	41,557	41,013	39,703
Properties under development	10	16	17	14	10	12	12	6
Income producing properties	77	69	66	66	64	59	55	56
Total properties in portfolio	87	85	83	80	74	71	67	62
Rentable Sq Ft.(excluding investment properties and properties under development)								
Strip	1,963	1,845	1,821	1,801	2,152	2,069	1,998	1,961
Enclosed Malls	631	631	631	638	635	627	622	627
Single Use	267	233	181	165	131	113	113	113
Total	2,861	2,709	2,633	2,604	2,918	2,809	2,733	2,701
Occupancy % (excluding investment properties and properties under development)								
Strip	97.4	97.9	97.5	97.6	97.0	97.0	97.2	96.9
Enclosed Malls	94.0	93.0	92.4	92.5	95.0	94.5	95.9	93.8
Single Use	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total	96.9	97.0	96.5	96.5	96.7	96.5	97.0	96.3

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

The summary of quarterly information highlights increasing total assets, gross revenues and indebtedness relating to asset additions during a period of solid growth. Occupancy has been very stable which contributes to stability in cash flow.

Seasonal fluctuations primarily relate to winter costs and yearly repair and maintenance activities which typically occur in spring and early summer. Leases tied to CPI cost recovery formula's (57.9%) and anchor tenant leases, may restrict Common Area Cost (CAM) recovery revenue in any given period creating variations in income and cash flow.

Fluctuations in income and assets are also caused by asset dispositions and the related gains or losses. The following gains (losses) on income producing properties and surplus land dispositions are included in net income on the above chart: Quarter 4 - 2007 - (\$549) thousand; Quarter 3 - 2007 - \$831 thousand; Quarter 2 - 2007 - \$3 thousand; Quarter 1 - 2007 - \$2,786 thousand; Quarter 3 - 2006 - \$1,169 thousand; Quarter 4 - 2006 - \$27 thousand.

The change in the year-end and quarters used for comparison may introduce fluctuations, which do not reflect operational changes. These fluctuations are not readily quantifiable. Comparative figures are affected by changes in Generally Accepted

Plazacorp Retail Properties Ltd.

Accounting Principles. The selected information is as reported and has not been restated for subsequent discontinued operations or other accounting policy changes.

QUARTERLY PERFORMANCE SUMMARY

➤ KEY PERFORMANCE INDICATOR

Plazacorp's summary of FFO and EBITDA for the three months ended December 31, 2007, compared to the three months ended October 31, 2006 and the two months ended December 31, 2006, including the results of discontinued operations, are presented below:

(000's – except per share amounts)	3 Months Ended December 31, 2007	3 Months Ended October 31, 2006	2 Months Ended December 31, 2006
For the Periods Ended			
Total revenues	\$ 10,927	\$ 8,678	\$ 6,239
Basic earnings (loss) per share	\$ (0.007)	\$ 0.009	\$ 0.005
Diluted earnings (loss) per share	\$ (0.007)	\$ 0.009	\$ 0.005
Net income (loss) and comprehensive income	\$ (330)	\$ 378	\$ 215
Loss (gain) on disposals of income producing properties and sale of surplus lands	549	(27)	4
Income tax expense (recovery)	277	273	(44)
Income tax expense (recovery) included in income from discontinued operations	(40)	55	45
Amortization	2,308	1,699	1,246
Amortization included in income from discontinued operations	13	118	78
Non-controlling interests	67	78	71
Interest costs	3,357	2,578	2,021
Interest costs included in income from discontinued operations	-	158	106
Earnings before interest, taxes, depreciation and amortization (EBITDA)	6,201	5,310	3,742
Less:			
Interest costs	(3,357)	(2,736)	(2,127)
Current income tax expense	(28)	(6)	(38)
Non-cash debenture interest	12	24	24
Equity accounting and non-controlling interest adjustments to FFO	(59)	10	(19)
Corporate amortization	(8)	(11)	(8)
Basic FFO	2,761	2,591	1,574
Interest on dilutive convertible debentures	38	157	95
Diluted FFO	\$ 2,799	\$ 2,748	\$ 1,669
Basic weighted average shares outstanding	45,707	41,557	41,816
Diluted shares outstanding	47,347	46,937	46,887
Basic FFO per share	\$ 0.060	\$ 0.062	\$ 0.038
Diluted FFO per share	\$ 0.059	\$ 0.059	\$ 0.036

➤ KEY PERFORMANCE INDICATOR

Earnings before interest, taxes, depreciation and amortization	\$ 6,201	\$ 5,310	\$ 3,742
Financing costs – including interest costs in discontinued operations	\$ 3,357	\$ 2,736	\$ 2,126
Periodic mortgage principal repayments	661	591	404
Total debt service	\$ 4,018	\$ 3,327	\$ 2,530
Debt coverage ratios			
Interest coverage ratio	1.8 times	1.9 times	1.8 times
Debt service coverage ratio	1.5 times	1.6 times	1.5 times

Plazacorp Retail Properties Ltd.

➤ KEY PERFORMANCE INDICATOR

SAME-ASSET NET PROPERTY OPERATING INCOME

(000's) For the Periods Ended	3 Months Ended December 31, 2007	3 Months Ended October 31, 2006	2 Months Ended December 31, 2006
Same-asset rental revenue	\$ 7,570	\$ 7,463	\$ 4,987
Transaction rental revenue	2,969	1,015	990
Total rental revenue	10,539	8,478	5,977
Same-asset operating expenses	1,949	1,821	1,288
Transaction operating expenses	609	214	219
Total operating expenses	2,558	2,035	1,507
Same-asset realty tax expense	1,288	1,287	850
Transaction realty tax expense	441	148	161
Total realty tax expense	1,729	1,435	1,011
Total expenses	4,287	3,470	2,518
Same-asset net property operating income	4,333	4,355	2,849
Transaction net property operating income	1,919	653	610
Total net property operating income	\$ 6,252	\$ 5,008	\$ 3,459
Property operating margin	59.3%	59.0%	57.9%
Change in same -asset net property operating income (over 3 months ended October 31, 2006)	(0.5%)		
Total net property operating income excluding land rent	\$ 6,758	\$ 5,379	\$ 718
Net property operating margin excluding land rent	64.1%	63.4%	62.2%

The majority of the increase in total rental revenue and net property operating income was attributable to new acquisitions, developments and re-developments, transferred to income producing status during 2007 and 2006 as noted in the prior chart on transactions and eight properties were transferred to Income Producing Property status during the current period.

FFO for the three months ended December 31, 2007 was 6.0¢, down from 6.2¢ for the three months ended October 31, 2006 principally due to the continuing reduction in FFO in the quarter by \$180 thousand from the exchange of properties in the first quarter as well as one time legal costs. This is offset by FFO from new developments transferred to Income Producing Property status. Adjusting for one-time items and the winter months included in the current period, FFO was essentially unchanged compared to the three months ended October 31, 2006 and was up \$1,484 thousand compared to the two months ended December 31, 2006.

There were no significant operational issues within the same -asset pool for the three month period ending December 31, 2007. Same asset net property operating income was flat when compared to the three months ended October 31, 2006, explained by winter costs in the current period and up \$1,484 thousand compared to the two months ended December 31, 2006.

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

Significant portions of the Company's leases have common cost recoveries linked to the consumer price index (CPI) (57.9%). As well certain anchor tenant leases may restrict recovery of common costs. As a result, certain costs may not be completely offset by cost recoveries in a period or recoveries revenue may exceed costs. Municipal taxes are generally net and fully recoverable from tenants. Most tenants in strip plazas and single-use properties are responsible for their own utilities, and therefore changes to these costs do not significantly impact on net property operating income.

Plazacorp Retail Properties Ltd.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2007 IN COMPARISON TO THE THREE MONTHS ENDED OCTOBER 31, 2006 AND THE TWO MONTHS ENDED DECEMBER 31, 2006.

FOURTH QUARTER 2007 RESULTS

Consolidated Statement of Income

(000's)	3 Months Ended December 31, 2007 (unaudited)	3 Months Ended October 31, 2006 (unaudited)	2 Months Ended December 31, 2006 (unaudited)
For the Periods Ended			
Rental revenue	\$ 10,539	\$ 8,478	\$ 5,977
Operating expenses	4,287	3,470	2,518
Net property operating income	6,252	5,008	3,459
Investment income	388	200	262
Income from properties and investments	6,640	5,208	3,721
Financing costs	3,357	2,578	2,021
Income before undernoted	3,283	2,630	1,700
Administrative expenses	242	232	118
Amortization	2,308	1,699	1,246
Capital taxes	115	72	96
Income before undernoted gain on sale of surplus lands, income taxes, non-controlling interests and discontinued operations	618	627	240
(Loss) gain on sale of surplus lands	(549)	27	(4)
Income before undernoted income taxes, non-controlling interests and discontinued operations	69	654	236
Income tax expense (recovery)			
– current	28	6	38
– future	249	267	(82)
	277	273	(44)
Income (loss) before non-controlling interests and discontinued operations	(208)	381	280
Non-controlling interests	67	78	71
(Loss) income from continuing operations	(275)	303	209
(Loss) income from discontinued operations	(55)	75	6
Net (loss) income and comprehensive income	\$ (330)	\$ 378	\$ 215
Basic earnings (loss) per share	\$ (0.007)	\$ 0.009	\$ 0.005
Weighted average number of shares outstanding	45,707	41,557	41,816
Diluted earnings (loss) per share	\$ (0.007)	\$ 0.009	\$ 0.005
Diluted weighted average number of shares outstanding	46,238	42,307	42,641

Plazacorp Retail Properties Ltd.

FOURTH QUARTER 2007 RESULTS (continued)

Consolidated Statement of Cash Flow

(000's)	3 Months Ended December 31, 2007 (unaudited)	3 Months Ended October 31, 2006 (unaudited)	2 Months Ended December 31, 2006 (unaudited)
For the Periods Ended			
Cash obtained from (used for):			
Operating activities			
Net income (loss) and comprehensive income	\$ (330)	\$ 378	\$ 215
Items not affecting cash			
Amortization	2,617	2,026	1,440
Non-cash investment income	(296)	(149)	(184)
Loss (gain) on disposal of surplus lands	549	(27)	4
Stock option compensation	15	10	6
Interest relating to debenture accretion	12	24	24
Non-controlling interest	67	78	71
Future income taxes	209	322	(37)
Straight- line rent revenue	(157)	(184)	(143)
Tenant acquisition costs	(4,229)	(3,130)	(2,956)
Change in non-cash working capital	(2,140)	714	2,477
	<u>(3,683)</u>	<u>62</u>	<u>917</u>
Financing activities			
Increase (decrease) in notes payable	294	(648)	533
Issue of common shares, pursuant to employee option agreements	157	60	83
Dividends paid by subsidiaries to non-controlling interests	(124)	(84)	(69)
Dividends paid to shareholders	(1,358)	(1,246)	(1,237)
Net proceeds from mortgage bonds	6	-	1,300
Net proceeds from debentures	-	1,676	(1,300)
Net proceeds from mortgage financing	14,823	14,828	17,980
Mortgage payouts	(7,226)	(4,486)	(10,914)
Mortgage principal repayments	(661)	(591)	(404)
	<u>5,911</u>	<u>9,509</u>	<u>5,972</u>
Investing activities			
Development and re-development	(6,323)	(12,291)	(8,123)
Net proceeds from disposal of income producing properties and sale of surplus lands	(92)	27	(4)
Decrease in investments			
Bonds- contributions from bond fund	113	71	54
Contributions returned	-	-	610
Distributions received	431	317	273
Decrease (increase) in deposits for acquisitions and financing	104	351	(288)
Increase in deferred charges	(6)	(242)	(538)
	<u>(5,773)</u>	<u>(11,767)</u>	<u>(8,016)</u>
Net decrease in cash	(3,545)	(2,196)	(1,127)
Cash less bank indebtedness, beginning of the period	1,955	927	(1,269)
Cash less bank indebtedness, end of the period	\$ (1,590)	\$ (1,269)	\$ (2,396)
Cash less bank indebtedness is made up of:			
Cash	\$ 1,978	\$ 810	\$ 563
Bank indebtedness from operating lines of credit	(3,568)	(2,079)	(2,959)
	<u>\$ (1,590)</u>	<u>\$ (1,269)</u>	<u>\$ (2,396)</u>

Plazacorp Retail Properties Ltd.

PART IV

LIQUIDITY, WORKING CAPITAL AND CAPITAL RESOURCES

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

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

Plazacorp's cash distribution policy reflects repayment of recurring mortgage principal payments from cash flow. Accordingly, the overall debt level on existing properties is reduced year-over-year. The Company maintains cash flows from properties after debt repayment to ensure sufficient funds are available to pay anticipated dividends. New debt or equity capital raised is directed to continuing development activities, which are discretionary, based on the availability of such capital.

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

EQUITY AND DEBT ACTIVITIES

BANK FINANCING

(000's)	\$7.3 Million Operating	\$35 Million Development	\$15 Million Development
Balance December 31, 2006	\$2,396	\$13,173	\$3,291
Draw (repayments) net	1,172	10,768	5,115
Balance December 31, 2007	\$3,568	\$ 23,941	\$8,406
Line reservations available for letters-of-credit	\$2.0 million	\$1.5 million	\$1.5 million
Interest rate	Prime + ¾%	Prime + 5/8%	Prime + 1/2%
Maturity	November 30/09	April 23/09	July 31/08
Security	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

The Company has an additional \$500 thousand letter-of-credit facility maturing September 30, 2008 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, 2007. 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, 2007.

As of April 3, 2008, all debt covenants in respect of the above facilities have been maintained.

Despite recent volatility, the market for obtaining long-term mortgage funding for the Company's properties is adequate with many sources of real estate debt financing available. Management is confident that all short-term financings relating to the bank facilities maturing in 2008 will be renewed or converted to long-term debt upon maturity on reasonable terms and conditions. The Company increased the operating line of credit to \$8.4 million subsequent to year end and pledged property in Edmunston, NB as security.

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DEBENTURES

During the twelve months ended December 31, 2007, \$440 thousand of the Series II convertible debentures, and \$4.4 million of Series III convertible debentures were converted to share capital and 3.1 million shares were issued. No new debentures were issued during the period.

The 7% subordinate debentures require the Company to maintain debt service ratios based on EBITDA in excess of a fixed threshold. As of December 31, 2007, the ratio had been maintained.

MORTGAGE BONDS

The Company issued \$1.8 million of 7.5%, 5 year mortgage bonds on April 25, 2007 and a further \$1.2 million of 7.5%, five year mortgage bonds on May 16, 2007.

Mortgage bond funds were deployed to fund property development as at December 31, 2007, as detailed in note 13 of the December 31, 2007 Consolidated Financial Statements.

There were no redemptions of mortgage bonds during 2007. The Company is in compliance with the terms and covenants of various indentures covering mortgage bonds.

MORTGAGES

There are \$2.8 million long-term mortgages maturing in 2008 and a \$5.1 million loan maturing whose retirement is funded by a prior defeasance in 2006. An additional \$37.5 million of short-term development debt matures at various times throughout 2008.

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

The Company's use of floating rate debt has generally been limited to assets under development or redevelopment. The Company places new mortgage debt when the debt parameters and repayment terms are most favorable. Fixed rate debt represents 82% of total mortgage debt, including bank development facilities. Management is of the view that such a strategy results in the most conservative interest rate risk management practice. Current market parameters for conventional mortgage debt are in the range of 65% - 75% of the appraised market value of the underlying property. The success of this mortgage strategy is depended upon debt market parameters, and the particular features and quality of the underlying assets being financed, in the period.

From January 1, 2007 to December 31, 2007, the Company funded \$37.0 million of mortgage debt with an average rate of 5.46%, a term of 11 years and average amortization of 29 years. This funding contributed to improvements in the weighted average interest cost of mortgage debt, term to maturity, and remaining amortization period of mortgages outstanding as at December 31, 2007.

SHORT TERM SUBORDINATED NOTES

Subsequent to year-end, the Company issued \$3.5 million 8% short term subordinated notes, with maturity dates of September 13, 2008 and September 18, 2008.

LAND LEASES

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

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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. On the downside, long-term land leases tend to have a minor negative impact on project valuation, but in many instances, an option to purchase the land at a future dates can offset this factor.

Currently Plazacorp has 23 long-term land leases with total annual rent of \$2.5 million.

➤ **KEY PERFORMANCE INDICATOR**

At December 31, 2007 and December 31, 2006, the Company's cost of debt was as follows:

As at (000's)	Balance Outstanding	Effective Rates December 31, 2007	December 31, 2006
Fixed rate mortgage loans	\$ 154,363	6.55%	6.81%
Variable rate loans	2,398	Prime + 3/4%	Prime + 3/4%
Other fixed rate loans with periodic repayments	1,498	9.07%	9.65%
Bank operating facility	3,568	Prime + 3/4%	Prime + 3/4%
Bank development facilities	32,347	Prime + 5/8%	Prime + 5/8%

The weighted average effective cost of fixed rate mortgage loans is 6.55% as at December 31, 2007 compared to 6.81% as at December 31, 2006. The change resulted from more favourable rates on mortgages placed in 2007.

The weighted average term to maturity for the long-term mortgages is 7.0 years. The average remaining amortization or repayment period on long-term mortgage debt is 23.9 years.

COMMITMENTS AND CONTINGENT LIABILITIES

The Company's is committed for future periods to \$27.9 million in respect of acquisitions, developments and redevelopments. Management believes that Plazacorp has sufficient unused bank line availability, and mortgage bond deployment potential, to fund these commitments.

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

(000's) Contractual obligations	Total	Payments Due by Year			
		Year 1	Years 2-3	Years 4-5	After 5 years
Mortgages	\$ 190,607	\$ 45,392	\$ 11,252	\$ 23,327	\$ 110,636
Mortgage bonds and debentures	32,434	-	16,934	15,500	-
Operating land leases	151,329	2,510	5,126	5,058	138,635
Development activities	27,852	26,352	1,500	-	-
Total contractual obligations	\$ 402,222	\$ 74,254	\$ 34,812	\$ 43,885	\$ 249,271

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

The Company also has contingent liability as original borrower on mortgages assumed by the purchaser of two properties on March 7, 2007. These commitments are subject to indemnity agreements. The balance outstanding on these loans is \$15.8 million as at December 31, 2007. This sale did not relieve the Company's obligations as original borrower in respect of these mortgages. See note 25c of the December 31, 2007 Consolidated Financial Statements.

The Company guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of \$766 thousand. See note 25c of the December 31, 2007 Consolidated Financial Statements.

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The Company assumed a guarantee for a \$17.7 million development line-of-credit held by the Village Shopping Centre Limited Partnership for the completion of construction. As at December 31, 2007 the remaining budgeted development costs are \$4.7 million.

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

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

PART V

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand particularly affect property investments. Management attempts to manage these risks through geographic and asset class diversification in the portfolio. At December 31, 2007, The Company held interests in 87 properties spread geographically among six provinces in Canada. See note 24 to the Consolidated Financial Statements.

INTEREST RATE AND FINANCING 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.

Despite current volatility in debt markets, market conditions remain reasonable for obtaining mortgage financing for both the fixed rate and floating rate facilities. Interest rate spreads over Government of Canada Bonds had been relatively stable until August 2007, but the Company experienced increased spreads on financings undertaken for the balance of the year and into 2008. The Company's terms for short-term development financing has not been impacted by volatility in the credit markets

At existing financing rates, the Company is able to obtain positive returns from debt financing. The continuing availability of debt financing makes management highly confident of obtaining suitable long-term financing for projects on completion of development as well as the maturity of existing debt. Refinancing debt at maturity with conventional financing is generally limited to 65% -75% of appraised value. Management is confident all maturing debts will be financed or refinanced as they come due for the foreseeable future. Notwithstanding our confidence, the Company has an ongoing requirement to access the debt markets to refinance maturing debt as it comes due. 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.

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

Currently, no one tenant represents more than 23.4% of current monthly gross rents in place. The top 10 tenants collectively represent approximately 49.3% of total revenues in place.

LEASE ROLL-OVER RISK

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

During 2007, existing committed space decreased by 344 thousand square feet due to the sale of two income producing properties in the first quarter. During the year Management completed 517 thousand square feet (2006 – 543 thousand square

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feet) of new leasing deals at market rates. The 517 thousand square feet of new leasing was comprised of 318 thousand square feet on new developments and acquisitions, and 199 thousand square feet on same-asset properties.

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

LEASE ROLL-OVER BY ASSET CLASS

The following table represents leases expiring for the next 5 years and thereafter for Plazacorp's portfolio as at December 31, 2007.

Year	Strip Plazas		Enclosed Malls		Single-User		Total	
	Sq Ft	%	Sq Ft	%	Sq Ft	%	Sq Ft	%
2008	151,531	8	139,102	22	-	-	290,633	10
2009	124,943	6	89,576	14	-	-	214,519	7
2010	221,870	11	81,473	13	-	-	303,343	11
2011	215,418	11	50,508	8	-	-	265,926	9
2012	111,754	6	82,594	13	25,293	9	219,641	8
Thereafter	1,085,962	55	150,003	24	241,601	91	1,477,566	52
Vacant	50,983	3	37,996	6	-	-	88,979	3
Total exclusive of non-consolidated trusts, partnerships and properties under development	1,962,461	100	631,252	100	266,894	100	2,860,607	100
Weighted average remaining lease term in years	7.85		5.32		11.76		7.66	

On average, Plazacorp's embedded or contractual gross rents expiring in 2007 would be at or below current market rates. Plazacorp's financial exposure to vacancies and lease roll-overs differs among the three asset types, as gross rental rates differ dramatically by asset class.

OCCUPANCY RISK

One of Plazacorp's performance drivers is related to occupancy levels. The majority of Plazacorp's leases in place are referred to as net leases, meaning tenants reimburse Plazacorp for their share of property operating costs (subject to consumer price index adjustments in many cases) and realty taxes. Many of Plazacorp's operating costs and tax expenses are not reduced by vacancy. Certain costs such as utilities and janitorial costs and, in certain municipalities realty tax, would not decline with occupancy.

The hypothetical impact to net property operating income of a change in occupancy of 1% would be approximately \$415 thousand per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions management may take in relation to the changes.

➤ KEY PERFORMANCE INDICATOR

- Occupancy in the strip plazas was 97.4% as at December 31, 2007, compared to 97.0% as at December 31, 2006.
- Average occupancy in the enclosed malls was 94.0% as at December 31, 2007, compared to 95.0% as at December 31, 2006, due primarily to anchor repositioning at the Grand Falls Shopping Centre.
- Occupancy for single use assets remained stable at 100%.
- Pre-leased space in properties under development is 75.4%.
- Overall the portfolio occupancy, excluding non-consolidated trusts and partnerships and properties under development as at December 31, 2007 was 96.9%, up 0.2% from December 31, 2006.

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These occupancy rates are within management's expectations in view of continuing development in the portfolio and transfers of development properties with high occupancy to income producing status during the last 12 months.

DEVELOPMENT AND ACQUISITIONS RISK

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

ENVIRONMENTAL RISK

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

LITIGATION RISK

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

A former officer and director of Plazacorp Retail Properties Ltd., J. Paul Leger, has initiated a commercial action against Plaza Atlantic Limited and its two principal beneficial shareholders, Earl Brewer and Michael Zakuta, alleging infringement of his minority shareholder rights under the New Brunswick Business Corporations Act. Certain remedies sought in this action, if granted, could temporarily restrict the ability of Messer's Brewer and Zakuta from acting as officers and directors of Plaza Atlantic Limited pending judgment of the matter. No date for trial has been set. The management agreement between the Company and Plaza Atlantic Limited expires April 1, 2009.

Plazacorp is not a named party in the lawsuit. The Company's independent directors are monitoring the action for potential impacts on the Company.

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

PART VI

SHARES OUTSTANDING

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

As at April 3, 2008	Shares	Share Capital
Current Outstanding Shares	46,613,182	37,945,265
Employee and Director Share Options	1,030,471	2,178,060
Series III Convertible Debentures	609,375	975,000
Series IV Convertible Debentures	1,250,000	5,000,000
Total adjusted shares outstanding	49,503,028	46,098,325

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RELATED PARTY TRANSACTIONS

MANAGEMENT COMPANY

Plaza Atlantic Limited and Les Immeubles Plaza Z-Corp Inc. have managed the Company's properties since 1999 under a management contract that will automatically renew on April 1, 2009, unless either party gives six-months notice of their intention to terminate the agreement. In Quebec, staff of Les Immeubles Plaza-Z Limited handles management duties under sub-contracting arrangements with Plaza Atlantic Limited. The majority of employees engaged in the property management, development, leasing and property accounting activities are employees of Plaza Atlantic Limited or Le Immeubles Plaza-Z Corp. These companies employ 77 people in the accounting, finance, engineering, development, leasing, and other administrative capacities that excludes property specific staff.

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

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

A committee of independent board members will review the management options available to Plazacorp going forward and make recommendations to the Board of Directors with respect to the contract during 2008.

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

Property Management	4% of gross rents paid.
Leasing	4% of rental revenue per year for first five years of a lease term. 2% of rental revenue per year for years six to ten of a lease term. Leasing fees for renewal are at 50% of the above rate.
Development	4% of costs of construction on development projects.
Financing	10% of tenant improvement costs on non-development projects. ¾ % of loan amount where no outside broker is involved. ¼ % of loan amount where an outside broker is involved.
Acquisitions	2% of the purchase price of assets or capitalized value of third party land leases.
Dispositions	1 ½ % of the proceeds of disposition on assets.
Legal Services	Cost recovery basis, currently \$142 per hour.

During the twelve months ended December 31, 2007 and the fourteen months ended December 31, 2006 the following amounts were charged under the contracts:

(000's)		12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
For the Periods Then Ended	Included for Reporting Purposes In		
Fee Category			
Management fees	Property operating expenses	\$ 1,439	\$ 1,436
Leasing fees	Tenant acquisition costs and property operating costs	1,414	1,475
Development fees	Income producing properties	965	865
Financing fees	Deferred charges and income producing properties	290	330
Acquisition and land lease fees	Income producing properties	264	275
Disposition fees	Gain on disposal of income producing properties	131	165
Legal services	Varies depending on nature of service	463	398
Total fees billed by the Property Manager		\$ 4,966	\$ 4,944

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NOTES PAYABLE TO RELATED PARTIES

Notes payable as at December 31, 2007 fall into two categories:

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

As at (000's)	Interest Rate	December 31, 2007	December 31, 2006
Interest bearing notes:			
Les Immeubles Plaza Z Corp and related entities controlled by Michael Zakuta, President and Chief Executive Officer of the Company.	Prime +1%	\$ 1,617	\$ 2,289
Non-Interest bearing notes:			
Various companies owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President and Chief Executive Officer of the Company.	n/a	262	286
Total		\$ 1,879	\$ 2,575

Two directors directly or beneficially share interests in common with the Company 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.

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 \$877 thousand. The land leases expire at various times from October 2043 to March 2047, subject to options to renew. The business purpose of the leases is to enhance levered equity returns on the affected development assets.

BONDS AND DEBENTURES HELD

Below is a summary of convertible debentures and mortgage bonds of the Company held at face value directly or indirectly by related parties as at December 31, 2007 and December 31, 2006.

As at (000's)	December 31, 2007	December 31, 2006
Richard Hamm, Director	\$ 325	\$ 325
Michael Zakuta, Director	1,200	1,200
Edouard Babineau, Director	700	600
Earl Brewer, Director	438	658
Stephen Johnson, Director	1,220	1,275
Barbara Trenholm, Director	364	264
Total	\$ 4,247	\$ 4,322

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, 2007 and all related public filings.

The Company will file a Venture Issuer Certificate with its financial statements and MD&A pursuant to an exemption order from the New Brunswick Securities Commission dated November 26, 2007.

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

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

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

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

INTERESTS IN JOINT VENTURES

The Company uses joint ventures for several reasons, principally:

- i) Obtain interests in properties where 100% ownership is beyond the capital capability of the Company but where it can apply development skills required by the joint-venture;
- ii) Share development risk with equity partners; and
- iii) Limit the total exposure to the risks of any one asset.

The effect of terminating the arrangements would be the same as those involved in sale of the asset or the foreclosure of a mortgage loan. If the equity interest, net of debt, assumed by the buyer differs from the carrying value of the asset a loss or gain could arise. In the case of a foreclosure or third party sale there could be continuing liability as the original borrower under a mortgage arrangement. See note 23 to the Consolidated Financial Statements for further information on the Company's joint venture activities.

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:

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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 2006 and 2007. 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. A \$547 thousand impairment on surplus land has been recognized in the twelve months ended December 31, 2007 (December 31, 2006 – nil).

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, 2007 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 had determined that there are no significant changes required to the financial statement presentation of its consolidated subsidiaries, proportionately consolidated joint ventures or investments in non-consolidated partnerships and trusts as at December 31, 2007 compared to December 31, 2006.

Readers should refer to the December 31, 2007 and December 31, 2006 Consolidated Financial Statements for a full description of the Company's accounting policies.

CHANGES TO ACCOUNTING POLICIES

Other than adopting new standards pursuant to the requirements of the CICA Handbook, the company did not have accounting policy changes in 2006 and 2007. See note 2 to the December 31, 2007 Consolidated Financial Statements.

FUTURE ACCOUNTING POLICY CHANGES

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These new standards will be effective for the Company in the first quarter of 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3031 introduces changes to the measurement and disclosure of inventory and converges with international accounting standards. The standard is effective for interim and annual periods relating to fiscal years beginning on or after January 1, 2008. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

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The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

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

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

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

CHANGE IN YEAR END

The Company changed the period for financial reporting during 2006 to report on the fourteen months ended December 31, 2006. (See our notice posted February 24, 2006 on www.sedar.com for further details.) This changed the year and quarter end comparisons used for the year 2007 versus 2006 and these statements compare the three and twelve months ended December 31, 2007 to the two and fourteen months ended December 31, 2006, the closest comparable periods as mandated by National Instrument 51-102. As well to assist the reader we have included financial information for the twelve months ended October 31, 2006.

OTHER

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

Plazacorp Retail Properties Ltd.

SUPPLEMENTAL DISCLOSURE – FUNDS FROM OPERATIONS (FFO)

(000's) For the Periods Ended	12 Months Ended December 31, 2007	12 Months Ended October 31, 2006	14 Months Ended December 31, 2006
Non Cash Items Included in FFO:			
Straight-line rent included in revenue	\$ 557	\$ 530	\$ 672
Above and below market rent amortized in revenue	109	229	263
Deferred finance charges amortized in financing costs	657	608	713
Deferred recoverable expenses amortized in operating costs	68	178	248

Tenant Acquisition Costs Detailed in Operating Activities per the Statement of Cash Flows:

Tenant acquisition costing for same-asset properties	\$ 913	\$ 1,037	\$ 1,115
Anchor tenant cost repositioning for same-asset properties	2,061	1,901	2,004
Tenant acquisition costs for transactions	5,727	5,315	8,089
Total tenant acquisition costs	\$ 8,701	\$ 8,253	\$ 11,208

Gross Additions including Tenant Acquisition Costs:

Same-asset - maintenance capital expenditures	\$ 1,509	\$ 1,544	\$ 1,630
Anchor tenant repositioning costs for same-asset properties	5,717	3,808	4,159
Gross addition for transactions	51,456	41,770	52,411
Total gross additions	\$ 58,682	\$ 47,122	\$ 58,200

Maintenance Capital Expenditures are costs related to tenancy changes and capital expenditures that do not change the income earning potential of the property. These are typically financed from operating cash flows.

Anchor Tenant Repositioning Costs include expenditures related to moving or expanding anchor tenants that increase the income producing potential of an existing property. These costs are typically financed through development lines of credit.

Weighted Average Shares Outstanding – Per Share FFO

(000's) For the Periods Ended	12 Months Ended December 31, 2007	12 months Ended October 31, 2006	14 Months Ended December 31, 2006
Weighted Average Shares Outstanding	44,109	39,872	40,151
Dilutive impact of stock options	574	543	572
Dilutive impact of convertible debentures	1,109	5,513	4,247
Diluted Weighted Average Shares Outstanding-FFO	45,792	45,928	44,970

Convertible Debentures which are dilutive for purpose of calculating funds from operations (FFO) may not be dilutive for purpose of calculating earnings per share (EPS).

Plazacorp Retail Properties Ltd. Management's Responsibility for Financial Reporting

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 principals appropriate in the circumstances. Financial information elsewhere in this report has been reviewed to ensure consistency with that in the financial statements.

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

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

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



Michael Zakuta
President and CEO
April 3, 2008



Peter Sheehan
Chief Financial Officer
April 3, 2008



KPMG LLP

Chartered Accountants

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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, 2007 and December 31, 2006 and the consolidated statements of income, deficit and cash flows for the 12 month period ended December 31, 2007 and 14 month period ended December 31, 2006. 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, 2007 and December 31, 2006 and the results of its operations and its cash flows for the 12 month period ended December 31, 2007 and 14 month period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Fredericton, Canada

February 29, 2008, except as to note 27 which is as of April 3, 2008

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

2007 2006

Assets

Income producing properties (Note 3)	\$ 218,160	\$ 181,097
Properties under development (Note 4)	20,763	22,110
Surplus lands (Note 5)	2,079	-
Intangible assets (Note 6)	2,512	2,834
Deferred charges (Note 7)	271	3,502
Cash	1,978	563
Receivables (Note 8)	6,102	2,909
Prepaid expenses and deposits (Note 9)	4,006	4,081
Refundable capital gains tax (Note 17)	-	152
Future income tax asset (Note 17)	580	413
Investments (Note 10)	10,344	9,158
Goodwill	2,025	2,025
Deficits of subsidiaries (Note 11)	1,068	1,044
	\$ 269,888	\$ 229,888

Liabilities

Mortgages payable (Note 12)	\$ 187,449	\$ 149,944
Mortgage bonds payable (Note 13)	20,356	17,500
Debentures payable (Note 14)	11,704	16,543
Notes payable (Note 15)	2,657	3,604
Bank indebtedness (Note 16)	3,568	2,959
Accounts payable and accrued liabilities	5,688	6,106
Income taxes payable	186	142
Future income tax liability (Note 17)	9,403	8,146
Below market leases (Note 18)	674	601
	\$ 241,685	205,545

Shareholders' Equity

Equity portion of convertible debt (Note 14)	241	456
Share capital (Note 19)	36,932	30,292
Contributed surplus (Note 20)	78	51
Deficit	(9,048)	(6,456)
	28,203	24,343
	\$ 269,888	\$ 229,888

Contingencies, commitments, guarantees, indemnities, and litigation – see consolidated financial statement Note 25.
Subsequent events – see consolidated financial statement Note 27.



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 Periods Ended
(In thousands of Canadian dollars)

	12 months Ended December 31, 2007	14 months Ended December 31, 2006
Deficit, beginning of the period	\$ (6,456)	\$ (4,434)
Effect of adoption of accounting policy changes (Note 2a)	381	-
Net income	3,605	3,019
Dividends	(6,578)	(5,041)
Deficit, end of the period	<u>\$ (9,048)</u>	<u>\$ (6,456)</u>

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.**Consolidated Statements of Income****For the Fiscal Periods Ended****(In thousands of Canadian dollars, except per share amounts)**

12 Months
Ended
December 31,
2007

14 Months
Ended
December 31,
2006

Rental revenues	\$ 39,600	\$ 38,458
Operating expenses	<u>16,263</u>	<u>16,340</u>
Net property operating income	23,337	22,118
Investment income	<u>1,320</u>	<u>755</u>
Income from properties and investments	24,657	22,873
Interest costs	<u>12,469</u>	<u>11,870</u>
Income before undernoted	12,188	11,003
Administrative expenses	1,063	970
Amortization	8,633	8,334
Capital taxes	<u>426</u>	<u>559</u>
Income before undernoted gain on sale of surplus lands, income taxes, non-controlling interests and discontinued operations	2,066	1,140
Gain on sale of surplus lands (Note 5)	<u>282</u>	<u>3,108</u>
Income before undernoted income taxes, non-controlling interests and discontinued operations	2,348	4,248
Income tax expense (Note 17)		
– current	44	113
– future	<u>1,121</u>	<u>1,096</u>
	1,165	1,209
Income before non-controlling interests and discontinued operations	1,183	3,039
Non-controlling interests	<u>327</u>	<u>298</u>
Income from continuing operations	856	2,741
Gain on disposal of income producing properties (Note 21)	2,790	-
(Loss) income from discontinued operations (Note 21)	<u>(41)</u>	<u>278</u>
Net income and comprehensive income	\$ 3,605	\$ 3,019
Net earnings per share - basic		
Continuing operations	\$ 0.020	\$ (0.009)
Discontinued operations	<u>0.062</u>	<u>0.084</u>
Net earnings (Note 19c)	\$ 0.082	\$ 0.075
Net earnings per share - diluted		
Continuing operations	\$ 0.020	\$ (0.009)
Discontinued operations	<u>0.061</u>	<u>0.084</u>
Net earnings (Note 19c)	\$ 0.081	\$ 0.075

See accompanying notes to the consolidated financial statements

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

12 months
Ended
December 31,
2007

14 months
Ended
December 31,
2006

Cash obtained from (used for):

Operating activities

Net income and comprehensive income	\$ 3,605	\$ 3,019
Items not affecting cash:		
Non-cash investment income	(1,049)	(554)
Amortization (see cash flow supplemental – Note 1)	9,347	9,613
Gain on disposal of income producing properties (see cash flow supplemental – Note 2)	(2,790)	-
Gain on sale of surplus lands (see cash flow supplemental – Note 2)	(282)	(3,108)
Stock option compensation	54	40
Interest relating to debenture accretion	64	118
Non-controlling interests	327	298
Future income taxes	1,091	1,295
Straight-line rent revenue	(557)	(672)
Tenant acquisition costs (see cash flow supplemental – Note 3a)	(8,701)	(11,208)
Change in non-cash working capital (see cash flow supplemental – Note 4)	(2,540)	2,155
	<u>(1,431)</u>	<u>996</u>

Financing activities

(Decrease) increase in notes payable	(665)	1,038
Issue of common shares, pursuant to employee option agreements (see cash flow supplemental - Note 5)	733	460
Dividends paid by subsidiaries to non-controlling interests	(351)	(423)
Dividends paid to shareholders (see cash flow supplemental – Note 6)	(5,687)	(5,530)
Net proceeds from mortgage bonds	2,947	12,626
Redemption of mortgage bonds	-	(1,325)
Net proceeds from mortgage financing (see cash flow supplemental – Note 7)	71,331	73,119
Mortgage payouts (see cash flow supplemental – Note 8)	(22,651)	(30,161)
Mortgage principal repayments (see cash flow supplemental – Note 8)	(2,572)	(2,659)
	<u>43,085</u>	<u>47,145</u>

Investing activities

Acquisitions (see cash flow supplemental – Note 3b)	(1,207)	(1,002)
Developments and redevelopments (see cash flow supplemental – Note 3a)	(47,322)	(45,975)
Net proceeds from disposal of income producing properties and sale of surplus lands (see cash flow supplemental - Note 2)	8,277	3,873
Investments		
Bonds - purchased	(1,923)	(5,887)
Bonds – contributions from bond fund	353	173
Contributions returned (made)	90	(1,905)
Distributions received	1,343	919
(Increase) decrease in deposits for acquisition and financing	(370)	238
Other	(89)	(1,960)
	<u>(40,848)</u>	<u>(51,526)</u>

Net increase (decrease) in cash

Cash less bank indebtedness, beginning of the period	(2,396)	989
Cash less bank indebtedness, end of the period (see cash flow supplemental – Note 9)	\$ (1,590)	\$ (2,396)

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, 2007 and 2006
(In thousands of Canadian dollars, except per share amounts)

1) Amortization

	12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
Amortization of income producing properties	\$ 3,775	\$ 3,251
Amortization of tenant acquisition costs	4,039	4,045
Amortization of intangible assets (except above-market tenant leases)	782	988
Amortization of other deferred charges	37	50
Amortization expense per the Statement of Income	8,633	8,334
Amortization of financing charges (included with interest costs)	657	713
Amortization of above/below market leases (included with revenue)	(109)	(263)
Amortization of deferred recoverable expenses (included with operating expenses)	68	248
Amortization of discontinued operations	98	581
Total amortization charged to income	\$ 9,347	\$ 9,613

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

On March 7, 2007 the Company disposed of income producing properties in Saint John, NB and Dartmouth, NS for gross proceeds of \$13.2 million. During the year the Company also disposed of land in St. John's, NL, Sydney River, NS and Miramichi, NB for gross proceeds of \$3.2 million for total gross proceeds of \$16.4 million. The company also wrote down the value of surplus land in Tracadie, NB. These dispositions resulted in a cumulative gain on disposal of \$3.1 million. As part of two of these agreements the purchaser assumed mortgages totalling \$8.1 million, resulting in net cash proceeds of \$8.3 million.

3) Acquisitions, Developments and Redevelopments

a) Cash and Non-Cash Additions

	12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
Gross additions to income producing properties and intangible assets and below market leases	56,023	57,183
Less: total tenant acquisition costs (operating activity)	(8,701)	(11,208)
Cash additions from developments, and redevelopments	\$ 47,322	\$ 45,975

Plazacorp Retail Properties Ltd.
Consolidated Statements of Cash Flows – Supplemental Cash Flow Disclosure
For the Fiscal Years Ended December 31, 2007 and 2006
(In thousands of Canadian dollars, except per share amounts)

b) *Acquisitions*

On March 7, 2007 the Company acquired the remaining 50% interest in Les Promenades St. Francois, a property located in Laval, Quebec through the acquisition of 50% of the net assets. On June 30, 2006 the Company acquired a 50% interest in 15260 Yonge Street, Aurora, Ontario through the acquisition of 50% of the net assets.

	12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
Real estate assets		
Land	\$ 1,015	\$ -
Building	909	-
Parking lot	226	-
Tenants acquisition costs	230	-
Development costs	-	1,004
Deferred charges	-	13
Net intangible assets	557	-
Less: below market leases	(278)	-
Gross additions from acquisitions	<u>2,659</u>	<u>1,017</u>
Net liabilities		
Assumed mortgage	1,452	-
Net working capital deficiency (surplus)	-	15
	<u>1,452</u>	<u>15</u>
Net assets acquired, funded from cash	<u>\$ 1,207</u>	<u>\$ 1,002</u>

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

	12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
Receivables	\$ (2,763)	\$ 67
Prepaid expenses and mortgage deposits	445	(335)
Accounts payable and accrued liabilities	(418)	2,521
Income taxes payable, net of refundable capital gains tax	196	(98)
Total cash from change in non-cash working capital	<u>\$ (2,540)</u>	<u>\$ 2,155</u>

5) **Issue of Common Shares**

	12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
Total from shares issued through exercise of stock options	\$ 759	\$ 476
Less: transfer of equity from contributed surplus	(26)	(16)
Cash raised from issuance of common shares, pursuant to employee option agreement	<u>\$ 733</u>	<u>\$ 460</u>

Plazacorp Retail Properties Ltd.
Consolidated Statements of Cash Flows – Supplemental Cash Flow Disclosure
For the Fiscal Years Ended December 31, 2007 and 2006
(In thousands of Canadian dollars, except per share amounts)

6) Dividends

	12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
Dividends declared during the period	\$ 6,578	\$ 5,041
Adjustment for accrued dividends	-	963
Dividends paid	<u>6,578</u>	6,004
Dividend reinvestment through share subscriptions	(891)	(474)
Dividends paid in cash	<u>\$ 5,687</u>	<u>\$ 5,530</u>

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

7) Net Proceeds from Mortgage Financing

	12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
Proceeds from development lines-of-credit	\$ 34,069	\$ 28,173
Proceeds from long-term mortgages	39,877	44,946
Gross mortgage proceeds	<u>73,946</u>	73,119
Less: assumed mortgages	(1,452)	-
deferred financing costs incurred	(1,163)	-
Net proceeds from mortgage financing	<u>\$ 71,331</u>	<u>\$ 73,119</u>

8) Mortgage Repayments

	12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
Repayment of development lines-of-credit	\$ 18,185	\$ 26,747
Repayment of long-term mortgages	15,098	6,073
Gross mortgage repayments	<u>33,283</u>	32,820
Less: mortgages assumed by purchaser on sale	(8,060)	-
repayments at maturity	(22,651)	(30,161)
Periodic long-term mortgages principal repayments	<u>\$ 2,572</u>	<u>\$ 2,659</u>

9) Cash, Less Bank Indebtedness

As at December 31,	2007	2006
Cash	\$ 1,978	\$ 563
Bank indebtedness from operating lines-of-credit	(3,568)	(2,959)
Cash, less bank indebtedness	<u>\$ (1,590)</u>	<u>\$ (2,396)</u>

Plazacorp Retail Properties Ltd.
Consolidated Statements of Cash Flows – Supplemental Cash Flow Disclosure
For the Fiscal Years Ended December 31, 2007 and 2006
(In thousands of Canadian dollars, except per share amounts)

10) Debentures Converted to Share Capital

		12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
Series I debentures converted to share capital	Face value	\$ -	\$ 820
	Conversion rate	\$ 1.00	\$ 1.00
	Shares issued	-	820
Series II debentures converted to share capital	Face value	\$ 440	\$ 2,380
	Conversion rate	\$ 1.20	\$ 1.20
	Shares issued	367	1,984
Series III debentures converted to share capital	Face value	\$ 4,433	\$ 3,442
	Conversion rate	\$ 1.60	\$ 1.60
	Shares issued	2,770	2,151
Total debentures converted to share capital		\$ 4,873	\$ 6,642
Total shares issued		3,137	4,955

11) Interest

		12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
Interest costs expensed		\$ 12,469	\$ 11,870
Plus: interest costs grouped with discontinued operations		115	743
Total interest costs		12,584	12,613
Plus: interest capitalized to properties		1,770	1,284
Less: amortization of finance charges		(657)	(713)
Interest costs charged		13,697	13,184
Adjustment for accrued interest		(70)	(409)
Interest paid in cash		\$ 13,627	\$ 12,775

12) Income and Capital Taxes

		12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
Income and capital taxes paid		\$ 323	\$ 860

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended December 31, 2007 and 2006
(In thousands of Canadian dollars, except per share amounts)

1. Nature of Operations

The Company operates a retail real estate ownership and development business in Ontario, Quebec, and the Atlantic Provinces. The Company was incorporated under the New Brunswick Business Corporations Act on February 2, 1999. On December 11, 2002 the Company amended its articles of incorporation to become a Mutual Fund Corporation as defined in the Income Tax Act of Canada.

The Company changed the prior year's fiscal year end for financial reporting purpose from October 31, 2006 to December 31, 2006.

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

On January 1, 2007 the Company adopted four new accounting standards that were issued by the CICA. Handbook Section 1530, Comprehensive Income, Handbook Section 3855, Financial Instruments – Recognition and Measurement, Handbook Section 3865, Hedges, and Handbook Section 3251, Equity. The new standards are not applied retroactively and accordingly, comparative amounts for prior periods, if any, have not been restated.

i) Comprehensive Income

Section 1530 introduces Comprehensive Income, which consists of Net 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. There was no impact on Plazacorp as a result of implementing this change.

ii) 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. Remeasured 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. Plazacorp had no "held for trading" or "available for sale" financial assets as at December 31, 2007. Derivative instruments are recorded on the Consolidated Balance Sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts that do not meet certain criteria. Changes in fair values of derivative instruments are recognized in Net Income. Plazacorp had no embedded derivatives requiring separation in its contracts as at December 31, 2007.

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended December 31, 2007 and 2006
(In thousands of Canadian dollars, except per share amounts)

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

The Company designated its receivables as “loans and receivables” and its mortgages payable, mortgage bonds payable, debentures payable, bank loan, notes payable and accounts payable and accrued liabilities as “other liabilities” pursuant to CICA Handbook Section 3855, all of which are reflected on the Consolidated Balance Sheet at amortized cost using the effective interest method of measurement.

Cash has been designated as “held for trading” and is reflected at fair value. Bonds have been designated as “held to maturity”.

Prior to January 1, 2007, external fees and costs incurred to obtain debt financing were deferred and amortized on a straight-line basis over the term of the respective indebtedness, or expensed in full in the event the property securing the indebtedness was sold or the indebtedness was discharged prior to its maturity. The unamortized balance was included in financing costs. Pursuant to CICA Handbook Section 3855, effective January 1, 2007, financing costs are capitalized to the related asset or liability and are measured at amortized cost using the effective interest method.

The total effect to the financial statements from financial instruments adjustments is \$381 thousand, which was recorded as an addition to equity. Reduction in the fair value of non-interest bearing debt is \$283 thousand and the impact of the charge to debt financing is \$98 thousand.

iii) Financial Instruments

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

The estimated fair value of the Company’s long-term debt including mortgages payable, mortgage bonds payable, debentures payable, and notes payable is estimated based on the values derived using current interest rates for each related instrument with similar terms and conditions. As at December 31, 2007, the fair value of the Company’s long-term debt exceeds the recorded value by \$73 thousand (fair value exceeded recorded value by \$4.9 million at December 31, 2006).

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

As at December 31, 2007, the fair value of the Company’s investment in bonds of \$7.3 million (\$5.7 million - December 31, 2006) exceeded its recorded value by \$80 thousand (\$34 thousand - December 31, 2006).

b) *Principles of Consolidation*

The consolidated financial statements include the accounts of Plazacorp Retail Properties Ltd., its subsidiaries and its proportionate interest in joint ventures in accordance with the pronouncements of CICA 1590, 1600, 3051, 3055 and the provisions of Accounting Guideline #15 (Consolidation of Variable Interest Entities).

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended December 31, 2007 and 2006
(In thousands of Canadian dollars, except per share amounts)

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

As at December 31,	Ownership Interest	
	2007	2006
<u>Accounting Method – Consolidation</u>		
Exhibition Plaza Inc.	55%	55%
Plaza MDO Commercial Trust	100%	100%
Spring Park Plaza Inc.	85%	85%
Granville Street Properties Limited Partnership	60%	60%
Wildan Properties Limited Partnership	60%	60%
Plaza Tacoma Centre Limited Partnership	100%	100%
Commercial Street Plaza Trust	100%	100%
Plazacorp Real Estate Investment Trust	100%	100%
Plazacorp Operating Trust	100%	100%
Plaza Retail Limited Partnership #1	100%	100%
Plazacorp Master Limited Partnership	100%	100%
Plazacorp Property Holdings Inc.	100%	100%
LeMarchant Property Holdings Inc	100%	-
Plaza LPC Commercial Trust	100%	100%
Les Promenades St-Francois, QC ⁽¹⁾	100%	50%
Scott Street Plaza, ON ⁽²⁾	50%	50%
St Josephs Boulevard, ON ⁽²⁾	50%	-
Civic Centre Road, ON ⁽²⁾	50%	-
Ontario Street Port Hope, ON ⁽²⁾	50%	-
615 King Street, Gananoque, ON ⁽²⁾	50%	-
<u>Accounting Method – Proportionate Consolidation</u>		
Les Galeries Montmagny and Plaza Tache, QC	50%	50%
University Plaza, PE	43%	43%
RBEG Limited Partnership, QC	50%	50%
Bureau en Gross, QC	50%	50%
Terrace Dufferin, QC	50%	50%
Carrefour des Seigneurs, QC	25%	25%
Staples Plaza – Woodlawn, NS ⁽³⁾	-	50%
Lansdowne Place, NB ⁽³⁾	-	50%
201 Chain Lake Drive, NS	50%	50%
209 Chain Lake Drive, NS	50%	50%
Fundy Retail Ltd., NB	50%	50%
Plaza TS Magog, QC	50%	50%
15260 Yonge Street, ON	50%	50%
Plaza BDP, QC	37.5%	37.5%
CPDRL, QC	50%	50%
Plaza Jean XXIII, QC	50%	-
Plaza BBRF, QC	50%	-
90 Boulevard Tache Ouest, QC	50%	-
<u>Accounting Method – Equity</u>		
Centennial Plaza Limited Partnership	10%	10%
MDO Limited Partnership	20%	20%
Trois Rivieres Limited Partnership	15%	15%
Village Shopping Centre Limited Partnership	19.2%	19.2%
<u>Accounting Method – Cost</u>		
Northwest Plaza Commercial Trust	10%	10%

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

(2) Property is consolidated under Acq – 15, Variable Interest Entities.

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

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c) *Variable Interest Entities (“VIE”)*

Under Accounting Guideline-15 the Company evaluates each of its joint ventures and partnership arrangements to determine whether the company is at risk for the majority of losses from the entity or is entitled to a majority of the benefits from the entity. This analysis concluded that for the Scott St. Plaza, St. Joseph’s Boulevard, Civic Centre Road, Ontario Street and 615 King Street properties, Plazacorp is at risk for the majority of the losses until such time as the partners interest is crystallized upon settling of the co-venturer’s equity account after funding of long term mortgages. Plazacorp therefore has consolidated those entities in these financial statements. The Village Limited partnership was determined to be a VIE, but that the Company is not exposed to the majority of the entity’s losses, nor is it entitled to the majority of benefits from ownership,. The Village Shopping Centre LP is accounted for using the equity method due to the Company’s exercise of significant influence over the entity.

d) *Properties Under Development*

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

e) *Income Producing Properties*

Income producing properties are carried at cost less accumulated amortization. If events or circumstances indicate that the carrying value of the income producing properties may be impaired, a recoverability analysis is performed based upon estimated nondiscounted 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. No impairment has been recognized in the 12 months ended December 31, 2007 (for the 14 months ended December 31, 2006 – nil).

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

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

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. A \$547 thousand impairment loss has been recognized in the 12 months ended December 31, 2007 (14 months ended December 31, 2006 – Nil).

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g) *Revenue*

i) Rental revenue

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

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

ii) Straight line rent

Certain leases provide for tenant occupancy during the period for which no rent is due (free rent period) or where minimum rent increases during the term of the lease. Rental revenue is recorded for the fixed term of each lease on a straight-line basis. Accordingly, rental revenue is recorded from tenants for the current difference between the straight-line rent and the rent that is contractually due from the tenant. The accumulation of straight line revenue recorded as rental revenue is included with receivables (see consolidated financial statements note 8).

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 equity methods. For those trusts and partnerships accounted for under the equity method the Company recognizes their proportionate share of the investments' earnings.

h) *Amortization*

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

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

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

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

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

Other deferred charges are amortized over periods related to their useful life.

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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 periods 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 period that includes the date of enactment or substantive enactment.

j) Use of Estimates

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

k) Stock-based Compensation Plans

The Company has a stock-based compensation plan, which is described in consolidated financial statement note 20. 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.

l) Investments

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

m) 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.

n) Deficits of Subsidiaries

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

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

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

o) 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. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment or loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the statement of income.

p) Future Accounting Policy Changes

Capital Disclosures

On December 1, 2006, the CICA issued Handbook Section 1535 *Capital Disclosures*. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. This new standard will be effective for the Company in the first quarter of 2008.

Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued two new accounting standards: Handbook Section 3862 *Financial Instruments – Disclosures*, and Handbook Section 3863 *Financial Instruments – Presentation*. The new Sections 3862 and 3863 replace Handbook Section 3861 *Financial Instruments – Disclosure and Presentation*, revising and enhancing disclosure requirements, and carrying forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards will be effective for the Company the first quarter of 2008.

Goodwill and Intangible Assets

On January 31, 2008, the CICA issued a new accounting standard: Handbook Section 3064 *Goodwill and Intangible Assets*. Section 3064 will replace Handbook Section 3062 *Goodwill and Other Intangible Assets* and Handbook Section 3450 *Research and Development Costs*. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard will be effective for the Company the first quarter of 2009.

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

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3. Income Producing Properties

	2007			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 46,124	\$ -	\$ 46,124	\$ 34,281	\$ -	\$ 34,281
Buildings	153,383	(16,701)	136,682	130,880	(14,134)	116,746
Tenant acquisition costs	43,602	(13,201)	30,401	38,529	(11,474)	27,055
Furnishings and equipment	950	(463)	487	790	(400)	390
Parking lot	5,783	(1,317)	4,466	3,665	(1,040)	2,625
Total income producing properties	\$ 249,842	\$ (31,682)	\$ 218,160	\$ 208,145	\$ (27,048)	\$ 181,097

4. Properties Under Development

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

The Company capitalized \$1.8 million of interest for the twelve months ended December 31, 2007 (for the fourteen months ended December 31, 2006 - \$1.3 million). The company capitalized nil of operational losses for the twelve months ended December 31, 2007 (for the fourteen months ended December 31, 2006 - \$59 thousand).

5. Surplus Lands

Surplus lands are made up of land parcels that become surplus after assembly and subdivision of parcels used for development of income producing properties. These lands are held in 100% owned subsidiaries of the Company. During the year the company recognized an impairment on surplus land of \$547 thousand and charged the amount to earnings.

6. Intangible Assets

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

	2007			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Above-market leases	\$ 373	\$ (201)	\$ 172	\$ 250	\$ (118)	\$ 132
Value of in place leases	2,196	(1,209)	987	2,141	(964)	1,177
Tenant relationships	1,934	(581)	1,353	1,894	(369)	1,525
Total intangible assets	\$ 4,503	\$ (1,991)	\$ 2,512	\$ 4,285	\$ (1,451)	\$ 2,834

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7. Deferred Charges

Deferred charges consist of the following:

	2007			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Deferred recoverable charges	\$ 369	\$ (305)	\$ 64	\$ 313	\$ (251)	\$ 62
Other deferred charges	344	(137)	207	337	(100)	237
Finance charges	-	-	-	4,708	(1,505)	3,203
Total deferred charges	\$ 713	\$ (442)	\$ 271	\$ 5,358	\$ (1,856)	\$ 3,502

As at January 1, 2007 finance charges are not shown as an asset, but are offset against the related debt (see change in accounting policies, consolidated financial statements note 2a).

8. Receivables

Receivables consist of the following:

	2007	2006
Tenant accounts receivable	\$ 110	\$ 75
Straight-line rent receivable	2,628	2,107
Accrued tenant common costs and property tax recoveries	205	447
Tenant loans	2,147	-
Excise tax	692	-
Other receivables	320	280
Total receivables	\$ 6,102	\$ 2,909

Tenant loans with a national retail tenant have a 5 & 10 year term, and an interest rates range from 7.24% to 9.45%.

9. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

	2007	2006
Prepaid expenses	\$ 1,337	\$ 1,319
Deposits for acquisitions and financing	836	466
Deposits under mortgage agreements	1,833	2,296
Total prepaid expenses and deposits	\$ 4,006	\$ 4,081

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10. Investments

Investments consist of the following:

	Ownership Position	Preferred Return	Residual Return	2007	2006
Limited Partnership					
Centennial Plaza Limited Partnership	10%	10%	20%	\$ 550	\$ 562
Commercial Trusts and Trust Subsidiaries					
Northwest Plaza Commercial Trust	10%	-	-	170	260
MDO Limited Partnerships ⁽¹⁾	20%	10%	30%	537	528
Village Shopping Centre Limited Partnership	19.2%	8%	50%	1,452	1,786
Trois Rivieres Limited Partnership ⁽¹⁾	15%	10%	30%	351	308
				2,510	2,882
				3,060	3,444
Held to Maturity Investments					
		Effective Interest Rate			
Bonds – substituted for mortgage security		4.68%		1,876	-
Bonds – substituted for mortgage security		3.45%		5,408	5,714
				7,284	5,714
Total investments				\$ 10,344	\$ 9,158

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

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

The Company has provided a construction completion guarantee for the Village Shopping Centre Limited Partnership (see guarantees – consolidated financial statements note 25c).

Bonds are made up of twelve Government of Canada Bonds totaling \$7,058 thousand (\$5,507 thousand – December 31, 2006) maturing between January 24, 2008 and December 1, 2009, with yields between 4.03% and 4.70% respectively. The balance of \$226 thousand (\$207 thousand – December 31, 2006) is made up of restricted cash that is utilized for monthly mortgage payments. The bonds have been pledged as substitute security for a mortgage.

11. Deficits of Subsidiaries

Deficit of subsidiaries (non controlling interest in net assets) consist of the following:

	2007	2006
Exhibition Plaza Inc.	\$ 2	\$ 38
Granville Street Properties Limited Partnership	362	368
Wildan Properties Limited Partnership	694	638
Scott Street Plaza	10	-
Total deficits of subsidiaries	\$ 1,068	\$ 1,044

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For the twelve months ended December 31, 2007 the excess of distributions for Spring Park Plaza Inc. exceeded underlying contractual guarantees by \$3 thousand and this amount was charged to consolidated net income (for the fourteen months ended December 31, 2006 - \$26 thousand). Scott Street Plaza was consolidated at December 31, 2007 as a variable interest entity (see consolidated financial statement note 2c).

12. Mortgages Payable

	Rate Range	Weighted Average	Maturity Dates	2007	2006
Fixed rate loans	5.12% - 8.46%	6.55%	Up to Apr 2022	\$ 154,363	\$ 126,467
Other fixed rate loans	0% and 10.0%	9.07%	Up to Dec 2009	1,498	6,034
Variable rate loans	BA plus 275 Prime plus 3/4%		March 31, 2008	1,264	-
			October 31, 2008	1,135	980
Total long-term mortgages				158,260	133,481
Variable rate loans - development line of credit	Prime plus 5/8% Prime plus 1/2%		April 29, 2009	23,941	13,173
			July 31, 2008	8,406	3,290
Gross mortgage payable				190,607	149,944
Less: unamortized finance charges				(3,158)	-
Net mortgages payable				\$ 187,449	\$ 149,944

All mortgages are secured by charges against specific assets.

To assist in development activities the Company has two acquisition and development facilities with Canadian Chartered banks of \$35.0 million and \$15.0 million respectively to fund acquisition and development projects for a total of \$50.0 million available upon pledging of the asset under the respective line. These facilities have a limit of \$5.0 million and \$6.0 million respectively per asset funded. Both facilities have an additional limit of \$1.5 million available for letters-of-credit. As at December 31, 2007 the letter-of credit's outstanding under the \$15 million facility were \$430 thousand. Standby fees are charged on the unused portion of available funding. Funding is secured by first mortgage charges on properties funded under the facility.

For details on annual principal repayments, see consolidated financial statement note 25b.

The unamortized finance charge amount is made up of fees and costs incurred to obtain the mortgage financing less accumulated amortization (see change in accounting policy, consolidated financial statements note 2a).

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13. Mortgage Bonds Payable

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

	2007				2006
	Series II	Series III	Series IV	Total	Total
Tri County, Starrs Road Plaza, Yarmouth, NS, 1 st Mortgage	\$ -	\$ 2,450	\$ -	\$ 2,450	\$ 2,500
Power Center-Phase 2, Miramichi, NB, 2 nd Mortgage	197	-	-	197	487
Kenmount Road Plaza, St John's, NL, 2 nd Mortgage	1,037	-	-	1,037	2,900
Grand Falls Shopping Mall, Grand Falls, NB, 2 nd Mortgage	-	5,050	-	5,050	4,661
LeMarchant Road Plaza, St. John's, NL, 1 st Mortgage	1,652	-	-	1,652	1,449
KGH Plaza, Miramichi, NB, 2 nd Mortgage	1,537	-	-	1,537	1,444
Victoria Street Plaza, Edmundston, NB, 1 st Mortgage	1,431	-	-	1,431	-
North Sydney Plaza, North Sydney, NS, 2 nd Mortgage	390	-	-	390	-
Robie Street Truro Plaza, Truro, NS, 2 nd Mortgage	725	-	-	725	-
Commercial Street-Phase 2, New Minas, NS, 1 st Mortgage	309	-	-	309	-
201 Main Street, Sussex, NB, 2 nd Mortgage	458	-	-	458	-
Joseph Howe Drive Plaza, Halifax, NS, 2 nd Mortgage	371	-	-	371	-
Bedford Commons Plaza, Bedford, NS, 1 st and 2 nd Mortgage	300	-	3,000	3,300	-
Plaza Tracadie, Tracadie, NB, 1 st Mortgage	1,093	-	-	1,093	-
Civic Centre Road, Petawawa, ON, 2 nd Mortgage	500	-	-	500	-
Empire Theatre, Starrs Road Plaza, Yarmouth, NS, 1 st Mortgage	-	-	-	-	805
Kings Road Plaza, Sydney River, NS, 1 st Mortgage and 2 nd Mortgage	-	-	-	-	1,934
Bay Roberts Plaza, Conception Bay South, NL, 2 nd Mortgage	-	-	-	-	314
Boulevard Hebert Plaza, Edmundston, NB, 1 st Mortgage	-	-	-	-	676
Central Avenue Plaza, Greenwood, NS, 2 nd Mortgage	-	-	-	-	330
Gross mortgage bonds outstanding	10,000	7,500	3,000	20,500	17,500
Less: unamortized finance charges				(144)	-
Net mortgage bonds outstanding				\$ 20,356	\$ 17,500

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

The mortgage bonds have been secured by first or second charges against the properties. The Company may redeem up to one-half of the bonds on the third and fourth anniversaries of the initial closing date of the bonds at a price equal to the principal amount. Unamortized finance charges are made up of fees and costs incurred to obtain the mortgage bond financing less accumulated amortization (see change in accounting policies, consolidated financial statements note 2a).

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14. Debentures Payable and Equity Portion of Convertible Debt

Debentures payable consist of the following:

	2007				2006	
	Maturity Date	Interest Rate	Debt Component Outstanding	Value of Option to Convert	Debt Component Outstanding	Value of Option to Convert
Convertible						
Series II	October 31, 2008	9.5%	\$ -	\$ -	\$ 433	\$ 19
Series III	April 30, 2009	8.5%	1,755	83	6,086	279
Series IV	July 31, 2011	7.0%	4,902	158	4,865	158
Total convertible debentures			6,657	241	11,384	456
Non convertible debentures	July 31, 2010 – February 24, 2011	8.0%	5,159	-	5,159	-
Gross debentures			11,816	241	16,543	456
Less: unamortized finance charges			(112)	-	-	-
Net debentures			\$ 11,704	\$ 241	\$ 16,543	\$ 456

Convertible and non convertible subordinate debentures are unsecured.

Convertible debenture terms are as follows:

	Series II	Series III	Series IV
Conversion price	\$1.20	\$1.60	\$4.00
Company's first redemption date	November 1, 2006	May 1, 2007	July 1, 2009
Maturity date	October 31, 2008	April 30, 2009	July 31, 2011
Face value outstanding December 31, 2007	-	\$1,775	\$5,000

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

Convertible debentures may only be redeemed by the Company during the year immediately following the first redemption date if the share price of the Company exceeds 115% of the conversion price for 20 consecutive trading days ending 5 days preceding the applicable redemption date. After one year from the Company's first redemption date the debentures are redeemable at any time. At the Company's option the principal may be redeemed by the issuance of common shares. The number of common shares issued shall be priced at 95% of the then current market price.

During the twelve months ended December 31, 2007, holders of \$4.9 million (for the fourteen months ended December 31, 2006 - \$6.6 million) of convertible debentures at face value exercised their option to convert to common shares. Of these amounts \$215 thousand (for the 14 months ended December 31, 2006 - \$288 thousand) was recorded as a reduction to the original equity component and \$4.8 million (for the 14 months ended December 31, 2006 - \$6.5 million) was recorded as a reduction to the debt component; consistent with the original equity and debt ratio. A total of \$3.1 million (for the fourteen months ended December 31, 2006 - 5.0 million) common shares were issued on these conversions.

The unamortized finance charge amount is made up of fees and costs incurred to obtain the debenture financing less accumulated amortization. See change in accounting policies, interim consolidated financial statements note 2a.

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15. Notes Payable

Notes payable consists of the following:

	Maturity Date	Interest Rate	2007	2006
Interest bearing notes:				
Les Immeubles Plaza Z-Corp Inc. and related entities controlled by Michael Zakuta, President, CEO and Director of the Company	(1)	Prime plus 1%	\$ 1,617	\$ 2,289
Non-interest bearing notes:				
Various companies owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President, CEO and Director of the Company	(1)	n/a	262	286
Unrelated parties and non-controlling interests	(1)	n/a	778	1,029
Total notes payable			\$ 2,657	\$ 3,604

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

For the twelve months ended December 31, 2007 the Company expensed \$126 thousand (for the fourteen months ended December 31, 2006 - \$89 thousand) in related party interest.

16. Bank Indebtedness

The Company had a \$7.3 million operating line of credit facility with a Canadian chartered bank at the rate of prime plus ¾%, maturing November 30, 2009. \$2.0 million of this operating line of credit is available for use in the form of letters-of-credit. As at December 31, 2007 \$1.2 million (December 31, 2006 - \$393 thousand) of such letters-of-credit were issued and outstanding. As security the Company has provided a \$10 million demand debenture secured by a first mortgage over five properties: Plaza Hotel de Ville and Plaza Theriault in Riviere-du-Loup, Quebec; the Staples Building in Saint John, New Brunswick; Main & Victoria in Shediac, New Brunswick; and 201 Main Street in Sussex, New Brunswick. Subsequent to year end the Company increased the operating line of credit to \$8.4 million and pledged property at Boulevard Hebert Plaza, Edmunston, NB as security.

17. Income Taxes

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

For the Fiscal Years Ended	12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
axes at an effective rate of 41.8% (December 31, 2006 – 41.8%)	\$ 981	\$ 1,776
Permanent differences due to non deductible items	72	92
Permanent difference due to minority interest portion of Limited Partnership	(200)	(74)
Permanent difference due to non consolidated investments	(81)	(59)
Permanent differences due to mutual fund corporation treatment of capital gains	164	(618)
Permanent difference due to an increase (decrease) in the effective rates	(2)	25
Other	231	67
Total income tax expense – continuing operations	\$ 1,165	\$ 1,209
Total income tax expense (recovery) – discontinued operations	\$ (30)	\$ 199

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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:

	2007	2006
<u>Future income tax assets</u>		
Loss carry-forwards of Plazacorp Retail Properties Ltd.	\$ 1,738	\$ 3,610
Loss carry-forwards of subsidiary corporations	690	440
Loss carry-forwards from subsidiary trusts	3,780	2,387
Total future income tax assets	<u>6,208</u>	<u>6,437</u>
<u>Future income tax liabilities</u>		
Income producing properties	13,383	12,783
Accounts receivables	1,096	895
Deferred financing costs	552	492
Total future income tax liabilities	<u>15,031</u>	<u>14,170</u>
Net future income tax liability	<u>\$ 8,823</u>	<u>\$ 7,733</u>
Balance sheet presentation of this net future income tax liability is as follows:		
Future income tax asset	\$ (580)	\$ (413)
Future income tax liability	9,403	8,146
Net future income tax liability	<u>\$ 8,823</u>	<u>\$ 7,733</u>

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. The Company has earned \$696 thousand in refundable capital gains tax in 2007 and triggered refunds of \$848 thousand from the payment of capital gains dividends. As at December 31, 2007 the company has a refundable capital gains balance of nil (December 31, 2006 - \$152 thousand)

As at December 31, 2007, the Company and its consolidated subsidiaries had income tax loss carry-forwards in the amount of \$14.9 million, expiring as follows:

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

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.

18. Below Market Leases

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

	2007			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Below market leases	\$ 1,172	\$ (498)	\$ 674	\$ 1,109	\$ (508)	\$ 601

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19. 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*

	December 31, 2007		December 31, 2006	
	Shares	Amounts	Shares	Amounts
Common shares outstanding, beginning of the period	42,087	\$ 30,292	36,684	\$ 22,679
Issuance of common shares:				
Shares issued through exercise of stock				
Options	416	759	270	476
Shares issued through dividend reinvestment plan	227	891	178	474
Shares issued through debt conversion				
- face value debentures	3,137	4,873	4,955	6,642
- accumulated interest accretion	-	117	-	21
Common shares outstanding, end of the period	45,867	\$ 36,932	42,087	\$ 30,292

The Company is a mutual fund corporation as defined in the Income Tax Act (Canada) and as such shareholders have the right to redeem their common shares at 90% of the lesser of the Market Price of the share (Market Price is defined as the weighted average trading price of the previous 180 trading days) and the most recent Closing Market Price at the time of the redemption. The redemption price may be satisfied by either cash or a note payable bearing interest at a rate equal to the prescribed rate of interest calculated pursuant to paragraph 4301c of the regulations promulgated under the Income Tax Act (Canada) in effect at the time of its issue and will mature and be fully repaid at the end of two years after issuance. The notes may also be prepaid without penalty. As at December 31, 2007 no shareholder had redeemed shares under the mutual fund corporation provisions.

Pursuant to the Company's Dividend Reinvestment Plan, during the twelve months ended December 31, 2007, shareholders were issued 227 thousand shares at a weighted average price of \$3.93 per share (for the fourteen months ended December 31, 2006 – 178 thousand shares at a weighted average of \$2.67 per share).

c) *Earnings per Share*

Basic earnings per share are calculated based on the weighted average number of shares outstanding for the period. Diluted earnings per share consider the potential exercise of outstanding stock options, as well as the potential conversion of convertible debentures that have a negative impact to earnings per share. Stock options or convertible debentures that do not reduce earnings per share are anti-dilutive, and are excluded from the dilution per share calculation. As at December 31, 2007, Series III and IV debentures totalling 6.8 million which equates to 2.4 million shares were anti-dilutive as were Series V stock options (December 31, 2006 \$15.6 million in debentures which equates to 5.5 million shares were antidilutive).

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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 then Ended	12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
Weighted average number of shares	44,109	40,151
Effect of dilutive stock options	574	572
Effect of dilutive convertible debentures	-	-
Weighted average number of diluted shares	44,683	40,723
Net income and diluted net income	\$ 3,605	\$ 3,019

20. 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.

During 2005 the Company granted options for 1,615 thousand shares to both directors (255 thousand shares) and employees (1,360 thousand shares) and are detailed herein as Series III options. Series III options vest equally in February 2006, 2007, and 2008. During 2006 the Company granted options for 100 thousand shares to employees and are detailed herein as Series IV Options. Series IV options vest equally in April 2007, 2008, and 2009. During 2007 the Company granted options for 120 thousand shares to directors and are detailed herein as Series V options. Series V options vest equally in May 2008, 2009, and 2010.

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

	Directors Options		Employees Options	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
Options outstanding, start of the period	145	255	1,306	1,391
Options granted	120	-	-	100
Options expired	-	-	-	(25)
Options exercised	(85)	(110)	(331)	(160)
Options outstanding, end of the period	180	145	975	1,306
Outstanding options that are exercisable	-	25	454	299

Details of options outstanding are as follows:

(000's) - Except exercise price	Exercise Price	Options Outstanding	Expiry Date	Options Exercisable
Series III	\$1.72	940	February 2, 2010	436
Series III	\$1.85	10	April 14, 2010	-
Series IV	\$2.75	85	April 11, 2011	18
Series V	\$4.36	120	May 6, 2012	-

The Company recorded \$54 thousand in compensation expense related to stock options for the twelve months ended December 31, 2007 (for the fourteen months ended December 31, 2006 - \$40 thousand).

The amount of compensation expensed for Series III options not exercised at the end of the period is \$50 thousand (for the fourteen months ended December 31, 2006 - \$43 thousand). The amount of compensation expensed from Series IV options not exercised at the end of the period is \$13 thousand (for the fourteen months ended December 31, 2006 - \$8 thousand).

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The amount of compensation expensed for Series V options not exercised at the end of the period is \$15 thousand (for the fourteen months ended December 31, 2006 – nil). The cumulative amount of \$78 thousand (for the fourteen months ended December 31, 2006 - \$51 thousand) is accounted for as Contributed Surplus.

The weighted average fair value of all options vesting during the period was determined on the grant date using the Black-Scholes model with the following assumptions at the grant date:

	Series III	Series IV	Series V
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 weighted average grant date fair value of options issued during the twelve months ended December 31, 2007 is \$59 thousand (for the fourteen months ended December 31, 2006 - \$26 thousand).

21. Discontinued Operations

On March 7, 2007, the Company sold its 50% interests in Lansdowne Place, Saint John, NB and Staples-Woodlawn, Dartmouth, NS. These two transactions generated gross proceeds of \$13.2 million resulting in a gain on disposal of \$2.8 million.

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

For the Fiscal Years Ended	12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
Rental revenues	\$ 444	\$ 2,784
Operating expenses	302	983
Net property operating income	142	1,801
Financing costs	115	743
Amortization	98	581
Income (loss) before income taxes	(71)	477
Income tax (recovery) expense	(30)	199
Income (loss) from discontinued operations	\$ (41)	\$ 278

22. Related Party Transactions

Plaza Atlantic Limited and Les Immeubles Plaza Z-Corp Inc. have managed the Company's properties since 1999 under a management contract that will automatically renew on April 1, 2009, unless either party gives six-months notice of their intention to terminate the agreement. In Quebec, staff of Les Immeubles Plaza Z-Corp Inc. handles management duties under sub-contracting arrangements with Plaza Atlantic Limited. The majority of employees engaged in the property management, development, leasing and property accounting activities are employees of Plaza Atlantic Limited or Les Immeubles Plaza Z-Corp Inc.. These companies employ 77 people in the accounting, finance, engineering, development, leasing, and other administrative capacities excluding property specific staff.

Plaza Atlantic Limited is owned by two directors of Plazacorp namely Michael Zakuta, Earl Brewer and a former director, Paul Leger. 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.

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

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

Property Management	4% of gross rents paid.
Leasing	4% of rental revenue per year for first five years of a lease term. 2% of rental revenue per year for years six to ten of a lease term. Leasing fees for renewal are at 50% of the above rate.
Development	4% of costs of construction on development projects.
Financing	10% of tenant improvement costs on non-development projects. ¾ % of loan amount where no outside broker is involved. ¼ % of loan amount where an outside broker is involved.
Acquisitions	2% of the purchase price of assets or capitalized value of third party land leases.
Dispositions	1 ½ % of the proceeds of disposition on assets.
Legal Services	Cost recovery basis, currently \$142 per hour.

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

For the Fiscal Years then Ended		12 Months Ended December 31, 2007	14 Months Ended December 31, 2006
Fee Category	Included for Reporting Purposes In		
Management fees	Property operating expenses	\$ 1,439	\$ 1,436
Leasing fees	Tenant acquisition costs and property operating expense	1,414	1,475
Development fees	Income producing properties	965	865
Financing fees	Income producing properties and debt	290	330
Acquisition and land lease fees	Income producing properties	264	275
Disposition fees	Gain on disposal of income producing properties or surplus lands	131	165
Legal services	Varies depending on nature of service	463	398
Total fees billed by the Property Manager		\$ 4,966	\$ 4,944

During the 12 months ended December 31, 2007 the Company paid \$63 thousand (for the 14 months ended December 31, 2006 - \$28 thousand) to Plaza Atlantic Ltd. and Les Immeubles Plaza Z-Corp Inc. for the Management Company to hold in trust and apply against future minor insurance claims below the insurance company deductibles.

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

	2007	2006
Included with accounts payable and accrued liabilities	\$ 572	\$ 1,304

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

	2007	2006
Richard Hamm, Director	\$ 325	\$ 325
Michael Zakuta, Director	1,200	1,200
Edouard Babineau, Director	700	600
Earl Brewer, Director	438	658
Stephen Johnson, Director	1,220	1,275
Barbara Trenholm, Director	364	264
Total related party mortgage bonds and debentures held	\$ 4,247	\$ 4,322

For the twelve months ended December 31, 2007, \$275 thousand of Series III debentures and \$100 thousand of Series IV debentures were converted by Directors of the Company, or companies owned and controlled by Directors. During the period the following conversions took place; Earl Brewer (\$220 thousand), and Stephen Johnson (\$155 thousand) resulting in the issuance of 197 thousand shares.

TC Land LP, a wholly owned subsidiary of TC Land REIT, an entity controlled by Michael Zakuta and Earl Brewer purchased land from the Company in the amount of \$2.1 million during 2007. The Company is party to nine ground leases with TC Land LP and pays annual rent of \$875 thousand under these leases. The business purpose of the leases is to enhance levered returns on the affected development assets.

Two directors directly or beneficially through companies they control share interests in common with the Company having a 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.

23. Interest in Joint Ventures

As described in consolidated financial statement note 2a, 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.

As at and for the Fiscal Years Ended December 31,	2007	2006
Assets	\$ 55,514	\$ 50,488
Liabilities	49,226	35,425
Rental income	5,736	8,867
Expenses, including financing costs	5,165	7,090
Net income	557	1,377
<i>Funds from (applied to)</i>		
Cash flow from operating activities	1,393	2,661
Cash flow from financing activities	20,595	3,983
Cash flow from investing activities	(21,448)	(7,081)

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24. Segmented Information

The company's operations cover six provinces in Canada. The following summary presents segmented financial information for these geographic areas. One tenant comprises 20% of the company's revenue. Each segment contains revenue from this tenant.

As at and for the twelve months ended December 31, 2007	NB	NS	QC	PE	NL	ON	Total
Total Assets (including properties under development)	\$ 123,745	\$ 67,240	\$ 32,243	\$ 12,019	\$ 14,027	\$ 20,614	\$ 269,888
% of Total	45.8%	24.9%	12.0%	4.5%	5.2%	7.6%	100.0%
Rental Revenue	\$ 17,157	\$ 9,093	\$ 7,600	\$ 3,968	\$ 1,327	\$ 455	\$ 39,600
% of Total	43.1%	23.0%	19.2%	10.0%	3.4%	1.3%	100.0%
Net Property Operating Income	\$ 9,364	\$ 5,748	\$ 4,411	\$ 2,696	\$ 823	\$ 295	\$ 23,337
% of Total	40.1%	24.6%	18.9%	11.6%	3.5%	1.3%	100.0%

As at and for the fourteen months ended December 31, 2006	NB	NS	QC	PE	NL	ON	Total
Total Assets (including properties under development)	\$ 121,052	\$ 56,620	\$ 23,364	\$ 12,654	\$ 11,783	\$ 4,415	\$ 229,888
% of Total	52.7%	24.6%	10.2%	5.5%	5.1%	1.9%	100.0%
Rental Revenue	\$ 17,452	\$ 8,957	\$ 7,813	\$ 4,067	\$ 98	\$ 71	\$ 38,458
% of Total	45.3%	23.3%	20.3%	10.6%	0.3%	0.2%	100.0%
Net Property Operating Income	\$ 9,451	\$ 5,694	\$ 4,181	\$ 2,723	\$ 35	\$ 34	\$ 22,118
% of Total	42.7%	25.7%	18.9%	12.3%	0.2%	0.2%	100.0%

25. Contingencies, Commitments, Guarantees, Indemnities and Litigation

a) Contingencies

The Company's bankers have issued letters-of-credit in support of the Company's obligations under certain long-term mortgages. The facility is secured by Personal Property Security Act (PPSA) charges in each province and matures November 30, 2009. The facility, under which the letters-of-credit are issued, requires that the Company maintain certain financial ratios to comply with the facility. As at December 31, 2007 \$500 thousand (December 31, 2006 - \$500 thousand) of such letters-of-credit were issued and outstanding and the Company was in compliance with the terms of the credit facility.

b) Commitments

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

	Year 1 2008	Year 2 2009	Year 3 2010	Year 4 2011	Year 5 2012	After 5 Years	Total
Mortgages	\$ 45,392	\$ 4,861	\$ 6,391	\$ 5,534	\$ 17,793	\$ 110,636	\$ 190,607
Bonds and debentures – face value	-	1,775	15,159	12,500	3,000	-	32,434
Operating land leases ⁽¹⁾	2,510	2,559	2,567	2,557	2,501	138,635	151,329
Development activities	26,352	1,500	-	-	-	-	27,852
Total contractual obligations	\$ 74,254	\$ 10,695	\$ 24,117	\$ 20,591	\$ 23,294	\$ 249,271	\$ 402,222

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

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c) *Guarantees and Indemnities*

The Company continues to guarantee certain debt assumed by purchasers in connection with historical dispositions of properties. These guarantees will remain until the debt is modified, refinanced or extinguished. These commitments are subject to indemnity agreements. The estimated amount of the debt subject to such guarantees at December 31, 2007 is \$15.8 million (December 31, 2006 – \$8.1 million) with an estimated weighted average remaining term of 4.7 years (December 31, 2006 – 5.7 years).

The mortgage on Lansdowne Place contains cross-default provisions with the mortgages of Nashwaaksis Plaza and Spring Park Plaza. The total outstanding under these two loans is \$3.4 million (December 31, 2006 - \$3.5 million). Plazacorp indemnifies its former co-venturer in respect of the cross-default.

The Company is contingently liable for certain obligations of a co-venturer. The guarantee provided to the mortgagee of Staples-Granby, is subject to a cross-guarantee provided by the other 50% co-owner for the full amount of the loan. As at December 31, 2007 the total exposure on this cross-guarantee is \$766 thousand (December 31, 2006 - \$799 thousand).

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

The Company assumed a guarantee for the completion of construction for a development line-of-credit held by the Village Shopping Centre Limited Partnership. As at December 31, 2007 the Village Shopping Centre Limited Partnership has borrowed \$17.7 million of the \$24.0 million line-of-credit. The remaining budgeted development costs are \$4.7 million and the Company's current exposure under their guarantee is estimated to be nil (December 31, 2006 – nil).

The Company through its development line-of-credit facilities, funded on behalf of joint venturers, has guaranteed \$868 thousand (December 31, 2006 – nil) in mortgages in excess of the Company's proportionate interest.

d) *Litigation*

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

A former officer and director of Plazacorp Retail Properties Ltd., J. Paul Leger, has initiated a commercial action against Plaza Atlantic Limited and its two principal beneficial shareholders, Earl Brewer and Michael Zakuta, alleging infringement of his minority shareholder rights under the New Brunswick *Business Corporations Act*. Certain remedies sought in this action, if granted, could temporarily restrict the ability of Messer's Brewer and Zakuta from acting as officers and directors of Plaza Atlantic Limited pending judgment of the matter. No date for trial has been set. The management agreement between the Company and Plaza Atlantic Limited will automatically renew on April 1, 2009, unless either party gives six-months notice of their intention to terminate the agreement.

Plazacorp is not a named party in the lawsuit. The Company's independent directors are monitoring the action for potential impacts on the Company.

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

26. Risk Management

In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. These risks and the action taken to manage them are as follows:

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a) *Interest Rate Risk*

For every 100 basis points increase to interest rates if applied to all outstanding debt instruments would increase interest expense and decrease pre-tax earnings in the annual amount of \$2.2 million.

The Company minimizes their exposure to interest risk by staggering the maturities in order to avoid excessive amounts of debt maturing in any one year. Whenever possible the Company also locks into long-term fixed mortgage contracts.

b) *Credit Risk*

Credit risk arises from the possibility that tenants may experience financial difficulty and 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 tenants and also by limiting its exposure to any one tenant.

27. Subsequent Events

Debentures

\$800 thousand Series III convertible debentures were converted to shares and 500 thousand shares were issued.

Acquisitions

The company purchased land in West Saint John, NB, Shediac, NB, Perth, ON and New Minas, NS for future development for a total investment of \$8.0 million.

Financing

The company obtained long-term financing on six assets of \$17.3 million with a 15 year term and at an average interest rate of 5.74%.

The company issued \$3.5 million 8% short term subordinated notes, with a maturity date of September 13, 2008 and September 18, 2008.

The company increased its operating line of credit to \$8.4 million and pledged property at Boulevard Hebert Plaza, Edmunston, NB as security.

The company renewed its \$35 million development line with a Canadian chartered bank to expire April 29, 2009.

Stock Options

124 thousand options were exercised and converted to 124 thousand shares for \$213 thousand in cash consideration.

28. Comparative Figures

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

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