ANNUAL REPORT

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

DATED: FEBRUARY 29, 2012

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PRESIDENT'S MESSAGE

Fellow Shareholders:

We are pleased to report our results for the year ended December 31, 2011. Our Company has continued its growth and improved the quality of its portfolio of properties. Plazacorp now derives 89.9% of its revenues from national retail chains. Our geographically diversified and stable portfolio of properties delivers solid cash flow that has allowed Plazacorp to increase its annual dividend to 21.5¢ per share for 2012, up from 20.25¢ per share in 2011. This represents the 9th consecutive annual dividend increase.

During the year ended December 31, 2011, 6 additional properties, representing just over 250,000 square feet, became income producing. This development activity grew the current portfolio to 112 properties. Our business continues to grow as we have 7 properties, representing approximately 282,000 square feet, under development and 9 land assemblies, representing approximately 251,000 square feet, in progress in 2012. 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.

Two significant events in the evolution of Plazacorp occurred in 2011. Firstly, on July 1st, 2011, Plazacorp internalized its management through the acquisition of the shares of Plaza Group Management Limited, its external manager. The cost to Plazacorp for this transaction was only $113,000, representing the net book value of the external management company. There were no termination fees or other fees payable, in contrast to most other internalization transactions that have taken place in the real estate industry. Secondly, in September of 2011, Plazacorp completed its first bought deal offering since going public in 1999. The Company issued 7.59 million common shares at $4.20 per common share. This marked a new phase in Plazacorp's evolution as a public company. The new equity has a short term negative impact on our per share results. On the positive side, Plazacorp has significantly strengthened its balance sheet. The company's debt to gross book value of assets (excluding convertible debentures) is down to only 46.6% at year end, compared to almost 52% before the equity offering. As a result of the new equity issue, the Company had no variable rate debt as of December 31st, 2011 and has never been as well positioned to fund its new developments.

The Company took advantage of the market conditions and placed $31.5 million of new long term fixed-rate financing in 2011. This amount includes $16.2 million of new mortgages entered into to replace existing mortgages that were not up for renewal until 2012. For these "defeased" mortgages, the Company paid penalties to replace the existing mortgage loans with the new lower cost long term fixed-rate mortgages. The cost of the refinancing penalties had an immediate negative impact on our FFO and AFFO in 2011, however has set the Company up for lower cost debt going forward. Defeasing mortgages has often been a part of our business strategy that we believe benefits the Company over the long term and enhances our ability to increase dividends in the future.

Going forward Plazacorp will continue to pursue its value-added business strategy for its shareholders, while maintaining 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

BASIS OF PRESENTATION

Financial information included in this Management Discussion and Analysis ("MD&A") includes material information up to February 29, 2012. Financial information provided has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

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, 2011 should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto for the years ended December 31, 2011 and 2010, along with the MD&A for the year ended December 31, 2010, 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 February 29, 2012 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, required further explanation to avoid being misleading.

EXPLANATION OF NON-GAAP MEASURES USED IN THIS DOCUMENT

Funds from Operations (FFO) is not an IFRS financial measure. 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 unrealized changes in the fair value of investment properties, deferred income taxes and gains or losses on property dispositions. Plazacorp considers FFO a meaningful additional measure as it adjusts for certain non-cash items that do not necessarily provide an accurate picture of a company's past or recurring performance. It more reliably shows the impact on operations of trends in occupancy levels, rental rates, net property operating income and interest costs compared to profit determined in accordance with IFRS. As well, FFO allows some comparability amongst different real estate entities that have adopted different accounting with respect to investment properties (some entities use the cost model and some entities use the fair value model to account for investment properties).

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 and expenses and operating capital and leasing requirements that must be made merely to preserve the existing rental stream. 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 revenues 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.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is not an IFRS financial measure. EBITDA, as calculated by Plazacorp, may not be comparable to similarly titled measures reported by other entities. EBITDA is used in calculations that measure the Company's ability to service debt.

FFO, AFFO, NOI and EBITDA are not defined by IFRS, and therefore should not be considered as alternatives to profit or cash flow from operating activities calculated in accordance with IFRS.

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 unenclosed and enclosed retail real estate throughout Atlantic Canada, Quebec and Ontario, which are predominantly occupied by national tenants. The Company's portfolio at December 31, 2011 includes interest in 112 properties totaling 5.0 million square feet and additional lands held for development. These include properties directly held by Plazacorp, its subsidiaries and through joint ventures. For the past few years, Plazacorp's growth was primarily created through the development or redevelopment of retail properties. As at December 31, 2011, the Company has $11.1 million committed to new development for 2012.

Summary of Properties

	Number of Properties December 31, 2011[1]	**Gross Leasable Area (sq. ft.) December 31, 2011[2]**	Number of Properties December 31 30, 2010[1]	Gross Leasable Area (sq. ft.) December 31, 2010[2]
Newfoundland and Labrador	**9**	**599,382**	9	601,453
New Brunswick	**36**	**1,544,355**	35	1,513,622
Nova Scotia	**22**	**1,006,590**	22	1,000,852
Ontario	**14**	**259,087**	13	232,773
Prince Edward Island	**7**	**430,710**	5	274,949
Quebec	**24**	**1,202,648**	23	1,283,698
Total	**112**	**5,042,772**	107	4,907,347

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

Plazacorp intends to focus its investments on retail real estate in Canada and expects that unenclosed single tenant and multi tenant retail centres in primary, secondary or tertiary markets in Central and Eastern Canada will constitute the majority of its acquisition and development activity over the near to medium term.

Subject to appropriate regulatory, Board and shareholder approvals, as applicable, the Company is looking at the possibility of converting from a mutual fund corporation to a real estate investment trust (REIT) structure and of pursuing a listing on the TSX. See "Outlook" section of this MD&A.

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 or acquire properties tenanted by national retailers, with a focus on retailers in the consumer staples market segment. Our execution of this strategy has produced a portfolio that is currently approximately 90% occupied by national retailers, providing investors with stable cash flow.

Yearly Dividend Growth

Year	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**Aug 2011**	**2012**
Dividend per share annually	8.0¢	8.75¢	10.5¢	12.5¢	15.0¢	17.5¢	18.5¢	19.25¢	20.25¢	21.00¢	21.50¢
Percentage increase	n/a	9.4%	20.0%	19.0%	20.0%	16.7%	5.7%	4.1%	5.2%	3.7%	2.4%

Plazacorp has a proven history of dividend growth, having increased its dividend ten times over the past nine years. Plazacorp began paying dividends in November 2002. Plazacorp's first full year of dividends began in 2003. As a result of the internalization of property and corporate management, a mid-year increase in 2011 in dividends was implemented from 20.25¢ to 21.00¢.

The capital markets have been good in 2011 for financing through both debt and equity. Long-term debt financing is available at historically competitive rates with long amortization periods and long terms.

Over the last few years, Plazacorp has focused its growth on developments and redevelopments, partly as a result of high prices demanded for quality retail real estate. Plazacorp has strong in-house development expertise, including site selection, leasing, financing and construction and project management. Plazacorp expects to continue generating growth through developments and redevelopments of retail properties.

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 and development 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 and assuming 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 cost that is 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 businesses.

The Company invests in the following property types:

- new properties developed on behalf of existing clients or in response to demand;
- well located but significantly amortized shopping malls and strip plazas to be redeveloped; and
- 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 and staggering lease maturities appropriately;
- increasing rental rates when market conditions permit;
- achieving appropriate pre-leasing prior to commencing construction;
- managing debt to obtain both a low cost of debt and a staggered debt maturity profile;
- matching, as closely as practical, the weighted average term to maturity of mortgages to the weighted average lease term;
- retaining sufficient capital to fund capital expenditures required to maintain the properties well;
- 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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Plazacorp has implemented IFRS and has presented its financial results for all quarters in 2011 along with comparative information in accordance with the standards. The adoption of IFRS has had a material impact on the Consolidated Statements of Financial Position and the Consolidated Statements of Comprehensive Income as described in the sub-headings below.

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

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. IFRS 1 also requires that comparative financial information be provided. As a result, the Company has applied IFRS as of 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 is December 31, 2011, except where certain optional exemptions allowed under IFRS 1 are applied by an entity. The Company has applied the following optional exemptions available under IFRS 1:

i) The Company has applied the business combination exemption in IFRS 1 to not apply IFRS 3, "Business Combinations" retrospectively to past business combinations. Accordingly, the Company has not restated business combinations that took place prior to the transition date.

ii) The Company has elected under IFRS 1 not to reassess whether an arrangement contains a lease under IFRIC 4, "Determining whether an Arrangement contains a Lease" for contracts that were assessed under previous Canadian GAAP. Arrangements entered into before the effective date of previous Canadian GAAP rules that have not subsequently been assessed under previous Canadian GAAP, were assessed under IFRIC 4, and no additional leases were identified.

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. Under IFRS, a company is allowed to choose to report investment properties at cost or fair value. The Company has chosen the fair value method to present investment properties as it is a more meaningful measure of the Company's primary assets. Under previous Canadian GAAP, investment properties were measured at cost. The opening adjustment to fair value at the transition date has been recorded in shareholders' equity. Fair value represents the estimated 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 undertakes 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 adjusts the fair values of its investment properties.

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

The Company's share of the underlying fair value of investment properties included in equity-accounted investments is also recorded under IFRS, using the same methodology and matrices.

Convertible Debentures

Under IFRS, the Company is 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. The Company has chosen to measure the entire balance at fair value. The opening adjustment to fair value at the transition date has been recorded in shareholders' equity, and the changes to the fair value for each period are recorded in the consolidated statement of comprehensive income. Under previous Canadian GAAP, the value of the conversion feature of the Company's convertible debentures was included as a component of shareholders' equity and was not remeasured at fair value at each reporting date. The liability component of the convertible debentures was measured at amortized cost under previous Canadian GAAP.

Taxation

Under IFRS (like previous Canadian GAAP), deferred 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 required a corresponding tax asset or liability based on the differences between the carried value of assets and liabilities and the associated tax bases. Under IFRS, deferred income taxes are based on a combination of capital gains rates and income rates for temporary differences. This differs from previous Canadian GAAP which used income rates.

SIGNIFICANT EVENTS DURING 2011

Internalization

Prior to July 1, 2011, Plaza Group Management Limited provided property management and corporate management services to Plazacorp. In Quebec, staff of Les Immeubles Plaza Z-Corp Inc. handled management duties under a separate management agreement with Plazacorp.

Plaza Group Management Limited was controlled by two directors of Plazacorp, namely Michael Zakuta and Earl Brewer. Les Immeubles Plaza Z-Corp Inc. is controlled by Michael Zakuta.

On July 1, 2011, the Company purchased the shares of Plaza Group Management Limited at net book value, equal to the value of the depreciated capital assets, of $113 thousand. As a result of this transaction, property management and corporate management are now internalized and the Company manages all of its properties including properties previously managed by Plaza Z-Corp Inc.

As part of this transaction, employees of Plaza Z-Corp Inc. that previously provided services to Plazacorp are employed by Plaza Group Management Limited (with Plazacorp assuming any liabilities with respect to past service). Both management agreements previously in place have been terminated.

Included in Plaza Group Management Limited were loans payable in the amount of $1.1 million made indirectly by Michael Zakuta and Earl Brewer to Plaza Group Management Limited. These amounts were partially repaid in the third quarter with the remaining repaid in the fourth quarter upon finalizing the statement of adjustments relating to the purchase of the shares of Plaza Group Management Limited.

Prior to July 1, 2011, Mr. Brewer and Mr. Zakuta did not receive any direct compensation from Plazacorp for performing their duties as Chairman and President and Chief Executive Officer, respectively or as directors. Effective July 1, 2011 as a result of the internalization, Mr. Brewer and Mr. Zakuta do receive their direct compensation from Plazacorp for performing their duties as Chairman and President and Chief Executive Officer, respectively, however no compensation continues to be received for their duties as directors.

Salaries of all employees that are expensed are included in the statements of comprehensive income within administrative expenses or operating expenses, depending on the nature of the work performed by the particular employees. Certain salaries that are directly attributable to the development of properties are capitalized to development properties. Fees earned from partners in joint venture and equity-accounted investments are recorded in other income.

Other Transactions with Key Management Personnel as a Result of Internalization

(i) On July 1, 2011, as part of the internalization, Plaza Group Management Limited entered into an aircraft operating agreement with Plaza Atlantic Limited (a company owned by Michael Zakuta and Earl Brewer) with respect to the use and operation of a turbo-prop airplane, used from time to time by Plaza Group Management Limited and Plazacorp to facilitate more timely access to properties across the Corporation's portfolio for construction, development, leasing and operations. Costs associated with use of the airplane for the period July 1, 2011 to December 31, 2011 were $205 thousand.

(ii) Plaza Group Management Limited is a party to an office lease for Plazacorp's corporate headquarters in Fredericton, New Brunswick. The owner of the office building (and counter-party to the office lease) is a company indirectly owned by Michael Zakuta and Earl Brewer. Rent under this office lease is $201 thousand per year. The lease expires on March 31, 2014.

(iii) Plaza Group Management Limited manages certain properties owned directly or indirectly by Michael Zakuta and Earl Brewer, namely 527 Queen Street, Fredericton, NB and 271 Queen Street, Fredericton, NB.

Equity Raise

On September 27, 2011, the Company completed a bought deal public equity offering of 6.6 million common shares at a price of $4.20 per common share to a syndicate of underwriters. The gross proceeds from the offering were $27.7 million. Net proceeds from the offering after underwriters' fees and legal and other costs of the offering were approximately $26.2 million. The Company used the proceeds to repay: the $6.9 million outstanding on the Company's Series III mortgage bonds, which matured on September 30, 2011; $1.5 million in related party promissory notes payable owing to Michael Zakuta and Earl Brewer; and the balance outstanding on the Company's operating line of approximately $5.3 million. Further proceeds of $3.0 million will be used to repay Series IV mortgages bonds which mature on June 30, 2012 and further proceeds of between $8.0 and $9.0 million are being used to fund the equity portion of the Company's future development and redevelopment activities. The remaining proceeds are for general working capital purposes.

Plazacorp granted the underwriters an over-allotment option to purchase up to an additional 990 thousand common shares at a price of $4.20 per common share, to cover over-allotments, if any. In October 2011, the underwriters exercised in full their over-allotment option. Gross proceeds to the Company from the over-allotment option were $4.2 million. Net proceeds to the Company after underwriters' fees were $4.0 million.

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 acquisition and development;
- 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);
- FFO Payout Ratios;
- 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 in the table that follows. 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, 2011 compared to the year ended December 31, 2010.

Funds from Operations	➢ For the year ended December 31, 2011 FFO was \$14.1 million, or 26.3¢ per share (26.3¢ per share diluted) compared to \$13.5 million, or 27.2¢ per share (26.8¢ per share diluted) for the year ended December 31, 2010, a 4.2% dollar increase and a 3.3% decrease on a per share basis. The principal factors influencing FFO were: ➢ Incremental NOI growth of \$2.1 million earned by properties which were transferred from properties under development to income producing status during 2010 and 2011 and same asset NOI growth of \$852 thousand. ➢ The net negative impact to FFO of the internalization of property and corporate management of \$1.0 million. ➢ A net increase in financing costs of \$811 thousand mainly affected by: (i) the replacement of floating-rate debt with long-term debt on new properties which increased financing costs, (ii) interest on a new series of debentures issued at the end of the first quarter of 2010 which increased financing costs, (iii) one-time defeasance costs of \$240 thousand on mortgages defeased; and (iv) the expiry and conversions of debentures during the year which decreased financing costs. ➢ One-time additional tax consulting and professional fees relating to the potential conversion to a REIT structure and IFRS-related work of \$274 thousand. ➢ The per share decrease in FFO was also due to an increase in the number of outstanding shares due to the issuance of shares through the equity raise in the third quarter along with the exercising of options, conversions of convertible debentures and the dividend reinvestment plan. ➢ Without the one-time costs for mortgages defeased, potential conversion to a REIT structure and IFRS-related work, FFO would have increased to \$14.6 million or 27.3¢ per share, an 8.0% increase over the year ended December 31, 2010.
FFO Payout Ratio	➢ For the year ended December 31, 2011 the FFO payout ratio remained low by industry standards at 78.2% compared to 70.6% for the same period in the prior year. The increase over the prior year mainly relates to the effect of the internalization as well as the one-time administrative and defeasance expenses incurred in 2011. ➢ Without the one-time costs, the FFO payout ratio would have been 75.4%.
Debt Service Ratios	➢ For the year ended December 31, 2011 the interest coverage ratio and the debt service coverage ratio were consistent with the prior year at 1.9 times and 1.5 times, respectively. The debt service ratios exceed the requirements under our borrowing arrangements.
Same-Asset Net Property Operating Income	➢ For the year ended December 31, 2011 same-asset NOI increased compared to the prior year by \$852 thousand or 2.8%.
Weighted Average Effective Cost of Debt	➢ At December 31, 2011 the weighted average effective cost of mortgage debt decreased 36 basis points to 6.07% from 6.43% at December 31, 2010. This is mainly the result of \$16.2 million of defeasances of higher cost debt for lower cost debt entered into over the last year.
Occupancy Levels	➢ At December 31, 2011 overall occupancy was 96.5% compared to 97.8% at December 31, 2010.

PROPERTY AND CORPORATE PERFORMANCE 2011 AND 2010

Funds from Operations (FFO)

Plazacorp's summary of FFO for the three and twelve months ended December 31, 2011, compared to the three and twelve months ended December 31, 2010 is presented below:

(000's – except per share amounts and debt coverage ratios)	**3 Months Ended December 31, 2011 (unaudited)**	3 Months Ended December 31, 30, 2010 (unaudited)	**12 Months Ended December 31, 2011**	12 Months Ended December 31, 2010
Profit (loss) for the period attributable to shareholders	**$ 7,911**	$ (163)	**$ 28,114**	$ 22,593
Add (deduct):				
(Gain) loss on disposal of investment properties	**3**	(38)	**3**	87
Deferred income tax expense	**2,829**	1,840	**10,349**	8,526
Fair value adjustment to investment properties	**(8,385)**	(2,199)	**(23,864)**	(23,238)
Fair value adjustment to investments	**(1,762)**	(1,280)	**(3,759)**	(3,683)
Fair value adjustment to convertible debentures	**3,088**	5,671	**2,744**	7,875
Net revaluation of interest rate swaps	**165**	(180)	**363**	43
Non-controlling interest adjustment	**(198)**	(249)	**103**	720
Basic FFO	**3,651**	3,402	**14,053**	12,923
Adjustment for debenture issuance costs	**-**	-	**-**	565
Basic FFO - adjusted	**$ 3,651**	$ 3,402	**$ 14,053**	$ 13,488
Interest on dilutive convertible debentures	**-**	-	**-**	2,114
Diluted FFO	**$ 3,651**	$ 3,402	**$ 14,053**	$ 15,602
Basic Weighted Average Shares Outstanding	**59,716**	49,835	**53,394**	49,540
Diluted Weighted Average Shares Outstanding	**59,716**	49,841	**53,394**	58,298
Basic FFO – adjusted per share	**$ 0.061**	$ 0.068	**$ 0.263**	$ 0.272
Diluted FFO – adjusted per share	**$ 0.061**	$ 0.068	**$ 0.263**	$ 0.268
Debt coverage ratios				
Interest coverage ratio[(1)]	**1.9 times**	1.9 times	**1.9 times**	1.9 times
Debt service coverage ratio[(2)]	**1.5 times**	1.5 times	**1.5 times**	1.5 times

(1) Calculated as profit before finance costs, taxes, gains/losses on property dispositions, unrealized change from fair value adjustments and net revaluation of interest rate swaps (hereinafter known as "EBITDA") divided by finance costs.
(2) Calculated as EBITDA divided by total debt service (finance costs plus periodic mortgage principal repayments).

Basic FFO – adjusted for the year ended December 31, 2011 increased by 4.2% over the same period in the prior year. Positively impacting FFO was same-asset NOI growth and incremental NOI growth from new developments. This was partly offset by:

- the net negative impact to FFO of the internalization of property and corporate management which was mainly reflected in the increase in salaries of internalized staff and other office costs of $2.6 million (mainly recorded in administrative expenses), net of property management and corporate management fee savings from internalization of approximately $1.0 million as well as $580 thousand of other income recorded on fees earned from third party partners in properties that Plazacorp does not own a 100% interest in;
- one-time expenses for tax consulting and professional fees relating to the potential conversion to a REIT structure and IFRS-related work reflected in administrative expenses of $274 thousand; and
- a net increase in interest costs of $811 thousand mainly affected by: (i) the replacement of floating-rate debt with long-term debt on new properties increasing interest expense by approximately $607 thousand; (ii) interest incurred on a new series of debentures issued at the end of the first quarter of 2010 increasing interest expense by $269 thousand; (iii) one-time defeasance costs incurred of $240 thousand on $16.2 million of mortgages defeased; and (iv) the expiry and conversions of debentures which decreased interest expense by $510 thousand.

Although the internalization is expected to be positive to net cash flows in general as a result of additional non-FFO fee savings (such as development and acquisition fees), it is negative to FFO mainly because certain costs incurred in the form of fees paid to the external manager prior to internalization that were eligible for capitalization, are not all eligible for capitalization when they take the form of salaries. Salary expenses are recorded both in NOI (for property staff) and administrative expenses (for other staff).

FFO per share was also affected by an increase in the number of shares outstanding due to the issuance of shares through the equity raise at the end of the third quarter along with the exercising of options, conversions of convertible debentures and the dividend reinvestment plan.

Basic FFO – adjusted for the quarter ended December 31, 2011 increased by $249 thousand over the same period in the prior year. FFO was impacted by an increase in administrative expenses of $883 thousand due to the internalization as previously mentioned, as well as costs incurred relating to the potential conversion to a REIT structure and IFRS-related work. These were offset by same-asset NOI growth and incremental NOI growth from new developments of $899 thousand as well as $340 thousand of other income recorded on fees earned from third party partners in properties for which the Company does not own a 100% interest. FFO per share was impacted by the equity raise in the third quarter, along with the exercising of options, conversions of convertible debentures and the dividend reinvestment plan.

Adjusted Funds from Operations (AFFO)

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

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

(000's, except per share amounts and percentage data)	**3 Months Ended December 31, 2011 (unaudited)**	3 Months Ended December 31, 2010 (unaudited)	**12 Months Ended December 31, 2011**	12 Months Ended December 31, 2010
Basic FFO - adjusted	**$ 3,651**	$ 3,402	**$ 14,053**	$ 13,488
Add: Amortization of finance charges included in interest expense	**200**	184	**737**	835
Principal repayment of tenant loans	**149**	117	**570**	448
Non-controlling interest adjustment	**26**	20	**90**	53
Less: Non-cash revenue – straight-line rent	**(253)**	(213)	**(1,111)**	(783)
Equity accounting adjustment	**(136)**	(87)	**(244)**	(204)
Maintenance capital expenditures – existing Properties	**(124)**	19	**(621)**	(384)
Leasing costs – existing properties	**(233)**	(316)	**(1,099)**	(905)
Mortgage finance charges – existing properties	**(56)**	(89)	**(341)**	(296)
Basic AFFO	**$ 3,224**	$ 3,037	**$ 12,034**	$ 12,252
Interest on dilutive convertible debentures	**-**	-	**-**	-
Diluted AFFO	**$ 3,224**	$ 3,037	**$ 12,034**	$ 12,252
Basic AFFO per share	**$ 0.054**	$ 0.061	**$ 0.225**	$ 0.247
Diluted AFFO per share	**$ 0.054**	$ 0.061	**$ 0.225**	$ 0.247
Gross dividend payments	**3,140**	2,391	**10,984**	9,520
AFFO after dividends	**$ 84**	$ 646	**$ 1,050**	$ 2,732
Dividends as a percentage of basic AFFO	**97.4%**	78.7%	**91.3%**	77.7%
Dividends as a percentage of basic FFO - adjusted	**86.0%**	70.3%	**78.2%**	70.6%

For the year ended December 31, 2011, AFFO decreased by $218 thousand, or 1.8% over the prior year. Although FFO increased over the prior year, this was more than offset by an increase in leasing costs, maintenance capital expenditures and an increase in straight-line rent due to the addition of straight-line rent on newly developed properties and acquisitions.

Basic AFFO for the quarter ended December 31, 2011 increased by $187 thousand, or 6.2% over the same period in the prior year mainly due to the increase in FFO and the reduction in leasing costs, partly offset by an increase in maintenance capital expenditures in the quarter mainly due to roof and other building repairs at one of our properties.

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, 2011 and the entire year ended December 31, 2010 and excludes partial year results from certain assets due to timing of acquisition, redevelopment or disposition.

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 NOI.

(000's, except percentage data)	**3 Months Ended December 31, 2011 (unaudited)**	3 Months Ended December 31, 2010 (unaudited)	**12 Months Ended December 31, 2011**	12 Months Ended December 31, 2010
Same-asset rental revenue	**$ 13,027**	$ 12,808	**$ 51,913**	$ 50,599
Same-asset operating expenses	**2,646**	2,662	**10,523**	10,468
Same-asset realty tax expense	**2,610**	2,532	**10,423**	10,016
Same-asset net property operating income	**$ 7,771**	$ 7,614	**$ 30,967**	$ 30,115
Total net property operating income	**$ 8,709**	$ 7,810	**$ 33,487**	$ 30,631
Total net property operating income margin	**60.1%**	59.5%	**60.2%**	59.8%

As noted in the chart above, the NOI for the same-asset pool for the year ended December 31, 2011, is showing growth of $852 thousand, or 2.8% over the same period in the prior year. The increase was mainly due to the lease up at Fairville Boulevard – II, Les Promenades du Cuivre, Bedford Commons, Granite Drive Plaza and Victoria Street which contributed an additional $839 thousand to NOI. Total NOI grew by $2.9 million, or 9.3% due to the overall growth in investment properties from development activities.

The increase in total NOI for the year ended December 31, 2011 was attributable to:

- the full period impact of 4 properties transferred to income producing status in 2010, accounting for $574 thousand of the increase (annualized impact to NOI of approximately $1.0 million) and 6 properties transferred to income producing status in 2011, accounting for $1.5 million of the increase (annualized impact to NOI of approximately $2.4 million);
- same-asset pool growth of $852 thousand; and
- partly offset by the sale of a 25% interest in a property and the sale of a 50% interest in a property in 2010, reducing NOI by $118 thousand.

NOI for the same-asset pool for the quarter ended December 31, 2011 increased by $157 thousand, or 2.1% over the same period in the prior year due to the lease up at Fairville Boulevard – II, Bedford Commons, Granite Drive Plaza and Victoria Street. Total NOI for the quarter ended December 31, 2011 increased by $899 thousand or 11.5% over the same period in the prior year, mainly due to same-asset NOI growth, and the impact of properties transferred to income producing status in 2011 accounting for $751 thousand of the increase.

The following table shows a breakdown of same-asset NOI by province.

(000's except percentage data)	**3 Months Ended December 31, 2011 (unaudited)**	3 Months Ended December 31, 2010 (unaudited)	**12 Months Ended December 31, 2011**	12 Months Ended December 31, 2010
New Brunswick	**$ 3,010**	$ 2,971	**$ 11,855**	$ 11,773
Quebec	**1,365**	1,366	**5,525**	5,371
Nova Scotia	**2,002**	1,884	**8,022**	7,410
Ontario	**323**	338	**1,289**	1,301
Newfoundland and Labrador	**355**	353	**1,441**	1,431
Prince Edward Island	**716**	702	**2,835**	2,829
Same-asset net property operating income	**$ 7,771**	$ 7,614	**$ 30,967**	$ 30,115
Percentage increase over prior year	**2.1%**		**2.8%**	

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

2011 Transactions	Property Type	Square Footage	Ownership	Income Producing During
Dundonald & Smythe, Fredericton, NB	Strip Plaza	19,340	100%	Q1 11
King & Mill, Newcastle, ON	Single Use	15,134	50%	Q1 11
Torbay & MacDonald, St. John's, NL	Single Use	18,550	100%	Q1 11
West Royalty, Charlottetown, PE	Single Use	54,150	100%	Q2 11
Stavanger Drive Plaza, St. John's, NL	Strip Plaza	50,563	90%	Q3 11
Bedford Commons – 2, Bedford, NS	Strip Plaza	105,157	100%	Q4 11
Total		262,894		

2010 Transactions	Property Type	Square Footage	Ownership	Income Producing During
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
Silver Fox, New Minas, NS	Strip Plaza	42,078	100%	Q4 10
Terrace Dufferin, Valleyfield, QC	Strip Plaza	17,587	50%	Disposition Q4 10
Total		109,050		

Leasing and Occupancy

The following table represents leases expiring for the next 5 years and thereafter for Plazacorp's property portfolio at December 31, 2011 (excluding non-consolidated investments).

	Strip Plazas		**Enclosed Malls**		**Single-User**		**Total**	
Year	**Sq Ft[(1)]**	**%**	**Sq Ft[(1)]**	**%**	**Sq Ft[(1)]**	**%**	**Sq Ft[(1)]**	**%**
2012	103,950	4.5	85,574	13.3	79,443	13.0	**268,967**	**7.5**
2013	137,237	5.9	45,441	7.0	-	-	**182,678**	**5.1**
2014	208,040	8.9	104,882	16.3	-	-	**312,922**	**8.7**
2015	357,106	15.3	75,657	11.7	25,695	4.2	**458,458**	**12.8**
2016	292,715	12.6	49,431	7.7	25,771	4.2	**367,917**	**10.3**
Thereafter	1,229,880	52.8	283,454	44.0	480,029	78.6	**1,993,363**	**55.6**
Subtotal	2,328,928	100.0	644,439	100.0	610,938	100.0	**3,584,305**	**100.0**
Vacant	103,471		26,472		-		**129,943**	
Total	2,432,399		670,911		610,938		**3,714,248**	
Weighted average lease term	6.9 years		6.2 years		9.7 years		**7.2 years**	

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

At December 31, 2011, overall occupancy for the portfolio (excluding properties under development and non-consolidated investments) slightly decreased to 96.5% from 97.8% at December 31, 2010.

During 2011, the Company completed 780 thousand square feet (2010 - 872 thousand square feet) of new and renewal leasing deals at market rates (including leasing at non-consolidated investments). The 780 thousand square feet of leasing was comprised of 288 thousand square feet on new developments, and 492 thousand square feet on existing properties. Excluding leasing at non-consolidated investments, the Company completed 566 thousand square feet of new and renewal leasing deals (2010 - 644 thousand square feet) at market rates. The 566 thousand square feet of leasing was comprised of 235 thousand square feet on new developments and 331 thousand square feet on existing properties.

On average, Plazacorp's embedded or contractual gross rents expiring in 2011 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 95.7% at December 31, 2011, compared to 97.5% at December 31, 2010.
- Average occupancy for enclosed malls was 96.1% at December 31, 2011 compared to 96.8% at December 31, 2010.
- Occupancy for single use assets remained stable at 100% at December 31, 2011.
- Pre-leased space in properties under development and under construction is 70.5% at December 31, 2011.

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, 2011 represent approximately 54.6% of total revenues in place.

	% of Gross Revenue		**% of Gross Revenue**
1. Shoppers Drug Mart	23.9	6. Reitmans	2.7
2. Dollarama	7.1	7. Winners	2.7
3. Staples	4.5	8. Future Shop	2.6
4. Mark's Work Wearhouse	3.4	9. Bulk Barn	2.4
5. Sobeys	3.3	10. Michaels	2.0

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, 2011	December 31, 2010
National	**89.9%**	89.1%
Regional	**3.9%**	4.0%
Local	**5.4%**	6.0%
Non-Retail	**0.8%**	0.9%

Profit and Total Comprehensive Income for the Period

Profit and total comprehensive income was $28.9 million for the year ended December 31, 2011, compared to $24.1 million for the year ended December 31, 2010, an increase of $4.8 million. Profit was impacted by: (i) the increase in NOI of $2.9 million mentioned above; (ii) an increase in the fair value gain to investment properties of $626 thousand mainly as a result of a decrease in capitalization rates; (iii) a decrease in the net loss from fair value adjustments to convertible debentures, which increased profit by $5.1 million; (iv) the net negative impact of the internalization noted above, which decreased profit by approximately $1.0 million; (v) the net increase in finance costs mentioned above, which decreased profit by $811 thousand; and (vi) an increase in deferred taxes of $1.8 million.

Profit and total comprehensive income for the quarter ended December 31, 2011 increased by $8.1 million to $7.9 million compared to the same period in the prior year. Profit was impacted by the same factors mentioned above, as well as an increase in the share of profit of associates.

Share of Profit of Associates

Share of profit of associates consists of income from equity and cost-accounted investments as well as fair value changes in the underlying investment properties included within these equity-accounted investments and other changes to the equity position of the equity-accounted investments that would impact the residual returns on wind-up (such as debt financing incurred). 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%	4%	25%
Cost Accounted Investments			
Northwest Plaza Commercial Trust	10%	-	-

[1] Equity accounted investments consist of the following properties: 3550 Sources, Centennial Plaza, Marche De L'Ouest, Place Du Marche, BPK Levis, Plaza des Recollets, the Village Shopping Centre, Shediac West, Ottawa Street, Hastings Street Bancroft and Main Street Alexandria.

Share of profit of associates for the year ended December 31, 2011 includes Plazacorp's share of NOI of approximately $3.3 million. Share of profit of associates increased by $215 thousand for the year ended December 31, 2011 compared to the year ended December 31, 2010 and for the quarter ended December 31, 2011, increased by $614 thousand compared to the same period in the prior year. This was mainly due to a fair value increase of the underlying investment properties compared to the prior year as a result of both a decrease in the capitalization rate as well as improved leasing at these centres. This was partly offset by additional debt incurred at Centennial Plaza Limited Partnership, which negatively affected the Company's share of the residual equity in this investment.

Distributions received from associates for the year ended December 31, 2011 were $1.5 million compared to $1.3 million for the year ended December 31, 2010.

Change in Fair Value of Investment Properties

The net gain from the fair value adjustment to investment properties for the year ended December 31, 2011 was $23.9 million (for the year ended December 31, 2010 - $23.2 million). For the quarter ended December 31, 2011, the net gain was $8.4 million (for the quarter ended December 31, 2010 – $2.2 million). The weighted average capitalization rate at December 31, 2011 was 7.41% compared to 7.74% at December 31, 2010. At December 31, 2011 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of

approximately $17.0 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately $15.9 million.

Change in Fair Value of Convertible Debentures

The net loss from the fair value adjustment to convertible debentures for the year ended December 31, 2011 was $2.7 million compared to $7.9 million for the year ended December 31, 2010. For the quarter ended December 31, 2011 the net loss from the fair value adjustment to convertible debentures was $3.1 million compared to $5.7 million for the quarter ended December 31, 2010. The decrease in the net loss from fair values was mainly due to an increase in credit spreads as well as a change in the Company's share price.

Loss on Disposals of Investment Properties and Surplus Lands

During the year ended December 31, 2011, the Company sold land in Miramichi, NB for net proceeds of $247 thousand and an accounting loss of $3 thousand.

During the year ended December 31, 2010 the Company 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 loss of $125 thousand. The Company also disposed of its interest in Terrace Dufferin located in Valleyfield, QC for net proceeds of $1.3 million and an accounting loss of $79 thousand. The Company sold land in New Minas, NS for net proceeds of $127 thousand and an accounting gain of $117 thousand.

Other Income

Other income includes property management and other fees earned from third party joint venture partners and partners in equity-accounted investments, as a result of the internalization of property and corporate management.

Administrative Expenses

Administrative expenses increased by $2.2 million for the year ended December 31, 2011, compared to the same period in the prior year, mainly due to the internalization of property and corporate management, resulting in salaries and other office costs being recorded. Salaries, benefits and other office costs included in administrative expenses relating to the internalization amounted to approximately $1.9 million for the third and fourth quarters. The increase in administrative expenses was also due to additional tax consulting relating to the potential conversion to a REIT structure of $146 thousand and professional fees relating to IFRS-related work of $128 thousand. For the quarter ended December 31, 2011 administrative expenses increased by $883 thousand compared to the same period in the prior year for the same reasons mentioned above.

Income Tax Expense

The financial statements include the current and deferred income taxes payable by the Company and its consolidated subsidiaries.

(000's)	**3 Months Ended December 31, 2011 (unaudited)**	3 Months Ended December 31, 2010 (unaudited)	**12 Months Ended December 31, 2011**	12 Months Ended December 31, 2010
Current income taxes	**$ 136**	$ 10	**$ 169**	$ 42
Deferred income taxes	**2,829**	1,840	**10,349**	8,526
Total income taxes	**$ 2,965**	$ 1,850	**$ 10,518**	$ 8,568

Deferred income taxes increased for the quarter and year ended December 31, 2011 compared to the respective periods in the prior year, mainly as a result of higher profit before income tax and an effective tax rate increase in the province of New Brunswick of 2.0%. This was partly offset by the relative tax impact of fair value adjustments compared to the prior year.

Acquisitions

During the year ended December 31, 2011 the Company acquired land and existing properties for future development and land consolidation. Land was purchased in Fredericton, NB, Riverview (Moncton), NB, New Glasgow, NS, Halifax, NS, Charlottetown, PE, Sherbrooke, QC and in Montreal, QC for a total cost of $7.8 million. Existing properties were purchased for redevelopment in Fredericton, NB (Dundonald & Smythe), and in Charlottetown, PE (West Royalty) for $6.2 million.

In the prior year $13.3 million was expended on land acquisitions for future development in Fredericton, NB, New Minas, NS, Bedford (Halifax), NS, Charlottetown, PE, St. John's, NL and in Newcastle, ON. An existing property was purchased in Oromocto (Fredericton), NB for $300 thousand for redevelopment.

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 2012, 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 21.50¢ per share for 2012 compared to an average of 20.625¢ per share for 2011.

In the short-term, Plazacorp foresees most of its growth being derived from development and redevelopment activities. Plazacorp currently owns an interest in seven projects under development and seven land assemblies in progress which, upon completion, are expected to be accretive to the Company's earnings. The following properties, in which the Company currently owns an interest, are under active development or active planning and are anticipated to become income producing at various points over the next three years as follows:

Properties under development	Property	Status	Square Footage	Ownership	Occupied or Committed at December 31, 2011	Income
90 Blvd. Tache Ouest, Montmagny, QC	Strip Plaza	In Planning[2]	6,000[1]	50%	n/a	1-3 years
Bourque & Haut-Bois, Sherbrooke, QC	Strip Plaza	In Planning[2]	200,000[1]	50%	n/a	1-3 years
Jean Talon, Montreal, QC	Strip Plaza	In Planning[2,3]	15,000[1]	50%	n/a	1-3 years
Magog, Magog, QC	Strip Plaza	In Planning[2]	90,000[1]	50%	n/a	1-3 years
Commercial Street Plaza – 2, New Minas, NS	Strip Plaza	In Planning[2]	10,000[1]	100%	n/a	1-3 years
Spencer Drive Plaza, Charlottetown, PE	Strip Plaza	In Construction	102,920	100%	63%	Q2 12
Manotick, Manotick, ON	Single Use	In Construction	26,231	50%	100%	Q3 12
Total			450,151			

(1) Approximate square footage.
(2) All are appropriately zoned for the intended use.
(3) Subsequent to year end, there is a conditional sale for a portion of the land with an option in favour of the buyer to purchase the remainder.

There is excess density at existing properties that the Company plans to develop in the short term which would represent 49 thousand additional square feet at completion.

At December 31, 2011, there were 9 other conditional land assemblies which were under purchase agreements and subject to due diligence, which would represent 251 thousand additional square feet at completion (at the Company's ownership percentage). Subsequent to December 31, 2011, the due diligence has been waived for two of these land assemblies under purchase agreements (one in Charlottetown, PE and the other in Saint John, NB), representing 110 thousand square feet of the 251 thousand square feet at completion. As well, subsequent to year end, the purchases of another two of the land

assemblies were completed (one in Carbonear, NL and the other in Boisbriand (Montreal), QC), representing 17 thousand square feet of the 251 thousand square feet at completion.

The Company also benefits from growth stemming from contractual rental rate increases from existing tenants' leases that generally grow at or above the expected rate of inflation.

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 as any contemplated conversion will require tax, regulatory, Board and shareholder approvals.

The Company is also looking at the possibility of moving its listing from the TSX Venture Exchange to the TSX. Any such move will require review of its disclosure controls and procedures and internal controls under TSX certification rules, as well as appropriate approvals including regulatory and Board approvals.

PART III

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)	Q4'11	Q3'11	Q2'11	Q1'11	Q4'10	Q3'10	Q2'10	Q1'10
Total revenue [1]	**$ 17,237**	$ 14,704	$ 15,440	$ 14,796	$ 14,923	$ 14,216	$ 14,538	$ 13,327
Profit (loss) and total comprehensive income	**$ 7,889**	$ 5,807	$ 8,339	$ 6,902	$ (195)	$ 8,171	$ 14,355	$ 1,818
Dividends per share	**5.25¢**	5.25¢	5.06¢	5.06¢	4.81¢	4.81¢	4.81¢	4.81¢
Funds from operations per share – basic [2]	**6.1¢**	7.1¢	6.8¢	6.4¢	6.8¢	7.5¢	6.3¢	6.6¢
Funds from operations per share – diluted [2]	**6.1¢**	7.1¢	6.8¢	6.4¢	6.8¢	7.4¢	6.3¢	6.6¢
Dividends as a percentage of basic FFO	**86.0%**	73.6%	73.6%	79.4%	70.3%	64.4%	75.9%	76.6%
Dividends as a percentage of basic AFFO	**97.4%**	87.3%	85.2%	95.3%	78.7%	66.9%	85.9%	87.0%
Total assets	**$550,345**	$548,796	$526,191	$492,103	$469,141	$453,670	$441,046	$427,353
Total mortgages, bonds, debentures, notes and bank indebtedness	**$295,915**	$305,133	$313,394	$290,018	$283,394	$268,292	$263,309	$262,402
Basic weighted average shares outstanding	**59,716**	52,341	51,013	50,428	49,835	49,611	49,463	49,242
Properties under development	**7**	8	9	6	7	6	6	6
Income producing properties (including non-consolidated investments)	**105**	104	103	102	100	100	97	95
Total properties in portfolio	**112**	112	112	108	107	106	103	101
Rentable Sq. Ft. (at 100% and excluding non-consolidated investments and properties under development)								
Strip Plazas	**2,432**	2,329	2,281	2,281	2,255	2,250	2,247	2,227
Enclosed Malls	**671**	672	680	659	659	658	658	657
Single Use	**611**	611	611	557	529	519	498	463
Total income producing properties	**3,714**	3,612	3,572	3,497	3,443	3,427	3,403	3,347
Occupancy % (at 100% and excluding non-consolidated investments and properties under development)								
Strip Plazas	**95.7**	97.8	97.4	97.7	97.5	96.9	97.7	96.5
Enclosed Malls	**96.1**	96.1	95.9	97.1	96.8	96.6	96.8	96.9
Single Use	**100**	100	100.0	100.0	100.0	100.0	100.0	100.0
Total income producing properties	**96.5**	97.9	97.6	98.0	97.8	97.3	97.9	97.1

(1) Includes investment income, other income and share of profit of associates.
(2) Adjusted for debenture issuance costs.

During the last eight quarters occupancy has been very steady which contributes to stability of cash flow. Significant fluctuations in profit and loss are mainly due to non-cash fair value adjustments on the Company's investment properties and convertible debentures. Fair value adjustments are based on market parameters for which the Company has no control or ability to predict.

Some of Plazacorp's properties are leased on a base year or semi-gross basis or otherwise have caps on operating costs. At December 31, 2011, approximately 57% of the Company's leased area is tied to a CPI cost recovery formula. As well, anchor tenant leases may restrict Common Area Maintenance (CAM) cost recoveries. As a result of both of these factors,

seasonal fluctuations in NOI and FFO occur primarily due to winter costs and yearly repair and maintenance activities which typically occur in spring and early summer which may create inconsistencies in quarterly recovery revenues compared with quarterly expenses.

Comparative figures are affected by changes in accounting principles. The selected comparative information for 2010 is in accordance with IFRS.

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 activities, which form a large portion of accounts payable and accrued liabilities, 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 amortization 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.

CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES

Operating and Development Facilities

(000's)	$10.0 Million Operating	$20.0 Million Development	$15.0 Million Development
December 31, 2010	$ -	$ 3,987	$ -
Net Change	-	(3,987)	-
December 31 , 2011	$ -	$ -	$ -
Interest rate	Prime + 1.00% or BA + 2.50%	Prime + 1.00% or BA + 2.75%	Prime + 1.00% or BA + 2.50%
Maturity	November 30, 2012	July 31, 2012	July 31, 2012
Security	First charges on pledged property	First charges on applicable pledged development property	First charges on applicable pledged development 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	$435 thousand	-	-

Funding is secured by first mortgage charges on properties or development properties as applicable. 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.

As of December 31, 2011, all debt covenants in respect of the above facilities have been maintained.

The Company had an additional $500 thousand letter-of-credit facility which matured on September 30, 2011 with a Canadian chartered bank. The Company cancelled the facility on maturity.

The Company increased its operating line to $10.0 million from $8.0 million on renewal. At December 31, 2011, there were no funds drawn on the $10.0 million operating line. The amount available to be drawn fluctuates depending on specific assets pledged (to a maximum of $8.0 million at December 31, 2011).

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%. Series IV mortgage bonds are re-allocated to different properties from time to time as required. 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. On June 1, 2011, a co-ownership in which the Company owns a 50% interest, issued $6.0 million in mortgage bonds to purchase a redevelopment property located in Quebec. The term is one year and has an interest rate of 7.0%. The Company's share of the mortgage bonds is $3.0 million. On September 30, 2011, the remaining Series III mortgage bonds in the amount of $6.89 million matured and were repaid with the proceeds of an equity offering (see "Shares Outstanding" below for further details).

Convertible debentures are recorded at fair value and changes in the fair value are recorded quarterly in profit and loss. During the year ended December 31, 2011, $5.0 million in Series IV convertible debentures were converted to approximately 1.25 million shares, $1.0 million in Series V convertible debentures were converted to approximately 299 thousand shares and $855 thousand in Series VI convertible debentures were converted to approximately 225 thousand shares.

Mortgages

The Company refinanced a property in Quebec for $1.3 million with a 5 year term and an interest rate of 4.4% compared to the maturing interest rate of 7.7%. The Company owns a 50% interest in this property.

Long-term financing in the amount of $14.0 million (at Plazacorp's consolidated share) with a weighted average term of 15 years was obtained on new developments at a weighted average interest rate of 4.92%.

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 has an equity ownership in the limited partnership which owns this property.

Four mortgages maturing in 2012, with a weighted average original interest rate of 7.8% were defeased and new long-term financing was obtained for $16.2 million (at Plazacorp's consolidated share) at a weighted average interest rate of 4.81%. Three of these mortgages total $13.6 million and each has a term of 10 years while the fourth mortgage for $2.6 million has a five year term.

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 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, 2011, fixed-rate debt represents 100% of mortgages placed on investment properties. Management is of the view that such a strategy results in the most conservative interest rate risk management practice.

During 2010, 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 expire 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 profit and loss.

The following is a mortgage maturity chart by year:

	Year 1 2012	Year 2 2013	Year 3 2014	Year 4 2015	Year 5 2016	After 5 Years	Total
Long-term mortgages	$ -	$26,675	$19,285	$17,767	$25,183	$114,462	$203,372
Mortgages funded by defeasance	15,099	-	-	-	-	-	15,099
Total	$15,099	$26,675	$19,285	$17,767	$25,183	$114,462	$218,471
As a percentage	6.9%	12.2%	8.8%	8.1%	11.6%	52.4%	100.0%

At December 31, 2011 and December 31, 2010, the Company's cost of debt was as follows:

(000's, except percentage data)	Balance Outstanding December 31, 2011	Effective Rates December 31, 2011	Effective Rates December 31, 2010
Fixed rate mortgage loans	**$ 250,077**	**6.07 %**	6.43 %
Bank operating facility	**$ -**	**Prime + 1.00%**	Prime + 2.25%
Bank development facility	**$ -**	**Prime + 1.00%**	Prime + 1.25%
Bank development facility	**$ -**	**Prime + 1.00%**	Prime + 1.25%

The weighted average term to maturity for the long-term mortgages is 6.1 years. The average remaining repayment (amortization) period on long-term mortgage debt is 24.5 years.

The ratio of debt to gross book value of assets at December 31, 2011 (excluding convertible debentures) is 46.6%.

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 February 29, 2012	Shares	Share Capital
Current outstanding shares	**59,992,619**	**$ 88,095,990**
Employee and Director share options	**120,000**	**523,200**
Series V convertible debentures	**3,340,295**	**15,756,578**
Series VI convertible debentures	**4,813,158**	**23,410,013**
Total adjusted shares outstanding	**68,266,072**	**$ 127,785,781**

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. During the second quarter of 2011, land was purchased at our Staples Plaza, New Glasgow property for $850 thousand. During the third quarter of 2011, land was purchased at our Jean Talon property for $750 thousand (at Plazacorp's ownership percentage). This land had previously been under land lease. Currently Plazacorp has 24 long-term land leases (affecting 23 properties) with total annual rent of $2.7 million. One of the land leases relates to shared parking facilities. The other properties under land lease represent approximately 15% of the Company's fair value of investment properties and investments. Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2012 to 2084 with an average life of 42 years, with non-automatic renewal options ranging from 9 to 66 years with an average of 30 years of renewal options. Subsequent to year end, the land lease which expires in 2012 was renewed for an additional five years. Of the 24 land leases, 11 of the land leases have options to purchase, generally at fair market value.

Gross Capital Additions Including Leasing Fees:

(000's)	**3 Months Ended December 31, 2011 (unaudited)**	3 Months Ended December 31, 2010 (unaudited)	**12 Months Ended December 31, 2011**	12 Months Ended December 31, 2010
Leasing fees – existing properties	**$ 137**	$ 285	**$ 405**	$ 572
Leasing fees – redevelopment properties	**9**	-	**75**	65
Leasing fees – new developments	**703**	367	**1,381**	628
Total leasing fees	**849**	652	**1,861**	1,265
Capital additions – existing properties	**220**	12	**1,315**	717
Capital additions – redevelopment properties	**-**	1,091	**3,096**	1,474
Capital additions – new developments	**4,908**	13,188	**35,459**	26,918
Total capital additions	**5,128**	14,291	**39,870**	29,109
Total gross additions	**$ 5,977**	$ 14,943	**$ 41,731**	$ 30,374

COMMITMENTS AND CONTINGENT LIABILITIES

The Company has $11.1 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.

The Company also has contingent liabilities as original borrower on mortgages assumed by the purchasers of properties in 2007. 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, 2011 totals $14.1 million and consists of two mortgages with remaining terms ranging from 0.2 years to 1.3 years.

The Company has contingent liabilities as original borrower on four mortgages partially assumed by the purchasers of properties where a 75% interest in each was sold in 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, 2011 totals $8.0 million with remaining terms ranging from 3.3 years to 11.1 years.

The Company assumed a guarantee for a development line of credit held by the Village Shopping Centre Limited Partnership. The guarantee was 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 and had an exposure of $2.5 million for the remaining budgeted redevelopment costs. In January 2011, the Company refinanced the $20.0 million outstanding on the line of credit with long-term financing and the related guarantee was 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 $4.7 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, 2011, the Company held interests in 112 properties spread geographically among six provinces in Canada. Some of the more important risks are outlined below. See Financial Risk Management Note 24 to the December 31, 2011 Annual Consolidated Financial Statements for further details. Also see the Company's Annual Information Form dated February

29, 2012 and the Company's Short Form Prospectus dated September 20, 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 Company mitigates interest rate risk by maintaining the majority of its debt at fixed rates. At December 31, 2011 100% of the Company's mortgages are at fixed 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. 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 2012 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 23.9% of current monthly gross rents in place. The top 10 tenants collectively represent approximately 54.6% of total revenues in place. National and regional tenants represent 93.8% 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 Company 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 $350 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 threatened 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

As mentioned in Part I of this MD&A, prior to July 1, 2011, Plaza Group Management Limited provided property management and corporate management services to Plazacorp. In Quebec, staff of Les Immeubles Plaza Z-Corp Inc. handled management duties under a separate management agreement with Plazacorp.

Plaza Group Management Limited was controlled by two directors of Plazacorp, namely Michael Zakuta and Earl Brewer. Les Immeubles Plaza Z-Corp Inc. is controlled by Michael Zakuta.

On July 1, 2011, the Company purchased the shares of Plaza Group Management Limited. As a result of this transaction, property management and corporate management are now internalized and the Company manages all of its properties, including properties previously managed by Plaza Z-Corp Inc. Both management agreements previously in place have been terminated.

The purpose of the management arrangement was 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 payments under the management agreements, effective March 30, 2009 until July 1, 2011, was 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, equal to $185 per hour.

The following amounts were charged under the agreements:

Fee Category	**Included for Reporting Purposes In**	**December 31, 2011**	December 31, 2010
Property management	Property operating expenses	**$ 777**	$ 1,407
Corporate management	Administrative expenses	**194**	365
Leasing	Investment properties	**616**	1,079
Development	Investment properties	**606**	436
Financing and capital	Debt or equity	**301**	648
Acquisitions	Investment properties	**49**	136
Dispositions	Gain or loss on disposal of investment properties	**-**	10
Legal services	Varied based on service provided	**343**	442
Total		**$ 2,886**	$ 4,523

Remuneration of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director of the entity. The remuneration of directors and other key management personnel of the Company during the years ended December 31, 2011 and 2010 was as follows:

	December 31, 2011	December 31, 2010
Total key management personnel compensation – short-term employee benefits(1)	**$ 1,796**	$ 994

(1) Total compensation paid by Plaza Group Management Limited, prior to the internalization for 2011 was $897 thousand and for 2010 was $906 thousand. These amounts are not included in the financial statements of the Company.

During the years ended December 31, 2011 and 2010 there were no amounts paid in post employment benefits, long-term benefits, termination benefits, or share-based payments.

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, 2011	December 31, 2010
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

Bonds and Debentures Held

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

(000's)	December 31, 2011	December 31, 2010
Barbara Trenholm	**$ 100**	$ 464
Earl Brewer	**1,481**	1,755
Edouard Babineau	**2,000**	2,150
Michael Zakuta	**781**	2,163
Richard Hamm	**250**	325
Stephen Johnson	**850**	1,220
Total	**$ 5,462**	$ 8,077

During the year ended 2011, Richard Hamm redeemed $75 thousand in expired mortgage bonds, Michael Zakuta converted $1,643 thousand of convertible debentures to shares and purchased $261 thousand in mortgage bonds, Edouard Babineau converted $200 thousand of convertible debentures to shares, redeemed $100 thousand in expired mortgage bonds and purchased $150 thousand in mortgage bonds, Earl Brewer converted $538 thousand of convertible debentures to shares and purchased $264 thousand in mortgage bonds, Stephen Johnson redeemed $370 thousand in expired mortgage bonds, and Barbara Trenholm converted $300 thousand of convertible debentures to shares and redeemed $64 thousand in expired mortgage bonds.

Other key management personnel own $105 thousand in mortgage bonds of the Company at December 31, 2011 (December 31, 2010 - $45 thousand, January 1, 2010 - $45 thousand).

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, 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. All of these land leases have options to purchase, of which one is at a fixed price and the others are at fair market value. The business purpose of the leases was to enhance levered equity returns on the affected assets.

Earl Brewer and Michael Zakuta hold interests in common with the Company's 10% interest in Northwest Plaza Commercial Trust, the owner of the Northwest Centre, Moncton, NB. There are no loans outstanding or fees charged by the related parties as a result of the joint ownership.

See also "Significant Events During 2011 – Internalization" for other related party transactions as a result of the internalization.

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, 2011 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. The Company adopted IFRS as the basis of financial reporting effective January 1, 2011, with restatement of comparative periods using a transition date of January 1, 2010. The impact of the adoption of IFRS is described in the Consolidated Financial Statements in Note 27.

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:

Fair Value of Investment Properties

Investment properties include all of the Company's income producing commercial properties, properties under development and surplus lands. Investment properties are recorded at fair value. Fair value is based on a combination of external appraisals and internal valuations. Significant assumptions and estimates are made in determining the fair value of investment properties, including the normalized level of NOI for a particular property and which capitalization rate to use on each property. External appraisals use a number of different valuation approaches, including a discounted cash flow approach and a direct comparison approach. The discounted cash flow approach discounts expected future cash flows.

Properties Under Development

The Company capitalizes all direct expenditures incurred in connection with the development and construction of properties. These expenditures consist of all direct costs and direct and indirect borrowing costs on debt attributable to the specific development. Borrowing costs are offset by any interest earned by the Company on borrowed funds prior to utilization.

The development period commences when expenditures are being incurred and activities necessary to prepare the asset for its intended use are in progress. Capitalization ceases when substantially all the activities necessary to prepare the asset for its intended use are complete.

Fair Value of Convertible Debentures

In determining the fair value of convertible debentures, the Company must make assumptions regarding credit spreads, share price volatility and bond yields, considering the terms of the convertible debentures and their risk.

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**.** As of August 1, 2010 the Company had 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 profit and loss. At December 31, 2011, there are no embedded derivatives in the Company's financial instruments that require separation and measurement.

FUTURE ACCOUNTING POLICY CHANGES

A number of new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing the consolidated financial statements. The extent of the impact of these standards has not been determined. Please see Note 3 to the consolidated financial statements for further details about future accounting policy changes.

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 website at www.plaza.ca.

Attached as Appendix A is a chart listing the Company's properties at December 31, 2011 and attached as Appendix B is the fourth quarter consolidated statements of comprehensive income.

APPENDIX A

PROPERTIES OF THE COMPANY[4]

Property	Location	Year Built/ Redeveloped	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Dec-11	Major Tenants[1]
Strip Plazas						
Les Promenades St. Francois	Laval, QC	1987/2001	54,694	100%	100%	Jean Coutu, Dollarama
Plaza Hotel de Ville	Rivière-du-Loup, QC	1990	20,412	100%	100%	Bouclair, Yellow Shoes
Plaza Theriault[2]	Rivière-du-Loup, QC	1995	25,780	100%	100%	National Bank, SuperClub Videotron
Plaza BBRF	Sherbrooke, QC	2008	20,631	50%	100%	Shoppers Drug Mart
Plaza Boulevard Royal	Shawinigan, QC	1997/2008	128,222	100%	85%	Rossy, Caisse Populaire
Carrefour des Seigneurs[3]	Terrebonne, QC	1992/2004	33,900	25%	89%	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 (Moncton), NB	2005	48,815	100%	100%	Mark's Work Wearhouse, Shoppers Drug Mart
Boulevard Hebert Plaza	Edmundston, NB	2006	26,689	100%	100%	Shoppers Drug Mart
Victoria Street Plaza	Edmundston, NB	2007	22,229	100%	81%	Reitmans, Dollarama
Dundonald & Smythe	Fredericton, NB	1962/1997	19,340	100%	100%	Dollarama
Empire Plaza[2]	Fredericton, NB	2003	13,743	100%	100%	Dollarama
FHS Plaza	Fredericton, NB	1999	24,280	100%	100%	Cleve's , Bulk Barn
Main Place[2]	Fredericton, NB	1992/2004	31,416	100%	94%	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, Mark's Work Wearhouse
Miramichi Power Center – 2	Miramichi, NB	2005	21,936	100%	100%	Dollarama, Boston Pizza
Boulevard Plaza[2]	Moncton, NB	2004	83,021	100%	100%	Winners, Michael's
Wedgewood Plaza[2]	Riverview (Moncton), NB	1999	12,768	100%	69%	Dollarama
Crown Street[2]	Saint John, NB	2006	21,764	100%	100%	Shoppers Drug Mart
Exhibition Plaza[2]	Saint John, NB	2004	75,204	55%	100%	Empire Cinemas
Fairville Boulevard -2	Saint John, NB	2009	56,698	100%	98%	Bulk Barn, Staples, Dollarama
Major Brook Drive Plaza[2]	Saint John, NB	2005	40,559	55%	100%	Michael's, Boston Pizza
McAllister Drive Plaza[2]	Saint John, NB	1999	24,921	55%	100%	Cleve's
SCA Plaza[2]	Saint John, NB	2002	17,430	55%	100%	Great Canadian Dollar Store, 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 (Halifax), NS	2009	72,622	100%	92%	Future Shop, Dollarama
Bedford Commons – 2	Bedford (Halifax), NS	2011	105,157	100%	68%	Winners, Staples, Sportchek
Tacoma Centre	Dartmouth (Halifax), NS	1983/2002	157,305	50%	96%	Sobeys, Dollarama
Tacoma Valley Field	Dartmouth (Halifax), NS	2005	25,325	50%	91%	Shoppers Drug Mart
201 Chain Lake Drive[3]	Halifax, NS	1995/2004	118,420	50%	92%	Home Outfitters
209 Chain Lake Drive[3]	Halifax, NS	1998	89,549	50%	100%	Value Village, Mark's Work Wearhouse, Dollarama
Joseph Howe Drive Plaza[2]	Halifax, NS	2007	23,599	100%	100%	Shoppers Drug Mart
Staples Plaza	New Glasgow, NS	2001	33,763	100%	100%	Staples
V-8 Plaza[2]	New Glasgow, NS	2004	16,565	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	86,433	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[2]	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	Yarmouth, NS	2005	22,586	100%	87%	Shoppers Drug Mart

Property	Location	Year Built/ Redeveloped	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Dec-11	Major Tenants[1]
Starr's Road Plaza	Yarmouth, NS	1976/2005	64,319	100%	100%	Empire Theatres, Dollarama
Belvedere Plaza	Charlottetown, PE	1979/2000	77,459	60%	100%	Mark's Work Wearhouse, Indigo, The Brick
Spring Park Plaza	Charlottetown, PE	1998	49,732	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, The Bargain Shop
Granville Street Plaza	Summerside, PE	1977/2011	60,957	60%	94%	Dollarama, Mark's Work Wearhouse
15260 Yonge Street[3]	Aurora, ON	2006	14,177	50%	100%	Dollarama
Scott Street Plaza[3]	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[2]	Conception Bay South, NL	2006	22,980	100%	100%	Shoppers Drug Mart
Kenmount Road Plaza[2]	St. John's, NL	2006	20,576	100%	100%	XS Cargo, Montana's
Le Marchant Road Plaza	St. John's, NL	2007	18,309	100%	100%	Shoppers Drug Mart
Stavanger Drive Plaza	St. John's, NL	2011	50,563	90%	100%	Best Buy, Petsmart, Montana's
Sub-total			**2,432,399**		**95.7%**	
Enclosed Malls						
Les Galaries Montmagny	Montmagny, QC	1997/1990	138,725	50%	100%	Maxi, Hart, Uniprix
Les Promenades du Cuivre	Rouyn-Noranda, QC	1987/2003	148,911	100%	97%	Hart, Familiprix, Royal Bank, Staples
Grand Falls Shopping Centre	Grand Falls, NB	1972/2005	133,970	100%	94%	Staples, Shoppers Drug Mart, Hart
Oromocto Mall	Oromocto, NB	1976/2008	87,196	100%	90%	Shoppers Drug Mart, Dollarama
Gateway Mall	Sussex, NB	1978/2008	162,109	25%	97%	Sobeys, Canadian Tire
Sub-total			**670,911**		**96.1%**	
Single Use						
Plaza BDP[2], [3]	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
Bureau en Gros	Rimouski, QC	2001	25,771	50%	100%	Staples
CPRDL	Riverière-du-Loup, QC	2007	41,568	50%	100%	Caisse Populaire
Plaza Jean XXIII[2], [3]	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[2]	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[2]	Sydney River, NS	2006	16,847	100%	100%	Shoppers Drug Mart
West Royalty	Charlottetown, PE	1988/2000	54,150	100%	100%	Sobeys
Amherstview	Amherstview, ON	2010	18,029	50%	100%	Shoppers Drug Mart
615 King Street[2]	Gananoque, ON	2008	16,619	50%	100%	Shoppers Drug Mart
King & Mill	Newcastle, ON	2011	15,134	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[2]	Gander, NL	2008	18,077	100%	100%	Shoppers Drug Mart
Ville Marie Drive Plaza	Marystown, NL	2010	14,580	100%	100%	Dollarama
Torbay & MacDonald[2]	St. John's, NL	2011	18,550	100%	100%	Shoppers Drug Mart
Sub-total			**610,938**		**100%**	
Income producing properties			**3,714,248**		**96.5%**	

Property	Location	Year Built/ Redeveloped	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Dec-11	Major Tenants[1]
Projects Under Development						
90 Blvd. Tache Ouest	Montmagny, QC	-	-	50%	-	In Planning
Jean Talon[3,5]	Montreal, QC	-	-	50%	-	In Planning
Magog	Magog, QC	-	-	50%	-	In Planning
Bourque & Haut-Bois	Sherbrooke, QC	-	-	50%	-	In Planning
Commercial Street Plaza – 2	New Minas, NS	-	-	100%	-	In Planning
Spencer Drive Plaza	Charlottetown, PE	-	102,980	100%	63%	Sobeys, Petsmart
Manotick[2]	Manotick (Ottawa), ON	-	26,231	50%	100%	Shoppers Drug Mart
Sub-total			**129,211**		**70.5%**	
Total Excluding Non-Trust and Partnerships			**3,843,459**		**95.6%**	
Non-Consolidated Trusts and Partnerships						
3550 Sources[3]	Dollard des Ormeaux, QC	2006	8,391	10%	100%	National Bank
Centennial Plaza[3]	Dollard des Ormeaux, QC	1979/2008	152,101	10%	97%	Value Village, Jean Coutu
Marche de L'Ouest[3]	Dollard des Ormeaux, QC	1983/2003	128,151	20%	100%	IGA
Place Du Marche[3]	Dollard des Ormeaux, QC	1979/2008	35,318	10%	95%	Laurentian Bank, Starbucks
BPK Levis[3]	Levis, QC	1985	89,535	10%	89%	Jeans Depot, Maxidollar, Ressourcerie De Levis
Plaza des Recollets	Trois-Rivieres, QC	2006	73,730	15%	88%	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	415,279	30%	91%	Hart, Labels, Dollarama, SportChek, Bed Bath & Beyond
Sub-total			**1,199,313**		**94.8%**	
Grand Total			**5,042,772**		**95.4%**	

(1) Based on square footage.

(2) Currently subject to land leases. The land leases for Plaza BDP, Boulevard Plaza, Conception Bay South Plaza, Kenmount Road Plaza, Kings Road Plaza, Joseph Howe Drive Plaza, Plaza Jean XXIII, Airport Blvd. Plaza and 615 King Street all have options to purchase at fair market value. The V-8 Plaza and Main Place land leases have fixed options to purchase. All other land leases do not have an option to purchase. Land leases for Plaza BDP, Conception Bay South Plaza, Kenmount Road Plaza, Kings Road Plaza, Joseph Howe Drive Plaza, Plaza Jean XXIII, Airport Blvd. Plaza, 615 King Street and the V-8 Plaza are all with related parties.

(3) Co-managed by Plazacorp.

(4) All but 18 of these properties were either developed or redeveloped by the Company. The 18 that were not developed or redeveloped by the Company consist of Place Du Marche, Northwest Centre, BPK Levis, Plaza Hotel de Ville, Plaza Theriault, Nashwaaksis Plaza, Wedgewood Plaza, Exhibition Plaza, McAllister Drive Plaza, SCA Plaza, 209 Chain Lake Drive, Belvedere Plaza, Spring Park Plaza, University Plaza, Les Galaries Montmagny, Gateway Mall, Bureau en Gros Rimouski and Staples Saint John.

(5) Subsequent to year end, there is a conditional sale for a portion of the land with an option in favour of the buyer to purchase the remainder.

APPENDIX B

FOURTH QUARTER 2011 RESULTS

Consolidated Statements of Comprehensive Income

(000's, except per share amounts) (unaudited)	3 Months Ended December 31, 2011	3 Months Ended December 31, 2010
Rental revenue	**$ 14,489**	$ 13,119
Operating expenses	**(5,780)**	(5,309)
Net property operating income	**8,709**	7,810
Share of profit of associates	**2,349**	1,735
Administrative expenses	**(1,302)**	(419)
Investment income	**59**	69
Other income	**340**	-
Other expenses	**(102)**	(18)
Income before finance costs, fair value adjustments and loss on disposals	**10,053**	9,177
Finance costs	**(4,328)**	(4,268)
Finance costs – net loss from fair value adjustments to convertible debentures	**(3,088)**	(5,671)
Finance costs – net revaluation of interest rate swaps	**(165)**	180
Net gain from fair value adjustments to investment properties	**8,385**	2,199
Gain (loss) on disposal of investment properties	**(3)**	38
Profit before income tax	**10,854**	1,655
Income tax expense		
- Current	**136**	10
- Deferred	**2,829**	1,840
	2,965	1,850
Profit and total comprehensive income (loss) for the period	**$ 7,889**	$ (195)
Profit and total comprehensive income (loss) for the period		
- Shareholders	**$ 7,911**	$ (163)
- Non-controlling interests	**(22)**	(32)
	$ 7,889	$ (195)

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 International Financial Reporting Standards 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
February 29, 2012

Floriana Cipollone
Chief Financial Officer
February 29, 2012

KPMG LLP
Chartered Accountants
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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 statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, 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 International Financial Reporting Standards, 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.

Auditors' 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 the 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.

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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 as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
February 29, 2012
Fredericton, Canada

Plazacorp Retail Properties Ltd.

Consolidated Statements of Financial Position
(audited)
(in thousands of Canadian dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Non-Current Assets			
Investment properties (Note 4)	**$ 493,445**	$ 426,516	$ 375,083
Investments (Note 5)	**29,656**	26,488	23,150
Tenant loans	**1,388**	1,624	1,864
Deferred income tax asset (Note 14)	**609**	151	244
	525,098	454,779	400,341
Current Assets			
Cash	**3,767**	5,407	3,771
Receivables (Note 6)	**1,016**	1,126	720
Prepaid expenses and deposits (Note 7)	**3,344**	2,970	2,913
Current portion of investments (Note 5)	**15,548**	2,187	135
Income taxes receivable (Note 14)	**-**	22	68
Notes receivable (Note 8)	**1,572**	2,650	12,533
	25,247	14,362	20,140
	$ 550,345	$ 469,141	$ 420,481
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
Debentures payable (Note 9)	**$ 39,532**	$ 39,481	$ 17,591
Mortgage bonds payable (Note 10)	**2,045**	4,122	11,589
Mortgages payable (Note 11)	**228,026**	216,080	162,406
Deferred income tax liability (Note 14)	**47,867**	37,721	29,288
	317,470	297,404	220,874
Current Liabilities			
Current portion of debentures payable (Note 9)	**-**	5,242	5,159
Current portion of mortgage bonds payable (Note 10)	**6,000**	7,500	10,000
Current portion of mortgages payable (Note 11)	**19,261**	10,414	53,549
Accounts payable and accrued liabilities	**7,635**	7,072	5,360
Income taxes payable (Note 14)	**141**	-	-
Notes payable (Note 12)	**1,051**	555	2,054
	34,088	30,783	76,122
	351,558	328,187	296,996
Shareholders' equity	**187,509**	130,224	113,105
Non-controlling interests	**11,278**	10,730	10,380
	198,787	140,954	123,485
	$ 550,345	$ 469,141	$ 420,481

Contingencies, commitments, guarantees, indemnities, litigation and provisions – see Note 23.
Subsequent events – see Note 26.

Michael Zakuta, Director Earl Brewer, Director

The notes on pages 41 to 80 are an integral part of these consolidated financial statements.

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

(in thousands of Canadian dollars, except per share amounts)	2011	2010
Revenues	**$ 55,588**	$ 51,257
Operating expenses (Note 15)	**(22,101)**	(20,626)
Net property operating income	**33,487**	30,631
Share of profit of associates	**5,701**	5,486
Administrative expenses (Note 15)	**(3,642)**	(1,491)
Investment income	**309**	261
Other income	**579**	-
Other expenses	**(159)**	(75)
Income before finance costs, fair value adjustments and loss on disposals	**36,275**	34,812
Finance costs	**(17,574)**	(16,763)
Finance costs - transaction costs for convertible debenture issuance	**-**	(565)
Finance costs - net loss from fair value adjustments to convertible debentures	**(2,744)**	(7,875)
Finance costs - net revaluation of interest rate swaps	**(363)**	(43)
Net gain from fair value adjustments to investment properties	**23,864**	23,238
Loss on disposal of investment properties	**(3)**	(87)
Profit before income tax	**39,455**	32,717
Income tax expense (Note 14)		
- Current	**169**	42
- Deferred	**10,349**	8,526
	10,518	8,568
Profit and total comprehensive income for the year	**$ 28,937**	$ 24,149
Profit and total comprehensive income for the year attributable to:		
- Shareholders	**$ 28,114**	$ 22,593
- Non-controlling interests	**823**	1,556
	$ 28,937	$ 24,149

The notes on pages 41 to 80 are an integral part of these consolidated financial statements.

Plazacorp Retail Properties Ltd.

Consolidated Statements of Changes in Equity

(audited)

(in thousands of Canadian dollars)

	Share Capital (Note 16)	Retained Earnings	Total Attributable to Shareholders	Non-Controlling Interests	Total Equity
Balances as at January 1, 2010	$ 43,349	$ 69,756	$ 113,105	$ 10,380	$ 123,485
Total comprehensive income for the year	-	22,593	22,593	1,556	24,149
Transactions with shareholders, recorded directly in equity:					
- Contributions by shareholders	4,046	-	4,046	-	4,046
- Dividends to shareholders (Note 17)	-	(9,520)	(9,520)	-	(9,520)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(1,206)	(1,206)
Balance as at December 31, 2010	$ 47,395	$ 82,829	$ 130,224	$ 10,730	$ 140,954
Total comprehensive income for the period	$ -	$ 28,114	$ 28,114	$ 823	$ 28,937
Transactions with shareholders, recorded directly in equity:					
- Contributions by shareholders	9,294	-	9,294	-	9,294
- Contributions by shareholders – equity raise	30,861	-	30,861		30,861
- Dividends to shareholders (Note 17)	-	(10,984)	(10,984)	-	(10,984)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(275)	(275)
Balance as at December 31, 2011	$ 87,550	$ 99,959	$ 187,509	$ 11,278	$ 198,787

The notes on pages 41 to 80 are an integral part of these consolidated financial statements.

Plazacorp Retail Properties Ltd.
Consolidated Statements of Cash Flows
(audited)

(in thousands of Canadian dollars)	2011	2010
Cash obtained from (used for):		
Operating activities		
Profit for the year	**$ 28,937**	$ 24,149
Interest expense	**17,881**	16,551
Items not affecting cash:		
Non-cash investment income	**(5,701)**	(5,486)
Amortization of finance charges	**737**	835
Net change in fair value of investment properties	**(23,864)**	(23,238)
Net change in fair value of convertible debentures	**2,744**	7,875
Transaction costs from convertible debenture issuance	**-**	565
Loss on disposal of investment properties	**3**	87
Net change in fair value of interest rate swap	**363**	43
Current and deferred income taxes	**10,518**	8,568
Straight-line rent revenue	**(1,111)**	(783)
Interest paid	**(17,618)**	(16,868)
Defeasance expenses paid	**(240)**	-
Income taxes paid	**(128)**	(59)
Leasing commissions	**(1,861)**	(1,265)
Change in non-cash working capital (Note 19)	**623**	(177)
	11,283	10,797
Financing activities		
Issuance (repayment) of notes payable	**496**	(1,499)
Issue of common shares (Note 16)	**30,256**	800
Dividends paid to shareholders (Note 17)	**(10,984)**	(9,520)
Dividend reinvestment proceeds (Note 16)	**1,298**	2,171
Net proceeds from (repayment of) bonds and debentures	**(3,601)**	5,130
Gross mortgage proceeds (repayment of)	**47,262**	76,825
Financing charges incurred from mortgage placement	**(642)**	(1,229)
Mortgages repaid	**(23,153)**	(60,883)
Periodic mortgage principal repayments	**(3,773)**	(3,322)
	37,159	8,473
Investing activities		
Acquisition of management company (Note 20)	**(113)**	-
Developments and redevelopments	**(39,870)**	(29,109)
Proceeds from disposal of investment properties (Note 4)	**247**	1,937
Payments of bonds purchased for mortgage defeasances	**685**	143
Bonds purchased for mortgage defeasances	**(13,668)**	(429)
Equity accounted investments – contributions to and distributions from	**2,156**	372
Contributions paid by subsidiaries to non-controlling interests	**(275)**	(620)
Decrease (increase) in deposits for acquisitions and financings	**(558)**	59
Decrease in notes receivable	**1,078**	9,883
Repayment of tenant loans	**570**	448
Funding of tenant loans	**(334)**	(318)
	(50,082)	(17,634)
Net increase (decrease) in cash	**(1,640)**	1,636
Cash less bank indebtedness, beginning of the year	**5,407**	3,771
Cash less bank indebtedness, end of the year	**$ 3,767**	$ 5,407

The notes on pages 41 to 80 are an integral part of these consolidated financial statements.

1. Reporting Entity

Plazacorp Retail Properties Ltd. (the "Company") is incorporated and domiciled in Canada. The address of the Company's registered office is 527 Queen Street, Fredericton, New Brunswick.

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

2. Basis of Preparation

(a) Statement of Compliance

The consolidated financial statements represent the first annual financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The Company adopted IFRS in accordance with IFRS 1, "First-time Adoption of IFRS".

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company as well as relevant reconciliations are provided in Note 27.

The consolidated financial statements were authorized for issue by the Board of Directors of the Company on February 29, 2012.

(b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following items in the consolidated statements of financial position:

- Interest rate swaps measured at fair value;
- Share-based payments measured at fair value;
- Convertible debentures measured at fair value;
- Investment property measured at fair value; and
- Investment property included in investments measured at fair value.

These consolidated financial statements are presented in Canadian dollars, which is Plazacorp's functional currency.

(c) Use of Estimates and Judgements

The preparation of the Company's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. The significant estimates and judgements include the assessment of fair values, the discount rates used in the valuation of the Company's assets and liabilities, capitalization rates, the relative credit worthiness of the Company to its counterparties, the ability to use tax losses and other tax measurements, the determination of the degree of control that exists in determining the corresponding accounting basis, the amount of borrowing costs to capitalize to properties under development and the selection of accounting policies.

One significant judgment and key estimate that affects the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period relates to property valuations. Investment properties, which are carried on the consolidated statements of financial position at fair value, are valued either by the Company or by external valuators. The valuation of investment properties is one of the principal estimates and uncertainties of these financial statements. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. These investment properties are sensitive to fluctuations in capitalization rates.

3. Summary of Significant Accounting Policies

The Company's accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS consolidated statement of financial position as at January 1, 2010 for the purpose of the transition to IFRS, unless otherwise indicated. The exemptions the Company has taken in applying IFRS for the first time are set out in Note 27.

(a) General and Consolidation

The consolidated financial statements comprise the financial statements of the Company and the entities that it controls. Entities subject to joint control arrangements are accounted for using proportionate consolidation. Entities subject to significant influence are accounted for using the equity method. Entities which the Company does not exercise significant influence over are accounted for using the cost method. The financial statements of the consolidated and equity accounted entities are prepared for the same reporting period as the Company, using consistent accounting policies.

All intra group balances, transactions, income and expenses resulting from intra-group transactions are eliminated in full.

(b) Investment Properties

Investment properties consist of all of the Company's consolidated commercial properties, development properties and land parcels that become surplus after assembly and subdivision of parcels used for development. Investment properties include interests held under land leases. The Company has adopted application of IAS 40, "Investment Property", and has chosen the fair value method of valuing its investment properties. 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.

The fair value of investment properties is based on a combination of external appraisals and internal valuations based on a capitalization matrix provided by independent appraisers. Management undertakes 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 adjusts the fair values of its investment properties. Related fair value gains and losses are recorded in profit in the period in which they arise.

Development properties included in investment properties consist of properties under construction. To the extent fair value is reliably determinable, the carrying value of such development properties is adjusted to fair value. To the extent that fair value is not reliably determinable, the development properties are carried at cost until fair value becomes reliably determinable.

Surplus lands are included in investment properties and are carried at fair value. The fair value of the surplus lands is based on a combination of external appraisals and internal valuations based on recent market transactions.

Investment 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.

(c) Capitalization of Costs

The Company capitalizes investment property acquisition costs incurred at the time of purchase.

For development properties, the Company capitalizes all direct expenditures incurred in connection with their acquisition, development and construction. These expenditures consist of all direct costs and borrowing costs on both specific and general debt. Borrowing costs are offset by any interest earned by the Company on borrowed funds prior to utilization. The development period commences when expenditures are being incurred and activities necessary to prepare the asset for its intended use are in progress. Capitalization ceases when substantially all the activities necessary to prepare the asset for its intended use are complete.

(d) Revenue

(i) Rental revenue

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

Common area maintenance (CAM) recoveries are the share of property operating costs charged to tenants under the terms of the 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 (i) tenant occupancy during the period for which no rent is due (free rent period) or (ii) 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. The straight-line or free rent receivable, as applicable, is recorded as a component of investment properties for the difference between the rental revenue recorded and the contractual amount received. 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.

(e) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except when they relate to items that are recognized outside profit or loss, such as in the case of a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (i) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and (ii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse at either the capital gains rate or income rate, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but there is an intention to settle liabilities and assets on a net basis.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(f) Cash and Cash Equivalents

Cash and cash equivalents represent cash in bank accounts and short-term deposits with initial maturity dates of less than 90 days. The Company’s cash balance does not include any instruments related to asset-backed securities or commercial paper programs.

(g) Share-based Payments

The Company issues share-based awards, comprised of stock options, to certain officers, employees and directors of the Company or its affiliates. The Company accounts for its share-based awards using the fair value method, under which a compensation cost is recognized at the time of grant, for the fair value of the participants' rights under the stock options. Since Plazacorp's common shares are redeemable at the option of the holder and are, therefore, considered puttable instruments in accordance with IAS 32 "Financial Instruments: Presentation", the stock options are accounted for as a liability because the participants' rights to receive a puttable instrument is a cash-settled share-based payment under IFRS 2, "Share-based Payment". The stock options are measured at fair value at each reporting period using a Black-Scholes option pricing model. The changes in fair value are recognized in profit or loss each reporting period.

(h) Investments

Investments in limited partnerships and trusts where control or significant influence over the financial and operating policies 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 capital or financing receipts, are included in income. Investments in limited partnerships and trusts where significant influence over the financial and operating policies of the entity exist are accounted for using 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 or loss from the investments are recorded in profit or loss for the period and as an increase or decrease to the investment.

Investment properties that are held by equity-accounted limited partnerships and trusts are measured at fair value, consistent with the Company's policy for its consolidated investment properties. The Company's pro-rata share of any fair value gain or loss is calculated based on "winding-up" the specific limited partnership or trust and distributing the net assets to the partners as dictated by the respective limited partnership agreements or trust indentures. The Company's pro-rata share of any fair value gain or loss is recorded in profit or loss for the period within share of profit of associates.

(i) Financial Instruments

The Company has or has had the following non-derivative financial assets and financial liabilities: at fair value through profit and loss, held-to-maturity financial assets, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The effective interest method is used for financial instruments measured at amortized cost and allocates interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, to the net carrying amount on initial recognition.

Any transaction costs associated with financial instruments measured at fair value through profit and loss are expensed as incurred in the consolidated statement of comprehensive income.

(i) Financial assets at fair value through profit and loss

A financial asset is classified at fair value through profit and loss if it is classified as held for trading or is designated as such upon initial recognition. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking. Financial assets are designated at fair value through profit and loss if the Company manages and evaluates such assets on a fair value basis in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, certain transaction costs are recognized in profit and loss as incurred. Financial assets at fair value through profit and loss are measured at fair value, and changes therein are recognized in profit and loss.

The Company's held for trading assets consist of cash and cash equivalents.

(ii) Financial liabilities at fair value through profit and loss

Convertible debentures issued by the Company are convertible into common shares at the option of the holder and the number of common shares to be issued does not vary with changes in their fair value. As Plazacorp's common shares are redeemable at the option of the holder and are, therefore, considered puttable instruments in accordance with IAS 32, "Financial Instruments: Presentation", the convertible debentures are considered a liability containing liability-classified embedded derivatives.

Plazacorp has elected to record the full outstanding amount of each convertible debenture at fair value determined using a valuation methodology which considers the volatility of the share price and current credit spreads. Changes in fair value are recognized in the consolidated statement of comprehensive income.

(iii) Held-to-maturity financial assets

If the Company has the positive intent and ability to hold certain financial assets to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in a reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

Held-to-maturity assets are comprised of Government of Canada bonds and cash substituted for mortgage security under defeasance arrangements.

(iv) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are recognized initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise receivables, notes receivable and tenant loans.

(v) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented within equity in the fair value reserve. When an available-for-sale financial asset is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

The Company currently has no assets which are designated as available-for-sale.

(vi) Other financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Company's other financial liabilities consist of accounts payable and accrued liabilities, notes payable, mortgage bonds payable and mortgages payable.

(vii) Share capital

Plazacorp's common shares are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with lAS 32, in which case, the puttable instruments may be presented as equity. Plazacorp's common shares meet the conditions of lAS 32 and are, therefore, classified and accounted for as equity.

(j) Derivative Financial Instruments

The Company's derivative financial instruments consist of interest rate swaps (that do not qualify for hedge accounting) that have been entered into in order to manage the impact of floating interest rates on certain long-term debt. The Company's derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit and loss in the reporting period.

(k) Leasing Costs

Payments to tenants under lease contract are characterized as either tenant improvements, which enhance the value of the property, or lease inducements. When the obligation is determined to be a tenant improvement, the Company is considered to have acquired an asset. Accordingly, the tenant improvements are capitalized as part of investment property. When the obligation is determined to be a lease inducement, the amount is recognized as an asset which forms a component of investment property and is deferred and amortized over the term of the lease as a reduction of revenue.

(l) Finance Costs

Finance costs comprise interest expense on borrowings, fair value changes in financial assets and liabilities (other than trade receivables) and the fair value adjustment on interest rate swap derivatives. Transaction costs associated with financial liabilities presented at amortized cost are presented with the related debt instrument and amortized using the effective interest rate over the anticipated life of the related debt.

Transaction costs associated with the issuance of convertible debentures, which are recorded at fair value, are expensed as incurred.

(m) Future Changes in Accounting Policies

A number of new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these consolidated financial statements.

(i) Financial instruments – disclosures

The IASB has issued an amendment to IFRS 7, "Financial Instruments – Disclosures", requiring incremental disclosures regarding transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. The Company will apply the IFRS 7 amendment at the beginning of its 2012 financial year and does not expect the implementation to have a significant impact on the Company's disclosures.

(ii) Deferred taxes – recovery of underlying assets

The IASB has issued an amendment to IAS 12, "Income Taxes", which introduces an exception to the general measurement requirement of IAS 12 in respect of investment properties measured at fair value. Under IAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. To provide a practical approach in such cases, the amendment introduces a presumption that an investment property is recovered entirely through sale. This policy is effective for fiscal years after January 1, 2012; however earlier adoption is permitted. The Company has applied the policy effective January 1, 2010.

(iii) Financial instruments

The IASB has issued a new standard, IFRS 9 (2010), "Financial Instruments", which will ultimately replace IAS 39, "Financial Instruments – Recognition and Measurement" and augments the previously issued IFRS 9 (2009). The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. This standard becomes effective on January 1, 2013. The Company has yet to assess the impact of the new standard.

(iv) Consolidated Financial Statements

The IASB issued IFRS 10, Consolidated Financial Statements on May 12, 2011 to replace the current IAS 27, Consolidated and Separate Financial Statements. The new standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. This new standard is effective for fiscal years beginning January 1, 2013. The Company is currently evaluating the impact of this new standard.

(v) Joint Arrangements

The IASB issued IFRS 11, Joint Arrangements on May 12, 2011 to replace the current IAS 31, Interests in Joint Ventures. The new standard classifies joint arrangements as either joint ventures or joint operations. Interests in joint ventures will be accounted for using equity accounting, eliminating the proportionate consolidation option currently available under IAS 31. This new standard is effective for fiscal years beginning January 1, 2013. The Company is currently evaluating the impact of this new standard.

(vi) Disclosure of Interest in Other Entities

On May 12, 2011 the IASB issued IFRS 12, Disclosure of Interest in Other Entities. This standard establishes disclosure requirements for interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet entities. This new standard is effective for fiscal years beginning January 1, 2013. The Company is currently evaluating the impact of this new standard.

(vii) Fair Value Measurement

The IASB issued IFRS 13, Fair Value Measurement on May 12, 2011. This is a comprehensive standard for fair value measurement and disclosure of fair value measurements across various IFRS standards. IFRS 13 provides a definition of fair value, sets out a single IFRS framework for measuring fair value, and outlines requirements for disclosure of fair value measurements. The new standard is effective for fiscal years beginning January 1, 2013. The Company is currently evaluating the impact of this new standard.

(viii) Other Standards

The IASB amended IAS 1 "Presentation of Financial Statements" with changes effective July 1, 2012 and IAS 19 "Employee Benefits" with changes effective January 1, 2013. These standards have been reviewed and they are not anticipated to have a significant impact on the Company.

4. Investment Properties

	December 31, 2011	December 31, 2010	January 1, 2010
Balance, beginning of year:	**$ 426,516**	$ 375,083	$ -
Additions (deductions):			
Additions to investment properties	**28,206**	18,091	-
Additions - acquisitions	**13,998**	13,578	-
Disposals	**(250)**	(4,204)	-
Straight line rent receivable change	**1,111**	730	-
Fair value adjustment	**23,864**	23,238	-
Balance, end of year:	**$ 493,445**	$ 426,516	$ 375,083

The majority of the Company's investment properties have been pledged as security under various mortgage and mortgage bond agreements.

Acquisitions consist of land and existing properties purchased for future development and land consolidation.

Investment properties are stated at fair value using the following methods, estimates and key assumptions:

(i) External appraisals

External appraisals from independent appraisers are obtained in the normal course of business and as refinancing activities require them. Where available, the fair value of various investment properties are based on these external appraisals. Of the total fair value in the chart above, \$3.5 million of investment properties were based on such external appraisals (December 31, 2010 - \$18.9 million; January 1, 2010 - \$27.5 million).

(ii) Direct capitalization income approach

Under this method the Company determined the fair value based upon capitalization rates applied to normalized net operating income (property revenue less property operating expenses). 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.

As at December 31, 2011 the Company has utilized the following range of capitalization rates:

	Number of Properties[1]	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding	37	6.82%	6.50% – 7.50%	6.75% - 7.75%
Anchored Strip – Class A	11	7.33%	6.25% - 7.75%	7.00% - 8.50%
Anchored Strip – Class B	16	7.30%	6.50% - 8.00%	7.25% - 9.00%
Unanchored Strip	29	7.99%	7.25% - 8.00%	7.75% - 9.75%
Enclosed Malls – Community	5	8.82%	7.00% - 8.75%	7.75% - 10.00%

(1) Excludes properties under development and non-consolidated trusts and partnerships.

Freestanding - defined as freestanding retail space leased to a national tenant. May include nominal additional gross leasable area ("GLA") if the additional GLA is 15% or less than the total GLA or gross revenue.

Anchored Strip – Class A - defined as a food or equivalent-anchored retail strip, 20,000-125,000 square feet and where the anchor tenant represents 70% or more of GLA or gross revenue.

Anchored Strip – Class B - defined as a food or equivalent-anchored retail strip, 20,000-200,000 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 or department/junior department store or equivalent anchors.

As at December 31, 2010 the Company has utilized the following range of capitalization rates:

	Number of Properties[1]	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding	37	7.20%	6.50% – 8.00%	6.75% - 8.50%
Anchored Strip – Class A	11	7.64%	6.50% - 7.75%	7.00% - 8.50%
Anchored Strip – Class B	15	7.57%	7.00% - 8.25%	7.50% - 9.25%
Unanchored Strip	27	8.30%	7.50% - 8.50%	7.75% - 10.00%
Enclosed Malls – Community	5	9.09%	7.00% - 9.00%	7.75% - 10.25%

(1) Excludes properties under development and non-consolidated trusts and partnerships.

As at January 1, 2010 the Company has utilized the following range of capitalization rates:

	Number of Properties[1]	Weighted average capitalization rates	Primary	Secondary
Freestanding	34	7.78%	7.25% - 8.25%	7.50% - 9.00%
Anchored Strip – Class A	9	7.99%	7.25% - 8.00%	7.50% - 8.75%
Anchored Strip – Class B	14	7.83%	7.50% - 8.25%	7.75% - 9.25%
Unanchored Strip	27	8.47%	7.75% - 8.50%	8.00% - 10.00%
Enclosed Malls – Community	5	9.28%	7.75% - 9.00%	8.25% - 10.25%

(1) Excludes properties under development and non-consolidated trusts and partnerships.

At December 31, 2011 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of approximately $17.0 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately $15.9 million.

(a) Straight-line Rent

Included in investment properties as at December 31, 2011 is $6.4 million (December 31, 2010 - $5.3 million; January 1, 2010 - $4.6 million) of straight line rent receivables arising from the recognition of rental revenue on a straight line basis over the lease terms in accordance with IAS 17, "Leases".

(b) Surplus Land

Included in investment properties as at December 31, 2011 is $1.3 million of surplus lands at fair value (December 31, 2010 - $1.1 million; January 1, 2010 - $1.1 million).

(c) Properties Under Development

Included in investment properties as at December 31, 2011 is $23.5 million of properties under development (December 31, 2010 - $17.5 million; January 1, 2010 - $8.1 million), of which $9.7 million or 5 properties are included at cost as fair value was not determinable.

(d) Borrowing Costs

The total amount of borrowing costs capitalized for the year ended December 31, 2011 is $1.0 million (for the year ended December 31, 2010 - $657 thousand).

(e) Disposals

During the year ended December 31, 2011, the Company disposed of surplus land in Miramichi, NB, for net proceeds of $247 thousand and an accounting loss of $3 thousand.

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 loss of $79 thousand. The Company also disposed of a 25% interest in a property located in Perth, ON for net proceeds of $464 thousand and an accounting loss of $125 thousand. The Company sold land in New Minas, NS for net proceeds of $127 thousand and an accounting gain of $117 thousand.

5. Investments

Investments consist of the following:

	Ownership Position	Preferred Return	Residual Return	December 31, 2011	December 31, 2010	January 1, 2010
Equity Accounted Investments						
Centennial Plaza Limited Partnership	10%	10%	20%	**$ 6,900**	$ 5,505	$ 5,191
MDO Limited Partnership	20%	10%	30%	**4,352**	4,020	3,032
Village Shopping Centre Limited Partnership	30%	8%	50%	**13,617**	12,321	9,419
Trois Rivieres Limited Partnership	15%	10%	30%	**1,448**	1,566	1,322
Plazacorp-Shediac Limited Partnership	10%	8%	50%	**1,463**	986	709
Plazacorp Ontario1 Limited Partnership	25%	4%	25%	**1,616**	1,453	1,074
				29,396	25,851	20,747
Cost Accounted Investments						
Northwest Plaza Commercial Trust	10%	-	-	**260**	260	260
				29,656	26,111	21,007
Held-to-Maturity Investments	**Maturity Dates**	**Effective Interest Rate**				
Government of Canada bonds and cash – substituted for mortgage security	Jan 19/12 – Mar 1/12	1.49%		**15,548**	2,564	2,278
Less: current portion of investments				**(15,548)**	(2,187)	(135)
Investments – long-term portion				**$ 29,656**	$ 26,488	$ 23,150

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

Held-to-maturity investments are made up of Government of Canada Bonds totaling $12.0 million (December 31, 2010 - $2.5 million; January 1, 2010 - $2.3 million) with yields which are between non-interest bearing to 1.50% (December 31, 2010 – non-interest bearing - 6.00%; January 1, 2010 – 2.75% - 5.50%). Any remaining balance is made up of restricted cash that is utilized for monthly mortgage payments. The bonds have been pledged as substitute security for mortgages under defeasance agreements. The mortgages mature on January 1, 2012, March 1, 2012 and April 1, 2012.

For the year ended December 31, 2011 the Company received $2.2 million of distributions (for the year ended December 31, 2010 - $1.4 million) from its investment in equity accounted investees. For the year ended December 31, 2011 the Company did not make any contributions (for the year ended December 31, 2010 - $1.1 million) to its investment in equity accounted investees.

For equity accounted investees in which the Company has less than a 20% ownership interest, the Company has significant influence over these entities as it has the power to participate in the financial and operating policy decisions of the investees but is not able to exercise control or joint control over those policies.

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Company is as follows:

December 31, 2011	**Assets**	**Liabilities**	**Revenues**	**Expenses**	**Profit**
Equity Accounted Investments	$ 195,490	$ 85,216	$ 30,207	$ 11,194	$ 19,013
Cost Accounted Investment	$ 21,352	$ 11,436	$ 3,787	$ 2,015	$ 1,772

December 31, 2010	**Assets**	**Liabilities**	**Revenues**	**Expenses**	**Profit**
Equity Accounted Investments	$ 195,189	$ 91,278	$ 23,760	$ 9,893	$ 13,867
Cost Accounted Investment	$ 20,402	$ 11,882	$ 942	$ 1,873	$ (931)

January 1, 2010	**Assets**	**Liabilities**
Equity Accounted Investments	$ 185,214	$ 91,173
Cost Accounted Investment	$ 28,522	$ 18,643

6. Receivables

Receivables consist of the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Tenant accounts receivable, net of allowance	**$ 487**	$ 313	$ 354
Excise tax	**-**	427	40
Other receivables	**529**	386	326
Total receivables	**$ 1,016**	$ 1,126	$ 720

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 tenants' accounts, among other factors. Accounts are written off only when all collection efforts have been exhausted. Allowance for doubtful accounts balance as at December 31, 2011 is $16 thousand (December 31, 2010 - $10 thousand; January 1, 2010 - $16 thousand). This amount is deducted from tenant accounts receivable.

There were no impairment losses recognized during the year ended December 31, 2011 (for the year ended December 31, 2010 – nil).

7. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Prepaid expenses	**$ 1,469**	$ 1,381	$ 1,196
Deposits for acquisitions and financings	**750**	192	250
Other deposits, primarily property tax escrows under mortgage agreements	**1,125**	1,397	1,467
Total prepaid expenses and deposits	**$ 3,344**	$ 2,970	$ 2,913

8. Notes Receivable

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

9. Debentures Payable

Debentures payable consist of the following:

	Maturity Date	**Interest Rate**	**December 31, 2011**	December 31, 2010	January 1, 2010
Convertible[1]					
Series IV	July 31, 2011	7.0%	**$ -**	$ 5,242	$ 4,794
Series V	October 14, 2014	8.0%	**15,930**	16,304	12,797
Series VI	March 31, 2015	7.5%	**23,602**	23,177	-
Total convertible debentures			**39,532**	44,723	17,591
Non convertible debentures[2]	-	8.0%	**-**	-	5,159
Less: current portion of debentures payable			**-**	(5,242)	(5,159)
Net debentures – long-term portion			**$ 39,532**	$ 39,481	$ 17,591

[1] Recorded at fair value
[2] Recorded at amortized cost

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

	Series V	Series VI
Conversion price	$3.40	$3.80
Company's first redemption date	October 14, 2012	March 31, 2013
Maturity date	October 14, 2014	March 31, 2015
Face value outstanding December 31, 2011	$11,482	$18,440

For the year ended December 31, 2011, holders of $5.0 million of Series IV convertible debentures, $1,018 thousand of Series V convertible debentures and $855 thousand of Series VI convertible debentures (for the year ended December 31, 2010 - $1.0 million of Series VI convertible debentures) exercised their option to convert to 1,250 thousand common shares, 299 thousand common shares and 225 thousand common shares, respectively (for the year ended December 31, 2010 – 263 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.

10. Mortgage Bonds Payable

Mortgage bonds payable are secured by the following properties:

					December 31, 2011	December 31, 2010	January 1, 2010
	Series IV	**Series V**	**Series VI**	**Series VII**	**Total**	Total	Total
Grand Falls Shopping Mall, Grand Falls, NB, 2nd Mortgage	$ 960	$ -	$ -	$ -	**$ 960**	$ 960	$ 6,700
LeMarchant Road Plaza, St. John's, NL, 1st Mortgage	-	-	-	-	**-**	1,650	1,257
Victoria Street Plaza, Edmundston, NB, 1st and 2nd Mortgage	-	-	-	-	**-**	2,124	1,669
Commercial Street-Phase 2, New Minas, NS, 1st Mortgage	224	-	-	-	**224**	400	408
Bedford Commons Plaza, Bedford, NS, 2nd Mortgage	-	-	-	-	**-**	-	800
Fairville Boulevard, Saint John, NB, 2nd Mortgage	-	-	-	-	**-**	-	185
Fairville Boulevard (ANBL), Saint John, NB, 1st Mortgage	-	-	900	-	**900**	-	-
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	-	1,185	-	-	**1,185**	1,185	1,185
Miramichi West, Miramichi, NB, 2nd Mortgage	235	-	-	-	**235**	235	375
Ville Marie Drive Plaza, Marystown, NL, 1st Mortgage	-	-	-	-	**-**	-	260
Miramichi Phase II, Miramichi, NB, 2nd Mortgage	177	-	-	-	**177**	177	177
Main & Victoria, Shediac, NB, 2nd Mortgage	167	-	-	-	**167**	167	167
Main & Western, Sussex, NB, 2nd Mortgage	218	-	-	-	**218**	218	218
Starr's Road Plaza, Yarmouth, NS, 2nd Mortgage	379	-	-	-	**379**	379	379
Kenmount Road Plaza, St. John's, NL, 2nd Mortgage	317	-	-	-	**317**	317	317
Airport Blvd. Plaza, Gander, NL, 2nd Mortgage	323	-	-	-	**323**	323	323
Stavanger Drive, St. John's, NL, 2nd Mortgage	-	-	-	-	**-**	1,960	-
Spencer Drive, Charlottetown, PE, 2nd Mortgage	-	-	-	-	**-**	1,590	-
Bourque & Haut-Bois, Sherbrooke, QC, 1st Mortgage	-	-	-	3,000	**3,000**	-	-
Gross mortgage bonds payable	$3,000	$1,185	$ 900	$3,000	**$8,085**	$11,685	$21,685
Less: unamortized finance charges					**(40)**	(63)	(96)
Less: current portion of mortgage bonds payable					**(6,000)**	(7,500)	(10,000)
Net mortgage bonds payable – long-term portion					**$2,045**	$4,122	$11,589

	Series IV	**Series V**	**Series VI**	**Series VII**
Interest Rate	7.5%	8.0%	5.25%	7.0%
Maturity Date	June 30, 2012	June 4, 2016	February 24, 2016	May 31, 2012
Amount	$3,000	$1,185	$900	$3,000

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%. Series IV mortgage bonds are re-allocated to different properties from time to time as required.

The Company had the ability to redeem up to one-half of the bonds on the third and fourth anniversaries of the initial closing date of the Series IV bonds at a price equal to the principal amount. The Company did not redeem any Series IV bonds on the fourth anniversary date of April 25, 2011, and therefore has no more redemption rights remaining on this series of bonds. The Company has no right to redeem the Series V, VI, or VII bonds prior to the maturity date.

11. Mortgages Payable

	Rate Range	Weighted Average	Maturity Dates	**December 31, 2011**	December 31, 2010	January 1, 2010
Fixed rate loans	4.21% - 8.02%	6.07%	Up to June 2031	**$ 250,077**	$ 225,754	$ 171,012
Less: unamortized finance charges				**(3,153)**	(3,188)	(2,831)
				246,924	222,566	168,181
Other fixed rate loan			-	**-**	-	1,358
Total net fixed rate mortgage loans				**246,924**	222,566	169,539
Variable rate loans:						
- $20 million development line of credit	Prime plus 1.00% or BA plus 2.75%		July 31, 2012	**-**	3,987	12,116
- $15 million development line of credit	Prime plus 1.00% or BA plus 2.50%		July 31, 2012	**-**	-	9,894
- $9.4 million development line of credit	Prime plus 0.40%		Discharged	**-**	-	9,074
- $9.9 million development line of credit	Prime plus 2.00%		Discharged	**-**	-	8,270
- $9.6 million development line of credit	Prime plus 2.00%		Discharged	**-**	-	7,192
Less: unamortized finance charges				**(70)**	(102)	(130)
Total net variable rate loans				**(70)**	3,885	46,416
Net mortgages payable				**246,854**	226,451	215,955
Impact of interest rate swaps				**433**	43	-
Less: current portion of mortgages payable				**(19,261)**	(10,414)	(53,549)
Total mortgages payable – long-term portion				**$ 228,026**	$ 216,080	$ 162,406

All mortgages are secured by charges against specific assets. 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 in 2010, which were converted from variable rate mortgages to fixed rate mortgages through the use 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 profit and loss.

To fund development activities the Company has two 365-day revolving acquisition and development facilities with Canadian chartered banks available upon pledging of specific assets. One was a $25 million facility and the other is a $15 million facility. Both facilities came up for renewal on July 31, 2011. On renewal, the $25 million development line was reduced to $20 million. Both facilities were renewed. The interest rate for both development lines was reduced from prime plus 1.25% to prime plus 1.00% on renewal. At December 31, 2011 there is $35 million available on the development lines (December 31, 2010 - $36 million; January 1, 2010 - $19 million). Funding is secured by first mortgage charges on development 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 of December 31, 2011 the Company is in compliance with all covenants.

12. Notes Payable

Notes payable consist of the following:

	Interest Rate	December 31, 2011	December 31, 2010	January 1, 2010
Non-interest bearing notes:				
Entities owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President, CEO and Director of the Company	n/a	**$ 261**	$ 261	$ 261
Promissory notes – asset purchased	n/a	**-**	-	1,500
Unrelated parties and non-controlling interests	n/a	**790**	294	293
Total notes payable		**$ 1,051**	$ 555	$ 2,054

13. Bank Indebtedness

The Company has a $10.0 million operating line of credit facility with a Canadian chartered bank at the rate of prime plus 1.00% or BAs plus 2.50%, maturing November 30, 2012. The amount available to be drawn fluctuates depending on the specific assets pledged as security. At December 31, 2011, the maximum amount available to be drawn on the facility was $8.0 million. As security, the Company has provided a $12 million demand debenture secured by a first mortgage over five properties. At December 31, 2011 there is nil drawn on the facility (December 31, 2010 – nil; January 1, 2010 - nil).

14. 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 $125 thousand in refundable capital gains tax in 2011 (for the year ended December 31, 2010 - $272 thousand) and triggered refunds of nil from the payment of capital gains dividends (for the year ended December 31, 2010 - $214 thousand). At December 31, 2011 the Company has a refundable capital gains balance of $210 thousand (December 31, 2010 - $85 thousand).

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

	2011	2010
Profit before income tax	**$ 39,455**	$ 32,717
Combined Canadian federal and provincial income tax rate	**39.5%**	38.2%
Expected income tax provision	**$ 15,589**	$ 12,494
Permanent difference of minority interest and non consolidated investments	**(980)**	(1,973)
Impact of tax rate changes	**1,099**	24
Impact of items taxed at capital gains rate	**(4,830)**	(1,488)
Other	**(360)**	(489)
Total income tax expense included in profit for the year	**$ 10,518**	$ 8,568
Effective tax rate	**26.7%**	26.2%

The effective rate has increased as a result of a rate change in New Brunswick from 8% to 10%.

	December 31, 2011	December 31, 2010
Current tax	**$ 169**	$ 42
Deferred tax		
Origination and reversal of temporary differences	**9,250**	8,502
Change in tax rate[(1)]	**1,099**	24
	10,349	8,526
Total income tax expense included in profit for the year	**$ 10,518**	$ 8,568

[(1)] Effect of substantively enacted corporate income tax rate

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

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred income tax assets			
Tax loss carry-forwards of Plazacorp Retail Properties Ltd.	**$ 1,336**	$ 1,298	$ 1,296
Tax loss carry-forwards of subsidiary corporations	**843**	610	724
Tax loss carry-forwards from subsidiary trusts	**3,795**	3,689	3,683
Deferred financing costs	**113**	-	-
Total deferred income tax assets	**6,087**	5,597	5,703
Deferred income tax liabilities			
Income producing properties	**49,443**	40,013	32,190
Investments	**5,578**	4,305	3,598
Deferred financing costs	**-**	332	453
Total deferred income tax liabilities	**55,021**	44,650	36,241
Less: minority interests	**(1,676)**	(1,483)	(1,494)
Net deferred income tax liability	**$ 47,258**	$ 37,570	$ 29,044

Net deferred income tax liability is as follows:			
Deferred income tax asset	**$ (609)**	$ (151)	$ (244)
Deferred income tax liability	**47,867**	37,721	29,288
Net deferred income tax liability	**$ 47,258**	$ 37,570	$ 29,044

Included in the net deferred income tax liability at December 31, 2011 in the table above is $665 thousand in deferred tax assets relating to share issue costs that were charged directly to shareholders' equity, as well $4 thousand of deferred tax liabilities acquired on the purchase of the shares of Plaza Group Management Limited.

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
2026	3,382	5,334	8,716
2027	-	3,850	3,850
2028	-	1,637	1,637
2031	-	865	865
Total	$ 3,382	$ 11,761	$ 15,143

The income tax benefit of these losses has been recognized in the financial statements by reducing the deferred income tax liability arising from the difference between the tax and book values of income producing properties and other assets.

15. Short-Term Employee Benefits

Total short-term employee benefits paid by the Company during the year were $4.0 million, of which $2.0 million is included in operating expenses and $2.0 million is included in administrative expenses.

16. Share Capital

(a) Authorized

The Company has authorized an unlimited number of preferred shares and an unlimited number of common voting shares.

(b) Issued and Outstanding

	December 31, 2011		December 31, 2010		January 1, 2010	
	Shares (000s)	**Amount**	Shares (000s)	Amount	Shares (000s)	Amount
Common shares outstanding, beginning of the year	**50,189**	**$ 47,395**	48,836	$ 43,349		
Issuance of common shares:						
Shares issued through exercise of stock options	**20**	**60**	426	837		
Shares issued through dividend reinvestment plan	**305**	**1,298**	664	2,171		
Shares issued through equity raise[(1)]	**7,590**	**30,861**				
Shares issued through debt conversion						
- face value debentures	**1,774**	**6,873**	263	1,000		
-impact of fair value of convertible debentures	**-**	**1,063**		38		
Common shares outstanding, end of the year	**59,878**	**$ 87,550**	50,189	$ 47,395	48,836	$ 43,349

[(1)] Net of deferred income tax asset of $665 thousand (see Note 14).

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, 2011 no shareholder had redeemed shares under the mutual fund corporation provisions (for the year ended December 31, 2010 – 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, 2011, shareholders were issued 305 thousand shares at a weighted average price of $4.25 per share (for the year ended December 31, 2010 – 664 thousand shares at a weighted average price of $3.27 per share).

On September 27, 2011, the Company completed a bought deal public equity offering of 6.6 million common shares at a price of $4.20 per common share to a syndicate of underwriters. The gross proceeds from the offering were $27.7 million. Net proceeds from the offering after underwriters' fees and legal and other costs of the offering were approximately $26.2 million. The Company used the proceeds to repay: the $6.9 million outstanding on the Company's Series III mortgage bonds, which matured on September 30, 2011; $1.5 million in related party promissory notes payable owing to Michael Zakuta and Earl Brewer; and the balance outstanding on the Company's operating line of approximately $5.3 million. Further proceeds of $3.0 million will be used to repay Series IV mortgage bonds which mature on June 30, 2012 and further proceeds of between $8.0 and $9.0 million are being used to fund the equity portion of the Company's future development and redevelopment activities. The remaining proceeds are for general working capital purposes.

Plazacorp granted the underwriters an over-allotment option to purchase up to an additional 990 thousand common shares at a price of $4.20 per common share, to cover over-allotments, if any. In October 2011, the underwriters exercised in full their over-allotment option. Gross proceeds to the Company from the over-allotment option were $4.2 million. Net proceeds to the Company after underwriters' fees were $4.0 million.

17. Dividends per Share

Dividends are declared quarterly at the discretion of the Board of Directors of the Company.

For the year ended December 31, 2011, the dividends paid were $11.0 million or $0.20625 per share (for the year ended December 31, 2010 - $9.5 million or $0.1925 per share).

18. Stock Options

The Company has a stock option plan whereby officers, 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.

A summary of the common share options outstanding is as follows (in thousands):

	Directors' Options			**Employees' Options**		
	December 31, 2011	December 31, 2010	January 1, 2010	**December 31, 2011**	December 31, 2010	January 1, 2010
Options outstanding, beginning of the year	**120**	120	-	**20**	446	-
Options granted	**-**	-	-	**-**	-	-
Options expired	**-**	-	-	**-**	-	-
Options exercised	**-**	-	-	**(20)**	(426)	-
Options outstanding, end of the year	**120**	120	120	**-**	20	446
Outstanding options that are exercisable	**120**	120	80	**-**	20	446

Details of options outstanding are as follows:

	Series V
Exercise price	$4.36
Options outstanding	120 thousand
Expiry date	May 6, 2012
Options exercisable	120 thousand

19. Change in Non-Cash Working Capital

	2011	2010
Receivables	**$ 110**	$ (406)
Prepaid expenses and mortgage deposits	**184**	(115)
Accounts payable and accrued liabilities	**283**	328
Income taxes payable	**46**	16
Total cash from change in non-cash working capital	**$ 623**	$ (177)

20. Internalization

Prior to July 1, 2011, Plaza Group Management Limited provided property management and corporate management services to Plazacorp. In Quebec, staff of Les Immeubles Plaza Z-Corp Inc. handled management duties under a separate management agreement with Plazacorp.

Plaza Group Management Limited was controlled by two directors of Plazacorp, namely Michael Zakuta and Earl Brewer. Les Immeubles Plaza Z-Corp Inc. is controlled by Michael Zakuta.

On July 1, 2011, the Company purchased the shares of Plaza Group Management Limited. The acquisition is a business combination, however, services provided under the management agreement were at market rates, so there is no gain or loss on the settlement of the pre-existing relationship. Total consideration of $113 thousand has been attributed to the capital assets. As a result of this transaction, property management and corporate management are now internalized and the Company will be managing all of its properties including properties previously managed by Plaza Z-Corp Inc.

As part of this transaction, employees of Plaza Z-Corp Inc. that previously provided services to Plazacorp will be employed by Plaza Group Management Limited (with Plazacorp assuming any liabilities with respect to past service). Both management agreements previously in place have been terminated.

Included in Plaza Group Management Limited were loans payable in the amount of $1.1 million made indirectly by Michael Zakuta and Earl Brewer to Plaza Group Management Limited. These amounts were partially repaid in the third quarter with the remaining repaid in the fourth quarter upon finalizing the statement of adjustments relating to the purchase of the shares of Plaza Group Management Limited.

Prior to July 1, 2011, Mr. Brewer and Mr. Zakuta did not receive any direct compensation from Plazacorp for performing their duties as Chairman and President and Chief Executive Officer, respectively or as directors. Effective July 1, 2011 as a result of the internalization, Mr. Brewer and Mr. Zakuta do receive their direct compensation from Plazacorp for performing their duties as Chairman and President and Chief Executive Officer, respectively, however no compensation continues to be received for their duties as directors.

Salaries of all employees that are expensed are included in the statement of comprehensive income within administrative expenses or operating expenses, depending on the nature of the work performed by the particular employees. Certain salaries that are directly attributable to the development of properties are capitalized to development properties. Fees earned from partners in joint venture and equity-accounted investments are recorded in other income.

21. Related Parties

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

(a) Bonds and Debentures

The Directors own directly or indirectly the following mortgage bonds and debentures of the Company (stated at face value):

	December 31, 2011	December 31, 2010	January 1, 2010
Barbara Trenholm	**$ 100**	$ 464	$ 464
Earl Brewer	**1,481**	1,755	1,655
Edouard Babineau	**2,000**	2,150	1,850
Michael Zakuta	**781**	2,163	2,068
Richard Hamm	**250**	325	1,025
Stephen Johnson	**850**	1,220	1,220
Total related party mortgage bonds and debentures	**$ 5,462**	$ 8,077	$ 8,282

During 2011, Richard Hamm redeemed $75 thousand in expired mortgage bonds, Michael Zakuta converted $1,643 thousand of convertible debentures to shares and purchased $261 thousand in mortgage bonds, Edouard Babineau converted $200 thousand of convertible debentures to shares, redeemed $100 thousand in expired mortgage bonds and purchased $150 thousand in mortgage bonds, Earl Brewer converted $538 thousand of convertible debentures to shares and purchased $264 thousand in mortgage bonds, Stephen Johnson redeemed $370 thousand in expired mortgage bonds, and Barbara Trenholm converted $300 thousand of convertible debentures to shares and redeemed $64 thousand in expired mortgage bonds.

Other key management personnel own $105 thousand in mortgage bonds of the Company at December 31, 2011 (December 31, 2010 - $45 thousand, January 1, 2010 - $45 thousand).

(b) Other Transactions with Key Management Personnel

(i) 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 land leases expire at various times from October 2043 to November 2047, subject to options to renew. All of these leases have options to purchase, of which 1 is at a fixed price and the others are at fair market value.

(ii) 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, 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.

(iii) Earl Brewer and Michael Zakuta hold interests in common with the Company's 10% interest in Northwest Plaza Commercial Trust, the owner of the Northwest Centre, Moncton, NB. 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, 2010 - $261 thousand; January 1, 2010 - $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 12.

(v) On July 1, 2011, as part of the internalization, Plaza Group Management Limited entered into an aircraft operating agreement with Plaza Atlantic Limited (a company owned by Michael Zakuta and Earl Brewer) with respect to the use and operation of a turbo-prop airplane, used from time to time by Plaza Group Management Limited and Plazacorp to facilitate more timely access to properties across the Corporation's portfolio for construction, development, leasing and operations. Costs associated with use of the airplane are adjusted for actual usage at the end of each year. For the period from July 1, 2011 (the date of internalization) to December 31, 2011, the Company incurred $205 thousand for the use of the airplane.

(vi) Plaza Group Management Limited is a party to an office lease for Plazacorp's corporate headquarters in Fredericton, New Brunswick. The owner of the office building (and counter-party to the office lease) is a company indirectly owned by Michael Zakuta and Earl Brewer. Rent under this office lease is $201 thousand per year. The lease expires March 31, 2014.

(vii) Plaza Group Management Limited manages certain properties owned directly or indirectly by Michael Zakuta and Earl Brewer, namely 527 Queen Street, Fredericton, NB and 271 Queen Street, Fredericton, NB.

(viii) On July 1, 2011, at the date of internalization and acquisition of Plaza Group Management Limited by Plazacorp, included in the accounts of Plaza Group Management Limited were loans in the amount of $1.1 million made indirectly by Michael Zakuta and Earl Brewer to Plaza Group Management Limited. These amounts were partially repaid in the third quarter with the remaining repaid in the fourth quarter upon finalizing the statement of adjustments relating to the purchase of the shares of Plaza Group Management Limited. See Note 20.

(c) Management Agreements

Prior to the internalization on July 1, 2011 (see Note 20), Plaza Group Management Limited provided property management and corporate management services to Plazacorp. In Quebec, staff of Les Immeubles Plaza Z-Corp Inc. handled management duties under a separate management agreement with Plazacorp. The basis of fee payments prior to July 1, 2011 under the management agreements was 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, equal to $185 per hour.

The following amounts were charged under the agreements prior to July 1, 2011:

Fee Category	**Included for Reporting Purposes In**	**2011**	2010
Property management	Property operating expenses	**$ 777**	$ 1,407
Corporate management	Administrative expenses	**194**	365
Leasing	Investment properties	**616**	1,079
Development	Investment properties	**606**	436
Financing and capital	Debt or equity	**301**	648
Acquisitions	Investment properties	**49**	136
Dispositions	Gain or loss on disposal of investment properties	**-**	10
Legal services	Varied based on service provided	**343**	442
Total		**$ 2,886**	$ 4,523

(d) Remuneration of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director of the entity. The remuneration of directors and other key management personnel of the Company during the years ended December 31, 2011 and 2010 was as follows:

	2011	2010
Total key management personnel compensation – short-term employee benefits[1]	**$ 1,796**	$ 994

(1) Total compensation paid by Plaza Group Management Limited, prior to the internalization for 2011 was $897 thousand and for 2010 was $906 thousand. These amounts are not included in the financial statements of the Company.

During the years ended December 31, 2011 and 2010 there were no amounts paid in post employment benefits, long-term benefits, termination benefits, or share-based payments.

(e) Significant Subsidiaries

	Ownership Interest		
	December 31, 2011	December 31, 2010	January 1, 2010
Plazacorp REIT	**100%**	100%	100%
Plazacorp Operating Trust	**100%**	100%	100%
Plazacorp Master Limited Partnership	**100%**	100%	100%
Lemarchant Property Holdings Inc.	**100%**	100%	100%
Plaza Retail Limited Partnership #1	**100%**	100%	100%
Bedford Commons 2 Property Holdings Inc.	**100%**	100%	-
Plaza LPC Commercial Trust	**100%**	100%	100%
Commercial Street Plaza Trust	**100%**	100%	100%
Plaza Group Management Limited	**100%**	-	-
Stavanger Torbay Limited Partnership	**90%**	90%	-
Spring Park Plaza Inc.	**85%**	85%	85%
Granville Street Properties Limited Partnership	**60%**	60%	60%
Wildan Properties Limited Partnership	**60%**	60%	60%
Exhibition Plaza Inc.	**55%**	55%	55%

22. Interests in Joint Ventures

As described in Note 3(a), 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 for these joint ventures:

	December 31, 2011	December 31, 2010	January 1, 2010
Assets	**$ 109,511**	$ 99,452	$ 82,298
Current liabilities	**55,777**	52,724	46,756
Long term liabilities	**5,417**	2,754	5,971
Revenues	**15,928**	17,598	-
Expenses	**6,938**	6,844	-

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

	Ownership Interest		
	December 31, 2011	December 31, 2010	January 1, 2010
Accounting Method – Proportionate Consolidation			
Les Galeries Montmagny and Plaza Tache, QC	**50%**	50%	50%
RBEG Limited Partnership, QC	**50%**	50%	50%
Bureau en Gross, QC	**50%**	50%	50%
Terrace Dufferin, QC	**-**	-	50%
Magog, QC	**50%**	50%	-
Carrefour des Seigneurs, QC	**25%**	25%	25%
Plaza BDP, QC	**37.5%**	37.5%	37.5%
CPRDL, QC	**50%**	50%	50%
Plaza Jean XXIII, QC	**50%**	50%	50%
Plaza BBRF, QC	**50%**	50%	50%
90 Boulevard Tache Ouest, QC	**50%**	50%	50%
Jean Talon, QC	**50%**	35%	-
Plaza TS Magog, QC	**50%**	50%	50%
Bourque & Haut-Bois, QC	**50%**	-	-
201 Chain Lake Drive, NS	**50%**	50%	50%
209 Chain Lake Drive, NS	**50%**	50%	50%
Tacoma Centre, NS	**50%**	50%	50%
Tacoma Valley Field, NS	**50%**	50%	50%
Robie Street Plaza, NS	**25%**	25%	25%
15260 Yonge Street, ON	**50%**	50%	50%
Scott Street Plaza, ON	**50%**	50%	50%
St. Josephs Boulevard, ON	**50%**	50%	50%
Civic Centre Road, ON	**50%**	50%	50%
Port Hope Plaza, ON	**50%**	50%	50%
Dufferin & Wilson (Perth), ON	**50%**	50%	75%
615 King Street, Gananoque, ON	**50%**	50%	50%
Plazacorp Ontario2 Limited Partnership:			
Amherstview, ON	**50%**	50%	50%
Scugog Street Port Perry, ON	**50%**	50%	50%
Plazacorp Ontario3 Limited Partnership:			
King & Mill, ON	**50%**	50%	-
Plazacorp Ontario4 Limited Partnership:			
Manotick, Manotick, ON	**50%**	-	-
KGH Plaza, NB	**25%**	25%	25%
681 Mountain Road, NB	**25%**	25%	25%
201 Main Street, NB	**25%**	25%	25%
Gateway Mall, NB	**25%**	25%	25%
University Plaza, PE	**43%**	43%	43%

23. Contingencies, Commitments, Guarantees, Indemnities, Litigation and Provisions

(a) Contingencies

The $20.0 million development line of credit has a letter-of-credit limit of $1.5 million available. As at December 31, 2011, there were no letters-of-credit issued and outstanding under this line of credit (December 31, 2010 – nil; January 1, 2010 - $442 thousand).

The $15.0 million development line of credit has a letter-of-credit limit of $500 thousand available. As at December 31, 2011, there were no letters-of-credit issued and outstanding under this line of credit (December 31, 2010 – nil; January 1, 2010 – nil).

The $10.0 million operating line of credit has $2 million available for use in the form of letters-of-credit. As at December 31, 2011, $435 thousand (December 31, 2010 - $514 thousand; January 1, 2010 - $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 as follows:

	Year 1 2012	Year 2 2013	Year 3 2014	Year 4 2015	Year 5 2016	After 5 Years	Face Value Total
Mortgages – periodic payments [1]	$ 4,162	$4,078	$3,590	$3,356	$3,212	$13,641	$32,039
Mortgages – due at maturity	-	26,675	19,285	17,767	25,183	114,462	203,372
Mortgages – funded by defeasance	15,099	-	-	-	-	-	15,099
Mortgage bonds payable	6,000	-	-	-	2,085	-	8,085
Debentures	-	-	11,482	18,440	-	-	29,922
Operating land leases [2]	2,670	2,631	2,697	2,725	2,747	144,875	158,345
Development activities	11,180	-	-	-	-	-	11,180
Total contractual obligations	**$39,111**	**$33,384**	**$37,054**	**$42,288**	**$33,227**	**$272,978**	**$458,042**

[1] *Includes interest rate swaps.*
[2] *Operating land leases expire on dates ranging from 2012 to 2084 with non-automatic renewal options ranging from 9 to 66 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, 2011 is $14.1 million (December 31, 2010 - $14.6 million; January 1, 2010 - $15.0 million) consisting of: a $7.4 million mortgage which expires on May 1, 2012; and a $6.6 million mortgage which expires on May 1, 2013. As well, an $8.0 million commitment (December 31, 2010 - $8.3 million; January 1, 2010 - $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 a weighted average remaining term of 3.9 years (December 31, 2010 - 4.9 years; January 1, 2010 - 5.9 years).

The Company assumed a guarantee for a development line of credit held by the Village Shopping Centre Limited Partnership. The guarantee was 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 (January 1, 2010 - $20.0 million) and had an exposure of $2.5 million for the remaining budgeted redevelopment costs (January 1, 2010 - $4.6 million). In January 2011, the Company refinanced the $20.0 million outstanding on the line of credit with long-term financing and the related guarantee was released. 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 free-standing 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, 2011 the Company's total exposure on the cross-guarantees is $633 thousand for the Granby, QC property (December 31, 2010 - $650 thousand; January 1, 2010 - $692 thousand) and $4.1 million for the Amherstview and Port Perry, ON properties (December 31, 2010 - $4.2 million; January 1, 2010 - 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.

(e) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The Company has no provisions recorded at December 31, 2011 (December 31, 2010 – nil; January 1, 2010 - nil).

24. Financial Risk Management

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

(a) Interest Rate Risk

The Company adopts a policy of holding floating rate debt only for properties under development and those pledged to support the operating line of credit. All other debt is converted to fixed rate debt, when market conditions are favorable, 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 interest rates at the reporting date would not affect profit or loss on these. 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 had 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 profit and loss. The fair value of these contracts results in a liability, for Plazacorp's share, of $433 thousand at December 31, 2011 (December 31, 2010 – liability of $43 thousand; January 1, 2010 – n/a). There is a risk that interest rates will fluctuate during the term of the mortgages. The Company intends to hold the mortgages to maturity and therefore would not realize the fair value fluctuations.

Trade receivables and payables (other than tenant deposits) are interest free and have settlement dates within one year.

An increase of 100 basis points in interest rates at December 31, 2011 if applied to all outstanding floating rate instruments would increase interest expense and decrease pre-tax profit by nil as the Company has no floating rate debt (December 31, 2010 - $40 thousand; January 1, 2010 - $381 thousand).

(b) Lease Rollover 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% would be approximately $350 thousand per annum. The Company'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 maintaining 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 93.8% of the in-place tenant base (December 31, 2010 – 93.1%; January 1, 2010 – 92.8%). As well, the Company limits loans granted under lease arrangements to high credit-rated national tenants.

The Company minimizes its credit risk on investment bonds by having them 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 23(c) for details of guarantees.

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

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

Carrying Amount	**December 31, 2011**	December 31, 2010	January 1, 2010
Held-to-maturity investments	**$ 15,548**	$ 2,564	$ 2,278
Tenant loans, receivables and notes receivable	**3,976**	5,400	15,117
Cash and cash equivalents	**3,767**	5,407	3,771
Total	**$ 23,291**	$ 13,371	$ 21,166

The Company's most significant customer, a national retailer, accounts for the $1.4 million of tenant loans as at December 31, 2011 (December 31, 2010- $1.6 million; January 1, 2010 - $1.9 million). This retailer represents 23.9% of monthly gross rents in place at December 31, 2011. The top 10 tenants collectively represent approximately 54.6% of monthly gross rents in place.

Deposits refundable to tenants may be withheld by the Company in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

(d) Liquidity and Debt Market Risk

Prudent liquidity risk management implies maintaining sufficient cash and an adequate amount of committed credit facilities to run its business and pay obligations as they come due. The Company manages its cash resources based on financial forecasts and anticipated cash flows. In terms of debt, there is always the risk that 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. If this were to occur, it could adversely impact the Company. The Company staggers the maturities of its long-term debt to avoid excessive amounts of debt maturing in any one year. 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. The Company has determined that circumstances that could trigger action by a lender under these clauses are unlikely.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	**Contractual cash flow**	**1-2 years**	**2-5 years**	**More than 5 years**
Accounts payable and accrued liabilities	7,635	7,635	7,635	-	-
Debentures payable	39,532	37,019	4,603	32,416	-
Notes payable	1,051	1,051	1,051	-	-
Mortgage bonds payable	8,045	8,908	6,484	2,424	-
Mortgages payable	247,287	322,414	75,716	98,558	148,140

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(e) Fair Value

Generally, trading values for the Company's financial instruments are not available. In determining estimates of the fair values of the financial instruments, the Company must make assumptions regarding current market rates, considering the term of the instrument and its risk. Current market rates are generally selected from a range of potentially acceptable rates and accordingly, other effective rates and fair values are possible. The rates used in determining the fair value of fixed rate mortgages are corresponding term Government of Canada Bonds plus credit spreads of 1.80% to 2.45% (December 31, 2010 – 1.90% to 2.55%; January 1, 2010 – 3.10% to 3.75%). The rates used to determine the fair value of mortgage bonds and non-convertible debentures range from 5.25% to 7.00% (December 31, 2010 – 5.50% to 7.00%; January 1, 2010 – 8.00% to 8.25%).

The following chart shows the estimated fair value of the Company's long-term debt (including mortgages payable, mortgage bonds payable, non-convertible debentures payable and notes payable).

	Book Value December 31, 2011	**Fair Value December 31, 2011**	Book Value December 31, 2010	Fair Value December 31, 2010	Book Value January 1, 2010	Fair Value January 1, 2010
Total net fixed rate mortgage loans	**$ 246,924**	**$ 255,347**	$ 222,566	$ 229,764	$ 169,539	$ 163,210
Total net variable rate loans	**(70)**	**(70)**	3,885	3,885	46,416	46,416
Mortgage bonds payable	**8,045**	**8,194**	11,622	11,853	21,589	21,675
Non-convertible debentures payable	**-**	**-**	-	-	5,159	5,152
Notes payable	**1,051**	**1,051**	555	555	2,054	2,054
Total	**$ 255,950**	**$ 264,522**	$ 238,628	$ 246,057	$ 244,757	$ 238,507

The fair value of the Company's financial assets and liabilities that represent net working capital, including cash, receivables, notes receivable and accounts payable and accrued liabilities 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, 2010 - 7.24% to 9.45%; January 1, 2010 – 7.24% to 9.45%).

The fair value of the Company's exposure from mortgage guarantees and indemnities are nil.

As at December 31, 2011, the fair value of the Company's investment in Government of Canada Bonds of $15.5 million (December 31, 2010 - $2.6 million; January 1, 2010 - $2.3 million) was below the recorded value by $59 thousand (December 31, 2010 – exceeded recorded value by $22 thousand; January 1, 2010 – exceeded recorded value by $70 thousand). The Company had no exposure to financial hedges or embedded derivatives as at December 31, 2011 (December 31, 2010 – nil; January 1, 2010 – nil).

In accordance with IFRS, the Company is required to classify its financial instruments carried at fair value in the financial statements using a fair value hierarchy that exhibits the significance of the inputs used in making the measurements.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial assets and liabilities valued within Level 1 of the hierarchy include cash. The Company's convertible debentures are valued under Level 2 of the fair value hierarchy.

25. 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 and ensuring 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 payable, 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 less fair value adjustments of not more than 70%. The Company is in compliance with all debt covenants.

There were no changes to the Company's approach to capital management for the year ended December 31, 2011.

The calculation of the total capital is summarized as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Total net fixed rate mortgage loans	**$ 246,924**	$ 222,566	$ 169,539
Total net variable rate loans	**(70)**	3,885	46,416
Mortgage bonds payable	**8,045**	11,622	21,589
Debentures payable	**39,532**	44,723	22,750
Notes payable	**1,051**	555	2,054
	295,482	283,351	262,348
Shareholders' equity	**198,787**	140,954	123,485
Total	**$ 494,269**	$ 424,305	$ 385,833

26. Subsequent Events

Financing

The Company obtained long-term financing for three properties located in New Brunswick and Nova Scotia in the amount of $2.4 million with a 10 year term and an interest rate of 4.75%.

Development Lands

The Company made deposits on three conditional land assemblies which are under purchase agreements and subject to due diligence in the amount of $450 thousand.

The Company waived conditions on two land assemblies located in Charlottetown, PE and Saint John, NB. The total purchase price for these assemblies when they close in March and April 2012, will be $3.9 million.

Acquisitions

The Company purchased land for future development in Carbonear, NL and Boisbriand, QC for $649 thousand.

Dividend and Dividend Reinvestment Plan

The Company paid its regular quarterly cash dividend of $0.05375 per common share for a total of $3.0 million on February 15, 2012 and 38 thousand shares were issued at a purchase price of $4.75 per share for a total of $180 thousand under the dividend reinvestment plan.

Restricted Share Unit Plan

On February 29, 2012, the Company's Board of Directors approved a Restricted Share Unit Plan. This plan is subject to approval by the Shareholder's at the Company's Annual Meeting.

Debentures

$125 thousand in Series V convertible debentures were converted to 36,764 shares.
$150 thousand in Series VI convertible debentures were converted to 39,473 shares.

Operating Land Leases

The Company renewed an operating land lease in Saint John, NB, which expires in August 2012, for an additional five years.

27. Transition to IFRS

The Company's financial statements for the year ending December 31, 2011 are the first annual financial statements that comply with IFRS. The consolidated financial statements were prepared as described in Note 2, including the application of IFRS 1. The first date at which the Company has applied IFRS was 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. 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. Prior to the adoption of IFRS the Company prepared its financial statements in accordance with the previous Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

(a) Elected Exemptions From Full Retrospective Application

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

(i) Business combinations

The Company has applied the business combinations exemptions in IFRS 1 to not apply IFRS 3, "Business Combinations" retrospectively to past business combinations. Accordingly, the Company has not restated business combinations that took place prior to the transition date.

(ii) Leases

The Company has elected under IFRS 1 not to reassess whether an arrangement contains a lease under IFRIC 4 for contracts that were assessed under previous Canadian GAAP. Arrangements entered into before the effective date of EIC 150 that have not subsequently been assessed under EIC 150, were assessed under IFRIC 4, and no additional leases were identified.

(b) Reconciliations of Equity and Comprehensive Income as Reported Under Former Canadian GAAP to IFRS

The following are reconciliations of the Company's total equity and comprehensive income reported in accordance with previous Canadian GAAP to its total equity and comprehensive income reported in accordance with IFRS, as required by IFRS 1. As a result of the transition to IFRS, and mainly relating to the effects of variable interest entities noted below, certain items on the statement of cash flows have been affected and reclassified accordingly:

	Notes	December 31, 2010	January 1, 2010
Shareholders' equity as reported under former Canadian GAAP		$ 25,225	$ 28,060
Non-controlling interests to shareholders' equity	(i)	(1,338)	(672)
Differences increasing (decreasing) reported amount:			
Investment properties	(ii)	132,762	100,332
Investments	(iii)	21,274	16,664
Convertible debentures	(iv)	(9,372)	(1,179)
Lease accounting	(v)	92	123
Deferred income taxes	(vi)	(27,363)	(19,534)
Refundable capital gains tax	(vii)	(63)	(30)
Borrowing costs	(viii)	(245)	(183)
Variable interest entities	(x)	46	1
Stock options	(xi)	(64)	(97)
Shareholders' equity as reported under IFRS		$ 140,954	$ 123,485

	Notes	12 Months Ended December 31, 2010
Comprehensive income as reported under former Canadian GAAP		$ 2,518
Add back: non-controlling interests	(ix)	476
Differences increasing (decreasing) reported amount:		
Investment properties	(ii)	32,603
Investments	(iii)	4,612
Convertible debentures	(iv)	(8,037)
Lease accounting	(v)	(31)
Deferred income taxes	(vi)	(7,747)
Refundable capital gains tax	(vii)	(82)
Borrowing costs	(viii)	(63)
Variable interest entities	(x)	(100)
Comprehensive income as reported under IFRS		$ 24,149

(i) Reclassification of non-controlling interests to shareholders' equity

IAS 1, "Presentation of Financial Statements" requires non-controlling interests to be classified as a component of equity. Under previous Canadian GAAP non-controlling interest was classified outside of equity.

(ii) Investment properties

The Company considers its commercial properties, commercial developments and surplus lands to be investment properties under IAS 40, "Investment Property". Investment properties include land and buildings held primarily to earn rental income or for 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. Similar to former Canadian GAAP, investment property is initially recorded at cost under IAS 40. However, subsequent to initial recognition, IFRS requires that an entity choose either the cost or fair value model to account for investment property. The Company has elected to use the fair value model. The adjustment to retained earnings represents the cumulative unrealized gain in respect of the Company's investment properties, net of the de-recognition of related goodwill, straight-line rent and intangible assets

and liabilities which are inherently reflected in the fair value adjustment. The adjustment to comprehensive income represents the change in fair value during the relevant period, net of de-recognition of depreciation and amortization on investment properties and intangible assets and liabilities previously recorded under former Canadian GAAP.

(iii) Investments

The Company's equity share of the underlying fair value of investment properties included in equity-accounted investments is recorded under IFRS. The adjustment to retained earnings represents the cumulative unrealized gain in respect of the Company's investments. The adjustment to comprehensive income represents the change in fair value during the relevant period, net of de-recognition of depreciation and amortization.

(iv) Convertible debentures

Under previous Canadian GAAP, the value of the conversion feature of the Company's convertible debentures was included as a component of shareholders' equity and was not remeasured at fair value at each reporting date. The liability component of the convertible debentures was measured at amortized cost. Under IFRS, the Company measures the entire convertible debentures at fair value. The conversion feature is no longer separately classified from the debt portion and recorded in shareholders' equity under IFRS. As a result of recording the convertible debentures at fair value, any transaction costs relating to the issuance of convertible debentures in a given year, are expensed to finance costs as incurred. The adjustment represents the cumulative unrealized change in the fair value of the convertible debentures, net of de-recognition of the equity component (conversion feature) of the convertible debentures. The adjustment to comprehensive income represents the change in fair value during the relevant period, net of de-recognition of non-cash interest relating to the debentures and net of transaction costs incurred on convertible debentures issued.

(v) Lease accounting

For both previous Canadian GAAP and IFRS, rental revenue from operating leases is recognized on a straight-line basis over the terms of the leases. Under IFRS however, rental revenue from operating leases is determined considering all rentals from the inception of the lease whereas for previous Canadian GAAP this determination considered only rental revenues to be received on a prospective basis subsequent to November 1, 2003, the adoption date of this accounting policy for Canadian GAAP purposes.

(vi) Deferred income taxes

The increase in deferred income tax liabilities and deferred income tax expense under IFRS compared with previous Canadian GAAP primarily relates to the change in temporary differences resulting from the impact of the increased carrying values of the Company's investment properties.

(vii) Refundable capital gains tax

Under IFRS taxes on capital gains are expensed as incurred and a recovery booked to the expense when a capital gains dividend has been declared and is payable.

(viii) Borrowing costs

As a result of the adoption of IFRS and in accordance with IAS 23, "Borrowing Costs", certain borrowing costs previously capitalized under previous Canadian GAAP do not qualify for capitalization under IFRS.

(ix) Non-controlling interests add-back to comprehensive income

Non-controlling interests is included in the determination of comprehensive income under IFRS. This adjustment adds back non-controlling interests expensed to comprehensive income under former Canadian GAAP.

(x) Variable interest entity adjustment

Under former Canadian GAAP, the Company consolidated its interest in Plazacorp Ontario1 Limited Partnership, Plazacorp Ontario2 Limited Partnership and Plazacorp Ontario3 Limited Partnership as a result of the variable interest entity guidelines. Since the Company does not control these entities they are not consolidated under IFRS.

(xi) Stock options

Under former Canadian GAAP, stock option compensation expense was measured as the fair value of the options on the grant date and recognized over the vesting period in contributed surplus. Under IFRS, the Company accounts for its stock options as a liability using the fair value method, under which a compensation cost is recognized at the time of grant. The stock options are measured at fair value at each reporting period.

(c) Detailed Reconciliations of Financial Statements as Reported Under Former Canadian GAAP to IFRS

The following tables show the detailed reconciliations of the Company's previous financial statements from previous Canadian GAAP to IFRS.

		December 31, 2010				January 1, 2010			
	Notes	Previous Canadian GAAP	Effect of transition to IFRS	Reclassification [1]	IFRS	Previous Canadian GAAP	Effect of transition to IFRS	Reclassification [1]	IFRS
Assets									
Non-Current Assets									
Investment properties	a, b	$267,267	$159,249	$ -	$426,516	$266,380	$108,703	$ -	$375,083
Investments	a, e	7,401	21,274	(2,187)	26,488	6,380	16,905	(135)	23,150
Tenant loans	a	1,679	(55)	-	1,624	2,489	(625)	-	1,864
Deferred income tax asset	m	315	(164)	-	151	793	(549)	-	244
Straight-line rent receivables	a, d	5,245	(5,245)	-	-	4,582	(4,582)	-	-
Surplus lands	f	957	(957)	-	-	748	(748)	-	-
Properties under development	a, g, h	19,886	(19,886)	-	-	14,382	(14,382)	-	-
Intangible assets	i	1,061	(1,061)	-	-	1,444	(1,444)	-	-
Goodwill	j	2,025	(2,025)	-	-	2,025	(2,025)	-	-
Deficits of subsidiaries	a, k	1,338	(1,338)	-	-	1,193	(1,193)	-	-
		307,174	149,792	(2,187)	454,779	300,416	100,060	(135)	400,341
Current Assets				-				-	
Cash	a	$ 5,419	$ (12)	-	$ 5,407	$ 3,875	$ (104)	-	$ 3,771
Receivables	a	1,126	-	-	1,126	980	(260)	-	720
Prepaid expenses and deposits	a	2,970	-	-	2,970	2,926	(13)	-	2,913
Current portion of investments		-	-	2,187	2,187	-	-	135	135
Income taxes receivable and refundable capital gains tax	n	85	(63)	-	22	98	(30)	-	68
Notes receivable	c	362	2,288	-	2,650	632	11,901	-	12,533
		9,962	2,213	2,187	14,362	8,511	11,494	135	20,140
		$317,136	$152,005	$ -	$469,141	$308,927	$111,554	$ -	$420,481

		December 31, 2010				January 1, 2010			
	Notes	Previous Canadian GAAP	Effect of transition to IFRS	Reclassification [1]	IFRS	Previous Canadian GAAP	Effect of transition to IFRS	Reclassification [1]	IFRS
Liabilities									
Non-Current Liablities									
Debentures payable	l	$ 35,351	$ 9,372	$ (5,242)	$ 39,481	$ 21,571	$ 1,179	$ (5,159)	$ 17,591
Mortgage bonds payable		11,622	-	(7,500)	4,122	21,589	-	(10,000)	11,589
Mortgages payable	a, c	226,494	-	(10,414)	216,080	215,955	-	(53,549)	162,406
Deferred income tax liability	m	10,522	27,199	-	37,721	10,303	18,985	-	29,288
Below market leases	i	268	(268)	-	-	361	(361)	-	-
		284,257	36,303	(23,156)	297,404	269,779	19,803	(68,708)	220,874
Current Liabilities									
Current portion of debentures payable		-	-	5,242	5,242	-	-	5,159	5,159
Current portion of mortgage bonds payable		-	-	7,500	7,500	-	-	10,000	10,000
Current portion of mortgages payable		-	-	10,414	10,414	-	-	53,549	53,549
Accounts payable and accrued liabilities	a, o	7,062	10	-	7,072	6,198	(838)	-	5,360
Notes payable	a, c	555	-	-	555	2,054	-	-	2,054
Income taxes payable[2]		37	(37)	-	-	-	-	-	-
		7,654	(27)	23,156	30,783	8,252	(838)	68,708	76,122
		291,911	36,276	-	328,187	278,031	18,965	-	296,996
Non-controlling interest in net assets	a, k	-	-	-	-	2,836	(2,836)	-	-
Shareholders' Equity									
Equity portion of convertible debt	l	1,181	(1,181)	-	-	966	(966)	-	-
Share capital	l	47,335	60	-	47,395	43,349	-	-	43,349
Contributed surplus	o	64	(64)	-	-	97	(97)	-	-
Retained earnings (deficit)	r	(23,355)	106,184	-	82,829	(16,352)	86,108	-	69,756
Total equity attributable to the shareholders of the Company		25,225	104,999	-	130,224	28,060	85,045	-	113,105
Non-controlling interests	k	-	10,730	-	10,730	-	10,380	-	10,380
Total shareholders' equity		25,225	115,729	-	140,954	28,060	95,425	-	123,485
		$317,136	$152,005	$ -	$469,141	$308,927	$111,554	$ -	$420,481

[1] Reclassifications are recorded as a result of a classified balance sheet presentation under IFRS.
[2] Reclassed to accounts payable.

12 Months Ended December 31, 2010	Notes	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Revenues	a, d, i, q	$ 51,522	$ (265)	$ 51,257
Operating expenses	a, q	(20,600)	(26)	(20,626)
Net property operating income		30,922	(291)	30,631
Share of profit of associates	a, e, p	-	5,486	5,486
Administrative expenses		(1,491)	-	(1,491)
Investment income	a, p	1,121	(860)	261
Other expenses		(75)	-	(75)
Income before finance costs, fair value adjustments, and loss on disposals		30,477	4,335	34,812
Finance costs	a, g, l, q	(17,187)	(141)	(17,328)
Finance costs - net loss from fair value adjustments to convertible debentures	l	-	(7,875)	(7,875)
Finance costs - net revaluation of interest rate swaps		(43)	-	(43)
Net gain from fair value adjustments to investment properties	b	-	23,238	23,238
Amortization	a, b, i, q	(10,549)	10,549	-
Gain (loss) on disposal of investment properties	b, q	133	(220)	(87)
Non-controlling interests	k	(476)	476	-
Gain on disposal of discontinued operations	q	777	(777)	-
Profit from discontinued operations	q	39	(39)	-
Profit before income tax		3,171	29,546	32,717
Income tax expense:				
Current		42	-	42
Deferred	m, n, q	611	7,915	8,526
Profit and total comprehensive income for the period		$ 2,518	$ 21,631	$ 24,149
Profit and total comprehensive income for the period attributable to:				
- Shareholders		$ 2,518	$ 20,075	$ 22,593
- Non-controlling interests	k	476	1,080	1,556
		$ 2,994	$ 21,155	$ 24,149

(a) Variable interest entities

Under previous Canadian GAAP the Company consolidated its interests in Plazacorp Ontario1 Limited Partnership, Plazacorp Ontario2 Limited Partnership and Plazacorp Ontario3 Limited Partnership as a result of the variable interest guidelines. Under IFRS, the Company does not control these entities, and as a result they are no longer consolidated. Plazacorp Ontario1 Limited Partnership is accounted for using the equity method, Plazacorp Ontario2 Limited Partnership is proportionately consolidated at 50% and Plazacorp Ontario3 Limited Partnership is proportionately consolidated at 50%.

Comprehensive income	12 Months Ended December 31, 2010
Decrease in revenues	$ (304)
Decrease in operating expenses	9
Decrease in investment income	(18)
Decrease in amortization	65
Decrease in finance costs	116
Increase in share of profit of associates	32
Adjustment before income tax	$ (100)

Financial position	December 31, 2010	January 1, 2010
Decrease in cash	$ (12)	$ (104)
Decrease in receivables	-	(260)
Decrease in prepaid expenses and deposits	-	(13)
Decrease in straight-line rent receivables	-	(104)
Decrease in tenant loans	(55)	(625)
Increase in investments	-	241
Decrease in investment properties	-	(8,145)
Decrease in properties under development	(2,266)	(6,140)
Decrease in accounts payable and accrued liabilities	91	935
Decrease in notes payable[1]	746	4,761
Decrease in mortgages payable[1]	1,542	7,140
Decrease in non-controlling interests	-	2,315
Increase (decrease) in retained earnings	$ 46	$ 1

[1] Reclassed to notes receivable

(b) Investment properties

Consistent with the Company's accounting policy, investment properties have been recognized at fair value at the date of transition. Under previous Canadian GAAP investment properties were measured on a depreciated cost basis and classified as income producing properties. The impact arising from the net change is summarized as follows:

Comprehensive income	12 Months Ended December 31, 2010
Increase in fair value of investment properties	$ 23,238
Decrease in amortization	10,121
Decrease in gain on disposal of investment properties due to fair value adjustments	(1,058)
Adjustment before income tax	$ 32,301

Financial position	December 31, 2010	January 1, 2010
Adjustments to investment properties:		
Variable interest entities (a)	$ -	$ (8,145)
Capitalized borrowing costs (g)	(98)	-
Fair value adjustment (b)	135,580	103,440
Reclassification of straight-line rent receivables (d)	5,337	4,601
Reclassification of surplus lands (f)	957	748
Reclassification of properties under development (h)	17,473	8,059
Net change in investment properties	$ 159,249	$ 108,703

(c) Notes receivable

The Company financed the construction and development of the underlying properties of the Plazacorp Ontario1 Limited Partnership, Plazacorp Ontario2 Limited Partnership and Plazacorp Ontario3 Limited Partnership on behalf of all of the partners. Since the entities are no longer consolidated under IFRS, as described in (a) above, the Company recorded notes receivable in the amount of $2,288 thousand at December 31, 2010 and $11,901 thousand at January 1, 2010 for the funding requirements of the co-owners.

(d) Straight-line rent receivables

Upon adoption of IAS 40, the balance of straight-line rent receivables is reclassified to investment properties, as this balance is implicit in the underlying valuation of investment properties at fair value.

Under IFRS, rental revenues from operating leases are recognized on a straight-line basis over the terms of the leases and are determined considering all rentals from the inception of the leases. Under previous Canadian GAAP this determination considered only rental revenues to be received on a prospective basis subsequent to November 1, 2003, the adoption date of this accounting policy for Canadian GAAP purposes. The impact arising from this change is as follows:

Comprehensive income	**12 Months Ended December 31, 2010**
Decrease in revenues	$ (31)
Adjustment before income tax	$ (31)

Financial position	**December 31, 2010**	**January 1, 2010**
Adjustments to straight-line rent receivables:		
Variable interest entities (a)	$ -	$ (104)
Policy difference (d)	92	123
Reclassification to investment properties (b,d)	(5,337)	(4,601)
Net change in straight-line rent receivables	$ (5,245)	$ (4,582)

(e) Investments

Consistent with the Company's accounting policy, investment properties included in investments have been recognized at fair value on the date of transition. The Company takes its equity share of this fair value change. Under previous Canadian GAAP these balances were measured on a depreciated cost basis. The impact arising from the change is summarized as follows:

Comprehensive income	**12 Months Ended December 31, 2010**
Increase in share of profit of associates	$ 4,612
Adjustment before income tax	$ 4,612

Financial position	**December 31, 2010**	**January 1, 2010**
Adjustments to investments:		
Variable interest entities (a)	-	241
Fair value adjustment (e)	21,274	16,664
Net change in investments	$ 21,274	$ 16,905

(f) Surplus lands reclassification

Surplus lands were disclosed separately on the balance sheet under previous Canadian GAAP. Under IFRS, surplus lands have been reclassified to investment properties.

(g) Capitalized borrowing costs

Under previous Canadian GAAP the Company capitalized borrowing costs to properties under development until the properties achieved income producing status. Under IFRS, borrowing cost capitalization rules do not allow capitalization if a property is not actively being developed or during periods where development has ceased for a period of time. As a result, the Company reduced properties under development by $147 thousand at December 31, 2010 and by $183 thousand at January 1, 2010. The Company also reduced investment properties by $98 thousand at December 31, 2010. The impact arising from this change to the statement of comprehensive income is as follows:

Comprehensive income	**12 Months Ended December 31, 2010**
Increase in finance costs	$ (63)
Adjustment before income tax	$ (63)

(h) Properties under development

Under previous Canadian GAAP properties under development were disclosed separately on the statement of financial position. Under IFRS, properties under development have been reclassified to investment properties.

Financial position	**December 31, 2010**	**January 1, 2010**
Adjustments to properties under development:		
Variable interest entities (a)	$ (2,266)	$ (6,140)
Capitalized borrowing costs (g)	(147)	(183)
Reclassification to investment properties (b, h)	(17,473)	(8,059)
Net change in properties under development	$ (19,886)	$ (14,382)

(i) De-recognition of intangibles

Under previous Canadian GAAP, intangibles resulted from applying purchase price allocation accounting rules to the acquisition of investment properties. With the adoption of the fair value measurement method under IFRS, these balances are de-recognized as the fair value of investment properties inherently reflect intangibles such as the values of above and below market leases and tenant relationships.

Comprehensive income	**12 Months Ended December 31, 2010**
Decrease in revenues	$ (72)
Decrease in amortization	374
Adjustment before income tax	$ 302

Financial position	**December 31, 2010**	**January 1, 2010**
Adjustments to intangibles:		
De-recognition of intangible assets (i)	$ (1,061)	$ (1,444)
De-recognition of below market leases (i)	268	361
Net change in intangibles	$ (793)	$ (1,083)

(j) Goodwill

Goodwill related to previous property purchases has been written off due to the valuing of investment properties at fair value under IFRS.

(k) Non-controlling interests

Under IFRS, non-controlling interests in the consolidated statement of comprehensive income are presented as an allocation of the net profit for the period and not as an expense to arrive at net profit as required under previous Canadian GAAP. Non controlling interests in the consolidated statement of financial position are classified as equity under IFRS, whereas under previous Canadian GAAP they were presented separately from the Company's shareholders' equity; as deficits in subsidiaries and non-controlling interest in net assets. In addition, non-controlling interests increased for the minority share of the fair value adjustment to investment properties and decreased for the adjustments relating to variable interest entities.

The impact arising from all of the above is summarized as follows:

Comprehensive income	**12 Months Ended December 31, 2010**
Decrease in non-controlling interests due to variable interest adjustments	$ (106)
Increase in non-controlling interests due to fair value adjustments	1,186
Adjustment before income tax	$ 1,080

Financial position	**December 31, 2010**	**January 1, 2010**
Adjustments to non-controlling interest:		
Variable interest entities (a)	$ -	$ (2,315)
Fair value adjustment (k)	12,068	11,052
Net change in non-controlling interest	$ 12,068	$ 8,737

(l) Convertible debentures

Under previous Canadian GAAP, the value of the conversion feature of the Company's convertible debentures was included as a component of shareholders' equity and was not remeasured at fair value at each reporting date. The liability component of the convertible debentures was measured at amortized cost. Under IFRS, the Company measures the entire convertible debentures at fair value. The conversion feature is no longer separately classified from the debt portion and recorded in shareholders' equity under IFRS. In addition, conversions of convertible debentures are recorded at fair value. The impact arising from this change is as follows:

Comprehensive income	**12 Months Ended December 31, 2010**
Fair value adjustment	$ (7,875)
Increase in finance costs	(162)
Adjustment before income tax	$ (8,037)

Financial position	**December 31, 2010**	**January 1, 2010**
Adjustments to convertible debentures:		
Fair value adjustment (l)	$ 8,251	$ 213
Conversions of convertible debentures (l)	(60)	-
Reclassification of equity portion of convertible debentures (l)	1,181	966
Net change in convertible debentures	$ 9,372	$ 1,179

(m) Deferred income tax liability

All of the above noted changes 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. Further under IFRS, deferred income taxes are based on a combination of capital gains rates and income rates for temporary differences. Under previous Canadian GAAP income rates were used. As a result, the Company recorded an increase in the deferred income tax liability of $27,199 thousand at December 31, 2010 and $18,985 thousand at January 1, 2010 and a decrease in the deferred income tax asset of $164 thousand at December 31, 2010 and $549 thousand at January 1, 2010. As well, the Company recorded an increase in deferred income tax expense of $7,747 thousand for the twelve months ended December 31, 2010.

(n) Refundable capital gains tax

Under IFRS taxes on capital gains are expensed as incurred and a recovery booked to the expense when a capital gains dividend has been declared and payable. As a result, the Company recorded a decrease in refundable capital gains tax receivable of $63 thousand at December 31, 2010 and $30 thousand at January 1, 2010. As well, the Company recorded an increase in deferred income tax expense of $82 thousand for the twelve months ended December 31, 2010.

(o) Stock options

Under IFRS, stock option compensation expense is no longer recognized in contributed surplus. Stock options are recognized as a liability using the fair value method. As a result, the Company recorded a decrease in contributed surplus of $64 thousand at December 31, 2010 and $97 thousand at January 1, 2010.

(p) Share of profit of associates

Income from investments which are accounted for using the equity method have been reclassified from investment income to share of profit of associates.

Comprehensive income	**12 Months Ended December 31, 2010**
Decrease in investment income	$ (842)
Adjustment before income tax	$ (842)

(q) Discontinued operations

Under previous Canadian GAAP, the disposition of the 50% interest in Terrace Dufferin located in Valleyfield, QC was presented as a discontinued operation. With the adoption of IFRS, this transaction would not have qualified as a discontinued operation, thus the impact is reversed as follows:

Comprehensive income	**12 Months Ended December 31, 2010**
Increase in revenues	$ 142
Increase in operating expenses	(35)
Increase in amortization	(11)
Increase in finance costs	(32)
Increase in gain on disposal of investment properties	838
Increase in deferred taxes	(86)
Adjustment before income tax	$ 816

(r) Retained earnings

All of the above noted changes decreased (increased) retaining earnings as follows:

Financial position	**December 31, 2010**	**January 1, 2010**
Adjustments to retained earnings:		
Variable interest entities (a)	$ 46	$ 1
Investment properties (b)	135,580	103,440
Straight-line rent receivables (d)	92	123
Investments (e)	21,274	16,664
Capitalized borrowing costs (g)	(245)	(183)
De-recognition of intangibles (i)	(793)	(1,083)
Goodwill (j)	(2,025)	(2,025)
Non-controlling interests (k)	(12,068)	(11,052)
Convertible debentures (l)	(8,251)	(213)
Deferred income taxes (m)	(27,363)	(19,534)
Refundable capital gains tax (n)	(63)	(30)
Net change in retained earnings	$ 106,184	$ 86,108

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