QUARTERLY REPORT

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED, IN CANADIAN DOLLARS)

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

DATED: JUNE 10, 2011

TABLE OF CONTENTS

PART I

Basis of Presentation.. 1
Forward-Looking Disclaimer 1
Explanation of Non-GAAP Measures Used in this Document 1
International Financial Reporting Standards. 2
Overview of the Business 3
Business Environment 4
Strategy 4

PART II PERFORMANCE SUMMARY

Key Performance Drivers and Indicators 5
Property and Corporate Performance 2011 and 2010 7
Outlook 12

PART III

Quarterly Performance Summary 13

PART IV

Operating Liquidity and Working Capital 14
Capital Resources, Equity and Debt Activities 14
Commitments and Contingent Liabilities 17

PART V

Risks and Uncertainties 18

PART VI

Related Party Transactions 19
Disclosure Controls and Procedures and Internal Controls Over Financial Reporting 22
Critical Accounting Policies 22
Future Accounting Policies 23
Additional Information 23

Appendix A

Properties of the Company 24

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS 27

PART I

BASIS OF PRESENTATION

Financial information included in this Management Discussion and Analysis ("MD&A") includes material information up to June 10, 2011. 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 Audit Committee on behalf of 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 period ended March 31, 2011 should be read in conjunction with the Company's Condensed Interim Consolidated Financial Statements and the notes thereto for the three months ended March 31, 2011 and 2010, along with the Consolidated Financial Statements and 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 June 10, 2011 and Plazacorp assumes no obligation to update or revise them to reflect new events or circumstances, except for forward-looking information disclosed in a prior MD&A which, in light of intervening events, 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.

FFO, AFFO and NOI 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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Plazacorp has implemented IFRS and has presented its financial results for Q1 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 will be 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 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.

OVERVIEW OF THE BUSINESS

Plazacorp was incorporated on February 2, 1999 and commenced trading on the TSX Venture Exchange (PLZ) on July 30, 1999. On December 11, 2002 after receipt of shareholder and regulatory approval, Plazacorp filed articles of amendment to convert to a mutual fund corporation and retains that status. Headquartered in Fredericton, New Brunswick, Plazacorp acquires, develops and redevelops retail real estate throughout Atlantic Canada, Quebec and Ontario. The Company's portfolio at March 31, 2011 includes interest in 108 properties totaling over 4.9 million square feet and additional lands held for development. These include properties directly held by Plazacorp, its subsidiaries and through joint ventures. For 2010, and during 2009, Plazacorp's growth was primarily created through the development of new real estate assets. As at March 31, 2011, the Company has $10.0 million committed to new development for 2011.

Summary of Properties

	Number of Properties March 31, 2011[1]	**Gross Leasable Area (sq. ft.) March 31, 2011**[2]	Number of Properties March 31, 2010[1]	Gross Leasable Area (sq. ft.) March 31, 2010[2]
Newfoundland and Labrador	**9**	**602,423**	7	545,881
New Brunswick	**36**	**1,548,147**	35	1,532,732
Nova Scotia	**22**	**1,004,307**	21	920,137
Ontario	**13**	**232,773**	12	217,776
Prince Edward Island	**5**	**273,317**	5	274,987
Quebec	**23**	**1,277,698**	21	1,127,928
Total	**108**	**4,938,665**	101	4,619,441

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

BUSINESS ENVIRONMENT

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

Yearly Dividend Growth

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

The capital markets have been good in 2010 and 2011 for financing through both debt and equity. Long-term debt financing is available at historically competitive rates. Loan-to-value ratios are in the 70–75% range of the appraised market value of the underlying properties with long amortization periods and long terms available.

Over the last few years, Plazacorp has focused its growth on developments, partly as a result of high prices demanded for quality retail real estate. Plazacorp expects to continue driving growth through developments 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 criteria of a minimum cash yield (unlevered yield) equal to 100 basis points above the mortgage constant for a 10 year mortgage at prevailing rates over a 25 year amortization period.

The Company strives to:

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

The Company invests in the following property types:

- new properties developed on behalf of existing clients or in response to demand;
- well located but significantly amortized shopping malls and strip plazas 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;
- increasing rental rates when market conditions permit;
- managing debt to obtain both a low cost of debt and a staggered debt maturity profile;
- raising capital where required in the most cost-effective manner; and
- periodically reviewing the portfolio to determine if opportunities exist to re-deploy equity from slow growth properties into higher growth investments.

PART II

KEY PERFORMANCE DRIVERS AND INDICATORS

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

Management believes that the key internal performance drivers are:

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

Management believes that the key external performance drivers are:

- The availability of new properties for 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);
- Debt Service Ratios;
- "Same-Asset" Net Property Operating Income;
- Weighted Average Effective Cost of Debt; and
- Occupancy Levels.

The key performance indicators discussed throughout the MD&A are summarized below. For a detailed explanation of the key performance indicators please refer to the appropriate section in this MD&A. Management believes that its key performance indicators allow it to track progress towards the achievement of Plazacorp's primary goal of providing a steady and increasing cash flow to shareholders. The following chart discusses the key performance indicators for the three months ended March 31, 2011 compared to the three months ended March 31, 2010.

Funds from Operations	➢ For the three months ended March 31, 2011 FFO was $3,209 thousand or 6.4¢ per share (6.4¢ diluted) compared to $3,091 thousand or 6.3¢ per share (6.3¢ diluted) for the three months ended March 31, 2010. The principal factors influencing FFO were: ➢ Incremental NOI growth of $284 thousand earned by properties which were transferred from properties under development to income producing status during 2010 and 2011. ➢ Same asset NOI growth of $149 thousand. ➢ An increase in share of profit of associates and investment income (net of fair value changes) of $172 thousand. ➢ An increase in financing costs of $209 thousand mainly affected by the replacement of floating-rate debt with long-term debt on new properties and new debenture interest. ➢ An increase in administrative expenses of $181 thousand mainly due to an increase in additional tax consulting and professional fees relating to the potential conversion to a REIT structure and IFRS-related work. ➢ The per share decrease in FFO is attributed to an increase in the number of outstanding shares due to the exercising of options, conversions of convertible debentures and the dividend reinvestment plan.
Debt Service Ratios	➢ For the three months ended March 31, 2011 the interest coverage ratio was 1.8 times and the debt service coverage ratio was 1.5 times, both consistent with the three months ended March 31, 2010. The debt service ratios exceed the requirements under our borrowing arrangements.
Same-Asset Net Property Operating Income	➢ For the three months ended March 31, 2011 same-asset NOI increased compared to the prior year by $149 thousand or 2.0%. Excluding non-cash items and land rents, the same-asset growth was 2.5%.
Weighted Average Effective Cost of Debt	➢ At March 31, 2011 the weighted average effective cost of mortgage debt decreased 29 basis points to 6.20% from 6.49% at March 31, 2010.
Occupancy Levels	➢ At March 31, 2011 overall occupancy increased to 98.0% from 97.1% at March 31, 2010.

PROPERTY AND CORPORATE PERFORMANCE 2011 AND 2010

Funds from Operations (FFO)

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

(000's – except per share amounts and debt coverage ratios) (unaudited)	**3 Months Ended March 31, 2011**	3 Months Ended March 31, 2010
Profit for the period	**$ 6,382**	$ 1,498
Add (deduct):		
Loss on disposal of investment properties	**-**	129
Deferred income tax expense	**2,511**	834
Fair value adjustment to investment properties	**(6,406)**	(928)
Fair value adjustment to investments	**(982)**	(398)
Fair value adjustment to convertible debentures	**1,446**	1,312
Net revaluation of interest rate swaps	**(62)**	-
Non-controlling interest adjustment	**320**	103
Basic FFO	**3,209**	2,550
Adjustment for debenture issuance costs	**-**	541
Basic FFO - adjusted	**3,209**	3,091
Interest on dilutive convertible debentures before income tax	**-**	**-**
Diluted FFO - adjusted	**$ 3,209**	$ 3,091
Basic Weighted Average Shares Outstanding	**50,428**	49,242
Diluted Weighted Average Shares Outstanding	**50,428**	49,255
Basic FFO – adjusted per share	**$ 0.064**	$ 0.063
Diluted FFO – adjusted per share	**$ 0.064**	$ 0.063
Debt coverage ratios		
Interest coverage ratios(1)	**1.8 times**	1.8 times
Debt service coverage ratio(2)	**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 increased by 3.8% over the prior year. Factors positively impacting FFO include: same-asset NOI growth and incremental NOI growth from new developments; an increase in share of profit of associates of $117 thousand (net of fair value changes); and an increase in investment income of $55 thousand. These were offset by an increase in administrative expenses of $181 thousand mainly due to one-time expenses for tax consulting and professional fees relating to the potential conversion to a REIT structure and IFRS-related work, and an increase in interest costs of $209 thousand (affected by the replacement of floating-rate debt with long-term debt on new properties and new debenture interest). FFO per share was also affected by an increase in the number of shares outstanding due to the exercising of options, conversions of convertible debentures and the dividend reinvestment plan.

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 percentage data) (unaudited)	**3 Months Ended March 31, 2011**	3 Months Ended March 31, 2010
Basic FFO - adjusted	$ 3,209	$ 3,091
Add: Amortization of finance charges included in interest expense	193	154
Principal repayment of tenant loans	131	106
Non-controlling interest adjustment	9	9
Less: Non-cash revenue – straight-line rent	(218)	(217)
Equity accounting adjustment	(52)	(48)
Maintenance capital expenditures – existing properties	(127)	(177)
Leasing costs – existing properties	(453)	(170)
Mortgage finance charges – existing properties	(19)	(28)
Basic AFFO	$ 2,673	$ 2,720
Interest on dilutive convertible debentures	-	-
Diluted AFFO	$ 2,673	$ 2,720
Basic AFFO per share	$ 0.053	$ 0.055
Diluted AFFO per share	$ 0.053	$ 0.055
Gross dividend payments	$ 2,548	$ 2,367
AFFO after dividends	$ 125	$ 353
Dividends as a percentage of basic AFFO	95.3%	87.0%
Dividends as a percentage of basic FFO - adjusted	79.4%	76.6%

For the three months ended March 31, 2011, AFFO decreased by $47 thousand over the prior year, mainly due to: an increase in FFO offset by higher than normal leasing costs from tenant improvements.

Same-Asset Net Property Operating Income

Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the three months ended March 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.

(000's, except percentage data) (unaudited)	**3 Months Ended March 31, 2011**	3 Months Ended March 31, 2010
Same-asset rental revenue	$ 12,948	$ 12,524
Same-asset operating expenses	2,881	2,807
Same-asset realty tax expense	2,566	2,365
Same-asset net property operating income	$ 7,501	$ 7,352
Same-asset net property operating income excluding non-cash revenue and land rent	$ 7,903	$ 7,712
Same-asset net property operating income margin excluding non-cash revenue and land rent	61.0%	61.6 %
Total net property operating income	$ 7,706	$ 7,387
Total net property operating income margin	58.0%	58.8 %

As noted in the chart above, the NOI for the same-asset pool is showing growth of $149 thousand over the prior year, due to the lease up at Fairville Boulevard, Fairville Boulevard – II, Les Promenades du Cuivre, Bedford Commons and Granite Drive Plaza which contributed an additional $175 thousand to NOI. Same-asset NOI excluding non-cash revenue and land rent had growth of $191 thousand over the prior year, with the total NOI growing by $319 thousand due to the overall growth in investment properties from development activities.

The increase in total NOI was attributable to:

- the full year impact of 5 properties transferred to income producing status in 2010, accounting for $235 thousand of the increase (annualized impact to NOI of approximately $942 thousand) and 3 properties transferred to income producing status in 2011, accounting for $49 thousand of the increase (annualized impact to NOI of approximately $1.2 million);
- same-asset pool growth of $149 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 $37 thousand.

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	19,265	100%	Q1 11
King & Mill, Newcastle, ON	Single Use	15,051	50%	Q1 11
Torbay & MacDonald, St. John's, NL	Single Use	18,500	100%	Q1 11

2010 Transactions	Property Type	Square Footage	Ownership	Income Producing During
Ottawa Street, Almonte, ON	Single Use	18,365	25%	Q1 10
Amherstview, Amherstview, ON	Single Use	18,029	50%	Q2 10
Scugog Street Port Perry, Port Perry, ON	Single Use	16,776	50%	Q2 10
Ville Marie Drive Plaza, Marystown, NL	Single Use	14,580	100%	Q3 10
Jean Talon, Montreal, QC	Single Use	6,000	35%	Q3 10
Silver Fox, New Minas, NS	Strip Plaza	42,078	100%	Q4 10
Terrace Dufferin, Valleyfield, QC	Strip Plaza	17,587	50%	Disposition Q4 10

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

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

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

Same-asset NOI margins were 57.9% for the three months ended March 31, 2011 (three months ended March 31, 2010 – 58.7%). These margins increase to 61.0% (three months ended March 31, 2010 – 61.6%) when the effect of land rent and non-cash revenue is excluded.

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

Leasing and Occupancy

The following table represents leases expiring for the next 5 years and thereafter for Plazacorp's property portfolio at March 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)]**	**%**
Remainder of 2011	101,773	4.6	46,709	7.3	-	-	**148,482**	**4.3**
2012	121,302	5.4	76,932	12.0	25,293	4.5	**223,527**	**6.5**
2013	142,425	6.4	39,218	6.1	-	-	**181,643**	**5.3**
2014	200,757	9.0	108,084	16.9	-	-	**308,841**	**9.0**
2015	356,841	16.0	75,657	11.8	25,695	4.6	**458,193**	**13.4**
2016	230,870	10.4	29,428	4.6	25,771	4.6	**286,069**	**8.4**
Thereafter	1,075,149	48.2	263,900	41.3	479,946	86.3	**1,818,995**	**53.1**
Subtotal	2,229,117	100.0	639,928	100.0	556,705	100.0	**3,425,750**	**100.0**
Vacant	51,492		18,826		-		**70,318**	
Total	2,280,609		658,754		556,705		**3,496,068**	
Weighted average lease term	7.5 years		6.5		11.4		**7.9 years**	

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

At March 31, 2011, overall occupancy for the portfolio (excluding properties under development and non-consolidated investments) increased to 98.0% from 97.1% at March 31, 2010.

During the first quarter 2011, the Company completed 259 thousand square feet (2010 - 261 thousand square feet) of new and renewal leasing deals at market rates (including leasing at non-consolidated investments). The 259 thousand square feet of leasing was comprised of 49 thousand square feet on new developments, and 210 thousand square feet on existing properties. Excluding leasing at non-consolidated investments, the Company completed 163 thousand square feet of new and renewal leasing deals (2010 - 164 thousand square feet) at market rates. The 163 thousand square feet of leasing was comprised of 15 thousand square feet on new developments and 148 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 97.7% at March 31, 2011, compared to 96.5% at March 31, 2010.
- Average occupancy for enclosed malls was 97.1% at March 31, 2011 compared to 96.9% at March 31, 2010.
- Occupancy for single use assets remained stable at 100% at March 31, 2011.
- Pre-leased space in properties under development and under construction is 72.2% at March 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 March 31, 2011 represent approximately 51.6% of total revenues in place.

	% of Gross Revenue		% of Gross Revenue
1. Shoppers Drug Mart	23.7	6. Bulk Barn	2.6
2. Dollarama	7.2	7. Michael's	2.2
3. Staples	4.1	8. Sobeys	2.0
4. Mark's Work Wearhouse	3.5	9. Winners	1.9
5. Reitmans	2.9	10. Future Shop	1.5

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

	March 31, 2011	March 31, 2010
National	**89.2%**	88.7%
Regional	**4.0%**	4.4%
Local	**6.0%**	6.0%
Non-Retail	**0.8%**	0.9%

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. 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: Centennial Plaza, Marche De L'Ouest, Place Du Marche, Plaza des Recollets, the Village Shopping Centre, Shediac West, Ottawa Street, Hastings Street Bancroft and Main Street Alexandria.

Share of profit of associates includes Plazacorp's share of NOI of approximately $726 thousand, as well as a fair value change of $982 thousand. The significant increase in share of profit of associates, quarter over quarter, was mainly due to the increase in fair value of the underlying investment properties.

Change in Fair Value of Investment Properties

The net gain from the fair value adjustment to investment properties for the three months ended March 31, 2011 is $6.4 million (for the three months ended March 31, 2010 - $928 thousand). The increase in fair values in 2011 is mainly due to a 48 basis points reduction in capitalization rates which were used in the valuation of the Company's properties across all categories of properties. The weighted average capitalization rate at March 31, 2011 was 7.70% compared to 8.18% at March 31, 2010.

Change in Fair Value of Convertible Debentures

The net loss from the fair value adjustment to convertible debentures for the three months ended March 31, 2011 is $1.4 million compared to $1.3 million for March 31, 2010. The increase in fair values is mainly due to a decrease in credit spreads used to calculate the fair value as well as changes in the volatility of the Company's share price.

Loss on Disposals of Investment Properties

During the three months ended March 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 $129 thousand.

Income Tax Expense

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

(000's) (unaudited)	**3 Months Ended March 31, 2011**	3 Months Ended March 31, 2010
Current income taxes	$ 11	$ 11
Deferred income taxes	2,511	834
Total income taxes	$ 2,522	$ 845

Administrative Expenses

Administrative expenses increased by $181 thousand over the prior year, mainly due to additional tax consulting relating to the potential conversion to a REIT structure of $89 thousand and professional fees relating to IFRS-related work of $35 thousand.

OUTLOOK

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

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

Properties under development	Property Type	Square Footage	Ownership	Income Producing
90 Blvd. Tache Ouest, Montmagny, QC	In Planning	-	50%	-
Jean Talon, Montreal, QC	In Planning	-	35%	-
Magog, Magog, QC	Strip Plaza	75,000	50%	-
Bedford Commons – 2, Bedford, NS	Strip Plaza	103,500	100%	Q3 11
Commercial Street Plaza – 2, New Minas, NS	Strip Plaza	-	100%	-
Stavanger Drive, St. John's, NL	Strip Plaza	50,520	90%	Q3 11

There are 7 other conditional land assemblies which are under purchase agreements and subject to due diligence, which would represent 336 thousand additional square feet at completion.

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

PART III

SUMMARY OF SELECTED 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)	Q1'11	Q4'10	Q3'10	Q2'10	Q1'10	Q4'09[1]	Q3'09[1]	Q2'09[1]
Total revenue [2]	**$ 14,796**	$ 14,923	$ 14,216	$ 14,538	$ 13,327	$ 13,233	$ 12,489	$ 12,178
Profit (loss) and total comprehensive income	**$ 6,902**	$ (195)	$ 8,171	$ 14,355	$ 1,818	$ 1,304	$ 755	$ 708
Dividends per share	**5.06¢**	4.81¢	4.81¢	4.81¢	4.81¢	4.63¢	4.63¢	4.63¢
Adjusted earnings (loss) per share - basic	**12.7¢**	(0.3¢)	16.0¢	26.8¢	3.0¢	2.7¢	1.6¢	1.5¢
Adjusted earnings (loss) per share – diluted	**11.3¢**	(0.3¢)	13.8¢	22.8¢	3.0¢	2.7¢	1.6¢	1.5¢
Funds from operations per share – basic [3]	**6.4¢**	6.8¢	7.5¢	6.3¢	6.3¢	6.8¢	7.6¢	6.8¢
Funds from operations per share – diluted [3]	**6.4¢**	6.8¢	7.4¢	6.3¢	6.3¢	6.7¢	7.6¢	6.8¢
Dividends as a percentage of basic FFO	**79.4%**	70.3%	64.4%	76.5%	76.6%	67.4%	60.5%	67.7%
Dividends as a percentage of basic AFFO	**95.3%**	79.1%	66.8%	86.6%	87.0%	72.5%	71.4%	90.8%
Total assets	**$492,103**	$468,990	$453,670	$441,046	$427,353	$308,927	$306,478	$297,705
Total mortgages, bonds, debentures, notes and bank indebtedness	**$290,018**	$283,394	$268,292	$263,309	$262,402	$261,169	$257,189	$247,817
Basic weighted average shares outstanding	**50,428**	49,835	49,611	49,463	49,242	48,651	48,251	47,983
Properties under development	**6**	7	6	6	6	6	7	8
Income producing properties (including non-consolidated investments)	**102**	100	100	97	95	94	91	90
Total properties in portfolio	**108**	107	106	103	101	100	98	98
Rentable Sq. Ft. (at 100% and excluding non-consolidated investments and properties under development)								
Strip Plazas	**2,281**	2,255	2,250	2,247	2,227	2,206	2,222	2,145
Enclosed Malls	**659**	659	658	658	657	651	651	651
Single Use	**557**	529	519	498	463	498	463	463
Total income producing properties	**3,497**	3,443	3,427	3,403	3,347	3,355	3,336	3,259
Occupancy % (excluding non-consolidated investments and properties under development)								
Strip Plazas	**97.7**	97.5	96.9	97.7	96.5	97.0	97.2	96.8
Enclosed Malls	**97.1**	96.8	96.6	96.8	96.9	96.8	97.3	97.5
Single Use	**100.0**	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total income producing properties	**98.0**	97.8	97.3	97.9	97.1	97.4	97.6	97.4

(1) 2009 quarterly results are not in accordance with IFRS, but are based on prior Canadian Generally Accepted Accounting Principles.
(2) Includes investment income and share of profit of associates.
(3) Adjusted for debenture issuance costs.

During the last eight quarters occupancy has been very steady which contributes to stability of cash flow. Many of the Company's leases are tied to a CPI cost recovery formula (57.6%). As well, anchor tenant leases may restrict Common Area Maintenance (CAM) cost recoveries. As a result of both of these factors, seasonal fluctuations in profit 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.

Fluctuations in profit and assets are also caused by asset dispositions with a reduction in associated revenues and the recording of related gains or losses. The following gains (losses) on investment property dispositions are included in profit in the above chart: Quarter 1 – 2011 nil; Quarter 4 – 2010 $38 thousand; Quarter 3 – 2010 $nil; Quarter 2 – 2010 $4 thousand; Quarter 1 – 2010 $(129) thousand; Quarter 4 – 2009 ($8) thousand; Quarter 3 – 2009 ($30) thousand; Quarter 2 – 2009 ($19) thousand.

Comparative figures are affected by changes in accounting principles. The selected comparative information for 2010 is in accordance with IFRS, while the 2009 information is in accordance with previous Canadian Generally Accepted Accounting Principles ("GAAP").

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 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)	$7.5 Million Operating	$25.0 Million Development	$15.0 Million Development
December 31, 2010	$ -	$ 3,987	$ -
Net Change	-	6,034	-
March 31, 2011	$ -	$ 10,021	$ -
Interest rate	Prime + 2.25%	Prime + 1.25%	Prime + 1.25%
Maturity	November 30, 2011	July 31, 2011	July 31, 2011
Security	First charges on pledged property	First charges on pledged property	First charges on pledged property
Other terms	Debt service, interest coverage, occupancy & equity maintenance covenants	Debt service, occupancy, leverage & equity maintenance covenants	Debt service, interest coverage, occupancy & equity maintenance covenants
Line reservations available for letters-of-credit	$2.0 million	$1.5 million	$500 thousand
Issued and outstanding	$514 thousand	-	-

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

The Company has an additional $500 thousand letter-of-credit facility maturing September 30, 2011 with a Canadian chartered bank, secured by Personal Property Security Act (PPSA) charges in various provinces. These letters-of-credit are issued to facilitate municipal planning deposit requirements for the Company's developments. This line was fully drawn at

March 31, 2011. A Company subsidiary also has a $150 thousand unsecured operating line with a Canadian chartered bank upon which no funds were drawn as March 31, 2011.

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

At March 31, 2011, the maximum amount available to be drawn on the $7.5 million operating line was $6.1 million. The amount available to be drawn fluctuates depending on specific assets pledged (to a maximum of $7.5 million at March 31, 2011). Subsequent to quarter end, the maximum was increased from $7.5 million to $8.0 million as a result of adding another property to the security of that operating line.

Debentures and Mortgage Bonds

Mortgage bonds are required to be secured by either property or cash. Mortgage bonds can be deployed up to 90% of the cost of a property under a first or second charge on that property. If it is a second charge, the total debt, including mortgage bonds cannot exceed 90%. Mortgage bonds are re-allocated to different properties from time to time as required. 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. Subsequent to year end the maturity date of Series III mortgage bonds for Tranche 1 and Tranche 2 were extended to September 30, 2011 from May 26, 2011 and July 15, 2011, respectively. Also subsequent to year end, a co-ownership in which the Company owns a 50% interest, issued $6.0 million in mortgage bonds to purchase a re-development 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

Convertible debentures are recorded at fair value and changes in the fair value are recorded quarterly in profit and loss. During the three months ended March 31, 2011, $243 thousand in Series IV convertible debentures were converted to approximately 61 thousand shares, $110 thousand in Series V convertible debentures were converted to approximately 32 thousand shares and $430 thousand in Series VI convertible debentures were converted to approximately 113 thousand shares. Subsequent to year end $575 thousand in Series IV convertible debentures were converted to approximately 144 thousand shares and $100 thousand in Series V convertible debentures were converted to approximately 29 thousand shares.

Series II mortgage bonds of $9.3 million matured March 31, 2010. Of this maturing amount, $5.9 million were converted to Series VI convertible debentures and $3.4 million were repaid.

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

Non-convertible debentures in the amount of $3.0 million were converted to Series VI convertible debentures during the first quarter of 2010.

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 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.

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 March 31, 2011, fixed-rate debt represents 95.7% of mortgages placed on investment properties and floating-rate debt is restricted to assets under development and redevelopment. Management is of the view that such a strategy results in the most conservative interest rate risk management practice. Current maximum market parameters for conventional mortgage debt are in the range of 70% - 75% of the appraised market value of the underlying property, depending upon the particular features and quality of the underlying assets being financed.

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 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.

The following is a mortgage maturity chart by year:

	Remainder 2011	Year 1 2012	Year 2 2013	Year 3 2014	Year 4 2015	Year 5 2016	After 5 Years	Total
Long-term mortgages	2,054	12,781	26,644	19,285	17,765	22,824	93,106	194,459
Mortgages funded by defeasance	-	2,301	-	-	-	-	-	2,301
Development lines of credit	10,021	-	-	-	-	-	-	10,021
Total	12,075	15,082	26,644	19,285	17,765	22,824	93,106	206,781
As a percentage	5.8%	7.3%	12.9%	9.3%	8.6%	11.0%	45.1%	100.0%

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

(000's, except percentage data)	Balance Outstanding March 31, 2011	Effective Rates March 31, 2011	Effective Rates March 31, 2010
Fixed rate mortgage loans	**$ 224,879**	**6.20 %**	6.49 %
Other fixed rate loans with periodic repayments	**$ -**	**-**	8.00 %
Bank operating facility	**$ -**	**Prime + 2.25%**	Prime + 2.25%
Bank development facility	**$ -**	**Prime + 1.25%**	Prime + 2.00%
Bank development facility	**$ 10,021**	**Prime + 1.25%**	Prime + 2.25%
Bank development facility[1]	**$ -**	**-**	Prime + 0.4%

(1) Discharged in 2010.

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 24.4 years.

Shares Outstanding

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

At June 10, 2011	Shares	Share Capital
Current outstanding shares	51,175,118	$ 51,240,819
Employee and Director share options	120,000	523,200
Series IV convertible debentures	916,750	3,993,000
Series V convertible debentures	3,388,826	15,556,000
Series VI convertible debentures	4,878,947	22,945,000
Total adjusted shares outstanding	60,479,641	$ 94,258,019

Land Leases

Return on invested cash or equity is a measure Plazacorp uses to evaluate development and strategic acquisitions. Investing in a project subject to a land lease reduces the cash equity required for an individual project and increases the number of projects which can be undertaken with available capital. This spreads risk and enhances overall shareholder return. In some instances use of a land lease will enhance project feasibility where a project might not otherwise be undertaken without use of a land lease. Currently Plazacorp has 25 long-term land leases with total annual rent of $2.6 million. Land leases expire on dates ranging from 2011 to 2084 with an average life of 44 years, with renewal options ranging from 9 to 66 years with an average of 27 years of renewal options.

Gross Capital Additions Including Leasing Fees:

(000's) (unaudited)	3 Months Ended March 31, 2011	3 Months Ended March 31, 2010
Leasing fees – existing properties	$ 207	$ 80
Leasing fees – redevelopment properties	26	61
Leasing fees – new developments	158	10
Total leasing fees	391	151
Capital additions – existing properties	373	267
Capital additions – redevelopment properties	974	1
Capital additions – new developments	4,771	1,287
Total capital additions	6,118	1,555
Total gross additions	$ 6,509	$ 1,706

COMMITMENTS AND CONTINGENT LIABILITIES

The Company has $10.0 million in short-term commitments in respect of developments activities. Management believes that Plazacorp has sufficient unused bank line availability, and mortgage bond deployment potential, to fund these commitments.

At March 31, 2011, Plazacorp's future contractual commitments, and the estimated timing of these commitments, without adjustment for deferred financing charges deducted under IFRS, are outlined below:

		Payments Due By Year				
(000's) (unaudited)	Total	Remainder 2011	Year 1 2012	Years 2-3 2013-2014	Years 4-5 2015-2016	After 5 years
Mortgages – periodic payments	$28,100	$ 2,900	3,662	6,596	5,414	9,528
Mortgages – due at maturity	194,459	2,054	12,781	45,929	40,589	93,106
Mortgages – funded by defeasance	2,301	-	2,301	-	-	-
Development lines-of-credit	10,021	10,021	-	-	-	-
Mortgage bonds payable	12,585	7,500	3,000	-	2,085	-
Debentures	36,012	4,757	-	12,390	18,865	-
Operating land leases	157,957	1,977	2,630	5,248	5,392	142,710
Development activities	9,979	9,979	-	-	-	-
Total contractual obligations	$451,414	$39,188	$24,374	$70,163	$72,345	$245,344

The Company also has contingent liabilities as original borrower on mortgages assumed by the purchasers of properties in 2007 and 2009. These commitments are subject to indemnity agreements. These sales did not relieve the Company's obligations as original borrower in respect of these mortgages. The debt subject to such guarantees at March 31, 2011 totals $22.4 million and consists of six mortgages with remaining terms ranging from 0.9 years and 11.8 years.

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

PART V

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand for space particularly affect property investments. Management attempts to manage these risks through geographic and retail asset class diversification in the portfolio. At March 31, 2011, the Company held interests in 108 properties spread geographically among six provinces in Canada. Some of the more important risks are outlined below. See Financial Risk Management Note 21 to the Condensed Interim Consolidated Financial Statements for further details. Also see the Company's Annual Information Form dated March 31, 2011 for a complete list of risks and uncertainties.

Interest Rate, Financing and Refinancing Risk

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

The Company mitigates interest rate risk by maintaining the majority of its debt at fixed rates. At March 31, 2011 95.7% of the Company's mortgages are at fixed rates and 4.3% are at floating rates. Floating rate debt is typically used for development or redevelopment projects as interim financing, until the projects are completed and are then able to attract the appropriate long-term financing. The Company mitigates its exposure to fixed-rate interest risk by staggering maturities in order to avoid excessive amounts of debt maturing in any one year. If market conditions warrant, the Company may attempt to renegotiate its existing debt to take advantage of lower interest rates.

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

Credit Risk

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

Currently one tenant, Shoppers Drug mart, represents 23.7% of current monthly gross rents in place. The top 10 tenants collectively represent approximately 51.6% of total revenues in place. National and regional tenants represent 93.2% of the in-place tenant base.

Lease Roll-Over and Occupancy Risk

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

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

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

The hypothetical impact to NOI of a change in occupancy of 1% would be approximately $317 thousand per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions management may take in relation to the changes. Plazacorp's principal management of occupancy risk is the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space.

Development and Acquisition Risk

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

Environmental Risk

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

PART VI

RELATED PARTY TRANSACTIONS

Management Company

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

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

The management agreements entered into by the Company with Plaza Group Management Limited and Les Immeubles Plaza Z-Corp Inc. effective March 30, 2009 contain an "*Alignment of Interests*" provision. Under this section, Plazacorp maintains the option to purchase the assets of Plaza Group Management Limited based upon its book value and to terminate either management agreement if Plazacorp determines that specific circumstances exist or certain events have occurred, including: Earl Brewer and/or Michael Zakuta reduce their ownership interest in Plazacorp below their level of shareholdings as of the date of the agreements; if they sell their interest in the management companies; if there is a change of control of Plazacorp or a sale of substantially all of its assets; or, if the managers are subject to any litigation which results in a court order restricting their ability to carry out their duties effectively under the management agreements.

Further, Plazacorp has the right to terminate the management agreements, at no cost, for any reason during the final two years of the contract term upon six months' notice to the managers.

Mr. Brewer and Mr. Zakuta did not receive any direct compensation from the Company for performing their duties as Chairman and President and Chief Executive Officer, respectively or as directors, during 2011 and 2010.

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

	Plaza Group Management Limited Fee Structure
Property management	3% of gross rents paid.
Corporate management	¾% of gross rents paid in the preceding fiscal year.
Leasing	4% of net rental revenue per year for first five years of lease term.
	2% of net rental revenue per year for years six to ten of lease term.
	Leasing fees for renewal are at 50% of the above rates.
Development	4% of costs of construction on development projects.
	10% of tenant improvement costs on non-development projects.
Debt financing	¾ % of loan amount where no outside broker is involved.
	¼ % of loan amount where an outside broker is involved.
Capital	Where and when permitted by securities law:
	3% of capital raised where no external broker is involved.
	1 ½ % of capital raised where no external broker is involved and where the proceeds are used to retire/redeem maturing capital.
	¾ % of capital raised where an outside broker is involved.
Acquisitions	2% of the purchase price of assets or capitalized value of land leases.
Dispositions	1 ½ % of the proceeds of disposition on assets.
Legal services	Cost recovery basis, currently $185 per hour.

The following amounts were charged under the agreements:

(000's) (unaudited) **Fee Category**	**Included for Reporting Purposes In**	**3 Months Ended March 31, 2011**	3 Months Ended March 31, 2010
Property management	Property operating expenses	**$ 347**	$ 355
Corporate management	Administrative expenses	**97**	87
Leasing	Investment properties	**435**	201
Development	Investment properties	**213**	25
Financing and capital	Debt or equity	**5**	368
Acquisitions	Investment properties	**32**	-
Dispositions	Gain on disposal of investment properties	**-**	9
Legal services	Varies based on service provided	**8**	79
Total		**$ 1,137**	$ 1,124

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) (unaudited)	Interest Rate	March 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
Total		$ 261	$ 261

Bonds and Debentures Held

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

(000's) (unaudited)	March 31, 2011	December 31, 2010
Richard Hamm	$ 325	$ 325
Michael Zakuta	2,313	2,163
Edouard Babineau	1,950	2,150
Earl Brewer	1,321	1,755
Stephen Johnson	1,220	1,220
Barbara Trenholm	464	464
Total	$ 7,593	$ 8,077

Other Related Party Transactions

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

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

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.

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 Condensed Interim Consolidated Financial Statements for March 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 Condensed Interim 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 Condensed Interim Consolidated Financial Statements in Note 24.

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 borrowing costs on debt directly 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 has entered into an interest rate swap to fix the rates for two variable rate mortgages. These mortgages are valued quarterly and are recognized at fair value in mortgages payable with changes in the fair value reflected in profit and loss. At March 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 ending December 31, 2011, and have not been applied in preparing these condensed interim consolidated financial statements. None of these new standards is expected to have a significant effect on the consolidated financial statements of the Company, except for IFRS 9 "Financial Instruments", which becomes mandatory for the Company's 2013 consolidated financial statements and is expected to impact the classification and measurement of financial assets. The extent of the impact has not been determined. Please see Note 3 to the condensed interim 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 March 31, 2011.

APPENDIX A

PROPERTIES OF THE COMPANY

Property	Location	Year Built/ Redeveloped	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Mar-11	Major Tenants
Strip Plazas						
Les Promenades St. Francois	Laval, QC	1987/2001	54,738	100%	100%	Jean Coutu, Dollarama
Plaza Hotel de Ville	Rivière-du-Loup, QC	1990	20,412	100%	100%	Bouclair, Yellow Shoes
Plaza Theriault	Rivière-du-Loup, QC	1995	25,780	100%	100%	National Bank, Reitmans
Plaza BBRF	Sherbrooke, QC	2008	20,631	50%	100%	Shoppers Drug Mart
Plaza Boulevard Royal	Shawinigan, QC	1997/2008	128,222	100%	97%	Caisse Populaire, Dollarama
Carrefour des Seigneurs	Terrebonne, QC	1992/2004	33,900	25%	97%	Jean Coutu
St. Anne Street Plaza	Bathurst, NB	2006	25,299	100%	96%	Dollarama, Reitmans
St. Peters Avenue Plaza	Bathurst, NB	2006	23,273	100%	100%	Shoppers Drug Mart
Champlain Plaza	Dieppe, NB	2005	48,815	100%	100%	Shoppers Drug Mart, Bulk Barn
Boulevard Hebert Plaza	Edmundston, NB	2006	26,689	100%	100%	Shoppers Drug Mart
Victoria Street Plaza	Edmundston, NB	2007	22,229	100%	77%	Reitmans, Dollarama
Dundonald & Smythe	Fredericton, NB	1962/1997	19,265	100%	78%	Dollarama
Empire Plaza	Fredericton, NB	2003	13,743	100%	84%	Dollarama
FHS Plaza	Fredericton, NB	1999	24,280	100%	100%	Cleve's , Bulk Barn
Main Place	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, Bulk Barn
Miramichi Power Cener – 2	Miramichi, NB	2005	21,936	100%	100%	Dollarama, Boston Pizza
Boulevard Plaza	Moncton, NB	2004	83,021	100%	100%	Winners, Michael's
Wedgewood Plaza	Riverview, NB	1999	12,768	100%	100%	Dollarama
Crown Street	Saint John, NB	2006	21,764	100%	100%	Shoppers Drug Mart
Exhibition Plaza	Saint John, NB	2004	75,185	55%	100%	Empire Cinemas
Fairville Boulevard -2	Saint John, NB	2009	61,567	100%	91%	Bulk Barn, Staples
Major Brook Drive Plaza	Saint John, NB	2005	40,559	55%	100%	Michael's, Boston Pizza
McAllister Drive Plaza	Saint John, NB	1999	24,921	55%	100%	McDonald's, Cleve's
SCA Plaza	Saint John, NB	2002	17,429	55%	100%	Bulk Barn
Main and Western Street Plaza	Sussex, NB	2007	14,300	100%	100%	Dollarama
Connell Road Plaza	Woodstock, NB	2004	19,645	100%	88%	Mark's Work Wearhouse, Dollarama
303 Main Street Plaza	Antigonish, NS	2005	19,542	100%	92%	Shoppers Drug Mart
Bedford Commons	Bedford, NS	2009	72,622	100%	92%	Future Shop, Dollarama
Tacoma Centre	Dartmouth, NS	1983/2002	157,305	50%	100%	Sobeys, Dollarama
Tacoma Valley Field	Dartmouth, NS	2005	25,325	50%	91%	Shoppers Drug Mart
201 Chain Lake Drive	Halifax, NS	1995/2004	118,505	50%	97%	Home Outfitters
209 Chain Lake Drive	Halifax, NS	1998	89,549	50%	100%	Value Village, Bulk Barn
Joseph Howe Drive Plaza	Halifax, NS	2007	23,599	100%	100%	Shoppers Drug mart
Staples Plaza	New Glasgow, NS	2001	33,763	100%	100%	Staples
V-8 Plaza	New Glasgow, NS	2004	16,470	100%	100%	Dollarama, Swiss Chalet
Commercial Street Plaza	New Minas, NS	2003	15,342	100%	100%	Swiss Chalet, Penningtons
Granite Drive Plaza	New Minas, NS	2009	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	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
Starr's Road Plaza	Yarmouth, NS	1976/2005	63,704	100%	96%	Empire Theatres, Dollarama
Belvedere Plaza	Charlottetown, PE	1979/2000	77,459	60%	100%	Mark's Work Wearhouse, Indigo
Spring Park Plaza	Charlottetown, PE	1998	49,734	85%	100%	Fabricville, Value Village
UAS Plaza	Charlottetown, PE	2006	23,386	100%	100%	Shoppers Drug Mart, TD Bank

Property	Location	Year Built/ Redeveloped	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Mar-11	Major Tenants
University Plaza	Charlottetown, PE	1977/1998	62,046	43%	100%	Dollarama, Smitty's
Granville Street Plaza	Summerside, PE	1977/2011	60,692	60%	96%	Dollarama, Mark's Work Wearhouse
15260 Yonge Street	Aurora, ON	2006	14,177	50%	100%	Dollarama
Scott Street Plaza	St. Catharines, ON	2007	25,709	50%	100%	Shoppers Drug Mart
Bay Roberts Plaza	Bay Roberts, NL	2006	20,468	100%	100%	Shoppers Drug Mart
Conception Bay South Plaza	Conception Bay South, NL	2006	22,980	100%	100%	Shoppers Drug Mart
Kenmount Road Plaza	St. John, 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
Sub-total			**2,280,609**		**97.7%**	
Enclosed Malls						
Les Galaries Montmagny	Montmagny, QC	1997/1990	138,346	50%	99%	Maxi, Hart, Uniprix
Les Promenades du Cuivre	Rouyn-Noranda, QC	1987/2003	148,911	100%	100%	Hart, Uniprix, Royal Bank
Grand Falls Shopping Centre	Grand Falls, NB	1972/2005	133,970	100%	93%	Staples, Shoppers Drug Mart, Hart
Oromocto Mall	Oromocto, NB	1976/2008	76,401	100%	93%	Shoppers Drug Mart/Dollarama
Gateway Mall	Sussex, NB	1978/2008	161,126	25%	95%	Sobeys, Canadian Tire
Sub-total			**658,754**		**97.1%**	
Single Use						
Plaza BDP	Deux Montagnes, QC	2007	16,940	37.5%	100%	Shoppers Drug Mart
Bureau en Gros	Granby, QC	2000	25,695	50%	100%	Staples
Plaza TS Magog	Magog, QC	2006	17,452	50%	100%	Shoppers Drug Mart
Bureau on Gros	Rimouski, QC	2001	25,771	50%	100%	Staples
CPRDL	Riverière-du-Loup, QC	2007	41,568	50%	100%	Caisse Populair
Plaza Jean XXIII	Trois-Rivieres, QC	2007	16,721	50%	100%	Shoppers Drug Mart
Miramichi West Plaza	Miramichi, NB	2009	18,210	100%	100%	Shoppers Drug Mart
681 Mountain Road	Moncton, NB	2004	19,504	25%	100%	Shoppers Drug Mart
Staples	Saint John, NB	1997	25,293	100%	100%	Staples
Fairville Boulevard – 1	Saint John, NB	2008	57,000	100%	100%	Sobeys
Main and Sackville	Shediac, NB	2009	23,652	100%	100%	Shoppers Drug Mart
Main and Victoria	Shediac, NB	2007	10,287	100%	100%	Dollarama
201 Main Street	Sussex, NB	2007	16,915	25%	100%	Shoppers Drug Mart
Central Avenue Plaza	Greenwood, NS	2006	16,989	100%	100%	Shoppers Drug Mart
912 East River Road	New Glasgow, NS	2005	16,912	100%	100%	Shoppers Drug Mart
Kings Road Plaza	Sydney River, NS	2006	16,847	100%	100%	Shoppers Drug Mart
Amherstview	Amherstview, ON	2010	18,029	50%	100%	Shoppers Drug Mart
615 King Street	Gananoque, ON	2008	16,619	50%	100%	Shoppers Drug Mart
King & Mill	Newcastle, ON	-	15,051	50%	100%	Shoppers Drug Mart
St. Josephs Boulevard	Orleans, ON	2008	16,799	50%	100%	Shoppers Drug Mart
Dufferin & Wilson (Perth)	Perth, ON	2008	16,782	50%	100%	Shoppers Drug Mart
Civic Center Road	Petawawa, ON	2008	17,036	50%	100%	Shoppers Drug Mart
Port Hope Plaza	Port Hope, ON	2008	22,650	50%	100%	Shoppers Drug Mart
Scugog Street Port Perry	Port Perry, ON	2010	16,776	50%	100%	Shoppers Drug Mart
Airport Blvd. Plaza	Gander, NL	2008	18,077	100%	100%	Shoppers Drug Mart
Ville Marie Drive Plaza	Marystown, NL	2010	14,580	100%	100%	Dollarama
Torbay & MacDonald	St. John's, NL	2011	18,550	100%	100%	Shoppers Drug Mart
Sub-total			**556,705**		**100%**	
Income producing properties			**3,496,068**		**98.0%**	
Projects Under Development						
90 Blvd. Tache Ouest	Montmagny, QC	-	-	50%	-	In Planning
Jean Talon	Montreal, QC	-	-	35%	-	In Planning
Magog	Magog, QC	-	75,000	50%	-	In Planning
Oromocto Mall Expansion	Fredericton, NB	-	10,795	100%	33%	Pet Valu
Bedford Commons – 2	Bedford, NS	-	103,500	100%	63%	Winners, Staples, SportChek

Property	Location	Year Built/ Redeveloped	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Mar-11	Major Tenants
Commercial Street Plaza – 2	New Minas, NS	-	-	100%	-	In Planning
Stavanger Drive	St. John's, NL	-	50,520	90%	100%	Best Buy, Petsmart
Sub-total			**239,815**		**49.6%**	
Total Excluding Non-Trust and Partnerships			**3,735,883**		**94.9%**	
Non-Consolidate Trusts and Partnerships						
3550 Sources	Dollard des Ormeaux, QC	2006	8,391	10%	100%	National Bank
Centennial Plaza	Dollard des Ormeaux, QC	1979/2008	152,101	10%	97%	Value Village, Jean Coutu
Marche de L'Ouest	Dollard des Ormeaux, QC	1983/2003	128,151	20%	100%	IGA
Place Du Marche	Dollard des Ormeaux, QC	1979/2008	35,318	10%	86%	Laurentian Bank, Starbucks
BPK Levis	Levis, QC	1985	89,920	10%	100%	Maxidollar
Plaza des Recollets	Trois Rivieres, QC	2006	73,730	15%	100%	Winners/Home Sense
Northwest Centre	Moncton, NB	1998/2003	177,821	10%	100%	Zellers, Princess Auto
Shediac West	Shediac, NB	2009	65,842	10%	100%	Canadian Tire, Sobeys
Main Street Alexandria	Alexandria, ON	2009	17,242	25%	100%	Shoppers Drug Mart
Ottawa Street	Almonte, ON	2010	18,365	25%	100%	Shoppers Drug Mart
Hastings Street Bancroft	Brancroft, ON	2009	17,538	25%	100%	Shoppers Drug Mart
Village Shopping Centre	St. John's, NL	1978/2006	418,363	30%	83%	Hart, Labels, Dollarama, SportChek
Sub-total			**1,202,782**		**93.0%**	
Grand Total			**4,938,665**		**94.4%**	

(1) See page 11 of the MD&A for details on the investment income of these properties.

NOTICE OF NO AUDITOR REVIEW

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

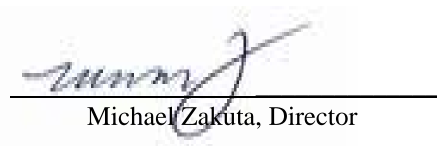
The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements (in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor).

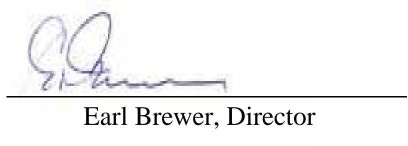
Plazacorp Retail Properties Ltd.
Condensed Interim Consolidated Statements of Financial Position

(unaudited) **(in thousands of Canadian dollars)**	**March 31, 2011**	December 31, 2010	January 1, 2010
Assets			
Cash	$ 5,101	$ 5,407	$ 3,771
Receivables (Note 4)	3,025	1,126	720
Prepaid expenses and deposits (Note 5)	6,418	2,970	2,913
Income taxes receivable	7	22	68
Notes receivable (Note 6)	3,095	2,650	12,533
Tenant loans	1,827	1,624	1,864
Investments (Note 7)	28,980	28,675	23,285
Investment properties (Note 8)	443,650	426,516	375,083
	$ 492,103	$ 468,990	$ 420,237
Liabilities and Shareholders' Equity			
Accounts payable and accrued liabilities	$ 15,100	$ 7,072	$ 5,360
Notes payable (Note 9)	549	555	2,054
Debentures payable (Note 10)	45,255	44,723	22,750
Mortgage bonds payable (Note 11)	12,529	11,622	21,589
Mortgages payable (Note 12)	231,685	226,494	215,955
Deferred income tax liability	40,081	37,570	29,044
	345,199	328,036	296,752
Shareholders' equity	146,904	140,954	123,485
	$ 492,103	$ 468,990	$ 420,237

Contingencies, commitments, guarantees, indemnities, litigation and provisions – see Note 20.
Subsequent events – see Note 23.



Michael Zakuta, Director



Earl Brewer, Director

The notes on pages 32 to 66 are an integral part of these condensed interim consolidated financial statements.

Plazacorp Retail Properties Ltd.
Condensed Interim Consolidated Statements of Comprehensive Income (unaudited)
(in thousands of Canadian dollars, except per share amounts)

	3 Months Ended March 31, 2011	3 Months Ended March 31, 2010
Revenues	**$ 13,278**	$ 12,565
Operating expenses	**(5,572)**	(5,178)
Net property operating income	**7,706**	7,387
Share of profit of associates	**1,390**	689
Administrative expenses	**(574)**	(393)
Investment income	**128**	73
Other expenses	**(19)**	(19)
Results from operations	**8,631**	7,737
Finance costs	**(4,229)**	(4,020)
Finance costs - transaction costs for convertible debenture issuance	**-**	(541)
Finance costs - net loss from fair value adjustments to convertible debentures	**(1,446)**	(1,312)
Finance costs - net revaluation of interest rate swaps	**62**	-
Net gain from fair value adjustments to investment properties	**6,406**	928
Loss on disposal of investment properties	**-**	(129)
Profit before income tax	**9,424**	2,663
Income tax expense		
- Current	**11**	11
- Deferred	**2,511**	834
	2,522	845
Profit and total comprehensive income for the period	**$ 6,902**	$ 1,818
Profit and total comprehensive income for the period attributable to:		
- Shareholders	**$ 6,382**	$ 1,498
- Non-controlling interests	**520**	320
	$ 6,902	$ 1,818
Adjusted earnings per share – basic (Note 14)	**$ 0.127**	$ 0.030
Adjusted earnings per share – diluted (Note 14)	**$ 0.113**	$ 0.030

The notes on pages 32 to 66 are an integral part of these condensed interim consolidated financial statements.

Plazacorp Retail Properties Ltd.
Condensed Interim Consolidated Statements of Changes in Equity
(unaudited)
(in thousands of Canadian dollars)

	Share Capital (Note 14)	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 period	-	1,498	1,498	320	1,818
Transactions with shareholders, recorded directly in equity:					
- Contributions by and distributions to shareholders	1,184	(2,367)	(1,183)	-	(1,183)
- Changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(678)	(678)
Balance as at March 31, 2010	$ 44,533	$ 68,887	$ 113,420	$ 10,022	$ 123,442
Total comprehensive income for the year	$ -	$ 22,593	$ 22,593	$ 1,556	$ 24,149
Transactions with shareholders, recorded directly in equity:					
- Contributions by and distributions to shareholders	4,046	(9,520)	(5,474)	-	(5,474)
- 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	$ -	$ 6,382	$ 6,382	$ 520	$ 6,902
Transactions with shareholders, recorded directly in equity:					
- Contributions by and distributions to shareholders	1,601	(2,548)	(947)	-	(947)
- Changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(5)	(5)
Balance as at March 31, 2011	$ 48,996	$ 86,663	$ 135,659	$ 11,245	$ 146,904

The notes on pages 32 to 66 are an integral part of these condensed interim consolidated financial statements.

Plazacorp Retail Properties Ltd.
Condensed Interim Consolidated Statements of Cash Flows (unaudited)

(in thousands of Canadian dollars)

	3 Months Ended March 31, 2011	3 Months Ended March 31, 2010
Cash obtained from (used for):		
Operating activities		
Profit for the period	**$ 6,902**	$ 1,818
Interest expense	**4,229**	4,020
Items not affecting cash:		
Non-cash investment income	**(1,390)**	(689)
Amortization of finance charges	**193**	154
Net change in fair value of investment properties	**(6,406)**	(928)
Net change in fair value of convertible debentures	**1,446**	1,312
Transaction costs from convertible debenture issuance	**-**	541
Loss on disposal of investment properties	**-**	129
Net change in fair value of interest rate swap	**(62)**	-
Current and deferred income taxes	**2,522**	845
Straight-line rent revenue	**(218)**	(217)
Interest paid	**(4,316)**	(3,992)
Income taxes paid	**(14)**	(41)
Leasing commissions	**(391)**	(151)
Change in non-cash working capital (Note 17)	**(1,225)**	(1,917)
	1,270	884
Financing activities		
Repayment of notes payable	**(6)**	(1,527)
Issue of common shares	**55**	621
Dividends paid to shareholders (Note 15)	**(2,548)**	(2,367)
Dividend reinvestment proceeds	**626**	542
Net proceeds from bonds and debentures	**899**	7,250
Gross mortgage proceeds	**6,680**	11,920
Financing charges incurred from mortgage placement	**(92)**	(100)
Mortgages paid at maturity	**(646)**	(17,618)
Periodic mortgage principal repayments	**(875)**	(803)
	4,093	(2,082)
Investing activities		
Developments and redevelopments	**(6,118)**	(1,555)
Proceeds from disposal of investment properties	**-**	461
Change in bonds purchased for mortgage defeasances	**47**	35
Equity accounted investments – contributions to and distributions from	**1,039**	(95)
Contributions received from/(paid by) subsidiaries to non-controlling interests	**(5)**	(92)
Decrease in deposits for acquisitions and financings	**16**	236
Decrease in notes receivable	**(445)**	7,483
Repayment of tenant loans	**131**	106
Funding of tenant loans	**(334)**	(63)
	(5,669)	6,516
Net increase in cash	**(306)**	5,318
Cash less bank indebtedness, beginning of the period	**5,407**	3,771
Cash less bank indebtedness, end of the period	**$ 5,101**	$ 9,089

The notes on pages 32 to 66 are an integral part of these condensed interim 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 condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the more significant policies of which are described below in Note 3. These accounting policies are based on IFRS standards that are expected to be applicable and what the Company expects to adopt for its December 31, 2011 financial statements (the first annual financial statements to be prepared in accordance with IFRS). As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with IAS 34, "Interim Financial Reporting" and IFRS 1, "First-time Adoption of IFRS".

The condensed interim financial statements do not include all the information required for full annual financial statements.

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 24.

The condensed interim consolidated financial statements were authorized for issue by the Audit Committee on behalf of the Board of Directors of the Company on June 10, 2011.

(b) Basis of Measurement

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for the following items in the condensed interim 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; and
- Investment property measured at fair value.

These condensed interim 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 condensed interim 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 net recoverable amounts, net realizable values and 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 condensed interim 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 condensed interim consolidated statements of financial position at fair value, are valued by qualified external valuation professionals or management. 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. The valuation of investment properties is one of the principal estimates and uncertainties of these financial statements.

3. Summary of Significant Accounting Policies

The 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 purposes 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 24.

(a) General and Consolidation

The condensed interim 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. 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 debt directly 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.

(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 lease. Recoveries from tenants for common area maintenance, real estate taxes and other recoverable costs are recognized as revenue in the period that services are provided.

(ii) Straight-line rent

Certain leases provide for (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 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) Lease Payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(n) 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 ending December 31, 2011, and have not been applied in preparing these condensed interim 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, "Financial Instruments", which will ultimately replace IAS 39, "Financial Instruments – Recognition and Measurement". The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase. This standard becomes effective on January 1, 2013. The Company has yet to assess the impact of the new standard.

In addition to the above, the IASB recently issued three new standards: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", and IFRS 12, "Disclosure of Interest in Other Entities". These new standards are effective on January 1, 2013. The extent of the impact of these new standards has not been determined.

4. Receivables

Receivables consist of the following:

	March 31, 2011	December 31, 2010	January 1, 2010
Tenant accounts receivable, net of allowance	**$ 2,711**	$ 313	$ 354
Excise tax	**289**	427	40
Other receivables	**25**	386	326
Total receivables	**$ 3,025**	$ 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 tenant's account, among other factors. Accounts are written off only when all collection efforts have been exhausted. Allowance for doubtful accounts balance as at March 31, 2011 is $13 thousand (December 31, 2010 - $10 thousand). This amount is deducted from tenant accounts receivable.

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

5. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

	March 31, 2011	December 31, 2010	January 1, 2010
Prepaid expenses	$ 5,681	$ 1,381	$ 1,196
Deposits for acquisitions and financings	176	192	250
Other deposits, primarily property tax escrows under mortgage agreements	561	1,397	1,467
Total prepaid expenses and deposits	$ 6,418	$ 2,970	$ 2,913

6. 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.

7. Investments

Investments consist of the following:

	Ownership Position	**Preferred Return**	**Residual Return**	**March 31, 2011**	December 31, 2010	January 1, 2010
Equity Accounted Investments						
Centennial Plaza Limited Partnership	10%	10%	20%	$ 5,947	$ 5,505	$ 5,191
MDO Limited Partnership	20%	10%	30%	4,284	4,020	3,032
Village Shopping Centre Limited Partnership	30%	8%	50%	11,640	12,321	9,419
Trois Rivieres Limited Partnership	15%	10%	30%	1,641	1,566	1,322
Plazacorp-Shediac Limited Partnership	10%	8%	50%	1,229	986	709
Plazacorp Ontario1 Limited Partnership	25%	4%	25%	1,462	1,453	1,074
				26,203	25,851	20,747
Cost Accounted Investments						
Northwest Plaza Commercial Trust	10%	-	-	260	260	260
				26,463	26,111	21,007
Held-to-Maturity Investments	**Maturity Dates**	**Effective Interest Rate**				
Government of Canada bonds and cash – substituted for mortgage security	Sept 1/11 – Dec 15/11	3.29%		2,517	2,564	2,278
Total investments				$ 28,980	$ 28,675	$ 23,285

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 $2.5 million (December 31, 2010 - $2.5 million; January 1, 2010 - $2.3 million) with yields which are between non-interest bearing to 6.00% (December 31, 2010 – non-interest bearing - 6.00%; January 1, 2010 – 2.75% and 5.50%). Any 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 which mature April 1, 2012.

For the three months ended March 31, 2011 the Company received $1.0 million of dividends (for the three months ended March 31, 2010 - $318 thousand) from its investment in equity accounted investees.

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

March 31, 2011	**Ownership**	**Assets**	**Liabilities**	**Revenues**	**Expenses**	**Profit**
Centennial Plaza Limited Partnership	10%	$ 70,264	$ 29,896	$ 4,660	$ 859	$ 3,801
MDO Limited Partnership	20%	25,437	9,940	1,716	657	1,059
Village Shopping Centre Limited Partnership	30%	49,314	22,472	844	383	461
Trois Rivieres Limited Partnership	15%	13,075	6,251	547	189	358
Plazacorp-Shediac Limited Partnership	10%	9,506	5,918	582	219	363
Plazacorp Ontario1 Limited Partnership	25%	19,159	10,204	965	245	720
		$ 186,755	$ 84,681	$ 9,314	$ 2,552	$ 6,762

December 31, 2010	**Ownership**	**Assets**	**Liabilities**	**Revenues**	**Expenses**	**Profit**
Centennial Plaza Limited Partnership	10%	$ 80,947	$ 40,405	$ 6,272	$ 3,307	$ 2,965
MDO Limited Partnership	20%	24,265	8,972	6,607	2,665	3,942
Village Shopping Centre Limited Partnership	30%	49,786	20,529	6,507	1,431	5,076
Trois Rivieres Limited Partnership	15%	12,814	5,746	2,057	747	1,310
Plazacorp-Shediac Limited Partnership	10%	8,703	5,391	1,593	773	820
Plazacorp Ontario1 Limited Partnership	25%	18,674	10,235	724	970	(246)
		$ 195,189	$ 91,278	$ 23,760	$ 9,893	$ 13,867

January 1, 2010	**Ownership**	**Assets**	**Liabilities**
Centennial Plaza Limited Partnership	10%	$ 74,443	$ 36,095
MDO Limited Partnership	20%	21,622	9,741
Village Shopping Centre Limited Partnership	26.9%	46,173	21,035
Trois Rivieres Limited Partnership	15%	12,554	6,423
Plazacorp-Shediac Limited Partnership	10%	11,302	8,396
Plazacorp Ontario1 Limited Partnership	25%	19,120	9,483
		$ 185,214	$ 91,173

8. Investment Properties

	March 31, 2011	December 31, 2010	January 1, 2010
Balance, beginning of period:	**$ 426,516**	$ 375,083	$ -
Additions (deductions):			
Additions	**10,510**	31,669	-
Disposals	**-**	(4,204)	-
Straight line rent receivable change	**218**	730	-
Fair value adjustment	**6,406**	23,238	-
Balance, end of period:	**$ 443,650**	$ 426,516	$ 375,083

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

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, $39.7 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, capitalization rates are 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 March 31, 2011 the Company has utilized the following range of capitalization rates:

	Number of Properties	Primary Market	Secondary Market
Freestanding	37	6.50% – 7.75%	6.75% - 8.00%
Anchored Strip – Class A	11	6.50% - 7.75%	7.00% - 8.50%
Anchored Strip – Class B	15	7.00% - 8.00%	7.50% - 9.00%
Unanchored Strip	28	7.50% - 8.50%	7.75% - 10.00%
Enclosed Malls – Community	5	7.00% - 9.00%	7.75% - 10.25%

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

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

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

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

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

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

	Number of Properties	Primary Market	Secondary Market
Freestanding	37	6.50% – 8.00%	6.75% - 8.50%
Anchored Strip – Class A	11	6.50% - 7.75%	7.00% - 8.50%
Anchored Strip – Class B	15	7.00% - 8.25%	7.50% - 9.25%
Unanchored Strip	27	7.50% - 8.50%	7.75% - 10.00%
Enclosed Malls – Community	5	7.00% - 9.00%	7.75% - 10.25%

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

	Number of Properties	Primary	Secondary
Freestanding	34	7.25% - 8.25%	7.50% - 9.00%
Anchored Strip – Class A	9	7.25% - 8.00%	7.50% - 8.75%
Anchored Strip – Class B	14	7.50% - 8.25%	7.75% - 9.25%
Unanchored Strip	27	7.75% - 8.50%	8.00% - 10.00%
Enclosed Malls – Community	5	7.75% - 9.00%	8.25% - 10.25%

(a) Straight-line Rent

Included in investment properties as at March 31, 2011 is $5.5 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 March 31, 2011 is $1.1 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 March 31, 2011 is $20.0 million of properties under development (December 31, 2010 - $17.5 million; January 1, 2010 - $8.1 million).

(d) Borrowing Costs

The total amount of borrowing costs capitalized for the three months ended March 31, 2011 is $265 thousand (for the three months ended March 31, 2010 - $80 thousand).

9. Notes Payable

Notes payable consist of the following:

	Interest Rate	**March 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	288	294	293
Total notes payable		$ 549	$ 555	$ 2,054

For the three months ended March 31, 2011 the Company did not expense any related party interest (for the year ended December 31, 2010 - nil).

10. Debentures Payable

Debentures payable consist of the following:

	Maturity Date	Interest Rate	March 31, 2011	December 31, 2010	January 1, 2010
Convertible[1]					
Series IV	July 31, 2011	7.0%	$ 5,180	$ 5,242	$ 4,794
Series V	October 14, 2014	8.0%	16,728	16,304	12,797
Series VI	March 31, 2015	7.5%	23,347	23,177	-
Total convertible debentures			45,255	44,723	17,591
Non convertible debentures[2]	-	8.0%	-	-	5,159
Net debentures			$ 45,255	$ 44,723	$ 22,750

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

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

	Series IV	Series V	Series VI
Conversion price	$4.00	$3.40	$3.80
Company's first redemption date	July 1, 2009	October 14, 2012	March 31, 2013
Maturity date	July 31, 2011	October 14, 2014	March 31, 2015
Face value outstanding March 31, 2011	$4,757	$12,390	$18,865

For the three months ended March 31, 2011, holders of $243 thousand of Series IV convertible debentures, $110 thousand of Series V convertible debentures and $430 thousand of Series VI convertible debentures (for the three months ended March 31, 2010 - nil) exercised their option to convert to 61 thousand common shares, 32 thousand common shares and 113 thousand common shares, respectively (for the three months ended March 31, 2010 – nil). 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.

11. Mortgage Bonds Payable

Mortgage bonds payable are secured by the following properties:

					March 31, 2011	December 31, 2010	January 1, 2010
	Series III	**Series IV**	**Series V**	**Series VI**	**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	-	-	-	1,650	1,650	1,257
Victoria Street Plaza, Edmundston, NB, 1st and 2nd Mortgage	1,900	224	-	-	2,124	2,124	1,669
Commercial Street-Phase 2, New Minas, NS, 1st Mortgage	400	-	-	-	400	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 Mortgage	-	-	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	-	-	-	1,960	1,960	-
Development Land, Charlottetown, PE, 1st Mortgage	1,590	-	-	-	1,590	1,590	-
Gross mortgage bonds payable	$ 7,500	$ 3,000	$ 1,185	$ 900	$ 12,585	$ 11,685	$ 21,685
Less: unamortized finance charges					(56)	(63)	(96)
Net mortgage bonds payable					$ 12,529	$ 11,622	$ 21,589

	Series III	**Series IV**	**Series V**	**Series VI**
Interest Rate	8.0%	7.5%	8.0%	5.25%
Next Redemption Date	n/a	April 25, 2011	n/a	n/a
Maturity Date				
Tranche 1	May 26, 2011	June 30, 2012	June 4, 2016	February 24, 2016
	$5,000	$3,000	$1,185	$900
Tranche 2	July 15, 2011	N/A	N/A	N/A
	$2,500	N/A	N/A	N/A

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

The Company may redeem up to one-half of the bonds on the third and fourth anniversaries of the initial closing date of the bonds at a price equal to the principal amount for Series IV. The Company has no right to redeem the Series V bonds prior to the maturity date. The Company did not redeem any Series IV bonds on April 25, 2011.

Subsequent to quarter end, the maturity dates of the Series III bonds were extended to September 30, 2011.

12. Mortgages Payable

	Rate Range	Weighted Average	Maturity Dates	March 31, 2011	December 31, 2010	January 1, 2010
Fixed rate loans	4.41% - 9.07%	6.20%	Up to Aug 2024	$ 224,879	$ 225,754	$ 171,012
Less: unamortized finance charges				(3,135)	(3,188)	(2,831)
				221,744	222,566	168,181
Other fixed rate loan			-	-	-	1,358
Total net fixed rate mortgage loans				221,744	222,566	169,539
Variable rate loans:						
- $25 million development line of credit	Prime plus 1.25%		July 31, 2011	10,021	3,987	12,116
- $15 million development line of credit	Prime plus 1.25%		July 31, 2011	-	-	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				(61)	(102)	(130)
Total net variable rate loans				9,960	3,885	46,416
Net mortgages payable				231,704	226,451	215,955
Impact of interest rate swaps				(19)	43	-
Total mortgages payable				$ 231,685	$ 226,494	$ 215,955

All mortgages are secured by charges against specific assets. For details on annual principal repayments, see Note 20b Commitments. The unamortized finance charges are made up of fees and costs incurred to obtain the mortgage financing less accumulated amortization.

Included in net mortgages payable are $4.2 million of mortgages obtained 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 acquisition and development facilities with Canadian chartered banks available upon pledging of specific assets. At March 31, 2011 there is $30 million available on the development lines (December 31, 2010 - $36 million; January 1, 2010 - $19 million). Funding is secured by first mortgage charges on properties. The Company must maintain certain financial ratios to comply with the facilities. These covenants include loan-to-value, debt service, interest coverage and occupancy ratios, as well as shareholder equity tests. As of March 31, 2011 the Company is in compliance with all covenants.

13. Bank Indebtedness

The Company has a $7.5 million operating line of credit facility with a Canadian chartered bank at the rate of prime plus 2.25%, maturing November 30, 2011. The amount available to be drawn fluctuates depending on the specific assets pledged as security. At March 31, 2011, the maximum amount available to be drawn on the facility was $6.1 million (increased to $8.0 million subsequent to quarter end). As security, the Company has provided a $10 million demand debenture secured by a first mortgage over four properties. No amounts were drawn on the facility as at March 31, 2011 (December 31, 2010 – nil; January 1, 2010 - nil). A Company subsidiary has a $150 thousand unsecured operating line with a Canadian chartered bank upon which no funds were drawn at March 31, 2011 (December 31, 2010 – nil; January 1, 2010 - nil).

14. 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

	March 31, 2011		December 31, 2010		January 1, 2010	
	Shares	**Amounts**	Shares	Amounts	Shares	Amounts
Common shares outstanding, beginning of the period	**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	**147**	**626**	664	2,171		
Shares issued through debt conversion						
- face value debentures	**206**	**783**	263	1,000		
-impact of fair value of convertible debentures		**132**		38		
Common shares outstanding, end of the period	**50,562**	**$ 48,996**	50,189	$ 47,395	48,836	$ 43,349

The Company is a mutual fund corporation as defined in the Income Tax Act (Canada) and as such shareholders have the right to redeem their common shares at 90% of the lesser of the Market Price of the share (Market Price is defined as the weighted average trading price of the previous 180 trading days) and the most recent Closing Market Price at the time of the redemption. The redemption price may be satisfied by either cash or a note payable, at the discretion of the Company. The note payable would bear interest at a rate equal to the prescribed rate of interest under the Income Tax Act (Canada) in effect at the time of its issue, and will mature and be fully repaid two years after issuance. The notes may also be prepaid without penalty. For the three months ended March 31, 2011 no shareholder had redeemed shares under the mutual fund corporation provisions (for the three months ended March 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 quarter ended March 31, 2011, shareholders were issued 147 thousand shares at a weighted average price of $4.26 per share (for the three months ended March 31, 2010 – 175 thousand shares at a weighted average price of $3.10 per share).

(c) Adjusted Earnings per Share

Basic earnings per share is calculated based on the weighted average number of shares outstanding for the period. Diluted earnings per share considers the potential exercise of outstanding stock options, as well as the potential conversion of convertible debentures that have a dilutive effect on earnings per share. Stock options or convertible debentures that do not reduce earnings per share are anti-dilutive, and are excluded from the dilution per share calculation. For the three months ended March 31, 2011, all of the Company’s stock options were anti-dilutive (for the three months ended March 31, 2010 - all of the Company’s convertible debentures as well as the Series V stock options were anti-dilutive).

	3 Months Ended March 31, 2011	3 Months Ended March 31, 2010
Profit or loss attributable to common shareholders - basic	**$ 6,382**	$ 1,498
Dilutive effect of conversion of – convertible debentures	**418**	-
Profit or loss attributable to common shareholders - diluted	**$ 6,800**	$ 1,498
Basic weighted average shares outstanding	**50,428**	49,242
Effect of dilutive stock options	**-**	13
Effect of dilutive convertible debentures	**9,798**	-
Weighted average number of dilutive shares	**60,226**	49,255

15. Dividends per Share

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

For the three months ended March 31, 2011, the dividends paid were $2.5 million or $0.2025 per share (for the three months ended March 31, 2010 - $2.4 million or $0.1925 per share; for the year ended December 31, 2010 - $9.5 million or $0.1925 per share).

16. 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:

	Directors Options			**Employees Options**		
	March 31, 2011	December 31, 2010	January 1, 2010	**March 31, 2011**	December 31, 2010	January 1, 2010
Options outstanding, beginning of the period	120	120	-	20	446	-
Options granted	-	-	-	-	-	-
Options expired	-	-	-	-	-	-
Options exercised	-	-	-	(20)	(426)	-
Options outstanding, end of the period	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

17. Change in Non-Cash Working Capital

	March 31, 2011	March 31, 2010
Receivables	**$ (1,899)**	$ (4,321)
Prepaid expenses and mortgage deposits	**(3,464)**	(3,457)
Accounts payable and accrued liabilities	**4,109**	5,831
Income taxes payable, net of refundable capital gains tax	**29**	30
Total cash from change in non-cash working capital	**$ (1,225)**	$ (1,917)

18. 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):

	March 31, 2011	December 31, 2010	January 1, 2010
Barbara Trenholm	**$ 464**	$ 464	$ 464
Earl Brewer	**1,321**	1,755	1,655
Edouard Babineau	**1,950**	2,150	1,850
Michael Zakuta	**2,313**	2,163	2,068
Richard Hamm	**325**	325	1,025
Stephen Johnson	**1,220**	1,220	1,220
Total related party mortgage bonds and debentures	**$ 7,593**	$ 8,077	$ 8,282

For the three months ended March 31, 2011 there were $698 thousand debentures converted by Directors of the Company, or companies owned and controlled by Directors (for the three months ended March 31, 2010 – nil). There were $450 thousand in non-convertible debentures and $250 thousand mortgage bonds redeemed by a Director for the year ended December 31, 2010.

(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 business purpose of the leases is to enhance levered returns on the applicable assets. The land leases expire at various times from October 2043 to November 2047.

(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 property, being Earl Brewer (25%) and Michael Zakuta (21.5%). There are no loans outstanding or fees charged by the related parties as a result of the joint ownership.

(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 11.

(c) Management Agreements

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

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

Mr. Brewer and Mr. Zakuta did not receive any direct compensation from the Company for performing their duties as Chairman and President, respectively or as directors, during 2011 and 2010.

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

	Plaza Group Management Limited fee structure
Property Management	3% of gross rents paid.
Corporate Management	¾% of gross rents paid in the preceding fiscal year.
Leasing	4% of net rental revenue per year for first five years of lease term.
	2% of net rental revenue per year for years six to ten of lease term.
	Leasing fees for renewal are at 50% of the above rates.
Development	4% of costs of construction on development projects.
	10% of tenant improvement costs on non-development projects.
Debt Financing	¾ % of loan amount where no outside broker is involved.
	¼ % of loan amount where an outside broker is involved.
Capital	Where and when permitted by securities law:
	3% of capital raised where no external broker is involved.
	1 ½% of capital raised where no external broker is involved and where the proceeds are used to retire/redeem maturing capital.
	¾% of capital raised where an outside broker is involved.
Acquisitions	2% of the purchase price of assets or capitalized value of land leases.
Dispositions	1 ½ % of the proceeds of disposition on assets.
Legal Services	Cost recovery basis, currently $185 per hour.

The following amounts were charged under the contracts:

Fee Category	**Included for Reporting Purposes In**	**March 31, 2011**	March 31, 2010
Property Management	Property operating expenses	**$ 347**	$ 355
Corporate Management	Administrative expenses	**97**	87
Leasing	Investment properties	**435**	201
Development	Investment properties	**213**	25
Financing and Capital	Debt or equity	**5**	368
Acquisitions	Investment properties	**32**	-
Dispositions	Gain or loss on disposal of investment properties	**-**	9
Legal Services	Varies based on service provided	**8**	79
Total		**$ 1,137**	$ 1,124

During the three months ended March 31, 2011, the Company paid nil (for the three months ended March 31, 2010 - nil) to Plaza Group Management Limited and Les Immeubles Plaza Z-Corp Inc., to hold in trust and apply against future minor insurance claims below the insurance company deductibles.

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

	March 31, 2011	December 31, 2010	January 1, 2010
Included with accounts payable and accrued liabilities	**$ 253**	$ 191	$ 447

19. Interests in Joint Ventures

As described in Note 3(a), the condensed interim 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:

	March 31, 2011	December 31, 2010	January 1, 2010
Assets	**$ 100,246**	$ 99,452	$ 82,298
Liabilities	**56,596**	55,478	52,727
Revenues	**3,499**	17,598	-
Expenses	**1,703**	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		
	March 31, 2011	December 31, 2010	January 1, 2010
Accounting Method – Proportionate Consolidation			
Les Galeries Montmagny and Plaza Tache, QC	50%	50%	50%
University Plaza, PE	43%	43%	43%
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	35%	35%	-
Plaza TS Magog, QC	50%	50%	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%	-
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%

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

(a) Contingencies

The Company has a letter-of-credit facility with a Canadian chartered bank secured by Personal Property Security Act (PPSA) charges in various provinces. The facility matures September 30, 2011. These letters-of-credit are issued to facilitate municipal planning deposit requirements for the Company's developments. The facility requires that the Company maintain certain financial ratios. As at March 31, 2011, $500 thousand (December 31, 2010 - $500 thousand; January 1, 2010 - $500 thousand) of such letters-of-credit were issued and outstanding and the Company was in compliance with all covenants.

The $25.0 million development line of credit has a letter-of-credit limit of $1.5 million available. As at March 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 March 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 $7.5 million operating line of credit has $2.0 million available for use in the form of letters-of-credit. As at March 31, 2011, $514 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:

	Remainder 2011	Year 1 2012	Year 2 2013	Year 3 2014	Year 4 2015	Year 5 2016	After 5 Years	Face Value Total
Mortgages – periodic payments	$ 2,900	$ 3,662	$3,555	$3,041	$2,779	$2,635	$9,528	$28,100
Mortgages – due at maturity	2,054	12,781	26,644	19,285	17,765	22,824	93,106	194,459
Mortgages – funded by defeasance	-	2,301	-	-	-	-	-	2,301
Development lines of credit	10,021	-	-	-	-	-	-	10,021
Mortgage bonds payable	7,500	3,000	-	-	-	2,085	-	12,585
Debentures	4,757	-	-	12,390	18,865	-	-	36,012
Operating land leases [(1)]	1,977	2,630	2,591	2,657	2,685	2,707	142,710	157,957
Development activities	9,979	-	-	-	-	-	-	9,979
Total contractual obligations	**$39,188**	**$24,374**	**$32,790**	**$37,373**	**$42,094**	**$30,251**	**$245,344**	**$451,414**

[(1)] *Operating land leases expire on dates ranging from 2011 to 2084 with renewal options ranging from 10 to 60 years.*

(c) Guarantees and Indemnities

The Company continues to guarantee certain debt assumed by purchasers in connection with past dispositions of properties. These guarantees will remain until the debt is modified, refinanced or extinguished. These commitments are subject to indemnity agreements. The estimated amount of the debt subject to such guarantees at March 31, 2011 is $14.2 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 $6.8 million mortgage which expires on May 1, 2013. As well, an $8.2 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 4.7 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 March 31, 2011 the Company's total exposure on the cross-guarantees is $644 thousand for the Granby, QC property (December 31, 2010 - $650 thousand; January 1, 2010 - $692 thousand) and $4.2 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 March 31, 2011 (December 31, 2010 – nil; January 1, 2010 - nil).

21. 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 has entered into interest rate swap contracts with a Canadian chartered bank in connection with mortgages obtained in 2010, in order to convert the mortgages from variable rates to fixed rates (see Note 12). 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 an asset, for Plazacorp's share, of $19 thousand at March 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 mortgage 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 March 31, 2011 if applied to all outstanding floating rate instruments would increase interest expense and decrease pre-tax profit in the annual amount of $100 thousand (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 $317 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 ensuring that the property manager maintains a well staffed and highly skilled leasing department to deal with all leasing issues.

(c) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and will be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss by ensuring that its tenant mix is diversified and weighted to national and regional tenants, which now comprise 93.2% of the in-place tenant base (December 31, 2010 – 93.1%; January 1, 2010 – 92.8%). This is the Company's primary mitigation procedure for exposure to tenant credit risk. The Company limits loans granted under lease arrangements to high credit-rating national tenants. The Company's credit risk is minimized on investment bonds as they consist of Government of Canada bonds.

The Company generally provides financial guarantees only to wholly-owned subsidiaries and joint venture partners only during the development periods, subject to reciprocal indemnities, by utilizing established development lines of credit. These guarantees would be limited to the lower of 75% of the asset cost or 65% of the fair market value. See Note 20(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	**March 31, 2011**	December 31, 2010	January 1, 2010
Held-to-maturity investments	**$ 2,517**	$ 2,564	$ 2,278
Tenant loans, receivables and notes receivable	**7,947**	5,400	15,117
Cash and cash equivalents	**5,101**	5,407	3,771
Total	**$ 15,565**	$ 13,371	$ 21,166

The Company's most significant customer, a national retailer, accounts for the $1.8 million of tenant loans as at March 31, 2011 (December 31, 2010- $1.6 million; January 1, 2010 - $1.9 million). This retailer represents 23.7% of monthly gross rents in place at March 31, 2011. The top 10 tenants collectively represent approximately 51.6% 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 in the current economic climate, lenders may tighten their lending standards, which could make it challenging for the Company to obtain financing on favourable terms or any terms at all. 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**	**Remainder of 2011**	**1-2 years**	**2-5 years**	**More than 5 years**
Accounts payable and accrued liabilities	15,100	15,100	15,100	-	-	-
Debentures payable	45,255	45,335	6,673	4,812	33,850	-
Notes payable	549	549	-	549	-	-
Mortgage bonds payable	12,529	13,696	7,875	3,397	284	2,140
Mortgages payable	231,685	299,268	15,022	72,534	91,588	120,124

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% and 7.00% (December 31, 2010 – 5.50% and 7.00%; January 1, 2010 – 8.00% and 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 March 31, 2011	**Fair Value March 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	**$ 221,744**	**$ 227,196**	$ 222,566	$ 229,764	$ 169,539	$ 163,210
Total net variable rate loans	**9,960**	**9,960**	3,885	3,885	46,416	46,416
Mortgage bonds payable	**12,529**	**12,729**	11,622	11,853	21,589	21,675
Non-convertible debentures payable	**-**	**-**	-	-	5,159	5,152
Notes payable	**549**	**549**	555	555	2,054	2,054
Total	**$ 244,782**	**$ 250,434**	$ 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 March 31, 2011, the fair value of the Company's investment in Government of Canada Bonds of $2.5 million (December 31, 2010 - $2.6 million; January 1, 2010 - $2.3 million) exceeded its recorded value by $13 thousand (December 31, 2010 - $22 thousand; January 1, 2010 - $70 thousand). The Company had no exposure to financial hedges or embedded derivatives as at March 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.

22. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains adequate capital resources in order to support its business and maximize shareholder value. The Company manages its capital structure with the primary goal of minimizing risk to the stability of cash flow from properties. Other goals include maintaining debt service and interest coverage ratios in compliance with bank and debenture covenants. The Company has defined its capital to include bank indebtedness, mortgages payable, debentures 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 three months ended March 31, 2011.

The calculation of the total capital is summarized as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Total net fixed rate mortgage loans	**$ 221,744**	$ 222,566	$ 169,539
Total net variable rate loans	**9,960**	3,885	46,416
Mortgage bonds payable	**12,529**	11,622	21,589
Debentures payable	**45,255**	44,723	22,750
Notes payable	**549**	555	2,054
	290,037	283,351	262,348
Shareholders' equity	**146,904**	140,954	123,485
Total	**$ 436,941**	$ 424,305	$ 385,833

23. Subsequent Events

Dividend Reinvestment Plan

On May 16, 2011, 79.6 thousand shares were issued at a weighted average price of $4.31 per share for a total of $343 thousand under the dividend reinvestment plan.

Financing

Long-term financing was obtained on two properties for $7.3 million at an average interest rate of 5.42%.

The Company added an additional property as security to its $7.5 million bank operating line, increasing the limit and the maximum amount available to be drawn to $8.0 million from $6.1 million.

A mortgage which matures in January 2012, with an original interest rate of 7.7% was defeased and new long-term financing was obtained for $2.6 million at an interest rate of 4.2%

Debentures

$1.1 million in Series IV convertible debentures were converted to 272,500 shares.
$868 thousand in Series V convertible debentures were converted to 255,294 shares.
$325 thousand in Series VI convertible debentures were converted to 85,526 shares.

Mortgage Bonds

The maturity dates for $6.89 million of Series III mortgage bonds for Tranche 1 and Tranche 2 were extended to September 30, 2011 from May 26, 2011 and July 15, 2011, respectively. The remaining $612 thousand of Series III mortgage bonds were redeemed by the Company.

A co-ownership, in which the Company owns a 50% interest, issued $6.0 million in mortgage bonds to purchase a re-development property located in Quebec. The term is one year and has an interest rate of 7.0%. The Company's share of the mortgage bond is $3.0 million.

Promissory Note

The Company issued two promissory notes for $750,000 each, on June 1st 2011. One of the notes is owed to an entity controlled by Michael Zakuta and the other note is owed to an entity controlled by Earl Brewer. Both have a term of four months and an annual interest rate of 6%.

Acquisition

The Company purchased land for future development in Charlottetown, PE for $1.4 million.

The Company purchased a property in Charlottetown, PE for $4.25 million which is income producing.

The Company is committed to purchase a property in Sherbrooke, QC for $9 million through a co-ownership in which the Company has a 50% interest. This purchase will close on June 13, 2011.

The Company purchased land in New Glasgow for $850 thousand that had previously been rented under a land lease with the vendor.

24. Transition to IFRS

The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. These condensed interim consolidated financial statements were prepared as described in Note 2, including the application of IFRS 1. This is the first consolidated interim financial statement prepared in accordance with IFRS, in compliance with IAS 34, "Interim Financial Reporting". As a result, 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, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time adopters, which are described in more detail as they apply to the Company below. 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 these condensed interim 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 and 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	March 31, 2010	January 1, 2010
Shareholders' equity as reported under former Canadian GAAP		$ 25,225	$ 27,443	$ 28,060
Non-controlling interests to shareholders' equity	(i)	(1,338)	(1,076)	(672)
Differences increasing (decreasing) reported amount:				
Investment properties	(ii)	132,762	103,516	100,332
Investments	(iii)	21,274	17,062	16,664
Convertible debentures	(iv)	(9,372)	(3,153)	(1,179)
Lease accounting	(v)	92	115	123
Deferred income taxes	(vi)	(27,363)	(20,037)	(19,534)
Refundable capital gains tax	(vii)	(63)	(132)	(30)
Borrowing costs	(viii)	(245)	(185)	(183)
Variable interest entities	(x)	46	(30)	1
Stock options	(xi)	(64)	(81)	(97)
Shareholders' equity as reported under IFRS		$ 140,954	$ 123,442	$ 123,485

	Notes	12 Months Ended December 31, 2010	3 Months Ended March 31, 2010
Comprehensive income as reported under former Canadian GAAP		$ 2,518	$ 356
Add back: non-controlling interests	(ix)	476	203
Differences increasing (decreasing) reported amount:			
Investment properties	(ii)	32,603	3,355
Investments	(iii)	4,612	398
Convertible debentures	(iv)	(8,037)	(1,747)
Lease accounting	(v)	(31)	(8)
Deferred income taxes	(vi)	(7,747)	(503)
Refundable capital gains tax	(vii)	(82)	(106)
Borrowing costs	(viii)	(63)	(30)
Variable interest entities	(x)	(100)	(100)
Comprehensive income as reported under IFRS		$ 24,149	$ 1,818

(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 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 and 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	IFRS	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
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
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
Straight-line rent receivables	a, d	5,245	(5,245)	-	4,582	(4,582)	-
Tenant loans	a	1,679	(55)	1,624	2,489	(625)	1,864
Investments	a, e	7,401	21,274	28,675	6,380	16,905	23,285
Surplus lands	f	957	(957)	-	748	(748)	-
Investment properties	a, b	267,267	159,249	426,516	266,380	108,703	375,083
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)	-
Deferred income tax asset(1)		315	(315)	-	793	(793)	-
Goodwill	j	2,025	(2,025)	-	2,025	(2,025)	-
Deficits of subsidiaries	a, k	1,338	(1,338)	-	1,193	(1,193)	-
		$ 317,136	$ 151,854	$ 468,990	$ 308,927	$ 111,310	$ 420,237
Liabilities							
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
Debentures payable	l	35,351	9,372	44,723	21,571	1,179	22,750
Mortgage bonds payable		11,622	-	11,622	21,589	-	21,589
Mortgages payable	a, c	226,494	-	226,494	215,955	-	215,955
Deferred income tax liability	m	10,522	27,048	37,570	10,303	18,741	29,044
Below market leases	i	268	(268)	-	361	(361)	-
Income taxes payable(2)		37	(37)	-	-	-	-
		291,911	36,125	328,036	278,031	18,721	296,752
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	$ 151,854	$ 468,990	$ 308,927	$ 111,310	$ 420,237

(1) Reclassed to deferred income tax liability
(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)
Results from operations		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**
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 $27,363 thousand at December 31, 2010 and $19,534 thousand at January 1, 2010 (before reclassification of the deferred income tax asset). 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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