ANNUAL REPORT

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

DATED: MARCH 31, 2011

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PRESIDENT'S MESSAGE

Fellow Shareholders:

We are pleased to report our results for the year ended December 31, 2010. Our Company has continued its growth and improved the quality of its portfolio of properties. Plazacorp now derives 89.1% of its revenues from national retail chains, up from 88.6% in 2009 and increased occupancy levels to 97.8% up from 97.4%. Our geographically diversified and stable portfolio of properties delivers solid cash flow that has allowed Plazacorp to increase its annual dividend to 20.25¢ per share for 2011, up from 19.25¢ per share in 2010. This represents the eighth consecutive annual dividend increase.

During the year ended December 31, 2010, 6 additional properties became income producing. This development activity grew the current portfolio to 107 properties. Our business continues to grow as we have 7 properties under development and 6 land assemblies in progress in 2011. These new development properties are representative of our investment strategy to develop assets leased to Canada's best retailers and grow our future cash flow.

The dramatic improvement in the long term financing conditions in the second half of 2010 provided an opportunity for Plazacorp to borrow higher loan amounts than initially planned. The Company took advantage of the improved market conditions and Plazacorp placed $73.2 million of new long term financing in 2010. The replacement of lower cost short term debt has a short term negative impact; but secures historically low cost fixed-rate debt for long periods of time. These actions will lead to future stability and will enhance our ability to increase dividends in the future. Plazacorp issued $20.3 million of convertible debentures in 2010 to provide equity for its new developments.

As part of our transition to International Financial Reporting Standards, Plazacorp will adopt the "fair value method" as a measure of its properties. As of January 1st 2010, the application of "fair value" increases Plazacorp's properties and investments, by approximately 38%. The "fair value" was calculated using a weighted average capitalization rate of 8.2%. Capitalization rates have since fallen in a material fashion over the last 12 months and the "fair value" of Plazacorp's assets will increase accordingly. It is important to note that Plazacorp's "fair value" numbers do not account for a "portfolio premium" or for conditional development deals in Plazacorp's pipeline. Using "fair value" numbers, Plazacorp's debt-to-gross book value ratio goes from 61% to 54%.

Going forward, Plazacorp leaves behind the effects of the 2009 recession that carried over into 2010 and will continue its profitable growth in 2011. Plazacorp maintains one of the lowest payout ratios (dividends versus FFO or AFFO) among its peers. The discipline of a low payout ratio is an important part of Plazacorp's business strategy. Very few Canadian public real estate entities offer the potent combination of a secure dividend stream and the ability to consistently grow its asset base by developing high quality new retail projects.

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

Sincerely,

Michael Zakuta

President and CEO

PART I

FORWARD-LOOKING DISCLAIMER

Management's Discussion and Analysis ("MD&A") of the consolidated financial position and the results of operations of Plazacorp Retail Properties Ltd. (hereinafter referred to as "Plazacorp" or the "Company") for the year ended December 31, 2010 should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto for the years ended December 31, 2010 and 2009, along with the MD&A for the year ended December 31, 2009, including the section on "Risks and Uncertainties". Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information contained in this MD&A contains forward-looking statements, based on the Company's estimates and assumptions, which are subject to risks and uncertainties. This may cause the actual results and performance of the Company to differ materially from the forward looking statements contained in this MD&A. Such factors include, but are not limited to, economic, capital market, and competitive real estate conditions. These forward-looking statements are made as of March 31, 2011 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, as calculated by Plazacorp, may not be comparable to similarly titled measures reported by other entities. Due to the significance of Plazacorp's real estate assets and the contractual nature of Plazacorp's revenues, EBITDA can be used to measure Plazacorp's ability to service debt, and fund capital needs.

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

1. Interest Coverage Ratio is defined as the multiple by which EBITDA exceeds interest costs which include amortization of finance costs.

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

Funds From Operations (FFO) is an industry measure and its calculation is prescribed in publications of the Real Property Association of Canada (REALpac). FFO as calculated by Plazacorp may not be comparable to similar titled measures reported by other entities. FFO is an industry standard widely used for measuring operating performance and is exclusive of amortization, future income taxes and gains or losses on property dispositions. Plazacorp considers FFO a meaningful additional measure as it primarily rejects the assumption that the value of real estate investments diminish predictably over time. It more reliably shows the impact on operations of trends in occupancy levels, rental rates, net property operating income and interest costs compared to net income determined in accordance with GAAP.

Adjusted Funds From Operations (AFFO) is an industry measure widely used to help evaluate dividend or distribution capacity. AFFO as calculated by Plazacorp may not be comparable to similar titled measures reported by other entities. AFFO primarily adjusts FFO for non-cash revenues, expenses and operating capital and leasing requirements that must be made merely to preserve the existing rental stream, referred to as maintenance capital expenditures. Most of these maintenance capital expenditures would normally be considered investing activities in the statement of cash flows. Capital expenditures which generate a new investment or revenue stream, such as the development of a new property or the construction of a new retail pad during property expansion or intensification would not be considered as maintenance capital expenditures and would not be included in determining AFFO.

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

of assets held over the entire reporting period of the financial statements and this MD&A.

EBITDA, FFO, AFFO, and NOI are not defined by Canadian GAAP, and therefore should not be considered as alternatives to net income or cash flow from operating activities calculated in accordance with GAAP. Readers are advised that changes in operating factors which impact FFO and AFFO, with the principal exception of financing costs, directly affect EBITDA.

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, 2010 includes interests in 107 properties totaling over 4.9 million square feet and additional lands held for development. These include properties directly held by Plazacorp, its subsidiaries and through joint ventures. For 2010, and during 2009, Plazacorp's growth was primarily created through the development of new real estate assets. As at December 31, 2010, the Company has $14.8 million committed to new development for 2011.

Summary of Properties

	Number of Properties December 31, 2010[1]	**Gross Leasable Area (sq. ft.) December 31, 2010**[2]	Number of Properties December 31, 2009[1]	Gross Leasable Area (sq. ft.) December 31, 2009[2]
Newfoundland and Labrador	**9**	**601,453**	7	542,239
New Brunswick	**35**	**1,513,622**	35	1,513,414
Nova Scotia	**22**	**1,000,852**	20	842,325
Ontario	**13**	**232,773**	12	216,602
Prince Edward Island	**5**	**274,949**	5	274,763
Quebec	**23**	**1,283,698**	21	1,127,928
Total	**107**	**4,907,347**	100	4,517,271

(1) Includes properties under development and non-consolidated investments.
(2) At 100%, regardless of the Company's ownership interest in the properties.

BUSINESS ENVIRONMENT

The principal regions in which we operate continue to exhibit stability in retailer demand for space and in consumer spending. Our strategy is to develop properties tenanted by national retailers, and more importantly retailers in the consumer staples market segment. Our execution of this strategy has produced a portfolio that is 89.1% occupied by national retailers. This significantly enhances the stability of the cash flows from our portfolio.

Yearly Dividend Growth

Year	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011 (projected)**
Dividend per share annually	10.5¢	12.5¢	15.0¢	17.5¢	18.5¢	19.25¢	20.25¢
Percentage increase	16.7%	19.0%	20.0%	16.7%	5.7%	4.1%	5.2%

The capital markets had been volatile and challenging through much of 2009, but, financing of both debt and equity improved dramatically in 2010. Long-term debt financing is being underwritten more carefully, but is available to good borrowers with quality projects at historically competitive rates. Loan-to-value ratios have returned to 70-75% of the appraised market value of the underlying properties. Longer amortization periods and longer terms are also available. During the last year, the Company has been able to take advantage of the improvement in the long-term debt financing market.

Our short-term development and operating facilities were renewed in 2010. This stability is a reflection of the Company's track record for developing and financing its assets under a variety of market conditions. The management team continues to be focused on producing high-quality developments for national retailers.

Over the last few years, Plazacorp has focused its growth on developments, partly as a result of a lack of supply of quality retail real estate for sale and the high prices demanded for that real estate. Plazacorp expects to continue driving growth through developments.

STRATEGY

Plazacorp's principal goal is to deliver a reliable and growing yield to shareholders from a diversified portfolio of retail properties. To achieve this goal the Company's Board of Directors has set acquisition criteria of a minimum cash yield (unlevered yield) equal to 100 basis points above the mortgage constant for a 10 year mortgage at prevailing rates over a 25 year amortization period.

The Company strives to:

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

The Company invests in the following property types:

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

Management intends to achieve Plazacorp's goals by:

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

PART II

KEY PERFORMANCE DRIVERS AND INDICATORS

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

Management believes that the key internal performance drivers are:

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

Management believes that the key external performance drivers are:

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

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

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

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 shareholders. The following chart discusses the key performance indicators for the year ended December 31, 2010 compared to the year ended December 31, 2009.

Indicator	Discussion
Funds From Operations	➢ For the year ended December 31, 2010 FFO was $13.1 million or 26.4¢ per share (26.4¢ diluted) compared to $13.4 million or 27.9¢ per share (26.3¢ diluted) for the year ended December 31, 2009, a 2.6% decrease on a dollar basis and a 5.4% decrease on a basic per share basis. The principal factors influencing FFO were: ➢ Incremental NOI growth of $1.8 million earned by properties which were transferred from properties under development to income producing properties during 2009 and 2010. ➢ Same asset NOI growth of $554 thousand. ➢ An increase in short-term lending rates and standby fees, new debenture interest and the replacement of floating-rate debt with long-term debt on new properties decreased FFO by approximately $2.6 million. ➢ An increase in administrative costs of $205 thousand and a decrease in investment income of $186 thousand. ➢ The per share decrease in FFO is also attributed to an increase in the number of outstanding shares due to the exercising of options, conversions of convertible debentures and the dividend reinvestment plan.
Earnings Before Interest, Taxes, Depreciation and Amortization	➢ For the year ended December 31, 2010 EBITDA was $30.6 million compared to $28.8 million for the year ended December 31, 2009, a 6.1% increase. The principal factors influencing EBITDA were: ➢ The full impact of earnings from the addition of new properties through development during 2009 and 2010 contributed $1.8 million. ➢ Growth in the same-asset pool resulted in an increase in EBITDA of $554 thousand. ➢ An increase in administrative costs of $205 thousand and a decrease in investment income of $186 thousand.
Debt Service Ratios	➢ For the year ended December 31, 2010 the interest coverage ratio was 1.8 times down 0.2 times when compared to the year ended December 31, 2009 and the debt service coverage ratio was 1.5 times down 0.1 times when compared to the year ended December 31, 2009. The decrease in the interest coverage ratio was primarily due to higher floating rate interest costs on properties included in income producing properties, replacement of floating-rate debt with long term debt and an increase in debenture interest from the issuance of $20.3 million of debentures in 2010. ➢ The debt service ratios derived from EBITDA exceed the requirements under our borrowing arrangements.
Same-Asset Net Property Operating Income	➢ For the year ended December 31, 2010 same-asset NOI increased compared to the prior year by $554 thousand or 2.1%. Excluding non-cash items and land rents, same-asset growth was 2.7%. This is primarily due to the lease-up at Belvedere Plaza, Grand Falls Shopping Centre and Plaza Royal.
Weighted Average Effective Cost of Debt	➢ At December 31, 2010 the weighted average effective cost of mortgage debt decreased 4 basis points to 6.43% from 6.47% at December 31, 2009.
Occupancy Levels	➢ At December 31, 2010 overall occupancy increased to 97.8% from 97.4% at December 31, 2009.

PROPERTY AND CORPORATE PERFORMANCE 2010 AND 2009

Funds From Operations (FFO) & Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)

Plazacorp's summary of EBITDA and FFO for the three and twelve months ended December 31, 2010, compared to the three and twelve months ended December 31, 2009 are presented below:

(000's – except per share amounts and debt coverage ratios)	**3 Months Ended December 31, 2010 (unaudited)**	3 Months Ended December 31, 2009 (unaudited)	**12 Months Ended December 31, 2010**	12 Months Ended December 31, 2009
Total revenues	**$ 13,220**	$ 13,233	**$ 52,643**	$ 49,784
Income before other comprehensive loss	**$ 1,325**	$ 1,304	**$ 2,561**	$ 3,840
Add (deduct):				
(Gain) loss on disposal of income producing properties and surplus lands	**(117)**	8	**(133)**	(665)
Gain on disposal of discontinued operation	**(777)**	-	**(777)**	-
Income tax expense	**(97)**	(754)	**653**	89
Income tax expense – discontinued operation	**2**	8	**25**	23
Amortization	**2,670**	2,834	**10,549**	10,274
Amortization – discontinued operation	**1**	4	**11**	14
Non-controlling interests	**114**	202	**476**	651
Interest costs	**4,362**	4,174	**17,187**	14,566
Interest costs – discontinued operation	**7**	8	**32**	34
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**7,490**	7,788	**30,584**	28,826
Add (deduct):				
Interest costs	**(4,369)**	(4,182)	**(17,219)**	(14,600)
Current income tax expense	**(10)**	-	**(42)**	(44)
Non-cash debenture interest	**60**	48	**238**	72
Non-controlling interest adjustment to FFO	**(217)**	(459)	**(999)**	(1,319)
Equity accounting adjustment to FFO	**142**	139	**533**	515
Corporate amortization	**(4)**	(4)	**(17)**	(18)
Basic FFO	**3,092**	3,330	**13,078**	13,432
Interest on dilutive convertible debentures before income tax	**-**	211	**-**	211
Diluted FFO	**$ 3,092**	$ 3,541	**$ 13,078**	$ 13,643
Basic Weighted Average Shares Outstanding	**49,835**	48,651	**49,540**	48,132
Diluted Shares Outstanding	**49,841**	52,488	**49,544**	51,935
Basic FFO per share	**$ 0.062**	$ 0.068	**$ 0.264**	$ 0.279
Diluted FFO per share	**$ 0.062**	$ 0.067	**$ 0.264**	$ 0.263

Earnings before interest, taxes, depreciation and amortization	**$ 7,490**	$ 7,788	**$ 30,584**	$ 28,826
Interest costs	**$ 4,369**	$ 4,182	**$ 17,219**	$ 14,600
Periodic mortgage principal repayments	**856**	816	**3,322**	3,018
Total debt service	**$ 5,225**	$ 4,998	**$ 20,541**	$ 17,618
Debt coverage ratios				
Interest coverage ratio	**1.7 times**	1.9 times	**1.8 times**	2.0 times
Debt service coverage ratio	**1.4 times**	1.6 times	**1.5 times**	1.6 times

EBITDA increased by 6.1% year over year mainly as a result of incremental NOI growth from new development in the amount of $1.8 million and same-asset pool NOI growth of $554 thousand. This was partially offset by an increase in administrative expenses and a decrease in investment income. FFO year over year was affected by the same factors as EBITDA, as well as an increase in interest costs affected by higher short-term lending rates and standby fees, new debenture interest and the replacement of floating-rate debt with long-term debt on new properties. The increased interest costs of $2.6 million more than offset increases in NOI, causing a decline in FFO year over year. FFO per share was also affected by an increase in the number of shares outstanding due to the exercising of options, conversions of convertible debentures and the dividend reinvestment plan.

Quarter over quarter, EBITDA and FFO decreased mainly as a result of a decline in investment income and an increase in administrative expenses. FFO quarter over quarter was also affected by increased interest costs due to the issuances of convertible debentures in the first quarter of 2010 and due to new mortgages financed throughout 2010.

The decline in interest coverage and debt service coverage ratios year over year was mainly due to higher-floating rate interest costs on properties included in income producing properties, replacement of floating-rate debt with long-term debt and an increase in debenture interest from the issuance of $20.3 million of debentures in 2010. Quarter over quarter, the interest coverage and debt service coverage ratios also declined due to these reasons.

Adjusted Funds from Operations (AFFO)

Adjusted funds from operations removes non-cash revenues and expenses from FFO, deducts maintenance capital expenditures and makes other adjustments necessary to show funds available for distribution as dividends and to pay periodic mortgage repayments.

Maintenance capital expenditures include leasing commissions, tenant improvement costs and routine capital expenditures for properties existing.

(000's, except percentage data) (unaudited)	3 Months Ended December 31, 2010	3 Months Ended December 31, 2009	12 Months Ended December 31, 2010	12 Months Ended December 31, 2009
Basic FFO	**$ 3,092**	$ 3,330	**$ 13,078**	$ 13,432
Add: Amortization of finance charges included in interest expense	**231**	204	**1,000**	706
Principal repayment of tenant loans	**123**	129	**492**	437
Non-controlling interest adjustment	**20**	11	**29**	155
Corporate amortization	**4**	4	**17**	18
Less: Non cash revenue – straight-line rent	**(219)**	(112)	**(878)**	(1,111)
Non cash revenue – above and below market rent	**(18)**	(34)	**(70)**	(112)
Equity accounting adjustment	**(57)**	(211)	**(153)**	(464)
Maintenance capital expenditures	**(301)**	(226)	**(1,289)**	(1,456)
Mortgage finance charges – existing properties	**(88)**	-	**(296)**	(1)
Basic AFFO	**$ 2,787**	$ 3,095	**$ 11,930**	$ 11,604
Interest on dilutive convertible debentures	**-**	211	**-**	211
Diluted AFFO	**$ 2,787**	$ 3,306	**$ 11,930**	$ 11,815
Basic AFFO per share	**$ 0.056**	$ 0.064	**$ 0.241**	$ 0.241
Diluted AFFO per share	**$ 0.056**	$ 0.063	**$ 0.241**	$ 0.227
Gross dividend payments	**$ 2,392**	$ 2,244	**$ 9,521**	$ 8,876
AFFO after dividends	**$ 395**	$ 851	**$ 2,409**	$ 2,728
Dividends as a percentage of basic AFFO	**85.8%**	72.5%	**79.8%**	76.5%
Dividends as a percentage of basic FFO	**77.4%**	67.4%	**72.8%**	66.1%

For the year ended December 31, 2010, AFFO increased by $326 thousand or 2.8% over the prior year, mainly due to a decrease in maintenance capital expenditures at all of our consolidated properties and equity accounted entities, partly offset by a decrease in FFO.

For the quarter ended December 31, 2010 AFFO decreased by $308 thousand or 9.9% over the prior quarter mainly due to a decrease in FFO and an increase in maintenance capital expenditures incurred in the quarter due to timing of expenditures, partly offset by a decrease in maintenance capital expenditures incurred at our equity accounted entities.

Same-Asset Net Property Operating Income

Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the year ended December 31, 2010 and the entire year ended December 31, 2009 and excludes partial year results from certain assets due to timing of acquisition, redevelopment or disposition.

(000's, except percentage data) (unaudited)	**3 Months Ended December 31, 2010**	3 Months Ended December 31, 2009	**12 Months Ended December 31, 2010**	12 Months Ended December 31, 2009
Same-asset rental revenue	**$ 11,581**	$ 11,448	**$ 46,112**	$ 45,226
Same-asset operating expenses	**2,513**	2,559	**9,932**	10,189
Same-asset realty tax expense	**2,293**	2,176	**9,130**	8,541
Same-asset net property operating income	**$ 6,775**	$ 6,713	**$ 27,050**	$ 26,496
Same-asset net property operating income excluding non-cash revenue and land rent	**$ 7,168**	$ 7,090	**$ 28,741**	$ 27,977
Same-asset net property operating income margin excluding non-cash revenue and land rent	**61.9%**	61.9%	**62.3%**	61.9%
Total net property operating income	**$ 7,822**	$ 7,785	**$ 30,922**	$ 28,771
Total net property operating income margin	**59.6%**	60.3%	**60.0%**	59.3%

As noted in the chart above, the NOI for the same-asset pool is showing growth of $554 thousand for the year, due to the lease up at Belvedere Plaza, Grand Falls Shopping Centre and Plaza Royal which contributed $301 thousand to NOI. Same-asset NOI excluding non-cash revenue and land rent had growth of $764 thousand for the year, with the total NOI growing by $2.2 million due to the overall growth in income producing properties.

Same-asset NOI and same-asset NOI excluding non-cash revenue and land rent increased by $62 thousand and by $78 thousand, respectively, for the quarter ended December 31, 2010 compared to the quarter ended December 31, 2009 mainly due to organic growth from leasing activity.

The increase in total NOI for the year was attributable to:

- the full year impact of 8 properties transferred to income producing in 2009, accounting for $1.3 million of the increase (annualized impact to NOI of approximately $1.2 million, net of the effects of deconsolidations) and 6 properties transferred to income producing in 2010, accounting for $501 thousand of the increase (annualized impact to NOI of approximately $940 thousand, net of the effects of deconsolidations);
- Same-asset pool growth of $554 thousand; and
- partly offset by the sale of a 75% interest in 4 properties in 2009, and a 25% interest in a property in 2010, reducing NOI by $248 thousand.

Total NOI increased by $37 thousand for the quarter ended December 31, 2010 compared to the quarter ended December 31, 2009 due to the impact of properties transferred to income producing in 2010.

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

2010 Transactions	Property Type	Square Footage	Ownership	Income Producing During
Ottawa Street, Almonte, ON	Single Use	18,365	25%	Q1 10
Amherstview, Amherstview, ON	Single Use	18,029	50%	Q2 10
Scugog Street Port Perry, Port Perry, ON	Single Use	16,776	50%	Q2 10
Ville Marie Drive Plaza, Marystown, NL	Single Use	14,580	100%	Q3 10
Jean Talon, Montreal, QC	Single Use	6,000	35%	Q3 10
Silver Fox, New Minas, NS	Strip Plaza	42,078	100%	Q4 10
Terrace Dufferin, Valleyfield, QC	Strip Plaza	17,587	100%	Disposition Q4 10
2009 Transactions	**Property Type**	**Square Footage**	**Ownership**	**Income Producing During**
Main and Sackville, Shediac, NB	Single Use	23,652	100%	Q1 09
Hastings Street Bancroft, Bancroft, ON	Single Use	17,538	25%	Q2 09
Bedford Commons, Bedford, NS	Strip Plaza	72,622	100%	Q2 09
Granite Drive Plaza, New Minas, NS	Strip Plaza	83,933	100%	Q2 09
Shediac West, Shediac, NB	Strip Plaza	65,842	10%	Q3 09
Main Street Alexandria, Alexandria, ON	Single Use	17,242	25%	Q4 09
Miramichi West Plaza, Miramichi, NB	Single Use	18,210	100%	Q4 09
Fairville Boulevard – 2, Saint John, NB	Strip Plaza	56,925	100%	Q4 09

Same-Asset Net Property Operating Income Excluding Non-Cash Revenue and Land Rent

GAAP requires contractual rental revenue to be recorded on a straight-line basis over the term of the respective leases. With the exclusion of this non-cash revenue, one can see the growth in same-asset NOI being derived from changes in occupancy, cost containment and rental increases on lease renewal.

Due to the Company's use of operating land leases, operating margins excluding ground rent are more representative of industry norms and compare favourably with other public real estate entities specializing in retail shopping plazas.

Same-asset NOI margins were 58.7% for the year ended December 31, 2010 (year ended December 31, 2009 – 58.6%). These margins increase to 62.3% (year ended December 31, 2009 – 61.9%) when the effect of land rent and non-cash revenue is excluded.

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

Leasing and Occupancy

The following table represents leases expiring for the next 5 years and thereafter for Plazacorp's property portfolio at December 31, 2010 (excluding non-consolidated investments).

	Strip Plazas		Enclosed Malls		Single-User		Total	
Year	**Sq Ft[1]**	**%**	**Sq Ft[1]**	**%**	**Sq Ft[1]**	**%**	**Sq Ft[1]**	**%**
2011	173,626	7.9%	74,664	11.7%	-	-	**248,290**	**7.4%**
2012	119,302	5.4%	74,702	11.7%	25,293	4.8%	**219,297**	**6.5%**
2013	138,673	6.3%	39,218	6.1%	-	-	**177,891**	**5.3%**
2014	199,257	9.1%	108,084	17.0%	-	-	**307,341**	**9.1%**
2015	357,124	16.2%	74,555	11.7%	25,695	4.9%	**457,374**	**13.6%**
Thereafter	1,211,676	55.1%	266,626	41.8%	478,116	90.3%	**1,956,418**	**58.1%**
Subtotal	2,199,658	100.0%	637,849	100.0%	529,104	100.0%	**3,366,611**	**100.0%**
Vacant	55,360		20,943		-	-	**76,303**	
Total	2,255,018		658,792		529,104		**3,442,914**	
Weighted average lease term	7.6 years		6.6 years		11.2 years		**8.0 years**	

[1] At 100%, regardless of the Company's ownership interest in the properties.

At December 31, 2010, overall occupancy for the portfolio (excluding properties under development and non-consolidated investments) increased to 97.8% from 97.4% at December 31, 2009.

During 2010, the Company completed 872 thousand square feet (2009 – 671 thousand square feet) of new and renewal leasing deals at market rates (including leasing at non-consolidated investments). The 872 thousand square feet of leasing was comprised of 330 thousand square feet on new developments, and 542 thousand square feet on existing properties. Excluding leasing at non-consolidated investments, the Company completed 644 thousand square feet of new and renewal leasing deals (2009 – 547 thousand square feet) at market rates. The 644 thousand square feet of leasing was comprised of 270 thousand square feet on new developments and 374 thousand square feet on existing properties.

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

- Occupancy in the strip plazas was 97.5% at December 31, 2010, compared to 97.0% at December 31, 2009.
- Average occupancy for enclosed malls was 96.8% at December 31, 2010, consistent with December 31, 2009.
- Occupancy for single use assets remained stable at 100% at December 31, 2010.
- Pre-leased space in properties under development and under construction is 56.6% at December 31, 2010.

Plazacorp has built a portfolio with a high quality revenue stream. Plazacorp's ten largest tenants based upon current monthly gross rents at December 31, 2010 represent approximately 52.1% of total revenues in place.

		% of Gross Revenue			% of Gross Revenue
1.	Shoppers Drug Mart	24.2	6.	Bulk Barn	2.7
2.	Dollarama	7.0	7.	Michaels	2.1
3.	Staples	4.2	8.	Winners	2.0
4.	Mark's Work Wearhouse	3.6	9.	Sobeys	1.9
5.	Reitmans	2.8	10.	Future Shop	1.6

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

	December 31, 2010	December 31, 2009
National	**89.1%**	88.6%
Regional	**4.0%**	4.6%
Local	**6.0%**	5.9%
Non-Retail	**0.9%**	0.9%

Investment Income

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

	Ownership Position	**Preferred Return**	**Residual Return**
Equity Accounted Investments[(1)]			
Centennial Plaza Limited Partnership	10%	10%	20%
MDO Limited Partnership	20%	10%	30%
Village Shopping Centre Limited Partnership	30%	8%	50%
Trois Rivieres Limited Partnership	15%	10%	30%
Plazacorp – Shediac Limited Partnership	10%	8%	50%
Plazacorp Ontario1 Limited Partnership	25%	-	-
Cost Accounted Investments			
Northwest Plaza Commercial Trust	10%	-	-

(1) Equity accounted investments consist of the following properties: Centennial Plaza, Marche De L'Ouest, Place Du Marche, Plaza des Recollets, the Village Shopping Centre, Shediac West, Ottawa Street, Hastings Street Bancroft, and Main Street Alexandria.

Investment income is made up of interest income ($227 thousand) generated primarily from tenant loans, the income reported on an equity accounting basis from the above-noted entities ($842 thousand) and income reported on a cost basis from Northwest Plaza Commercial Trust ($52 thousand). The $842 thousand of equity accounted investment income includes Plazacorp's share of NOI of approximately $2.9 million. The significant decline in investment income quarter over quarter, was mainly due to certain non-recurring adjustments of approximately $131 thousand.

Gain (Loss) on Disposals of Income Producing Properties and Surplus Lands

During the year ended December 31, 2010, the Company disposed of its interest in Terrace Dufferin located in Valleyfield, QC for net proceeds of $1.3 million and an accounting gain of $777 thousand (net of future income tax of $61 thousand). This amount has been classified as discontinued operations in the income statement. The Company also disposed of a 25% interest in a free standing Shoppers Drug Mart located in Perth, ON (Dufferin & Wilson (Perth)) for net proceeds of $464 thousand and an accounting gain of $16 thousand. The Company sold land in New Minas, NS for net proceeds of $127 thousand and an accounting gain of $117 thousand.

During the year ended December 31, 2009, the Company disposed of a 75% interest in four income producing properties for net proceeds of $12.4 million and an accounting gain of $671 thousand. The purchaser assumed mortgages of $8.7 million resulting in net cash proceeds of $3.7 million. The Company also disposed of surplus land for net proceeds of $2.8 million with an accounting loss of $6 thousand.

Income Tax Expense

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

(000's)	**3 Months Ended December 31, 2010 (unaudited)**	3 Months Ended December 31, 2009 (unaudited)	**12 Months Ended December 31, 2010**	12 Months Ended December 31, 2009
Current income taxes (recovery)	**$ 10**	$ (1)	**$ 42**	$ 44
Future income taxes (recovery)	**(107)**	(753)	**611**	45
Total income taxes (recovery)	**$ (97)**	$ (754)	**$ 653**	$ 89

The future income tax expense has increased quarter over quarter and year over year due to a change in the provincial tax rate which was effective in 2009.

Administrative Expenses

Administrative expenses increased by $205 thousand over the prior year, mainly due to additional consulting and professional fees relating to special tax and International Financial Reporting Standards ("IFRS") consulting of $112 thousand, as well as the corporate management fee of ¾% of gross rents paid in the preceding fiscal year. This fee under the management agreement between Plaza Group Management Limited and Plazacorp was effective March 30, 2009. This increase in the corporate management fee was offset by a reduction in property management fees which is reflected in NOI. For the year ended December 31, 2010, the total corporate management fees were $365 thousand (December 31, 2009 – $260 thousand). For the quarter ended December 31, 2010, there was an increase in administrative expenses over the prior year of $79 thousand. This increase is mainly due to consulting and professional fees of $71 thousand relating to special tax and IFRS consulting, mentioned above. The Company expects to spend an additional $100 to $150 thousand in incremental consulting expenses relating to IFRS in 2011.

OUTLOOK

Our development and leasing efforts have produced a property portfolio that is dominated by national retailers and provides our investors with a very stable cash flow. Performance to date has demonstrated the strength of current strategies and operating capabilities. Barring unforeseen events, management is confident of delivering solid performance in 2011 as well as growth to the portfolio. The primary benefit to shareholders of the Company's performance and tenant profile is reliable cash flow and, over time, increasing dividends. Plazacorp's current dividend policy is to pay shareholders 20.25¢ per share for 2011 compared to 19.25¢ per share for 2010.

In the short-term, Plazacorp foresees most of its growth being derived from development activity. The following properties are under active development or active planning and are anticipated to become income producing at various points over the next two years as follows:

Properties under development	Property Type	Square Footage	Ownership	Income Producing
90 Blvd. Tache Ouest, Montmagny, QC	In Planning	-	50%	-
Magog, Magog, QC	Strip Plaza	75,000	50%	-
Bedford Commons – 2, Bedford, NS	Strip Plaza	103,500	100%	Q3 11
Commercial Street Plaza – 2, New Minas, NS	Strip Plaza	-	100%	-
King & Mill, Newcastle, ON	Single Use	15,051	50%	Q1 11
Stavanger Drive, St. John's, NL	Strip Plaza	49,600	90%	Q3 11
Torbay & MacDonald, St. John's, NL	Single Use	18,500	100%	Q1 11

There are six other conditional land assemblies which are under purchase agreements and subject to due diligence which would represent 248 thousand additional square feet at completion. Subsequent to year end one of the conditional land assemblies closed. This land purchase represents 40 thousand of the 248 thousand square feet expected on completion.

The Company is looking at the possibility of converting from a mutual fund corporation to a real estate investment trust (REIT) structure. The Company believes that a REIT structure could be beneficial for existing shareholders. No assurances can be given that this will occur and any contemplated conversion will require many approvals including tax and other regulatory, Board and shareholder approvals.

PART III

SUMMARY OF SELECTED ANNUAL INFORMATION

Plazacorp's summary of selected annual information for the last three fiscal years ended December 31, are presented below:

(000's except per share, percentages and number of properties data)	2010	2009	2008
Total revenue	**$ 52,643**	$ 49,784	$ 47,182
Income before other comprehensive loss	**$ 2,561**	$ 3,840	$ 5,951
Income and other comprehensive loss	**$ 2,518**	$ 3,840	$ 5,951
Dividends per share	**19.25¢**	18.5¢	17.5¢
Earnings per share – basic	**5.2¢**	8.0¢	12.8¢
Earnings per share – diluted	**5.2¢**	7.7¢	12.6¢
FFO per share – basic	**26.4¢**	27.9¢	26.2¢
FFO per share – diluted	**26.4¢**	26.3¢	25.9¢
Dividends as a percentage of basic FFO	**72.8%**	66.1%	66.6%
Dividends as a percentage of basic AFFO	**79.8%**	76.5%	75.4%
Total assets	**$ 317,136**	$ 308,927	$ 291,558
Total mortgages, bonds, debentures, notes, liabilities held for sale and bank indebtedness	**$ 274,022**	$ 261,169	$ 244,239
Basic weighted average shares outstanding	**49,540**	48,132	46,746
Properties under development	**7**	6	7
Income producing properties (including non-consolidated investments)	**100**	94	86
Total properties in portfolio	**107**	100	93
Rentable Sq Ft.(at 100% and excluding investment properties and properties under development)			
Strip Plazas	**2,255**	2,206	2,003
Enclosed Malls	**659**	651	651
Single Use	**529**	498	422
Total income producing properties	**3,443**	3,355	3,076
Occupancy % (excluding investment properties and properties under development)			
Strip Plazas	**97.5**	97.0	97.6
Enclosed Malls	**96.8**	96.8	97.2
Single Use	**100.0**	100.0	100.0
Total income producing properties	**97.8**	97.4	97.9

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

Fluctuations in income and assets are also caused by asset dispositions with a reduction in associated revenues and the recording of related gains or losses. The following gains on income producing properties and surplus land dispositions are included in income in the above chart: year ended December 31, 2010 - $971 thousand; year ended December 31, 2009 - $665 thousand; and year ended December 31, 2008 - $4.1 million.

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

SUMMARY OF SELECTED QUARTERLY INFORMATION

Plazacorp's summary of selected quarterly information for the last eight quarters is presented below:

(000's except per share, percentage and number of properties data) (unaudited)	Q4'10	Q3'10	Q2'10	Q1'10	Q4'09	Q3'09	Q2'09	Q1'09
Total revenue	**$ 13,220**	$ 13,367	$ 12,853	$ 13,203	$ 13,233	$ 12,489	$ 12,178	$ 11,885
Income before other comprehensive loss	**$ 1,325**	$ 599	$ 281	$ 356	$ 1,304	$ 755	$ 708	$ 1,073
Income and other comprehensive loss	**$ 1,505**	$ 376	$ 281	$ 356	$ 1,304	$ 755	$ 708	$ 1,073
Dividends per share	**4.81¢**	4.81¢	4.81¢	4.81¢	4.63¢	4.63¢	4.63¢	4.63¢
Earnings per share - basic	**2.7¢**	1.2¢	0.6¢	0.7¢	2.7¢	1.6¢	1.5¢	2.3¢
Earnings per share - diluted	**2.7¢**	1.2¢	0.6¢	0.7¢	2.7¢	1.6¢	1.5¢	2.2¢
Funds from operations per share- basic	**6.2¢**	7.4¢	6.3¢	6.6¢	6.8¢	7.6¢	6.8¢	6.6¢
Funds from operations per share- diluted	**6.2¢**	7.3¢	6.3¢	6.6¢	6.7¢	7.6¢	6.8¢	6.6¢
Dividends as a percentage of basic FFO	**77.4%**	65.4%	76.7%	73.1%	67.4%	60.5%	67.7%	69.6%
Dividends as a percentage of basic AFFO	**85.8%**	66.9%	87.2%	83.1%	72.5%	71.4%	90.8%	74.2%
Total assets	**$317,136**	$308,023	$304,934	$309,616	$308,927	$306,478	$297,705	$291,576
Total mortgages, bonds, debentures, notes, and bank indebtedness	**$274,022**	$265,305	$260,205	$258,626	$261,169	$257,189	$247,817	$239,888
Basic weighted average shares outstanding	**49,835**	49,611	49,463	49,242	48,651	48,251	47,983	47,628
Properties under development	**7**	6	6	6	6	7	8	10
Income producing properties (including non-consolidated investments)	**100**	100	97	95	94	91	90	87
Total properties in portfolio	**107**	106	103	101	100	98	98	97
Rentable Sq. Ft. (at 100% and excluding investment properties and properties under development)								
Strip Plazas	**2,255**	2,250	2,247	2,227	2,206	2,222	2,145	2,007
Enclosed Malls	**659**	658	658	657	651	651	651	651
Single Use	**529**	519	552	517	498	463	463	446
Total income producing properties	**3,443**	3,427	3,457	3,401	3,355	3,336	3,259	3,104
Occupancy % (excluding investment properties and properties under development)								
Strip Plazas	**97.5**	96.9	97.7	96.5	97.0	97.2	96.8	97.5
Enclosed Malls	**96.8**	96.6	96.8	96.9	96.8	97.3	97.5	97.3
Single Use	**100.0**	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total income producing properties	**97.8**	97.3	97.9	97.1	97.4	97.6	97.4	97.8

The summary of quarterly information highlights generally increasing gross revenues and income. During the last eight quarters occupancy has been very steady which contributes to stability of cash flow. Many of the Company's leases are tied to a CPI cost recovery formula (57.2%). As well, anchor tenant leases may restrict Common Area Maintenance (CAM) cost recoveries. As a result of both of these factors, seasonal fluctuations in income and funds from operations occur primarily due to winter costs and yearly repair and maintenance activities which typically occur in spring and early summer which the Company cannot fully recover from tenants.

Fluctuations in income and assets are also caused by asset dispositions with a reduction in associated revenues and the recording of related gains or losses. The following gains (losses) on income producing properties and surplus land dispositions are included in income in the above chart: Quarter 4 – 2010 $954 thousand; Quarter 3 – 2010 nil; Quarter 2 – 2010 $4 thousand; Quarter 1 – 2010 $13 thousand; Quarter 4 – 2009 ($8) thousand**;** Quarter 3 – 2009 ($30) thousand; Quarter 2 – 2009 ($19) thousand; Quarter 1 – 2009 $722 thousand.

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

PART IV

OPERATING LIQUIDITY AND WORKING CAPITAL

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

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

Plazacorp's cash distribution policy reflects repayment of recurring mortgage principal payments from cash flow in determining cash available for distribution. Accordingly, the overall debt level on existing properties is reduced year-over-year. New debt or equity capital raised is generally directed to continuing development activities, which are discretionary, based on the availability of such capital. During 2009 the Company took advantage of opportunities to enter into joint venture arrangements which raised capital through the partial sale of assets.

CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES

Operating and Development Facilities

(000's)	$7.5 Million Operating	$25.0 Million Development	$9.9 Million Development	$9.6 Million Development	$15.0 Million Development	$9.4 Million Development
December 31, 2009	$ -	$ 12,116	$ 8,270	$ 7,192	$ 9,894	$ 9,074
Net change	-	(8,129)	(8,270)	(7,192)	(9,894)	(9,074)
December 31, 2010	$ -	$ 3,987	$ -	$ -	$ -	$ -
Interest rate	Prime + 2.25%	Prime + 1.25%	Prime + 2.00%	Prime + 2.00%	Prime + 1.25%	Prime + 0.40%
Maturity	November 30, 2011	July 31, 2011	Discharged	Discharged	July 31, 2011	Discharged
Security	First charges on pledged property	First charges on pledged property			First charges on pledged property	
Other terms	Debt service, interest coverage, occupancy & equity maintenance covenants	Debt service, occupancy, leverage & equity maintenance covenants			Debt service, interest coverage, occupancy & equity maintenance covenants	
Line reservations available for letters-of-credit	$2.0 million	$1.5 million	-	-	$500 thousand	-
Issued and outstanding	$514 thousand	-	-	-	-	-

Funding is secured by first mortgage charges on properties. The Company must maintain certain financial ratios to comply with the facilities. These covenants include loan-to-value, debt service coverage, maximum leverage, interest coverage, occupancy and shareholder equity thresholds.

The Company has an additional $500 thousand letter-of-credit facility maturing September 30, 2011 with a Canadian chartered bank, secured by Personal Property Security Act (PPSA) charges in various provinces. These letters-of-credit are issued to facilitate municipal planning deposit requirements for the Company's developments. This line was fully drawn at December 31, 2010. A Company subsidiary also has a $150 thousand unsecured operating line with a Canadian chartered bank upon which no funds were drawn at December 31, 2010. As of December 31, 2010, all debt covenants in respect of the above facilities have been maintained.

The above short-term financings relating to the $25.0 million and $15.0 million bank facilities which matured July 31, 2010 were renewed and extended for one year. The $9.9 million bank facility was converted to long-term debt in July, 2010. At December 31, 2010, the maximum amount available to be drawn on the $7.5 million operating line was $5.3 million. The amount available to be drawn fluctuates depending on specific assets pledged (to a maximum of $7.5 million). Subsequent to year end another property was added to the security of that operating line, increasing the current maximum amount available to be drawn to $6.1 million.

Debentures and Mortgage Bonds

Mortgage bonds are required to be secured by either property or cash. Mortgage bonds can be deployed up to 90% of the cost of a property under a first or second charge on that property. If it is a second charge, the total debt, including mortgage bonds cannot exceed 90%. Mortgage bonds are re-allocated to different properties from time to time as required.

Series II mortgage bonds of $10 million fully matured in 2010. Of this maturing amount, $5.9 million were converted to Series VI convertible debentures and $4.1 million were repaid.

During the year ended December 31, 2010, $20.3 million in Series VI convertible debentures, bearing interest of 7.5% per annum, were issued. The debentures are convertible into Plazacorp common shares at the option of the holder at $3.80 per common share and mature on March 31, 2015. Holders of $1.0 million of Series VI convertible debentures exercised their option to convert to 263 thousand common shares.

Non-convertible debentures in the amount of $3.0 million were converted to Series VI convertible debentures during 2010 and $2.1 million matured and were repaid.

Subsequent to year end $243 thousand in Series IV convertible debentures were converted to approximately 61 thousand shares, $110 thousand in Series V convertible debentures were converted to approximately 32 thousand shares and $430 thousand in Series VI convertible debentures were converted to approximately 113 thousand shares. On February 24, 2011, the Company issued $900 thousand of mortgage bonds, secured by a property, with a five year term and bearing interest of 5.25% per annum.

Mortgages

Fixed-rate mortgages in the amount of $6.6 million matured and were refinanced during the year ended December 31, 2010 for total proceeds of $9.7 million at a weighted average interest rate of 6.0% compared to the weighted average maturing interest rate of 6.8%.

New long-term mortgages were entered into for a total of $73.2 million with an average interest rate of 5.9% and an average term of 9.2 years.

A fixed-rate loan of $1.4 million that bore interest at 8.0% was repaid upon maturity in November 2010 and not refinanced.

Subsequent to year end, long-term financing was obtained for the Village Shopping Centre located in St. John's, NL, in the amount of $22.5 million with a ten year term and an interest rate of 5.5%. Plazacorp owns 30% of the limited partnership which owns this property. As well, the Company renewed long-term financing for a property in Quebec subsequent to year end, in the amount of $1.3 million with a five year term and an interest rate of 4.4%.

The Company's strategy is to balance maturities and terms on new 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. At December 31, 2010, fixed-rate debt represents 98.3% of mortgages placed on income producing properties and floating-rate debt is restricted to assets under development and redevelopment. Management is of the view that such a strategy results in the most conservative interest rate risk management practice. Current maximum market parameters for conventional mortgage debt are in the range of 70% - 75% of the appraised market value of the underlying property, depending upon the particular features and quality of the underlying assets being financed.

The Company converted two variable rate mortgages to long-term fixed rate mortgages through $4.2 million of interest rate swaps entered into with a Canadian chartered bank. The terms of the mortgages and associated interest rate swaps are 10 years, expiring July 31, 2020. These interest rate swaps are valued quarterly and are recognized at fair value in mortgages payable with changes in the fair value reflected in other comprehensive loss.

The following is a mortgage maturity chart by year:

	Year 1 2011	**Year 2 2012**	**Year 3 2013**	**Year 4 2014**	**Year 5 2015**	**After 5 Years**	**Total**
Long-term mortgages	$ 2,704	$ 12,798	$ 26,679	$ 19,285	$ 17,768	$ 115,410	$ 194,644
Mortgages funded by defeasance	-	2,301	-	-	-	-	2,301
Development lines of credit	3,987	-	-	-	-	-	3,987
Total	$ 6,691	$ 15,099	$ 26,679	$ 19,285	$ 17,768	$ 115,410	$ 200,932
As a percentage	3.3%	7.5%	13.3%	9.6%	8.8%	57.5%	100.0%

At December 31, 2010 and December 31, 2009, the Company's cost of debt was as follows:

(000's, except percentage data)	**Balance Outstanding December 31, 2010**	**Effective Rates December 31, 2010**	**Effective Rates December 31, 2009**
Fixed rate mortgage loans	**$ 225,754**	**6.43 %**	6.47 %
Other fixed rate loans with periodic repayments	**$ -**	**-**	8.00 %
Bank operating facility	**$ -**	**Prime + 2.25%**	Prime + 2.25%
Bank development facility	**$ 3,987**	**Prime + 1.25%**	Prime + 2.00%
Bank development facility	**$ -**	**Prime + 1.25%**	Prime + 2.25%

The weighted average term to maturity for the long-term mortgages is 6.4 years. The average remaining repayment (amortization) period on long-term mortgage debt is 24.6 years.

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:

At March 31, 2011	**Shares**	**Share Capital**
Current Outstanding Shares	50,561,781	$ 48,798,923
Employee and Director Share Options	120,000	523,200
Series IV Convertible Debentures	1,189,250	4,757,000
Series V Convertible Debentures	3,644,118	12,390,000
Series VI Convertible Debentures	4,964,474	18,865,000
Total adjusted shares outstanding	60,479,623	$ 85,334,123

Land Leases

Return on invested cash or equity is a measure Plazacorp uses to evaluate development and strategic acquisitions. Investing in a project subject to a land lease reduces the cash equity required for an individual project and increases the number of projects which can be undertaken with available capital. This spreads risk and enhances overall shareholder return. In some instances use of a land lease will enhance project feasibility where a project might not otherwise be undertaken without use of a land lease. Currently Plazacorp has 25 long-term land leases with total annual rent of $2.6 million. Land leases expire on dates ranging from 2011 to 2070 with an average life of 35 years, with renewal options ranging from 10 to 60 years with an average of 27 years of renewal options.

Gross Capital Additions Including Leasing Fees

Below is a chart showing the amount of capital and leasing invested during the period.

(000's)	**3 Months Ended December 31 2010 (unaudited)**	3 Months Ended December 31, 2009 (unaudited)	**12 Months Ended December 31, 2010**	12 Months Ended December 31, 2009
Leasing fees – existing properties	**$ 273**	$ 90	**$ 580**	$ 336
Leasing fees – redevelopment properties	**10**	18	**57**	82
Leasing fees – new developments	**366**	650	**719**	1,844
Total leasing fees	**649**	758	**1,356**	2,262
Capital additions – existing properties	**28**	136	**709**	1,120
Capital additions – redevelopment properties	**1,136**	28	**1,543**	1,579
Capital additions – new developments	**14,307**	10,587	**32,094**	41,267
Total capital additions	**15,471**	10,751	**34,346**	43,966
Total gross additions	**$ 16,120**	$ 11,509	**$ 35,702**	$ 46,228

COMMITMENTS AND CONTINGENT LIABILITIES

The Company has $14.8 million in short-term commitments in respect of development activities. Management believes that Plazacorp has sufficient unused bank line availability, and mortgage bond deployment potential, to fund these commitments.

At December 31, 2010, Plazacorp's future contractual commitments, and the estimated timing of these commitments, without adjustment for deferred financing charges deducted under GAAP, are outlined below:

		Payments Due By Year			
(000's)	**Total**	**Year 1 2011**	**Years 2-3 2012-2013**	**Years 4-5 2014-2015**	**After 5 years**
Mortgages – periodic payments	**$ 28,852**	**$ 3,723**	**$ 7,186**	**$ 5,783**	**$ 12,160**
Mortgages – due at maturity	**194,644**	**2,704**	**39,477**	**37,053**	**115,410**
Mortgages – funded by defeasance	**2,301**	**-**	**2,301**	**-**	**-**
Development lines of credit	**3,987**	**3,987**	**-**	**-**	**-**
Mortgage bonds payable	**11,685**	**7,500**	**3,000**	**-**	**1,185**
Debentures	**36,795**	**5,000**	**-**	**31,795**	**-**
Operating land leases	**146,838**	**2,645**	**5,185**	**5,384**	**133,624**
Development activities	**14,788**	**14,788**	**-**	**-**	**-**
Total contractual obligations	**$ 439,890**	**$ 40,347**	**$ 57,149**	**$ 80,015**	**$ 262,379**

The Company also has contingent liabilities as original borrower on mortgages assumed by the purchasers of properties in 2007 and 2009. These commitments are subject to indemnity agreements. These sales did not relieve the Company's obligations as original borrower in respect of these mortgages. The debt subject to such guarantees at December 31, 2010 totals $22.9 million and consists of six mortgages with remaining terms ranging from 1.2 years to 12.1 years.

The Company assumed a guarantee for a $20.0 million development line of credit held by the Village Shopping Centre Limited Partnership, which indirectly owns the Village Shopping Centre, a 413,097 square foot enclosed mall in St. John's, Newfoundland. Plazacorp owns 30% of this limited partnership. The guarantee is limited to costs for the completion of redevelopment construction at the property. At December 31, 2010, the remaining budgeted redevelopment costs are $2.5 million and the Company's current exposure under this guarantee is estimated to be $2.5 million. Subsequent to year end, the Company refinanced the $20.0 million outstanding on the line of credit with long-term financing as discussed under "Capital Resources, Equity and Debt Activities – Mortgages" and the related guarantee has been released. The Company now has a guarantee under the new $22.5 million mortgage limited to 25% of the mortgage amount.

The Company guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of $4.8 million.

PART V

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand for space particularly affect property investments. Management attempts to manage these risks through geographic and retail asset class diversification in the portfolio. At December 31, 2010, the Company held interests in 106 properties spread geographically among six provinces in Canada. Some of the more important risks are outlined below. See Financial Risk Management Note 26 to the Consolidated Financial Statements for further details. Also see the Company's Annual Information Form dated March 31, 2011 for a complete list of risks and uncertainties.

Interest Rate, Financing and Refinancing Risk

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

The current debt market has improved for long-term mortgage financing over the last year to year and a half. The Company had experienced increased lending spreads and tightening of other lending conditions on financings undertaken in 2009 and early 2010. The Company's interest cost on short-term development financing increased in late Q3 and Q4 of 2009 upon renewal of bank operating and development lines, however, interest rate spreads have returned to historic norms and this will continue to favourably impact the Company's debt costs going forward.

The Company mitigates interest rate risk by maintaining the majority of its debt at fixed rates. At December 31, 2010 98.3% of the Company's mortgages are at fixed rates and 1.7% are at floating rates. Floating rate debt is typically used for development or redevelopment projects as interim financing, until the projects are completed and are then able to attract the appropriate long-term financing. The Company mitigates its exposure to fixed-rate interest risk by staggering maturities in order to avoid excessive amounts of debt maturing in any one year. If market conditions warrant, the Company may attempt to renegotiate its existing debt to take advantage of lower interest rates.

At existing financing rates, the Company is able to obtain positive returns from debt financing. The quality of the Company's projects and properties makes management confident of obtaining suitable long-term financing for those projects on completion of development as well as those properties with maturing existing debt. Refinancing debt at maturity with conventional financing is currently limited to between 70% and 75% of appraised value. The Company has an ongoing requirement to access the debt markets and there is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Company or on any terms at all. Management believes that all debts maturing in 2011 will be able to be financed or refinanced as they come due.

Credit Risk

Credit risk mainly arises from the possibility that tenants may be unable to fulfill their lease commitments. Management mitigates this risk by ensuring that Plazacorp's tenant mix is diversified and heavily weighted to national tenants and by ensuring any significant individual revenue exposures are to tenants of significant credit worthiness. Plazacorp also maintains a portfolio that is diversified geographically so that exposure to local business is lessened.

Currently one tenant, Shoppers Drug Mart, represents 24.2% of current monthly gross rents in place. The top 10 tenants collectively represent approximately 52.1% of total revenues in place. National and regional tenants represent 93.1% of the in-place tenant base.

Lease Roll-Over and Occupancy Risk

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

Management attempts to stagger the lease expiry profile so that Plazacorp is not faced with a disproportionate amount of square footage of leases expiring in any one year. Management further mitigates this risk by maintaining a diversified portfolio mix both by retail 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.

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 fully 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 realty taxes are not reduced by vacancy. Certain costs such as utilities and janitorial costs would not decline with a decline in occupancy.

The hypothetical impact to NOI of a change in occupancy of 1% would be approximately $319 thousand per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions management may take in relation to the changes. Plazacorp's principal management of occupancy risk is the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space.

Development and Acquisition Risk

Plazacorp's external growth prospects will depend in large part on identifying suitable development, redevelopment and acquisition opportunities, pursuing such opportunities, conducting necessary due diligence, consummating acquisitions (including obtaining necessary consents) and effectively operating the properties acquired or developed by the Company. If Plazacorp is unable to manage its growth and integrate its acquisitions and developments 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 material pending or threatening actions, investigations or claims against Plazacorp relating to environmental matters. Plazacorp manages environmental exposures in a proactive manner during every aspect of the property life cycle including extensive due diligence in respect of environmental risk before purchase or development.

PART VI

RELATED PARTY TRANSACTIONS

Management Company

Plaza Group Management Limited provides property management and corporate management services to Plazacorp. In Quebec, staff of Les Immeubles Plaza Z-Corp Inc. handle management duties under a separate management agreement with Plazacorp. These companies employ 79 people in the accounting, finance, engineering, development, leasing and other administrative capacities excluding property specific staff.

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

The management agreements entered into by the Company with Plaza Group Management Limited and Les Immeubles Plaza Z-Corp Inc. effective March 30, 2009 contain an "*Alignment of Interests*" provision. Under this section, Plazacorp maintains the option to purchase the assets of Plaza Group Management Limited based upon its book value and to terminate either management agreement if Plazacorp determines that specific circumstances exist or certain events have occurred, including: Earl Brewer and/or Michael Zakuta reduce their ownership interest in Plazacorp below their level of shareholdings as of the date of the agreements; if they sell their interest in the management companies; if there is a change of control of Plazacorp or a sale of substantially all of its assets; or, if the managers are subject to any litigation which results in a court order restricting their ability to carry out their duties effectively under the management agreements. Further, Plazacorp has the right to terminate the management agreements, at no cost, for any reason during the final two years of the contract term upon six months' notice to the managers.

Mr. Brewer and Mr. Zakuta did not receive any direct compensation from the Company for performing their duties as Chairman and President and Chief Executive Officer, respectively or as directors, during 2010 and 2009.

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

	Plaza Group Management Limited fee structure
Property Management	3% of gross rents paid.
Corporate Management	¾% of gross rents paid in the preceding fiscal year.
Leasing	4% of net rental revenue per year for first five years of lease term. 2% of net rental revenue per year for years six to ten of lease term. Leasing fees for renewal are at 50% of the above rates.
Development	4% of costs of construction on development projects. 10% of tenant improvement costs on non-development projects.
Debt financing	¾ % of loan amount where no outside broker is involved. ¼ % of loan amount where an outside broker is involved.
Capital	Where and when permitted by securities law: 3% of capital raised where no external broker is involved. 1 ½ % of capital raised where no external broker is involved and where the proceeds are used to retire/redeem maturing capital. ¾% of capital raised where an outside broker is involved.
Acquisitions	2% of the purchase price of assets or capitalized value of land leases.
Dispositions	1 ½ % of the proceeds of disposition on assets.
Legal Services	Cost recovery basis, currently $158 per hour.

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

(000's) Fee Category	Included for Reporting Purposes In	3 Months Ended December 31, 2010 (unaudited)	3 Months Ended December 31, 2009 (unaudited)	12 Months Ended December 31, 2010	12 Months Ended December 31, 2009
Property Management	Property operating expenses	**$ 286**	$ 285	**$ 1,410**	$ 1,439
Corporate Management	Administrative expenses	**91**	86	**365**	260
Leasing	Tenant acquisition costs	**434**	268	**1,113**	1,038
Development	Income producing properties	**159**	230	**454**	906
Financing and Capital	Debt or equity	**(7)**	41	**648**	104
Acquisition	Income producing properties	**39**	35	**136**	59
Disposition	Gain on disposal of income producing properties or surplus lands	**(7)**	76	**10**	268
Legal Services	Varies based on service provided	**70**	119	**445**	455
Total		**$ 1,065**	$ 1,140	**$ 4,581**	$ 4,529

Notes Payable to Related Parties

Notes payable fall into two categories:

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

(000's)	Interest Rate	December 31, 2010	December 31, 2009
Non-interest bearing notes:			
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta, President, Chief Executive Officer and Director of the Company	n/a	**$ 261**	$ 261
Total		**$ 261**	$ 261

Bonds and Debentures Held

The Directors directly or indirectly held at face value, convertible debentures and mortgage bonds of the Company as follows:

(000's)	December 31, 2010	December 31, 2009
Richard Hamm	**$ 325**	$ 1,025
Michael Zakuta	**2,163**	2,068
Edouard Babineau	**2,150**	1,850
Earl Brewer	**1,755**	1,655
Stephen Johnson	**1,220**	1,220
Barbara Trenholm	**464**	464
Total	**$ 8,077**	$ 8,282

Other Related Party Transactions

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

TC Land LP, a wholly owned subsidiary of TC Land REIT, an entity controlled by Michael Zakuta and Earl Brewer, leases nine parcels of land to Plazacorp at a total annual rent of $877 thousand. The land leases expire at various times from October 2043 to November 2047, subject to options to renew or purchase. The business purpose of the leases is to enhance levered equity returns on the affected assets.

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, 2010 and all related public filings.

In contrast to the certificate required under Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (MI 52-109), the TSX Venture Exchange Issuer Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR), as defined in MI 52-109. In particular, the certifying officers filing certificates for TSX 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 TSX Venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CRITICAL ACCOUNTING POLICIES

Critical Accounting Estimates

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

Properties Under Development

Pre-construction costs, 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 redevelopment are capitalized. Once a property generates revenue, the interest and net operating losses are capitalized until the earlier of 90% occupancy, six months after substantial completion of construction or the date the property becomes profitable. Once a property under development achieves the aforementioned threshold it is reclassified as an income producing property.

Property Acquisitions

The Company is required to allocate the purchase price of a new acquisition to acquired tangible and intangible assets and in-place leases. Management uses estimates and judgments with respect to such items as market rates and discount rates to derive the fair values of these various components. Future depreciation and amortization are impacted by the derived allocations, due to the varying rates of amortization for these different assets.

Asset Value Impairment

Income producing properties are carried at cost. If events or circumstances indicate that the carrying value of an income producing property may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows

generated from the income producing property. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income producing property is written down to estimated fair value and an impairment loss is recognized.

Goodwill is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. When the carrying amount of a reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment is recognized in an amount equal to the excess.

Fair Value of Debt

In determining estimates of the fair values of financial instruments, the Company must make assumptions regarding current market rates, considering the terms of the instruments and their risk. Current market rates are generally selected from a range of potentially acceptable rates and accordingly, other effective rates and fair values are possible.

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 of August 1, 2010 the Company has entered into an interest rate swap to fix the rates for two variable rate mortgages. These mortgages are valued quarterly and are recognized at fair value in mortgages payable with changes in the fair value reflected in other comprehensive loss. At December 31, 2010, there are no embedded derivatives in the Company's financial instruments that require separation and measurement.

Variable Interest Entities

The Company evaluates all joint-venture relationships and partial ownership interests to determine whether or not they are subject to the variable interest entity guidelines as directed by AcG-15 in respect of applying consolidation, equity accounting, joint-venture accounting or cost accounting. The Company has consolidated Plazacorp Ontario3 Limited Partnership (King & Mill) as the guidelines for classification of a variable interest entity have been met. As of March 31, 2010 the Company no longer consolidates Plazacorp Ontario1 Limited Partnership (Hastings Street Bancroft, Main Street Alexandria and Ottawa Street) and as of August 1, 2010 the Company no longer consolidates Plazacorp Ontario2 Limited Partnership (Scugog Street Port Perry and Amherstview) as they do not meet the guidelines for classification as variable interest entities. Plazacorp Ontario1 Limited Partnership is accounted for by the equity method and Plazacorp Ontario2 Limited Partnership is proportionately consolidated at 50%.

FUTURE ACCOUNTING POLICY CHANGES

International Financial Reporting Standards

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

The implementation is following a four step phased approach. The awareness and assessment phase of developing an understanding of the complexity of the conversion process has been completed and a conversion plan has been developed that has determined the priorities and timelines. The process to transition from current GAAP to IFRS is nearing completion and the Company is on track to have IFRS compliant Interim Consolidated Financial Statements for the quarter ending March 31, 2011.

The Company substantially completed a detailed analysis of the differences between GAAP and IFRS in Q4 2009 in order to obtain an understanding of the impact to the Company and to determine the process changes required for implementation. The standards which are expected to have the greatest impact to the Company include those relating to investment properties, consolidations, investments in associates, joint venture accounting, convertible debentures and taxation. These will be discussed in more detail below.

The design phase was completed in 2010 and the implementation phase is being completed. Accounting policy choices have been made by the date of this MD&A. Implementing IFRS will have an impact on the accounting, financial reporting, supporting processes, and the contractual commitments involving GAAP-based debt covenants. With respect to GAAP-based debt covenants, the Company is currently working with its lenders to revise loan agreements accordingly to eliminate

market-based fluctuations from those calculations that will exist under IFRS (as discussed more fully below). This will allow the Company to maintain similar covenant patterns and tests as exist today. The Company feels that this prudently manages its risk profile by not subjecting it to factors outside of its control. The implementation plan has ensured proper training to individuals who are impacted by these changes, increasing awareness and knowledge to management, the Board of Directors, and Audit Committee, and a review of relevant contracts and awareness to ensure compliance. In early 2010, the Company held IFRS information sessions with members of the Board of Directors and senior management. During the session with the Board, management provided the implications of the convergence to IFRS with an overview of the impact of significant differences to the financial statements. The timeline for implementation was also reviewed and the Audit Committee continues to receive project status updates from management at the quarterly Audit Committee meetings. The preparation of IFRS financial statements, including note disclosures, for interim and annual periods is well underway.

The Company is continually assessing the impact of the transition to IFRS and is reviewing all of the proposed and ongoing changes to the International Accounting Standards to determine their impact on the Company. In accordance with IFRS, any accounting policies used for the March 31, 2011 IFRS financial statements will be based on IFRS standards expected to be applicable and what the Company expects to adopt for its December 31, 2011 financial statements. Therefore, any discussions below are based on IFRS standards currently known and currently expected to be effective. As well, any quantitative discussions of changes to the Company's balance sheet at January 1, 2010 as a result of adoption of IFRS are draft and unaudited.

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

IFRS 1 – First-time adoption of International Financial Reporting Standards

The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its 2011 annual financial statements. IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company will apply IFRS is January 1, 2010 ("the transition date") and has prepared its opening IFRS balance sheet as at that date. IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time adopters, which are described in more detail as they apply to the Company below.

(a) Elected Exemptions From Full Retrospective Application

In preparing consolidated financial statements in accordance with IFRS 1, the Company will apply certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions to be applied by the Company are described below.

(i) Business combinations

The Company will apply the business combinations exemptions in IFRS 1 to not apply IFRS 3 - Business Combinations retrospectively to past business combinations. Accordingly, the Company will not restate business combinations that took place prior to the transition date.

(ii) Share-based payment transactions

The Company has elected to apply IFRS 2 - Share-based Payments to equity instruments granted after November 7, 2002 that have not vested by the transition date.

(iii) Leases

The Company has elected to apply the transitional provision in IFRIC 4 - Determining whether an Arrangement contains a Lease. The Company has determined whether an arrangement contains a lease at the date of transition to IFRS rather than at the inception of the arrangement.

(b) Mandatory Exceptions to Retrospective Application

In preparing the consolidated financial statements in accordance with IFRS 1 the Company will apply certain mandatory exceptions from full retrospective application of IFRS. The mandatory exception to be applied by the Company from full retrospective application of IFRS is described below.

(i) Estimates

Hindsight will not be used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP will not be revised for the application of IFRS except where necessary to reflect any difference in accounting policy.

Investment Property

Under IAS 40 – Investment Property, investment property is defined as property held to earn rentals, capital appreciation, or both, rather than for use in the production or supply of goods or services, administrative purposes, or for sale in the ordinary course of business. The Company's investment properties, under IFRS, consist of all of the Company's income producing properties (including property interests held under land lease), properties under development and surplus lands. Similar to Canadian GAAP, under IFRS, investment property is initially recognized at cost. Subsequent to initial recognition IFRS requires that an entity account for investment property using either the cost or fair value model. First time adoption of IFRS, allows an entity, at the date of transition to IFRS, to revalue investment properties at fair value and deem this amount as cost going forward, if the entity chooses the cost model. It is also allowable, under IFRS, for an entity to maintain historical cost and continue to use the cost model. The cost model is generally consistent with Canadian GAAP in existence at December 31, 2010, in that investment properties are carried at cost less accumulated depreciation on the balance sheet. If the cost model is chosen, the fair value is required to be disclosed in the notes to the consolidated financial statements.

After careful review and analysis the Company has chosen the fair value method of presenting its investment properties as it is a more meaningful measure of the Company's primary assets. The opening adjustment to fair value at the transition date will be recorded in shareholders' equity. Fair value represents the amount at which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction at the date of valuation.

For the Company, the fair value of investment properties is based on a combination of external appraisals and internal valuations based on a capitalization matrix provided by an independent appraiser. Management will undertake a quarterly review of the fair value of its investment properties to assess the continuing validity of the underlying assumptions such as cash flow and capitalization rates. Where increases or decreases are warranted, the Company will adjust the fair values of its investment properties.

Under the fair value model depreciation of investment properties will no longer be recorded. Straight-line rent, goodwill and intangible assets and liabilities which are currently reported separately under Canadian GAAP, are effectively included in the fair value of investment properties under IFRS. Straight-line rent, although effectively included in investment properties, will continue to be amortized as a reduction of revenue.

Valuation Methodology

The Company has determined the fair value of investment properties based on a direct capitalization income approach. Under this approach, capitalization rates are applied to normalized NOI. Costs to complete are deducted from the value obtained for properties under development. The key assumption is the capitalization rate for each specific property. The Company receives quarterly capitalization rate matrices from an external independent appraiser. The capitalization rate matrices provide a range of rates for various geographic regions and for various types and qualities of properties within each region. The Company utilizes capitalization rates within the range of rates provided. To the extent that the externally provided capitalization rate ranges change from one reporting period to the next or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly. When available, external appraisals of properties (which are obtained in the normal course of business for financing and other purposes) are used in place of the direct capitalization approach.

At January 1, 2010 the Company has utilized the following range of capitalization rates, with a weighted average rate of 8.2% for the investment property portfolio:

		Range of Capitalization Rates	
	No. of Properties	Primary Market	Secondary Market
Freestanding	36	7.25% – 8.25%	7.50% – 9.00%
Anchored Strip – Class A	10	7.25% – 8.00%	7.50% – 8.75%
Anchored Strip – Class B	15	7.50% – 8.25%	7.75% – 9.25%
Unanchored Strip	26	7.75% – 8.50%	8.00% – 10.00%
Enclosed Malls - Community	5	7.75% – 9.00%	8.25% – 10.25%

Freestanding - defined as freestanding retail space with less than 30,000 square feet and a national tenant.

Anchored Strip – Class A - defined as a food-anchored retail strip, 75,000-125,000 square feet and where the anchor tenant represents 70% or more of gross leasable area (“GLA”) / gross revenue.

Anchored Strip – Class B - defined as a food-anchored retail strip, 75,000-125,000 square feet and where the anchor tenant represents less than 70% of GLA / gross revenue.

Unanchored Strip - defined as an unanchored retail strip less than 75,000 square feet.

Enclosed Malls - Community - defined as an enclosed community mall with food and/or department store anchors.

The investment properties will be carried at the fair value on the balance sheet and changes to the fair value for each period will be recorded in the consolidated statement of income and other comprehensive loss. The underlying fair value of investment properties included in equity-accounted investments must also be recorded (using the same methodology and matrices), with the Company picking up its share of that adjustment. The fair value of the Company’s investment properties and equity-accounted investments at January 1, 2010 will increase by approximately $120 million over the historical cost amounts currently reported under Canadian GAAP. Approximately $103 million of the increase relates to investment properties (approximately $95 million increase, net of derecognition of goodwill, straight-line rent and intangible assets and liabilities) and approximately $17 million of the increase relates to equity-accounted investments. At January 1, 2010, the fair value of investment properties will be approximately $375 million, while the fair value of equity-accounted investments will be approximately $24 million. These amounts do not include any portfolio premium. Management is in the process of determining the fair value of investment properties and equity-accounted investments at December 31, 2010.

Basis of Consolidation

Under the current IFRS standard on joint ventures, jointly controlled entities can be consolidated using either the proportionate consolidation method or the equity method. Currently under Canadian GAAP, jointly controlled entities are accounted for using proportionate consolidation. An exposure draft released for the new International Accounting Standard on joint ventures proposes to eliminate the option for proportionate consolidation of jointly controlled entities. The release and effective date for this Standard has been delayed due to significant opposition by stakeholders and is not anticipated to be effective until 2012.

Under IFRS, the financial statements will comprise the financial statements of the Company and the entities that it controls at the end of each period. Control is present when a company has the power, directly or indirectly, to govern the financial and operating policies of the controlled entity. In determining control the effect of potential voting rights existing as at the balance sheet date is taken into account. Entities subject to joint control arrangements are accounted for using proportionate consolidation. Entities subject to significant influence are accounted for using the equity method. The financial statements of the consolidated and equity accounted entities will be prepared for the same reporting period as the Company, using consistent accounting policies.

Given the uncertainty of the exposure draft, the Company will continue to use proportionate consolidation for its joint ventures.

Under Accounting Guideline #15 – Consolidation of Variable Interest Entities, the Company currently evaluates each of its joint ventures and partnership arrangements to determine whether the Company is at risk for the majority of losses or is entitled to a majority of the benefits from the entity. If the Company determines the classification for a variable interest entity is met then the entity is consolidated based on the Guideline. Under IFRS, the concept of a variable interest entity does not exist, and after review of IFRS 3 – Business Combinations and SIC 12 – Consolidation of Special Purpose Entities, it has been determined that entities consolidated as variable interest entities at January 1, 2010 will not require consolidation under

IFRS. The impact to the Company's IFRS balance sheet at January 1, 2010 will be a decrease in assets of approximately $3 million.

Convertible Debentures

Under IFRS, the Company will be required to present the conversion feature of its convertible debentures as a liability measured at fair value. Alternatively, the Company can choose to measure the entire balance of convertible debentures at fair value rather than separate the embedded derivative. In either case, the opening adjustment to fair value at the transition date will be recorded in shareholders' equity, with the changes to the fair value for each period being recorded in the consolidated statement of income and other comprehensive loss. Under Canadian GAAP, the value of the conversion feature of the Company's convertible debentures is included as a component of shareholders' equity and is not remeasured at fair value at each reporting date. The liability component of the convertible debentures is measured at amortized cost under Canadian GAAP. The Company is currently reviewing the impact of this change to the financial statements, as the Company's convertible debentures are not publicly traded and therefore a valuation methodology will need to be applied to arrive at the IFRS balances. Application of IFRS with respect to the Company's convertible debentures may create a material difference compared with the balances currently reported under Canadian GAAP.

Taxation

Under both IFRS and Canadian GAAP, future income taxes are recorded for the temporary differences arising in respect of assets and liabilities at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the reporting date.

All changes to the Company's opening balance sheet arising from the conversion to IFRS will require a corresponding tax asset or liability based on the differences between the carried value of assets and the liabilities and the associated tax bases. Under IFRS future income taxes are based on a combination of capital gains rates and income rates for temporary differences. This differs from Canadian GAAP which uses income rates. The change to the net deferred income tax liability at January 1, 2010 will be an increase of approximately $19 million.

ADDITIONAL INFORMATION

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

Attached as Appendix A is a chart listing the Company's properties at December 31, 2010.

Attached as Appendix B are the Consolidated Statements of Income and Other Comprehensive Income for the quarters ended December 31, 2010 and 2009.

APPENDIX A

PROPERTIES OF THE COMPANY

Property	Location	Year Built/ Redeveloped	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Dec-10	Major Tenants
Strip Plazas						
Les Promenades St. Francois	Laval, QC	1987/2001	54,738	100%	100%	Jean Coutu, Dollarama
Plaza Hotel de Ville	Rivière-du-Loup, QC	1990	20,412	100%	100%	Bouclair, Yellow Shoes
Plaza Theriault	Rivière-du-Loup, QC	1995	25,780	100%	100%	National Bank, Reitmans
Plaza BBRF	Sherbrooke, QC	2008	20,631	50%	100%	Shoppers Drug Mart
Plaza Boulevard Royal	Shawinigan, QC	1977/2008	128,222	100%	97%	Caisse Populaire, Dollarama
Carrefour des Seigneurs	Terrebonne, QC	1992/2004	33,900	25%	97%	Jean Coutu
St. Anne Street Plaza	Bathurst, NB	2006	25,299	100%	96%	Dollarama, Reitmans
St. Peters Avenue Plaza	Bathurst, NB	2006	23,273	100%	100%	Shoppers Drug Mart
Champlain Plaza	Dieppe, NB	2005	48,815	100%	100%	Shoppers Drug Mart, Bulk Barn
Boulevard Hebert Plaza	Edmundston, NB	2006	26,689	100%	100%	Shoppers Drug Mart
Victoria Street Plaza	Edmundston, NB	2007	22,025	100%	77%	Reitmans, Dollarama
Empire Plaza	Fredericton, NB	2003	13,743	100%	84%	Dollarama
FHS Plaza	Fredericton, NB	1999	24,280	100%	100%	Cleve's Sports, Bulk Barn
Main Place	Fredericton, NB	1992/2004	31,284	100%	93%	Shoppers Drug Mart
Nashwaaksis Plaza	Fredericton, NB	1997	55,814	100%	100%	Dollarama
Madawaska Road Plaza	Grand Falls, NB	2005	10,410	100%	100%	Pizza Delight, Tim Horton’s
KGH Plaza	Miramichi, NB	2007	18,969	25%	100%	Shoppers Drug Mart
Miramichi Power Center - 1	Miramichi, NB	2005	38,033	100%	100%	Staples, Bulk Barn
Miramichi Power Center - 2	Miramichi, NB	2005	22,316	100%	91%	Dollarama, Boston Pizza
Boulevard Plaza	Moncton, NB	2004	83,021	100%	100%	Winners, Michael's
Wedgewood Plaza	Riverview, NB	1999	12,768	100%	100%	Dollarama
Crown Street	Saint John, NB	2006	21,764	100%	100%	Shoppers Drug Mart
Exhibition Plaza	Saint John, NB	2004	75,280	55%	100%	Empire Cinemas
Fairville Boulevard - 2	Saint John, NB	2009	56,925	100%	90%	Bulk Barn, Staples
Major Brook Drive Plaza	Saint John, NB	2005	40,559	55%	100%	Michael's, Boston Pizza
McAllister Drive Plaza	Saint John, NB	1999	24,921	55%	100%	McDonald’s, Cleve’s
SCA Plaza	Saint John, NB	2002	17,430	55%	100%	Bulk Barn
Main and Western Street Plaza	Sussex, NB	2007	14,300	100%	100%	Dollarama
Connell Road Plaza	Woodstock, NB	2004	19,645	100%	88%	Mark's Work Wearhouse, Dollarama
303 Main Street Plaza	Antigonish, NS	2005	19,542	100%	92%	Shoppers Drug Mart
Bedford Commons	Bedford, NS	2009	72,622	100%	92%	Future Shop, Dollarama
Tacoma Centre	Dartmouth, NS	1983/2002	156,349	50%	97%	Sobeys, Dollarama
Tacoma Valley Field	Dartmouth, NS	2005	25,325	50%	91%	Shoppers Drug Mart
201 Chain Lake Drive	Halifax, NS	1995/2004	118,505	50%	97%	Home Outfitters
209 Chain Lake Drive	Halifax, NS	1998	89,549	50%	100%	Value Village, Bulk Barn
Joseph Howe Drive Plaza	Halifax, NS	2007	23,599	100%	100%	Shoppers Drug Mart
Staples Plaza	New Glasgow, NS	2001	33,763	100%	100%	Staples
V-8 Plaza	New Glasgow, NS	2004	16,470	100%	100%	Dollarama, Swiss Chalet
Commercial Street Plaza	New Minas, NS	2003	15,342	100%	100%	Swiss Chalet, Penningtons
Granite Drive Plaza	New Minas, NS	2009	83,933	100%	100%	Lawtons, Future Shop, Winners
Silver Fox Plaza	New Minas, NS	2010	42,078	100%	100%	Giant Tiger, Michael’s
North Sydney Plaza	North Sydney, NS	2007	20,372	100%	100%	Shoppers Drug Mart
Welton Street Plaza	Sydney, NS	2004	20,975	100%	100%	Dollarama, Bulk Barn
Robie Street Plaza	Truro, NS	2007	21,890	25%	100%	Shoppers Drug Mart
Pleasant Street Plaza	Yarmouth, NS	2005	22,586	100%	87%	Shoppers Drug Mart
Starr's Road Plaza	Yarmouth, NS	1976/2005	63,704	100%	96%	Empire Theatres, Dollarama
Belvedere Plaza	Charlottetown, PE	1979/2000	77,459	60%	100%	Marks Work Wearhouse, Indigo
Spring Park Plaza	Charlottetown, PE	1998	49,734	85%	100%	Fabricville, Value Village
UAS Plaza	Charlottetown, PE	2006	23,386	100%	100%	Shoppers Drug Mart, TD Bank
University Plaza	Charlottetown, PE	1977/1998	62,046	43%	100%	Dollarama, Smitty's
Granville Street Plaza	Summerside, PE	1997/2011	62,324	60%	89%	Dollarama, Mark's Work Wearhouse

Property	Location	Year Built/ Redeveloped	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Dec-10	Major Tenants
15260 Yonge Street	Aurora, ON	2006	14,177	50%	100%	Dollarama
Scott Street Plaza	St. Catharines, ON	2007	25,709	50%	100%	Shoppers Drug Mart
Bay Roberts Plaza	Bay Roberts, NL	2006	20,468	100%	100%	Shoppers Drug Mart
Conception Bay South Plaza	Conception Bay South, NL	2006	22,980	100%	100%	Shoppers Drug Mart
Kenmount Road Plaza	St. John's, NL	2006	20,576	100%	100%	XS Cargo, Montana's
LeMarchant Road Plaza	St. John's, NL	2007	18,309	100%	100%	Shoppers Drug Mart
Sub-total			2,255,018		97.5%	
Enclosed Malls						
Les Galeries Montmagny	Montmagny, QC	1977/1990	138,346	50%	99%	Maxi, Hart, Uniprix
Les Promenades du Cuivre	Rouyn-Noranda, QC	1987/2003	148,911	100%	100%	Hart, Uniprix, Royal Bank
Grand Falls Shopping Centre	Grand Falls, NB	1972/2005	133,970	100%	93%	Staples, Shoppers Drug Mart, Hart
Oromocto Mall	Oromocto, NB	1976/2008	76,401	100%	98%	Shoppers Drug Mart
Gateway Mall	Sussex, NB	1978/2008	161,164	25%	95%	Sobeys, Canadian Tire
Sub-total			658,792		96.8%	
Single Use						
Plaza BDP	Deux Montagnes, QC	2007	16,940	37.5%	100%	Shoppers Drug Mart
Bureau en Gros	Granby, QC	2000	25,695	50%	100%	Staples
Plaza TS Magog	Magog, QC	2006	17,452	50%	100%	Shoppers Drug Mart
Jean Talon	Montreal, QC	-	6,000	35%	100%	Temporary tenant
Bureau en Gros	Rimouski, QC	2001	25,771	50%	100%	Staples
CPRDL	Rivière-du-Loup, QC	2007	41,568	50%	100%	Caisse Populaire
Plaza Jean XXIII	Trois-Rivieres, QC	2007	16,721	50%	100%	Shoppers Drug Mart
Miramichi West Plaza	Miramichi, NB	2009	18,210	100%	100%	Shoppers Drug Mart
681 Mountain Road	Moncton, NB	2004	19,504	25%	100%	Shoppers Drug Mart
Staples	Saint John, NB	1997	25,293	100%	100%	Staples
Fairville Boulevard - 1	Saint John, NB	2008	57,000	100%	100%	Sobeys
Main and Sackville	Shediac, NB	2009	23,652	100%	100%	Shoppers Drug Mart
Main and Victoria	Shediac, NB	2007	10,287	100%	100%	Dollarama
201 Main Street	Sussex, NB	2007	16,915	25%	100%	Shoppers Drug Mart
Central Avenue Plaza	Greenwood, NS	2006	16,989	100%	100%	Shoppers Drug Mart
912 East River Road	New Glasgow, NS	2005	16,912	100%	100%	Shoppers Drug Mart
Kings Road Plaza	Sydney River, NS	2006	16,847	100%	100%	Shoppers Drug Mart
Amherstview	Amherstview, ON	2010	18,029	50%	100%	Shoppers Drug Mart
615 King Street	Gananoque, ON	2008	16,619	50%	100%	Shoppers Drug Mart
St. Josephs Boulevard	Orleans, ON	2008	16,799	50%	100%	Shoppers Drug Mart
Dufferin & Wilson (Perth)	Perth, ON	2008	16,782	50%	100%	Shoppers Drug Mart
Civic Center Road	Petawawa, ON	2008	17,036	50%	100%	Shoppers Drug Mart
Port Hope Plaza	Port Hope, ON	2008	22,650	50%	100%	Shoppers Drug Mart
Scugog Street Port Perry	Port Perry, ON	2010	16,776	50%	100%	Shoppers Drug Mart
Airport Blvd. Plaza	Gander, NL	2008	18,077	100%	100%	Shoppers Drug Mart
Ville Marie Drive Plaza	Marystown, NL	2010	14,580	100%	100%	Dollarama
Sub-total			529,104		100%	
Income producing properties			3,442,914		97.8%	
Projects Under Development						
90 Blvd. Tache Ouest	Montmagny, QC		-	50%	-	In Planning
Magog	Magog, QC		75,000	50%	-	In Planning
Bedford Commons – 2	Bedford, NS		103,500	100%	63%	Winners, Staples, SportChek
Commercial Street Plaza – 2	New Minas, NS		-	100%	-	In Planning
King & Mill	Newcastle, ON		15,051	50%	100%	Shoppers Drug Mart
Stavanger Drive	St. John's, NL		49,600	90%	100%	Best Buy, Petsmart
Torbay & MacDonald	St. John's, NL		18,500	100%	100%	Shoppers Drug Mart
Sub-total			261,651		56.6%	
Total Excluding Non-Consolidated Trusts and Partnerships			3,704,565		94.9%	

Property	Location	Year Built/ Redeveloped	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Dec-10	Major Tenants
Non-Consolidated Trusts and Partnerships[1]						
3550 Sources	Dollard des Ormeaux, QC	2006	8,391	10%	100%	National Bank
Centennial Plaza	Dollard des Ormeaux, QC	1979/2008	152,101	10%	100%	Value Village, Jean Coutu
Marche De L'Ouest	Dollard des Ormeaux, QC	1983/2003	128,151	20%	100%	IGA, SAQ
Place Du Marche	Dollard des Ormeaux, QC	1979/2008	35,318	10%	86%	Laurentian Bank, Starbucks
BPK Levis	Levis, QC	1985	89,920	10%	100%	Maxidollar, Jeans Depot
Plaza des Recollets	Trois Rivieres, QC	2006	73,730	15%	100%	Winners/Home Sense
Northwest Centre	Moncton, NB	1998/2003	177,821	10%	100%	Zellers, Princess Auto
Shediac West	Shediac, NB	2009	65,842	10%	100%	Canadian Tire, Sobeys
Main Street Alexandria	Alexandria, ON	2009	17,242	25%	100%	Shoppers Drug Mart
Ottawa Street	Almonte, ON	2010	18,365	25%	100%	Shoppers Drug Mart
Hastings Street Bancroft	Bancroft, ON	2009	17,538	25%	100%	Shoppers Drug Mart
Village Shopping Centre	St. John's, NL	1978/2006	418,363	30%	83%	Hart, Labels, Dollarama, SportChek
Sub-total			1,202,782		93.2%	
Grand Total			4,907,347		94.5%	

[1] *See page 12 of the MD&A for details on the investment income of these properties.*

APPENDIX B

FOURTH QUARTER 2010 RESULTS

Consolidated Statements of Income and Other Comprehensive Income

(000's, except per share amounts) (unaudited)	3 Months Ended December 31, 2010	3 Months Ended December 31, 2009
Rental revenue	$ 13,129	$ 12,905
Operating expenses	5,307	5,120
Net property operating income	7,822	7,785
Investment income	91	328
Income from properties and investments	7,913	8,113
Interest costs	4,362	4,174
Income before undernoted	3,551	3,939
Administrative expenses	437	358
Amortization	2,670	2,834
Income before undernoted	444	747
Loss on disposal of income producing properties	-	(6)
Gain (loss) on disposal of surplus lands	117	(2)
Income before income taxes, non-controlling interests and discontinued operations	561	739
Income tax expense (recovery)		
– current	10	(1)
– future	(107)	(753)
	(97)	(754)
Income before non-controlling interests and discontinued operations	658	1,493
Non-controlling interests	114	202
Income before discontinued operations	$ 544	$ 1,291
Gain on disposal of discontinued operations	777	-
Income from discontinued operations	4	13
Income before other comprehensive income	$ 1,325	$ 1,304
Earnings per share – basic		
Continuing operations	$ 0.011	$ 0.027
Gain on disposal of income producing properties	0.016	-
Discontinued operations	0.000	0.000
	$ 0.027	$ 0.027
Earnings per share – diluted		
Continuing operations	$ 0.011	$ 0.027
Gain on disposal of income producing properties	0.016	-
Discontinued operations	0.000	0.000
	$ 0.027	$ 0.027
Other Comprehensive Income		
Income before other comprehensive income	$ 1,325	$ 1,304
Net revaluation of interest rate swaps	180	-
Income and other comprehensive income	$ 1,505	$ 1,304

To the Shareholders of Plazacorp Retail Properties Ltd.

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

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

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

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

Michael Zakuta
President and CEO
March 31, 2011

Floriana Cipollone
Chief Financial Officer
March 31, 2011

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PLAZACORP RETAIL PROPERTIES LTD.

We have audited the accompanying consolidated financial statements of Plazacorp Retail Properties Ltd., which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009, the consolidated statements of income and other comprehensive income, deficit and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Plazacorp Retail Properties Ltd. as at December 31, 2010 and December 31, 2009, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Fredericton, Canada
March 31, 2011

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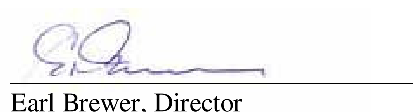
Plazacorp Retail Properties Ltd.
Consolidated Balance Sheets (audited)
(in thousands of Canadian dollars)

	2010	2009
Assets		
Income producing properties (Note 3)	**$ 267,267**	$ 266,380
Properties under development (Note 4)	**19,886**	14,382
Surplus lands	**957**	748
Intangible assets	**1,061**	1,444
Cash	**5,419**	3,875
Notes receivable (Note 5)	**362**	632
Receivables (Note 6)	**1,126**	980
Straight-line rent receivables	**5,245**	4,582
Tenant loans (Note 7)	**1,679**	2,489
Prepaid expenses and deposits (Note 8)	**2,970**	2,926
Income taxes receivable and refundable capital gains tax (Note 16)	**85**	98
Future income tax asset (Note 16)	**315**	793
Investments (Note 9)	**7,401**	6,380
Goodwill	**2,025**	2,025
Deficits of subsidiaries (Note 10)	**1,338**	1,193
	$ 317,136	$ 308,927
Liabilities		
Mortgages payable (Note 11)	**$ 226,494**	$ 215,955
Mortgage bonds payable (Note 12)	**11,622**	21,589
Debentures payable (Note 13)	**35,351**	21,571
Notes payable (Note 14)	**555**	2,054
Accounts payable and accrued liabilities	**7,062**	6,198
Income taxes payable	**37**	-
Future income tax liability (Note 16)	**10,522**	10,303
Below market leases	**268**	361
	291,911	278,031
Non-controlling interest in net assets (Note 10)	**-**	2,836
Shareholders' Equity		
Equity portion of convertible debt (Note 13)	**1,181**	966
Share capital (Note 17)	**47,335**	43,349
Contributed surplus (Note 18)	**64**	97
Deficit	**(23,355)**	(16,352)
	25,225	28,060
	$ 317,136	$ 308,927

Contingencies, commitments, guarantees, indemnities and litigation – see Note 25.
Subsequent events – see Note 28.

Michael Zakuta, Director



Earl Brewer, Director

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.

Consolidated Statements of Deficit (audited)

(in thousands of Canadian dollars)

	2010	2009
Deficit, beginning of the period	**$ (16,352)**	$ (11,316)
Income before other comprehensive loss	**2,561**	3,840
Other comprehensive loss	**(43)**	-
Dividends	**(9,521)**	(8,876)
Deficit, end of the period	**$ (23,355)**	$ (16,352)

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.
Consolidated Statements of Income and Other Comprehensive Loss (audited)

(in thousands of Canadian dollars, except per share amounts)

	2010	2009
Rental revenues	**$ 51,522**	$ 48,477
Operating expenses	**20,600**	19,706
Net property operating income	**30,922**	28,771
Investment income	**1,121**	1,307
Income from properties and investments	**32,043**	30,078
Interest costs	**17,187**	14,566
Income before undernoted	**14,856**	15,512
Administrative expenses	**1,566**	1,361
Amortization	**10,549**	10,274
Income before undernoted	**2,741**	3,877
Gain (loss) on disposal of surplus lands	**117**	(6)
Gain on disposal of income producing properties (Note 3)	**16**	671
Income before income taxes, non-controlling interests and discontinued operations	**2,874**	4,542
Income tax expense (Note 16)		
– current	**42**	44
– future	**611**	45
	653	89
Income before non-controlling interests and discontinued operations	**2,221**	4,453
Non-controlling interests	**476**	651
Income before discontinued operations	**$ 1,745**	$ 3,802
Gain on disposal of discontinued operations (Note 23)	**777**	-
Income from discontinued operations (Note 23)	**39**	38
Income before other comprehensive loss	**$ 2,561**	$ 3,840
Earnings per share – basic (Note 17c)		
Continuing operations	**$ 0.035**	$ 0.079
Gain on disposal of discontinued operations	**0.016**	-
Discontinued operations	**0.001**	0.001
	$ 0.052	$ 0.080
Earnings per share – diluted (Note 17c)		
Continuing operations	**$ 0.035**	$ 0.076
Gain on disposal of discontinued operations	**0.016**	-
Discontinued operations	**0.001**	0.001
	$ 0.052	$ 0.077

Other Comprehensive Loss

	2010	2009
Income before other comprehensive loss	**$ 2,561**	$ 3,840
Net revaluation of interest rate swaps (Note 11 and 26a)	**43**	-
Income and other comprehensive loss	**$ 2,518**	$ 3,840

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.

Consolidated Statements of Cash Flows (audited)

(in thousands of Canadian dollars)	**2010**	2009
Cash obtained from (used for):		
Operating activities		
Income before other comprehensive loss	**$ 2,561**	$ 3,840
Items not affecting cash:		
Non-cash investment income	**(842)**	(998)
Amortization per statement of income and other comprehensive loss	**10,549**	10,274
Amortization of financing charges	**1,000**	706
Amortization of above/below market leases	**(70)**	(112)
Amortization included in discontinued operations	**11**	14
(Gain) loss on disposal of surplus lands	**(117)**	6
Gain on disposal of income producing properties and discontinued operations	**(854)**	(671)
Stock option compensation	**5**	20
Interest relating to debenture accretion	**238**	72
Non-controlling interests	**476**	651
Future income taxes – continuing operations	**611**	68
Future income taxes – discontinued operations	**86**	-
Straight-line rent revenue	**(878)**	(1,111)
Leasing commissions	**(1,356)**	(2,262)
Change in non-cash working capital (Note 20)	**497**	(686)
	11,917	9,811
Financing activities		
Increase (decrease) in notes payable	**377**	(2,318)
Issue of common shares	**800**	383
Dividends paid to shareholders	**(9,521)**	(8,876)
Dividend reinvestment proceeds	**2,171**	2,132
Net proceeds from bonds and debentures	**4,565**	13,422
Gross mortgage proceeds	**91,408**	58,095
Financing charges incurred from mortgage placement	**(1,477)**	(1,041)
Mortgages paid at maturity	**(60,883)**	(28,920)
Periodic mortgage principal repayments	**(3,322)**	(3,018)
	24,118	29,859
Investing activities		
Discontinuance of consolidation	**(1,552)**	(60)
Developments and redevelopments	**(34,346)**	(43,966)
Net proceeds from disposal of income producing properties and discontinued operations	**1,810**	3,702
Net proceeds from disposal of surplus lands	**127**	2,759
Net change in bonds purchased for mortgage defeasances	**(286)**	1,865
Equity-accounted investments – contributions to and distributions from	**372**	(386)
Contributions received from/(paid by) subsidiaries to non-controlling interests	**(662)**	3,570
Decrease (increase) in notes receivable	**270**	(121)
Repayment of tenant loans	**492**	437
Funding of tenant loans	**(773)**	(934)
Decrease in deposits for acquisition and financing	**57**	211
	(34,491)	(32,923)
Net increase in cash	**1,544**	6,747
Cash less bank indebtedness, beginning of the year	**3,875**	(2,872)
Cash less bank indebtedness, end of the year	**$ 5,419**	$ 3,875

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid in cash	**$ 16,515**	$ 14,350
Income and capital taxes paid in cash	**$ 59**	$ 431

See accompanying notes to the consolidated financial statements

1. Nature of Operations

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

2. Basis of Presentation

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

a) Principles of Consolidation

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

b) Variable Interest Entities ("VIE")

Under Accounting Guideline #15 the Company evaluates each of its joint ventures and partnership arrangements to determine whether the Company is at risk for the majority of losses from the entity or is entitled to a majority of the benefits from the entity. As a result of this analysis, the Company has consolidated Plazacorp Ontario3 Limited Partnership, as the guidelines for classification of a variable interest entity have been met. As of March 31, 2010, the Company no longer consolidates Plazacorp Ontario1 Limited Partnership and as of August 1, 2010 the Company no longer consolidates Plazacorp Ontario2 Limited Partnership as they do not meet the guidelines for classification of variable interest entities. Plazacorp Ontario1 Limited Partnership is accounted for by the equity method and Plazacorp Ontario2 Limited Partnership is proportionately consolidated at 50%. There are no other significant changes related to the financial statement presentation of its consolidated subsidiaries, proportionately consolidated joint ventures or investments in non-consolidated partnerships and trusts as at December 31, 2010 compared to December 31, 2009, other than as disclosed in this note and Note 19.

c) Properties Under Development

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

d) Income Producing Properties

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

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

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

Income producing properties in which the Company has no further involvement, due to disposition, are reclassified to discontinued operations.

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

e) Surplus Lands

Surplus lands are generally made up of land parcels that become surplus after assembly and subdivision of parcels used for development of income producing properties. Surplus lands are carried at cost. If 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.

f) Revenue

i) Rental revenue

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

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

ii) Straight-line rent

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

When a property is acquired, the term of existing leases is considered to commence as of the 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 method.

g) 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 of above and below market leases are amortized to revenue over the remaining terms of the respective leases. Intangible assets such as the value of in place leases and the value of tenant relationships are amortized generally over the lease term and anticipated renewal periods, not exceeding the remaining useful life of the related asset.

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

h) Income Taxes

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

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

i) Comprehensive Income

Under Handbook Section 1530, Comprehensive Income consists of Income and Other Comprehensive Income (OCI). OCI represents changes in shareholder's equity during a period arising from transactions and other events with non-owner sources and includes such things as unrealized gains and losses on financial assets classified as "available for sale" and changes to the fair value of the effective portion of derivative financial instruments designated as cash flow hedges.

j) Financial Instruments – Recognition and Measurement

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

Financial assets and financial liabilities classified as "held for trading", if any, are measured at fair value with changes in those fair values recognized in the determination of net income. Financial assets classified as "held to maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method. "Available for sale" assets are presented separately on the Consolidated Balance Sheet and measured at fair value with unrealized gains and losses being recognized in OCI. Derivative instruments are recorded on the Consolidated Balance Sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts that do not meet certain criteria. Changes in fair values of derivative instruments are recognized in Income or OCI depending on their nature. Plazacorp had no embedded derivatives requiring separation in its contracts as at December 31, 2010 or December 31, 2009.

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

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

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

k) *Use of Estimates*

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

l) *Stock-based Compensation Plans*

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

m) *Investments*

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

n) Cash and Cash Equivalents

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

o) Deficits of Subsidiaries

Deficits of subsidiaries represent non-controlling interests in subsidiary entities where the net equity in these subsidiary entities is negative or in a deficit position. The interest is recorded at the proportionate interest of those parties in the underlying book value of the entity. This interest, for each year, is decreased by the non-controlling party's share in the net income of the respective entity and increased by cash distributions to partners or shareholders of those entities.

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

p) Goodwill

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

q) Future Accounting Policy Changes

International Financial Reporting Standards

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

3. Income Producing Properties

	2010			2009		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Land	**$ 67,145**	**$ -**	**$ 67,145**	$ 63,608	$ -	$ 63,608
Buildings	**191,802**	**(29,038)**	**162,764**	187,946	(24,518)	163,428
Tenant acquisition costs	**49,951**	**(19,551)**	**30,400**	49,107	(17,221)	31,886
Furnishings and equipment	**1,219**	**(660)**	**559**	1,192	(592)	600
Parking lot	**9,077**	**(2,678)**	**6,399**	9,056	(2,198)	6,858
Total income producing properties	**$ 319,194**	**$ (51,927)**	**$ 267,267**	$ 310,909	$ (44,529)	$ 266,380

Properties under development that were moved to income producing properties in 2010 represent $20.4 million of the total income producing properties cost (for the year ended December 31, 2009 - $47.3 million). Discontinuance of consolidation from variable interest entities resulted in the removal of $17.1 million of the total income producing properties cost during 2010 (for the year ended December 31, 2009 - $7.2 million). See Note 19.

During the year ended December 31, 2010, the Company disposed of a 25% interest in Dufferin & Wilson (Perth) located in Perth, ON for net proceeds of $464 thousand and an accounting gain of $16 thousand.

During the year ended December 31, 2009, the Company disposed of a 75% interest in four income producing properties for net proceeds of $12.4 million and an accounting gain of $671 thousand. The purchaser assumed mortgages of $8.7 million resulting in net cash proceeds of $3.7 million.

4. Properties Under Development

The Company capitalized $720 thousand of interest for the year ended December 31, 2010 (for the year ended December 31, 2009 - $812 thousand).

5. Notes Receivable

The notes receivable are owed by co-owners of joint ventures as a result of funding requirements on a short-term basis during development of income producing properties, and by minority interest shareholders of consolidated entities. The notes are due on demand and are non-interest bearing.

6. Receivables

Receivables consist of the following:

	2010	2009
Tenant accounts receivable	**$ 313**	$ 368
Excise tax	**427**	235
Other receivables	**386**	377
Total receivables	**$ 1,126**	$ 980

The Company determines its allowance for doubtful accounts on a tenant-by-tenant basis taking into consideration lease terms, industry conditions, and status of the tenant's account, among other factors. Accounts are written off only when all collection efforts have been exhausted. Allowance for doubtful accounts balance as at December 31, 2010 is $10 thousand (December 31, 2009 - $16 thousand). This amount is deducted from tenant accounts receivable.

7. Tenant Loans

Tenant loans with national retail tenants have 5 to 10 year terms, interest rates ranging from 7.24% to 9.45% (December 31, 2009 – 7.24% to 9.45%), with 1 to 7 years remaining to maturity (December 31, 2009 – 2 to 8 years).

8. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

	2010	2009
Prepaid expenses	**$ 1,381**	$ 1,209
Deposits for acquisitions and financings	**192**	250
Other deposits, primarily property tax escrows under mortgage agreements	**1,397**	1,467
Total prepaid expenses and deposits	**$ 2,970**	$ 2,926

9. Investments

Investments consist of the following:

	Ownership Position	**Preferred Return**	**Residual Return**	**2010**	2009
Equity Accounted Investments					
Centennial Plaza Limited Partnership	10%	10%	20%	**$ 335**	$ 450
MDO Limited Partnership	20%	10%	30%	**410**	446
Village Shopping Centre Limited Partnership	30%	8%	50%	**3,298**	2,498
Trois Rivieres Limited Partnership	15%	10%	30%	**176**	224
Plazacorp - Shediac Limited Partnership	10%	8%	50%	**216**	224
Plazacorp Ontario1 Limited Partnership	25%	-	-	**142**	-
				4,577	3,842
Cost Accounted Investments					
Northwest Plaza Commercial Trust	10%	-	-	**260**	260
				4,837	4,102
Held-to-Maturity Investments[(1)]	**Maturity Dates**	**Effective Interest Rate**			
Government of Canada bonds and cash – substituted for mortgage security	Jan 20/11 – Mar 1/12	3.29%		**2,564**	2,278
Total investments				**$ 7,401**	$ 6,380

(1) *These investments are restricted to a mortgage under a defeasance agreement which matures on April 1, 2012.*

The share of the profits or other compensation, by way of income which the equity accounted investments noted above are entitled to, is distributed first as a preferred return on invested capital, as outlined above, with any remaining net income distributed as a residual return.

10. Deficits of Subsidiaries and Non-Controlling Interests in Net Assets

Deficits of subsidiaries, which represent contractual obligations of minority partners to fund deficits consist of the following:

	2010	2009
Granville Street Properties Limited Partnership	**$ 316**	$ 330
Wildan Properties Limited Partnership	**844**	857
Exhibition Plaza Inc.	**178**	-
Plazacorp Ontario2 Limited Partnership[1]	**-**	6
Total deficits of subsidiaries	**$ 1,338**	$ 1,193

[1] *Effective August 1, 2010 this partnership is no longer consolidated as a variable interest entity and has been proportionately consolidated at 50%.*

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

	2010	2009
Wilduff (Perth) Investments Inc.[1]	**$ -**	$ 416
Exhibition Plaza Inc.	**-**	100
Plazacorp Ontario1 Limited Partnership[2]	**-**	2,320
Total non-controlling interest in net assets	**$ -**	$ 2,836

(1) *The Company disposed of a 25% interest in Wilduff (Perth) Investments Inc. during 2010 changing the Company's ownership from 75% to 50%. Therefore, this entity is no longer consolidated and has been proportionately consolidated.*
(2)*Effective March 31, 2010 this partnership is no longer consolidated as a variable interest entity and has been equity accounted for.*

For the year ended December 31, 2010 the excess distributions for Spring Park Plaza Inc. exceeded underlying contractual obligations by $11 thousand (for the year ended December 31, 2009 - $20 thousand) and was charged to income. The minority partners are required to fund any deficit if required by secured lenders, under the terms of a guarantee agreement.

Discontinuance of consolidation from variable interest entities resulted in the removal of $2.8 million of net non-controlling interests during 2010 (for the year ended December 31, 2009 - $1.8 million). See Note 19.

11. Mortgages Payable

As at		Rate Range	Weighte Average	Maturity Dates	2010	2009
Fixed rate loans		5.02% - 9.07%	6.43%	Up to Aug 2024	**$ 225,754**	$ 171,012
Less: unamortized finance charges					**(3,188)**	(2,831)
					222,566	168,181
Other fixed rate loan		8.00%	8.00%	Matured	**-**	1,358
Total net fixed rate mortgage loans					**222,566**	169,539
Variable rate loans	- $25 million development line of credit	Prime plus 1.25%		July 31, 2011	**3,987**	12,116
	- $15 million development line of credit	Prime plus 1.25%		July 31, 2011	-	9,894
	- development line of credit	Prime plus 0.40%		Discharged	-	9,074
	- development line of credit	Prime plus 2.00%		Discharged	-	8,270
	- development line of credit	Prime plus 2.00%		Discharged		7,192
Less: unamortized finance charges					**(102)**	(130)
Total net variable rate loans					**3,885**	46,416
Net mortgages payable					**226,451**	215,955
Impact of interest rate swap					**43**	-
Total mortgages payable					**$ 226,494**	$ 215,955

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

Included in net mortgages payable are $4.2 million of mortgages obtained during the year, which were converted from variable rate mortgages to fixed rate mortgages through $4.2 million of interest rate swaps entered into with a Canadian chartered bank. The terms of the mortgages and associated interest rate swaps are 10 years, expiring July 31, 2020. These interest rate swaps are valued quarterly and are recognized at fair value in mortgages payable with changes in the fair value reflected in other comprehensive loss.

To fund development activities, the Company has two acquisition and development facilities with Canadian chartered banks available upon pledging of specific assets. At December 31, 2010 there is $36 million available on the development lines. Funding is secured by first mortgage charges on properties. The Company must maintain certain financial ratios to comply with the facilities. These covenants include loan-to-value, debt service, interest coverage and occupancy ratios, as well as shareholder equity tests. As at December 31, 2010, the Company is in compliance with all covenants.

The other fixed rate loan of $1.4 million was repaid upon maturity in November 2010.

12. Mortgage Bonds Payable

Mortgage bonds payable are secured by the following properties:

	2010				2009
	Series III	**Series IV**	**Series V**	**Total**	Total
Grand Falls Shopping Mall, Grand Falls, NB, 2nd Mortgage	**$ -**	**$ 960**	**$ -**	**$ 960**	$ 6,700
LeMarchant Road Plaza, St. John's, NL, 1st Mortgage	**1,650**	**-**	**-**	**1,650**	1,257
Victoria Street Plaza, Edmundston, NB, 1st and 2nd Mortgage	**1,900**	**224**	**-**	**2,124**	1,669
Commercial Street-Phase 2, New Minas, NS, 1st Mortgage	**400**	**-**	**-**	**400**	408
Bedford Commons Plaza, Bedford, NS, 2nd Mortgage	**-**	**-**	**-**	**-**	800
Fairville Boulevard, Saint John, NB, 2nd Mortgage	**-**	**-**	**-**	**-**	185
Granite Drive, New Minas, NS, 2nd Mortgage	**-**	**-**	**-**	**-**	1,285
Plaza Royale, Shawinigan, QC, 2nd Mortgage	**-**	**-**	**-**	**-**	2,510
Fairville Boulevard – Phase 2, Saint John, NB, 2nd Mortgage	**-**	**-**	**-**	**-**	3,470
Boulevard Hebert Plaza, Edmundston, NB, 1st Mortgage	**-**	**-**	**1,185**	**1,185**	1,185
Miramichi West, Miramichi, NB, 2nd Mortgage	**-**	**235**	**-**	**235**	375
Ville Marie Drive Plaza, Marystown, NL, 1st Mortgage	**-**	**-**	**-**	**-**	260
Miramichi Phase II, Miramichi, NB, 2nd Mortgage	**-**	**177**	**-**	**177**	177
Main & Victoria, Shediac, NB, 2nd Mortgage	**-**	**167**	**-**	**167**	167
Main & Western, Sussex, NB, 2nd Mortgage	**-**	**218**	**-**	**218**	218
Starr's Road Plaza, Yarmouth, NS, 2nd Mortgage	**-**	**379**	**-**	**379**	379
Kenmount Road Plaza, St. John's, NL, 2nd Mortgage	**-**	**317**	**-**	**317**	317
Airport Blvd. Plaza, Gander, NL 2nd Mortgage	**-**	**323**	**-**	**323**	323
Stavanger Drive, St. John's, NL 1st Mortgage	**1,960**	**-**	**-**	**1,960**	-
Development Land, Charlottetown, PE, 1st Mortgage	**1,590**	**-**	**-**	**1,590**	-
Gross mortgage bonds outstanding	**$7,500**	**$3,000**	**$1,185**	**$ 11,685**	$ 21,685
Less: unamortized finance charges				**(63)**	(96)
Total mortgage bonds payable				**$ 11,622**	$ 21,589

	Series III	**Series IV**	**Series V**
Interest Rate	8.0%	7.5%	8.0%
Next Redemption Date	N/A	April 25, 2011	N/A
Maturity Date			
Tranche 1	May 26, 2011	June 30, 2012	June 4, 2016
	$5,000	$3,000	$1,185
Tranche 2	July 15, 2011	N/A	N/A
	$2,500	N/A	N/A

The mortgage bonds have been secured by first or second charges against the respective properties. Mortgage bonds can be deployed up to 90% of the cost of a property under a first or second charge on that property. If it is a second charge, the total debt, including mortgage bonds, cannot exceed 90%. Mortgage bonds are re-allocated to different properties from time to time as required.

The Company may redeem up to one-half of the bonds on the third and fourth anniversaries of the initial closing date of the bonds at a price equal to the principal amount for Series IV. The Company has no right to redeem the Series V bonds prior to the maturity date.

Series II mortgage bonds in the amount of $10.0 million fully matured on July 16, 2010. Of this maturing amount, $5.9 million were converted to Series VI convertible debentures (see Note 13) and $4.1 million were repaid.

13. Debentures Payable and Equity Portion of Convertible Debt

Debentures payable consist of the following:

			2010		2009	
	Maturity Date	**Interest Rate**	**Debt Component Outstanding**	**Value of Option to Convert**	Debt Component Outstanding	Value of Option to Convert
Convertible						
Series IV	July 31, 2011	7.0%	**$ 4,997**	**$ 158**	$ 4,964	$ 158
Series V	October 14, 2014	8.0%	**11,893**	**808**	11,732	808
Series VI	March 31, 2015	7.5%	**19,124**	**215**	-	-
Total convertible debentures			**36,014**	**1,181**	16,696	966
Non-convertible debentures	-	8.0%	**-**	**-**	5,159	-
Gross debentures			**36,014**	**1,181**	21,855	966
Less: unamortized finance charges			**(663)**	**-**	(284)	-
Total debentures payable and equity portion of convertible debt			**$ 35,351**	**$ 1,181**	$ 21,571	$ 966

Convertible subordinate debentures are unsecured. Convertible debenture terms are as follows:

	Series IV	**Series V**	**Series VI**
Conversion price	$4.00	$3.40	$3.80
Company's first redemption date	July 1, 2009	October 14, 2012	March 31, 2013
Maturity date	July 31, 2011	October 14, 2014	March 31, 2015
Face value outstanding December 31, 2010	$5,000	$12,500	$19,295

During the year ended December 31, 2010, holders of $1.0 million of Series VI convertible debentures (for the year ended December 31, 2009 - $755 thousand of Series III convertible debentures) exercised their option to convert to 263 thousand common shares (for the year ended December 31, 2009 – 472 thousand common shares). Non-convertible debentures in the amount of $3.0 million with original maturity dates from July 31, 2010 to February 24, 2011 were converted to Series VI convertible debentures during 2010 and $2.1 million matured and were repaid.

14. Notes Payable

Notes payable consist of the following:

	Interest Rate	2010	2009
Non-interest bearing notes:			
Entities owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President, CEO and Director of the Company (Note 21)	n/a	**$ 261**	$ 261
Promissory note – asset purchases	n/a	**-**	1,500
Unrelated parties and non-controlling interests	n/a	**294**	293
Total notes payable		**$ 555**	$ 2,054

The promissory note of $1.5 million was repaid in March 2010. There are no fixed terms on the notes payable.

15. Bank Indebtedness

The Company has a $7.5 million operating line of credit facility with a Canadian chartered bank at the rate of prime plus 2.25%, maturing November 30, 2011. The amount available to be drawn fluctuates depending on the specific assets pledged as security. At December 31, 2010, the maximum amount available to be drawn on the facility was $5.3 million (increased to $6.1 million subsequent to year end). As security, the Company has provided a $10 million demand debenture secured by a first mortgage over 4 properties. No amounts were drawn on the facility as at December 31, 2010 (December 31, 2009 - nil). A Company subsidiary has a $150 thousand unsecured operating line with a Canadian chartered bank upon which no funds were drawn as at December 31, 2010 (December 31, 2009 - nil).

16. Income Taxes

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

The Company has $272 thousand in refundable capital gains tax in 2010 (for the year ended December 31, 2009 - $315 thousand) and triggered refunds of $214 thousand from the payment of capital gains dividends (for the year ended December 31, 2009 - $495 thousand). At December 31, 2010 the Company has a refundable capital gains balance of $85 thousand (December 31, 2009 - $27 thousand) and an income taxes receivable of nil (December 31, 2009 – $71 thousand).

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

	2010	2009
Taxes at an effective rate of 38.4% (December 31, 2009 – 38.4%)	**$ 1,106**	$ 1,745
Permanent differences due to non deductible items	**96**	48
Permanent difference due to minority interest portion of limited partnerships	**(130)**	(209)
Permanent difference due to non consolidated investments	**(149)**	(90)
Permanent differences due to mutual fund corporation treatment of capital gains	**(93)**	(588)
Permanent difference due to a change in the effective rates	**22**	(740)
Other	**(199)**	(77)
Total income tax expense – continuing operations	**$ 653**	$ 89
Total income tax expense – discontinued operation	**$ 25**	$ 23

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:

	2010	2009
Future income tax assets		
Loss carry-forwards of Plazacorp Retail Properties Ltd.	**$ 1,298**	$ 1,296
Loss carry-forwards of subsidiary corporations	**610**	724
Loss carry-forwards from subsidiary trusts	**3,689**	3,683
Total future income tax assets	**5,597**	5,703
Future income tax liabilities		
Income producing properties	**13,203**	12,885
Accounts receivables	**2,013**	1,765
Deferred financing costs	**588**	563
Total future income tax liabilities	**15,804**	15,213
Net future income tax liability	**$ 10,207**	$ 9,510

Balance sheet presentation of this net future income tax liability is as follows:		
Future income tax asset	**$ (315)**	$ (793)
Future income tax liability	**10,522**	10,303
Net future income tax liability	**$ 10,207**	$ 9,510

The Company and its consolidated subsidiaries had income tax loss carry-forwards expiring as follows:

Year	**Plazacorp Retail Properties Ltd.**	**Consolidated Subsidiaries**	**Total**
2015	**$ -**	**$ 75**	**$ 75**
2025	**-**	**33**	**33**
2026	**3,382**	**5,479**	**8,861**
2027	**-**	**3,917**	**3,917**
2028	**-**	**1,690**	**1,690**
2030	**-**	**34**	**34**
Total	**$ 3,382**	**$ 11,228**	**$ 14,610**

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.

17. 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

	2010		2009	
	Shares	**Amounts**	Shares	Amounts
Common shares outstanding, beginning of the year	**48,836**	**$ 43,349**	47,303	$ 40,031
Issuance of common shares:				
Shares issued through exercise of stock options	**426**	**837**	223	396
Shares issued through dividend reinvestment plan	**664**	**2,171**	838	2,132
Shares issued through debt conversion				
- face value debentures	**263**	**1,000**	472	755
- accumulated interest accretion		**(22)**	-	35
Common shares outstanding, end of the year	**50,189**	**$ 47,335**	48,836	$ 43,349

The Company is a mutual fund corporation as defined in the Income Tax Act (Canada) and as such shareholders have the right to redeem their common shares at 90% of the lesser of the Market Price of the share (Market Price is defined as the weighted average trading price of the previous 180 trading days) and the most recent Closing Market Price at the time of the redemption. The redemption price may be satisfied by either cash or a note payable, at the discretion of the Company. The note payable would bear interest at a rate equal to the prescribed rate of interest under the Income Tax Act (Canada) in effect at the time of its issue, and will mature and be fully repaid two years after issuance. The notes may also be prepaid without penalty. For the year ended December 31, 2010, no shareholder had redeemed shares under the mutual fund corporation provisions (for the year ended December 31, 2009 – nil).

The Company has a Dividend Reinvestment Plan to enable Canadian resident shareholders to acquire additional shares of the Company through the reinvestment of dividends on their shares. Shares issued in connection with the Dividend Reinvestment Plan are issued directly from the treasury of the Company at a price based on the weighted average closing price of the shares for the 20 trading days immediately preceding the relevant dividend date. Participants also receive "bonus shares" in an amount equal to 3% of the dividend amount reinvested. Pursuant to the Company's Dividend Reinvestment Plan, during the year ended December 31, 2010, shareholders were issued 664 thousand shares at a weighted average price of $3.27 per share (for the year ended December 31, 2009 – 838 thousand shares at a weighted average price of $2.54 per share).

c) Earnings per Share

Basic earnings per share is calculated based on the weighted average number of shares outstanding for the period. Diluted earnings per share considers the potential exercise of outstanding stock options, as well as the potential conversion of convertible debentures that have a dilutive effect on earnings per share. Stock options or convertible debentures that do not reduce earnings per share are anti-dilutive, and are excluded from the diluted per share calculation. For the year ended December 31, 2010, Series IV, V and VI debentures totalling $36.8 million convertible to 10.0 million shares were anti-dilutive, as were Series V stock options (December 31, 2009 - $5.0 million in Series IV debentures which equates to 1.25 million shares, as well as Series V stock options were anti-dilutive).

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

	2010	2009
Basic weighted average shares outstanding	**49,540**	48,132
Effect of dilutive stock options	**4**	127
Effect of dilutive convertible debentures	**-**	3,676
Weighted average number of diluted shares	**49,544**	51,935

18. Contributed Surplus

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

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

	Directors' Options		**Employees' Options**	
	2010	2009	**2010**	2009
Options outstanding, beginning of the year	**120**	120	**446**	669
Options exercised	**-**	-	**(426)**	(223)
Options outstanding, end of the year	**120**	120	**20**	446
Outstanding options that are exercisable	**120**	80	**20**	446

Details of options outstanding are as follows:

	Series IV	**Series V**
Exercise price	$2.75	$4.36
Options outstanding	20	120
Expiry date	April 11, 2011	May 6, 2012
Options exercisable	20	120
Black-Scholes valuation assumptions:		
Expected life of options	5 years	5 years
Volatility	17%	14%
Risk free rate of return	4.34%	4.65%
Dividend rate	4.55%	3.40%

The cumulative amount of compensation expensed for options not exercised at the end of the year is $64 thousand (for the year ended December 31, 2009 - $97 thousand). This amount is included in contributed surplus. The Company recorded $5 thousand in compensation expense related to stock options for the year ended December 31, 2010 (for the year ended December 31, 2009 - $20 thousand).

19. Discontinuance of Consolidation

Plazacorp Ontario1 Limited Partnership was consolidated during 2009 as a variable interest entity. As of March 31, 2010 it is no longer consolidated as it does not meet the variable interest entity guidelines and is now accounted for using the equity method. Plazacorp Ontario2 Limited Partnership was consolidated for the first two quarters of 2010 and as of August 1, 2010 is no longer consolidated at 100% as it does not meet the variable interest entity guidelines. Plazacorp Ontario2 Limited Partnership is now proportionately consolidated at 50%. The Company also discontinued consolidation of an asset located in Perth, ON, as a 25% interest was sold during the first quarter of 2010. This property is now proportionately consolidated at 50%.

During the year ended December 31, 2009 the Company discontinued consolidation of Plazacorp - Shediac Limited Partnership as it no longer met the variable interest entity guidelines and is now accounted for using the equity method.

	2010	2009
Real estate assets		
Investment property	**$ 17,129**	$ 7,206
Net liabilities		
Assumed mortgages	**15,106**	5,328
Minority interests	**2,791**	1,830
Other	**784**	108
	18,681	7,266
Net assets disposed	**$ (1,552)**	$ (60)

20. Change in Non-Cash Working Capital

	2010	2009
Receivables	**$ (292)**	$ (123)
Prepaid expenses and mortgage deposits	**(124)**	(2,692)
Accounts payable and accrued liabilities	**867**	2,396
Income taxes payable, net of refundable capital gains tax	**46**	(267)
Total cash from change in non-cash working capital	**$ 497**	$ (686)

21. Related Party Transactions

The following are the related party transactions of the Company. All related party transactions have been recorded at the exchange amount.

a) Management Agreements

Plaza Group Management Limited provides property management and corporate management services to Plazacorp. In Quebec, staff of Les Immeubles Plaza Z-Corp Inc. handle management duties under a separate management agreement with Plazacorp.

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

Mr. Brewer and Mr. Zakuta did not receive any direct compensation from the Company for performing their duties as Chairman and President, respectively or as directors, during 2010 and 2009.

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 the Company access to significant professional management services at reasonable costs. The basis of fee payment under the management agreements is as follows:

	Plaza Group Management Limited fee structure
Property Management	3% of gross rents paid.
Corporate Management	¾% of gross rents paid in the preceding fiscal year.
Leasing	4% of net rental revenue per year for first five years of lease term. 2% of net rental revenue per year for years six to ten of lease term. Leasing fees for renewal are at 50% of the above rates.
Development	4% of costs of construction on development projects. 10% of tenant improvement costs on non-development projects.
Debt Financing	¾ % of loan amount where no outside broker is involved. ¼ % of loan amount where an outside broker is involved.
Capital	Where and when permitted by securities law: 3% of capital raised where no external broker is involved. 1 ½ % of capital raised where no external broker is involved and where the proceeds are used to retire/redeem maturing capital. ¾% of capital raised where an outside broker is involved.
Acquisitions	2% of the purchase price of assets or capitalized value of land leases.
Dispositions	1 ½ % of the proceeds of disposition on assets.
Legal Services	Cost recovery basis, currently $158 per hour.

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

The following amounts were charged under the contracts:

Fee Category	**Included for Reporting Purposes In**	**2010**	2009
Property Management	Property operating expenses	**$ 1,410**	$ 1,439
Corporate Management	Administrative expenses	**365**	260
Leasing	Tenant acquisition costs	**1,113**	1,038
Development	Income producing properties	**454**	906
Financing and Capital	Debt or equity	**648**	104
Acquisition	Income producing properties	**136**	59
Disposition	Gain on disposal of income producing properties or surplus lands	**10**	268
Legal services	Varies based on service provided	**445**	455
Total		**$ 4,581**	$ 4,529

During the year ended December 31, 2010, the Company paid $38 thousand (for the year ended December 31, 2009 - $38 thousand) to Plaza Group Management Limited and Les Immeubles Plaza Z-Corp Inc. to hold in trust and apply against future minor insurance claims below the insurance company deductibles.

For properties that are consolidated, the fees owing at December 31 are as follows:

	2010	2009
Included with accounts payable and accrued liabilities	**$ 191**	$ 447

b) Other Related Party Transactions

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

	2010	2009
Richard Hamm	**$ 325**	$ 1,025
Michael Zakuta	**2,163**	2,068
Edouard Babineau	**2,150**	1,850
Earl Brewer	**1,755**	1,655
Stephen Johnson	**1,220**	1,220
Barbara Trenholm	**464**	464
Total related party mortgage bonds and debentures held	**$ 8,077**	$ 8,282

For the year ended December 31, 2010, there were no debentures converted by Directors of the Company, or companies owned and controlled by Directors (for the year ended December 31, 2009 – nil). There were $450 thousand in non-convertible debentures and $250 thousand mortgage bonds redeemed by Richard Hamm for the year ended December 31, 2010.

ii) The Company is party to nine ground leases with TC Land LP, an entity controlled by Michael Zakuta and Earl Brewer and pays annual rent of $877 thousand under these leases. The business purpose of the leases is to enhance levered returns on the applicable assets. The land leases expire at various times from October 2043 to November 2047, subject to options to renew or purchase.

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

iv) Notes payable of $261 thousand (December 31, 2009 - $261 thousand) are owed to parties controlled directly or indirectly by Michael Zakuta. The non-interest bearing notes existed at the time of acquisition of properties in September 2000 and are repayable on sale or refinancing of the related asset. See Note 14.

22. Interests in Joint Ventures

As described in 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 consolidated financial statements for these joint ventures.

	2010	2009
Assets	**$ 57,286**	$ 55,983
Liabilities	**53,430**	54,238
Rental income	**10,176**	10,125
Expenses, including financing costs	**6,833**	6,732
Net income	**3,211**	2,058
Cash activities of joint ventures:		
Funds from (applied to)		
Cash flow from operating activities	**2,406**	3,055
Cash flow from financing activities	**8,085**	1,914
Cash flow from investing activities	**(3,348)**	(4,952)

23. Discontinued Operations

During the year ended December 31, 2010, the Company disposed of its 50% interest in Terrace Dufferin located in Valleyfield, QC for net proceeds of $1.3 million and an accounting gain from discontinued operations of $777 thousand (net of future income tax of $61 thousand).

The results of operations for the discontinued property are as follows:

	2010	2009
Rental revenues	**$ 142**	$ 167
Operating expenses	**35**	58
Net property operating income	**107**	109
Financing costs	**32**	34
Amortization	**11**	14
Income before income taxes	**64**	61
Income tax expense	**25**	23
Income from discontinued operations	**$ 39**	$ 38

24. Segmented Information

The Company develops, re-develops and acquires shopping malls, strip plazas and single use properties located in Canada. The Company, in measuring performance, does not distinguish or group its operations on a geographical basis. Accordingly the company has a single reportable unit for disclosure purposes under GAAP. One tenant comprises 24.2% of the Company's rental revenue (December 31, 2009 – 25.7%).

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

	Rental Revenue		**Net Property Operating Income**		**Total Assets**	
Province	**2010**	2009	**2010**	2009	**2010**	2009
New Brunswick	**$ 21,224**	$ 20,460	**$ 11,853**	$ 11,222	**$ 132,087**	$ 133,573
Nova Scotia	**12,279**	10,696	**7,538**	6,458	**85,206**	73,109
Quebec	**9,149**	8,871	**5,377**	5,226	**36,175**	38,941
Prince Edward Island	**4,091**	3,949	**2,829**	2,700	**11,213**	11,273
Newfoundland and Labrador	**2,240**	2,156	**1,458**	1,393	**25,772**	15,846
Ontario	**2,539**	2,345	**1,867**	1,772	**26,683**	36,185
Total	**$ 51,522**	$ 48,477	**$ 30,922**	$ 28,771	**$ 317,136**	$ 308,927

25. Contingencies, Commitments, Guarantees, Indemnities and Litigation

a) Contingencies

The Company has a letter-of-credit facility with a Canadian chartered bank secured by Personal Property Security Act (PPSA) charges in various provinces. The facility matures September 30, 2011. These letters-of-credit are issued to facilitate municipal planning deposit requirements for the Company's developments. The facility requires that the Company maintain certain financial ratios. For the year ended December 31, 2010, $500 thousand (December 31, 2009 - $500 thousand) of such letters-of-credit were issued and outstanding and the Company was in compliance with all covenants.

The $25.0 million development line of credit has a letter-of-credit limit of $1.5 million available. For the year ended December 31, 2010, there were no letters-of-credit issued and outstanding under this line of credit (December 31, 2009 - $442 thousand).

The $15.0 million development line of credit has a letter-of-credit limit of $500 thousand available. For the year ended December 31, 2010, there were no letters-of-credit issued and outstanding under this line of credit (December 31, 2009 – nil).

The $7.5 million operating line of credit has $2.0 million available for use in the form of letters-of-credit. For the year ended December 31, 2010, $514 thousand (December 31, 2009 - $449 thousand) of such letters-of-credit were issued and outstanding.

b) Commitments

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

	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015	After 5 Years	Face Value Total
Mortgages – periodic payments	$ 3,723	$ 3,647	$ 3,539	$ 3,025	$ 2,758	$ 12,160	$ 28,852
Mortgages – due at maturity	2,704	12,798	26,679	19,285	17,768	115,410	194,644
Mortgages – funded by defeasance	-	2,301	-	-	-	-	2,301
Development line of credit	3,987	-	-	-	-	-	3,987
Mortgage bonds payable	7,500	3,000	-	-	-	1,185	11,685
Debentures	5,000	-	-	12,500	19,295	-	36,795
Operating land leases [1]	2,645	2,589	2,596	2,680	2,704	133,624	146,838
Development activities	14,788	-	-	-	-	-	14,788
Total contractual obligations	$ 40,347	$ 24,335	$ 32,814	$ 37,490	$ 42,525	$262,379	$439,890

[1] *Operating land leases expire on dates ranging from 2011 to 2070 with renewal options ranging from 10 to 60 years.*

c) Guarantees and Indemnities

The Company continues to guarantee certain debt assumed by purchasers in connection with past dispositions of properties. These guarantees will remain until the debt is modified, refinanced or extinguished. These commitments are subject to indemnity agreements. The estimated amount of the debt subject to such guarantees at December 31, 2010 is $14.6 million (December 31, 2009 – $15.0 million) consisting of: a $7.7 million mortgage which expires on May 1, 2012; a $6.9 million mortgage which expires on May 1, 2013. As well, an $8.3 million commitment (December 31, 2009 - $8.0 million) relating to the mortgages on four assets in which the Company sold a 75% interest in January of 2009 is also subject to guarantees by the Company. These mortgages have remaining terms ranging from 1.2 to 12.1 years.

The Company assumed a guarantee for a development line of credit held by the Village Shopping Centre Limited Partnership. The guarantee is limited to costs for the completion of redevelopment construction at the property. At December 31, 2010, the Village Shopping Centre Limited Partnership had borrowed all of the $20.0 million line of credit (December 31, 2009 - $20.0 million). The remaining budgeted redevelopment costs are $2.5 million (December 31, 2009 - $4.6 million) and the Company's current exposure under the guarantee is estimated to be $2.5 million (December 31, 2009 – $4.6 million). Subsequent to year end, the Company refinanced the $20.0 million outstanding on the line of credit with long-term financing and the related guarantee has been released. See Note 28. The Company now has a guarantee under the new $22.5 million mortgage limited to 25% of the mortgage amount.

The Company is contingently liable for certain obligations of its co-venturers. The guarantees provided to the mortgagees of three freestanding properties located in Granby, QC, Amherstview, ON and Port Perry, ON, are subject to cross-guarantees provided by the other 50% co-owners for the full amounts of the loans. As at December 31, 2010 the Company's total exposure on the cross-guarantees is $650 thousand for the Granby, QC property (December 31, 2009 - $692 thousand) and $4.2 million for the Amherstview and Port Perry, ON properties (December 31, 2009 – nil).

d) Litigation

The Company believes that any liability that may arise from current or pending litigation would not have a significant adverse effect on these financial statements.

26. Financial Risk Management

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

a) Interest Rate Risk

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

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

The Company has entered into interest rate swap contracts with a Canadian chartered bank in connection with mortgages obtained in 2010, in order to convert the mortgages from variable rates to fixed rates (see Note 11). The interest rate swap contracts have been recorded at fair value in mortgages payable with changes in fair value reflected in other comprehensive loss. The fair value of these contracts results in a liability, for Plazacorp's share, of $43 thousand for the year ended December 31, 2010. There is a risk that interest rates will fluctuate during the term of the mortgage. The Company intends to hold the mortgage to maturity and therefore would not realize the fair value fluctuation.

An increase of 100 basis points in interest rates at December 31, 2010, if applied to all outstanding floating rate instruments would increase interest expense and decrease pre-tax earnings in the annual amount of $40 thousand (December 31, 2009 - $381 thousand).

b) Lease Roll-Over and Occupancy Risk

The Company is exposed to the risk of not being able to replace tenants as leases expire or development space becomes available. The hypothetical impact to net property operating income of a change in occupancy of 1% at December 31, 2010 would be approximately $319 thousand per annum (December 31, 2009 - $296 thousand). Plazacorp's principal management of occupancy risk involves the skewing of tenancies towards national tenants, the signing of longer term leases and significant preleasing of development space. As well, the Company attempts to stagger the lease expiry profile so that the Company is not faced with a disproportionate amount of square footage of leases expiring in any one year. The Company further mitigates this risk by maintaining a diversified portfolio mix both by retail 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.

c) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and will be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss by ensuring that its tenant mix is diversified and weighted to national and regional tenants, which now comprise 93.1% of the in-place tenant base (December 31, 2009 – 92.8%). This is the Company's primary mitigation procedure for exposure to tenant credit risk. The Company limits loans granted under lease arrangements to high credit-rating national tenants. The Company's credit risk is minimized on investment bonds as they consist of Government of Canada bonds.

The Company generally provides financial guarantees only to wholly-owned subsidiaries and joint venture partners only during the development periods, subject to reciprocal indemnities, by utilizing established development lines of credit. These guarantees would be limited to the lower of 75% of the asset cost or 65% of the fair market value. See Note 25c for details of guarantees.

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

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

	2010	2009
Held-to-maturity investments	**$ 2,564**	$ 2,278
Tenant loans, straight-line rent receivables, receivables and notes receivable	**8,412**	8,683
Cash and cash equivalents	**5,419**	3,875
Total	**$ 16,395**	$ 14,836

The Company's most significant customer, a national retailer, accounts for the $1.7 million of tenant loans as at December 31, 2010 (December 31, 2009 - $2.5 million).

d) Liquidity and Debt Market Risk

In the current economic climate, lenders may tighten their lending standards, which could make it challenging for the Company to obtain financing on favourable terms or any terms at all. The Company is exposed to the risk of being unable to honour its financial commitments by the deadlines set out under the terms of such commitments and at a reasonable price. The Company manages its cash resources based on financial forecasts and anticipated cash flows. The maturities of the Company's long term financial liabilities are set out in Notes 11, 12, 13, 14, 15, and 25. The Company's liquidity management strategy includes accessing development and operating lines of credit as necessary, to fulfill financial commitments. Several mortgages and the development lines contain material adverse change clauses which entitle the lenders to demand partial or full loan repayment when there are material adverse changes in the Company's financial position. Management has determined that circumstances that could trigger action by a lender under these clauses are unlikely.

e) Fair Value

Generally, trading values for the Company's financial instruments are not available. In determining estimates of the fair values of the financial instruments, the Company must make assumptions regarding current market rates, considering the terms of the instruments and their risk. Current market rates are generally selected from a range of potentially acceptable rates and accordingly, other effective rates and fair values are possible. The rates used in determining the fair value of fixed rate mortgages are corresponding term Government of Canada Bonds plus credit spreads of 1.90% to 2.55% (December 31, 2009 – 3.10% to 3.75%). The rates used to determine the fair value of mortgage bonds and debentures range from 5.50% to 7.00% (December 31, 2009 – 8.00% to 8.25%).

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

The fair value of the tenant loans approximate their book value with the interest rates ranging from 7.24% to 9.45% (December 31, 2009 – 7.24% to 9.45%).

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

As at December 31, 2010, the fair value of the Company's long-term debt (including mortgages payable, mortgage bonds payable, debentures payable and notes payable) exceeds the book value by $9.5 million (December 31, 2009 – ($5.2) million).

As at December 31, 2010, the fair value of the Company's investment in Government of Canada Bonds of $2.6 million (December 31, 2009 - $2.3 million) exceed its recorded value by $22 thousand (December 31, 2009 - $70 thousand). The Company had no exposure to financial hedges or embedded derivatives for the year ended December 31, 2010 (for the year ended December 31, 2009 – nil).

27. Capital Management

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

Bank operating and development lines require maintenance of at least $15 million of shareholders' equity; maintenance of debt service ratios in excess of 1.5 times; and interest coverage ratios of 1.6 times, with all debt service ratios calculated exclusive of interest charged on subordinate debt and convertible debentures. In addition, under a development line, the Company must maintain a ratio of mortgages plus bank indebtedness to the book value of its gross assets plus accumulated amortization of not more than 70%. The Company is in compliance with all debt covenants.

There have been no changes to the Company's approach to capital management for the year ended December 31, 2010.

The calculation of the total capital is summarized as follows:

	Book Value 2010	**Fair Value 2010**	Book Value 2009	Fair Value 2009
Total net fixed rate mortgage loans	**$ 222,566**	**$ 229,764**	$ 169,539	$ 163,210
Total net variable rate loans	**3,885**	**3,885**	46,416	46,416
Mortgage bonds payable	**11,622**	**11,853**	21,589	21,675
Debentures payable	**35,351**	**37,377**	21,571	22,573
Notes payable	**555**	**555**	2,054	2,054
	273,979	**283,434**	261,169	255,928
Shareholders' equity	**25,225**		28,060	
Total	**$ 299,204**		$ 289,229	

28. Subsequent Events

Stock Options & Dividend Reinvestment Plan

Employees of the Company exercised 20 thousand stock options for total consideration of $55 thousand.

On February 14, 2011, 147 thousand shares were issued at a purchase price of $4.26 per share for a total of $626 thousand under the dividend reinvestment plan.

Financing

The Company renewed long-term financing for a property in Quebec in the amount of $1.3 million with a 5 year term and an interest rate of 4.4%.

Long-term financing was obtained for the Village Shopping Centre, St. John's, NL in the amount of $22.5 million with a 10 year term and an interest rate of 5.5%. Plazacorp owns 30% of the limited partnership which owns this property.

The Company added an additional property as security to its $7.5 million bank operating line, increasing the maximum amount available to be drawn to $6.1 million from $5.3 million.

On February 24, 2011 the Company issued $900 thousand of mortgage bonds secured by a property. They mature on February 24, 2016 and bear interest at a rate of 5.25% per annum.

Debentures

$243 thousand in Series IV convertible debentures were converted to 60,750 shares.
$110 thousand in Series V convertible debentures were converted to 32,352 shares.
$430 thousand in Series VI convertible debentures were converted to 113,157 shares.

Acquisition

The Company purchased land for future development in Fredericton, NB for $1.6 million.

29. Comparative Figures

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

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